

“RIGA SHIPYARD” JSC /AS “RĪGAS KUĢU BŪVĒTAVA /

***“RIGA SHIPYARD” JSC***  
***financial statements for 6 months of the year 2008***  
***(not audited)***  
***(not consolidated)***

***Riga, 2008***

***Content***

|                                   | <i>Pages</i> |
|-----------------------------------|--------------|
| Information on the company        | 3            |
| Directorship report               | 4            |
| Profit& loss calculation          | 6            |
| Balance sheet                     | 7            |
| Cash flow statement               | 9            |
| Equity changes report             | 10           |
| Notes to the financial statements | 11           |

**Information on the company**

|                                      |   |
|--------------------------------------|---|
| Name of the company                  | <b>Joint stock company “Riga shipyard”</b>  |
| Legal status                         | Joint stock company   |
| Incorporation number, place and date | 000304589, 5 December 1991, companies register, Riga<br>40003045892, 26 August 2004, commercial register, Riga  |
| Registered office                    | 2 Gales street, Riga, LV-1015   |
| Stock capital of the enterprise      | Ls 11 672 107   |
| Core business of the enterprise      | - building and repair of ships, yachts, catamarans, roll trailers and technological equipment<br>- Port services<br>- Wood processing, manufacturing of furniture designed for various functional purposes etc. |
| Associate enterprise                 | “Tosmare Shipyard” JSC  |
| Address                              | 42/44 Generala Baloza Street, Liepaya   |
| Partnership                          | 49,72%  |
| Associate enterprise                 | “Remars Granula” SIA  |
| Address                              | 2 Gales street, Riga, LV-1015   |
| Partnership                          | 49,80%  |

Name, surnames and positions of members of the Board

|                  |   |
|------------------|---|
| Vasilijs Melniks | Chairman of the Board, p. ID 310867-10726                         |
| Aivars Stolders  | Member of the Board, p. ID 060569-10634                           |
| Igors Komarovs   | Member of the Board, p. ID 040756-10902                           |
| Larisa Artemenko | Member of the Board, p. ID 030349-12926                           |
| Irina Rudzate    | Member of the Board, p. ID 091066-11012 (appointed on 20.03.2008) |

Name, surnames and positions of members of the Council

|                                |   |
|--------------------------------|---|
| Sergejs Golicins               | Chairman of the Council p.ID 250154-10952   |
| Anatolijs Ustinovs             | Deputy Chairman of the Council p.ID 010146-10964                                      |
| Aleksandrs Cernavskis          | Member of the Council, p. ID 230770-10102   |
| Andris Kravalis                | Member of the Council, p. ID 250977-11002   |
| Juris Kaksitis                 | Member of the Council, p. ID 270443-10124   |
| Chief accountant               | Marina Pudova, phone 7080868  |
| Annual report                  | 1 January – 30 June 2008  |
| Tax authority                  | SRS Riga regional institution Ziemeļu district division                               |
| Name and address of an auditor | Sworn auditors firm KSIA “ORIENTS N”<br>LSAA certificate No 28                        |
| Responsible person             | Larisa Artemenko<br>Member of the board<br>t.7353411 E-mail :larisa@riga-shipyard.com |

“Riga shipyard” JSC directorship statement to  
the year 2008 6 month report

JSC "Riga shipyard" business during 6 months of the year 2008 was persistent and stable and it continued the previous years set in the course of development.

In the past 6 months of the year 2008 JSC's "Riga shipyard" total net turnover made up Ls 18074955, including shipbuilding - Ls 6886203, ship repairing - Ls 11003126 (compared to 2007 6 months Ls 13994378, including ship building - Ls 8329983, ship repairing - Ls 5522943). Company's gross losses made up Ls 152826, which is respectively four times less than the previous year period (compared to 2007 6 months - Ls 624943). The net losses after tax deduction in 2008 6 months made up Ls 498754, which is accordingly two times less than in the previous year (Ls 990759 in 2007 6 months).

During the 6 months of the year 2008 JSC "Riga Shipyard" repaired 41 ship in total (compared to 34 ship in 2007 6 months), also it has built up and launched on water 6 halls (compared to 5 hulls in 2007 6 months), as well as two new built complete tug boats have been turned over for exploitation for the Riga Free Port authorities.

"Riga shipyard" JSC's products and services as well as material suppliers did not change dramatically: Western Europe, Russia, Ukraine, Lithuania as well as Latvia. Traditionally, the major ship repair customers have been Western European, Russian, Lithuanian and Latvian ship owners, however hull-building customers are mostly from the Scandinavian states, but tug owners are mainly from Latvia.

During 6 months period of the year 2008, JSC "Riga shipyard" has invested approximately 793 thousands Ls into a new technological equipment acquisition and reconstruction (compared to 458 thousands Ls in 2007 6 months).

In the February 2008 a new central heating boiler-house has been put into operation renovation of which has been started in the year 2007. As a result of the boiler-house reconstruction heating energy losses reduced 3.5 times. New plasma metal cutting equipment has been purchased in the result of which pollution amount in the ship blocks production dramatically reduced. Energy-welding equipment has been also purchased. Pier #8 and bridge-crane thorough repairs have been carried out.

In the 1<sup>st</sup> half-year of 2008 the projects related to the sphere of energy resources reduction have been started such as workshop's heating and ventilation systems reconstruction.

In the future JSC "Riga shipyard" will pay the most attention to the enterprise's technical provision, especially to more available technological processes and equipment with lower energy power expenditure.

Chairmen of the Board

***V. MELNIKS***

August 29<sup>st</sup>, 2008  
“Riga Shipyard” JSC

***Notification on liability of the board***

The board of the enterprise is liable for preparation of a financial report, grounding on initial accountancy per each accounting period, which correctly reflects financial situation of the enterprise as at the end of the year of account, as well as results and cash flow for this period.

The board endorses that, preparing this report for the period ended on June 30th 2008, there were used corresponding accounting methods, their application was consequent, there were made reasonable and prudent resolutions. The board endorses that corresponding International Accounting standards are observed and financial reports are prepared in compliance with principle of continuation of business.

The board is liable for administering of respective accounting reports, for perseverance of means of the enterprise, as well as for elimination of deceit and other dishonest acts.

Chairmen of the Board

***V. MELNIKS***

August 29<sup>st</sup>, 2008  
“Riga Shipyard” JSC

**Profit & Loss calculation for 2008 year 6 months and 2007 year 6 months**

|  | Remarks | <b>2008<br/>6 months<br/>Ls</b> | <b>2007<br/>6 months<br/>Ls</b> | <b>2008<br/>6 months<br/>EUR</b> | <b>2007<br/>6 months<br/>EUR</b> |
|--|---------|---------------------------------|---------------------------------|----------------------------------|----------------------------------|
| 1. Net turnover  | (1)     | 18074955                        | 13997378                        | 25718344                         | 19916475                         |
| 2. Sold production operating costs   | (2)     | 18227781                        | 14622321                        | 25935796                         | 20805688                         |
| <b>3. Gross profit or losses</b>   |         | <b>(152826)</b>                 | <b>(624943)</b>                 | <b>(217452)</b>                  | <b>(889213)</b>                  |
| 4. Selling costs   | (3)     | 20600                           | 27383                           | 29311                            | 38962                            |
| 5. Administration costs  | (4)     | 424265                          | 394755                          | 603675                           | 561686                           |
| 6. Other enterprise's business activity's income   | (5)     | 541466                          | 472332                          | 770437                           | 672068                           |
| 7. Other enterprise's business activity's costs  | (6)     | 419607                          | 255811                          | 597047                           | 363986                           |
| <b>8. Profit &amp; Losses of business activity's</b>                                     |         | <b>(475832)</b>                 | <b>(830560)</b>                 | <b>(677048)</b>                  | <b>(1181779)</b>                 |
| 9. Income from investments in capital of related and associated companies                |         |                                 |                                 |                                  |                                  |
| 10. Other percents and the like income   | (7)     | 260335                          | 26016                           | 370423                           | 37017                            |
| 11. Write-offs of the value of long-term financial investments and short-term securities |         |                                 |                                 |                                  |                                  |
| 12. Payment off percents and the like costs  | (8)     | 220898                          | 139416                          | 314310                           | 198371                           |
| <b>13. Profit &amp; Losses prior to extra ordinary items and taxes</b>                   |         | <b>(436395)</b>                 | <b>(943960)</b>                 | <b>(620935)</b>                  | <b>(1343133)</b>                 |
| 14. Extraordinary income   |         |                                 |                                 |                                  |                                  |
| 15. Extraordinary expense  |         |                                 |                                 |                                  |                                  |
| <b>16. Profit &amp; loss prior to taxes</b>  |         | <b>(436395)</b>                 | <b>(943960)</b>                 | <b>(620935)</b>                  | <b>(1343133)</b>                 |
| 17. Income taxes of the enterprise   | (9)     | 12404                           | 34602                           | 17649                            | 49235                            |
| 18. Other taxes  | (10)    | 49955                           | 12197                           | 71080                            | 17355                            |
| <b>19. Year of account profit &amp; loss (net income)</b>                                |         | <b>(498754)</b>                 | <b>(990759)</b>                 | <b>(709664)</b>                  | <b>(1409723)</b>                 |

Chairman of the Board

**V. MELNIKS**

Member of the Board

**L. ARTEMENKO**

August 29st, 2008

*“Riga shipyard” JSC*  
*financial statements for 6 months of the year 2008*

**Balance as is at 30 June 2008 year**

| ASSETS   | Remarks | 2008<br>6 months<br>Ls | 2007<br>6 months<br>Ls | 2008<br>6 months<br>EUR | 2007<br>6 months<br>EUR |
|--|---------|------------------------|------------------------|-------------------------|-------------------------|
| <b>Long-term investments</b>   |         |                        |                        |                         |                         |
| <b>I Intangible investments</b>                                      |         |                        |                        |                         |                         |
| 1. Research and development costs                                    |         |                        |                        |                         |                         |
| 2. Concessions, patents, licences, trade-marks and similar right     |         |                        |                        |                         |                         |
| 3. Other intangible investments                                      |         | 33693                  | 47494                  | 47941                   | 67578                   |
| 4. Goodwill  |         |                        |                        |                         |                         |
| 5. Advance payments of intangible investments                        |         | 167238                 | 170535                 | 237958                  | 242649                  |
| <b>Intangible investments in total</b>                               | 11      | <b>200931</b>          | <b>218029</b>          | <b>285899</b>           | <b>310227</b>           |
| <b>II Fixed assets</b>   |         |                        |                        |                         |                         |
| 1. Lands, buildings, constructions, perennial plants                 |         | 3514248                | 3033668                | 5000326                 | 4316521                 |
| 2. Long-term investments into leased fixed assets                    |         | 3304                   | 9484                   | 4701                    | 13495                   |
| 3. Equipment and machinery   |         | 14093557               | 3461589                | 20053323                | 4925397                 |
| 4. Other fixed assets and stock                                      |         | 448539                 | 434699                 | 638213                  | 618521                  |
| 5. Up building of fixed assets and unfinished building objects costs |         | 281020                 | 408848                 | 399856                  | 581738                  |
| 6. Advanced payments for fixed assets                                |         | 5388                   | 9817                   | 7667                    | 13968                   |
| <b>Fixed assets in total</b>   |         | <b>18346056</b>        | <b>7358105</b>         | <b>26104086</b>         | <b>10469640</b>         |
| <b>III Property deposit</b>  |         |                        |                        |                         |                         |
|  |         | 433984                 | 441028                 | 617504                  | 627526                  |
| <b>Fixed assets and property deposit in total</b>                    | 12      | <b>18780040</b>        | <b>7799133</b>         | <b>26721590</b>         | <b>11097166</b>         |
| <b>IV Long-term financial investments</b>                            |         |                        |                        |                         |                         |
| 1. Participation in capital of related companies                     |         |                        |                        |                         |                         |
| 2. Participation in capital of associated companies                  | 13      | 3008147                | 2164782                | 4280207                 | 3080207                 |
| 3. Loans to the associated companies                                 | 14      | 283540                 |                        | 403441                  |                         |
| 4. Other equities and investments                                    | 15      | 165                    | 165                    | 235                     | 235                     |
| 5. Other loans and other long-term debtors                           | 16      | 566474                 | 862167                 | 806020                  | 1226753                 |
| 6. Loans to copartners of the enterprises and to the directorship    | 17      | 342284                 | 352284                 | 487026                  | 501255                  |
| <b>Long-term financial investments in total</b>                      |         | <b>4200610</b>         | <b>3379398</b>         | <b>5976929</b>          | <b>4808450</b>          |
| <b>Long-term investments in total</b>                                |         | <b>23181581</b>        | <b>11396560</b>        | <b>32984418</b>         | <b>16215843</b>         |
| <b>Current assets</b>  |         |                        |                        |                         |                         |
| <b>I Reserves</b>  |         |                        |                        |                         |                         |
| 1. Raw materials, direct materials and auxiliary materials           | 18      | 31101108               | 5806955                | 4425285                 | 8262553                 |
| 2. Unfinished production   | 19      | 651100                 | 51837                  | 926432                  | 73757                   |
| 3. Unfinished order  | 20      | 1161100                | 837426                 | 1652096                 | 1191550                 |
| 4. Advance payments for goods  | 21      | 4164433                | 453636                 | 5925454                 | 645466                  |
| <b>Reserves in total</b>   |         | <b>9086741</b>         | <b>7149854</b>         | <b>12929267</b>         | <b>10173326</b>         |
| <b>II Debts of debtors</b>   |         |                        |                        |                         |                         |
| 1. Debts of buyers and customers                                     | 22      | 4605724                | 2999785                | 6553355                 | 4268310                 |
| 2. Debts of related companies  | 23      | 96155                  | 16449                  | 136816                  | 23405                   |
| 3. Associated companies debts  | 24      | 482406                 | 608235                 | 686402                  | 865440                  |
| 4. Other debtors   | 25      | 222676                 | 1064239                | 316839                  | 1514276                 |
| 6. Next period costs   | 26      | 160160                 | 69037                  | 227887                  | 98231                   |
| 7. Accrued proceeds  | 27      | 7148614                | 9927542                | 10171561                | 14125620                |
| <b>Debtors in total</b>  |         | <b>112715735</b>       | <b>14685287</b>        | <b>18092860</b>         | <b>20895282</b>         |
| <b>III Short-term financial investments</b>                          |         |                        |                        |                         |                         |
| 1. Participation in capital of related companies                     |         |                        |                        |                         |                         |
| <b>Short-term financial investments in total</b>                     |         |                        |                        |                         |                         |
| <b>Cash assets</b>   | 28      | <b>5129707</b>         | <b>47674</b>           | <b>7298915</b>          | <b>67834</b>            |
| <b>Current assets in total</b>                                       |         | <b>26932183</b>        | <b>21882815</b>        | <b>38321042</b>         | <b>31136442</b>         |
| <b>Assets in total</b>   |         | <b>50113764</b>        | <b>33279375</b>        | <b>71305460</b>         | <b>47352285</b>         |

Chairman of the Board  
Member of the Board

**V. MELNIKS**  
**L. ARTEMENKO**

*“Riga shipyard” JSC*  
*financial statements for 6 months of the year 2008*

| LIABILITIES   | Remarks | 2008<br>6 months<br>Ls | 2007<br>6 months<br>Ls | 2008<br>6 months<br>EUR | 2007<br>6 months<br>EUR |
|---|---------|------------------------|------------------------|-------------------------|-------------------------|
| <b>I Equity capital</b>                               |         |                        |                        |                         |                         |
| 1. Stock or share capital (equity capital)            |         | 11672107               | 11672107               | 16607912                | 16607912                |
| 2. Long-term investment revaluation reserve           |         | 10666906               |                        | 15177640                |                         |
| 3. Retained earnings                                  |         |                        |                        |                         |                         |
| a) previous years retained earnings                   |         | 3077375                | 2908190                | 4378710                 | 4137982                 |
| b) year of account retained earnings                  |         | -498754                | -990759                | -709664                 | -1409723                |
| <i>Retained earnings in total</i>                     |         | <i>2578621</i>         | <i>1917431</i>         | <i>3669046</i>          | <i>2728259</i>          |
| <b>Equity capital in total</b>                        | 29      | <b>24917634</b>        | <b>13589538</b>        | <b>35454598</b>         | <b>19336171</b>         |
| <b>II Provision for liabilities and charges</b>       |         |                        |                        |                         |                         |
| 1. Provision for pensions and similar obligations     |         |                        |                        |                         |                         |
| 2. Provision for contingent tax                       |         |                        |                        |                         |                         |
| 3. Other provisions                                   |         |                        |                        |                         |                         |
| <b>Provision for liabilities and charges in total</b> |         |                        |                        |                         |                         |
| <b>III Creditors</b>                                  |         |                        |                        |                         |                         |
| <b>I Long-term debts</b>                              |         |                        |                        |                         |                         |
| 1. Liability of leasing                               |         |                        | 2954                   |                         | 4203                    |
| 2. Deferred taxation reserves liabilities             |         | 417985                 | 386791                 | 594739                  | 550354                  |
| <b>Long-term debts in total</b>                       |         | <b>417985</b>          | <b>389745</b>          | <b>594739</b>           | <b>554557</b>           |
| <b>II Short-term debts</b>                            |         |                        |                        |                         |                         |
| 1. Loans from credit institutions                     | 30      | 5407948                | 5797614                | 7694817                 | 8249262                 |
| 2. Liability of leasing                               |         |                        | 2886                   |                         | 4106                    |
| 3. Advance payments received from buyers              | 31      | 13979309               | 9481221                | 19890765                | 13490562                |
| 4. Debts to suppliers and contractors                 | 32      | 3899228                | 2677686                | 5548102                 | 3810004                 |
| 5. Debts to related companies                         |         |                        |                        |                         |                         |
| 6. Debts to associated companies                      | 33      | 293                    | 787                    | 417                     | 1120                    |
| 7. Taxes and social insurance payments                | 34      | 278395                 | 195400                 | 396120                  | 278029                  |
| 8. Other creditors                                    | 35      | 313670                 | 283945                 | 446311                  | 404017                  |
| 9. Next period income                                 |         | 8000                   |                        | 11383                   |                         |
| 10. Unpaid previous years dividends                   | 36      | 25044                  | 253451                 | 35634                   | 360628                  |
| 11. Accrued liabilities                               | 37      | 866258                 | 607102                 | 1232574                 | 863829                  |
| <b>Short-term creditors in total</b>                  |         | <b>24778145</b>        | <b>19300092</b>        | <b>35256123</b>         | <b>27461557</b>         |
| <b>Creditors in total</b>                             |         | <b>25196130</b>        | <b>19689837</b>        | <b>35850862</b>         | <b>28016114</b>         |
| <b>Total</b>  |         | <b>50113764</b>        | <b>33279375</b>        | <b>71305460</b>         | <b>47352285</b>         |

Chairman of the Board  
Member of the Board

**V. MELNIKS**  
**L. ARTEMENKO**

August 29st, 2008



*“Riga shipyard” JSC*  
*financial statements for 6 months of the year 2008*

Cash flow statement for 2008 year 6 months and 2007 year 6 months

|   | 2008<br>6 months<br>Ls | 2007<br>6 months<br>Ls | 2008<br>6 months<br>EUR | 2007<br>6 months<br>EUR |
|---|------------------------|------------------------|-------------------------|-------------------------|
| <b>A Cash flow from primary activity</b>                                  |                        |                        |                         |                         |
| Sales income  | 19548804               | 11283192               | 27815442                | 16054536                |
| Cash to suppliers, personnel and others primary activity costs            | 21287756               | 14037601               | 30289747                | 19973707                |
| <b>Gross cash flow from primary activity</b>                              | <b>(1738952)</b>       | <b>(2754409)</b>       | <b>(2474305)</b>        | <b>(3919171)</b>        |
| Interest paid   | 177010                 | 89787                  | 251863                  | 127755                  |
| Corporate income tax  |                        | 5048                   |                         | 7183                    |
| Primary activity before extraordinary items                               | (1915962)              | (2849244)              | (2726168)               | (4054109)               |
| Cash flow from extraordinary items  |                        |                        |                         |                         |
| <b>Net cash flow from primary activity</b>                                | <b>(1915962)</b>       | <b>(2849244)</b>       | <b>(2726168)</b>        | <b>(4054109)</b>        |
| <b>B Cash flow from investment activity</b>                               |                        |                        |                         |                         |
| Selling out of shares   |                        |                        |                         |                         |
| Paid for fixed assets acquisition   | 528270                 | 159359                 | 751660                  | 226747                  |
| Received for the fixed assets sold  | 42400                  | 0                      | 60330                   | 0                       |
| Loans granted   | 2706                   | 2610                   | 3850                    | 3714                    |
| Repayment of loans  | 4215                   | 5241                   | 5997                    | 7457                    |
| Interest received   | 260335                 | 894                    | 370423                  | 1272                    |
| <b>Net cash flow from financial activity</b>                              | <b>(224026)</b>        | <b>(155834)</b>        | <b>(318760)</b>         | <b>(221732)</b>         |
| <b>C Cash flow from financial activities</b>                              |                        |                        |                         |                         |
| Loan received   |                        | 3009893                |                         | 4282692                 |
| Loan repaid   | 1933287                | 3019                   | 2750821                 | 4296                    |
| Dividend paid   | 484                    | 173                    | 689                     | 246                     |
| <b>Net cash flow from financial activities</b>                            | <b>(1933771)</b>       | <b>3006701</b>         | <b>(2745510)</b>        | <b>4278150</b>          |
| Result of currency exchange rates changing                                | (31607)                | 17608                  | (44972)                 | 25054                   |
| <b>Net cash flow and equivalent increase or decrease (A+B+C)</b>          | <b>(4105366)</b>       | <b>19231</b>           | <b>(5841410)</b>        | <b>27363</b>            |
| <b>Cash and equivalent thereof at beginning of the period of accounts</b> | <b>9235073</b>         | <b>28443</b>           | <b>13140325</b>         | <b>40471</b>            |
| <b>Cash and equivalent thereof at the end of the period of account</b>    | <b>5129707</b>         | <b>47674</b>           | <b>7298915</b>          | <b>67834</b>            |

Chairman of the Board

**V. MELNIKS**

Member of the Board

**L. ARTEMENKO**

August 29st, 2008

**Changes in own capital report for 2008 year 6 months and 2007 year 6 months**

| Types of changes                    | Stock or Share capital |                 | Long-term asset reevaluation reserve |                 | Retained earnings |                | Total           |                 |
|-------------------------------------|------------------------|-----------------|--------------------------------------|-----------------|-------------------|----------------|-----------------|-----------------|
|                                     | LVL                    | EUR             | LVL                                  | EUR             | LVL               | EUR            | LVL             | EUR             |
| <b>Balance as at 31.12.2006.</b>    | <b>11672107</b>        | <b>16607912</b> |                                      |                 | <b>3141632</b>    | <b>4470140</b> | <b>14813739</b> | <b>21078052</b> |
| Stock or share capital              |                        |                 |                                      |                 |                   |                |                 |                 |
| increase/decrease                   |                        |                 |                                      |                 |                   |                |                 |                 |
| Increase/decrease of reserves       |                        |                 |                                      |                 |                   |                |                 |                 |
| Dividends                           |                        |                 |                                      |                 | (233442)          | (332158)       | (233442)        | (332158)        |
| Period of account net profit & loss |                        |                 |                                      |                 | (990759)          | (1409723)      | (990759)        | (1409723)       |
| <b>Balance as at 30.06.2007.</b>    | <b>11672107</b>        | <b>16607912</b> |                                      |                 | <b>1917431</b>    | <b>2728259</b> | <b>13589538</b> | <b>19336171</b> |
| <b>Balance as at 31.12.2007.</b>    | <b>11672107</b>        | <b>16607912</b> | <b>10666906</b>                      | <b>15177640</b> | <b>3077375</b>    | <b>4378710</b> | <b>25416388</b> | <b>36164262</b> |
| Stock or share capital              |                        |                 |                                      |                 |                   |                |                 |                 |
| increase/decrease                   |                        |                 |                                      |                 |                   |                |                 |                 |
| Increase/decrease of reserves       |                        |                 |                                      |                 |                   |                |                 |                 |
| Dividends                           |                        |                 |                                      |                 |                   |                |                 |                 |
| Period of account net profit & loss |                        |                 |                                      |                 | (498754)          | (709664)       | (498754)        | (709664)        |
| <b>Balance as at 30.06.2008.</b>    | <b>11672107</b>        | <b>16607912</b> | <b>10666906</b>                      | <b>15177640</b> | <b>2578621</b>    | <b>3669046</b> | <b>24917634</b> | <b>35454598</b> |

EPS to 30.06.2008. LVL (498754):11672107= (0,04) LVL or (0,06) EUR;  
EPS to 30.06.2007. – (0,08) LVL or (0,11) EUR

Chairman of the Board  
Member of the Board

**V. MELNIKS**  
**L.ARTEMENKO**

August 29<sup>st</sup>, 2008

Notes: all sections of the financial reports are to be evaluated in EURO according to the rates of Bank of Latvia on 30.06.2008.

## **Notes to the financial statements**

### **Accounting policy**

#### **(1) General principles**

The annual report has been prepared in compliance with “International accounting standard.

Profit & Loss calculation has been prepared as per turnover costs scheme.

Cash flow statement has been prepared as per third method.

Comparing to previous year of account methods of accountancy and evaluation applied in the Company have been changed.

The annual report has been prepared basing on the conception of continuation of business.

Financial reports, which are applied to the given annual report, are made in the Latvian national currency - in an LVL and counted in EURO.

#### **(2) Agency continuation**

Present financial report has been prepared with reference to uninterrupted operation of company that an active realization and repayment liability is preceding in an ordinary way.

#### **(3) Net turnover**

Net turnover is a total sum of services rendered and sold within the year and services free from tax and granted trade discounts.

#### **(4) Revaluation of foreign currency in lats**

All the company accounting is carried out into lats.

All monetary assets in foreign currency were revaluated in lats in the end of the year of account pursuant to the currency exchange rate officially established by the Bank of Latvia

Cash, debtors and creditors in currency at the end of the year was converted in Ls in accordance to the Bank of Latvia currency rate at the last day of year of the account. Net income or losses at the result of exchange rate fluctuations was reflected in profit-loss statement.

Currency rate for financial statements at June:

|       | <u>30.06.2008.</u><br><u>Ls</u> | <u>30.06.2007.</u><br><u>Ls</u> |
|-------|---------------------------------|---------------------------------|
| 1 USD | 0,447                           | 0,522                           |
| 1 EUR | 0,702804                        | 0,702804                        |
| 1 NOK | 0,0882                          | 0,0883                          |
| 1 GBP | 0,888                           | 1,044                           |
| 1 RUB | 0,019                           | 0,0202                          |

**(5) Fixed assets and low-grade stock**

Fixed assets have been evaluated as per initial costs value, deducting accumulated depreciation. Depreciation has been calculated as per linear method, considering the rate established by the JSC order No.4 dated 8 January 2002. Calculation of depreciation of the fixed assets was commenced starting with the first date of the month next to commissioning and was finished on the first date of the month next to their exclusion from the fixed assets' number.

Company capitalizes permanent assets with value more Ls 50 and time of valid usage is more than 1 year. Increased value of revaluing permanent assets is reflected as moving towards long-term investments revaluation reserve. It is attributed to the dissolution of permanent assets in the calculation of profits, incomes losses. To calculate enterprise's income tax the depreciation of the fixed assets was estimated pursuant to rates and requirements under article 13 of LR law "On enterprises' income tax".

Low-grade stock booked at the purchase prices and costs was 100% written off after commissioning.

**(6) Property deposit**

There is some property that is hold in order to gain cost for the rent.

**(7) Affiliated undertaking deposits.**

Affiliated undertaking deposits are shown taking into account SGS Nr.27, 28, 36 as well as SFPS Nr.3 requirements. Though since year 2004 goodwill amortization and 36 SGS requirements were suspended.

**(8) Other long-term investments.**

Other long-term investments have been reflected in purchase costs.

**(9) Reserves**

Raw materials, materials and goods subject to sale were booked at the purchase price, including costs related to purchase, and were accounted as per FIFO methods. Sum of Illiquid assets', stored in the enterprise's warehouses, in comparison to total commodity stock was not essential.

Balance of reserves has been shown at the lowest costs.

Unfinished production has been reflected at the prime cost, excluding administration costs.

**(10) Long-term contract**

Initial and final dates of execution of the contract about creation of an active are in the different accounting periods.

Incomes of long-term contracts admit according to a degree of their readiness. The degree of readiness is determined surveying results of work personally and physically ascertaining the termination of a part of works of the named contracts.

**(11) Debtors**

Debtors' debts in the balance sheet have been shown at the net value. Debtors' actual sum complies with contracts and other accounting basic documents.

**(12) Accumulated income**

The incomes from Riga Shipyard’s customers are acknowledged respective to its executive degree.

**(13) Cash and cash equivalents**

In the report of cash flow consist of the money in cash-box and remnants of active bank cont.

**(14) Reserves for unused vocations**

Vocation cost reserves was calculated considering vocation days and average earnings for all workers.

**(15) Taxes**

There has been made reconciliation of taxes liabilities by data of SRS Ziemeļu division.

**(16) Bookkeeping arrangement**

The bookkeeping accountancy has been arranged with the help of computers using the software  
( Microsoft Business Solutions – NAVISION 4.0).

**(17) Use of estimation**

In financial reports enterprise management must make estimations, assumptions which influence presented assets and liabilities at the date of annual report processing. Real results can differ from estimations.

**(18) Financial risks**

In ordinary work enterprise was subjected to credit risk and currency risk.

**(19) Credit risk**

Financial plants potentially dangerous for enterprise are rest of money and its equivalents, account receivable, deposit.

**(20) Percentage risk**

Enterprise is subjected from credit interest rate changing risk.

**(21) Currency risk**

Enterprise is subjected from currency changing risk in marketing and purchases operations, borrowings in different currency. Financial risk is possible in relation of Ls to USD.

**(22) Dividend**

Dividend was reflex as fixed in announced period.

**(23) Retraining**

In comparative readings for year 2007 in necessary cases individual post classification is changed in order to meet post classification for year 2008.

**Profit & Loss calculation supplement**

**(1) Net turnover**

|                          | <b>2008 year<br/>6 months<br/>Ls</b> | <b>2007 year<br/>6 months<br/>Ls</b> | <b>2008 year<br/>6 months<br/>EUR</b> | <b>2007 year<br/>6 months<br/>EUR</b> |
|--------------------------|--------------------------------------|--------------------------------------|---------------------------------------|---------------------------------------|
| On aspects of business   |                                      |                                      |                                       |                                       |
| – Shipbuilding           | 6886203                              | 8329983                              | 9798184                               | 11852498                              |
| – Ship repair            | 11003126                             | 5522943                              | 15655038                              | 7858440                               |
| – Mechanical engineering | 71281                                | 72833                                | 101424                                | 103632                                |
| – Other works            | 114345                               | 71619                                | 162698                                | 101905                                |
| <b>Total</b>             | <b>18074955</b>                      | <b>13997378</b>                      | <b>25718344</b>                       | <b>19916475</b>                       |

**(2) Sold products operating costs**

|   | <b>2008 year<br/>6 months<br/>Ls</b> | <b>2007 year<br/>6 months<br/>Ls</b> | <b>2008 year<br/>6 months<br/>EUR</b> | <b>2007 year<br/>6 months<br/>EUR</b> |
|---|--------------------------------------|--------------------------------------|---------------------------------------|---------------------------------------|
| Material costs (raw materials and materials, value of goods, services from outside) | 14548947                             | 11557781                             | 20701287                              | 16445241                              |
| Remuneration of labor   | 2393598                              | 1978180                              | 3405783                               | 2814697                               |
| Social insurance costs  | 555314                               | 453283                               | 790141                                | 644964                                |
| Depreciation of fixed assets  | 461348                               | 409265                               | 656439                                | 582332                                |
| Other costs   | 268574                               | 223812                               | 382146                                | 318454                                |
| <b>Total</b>  | <b>18227781</b>                      | <b>14622321</b>                      | <b>25935796</b>                       | <b>20805688</b>                       |

**(3) Selling costs**

|               | <b>2008 year<br/>6 months<br/>Ls</b> | <b>2007 year<br/>6 months<br/>Ls</b> | <b>2008 year<br/>6 months<br/>EUR</b> | <b>2007 year<br/>6 months<br/>EUR</b> |
|---------------|--------------------------------------|--------------------------------------|---------------------------------------|---------------------------------------|
| Advertisement | 20600                                | 27383                                | 29311                                 | 38962                                 |
| <b>Total</b>  | <b>20600</b>                         | <b>27383</b>                         | <b>29311</b>                          | <b>38962</b>                          |

**(4) Administration costs**

|                                    | <b>2008 year<br/>6 months<br/>Ls</b> | <b>2007 year<br/>6 months<br/>Ls</b> | <b>2008 year<br/>6 months<br/>EUR</b> | <b>2007 year<br/>6 months<br/>EUR</b> |
|------------------------------------|--------------------------------------|--------------------------------------|---------------------------------------|---------------------------------------|
| Liaison costs                      | 6142                                 | 15571                                | 8739                                  | 22156                                 |
| Office maintenance costs           | 3210                                 | 8898                                 | 4567                                  | 12661                                 |
| Salary of administration           | 24694                                | 20991                                | 35136                                 | 29868                                 |
| Remuneration of the board          | 140749                               | 126000                               | 200268                                | 179282                                |
| Remuneration of the council        | 106000                               | 105000                               | 150824                                | 149402                                |
| Social insurance costs             | 57459                                | 47987                                | 81757                                 | 68279                                 |
| Depreciation of fixed assets       | 19688                                | 21687                                | 28014                                 | 30858                                 |
| Transport costs, travel allowances | 46165                                | 35148                                | 65687                                 | 50011                                 |
| Legal services                     | 1431                                 | 3042                                 | 2036                                  | 4328                                  |
| Insurance                          | 5745                                 | 4017                                 | 8174                                  | 5716                                  |
| Representation costs               | 8509                                 | 6414                                 | 12107                                 | 9125                                  |
| Transport representative costs     | 4473                                 |                                      | 6366                                  |                                       |
| <b>Total</b>                       | <b>424265</b>                        | <b>394755</b>                        | <b>603675</b>                         | <b>561686</b>                         |

**Profit & Loss calculation supplement**

**(5) Other enterprise’s business activity’s income**

|  | <b>2008 year<br/>6 months<br/>Ls</b> | <b>2007 year<br/>6 months<br/>Ls</b> | <b>2008 year<br/>6 months<br/>EUR</b> | <b>2007 year<br/>6 months<br/>EUR</b> |
|--|--------------------------------------|--------------------------------------|---------------------------------------|---------------------------------------|
| Income generated by transport services rendering           | 598                                  | 7363                                 | 851                                   | 10477                                 |
| Income generated by leased FA payments and public services | 281419                               | 306493                               | 400423                                | 436100                                |
| Tugboat services income                                    | 47751                                | 48506                                | 67944                                 | 69018                                 |
| Selling out of raw materials and materials                 | 185695                               | 60901                                | 264220                                | 86654                                 |
| Income generated by fluctuation of currency rate           |                                      |                                      |                                       |                                       |
| Educational services                                       | 2526                                 | 882                                  | 3594                                  | 1255                                  |
| Income generated by chemical analyses                      | 1954                                 | 1139                                 | 2780                                  | 1621                                  |
| Income generated by realization of fixed assets            | 12852                                | 3786                                 | 18287                                 | 5387                                  |
| Education expenses recovery                                | 2302                                 | 2722                                 | 3275                                  | 3873                                  |
| Dubious debtor’s debts reimbursement                       |                                      | 17392                                |                                       | 24747                                 |
| Profit gained from currency exchange rate difference       | 2097                                 | 0                                    | 2984                                  | 0                                     |
| Previous year income                                       |                                      | 17180                                |                                       | 24445                                 |
| Other income   | 4272                                 | 5968                                 | 6079                                  | 8491                                  |
| <b>Total</b>   | <b>541466</b>                        | <b>472332</b>                        | <b>770437</b>                         | <b>672068</b>                         |

**(6) Other enterprise’s business activity’s costs**

|  | <b>2008 year<br/>6 months<br/>Ls</b> | <b>2007 year<br/>6 months<br/>Ls</b> | <b>2008 year<br/>6 months<br/>EUR</b> | <b>2007 year<br/>6 months<br/>EUR</b> |
|--|--------------------------------------|--------------------------------------|---------------------------------------|---------------------------------------|
| Material purchase costs                                | 168779                               | 46933                                | 240151                                | 66780                                 |
| Losses due to currency rate fluctuation                | 0                                    | 2889                                 | 0                                     | 4111                                  |
| Losses incurred by currency selling out                | 35706                                | 17275                                | 50805                                 | 24580                                 |
| Compressed air purchase costs                          |                                      |                                      |                                       |                                       |
| Social infrastructure objects costs (medical services) | 6072                                 | 5066                                 | 8640                                  | 7208                                  |
| Costs on tugboat services                              | 24471                                | 25122                                | 34819                                 | 35745                                 |
| Donations  | 2750                                 | 5594                                 | 3913                                  | 7960                                  |
| Material benefits                                      | 110                                  | 210                                  | 157                                   | 299                                   |
| Burial costs   | 1144                                 | 1280                                 | 1628                                  | 1821                                  |
| Costs incurred by fixed assets’ exclusion              | 1387                                 | 453                                  | 1974                                  | 645                                   |
| Representation costs                                   | 5937                                 | 4401                                 | 8448                                  | 6262                                  |
| Costs on maintenance of leased FA                      | 165826                               | 145447                               | 235949                                | 206952                                |
| Other costs  | 7425                                 | 1141                                 | 10563                                 | 1623                                  |
| <b>Total</b>   | <b>419607</b>                        | <b>255811</b>                        | <b>597047</b>                         | <b>363986</b>                         |



**Profit & Loss calculation supplement**

**(7) Other percents and the like income**

|                            | <b>2008 year<br/>6 months<br/>Ls</b> | <b>2007 year<br/>6 months<br/>Ls</b> | <b>2008 year<br/>6 months<br/>EUR</b> | <b>2007 year<br/>6 months<br/>EUR</b> |
|----------------------------|--------------------------------------|--------------------------------------|---------------------------------------|---------------------------------------|
| Depositing percentage      | 258063                               | 41                                   | 367191                                | 58                                    |
| Bank interests             | 1135                                 | 57                                   | 1615                                  | 81                                    |
| Received penalty payments  | 0                                    | 24563                                | 0                                     | 34950                                 |
| Interests income for loans | 1137                                 | 1355                                 | 1617                                  | 1928                                  |
| <b>Total</b>               | <b>260335</b>                        | <b>26016</b>                         | <b>370423</b>                         | <b>37017</b>                          |

**(8) Payment off percents and the like costs**

|                       | <b>2008 year<br/>6 months<br/>Ls</b> | <b>2007 year<br/>6 months<br/>Ls</b> | <b>2008 year<br/>6 months<br/>EUR</b> | <b>2007 year<br/>6 months<br/>EUR</b> |
|-----------------------|--------------------------------------|--------------------------------------|---------------------------------------|---------------------------------------|
| Paid off penalty      | 500                                  | 307                                  | 711                                   | 437                                   |
| Paid off interests    | 179018                               | 90414                                | 254720                                | 128648                                |
| Guarantee maintenance | 41380                                | 48695                                | 58879                                 | 69286                                 |
| <b>Total</b>          | <b>220898</b>                        | <b>139416</b>                        | <b>314310</b>                         | <b>198371</b>                         |

**(9) Income taxes of the enterprise**

|                             | <b>2008 year<br/>6 months<br/>Ls</b> | <b>2007 year<br/>6 months<br/>Ls</b> | <b>2008 year<br/>6 months<br/>EUR</b> | <b>2007 year<br/>6 months<br/>EUR</b> |
|-----------------------------|--------------------------------------|--------------------------------------|---------------------------------------|---------------------------------------|
| Income tax advance payments | 12404                                | 34602                                | 17649                                 | 49235                                 |
| <b>Total</b>                | <b>12404</b>                         | <b>34602</b>                         | <b>17649</b>                          | <b>49235</b>                          |

**(10) Other taxes**

|   | <b>2008 year<br/>6 months<br/>Ls</b> | <b>2007 year<br/>6 months<br/>Ls</b> | <b>2008 year<br/>6 months<br/>EUR</b> | <b>2007 year<br/>6 months<br/>EUR</b> |
|---|--------------------------------------|--------------------------------------|---------------------------------------|---------------------------------------|
| Buildings and constructions real estate tax | 35048                                | 271                                  | 49869                                 | 386                                   |
| Real estate tax                             | 14907                                | 11926                                | 21211                                 | 16969                                 |
| <b>Total</b>                                | <b>49955</b>                         | <b>12197</b>                         | <b>71080</b>                          | <b>17355</b>                          |

**Supplement to the balance sheet**

**(11) Other intangible investments LVL**

|                      | Concessions, patents,<br>licenses, trade-marks<br>and similar rights | Research and<br>development<br>costs | Other intangible<br>rights | Intangible<br>value of<br>enterprise | Advance payments<br>of intangible<br>investments | Intangible<br>investments<br>Total |
|----------------------|--|--------------------------------------|----------------------------|--------------------------------------|--|------------------------------------|
| <b>Initial value</b> |  |                                      |                            |                                      |  |                                    |
| 01.01.2008           |  |                                      | 70409                      |                                      | 180008   | <b>250417</b>                      |
| Bought               |  |                                      |                            |                                      | 6627   | <b>6627</b>                        |
| Written off          |  |                                      |                            |                                      |  |                                    |
| Relocated            |  |                                      |                            |                                      |  |                                    |
| Revaluated           |  |                                      |                            |                                      | 19397  | 19397                              |
| 30.06.2008           |  |                                      | 70409                      |                                      | 167238   | <b>237647</b>                      |
| <b>Depreciation</b>  |  |                                      |                            |                                      |  |                                    |
| 01.01.2008           |  |                                      | 29675                      |                                      |  | <b>29675</b>                       |
| Estimated            |  |                                      | 7041                       |                                      |  | <b>7041</b>                        |
| Written off          |  |                                      |                            |                                      |  |                                    |
| 30.06.2008           |  |                                      | 36716                      |                                      |  | <b>36716</b>                       |
| <b>Balance value</b> |  |                                      |                            |                                      |  |                                    |
| <b>01.01.2008</b>    |  |                                      | <b>40734</b>               |                                      | <b>180008</b>                                    | <b>220742</b>                      |
| <b>Balance value</b> |  |                                      |                            |                                      |  |                                    |
| <b>30.06.2008</b>    |  |                                      | <b>33693</b>               |                                      | <b>167238</b>                                    | <b>200931</b>                      |

**(11) Other intangible investments EUR**

|                      | Concessions, patents,<br>licenses, trade-marks<br>and similar rights | Research and<br>development<br>costs | Other intangible<br>rights | Intangible<br>value of<br>enterprise | Advance payments<br>of intangible<br>investments | Intangible<br>investments<br>total |
|----------------------|--|--------------------------------------|----------------------------|--------------------------------------|--|------------------------------------|
| <b>Initial value</b> |  |                                      |                            |                                      |  |                                    |
| 01.01.2008.          |  |                                      | 100183                     |                                      | 256128   | <b>356311</b>                      |
| Bought               |  |                                      |                            |                                      | 9429   | <b>9429</b>                        |
| Written off          |  |                                      |                            |                                      |  |                                    |
| Relocated            |  |                                      |                            |                                      |  |                                    |
| Revaluated           |  |                                      |                            |                                      | 27599  | <b>27599</b>                       |
| 30.06.2008.          |  |                                      | 100183                     |                                      | 237958   | <b>338141</b>                      |
| <b>Depreciation</b>  |  |                                      |                            |                                      |  |                                    |
| 01.01.2008.          |  |                                      | 42224                      |                                      |  | <b>42224</b>                       |
| Estimated            |  |                                      | 10018                      |                                      |  | <b>10018</b>                       |
| Written off          |  |                                      |                            |                                      |  |                                    |
| 30.06.2008.          |  |                                      | 52242                      |                                      |  | <b>52242</b>                       |
| <b>Balance value</b> |  |                                      |                            |                                      |  |                                    |
| <b>01.01.2008.</b>   |  |                                      | <b>57959</b>               |                                      | <b>256128</b>                                    | <b>314088</b>                      |
| <b>Balance value</b> |  |                                      |                            |                                      |  |                                    |
| <b>30.06.2008.</b>   |  |                                      | <b>47941</b>               |                                      | <b>237958</b>                                    | <b>285899</b>                      |

**Supplements to the balance sheet**

**(12) Report on long-term investments movement LVL**

|                      | Land, buildings, constructions Ls | Investment assets | Long-term investments into leased FA | Equipment and machinery | Other fixed assets | Unfinished construction Ls | Advance Payment for FA Ls | Total Ls        |
|----------------------|-----------------------------------|-------------------|--------------------------------------|-------------------------|--------------------|----------------------------|---------------------------|-----------------|
| <b>Initial value</b> |                                   |                   |                                      |                         |                    |                            |                           |                 |
| 01.01.2008           | 4964650                           | 596363            | 3304                                 | 18253733                | 941676             | 384081                     | 27480                     | <b>25171287</b> |
| Bought               | 355161                            |                   |                                      | 405859                  | 31488              | 689447                     | 13907                     | <b>1495862</b>  |
| Written off          |                                   |                   |                                      | 278263                  | 70                 | 792508                     | 35999                     | <b>1106840</b>  |
| Relocated            |                                   |                   |                                      |                         |                    |                            |                           |                 |
| <b>30.06.2008</b>    | 5319811                           | 596363            | 3304                                 | 18381329                | 973094             | 281020                     | 5388                      | <b>25560309</b> |
| <b>Depreciation</b>  |                                   |                   |                                      |                         |                    |                            |                           |                 |
| <b>01.01.2008</b>    | 1725209                           | 147962            |                                      | 4176040                 | 477589             |                            |                           | <b>6526800</b>  |
| Estimated            | 80354                             | 14417             |                                      | 359382                  | 47036              |                            |                           | <b>501189</b>   |
| Written off          |                                   |                   |                                      | 247650                  | 70                 |                            |                           | <b>247720</b>   |
| <b>30.06.2008</b>    | 1805563                           | 162379            |                                      | 4287772                 | 524555             |                            |                           | <b>6780269</b>  |
| <b>Balance value</b> |                                   |                   |                                      |                         |                    |                            |                           |                 |
| <b>01.01.2008</b>    | <b>3239441</b>                    | <b>448401</b>     | <b>3304</b>                          | <b>14077693</b>         | <b>464087</b>      | <b>384081</b>              | <b>27480</b>              | <b>18644487</b> |
| <b>Balance value</b> |                                   |                   |                                      |                         |                    |                            |                           |                 |
| <b>30.06.2008</b>    | <b>3514248</b>                    | <b>433984</b>     | <b>3304</b>                          | <b>14093557</b>         | <b>448539</b>      | <b>281020</b>              | <b>5388</b>               | <b>18780040</b> |

**(12) Report on long-term investments movement (EUR)**

|                      | Land, buildings, constructions | Investment assets | Long-term investments into leased FA | Equipment and machinery | Other fixed assets | Unfinished construction | Advance Payment for FA | Total           |
|----------------------|--------------------------------|-------------------|--------------------------------------|-------------------------|--------------------|-------------------------|------------------------|-----------------|
| <b>Initial value</b> |                                |                   |                                      |                         |                    |                         |                        |                 |
| <b>01.01.2008</b>    | 7064061                        | 848548            | 4701                                 | 25972722                | 1339884            | 546498                  | 39101                  | <b>35815515</b> |
| Bought               | 505349                         |                   |                                      | 577485                  | 44803              | 980995                  | 19788                  | <b>2128420</b>  |
| Written off          |                                |                   |                                      | 395933                  | 100                | 1127637                 | 51222                  | <b>1574892</b>  |
| Relocated            |                                |                   |                                      |                         |                    |                         |                        |                 |
| <b>30.06.2008</b>    | 7569410                        | 848548            | 4701                                 | 26154274                | 1384587            | 399856                  | 7667                   | <b>36369043</b> |
| <b>Depreciation</b>  |                                |                   |                                      |                         |                    |                         |                        |                 |
| 01.01.2008           | 2454751                        | 210531            |                                      | 5941970                 | 679548             |                         |                        | <b>9286800</b>  |
| Estimated            | 114333                         | 20513             |                                      | 511355                  | 66926              |                         |                        | <b>713127</b>   |
| Written off          |                                |                   |                                      | 352374                  | 100                |                         |                        | <b>352474</b>   |
| <b>30.06.2008</b>    | 2569084                        | 231044            |                                      | 6100951                 | 746374             |                         |                        | <b>9647453</b>  |
| <b>Balance value</b> |                                |                   |                                      |                         |                    |                         |                        |                 |
| <b>01.01.2008</b>    | <b>4609309</b>                 | <b>638017</b>     | <b>4701</b>                          | <b>20030753</b>         | <b>660336</b>      | <b>546498</b>           | <b>39101</b>           | <b>26528715</b> |
| <b>Balance value</b> |                                |                   |                                      |                         |                    |                         |                        |                 |
| <b>30.06.2008</b>    | <b>5000326</b>                 | <b>617504</b>     | <b>4701</b>                          | <b>20053323</b>         | <b>638213</b>      | <b>399856</b>           | <b>7667</b>            | <b>26721590</b> |

**Supplement to the balance sheet**

**(13) Partnership in capital of associated companies**

|   | 30.06.2008.<br>Ls | 30.06.2007.<br>Ls | 30.06.2008.<br>EUR | 30.06.2007.<br>EUR |
|---|-------------------|-------------------|--------------------|--------------------|
| Branch enterprise<br>“Tosmare shipyard” JSC<br>investment value | 2164782           | 2164782           | 3080207            | 3080207            |
| SIA “Remars Granula”  | 843365            |                   | 1200000            |                    |
| <b>Investments</b>  | <b>3008147</b>    | <b>2164782</b>    | <b>4280207</b>     | <b>3080207</b>     |

**(14) Partnership in capital of associated companies**

|                    | SIA “Remars Granula” |               |
|--------------------|----------------------|---------------|
|                    | Ls                   | EUR           |
| <b>31.12.2007.</b> |                      |               |
| Issued credit      | 283540               | 403441        |
| <b>30.06.2008.</b> | <b>283540</b>        | <b>403441</b> |

**(15) Other equities and investments**

| Name enterprise                 | Parts or shares | Parts or shares value |          | 30.06.2008 |            |            | 30.06.2007 |            |            |
|---------------------------------|-----------------|-----------------------|----------|------------|------------|------------|------------|------------|------------|
|                                 |                 | 2008                  | 2007     | Quantity   | Ls         | EUR        | Quantity   | Ls         | EUR        |
| “Baltic International Bank” JSC | 33              | 5                     | 5        | 33         | 165        | 235        | 33         | 165        | 235        |
| <b>Total</b>                    | <b>33</b>       | <b>5</b>              | <b>5</b> | <b>33</b>  | <b>165</b> | <b>235</b> | <b>33</b>  | <b>165</b> | <b>235</b> |

**(16) Other loans and other long-term debtors**

|                     | 2008 year<br>6 months<br>Ls | 2007 year<br>6 months<br>Ls | 2008 year<br>6 months<br>EUR | 2007 year<br>6 months<br>EUR |
|---------------------|-----------------------------|-----------------------------|------------------------------|------------------------------|
| Student loan payout | 53026                       | 56237                       | 75449                        | 80018                        |
| Shares loan payout  | 513448                      | 528426                      | 730571                       | 751882                       |
| Long-term loan      | 0                           | 277504                      |                              | 394853                       |
| <b>Total</b>        | <b>566474</b>               | <b>862167</b>               | <b>806020</b>                | <b>1226753</b>               |

**Supplement to the balance sheet**

**(17) Loans to copartners of the enterprises and to the directorship**

|                 | <b>2008 year<br/>6 months<br/>Ls</b> | <b>2007 year<br/>6 months<br/>Ls</b> | <b>2008 year<br/>6 months<br/>EUR</b> | <b>2007 year<br/>6 months<br/>EUR</b> |
|-----------------|--------------------------------------|--------------------------------------|---------------------------------------|---------------------------------------|
| Long-term loans | 342284                               | 352284                               | 487026                                | 501255                                |
| <b>Total</b>    | <b>342284</b>                        | <b>352284</b>                        | <b>487026</b>                         | <b>501255</b>                         |

**(18) Raw materials, direct materials and auxiliary materials**

|                                     | <b>2008 year<br/>6 months<br/>Ls</b> | <b>2007 year<br/>6 months<br/>Ls</b> | <b>2008 year<br/>6 months<br/>EUR</b> | <b>2007 year<br/>6 months<br/>EUR</b> |
|-------------------------------------|--------------------------------------|--------------------------------------|---------------------------------------|---------------------------------------|
| 1. Metal ware                       | 74082                                | 68534                                | 105409                                | 97515                                 |
| 2. Timbering                        | 14994                                | 15451                                | 21335                                 | 21985                                 |
| 3. Metal, non-ferrous metals, pipes | 2104474                              | 2389131                              | 2994397                               | 3399427                               |
| 4. Wire cables                      | 5696                                 | 6788                                 | 8105                                  | 9658                                  |
| 5. Fuel                             | 10068                                | 4802                                 | 14325                                 | 6833                                  |
| 6. Coveralls                        | 7866                                 | 10747                                | 11192                                 | 15292                                 |
| 7. Equipment                        | 6657                                 | 265940                               | 9472                                  | 378399                                |
| 8. Cables                           | 30917                                | 63915                                | 43991                                 | 90943                                 |
| 9. Varnish and paint                | 69052                                | 122424                               | 98252                                 | 174194                                |
| 10. Tools                           | 5186                                 | 23242                                | 7379                                  | 33070                                 |
| 11. Technical rubber ware           | 14135                                | 15219                                | 20112                                 | 21655                                 |
| 12. Other                           | 766981                               | 2820762                              | 1091316                               | 4013582                               |
| <b>Total</b>                        | <b>3110108</b>                       | <b>5806955</b>                       | <b>4425285</b>                        | <b>8262553</b>                        |

**(19) Unfinished production**

|                     | <b>2008 year<br/>6 months<br/>Ls</b> | <b>2007 year<br/>6 months<br/>Ls</b> | <b>2008 year<br/>6 months<br/>EUR</b> | <b>2007 year<br/>6 months<br/>EUR</b> |
|---------------------|--------------------------------------|--------------------------------------|---------------------------------------|---------------------------------------|
| Shipbuilding orders | 651100                               | 51837                                | 926432                                | 73757                                 |
| <b>Total</b>        | <b>651100</b>                        | <b>51837</b>                         | <b>926432</b>                         | <b>73757</b>                          |

**(20) Unfinished orders**

|                                  | <b>2008 year<br/>6 months<br/>Ls</b> | <b>2007 year<br/>6 months<br/>Ls</b> | <b>2008 year<br/>6 months<br/>EUR</b> | <b>2007 year<br/>6 months<br/>EUR</b> |
|----------------------------------|--------------------------------------|--------------------------------------|---------------------------------------|---------------------------------------|
| 1) Ship repair orders            | 1143691                              | 757654                               | 1627326                               | 1078045                               |
| 2) Mechanical engineering orders | 15029                                | 77238                                | 21384                                 | 109900                                |
| 3) Various                       | 2380                                 | 2534                                 | 3386                                  | 3605                                  |
| <b>Total</b>                     | <b>1161100</b>                       | <b>837426</b>                        | <b>1652096</b>                        | <b>1191550</b>                        |

**Supplement to the balance sheet**

**(21) Advance payments for goods**

|               | <b>2008 year<br/>6 months<br/>Ls</b> | <b>2007 year<br/>6 months<br/>Ls</b> | <b>2008 year<br/>6 months<br/>EUR</b> | <b>2007 year<br/>6 months<br/>EUR</b> |
|---------------|--------------------------------------|--------------------------------------|---------------------------------------|---------------------------------------|
| For materials | 720694                               | 453636                               | 1025455                               | 645466                                |
| For goods     | 3443739                              |                                      | 4899999                               |                                       |
| <b>Total</b>  | <b>4164433</b>                       | <b>453636</b>                        | <b>5925454</b>                        | <b>645466</b>                         |

**(22) Debts of buyers and customers**

|                                       | <b>2008 year<br/>6 months<br/>Ls</b> | <b>2007 year<br/>6 months<br/>Ls</b> | <b>2008 year<br/>6 months<br/>EUR</b> | <b>2007 year<br/>6 months<br/>EUR</b> |
|---------------------------------------|--------------------------------------|--------------------------------------|---------------------------------------|---------------------------------------|
| Buyers and customers accounting value | 4830454                              | 3200868                              | 6873117                               | 4554425                               |
| Generated reserves                    | 224730                               | 201083                               | 319762                                | 286115                                |
| <b>Balance net value</b>              | <b>4605724</b>                       | <b>2999785</b>                       | <b>6553355</b>                        | <b>4268310</b>                        |

**(23) Associated companies debts**

|                        | <b>2008 year<br/>6 months<br/>Ls</b> | <b>2007 year<br/>6 months<br/>Ls</b> | <b>2008 year<br/>6 months<br/>EUR</b> | <b>2007 year<br/>6 months<br/>EUR</b> |
|------------------------|--------------------------------------|--------------------------------------|---------------------------------------|---------------------------------------|
| “Tosmare shipyard” JSC | 1000                                 | 16449                                | 1423                                  | 23405                                 |
| SIA “Remars Granula”   | 95155                                |                                      | 135393                                |                                       |
| <b>Total</b>           | <b>96155</b>                         | <b>16449</b>                         | <b>136816</b>                         | <b>23405</b>                          |

**(24) Other debtors**

|                          | <b>2008 year<br/>6 months<br/>Ls</b> | <b>2007 year<br/>6 months<br/>Ls</b> | <b>2008 year<br/>6 months<br/>EUR</b> | <b>2007 year<br/>6 months<br/>EUR</b> |
|--------------------------|--------------------------------------|--------------------------------------|---------------------------------------|---------------------------------------|
| Accounting value         | 616406                               | 742235                               | 877067                                | 1056105                               |
| Generated reserves       | 134000                               | 134000                               | 190665                                | 190665                                |
| <b>Balance net value</b> | <b>482406</b>                        | <b>608235</b>                        | <b>686402</b>                         | <b>865440</b>                         |

Other debtors debts are as following:

|  | <b>2008 year<br/>6 months<br/>Ls</b> | <b>2007 year<br/>6 months<br/>Ls</b> | <b>2008 year<br/>6 months<br/>EUR</b> | <b>2007 year<br/>6 months<br/>EUR</b> |
|--|--------------------------------------|--------------------------------------|---------------------------------------|---------------------------------------|
| Accounted VAT  | 2816                                 | 2816                                 | 4007                                  | 4007                                  |
| Overpaid taxes                                       |                                      |                                      |                                       |                                       |
| – Value added tax                                    | 0                                    | 365020                               | 0                                     | 519377                                |
| – Enterprise income tax                              | 22108                                | 117398                               | 31457                                 | 167042                                |
| Payments personal debts                              | 587                                  | 3521                                 | 835                                   | 5010                                  |
| Payment of salary                                    |                                      |                                      |                                       |                                       |
| Short-term loans for “Tosmare Shipyard” JSC’S shares | 14955                                | 15000                                | 21279                                 | 21343                                 |
| Short-term loans                                     |                                      |                                      |                                       |                                       |
| Advance payment of service                           | 395136                               | 91423                                | 562228                                | 130083                                |
| Other debtors  | 46804                                | 13057                                | 66596                                 | 18578                                 |
| <b>Total</b>   | <b>482406</b>                        | <b>608235</b>                        | <b>686402</b>                         | <b>865440</b>                         |

**Supplement to the balance sheet**

**(25) Short-term loans to the enterprise’s copartners and directorship**

|                         | 2008 year<br>6 months<br>Ls       | 2007 year<br>6 months<br>Ls | 2008 year<br>6 months<br>EUR       | 2007 year<br>6 months<br>EUR |
|-------------------------|-----------------------------------|-----------------------------|------------------------------------|------------------------------|
|                         | 222676                            | 1064239                     | 316839                             | 1514276                      |
| <b>Total</b>            | <b>222676</b>                     | <b>1064239</b>              | <b>316839</b>                      | <b>1514276</b>               |
|                         | Directorship,<br>copartners<br>Ls |                             | Directorship,<br>copartners<br>EUR |                              |
| Loan JSC “Remars Riga”  |                                   | 212676                      |                                    | 302611                       |
| Leaders debt for shares |                                   | 10000                       |                                    | 14228                        |
| <b>30.06.2008.</b>      |                                   | <b>222676</b>               |                                    | <b>316839</b>                |

**(26) Next period costs**

|   | 2008 year<br>6 months<br>Ls | 2007 year<br>6 months<br>Ls | 2008 year<br>6 months<br>EUR | 2007 year<br>6 months<br>EUR |
|---|-----------------------------|-----------------------------|------------------------------|------------------------------|
| Enterprise’s property insurance premium sum   | 28657                       | 7505                        | 40775                        | 10679                        |
| Subscription to the press                     | 311                         | 110                         | 443                          | 157                          |
| Inviting of specialists                       | 32317                       | 18390                       | 45983                        | 26167                        |
| Insurance of health                           | 5259                        | 17027                       | 7483                         | 24227                        |
| Check of floating means                       | 13857                       | 5225                        | 19717                        | 7435                         |
| Expenses for repair of the rented basic means | 58348                       | 5829                        | 83022                        | 8294                         |
| Advertisement                                 | 787                         | 691                         | 1120                         | 983                          |
| Payment lease of land                         |                             |                             |                              |                              |
| Exhibition                                    | 10694                       | 12319                       | 15216                        | 17528                        |
| Transport representative costs                | 7657                        | 0                           | 10894                        | 0                            |
| Other costs                                   | 2273                        | 1941                        | 3234                         | 2761                         |
| <b>Total</b>                                  | <b>160160</b>               | <b>69037</b>                | <b>227887</b>                | <b>98231</b>                 |

**(27) Accrued proceeds**

|              | 2008 year<br>6 months<br>Ls | 2007 year<br>6 months<br>Ls | 2008 year<br>6 months<br>EUR | 2007 year<br>6 months<br>EUR |
|--------------|-----------------------------|-----------------------------|------------------------------|------------------------------|
| Shipbuilding | 7148614                     | 9927542                     | 10171561                     | 14125620                     |
| <b>Total</b> | <b>7148614</b>              | <b>9927542</b>              | <b>10171561</b>              | <b>14125620</b>              |

**(28) Cash assets**

|                            | 2008 year<br>6 months<br>Ls | 2007 year<br>6 months<br>Ls | 2008 year<br>6 months<br>EUR | 2007 year<br>6 months<br>EUR |
|----------------------------|-----------------------------|-----------------------------|------------------------------|------------------------------|
| Money at a cash department | 2594                        | 4218                        | 3691                         | 6002                         |
| Money on current accounts  | 17218                       | 43456                       | 24499                        | 61832                        |
| Deposit                    | 5109895                     | 0                           | 7270725                      | 0                            |
| <b>Total</b>               | <b>5129707</b>              | <b>47674</b>                | <b>7298915</b>               | <b>67834</b>                 |

**Supplement to the balance sheet**

**(29) Stock or share capital (equity capital)**

“Riga shipyard” JSC was founded in 1995 with the equity capital of Ls 10 000 000, which was comprised of 10 000 000 shares, face value of one share made up Ls 1.

The joint stock company is public and its shares are quoted on Securities Exchange.

Amendments to the Acts:

1. Growth of the equity capital up to Ls 11 000 000 on 31 December 1998.
2. Growth of the equity capital up to Ls 11 672 107 on 30 December 1999.

**(30) Loans from credit institutions (short-term)**

|              | 2008 year<br>6 months<br>Ls | 2007 year<br>6 months<br>Ls | 2008 year<br>6 months<br>EUR | 2007 year<br>6 months<br>EUR |
|--------------|-----------------------------|-----------------------------|------------------------------|------------------------------|
|              | 5407948                     | 5797614                     | 7694817                      | 8249262                      |
| <b>Total</b> | <b>5407948</b>              | <b>5797614</b>              | <b>7694817</b>               | <b>8249262</b>               |

**(31) Advance payments received from buyers**

|                  | 2008 year<br>6 months<br>Ls | 2007 year<br>6 months<br>Ls | 2008 year<br>6 months<br>EUR | 2007 year<br>6 months<br>EUR |
|------------------|-----------------------------|-----------------------------|------------------------------|------------------------------|
| For shipbuilding | 13914382                    | 9457521                     | 19798382                     | 13456840                     |
| For ship repair  | 60224                       | 8427                        | 85691                        | 11991                        |
| Others           | 4703                        | 15273                       | 6692                         | 21731                        |
| <b>Total</b>     | <b>13979309</b>             | <b>9481221</b>              | <b>19890765</b>              | <b>13490562</b>              |

**(32) Debts to suppliers and contractors**

|                                  | 2008 year<br>6 months<br>Ls | 2007 year<br>6 months<br>Ls | 2008 year<br>6 months<br>EUR | 2007 year<br>6 months<br>EUR |
|----------------------------------|-----------------------------|-----------------------------|------------------------------|------------------------------|
| Debts for services and materials | 1431885                     | 1206002                     | 2037389                      | 1715986                      |
| Debts subcontractors             | 2467343                     | 1471684                     | 3510713                      | 2094018                      |
| <b>Total</b>                     | <b>3899228</b>              | <b>2677686</b>              | <b>5548102</b>               | <b>3810004</b>               |



**Supplement to the balance sheet**

**(33) Debts to associated companies**

|                        | 2008 year<br>6 months<br>Ls | 2007 year<br>6 months<br>Ls | 2008 year<br>6 months<br>EUR | 2007 year<br>6 months<br>EUR |
|------------------------|-----------------------------|-----------------------------|------------------------------|------------------------------|
| “Tosmare shipyard” JSC | 293                         | 787                         | 417                          | 1120                         |
| <b>Total</b>           | <b>293</b>                  | <b>787</b>                  | <b>417</b>                   | <b>1120</b>                  |

**(34) Taxes and social insurance payments**

|                           | 2008 year<br>6 months<br>Ls | 2007 year<br>6 months<br>Ls | 2008 year<br>6 months<br>EUR | 2007 year<br>6 months<br>EUR |
|---------------------------|-----------------------------|-----------------------------|------------------------------|------------------------------|
| Social insurance payments | 135059                      | 107846                      | 192172                       | 153451                       |
| Residents income tax      | 86056                       | 84346                       | 122447                       | 120014                       |
| VAT                       | 53215                       | 0                           | 75718                        | 0                            |
| Risk tax                  | 202                         | 215                         | 287                          | 306                          |
| Natural resources tax     | 3863                        | 2993                        | 5496                         | 4258                         |
| <b>Total</b>              | <b>278395</b>               | <b>195400</b>               | <b>396120</b>                | <b>278029</b>                |

**(35) Other creditors**

|   | 2008 year<br>6 months<br>Ls | 2007 year<br>6 months<br>Ls | 2008 year<br>6 months<br>EUR | 2007 year<br>6 months<br>EUR |
|---|-----------------------------|-----------------------------|------------------------------|------------------------------|
| Salary                                  | 267143                      | 250753                      | 380110                       | 356789                       |
| Payments for deductions from salary     | 1639                        | 1572                        | 2332                         | 2237                         |
| Payments for debts to other enterprises | 44888                       | 31620                       | 63869                        | 44991                        |
| <b>Total</b>                            | <b>313670</b>               | <b>283945</b>               | <b>446311</b>                | <b>404017</b>                |

**(36) Unpaid previous years dividends**

|                   | Ls           | EUR          |
|-------------------|--------------|--------------|
| <b>31.12.2007</b> | <b>25528</b> | <b>36323</b> |
| Calculated        | 0            | 0            |
| Paid off          | 484          | 689          |
| <b>30.06.2008</b> | <b>25044</b> | <b>35634</b> |

**Supplement to the balance sheet**

**(37) Accrued liabilities**

|                        | <b>2008 year<br/>6 months<br/>Ls</b> | <b>2007 year<br/>6 months<br/>Ls</b> | <b>2008 year<br/>6 months<br/>EUR</b> | <b>2007 year<br/>6 months<br/>EUR</b> |
|------------------------|--------------------------------------|--------------------------------------|---------------------------------------|---------------------------------------|
| For services           | 621914                               | 385628                               | 884904                                | 548699                                |
| Accruals for vocations | 244344                               | 221474                               | 347670                                | 315130                                |
| <b>Total</b>           | <b>866258</b>                        | <b>607102</b>                        | <b>1232574</b>                        | <b>863829</b>                         |

Chairman of the Board

*V. MELNIKS*

Member of the Board

*I.KOMAROVS*

Member of the Board

*A.STOLDERS*

Member of the Board

*L.ARTEMENKO*

Member of the Board

*I.RUDZATE*

August 29st, 2008