

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

***“RIGA SHIPYARD” JSC***

***financial statements for 6 months of the year 2012***

***(not audited)***

***Content***

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**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 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 – Port services  – Wood processing, manufacturing of furniture designed for various functional purposes etc.
Subsidiary company	Northsale Logistics Limited
Address	No. 1 Cornhill London EC3V 3ND Great Britain (United Kingdom)
Partnership	100 %
Associate enterprise	“Tosmare Shipyard” JSC Reg.No. 42103022837
Address	42/44 Generala Baloza Street, Liepaya
Partnership	49,72%
Associate enterprise	“Remars Granula” SIA Reg.Nr.54103022521
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,
Igors Komarovs	Member of the Board,
Larisa Artemenko	Member of the Board,
Irina Rudzate	Member of the Board,
Einars Buks	Member of the Board

Name, surnames and positions of members of the Council

Sergejs Golicins	Chairman of the Council,
Anatolijs Ustinovs	Deputy Chairman of the Council,
Aleksandrs Cernavskis	Member of the Council,
Jekaterina Melnika	Member of the Council, (appointed on 27.04.2012)
Gaidis Andrejs Zeibots	Member of the Council

Annual report

**1 January – 30 June 2012**

Tax authority

SRS Large tax payers department

Name and address of an auditor

Sworn auditors firm KSIA “ UHY ORIENTS N”  
LSAA certificate No 28  
G.Astras 8b street ,  
Riga, LV-1082  
Latvija

### **“Riga Shipyard” JSC Board of Directors statement to 2012 first 6 months report**

During first six months of 2012 JSC’s “Riga Shipyard” total net turnover made up 19 809 273, including shipbuilding – 14 689 474 LVL, ship repairing – 5 070 764 LVL (compared to six months of 2011 – 13 775 461 LVL, including ship building – 8 490 950 LVL, ship repairing – 5 269 234 LVL).

The gross loss of JSC “Riga Shipyard” made up 347 560 LVL (154 974 LVL gross profit in first six months of 2011). Loss in the first six months of 2012 made up 285 249 LVL (in 2011 loss for the same period of time was 402 454 LVL).

In total JSC “Riga Shipyard” repaired 31 ships during six months of 2012 (if compared to six months of 2011 their number was 30), and also were built and launched into the water 3 hulls, (compared to six months of 2011 there were built 2 hulls). The second patrol ship “CESIS” was delivered to Ministry of Defense of Latvia.

JSC “Riga Shipyard” is still working on three SWATH type patrol ship building in 2012 for the Ministry of defence. The third out of five patrol ships “VIESĪTE” which has been completely built by specialists of JSC “Riga Shipyard” was handed over to the ministry on August 22<sup>nd</sup>.

Everything is being done to proceed with the building of five floating restaurants for Russia. The first two are planned to hand over to the owner in September 2012.

According to the agreed schedule it is being proceeded the building of self elevating floating oil rig for Ukrainian National Joint Stock Company “Chernomorneftegaz”, which will be handed over to the owner in November 2012.

The tests of ocean wave energy convertor have been found successful and it is also known that it has been started the financing of next step of ocean wave energy convertors and JSC “Riga Shipyard” will definitely take part in contest for the building.

There were no significant changes in list of suppliers for products and services, as well as for raw material suppliers in 2011 and mostly remain the same traditional countries like: from Western Europe, Russia, Ukraine, Lithuania as well as Latvia.

Traditionally, the main ship repairing customers were from Western Europe, Russia, and Latvia. However shipbuilding customers for ship hulls have been mainly from the Scandinavian countries, for floating restaurants from Russia, for SWATH type patrol vessels – from Latvia; for self elevating floating drilling unit – from Ukraine.

During first six month of year 2012 JSC “Riga Shipyard” made investments for purchase and reconstruction of fixed assets in amount of 434 thousand lats (to compare in first half of year 2011 JSC Riga Shipyard made investments for 419 thousand lats). There were six air heaters purchased which are very essential to create the micro climate in workshop on Dock 3, what allows to do the painting jobs in winter conditions. To continue sustaining the competitiveness and the quality of fulfilled jobs it has been purchased the hydraulic key YTS-04 and welding equipment LORCH P3000. The overhauls of workshops, floating docks, portal cranes, tug boats and other fixed assets are still going on.

JSC’s “Riga Shipyard” work and procedures are made according to the international quality management system standards – EN ISO 9001:2008. The quality assurance certificate has been received in 2001 already. Quality management system is continuously improved.

The measures are taken each year to reduce environment pollution. It has been planned to proceed with the development, to invest in modernization of production equipment, as well as the process, which leads us to improve competitiveness of enterprise in its own market share. Due to decrease of amounts in Ship repair the management has made a decision on restructuring and is keen to find new field of activities and market shares.

**JSC “Riga Shipyard”**  
**Chairman of the Board** \_\_\_\_\_ **V. Melniks**

August 31<sup>st</sup>, 2012

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

The Board of JSC “Riga Shipyard” (The Company) endorses that, according to information available at the time of preparing this report, Financial statements give a true picture of the Company’s financial situation on June 30th 2012 and its performance and cash flow in all significant aspects. The above mentioned financial statements are as per requirements of legislation of Latvian Republic.

The board endorses that, preparing this report:

- there were used corresponding accounting methods, their application was consequent;
- there were made reasonable and prudent resolutions;
- it was guided by business continuation principle.

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, and ensures the financial report has been prepared complying with Latvian Legislation.

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.

**JSC “Riga Shipyard”**  
**Chairman of the Board** \_\_\_\_\_ **V. Melniks**

August 31<sup>st</sup>, 2012

**Profit or Loss statement**  
**For the 30<sup>th</sup> of June 2012 and 30<sup>th</sup> of June 2011**

		<b>2012</b>	<b>2011</b>	<b>2012</b>	<b>2011</b>
		<b>6 months</b>	<b>6 months</b>	<b>6 months</b>	<b>6 months</b>
		<b>Ls</b>	<b>Ls</b>	<b>EUR</b>	<b>EUR</b>
Net turnover	1	19809273	13775461	28186057	19600715
Sold production operating costs	2	20156833	13620487	28680590	19380207
<b>Gross profit or losses</b>		<b>(347560)</b>	<b>154974</b>	<b>(494533)</b>	<b>220508</b>
Selling costs	3	16243	17222	23112	24505
Administration costs	4	375607	403429	534441	574028
Other enterprise's business activity's income	5	1623613	902251	2310193	1283788
Other enterprise's business activity's costs	6	1063659	950850	1513450	1352938
<b>Profit &amp; Losses of business activity's</b>		<b>(179456)</b>	<b>(314276)</b>	<b>(255343)</b>	<b>(447175)</b>
Other percents and the like income	7	8795	37515	12514	53379
Payment of interest and the like costs	8	61512	73506	87524	104589
<b>Profit &amp; Losses prior to extra ordinary items and taxes</b>		<b>(232173)</b>	<b>(350267)</b>	<b>(330353)</b>	<b>(498385)</b>
<b>Profit &amp; loss prior to taxes</b>		<b>(232173)</b>	<b>(350267)</b>	<b>(330353)</b>	<b>(498385)</b>
Income taxes of the enterprise					
Other taxes		53076	52187	75521	74255
<b>Year of account profit &amp; loss (net income)</b>		<b>(285249)</b>	<b>(402454)</b>	<b>(405874)</b>	<b>(572640)</b>

Profit per share

Chairman of the Board

**V. MELNIKS**

Member of the Board

**L.ARTEMENKO**

“Riga shipyard” JSC  
report on period till 30<sup>th</sup> of June 2012

**Balance Sheet at 30<sup>th</sup> June 2012**

ASSETS	Remarks	30.06.2012 Ls	30.06.2011 Ls	30.06.2012 EUR	30.06.2011 EUR
<i>Long-term investments</i>					
<i>I Intangible investments</i>					
Other intangible investments		152504	2412	216994	3432
Advance payments of intangible investments			167895		238894
<b>Intangible investments in total</b>	9	<b>152504</b>	<b>170307</b>	<b>216994</b>	<b>242326</b>
<i>II Fixed assets</i>					
Buildings, constructions, perennial plants		4257285	3972308	6057571	5652085
Long-term investments into leased fixed assets		16487	21348	23459	30375
Equipment and machinery		14344781	14074494	20410785	20026201
Other fixed assets and stock		214412	251332	305081	357613
Up building of fixed assets and unfinished building objects costs		435664	337352	619894	480009
Advanced payments for fixed assets		84649	41640	120445	59248
<b>Fixed assets in total</b>		<b>19353278</b>	<b>18698474</b>	<b>27537235</b>	<b>26605531</b>
<i>III Property deposit</i>					
		<b>418221</b>	425269	595075	605103
<b>Fixed assets and property deposit in total</b>	10	<b>19771499</b>	<b>19123743</b>	<b>28132310</b>	<b>27210634</b>
<i>IV Long-term financial investments</i>					
Partnership in capital of related companies	11	2390		3400	
Partnership in capital of associated companies	12	3394958	3394958	4830590	4830590
Other equities and investments	13	165	165	235	235
Other loans and other long-term debtors	14	522450	536600	743379	763513
Loans to copartners of the enterprises and to the directorship	15	302284	312284	430111	444340
Long-term deposit			1447776		2060000
<b>Long-term financial investments in total</b>		<b>4222247</b>	<b>5691783</b>	<b>6007715</b>	<b>8098678</b>
<b>Long-term investments in total</b>		<b>24146250</b>	<b>24985833</b>	<b>34357019</b>	<b>35551638</b>
<i>Current assets</i>					
<i>I Reserves</i>					
Raw materials, direct materials and auxiliary materials	16	3482740	4564592	4955493	6494829
Unfinished production	17	1456708	91626	2072710	130372
Unfinished order	18	935438	1482891	1331008	2109964
Advance payments for goods	19	76364609	4647524	108657049	6612831
<b>Reserves in total</b>		<b>82239495</b>	<b>10786633</b>	<b>117016260</b>	<b>15347996</b>
<i>II Debts of debtors</i>					
Debts of buyers and customers	20	2832639	4221910	4030482	6007237
Associated companies debts	21	1132581	884786	1611518	1258937
Other debtors	22	2445482	932300	3479607	1326543
Short-term loans to share holders and management of the	23	10000	10000	14229	14229
Next period costs	24	46156	43472	65674	61855
Accrued proceeds	25	88151682	11149089	125428543	15863724
<b>Debtors in total</b>		<b>94618540</b>	<b>17241557</b>	<b>134630053</b>	<b>24532525</b>
<i>III Short-term financial investments</i>					
<i>Short-term deposit</i>					
<i>Cash assets</i>					
<b>IV Short-term deposit and cash assets in total</b>	26	<b>16506080</b>	<b>3802673</b>	<b>23486036</b>	<b>5410716</b>
<b>Current assets in total</b>		<b>193364115</b>	<b>31830863</b>	<b>275132349</b>	<b>45291237</b>
<b>Assets in total</b>		<b>217510365</b>	<b>56816696</b>	<b>309489368</b>	<b>80842875</b>



“Riga shipyard” JSC  
report on period till 30<sup>th</sup> of June 2012

Balance Sheet at 30<sup>th</sup> June 2012

LIABILITIES		Remarks	30.06.2012 Ls	30.06.2011 Ls	30.06.2012 EUR	30.06.2011 EUR
<b>I</b>	<b>Equity capital</b>					
	<b>Stock or share capital (equity capital)</b>	27	11672107	11672107	16607912	16607912
	Overrate reserved of financial fixed assets	28	8473199	8356792	12056273	11890642
	Retained earnings					
	a) previous years retained earnings		3621090	3566130	5152348	5074147
	b) year of account retained earnings		(285249)	(402454)	(405874)	(572640)
	<i>Retained earnings in total</i>		<i>3335841</i>	<i>3163676</i>	<i>4746474</i>	<i>4501507</i>
	<b>Equity capital in total</b>		<b>23481147</b>	<b>23192575</b>	<b>33410659</b>	<b>33000061</b>
<b>II</b>	<b>Reserves</b>					
	<i>Reserves in total</i>					
<b>III</b>	<b>Creditors</b>					
<b>I</b>	<b>Long-term debts</b>					
	Liability of Liability of leasing		95620	114976	136055	163596
	Deferred taxation reserves liabilities		2085456	1982723	2967337	2821161
	<b>Long-term debts in total</b>		<b>2181076</b>	<b>2097699</b>	<b>3103392</b>	<b>2984757</b>
<b>II</b>	<b>Short-term debts</b>					
	Loans from credit institutions	29	2945280	4194078	4190756	5967635
	Liability of leasing	30	21725	20866	30912	29690
	Other credit					
	Advance payments received from buyers	31	185160529	24241376	263459697	34492371
	Debts to suppliers and contractors	32	2502426	2217235	3560631	3154841
	Debts to associated companies	33	139760	182	198861	259
	Taxes and social insurance payments	34	319544	23526	454670	33474
	Other creditors	35	224769	256894	319818	365526
	Unpaid previous years dividends	36	24649	24659	35072	35087
	Next period income	37	834	2834	1187	4033
	Accrued liabilities	38	508626	544772	723713	775141
	<b>Short-term creditors in total</b>		<b>191848142</b>	<b>31526422</b>	<b>272975317</b>	<b>44858057</b>
	<b>Creditors in total</b>		<b>194029218</b>	<b>33624121</b>	<b>276078709</b>	<b>47842814</b>
	<b>Liabilities total</b>		<b>217510365</b>	<b>56816696</b>	<b>309489368</b>	<b>80842875</b>

Chairman of the Board

**V. MELNIKS**

Member of the Board

**I.KOMAROVS**

Member of the Board

**L.ARTEMENKO**

Member of the Board

**I.RUDZATE**

Member of the Board

**E.BUKS**

August 31<sup>st</sup>, 2012

“Riga shipyard” JSC  
report on period till 30<sup>th</sup> of June 2012

Cash flow Statement for 6 months of the year 2012 and 2011(as per direct method)

	2012 6 months Ls	2011 6 months Ls	2012 6 months EUR	2011 6 months EUR
<b>A. Cash flow from primary activity</b>				
Sales and service income	89816763	12203356	127797740	17363811
Cash to suppliers, personnel and others primary activity costs	94425954	16960996	134356028	24133323
<b>Gross cash flow from primary activity</b>	<b>(4609191)</b>	<b>(4757640)</b>	<b>(6558288)</b>	<b>(6769512)</b>
Interest paid	61512	37506	87524	53366
Primary activity before extraordinary items	(4670703)	(4795146)	(6645812)	(6822878)
Cash flow from extraordinary items				
<b>Net cash flow from primary activity</b>	<b>(4670703)</b>	<b>(4795146)</b>	<b>(6645812)</b>	<b>(6822878)</b>
<b>B. Cash flow from investment activity</b>				
Related enterprises shares acquisition				
Selling out of shares				
Paid for fixed assets acquisition	217114	169057	308924	240546
Proceeds from tangible and intangible investment sales	19875	46091	28280	65582
Received for the fixed assets sold				
Loans granted		2769		3940
Decrease of long-term deposit	1111772		1581909	
Repayment of loans		697		992
Interest received	8795	37515	12514	53379
<b>Net cash flow from investment activity</b>	<b>923328</b>	<b>(87523)</b>	<b>1313779</b>	<b>(124533)</b>
<b>C. Cash flow from financial activities</b>				
Loan received	2353798	507671	3349153	722351
Loan repaid				
Loan received				
Expenditure on debt repayment		421682		600000
Dividend paid	3		5	
<b>Net cash flow from financial activities</b>	<b>2353795</b>	<b>85989</b>	<b>3349148</b>	<b>122351</b>
Result of currency exchange rates changing	(493445)	23204	(702110)	33015
<b>Net cash flow and equivalent increase or decrease (A+B+C)</b>	<b>(1887025)</b>	<b>(4773476)</b>	<b>(2684995)</b>	<b>(6792045)</b>
<b>Cash and equivalent thereof at beginning of the period of accounts</b>	<b>18393105</b>	<b>8576149</b>	<b>26171031</b>	<b>12202761</b>
<b>Cash and equivalent thereof at the end of the period of account</b>	<b>16506080</b>	<b>3802673</b>	<b>23486036</b>	<b>5410716</b>

Chairman of the Board

**V. MELNIKS**

Member of the Board

**L.ARTEMENKO**

August 31<sup>st</sup>, 2012

**Changes in own capital report for 6 months 2012 and 2011**

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 31.12.2010</b>	<b>11672107</b>	<b>16607912</b>	<b>8473199</b>	<b>12056273</b>	<b>3566130</b>	<b>5074147</b>	<b>23711436</b>	<b>33738332</b>
Wear of revaluated part of the equipment			(116407)	(165631)			(116407)	(165631)
Changes in bonds of postponed taxes								
Period of account net profit & loss					(402454)	(572640)	(402454)	(572640)
<b>Balance as at 30.06.2011</b>	<b>11672107</b>	<b>16607912</b>	<b>8356792</b>	<b>11890642</b>	<b>3163676</b>	<b>4501507</b>	<b>23192575</b>	<b>33000061</b>
<b>Balance as at 31.12.2011</b>	<b>11672107</b>	<b>16607912</b>	<b>8473199</b>	<b>12056273</b>	<b>3621090</b>	<b>5152348</b>	<b>23766396</b>	<b>33816533</b>
Wear of revaluated part of the equipment								
Changes in bonds of postponed taxes								
Period of account net profit & loss					(285249)	(405874)	(285249)	(405874)
<b>Balance as at 30.06.2012</b>	<b>11672107</b>	<b>16607912</b>	<b>8473199</b>	<b>12056273</b>	<b>3335841</b>	<b>4746474</b>	<b>23481147</b>	<b>33410659</b>

EPS for 30.06.2012 *LVL (285249) :11672107 = (0,02) LVL or (0,03) EUR;*

EPS for 30.06.2011 *(0,02) LVL or (0,03) EUR*

Chairman of the Board

**V. MELNIKS**

Member of the Board

**L.ARTEMENKO**

August 31<sup>st</sup>, 2012

Notes: all sections of the financial reports are to be evaluated in EURO according to the rates of Bank of Latvia on 30.06.2012

*Notes mentioned on pages 10<sup>th</sup> - 32<sup>nd</sup> are to be an integral part of this annual report*

## **Notes to the financial statements**

### **Accounting policy**

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

Annual report has been prepared according to laws of Latvian Republic „Regarding Accountancy” and „Regarding Annual report”, rules of cabinet of Ministers of Latvian Republic No. 481 „On cash flow report and report on changes of contents of own equity and the order of preparing”; and according to Rules of Cabinet of Ministers Latvian Republic No. 488 enforcement of law “Regarding Annual Report”, which must be used starting since July 1<sup>st</sup> of year 2011. The sums included in Financial Statements are gained, based on prior costs method. Compared to previous report year the methods used by the Enterprise and the methods of evaluating have not been changed. Profit & Loss calculation has been prepared as per turnover costs scheme. Cash flow statement has been prepared as per direct method. The enclosed financial statements are made in Latvian national currency – lats (LVL).

#### **(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) Income recognition and net sales**

Net sales contain the total value of goods and services sold during the year excluding discounts value added tax and costs related to sales. Income is recognized according to the following principles:

- Revenue from ship repair are recognised in the reporting period when the relevant services were provided;
- Sales of goods - after significant ownership risk and rewards have been passed to the buyer;
- Revenue from shipbuilding - under the percentage of completion method (also see the remark 11 to policy of accountancy);
- Income from fines and penalties - at the moment of receiving the payments;
- Interest income - on an accrual basis;
- dividends – when there is legal basis for them

The revenue from ship repair is recognized based on level of completion. Costs related to repair services contracts are recognized by the moment of their appearance. If it is not possible to estimate believably the result of service contract, the income is recognized just as much as costs arising from the contract are possible to get back. If it is possible to estimate the result and there is a large possibility that contract will result as profit, the income of such contract are recognized during the contract time. If there is possibility that total of contract costs will exceed total of contract incomes, than the expected loss is to be recognized as expenses at once.

#### **(4) Segment Content**

**Operating Segment** is identifiable public (consuming goods and services) section, which is characterized by the risks and benefits that differs from the risks and benefits of other part of public. **Geographical Segment** is identifiable public that sells good and provides services in the particular economic environment and which is characterized by the risks and benefits that differs from the other part of public acting in the other economic environment.

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

(a) Currency used in transactions and accounting.

Items of the Company financial reports are accounted for in the currency of the economic environment, in which the Company operates (accounting currency). Items of financial reports are expressed in Latvian Lats (LVL), which is the Company accounting currency and reporting currency.

(b) Transactions and balances

All transactions in foreign currencies are converted to the accounting currency based upon the currency exchange rate of the relevant transaction date. Profit or loss obtained in the result of converting these transactions and monetary assets and liabilities in foreign currencies into lats based upon the year-end currency exchange rate are reflected in the Profit/ Loss Statement.

Exchange rates of most often used currencies, by March 31<sup>st</sup> were as follows:

	<b>30.06.2012</b>	<b>30.06.2011</b>
	<b>Ls</b>	<b>Ls</b>
1 USD	0,562	0,489
1 EUR	0,702804	0,702804
1 NOK	0,0932	0,09
1 GBP	0,876	0,782
1 RUB	0,0171	0,0174

#### **(6) Fixed assets and low-grade stock**

Intangible and fixed assets are initially defined at the purchase cost, excluding the wear accumulated. The accusation value includes the expenditures, which are directly related to the acquisition of the fixed asset. Depreciation is calculated on a straight-line basis applying the following rates of depreciation set by the management, based on the estimated useful life of the fixed assets:

	<b>Depreciation % per annum</b>
Buildings	2-15
Other buildings and constructions	3,5 - 20
Technological equipment	5-50
Other fixed assets and stock	10-40

Wear of basic means begins to count from the first date of the next month after its delivery to exploitation and is finished by the first date of the next after its exclusion from the basic means.

Company capitalizes permanent assets with value more than Ls 100 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.

In case of the obvious evident that as a result of fixed asset's repair and reconstruction in the future the economical achieved effect would be higher than the primary defined output, such investments are capitalized as an additional cost of fixed assets staff. With capitalization of the spare parts installation expense the remaining cost of exchange spare parts is written off to the profit or losses account.

Net profit or losses from fixed assets disposal is calculated as the difference between fixed assets balanced value and income received from the sales and defined in the income or loss calculation of the period where they had occurred from.

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.

#### **(7) Property deposits**

Investment property is buildings, constructions and their parts that the Company owns (as owner or renter acc. to financial leasing) to get rent or to wait prices rising (appreciation), but not to use for production of goods, providing a services, for administrative purposes or to sell in course of economic activity.

#### **(8) Affiliated undertaking deposits.**

Affiliated undertaking deposits are accounted complying with "cost" method. Accordingly to this method the value of the investment is created by value of affiliated purchase and the costs related to the purchase.

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

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

**(10) 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. The reserves are valued at the lowest net sales value, purchase or production first cost.

Unfinished production has been reflected as costs related to employees, purchase of raw materials and services, excluding administration costs.

**(11) Long-term contract**

Due to the character to the contract on establishing an asset and performed activities the dates of starting and completing the contract performance falls within different reporting periods. Revenues and costs related to the contract are recognised as revenues and expenditure, accordingly, taking into account the percentage volume of completion of contract works as on the Balance Sheet date. In compliance to the above method the Company determines the degree of completion of the work by relating the costs related to the contract and incurred until the Balance Sheet date to the total estimated contract costs and expressing this relation as percentage or by assessing the physical level of completion of the work, depending on which of the above methods is more suitable. Expected loss from a long-term contract is recognised as expenditure immediately. Costs incurred during the reporting period and related to future operation of the contract are excluded from costs related to the contract when the degree of completion of the work is calculated. They are presented as raw materials and materials or other assets depending on their character. The orders of Shipbuilding with the completion level up to 10% (zero cycle) are not valued under level of completion and are shown like unfinished production.

**(12) Debtors**

Debtors' debts in the balance sheet have been shown at the net value, obtained deducting provisions for doubtful debts from the total amount of Debtor's debts. Debtors' actual sum complies with contracts and other accounting basic documents. Provisions for doubtful debts. are calculated by individual evaluation of every Debtor. Provisions for doubtful debts. reflect evaluation of estimated loss on the date of balance. Hopeless debts are to be written off when its recovery is admitted as impossible.

**(13) Accumulated income**

Riga Shipyard's new building incomes are acknowledged respective to its executive degree (see remark 11 "Long - term contracts").

**(14) Cash and cash equivalents**

In the report of cash flow consist of the money in cash-box, remnants of active bank cont and demand deposits in the credit institutions with term to 90 days.

**(15) Equity capital and dividends**

Base shares are classified as equity capital. Dividends payable to the Company shareholders are recorded as liabilities during the Company financial reporting period when the Company shareholders approve the relevant dividends.

**(16) Revaluation reserve**

The growth of revaluation value is decreased, when revaluated fixed asset is eliminated or disposed.

**(17) Savings**

Savings are possible bonds, caused by happening of report year or in previous years and by the moment of preparing the report, probably it will be necessary, that operational goods will flow away and the amount can be quite believably determined. Savings are estimated according to current value of costs, which will be necessary to solve the bonds after valuation.

**(18) Reserves for unused vocations**

Vocation cost reserves was calculated: average earning of past six month of the period reported per number of days of unused days of vacation by the end of year of period.

**(19) Income tax of the enterprise**

Enterprise income tax was calculated according to Latvia Republic tax laws. Tax laws in 2011 and further fixed tax rate is 15%.

Deferred taxation was referable to all short-term distinctions, which appear as a result of making accountancy of earnings and expenses according to tax laws. Deferred taxation is liability, which was calculated using tax rates. The main short-term distinctions appear from distinctions of fixed assets and nonmaterial wealth depreciation norms in taxes and financial bookkeeping calculation.

Deferred taxation assets item was included in financial reports only when regain of assets is real.

**(20) Profit per share**

Profit per share is determined by dividing the net profit or loss attributable to the Company shareholders with the weighted average number of shares.

**(21) Related parties**

Related parties are the Company’s major shareholders, Board members and Council member, their close family members and the companies, that are controlled or affected by the above mentioned persons. Also related parties are the companies that are controlled or affected by the final controlling member. Related parties are as well the Company’s related and associated companies, whose financial and main activity is under the Company’s significant influence.

**(22) Bookkeeping arrangement**

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

**(23) 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.

**(24) Financial risks**

The principal financial instruments of the Company are money. The main objective of these financial instruments is to provide financing for the operations of the Company. The Company interacts with various other financial instruments, for example, trade receivables and payables and other creditors, following directly from its operations.

Financial risks, connected with the financial instruments of the Company, mainly, are interest rate risk, liquidity risk and credit risk.

In the conditions of regular activities the Enterprise is subject to credit and foreign exchange risks.

**Credit risk**

The Company is subject to the credit risk with respect to the debts of its buyers and customers, issued short-term loans and money and its equivalents. The Company manages its credit risk constantly reviewing the repayment history of the client debts and stating the credit conditions for each client separately. The Company has no significant concentration of credit risk on any separate business partner or group of partners corresponding to the similar description.

**Percentage risk**

Enterprise is subjected from credit interest rate changing risk.

**Currency risk**

The enterprise is having international operations and it is a subject to foreign currencies risk, which is generally caused by US dollar (USD).. As of 2005 the Bank of Latvia has stated a fixed official currency exchange rate for lats against euro, i.e. 0.702804, and ensures that the market rate will not differ from the official rate by more than 1%. As far as the Bank of Latvia maintains the above mentioned exchange corridor, the Company will not have a significant currency exchange risks in respect of assets and liabilities nominated in euro.

**Liquidity risk**

The Company follows cautious liquidity risk management and accordingly maintains sufficient amount of cash and ensures availability of financing by using loan facilities granted by banks. The Company management monitors operative forecasts of liquidity reserves based upon expected cash flow. Most of the Company liabilities are short-term. The management considers that the Company will have sufficient liquid funds obtained from core operations and utilisation of loan facilities with the Latvian banks

**(25) Retraining**

In order to meet post classification for year 2012 the comparative readings for year 2011 in necessary cases individual post classification has changed.



**Supplements to Annual Report**  
**Supplement to Profit or Loss Statement**

**(1) Net turnover**

	<b>2012</b>	<b>2011</b>	<b>2012</b>	<b>2011</b>
	<b>6 months</b>	<b>6 months</b>	<b>6 months</b>	<b>6 months</b>
	<b>Ls</b>	<b>Ls</b>	<b>EUR</b>	<b>EUR</b>
Shipbuilding	14689474	8490950	20901239	12081533
Ship repair	5070764	5269234	7215047	7497445
Mechanical engineering	14620	14055	20802	19998
Other works	34415	1222	48969	1739
<b>Total</b>	<b>19809273</b>	<b>13775461</b>	<b>28186057</b>	<b>19600715</b>

**(2) Sold products operating costs**

	<b>2012</b>	<b>2011</b>	<b>2012</b>	<b>2011</b>
	<b>6 months</b>	<b>6 months</b>	<b>6 months</b>	<b>6 months</b>
	<b>Ls</b>	<b>Ls</b>	<b>EUR</b>	<b>EUR</b>
Material costs (raw materials and materials, value of goods, services from outside)	<b>17176341</b>	<b>11063725</b>	<b>24439731</b>	<b>15742262</b>
Salary	<b>1745633</b>	<b>1584764</b>	<b>2483812</b>	<b>2254916</b>
Social tax	<b>409000</b>	<b>372062</b>	<b>581955</b>	<b>529397</b>
Depreciation of fixed assets	<b>532931</b>	<b>445615</b>	<b>758292</b>	<b>634053</b>
Other costs	<b>292928</b>	<b>154321</b>	<b>416799</b>	<b>219579</b>
<b>Total</b>	<b>20156833</b>	<b>13620487</b>	<b>28680589</b>	<b>19380207</b>

**(3) Selling costs**

	<b>2012</b>	<b>2011</b>	<b>2012</b>	<b>2011</b>
	<b>6 months</b>	<b>6 months</b>	<b>6 months</b>	<b>6 months</b>
	<b>Ls</b>	<b>Ls</b>	<b>EUR</b>	<b>EUR</b>
<b>Advertisement</b>	16243	17222	23112	24505
<b>Total</b>	<b>16243</b>	<b>17222</b>	<b>23112</b>	<b>24505</b>

**(4) Administration costs**

	<b>2012</b>	<b>2011</b>	<b>2012</b>	<b>2011</b>
	<b>6 months</b>	<b>6 months</b>	<b>6 months</b>	<b>6 months</b>
	<b>Ls</b>	<b>Ls</b>	<b>EUR</b>	<b>EUR</b>
Liaison costs	8727	9457	12417	13456
Office maintenance costs	1459	604	2076	859
Salary of administration	24042	24880	34209	35401
Remuneration of the board	124474	117202	177111	166763
Remuneration of the council	79650	90000	113332	128058
Social insurance costs	53082	53544	75529	76186
Depreciation of fixed assets	7229	11489	10286	16347
Transport costs, travel allowances	21167	47232	30118	67205
Legal services	1525	228	2170	324
Assurance	1530	1562	2177	2223
Representation costs	6878	7676	9787	10922
Representation costs of the car	45844	39555	65229	56284
<b>Total</b>	<b>375607</b>	<b>403429</b>	<b>534441</b>	<b>574028</b>

**Supplement to Profit or Loss Statement (continuation)**

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

	<b>2012</b> <b>6 months</b> Ls	<b>2011</b> <b>6 months</b> Ls	<b>2012</b> <b>6 months</b> EUR	<b>2011</b> <b>6 months</b> EUR
Income generated by leased FA payments and public services	568456	479187	808840	681822
Tugboat services income	57800	153551	82242	218483
Selling out of raw materials and materials	514390	207372	731911	295064
Income generated by education services				
Income generated by chemical analyses	607	564	864	802
Net income generated by realization of fixed assets	14824	8400	21093	11952
Previous year income	15663	0	22286	0
Net income from currency exchange rating fluctuations	324861	14968	462236	21298
Currency selling income	0	8011	0	11399
Revenue from its creditors a debt write-off	0	2168	0	3085
Mediation services	84337	0	120000	0
Other income	42675	28030	60721	39883
<b>Total</b>	<b>1623613</b>	<b>902251</b>	<b>2310193</b>	<b>1283788</b>

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

	<b>2012</b> <b>6 months</b> Ls	<b>2011</b> <b>6 months</b> Ls	<b>2012</b> <b>6 months</b> EUR	<b>2011</b> <b>6 months</b> EUR
Material purchase costs	410370	193312	583904	275058
Losses incurred by currency exchange rate fluctuations	194358	0	276546	0
Medical services	4162	4638	5922	6599
Social infrastructure objects costs (medical services)				
Costs on tugboat services	36776	73043	52328	103931
The donations	4000	4507	5691	6413
Material benefits	200	127	285	181
Burial costs	1164	975	1656	1387
Net loss incurred by fixed assets’ exclusion	1450	140222	2063	199518
Representation costs	10871	12440	15468	17701
Costs on maintenance of leased FA	400060	356530	569234	507296
Special reserved sum provider for unsecured debts	0	163824	0	233101
Other costs	248	1232	353	1753
<b>Total</b>	<b>1063659</b>	<b>950850</b>	<b>1513450</b>	<b>1352938</b>

**Supplement to Profit or Loss Statement (continuation)**

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

	<b>2012</b>	<b>2011</b>	<b>2012</b>	<b>2011</b>
	<b>6 months</b>	<b>6 months</b>	<b>6 months</b>	<b>6 months</b>
	Ls	Ls	EUR	EUR
Depositing percentage	7752	37347	11030	53140
Bank interests	357	131	508	186
Interests income for loans	11	37	16	53
Received penalty payments	675	0	960	0
<b>Total</b>	<b>8795</b>	<b>37515</b>	<b>12514</b>	<b>53379</b>

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

	<b>2012</b>	<b>2011</b>	<b>2012</b>	<b>2011</b>
	<b>6 months</b>	<b>6 months</b>	<b>6 months</b>	<b>6 months</b>
	Ls	Ls	EUR	EUR
Paid off penalty	0	2035	0	2896
Paid off interests	29259	48431	41632	68911
Guarantee maintenance	32253	23040	45892	32782
<b>Total</b>	<b>61512</b>	<b>73506</b>	<b>87524</b>	<b>104589</b>

**Supplement to Profit or Loss Statement (continuation)**

**(9) Other intangible investments LVL**

	Concessions, patents, licenses, trade- marks and similar rights	Research and development costs	Other intangible rights	Intangible value of enterprise	Advance payments of intangible investments	Intangible investments Total
<b>Initial value</b>						
01.01.2011	0	0	74372		167895	<b>242267</b>
Bought						
Relocated						
Written off						
30.06.2011	0	0	74372		167895	<b>242267</b>
<b>Depreciation</b>						
01.01.2011	0	0	68373			<b>68373</b>
Estimated			3587			<b>3587</b>
Written off						
30.06.2011	0	0	71960			<b>71960</b>
<b>Balance value 01.01.2011</b>	<b>0</b>	<b>0</b>	<b>5999</b>		<b>167895</b>	<b>173894</b>
<b>Balance value 30.06.2011</b>	<b>0</b>	<b>0</b>	<b>2412</b>		<b>167895</b>	<b>170307</b>

**(9) Other intangible investments EUR**

	Concessions, patents, licenses, trade-marks and similar rights	Research and development costs	Other intangible rights	Intangible value of enterprise	Advance payments of intangible investments	Intangible investments total
<b>Initial value</b>						
01.01.2011			105822		238894	<b>344716</b>
Bought						
Written off						
Relocated						
Revaluated						
30.06.2011	0	0	105822		238894	<b>344716</b>
<b>Depreciation</b>						
01.01.2011			97285			<b>97285</b>
Estimated			5105			<b>5105</b>
30.06.2011	0	0	102390			<b>102390</b>
<b>Balance value 01.01.2011</b>	<b>0</b>	<b>0</b>	<b>8537</b>		<b>238894</b>	<b>247431</b>
<b>Balance value 30.06.2011</b>	<b>0</b>	<b>0</b>	<b>3432</b>		<b>238894</b>	<b>242326</b>

**Supplement to Profit or Loss Statement (continuation)**

**(9) Other intangible investments LVL**

	Concessions, patents, licenses, trade-marks and similar rights	Research and development costs	Other intangible rights	Intangible value of enterprise	Advance payments of intangible investments	Intangible investments Total
<b>Initial value</b>						
01.01.2012	0	0	242267			<b>242267</b>
Bought						
Relocated						
Written off						
30.06.2012	0	0	242267			<b>242267</b>
<b>Depreciation</b>						
01.01.2012			72534			<b>72534</b>
Estimated			17229			<b>17229</b>
Written off						
30.06.2012	0	0	89763			<b>89763</b>
<b>Balance value 01.01.2012</b>	<b>0</b>	<b>0</b>	<b>169733</b>			<b>169733</b>
<b>Balance value 30.06.2012</b>	<b>0</b>	<b>0</b>	<b>152504</b>			<b>152504</b>

**(9) Other intangible investments EUR**

	Concessions, patents, licenses, trade-marks and similar rights	Research and development costs	Other intangible rights	Intangible value of enterprise	Advance payments of intangible investments	Intangible investments total
<b>Initial value</b>						
01.01.2012	0	0	344715			<b>344715</b>
Bought						
Written off						
Relocated						
Revaluated						
30.06.2012	0	0	344715			<b>344715</b>
<b>Depreciation</b>						
01.01.2012			103207			<b>103207</b>
Estimated			24515			<b>24515</b>
Written off						
30.06.2012	0	0	127721			<b>127721</b>
<b>Balance value 01.01.2012</b>	<b>0</b>	<b>0</b>	<b>241508</b>			<b>241508</b>
<b>Balance value 30.06.2012</b>	<b>0</b>	<b>0</b>	<b>216994</b>			<b>216994</b>

**Supplement to Profit or Loss Statement (continuation)**

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

	Buildings, constructions Ls	Investments 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>								
<b>01.01.2011</b>	<b>6359468</b>	<b>555836</b>	<b>363</b>	<b>19915170</b>	<b>965050</b>	<b>227462</b>	<b>4758</b>	<b>28028107</b>
Bought	42298	2138	20985	344561	8675	507562	46584	<b>972803</b>
Written off				251552	8449	397672	9702	<b>667375</b>
Relocated								
<b>30.06.2011</b>	<b>6401766</b>	<b>557974</b>	<b>21348</b>	<b>20008179</b>	<b>965276</b>	<b>337352</b>	<b>41640</b>	<b>28333535</b>
<b>Depreciation</b>								
<b>01.01.2011</b>	<b>2333829</b>	<b>119556</b>		<b>5612851</b>	<b>684452</b>			<b>8750688</b>
Estimated	95629	13149		260941	35887			<b>405606</b>
Written off				56513	6395			<b>62908</b>
Relocated				116406				<b>116406</b>
<b>30.06.2011</b>	<b>2429458</b>	<b>132705</b>		<b>5933685</b>	<b>713944</b>			<b>9209792</b>
<b>Balance value 01.01.2011</b>	<b>4025639</b>	<b>436280</b>	<b>363</b>	<b>14302319</b>	<b>280598</b>	<b>227462</b>	<b>4758</b>	<b>19277419</b>
<b>Balance value 30.06.2011</b>	<b>3972308</b>	<b>425269</b>	<b>21348</b>	<b>14074494</b>	<b>251332</b>	<b>337352</b>	<b>41640</b>	<b>19123743</b>

**(10) Fixed assets (EUR)**

	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>01.01.2011</b>	<b>9048708</b>	<b>790883</b>	<b>516</b>	<b>28336734</b>	<b>1373143</b>	<b>323648</b>	<b>6770</b>	<b>39880402</b>
Bought	60185	3042	29859	490266	12343	722196	66283	<b>1384174</b>
Written off				357926	12022	565835	13805	<b>949588</b>
Relocated								
<b>30.06.2011</b>	<b>9108893</b>	<b>793925</b>	<b>30375</b>	<b>28469074</b>	<b>1373464</b>	<b>480009</b>	<b>59248</b>	<b>40314988</b>
<b>Depreciation</b>								
<b>01.01.2011</b>	<b>3320740</b>	<b>170113</b>		<b>7986369</b>	<b>973888</b>			<b>12451110</b>
Estimated	136068	18709		371286	51063			<b>577126</b>
Written off				80412	9100			<b>89512</b>
Relocated				165630				<b>165630</b>
<b>30.06.2011</b>	<b>3456808</b>	<b>188822</b>		<b>8442873</b>	<b>1015851</b>			<b>13104354</b>
<b>Balance value 01.01.2011</b>	<b>5727968</b>	<b>620770</b>	<b>516</b>	<b>20350365</b>	<b>399255</b>	<b>323648</b>	<b>6770</b>	<b>27429292</b>
<b>Balance value 30.06.2011</b>	<b>5652085</b>	<b>605103</b>	<b>30375</b>	<b>20026201</b>	<b>357613</b>	<b>480009</b>	<b>59248</b>	<b>27210634</b>

**Supplement to Profit or Loss Statement (continuation)**

**Supplements to the balance sheet**

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

	Buildings, constructions Ls	Investments 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>								
<b>01.01.2012</b>	<b>6842006</b>	<b>576395</b>	<b>16487</b>	<b>20495036</b>	<b>983153</b>	<b>295020</b>	<b>18567</b>	<b>29226664</b>
Bought	36015	1143		495433	13073	686308	102866	<b>1334838</b>
Written off				31023	55	545664	36784	<b>613526</b>
Relocated								
<b>30.06.2012</b>	<b>6878021</b>	<b>577538</b>	<b>16487</b>	<b>20959446</b>	<b>996171</b>	<b>435664</b>	<b>84649</b>	<b>29947976</b>
<b>Depreciation</b>								
<b>01.01.2012</b>	<b>2522476</b>	<b>145860</b>		<b>6265738</b>	<b>748724</b>			<b>9682798</b>
Estimated	98260	13457		378124	33090			<b>522931</b>
Written off				29197	55			<b>29252</b>
Relocated								
<b>30.06.2012</b>	<b>2620736</b>	<b>159317</b>		<b>6614665</b>	<b>781759</b>			<b>10176477</b>
<b>Balance value 01.01.2012</b>	<b>4319530</b>	<b>430535</b>	<b>16487</b>	<b>14229298</b>	<b>234429</b>	<b>295020</b>	<b>18567</b>	<b>19543866</b>
<b>Balance value 30.06.2012</b>	<b>4257285</b>	<b>418221</b>	<b>16487</b>	<b>14344781</b>	<b>214412</b>	<b>435664</b>	<b>84649</b>	<b>19771499</b>

**(10) Fixed assets (EUR)**

	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>01.01.2012</b>	<b>9735298</b>	<b>820136</b>	<b>23459</b>	<b>29161809</b>	<b>1398901</b>	<b>419775</b>	<b>26419</b>	<b>41585797</b>
Bought	51244	1627		704938	18601	976529	146365	<b>1899304</b>
Written off				44142	78	776410	52339	<b>872969</b>
Relocated								
<b>30.06.2012</b>	<b>9786542</b>	<b>821763</b>	<b>23459</b>	<b>29822605</b>	<b>1417424</b>	<b>619894</b>	<b>120445</b>	<b>42612132</b>
<b>Depreciation</b>								
<b>01.01.2012</b>	<b>3589160</b>	<b>207540</b>		<b>8915343</b>	<b>1065338</b>			<b>13777381</b>
Estimated	139811	19148		538022	47083			<b>744064</b>
Written off				41545	78			<b>41623</b>
Relocated								
<b>30.06.2012</b>	<b>3728971</b>	<b>226688</b>		<b>9411820</b>	<b>1112343</b>			<b>14479822</b>
<b>Balance value 01.01.2012</b>	<b>6146138</b>	<b>612596</b>	<b>23459</b>	<b>20246466</b>	<b>333563</b>	<b>419775</b>	<b>26419</b>	<b>27808416</b>
<b>Balance value 30.06.2012</b>	<b>6057571</b>	<b>595075</b>	<b>23459</b>	<b>20410785</b>	<b>305081</b>	<b>619894</b>	<b>120445</b>	<b>28132310</b>

**Supplement to the balance sheet (continuation)**

**(11) Partnership in capital of related companies**

	30.06.2012 Ls	Share capital %	30.06.2011. Ls	Share capital %	30.06.2012. EUR	30.06.2011. EUR
Northsale Logistics Limited	2390	100	0	0	3400	0
<b>Investments</b>	<b>2390</b>	<b>100</b>	<b>0</b>	<b>0</b>	<b>3400</b>	<b>0</b>

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

	30.06.2012. Ls	Share capital (%)	30.06.2011. Ls	Share capital (%)	30.06.2012 EUR	30.06.2011 EUR
Branch enterprise "Tosmares kuģubūvetava" JSC investment value	2551593	49,72	2551593	49,72	3630590	3630590
SIA "Remars Granula"	843365	49,80	843365	49,80	1200000	1200000
<b>Investments</b>	<b>3394958</b>		<b>3394958</b>		<b>4830590</b>	<b>4830590</b>

**(13) Other equities and investments**

Name enterprise	Parts or shares value		30.06.2012			30.06.2011		
	2012	2011	Quantity	Ls	EUR	Quantity	Ls	EUR
"Baltic International Bank" JSC	5	5	33	165	235	33	165	235
<b>Total</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>

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

	2012 year 6 months Ls	2011 year 6 months Ls	2012 year 6 months EUR	2011 year 6 months EUR
Student loan payout	68988	68139	98161	96953
Shares loan payout	453462	468461	645218	666560
<b>Total</b>	<b>522450</b>	<b>536600</b>	<b>743379</b>	<b>763513</b>



**Supplement to the balance sheet (continuation)**

**(15) Loans to co-partners of the enterprises and to the directorship**

	2012 6 months Ls	2011 6 months Ls	2012 6 months EUR	2011 6 months EUR
Long-term loans	302284	312284	430111	444340
<b>Total</b>	<b>302284</b>	<b>312284</b>	<b>430111</b>	<b>444340</b>

	Ls	Euro
<b>Copartners and directorship</b>		
Including: Long-term	302284	430111
Short-term	10000	14229
<b>30.06.2012</b>	<b>312284</b>	<b>444340</b>

There is a debt of management for JSC “Tosmares kuģubūvētava” shares in this position.

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

	2012 6 months Ls	2011 6 months Ls	2012 6 months EUR	2011 6 months EUR
1. Metal ware	58558	52725	83321	75021
2. Timbering	5057	5476	7195	7792
3. Metal, non-ferrous metals, pipes	1806996	2180962	2571124	3103229
4. Wire cables	360	25245	512	35920
5. Fuel	18769	7814	26706	11118
6. Coveralls	44072	3780	62709	5378
7. Equipment	54324	201596	77296	286845
8. Cables	20947	75484	29805	107404
9. Varnish and paint	162410	116218	231089	165363
10. Household goods	1634	6426	2325	9143
11. Technical rubber ware	11613	13169	16524	18738
12. Other	1298000	1875697	1846887	2668878
<b>Total</b>	<b>3482740</b>	<b>4564592</b>	<b>4955493</b>	<b>6494829</b>

**(17) Unfinished production**

	2012 6 months Ls	2011 6 months Ls	2012 6 months EUR	2011 6 months EUR
Shipbuilding orders	1456708	91626	2072710	130372
<b>Total</b>	<b>1456708</b>	<b>91626</b>	<b>2072710</b>	<b>130372</b>

These columns reflect the orders with up to 10% (zero cycle) executive degree from contractual value.

**Supplement to the balance sheet (continuation)**

**(18) Unfinished orders**

	<b>2012</b> <b>6 months</b> Ls	<b>2011</b> <b>6 months</b> Ls	<b>2012</b> <b>6 months</b> EUR	<b>2011</b> <b>6 months</b> EUR
1) Ship repair orders	917840	1417924	1305969	2017524
2) Mechanical engineering orders	14558	59374	20714	84481
3) Various	3040	5593	4325	7959
<b>Total</b>	<b>935438</b>	<b>1482891</b>	<b>1331008</b>	<b>2109964</b>

**(19) Advance payments for goods**

	<b>2012</b> <b>6 months</b> Ls	<b>2011</b> <b>6 months</b> Ls	<b>2012</b> <b>6 months</b> EUR	<b>2011</b> <b>6 months</b> EUR
For goods	76364609	4647524	108657049	6612831
<b>Total</b>	<b>76364609</b>	<b>4647524</b>	<b>108657049</b>	<b>6612831</b>

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

	<b>2012</b> <b>6 months</b> Ls	<b>2011</b> <b>6 months</b> Ls	<b>2012</b> <b>6 months</b> EUR	<b>2011</b> <b>6 months</b> EUR
Buyers and customers accounting value	2938607	4600026	4181261	6545248
Generated reserves for doubtful debtors	(105968)	(378116)	(150779)	(538011)
<b>Balance net value</b>	<b>2832639</b>	<b>4221910</b>	<b>4030482</b>	<b>6007237</b>

**(21) Associated companies debts**

	<b>2012</b> <b>6 months</b> Ls	<b>2011</b> <b>6 months</b> Ls	<b>2012</b> <b>6 months</b> EUR	<b>2011</b> <b>6 months</b> EUR
“Tosmares kuģu būvētava” JSC debt for service and materials	267988	16894	381313	24038
SIA “Remars Granula” debt for service	332	12817	472	18237
SIA “Remars Granula” debt for credit*	323102	313916	459733	446662
SIA “Remars Granula” debt for credit According to assignment agreement **	541159	541159	770000	770000
<b>Total</b>	<b>1132581</b>	<b>884786</b>	<b>1611518</b>	<b>1258937</b>

\*According to the agreement the “Borrower” pays percentage at the end of the loan return.

\*\* the debt is secured by a pledge

**Supplement to the balance sheet (continuation)**

**(22) Other debtors**

	<b>2012</b> <b>6 months</b> <b>Ls</b>	<b>2011</b> <b>6 months</b> <b>Ls</b>	<b>2012</b> <b>6 months</b> <b>EUR</b>	<b>2011</b> <b>6 months</b> <b>EUR</b>
Accounting value	2452961	939779	3490248	1337184
Generated reserves	(7479)	(7479)	(10641)	(10641)
<b>Balance net value</b>	<b>2445482</b>	<b>932300</b>	<b>3479607</b>	<b>1326543</b>

Other debtors debts are as following:

Accounted VAT	422	2815	600	4005
Overpaid taxes				
Value added tax	613651	458369	873147	652200
Enterprise income tax	0	46368	0	65976
Social insurance payments	0	142933	0	203375
Payments personal debts	139	509	198	724
Payment of salary	258	94	367	134
Short-term loans for “Tosmares kuģubūvetava” JSC’S shares	14942	14942	21259	21259
Advance payment of service	1683763	257079	2395779	365790
Account with other debtors	132307	9191	188257	13080
<b>Total</b>	<b>2445482</b>	<b>932300</b>	<b>3479607</b>	<b>1326543</b>

**(23) Short-term loans to the enterprise’s share holders and management**

	<b>2012</b> <b>6 months</b> <b>Ls</b>	<b>2011</b> <b>6 months</b> <b>Ls</b>	<b>2012</b> <b>6 months</b> <b>EUR</b>	<b>2011</b> <b>6 months</b> <b>EUR</b>
<b>Total</b>	<b>10000</b>	<b>10000</b>	<b>14229</b>	<b>14229</b>
	<b>10000</b>	<b>10000</b>	<b>14229</b>	<b>14229</b>

**Supplement to the balance sheet (continuation)**

**(24) Next period costs**

	<b>2012</b> <b>6 months</b> Ls	<b>2011</b> <b>6 months</b> Ls	<b>2012</b> <b>6 months</b> EUR	<b>2011</b> <b>6 months</b> EUR
Enterprise’s property insurance premium sum	9954	9251	14163	13163
Subscription to the press	312	471	444	670
Insurance of health	0	6786	0	9656
Check of floating means	1687	2255	2400	3209
Expenses for repair of the rented basic means	15247	2429	21695	3456
Advertisements	172	150	245	213
Costs of Representative cars	1321	2905	1880	4133
Exhibition	6188	9012	8805	12823
Others	11275	10213	16042	14532
<b>Total</b>	<b>46156</b>	<b>43472</b>	<b>65674</b>	<b>61855</b>

**(25) Accrued proceeds**

	<b>2012</b> <b>6 months</b> Ls	<b>2011</b> <b>6 months</b> Ls	<b>2012</b> <b>6 months</b> EUR	<b>2011</b> <b>6 months</b> EUR
Shipbuilding	88151682	11149089	125428543	15863724
<b>Total</b>	<b>88151682</b>	<b>11149089</b>	<b>125428543</b>	<b>15863724</b>

**this item reflects the costs related to the contract and recognized profit**

**(26) Cash assets**

	<b>2012</b> <b>6 months</b> Ls	<b>2011</b> <b>6 months</b> Ls	<b>2012</b> <b>6 months</b> EUR	<b>2011</b> <b>6 months</b> EUR
Short –term deposit				
Money at a cash department	2815	2234	4005	3179
Money on current accounts	11554764	22435	16440948	31922
Other money means*	4948501	3778004	7041083	5375615
<b>Total</b>	<b>16506080</b>	<b>3802673</b>	<b>23486036</b>	<b>5410716</b>

**Supplement to the balance sheet (continuation)**

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

“Rīga 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 exchange market A/S NASDAQ OMX SECOND LIST. All the shares give equal rights for dividends receive, liquidation quotes and vote rights at the shareholders meeting. 1 share gives 1 vote right. The enterprise does not have shares that it held or anybody else on its behalf.

Amendments to the Statutes:

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

**“Rīgas kuģu būvētava” JSC shareholders on the 31.03.2012**

	<b>31.03.2012</b>	<b>%</b>	<b>31.03.2011</b>	<b>%</b>	<b>2012 year</b>	<b>2011 year</b>
	<b>Ls</b>		<b>Ls</b>		<b>EUR</b>	<b>EUR</b>
“Remars-Rīga” JSC	5819194	49.86	5819194	49.86	8279967	8279967
Other limited companies	1957952	16.77	2258286	28.57	2785915	3213251
Private personae	3894961	33.37	3594627	21.57	5542030	5114694
<b>Total</b>	<b>11672107</b>	<b>100</b>	<b>11672107</b>	<b>100</b>	<b>16607912</b>	<b>16607912</b>

**(28) Long term investments revaluation reserves**

	<b>2012</b>	<b>2011</b>	<b>2012</b>	<b>2011</b>
	<b>6 months</b>	<b>6 months</b>	<b>6 months</b>	<b>6 months</b>
	<b>Ls</b>	<b>Ls</b>	<b>EUR</b>	<b>EUR</b>
	8473199	8356792	12056273	11890642
<b>Total</b>	<b>8473199</b>	<b>8356792</b>	<b>12056273</b>	<b>11890642</b>

Revaluation reserve was established due to revaluation of floating docks, by certified external evaluator.

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

	<b>2012</b>	<b>2011</b>	<b>2012</b>	<b>2011</b>
	<b>6 months</b>	<b>6 months</b>	<b>6 months</b>	<b>6 months</b>
	<b>Ls</b>	<b>Ls</b>	<b>EUR</b>	<b>EUR</b>
	2945280	4194078	4190756	5967635
<b>Total</b>	<b>2945280</b>	<b>4194078</b>	<b>4190756</b>	<b>5967635</b>

The enterprise had concluded the Overdraft and guarantee line agreement Nr 2003 / 4 / OD / GA with JSC “Nordea Bank Finland Plc.” On June 30<sup>st</sup> 2012 2 floating docks, one running new building project, all requirement rights belonging to the depositor, reserves and debtor debts had been pawned as a guarantee to the received loan.

**Supplement to the balance sheet (continuation)**

**(30) Liability of leasing**

	<b>2012</b> <b>6 months</b> Ls	<b>2011</b> <b>6 months</b> Ls	<b>2012</b> <b>6 months</b> EUR	<b>2011</b> <b>6 months</b> EUR
Long-term	95620	114976	136055	163596
Short-term	21725	20866	30912	29690
<b>Total</b>	<b>117345</b>	<b>135842</b>	<b>166967</b>	<b>193286</b>

The average yearly interest in SIA „Nordea Finance Latvija Līzings” is 4,39 %.  
The interest of Lease is shown as costs of report year.

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

	<b>2012</b> <b>6 months</b> Ls	<b>2011</b> <b>6 months</b> Ls	<b>2012</b> <b>6 months</b> EUR	<b>2011</b> <b>6 months</b> EUR
For shipbuilding	184674434	23764779	262768046	33814234
For ship repair	482015	474642	685846	675355
Others	4080	1955	5805	2782
<b>Total</b>	<b>185160529</b>	<b>24241376</b>	<b>263459697</b>	<b>34492371</b>

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

	<b>2012</b> <b>6 months</b> Ls	<b>2011</b> <b>6 months</b> Ls	<b>2012</b> <b>6 months</b> EUR	<b>2011</b> <b>6 months</b> EUR
Debts for services	1211160	1217912	1723325	1732932
Debts for materials	1291266	999323	1837306	1421909
<b>Total</b>	<b>2502426</b>	<b>2217235</b>	<b>3560631</b>	<b>3154841</b>

**(33) Debts to associated companies**

	<b>2012 year</b> <b>6 months</b> Ls	<b>2011 year</b> <b>6 months</b> Ls	<b>2012 year</b> <b>6 months</b> EUR	<b>2011 year</b> <b>6 months</b> EUR
“Tosmare Shipyard” JSC	139760	182	198861	259
<b>Total</b>	<b>139760</b>	<b>182</b>	<b>198861</b>	<b>259</b>

**Supplement to the balance sheet (continuation)**

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

	<b>2012</b> <b>6 months</b> Ls	<b>2011</b> <b>6 months</b> Ls	<b>2012</b> <b>6 months</b> EUR	<b>2011</b> <b>6 months</b> EUR
Social insurance payments	169856	0	241683	0
Residents income tax	109212	19435	155395	27654
Enterprise income tax	34403	0	48951	0
Risk tax	152	175	216	249
Natural resources tax	5921	3916	8425	5571
<b>Total</b>	<b>319544</b>	<b>23526</b>	<b>454670</b>	<b>33474</b>

**(35) Other creditors**

	<b>2012</b> <b>6 months</b> Ls	<b>2011</b> <b>6 months</b> Ls	<b>2012</b> <b>6 months</b> EUR	<b>2011</b> <b>6 months</b> EUR
Salary	211169	222690	300466	316859
Payments for deductions from salary	837	634	1191	902
Payments by return to personae	277	1939	394	2759
Payments for credit cards	1916	6302	2726	8967
Payments for debts to other enterprises	10570	25329	15041	36039
<b>Total</b>	<b>224769</b>	<b>256894</b>	<b>319818</b>	<b>365526</b>

**(36) Unpaid previous years dividends**

	<b>Ls</b>	<b>EUR</b>
<b>31.12.2011.</b>	<b>24652</b>	<b>35077</b>
Calculated	0	0
Paid off	3	5
<b>30.06.2012.</b>	<b>24649</b>	<b>35072</b>

**(37) Next period income**

	<b>2012</b> <b>6 months</b> Ls	<b>2011</b> <b>6 months</b> Ls	<b>2012</b> <b>6 months</b> EUR	<b>2011</b> <b>6 months</b> EUR
Free of charge received base means had been formed that will be referred to PL incomings at the period of base means use.	834	2834	1187	4033
<b>Total</b>	<b>834</b>	<b>2834</b>	<b>1187</b>	<b>4033</b>

**Supplement to the balance sheet (continuation)**

**(38) Accrued liabilities**

	<b>2012</b> <b>6 months</b> Ls	<b>2011</b> <b>6 months</b> Ls	<b>2012</b> <b>6 months</b> EUR	<b>2011</b> <b>6 months</b> EUR
For services	313611	350385	446232	498553
Accruals for vocations	195015	194387	277481	276588
<b>Total</b>	<b>508626</b>	<b>544772</b>	<b>723713</b>	<b>775141</b>

**(39) Out of balance obligations**

The enterprise has concluded agreements for land and pier lease with Riga Free Port authority. The agreement is valid through On August 31<sup>st</sup> year 2028. The Enterprise has the priority to extend the agreement term.

The report for 6 month of 2012 pages 1 to 32 we approve:

Chairman of the Board

***V. MELNIKS***

Member of the Board

***I.KOMAROVS***

Member of the Board

***L.ARTEMENKO***

Member of the Board

***I.RUDZATE***

Member of the Board

***E.BUKS***

August 31<sup>st</sup>, 2012