

# Guide To Listed Securities 2003

Riga Stock Exchange  
Latvia



Add more well-aimed investments to your portfolio

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*Dear readers,*

This is already the seventh year in row I have the pleasure to share with you the excitement of opening a freshly-printed *Guide to Listed Securities*.

Year 2003 is quite remarkable for the Riga Stock Exchange: in December we are celebrating the 10<sup>th</sup> anniversary since foundation. A green-field stock exchange is a challenge for the management and employees; to be a listed company in a brand new market is a challenge for the issuers. Hand in hand, we have grown and built experience.

We have been continuously seeking ways for improving our services and making the market more attractive for the investors and issuers. A major strategic move was done in 2002 when we became a part of HEX Group (Finland). This year HEX Group merged with OM Group (Sweden), creating Northern Europe's largest securities market. Through its exchange operations within Stockholmsbörsen, HEX Helsinki, HEX Tallinn and Riga Stock Exchange, it offers investors access to 80% of the Nordic equity and 75% of the Baltic equity market. The operational implementation is still to follow: the expected result is a single trading platform and single trading currency Euro. The fact that Latvia and Estonia will become full-fledged EU members starting with May, 2004 will make the investor and business community feel comfortable: their optimism and trust paid in advance now has a very solid and lasting foundation.

In our own organisation, the Riga Stock Exchange and Latvian Central Depository have become a group, thus creating one-stop-shop for issuers, typically using services of both companies. Simultaneously, we have been working at enhancing the quality of the securities offered to the investors: restructuring of securities lists started in 2002 and was carried on in 2003. As a result, we shall begin the year 2004 with fewer lists and fewer listed companies, yet, at a better quality. Right now we are focusing our efforts on enhancing corporate governance at our listed companies. Hopefully, in a very near future we shall be able to offer the investors new attractive listed companies.

I hope that our publication will help you to make the most targeted strikes while making your investment decisions. And you will need good luck, too!

Yours sincerely,

Guntars Kokorevičs  
President  
Riga Stock Exchange





Guntars Kokorevičs  
President of the Riga Stock Exchange



Juris Lujāns  
Minister of Economy, Republic of Latvia

Reforms accomplished in Latvia and integration in the EU have left a positive effect on economic development. **Latvia in the recent years has become one of the fastest growing economies in Europe.** GDP, between 1996 and 2002, has increased by 5.8% in the average per year (which is approximately twice faster than in the EU and one and a half times faster than in the EU accession countries). Also living standards of people are gradually improving.

Despite the slow-down of the world economic development in the last two years, Latvia continues its rather speedy economic development. **In 2001 GDP of Latvia increased by 7.9% and in 2002 – by 6.1%.** The growth was based on the high domestic demand and ability to adjust to the changing external conditions. Trade, manufacturing, commercial services and construction gave the biggest contribution in the GDP growth in 2002.

Also year 2003 has started successfully. Industrial output is growing and so does the amount of provided services. In the first quarter of 2003, the GDP had gone up by 8.8% in comparison with the respective period of the preceding year. Ministry of Economics **forecasts GDP growth by 7 percent in 2003.**

Manufacturing shows steady growth rates for already several years. In 2002 the outputs of manufacturing increased by 7.2%. Construction is growing steadily, in 2002 outputs of construction went up by 10.8%. Fast growth is observed in the new construction, especially building of dwelling houses and trading buildings. The situation in agriculture is gradually becoming more stable. Agricultural outputs in 2002 went up by 4.1%. Low labour productivity and external competition are main obstacles for the development of this sector. The high domestic demand promotes development of services and especially trade. In 2002 trade went up by 12.7%. Similar growth rates were observed in this sector since 1997. Outputs of retail and wholesale trade are going up. The development of this sector is promoted by the growth of income of people and bigger possibility to get loans and expansion of trading complexes. Also commercial services and financial mediation went up in 2002 by, respectively, 5.7% and 5.1%. Transit services are very important for the economy of Latvia. They constitute approximately 15% of revenues from exports of goods and services of Latvia or approximately 6% of GDP. Year 2002 was not successful for transit business (the amounts of handled cargo in Latvian ports went down by 8.4%) mainly because of the decrease of Russian oil exports through Ventspils port.

**Economic growth in Latvia has been achieved in conditions of stable macroeconomic environment.** The exchange rate of the lats (LVL) for many years remains stable against the SDR currency basket. This eliminates uncertainty, reduces currency risk exposure and provides businesses a stable base for planning and price setting. The Bank of Latvia has decided to keep this currency peg until the accession of Latvia into the European Union.



Inflation in Latvia is among the lowest in the group of countries of transition economy. Average annual inflation in the last four years stayed within the limits of 2-3%. Average annual consumer price inflation in 2002 was 1.9 percent.

## Latvia: Key Indicators of Economic Development

	1999	2000	2001	2002	2003 f
(growth rates in percent)					
GDP	2.8	6.8	7.9	6.1	7.0
Private consumption	3.7	7.4	7.8	7.2	7.5
Public consumption	0.0	-1.9	0.3	1.5	3.0
Total fixed capital formation	-4.0	20.0	17.0	10.4	12.0
Exports	-6.4	12.0	6.9	6.3	9.6
Imports	-5.2	4.9	12.6	4.5	9.4
Consumer prices	2.4	2.6	2.5	1.9	2.5
(in percent of GDP, unless indicated otherwise)					
General government budget fiscal balance	-4.0	-2.8	-2.1	-2.5	-2.9
Central government debt	13.1	13.1	14.8	14.6	14.7
Current account balance	-9.8	-6.9	-9.6	-7.8	-8.0
Foreign direct investment (flows)	5.2	5.7	2.1	4.7	5.0
Share of job-seekers (% of economically active population)	14.3	14.4	13.1	12.0	11.8
Exchange rate of LVL against SDR	0.7997	0.7997	0.7997	0.7997	0.7997

f – forecast

Latvia implements the fiscal policy targeted towards balanced economic growth and financial stability. Fiscal deficit of the general government budget since 1996 (except 1999) has been lower than the level identified in Maastricht Treaty (3% of GDP). The goal of the government is to keep the budget deficit under 3% of GDP and to have a balanced budget in the medium-term.

In 2002 the fiscal deficit of the state consolidated general budget was 130.5 million LVL or 2.5% of GDP. Saeima approved the budget of 2003 with the deficit of 177.5 million LVL or 3% of GDP. Growth of deficit in 2003 compared to 2002 is explained by the need to continue funding of the started state funded reforms (integration into NATO and the European Union, increase wages of teachers and health care workers, etc.) and new measures to implement the government priorities. In June 2003 the Saeima amended the law "On the State Budget 2003" increasing both revenues and expenditures. The mentioned amendments slightly reduce the fiscal deficit till 176.4 million LVL or 2.94% of GDP. The government has passed a decision to prepare the state budget for 2004 with a deficit of 2% of GDP. Central government debt remains on a rather low level (14.6% of GDP at the end of 2002).

**One of the main economic problems of Latvia is a relatively high current account deficit.** It is caused by the high domestic demand and, especially, dynamic growth of investment. In 2002 the current account deficit equaled to 7.8% of GDP, which is by 1.8 percentage points less than in 2001. Since the deficit of the current account is basically offset by foreign direct investment and long-term credits, the level of debt at the moment is not critical. Net foreign reserves of the Bank of Latvia continue growing and fully cover the reserve money.

**The European Union is the main trading partner of Latvia.** Trade with the EU member states constantly goes up since the regaining of independence and nearly 60% of total exports and imports of Latvia are linked with these countries. Trade with Germany (16.6% of the total turnover), Lithuania (9.3%), Sweden (7.9%), Russia (7.7%) and the United Kingdom (6.7%) account for the biggest share in foreign trade turnover of Latvia in 2002.

**Wages and old age pensions continue going up for several years.** Net wage of employees in 2002 in comparison with 1996 had gone up by 58% and by 8% in comparison with 2001. Old age pensions went up by respectively 65% and 7%.

**The employment and unemployment indicators have improved in recent years.** Employment rate in Latvia went up by 1.7 percentage points and reached 60.5% in 2002. The highest employment rate is in the Riga region and lowest in Latgale.

**The economic growth potential is best of all described in terms of growth of investment.** From 1996 till 2002, the gross fixed capital formation annually went up in the average by 17.9%. Investment grew especially rapidly in 1996-1998, fostered by privatization. Also now, despite the completion of mass privatization, total fixed capital formation continues increasing every year at a rather fast rate.

Growth of investment and the share of investment in GDP in Latvia are among the highest in the group of the EU accession countries. Investing is promoted by several factors: stable macroeconomic environment, inflow of foreign investments, reduction of interest rates on loans and strengthening of the banking sector, increase of the general economic activity and formation of positive future expectations, etc.

**The reforms carried out in the previous decade have strengthened the private sector. Good macroeconomic conditions for the further development have been created; business environment is improving. This is a good reason to hope for sustainable growth also in the coming years. Latvian economy will be especially supported by the accession into the European Union in 2004. If there are no external shocks annual GDP growth in the medium-term may equal to 5-7%.**

# Trading on the Riga Stock Exchange

The Riga Stock Exchange is the sole licensed stock exchange in Latvia. During seven years in business – the first trading session was on July 25, 1995 – it has been in a continuous evolution, targeted at offering a most up-to-date, secure, convenient and transparent market place to market participants.

## **An advanced capital market infrastructure**

The Riga Stock Exchange is operating in a well-developed and regulated capital market infrastructure. Starting with July 1, 2001, banking, insurance and capital market has a single consolidated regulator, Financial and Capital Market Commission, which has taken over the regulation and supervision responsibilities from Securities Market Commission in the capital market sector. It is an independent body, and its Chairman is appointed by the Parliament. On a lower tier of regulation, the Riga Stock Exchange is a self-regulatory body supervising its 13 members, and the Latvian Central Depository supervises its participants. The multi-tier supervision and surveillance system assures that the market participants are adequately capitalised and are acting in compliance with laws and applicable rules, regulations and instructions.

## **Duly licensed market participants**

Only the RSE members – banks or brokerage companies – may trade on the Riga Stock Exchange. In order to do trading, a bank or a brokerage company should be duly licensed by the Financial and Capital Market Commission and employ at least 2 licensed brokers. Apart from that, the brokers are required to take technical training course conducted by the RSE and need to be approved by the RSE Management Board.

## **Demanding listing and information disclosure requirements**

A new Riga Stock Exchange Enforcement Note on Securities Lists came into effect on January 2, 2002. The main changes are the new structure of securities lists, as well as an enhanced quality requirements to the existing issuers, which include more stringent information disclosure requirements. According to the new Enforcement Note, as previously, there will be Official list, Second list and Free list, plus two new lists are introduced for equity issuers – Pre-list and Surveillance list. Pre-list is for companies which, at the moment of listing, are not yet fully compliant with the Official or Second list listing criteria, however, have expressed firm commitment to meet all the requirements. Riga Stock Exchange Management Board, by transferring an Official list or a Second list company to Surveillance list, communicates to the investors that the company is either not meeting a listing criteria, or has not submitted financial reports by the deadline specified by the RSE, or any other circumstances have arisen that might jeopardise the market security. As soon as the reason for transferring is no longer existent, the company will be reverted to its original list.

The new Enforcement Note on Securities Lists fully complies with the European Union Directives and the requirements of the Nordic stock exchanges, and has been harmonised with the new Commercial Law and the Securities Law. Also, new law "On Securities" is in the drafting and Parliament reading process.

Upon listing the companies assume information disclosure obligations differentiated between the lists. The Official list companies need to have capitalisation of LVL 3 million (EUR 5 million), and at least 300 shareholders at the moment of application for listing. The companies have to present non-audited financial statements on a quarterly basis, and Annual Reports audited by a certified auditor. Their accounting has to be done according to IAS. A free float of 25% is required. The Official List companies also have to advise the RSE on any significant changes in the shareholder structure, in company management, on material borrowings or extended loans, pledged assets, acquisitions, or any other events that may significantly influence the price of securities.

## **Convenient access to information for all investors**

The Riga Stock Exchange is responsible for providing equal access to information. After each trading session it publishes Official Bulletin presenting the trading results and prices. Corporate announcements are available simultaneously to market intermediaries and to investors, since they are placed on the news tape on the RSE website [www.rse.lv](http://www.rse.lv).

During the trading session, on-line price information is distributed via *Reuters*, *Bloomberg*, *Thomson Financial* and *Moneyline Telerate* agencies. Delayed trading data are made available on the RSE website.

## **Investor protection**

The Riga Stock Exchange runs a Guaranty Fund built of fixed contributions equal for all members plus the variable part depending on an individual member's buy volume. This is a source to be used in case of a member's cash default. For solution of disputes, the members can apply to Arbitration Court. Individual investors can file their allegations with the Financial and Capital Markets Commission. During the past year several amendments have been made in the national legislation directed towards enhanced protection of the rights of minority shareholders.

## **Costs and taxes to be incurred by an investor**

Brokerage fees may vary by member and are structured differently, however, in average they would range between 0.5 and 2.2 per cent of the transaction value and would include the RSE transaction fee of 0.15% for equities and 0.01% for debt. Some brokerage companies may charge also for account service. The RSE does not in any way regulate the fees and charges imposed by its members. Overall withholding tax rate on dividends and interest is 10%. The capital gains tax is 0%.



## **Market entrance and exit, Forex regime**

In Latvia foreign investors receive domestic treatment. There do not exist any restrictions in for investing in securities, repatriation of profits or currency exchange. Securities and cash accounts are opened on presentation of identity documents (natural persons) or registration certificate (legal entities).

## **Up-to-date trading system**

The RSE present trading system has evolved from the original system implemented with the technical support from the SBF Bourse de Paris. The RSE operates an order-driven market, based on dematerialised securities. Initially the system was run on a PC. Trading was conducted once a week and was limited to a single price fixing. Presently trading sessions are conducted on all business days; the system is run on an AS400 mainframe with capacity allowing executing 17 deals per second. Orders are entered into the electronic trading system from remote broker terminals. As a security measure, the brokers are working on an emulation of the system. The system and the rules admit any number of securities in the order.

The client has four principal alternatives as to the market segment for his order execution:

- continuous market at variable prices - trading is based on the public order book (a system similar to that used at the London Stock Exchange for trading stocks included in the blue chip FTSE 100 index). Deals are executed in price and time priority at the best price currently available on the system. The admissible price spread for the orders is 15% of the mean volume-weighted price of the previous trading session.
- single price fixing - the non-executed orders remaining in public order book after close of continuous trading, as well as orders marked for the segment are ranked in the system in a way to fix a price at which the largest possible number of securities would be traded. There is also a possibility to omit the price – the order will be executed “at best”. All orders qualifying for execution get executed at one and the same price. 15% price spread limits are valid for this segment as well.
- subsequently trading continues at the price fixed in the above described market segment. Both buy and sell orders can be entered additionally into the system.
- during the entire trading session and later, after the trading hours, block trades can be confirmed and registered. Recently, apart from the existing possibility to negotiate volumes and prices on phone and to confirm the deal on the screen, the brokers have *Accept* system at their disposal, which is a market-making element allowing the brokers to negotiate trades on screen.

## **e-BROKER**

E-BROKER allows the client of a bank or a brokerage company to access the RSE trading system directly via Internet, thus eliminating the order placement phase. The Client makes individual arrangements with his/her bank or brokerage company as to the cash and securities limits, and does all trading on his/her own.

The Client is expected to benefit from the cost saving, time saving, availability of trading information real-time, accessibility of the depth of the order book and automatic matching of orders in the system. Overall responsibility for the trades lies with the bank or the brokerage company. The system security is assured by a top-level data encrypting software.

## **Clearing and settlement provided by the LCD**

The Latvian Central Depository is responsible for accounting and safe custody of public securities registered in Latvia, and for providing delivery-versus-payment services for all trades executed on the Riga Stock Exchange. Intermediaries' and custodians' proprietary accounts are kept segregate from their clients' accounts, which eliminates securities risk in case of default of a bank or a brokerage company. The clearing and settlement process fully corresponds to G-30 recommendations and best international practices. The title to securities passes from seller to buyer on T+3 day. Regular settlement is on T+3 (on rolling basis); for block transactions, any time from T+0 to T+40 is permissible upon the discretion of the parties involved in the transaction. Starting with 1999, the LCD offers a fully automated securities lending and borrowing programme. Cash is cleared through Bank of Latvia through the general corresponding accounts of the commercial banks. In 2002 the Latvian Central Depository joined *Euroclear* as a member. Investors in Latvia now are able to keep their securities registered within *Euroclear* system with a Latvian custodian.

## **International co-operation**

In 2002 the Riga Stock Exchange successfully completed the seeking of a strategic partner and together with Latvian Central Depository became a part of HEX Group Baltic Operations.

HEX Group (Finland) is the RSE major shareholder with 92.98% ownership interest. The Riga Stock Exchange is a 100% owner of the Latvian Central Depository. The aim of the co-operation is to create a seamless Latvian securities market infrastructure and increase the visibility of Latvian companies and liquidity of their shares. The co-operation is a logical continuation of HEX Baltic strategy, which aims to create a well-functioning marketplace for the leading Baltic companies. The merger of OM Technologies and HEX Group in 2003 is expected to take the Latvian capital market to a more global market place: the issuers as well as investors will benefit from that.

The Riga Stock Exchange is a Corresponding Emerging Market in World Federation of Stock Exchanges and Corresponding Stock Exchange at the European Federation of Stock Exchanges.

# Turnover and Capitalisation

## Turnover and capitalisation 01-Jan-2002 - 30-Jun-2003

	LVL
<b>Total market turnover</b>	<b>329,288,717.01</b>
Equity market turnover including auctions	38,481,525.55
Debt market turnover including auctions	290,807,191.46
<b>Total market capitalisation</b>	<b>514,005,131.89</b>
<b>Total nominal value of debt securities</b>	<b>386,904,100.00</b>

## Top 10 listed companies by market capitalisation on 30-Jun-2003

Rank	Ticker	Name	LVL	List
1	GAZE	Latvijas Gāze	223,440,000.00	Official
2	VNFT	Ventspils nafta	104,479,519.00	Official
3	LASCO	Latvijas kuģniecība	60,000,000.00	Official
4	PLKB	NORD/LB Latvija	56,450,508.80	Second
5	VLSS	Valmieras stikla šķiedra	16,493,211.45	Second
6	BALZ	Latvijas balzams	6,972,117.00	Second
7	LMET	Liepājas metalurģs	5,812,173.53	Second
8	GRDX	Grindeks	5,337,150.00	Second
9	RKBV	Rīgas kuģu būvētava	5,137,121.73	Second
10	RTFL	Rīgas Transporta flote	3,730,076.80	Second

## Top 10 listed companies by share turnover 01-Jan-2002 - 30-Jun-2003

Rank	Ticker	Name	LVL	List
1	LASCO	Latvijas kuģniecība	41,881,023.30	Official
2	GAZE	Latvijas Gāze	22,099,951.22	Official
3	BALZ	Latvijas balzams	13,608,833.47	Second
4	VNFT	Ventspils nafta	12,573,860.93	Official
5	VLSS	Valmieras stikla šķiedra	3,267,537.44	Second
6	GRDX	Grindeks	2,127,457.04	Second
7	KAIJ	Kaija	1,823,959.55	Second
8	OGRE	Ogre	1,215,416.99	Free
9	RKBV	Rīgas kuģu būvētava	822,021.80	Second
10	DPKR	Ditton pievadķēžu rūpnīca	475,047.49	Second

## Top 10 listed debt securities by turnover 01-Jan-2002 - 30-Jun-2003

Rank	Ticker	Name	Maturity date	ISIN code	Coupon (%)	Turnover (LVL)	Deals	List
1	57002	5-year T-bond	26-Jan-06	LV0000570026	8.12	95,723,067.07	385	Official
2	58001	10-year T-bond	14-Feb-13	LV0000580017	5.12	42,600,394.36	175	Official
3	57003	5-year T-bond	8-May-07	LV0000570034	5.62	33,043,934.10	275	Official
4	57001	5-year T-bond	24-Mar-05	LV0000570018	9.12	32,574,278.80	251	Official
5	56002	3-year T-bond	6-Nov-03	LV0000560027	6.75	30,088,150.94	104	Official
6	UNOB	Latvijas Unibanka bond	28-Jan-05	LV0000800134	6.50	10,223,339.56	140	Official
7	56001	3-year T-bond	28-Jan-03	LV0000560019	9.25	9,031,699.86	72	Official
8	HPAL	LHZB mortgage bond AL	15-Aug-12	LV0000800142	6.00	8,687,327.77	51	Official
9	54069	12-month T-bill	17-Apr-03	LV0000540698	–	4,976,636.88	28	Official
10	HPAD	LHZB mortgage bond AD	15-Aug-06	LV0000800126	6.50	4,395,046.17	33	Official

# Latvian Capital Market: Indexes

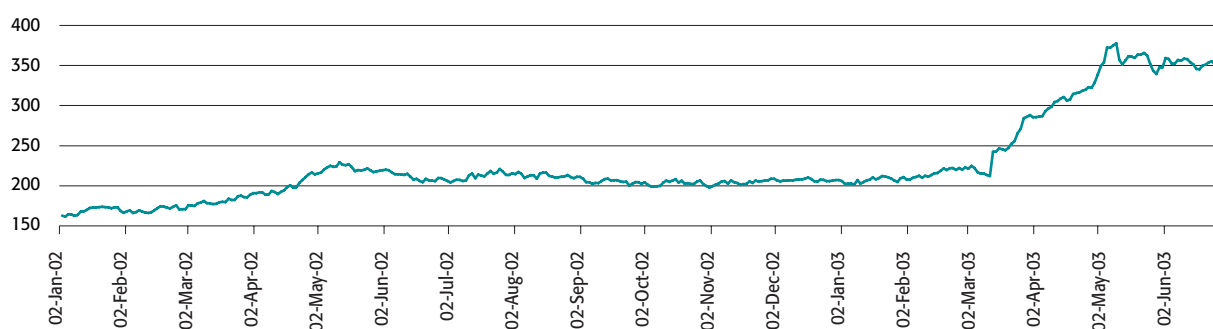
## Price Index

RICI is a price index and reflects the price changes of the shares composing the index. The index calculation methodology ensures that price changes of any share in the index have an equal impact on the index. The index is calculated according to equal-lat weighted methodology i.e., a five percent price change in a company with a large market capitalisation will have the same effect on the index as a price change of a low-capitalisation company. The index reflects the yield on investment from price changes, ignoring any cash dividend paid. The index base value was set at 100.00 points on April 2, 1996.

## RICI composition on 01-Jul-2003

Ticker	Name
BALZ	Latvijas balzams
DPKR	Ditton pievadkēžu rūpnīca
GAZE	Latvijas Gāze
GRDX	Grindeks
KAIJ	Kaija
LASCO	Latvijas kuģniecība
LMET	Liepājas metalurģs
OLFA	Olainfarm
PLKB	NORD/LB Latvija
RKBV	Rīgas kuģu būvētava
RTFL	Rīgas Transporta flote
VLSS	Valmieras stikla šķiedra
VNFT	Ventspils nafta

## Price Index RICI



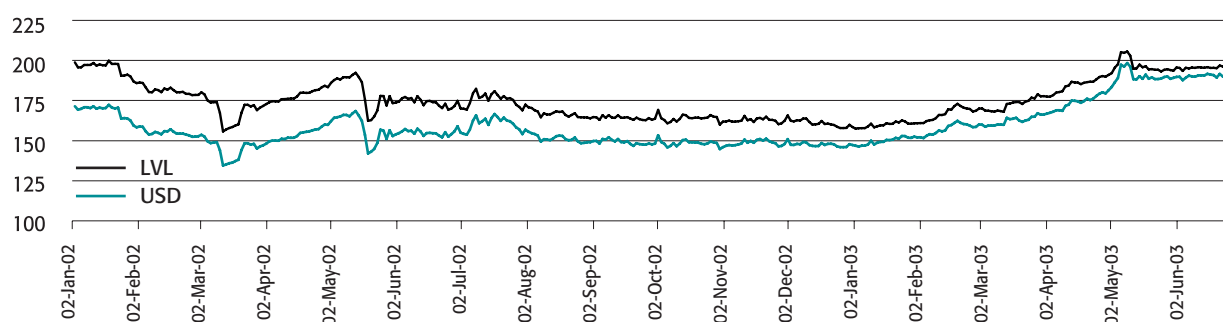
## Capitalisation Index

The Dow Jones Riga Stock Exchange Index is a capitalisation-weighted index of stocks actively traded on the Riga Stock Exchange, intended to serve as a benchmark for the Latvian equity market. It is calculated in US dollars and Latvian lats by *Dow Jones*. Non-market changes due to corporate actions and new inclusions or exclusions of securities do not affect the index. The index base value was set at 100.00 points on April 2, 1996.

## DJ RSE composition on 01-Jul-2003

Ticker	Name
BALZ	Latvijas balzams
DPKR	Ditton pievadkēžu rūpnīca
GAZE	Latvijas Gāze
GRDX	Grindeks
KAIJ	Kaija
LASCO	Latvijas kuģniecība
LMET	Liepājas metalurģs
OLFA	Olainfarm
PLKB	NORD/LB Latvija
RKBV	Rīgas kuģu būvētava
RTFL	Rīgas Transporta flote
VLSS	Valmieras stikla šķiedra
VNFT	Ventspils nafta

## Capitalisation Index Dow Jones RSE



# Key Figures of Issuers

## Listed Companies (share issuers)

Company	Ticker	Industry	Listing date
<b>OFFICIAL LIST</b>			
Latvijas Gāze	GAZE	Extraction, storage, transportation, distribution and sales of gas	15-Feb-99
Latvijas kuģniecība	LASCO	Cargo Shipping	26-Jun-02
Ventspils nafta	VNFT	Transshipment and storage of oil products	20-Oct-98
<b>SECOND LIST</b>			
Latvijas balzams	BALZ	Manufacturing of distilled potable alcoholic beverages	15-Oct-98
Ditton pievadkēžu rūpnīca	DPKR	Manufacturing of bearings, gears, gearing and driving elements	08-Feb-96
Grindeks	GRDX	Pharmaceutical	01-Jun-98
Kaija	KAIJ	Food & grocery products	25-Jul-95
Rīgas kuģu būvētava	RKBV	Engineering contracting & shipbuilding	05-May-97
Rīgas Transporta flote	RTFL	Shipping and ports	30-May-96
Liepājas metalurģs	LMET	Iron & steel	07-Jul-97
Olaines ķīmiski farmaceitiskā rūpnīca	OLFA	Pharmaceutical	09-Jun-97
Valmieras stikla šķiedra	VLSS	Building materials	24-Feb-97
NORD/LB Latvija	PLKB	Monetary intermediation	19-Dec-00

## Ratios 2002

Ticker	No of securities issued 31/12/02	Equity capital 31/12/02	Profit for 2002	Last volume weighted avg. price 31/12/02	Dividend for 2002	EPS	P/E	BV	P/BV	DY
<b>OFFICIAL LIST</b>										
GAZE	39,900,000	93,200,621	12,192,375	5.46	0.20	0.31	17.87	2.34	2.34	0.04
LASCO	200,000,000	148,770,610	(33,509,755)	0.21	—	-0.17	-1.25	0.74	0.28	*
VNFT	104,479,519	240,297,000	(667,000)	0.63	0.01	-0.01	-98.68	2.30	0.27	0.02
<b>SECOND LIST</b>										
BALZ	7,496,900	11,661,869	2,387,687	0.43	—	0.32	1.35	1.56	0.28	*
GRDX	7,735,000	5,001,091	620,953	0.50	—	0.08	6.23	0.65	0.77	*
KAIJ	4,840,000	3,670,004	152,164	0.31	—	0.03	9.86	0.76	0.41	*
LMET	17,476,033	34,519,359	1,087,725	0.23	—	0.06	3.70	1.98	0.12	*
RKBV	11,672,107	14,569,298	594,947	0.26	—	0.05	5.10	1.25	0.21	*
RTFL	23,312,980	18,300,189	(2,453,319)	0.07	—	-0.11	-0.67	0.78	0.09	*
OLFA	10,252,365	10,100,491	16,361	0.09	—	0.00	56.40	0.99	0.09	*
VLSS	23,903,205	25,826,981	841,678	0.51	0.02	0.04	14.48	1.08	0.47	0.04
DPKR	7,400,000	8,333,754	35,413	0.11	—	0.00	22.99	1.13	0.10	*
PLKB	20,160,896	22,964,000	1,336,000	2.10	0.06	0.07	31.69	1.14	1.84	0.03

Profit and equity capital of concern (if applicable) are in compliance with Latvian accounting standard.

\* - No dividend

## Methods used for calculation of ratios

EPS (Earnings per share)	=	(Net income)	/	(No. of shares outstanding)
P/E (Price earnings ratio)	=	(Market price per share)	/	(Net income per share)
BV (Book value ratio)	=	(Shareholders equity)	/	(No. of shares outstanding)
P/BV (Price/book value ratio)	=	(Price per share)	/	(Book value per share)
DY (Dividend yield)	=	(Dividend per share)	/	(Price per share)

# Latvian Capital Market

## Capitalisation of Official and Second list companies

31-Dec-02			
Ticker	Capitalisation LVL	Capitalisation EUR	% of total capitalisation
GAZE	217,854,000.00	334,131,901.84	52.08
LASCO	42,000,000.00	64,417,177.91	10.04
VNFT	65,822,096.97	100,954,136.46	15.73
BALZ	3,223,667.00	4,944,274.54	0.77
DPKR	814,000.00	1,248,466.26	0.19
GRDX	3,867,500.00	5,931,748.47	0.92
KAIJ	1,500,400.00	2,301,226.99	0.36
LMET	3,260,487.59	5,000,747.84	0.78
OLFA	683,198.01	1,047,849.71	0.16
PLKB	42,337,881.60	64,935,401.23	10.12
RKBV	3,424,747.82	5,252,680.71	0.82
RTFL	1,631,908.60	2,502,927.30	0.39
VLSS	12,190,634.55	18,697,292.25	2.91
<b>Market total</b>	<b>418,336,051.74</b>		

30-Jun-03			
Ticker	Capitalisation LVL	Capitalisation EUR	% of total capitalisation
GAZE	223,440,000.00	342,699,386.50	43.47
LASCO	60,000,000.00	92,024,539.88	11.67
VNFT	104,479,519.00	160,244,661.04	20.33
BALZ	6,972,117.00	10,693,430.98	1.36
DPKR	1,406,000.00	2,156,441.72	0.27
GRDX	5,337,150.00	8,185,812.88	1.04
KAIJ	774,400.00	1,187,730.06	0.15
LMET	5,812,173.53	8,914,376.58	1.13
OLFA	1,290,485.13	1,979,271.67	0.25
PLKB	56,450,508.80	86,580,534.97	10.98
RKBV	5,137,121.73	7,879,021.06	1.00
RTFL	3,730,076.80	5,720,976.69	0.73
VLSS	16,493,211.46	25,296,336.60	3.21
<b>Market total</b>	<b>514,005,131.89</b>		

LVL/EUR 0.65



Public debt market in Latvia started back in 1993 when the first government debt securities were issued; a few years later corporate and mortgage bonds followed. At the end June, 2003 debt market value amounted to LVL 386.91 million (EUR 593 million), the lion's share taken by Government debt paper (LVL 357.36 million).

## Public debt securities

Government Treasury bills and bonds serve as domestic borrowing instrument. The issuing volumes depend on the current Government borrowing policies, the status of the budget, the refinancing needs of public debt, and the liquidity of public finances. The issuer, on behalf of the Government, is State Treasury. Latvian Government debt securities are classified according to their maturity: T-bills (maturing in 12 months or sooner; sold at a discount); medium-term T-bonds (maturing in 3-5 years); long-term T-bonds (maturing after 5 years). The latter two are coupon bonds, the coupon payment scheduled, typically, on semi-annual basis for medium-term bonds and on annual basis for long-term bonds.

At primary market the bidders for government debt paper may participate in two types of auctions:

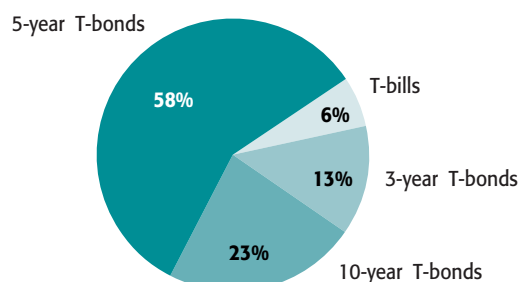
- Competitive multi-price auctions (run jointly by Bank of Latvia and State Treasury): the bidders specify the amount they are bidding for as well as the discount/yield rate. Only banks are admitted to bidding. The bids are filled in starting with the lowest rates bid.
- Non-competitive fixed rate auctions (run jointly by the Latvian Central Depository and State Treasury): this is a novelty since 2002. Banks as well as brokerage companies that are the LCD participants may bid either on own or clients' behalf – owing to facilitated accessibility, this expands the investor base for government fixed rate instruments. The bids should specify only the number of securities. As a result of the auction, the securities are allocated in proportion to the number bid.

A typical breakdown between the number of securities allotted for the competitive multiple-price auction and non-competitive fixed price auction is 80% : 20%.

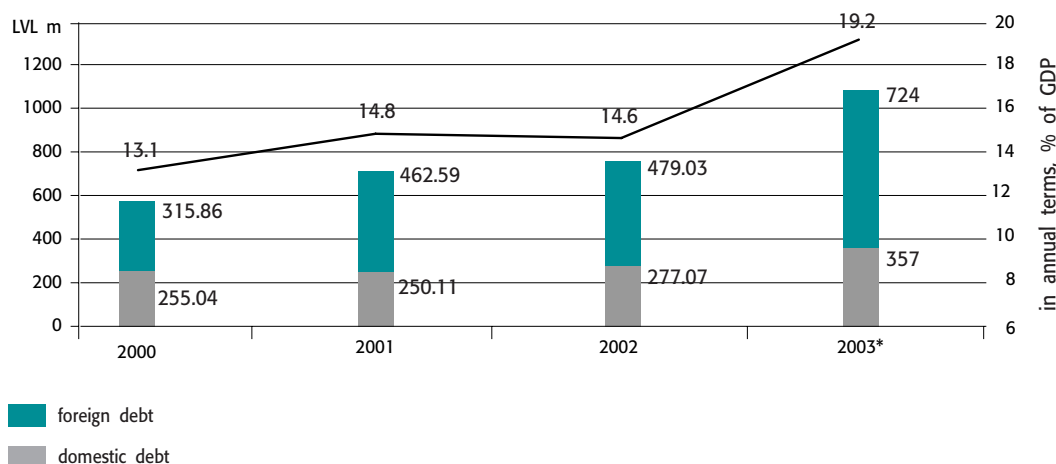
Domestic borrowing tends to increase together with public debt. The structure of maturity tends to become longer. Starting with 2002, State Treasury launched the primary placement programme for 5-year T-bonds: one issue is placed in several tranches via number of auctions. In 2003 the same placement method is used for 10-year T-bonds. The programmes allow cutting on public debt service costs and increases liquidity.

Latvian Central Depository is primary depository for all Government debt securities; secondary market is run on the infrastructure provided by the Riga Stock Exchange. Government debt securities may be used for monetary operations in Bank of Latvia.

**Latvian Government treasuries outstanding**  
(LVL 358 m, as of 30-Jun-2003)



## Public debt



\* 30-Jun-2003

Corporate debt financing via public corporate debt securities is not very popular in Latvia as yet: most of borrowing is done by taking bank loans, though recently a number of entities have issued corporate debt securities using private placements. This is an evidence of increasing awareness of businesses about debt financing via capital market as an alternative to borrowing from banks.

*Latvijas Hipotēku un zemes banka* is the leading issuer of mortgage bonds. Currently mortgage bonds of 7 series (offering a variety of maturities, the longest being 10 years) with aggregate face value of LVL 18 million are available in the market. *Latvijas Hipotēku un zemes banka* is using the Riga Stock Exchange infrastructure for primary placement of the new mortgage bond issues.

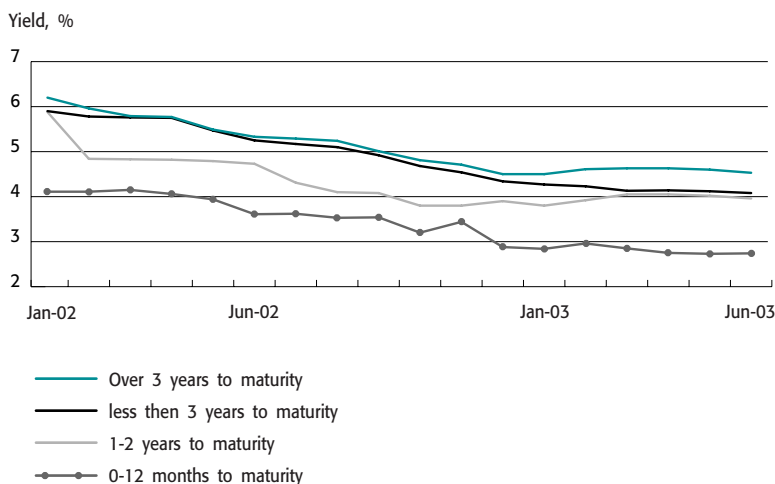
*Latvijas Unibanka* and *Nordic Investment Bank (NIB)* are two other corporate bond issuers. As to the latter, this is already the second issue of Nordic Investment Bank lat-denominated bonds in Latvia (the previous matured in September of 2002).

## Secondary trading of debt securities on the Riga Stock Exchange

Presently Government Treasury bills and bonds, *Latvijas Hipotēku un zemes banka* mortgage bonds, *Latvijas Unibanka* and *Nordic Investment Bank (NIB)* bonds are listed on the Riga Stock Exchange Official list.

Debt trading has been traditionally dominating over equity trading on the Riga Stock Exchange. Thus, in 2002 total value of debt trading was LVL 200 million, building over 64% of total trading volume. Riga Stock Exchange is competing with National Stock Exchange of Lithuania for the leading position in debt trading. Banks have been the major players in secondary debt market.

## Latvian Government treasuries yield (average, by time to maturity)



Sources: State Treasury, Riga Stock Exchange, Latvian Central Depository

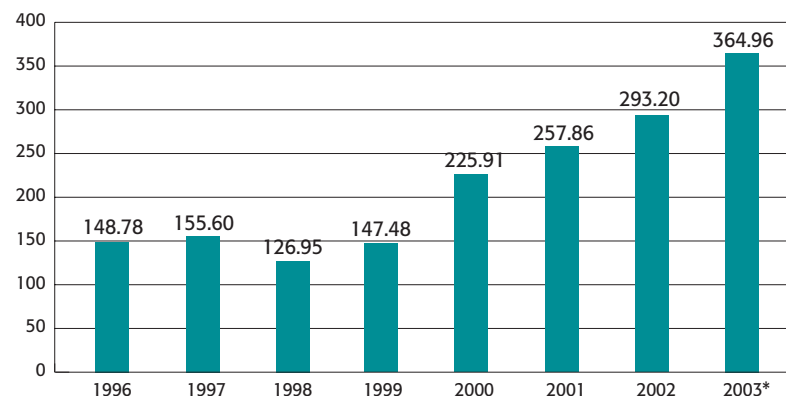
## Specifications of the active debt instruments traded on RSE as of 30-Jun-03

Type of security	ISIN code	Maturity	Coupon (%)	Last best bid, yield (%)	Date	Last best ask, yield (%)	Date	Nominal value, LVL
6 month T-bill	LV0000532000	26-Sep-03	–	3.10	30-Jun-03			4,500,000.00
12 month T-bill	LV0000540706	10-Oct-03	–	3.10	30-Jun-03			6,500,000.00
	LV0000540722	7-May-04	–	3.15	30-Jun-03	2.45	30-Jun-03	8,000,000.00
3 year T-bond	LV0000560027	6-Nov-03	6.75	3.10	30-Jun-03	2.25	30-Jun-03	45,800,000.00
5 year T-bond	LV0000570018	24-Mar-05	9.12	4.05	30-Jun-03	3.75	30-Jun-03	61,060,000.00
	LV0000570026	26-Jan-06	8.12	4.05	30-Jun-03	3.85	30-Jun-03	81,000,000.00
	LV0000570034	8-May-07	5.62	4.25	30-Jun-03	4.05	30-Jun-03	66,296,600.00
10 year T-bond	LV0000580017	14-Feb-13	5.12	4.88	30-Jun-03	4.75	30-Jun-03	81,201,500.00
Mortgage bond* AE	LV0000800068	15-Aug-03	8.00	3.25	30-Jun-03	2.52	30-Jun-03	1,600,000.00
AF	LV0000800076	15-Feb-05	8.50	4.40	30-Jun-03	4.05	30-Jun-03	1,000,000.00
AG	LV0000800092	15-Aug-07	7.50	4.75	30-Jun-03	4.30	30-Jun-03	3,000,000.00
AH	LV0000800100	15-Aug-11	7.50	5.65	30-Jun-03	5.00	30-Jun-03	2,000,000.00
AI	LV0000800118	15-Aug-08	7.00	5.00	30-Jun-03	4.40	30-Jun-03	2,000,000.00
AD	LV0000800126	15-Aug-06	6.50	4.50	30-Jun-03	4.10	30-Jun-03	2,000,000.00
Latvijas Unibanka bond	LV0000800134	28-Jan-05	6.50	4.35	30-Jun-03	4.00	30-Jun-03	9,946,000.00
AL	LV0000800142	15-Aug-12	6.00	5.70	30-Jun-03	5.05	30-Jun-03	5,000,000.00
AJ	LV0000800167	15-Aug-08	4.50	4.70	30-Jun-03			3,000,000.00

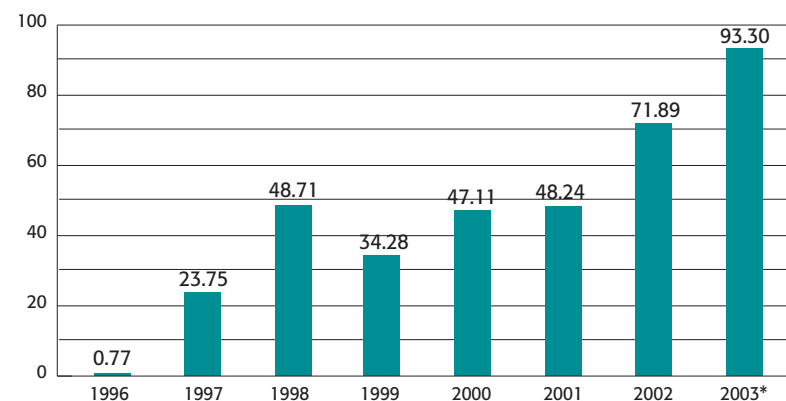
\* Latvijas Hipotēku un zemes banka mortgage bond

## Value of debt securities registered at the LCD (m LVL)

### Government T-bills and T-bonds



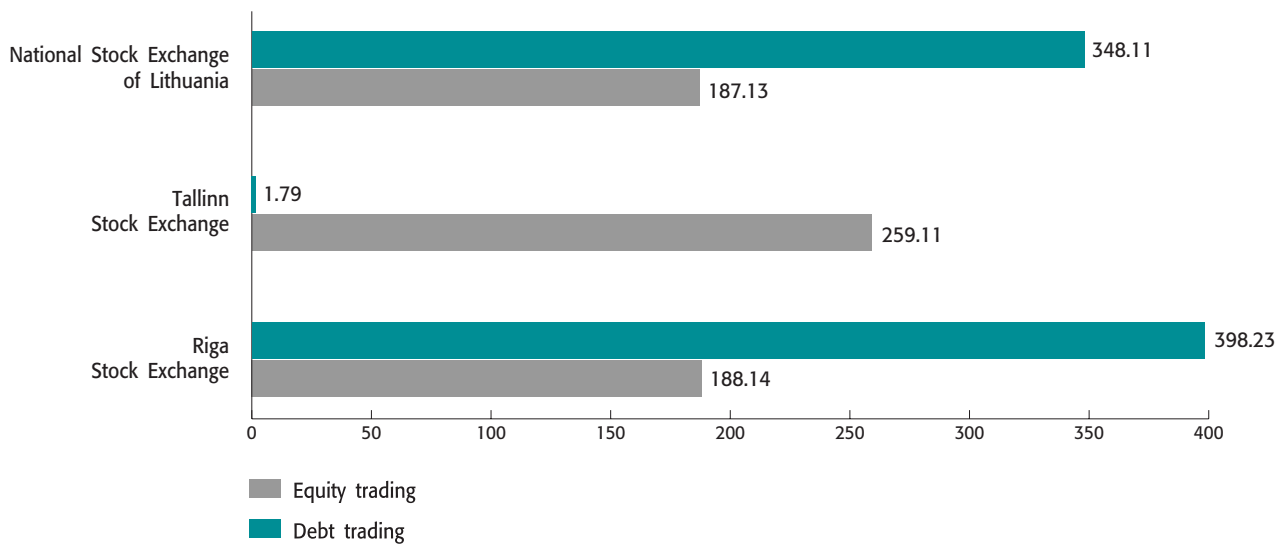
### Corporate bonds



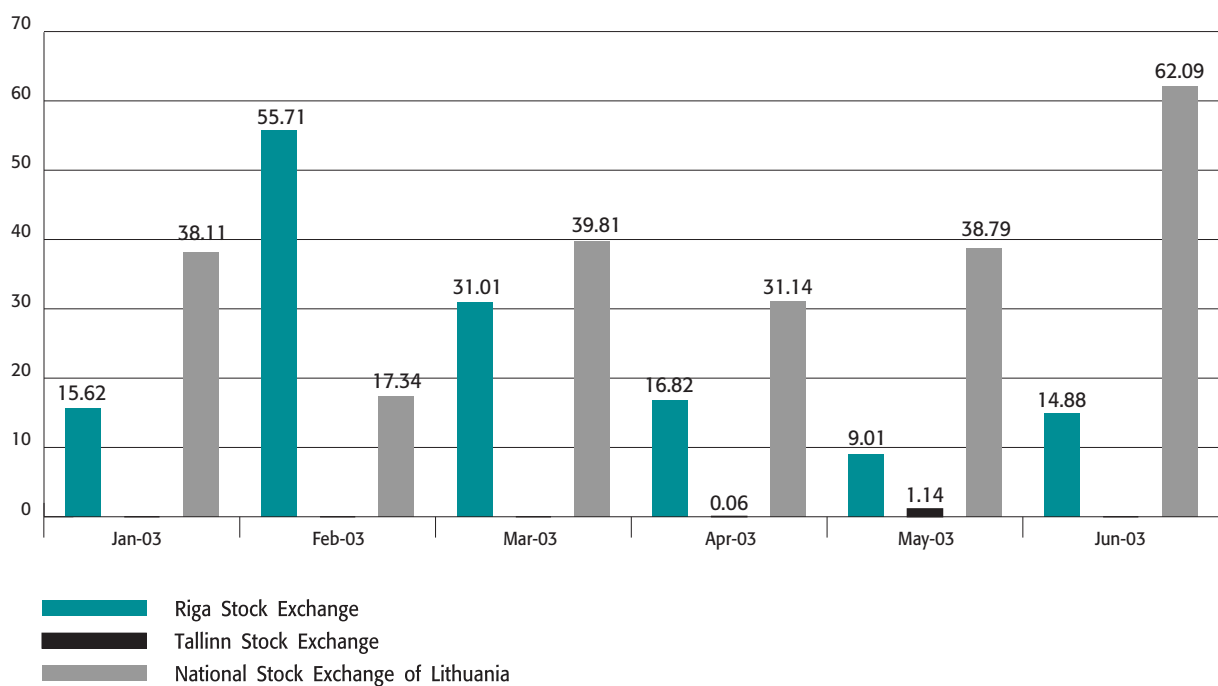
\* Jun-30-2003

# Government Bonds and Bills

Trading volumes of the Baltic Stock Exchanges in 2002 (m EUR)



Turnover of debt securities at the Baltic Stock Exchanges in 6 months of 2003 (m EUR)



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**Telephone** (371) 7 222 945  
**Fax** (371) 7 820 143  
**Internet home page** www.hipo.lv  
**E-mail** banka@hipo.lv

### Company information

**Core business** Banking  
**Foundation date** 3-Jun-93  
**Number of employees** 500  
**Auditors** KPMG Latvia

### Supervisory Board

**Gundega Šulca** (Chairman)  
 Uldis Apels, Vija Grēme, Linda Kaņepe, Māris Klismets,  
 Laimdota Straujuma, Zaiga Liepiņa

### Management Board

**Inesis Feiferis** (Chairman)  
 Rolands Paņko, Aija Laicāne, Jēkabs Krieviņš

### Investor relations

**Gints Henkels** (Securities expert of  
 Mortgage Deal Department)  
**Telephone** (371) 7 774 050  
**E-mail** gints@hipo.lv  
**Kaspars Gibeiko** (Director of Mortgage  
 Deal Department)  
**Telephone** (371) 7 774 232  
**E-mail** kasparsg@hipo.lv

### Structure of ownership

(30-Jun-03)  
 Ministry of Finance of the Republic of Latvia 100%

### Mortgage bonds listed on the Riga Stock Exchange Official list

(registered callable securities, face value LVL 100)

	HPAD	HPAF	HPAG	HPAH	HPAI	HPAJ	HPAL
Listing date	18-Feb-02	24-May-00	02-Jan-01	05-Nov-01	18-Feb-02	16-Jun-03	28-Oct-02
Issue volume	30,000	10,000	30,000	20,000	30,000	30,000	50,000
Issue value, LVL	3,000,000	1,000,000	3,000,000	5,000,000	3,000,000	3,000,000	5,000,000
Maturity date	15-Aug-06	15-Feb-05	15-Aug-07	15-Aug-11	15-Aug-08	15-Aug-08	15-Aug-12
Interest rate	6.5%	8.5%	7.5%	7.5%	7.0%	floating 6-month RIGIBOR+0.5%	6.0%

### Company profile

The *Mortgage and Land Bank of Latvia* was established in 1993 by the Council of Ministers Resolution No. 140 as a state commercial bank. The Bank's operations are governed by the Law on Credit Institutions as well as other applicable laws of the Republic of Latvia, the *Mortgage and Land Bank of Latvia* charter, the regulations of the Bank of Latvia and all resolutions and statutory regulations approved by the Cabinet of Ministers of the Republic of Latvia.

The Bank is consistently implementing the development concept of the *Mortgage and Land Bank of Latvia* for the years 1999 to 2005, as approved by the Cabinet of Ministers, defining the support to the development of Latvian national economy as the Bank's key mission. *Mortgage and Land Bank of Latvia* major priorities are:

- lending to small and medium-size enterprises (SME);
- mortgage lending and issuing of mortgage bonds.

Parallel to the function of a development bank, the *Mortgage and Land Bank of Latvia* is offering financial services all over Latvia, such as loans, settlement services, cash deposits, transactions with currency and securities and also services related to the privatisation process.

In accordance with the law On Mortgage Bonds that was passed by the Saeima on 10 September 1998, the *Mortgage Bank* has the right to issue mortgage bonds. The *Mortgage and Land Bank of Latvia* currently is the only issuer of mortgage bonds in Latvia.

*Mortgage Bank* is a network bank having 37 branches and settlement groups all over the entire territory of Latvia.



# Mortgage Bonds

Short balance sheet (thous. LVL)		
ASSETS	31-Dec-02	30-Jun-03
Cash and deposits with the Bank of Latvia	7,703	6,009
Balances due from credit institutions	19,397	8,472
Loans	132,605	162,640
Treasury bills and other fixed income securities		9,644
Other assets	651	2,141
<b>TOTAL ASSETS</b>	<b>172,177</b>	<b>196,897</b>
LIABILITIES		
Balances due to credit institutions	21,557	31,665
Deposits	97,596	112,942
Issued bonds and other debt securities	17,439	20,449
Appropriations	3,300	3,300
Other liabilities	6,805	5,252
Shareholders equity	22,813	23,289
<b>TOTAL LIABILITIES</b>	<b>172,177</b>	<b>196,897</b>

Profit and loss statement (thous. LVL)		
	31-Dec-02	30-Jun-03
Interest income	12,933	7,356
Interest expense	(5,513)	(3,342)
<b>Net interest receivable</b>	<b>7,420</b>	<b>4,014</b>
Dividend income		
Fee and commissions income	2,145	1,263
Fee and commissions expenses	(766)	(94)
Profit/loss on securities and foreign currency	547	345
Other operational revenues	1,692	817
Administrative expenses	(3,346)	(4,257)
Intangible and fixed asset depreciation, amortization and write-offs	(1,012)	(593)
Other operational expenses	4,047	
Provisions for bad and doubtful debt	(1,148)	(1,204)
Release of provisions for bad and doubtful debt		661
Profit/loss from revaluation of long-term investments		
<b>Profit/loss from operational activity</b>	<b>1,485</b>	<b>952</b>
Extraordinary income		
Extraordinary expense		
<b>Profit/loss before tax</b>	<b>1,485</b>	<b>952</b>
Tax	(272)	(148)
<b>Profit/loss for the accounting period</b>	<b>1,213</b>	<b>804</b>

## Company during 2002-2003

In 2002 the volume of mortgage loans extended by *Mortgage Bank* increased by LVL 7.3 million totalling to LVL 41.4 million and thus a market share of 10% as at the end of the year. The part of the mortgage loan portfolio that serves as coverage for the mortgage bonds issued by *Mortgage Bank* increased by LVL 12.1 million totalling to LVL 22.3 million or 54% of the total mortgage loan portfolio as at the end of the year. The mortgage loan portfolio that is refinanced with mortgage bonds amounted to 42% (in 2001 – 23%) of the total mortgage loan portfolio.

Within a year, *Mortgage Bank* issued and placed on the primary securities market mortgage bonds with a total value of LVL 10.6 increasing the volume of mortgage bonds in circulation up to LVL 17.6 million. At the end of the year 2002, seven series of mortgage bonds with a term to maturity three to ten years were in circulation. Mortgage bonds issued by *Mortgage Bank* accounted for 6% of the total market for debt securities registered in Latvia and 30% of the total market for registered corporate debt securities.

In 2002, trading in mortgage bonds issued by *Mortgage and Land Bank of Latvia* was quite busy on the secondary market, where the turnover amounted to LVL 4.8 million. The increase of the turnover of mortgage bonds was influenced by the decline in the volume of issue of T-bills that increased the demand of investors for mortgage bonds. As it is known, mortgage bonds offer to investors an equivalent security level to that of T-bills, and a higher yield. The Bank's mortgage bonds of all series are listed and traded on the Official List of the Riga Stock Exchange.

As a result of a successful development of the Bank, and in connotation with the increased sovereign rating for the Republic of Latvia, the international credit rating agency *Moody's Investors Service Limited* raised the Bank's rating for long-term foreign currency investments to A2 (previously Baa3) on December 12, 2002. The rating for short-term foreign currency investments was raised to P1 (previously P3), and mortgage bonds issued by Mortgage Bank received a rating of A1 instead of the previous A3. The financial strength rating of Mortgage bank determined by *Moody's* remained unchanged at D-.

**Address** Fabianinkatu 34, Helsinki, FIN-00171, Finland  
**Telephone** (358) 9 18 001  
**Fax** (358) 9 1800 210  
**Internet home page** www.nib.int  
**E-mail** info@nib.int

## Structure of ownership

	(1-Jan-03)
Sweden	38%
Denmark	22%
Finland	19%
Norway	20%
Iceland	1%

## Company information

**Core business** Banking  
**Foundation date** 1975  
**Number of employees** 144  
**Auditors** Ernst & Young

## Management Committee

**Jón Sigurdsson** (President, CEO)  
 Carl Lövenhielm, Erkki Karmila, Bo Heide-Ottosen, Siv Hellén,  
 Oddvar Sten Rønsen, Juha Kotajoki

## Board of Directors

**Claes de Neergaard** (Chairman)  
 Thorsteinn Ólafsson (Deputy Chairman)  
 Ib Katznelson, Eli Telhaug, Arild Sundberg, Bo Marking, Bolli  
 Thor Bollason, Kristina Sarjo, Bo Goran Eriksson, Lars Kolte

## Description of Securities

<b>Listing</b>	Riga Stock Exchange
<b>Listing date</b>	25-Jul-03
<b>List</b>	Official
<b>Securities class</b>	Bonds
<b>Securities type</b>	Registered securities
<b>Securities category</b>	non-callable bonds
<b>Issue volume</b>	5,000
<b>Face value</b>	LVL 1,000
<b>Issue value</b>	LVL 5,000,000
<b>Maturity date</b>	25-Jul-07
<b>Coupon</b>	4.25%
<b>Coupon payment date 1</b>	25-Jan
<b>Coupon payment date 2</b>	25-Jul

## Funding

### Nordic Investment Bank

**Kari Kukka** (VP, Head of Funding)  
**Telephone** (358) 9 18 00 464  
**E-mail** kari.kukka@nib.int

### Placement in Latvia

by Nordea Bank Finland Plc Latvia Branch

**Uldis Zelmenis** (Head of Markets)  
**Telephone** (371) 7 096 264  
**E-mail** uldis.zelmenis@nordea.lv

## Company Profile

*Nordic Investment Bank (NIB)* was established in 1975 as an international financial institution to provide medium and long-term loans and guarantees. Signatories of the Establishing Agreement are the Governments of Denmark, Finland, Iceland, Norway Sweden.

*NIB's* primary purpose is to promote the growth of the Nordic economies by means of long-term financing of projects in the private as well as the public sectors. Loans and guarantees are granted on commercial banking terms within and outside the Nordic countries for projects, which are of mutual interest for the Nordic countries, and for the borrower country. Within the Nordic countries, *NIB* participates in the financing of cross-border investments as well as industrial projects that affect more than one Nordic country. In the emerging markets outside the Nordic countries, the Baltic Sea and Barents Sea regions are priority areas for *NIB's* operations.

## Company during 2002-2003

*NIB* has demonstrated good results, a continued positive trend (profit EUR 142 million, net interest income EUR 150 million) in 2002. The dividend for the year to *NIB's* owners, the Nordic countries, was EUR 40.3 million. The Bank increased loan disbursements in the Nordic countries; the share of environmentally friendly energy investments increased as well. The Bank focused on environmental projects, especially within the Northern Dimension Environmental Partnership (NDEP), together with the EU Commission and other international finance institutions. The Nordic Council of Ministers approved an increase in the Bank's environmental lending facility for the neighbouring areas (MIL) from EUR 100 million to EUR 300 million, with special guarantees. The increase in the MIL ceiling entered into force on 1 January 2003.

## Short balance sheet (EUR million)

ASSETS	2002
Cash and cash equivalents, placements and debt securities	4,304
Loans outstanding	10,110
Intangible and tangible assets	36
Accrued interests and other assets	1,498
<b>Total assets</b>	<b>15,948</b>

LIABILITIES AND EQUITY	
Amounts owed to credit institutions	381
Debts evidenced by certificates	13,150
Accrued interests and other liabilities	877
Paid-in capital	404
Statutory reserve	554
Credit risk reserve	429
Other value adjustments	11
Profit for the year	142
<b>Total liabilities and equity</b>	<b>15,948</b>

## Profit and loss statement (EUR million)

Net interest income	150
Commission income and expenses etc.	7
General administrative expenses, depreciation and write-down	(22)
Core earnings	135
Adjustments to fair value in trading portfolio	10
Provisions for possible losses on loans	(3)
Adjustment to hedge accounting	-
<b>Profit for the year</b>	<b>142</b>

*NIB* continues to get actively involved in lending to the Baltic sea region. In May a loan agreement of EUR 20 million was signed with the City of Tallinn. The loan is intended for the city's investment programme for education, a social housing programme, the development of municipal services and activities for youth, sport, as well as road building. In August a loan agreement was signed with Latvian energy company *Latvenergo*. The loan, with a maturity of 15 years and a grace period of 7 years, amounts to USD 57 million and is intended for *Latvenergo's* extensive investment programme to improve efficiency and competitiveness. Together with the first tranche of the loan in the amount of USD 36.5 million agreed upon in May 2002, *Latvenergo* has now raised a total of USD 93.5 million in long-term loans from *NIB*. The energy company is a major borrower of *NIB* in the region.

In the Bank's Nordic lending, the goal is to continue cooperating with other financial institutions by increasing financing of business investments, working together with the Bank's intermediaries, and by focusing on long-term complementary financing to creditworthy companies in the Nordic basic industries. In its operations *NIB* will give priority to the financing of environmental protection and infrastructure projects as well as Nordic companies' projects in the neighbouring areas. *NIB* will be continuing its flexible, global borrowing strategy in 2003, whereby it will meet investor demand for attractive investment possibilities in the markets. At the same time, the Bank will strengthen and continue to develop the framework for management of its financial activities.

During the years to come, *NIB* intends to deepen its cooperation with the accession countries, particularly in the neighbouring areas: Estonia, Latvia, Lithuania, and Poland. In this cooperation, *NIB* is going to place a great deal of importance on the energy sector and environmental investments

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**Telephone** (371) 7 215 588  
**Fax** (371) 7 215 335  
**Internet home page** www.unibanka.lv  
**E-mail** contact@main.unibanka.lv

**Structure of ownership**  
 (30-Feb-03)  
*Skandinaviska Enskilda Banken AB* 98.8%

**Company information**  
 Core business Banking  
 Foundation date 1993  
 Number of employees 1141  
 Auditors PricewaterhouseCoopers Ltd.

**Supervisory Board**  
**Mats Kjaer** (Chairman)  
 Harald Fleetwood, Ain Hanschmidt, Julius Niedvaras,  
 Ann Karlsson

**Management Board**  
**Andris Bērziņš** (President, Chairman)  
 Viesturs Neimanis, Madeleine Soderkvist, Ainārs Ozols,  
 Roberts Bernis

**Investor relations**  
**Andrejs Mežals** (Fixed income securities broker)  
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**Description of Securities**  
 Listing Riga Stock Exchange  
 Listing date 19-Jul-02  
 List Official  
 Securities class Bonds  
 Securities type Registered securities  
 Securities category callable  
 Issue volume 9,946  
 Face value LVL 1,000  
 Issue value LVL 9,946,000  
 Issuing deadline 10-Jul-02  
 Maturity date 28-Jan-05  
 Interest rate 6.50%

## Company Profile

The core business of *Unibanka* is the providing of universal commercial bank services to corporate as well as retail clients, continuously upgrading and diversifying the range of services. The Bank takes call and term deposits; grants short and long term loans; makes local and international cash transfers in all major currencies; exchanges foreign currencies; trades in securities; provides foreign trade financing; does the marketing of *SEB* investment funds; provides asset management and brokerage services.

*Latvijas Unibanka* was founded on September 28, 1993 as a state-owned commercial bank, and privatised in 1995. 1998, when the Bank attracted a strategic investor from Sweden *Skandinaviska Enskilda Banken (SEB)*, *Unibanka* is a member of one of the major financial groups in Scandinavia. On December 31, 2002 *SEB Group* owned of 98.8% of *Latvijas Unibanka*. Apart from the Bank, *Unibanka Group* includes leasing company *Unilizings*, pension fund *Unipensija* as well as a very recent acquisition - Investment Company *Optimus Fondi*.

Together with another three *SEB Group* banks in Lithuania and Estonia, *Unibanka* is a part of one of the largest financial groups in the Baltic region. In Latvian commercial bank rankings by assets, loans, deposits and capital/reserves *Unibanka* takes the top 1-3 positions in the lists.

## Company in 2002-2003

In 2002 audited consolidated profit of *Unibanka Group* was LVL 13.551 million (LVL 11.7 million in 2001). In 2002 net profit was up 16% and amounted to LVL 1.851 million. Over the reporting period the Group's operating profit reached LVL 41.4 million.

A dynamic growth in the private and corporate customers lending as well as introduction of several new loan products enabled *Unibanka* to increase the net loan portfolio by 19%, allowing *Unibanka* to retain a stable and lasting leader position in the Latvian lending market. The net loan portfolio of *Unibanka Group* at the end of 2002 was LVL 521.7 million worth. Over the reporting period the deposit portfolio expanded by LVL 51.926 million and at the end of 2002 stood at LVL 384.176.

# Bonds

	Short balance sheet (thous. LVL)	
	(Group) 31-Dec-02	(Group) 30-Jun-03
<b>ASSETS</b>		
Cash and deposits with the Bank of Latvia	43,259	40,117
Balances due from credit institutions	34,769	30,044
Loans	521,676	579,217
Bonds, other securities and investments	63,269	70,728
Other assets	5,664	5,123
<b>TOTAL ASSETS</b>	<b>709,312</b>	<b>769,914</b>
<b>LIABILITIES</b>		
Balances due to credit institutions	214,269	209,783
Deposits	384,176	450,141
Issued bonds and other debt securities	15,610	11,235
Appropriations	9,504	9,104
Other liabilities	4,112	4,949
Shareholders equity	69,806	76,038
<b>TOTAL LIABILITIES</b>	<b>709,312</b>	<b>769,914</b>

	Profit and loss statement (thous. LVL)	
	(Group) 31-Dec-02	(Group) 30-Jun-03
Interest income	42,770	21,476
Interest expense	(14,989)	(6,707)
<b>Net interest receivable</b>	<b>27,781</b>	<b>14,769</b>
Dividend income		
Fee and commissions income	12,568	6,661
Fee and commissions expenses	(2,053)	(1,177)
Profit/loss on securities and foreign currency	2,271	1,790
Other operational revenues	825	335
Administrative expenses	(18,848)	(10,022)
Intangible and fixed asset depreciation, amortization and write-offs	(5,045)	(3,270)
Other operational expenses		
Provisions for bad and doubtful debt	(4,206)	(2,572)
Release of provisions for bad and doubtful debt	1,657	799
Profit/loss from revaluation of long -term investments	(62)	
Participation in company equity capital, profit/loss **		
<b>Profit/loss from operational activity</b>	<b>14,888</b>	<b>7,313</b>
Extraordinary income		
Extraordinary expense		
<b>Profit/loss before tax</b>	<b>14,888</b>	<b>7,313</b>
Tax	(1,337)	(1,081)
Minority interest		
Profit/loss for the accounting period	13,551	6,232

Over the year *Unibanka* Group assets have grown by 20%, totalling to LVL 709.312 million at the end of the year.

In the first six months of 2003 *Unibanka* Group has earned LVL 6.232 million. Operating income was LVL 22.378 million. Presently the Bank has over 506 thousand retail and corporate clients. Within six months *Unibanka* Group assets increased by 8.5% and as at June 30 reached LVL 769.914 million. The loan portfolio value was LVL 579.217 million, whereas the deposit value was LVL 450.141 million. Group's capital and reserves stood at LVL 76.038 million.

In January 2003 *Moody's Investor Service* upgraded *Unibanka's* short-term and long-term financial strength rating to A2/Prime-1.



## Legal framework and energy policy

The Energy Law passed in September 1998 sets the legal basis for the Latvian energy sector. It establishes the rules for energy industry regulation and spells out the rights and obligations of all market agents, aiming at increased competition and consumer protection. According to the Law, the strategy of national energy policy is defined in the National Energy Program. It pursues the goal of stable and reliable supplies of high quality and environment-friendly energy at a reasonably low cost.

Current legal framework of the sector is in compliance with the general EU directives: the negotiations between Latvia and EU on the energy sector were closed on 12.12.2001. However, several issues remained open to bring actual situation in the domestic energy market in line with the principles outlined in the legislation. The main tasks include: reliability of deliveries; creation of oil product stock; energy efficiency; market liberalisation; transparency of electricity and gas prices.

Public Utilities Regulator (operating since September 2001) is the regulatory body in the sector.

## Energy sector in brief

Some types of fuel, including wood and peat, are produced domestically. However, Latvia imports a large portion of the fuel it consumes. This group consists of natural and liquefied gas, oil products and coal. Latvia imports gas from Russia, as it is remarkably cheaper in comparison with other gas-producing countries. Also a substantial share of electricity is imported from Russia. Estonia and Lithuania, both having excess generating capacities, are another two electricity suppliers to Latvia.

Consumption of Energy Resources	Consumption of energy resources in Latvia (thousand tons of conditional fuel – ktce*)			
	1999	2000	2001	2002
<b>Energy consumption – total</b>	<b>5730</b>	<b>5259</b>	<b>5740</b>	<b>6466</b>
of which:				
Natural gas and liquefied gas	1495	1560	1980	1847
Light fuel products and other oil products	1335	1366	1313	1610
Heavy fuel, oil shale	900	406	269	233
Firewood, peat, coke and other types of fuel	1300	1267	1475	2084
Coal	120	94	123	99
Electrical power (HPS, wind generators and imported from abroad)	580	566	580	593

Sources: Central Statistical Bureau of Latvia; Ministry of Economy

\* 1 ktce = 0.02931 PJ.

Latvian energy sector is dominated by two large companies: *Latvijas Gāze* and *Latvenergo*. *Latvijas Gāze* is one of the largest and oldest companies in Latvia that has a natural monopoly in the supply and sale of gas. Also, it is the only large energy company listed on the Riga Stock Exchange. *Latvenergo*, the leading electricity producer, still remains 100% state-owned.

## Gas

A large share of total energy consumption in Latvia (approx. 35%) belongs to gas. The largest consumers are the *Latvenergo* TEPs (thermoelectric power stations) and heat suppliers (60%) followed by manufacturing (25%) and other consumers (15%). Riga and Riga region consumes about 80% of the gas supplied; Liepāja – 11% (mainly by *Liepājas siltums* and *Liepājas metalurģs*). Domestic market for natural gas supply is controlled by *Latvijas Gāze*, whereas in the LP market there are over 70 liquefied gas suppliers.

Since *Latvijas Gāze* is a monopoly, Public Utilities Regulator develops the calculation methodology and approves actual tariffs for natural gas. Though *Latvijas Gāze* has been operating at a profit within the past few years, it has requested permission for tariff increase in order to finance its asset renewal program. *Latvijas Gāze* motivated the request by a potential supplier price increase by *Gazprom* and *Itera Latvia*, Ltd. by 15–20% over the period between 2003 and 2005. The Regulator refused to issue the permission until July 2003, when the Arbitration Court of the Chamber of Commerce of Stockholm issued a verdict that Latvia has to pay USD 6.9 million to *Latvijas Gāze* to compensate for the loss of profit in 2002 due to the denied permission. Now the Public Utilities Regulator has developed a new method of tariff calculation, approved on January 24, 2003. The new method implies that the price of gas will go up by 12.5% starting with July 1, 2003 and will reach 16.5% price increase over a three-year period. According to the Bank of Latvia, the impact of the planned increased tariffs is not expected to tell heavily on the overall inflation rate; however, it is expected to involve a certain price increase in other sectors of national economy.

## Electricity and heating

In 2002 only 63% of electricity consumed in Latvia was produced domestically; the remaining 37% was imported from Russia, Estonia and Lithuania. These countries share a common electricity transmission grid with Latvia. Approximately 58.3% of domestically produced electricity was generated by *Latvenergo* – the top Latvian company in terms of 2002 sales. It is the main electricity producer and supplier. The remaining share of the electricity generated in Latvia is effectively taken up by TEPs (thermoelectric power stations). In 2002 the consumption of electricity has increased by 3 percent in comparison with the previous year. The main customers are industries, consuming about 34% of electricity. Geographically, 50% of energy is consumed in Riga and Riga region.

The structure of thermal energy consumption has not essentially changed over the recent years, and consists of district heating (65%–70%) and hot water supply (35%–30%). The main consumer (74%) is housing fund followed by manufacturing (2.2%) and other consumers (23.8%). *Rīgas Siltums*, the main heat supplier for Riga, purchases 70% of the total amount of thermal energy from *Latvenergo*, making the latter the largest player in the Latvian energy market. Despite several attempts to privatise the company during the recent years, it still remains under a full state control; privatisation may be repeatedly considered after a few years.

## Oil products

Oil products play an important role in Latvia, amounting up to 30–40% of the total energy market, including heavy fuel – 7%. The market is fully liberalised and functions at a free market competition environment. However, despite some interest in oil exploration potential in the Baltic Sea, Latvia currently is not an oil-producing economy, thus, all oil products are imported. The key consumers of heavy fuel are heat generation (53%) and manufacturing sector (35%).

## Other fuel products

Alternative energy resources utilised in Latvia include fossil fuel – coal, wood and peat. The share of hard fuel in total energy supply and consumption during 2002 was, respectively, 31% and 29%. The amount of coal consumed in Latvia substantially decreased between 1992–1999. The whole amount is imported, mainly from the CIS and Poland. Current extensive use of wood may become more efficient over time. In the total fuel consumption the share of wood is quite substantial, reaching 25–30%. The biggest users of firewood are households (39%), heat generation companies (25%), industry (mainly wood processing companies) and other users (36%). Peat digging and consumption in Latvia has a long history. Currently the output is between 500,000 to 600,000 tons per year. The total reserve of peat is estimated at approximately 1.5 billion tons; it covers around 10% of Latvia's territory.

## Future prospects

According to Ministry of Economy forecasts, establishing free market in the electricity sector is among the priorities for the government. All Latvian energy users should be able to freely choose the supplier of electricity by 2006. To attain this, the Public Utilities Regulator is going to develop tariff calculation methodologies for each technological phase of energy supply, i.e. electricity generation, transmission, distribution and sales.

Since the energy sector is an element of top importance for the public infrastructure, and is considered to be a strategic sector for stable development and security of the country, the dependence of the country from imported energy resources should be reduced. Therefore, in line with the Energy Policy, in electricity sector it is planned to encourage the use of regenerative and local energy resources. By 2008 domestically produced electricity should meet 89–90% of demand. Some steps are being made towards increased co-operation in the Baltic energy sector; long-term plans include establishing a common Baltic electricity market.

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### Company information

**Core business** Sale of natural gas  
**Foundation date** 1862  
**Privatisation date** 2-Apr-97  
**Number of employees** 1256  
**Auditors** PriceWaterhouseCoopers

### Supervisory Board

**Aleksandrs Krasņņkovs** (Chairman)  
 Juris Savickis, Matthias Keuchel, Stefan F.Steipl,  
 Vlada Rusakova, Kirils Selezņovs, Reiner Lehmann, Eike Benke,  
 Jelena Karpēla, Igors Nazarovs, Fritz Gautier

### Management Board

**Adriāns Dāvis** (Chairman)  
 Aleksandrs Mihejevs, Frank Siebert, Uldis Auniņš, Anda Ulpe,  
 Gints Freibergs

### Investor relations

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### Trading statistics

Price (LVL)	2002	6 m 2003
First	6.65	5.45
Max	6.79	5.62
Min	4.80	5.45
Last	5.46	5.60
Change (%)	-17.89	2.75
Total turnover (LVL)	21,314,638.93	783,225.49
Total turnover (shares)	3,982,263	141,868
As % in the total turnover	28.34	2.84
As % in total capitalisation	52.08	43.47

### Structure of ownership

	(20-Jun-03)
Ruhrgas AG	28.28%
JSC Gazprom	25.00%
SIA Itera Latvija	25.00%
E.ON Energie AG	18.79%

### Share structure

Listing	Riga Stock Exchange
Listing date	15-Feb-99
List	Official
Share capital	LVL 39,900,000
	EUR 60,000,000
Total number of shares	39,900,000
Number of publicly traded shares	25,326,020
Face value	LVL 1
Capitalisation (30-Jun-03)	LVL 223,440,000
	EUR 342,699,386

### Stock events (2002, 6 m 2003)

17-Jul-02	Ex-dividend date, cash dividend LVL 0.17 per share paid
15-Jul-03	Ex-dividend date, cash dividend LVL 0.20 per share paid

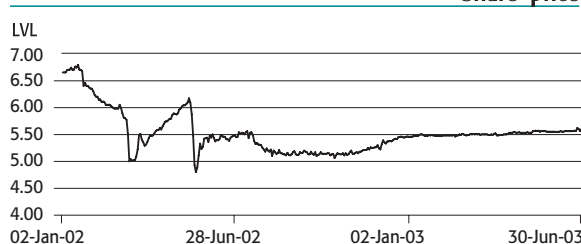
### Indexes on 1-Jul-03

RICI, DJ RSE

### Market value ratios

	2002
Share book value	2.34
Price/book value ratio	2.34
Earnings per share	0.31
Price/earnings ratio	17.87
Dividend per share	0.20
Dividend yield	0.04

### Share price



### Company profile

Joint stock company *Latvijas Gāze* is one of the largest and oldest companies in Latvia its foundation being laid in the distant year 1862 when the first gas factory in Latvia started operations in Riga, Bastejkalns. Today *Latvijas Gāze* is a private company, the shareholders of which are the leading gas companies of the world – German *Ruhrgas Energie Beteiligungs* and Russian *Gazprom* as well as the companies *Itera Latvija* and *E.ON Energie*. *Latvijas Gāze* business includes the imports, transmission, storage and sales of the environmentally friendly fuel – natural gas in entire Latvia. *Latvijas Gāze* is the most important energy supply company in Latvia having 31.5% share of the energy consumption market for its basic commodity – natural gas. *Latvijas Gāze* operations are based on the structure capturing all four regions of Latvia and allowing to deliver gas to more than 800 thousand clients. The major share of natural gas is consumed for the generation of heat and electricity, which account for 60% and 23% correspondingly of the total natural gas volume consumed in Latvia. Principal revenues are generated from sales of natural gas to major industrial consumers, like *Latvenergo*, *Rīgas siltums*, *Liepājas metalurģs*. *Latvijas Gāze* owns a daughter company *SIA Latvijas Propāna Gāze*, which deals in the sales and supply of liquefied petroleum gas (LPG).

### Company during 2002-2003

In 2002 *Latvijas Gāze* net sales amounted to LVL 106.2 million. Company profit accounted for LVL 12.2 million, which was 16% or LVL 1.7 million up from the previous year's financial results. Net profit margins reached the level of 11.5%, but return on equity was 13.1%. A part of the profit, LVL 7.98 million or 65.5%, was paid in dividends – LVL 0.20 per share. *Latvijas Gāze* proceeded with the work on increasing the share of natural gas in the energy market and to attract new clients. Altogether 205.06 km of gas transmission and distribution pipelines have been built and preliminary contracts have been signed for the delivery of more than 273 million m<sup>3</sup> of natural gas. The volume of gas injected to Inčukalns underground gas storage

## Short balance sheet (LVL)

	(Group)		
	31-Dec-02	31-Dec-02	30-Jun-03
<b>ASSETS</b>			
Intangible assets	1,284,290	1,268,567	1,155,328
Tangible assets	53,814,864	50,932,992	53,475,869
Long term financial assets	11,074	4,857,946	4,679,476
Stocks	4,820,940	3,235,386	7,665,125
Debtors	13,108,897	12,475,353	9,305,955
<b>Securities and capital participation</b>	<b>36,093</b>	<b>35,221</b>	<b>34,636</b>
Cash funds (TOTAL)	31,931,923	31,432,401	38,369,664
<b>BALANCE</b>	<b>105,008,081</b>	<b>104,237,866</b>	<b>114,686,053</b>
<b>LIABILITIES</b>			
Equity capital	93,200,621	93,200,621	98,217,706
Company capital	39,900,000	39,900,000	39,900,000
Share premium account	14,320,210	14,320,210	14,320,210
Long-term asset revaluation reserve	8,638,232	8,638,232	8,638,233
Reserves	18,149,804	18,149,804	18,149,803
Retained earnings brought forward from previous years			12,192,376
Retained earnings for the current financial year	12,192,375	12,192,375	5,017,084
Provision for liabilities and charges total	3,003,223	2,865,553	2,226,375
<b>Long term liabilities</b>	<b>1,814,119</b>	<b>1,814,119</b>	<b>1,935,060</b>
Short term liabilities	6,990,118	6,357,573	12,306,912
<b>BALANCE</b>	<b>105,008,081</b>	<b>104,237,866</b>	<b>114,686,053</b>

## Profit and loss statement (LVL)

	(Group)		
	31-Dec-02	31-Dec-02	30-Jun-03
Net turnover	106,243,521	99,717,468	59,774,782
Variations in stock of finished goods and work in progress	(86,605,430)	(80,547,418)	(50,741,220)
<b>Gross profit and loss</b>	<b>19,638,091</b>	<b>19,170,050</b>	<b>9,033,562</b>
Distribution costs			
Administrative costs	(5,051,433)	(4,685,345)	(1,871,865)
Other operating income	237,802	211,248	89,191
Other operating expenses	(759,986)	(737,808)	(1,082,541)
Income from participating interests		6,138	
Income from other capital participation, securities and loans forming part of the long term assets	230,955	230,955	
Other interests receivable and similar income	1,640,765	1,629,235	1,690,934
Write-offs of financial fixed assets, securities and capital participation held as current assets	(127)	(127)	
Interest payable and similar charges	(466,093)	(479,353)	(1,011,395)
Provisions for bad debt, net	(102,183)	(43,588)	
Provisions for old debt and slow-turnover stock	(71,088)	(77,853)	
<b>Profit and loss before extraordinary items and taxes</b>	<b>15,469,974</b>	<b>15,223,552</b>	<b>6,847,886</b>
Extraordinary income			
Extraordinary charges			
<b>Extraordinary profit and loss before taxes</b>	<b>15,296,703</b>	<b>15,223,552</b>	<b>6,847,886</b>
Tax on profit for the financial year	(2,844,818)	(2,806,509)	(1,715,173)
Other taxes	(259,510)	(224,668)	(115,629)
Minority interest			
<b>Profit and loss for the financial year after taxes</b>	<b>12,192,375</b>	<b>12,192,375</b>	<b>5,017,084</b>

facility has reached 2.188 billion m<sup>3</sup> in anticipation of increase of consumption in Latvia, Russia and Estonia. The Company continued to make investment in gas supply system, amounting to LVL 11.48 million in 2002. The central major event of the year in terms of bringing new clients was the gas supply connection to Olaine town, covering several industrial customers and 5000 retail customers. Apart from Olaine, gas supply was connected also to Skrunda and several residential areas in Riga, Riga district and Daugavpils. In 2002 LVL 2.57 million was spent on equipment modernisation. In the first half of 2003 *Latvijas Gāze* sales (in physical volumes) reached 926.6 million m<sup>3</sup> for natural gas and 11.3 thousand tons for LPG. Compared with the respective period in 2002, the sales of natural gas has increased by 22.5% or 170.4 million m<sup>3</sup>, or, is exceeds the target figure by 22.2%. Sales of LPG have increased by 8.9% or 0.9 thousand tons. The increase of sales is owing to the lower temperatures in 2003. In money terms, net sales in the first half of the year amount to LVL 59.8 million, and the profit is LVL 5 million. The industrial consumers *Latvenergo* and *Rīgas Siltums* have been the main contributors to the increase of sales volumes. Filling up of Inčukalns underground storage started in April; 978.7 million m<sup>3</sup> have been injected during the first half of the year. The target figure has been met by 100.4%.

*Latvijas Gāze* spent LVL 4.74 million to finance its capital investment programmes, including the modernisation of technological equipment (LVL 2.78 million) and the construction of pipelines (LVL 0.8 million). Key activities in the first half of 2003 include the participation of the Company representatives in World Gas Conference in Tokyo in June 2003; analysis of the company real estate and technical equipment revaluation results, submitted by BDO *Invest Rīga*, and clarification of technical information; introduction of new tariffs starting with July 1, 2003; preparation of co-operation agreement with Rēzekne City Council with regard to promoting gasification of the city, and drafting customer agreements for the industrial clients at Rēzekne.

The company is in the process of constant modernisation and development, improving its safety, supply and computer systems that ensure increasingly better service for the clients. The company involves actively in international projects aimed at the integration into the gas supply system of Europe. Such development plans will facilitate the growth of the market share of the ecologically friendly fuel – natural gas – in the fuel market of Latvia, reaching the natural gas consumption of up to 2 billion m<sup>3</sup> in 2005 in comparison with 1.57 billion m<sup>3</sup> in 2002.

## Role in Latvian economy

Transport, storage and communications, alongside with trade and manufacturing, are among the three key sectors of Latvian economy, contributing in average 15–16% to total value added during the recent years. Within the sector, the largest share is generated by transport. In 2002 sector outputs went up by 2.4%, and in 1st quarter of 2003 – by 6.8 percent. The development of transport and transit as a sector of national economy has been rather uneven – years of success alternate with years of lower revenue. However, the latest trends in the sector are gradually declining revenues. In 2002 transport and transit sector contributed 14.5% to Latvian GDP. The sector includes motor, railway, air and water transport, as well as pipeline and port system.

The favourable geographical position of Latvia, the proximity to the Baltic Sea, ice-free seaports provide good opportunities for the development of passenger and cargo transportation. Efficient and competitive transport and communications system is an important precondition for economic growth. Favourable geographical position also promotes transit haulage. The majority of transported cargo in Latvia is transit and international haulage – mainly oil and oil products (about 60%). Passengers are mostly carried domestically except transportation by air. The domestic consumption of the transport sector in 2002 has gone up much faster than external consumption, various supporting and auxiliary transport activities growing especially fast. Also the expansion of warehousing, parking services, tourist agency services are important growth contributors.

In 2002 LVL 274.5 million were invested in transport and transit sector, what is by 14% more than in 2001.

## Motor transport

Road transport is the most important type of cargo and passenger transportation in the domestic traffic. Cargo transportation increased in 2002 after a slight but steady decline in the recent years; also cargo turnover continued growing. The structure of road haulage in the reviewed year has practically stayed without changes, commercial haulage prevailing in international traffic.

	Cargo transportation by road and road cargo turnover					
	1999	2000	2001	2002	1 <sup>st</sup> quarter of 2003	1 <sup>st</sup> quarter of 2003 compared to 1 <sup>st</sup> quarter of 2002, %
<b>Transported cargo, thousand tons</b>	<b>33,401</b>	<b>32,911</b>	<b>32,299</b>	<b>36,923</b>	<b>7,100</b>	<b>117.9</b>
including:						
Domestic traffic	31,718	30,926	29,992	34,301	6,368	117.3
International traffic	1,683	1,985	2,307	1,895	732	124.3

Although the volumes of transportation by road are growing, in order to facilitate further development, it is necessary to address the border crossing issues; to increase of the number of permits; to intensify road transport controls.

## Ports and water transport

There are 10 ports in Latvia: three big ports – Riga, Ventspils, Liepāja, and seven smaller ports. Riga and Ventspils ports operate in free-port regime, while Liepāja is a part of special economic zone. Geographical position, ice-free ports, and developed infrastructure create good preconditions for port operations. The large ports mainly handle transit cargos. The main flows of transit cargos go from the CIS to the west. Seven smaller ports have local importance.

Main fields of port operation in 2002 have stayed unchanged. Ports continue working mainly as forwarders of cargo. Transit cargo occupies a dominant position among total reloaded cargo. Oil and oil products constitute an important share (more than a half) in total cargo structure. Other big groups of cargo are mineral fertilisers and wood materials, each constituting more than 1/10 of total turnover of ports.

Total cargo turnover of Latvian ports in 2002 was 52.1million tons (8.1% less than in 2001) – due to the visible fall of turnover at Ventspils port. The rest of ports have a growing cargo turnover in 2002.

Port	Cargo turnover in ports of Latvia (million tons)					
	1999	2000	2001	2002	2003 1 <sup>st</sup> quarter	2003 compared to 1 <sup>st</sup> quarter of 2002, %
Ventspils port	34.14	34.76	37.94	28.7	7.4	81.4
Riga port	12.01	13.35	14.88	17.37	4.7	115.6
Liepāja port	2.32	2.96	3.26	4.09	1.4	153.8
Small ports	0.56	0.77	0.84	0.99	0.26	118.7
<b>Total ports</b>	<b>49.03</b>	<b>51.84</b>	<b>56.92</b>	<b>52.1</b>	<b>13.5</b>	<b>94.4</b>



## Railway

Rail network covers all Latvian regions and is linked with the neighbouring countries – Estonia, Russia, Byelorussia and Lithuania. Although state-owned company *Latvijas dzelzceļš (LDz)* is the main entity responsible for passenger and cargo carriage, Latvian legislation allows private companies to enter the business. Such companies operate in Ventspils, Riga, and Liepāja – major port cities.

Oil products, chemical fertilisers and coal, which together constitute about 3/4 of the total amount of cargo transported, were among the most important types of freight transported in the first half of 2002.

Transit haulage is the most significant element for the railway sector, forming 4/5 from all cargo shipments. The main direction of carried cargo is transit through ports of Latvia (90% of all transit cargo), therefore the development of ports and railway are very closely linked.

In 2002, 40.1 million tons of cargo was carried by rail, which by 5.8% more than in the respective period of the preceding year. With the existing structure of cargo, the volume of carriage is strongly influenced by the flow of transit cargo. In 2002 transportation of transit cargo was absolute majority of total cargo turnover: more than 90%, oil contributing 46.6%. Domestic transportation keeps going up for already second consecutive year (by 17.7%) after several years long permanent declining trend. In the first five months of 2003 *Latvijas dzelzceļš* transported 20.7 million tons of cargo, which is by 16.8% more than the respective period in 2002. Transit cargo turnover increased considerably this year – by 25.1% and was 16.83 million tons. Half of all transported cargoes were oil or oil products.

Passenger transportation, though creating losses to the sector, has started increasing: in the first three quarters of 2002 the number of carried passengers reached 16.6 million (7.3% more than in 3 quarters of 2001); the sales of passenger services increased by 3.3%. The Law on Railway has a provision on state and local government procurement in order to subsidise the non-profitable, however, needed passenger transport routes. Unfortunately, state subsidies are not big enough to solve the problems.

*Latvijas Dzelzceļš* has been implementing structural reforms to ensure that the sector is capable in operating in market economy environment. In the nearest years it is planned to establish a consortium as part of restructuring. The consortium is expected to consist of a parent company not-to-be-privatised state joint stock company *Latvijas Dzelzceļš*, operating as the operator of the state railway infrastructure; and several daughter companies – potentially, to be privatised and to operate each in its own market segment.

## Air transport

Latvia has two internationally certified airports – in Rīga and Liepāja, *Rīga International Airport* occupying the leading position in the Baltics – both according to passenger and cargo turnover. The airport provides services to its customers to 16 direct destinations. Passenger turnover in 2002 reached 633 thousand, and was 252 thousand in the first five months of 2003. The passenger turnover has been continuously growing since 1999, cargo transportation playing a role of minor importance.

*AirBaltic* is premier Latvian airline: 52.58% owned by the state, and enjoying government support to increase its competitiveness. There are no plans to privatise the company in any foreseeable future.

## Pipelines

Pipeline system is an important part of the Latvian oil transit corridor. The operator of the oil pipeline network is a Latvian-Russian joint enterprise *LatRosTrans* (two pipelines run to Ventspils, and the third to Mazeikiai). The pipeline system is one of the major export routes of oil from Russia to Northern and Western Europe.

### Oil and oil products transported (million tons)

	1996	1997	1998	1999	2000	2001	2002	2003*
Oil	18.03	19.60	20.89	18.02	20.96	26.6	19.3	4.2
Oil products	2.71	2.96	3.20	3.59	3.55	4	4.1	1.1
Total	20.74	22.56	24.09	21.61	24.51	30.6	23.4	5.3

\* – 1st quarter of the year

Sources: Ministry of Finance; Central Statistical Bureau of Latvia

Year 2002 was unsuccessful for pipeline transportation. Total amount of oil and oil products transported by pipelines decreased by 23.5%. Amount of oil transported to Ventspils decreased by 50.2%, and the amount of oil products by 2.6%.

The results of the first quarter of 2003 are not too promising either – total amount of transported oil compared with similar period last year has declined by 14.4%. Oil product transport, which constitutes much smaller part of pipeline transport turnover, has grown by 7.5%. In 2003 all transportation of oil and oil products through Ventspils were stopped.

## Sector perspectives

Sector performance is highly dependent on transit through Latvian ports from Russia and CIS to Western Europe. The policy officially declared by representatives of the Russian pipeline administration – changing the export routes via Russian own ports and avoiding Ventspils – is an element with serious consequences. A flexible and attractive tariff policy, combined with an effort to reduce the dependency on the pipeline and concentrate on oil and oil product deliveries by rail is an approach currently pursued by *Ventspils nafta*, a leading company in oil transit business.

Sources: Ministry of Finance; Ministry of Economy; Central Statistical Bureau of Latvia, website of *Dienas Bizness* and of *Rīga International Airport*

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### Company information

**Core business** Transshipment and storage of crude oil and petroleum products  
**Foundation date** 30-Sep-61  
**Privatisation date** 15-Oct-97  
**Number of employees** 805  
**Auditors** Ernst & Young Baltic

### Supervisory Board

**Mamerts Vaivads** (Chairman)  
 Jānis Blaževičs, Eizens Cepurnieks, Mārtiņš Jansons,  
 Romāns Mežeckis, Voldemārs Striķis, Vladimirs Solomatins,  
 Uldis Pumpurs, Vladimirs Krastiņš, Ansis Sormulis, Ivars Pāže

### Management Board

Aldis Āķis, Ilva Purēna, Renārs Urbanovičs

### Investor relations

**Aldis Āķis** (CFO)  
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### Trading statistics

Price (LVL)	2002	6 m 2003
First	0.68	0.61
Max	0.75	1.06
Min	0.56	0.61
Last	0.63	1.00
Change (%)	-7.35	63.93
Total turnover (LVL)	3,444,840.82	9,128,658.71
Total turnover (shares)	5,433,437	11,969,693
As % in the total turnover	4.58	33.11
As % in total capitalisation	15.73	20.33

### Structure of ownership

	(13-Aug-03)
JSC Latvijas naftas tranzīts	42.00%
Republic of Latvia	38.60%

### Share structure

Listing	Riga Stock Exchange
Listing date	20-Oct-98
List	Official
Share capital	LVL 104,479,519
	EUR 160,737,721
Total number of shares	104,479,519
Number of publicly traded shares	60,298,121
Face value	LVL 1
Capitalisation (30-Jun-03)	LVL 104,479,519
	EUR 160,244,661

### Stock events (2002, 6 m 2003)

01-Sept-03 Ex-dividend date, cash dividend LVL 0.01 per share paid

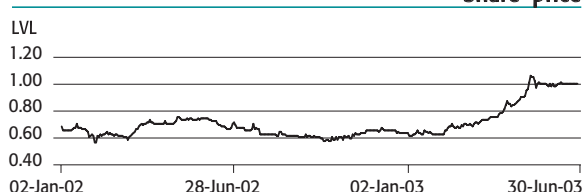
### Indexes on 1-Jul-03

Price index RICI; Capitalisation index DJ RSE

### Market value ratios

	2002
Share book value	2.30
Price/book value ratio	0.27
Earnings per share	-0.01
Price/earnings ratio	-
Dividend per share	0.01
Dividend yield	0.02

### Share price



### Company profile

JSC *Ventspils nafta* is the leading oil and petroleum product transshipment company in the Baltic Sea region, as well as in the port of Ventspils. Oil is supplied from Russia by the pipeline system and by railway, but gas oil – from Russia, Belarus, and Lithuania by the pipeline and by railway. The other petroleum products are supplied only by railway and further stored and loaded into tankers.

The main business areas of *Ventspils nafta* are:

- transit of crude oil and oil products;
- transshipment and storage of crude oil and oil products;
- trade of crude oil and oil products;
- chemical analysis.

### Company during 2002-2003

The year 2002 was one of the most complicated and difficult periods in the history of *Ventspils nafta*. The most important event of the previous year, which had an adverse impact on *Ventspils nafta* business, was gradual decrease of crude oil export by pipeline to Ventspils starting from the middle of 2002. With oil prices on the world markets constantly growing, meanwhile, crude oil exports via Ventspils dwindling to a complete halt from January 2003, it became clear that the reasons are rather political than economic: the administrative resolutions announced by Russian public administration.



# EQUITY MARKET: Transport and Transit

In 2002, in spite of the adverse external factors, *Ventspils nafta* managed to ensure stable operation, earn profit and launch new services. Last year *Ventspils nafta* terminal transhipped 13.8 million tons of crude oil and petroleum products, including 7.5 million tons of crude oil, 5 million tons of gasoil, and 1.3 million tons of various grades of gasoline. Compared with the most successful 2001, the total volume of crude oil transhipped via the terminal reduced by half. Until then, handling of crude oil used to be the key service provided by *Ventspils nafta*.

In 2002 *Ventspils nafta* net sales amounted to LVL 28.1 million, and net profit was LVL 2.7 million. Net sales of *Ventspils Nafta* Group for the same period amounted to LVL 65.9 million.

Facing the discriminating pressure imposed by Russia, the management of *Ventspils nafta* was actively seeking for new possibilities to attract customers and to diversify the range of services offered by the company. Therefore, the most important accomplishment of the last year was the ability to respond quickly to the changes in cargo structure. Having been cut off from pipeline exports of crude oil, the company promptly adapted its operations to the new conditions. The advanced technological level of *Ventspils nafta* allowed the terminal to launch a new service at the end of the year – transshipment of crude oil delivered by rail. One of the three rail facilities was specially adjusted for receipt of crude oil shipments. The new service gained popularity with clients, attracting new customers to the terminal.

The most important *Ventspils nafta* project of the recent period, within the company's business risk hedging programme, was the participation of bidding for *Latvijas kuģniecība* (Latvian Shipping Company) shares at privatisation auction. As a result, *Ventspils nafta* acquired a significant holding in the target company, 49.94% of capital. The acquisition of *Latvijas kuģniecība* shares was dictated by the necessity to diversify the business risks and to avoid dependence of the core business on the political and economic processes in Russia.

Optimisation of the Group management and supervision bodies and its restructuring in accordance with the principles of a concern is another important event. Though the above process has been started only at the beginning of 2003, the company has already been working as a Group for the last few years. Segregating the holding functions, and restructuring *Ventspils nafta* Group companies according to their business activities will significantly improve the management of each individual company as well as its accountability and employment of resources. The above management model was recommended and prepared by the audit company *Ernst & Young Baltic*.

For several years, following the advice of international auditors, *Ventspils nafta*, the main business of which is transshipment of crude oil and oil products exported from Russia through the port of Ventspils, has been diversifying the business risks arising out of political and economic factors. As a result, the company has acquired stakes in a number of companies not involved in transit business, and has gradually developed into a Group. The companies within the Group are in 6 different businesses: transit, printing services, publishing, hotel services, real estate, and shipping.

In the future the holding company functions will be fulfilled by JSC *Ventspils nafta*, which will supervise the Group companies. The Group will consist of the existing companies, as well as of those founded anew. Among the existing ones are *LatRosTrans*, *Latvijas kuģniecība* (Latvian Shipping Company), *Preses Nams*, *Mediju Nams*. Recently, a new crude oil and oil product transshipment company *Ventspils nafta terminals* has been founded: it will take over the former business of *Ventspils nafta*. While planning its work for the year 2003, *Ventspils nafta* was focusing on receiving and transshipping the cargoes delivered by rail: up to now, this solution has proven to be a success. Company management is concentrating its efforts on attracting customers, introducing a flexible tariff policy that would be adequate to the market situation, increasing the quality of the services and varying their range. This year *Ventspils nafta* began the construction of a new rail facility for receiving of gasoil and crude oil. The 5 million t/year rail rack is planned to be put into operation in the first half of 2004.

*Ventspils nafta* has set an objective to cover more and more business areas, expand its range of services and stabilise the terminal's position in transshipment of crude oil and petroleum products.

## Short balance sheet (LVL)

	(Group, thous.)	(thous.)	
ASSETS	31-Dec-02	31-Dec-02	30-Jun-03
Intangible assets	39,654	1,696	1,560,134
Tangible assets	174,958	93,167	91,622,914
Long term financial assets	1,162	107,872	109,009,785
Stocks	14,468	3,195	3,208,900
Debtors	33,009	7,613	9,755,425
Securities and capital participation	35,076	35,057	35,056,588
Cash funds	10,211	3,881	1,177,711
<b>BALANCE</b>	<b>308,752</b>	<b>252,481</b>	<b>251,391,457</b>
<b>LIABILITIES</b>			
Company capital	104,479	104,479	104,479,519
Share premium account	42,343	42,343	42,342,578
Long-term asset revaluation reserve			
Reserves	94,142	94,142	94,141,999
Retained earnings brought forward from previous years			
Retained earnings for the current financial year	(667)	2,729	2,753,211
<b>Equity capital total</b>	<b>240,297</b>	<b>243,693</b>	<b>243,717,307</b>
Minority interest	48,202		
Provision for liabilities and charges total	8,447	5,048	4,907,859
Long term liabilities total	1,687		
Short term liabilities total	10,119	3,740	2,766,291
<b>BALANCE</b>	<b>308,752</b>	<b>252,481</b>	<b>251,391,457</b>

## Profit and loss statement (LVL)

	(Group, thous.)	(thous.)	
	31-Dec-02	31-Dec-02	30-Jun-03
Net turnover	65,865	28,122	13,457,231
Variations in stock of finished goods and work in progress	(52,850)	(18,537)	(9,585,070)
<b>Gross profit and loss</b>	<b>13,015</b>	<b>9,585</b>	<b>3,872,161</b>
Distribution costs	(452)		
Administrative costs	(10,162)	(7,477)	(2,751,279)
Other operating income			
Other operating expenses	(2,190)	(181)	
Other non-operating expenses	(287)	(287)	(73,238)
Income from participating interests	(107)	1,376	(281,223)
Income from other capital participation, securities and loans forming part of the long term assets	(4,609)	(2,326)	(250,996)
Other interests receivable and similar income			
Write-offs of financial fixed assets, securities and capital participation held as current assets			
Interest payable and similar charges			
<b>Profit and loss before extra-ordinary items and taxes</b>	<b>(4,792)</b>	<b>690</b>	<b>515,423</b>
Extraordinary income			
Extraordinary charges			
Extraordinary profit and loss before taxes			
Tax on profit for the financial year	5,015	2,767	
Other taxes	1,104	(728)	(491,008)
Minority interest	214		
<b>Profit and loss for the financial year after taxes</b>	<b>(667)</b>	<b>2,729</b>	<b>24,415</b>

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**E-mail** info@latship.lv

### Company information

**Core business** Cargo shipping  
**Foundation date** September 13, 1991  
**Privatisation date** January 18, 2002  
**Number of employees** 1635  
**Auditors** Moore Stephens

### Supervisory Board

**Ģirts Rungainis** (Chairman)  
 Egils Kiets, Māris Kaijaks, Jānis Ādamsons, Aldis Āķis,  
 Oļegs Stepanovs, Vladimirs Solomatins

### Management Board

**Imants Vikmanis** (Chairman)  
 Valērijs Godunovs, Aivars Enkuzens, Alvis Akmenis

### Investor relations

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### Trading statistics

Price (LVL)	2002	6 m 2003
First	0.30	0.21
Max	0.38	0.33
Min	0.20	0.20
Last	0.21	0.30
Change (%)	-30.00	42.86
Total turnover (LVL)	41,578,928.99	301,753.51
Total turnover (shares)	133,771,601	1,091,420
As % in the total turnover	55.29	1.09
As % in total capitalisation	10.04	11.67

### Structure of ownership

	(27-Jun-03)
A/s Ventspils nafta	31.27%
Deutsche Bank Trust Company Americas	19.67%
Valsts sociālās apdrošināšanas aģentūra, VAS	10.00%
Privatizācijas aģentūra, BO VAS	5.76%

### Share structure

	Riga Stock Exchange
<b>Listing</b>	26-Jun-02
<b>Listing date</b>	Official
<b>List</b>	
<b>Share capital</b>	LVL 200,000,000
	EUR 307,692,307
<b>Total number of shares</b>	200,000,000
<b>Number of publicly traded shares</b>	199,990,000
<b>Face value</b>	LVL 1.00
<b>Capitalisation (30-Jun-03)</b>	LVL 60,000,000
	EUR 92,024,540

### Stock events (2002, 6 m 2003)

04-Apr-02 Ex-dividend date, cash dividend LVL 0.012 per share paid

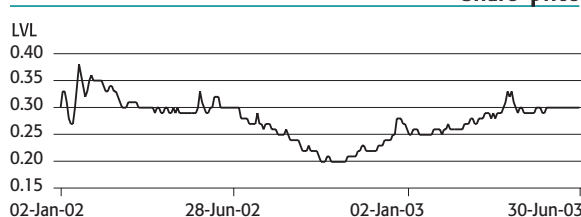
### Indexes on 1-Jul-03

Price index RICI; Capitalisation index DJ RSE

### Market value ratios

	2002
<b>Share book value</b>	0.74
<b>Price/book value ratio</b>	0.28
<b>Earnings per share</b>	-0.17
<b>Price/earnings ratio</b>	-
<b>Dividend per share</b>	-
<b>Dividend yield</b>	-

### Share price



### Company profile

JSC Latvijas kuģniecība (Latvian Shipping Company – LASCO) was established in 1991 as a state owned enterprise. After privatisation in June 2002, LASCO was re-registered as a public joint-stock company and was listed on the Riga Stock Exchange.

LASCO is not only one of the largest enterprises in Latvia, but also among the top oil product carrier shipping companies in the world. It owns a fleet of 50 vessels, including tankers, reefers, LPG (liquefied petroleum gas) carriers and dry cargo vessels. LASCO also provides operational and technical management and crewing services for the fleet and crewing services for other ship owners.

The main objectives of LASCO are the quality and safety of shipments, as well as high professional level of its crews that conforms to all international conventions. The company management, the tankers and LPG fleets are all ISM certified.

The company considers the following to be its main competitive advantages:

- The Group is one of the largest operators in the product tanker market in the 25,000 to 50,000 DWT sector;
- There is an established customer base;
- Labour costs are moderate;
- Due to the ice classification of most of the vessels, LASCO can operate in the northern seas;
- The company believes it has a brand name that is well regarded, has an established reputation and high quality clients;
- The company has good cash flow and a strong balance sheet.

## Company during 2002-2003

*LASCO* core business in 2002 was successful, as proven by the results of the audit of its last year's financial statements. The vessel operating profit was USD 20.1 million. However, due to revaluation of some vessels and signing of the Agreement of Settlement with *Stocznia Gdanska Shipyard*, for the year ended December 31, 2002 *LASCO* Group reported losses of USD 54.4 million.

The 2002 was a year of considerable changes in the history of *LASCO*. The privatisation process was completed during the year, which brought more than 81% of *LASCO* shares into private ownership. Structural changes were made to improve the company performance and cost effectiveness, and a working group was established to develop *LASCO* long-term strategy. Leading shipping consultants are involved in the elaboration of the Group's Strategic Plan. Considering *LASCO* ageing fleet and the potential changes in the vessel age restrictions, formulation of the Group strategy in the nearest future is of great importance for further business.

Product tankers remained the most profitable segment of *LASCO* fleet, whose share in *LASCO* Group's total net voyage result made up more than 82%. Tanker fleet reported vessel operating profit of USD 21.8 million in 2002; LPG and dry cargo fleet – USD 1.3 million and USD 0.2 million respectively, while reefer fleet incurred losses amounting to USD 3.2 million.

Along with maritime transportation services, the Group is also involved in other shipping-related activities. These are performed by the *LASCO* Group subsidiaries. All these business units, except for Riga Ship Repair Base, made a profit in 2002.

The strategic goal is to increase value to *LASCO* shareholders in medium-term. A condition for attaining the goal is establishing a joint venture, with a simultaneous reorganisation of the existing company. The task of the *LASCO* Group is to retain the leading position among the world's top six companies in medium-size tanker market, at the same time retaining the leading position in the Nordic market. The main strategic direction is development and upgrading of the tanker fleet: this fleet gives the largest contribution to *LASCO* profits. In 2002 the tanker fleet profit was USD 21.8 million (total Group fleet profit was USD 20.2 million).

According to the number of vessels, *LASCO* is a leading medium-size tanker owner in the world. This market segment generates the highest sales, and is believed to be more stable than the rest of the shipping activities. *LASCO* strength is the lower costs in comparison to other shipping companies. It has been admitted that attracting large-scale investment for the restructuring of fleet would be possible only by establishing a joint venture. In the next seven years to come the strategy will be focused in three key directions:

**Strategy direction 1.** A joint venture will be established with partners. *LASCO* would hold about 50% of shares, contributing the investment over a several year period. *LASCO* will have the majority of positions in the joint venture management. Shareholders' funds invested in renewal of the fleet will actually be about 30% of the vessel value, the remaining 70% to be borrowed from banks.

The fleet upgrading plan is to purchase 10 new and 2 second-hand medium-size tankers. All the newly purchased vessels would be under *LASCO* commercial and technical management. A buyout option is considered. Between 2004 and 2008 two new tankers will be ordered each year.

**Strategy direction 2.** Disposal of all reefers is expected to be accomplished by the end of 2005. Simultaneously, it is envisaged to sell to scrap all the obsolete tankers that would not meet the EU standards; selling of the 2 LP carriers will be considered, too. The proceeds from disposal of vessels will be invested into upgrading of tanker fleet.

In compliance with *MARPOL* and the potential EU requirements, it is planned to dispose of single hull medium-size tankers. Subsequent to the forthcoming sale of tankers, the aggregate deadweight of the fleet will notably decrease by the end of 2005. For this reason it is critical to approve the tanker fleet upgrading strategy.

**Strategy direction 3.** During the next two years any business operations not directly in line with core business will be terminated; administrative costs will be optimised.

## Short balance sheet (thous. USD)

	(Group) 31-Dec-02	(Group) 30-Jun-03
<b>ASSETS</b>		
<b>Long term assets</b>		
Fleet	337,100	321,240
Other fixed assets	7,852	7,774
Assets under construction	1	4
Investments	579	601
Vessels subject to disposal		
<b>Total long term assets</b>	<b>345,532</b>	<b>329,619</b>
<b>Current assets</b>		
Inventories	8,024	7,752
Finance lease receivables	221	
Accounts receivable and prepayments	22,125	19,214
Available-for-sale investments	2,180	2,215
Bank and cash balances	27,162	60,936
<b>Total current assets</b>	<b>59,712</b>	<b>90,117</b>
<b>BALANCE</b>	<b>405,244</b>	<b>419,736</b>
<b>LIABILITIES</b>		
<b>Shareholders equity</b>		
Share capital	362,319	362,319
Translation reserve	(14,996)	12,525
Retained earnings	(94,209)	74,347
<b>Total shareholders equity</b>	<b>253,114</b>	<b>275,447</b>
<b>Minority interest</b>	<b>802</b>	<b>845</b>
<b>Long term liabilities</b>		
Long term portion of bank loans	112,280	105,740
Provision for deferred taxation	48	35
Provisions	778	504
<b>Total long term liabilities</b>	<b>113,106</b>	<b>106,279</b>
<b>Current liabilities</b>		
Current portion of bank loans	13,080	13,080
Trade and other payables	25,142	24,085
<b>Total current liabilities</b>	<b>38,222</b>	<b>37,165</b>
<b>Total liabilities</b>	<b>151,328</b>	<b>143,444</b>
<b>BALANCE</b>	<b>405,244</b>	<b>419,736</b>

## Profit and loss statement (thous. USD)

	(Group) 31-Dec-02	(Group) 30-Jun-03
Voyage income	170,892	123,772
Voyage costs	(49,032)	(50,256)
<b>Net voyage result</b>	<b>121,860</b>	<b>73,516</b>
Vessel operating costs	(75,186)	(37,215)
<b>Vessel operating result before depreciation</b>	<b>46,674</b>	<b>36,301</b>
Vessel depreciation	(26,523)	(11,217)
<b>Vessel operating profit</b>	<b>20,151</b>	<b>25,084</b>
Vessel impairments and provisions	(55,550)	
Administration expenses	(13,693)	(2,483)
Gain on sale of assets	813	1,023
<b>Operating profit/(loss)</b>	<b>(48,279)</b>	<b>23,624</b>
Interest income	838	
Exchange rate (loss)/gain	(1,420)	
Interest expenses	(4,867)	
Income from associates	5	
Other financial items	(679)	
<b>Net financial items</b>	<b>(6,123)</b>	<b>(3,682)</b>
<b>Profit/(loss) before taxation</b>	<b>(54,402)</b>	<b>19,942</b>
Taxation	(36)	(60)
<b>Profit/(loss) after taxation</b>	<b>(54,438)</b>	<b>19,882</b>
Minority interest	(9)	(20)
<b>Net profit/(loss)</b>	<b>(54,447)</b>	<b>19,862</b>

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### Company information

**Core business** Shipping  
**Foundation date** Dec-86  
**Privatisation date** 1995  
**Number of employees** 37  
**Auditors** Ēvalds Figurnovs

### Supervisory Board

**Joachim von Reiche** (Chairman)  
 Elias Galanopolos, Wolfgang Zielke, Emmanouil Mavrikakis,  
 Petros Tornaros

### Management Board

**Peter Rex George** (Chairman)  
 Olegs Kolosovs, George Baranovs, John Giannakakis,  
 Eleftheria Kallini, Wolfgang Redlin

### Investor relations

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### Trading statistics

Price (LVL)	2002	6 m 2003
First	0.05	0.07
Max	0.10	0.22
Min	0.05	0.06
Last	0.07	0.16
Change (%)	40.00	128.57
Total turnover (LVL)	35,356.08	166,521.16
Total turnover (shares)	507,781	1,206,684
As % in the total turnover	0.05	0.60
As % in total capitalisation	0.39	0.73

### Structure of ownership

	(23-May-03)
<i>Lavinia Corporation Ltd</i>	76.14 %
<i>Roundtable International Inc.</i>	9.21 %

### Share structure

<b>Listing</b>	Riga Stock Exchange
<b>Listing date</b>	30-May-96
<b>List</b>	Second
<b>Share capital</b>	LVL 23,312,980
	EUR 35,866,123
<b>Total number of shares</b>	23,312,980
<b>Number of publicly traded shares</b>	16,988,100
	LVL 1
<b>Capitalisation (30-Jun-03)</b>	LVL 3,730,076
	EUR 5,720,976

### Stock Events (2002, 6 m 2003)

29-Jan-02 Share capital was increased by issuing 5,041,080 ordinary voting shares with face value of LVL 1, subscribed and paid up in full amount by *Lavinia Corporation Ltd*, by its property – the motor vessel *Frio Pusan*.

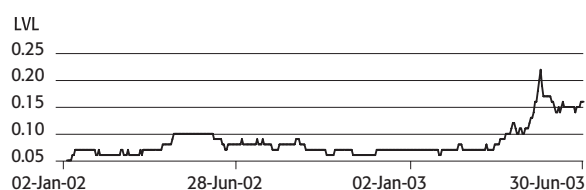
### Indexes on 1-Jul-03

Price index RICI; Capitalisation index DJ RSE

### Market value ratios

	2002
Share book value	0.78
Price/book value ratio	0.09
Earnings per share	-0.11
Price/earnings ratio	–
Dividend per share	–
Dividend yield	–

### Share price



### Company profile

*Rīgas Transporta flote* core business is sea reefer cargo transportation services. The major countries to and from which goods are delivered are the USA, Germany, Russia, Canada, Argentina, Nigeria, Brazil, Japan, China, Spain, Greece and Korea. The suppliers of ships, equipment and spare parts are located in more than 60 countries. Presently *Rīgas Transporta flote* has 14 reefers with unrestricted navigation area. The company was established in 1986 and privatised in 1996, Liberian shipping company *Lavinia Corporation Ltd* becoming a major strategic investor.

### Company during 2002-2003

In 2002 the Company sales amounted to LVL 8.56 million; the year ended at a loss of LVL 2.45 million. The market for refrigerated tonnage continued to suffer on account of competition and instability. The major reason for lower net income was due to increased bunker prices, which were pushed up by the rumour of a possible war in the Middle East. Only some of these higher expenses could be offset against slightly improved freight rates. In 2002 two vessels had to undergo major repairs which was due to constructional improvements and an accident caused by fire. The costs could be only partially recovered and considerable loss of time prevented the vessels from trading over several months.



# EQUITY MARKET: Transport and Transit

Short balance sheet (LVL)		
ASSETS	31-Dec-02	30-Jun-03
<b>Intangible assets</b>		
Tangible assets	22,448,170	5,645,874
Long term financial assets	163,446	10,762,927
Stocks	436,705	14,644
Debtors	2,763,075	9,428,742
Securities and capital participation		
Cash funds (TOTAL)	89,172	15,369
<b>BALANCE</b>	<b>25,900,568</b>	<b>25,867,556</b>
LIABILITIES		
<b>Equity capital</b>	18,300,189	23,698,341
Company capital	23,312,980	23,312,980
Share premium account		
Long-term asset revaluation reserve		3,996,858
Reserves		
Retained earnings brought forward from previous years	(2,559,472)	(4,852,525)
Retained earnings for the current financial year	(2,453,319)	1,241,028
Provision for liabilities and charges total		
Long term liabilities	3,044,250	78,385
Short term liabilities	4,556,129	2,090,830
<b>BALANCE</b>	<b>25,900,568</b>	<b>25,867,556</b>
Profit and loss statement (LVL)		
	31-Dec-02	30-Jun-03
Net turnover	8,568,127	5,627,013
Variations in stock of finished goods and work in progress	(10,765,933)	(4,926,812)
<b>Gross profit and loss</b>	<b>(2,197,806)</b>	<b>700,201</b>
Distribution costs		
Administrative costs	(391,245)	(199,210)
Other operating income	1,697,949	2,488,131
Other operating expenses	(1,410,694)	(1,687,629)
Income from participating interests		
Income from other capital participation, securities and loans forming part of the long term assets		
Other interests receivable and similar income	5,688	2,224
Write-offs of financial fixed assets, securities and capital participation held as current assets		
Interest payable and similar charges	(156,324)	(62,262)
<b>Profit and loss before extraordinary items and taxes</b>	<b>(2,452,432)</b>	<b>1,241,455</b>
Extraordinary income		
Extraordinary charges		
<b>Extraordinary profit and loss before taxes</b>	<b>(2,452,432)</b>	<b>1,241,455</b>
Tax on profit for the financial year		
Other taxes	(887)	(427)
Minority interest		
<b>Profit and loss for the financial year after taxes</b>	<b>(2,453,319)</b>	<b>1,241,028</b>

During the summer time three large carriers had to be laid up as the freight market would barely cover the daily running costs.

The company transferred four of its vessels for management and crewing to *Laskaridis Shipping Company* in Greece.

A modern second-hand vessel *Frio Pusan*, 195.000 cbft and built 1998 in Denmark, was acquired by *Rigas Transporta flote* to modernise the fleet. This is an advanced carrier for pallets and ice-strengthened construction to also call the Baltic ports in winter time. There are further plans of the shareholders in this respect to renew some of the fleet on the next opportunity. With some attractive changes in the Company's tonnage structure, preferably in the size of 200,000 up to 300,000 cbft, it is expected that also the income will improve in 2003.

For the year 2003 the Company expects not only tonnage improvements but also consolidation in the reefer freight markets. A close monitoring of the vessel running costs is critical.

In the first half of 2003 *Rigas transporta flote* earned a profit of LVL 1,241,028. The modernisation and unification of the fleet resulted in a high demand for the company reefers in international market. Acquisition of two vessels, *FRIO Caribic* and *FRIO Pacific*, allowed the Company to use its entire vessel pool efficiently. Owing to the small running costs and optimal deadweight, the vessels remain attractive and competitive in international market.

## Role in Latvian economy

The share of manufacturing sector in GDP has been gradually decreasing over the past years: from 22.4% in 1995 it has shrunk to 14.8% in 2002. According to Ministry of Economy, in 2002 every sixth person employed in Latvia (16.9%) worked in manufacturing.

## Manufacturing in Latvia

	1999	2000	2001	2002
Share of the sector (% of GDP)	15.3	14.6	14.9	14.8
Number of employed (% of total employed in national economy)	17.6	18.1	17.2	16.9
Growth rates (% against the preceding year)	-5.9	6.8	10.2	7.2
Investment (% of national economy) *	16.2	13.8	15.5	16.0
Investment (change against the preceding year) *	3.1	4.3	21.8	15.4
Foreign direct investment (% of national economy)**		16.8	16.6	16.3

\* long-term investment in intangible assets and investment in fixed assets

\*\* foreign investment in the company capital of enterprises registered in Latvia, end of period

Source: Ministry of Economy

## Sector performance

The growth pattern of manufacturing output in Latvia has changed over time. After a prolonged period of decline in the first half of the 90s it started to go up again in 1996, reaching a peak increase of 17% in 1997. However, in the last five years (1998–2002) the average growth rate of manufacturing sector has been 4.3%. The cause of such a considerable decline was the Russian crisis of 1998, which substantially affected Latvian exporters. Then, a step-by-step recovery started in 2nd half of 1999. During the last three years manufacturing sector in average grew by 8%, which is more than the average Latvian economy growth rate over the same period. The growth in most of manufacturing industries was attained owing to increase in exports.

In the first months of 2002 there was almost no growth of manufacturing output, due to a low demand in the EU countries. Clothing and machinery production were influenced most of all, experiencing a decrease in output volumes. Still, chemical industry, construction materials, and furniture production continued to grow successfully. In the second half of the year Euro appreciated, which gave a positive impulse for food industry, wood processing, and machinery output. This, in turn, has improved the overall growth, which reached the level of the previous year. It is also important to mention that demand for construction and building materials in 2002 went up in the local market, affected by a growing number of new construction projects.

At the beginning of 2003 the stable growth trend continued. In the first four months of 2003 the output values have exceeded the respective period of 2002 by 9.2%. Wood processing and machinery sector can be singled out as demonstrating outstandingly stable performance.

## Leading industries

At present the Latvian manufacturing industry is visibly dominated by food industry, wood processing, metal and metal products production, machinery and light industry.

**Food processing** remains the biggest industry, forming 1/3 from added value in manufacturing. Around 3/4 from its production was consumed in local market, the rest was exported – mostly to Russia, Lithuania and Estonia. However, growth of food exports to the EU countries in 2002 was higher than to the mentioned above.

Manufacturing of **machinery and metal processing** also equals to 1/4 of value added in manufacturing, having a stable performance over the last years. 75–80% from output is exported. Since recently, the role of domestic market tends to increase. With the development of construction industry there is a growing demand for ready-made metal products. 2002 was a successful year for machinery sector – its output rose by 10%.

The **wood processing** makes up about 1/5 from added value in manufacturing. This industry has experienced the biggest growth during the years of independence – in this period its production has grown three times. However, recently its growth rate has slowed down. In 2002 it was 5.8%, which is even less than in 2001 (6.3%). The underlying reason was a low demand for exported materials at the beginning of 2002. However, at the end of the year the demand and export prices went up and situation improved significantly. Despite a high level of international competition, **electronic and electrotechnic** industry experiences a rapid development. Small companies show the fastest growth, investing in development of new products. Shortage of young specialists is frequently perceived as the main limiting factor. Solving the problem and finding stable foreign partners, together with getting involved in technology transfer projects, is likely to ensure growth and development of the sector.

**Light industry**, its key produce being textiles and textile products, represents 10% of value added in manufacturing. Only 16% of output are consumed in the domestic market. Most of the sales (78%) are exported to the EU countries.

**Chemical industry** has stable traditions, highly qualified specialists, is continuously producing a wide product range, and has a good chemical Research and Development base. The contribution of chemical industry in the manufacturing sector value added is 5%. Export values are almost equally split among the main export partners: 26% to Lithuania, 23% to the CIS countries, 22% to the EU, and 19% to Estonia.

# Manufacturing

	Manufacturing value added		Key indicators of manufacturing industries (percentage)					
			Growth rate		Share of exports in output		Share of Foreign Direct Investment	
	2001	2002	2001	2002	2001	2002	2001	2002
Total	100.0	100.0	9.2	7.2	52	51.9	100.0	100.0
Food products	31.6	28.3	7.9	5.8	24.3	21.8	28.7	27.5
Light industry	12.3	10.5	4.6	-1.2	86.7	84.1	12.8	12.4
Wood and articles of wood	17.3	17.0	7.7	5.8	71.1	69.5	16.1	20.4
Paper industry, publishing and printing	6.4	7.5	5.7	-3.1	21.4	24.9	4.9	3.9
Chemical industry	5.2	5.1	30.9	15.4	54.3	63.0	12.7	11.6
Other non-metal mineral products	3.4	3.5	31.4	15.3	20.3	26.6	6.3	6.8
Metal and metal products	8.9	10.7	18.1	2.0	77.5	78.8	7.9	9.5
Manufacturing of machinery and equipment	10.5	12.0	-2.2	10.0	74.2	68.9	8.4	7.6
Other industries	4.4	5.4	11.9	6.0	69.4	69.5	2.3	2.3

Source: Ministry of Economy

## Exports

Latvian commodity exports increased by 14.4% over 2002. At the beginning of 2002 export volumes were adversely affected by the slow growth of export prices and remained almost on the same level as in 2001. Yet, starting with the third quarter, owing to favourable changes of currency exchange rates and overall price rise in the world, export prices went up and commodity exports dynamically increased, gaining 18.5%.

In 2002 the export value increased in all product groups. The biggest increase was for wood and wood products, contributing almost one-third of all export value. Metal and machine manufacturing exports grew, too. The same sectors were responsible for the export growth in the first quarter of 2003. Export volumes of light industry increased considerably and reached 1/5 of the total growth. Therefore, the export structure experienced some changes: the share of the light industry commodities increased, but the share of agriculture and food production decreased.

In 2002, very much the same as in the previous years, wood and wood products remained the most important export commodity (33.5%), followed by metals and metal products (13.2%) and textiles and textile products (12.8%).

## Latvia export structure by product group

	2001			2002			2003**		
	Million LVL	Share (%)	Growth*	Million LVL	Share (%)	Growth*	Million LVL	Share (%)	Growth*
<b>Total</b>	<b>1256.4</b>	<b>100.0</b>	<b>11.1</b>	<b>1408.8</b>	<b>100.0</b>	<b>12.1</b>	<b>369.9</b>	<b>100.0</b>	<b>18.5</b>
Wood and articles of wood	427.3	34.0	0.9	472.8	33.6	10.7	123.8	33.5	17.7
Transport vehicles, metal, metal products and machinery production	264.2	21.0	15.2	303.0	21.6	14.7	79.3	21.4	29.6
Light industry production	189.5	15.1	11.7	191.8	13.6	1.2	58.6	15.9	26.1
Agriculture and food production	111.0	8.8	68.7	144.0	10.1	29.7	30.3	8.3	7.4
Chemical industry and plastics products	96.2	7.7	12.7	103.6	7.4	7.7	29.1	7.8	23.9
Other products	168.2	13.4	6.5	193.6	13.7	15.2	48.8	13.1	2.7

\* – Growth compared to previous year (in actual prices, %)    \*\* – 1<sup>st</sup> quarter of the year

Although the exports to the **EU countries** decreased at the beginning of 2001, in the second half of 2002 there was a 21% increase in comparison with the corresponding period of 2001. In average export to the EU went up by 11%. The growth continued even more dynamically (22% compared with first quarter 2002) in the first quarter of 2003. In 2002 metal products and machinery production demonstrated the most visible increase, representing one-third of the total increase in export volumes to the EU.

Similar to 2001, the export volumes to **Russia and other CIS** countries continued to increase in 2002 – plus 8%. Chemical industry experienced the most notable growth (almost 60% export increase). In the first quarter of 2003 the growth rate remained quite high: 11%.

In 2002 exports to **Lithuania and Estonia** grew by 16%. At the beginning of 2003 the growth was below 10%. An increase was observed almost in all types of commodities, especially in chemical industry and plastics products, metal and machine manufacturing production, and articles of wood. Only export of mineral products decreased.

## Future prospects

Ministry of Economy concludes that also in the nearest future the main growth potential is associated with the development of manufacturing sector and growth of its export capacity – to the EU as well as other countries, including Russia, Lithuania and Estonia. There is a good growth potential for several Latvian manufacturing industries, like light industry, metal and machinery manufacturing and wood industry, which in previous years experienced a stable growth in exports to the EU, though the growth of these industries is rather sensitive to demand fluctuations in the EU countries.

Sources: Ministry of Economy; Central Statistical Bureau of Latvia; Bank of Latvia; *Dienas Bizness*



**Address** Brīvības 93, Liepāja, LV-3401  
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**Internet home page** www.metalurģs.lv  
**E-mail** lm@metalurģs.lv

### Company information

**Core business** Ferrous metallurgy  
**Foundation date** 1882  
**Privatisation date** 12-Dec-96  
**Number of employees** 2880  
**Auditors** BDO Invest - Rīga

### Supervisory Board

**Sergejs Zaharijns** (Chairman)  
 Andris Deniņš, Guntis Vilnītis, Valdis Uburģis,  
 Māris Pomerancis, Kirovs Lipmans

### Management Board

**Valērijs Terentjevs** (Chairman)  
 Ilja Segals, Leons Ptičkins

### Investor relations

**Benita Imbovica** (Chief Economist)  
**Telephone** (371) 34 55926  
**E-mail** imbovica@metalurģs.lv

### Trading statistics

Price (LVL)	2002	6 m 2003
First	0.12	0.22
Max	0.27	0.68
Min	0.12	0.22
Last	0.23	0.41
Change (%)	91.67	86.36
Total turnover (LVL)	23,114.47	204,277.31
Total turnover (shares)	116,894	636,835
As % in the total turnover	0.03	0.74
As % in total capitalisation	0.78	1.13

### Structure of ownership

	(25-Sep-03)
Sergejs Zaharijns	48.99%
Ilja Segals	20.79%
Kirovs Lipmans	17.00%

### Share structure

Listing	Riga Stock Exchange
Listing date	7-Jul-97
List	Second
Share capital	LVL 16,981,033
	EUR 26,044,529
Total number of shares	16,981,033
Number of publicly traded shares	8,495,000
Face value	LVL 1
Capitalisation (30-Jun-03)	LVL 5,812,173
	EUR 8,914,376

### Stock events (2002, 6 m 2003)

18-Dec-02 Share capital was increased by issuing 2,805,000 closed issue shares with face value LVL 1

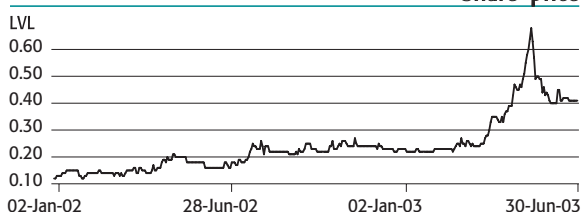
### Indexes on 1-Jul-03

Price index RICI; Capitalisation index DJ RSE

### Market value ratios

	2002
Share book value	1.98
Price/book value ratio	0.12
Earnings per share	0.06
Price/earnings ratio	3.70
Dividend per share	–
Dividend yield	–

### Share price



### Company profile

*Liepājas metalurģs* is one of the oldest companies operating in Latvia. The history of the company dates back as far as 1882, when it was founded. Company privatisation started in 1996 and was accomplished in 2001.

*Liepājas metalurģs* is the only steel production facility in the entire Baltic region. The main operations of the company include melting ferrous scrap in open-hearth furnaces with continuous processing, to be rolled in debars for reinforced concrete, as well as manufacturing of cold-drawn wire, nails, and other products. The company produces wire, nails, chains, and metal bars. Most of the company exports go to Algeria, Germany and United Kingdom, and to 25 more countries all over the world. Only about 2.4% are sold in domestic market.

*Liepājas metalurģs* has made investments in several daughter companies: *Liepājas siltums* (15.8%), *Liepājas Osta LM* (89%), *Futbola hokeja klubs Liepājas metalurģs Ltd.* (95%), *Duna un metalurģs Ltd.* (50%), and *Olimpiskais sporta centrs Ledushalle*. *Liepājas metalurģs* is an urban element of its home town Liepāja. It has a high social responsibility to the community, and is a guarantor of the economic stability in the town, providing over 2800 jobs. Altogether, including daughter companies, the welfare of about 16.4% of citizens of Liepāja depends on *Liepājas metalurģs*.

The company received *ISO 9002* certificate in March 1999. Other accomplishments include consolidation in its Western markets, and modernisation of open-hearth furnaces from the company internal resources at a total value of LVL 1,000,000. The company is strategically committed to a stable and technically advanced production process in order to provide a high level market competitiveness and to further advance intellectual potential.

# EQUITY MARKET: Manufacturing

Short balance sheet (LVL)		
ASSETS	31-Dec-02	30-Jun-03
Intangible assets	14,109	27,960
Tangible assets	36,387,719	36,194,239
Long term financial assets	5,444,478	7,114,038
Stocks	13,609,015	15,922,492
Debtors	2,519,304	3,232,400
Securities and capital participation		1,641
Cash funds (TOTAL)	150,156	2,434,466
<b>BALANCE</b>	<b>58,124,781</b>	<b>64,927,236</b>

LIABILITIES		
Equity capital	34,519,359	34,965,705
Company capital	17,476,033	17,476,033
Share premium account		
Long-term asset revaluation reserve	15,371,318	15,343,235
Reserves	584,283	1,672,008
Retained earnings brought forward from previous years		
Retained earnings for the current financial year	1,877,725	474,429
Provision for liabilities and charges total		1,855,152
Long term liabilities	3,154,116	3,058,526
Short term liabilities	58,124,781	25,047,853
<b>BALANCE</b>		<b>64,927,236</b>

Profit and loss statement (LVL)		
	31-Dec-02	30-Jun-03
Net turnover	73,001,652	41,094,729
Variations in stock of finished goods and work in progress	(64,758,884)	(38,561,369)
<b>Gross profit and loss</b>	<b>8,242,768</b>	<b>2,533,360</b>
Distribution costs	(2,696,997)	(875,484)
Administrative costs	(2,583,797)	(1,415,826)
Other operating income	5,331,944	2,379,183
Other operating expenses	(5,202,414)	(1,685,848)
Income from participating interests	94,293	
Income from other capital participation, securities and loans forming part of the long term assets		
Other interests receivable and similar income	108,769	51,057
Write-offs of financial fixed assets, securities and capital participation held as current assets	(314,137)	
Interest payable and similar charges	(451,705)	(244,218)
<b>Profit and loss before extraordinary items and taxes</b>	<b>2,528,725</b>	<b>742,224</b>
Extraordinary income	126,818	341,893
Extraordinary charges	(1,442,370)	(510,093)
Extraordinary profit and loss before taxes	1,213,173	574,024
Tax on profit for the financial year	(93,494)	
Other taxes	(31,954)	(99,595)
Minority interest		
<b>Profit and loss for the financial year after taxes</b>	<b>1,087,725</b>	<b>474,429</b>

## Company during 2002-2003

In 2002 *Liepājas metalurģs* continued to boost its sales volumes, reaching LVL 73 million (LVL 68.34 million in 2001). The Company demonstrated an excellent performance, earning a profit of LVL 1.087 million (2.5 times more than in 2001). 95% of the profit was transferred to company development, the remaining 5% were transferred to the reserves. *Liepājas metalurģs* expects to make a profit of 869,678 in 2003.

The Company believes that quality management lies in the core of its success. Under resolution of the Certification Center CARES in Great Britain dated April 25, 2003, *Liepājas metalurģs* has been awarded conformity certificate *ISO 9001:2000*. This certificate ensures quality stability and timely delivery of the produce. The certificate is another evidence of *Liepājas metalurģs* as a reliable partner.

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**Telephone** (371) 42 81221  
**Fax** (371) 42 81216  
**Internet home page** www.vss.lv  
**E-mail** glassfibre@vss.lv

### Company information

**Core business** Production of glass fibre  
**Foundation date** 17-Jul-63  
**Privatisation date** 18-Dec-96  
**Number of employees** 1046  
**Auditors** Deloitte & Touche

### Supervisory Board

**Jurgen Preiss-Daimler** (Chairman)  
Hans Peter Cordts, Andris Bērziņš, Guntis Strazds, Inārs Poljaks

### Management Board

**Andris Oskars Brutāns** (Chairman)  
Karl Heinz Richard Will, Friedhelm August Hermann  
Schwender, Willfried Queisser, Berndt Herbert Priessler,  
Andre Heinz Schwiontek, Imants Saulītis

### Investor relations

**Imants Saulītis** (Chief Financial Officer)  
**Telephone** (371) 42 21468  
**E-mail** imants@vss.lv

### Trading statistics

Price (LVL)	2002	6 m 2003
First	0.55	0.50
Max	0.56	0.74
Min	0.48	0.50
Last	0.51	0.69
Change (%)	-7.27	38.00
Total turnover (LVL)	3,050,379.53	209,298.63
Total turnover (shares)	6,086,183	342,983
As % in the total turnover	4.06	0.76
As % in total capitalisation	2.91	3.21

### Structure of ownership

	(01-May-03)
P-D Glasseiden GmbH Oschatz	45.30%
Vitrolan Textilglas GmbH	30.80%
NCH Development Partners, L.P.	8.47%
P-D-P Fiberglas Consulting, SIA	4.59%

### Share structure

	Riga Stock Exchange
<b>Listing</b>	24-Feb-97
<b>Listing date</b>	Second
<b>List</b>	LVL 23,903,205
<b>Share capital</b>	EUR 36,774,161
<b>Total number of shares</b>	23,903,205
<b>Number of publicly traded shares</b>	16,988,100
<b>Face value</b>	LVL 1
<b>Capitalisation (30-Jun-03)</b>	LVL 3,730,076
	EUR 5,720,976

### Stock events (2002, 6 m 2003)

19-Jun-02	Ex dividend date, cash dividends LVL 0.003 per share paid
30-May-03	Ex dividend date, cash dividends LVL 0.02 per share paid

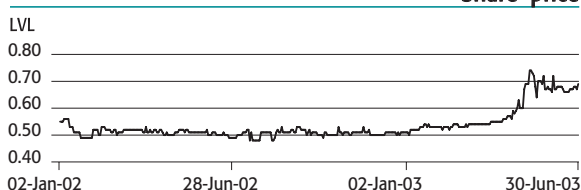
### Indexes on 1-Jul-03

Price index RICI; Capitalisation index DJ RSE

### Market value ratios

	2002
Share book value	1.08
Price/book value ratio	0.47
Earnings per share	0.04
Price/earnings ratio	14.48
Dividend per share	0.02
Dividend yield	0.04

### Share price



### Company profile

Valmieras stikla šķiedra was established in 1963 and is the sole producer of glass fibre in the Baltic States. In 1996 the company was privatised and the non-divisible share package was sold to Germany company Glasseiden GmbH Oschatz, a part of the Preiss-Daimler Group. Glasseiden GmbH Oschatz and Valmieras stikla šķiedra are continuing to make significant investments in the Company to assure that the glassfibre production methods and technology are among the most advanced in the industry.

Valmieras stikla šķiedra key products are:

- E glass fibre single and plied yarns;
- E glass fibre roving;
- E glass fibre fabrics for thermal- and electro- insulation;
- Specific high temperature resistant Silica glass fibre fabrics;
- E glass fibre reinforcing nettings;
- Nonwovens, e.g., needled and stitchbonded mats.

## Short balance sheet (LVL)

ASSETS	31-Dec-02	30-Jun-03
Intangible assets	1,074,365	941,351
Tangible assets	13,657,868	14,036,654
Long term financial assets		
Stocks	8,675,139	9,039,383
Debtors	3,153,604	4,585,867
Securities and capital participation		
Cash funds (TOTAL)	971,635	326,730
<b>BALANCE</b>	<b>27,532,611</b>	<b>28,929,985</b>

## LIABILITIES

Equity capital	25,826,981	26,013,025
Company capital	23,903,205	23,903,205
Share premium account		
Long-term asset revaluation reserve		
Reserves	192,449	234,533
Retained earnings brought forward from previous years	889,649	1,211,179
Retained earnings for the current financial year	841,678	664,108
Provision for liabilities and charges total	530,344	755,344
Long term liabilities		
Short term liabilities	1,175,286	2,161,616
<b>BALANCE</b>	<b>27,532,611</b>	<b>28,929,985</b>

Currently *Valmieras stikla šķiedra* product list has over 500 items. The products are exported to more than 20 countries. The main export markets include the European Union, Eastern Europe, the USA, Japan, South Africa and CIS countries. Only 2.6% of all output is distributed in Latvia, consisting mainly of nettings, nonwovens and fabrics for technical insulation. The Company was recently certificated as being *ISO 9001* compliant.

## Company during 2002-2003

*Valmieras stikla šķiedra* net sales in 2002 amounted to LVL 17,987,889, exceeding the target (LVL 17.5 million) by 2.78%, and the 2001 sales by LVL 2.8752 million.

In 2002 net profit was LVL 871,439, which exceeds the target (LVL 339,260) and 2001 profit (LVL 362,268) 2.5 times. The Company paid a dividend of LVL 0.02 per share.

The sales in 2003 continue to be successful owing to the quality of the produce, good service and the export-promoting exchange rate. *Valmieras stikla šķiedra* net sales in the first half of 2003 amounted to LVL 9 million 605.8 thousand, that is 104% of the sales figure in the same period of 2002 (LVL 9 million 341.9 thousand). Net profit made in the first half of 2003 is LVL 664.1 thousand (LVL 480 thousand planned). Most of markets (about 70%) are in Western Europe, while about 17% of exports go to the USA.

The Company is planning to invest LVL 1.18 million over 2003 in modernisation and quality improvement.

## Profit and loss statement (LVL)

	31-Dec-02	30-Jun-03
Net turnover	17,954,314	9,605,782
Change in finished goods and work in progress	118,465	42,023
Own produced fixed assets		
Other operating income	174,449	87,808

## Material costs:

a) raw materials and consumables	(7,279,450)	
b) other external costs		
<b>TOTAL</b>	<b>(7,279,450)</b>	<b>(3,898,569)</b>

## Personnel costs:

a) salaries	(4,205,148)	
b) pensions paid by enterprise		
c) other social security costs		
<b>TOTAL</b>	<b>(4,205,148)</b>	<b>(2,059,865)</b>

## Depreciation:

a) depreciation and write-offs of financial fixed assets	(1,949,004)	
b) depreciation of current assets above the regular rates		
<b>TOTAL</b>	<b>(1,949,004)</b>	<b>(1,024,384)</b>

Other operating costs	(3,846,236)	(1,896,505)
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Income from capital participation in other companies

Income from other participation in capitals, securities and loans categorized as long-term investment

Other interest income and similar incomes	49,987	58,484
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Depreciation of long-term financial assets, securities and short-term investments

Interest paid and other similar costs	(39,930)	(2,873)
---------------------------------------	----------	---------

## Profit and loss before extraordinary items and taxes

	<b>977,447</b>	<b>911,901</b>
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Extraordinary income

Extraordinary charges

## Extraordinary profit and loss before taxes

	<b>977,447</b>	<b>911,901</b>
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Income tax	(105,916)	(225,000)
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Other taxes	(29,853)	(22,793)
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Minority interest

## Profit and loss for the financial year after taxes

	<b>841,678</b>	<b>664,108</b>
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**Telephone** (371) 54 02333  
**Fax** (371) 54 45101  
**Internet home page** www.dpr.lv  
**E-mail** dpr@dpr.dpunet.lv

### Company information

**Core business** Vehicle components  
**Foundation date** 1949  
**Privatisation date** 2-Mar-95  
**Number of employees** 845  
**Auditors** SIA Invest-Rīga

### Supervisory Board

**Vladislavs Driksne** (Chairman)  
 Georgijs Sorokins, Pēteris Savostanovs, Jevgēnijs Grinkins,  
 Vitolds Vasilenoks

### Management Board

**Eduards Zavadskis** (Chairman)  
 Volda Juhno, Pēteris Dorofejevs, Aleksandrs Krupenķo,  
 Natalja Redzoba

### Management

**Eduards Zavadskis** (President)  
 Aleksandrs Krupenķo (Vice president)

### Investor relations

**Natalja Redzoba** (Vice President, Chief Financial Officer)  
**Telephone** (371) 54 02305

### Trading statistics

Price (LVL)	2002	6 m 2003
First	0.08	0.11
Max	0.14	0.25
Min	0.07	0.10
Last	0.11	0.19
Change (%)	37.50	72.73
Total turnover (LVL)	44,023.04	420,083.01
Total turnover (shares)	423,739	2,004,792
As % in the total turnover	0.06	1.52
As % in total capitalisation	0.19	0.27

### Structure of ownership

	(14-Apr-03)
SIA Ditton Nams	49.9%

### Share structure

<b>Listing</b>	Riga Stock Exchange
<b>Listing date</b>	8-Feb-96
<b>List</b>	Second
<b>Share capital</b>	LVL 7,400,000
	EUR 11,384,615
<b>Total number of shares</b>	7,400,000
<b>Number of publicly traded shares</b>	7,400,000
<b>Face value</b>	LVL 1
<b>Capitalisation (30-Jun-03)</b>	LVL 1,406,000
	EUR 2,156,441

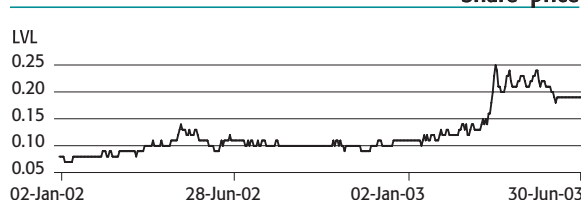
### Indexes on 1-Jul-03

Price index RICI; Capitalisation index DJ RSE

### Market value ratios

	2002
Share book value	1.13
Price/book value ratio	0.10
Earnings per share	0.00
Price/earnings ratio	22.99
Dividend per share	-
Dividend yield	-

### Share price



### Company profile

*Daugavpils pievadķēžu rūpnīca* was founded in 1949 and has been in chain manufacturing business for over 50 years. In January 2002, the company was renamed and now is registered as JSC *Ditton pievadķēžu rūpnīca*. The enterprise started its business with manufacturing bicycles and motorcycle chains. Later, the production of chains for agricultural equipment, for general application in the industrial sector and for hauling and elevator chains as well as timing chains was launched.

At present *Ditton pievadķēžu rūpnīca* produces chains with a pitch of 9.525 to 31.75 mm according to *ISO*, *ASA* and *GOST* standards. More than 98% of the Company sales are exports to both Western (over 20 countries) and Eastern (10 countries) markets. In 2002, the major trade partner countries were Russia (51% of total sales), Germany (19%), Belarus (7%). The plant also produces custom-made chains, which are designed by company engineers, and the patents are registered in the Latvian Republic. During the past four years the range of chains produced by the factory has significantly increased. The production range of the company currently includes more than 100 items, and their total length in 2002 reached 5889 thousand metres.



# EQUITY MARKET: Manufacturing

## Short balance sheet (LVL)

ASSETS	31-Dec-02	30-Jun-03
Intangible assets	26,008	22,072
Tangible assets	4,197,433	4,035,416
Long term financial assets	1,376,885	1,078,422
Stocks	2,099,180	2,466,768
Debtors	2,147,461	2,552,418
Securities and capital participation		
Cash funds (TOTAL)	165,962	164,244
<b>BALANCE</b>	<b>10,012,929</b>	<b>10,319,340</b>
<b>LIABILITIES</b>		
Equity capital	8,333,754	8,645,826
Company capital	7,400,000	7,400,000
Share premium account		
Long-term asset revaluation reserve		
Reserves		
Retained earnings brought forward from previous years	898,341	933,754
Retained earnings for the current financial year	35,413	312,072
Provision for liabilities and charges total	285,350	278,232
Long term liabilities	838,975	838,975
Short term liabilities	554,850	556,307
<b>BALANCE</b>	<b>10,012,929</b>	<b>10,319,340</b>

## Profit and loss statement (LVL)

	31-Dec-02	30-Jun-03
Net turnover	7,073,184	3,565,784
Variations in stock of finished goods and work in progress	(5,290,354)	(2,561,010)
<b>Gross profit and loss</b>	<b>1,782,830</b>	<b>1,004,774</b>
Distribution costs	(108,809)	(72,339)
Administrative costs	(1,616,874)	(576,939)
Other operating income	98,289	9,041
Other operating expenses	(42,655)	(24,940)
Income from participating interests		
Income from other capital participation, securities and loans forming part of the long term assets	258	
Other interests receivable and similar income		
Write-offs of financial fixed assets, securities and capital participation held as current assets		
Interest payable and similar charges		
<b>Profit and loss before extraordinary items and taxes</b>	<b>113,039</b>	<b>339,597</b>
Extraordinary income	10,794	2,666
Extraordinary charges	(4,114)	(164)
<b>Extraordinary profit and loss before taxes</b>	<b>119,719</b>	<b>342,099</b>
Tax on profit for the financial year	(43,678)	(11,402)
Other taxes	(40,628)	(18,625)
Minority interest		
<b>Profit and loss for the financial year after taxes</b>	<b>35,413</b>	<b>312,072</b>

## Company during 2002-2003

In 2002 *Ditton pievadķēžu rūpnīca* net sales amounted to LVL 7,073 million, which is approximately the same that in 2001. Net earnings were LVL 120 thousand. The entire profit will be left undistributed and reinvested into company development and reconstruction.

The sales to East developed dynamically during 2002 and increased by 7% in comparison to 2001 – largely owing to increase of the bicycle chains and industrial chains sales volumes; meanwhile, the sales to the Western countries reduced due to recession in Western economies and increasing competition from the Chinese and Asian producers.

In the years to come, *Ditton pievadķēžu rūpnīca* will continue its strategy to develop top quality products. Moreover, the company plans to renew old technological equipment and introduce automatic quality control system. Finally, in order to assure successful operations in export markets, it has been decided to renew old and qualify for new quality certificates, specifically *ISO 9001* and *ISO 16949*. The more specific strategic development objectives are:

- to increase the sales up to LVL 9 million (by the end of 2005)
- to increase the profit margin by 20-25%;
- to expand the product range and to master the manufacturing of other parts for chain transmission;
- to expand geographically in the Western countries and seek for markets in Asian and Arabian countries;
- to develop a pricing policy where the price and quality would be commensurate and attractive to the customer;
- to collaborate with *Meteor Ketenfabrik* (Germany), a daughter company of *Ditton*, in seeking for new technological solutions and market research;
- to enhance the quality of produce and bring in compliance with the ISE and TQM standards and apply for the respective certificates.

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**Telephone** (371) 7 353 411  
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**Internet home page** www.riga-shipyard.com  
**E-mail** office@riga-shipyard.com

### Company information

**Core business** Engineering, constructing & shipbuilding  
**Foundation date** 1913  
**Privatisation date** Nov-95  
**Number of employees** 1109  
**Auditors** SIA ASTROP

### Supervisory Board

**Jānis Davidovičs** (Chairman)  
 Sergejs Goliciens, Anatolijs Ustinovs, Larisa Artamenko,  
 Gundars Staģis

### Management Board

**Vasilis Meļņiks** (Chairman)  
 Aivars Stolders, Igors Komarovs

### Investor relations

**Jānis Stepītis** (Public Relations Officer)  
**Telephone** (371) 7 046 314  
**E-mail** janis.stepitis@euroholdings.lv

### Trading statistics

Price (LVL)	2002	6 m 2003
First	0.20	0.26
Max	0.34	0.52
Min	0.18	0.24
Last	0.26	0.39
Change (%)	30.00	50.00
Total turnover (LVL)	306,298.93	502,801.27
Total turnover (shares)	1,188,643	1,221,447
As % in the total turnover	0.41	1.82
As % in total capitalisation	0.82	1.00

### Structure of ownership

	(1-Jan-03)
JSC Remars-Rīga	50.54%

### Share structure

Listing	Riga Stock Exchange
Listing date	5-May-97
List	Second
Share capital	LVL 13,172,107
	EUR 20,264,780
Total number of shares	13,172,107
Number of publicly traded shares	10,000,000
Face value	LVL 1
Capitalisation (30-Jun-03)	LVL 5,137,121
	EUR 7,879,021

### Stock events (2002, 6 m 2003)

23-Jan-02 Share capital increased by issuing 1,500,000 closed issue shares with face value LVL 1

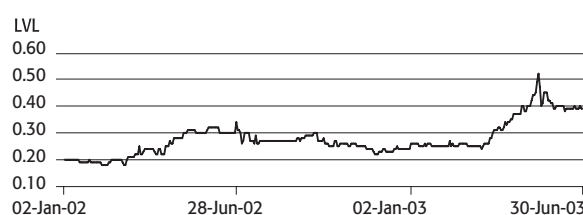
### Indexes on 1-Jul-03

Price index RICI; Capitalisation index DJ RSE

### Market value ratios

	2002
Share book value	1.25
Price/book value ratio	0.21
Earnings per share	0.05
Price/earnings ratio	5.10
Dividend per share	-
Dividend yield	-

### Share price



### Company profile

The main business activities of *Rīgas kuģu būvētava* are construction and repairs of vessels, yachts, catamarans, containers, roll-trailers and technological equipment, as well as providing port services. In addition to the repair works, in 1997 the Company resumed the construction bodies, which is expected to become a profitable operation in the future.

### Company during 2002-2003

*Rīgas kuģu būvētava* business remained stable in 2002. The Company continued with the activities directed towards growth and development: as a result, the sales have increased over the previous year. This means that, despite of the increasing competition, the Company has managed to retain its position in global shipbuilding and repair business. This is increasingly demanding in terms of costs: hence the slight decrease of profit in 2002. The sales amounted to LVL 20.56 million (19.89 million in 2001), while net profit was LVL 594 thousand (667 thousand in 2001).



# EQUITY MARKET: Manufacturing

## Short balance sheet (LVL)

	(Group)		
ASSETS	31-Dec-02	31-Dec-02	30-Jun-03
Intangible assets	458,252		
Tangible assets	8,218,855	5,112,825	4,933,080
Long term financial assets	23,366	3,567,007	3,566,081
Stocks	4,295,341	3,671,371	4,723,324
Debtors	5,133,672	4,692,803	5,199,774
Securities and capital participation	2,077,806	2,077,806	2,077,806
Cash funds (TOTAL)	208,416	205,299	88,112
<b>BALANCE</b>	<b>20,415,708</b>	<b>19,327,111</b>	<b>20,588,177</b>
<b>LIABILITIES</b>			
Equity capital	13,874,296	14,569,298	14,784,679
Company capital	11,672,107	11,672,107	11,672,107
Share premium account			
Long-term asset revaluation reserve			
Reserves	1,847,061		
Retained earnings brought forward from previous years		2,302,244	2,897,191
Retained earnings for the current financial year	355,128	594,947	215,381
Provision for liabilities and charges total			
Long term liabilities	275,429	275,429	275,429
Short term liabilities	5,642,673	4,482,384	5,528,069
<b>BALANCE</b>	<b>20,415,708</b>	<b>19,327,111</b>	<b>20,588,177</b>

## Profit and loss statement (LVL)

	(Group)		
	31-Dec-02	31-Dec-02	30-Jun-03
Net turnover	23,573,073	20,567,482	9,329,605
Variations in stock of finished goods and work in progress	(22,460,982)	(19,675,005)	(8,987,488)
<b>Gross profit and loss</b>	<b>1,112,091</b>	<b>892,477</b>	<b>342,117</b>
Distribution costs	(65,966)	(50,728)	(47,588)
Administrative costs	(523,990)	(465,810)	(232,208)
Other operating income	1,976,258	1,966,317	1,056,571
Other operating expenses	(1,654,272)	(1,518,147)	(692,234)
Income from participating interests			
Positive consolidation result (depreciation)	(189,621)		
Other interests receivable and similar income	124,227	139,602	14,808
Write-offs of financial fixed assets, securities and capital participation held as current assets	(57,045)	(57,045)	
Interest payable and similar charges	(105,783)	(96,173)	(55,046)
<b>Profit and loss before extraordinary items and taxes</b>	<b>615,899</b>	<b>810,493</b>	<b>386,420</b>
Extraordinary income			
Extraordinary charges			
<b>Extraordinary profit and loss before taxes</b>	<b>615,899</b>	<b>810,493</b>	<b>386,420</b>
Tax on profit for the financial year	(115,578)	(115,578)	(149,212)
Other taxes	(139,445)	(99,968)	(21,827)
Minority interest	(5,748)		
<b>Profit and loss for the financial year after taxes</b>	<b>355,128</b>	<b>594,947</b>	<b>215,381</b>

In 2002 *Rīgas kuģu būvētava* has repaired 120 vessels (101 vessels in 2001), whereas the number of ship bodies built in 2002 was exactly the same as in 2001. Altogether 46 ship bodies have been built since 1998, when the company started this line of business. The main customers for ship repairs traditionally come from Western Europe, Russia and Latvia; the orders for ship bodies come from the Scandinavian countries. In 2001 the Company purchased new technological equipment at total value of USD 1.2 million: this allowed improving both quality and quantity of the services. *Rīgas kuģu būvētava* daughter company *Tosmares kuģubūvētava* demonstrated an increasingly good performance and earned a net profit of LVL 29.8 thousand. The parent company investment amounted to LVL 0.6 million. The past year was a year of stable development for *Rīgas kuģu būvētava*. The situation in the global shipbuilding and repair markets leads to a conclusion that voluminous investment would be needed in order to make the products compliant with the latest technological requirements, and to reduce the costs. The modern technological equipment is a number one priority for the Company: a failure to keep up with all the technical innovations in the sector may be dangerous and result with a loss of clients' trust, thus, may have a negative impact on the Company development.

In 2003 *Rīgas kuģu būvētava* intends to retain the performance on the previous level and even to improve: the results for the first half of 2003 are an evidence. A net profit of LVL 215 thousand (61.7% increase over the same period in 2001) was made over LVL 9.33 million sales.

Food processing is the largest industrial sector in Latvia, accounting for 25.7% of industrial output in 2002. Crop farming, dairy, animal breeding and fishing industries all over Latvia lie in the foundation of food processing. In the 1st quarter of 2003 a little over 28 thousand people were employed in food production.

In 2002 Latvian food and beverages manufacturers' aggregate sales amounted to LVL 509.8 million, which is equal to 9.8% of GDP at current prices (10.2% in 2001). In 2002 the growth of food sector at current prices was 5.07%, while total GDP growth was 13.86% (at current prices). The stable growth of the sector during the recent two years is largely owing to the rapid increase of external demand.

With total population under 2.4 million, the local food market is rather small and saturated due to the supply of products of domestic as well as of foreign make. Approximately three quarters of the sector output are consumed domestically; the remaining part is exported – mainly to Russia, Lithuania and Estonia. The demand for Latvian food products has been continuously increasing in all export markets – Russia, other CIS countries, EU, Lithuania, Estonia. Simultaneously, a rapid increase of food imports is observed.

Consumer price index (CPI) was 1.9% in 2002 and has decreased even more to 1.5% in the first quarter of 2003. Since food builds a significant portion of the consumer basket, changes in food prices tell on CPI as well. The decline of prices was caused by the tough competition in the domestic market at several groups of commodities, for example, milk and meat products.

The sales of practically all key food industries have substantially increased in 2002 compared with the two previous years. Meat and meat products have demonstrated a remarkable growth of 20.7%. The increase was encouraged by amendments in the Latvian legislation, and actual law enforcement, with regard to illegal production and meat smuggling. Production of beverages went up by 13.3%, mainly owing to *Latvijas Balzams*, which has considerably increased its export volumes. Production of dairy products expanded by 10.8%. The only losers are manufacturers of fish and fish products, the sales falling by 8.1% due to the shrinking exports to Russia. The sales have increased also thanks to the growth of domestic consumption, which was mainly stimulated by increase of net wages. Monthly wages have on average increased by 6% and now are equal to LVL 122.

**Sales of Latvian food and beverages producers by type of product** (thousand LVL, current prices)

	1999	2000	2001	2002*	2003 (1* q)
Sales of food production, including:	430,153	426,147	485,200	509,819	115,854
Meat and meat products	53,072	58,315	78,205	94,411	23,126
Fish and fish products	45,929	51,687	74,052	68,075	12,188
Dairy products	80,729	83,763	95,050	105,343	21,869
Beverages	74,640	70,662	78,502	88,945	14,980
Fruit and vegetable processing	30,648	22,404	14,232	15,404	4,961

\* – estimated

Source: Central Statistical Bureau of Latvia

There are several hundred companies operating in **meat processing** business, most of which are small and individually having only a tiny share in the sector. The largest enterprises representing this sector are *Rīgas miesnieks*, *Triāls* and *Putnu fabrika Ķekava*. In 2002 *Triāls* sales amounted to LVL 14.2 million, demonstrating a 49% increase over the 2001 figure. *Rīgas miesnieks* sales in 2002 were LVL 11.28 million; the sales in Latvia had increased by 30%. Another company, *Tukuma gaļas pārstrādes sabiedrība*, had profit of LVL 400 thousand in 2002, which is more than in 2001. However, the company sales have decreased in 2002 in comparison with the previous year. In 2002 the company invested LVL 110 thousand in the machinery to increase quality of the production and is planning to invest LVL 50 thousand in 2003.

The leading companies of the **fish processing** industry are *Kaija*, *Brīvais vilnis*, and *Baltic marine fishing company*. *Brīvais vilnis* and *Salacgrīva 95* (merging) finished the year 2002 with the net turnover of LVL 11.67 million (14.3% less than in 2001); yet, net profit reached LVL 159 thousand (seven times more than in 2001).

**Dairy processing** sector in Latvia is represented by several hundreds of companies, most of which are small and dominated by around six or seven medium-size companies. The most visible enterprises of this sector are *Rīgas piena kombināts*, *Rīgas piensaimnieks* and *Tukuma piens*.

**Beverage production**, similar to other food industries, experienced growth in 2002. The largest and most visible companies are *Aldaris*, *CIDO*, and *Latvijas balzams*. *Latvijas balzams* being the leading alcohol producer (excluding beer), possess 47% of the domestic market. *Gutta*, a juice and soft drinks producer, also has a stable market position.

## Export and import of Latvian food sector

The price differences, preventing Latvian producers to compete in the Russian market immediately after the financial crisis in 1999 and beginning of 2000, have levelled out by now. The stability and predictability of the Russian economy and politics has been improving during the last couple of years, which also made a substantial contribution to the fast growth of Latvian export volumes of food products, having the main sales markets in Russia and CIS. Exports to Estonia and Lithuania and other countries have been growing as well. After the stagnation in 1999 and 2000, caused by Russian financial crisis, Latvian food sector has been recovering during the last two years, and is rapidly approaching the level pre-crisis export volumes. According to CSB of Latvia, the growth trend continues in the first five months of 2002: food product export has increased by 70.8% compared to the same period in 2001, and reached LVL 37.2 million.

Export/Import structure of food products in Latvia (thous. LVL)

Year	Export	Change compared to previous period (%)	Import	Change compared to previous period (%)
2000	40,121	5.36	115,197	-0.42
2001	72,459	80.60	135,648	17.75
2002	100,790	39.10	165,219	21.80

Source: Central Statistical Bureau of Latvia

In 2002 food product export to the EU continued to increase; the trend is expected to extend in 2003 as well. The European Union sets the highest standards to the quality of food production: and it will be a quite a challenge to the Latvian producers to become competitive in the EU markets. Especially it is true for small ventures that may be lacking government support. Latvian companies should be also aware of the Baltic neighbours: their food export volumes to Latvia double those imported from Latvia.

## Sector perspectives

Growth of the food industry largely depends on the possibility to increase export volumes, which should be basically assessed in three sales markets – the EU; Russia and other CIS countries; Lithuania and Estonia. As to the EU, changes in export volumes would depend on changes of EUR and LVL exchange rates, as well as on quality/price relationship, since it is considered that there will be no serious growth of the EU market in the nearest years. The growth of food exports to Russia in the nearest years may also slow down, as the dynamic of the previous years was mostly caused by the recovery of the lost Russian markets after the Russian crisis. Hence, greater attention should be devoted to the export enlargement prospects to other CIS countries, such as Byelorussia, the Ukraine and Middle Asia republics, focusing on expanding the fish product exports. There is also room for expansion in the Lithuanian and Estonian markets.

# Latvijas balzams

## Alcoholic beverages producer Latvijas balzams

**Address** A.Čaka iela 160, Rīga, LV-1012  
**Telephone** (371) 7 081 213  
**Fax** (371) 7 315 265  
**Internet home page** www.latvijasbalzams.lv  
**E-mail** office@lb.lv

### Company information

**Core business** Production of alcoholic beverages  
**Foundation date** 1900  
**Privatisation date** 20-Jan-98  
**Number of employees** 700  
**Auditors** PriceWaterhouseCoopers

### Supervisory Board

**Aleksandrs Kovalevs** (Chairman)  
 Eriks Vitmans, Hanss Urluss, Pjotrs Avens,  
 Kaspars Ieviņš-Brambis, Vitolds Kokars

### Management Board

**Rolands Gulbis** (Chairman)  
 Aleksandrs Jerņevs, Egils Dzerelis, Sergejs Ļimarenko

### Investor relations

**Rolands Gulbis** (Chief Financial Officer)  
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### Trading statistics

Price (LVL)	2002	6 m 2003
First	0.37	0.44
Max	0.43	1.55
Min	0.34	0.43
Last	0.43	0.93
Change (%)	16.22	111.36
Total turnover (LVL)	367,981.74	13,240,083.81
Total turnover (shares)	968,169	9,495,477
As % in the total turnover	0.49	48.02
As % in total capitalisation	0.77	1.36

### Structure of ownership

	(12-May-03)
S.P.I. Distilleries B.V.	87.98%

### Share structure

Listing	Riga Stock Exchange
Listing date	15-Oct-98
List	Second
Share capital	LVL 7,496,900
	EUR 11,533,692
Total number of shares	7,496,900
Number of publicly traded shares	5,791,900
Face value	LVL 1
Capitalisation (30-Jun-03)	LVL 6,972,117.00
	EUR 10,693,430.98

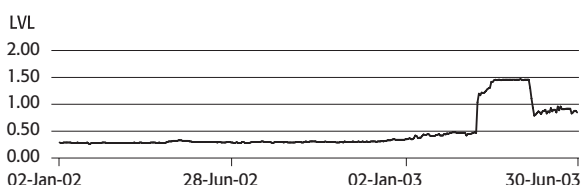
### Indexes on 1-Jul-03

Price index RIC; Capitalisation index DJ RSE

### Market value ratios

	2002
Share book value	1.56
Price/book value ratio	0.28
Earnings per share	0.32
Price/earnings ratio	1.35
Dividend per share	–
Dividend yield	–

### Share price



### Company profile

At the moment JSC *Latvijas balzams* is the largest company in Baltics, specialising in the production and distribution of alcoholic beverages. Products of *Latvijas balzams* comprise full spectrum of alcoholic beverages in strong liquor segment and low alcohol beverages.

The company manufactures over 90 brands and holds 48% of alcoholic beverages market in Latvia, in some groups the share exceeding 70%. Most of the sales are domestic; export markets are in the Baltic countries and the European Union.

### Company during 2002-2003

In the first six months of 2003 *Latvijas balzams* sales amount to LVL 22.8 million or 47% of the target for the year. Net profit made during the period amounts to LVL 214 thousand.

During the first half of 2003 the Company finalised the implementation of two large investment projects – storage facilities and packaging production unit. This will allow providing large volume export orders with full service, including storage, customs procedures and reloading. Phase I of another investment project, reconstruction of low alcohol production unit, was completed, too, allowing launching a new product category – beer mix. All in all, LVL 4.8 million have been invested in the projects since the autumn of last year.

# EQUITY MARKET: Food and Beverages

## Short balance sheet (LVL)

	(Group)	(Group)	(Group)
ASSETS	31-Dec-02	31-Dec-02	30-Jun-03
Intangible assets	564,648	563,493	504,254
Tangible assets	9,641,500	9,426,289	12,275,038
Long term financial assets			
Stocks	8,806,676	8,387,335	10,472,794
Debtors	7,042,779	7,065,913	8,096,974
Securities and capital participation			
Cash funds (TOTAL)	547,244	166,043	295,617
<b>BALANCE</b>	<b>26,602,847</b>	<b>25,976,090</b>	<b>31,644,677</b>

## LIABILITIES

Equity capital	11,661,869	11,661,869	11,799,897
Company capital	7,496,900	7,496,900	7,496,900
Share premium account	61,767	61,767	61,767
Long-term asset revaluation reserve	998,736	998,736	998,736
Reserves	(9,852,858)	(9,777,287)	(9,852,858)
Retained earnings brought forward from previous years	10,569,637	10,494,066	12,881,753
Retained earnings for the current financial year	2,387,687	2,387,687	213,599
Provision for liabilities and charges total	650,766	634,483	1,601,891
Long term liabilities	991,401	986,834	9,088,244
Short term liabilities	13,298,811	12,692,904	9,154,645
<b>BALANCE</b>	<b>26,602,847</b>	<b>25,976,090</b>	<b>31,644,677</b>

## Profit and loss statement (LVL)

	(Group)	(Group)	(Group)
	31-Dec-02	31-Dec-02	30-Jun-03
Net turnover	51,926,436	47,955,814	22,837,076
Variations in stock of finished goods and work in progress	(42,768,216)	(39,560,092)	(20,392,535)
<b>Gross profit and loss</b>	<b>9,158,220</b>	<b>8,395,722</b>	<b>2,444,541</b>
Distribution costs	(3,247,379)	(2,644,272)	(1,115,091)
Administrative costs	(2,995,211)	(2,877,540)	(1,162,018)
Other operating income	643,599	601,467	427,269
Other operating expenses			
Income from participating interests		80,137	
Income from other capital participation, securities and loans forming part of the long term assets			
Other interests receivable and similar income	14,439	14,439	1,140
Write-offs of financial fixed assets, securities and capital participation held as current assets			
Interest payable and similar charges	(617,030)	(614,696)	(297,190)
<b>Profit and loss before extraordinary items and taxes</b>	<b>2,956,638</b>	<b>2,955,257</b>	<b>298,651</b>
Extraordinary income			
Extraordinary charges			
<b>Extraordinary profit and loss before taxes</b>	<b>2,956,638</b>	<b>2,955,257</b>	<b>298,651</b>
Tax on profit for the financial year	(504,589)	(504,589)	(56,744)
Other taxes	(64,362)	(62,981)	(28,309)
Minority interest			
<b>Profit and loss for the financial year after taxes</b>	<b>2,387,687</b>	<b>2,387,687</b>	<b>213,598</b>

The new projects involve extra costs as well – due to new jobs and administrative costs. The company believes that a long-term investment has been made, which should not be expected to bring immediate profit. The accomplished investment projects guarantee that the company will be able to handle the increasing export orders.

*Latvijas balzams* has set for itself the key task for 2003 – to consolidate the position in the domestic market and retain the market share. In the first 6 months more than 20 new products were offered to the market.

The company continues to work on contract manufacturing. In 2002 the Company exports increased by 142% over 2001. Marketing activities in Lithuania and Estonia have been intensified; the company has opened new markets and is expanding the present export volumes and range of products to the Ukraine, Denmark, Byelorussia, Estonia, Austria, Sweden. All in all, the exports have increased by 24% in comparison with the respective period a year ago.

Total investment volume planned for 2003 amounts to LVL 4.454 million. It includes completing the reconstruction of the production unit located at Briana Street, Riga. The company proceeds with the work at introducing quality control, labelling, packaging and tasting standards that would meet the most stringent EU directives and regulations. By the end of the year *Latvijas balzams* intends to attain an increase of export sales by 30% over the last year's figure. Initial preparations have been done to enter a number of new export markets: Czech Republic, Slovenia, United Kingdom, Norway, Mexico and Japan.

The Company continues the work at quality enhancement: in 2003 *Latvijas balzams* received a full certification *ISO 9000:2001*.

In early 2003 *S.P.I Distilleries B.V.*, the main shareholder of *Latvijas balzams*, announced a share buyout to minority shareholders: this was done in order to comply with the requirements of the Latvian legislation. As a result, *S.P.I Distilleries B.V.* holds 87.98% in *Latvijas balzams*. The key business objectives remain the same: to enhance a sustainable growth of profitability and a high return on capital and assets. The control interest in the hands of one company is expected to streamline the decision taking process, thus allowing a quicker solution of all business issues and enhancing the development.



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**E-mail** kaija@kaija.lv

#### Company information

**Core business** Food industry  
**Foundation date** 1882  
**Privatisation date** May 1995  
**Number of employees** 562  
**Auditors** BDO Invest Rīga, Valda Zitare

#### Supervisory Board

**Inese Trušiņa** (Chairwoman)  
 Normunds Putāns, Ansis Sestulis, Anita Elksne, Uģis Latsons

#### Management Board

**Imants Kalniņš** (Chairman)  
 Andris Bite, Arno Kārklīšs, Gunārs Vaskis, Andris Katkēvičs

#### Investor relations

**Inese Trušiņa** (Chief Financial Officer)  
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#### Trading statistics

Price (LVL)	2002	6 m 2003
First	0.14	0.31
Max	0.42	0.31
Min	0.13	0.08
Last	0.31	0.16
Change (%)	121.43	-48.39
Total turnover (LVL)	1,435,652.95	385,296.60
Total turnover (shares)	4,940,108	2,734,455
As % in the total turnover	1.91	1.40
As % in total capitalisation	0.36	0.15

#### Structure of ownership

	(07-Jul-03)
Imants Kalniņš	49.50%
Marinim Ltd.	14.25%
Inese Trušiņa	3.47%
Arno Kārklīšs	3.47%
Andris Bite	3.47%

#### Share structure

	Riga Stock Exchange
Listing date	25-Jul-95
List	Second
Share capital	LVL 4,840,000
	EUR 7,446,154
Total number of shares	4,840,000
Number of publicly traded shares	3,395,000
Face value	LVL 1
Capitalisation (30-Jun-03)	LVL 774,400
	EUR 1,187,730

#### Stock events (2002, 6 m 2003)

13-Aug-02 Ex-dividend date, cash dividend LVL 0.03 per share paid

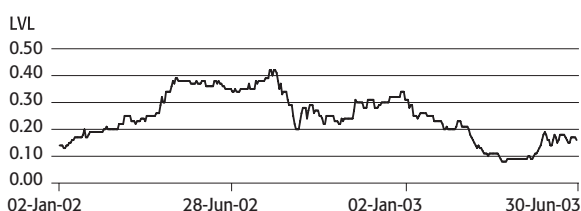
#### Indexes on 01-Jul-03

Price index RICI; Capitalisation index DJ RSE

#### Market value ratios

	2002
Share book value	0.76
Price/book value ratio	0.41
Earnings per share	0.03
Price/earnings ratio	9.86
Dividend per share	-
Dividend yield	-

#### Share price



#### Company profile

*Kaija* is the leading fish processing company in the Baltic States. It offers a reliable and high quality product, based on experience and creativity. Products are prepared according to original recipes created by the company specialists, and product quality is constantly being improved by using experience passed on by the previous generations.

*Kaija* clients are offered various types of canned fish (fish in its own juice, oil, tomato sauce, fish pastes and pates), prepared food products (fish fillets and morsels in various types of brine, marinades, sauces, aspic, oil etc.), cold and hot smoked fish, different kinds of seaweed salads, mayonnaise and other products. By remaining true to tradition and taking advantage of new market and technological possibilities, new products are constantly being developed and technological processes are continually being improved. A whole line of new products has been created through co-operation with foreign specialists.

*Kaija* manufactures tin cans for its own needs as well as on contract. Most of Company sales are in the domestic market; the rest is exported to Lithuania, Russia, Byelorussia and the Ukraine. *Kaija* has opened a branch office in St. Petersburg.

# EQUITY MARKET: Food and Beverages

Short balance sheet (LVL)		
ASSETS	31-Dec-02	30-Jun-03
Intangible assets		
Tangible assets	2,924,520	2,779,278
Long term financial assets	336,640	334,133
Stocks	979,975	559,821
Debtors	3,497,750	2,864,217
Securities and capital participation	2,481	2,481
Cash funds (TOTAL)	42,240	3,450
<b>BALANCE</b>	<b>7,783,606</b>	<b>6,543,380</b>
LIABILITIES		
Equity capital	3,670,004	2,745,055
Company capital	4,840,000	4,840,000
Share premium account		
Long-term asset revaluation reserve	333,775	331,987
Reserves	76,246	76,246
Retained earnings brought forward from previous years	(1,732,181)	(1,580,017)
Retained earnings for the current financial year	152,164	(923,161)
Provision for liabilities and charges total	76,661	76,661
Long term liabilities	269,700	269,700
Short term liabilities	3,767,241	3,451,964
<b>BALANCE</b>	<b>7,783,606</b>	<b>6,543,380</b>

Profit and loss statement (LVL)		
	31-Dec-02	30-Jun-03
Net turnover	10,770,399	1,751,670
Variations in stock of finished goods and work in progress	(9,440,797)	(2,397,245)
<b>Gross profit and loss</b>	<b>1,329,602</b>	<b>(645,575)</b>
Distribution costs	(476,127)	(81,163)
Administrative costs	(471,916)	(203,783)
Other operating income	119,164	73,109
Other operating expenses	(106,600)	(56,937)
Income from participating interests	468	
Income from other capital participation, securities and loans forming part of the long term assets		
Other interests receivable and similar income	59,948	55,881
Write-offs of financial fixed assets, securities and capital participation held as current assets		
Interest payable and similar charges	(264,522)	(49,012)
<b>Profit and loss before extraordinary items and taxes</b>	<b>190,017</b>	<b>(907,480)</b>
Extraordinary income		
Extraordinary charges		
<b>Extraordinary profit and loss before taxes</b>	<b>190,017</b>	<b>(907,480)</b>
Tax on profit for the financial year		
Other taxes	(37,853)	
Minority interest		(15,681)
<b>Profit and loss for the financial year after taxes</b>	<b>152,164</b>	<b>(923,161)</b>

## Company during 2002-2003

In 2002 *Kaija* net sales amounted to LVL 10.77 million (3.6% less than in the previous year. The Company ended the year at a profit of LVL 152 thousand – it is LVL 131 thousand less than in 2001. The shrinking sales in Russia were replaced by new markets in Canada, Georgia, Azerbaijan, Turkmenistan and Romania, and increased sales volumes in Kazakhstan, Slovakia, Poland and the USA. In the domestic market, an increasing competition is felt from the Western and Lithuanian fish processing companies. Company continued to work towards quality enhancement and development of new products.

In 2003 the Company intends to improve its management systems; modernise technologies; upgrade production units to become compliant with the EU standards; reorganise the Commercial Division by segregating marketing and sales in Latvia. *Kaija* is going to get involved in SAPARD programme in order to raise co-financing for reconstruction. The Company will also focus on balancing the output volumes and supplies – to attain adequacy with the capacities; and to increase the production efficiency. *Kaija* is planning to assure a stable product range for the domestic market; to strengthen the market for preserves in Eastern Europe; to develop new products. In 2003 *Kaija* expects to incur losses in 2003, totalling to LVL 729 thousand.



## Legal Framework

In accordance with the Pharmacy Law of the Republic of Latvia adopted in April 1997, only licensed drug manufacturers, wholesalers and retailers – pharmacies – may operate in Latvia, and only medicines registered at the Drug Register of Latvia may be distributed at the market.

Pharmaceutical control in Latvia is governed by the State Agency of Medicines, which is responsible for quality control and the development of a product register. Since the introduction of the agency, registration has been simplified, halving the time required to register a new product. Registration of pharmaceutical products in Latvia takes significantly less time than in the EU countries. Presently, the registration of new drugs requires Good Manufacturing Practices (GMP) quality certificate.

Friendly patent conditions in Latvia allow the development of Active Pharmaceutical Ingredients (API) and the research into generic forms of patented pharmaceuticals, before the expiration of the proprietary drug patent. The compilation of registered dossiers are also permitted before the parent substance patent expires. This gives Latvia-based manufacturers a unique advantage when preparing generic forms of drugs and APIs to be targeted at European and CIS markets. Other patent protection regulations are in line with international standards. The European Patent Office has the power to release patents for the Latvian market.

Latvian Government encourages pharmaceutical producers to become GMP-compliant by 2003. Presently *Grindeks* and *Olainfarm*, the two leading Latvian drug manufacturers, have received a GMP certificates, and have been certified according to *ISO 14001:1996* standards. A number other companies are undergoing modernisation of their manufacturing practices.

Pharmaceutical manufacturers, alongside with other high-tech producers, may become eligible to 30% corporate tax rate cut.

## Background of the industry

In the pharmaceutical sector Latvia benefits from decades of experience. This includes a well-established customer base; distribution channels; contacts; experienced specialists, scientific background; research institutions; brands that are recognised in the Baltic, Russian and CIS markets; and most of the present profiles and product portfolios.

Currently there are about 15 pharmaceutical producers in Latvia, while the distribution market is divided between approximately 300 companies.

### Key Latvian pharmaceutical producers (according to sales in the first 6 months of 2003)

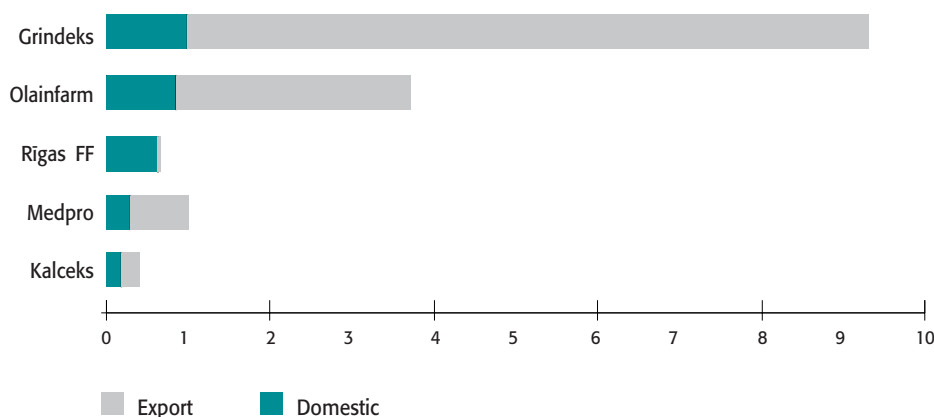
Company	Sales (LVL million)
Grindeks	9.31
Olainfarm	3.71
Medpro	1.00
Rīgas Farmaceutiskā fabrika	0.67
Kalceks	0.41
Silvanols	0.07
LMP	0.05

## Market environment and specific features

Latvian market for medicines is very fragmented with a low concentration and fierce competition. The domestic producers have to compete with international players *Berlin Chemie/Menarini*, *GlaxoSmithKline*, *Janssen Cilag*, *Servier*, *Pfizer* and *Sanofi*; Central and Eastern European manufacturers *Gedeon Richter* (Hungary) and *KRKA* (Slovenia), Baltic producers Lithuanian *Sanitas* and *Endokrininiai Preparatai* and Estonian *Nycomed Sefa*, *Vagos* and *Tallinn Pharmaceutical Plant*.

Another feature of the local market is that a lions share of the locally produced drugs are exported abroad, the trend being dictated by the market structure of the two leading manufacturers *Grindeks* and *Olainfarm* (see figure below). The main export destinations for the Latvian producers are Russian and CIS markets, followed by other Baltic states, Japan and Western Europe. Exports to Western countries are limited by the required internationally recognised certification and compliance with GMP and GCP standards.

Sales of Latvian pharmaceutical producers in the first half of 2003 (LVL million)



## Unique research and development capacities

Pharmaceutical sector in Latvia has a long-established R&D capacity, supported by the national strategy for development of science in the fields of organic synthesis, biotechnology, biomedicine and pharmacy. The key research institution for pharmaceutical products is Institute of Organic Synthesis, involved in fundamental research, organic chemistry, biochemistry, medical chemistry and molecular pharmacology, combining these activities with contract research and development of new drugs and custom synthesis and analysis of biologically active compounds. All in all, the Institute has developed 17 original medicines and over 60 chemical processes for generics. The Institute also has a laboratory for analysis of biologically active compounds, and it is able of handling quality control, as well as the follow-up stability testing of pharmaceuticals and final dosage forms.

## Market consolidation trends and perspectives

Consolidation has started on the Baltic level via mergers and acquisitions. For example, *Grindeks* owns a controlling share in Estonian *Tallinn Pharmaceutical Plant* and is co-operating with Lithuanian leading drugs company *Sanita*, whereas *Olainfarm* co-operates with *Riga Pharmaceutical Plant*. In a very near future *Grindeks* is planning to embark upon founding a Baltic pharmaceutical holding. Alongside with *Grindeks*, it is expected to include *Tallinn Pharmaceutical Plant* (TPP) as well as other producers of pharmaceuticals. Practical co-operation is in progress with a Latvian pharmaceutical producer *Kalceks*. Consolidation is expected to increase the competitive ability of the Baltic pharmaceutical manufacturers, as well as to encourage a more efficient utilization of production capacities and premises.

Sources: LETA, Latvian Development Agency

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### Company information

**Core business** Pharmaceutical  
**Foundation date** 11-Oct-91  
**Privatisation date** 3-Nov-97  
**Number of employees** 517  
**Auditors** Deloitte & Touche

### Supervisory Board

**Anna Lipmane** (Chairperson)  
 Uldis Osis, Juris Cilinskis, Jānis Naglis, Vitālijs Gavrilovs

### Management Board

**Valdis Jākobsons** (Chairman)  
 Jeļena Borcova, Vitālijs Skrīvelis

### Investor relations

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### Trading statistics

Price (LVL)	2002	6 m 2003
First	0.51	0.55
Max	0.62	0.70
Min	0.46	0.50
Last	0.50	0.69
Change (%)	-1.96	25.45
Total turnover (LVL)	1,255,534.08	871,918.88
Total turnover (shares)	2,275,254	1,606,139
As % in the total turnover	1.67	3.16
As % in total capitalisation	0.92	1.04

### Structure of ownership

	(1-May-03)
Solem LLC (ASV).	27.38 %
Anna Lipmane	20.69 %
Vitalijs Gavrilovs	14.00 %
Nordea Bank Finland Plc Helsinki clients	10.69 %

### Share structure

	Riga Stock Exchange
<b>Listing</b>	1-Jun-98
<b>Listing date</b>	Second
<b>List</b>	LVL 7,735,000
<b>Share capital</b>	EUR 11,900,000
<b>Total number of shares</b>	7,735,000
<b>Number of publicly traded shares</b>	4,395,600
<b>Face value</b>	LVL 1
<b>Capitalisation (30-Jun-03)</b>	LVL 5,337,150
	EUR 8,185,813

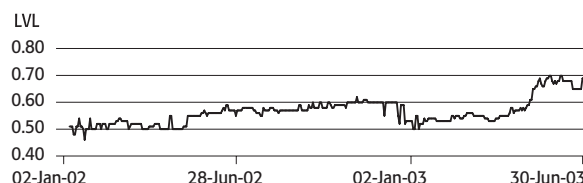
### Indexes on 01-Jul-03

Price index RIC; Capitalisation index DJ RSE

### Market value ratios

	2002
Share book value	0.65
Price/book value ratio	0.77
Earnings per share	0.08
Price/earnings ratio	6.23
Dividend per share	-
Dividend yield	-

### Share price



### Company profile

Public Joint Stock Company *Grindeks*, a developer, manufacturer and marketer of pharmaceuticals, was established in 1991, yet its real history dates back to 1946. Since 1997, the Company operates in the private sector.

Today, *Grindeks* is the largest pharmaceutical company in the Baltic countries. It manufactures world quality products as well as provides services to the European pharmaceutical industry. *Grindeks* is recognised as high technology company offering more than 125 products – final dosage pharmaceuticals and active pharmaceutical ingredients to the Baltics, Russia and CIS countries, European countries, the USA, Japan, and other countries world-wide.

- In March 2003, *Grindeks* was the first pharmaceutical company in Latvia to receive the GMP certificate issued by the Latvian State Agency of Medicines.
- In 2000, *Grindeks* received the internationally recognised Good Manufacturing Practice (GMP) certificate from the UK Medicines Control Agency.
- In 2001, *Grindeks* received the international Environment Management certificate ISO 14001: 1996.
- FDA approval is received for the export to the USA market.

*Grindeks* forms the Group together with its daughter company *Tallinn Pharmaceutical Plant (TPP)* located in Tallinn, Estonia. Throughout 2002, the Group has successfully followed its long-term development strategy aimed at increasing the value and raising profitability of the Group. Over the last years, as a result of efficient company management and substantial investments in technologies, research, development and human resources, as well as developed export activity, the Group has become well prepared for the forthcoming EU accession of the Baltic countries.

# EQUITY MARKET: Pharmaceuticals

The key instrument of the Group's development strategy envisages ensuring efficient use of resources as well as better targeting of investments through specialising and co-operation among manufacturers. Adoption of the GMP standards is an important factor in this context. Accordingly, transfer of the tablet manufacturing from *TPP* to the GMP compliant factory of *Grindeks* had been finalised in 2002, whereas the *TPP* capacities are primarily focused on ointment development and production. On the basis of partnership with *Sanitas* of Lithuania, the injectables of *Grindeks* are now produced in the facilities of *Sanitas* in compliance with GMP.

*Grindeks* provides brand and generic pharmaceutical products to total of 36 countries. On the basis of established network of sales representative offices over the Baltics, Russia and the CIS countries, *Grindeks* also provides sales of pharmaceuticals of European and US manufacturers.

## Company during 2002-2003

In 2002, the consolidated turnover of the Group grew by 30.8% amounting to LVL 16,521,426. Total exports of the Group were LVL 14,402,033 having increased by 43.3%. Sales of *Grindeks* totalled LVL 15,814,341 in 2002, providing 32% growth towards the previous year. Net profit was LVL 724,690 as the year ended. The Group's profitability has doubled in 2002.

Total sales of final dosage form pharmaceuticals comprising up to 75% of the Group's turnover rose by 26.7% last year. Successful sales in Russia and CIS markets need to be distinguished since the sales growth in these regions has been as high as 39.8%. *Grindeks* has well performed in the CIS markets through active marketing of the leading products such as the *Grindeks* brand product *Mildronate*, the *Capsicam* ointment of *TPP*, as well as products of other brands. Sales in Lithuania and the European countries have advanced as well. On the contrary, the Latvian market share shrank, which was due to increased competition in the local market and changes in demand for the available products.

During 2002, *Grindeks* invested LVL 0.95 million for the upgrade of technologies and for increasing production capacity. In addition, R&D costs comprised 1.5% of the turnover. Investments and R&D activities are planned to grow in 2003.

In 2002, *Grindeks* received the Integrated Pollution Control and Elimination Permit, which indicate fulfilment of the European Union environmental requirements. Furthermore, *Grindeks* has engaged in international programmes related to environmental protection and health care, e.g., United Nations Global Compact movement and the Responsible Care programme.

During 2003, the Group is working towards the following tasks: optimisation of product portfolio, development and introduction of new products, strengthening the current market positions as well as expanding sales network and entering new markets. The company will be looking at establishing new partnerships in the field of manufacturing as well as sales of pharmaceuticals. It is foreseen that the sales of *Grindeks* will grow by 15.4% in 2003. As in the previous years, the Baltics, CIS, and the central and east European countries will constitute the dominant markets for the final dosage form pharmaceuticals produced by the Group. Sales of active pharmaceutical ingredients will be mostly directed to the EU, the USA and other countries of the world. The sales and marketing activity of *Grindeks* is aimed at preserving the market share as the global pharmaceutical market grows.

During the first six month of 2003, *Grindeks* has reached net turnover of LVL 9,539,046, providing 22% growth toward the respective period of last year. Net return on sales reached 9.8%.

## Short balance sheet (LVL)

	(Group)		
ASSETS	31-Dec-02	31-Dec-02	30-Jun-03
Intangible assets	481,720	292,099	268,966
Tangible assets	5,127,273	3,739,184	3,993,005
Long term financial assets	18,806	1,687,662	1,669,172
Stocks	4,365,598	3,583,046	3,264,587
Debtors	3,052,291	2,884,710	3,785,785
Securities and capital participation			
Cash funds (TOTAL)	252,085	249,056	58,103
<b>BALANCE</b>	<b>13,297,773</b>	<b>12,435,757</b>	<b>13,039,618</b>
LIABILITIES			
Equity capital	5,001,091	4,891,660	5,826,886
Company capital	7,735,000	7,735,000	7,735,000
Share premium account	5,176,400	5,176,400	5,176,400
Long-term asset revaluation reserve			
Reserves	462,997	464,905	464,905
Retained earnings brought forward from previous years	(8,994,259)	(9,209,335)	(8,484,645)
Retained earnings for the current financial year	620,953	724,690	935,226
Provision for liabilities and charges total	272,730	272,730	312,310
Long term liabilities	2,789,659	2,347,904	2,347,904
Short term liabilities	4,704,397	4,923,463	4,552,518
<b>BALANCE</b>	<b>13,297,773</b>	<b>12,435,757</b>	<b>13,039,618</b>

## Profit and loss statement (LVL)

	(Group)		
	31-Dec-02	31-Dec-02	30-Jun-03
Net turnover	16,521,426	15,814,341	9,539,046
Variations in stock of finished goods and work in progress	(10,065,908)	(10,512,960)	(6,325,957)
<b>Gross profit and loss</b>	<b>6,455,518</b>	<b>5,301,381</b>	<b>3,213,089</b>
Distribution costs	(2,152,380)	(1,927,795)	(1,085,900)
Administrative costs	(1,723,923)	(1,301,213)	(908,092)
Other operating income	623,130	606,596	244,684
Other operating expenses	(1,806,782)	(1,641,352)	(219,757)
Income from participating interests		104,969	
Income from other capital participation, securities and loans forming part of the long term assets		20,688	
Other interests receivable and similar income	22,195	64,026	25,511
Write-offs of financial fixed assets, securities and capital participation held as current assets	(103,736)		
Interest payable and similar charges	(336,130)	(226,521)	(98,429)
<b>Profit and loss before extraordinary items and taxes</b>	<b>977,892</b>	<b>1,000,779</b>	<b>1,171,106</b>
Extraordinary income			
Extraordinary charges			
<b>Extraordinary profit and loss before taxes</b>	<b>977,892</b>	<b>1,000,779</b>	<b>1,171,106</b>
Tax on profit for the financial year	(240,310)	(240,310)	
Other taxes	(35,779)	(35,779)	(235,880)
Minority interest	(80,850)		
<b>Profit and loss for the financial year after taxes</b>	<b>620,953</b>	<b>724,690</b>	<b>935,226</b>

# Olaines ķīmiski-farmaceutiskā rūpnīca

## Olaine Chemical-Pharmaceutical Plant (Olainfarm)

**Address** Rūpniecības iela 5, Olaine, LV-2114  
**Telephone** (371) 7 013 700  
**Fax** (371) 7 013 777  
**Internet home page** www.olainfarm.lv  
**E-mail** olainfarm@olainfarm.lv

### Company information

**Core business** Manufacturing of chemical-pharmaceutical products  
**Foundation date** 10-Oct-72  
**Privatisation date** 27-March-97  
**Number of employees** 741  
**Auditors** Ernst & Young

### Supervisory Board

**Juris Savickis** (Chairman)  
 Jens Hoffmann, Margarita Samoviča, Gytis Tamenas,  
 Ivars Kalviņš, Tatjana Lukina

### Management Board

**Valērijs Maligins** (Chairman)  
 Jurijs Kaplinovs, Inga Liščika, Aleksandrs Černobrovijs,  
 Armands Lapiņš, Andris Jegorovs, Viktorija Žuka-Nikuljina

### Investor relations

**Viktorija Žuka-Nikuljina** (Member of the Board, Head of Legal Department)  
**Telephone** (371) 7 013 871  
**E-mail** vzuk@olainfarm.lv

### Trading statistics

Price (LVL)	2002	6 m 2003
First	0.07	0.09
Max	0.14	0.21
Min	0.07	0.09
Last	0.09	0.17
Change (%)	28.57	88.89
Total turnover (LVL)	219,382.10	62,969.90
Total turnover (shares)	2,173,656	395,035
As % in the total turnover	0.29	0.23
As % in total capitalisation	0.16	0.25

### Structure of ownership

	(25-Jul-03)
SIA Olmafarm	75.93%

### Share structure

Listing	Riga Stock Exchange
Listing date	9-Jun-97
List	Second
Share capital	LVL 10,252,365
	EUR 15,772,869
Total number of shares	10,252,365
Number of publicly traded shares	2,994,900
Face value	LVL 1
Capitalisation (30-Jun-03)	LVL 1,290,485
	EUR 1,979,271

### Stock events (2002, 6 m 2003)

7-Jun-02 Share capital increased by issuing 2,661,276 closed issue shares with face value LVL 1

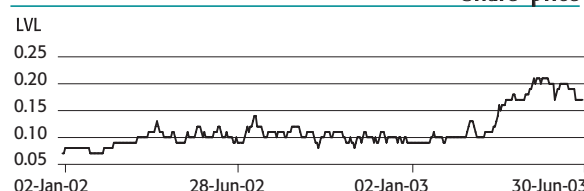
### Indexes on 1-Jul-03

Price index RIC; Capitalisation index DJ RSE

### Market value ratios

	2002
Share book value	0.99
Price/book value ratio	0.09
Earnings per share	0.00
Price/earnings ratio	56.40
Dividend per share	-
Dividend yield	-

### Share price



### Company profile

*Olainfarm (Olaine Chemical-Pharmaceutical Plant)* is one of the largest chemical-pharmaceutical manufacturers in the Baltic States operating in the business of developing, manufacturing, marketing and distribution of a large variety of pharmaceutical and chemical products. Established in 1972, within the former Soviet Union it was the sole supplier of more than twenty-five key ingredients for the entire Empire. Today, *Olainfarm* employs over 740 professionals; manufactures more than 80 finished forms and active pharmaceutical ingredients, as well as a number of intermediates and speciality chemicals. The main business areas are production of high quality biologically-active and other chemical compounds through organic synthesis, both for the existing products and customised orders (contract manufacturing), and, production of finished pharmaceuticals from self-synthesised, as well as purchased substances, mostly in the form of tablets and capsules. Staff who have built their expertise in the development of various products over a number of years are able to incorporate all the requirements placed on modern pharmaceutical preparations by pharmacopoeias in their product development. This involves not only the selection of appropriate auxiliary substances and suitable manufacturing processes, but also the elaboration of test and analysis methods.

The main export markets for the company's finished products are Russia and the NIS (Newly Independent States). Historically familiar to its customers in these regions, the Company has managed to maintain its market share despite the economic and political instability over the last few years. At the same time *Olainfarm* is also increasing its presence in the domestic market (the Baltic States). Moreover, in the past few years, the company through the Marketing and Sales department has concentrated its efforts on exploring markets



beyond the boundaries of the former Soviet Union, primarily in the field of intermediates and active ingredients. Even though the international market is heavily dominated by the Southeast Asian manufacturers competing mainly on the price basis, *Olainfarm* has managed to establish a small but loyal customer base and is determined to increase it gradually, expanding its operations throughout the world.

## Company during 2002-2003

The year 2002 could be named the year of changes of the Company development policies. From a producer of final dosage forms and active chemical substances, *Olainfarm* has developed into a contract manufacturer of original brands. The exclusive rights to manufacture and distribute the brands are expected to provide visible advantages in pricing policy and allow efficient promotion activities. Indirectly, it is expected to promote the sales of other generics as well.

Year 2002 presented quite a challenge to the Company. The review of the sales policies unavoidably led to a drop of sales volume. Also, the introduction of VAT on pharmaceuticals in Russia, the major export market for *Olainfarm*, completely halted the sales in the first half of the year. In the second half the situation improved, and the Company ended the year with net sales of LVL 5.3 million. Debt-equity swap of a World Bank loan at total value of LVL 2.66 million reduced the liabilities and increased the capital.

During 2002 *Olainfarm* implemented a number of crucial changes, including the final dosage form sales programme that envisages pre-planned selling in the markets traditional for the Company. Promotion activities, initiated three years ago, already now allow to reap the first harvests: sales have become stable and more predictable in the Ukraine, Latvia and Georgia. The efficiency of marketing activities will be enhanced in Russia, Lithuania, Uzbekistan, Kazakhstan in 2003-2004. Designing a large and diverse range of products is one of the main principles of the programme. *Olainfarm* has a product portfolio of such brands as Neiomidin, Furamag, Fenkarol, Etacizin – famous for high profit margins and unique curing qualities. *Olainfarm* has built a good reputation for public procurement in Latvia, the Ukraine, Uzbekistan, and Byelorussia.

A review of the marketing policy has already brought the first results in 2003: the Company net sales amounted to LVL 3.7 million in the first half of the year. *Olainfarm* enjoys the reputation of a high quality manufacturer with a trademark well known to its customers for reliability of the services promised. Subsequent to a repeated *ISO 14001* certification audit, the company environmental management system was approved as compliant with all requirements. Moreover, in 2002 the Company successfully passed the FDA inspection for certification of manufacturing of Rimantadine Hydrochloride substance, and became eligible to sell it to the USA. The constantly increasing demands on quality, safety and economic efficiency are the decisive criteria for the Company business. This requires both flexibility, and consistent further development of all sectors within the company. In its vigorous pursuit of business expansion, *Olainfarm* is looking beyond the boundaries of its home country Latvia. All endeavours are guided by the simple belief "The World is our Market". In just a short two years' time, the Company business has expanded worldwide. With an ongoing pace, *Olainfarm* is aiming at becoming a major international player in the coming years.

## Short balance sheet (LVL)

ASSETS	31-Dec-02	30-Jun-03
Intangible assets	151,251	155,695
Tangible assets	3,162,057	3,480,226
Long term financial assets	331,770	331,770
Stocks	2,892,338	3,231,958
Debtors	7,463,289	6,530,441
Securities and capital participation		
Cash funds (TOTAL)	147,103	223,014
<b>BALANCE</b>	<b>14,147,808</b>	<b>13,953,104</b>

## LIABILITIES

Equity capital	10,222,183	10,100,471
Company capital	10,252,365	10,252,365
Share premium account	65,934	65,934
Long-term asset revaluation reserve		
Reserves		
Retained earnings brought forward from previous years	(217,829)	(234,189)
Retained earnings for the current financial year	121,713	16,361
Provision for liabilities and charges total	56,057	56,057
Long term liabilities	520,731	358,749
Short term liabilities	3,348,837	3,437,827
<b>BALANCE</b>	<b>14,147,808</b>	<b>13,953,104</b>

## Profit and loss statement (LVL)

	31-Dec-02	30-Jun-03
Net turnover	3,709,743	5,294,016
Change in finished goods and work in progress	(236,744)	368,235
Own produced fixed assets		
Other operating income	171,631	1,779,000
Material costs:		
a) raw materials and consumables	(966,156)	(1,672,329)
b) other external costs	(167,298)	(335,190)
<b>TOTAL</b>	<b>(1,133,454)</b>	<b>(2,007,519)</b>
Personnel costs:		
a) salaries	(1,013,143)	(1,943,706)
b) pensions paid by enterprise		
c) other social security costs	(237,230)	(490,909)
<b>TOTAL</b>	<b>(1,250,373)</b>	<b>(2,434,615)</b>
Depreciation:		
a) depreciation and write-offs of financial fixed assets	(406,918)	(863,687)
b) depreciation of current assets above the regular rates	(11,006)	(15,052)
<b>TOTAL</b>	<b>(417,924)</b>	<b>(878,739)</b>
Other operating costs	(657,512)	(1,326,285)
Income from capital participation in other companies		(68,269)
Income from other participation in capitals, securities and loans categorized as long-term investment		62,630
Other interest income and similar incomes	23	1,006
Depreciation of long-term financial assets, securities and short-term investments		
Interest paid and other similar costs	(46,472)	(593,387)
<b>Profit and loss before extra ordinary items and taxes</b>	<b>138,918</b>	<b>196,073</b>
Extraordinary income		2,454
Extraordinary charges		
<b>Extraordinary profit and loss before taxes</b>	<b>138,918</b>	<b>198,527</b>
Income tax		(141,972)
Other taxes	(17,205)	(40,194)
Minority interest		
<b>Profit and loss for the financial year after taxes</b>	<b>121,713</b>	<b>16,361</b>



## Growth of the Latvian banking sector

The banking system of Latvia, in a comparatively short period, has developed from a speculative economy banking into an advanced economy banking owing to the duly implemented reforms, foreign experience, and growth of other branches of the national economy. In recent years the banking system has faced a considerable shake-up, with the government reinforcing the financial base of the system by creating special reserve funds in the commercial banks and tightening the control over the commercial banking sector. A growing number of international banks are continuing to establish their branches in Latvia creating a more competitive environment for the domestic banking sector. At the end of 2002, 22 banks, 26 credit unions, and the Latvia branch of *Nordea Bank Finland Plc* were registered in the Republic of Latvia. The representative offices of *Dresdner Bank AG* and *Nadra Bank* also operated in Riga. Nearly all banking industry is in private hands in Latvia. At the end of year 2002, the Government stake in the banking sector paid-up shares capital was only 7.3%. The Latvian State is the sole owner of the joint-stock company *Latvijas Hipotēku un zemes banka*. In 2003 Government disposed of its other holding, in *Latvijas Krājbanka*. 35.12% of the state-owned shares were put out for sale: 25.01% as a single share package, 6.6% earmarked for the bank's employees, and 0.51% left as a privatisation reserve.

### Dynamics of the banking sector in Latvia (1993-2002)\*

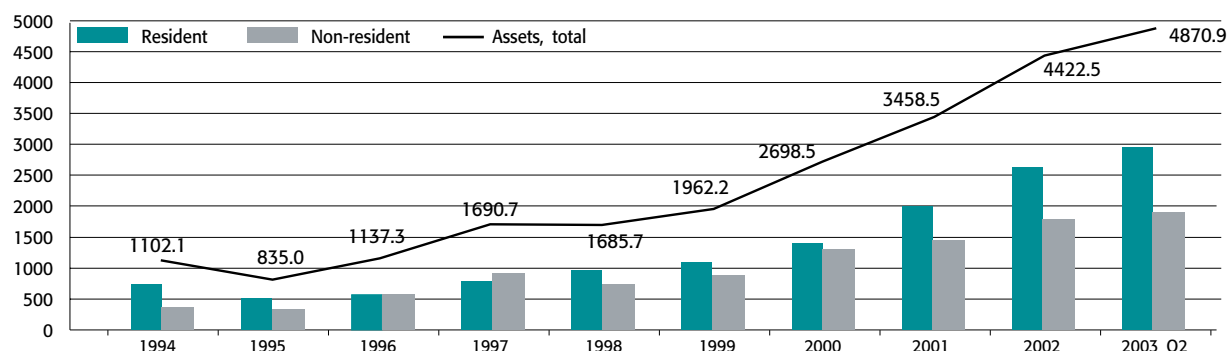
	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002
Number of banks incl.:	61	55	40	33	32	28	24	22	23	23
banks	61	55	39	32	31	27	23	21	22	22
branches of foreign banks	0	0	1	1	1	1	1	1	1	1
Number of bank branches	145	207	192	190	178	183	160	184	193	199
Staff	–	–	–	7500	8414	8230	7786	7863	7943	8240
Number of customer accounts, '000	–	–	–	–	–	1387	1298	1397	1651	2041
Number of payment cards, '000	–	–	–	–	–	207	328	635	893	1022
Number of ATM's	–	–	–	–	–	238	374	643	791	842
Number of POSs	–	–	–	–	–	3390	4462	5381	6908	8326

\* 6 banks in 1991; 50 banks in 1992

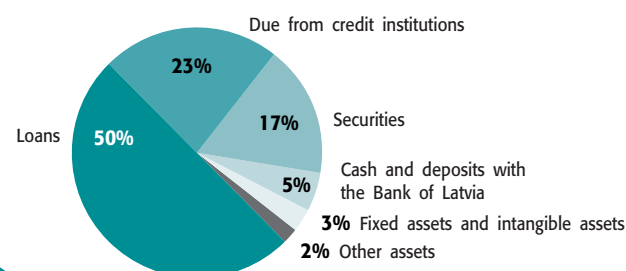
The performance of banking sector in 2002 was successful the fourth year in a row, thus setting a trend for the sector. In 2002 a continued rapid growth was recorded for all major indicators characterising the industry: assets (excluding trust assets) increased by 27.9% (to LVL 4,425.2 million), loans (including transit credit) by 29.9% (to LVL 2,127.2 million) and deposits by 31.8% LVL 3,072.1 million). The sector generated a profit of LVL 56.4 million (a year-to-year-increase of 13.7%); it was the first year when every single bank closed the year with a profit. Credit institutions' equity grew by 24.4% in the reporting year, amounting to LVL 384.3 million at the end of the period. The structure of banks' assets did not experience significant changes in 2002. The share of loans and claims on credit institutions slightly expanded (to 48.1% and 25.2% respectively).

Domestic loans were the main investment instrument for Latvian banks – these, owing to the expertise built by the banks in domestic market, are considered to be a safer as opposed to investments in foreign markets.

### Bank assets 1994 - 2003 (LVL million)



### Structure of bank assets as of 30.06.2003



The current financial system of Latvia corresponds to the requirements of a modern and developed economy, providing the necessary financial instruments. It is stable and foreseeable. The system as such and its administration corresponds to the EU requirements, and in the conclusions made by international organisations it serves as a good example to other Central and Eastern European countries. The outlook for the Latvian banking sector is good as the Latvian economy grew by 6.2% in the first half of the year. Demand for credit should thus continue to be brisk, although it is not expected to reach the growth figures of 2002. In the first six months of 2003 the profit of the banking sector totalled to LVL 32.9 million; total bank assets reached 4.87 billion (by 10.1% more than in the respective period of 2002). The profitability should also continue to be good, since the rapid economic growth means small credit losses. Further on, the banks will continue to face a fierce competition and will have to concentrate on cutting operational costs. The potential risks for the Latvian banking sector, however, is that the economic slowdown in the US and Euro area may affect Latvia more than is now expected.

Development of Latvian banking sector is expected to continue at a similar pace as in 2002. A further progress will be observed in mortgage lending and in the overall lending, as well as in providing hi-tech services such as electronic accounting, Internet and mobile banking. However, for mortgage lending it is still a long way to go in order to reach the level of western countries, as in Latvia these services are used by relatively small proportion of population. It is also plausible that the usage of non-cash money in transactions will increase.

### Assets and capital of commercial banks in Latvia (thsd. LVL)

No	Name of bank	Assets		Capital and reserves	
		30.06.2003	31.12.2002	30.06.2003	31.12.2002
1	Parekss banka	994,483.8	945,205.4	95,810.7	69,983.0
2	Latvijas Unibanka	777,400.1	717,635.0	76,037.8	69,815.0
3	Hansabanka	755,487.3	674,524.0	70,918.0	65,063.4
4	Rietumu banka	408,150.7	363,592.5	25,831.3	24,240.5
5	LATEKO banka	209,396.5	185,445.5	10,769.8	9,982.7
6	Latvijas Hipotēku un zemes banka	200,213.5	175,380.7	23,289.3	22,782.3
7	Aizkraukles banka	192,059.6	176,929.8	18,302.0	16,885.1
8	Nordea Bank Finland, Latvia branch	178,510.0	175,737.6	*	*
9	Latvijas Krājbanka	173,933.7	171,556.5	11,224.1	11,014.2
10	NORD/LB Latvija	166,379.9	143,564.5	22,537.0	22,969.7
11	Baltijas Tranzītu banka	165,151.7	152,384.3	10,018.8	10,142.8
12	Ogres komercbanka	124,740.1	124,792.8	3,770.5	4,098.2
13	Vereinsbank Rīga	118,779.1	102,300.3	15,272.7	14,543.8
14	Multibanka	103,125.2	94,838.2	5,679.8	5,547.1
15	Latvijas Tirdzniecības banka	89,674.5	45,781.7	5,204.4	4,536.9
16	Trasta komercbanka	52,415.1	29,518.0	3,968.6	3,492.8
17	Komercbanka Baltikums	35,351.6	18,161.7	5,310.7	4,667.5
18	Baltijas Starptautiskā banka	32,524.6	30,853.6	4,931.7	3,108.1
19	VEF banka	28,726.2	30,177.6	4,180.3	3,959.3
20	Māras banka	23,593.7	22,074.1	4,756.2	4,785.4
21	Latvijas Biznesa banka	18,395.5	20,077.0	4,379.0	4,153.0
22	Banka Paritāte	15,255.7	14,269.8	4,165.8	4,129.3
23	Reģionālā investīciju banka	7,133.0	7,713.0	3,805.0	3,708.0
	Total	4,870,881.2	4,422,513.2	430,888.6	383,615.7

\* capital not segregated from parent company

Sources: News service *BNS Trast*, Financial and Capital Market Commission (FCMC), Latvian Development Agency (LDA), Association of Latvian Commercial Banks, Bank of Latvia.

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**Telephone** (371) 7 015 204  
**Fax** (371) 7 323 449  
**Internet home page** www.nordlb.lv  
**E-mail** office@nordlb.lv

### Company information

**Core business** Banking  
**Foundation date** 1989  
**Number of employees** 430  
**Auditors** PriceWaterhouseCoopers

### Supervisory Board

**Gunter Dunkel** (Chairman)  
 Jürgen Kösters, Jürgen Allerkamp, Sven Herlyn, Gert Vogt,  
 Peter Jürgen Schmidt, Baiba Rubess, Juris Binde

### Management Board

**Jürgen Machalett** (Chairman)  
 Andris Ozoliņš, Rudolf Franz Karges, Aivars Flemings,  
 Michael Kieseewetter

### Investor relations

#### Board Support Unit

**Telephone** (371) 7 015 204  
**E-mail** president@nordlb.lv

### Trading statistics

Price (LVL)	2002	6 m 2003
First	2.00	2.10
Max	2.10	2.80
Min	1.80	2.10
Last	2.10	2.80
Change (%)	5.00	33.33
Total turnover (LVL)	32,418.57	1,249.41
Total turnover (shares)	15,664	479
% of the total turnover	0.04	0.00
% of total capitalisation	10.12	10.98

### Structure of ownership

	(01-Jan-03)
Norddeutsche Landesbank Girozentrale	98.90%

### Share structure

Listing	Riga Stock Exchange
Listing date	19-Dec-00
List	Second
Share capital	LVL 20,160,896
	EUR 31,016,763
Total number of shares	20,160,896
Number of publicly traded shares	2,532,884
Face value	LVL 1
Capitalisation (30-Jun-03)	LVL 56,450,508
	EUR 86,580,535

### Stock events (2002, 6 m 2003)

11-Apr-02	Ex-dividend date, cash dividend LVL 0.01 per share paid
30-May-02	Share capital increased by LVL 11,891,900 through issuance of 11,891,900 closed issue shares with face value of LVL 1
15-Apr-03	Ex-dividend date, cash dividend LVL 0.06 per share paid

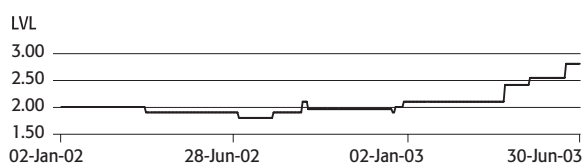
### Indexes on 1-Jul-03

Price index RIC; Capitalisation index DJ RSE

### Market value ratios

	2002
Book value of shares	1.14
Price/book value ratio	1.84
Earnings per share	0.07
Price/earnings ratio	31.69
Dividend per share	0.06
Dividend yield	0.03

### Share price



### Company profile

NORD/LB Latvija (till May 2003 *Pirmā Banka*) since June 6, 2000 has been a subsidiary of the largest bank in Northern Germany Norddeutsche Landesbank, which renders to NORD/LB Latvija capital, as well as the know-how and experience. Simultaneously the bank is part of the strategy of Norddeutsche Landesbank to form an integrated banking network in all the countries of the Baltic Sea region. The majority shareholder of the bank during the period from 2000 onwards has acquired controlling interest in two banks-Lietuvos Žemės Ūkio Bankas (Lithuania) and Mitteleuropäische Handelsbank (Poland), has opened its branches in Finland and Norway, and established the bank's representative office in Estonia.

NORD/LB Latvija as a full-fledged participant of the NORD/LB Group is one of the most dynamically growing banks in Latvia. The goals are set to become one of the leading banks both in retail and corporate banking.

# EQUITY MARKET: Financial Intermediaries

## Short balance sheet (thous. LVL)

ASSETS	31-Dec-02	30-Jun-03
Cash and deposits with the Bank of Latvia	5,568	5,276
Balances due from credit institutions, central banks	23,888	24,680
Loans	88,125	111,664
Treasury bills and other fixed income securities	17,282	14,672
Other assets	8,065	9,579
<b>Total assets</b>	<b>142,928</b>	<b>165,872</b>
Assets under management		
<b>Total assets and assets under management</b>	<b>142,928</b>	<b>165,872</b>
<b>LIABILITIES</b>		
Balances due to credit institutions	54,960	71,161
Deposits	63,696	67,474
Issued bonds and other debt securities		
Appropriations		
Other liabilities	1,308	4,700
Shareholders equity	22,964	22,537
<b>Total liabilities</b>	<b>142,928</b>	<b>165,872</b>
Liabilities under management		
<b>Total liabilities and liabilities under management</b>	<b>142,928</b>	<b>165,872</b>

## Profit and loss statement (thous. LVL)

	31-Dec-02	30-Jun-03
Interest income	6,147	3,527
Interest expense	(2,259)	(1,278)
<b>Net interest receivable</b>	<b>3,888</b>	<b>2,248</b>
Dividend income		
Fee and commissions income	3,377	1,848
Fee and commissions expenses	(986)	(575)
Profit/loss on securities and foreign currency	1,329	392
Other operational revenues	151	190
Administrative expenses	(4,963)	(2,940)
Intangible and fixed asset depreciation, amortization and write-offs	(760)	(313)
Other operational expenses	(65)	(54)
Provisions for bad and doubtful debt	(883)	(272)
Release of provisions for bad and doubtful debt	248	258
Profit/loss from revaluation of long-term investments		
<b>Profit/loss from operational activity</b>		<b>782</b>
Extraordinary income		
Extraordinary expense		
<b>Profit/loss before tax</b>	<b>1,336</b>	<b>782</b>
Tax		
<b>Profit/loss for the accounting period</b>	<b>1,336</b>	<b>782</b>

## Company in 2002-2003

In 2002 *NORD/LB Latvija* experienced continued successful development and rapid growth in a highly competitive environment. The foundations laid in 2000 and 2001 – strong capital base, increased client confidence and successful implementation of new attractive and competitive banking products – enabled the Bank to maintain the momentum in growth, further improving the banking service and delivery channels, the branch network in particular, as well as substantially increasing the profitability. The Bank's strategy of growth and the strengthening of its position in the market was implemented by further substantial increase in both the loan portfolio and deposits. The loan portfolio grew by more than 80%. The share of retail loan products – mortgage loans, express loans and leasing loans – almost doubled during 2002. There was also an impressive growth in the volume of deposits – almost by 60%.

Constant improvements in the Bank's products and delivery channels, the branch network in particular, contributed considerably to such notable growth. During 2002 a new branch was opened in Sigulda, and several new branches in Riga; at the end of the year the Bank had 16 branches and 28 sub-branches. The Bank sees the further expansion of the branch network in Riga as one of the most important preconditions for achieving the planned targets of increasing retail business volumes. Active work in attracting of new clients, responsiveness and the readiness to provide flexible solutions were the main factors explaining the considerable increase in corporate business volumes in the competitive environment.

During the reporting year, a conservative approach was maintained regarding investments as well as market and credit risks. The investment portfolio of the Bank consists only of debt securities issued by the Latvian Government and AAA-rated borrowers. The Bank has maintained its conservative credit risk policy and continues to improve credit risk control. This has allowed benefiting fully from the income generated by increased business volumes: the net profit of the Bank has increased more than fourfold in 2002, and amounted to LVL 1.34 million.

The rapid growth of *NORD/LB Latvija* continues in 2003, and in the first six months of 2003 key figures of *NORD/LB* have increased:

- assets by 16%, up to LVL 165.9 million
- credit portfolio by 27%, up to LVL 111.7 million
- deposits by 12%, up to LVL 67.5 million.

Net profit forecast of LVL 1.6 million is set for 2003.

*NORD/LB Latvija* puts particular emphasis on providing the best quality banking services, expansion and modernisation of the branch network, launching of new products and improvement of the existing ones. The competitiveness of the bank is highly promoted by customer responsiveness, an honest, open and mutually beneficial relationship with customers and counterparts.

Investment funds in Latvia are a prospective and rapidly growing market segment. Compared to the previous year, the number of funds has increased, and assets have gained in value. Investment funds emerged in Latvia only in 1999, and are becoming increasingly popular among the investors.

By August of 2003 8 asset management companies were registered in Latvia, altogether managing 15 investment funds: 9 open-end and 6 closed-end.

Open-end investment funds		
Name	Asset management company	Investment policy
Naudas tirgus fonds	Hansa Fondi	Cash market
Obligāciju fonds	Hansa Fondi	Bonds
BALTIC INDEX fonds	Baltikums Asset Management	Equities
Valsts Obligāciju fonds	Baltikums Asset Management	Bonds
Latu rezerves fonds	Optimus Fondi	Cash market
Latu Obligāciju fonds	Parekss ieguldījumu sabiedrība	Bonds
Baltijas Jūras Sabalansētais fonds	Parekss ieguldījumu sabiedrība	Balanced
Austrumeiropas Obligāciju fonds	Parekss ieguldījumu sabiedrība	Bonds
Latu Likviditātes fonds	Parekss ieguldījumu sabiedrība	Cash market

Closed-end investment funds		
Name	Asset management company	Investment policy
Latvijas Vadošo Apdrošinātāju naudas fonds	LVA ieguldījumu sabiedrība	Bonds
Vērtspapīru fonds	LVA ieguldījumu sabiedrība	Bonds
Nekustamā īpašuma fonds	Optimus Fondi	Real estate
Baltijas nekustamā īpašuma fonds	Parekss ieguldījumu sabiedrība	Real estate
Kapitāla Aizsardzības fonds	Astra fondi	Balanced
Prudentia Globālais Fiksētā Ienākuma Vērtspapīru Fonds	Prudentia ieguldījumu pārvaldes sabiedrība	Bonds

A new line of business has opened for fund managers since January 1, 2003, when private fund managers could apply for licenses for state funded pension system asset management: seven investment companies have obtained licenses, and are offering 15 pension schemes to their clients. As of mid of 2003, state funded pension system covered 400,000 participants, total asset value exceeding LVL 17 million. It is expected that in future state funded pension system will become a very visible investor in Latvian capital market. As of mid 2003 also four non-resident investment companies were distributing fund units in Latvia.

## Investment funds in Latvia – regulation

Investment companies in Latvia are subject to regulation and supervision of the Latvian Financial and Capital Market Commission (FCMC). Investment companies are authorised to manage investment funds only after obtaining a license issued by the latter institution. The fund itself also has to be registered with the FCMC. The minimum initial capital of an investment management company has to at least LVL 100,000 and paid up only in cash. In order to obtain authorisation for public placement of foreign funds in the Republic of Latvia, the distributor is required to file an application with the FCMC.

## Fund listing on the Riga Stock Exchange

There are several advantages associated with fund listing on the Riga Stock Exchange:

- The ability to expand investor base by attracting institutional investors, such as other investment funds, pension funds and insurance companies;
- Enhanced confidence and trust of investors;
- Free publicity.

The listing and reporting requirements for funds are comparatively non-complicated, at the same time still allowing to use the advantages offered by a public capital market: a wide investor base, a high confidence level of the investors and availability of information. Currently three funds are listed on the Riga Stock Exchange Investment fund list:

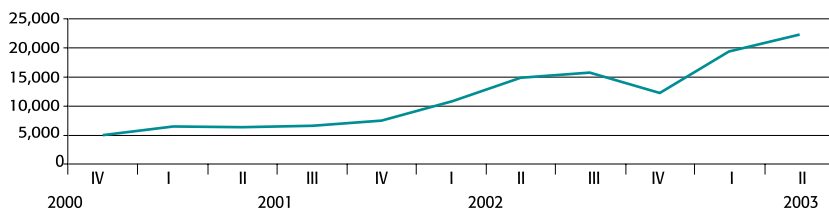
Ticker	Name	Type	Investment policy	Asset management company
BIF	Baltic Index fonds	Open-end	Equities	Baltikums Asset Management
BNIF	Baltijas Nekustamā Īpašuma fonds	Open-end	Real estate	Parekss ieguldījumu sabiedrība
VOF	Valsts obligāciju fonds	Closed-end	Bonds	Baltikums Asset Management

# Investment Funds

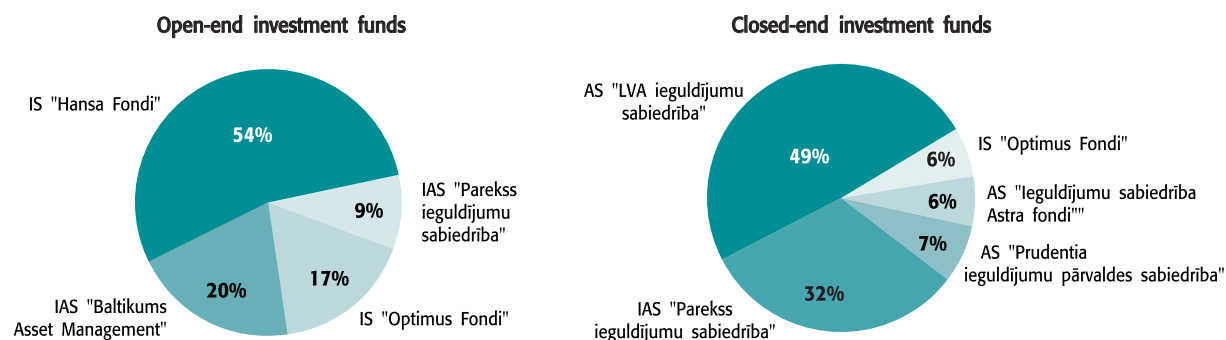
## Investment fund performance in 2002–2003

In 2002 investment fund total net asset value increased by 69.3%, amounting to LVL 12.2 million. In the first half of 2003 the fund assets increased by 86.1% over the end of 2002 value, and amounted to LVL 22.7 million.

Change of investment fund net asset value in 2000–2003 (LVL thousand)

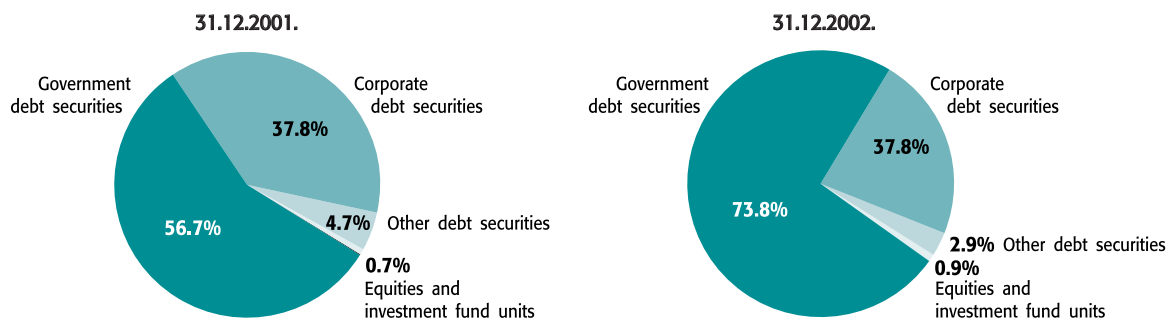


Investment fund asset value breakdown by asset manager (as of 31.12.2002)



2002 the fund investment portfolio structure underwent visible changes. Investments in Government debt securities increased by 112.6%, reaching LVL 6.5 million or 73.8% of total securities value at the end of 2002 (56.7% at the end of 2001). This testifies of a conservative investment policy. At the same time, investments in corporate debt securities decreased by 3.3%, and their weight in total securities value reduced by 15.4%, resulting in 22.4% at the end of 2002 (37.8% at the end of 2001). Though investments in equities increased by 113.4% over 2002, amounting to 0.9% of total securities value at the end of the year, it did not introduce any material changes in total securities portfolio structure (0.7% at the end of 2001).

Investment portfolio breakdown by type of security



The investment value in Latvian securities increased by 104.9% over 2002, amounting to LVL 8.1 million or 91.2% of total securities value at the end of 2002 (72.7% at the end of 2001). Investments in Lithuanian and Estonian securities dropped by 81.8%, their weight in investment portfolio reducing to 1.7% (15.1% at the end of 2001). Investments in securities registered in the OECD countries did not change over 2002, and contributed 6.4% to total portfolio value at the end of 2002.

## Perspectives

Investment funds are occupying an increasingly important place among the Latvian capital market instruments. The investors – both corporate and retail – more and more frequently opt for investment funds when considering where to invest their spare money. It is very important that many of Latvian funds give priority to Latvia and the Baltic states when seeking for investment targets. This is expected to be an attractive element not only for domestic, but foreign investors as well.

Another 2–3 investment funds may be registered in Latvia in a very near future. Providing the same asset value growth rate continues, an increase in Latvian capital market may be expected within the next 2–3 years.



### Fund management company Baltikums Asset Management

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 (371) 7 028 428  
**Fax** (371) 7 028 418  
**Internet home page** <http://asset.baltikums.lv>  
**E-mail** [fonds@baltikums.com](mailto:fonds@baltikums.com)

### Company information

**Core business** Investing  
**Foundation date** 1-Sep-98  
**Auditors** Nelli Jermolicka

### Management Board

**Ralfs Drēška** (Chairman)  
 Lolita Sičeva, Pāvels Komarovs

### Investor relations

**Lolita Sičeva** (Fund Manager)  
**Telephone** (371) 7 028 428  
**E-mail** [lolita.sicheva@parks.lv](mailto:lolita.sicheva@parks.lv)

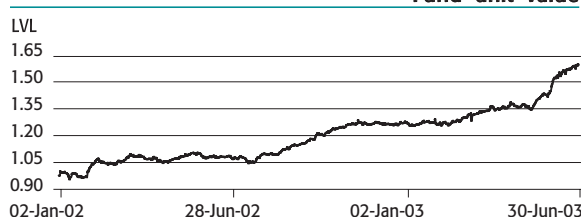
### Structure of ownership

(30-Jun-03)  
**Komerbanka Baltikums** 98%

### Fund structure

**Listing** Riga Stock Exchange  
**Listing date** 17-Apr-01  
**Fond type** Open-end  
**List** Investment fund  
**Net asset value** LVL 269,948  
 EUR 426,458  
**Face value** LVL 1

### Fund unit value



Unit value (30-Jun-03)	Yield (%)			
	1 month	3 months	6 months	12 months
LVL 1.589	31.56	64.93	37.70	25.93

### Profile of the fund management company

Investment Joint Stock Company *Baltikums Asset Management* (operating since 1998) main lines of business are:

- investment fund asset management and issuing of the fund units;
- State Funded Pension system asset management;
- private pension fund asset management.

*Baltikums Asset Management* has set for itself the following tasks:

- to retain the status of an investment company that is offering to its clients a full range of asset management company services in a high quality;
- to retain the investment fund market share in Latvia by founding new open-end and closed-end investment funds;
- to offer to the clients – retail as well as corporate – a vast spectrum of investment services via the funds founded by *Baltikums Asset Management*, investing the assets under its management in securities, in money market instruments, and in real estate.

*Baltikums Asset Management* share capital amounts to 150,000 LVL. The company made a profit of 11.2 thousand LVL in 2002. EPS was 7.5%, ROE 7.2%, and LVL 5710 (LVL 0.038) were paid in dividend.

*Baltikums Asset Management* presently runs two listed open-end investment funds – *Baltic Index fonds* and *Valsts obligāciju fonds*.

## AIF Baltic Index funds investment portfolio as of 30-Jun-03

Equities	% of portfolio
Eesti Telekom	8.7
Hansapank	8.4
Norma	4.6
Merko Construction	4.4
Harju Elekter	3.2
Lietuvos Telekomas	8.7
Ekranas	4.4
Utenos Trikotazas	4.1
Snaige ORS	7.7
Vilniaus Vingis	4.5
Ventspils Nafta	2.2
Latvijas Kuģniecības (LASCO)	2.6
Debt securities	
Latvian T-bonds	22.6
Cash	13.9
	<b>100</b>

## Performance of AIF Baltic Index funds

Date	Price of IC LVL	Annual Yield %	Net Assets LVL
31-Sep-00	0.988	–	101,695
31-Dec-00	1.057	26.25	102,780
31-Mar-01	1.055	12.77	102,587
31-Jun-01	1.083	4.90	102,066
31-Sep-01	1.075	9.25	101,300
31-Dec-01	1.153	9.07	107,492
31-Mar-02	1.259	19.35	113,320
31-Jun-02	1.262	16.54	139,528
31-Sep-02	1.268	17.99	142,284
31-Dec-02	1.337	15.98	173,208
31-Mar-03	1.373	9.07	236,817
31-Jun-03	1.590	25.93	269,948

## History and financial performance of the fund

*Baltic Index funds* is a medium risk investment fund that, by diversifying the risks, is able to combine the investment safety with higher returns on investment in medium and long term, by investing stocks. *Baltic Index funds* is investing in Estonian, Latvian and Lithuanian 15 "blue-chip" *Baltic Index* stocks. The fund may also invest in Government debt paper issued or guaranteed in the Baltic and OECD states.

During the first half of 2003 the prices of many stocks have climbed to their all-times-high. The good financial performance of the largest and most liquid companies and their dividend policies has left a positive effect on the fund performance; apart from that, there has been a net asset increase by LVL 55 thousand owing to the issuing and buying back the fund units. The fund demonstrated a high 34.19% yield.

Further development in 2003 in the Baltic equity market and, consequently, *Baltic Index funds* will depend on two key factors:

- the outcome of referendum on the EU accession in Latvia and Estonia;
- trends in global money markets and financial markets.

An affirmative outcome of the referendum could bring new investors to the Baltic markets, previously refraining from investing in Baltic company stocks. The performance of *Baltic Index funds* depends directly on this element.

# Valsts obligāciju fonds

## Government Treasury-bond fund

**Fund management company**  
Baltikums Asset Management

**Address** Mazā Pils iela 13, Rīga, LV-1050  
**Telephone** (371) 7 028 424, (371) 7 028 428  
**Fax** (371) 7 028 418  
**Internet home page** <http://asset.baltikums.lv>  
**E-mail** [fonds@baltikums.com](mailto:fonds@baltikums.com)

### Company information

**Core business** Investing  
**Foundation date** 1-Sep-98  
**Auditors** Nelli Jermolicka

### Management Board

**Rālis Drēška** (Chairman)  
Lolita Sičeva, Pāvels Komarovs

### Investor relations

**Lolita Sičeva** (Fund Manager)  
**Telephone** (371) 7 028 428  
**E-mail** [lolita.sicheva@parks.lv](mailto:lolita.sicheva@parks.lv)

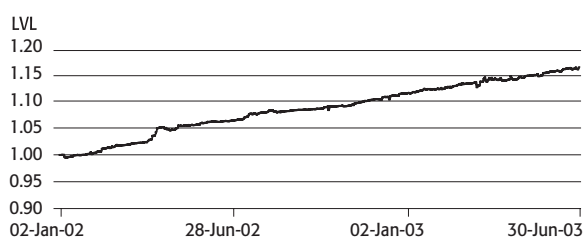
### Structure of ownership

(30-Jun-03)  
**Komerbanka Baltikums** 98%

### Fund structure

**Listing** Riga Stock Exchange  
**Listing date** 07-Jan-02  
**Fond type** Open-end  
**List** Investment fund  
**Net asset value** LVL 1,847,918  
EUR 2,919,301  
**Face value** LVL 1

### Fund unit value



Unit value (30-Jun-03)	Yield (%)			
	1 month	3 months	6 months	12 months
LVL 1.162	6.68	7.90	7.22	7.33

### Profile of the fund management company

Investment Joint Stock Company *Baltikums Asset Management* (operating since 1998) main lines of business are:

- investment fund asset management and issuing of the fund units;
- State Funded Pension system asset management;
- private pension fund asset management.

*Baltikums Asset Management* has set for itself the following tasks:

- to retain the status of an investment company that is offering to its clients a full range of asset management company services in a high quality;
- to retain the investment fund market share in Latvia by founding new open-end and closed-end investment funds;
- to offer to the clients – retail as well as corporate – a vast spectrum of investment services via the funds founded by *Baltikums Asset Management*, investing the assets under its management in securities, in money market instruments, and in real estate.

*Baltikums Asset Management* share capital amounts to 150,000 LVL. The company made a profit of 11.2 thousand LVL in 2002. EPS was 7.5%, ROE 7.2%, and LVL 5710 (LVL 0.038) were paid in dividend.

*Baltikums Asset Management* presently runs two listed open-end investment funds – *Baltic Index fonds* and *Valsts obligāciju fonds*.

## AIF Valsts Obligāciju fonds investment portfolio as of 30-Jun-03

Debt securities	% of portfolio
Latvian T-bonds 06.11.2003	0.6
Latvian T-bonds 24.03.2005	16.9
Latvian T-bonds 26.01.2006	19.3
Latvian T-bonds 08.05.2007	18.3
Latvian T-bonds 14.02.2013	21.8
LatvianEurobond 27.11.2008	5.4
Eurobond (Finland) 2007	4.1
Eurobond (Austria) 2008	4.4
Mortgage bonds	3.8
Unibank bonds 2005	3.2
Cash	2.0
	<b>100</b>

## Performance of AIF Valsts Obligāciju fonds

Date	Price of IC LVL	Annual Yield %	Net Assets LVL
31-Sep-01	0.999	–	126,931
31-Dec-01	1.023	7.72	489,934
31-Mar-02	1.061	13.83	544,994
31-Jun-02	1.082	11.11	3,327,940
31-Sep-02	1.100	10.07	2,684,895
31-Dec-02	1.121	9.59	1,762,497
31-Mar-03	1.145	7.95	1,877,263
31-Jun-03	1.162	7.33	1,847,918

## History and financial performance of the fund

*Valsts obligāciju fonds* is a low risk and stable return investment fund investing in Government debt paper issued by countries with high sovereign credit ratings. The fund invests exclusively in Government debt paper issued or guaranteed by the Baltic States and the OECD countries, as well as in bank term deposits. *Latvijas Unibanka* is custodian for the fund. *Komerbanka Baltikums* and *Latvijas Unibanka* are the official distributors of *Valsts obligāciju fonds* units.

The trend of declining yields in global debt markets led to an increased interest in Latvian bonds. In the first half of 2003 the fund demonstrated a yield of 6.88% owing to the increase of investment value, as well as the net asset increase from issuing and buying of fund units (LVL 20.9 thousand).

Further development in 2003 in the Baltic capital market and, consequently, *Valsts obligāciju fonds* will depend on two key factors:

- the outcome of referendum on the EU accession in Latvia and Estonia;
- trends in global money markets and financial markets.

In the second half of 2003 the prospects of *Valsts Obligāciju fonds* may be affected by still further lowering of EUR and USD base rates, likely to boost fixed income market, thus bringing down the yields. In a foreseeable future, when global economy recovers, the rates are expected to go up, resulting in dwindling optimism in debt market. In this situation, it is critical to choose the correct investment policy, and to assess the fixed income portfolio from the bond maturity structure aspect

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<b>Hansabanka</b>	Kaļķu iela 26, Rīga LV-1050	Tel.: (371) 7024149; (371) 7024444 Fax: (371) 7024400 <a href="http://www.hansabanka.lv">www.hansabanka.lv</a>
<b>Latvijas ekonomiskā komercbanka</b>	E.Birznieka-Upīša 21, Rīga LV-1011	Tel.: (371) 7221376; (371) 7210868 Fax: (371) 7210654 <a href="http://www.lateko.lv">www.lateko.lv</a>
<b>Hipotēku banka</b>	Doma laukums 4, Rīga LV-1977	Tel.: (371) 7229733; (371) 7222945 Fax: (371) 7820143 <a href="http://www.hipo.lv">www.hipo.lv</a>
<b>Latvijas Krājbanka</b>	Palasta iela 1, Rīga LV-1954	Tel.: (371) 7210600; (371) 7222871 Fax: (371) 7212083 <a href="http://www.krajbanka.lv">www.krajbanka.lv</a>
<b>Latvijas Unibanka</b>	Pils iela 23, Rīga LV-1050	Tel.: (371) 7215587; (371) 7215808 Fax: (371) 7215335 <a href="http://www.unibanka.lv">www.unibanka.lv</a>
<b>Nordea</b>	Kaļķu iela 15, Rīga LV-1050	Tel.: (371) 7096272; (371) 7096245 Fax: (371) 7820325 <a href="http://www.nordea.lv">www.nordea.lv</a>
<b>Nord/LB</b>	Smilšu iela 6, Rīga LV-1050	Tel.: (371) 7015425; (371) 7015233 Fax: (371) 7323449 <a href="http://www.nordlb.lv">www.nordlb.lv</a>
<b>Multibanka</b>	Elizabetes iela 57, Rīga LV-1011	Tel.: (371) 7283204; (371) 7289546 Fax: (371) 7828232 <a href="http://www.multibanka.lv">www.multibanka.lv</a>
<b>Pareks banka</b>	Smilšu iela 3, Rīga LV-1522	Tel.: (371) 7010176; (371) 7010190 Fax: (371) 7010191 <a href="http://www.parex.lv">www.parex.lv</a>
<b>Rietumu banka</b>	Brīvības iela 54, Rīga LV-1011	Tel.: (371) 7025584; (371) 7025555 Fax: (371) 7025221 <a href="http://www.rietumu.lv">www.rietumu.lv</a>
<b>Suprema</b>	Valņu iela 1, Rīga LV-1050	Tel.: (371) 7210690; (371) 7228148 Fax: (371) 7210768 <a href="http://www.suprema.lv">www.suprema.lv</a>
<b>RB Securities</b>	Brīvības iela 54, Rīga LV-1011	Tel.: (371) 7025584; (371) 7025555 Fax: (371) 7025221 <a href="http://www.rbsecurities.lv">www.rbsecurities.lv</a>

*OMHEX is a leading provider of marketplace services and transaction technology, facilitating efficient securities transactions. OMHEX operations are based on two divisions; OM Technology, a leading provider of transaction technology for the world's financial and energy markets and HEX Integrated Markets – through its exchange operations within Stockholmsbörsen, HEX Helsinki, HEX Tallinn and HEX Riga, it offers investors access to 80% of the Nordic equity market and 75% of the Baltic equity market. HEX Integrated Markets also operates CSDs in Finland, Estonia and Latvia.*

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## **HEX Integrated Markets**

### **HEX Helsinki**

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## **OM Technology**

### **OM Technology AB**

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[www.om.com](http://www.om.com)



All volumes and prices of Latvian companies in this Guide are in Latvian national currency lats (LVL). LVL is pegged to SDR currency basket at a constant rate of 0.7997 LVL starting with February 1994. Profit and loss statements for the first half of 2003 are cumulative for the first and second quarters of 2003. In charts share prices are not adjusted for stock and cash dividends.

*Guide to Listed Securities* contains data on the securities listed on the Riga Stock Exchange Official and Second lists as of June 30, 2003. All the figures (including exchange rates, capitalisation of the companies, share prices, etc.) are as of June 30, 2003 if not stated otherwise.

Information on corporate history, business activity, plans and prospects for 2002-2003, structure of ownership, as well as financial statements have been provided by the companies themselves. The Riga Stock Exchange makes no representation, express or implied warranty with respect to completeness or accuracy of its contents and this information is not to be relied upon as authoritative.























# dabāsgāze

sākums labai enerģijai

 AKCIJU SABIEDRĪBA  
**LATVIJAS GĀZE**

*www.lg.lv*

# Leadership in Baltic Investment Banking

 <p>Privatisation IPO of 51% of the Latvian Shipping Company</p> <p>LVL 35,700,000</p> <p>Lead Manager</p> <p>July, 2002</p>	 <p>Award of 30-year enterprise lease with respect to AS Tallinna Soojus, Tallinn district heating utility, by the City of Tallinn</p> <p>Sole Financial Adviser to Dalkia International SA</p> <p>January 2002, Estonia</p>	 <p>Trade sale of a 54,72% stake in leading Estonian poultry producer AS Tallegg to a consortium of HK Ruokatalo Oyj and Landbrukarnas Riksförbund</p> <p>Sole Financial Adviser to the sellers</p> <p>August 2001, Estonia</p>	 <p>Corporate restructuring and spin-off of UAB Alnos Biuro Sistemose to Alina shareholders</p> <p>Sole Financial Adviser to AB Alna</p> <p>June 2001, Lithuania</p>	 <p>Reorganisation and trade sale of 12 municipal facility management companies</p> <p>Sole Financial Adviser to the City of Tallinn</p> <p>May 2001, Estonia</p>	 <p>Sale of a 50.4% stake in Tallinn Water to a consortium of International Water Ltd. and United Utilities plc</p> <p>Sole Financial Adviser of the City of Tallinn</p> <p>January 2001, Estonia</p>
 <p>Sale of a 100% stake in leading Estonian construction materials wholesaler and retailer AS Fanaal to Kesko Oyj</p> <p>Sole Financial Adviser to the sellers</p> <p>May 2001 Estonia</p>	 <p>Privatisation of a 90% stake in leading Lithuanian gas stations chain AB Ventus Nafta</p> <p>Sole Financial Adviser to UAB Uotas</p> <p>April 2000, Lithuania</p>	 <p>Acquisition of a 100% stake in leading Latvian system integrator A/A Fortech</p> <p>Sole Financial Adviser to AS MicroLink</p> <p>February 2000, Latvia</p>	 <p>Acquisition of a 100% stake in leading Estonian waste collection company Eriautobaasi AS</p> <p>Sole Financial Adviser to Ragn Sells Eesti AS</p> <p>December 1999, Estonia</p>	 <p>Acquisition of a 51% stake in Latvian system integrator A/S VAR</p> <p>Sole Financial Adviser to AS MicroLink</p> <p>December 1999, Latvia</p>	 <p>Acquisition of a 49.9% stake in Lithuanian brewery AB Ragutis</p> <p>Sole Financial Adviser to AS A-Le Coq</p> <p>October 1999, Lithuania</p>
 <p>Acquisition of a 51% stake in Latvian brewery A/S Cesu Alus</p> <p>Sole Financial Adviser to AS A-Le Coq</p> <p>April 1999, Latvia</p>	 <p>Sale of an 80% stake in Lithuanian stevedoring company AB "Klaipėdas Joro krovimo kompanija" to an international consortium</p> <p>Sole Financial Adviser to the Government of the Republic of Lithuania</p> <p>February 1999, Lithuania</p>	 <p>Acquisition of a significant minority stake in leading Lithuanian bank A/S Vilnaus Bankas</p> <p>Sole Domestic Financial Adviser to S-E-Banken</p> <p>January 1999, Lithuania</p>	 <p>Acquisition of a significant minority stake in leading Latvian bank A/S Latvijas Unibanka</p> <p>Sole Domestic Financial Adviser to S-E-Banken</p> <p>December 1998, Latvia</p>	 <p>Acquisition of a significant minority stake in leading Estonian bank AS Eesti Ühispank</p> <p>Sole Domestic Financial Adviser to S-E-Banken</p> <p>December 1998, Estonia</p>	 <p>Acquisition of a 49% stake in Narva Electricity Distribution Network</p> <p>Sole Financial Adviser to Cinergy Global Power Inc.</p> <p>September 1998, Estonia</p>

Suprema Securities is the pre-eminent Baltic investment bank with significant focus on advisory, M&A, venture capital and capital markets. Being part of Nordic investment bank Evli, we are uniquely positioned to assist local companies seeking capital and international players seeking entry to rapidly growing Baltic market. Combination of local presence and international scope makes us the partner of choice for both Nordic and Baltic companies in cross-border M&A and capital market transactions.

Our commitment and independence coupled with broad spectrum of investment banking products allow us to tailor each solution to your needs.





# The Oil Window on Europe

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The Banker Magazine



Euromoney Magazine



Global Finance Magazine



Loan Participation Notes  
**USD 125,000,000**  
**9.25% notes due 2008**

**Co-Lead Manager**  
June 2003



Syndicated Loan  
**LVL 36,000,000**

**Arranger**  
October 2002  
May 2003



Ukraine  
**USD 260,000,000**  
**11% Eurobond due 2007**

**Co-Manager**  
November 2002



**USD 125,000,000**  
**10.75% Eurobond**  
**due 2005**

**Co-Manager**  
December 2002



Callable Range Accrual Note

**USD 20,000,000**  
**8.5% notes due 2012**

**Joint Lead Manager**  
October 2002



Floating Rate Loan  
Linked Note Issue  
**USD 200,000,000**  
Notes due 2004

**Co-Manager**  
July 2002



Republic of Latvia  
Bond Issue

**EUR 200,000,000**  
**5.375% bonds due 2008**

**Co-Lead Manager**  
November 2001



Bond Issue

**LTL 150,000,000**  
**10.15% bonds due 2004**

**Co-Lead Manager**  
March 2001



Sale of Majority  
Shareholding



**Advisor**  
October 2000



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**LIEPAJA SPECIAL ECONOMIC ZONE  
JOINT STOCK COMPANY**

# ***LIEPĀJAS METALURGS***

- **The only metallurgical company in the Baltic States.**
- **Location: Liepaja-port city.**
- **Advantages:**
  - the port is free of ice the whole year round,**
  - 10 minutes drive to the port.**
- **Main activities:**
  - production and sales of low carbon and low alloyed steel;**
  - stevedoring services.**
- **Company's functioning principles correspond ISO-9002 Quality Standards.**

**Liepaja SEZ Joint Stock company "Liepajas metalurgs" offers:**

- I. **reinforcing bars in conformity with (standards)**  
ASTM-A615; GOST 5781; JIS G 3112; NF A35-016; PN 82- H93215; BS 4449; DIN448;  
UNI 6407; LNEC: E 450-1998  
diameter: from 9,52 mm-40 mm  
length: up to 15 m
- II. **rolled metal of different profile:**  
round, square and flat bars
- III. **low carbon steel wire**  
packing: coils
- IV. **wire nails**  
250 different types including hot dip galvanized nails;  
packing: cardboard boxes; 1; 2,5; 5; 10; 25; 600 kg on europallets
- V. **steel, pig iron and bronze castings**

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**Riga Stock Exchange**  
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