

***JSC “RĪGAS KUĢU BŪVĒTAVA”***  
***Financial statements for 6 months of the year 2004***

***Riga, 2004***

**MANAGEMENT REPORT**  
**On the financial statements for 6 months of the year 2004**

Within the first six months of 2004 activities of JSC “Rīgas kuģu būvētava” were stable, continued the development course stated during the previous years.

During the first half of 2004 JSC “Rīgas kuģu būvētava” total turnover amounted to LVL 5 791 361 (compared with the relevant stage of the year 2003 LVL 9 329 605). Gross profit of the Company amounted to LVL 440875 (in 2003 - LVL 417092 ), net profit at the 1st half of 2004 amounted to LVL 168597, in 2003 respectively - LVL 290356.

In 2004 net turnover reduced compared with the results of 2003, which is related to the fact that by the clients request the periods of ships building and commissioning were postponed to another period and in this connection the volume of shipbuilding reduced too.

Within the first 6 months of the year 2004 in aggregate JSC “Rīgas kuģu būvētava” repaired 50 ships (in 2003 there were repaired 56 ships within the relevant period of time), there were made and launched 3 ship hulls (in 2003 – 7 ship hulls). The range of products and services of JSC “Rīgas kuģu būvētava”, as well as raw materials suppliers in 2004 were not essentially changed, traditionally the shipowners from Western Europe, Russia, Estonia and Latvia were the main customers in the sphere of ship repair, in its turn the customers of ship hulls are from Scandinavian countries. JSC “Rīgas kuģu būvētava” generally purchases raw materials in Western Europe, Russia, Ukraine, Lithuania, as well as Latvia.

Taking into account the price rise for metal already in the first half of the year 2004 JSC “Rīgas kuģu būvētava” made advance payments for metal applying the received banking credit for this purpose.

In view of price rise for power resources the Company pays special attention to costs reduction. As one of the measures may be specified the one that at present during the production process natural gas is used as the fuel gas (earlier acetylene was used for this purpose). Further it is planned to carry out transfer from propane-butane and kerosene (paraffin oil) to the natural gas. To save up and optimize the use of compressed air new compressor station is installed and new compressors are purchased.

Both at present and in future JSC “Rīgas kuģu būvētava” will pay full attention to technical supply of the Company, as well as will take an active part in the international tenders to attract more and more new clients. As actively as earlier, it is proposed the building of a complete set of ships.

Funds will be invested for the further development to enable successful competition of the Company on the Baltic region and world markets.

**Profit-and-Loss Account for 6 months of the year 2004**

		(according to the circulating costs-based method)	
	Notes	For 6 months of 2004, LVL	For 6 months of 2003, LVL
1. Net turnover	(1)	5791361	9329605
2. Production costs of the products sold	(2)	5350486	8912513
<b>3. Gross profit or loss</b>		<b>440875</b>	<b>417092</b>
4. Selling costs	(3)	37335	47588
5. Administrative costs	(4)	305915	232208
6. Other income as a result of economic activities of the company	(5)	1005699	1056571
7. Other expenses as a result of economic activities the company	(6)	871716	692234
8. Other interest income and similar income	(7)	71208	14808
9. Long-term financial investments and short-term securities value writing off	(8)		
10. Interest payment and similar costs	(9)	53588	55046
<b>11. Profit or loss before special items and taxes</b>		<b>249228</b>	<b>461395</b>
12. Extra-budgetary expenses			
<b>13. Profit or loss before taxes</b>		<b>249228</b>	<b>461395</b>
14. Corporate income tax for the year of account	(10)	58598	149212
15. Other taxes	(11)	22033	21827
<b>16. Profit or loss for the year of account (net incomes)</b>		<b>168597</b>	<b>290356</b>

## Balance Sheet as of 30 June 2004

## Assets

<b>ASSETS</b>	Notes No.	Line code	As at the end of the year of account	As of the beginning of the year
<b>1. LONG-TERM INVESTMENTS</b>				
<b>I Intangible investments</b>				
1. Research and development expenses of the Company		010		
2. Concession, patents, licenses, trade marks and similar costs		020		
3. Other intangible assets		021		
4. Goodwill		030		
5. Advance payments for intangible investments		040		
<b>I TOTAL</b>		<b>050</b>	<b>0</b>	<b>0</b>
<b>II Fixed assets</b>				
1. Land, buildings and structures and long-term plantings		060	2125292,00	2038741,00
2. Long term lease fixed assets		070	15535,00	15535,00
3. Machinery and equipment		080	2667301,00	2628916,00
4. Other fixed assets and inventory		090	295866,00	261659,00
5. Fixed assets formation costs		100	124941,00	144533,00
6. Advance payments for the fixed assets		110	24059,00	49187,00
<b>II TOTAL</b>		<b>120</b>	<b>5252994,00</b>	<b>5138571,00</b>
<b>III Long-term financial investments</b>				
1. Participation in the related companies capital		130		
2. Loans to the related companies		140		
3. Participation in the associated companies capital		150	2164782,00	2164782,00
4. Loans to the associated companies		160		
5. Other securities and investments		170	165,00	165,00
6. Other loans		180	405105,00	400312,00
7. Owners' stocks and shares		190		
8. Loans of the Company to joint owners and management		200	497000,00	497000,00
<b>III TOTAL</b>		<b>210</b>	<b>3067052,00</b>	<b>3062259,00</b>
<b>1. TOTAL AMOUNT ACCORDING TO THE PART</b>		<b>220</b>	<b>8320046,00</b>	<b>8200830,00</b>
<b>2. CURRENT ASSETS</b>				
<b>I Stocks</b>				
1. Raw materials, direct materials and supplementary materials		230	2197201,00	2046888,00
2. Unfinished products		240	3428878,00	1172112,00
3. Finished products and goods for sales		250		
4. Ongoing orders		260		
5. Advance payments for goods		270	1401312,00	220084,00
6. Working livestock and productive livestock		280		
<b>I TOTAL</b>		<b>290</b>	<b>7027391,00</b>	<b>3439084,00</b>
<b>II Debtors</b>				
1. Buyers and customers' debts		300	2008534,00	2664072,00
2. Related companies debts		310		
3. Associated companies debts		320	174529,00	
4. Other accounts receivable		330	1386850,00	1418009,00
5. Unpaid part of the company capital		340		
6. Short-term loans of an enterprise to joint owners and management		350	1008195,00	1056104,00
7. Prepaid expenses		360	44963,00	60030,00
<b>II TOTAL</b>		<b>370</b>	<b>4623071,00</b>	<b>5198215,00</b>
<b>III Securities and sharing in capitals</b>				
1. Participation in the related companies capital		380	2077806,00	2077806,00
2. Owners' stocks and shares		390		
3. Other securities and sharing in capitals		400		
<b>III TOTAL</b>		<b>410</b>	<b>2077806,00</b>	<b>2077806,00</b>
<b>IV Cash</b>		<b>IV TOTAL</b>	<b>420</b>	<b>27902,00</b>
<b>2. TOTAL AMOUNT ACCORDING TO THE PART</b>		<b>430</b>	<b>13756170,00</b>	<b>11179265,00</b>
<b>BALANCE</b>		<b>440</b>	<b>22076216,00</b>	<b>19380095,00</b>

## Balance Sheet as of 30 June 2004

## Liabilities

LIABILITIES	Notes No.	Line code	As at the end of the year of account	As of the beginning of the year
<b>1. OWNERS' EQUITY</b>				
1. Share capital		450	11672107,00	11672107,00
2. Share issue extra charge		460		
3. Long-term investment revaluation reserve		470		
<b>4. Reserves:</b>				
a) reserves set by law		480		
b) owners' shares reserves		490		
c) reserves provided for by the company Articles of Association		500		
d) other reserves		510		
IV TOTAL		520	0,00	0,00
<b>5. Undivided profit:</b>				
a) undivided profit for the previous year		530	2951511,00	2528661,00
b) undivided profit for the year of account		540	168597,00	422850,00
TOTAL AMOUNT ACCORDING TO THE PART 1		550	14792215,00	14623618,00
<b>2. PROVISIONS</b>				
1. Provision for pensions and similar obligations		560		
2. Provision for contingent taxes		570		
3. Other provisions		580		
TOTAL AMOUNT ACCORDING TO THE PART 2		590	0,00	0,00
<b>3. CREDITORS</b>				
<b>I Long-term accounts payable</b>				
1. Loans against bonds		600		
2. Loans transferred in shares		610		
3. Loans from credit institutions		620		
4. Other loans		630		
5. Advance payments from customers		640		
6. Debts to suppliers and contractors		650		
7. Payment bills		660		
8. Debts to the related companies		670		
9. Debts to the associated companies		680		
10. Taxes and social security payments		690		
11. Other creditors		700		
12. Prepaid income		710	91809,00	91809,00
13. Dividends for the year of account		720		
14. Unpaid dividends for the previous year		730		
I TOTAL		740	91809,00	91809,00
<b>II Short-term accounts payable</b>				
1. Loans against bonds		750		
2. Loans transferred in shares		760		
3. Loans from credit institutions		770	2335516,00	1569488,00
4. Other loans		780		
5. Advance payments from customers		790	2105858,00	623635,00
6. Debts to suppliers and contractors		800	1908707,00	1634473,00
7. Bills payable		810		
8. Debts to the related companies		820	351859,00	243450,00
9. Debts to the associated companies		830		65775,00
10. Taxes and social security payments		840	187769,00	163493,00
11. Other creditors		850	205444,00	175445,00
12. Prepaid income		860	91809,00	183620,00
13. Dividends for the year of account		870		
14. Unpaid dividends for the previous year		880	5230,00	5289,00
II TOTAL		890	7192192,00	4664668,00
TOTAL AMOUNT ACCORDING TO THE PART 3		900	7284001,00	4756477,00
<b>BALANCE</b>		910	<b>22076216,00</b>	<b>19380095,00</b>

## Cash flow statement for 6 months of the year 2004

	<u>LVL</u>
<b>I. Cash from primary activity</b>	
Received from buyers	8714879
Penalty received	-
Paid to suppliers	-7156996
Wages and the related taxes paid	-1920546
Interest paid	-53588
Interest received	-
Corporate income tax	-56091
Other tax payments	-274159
Penalty paid	-
Other incomes	-
<b>Net cash flow from the primary activity</b>	<b><u>-746501</u></b>
<b>II. Cash flow from investment activities:</b>	
Paid for the fixed assets acquisition	-386097
Received for the fixed assets sold	1024
Paid for long-terms investments	-
Loans granted	-70653
Loans repaid	-
Shares purchasing	-
Shares sales	-
<b>Net cash flow from investment activities</b>	<b><u>-455726</u></b>
<b>III. Cash flow from financing</b>	
Loan received	766028
Loan repaid	-
Dividend paid	-59
<b>Net cash flow from financial activities</b>	<b><u>765969</u></b>
<b>Net cash flow and equivalent changes thereof</b>	<b><u>-436258</u></b>
<b>Cash and equivalent thereof in the beginning of the period of account</b>	<b><u>464160</u></b>
<b>Cash and equivalent thereof at the end of the period of account</b>	<b>27902</b>

<b>Report on equity capital change for 6 months of 2003, 2004</b>							
Types of changes	Stock or share capital	Reserves set by law	Long-term investments revaluation reserve	Other reserves	Undivided Profit	Total	
	LVL	LVL	LVL	LVL	LVL	LVL	
	<b>Balance as of 31.12.2002.</b>	<b>11672107</b>				<b>2897191</b>	<b>14569298</b>
	Net profit or loss for the period of account				215381	<b>215381</b>	
<b>Balance as of 30.06.2003.</b>	<b>11672107</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>3112572</b>	<b>14784679</b>	
<b>Balance as of 31.12.2003.</b>	<b>11672107</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>2951511</b>	<b>14623618</b>	
Net profit or loss for the period of account					168597	<b>168597</b>	
<b>Balance as of 31.12.2003.</b>	<b>11672107</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>3120108</b>	<b>14792215</b>	