

“Riga shipyard” JSC /Rīgas Kuģu Būvētava A/S/

***“RIGA SHIPYARD” JSC***  
***financial statements for 3 months of the year 2006***  
***(not audited)***  
***(not consolidated)***

***Riga, 2006***

| <b><i>Content</i></b>             | <b><i>pages</i></b> |
|-----------------------------------|---------------------|
| Information on the company        | 3                   |
| Directorship report               | 4                   |
| Profit& loss calculation          | 5                   |
| Balance sheet                     | 6                   |
| Cash flow statement               | 8                   |
| Equity changes report             | 9                   |
| Notes to the financial statements | 10                  |

*“Riga shipyard” JSC*  
*financial statements for 3 months of the year 2006*

---

**Information on the company**

|  |   |
|--|---|
| Name of the company                                    | <b>Joint stock company “Riga shipyard”</b>  |
| Legal status   | Joint stock company   |
| Incorporation number, place and date                   | 000304589, 5 December 1991, companies register, Riga<br>40003045892, 26 August 2004, commercial register, Riga  |
| Registered office                                      | 2 Gales street, Riga, LV-1015   |
| Stock capital of the enterprise                        | Ls 11 672 107   |
| Core business of the enterprise                        | - building and repair of ships, yachts, catamarans, roll trailers and technological equipment<br>-Port services<br>-Wood processing, manufacturing of furniture designed for various functional purposes etc. |
| Associate enterprise                                   | “Tosmare Shipyard” JSC  |
| Address  | 42/44 Generala Baloza Street, Liepaya   |
| Partnership  | 49,72%  |
| Name, surnames and positions of members of the Board   |   |
| Vasilijs Melniks                                       | Chairman of the Board,  |
| Aivars Stolders  | Member of the Board   |
| Igors Komarovs   | Member of the Board   |
| Larisa Artemenko                                       | Member of the Board,  |
| Janis Davidovics                                       | Member of the Board,  |
| Name, surnames and positions of members of the Council |   |
| Sergejs Golcins  | Chairman of the Council   |
| Anatolijs Ustinovs                                     | Deputy Chairman of the Council  |
| Girts Stelbovics                                       | Member of the Council,  |
| Aleksandrs Cernavskis                                  | Member of the Council,  |
| Andris Kravalis  | Member of the Council,  |
| Chief accountant                                       | Marina Pudova, phone 7080868  |
| Annual report  | 1 January – 31 March 2006   |
| Tax authority  | SRS Riga regional institution Ziemeļu district division   |
| Name and address of an auditor                         | Natalija Zaiceva,<br>A sworn auditor (LSAA certificate No 138)  |
| Responsible person                                     | Sworn auditors firm KSIA “ORIENTS N”<br>LSAA certificate No 28  |
|  | Larisa Artemenko  |
|  | Member of the board<br>t.7353411 E-mail :larisa@riga-shipyard.com   |

*"Riga shipyard" JSC  
financial statements for 3 months*

---

**"Riga shipyard" JSC directorate statement  
of 2006 3month annual report**

In the past 2006 3 month "Riga shipyard" JSC'S total net turnover made up Ls 2743615 (compared to 2005 3month Ls 4654935.

Losses in 2006 3 month is Ls 327843, accordingly net profit in 2005 year 3month - Ls 216536.

Such decrease of turnover is explained by business seasonality. In 2006 was very long and cold winter and that prevented ships to come in to docks. Similar situation was in 2004 winter, but when company started working at full blast financial indices sharply was improved.

In year 2006 3 month JSC "Riga shipyard" in total repaired 16 ships (in 2005 there had been repaired 26 ships), it has been made and launched on water 1 hall as in 2005.

31 May 2006

"Riga shipyard" JSC  
Chairman of the Board of Directors

***V. Melņiks***

*“Riga shipyard” JSC*  
*financial statements for 3 months of the year 2006*

Profit & Loss calculation for 2006 year 3 months and 2005 year 3 months

|  | Remarks | 2006<br>3 months<br>Ls | 2005<br>3 months<br>Ls | 2006<br>3 months<br>EUR | 2005<br>3 months<br>EUR |
|--|---------|------------------------|------------------------|-------------------------|-------------------------|
| 1. Net turnover  | (1)     | 2743615                | 4654935                | 3903812                 | 6623376                 |
| 2. Sold production operating costs   | (2)     | 2873445                | 4227866                | 4088544                 | 6015711                 |
| <b>3. Gross profit or losses</b>   |         | <b>(129830)</b>        | <b>427069</b>          | <b>(184732)</b>         | <b>607665</b>           |
| 4. Selling costs   | (3)     | 10782                  | 5 980                  | 15341                   | 8509                    |
| 5. Administration costs  | (4)     | 188813                 | 168041                 | 268657                  | 239101                  |
| 6. Other enterprise's business activity's income   | (5)     | 295373                 | 439044                 | 420278                  | 624703                  |
| 7. Other enterprise's business activity's costs  | (6)     | 205423                 | 405701                 | 292290                  | 577261                  |
| <b>8. Profit &amp; Loss off business activity's</b>                                      |         | <b>(239475)</b>        | <b>286391</b>          | <b>(340742)</b>         | <b>407497</b>           |
| 9. Income from investments in capital of related and associated companies                |         |                        |                        |                         |                         |
| 10. Other percents and the like income   | (7)     | 33                     | 160                    | 47                      | 228                     |
| 11. Write-offs of the value of long-term financial investments and short-term securities |         |                        |                        |                         |                         |
| 12. Payment off percents and the like costs  | (8)     | 44456                  | 34633                  | 63255                   | 49278                   |
| <b>13. Profit &amp; Loss prior to extra ordinary items and taxes</b>                     |         | <b>(283898)</b>        | <b>251918</b>          | <b>(403950)</b>         | <b>358447</b>           |
| 14. Extraordinary income   |         |                        |                        |                         |                         |
| 15. Extraordinary expense  |         |                        |                        |                         |                         |
| <b>16. Profit &amp; loss prior to taxes</b>  |         | <b>(283898)</b>        | <b>251918</b>          | <b>(403950)</b>         | <b>358447</b>           |
| 17. Income taxes of the enterprise for the year of account                               |         | 32766                  | 24860                  | 46622                   | 35373                   |
| 18. Other taxes  | (9)     | 11179                  | 10522                  | 15907                   | 14971                   |
| <b>19. Year of account profit &amp; loss (net income)</b>                                |         | <b>(327843)</b>        | <b>216536</b>          | <b>(466479)</b>         | <b>308103</b>           |

Chairman of the Board \_\_\_\_\_ V. Melniks

*“Riga shipyard” JSC*  
*financial statements for 3 months of the year 2006*

**Balance as at 31 March 2006 year**

| <b>ASSETS</b>   | Remarks | 31.03.2006<br>Ls | 31.03.2005<br>Ls | 31.03.2006<br>EUR | 31.03.2005<br>EUR |
|---|---------|------------------|------------------|-------------------|-------------------|
| <b>Long-term investments</b>  |         |                  |                  |                   |                   |
| <b>I Intangible investments</b>   |         |                  |                  |                   |                   |
| 1. Research and development costs   |         |                  |                  |                   |                   |
| 2. Concessions, patents, licences, trade-marks and similar right              |         |                  |                  |                   |                   |
| 3. Other intangible investments   | (10)    | 43527            | 23380            | 61933             | 33267             |
| 4. Goodwill   |         |                  |                  |                   |                   |
| 5. Advance payments of intangible investments                                 |         | 91335            |                  | 129958            |                   |
| <b>Intangible investments in total</b>  |         | <b>134862</b>    | <b>23380</b>     | <b>191891</b>     | <b>33267</b>      |
| <b>II Fixed assets</b>  |         |                  |                  |                   |                   |
| 1. Lands, buildings, constructions, perennial plants                          |         | 3043397          | 2270566          | 4330364           | 3230724           |
| 2. Long-term investments into leased fixed assets                             |         | 17074            | 24664            | 24294             | 35094             |
| 3. Equipment and machinery  |         | 3573097          | 3172372          | 5084059           | 4513879           |
| 4. Other fixed assets and stock   |         | 337564           | 319082           | 480310            | 454012            |
| 5. Up building of fixed assets and unfinished building objects costs          |         | 539058           | 701417           | 767010            | 998026            |
| 6. Advanced payments for fixed assets   |         | 120889           | 17518            | 172010            | 24926             |
| <b>Fixed assets in total</b>  | (11)    | <b>7631079</b>   | <b>6505619</b>   | <b>10858047</b>   | <b>9256661</b>    |
| <b>III Long-term financial investments</b>                                    |         |                  |                  |                   |                   |
| 1. Participation in capital of related companies                              |         |                  |                  |                   |                   |
| 2. Participation in capital of associated companies                           | (12)    | 2219294          | 2268417          | 3157771           | 3227667           |
| 3. Other equities and investments   | (13)    | 165              | 165              | 235               | 235               |
| 4. Other loans and other long-term debtors                                    | (14)    | 602223           | 530746           | 856886            | 755184            |
| 5. Loans to copartners of the enterprises and to the directorship             | (15)    | 362284           | 326381           | 515484            | 464398            |
| <b>Long-term financial investments in total</b>                               |         | <b>3183966</b>   | <b>3125709</b>   | <b>4530376</b>    | <b>4 447484</b>   |
| <b>Long-term investments in total</b>   |         | <b>10949907</b>  | <b>9654708</b>   | <b>15580314</b>   | <b>13737412</b>   |
| <b>Current assets</b>   |         |                  |                  |                   |                   |
| <b>I Reserves</b>   |         |                  |                  |                   |                   |
| 1. Raw materials, direct materials and auxiliary materials                    | (16)    | 2881101          | 2689802          | 4099437           | 3827243           |
| 2. Unfinished production  | (17)    | 2588337          | 1181607          | 3682872           | 1681275           |
| 3. Production and goods ready for sale  |         |                  |                  |                   |                   |
| 4. Advance payments for goods   | (18)    | 77362            | 675691           | 110076            | 961422            |
| <b>Reserves in total</b>  |         | <b>5546800</b>   | <b>4547100</b>   | <b>7892385</b>    | <b>6469940</b>    |
| <b>II Debts of debtors</b>  |         |                  |                  |                   |                   |
| 1. Debts of buyers and customers  | (19)    | 1697886          | 3057618          | 2415874           | 4350598           |
| 2. Debts of related companies   |         |                  |                  |                   |                   |
| 3. Associated companies debts   | (20)    | 2519             | 224 807          | 3584              | 319872            |
| 4. Other debtors  | (21)    | 409130           | 943764           | 582139            | 1342855           |
| 5. Short-term loans to copartners of the enterprise's and to the directorship | (22)    | 1137446          | 1115487          | 1618440           | 1587195           |
| 6. Next period costs  | (23)    | 38600            | 43849            | 54923             | 62391             |
| 7. Recognized incomes   |         | 4463302          | 2384234          | 6350707           | 3392459           |
| <b>Debtors in total</b>   |         | <b>7748883</b>   | <b>7769759</b>   | <b>11025667</b>   | <b>11055370</b>   |
| <b>III Short-term financial investments</b>                                   |         |                  |                  |                   |                   |
| 1. Participation in capital of related companies                              |         |                  |                  |                   |                   |
| <b>Short-term financial investments in total</b>                              |         |                  |                  |                   |                   |
| <b>IV. Cash assets</b>  | (24)    | <b>13346</b>     | <b>22566</b>     | <b>18989</b>      | <b>32109</b>      |
| <b>Current assets in total</b>  |         | <b>13309029</b>  | <b>12339425</b>  | <b>18937041</b>   | <b>17557419</b>   |
| <b>Assets in total</b>  |         | <b>24258936</b>  | <b>21994133</b>  | <b>34517355</b>   | <b>31294831</b>   |

Chairman of the Board \_\_\_\_\_ V. Melniks

*“Riga shipyard” JSC*  
*financial statements for 3 months of the year 2006*

| <b>LIABILITIES</b>                                    | Remarks | 31.03.2006<br>Ls | 31.03.2005<br>Ls | 31.03.2006<br>EUR | 31.03.2005<br>EUR |
|---|---------|------------------|------------------|-------------------|-------------------|
| <b>Equity capital</b>                                 |         |                  |                  |                   |                   |
| 1. Stock or share capital (equity capital)            | (25)    | 11672107         | 11672107         | 16607912          | 16607912          |
| 2. Retained earnings                                  |         |                  |                  |                   |                   |
| a) previous years retained earnings                   |         | 2905707          | 2583590          | 4134449           | 3676117           |
| b) year of account retained earnings                  |         | (327843)         | 216 536          | (466479)          | 308103            |
| <b>Retained earnings in total</b>                     |         | <b>2577864</b>   | <b>2800126</b>   | <b>3667970</b>    | <b>3984220</b>    |
| <b>Equity capital in total</b>                        |         | <b>14249971</b>  | <b>14472233</b>  | <b>20275882</b>   | <b>20592132</b>   |
| <b>II Provision for liabilities and charges</b>       |         |                  |                  |                   |                   |
| 1.Provision for pensions and similar obligations      |         |                  |                  |                   |                   |
| 2.Provision for contingent tax                        |         |                  |                  |                   |                   |
| 3.Other provisions                                    | (26)    | 223510           | 204185           | 318026            | 290529            |
| <b>Provision for liabilities and charges in total</b> |         | <b>223510</b>    | <b>204185</b>    | <b>318026</b>     | <b>290529</b>     |
| <b>III Creditors</b>                                  |         |                  |                  |                   |                   |
| <b>I Long-term debts</b>                              |         |                  |                  |                   |                   |
| 1.Liability of leasing                                |         | 8660             |                  | 12322             |                   |
| 2. Deferred tax accrued liabilities                   |         | 319384           | 252442           | 454442            | 359193            |
| <b>Long-term debts in total</b>                       |         | <b>328044</b>    | <b>252442</b>    | <b>466764</b>     | <b>359193</b>     |
| <b>II Short-term debts</b>                            |         |                  |                  |                   |                   |
| 1.Loans from credit institutions                      | (27)    | 1868810          | 1610215          | 2659077           | 2291130           |
| 2.Other loans   |         |                  |                  |                   |                   |
| 3.Liability of leasing                                | (28)    | 4110             |                  | 5848              |                   |
| 4. Advance payments received from buyers              | (29)    | 5061124          | 2758035          | 7201331           | 3924330           |
| 5. Debts to suppliers and contractors                 | (30)    | 1989066          | 2141896          | 2830186           | 3047644           |
| 6. Debts to related companies                         |         |                  |                  |                   |                   |
| 7. Debts to associated companies                      | (31)    | 84592            |                  | 120364            |                   |
| 8. Taxes and social insurance payments                | (32)    | 196417           | 218724           | 279476            | 311216            |
| 9. Other creditors                                    | (33)    | 232940           | 229770           | 331444            | 326932            |
| 10. Next period income                                |         |                  | 91810            |                   | 130634            |
| 11. Unpaid previous years dividends                   | (34)    | 15632            | 10575            | 22242             | 15047             |
| 12.Accrued liabilities                                |         | 4720             | 4248             | 6715              | 6044              |
| <b>Short-term creditors in total</b>                  |         | <b>9457411</b>   | <b>7065273</b>   | <b>13456683</b>   | <b>10052977</b>   |
| <b>Creditors in total</b>                             |         | <b>9785455</b>   | <b>7317715</b>   | <b>13923447</b>   | <b>10412170</b>   |
| <b>Total</b>  |         | <b>24258936</b>  | <b>21994133</b>  | <b>34517355</b>   | <b>31294831</b>   |

Chairman of the Board \_\_\_\_\_ V. Melniks

31 May 2006

*“Riga shipyard” JSC*  
*financial statements for 3 months of the year 2006*

---

Cash flow statement for 2006 year 3 months and 2005 year 3 months

|   | 2006 year<br>3 months<br>Ls | 2005 year<br>3 months<br>Ls | 2006 year<br>3 months<br>EUR | 2005 year<br>3 months<br>EUR |
|---|-----------------------------|-----------------------------|------------------------------|------------------------------|
| <b>A. Cash flow from primary activity</b>                                 |                             |                             |                              |                              |
| - Sales income  | 4862873                     | 4921033                     | 6919245                      | 7001999                      |
| - Cash to suppliers, personnel and others primary activity costs          | 4655204                     | 4919460                     | 6623759                      | 6999761                      |
| <b>Gross cash flow from primary activity</b>                              | <b>207669</b>               | <b>1573</b>                 | <b>295486</b>                | <b>2238</b>                  |
| - Interest paid   | 44456                       | 34633                       | 63255                        | 49278                        |
| - Corporate income tax  | 32766                       | 16573                       | 46622                        | 23581                        |
| - Primary activity before extraordinary items                             |                             |                             |                              |                              |
| - Cash flow from extraordinary items                                      |                             |                             |                              |                              |
| <b>Net cash flow from primary activity</b>                                | <b>130447</b>               | <b>-49633</b>               | <b>185609</b>                | <b>-70621</b>                |
| <b>B. Cash flow from investment activity</b>                              |                             |                             |                              |                              |
| - Selling out of shares   |                             |                             |                              |                              |
| - Paid for fixed assets acquisition                                       | 185430                      | 155378                      | 263843                       | 221083                       |
| - Received for the fixed assets sold                                      | 5624                        | 260                         | 8002                         | 370                          |
| - Loans granted   | 6763                        |                             | 9623                         |                              |
| - Repayment of loans  |                             |                             |                              |                              |
| - Interest received   |                             |                             |                              |                              |
| <b>Net cash flow from investment activity</b>                             | <b>-186569</b>              | <b>-155 118</b>             | <b>-265464</b>               | <b>-220713</b>               |
| <b>C. Cash flow from financial activities</b>                             |                             |                             |                              |                              |
| - Loan received   | 56976                       | 199915                      | 81070                        | 284453                       |
| - Loan repaid   | 1508                        |                             | 2146                         |                              |
| - Dividend paid   | 45                          | 69                          | 64                           | 98                           |
| <b>Net cash flow from financial activities</b>                            | <b>55423</b>                | <b>199 846</b>              | <b>78860</b>                 | <b>284355</b>                |
| <b>Net cash flow and equivalent increase or decrease (A+B+C)</b>          | <b>-699</b>                 | <b>-4905</b>                | <b>-995</b>                  | <b>-6979</b>                 |
| <b>Cash and equivalent thereof at beginning of the period of accounts</b> | <b>14045</b>                | <b>27471</b>                | <b>19984</b>                 | <b>39088</b>                 |
| <b>Cash and equivalent thereof at the end of the period of account</b>    | <b>13346</b>                | <b>22566</b>                | <b>18989</b>                 | <b>32109</b>                 |

Chairman of the Board \_\_\_\_\_ V. Melniks

31 May 2006



| Changes in own capital report for 2006 year 3 months and 2005 year 3 months |                 |                 |                |                |                 |                 |
|---|-----------------|-----------------|----------------|----------------|-----------------|-----------------|
| Types of changes  | Stock or        |                 | Retained       |                | Total           |                 |
|   | Share           |                 | earnings       |                |                 |                 |
|   | capital         |                 |                |                |                 |                 |
|   |                 |                 |                |                |                 |                 |
|   | LVL             | EUR             | LVL            | EUR            | LVL             | EUR             |
| <b>Balance as at 31.12.2004.</b>  | <b>11672107</b> | <b>16607912</b> | <b>2583590</b> | <b>3676117</b> | <b>14255697</b> | <b>20284029</b> |
| Stock or share capital  |                 |                 |                |                |                 |                 |
| increase/decrease   |                 |                 |                |                |                 |                 |
| Increase/decrease of reserves   |                 |                 |                |                |                 |                 |
| Dividends   |                 |                 |                |                |                 |                 |
| Period of account net profit & loss   |                 |                 | 216536         | 308103         | 216536          | 308103          |
| <b>Balance as at 31.03.2005.</b>  | <b>11672107</b> | <b>16607912</b> | <b>2800126</b> | <b>3984220</b> | <b>14472233</b> | <b>20592132</b> |
| <b>Balance as at 31.12.2005.</b>  | <b>11672107</b> | <b>16607912</b> | <b>2905707</b> | <b>4134449</b> | <b>14577814</b> | <b>20742361</b> |
| Stock or share capital  |                 |                 |                |                |                 |                 |
| increase/decrease   |                 |                 |                |                |                 |                 |
| Increase/decrease of reserves   |                 |                 |                |                |                 |                 |
| Dividends   |                 |                 |                |                |                 |                 |
| Period of account net profit & loss   |                 |                 | (327843)       | (466479)       | (327843)        | (466479)        |
| <b>Balance as at 31.03.2006.</b>  | <b>11672107</b> | <b>16607912</b> | <b>2577864</b> | <b>3667970</b> | <b>14249971</b> | <b>20275882</b> |

EPS to 31.03.2006. LVL (327843):11672107= (0,028) LVL or (0,040)

EUR to 31.03.2005. LVL 216536: 11672107=0,019 LVL or 0,026 EUR

Chairman of the Board \_\_\_\_\_ V. Melniks

31 May 2006

Notes: all sections of the financial reports are to be evaluated in EURO according to the rates of Bank of Latvia on 31.03.2006.

## Notes to the financial statements

### Accounting policy

#### (1) General principles

The annual report has been prepared in compliance with “International accounting standard Profit & Loss calculation has been prepared as per turnover costs scheme.  
Cash flow statement has been prepared as per third method.  
The annual report has been prepared basing on the conception of continuation of business.

#### (2) Net turnover

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

#### (3) Revaluation of foreign currency in lats

All the company accounting is carried out into lats.

All transactions within the year made in foreign currency have been converted into lats pursuant to the currency exchange rate officially established by the Bank of Latvia on a respective day of a transaction.

Foreign currency exchange rate as at the end of the year of account within last two years was as following:

|       | 31.03.2006 | 31.03.2005 |
|-------|------------|------------|
|       | <u>Ls</u>  | <u>Ls</u>  |
| 1 USD | 0,582      | 0,543      |
| 1 NOK | 0,0880     | 0,0856     |
| 1 EUR | 0,702804   | 0,702804   |
| 1 GBP | 1,013      | 1,02       |
| 1 RUB | 0,0210     | 0,0195     |

#### (4) Fixed assets and low-grade stock

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

Company capitalizes permanent assets with value more Ls 50 and time of valid usage is more than 1 year. Increased value of revaluing permanent assets is reflected as moving towards long-term investments revaluation reserve. It is attributed to the dissolution of permanent assets in the calculation of profits, incomes, losses.

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

**(5) Participation in capitals of associated companies.**

Associated enterprise investment is valued in accordance with own capital methods.

Pursuant to the resolution of the board of directors the depreciation of positive incorporeal assets has been estimated as per the linear method, proceeding from a 20-year time of the provided appropriate exploitation. Depreciation deductions have been reflected in the profit & loss calculation item “Long-term financial investments’ writing off.”

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

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

**(7) Reserves**

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

Balance of reserves has been shown at the lowest costs.

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

**(8) Long-term contract**

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

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

**(9) Debtors**

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

**(10) Recognized incomes**

The recognized incomes of long-term contracts in conformity of a degree of their readiness.

**(11) Cash and cash equivalents**

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

**(12) Accumulation for holidays**

Accumulation for payments on holidays are formed, taking into account quantity of days of holiday to all workers and defining the average salary of workers in day.

**(13) Taxes**

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

**(14) Bookkeeping arrangement**

The bookkeeping has been arranged using a chart of accounts endorsed in the company.

The bookkeeping accountancy has been arranged with the help of computers.

**(15) Comparative information**

Comparing to the period of previous report, accounting and appraisalment methods is changed in accordance to request of International accounting Standard.

*“Riga shipyard” JSC*  
*financial statements for 3 months of the year 2006*

**Profit & Loss calculation supplement**

**(1) Net turnover**

|                          | 2006 year<br>3 months<br>Ls | 2005 year<br>3 months<br>Ls |
|--------------------------|-----------------------------|-----------------------------|
| On aspects of business   |                             |                             |
| - Shipbuilding           | 269679                      | 985915                      |
| - Ship repair            | 2305128                     | 3605985                     |
| - Mechanical engineering | 149303                      | 37757                       |
| - Other works            | 19505                       | 25278                       |
| <b>Total</b>             | <b>2743615</b>              | <b>4654935</b>              |

**(2) Sold products operating costs**

|   | 2006 year<br>3 months<br>Ls | 2005 year<br>3 months<br>Ls |
|---|-----------------------------|-----------------------------|
| Material costs (raw materials and materials, value of goods, services from outside) | 2028942                     | 3011287                     |
| Remuneration of labor   | 540597                      | 815490                      |
| Social insurance costs  | 127380                      | 192507                      |
| Depreciation of fixed assets  | 109858                      | 136182                      |
| Other costs   | 66668                       | 72400                       |
| <b>Total</b>  | <b>2873445</b>              | <b>4227866</b>              |

**(3) Selling costs**

|               | 2006 year<br>3 months<br>Ls | 2005 year<br>3 months<br>Ls |
|---------------|-----------------------------|-----------------------------|
| Advertisement | 10782                       | 5980                        |
| <b>Total</b>  | <b>10782</b>                | <b>5980</b>                 |

**(4) Administration costs**

|                                    | 2006 year<br>3 months<br>Ls | 2005 year<br>3 months<br>Ls |
|------------------------------------|-----------------------------|-----------------------------|
| Liaison costs                      | 3240                        | 4215                        |
| Office maintenance costs           | 1740                        | 1412                        |
| Salary of administration           | 49540                       | 45563                       |
| Remuneration of the board          | 39000                       | 39069                       |
| Remuneration of the council        | 36000                       | 24000                       |
| Social insurance costs             | 29823                       | 26074                       |
| Depreciation of fixed assets       | 15420                       | 13232                       |
| Transport costs, travel allowances | 8247                        | 5598                        |
| Legal services                     | 1749                        | 4741                        |
| Representation costs               | 4054                        | 4137                        |
| <b>Total</b>                       | <b>188813</b>               | <b>168041</b>               |

*“Riga shipyard” JSC*  
*financial statements for 3 months of the year 2006*

---

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

|  | 2006 year<br>3 months<br>Ls | 2005 year<br>3 months<br>Ls |
|--|-----------------------------|-----------------------------|
| Income generated by transport services rendering           | 1008                        | 0                           |
| Income generated by leased FA payments and public services | 116510                      | 92649                       |
| Tugboat services income                                    | 14227                       | 17428                       |
| Selling out of raw materials and materials                 | 81835                       | 254486                      |
| Income generated by fluctuation of currency rate           | 69141                       | 71487                       |
| Educational services                                       | 270                         | 280                         |
| Income generated by chemical analyses                      | 1355                        | 1635                        |
| Income generated by realization of fixed assets            | 5624                        | 260                         |
| Other income   | 5403                        | 819                         |
| <b>Total</b>   | <b>295373</b>               | <b>439044</b>               |

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

|  | 2006 year<br>3 months<br>Ls | 2005 year<br>3 months<br>Ls |
|--|-----------------------------|-----------------------------|
| Material purchase costs                                | 72961                       | 224294                      |
| Losses due to currency rate fluctuation                | 46023                       | 78438                       |
| Losses incurred by currency selling out                | 16163                       | 23669                       |
| Compressed air purchase costs                          |                             |                             |
| Social infrastructure objects costs (medical services) | 2205                        | 1940                        |
| Costs on tugboat services                              | 6377                        | 11682                       |
| The donations  | 1500                        | 1150                        |
| Material benefits                                      | 80                          | 295                         |
| Burial costs   | 1291                        | 710                         |
| Costs incurred by fixed assets' exclusion              | 592                         | 485                         |
| Representation costs                                   | 2741                        | 2832                        |
| Costs on maintenance of leased FA                      | 54372                       | 60130                       |
| Other costs  | 1118                        | 76                          |
| <b>Total</b>   | <b>205423</b>               | <b>405701</b>               |

*“Riga shipyard” JSC*  
*financial statements for 3 months of the year 2006*

---

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

|                           | 2006 year<br>3 months<br>Ls | 2005 year<br>3 months<br>Ls |
|---------------------------|-----------------------------|-----------------------------|
| Depositing percentage     | 0                           | 60                          |
| Bank interests            | 6                           | 86                          |
| Received penalty payments | 27                          | 14                          |
| <b>Total</b>              | <b>33</b>                   | <b>160</b>                  |

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

|                       | 2006 year<br>3 months<br>Ls | 2005 year<br>3 months<br>Ls |
|-----------------------|-----------------------------|-----------------------------|
| Paid off penalty      | 130                         | 2                           |
| Paid off interests    | 20877                       | 23782                       |
| Guarantee maintenance | 23449                       | 10849                       |
| <b>Total</b>          | <b>44456</b>                | <b>34633</b>                |

**(9) Other taxes**

|   | 2006 year<br>3 months<br>Ls | 2005 year<br>3 months<br>Ls |
|---|-----------------------------|-----------------------------|
| Buildings and constructions real estate tax | 5206                        | 4549                        |
| Real estate tax                             | 5973                        | 5973                        |
| <b>Total</b>                                | <b>11179</b>                | <b>10522</b>                |

*“Riga shipyard” JSC*  
*financial statements for 3 months of the year 2006*

---

**(10) Other intangible investments**

|                      | Concessions,<br>patents,<br>licenses,<br>trade-marks<br>and similar<br>rights | Research<br>and<br>development<br>costs | Other<br>intangible<br>rights | Intangible<br>value of<br>enterprise | Advance<br>payments<br>of<br>intangible<br>investments | Intangible<br>investments<br>total |
|----------------------|---|---|-------------------------------|--------------------------------------|--|------------------------------------|
| <b>Initial value</b> |   |   |                               |                                      |  |                                    |
| 01.01.2006           | 0   | 0                                       | 51242                         |                                      | 66034  | 117276                             |
| Bought               |   |   |                               |                                      | 25301  | 25301                              |
| Written off          |   |   |                               |                                      |  |                                    |
| Relocated            |   |   |                               |                                      |  |                                    |
| Revaluated           |   |   |                               |                                      |  |                                    |
| 31.03.2006.          | 0   | 0                                       | 51242                         |                                      | 91335  | 142577                             |
| <b>Depreciation</b>  |   |   |                               |                                      |  |                                    |
| 01.01.2006           | 0   | 0                                       | 5153                          |                                      | 0  | 5153                               |
| Estimated            |   |   | 2562                          |                                      |  | 2562                               |
| Written off          |   |   |                               |                                      |  |                                    |
| 31.03.2006           | 0   | 0                                       | 7715                          |                                      | 0  | 7715                               |
| <b>Balance value</b> |   |   |                               |                                      |  |                                    |
| 01.01.2006           | 0   | 0                                       | 46089                         |                                      | 66034  | 112123                             |
| <b>Balance value</b> |   |   |                               |                                      |  |                                    |
| 31.03.2006           | 0   | 0                                       | 43527                         |                                      | 91335  | 134862                             |

**(11) Report on long-term investments movement**

|                      | Land,<br>buildings,<br>constructions<br>Ls | Long-term<br>investments<br>into leased<br>FA Ls | Equipment<br>and<br>machinery<br>Ls | Other<br>fixed<br>assets<br>Ls | Building<br>of fixed<br>assets<br>Ls | Unfinished<br>construction<br>Ls | Advance<br>Payment<br>for FA<br>Ls | Total<br>Ls |
|----------------------|--|--|-------------------------------------|--------------------------------|--------------------------------------|----------------------------------|------------------------------------|-------------|
| <b>Initial value</b> |  |  |                                     |                                |                                      |                                  |                                    |             |
| 01.01.2006           | 4579791                                    | 17074  | 9293993                             | 708483                         | -                                    | 481143                           | 27017                              | 15107501    |
| Bought               | 35509                                      |  | 202845                              | 12585                          | -                                    | 308854                           | 109695                             | 669488      |
| Written off          |  |  | 29514                               | 1338                           | -                                    | 250939                           | 15823                              | 297614      |
| Relocated            |  |  |                                     |                                | -                                    |                                  |                                    |             |
| 31.03.2006           | 4615300                                    | 17074  | 9467324                             | 719730                         | -                                    | 539058                           | 120889                             | 15479375    |
| <b>Depreciation</b>  |  |  |                                     |                                |                                      |                                  |                                    |             |
| 01.01.2006           | 1526218                                    |  | 5768641                             | 365219                         | -                                    | 0                                | 0                                  | 7660078     |
| Estimated            | 45685                                      |  | 153653                              | 18150                          | -                                    |                                  |                                    | 217488      |
| Written off          |  |  | 28067                               | 1203                           | -                                    |                                  |                                    | 29270       |
| 31.03.2006           | 1571903                                    |  | 5894227                             | 382166                         | -                                    | 0                                | 0                                  | 7848296     |
| <b>Balance value</b> |  |  |                                     |                                |                                      |                                  |                                    |             |
| 01.01.2006           | 3053573                                    | 17074  | 3525352                             | 343264                         | -                                    | 481143                           | 27017                              | 7447423     |
| <b>Balance value</b> |  |  |                                     |                                |                                      |                                  |                                    |             |
| 31.03.2006           | 3043397                                    | 17074  | 3573097                             | 337564                         | -                                    | 539058                           | 120889                             | 7631079     |

*“Riga shipyard” JSC*  
*financial statements for 3 months of the year 2006*

---

**Supplements to the balance sheet**

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

|   | 31.03.2006     | 31.03.2005     |
|---|----------------|----------------|
|   | Ls             | Ls             |
| Branch enterprise “Tosmare shipyard” JSC investment value |                |                |
| <b>Total</b>  | <b>2219294</b> | <b>2268417</b> |

**(13) Other equities and investments**

|  | 31.03.2006 | 31.03.2005 |
|--|------------|------------|
|  | Ls         | Ls         |
| “Baltic International Bank” JSC                      33 shares | 165        | 165        |
|  | -          | -          |
| <b>Total</b>   | <b>165</b> | <b>165</b> |

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

|                     | 31.03.2006    | 31.03.2005    |
|---------------------|---------------|---------------|
|                     | Ls            | Ls            |
| Student loan payout | 58797         | 40178         |
| Shares loan payout  | 543426        | 490568        |
| <b>Total</b>        | <b>602223</b> | <b>530746</b> |

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

|                 | 31.03.2006    | 31.03.2005    |
|-----------------|---------------|---------------|
|                 | Ls            | Ls            |
| Long-term loans | 362284        | 326381        |
| <b>Total</b>    | <b>362284</b> | <b>326381</b> |



**Supplement to the balance sheet**

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

|                           | 31.03.2006     | 31.03.2005     |
|---------------------------|----------------|----------------|
|                           | Ls             | Ls             |
| 1. Metal ware             | 82152          | 87498          |
| 2. Timbering              | 14661          | 7635           |
| 3. Metal                  | 1645296        | 1593495        |
| 4. Pipes                  | 268308         | 199623         |
| 5. Wire cables            | 5043           | 5688           |
| 6. Non-ferrous metals     | 161882         | 72678          |
| 7. Fuel                   | 32214          | 28465          |
| 8. Coveralls              | 4609           | 5028           |
| 9. Equipment              | 26341          | 73723          |
| 10. Spare parts           | 9360           | 8101           |
| 11. Cables                | 37774          | 37485          |
| 12. Varnish and paint     | 75258          | 98154          |
| 13. Building materials    | 84068          | 83142          |
| 14. Household goods       | 4047           | 5213           |
| 15. Tools                 | 24298          | 28080          |
| 16. Technical rubber ware | 31203          | 32605          |
| 17. Other                 | 374587         | 323189         |
| <b>Total</b>              | <b>2881101</b> | <b>2689802</b> |

**(17) Unfinished production**

|   | 31.03.2006     | 31.03.2005     |
|---|----------------|----------------|
|   | Ls             | Ls             |
| Unfinished production is shown in the balance sheet at production cost, excluding administration costs. |                |                |
| Main unfinished production objects are as following:  |                |                |
| 1) Shipbuilding orders  | 2224647        | 641514         |
| 2) Ship repair orders   | 313925         | 499516         |
| 3) Mechanical engineering orders  | 48188          | 37266          |
| 4) Various  | 1577           | 3311           |
| <b>Total</b>  | <b>2588337</b> | <b>1181607</b> |

**(18) Advance payments for goods**

|               | 31.03.2006   | 31.03.2005    |
|---------------|--------------|---------------|
|               | Ls           | Ls            |
| For materials | 77362        | 675691        |
| <b>Total</b>  | <b>77362</b> | <b>675691</b> |

*“Riga shipyard” JSC*  
*financial statements for 3 months of the year 2006*

---

**Supplement to the balance sheet**

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

|                                       | 31.03.2006     | 31.03.2005     |
|---------------------------------------|----------------|----------------|
|                                       | Ls             | Ls             |
| Buyers and customers accounting value | 2363001        | 3704326        |
| Generated reserves                    | (665115)       | (646708)       |
| <b>Balance net value</b>              | <b>1697886</b> | <b>3057618</b> |

**(20) Associated companies debts**

|                        | 31.03.2006  | 31.03.2005    |
|------------------------|-------------|---------------|
|                        | Ls          | Ls            |
| “Tosmare shipyard” JSC | 2519        | 224807        |
| <b>Total</b>           | <b>2519</b> | <b>224807</b> |

**(21) Other debtors**

|                          | 31.03.2006    | 31.03.2005    |
|--------------------------|---------------|---------------|
|                          | Ls            | Ls            |
| Accounting value         | 560522        | 1095156       |
| Generated reserves       | (151392)      | (151392)      |
| <b>Balance net value</b> | <b>409130</b> | <b>943764</b> |

Other debtors debts are as following:

|  | 31.03.2006    | 31.03.2005    |
|--|---------------|---------------|
|  | Ls            | Ls            |
| Accounted VAT  | 11423         | 26933         |
| Overpaid taxes                                       |               |               |
| - Value added tax                                    | 19387         | 91607         |
| Payments personal debts                              | 4813          | 1027          |
| Payment of salary                                    | 263           | 328           |
| Short-term loans for “Tosmare Shipyard” JSC’S shares | 15000         | 72358         |
| Short-term loans                                     | 260328        | 222138        |
| Other debtors  | 97916         | 529373        |
| <b>Total</b>   | <b>409130</b> | <b>943764</b> |

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

|              | 31.03.2006     | 31.03.2005     |
|--------------|----------------|----------------|
|              | Ls             | Ls             |
| <b>Total</b> | <b>1137446</b> | <b>1115487</b> |

**Supplement to the balance sheet**

**(23) Next period costs**

|   | 31.03.2006   | 31.03.2005   |
|---|--------------|--------------|
|   | Ls           | Ls           |
| Enterprise's property insurance premium sum   | 9614         | 11801        |
| Subscription to the press                     | 132          | 155          |
| Inviting of specialists                       | 7976         | 22418        |
| Insurance of health                           | 5692         | 0            |
| Check of floating means                       | 5850         | 1955         |
| Expenses for repair of the rented basic means | 7880         | 5694         |
| Advertisement                                 | 418          | 1826         |
| Other costs                                   | 1038         | 0            |
| <b>Total</b>                                  | <b>38600</b> | <b>43849</b> |

**(24) Cash assets**

|                            | 31.03.2006   | 31.03.2005   |
|----------------------------|--------------|--------------|
|                            | Ls           | Ls           |
| Money at a cash department | 2341         | 3403         |
| Money on current accounts  | 11005        | 19163        |
| Deposit                    |              |              |
| <b>Total</b>               | <b>13346</b> | <b>22566</b> |

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

“Riga shipyard” JSC was founded in 1995 with the equity capital of Ls 10 000000, which was comprised of 10 000000 shares, face value of one share made up Ls 1.

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

Amendments to the Acts:

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

**(26) Other provisions**

|                      | 31.03.2006    | 31.03.2005    |
|----------------------|---------------|---------------|
|                      | Ls            | Ls            |
| Provision for leaves | 223510        | 204185        |
| <b>Total</b>         | <b>223510</b> | <b>204185</b> |

**Supplement to the balance sheet**

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

|   | 31.03.2006     | 31.03.2005     |
|---|----------------|----------------|
|   | Ls             | Ls             |
| Nordea Bank Finland Plc. Latvian branch | 1868810        | 1610215        |
| <b>Total</b>                            | <b>1868810</b> | <b>1610215</b> |

Overdraft and guarantee contract No 2003/4/OD/GA with the overdraft limit 15 000 000 EUR. Session contracts and contract of pledge were signed, for the amplification of obligations.

**(28) Liability of leasing**

|                          | 31.03.2006   | 31.03.2005 |
|--------------------------|--------------|------------|
|                          | Ls           | Ls         |
| Hanza leasing including: |              |            |
| Long (- term)            | 8660         | 0          |
| Short (-term)            | 4110         |            |
| <b>Total</b>             | <b>12770</b> | <b>0</b>   |

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

|                  | 31.03.2006     | 31.03.2005     |
|------------------|----------------|----------------|
|                  | Ls             | Ls             |
| For shipbuilding | 4911040        | 2631592        |
| For ship repair  | 120482         | 113087         |
| Others           | 29602          | 13356          |
| <b>Total</b>     | <b>5061124</b> | <b>2758035</b> |

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

|                      | 31.03.2006     | 31.03.2005     |
|----------------------|----------------|----------------|
|                      | Ls             | Ls             |
| Debts for services   | 139820         | 142020         |
| Debts for materials  | 467678         | 396664         |
| Debts subcontractors | 1381568        | 1603212        |
| <b>Total</b>         | <b>1989066</b> | <b>2141896</b> |

**(31) Debts to associated companies**

|                        | 31.03.2006<br>Ls | 31.03.2005<br>Ls |
|------------------------|------------------|------------------|
| "Tosmare shipyard" JSC | 84592            | 0                |
| <b>Total</b>           | <b>84592</b>     | <b>0</b>         |

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

|   | 31.03.2006<br>Ls | 31.03.2005<br>Ls |
|---|------------------|------------------|
| Social insurance payments                   | 119570           | 118194           |
| Residents income tax                        | 75237            | 75231            |
| Enterprise income tax                       | 823              | 18457            |
| Risk tax                                    | 252              | 392              |
| Buildings and constructions real estate tax | 0                | 5973             |
| Natural resources tax                       | 535              | 477              |
| <b>Total</b>                                | <b>196417</b>    | <b>218724</b>    |

**(33) Other creditors**

|   | 31.03.2006<br>Ls | 31.03.2005<br>Ls |
|---|------------------|------------------|
| Salary                                  | 193017           | 189621           |
| Payments for deductions from salary     | 1815             | 2890             |
| Payments by return to personae          | 1958             | 0                |
| Payments for credit cards               | 2282             | 2942             |
| Payments for debts to other enterprises | 33868            | 34317            |
| <b>Total</b>                            | <b>232940</b>    | <b>229770</b>    |

**(34) Unpaid previous years dividends**

|                   |              |
|-------------------|--------------|
| <b>31.12.2005</b> | 15677        |
| Calculated        |              |
| Paid off          | 45           |
| <b>31.03.2006</b> | <b>15632</b> |

Chairman of the Board \_\_\_\_\_ V. Melniks

31 May 2006