

**AS "Rīgas kuģu būvētava"**

***Financial statements on six months of the year 2019  
(unaudited)***

# AS RĪGAS KUĢU BŪVĒTAVA REPORT OF SIX MONTHS 2019

Gāles iela 2, Rīga, LV-1015, Latvia, unified reg. No.40003045892

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# AS RĪGAS KUĢU BŪVĒTAVA REPORT OF SIX MONTHS 2019

Gāles iela 2, Rīga, LV-1015, Latvia, unified reg. No.40003045892

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## INFORMATION ON THE COMPANY

|  |  |                                     |
|--|--|-------------------------------------|
| Name of the company                      | AS "Rīgas kuģu būvētava"   |                                     |
| Legal status of the company              | Joint stock company  |                                     |
| Number, place and date of registration   | 40003045892, 5 December 1991, Companies register, Riga<br>40003045892, 26 August 2004, Commercial register, Riga   |                                     |
| Address                                  | Gales street 2, Riga, LV-1015, Latvia  |                                     |
| Share capital of the Company             | 16 340 950 EUR   |                                     |
| Associates                               | AS Tosmares kuģubūvētava (49.72%)<br>Reg.No.42103022837<br>Generala Baloza Street 42/44, Liepaja, Latvia<br><br>SIA Remars Granula (49.80%)<br>Reg.No.54103022521<br>Gales street 2, Riga, Latvia      |                                     |
| Type of operations                       | 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 |                                     |
| NACE code                                | 3011, 3315   |                                     |
| Names and positions of the Board members | Einars Buks  | Chairman of the Board               |
|  | Jekaterina Melnika   | Member of the Board                 |
|  | Ainars Tropins   | Member of the Board from 07.08.2017 |
| Names and positions of the Council       | Vasilijs Melniks   | Chairman of the Council             |
|  | Aleksandrs Cernavskis  | Deputy Chairman of the Council      |
|  | Gaidis Andrejs Zeibots   | Member of the Council               |
| Financial year                           | 1 January - 30 June 2019   |                                     |
| Previous financial year                  | 1 January - 30 June 2018   |                                     |
| Auditor's name and address               | "Nexia Audit Advice" SIA<br>LZRA Licence No. 134<br>Grecinieku street 9-3,<br>Riga, LV-1050<br>Latvia<br><br>Marija Jansone<br>Sworn Auditor<br>Certificate No. 25                                     |                                     |

# AS RĪGAS KUĢU BŪVĒTAVA REPORT OF SIX MONTHS 2019

Gāles iela 2, Rīga, LV-1015, Latvia, unified reg. No.40003045892

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## MANAGEMENT REPORT

### Company profile

AS "Rīgas kuģu būvētava" (hereinafter – the Company) is established more than 100 years ago and is one of the largest shipyards in the region of the Baltic Sea, which provides ship repair and other services.

Company operates and carries out manufacturing procedures in accordance with international standards of quality control - ISO 9001:2015, ISO 14001:2015 and LVS OHSAS 18001:2007.

### Company development and financial results during financial year

In 6 month 2019 the total net turnover of the Company amounted to EUR 167 177, including turnover from ship buildin in the amount of EUR 0 and ship repair in the amount of EUR 167 177 (in comparison to 6 month of 2018, net turnover amounted to EUR 1 998 308, including the turnover from ship building in the amount of EUR 133 660 and from ship repair in the amount of EUR 1 801 007).

The Company has closed the 6 months of 2019 with a gross loss of EUR 818 782 (respectively in the 6 months of 2018 the gross loss amounted to EUR 1 292 725), while the net loss in the first 6 months of 2019 was in the amount of EUR 1 080 137 (in respective period of the first 6 months of 2018 the net loss amounted to EUR 993 790).

### Future development of the Company

Assessing the current market situation and the options of the Company, the Board of the Company will continue the work to improve financial flow, increase the amount of the ships to be repaired, improve marketing activities, and optimize resources for eliminating costs of sales by re-organizing internal structure units and attracting professional employees. The Board of the company plans to participate in procurements of manufacturing metal construction and other procurements.

Also, in 2019 the Board of the Company will continue the begun environment conservation measures, as well as continue to renovate Company's industrial buildings, floating docks, cranes, tugs, and other fixed assets.

On behalf of the Company, these financial statements were signed on December 30<sup>th</sup>, 2019

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Einārs Buks  
Chairman of the Board

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Jekaterina Meļņika  
Member of the Board

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Ainārs Tropiņš  
Member of the Board

# AS RĪGAS KUĢU BŪVĒTAVA REPORT OF SIX MONTHS 2019

Gāles iela 2, Rīga, LV-1015, Latvia, unified reg. No.40003045892

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## STATEMENT OF MANAGEMENT RESPONSIBILITIES

The management of Rīgas kugu būvētava AS (the Company) is responsible for preparation of the financial statements.

The financial statements are prepared in accordance with the source documents and present fairly the financial position of the Company as of June 30<sup>th</sup>, 2019 and the results of its operations and cash flows for the period then ended. The management confirms that appropriate accounting policies have been used and applied consistently, and reasonable and prudent judgements and estimates have been made in the preparation of the financial statements as presented on pages 11 to 26. The management also confirms that the requirements of the legislation of the Republic of Latvia have been complied with and that the financial statements have been prepared on a going concern basis.

The management of the Company is also responsible for keeping proper accounting records, for taking reasonable steps to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

On behalf of the management:

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Einārs Buks

Chairman of the Board

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Jekaterina Meļņika

Member of the Board

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Ainārs Tropiņš

Member of the Board

Rīga, December 30<sup>th</sup>, 2019

# AS RĪGAS KUĢU BŪVĒTAVA REPORT OF SIX MONTHS 2019

Gāles iela 2, Rīga, LV-1015, Latvia, unified reg. No.40003045892

## PROFIT AND LOSS STATEMENT

|  | Notes | 6 month<br>2019<br>EUR | 6 month<br>2018<br>EUR |
|--|-------|------------------------|------------------------|
| Net turnover   | 2     | 167 177                | 1 998 308              |
| Costs of goods sold or costs of services provided    | 3     | (985 959)              | (3 291 033)            |
| <b>Gross profit or losses</b>                        |       | <b>(818 782)</b>       | <b>(1 292 725)</b>     |
| Distribution expenses                                | 4     |                        |                        |
| Administrative expenses                              | 5     | (297 303)              | (335 248)              |
| Other operating income                               | 6     | 435 088                | 832 990                |
| Other operating expenses                             | 7     | (331 132)              | (43 292)               |
| Other interest income and similar income<br>incl.    | 8     | -                      | <b>42 103</b>          |
| a)from other parties                                 |       | -                      | 42 103                 |
| Other interest payable and similar expenses<br>incl. | 9     | <b>(68 008)</b>        | <b>197 618</b>         |
| a)to other parties                                   |       | (68 008)               | (197 618)              |
| <b>Profit or losses before corporate income tax</b>  |       | <b>(1 080 137)</b>     | <b>(993 790)</b>       |
| <b>Profit and loss after the taxation</b>            |       |                        |                        |
| Changes in deferred tax assets or liabilities        |       |                        |                        |
| <b>Net profit (loss) for the financial year</b>      |       | <b>(1 080 137)</b>     | <b>(993 790)</b>       |
| Profit or losses per share                           |       | (0.0925)               | (0.0851)               |

The accompanying notes on pages 11 to 26 are an integral part of these financial statements.

Einārs Buks  
Chairman of the Board

Jekaterina Meļņika  
Member of the Board

Ainārs Tropiņš  
Member of the Board

Aleksandrs Kočkins  
Chief Accounting Officer

Riga, December 30<sup>th</sup>, 2019

# AS RĪGAS KUĢU BŪVĒTAVA REPORT OF SIX MONTHS 2019

Gāles iela 2, Rīga, LV-1015, Latvia, unified reg. No.40003045892

## BALANCE SHEET

| ASSETS   | Notes | 30.06.2019<br>EUR | 30.06.2018<br>EUR | 31.12.2018<br>EUR |
|--|-------|-------------------|-------------------|-------------------|
| <b>Non-current assets</b>                      |       |                   |                   |                   |
| <b>Intangible assets</b>                       |       |                   |                   |                   |
| Other intangible assets                        |       | -                 | 12 940            | 1 696             |
| <b>Total intangible assets</b>                 | 10    | <b>-</b>          | <b>12 940</b>     | <b>1 696</b>      |
| <b>Fixed assets</b>                            |       |                   |                   |                   |
| Real estate:                                   |       |                   |                   |                   |
| a) lands, buildings and engineering structures |       | 8 117 014         | 8 541 469         | 8 211 064         |
| Technological equipment and devices            |       | 16 426 953        | 21 828 196        | 16 827 953        |
| Other fixed assets                             |       | 347 211           | 428 757           | 389 174           |
| Fixed assets under construction                |       | -                 | 278 865           | -                 |
| Advances for fixed assets                      |       | -                 | 7114              | -                 |
| <b>Total fixed assets</b>                      | 11    | <b>24 891 178</b> | <b>31 084 401</b> | <b>25 428 191</b> |
| <b>Non-current financial investments</b>       |       |                   |                   |                   |
| Investments in associates                      | 12    | 3 630 590         | 4 830 590         | 3 630 590         |
| Other securities and investments               | 13    | 235               | 235               | 235               |
| Other loans and non-current receivables        | 14    | 1 580 818         | 1 624 206         | 1 580 818         |
| <b>Total non-current financial investments</b> |       | <b>5 211 643</b>  | <b>6 455 031</b>  | <b>5 211 643</b>  |
| <b>Total non-current assets</b>                |       | <b>30 102 821</b> | <b>37 552 372</b> | <b>30 641 530</b> |
| <b>Current assets</b>                          |       |                   |                   |                   |
| <b>Inventories</b>                             |       |                   |                   |                   |
| Raw materials and consumables                  | 15    | 1 221 914         | 1 663 065         | 1 421 818         |
| Work in progress                               | 16    | -                 | 64 909            | -                 |
| Advances for inventories                       | 17    | 112 809           | 159 417           | 112 809           |
| <b>Total inventories</b>                       |       | <b>1 334 723</b>  | <b>1 887 391</b>  | <b>1 534 627</b>  |
| <b>Receivable</b>                              |       |                   |                   |                   |
| Trade receivables                              | 18    | 936 424           | 1 265 135         | 386 753           |
| Receivables from associates                    | 19    | -                 | 1 309 211         | -                 |
| Other receivables                              | 20    | 775 997           | 842 994           | 823 020           |
| Prepaid expense                                | 21    | 81 074            | 100 538           | 23 692            |
| <b>Total receivables</b>                       |       | <b>1 793 495</b>  | <b>3 517 878</b>  | <b>1 233 465</b>  |
| <b>Cash and cash equivalents</b>               | 23    | <b>31 689</b>     | <b>583</b>        | <b>10 451</b>     |
| <b>Total current assets:</b>                   |       | <b>3 159 907</b>  | <b>5 405 852</b>  | <b>2 778 543</b>  |
| <b>TOTAL</b>                                   |       | <b>33 262 728</b> | <b>42 958 224</b> | <b>33 420 073</b> |

# AS RĪGAS KUĢU BŪVĒTAVA REPORT OF SIX MONTHS 2019

Gāles iela 2, Rīga, LV-1015, Latvia, unified reg. No.40003045892

## BALANCE SHEET

|  | Notes | 30.06.2019<br>EUR  | 30.06.2018<br>EUR | 31.12.2018<br>EUR  |
|--|-------|--------------------|-------------------|--------------------|
| <b>EQUITY, PROVISIONS AND LIABILITIES</b>          |       |                    |                   |                    |
| <b>Equity</b>                                      |       |                    |                   |                    |
| Share capital                                      | 24    | 16 340 950         | 16 340 950        | 16 340 950         |
| Long-term investments revaluation reserve          | 25    | 6 623 636          | 11 599 692        | 6 720 723          |
| <b>Reserves</b>                                    |       |                    |                   |                    |
| Other reserves                                     |       | 266 962            | 266 962           | 266 962            |
| <b>Retained earnings</b>                           |       |                    |                   |                    |
| Prior year's retained earnings                     |       | (4 329 939)        | 2 314 824         | 2 314 824          |
| Net profit (loss) for the financial year           |       | (1 080 137)        | (993 790)         | (6 644 763))       |
| <b>Total retained earnings</b>                     |       | <b>(5 410 076)</b> | <b>1 321 034</b>  | <b>(4 329 939)</b> |
| <b>Total equity</b>                                |       | <b>17 821 472</b>  | <b>29 528 638</b> | <b>18 998 696</b>  |
| <b>Provisions</b>                                  |       |                    |                   |                    |
| Other provisions                                   | 26    | -                  | 552 686           | -                  |
| <b>Total provisions</b>                            |       | -                  | <b>552 686</b>    | -                  |
| <b>Non-current liabilities</b>                     |       |                    |                   |                    |
| Loans from credit institutions                     | 27    | -                  | 721 306           | -                  |
| Other loans  | 28    | 37 732             | 2 354 074         | 37 732             |
| Deferred income                                    | 29    | 422 008            | 494 127           | 422 008            |
| <b>Total non-current liabilities</b>               |       | <b>459 740</b>     | <b>3 569 507</b>  | <b>459 740</b>     |
| <b>Current liabilities</b>                         |       |                    |                   |                    |
| Loans from credit institutions                     | 27    | 3 300 725          | 2 602 617         | 3 295 045          |
| Other loans  | 28    | 3 155 062          | 999 703           | 3 156 506          |
| Advances from customers                            | 30    | 402 833            | 5 085             | 3 266              |
| Trade payables                                     | 31    | 2 680 460          | 2 275 586         | 2 572 498          |
| Payables to associates                             | 32    | 211 248            | 203 186           | 211 248            |
| Taxes and statutory social insurance contributions | 33    | 2 453 747          | 1 579 466         | 2 056 001          |
| Other payables                                     | 34    | 2 485 991          | 1 263 545         | 2 238 940          |
| Deferred income                                    | 29    | 36 060             | 36 060            | 72 120             |
| Unpaid dividends                                   | 35    | 11 746             | 11 746            | 11 746             |
| Accrued liabilities                                | 36    | 243 644            | 330 400           | 344 267            |
| <b>Total current liabilities</b>                   |       | <b>14 981 516</b>  | <b>9 307 393</b>  | <b>13 961 637</b>  |
| <b>Total liabilities</b>                           |       | <b>15 441 256</b>  | <b>12 876 900</b> | <b>14 421 377</b>  |
| <b>TOTAL</b>                                       |       | <b>33 262 728</b>  | <b>42 958 224</b> | <b>33 420 073</b>  |

The accompanying notes on pages 11 to 26 are an integral part of these financial statements.

Einārs Buks

Chairman of the Board

Jekaterina Meļņika

Member of the Board

Ainārs Tropiņš

Member of the Board

Aleksandrs Kočkins  
Chief Accounting Officer

Riga, December 30<sup>th</sup>, 2019



## STATEMENT OF CHANGES IN EQUITY

|   | 6 month 2019<br>EUR | 6 month 2018<br>EUR |
|---|---------------------|---------------------|
| <b>Share capital</b>                            |                     |                     |
| Opening balance                                 | 16 340 950          | 16 340 950          |
| Closing balance                                 | <b>16 340 950</b>   | <b>16 340 950</b>   |
| <b>Long-term investment revaluation reserve</b> |                     |                     |
| Opening balance                                 | 6 720 723           | 11 697 050          |
| Prior year adjustments                          | (97 087)            | (97 358)            |
| Closing balance                                 | <b>6 623 636</b>    | <b>11 599 962</b>   |
| <b>Reserves</b>                                 |                     |                     |
| Opening balance                                 | 266 962             | 266 962             |
| Closing balance                                 | <b>266 962</b>      | <b>266 962</b>      |
| <b>Retained earnings</b>                        |                     |                     |
| Opening balance                                 | (4 329 939)         | 2 314 824           |
| Increase/decrease in retained earnings          | (1 080 137)         | (993 790)           |
| Closing balance                                 | <b>(5 410 076)</b>  | <b>1 321 034</b>    |
| <b>Equity</b>                                   |                     |                     |
| Opening balance                                 | <b>18 998 696</b>   | <b>30 032 440</b>   |
| Closing balance                                 | <b>17 821 472</b>   | <b>18 998 696</b>   |

The accompanying notes on pages 11 to 26 are an integral part of these financial statements.

Einārs Buks

Chairman of the Board

Jekaterina Meļņika

Member of the Board

Ainārs Tropiņš

Member of the Board

Aleksandrs Kočkins  
Chief Accounting Officer

Rīga, 30 December, 2019

# AS RĪGAS KUĢU BŪVĒTAVA REPORT OF SIX MONTHS 2019

Gāles iela 2, Rīga, LV-1015, Latvia, unified reg. No.40003045892

## CASH FLOW STATEMENT (by direct method)

|   | Notes | 6 month<br>2019<br>EUR | 6 month<br>2018<br>EUR |
|---|-------|------------------------|------------------------|
| <b>CASH FLOWS FROM/(USED IN) OPERATING ACTIVITIES</b>                   |       |                        |                        |
| Revenue from the sale of goods and provision of services                |       | 22 393                 | 2 219 579              |
| Payments to suppliers, employees, other expenses of principal activity  |       | (1 155)                | (2 669 950)            |
| <b>Gross cash flow generated from/(used in) operating activities</b>    |       | <b>21 238</b>          | <b>(450 371)</b>       |
| Interest payments   |       |                        |                        |
| <b>Net cash flow generated from /(used in) operating activities</b>     |       | <b>21 238</b>          | <b>(497 521)</b>       |
| <b>CASH FLOWS USED IN INVESTING ACTIVITIES</b>                          |       |                        |                        |
| Acquisition of fixed and intangible assets                              |       |                        | (400)                  |
| Proceeds from sales of fixed assets and intangible investments          |       |                        | 23 074                 |
| Repayment of loans  |       |                        | -                      |
| Interest received   |       |                        | -                      |
| <b>Net cash flow used in investing activities</b>                       |       |                        | <b>22 674</b>          |
| <b>CASH FLOW FROM FINANCING ACTIVITIES</b>                              |       |                        |                        |
| Loans received  |       |                        | 425 000                |
| Repayment of loans  |       |                        | (19 090)               |
| <b>Net cash flow from financing activities</b>                          |       |                        | <b>405 910</b>         |
| Net foreign exchange gains/losses                                       |       |                        | -                      |
| Net cash flow for the financial year                                    |       | <b>21 238</b>          | <b>(68 937)</b>        |
| <b>Cash and cash equivalents at the beginning of the financial year</b> | 23    | <b>10 451</b>          | <b>69 520</b>          |
| <b>CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL YEAR</b>       | 23    | <b>31 689</b>          | <b>583</b>             |

The accompanying notes on pages 11 to 26 are an integral part of these financial statements.

\_\_\_\_\_  
Einārs Buks

Chairman of the Board

\_\_\_\_\_  
Jekaterina Meļņika

Member of the Board

\_\_\_\_\_  
Ainārs Tropiņš

Member of the Board

\_\_\_\_\_  
Aleksandrs Kočkins  
Chief Accounting Officer

Riga, December 30<sup>th</sup>, 2019

**NOTES TO THE FINANCIAL STATEMENTS****1. Summary of accounting policies*****General principles***

Financial statements are prepared in accordance with the Laws of the Latvian Republic On Accounting, On the Annual Reports and Latvian Accounting Standards.

The financial statements have been prepared on the initial cost basis, except for floating docks (included in property, plant and equipment) which are reflected at their revalued amounts.

The financial statements cover the period from 1 January to 30 June 2018. The income statement is prepared in accordance with the function of expense method. The cash flow statement has been prepared under direct cash flow method.

The principal accounting policies adopted in the preparation of these financial statements are set out below. These policies have been applied also during the previous reporting year, unless otherwise stated.

***Accounting and valuation principles***

Financial statement items are valued according to the following accounting principles:

- a) it is assumed that the Company will continue its activities;
- b) unless specified separately, the same valuation methods are used as in the previous year;
- c) valuation is made with sufficient care, including:
  - profit is recognized only if earned before the end of financial year;
  - all known and foreseeable liabilities and losses occurred before the end of the financial year shall be considered, including when they were revealed during the period between the end of the financial year and the day of preparation of the financial statement;
  - all asset impairment losses and depreciation are considered, regardless of whether the financial year is closed with profit or loss.
- d) unless specified separately, revenues and expenses are recognized according to accruals method, that is, considering the moment of occurrence regardless of the day of payment and day of invoice issue or receipt. Expenses are reconciled with the revenues in the financial year.
- e) The sections of the items of Assets and Equity, Provisions and Liabilities are measured and classified separately. Income and expenses are classified and disclosed separately except the gains or losses from sale of non-current assets and from similar transactions (e.g., the result of currency exchange rate fluctuation or the result of sale or purchase of foreign currency), which are offsetted.
- f) Transactions are reflected with account of their economic intention and matter and not with account of their legal form.

***Foreign currency conversion in euro(continuation)***

The profit or loss resulting from the exchange rate fluctuations of the foreign currency are recognized in the income statements in the respective period on net amount.

|       | <b>30.06.2019.</b> | <b>30.06.2018.</b> |
|-------|--------------------|--------------------|
|       | <b>EUR</b>         | <b>EUR</b>         |
| 1 USD | 1.138              | 1.16580            |
| 1 RUB | 71.5975            | 73.1582            |
| 1 GBP | 0.89655            | 0.88605            |

***Income recognition and revenue***

Revenue contains the total value of goods and services sold during the year excluding discounts and value added tax.

Income is recognized according to the following principles:

Sales of goods - after significant ownership risk and rewards have been passed to the buyer;

Rendering of services - under the percentage of completion method;

Income from fines and penalties - at the moment of receiving the payments;

Interest income - on an accrual basis;

Dividends - at the moment of acquiring legal rights to receive them.

***Rendering of services, ship repairs and construction***

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the balance sheet date, which is measured based on the proportion of contract costs incurred for work performed to date relative to the estimated total contract costs, except where this would not be representative of the stage of completion. Variations in contract work, claims and incentive payments are included to the extent that the

amount can be measured reliably and its receipt is considered probable. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Company;
- the stage of completion of the transaction at the balance sheet date can be measured reliably;
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

Where the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised to the extent of contract costs incurred that it is probable will be recoverable. Contract costs are recognised as expenses in the period in which they are incurred.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately in the statement of profit and loss.

#### ***Intangible investments and fixed assets***

Assets acquired in financial lease are depreciated over their expected useful life on the same basis as owned assets of the Company.

The floating docks are recognized at their fair value, on the basis of the periodic independent evaluation of evaluator, minus the accumulated depreciation and impairment losses.

During revaluation accumulated depreciation is taken out from initial asset value. The net amount is included in revalued value. Revaluations are performed with sufficient regularity, but not less frequently than every 5 years, such that the carrying amounts do not differ materially from those that would be determined using fair values at the balance sheet date.

The increase in value occurred as a result of the revaluation is recognized within the equity in “non-current investment revaluation reserve”, but decrease in value is written off from in above mentioned reserve in previous years included value increase of respective fixed asset (minus deferred tax), including excess in Income statement. In revenues in Income statement is recognised at the time of the fixed asset liquidation.

#### ***Investments in subsidiaries and associates and other financial investments***

Investments in subsidiaries (i.e. where the Company holds more than 50% of interest in the share capital or otherwise controls the investee company) are measured initially at cost. Control is achieved where the Company has the power to govern the financial and operating policies of the investee company.

Associates are all entities over which the Company has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Significant influence is the power to participate in the financial and operating policy decisions of the investee company but is not control or joint control over those policies. Investments in associates are initially measured at cost.

Other financial investments represent investments in the share capital of another company which does not exceed 20% of the company's total share capital.

Subsequent to initial recognition, all investments are stated at historical cost less any accumulated impairment losses. The carrying amounts of investments are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Impairment loss is recognised in the statement of profit and loss.

#### ***Inventories***

Inventories are stated at the lower of cost and net realizable value. Costs comprise direct materials and, where applicable, direct labor costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Cost is calculated using first-in, first-out FIFO method. Net realizable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in selling and distribution.

If necessary, allowance is made for obsolete, slow moving and defective stock.

#### ***Financial assets***

##### **Loans**

Loans are recognised initially at fair value, net of transaction costs incurred. Subsequent to initial recognition all loans are stated at amortised cost, using the effective interest rate method. Differences between the principal amount and the repayable value are gradually recognised in the statement of profit and loss over the period of the loan.

Loans are classified as current receivables if the maturity term does not exceed 12 months from the end of reporting period.

At each balance sheet date the Company assesses whether there is objective evidence that the carrying amount of loans may not be recoverable. The Company assesses each loan individually. If there is objective evidence that an impairment loss has incurred, the amount of the loss is recognised as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The impairment loss is recognised in the statement of profit and loss as Other operating expenses.

**Trade receivables**

Trade receivables are initially recognised at fair value and subsequently carried at amortised cost using the effective interest method. An allowance for impairment of trade receivables is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of trade receivables. The amount of the allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the allowance is recognised in the statement of profit and loss as other operating expenses. If, in subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the reversal of the previously recognised impairment loss is recognised in the statement of profit and loss.

Trade receivables are included in current assets, except for assets with maturities greater than 12 months after the end of the reporting period.

**Cash and cash equivalents**

Cash and cash equivalents comprise cash on hand, balances of current accounts with banks and short-term deposits held at call with banks with the initial maturity of less than 90 days.

***Accrued income***

Accrued income represents earned revenue for services that were provided during the reporting period but invoiced during the next reporting period.

***Deferred income***

Payments received before the balance sheet date, but relating to the following year or subsequent years, are shown as deferred income of future periods.

***Prepaid expenses***

Expenses paid before the balance sheet date, that relate to the next reporting periods, are recognised as deferred expenses.

***Dividends***

Dividends are recorded in the financial statements of the Company in the period in which they are approved by the Company's shareholders.

***Borrowings***

Borrowings are recognised initially at fair value, net of transaction costs incurred. Subsequent to initial recognition all borrowings are stated at amortised cost, using the effective interest rate method. Differences between the proceeds and the redemption value are gradually recognised in the statement of profit and loss over the period of the borrowing.

Borrowings are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability at least for 12 months after the end of reporting period.

***Borrowing costs***

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. All other borrowing costs are recognised in the statement of profit or loss in the period in which they incurred.

***Leases***

Leases of assets under which the lessee assumes substantially all the risks and rewards of ownership associated with the asset are classified as finance leases. All other leases are classified as operating leases.

**The Company as lessor**

When the Company's assets are leased out under an operating lease, income from operating leases is recognised in the statement of profit or loss on a straight-line basis over the lease term. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and reduce the amount of income recognised over the lease term. If the Company is a lessor in a finance lease arrangement, it recognises the asset in the balance sheet as a receivable at an amount equal to the present value of the lease payments. Lease income is recognised over the term of the lease on the basis of constant periodic rate of return.

**The Company as lessee**

Payments made under operating leases are charged to the statement of profit or loss on a straight-line basis over the period of the lease.

If the Company is a lessee in a finance lease arrangement, it recognises in the balance sheet the asset as an item of property, plant and equipment and a lease liability measured as the lower of the fair value of the leased property and the present value of the minimum lease payments. Each lease payment is allocated between the liability and finance charge so as to achieve a constant interest rate on the balance of liability outstanding. The interest element of the lease payment is charged to the statement of profit or loss over the lease period. The

item of property, plant and equipment acquired under a finance lease is depreciated over the shorter of the useful life of the asset and the lease term, unless it is reasonably certain that the Company will obtain ownership by the end of the lease term.

***Grants and government assistance***

Grants received for the acquisition of fixed assets or other non-current assets are recorded as deferred income and recognized as an income in the income statement on straight-line basis over the useful life of the assets acquired. Other grants and financial support to cover the expenses are recognized as an income in the period when the respective funding has been received and all material conditions in respect of the grants received has been fulfilled.

***Trade payables***

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method. Trade payables are classified as current liabilities if payment is due within one year or less. Otherwise, they are classified as non-current liabilities.

***Provisions***

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Where the Company expects some or all of provisions to be reimbursed for example under an insurance contract the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. Expenses relating to any provision are presented in the statement of profit and loss net of any reimbursement.

***Accrual for unused employee vacations***

Accrual for unused vacations is computed by multiplying employees' average salary for the last 6 months by the number of unused vacation days at the end of the reporting year, additionally calculating employers' mandatory social insurance contributions.

***Corporate income tax***

Corporate income tax represents the corporate income tax calculated for the reporting year. Corporate income tax for the reporting year is recognized in the Profit and Loss Statement. The tax calculated for the reporting period is calculated in accordance with the requirements of the Corporate Income Tax Law, determining the tax base that is equal to a value of taxable objects that is divided by a factor of 0.8 and multiplied by the statutory tax rate of 20%.

***Events after the reporting date***

Post-year-end events that provide additional information about the Company's position at the balance sheet date (restated events) are reflected in the balance sheet. Post-year-end events that are not restated events are disclosed in the notes to the financial statements only when material.

***Use of estimates and critical judgments***

The legislation of the Republic of Latvia requires that in preparing the financial statements the management of the Company makes estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of off-balance sheet assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

The following are the critical judgments and key estimates concerning the future, and other key sources of estimation uncertainty which exist at the reporting date of the financial statements that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities during the next reporting period:

***Allowance for doubtful trade receivables***

The Company's management evaluates the carrying amounts of trade receivables and assesses their recoverability, making an allowance for doubtful and bad trade receivables, if necessary.

***Net realisable value of inventories***

The Company's management evaluates the net realisable value of inventories based upon the expected sales prices and selling costs and assesses the physical condition of inventories during the annual stock count. If the net realisable value of inventories is lower than the cost of inventories then an allowance is recorded.

***Useful lives of property, plant and equipment***

Useful lives of property, plant and equipment are assessed at each balance sheet date and changed, if necessary, to reflect the Company's management current view on their remaining useful lives in the light of

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changes in technology, the remaining prospective economic utilisation of the assets and their physical condition.

#### *The carrying amounts of property, plant and equipment*

The Company's management reviews the carrying amounts of property, plant and equipment and assesses whenever indications exist that the assets' recoverable amounts are lower than their carrying amounts. The Company's management calculates and records an impairment loss on property, plant and equipment based on the estimates related to the expected future use, planned liquidation or sale of the assets.

#### *Revaluation of floating docks*

The Company's management evaluates whether there have been significant changes in the fair values floating docks which are carried at their revalued amounts.

#### *Carrying amounts of issued loans*

The Company's management evaluates the carrying amounts of issued loans and evaluates their recoverability, making an allowance for doubtful loans, if necessary.

#### *The carrying amounts of investments in associate*

The Company's management reviews the carrying amounts of the investments in associates and assesses whenever indications exist that the assets' recoverable amounts are lower than their carrying amounts. The Company's management calculates and records an impairment loss on investments in associates based on the expected future returns of the assets.

#### *The determination of ship buildings construction contract stage of completion*

At each balance sheet date the Company's management evaluates the stage of completion of unfinished construction contracts and the associated revenue and costs.

## 2. Net turnover

|                                | NACE2 CODES | 6 month 2019<br>EUR | 6 month 2018<br>EUR |
|--------------------------------|-------------|---------------------|---------------------|
| <b>By operating activities</b> |             |                     |                     |
| Ship repair                    | 3011        | 167 177             | 1 801 007           |
| Shipbuilding                   | 3011        | -                   | 133 660             |
| Mechanical engineering         | 3315        | -                   | 63 641              |
| Other works                    | 3315        | -                   | -                   |
| <b>Total</b>                   |             | <b>167 177</b>      | <b>1 998 308</b>    |

## 3. Cost of goods sold or costs of services provided

|  | 6 month 2019<br>EUR | 6 month 2018<br>EUR |
|--|---------------------|---------------------|
| Material costs and services from outside           | 65 710              | 863 061             |
| Contragents services                               | -                   | 320 307             |
| Salary expenses                                    | 289 569             | 844 330             |
| Social insurance                                   | 74 345              | 196 746             |
| Electricity costs                                  | 150 769             | 273 247             |
| Heat energy costs                                  | 18 600              | 63 992              |
| Accrued liabilities for unused vacations           | (35 631)            | 741                 |
| Depreciation of fixed assets and intangible assets | 301 950             | 459 897             |
| Other costs  | 42 768              | 190 631             |
| Real estate tax                                    | 77 879              | 78 081              |
| <b>Total</b>                                       | <b>985 959</b>      | <b>3 291 033</b>    |

## 4. Distribution expenses

|                      | 6 month 2019<br>EUR | 6 month 2018<br>EUR |
|----------------------|---------------------|---------------------|
| Advertising expenses | -                   | -                   |
| <b>Total</b>         | <b>-</b>            | <b>-</b>            |

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## 5. Administrative expenses

|   | <b>6 month 2019</b> | <b>6 month 2018</b> |
|---|---------------------|---------------------|
|   | <b>EUR</b>          | <b>EUR</b>          |
| Salary expenses (administration)            | 180 095             | 165 910             |
| Social insurance                            | 42 684              | 48 046              |
| Transportation costs, travelling allowances | 14 441              | 27 126              |
| Legal services                              | 34 940              | 61 365              |
| other                                       | 3 113               | 32 538              |
| Office rent and utilities                   | 22 030              | 263                 |
| <b>Total</b>                                | <b>297 303</b>      | <b>335 248</b>      |

## 6. Other operating income

|   | <b>6 month 2019</b> | <b>6 month 2018</b> |
|---|---------------------|---------------------|
|   | <b>EUR</b>          | <b>EUR</b>          |
| Income from rent and delivered utility services | 197 714             | 291 383             |
| Sale of materials                               | 199 453             | 345 897             |
| Income from projects financing                  | 36 060              | 36 060              |
| Other income                                    | 1 861               | 159 650             |
| <b>Total</b>                                    | <b>435 088</b>      | <b>832 990</b>      |

## 7. Other operating expenses

|   | <b>6 month 2019</b> | <b>6 month 2018</b> |
|---|---------------------|---------------------|
|   | <b>EUR</b>          | <b>EUR</b>          |
| Provisions for inventories                          | 54 997              | 22 142              |
| Medical services                                    | -                   | 8 658               |
| Material purchase costs                             | 199 698             | -                   |
| Revenue from disposal / liquidation of fixed assets | 72 670              | -                   |
| Other expenses                                      | 3 767               | 12 492              |
| <b>Total</b>  | <b>331 132</b>      | <b>43 292</b>       |

## 8. Other interest income and similar income

|                                 | <b>6 month 2019</b> | <b>6 month 2018</b> |
|---------------------------------|---------------------|---------------------|
|                                 | <b>EUR</b>          | <b>EUR</b>          |
| <i>from other parties</i>       |                     |                     |
| Interest income on loans issued | -                   | 42 103              |
| <b>Total</b>                    | <b>-</b>            | <b>42 103</b>       |

## 9. Other interest payable and similar expenses

|                             | <b>6 month 2019</b> | <b>6 month 2018</b> |
|-----------------------------|---------------------|---------------------|
|                             | <b>EUR</b>          | <b>EUR</b>          |
| <i>to other parties</i>     |                     |                     |
| Interest expenses for loans | 1 010               | 122 564             |
| Penalties paid              | 66 998              | 75 054              |
| <b>Total</b>                | <b>68 008</b>       | <b>197 618</b>      |



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**10. Intangible assets**

|                                 | <b>Software<br/>EUR</b> | <b>Total<br/>EUR</b> |
|---------------------------------|-------------------------|----------------------|
| <b>Cost</b>                     |                         |                      |
| As of 01.01.2018.               | <u>361 351</u>          | <u>361 351</u>       |
| As of 30.06.2018.               | <u>361 351</u>          | <u>361 351</u>       |
| <b>Acumulated amortizations</b> |                         |                      |
| As of 01.01.2018.               | <u>(347 347)</u>        | <u>(347 347)</u>     |
| Calculated                      | (1 064)                 | (1 064)              |
| As of 31.12.2018.               | <u>(348 411)</u>        | <u>(348 411)</u>     |
| <b>Net carrying amount</b>      |                         |                      |
| As of 01.01.2018.               | <u>14 004</u>           | <u>14 004</u>        |
| As of 31.12.2018.               | <u>12 940</u>           | <u>12 940</u>        |
| <b>Cost</b>                     |                         |                      |
| As of 01.01.2019.               | <u>361 351</u>          | <u>361 351</u>       |
| Additions                       | -                       | -                    |
| As of 30.06.2019.               | <u>361 351</u>          | <u>361 351</u>       |
| <b>Acumulated amortizations</b> |                         |                      |
| As of 01.01.2019.               | <u>(359 655)</u>        | <u>(359 655)</u>     |
| Calculated                      | (1 696)                 | (1 696)              |
| As of 30.06.2019.               | <u>(361 351)</u>        | <u>(361 351)</u>     |
| <b>Net carrying amount</b>      |                         |                      |
| As of 01.01.2019.               | <u>1 696</u>            | <u>1 696</u>         |
| As of 30.06.2019.               | <u>-</u>                | <u>-</u>             |

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### 11. Fixed assets

|                            | Land,<br>buildings<br>and<br>engineering<br>structures**<br>EUR | Advances<br>for fixed<br>assets<br>EUR | Technological<br>equipment<br>and devices<br>EUR | Fixed assets<br>under<br>construction<br>EUR | Other<br>Fixed assets<br>EUR | Total<br>EUR        |
|----------------------------|---|--|--|--|------------------------------|---------------------|
| <b>Cost/revaluation</b>    |   |  |  |  |                              |                     |
| As of 01.01.2018           | 14 290 186  | 18 550                                 | 34 682 164                                       | 324 011                                      | 1 887 729                    | 51 191 204          |
| Additions                  |   |  |  |  | 400                          | 400                 |
| Disposals                  |   |  |  |  |                              |                     |
| Reclassified               |   |  | 21 018   | (45 145)                                     | 24 128                       | -                   |
| As of 30.06.2018.          | <b>14 290 186</b>   | <b>7 114</b>                           | <b>34 682 182</b>                                | <b>278 865</b>                               | <b>1 912 257</b>             | <b>51 191 605</b>   |
| <b>Depreciations</b>       |   |  |  |  |                              |                     |
| As of 01.01.2018           | (5 652 609)   | -                                      | (12 567 656)                                     | -  | (1 427 908)                  | (19 648 173)        |
| Calculated                 | (96 109)  | -                                      | (209 972)  | -  | (55 592)                     | (459 031)           |
| Disposals                  | -   | -                                      | -  | -  | -                            | -                   |
| Relocated *                | -   | -                                      | *(97 358)  | -  | -                            | (97 358)            |
| As of 30.06.2018.          | <b>(5 748 718)</b>  | <b>-</b>                               | <b>(12 874 986)</b>                              | <b>-</b>                                     | <b>(1 483 500)</b>           | <b>(20 107 204)</b> |
| <b>Net carrying amount</b> |   |  |  |  |                              |                     |
| As of 01.01.2018           | <b>8 637 577</b>  | <b>7 114</b>                           | <b>22 114 510</b>                                | <b>324 011</b>                               | <b>459 821</b>               | <b>31 543 033</b>   |
| As of 30.06.2018           | <b>8 541 468</b>  | <b>7 114</b>                           | <b>21 828 196</b>                                | <b>278 865</b>                               | <b>428 757</b>               | <b>31 084 401</b>   |
| <b>Cost/revaluation</b>    |   |  |  |  |                              |                     |
| As of 01.01.2019           | 14 055 896  |  | 30 065 344                                       |  | 1 916 893                    | 46 038 133          |
| Additions                  |   |  |  |  | 450                          | 450                 |
| Disposals                  |   |  | (436 144)  |  |                              | (436 144)           |
| Reclassified               |   |  |  |  |                              |                     |
| As of 30.06.2019.          | <b>14 056 896</b>   |  | <b>29 629 200</b>                                |  | <b>1 917 343</b>             | <b>45 602 439</b>   |
| <b>Depreciations</b>       |   |  |  |  |                              |                     |
| As of 01.01.2019           | (5 844 832)   |  | (13 237 391)                                     |  | (1 527 719)                  | (20 609 942)        |
| Calculated                 | (94 050)  |  | (168 832)  |  | (42 413)                     | (305 295)           |
| Disposals                  |   |  | 301 063  |  |                              | 301 063             |
| Relocated *                |   |  | (97 087)   |  |                              | (97 087)            |
| As of 30.06.2019.          | <b>(5 938 882)</b>  |  | <b>(13 202 247)</b>                              |  | <b>(1 570 132)</b>           | <b>(20 711 261)</b> |
| <b>Net carrying amount</b> |   |  |  |  |                              |                     |
| As of 01.01.2019           | <b>8 211 064</b>  |  | <b>16 827 953</b>                                |  | <b>389 174</b>               | <b>25 428 191</b>   |
| As of 30.06.2019           | <b>8 117 014</b>  |  | <b>16 426 953</b>                                |  | <b>347 211</b>               | <b>24 891 178</b>   |

Real Estate (buildings) cadastral value as of June 30<sup>th</sup>, 2019 - 5 723 487 EUR (as of June 30<sup>th</sup>, 2018 - 5 723 487 EUR).

Information about assets used as collaterals for borrowings included in Notes 27 and 37.

\* Depreciation of the Reporting Period for which the long-term investment revaluation reserve is being reduced.

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### 12. Investments in associates

#### Shares in the capital of associates and their carrying values:

| Name                       | 30.06.2019       |                          |
|----------------------------|------------------|--------------------------|
|                            | EUR              | Participating interest % |
| AS "Tosmares kugubuvetava" | 3 630 590        | 49.72                    |
| <b>Total</b>               | <b>3 630 590</b> |                          |

| Name                       | 30.06.2018       |                          |
|----------------------------|------------------|--------------------------|
|                            | EUR              | Participating interest % |
| AS "Tosmares kugubuvetava" | 3 630 590        | 49.72                    |
| SIA "Remars Granula"       | 1 200 000        | 49.80                    |
| <b>Total</b>               | <b>4 830 590</b> |                          |

### 13. Other securities and investments

| Name enterprise                | Parts or shares |            | 30.06.2019 |            | 30.06.2018 |            |
|--------------------------------|-----------------|------------|------------|------------|------------|------------|
|                                | 30.06.2019      | 30.06.2018 | Quantity   | EUR        | Quantity   | EUR        |
| "Baltic International Bank" AS | 7.1             | 7.1        | 33         | 235        | 33         | 235        |
| <b>Total</b>                   | <b>7.1</b>      | <b>7.1</b> | <b>33</b>  | <b>235</b> | <b>33</b>  | <b>235</b> |

### 14. Other loans and non-current receivables

| Name / Type of Loan                         | As of 31.12.2018 | Interest accrued Reallocation at a short-term | Currency exchange rate change | As of 30.06.2019 | Term of repayment |
|---|------------------|---|-------------------------------|------------------|-------------------|
| Loans for Tosmares Kugubuvetava AS shares * | 1 110 818        |   | -                             | 1 110 818        | 2020              |
| Loans (interest rate 5%)                    | 470 000          |   |                               | 470 000          | 2020              |
| <b>Total</b>                                | <b>1 580 818</b> |   |                               | <b>1 580 818</b> |                   |

\*Debt for AS "Tosmares kuģubūvētava" shares is at a 5% rate. The debt is secured by shares of AS "Tosmares kuģubūvētava", which, in case of non-payment, will be transferred to the Company's property.

### 15. Raw materials and consumables

|   | 6 month 2019<br>EUR | 6 month 2018<br>EUR |
|---|---------------------|---------------------|
| Metal, non-ferrous metals, pipes              | 704 187             | 1 777 062           |
| Metal ware                                    | 29 969              | 21 603              |
| Technical rubber ware                         | 32 866              | 1 769               |
| Fuel  | 8 359               | 9 242               |
| Other   | 421 165             | 228 689             |
| Provisions for slow moving and obsolete stock | (64 632)            | (375 300)           |
| <b>Total</b>                                  | <b>1 221 914</b>    | <b>1 606 635</b>    |

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## Change in allowance for obsolete and slow moving inventories:

|   | 2018<br>EUR   | 2017<br>EUR    |
|---|---------------|----------------|
| <b>At the beginning of the reporting period</b> | <b>64 632</b> | <b>375 300</b> |
| Increase in provisions                          | -             | -              |
| Decrease in provisions                          | -             | -              |
| Net change to statement of profit and loss      | -             | -              |
| <b>At the end of the reporting period</b>       | <b>64 632</b> | <b>375 300</b> |

## 16. Work in progress

|                               | 6 month 2019<br>EUR | 6 month 2018<br>EUR |
|-------------------------------|---------------------|---------------------|
| Shipbuilding orders           | -                   | -                   |
| Ship repair orders            | -                   | 52 857              |
| Various                       | -                   | 11 227              |
| Mechanical engineering orders | -                   | 825                 |
| <b>Total</b>                  | <b>-</b>            | <b>64 909</b>       |

Work in progress contains orders with up to 10% (zero cycle) performed from total contractual value.

## 17. Advances for inventories

|                        | 6 month 2019<br>EUR | 6 month 2018<br>EUR |
|------------------------|---------------------|---------------------|
| Payments for materials | 112 809             | 159 417             |
| <b>Total</b>           | <b>112 809</b>      | <b>159 417</b>      |

## 18. Trade receivables

|                                       | 6 month 2019<br>EUR | 6 month 2018<br>EUR |
|---------------------------------------|---------------------|---------------------|
| Book value of trade receivables       | 936 424             | 1 522 671           |
| Provisions for bad and doubtful debts | -                   | (257 536)           |
| <b>Trade receivables, net</b>         | <b>936 424</b>      | <b>1 265 135</b>    |

Provisions for bad and doubtful debts have been made 100% of their book value.

## Change in provisions

|                                     | Trade receivables<br>EUR | Trade receivables<br>from associates<br>EUR | Total<br>EUR     |
|-------------------------------------|--------------------------|---|------------------|
| <b>Provisions as of 31.12.2018.</b> | -                        | <b>1 324 959</b>                            | <b>1 324 959</b> |
| Increase in provisions              | -                        | -   | -                |
| Decrease in provisions              | -                        | -   | -                |
| <b>Provisions as of 30.06.2019.</b> | <b>-</b>                 | <b>1 324 959</b>                            | <b>1 324 959</b> |

## 19. Receivables from associates

|  | 30.06.2019<br>EUR | 30.06.2018<br>EUR |
|--|-------------------|-------------------|
| SIA "Remars Granula" debt for loan according to assignment agreement | 770 000           | 770 000           |
| SIA "Remars Granula" loan  | 310 642           | 310 642           |
| SIA "Remars Granula" loan %  | 244 317           | 228 569           |
| Total book value   | 1 324 959         | 1 309 211         |
| Provisions for doubtful debts  | 1 324 959         | 0                 |
| <b>Receivables from associates, net</b>                              | <b>0</b>          | <b>1 309 211</b>  |

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## 20. Other receivables

|                               | <b>6 month 2019</b> | <b>6 month 2018</b> |
|-------------------------------|---------------------|---------------------|
|                               | <b>EUR</b>          | <b>EUR</b>          |
| Book value                    | 775 997             | 842 994             |
| <b>Other receivables, net</b> | <b>775 997</b>      | <b>842 994</b>      |
| Advance payments for services | 390 787             | 496 367             |
| Value added tax (Note 33)     | 21 296              | 45 537              |
| Interests                     | 329 648             | 286 847             |
| Payments personal debts       | 3 835               | -                   |
| Payment of salary             | -                   | -                   |
| Other receivables             | 30 431              | 14 243              |
| <b>Total</b>                  | <b>775 997</b>      | <b>842 994</b>      |

## 21. Prepaid expenses

|   | <b>6 month 2019</b> | <b>6 month 2018</b> |
|---|---------------------|---------------------|
|   | <b>EUR</b>          | <b>EUR</b>          |
| Property insurance                      | 3 195               | 11 835              |
| Health insurance                        | -                   | 13 547              |
| Renovation costs of leased fixed assets | 77 879              | 74 072              |
| Other expenses                          | -                   | 1 084               |
| <b>Total</b>                            | <b>81 074</b>       | <b>100 538</b>      |

## 23. Cash and cash equivalents

|                                  | <b>6 month. 2019</b> | <b>6 month 2018</b> |
|----------------------------------|----------------------|---------------------|
|                                  | <b>EUR</b>           | <b>EUR</b>          |
| Cash at bank on current accounts | 31 638               | 488                 |
| Cash on hand                     | 51                   | 95                  |
| <b>Total</b>                     | <b>31 689</b>        | <b>583</b>          |

## 24. Share capital

Rīgas kugu buvetava AS was founded in 1991. Share capital of the Company is 16 340 950 EUR, which is comprised of 11 672 107 ordinary shares, nominal value of one share is 1.40 EUR. Currently there are in total 11 672 107 shares of which 10 000 000 shares are publicly traded and 1 672 107 shares are in closed issue.

The joint stock company is public and its shares are quoted on exchange market NASDAQ RIGA AS on the secondary list. All shares give equal rights for receiving dividends, liquidation quotes and voting rights at the shareholders meeting. 1 share gives 1 voting right.

Amendments to the Statutes:

1. Increase of the share capital up to EUR 15 651 590 on 30 December, 1998.
2. Increase of the share capital up to EUR 16 607 912 on 30 December, 1999.
3. Denomination of the share capital was done in May 2015. The share capital after the denomination is EUR 16 340 950. Number of shares is 11 672 107, the nominal value of one share is EUR 1.40.

## AS "Rīgas kugu buvetava" shareholders

|                      | <b>6 month 2019</b> | <b>%</b>   | <b>6 month 2018</b> | <b>%</b>   |
|----------------------|---------------------|------------|---------------------|------------|
|                      | <b>EUR</b>          |            | <b>EUR</b>          |            |
| Remars-Rīga AS       | 8 146 872           | 49.86      | 8 146 872           | 49.86      |
| Private persons      | 5 646 291           | 34.55      | 3 979 220           | 24.35      |
| Other legal entities | 2 547 787           | 15.59      | 4 214 858           | 25.79      |
| <b>Total</b>         | <b>16 340 950</b>   | <b>100</b> | <b>16 340 950</b>   | <b>100</b> |

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## 25. Long-term investments revaluation reserve

|   | 6 month 2019<br>EUR | 6 month 2018<br>EUR |
|---|---------------------|---------------------|
| As at the beginning of the year   | 6 720 723           | 11 697 050          |
| Decreasing long-term asset reevaluation reserve to the calculated depreciation amount | (97 087)            | (97 358)            |
| <b>Total</b>  | <b>6 623 636</b>    | <b>11 599 692</b>   |

Based on certified appraisers' valuation report, Company performed revaluation of floating docks. In 2007 Baltic Kontor SIA performed valuation of the Company's real estate (three floating docks) and as a result of the valuation estimated fair value of three floating docks which as of 20.12.2017 amounted to EUR 17 107 000.

Company's management considers that floating docks value increase is permanent and it is appropriate to value assets at their fair value. Difference arising from revaluation for the amount of EUR 12 056 273 was recognized in equity under Long-term investments revaluation reserve that was decreased by the related deferred tax liability.

Subsequently in 2012, 2014 and 2016 certified appraisers performed floating docks' revaluation and concluded that estimated value does not significantly differ from previously evaluated value and no amendments into value of floating docks was recognized. In performing valuation the appraisers used a cost approach including adjustments for the docks technical condition, age and technological usefulness of the assets. The values obtained were compared to available information in the market for the similar assets.

As of 30 June 2019, the revaluation reserve is reduced by an amount equal to the difference between the depreciation calculated on the basis of the revaluated value of the fixed asset and the depreciation calculated on the basis of the acquisition value of the fixed asset.

## 26. Other provisions

|                           | 6 month 2019<br>EUR | 6 month 2018<br>EUR |
|---------------------------|---------------------|---------------------|
| For shipbuilding projects | -                   | 552 686             |
| <b>Total</b>              | <b>-</b>            | <b>552 686</b>      |

## 27. Loans from credit institutions

|                          | 6 month 2019<br>EUR | 6 month<br>2018<br>EUR |
|--------------------------|---------------------|------------------------|
| <b>ABLV Bank AS</b>      |                     |                        |
| b) Short – term part     | 1 700 000           | 1 700 000              |
| <b>Baltikums bank AS</b> |                     |                        |
| a) Long-term part        | -                   | 721 306                |
| b) Short – term part     | 1 600 725           | 902 617                |
| <b>Total</b>             | <b>3 300 725</b>    | <b>3 323 923</b>       |

1. On December 28, 2017 the Company had concluded with ABLV Bank AS amendments to the October 18, 2013 Creditline contract No. 13-FP-0207 for current assets needs. The repayment term is December 30 2018. The interest rate is 7%. The maximum amount secured claims is EUR 2 470 000.

2. a) On March 28, 2017 the Company had concluded with Baltikums Bank AS Creditline contract No. KLJ-39-2017 for purchase of the steel with a total credit limit of EUR 1 000 000. The repayment term is March 27, 2018. The interest rate is 6,5%. The maximum amount secured claims is EUR 1 500 000.

b) On March 31, 2017 the Company had concluded with Baltikums Bank AS Creditline contract No. KLJ-40-2017 for issuance of guarantees with a total credit limit of EUR 2 500 000. The repayment term is March 29, 2019. The interest rate is 3,0%. The maximum amount secured claims is EUR 3 750 000.

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c) On March 31, 2017 the Company had concluded with Baltikums Bank AS Creditline contract No. OJ-38/2017 for current assets needs with a total credit limit of EUR 1 000 000. The repayment term is March 29, 2019. The interest rate is 6,5%. The maximum amount secured claims is EUR 1 500 000.

As security was signed:

1. Mortgage on real estate. The value of the pledged immovable property as at 30 June 2019 is EUR 5 210 195 1st stage mortgage agreement for floating dock No 170. The mortgaged property balance sheet value as of 30 June, 2019 is EUR 9 232 609.

2. Commercial pledge on all assets of the Company at the time of pledging, as well as the following components of the all assets. Pledged real estate net book value as of 30 June, 2019 is EUR 2 975 318.

In September 2019 the Company fully covered its credit commitments towards AS BlueOrange Bank, and in turn AS BlueOrange Bank canceled a mortgage registered in Latvian Ship register on the floating dock No.170 and registered commercial pledge on all assets of the Company at the time of pledging, as well as the following components of the all assets.

### 28. Other loans

|  | <b>6 month 2018</b> | <b>6 month 2018</b> |
|--|---------------------|---------------------|
|  | <b>EUR</b>          | <b>EUR</b>          |
| Long-term part (interest 4%)*                | 37 732              | 37 732              |
| Total long-term part of leasing liabilities  | -                   | 1 342               |
| International Fund (interest 6%)             | -                   | 2 315 000           |
| <b>Total long-term part</b>                  | <b>37 732</b>       | <b>2 354 074</b>    |
| Short-term part **                           | 3 154 433           | 994 326             |
| Total short-term part of leasing liabilities | 629                 | 5 377               |
| <b>Total short-term part</b>                 | <b>3 155 062</b>    | <b>999 703</b>      |
| <b>Total other loans</b>                     | <b>3 192 794</b>    | <b>3 353 777</b>    |

\* Company received a loan from legal entities, repayment term is 2021.

\*\* Company received a loan from legal entities.

No assets are pledged as collateral.

### 29. Deferred income

|   | <b>6 month 2019</b> | <b>6 month 2018</b> |
|---|---------------------|---------------------|
|   | <b>EUR</b>          | <b>EUR</b>          |
| 1) Financing in accordance with the signed agreement in 2013 with the Ministry of Environmental Protection and Regional Development for the project implementation "Measure of the Energy efficiency in the production buildings" | 194 674             | 223 592             |
| 2) Financing in accordance with an agreement signed in 2012 with the Latvian Investment and Development Agency about the EU co-financed project Rigas kugu buvetava AS Heating system reconstruction.                             | 263 394             | 306 595             |
| <b>Total</b>  | <b>458 068</b>      | <b>530 187</b>      |
| <b>Total long-term part</b>   | <b>422 008</b>      | <b>494 127</b>      |
| <b>Total short-term part</b>  | <b>36 060</b>       | <b>36 060</b>       |

In 2013 there was a funding in amount of EUR 279 278 received, in 2014 there was a funding in amount of EUR 564 027 received.

### 30. Advances from customers

|                  | <b>6 month 2019</b> | <b>6 month 2018</b> |
|------------------|---------------------|---------------------|
|                  | <b>EUR</b>          | <b>EUR</b>          |
| For shipbuilding | -                   | -                   |
| For ship repair  | -                   | -                   |
| Others           | 402 833             | 5 085               |
| <b>Total</b>     | <b>402 833</b>      | <b>5 085</b>        |

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### 31. Trade payables

|                        | <b>6 month 2019</b> | <b>6 month 2018</b> |
|------------------------|---------------------|---------------------|
|                        | <b>EUR</b>          | <b>EUR</b>          |
| Payables for services  | 2 259 510           | 1 777 710           |
| Payables for materials | 420 950             | 497 875             |
| <b>Total</b>           | <b>2 680 460</b>    | <b>2 275 585</b>    |

### 32. Payables to associates

|  | <b>6 month 2018</b> | <b>6 month 2018</b> |
|--|---------------------|---------------------|
|  | <b>EUR</b>          | <b>EUR</b>          |
| Short-term part from Tosmares kugubuvetava AS (interest rate 6 %)* | 202 986             | 203 186             |
| Payables for services  | 8 262               | -                   |
| <b>Total</b>   | <b>211 248</b>      | <b>203 186</b>      |

\*In 2014 Company received loan from Tosmares kugubuvetava AS, repayment term is 2019. No collateral has been provided.

### 33. Taxes and statutory social insurance contributions

|                           | <b>01.01.2019.</b> | <b>Calculated</b> | <b>Calculated</b>  | <b>(Paid)/</b> | <b>Transferre</b> | <b>6 month</b>   |
|---------------------------|--------------------|-------------------|--------------------|----------------|-------------------|------------------|
|                           | <b>EUR</b>         | <b>EUR</b>        | <b>penalty and</b> | <b>repaid</b>  | <b>d to other</b> | <b>2019</b>      |
|                           |                    |                   | <b>delay fees</b>  | <b>EUR</b>     | <b>taxes</b>      | <b>EUR</b>       |
|                           |                    |                   | <b>EUR</b>         |                | <b>EUR</b>        | <b>EUR</b>       |
| Social insurance payments | 878 281            | 157 093           |                    | (34)           |                   | 1 035 340        |
| Value added tax           | (49 246)           | 27 950            |                    |                |                   | (21 296)         |
| Personal income tax       | 960 950            | 85 139            |                    |                |                   | 1 045 729        |
| Real estate tax           | 216 533            | 155 353           |                    |                |                   | 371 886          |
| Natural resources tax     | 97                 | -                 |                    |                |                   | 97               |
| Risk duty                 | 500                | 195               |                    |                |                   | 695              |
| <b>Total</b>              | <b>2 006 755</b>   | <b>425 730</b>    |                    | <b>(34)</b>    |                   | <b>2 432 451</b> |
| <b>Tax debt</b>           | <b>2 056 001</b>   |                   |                    |                |                   | <b>2 453 747</b> |
| <b>Tax overpayment *</b>  | <b>(49 246)</b>    |                   |                    |                |                   | <b>(21 296)</b>  |

\* The overpayment of taxes is included in Other receivables (Note 20).

### 34. Other payables

|                         | <b>30.06.2019</b> | <b>30.06.2018</b> |
|-------------------------|-------------------|-------------------|
|                         | <b>EUR</b>        | <b>EUR</b>        |
| Salaries                | 1 349 051         | 751 612           |
| Other accounts payable  | 762 623           | 472 261           |
| Payments to personnel   | 12 880            | 13 931            |
| Retention from salaries | 3 932             | 3 682             |
| Interest paid           | 357 505           | 22 059            |
| <b>Total</b>            | <b>2 485 991</b>  | <b>1 263 545</b>  |

### 35. Dividends unpaid

|                                    | <b>6 month 2019</b> | <b>6 month 2018</b> |
|------------------------------------|---------------------|---------------------|
|                                    | <b>EUR</b>          | <b>EUR</b>          |
| As at the beginning of the period  | 11 746              | 11 746              |
| Dividends paid                     |                     |                     |
| <b>As at the end of the period</b> | <b>11 746</b>       | <b>11 746</b>       |



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## 36. Accrued liabilities

|  | 6 month 2019<br>EUR | 6 month 2018<br>EUR |
|--|---------------------|---------------------|
| For services   | 127 932             | 148 613             |
| Accrued liabilities for unused annual leave expenses |                     |                     |
| For the audit of financial statements                | 115 712             | 181 787             |
| <b>Total</b>   | <b>243 644</b>      | <b>330 401</b>      |

Sworn auditor has not provided any other services to the Company except the revision of the annual report

## 37. Off-balance sheet commitments and significant contracts

1. The Company has concluded agreements for land and pier lease with Riga Free Port authority. The agreement is valid till 31.08.2028. The Company has the priority to extend the agreement term.

2. On the December 28, 2010 there was issued ship covered bond No.EH 28.12.2010/KO about floating dock deposit in the favour of UniCreditBank AS and bond is valid until the secured obligations are fully met. Ship bond is issued as a guarantee for Eiroholdings LTD obligations, that results from credit line agreement Nr. EH 01.07.2008/CL dated on July 1, 2008; credit line obligations as of June 30, 2019 is EUR 158 994. Maximum guarantee claim is EUR 4 183 243. Mortgaged floating dock 791, with the balance sheet value as of June 30, 2019 is 2 230 932 EUR. At the date of approval of these financial statements Management considers that there is low probability that the settlement of the obligation resulting from the above mentioned agreement likely.

3. On December 12, 2014 between Rigas kugu buvetava AS and ABLV Bank AS was signed mortgage agreement No. 14-FP-0328/01 for the first mortgage on Rigas kugu buvetava AS real estate - as security for Remars- Riga AS liabilities that are resulting from December 12, 2014 credit agreement No. 14-FP-032. As of June 30, 2019 liabilities amounted to EUR 1 123 093. Total amount of secured claim is EUR 2 860 000. The pledged property balance sheet value as of June 30, 2019 is EUR 5 665 905. At the date of approval of these financial statements Management considers that there is low probability that the settlement of the obligation resulting from the above mentioned agreement is likely.

4. On December 14, 2017 there was issued ship covered bond No.2 per tugboat „Orkāns” and ship covered bond No.3 per marine crane „CELTNIS 24” pledge in the favour AS „Latvenergo” as security AS „Rīgas kuģu būvētava” obligations and they are valid until the honouring of the obligations in the full amount. Obligations claim is EUR 190 000 un EUR 270 000. The pledged property balance sheet value as of June 30, 2019: tugboat „Orkāns” EUR 181 108 un marine crane „CELTNIS 24” EUR 373 449.

5. Several litigation proceedings have been commenced against the Company regarding recovery of claims. Preliminary hearings and discovery proceedings on these actions are in progress. The ultimate outcome of these matters cannot presently be determined and, accordingly, no provision for any effects on the Company that may result has been made in the financial statements.

## 38. Risk management

### Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risk damage to the Company's reputation. The Company manages its liquidity risk by using the cash and the bank credit line.

### Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's trade receivables and cash at bank.

The Company has significant exposure of credit risk with its foreign customers. The Company's policy is to ensure that cooperation is carried out with customers having appropriate credit history. In accordance with construction and repair agreements Customers are required to pay part of agreement amount in advance. If necessary, provisions for doubtful receivables are made. Receivables in the financial statements are presented at net value of receivables nominal value and provisions for doubtful receivables.

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### Interest rate risk

The Company is exposed to interest rate risk due to borrowings with variable interest rates. No instruments for risk hedging are used.

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Einārs Buks

Chairman of the Board

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Jekaterina Meļņika

Member of the Board

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Ainārs Tropiņš

Member of the Board

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Aleksandrs Kočkins  
Chief Accounting Officer

Rīga, December 30<sup>th</sup>, 2019