

Independent auditors' report

To the shareholders of the Joint Stock Company "Rīgas kuģu būvētava"

Our opinion with reservations on the financial statements

We have performed audit of AS "Rīgas kuģu būvētava", reg. No. 40003045892, the Company, financial statements included in the attached annual report from page 11 to 38. The attached financial statements include:

- the balance sheet as of 31 December 2020,
- the profit or loss statement for the year that ended on 31 December 2020,
- the statement of changes in equity for the year ended 31 December 2020,
- the cash flow statement for the year that ended on 31 December 2020, as well as
- the notes to the financial statements, which includes a summary of significant accounting principles and other explanatory information.

In our opinion, except for the impact of circumstances described in the substantiation paragraphs of the opinion with reservations, the attached financial statements provide a clear and true perception of Riga AS "Rīgas kuģu būvētava" financial position as of 31 December 2020 and of the financial results of its activities and the cash flow in the year that ended on 31 December 2020 in accordance with the Law on the Annual Financial Statements and Consolidated Financial Statements of the Republic of Latvia (Law on the Annual Financial Statements and Consolidated Financial Statements).

Substantiation for the opinion with reservations

1. As at 31 December 2020, the Company showed the item "Fixed assets" in the amount of EUR 7,407 thousand (as at 31 December 2019 in the amount of EUR 15,197 thousand). When preparing the financial statement for 2020, the Company performed an impairment assessment of fixed assets and showed fixed assets at fair value. As mentioned in Note 38 to the financial statement, as of 31 December 2020, the Company recognises fixed assets at revalued amounts, at the same time recognising asset impairment losses of EUR 6,896 thousand, which are included in the profit and loss statement for 2020 in full. However, when preparing the financial statement for 2019, the Company's management did not conduct a fixed assets value impairment verification, which is inconsistent with the requirements of the *Law on the Annual Financial Statements and Consolidated Financial Statements* and did not recognise a possible adjustment for impairment. Signs of impairment of these fixed assets have existed since 2018, on which we issued an opinion with reservations as at 31 December 2019 and other auditors had issued an opinion as of 31 December 2018 regarding this circumstance. According to the *Law on the Annual Financial Statements and Consolidated Financial Statements* of the Republic of Latvia, fixed assets are measured at cost or revalued amount, less annual depreciation, and impairment losses, if the impairment is expected to be lasting. Taking into account the circumstances specified in this paragraph, we were unable to determine the value of the total loss from the impairment of fixed assets recognised in 2020 in the amount of EUR 6,896 thousand, which would be attributable to the operating results for 2020, 2019 and retained earnings for the periods prior to 2019.

2. As at 31 December 2020 and 2019, the Company showed the item *"Ownership interest in affiliates"* in the amount of EUR 0. As described in Note 40 to the financial statement, when preparing the financial statement for 2019 for the year ended 31 December 2019, the Company recognised an impairment loss on the full investment in ownership in the amount of EUR 5,005.5 thousand, including an investment as at 31 December 2018 of EUR 3,630.6 thousand, including the adjustment in the profit or loss statement for 2019. Estimates for the adjustment of impairment of ownership in the periods before 2019 were not made. Signs of impairment of investments in ownership have existed since 2017, therefore the previous auditors' reports on the financial statements for 2018 and 2017 had a reservation to this circumstance. In accordance with the requirements of the *Law on the Annual Financial Statements and Consolidated Financial Statements* regarding the inspection of the decrease of the value of assets, if such indications exist at the reporting date, the management should estimate the recoverable value of the assets and recognise the loss from the decrease of the value, if any. If the Company had acted in accordance with the requirements of the *Law on the Annual Financial Statements and Consolidated Financial Statements* and if the decrease in the value of the investment asset had been recognised in the period when it occurred, the loss for 2019 would have been EUR 3,630.6 thousand smaller and retained earnings on 31 December 2018 would decrease by the same amount.
3. As at 31 December 2020, the Company showed the item *"Inventories"* in the amount of EUR 199 thousand (as at 31 December 2019 in the amount of EUR 1,024 thousand). As mentioned in Note 44 to the financial statement, when preparing the financial statements for 2020, the Company assessed the impairment of inventories and showed the inventories at net realisable value, recognising the impairment loss in full in the amount of EUR 676.8 thousand in the profit and loss statement for 2020. When preparing the financial statement for 2019, the Company's management did not conduct an inventories value impairment verification, which is inconsistent with the requirements of the *Law on the Annual Financial Statements and Consolidated Financial Statements* and did not recognise a possible adjustment for impairment. Signs of impairment of these inventories have existed since 2018, on which we issued an opinion with reservations as of 31 December 2019 and other auditors had issued an opinion as of 31 December 2018 regarding this circumstance. In accordance with the *Law on the Annual Financial Statements and Consolidated Financial Statements* of the Republic of Latvia, an inventory item is initially recognised in the financial statements at cost and the balances of inventories are adjusted in accordance with their net realisable value at the balance sheet date, recognising loss from the impairment of inventories in the profit and loss statement. Taking into account the circumstances specified in this paragraph, we were unable to determine the value of the total loss from the impairment of inventories recognised in 2020 in the amount of EUR 676.8, which would be attributable to the operating results for 2020, 2019 and retained earnings for the periods prior to 2019.
4. As at 31 December 2020, the Company showed items *"Trade receivables"* in the amount of EUR 419.6 thousand (on 31 December 2019 EUR 509 thousand) and *"Other receivables"* in the amount of EUR 515.7 thousand (on 31 December 2019 in the amount of EUR 1,322 thousand). When preparing the financial statement for 2020, the Company created provisions for doubtful recoverable receivables in the amount of EUR 969.8 thousand and recognised bad debts in the amount of EUR 4 thousand, recognising the loss for the reporting period from the impairment of receivables in full in the profit and loss statement for 2020 in the amount of EUR 973.9 thousand. As mentioned in Notes 45 and 46 to the financial statement, in accordance with the *Law on the Annual Financial Statements and Consolidated Financial Statements* of the Republic of Latvia, the Company recognises the receivables item in its financial statements at net value, deducting from the carrying amount of these receivables the balance of created provisions for doubtful debts or

including bad debts into losses. When preparing the financial statement for 2019, the Company did not recognise loss from long-term outstanding *Trade receivables* in the amount of EUR 92 thousand and *Other receivables* in the amount of EUR 881.9, which is contrary to the requirements of the *Law On the Annual Financial Statements and Consolidated Financial Statements*, on which we issued an opinion with reservation as at 31 December 2019 in this regard.

If the Company had acted in accordance with the requirements of the *Law On the Annual Financial Statements and Consolidated Financial Statements* and created provisions for doubtful debts during the period in which their recoverability was in doubt, the carrying amount of *Trade receivables* as at 31 December 2019 would have decreased by EUR 92 thousand, the carrying amount of *Other receivables* as at 31 December 2019 would have decreased by EUR 881.9 thousand, the profit for 2019 and the equity as at 31 December 2019 would have decreased by EUR 973.9 thousand, while the losses in 2020 would decrease by the same amount.

In accordance with the Law on Audit Services of the Republic of Latvia (the Law on Audit Services), we conducted our audit in accordance with the International Standards on Auditing (hereinafter referred to as ISA) recognized in the Republic of Latvia. Our responsibilities under these standards are described in our report section *Auditor's responsibility for auditing the financial statements*.

We hold a view that the audit evidence acquired by us provides a sufficient and appropriate substantiation for our opinion with reservations.

Independence

We are independent of the Company in accordance with the requirements of the International Code of Ethics for Professional Accountants of the International Ethics Standards Board for Accountants (including International Independence Standard) and the independence requirements included in the Law on Auditing Services applicable to our audit of the financial statement in the Republic of Latvia. We have observed all other principles of professional ethics and objectivity requirements set out in the Code of Ethics for Professional Accountants (including International Independence Standard).

In the period from 1 January 2020 to 31 December 2020, we have not provided the Company any services not related to auditing.

Significant uncertainty regarding the Company's ability to continue activities

We draw attention to Note 59 to the financial statement, which describes that in the year that ended on 31 December 2020, the Company's operating result was a net loss of EUR 9,886,447 and its short-term liabilities exceed current of assets by EUR 486,275. On 16 August 2019, the Riga City Vidzeme Suburb Court approved the plan of measures for the Company's legal protection proceedings and announced the Company's legal protection proceedings, setting the term for the implementation of this process at two years. Since the approval of the plan of measures of legal protection proceedings until the preparation of the annual report, there have been several amendments to the plan of measures of legal protection proceedings, the last of which was approved on 17 September 2021, reducing the total amount of creditors' liabilities by ten percent and setting a period of five years for the implementation of these proceedings counting from 16 August 2019. The future operation of the Company depends on the Company's ability to implement the legal protection plan, as well as to settle the liabilities to its creditors within the set term, observing all conditions of the plan. As described in Note 59 to this financial statement, these circumstances, together with other circumstances described in Note 59,

indicate that there is significant uncertainty that could cast significant doubts on the Company's ability to continue operation in future. We do not express any further reservation to this circumstance.

Our audit approach

Materiality

Total amount of materiality	182 thou. euro
Substantiation for determining materiality	<p>The total materiality corresponds to approx. 1% of the assets of 2020.</p> <p>We selected assets as a criterion for determining materiality because:</p> <ul style="list-style-type: none"> in 2020, the Company no longer earned significant revenues from its principal activities – ship building and repair services, the Company's assets as of 31 December 2020 significantly exceeded the net turnover of 2020, the Company's opinion on the financial statements for the year that ended on 31 December 2019 had reservations, mainly due to possible material errors in the valuation of assets at the balance sheet date.

In planning our audit procedures, we determined the materiality level and assessed the risks of material misstatement of the financial statements. In particular, we assessed whether the management has made subjective assumptions, for example, in respect of significant accounting estimates that include assumptions and uncertainties in respect of future events. As with our other audits, we assessed the risk of breaches of the management's internal controls, including whether there is evidence of partiality that indicates a significant risk of non-compliance due to fraud.

The scope of the audit depends on the application of materiality. Audit is planned for the purpose of obtaining reasonable assurance that the financial statements do not contain material misstatements. Discrepancies may result from fraud or error. They are considered material if, individually or in the aggregate, they could influence the economic decisions of the users based on the financial statements.

Based on our professional judgement, we determined certain materiality thresholds, including the total amount of materiality applicable to the financial statements as a whole, as described above. These, together with qualitative considerations, helped us determine the scope of the audit and the type, timing and extent of the audit procedures, as well as to assess both the individual and aggregate inconsistencies in the financial statements as a whole.

In view of the fact that in accordance with the shareholders' decisions of 26 April 2017 and 31 December 2019, the functions of the Company's Audit Committee were delegated to the Company's Council, which did not actually perform the tasks assigned to it, we agreed with the Company's Board that we would inform it about the irregularities established in the course of the audit exceeding 9 thousand euro, as well as about minor irregularities, if, in our opinion, they should be reported for qualitative reasons.

Key audit matters

The key audit matters are those that, based on our professional judgement, were most significant in the audit of the financial statements for the reporting period. These matters were considered in the context of the audit of the financial statements as a whole, as well as weighed as a whole in the preparation of the opinion with reservations on these financial statements, so we do not express a separate opinion on these matters.

In addition to the issues described in the section *Substantiation for the opinion with reservations* and section *Significant uncertainty regarding the Company's ability to continue activity*, we have identified the following matters as key audit matters, information on which must be provided in our opinion.

Key audit matters	What audit procedures did we perform in respect of the key audit matter?
<p>Valuation of fixed assets</p> <p>As indicated in Note 38, the balance sheet value of the Company's "Fixed assets" item as of 31 December 2020 is EUR 7,407 thousand (as at 31 December 2019 EUR 15,196.7 thousand).</p> <p>The balance sheet value of fixed assets depends on significant estimates, which are the management assumptions it applies in valuation of the balance sheet items, to give a true and fair view in respect of the determination of the expected recoverable amount of fixed assets.</p> <p>The management is obliged to determine the expected recoverable amount of the mentioned assets. Depending on the type of asset, different valuation methods are used – the comparative transaction method, the income method or the discounted cash flow method.</p> <p>When preparing the financial statement for 2019, the management did not assess the signs that may indicate a decrease in the potential value of fixed assets in its balance sheet, although signs of impairment of these fixed assets have existed since 2018, on which we issued an opinion with reservations as of 31 December 2019 and other auditors had issued an opinion as of 31 December 2018 regarding this circumstance. In addition, the circumstance that the</p>	
	<p>We interviewed the Company's management:</p> <ul style="list-style-type: none"> about its plans for the future development of the Company and its intentions to use the movable and immovable property at its disposal, as well as any other circumstances, including the management's ability to implement the LPP plan, which is essential for the assessment of indicators of decrease of the value of assets. about the experts selected and engaged, who performed the assessment of fixed assets at fair value. about the policy for recognising impairment losses and the policy of reflection of adjustments in the financial statement. <p>We discussed the high risks identified in the audit team related to the assessment of fixed assets at recoverable amounts and identified key risk-mitigating audit procedures that require obtaining the sufficient and appropriate audit evidence for a substantiated judgement of the auditor:</p> <ul style="list-style-type: none"> to obtain an expert assessment of the fair values of fixed assets and to evaluate the assumptions and factors used by them;

Company's legal protection proceedings (LPP) were initiated on 16 August 2019 should be taken into account.

When preparing the annual report for 2020, the Company's management assessed the signs of impairment of fixed assets and performed procedures for assessing the value of fixed assets. As a result, significant impairment losses of EUR 6,896 thousand were recognised in the reporting year by including them in the profit and loss statement for 2020.

Given the overall significance of the value of the Company's fixed assets in the financial statements, the value of the Company's fixed assets as of the balance sheet date is considered a key audit matter.

- to obtain the management's impairment calculations based on the assessment of the fair values of assets by the experts, to verify the validity of the calculations made and to reflect the identified impairment adjustment in the financial statements.

We evaluated the effect of the impairment of fixed assets recognised in the financial statements on prior periods and their appropriate recognition in the financial statements.

As indicated in section *Substantiation for the opinion with reservations*:

The Company recognised all assets impairment losses in the profit and loss statement for 2020, without considering the effect of these losses on previous reporting periods. Signs of impairment already existed in 2018, on which other auditors had issued a reservation regarding this circumstance. Our opinion is qualified with respect to the opening balances of the financial statements for 2020 as at 31 December 2019, as we were unable to determine the value of the total impairment losses recognised in 2020 for fixed assets in the amount of EUR 6,896 thousand, which would be attributable to the operating results for 2020, 2019 and retained earnings for the periods prior to 2019.

Assessment of inventories

As indicated in Note 44, the Company showed raw materials and materials in the "Inventories" as of December 2020 in the amount of EUR 199 thousand (as at 31 December 2019 in the amount of EUR 1,024 thousand).

A significant management judgement is necessary in determining the balance sheet value of inventories and the corresponding provisions for decrease of the value.

When preparing the annual report for 2020, the Company's management assessed the signs of impairment of inventories and performed procedures for estimating the net realisable value of the inventories. As a result, significant inventories impairment losses of

We interviewed the Company's management:

- about its plans for the future development of the Company and its intentions to use the movable property at its disposal, as well as any other circumstances, including the management's ability to implement the LPP plan, which is essential for the assessment of indicators of decrease of the value of assets.
- about the experts selected and engaged, who performed the assessment of inventories at their net realisable values.
- about the policy for recognising inventories impairment losses and the

EUR 676.8 thousand were recognised in the reporting year by including them in the profit and loss statement for 2020.

Given the overall significance of the value of the Company's inventories in the financial statements, as well as the management judgement necessary to assess inventories, presenting the Company's inventories in the balance sheet at the lowest of cost or net realisable values and the reflection of value impairment adjustments in the financial statement, are considered a key audit matter.

policy of reflection of adjustments in the financial statement.

We agreed to audit the Company's financial statements for 2020 by concluding an audit agreement only in July 2021 and therefore we did not participate in the inventory of raw materials and consumables included in the composition of inventories as of 31 December 2020, the balance sheet value of which on this date was EUR 199 thousand.

We discussed the high risks identified in the audit team related to the assessment of inventories at net realisable values and identified key risk-mitigating audit procedures that require obtaining the sufficient and appropriate audit evidence for a substantiated judgement of the auditor:

- to obtain an expert assessment of the net realisable values of inventories and to evaluate the assumptions and factors used by them;
- to obtain the management's calculations of impairment of the net realisable value of inventories based on the assessment of the fair values of assets by the experts, to verify the validity of the calculations made and to reflect the identified impairment adjustment in the financial statements.

We:

- analysed the movement of all inventories during the reporting period and the post-balance sheet period and identified slow-moving inventories that have not been moving for more than a year;
- we evaluated the effect of the impairment of inventories recognised in the financial statements on prior periods and their appropriate recognition in the financial statements.

As indicated in section *Substantiation for the opinion with reservations*

The Company recognised all inventories impairment losses in the profit and loss statement for 2020, without considering the effect of these losses on previous reporting periods.

	<p>The signs of impairment have existed since 2018, on which we issued an opinion with reservations as of 31 December 2019 and other auditors had issued an opinion as of 31 December 2018 regarding this circumstance. Our opinion is qualified with respect to the opening balances of the financial statements for 2020 as at 31 December 2019, as we were unable to determine the value of the total impairment losses recognised in 2020 for inventories in the amount of EUR 676.8 thousand, which would be attributable to the operating results for 2020, 2019 and retained earnings for the periods prior to 2019.</p>
<p>Provisions for doubtful receivables</p>	
<p>As indicated in Notes 45 and 46, as at 31 December 2020, the balance sheet value of the Company's items "Trade receivables" is EUR 419.5 thousand (as at 31 December 2019 is EUR 509 thousand) and the balance sheet value of "Other receivables" is EUR 515.7 thousand (as at 31 December 2019 is EUR 1,321.9 thousand).</p> <p>The recoverable amount of receivables reflected in the financial statements depends on various assumptions that are subject to significant management judgment and estimates, as well as on the Company's debt collection activities.</p> <p>Receivables are valued individually, assessing each receivable separately and taking into account different sources of information.</p> <p>When preparing the annual report for 2020, the Company's management assessed the recoverable amounts of receivables and established provisions for doubtful recoverable receivables or recognised losses on bad debts. As a result, significant receivables impairment losses of EUR 973.9 thousand were recognised in the reporting year by including them in the profit and loss statement for 2020.</p> <p>Given the overall significance of balances of the Company's receivables in the financial statements, as well as the management judgement necessary to assess the mentioned assets and related provisions for doubtful</p>	<p>We conducted discussions with the Company's management and assessed the management's competence, ability, and objectivity in respect of making judgements regarding the customers' financial position and their ability to repay debts.</p> <p>We:</p> <ul style="list-style-type: none"> evaluated the internal and external sources of information used in the assessment, including their accuracy, completeness and timeliness; analysed the movement of all receivables during the reporting period and the post-balance sheet period and identified those receivables that are overdue for a long time; compared the amount of the Company's provisions for doubtful receivables and recognised losses from bad debts with our estimate; we evaluated the effect of the impairment of receivables recognised in the financial statements on prior periods and their appropriate recognition in the financial statements. <p>As indicated in section <i>Substantiation for the opinion with reservations</i>:</p> <p>The Company recognised all adjustments from impairment of receivables in the profit and loss statement for 2020, without attributing the effect of these losses to the operating result of 2019.</p>

debts, the assessment of the recoverable value of the Company's receivables and the reflection of value impairment adjustments in the financial statement are considered a key audit matter.

Our opinion is qualified with respect to the opening balances of the financial statement for 2020 as at 31 December 2019. If the Company had established provisions for doubtful debts during the period in which their recoverability was in doubt, the carrying amount of *Trade receivables* as at 31 December 2019 would have decreased by EUR 92 thousand, the carrying amount of *Other receivables* as at 31 December 2019 would have decreased by EUR 881.9 thousand, the profit for 2019 and the equity as at 31 December 2019 would have decreased by EUR 973.9 thousand, while the losses in 2020 would decrease by the same amount.

Reporting of other information

Other information is the responsibility of the Company's management. Other information is formed by:

- the information about the Company provided in the accompanying annual report on page 3,
- the management report included in the accompanying annual report on pages 4 to 8,
- the statement of management responsibility provided in the attached annual report on page 9,
- the statement of corporate governance provided in the attached annual report on page 10,
- the remuneration report prepared and approved as a separate report by the Company's management on 7 March 2022 and available on the Company's website as of the date of the audit report www.riga-shipyard.com.

Our opinion on the financial statements does not relate to other information contained in the annual report and we do not provide any assurance other than as stated in our report's section *Other reporting requirements applicable to other information in accordance with the requirements of the legal enactments of the Republic of Latvia*.

In connection with the audit of the financial statements, we are obliged to acquaint ourselves with other information and, in doing so, to assess whether that other information differs materially from the information in the financial statements, or our knowledge obtained during the audit and whether it contains any other material inconsistencies.

If, based on the performed work and taking into account the information and the understanding of the Company and its operating environment obtained during the audit, we conclude that there are significant inconsistencies in other information, we are obliged to report such circumstances. We have not encountered any circumstances that should be notified except for the circumstances that are described in the paragraphs *Substantiation of the Opinion with Reservations*.

Other information is subject to other reporting requirements in accordance with the requirements of the legal enactments of the Republic of Latvia

Furthermore, in accordance with the Law on Auditing Services our responsibility is to provide an opinion whether the Management report has been prepared according to the requirements

of the regulatory enactment regulating its preparation, the Law on the Annual Financial Statements and Consolidated Financial Statements.

Based solely on our audit procedures, we believe that:

- The information provided in the management report for the financial year for which the financial statements have been prepared is consistent with the financial statements, and
- The management report has been prepared in accordance with the requirements of the Law on the Annual Financial Statements and Consolidated Financial Statements.

In accordance with the Law on Audit Services of the Republic of Latvia, we are also obliged to provide an opinion on whether the statement on corporate governance provides information in accordance with the requirements of Sec. 56¹ part one Clause 3, 4, 6, 8 and 9, as well as Sec. 56² part two Clause 5 of the Financial Instrument Market Law, and whether it includes information provided for by Sec. 56² part two Clause 1, 2, 3, 4, 7 and 8 of this Law.

In addition, in accordance with the Law on Audit Services of the Republic of Latvia, with regard to the remuneration report, we are required to provide an opinion on whether the remuneration report contains the information referred to in Section 59.4 of the Financial Instrument Market Law and whether the remuneration report contains material inconsistencies.

In our opinion, in all material respects:

- the corporate governance report provides information in accordance with the requirements of Sec. 56.1 part one Clause 3, 4, 6, 8 and 9, as well as Sec. 56.2 part two Clause 5 of the Financial Instrument Market Law, and includes information provided for by Sec. 56.2 part two Clause 1, 2, 3, 4, 7 and 8 of this Law, and
- The remuneration report prepared and approved by the Company's management as a separate report on 7 March 2022, which is available on the Company's website www.riga-shipyard.com as of the date of the audit report includes the information referred to in Section 59.4 of the Financial Instrument Market Law and no significant inconsistencies have been identified in the remuneration report in relation to the financial information specified in the annual report.

In addition, in accordance with the Law on Audit Services of the Republic of Latvia, we are obliged to provide information in the auditors' report on whether the Company has prepared a non-financial statement and whether the non-financial statement is included in the management report or prepared as a separate part of the annual report.

The Company has not prepared a non-financial statement that includes information on non-financial indicators characteristic of the respective sector, as well as information on the impact of environmental protection requirements and information on employees or other information.

Responsibility of the management and the persons charged with supervision of the Company for the financial statements

The management is responsible for the preparation of the financial statements that give a true and fair view in accordance with the Law on Annual Financial Statements and Consolidated Financial Statements, as well as for maintaining the internal control system that, in the opinion of management, is necessary to prepare the financial statements, which do not contain material irregularities due to fraud or error.

In preparing the financial statements, the management is obliged to evaluate the Company's ability to continue activities, providing the necessary information about the circumstances related to the Company's ability to continue activity and to apply the activity continuation

principle, unless management plans to liquidate or terminate the Company or it has other real alternatives, except for liquidation or termination of the Company.

The persons charged with supervision of the Company are responsible for supervision of the process of preparation of the Company's financial statements.

Auditor's responsibility for auditing the financial statements

Our objective is to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud, and to provide an audit report. Sufficient assurance is a high level of assurance, but it does not guarantee that an audit performed in accordance with the ISA will always reveal a material misstatement, if any. Discrepancies may arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

When conducting an audit in accordance with ISA, we make professional judgements and maintain professional scepticism throughout the audit process. We also:

- identify and evaluate any risks that a financial statement may contain material misstatement whether due to fraud or error, develop and conduct auditing procedures to mitigate these risks, as well as obtain audit evidence providing sufficient and appropriate basis for our opinion. The risk of non-detection of material misstatements due to fraud is higher than the risk of non-detection of non-compliance due to error, as fraud may involve collusion, forgery of documents, intentional misrepresentation, misrepresentation or breaches of internal control;
- gain an understanding of internal control that is relevant to the audit in order to develop audit procedures that are appropriate in the circumstances, but not to provide an opinion on the effectiveness of the Company's internal control;
- evaluate the compliance of the applied accounting policies and the validity of the accounting estimates and information provided by the relevant management;
- conclude that the activity continuation principle has been applied and, based on the audit evidence obtained, whether there is significant uncertainty about events or conditions that may cast significant doubt on the Company's ability to continue activities. If we conclude that there is material uncertainty, the auditors' report highlights the information provided in the financial statement on these conditions, or, if no such information is provided, we provide a modified report. Our conclusions are based on audit evidence obtained up to the date of the auditors' report. However, due to future events or circumstances, the Company may cease its operations;
- evaluate the overall structure and content of the financial statements, including the disclosures and explanations in the notes, and whether the financial statements present fairly the transactions and events underlying the financial statements.

We communicate the persons charged with supervision of the Company and provide, among other things, information about the planned scope and timing of the audit, as well as significant audit observations, including significant internal control deficiencies that we identify during the audit.

We declare to the persons charged with supervision of the Company that we have complied with the binding ethical requirements regarding independence and impartiality, including information about all relationships and other circumstances that could reasonably be considered as able to affect our independence, and if necessary, also on safety measures to limit such effects.

Of all matters that we have reported to the persons charged with supervision of the Company, we identify those matters that we consider to be the most significant for the audit of the financial statements of the reporting period and which are therefore considered to be the main audit issues. We set out these matters in the auditors' report, unless the law prohibits the disclosure of such information, and except in the very rare case where we believe that the matter should not be included in our report because it is reasonably expected that the public interest benefit from publishing such information would not outweigh the negative consequences in result of its disclosure.

Other statements and confirmations to be included in the auditors' report in accordance with the requirements of the regulatory enactments of the Republic of Latvia and the European Union when providing audit services to the Companies that are public interest entities

On 28 December 2020, the persons charged with the management of the Company appointed us to audit the financial statements of AS "Rīgas kuģu būvētava" for the year that ended on 31 December 2020. The total uninterrupted term of provision of our audit tasks is one year and includes reporting periods starting with the year that ended on 31 December 2020.

We confirm that:

- our auditors' opinion is in line with the additional report submitted to the Company's Council;
- as specified in Sec. 37.⁶ of the Law on Audit Service of the Republic of Latvia we have not provided the Company with the prohibited services not related to audit (NRP) mentioned in Art. 5(1) of the Regulation (EU) No. 537/2014. Performing the audit, we also maintained our independence from the audited company.

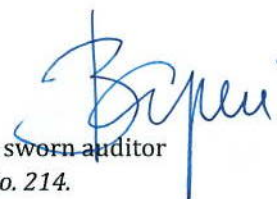
The sworn auditor responsible for the audit project, as a result of which this independent auditors' report is provided, is Baiba Apine.

*Commercial Company of Sworn Auditors
Sandra Dzerele un Partneris LLC
License No. 38.*

Sandra Dzerele
Chairperson of the Board



Baiba Apine
Responsible sworn auditor
Certificate No. 214.



Riga, Latvia, 14 march 2022