

**"Rīgas kuģu būvētava" JSC**

**2018 ANNUAL REPORT**

*\* This version of financial statements is a translation from the original, which was prepared in Latvian. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, the original language version of financial statements takes precedence over this translation.*

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**RIGAS KUGU BUVETAVA JSC 2018 ANNUAL REPORT**  
Gales street 2, Riga, LV-1015, Latvia, Reg. No. 40003045892

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**INFORMATION ON THE COMPANY**

Name of the company	Rīgas kuģu būvētava JSC	
Legal status of the company	Joint stock company	
Number, place and date of registration	40003045892, 5 December 1991, Companies register, Riga 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	Tosmares kuģubūvētava JSC (49.72%) Reg.No.42103022837 Generala Baloza Street 42/44, Liepaja, Latvia  Remars Granula LLC (49.80%) Reg.No.54103022521 Gales street 2, Riga, Latvia	
Type of operations	Building and repair of ships, yachts, catamarans, roll trailers and technological equipment; Port services; 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
Names and positions of the Council	Vasilijs Melniks	Chairman of the Council
	Aleksandrs Cernavskis	Deputy Chairman of the Council
	Linards Baumanis	Member of the Council till 05.12.2018
	Valentina Andrejeva	Member of the Council till 05.12.2018
	Gaidis Andrejs Zeibots	Member of the Council
Financial year	1 January - 31 December 2018	
Previous financial year	1 January - 31 December 2017	
Auditor's name and address	"Nexia Audit Advice" SIA LZRA Licence No. 134 Grecinieku street 9-3, Riga, LV-1050 Latvia  Marija Jansone Sworn Auditor Certificate No. 25	

**MANAGEMENT REPORT****General description of the company**

AS „Rīgas kuģu būvētava”, hereinafter referred to as the Company, was founded more than 100 years ago and is among the biggest shipyards in the Baltic Sea region performing ship repairs, ship building and other services.

The company is operating and performing manufacturing processes in compliance with the international quality management standards ISO 9001:2015, ISO 14001:2015 and LVS OHSAS 18001:2007.

**Company development and the results of financial operations in the reporting year**

In 2018 the total net turnover of the Company amounted to 4 027 724 EUR, including the turnover from ship repairs in the amount of 3 845 810 EUR and ship building in the amount of 133 660 EUR (in comparison, in year 2017 the total net turnover amounted to 12 853 528 EUR, including the turnover from ship repairs in the amount of 10 315 549 EUR and from ship building in the amount of 2 430 657 EUR).

The Company has closed the reporting year with the gross loss of 2 372 118 EUR (in 2017 the gross loss amounted to 1 239 978 EUR), and the net loss amounts to 6 644 763 EUR (respectively in 2017 the net loss amounted to 308 216 EUR).

In 2018 the Company performed repair works of 42 ships (for comparison 49 ships in 2017) and built and launched to water 2 ship hulls (for comparison 5 ship hulls in 2017).

There were no major changes in the list of suppliers of products, services and also raw materials to the Company in 2018, and their respective countries of origin were Western Europe, Estonia, Lithuania and also Latvia. In the area of ship repairs the major customers were ship owners from Scandinavian countries, Western European and Latvia, and in turn the ship hulls were ordered by the ship owners from Scandinavian countries.

In 2018, the Management Board of the Company, based on the accurate analysis of the situation and following consultations with the Supervisory Board of the Company resolved to apply to the court with the request to initiate the legal protection proceedings because, in the result of various conditions, including due to reasons not dependent on the Company, the current assets decreased and the Company was forced to implement unpopular measures, including the reduction of the working hours for a major part of the Company staff. However, due to humane considerations and also based on the projection that the ship repair works will continue in the summer season, irrespective of all the hardships, the Company did not commence mass termination of employment contracts, being aware that it would face the shortage of labour later. Moreover, the current legislation imposes considerable restrictions for employment of foreign labour force.

The Company considered that, although the legal protection proceedings were a very serious step, still this was the only correct step for dealing with the complicated situation caused by various events. On May 28<sup>th</sup>, 2018 Riga City Vidzeme Urban District Court adopted a relevant resolution by initiating the legal protection proceedings, and the only goal of this measure was to preserve the Company operations, its profile of operations and to create the situation where it is able to satisfy its liabilities to full extent for securing the Company development in future. Unfortunately, on November 14<sup>th</sup>, 2018, the Company's application of the legal protection proceedings was rejected and the case of the legal protection proceedings was closed.

The Company admits that the above mentioned court resolution had a considerable impact upon the future operations of the Company, however, irrespective of this, the Company was committed to restore its operations, thus securing the stability and competitiveness of the Company and satisfaction of its liabilities towards creditors.

At the end of 2018, the State Revenue Service sent collection orders to credit institutions where the Company had current accounts because of the debt to the state budget, thus preventing the Company to make settlements with other creditors, except the State Revenue Service, and this resulted in a major delay of payments to other creditors. Moreover, more than 200 litigations, of which most were related to the collection of wages, were started against the Company.

*Calculation of financial performance indicators***Company's Balance Sheet Items**

	<b>2018</b>	<b>2017</b>
	<b>EUR</b>	<b>EUR</b>
<i>Current assets</i>	2 778 543	6 183 687
<i>Total assets</i>	33 420 073	44 195 756
<i>Equity</i>	18 998 696	30 619 786
<i>Current liabilities</i>	13 961 637	9 834 687
<i>Total liabilities</i>	14 421 377	13 023 284

## RIGAS KUGU BUVETAVA JSC 2018 ANNUAL REPORT

Gales street 2, Riga, LV-1015, Latvia, Reg. No. 40003045892

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<b>Company's Profit and Loss Statement Items</b>	<b>2018</b>	<b>2017</b>
	<b>EUR</b>	<b>EUR</b>
<i>Net turnover</i>	4 027 724	12 853 528
<i>Gross profit or losses</i>	(2 372 842)	(14 093 506)
<i>Net profit (loss) for the financial year</i>	(6 644 763)	(308 216)

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<b>Financial indicators of the Company</b>	<b>2018</b>	<b>2017</b>
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**Profitability analysis** – profitability ratios analyze the efficiency of the Company's management decisions in fulfilling financial tasks:

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Gross profit ratio (gross profit/net sales)	(58.91% )	(109.65%)
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*Gross profit ratio shows the relationship between net sales and direct costs. Companies use this indicator to calculate the extent to which changes in net turnover affect gross margin.*

Net Profit Margin (net income / net sales)	(164.98%)	(2.4%)
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*The Company uses this indicator to determine the Company's ability to generate profit.*

Return on equity (net income / shareholders' equity)	(34.97%)	(1.01%)
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*Return on equity shows how effectively the capital invested by the owners of the Company is used. The company uses this indicator to determine how much a potential investor will earn from each euro invested.*

Return on assets (net income / total assets)	175.91%	144.34%
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*The Company uses this indicator to calculate the percentage of profit a company earns in relation to its overall resources.*

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**Capital structure analysis** - capital structure ratios show capital structure of the Company and how much additional liabilities the Company is able to assume.

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Assets-to-equity ratio (total assets / equity)	1.76	1.44
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*The Company uses this indicator to determine the proportion of cash invested by the Company's owners to the Company's assets.*

Debt-to-equity ratio (total liabilities/ shareholders' equity)	0.76	0.43
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*The Company uses this indicator to determine the extent to which the Company is dependent on borrowed capital.*

Total-debt-to-total-assets ratio (total liabilities / total assets)	0.43	0.29
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*The Company uses this indicator to determine relationship between the Company's long-term and short-term liabilities and total assets.*

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**Liquidity analysis**— liquidity ratios represents the Company's short-term financial ratios and liquidity and indicate whether Company's current assets will be sufficient to meet the Company's obligations when they become due.

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Current Ratio (current assets / current liabilities)	0.20	0.63
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*The Company uses this indicator to calculate the extent to which current assets of the Company are able to meet current liabilities.*

*Financial performance indicators show that the Company is able to pay its liabilities as well as that the Company has sufficient financial resources for the further development of its economic activities.*

### Financial risk management

The financial risk management policy of the Company is described in Annex 42.

### **Conditions and events after the end of the report year**

In the result of the evaluation of the current situation and the possibilities of the Company, as well as taking into account that the debt obligations continued increasing in 2019, the Company adopted a repeated decision to apply to the court and to request the initiation of the legal protection proceedings, in the result of which, on March 20<sup>th</sup>, 2019 Riga City Vidzeme Urban District Court resolved to initiate the legal protection proceedings of the Company.

By the judgement of Riga City Vidzeme Urban District Court dated August 16<sup>th</sup>, 2019: (a) the application of the legal protection proceedings of the Company was satisfied; (b) the implementation of the legal protection proceedings of the Company was announced; (c) the plan of measures of the legal protection proceedings of the Company was approved, and (d) the term for implementation of the legal protection proceedings of the Company was set to 2 (two) years by starting the counting of the term as from August 16<sup>th</sup>, 2019;

The Company attests that the plan of measures of the legal protection proceedings as prepared and submitted to the court will allow maintaining of the current profile of operations, in particular, ship repair, at the same time developing also new types of business activity in order to use the infrastructure of the Company as efficiently as possible.

According to the approved plan of measures of the legal protection proceedings, the Company has paid of the debt of wages to its former and current employees and has also fully paid the tax debt to the state budget.

Also starting from the second month of the legal protection proceedings, the Company has gradually started covering its financial liabilities whose terms of repayment or performance have set in prior to the start of the legal protection proceedings or will set in during the legal protection proceedings. The Company points out that its financial liabilities towards secured creditors will be performed during the first six months and towards unsecured creditors will be performed during twenty four months as from the moment of approval of the plan of measures of the legal protection proceedings.

### **Further development of the Company**

Based on the evaluation of the market situation and the possibilities of the Company, its management has partly restructured it resulting in major reduction of the monthly expenditure by more than 70%. Unfortunately, the above reduction was achieved by the implementation of certain unpopular measures, in particular, by terminating the employment of the biggest part of the Company staff, discontinuation of the provision of ship building services and involving more subcontractors in the provision of ship repair services.

At present the Company has not interrupted its economic operation and plans to continue it, thus implementing the legal protection proceedings and restoring the solvency in the result of which financial liabilities towards creditors will be performed. Moreover, the Company has amounts receivable which can be recovered, thus increasing revenue accordingly and using the recovered amounts for satisfying creditors' claims.

The Company is assured that it will be able to restore the Company operations, secure its stability and even improve its competitiveness. However, although the Company has clear perspective of restoring its operations, it is also known that the time will be needed for optimising its staffing, restoring the flow of the current assets, diversifying production and attracting investment.

### **Application of going concern concept**

The Company's operating result was a net loss amounted to TEUR 6 644.8 and the Company's current liabilities exceed its current assets by TEUR 11 183.1, these events and circumstances indicate a material uncertainty about the Company's ability to continue as a going concern. The Company's ability to continue as a going concern depends on its financial performance in future periods, the management's ability to ensure profitable activities of the Company and to cover current liabilities, as well as the Company's ability to implement the plan of measures of the legal protection proceedings, as well as to settle liabilities to credit institutions and its other creditors within the established terms, in compliance with all conditions of the stated plan. The financial statements have been prepared on a going concern basis and do not include any adjustments that might be necessary if the going concern assumption were not applied.

### **Proposals regarding the covering of the Company loss**

The Management Board of the Company proposes to cover the loss of the reporting year from the undistributed profit of the preceding and next years.

On behalf of the Company the financial statements were signed on 25 November, 2019 by:

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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

## **STATEMENT OF MANAGEMENT RESPONSIBILITIES**

The management of Rigas kugu buvetava JSC (the Company) is responsible for preparation of the financial statements. The management of the Company confirms that financial statements are prepared in accordance with the source documents and present fairly the financial position of the Company as of December 31, 2018 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 14 to 35. 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

Riga, 25 November, 2019

## **STATEMENT ON CORPORATE GOVERNANCE**

The Corporative Governance Report on 2018 of the joint stock company „Rīgas kuģubūvētava”, hereinafter referred to as the Report, is made according to AS „Nasdaq Riga”, hereinafter referred to as the “Stock Exchange, Corporate Governance Principles and Recommendations on their Implementation” issued on June 1, 2010. The Report has been prepared by the Management Board of the joint stock company “Rīgas kuģu būvētava”, hereinafter – RKB, and reviewed by the Council of the joint stock company “Rīgas kuģu būvētava”..

The Principles of Corporate Governance are maximum suitable for business operations of the company and RKB complied with most of them in 2018. Accordingly to the Principle „comply or explain” the Report includes the disclosure which principle is not complied or complied partially as well as explanation of circumstances why the principles is not complied.

The functions of the Company’s Audit Committee were performed by the Council.

The Report has been submitted to the Stock Exchange immediately after the audited Annual Report for 2018 of RKB was published on Stock Exchange website.

Chairman of the Board                      E.Buks

Member of the Board                        J.Meļņika

Member of the Board                        A.Tropiņš

Riga, 25 November, 2019

**RIGAS KUGU BUVETAVA JSC 2018 ANNUAL REPORT**

Gales street 2, Riga, LV-1015, Latvia, Reg. No. 40003045892

**PROFIT AND LOSS STATEMENT (by function of expense)**

		<b>2018</b>	<b>2017</b>
	<b>Notes</b>	<b>EUR</b>	<b>EUR</b>
Net turnover	2	4 027 724	12 853 528
Costs of goods sold or costs of services provided	3	<u>(6 399 842)</u>	<u>(14 093 506)</u>
<b>Gross profit or losses</b>		<b>(2 372 118)</b>	<b>(1 239 978)</b>
Distribution expenses	4	(693)	(3 590)
Administrative expenses	5	(787 815)	(1 168 270)
Other operating income	6	1 099 773	1942206
Other operating expenses	7	(3 850 394)	(2 155 426)
Other interest income and similar income incl. a)from other parties	8	<u>100 652</u> 100 652	<u>100 652</u> 100 652
Other interest payable and similar expenses incl. a)to other parties	9	<u>(834 168)</u> (834 168)	<u>(535 858)</u> (535 858)
<b>Profit or losses before corporate income tax</b>		<b>(6 644 763)</b>	<b>(3 060 264)</b>
<b>Profit and loss after the calculation of corporate income tax</b>		<b>(6 644 763)</b>	<b>(3 060 264)</b>
Changes in deferred tax assets or liabilities		-	2 752 048
<b>Net profit (loss) for the financial year</b>		<b><u>(6 644 763)</u></b>	<b><u>(308 216)</u></b>
Profit or losses per share		(0.569)	(0.026)

The accompanying notes on pages 14 to 35 are an integral part of these financial statements.

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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

Riga, 25 November, 2019

**BALANCE SHEET**

<b>ASSETS</b>	<b>Notes</b>	<b>31.12.2018 EUR</b>	<b>31.12.2017 EUR</b>
<b>Non-current assets</b>			
<b>Intangible assets</b>			
Other intangible assets		1 696	14 004
<b>Total intangible assets</b>	10	<b>1 696</b>	<b>14 004</b>
<b>Fixed assets</b>			
Real estate:			
a) lands, buildings and engineering structures		8 211 064	8 637 577
Technological equipment and devices		16 827 953	22 114 510
Other fixed assets		389 174	459 821
Fixed assets under construction		-	324 011
Advances for fixed assets		-	7 114
<b>Total fixed assets</b>	11	<b>25 428 191</b>	<b>31 543 033</b>
<b>Non-current financial investments</b>			
Investments in associates	12	3 630 590	4 830 590
Other securities and investments	13	235	235
Other loans and non-current receivables	14	1 580 818	1 624 207
<b>Total non-current financial investments</b>		<b>5 211 643</b>	<b>6 455 032</b>
<b>Total non-current assets</b>		<b>30 641 530</b>	<b>38 012 069</b>
<b>Current assets</b>			
<b>Inventories</b>			
Raw materials and consumables	15	1 421 818	1 850 738
Work in progress	16	-	12 228
Advances for inventories	17	112 809	115 578
<b>Total inventories</b>		<b>1 534 627</b>	<b>1 978 544</b>
<b>Receivable</b>			
Trade receivables	18	386 753	427 803
Receivables from associates	19	-	1 309 211
Other receivables	20	823 020	656 162
Prepaid expense	21	23 692	23 085
Accrued income	22	-	1 719 362
<b>Total receivables</b>		<b>1 233 465</b>	<b>4 135 623</b>
<b>Cash and cash equivalents</b>	23	<b>10 451</b>	<b>69 250</b>
<b>Total current assets:</b>		<b>2 778 543</b>	<b>6 183 687</b>
<b>TOTAL</b>		<b>33 420 073</b>	<b>44 195 756</b>

**BALANCE SHEET**

	Notes	31.12.2018 EUR	31.12.2017 EUR
<b>EQUITY, PROVISIONS AND LIABILITIES</b>			
<b>Equity</b>			
Share capital	24	16 340 950	16 340 950
Long-term investments revaluation reserve	25	6 720 723	11 697 050
<b>Reserves</b>			
Other reserves		266 962	266 962
<b>Retained earnings</b>			
Prior year's retained earnings		2 314 824	2 623 040
Net profit (loss) for the financial year		<u>(6 644 763)</u>	<u>(308 216)</u>
<b>Total retained earnings</b>		<b><u>(4 329 939)</u></b>	<b><u>2 314 824</u></b>
<b>Total equity</b>		<b><u>18 998 696</u></b>	<b><u>30 619 786</u></b>
<b>Provisions</b>			
Other provisions	26	<u>-</u>	<u>552 686</u>
<b>Total provisions</b>		<b><u>-</u></b>	<b><u>552 686</u></b>
<b>Non-current liabilities</b>			
Loans from credit institutions	27	-	740 396
Other loans	28	37 732	1 954 074
Deferred income	29	<u>422 008</u>	<u>494 127</u>
<b>Total non-current liabilities</b>		<b><u>459 740</u></b>	<b><u>3 188 597</u></b>
<b>Current liabilities</b>			
Loans from credit institutions	27	3 295 045	2 602 617
Other loans	28	3 156 506	902 840
Advances from customers	30	3 266	1 237 464
Trade payables	31	2 572 498	2 432 362
Payables to associates	32	211 248	245 802
Taxes and statutory social insurance contributions	33	2 056 001	1 262 452
Other payables	34	2 238 940	629 706
Deferred income	29	72 120	72 120
Unpaid dividends	35	11 746	11 746
Accrued liabilities	36	<u>344 267</u>	<u>437 578</u>
<b>Total current liabilities</b>		<b><u>13 961 637</u></b>	<b><u>9 834 687</u></b>
<b>Total liabilities</b>		<b><u>14 421 377</u></b>	<b><u>13 023 284</u></b>
<b>TOTAL</b>		<b><u>33 420 073</u></b>	<b><u>44 195 756</u></b>

The accompanying notes on pages 14 to 35 are an integral part of these financial statements.

_____ Einārs Buks	_____ Jekaterina Meļņika	_____ Ainārs Tropiņš
Chairman of the Board	Member of the Board	Member of the Board
_____ Aleksandrs Kočkins Chief Accounting Officer		
Riga, 25 November, 2019		

**STATEMENT OF CHANGES IN EQUITY**

	<b>2018</b>	<b>2017</b>
	<b>EUR</b>	<b>EUR</b>
<b>Share capital</b>		
Opening balance	16 340 950	16 340 950
Closing balance	<u>16 340 950</u>	<u>16 340 950</u>
<b>Long-term investment revaluation reserve</b>		
Opening balance	11 697 050	11 891 225
Prior year adjustments	(4 976 327)	(194 175)
Closing balance	<u><b>6 720 723</b></u>	<u><b>11 697 050</b></u>
<b>Reserves</b>		
Opening balance	266 962	266 962
Closing balance	<u><b>266 962</b></u>	<u><b>266 962</b></u>
<b>Retained earnings</b>		
Opening balance	2 314 824	2 623 040
Increase/decrease in retained earnings	(6 644 763)	(308 216)
Closing balance	<u><b>(4 329 939)</b></u>	<u><b>2 314 824</b></u>
<b>Equity</b>		
Opening balance	30 619 786	31 122 177
Closing balance	<u><b>18 998 696</b></u>	<u><b>30 619 786</b></u>

The accompanying notes on pages 14 to 35 are an integral part of these financial statements.

<hr style="width: 100%;"/> Einārs Buks  Chairman of the Board	<hr style="width: 100%;"/> Jekaterina Meļņika  Member of the Board	<hr style="width: 100%;"/> Ainārs Tropiņš  Member of the Board
<hr style="width: 100%;"/> Aleksandrs Kočkins Chief Accounting Officer  Rīga, 25 November, 2019		

**CASH FLOW STATEMENT** (by direct method)

	Notes	2018 EUR	2017 EUR
<b>CASH FLOWS FROM/(USED IN) OPERATING ACTIVITIES</b>			
Revenue from the sale of goods and provision of services		4 245 083	14 731 022
Payments to suppliers, employees, other expenses of principal activity		(4 596 452)	(16 580 824)
<b>Gross cash flow generated from/(used in) operating activities</b>		<b>(351 369)</b>	<b>(1 749 802)</b>
Interest payments		(116 785)	(187 237)
<b>Net cash flow generated from /(used in) operating activities</b>		<b>(468 154)</b>	<b>(2 037 039)</b>
<b>CASH FLOWS USED IN INVESTING ACTIVITIES</b>			
Acquisition of fixed and intangible assets		(400)	(303 438)
Proceeds from sales of fixed assets and intangible investments		30 189	1 500
Interest received		-	7 207
<b>Net cash flow used in investing activities</b>		<b>29 789</b>	<b>(294 731)</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>			
Loans received		473 709	3 913 060
Repayment of loans		(94 413)	(1 529 775)
<b>Net cash flow from financing activities</b>		<b>379 296</b>	<b>2 383 285</b>
Net cash flow for the financial year		<u>(59 069)</u>	<u>51 515</u>
<b>Cash and cash equivalents at the beginning of the financial year</b>	(23)	<u>69 520</u>	<u>18 005</u>
<b>Cash and cash equivalents at the end of the financial year</b>	(23)	<u>10 451</u>	<u>69 520</u>

The accompanying notes on pages 14 to 35 are an integral part of these financial statements.

<hr/> Einārs Buks Chairman of the Board	<hr/> Jekaterina Meļņika Member of the Board	<hr/> Ainārs Tropiņš Member of the Board
<hr/> Aleksandrs Kočkins Chief Accounting Officer		
Riga, 25 November, 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 31 December 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*

This financial statement is prepared in euro (EUR), which is the functional currency of the Company and the official currency of the Republic of Latvia. All transactions denominated in foreign currencies are converted into euro at the exchange rate set by the European Central Bank on the day of transaction. Monetary assets and liabilities denominated in foreign currencies are translated into euro in accordance with the official exchange rate set by European Central Bank for the last day of the financial year.

*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.

	31.12.2018.	31.12.2017.
	EUR	EUR
USD	1,145	1,1993
RUB	79,7153	69,393
GPB	0,89453	0,8872

*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 assets and fixed assets***

Intangible assets and fixed assets are initially measured at cost. It includes costs directly related to the acquisition of the intangible asset or fixed asset. In the financial statements intangible assets and fixed assets are stated at historical cost or revalued amount less depreciation.

The revaluation difference (less deferred tax) is recognized in Equity item “Long-term investments revaluation reserve”, but the impairment is written off against the increase in the value of the fixed asset included in that reserve in previous years, the excess is recognized in the Income Statement. In the income statement, the revaluation reserve for fixed assets is allocated to the corresponding part of the annual depreciation of revalued fixed assets, but upon disposal or liquidation of fixed assets is written off to the remaining residual value.

Depreciation is calculated on a straight-line basis using the following management rates for calculating the depreciation of intangible assets and fixed assets, that are based on their estimated useful lives:

**Intangible assets:**

Concessions, licenses and similar rights	20.00	%
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**Fixed assets**

Lands, buildings and engineering structures	1.50-12.50	%
Technological equipment and devices	1.43-25.00	%
Other fixed assets and inventory	8.00-40.00	%

The Company capitalizes fixed assets with a value exceeding EUR 150 and a useful life exceeding 1 year. Depreciation on upgrades and other inventory which value is less than EUR 150 is calculated at 100% after commissioning.

The carrying amount of the asset and its useful life are reviewed at each balance sheet date and adjusted if necessary.

If the carrying amount of an asset is higher than its recoverable amount, the asset is written down to its recoverable amount.

Profit or loss from the exclusion of fixed assets is calculated as a difference between the book value and income resulting from sale of fixed asset, and is included in the Profit and Loss Statement. Fixed assets under construction represent the cost of creation of fixed assets and the cost of construction in progress, and they are evaluated at initial cost. The initial cost includes construction costs and other direct costs. For fixed assets under construction depreciation is not calculated until the related assets are completed and put into operation.

***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.

***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.

***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.

***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

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	<b>2018</b>	<b>2017</b>
<b>By operating activities</b>		<b>EUR</b>	<b>EUR</b>
Ship repair	3011	3 845 810	10 315 549
Shipbuilding	3011	133 660	2 430 657
Mechanical engineering	3315	47 344	106 428
Other works	3315	910	894
<b>Total</b>		<b>4 027 724</b>	<b>12 853 528</b>

	<b>2018</b>	<b>2017</b>
<b>Geographical markets:</b>	<b>EUR</b>	<b>EUR</b>
Germany	445 232	474 230
Denmark	166 775	2 037 649
Sweden	-	230 263
Russia	-	984 727
Greece	404 199	1 579 902
Cyprus	-	277 565
Monako	-	288 859
Norway	196 990	661 781
Estonia	113 445	584 111
Antigua	43 985	-
Bulgaria	-	242 626
The Netherlands	142 817	527 053
Belgium	804 174	3 847 223
England	40 435	52 055
New York	697 130	-
Finland	47 825	68 376
Panama	30 982	262 500
Republic of the Marshall Island	-	7 955
Latvia	308 623	467 582
Spain	-	15 082
Italy	-	212 086
Liberia	342 441	31 903
Hong Kong	220 289	-
Dubai	13 724	-
British Virgin Island	8 658	-
<b>Total</b>	<b>4 027 724</b>	<b>12 853 528</b>

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

	<b>2018</b>	<b>2017</b>
	<b>EUR</b>	<b>EUR</b>
Material costs and services from outside	359 650	1 385 699
Contragents services	2 033 816	4 879 613
Salary expenses	1 506 794	3 963 402
Social insurance	350 683	906 195
Electricity costs	430 724	573 335
Heat energy costs	432 528	813 337
Accrued liabilities for unused vacations	(28 935)	(65 602)
Depreciation of fixed assets and intangible assets	700 914	703 128
Other costs	458 315	778 043
Real estate tax	155 353	156 356
<b>Total</b>	<b>6 399 842</b>	<b>14 093 506</b>

**4. Distribution expenses**

	<b>2018</b>	<b>2017</b>
	<b>EUR</b>	<b>EUR</b>
Advertising expenses	693	3 590
<b>Total</b>	<b>693</b>	<b>3 590</b>

**5. Administrative expenses**

	<b>2018</b>	<b>2017</b>
	<b>EUR</b>	<b>EUR</b>
Remuneration of the Council members	207 007	197 238
Remuneration of the Board members	129 703	333 461
Remuneration to the member of the Audit Committee	-	6 000
Salary expenses (administration)	109 754	127 380
Social insurance	105 226	153 379
Representative vehicle maintenance expenses	688	30 531
Transportation costs, travelling allowances	47 178	202 945
Legal services	81 819	2 954
Depreciation of fixed assets and intangible assets	31 641	28 944
Representation costs	14 164	34 808
Communication costs	36 677	24 358
Office rent and utilities	2 316	8 208
Other costs	6 642	3 064
Annual report audit expenses	15 000	15 000
<b>Total</b>	<b>787 815</b>	<b>1 168 270</b>

**6. Other operating income**

	<b>2018</b>	<b>2017</b>
	<b>EUR</b>	<b>EUR</b>
Income from rent	505 142	545 317
Net income from disposal of fixed assets	23 379	-
Sale of materials	344 191	569 107
Writen-off accounts payable	-	219 812
Tugboat services income	-	21 112
Income from the financing of European Fund projects	72 120	72 120
Income from chemical analysis	210	664
Income from Cession agreement	-	462 268
Other income	154 731	51 806
<b>Total</b>	<b>1 099 773</b>	<b>1 942 206</b>

**7. Other operating expenses**

	<b>2018</b>	<b>2017</b>
	<b>EUR</b>	<b>EUR</b>
Net losses from disposal of fixed assets	-	6 996
Leased fixed assets maintenance costs	340 773	451 588
Material purchase costs	353 836	486 333
Costs on tugboat services	-	75 336
Representation costs 60%	17 004	53 958
Medical services	-	11 344
Material allowances and gifts	-	340
Warranty repairs costs	-	1 465
Burial expenses	93	1 799
Provisions for bad and doubtful debts	1 368 693	30 276
Provisions for investments in associates	1 200 000	-
Provisions from revaluation fixed assets	336 312	-
Net loss from sale of foreign currency	804	7 262
Provisions for shipbuilding project payables	-	552 686
Other expenses	59 560	109 534
Expenses according to court decisions*	29 235	366 509
Previous years expenses	144 084	-
<b>Total</b>	<b>3 850 394</b>	<b>2 155 426</b>

\* Amounts, which were paid to creditors in accordance to court decisions.

**8. Other interest income and similar income**

	<b>2018</b>	<b>2017</b>
	<b>EUR</b>	<b>EUR</b>
<i>from other parties</i>		
Interest income on loans issued	100 652	100 652
<b>Total</b>	<b>100 652</b>	<b>100 652</b>

**9. Other interest payable and similar expenses**

	<b>2018</b>	<b>2017</b>
	<b>EUR</b>	<b>EUR</b>
<i>to other parties</i>		
Interest expenses for loans	445 783	305 767
Penalties paid	111 630	206 454
Penalties paid for taxes	269 818	12 736
Bank charges for guarantees	-	12 736
State fee	6 937	10 901
<b>Total</b>	<b>834 168</b>	<b>535 858</b>

**10. Intangible assets**

	<b>Software EUR</b>	<b>Total EUR</b>
<b>Cost</b>		
As of 01.01.2017.	<b>351 950</b>	<b>351 950</b>
As of 31.12.2017.	<b>361 351</b>	<b>361 351</b>
<b>Acumulated amortizations</b>		
As of 01.01.2017.	<b>(345 811)</b>	<b>(345 811)</b>
Calculated	(1 536)	(1 536)
As of 31.12.2017.	<b>(347 347)</b>	<b>(347 347)</b>
<b>Net carrying amount</b>		
As of 01.01.2017.	<b>6 139</b>	<b>6 139</b>
As of 31.12.2017.	<b>14 004</b>	<b>14 004</b>
<b>Cost</b>		
As of 01.01.2018.	<b>361 351</b>	<b>361 351</b>
Additions		
As of 31.12.2018.	<b>361 351</b>	<b>361 351</b>
<b>Acumulated amortizations</b>		
As of 01.01.2018.	<b>(347 347)</b>	<b>(347 347)</b>
Calculated	(12 308)	(12 308)
As of 31.12.2018.	<b>(359 655)</b>	<b>(359 655)</b>
<b>Net carrying amount</b>		
As of 01.01.2018.	<b>14 004</b>	<b>14 004</b>
As of 31.12.2018.	<b>1 696</b>	<b>1 696</b>

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Gales street 2, Riga, LV-1015, Latvia, Reg. No. 40003045892

**11. Fixed assets**

	Land, buildings and engineering structures EUR	Advances for fixed assets EUR	Technological equipment and devices EUR	Fixed assets under construction EUR	Other Fixed assets EUR	Total EUR
<b>Cost/revaluation</b>						
<b>As of 01 01 2017</b>	<b>13 676 516</b>	<b>18 550</b>	<b>32 971 287</b>	<b>756 556</b>	<b>1 775 879</b>	<b>49 198 788</b>
Additions	-	3 306	-	2 056 647	-	2 059 953
Disposals	-	-	(34 297)	-	(33 240)	(67 537)
Reclassified	613 670	(14 742)	1 745 174	(2 489 192)	145 090	-
<b>As of 31 12 2017</b>	<b>14 290 186</b>	<b>7 114</b>	<b>34 682 164</b>	<b>324 011</b>	<b>1 887 729</b>	<b>51 191 204</b>
<b>Depreciations</b>						
<b>As of 01 01 2017</b>	<b>(5 443 292)</b>	<b>-</b>	<b>(11 904 057)</b>	<b>-</b>	<b>(1 386 592)</b>	<b>(18 733 941)</b>
Calculated	(209 317)	-	(498 795)	-	(71 244)	(779 356)
Disposals	-	-	29 373	-	29 928	59 301
Relocated *	-	-	*(194 175)	-	-	(194 175)
<b>As of 31 12 2017</b>	<b>(5 652 609)</b>	<b>-</b>	<b>(12 567 656)</b>	<b>-</b>	<b>(1 427 908)</b>	<b>(19 648 173)</b>
<b>Net carrying amount</b>						
<b>As of 01 01 2017</b>	<b>8 233 224</b>	<b>18 550</b>	<b>21 067 230</b>	<b>756 556</b>	<b>389 287</b>	<b>30 464 847</b>
<b>As of 31 12 2017</b>	<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>
<b>Cost/revaluation</b>						
<b>As of 01 01 2018</b>	<b>14 290 186</b>	<b>7 114</b>	<b>34 682 164</b>	<b>324 011</b>	<b>1 887 729</b>	<b>51 191 204</b>
Additions	-	-	-	24 575	-	24 575
Disposals	-	(7 114)	(17 347)	(34 721)	-	(59 182)
Reclassified	44 218	-	240 483	(313 865)	29 164	-
Revaluation	(278 508)	-	(4 839 956)	-	-	(5 118 464)
<b>As of 31 12 2018</b>	<b>14 055 896</b>	<b>-</b>	<b>30 065 344</b>	<b>-</b>	<b>1 916 893</b>	<b>46 038 133</b>
<b>Depreciations</b>						
<b>As of 01 01 2018</b>	<b>(5 652 609)</b>	<b>-</b>	<b>(12 567 656)</b>	<b>-</b>	<b>(1 427 908)</b>	<b>(19 648 173)</b>
Calculated	(192 223)	-	(488 212)	-	(99 811)	(780 246)
Disposals	-	-	12 652	-	-	12 652
Relocated	-	-	(194 175)*	-	-	(194 175)*
<b>As of 31 12 2018</b>	<b>(5 844 832)</b>	<b>-</b>	<b>(13 237 391)</b>	<b>-</b>	<b>(1 527 719)</b>	<b>(20 609 942)</b>
<b>Net carrying amount</b>						
<b>As of 01 01 2018</b>	<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>
<b>As of 31 12 2018</b>	<b>8 211 064</b>	<b>-</b>	<b>16 827 953</b>	<b>-</b>	<b>389 174</b>	<b>25 428 191</b>

Real Estate (buildings) cadastral value as of 31 December 2018 - 5 723 487 EUR (as of 31 December 2017 - 5 723 487 EUR).

Information about assets used as collaterals for borrowings included in Notes 27 and 39.

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

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Gales street 2, Riga, LV-1015, Latvia, Reg. No. 40003045892

### Financial result of disposed, eliminated and sold fixed assets:

	<b>2018</b>	<b>2017</b>
	<b>EUR</b>	<b>EUR</b>
Initial cost	17 347	67 537
Accumulated depreciation	(12 652)	(59 301)
Residual value	4 695	8 236
Revenue from disposal / liquidation of fixed assets	28 074	1 240
<b>Profit from disposal of fixed assets</b>	<b>23 379</b>	<b>(6 966)</b>

### 12. Investments in associates

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

Name	31 12 2018	Participating interest
	EUR	%
JSC "Tosmares kugubuvetava"	3 630 590	49.72
<b>Non-current investments, net</b>	<b>3 630 590</b>	

Name	31 12 2017	Participating interest
	EUR	%
JSC "Tosmares kugubuvetava"	3 630 590	49.72
LLC "Remars Granula"*	1 200 000	49.80
<b>Total</b>	<b>4 830 590</b>	

\* Investments in associates LLC "Remars Granula" have been made disposals.

### 13. Other securities and investments

Name enterprise	Value of parts or shares		31.12.2018		31.12.2017	
	2018	2017	Quantity	EUR	Quantity	EUR
"Baltic International Bank" JSC	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 31.12.2017	Interest accrued Reallocation at a short- term	As of 31.12.2018	Term of repayment
Loans to employees (students)	43 389*	-	-	2020-2029
Loans for Tosmares kugubuvetava JSC shares**	1 110 818	264 128	1 110 818	Year 2020
Loans (interest rate 5%)	470 000	65 520	470 000	Year 2020
<b>Total</b>	<b>1 624 207</b>	<b>329 648</b>	<b>1 580 818</b>	

\*Loans for students have been made disposals as bad debts.

\*\*Debt for JSC "Tosmares kugubuvetava" shares is at a 5% rate. The debt is secured by shares of JSC "Tosmares kugubuvetava", which, in case of non-payment, will be transferred to the Company's property. For outstanding debt the Company calculates interest - as at 31.12.2018 the interest payable is EUR 264 128, which is represented in the item "Other receivables" and has not been paid.

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**15. Raw materials and consumables**

	<b>31.12.2018</b>	<b>31.12.2017</b>
	<b>EUR</b>	<b>EUR</b>
Metal, non-ferrous metals, pipes	967 845	1 696 728
Metal ware	55 494	56 948
Technical rubber ware	17 625	28 896
Cables	30 545	28 111
Equipment	32 866	32 916
Varnish and paint	10 716	11 623
Wire cables	5 187	8 370
Fuel	8 359	9 622
Coveralls	1 023	1 058
Household goods	6 243	1 659
Timbering	803	612
Other	349 744	349 495
Provisions for slow moving and obsolete stock	(64 632)	(375 300)
<b>Total</b>	<b>1 421 818</b>	<b>1 850 738</b>

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

	<b>2018</b>	<b>2017</b>
	<b>EUR</b>	<b>EUR</b>
<b>At the beginning of the reporting year</b>	<b>375 300</b>	<b>375 300</b>
Decrease in provisions	(310 668)	-
<b>At the end of the reporting year</b>	<b>64 632</b>	<b>375 300</b>

**16. Work in progress**

	<b>31.12.2018</b>	<b>31.12.2017</b>
	<b>EUR</b>	<b>EUR</b>
Ship repair orders	-	11 403
Various	-	825
<b>Total</b>	<b>-</b>	<b>12 228</b>

**17. Advances for inventories**

	<b>31.12.2018</b>	<b>31.12.2017</b>
	<b>EUR</b>	<b>EUR</b>
Payments for materials	112 809	115 578
<b>Total</b>	<b>112 809</b>	<b>115 578</b>

**18. Trade receivables**

	<b>31.12.2018</b>	<b>31.12.2017</b>
	<b>EUR</b>	<b>EUR</b>
Book value of trade receivables	386 753	685 339
Provisions for doubtful debts	-	(257 536)
<b>Trade receivables, net</b>	<b>386 753</b>	<b>427 803</b>

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### Change in provisions

	Trade receivables EUR	Trade receivables from associates EUR	Total EUR
<b>Provisions as of 31.12.2017.</b>	<b>257 536</b>	<b>-</b>	<b>257 536</b>
Increase in provisions	552 687	1 324 959	1 877 646
Decrease in provisions	(810 223)	-	(810 223)
<b>Provisions as of 31.12.2018.</b>	<b>-</b>	<b>1 324 959</b>	<b>1 324 959</b>

### 19. Receivables from associates

	31.12.2018 EUR	31.12.2017 EUR
LLC "Remars Granula" debt for loan according to assignment agreement *	770 000	770 000
LLC "Remars Granula" loan *	310 642	310 642
LLC "Remars Granula" loan %*	244 317	228 569
<b>Total book value</b>	<b>1 324 959</b>	<b>1 309 211</b>
Provisions for doubtful debts	1 324 959	-
<b>Receivables from associates, net</b>	<b>-</b>	<b>1 309 211</b>

### 20. Other receivables

	31.12.2018 EUR	31.12.2017 EUR
Book value	823 020	656 162
<b>Other receivables, net</b>	<b>823 020</b>	<b>656 162</b>
Advance payments for services	413 695	391 977
Value added tax (Note 33)	49 246	15 683
Interests	329 648	246 570
Payments personal debts	-	482
Other receivables	30 431	1 450
<b>Total</b>	<b>823 020</b>	<b>656 162</b>

### 21. Prepaid expenses

	31.12.2018 EUR	31.12.2017 EUR
Property insurance	9 566	16 164
Health insurance	-	1 984
Salary and social insurance payments	9 694	-
Car insurance	2 148	3 414
Other expenses	2 284	1 523
<b>Total</b>	<b>23 692</b>	<b>23 085</b>

### 22. Accrued income

	31.12.2018 EUR	31.12.2017 EUR
Shipbuilding	-	1 719 362
<b>Total</b>	<b>-</b>	<b>1 719 362</b>

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### 23. Cash and cash equivalents

	31.12.2018	31.12.2017
	EUR	EUR
Cash at bank on current accounts	-	69 021
Cash on hand	51	499
Funds blocked by the court	10 400	-
<b>Total</b>	<b>10 451</b>	<b>69 520</b>

### 24. Share capital

Rigas kugu buvetava JSC 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 JSC in 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 16 340 950 EUR. Number of shares is 11 672 107, the nominal value of one share is 1.40 EUR.

### JSC "Rigas kugu buvetava" shareholders

	31.12.2018	%	31.12.2017	%
	EUR		EUR	
Remars-Riga AS	8 146 872	49.86	8 146 872	49.86
Private persons	5 646 291	33,55	6 087 081	37,25
Other legal entities	2 547 787	15,59	2 106 997	12,89
<b>Total</b>	<b>16 340 950</b>	<b>100</b>	<b>16 340 950</b>	<b>100</b>

### 25. Long-term investments revaluation reserve

	31.12.2018	31.12.2017
	EUR	EUR
As at the beginning of the year	11 697 050	11 891 225
Decreasing long-term asset reevaluation reserve to the calculated depreciation amount	(194 175)	(194 175)
Decrease in revaluation reserve	(4 782 152)	-
<b>Total</b>	<b>6 720 723</b>	<b>11 697 050</b>

Based on certified appraisers valuation report, Company performed revaluation of floating docks. In 2007 Baltic Kontor LLC 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 20.12.2007 amounted to 17 107 000 EUR.

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 12 056 273 EUR 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 31 December 2018, 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.

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**26. Other provisions**

	<b>31.12.2018</b>	<b>31.12.2017</b>
	<b>EUR</b>	<b>EUR</b>
For shipbuilding projects	-	552 686
<b>Total</b>	<b>-</b>	<b>552 686</b>

**27. Loans from credit institutions**

	<b>31.12.2018</b>	<b>31.12.2017</b>
	<b>EUR</b>	<b>EUR</b>
<b>ABLV Bank JSC</b>		
b) Short – term part	1 700 000	1 700 000
<b>Baltikums bank JSC (Blue Orange)</b>		
a) Long-term part	-	740 396
b) Short – term part	1 595 045	902 617
<b>Total</b>	<b>3 295 045</b>	<b>3 343 013</b>

1. On December 28, 2017 the Company had concluded with ABLV Bank JSC 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%. Mortgage agreement on real estate properties was signed. The maximum amount secured claims is EUR 2 470 000.

2. a) On March 28, 2017 the Company had concluded with AS BlueOrange Bank 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 AS BlueOrange Bank 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.

c) On March 31, 2017 the Company had concluded with AS BlueOrange Bank 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 31 December 2018 is EUR 5 523 823. 1st stage mortgage agreement for floating dock No 170. The mortgaged property balance sheet value as of December 31, 2018 is EUR 9 300 000.

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 December 31, 2018 is EUR 3 286 188.

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.

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### 28. Other loans

	<b>31.12.2018</b>	<b>31.12.2017</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%)	-	1 915 000
<b>Total long-term part</b>	<b>37 732</b>	<b>1 954 074</b>
Short-term part **	3 154 433	886 556
Total short-term part of leasing liabilities	2 073	16 284
<b>Total short-term part</b>	<b>3 156 506</b>	<b>902 840</b>
<b>Total</b>	<b>3 194 238</b>	<b>2 856 914</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>31.12.2018</b>	<b>31.12.2017</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"	284 995	328 196
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 JSC Heating system reconstruction.	209 133	238 051
<b>Total</b>	<b>494 128</b>	<b>566 247</b>
<b>Total long-term part</b>	<b>422 008</b>	<b>494 127</b>
<b>Total short-term part</b>	<b>72 120</b>	<b>72 120</b>

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

### 30. Advances from customers

	<b>31.12.2018</b>	<b>31.12.2017</b>
	<b>EUR</b>	<b>EUR</b>
For shipbuilding	-	1 237 406
Others	3 266	58
<b>Total</b>	<b>3 266</b>	<b>1 237 464</b>

### 31. Trade payables

	<b>31.12.2018</b>	<b>31.12.2017</b>
	<b>EUR</b>	<b>EUR</b>
Payables for services	2 088 742	1 850 020
Payables for materials	483 756	582 342
<b>Total</b>	<b>2 572 498</b>	<b>2 432 362</b>

### 32. Payables to associates

	<b>31.12.2018</b>	<b>31.12.2017</b>
	<b>EUR</b>	<b>EUR</b>
Short-term part from Tosmares kugubuvetava JSC (interest rate 5 %)	202 986	230 672
Payables for services	8 262	15 130
<b>Total</b>	<b>211 248</b>	<b>245 802</b>

In 2014 Company received loan. Repayment term is 31.12.2019. No collateral has been provided.

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**33. Taxes and statutory social insurance contributions**

	01.01.2018. EUR	Calculated EUR	Calculated penalty and delay fees/ adjustments EUR	(Paid)/ repaid EUR	31.12.2018 EUR
Social insurance payments	568 287	884 268	114 167	(688 441)	878 281
Value added tax	(15 683)	(33 563)	-	-	(49 246)
Personal income tax	639 457	700 294	137 278	(516 439)	960 590
Real estate tax	53 518	156 349	18 288	(11 622)	216 533
Natural resources tax	736	225	15	(879)	97
Risk duty	454	1 105	70	(1 129)	500
<b>Total</b>	<b>1 246 769</b>	<b>1 708 678</b>	<b>269 818</b>	<b>1 218 510</b>	<b>2 006 755</b>
<b>Tax debt</b>	<b>1 262 452</b>				<b>2 056 001</b>
<b>Tax overpayment *</b>	<b>(15 683)</b>				<b>(49 246)</b>

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

**34. Other payables**

	31.12.2018 EUR	31.12.2017 EUR
Salaries	1 129 385	405 759
Other accounts payable	731 827	201 888
Payments to personnel	16 678	-
Retention from salaries	3 545	-
Interest paid	357 505	22 059
<b>Total</b>	<b>2 238 940</b>	<b>629 706</b>

**35. Dividends unpaid**

	31.12.2018 EUR	31.12.2017 EUR
<b>As at the beginning of the period</b>	11 746	18 617
Dividends paid	-	(6 871)
<b>As at the end of the period</b>	<b>11 746</b>	<b>11 746</b>

**36. Accrued liabilities**

	31.12.2018 EUR	31.12.2017 EUR
For services	177 923	242 299
Accrued liabilities for unused annual leave expenses	151 344	180 279
For the audit of financial statements	15 000	15 000
<b>Total</b>	<b>344 267</b>	<b>437 578</b>

\*Sworn auditor has not provided any other services to the Company except the audit of the annual report.

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**37. Staff costs and number of employees**

	<b>2018</b>	<b>2017</b>
	<b>EUR</b>	<b>EUR</b>
<b>Total remuneration to personnel</b>		
Salary	1 953 258	4 627 481
Social insurance payments	455 909	1 059 574
<b>Total</b>	<b>2 409 167</b>	<b>5 687 055</b>
	<b>2018</b>	<b>2017</b>
	<b>EUR</b>	<b>EUR</b>
<b>Incl. Personnel salary (production department)</b>		
Salary	1 506 794	3 963 402
Social insurance payments	350 683	906 195
<b>Total</b>	<b>1 857 477</b>	<b>4 869 597</b>
	<b>2018</b>	<b>2017</b>
	<b>EUR</b>	<b>EUR</b>
<b>Incl. Administration</b>		
Salary	109 754	127 380
Social insurance payments	25 454	28 500
<b>Total</b>	<b>135 208</b>	<b>155 880</b>
	<b>2018</b>	<b>2017</b>
	<b>EUR</b>	<b>EUR</b>
<b>Incl. Remuneration of the Board members</b>		
Salary	129 703	333 461
Social insurance payments	31 246	78 663
<b>Total</b>	<b>160 949</b>	<b>412 124</b>
	<b>2018</b>	<b>2017</b>
	<b>EUR</b>	<b>EUR</b>
<b>Incl. Remuneration of the Council members</b>		
Salary	207 007	197 238
Social insurance payments	48 526	44 982
<b>Total</b>	<b>255 533</b>	<b>242 220</b>
	<b>2018</b>	<b>2017</b>
	<b>EUR</b>	<b>EUR</b>
<b>Incl. Remuneration to the member of the Audit Committee</b>		
Remuneration to the member of the Audit Committee	-	6 000
Social insurance payments	-	1 234
<b>Total</b>	<b>-</b>	<b>7 234</b>
	<b>2018</b>	<b>2017</b>
Average number of employees during reporting year	115	446

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### 38. Conditions and events after the end of the report year

In the result of the evaluation of the current situation and the possibilities of the Company, as well as taking into account that the debt obligations continued increasing in 2019, the Company adopted a repeated decision to apply to the court and to request the initiation of the legal protection proceedings, in the result of which, on March 20<sup>th</sup>, 2019 Riga City Vidzeme Urban District Court resolved to initiate the legal protection proceedings of the Company.

By the judgement of Riga City Vidzeme Urban District Court dated August 16<sup>th</sup>, 2019: (a) the application of the legal protection proceedings of the Company was satisfied; (b) the implementation of the legal protection proceedings of the Company was announced; (c) the plan of measures of the legal protection proceedings of the Company was approved, and (d) the term for implementation of the legal protection proceedings of the Company was set to 2 (two) years by starting the counting of the term as from August 16<sup>th</sup>, 2019;

The Company attests that the plan of measures of the legal protection proceedings as prepared and submitted to the court will allow maintaining of the current profile of operations, in particular, ship repair, at the same time developing also new types of business activity in order to use the infrastructure of the Company as efficiently as possible.

According to the approved plan of measures of the legal protection proceedings, the Company has paid of the debt of wages to its former and current employees and has also fully paid the tax debt to the state budget.

Also starting from the second month of the legal protection proceedings, the Company has gradually started covering its financial liabilities whose terms of repayment or performance have set in prior to the start of the legal protection proceedings or will set in during the legal protection proceedings. The Company points out that its financial liabilities towards secured creditors will be performed during the first six months and towards unsecured creditors will be performed during twenty four months as from the moment of approval of the plan of measures of the legal protection proceedings.

There have been no other events in the period between the last day of the reporting year and the date of signing the financial statements that would have a material impact on the financial position of the Company as of 31 December 2018.

### 39. 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 JSC 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 December 31, 2018 is EUR 295 194. Maximum guarantee claim is EUR 4 183 243 . Mortgaged floating dock 791, with the balance sheet value as of December 31, 2018 is EUR 2 250 000. 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 JSC and ABLV Bank JSC was signed mortgage agreement No. 14-FP-0328/01 for the first mortgage on Rigas kugu buvetava JSC real estate - as security for Remars- Riga JSC liabilities that are resulting from December 12, 2014 credit agreement No. 14-FP-032. As of December 31, 2018 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 December 31, 2018 is EUR 5 721 904. 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 JSC „Latvenergo” as security JSC „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 December 31, 2018: tugboat „Orkāns” EUR 183 967 un marine crane „CELTNIS 24” EUR 377 305.

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### 40. Transactions with related parties

Related party	Type of relationship	Goods or services sold EUR	Purchased goods or services EUR	Other transactions EUR
Remars-Riga JSC	Significant influence	346 616	712 014	24 336
Tosmares kugubuvetava JSC	Associated company	232 437	-	13 092
Remars-Granula LTD	Associated company	-	-	15 532
<b>Total</b>		<b>579 053</b>	<b>712 014</b>	<b>52 960</b>

### 41. Proposal for covering of Company's losses

The Management Board of the Company proposes to cover the loss of the reporting year from the undistributed profit of the preceding and next years.

### 42. 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. Management of the Company individually assesses the recoverability of each debt and 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.

#### 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.

### 43. Application of going concern concept

The Company's operating result was a net loss amounted to TEUR 6 644.8 and the Company's current liabilities exceed its current assets by TEUR 11 183.1, these events and circumstances indicate a material uncertainty about the Company's ability to continue as a going concern. The Company's ability to continue as a going concern depends on financial results over the coming periods, on the ability of management to ensure the profitable functioning of the Company and to cover short-term liabilities, as well as on the ability of the Company to harmonise the legal protection proceedings plan, and to cover its liabilities towards credit institutions and other creditors within the specified time limits, subject to all the conditions of the specified plan. The financial statements have been prepared on a going concern basis and do not include any adjustments that might be necessary if the going concern assumption were not applied.

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### 44. Future development of the Company

Based on the evaluation of the market situation and the possibilities of the Company, its management has partly restructured it resulting in major reduction of the monthly expenditure by more than 70%. Unfortunately, the above reduction was achieved by the implementation of certain unpopular measures, in particular, by terminating the employment of the biggest part of the Company staff, discontinuation of the provision of ship building services and involving more subcontractors in the provision of ship repair services.

At present the Company has not interrupted its economic operation and plans to continue it, thus implementing the legal protection proceedings and restoring the solvency in the result of which financial liabilities towards creditors will be performed. Moreover, the Company has amounts receivable which can be recovered, thus increasing revenue accordingly and using the recovered amounts for satisfying creditors' claims.

The Company is assured that it will be able to restore the Company operations, secure its stability and even improve its competitiveness. However, although the Company has clear perspective of restoring its operations, it is also known that the time will be needed for optimising its staffing, restoring the flow of the current assets, diversifying production and attracting investment.

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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

Riga, 25 November, 2019