

"Rīgas kuģu būvētava" JSC

*Financial statements on six months of the year 2017
prepared in accordance with
requirements of Latvian statutory requirements
(not audited)*

** 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 REPORT ON SIX MONTHS OF THE YEAR 2017
STATEMENT OF MANAGEMENT RESPONSIBILITIES

Name of the company	Rīgas kuģu būvētava JSC	
Legal status of the company	Joint stock company	
Number, place and date of registration	000304589, 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 etc.	
NACE code	3011, 3315	
Names and positions of the Board members	Einars Buks	Chairman of the Board from 07.08.2017
	Janis Skvarnovics	Chairman of the Board till 25.05.2017
	Einars Buks	Member of the Board till 06.08.2017
	Jekaterina Melnika	Member of the Board
	Ainars Tropins	Member of the Board from 07.08.2017
Names and positions of the Council	Vasilijs Melniks	Chairman of the Council
	Aleksandrs Cernavskis	Deputy Chairman of the Council
	Linards Baumanis	Member of the Council
	Valentina Andrejeva	Member of the Council
	Gaidis Andrejs Zeibots	Member of the Council
Financial period	1 January 2017 - 30 June 2017	
Previous financial period	1 January 2016 - 30 June 2016	
Auditor's name and address	"Oriens Audit & Finance" SIA LZRA Licence No. 28 Gunara Astras street 8b, Riga, LV-1082 Latvia	
	Natalija Zaiceva Sworn Auditor Certificate No. 182	

RĪGAS KUĢU BŪVĒTAVA JSC REPORT ON PERIOD TILL 30TH OF JUNE 2017 MANAGEMENT REPORT

Company Activities

During the first 6 months of 2017, a total of 25 vessels were repaired at the Rīgas kuģu būvētava JSC (Riga Shipyard) (in comparison to 27 vessels in the first 6 months of 2016), and 3 ship hulls was built (in comparison the 1 ship hull built during the first 6 months of 2016).

During the first 6 months of 2017, there were no substantial changes in the range of suppliers of raw materials, products and services acquired by the Riga Shipyard and the countries of origin being Western Europe, Estonia, Lithuania and Latvia. Traditionally, the ship-owners from the Nordic countries, the Western Europe and Latvia remained as the main customers of ship repair services, while Nordic ship-owners were the main shipbuilding customers who ordered ship hulls.

Company Development and Financial Performance in the First 6 Months in the Reporting Year

During the first 6 months of 2017, the Riga Shipyard had a total net turnover of 8 207 973 EUR, including shipbuilding 2 062 289 EUR and ship repairs 6 117 773 EUR (in comparison in the first 6 months of 2016 the total net turnover was 10 135 290 EUR, including shipbuilding 2 727 884 EUR and ship repairs 7 183 188 EUR). The Company has ended the first 6 months of 2017 with a gross loss of 194 925 EUR (in comparison to the first 6 months of 2016 the gross profit was 895 703 EUR), while the net loss in the first 6 months of 2017 was in the amount of 992 587 EUR (in comparison to the first 6 months of 2016 the net profit amounted to 460 227 EUR).

During the first 6 months of 2017, the Riga Shipyard made investments for the purchase of fixed assets and refurbishment in the amount of 0.2 million EUR (compared to the first 6 months of 2016, when the Company invested of 0.3 million EUR).

Purchased seven 400v transformers and other equipment.

The Company continues to carry out major repairs of its production buildings, floating docks, marine cranes, gantry cranes, tugboats and other fixed assets.

The Riga Shipyard operates and carries out its manufacturing processes in accordance with the ISO 9001:2015, ISO 14001:2015 and LVS OHSAS 18001:2007 International Quality Control Standards.

Company Research and Development Activities

The Board of Directors continues, in cooperation with the Company Council, market research work, participation in international exhibitions and support programmes in order to open up new production sectors and new markets which would ensure a more extensive load on the Company's production capacities and a work productivity increase.

Future Development of the Company

Upon assessing the current market situation and the Company's prospects, the Board of Directors will continue its work to increase the amount of repaired and newly built ships. To ensure the foregoing, the Board of Directors is developing a business plan for the purchase of technology and technical equipment for ship repairs which will ensure growth of the work productivity and consequently a faster ship repair process, which will help to attract new customers.

These financial statements were signed on 31st August, 2017 on the Company's behalf by:

<hr/> Einārs Buks	<hr/> Jekaterina Meļņika	<hr/> Ainārs Tropiņš
Chairman of the Board	Member of the Board	Member of the Board

RĪGAS KUĢU BŪVĒTAVA JSC REPORT ON PERIOD TILL 30TH OF JUNE 2017
MANAGEMENT REPORT

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

The financial statements are prepared in accordance with the source documents and present fairly the financial position of the Company as of 30 June, 2017 and the results of its operations and cash flows for the period then ended. The management confirms that appropriate accounting policies have been used and applied consistently, and reasonable and prudent judgements and estimates have been made in the preparation of the financial statements as presented on pages 11 to 30. 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:

31st August, 2017

Einārs Buks

Chairman of the Board

Jekaterina Meļņika

Member of the Board

Ainārs Tropiņš

Member of the Board

RĪGAS KUĢU BŪVĒTAVA JSC REPORT OF SIX MONTH 2017
PROFIT OR LOSS STATEMENTS FOR THE PERIOD ENDED 30 JUNE, 2017

		6 month 2017	6 month 2016
	Notes	EUR	EUR
Net turnover	2	8 207 973	10 135 290
Costs of goods sold or costs of services provided	3	(8 402 898)	(9 239 587)
Gross profit or losses		(194 925)	895 703
Distribution expenses	4	(1 423)	(800)
Administrative expenses	5	(583 913)	(474 461)
Other operating income	6	426 845	569 337
Other operating expenses	7	(495 739)	(418 683)
Interest and similar income	8	49 912	50 760
incl.			
a)from group companies		-	-
b)from other companies		49 912	50 760
Interest and similar expenses	9	(193 344)	(161 629)
incl.			
a)from group companies		-	-
b)from other companies		(193 344)	(161 629)
Profit or losses before corporate income tax		(992 587)	460 227
Net profit or losses for the period		(992 587)	460 227
Profit or losses per share		(0.085)	0.039

The accompanying notes on pages 11 to 30 are an integral part of these financial statements.

These financial statements were signed on 31st of August, 2017 on behalf of the Company:

_____ Einārs Buks Chairman of the Board	_____ Jekaterina Meļņika Member of the Board	_____ Ainārs Tropiņš Member of the Board
_____ Marina Pudova Chief Accountig Officer		

RĪGAS KUĢU BŪVĒTAVA JSC REPORT OF SIX MONTH 2017
BALANCE SHEET AS OF 30 JUNE 2017

		30.06.2017	30.06.2016	31.12.2016
ASSETS	Notes	EUR	EUR	EUR
Non-current assets				
Intangible assets				
Other instangible assets		5 371	30 797	6 139
Total intangible assets	10	5 371	30 797	6 139
Fixed assets				
Immovable properties:				
a) lands, buildings and engineering structures		7 619 168	7 881 054	7 764 941
b) investment properties		451 187	473 743	468 283
Technological equipment and machinery		20 825 665	20 909 424	21 067 230
Other fixed assets		358 131	412 767	389 287
Fixed assets under construction		1 782 573	750 470	756 556
Advances for fixed assets		11 218	18 550	18 550
Total fixed assets	11	31 047 942	30 446 008	30 464 847
Non-current financial investments				
Investments in associates	12	4 830 590	4 830 590	4 830 590
Other securities and investments	13	235	235	235
Loans and non-current receivables	14	1 630 182	1 158 614	1 630 182
Total non-current financial investments		6 461 007	5 989 439	6 461 007
Total non-current assets		37 514 320	36 466 244	36 931 993
Current assets				
Inventories				
Raw materials and consumables	15	2 401 825	2 104 570	1 979 608
Work in progress	16	287 949	78 893	107 542
Advances for inventories	17	119 138	241 782	191 658
Total inventories		2 808 912	2 425 245	2 278 808
Account receivable				
Trade receivables	18	1 579 897	1 443 946	1 578 586
Receivables from associates	19	1 301 273	1 285 525	1 293 464
Other receivables	20	844 996	1 389 728	922 793
Deferred expense	21	15 903	25 124	9 986
Accrued income	22	4 173 971	2 556 214	3 435 816
Total receivables		7 916 040	6 700 537	7 240 645
Cash and bank	23	304	74 864	18 005
Total current assets:		10 725 256	9 200 646	9 537 458
TOTAL		48 239 576	45 666 890	46 469 451

The accompanying notes on pages 11 to 30 are an integral part of these financial statements.

These financial statements were signed on 31st of August, 2017 on behalf of the Company:

Einārs Buks
Chairman of the Board

Marina Pudova
Chief Accountig Officer

Jekaterina Meļņika
Member of the Board

Ainārs Tropiņš
Member of the Board

RĪGAS KUĢU BŪVĒTAVA JSC REPORT OF SIX MONTH 2017
BALANCE SHEET AS OF 30 JUNE, 2017

		Notes	30.06.2017. EUR	30.06.2016. EUR	31.12.2016. EUR
EQUITY, PROVISIONS AND LIABILITIES					
Equity					
Share capital		24	16 340 950	16 340 950	16 340 950
Non-current investments revaluation reserve		25	11 794 138	11 948 867	11 891 225
Reserves					
Other reserves			266 962	266 962	266 962
Prior year's retained earnings			2 622 977	2 453 233	2 453 233
Net loss for the year			(992 587)	460 227	169 807
Total retained earnings			1 630 390	2 913 460	2 623 040
Total equity			30 032 440	31 470 239	31 122 177
Provisions		26	1 699	1 643	1 699
Non-current liabilities					
Loans from banks		27	1 710 310	1 900 000	-
Other borrowings		28	1 177 132	1 215 503	1 201 756
Deferred tax liabilities		29	2 752 048	2 685 427	2 752 048
Deferred income		30	530 187	602 307	566 247
Total non-current liabilities			6 169 677	6 403 237	4 520 051
Current liabilities					
Loans from banks		27	2 802 617	-	1 900 000
Other borrowings		28	542 520	533 173	534 132
Advances from customers		30	2 732 841	2 973 741	2 560 300
Trade payables		31	2 837 159	2 191 503	2 950 466
Payables to associates		32	457 604	490 424	551 343
Taxes and social insurance payments		33	988 106	590 312	936 814
Other creditors		34	693 615	438 526	817 554
Deferred income		30	72 120	72 120	72 120
Unpaid dividends		35	18 617	25 680	18 617
Accrued liabilities		36	890 561	476 292	484 178
			12 035 760	7 791 771	10 825 524
Total current liabilities:			18 205 437	14 195 008	15 345 575
Total liabilities:			48 239 576	45 666 890	46 469 451

The accompanying notes on pages 11 to 30 are an integral part of these financial statements.

These financial statements were signed on 31st of August, 2017 on behalf of the Company:

Einārs Buks

Chairman of the Board

Jekaterina Meļņika

Member of the Board

Ainārs Tropiņš

Member of the Board

Marina Pudova
Chief Accounting Officer

RĪGAS KUĢU BŪVĒTAVA JSC REPORT OF SIX MONTH 2017
STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD ENDED 30 JUNE, 2017

STATEMENT OF CHANGES IN EQUITY

	6month 2017 EUR	6month 2016 EUR
Share capital		
Opening balance	16 340 950	16 340 950
Prior year adjustments	0	0
Increase/decrease in share capital	0	0
Closing balance	16 340 950	16 340 950
Stock (share) premium account		
Opening balance	0	0
Prior year adjustments	0	0
Increase/decrease in share capital	0	0
Closing balance	0	0
Long-term investment revaluation reserve		
Opening balance	11 891 225	12 056 273
Prior year adjustments	(97 087)	(107 406)
Closing balance	11 794 138	11 948 867
Fair value reserve of financial instruments		
Opening balance	0	0
Prior year adjustments	0	0
Closing balance	0	0
Reserves		
Opening balance	266 962	266 962
Prior year adjustments	0	0
Increase/decrease of the balance of the reserves	0	0
Closing balance	266 962	266 962
Retained earnings		
Opening balance	2 623 040	2 453 233
Prior year adjustments	0	0
Increase/decrease in retained earnings	(992 587)	460 227
Closing balance	1 630 453	2 913 460
Equity		
Opening balance	31 122 177	31 117 418
Prior year adjustments	0	0
Closing balance	30 032 440	31 470 239
 Einārs Buks	 Jekaterina Meļņika	 Ainārs Tropiņš
Chairman of the Board	Member of the Board	Member of the Board
 Marina Pudova Chief Accountig Officer		

RĪGAS KUĢU BŪVĒTAVA JSC REPORT OF SIX MONTH 2017
CASH FLOW STATEMENTS FOR THE PERIOD ENDED 30 JUNE, 2017

	Notes	6 month 2017 EUR	6month 2016 EUR
CASH FLOWS FROM/(USED IN) OPERATING ACTIVITIES			
Revenue from the sale of goods and provision of services		7 704 421	10 500 072
Payments to suppliers, employees, other expenses of principal activity		(10 133 207)	(10 160 493)
Gross cash flow generated from/(used in) operating activities		(2 428 786)	339 579
Interest payments		(99 207)	(101 217)
Net cash flow generated from /(used in) operating activities		(2 527 993)	238 362
CASH FLOWS USED IN INVESTING ACTIVITIES			
Acquisition of fixed and intangible assets		(28 788)	(68 702)
Proceeds from sales of fixed assets and intangible investments		1 500	111
Loans issued		-	23 841
Repayment of loans		7 207	18 543
Interest received			
Net cash flow used in investing activities		(20 081)	(26 207)
CASH FLOW FROM FINANCING ACTIVITIES			
Loans received		2 612 927	-
Repayment of loans		(82 554)	(269 476)
Net cash flow (used in)/ generated from financing activities		2 530 373	(269 476)
Net foreign exchange gains/losses		-	(15)
Net decrease in cash and cash equivalents		(17 701)	(57 336)
Cash and cash equivalents at the beginning of the financial year		18 005	132 200
CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL PERIOD		304	74 864

The accompanying notes on pages 11 to 30 are an integral part of these financial statements.

These financial statements were signed on 31st of August, 2017 on behalf of the Company:

Einārs Buks
Chairman of the Board

Marina Pudova
Chief Accountig Officer

Jekaterina Meļņika
Member of the Board

Ainārs Tropiņš
Member of the Board

NOTES TO THE FINANCIAL STATEMENTS

(1) Summary of accounting policies

General principles

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

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

The financial statements cover the period from 1 January to 30 June 2017.

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.

Change of accounting policy and correction of fundamental errors

Due to the new Law On the Annual Financial Statements and Consolidated Financial Statements (Law) the entry into force in 2016, the below mentioned norms of accounting policy were changed.

a) Measurement and classification of investment property, biological assets and non-current assets held for sale

Starting with 2016, the investment property, biological assets and non-current investments held for sale could not be measured at their fair value with the effect through income statement. Investment property and non-current biological assets (draft animals and productive animals, perennial plantings) shall be further classified under fixed assets and are subject to the fixed assets recognition and measurement policy. Current biological assets (animals and non-perennial crops for sale) and non-current investments held for sale shall be further classified as the inventories. If revaluation reserves for investment property or biological assets have been recognized in financial statements, they shall be written off and included as income in the income statement for the financial year or in the prior years retained earnings, without correcting the comparatives.

The investment properties held by the Company have been previously evaluated at costs less depreciation and impairment losses.

b) The deferred tax assets and liabilities recognition - derogations from the provisions of Law

As per 2016 entities are no longer required to evaluate and recognize the deferred tax assets or liabilities. Pursuant to transition regulations previously recognized deferred tax assets or liabilities shall be written off at the beginning of the financial year to the retained earnings without correcting the comparatives.

If the Company does not recognize deferred tax assets or liabilities, its financial reports may not give clear and fair presentation of its financial position and operating results. Therefore, the Company is using a derogation clause of the Law which allows applying of International Financial Reporting Standards (IFRS) for the deferred tax accounting.

c) Depreciation of fixed assets revaluation reserves

Due to enactment of the Law, fixed assets revaluation reserves may be reduced (depreciated) for a respective part of the annual depreciation of a revaluated fixed assets. Depreciation of the reserve shall be recognized in the income Statement as income. The Company did not depreciate the fixed assets revaluation reserves previously. Change of the policy shall not be recognized with retrospective effect.

d) Measurement of intangible assets

Due to enactment of the Law, goodwill and other intangible assets with an indefinite useful life shall be depreciated during their projected useful life, but not exceeding 10 years. The Company recognized the above assets at acquisition cost less impairment losses. The change of policy shall be applied retrospectively.

Considering that the Company has no goodwill and other intangible assets with an indefinite useful life, these changes of the Law do not affect the Company's financial statements.

e) Accounting of grants received

Due to enactment of the Law, grants received to cover the costs incurred in the financial year shall be recognized as income when grants are received and all conditions for acquiring of the grants are fulfilled. The Company has previously recognized revenues from the grants received when the Company acquired the right to receive.

Considering that during 2016 and 2017 the Company received no grants with not matching periods of granting and actual receipt, these changes of the Law do not affect the financial reports of the Company.

f) Changes in classification of items and disclosure of information in the balance sheet, income statement, cash flow statement and statement of changes in equity

Due to enactment of the Law, the structural form of the balance sheet, income statement and cash flow statement has been changed. A new structural form of the statement of changes in equity has been also introduced. Moreover, to improve a clear and fair presentation, the Company performed reclassification of certain types of assets, liabilities, revenue and costs. Prior year comparatives were classified in the financial statements according to the principles of the financial year and are comparable. Reclassification does not affect the financial results.

g) Disclosure of information in the notes to financial statement

Due to enactment of the Law, the scope of information disclosed in the notes to financial statement has been changed by defining different criteria depending on the size of a company. Based on the law requirements, the Company is classified as a large entity. Financial statements reflect all information as defined by the Law, as well as additional information to provide the fair and clear presentation.

Except the above mentioned, the accounting policies and valuation methods used by the Company are consistent with those used in the previous reporting year.

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. 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.

	30.06.2017.	30.06.2016.
	EUR	EUR
1 USD	1.14120	1.1102
1 RUB	67.5449	71.5200
1 GBP	0.879330	0.82650

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; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

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

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

Intangible investments and fixed assets

Intangible investments and fixed assets are initially recognized at the purchase cost. Purchase cost includes costs, directly related to the acquisition of intangible and fixed assets. In financial statements the intangible and fixed assets are recognized at purchase cost or revalued amount less depreciation.

The difference arising from revaluation (by deducting the deferred tax) is recognized in equity under "Non-current investment revaluation reserve", but reduction of value of fixed assets is written-off against the reserve to the extent of residual value of respective fixed assets revalued in prior year and including the surplus in the income statement. Fixed assets revaluation reserves are reclassified as revenue in the Income statement at a respective part of the annual depreciation of a revaluated fixed asset, but in case of disposal or liquidation of fixed assets, the reserves are written-off to the Income statement in full.

Depreciation is calculated on a straight-line basis applying the following rates of depreciation set by the management, based on the estimated useful life of the fixed assets:

The Company capitalizes its fixed assets valued over EUR 150 and with useful life exceeding 1 year.

Depreciation for improvements and other low costs items with the value less than EUR 150 is recognized by 100 % after commissioning.

The residual value and useful life of an asset is reviewed and adjusted, if necessary, at each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

The gain or loss arising on the disposal of an item of property, plant and equipment is determined as the difference between the carrying amount and the sales proceeds of the asset and is recognised in the statement of profit or loss.

Construction in progress represents property, plant and equipment under construction and is stated at historical cost. This includes the cost of construction and other directly attributable expenses. Construction in progress is not depreciated as long as the respective assets are not completed and put into operation.

Depreciation of Leasehold improvements is calculated during estimated useful life of improvement or during the rent period, depending on which of these periods shorter.

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

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

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

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

Investment property

Investment property is land, buildings, constructions or their parts that the Company owns (as owner or renter acc. to financial leasing) to get rent or to wait prices rising (appreciation), or for both purposes, but not to use for production of goods, services production, for administrative purposes or to sell in course of economic activity.

Investment property is recognised as an asset when it is probable that the future economic benefits that are associated with the investment property will flow to the Company, and the cost of an asset can be measured reliably.

An investment property initially is estimated under its acquisition value. Transaction costs are included in the initial estimation. Subsequent to initial recognition, investment property is presented at acquisition value, less accumulated depreciation and accumulated impairment losses.

Investments in subsidiaries and associates and other financial investments

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

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

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

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

Inventories

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

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

Financial assets

Loans

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

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

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

Trade receivables

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

If, in subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the reversal of the previously recognised impairment loss is recognised in the statement of profit and loss.

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

Cash and cash equivalents

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

Accrued income

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

Deferred expenses

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

Dividends

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

Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Subsequent to initial recognition all borrowings are stated at amortised cost, using the effective interest rate method.

Differences between the proceeds and the redemption value are gradually recognised in the statement of profit and loss over the period of the borrowing.

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

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in the statement of profit or loss in the period in which they incurred.

Leases

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

The Company as lessor

When the Company's assets are leased out under an operating lease, income from operating leases is recognised in the statement of profit or loss on a straight-line basis over the lease term. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and reduce the amount of income recognised over the lease term.

If the Company is a lessor in a finance lease arrangement, it recognises the asset in the balance sheet as a receivable at an amount equal to the present value of the lease payments. Lease income is recognised over the term of the lease on the basis of constant periodic rate of return.

The Company as lessee

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

If the Company is a lessee in a finance lease arrangement, it recognises in the balance sheet the asset as an item of property, plant and equipment and a lease liability measured as the lower of the fair value of the leased property and the present value of the minimum lease payments. Each lease payment is allocated between the liability and finance charge so as to achieve a constant interest rate on the balance of liability outstanding. The interest element of the lease payment is charged to the statement of profit or loss over the lease period. The item of property, plant and equipment acquired under a finance lease is depreciated over the shorter of the useful life of the asset and the lease term, unless it is reasonably certain that the Company will obtain ownership by the end of the lease term.

Grants and government assistance

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

Trade payables

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

Provisions

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

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

Accrual for unused employee vacations

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

Corporate income tax

Corporate income tax includes current and deferred taxes.

Current corporate income tax calculated in accordance with tax regulations of the Republic of Latvia applying a rate of 15% on taxable income generated by the Company during the taxation period.

Deferred income tax arising from temporary differences in the timing of the recognition of items in the tax returns and these financial statements is calculated using the liability method. The deferred income tax assets and liabilities are determined on the basis of the tax rates that are expected to apply when the timing differences reverse. The principal temporary timing differences arise from different rates of accounting and tax depreciation of property, plant and equipment, certain non-deductible provisions and accruals as well as from tax losses carried forward.

Deferred tax assets are only recognised in these financial statements where their recoverability is foreseen with reasonable certainty.

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.

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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.Revenue

	NACE2 CODES	6 month of 2017 EUR	6 month of 2016 EUR
By operating activities			
Ship repair	3011	6 117 773	7 183 188
Shipbuilding	3011	2 062 289	2 727 884
Mechanical engineering	3315	27 017	214 690
Other works	3315	894	9 528
Total		8 207 973	10 135 290

3.Cost of sales

	6 month of 2017 EUR	6 month of 2016 EUR
Material costs and services from outside	(1 008 995)	(1 894 904)
Contragents services	(2 515 488)	(2 921 049)
Salary expenses	(2 360 715)	(2 099 037)
Depreciation of fixed assets	(643 258)	(527 530)
Social insurance	(539 848)	(477 979)
Electricity costs	(317 458)	(548 200)
Heat energy costs	(476 269)	(316 867)
Other costs	(540 867)	(375 848)
Total	(8 402 898)	(9 161 414)

4.Distribution expenses

	6 months of 2017 EUR	6 month of 2016 EUR
Advertising expenses	(1 423)	(800)
Total	(1 423)	(800)

5.Administrative expenses

	6 months of 2017 EUR	6 months of 2016 EUR
Remuneration of the Council members	(113 412)	(138 427)
Remuneration of the Board members	(66 536)	(64 800)
Salary expenses (administration)	(75 975)	(79 034)
Social insurance	(59 716)	(64 784)
Representative vehicle maintenance expenses	(19 592)	(12 641)
Transportation costs, travelling allowances	(177 353)	(69 721)
Legal services	(2 298)	(155)
Depreciation of fixed assets	(16 436)	(20 627)
Representation costs	(28 943)	(9 532)
Communication costs	(15 672)	(9 531)
Office rent and utilities	(5 451)	(3 557)
Insurance	(2 529)	(1 652)
Total	(583 913)	(474 461)

6. Other operating income

	6 months of 2017	6 months of 2016
	EUR	EUR
Income from rent and delivered utility services	277 400	271 555
Sale of materials	95 357	171 957
Net income from sales of fixed assets	0	72
Written-off accounts payable	0	23 566
Tugboat services income	15 313	21 041
Income from projects financing	36 060	36 060
Net income from exchange rate fluctuations	0	12
Chemical analyses	162	303
Other income	2 553	44 771
Total	426 845	569 337

7. Other operating expenses

	6 months of 2017	6 months of 2016
	EUR	EUR
Leased fixet assets maintenance costs	(312 397)	(214 901)
Loses arises from currency rate fluctuations	(197)	0
Net loss from sale of foreign currency	(32)	(143)
Material expenses	(71 170)	(153 582)
Costs on tugboat services	(9 778)	(16 014)
Representation costs 60%	(44 463)	(15 257)
Medical services	(5 227)	(5 198)
Material allowances, gifts	(39)	(540)
Donations	0	(4 006)
Burial expenses	(1 351)	(1 057)
Net losses from disposal of fixed assets	(3 521)	0
Law expenses	(3 791)	0
Other expenses	(43 773)	(7 985)
Total	(495 739)	(418 683)

8. Interest and similar income

	6 months of 2017	6 months of 2016
	EUR	EUR
<i>from other parties</i>		
Interest income on loans issued	49 912	50 760
Total	49 912	50 760

9. Interest and similar expenses

	6 months of 2017	6 months of 2016
	EUR	EUR
<i>to other parties</i>		
Interest expenses for loans	(101 751)	(111 177)
Bank charges for guarantees	(6 047)	(4 150)
Penalties paid	(84 123)	(33 500)
State fee	(1 423)	(12 802)
Total	(193 344)	(161 629)

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10.Intangible assets

	Software EUR	Advances for intangible assets	Total EUR
Cost			
As of 01.01.2016.	351 950		351 950
Additions			
Disposals			
As of 30.06.2016.	351 950		351 950
Acumulated amortizations			
As of 01.01.2016.	(296 492)		(296 492)
Calculated	(24 661)		(24 661)
As of 30.06.2016.	(321 153)		(321 153)
Net carrying amount			
As of 01.01.2016.	55 458		55 458
As of 30.06.2016.	30 797		30 797
Cost			
As of 01.01.2017.	351 950		351 950
Additions			
As of 30.06.2017.	351 950		351 950
Acumulated amortizations			
As of 01.01.2017.	(345 811)		(345 811)
Calculated	(768)		(768)
As of 30.06.2017.	(346 579)		(346 579)
Net carrying amount			
As of 01.01.2017.	6 139		6 139
As of 30.06.2017.	5 371		5 371

RIGAS KUGU BUVETAVA JSC REPORT OF SIX MONTH 2017
NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE, 2017

11.Fixed assets							
	Buildings, constru- ctions EUR	Advance payments EUR	Leasehold improve- ments PL EUR	Equipment and machines EUR	Unfinished con-struction EUR	Other Fixed assets EUR	Total EUR
Cost/revaluation							
As of 01 01 2016	12 786 482	9 562	845 227	32 248 592	525 090	1 740 465	48 155 418
Additions	-	8 988	-	-	505 559	-	514 547
Disposals	(270)	-	-	(46 470)	-	(3 492)	(50 232)
Reclassified	4 297	-	-	253 529	(280 179)	22 353	-
As of 30 06 2016	12 790 509	18 550	845 227	32 455 651	750 470	1 759 326	48 619 733
Depreciations							
As of 01 01 2016	(4 763 554)	-	(354 725)	(11 169 257)	-	(1 305 498)	(17 593 034)
Calculated	(146 151)	-	(16 759)	(316 033)	-	(44 553)	(523 496)
Disposals	250	-	-	46 470	-	3 492	50 212
Relocated *	-	-	-	*(107 407)	-	-	(107 407)
As of 30 06 2016	(4 909 455)	-	(371 484)	(11 546 227)	-	(1 346 559)	(18 173 725)
Net carrying amount	8 022 928	9 562	490 502	21 079 335	525 090	434 967	30 562 384
As of 01 01 2016							
As of 30 06 2016	7 881 054	18 550	473 743	20 909 424	750 470	412 767	30 446 008
Cost/revaluation							
As of 01 01 2017	12 819 933	18 550	856 583	32 971 287	756 556	1 775 879	49 198 788
Additions		3 306			1 227 038		1 230 344
Disposals				(30 690)		(13 965)	(44 655)
Reclassified		(10 638)		205 181	(201 022)	6 479	0
As of 30 06 2017	12 819 933	11 218	856 583	33 145 778	1 782 572	1 768 393	50 384 477
Depreciations							
As of 01 01 2017	(5 054 992)		(388 300)	(11 904 057)	-	(1 386 592)	(18 733 941)
Calculated	(145 773)		(17 096)	(345 046)		(37 488)	(545 403)
Disposals				26 077		13 818	39 895
Relocated				*(97 087)			(97 087)
As of 30 06 2017	(5 200 765)		(405 396)	(12 320 113)		(1 410 262)	(19 336 536)
Net carrying amount							
As of 01 01 2017	7 764 941	18 550	468 283	21 067 230	756 556	389 287	30 464 847
As of 30 06 2017	7 619 168	11 218	451 187	20 825 665	1 782 572	358 131	31 047 941

Real Estate (buildings) cadastral value as of 30 06 2017: 5 723 487 EUR (as of 30 06 2016: 5 723 487 EUR).

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

* Depreciation in the first 6 months of the Reporting Period for which the long-term investment revaluation reserve is being reduced.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE, 2017

12. Investments in associates

Shares in the capital of associates and their carrying values:

Name	30 06 2017	Participating interest	Equity 30 06 2017	Profit/ (loss) 01 01 2017- 30 06 2017
	EUR	%	EUR	EUR
JSC "Tosmares kugubuvetava"	3 630 590	49.72	5 930 485	24 263
LLC "Remars Granula"	1 200 000	49.80	227 178	(193)
Total	4 830 590		6 157 663	24 070

Name	30 06 2016	Participating interest	Equity 30 06 2016	Profit/ (loss) 01 01 2016- 30 06 2016
	EUR	%	EUR	EUR
JSC "Tosmares kugubuvetava"	3 630 590	49.72	5 978 197	24 541
LLC "Remars Granula"	1 200 000	49.80	228 445	(15 749)
Total	4 830 590		6 206 642	8 792

13. Other equities and investments

Name enterprise	Parts or shares		30.06.2017		30.06.2016	
	30.06.2017	30.06.2016	Quantity	EUR	Quantity	EUR
"Baltic International Bank" JSC	7	5	33	235	33	235
Total	7	5	33	235	33	235

14. Other loans and non-current receivables

Name / Type of Loan	As of 31.12.2016	Loans issued in 2017	Interest accrued Reallocation at a short-term	Currency exchange rate change	As of 30.06.2017	Term of repayment
Loans to employees (students) *	47 796	-	-	-	49 364	2020-2029
Loans for Tosmares Kugubuvetava JSC shares *	1 110 818	-	179 428	-	1 110 818	Year 2020
Loans (interest rate 6%)	470 000		24 362		470 000	Year 2020
Total	1 630 182	-	203 790	-	1 630 182	

Total amount on 30th of June, 2017 receivable after 5 years: 24 286 EUR.

* Loans for students are with a rate of 0%, the collateral is a guarantee.

** Loans for JSC "Tosmare shipyard" shares are with a rate of 6% and in the case of non-repayment, the security shall be shares.

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15. Raw materials and consumables

	6 month of 2017	6 month of 2016
	EUR	EUR
Metal, non-ferrous metals, pipes	2 127 903	1 391 564
Metal ware	59 278	65 827
Equipment	28 395	37 379
Fuel	7 755	10 317
Varnish and paint	18 637	20 636
Cables	35 525	30 778
Coveralls	5 243	5 743
Technical rubber ware	51 178	35 676
Wire cables	10 187	8 868
Other	433 024	497 782
Provisions for slow moving and obsolete stock	(375 300)	-
Total	2 401 825	2 104 570

16. Work in progress

	6 month of 2017	6 month of 2016
	EUR	EUR
Shipbuilding orders	100 720	64 878
Ship repair orders	186 340	9 891
Various	63	3 299
Mechanical engineering orders	826	825
Total	287 949	78 893

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

17. Advances for inventories

	6 month of 2017	6 month of 2016
	EUR	EUR
For materials	119 138	241 782
Total	119 138	241 782

18. Trade receivables

	6 month of 2017	6 month of 2016
	EUR	EUR
Book value of trade receivables	1 807 157	2 060 411
Provisions for bad and doubtful debts	(227 260)	(616 465)
Trade receivables, net	1 579 897	1 443 946

Change in provisions

	Trade receivables	Other receivables	Total
Provisions as of 31.12.2016.	227 260	0	227 260
Increase in provisions	0	0	0
Provisions as of 30.06.2017.	227 260	0	227 260

19. Receivables from associates

	6 month of 2017	6 month of 2016
	EUR	EUR
LLC "Remars Granula" debt for loan according to assignment agreement *	770 000	770 000
LLC "Remars Granula" loan **	531 273	515 525
Total	1 301 273	1 285 525

* Debt related to assignment (cession) agreement signed with SEB bank JSC, Rigas kugu buvetava JSC and Remars Granula LLC, collateralized by a pledge.

** Loan interest rate 5%, repayment term on demand.

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20. Other receivables

	6 month of 2017 EUR	6 month of 2016 EUR
Book value	844 996	1 436 476
Provisions established	0	(46 748)
Other receivables, net	844 996	1 389 728
	6 month of 2017 EUR	6 month of 2016 EUR
Value added tax	125 782	273 995
Advance payments for services	308 603	457 660
Short-term loans (interest rate 6 %)*	0	472 977
Interests	203 790	123 277
Payments personal debts	168 213	33 681
Payment of salary	22 445	22 580
Other receivables	16 163	5 558
Total	844 996	1 389 728

21. Deferred expenses

	6 month of 2017 EUR	6 month of 2016 EUR
Property insurance	13 115	9 081
Health insurance	-	9 463
Renovation costs of leased fixed assets	-	62
Exhibition	1 517	6 285
Other expenses	1 271	233
Total	15 903	25 124

22. Accrued income

	6 month of 2017 EUR	6 month of 2016 EUR
Shipbuilding	2 750 994	2 158 826
Ship repair	1 422 977	397 388
Total	4 173 971	2 556 214

23. Cash and bank

	6 month 2017 EUR	6 month 2016 EUR
Cash at bank on current accounts	47	67 954
Cash on hand	257	6 910
Total	304	74 864

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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 LVL (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 OMX RIGA JSC on the secondary list. All shares give equal rights for receiving dividends, liquidation quotes and voting rights at the shareholders meeting. 1 share gives 1 voting right.

Amendments to the Statutes:

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

JSC "Rigas kugu buvetava" shareholders

	30.06.2017	%	30.06.2016	%
	EUR		EUR	
Remars-Riga AS	8 146 872	49.86	8 146 872	49.86
Individuals	5 726 697	35.04	5 102 817	31.22
Other legal entities	2 467 381	15.10	3 091 261	18.92
Total	16 340 950	100	16 340 950	100

25.Non-current investments revaluation reserve

	30.06.2017	30.06.2016
	EUR	EUR
As at the beginning of the year	11 891 225	12 056 273
Decreasing long-term asset reevaluation reserve to the calculated depreciation amount	(97 087)	(107 406)
Total	11 794 138	11 948 867

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 20.12.2017 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 and 2014 certified appraisers performed floating docks' revaluation and concluded that estimated value does not significantly differ from previously evaluated value and no amendments into value of floating docks was recognized. In performing valuation the appraisers used a cost approach including adjustments for the docks technical condition, age and technological usefulness of the assets. The values obtained were compared to available information in the market for the similar assets.

As of 30 June 2017, 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. Provisions

	6 month of 2017	6 month of 2016
	EUR	EUR
Provisions for warranty repairs	1 699	1 643
Total	1 699	1 643

In accordance with the concluded agreements, the Company provides to the customers free of charge guarantee repair in accordance with universal agreement conditions during 6 months for the executed qualitative repair works and for the quality of materials during 12 months. The Board has created the provisions taking as a basis the experience of the previous years to execute such kind of the repair works.

27. Loans from banks

	6 month of 2017	6 month of 2016
	EUR	EUR
ABLV Bank JSC		
a) Long-term part	-	1 900 000
b) Short – term part	1 900 000	-
Baltikums bank JSC		
a) Long-term part	1 710 310	-
b) Short – term part	902 617	-
Total	4 512 927	1 900 000

1. On October 28, 2015 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 October 18, 2017. The interest rate is 4,5% + 6 months EURIBOR. Mortgage agreement on real estate properties was signed. Pledged real estate net book value as of June 30, 2017 is EUR 5 446 556.

2. According to the JSC Baltic International Bank Client service agreement NR.952 / 01/14 and the Annex "The request for payment cards" No.1 concluded on the December 8, 2014, Company received a corporate payment cards with a total credit limit of EUR 60 000.

As collateral on November 17, 2015 entered into a pledge agreement No. 8/12/15 per tug "Nikolay Nechiporenko" pledge. The book value of the mortgaged property shall draw up a EUR 96 147.

3. a) On March 28, 2017 the Company had concluded with Baltikums Bank JSC 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%.

b) On March 31, 2017 the Company had concluded with Baltikums Bank JSC 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%.

c) On March 31, 2017 the Company had concluded with Baltikums Bank JSC 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%.

As security was signed:

1. 1st stage mortgage agreement for floating dock No 170. The mortgaged property balance sheet value as of June 30, 2017 is EUR 10 270 168.

2. Entered into a pledge agreement per equipment and machinery pledge. Pledged real estate net book value as of June 30, 2017 is EUR 3 513 539.

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28. Other borrowings

	6 month of 2017 EUR	6 month of 2016 EUR
Long-term part (interest 6%)**	1 165 000	1 182 669
Total long-term part of leasing liabilities	12 132	32 834
Short-term part (interest rate 4,5%)*	520 531	513 607
Total short-term part of leasing liabilities	21 989	19 566
Total	1 719 652	1 748 676

*In 2014 Company received a loan from private person, repayment term is 2017.

**In 2014 Company received a loan from international Fund, repayment term is 2018.

No assets are pledged as collateral.

29. Deferred income

In accordance with the concluded agreements, the Company provides to the customers free of charge guarantee repair in accordance with universal agreement conditions during 6 months for the executed qualitative repair works and for the quality of materials during 12 months. The Board has created the provisions taking as a basis the experience of the previous years to execute such kind of the repair works.

	6 month of 2017 EUR	6 month of 2016 EUR
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"	252 510	281 428
2) Financing in accordance with an agreement signed in 2012 with the Latvian Investment and Development Agency about the EU co-financed project Rīgas kugu buvetava JSC Heating system reconstruction.	349 797	392 999
Total	602 307	674 427
Total long-term part	530 187	602 307
Total short-term part	72 120	72 120

30. Advances from customers

	6 month of 2017 EUR	6 month of 2016 EUR
For shipbuilding	2 006 300	2 587 150
For ship repair	726 511	384 717
Others	30	1 774
Total	2 732 841	2 973 741

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31. Trade payables

	6 month of 2017 EUR	6 month of 2016 EUR
Payables for services	1 856 438	1 462 214
Payables for materials	980 721	729 289
Total	2 837 159	2 191 503

32. Payables to associates

	6 month of 2017 EUR	6 month of 2016 EUR
Short-term part from Tosmares kugubuvetava JSC (interest rate 6 %)	457 604	481 424
Payables for services	-	9 000
Total	457 604	490 424

In 2014 Company received loan from Tosmares kugubuvetava JSC, repayment term is 2017. No collateral has been provided.

33. Taxes and social insurance payments

	01.01.2017. EUR	Calculated EUR	Calculated penalty and delay fees EUR	(Paid)/ repaid EUR	Transfere d to other taxes EUR	30.06.2017 EUR
Social insurance payments	293 691	865 313	4 713	(113 152)	(654 301)	396 264
Value added tax	(297 772)	(861 085)	-	-	1 033 075	(125 782)
Personal income tax	620 485	500 778	35 624	(244 741)	(378 782)	533 364
Real estate tax	20 911	78 173	-	(41 531)	-	57 553
Natural resources tax	1 550	1 384	17	(2 208)	8	751
Risk duty	177	1 080	5	(1 088)	-	174
Customs duty on import	-	4	-	(4)	-	-
Total	639 042	585 647	40 359	(402 724)	-	862 324
Tax debt	936 814					988 106
Tax overpayment *	(297 772)					(125 782)

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

34. Other liabilities

	6 month of 2017 EUR	6 month of 2016 EUR
Salaries	347 121	306 507
Payments for debts	241 250	128 895
Payments to personnel	4 450	611
Payments for credit cards	99 305	155
Retention from salaries	1 489	2 358
Total	693 615	438 526

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35.Dividends unpaid

	6 month of 2017 EUR	6 month of 2016 EUR
As at the beginning of the period	18 617	25 680
Dividends calculated	0	0
Dividends paid	0	0
As at the end of the period	18 617	25 680

36.Accrued liabilities

	6 month of 2017 EUR	6 month of 2016 EUR
For services	644 680	284 244
Accrued liabilities for unused annual leave expenses	245 881	192 048
Total	890 561	476 292

37. Off-balance liabilities

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 Juny 30, 2017 is EUR 839 994. Maximum guarantee claim is EUR 4 183 243 . Mortgaged floating dock 791, with the balance sheet value as of Juny 30, 2017 EUR 5 097 027. 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.

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 Juny 30, 2017 liabilities amounted to EUR 1 494 642. Total amount of secured claim is EUR 2 860 000. The pledged property balance sheet value as of Juny 30, 2017 is EUR 5 934 485. 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.

38.Risk management

Liquidity risk

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

Credit risk

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

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

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Interest rate risk

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

Einārs Buks	Jekaterina Meļņika	Ainārs Tropiņš
Chairman of the Board	Member of the Board	Member of the Board
Marina Pudova		
Chief Accountig Officer		