

Independent auditors' report

To the shareholders of the AS "Rīgas kuģu būvētava"

Our opinion with reservations on the financial statements

We have performed audit of AS "Rīgas kuģu būvētava", reg. No. 40003045892, the Company, financial statements included in the attached annual report from page 11 to page 40. The attached financial statements include:

- the balance sheet as of 31 December 2019,
- the profit or loss statement for the year that ended on 31 December 2019,
- the equity changes statement for the year that ended on 31 December 2019,
- the cash flow statement for the year that ended on 31 December 2019, as well as
- the annex to the financial statements, which includes a summary of significant accounting principles and other explanatory information.

In our opinion, except for the impact of circumstances described in the substantiation paragraph of the opinion with reservations, the attached financial statements provide a clear and true perception of AS "Rīgas kuģu būvētava" financial position as of 31 December 2019 and of the financial results of its activities and the cash flow in the year that ended on 31 December 2019 in accordance with the Law on the Annual Financial Statements and Consolidated Financial Statements of the Republic of Latvia (Law on the Annual Financial Statements and Consolidated Financial Statements).

Substantiation for the opinion with reservations

1. In 2018 and 2019, the Company has been operating with losses, its income from principal activities in 2019 has decreased by 93% and the cash flow from principal activities has been negative in both years, which indicates a decrease in the asset performance ratio and profitability. These circumstances indicate that the accounting value of immovable properties, technological equipment included in the composition of fixed assets and of other fixed assets may exceed their recoverable value. In preparing the financial statements for 2019, the Company's management has not assessed any signs that may indicate a possible decrease of the value of fixed assets in its balance sheet as of 31 December 2019 and accordingly create an obligation for the management to inspect the decrease of value of these assets. The Company's management performed such inspection in preparing the annual report for 2018, on which the previous auditors expressed an opinion with reservation in respect of the sufficiency of the decrease of the accounting value of immovable properties, technological equipment included in the composition of fixed assets and of other fixed assets at the amount of EUR 5,118.5 thousand and the accounting value in the balance sheet at the amount of EUR 25,428.2 thousand as of 31 December 2018. It was also not possible for us to ascertain the substantiation of the assumptions used by the management by performing the sufficiency of the decrease of the value of immovable properties, technological equipment included in the composition of fixed assets and of other fixed assets and, respectively, the accounting value as of 31 December 2018. In view of the circumstances set out in this paragraph, we were unable to obtain assurance about the possible decrease of the value of the mentioned fixed assets in 2019 and, respectively, the accounting value as of 31 December 2019. Besides, as described in Annex 41, the Company accounts the docks included in the composition of technological equipment and devices at revalued value, less the accumulated depreciation. As we could not obtain

assurance about the sufficiency of the decrease of the value of docks in 2018 and possible decrease of the value in 2019, we could also not be sure about the amount of revaluation reserve of the long-term investments related to this group of fixed assets at the amount of EUR 6,720.7 thousand as of 31 December 2018, and EUR 69.7 thousand as of 31 December 2019, as well as possible adjustments that would be required for the said item as of 31 December 2019 and 31 December 2018, respectively. In the previous reporting year that ended on 31 December 2018, the auditors had issued an opinion with a reservation to this circumstance.

2. As described in Annex 42, the Company has presented an investment in the company AS "Tosmares kuģubūvētava" of EUR 3,630.6 thousand for the comparative indicators as of 31 December 2018 in the item "Participation in the capital of related companies" of the financial statements for 2019, which was presented in the item "Participation in the capital of associated companies", which in accordance with the Company's policy has been recognized according to the cost model. In August 2018, a court decision declared the insolvency proceedings of AS "Tosmares kuģubūvētava", which indicates the decrease of the value of this investment already in the periods before 2019. Estimates for the adjustment of decrease of the value of participation in the periods before 2019 were not made, therefore the previous auditors' reports on the financial statements for 2018 and 2017 had a reservation to this circumstance. In accordance with the requirements of the Law on the Annual Financial Statements and Consolidated Financial Statements regarding the inspection of the decrease of the value of assets, if such indications exist at the reporting date, the management should estimate the recoverable value of the assets and recognize the loss from the decrease of the value, if any. Only in 2019, the Company recognized the decrease of the value of the investment in AS "Tosmares kuģubūvētava" in the amount of full investment of EUR 3,630.6 thousand, including the adjustment in the costs of the profit or loss statement for 2019. If the mentioned decrease in the value of the investment asset had been recognized in the period when it occurred, then the Company's assets as of 31 December 2018 would have been EUR 3,630.6 thousand smaller, the retained earnings as of 31 December 2018 would decrease by the same amount and losses in 2019 would be EUR 3,630.6 thousand smaller.
3. As described in Annex 46, the Company has presented debts at the amount of EUR 509 thousand as of 31 December 2019, in the item "Purchasers and commissioning party debts" of the financial statements for 2019, of which debts at the amount of EUR 122.7 thousand have been overdue for more than a year, while from long-term overdue debts, debts at the amount of EUR 84.1 thousand are from the company whose economic activity has been suspended in 2019. The management has not provided us with sufficient and appropriate audit evidence to support the recoverability of receivables, therefore, in our opinion, the management's forecasts to recover significant receivables are not substantiated. Long delays in payment indicate a decrease of the value of these receivables. Had the Company adequately established provisions for doubtful debts, the accounting value of receivables as of 31 December 2019 would have decreased by EUR 122.7 thousand, profit for 2019 and, respectively, equity as of 31 December 2019 would have decreased by EUR 122.7 thousand.
4. As described in Annex 47, the Company has presented the paid advances for services at the amount of EUR 357.9 thousand as of 31 December 2019, in the item "Other debtors" of the financial statements for 2019, of which EUR 346.4 thousand have not been received for more than a year. Also, short-term loans at the total amount of EUR 596.7 thousand are presented in the item "Other debtors" of the financial statements for 2019 as of 31 December 2019, of which a loan of EUR 535.5 thousand has been issued to the company whose economic activity has been suspended in 2019. The management has not provided us with sufficient and appropriate audit evidence to support the management's ability to recover the paid advance and debts on issued advances. In our opinion, the management's

inability to recover the paid advance for a long time, as well as the circumstance that the loan has been issued to a company whose economic activity has been suspended, indicates the necessity to create provisions for doubtful debts at the amount of EUR 881.9 thousand. Had the Company established provisions for doubtful debts at the amount of EUR 881.9 thousand the accounting value of the item "Other debtors" of the financial statements as of 31 December 2019 would have decreased by EUR 881.9 thousand, profit for 2019 and, respectively, equity as of 31 December 2019 would have decreased by EUR 881.9 thousand.

5. As described in Annex 45, as of December 2019, the Company has presented inventories of raw materials and materials at value of EUR 1,023.7 thousand. We agreed to audit the Company's financial statements for 2019 by concluding an audit agreement only in January 2020 and therefore we did not participate in the inventory of raw materials, basic materials and auxiliary materials included in the composition of inventories as of 31 December 2019, the balance sheet value of which on this date was EUR 1,023.7 thousand. We were unable to obtain the necessary evidence on the balance of these inventories and their valuation using alternative procedures. Consequently, we were unable to determine whether adjustments were necessary in respect of the specified value of inventories as of 31 December 2019 in the result of operations reflected in the profit or loss statement for 2019 and the equity changes statement, as well as for the net cash flows from principal activity reflected in the cash flow statement for 2019. The financial statements of the previous period were audited by another auditor, who issued an opinion with a reservation regarding the balance of inventories and their valuation as of 31 December 2018 at the amount of EUR 1,421.8 thousand. We were unable to ascertain the balance of inventories reported on 1 January 2019 using alternative methods. Since the opening balance of inventories is significant in determining operating financial results and cash flow, we were unable to determine whether adjustments to comparable figures for the year that ended on 31 December 2018 would be necessary.

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

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

Independence

We are independent of the Company in accordance with the requirements of the International Code of Ethics for Professional Accountants (IASB Code) developed by the International Accounting Standards Board and the ethical requirements of the Law on Audit Services, including independence requirements, applicable to our audit of financial statements in the Republic of Latvia. We have also complied with other principles of professional ethics and objectivity requirements set out in the IASB Code and the Law on Audit Services.

In the period from 1 January 2019 to 31 December 2019, we have not provided the Company any services not related to auditing.

Significant uncertainty regarding the Company's ability to continue activities

We draw attention to Annex 60 to the financial statements, which describes that in the year that ended on 31 December 2019, the Company's operating result was a net loss of EUR 823,990 and its short-term liabilities exceed the total amount of assets by EUR 1,904,135. On 16 August 2019,

Riga City Vidzeme Suburb Court approved the plan of measures for the Company's legal protection process and announced the Company's legal protection process, setting the term for the implementation of this process at two years. On 15 May 2020, Riga City Vidzeme Suburb Court has approved the amendments, setting the term for the implementation of this process at four years, counting from 16 August 2019. The future operation of the Company depends on the Company's ability to implement the legal protection plan, as well as to settle the liabilities to its creditors within the set term, observing all conditions of the plan. As described in Annex 60 to the financial statements, these circumstances, together with other circumstances described in Annex 60, indicate that there is significant uncertainty that could cast significant doubts on the Company's ability to continue operation in future. We do not express any further reservation to this circumstance.

Emphasis on circumstances

We draw your attention to Annex 18.3 to the financial statements. At the time of preparing the annual report, two legal proceedings have been active against the Company, initiated in 2018 and 2019, requesting the recovery of financial assets at the total amount of EUR 455,331. The company does not recognize the claims and the proceedings are currently ongoing. The outcome of these proceedings is currently unpredictable and, therefore, no provisions have been made in the financial statements that may be necessary as a result of the proceedings. We do not express any further reservation to this circumstance.

Our audit approach

Materiality

Total amount of materiality	230 thousand euro
Substantiation for determining materiality	<p>The total materiality corresponds to approx. 1.2% of the assets of 2019. We selected assets as a criterion for determining materiality because:</p> <ul style="list-style-type: none"> ○ In 2019, the Company no longer earned significant revenues from its principal activities – ship building and repair services, ○ The Company's assets as of 31 December 2019 significantly exceeded the net turnover of 2019, ○ the Company's opinion on the financial statements for the year that ended on 31 December 2018 had reservations, mainly due to possible material errors in the valuation of assets at the balance sheet date.

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

The scope of the audit depends on the application of materiality. Audit is planned for the purpose of obtaining reasonable assurance that the financial statements do not contain material

misstatements. Discrepancies may result from fraud or error. They are considered material if, individually or in the aggregate, they could influence the economic decisions of the users based on the financial statements.

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

In view of the fact that in accordance with the shareholders' decisions of 26 April 2017 and 31 December 2019, the functions of the Company's Audit Committee were delegated to the Company's Council, which did not actually perform the tasks assigned to it, we agreed with the Company's Board that we would inform it about the irregularities established in the course of the audit exceeding 11 thousand euro, as well as about minor irregularities, if, in our opinion, they should be reported for qualitative reasons.

Key audit matters

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

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

Key audit matters	What audit procedures did we perform in respect of the key audit matter?
Valuation of fixed assets	
<p>As indicated in Annex 40, the balance sheet value of the Company's "Fixed Assets" as of 31 December 2019 is EUR 15,196.7 thousand. The balance sheet value of fixed assets depends on significant estimates, which are the management assumptions it applies in valuation of the balance sheet items, to give a true and fair view in respect of the determination of the expected recoverable amount of fixed assets.</p> <p>The management is obliged to determine the expected recoverable amount of the mentioned assets. Depending on the type of asset, different valuation methods are used – the comparative transaction method, the</p>	<p>We interviewed the Company's management:</p> <ul style="list-style-type: none"> about its plans for the future development of the Company and its intentions to use the movable and immovable property at its disposal, as well as any other circumstances, including the management's ability to implement the LPP plan, which is essential for the assessment of indicators of decrease of the value of assets. about the experts available to it who will provide a professional and economically substantiated inspection of decrease of the value and estimate their possible recoverable value.

income method or the discounted cash flow method.

When determining the expected recoverable amount of fixed assets, the Company's management made subjective judgements in 2018, the significance of which is particularly important because fixed assets and their use are so specific that there is currently no active market for them or activity of this market is low. In addition, the circumstance that the Company's legal protection process (LPP) was initiated on 16 August 2019 should be taken into account.

In preparing the financial statements for 2018, the management, estimating the expected recoverable amount of fixed assets:

- made an adjustment of the value of DOCKS (special port buildings), reducing the balance sheet value of docks by EUR 4,782.2 thousand up to the alienation value of EUR 12,500 thousand specified in the sales contract with a well-informed non-related party interested in the transaction,
- made an adjustment to the value of other fixed assets, reducing the balance sheet value of other fixed assets by EUR 336.3 thousand up to their recoverable value of EUR 12,928.2 thousand, which was determined by the management itself, unable to provide the auditors with the substantiation of the estimate assumptions used.

When preparing the Company's annual report, the management is obliged to assess the indicators of decrease of the value of fixed assets annually.

Accordingly, given the overall significance of the value of the Company's fixed assets in the financial statements, as well as management's activities, the inspection of indicators of decrease of the value of fixed assets, the value of the Company's fixed assets at of the balance sheet date is considered a key audit matter.

We discussed the high risks identified in the audit team related to management's ability to make estimates to determine the recoverable value of assets and identified key risk-mitigating audit procedures that require obtaining the sufficient and appropriate audit evidence for a substantiated judgement of the auditor:

- to obtain an understanding of the process by which the Company determines the inspection of decrease of the value of assets;
- to obtain the management's performed assessment of the asset value indicators in relation to the possible decrease of the value, as well as the appropriate calculations for determining decrease of the value;
- to assess all assumptions included in calculations, their substantiation and reasonableness and to make conclusions regarding the existence and the amount of decrease of the value.

We interviewed the management about its processes and policies for controlling the decrease of the value of fixed assets and its calculations, and ascertained that these processes and policies have not been developed and implemented, and that the possible recoverable value of fixed assets has not been assessed and adjustments of their possible value have not been calculated in the reporting year.

We evaluated the indications we have at our disposal that indicate the existence of the possible decrease of the value of fixed assets and estimated their potential impact on the financial statements.

We reviewed the information disclosed in the financial statements about the adjustments for decrease of the value of fixed assets recognized by the Company.

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

- we were unable to obtain sufficient and appropriate audit evidence about the substantiation of the assumptions used by the management in reducing the value

	<p>of fixed assets (excluding the dock, which was sold in September 2019 for the amount of EUR 9,300 thousand) as of 31 December 2018;</p> <ul style="list-style-type: none"> ○ we were unable to obtain assurance as to whether and to what extent the decrease of the value of fixed assets as of 31 December 2019 would be recognized; ○ respectively, we were also unable to ascertain the amount of the fixed asset category – dock revaluation reserve at the amount of EUR 69.7 thousand as of 31 December 2019, and EUR 6,720.7 thousand as of 31 December 2018, as well as to determine what additional adjustments would be necessary for the specified item in 2019 and previous reporting years. <p>Our opinion has a reservation in respect of the estimate of the recoverable amount of these fixed assets and, respectively, the value of fixed assets on the balance sheet date.</p>
<p>Investment in AS “Tosmares kuğubūvētava”</p>	
<p>As indicated in Annex 42, as of 31 December 2018, the Company owns 49.71% and as of 31 December 2019 – 80.75% of the shares in capital of the company AS “Tosmares kuğubūvētava” with the balance sheet value as of 31 December 2018 of EUR 3,630.6 thousand and as of 31 December 2019 – EUR 5,005.5 thousand, which in 2019 was written off in losses as the decrease of the value of assets.</p> <p>The previous year's audit opinion had a reservation in respect of the possible decrease of the value of the investment in this associated company as of 31 December 2018, which also existed as of 31 December 2017.</p> <p>Accordingly, given the overall significance of the value of the Company's “Participation in the capital of associated companies” in the financial statements, as well as the management's decision to recognize the decrease of the in the reporting year, the comparative figures of the Company's participation value as of the balance sheet date are considered a key audit matter.</p>	<p>We conducted discussions with the Company's management and assessed the competence and objectivity of the management in respect of making judgements regarding the recoverable value of the participation in AS “Tosmares kuğubūvētava” as of the balance sheet date.</p> <p>We analysed the information provided by the management regarding the assumptions for recognition of the decrease of the value of participation in AS “Tosmares kuğubūvētava” in 2019 at the amount of EUR 5,005.5 thousand.</p> <p>As indications of decrease of the value, as described in the independent sworn auditors' report for 2018, existed as of both 31 December 2018 and 31 December 2017, we discussed with the management the possibility of reflecting the adjustment for decrease of the value in the financial statements for 2019 as a correction of a material error for retrospective comparative indicators, adjusting the balance sheet value of participation as of 31 December 2018 at the amount of EUR 3,630.6 thousand, respectively reducing the retained earnings</p>

	<p>of previous years, which was not accepted by the management.</p> <p>Our opinion has a reservation in respect of the comparative indicators of the adjustments for decrease of the value of participation as of 31 December 2018, as well as in respect of the financial result of the reporting year.</p>
Provisions for doubtful receivables	
<p>As indicated in Annexes 46 and 47, as of 31 December 2019, the balances of the Company's "Purchasers and commissioning party debts" of EUR 509 thousand and "Other debtors" of EUR 1,321.9 thousand depend on various assumptions that are subject to significant management judgement and estimates, as well as on the Company's activities for debt collection.</p> <p>Receivables are assessed individually, assessing each debtor separately, taking into account various sources of information, such as the debtor's financial position, the debtors' ability to repay the debt with goods or other assets for the benefit of the Company, previous cooperation with the customer.</p> <p>A significant judgement of the management is required in determining the recoverable value of receivables and the corresponding provisions for doubtful debts.</p> <p>Accordingly, given the overall significance of balances of the Company's receivables in the financial statements, as well as the management judgement necessary to assess the mentioned assets and related provisions for doubtful debts, the assessment of the recoverable value of the Company's receivables is considered a key audit matter.</p>	<p>We conducted discussions with the Company's management and assessed the management's competence, ability and objectivity in respect of making judgements regarding the customers' financial position and their ability to repay debts. We evaluated the internal and external sources of information used in the assessment, including their accuracy, completeness and timeliness.</p> <p>We analysed the movement of all receivables during the reporting period and the post-balance sheet period and identified those receivables that are overdue for more than a year.</p> <p>We analysed the information provided by the management on considerations of the possibilities to recovery the materially overdue debts, as well as studied the publicly available information regarding the financial position of overdue debtors.</p> <p>We evaluated the activities performed by the management in the inventory and assessment of balances of the receivables.</p> <p>We compared the amount of the Company's provisions for doubtful receivables with our estimate.</p> <p>In addition, we evaluated the accuracy and completeness of the information disclosed in the financial statements about doubtful debts.</p> <p>As indicated in section <i>Substantiation for the opinion with reservations</i>, we were unable to obtain sufficient and appropriate audit evidence for the recoverability of materially overdue debts for certain receivables:</p> <ul style="list-style-type: none"> - Purchasers and commissioning party debts at the amount of EUR 122.7 thousand,

	<ul style="list-style-type: none"> - Issued loans at the amount of EUR 535.5 thousand, - Advances paid for services at the amount of EUR 346.4 thousand. <p>Our opinion has a reservation in respect of the estimate of the recoverable value of the amounts of these receivables.</p>
Assessment of inventories	
<p>As indicated in Annex 45, the Company's balance sheet as of 31 December 2019 includes inventories with a total balance sheet value of EUR 1,032.4 thousand.</p> <p>A significant management judgement is necessary in determining the balance sheet value of inventories and the corresponding provisions for decrease of the value.</p> <p>Accordingly, given the overall significance of the value of the Company's inventories in the financial statements, as well as the management judgement necessary to assess inventories, presenting the Company's inventories in the balance sheet, respectively, at the lowest of cost or net sale values, is considered a key audit matter.</p>	<p>We have conducted discussions with the Company's management and assessed the competence, ability and objectivity of the management in respect of making judgements about the accounting value of inventories, containing raw materials, basic materials and auxiliary materials, at the balance sheet date.</p> <p>We agreed to audit the Company's financial statements for 2019 by concluding an audit agreement only in January 2020 and therefore we did not participate in the inventory of raw materials, basic materials and auxiliary materials included in the composition of inventories as of 31 December 2019, the balance sheet value of which on this date was EUR 1,023.7 thousand.</p> <p>We analysed the movement of all inventories during the reporting period and the post-balance sheet period and identified slow-moving inventories that have not been moving for more than a year.</p> <p>We selected samples of inventory nomenclatures for the purpose of performing a detailed inspection of the purchase value and asked the Company to provide us with the documents confirming the purchase of inventories. The company was not able to submit these documents.</p> <p>We analysed the information provided by the management in respect of considerations and plans regarding the possibilities of using slow-moving inventories in the Company's economic activities or their disposal as a commodity or scrap metal. We also discussed with the management the necessity of adjustments for decrease of the value of inventories as of the balance sheet date.</p> <p>As indicated in section <i>Substantiation for the opinion with reservations</i>, we were unable to</p>

	<p>obtain sufficient and appropriate audit evidence of the balance of inventories and their valuation as of 31 December 2019.</p> <p>Our opinion has a reservation in respect of the estimate of the recoverable amount of these inventories and the value of inventories at the balance sheet date.</p>
--	--

Other circumstances

The financial statements of AS "Rīgas kuģu būvētava" for the year that ended on 31 December 2018 were audited by another auditor, who issued a modified opinion in respect of these statements on 17 December 2019.

Reporting of other information

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

- the information about the Company provided in the attached annual report on page 3;
- the management report provided in the attached annual report from page 4 to page 8;
- the statement of management responsibility provided in the attached annual report on page 9;
- the statement of corporate administration provided in the attached annual report on page 10.

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

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

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

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

In addition to the requirements set out in the ISA, in accordance with the Law on Audit Services, we are obliged to provide an opinion on whether the Management Report has been prepared in accordance with the requirements of the regulatory enactment regulating its preparation, the Law on the Annual Financial Statements and Consolidated Financial Statements.

Based solely on our audit procedures, we believe that:

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

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

In our opinion, the statement on corporate administration provides information in accordance with the requirements of Sec. 56¹ part one Clause 3, 4, 6, 8 and 9, as well as Sec. 56² part two Clause 5 and part three of the Financial Instrument Market Law, and includes information provided for by Sec. 56² part two Clause 1, 2, 3, 4, 7 and 8 of this Law.

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

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

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

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

In preparing the financial statements, the management is obliged to evaluate the Company's ability to continue activities, providing the necessary information about the circumstances related to the Company's ability to continue activity and to apply the activity continuation principle, unless management plans to liquidate or terminate the Company or it has other real alternatives, except for liquidation or termination of the Company.

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

Auditor's responsibility for auditing the financial statements

Our objective is to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud, and to provide an audit report. Sufficient assurance is a high level of assurance, but it does not guarantee that an audit performed in accordance with the ISA will always reveal a material misstatement, if any. Discrepancies may arise from fraud or error and are considered material if, individually or in the

aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

- identify and assess the risks that the financial statements may be materially misstated due to fraud or error, develop and perform audit procedures that address those risks, and obtain audit evidence that provides a reasonable and appropriate basis for our opinion. The risk of non-detection of material misstatements due to fraud is higher than the risk of non-detection of non-compliance due to error, as fraud may involve collusion, forgery of documents, intentional misrepresentation, misrepresentation or breaches of internal control;
- gain an understanding of internal control that is relevant to the audit in order to develop audit procedures that are appropriate in the circumstances, but not to provide an opinion on the effectiveness of the Company's internal control;
- evaluate the compliance of the applied accounting policies and the validity of the accounting estimates and information provided by the relevant management;
- conclude that the activity continuation principle has been applied and, based on the audit evidence obtained, whether there is significant uncertainty about events or conditions that may cast significant doubt on the Company's ability to continue activities. If we conclude that a material uncertainty exists, the auditors' report draws attention to the information provided in the financial statements about those circumstances, or, if such information is not provided in the financial statements, we provide a modified opinion. Our conclusions are based on audit evidence obtained up to the date of the auditors' report. However, due to future events or circumstances, the Company may cease its operations;
- evaluate the overall structure and content of the financial statements, including the disclosures and explanations in the notes, and whether the financial statements present fairly the transactions and events underlying the financial statements.

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

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

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

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

On 23 December 2019, the persons charged with the management of the Company appointed us to audit the financial statements of AS "Rīgas kuģu būvētava" for the year that ended on 31 December 2019. The total uninterrupted term of provision of our audit tasks is 1 year and includes reporting periods starting with the year that ended on 31 December 2019.

We confirm that:

- our auditors' opinion is in line with the additional report submitted to the Company's Council;
- as specified in Sec. 37⁶ of the Law on Audit Service of the Republic of Latvia we have not provided the Company with the prohibited services not related to audit (NRP) mentioned in Art. 5(1) of the Regulation (EU) No. 537/2014. Performing the audit, we also maintained our independence from the audited company.

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

Sworn auditors' commercial company
SIA "Sandra Dzerele un partneris"
License No. 38

Sandra Dzerele
Chair of the Board

Baiba Apine
Responsible sworn auditor
Certificate No. 214

Riga, Latvia, 23 November 2020