

Rīgas kuģu būvētava AS

Registration Number: 40003045892

Registered Address: Gāles iela 2, Rīga, LV-1015

**AMENDMENTS OF THE LEGAL PROTECTION PROCESS PLAN OF
MEASURES**

Rīga, 23 December 2020

1. All the debtor's payment obligations and their grounds, including the debtor's payment obligations to related companies for the purpose of the Law "On Corporate Income Tax", as well as the debtor's payment obligations to secured creditors.

(Paragraph 1 of Part 4 of Section 40 of the Insolvency Law)

All the payment obligations of AS "Rīgas kuģu būvētava", hereinafter referred to as the DEBTOR, and their grounds as on 20 March 2019, i.e. the moment of starting the case on the DEBTOR'S legal protection process, hereinafter referred as the LPP, are specified in Annex No. 1 to the present amendments to the plan by separately stating the payment obligations to related companies for the purpose of the Law "On Corporate Income Tax" and payment obligations to secured creditors.

The total amount of the above referred liabilities is **15,625,749.10 €**, including the liabilities to related companies for the purpose of the Law "On Corporate Income Tax" in the amount of **949,769.58 €** and the liabilities to secured creditors in the amount of **7,976,799.06 €**.

2. The Debtor's payment obligations the term of settlement the term of performance of which has set in prior to commencing the legal protection process or will set in during the legal protection process, including the debtor's payment obligations for performance of which the creditors have started action with the court and the payment obligations for which the debtor has provided guarantees.

(Paragraph 2 of Part 4 of Section 40 of the Insolvency Law)

The DEBTOR'S payment obligations the term of repayment or performance of which has set in prior to starting the LPP or will set in during the LPP are presented in Annex No. 2 to the present amendments to the plan, by separately presenting the payment obligations for performance of which the creditors have started action with the court and the payment obligations for which the DEBTOR has provided guarantees.

The total amount of the above referred liabilities is **15,625,749.10 €**, including the amount of liabilities for performance of which the creditors have brought action with the court of **716,221.65 €** and the amount of the liabilities for which the DEBTOR has provided guarantees of **1,335,277.12 €**.

3. The Debtor's liabilities which are not payment obligations, but which result in change of the composition of the Debtor's assets.

(Paragraph 3 of Part 4 of Section 40 of the Insolvency Law)

The DEBTOR does not have liabilities which are not payment obligations, but which result in change of the composition of the DEBTOR's assets.

4. The time schedule of performance of the debtor's payment obligations in relation to each creditor the repayment term of which has set in prior to commencement of the legal protection process or will set in during the legal protection process.

(Paragraph 4 of Part 4 of Section 40 of the Insolvency Law)

Until the adoption of the present amendments to the Plan, within the framework of the LPP from the **first** to the **sixteenth** LPP month, the DEBTOR has repaid the payment obligations the term of repayment or performance of which has set in prior to commencement of the LPP or

will set in during the LPP (Annex No. 2 to the present amendments to the Plan), in the amount of **6,859,749.25 €**, including the liabilities to secured creditors in the amount of **6,226,523.01 €** and the liabilities to unsecured creditors in the amount of **633,226.24 €**. The description of performance (repayment) of these liabilities to each creditor is presented in Annex No. 3 the present amendments to the Plan.

Starting from the **seventeenth** LPP month, the DEBTOR will continue gradual repayment of the payment obligations the term of repayment or performance of which has set in prior to commencement of the LPP or will set in during the LPP (Annex No. 2 to the present amendments to the Plan). The time schedule of performance (repayment) of these liabilities to each creditor is presented in Annex No. 3 the present amendments to the Plan.

5. The total amount of the envisaged Debtor's revenue during the legal protection process and the justification of the revenue forecast by describing assumptions justifying the envisaged revenue.

(Paragraph 5 of Part 4 of Section 40 of the Insolvency Law)

The total amount of the scheduled revenue of the DEBTOR during the remaining LPP term, starting from the seventeenth LPP month equals **12,710,224.86 €**. The justification of the envisaged revenue forecast and assumptions thereof are described in detail in Annex No. 4 to the present amendments to the Plan.

The schedule of the DEBTOR'S envisaged revenue and expenses (the report of the envisaged cash-flow forecast, by explaining the report items within three months (a quarter)) is presented in Annex No. 6 to the present amendments to the Plan.

6. The total amount of the envisaged Debtor's expenses during the legal protection process and the justification of the expense forecast by describing assumptions justifying the envisaged expenses and the debtor's envisaged actions for reduction of expenses.

(Paragraph 6 of Part 4 of Section 40 of the Insolvency Law)

The total amount of the DEBTOR'S envisaged expenses during the remaining LPP term, starting from the seventeenth LPP month equals **12,703,712.02 €**, including the total balance of the performance (repayment) of liabilities to creditors of **6,925,366.02 €**. The justification of the forecast of the envisaged expenses and assumptions, as well as the planned actions for reduction of expenses are described in Annex No. 5 to the present amendments to the Plan.

The schedule of the DEBTOR'S envisaged revenue and expenses (the report of the envisaged cash-flow forecast, by explaining the report items within three months (a quarter)) is presented in Annex No. 6 to the present amendments to the Plan.

7. The methods applicable within the legal protection process and the justification of the necessity of the selected method in order to achieve fulfilment of the legal protection process plan of measures.

(Paragraph 7 of Part 4 of Section 40 of the Insolvency Law)

The following LPP methods will be applied also further within the LPP in compliance with Section 38 of the Insolvency Law:

1. Within the group of secured creditors:

- 1.1. Postponement of the performance of the DEBTOR'S payment obligations (principal/ side claims of creditors);
- 1.2. Reduction of the DEBTOR'S payment obligations (side claims of creditors);
- 1.3. Alienation of the DEBTOR's pledged movable property/ real estate in order to achieve performance of the DEBTOR's payment obligations (honouring of creditors' claims).

2. Within the group of unsecured creditors:

- 2.1. Postponement of the performance of the DEBTOR'S payment obligations (principal claims of creditors);
- 2.2. Reduction of the DEBTOR'S payment obligations (side claims of creditors);
- 2.3. Alienation of the DEBTOR's not pledged movable property/ real estate in order to achieve performance of the DEBTOR's payment obligations (honouring of creditors' claims).
- 2.4. Encumbering of the DEBTOR'S movable property/ real estate with the rights in rem in order to achieve postponement of the term of performance of the DEBTOR'S payment obligations.

Justification for the application of the selected LPP methods is based on their compliance with the attainment of the LPP goal (securing continuation of the DEBTOR'S economic operation and gradual satisfaction of the creditors' claims according to the schedule of performance (repayment) of the liabilities) and minimum restriction of the creditors' rights, in particular:

1. Within the group of secured creditors:

1.1. Performance of the DEBTOR'S payment obligations (the creditors' main claims/ side claims) (except the claims which will be reduced) will be postponed for **23 months** as from the date when the court decision on the implementation of the Proceedings entered into force;

all the DEBTOR'S payment obligations (excluding the claims which will be reduced) will be gradually performed in full scope within **23 months** in accordance with the schedule of performance (repayment) of the liabilities, i.e.:

from the **first** to the **sixteenth** LPP month the following has been repaid: 1) all the claims of BlueOrange Bank, AS (excluding the claims which will be reduced), i.e., the principal claim (outstanding principal loan amount) and side claims (outstanding interest for the use of the loan); 2) all the claims of the State Revenue Service and Riga City Municipality (excluding the claims which will be reduced), i.e., principal claims (outstanding principal tax amounts); 3) all the claims of Latvijas Gāze AS, i.e. the principal claims (the outstanding amount of the principal debt); 4) a part of all the other claims of secured creditors (excluding the claims which will be reduced), i.e., the principal claims (outstanding principal debt amounts, outstanding principal loan amounts) and side claims (outstanding interest for the use of the loan);

- during the period from the **seventeenth** until the **twenty third** month of the LPP, all the remaining claims of secured creditors will be gradually and proportionally repaid (except the claims which will be reduced), i.e. the principal claims (outstanding principal debt amounts, outstanding principal loan amounts) and side claim (outstanding interest for the use of the loan);

1.2. the DEBTOR'S payment obligations (side claims, except the side claims which will be repaid) will be reduced by 100%, i.e., these side claims (late payment fees, penalties, late payment interest, contractual penalties and commission fees);

1.3. in order to achieve performance of the DEBTOR'S payment obligations (satisfaction of the creditors' claims):

- during the period from the **first** to the **sixteenth** LPP month the following DEBTOR's pledged movable property has been alienated (sold):

- the floating dock 170;

- during the period from the **seventeenth** to the **sixtieth** LPP month the following DEBTOR's pledged movable property/ real estate will be alienated (sold):

- the floating dock 791;

- the fire-fighters' depot and the recreation centre;

- tug-boats N.Nečiporen and Orkāns;

considering that the actual evaluation of the above referred items has not been performed and the potential buyer is not known, and it is planned to sell the above referred items of the property at the price based on assumptions/ forecast on the condition of the items and the market demand, depending on the achieved sale result (actually received funds) other DEBTOR'S pledged movable property/ real estate may be sold within the LPP.

2. Within the group of unsecured creditors:

2.1. Performance of the DEBTOR'S payment obligations (the creditors' main claims) will be postponed for **60 months** as from the approval of the LPP plan of measures;

all the DEBTOR'S payment obligations (the creditor's principal claims) will be fully gradually performed within **60 months** in accordance with the schedule of performance (repayment) of the liabilities, i.e.:

from the **first** to the **sixteenth** LPP month the following has been repaid: 1) all the claims of the State Revenue Service and Riga City Municipality i.e., principal claims (outstanding principal tax amounts); 2) a part of all the other claims of unsecured creditors, i.e., principal claims (outstanding principal debt amounts, outstanding principal loan amounts);

- during the period from the **seventeenth** to the **sixtieth** LPP month, all the remaining claims of unsecured creditors will be gradually and proportionally repaid in full amount, i.e. the principal claims (outstanding principal debt amounts, outstanding principal loan amounts);

2.2. The DEBTOR'S payment obligations (side claims) will be reduced by 100%;

2.3. in order to achieve performance of the DEBTOR'S payment obligations (satisfaction of the creditors' claims):

- during the period from the **first** to the **sixteenth** LPP month the following DEBTOR's unpledged movable property has been alienated (sold):

- floating workshop 858;

- during the period from the **seventeenth** to the **sixtieth** LPP month the following DEBTOR's unpledged movable property will be alienated (sold):

- the floating dock K-4;

- the floating crane SPK-24;

- the hydraulic press 380 t;

considering that the actual evaluation of the above referred items has not been performed and the potential buyer is not known, and it is planned to sell the above referred items of the property at the price based on assumptions/ forecast on the condition of the items and the market demand at the moment of sale, depending on the

achieved sale result (actually received funds) other DEBTOR'S unpledged movable property/ real estate may be sold within the LPP;

2.4. in order to achieve postponement of the term of the DEBTOR'S payment obligations, i.e. secure approval of the LPP plan of measures with the unsecured creditor SOGIP SERVICES GENEVA, SA, after:

- the performance of all the DEBTOR'S payment obligations according to the LPP plan of measures (amendments thereof) (except the claims which will be reduced) to the secured creditors, and
- the release of the DEBTOR'S property from pledges in favour of the secured creditors as well as release thereof from other pledges, encumbrances and arrests,

the following DEBTOR'S movable property/ real estate will be encumbered with the rights in rem (pledged) in favour of SOGIP SERVICES GENEVA, SA (except the movable property/ real estate sold within the LPP):

- all the DEBTOR'S movable property as the aggregate of items at the moment of pledging thereof, as all as the future components of the aggregate of items, including all the ships, floating machinery and structures to be registered with the ship register, all the vehicles, trailers and means of shipping to be registered with the register of vehicles and their drivers and all the tractors and trailers to be registered with the information system of tractors and their drivers;
- all the DEBTOR'S real estates.

The selected LPP methods will not be applied to the employees' wage claims which have been fully covered during the **first** LPP month.

The selected LPP methods will not be applied to the claims of current tax payments of the State Revenue Service and the local government of Riga City (for the time period from the initiation of the LPP until the commencement of the implementation of the LPP), which have been fully paid during the **first** LPP month.

8. The types of the Debtor's current and planned core operations.

(Paragraph 8 of Part 4 of Section 40 of the Insolvency Law)

Within the framework of the LPP, the current and the planned type of the DEBTOR'S operation is and will be the lease of its movable property/ real estate for building and repair of ships and floating machinery.

In addition to the above referred DEBTOR's core operations, within the framework of the LPP the DEBTOR is implementing and plans to develop also other types of operation, including performance of building and repair of ships and floating machinery, as far as possible.

9. The term of implementation of the legal protection process.

(Paragraph 9 of Part 4 of Section 40 of the Insolvency Law)

Considering the provisions of the present amendments of the LPP plan of measures, the term of implementation of the LPP, which was initially set two years (24 months) and later extended to four years (48 month) as from the date when the court resolutions regarding the approval of the LPP entered into force, will be extended by one more year (12 months) and totally

amount to five years (60 months) as from the date when the court resolutions regarding the approval of the LPP entered into force.

10. Types of transactions which the Debtor may perform without securing the agreement by the Supervisor of the legal protection process and the amount of these transactions.

(Paragraph 10 of Part 4 of Section 40 of the Insolvency Law)

During the LPP the DEBTOR may perform all the transactions without securing the Supervisor's approval is the amount of such transactions does not exceed the amount of the DEBTOR'S envisaged cash-flow according to the DEBTOR'S envisaged schedule of income and expenses (see Annex No. 6 to the present amendments to the Plan).

11. The procedure of notifying the creditors regarding the results of the Debtor's operation during the implementation of the legal protection process.

(Paragraph 11 of Part 4 of Section 40 of the Insolvency Law)

The results of the DEBTOR'S operations during the implementation of the LPP plan of measures will be notified to creditors upon request by providing a written answer to an inquiry during 7 (seven) days.

12. Information about the candidate to the position of the supervisor of the legal protection process.

(Paragraphs 12 and 12¹ of Part Four of Section 40 of the Insolvency Law)

The position of the DEBTOR'S LPP supervisor will be held also in future by **Gatis Upenieks**, Personal ID Code: 030981-11378, address of the practice in Latvia: G.Apiņa iela 22-103, Valmiera, LV-4201, telephone number: +371 22005561, electronic mail address: gatis.upenieks@inbox.lv, hereinafter referred to as the SUPERVISOR.

The SUPERVISOR'S monthly remuneration for the securing of lawful and efficient process of the LPP also in future will be 3,000.- € plus the Value Added Tax to be covered by the DEBTOR.

The confirmation that the restrictions provided for by Parts Two and Three of Section 12³ of the Insolvency Law are not applicable to the SUPERVISOR is attached as Annex No. 7 to the present amendments to the Plan.

13. The list of the Debtor's pledged property needed for implementation of the plan of measures of the legal protection process and to which restrictions are applicable according to which the secured creditors may not implement their rights to the debtor's property serving as the security of their claims until termination of the legal protection process.

(Paragraph 13 of Part 4 of Section 40 of the Insolvency Law)

For successful implementation of the LPP plan of measures (the amendments thereof) all the DEBTOR'S pledged property is needed, therefore, the restrictions according to which the secured creditors may not implement their rights to the DEBTOR'S property serving as the security of their claims are applicable to all the DEBTOR'S pledged property until the termination of the LPP. The above referred restrictions are not applicable to alienation of the pledged property according to the procedure provided by the LPP plan of measures (the amendments thereof) in order to secure satisfaction of the creditors' claims.

The list of the Debtor's pledged property to which the above referred restrictions are applicable is attached in Annex No. 8 to the present amendments to the Plan.

14. The amount of compensation to secured creditors for restriction of their rights during the legal protection process and payments of covering the claims of secured creditors and the procedure of payment thereof.

(Paragraph 14 of Part 4 of Section 40 of the Insolvency Law)

All the secured creditors' claims (except the claims which will be reduced) will be satisfied within a period of 23 months as from the approval of the LPP plan, therefore no compensation is provided to secured creditors for restriction of their rights during the LPP.

The payments for satisfaction of the secured creditors' claims and the procedure of payment thereof is presented in Annex No. 3 to the present amendments to the Plan.

15. Justification to the fact that the benefit of the creditors who have not approved the plan of measures of the legal protection process is minimum as large as if the debtor's insolvency process was declared at the moment of approval of the plan.

(Paragraph 15 of Part 4 of Section 40 of the Insolvency Law)

If the DEBTOR'S insolvency process was declared instead of the LPP, it would not be possible to continue the DEBTOR'S economic activity because the contract on the lease of the land in the territory of Riga Free Power would most probably be terminated within the insolvency process.

Second, upon terminating the DEBTOR'S economic activity, it would be necessary to sell immediately as minimum the DEBTOR'S property (for example, floating docks and technological machinery), the discontinuation of whose operation (non-provision of the production process) terminates generation of revenue, however, does not terminate generation of expenses, related to maintenance of this property in the operating order and preservation of its value. In the contrary case (if the above referred property is not sold immediately or not maintained in due operating order), the above referred property could lose its value and cause additional expenses related to its disposal.

Third, within the DEBTOR'S insolvency process, it would be necessary to sell all the DEBTOR'S property within a restricted term (6 months), from which it follows, that even if it is possible to sell all the DEBTOR'S property within this term as an aggregate of items (as an operating or capable to operate ship building yard), the price of its enforced sale would most probably be considerably below the market price, because, for example, the insufficient time for studying the composition of the property, the restricted possibilities to attract external funding for the purchase and other negative factors related to the enforced sale of the property within the insolvency process and potential risks, as well as the consequences caused by the prohibitions and restrictions of the emergency state (aimed at restricting the spread of Covid-19) would restrict considerably the actual circle of buyers and their ability and willingness to buy the DEBTOR'S property at an adequate market price. Thus, the amount of the funds received in the result of the sale of the DEBTOR'S property would most probably be insufficient for full satisfaction of the claims of all the DEBTOR'S unsecured creditors, but, possibly, also the claims of the DEBTOR'S secured creditors.

Contrary to the result of the DEBTOR'S insolvency process, in the result of the LPP, the DEBTOR would not only satisfy all the claims of secured creditors, (except the claims which will be reduced) and all the principal claims of unsecured creditors in full amount, but would also fully restore its solvency, thus maintaining the possibility to continue its operation in the industry, by securing further demand for the goods supplied and services delivered by the DEBTOR and the DEBTOR'S creditors, at the same time providing jobs and revenue to the state budget in the amount of paid taxes.

Moreover, by implementing the LPP, the DEBTOR'S creditors can avoid the risk that the sale of the DEBTOR'S property within the DEBTOR'S insolvency proceedings may result in obtaining insufficient funds for covering all the creditors' claims provided for by the LPP plan of measures (and the amendments thereof) and to maintain the possibility to obtain satisfaction of their claims within a reasonable term in compliance with the time schedule of performance of liabilities provided for by the LPP.

Thus, the benefit of the creditors who have not approved the LPP plan of measures (the amendments thereof) (if there are such creditors) resulting from the implementation of the LPP, will be as minimum as big as if the DEBTOR'S insolvency proceedings were declared instead of the LPP.

16. The confirmation that the information presented in the plan of measures of the legal protection process is true and the attached derivatives of documents comply with the original documents.

(Paragraph 16 of Part 4 of Section 40 of the Insolvency Law)

We hereby confirm that the information presented in the amendments to the LPP plan of measures is true and the attached document derivatives comply with the original documents.

Attached:

Annex No. 1 - all the debtor's payment obligations and their grounds, including the debtor's payment obligations to related companies for the purpose of the Law "On Corporate Income Tax", as well as the debtor's payment obligations to secured creditors as on 20.03.2019.

Annex No.2 – the DEBTOR'S payment obligations the term of repayment of which has set in prior to starting the LPP or will set in during the LPP, including the payment obligations for performance of which creditors have brought action with the court and the payment obligations for which the DEBTOR has provided guarantees;

Annex No. 3 - the time schedule of performance of the DEBTOR's payment obligations in relation to each creditor the repayment term of which has set in prior to commencement of the LPP or will set in during the LPP;

Annex No.4 - the justification of the forecast of the DEBTOR'S revenue and assumptions thereof;

Annex No. 5 – the justification of the forecast of the DEBTOR'S expenses and assumptions, as well as the envisaged actions for reduction of expenses;

Annex No. 6 – the schedule of the DEBTOR'S envisaged revenue and expenses (the report of the envisaged cash-flow forecast, by explaining the report items within three months (a quarter));

Annex No.7 – the confirmation that the restrictions provided for by Parts Two and Three of Section 12³ of the Insolvency Law are not applicable to the SUPERVISOR;

Annex No. 8 – the list of the DEBTOR'S pledged property which is needed for implementation of the LPP Plan of Measures and to which restrictions are applicable resulting in the prohibition for the secured creditors to implement their rights in relation to the DEBTOR'S property which serves as the guarantee of their claims, until termination of the LPP;

Annex No. 9 - the percentage amount of the principal amount of the claims of the DEBTOR'S creditors as on 23.12.2020.

Riga, 23 December 2020

Board Member Einārs Buks