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General Information

Name of the company	JSC "Rīgas kugu buvetava"																
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	2 Gales street, Riga, Latvia, LV-1015																
Stock capital of the enterprise	EUR 16 607 912																
Address																	
Partnership																	
Associate enterprise	JSC "Tosmares Kugubuvetava" Reg.No. 42103022837																
Address	42/44 Generala Baloza Street, Liepaja, Latvia, LV-3401																
Partnership	49,72%																
Associate enterprise	LLC "Remars Granula" Reg.Nr.54103022521																
Address	2 Gales street, Riga, Latvia, LV-1015																
Partnership	49,80%																
Type of operations	building and repair of ships, yachts, catamarans, roll trailers and technological port services; Wood processing, manufacturing of furniture designed for various functional																
NACE code	3011, 3315																
Names and positions of the Board	<table><tr><td>Janis Skvarnovics</td><td>Chairman of the Board (from 25.04.2014.)</td></tr><tr><td>Vladislavs Blums</td><td>Member of the Board</td></tr><tr><td>Einars Buks</td><td>Member of the Board</td></tr><tr><td>Jekaterina Ivanova</td><td>Member of the Board (from 25.04.2014.)</td></tr><tr><td>Rolands Klincis</td><td>Member of the Board (from 25.04.2014 till 15.08.2014.)</td></tr><tr><td>Vasilijs Melniks</td><td>Chairman of the Board (till 23.04.2014.)</td></tr><tr><td>Larisa Artemenko</td><td>Member of the Board (till 25.04.2014.)</td></tr></table>	Janis Skvarnovics	Chairman of the Board (from 25.04.2014.)	Vladislavs Blums	Member of the Board	Einars Buks	Member of the Board	Jekaterina Ivanova	Member of the Board (from 25.04.2014.)	Rolands Klincis	Member of the Board (from 25.04.2014 till 15.08.2014.)	Vasilijs Melniks	Chairman of the Board (till 23.04.2014.)	Larisa Artemenko	Member of the Board (till 25.04.2014.)		
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Financial year	1st of January - 30th of September, 2014																
Tax authority	SRS Large tax payers department																
Auditor's name and address	Independent Auditors company SIA "Lataudit", Reg. No. 40103038172 Auditors's LZRA Licence 101, 17A-17, Valdemara Street, Riga																

Notification on liability of the Board

The Board of JSC "Rīgas kugu buvetava" (The Company) endorses that, according to information available at the time of preparing this report, Financial statements give a true picture of the Company's financial situation on 30th September, 2014 and its performance and cash flow in all significant aspects. The above mentioned financial statements are prepared on the basis of requirements of the legislation of the Republic of Latvia.

In the process of preparing the financial statements the Board:

Has used and consistently applied the appropriate accounting methods;

Has provided substantiated and prudent resolutions;

Was guided by business continuation principle.

The Board of the enterprise is liable for preparation of a financial report, grounding on initial accountancy per each accounting period, which correctly reflects financial situation of the enterprise as at the end of the year of account, and ensures the financial report has been prepared complying with legislation of the Republic of Latvia. The Board is liable for administering of respective accounting reports, for perseverance of means of the enterprise, as well as for elimination of deceit and other dishonest acts.

Chairman of the Board _____ /J.SKVARNOVICS/

Member of the Board _____ /V.BLUMS/

Member of the Board _____ /J.IVANOVA/

Member of the Board _____ /E.BUKS/

November 28th, 2014

Income statement

For the years ending 30th of September 2014 and 30th September 2013

	Notes	30.09.2014. EUR	30.09.2013. EUR
Net sales	(1)	12 386 160	43 582 181
Cost of sales	(2)	(13 076 476)	(44 475 944)
Gross profit or losses		(690 316)	(893 763)
Distribution expenses	(3)	(9 707)	(52 481)
Administrative expenses	(4)	(714 513)	(770 965)
Other operating income	(5)	1 438 969	1 353 009
Other operating expenses	(6)	(1 025 220)	(768 055)
Other interest receivable and similar income	(7)	8 169	4 133
Interest payments and similar costs	(8)	(221 736)	(278 325)
Profit or losses before taxes		(1 214 354)	(1 406 447)
Corporate income tax	(9a)	0	(87 543)
Other taxes	(10)	(67 357)	(110 723)
Net profit or losses		(1 281 711)	(1 604 713)
Profit (losses) per share		(0,08)	(0,10)

Notes from 9. up to 21. page are an integral part of this report.

Chairman of the Board _____ /J.SKVARNOVICS/

Member of the Board _____ /J.IVANOVA/

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November 28th, 2014

Balance Sheet

	Notes	30.09.2014. EUR	30.09.2013. EUR
ASSETS			
Non-current assets			
I. Intangible assets			
Other intangible assets		107 505	155 860
Advances for intangible assets		0	0
Total intangible assets	(11)	107 505	155 860
II. Fixed assets			
Land and buildings		7 986 459	6 466 234
Leasehold improvements		9 951	16 587
Equipment and machinery		4 300 675	3 657 470
Floating docks		16 144 741	16 264 519
Other fixed assets		209 159	260 297
Fixed assets under construction		721 051	1 053 087
Advances for fixed assets		7 114	29 700
Total fixed assets	(12)	29 379 150	27 747 894
III. Investment property	(12a)	526 590	562 932
IV. Biological assets			
IV. Non-current financial investments			
Loans to related companies	(13)	4 830 590	4 830 590
Investments in associates		0	0
Other securities and investments	(14)	235	235
Other loans and non-current receivables	(15)	1 207 426	721 685
Loans to shareholders and management	(16)	0	415 882
Total non-current financial investments		6 038 251	5 968 392
Total non-current assets		36 051 496	34 435 078
Current assets			
I. Inventories			
Raw materials and consumables	(17)	2 604 193	6 717 949
Work in progress	(18)	359 417	307 501
Orders in progress	(19)	13 541	193 067
Advances for inventories	(20)	511 791	420 063
Total inventories		3 488 942	7 638 580
II. Account receivables			
Trade receivables	(21)	2 515 234	4 683 454
Receivables from associates	(22)	1 289 680	1 314 196
Other receivables	(23)	365 232	691 016
Current loans to shareholders and management	(24)	0	28 458
Expenses of future periods	(24)	16 104	19 220
Accrued income	(25)	3 136 293	13 145 161
Total receivables		7 322 543	19 881 505
III. Current financial investments			
Total short-term financial investments:		0	0
IV. Cash and bank	(26)	25 989	6 291
Total current assets:		10 837 474	27 526 376
Total assets		46 888 970	61 961 454

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Member of the Board _____ /J.IVANOVA/

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BALANCE SHEET

	Notes	30.09.2014. EUR	30.09.2013. EUR
EQUITY, PROVISIONS AND LIABILITIES			
I. Equity			
Share capital	(27)	16 607 912	16 607 912
Non-current investments revaluation reserve	(28)	12 056 273	12 056 273
Retained earnings			
previous year's retained earnings		3 279 728	5 206 503
current years profit or losses		(1 281 711)	(1 604 713)
Total retained earnings		1 998 017	3 601 790
Total equity		30 662 202	32 265 975
II. Provisions			
Other provisions	(29)	9 093	71 144
Total provisions		9 093	71 144
III. Liabilities			
I. Non-current liabilities			
Loans from banks	(30)	1 900 000	0
Next period income	(31)	392 920	207 192
Leasing liabilities	(33)	66 815	67 908
Other liabilities	(34)	850 000	0
Deferred income tax liabilities		2 905 959	2 959 034
Total non-current liabilities		6 115 694	3 234 134
II. Current liabilities			
Loans from banks	(32)	4 730	4 647 896
Other liabilities	(34)	1 515 000	0
Leasing liabilities	(33)	35 348	82 990
Advances from customers	(35)	3 125 567	14 612 865
Trade payables	(36)	4 009 950	5 425 980
Payables to associates	(37)	0	11 786
Taxes and social insurance payments	(38)	420 814	354 961
Other liabilities	(39)	310 178	317 990
Dividends unpaid	(40)	37 773	199 269
Accrued liabilities	(41)	642 621	736 464
Total current liabilities:		10 101 981	26 390 201
Total liabilities:		16 217 675	29 624 335
Total equity, provisions and liabilities		46 888 970	61 961 454

Notes from 9. up to 21. page are an integral part of this report.

Chairman of the Board _____/J.SKVARNOVICS/

Member of the Board _____/J.IVANOVA/

Member of the Board _____/V.BLUMS/

Member of the Board _____/E.BUKS/

November 28th, 2014

CASH FLOW STATEMENT

for 9 months of the year 2014 and for 9 months of the year 2013 (by direct method)

	30.09.2014.	30.09.2013.
	EUR	EUR
I. Cash flow from operating activities		
Sales and service income	17 341 796	53 438 277
Cash to suppliers, personnel and others primary activity costs	(14 462 275)	(85 765 626)
Other incomes or losses from main activity		
Gross cash flow generated from operating activities	2 879 521	(32 327 349)
Interest paid	(221 736)	(278 325)
Corporate income tax paid	(11 202)	(7 012)
Cash flow before extraordinary items	2 646 583	(32 612 686)
Net cash flow generated from operating activities	2 646 583	(32 612 686)
II. Cash flow from investment activity		
Selling out of shares		3 400
Acquisition of fixed and intangible assets	(1 961 677)	(469 746)
Proceeds from sales of fixed assets and intangible assets	552 356	11 144
Loans granted	(1 816)	(1 833)
Loans issued		
Loan repayment income		
Interest received	8 169	4 135
Net cash flow generated from investing activities	(1 402 968)	(452 900)
III. Cash flow from financing activities		
Selling out of shares		
Acquisition of fixed and intangible assets	4 175 000	0
Received subsidies, grants, gifts or offering	153431	
Charges for fixed assets lease	(6 128 510)	(624 654)
Paid dividends	(122)	0
Net cash flow generated from investing activities	(1 800 201)	(624 654)
IV. Net foreign exchange gains/losses	5	30 876
Net increase / (decrease) in cash and cash equivalents	(556 581)	(33 659 364)
Cash and cash equivalents at the beginning of the financial year	582 570	33 665 655
Cash and Cash equivalents at the end of the financial year	25 989	6 291

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Chairman of the Board _____ /J.SKVARNOVICS/ Member of the Board _____ /J.IVANOVA/
Member of the Board _____ /V.BLUMS/ Member of the Board _____ /E.BUKS/

November 28th, 2014

STATEMENT OF CHANGES IN EQUITY

For the years ending 30th of September 2014 and 30th September 2013

	Stock or Share	Non-current investments revaluation reserve	Retained earnings	Total
	EUR	EUR	EUR	EUR
Balance as at 31.12.2012.	16 607 912	12 056 273	5 372 582	34 036 767
Increase / decrease of share capital				0
Dividends for the period			(166 079)	(166 079)
Profit or losses for the period			(1 604 713)	(1 604 713)
Balance as at 30.09.2013.	16 607 912	12 056 273	3 601 790	32 265 975
Balance as at 31.12.2013.	16 607 912	12 056 273	3 279 728	31 943 913
Increase / decrease of share capital				0
Dividends for the period				0
Profit or losses for the period			(1 281 711)	(1 281 711)
Balance as at 30.09.2014.	16 607 912	12 056 273	1 998 017	30 662 202

Notes from 9. up to 21. page are an integral part of this report.

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Member of the Board _____ /J.IVANOVA/

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Member of the Board _____ /E.BUKS/

November 28th, 2014

NOTES TO THE FINANCIAL STATEMENTS

ACCOUNTING POLICIES

(1) General principles

Annual report has been prepared according to laws of the Republic of Latvia public „Regarding Accountancy” and „Regarding Annual report”, rules of cabinet of Ministers of the Republic of Latvia No. 481 „On cash flow report and report on changes of contents of own equity and the order of preparing”; and according to Rules of Cabinet of Ministers of the Republic of Latvia No. 488 enforcement of law “Regarding Annual Report”, which must be used starting from July 1st of year 2011. The sums included in Financial Statements are gained, based on prior costs method.

Compared to previous report year the methods used by the Enterprise and the methods of evaluating have not been changed.

Profit & Loss calculation has been prepared as per turnover costs scheme.

Cash flow statement has been prepared as per direct method.

The enclosed financial statements are made in Latvian national currency – eiro (EUR).

(2) Agency continuation

Present financial report has been prepared with reference to uninterrupted operation of company that an active realization and repayment liability is preceding in an ordinary way.

(3) Income recognition and net sales

Net sales contain the total value of goods and services sold during the year excluding discounts value added tax and costs related to sales.

Income is recognized according to the following principles:

Revenue from ship repair are recognised in the reporting period when the relevant services were provided;

Sales of goods - after significant ownership risk and rewards have been passed to the buyer;

Revenue from shipbuilding - under the percentage of completion method (also see the remark 11 to policy of accountancy);

Revenue from vessel repairs - in accordance with the degree of execution of the transaction (see also the note 11 of accounting policy),

Income on fines and penalties - at the moment of receiving the payments;

Interest income - on an accrual basis;

Dividends – when there is legal basis for them.

The revenue from ship repair is recognized based on level of completion. Costs related to repair services contracts are recognized by the moment of their appearance. If it is not possible to estimate believably the result of service contract, the income is recognized just as much as costs arising from the contract are possible to get back. If it is possible to estimate the result and there is a large possibility that contract will result as profit, the income of such contract are recognized during the contract time. If there is possibility that total of contract costs will exceed total of contract incomes, than the expected loss is to be recognized as expenses at once.

The Enterprise is using the percentage method, to determine recognizable volume of income at exact period. According to this method the Enterprise determines the level of completion of the jobs, to calculate the costs related to fulfilment of the agreement which have arisen till the Balance date, comparing it to the total expected costs, expressing this comparison in percents. The costs which outcome during the report period, which are related to further actions with the contract, are excluded from the costs related to the contract, by calculating the level of completion. It is shown as the raw material and materials and other assets, depending on its character.

The Enterprise shows as assets huge gross debt amounts of the customers, according to jobs for all of the contracts in progress, and for which there has costs appeared, by counting it to recognized profit (and taking off the recognized expenditures) and taking off the amount of Invoices released to the clients. Debtor's debts bonds for the invoices released, but unpaid invoices, as well as retention, which appears as “Debts of customers and clients”.

The Enterprise shows as bonds of Clients gross debt amount, according to jobs for all contracts being in progress, for which the sum of released invoices exceeds the expenditures incurred and added to the recognized profit (and taking off the recognized expenditures). The advances received from the client appear as “Advance received from the customers”.

(4) Segment Content

Operating Segment is identifiable public (consuming goods and services) section, which is characterized by the risks and benefits that differs from the risks and benefits of other part of public. Geographical Segment is identifiable public that sells good and provides services in the particular economic environment and which is characterized by the risks and benefits that differs from the other part of public acting in the other economic environment.

(5) Revaluation of foreign currency in eiro

(a) Currency used in transactions and accounting.

Items of the Company financial reports are accounted for in the currency of the economic environment, in which the Company operates (accounting currency). Items of financial reports are expressed in Eiro (EUR), which is the Company accounting currency and reporting currency.

(b) Transactions and balances.

All transactions in foreign currencies are converted to the accounting currency based upon the currency exchange rate of the relevant transaction date. Profit or loss obtained in the result of converting these transactions and monetary assets and liabilities in foreign currencies into lats based upon the year-end currency exchange rate are reflected in the Profit/ Loss Statement.

Exchange rates of most often used currencies, by September 30st were as follows:

	30.09.2014	30.09.2013
	EUR	EUR
1 USD	0,787340	0,741316
1 NOK	0,122011	0,124074
1 GBP	1,277629	1,193789
1 RUB	0,019923	0,022908

(6) Fixed assets and intangible assets, low-grade material

Floating docks are presented at a fair value on the basis of the periodic independent assessors assessment, minus the accumulated depreciation. In moment of Revaluation the accumulated depreciation is eliminated against the asset's carrying value, net amount is included in the value of revaluation.

Other fixed assets are initially defined at the purchase cost, excluding the wear accumulated. The accusation value includes the expenditures, which are directly related to the acquisition of the fixed asset. 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: As a result of the revaluation an increase in value is shown in equity item "Revaluation reserve for long-term investments", but the reduction in value is disposed from the referred previous years reserve's accounted of the increase in the value of fixed assets (deducting the deferred tax), including the excess in the profit or loss statement.

	<u>Years</u>
Buildings	2 - 15
Other buildings and constructions	3,5 - 20
Technological equipment	5 - 50
Other fixed assets and stock	10 - 40

Wear of basic means begins to count from the first date of the next month after its delivery to exploitation and is finished by the first date of the next after its exclusion from the basic means.

Company capitalizes permanent assets with value more than EUR 150 and time of valid usage is more than 1 year. Increased value of revaluing permanent assets is reflected as moving towards Non-current investments revaluation reserve. It is attributed to the dissolution of permanent assets in the calculation of profits, incomes losses.

In case of the obvious evident that as a result of fixed asset's repair and reconstruction in the future the economical achieved effect would be higher than the primary defined outputs then such investments are capitalized as an additional cost of fixed assets staff. With capitalization of the spare parts installation expense the remaining cost of exchange spare parts is written off to the profit or losses account.

Net profit or losses from fixed assets disposal is calculated as the difference between fixed assets balanced value and income received from the sales and defined in the income or loss calculation of the period where they had occurred from. When the revaluated fixed assets are sold, in the item "Revaluation reserve for long-term investments" accounted values that are reclassified to profit or loss as income. To calculate enterprise's income tax the depreciation of the fixed assets was estimated pursuant to rates and requirements under article 13 of law "On enterprises' income tax".

Low-grade stock booked at the purchase prices and costs was 100% written off after commissioning.

(7) Investment property

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

(8) Investments in associates

Affiliated undertaking deposits are accounted according to its prior value, which means the costs of acquisition. Accordingly to this method the value of the investment is created by value of affiliated purchase and the costs related to the purchase.

(9) Other long-term investments

Other long-term investments have been reflected in purchase costs.

(10) Savings

Raw materials, materials and goods subject to sale were booked at the purchase price, including costs related to purchase, and were accounted as per FIFO methods. Sum of Illiquid assets', stored in the enterprise's warehouses, in comparison to total commodity stock was not essential.

The reserves are valued at the lowest net sales value, purchase or production first cost.

Unfinished production has been reflected as costs related to employees, purchase of raw materials and services, excluding administration costs.

(11) Long-term agreement

Due to the character to the contract on establishing an asset and performed activities the dates of starting and completing the contract performance falls within different reporting periods. Revenues and costs related to the contract are recognised as revenues and expenditure, accordingly, taking into account the percentage volume of completion of contract works as on the Balance Sheet date. (see 3rd explanation "The recognition of income and net turnover").

(12) Account receivable

Account receivable in the balance sheet have been shown at the net value, obtained deducting provisions for doubtful debts from the total amount of Account receivable. Account receivable's actual sum complies with contracts and other accounting basic documents. Provisions for doubtful debts are calculated by individual evaluation of every Debtor. Provisions for doubtful debts reflect evaluation of estimated loss on the date of balance. Hopeless debts are to be written off when its recovery is admitted as impossible.

(13) Accured income

JSC "Rīgas kuģu būvētava" new building and ship repair incomes are acknowledged respective to its executive degree (see 3rd explanation "The recognition of income and net turnover").

(14) Cash and cash equivalents

In the report of cash flow consist of the money in cash-box, remnants of active bank cont and demand deposits in the credit institutions with term to 90 days.

(15) Equity capital and dividends

Base shares are classified as share capital. Dividends payable to the Company shareholders are recorded as liabilities during the Company financial reporting period when the Company shareholders approve the relevant dividends.

(16) Revaluation reserve

The growth of revaluation value is decreased, when revaluated fixed asset is eliminated or disposed.

(17) Provisions

Provisions are possible bonds, caused by happening of report year or in previous years and by the moment of preparing the report, probably it will be necessary, that operational goods will flow away and the amount can be quite believably determined. Provisions are estimated according to current value of costs, which will be necessary to solve the bonds after valuation.

(18) Potential liability

Contingent liability is a possible obligation arising from the past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events, which the Board wholly will not be able to control, or a present obligation resulting from past events, but which is not recognised in the financial statements, because it is not probable that the obligation will require the economic benefits blowing, or the amount required to settle the obligation itinerary can not be measured reliably.

(19) Grants

For creating of fixed assets received grants are listed as deferred income, which gradually includes in revenues of received or for grants acquired fixed assets during the period of life. Other grants shall be related to the results of annual report to the period these grants receipt.

(20) Accrued liabilities for unused annual leave

Provisions are possible bonds, caused by happening of report year or in previous years and by the moment of preparing the report, probably it will be necessary, that operational goods will flow away and the amount can be quite believably determined. Provisions are estimated according to current value of costs, which will be necessary to solve the bonds after valuation.

(21) Corporate income tax

Corporate income tax was calculated according to Latvia Republic tax laws. Tax laws in 2013 and further fixed tax rate is 15%.
Deferred taxation was referable to all short-term temporal distinctions, which appear as a result of making accountancy of earnings and expenses according to tax laws. Deferred taxation is liability, which was calculated using tax rates. The main short-term distinctions appear from distinctions of fixed assets and nonmaterial wealth depreciation norms in taxes and financial bookkeeping calculation.
Deferred taxation assets item was included in financial reports only when regain of assets is real.

(22) Profit per share

Profit per share is determined by dividing the net profit or loss attributable to the shareholders with the weighted average number of shares.

(23) Related parties

As related parties are considered the associated companies and the related companies, the members of the Board and of the Council, their close family members and the companies, in which above mentioned Persons or Companies have control or significant influence.

(24) Bookkeeping arrangement

The bookkeeping accountancy has been arranged with the help of computers using the software (Microsoft Business Solutions – NAVISION 4.0).

(25) Use of estimation

In financial reports enterprise management must make estimations, assumptions which influence presented assets and liabilities at the date of annual report processing. Real results can differ from estimations.

(26) Managing financial risks

The principal financial instruments of the Company are money. The main objective of these financial instruments is to provide financing for the operations of the Company. The Company interacts with various other financial instruments, for example, trade receivables and payables and other creditors, following directly from its operations.
Financial risks, connected with the financial instruments of the Company, mainly, are interest rate risk, liquidity risk and credit risk.
In the conditions of regular activities the Enterprise is subject to credit and foreign exchange risks.

Credit risk

The Company is subject to the credit risk with respect to the debts of its buyers, debts of affiliated and customers, issued Non-current loans and money and its equivalents. The Company manages its credit risk constantly reviewing the repayment history of the client debts and stating the credit conditions for each client separately. The Company has no significant concentration of credit risk on any separate business partner or group of partners corresponding to the similar description.

Interest rate risks

The Company is subjected from credit interest rate changing risk.

Foreign currency risks

The Company is having international operations and it is a subject to foreign currencies risk, which is generally caused by US dollar (USD).

Liquidity risk

The Company follows cautious liquidity risk management and accordingly maintains sufficient amount of cash and ensures availability of financing by using loan facilities granted by banks. The Company management monitors operative forecasts of liquidity reserves based upon expected cash flow. Most of the Company liabilities are Non-current. The management considers that the Company will have sufficient liquid funds obtained from core operations and utilisation of loan facilities with the banks of Latvia.

(27) Retraining

The disclosure and classification of items in the balance sheet of the year 2014 compared to the balance sheet of the year 2013 has been changed, in order to improve the comparability of data.

Notes to the financial statement
Notes to Income Statement

Information on segments

Management defined the following kinds of industrial works:

a) By operating activities;

(1) Net sales	9 months of 2014	9 months of 2013
(a)	<u>EUR</u>	<u>EUR</u>
Shipbuilding	5 570 093	30 782 380
Ship repair	6 582 006	12 002 878
Mechanical engineering	226 659	746 991
Other works	7 402	49 932
Total	<u>12 386 160</u>	<u>43 582 181</u>
(2) Cost of sales	9 months of 2014	9 months of 2013
	<u>EUR</u>	<u>EUR</u>
Purchase costs of goods sold	(8 319 075)	(38 012 069)
Salary expenses	(2 979 352)	(3 703 109)
Social insurance	(678 831)	(864 619)
Depreciation of fixed assets	(854 508)	(1 265 306)
Other costs	(244 710)	(630 841)
Total	<u>(13 076 476)</u>	<u>(44 475 944)</u>
(3) Distribution expenses	9 months of 2014	9 months of 2013
	<u>EUR</u>	<u>EUR</u>
Advertising expenses	(9 707)	(52 481)
Total	<u>(9 707)</u>	<u>(52 481)</u>
(4) Administrative expenses	9 months of 2014	9 months of 2013
	<u>EUR</u>	<u>EUR</u>
Communication costs	(13 309)	(16 406)
Office rent and utilities	(10 652)	(2 830)
Salary expenses (administration)	(107 905)	(64 463)
Remuneration to the Board	(127 146)	(205 722)
Remuneration to the Council	(143 927)	(163 275)
Social insurance	(85 365)	(100 684)
Depreciation of fixed assets	(23 057)	(16 441)
Transportation costs, travelling allowances	(64 216)	(48 715)
Legal services	(39 609)	(6 363)
Insurance	(3 608)	(2 230)
Representation costs	(14 787)	(43 762)
Representative vehicle maintenance expenses	(80 932)	(100 074)
Total	<u>(714 513)</u>	<u>(770 965)</u>

Notes to Income Statement (continuation)

(5) Other operating income	9 months of 2014	9 months of 2013
	<u>EUR</u>	<u>EUR</u>
Income from transport services	1 000	439
Incomes from lease of PL pay and communal services	751 868	715 144
Tugboat services income	78633	143 848
Sales of raw materials and materials	269 417	134 880
Income generated by chemical analyses	302	555
Net incomes from fixed assets realisation	154 146	11 613
Previous year income	10 855	1 927
Incomes from creditors' debt relief in connection with duration term end	87 588	10 822
Net income from exchange rate fluctuations	0	63 269
Incomes from State Agency "LIAA" co-financed projects	42 668	0
Net incomes from currency realisation	0	2 883
Agents' fees	0	240 000
Other income	42 492	27 629
Total	<u>1 438 969</u>	<u>1 353 009</u>
(6) Other operating expenses	9 months of 2014	9 months of 2013
	<u>EUR</u>	<u>EUR</u>
Material expenses	(261 830)	(105 288)
Net loss from fluctuations in exchange rates	(78)	0
Net loss from sale of foreign currency	(123)	0
Medical services	(8 873)	(9 113)
Costs on tugboat services	(60 093)	(81 824)
Donations	(2 858)	(10 741)
Material allowances, gifts	(651)	(258)
Burial expenses	(2 394)	(3 637)
Net loss from fixed assets exclusion	(5 107)	0
Representation costs 60%	(24 289)	(74 611)
Leased FA maintenance costs	(613 921)	(452 197)
Previous year expenses	(12 724)	0
Other expenses	(32 279)	(30 386)
Total	<u>(1 025 220)</u>	<u>(768 055)</u>
(7) Interest and similar income	9 months of 2014	9 months of 2013
	<u>EUR</u>	<u>EUR</u>
Interest income on deposit	0	2 402
Bank interests	0	807
Interest income on loans issued	8 169	0
Penalties received	0	924
Total	<u>8 169</u>	<u>4 133</u>
(8) Interest and similar expenses	9 months of 2014	9 months of 2013
	<u>EUR</u>	<u>EUR</u>
Penalties paid	(12 210)	(23 843)
Interest charge	(127 805)	(150 213)
Bank charges for warranty	(57 781)	(104 269)
State tax	(23 940)	0
Total	<u>(221 736)</u>	<u>(278 325)</u>
(9) Corporate income tax		
(9a) Components of corporate income tax	9 months of 2014	9 months of 2013
	<u>EUR</u>	<u>EUR</u>
Corporate income tax according to the tax return	0	(87 543)
Total	<u>0</u>	<u>(87 543)</u>
(10) Other taxes	9 months of 2014	9 months of 2013
	<u>EUR</u>	<u>EUR</u>
Real estate tax	(67 357)	(110 723)
Total	<u>(67 357)</u>	<u>(110 723)</u>

Notes to the balance sheet by 30.09.2014

(11) Intangible assets

	Concessions, patents, licenses, trademarks and similar rights	Research and development costs	Other intangible assets (software.)	Goodwill	Advances for intangible assets	Total
	EUR	EUR	EUR	EUR	EUR	EUR
Cost/revaluation						
01.01.2013.	0	0	344 716		0	344 716
Additions					0	0
Disposals						0
Revaluation						0
30.09.2013.	0	0	344 716	0	0	344 716
Depreciation						
01.01.2013.	0	0	152 175			152 175
Calculated			36 681			36 681
Disposals						0
30.09.2013.	0	0	188 856	0	0	188 856
Net carrying amount 01.01.2013.	0	0	192 541	0	0	192 541
Net carrying amount 30.09.2013.	0	0	155 860	0	0	155 860

(11) Intangible assets (EUR)

	Concessions, patents, licenses, trademarks and similar rights	Research and development costs	Other intangible assets (software.)	Goodwill	Advances for intangible assets	Total
	EUR	EUR	EUR	EUR	EUR	EUR
Cost/revaluation						
01.01.2014.	0	0	344 716			344 716
Additions						0
Disposals						0
Revaluation						0
30.09.2014.	0	0	344 716	0	0	344 716
Depreciation						
01.01.2014.	0	0	201 083			201 083
Calculated			36 128			36 128
Disposals						0
30.09.2014.	0	0	237 211	0	0	237 211
Net carrying amount 01.01.2014.	0	0	143 633	0	0	143 633
Net carrying amount 30.09.2014.	0	0	107 505	0	0	107 505

(12) Fixed assets and investment property (EUR)

	Land and buildings	Advances for fixed assets	Leasehold improvements	Equipment and machinery	Floating docks	Fixed assets under construction	Other fixed assets	Total
	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR
Cost/revaluation								
01.01.2013.	10 081 710	5 650	16 587	11 514 493	17 977 940	921 450	1 429 636	41 947 466
Additions	472 100	30 615		582 995	302 245	1 534 256	45 279	2 967 490
Disposals		(6 565)		(76 065)		(1 402 619)	(168)	(1 485 417)
Revaluation					0			0
30.09.2013.	10 553 810	29 700	16 587	12 021 423	18 280 185	1 053 087	1 474 747	43 429 539
Depreciation								
01.01.2013.	(3 867 597)	0	0	(7 773 935)	(1 807 291)	0	(1 155 352)	(14 604 175)
Calculated	(219 979)			(653 618)	(208 375)		(59 265)	(1 141 237)
Disposals				63 600	0		167	63 767
30.09.2013.	(4 087 576)	0	0	(8 363 953)	(2 015 666)	0	(1 214 450)	(15 681 645)
Net carrying amount								
01.01.2013.	6 214 113	5 650	16 587	3 740 558	16 170 649	921 450	274 284	27 343 291
Net carrying amount								
30.09.2013.	6 466 234	29 700	16 587	3 657 470	16 264 519	1 053 087	260 297	27 747 894

(12) Fixed assets and investment property (EUR)

	Land and buildings	Advances for fixed assets	Leasehold improvements	Equipment and machinery	Floating docks	Fixed assets under construction	Other fixed assets	Total
	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR
Cost/revaluation								
01.01.2014.	10 793 889	42 387	9 951	12 044 968	18 312 958	1 322 056	1 483 190	44 009 399
Additions	1 583 867	211 129		1 482 333	120 685	2 608 291	22 436	6 028 741
Disposals		(246 402)		(627 361)	0	(3 209 296)	(23 693)	(4 106 752)
Revaluation				0	0			0
30.09.2014.	12 377 756	7 114	9 951	12 899 940	18 433 643	721 051	1 481 933	45 931 388
Depreciation								
01.01.2014.	(4 162 362)	0	0	(8 568 111)	(2 085 893)	0	(1 234 341)	(16 050 707)
Calculated	(228 935)			(350 724)	(203 009)		(58 769)	(841 437)
Disposals				319 570	0		20 336	339 906
30.09.2014.	(4 391 297)	0	0	(8 599 265)	(2 288 902)	0	(1 272 774)	(16 552 238)
Net carrying amount								
01.01.2014.	6 631 527	42 387	9 951	3 476 857	16 227 065	1 322 056	248 849	27 958 692
Atlikusi vērtība								
30.09.2014.	7 986 459	7 114	9 951	4 300 675	16 144 741	721 051	209 159	29 379 150

Real Estate (building) cadastral value at 30.09.2014. - 5 863 935,- EUR.

Notes to the balance sheet (continuation)

(12a) Investment property

Investment property		Investment property	
EUR		EUR	
Cost/revaluation		Cost/revaluation	
01.01.2014.	839 583	01.01.2013.	838 231
Additions		Additions	
Disposals		Disposals	
Revaluation		Revaluation	
30.09.2014.	839 583	30.09.2013.	838 231
Depreciation		Depreciation	
01.01.2014.	(285 113)	01.01.2013.	(245 855)
Calculated	(27 880)	Calculated	(29 444)
Disposals		Disposals	
30.09.2014.	(312 993)	30.09.2013.	(275 299)
Net carrying amount		Net carrying amount	
01.01.2014.	554 470	01.01.2013.	592 376
Net carrying amount		Net carrying amount	
30.06.2014.	526 590	30.09.2013.	562 932

(13) Investments in associates (EUR)

Name	30.09.2014.	Participating interest	Equity 30.09.2014.	Profit / (loss) 2014.g.9.m.	30.09.2013.	Participating interest	Equity 30.09.2013.	Profit / (loss) 2013.g.9.m.
	EUR				%			
AS "Tosmāres Kuģubūvētava"	3 630 590	49,72	6 519 637	(597 823)	3 630 590	49,72	6 617 102	(181 085)
SIA "Remars Granula"	1 200 000	49,8	216 076	58694	1 200 000	49,8	154 636	55 223
Investments value	4 830 590		6 735 713	(539 129)	4 830 590		6 771 738	(125 862)

(14) Other securities and investments (EUR)

Name	Value of shares		30.09.2014.		30.09.2013.	
	2014.g.9.m.	2013.g.9.m.	Skaitis	EUR	Skaitis	EUR
AS "Baltic International Bank"	7	7	33	235	33	235
Total	7	7	33	235	33	235

Notes to the balance sheet (continuation)

(15) Other loans and non-current receivables (EUR)

Name / Type of Loan	31.12.2012.	Loans issued 9 months of 2013	Debt extinguished 9 months of 2013	Transferred from short-term debt 9 months of 2013	Difference between currency exchange rates changing	30.06.2013.	Term of payment	Percent correlation
Loans for Students	95977	1834				<u>97811</u>	2014-2029	-
Loans for AS "Tosmares Kuģubūvētava" shares	623874					<u>623874</u>	2020.gads	-
Total	719851	1834	0	0	0	721685		

Other loans and non-current receivables (EUR)

Name / Type of Loan	31.12.2013.	Loans issued 9 months of 2014	Debt extinguished 9 months of 2014	Transferred from short-term debt 9 months of 2014	Difference between currency exchange rates changing	30.09.2014.	Term of payment	Percent correlation
Loans for Students	94793	1815				<u>96608</u>	2015-2029	-
Loans for AS "Tosmares Kuģubūvētava" shares	1110818					<u>1110818</u>	2020.gads	-
Total	1205611	1815	0	0	0	1207426		

Amount to be paid back after 5 years: 1202403- EUR.

(16) Loans to shareholders and management

	9 months of 2014 EUR	9 months of 2013 EUR
Non-current loans	0	415882
Total	0	415882
Copartners and directorship	9 months of 2014 EUR	9 months of 2013 EUR
Including: Non-current	0	415882
Current	0	28458
Total	0	444340

There is a debt of management for JSC "Tosmares kuģubūvētava" shares in this position.

(17) Raw materials and consumables

	9 months of 2014 EUR	9 months of 2013 EUR
1. Metal ware	72 420	78 602
2. Timbering	1 067	2 999
2. Metal, non-ferrous metals, pipes	1 782 695	3 226 729
4. Wire cables	3 056	1 059
5. Fuel	10 081	10 465
6. Coveralls	10 547	5 831
7. Equipment	65 334	293 884
8. Cables	30 123	130 980
9. Varnish and paint	34 369	65 949
10. Household goods	21 355	2 992
11. Technical rubber ware	14 877	14 836
12. Other	558 269	2 883 623
Total	2 604 193	6 717 949

(18) Work in progress

	9 months of 2014 EUR	9 months of 2013 EUR
1. Shipbuilding orders	359 417	307 501
Total	359 417	307 501

These columns reflect the orders with up to 10% (zero cycle) executive degree from contractual value.

(19) Orders in progress

	9 months of 2014 EUR	9 months of 2013 EUR
1. Ship repair orders	0	122 444
2. Mechanical engineering orders	12 543	59 219
3. Various	998	11 404
Total	13 541	193 067

(20) Advances for inventories

	9 months of 2014 EUR	9 months of 2013 EUR
1. For goods	511 791	420 063
Total	511 791	420 063

(21) Trade receivables	9 months of 2014	9 months of 2013
	EUR	EUR
Book value of trade receivables	2 908 403	5 050 690
Provisions for bad and doubtful debts	(393 169)	(367 236)
Net worth of trade receivables	2 515 234	4 683 454

Changes in provisions (EUR)

	Trade receivables	Other receivables	Total
Provisions 31.12.2013.	393 169	10 652	403 821
Decrease in provisions	0	0	0
Increase in provisions	0	0	0
Provisions 30.09.2014.	393 169	10 652	403 821

(22) Receivables from associates	9 months of 2014	9 months of 2013
	EUR	EUR
AS "Tosmares kuģu būvētava" debt for service and materials	37 281	1 393
AS "Tosmares kuģu būvētava" advance for services	0	70 000
AS "Remars Granula" debt for credit*	482 399	472 803
AS "Remars Granula" debt for credit according to assignment agreement **	770 000	770 000
Kopā	1 289 680	1 314 196

* According to the agreement the "Borrower" pays percentage at the end of the loan return.

** The debt is secured by a commercial pledge.

(23) Other receivables	9 months of 2014	9 months of 2013
	EUR	EUR
Book value	375 884	701 669
Provisions established	(10 652)	(10 653)
Net carrying amount	365 232	691 016
Input VAT accepted	604	603
Value added tax overpaid	149 219	338 964
Corporate income tax	56 260	0
Payments personal debts	54 399	2 153
Payment of salary	67	511
Non-current loans for JSC "Tosmares kugubuvetava" shares	0	42 604
Advance payments for services	85 645	129 968
Other receivables	19 038	176 213
Total	365 232	691 016

Notes to the balance sheet (continuation)

(24) Expenses of future periods	9 months of 2014	9 months of 2013
	<u>EUR</u>	<u>EUR</u>
Prepayments of company's property insurance payments	2 739	12 416
Subscription to the press	247	238
Health insurance	8 351	0
Renovation costs of leased fixed assets	141	1 685
Advertising expenses	0	0
Other expenses	4 626	4 881
Total	<u>16 104</u>	<u>19 220</u>

(25) Accrued income	9 months of 2014	9 months of 2013
	<u>EUR</u>	<u>EUR</u>
Shipbuilding	2 966 049	12 929 387
Ship repair	170 244	215 774
Total	<u>3 136 293</u>	<u>13 145 161</u>

This item reflects the costs related to the contract and recognized profit.

(26) Cash and bank	9 months of 2014	9 months of 2013
	<u>EUR</u>	<u>EUR</u>
Cash on hand	3 981	3 046
Cash at bank on current accounts	22 008	3 245
Total	<u>25 989</u>	<u>6 291</u>

(27) Share capital

JSC "Rīgas kuģu būvētava" was founded in 1995 with the equity capital of Ls 10 000 000, which was comprised of 10 000 000 shares, face value of one share made up Ls 1.

The Company is public and its shares are quoted on exchange market AS NASDAQ OMX SECOND LIST. All the shares give equal rights for dividends receive, liquidation quotes and vote rights at the shareholders meeting. 1 share gives 1 vote right. The enterprise does not have shares that it held or anybody else on its behalf.

Amendments to the Statutes:

1. Growth of the equity capital up to EUR 15 651 590 on 30 December 1998.
2. Growth of the equity capital up to EUR 16 607 912 on 30 December 1999.

JSC "Rīgas kuģu būvētava" shareholders on the 30.09.2014

	30.09.2014	%	30.09.2013	%
	<u>EUR</u>		<u>EUR</u>	
JSC "Remars-Rīga"	8279967	49,86	8279967	49,86
Other limited companies	2559066	15,41	2559066	28,57
Individuals	5768879	34,73	5768879	21,57
Total	<u>16 607 912</u>	<u>100</u>	<u>16 607 912</u>	<u>100</u>

(28) Non-current investments revaluation reserve

	EUR
On 31.12.2013.	<u>12 056 273</u>
Increase according to the revaluation	0
Decrease according to the revaluation	0
Decrease according to the value of elimination	0
On 30.09.2014.	<u>12 056 273</u>

The revaluation of the current floating docks was made with the certified external expert involved. An increase in the value was a result of the revaluation. During the reporting year in the assessment of the company's real estate there was no potential significant market value changes in the current real estate residual value, thus during the reporting year the revaluation of the floating dock was not performed.

(29) Provisions

	9 months of 2014	9 months of 2013
	<u>EUR</u>	<u>EUR</u>
Provisions for warranty repair	9 093	71 144
Total	<u>9 093</u>	<u>71 144</u>

In accordance with the signed agreements, the Company provides free of charge after-sales warranty repair services to customers in accordance with the general provisions of the repair within the six months of high-quality repair work performed and the quality of materials within the 12 months. Management made provisions on the basis of previous year experience of this type of repair.

(30) Loans from the credit institutions (long-term)

	6 months of 2014	6 months of 2013
	<u>EUR</u>	<u>EUR</u>
JSC ABLV Bank	1 900 000	0
Total	<u>1 900 000</u>	<u>0</u>

The enterprise had concluded with JSC "ABLV Bank" the Creditline contract No. 13-FP-0207 for operating assets needs. The credit payment period is the 18th of October, 2015. The Percentage rate is 4,5% + 6 months EURIBOR. As providing mortgage on real estate properties was concluded. Balance of the mortgaged real estate cost is EUR 5 853 788

Notes to the balance sheet (continuation)

(31) Next period income	9 months of 2014 EUR	9 months of 2013 EUR
1) Financing in accordance with an agreement signed in 2012 with the government agency "LIAA" about the EU co-financed project JSC "Rīgas kuģu būvētava" "heating system reconstruction"	332 035	207 192
2) Financing in accordance with the signed agreement in 2012 with the Ministry of Environmental Protection and Regional Development for the project implementation "Measure of the Energy efficiency in the production buildings"	60 885	0
Total	392920	207192

(32) Loans from banks (Current)	9 months of 2014 EUR	9 months of 2013 EUR
JSC Nordea Bank Finland Plc	4 730	4 647 896
Total	4 730	4 647 896

1. On the 4th of september 2014 the enterprise had concluded the Overdraft and Guarantee line agreement No. 2003/4 /OD/GA with JSC "Nordea Bank Finland Plc." On September 30st 2014 total guarantee limit is EUR 2 244091.41 and 2 floating cranes, 14 portal cranes and 1 floating dock K-4, 1 ship under construction and debtor debts had been pawned as a guarantee to the received loan. The balance value of stuff pawned is EUR 6 116 081.

(33) Leasing liabilities	9 months of 2014 EUR	9 months of 2013 EUR
I. Non-current part of leasing liabilities	66 815	67 908
<i>Total non-current part of leasing liabilities</i>	<i>66 815</i>	<i>67 908</i>
II. Current part of leasing liabilities	35 348	82 990
<i>Total current part of leasing liabilities</i>	<i>35 348</i>	<i>82 990</i>
Total leasing liabilities	102 163	150 898

(34) Other loans	9 months of 2014	9 months of 2013
The Percentage rate is 6%	850 000	0
The Percentage rate is 4,5% and 6%	1 515 000	0
Total	2 365 000	0

(35) Trade payables	9 months of 2014 EUR	9 months of 2013 EUR
For shipbuilding	3 104 885	14 418 313
For ship repair	20 250	190 071
Others	432	4 481
Total	3 125 567	14 612 865

(36) Payables to associates	9 months of 2014 EUR	9 months of 2013 EUR
Debts for services	3 134 595	3 866 667
Debts for materials	875 355	1 559 313
Total	4 009 950	5 425 980

(37) Payables to associates	9 months of 2014 EUR	9 months of 2013 EUR
LLC "REMARS-GRANULA"	0	11 786
Total	0	11 786

(38) Taxes and social insurance payments	9 months of 2014 EUR	9 months of 2013 EUR
Social insurance payments	127 842	161 771
Personal income tax	257 897	180 276
Real estate tax	33 040	11 318
Natural resources tax	1 865	1 380
Risk duty	170	216
Total	420 814	354 961

(39) Other liabilities	9 months of 2014 EUR	9 months of 2013 EUR
Salaries	239 051	273 228
Retention from salaries	505	1 423
Payments to personnel	29 079	821
Payments for credit cards	1 824	9 270
Payments for debts to other enterprises	39 719	33 248
Total	310 178	317 990

(40) Dividends unpaid	9 months of 2014 EUR	9 months of 2013 EUR
Balance at the beginning of reported year	37 954	33 190
Dividends calculated	0	166 079
Dividends paid	(181)	0
Disposals	0	0
Balance at the end of reported year	37 773	199 269

(41) Accrued liabilities	9 months of 2014 EUR	9 months of 2013 EUR
For services	374 623	480 030
Accrued liabilities for unused annual leave expenses	267 998	256 434
Total	642621	736464

Notes to the balance sheet (continuation)

(42) Off-balance liabilities

1. The Company has concluded agreements for land and pier lease with Riga Free Port authority. The agreements are valid through on August 31st year 2028. The Company has the priority to extend the agreement term.
2. On the 28th of December, 2010 there was issued ship covered bond No.EH 28.12.2010/KO about foating dock deposit in the favour of JSC "UniCreditBank" and it be valid until the secured obligations are fully met. Ship bond is issued as a guarantee of LLC "Eiroholdings" obligations, which was the resulting from credit line agreement Nr. EH 01.07.2008/CL from 1 July 2008, obligations on the 30th of September 2014 was 1 649 994 EUR. The size of guarantee claim are 4 183 243 EUR. Mortgaged was floating dock 791, with the balance sheet value on the 30th of September 2014 - 4 993 720 EUR. When was prepared financial statement there was no probability that the obligation will be required to settle the outflow of economic benefits from the Company.
3. On the 15th of June between JSC „Rīgas kuģu būvētava” and JSC „DNB Nord Banka” was signed mortgage agreement Nr. 17/11K23-2 for the first mortgage on AS „Rīgas kuģu būvētava” real estate - caldron house as security for JSC "Remars- Rīga" obligations which are resulting from 15 June 2011 credit agreement Nr.17/11K23. Obligations on the 30th of September 2014 were 1 032 033 EUR. The Size of guarantee claim are 3 874 130,- EUR. The mortgage property balance sheet value on the 30th of September 2014 was 434 876 EUR. When was prepared financial statement there was no probability that the obligation will be required to settle the outflow of economic benefits from the Company.

The report for 9 months of 2014 pages 1 to 21 we approve

Chairman of the Board _____ /J.SKVARNOVICS/

Member of the Board _____ /J.IVANOVA/

Member of the Board _____ /V.BLUMS/

Member of the Board _____ /E.BUKS/

November 28th, 2014