

JSC "TOSMARES KUĢUBŪVĒTAVA"

Financial statements on 12 months of 2016

(non audited)

**Liepājā
2016**

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General Information

Name of the company	Tosmares kuģubūvētava
Legal status of the company	Joint stock company
Number, place and date of registration	Register of the companies No.210302283 Liepaja, January 03, 2000 Commercial register No.42103022837 Liepaja, May 12, 2004
Address	Ģenerāļa Baloža iela 42/44 Liepaja, LV-3402 Latvia
Type of operations	NACE 3315: Construction and repair of technological equipment, ships, yachts, catamarans, containers, roltrailers; Port services
The Board	
Aleksandrs Vaļums	Chairman of the Board
Jekaterina Meļņika	Member of the Board (from 29.04.2016)
Aleksandrs Murugovs	Member of the Board
The Council	
Vasilijs Meļņiks	Chairman of the Council
Aleksandrs Čerņavskis	Vice-chairman of the Council
Jānis Skvarnovičs	Member of the Council
Henrik Kasesalu	Member of the Council
Viktors Ivanovs	Member of the Council (till 23.02.2016)
Larisa Artemenko	Member of the Council (from 29.04.2016)
Financial period	January 1, 2016 - December 31, 2016
Auditor's name and address	Natalija Zaiceva Certified auditor (LZRA Certificate. No. 138) "Orients Audit & Finance" Ltd LZRA Licence No. 28 Gunara Astras iela 8B Riga, LV-1082 Latvia

Statement of the Management's Responsibility

The Management is responsible for the preparation of the financial statements in accordance with the Laws of the Latvian Republic On Accounting and On the Annual Reports. The financial statements give a true and fair view of the financial position of the Company at the end of the reporting period, and the results of its operations and cash flow for the period then ended.

The Management certifies that proper accounting methods were applied to preparation of these financial statements on page 6 to page 18 and decisions and assessments were made with proper discretion and prudence. The accounting policies applied have been consistent with the previous period. The Management confirms that the financial statements have been prepared on going concern basis.

The Management is responsible for accounting records and for safeguarding the Company's assets and preventing and detecting of fraud and other irregularities in the Company. It is also responsible for operating in the Company in compliance with the normative acts of the Republic of Latvia.

Chairman of the Board

A.Vaļums

Member of the Board

J.Melnika

Member of the Board

A.Murugovs

February 28, 2017

Statement of the Board of Directors

In 2016 JSC "Tosmares kuģubūvētava" performed the repair of 35 vessels (in comparison with 2015 – the repair of 44 vessels) and were built steel hulls of 4 catamarans (in comparison with 2015 – 3 steel hulls of catamarans).

In 2016 a total net turnover of JSC "Tosmares kuģubūvētava" was EUR 5 107 267, of which the turnover from ship building was EUR 1 169 394 and ship repair EUR 3 937 873 (in comparison in 2015 a total net turnover was EUR 6 139 677, including ship building EUR 438 552 and ship repair EUR 5 700 948).

JSC "Tosmares kuģubūvētava" has finished the report period with gross profit in the amount of EUR 528 315 (in 2015 gross profit was EUR 1 070 428), whereas a net profit in 2016 was in the amount of EUR 51 840 (respectively in 2015 there was a net profit in the amount of EUR 145 453).

The achieved results are based on the active marketing work to attract new customers, rational use of manpower and material resources, increase of labour productivity, as well as an active and closer cooperation with customers in implementing the obligations entered into.

The Board of Directors of the Company considering the existing market situation and the resources of the Company continues to increase the effectiveness of activities of the Company, moving to new sectors of production and the market, which should ensure increase of volume of repairable and new building vessels. Also have been restored fixed assets of the Company to increase labour productivity, new working methods are acquired and improved working conditions of the Company's employees.

The Board of Directors of the Company has improved cooperation models with customers in order to make better a financial discipline and prevent the accumulation of debt, which would allow optimizing the cash flow of the Company.

The productions processes of the JSC "Tosmares kuģubūvētava" are carried out in accordance with international standards EN ISO 9001:2008, and according to the standard EN 1090 are ensured the constant quality monitoring, as well as its activities comply with the other existing shipbuilding and repair standards.

In 2017 the Board of Directors of the Company will continue to improve and develop the initiated economic activities, paying particular attention to environmental preservation measures, by investing in the Company's production facilities, which will contribute to the competitiveness of the Company and promote the development of economic activities.

JSC "Tosmares kuģubūvētava" proposes the net profit of 2016 in the amount of EUR 51 840 to direct for further development of the Company.

Chairman of the Board	A.Vaļums
Member of the Board	J.Melnika
Member of the Board	A.Murugovs

February 28, 2017

PROFIT OR LOSS STATEMENT
for 12 months period of 2016 and 2015

	Notes	12 months 2016 EUR	12 months 2015 EUR
Net sales	(1)	5 107 267	6 139 677
Cost of sales	(2)	(4 578 952)	(5 069 249)
Gross profit or losses		528 315	1 070 428
Distribution expenses	(3)	(5 619)	(8 599)
Administrative expenses	(4)	(405 185)	(336 006)
Other operating income	(5)	190 856	236 970
Other operating expenses	(6)	(106 897)	(539 450)
Other interest payment and similar income		29 265	11 730
Interest payments and similar costs	(7)	(122 193)	(121 720)
Profit or losses before taxes		108 542	301 623
Corporate income tax	(9)	(6 217)	(118 418)
Other taxes	(8)	(50 485)	(37 752)
Net profit or losses		51 840	145 453
Profit (loss) per share		0,016	0,045

Appendixes on pages 11 to 18 are an integral part of this financial report.

Chairman of the Board	A.Vaļums
Member of the Board	J.Melnika
Member of the Board	A.Murugovs

February 28, 2017

BALANCE SHEET

on December 31, 2016 and December 31, 2015

	Notes	31.12.2016 EUR	31.12.2015. EUR
ASSETS			
Non-current assets			
Intangible assets			
Other intangible assets	(9)	143	275
Total intangible assets		143	275
Fixed assets			
Land and buildings	(9)	2 326 914	2 288 012
Equipment and machinery	(9)	3 392 993	3 622 823
Other fixed assets	(9)	13 225	18 603
Fixed assets under construction	(9)	182 349	111 291
Total fixed assets		5 915 481	6 040 729
Investment property		142 547	148 083
Total non-current assets		6 058 171	6 189 087
Current assets			
Inventories			
Raw materials and consumables	(10)	554 849	589 214
Finished goods and work in progress	(11)	452 653	1 409 853
		895 919	
Advances paid for materials		4 020	29 057
Total inventories		1 907 441	2 028 124
Account receivables			
Trade receivables	(12)	1 016 567	827 161
Other receivables	(13)	122 434	104 629
Related company's debt	(14)	551 344	472 203
Expenses of future periods	(15)	4 776	496
Accrued income	(16)	612 745	249 661
Total receivables		2 307 866	1 654 150
Cash and bank	(17)	24 159	194 535
Total current assets:		4 239 466	3 876 809
		10 297 637	10 065 896

Appendixes on pages 11 to 18 are an integral part of this financial report.

BALANCE SHEET

on December 31, 2016 and December 31, 2015

	Notes	31.12.2016 EUR	31.12.2015. EUR
<u>EQUITY, PROVISIONS AND LIABILITIES</u>			
Equity			
Share capital	(18)	4 484 756	4 484 756
Non-current investments revaluation reserve	(19)	1 267 132	1 338 520
Reserves:			
other reserves	(20)	73 267	73 267
Retained earnings:		135 994	84 155
previous year's retained earnings (losses)		84 154	(61298)
current year's profit (losses)		51 840	145 453
Total equity		5 961 149	5 980 698
Provisions			
Other provision	(21)	58 561	59 941
Total provisions		58 561	59 941
Liabilities			
Non-current liabilities			
Other borrowings	(22)	1 500 000	1 500 000
Leasing liabilities	(23)	409 296	506 977
Deferred income tax liabilities	(24)	589 649	583 432
Next period income	(25)	224 127	265 449
Total non-current liabilities		2 723 072	2 855 858
Current liabilities			
Other borrowings	(26)	23 000	23 000
Leasing liabilities	(27)	97 680	105 133
Advances from customers	(28)	201 503	31 015
Trade payables	(29)	908 850	742 266
Taxes and social insurance payments	(31)	195 555	147 447
Other liabilities		86 939	77 310
Deferred income		41 322	41 322
Dividends unpaid		6	6
Accrued liabilities			1 900
Total current liabilities:		1 554 855	1 169 399
Total liabilities:		4 277 927	4 025 257
Total equity, provisions and liabilities		10 297 637	10 065 896

Appendixes on pages 11 to 18 are an integral part of this financial report.

Chairman of the Board

A.Vaļums

Member of the Board

J.Melnika

Member of the Board

A.Murugovs

February 28, 2017

CASH FLOW STATEMENT
for 12 months of 2016 and 2015 (according to direct method)

	12 months of 2016 EUR	12 months of 2015 EUR
Cash flow from operating activities		
Sales and service income	4 779 000	6 277 034
Cash to suppliers, personnel and others primary activity costs	(4 501 648)	(5 755 667)
Gross cash flow generated from operating activities	277 352	521 367
Interest paid	(112 890)	(109 159)
Corporate income tax paid	(63 334)	(10 000)
Cash flow before extraordinary items	101 128	402 208
Net cash flow generated from operating activities	101 128	402 208
Cash flow from investment activity		
Acquisition of fixed and intangible assets	(116 371)	(138 762)
Proceeds from sales of fixed assets and intangible assets		6 100
Granted loans	(50 000)	(62475)
Proceeds from the loan repayment		9000
Net cash flow generated from investing activities	(166 371)	(186 137)
Cash flow from financing activities		
Loans received		
Expenses on repayment of loan		(66 000)
Leased assets redemption expenses	(105 133)	(133 674)
Net cash flow generated from financing activities	(105 133)	(199 674)
Net foreign exchange gains/losses		
Net increase / (decrease) in cash and cash equivalents	(170 376)	16 397
Cash and cash equivalents at the beginning of the financial year	194 535	178 138
Cash and Cash equivalents at the end of the financial year	24 159	194 535

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Chairman of the Board	A.Vaļums
Member of the Board	J.Melnika
Member of the Board	A.Murugovs

February 28, 2017

STATEMENT OF CHANGES IN EQUITY
for 12 months period of 2016 and 2015

	Share capital	Revaluation reserve of Non-current investments	Retained earnings	Other reserves	Total
	EUR	EUR	EUR	EUR	EUR
Balance as at 31.12.2014	4 484 756	1 338 520	(61 298)	73 267	5 835 245
Reserves drawn up in the result of the denomination					0
Profit or losses for the financial year			145 453		145 453
Balance as at 31.12.2015	4 484 756	1 338 520	84 155	73 267	5 980 698
Profit or losses for the financial year		(71 389)	51 840		(19 549)
Balance as at 31.12.2016	4 484 756	1 267 131	135 995	73 267	5 961 149

Appendixes on pages 11 to 18 are an integral part of this financial report.

Chairman of the Board	A.Vaļums
Member of the Board	J.Melnika
Member of the Board	A.Murugovs

February 28, 2017

NOTES

ACCOUNTING POLICIES

(1) General principles

Financial statements are prepared in accordance with the Laws of the Latvian Republic On Accounting and On the Annual reports and the Regulations of Cabinet of Ministers No.488 "Provisions of Law enforcement on Annual report " and No. 481 "Regulations on the cash flow statement and statement of changes in equity contents and order of preparation" As the best practice are applied the Latvian accounting standards.

The income statement is prepared in accordance with the turnover method.

The Cash flow statement has been prepared under the direct cash flow method.

The financial statements are prepared based on going concept and according to the historical cost accounting principle.

In comparison with the previous financial period, the accounting and evaluation methods used by the Company has not been changed.

In connection with the Latvian official currency exchange from 1 January 2014, the Company's functional and reporting currency is the euro, which replaced the national currency Latvian lats. Prior period financial information that has been presented in Latvian lats, have been converted into euro using the official currency exchange rate of LVL 0.702804 against EUR 1. Since the Latvian lats had previously been pegged to the euro with the same exchange rate, the functional and reporting currency change had no effect on Company's financial statement, financial results and cash flows.

The accompanying financial statements have been drawn up in the Latvian national currency - the euro (EUR).

(2) 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.

In accordance to the Regulations of Cabinet of Ministers, revenue from ship repair work is recognized when the customer has accepted the executed repair work.

Other income are recognized as following:

- rent income – in the moment of appearance;
- income from fines and penalties – in the moment of its receipt;
- dividends – at the moment when the legal rights on them arise.

(3) Long-term agreements

Agreement costs are recognized when incurred. When the outcome of an agreement cannot be estimated reliably, agreement revenue is recognized only to the extent of agreement costs incurred that are likely to be recoverable. When the outcome of an agreement can be estimated reliably and it is possible that the agreement will be profitable, agreement revenue is recognized over the period of the agreement. When it is probable that total costs will exceed total agreement revenue, the expected loss is recognized as an expense immediately.

The Company apply the percentage of completion method to determine the appropriate amount to recognize in a given period. The stage of completion is measured by reference to the agreement costs uncured up to balance sheet date as a percentage of total estimated costs for each agreement or carrying out surveys of work performed to date. Costs incurred in the year in connection with future activity on an agreement are excluded from agreement in determining the stage of completion. They are presented as inventories or other assets, depending on their nature.

(4) Intangible investments

Intangible assets are valued as per initial cost excluding accumulated amortization. Amortization is calculated on a straight-line method useful life and determined as 4 years.

(5) Fixed assets and low-grade material

Fixed assets are estimated according to their initial expense value or reestimated initial value, excluding accrued depreciation. Depreciation is calculated according to (linear) method, using the rates of fixed assets depreciation calculation, that are based on the evaluation of fixed assets useful service duration:

	<u>Years</u>	<u>%</u>
Buildings	33,3	3
Equipment and technical utilities	10	10
Rolling stock, seacraft transport, power plant	14,3	7
Furniture and office machines	10	10
Computers and facilities	4	25
Vehicles	5	20
Instruments and inventory	10	10

The depreciation of fixed assets is started to calculate with the first day of next month after its commissioning and is finished with the first day of next month after its exclusion from fixed assets.

Company capitalizes fixed assets whose value exceeds EUR 142,29 and the period of useful utilization exceeds 1 year. Reestimating the fixed assets, their value increase is reflected in non-current investment reestimation reserve. To incomes in profit or loss statement is applied to fixed assets liquidation.

Net gains or losses from disposal of fixed assets is calculated, as the difference between the carrying amount of the fixed asset, write-off of related assets revaluation reserve (if any) and proceeds from sale, and recognized in the income statements during the period when disposal are incurred.

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

(6) Non-current investments in leased fixes assets

Expenses of leased fixed assets overhaul are written off according to linear method rate in time of the period.

(7) Rent with ransom (financial leasing)

In cases when fixed assets that are obtained in lease with ransom (financial leasing) in relation to what all risks and liabilities pass over to the company, that is characteristic to ownership, is considered as company's actives at such value as they could be acquired for spot cash. Leasing interest payments and similar payments are included in profit or loss statement of the period when they have arisen.

(8) Lease without rights of ransom (operative leasing)

In cases when fixed assets are leased on lease provisions without rights on ransom, lease payments and prepayments for lease are included in profit or loss statement according to linear method in the period of lease.

(9) Inventories

Inventories are stated at the lower of purchase or production cost and net realizable value. Purchase costs consists of purchase value and overheads, which have been acquired, by delivering inventories at their current position and value. The costs of materials and other expenses that are directly connected with the production of the appropriate item as well as a respective part of overhead expenses are included in the production cost of inventories. Selling expenses has not included in cost. Cost is stated on the weighted average method. When the net realizable value of inventories is lower than its costs, the difference is recognized as provisions for the decrease of value.

Inventories are reflected at the lowest market or purchase value, using the FIFO (weighted average) method. In case of necessity the value of obsolete, slow turnover or damaged stock is written off.

In prime costs of produces goods are included the costs of used raw materials and materials, and other expenses that are directly connected with production of corresponding object.

(10) Accounts 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. The comparison of account's receivable debts has been performed and the bad debts has been written-off.

(11) Other investments

Non-current investments, excluding investments in subsidiaries and associates, are stated at purchased value, adjusted in cases of their permanent value increase or decrease.

(12) 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.

(13) Accrued liabilities for unused annual leave

Amount of accumulated unused annual leave is determined by multiplying the average day rate og employees for the last six monts of the financial year by the amount of accrued but unused annual leave at the end of the reporting year.

(14) Corporate income tax

Corporate income tax was calculated according to Latvia Republic tax laws. According to effective provisions of the normative acts the tax rate is 15%.

(15) Deffered tax

Deferred tax is calculated according to the liability method with respect to all temporary differences between the values of assets and liabilities in the financial statements and their tax basis. The deferred tax liability is calculated based on the tax rates that are expected to be applied when the temporary differences reverse. The temporary differences arise from different fixed asset depreciation rates, as well as from tax losses carried to the next taxation periods. In cases, when the total result of the deferred tax calculation is to be reflected as assets, it is recognized in the financial statement only if a future taxable profit will be available against which the temporary differences can be utilised.

(16) Grants

For fixed assets formation received grants are regarded as next periods incomes, that gradually includes the in incomes received of for grants acquired fixed assets in useful utilization time of period. Other grants are related to results of the year of account in the period of grant receipt.

(17) Use of calculations

Preparing the financial statements, company's management has to make calculations and assumptions that influence the actives and passives shown in statements and off-balance for the day of statement preparation, as well as shown incomes and expenses of accounting period. The actual results can differ from these calculations.

(18) Related parties

Related parties are considered to be related companies, the members of the Council and the Board of Directors, the employees of the Internal Audit and/or members of the audit committee, the chief accountant, as well as other employees of the Company, who are authorized to carry out the economic activity planning, management and control, and whose decisions may have an impact on the operation and development of the Company, spouses, children and other relatives under the auspices of the mentioned persons, whose for at least a year is a common household with the person, as well as by commercial companies, which are managed or controlled by the persons referred to above.

Notes to Income Statement

(1) Net sales

	EUR	EUR
	12 months of 2016	12 months of 2015
Income from ship building	1 169 394	438 552
Income from ship repair services	3 937 873	5 700 948
Other income		177
Total	5 107 267	6 139 677

By location

Income from sales of service in Latvia	100 620	545 814
Income from sales of service in		
Fareo Islands	1 080 917	438 552
Russia	1 540 587	2 613 781
Lithuania	750 753	595 393
Estonia		48 327
Beliza	227 310	69 824
Cyprus	149 818	49 448
Netherlands	344 163	1 336 348
Malta		99 760
Germany	106 239	131 782
Gibraltar	43 131	91 034
Poland		28 750
Cambodia	9 038	
Denmark	97 418	
Norway	162 333	
Panama	122 800	90 864
United Kingdom	110 843	
Virgin Islands	249 670	
Liberia	9 000	
Sweden	2 627	
Total	5 107 267	6 139 677

(2) Cost of sales

Material purchase costs	784 321	723 848
Employees salary	1 156 114	1 108 117
Social insurance costs	248 078	248 307
Electricity costs	330 867	433 254
Depreciation of fixed assets	367 570	429 705
Contagent's services	1 383 223	1 748 387
Services from outside	63 394	60 096
Current overhaul of buildings	11 908	17 103
Security	102 255	99 032
Services of other Companies	47 910	108 855
Lease payment	55 941	72 791
Other costs	27 371	19 754
Total	4 578 952	5 069 249

(3) Distribution expenses

Media advertising expenditures	3 324	647
Business trips	2 295	7 952
Total	5 619	8 599

(4) Administrative expenses

Communication costs	1 221	1 575
Reward for the board and council	276 118	207 068
Social insurance costs	63 483	44 479
Office maintenance costs	2 754	5 937
Stock exchange costs	7 562	6 667
Lawyer's services	1 600	22 345
Expenses for the audit		3 800
Transport costs, business trips	33 606	17 034
Bank services	2 833	4 185
Representation expenses	5 016	7 226
Other costs	10 992	15 690
Total	405 185	336 006

(5) Other operating income	EUR	
	12 months of 2016	12 months 2015
Income from realization of materials	6 070	11 277
Income from rent	80 762	73 028
Income from tugboat's services	50 002	73 900
Other income	54 022	67 035
Total	190 856	225 240

(6) Other operating expenses	EUR	
	12 months of 2016	12 months 2015
Provisions for bad and doubtful debts		389 030
Accrued liabilities (holiday reserves)	(1379)	7 013
Fixed assets exclusion expenses		
Material purchase expenses	3 447	6 826
Personnel expenses (material assistance)	1 868	1 667
Tugboat's services expenses	95 110	119 730
Donations	3 360	860
Maintenance costs of leased fixed assets		874
Other expenses	4 491	13 450
Total	106 897	539 450

(7) Interest and similar expenses	EUR	
	12 months of 2016	12 months 2015
Interest charge	112 890	115 474
Penalties paid	9 303	6 246
Total	122 193	121 720

(8) Other taxes	EUR	
	12 months of 2016	12 months 2015
Real estate tax for land	14 490	14 490
Real estate tax for buildings	35 995	23 262
Total	50 485	37 752

(9) Intangible assets and fixed assets	Other intangible assets (software)	Lands and buildings	Equipment and machines	Other fixed assets	Fixed assets under construction	Investment property	Total
	EUR	EUR	EUR	EUR	EUR	EUR	EUR
Cost/revaluation							
31.12.2015	10 465	3 721 713	5 780 537	134 491	111 291	234 837	9 993 334
Additions		172 703	61 349	3 003	308 645	3 147	548 847
Disposals			44 404	614	237 587		282 605
Revaluation							0
31.12.2016	10 465	3 894 416	5 797 482	136 880	182 349	237 984	10 259 576
Depreciation							
31.12.2014	10 190	1 433 701	2 157 714	115 888		86 754	3 804 247
Calculated	132	133 801	287 962	8 380		8 683	438 958
Disposals			41 187	614			41 801
Reclassified							
31.12.2016	10 322	1 567 502	2 404 489	123 654		95 437	4 201 404
31.12.2015	275	2 288 012	3 622 823	18 603	111 291	148 083	6 189 087
31.12.2016	143	2 326 914	3 392 993	13 225	182 349	142 547	6 058 171

Cadastral value

Cadastral value of freehold land as at December 31, 2016² is EUR 966 006, cadastral value for the building is EUR 1 550 784.

(10) Raw materials and consumables

	EUR	EUR
	<u>12 months of 2016</u>	<u>12 months 2015</u>
Metal	279 256	293 428
Abrasive	4 456	2 384
Pipes	107 022	113 427
Non-ferrous metals	49 023	53 385
Products of technical rubber	36 120	36 319
Other expenses	87 939	99 238
Accruals for non-liquids	(8967)	(8967)
Total	<u>554 849</u>	<u>589 214</u>

(11) Finished goods

Yacht's hull		890 000
Equipment for yacht	452 654	519 853
Total	<u>452 654</u>	<u>1 409 853</u>

(12) Trade receivables

Book value of trade receivables	1 016 567	827 161
Net worth of trade receivables	<u>1 016 567</u>	<u>827 161</u>

(13) Other receivables

In budget advance paid and overpaid VAT tax	24 905	43 008
Corporate income tax advance payments	31 055	
Advance payments for services	12 999	8 146
Loan to private individual *	53 475	53 475
Total	<u>122 434</u>	<u>104 629</u>

* The Loan is granted to a private individual with annual interest rate of 6% until December 31, 2019 Interest for use of the loan or part thereof shall be paid simultaneously with the specified repayment period of the loan.

(14) Related company debt

AS "Rīgas kuģu būvētava" debt for the loan	546 438	472 203
	4 906	
Total	<u>551 344</u>	<u>472 203</u>

For the use of the loan is paid 6% per annum.

(15) Expenses of future periods

Press Subscription	43	42
Insurance expenses	4 733	454
Total	<u>4 776</u>	<u>496</u>

(16) Accrued income

	EUR	EUR
	<u>12 months of 2016</u>	<u>12 months 2015</u>
Shipbuilding	388 413	49 418
Ship repair	224 332	200 243
Total	<u>612 745</u>	<u>249 661</u>

(17) Cash and Bank

Cash at bank on current accounts	24 159	194 535
Total	<u>24 159</u>	<u>194 535</u>

(18) Information about company's own shares and total stock

AS "Tosmares kuģubūvētava" was established in 2000 with share capital EUR 2 281 428 that consist of 1 603 397 common shares, nominal value of share is EUR 1,40.

The joint-stock company is public and its shares are quoted with the stock exchange. All shares give equal rights to receipt of dividends, receipt of liquidation quotas and right to vote in the shareholders meeting. One share gives the right to 1 vote in the shareholders meeting. The Company has no shares that are held by the Company itself or by third persons for its assignment.

Modifications in Statutes:

- 1 In 2001 an increase of share capital of the company up to EUR 3 704 300.
- 2 In 2002 an increase of share capital of the company up to EUR 4 558 023.
- 3 In 2011 the 2 562 660 shares were determined as registered shares, and 640 737 shares as bearer shares; all shares are non-certificated shares/book-entry shares.
- 4 Equity capital is EUR 4 484 756 after denomination. Equity capital of JSC "Tosmares kuģubūvētava" consist of 3 203 397 stocks. Value of one stock is 1.40 EUR.

	EUR	
	12 months of 2016	12 months 2015
(19) Non-current investments revaluation reserve		
Investment revaluation of floating dock was on December, 2011	1 267 132	1 338 520
Total	1 267 132	1 338 520

The assessment of floating dock was carried out by certified technical expert SIA "Baltic Kontor".

(20) Other reserves

Reserves from resulting of the denomination of the share in accordance with the shareholders' decision.

	73 267	73 267
Total	73 267	73 267

(21) Other accruals

Accruals for annual leave

	58 561	59 941
Total	58 561	59 941

(22) Other borrowings

Total	1 500 000	1 500 000
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Loan is received from the legal person with 6% annual rate with the deadline of return in 2019.

As security for the loan liabilities accomplishment the Company's fixed assets are pledged. The value of the pledged fixed assets is EUR 833 471.

(23) Non-current leasing liabilities

Overhead cranes	307 352	364 759
Automobile	101 944	142 218
Total	409 296	506 977

Liabilities under the finance leases are repayable within 2-5 years.

The company has purchased cargo cranes by financial lease from SIA "SEB lizings." Interest payments are set at 3,45% + 3 months EURIBOR.

The automobile has been purchased by financial lease from SIA "Citadele lizings un faktoringis". Interest payments are set at 5% + 6 months EURIBOR.

(24) Deferred tax liabilities

	EUR	
	12 month of 2016	12 month 2015
Deferred tax liabilities at the beginning of year	583 432	505 983
Deferred tax liability increase in the financial year	6 217	77 449
Liabilities in the end of a period	589 649	583 432

(25) Next period income (non-current part)

Revenue as a result of the reverse leasing	224 127	265 449
Total	224 127	265 449

(26) Other borrowings

Interests unpaid	23 000	23 000
Total	23 000	23 000

(27) Current leasing liabilities

Automobile	40 273	38 512
Overhead cranes	57 407	66 621
Total	97 680	105 133

(28) Advances from customers

Ship building	201 503	31 015
Other		
Total	201 503	31 015

(29) Trade payables

Debts for materials	127 734	97 243
Debts for services	180 917	100 526
Debts for ship building and ship repair	569 781	532 685
Debts for fixed assets	30 418	11 812

JSC "Tosmares kuģubūvētava"
report for the 12 months period ended on December 31, 2016

Total	<u><u>908 850</u></u>	<u><u>742 266</u></u>
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(30)

Debt to the AS "Rīgas kuģu būvētava" for the materials and services		5 902
Total	<u><u>0</u></u>	<u><u>5 902</u></u>

(31) Movement of tax liabilities for 12 months of 2015

	01.01.2016.	Calculated for 2016	Calculated penalty and delay fees	(Paid) / repaid	Transferred to other taxes	31.12.2016
	EUR	EUR	EUR	EUR		EUR
Value added tax	(43 008)	(254 815)			272 918	(24 905)
Personal income tax	59 291	263 905	4 131	(215 510)	(4 964)	106 853
Social insurance payments	54 510	471 879	1 063	(167 690)	(284 777)	74 985
Corporate income tax	32 280			(63 335)		(31 055)
Real estate tax (land)	2	14 490	196	(11 065)		3 623
Real estate tax (building)	3	35 995	743	(27 742)		8 999
Natural resources tax	1 306	3 877		(4 141)		1 042
Risk duty	55	720		(722)		53
Total	104 439	505 016	6 133	(490 205)	(8 935)	139 595

Tax debt	147 447	195 555
Tax overpayment	(43 008)	(55 960)

(32) Other liabilities

	EUR	EUR
	12 months of 2016	12 months 2015
Salaries	85 776	76 702
Retention from salaries	699	531
Other liabilities	464	77
Total	86 939	77 310

General notes

(33) Average number of people employed

	12 month of 2016	12 month 2015
Average number of people employed by the Company in the financial year	<u><u>170</u></u>	<u><u>179</u></u>

(34) Personnel salary

	1 767 242	1 714 193
- salaries	1 440 486	1 397 178
- social insurance payments	326 756	317 015
including:		
Personnel salary (production department)	1 428 231	1 462 646
- salaries	1 164 368	1 190 110
- social insurance payments	263 863	272 536
Remuneration to the Board	150 810	115 938
- remuneration	123 599	95 109
- social insurance payments	27 211	20 829
Remuneration to the Council	188 201	135 609
- remuneration	152 519	111 959
- social insurance payments	35 682	23 650

Chairman of the Board	A.Vaļums
Member of the Board	J.Melnika
Member of the Board	A.Murugovs

February 28, 2017