

AS “Rīgas kuģu būvētava”

Registration number: 40003045892,
Registered Address: Gāles iela 2, Rīga, LV-1015

**LEGAL PROTECTION PROCEEDINGS PLAN OF
MEASURES**

Rīga, 12 June 2019

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 proceedings, hereinafter referred as the LPP, are specified in Annex No. 1 to the present 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 **15,608,975.28 €**, 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 proceedings or will set in during the legal protection proceedings, 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 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 **15,608,975.28 €**, including the amount of liabilities for performance of which the creditors have brought action with the court of **690,232.20 €** 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 the 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 proceedings or will set in during the legal protection proceedings. (Paragraph 4 of Part 4 of Section 40 of the Insolvency Law)

Starting from the **first** LPP month, the DEBTOR will start gradual repayment of all 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 Plan). The time schedule of performance (repayment) of these liabilities to each creditor is presented in Annex No. 3 the present Plan.

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

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

The total amount of the DEBTOR'S envisaged revenue during the LPP amounts to **18,281,766.68 €**. The justification of the envisaged revenue forecast and assumptions thereof are described in detail in Annex No. 4 to the present Plan.

The schedule of the DEBTOR'S envisaged revenue and expenses (the report of the envisaged cash-flow forecast during the first LPP year, by explaining the report items within one month and within three months during the second LPP year) is presented in Annex No. 6 to the present Plan.

6. The total amount of the envisaged Debtor's expenses during the legal protection proceedings 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 envisaged DEBTOR'S expenses during the LPP amounts to **18,249,238.60 €**, including the total amount of performance (repayment) of the liabilities to the creditors of **13,780,805.83 €**. 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 Plan.

The schedule of the DEBTOR'S envisaged revenue and expenses (the report of the envisaged cash-flow forecast during the first LPP year, by explaining the report items within one month and within three months during the second LPP year) is presented in Annex No. 6 to the present Plan.

7. The methods applicable within the legal protection proceedings and the justification of the necessity of the selected method in order to achieve fulfilment of the legal protection proceedings plan of measures. *(Paragraph 7 of Part 4 of Section 40 of the Insolvency Law)*

The following LPP methods will be applied 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 (satisfaction of the creditors' claim).

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 (satisfaction of the creditors' claim);

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 6 months as from the approval of the LPP plan of measures;

all the DEBTOR'S payment obligations (except the claims which will be reduced) will be gradually performed in full amount during the period of 6 months according to the schedule of performance (repayment) of the liabilities, in particular:

– **in the first month** of the LPP, by means of alienating (selling) the DEBTOR'S property serving as the security of the claim of BlueOrange Bank AS, , all the claims of BlueOrange Bank AS (except the claims which will be reduced), i.e. the principal claim (the principal amount of the outstanding loan) and side claim (the outstanding interest of use of the loan) will be fully repaid);

– **in the first month** of the LPP all the claims of the State Revenue Service and Riga City local government (except the claims which will be reduced), i.e. the principal claims (the outstanding principal amounts of taxes) will be fully repaid;

– during the period from the **second** to the **sixth** month of the LPP, all the other 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., the 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),

the following DEBTOR'S pledged movable property/real estate will be alienated (sold):

- the floating dock 170;
- the floating crane 19/25;
- the hydraulic press 380 t;
- Vitranen side bending machine;
- the fire-fighting depot (cadastral No.01006130107; folio No.100000110224);
- the recreation complex (cadastral No.80525030001; folio No.100000439495)
- the floating dock 791;
- 3–5 portal cranes;
- the floating crane SPK–24;
- the tug boat N.Nečiporenko;
- the tug boat 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 at the moment of sale, 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. The performance of the DEBTOR'S payment obligations (the creditors' principal claims)

will be postponed for 24 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 performed within 24 months in accordance with the schedule of performance (repayment) of the liabilities, i.e.:

- **in the first month** of the LPP all the claims of the State Revenue Service and Riga City local government, i.e., the principal claims (the outstanding principal amounts of taxes) will be fully repaid;

- from the **second** until the **twenty fourth** LPP month, all the other claims of unsecured creditors will be gradually and proportionally covered, 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) the following DEBTOR'S not pledged movable property/real estate will be alienated (sold):

- the floating dock K-4;

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 pledged 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 following unsecured creditors: SOGIP SERVICES GENEVA, SA and TOSMARE KUĢUBŪVĒTAVA, AS, after the performance of all the DEBTOR'S payment obligations according to the LPP plan of measures (except the claims which will be reduced) to the secured creditors (by releasing the DEBTOR'S property from pledges in favour of the secured creditors), the following DEBTOR'S movable property/real estate will be encumbered with the rights in rem (pledged) in favour of SOGIP SERVICES GENEVA, SA and TOSMARE KUĢUBŪVĒTAVA, AS) (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 staff wage claims which will be fully paid 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 will be 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)

The current core type of operation of the DEBTOR is building and repair of ships and floating machinery.

The planned type of the DEBTOR'S operation is the lease of its movable property/real estate for building and repair of ships and floating machinery.

The justification for the change of the type of the DEBTOR'S core operation is reduction of the personnel directly involved in building and repair of ships and floating machinery, thus reducing the expenses related to the labour force, including taxes, and securing of stable and predictable revenue from the lease of the movable property/real estate for successful implementation of the LPP, at the same time securing maintenance of the movable property/real estate (infrastructure) and maintenance of its use for building and repair of ships and floating machinery.

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

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

The term of implementation of the LPP is two years (24 months) as from the date when the court resolutions regarding the approval of the LPP has entered into force.

10. Types of transactions which the Debtor may perform without securing the agreement by the Supervisor of the legal protection proceedings 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 if 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 Plan).

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

(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 proceedings.

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

A written approval of the LPP plan of measures by the DEBTOR, the majority of creditors provided for by Part Three of Section 42 of the Insolvency Law and the candidate of the LPP supervisor is deemed an agreement between the DEBTOR, the majority of creditors provided for by Part Three of Section 42 of the Insolvency Law and the candidate of the LPP supervisor (Part One of Section 35¹ and Parts One and Two of Section 166 of the Insolvency Law) regarding the following:

1. The DEBTOR'S LPP supervisor will be **Gatis Upeniēks**, 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.upeniēks@inbox.lv, hereinafter referred to as the SUPERVISOR;

2. The SUPERVISOR'S monthly remuneration for the securing of lawful and efficient process of the LPP 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 in Annex No. 7 to the present Plan.

13. The list of the Debtor's pledged property needed for implementation of the plan of measures of the legal protection proceedings 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 proceedings. *(Paragraph 13 of Part 4 of Section 40 of the Insolvency Law)*

For successful implementation of the LPP plan of measures 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 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 Plan.

14. The amount of compensation to secured creditors for restriction of their rights during the legal protection proceedings 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 six 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 Plan.

15. Justification to the fact that the benefit of the creditors who have not approved the plan of measures of the legal protection proceedings is minimum as large as if the debtor's insolvency proceedings would be 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 proceedings would be 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 proceedings.

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 proceedings, 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 proceedings and potential risks 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 proceedings, 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 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 (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 proceedings 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 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 regarding each creditor, the term of repayment of which has set in prior to starting the LPP or will set in during the LPP;

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

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 during the first LPP year, by explaining the report items within one month and within three months during the second LPP year);

Annex No.7 – the confirmation that the restrictions referred to in Parts Two and Three of Section 12³ of the Insolvency Law are not applicable to the SUPERVISING PERSON;

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 20.03.2019.

Riga, 12 June 2019

Chairman of the Board

Einārs Buks/

Board Member

Ainārs Tropiņš