Joint Stock Company "GROBIŅA"
(Unified registration number 40003017297)

NON-AUDITED

FINANCIAL STATEMENTS
FOR THE 3 MONTHS PERIOD ENDED
31 MARCH 2014

Dubeņi, Grobiņa district

Contents

General Information

Name of the Company	Joint stock company "Grobiņa"
Legal status of the Company	Public joint stock company
Registration number, place, date	40003017297 Riga, 12 July 2004
Address	Lapsu Street 3, Dubeņi, Grobiņa district Latvia, LV-3438
Names and legal addresses of related and associated companies (indicating the Company's percentual share in the equity of these companies)	Not applicable
Core Business Activities of the Company	Raising of other animals, NACE 01.49 Farm animal food production NACE 10.91
Names and positions of the Board members:	
Chairman of the Board	Gundars Jaunsleinis
Member of the Board	Gunta Isajeva
Member of the Board	Andris Vītoliņš
Names and positions of the Council members:	duration in accordance with data from the Register of Enterprises
Chairman of the Council	Ojārs Osis
Member of the Council	Argita Jaunsleine
Member of the Council	Gunārs Laugalis
Member of the Council	Linda Elsberģe
Member of the Council	Silvija Neimane
Reporting year	01 January 2014 – 31 March 2014

Management Report

Core Business Activity

Core business activity of JSC "Grobiņa" is fur-farming of minks and animal feed producing.

Operations during the reporting year

On the fur trade season 2013/2014 is observed a worldwide price decline, about 50 % in all the fur segments, including the mink skin production. The reason for the global price decline is a combination of factors – untypically warm winter, changes in the biggest fur buyer and consumer – China's import policy etc. By analysing the previous period statistic of fur market, it can be concluded that the price drop in the fur industry is cyclical - 2002/2003, 2008/2009, 2013/2014 (in every 5-7 years). It should be noted that after every drop, always followed a price increase. As it was in the previous seasons. Thereby, this cyclical nature shall be taken into account into the future.

In those circumstances, the management of JSC „Grobiņa" considers that the fur prices already on the trade season 2014/2015 will reach at least the price level of season 2012/2013.

Considering the above mentioned, JSC "Grobiņa" net turnover of the 1st quarter of 2014 is EUR 1 519 724, it has decreased by 17 % comparing with the 1st quarter of 2013. In the first 3 months of 2014 have been sold 40 283 mink skins with the average price of 37,54 EUR per piece , where in 1st quarter of 2013 there were 25 289 minks skins sold with the average price of 72,61 EUR per piece.
We believe that exactly due to the mink herd change on year 2011 and 2012 and by that, the achieved skin quality, JSC „Grobiņa" realized production prices are above the average auction prices and also on this year the production has been sold over the production costs and the company is working with profit.
Also it shall be noted, that the current price drop has been as a grounding to reduce the company's food raw material costs, which, as we consider, will affect the production costs of the produced furs on this breeding season.

In the first quarter of 2014 the average number of employees in JSC "Grobina" was 107,
where in the first quarter of 2013 it was 81.
The profit of the first quarter of 2014 is EUR 178 896. Net earnings per share are EUR 0,358.
In the same period of 2013 the net earnings per share were EUR 1,548.

Financial results

Total liquidity ratio = 0.58
Current liquidity ratio = 0.03
Quick liquidity ratio = 0.01
Specific weight of liabilities in the balance sheet =0.80
Inventory turnover ratio = 0.51
Asset turnover ratio = 0.09
Profit on sales (%) =11.77%
Return on equity (%) = 5.51 %

Future perspective

Despite the temporary price drop, what usually causes the production amount decrease in the global fur industry, the management of JSC „Grobiņa" sees a good development perspectives. Contrary to the overall mood of the industry, by taking into account the good quality by its produced skins, JSC "Grobiņa" on the year 2014 will increase the production amounts by ~40 %, by producing at least 120 000 mink skins. As it has been reported, on February 2014 work started the newly built fur farm in „Ceļmalnieki", Vērgale parish, Pāvilosta district and thanks to the automation of this farm, we are planning noticeably reduce the production costs of the achieved skins, by the same time not reducing the managements set standards on the skin quality.

The management of JSC „Grobiņa" is continuing the active work to the already started investment projects, and at the start of June 2014 is planning to finish the 1st layer of the independent food preparation kitchen in Liepaja, Brivibas street 119A and 119B. By realizing the projects 1st part, at optimal production capacity it will be possible to produce till 12 000 tons of ready fur animal food per year, with whom as a priority will be ensured the newly built farm in „Ceļmalnieki", Vērgales parish, Pāvilosta district (consumption ~4500 tons per year) and the rest fur animal food (~7500 tons per year) will be sold to other fur farms in Latvia, Lithuania and in perspective also Russia (Kaliningrad region).

Taking into account, that this kind centralized food kitchen is the only one in the eastern Baltic and the already existing interest from other fur farmers indicates to a high demand for this production. The realization of the food, already on year 2014. will result as additional income and will diversify (complement) the previous activity of JSC "Grobiņa" – fur farming and fur achievement.

To develop this direction and to be ready for the market demand for fur animal feed, the management of JSC „Grobiņa" is working on the capacity expansion. For the 2nd part of the project realization it has been submitted an application to attract the public funding within European Fisheries Fund (EFF) section ''Processing of fishing and aquaculture products''. By realizing the second part of the project, the factory will be able to produce till 24 000 tons of the ready fur animal food per year.

Chairman of the Board__________________________Gundars Jaunsleinis

Member of the Board______________________________Gunta Isajeva

Member of the Board______________________________Andris Vītoliņš

19 May 2014

Statement of Management's resposibility

The Management of Joint Stock Company "Grobiņa" is responsible for the preparation of the Company's Financial Report.

The Management of Joint Stock Company "Grobiņa" confirms that the Financial Report for the three months of 2014 has been prepared in accordance with the requirements of the applicable laws and regulatons and gives a true and fair view on the JSC "Grobiņa" assets, liabilities, financial position and loss. The Management Report contains true information.

Internal risk control procedures are effective, risk management and internal control during the reporting year were performed in accordance with internal control procedures.

The Management of Joint Stock Company "Grobiņa" is responsible for the compliance with the requirements of laws and regulations of the Republic of Latvia.

Chairman of the Board___________________________ Gundars Jaunsleinis

Member of the Board_______________________________ Gunta Isajeva

Member of the Board_______________________________ Andris Vītoliņš

19 May 2014

BALANCE SHEET

	ASSETS	31.03.14. EUR	31.03.13. EUR
II	***Tangible assets***		
	Land, building and construction	5 858 365	665 671
	Equipment and machinery	103 838	117 643
	Other fixed assets and equipment	691 167	149 096
	Construction in progress	395 040	76 775
	Advance payments for tangible assets	347 100	877
	Total tangible assets	**7 395 510**	**1 010 062**
III	***Biological assets***		
	Breeding animals	6 418 426	2 787 515
	Advance payments for breeding animals	4 000	4 000
	Total biological assets	**6 422 426**	**2 791 515**
	Total non-current assets	**13 817 936**	**3 801 577**
Current assets			
I	***Inventories***		
	Raw materials and consumables	637 707	566 643
	Unfinished production	6 485	1 725
	Finished production and goods for sale	1 990 094	999 556
	Prepayments for goods	200	0
	Total inventories	**2 634 486**	**1 567 924**
III	***Receivables***		
	Trade receivables	11 304	30 604
	Other receivables	66 593	140 331
	Prepaid expenses	9 376	7 631
	Total receivables	**87 273**	**178 566**
III	***Cash (total)***	**41 854**	**377 417**
	Total current assets	**2 763 613**	**2 123 907**
	Total assets	**16 581 549**	**5 925 484**

Chairman of the Board__________________________Gundars Jaunsleinis

Member of the Board______________________________Gunta Isajeva

Member of the Board______________________________Andris Vītoliņš

19 May 2014

BALANCE SHEET (continued)

	EQUITY AND LIABILITIES	**31.03.14. EUR**	**31.03.13. EUR**
I	***Equity***		
	Share capital (equity)	711 436	711 436
	Reserves:		0
	d) other reserves	77 481	77 481
	Total reserves	77 481	77 481
	Retained earnings		0
	a) retained earnings for the previous year	2 276 944	1 493 523
	b) retained earnings for the reporting year	178 896	773 874
	Total retained earnings	2 455 840	2 267 397
	Total equity	**3 244 757**	**3 056 314**
II	***Provisions***		
	Other provisions	69 782	43 930
	Total provisions	**69 782**	**43 930**
III	***Liabilities***		
I	***Long-term liabilities***		
	Loans from credit institutions	6 561 223	897 501
	Other loans	27 812	41 963
	Further period income	1 844 580	0
	Deferred tax liabilities	35 852	0
	Total long-term liabilities	**8 469 467**	**939 464**
II	***Short-term liabilities***		
	Loans from credit institutions	254 006	381 002
	Other loans	310 012	22 831
	Prepayments received from customers	1 107 794	591 826
	Trade payables	2 869 912	371 841
	Taxes and state social insurance payables	145 420	59 103
	Other payables	48 486	32 311
	Further period income	57 643	0
	Unpaid dividends	0	426 862
	Accrued liabilities	4 270	0
	Total short-term liabilities	**4 797 543**	**1 885 776**
	Total liabilities	**13 267 010**	**2 825 240**
	Total equity and liabilities	**16 581 549**	**5 925 484**

Chairman of the Board__________________________Gundars Jaunsleinis

Member of the Board______________________________Gunta Isajeva

Member of the Board______________________________Andris Vītoliņš

19 May 2014

INCOME STATEMENT

	2014 EUR	2013 EUR
Net turnover	1 519 724	1 836 119
Cost of sales	1 067 924	836 611
Gross profit or loss	**451 800**	**999 508**
Sales expenses	41 038	22 113
Administrative expenses	124 988	130 816
Other operating income	23 061	0
Other operating expenses	13 991	9 839
Profit or loss from operations	**294 844**	**836 740**
Interest payable and similar expenses	113 591	53 533
Profit or loss before extraordinary items and taxes	**181 253**	**783 207**
Profit or loss before taxes	**181 253**	**783 207**
Other taxes	2 357	9 333
Profit or loss of the reporting year	**178 896**	**773 874**
Earnings (loss) per share (EPS)	**0,358**	**1,548**

Chairman of the Board__________________________Gundars Jaunsleinis

Member of the Board______________________________Gunta Isajeva

Member of the Board______________________________Andris Vītoliņš

19 May 2014

CASH FLOW STATEMENT (indirect method)

		2014 EUR	2013 EUR
I	***Cash flow from operating activities***		
1	Profit or loss before extraordinary items and taxes	**181 253**	**783 207**
	Adjustments:		
a)	depreciation costs of tangible assets;	55 871	23 529
b)	profit or loss from foreign currency exchange rate fluctuations;	7	9 397
c)	subsidies, grants, endowments, donations;	-19 214	0
g)d	interest payable and similar expenses.	113 591	53 533
2	Profit or loss before corrections of changes in the balances of current assets and short-term liabilities	**331 508**	**869 666**
	Adjustments:		
a)	(increase)/decrease in biological assets;	-3 889 259	-271 568
b)	(increase)/decrease in receivables balances;	-3 265	-99 503
c)	(increase)/decrease in inventories balances;	974 318	251 393
d)	increase/(decrease) in suppliers, contractors and other creditors payables balances.	698 781	-65 878
3	**Gross cash flow from operating activities**	**-1 887 917**	**684 110**
4	Interest payable	-113 591	-53 533
5	Immovable property tax expenses	-2 357	-9 333
6	**Cash flow before extraordinary items**	**-2 003 865**	**621 244**
7	**Net cash flow from operating activities**	**-2 003 865**	**621 244**
II.	***Cash flow from investing activities***		
1	Additions in tangible and intangible assets	-783 825	-307 367
8	**Cash flow from investing activities**	**-783 825**	**-307 367**
III.	***Cash flow from financing activities***		
1	Loans received	2 364 106	42 000
2	Subsidies, grants, endowments and donations received	19 214	0
3	Loans repaid	-134 511	-7 921
4	Dividends paid	0	-426 861
9	**Net cash flow from financing activities**	**2 248 809**	**-392 782**
IV.	***Result of foreign currency exchange rate fluctuation***	-7	-9 397
V.	***Net cash flow in the reporting year***	**-538 888**	**-88 302**
VI.	***Cash and its equivalents at the beginning of the reporting year***	**580 742**	**465 719**
VII.	**Cash and its equivalents at the end of the reporting year**	**41 854**	**377 417**

Chairman of the Board____________________________Gundars Jaunsleinis

Member of the Board________________________________Gunta Isajeva

Member of the Board________________________________Andris Vītoliņš

19 May 2014

STATEMENT OF CHANGES IN EQUITY

	2014 EUR	2013 EUR
I. Share capital (equity)		
1. Amount in the balance sheet of the previous year	**711436**	**711436**
4. Amount in the balance sheet at the end of the reporting year	**711436**	**711436**
V. Reserves		
1. Amount in the balance sheet of the previous year	**77481**	**77481**
4. Amount in the balance sheet at the end of the reporting year	**77481**	**77481**
VI. Retained earnings		
1. Amount in the balance sheet of the previous year	**2276944**	**1493523**
2. Correction of the amount in the balance sheet of the previous year	0	0
3. Increase/decrease in retained earnings	178896	773874
4. Amount in the balance sheet at the end of the reporting year	**2455840**	**2267397**
VII. Equity		
1. Amount in the balance sheet of the previous year	**3065861**	**2282440**
3. Amount in the balance sheet at the end of the reporting year	**3244757**	**3056314**

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19 May 2014

NOTES TO THE FINANCIAL STATEMENTS

ACCOUNTING POLICY

I. General Principles

The financial statements of the Company have been prepared in accordance with the Law of the Republic of Latvia on Annual Reports, Regulations No.488 issued by the Cabinet of Ministers of the Republic of Latvia “Law on annual reports enforcement policies”, Regulations No.481 issued by the Cabinet of Ministers of the Republic of Latvia “Regulations on the cash flow statement and statement of changes in equity content and preparation procedures”.

Income statement has been prepared by turnover cost method.

Cash flow statement has been prepared using indirect method to calculate cash flow from operating activities.

Accounting policy, accounting and evaluation methods used by the Company have not been changed comparing with the previous reporting year.

Financial statements period is 3 month .

Accounting principles used

Items of the financial statements have been evaluated according to the following accounting principles:

1. Assumption, that a Company is a going concern.

2. The same evaluation methods are used as in the previous reporting year.

3. Evaluation is made with proper precaution, taking into account the folowing conditions:

- the report includes profit, that was acquired till the date of the balance sheet;
- all foreseeable risk amounts and losses that incurred during the reporting year or in the previous years have been taken into account even if they have been found out in the period between the date of balance sheet and the date, when annual report was signed;
- any value decrease and depreciated amounts have been calculated and taken into account regardless of whether the reporting year is finished with profit or loss.

4. Income and expenses related to the reporting year are taken into account regardless of the date of payment and the date of invoice receipt or issue. Expenses are reconciled with incomes in the reporting year.

5. Elements of the assets and liabilities items are evaluated separately.

6. Opening balances of the reporting year match closing balances of the previous year except the adjusted

7. All the items, that significantly affect evaluation and decision-making of the annual report users, are disclosed, non-significant items have been combined and the details are disclosed in the notes.

8. Business transactions are disclosed in the annual report, taking into account its economic contents and nature rather than legal form.

Subsequent events

Favorable or adverse events after the balance sheet date of the reporting year are disclosed in the financial statements by reflecting the adjustments in the amounts of the items or by adding new items. If by the time of the preparation of financial statements there has been adverse event that does not relate to the reporting year, but may significantly impact the financial statement users' assessment of Company's assets, liabilities, financial position, profit or loss and cash flow or decision-making in the future, the Management provides information about such events in the Management Report, disclosing the estimated financial impact of the event or informing that it can not be estimated.

Changes in accounting policies, accounting estimates, correction of errors and its disclosure in the financial statements

Accounting policies are changed only if the regulatory framework has changed or if the existing accounting policy no longer meets the true and fair view requirements of the law due to changed circumstances. If a change in accounting policy is caused by normative framework, the impact is disclosed in the financial statements in accordance with established transitional procedures. If the transitional procedures have not been established, the impact of change in accounting policy is evaluated to all respective items of the financial statements of the previous period. Changes in accounting policies are explained in the notes to the financial statements.
Information about the change in accounting estimates is provided in the notes to the financial statements.
Accounting estimates are changed only when subsequent events will change the circumstances that gave rise to the estimate so far, or if there is new information.

Error occurred and discovered during the reporting year or by the time of preparation of annual report is corrected before the financial statements are authorised for issue, adjusting the corresponding financial statement's items.

II. Recognition of revenues and net turnover

Net turnover is the total value of the goods (mink, polar fox and silver fox skins and fur skin products) sold and services provided within the year, subtracting discounts,value added tax and other taxes directly related to sales. Revenue from the product sale is recognized when the buyer has accepted the goods according to the terms and conditions of the goods delivery. Revenue from services provided is recognized at the time services are provided.
Other revenues are recognized as following:
- revenue from rent - at the time it occurs;
- revenues from fines and penalty payments - at the receipt time;
- revenues from insurance compensation - at the receipt time;
- revenues from dividends - when legal right appears;
- revenues from interest - on accrual basis of accounting.

In accordance with principle of accrual basis of accounting expences are recognizes in the period, in which they occur regardless of invoice payment date. Loan costs, which are assoicieted with loans are written-off in the period to which they relate and are shown in the caption "Interest payable and similar expenses".

III. Intangible and tangible assets

Intangible and tangible assets are recorded at purchase value less accumulated depreciation. The purchase value includes expenses, which are directly related to the purchase of the intangible or tangible asset. The purchase value of software licence includes costs of licence purchase and costs, that appeared by the time of implementing it in use. The value of intangible assets is expected to be included in the expenses within five years.

Land is not an object of depreciation. In respect of other assets the depreciation is calculated on a straight-line basis over the estimated useful life of the relevant intangible or tangible asset, in order to write-off the purchase value or the revaluation value of the intangible or tangible asset until its estimated residual value at the end of the useful life using the following rates defined by the Management:

	Depreciation % per year
Buildings and constructions	1.7%-8.5%
Technilogical equipment	5.3%-25%
Other equipment and facilities, motor vehicles	9.1%-33.33%

The initial value of construction in progress is increased by other direct costs incurred in relation to the object until the new object is put into operation. The initial value of the respective asset is not increased by the interest of the loans used for creation of the new asset in the periods when active development work regarding the construction in progress is not carried out. At the end of the reporting year the construction in progress is evaluated for impairment.

Subsequent costs are included in the balance sheet asset value or recognized as a separate asset only when there is a high probability that future economic benefits, related to this item, will flow to the Company and the costs of this item can be determined credibly. Such costs are written off during the remaining useful life of the tangible asset. When capitalizing the established costs of spare parts, the residual value of the replaced parts is written off in the income statement.

Current repair and maintenance costs of the tangible asset are recorded in the income statement in the period they appeared.

Profit or loss on tangible assets disposals are calculated as the difference between the book value and sales income, and the incomes from the respective tangible asset revaluation reserve written-off, these are recorded in the income statement in the period they appeared.

IV. Inventories

Inventories are recorded at the lower of product cost and market value. Inventories are measured using the FIFO method. Outdated, slow or damaged inventories are written-off. Inventories are recorded using continuous inventory method.

V. Trade receivables

Trade receivables are recorded in the balance sheet in the net value, initial costs less an allowance for any doubtful or uncollectible amounts. The allowance for any doubtful or uncollectible amounts is made in the cases, when the Management supposes, that the collection of these amounts is problematic.

VI. Foreign Currency Revaluation to euro

The accounting in the Company is made in euro. All transactions in the foreign currency are revaluated to euro according to the official exchange rate defined by the European Central Bank at the date of transaction.

Assets and liabilities in the foreign currency are revaluated to lats according to the official exchange rate defined by the European Central Bank at the last day of the reporting year. The profit or loss, that derive from the foreign currency exchange rate fluctuations, are disclosed in the income statement in the corresponding period.

VII. Cash and Cash Equivalents

Cash and cash equivalents for the cash flow statement's purpose consist of the current accounts balances and short-term deposits with initial term up to 90 days.

VIII. Financial Risk Management

The Company's principal financial instrument is cash. The main purpose of this financial instrument is to ensure financing for the Company's operations. The Company has various other financial instruments such as consumers and customers debts and other debtors, debts to suppliers and contractors and other creditors, which arise directly from its operations. The company may grant short-term loans to the Management and employees.

Financial risks

The main financial risks arising from the Company's financial instruments are liquidity risk and credit risk.

Interest rate risk

The Company's policy is to ensure that the majority of its borrowings are at fixed rate.

Credit risk

The Company is exposed to credit risk through its trade receivables, other receivables, as well as cash. The Company manages its credit risk by continuously assessing the credit history of customers and assigning credit terms on individual basis. In addition, receivable balances are monitored on an ongoing basis to ensure that the Company's exposure to bad debts is minimised.

The partners in cash transactions are home and foreign financial institutions with a respective credit history.

Liquidity risk

The Company manages its liquidity risk by maintaining an appropriate financing.

IX. Subsidies

Subsidies received for specific types of capital investment are recognized as deferred income, which is gradually included in the revenues during the useful life of the tangible assets received or purchased with the subsidy. Subsidy to cover expenses is recognized in revenues in the same period when the relevant expenditure appeared, provided all the terms and conditions in respect of receiving the subsidy are fulfilled.

X. Loans

Initially loans are recognized in fair value less costs, related to the loan. In the subsequent periods loans are recorded as the depreciated purchase value, which is calculated using the effective interest rate on the loan. The difference between the amount of cash received excluding the expenses related to receiving the loan and the value of loan repayment is included gradually in the income statement.

XI. Taxes

The Corporate income tax costs of the reporting year are included in the financial statements basing on the Management's calculations in accordance with the laws and regulations on taxes of the Republic of Latvia.

Deferred tax is calculated using the liability method on all temporary differences between assets and liabilities in the financial statements and its values for the tax calculation purposes. Deferred tax is calculated using the tax rates, that are in force at the date of the balance sheet, which are expected during the periods, when temporary differencies smooth out. Temporary differences primarily arise from the use of different rates of depreciation of the fixed assets, as well as tax losses that are transfered to subsequent tax periods. A diferred tax asset is recognized if there is a high probability, that a taxable profit will be acquired, which will be object to the deductible temporary differencies.

XII. Provisions

Provisions are recognized if the Company has present legal or practice obligation that was a result of past events, there is a high probability, that for the completion of the obligation economic benefits outflow will be necessary and the amount may be credibly estimated.

Provisions for unused annual leaves and state social insurance payments for unused leaves are calculated as total provisions for all employees taking into account each employee's average daily salary and accumulated leave days at the end of the reporting period.

XIII. Related parties

Related parties are considered to be participants of the Company, members of the Board, members of the Council, their close relatives and the companies, in which mentioned persons have control or significant influence.

XIV. Biological assets

The Company's biological assets are fur animals. The biological assets are measured at fair value. Fair value is determined by the cost calculation. The changes in the amount of biological assets, which results from the measurment at fair value less estimated impairment due to degeneration and increase in value due to reproduction and impairment due to skin production are included in the income statement of the reporting period. The skins produced are included in the inventories and initially measured at fair value according to the cost calculation.

XV. Investment properties

The Company has no investment property.

XVI. Accrued liabilities, contingencies

Accrued liabilities are certain amounts payable to suppliers and contructors for goods or services received in the reporting year which at the balance sheet date has not yet been billed according to supply, sales or business contracts or other reasons. These obligations amounts are calculated on the basis of the contract price and the supporting documents of actual receipt of goods or services. A contingent liability disclosures are provided in the notes to the financial statements and - where appropriate - in the Management report. The likely financial impact is indicated where possible and if any expected.
Contingent assets which may arise in connection with certain past events (eg, intention to conclude a contract or option), are not included in the balance sheet. If it is expected that the Company receives future economic benefits from contingent assets, the information is provided in the Management report.

XVII. Earnings per share

Earnings per share are determined by dividing the net profit or loss attributable to company shareholders by the weighted average number of shares during the reporting year.