

Joint Stock Company

BRIVAIS VILNIS

(Unified registration number 40003056186)

**INTERIM
FINANCIAL REPORT
for the first six months of 2016
(unaudited)**

Salacgrīva 2016

Address: 1 Ostas Street, Salacgriva, LV-4033

Unified registration number: 40003056186

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GENERAL INFORMATION

Name of the company	JSC "Brivais vilnis"
Legal status of the company	Joint Stock Company
Number, place and date of registration	40003056186 Riga, 7 February 1992
Registered office	1 Ostas Street, Salacgriva, LV-4033, Latvia
Major shareholders	"A Corporation "Ltd "(47.28%) Registration No.40003799285 8 Rigas Street, Adazi, LV-2164, Latvia "Baltic Finance & Capital" Ltd (49.97%), Registration No.40003612793 8 Rigas Street, Adazi, LV-2164, Latvia
Board members	Arnolds Babris (Chairman of the Board) Maris Trankalis (Manager) Kristaps Koškins (Commercial) Dace Bokmeldere (Director)
Members of council	Ilona Drikina Anda Caune Ilmārs Reinis Kaspars Vārpiņš
Financial period	1 January – 30 June, 2016

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MANAGEMENT REPORT

August 30, 2016

The types of activities performed by the JSC "Brivais vilnis" (the Company) are processing and canning of fish and fish products, wholesale of food products and other commercial activities classified nowhere else. On May 14, 2002 the company was registered in the Common commercial register of the Republic of Latvia.

Year 2016 is the 25th year of operation since the Company was transformed into a Joint Stock Company.

In the 1st half of 2016 the Company produced a total of 5.3 million cans of various types (127) of fish products, including 2.1 million cans of sprat. 5.2 million cans were sold for EUR 2.7 million.

The financial result of the 1st half of 2016 is a loss of EUR 129 thousand. These losses are from economic activities of the Company and are related with decrease of production and sales volume and currency fluctuations in the CIS countries. Losses mainly occurred in the first quarter of 2016, as the market activity in the first months was especially low. In the second quarter, the Company balanced its articles of expenditure to earnings and it gave the desired result.

Net turnover of the 1st half of 2016 is EUR 2.8 million.

Result of the 1st half of 2016:

Gross profit (EUR)	279 938
Gross profit (%)	10.16

The Company's goal is to continue transformation in accordance with the EU and third countries quality requirements, reducing production costs to enable the Company to compete and strengthen its position in existing and new market of canned fish. The Company continues work on adoption of new markets in North America, South America and the Arab countries.

The Company continued to work on development of new types of products. We are working on improvement of quality of the current assortment and introduction of new, innovative type of packaging.

In June, the Company stopped the production to carry annual repair of factory and districts out, employees could take their leaves and to realize the stock of produced canned fish. In the beginning of September, the Company will restart production of canned fish, in order to ensure fulfilment of orders.

The Company is a leader in product quality, it makes production only from natural raw materials and doesn't use synthetic food additives and genetically modified products.



Arnolds Babris
Chairman of the Board

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REPORT ON BOARD'S RESPONSIBILITY

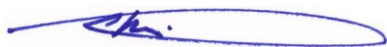
August 30, 2016

The management of the JSC "Brivais vilnis" is responsible for preparation of financial statement of the Company. Interim financial statements of the Company are not subject for audit.

Financial statements are prepared on basis of accounting entries and source documents and give a real conception about financial position of the Company on the 30st of June 2016.

Financial statements are composed in accordance with accounting standards of the Republic of Latvia, based on continuation principle of business activities.

The management of the JSC "Brivais vilnis" is responsible for fulfillment of legislation requirements of the Republic of Latvia.



Arnolds Babris

Chairman of the Board

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BALANCE SHEET

	ASSETS		
	30.06. 2016 EUR	31.12. 2015 EUR	30.06. 2015 EUR
NON-CURRENT ASSETS			
Intangible assets			
Projects, licences			274
TOTAL	0	0	274
Tangible assets			
Land, buildings and constructions	3 447 580	3 477 766	3 508 438
Equipment and machinery	224 309	263 704	303 552
Other fixtures and fittings, tools and equipments	69 144	95 931	120 823
Advances for fixed assets	17 312	165	1 123
TOTAL	3 758 345	3 837 566	3 933 936
TOTAL NON-CURRENT ASSETS	3 758 345	3 837 566	3 934 210
CURRENT ASSETS			
Inventories			
Raw materials	357 983	482 510	674 612
Finished goods and goods for sale	961 639	945 573	809 322
TOTAL	1 319 622	1 428 083	1 483 934
Receivables			
Trade receivables	1146383	1636980	2039934
Other receivables	139976	88749	147556
Prepaid expenses	101177	103938	102382
TOTAL	1 387 536	1 829 667	2 289 872
Cash	52 718	74 892	28 939
TOTAL CURRENT ASSETS	2 759 876	3 332 642	3 802 745
TOTAL ASSETS	6 518 221	7 170 208	7 736 955

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EQUITY AND LIABILITIES

	30.06. 2016 EUR	31.12. 2015 EUR	30.06. 2015 EUR
EQUITY			
Share capital	4 339 230	4 339 230	4 339 230
Long term investment revaluation reserve	2 084 807	2 100 134	2 115 463
Other reserves	70 890	70 890	70 890
Retained earnings			
brought forward (loss)	(3 179 980)	(2 419 379)	(2 419 379)
for the period	(128 589)	(760 604)	(79 849)
TOTAL	3 186 358	3 330 271	4 026 355
LIABILITIES			
PROVISIONS			
Other provisions	58 621	52 204	94 699
TOTAL	58 621	52 204	94 699
Non-current liabilities			
Loans from credit institutions	1 219 780	1 219 780	1 576 780
Other loans	120 060	120 060	185 329
Deferred income	60 629	60 629	58 857
Taxes payables	249 742	249 742	
Deferred corporate income tax liabilities	137 107	137 107	122 196
TOTAL	1 787 318	1 787 318	1 943 162
Current liabilities			
Loans from credit institutions	459 000	459 000	255 000
Other loans	37 649	99 145	47 295
Prepayments received from costumers		324 122	308
Trade payables	654 647	939 638	1 089 820
Taxes payables	234 497	37 440	161 644
Deferred income	13 321	26 646	41 742
Other liabilities	80 010	107 624	76 930
Accrued liabilities	6 800	6 800	
TOTAL	1 485 924	2 000 415	1 672 739
TOTAL LIABILITIES	3 273 242	3 787 733	3 615 901
TOTAL EQUITY AND LIABILITIES	6 518 221	7 170 208	7 736 955

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INCOME STATEMENT

	2 quarters of the year 2016	For year 2015	2 quarters of the year 2015
	EUR	EUR	EUR
□			
Net turnover	2756409	7 204 108	4 173 455
Cost of sales	-2476471	(6 459 578)	(3 716 855)
Gross profit (loss)	279 938	744 530	456 600
Distribution costs	-87826	(223 550)	(95 031)
Administrative expenses	-307103	(882 720)	(466 854)
Other operating income	149240	390 949	116 412
Other operating expenses	-132803	(665 704)	(76 743)
Interest receivable and similar income	71762	52 662	97 170
Interest payable and similar expenses	-81557	(141 622)	(91 163)
Profit/(Loss) before taxes	(108 349)	(725 455)	(59 609)
Corporate income tax			
Other taxes	-20240	(35 150)	(20 240)
Profit / (Loss) for the reporting period	(128 589)	(760 605)	(79 849)
Earnings (loss) per share	-0,041	-0,245	-0,026

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CASH FLOW STATEMENT

	For 2 quarters 2016	For 2 quarters 2015
	EUR	EUR
Cash flows to operating activities		
Profit/loss before taxes	(108 349)	(59 609)
Adjustments for:		
Amortization and depreciation	96 369	102 603
Interest expenses	64 217	74 451
Provisions for vacations and current repair	6 417	(46 396)
Non-current assets revaluation reserve write-off	(15 328)	(15 328)
Operating profit or loss before working capital changes	43 326	55 721
Decrease (increase) in inventories	108 461	(203 045)
Decrease (increase) in receivables	442 131	963 866
Decrease (increase) in prepaid expenses		3 013
Increase (decrease) in payables	(459 994)	(568 889)
Cash used in operations	133 924	250 666
Interest paid	(65 244)	(74 451)
Corporate income tax	(2 441)	(43 730)
Real estate tax	(10 023)	(10 217)
Net cash flows to operating activities	56 216	122 268
Cash flows to investing activities		
Purchase of fixed assets	(17 147)	(5 156)
Net cash flows to investing activities	(17 147)	(5 156)
Cash flows to financing activities		
Received subsidies	-	36 148
Repaid loans	(25 703)	(153 000)
Leasing payments	(35 540)	(59 337)
Net cash flows to financing activities	(61 243)	(176 189)
Change in cash and cash equivalents	(22 174)	(59 077)
Cash and cash equivalents at the begin of the reporting period	74 892	88 016
Cash and cash equivalents at the end of the reporting period	52 718	28 939

STATEMENT OF CHANGES IN EQUITY

	Share capital	Long term investment revaluation reserve	Other reserves	Retained earnings	Profit (loss) the reporting period	Total
	EUR	EUR	EUR	EUR	EUR	EUR
Balance as at 01 January 2015	4 339 230	2 130 791	70 890	(2 676 389)	257 010	4 121 532
Revaluation reserve write-off	-	(30 656)				(30 656)
Reclassification of profit	-			257 010	(257 010)	-
Profit (loss) of the 2015	-				(760 605)	(760 605)
Balance as at 01 January 2016	4 339 230	2 100 135	70 890	(2 419 379)	(760 605)	3 330 271
Reclassification of profit				(760 605)	760 605	-
Profit (loss) of the reportong period					(128 589)	(128 589)
Revaluation reserve write-off		(15 328)				(15 328)
Balance as at 30 June 2016	4 339 230	2 084 807	70 890	(3 179 984)	(128 589)	3 186 354

ACCOUNTING POLICIES

I Summary

The financial statements of AS Brivais vilnis have been prepared in accordance with the law of The Republic of Latvia on Financial Statements of the Companies.

The financial statements are prepared on historical cost basis.

The monetary unit used in the financial statements is EUR, the monetary unit of the Republic of Latvia. The financial statements cover the period 1 January 2015 through 30 June 2016.

II Earning recognition and net turnover

Net turnover is the total value of finished production and goods sold as well as services provided without discounts and VAT during the year.

Other earnings are recognised at the moment of their origin or at the moment when legal rights on such earnings arise.

Other earnings are caused by exclusion of fixed assets and sales of current assets.

Other interest receivable and similar income is income that is not caused directly by the operating activities.

III Intangible and tangible fixed assets

Intangible and tangible fixed assets have been appreciated according to their acquisition cost.

The cadastral value of land has been assessed.

The write-off value of intangible non-current assets as software is performed on a straight-line basis annually for equal amount.

Depreciation is calculated on a straight-line basis over the estimated useful life of the assets.

The following depreciation rates were established and applied:

	% per annum
Buildings and constructions	1 – 5
Technological equipment and machinery	20
Other fixed assets	10 – 50
Computing and similar devices	33

IV Redeeming leasehold

Such fixed assets as transport that have been purchased on financial lease including the take-over of the related risks have been booked according to their non-lease sales price. Expenditures of leasing interest and similar payments have been included in the income statement of the period it occurred.

V Receivables

Trade and other receivables are recognised and carried at original invoice amount less an allowance for any non-collectable amounts.

An estimate for doubtful debts is made when collection of the full amount is no longer probable.

Receivables are disclosed in balance sheet at the original invoice amount less provision made. Provision on doubtful receivables is made evaluating each receivable individually. Bad debts are written off when recovery is deemed impossible.

All receivable amounts stated in the balance have to be received during the year after the date of balance.

VI Inventories

The valuation of inventories in financial accountancy is being done using continuous inventory method.

The inventories have been evaluated at their purchase or production cost price using FIFO method.

Decreased value of inventories is written-off as costs of the reporting year.

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VII Corporate income tax

The corporate income tax for the reporting year has been calculated according to the legislative requirements of the Republic of Latvia. The applied tax rate for the corporate income tax in the year 2016 is 15%.

VIII Foreign currency converting

The measure of value and currency used in the annual report is EUR- official currency of the Republic of Latvia.

All monetary positions of assets, equities and liabilities have been converted into EUR .

	30.06.2016.
1 USD	1.1102

The profit or loss from the fluctuations on foreign exchange rates is shown in the income statement or loss account of the particular reporting period.

For the informative purpose above stated positions have been converted to EUR according to the exchange rate on 30.06. 2016.

As the prepaid expenses there are stated insurance costs, all kind of subscription and similar kind of expense for the reporting period.

All liabilities are to be settled within the period of year except the ones stated in the interpretation of the balance sheet.

All taxes payable to budget are for the current month.

IX Cash and equivalents

In Cash flow statement cash and its equivalents consists of cash on hand and current balance in bank accounts.