

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

ANNUAL REPORT 2015

(25th financial year)

PREPARED IN ACCORDANCE WITH

The Law On the Annual Financial Statements

and Consolidated Financial Statements of the Republic of Latvia

AND INDEPENDENT AUDITOR'S REPORT

Liepaja, 2017

Independent auditors' report

Contents

| | |
|---|-----------|
| General information | 4 |
| Management Report | 5 |
| Statement of Management's Responisbility | 7 |
| Profit or losses statement | 8 |
| Balance | 9 |
| Cash Flow Statement | 11 |
| Statement on Changes in Equity | 12 |
| Attachment to the Financial Statement | 13 |

General information

| | | |
|--|---|---|
| Name of the Company | Joint stock company "GROBINA" | |
| Legal status of the Company | Public joint stock company | |
| Registration number, place, date | 40003017297 Liepaja, 23d of August 1991 | |
| Legal address | Lapsu Street 3, Dubeni, Grobina district Latvia, LV-3438 | |
| Shareholders | Aksana Jansone, 41.27% Argita Jaunsleine, 23.98% Gundars Jaunsleinis, 25.75% Others, 9% | |
| Board of the Company | Gundars Jaunsleinis – chairman of the board, since 01.06.2011 Gunta Isajeva – member of the board, since 06.08.2010 Ireneusz Sajewicz – member of the board, since 02.04.2015 Andris Vītoliņš – member of the board, since 10.03.2011 to 02.04.2015 | |
| Council of the company | Ojārs Osis – chairman of the council, since 01.06.2011 Argita Jaunsleine – vice president of the council, since 01.06.2011 Jānis Liepiņš – member of the council, since 18.08.2015 Ģirts Mīlgrāvis – member of the council, since 18.08.2015 Evija Šivare – member of the council, since 18.07.2016 Silvija Neimane – member of the council, since 20.07.2007 to 03.05.2016 Gunārs Laugalis – member of the council, since 22.03.2010 to 18.08.2015 Linda Elsberģe – p member of the council, since 31.05.2011 to 18.08.2015 | |
| The company's ,main activity (NACE 2.0 red.) | 01.49 Farming of other animals 10.91 Farm animal feed production 68.20 Renting and management of own or rented real estate | |
| Reporting period of time | 1 st of January 2015 to 31 st of December 2015 | |
| Previous reporting period | 1 st of January 2014 to 31 st of December 2014 | |
| Auditor | Ieva Liepiņa certified Auditor Certificate Nr. 161 | Ltd. "Ievas Liepiņas birojs" Reg.Nr.40003747546 Brivibas street 39, Riga, LV-1010 Licence Nr.139 |

Management report

Core business activity of JSC "GROBIŅA" is fur-farming of minks for fur production and farm animals feed production.

During the reporting period

In 2015 company has worked with neto turnover of 4 865 347 EUR, representing growth of 69%. In 2015 12 months has realized 113 521 mink skins and the average price of the skin is 40.18 EUR / pcs, while - 12 months of 2014 were sold 94 849 mink skins at an average sales price of 28.39 EUR / pcs. 2015 profit of the company is 756 903 EUR, net earnings per share is 1,5138 EUR, but in 2014 was a net loss per share 4,2797 EUR. Average number of employees in 2015 was 108 employees, in 2014 - 95 employees.

Fur market in 2015 was positive trended, as evidenced by the production increase in prices of 41.5% compared to the previous years of crisis in the sector. Also JSC "Grobina" in 2015 is increased product sales by 20% and, based to investments made in advance, in 2015 the company has increased its production amounts.

However, in 2015 held the Finnish auction house Saga Furs fur auctions (March, June, September) was very significant fluctuations in the price of fur, which showed an even more precarious situation in the fur market. In general there was observed price increase comparing with 2014, but prices in 2015 still did not reach the expected, they were 26% below of the average prices which were the industry pre-crisis years (2012, 2013 average JSC "Grobina" product sales the price was 54.70 EUR for mink skin).

In response to market fluctuations, the two Scandinavian auction houses in 2015 changed the procedure for implementation mink i.e. mink collection was completely removed from the December 2015 auction, for which JSC "Grobina" management was forced to review existing contracts and future payment arrangements with their suppliers and service providers to transfer payments to the 2016 March and June auctions where was realised production of 2015. However, in spite of the unstable situation in 2015 in the fur market, JSC "Grobina" has arranged part of financial obligations from previous crisis years as far as it was possible, as well in cooperation with major creditors of the company in 2015 was realised JSC "Grobina" financial commitment restructuring plan within which the share of short-term liabilities are restructured in the long run.

Also, at the end of 2015 it has been realized project, which was started in 2014 under which has been upgraded fur animal feed production in Dubeni, Lapsu street 3 and completed the centralized feed production factory in Liepaja, Brivibas street 119a. The project is implemented in cooperation with the Rural Support Service, attracting public funding for EU EFF measure "Fishery and aquaculture products processing" program.

In the global markets in 2016 there was a dramatic fur sales prices fall, as compared to March 2015 the average auction price of EUR 48.44 - March 2016 auction, the average price fell by 54% and amounted to only EUR 22.30. Consequently, it is given that March 2016 was sold at auction essential JSC "Grobina" produced skin amount ~ 78 300 skins - JSC "Grobina" cash flow March planned auction revenues lagged behind by about 2 million. EUR. Result of these developments the company was unable to meet in full its obligations towards its creditors. Thus, the rapid response to the situation in the Court there was submitted an application for the JSC "Grobina" process of legal protection proceedings. Consequently, the Court of Liepaja on April 6, 2016 a decision was instituted Nr.C20153616 JSC "Grobina" legal protection proceedings. As the majority of the creditors, according to the Insolvency Law Article 42, third paragraph, agreed JSC "Grobina" management developed by the process of legal protection plan with respect to the accumulation of unsecured creditors (suppliers) debts essentially provides only the debt principal repayments deferred until June 2018, based on the Liepaja Court judgment of 29 June 2016 the JSC "Grobina" May 17, 2016 the legal defence plan was approved. By 3d of March 2017, Liepaja court decision is confirmed JSC "Grobina" redress process plan amendments.

Since JSC "Grobina" legal protection proceedings prosecution company continues economic activities in accordance with an approved JSC "Grobina" legal protection process action plan and its amendments. JSC "Grobina" legal protection proceedings action plan was based on a forecast that the 2016 the average auction price will be EUR 30 per skin, according to the March 2016 auction results have materialized as a result of the JSC "Grobina" management reasonably believes that company will be able to comply with the court approved legal protection process action plan and to restore its ability to cover its financial obligations. In addition, based to the performance of the project as an independent fur animal feed production factory establishment, JSC "Grobina" can make realisation of produced fur animal feed to other companies in industry in Latvia, as well in abroad, thus gaining more revenue in addition to the production of fur.

JSC "Grobina" in 2015 is increased product sales reaching 12 months of 2015 the net turnover of 6 220 362 EUR. Therefore, the 12 months of 2015 were sold 113 521 mink skins at an average sales price of 40.18 EUR / pcs., An increase of 20% more than in 2014 12 months, when it was realized 94 849 mink skins at an average price of 28.39 EUR / pcs. As a result, 2015 12-month profit is 756 903 EUR which was basement for successful reconstruction process completing in 2015 with JSC "Citadele banka", there were covered bank debts accumulated in the previous season. Therefore, 2015 net earnings per share are 1,5138 EUR, 2014 when the 12-month net loss per share was 4.2797 EUR.

Although the fur market in 2015 as a whole showed a positive trend, as evidenced by the production increase in prices of 41.5% compared to the previous years of crisis in the sector - fur sales prices in 2015 still did not reach the expected levels. However, in 2015 held the Finnish auction house Saga Furs fur auctions (March, June, September) was very significant fluctuations in the price of fur, which showed that the fur market situation is not stable.

As a result, by 2016 the world's markets was fur sales price of a dramatic decline as a result of the JSC "Grobina" appealed to the court with a legal protection process application. Since the majority of the creditors, according to the Insolvency Law Article 42, third paragraph, agreed JSC "Grobina" management developed by the process of legal protection plan based on the Liepaja Court judgment of 29 June 2016 the JSC "Grobina" 17 May 2016 Legal Protection Proceedings the plan was approved. By March 03, 2017, Liepaja court decision is confirmed JSC "Grobina" legal protection proceedings plan amendments. Since JSC "Grobina" legal protection proceedings prosecution excitation, company continues economic activities in accordance with an approved JSC "Grobina" legal protection proceedings action plan and its amendments.

Liepaja, 14th of March 2017

Gundars Jaunsleinis
Chairman of the board

Gunta Isajeva
Member of the board

Ireneusz Sajewicz
Member of the board

Statement of Management Responsibility

Management is responsible for the Company's Financial Statements in accordance with the Annual Accounts Act. Financial accounts present fairly the financial position at the end of the year, results of operations and cash flows for the year.

The Board confirms that the financial statements, which you can find in pages 8. to 25. preparing and decisions and observations have been prudent and reasonable. The Management Board confirms that the financial statements prepared in accordance with the action there [rance principu.

Management is responsible for keeping proper accounting records, assets of the Company, as well as fraud and other irregularities Sabiedrība detection and prevention. Management is responsible for Latvian statutory requirements.

Liepaja, 14th of March 2017

Gundars Jaunsleinis
Chairman of the buard

Gunta Isajeva
Member of the board

Ireneusz Sajewicz
Member of the board

Profit or losses statement

| | Note | 2015 EUR | 2014 EUR |
|---|------|------------------|--------------------|
| Net turnover: | 2 | 4 865 347 | 2 879 362 |
| Sold goods production costs | 3 | (4 999 708) | (3 997 317) |
| Gross profit or losses | | (134 361) | (1 117 955) |
| Sales costs | 4 | (138 377) | (119 644) |
| Administration costs | 5 | (502 178) | (417 056) |
| Other incomes form commercial activity | 6 | 1 583 139 | 157 057 |
| Other commercial activity expenses | 7 | (54 258) | (74 210) |
| interest payments and similar costs | 8 | (534 445) | (482 189) |
| Profit or loss before taxes | | 219 520 | (2 053 997) |
| Corporate income tax | | - | - |
| Deferred corporate income tax | | 546 724 | (76 426) |
| Other taxes | | (9 341) | (9 427) |
| Profit/ losses of the reporting year | | 756 903 | (2 139 850) |

Annex is an integral part of this financial statement.

Liepaja, 14th of March 2017

Gundars Jaunsleinis
Chairman of the board

Gunta Isajeva
Member of the board

Ireneusz Sajewicz
Member of the board

Balance

| Assets | Note | 31.12.2015. | 31.12.2014. |
|--|------|--------------------------|--------------------------|
| Long term investments | | EUR | EUR |
| Fixed assets | | | |
| Land, buildings, constructions and perennial plantations | | 6 612 025 | 6 015 305 |
| Equipment and machinery | | 5 345 949 | 87 282 |
| Other fixed assets and inventory | | 990 875 | 762 132 |
| Fixed assets and construction in progress costs | | - | 1 371 393 |
| Advance payments for fixed assets | | 148 221 | 273 543 |
| Total: | 11 | 13 097 070 | 8 509 655 |
| Biological assets | 12 | 3 840 173 | 5 712 125 |
| Long term investments | | | |
| Deferred tax assets | 22 | 434 446 | - |
| Total: | | 434 446 | - |
| Long term investments TOTAL | | 17 371 689 | 14 221 780 |
| Current assets | | | |
| Stock | | | |
| Raw materials and consumables | 13 | 82 674 | 230 243 |
| Not finished production | 13 | 884 | 1 084 582 |
| Finished goods and goods for sale | 13 | 4 735 811 | 2 104 264 |
| Advanced payments for goods | | 26 248 | |
| Working animals and productive animals | | 462 051 | 519 238 |
| Total | | 5 307 668 | 3 938 327 |
| Debtors | | | |
| Purchasers' and commissioning party debts | 14 | 326 095 | 109 931 |
| Other debtors | 15 | 17 313 | 37 398 |
| Prepaid expenses | 16 | 122 049 | 11 347 |
| Accrued income | | 224 705 | |
| TOTAL: | | 580 162 | 158 676 |
| Cash and cash equivalent | 17 | 1803 | 43 778 |
| Current assets TOTAL | | 5 889 633 | 4 140 781 |
| Assets TOTAL: | | <u>23 261 322</u> | <u>18 362 561</u> |

Annex is an integral part of this financial statement.

Balance

Liabilities

| | Note | 31.12.2015. EUR | 31.12.2014. EUR |
|--|------|--------------------|--------------------|
| Equity | | | |
| Share capital | 28 | 711 436 | 711 436 |
| Reserve | | | |
| other reserves | | 77 481 | 77 481 |
| Undistributed profit | | | |
| from previous years | | 619 503 | 2 276 944 |
| from reporting year | | 756 903 | (1 657 441) |
| Equity capital TOTAL | | 2 165 323 | 1 408 420 |
| Savings | | | |
| Other savings | 19 | 58 517 | 71 106 |
| Savings TOTAL | | 58 517 | 71 106 |
| Creditors | | | |
| Long term creditors | | | |
| Loans from credit institutions | 20 | 5 656 571 | 6 957 041 |
| Other loans | 21 | 2 260 317 | 915 573 |
| Taxes and social security payments | 25 | 117 355 | |
| Incomes of next periods | 23 | 2 140 024 | 2 199 191 |
| Deferred income tax liabilities | 22 | | 112 278 |
| Debts to suppliers and contractors | | 1 669 903 | |
| Total | | 11 844 170 | 10 184 083 |
| Short term creditors | | | |
| Loans from credit institutions | 20 | 776 096 | 196 567 |
| Other loans | 21 | 236 143 | 186 309 |
| Advanced payments from customers | | 2 489 419 | 2 302 548 |
| Debts to suppliers and contractors | | 4 785 071 | 4 088 907 |
| Taxes and statutory social insurance contributions | 23 | 217 858 | 226 643 |
| Other creditors | 24 | 538 710 | 58 709 |
| Incomes of next periods | 25 | 98 317 | 95 617 |
| Accrued liabilities | | 51 698 | 26 061 |
| Total | | 9 193 312 | 7 181 361 |
| Creditors TOTAL | | 21 037 482 | 17 365 444 |
| Total liabilities: | | 23 261 322 | 18 362 561 |

Attachment is an integral part of these financial statements

Liepaja, 14th of March 2017

Gundars Jaunsleinis
 Chairman of the board

Gunta Isajeva
 Member of the board

Ireneusz Sajewicz
 Member of the board

Cash Flow Statement

| | 2015 | 2014 |
|---|--------------------|--------------------|
| Cash flow from operating activities | | |
| Profit or loss before taxes | 219 520 | (2 053 997) |
| corrections: | | |
| depreciation of fixed assets | 511 172 | 382 869 |
| Creation of provisions (excluding provisions for doubtful debts) | (12 589) | 1 324 |
| Gains or losses from foreign exchange rate fluctuations | - | 11 |
| Interest payable and similar charges | 441 027 | 466 679 |
| received subsidies | - | (154 956) |
| Income from sale of fixed assets | - | - |
| Sold reclassified assets and residual value | 11 851 | 21 648 |
| Operating profit or loss before working capital changes | 1 170 981 | (1 336 422) |
| Receivables increase or decrease | (743 654) | (74 669) |
| Inventory balance in an increase or decrease | (1 426 528) | 189 715 |
| Suppliers, contractors and other creditors payable debt the balance of an increase or decrease | 3 065 272 | 3 620 859 |
| Biological assets increase or decrease | 2 299 270 | (3 698 196) |
| Gross operating money flow | 4 365 341 | (1 298 713) |
| Expenditure on interest payments | (275 409) | (466 679) |
| Paid corporate income tax | - | (7 337) |
| Expenditure on property tax payments | - | (4 596) |
| Operating activities operating cash flow | 4 089 932 | (1 777 325) |
| Cash flow from investing activities | | |
| Fixed assets and intangible assets purchase | (5 110 438) | (2 246 616) |
| Investing activities Net money flow | (5 110 438) | (2 246 616) |
| Financing activities money flow | | |
| loans received | 1 442 522 | 4 030 923 |
| Receive subsidies, grants, gifts or donations | 60 383 | 154 956 |
| Expenditure on loan repayment | (524 374) | (698 893) |
| Financing activities Net cash flow | 978 531 | 3 486 986 |
| Foreign exchange rate differences | - | (11) |
| Accounting year net cash flow | (41 975) | (536 966) |
| Cash and cash equivalents balance at beginning of the reporting year | 43 778 | 580 744 |
| Cash and cash equivalents balance at the end of reporting year | 1 803 | 43 778 |

Annex is an integral part of this financial statement.

Liepaja, 14th of March 2017

Gundars Jaunsleinis
 Chairman of the board

Gunta Isajeva
 Member of the board

Ireneusz Sajewicz
 Member of the board

Statement of Changes in Equity

| | Stock or share capital (fixed capital) | Other reserves | Retained profit from previous years | Retained profit | Total |
|---------------------------------------|--|-------------------|---|--------------------|------------------|
| Balance at December 31, 2013 | 711 436 | 77 481 | 1 920 386 | 356 558 | 3 065 861 |
| Net profit or loss | - | - | - | (2 139 850) | (2 139 850) |
| Retained profit from previous periods | - | - | 356 558 | (356 558) | - |
| Balance at December 31, 2014 | 711 436 | 77 481 | 2 276 944 | (2 139 850) | 926 011 |
| Net profit or loss | - | - | - | 1 239 312 | 1 239 312 |
| Retained profit from previous periods | - | - | (2 139 850) | 2 139 850 | - |
| Balance at December 31, 2015 | 711 436 | 77 481 | 137 094 | 1 239 312 | 2 165 323 |

Annex is an integral part of this financial statement.

Liepaja, 14th of March 2017

 Gundars Jaunsleinis
 Chairman of the board

 Gunta Isajeva
 Member of the board

 Ireneusz Sajewicz
 Member of the board

Attachment of the Financial Statement

1. Important accounting policies

The principles of making financial statements

JSC "Grobina" is primarily engaged in growing mink fur and livestock feed production.

Compared with the previous period, the reporting period, the accounting and valuation methods have not changed.

The annual statements were prepared in accordance with these following principles ::

- a) It is assumed that the company will be active in future;
- b) There are used the same valuation methods as in the previous year
- c) Evaluation of items is made with due caution:
 - In statement there is included only till the date of balance gained profit;
 - There are taken in account all predictable risk amounts and losses incurred in the reporting year or in previous years, even if they appear between balance date and preparation of annual report;
 - There are calculated and taken into account all impairments and depreciation amounts, regardless of whether the financial result was a loss or profit.
- d) there are taken in account all in the reporting year related incomes and expenses, regardless of the payment date and receipt of the invoice or the date of issue. Costs aligned with revenue in the reporting period;
- e) Assets and liabilities were evaluated separately;
- f) The opening balance agrees with the prior year closing balance;
- g) All items that have a significant impact on the annual report, assessment or decision-making, insignificant items have been combined and their details disclosed in the notes;
- h) Business transactions are recorded taking into account their economic content and substance rather than legal form.

Financial statements the monetary unit used in the European Union currency Euro (EUR). The financial statements cover the period from 1 January 2015 until 31 December 2015.

Use of estimates

When preparing the Financial Statement, the management has to rely on certain estimates and assumptions, which have an effect on balances of the Balance Sheet and the Profit or Loss Account reflected in certain statements, as well as the amount of contingent liabilities. Future events may affect assumptions, based on which the respective estimates were made. Any impact from changes in estimates is reflected in the Financial Statement at the moment they are established.

Foreign currency exchange

Monetary assets and liabilities denominated in foreign currencies are translated into euros at the European Central Bank exchange rate on the last day. Exchange rate differences arising on settlements of transactions or on reporting of assets and liabilities, using the exchange rates that differ from the initial transaction accounting rates, are recognized in profit or loss in net value.

Intangible assets

Intangible assets are stated at cost, which is being amortized during the useful life using the straight-line method. When events or changes in circumstances indicate that the carrying value of intangible assets may not be recoverable, the value of intangible assets are reviewed for impairment.

Fixed assets

All fixed assets are valued at cost or valuation, less accumulated depreciation and accumulated impairment losses. Land are not depreciated. Depreciation is calculated on the asset's useful life on a straight-line basis. Production technological equipment purchased from January 1, 2007 are depreciated using the declining balance method. Depreciation rates are set by the company management, assessing each individual asset's useful life.

Depreciation is calculated starting with the following month after the fixed assets are put into operation or engaged in commercial activity. Depreciation is calculated separately for each unit of fixed assets, the cost of which is significant in relation to the total cost of this fixed asset. If the Company depreciates separately certain units of fixed assets, it also depreciates separately the remaining units of this fixed asset. The remainder consists of those units of the fixed asset, which individually are not important. The remaining part of depreciation is calculated using approximation techniques to faithfully represent their useful life.

When any events or changes in circumstances indicate that the fixed asset balance value may not be recoverable, the value of the respective fixed asset is reviewed to determine its impairment. In case of any signs that the value may not be recoverable and if the balance sheet value of the asset exceeds the recoverable amount calculated, the asset or cash-generating unit is written down to its recoverable amount. The recoverable amount of the fixed asset is the higher of the net realizable value and use-value. When determining the use-value, the estimated future cash flows are discounted to their present value using a pre-tax discount rate, which reflects the current market assessments and risks related to it. For an asset that does not generate cash flows, the recoverable amount is determined according to the cash flow-generating asset to which it belongs. Impairment losses are recognized in the Profit or Loss Account as production costs of goods sold.

Recognition of carrying amount of fixed assets' objects is discontinued if it is alienated or if no economic benefit is expected from further use of an asset. Any profit or losses resulting from a discontinued recognition of fixed assets' object (calculated as difference between net revenue from alienation and balance sheet value of fixed asset), is recognized in profit and loss account in the period when the fixed asset recognition was discontinued.

Expenditure related to improvements of leased property are capitalized and listed as fixed assets. Depreciation of said assets is calculated for the entire lease period using the linear method

Stock valuating

The stocks are valued at the lower of net realizable value and acquisition or production cost. The purchase cost consists of the purchase price and overheads arising from delivering the stocks in their current value and state. The cost of output stocks includes the costs of raw materials and materials used and other expenses directly related to production of the specific object, as well as respective part of the overall expenditure. The cost did not include selling costs. The balances of the value of stocks are calculated using the weighted average method. If the net realizable value of stocks is lower than their cost, the difference is recorded as provision for impairment.

Trade receivables and other debtors

Trade receivables are listed and reflected in the Balance Sheet according to the original invoice amount, deducting the provisions for doubtful debts. Provisions for doubtful debts are calculated when it is no longer credible to receive the full amount of the debt. Debts are written off when their recovery is deemed impossible.

Cash and cash equivalents

Cash and cash equivalents include the cash at a bank and on hand and short-term deposits, the original maturity of which does not exceed three months.

Financial leasing

Finance leases, under which the Company has substantially all the risks and benefits incidental to ownership of the leased item, are capitalized at the amount, leasing launching comply with the leasing of the leased property at fair value or, if lower, the minimum lease payments at the present value. Finance lease payments are apportioned between finance charges and reduction of the lease so as to achieve a constant rate on the finance balance outstanding. Financial costs are included in the income statement as interest expense.

If there are sufficient grounds to believe that the leasing period at the end of the leasing object will pass ownership of the lessee of the expected service life is assumed that the asset's useful life. Otherwise capitalized leased assets are depreciated using the straight-line method for the estimated useful lives of assets or the lease term, depending on which of these periods shorter.

Assets, under which substantially all of the ownership of the risks and the lessor are classified as operating leases. Operating lease payments are recognized as an expense over the lease term using the straight-line method.

Provisions

The provisions are recognized, when the Company has a present obligation (legal or constructive) resulting from a past event and it is probable that fulfilment of this obligation will require outflow of economically beneficial resources from the Company, and the amount of the obligation can be reliably estimated. In case the time value of money has a material impact, provisions are calculated by discounting the expected future cash flow by using a pre-tax rate, which reflects the current market assessment of time value of money and the risks concerning the specific obligations, if any. Where discounting is used, increase in provisions over time is recognized as borrowing costs.

Provisions of unused vacations

Provisions are determined by counting the number of provided days of vacation sum for each employee. Provision sum is calculated if each employee one day average earnings multiply by amount of not used vacation days number at the end of the year.

Recognition of revenue

Revenue is recognized according to the confidence in the possibility that the Company will gain economic benefits and to the extent to which it can be reasonably determined, deducting the value added tax and sales-related discounts. In recognition of revenue, the following conditions are also taken into account:

- Sale of goods

Revenue is recognized, when the Company has transferred to the buyer all material risks and rewards related to the ownership of the goods.

- Services provision

Revenue is recognized based on the stage.

- Interest

Revenue is recognized in accordance to the period of the time.

Deals with related parties

Related parties are defined as shareholders that may significantly affect the Company's operations, Council and Board members, their close relatives and companies in which they have significant influence or control.

Enterprise income tax

Enterprise income tax consists of the enterprise income tax calculated for the reporting year and the deferred enterprise income tax. Enterprise income tax for the reporting year is calculated applying a tax rate in the amount of 15% to the taxable income gained in the respective taxable period.

Deferred income tax is calculated using the liability method, on temporary differences between assets and liabilities amounts in the financial statements and their values for tax purposes. Deferred tax is calculated by applying the statutory 15% tax rate. These temporary differences have mainly occurred from different depreciation rates for accounting and tax purposes of provisions for vacation pay, as well as tax losses carried forward tax periods. In cases where the total deferred tax result is shown in the balance sheet, it is included in the financial statements only when it is expected that there will be available taxable profit, which will be subject to the deductible temporary difference that created the deferred tax asset.

Events after the balance sheet date

The Financial Statement reflects such events after the end of the reporting year that provide additional information about the Company's financial position on the balance sheet date (adjusting events). If the events after the end of the reporting year are not adjusting, they are reflected in the annexes to the Financial Statement only if they are material.

Financial risk management

Sabiedrības nozīmīgākie finanšu instrumenti ir aizņēmumi no kredītiestādēm. Šo finanšu instrumentu galvenais uzdevums ir nodrošināt Sabiedrības saimnieciskās darbības finansējumu. Sabiedrība saskaras arī ar vairākiem citiem finanšu instrumentiem, piemēram, parādi piegādātājiem un darbuizņēmējiem, kas izriet tieši no tā saimnieciskās darbības.

The Company's principal financial instruments comprise loans from credit institutions. These financial instruments is to ensure that the Company's operations. The Company is also exposed to other financial instruments, such as trade payables, which arise directly from its operations.

The main financial risks related to the Company's financial instruments are interest rate risk, liquidity risk and credit risk.

Interest rate risk

The Company is exposed to interest rate risk mainly through its current and long-term borrowings. The Company's policy is designed to ensure that the largest part of the loan interest rate would be unchanged.

Liquidity risk

The Company manages its liquidity risk by maintaining adequate cash and cash equivalents and ensuring adequate availability of credit to meet its obligations.

Credit risk

Financial resources, which potentially subject the Company to concentrations of credit risk, consist principally are trade receivables. The Company has introduced and observes a credit policy, providing services on credit only for state and local government bodies, or customers with a good credit history. For the remaining buyers Company conducts preventive measures to mitigate credit risk, requiring a significant advance for the service and through regular trade receivables monitoring. At the end of

the reporting period, the Company was not subject to significant concentrations of credit risk, as the net of some state structures and the partnership of which a member is also the Company itself, no customer debt did not exceed 5% of total trade receivables volume.

1. Neto turnover

| <i>By operating (basic) activities</i> | 2015 | 2014 |
|---|------------------|------------------|
| Incomes from mink skins realization | 4 560 650 | 2 692 539 |
| Breeding animals realization | 224 707 | 47 928 |
| Other incomes from operating (basic) activities | 79 990 | 138 895 |
| TOTAL: | 4 865 347 | 2 879 362 |
| <i>By geographic markets</i> | 2015 | 2014 |
| Latvia | 79 990 | 104 039 |
| Finland | 4 560 650 | 2 690 966 |
| Lithuania | 224 707 | 84 357 |
| TOTAL: | 4 865 347 | 2 879 362 |

2. Prime cost of sold production

| | 2015 | 2014 |
|---|------------------|------------------|
| Sold mink skins production prime cost | 2 440 414 | 1 733 626 |
| Comunal service costs | 238 407 | 299 664 |
| Other services and transport costs | 113 761 | 180 146 |
| Fixed asset repair and maintenance costs | 21 241 | 115 450 |
| Employees salary | 623 789 | 647 000 |
| State social insurance payments and other social guarantees for employees | 147 731 | 152 022 |
| Fixed addets depreciation | 496 172 | 364 773 |
| Insurance costs | 31 314 | 19 035 |
| Vacation provisions | (14 357) | 3 192 |
| TOTAL: | 4 999 706 | 3 997 317 |

3. Selling expenses

| | 2015 | 2014 |
|--------------------------------------|----------------|----------------|
| Commission expenses | 132 113 | 113 399 |
| Advertising and representation costs | 6 264 | 6 245 |
| TOTAL: | 138 377 | 119 644 |

4. Administrative expenses

| | 2015 | 2014 |
|---|----------------|----------------|
| Office maintenance and communication services costs | 11 359 | 6 701 |
| Book keepind and other professional service expenses* | 77 281 | 71 904 |
| B ank service costs | 108 274 | 24 500 |
| Transport and business trip costs | 43 420 | 43 918 |
| Other administration and management expenses | 36 302 | 21 702 |
| Membership fees | 3 659 | 13 824 |
| Administration salary | 168 302 | 175 356 |
| State social insurance contributions for administration | 36 813 | 41 055 |
| Fixed assets depreciation | 15 000 | 18 096 |
| Vacation provisions | 1 768 | - |
| TOTAL: | 502 178 | 417 056 |

5. Administrative expenses (continuation)

* The total amount of remuneration for the audit firm:

| | 2015 | 2014 |
|------------------------|--------------|--------------|
| Annual report auditing | 5 800 | 4 000 |
| TOTAL: | 5 800 | 4 000 |

6. Other income from economic activity

| | 2015 | 2014 |
|--|------------------|----------------|
| Public subsidies for breeding animals for breeding | 60 384 | 53 434 |
| EU co-financing and support payments | 99 280 | 101 522 |
| Proceeds from the write-off Guarantee | 1 362 190 | - |
| Proceeds from unsolicited accounts payable | 59 055 | - |
| Profit from sale of fixed assets, net | 2 230 | |
| Other revenue | - | 2 101 |
| TOTAL: | 1 583 139 | 157 057 |

7. Other expenses from economic activity

| | 2015 | 2014 |
|--|---------------|---------------|
| Losses from exchange rate fluctuations, net | - | 11 |
| Unfinished construction in the write-off | - | 21 648 |
| With economic activities not directly related to representation expenses | 49 048 | 52 551 |
| Losses from bad debts write-off | 5 210 | - |
| TOTAL: | 54 258 | 74 210 |

8. Interest payments and similar expenses

| | 2015 | 2014 |
|---------------------------------------|----------------|----------------|
| Fines and penalties | 93 418 | 15 510 |
| Interest paid on advances | 45 711 | 107 996 |
| Interest payments on leases and loans | 395 316 | 358 683 |
| TOTAL: | 534 445 | 482 189 |

9. Other taxes

| | 2015 | 2014 |
|----------------------------|--------------|--------------|
| Property (real estate) tax | 9 341 | 9 427 |
| TOTAL: | 9 341 | 9 427 |

10. Intangible assets

| | Concessions, patents, licenses, trademarks and similar expenses |
|---|---|
| December 31, 2013 | |
| Initial value | 1 833 |
| Accumulated depreciation and impairment | (1 833) |
| Balance sheet value on December 31 | - |
| 2014 | |
| Exclusion | (1 707) |
| Balance sheet value on December 31 | (1 707) |
| December 31, 2014 | |
| Initial value | 126 |
| Accumulated depreciation and impairment | (126) |
| Balance sheet value on December 31 | - |
| 2015. gads | |
| Balance sheet value on January 1 | - |
| Balance sheet value on December 31 | - |
| December 31, 2015 | |
| Initial value | 126 |
| Accumulated depreciation and impairment | (126) |
| Balance sheet value on December 31 | - |

11. Fixed assets

2014

| | | | | | | |
|---|------------------|----------------|----------------|------------------|----------------|------------------|
| Balance sheet on January 1 | 666 533 | 109 357 | 347 674 | 5 230 874 | 313 118 | 6 667 556 |
| Acquisitions | 342 337 | - | 532 886 | 1 371 393 | - | 2 246 616 |
| Reassessment | - | - | - | (21 648) | - | (21 648) |
| Excluded fixed assessments initial value | - | (23 502) | (12 742) | - | - | (36 244) |
| Excluded fixed assessments accumulated depreciation | - | 23 502 | 12 742 | - | - | 36 244 |
| Transfer | 5 248 801 | - | - | (5 209 226) | (39 575) | - |
| Depreciation | (242 366) | - | (22 075) | (118 428) | - | (382 869) |
| Balance sheet on December 31 | 6 015 305 | 109 357 | 858 485 | 1 252 965 | 273 543 | 8 509 655 |

December 31, 2014

| | | | | | | |
|---|------------------|---------------|----------------|------------------|----------------|------------------|
| Initial value | 7 443 428 | 743 389 | 1 138 119 | 1 371 393 | 273 543 | 10 969 872 |
| Accumulated depreciation and impairment | (1 428 123) | (656 107) | (375 987) | - | - | (2 460 217) |
| Balance sheet on December 31 | 6 015 305 | 87 282 | 762 132 | 1 371 393 | 273 543 | 8 509 655 |

2015

| | | | | | | |
|---|------------------|------------------|----------------|-------------|----------------|-------------------|
| Balance sheet on January 1 | 6 015 305 | 87 282 | 762 132 | 1 371 393 | 273 543 | 8 509 655 |
| Acquisitions | 929 345 | 5 302 098 | 375 710 | - | - | 6 607 153 |
| Reconstruction | - | - | - | - | - | - |
| Excluded fixed assessments initial value | - | - | (14 081) | - | - | (14 081) |
| Excluded fixed assessments accumulated depreciation | - | - | 2 230 | - | - | 2 230 |
| Transfer | - | - | - | (1 371 393) | (125 322) | (1 496 715) |
| Depreciation | (332 625) | (43 431) | (135 116) | - | - | (511 172) |
| Balance sheet on December 31 | 6 612 025 | 5 345 949 | 990 875 | - | 148 221 | 13 097 070 |

December 31, 2015

| | | | | | | |
|---|------------------|------------------|----------------|----------|----------------|-------------------|
| Initial value | 8 372 773 | 6 045 487 | 1 499 748 | - | 148 221 | 16 066 229 |
| Accumulated depreciation and impairment | (1 760 748) | (699 538) | (508 873) | - | - | (2 969 159) |
| Balance sheet on December 31 | 6 612 025 | 5 345 949 | 990 875 | - | 148 221 | 13 097 070 |

The company's real estate cadastral value

| | 31.12.2015. | 31.12.2014. |
|-----------------------------|----------------|----------------|
| Land | 131 704 | 131 209 |
| Buildings and constructions | 637 020 | 637 020 |
| TOTAL: | 768 724 | 768 229 |

12. Biological assets

| | 2015 | 2014 |
|---|------------------|------------------|
| Balance as at the beginning: | 5 712 125 | 2 533 167 |
| Purchased breeding animals | - | 3 178 260 |
| Sold breeding animals | - | (21 355) |
| Changes in the value of the reproduction and degeneration | 3 225 964 | 5 100 581 |
| Finished production extraction | (4 736 278) | (4 080 881) |
| Correction | (361 638) | (1 001 647) |
| Advanced payments for biological assets | - | 4 000 |
| Balance at the end: | 3 840 173 | 5 712 125 |

13. Stock

| | 31.12.2015 | 31.12.2014 |
|---|------------------|------------------|
| Supplies, materials and consumables, including fodder | 82 674 | 230 243 |
| medicine | 71 298 | 211 278 |
| fuel for heating | - | 721 |
| repair materials | 8 145 | 6 422 |
| fuel, gas | 350 | 798 |
| Shavings for skin processing | 1 117 | 1 517 |
| | 1 764 | 9 507 |
| Not finished production | 884 | 1 084 582 |
| Raw mink skin | 884 | 1 084 582 |
| Finished production and good for sale, including | 4 735 811 | 2 104 264 |
| Mink skins | 4 735 293 | 2 104 194 |
| Ready production | 518 | 70 |
| Illiquid and inventory impairment provisions | (-) | (-) |
| TOTAL: | 4 819 369 | 3 419 089 |

14. Purchasers and customers debts

| | 31.12.2015 | 31.12.2014 |
|--|----------------|----------------|
| Purchasers and customers debts carrying amount | 326 095 | 109 931 |
| Provision for doubtful debts | (-) | (-) |
| TOTAL: | 326 095 | 109 931 |

Provision for doubtful debts during the reporting year have changed as follows:

| | (EUR) |
|--|-------|
| Provision for doubtful debts on December 31, 2014 | - |
| The increase in the reporting year | - |
| The decrease in the reporting year | - |
| Provision for doubtful debts on December 31, 2015 | - |

15. Other debtors

| | 31.12.2015 | 31.12.2014 |
|--|---------------|---------------|
| Tax receivables and tax prepayments | 5 553 | 10 488 |
| Advance payments for services | 11 646 | 32 310 |
| The security lodged | 114 | 114 |
| Provisions for doubtful advance payments | - | (5 514) |
| TOTAL: | 17 313 | 37 398 |

16. Next periods expenses

| Kind of next period expenses | 31.12.2015 | 31.12.2014 |
|-------------------------------------|---------------|---------------|
| Advertising in informative catalogs | 429 | 856 |
| Insurance | 11 616 | 10 488 |
| Other expenses of next periods | 4 | 3 |
| TOTAL (EUR): | 12 049 | 11 347 |

17. Cash and cash equivalent

| | 31.12.2015 | | 31.12.2014 | |
|---------------------|------------|--------------|------------|---------------|
| | currency | EUR | currency | EUR |
| Funds, EUR | EUR | 1 803 | EUR | 43 778 |
| TOTAL (EUR): | | 1 803 | | 43 778 |

| Money | 31.12.2015 | 31.12.2014 |
|--------------------|--------------|---------------|
| Cash | 532 | 40 008 |
| Bank | 1 271 | 3 770 |
| TOTAL(EUR): | 1 803 | 43 778 |

18. Share capital (equity capital)

| Shareholders | 31.12.2015 | | 31.12.2014 | |
|---------------------|-----------------------|---------------|-----------------------|---------------|
| | Position in company | % | Position in company | % |
| Aksana Jansone | No | 41.27 | No | 41.27 |
| Gundars Jaunsleinis | Chairman of the board | 25.75 | Chairman of the board | 25.75 |
| Argita Jaunsleine | Member of the council | 23.98 | Member of the council | 23.98 |
| Other shareholders | X | 9.00 | X | 9.00 |
| TOTAL: | x | 100.00 | x | 100.00 |

The company's share capital on 31.12.2015 amounts to EUR 711 435 (EUR 500 000), it consists of 500 000 shares with a nominal value of 1 lats or 1,423 euros. December 31, 2015 public circulation is 500 000 bearer shares.

All share capital has been paid up.

Restrictions on alienation of shares or specific consent of the receiving disposal of shares have been determined. The statutes are not subject to special restrictions or provisions relating to the right to vote and the public is not aware of any shareholders agreement of this kind.

Each member shall have the right to represent the company individually. Between the company and members of the board there is no agreement on the compensation, resigns.

The statutes are not subject to special restrictions or provisions relating to the election of board members, changes in the composition of the Board and amendment of the statutes.

19. Other provisions

| | (EUR) |
|---|---------------|
| Provisions for not used vacations on December 31, 2014 | 69 782 |
| The increase in the reporting year | 1 324 |
| The decrease in the reporting year | - |
| Provisions for not used vacations on December 31, 2015 | 71 106 |

20. Loans from credit institutions

| | The term of payment | 31.12.2015 | 31.12.2014 |
|-------------------------|---------------------|------------------|------------------|
| Long term loans | | EUR | EUR |
| Loans, EUR * | May 2022 | 5 656 571 | 6 957 041 |
| TOTAL:: | | 5 656 571 | 6 957 041 |
| Short term loans | | EUR | EUR |
| Loans, EUR * | May 2022 | 776 096 | 196 567 |
| TOTAL: | | 776 096 | 196 567 |

* Suitable loan annual interest rate consists of the bank set the margin rate and a variable base rate - Euribor.
 For more than 5 years, repayable tranche is EUR 1 000 000.

21. Other loans

| | The term of payment | 31.12.2015 | 31.12.2014 |
|---|---------------------|------------------|----------------|
| Long term loans | | EUR | EUR |
| Other loans from residents, individuals , EUR* | Sk.piezīmi * | 771 022 | 328 500 |
| Other loans from residents, legal entities, EUR | 2022.gads | 1 062 604 | - |
| Financial lease commitments, EUR** | 2 – 5 gadi | 426 690 | 587 073 |
| TOTAL: | | 2 260 317 | 915 573 |
| hort term loans | | EUR | EUR |
| Financial lease commitments, EUR | 2 – 5 gadi | 236 143 | 186 309 |
| KOPĀ: | | 236 143 | 186 309 |

* Credit lending rate is 0% and the repayment date by agreement is May 27, 2022

** Finance lease (leasing) contracts, which falls due later than one year but not more than five years after the year end.

22. Deferred tax liabilities

Deferred tax is calculated from the following temporary differences between assets and liabilities and their values for corporate income tax purposes:

| | 2015 | 2014 |
|---|----------------|----------------|
| Deferred tax liabilities at the beginning of reporting year | 112 278 | 35 852 |
| Deferred tax expense / (income) statement of profit and loss | (546 724) | 76 426 |
| Deferred tax liabilities / (assets) at the end of reporting year | 434 446 | 112 278 |

23. Taxes and statutory social insurance contributions

| Kind of tax | Balance on 31.12.2014 | calculated 2015 | Redirected / repaid taxes | Penalty | Paid in 2015 | Balance on 31.12.2015 |
|--|--------------------------|--------------------|------------------------------|-------------------|-------------------|--------------------------|
| Corporate income tax | 55 853 | - | (32 998) | 9 569 | (32 442) | (18) |
| VAT | (10 488) | (197 443) | 202 378 | 18 | - | (5 535) |
| Social contributions | 99 161 | 279 282 | (94 093) | 22 209 | (88 442) | 218 117 |
| Long term part incl | - | - | - | - | - | 100 402 |
| Personal income tax | 64 796 | 149 197 | (75 255) | 12 860 | (46 905) | 104 693 |
| Long term part incl | - | - | - | - | - | 16 953 |
| Business risk fee | 34 | 450 | (32) | - | (371) | 81 |
| Property (real iestate) tax | 5 056 | 9 340 | - | 1 400 | (4 435) | 11 361 |
| Entity light-duty vehicles tax | 1 414 | 1 656 | - | - | (2 415) | 655 |
| Nature resource tax | 329 | 307 | - | - | (330) | 306 |
| TOTAL: | 216 155 | 242 789 | - | 46 056 | (175 340) | 329 660 |
| From mentioned given as: | | | | 31.12.2015 | 31.12.2014 | |
| Taxes and social security contributions and long-term | | | | 117 355 | - | |
| Taxes and social security contributions and short-term | | | | 217 858 | 226 643 | |
| Other debtors | | | | (5 553) | (10 488) | |
| TOTAL:: | | | | 329 660 | 216 155 | |

24. Other creditors

| | 31.12.2015 | 31.12.2014 |
|---|----------------|---------------|
| Salaries for December | 98 700 | 56 847 |
| Deductions from salaries | 1 188 | 884 |
| Deposited salary, injury compensation | 536 | 958 |
| Advanced payment receiving person debts | 5 886 | 20 |
| Other creditors | 432 400 | - |
| TOTAL: | 538 710 | 58 709 |

25. Next period incomes

| | 31.12.2015 | 31.12.2014 |
|--------------------------------------|------------------|------------------|
| EU structural funds, long-term part | 2 140 024 | 2 199 191 |
| EU structural funds, short-term part | 98 317 | 95 617 |
| TOTAL: | 2 238 341 | 2 294 808 |

26. Management salaries and number of employees

| Management salaries | 2015 | 2014 |
|--|---------------|----------------|
| Salary | 59 328 | 109 974 |
| Compulsory social insurance contributions | 12 651 | 25 943 |
| Salary of the company's board, total: | 71 979 | 135 917 |

The Company's Council members do not receive remuneration.

| | | |
|---|------------|-----------|
| The average number of employees during the reporting year | 108 | 95 |
|---|------------|-----------|

27. Collateral and securities

All the company's assets as a set of case and its future components, including the mark "A / S GROBIŅA" herd u.t.t. stocks are pledged as security for credit and the Finnish auction house Saga Furs of advances paid for the security. Secured claims the maximum amount of the balance sheet date amounts to EUR 21 435 562.

28. Events after the balance sheet date

In the global markets in 2016 there was a dramatic fur sales prices fall, as compared to March 2015 the average auction price of EUR 48.44 - March 2016 auction, the average price fell by 54% and amounted to only EUR 22.30. Consequently, it is given that March 2016 was sold at auction essential JSC "Grobina" produced skin amount ~ 78 300 skins - JSC "Grobina" cash flow March planned auction revenues lagged behind by about 2 million. EUR. Result of these developments the company was unable to meet in full its obligations towards its creditors. Thus, the rapid response to the situation in the Court there was submitted an application for the JSC "Grobina" process of legal protection proceedings. Consequently, the Court of Liepaja on April 6, 2016 a decision was instituted Nr.C20153616 JSC "Grobina" legal protection proceedings. As the majority of the creditors, according to the Insolvency Law Article 42, third paragraph, agreed JSC "Grobina" management developed by the process of legal protection plan with respect to the accumulation of unsecured creditors (suppliers) debts essentially provides only the debt principal repayments deferred until June 2018, based on the Liepaja Court judgment of 29 June 2016 the JSC "Grobina" May 17, 2016 the legal defence plan was approved. By 3d of March 2017, Liepaja court decision is confirmed JSC "Grobina" redress process plan amendments.

Liepaja, 14th of March 2017

Gundars Jaunsleinis
Chairman of the board

Gunta Isajeva
Member of the board

Ireneusz Sajewicz
Member of the board