

Joint Stock Company "GROBIŅA"

(Registration number 40003017297)

NON -AUDITED

FINANCIAL STATEMENTS FOR THE 3 MONTHS PERIOD ENDED 31 MARCH 2012

The items of the Financial Statement were converted to EUR according to the exchange rate fixed by the Bank of Latvia
as at 31 March 2012: LVL 1 = EUR 0.702804 and it is only for informative purposes.

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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	Fur-farming, growing, processing and sales of agricultural products, trade and mediation, renting out premises
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
Chairman of the Council	Argita Jaunsleine
Member of the Council	Gunārs Laugalis
Member of the Council	Jānis Meijubers
Member of the Council	Linda Elsberģe
Reporting year	1 January 2012 – 31 March, 2012

Management Report

Core Business Activity

Core business activity of JSC "Grobiņa" is fur-farming of minks.

Operations during the reporting year

The amount of the net turnover of 2012 1st quarter is LVL 307'076, it has decreased by 49%, in comparison with the 1st quarter of 2011. Exercise prices at the auction houses has increased by 20% this year, however the amount of sold skins has decreased. Within the 3 months of year 2012 11'861 mink skins have been sold with the average exercise price of LVL/pc 25.15; while within the first 3 months of year 2011 26'868 mink furs were sold with price LVL/ pc 21.34.

The average number of employees in JSC "Grobiņa" within the 3 months of year 2012 was 86; during this period in year 2011 there were 86 employees as well.

Profit of year 2012 1st quarter is LVL 14'514. Net earnings per share is LVL 0.029 or EUR 0.041. While net earnings per share of year 2011 1st quarter was LVL 0.247 or EUR 0.351.

Financial results

Total liquidity ratio = 1.73

Current liquidity ratio = 0.52

Quick liquidity ratio = 0.48

Specific weight of liabilities in the balance sheet = 0.32

Debt/Equity Ratio = 0.47

Inventory turnover ratio = 0.26

Asset turnover ratio = 0.14

Profit on sales (%) = 4.73 %

Return on equity (%) = 1.00 %

Future perspective

So far in JSC „Grobiņa” has been mostly breeding long haired minks; however the production of this mink type has been losing its positions towards short haired mink productions. The short haired mink skins are on average 30% more expensive; and due to fashion trends in China, industry experts predict growing demand and therefore growing prices for short haired mink skins particularly. Thereof, the goal of JSC “Grobiņa” for year 2012 is to fully replace long haired minks with high quality Scandinavian type short haired minks.

As reported before, in order to eliminate and restrict the Aleut widespread prevalence of disease in the farm, all the animals (including the breeding animals) were culled in 2011, to perform the cleaning and disinfection in the farm and production facilities. Therefore, within the 1st quarter of year 2012 all the necessary disinfection measures in the farm and producing facilities were carried out; in order to import 22 000 high quality Scandinavian type short haired pregnant female minks from Poland, in already disinfected and clean farm in April, 2011. the Board of the JSC “Grobiņa” carried out the project completely in the April, 2012 with the support of AS “ABLV bank”, which granted loan in the April, 2012.

The Board of the JSC “Grobina” considers that there will be increase of the production in year 2012; by growing more than 100 000 animals, which will increase the profitability therefore, increasing the profitability and economic activity of the company leading to higher profit in the future.

Chairman of the Board_____Gundars Jaunsleinis

Member of the Board_____Gunta Isajeva

Member of the Board_____Andris Vītoliņš

11 May 2012

STATEMENT ON MANAGEMENT'S RESPONSIBILITY

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 2012 has been prepared in accordance with the requirements of the applicable laws and regulations 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

11 May 2012

BALANCE SHEET

ASSETS	31.03.12. LVL	31.03.12. EUR	31.03.11. LVL	31.03.11. EUR
Non-current assets				
I Intangible assets				
Concessions, patents, licences, trade marks and similar rights	0	0	2	3
Total intangible assets	0	0	2	3
II Tangible assets				
Land, building and construction	348 492	495 859	378 241	538 188
Equipment and machinery	97 621	138 902	95 504	135 890
Other fixed assets and equipment	64 248	91 417	74 793	106 421
Construction in progress	25 100	35 714	25 100	35 714
Total tangible assets	535 461	761 892	573 638	816 213
IV Biological assets				
Breeding animals	0	0	623 827	887 626
Advance payments for breeding animals	321 041	456 800	0	0
Establishment costs of biological assets	127 868	181 940	0	0
Total biological assets	448 909	638 740	623 827	887 626
V Long-term financial investments				
Other securities and investments	0	0	352	501
Own stocks and shares		0	2 500	3 557
Total long-term financial investments	0	0	2 852	4 058
Total non-current assets	984 370	1 400 632	1 200 319	1 707 900
Current assets				
I Inventories				
Raw materials and consumables	34 848	49 584	113 878	162 034
Unfinished production	0	0	11 921	16 962
Finished production and goods for sale	748 847	1 065 513	900 660	1 281 524
Prepayments for goods	43 602	62 040	15 118	21 511
Total inventories	827 297	1 177 138	1 041 577	1 482 031
II Long-term investments held for sale	0	0	0	0
III Receivables				
Trade receivables	10 390	14 784	33 518	47 692
Other receivables	18 471	26 282	7 759	11 040
Prepaid expenses	2 148	3 056	638	908
Total receivables	31 009	44 122	41 915	59 640
Total short-term financial investments	0	0	0	0
V Cash (total)	329 730	469 164	73 714	104 886
Total current assets	1 188 036	1 690 423	1 157 206	1 646 556
Total assets	2 172 406	3 091 055	2 357 525	3 354 456

BALANCE SHEET (continued)

EQUITY AND LIABILITIES	31.03.12. LVL	31.03.12. EUR	31.03.11. LVL	31.03.11. EUR
I Equity				
Share capital (equity)	500 000	711 436	500 000	711 436
Reserves:				0
d) other reserves	54 454	77 481	54 454	77 481
<i>Total reserves</i>	54 454	77 481	54 454	77 481
Retained earnings				0
a) retained earnings for the previous year	885 459	1 259 895	719 076	1 023 153
b) retained earnings for the reporting year	14 514	20 652	123 500	175 725
<i>Total retained earnings</i>	899 973	1 280 546	842 576	1 198 878
Total equity	1 454 427	2 069 463	1 397 030	1 987 795
II Provisions				
Other provisions	31 321	44 566	22 448	31 941
Total provisions	31 321	44 566	22 448	31 941
III Liabilities				
I Long-term liabilities				
Loans from credit institutions	0	0	163 426	232 534
Other loans	0	0	234 530	333 706
Total long-term liabilities	0	0	397 956	566 240
II Short-term liabilities				
Loans from credit institutions	0	0	54 608	77 700
Other loans	0	0	19 599	27 887
Prepayments received from customers	619 869	881 994	270 800	385 314
Trade payables	34 884	49 635	152 259	216 645
Taxes and state social insurance payables	18 155	25 832	24 573	34 964
Other payables	13 750	19 564	17 252	24 547
Accrued liabilities	0	0	1 000	1 423
Total short-term liabilities	686 658	977 026	540 091	768 480
Total liabilities	686 658	977 026	938 047	1 334 721
Total equity and liabilities	2 172 406	3 091 055	2 357 525	3 354 456

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Member of the Board _____ Andris Vītoliņš

11 May 2012

INCOME STATEMENT

	2012 LVL	2012 EUR	2011 LVL	2011 EUR
Net turnover	307 076	436 930	603 988	859 397
Cost of sales	238 582	339 472	443 455	630 980
Gross profit or loss	68 494	97 458	160 533	228 418
Sales expenses	10 280	14 627	24 108	34 303
Administrative expenses	40 614	57 789	40 496	57 621
Other operating income	2 875	4 091	16 891	24 034
Other operating expenses	2 634	3 748	739	1 052
Profit or loss from operations	17 841	25 385	112 081	159 477
Other interest receivable and similar income	0	0	1	1
Interest payable and similar expenses	1 952	2 777	16 848	23 973
Profit or loss before extraordinary items and taxes	15 889	22 608	95 234	135 506
Extraordinary income	0	0	29 506	41 983
Profit or loss before taxes	15 889	22 608	124 740	177 490
Other taxes	1 375	1 956	1 240	1 764
Profit or loss of the reporting year	14 514	20 652	123 500	175 725
Earnings per share (EPS)	0.029	0.041	0.247	0.351

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11 May 2012

CASH FLOW STATEMENT (indirect method)

	2012 1st quarter LVL	2012 1st quarter EUR	2011 1st quarter LVL	2011 1st quarter EUR
I. Cash flow from operating activities				
1 Profit or loss before extraordinary items and taxes	15 889	22 608	95 234	135 506
<i>Adjustments:</i>				
a) depreciation costs of tangible assets;	17 378	24 727	18 262	25 984
b) write-offs of intangible assets;	0	0	12	17
c) profit or loss from foreign currency exchange rate fluctuations;	2 343	3 334	-16 327	-23 231
d) other interest receivable and similar income;	0	0	-1	-1
e) interest payable and similar expenses.	1 952	2 777	16 848	23 973
2 Profit or loss before corrections of changes in the balances of current assets and short-term liabilities	37 562	53 446	114 028	162 247
<i>Adjustments:</i>				
a) (increase)/decrease in long-term financial investments;	2 500	3 557	0	0
b) (increase)/decrease in biological assets;	-136 864	-194 740	-22 448	-31 941
c) (increase)/decrease in receivables balances;	25 063	35 661	40 177	57 167
d) (increase)/decrease in inventories balances;	184 317	262 259	234 809	334 103
e) increase/(decrease) in suppliers, contractors and other creditors payables balances.	458 210	651 974	-404 308	-575 278
3 Gross cash flow from operating activities	570 788	812 158	-37 742	-53 702
4 Interest payable	-1 952	-2 777	-16 848	-23 973
5 Immovable property tax expenses	-1 375	-1 956	-1 240	-1 764
6 Cash flow before extraordinary items	567 461	807 424	-55 830	-79 439
7 Cash flow from extraordinary items	0	0	29 506	41 983
8 Net cash flow from operating activities	567 461	807 424	-26 324	-37 456
II. Cash flow from investing activities				
1 Additions in tangible and intangible assets	-1 338	-1 904	-1 535	-2 184
2 Interest receivable and similar income	0	0	1	1
6 Cash flow from investing activities	-1 338	-1 904	-1 534	-2 183
III. Cash flow from financing activities				
1 Loans received	0	0	0	0
2 Subsidies, grants, endowments and donations received	0	0	0	0
3 Loans repaid	-281 370	-400 353	-16 920	-24 075
7 Net cash flow from financing activities	-281 370	-400 353	-16 920	-24 075
IV. Result of foreign currency exchange rate fluctuation	-2 343	-3 334	16 327	23 231
V. Net cash flow in the reporting year	282 410	401 833	-28 451	-40 482
VI. Cash and its equivalents at the beginning of the reporting year	47 320	67 330	102 165	145 368
VII. Cash and its equivalents at the end of the reporting year	329 730	469 164	73 714	104 886

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11 May 2012

STATEMENT OF CHANGES IN EQUITY

	2012 1st quarter LVL	2012 1st quarter EUR	2011 1st quarter LVL	2011 1st quarter EUR
I. Share capital (equity)				
1. Amount in the balance sheet of the previous year	500000	711436	500000	711436
2. Correction of the amount in the balance sheet of the previous year	0	0	0	0
3. Increase/decrease in share capital (equity)	0	0	0	0
4. Amount in the balance sheet at the end of the reporting year	500000	711436	500000	711436
V. Reserves				
1. Amount in the balance sheet of the previous year	54454	77481	54454	77481
2. Correction of the amount in the balance sheet of the previous year	0	0	0	0
3. Increase/decrease in reserve balance	0	0	0	0
4. Amount in the balance sheet at the end of the reporting year	54454	77481	54454	77481
VI. Retained earnings				
1. Amount in the balance sheet of the previous year	885459	1259895	719076	1023153
2. Correction of the amount in the balance sheet of the previous year	0	0	0	0
3. Increase/decrease in retained earnings	14 514	20652	123500	175725
4. Amount in the balance sheet at the end of the reporting year	899973	1280546	842576	1198878
VII. Equity				
1. Amount in the balance sheet of the previous year	1439913	2048812	1273530	1812069.94
2. Correction of the amount in the balance sheet of the previous year	0	0	0	0
3. Amount in the balance sheet at the end of the reporting year	1454427	2069463	1397030	1987794.61

Chairman of the Board _____
 Member of the Board _____
 Member of the Board _____

Gundars Jaunsleinis
 Gunta Isajeva
 Andris Vītolņš

11 May 2012

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 reporting year 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 following 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 items.
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.

Error occurred in previous reporting periods is corrected, defining the impact on the financial statement's items of respective year and providing information in the notes to the financial statements.

II. Recognition of revenues and net turnover

Net turnover is the total value of the goods (mink, polar fox and silver fox skins and materials) 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. Revenue from dividends is recognized when legal right appears.

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.

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%
Techniological 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 Lats

The accounting in the Company is made in Latvian lats. All transactions in the foreign currency are revaluated to lats according to the official exchange rate defined by the Bank of Latvia 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 Bank of Latvia 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.

	31.03.2012.	31.03.2011.	
	(lats)	(lats)	
1 USA dollar	0.528	0.499	(USD)
1 euro	0.702804	0.702804	(EUR)
1 Lithuanian lit	0.204	0.204	(LTL)
1 Danish krone	0.0945	0.0942	(DKK)
1 Russian rouble	0.0180	0.0176	(RUB)

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 differences 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 transferred to subsequent tax periods. A deferred 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 differences.

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. Advanced payments for breeding animals are recognized as the composition of biological assets.

XV. Investment properties

The Company has no investment property.

XVI. Accrued liabilities, contingencies

Accrued liabilities are certain amounts payable to suppliers and contractors 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.