

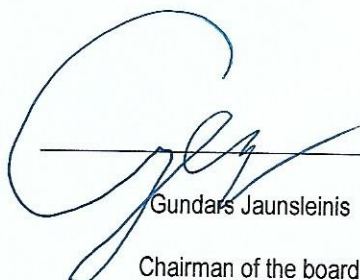
Statement of Management Responsibility

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 4. to 11. 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 detection and prevention. Management is responsible for Latvian statutory requirements.

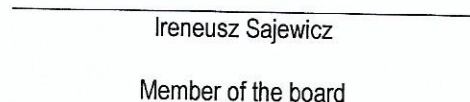
Liepaja, 31st of May 2017



Gundars Jaunsleinis
Chairman of the board



Gunta Isajeva
Member of the board



Ireneusz Sajewicz
Member of the board

JOINT STOCK COMPANY "GROBINA"
(REGISTRATION NUMBER 40003017297)

ANNUAL REPORT 2017 1ST Q

(27TH financial year)

**PREPARED IN ACCORDANCE WITH
THE LAW OF THE REPUBLIC OF LATVIA
ON THE ANNUAL REPORT AND CONSOLIDATED ANNUAL REPORT
UNAUDITED**

Liepaja, 2017

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Information on the Company

Name of the company	Joint stock company „Grobina”
Legal status of the company	Public joint stock company
Number, place and date of registration	40003017297 Liepaja, 23d of August 1991
Legal address	Lapsu street 3, Dubeni, Grobina district, Latvia, LV-3438
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 Vitolins – member of the board, since 10.03.2011 to 02.04.2015
Council of the Company	Ojars Osis – chairman of the council, since 01.06.2011 Argita Jaunsleina – vice president of the council, since 01.06.2011 Janis Liepins – member of the council, since 18.08.2015 Girts Milgravis – member of the council, since 18.08.2015 Evija Sivare – member of the council, since 18.07.2016 Silvija Neimane – member of the council, since 20.07.2007 to 03.05.2016
Financial year	1 st of January 2017 to 31 st of March 2017
Previous financial year	1 st of January 2016 to 31 st of December 2016

Profit or losses statement

	Notes	2017 EUR	2016 EUR
Net turnover:			
of the agricultural activity		2 018 712	2 750 528
Costs of goods sold or services provided		(2 021 981)	(4 520 662)
Gross profit or lossess		(3 269)	(1 770 134)
Distribution expenses		-	(13 480)
Administrative expenses		(54 105)	(312 105)
Other operating income		24 579	241 069
Other operating expenses		(37 316)	(6 045)
Interest and similar expenses, incl.:			
for other parties		(44 626)	(539 060)
Profit or lossess before corporate income tax		(114 737)	(2 399 755)
Changes in deferred tax assets or liabilities		-	133 030
Profit or lossess for the financial year		(114 737)	(2 266 725)

Notes are an integral part of these financial statements.

Liepaja, 31th of May 2017

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Liene Vike
Accountant

Balance sheet

ASSETS

	Notes	31.03.2017. EUR	31.12.2016. EUR
NON-CURRENT ASSETS			
Fixed assets			
Immovable properties:			
land plots, buildings and engineering structures		6 177 811	6 264 654
Fauna and flora:			
draft animals or productive animals and perennial plantings		3 841 976	3 841 976
Technological equipment and machinery		5 077 686	5 137 286
Other fixed assets		750 925	789 104
Fixed assets under development and construction in progress		12 792	-
Advances for fixed assets		27 354	27 354
TOTAL		15 888 544	16 060 374
Non-current financial investments			
Deferred tax assets		567 476	567 476
TOTAL		567 476	567 476
TOTAL NON-CURRENT ASSETS		16 456 020	16 627 850
CURRENT ASSETS			
Inventories			
Raw materials and consumables		85 511	122 869
Work in progress		680 646	-
Finished goods and goods for sale		1 263 702	3 388 194
Advances for inventories		26 767	26 613
Fauna and flora			
animals and annual plantings		252 696	252 696
TOTAL		2 309 322	3 790 372
Account receivable			
Trade receivables		183 637	183 937
Other receivables		17 702	135 709
Deferred expenses		8 642	5 819
TOTAL		209 981	325 465
Cash and bank			
		139 198	22 792
TOTAL CURRENT ASSETS		2 658 501	4 138 629
TOTAL ASSETS		19 114 521	20 766 479

Notes are an integral part of these financial statements.

Balance sheet

EQUITY, PROVISIONS AND LIABILITIES

	Notes	31.03.2017 EUR	31.12.2016 EUR
EQUITY			
Share capital		711 436	711 436
Reserves:			
other reserves		77 481	77 481
Retained earnings or uncovered losses brought forward from previous years		(890 319)	1 376 406
Current year profit or losses		(114 737)	(2 266 725)
TOTAL EQUITY		(216 139)	(101 402)
LIABILITIES			
Non-current liabilities			
Loans from banks		6 057 667	6 057 667
Other borrowings		2 362 122	2 362 122
Trade payables		1 669 903	1 669 903
Taxes and state social insurance payments		359 570	359 570
Deferred income		2 041 707	2 041 707
TOTAL		12 490 969	12 490 969
Current liabilities			
Loans from banks		175 000	275 000
Other borrowings		37 400	87 400
Advances from customers		538 155	1 852 287
Trade payables		5 641 077	5 148 304
Taxes and state social insurance payments		193 727	203 965
Other creditors		46 412	571 126
Deferred income		73 738	98 317
Accrued liabilities		134 182	140 513
TOTAL		6 839 691	8 376 912
TOTAL LIABILITIES		19 330 660	20 867 881
TOTAL EQUITY, PROVISIONS AND LIABILITIES		19 114 521	20 766 479

Notes are an integral part of these financial statements.

Liepaja, 31th of May 2017

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Cash flow statement

	2017 1st Q	2016
Cash flow from operating activities		
Profit or losses before corporate income tax	(114 737)	(2 399 755)
Adjustments for:		
depreciation and impairment of fixed assets	184 622	907 691
interest and similar revenue	44 626	525 344
Profit or loss prior to changes in current assets and current liabilities	114 511	(966 720)
Increase or decrease of account receivable	115 484	254 697
Increase or decrease of inventory	1 481 050	1 517 296
Increase or decrease of account payables and other liabilities	(1 481 847)	(397 616)
Gross cash flow generated from operating activities	229 198	407 657
Interest payments	-	(255 846)
Net cash flow generated from operating activities	229 198	151 811
Cash flow from investing activities		
Acquisition of fixed and intangible assets	(12 792)	(30 822)
Net cash flow generated from investing activities	(12 792)	(30 822)
Cash flow from financing activities		
Repayment of loans	(100 000)	(100 000)
Net cash flow generated from financing activities	(100 000)	(100 000)
Net cash flow in the financial year	116 406	20 989
Cash and cash equivalents at the beginning of the financial year	22 792	1 803
Cash and cash equivalents at the end of the financial year	139 198	22 792

Notes are an integral part of these financial statements.

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Statement of changes in equity

	Share capital	Reserves	Retained earnings or uncovered losses brought forward from previous years	Current year profit or losses	Total
Opening balance 31.12.2015	711 436	77 481	619 503	756 903	2 165 323
Increase/decrease in retained earnings	-	-	-	(2 266 725)	(2 266 725)
Prior year adjustments	-	-	756 903	(756 903)	-
Opening balance 31.12.2016	711 436	77 481	1 376 406	(2 266 725)	(101 402)
Increase/decrease in retained earnings	-	-	-	(114 737)	(114 737)
Prior year adjustments	-	-	(2 266 725)	2 266 725	-
Closing balance 31.03.2017	711 436	77 481	(890 319)	(114 737)	(216 139)

Notes are an integral part of these financial statements.

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Notes to the Financial statements

1. Summary of accounting policies

General principles

A The main business activity of JSC "GROBINA" is fur-farming of minks for fur production and farm animals feed production.

Financial statements are prepared in accordance with the Laws of the Republic of Latvia "On Accounting" and "On the Annual Report and Consolidated Annual Report" (the Law).

The financial statements have been prepared according to the historical cost accounting principle. The income statement is prepared in accordance with the function of expense method.

Foreign currency conversion in euro

This financial statement is prepared in euro (EUR), which is the functional currency of the Company and the official currency of the Republic of Latvia.

All transactions denominated in foreign currencies are converted into euro at the exchange rate set by the European Central Bank on the day of transaction. Monetary assets and liabilities denominated in foreign currencies are translated into euro in accordance with the official exchange rate set by European Central Bank for the last day of the financial year. The profit or loss resulting from the exchange rate fluctuations of the foreign currency are recognized in the income statements in the respective period on net amount.

Intangible investments and fixed assets

Intangible investments and fixed assets are initially recognized at the purchase cost. Purchase cost includes costs, directly related to the acquisition of intangible and fixed assets. In financial statements the intangible and fixed assets are recognized at purchase cost less depreciation.

Depreciation is calculated on a straight-line basis applying the following rates of depreciation set by the management, based on the estimated useful life of the fixed assets:

Buildings	- 20 years;
Technological equipment and machinery	- 5 - 15 years;
Other machinery and equipment	- 5 years.

The Company capitalizes its fixed assets valued over EUR 100 with useful life exceeding 1 year. Depreciation for improvements and other low costs items with the value less than EUR 100 is recognized by 100 % after commissioning.

If sufficient evidence is acquired that the future economic benefit associated with subsequent repair or reconstruction costs will flow to the Company, which exceeds the return set previously, costs are capitalized as additional costs to the fixed asset. Capitalizing the cost of replaced parts, the carrying amount of the part replaced is derecognized and charged to the income statement. All other repair and maintenance costs are charged to the income statement during the financial period in which they are incurred.

Net gains or losses from disposal of fixed assets is calculated as the difference between the carrying amount of the fixed asset, write-off of related assets revaluation reserve (if any) and proceeds from sale, and recognized in the income statements during the period when disposal are incurred.

If it is possible to conclude due to any kind of occurrence or circumstances that residual value of fixed or intangible assets could exceed its recoverable value, appropriate value of fixed or intangible asset is to be decreased until recoverable value. Recoverable value is calculated as the highest of fair value less costs to sell or value in use.

Inventories

Inventories are recognized at the lower of purchase or production cost and net realizable value. Purchase costs consists of purchase value and overheads, which have been acquired, by delivering inventories at their current position and value. The carrying balance value of the inventories is calculated by using the weighted average method. When the net realizable value of inventories is lower than its costs, the difference is recognized as provisions for the decrease of value.

Account receivable

Trade receivables are recognized at invoiced amounts. After the initial recognition account receivables are measured at net amount less provisions for doubtful debts. Provisions for doubtful receivables are recognized when the management of the Company considers that it is probable that the total amount of receivables will not be collected in full.

1. Summary of accounting policies (continuation)

Cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents comprise cash, the balances of the current bank account and other current liquid financial assets with maturities up to 90 days.

Borrowings

Borrowings are recognized at the proceeds, net of transaction costs incurred.

Subsequently, borrowings are stated at amortized costs using the actual interest method. Any difference between the original amount borrowed net of transaction costs and the redemption value is recognized in the income statement gradually during the loan use period or in accordance with accounting policy capitalized at the value of construction in progress.

Capitalization of borrowing and other costs

The cost of asset under development is increased by borrowing costs and other direct costs during the period of time that is required to complete and prepare the asset for its intended use. The cost of asset is not increased by borrowing costs during the period with no active development of asset.

Accrued liabilities for unused annual leave

Amount of accumulated unused annual leave is determined by multiplying the average day rate of employees for the last six months of the financial year by the amount of accrued but unused annual leave at the end of the reporting year.

Provisions, contingent liabilities and assets

Provisions are liabilities related to current or previous years events and at the preparation of financial statements it is probable that an outflow of resources will be required to settle the obligation and its amount can be reliably estimated. Provisions are measured at the present value of the expenditures expected to be required to settle the obligation.

Income recognition and revenue

Revenue contains the total value of goods and services sold during the year excluding discounts and value added tax.

Income is recognized according to the following principles:

Sales of goods - after significant ownership risk and rewards have been passed to the buyer;

Rendering of services - under the percentage of completion method;

Income from fines and penalties - at the moment of receiving the payments;

Interest income - on an accrual basis;

Dividends - at the moment of acquiring legal rights to receive them..

Corporate income tax

Corporate income tax for the financial year is included in the financial statements based on the management's calculations prepared in accordance with the tax legislation of the Republic of Latvia.

Deferred tax is calculated according to the liability method with respect to all temporary differences between the values of assets and liabilities in the financial statements and their values for tax calculation purpose (tax basis). However, where the deferred income tax arise from first recognition of the assets and obligations resulted from transactions, which are not the business combination, and at the moment of transaction do not affect profit or loss neither in the financial statements nor for the taxation purposes, the deferred income tax is not recognized. The deferred tax liability is calculated based on the tax rates that are expected to be applied when the temporary differences reverse. The temporary differences mainly arise from different fixed asset depreciation rates. In cases, when the total result of the deferred tax calculation is an asset, it is recognized in the financial statements only if a future taxable profit will be available against which the temporary differences can be utilized.