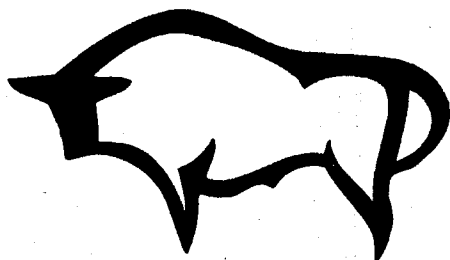


STOCK COMPANY
„Kurzemes ciltslietu un mākslīgās
apsēklošanas stacija”

REGISTRATION NUMBER 4003017085



FINANCIAL REPORT FOR THE PERIOD ENDED
30 September 2017

GATIS KAČIS
Chairman of the Board

SIGITA LUKAŽE
Member of the Board

MĀRTIŅŠ MUIŽNIEKS
Member of the Board;

DAIGA LIELPINKA
Chief Accountant

Jaunpils 2017

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BALANCE SHEET

| ASSETS | Note | 30.09.2017 EUR | 30.09.2016 EUR |
|---|------|-------------------|-------------------|
| I. Non-current assets | | | |
| I. Intangible assets | | | |
| 1 Concessions, patents, licences, trademarks and similar rights | | 327 | 609 |
| Total intangible assets | | 327 | 609 |
| II. Property, plant and equipment | | | |
| 1 Real estate | | | |
| a) land, buildings and engineering constructions | | 870205 | 766535 |
| 2 Animals and plants | | | |
| a) draft animals or productive animals and perennial plantings | | 44958 | 49307 |
| 3 Technological equipment and machinery | | 84571 | 113929 |
| 4 Other property, plant and equipment | | 9204 | 8001 |
| 5 Construction in progress | | 8740 | 95180 |
| Total property, plant and equipment | | 1017678 | 1032952 |
| III. Long-term financial investments | | | |
| 1 Other securities and investments | | 3529 | 3529 |
| Total long-term financial investments | | 3529 | 3529 |
| Total non-current assets | | 1021534 | 1037090 |
| II. Current assets | | | |
| I. Inventories | | | |
| 1. Raw materials and consumables | 6 | 102359 | 103085 |
| 2. Work in progress | 7 | 39591 | 38121 |
| 3. Finished goods | 8 | 320179 | 313914 |
| Total inventories | | 462129 | 455120 |
| II. Receivables | | | |
| 1 Trade receivables | 9 | 179205 | 116209 |
| 2 Other receivables | 10 | 301 | 230 |
| 3 Prepaid expense | 11 | 5814 | 8966 |
| Total receivables | | 185320 | 125405 |
| III. Cash | | | |
| Total current assets | | 881031 | 743143 |
| Total assets | | 1902565 | 1780233 |

The accompanying notes on pages 8. to 27 are an integral part of these financial statements.

Chairman of the Board

GATIS KAČIS

Member of the Board

SIGITA LUKAŽE

Member of the Board

MĀRTIŅŠ MUIŽNIEKS

Chief Accountant

DAIGA LIELPINKA

BALANCE SHEET

| EQUITY AND LIABILITIES | Note | 30.09.2017. EUR | 30.09.2016. EUR |
|---|------|--------------------|--------------------|
| I. Equity | | | |
| 1 Share capital | 13 | 613200 | 613200 |
| 2 Reserves | | | |
| a) Other reserves | | 1258 | 1258 |
| 3 Retained earnings for the previous year | 14 | 1074507 | 962679 |
| 4 Retained earnings for the year | 14 | 87322 | 73649 |
| Total equity | | 1776287 | 1650786 |
| II. Provisions | | | |
| 1 Other provisions | | 0 | 0 |
| Total provisions | | 0 | 0 |
| III. Liabilities | | | |
| I. Non-current liabilities | | | |
| 1 Deferred income | 15 | 34932 | 3170 |
| Total non-current liabilities | | 34932 | 3170 |
| II. Current liabilities | | | |
| 1 Trade payables | 16 | 19874 | 49440 |
| 2 Taxes payable | 17 | 22798 | 19716 |
| 3 Other payables | 18 | 18306 | 16437 |
| 4. Accrued liabilities | 19 | 18465 | 21977 |
| 5 Deferred income | 20 | 11903 | 18707 |
| Total current liabilities | | 91346 | 126277 |
| Total liabilities | | 126278 | 129447 |
| Total equity and liabilities | | 1902565 | 1780233 |

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Chairman of the Board

GATIS KAČIS

Member of the Board

SIGITA LUKAŽE

Member of the Board

MĀRTIŅŠ MUIŽNIEKS

Chief Accountant

DAIGA LIELPINKA

INCOME STATEMENT

| | Note | 2017.g.9 mēn. EUR | 2016.g.9 mēn. EUR |
|---|------|----------------------|----------------------|
| 1 Revenue | 22 | 719835 | 702552 |
| a) from agricultural activity | | 643730 | 622623 |
| b) from other type of economic activities | | 76105 | 79929 |
| 2 Cost of sales | 23 | -362220 | -386751 |
| 3 Gross profit | | 357615 | 315801 |
| 4 Distribution costs | 24 | -137456 | -128791 |
| 5 Administrative expenses | 25 | -140773 | -130565 |
| 6 Other operating income | 26 | 7936 | 17212 |
| 7 Other operating expense | 27 | 0 | -408 |
| 8 Other interest receivable and similar income: | | 0 | 400 |
| 9 Profit or loss before tax | | 87322 | 73649 |
| 10 Corporate income tax | 29 | 0 | 0 |
| 11 Profit or loss after tax | | 87322 | 73649 |
| 12 Profit or loss for the year | | 87322 | 73649 |
| 13 Profit (loss) per share (EPS) | | 0.100 | 0.084 |

The accompanying notes on pages 8. to 27 are an integral part of these financial statements.

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

GATIS KAČIS
 SIGITA LUKAŽE
 MĀRTIŅŠ MUIŽNIEKS

Chief Accountant

DAIGA LIELPINKA

STATEMENT OF CASH FLOWS

(indirect method)

| | 2017.g. 9 mēn. | 2016.g. 9 mēn. |
|--|-------------------|-------------------|
| I. Cash flows from operating activities | | |
| 1. Profit or loss before tax | 87322 | 73649 |
| Adjustments for: | | |
| a) Depreciation of property, plant and equipment | 31970 | -28121 |
| b) Write-down of intangible assets | 0 | 0 |
| c) Provisions (other than provisions for doubtful debts) | 0 | 0 |
| d) Profit or loss from foreign currency exchange rate fluctuations | 23 | -408 |
| e) Losses from the liquidation of property, plant and equipment | 0 | 0 |
| f) Subsidies, grants, gifts and donations received | 7347 | 16223 |
| i) Interest payable and similar expenses | 0 | 400 |
| 2. Profit or loss before adjustments in the balances of current assets and short-term liabilities | 126662 | 61743 |
| Adjustments for: | | |
| a) Increase/ decrease in trade receivables | -107594 | -35653 |
| b) Increase/ decrease in inventories | -34192 | -1711 |
| c) Increase/ decrease in trade and other payables | 43168 | 25492 |
| 3. Cash generated from operations | 28044 | 49871 |
| 4. Interest paid | 0 | 0 |
| 5. Expenses for corporate income tax payments | 0 | 0 |
| 6. Net cash generated from operating activities | 28044 | 49871 |
| II. Cash flows from investing activities | | |
| 3. Purchases of property, plant and equipment and intangible assets | -17714 | -120654 |
| 4. Proceeds from disposal of property, plant and equipment and intangible assets | 1267 | 1180 |
| 7. Saņemtie procenti | 0 | 400 |
| 9. Net cash used in investing activities | -16447 | -119074 |
| III. Cash flows from financing activities | | |
| 3. Subsidies, grants, gifts and donations received | 7347 | 16223 |
| 6. Dividends paid | 0 | -39420 |
| 7. Net cash used in financing activities | 7347 | -23197 |
| IV. Foreign currency exchange rate fluctuations | 23 | -408 |
| V. Net cash flows in the reporting year | 18967 | -92808 |
| VI. Cash and cash equivalents at the beginning of the year | 214615 | 255426 |
| VII. Cash and cash equivalents at the end of the reporting year | 233582 | 162618 |

The accompanying notes on pages 8. to 27 are an integral part of these financial statements.

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

GATIS KAČIS
 SIGITA LUKAŽE
 MĀRTIŅŠ MUIŽNIEKS

Chief Accountant

DAIGA LIELPINKA

STATEMENT OF CHANGES IN EQUITY

| | 2017.g.9 mēn. EUR | 2016.g.9 mēn. EUR |
|--|----------------------|----------------------|
| I. Share capital | | |
| 1 Amount indicated in the balance sheet of the previous year | 613200 | 613200 |
| 2 Correction of the amount indicated in the balance sheet of the previous year | 0 | 0 |
| 3 Increase/decrease in share capital | 0 | 0 |
| 4 Amount indicated at the end of the period in the balance sheet of the financial year | 613200 | 613200 |
| V. Reserves | | |
| 1 Amount indicated in the balance sheet of the previous year | 1258 | 1258 |
| 2 Reserves increased through the share capital | 0 | 0 |
| 3 Amount indicated at the end of the period in the balance sheet of the financial year | 1258 | 1258 |
| VI. Retained earnings | | |
| 1 Amount indicated in the balance sheet of the previous year | 1074507 | 1002099 |
| 2 Correction of the amount indicated in the balance sheet of the previous year | 0 | -39420 |
| 3 Increase/decrease in retained earnings | 87322 | 73649 |
| 4 Amount indicated at the end of the period in the balance sheet of the financial year | 1161829 | 1036328 |
| VII. Equity | | |
| 1 Amount indicated in the balance sheet of the previous year | 1650786 | 1616557 |
| 2 Amount indicated at the end of the period in the balance sheet of the financial year | 1776287 | 1650786 |

The accompanying notes on pages 8. to 27 are an integral part of these financial statements.

Chairman of the Board

Member of the Board

Member of the Board

Chief Accountant

GATIS KAĶIS

SIGITA LUKAŽE

MĀRTIŅŠ MUIŽNIEKS

DAIGA LIELPINKA

NOTES TO THE FINANCIAL STATEMENTS

General information

| | | |
|---|--|-------------------------|
| Name of the company | Stock Company "Kurzemes ciitlslietu un mākslīgās apsēklošanas stacija" | |
| Legal form of the company | Stock Company | |
| Registration number, place and date of registration | 40003017085, Riga, 6 August 1991 | |
| Re-registration in Commercial Register | 40003017085, Riga, 7 April 2004 | |
| Legal address | <i>Jaunpils, Jaunpils district, Jaunpils region, LV-3145</i> | |
| Board until 20.03.2017 | <i>GATIS KAĶIS</i> | Chairman of the Board |
| | <i>SIGITA LUKAŽE</i> | Member of the Board |
| | <i>DAIGA LIELPINKA</i> | Member of the Board |
| Board from 20.03.2017 | <i>GATIS KAĶIS</i> | Chairman of the Board |
| | <i>SIGITA LUKAŽE</i> | Member of the Board |
| | <i>MĀRTIŅŠ MUIŽNIEKS</i> | Member of the Board |
| Council until 15.02.2017 | <i>JĀNIS LEIMANIS</i> | Chairman of the Council |
| | <i>PĒTERIS AUGUSTOVS</i> | Member of the Council |
| | <i>MAIJA BRUNOVSKA</i> | Member of the Council |
| | <i>INĀRA KANSKA</i> | Member of the Council |
| | <i>HARALDS MOZGIRS</i> | Member of the Council |
| Council from 15.02.2017 | <i>AGNESE DŪZE</i> | Chairman of the Council |
| | <i>MAIJA BRUNOVSKA</i> | Member of the Council |
| | <i>PAULIS PAŠKAUSKS</i> | Member of the Council |
| | <i>ANDRIS PAŠKAUSKS</i> | Member of the Council |
| | <i>INĀRA KANSKA</i> | Member of the Council |
| Major shareholders as at 31.12.2016 | <i>LLC "Latvijas šķirnes dzīv.n.audz.savienība"</i> | 42.1% |
| | <i>LLC "JL Index"</i> | 11.5% |
| | <i>Pēteris Augustovs</i> | 11.7% |

SC Kurzemes ciltslietu un mākslīgās apsēklošanas stacija
Financial Report for the period ended 30 September, 2017

| | | |
|-------------------------------------|---|-------|
| Major shareholders as at 26.04.2017 | LLC "Latvijas šķirnes dzīv.n.audz.savienība" | 42.1% |
| | SC "Agrofirma Tērvete" | 28.0% |

LEI code 529900KYEWO4FP2XMF82

Economic activity 01.50 Mixed farming

Financial year 01.01.2017 30.09.2017

Auditor

Notes to the Financial Statements (continued)

Basis of preparation

The financial statements of the Company have been prepared in accordance with the Law on Accounting, Law on Annual Reports and Consolidated Annual Reports, Regulations No.775 of 22.12.2015. issued by the Cabinet of Ministers of the Republic of Latvia "Enforcement policies of the Law on Annual Reports and Consolidated Annual Reports".

The financial statements are prepared on a historical cost basis. The monetary unit used in the financial statements is Euro (EUR), the monetary unit of the Republic of Latvia. Company's accounting and evaluation methods haven't changed compared with previous reporting period.

The income statement is classified by function of expense. Due to changes in laws and regulations - Law On Annual Reports lapsed on 1 January 2016 and Law on Annual Reports and Consolidated Annual Reports entered into force - classification name of the income statement has changed, replacing the name "by turnover cost method" with "classified according to the function of expenses". Contents and nature of the items does not change due to the change in the name.

Accounting principles applied

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

- a) assumption, that a Company is a going concern;
- b) the same evaluation methods are used as in the previous reporting year;
- c) evaluation is made with proper precaution:
 - the report includes profit that was acquired till the date of the statement of financial position;
 - 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 statement of financial position and the date, when annual report was signed;
 - all impairments and depreciation amounts have been calculated and taken into account regardless of whether the reporting year is finished with profit or loss;
- d) 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;
- e) assets and liabilities items are evaluated separately;
- f) opening balances of the reporting year match closing balances of the previous year;
- g) all the items, that significantly affect assessment and decision-making of the users of the annual report, are disclosed, non-significant items have been combined and the details are disclosed in the notes;
- h) business transactions are disclosed in the annual report, taking into account its economic contents and nature rather than legal form;
- i) balance sheet and income statement items are stated at the cost of acquisition or production. The cost of acquisition is the purchase price of goods or services (less any discounts granted) plus any extra costs related to the purchase. The cost of production is the cost of acquiring raw materials and consumables and other expenses that are directly attributable to the construction of the asset. The cost of production may also include portions of expenses that are indirectly related to the construction of the asset, provided these costs are attributable to the same period.

Reporting period

The financial statements cover the period from **01.01.2017** till **30.06.**

Use of estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, income and expense and disclosure of contingencies. Future events occur may cause the assumptions used in arriving at the estimates to change. The effect of any changes in estimates will be recorded in the financial statements when it's determinable.

Change of the accounting policy

In connection with the Law on Annual Reports and Consolidated Annual Reports entry into force for annual reports that start on 1 January 2016 and later in 2016, the management of the Company has changed its accounting policy with respect to:

- presentation of biological assets in the Company's balance sheet. In annual financial statements for 2016 biological assets are presented in property, plant and equipment under item "Animals and plants". Comparative figures have been reclassified accordingly.
- classification of the reserve for unused leaves in the balance sheet. Estimated liabilities against employees for the accrued annual leave days in the reporting year are presented in the balance sheet item "Accrued liabilities" rather than under "Other provisions" as before.
- classification of the real estate tax in the income statement. In annual financial statements for 2016 real estate tax expenses are presented according to its nature in the item "Production cost price of produce sold" rather than under the item "Other taxes" as before.

Effect of change in accounting policy on figures of the previous year:

| Item of the financial statements | Comparative figures of 30.09.2017 in the financial statements of 30.09.2016. EUR | Reclassification in 30.09.2017. EUR | Figures in financial statements of 30.09.2016 before reclassification EUR |
|--|--|-------------------------------------|---|
| Income statement | | | |
| Distribution costs | 128791 | 5474 | 123317 |
| Other taxes (real estate tax) | | (5474) | 5474 |
| Property, plant and equipment – Animals and plants | 44958 | 49307 | |
| a) draft animals or productive animals and perennial plantings | 0 | (49307) | 49307 |
| b) biological assets (if apply IAS) | | | |

Reclassification of items

During the reporting period, in order to improve the quality of the income statement and balance sheet, including compliance with Law on Annual Reports and Consolidated Annual Reports and Regulations issued by the Cabinet of Ministers of the Republic of Latvia on the basis of law, changes in classification of items were made (including detalisation of items) compared with the previous reporting period. In the event that the comparative amounts are practically impossible to reclassify, the reclassification of items is not carried out. Reclassification (including detalisation of items) has no impact on the financial result. Comparative figures for the period 01.01.2015-31.12.2015 in the financial statements for 2016 are classified according to the accounting principles of 2016 and are comparable.

Contingencies

Contingent liabilities are not recognised in these financial statements. They are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. A contingent asset is not recognised in these financial statements but disclosed when an inflow of economic benefits is probable.

Currency and foreign currency revaluation

The functional currency of the Company and monetary unit used in the financial statements is euro (EUR), the monetary unit of the Republic of Latvia. All transactions in the foreign currency are revaluated to euro according to the Euro foreign exchange reference rates set by the European Central Bank, which is in force at the beginning of the day of business transaction. Monetary assets and liabilities denominated in foreign currencies are translated into euro according to the foreign exchange reference rate in force on the last day of the reporting year.

Foreign exchange gains and losses resulting from the settlement of foreign currency transactions or on reporting of assets and liabilities using the exchange rates that differ from the initial transaction accounting rates are recognized in the income statement in net value.

| | 30.06.2017 | 30.06.2016 |
|-----|------------|------------|
| USD | 1,14120 | 1,11020 |

Non-current and current items

Amounts presented in long-term items are the amounts with the maturity term for receipt, payment or write-off coming into effect more than a year after the end of the respective reporting year. Amounts receivable, payable or to be written-off within a year are presented as short-term items.

Related parties

Related parties are defined as Company's shareholders, board members (key management personnel) and entities that have the ability to control the Company or exercise significant influence over the Company in making financial and operating decisions and close members of the families of any individual referred to previously and entities over which these persons exercise significant influence or control.

Related parties are defined also as entities in which the Company has significant influence or control.

Own shares and participation in other undertakings

Acquired own shares are reported in the balance sheet item "Own stocks and shares", but participation in the equity capital of another undertaking are reported accordingly in "Participation in the capital of associated undertakings" or "Other securities and investments".

Intangible assets and property, plant and equipment

Intangible assets and property, plant and equipment are initially measured at cost.

Property, plant and equipment are recognized as non-current assets if their acquisition cost exceeds 150 euros. Purchases under 150 euros are recognised as low-value inventory.

The cost of an item of property, plant and equipment comprises its purchase price, including import duties and nonrefundable purchase taxes, any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

Only rights acquired in exchange for consideration are indicated in the item "Concessions, patents, licenses, trademarks, and similar rights".

Intangible assets and property, plant and equipment are stated at cost less accumulated depreciation. Depreciation on assets is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

Intangible assets:

| | | |
|--------------------------------------|-------|---|
| Computer software etc. | 20 | % |
| <i>Property, plant and equipment</i> | | |
| Buildings and construction | 5 | % |
| Technological plant and machinery | 10,20 | % |
| Vehicles | 20 | % |
| Other fixed assets and equipment | 20 | % |

Depreciation is calculated starting with the following month after the intangible asset or property, plant and equipment is ready for intended use. Land is not depreciated. Each part of an item of property and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately. To the extent that the Company depreciates separately some parts of property and equipment, it also depreciates separately the remainder of the item. The remainder consists of the parts that are individually insignificant. The depreciation for the remainder is determined using approximation techniques to faithfully represent its useful life.

The carrying values of property and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets or cash-generating units are written down to their recoverable amount. The recoverable amount of property and equipment is the higher of an asset's net selling price and its value in use.

Profit or loss from alienation of a long-term investment object is indicated in the income statement in the net value.

Repair and restoration costs that increase useful life and value of assets are capitalized and depreciated over their estimated useful lives. Other repair and restoration costs are recognized as expenses of the reporting period.

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.

If investments are made in the rented asset (e.g., reconstruction, improvement or renewal), then such costs are recognized in the balance sheet item "Long-term investments in leased assets" and depreciated over the lease period.

Revaluation of fixed assets and establishment of reserve

A fixed assets object, the value of which is significantly higher than the costs of its acquisition or production cost price or assessment on the balance sheet of the previous year, is revalued according to its higher value, if it may be assumed that the value increase will be long-term. A difference arisen as a result of such revaluation between assessment, which was carried out on the basis of acquisition costs or production cost price, and assessment which was carried out on the basis of revaluation, if such difference is positive, is included in the relevant assets item of the balance sheet where revalued object of fixed assets is indicated and in the liabilities item of the balance sheet "Revaluation reserve of long-term investments" under the section "Equity".

Accounting of productive animals or plants

Animals are initially measured and recorded at the following cost:

- bought animals - purchase cost of these animals;
- self-produced animals - production costs of these animals (the costs for producing animal).

Development costs

Development costs are costs which are directly eligible to development measures or which may be justifiably related to these measures.

Inventories

Inventories are stated at the lower of cost and net realisable value according to the perpetual inventory method.

Costs incurred in bringing each product to its present location and condition are accounted for as follows:

- raw materials and purchased goods are recognized at acquisition cost using the weighted average price;
- sow seeds of winter crops and bull semen - at cost.

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale. Net realisable value is disclosed at the purchase (production) cost less provisions made.

Receivables

Receivables are recognized at original invoice amount less an allowance for any doubtful amounts. The allowance for any doubtful amounts is made in the cases, when the collection of these amounts is problematic. Bad debts are written off when the recovery is deemed impossible.

Signs that an amount receivable may be doubtful:

- delayed payment of debt, after repeated reminders the debtor still does not pay or the debtor is questioning the Company's right to recover the debt;
- the debtor's poor financial situation and negative operating results or other circumstances indicating the debtor's failure to pay the full amount of the debt (known, that the debtor is subject of proceedings for its recognition as bankrupt), etc.

Trade receivables

Trade receivables are recognised and carried at original invoice amount less an allowance for any uncollectible amounts.

Other receivables

The Company under the item "Other receivables" presents those debtors that cannot be presented in other items, including tax overpayments, debit balances of accounts payable.

Prepaid expense and deferred revenue

Payments made before the balance sheet date but referring to the next financial years shall be indicated in the item "Prepaid expense".

Payments received before the balance sheet date but referring to the next financial years or further financial years shall be indicated in the balance sheet item "Deferred revenue".

Other securities and investments

Long-term investments in bonds and securities are measured at cost in the balance sheet. Short-term investments in shares and securities, which are listed on the stock exchange, are measured at market value in the balance sheet, which is determined by the stock exchange transactions on the last day of the reporting year.

Cash

Cash and cash equivalents include cash in bank and on hand.

Share capital

The item "Equity" shows the share capital according to the capital registered in the Commercial Register.

Share premium

If shares of new issue have been sold for a larger amount than the nominal value, the Company has share premium. If these have been sold for an amount below the nominal value, the negative difference is indicated in the section "Equity" as a negative number.

Reserves

Reserves are part of the net profit for the reporting year, which was redirected according to the special purposes defined in law and Statutes (incl. loss cover).

Payables

Payables are reported according to supporting documents and checked with respective creditors by reconciling balances.

Loans and borrowings

Loans and borrowings are initially recognized at cost, determined by the fair value and plus directly attributable transaction costs for issued loans and net of directly attributable transaction costs for borrowings received.

Leases

Finance leases, which transfer to the Company substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments, by respective charge to current and non-current liabilities. Lease payments are apportioned between the finance charges and reduction of the principal lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are included in the income statement as interest expense.

If there is reasonable certainty that the lessee will obtain ownership by the end of the lease term, the period of expected use is the useful life of the asset; otherwise capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset or the lease term on a straight-line basis.

Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease payments are recognised as an expense in the income statement on a straight-line basis over the lease term. The commitments undertaken by the Company with respect to operating lease contracts are recorded as off-balance sheet liabilities.

Provisions

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Where the Company expects some or all of provisions to be reimbursed, for example, under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the income statement net of any reimbursement.

Accrued income

As accrued income are recognized clearly known settlement amounts with buyers and customers for the supply of goods or services in the reporting year but for which payment documents (invoices) have not been issued by the balance sheet date due to the terms of the agreement.

Accrued liabilities

Accrued liabilities comprise clearly known trade payables for goods or services which have been supplied during the reporting year but for which payment documents (invoices) have not been received by the balance sheet date due to the terms of the supply, sale or contractor agreement or for any other reasons.

Reserve for unused leaves

Reserve for unused leaves is determined by multiplying the average salary for the last six months of the reporting year of each employee by the number of unused accrued annual leave days.

Advances from customers

Advances from customers are payments which in accordance with the contract the buyer pays the seller before the receipt of goods or service.

Other payables

The company under the item "Other payables" presents those creditors that cannot be presented in other items, including credit balances of accounts receivable.

Dividends

Claims and obligations in respect of dividends are recognized when the shareholders' right to receive the payment is established, which means that only when the distribution is authorised by the shareholders decision, as well as when the amount of dividends is calculated.

Taxes and mandatory state social insurance contributions

Tax information is reconciled with the tax administration. The Company presents within payables only tax debts, any overpayments are presented under other receivables.

Subsidies

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

Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured, less value added tax and sales-related discounts. The following specific recognition criteria must also be met before revenue is recognised:

Sale of goods

Revenue arising from the sale of goods is recognised when all of the following criteria have been satisfied:

- 1) the Company has transferred to the buyer the significant risks and rewards of ownership of the goods;
- 2) the Company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- 3) it is probable that the economic benefits associated with the transaction will flow to the Company;
- 4) the costs incurred or to be incurred in respect of the transaction can be measured reliably.

The Company reports the sale of goods, taking into account the economic substance and not merely the legal form.

Provision of services

Revenue arising from the rendering of services is recognised in the period when the services are rendered.

Revenue arising from the rendering of services and related costs is recognised by reference to the stage of completion of the transaction at the balance sheet date.

If the outcome cannot be estimated reliably, revenue arising from the rendering of services is recognised only to the extent of the expenses recognised that are recoverable.

Other income

Other income is income that is not included in the revenue, is occurred in the result of the economic activity, or is related to, or directly derived. Other income is recognised as follows:

- revenues from fines and penalties – upon receipt;
- proceeds from the sale of non-current assets - net gain or loss on non-current assets' sale are determined by comparing the proceeds with the carrying amount and are included in the income statement as incurred;
- revenue from exchange rate fluctuations - net profit or loss from currency fluctuations is calculated as the difference between revenue and losses from exchange rate fluctuations and included in the income statement as incurred;
- interest income on current account balances from credit institutions registered in the Republic of Latvia - upon receipt;
- dividends - when the shareholder's right to receive payment is established;
- other income – as incurred.

Corporate income tax

Corporate income tax includes current corporate income tax. Corporate income tax is recognized in the income statement. Current corporate income tax is calculated in accordance with the Law on Corporate Income Tax and is applied statutory tax rate of 15% on taxable income.

Deferred income tax for 2016 and 2015 results in tax asset and in accordance with the precautionary principle it is not recognized.

Subsequent events

Post-year-end events that provide additional information about the Company's position at the balance sheet date (adjusting events) are reflected in the financial statements. Post-year-end events that are not adjusting events are disclosed in the notes when material:

Chairman of the Board

Member of the Board

Member of the Board

Chief Accountant

GATIS KAČIS

SIGITA LUKAŽE

MĀRTIŅŠ MUIŽNIEKS

DAIGA LIELPINKA

NOTES TO THE BALANCE SHEET (continued)

| | 2017.g.9 mēn. | 2016.g.9 mēn. |
|---|---------------|---------------|
| 1 Average number of employees during the reporting year, incl. | 36 | 37 |
| Members of the Board | 3 | 3 |
| Members of the Council | 5 | 5 |
| Other employees | 28 | 29 |
| | 2017.g.9 mēn. | 2016.g.9 mēn. |
| | EUR | EUR |
| 2 Total labour costs | 301003 | 299361 |
| - salaries | 244157 | 242966 |
| - state mandatory social insurance payments | 56846 | 56395 |
| Remuneration of employees engaged in production (core activity) | | |
| - salaries | 165113 | 171828 |
| - state mandatory social insurance payments | 38259 | 39650 |
| - total | 203372 | 211478 |
| Remuneration of administration | | |
| - salaries | 79044 | 71138 |
| - state mandatory social insurance payments | 18587 | 16745 |
| - total | 97631 | 87883 |
| 3 Management remuneration | | |
| <i>Members of the Council</i> | | |
| - salaries | 10642 | 10537 |
| - state mandatory social insurance payments | 2432 | 2273 |
| - total | 13074 | 12810 |
| <i>Members of the Board</i> | | |
| - salaries | 30534 | 24921 |
| - state mandatory social insurance payments | 7203 | 5737 |
| - total | 37737 | 30658 |

4. Intangible assets

| | Concessions, patents, licences, trademarks and similar rights | Advance payments | Total intangible assets |
|---|---|------------------|-------------------------|
| Purchase value as at 31.12.2015 | 4422 | 0 | 4422 |
| Additions | 0 | 0 | 0 |
| Disposal | 0 | 0 | 0 |
| Reclassification | 0 | 0 | 0 |
| Purchase value as at 30.09.2016. | 4422 | 0 | 4422 |
| Depreciation as at 31.12.2015 | 3550 | 0 | 3550 |
| Calculated | 263 | 0 | 263 |
| Written off | 0 | 0 | 0 |
| Depreciation as at 30.09.2016. | 3813 | 0 | 3813 |
| Net book amount 31.12.2015. | 872 | 0 | 872 |
| Net book amount 30.09.2016. | 609 | 0 | 609 |
| | | | 0 |
| Purchase value as at 31.12.2016. | 4422 | 0 | 4422 |
| Additions | 0 | 0 | 0 |
| Disposal | 0 | 0 | 0 |
| Reclassification | 0 | 0 | 0 |
| Purchase value as at 30.09.2017. | 4422 | 0 | 4422 |
| | | | 0 |
| Depreciation as at 31.12.2016 | 3886 | 0 | 3886 |
| Calculated | 209 | 0 | 209 |
| Written off | 0 | 0 | 0 |
| Depreciation as at 30.09.2017. | 4095 | 0 | 4095 |
| Net book amount 31.12.2016. | 536 | 0 | 536 |
| Net book amount 30.09.2017. | 327 | 0 | 327 |

5. Property, plant and equipment

| | Real estate | Technological equipment and machinery | Other property, plant and equipment | Construction in progress | Animals and plants | Total |
|---|---------------|---------------------------------------|-------------------------------------|--------------------------|--------------------|----------------|
| Purchase value as at 31.12.2015. | 836529 | 553358 | 40255 | 4200 | 43509 | 1477851 |
| Additions | 0 | 28127 | 1547 | 90980 | 26038 | 146692 |
| Disposal | 0 | -24818 | -2311 | 0 | -20240 | -47369 |
| Reclassification | 0 | 0 | 0 | 0 | 0 | 0 |
| Purchase value as at 30.09.2016. | 836529 | 556667 | 39491 | 95180 | 49307 | 1577174 |
| Depreciation as at 31.12.2015. | 62921 | 443447 | 31982 | 0 | 0 | 538350 |
| Calculated | 7073 | 23889 | 1818 | | 0 | 32780 |
| Written off | 0 | -24598 | -2310 | | 0 | -26908 |
| Depreciation as at 30.09.2016. | 69994 | 442738 | 31490 | | 0 | 544222 |
| Net book amount 31.12.2015 | 773608 | 109911 | 8273 | | 43509 | 935301 |
| Net book amount 30.09.2016. | 766535 | 113929 | 8001 | 95180 | 49307 | 1032952 |
| Purchase value as at 31.12.2016. | 950347 | 549399 | 39492 | 8740 | 48161 | 1596139 |
| Additions | 1000 | 785 | 4279 | 0 | 11650 | 17714 |
| Disposal | 0 | -7826 | -2684 | 0 | -14853 | -25363 |
| Reclassification | 0 | 0 | 0 | | 0 | 0 |
| Purchase value as at 30.09.2017. | 951347 | 542358 | 41087 | 8740 | 44958 | 1588490 |
| Depreciation as at 31.12.2016. | 72351 | 444041 | 32078 | 0 | 0 | 548470 |
| Calculated | 8791 | 21572 | 1788 | | 0 | 32151 |
| Written off | 0 | -7826 | -1983 | | 0 | -9809 |
| Depreciation as at 30.09.2017. | 81142 | 457787 | 31883 | | 0 | 570812 |
| Net book amount 31.12.2016. | 877996 | 105358 | 7414 | 8740 | 48161 | 1047669 |
| Net book amount 30.09.2017. | 870205 | 84571 | 9204 | 8740 | 44958 | 1017678 |

| Real estate | Cadastral No. | Cadastral value as at 30.09.2017. | Book value as at 30.09.2017. |
|-----------------------------------|---------------|-----------------------------------|------------------------------|
| <i>Land</i> | EUR | 295656 | 454876 |
| <i>Buildings and construction</i> | EUR | 45270 | 415329 |

| | | |
|---|--------------------|--------------------|
| 6 Raw materials and consumables | 30.09.2017. | 30.09.2016. |
| | EUR | EUR |
| Materials | 12743 | 13887 |
| Feed additives | 0 | 351 |
| Mineral fertilizers and chemicals | 14785 | 14428 |
| Grain and seedcorn | 69831 | 68809 |
| Fuel | 994 | 873 |
| Spare parts | 893 | 437 |
| Animal feed | 3113 | 4300 |
| Total | 102359 | 103085 |
| 7 Work in progress | 30.09.2017. | 30.09.2016. |
| | EUR | EUR |
| Winter crops | 39591 | 38121 |
| Total | 39591 | 38121 |
| 8 Finished goods | 30.09.2017. | 30.09.2016. |
| | EUR | EUR |
| Frozen bulls sperm | 320179 | 313914 |
| Total | 320179 | 313914 |
| 9 Trade receivables | 30.09.2017. | 30.09.2016. |
| | EUR | EUR |
| Carrying amount of trade receivables | 190157 | 126958 |
| Allowance for doubtful debts | -10952 | -10749 |
| Net trade receivables | 179205 | 116209 |
| | | |
| Movements in the allowance for doubtful debts | 30.09.2017. | 30.09.2016. |
| Allowance as at 31.12.2015 | 10952 | 10749 |
| Decrease | 0 | 0 |
| Increase | 0 | 0 |
| Allowance as at 31.12.2016 | 10952 | 10749 |
| 10 Other receivables | 30.09.2017. | 30.09.2016. |
| | EUR | EUR |
| Payments to advance settlement parties | 301 | 230 |
| Total | 301 | 230 |
| 11 Prepaid expense | 30.09.2017. | 30.09.2016. |
| | EUR | EUR |
| Insurance | 5814 | 5736 |
| Expenses related to official travels | 0 | 3230 |
| Total | 5814 | 8966 |

| | | |
|----------------|--------------------|--------------------|
| 12 Cash | 30.09.2017. | 30.09.2016. |
| | EUR | EUR |
| Cash at bank | 6706 | 6055 |
| Cash in hand | 226876 | 156563 |
| Total | 233582 | 162618 |

13 Share capital

As at 30 September 2017 registered and fully paid share capital of the Company is EUR 613200 and it consists of 876000 shares with a par value of EUR 0.70 per share. As at 30 September 2016 registered and fully paid share capital of the Company is EUR 613200 and it consists of 876000 shares with a par value of EUR 0.70 per share.

| Capital structure Share Class | 30.09.2017. | | | 30.09.2016. | | |
|--|--------------------|------------------|---------------|--------------------|------------------|---------------|
| | % of share capital | Number of shares | EUR | % of share capital | Number of shares | EUR |
| Bearer shares with voting rights - publicly traded | 100% | 876000 | 613200 | 100% | 876000 | 613200 |
| Bearer shares without voting rights | 0% | 0 | | 0% | 0 | |
| | 100% | 876000 | 613200 | 100% | 876000 | 613200 |

Shareholders of the Company as at 26 April, 2017 and their position in the Company

| Shareholders | Position in the Company | % of share capital |
|-----------------------------------|-------------------------|--------------------|
| SIA Latvijas šķ. dzīv. audz. sav. | shareholder | 42.10% |
| AS Agrofirma Tērvete | shareholder | 28.00% |
| Other shareholders | x | 29.90% |
| Total: | x | 100.00% |

Details of the restrictions on the transfer of shares

Restrictions on the transfer of shares or receipt of specific consent for transfer of shares have not been determined.

Shareholders' rights and agreements

Regulated by Latvian laws and regulations, the Company's Statutes does not define special restrictions or provisions relating to the voting rights.

The Company has no information on any shareholders agreement.

Powers of board members and special agreements

According to Company's Statutes each board member has the right to represent the Company separately.

The Company and board members do not have an agreement on resignation compensation.

The rules for the election of board members, amendments of the Statutes

Regulated by Latvian laws and regulations, the Company's Statutes does not define special restrictions or provisions relating to the election of board members, changes in the composition of the Board and amendment of the Statutes.

| | | |
|--|--------------------|--------------------|
| 14 Retained earnings | 30.09.2017. | 30.09.2016. |
| | EUR | EUR |
| Retained earnings for the previous year | 1074507 | 962679 |
| Retained earnings for the year | 87322 | 73649 |
| Total | 1161829 | 1036328 |
| 15 Deferred income (non-current) | 30.09.2017. | 30.09.2016. |
| | EUR | EUR |
| EU financing for Garāžas-darbnīcas ēkas pārbūve | 34932 | 0 |
| EU financing for reconstruction and modernisation of bulls'cattle-shed | 0 | 917 |
| EU financing for new machinery purchase for grain industry | 0 | 2253 |
| Total | 34932 | 3170 |
| | 30.09.2017. | 30.09.2016. |
| Deferred income write-off period | EUR | EUR |
| From 2 to 5 years | 34932 | 3170 |
| Total | 34932 | 3170 |
| 16 Trade payables | 30.09.2017. | 30.09.2016. |
| | EUR | EUR |
| Latvian trade payables | 16954 | 41894 |
| Foreign trade payables | 2920 | 7546 |
| Total | 19874 | 49440 |
| 17 Taxes payable | 30.09.2017. | 30.09.2016. |
| | EUR | EUR |
| State mandatory social insurance payments | 9054 | 8763 |
| Personal income tax | 4769 | 4362 |
| Value added tax | 8941 | 6575 |
| Natural resources tax | 21 | 2 |
| State fee of business risk | 13 | 14 |
| Total | 22798 | 19716 |
| 18 Other payables | 30.09.2017. | 30.09.2016. |
| | EUR | EUR |
| Salaries | 18273 | 16391 |
| Payments to advance settlement party | 33 | 46 |
| Total | 18306 | 16437 |
| 19 Accrued liabilities | 30.09.2017. | 30.09.2016. |
| | EUR | EUR |
| Accrued liabilities - unused annual leaves | 18465 | 21 977 |
| Total | 18465 | 21977 |
| 20 Deferred income | 30.09.2017. | 30.09.2016. |

| | EUR | EUR |
|--|--------------|--------------|
| EU financing for reconstruction and modernisation of boars'cattle-shed | 0 | 10245 |
| EU financing for reconstruction and modernisation of bulls'cattle-shed | 917 | 5458 |
| EU financing for new machinery purchase for grain industry | 2253 | 3004 |
| EU financing for Garāžas-darbnīcas ēkas pārbūve | 8733 | 0 |
| Total | 11903 | 18707 |

NOTES TO THE INCOME STATEMENT

| 21 Revenue | Nace | 2017.g.9 m.. | 2016.g.9 m.. |
|--|-------|---------------|---------------|
| a) from agricultural activity | kods | EUR | EUR |
| Revenue from animal semen | 01.62 | 365992 | 378432 |
| Revenue from artificial insemination services | 01.62 | 46795 | 53817 |
| Revenue from livestock sale | 01.42 | 4422 | 5796 |
| Revenue from grain sale | 01.11 | 201971 | 157789 |
| Revenue from linear evaluation of cows | 01.62 | 23557 | 26789 |
| Revenue from sale of other products and services | 01.19 | 993 | 0 |
| Total | | 643730 | 622623 |
| b) from other type of economic activities | | | |
| Revenue from milk sample collection | 52.29 | 39596 | 40914 |
| Revenue from sale of other products and services | 47.99 | 36509 | 39015 |
| Total | | 76105 | 79929 |
| Grand total | | 719835 | 702552 |
| 21a Revenue by geographical segments | | 2017.g.9 m.. | 2016.g.9 m.. |
| | | EUR | EUR |
| Latvia | | 719725 | 695582 |
| Netherlands | | 0 | 6970 |
| Deutschland | | 110 | 0 |
| Total | | 719835 | 702552 |
| 22 Cost of sales | | 2017.g.9 m. | 2016.g.9 m. |
| | | EUR | EUR |
| Insurance payments | | 2114 | 2262 |
| Salaries | | 95823 | 99725 |
| State mandatory social insurance payments | | 22132 | 22868 |
| Forage | | 5601 | 6702 |
| Property, plant and equipment depreciation | | 30086 | 30685 |
| Medication | | 453 | 791 |
| Electricity costs | | 6689 | 6999 |
| Materials and spare parts | | 21648 | 24712 |
| Current repair services | | 8812 | 10507 |
| Disposal and dry waste | | 462 | 487 |
| Natural resources tax | | 114 | 154 |
| Gas costs | | 7637 | 6478 |

| | | |
|--|--------------------|--------------------|
| Fuel | 32071 | 28569 |
| Miscellaneous services | 19569 | 19418 |
| Fertilizers, seeds and chemicals | 69534 | 86042 |
| Other costs | 39475 | 40352 |
| Total | 362220 | 386751 |
| 23 Distribution costs | 2017.g.9 m. | 2016.g.9 m. |
| | EUR | EUR |
| Salaries | 69290 | 72103 |
| State mandatory social insurance payments | 16127 | 16782 |
| Advertising costs | 3188 | 979 |
| Immovable property tax on land and buildings | 6512 | 5474 |
| Expenses related to official travels | 3022 | 0 |
| Transport costs | 28312 | 24198 |
| Writte-off of breeding bull' bio product | 100 | 0 |
| Other costs | 10905 | 9255 |
| Total | 137456 | 128791 |
| 24 Administrative expenses | 2017.g.9 m. | 2016.g.9 m. |
| | EUR | EUR |
| Administrative personnel expenses | 79044 | 71138 |
| State mandatory social insurance payments | 18587 | 16745 |
| Transport costs | 11225 | 9678 |
| Communication expenses | 451 | 726 |
| Office maintenance expenses | 2774 | 1778 |
| Property, plant and equipment depreciation | 2274 | 2358 |
| Legal services | 1153 | 25 |
| Annual report and audit expenses | 5751 | 5819 |
| Bank charges | 525 | 711 |
| Miscellaneous services | 18114 | 18995 |
| Representation expenses | 875 | 2592 |
| Total | 140773 | 130565 |
| 25 Other operating income | 2017.g.9 m. | 2016.g.9 m. |
| | EUR | EUR |
| Subsidies from the Ministry of Agriculture | 7347 | 16223 |
| Income from foreign currency exchange rate fluctuations | 23 | 0 |
| Proceeds from sale of property, plant and equipment, net | 566 | 960 |
| Other income | 0 | 29 |
| Total | 7936 | 17212 |
| 26 Other operating expense | 2017.g.9 m. | 2016.g.9 m. |
| | EUR | EUR |
| Losses from foreign currency exchange rate fluctuations, net | 0 | 408 |
| Other expenses | 0 | 0 |
| Total | 0 | 408 |

27 Financial risk management

The Company's principal financial instruments comprise trade and other receivables and trade and other payables, which arise directly from its operations.

Financial risks

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

Currency risk

The Company's monetary assets and liabilities that are subject to foreign currency risk comprise cash, trade payables. The Company is exposed to foreign currency risk mainly due to the USD currency.

Liquidity risk

The Company manages its liquidity risk by maintaining an adequate level of cash.

Credit risk

The Company is exposed to credit risk through its trade 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. The Company doesn't have credit risk concentration to single partner or similar description partners group.

28 Information on significant lease contracts

During the reporting year the Company concluded three Land Lease Contracts for the land lease in Kuldīga region, which in 2017 will be reconcluded for three years.

29 Financial assistance received and other forms of financial support

During the reporting year the company received subsidies from the Ministry of Agriculture granted to boars industry EUR 3820, to bulls industry EUR 1613, area payment EUR 1914.

All conditions of the finance provider regarding financial assistance of the previous years are met.

The Company did not have repaid amounts in relation to the non-fulfillment of conditions of the finance provider.

During the reporting year the Company did not receive any state or local government guarantees or equity contributions.

During the reporting year the Company did not receive any donations or gifts.

30 Transactions with related parties

No transactions.

31 Liabilities to former employees

The Company has no obligations to former employees.

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

GATIS KAČIS
SIGITA LUKAŽE
MĀRTIŅŠ MUIŽNIEKS

Chief Accountant

DAIGA LIELPINKA

STATEMENT OF RESPONSIBILITY OF THE MANAGEMENT

The Management of Joint Stock Company "Kurzemes ciltslietu un mākslīgās apsēklošanas stacija" is responsible for the preparation of the Company's Annual Report.

The Management of Joint Stock Company "Kurzemes ciltslietu un mākslīgās apsēklošanas stacija" in accordance with information available confirms that the Annual Report for the financial year 2017 has been prepared in accordance with the requirements of the applicable laws and regulations and gives a true and fair view on the JSC "Kurzemes ciltslietu un mākslīgās apsēklošanas stacija" assets, liabilities, financial position and loss. The Management Report provides true review of JSC "Kurzemes ciltslietu un mākslīgās apsēklošanas stacija" growth and performance results.

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 "Kurzemes ciltslietu un mākslīgās apsēklošanas stacija" is responsible for the compliance with the requirements of laws and regulations of the Republic of Latvia.

Chairman of the Board

GATIS KAČIS

Member of the Board

SIGITA LUKAŽE

Member of the Board

MĀRTIŅŠ MUIŽNIEKS

Chief Accountant

DAIGA LIELPINKA

Management Report

27 October 2017

Company's operations during reporting year

The Company is not planning on changing the main activity area. Introduction of new services to the clients is under consideration.

Currently the main business risk is related to the rapid spread of African swine fever in the territory of Latvia. The disease has been found in the districts near the location of the Company. Biosecurity measures are being increased, in order to prevent disease from spreading in breeding boars. If, this disease will spread in the farms of the Company's main clients, there is a risk that the sale of boars sperm will rapidly decrease.

Financial results and financial standing of the Company's commercial activity

The Company's revenue in 2017 nine months amounts to EUR 719835 it is 2.5 % higher than in 2016. The Company's profit for the period is EUR 87322.

In the reporting period, the Company received subsidies from the state and EU in the amount of EUR 7347. Subsidies received for breed animals maintenance and EU payments area.

Development of the Company

1. Retain existing customers and continue to attract new customers.
2. Optimize the production and selling costs.
3. Buy or lease agricultural land for the grain industry.
4. Consider opportunities to attract EU funds for the reconstruction of Company's grain dryers and rebuild of garage-workshop building.

Events in Research and Development

No research works are planned.

The Company's branches and representative offices abroad

No

Financial risk management

The Company's principal financial instruments comprise trade and other receivables and trade and other payables, which arise directly from its operations.

Financial risks

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

Currency risk

The Company's monetary assets and liabilities that are subject to foreign currency risk comprise cash, trade payables. The Company is exposed to foreign currency risk mainly due to the USD currency.

Liquidity risk

The Company manages its liquidity risk by maintaining an adequate level of cash.

Credit risk

The Company is exposed to credit risk through its trade 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. The Company doesn't have credit risk concentration to single partner or similar description partners group.

Chairman of the Board

GATIS KAČIS

Member of the Board

SIGITA LUKAŽE

Member of the Board

MĀRTIŅŠ MUIŽNIEKS

Chief Accountant

DAIGA LIELPINKA