

JOINT STOCK COMPANY "GROBINA"
(REGISTRATION NUMBER 40003017297)

**INTERIM REPORT
FOR 6 MONTHS PERIOD ENDED 30 JUNE 2019**

(29TH financial year)

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

Riga, 2019

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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 13, 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.

Riga, 31st of August 2019

Gundars Jaunsleinis
Chairman of the board

Gunta Isajeva
Member of the board

Ireneusz Sajewicz
Member of the board

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
Council of the Company	Argita Jaunsleine – chairman of the council, since 30.06.2018 Aija Blūma – vice president of the council, since 30.06.2018 Liene Žvagule – member of the council, since 30.06.2018 Dace Obodovska – member of the council, since 30.06.2018
Financial year	1 st of January 2019 to 30 st of June 2019

Management report

Core Business Activity

Core business activity of JSC "GROBINA" is fur -farming of minks for fur production and the production of animal feed for fur animals.

Operations during the reporting year

The company's net turnover of first 6 months of 2019 is 2 543 876 EUR. Compared to 3 months of 2018, it has increased by 71%.

As in 2016 in the world fur markets happened dramatic price fall of fur skins sales prices, JSC "Grobina" was not able to fulfil its obligations against all creditors. Operatively reacting on this situation, there were submitted in the court an application about initiation of legal protection proceedings of JSC "Grobina". With Liepaja court decision No Nr.C20153616 of 6th of April 2016 the Legal protection proceedings of JSC "Grobina" was initiated. As the majority of JSC "Grobina" creditors in accordance with Insolvency law paragraph 42, third chapter, confirmed JSC "Grobina" management plan, which regarding on debts against unsecured creditors (suppliers) provides payments of principal sums until June 2018, basis on Liepaja court decision of 29th of June, 2016, the Legal protection proceedings plan of JSC "Grobina" was approved. With Liepaja court decision of 3d of March 2017 and Kurzeme district court decision of 29th of March 2018 there were approved amendments of Legal protection proceedings plan of JSC "Grobina", thus extending the term of Legal protection proceedings until 30th of June, 2020, which regarding on accumulated debts of unsecured creditors (suppliers) essentially envisages deferment of payment of principal debt until June 2020.

At the three months of 2019 the average number of employees was 69 employees, in the same period of 2018 - 58 employees.

Financial Risk Management

The Company's operations are exposed to various financial risks, including credit risk and interest rate fluctuation risks. The Company's management try to minimize potential negative effects of financial risks on the Company's financial position.

Future perspective

Despite the Legal protection proceedings, the management of JSC "Grobina" in June 2019 agreed with Canadian auction house NAFA about financing of kits fattening in 2022 / 2023 breeding seasons, which allows to the company to continue normal economic activity up to 2023.

Riga, 31th of August 2019

Gundars Jaunsleinis
Chairman of the board

Profit or losses statement

	Notes	6 months, 2019 EUR	6 months, 2019 EUR
Net turnover:			
of the agricultural activity		2 543 876	1 486 386
Costs of goods sold or services provided		(3 071 257)	(1 696 998)
Gross profit or lossess		(527 381)	(210 612)
Distribution expenses		(156 491)	(81 661)
Administrative expenses		(58 769)	(178 402)
Other operating income		104 652	140 724
Other operating expenses		(15 181)	(4 822)
Interest and similar expenses, incl.: for other parties		(189 915)	(179 750)
Profit or lossess before corporate income tax		(843 085)	(514 523)
Profit or lossess for the financial year		(843 085)	(514 523)

Notes are an integral part of these financial statements.

Riga, 31th of August 2019

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Balance sheet

ASSETS

	30.06.2019.	31.12.2018.
	EUR	EUR
NON-CURRENT ASSETS		
Fixed assets		
Immovable properties:		
land plots, buildings and engineering structures	5 466 241	5 705 744
Fauna and flora:		
draft animals or productive animals and perennial plantings	4 319 452	4 845 548
Technological equipment and machinery	4 696 210	5 207 394
Other fixed assets	935 560	657 724
Fixed assets under development and construction in progress	2 600	15 347
Advances for fixed assets	48 248	48 248
TOTAL	15 468 311	16 480 005
TOTAL NON-CURRENT ASSETS	15 468 311	16 480 005
CURRENT ASSETS		
Inventories		
Raw materials and consumables	104 388	66 987
Unfinished production	16 367	2 407 434
Finished goods and goods for sale	1 315 629	1 922 434
Fauna and flora		
animals and annual plantings	1 022 428	396 894
TOTAL	2 458 812	4 793 749
Account receivable		
Trade receivables	126 414	53 026
Other receivables	78 277	82 650
Deferred expenses	1 072	4 441
TOTAL	205 763	140 117
Cash and bank		
	150	70
TOTAL CURRENT ASSETS	2 664 725	4 933 936
TOTAL ASSETS	18 133 036	21 413 941

Notes are an integral part of these financial statements.

Balance sheet

EQUITY, PROVISIONS AND LIABILITIES		30.06.2019	31.12.2018
		EUR	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		(3 490 653)	(1 149 594)
Current year profit or losses		(843 085)	(1 152 691)
	TOTAL EQUITY	(3 544 821)	(1 513 368)
LIABILITIES			
Non-current liabilities			
Loans from banks		4 381 726	4 330 377
Other borrowings		3 406 530	3 555 295
Trade payables		1 989 644	1 989 644
Taxes and state social insurance payments		277 752	301 230
Deferred income		4 175 651	4 175 650
	TOTAL	14 231 303	14 352 196
Current liabilities			
Loans from banks		902 304	902 304
Other borrowings		265 535	276 472
Advances from customers		4 361 886	5 658 849
Trade payables		704 392	568 035
Taxes and state social insurance payments		384 450	264 824
Other creditors		496 030	428 421
Deferred income		104 652	209 304
Accrued liabilities		227 305	266 904
	TOTAL	7 446 554	8 575 113
	TOTAL LIABILITIES	21 677 857	22 927 309
TOTAL EQUITY, PROVISIONS AND LIABILITIES		18 133 036	21 413 941

Notes are an integral part of these financial statements.

Riga, 31th of August 2019

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Cash flow statement

	6 months, 2019	6 months, 2018
Cash flow from operating activities		
Profit or losses before corporate income tax	(843 085)	(514 523)
Adjustments for:		
depreciation and impairment of fixed assets	324 177	329 836
interest and similar revenue	53 437	179 750
Loss on disposal of fixed assets	-	6 303
Changes in the value of biological assets	(408 768)	76 458
Profit or loss prior to changes in current assets and current liabilities	(874 239)	77 824
Increase or decrease of account receivable	(65 646)	(324 119)
Increase or decrease of inventory	2 334 937	55 638
Increase or decrease of account payables and other liabilities	(1 403 301)	972 126
Bioloģisko aktīvu pieaugums vai samazinājums		-
Gross cash flow generated from operating activities	(8 249)	781 469
Net cash flow generated from operating activities	(8 249)	781 469
Cash flow from investing activities		
Acquisition of fixed and intangible assets	(1 402)	(128 826)
Income from sale of fixed assets	-	10 576
Net cash flow generated from investing activities	(1 402)	(118 250)
Cash flow from financing activities		
Ieņēmumi no akciju un obligāciju emisijas vai kapitāla līdzdalības daļu ieguldījumiem		
Loans received	155 849	-
Repayment of loans	(2 000)	(412 500)
Expenses for the redemption of leased fixed assets	(90 681)	(171 867)
Interest payments	(53 437)	(105 596)
Net cash flow generated from financing activities	9 731	(689 963)
Net cash flow in the financial year	80	(26 744)
Cash and cash equivalents at the beginning of the financial year	70	26 826
Cash and cash equivalents at the end of the financial year	150	82

Notes are an integral part of these financial statements.

Riga, 31th of August 2019

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Statement of changes in equity

	Share capital	Reserves	Retained earnings or uncovered losses		Total
			brought forward from previous years	Current year profit or losses	
	EUR	EUR	EUR	EUR	EUR
6 months period ended 30.06.2018					
Opening balance 31.12.2017	711 436	77 481	(811 379)	(338 215)	(360 677)
Increase/decrease in retained earnings	-	-	-	-	-
Prior year adjustments	-	-	(338 215)	338 215	-
Closing balance 30.06.2018	711 436	77 481	(1 149 594)	(514 523)	(875 200)

6 months period ended 30.06.2019

Opening balance 31.12.2018	711 436	77 481	(1 149 594)	(1 152 691)	(1 513 368)
Increase/decrease in retained earnings	-	-	-	(843 085)	(843 085)
Prior year adjustments	-	-	(2 341 059)	1 152 691	(1 188 368)
Closing balance 30.06.2019	711 436	77 481	(3 490 653)	(843 085)	(3 544 821)

Notes are an integral part of these financial statements.

Riga, 31th of August 2019

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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 profit or loss statement is prepared in accordance with the function of expense method.

The cash flow statement is prepared using the indirect method.

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.

In accordance with the requirements of Article 57 (5) of the Financial Instrument Market Law, each balance sheet item in the financial statement is compared at least to the data at the end of the previous reporting year and each item of the profit or loss statement, statement of changes in the equity, and the cash flow statement is compared at least to the data of the previous reporting year regarding the same period.

Foreign currency conversion in euro

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.

1. Summary of accounting policies (continuation)

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 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.

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.

Lease

Finance lease transactions, under which the Company has received all the risks and benefits incidental to the ownership of the leased item, are recognized in the balance sheet as fixed assets for the sum, which, when starting the lease, correspond to the fair value of the leased property, or, if it is lower, the present value of the minimum lease payments. Finance lease payments are apportioned between finance charges and reduction of liability, so as to achieve a constant rate on the liability balance. Financial costs are included in the income statement as interest expense.

If there are sufficient grounds to believe that at the end of the lease period the lessee will obtain ownership of the lease object, as the expected service life is assumed the useful life of this asset. Otherwise the capitalized leased assets are depreciated using the linear method, in the estimated useful life of the asset or the lease term, depending on which of these periods is shorter.

Lease of assets under which substantially all of the risks incidental to the ownership are taken and the benefits acquired by the lessor is classified as operating lease. Operating lease payments are recognized as an expense over the lease term using the linear method. Liabilities arising from the operating lease the company shall list as off-balance sheet liabilities.

1. Summary of accounting policies (continuation)

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 is levied on distributed and conditionally distributed profits, the amount divided by 0.8, multiplied by a factor of 0.2.