JOINT STOCK COMPANY “GROBINA”
(REGISTRATION NUMBER 40003017297)

ANNUAL REPORT 2019 1ST Q

(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

CONTENTS

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 proncipu.

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 May 2019

Gundars Jaunsleinis	Gunta Isajeva	Ireneusz Sajewicz
Chairman of the board	Member of the board	Member of the board

Information on the Company

Name of the company	Joint stock company „Grobina”
Legal status of the company	Publick joint stock company
Number, place and date ot 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, simce 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	1st of January 2019 to 31st of March 2019

Management report

Core Business Activity
Core business activity of JSC "GROBIŅA" 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 3 months of 2019 is 572 512 EUR. Compared to 3 months of 2018, it has increased by 64%.

As n 2016 in the world fur markets happened dramatic price fall of fur skins sales prices, JSC "Grobina" was nat 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 od JSC "Grobnina". 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 80 employees, in the same period of 2018 - 60 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 2017 agreed with Canadian auction house NAFA about financing of kits fattening in 2017, 2018 and in 2019 breeding seasons, which allows to the company to continue normal economic activity up to 2020.

Riga, 31th of May 2019

Gundars Jaunsleinis
Chairman of the board

Profit or losses statement

	Notes	2019 1st Q	2018 1st Q
		EUR	EUR
Net turnover:			
of the agricultural activity		572 512	349 050
Costs of goods sold or services provided		(832 544)	(355 065)
Gross profit or lossess		**(260 032)**	**(6 015)**
Distribution expenses		(35 139)	(47 346)
Administrative expenses		(83 314)	(96 615)
Other operating income		52 326	83 912
Other operating expenses		(6 063)	(9 928)
Interest and similar expenses, incl.:			
for other parties		(94 843)	(121 055)
Profit or lossess before corporate income tax		**(427 065)**	**(197 047)**
Profit or lossess for the financial year		**(427 065)**	**(197 047)**

Notes are an integral part of these financial statements.

Riga, 31th of May 2019

Gundars Jaunsleinis	Gunta Isajeva	Ireneusz Sajewicz
Chairman of the board	Member of the board	Member of the board

Balance sheet

ASSETS		
	31.03.2019.	31.12.2018.
NON-CURRENT ASSETS	EUR	EUR
Fixed assets		
Immovable properties:		
land plots, buildings and engineering structures	5 705 744	5 705 744
Fauna and flora:		
draft animals or productive animals and perennial plantings	4 544 479	4 845 548
Technological equipment and machinery	4 871 394	5 207 394
Other fixed assets	993 876	657 724
Fixed assets under development and construction in progress	17 297	15 347
Advances for fixed assets	48 248	48 248
TOTAL	**16 181 038**	**16 480 005**
TOTAL NON-CURRENT ASSETS	**16 181 038**	**16 480 005**
CURRENT ASSETS		
Inventories		
Raw materials and consumables	61 129	66 987
Unfinished production	2 890 032	2 407 434
Finished goods and goods for sale	1 245 432	1 922 434
Fauna and flora		
animals and annual plantings	199 952	396 894
TOTAL	**4 396 545**	**4 793 749**
Account receivable		
Trade receivables	53 038	53 026
Other receivables	121 206	82 650
Deferred expenses	2 578	4 441
TOTAL	**176 822**	**140 117**
Cash and bank	27 430	70
TOTAL CURRENT ASSETS	**4 600 797**	**4 933 936**
TOTAL ASSETS	**20 781 835**	**21 413 941**

Notes are an integral part of these financial statements.

Balance sheet

EQUITY, PROVISIONS AND LIABILITIES		
	31.03.2019	31.12.2018
EQUITY	**EUR**	**EUR**
Share capital	711 436	711 436
Reserves:		
other reserves	77 481	77 481
Retained earnings or uncovered losses brought forward from previous years	(2 666 954)	(1 149 594)
Current year profit or losses	(427 065)	(1 152 691)
TOTAL EQUITY	**(2 305 102)**	**(1 513 368)**
LIABILITIES		
Non-current liabilities		
Loans from banks	4 381 726	4 330 377
Other borrowings	3 555 295	3 555 295
Trade payables	1 989 644	1 989 644
Taxes and state social insurance payments	278 341	301 230
Deferred income	4 175 651	4 175 650
TOTAL	**14 380 657**	**14 352 196**
Current liabilities		
Loans from banks	902 304	902 304
Other borrowings	230 535	276 472
Advances from customers	5 757 892	5 658 849
Trade payables	623 403	568 035
Taxes and state social insurance payments	324 783	264 824
Other creditors	483 080	428 421
Deferred income	156 978	209 304
Accrued liabilities	227 305	266 904
TOTAL	**8 706 280**	**8 575 113**
TOTAL LIABILITIES	**23 086 937**	**22 927 309**
TOTAL EQUITY, PROVISIONS AND LIABILITIES	**20 781 835**	**21 413 941**

Notes are an integral part of these financial statements.

Riga, 31th of May 2019

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Cash flow statement

	2019 1st Q	20181st Q
Cash flow from operating activities		
Profit or losses before corporate income tax	(427 065)	(197 047)
Adjustments for:		
depreciation and impairment of fixed assets	-	162 206
interest and similar revenue	94 843	121 055
Loss on disposal of fixed assets	-	1 415
Changes in the value of biological assets	(63 599)	
Profit or loss prior to changes in current assets and current liabilities	***(395 821)***	***87 629***
Increase or decrease of account receivable	(36 706)	(13 750)
Increase or decrease of inventory	397 204	(55 942)
Increase or decrease of account payables and other liabilities	154 216	102 660
Gross cash flow generated from operating activities	***118 893***	***120 597***
Net cash flow generated from operating activities	***118 893***	***120 597***
Cash flow from investing activities		
Acquisition of fixed and intangible assets	(2 102)	(24 661)
Net cash flow generated from investing activities	**(2 102)**	**(24 661)**
Cash flow from financing activities		
Ieņēmumi no akciju un obligāciju emisijas vai kapitāla līdzdalības daļu ieguldījumiem		
Loans received	81 093	-
Expenses for the redemption of leased fixed assets	(75 681)	-
Interest payments	(94 843)	(121 055)
Net cash flow generated from financing activities	**(89 431)**	**(121 055)**
Net cash flow in the financial year	**27 360**	**(25 119)**
Cash and cash equivalents at the beginning of the financial year	**70**	**26 845**
Cash and cash equivalents at the end of the financial year	**27 430**	**1 726**

Notes are an integral part of these financial statements.

Riga, 31th of May 2019

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Chairman of the board	Member of the board	Member of the board

Statement of changes in equity

3 months period ended 31.03.2018	Share capital	Reserves	Retained earnings or uncovered losses brought forward from previous years	Current year profit or losses	**Total**
	EUR	EUR	EUR	EUR	EUR
Opening balance 31.12.2017	**711 436**	**77 481**	**(890 318)**	**741 257**	**639 856**
Increase/decrease in retained earnings	-	-	-	(197 047)	**(197 047)**
Prior year adjustments	-	-	741 257	(741 257)	**-**
Closing balance 31.03.2018	**711 436**	**77 481**	**(149 061)**	**(197 047)**	**442 809**

3 months period ended 31.03.2019

Opening balance 31.12.2018	**711 436**	**77 481**	**(1 149 594)**	**(1 517 360)**	**(1 878 037)**
Increase/decrease in retained earnings	-	-	-	(427 065)	**(427 065)**
Prior year adjustments	-	-	1 517 360	(1 517 360)	**-**
Closing balance 31.12.2019	**711 436**	**77 481**	**367 766**	**(3 461 785)**	**(2 305 102)**

Notes are an integral part of these financial statements.

Riga, 31th of May 2019

Gundars Jaunsleinis	Gunta Isajeva	Ireneusz Sajewicz
Chairman of the board	Member of the board	Member of the board

Notes to the Financial statements

1. Summary of accounting policies

General principles

A The mane 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 financial statements are prepared using the euro (EUR).

The income statement is prepared in accordance with the function of expense method.

Cash flow statement has been prepared using the indirect method.

Changes in accounting policies and reclassification of items

During the reporting period, the accounting and valuation methods have not been changed.

Use of estimates

In preparing the financial statements, management has to rely on certain estimates and assumptions that affect the balances of the balance sheet and profit or loss items presented in the separate statements as well as the amount of contingent liabilities. Future events may affect the assumptions underlying the estimates. The effect of any changes in estimates is reflected in the financial statements when they are determined.

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.

Depreciation is calculated from the next month after the asset is put into service or included in the economic activity. Depreciation should be calculated separately for each item of property, plant and equipment that is significant in relation to the total cost of the item. If an entity depreciates separately some parts of an item of property, plant and equipment, it also depreciates separately the remaining parts of the same fixed asset. The balance is made up of those parts of the fixed asset that are not individually important. The remaining parts are depreciated using approximation techniques to truly reflect their useful life.

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.

1. Summary of accounting policies (continuation)

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.

Costs related to improvements in leased property are capitalized and reflected as property, plant and equipment. Depreciation of these assets is calculated on a straight-line basis over the lease term.

Unfinished construction reflects the cost of constructing fixed assets and work in progress, and is accounted for at cost. The initial value includes construction costs and other direct costs. Depreciation for unfinished construction is not calculated until the relevant assets have been completed and put into operation.

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 c 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.

Rent

Financial leases in which all risks and rewards of ownership of a lease are transferred to the Company are recognized in the balance sheet as property, plant and equipment at the amount that, at the inception of the lease, corresponds to the fair value of the leased property, or, if less, the current value of the minimum lease payments. Financial lease payments are allocated between financial charges and a decrease in liabilities to ensure a constant interest rate on the balance of liabilities during each period. Financial charges are included in the income statement as interest expense.

1. Summary of accounting policies (continuation)

If there is sufficient reason to believe that at the end of the lease term the lease is transferred to the lessee, the useful life of the asset is assumed for the estimated useful life. In all other cases, depreciation of capitalized leased assets is calculated using the straight-line method over the estimated useful life of the asset or the lease term, whichever is shorter.
Leases of assets under which the lessor assumes substantially all the risks and rewards of ownership are classified as operating leases. Lease payments under operating leases are recognized as an expense on a straight-line basis over the lease term. The Company's liabilities arising from operating leases are recognized as off-balance sheet liabilities.

Income recognition and revenue

Revenue is recognized to the extent that it is probable that the Company will obtain economic benefits and to the extent that it can be reasonably determined net of value added tax and sales-related discounts. The following conditions are also considered when recognizing revenue:

Sales of goods

Revenue is recognized when the Company has transferred to the buyer the most significant risks and rewards of ownership of the goodsDividends - at the moment of acquiring legal rights to receive them.

Dividends

Revenue is recognized when the shareholder's right to receive dividends arises

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.