Joint stock Company

# BRIVAIS VILNIS

(Enterprise registration number 40003056186)

**INTERIM**
**FINANCIAL REPORT**
**for the 9 months of 2013**
**(unaudited)**

**Salacgrlva 2013**

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## GENERAL INFORMATION

| | |
|---|---|
| Name of the company | Brivais vilnis |
| Legal status of the company | Joint Stock Company |
| Number, place and date of registration | 40003056186<br>Riga, 7 February 1992 |
| Registered office | 1Ostas Street, Salacgriva, LV-4033, Latvia |
| Major shareholders | ''A Corporation "SIA (47.01%),<br>Registration No.40003799285<br>8 Rigas Street, Adazi, LV-2164, Latvia<br><br>''Brivais vilnis Company" Ltd (49.97%),<br>Registration No.40103202073<br>1Ostas Street, Salacgriva, LV-4033, Latvia |
| Members of the Board | Arnolds Babris (Chairman of the Board)<br>Maris Trankalis (Manager)<br>Zinaida Ekmane (Lawyer)<br>Vasilijs Ilusins (Cold-storage manager) |
| Members of the Council | Ilona Drikina<br>Anda Caune<br>Ilmārs Reinis<br>Kaspars Vārpiņš |
| Financial period | 1 January – 30 September, 2013 |

# MANAGEMENT REPORT

November 29, 2013

The types of activities performed by the JSC "Brivais Vilnis" are processing and canning of fish and fish products, wholesale of food products and other commercial activities classified nowhere else. On May 14, 2002 the company was registered in the Common commercial register of the Republic of Latvia.

Year 2013 is the 22nd year of operation since the Company was transformed into a Joint Stock Company. In 9 months of 2013 the Company produced a total of 17.5 million cans of various types (137) of fish products, including 8.4 million cans of sprat. In 9 months of 2013 there were sold 17.0 million cans for LVL 6.7 million. The financial result of 9 months of 2013 is profit of LVL 394 593. This profit is from economic activities of the Company.

Net turnover for 9 months of 2013 is LVL 6 766 thousand.

Result for 9 months of 2013:

| | |
|---|---|
| Gross profit (LVL) | 917 thousand |
| Gross profit (%) | 13.6 |

The Company's goal is to continue transformation in accordance with the EU and third countries quality requirements.

We have started enlargement of canned fish sterilization area that will increase production capacity and assortment.

The JSC "Brivais Vilnis" will continue cooperation with the "NASDAQ OMX Riga" JSC and remain listed in the free list of stock exchange in 2013. The Company continues work on adoption of new markets in Western Europe and other world in 2013.

The Company continues development of new products and new packaging and works on improvement of quality of the current assortment also in this year.

Arnolds Babris
*Chairman of the Board*

## REPORT ON BOARD'S RESPONSIBILITY

November 29, 2013

The management of the JSC "Brivais vilnis" is responsible for preparation of financial statement of the Company. Interim financial statements of the Company are not subject for audit.

Financial statements are prepared on basis of accounting entries and source documents and give a real conception about financial position of the Company on the 30 of September 2013.

Financial statements are composed in accordance with accounting standards of the Republic of Latvia, based on continuation principle of business activities.

The management of the JSC "Brivais vilnis" is responsible for fulfillment of legislation requirements of the Republic of Latvia.

Arnolds Babris
*Chairman of the Board*

## BALANCE SHEET

| ASSETS | 30.09. 2013 LVL | 31.12. 2012 LVL | 30.09. 2012 LVL | 30.09. 2013 EUR | 31.12. 2012 EUR | 30.09. 2012 EUR |
|---|---|---|---|---|---|---|
| **NON-CURRENT ASSETS** | | | | | | |
| **Intangible** | | | | | | |
| Projects, licences | 4079 | 6688 | 5214 | 5 804 | 9 516 | 7 419 |
| Excess cost over net assets of businesses acquired | 0 | 970 | 456 | 0 | 1 380 | 649 |
| **TOTAL** | **4079** | **7658** | **5670** | **5804** | **10896** | **8068** |
| **Tangible assets** | | | | | | |
| Land, buildings and constructions | 2 465 344 | 2 497 596 | 2 485 731 | 3 507 868 | 3 553 759 | 3 536 877 |
| Equipment and machinery | 8 653 | 17 262 | 21 325 | 12 312 | 24 562 | 30 343 |
| Other fixtures and fittings, tools and equipment | 87 339 | 67 526 | 63 592 | 124 272 | 96 081 | 90 483 |
| Advances for fixed assets | 66 548 | 52 267 | 49 354 | 94 689 | 74 369 | 70 224 |
| Bilding | 8 250 | | 24 146 | 11 739 | 0 | 34 357 |
| **TOTAL** | **2 636 134** | **2 634 651** | **2 644 148** | **3 750 881** | **3 748 771** | **3 762 284** |
| **Long term financial investments** | | | | | | |
| Other loans | 55 259 | | | 78 626 | 0 | 0 |
| **TOTAL** | **55 259** | **0** | **0** | **78 626** | **0** | **0** |
| **TOTAL NON-CURRENT ASSETS** | **2 695 472** | **2 642 309** | **2 649 818** | **3 835 311** | **3 759 667** | **3 770 351** |
| **CURRENT ASSETS** | | | | | | |
| **Inventories** | | | | | | |
| Raw materials | 634 698 | 565 451 | 563 448 | 903 094 | 804 564 | 801 714 |
| Finished goods and goods for sale | 753 258 | 530 700 | 642 831 | 1 071 790 | 755 118 | 914 666 |
| **TOTAL** | **1 387 956** | **1 096 151** | **1 206 279** | **1 974 883** | **1 559 682** | **1 716 380** |
| **Receivables** | | | | | | |
| Trade receivables | 1 172 614 | 1 431 816 | 1 178 258 | 1 668 479 | 2037291 | 1676510 |
| Other receivables | 418 981 | 164 201 | 159 691 | 596 156 | 233637 | 227220 |
| Prepaid expenses | 71 820 | 8 059 | 50 619 | 102 191 | 11467 | 72024 |
| **TOTAL** | **1 663 415** | **1 604 076** | **1 388 568** | **2 366 826** | **2 282 395** | **1 975 754** |
| **Cash** | 34 096 | 91 047 | 46 185 | 48 514 | 129 548 | 65 715 |
| **TOTAL CURRENT ASSETS** | **3 085 467** | **2 791 274** | **2 641 032** | **4 390 224** | **3 971 625** | **3 757 850** |
| **TOTAL ASSETS** | **5 780 939** | **5 433 583** | **5 290 850** | **8 225 535** | **7 731 292** | **7 528 201** |

## EQUITY AND LIABILITIES

| | 30.09. 2013 LVL | 31.12. 2012 LVL | 30.09. 2012 LVL | 30.09. 2013 EUR | 31.12. 2012 EUR | 30.09. 2012 EUR |
|---|---|---|---|---|---|---|
| **EQUITY** | | | | | | |
| Share capital | 3 099 450 | 3 099 450 | 3 099 450 | 4 410 120 | 4 410 120 | 4 410 120 |
| Long term investment revalution reserve | 1 524 460 | 1 540 619 | 1 546 004 | 2 169 111 | 2 192 103 | 2 199 766 |
| Retained earnings | | | | | | - |
| brought forward | (2 318 075) | (2 852 993) | (2 852 992) | (3 298 324) | (4 059 443) | (4 059 442) |
| for the period | 394 593 | 534 916 | 482 757 | 561 455 | 761 117 | 686 901 |
| **TOTAL** | **2 700 428** | **2 321 992** | **2 275 219** | **3 842 363** | **3 303 897** | **3 237 345** |
| **PROVISIONS** | | | | | | |
| Other provisions | 28952 | 76 948 | 22145 | 41 195 | 109 487 | 31 509 |
| **TOTAL** | **28952** | **76948** | **22145** | **41195** | **109487** | **31509.49625** |
| **LIABILITIES** | | | | | | |
| **Non-current liabilities** | | | | | | |
| Loans from credit institutions | 1 568 068 | 1 367 769 | 1 712 143 | 2 231 160 | 1 946 160 | 2 436 160 |
| Other loans | 22 582 | 22 582 | 67 028 | 32 131 | 32 131 | 95 372 |
| Deferred corporate income tax liabilities | 65 121 | 65 121 | 65 726 | 92 659 | 92 659 | 93 520 |
| **TOTAL** | **1 655 771** | **1 455 472** | **1 844 897** | **2 355 950** | **2 070 950** | **2 625 052** |
| **Current liabilities** | | | | | | |
| Loans from credit institutions | 121 364 | 379 514 | 130 019 | 172 685 | 540 000 | 185 000 |
| Other loans | 63 554 | 191 081 | 181 711 | 90 429 | 271 884 | 258 551 |
| Prepayments received from costumers | | 247 233 | 5 | - | 351 781 | 7 |
| Trade payables | 811 886 | 533 518 | 665 254 | 1 155 210 | 759 128 | 946 571 |
| Taxes payables | 285 659 | 114 081 | 69 105 | 406 456 | 162 323 | 98 328 |
| Other liabilities | 113 325 | 108 944 | 102 495 | 161 247 | 155 013 | 145 837 |
| Accrued liabilities | | 4 800 | | - | 6 830 | - |
| TOTAL | **1 395 788** | **1 579 171** | **1 148 589** | **1 986 027** | **2 246 958** | **1 634 295** |
| **TOTAL LIABILITIES** | **3 051 559** | **3 034 643** | **2 993 486** | **4 341 977** | **4 317 908** | **4 259 347** |
| **TOTAL EQUITY AND LIABILITIES** | **5 780 939** | **5 433 583** | **5 290 850** | **8 225 535** | **7 731 292** | **7 528 201** |

## INCOME STATEMENT

| | 3quarters of the year 2013 LVL | 3quarters of the year 2012 LVL | 3 quarters of the year 2013 EUR | 3quarters of the year 2012 EUR |
|---|---|---|---|---|
| Net turnover | 6 765 889 | 6 840 320 | 9 626 993 | 9 732 899 |
| Cost of sales | (5 849 387) | (5 797 864) | (8 322 928) | (8 249 617) |
| **Gross profit (loss)** | **916 502** | **1 042 456** | **1 304 065** | **1 483 281** |
| Distribution costs | (107 296) | (92 686) | (152 668) | (131 880) |
| Administrative expenses | (396 843) | (381 102) | (564 657) | (542 259) |
| Other operating income | 155 482 | 142 685 | 221 231 | 203 022 |
| Other operating expenses | (100 320) | (131 980) | (142 743) | (187 791) |
| **Profit/loss from operations** | | | | |
| Interest receivable and similar income | 77 055 | 99 324 | 109 639 | 141 325 |
| Interest payable and similar expenses | (136 114) | (181 631) | (193 673) | (258 438) |
| **Profit /(Loss) before taxes** | **408 466** | **497 066** | **581 195** | **707 261** |
| Profit taxes | | | - | |
| Other taxes | (13 873) | (14 309) | (19 740) | (20 360) |
| **Profit (loss) for the reporting period** | **394 593** | **482 757** | **561 455** | **- 686 901** |
| Earnings (loss) per share | 0.127 | 0.156 | 0.181 | 0.222 |

## CASH FLOW STATEMENT

| | For 3 quarters 2013 LVL | For 3 quarters 2012 LVL | For 3 quarters 2013 EUR | For 3 quarters 2012 EUR |
|---|---|---|---|---|
| **Cash flows to operating activities** | | | | |
| Profit/loss before taxes | 408 466 | 497 066 | 581 195 | 707 261 |
| Adjustments for: | | | | |
| Amortization and depreciation | 68 410 | 64 858 | 97 339 | 92 285 |
| Interest expenses | 98 284 | 120 673 | 139 846 | 171 702 |
| Provisions | (47 996) | (39 319) | (68 292) | (55 946) |
| Gain from fluctuations of currency exchange | (2 073) | 236 | -2 950 | 336 |
| Non-current assets revaluation reserve write-off | (16 159) | (16 159) | (22 992) | (22 992) |
| (Profit) loss as a result of investment | (124) | (2000) | (176) | (2 846) |
| **Operating profit or loss before working capital changes** | ***508 808*** | ***625 355*** | ***723 969*** | ***889 800*** |
| Decrease (increase) in inventories | (291 805) | (377 695) | (415 201) | (537 412) |
| Decrease (increase) in receivables | (59 339) | 545 011 | (84 432) | 775 481 |
| Increase (decrease) in payables | 251 234 | (327 374) | 357 474 | (465 811) |
| **Cash used in operations** | ***408 898*** | ***465 297*** | ***581 809*** | ***662 058*** |
| Interest paid | (90 567) | (123 053) | (128 865) | (175 089) |
| Corporate income tax and real estate paid | (56 866) | (19 809) | (80 936) | (27 497) |
| **Net cash flows to operating activities** | **261 465** | **322 919** | **372 031** | **459 472** |
| **Cash flows to investing activities** | | | | |
| Purchase of fixed assets | (43 340) | (46 013) | (61 667) | (65 471) |
| Proceeds from sales of fixed and intangible assets | 0 | 2 000 | 0 | 2 846 |
| **Net cash flows to investing activities** | **(43 340)** | **(44 013)** | **(61 667)** | **(62 625)** |
| **Cash flows to financing activities** | | | | |
| Loans granted | (55 259) | 0 | (78 626) | 0 |
| Received loans | 200 299 | 35 140 | 285 000 | 50 000 |
| Repaid loans | (404 022) | (305 636) | (574 872) | (434 881) |
| Lease payments | (16 094) | (6 494) | (22 900) | (16 094) |
| **Net cash flows to financing activities** | **(275 076)** | **(276 990)** | **(391 398)** | **(394 121)** |
| **Change in cash and cash equivalents** | **(56 951)** | **1 916** | **(81 034)** | **2 726** |
| **Cash and cash equivalents at the begin of the reporting period** | **91 047** | **44 269** | **129 548** | **62 989** |
| **Cash and cash equivalents at the end of the reporting period** | **34 096** | **46 185** | **48 514** | **65 715** |

## STATEMENT OF CHANGES IN EQUITY

| | Share capital | Long term investment revaluation reserve | Retained earnings | Profit (loss) the reporting period | **Total** | Share capital | Long term investment revaluation reserve | Retained earnings | Profit (loss) the reporting period | **Total** |
|---|---|---|---|---|---|---|---|---|---|---|
| | LVL | LVL | LVL | LVL | **LVL** | EUR | | EUR | EUR | **EUR** |
| **Balance as at 01 January 2012** | **3 099 450** | **1 562 164** | **(3 025 347)** | **172 356** | **1 808 623** | **4 410 120** | **2 222 759** | **(4 304 681)** | **245 240** | **2 573 439** |
| Revaluation reserve write-off | | (21 545) | | | **(21 545)** | - | (30 656) | | | **(30 656)** |
| Reclassification of profit | | | 172 356 | (172 356) | **-** | - | | 245 240 | (245 240) | **-** |
| Profit of the 2012 | | | | 534 916 | **534 916** | - | | - | 761 117 | **761 117** |
| **Balance as at 01 January 2013** | **3 099 450** | **1 540 619** | **(2 852 991)** | **534 916** | **2 321 994** | **4 410 120** | **2 192 103** | **(4 059 440)** | **761 117** | **3 303 900** |
| Reclassification of profit | | | 534 916 | (534 916) | **-** | | | 761 117 | (761 117) | **-** |
| Profit of the reporting period | | | | 394 593 | **394 593** | | | | 561 455 | **561 455** |
| Revaluation reserve write-off | | (16 159) | | | **(16 159)** | | (22 992) | | | **(22 992)** |
| **Balance as at 30 September 2013** | **3 099 450** | **1 524 460** | **(2 318 075)** | **394 593** | **2 700 428** | **4 410 120** | **2 169 111** | **(3 298 324)** | **561 455** | **3 842 363** |

## NOTES TO THE FINANCIAL STATEMENTS

## ACCOUNTING POLICIES

### I Summary

The financial statements of AS Brivais vilnis have been prepared in accordance with the law of The Republic of Latvia. Financial statements are prepared on historical cost basis.
The monetary unit used in the financial statements is lat (LVL), the monetary unit of the Republic of Latvia. The financial statements cover the period 1 January 2013 through 30 September 2013.

### II Earning recognition and net turnover

Net turnover is the total value of finished production and goods sold as well as services provided without discounts and VAT during the year.
Other earnings are recognised at the moment of their origin or at the moment when legal rights on such earnings arise.
Other earnings are caused by exclusion of fixed assets and sales of current assets.
Other interest receivable and similar income is income that is not caused directly by the operating activities.

### III Intangible and tangible fixed assets

Intangible and tangible fixed assets have been appreciated according to their acquisition cost.
The cadastral value of land has been assessed.
The write-off value of intangible non-current assets as software is performed on a straight-line basis annually for equal amount.
Depreciation is calculated on a straight-line basis over the estimated useful life of the assets.
The following depreciation rates were established and applied:

| | % per annum |
|---|---|
| Buildings and constructions | 1 – 5 |
| Technological equipment and machinery | 20 |
| Other fixed assets | 10 – 50 |
| Computing and similar devices | 33 |

### IV Redeeming leasehold

Such fixed assets as transport that have been purchased on financial lease including the take-over of the related risks have been booked according to their non-lease sales price. Expenditures of leasing interest and similar payments have been included in the income statement of the period it occurred.

### V Receivables

Trade and other receivables are recognised and carried at original invoice amount less an allowance for any non-collectable amounts. An estimate for doubtful debts is made when collection of the full amount is no longer probable.
Receivables are disclosed in balance sheet at the original invoice amount less provision made. Provision on doubtful receivables is made evaluating each receivable individually. Bad debts are written off when recovery is deemed impossible.
All receivable amounts stated in the balance have to be received during the year after the date of balance.

### VI Inventories

The valuation of inventories in financial accountancy is being done using continuous inventory method.
The inventories have been evaluated at their purchase or production cost price using FIFO method.
Decreased value of inventories is written-off as costs of the reporting year.

## VII Corporate income tax

The corporate income tax for the reporting year has been calculated according to the legislative requirements of the Republic of Latvia. The applied tax rate for the corporate income tax in the year 2013 is 15%.

## VIII Foreign currency converting

The measure of value and currency used in the annual report is lat (LVL) - official currency of the Republic of Latvia.
All monetary positions of assets, equities and liabilities have been converted into lat according to the currency exchange rate by Bank of Latvia on the last day of accounting year – 30.09.2013.

| | 30.09.2013. |
|---|---|
| 1 EUR | 0.702804 |
| 1 USD | 0.521 |

The profit or loss from the fluctuations on foreign exchange rates is shown in the income statement or loss account of the particular reporting period.
For the informative purpose the, above stated positions have been converted to EUR according to the exchange rate of Bank of Latvia on 30.09. 2013.
As the prepaid expenses there are stated insurance costs, all kind of subscription and similar kind of expense for the year 2013.
All liabilities are to be settled within the period of year except the ones stated in the interpretation of the balance sheet.
All taxes payable to budget are for the current month.