Joint stock Company

BRIVAIS VILNIS

(Unified registration number 40003056186)

INTERIM
FINANCIAL REPORT
for the first six months of 2011
(unaudited)

Salacgrlva 2011

CONTENTS

GENERAL INFORMATION	3
MANAGEMENT REPORT	4
REPORT ON BOARD`S RESPONSIBILITY	5
BALANCE SHEET	6
INCOME STATEMENT	8
CASH FLOW STATEMENT	9
STATEMENT OF CHANGES IN EQUITY	10
NOTES TO THE FINANCIAL STATEMENTS	11

GENERAL INFORMATION

Name of the company	JSC "Brivais vilnis"
Legal status of the company	Joint stock company
Number, place and date of registration	40003056186 Riga, 7 February 1992
Registered office	1 Ostas Street, Salacgriva, LV-4033, Latvia
Major shareholders	''A Corporation "SIA " (40,88 %) Registration No.40003799285 8 Rigas Street, Adazi, LV-2164, Latvia Brivais vilnis Company Ltd (49.97%), Registration No.40103202073 1 Ostas Street, Salacgriva, LV-4033, Latvia
Board members	Arnolds Babris (Chairman of the Board) Maris Trankalis (Manager) Zinaida Ekmane (Lawyer) Vasilijs Ilusins (Cold-storage manager)
Members of council	Karlis Hauks Anda Caune Ilona Drikina Vera Korčaka
Financial period	1 January – 30 June, 2011

MANAGEMENT REPORT

August 31, 2011

The types of activities performed by the JSC "Brivais Vilnis" are processing and canning of fish and fish products, wholesale of food products, including fish, shellfish and mollusc, 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 2011 is the 20th year of operation since the Company was transformed into a Joint Stock Company. In the 1st half of 2011 the Company produced a total of 13.5 million cans of various types (132) of fish products, including 5.3 million cans of sprat. 12 million cans were sold for LVL 4.1 million.

The financial result of the 1st half of 2011 is profit of LVL 138 641. This profit is from economic activities of the Company. Net turnover of the 1st half of 2011 is LVL 4 164 thousand.

Result of the 1st half of 2011:

Gross profit (LVL)	485 660
Gross profit (%)	11.66

In comparison with the 1st half of 2010 the production capacity is increased in the 1st half of 2011, but earnings are relatively less due to the slow economic recovery after the crisis. Production costs of the reporting period have risen faster than sales prices.

The Company's goal is to continue transformation in accordance with the EU quality requirements, real decrease the production expenses, optimize the management structure to enable the Company to compete and strengthen its position on the market of canned fish.

The JSC "Brivais Vilnis" will continue cooperation with the Riga Stock Exchange, and remain listed in the free list of Riga Stock Exchange in 2011. The Company will continue to work on adoption of new markets in Western Europe and other world in 2011 to enlarge the competitiveness the Company.
The Company continues development of new products and works on improvement of quality of the current assortment also in this year.

The Company was stopped the production in June, 2011 to carry annual repair of factory and districts out and employees could take their leaves. The Company has restarted the production on the 1st of August, 2011.

Arnolds Babris
Chairman of the Board

REPORT ON BOARD'S RESPONSIBILITY

August 31, 2011

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 30st of June 2011.

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	30.06. 2011 LVL	31.12. 2010 LVL	30.06. 2011 EUR	31.12. 2010 EUR
NON-CURRENT ASSETS				
Intangible assets				
Projects, licences	9571		13618	
Intangible assets	1313	2672	1868	3 802
TOTAL	**10884**	**2672**	**15487**	**3802**
Tangible assets				
Land, buildings and constructions	2 473 669	2 494 666	3 519714	3 549 590
Equipment and machinery	26 322	32 645	37453	46 450
Other fixtures and fittings, tools and equipments	81 285	47 698	115658	67 868
Advances for fixed assets	92 652	84 722	131832	120 549
Bilding	220		313	0
TOTAL	**2 674 148**	**2 659 731**	**3 804970**	**3 784 456**
Long term financial investments				
Interest in capital of related companies	2 000	2 000	2846	2 846
TOTAL	**2 000**	**2 000**	**2846**	**2 846**
TOTAL NON-CURRENT ASSETS	**2 687 032**	**2 664 403**	**3 823302**	**3 791 104**
CURRENT ASSETS				
Inventories				
Raw materials	423 398	368 618	602441	524 496
Finished goods and goods for sale	766 861	348 650	1 091145	496084
TOTAL	**1 190 259**	**717 268**	**1 693586**	**1 020 580**
Receivables				
Trade receivables	1 135 101	1 457 444	1615103	2073756
Other receivables	293 211	162 020	417202	230534
Prepaid expense	2 801	2906	3985	4135
TOTAL	**1 431 113**	**1 622 370**	**2 036290**	**2 308 425**
Cash	38 022	49 529	54100	70 473
TOTAL CURRENT ASSETS	**2 659 394**	**2 389 167**	**3 783977**	**3 399 478**
TOTAL ASSETS	**5 346 426**	**5 053 570**	**7 607279**	**7 190 582**

EQUITY AND LIABILITIES

	30.06. 2011 LVL	31.12. 2010 LVL	30.06. 2011 EUR	31.12. 2010 EUR
EQUITY				
Share capital	3 099 450	3 099 450	4 410 120	4 410 120
Long term investment revalution reserve	1 572 936	1 583 709	2 238 086	2 253 415
Retained earnings				
brought forward	(3 025 348)	(3 376 110)	(4 304 682)	(4 803 772)
for the period	138 641	350 761	197 268	499 088
TOTAL	**1 785 679**	**1 657 810**	**2 540 792**	**2 358 851**
LIABILITIES				
Non-current liabilities				
Loans from credit institutions	1 933 526	1 933 526	2 751 160	2 751 160
Other loans	40 530	6 137	57 669	8 732
Deferred corporate income tax liabilities	67 116	67 116	95 497	95 497
TOTAL	**2 041 172**	**2 006 779**	**2 904 326**	**2 855 389**
Current liabilities				
Loans from credit institutions	84 336	168 673	119 999	240 000
Other loans	245 572	254 367	349 417	361 932
Prepayments received from costumers	87	160 213	124	227 963
Trade payables	784 257	585 327	1 115 897	832 845
Taxes payables	130 495	41 372	185 678	58 867
Other liabilities	199 526	112 084	283 900	159 481
Accrued liabilities	75 302	66 945	107 145	95 254
TOTAL	**1 519 575**	**1 388 981**	**2 162 160**	**1 976 342**
TOTAL LIABILITIES	**3 560 747**	**3 395 760**	**5 066 487**	**4 831 731**
TOTAL EQUITY AND LIABILITIES	**5 346 426**	**5 053 570**	**7 607 279**	**7 190 582**

INCOME STATEMENT

	2quarters of the year 2011 LVL	2quarters of the year 2010 LVL	12 quarters of the year 2011 EUR	2quarters of the year 2010 EUR
Net turnover	4 164 381	2 949 520	5 925 380	4 196 789
Cost of sales	(3 678 721)	(2 406 715)	(5 234 348)	(3 424 447)
Gross profit (loss)	**485 660**	**542 805**	**691 032**	**772 342**
Distribution costs	(71 780)	(70 960)	(102 134)	(100 967)
Administrative expense	(248 903)	(218 619)	(354 157)	(311 067)
Other operating income	123 621	141 196	175 897	200 904
Other operating expense	(101 546)	(84 128)	(144 487)	(119 703)
Interest receivable and similar income	61 920	60 987	88 104	86 777
Interest payable and similar expense	(96 679)	(101 927)	(137 562)	(145 029)
Profit /(Loss) before taxes	**152 293**	**269 354**	**216 693**	**383 257**
Other taxes	(13 652)	(12 259)	(19 425)	(17 443)
Profit / (Loss) for the reporting period	**138 641**	**257 095**	**197 268**	**- 365 814**
Earning (loss) per share	0.045	0.083	0.064	0.118

CASH FLOW STATEMENT

	For 2 quarters 2011	For 2 quarters 2010	For 2 quarters 2011	For 2 quarters 2010
	LVL	LVL	EUR	EUR
Cash flows to operating activities				
Profit/loss before taxes	152 293	269 354	216 693	383 256
Adjustments for:				
Amortization and depreciation	42 326	43 644	60 223	62 100
Interest expenses	83 090	89 704	118 226	127 637
Provisions for vacations and current repair	8 357	17 052	11 891	24 263
Gain from fluctuations of currency exchange	(632)	(14 975)	(899)	(21 308)
Non-current assets revaluation reserve write-off	(10 773)	(10 773)	(15 329))	(15 329)
(Profit) losses as a result of investment	(868)	(3 835)	(1 235)	(5 457)
Operating profit or loss before working capital changes	**273 793**	**390 171**	**389 570**	**555 163**
Decrease (increase) in inventories	(472 991)	(515 458)	(673 006)	(733 431)
Decrease (increase) in receivables	191 152	(59 692)	271 985	(84 934)
Decrease (increase) in prepaid expenses	105	1 844	149	2 624
Increase (decrease) in payables	215 369	312 759	306 442	445 016
Cash used in operations	**207 428**	**129 624**	**295 142**	**184 438**
Interest paid	(81 491)	(72 278)	(115 951)	(102 842)
Corporate income tax	(1 974)	(7 998)	(2 809)	(11 380)
Real estate tax	(6 894)	(6 225)	(9 809)	(8 857)
Net cash flows to operating activities	**117 069**	**43 123**	**166 572**	**61 359**
Cash flows to investing activities				
Purchase if fixed assets	(76 250)	(2 157)	(108 494)	(3 069)
Proceeds from sales of fixed and intangible assets	5 757	3 603	8 191	5 127
Net cash flows to investing activities	**(70 493)**	**1 446**	**(100 303)**	**2 057**
Cash flows to financing activities				
Received loans		37 456		53 295
Repaid loans	(90 996)	(72 799)	(129 476)	(103 584)
Leasing payments	32 913		46 832	
Net cash flows to financing activities	**(58 083)**	**(35 343)**	**(82 644)**	**(50 289)**
Change in cash and cash equivalents	**(11 507)**	**9 226**	**(16 374)**	**13 127**
Cash and cash equivalents at the begin of the reporting period	**49 529**	**27 446**	**70 473**	**39 052**
Cash and cash equivalents at the end of the reporting period	**38 022**	**36 672**	**54 100**	**52 179**

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 2010	**3 099 450**	**1 605 254**	**(3 326 332)**	**(49 777)**	**1 328 595**	**4 410 120**	**2 284 071**	**(4 732 944)**	**(70 826)**	**1 890 420**
Revaluation reserve write-off		(21 545)			**(21 545)**	-	(30 656)			**(30 656)**
Reclassification of profit			(49 777)	49 777	**-**	-		(70 826)	70 826	**-**
Profit of the reportong year				350 761	**350 761**	-		-	499 088	**499 088**
Balance as at 01 January 2011	**3 099 450**	**1 583 709**	**(3 376 109)**	**350 761**	**1 657 811**	**4 410 120**	**2 253 415**	**(4 803 770)**	**499 088**	**2 358 853**
Reclassification of profit			350 761	(350 761)	**-**			499 088	(499 088)	**-**
Profit of the reportong period				138 641	**138 641**				197 268	**197 268**
Revaluation reserve write-off		(10 773)			**(10 773)**		(15 329)			**(15 329)**
Balance as at 30 June 2011	**3 099 450**	**1 572 936**	**(3 025 348)**	**138 641**	**1 785 679**	**4 410 120**	**2 238 086**	**(4 304 682)**	**197 268**	**2 540 792**

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 On Financial Statements of the Companies and the Latvian Accounting Standards issued by the Accounting Council of Ministry of Finance of the Republic of Latvia applicable in the reporting year.
The 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 2011 through 30 June 2011.

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 2011 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 – 30.06.2011.

	30.06.2011.
1 EUR	0.702804
1 USD	0.489

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 30.06. 2011.
As the prepaid expenses there are stated insurance costs, all kind of subscription and similar kind of expense for the year 2010.
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.