

**JOINT STOCK COMPANY PUTNU FABRIKA ĶEKAVA
(UNIFIED REGISTRATION NUMBER 500030054711)**

**ANNUAL REPORT
FOR THE PERIOD 1 JULY 2015 THROUGH 30 JUNE 2016**

**PREPARED IN ACCORDANCE WITH
THE LAW OF THE REPUBLIC OF LATVIA ON ANNUAL REPORTS
TOGETHER WITH INDEPENDENT AUDITORS' REPORT**

Ķekava, 2016



Building a better
working world

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INDEPENDENT AUDITORS' REPORT

To the shareholders of AS Putnu Fabrika Ķekava

Report on the financial statements

We have audited the accompanying financial statements of AS Putnu Fabrika Ķekava (the "Company"), for the period 1 July 2015 through 30 June 2016, set out on pages 8 through 31 of the accompanying Annual Report for the period 1 July 2015 through 30 June 2016, which comprise the balance sheet as at 30 June 2016, and the income statement for the period 1 July 2015 through 30 June 2016, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the Law of the Republic of Latvia on Annual Reports and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of AS Putnu Fabrika Ķekava as of 30 June 2016, and of its financial performance and its cash flows for the year then ended in accordance with the Law of the Republic of Latvia on Annual Reports.

Report on other legal and regulatory requirements

Furthermore, we have read the management report for the year ended 30 June 2016 (set out on pages 6 through 7 of the accompanying Annual Report) and have not noted any material inconsistencies between the financial information included in it and the financial statements for the period 1 July 2015 through 30 June 2016.

SIA Ernst & Young Baltic
License No. 17

Iveta Vimba
Member of the Board
Latvian Sworn Auditor
Certificate Nr. 135

Rīga,
21 November 2016

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General information

Name of the company	Putnu fabrika Ķekava
Legal status of the company	Joint stock company
Unified registration number, place and date of registration	000300741 11 June 1991, Riga Re-registered with the Commercial Register on 24 May 2004; Unified registration number: 50003007411
Registered office	Putnu fabrika Ķekava, Ķekava municipality, Ķekava pagasts, LV-2123
Major shareholders	AB Linas Agro Group (58%) Reg. No 148030011 Smelynes g-ve 2c, Panevežys 35143, Lithuania SIA Lielzeltiņi (36%) Mazzeltiņi, Janeikas, Ceraukste pagasts, Bauska municipality Latvia, LV-3901
Council Members	Darius Zubas, Chairman of the Council (from 30 April 2014) Arunas Zubas, Council Member (from 6 October 2015) Šidlauskas Vytautas, Council Member (from 6 October 2015) Andrius Pranckevičius, Deputy Chairman of the Council (from 30 April 2014 to 8 September 2015) Gintaras Maželis, Council Member (from 30 April 2014 to 8 September 2015)
Board Members	Edgars Godmanis, Board Member (from 9 October 2012 to 4 September 2015) Edgars Godmanis, Chairman of the Board (from 5 September 2015 to 6 October 2015) Edgars Godmanis, Board Member (from 6 October 2015 to 25 April 2016) Andris Vilcmeiers, Chairman of the Board (from 9 October 2012 to 4 September 2015) Eduards Kovaļko, Board Member (from 30 April 2014 to 3 July 2015) Saulius Petkevičius, Board Member (from 31 March 2014) Donatas Petkevičius, Board Member (from 31 March 2015) Dominykas Chlebinkas, Board Member (from 4 July 2015) Ilze Kaparšmite, Board Member (from 5 September 2015 to 6 October 2015) Andrius Pranckevičius, Chairman of the Board (from 10 October 2015) Ilze Kaparšmite, Board Member (from 25 April 2016) Gintaras Maželis, Board Member (from 6 October 2015 to 10 June 2016) Almantas Sadauskas, Board Member (from 10 June 2016)

AS PUTNU FABRIKA ĶEKAVA

Address: Ķekava pagasts, Ķekava municipality, LV-2123
Unified registration number: 50003007411

Annual report

for the period 1 July 2015 through 30 June 2016
Monetary unit: EUR

Subsidiaries	SIA PFK trader (100%) Ķekava municipality, Ķekava pagasts, LV-2123	
	SIA Erfolg group (100%) Gaismas iela 2A-48, Ķekava municipality, Ķekava pagasts, LV-2123	
Financial year	1 July 2015 – 30 June 2016	
Previous financial year	1 July 2014 – 30 June 2015	
Auditors	Iveta Vimba Latvian Certified Auditor Certificate No 153	SIA Ernst & Young Baltic Muitas iela 1a, Riga Latvia, LV – 1010 Licence No 17

Management report

21 November 2016

The Board of AS Putnu fabrika Ķekava presents the management report and the financial statements for the business year of AS Putnu fabrika Ķekava (hereinafter – the Company) ended 30 June 2016.

Operations during the reporting year

AS Putnu fabrika Ķekava was founded in 1967 and is the leading poultry farming and poultry meat manufacturer in Latvia. The Company carries out a complete cycle of poultry meat production, which includes hatching eggs and chicken production, bird rearing, production of fresh poultry meat and its processing. The Company's product mix includes fresh poultry meat, pickled chicken meat for grilling, smoked chicken meat and meat-rolls, sausages and culinary preparations. The Company produces more than 100 different poultry products.

The Company operates according to ISO 22000:2006. The standard confirms that products are systematically inspected in terms of food safety – starting from the suppliers of raw materials and packaging, production process control and traceability, including delivery to customers. Potential risks are identified and a control mechanism for their elimination is introduced at each stage of the production. At the beginning of 2016, the Company started working to obtain a BRC (British Retail Consortium) certificate. The BRC standard provides the documented food quality and safety confirmation.

The Company's net turnover in 2015/2016 reached EUR 57.2 million (2014/2015: EUR 40.8 million). During the reporting year, the Company produced the total of 28.4 tonnes of meat (2014/2015: 18.6 tonnes).

The year 2015/2016 saw the sanctions persisting between the European Union and Russia. Heightened competition was observed on the European market, with the result that chicken meat prices dropped by nearly 20% over the last six months. Therefore, this financial period was tougher for the Company than the previous year. Overall, the reporting year can be characterised as stable for the poultry industry because no significant global fluctuations in the prices of the components of poultry feedstuff were observed. At the same time, the demand for poultry meat remained steady on the Company's main markets.

During the reporting year, the Company continued investing in the maintenance and upgrading of equipment and technological processes. In June 2015, a project named for "Overall Upgrading of AS Putnu fabrika Ķekava" was launched. According to the project, production facilities will be upgraded, thereby facilitating the expansion and increase of the volume and assortment of products. The planned project investments are EUR 14.97 million. At its meeting of 13 October 2015, the Latvian Cabinet approved a draft order drawn up by the Latvian Ministry of Economics regarding a corporate income tax discount of EUR 3.69 million of eligible costs to be granted for the implementation of the investment project "Overall Upgrading of AS Putnu fabrika Ķekava". The project will run until 2019.

The Company's total capital expenditure reached EUR 7.93 million in the reporting year (2014/2015: EUR 1.67 million).

In the reporting year, the Company launched new product lines designed for the Lithuanian and Scandinavian markets. The Company created a new brand - Top Choice Poultry, which is intended for the HoReCa segment. A new line of pickled meat "Ķekava Grill", which consists of four new pickled meat products, was developed in the reporting year.

Investments in other companies

At the end of the reporting year, the Company owned two subsidiaries – SIA PFK trader, which is engaged in the retail sale of the AS Putnu fabrika Ķekava products through 24 retail stores in Latvia, and SIA Erfolg group. For the financial year 2015/2016, SIA PFK trader had net turnover of EUR 3.67 million and net profit of EUR 10.9 thousand. SIA Erfolg group did not perform any operations and incurred a loss of EUR 93 for the reporting year.

Further development of the Company

The Company's main objectives for 2016/2017 are to proceed with the efforts to improve production efficiency and ensure the implementation of capital investment projects. One of the main pre-conditions for enhancing the Company's competitive position is the enhancement of productivity. To ensure high quality of products, the Company has continued working to obtain a BRC (British Retail Consortium) certificate after the year end. The BRC (British Retail Consortium) certificate was ultimately obtained in August 2016. In addition, the Company will continue implementing the project "Overall Upgrading of AS Putnu fabrika Ķekava", in which investments of EUR 5 million will be made.

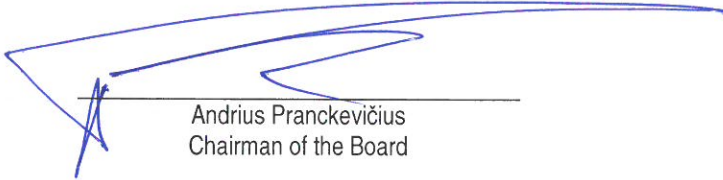
Financial risk management

The financial risk management pursued by the Company is disclosed in Note 34 to the financial statements.

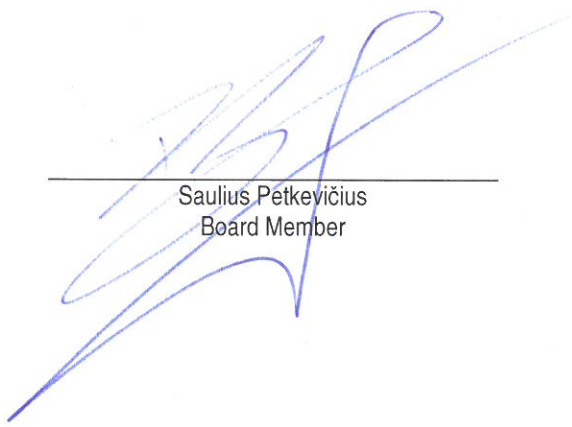
Suggestions as to loss coverage

The Board of the Company has suggested that the loss for the year 2015/2016 amounting to EUR 314 181 should be transferred to the accumulated deficit and covered from future profits.

The annual report was approved by a resolution of the Company's general shareholders' meeting on __ November 2016.



Andrius Prancėvičius
Chairman of the Board



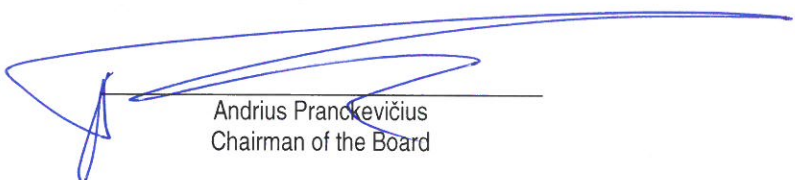
Saulius Petkevičius
Board Member

Income statement

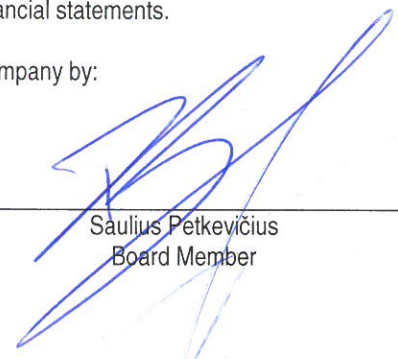
	Notes	01/07/2015- 30/06/2016	01/07/2014- 30/06/2015
Net turnover	3	57 218 947	40 811 272
Cost of sales	4	(48 992 336)	(31 368 078)
Gross profit		8 226 611	9 443 194
Distribution costs	5	(6 953 451)	(6 323 689)
Administrative expense	6	(1 202 801)	(1 501 519)
Other operating income	7	610 876	561 986
Other operating expense	8	(600 685)	(501 575)
Other interest receivable and similar income	9	3 506	14 194
Interest payable and similar expense	10	(274 224)	(269 545)
(Loss)/ profit before tax		(190 168)	1 423 046
Deferred corporate income tax	14	(113 561)	(362 685)
Other taxes	11	(10 452)	(10 379)
Net (loss)/ profit for the period		(314 181)	1 049 982

The accompanying notes on pages 13 through 31 form an integral part of these financial statements.

On 21 November 2016, these financial statements were signed on behalf of the Company by:



Andrius Prancėvičius
Chairman of the Board



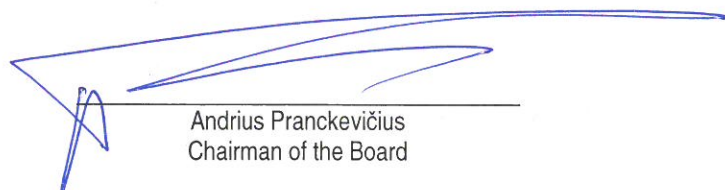
Saulius Petkevičius
Board Member

Balance sheet ASSETS

NON-CURRENT ASSETS	Notes	30/06/2016	30/06/2015
Intangible assets			
Other intangible assets	15	42 554	59 275
TOTAL		42 554	59 275
Property, plant and equipment			
Land	16	16 845 260	17 436 057
Buildings, constructions and perennial plants	16	1 601 300	1 601 300
Equipment and machinery	16	8 124 958	4 810 473
Other fixtures and fittings, tools and equipment	16	211 032	194 572
Construction in progress	16	3 921 493	339 974
Prepayments for property, plant and equipment		105 808	264 945
TOTAL		30 809 851	24 647 321
Non-current financial assets			
Investments in subsidiaries	17	2 849	2 849
TOTAL		2 849	2 849
TOTAL NON-CURRENT ASSETS		30 855 254	24 709 445
CURRENT ASSETS			
Inventories			
Raw materials	18	1 248 858	1 043 405
Work in progress	18	357 015	344 421
Finished goods and goods for resale	18	1 191 738	1 967 901
Prepayments for goods		3 123	161 062
Working animals and food-producing animals	18	1 731 132	2 029 166
TOTAL		4 531 866	5 545 955
Receivables			
Trade receivables	19	3 999 637	3 392 561
Receivables from related companies	32	178 419	561 670
Other receivables	20	12 043	9 534
Prepaid expense	21	99 248	34 045
TOTAL		4 289 347	3 997 810
Cash and cash equivalents			
	22	2 663 771	185 853
TOTAL CURRENT ASSETS		11 484 984	9 729 618
TOTAL ASSETS		42 340 238	34 439 063

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 Andrius Pranckevičius
 Chairman of the Board



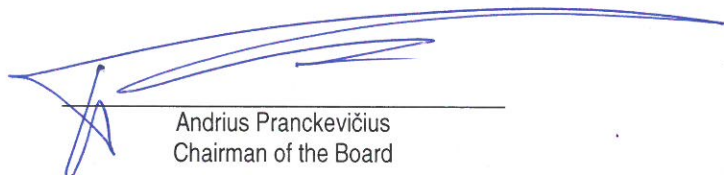
 Saulius Petkevičius
 Board Member

Balance sheet EQUITY AND LIABILITIES

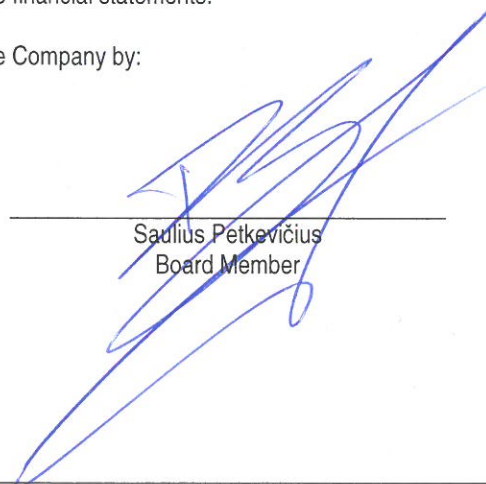
EQUITY	Notes	30/06/2016	30/06/2015
Share capital	23	18 928 084	18 928 084
Non-current asset revaluation reserve		3 761 216	3 761 216
Other reserves:			
statutory reserves		19 219	19 219
Retained earnings/ (accumulated deficit):			
brought forward		(4 390 946)	(5 440 928)
for the period		(314 181)	1 049 982
TOTAL EQUITY		18 003 392	18 317 573
PROVISIONS FOR LIABILITIES AND CHARGES			
Other provisions	30	603 128	462 119
TOTAL PROVISIONS FOR LIABILITIES AND CHARGES		603 128	462 119
LIABILITIES			
Non-current liabilities			
Loans from credit institutions	24	4 505 989	6 930 640
Loans from related companies	25	3 802 139	1 250 194
Finance lease liabilities	26	271 802	85 115
Other liabilities		6 145	7 784
Deferred income	28	1 982 683	2 084 462
Deferred income tax liability	14	356 754	243 193
TOTAL		10 925 512	10 601 388
Current liabilities			
Loans from credit institutions	24	7 052 649	1 550 785
Loans from related companies	25	140 422	109 280
Finance lease liabilities	26	104 192	37 991
Prepayments received from customers		22 347	22 476
Trade payables		2 307 667	1 355 965
Payables to related companies	32	1 981 549	871 756
Taxes payable	31	440 453	475 754
Other liabilities	27	522 780	400 344
Undrawn dividends		362	362
Accrued liabilities	29	134 006	131 342
Deferred income	28	101 779	101 928
TOTAL		12 808 206	5 057 983
TOTAL LIABILITIES		23 733 718	15 659 371
TOTAL EQUITY AND LIABILITIES		42 340 238	34 439 063

The accompanying notes on pages 13 through 31 form an integral part of these financial statements.

On 21 November 2016, these financial statements were signed on behalf of the Company by:



 Andrius Pranckevičius
 Chairman of the Board



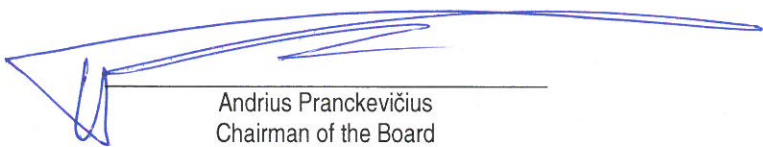
 Saulius Petkevičius
 Board Member

Cash flow statement

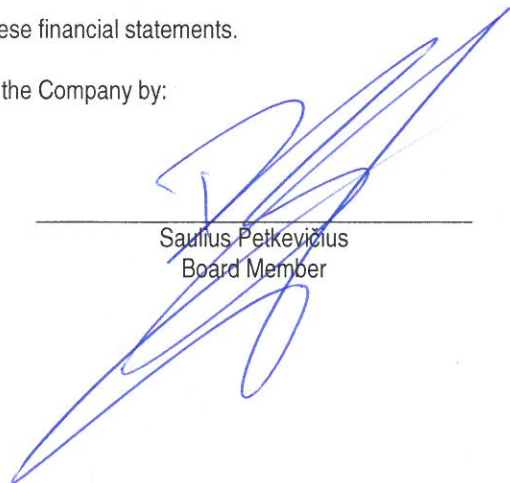
	Notes	01/07/2015 - 30/06/2016	01/07/2014 - 30/06/2015
Cash flows to/ from operating activities			
(Loss)/ profit before tax		(190 168)	1 423 046
Adjustments for:			
Amortisation and depreciation	15,16	1 622 588	1 340 480
Interest expense	10	274 224	269 545
Increase in provisions and allowances	30	141 009	60 352
Loss on disposal of property, plant and equipment, net		3 195	25 543
(Income) from the project financed by the Rural Support Service	7	(101 927)	(98 594)
Operating profit before working capital changes		1 748 921	3 020 372
Decrease/ (increase) in inventories		1 014 086	(665 091)
Decrease/ (increase) in receivables		26 737	(306 853)
Increase in payables		2 088 924	674 311
Cash generated from operations		4 878 668	2 722 739
Interest paid		(185 788)	(239 237)
Real estate tax paid	11	(10 452)	(10 383)
Net cash flows to/ from operating activities		4 682 428	2 473 119
Cash flows to/ from investing activities			
Purchase of shares in related companies	17	-	(3)
Purchase of property, plant and equipment		(8 089 866)	(1 981 885)
Net cash flows to/ from investing activities		(8 089 866)	(1 981 888)
Cash flows to/ from financing activities			
Proceeds from borrowings		7 469 579	426 319
Proceeds from subsidies, grants, aid payments	7	57 588	124 659
Repayment of borrowings		(1 490 314)	(1 428 480)
Payment of finance lease liabilities		(151 497)	(108 954)
Net cash flows to/ from financing activities		5 885 356	(986 456)
Change in cash		2 477 918	(495 225)
Cash at the beginning of the period		185 853	681 078
Cash at the end of the period		2 663 771	185 853

The accompanying notes on pages 13 through 31 form an integral part of these financial statements.

On 21 November 2016, these financial statements were signed on behalf of the Company by:



Andrius Pranckevičius
Chairman of the Board



Saulius Petkevičius
Board Member

Statement of changes in equity

	Share capital	Non-current asset revaluation reserve	Reserves	Accumulated deficit	Profit/ (loss) for the period	Total
Balance as at 30 June 2014	12 768 772	3 761 216	-	(7 125 284)	1 684 356	11 089 060
Change in share capital*	6 159 312	-	-	-	-	6 159 312
Reserve established*	-	-	19 219	-	-	19 219
Transfer of prior period result	-	-	-	1 684 356	(1 684 356)	-
Profit for the reporting period	-	-	-	-	1 049 982	1 049 982
Balance as at 30 June 2015	18 928 084	3 761 216	19 219	(5 440 928)	1 049 982	18 317 573
Transfer of prior period result	-	-	-	1 049 982	(1 049 982)	-
Loss for the reporting period	-	-	-	-	(314 181)	(314 181)
Balance as at 30 June 2016	18 928 084	3 761 216	19 219	(4 390 946)	(314 181)	18 003 392

*On 1 July 2014, the share capital of the Company was increased by EUR 6 178 531 (Enterprise Register's Decision No 6-12/102381). The share capital was increased by a contribution in-kind made by the Company's shareholders AB Linas Agro Group (incorporated in Lithuania, registration No 148030011) and SIA Lielzeltiņi (registration No 40003205232). The contribution in-kind was made by the capitalisation of a loan, with the result that the total amount due to the above shareholders was reduced by EUR 6 178 531. According to a resolution of the general shareholders' meeting of 30 September 2014, the share capital was denominated from the lati to the euro, with a decision made to designate an amount which could not be distributed to the shareholders and which was transferred to the Company's reserves. Accordingly, a reserve of EUR 19 219 was established in accordance with the Law of the Republic of Latvia on the Procedure for the Introduction of the Euro.

The accompanying notes on pages 13 through 31 form an integral part of these financial statements.

On 21 November 2016, these financial statements were signed on behalf of the Company by:


Andrius Pranckevičius
Chairman of the Board


Saulius Petkevičius
Board Member