

AS “TALSU MEŽRŪPNIECĪBA”

(REGISTRATION NUMBER 40003113243)

**INTERIM REPORT OF THE 1ST QUARTER OF 2015
(UNAUDITED)**

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General information

Company name	A/s „Talsu Mežrūpniecība”
Legal Status	Joint stock company
Registration number, time and place	40003113243, Riga January 29, 1993
Legal address	Eksporta Street 26, Tukums, LV- 3104
Address of the executive bodies	Dumpīšu Street 3, Stende, LV – 3257
Shareholders	All Company shares are book-entry shares. Public placement at LCD – 230,000 shares are bearer shares Closed issue - 265,699 shares are registered shares
Board	Gatis Štāks , Chairman of the Board from Roja district., Parish Roja, “Birzītes” Pēteris Klava , member of the Board Talsi district, Parish Libagi, “Veikals” Andis Gribusts , member of the Board Talsi district, Parish Lauciene, „Dzelzkalēji”.
Supervisory Board	Oskars Derings , Chairman of the Supervisory Board, Talsi, Riga Street 3-13 Eva Deringa , member of the Supervisory Board Talsi, Riga Street 3-13 Alda Kiore , member of the Supervisory Board Talsi district, Stende, Robezu Street 4. Asmeralda Kļava , member of the Supervisory Board Talsi district, Parish Abava, „Vītiņi”. Gita Emerberga , member of the Supervisory Board Roja district, Kaltene, “Foreles-3”.
Period	01.01.2015.-31.03.2015.
Audithor	Daiga Baraua , sworn audithor, No. Sertificate 89, Talsi district, Parish Valdgale, “Lejaskalēji”, LV-3253, Latvia

MANAGEMENT REPORT

The main activities of the Company in 2015 were logging and production of timber products: peeled and turn poles production in timber processing unit.

In 2015 the net turnover was EUR 813007.

During 3 month of the year 5010 m3 poles were produced in the timber processing unit and woodchips of 15858.-m3 were sold.

Total revenues for the Company during 3 month of year 2015 were EUR 813007.

Revenues from sale of fixed assets EUR 0.00

The result for 3 month of the year 2015 is profits EUR 21153, which corresponds to EUR 0.042 profits per share.

In the future the Company plans to continue the production of peeled and turn poles, increasing the proportion of timber purchased from small logging companies and private loggers, whose price offering is lower than that of VAS Latvijas valsts meži. It is also planned to sell the produced goods to a wider network of clients, achieving the most beneficial sales price.

Suggestions for distribution of profit and covering of losses

The profit for the year will be cover losses of the previous periods.

Board:

Gatis Štāks
Chairman of the Board

Pēteris Kļava
Member of the Board

Andis Gribusts
Member of the Board

16. 04. 2015.

Profit and Loss Statement

		2015	2014
	Note	EUR	EUR
Revenues	2	813 007	730 022
Cost of goods sold	3	(772 806)	(656 482)
Gross result		40 201	73 540
Administration expenses	4	(14 190)	(14 999)
Other operating income	5		579
Other operating expenses	6	(4 961)	(5 342)
Financial income	7	1 426	385
Financial expenses	8	(867)	(419)
Profit (loss) before taxes		21 609	53 744
Deferred corporate income tax	9; 18		
Other taxes	17	(456)	(456)
Net profit (loss)		21 153	53 288

Notes on pages 10 to 20 are integral part of the financial statements

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16. 04. 2015.

AS „TALSU MEŽRŪPNIECĪBA”
INTERIM REPORT FOR 3 MONTH OF THE YEAR 2015 (UNAUDITED)

Balance Sheet

ASSETS			
		31.03.2015.	31.03.2014.
LONG TERM ASSETS	Note	EUR	EUR
Fixed assets			
Land, buildings and constructions		119 776	125 300
Machinery and equipments		281 949	191 581
Other fixed assets		61 930	67 694
Līzings VOLVO		131 541	
Līzings		38 836	44 890
Total	10	634 032	429 465
TOTAL LONG TERM ASSETS		634 032	429 465
CURRENT ASSETS			
Inventories			
Materials		12 944	10 641
Production in progress		47 818	6 124
Goods for sale		69 606	19 246
Stands		6 403	6 403
TOTAL		136 771	42 414
Debtors			
Trade receivables, net	11	184 737	261 565
Other debtors	12	2 414	12 720
Prepaid expenses		3 538	2 824
TOTAL		190 689	277 109
Cash and cash equivalents		66 910	71 676
TOTAL CURRENT ASSETS		394 370	391 199
TOTAL ASSETS		1 028 402	820 664

Notes on pages 10 to 20 are integral part of the financial statements

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AS „TALSU MEŽRŪPNIECĪBA”
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EQUITY AND LIABILITIES

EQUITY		31.03.2015.	31.03.2014.
	Piezīme	EUR	EUR
Share capital	13	705 316	705 316
Retained earnings		-	-
Prior year loss		(13 584)	(165 432)
Current year profit (loss)		21 153	53 288
Total equity		712 885	593 172
Provisions			
Other provisions	14	28 187	18 792
TOTAL PROVISIONS		28 187	18 792
LIABILITIES			
Long term liabilities			
Loans several	16	67 681	15 404
Loans from credit institutions	16	11 739	
Deferred tax liabilities	18	38 024	25 339
TOTAL		117 444	40 743
Short term liabilities			
Other loans	16	21 202	8 340
Loans from credit institutions	16	9 604	34 149
Trade creditors		86 667	91 694
Taxes payable	17	28 150	12 034
Other liabilities		24 263	21 740
Acured liabilities	15		
TOTAL		169 886	167 957
TOTAL LIABILITIES		287 330	208 700
TOTAL EQUITY AND LIABILITIES		1 028 402	820 664

Notes on pages 10 to 20 are integral part of the financial statements

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16.04. 2015.

AS „TALSU MEŽRŪPNIECĪBA”
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Equity Statement

EUR	Share capital	Prior period loss	Current period profit (loss)	Total
January 1st, 2014	705 316	(197 950)	32 518	539 884
Transferred to prior period losses	-	32 518	(32 518)	-
Current period loss	-	-	53 288	53 288
#####	705 316	(165 432)	53 288	593 172
Transferred to prior period losses	-	151 848	(53 288)	98 560
Current period profit	-	-	21 153	21 153
31.03. 2014.	705 316	(13 584)	21 153	712 885

Notes on pages 10 to 20 are integral part of the financial statements.

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16.04. 2015.

AS „TALSU MEŽRŪPNIECĪBA”
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Cash Flow Statement 2015.
(prepared based on indirect method)

	2015	2014
	EUR	EUR
Operating cash flow		
Profit (loss) before taxes	21 609	53 744
Adjustments:		
Depreciation	20 213	12 721
Interest (income)/expenses	867	(34)
Increases/(decrease) in provisions	9 395	9 457
Asset write offs	-	-
(Profit)/loss from sale of fixed assets		
Revaluation of biological assets	-	-
(profit)/loss from currency fluctuations	-	-
Operating cash flow before changes in current assets	52 084	75 888
Decrease/(increase) of inventories	(94 357)	251 708
Decrease/(increase) of debtors	86 420	(182 502)
Increases/(decrease) in creditors	(24 682)	(39 978)
Operating cash flow	19 465	105 116
Interest paid	(867)	
Corporate income tax paid	(3 392)	
Real estate tax paid	(456)	(456)
Net operating cash flow	14 750	104 660
Cash flow from investing activities		
Acquisition of long term assets	(9 303)	(19 839)
Income from sale of fixed assets		
Net cash flow from investing activities	(9 303)	(19 839)
Cash flow from financing activities	-	-
Loans received/(paid), net	(10 213)	(14 140)
Net financing cash flow	(10 213)	(14 140)
Cash increase/(decrease)	(4 766)	70 681
Cash at the beginning of the year	71 676	995
Cash at the end of the year	66 910	71 676

Notes on pages 10 to 18 are integral part of the financial statements.

Board:

Gatis Štāks
Chairman of the Board

Pēteris Kļava
Member of the Board

Andis Gribusts
Member of the Board

16.04. 2015.

Notes

1. Significant accounting policies

Annual report preparation principles

The annual report is prepared in accordance with the Law on Accounting, Law of Annual Accounts and Latvian accounting standards applicable as of December 31, 2014.

Profit and loss statement was prepared based on turnover method.

Cash flow statement is prepared by indirect method.

The same accounting policies and valuation methods were applied in current and prior reporting year.

Annual report is prepared based on the going concern principle.

Taking into account requirements of the stock exchange, the amounts in the financial statements are disclosed also in EUR. All amounts are translated to EUR based on official Bank of Latvia fixed EUR rate.

Accounting principles applied

Financial statements were prepared in accordance with the following principles:

- a) it is assumed that the company will continue
- b) the same valuation methods as in the previous year
- c) Evaluation is performed with due caution
- d) take into account the reporting year related income and costs
- e) assets and liabilities were evaluated separately
- f) reporting year's beginning balance is the same as the previous year's ending balance
- g) all items which may influence Annual Report's assessment
- h) operating activities for the reporting period are reflected taking into account their economic content and nature rather than their legal form.

Period 3 moth from 1st January 2015 till 31th Marts 2015.

Foreign currency translation

The accounting records are prepared in EUR. All transaction in foreign currencies translated to EUR in according the European Central Bank rate as at date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are stated at the official currency exchange rate set by the European Central Bank at year end. Any gain or loss resulting from a change in the currency rates of exchange is included in the profit and loss statement at net value.

	31.03.2015. EUR	31.03.2014. LVL
1 GBP	0.7789	1.193

AS „TALSU MEŽRŪPNIECĪBA”
INTERIM REPORT FOR 3 MONTH OF THE YEAR 2015 (UNAUDITED)

1. Fixed assets

All fixed assets are initially recorded at purchase price. Land is regularly revaluated and accounted for at market value. Increase of the value resulting from revaluation is accounted as long term revaluation reserve and included in the equity of the Company. The decrease of the value is first deducted from previously recognised revaluation reserve for the same asset and any uncovered loss recognised as expense in profit and loss account.

Fixed assets are stated at historical value less accumulated depreciation.

The assets are depreciated over their estimated useful lives using the straight-line method. Following depreciation rates are applied for fixed assets:

	%
Buildings and constructions	4% - 5%
Machinery and equipment	10% - 20%
Other fixed assets	20% - 35%

Inventories

Inventories are accounted in lower of cost and net realisable value. For raw materials the cost is calculated based on purchase cost accounting to FIFO method, but for work in progress and goods for sale the cost is calculated based their purchase price or production costs according to weighted average principle.

Net realisable value is selling price in the ordinary course of business, less the costs of completion, marketing and distribution. Net value is disclosed as cost of production, less provision established.

Advances for inventories include also cash paid for cutting rights on those cutting that were not yet processed at the end of the reporting period.

Receivables

Trade receivables are recorded and disclosed in the balance sheet in accordance with initial amount of the invoices, less provision established for doubtful accounts. Provisions for doubtful accounts are estimated when full recoverability of the amount is not likely. Provisions for doubtful accounts are estimated by individual assessment of each debtor.

Corporate income tax

Corporate income tax is calculated for the reporting year is calculated in accordance with regulatory requirements of the Republic of Latvia.

Deferred taxation arising from temporary differences in the timing of the recognition of items in the tax returns and these financial statements is calculated using the liability method. The deferred taxation liability is determined based on the current tax rates. The principal temporary differences arise from the differing rates and methods of accounting and tax depreciation of tangible fixed assets, provision for vacation and accumulated tax losses the next taxation periods. Deferred tax is calculated by applying the statutory tax rate - 15%.

Provisions

Provisions are recognised, when the Company has commitments (legal or supported) due to past events where the likelihood of outflow of economical benefits for Company is estimated and the amount of the liabilities can be reasonably estimated.

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Financial leasing

Leases under which the Company has substantially all of ownership risks and rewards, so classified as finance leases. Finance leases are capitalized at the lease commencement date at the lower of the regulatory asset's fair value of the minimum lease payments present value. Lease interest payments are included in the profit or loss to reflect a constant rate on the finance balance outstanding lease.

Loans

Loans are initially recorded as the amount of funds received, net of transaction costs. In subsequent periods, borrowings are stated at amortized cost. Either, the value of funds received (net of transaction costs) and the redemption value of the difference is charged to the income statement during the loan contract. All other costs associated with borrowings are expensed in the period to which they relate and recorded under the heading "Interest payable and similar charges".

Related parties

Related parties are defined as shareholders of the Company, the Board and Council members and senior officers who may significantly affect the Company's operations, as well as their control of the Company and the Company's related and associated companies over which the company is a significant impact on their financial and operating.

2. Revenues

	2015	2014
	EUR	EUR
Timber product related revenues	732 790	664 994
Other revenues	80 217	65 028
Total:	<u>813 007</u>	<u>730 022</u>

Revenues according to geographical markets:

	2015	2014
	EUR	EUR
Latvia	429 542	418 605
Estonia		
United Kingdom	383 465	311 417
Total:	<u>813 007</u>	<u>730 022</u>

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3. Cost of goods sold

	2015	2014
	EUR	EUR
Cost of materials	539 650	440 779
Cost of external services	42 184	29 915
Depreciation	20 213	12 597
Salaries	84 376	72 102
Social contributions	22 285	19 698
Other costs of goods sold	64 098	81 391
Total:	<u>772 806</u>	<u>656 482</u>

4. Administration expenses

	2015	2014
	EUR	EUR
Personnel costs	12 340	12 838
Other administration expenses	1 850	2 161
Total:	<u>14 190</u>	<u>14 999</u>

The Board does not receive remuneration

5. Other operating incomes

	2015	2014
	EUR	EUR
Income from assets		
Losses from assets		
Result from closing assets		
Other incomes		579
Summa kopā:		<u>579</u>

6. Other operating expenses

	2015	2014
	EUR	EUR
Stock exchange related expenses	4 746	4 798
Other asset write offs		
Provisions for doubtful accounts		
Other expenses	215	544
Total:	<u>4 961</u>	<u>5 342</u>

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7. Financial income

	2015	2014
	EUR	EUR
Income from currency fluctuations	1 426	385
Losses from foreign exchange rate changes		-
Total:	1 426	385

8. Financial expenses

	2015	2014
	EUR	EUR
Interest expenses persents	867	419
Loss from currency		
Loss from currency exchange		
Neto result from losses		
Total:	867	419

9. Corporate income tax

	2015	2014
	EUR	EUR
Deferred corporate income tax income/ (expenses)		
Corporate income tax income		
Total:		

AS „TALSU MEŽRŪPNIECĪBA”
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10. Fixed assets

EUR	Land, buildings and constructions	Machinery and equipment	Other fixed assets	Advances for fixed assets	TOTAL
Historical cost 31.12.2014	224 796	845 192	112 991	204 033	1 387 012
2015 Acquisitions		6 649	2 654		9 303
Write offs				-	-
Historical cost 31.03.2015	224 796	851 841	115 645	204 033	1 396 315
Accumulated depreciation 31.12.2014	103 261	559 895	48 845	28 554	740 555
2015 Depreciation	1 759	9 997	4 870	5 102	21 728
Depreciation of assets written off				-	-
Accumulated depreciation 31.03.2015	105 020	569 892	53 715	33 656	762 283
Net book value 31.12.2014	121 535	285 297	64 146	175 479	646 457
Net book value 31.03.2015	119 776	281 949	61 930	170 377	634 032

Cadastral value of assets of the Company:

	2015	2014
	EUR	EUR
Land	29 127	29 127
Buildings and constructions	85 812	85 812
Total:	114 939	114 939

Fixed assets of the Company are pledged as security for credit line issued by SC „SEB bank” .

11. Trade receivables, net

	2015	2014
	EUR	EUR
Gross trade receivables	184 737	261 565
Provisions for doubtful accounts	-	-
Total:	184 737	261 565

12. Other debtors

	2015	2014
	EUR	EUR
VAT receivable	1 206	1 782
Other debtors	43	
Payment		10 176
Total:	1 249	11 958

13. Money

	2014	2014
	EUR	EUR
LVL		
GBP 7797	10 827	269
EUR 56083	56 083	71 407
Total:	66 910	71 676

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INTERIM REPORT FOR 3 MONTH OF THE YEAR 2015 (UNAUDITED)

14. Share capital

Share capital of the Company consists of 495,699 shares with nominal value LVL 1 per share.

	Shares Number	Value of shares(LVL)	Total value (LVL)	Total value (EUR)
Close issue shares	265 699	1	265 699	378 058
Public placement	230 000	1	327 258	327 258
Total:	<u>495 699</u>		<u>705316</u>	<u>705 316</u>

Shareholders of the Company at December 31th, 2014.

	31.12.2014.	%
	Number of securities	
Gatis Štāks	241 905	48.80
Oskars Dēriņš	146 377	29.53
Eva Dēriņa	40 361	8.14
Others shareholders	67 056	13.53
TOTAL	<u>495 699</u>	

15. Other provisions

	2015	2014
	EUR	EUR
Balance at the beginning of the year	18 792	9 335
Provision for unused vacations growth (decrease)	9 395	9 457
Total:	<u>28 187</u>	<u>18 792</u>

16. Accrued liability

	2015	2014
	EUR	EUR
Accruals for prospective payment		
Total:	<u> </u>	<u> </u>

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17. Loans from credit institutions

	2015	2014
	EUR	EUR
<i>Long term</i>		
Se Leasing	67 681	15 404
Credit from SC SEB bank	11 739	
<i>Short term</i>		
SEB Leasing	21 202	8 340
Credit from SC SEB bank	9 604	34 149
Total:	<u>110 226</u>	<u>57 893</u>

- 1) The Company entered into a credit agreement TA 11249, loan repayment shall be done in monthly principal repayments with final term on November 24, 2016.
Loan interest rate consists of a base rate EUR EURIBOR 3 months and added rate of 4%. Loan received cars VOLVO FM 460 purchase. 31.03 2015, the loan balance shall be drawn up EUR 21 343.
As collateral for the loan serves a mortgage on real property located in Dumpisu Street 3, Stende, Talsu district, Financial pledge on the Company's cash and Commercial pledge on the newly purchased cars Volvo FM 460 in accordance with the concluded contract Pledges No. TA11249 / QC -1. The residual value of Car VOLVO EUR 54524 on 31.03.2015.
- 2) The Company entered into a credit line agreement TA 10138, the limit of EUR 100 000 for the repayment period September 22nd,2015. The interest rate consists of a base rate EUR EURIBOR 3 months and added the rate of 4%. Used the credit balance is 31.05.2015 EUR 00.0 Secured by a mortgage on real estate Dumpisu Street 3, Stende, Talsu region under the mortgage agreement, the commercial pledge on the company's existing and future fixed assets, inventories and claim rights and financial pledge to the Company accounts for all existing and incoming funds the right to claim the amount.
- 3) The Company entered into financial leasing contract, TA11166. In accordance with its terms, the repayment is due in monthly principal repayments with final term on July 25, 2016. Leasing certain variable interest rate of 4,506% per annum of the residual value of the fixed percentage 11.3% Finance lease receipt for the purchase of the car BMW X5. As collateral serves as the leasing object. The book value of the pledged property EUR 38 836. The amount to be paid the balance of EUR 13 873.
- 4) The Company entered into financial leasing contract TA 14055 accordance with its terms, the repayment is due in monthly principal repayments with final term on 25 May 2019. Leasing certain variable interest rate of 2,978% per annum of the residual value of the fixed percentage 2.650% Capital lease cars received VOLVO L90G purchase. As collateral serves as the leasing object. The book value of the pledged property EUR 131 542. The amount to be paid the balance of EUR 75 010.

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18. Taxes payable

	(Liabilities)/ assets 31.12.2014	Calculated	2015 Transferred to other taxes	Paid/(claimed back)	(Liabilities)/ assets 31.03.2015
EUR					
Value added tax (VAT)	1 206	(1 559)	(829)	3 596	2 414
Social contributions	(17 448)	(32 204)	829	37 342	(11 481)
Personnel income tax	(9 673)	(15 726)	-	19 869	(5 530)
Real estate tax		(1 243)	-	1 243	-
Nature resources tax	(186)		-	186	-
Corporate income tax	(11 121)				(11 121)
Risk duty	(16)	(53)	-	50	(19)
Total	(37 238)	(50 785)	-	62 286	(25 737)
Liabilities					
Prepayments	(38 444)				(28 151)
	1 206				2 414

Tax receivables are included in other debtors, see Note 12.

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19. Off-balance sheet commitments

The Company entered into a credit line agreement TA 10138, the limit of EUR 100 000 for the repayment period September 22nd, 2015. The interest rate consists of a base rate EUR EURIBOR 3 months and added the rate of 4%. Used the credit balance is 31.03.2015 EUR 00.0 Secured by a mortgage on real estate Dumpisu Street 3, Stende, Talsu region under the mortgage agreement, the commercial pledge on the company's existing and future fixed assets, inventories and claim rights and financial pledge to the Company accounts for all existing and incoming funds the right to claim the amount.

20. Employers

	2015	2014
Average number of employers for the reporting year	<u><u>47</u></u>	<u><u>47</u></u>