

JOINT STOCK COMPANY LATVIJAS BALZAMS

(ENTERPRISE REGISTER NUMBER LV40003031873)

CONDENSED FINANCIAL STATEMENTS *(NOT AUDITED)*

FOR THE FIRST 3 MONTHS OF 2011

**PREPARED IN ACCORDANCE WITH REPUBLIC OF LATVIA STANDARDS OF
BOOKKEEPING**

Riga, 2011

Management report

Field of activity

The enterprise was founded in 1900, but the actual name it has got in 1970. AS "Latvijas balzams" is a leading producer of alcoholic beverages in the Baltic States that produces more than 100 different kinds of alcoholic drinks. AS "Latvijas balzams" major shareholder is "SPI Regional Business Unit BV" which owns 89.53% of the company's equity capital.

The activity of enterprise in year 2011 first quarter

AS "Latvijas balzams" is the biggest producer of alcoholic beverages in Latvia, as well as one of the largest taxpayers in Latvia. During first quarter of 2011 AS "Latvijas balzams" paid 8.5 millions lats to the state budget, including excise tax amounting to 6.1 millions lats.

The unaudited turnover of the company in the first quarter of year 2011 was 13.3 million lats, which is by 17% less than in the first quarter of 2010. Turnover in the domestic market has fallen by 17%, in the export market by 9%, while export orders of "S.P.I. Group" has decreased by 18%. During the first quarter of year 2011, sales to the EU countries decreased by 9%, sales to Estonia decreased by 29%, but sales to Lithuania increased by 4%. Decrease in sales was affected by the increase in illegal alcohol trade and decrease of economical activity in the main markets. During the first quarter of year 2011 the top focus sales markets were Baltic States, Russia, Poland, Ukraine and Scandinavia. Meanwhile new export markets were actively acquired, for example, Bulgaria, China, Australia and Kazakhstan.

The unaudited profit for the reporting period was 324 thousands lats, that is 21% less than in the first quarter of 2010.

Future perspectives of activity

Economical situation in Latvia has started to stabilise and, even though customer purchasing power is very low, the objectives of the Company is to maintain the existing market share and to continue new market acquirement by improving product portfolio. In 2010 the priorities of AS Latvijas balzams will be further control of production and logistics costs, optimization and improvement of production efficiency, rise of Company's competitiveness.

AS Latvijas balzams will continue to support nature friendly solutions, persistently improving activities that decrease Company's negative impact on the environment, establishing high requirements for itself and Company's partners.

AS Latvijas balzams
Per procura

Ronalds Žarinovs

Riga, May 31, 2011

Riga
31.05.2011.

Declaration of Management Responsibility

Management of a company declares that in accordance with possessed information, presented condensed financial statements are prepared under actual laws and regulations and represent truthful and clear information on the company assets, equity, liabilities, financial situation and profit or loss.

Management Report contains truthful information.

A/s "Latvijas balzams"

Per procura

Ronalds Žarinovs

MANAGEMENT

Names and positions of Council members

Aigars Kalvītis – Chairman of the Council
Valery Mendeleev – Vice Chairman of the Council
Pjotrs Aven – Member of the Council
Andrejs Skurihins – Member of the Council
Alexander Kovalev – Member of the Council
Boelem Sebastianus Antonius Theodorus – Member of the Council

Names and positions of Board members

Kārlis Andersons – Chairman of the Board
General director of AS Latvijas balzams
Gunita Kronberga – Member of the Board
Chief Financial Officer of AS “Latvijas balzams”
Ronalds Žarinovs – Member of the Board
Production director of AS Latvijas balzams
Sergejs Ļimarenko – Member of the Board
Chief of internal control department of AS Latvijas balzams
Signe Bīdermane – Member of the Board
Director of human resources department of AS Latvijas balzams

Reporting period

1 January – 31 March 2011

Income statement for the period ended March 31, 2011

	Notes	01.01.2011 - 31.03.2011 EUR	01.01.2010 - 31.03.2010 EUR
Net sales	1	18 890 272	22 738 686
Cost of sales	2	(16 505 825)	(19 899 913)
Gross profit or losses		2 384 447	2 838 773
Distribution expenses	3	(1 113 922)	(870 558)
Administrative expenses	4	(667 498)	(758 221)
Other operating income		604 231	416 289
Other operating expenses		(485 870)	(317 664)
Interest and similar income		233 067	205 564
Interest and similar expenses		(353 194)	(770 493)
Profit or losses prior to extraordinary items and taxes		601 261	743 690
Corporate income tax		(108 208)	(136 219)
Other taxes		(31 743)	(26 748)
Net profit or losses		461 309	580 723
Earnings per share (in santims)		6.15	7.75

Ronalds Žarinovs
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Balance sheet as at March 31, 2011

ASSETS

	31.03.2011 EUR	31.03.2010 EUR
Non-current assets		
Intangible assets		
Concessions, patents, licenses, trademarks and similar rights	6 699	327
Total intangible assets:	6 699	327
Fixed assets		
Land and buildings	17 618 126	18 103 965
Equipment and machinery	3 867 824	4 733 327
Other fixed assets and equipment	525 259	704 054
Fixed assets under construction	185 059	126 854
Advances for fixed assets	117 291	729
Total fixed assets:	22 313 559	23 668 928
Non-current financial investments		
Receivables from group companies	25 300 000	35 300 000
Other securities and investments	34 149	34 149
Total non-current financial investments:	25 334 149	35 334 149
Total non-current assets:	47 654 406	59 003 404
Current assets		
Inventories		
Raw materials and consumables	15 047 622	17 239 908
Work in progress	1 054 137	798 319
Finished goods and goods for sale	7 807 502	6 993 565
Advances for inventories	572 017	75 408
Total inventories:	24 481 278	25 107 200
Account receivable:		
Trade receivables	356 129	332 292
Receivables from group companies	42 776 036	29 220 851
Other receivables	162 878	149 289
Deferred expenses	141 713	169 210
Total receivables:	43 436 756	29 871 642
Cash and bank:	78 025	32 746
Total current assets:	67 996 059	55 011 587
Total assets	115 650 465	114 014 991

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EQUITY, PROVISIONS AND LIABILITIES

	31.03.2011 EUR	31.03.2010 EUR
Equity		
Share capital	10 667 128	10 667 128
Share premium	87 887	87 887
Non-current investments revaluation reserve	11 860 184	11 875 669
Financial instruments revaluation reserves	(247 922)	(403 313)
Retained earnings		
previous year's retained earnings	38 958 972	33 362 338
current years profit or losses	461 309	580 723
Total equity:	61 787 558	56 170 431
Liabilities:		
Non-current liabilities:		
Loans from banks	12 808 709	16 550 765
Deferred income tax liabilities	1 899 330	2 002 903
Derivative financial instruments	291 673	474 486
Total non-current liabilities:	14 999 713	19 028 154
Current liabilities:		
Loans from banks	19 892 843	21 533 527
Trade payables	4 982 749	3 658 304
Payables to group companies	1 710 048	809 537
Taxes and social insurance payments	10 325 828	9 018 048
Other liabilities	324 798	345 097
Deferred income	191 667	281 238
Accrued liabilities	1 435 261	3 170 656
Total current liabilities:	38 863 194	38 816 406
Total liabilities:	53 862 906	57 844 560
Total equity, provisions and liabilities	115 650 465	114 014 991

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Per procura

Statement of changes in equity for the period ended March 31, 2011

	Share capital	Share premium	Revaluation reserves of non-current assets	Revaluation reserves of derivative financial instruments	Retained earnings	Total
	EUR	EUR	EUR	EUR	EUR	EUR
31.12.2009	10 667 128	87 887	11 875 669	(403 313)	33 362 338	55 589 708
Increase of share capital	-	-	-	-	-	-
Revaluation	-	-	-	-	-	-
Disposal of revalued fixed assets	-	-	-	-	-	-
Profit for the year	-	-	-	-	580 723	580 723
31.03.2010	10 667 128	87 887	11 875 669	(403 313)	33 943 061	56 170 431
31.12.2010	10 667 128	87 887	11 860 184	(247 923)	38 958 974	61 326 250
Increase of share capital	-	-	-	-	-	-
Revaluation	-	-	-	-	-	-
Disposal of revalued fixed assets	-	-	-	-	-	-
Profit for the year	-	-	-	-	461 309	461 309
31.03.2011	10 667 128	87 887	11 860 184	(247 923)	39 420 284	61 787 558

Cash flow statement for the period ended March 31, 2011

	01.01.2011 - 31.03.2011 EUR	01.01.2010 - 31.03.2010 EUR
Cash flow from operating activities		
Profit or losses before taxes	601 260	743 690
<u>Adjustments for:</u>		
depreciation of fixed and intangible assets	563 177	574 492
profit from disposal of fixed assets	1 733	5 737
changes in provisions	(13 426)	(32 099)
foreign exchange (gains)/losses	-	166 096
interest expenses	360 856	340 845
interest income	233 054	201 191
Cash flow prior to changes in current assets and liabilities	1 746 653	1 999 952
Inventory (increase)/decrease	(1 473 027)	(265 985)
Account receivable (increase)/decrease	4 327 989	307 219
Account payable increase/(decrease)	(2 067 921)	(2 023 823)
Gross cash flow generated from operating activities	2 533 695	17 363
Interest payments	(373 527)	(517 308)
Corporate income tax paid	(273 251)	(306 324)
Net cash flow generated from operating activities	1 886 917	(806 269)
Cash flow from investing activities		
Acquisition of fixed and intangible assets	(137 670)	(26 989)
Loans issued	-	(620 372)
Loans interest received	10 760	5 645
Net cash flow generated from investing activities	(126 910)	(641 717)
Cash flow from financing activities		
Changes in credit lines	(787 551)	1 976 284
Borrowings repaid	(1 040 979)	(1 068 160)
Net cash flow generated from financing activities	(1 828 530)	908 124
Net increase / (decrease) in cash and cash equivalents	(68 523)	(539 862)
Cash and cash equivalents at the beginning of the financial year	146 548	572 608
Cash and Cash equivalents at the end of the financial year	78 025	32 746

	01.01.2011 – 31.03.2011	01.01.2010 – 31.03.2010
	EUR	EUR
1. Net sales		
Sales of drinks in local market	9 966 226	12 013 131
Export of drinks and services	8 911 908	10 722 284
Other sales (spirits, raw materials)	12 137	3 271
TOTAL	18 890 272	22 738 686

2. Cost of Sales

Materials	15 387 426	17 579 609
Salary expenses	513 778	487 394
Energy resources	233 556	221 269
Mandatory state social insurance contributions	122 909	116 819
Natural recourse tax	65 928	73 539
Changes in accrued expenses on unused annual leave	(13 868)	63
Changes of inventory value of finished goods	(1 131 502)	(111 165)
Goods purchased	8 726	8 158
Other variable costs	244 584	383 516
Variable costs total:	15 431 538	18 759 203
Depreciation of non-current assets	454 707	461 813
Salary expenses	269 053	269 252
Services for production needs	53 449	168 995
Repair expenses	145 307	106 212
Mandatory state social insurance contributions	63 916	64 202
Insurance payments	23 493	22 935
Laboratory expenses	11 924	7 832
Changes in accrued expenses on unused annual leave	13 317	2 457
Other production expenses	39 123	37 012
Fixed costs total:	1 074 287	1 140 711
TOTAL	16 505 825	19 899 913

3. Distribution expenses

Advertising expenses	326 393	115 965
Salary expenses	345 636	343 589
Transportation expenses	140 193	127 444
Mandatory state social insurance contributions	82 717	82 083
Depreciation of non-current assets	71 612	75 383
Warehouse maintenance expenses	49 394	49 255
Changes in accrued expenses on unused annual leave	10 341	(5 248)
Other distribution expenses	87 636	82 086
TOTAL	1 113 922	870 558

4. Administrative expenses

	01.01.2011 – 31.03.2011	01.01.2010 – 31.03.2010
	EUR	EUR
Salary expenses	336 001	353 357
Management services	96 561	130 932
Mandatory state social insurance contributions	80 193	82 610
Professional fees	15 360	22 798
Depreciation of non-current assets	23 562	25 773
Representations	4 072	5 876
Office expenses	10 658	10 434
Communication and postal expenses	11 452	14 946
Business trips	5 137	10 641
IT maintenance	7 403	5 647
Financial help, sponsorship	-	25 612
Transportation	8 236	5 963
Healthcare, health insurance	1 465	2 188
Personnel education and trainings	1 451	872
Changes in accrued expenses on unused annual leave	12 262	12 411
Other administrative expenses	53 688	48 163
	667 498	758 221

Shares

JSC “Latvijas balzams” shares are listed on NASDAQ OMX Riga Secondary market since October 15, 1998:

ISIN	LV0000100808
Ticker	BAL1R
Nominal value	1,00 LVL
Total number of securities	7 496 900
Number of listed securities	5 791 900
Indexes	B30GI, B30PI, OMXBGI, OMXBPI, OMXRGI

JSC “Latvijas balzams” share price development for the period 01.01.11 – 31.03.11



Currency: EUR

Open	2,803 EUR
Max	3,130 EUR
Min	2,702 EUR
Last	2,917 EUR
Change	4,859 %
Deals	239
No of shares traded	28 872
Turnover	83 429,95EUR