

AS “Latvijas balzams”

JOINT STOCK COMPANY LATVIJAS BALZAMS
(ENTERPRISE REGISTER NUMBER LV40003031873)

CONDENSED FINANCIAL STATEMENTS (*NOT
AUDITED*)

FOR THE FIRST 9 MONTHS OF 2011
PREPARED UNDER LATVIAN ACCOUNTING STANDARD

Riga, 2011

AS “Latvijas balzams”

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 9 month of 2011

AS “Latvijas balzams” is the biggest producer of alcoholic beverages in Latvia, as well as one of the largest taxpayers in Latvia. During 9 month of 2011 AS “Latvijas balzams” paid 27,2 millions lats to the state budget, including excise tax amounting to 19,4 millions lats.

The unaudited turnover of the company in the 9 month of year 2011 was 46,7 million lats, which is by 11% less than in the 9 month of 2010. Turnover in the domestic market has fallen by 5%, in the export market has fallen by 2%, while export orders of "S.P.I. Group" has decreased by 20%. During the 9 month of year 2011, sales to the EU countries decreased by 7%, sales to Estonia increased by 2%, sales to Lithuania decreased by 3%. Decrease of sales is related to the increase of excise tax, illegal alcohol trade and decrease of economical activity in the main markets. During the 9 month of year 2011 the top focus sales markets were Baltic States, Russia, Norway, Poland, Ukraine and Netherlands. Meanwhile new export markets were actively acquired, for example, Bulgaria, China, Australia, USA and Kazakhstan.

The Company has paid great attention to production cost control and improvement of productivity, as a result reaching 2,14 million lats unaudited profit, that is 1% less than in the 9 month of 2010, despite the 11% decrease in turnover.

Future perspectives of activity

Despite the critical economic situation and low purchasing power in Latvia, the objectives of the Company is to maintain the existing market share and to continue new market acquirement by improving product portfolio. In 2011 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, November 29, 2011

AS “Latvijas balzams”

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.

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Ronalds Žarinovs

AS “Latvijas balzams”

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 until
29.04.2011

David Ronald Surbey – Member of the Council from
29.04.2011

Alexander Kovalev - Member of the Council until
29.04.2011

Blaine Alan Rowlette – Member of the Council from
29.04.2011

Boelem Sebastianus Antonius Theodorus – Member of
the Council

Names and positions of Board members

Kārlis Andersons – Chairman of the Board and
General director of AS Latvijas balsams until
05.05.2011

Gunita Kronberga – Member of the Board and
Chief Financial Officer of AS “Latvijas balzams” until
17.06.2011

Intars Geidāns - Member of the Board and Director of
logistics department of AS “Latvijas balzams”
from 17.06.2011

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 – 30 September 2011

AS “Latvijas balzams”

Income statement for the period ended September 30, 2011

	Notes	01.01.2011 - 30.09.2011 EUR	01.01.2010 - 30.09.2010 EUR
Net sales	1	66 433 646	74 755 489
Cost of sales	2	(57 414 297)	(64 247 506)
Gross profit or losses		9 019 350	10 507 983
Distribution expenses	3	(3 347 783)	(3 289 162)
Administrative expenses	4	(2 029 232)	(2 369 901)
Other operating income		1 927 136	1 189 485
Other operating expenses		(1 135 647)	(613 200)
Interest and similar income		834 110	627 961
Interest and similar expenses		(1 421 024)	(2 201 827)
Profit or losses prior to extraordinary items and taxes		3 846 910	3 851 340
Corporate income tax		(712 818)	(716 493)
Other taxes		(95 236)	(80 322)
Net profit or losses		3 038 856	3 054 525
Earnings per share (in santims)		40.53	40.74

Ronalds Žarinovs
Per procura

AS "Latvijas balzams"

Balance sheet as at September 30, 2011

ASSETS

	30.09.2011 EUR	30.09.2010 EUR
Non-current assets		
Intangible assets		
Concessions, patents, licenses, trademarks and similar rights	43 750	8 125
Total intangible assets:	43 750	8 125
Fixed assets		
Land and buildings	17 192 977	17 685 271
Equipment and machinery	3 593 823	4 211 127
Other fixed assets and equipment	459 587	600 039
Fixed assets under construction	53 771	197 078
Advances for fixed assets	45 513	514 069
Total fixed assets:	21 345 671	23 207 584
Non-current financial investments		
Receivables from group companies	35 300 000	35 300 000
Other securities and investments	34 149	34 149
Total non-current financial investments:	35 334 149	35 334 149
Total non-current assets:	56 723 570	58 549 857
Current assets		
Inventories		
Raw materials and consumables	14 258 786	18 115 166
Work in progress	1 008 838	713 496
Finished goods and goods for sale	8 719 441	8 153 810
Advances for inventories	275 331	-
Total inventories:	24 262 396	26 982 472
Account receivable:		
Trade receivables	414 755	830 757
Receivables from group companies	34 391 442	33 746 164
Other receivables	324 644	188 051
Deferred expenses	121 000	155 157
Total receivables:	35 251 841	34 920 129
Cash and bank:	33 631	147 954
Total current assets:	59 547 867	62 050 555
Total assets	116 271 437	120 600 412

AS "Latvijas balzams"

EQUITY, PROVISIONS AND LIABILITIES

	30.09.2011	30.09.2010
	EUR	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	38 958 973	33 362 339
current years profit or losses	3 038 856	3 054 524
Total equity:	64 365 105	58 644 233
Liabilities:		
Non-current liabilities:		
Loans from banks	12 808 709	16 550 765
Deferred income tax liabilities	1 899 329	2 002 903
Derivative financial instruments	291 673	474 486
Total non-current liabilities:	14 999 711	19 028 154
Current liabilities:		
Loans from banks	18 699 384	19 377 790
Trade payables	5 120 748	4 972 320
Payables to group companies	2 065 062	1 494 925
Taxes and social insurance payments	8 990 834	10 802 374
Other liabilities	343 651	354 989
Deferred income	184 325	276 076
Accrued liabilities	1 502 617	5 649 551
Total current liabilities:	36 906 620	42 928 025
Total liabilities:	51 906 331	61 956 179
Total equity, provisions and liabilities	116 271 437	120 600 412

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Per procura

AS “Latvijas balzams”

Statement of changes in equity for the period ended September 30, 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)	33 362 339	55 589 708
Increase of share capital	-	-	-	-	-	-
Revaluation	-	-	-	-	-	-
Disposal of revalued fixed assets	-	-	-	-	-	-
Profit for the year	-	-	-	-	3 054 524	3 054 524
30.09.2010	10 667 128	87 887	11 875 669	(403 313)	36 416 863	58 644 233
31.12.2010	10 667 128	87 887	11 860 184	(247 922)	38 958 973	61 326 250
Increase of share capital	-	-	-	-	-	-
Revaluation	-	-	-	-	-	-
Disposal of revalued fixed assets	-	-	-	-	-	-
Profit for the year	-	-	-	-	3 038 856	3 038 856
30.09.2011	10 667 128	87 887	11 860 184	(247 922)	41 997 828	64 365 105

AS "Latvijas balzams"

Cash flow statement for the period ended September 30, 2011

	01.01.2011 - 30.09.2011 EUR	01.01.2010 - 30.09.2010 EUR
Cash flow from operating activities		
Profit or losses before taxes	3 846 909	3 851 340
<u>Adjustments for:</u>		
depreciation of fixed and intangible assets	1 701 504	1 716 480
profit from disposal of fixed assets	5 240	7 080
changes in provisions	285 015	25 273
foreign exchange (gains)/losses	39 017	427 940
interest expenses	1 116 634	616 150
interest income	(775 311)	-
Cash flow prior to changes in current assets and liabilities	6 219 008	6 644 264
Inventory (increase)/decrease	(1 585 702)	(798 016)
Account receivable (increase)/decrease	3 533 217	(3 398 546)
Account payable increase/(decrease)	(3 067 845)	1 895 278
Gross cash flow generated from operating activities	5 098 678	4 342 979
Interest payments	(1 114 989)	(1 238 187)
Corporate income tax paid	(1 017 658)	(777 417)
Net cash flow generated from operating activities	2 966 030	2 327 374
Cash flow from investing activities		
Acquisition of fixed and intangible assets	(348 670)	(647 739)
Loans issued	-	(620 372)
Loans interest received	31 926	25 541
Net cash flow generated from investing activities	(316 744)	(1 242 571)
Cash flow from financing activities		
Changes in credit lines	550 832	1 696 039
Borrowings repaid	(3 611 838)	(3 205 497)
Samaksāti procenti	298 803	
Net cash flow generated from financing activities	(2 762 203)	(1 509 458)
Net increase / (decrease) in cash and cash equivalents	(112 916)	(424 654)
Cash and cash equivalents at the beginning of the financial year	146 547	572 608
Cash and Cash equivalents at the end of the financial year	33 631	147 954

AS “Latvijas balzams”

	01.01.2011 – 30.09.2011	01.01.2010 – 30.09.2010
1. Net sales	EUR	EUR
Sales of drinks in local market	36 505 061	38 462 645
Export of drinks and services	29 864 092	36 281 904
Other sales (spirits, raw materials)	64 493	10 940
TOTAL	66 433 646	74 755 489

2. Cost of Sales

Materials	52 564 320	56 525 263
Salary expenses	1 594 048	1 542 181
Energy resources	583 324	533 854
Mandatory state social insurance contributions	381 060	369 280
Natural recourse tax	230 016	269 889
Changes in accrued expenses on unused annual leave	(39 184)	9 853
Changes of inventory value of finished goods	(1 647 946)	354 631
Goods purchased	18 869	48 971
Other variable costs	596 728	1 130 747
Variable costs total:	54 281 234	60 784 669
Depreciation of non-current assets	1 375 808	1 380 232
Salary expenses	832 371	831 626
Services for production needs	165 102	484 745
Repair expenses	346 461	363 833
Mandatory state social insurance contributions	197 640	197 315
Insurance payments	76 607	69 365
Laboratory expenses	36 550	32 172
Changes in accrued expenses on unused annual leave	(6 723)	(10 047)
Other production expenses	109 246	113 595
Fixed costs total:	3 133 062	3 462 837
TOTAL	57 414 297	64 247 506

3. Distribution expenses

Advertising expenses	940 223	971 869
Salary expenses	1 061 032	1 024 226
Transportation expenses	467 785	422 815
Mandatory state social insurance contributions	253 630	245 108
Depreciation of non-current assets	216 579	219 549
Warehouse maintenance expenses	126 523	119 289
Changes in accrued expenses on unused annual leave	(17 571)	(13 281)
Other distribution expenses	299 581	299 587
TOTAL	3 347 783	3 289 162

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4. Administrative expenses

	01.01.2011 – 30.09.2011	01.01.2010 – 30.09.2010
	EUR	EUR
Salary expenses	1 103 886	1 071 820
Management services	328 199	400 735
Mandatory state social insurance contributions	122 955	250 832
Professional fees	71 470	88 130
Depreciation of non-current assets	68 277	78 096
Representations	22 520	66 450
Office expenses	36 102	42 415
Communication and postal expenses	34 761	41 864
Business trips	19 825	20 680
IT maintenance	28 929	16 041
Financial help, sponsorship	5 208	31 417
Transportation	16 241	20 294
Healthcare, health insurance	4 332	6 714
Personnel education and trainings	12 982	4 322
Changes in accrued expenses on unused annual leave	-22 838	11 638
Other administrative expenses	176 384	218 454
	2 029 232	2 369 901

AS “Latvijas balzams”

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 – 30.09.11



Currency: LVL

Open	2,803 EUR
Max	4,963 EUR
Min	2,702 EUR
Last	3,277 EUR
Change	17,801 %
Deals	817
No of shares traded	120 069
Turnover	439 505,43 EUR