

**JOINT STOCK COMPANY LATVIJAS BALZAMS**  
**(ENTERPRISE REGISTER NUMBER LV40003031873)**

**CONDENSED FINANCIAL STATEMENTS** *(NOT AUDITED)*  
**FOR THE FIRST 3 MONTHS OF 2012**

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

Riga, 2012

AS Latvijas balzams

Address: A. Čaka street, Riga, LV-1012

Reg. number: LV40003031873

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*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 year 2012 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 2012 AS Latvijas balzams paid 9.3 millions lats to the state budget, including excise tax amounting to 6.8 millions lats.

The unaudited turnover of the company in the first quarter of 2012 was 15.3 million lats, which is by 15% more than in the first quarter of 2011. Turnover in the domestic market has risen by 20%, in the export market by 12.5%, and export orders of S.P.I. Group has increased by 13%. During the first quarter of 2012, sales to the EU countries were in the same level as last year, sales to Russia increased by 38%, sales to Norway increased by 21%, but sales to Latvia's tax free zone increased by 28%. Increase in sales was affected by the increase of economical activity in the main markets. During the first quarter of 2012 the top focus sales markets were the Baltic States, Russia, the Netherlands and Scandinavia. Meanwhile, new export markets were actively acquired, for example, Slovakia, Slovenia, China and Belgium.

The unaudited profit for the reporting period was 313 thousands lats, that is 3% less than in the first quarter of 2011.

### **Future perspectives of activity**

The company has successfully introduced new products thus improving product portfolio. Increased attention will be put on development of new competitive products, extension of the existing market share, as well new export market acquirement. AS Latvijas balzams 2012 priorities will be further control of production and logistics costs, optimization and improvement of production efficiency, increase 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  
Chairman of the Board

Guntis Āboltiņš - Āboliņš

Riga, May 25, 2012

Riga  
25.05.2012.

## Declaration of Management Responsibility

Management of the 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.

AS Latvijas balzams  
Chairman of the Board

Guntis Āboliņš - Āboliņš

## MANAGEMENT

### Names and positions of Council members

Aigars Kalvītis – Chairman of the Council

Valery Mendelev – Vice Chairman of the Council

Pjotrs Aven – Member of the Council

David Ronald Surbey – Member of the Council

Blain Alan Rowlette – Member of the Council

Boelem Sebastianus Antonius Theodorus – Member of the Council

### Names and positions of Board members

Guntis Ābolpiņš-Āboliņš – Chairman of the Board  
General director of AS Latvijas balzams

Intars Geidāns – Member of the Board  
Director of logistics department 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 2012

## Income statement for the period ended March 31, 2012

	Notes	<b>01.01.2012 - 31.03.2012 EUR</b>	<b>01.01.2011 - 31.03.2011 EUR</b>
Net sales	1	21 787 341	18 890 272
Cost of sales	2	(19 713 878)	(16 505 825)
<b>Gross profit or losses</b>		<b>2 073 463</b>	<b>2 384 447</b>
Distribution expenses	3	(972 401)	(1 113 922)
Administrative expenses	4	(712 851)	(667 498)
Other operating income		1 833 464	604 231
Other operating expenses		(1 564 370)	(485 870)
Interest and similar income		262 857	233 067
Interest and similar expenses		(333 080)	(353 194)
<b>Profit or losses prior to extraordinary items and taxes</b>		<b>587 083</b>	<b>601 261</b>
Corporate income tax		(104 460)	(108 208)
Other taxes		(37 291)	(31 743)
<b>Net profit or losses</b>		<b>445 331</b>	<b>461 309</b>
Earnings per share (in santims)		5.94	6.15

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Guntis Āboliņš - Āboliņš  
Chairman of the Board

## Balance sheet as at March 31, 2012

### ASSETS

	31.03.2012 EUR	31.03.2011 EUR
<b>Non-current assets</b>		
<b>Intangible assets</b>		
Concessions, patents, licenses, trademarks and similar rights	38 362	6 699
<b>Total intangible assets:</b>	<b>38 362</b>	<b>6 699</b>
<b>Fixed assets</b>		
Land and buildings	16 127 747	17 618 126
Equipment and machinery	3 102 140	3 867 824
Other fixed assets and equipment	381 313	525 259
Fixed assets under construction	78 512	185 059
Advances for fixed assets	23 348	117 291
<b>Total fixed assets:</b>	<b>19 713 060</b>	<b>22 313 559</b>
<b>Non-current financial investments</b>		
Receivables from group companies	25 300 000	25 300 000
Other securities and investments	34 149	34 149
<b>Total non-current financial investments:</b>	<b>25 334 149</b>	<b>25 334 149</b>
<b>Total non-current assets:</b>	<b>45 085 571</b>	<b>47 654 406</b>
<b>Current assets</b>		
<b>Inventories</b>		
Raw materials and consumables	16 698 069	15 047 623
Work in progress	1 354 012	1 054 137
Finished goods and goods for sale	5 975 869	7 807 502
Advances for inventories	447 397	572 017
<b>Total inventories:</b>	<b>24 475 348</b>	<b>24 481 278</b>
<b>Account receivable:</b>		
Trade receivables	479 449	356 129
Receivables from group companies	46 646 866	42 776 036
Other receivables	1 145 905	162 878
Deferred expenses	146 957	141 713
<b>Total receivables:</b>	<b>48 419 177</b>	<b>43 436 756</b>
<b>Cash and bank:</b>	<b>88 003</b>	<b>78 025</b>
<b>Total current assets:</b>	<b>72 982 528</b>	<b>67 996 060</b>
<b>Total assets</b>	<b>118 068 099</b>	<b>115 650 466</b>

Guntis Āboltiņš - Āboltiņš  
Chairman of the Board

## **EQUITY, PROVISIONS AND LIABILITIES**

	<b>31.03.2012</b>	<b>31.03.2011</b>
	<b>EUR</b>	<b>EUR</b>
<b>Equity</b>		
Share capital	10 667 128	10 667 128
Share premium	87 887	87 887
Non-current investments revaluation reserve	11 518 963	11 860 184
Financial instruments revaluation reserves	(69 059)	(247 922)
Retained earnings		
previous year's retained earnings	44 155 106	38 958 972
current years profit or losses	445 331	461 309
<b>Total equity:</b>	<b>66 805 355</b>	<b>61 787 558</b>
<b>Liabilities:</b>		
<b>Non-current liabilities:</b>		
Loans from banks	6 069 607	12 808 709
Other borrowings	14 228	-
Deferred income tax liabilities	1 907 997	1 899 330
Derivative financial instruments	-	291 673
<b>Total non-current liabilities:</b>	<b>7 991 832</b>	<b>14 999 713</b>
<b>Current liabilities:</b>		
Loans from banks	23 972 802	19 892 843
Other borrowings	6 098	-
Advances from customers	4 827	-
Trade payables	5 834 966	4 982 749
Payables to group companies	1 997 978	1 710 048
Taxes and social insurance payments	9 421 525	10 325 829
Other liabilities	324 778	324 798
Deferred income	103 711	191 667
Accrued liabilities	1 522 980	1 435 261
Derivative financial instruments	81 247	-
<b>Total current liabilities:</b>	<b>43 270 912</b>	<b>38 863 195</b>
<b>Total liabilities:</b>	<b>51 262 744</b>	<b>53 862 907</b>
<b>Total equity, provisions and liabilities</b>	<b>118 068 099</b>	<b>115 650 466</b>

Guntis Ābolčiņš - Āboliņš  
Chairman of the Board



## Statement of changes in equity for the period ended March 31, 2012

	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
<b>31.12.2010</b>	<b>10 667 128</b>	<b>87 887</b>	<b>11 860 184</b>	<b>(247 922)</b>	<b>38 958 972</b>	<b>61 326 249</b>
Increase of share capital	-	-	-	-	-	-
Revaluation	-	-	-	-	-	-
Disposal of revalued fixed assets	-	-	-	-	-	-
Profit for the year	-	-	-	-	<b>461 309</b>	<b>461 309</b>
<b>31.03.2011</b>	<b>10 667 128</b>	<b>87 887</b>	<b>11 860 184</b>	<b>(247 922)</b>	<b>39 420 282</b>	<b>61 787 558</b>
<b>31.12.2011</b>	<b>10 667 128</b>	<b>87 887</b>	<b>11 518 962</b>	<b>(69 059)</b>	<b>44 155 106</b>	<b>66 360 023</b>
Increase of share capital	-	-	-	-	-	-
Revaluation	-	-	-	-	-	-
Disposal of revalued fixed assets	-	-	-	-	-	-
Profit for the year	-	-	-	-	<b>445 331</b>	<b>445 331</b>
<b>31.03.2012</b>	<b>10 667 128</b>	<b>87 887</b>	<b>11 518 962</b>	<b>(69 059)</b>	<b>44 600 437</b>	<b>66 805 355</b>

## Cash flow statement for the period ended March 31, 2012

	01.01.2012 - 31.03.2012 EUR	01.01.2011 - 31.03.2011 EUR
<b>Cash flow from operating activities</b>		
Profit or losses before taxes	587 083	601 260
<u>Adjustments for:</u>		
depreciation of fixed and intangible assets	545 491	563 177
profit from disposal of fixed assets	-	1 733
changes in provisions	94 664	(13 426)
foreign exchange (gains)/losses	-	-
interest expenses	333 080	360 856
interest income	(261 528)	233 054
<b>Cash flow prior to changes in current assets and liabilities</b>	<b>1 298 789</b>	<b>1 746 653</b>
Inventory (increase)/decrease	(1 858 118)	(1 473 027)
Account receivable (increase)/decrease	3 895 109	4 327 989
Account payable increase/(decrease)	(1 197 778)	(2 067 921)
<b>Gross cash flow generated from operating activities</b>	<b>2 138 001</b>	<b>2 533 695</b>
Interest payments	(332 299)	(373 527)
Corporate income tax paid	(312 386)	(273 251)
<b>Net cash flow generated from operating activities</b>	<b>1 493 317</b>	<b>1 886 917</b>
<b>Cash flow from investing activities</b>		
Acquisition of fixed and intangible assets	(46 694)	(137 670)
Loans issued	-	-
Loans interest received	12 416	10 760
<b>Net cash flow generated from investing activities</b>	<b>(34 278)</b>	<b>(126 910)</b>
<b>Cash flow from financing activities</b>		
Changes in credit lines	9 657	(787 551)
Borrowings repaid	(1 411 509)	(1 040 979)
Financial leasing	(1 992)	-
<b>Net cash flow generated from financing activities</b>	<b>(1 403 844)</b>	<b>(1 828 530)</b>
<b>Ārvalstu valūtas kursu svārstību rezultāts</b>		
<b>Net increase / (decrease) in cash and cash equivalents</b>	<b>55 195</b>	<b>(68 523)</b>
<b>Cash and cash equivalents at the beginning of the financial year</b>	<b>32 809</b>	<b>146 547</b>
<b>Cash and Cash equivalents at the end of the financial year</b>	<b>88 003</b>	<b>78 025</b>

## 1. Net sales

	01.01.2012 – 31.03.2012	01.01.2011– 31.03.2011
	EUR	EUR
Sales of drinks in local market	11 913 976	9 966 226
Export of drinks and services	9 859 648	8 911 908
Other sales (spirits, raw materials)	13 718	12 137
<b>TOTAL</b>	<b>21 787 341</b>	<b>18 890 272</b>

## 2. Cost of Sales

Materials	16 463 005	15 387 426
Salary expenses	518 329	513 778
Energy resources	331 239	233 556
Mandatory state social insurance contributions	123 408	122 909
Natural recourse tax	70 115	65 928
Changes in accrued expenses on unused annual leave	25 753	(13 868)
Changes of inventory value of finished goods	906 520	(1 131 502)
Goods purchased	8 950	8 726
Other variable costs	227 488	244 584
<b>Variable costs total:</b>	<b>18 674 806</b>	<b>15 431 538</b>
Depreciation of non-current assets	431 389	454 707
Salary expenses	278 159	269 053
Services for production needs	52 259	53 449
Repair expenses	107 051	145 307
Mandatory state social insurance contributions	65 675	63 916
Insurance payments	26 285	23 493
Laboratory expenses	10 733	11 924
Changes in accrued expenses on unused annual leave	13 998	13 317
Other production expenses	53 523	39 123
<b>Fixed costs total:</b>	<b>1 039 073</b>	<b>1 074 287</b>
<b>TOTAL</b>	<b>19 713 878</b>	<b>16 505 825</b>

## 3. Distribution expenses

Advertising expenses	117 467	326 393
Salary expenses	364 513	345 636
Transportation expenses	155 276	140 193
Mandatory state social insurance contributions	87 143	82 717
Depreciation of non-current assets	70 411	71 612
Warehouse maintenance expenses	60 258	49 394
Changes in accrued expenses on unused annual leave	24 285	10 341
Other distribution expenses	93 049	87 636
<b>TOTAL</b>	<b>972 401</b>	<b>1 113 922</b>

#### 4. Administrative expenses

	<b>01.01.2012 – 31.03.2012</b>	<b>01.01.2011 – 31.03.2011</b>
	<b>EUR</b>	<b>EUR</b>
Salary expenses	340 126	336 001
Management services	124 733	96 561
Mandatory state social insurance contributions	80 537	80 193
Professional fees	17 933	15 360
Depreciation of non-current assets	23 568	23 562
Representations	7 592	4 072
Office expenses	10 863	10 658
Communication and postal expenses	11 165	11 452
Business trips	2 676	5 137
IT maintenance	2 912	7 403
Financial help, sponsorship	4 269	-
Transportation	6 395	8 236
Healthcare, health insurance	1 869	1 465
Personnel education and trainings	14 317	1 451
Changes in accrued expenses on unused annual leave	16 853	12 262
Other administrative expenses	47 044	53 688
	<b>712 851</b>	<b>667 498</b>

## 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 01.01.12 – 31.03.12



Currency: EUR

Open	2,913 EUR
Max	4.425 EUR
Min	2.896 EUR
Last	3.421 EUR
Change	15.63 %
Deals	336
No of shares traded	19 013
Turnover	63 100.06 EUR