

JOINT STOCK COMPANY LATVIJAS BALZAMS
(ENTERPRISE REGISTER NUMBER LV40003031873)

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

PREPARED UNDER LATVIAN ACCOUNTING STANDARDS

Riga, 2012

AS Latvijas balzams
Address: A. Čaka iela, Rīga, LV-1012
Reg. number: LV40003031873

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 Norway increased by 21%, and sales to Latvia's tax free zone increased by 28%. Increase in sales was affected by strengthening targeted market relations with partners 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, Kazakhstan and Belgium.

The unaudited profit for the reporting period was 313 thousands lats, that is 3% less than in the first quarter of 2011. Decrease in profit comparing to the first quarter of 2011 were caused by the increase of price of raw materials and by difference of total sales distribution between product categories.

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 growth in export market. 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

Rīga, May 28, 2012

Rīga
28.05.2012.

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 Mendeleev – Vice Chairman of the Council

Pjotrs Avens – Member of the Council

David Ronald Surbey – Member of the Council

Blain Alan Rowlette – Member of the Council

Boelen Sebastianus Antonius Theodorus – Member of the Council

Names and positions of Board members

Guntis Āboltiņš-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	01.01.2012 - 31.03.2012 LVL	01.01.2011 - 31.03.2011 LVL
Net sales	1	15 312 230	13 276 158
Cost of sales	2	(13 854 993)	(11 600 360)
Gross profit or losses		1 457 238	1 675 799
Distribution expenses	3	(683 407)	(782 869)
Administrative expenses	4	(500 995)	(469 120)
Other operating income		1 288 566	424 656
Other operating expenses		(1 099 445)	(341 471)
Interest and similar income		184 737	163 800
Interest and similar expenses		(234 090)	(248 226)
Profit or losses prior to extraordinary items and taxes		412 604	422 568
Corporate income tax		(73 415)	(76 049)
Other taxes		(26 208)	(22 309)
Net profit or losses		312 981	324 210
Earnings per share (in santims)		4.17	4.32

Guntis Āboliņš - Āboliņš
 Chairman of the Board

Balance sheet as at March 31, 2012

<u>ASSETS</u>	31.03.2012	31.03.2011
	LVL	LVL
Non-current assets		
Intangible assets		
Concessions, patents, licenses, trademarks and similar rights	26 961	4 708
Total intangible assets:	26 961	4 708
Fixed assets		
Land and buildings	11 334 645	12 382 089
Equipment and machinery	2 180 197	2 718 322
Other fixed assets and equipment	267 988	369 154
Fixed assets under construction	55 179	130 060
Advances for fixed assets	16 409	82 432
Total fixed assets:	13 854 417	15 682 058
Non-current financial investments		
Receivables from group companies	17 780 941	17 780 941
Other securities and investments	24 000	24 000
Total non-current financial investments:	17 804 941	17 804 941
Total non-current assets:	31 686 319	33 491 707
Current assets		
Inventories		
Raw materials and consumables	11 735 470	10 575 529
Work in progress	951 605	740 852
Finished goods and goods for sale	4 199 865	5 487 144
Advances for inventories	314 433	402 016
Total inventories:	17 201 372	17 205 540
Account receivable:		
Trade receivables	336 959	250 289
Receivables from group companies	32 783 604	30 063 169
Other receivables	805 347	114 471
Deferred expenses	103 282	99 596
Total receivables:	34 029 191	30 527 526
Cash and bank:	61 849	54 836
Total current assets:	51 292 413	47 787 903
Total assets	82 978 732	81 279 610

Guntis Āboltiņš - Āboliņš
 Chairman of the Board

EQUITY, PROVISIONS AND LIABILITIES

	31.03.2012	31.03.2011
	LVL	LVL
Equity		
Share capital	7 496 900	7 496 900
Share premium	61 767	61 767
Non-current investments revaluation reserve	8 095 573	8 335 385
Financial instruments revaluation reserves	(48 535)	(174 240)
Retained earnings		
previous year's retained earnings	31 032 385	27 380 522
current years profit or losses	312 981	324 210
Total equity:	46 951 070	43 424 543
Liabilities:		
Non-current liabilities:		
Loans from banks	4 265 744	9 002 012
Other borrowings	10 000	-
Deferred income tax liabilities	1 340 948	1 334 857
Derivative financial instruments	-	204 989
Total non-current liabilities:	5 616 691	10 541 858
Current liabilities:		
Loans from banks	16 848 181	13 980 769
Other borrowings	4 285	-
Advances from customers	3 393	-
Trade payables	4 100 837	3 501 896
Payables to group companies	1 404 187	1 201 828
Taxes and social insurance payments	6 621 485	7 257 034
Other liabilities	228 255	228 269
Deferred income	72 888	134 704
Accrued liabilities	1 070 357	1 008 707
Derivative financial instruments	57 101	-
Total current liabilities:	30 410 970	27 313 209
Total liabilities:	36 027 662	37 855 067
Total equity, provisions and liabilities	82 978 732	81 279 610

Guntis Āboltiņš - 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
	LVL	LVL	LVL	LVL	LVL	LVL
31.12.2010	7 496 900	61 767	8 335 385	(174 240)	27 380 522	43 100 333
Increase of share capital	-	-	-	-	-	-
Revaluation	-	-	-	-	-	-
Disposal of revalued fixed assets	-	-	-	-	-	-
Profit for the year	-	-	-	-	324 210	324 210
31.03.2011	7 496 900	61 767	8 335 385	(174 240)	27 704 732	43 424 543
31.12.2011	7 496 900	61 767	8 095 573	(48 535)	31 032 385	46 638 090
Increase of share capital	-	-	-	-	-	-
Revaluation	-	-	-	-	-	-
Disposal of revalued fixed assets	-	-	-	-	-	-
Profit for the year	-	-	-	-	312 981	312 981
31.03.2012	7 496 900	61 767	8 095 573	(48 535)	31 345 366	46 951 070

Cash flow statement for the period ended March 31, 2012

	01.01.2012 - 31.03.2012	01.01.2011 - 31.03.2011
	LVL	LVL
Cash flow from operating activities		
Profit or losses before taxes	412 604	422 568
<u>Adjustments for:</u>		
depreciation of fixed and intangible assets	383 373	395 803
profit from disposal of fixed assets	-	1 218
changes in provisions	66 530	(9 436)
foreign exchange (gains)/losses	-	-
interest expenses	234 090	253 611
interest income	(183 803)	163 791
Cash flow prior to changes in current assets and liabilities	912 794	1 227 555
Inventory (increase)/decrease	(1 305 893)	(1 035 249)
Account receivable (increase)/decrease	2 737 498	3 041 728
Account payable increase/(decrease)	(841 803)	(1 453 343)
Gross cash flow generated from operating activities	1 502 596	1 780 691
Interest payments	(233 541)	(262 516)
Corporate income tax paid	(219 546)	(192 042)
Net cash flow generated from operating activities	1 049 509	1 326 133
Cash flow from investing activities		
Acquisition of fixed and intangible assets	(32 817)	(96 755)
Loans issued	-	-
Loans interest received	8 726	7 562
Net cash flow generated from investing activities	(24 091)	(89 193)
Cash flow from financing activities		
Changes in credit lines	6 787	(553 494)
Borrowings repaid	(992 014)	(731 604)
Financial leasing	(1 400)	-
Net cash flow generated from financing activities	(986 627)	(1 285 098)
Net increase / (decrease) in cash and cash equivalents	38 791	(48 158)
Cash and cash equivalents at the beginning of the financial year	23 058	102 994
Cash and Cash equivalents at the end of the financial year	61 849	54 836

	01.01.2012 – 31.03.2012	01.01.2011 – 31.03.2011
	LVL	LVL
1. Net sales		
Sales of drinks in local market	8 373 190	7 004 303
Export of drinks and services	6 929 400	6 263 325
Other sales (spirits, raw materials)	9 641	8 530
TOTAL	15 312 230	13 276 158

2. Cost of Sales

Materials	11 570 266	10 814 345
Salary expenses	364 284	361 085
Energy resources	232 796	164 144
Mandatory state social insurance contributions	86 731	86 381
Natural recourse tax	49 277	46 334
Changes in accrued expenses on unused annual leave	18 099	(9 747)
Changes of inventory value of finished goods	637 106	(795 224)
Goods purchased	6 290	6 133
Other variable costs	159 879	171 895
Variable costs total:	13 124 728	10 845 346
Depreciation of non-current assets	303 182	319 570
Salary expenses	195 491	189 091
Services for production needs	36 728	37 564
Repair expenses	75 236	102 122
Mandatory state social insurance contributions	46 157	44 920
Insurance payments	18 473	16 511
Laboratory expenses	7 543	8 380
Changes in accrued expenses on unused annual leave	9 838	9 359
Other production expenses	37 616	27 496
Fixed costs total:	730 264	755 013
TOTAL	13 854 993	11 600 360

3. Distribution expenses

Advertising expenses	82 556	229 390
Salary expenses	256 181	242 915
Transportation expenses	109 129	98 528
Mandatory state social insurance contributions	61 244	58 134
Depreciation of non-current assets	49 485	50 329
Warehouse maintenance expenses	42 349	34 714
Changes in accrued expenses on unused annual leave	17 068	7 268
Other distribution expenses	65 395	61 591
TOTAL	683 407	782 869

4. Administrative expenses	01.01.2012 –	01.01.2011 –
	31.03.2012	31.03.2011
	LVL	LVL
Salary expenses	239 042	236 143
Management services	87 663	67 863
Mandatory state social insurance contributions	56 602	56 360
Professional fees	12 603	10 795
Depreciation of non-current assets	16 564	16 559
Representations	5 335	2 862
Office expenses	7 635	7 490
Communication and postal expenses	7 847	8 048
Business trips	1 881	3 610
IT maintenance	2 047	5 203
Financial help, sponsorship	3 000	-
Transportation	4 494	5 788
Healthcare, health insurance	1 313	1 030
Personnel education and trainings	10 062	1 020
Changes in accrued expenses on unused annual leave	11 845	8 618
Other administrative expenses	33 062	37 732
	500 995	469 120

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: LVL

Open	2.047 LVL
Max	3.110 LVL
Min	2.035 LVL
Last	2.404 LVL
Change	15.63 %
Deals	336
No of shares traded	19 013
Turnover	44 346.98 LVL