

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

**CONDENSED FINANCIAL STATEMENTS** *(NOT AUDITED)*  
FOR THE FIRST 9 MONTHS OF 2012

---

PREPARED UNDER LATVIAN ACCOUNTING STANDARDS

Riga, 2012

---

## Field of activity

The enterprise was founded in 1900, but the actual name it has got in 1970. JSC "Latvijas balzams" is the leading producer of alcoholic beverages in the Baltic States that produces more than 100 different kinds of alcoholic drinks. Our products can be found in more than 30 countries as the direct export of „Latvijas balzams” and in more then 160 countries via the export of the SPI group. The major shareholder of JSC “ Latvijas balzams” is SPI Regional Business Unit BV which owns 89.53% of the company’s equity capital.

## The activity of enterprise in 9 months of 2012

JSC “Latvijas balzams” is the leading producer of alcoholic beverages in Latvia, as well as one of the largest taxpayers in Latvia. During the first nine months of 2012 JSC “Latvijas balzams” paid 26.3 millions lats to the state budget, including excise tax amounting to 18.3 millions lats.

The unaudited turnover of the company in 9 months of 2012 reached 50.3 million lats, which is by 8% more than income for the same period in 2011. The turnover in the domestic market increased by 7.7%, in the export market dropped by 3.1%. Export orders of S.P.I. Group have increased by 10.5%. During 9 months of 2012 sales to EU countries have decreased by 12.7%, due to the structural changes in private label clients orders. At the same time sales to Russia increased by 39% and to Latvia’s tax free zone by 30%. Sales to Germany also have increased significantly. Overall increase in sales was determined by targeted market relations with partners in the main markets. During 9 months of 2012 the most important export markets were the Baltic States, Russia, Germany and Scandinavia. Meanwhile, new export markets were actively acquired, for example, Croatia and Georgia.

The unaudited profit for the reporting period was 2.5 million lats, which is 19% growth versus the same period of 2011. The result was determined by focused development of beverage portfolio.

JSC “Latvijas balzams” has received special award of the Ministry of Welfare of Latvia for being “Senior - friendly company”. This acknowledges “Latvijas balzams” expertise and quality of its social programs for supporting employees.

## Future outlook of activities

The company has improved its product portfolio. Since the beginning of the year “Latvijas balzams” has successfully introduced 14 new products for local and export markets. Further the Company will continue to focus on development of competitive products, retain existing market share and grow in export markets.

JSC “Latvijas balzams” 2012 priorities will be further control of production and logistics costs, optimization and improvement of production efficiency, increase of company's competitiveness, analysis and planning of potential export development opportunities.

JSC “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 and following the principles of sustainable business.

JSC Latvijas balzams  
Chairman of the Board



Guntis Āboltiņš - Āboltiņš

Riga, November 30th, 2012

Riga  
30.11.2012.

## **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.

---

JSC Latvijas balzams  
Chairman of the Board



Guntis Ābolīņš - Āboliņš

## MANAGEMENT

### Names and positions of Council members

Aigars Kalvītis – Chairman of the Council  
Valery Mendelev – 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

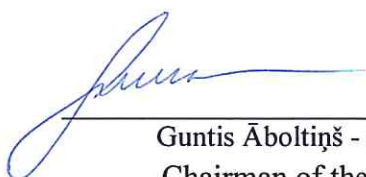
Guntis Ābolpiņš-Āboliņš – Chairman of the Board  
General director of AS Latvijas balzams  
Intars Geidāns – Member of the Board  
Director of logistics department of AS Latvijas balzams  
Ronalds Žarinovs – Member of the Board  
Production director of AS Latvijas balzams  
Sergejs Ļimarenko – Member 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

1st January – 30th September 2012

## Income statement for the period ended September 30, 2012

|  | Notes | 01.01.2012 -<br>30.09.2012<br>EUR | 01.01.2011 -<br>30.09.2011<br>EUR |
|--|-------|-----------------------------------|-----------------------------------|
| Net sales  | 1     | 71 568 483                        | 66 433 646                        |
| Cost of sales  | 2     | (62 791 956)                      | (57 414 297)                      |
| <b>Gross profit or losses</b>                                  |       | <b>8 776 526</b>                  | <b>9 019 350</b>                  |
| Distribution expenses  | 3     | (2 881 480)                       | (3 347 783)                       |
| Administrative expenses  | 4     | (2 256 421)                       | (2 029 232)                       |
| Other operating income   |       | 1 666 096                         | 1 927 136                         |
| Other operating expenses                                       |       | (1 173 362)                       | (1 135 647)                       |
| Interest and similar income                                    |       | 1 207 538                         | 834 110                           |
| Interest and similar expenses                                  |       | (767 218)                         | (1 421 024)                       |
| <b>Profit or losses prior to extraordinary items and taxes</b> |       | <b>4 571 679</b>                  | <b>3 846 910</b>                  |
| Corporate income tax   |       | (847 363)                         | (712 818)                         |
| Other taxes  |       | (111 872)                         | (95 236)                          |
| <b>Net profit or losses</b>                                    |       | <b>3 612 444</b>                  | <b>3 038 856</b>                  |
| Earnings per share (in santims)                                |       | 48.19                             | 40.53                             |



Guntis Āboliņš - Āboliņš  
Chairman of the Board



## Balance sheet as at September 30, 2012

### ASSETS

30.09.2012                      30.09.2011  
EUR                                  EUR

#### Non-current assets

##### Intangible assets

Concessions, patents, licenses, trademarks and similar rights

##### Total intangible assets:

|               |               |
|---------------|---------------|
| 34 646        | 43 750        |
| <b>34 646</b> | <b>43 750</b> |

##### Fixed assets

Land and buildings

Equipment and machinery

Other fixed assets and equipment

Fixed assets under construction

Advances for fixed assets

##### Total fixed assets:

|                   |                   |
|-------------------|-------------------|
| 15 686 249        | 17 192 977        |
| 2 628 230         | 3 593 823         |
| 344 569           | 459 587           |
| 79 592            | 53 771            |
| 138 045           | 45 513            |
| <b>18 876 684</b> | <b>21 345 671</b> |

##### Non-current financial investments

Receivables from group companies

Other securities and investments

##### Total non-current financial investments:

|                   |                   |
|-------------------|-------------------|
| 25 300 000        | 35 300 000        |
| 34 149            | 34 149            |
| <b>25 334 149</b> | <b>35 334 149</b> |

#### Total non-current assets:

|                   |                   |
|-------------------|-------------------|
| <b>44 245 479</b> | <b>56 723 570</b> |
|-------------------|-------------------|

#### Current assets

##### Inventories

Raw materials and consumables

Work in progress

Finished goods and goods for sale

Advances for inventories

##### Total inventories:

|                   |                   |
|-------------------|-------------------|
| 14 224 791        | 14 258 786        |
| 780 416           | 1 008 838         |
| 6 322 613         | 8 719 441         |
| 252 186           | 275 331           |
| <b>21 580 007</b> | <b>24 262 396</b> |

##### Account receivable:

Trade receivables

Receivables from group companies

Other receivables

Deferred expenses

##### Total receivables:

|                   |                   |
|-------------------|-------------------|
| 439 801           | 414 755           |
| 53 873 795        | 34 391 442        |
| 995 914           | 324 644           |
| 159 205           | 121 000           |
| <b>55 468 714</b> | <b>35 251 841</b> |

##### Cash and bank:

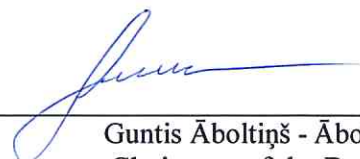
|        |        |
|--------|--------|
| 34 033 | 33 631 |
|--------|--------|

#### Total current assets:

|                   |                   |
|-------------------|-------------------|
| <b>77 082 753</b> | <b>59 547 867</b> |
|-------------------|-------------------|

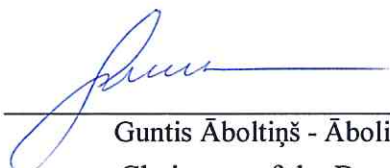
#### Total assets

|                    |                    |
|--------------------|--------------------|
| <b>121 328 232</b> | <b>116 271 437</b> |
|--------------------|--------------------|

  
Guntis Āboliņš - Āboliņš  
Chairman of the Board

## **EQUITY, PROVISIONS AND LIABILITIES**

|   | <b>30.09.2012</b>  | <b>30.09.2011</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         | 38 958 973         |
| current years profit or losses                  | 3 612 444          | 3 038 856          |
| <b>Total equity:</b>                            | <b>69 972 467</b>  | <b>64 365 105</b>  |
| <b>Liabilities:</b>                             |                    |                    |
| <b>Non-current liabilities:</b>                 |                    |                    |
| Loans from banks                                | 5 662 518          | 12 808 709         |
| Other borrowings                                | 14 228             | -                  |
| Deferred income tax liabilities                 | 1 907 997          | 1 899 329          |
| Derivative financial instruments                | -                  | 291 673            |
| <b>Total non-current liabilities:</b>           | <b>7 584 743</b>   | <b>14 999 711</b>  |
| <b>Current liabilities:</b>                     |                    |                    |
| Loans from banks                                | 21 506 032         | 18 699 384         |
| Other borrowings                                | 2 053              | -                  |
| Advances from customers                         | 12 766             | -                  |
| Trade payables                                  | 4 147 802          | 5 120 748          |
| Payables to group companies                     | 2 566 403          | 2 065 062          |
| Taxes and social insurance payments             | 13 406 097         | 8 990 834          |
| Other liabilities                               | 297 384            | 343 651            |
| Deferred income                                 | 101 076            | 184 325            |
| Accrued liabilities                             | 1 650 161          | 1 502 617          |
| Derivative financial instruments                | 81 247             | -                  |
| <b>Total current liabilities:</b>               | <b>43 771 021</b>  | <b>36 906 620</b>  |
| <b>Total liabilities:</b>                       | <b>51 355 765</b>  | <b>51 906 331</b>  |
| <b>Total equity, provisions and liabilities</b> | <b>121 328 232</b> | <b>116 271 437</b> |

  
Guntis Āboliņš - Āboliņš  
Chairman of the Board

## Statement of changes in equity for the period ended September 30, 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>38 958 973</b> | <b>61 326 250</b> |
| Increase of share capital         | -                 | -             | -  | -  | -                 | -                 |
| Revaluation                       | -                 | -             | -  | -  | -                 | -                 |
| Disposal of revalued fixed assets | -                 | -             | -  | -  | -                 | -                 |
| Profit for the year               | -                 | -             | -  | -  | 3 038 856         | 3 038 856         |
| <b>30.09.2011</b>                 | <b>10 667 128</b> | <b>87 887</b> | <b>11 860 184</b>                          | <b>(247 922)</b>   | <b>41 997 829</b> | <b>64 365 106</b> |
| <b>31.12.2011</b>                 | <b>10 667 128</b> | <b>87 887</b> | <b>11 518 963</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               | -                 | -             | -  | -  | 3 612 444         | 3 612 444         |
| <b>30.09.2012</b>                 | <b>10 667 128</b> | <b>87 887</b> | <b>11 518 963</b>                          | <b>(69 059)</b>  | <b>47 767 550</b> | <b>69 972 467</b> |



## Cash flow statement for the period ended September 30, 2012

|   | 01.01.2012 -<br>30.09.2012<br>EUR | 01.01.2011 -<br>30.09.2011<br>EUR |
|---|-----------------------------------|-----------------------------------|
| <b>Cash flow from operating activities</b>                              |                                   |                                   |
| Profit or losses before taxes   | 4 571 679                         | 3 846 909                         |
| <u>Adjustments for:</u>   |                                   |                                   |
| depreciation of fixed and intangible assets                             | 1 597 356                         | 1 701 504                         |
| profit from disposal of fixed assets                                    | 5 044                             | 5 240                             |
| changes in provisions   | 141 949                           | 39 017                            |
| interest expenses   | 858 451                           | 1 116 634                         |
| interest income   | 1 189 515                         | (775 311)                         |
| <b>Cash flow prior to changes in current assets and liabilities</b>     | <b>8 363 994</b>                  | <b>6 219 008</b>                  |
| Inventory (increase)/decrease   | 804 936                           | (1 585 702)                       |
| Account receivable (increase)/decrease                                  | (4 827 039)                       | 3 533 217                         |
| Account payable increase/(decrease)                                     | 1 522 628                         | (3 067 845)                       |
| <b>Gross cash flow generated from operating activities</b>              | <b>5 864 519</b>                  | <b>5 098 678</b>                  |
| Interest payments   | (856 623)                         | (1 114 989)                       |
| Corporate income tax paid   | (698 548)                         | (1 017 658)                       |
| <b>Net cash flow generated from operating activities</b>                | <b>4 309 348</b>                  | <b>2 966 030</b>                  |
| <b>Cash flow from investing activities</b>                              |                                   |                                   |
| Acquisition of fixed and intangible assets                              | (263 512)                         | (348 670)                         |
| Loans interest received   | 23 701                            | 31 926                            |
| <b>Net cash flow generated from investing activities</b>                | <b>(239 811)</b>                  | <b>(316 744)</b>                  |
| <b>Cash flow from financing activities</b>                              |                                   |                                   |
| Changes in credit lines   | (333 414)                         | 550 832                           |
| Borrowings repaid   | (3 942 294)                       | (3 611 838)                       |
| Interest paid   | 213 431                           | 298 803                           |
| Financial leasing   | (6 036)                           | -                                 |
| <b>Net cash flow generated from financing activities</b>                | <b>(4 068 313)</b>                | <b>(2 762 203)</b>                |
| <b>Net increase / (decrease) in cash and cash equivalents</b>           | <b>1 224</b>                      | <b>(112 916)</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>34 033</b>                     | <b>33 631</b>                     |

|                                      | 01.01.2012 –<br>30.09.2012 | 01.01.2011 –<br>30.09.2011 |
|--------------------------------------|----------------------------|----------------------------|
|                                      | EUR                        | EUR                        |
| <b>1. Net sales</b>                  |                            |                            |
| Sales of drinks in local market      | 39 332 524                 | 36 505 061                 |
| Export of drinks and services        | 32 202 743                 | 29 864 092                 |
| Other sales (spirits, raw materials) | 33 216                     | 64 493                     |
| <b>TOTAL</b>                         | <b>71 568 483</b>          | <b>66 433 646</b>          |

## 2. Cost of Sales

|  |                   |                   |
|--|-------------------|-------------------|
| Materials  | 55 514 274        | 52 564 320        |
| Salary expenses                                    | 1 667 386         | 1 594 048         |
| Energy resources                                   | 718 057           | 583 324           |
| Mandatory state social insurance contributions     | 397 290           | 381 060           |
| Natural recourse tax                               | 245 944           | 230 016           |
| Changes in accrued expenses on unused annual leave | 20 548            | (39 184)          |
| Changes of inventory value of finished goods       | 792 281           | (1 647 946)       |
| Goods purchased                                    | 31 442            | 18 869            |
| Other variable costs                               | 410 245           | 596 728           |
| <b>Variable costs total:</b>                       | <b>59 797 468</b> | <b>54 281 234</b> |
| Depreciation of non-current assets                 | 1 273 727         | 1 375 808         |
| Salary expenses                                    | 847 503           | 832 371           |
| Services for production needs                      | 148 825           | 346 461           |
| Repair expenses                                    | 275 264           | 197 640           |
| Mandatory state social insurance contributions     | 199 381           | 165 102           |
| Insurance payments                                 | 80 580            | 76 607            |
| Laboratory expenses                                | 35 822            | 36 550            |
| Changes in accrued expenses on unused annual leave | (200)             | (6 723)           |
| Other production expenses                          | 133 587           | 109 246           |
| <b>Fixed costs total:</b>                          | <b>2 994 489</b>  | <b>3 133 062</b>  |
| <b>TOTAL</b>                                       | <b>62 791 956</b> | <b>57 414 297</b> |

## 3. Distribution expenses

|  |                  |                  |
|--|------------------|------------------|
| Advertising expenses                               | 332 689          | 940 223          |
| Salary expenses                                    | 1 143 389        | 1 061 032        |
| Transportation expenses                            | 480 538          | 467 785          |
| Mandatory state social insurance contributions     | 273 421          | 253 630          |
| Depreciation of non-current assets                 | 209 102          | 216 579          |
| Warehouse maintenance expenses                     | 113 012          | 126 523          |
| Changes in accrued expenses on unused annual leave | 7 025            | (17 571)         |
| Other distribution expenses                        | 322 303          | 299 581          |
| <b>TOTAL</b>                                       | <b>2 881 480</b> | <b>3 347 783</b> |

#### 4. Administrative expenses

|  | 01.01.2012 –<br>30.09.2012 | 01.01.2011 –<br>30.09.2011 |
|--|----------------------------|----------------------------|
|  | EUR                        | EUR                        |
| Salary expenses                                    | 1 086 490                  | 1 103 886                  |
| Management services                                | 380 443                    | 328 199                    |
| Mandatory state social insurance contributions     | 257 243                    | 122 955                    |
| Professional fees                                  | 69 541                     | 71 470                     |
| Depreciation of non-current assets                 | 70 474                     | 68 277                     |
| Representations                                    | 30 633                     | 22 520                     |
| Office expenses                                    | 39 250                     | 36 102                     |
| Communication and postal expenses                  | 34 271                     | 34 761                     |
| Business trips                                     | 14 659                     | 19 825                     |
| IT maintenance                                     | 8 083                      | 28 929                     |
| Financial help, sponsorship                        | 4 269                      | 5 208                      |
| Transportation                                     | 17 842                     | 16 241                     |
| Healthcare, health insurance                       | 4 921                      | 4 332                      |
| Personnel education and trainings                  | 25 656                     | 12 982                     |
| Changes in accrued expenses on unused annual leave | (7 132)                    | (22 838)                   |
| Other administrative expenses                      | 219 781                    | 176 384                    |
|  | <b>2 256 421</b>           | <b>2 029 232</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 – 30.09.12



Currency: EUR

|                     |                |
|---------------------|----------------|
| Open                | 2.913 EUR      |
| Max                 | 4.425 EUR      |
| Min                 | 2.869 EUR      |
| Last                | 2.945 EUR      |
| Change              | -0.43 %        |
| Deals               | 1 061          |
| No of shares traded | 55 978         |
| Turnover            | 180 088.78 EUR |