

JOINT STOCK COMPANY LATVIJAS BALZAMS

(ENTERPRISE REGISTER NUMBER LV40003031873)

CONDENSED FINANCIAL STATEMENTS *(NOT AUDITED)*

FOR THE FIRST 9 MONTHS OF 2014

PREPARED UNDER INTERNATIONAL ACCOUNTING STANDARDS

Riga, 2014

Management Report

Type of Operations

The Company was established in 1900 and operates under the current name since 1970. The major shareholder of JSC Latvijas balzams is *SPI Regional Business Unit BV* which owns 89.53% of the Company's equity capital.

JSC Latvijas balzams is the largest producer of alcoholic beverages in the Baltic States with a range of more than 100 different products. 73% of our production is exported to more than 160 export markets, as mediated by SPI group, and an additional 30 markets via the Company's direct export route.

The Company's Activity in 9 months of 2014

The unaudited turnover of the Company in the first 9 months of 2014 was 49.0 million Euros, which is 1.5% more than in the first 9 months of 2013. The turnover in the domestic market decreased by 2.0% due to changes in the beverage portfolio. The export by the orders of *SPI Group* has increased by 2.2%. While the most significant increase in sales was achieved in the Baltic countries and Norway (+10.2%), and also in Retail Travel and Duty-free market (+3%).

The unaudited profit for the reporting period reached 4.4 million Euros, which represents 18.6% growth *versus* the first 9 months of 2013. The result was achieved through focused development of the beverage portfolio and production process efficiency.

During the first 9 months of 2014, JSC Latvijas balzams paid 40.5 million Euros into the state budget, including excise tax, amounting to 29.8 million Euros.

Outlook of Future Activities

The Company will continue purposeful focus on achieve of settled objectives in both domestic and export markets. Our priorities still will be beverage portfolio consummate with the focus on exportable beverages and internationally acknowledged brands, as well as focus on implementation of effective production strategy to increase the Company's competitiveness.

By active participation in the Industry Association and cooperating with non-governmental organizations, the Company will represent the interests of industry in the dialogue with legislators and law enforcement institutions, and promote advised policy development in the alcohol market. The Company will continue to focus on activities of combating non-commercial alcoholic beverages and to focus on the public education on these issues.

JSC Latvijas balzams

Procurator



Ronalds Žarinovs

Rīga, November 28th, 2014

Rīga
28.11.2014.

Declaration of Management Responsibility

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

The Management Report contains truthful information.

JSC Latvijas balzams
Procurator



Ronalds Žarinovs

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

Boelen Sebastianus Antonius Theodorus – Member of the Council

Seymour Ferreira - Member of the Council

Names and positions of Board members:



Guntis Āboliņš-Āboliņš – Chairman of the Board
General director of JSC “Latvijas balzams”



Intars Geidāns – Member of the Board
Director of logistics department of JSC “Latvijas balzams”



Ronalds Žarinovs – Member of the Board
Production director of JSC “Latvijas balzams”



Sergejs Ļimarenko – Member of the Board
Chief of internal control department of JSC “Latvijas balzams”



Signe Bīdermane – Member of the Board
Director of human resources department of JSC “Latvijas balzams”

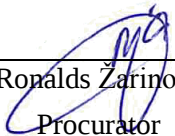
Reporting period

1st January – 30th September 2014

Council and board members do not have JSC “Latvijas balzams” shares.

Income statement for the period ended September 30, 2014

	Notes	01.01.2014 - 30.09.2014 EUR	01.01.2013 - 30.09.2013 EUR
Net sales	1	49 029 785	48 325 167
Cost of sales	2	(38 610 471)	(39 212 694)
Gross profit or losses		10 419 314	9 112 473
Distribution expenses	3	(3 248 990)	(2 925 364)
Administrative expenses	4	(2 522 647)	(2 425 049)
Other operating income		2 338 071	1 813 434
Other operating expenses		(1 967 750)	(1 353 360)
Interest and similar income		1 061 894	998 345
Interest and similar expenses		(542 483)	(542 048)
Profit or losses prior to extraordinary items and taxes		5 537 409	4 678 431
Corporate income tax		(1 032 055)	(869 896)
Other taxes		(105 542)	(100 032)
Net profit or losses		4 399 812	3 708 504
Earnings per share (in cents)		58.69	49.47

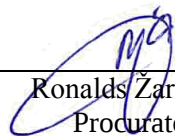

Ronalds Zarinovs
Procurator

Balance sheet as at September 30, 2014

<u>ASSETS</u>	30.09.2014	30.09.2013
	EUR	EUR
Non-current assets		
Intangible assets		
Concessions, patents, licenses, trademarks and similar rights	15 520	24 725
Investments in intangible assets	191 647	106 665
Advances for intangible assets	70 971	-
Total intangible assets:	278 139	131 389
Fixed assets		
Land and buildings	15 618 267	14 832 693
Equipment and machinery	2 074 185	2 003 721
Other fixed assets and equipment	382 095	260 258
Fixed assets under construction	94 152	143 697
Advances for fixed assets	163 243	12 053
Total fixed assets:	18 331 943	17 252 422
Non-current financial investments		
Receivables from group companies	36 590 660	25 300 000
Other securities and investments	34 149	34 149
Total non-current financial investments:	36 624 809	25 334 149
Total non-current assets:	55 234 891	42 717 960
Current assets		
Inventories		
Raw materials and consumables	12 282 027	12 992 379
Work in progress	820 768	1 064 691
Finished goods and goods for sale	11 906 345	12 832 564
Advances for inventories	5 964	197 406
Total inventories:	25 015 104	27 087 040
Account receivable:		
Trade receivables	1 184 306	815 656
Receivables from group companies	48 988 991	53 183 630
Other receivables	1 068 589	271 016
Deferred expenses	151 840	143 957
Total receivables:	51 393 725	54 414 259
Cash and bank:	1 246	2 301
Total current assets:	76 410 075	81 503 600
Total assets	131 644 966	124 221 560

EQUITY, PROVISIONS AND LIABILITIES

	30.09.2014	30.09.2013
	EUR	EUR
Equity		
Share capital	10 667 128	10 667 128
Share premium	87 887	87 887
Non-current investments revaluation reserve	12 600 194	11 518 252
Retained earnings		
previous year's retained earnings	56 755 068	50 121 211
current years profit or losses	4 399 812	3 708 504
Total equity:	84 510 089	76 102 981
Liabilities:		
Non-current liabilities:		
Loans from banks	8 194 429	3 562 518
Other borrowings	441 090	-
Deferred income tax liabilities	1 863 986	1 733 136
Total non-current liabilities:	10 499 504	5 295 654
Current liabilities:		
Loans from banks	14 242 439	21 575 115
Other borrowings	110 003	7 944
Trade payables	6 188 849	4 184 036
Payables to group companies	1 071 703	1 917 283
Taxes and social insurance payments	13 013 421	13 640 846
Other liabilities	389 903	322 537
Deferred income	-	34 336
Accrued liabilities	1 619 056	1 140 829
Total current liabilities:	36 635 373	42 822 925
Total liabilities:	47 134 877	48 118 579
Total equity, provisions and liabilities	131 644 966	124 221 560


Ronalds Žarinovs
Procurator

Statement of changes in equity for the period ended September 30, 2014

	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
31.12.2012	10 667 128	87 887	11 518 252	0	50 121 211	72 394 477
Increase of share capital	-	-	-	-	-	-
Revaluation	-	-	-	-	-	-
Disposal of revalued fixed assets	-	-	-	-	-	-
Profit for the year	-	-	-	-	3 708 504	3 708 504
30.09.2013	10 667 128	87 887	11 518 252	0	53 829 715	76 102 981
	-	-	-	0	-	-
31.12.2013	10 667 128	87 887	12 600 194	0	56 755 068	80 110 277
Increase of share capital	-	-	-	-	-	-
Revaluation	-	-	-	-	-	-
Disposal of revalued fixed assets	-	-	-	-	-	-
Profit for the year	-	-	-	-	4 399 812	4 399 812
30.09.2014	10 667 128	87 887	12 600 194	0	61 154 880	84 510 089

Cash flow statement for the period ended September 30, 2014

	01.01.2014 - 30.09.2014 EUR	01.01.2013 - 30.09.2013 EUR
Cash flow from operating activities		
Profit or losses before taxes	5 537 409	4 678 431
<u>Adjustments for:</u>		
depreciation of fixed and intangible assets	1 443 890	1 453 111
profit from disposal of fixed assets	7 931	3 499
changes in provisions	102 328	(76 765)
interest expenses	540 767	566 852
interest income	(1 056 938)	(998 345)
Cash flow prior to changes in current assets and liabilities	6 575 387	5 626 782
Inventory (increase)/decrease	(3 566 852)	(3 187 748)
Account receivable (increase)/decrease	3 391 028	3 045 299
Account payable increase/(decrease)	(1 644 001)	(3 046 578)
Gross cash flow generated from operating activities	4 755 562	2 437 755
Interest payments	(537 058)	(531 396)
Corporate income tax paid	(728 027)	(1 224 417)
Net cash flow generated from operating activities	3 490 477	681 943
Cash flow from investing activities		
Acquisition of fixed and intangible assets	(1 013 222)	(157 277)
Loans repayed	198 995	-
Revenue of fixed and intangible assets sales	49 687	-
Loans interest received	65 407	6 505
Net cash flow generated from investing activities	(699 133)	(150 772)
Cash flow from financing activities		
Changes in credit lines	-	1 014 001
Received loans	(5 953 315)	(51 223)
Borrowings repaid	2 595 901	(1 575 000)
Financial leasing	541 576	(9 547)
Net cash flow generated from financing activities	(2 815 838)	(621 769)
Net increase / (decrease) in cash and cash equivalents	(24 494)	(90 599)
Cash and cash equivalents at the beginning of the financial year	25 740	92 899
Cash and Cash equivalents at the end of the financial year	1 246	2 301

	01.01.2014 – 30.09.2014	01.01.2013 – 30.09.2013
	EUR	EUR
1. Net sales		
Sales of drinks in local market	15 251 893	15 566 928
Export of drinks and services	33 735 720	32 722 842
Other sales (spirits, raw materials)	42 171	35 397
TOTAL	49 029 785	48 325 167

2. Cost of Sales

Materials	33 749 766	32 366 427
Salary expenses	1 867 950	1 656 581
Energy resources	684 004	727 219
Mandatory state social insurance contributions	435 657	394 732
Natural recourse tax	264 237	276 759
Changes in accrued expenses on unused annual leave	25 905	(39 655)
Changes of inventory value of finished goods	(1 749 428)	24 413
Goods purchased	81 918	559 615
Other variable costs	333 008	307 970
Variable costs total:	35 693 018	36 274 061
Depreciation of non-current assets	1 081 163	1 198 827
Salary expenses	895 066	837 795
Services for production needs	183 565	157 783
Repair expenses	307 501	347 415
Mandatory state social insurance contributions	206 147	197 323
Insurance payments	57 820	51 036
Laboratory expenses	42 422	28 754
Changes in accrued expenses on unused annual leave	1 132	(8 754)
Other production expenses	142 636	128 453
Fixed costs total:	2 917 453	2 938 632
TOTAL	38 610 471	39 212 694

3. Distribution expenses

Advertising expenses	402 055	395 525
Salary expenses	1 275 104	1 144 511
Transportation expenses	463 521	467 974
Mandatory state social insurance contributions	298 987	273 638
Depreciation of non-current assets	286 877	212 854
Warehouse maintenance expenses	107 715	107 589
Changes in accrued expenses on unused annual leave	25 570	(18 712)
Other distribution expenses	389 161	341 985
TOTAL	3 248 990	2 925 364

4. Administrative expenses	01.01.2014 – 30.09.2014	01.01.2013 – 30.09.2013
	EUR	EUR
Salary expenses	1 194 984	1 264 813
Management services	470 176	232 069
Mandatory state social insurance contributions	220 710	300 438
Professional fees	71 685	83 876
Depreciation of non-current assets	75 849	68 369
Representations	45 870	19 969
Office expenses	43 579	38 270
Communication and postal expenses	34 305	36 130
Business trips	51 082	30 904
IT maintenance	9 248	11 616
Financial help, sponsorship	8 631	82 529
Transportation	14 463	14 927
Healthcare, health insurance	7 195	5 343
Personnel education and trainings	7 267	18 427
Changes in accrued expenses on unused annual leave	36 111	1 113
Other administrative expenses	231 490	216 257
	2 522 647	2 425 049

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 01.01.14 – 30.09.14.



	EUR
Open	2.450
Max	3.380
Min	2.160
Last	2.810
Change	+9.11%
Deals	787
No of shares traded	107 918
Turnover	295 268