

JOINT STOCK COMPANY LATVIJAS BALZAMS

(ENTERPRISE REGISTER NUMBER LV40003031873)

CONDENSED FINANCIAL STATEMENTS *(NOT AUDITED)*

FOR THE FIRST 3 MONTHS OF 2013

PREPARED UNDER LATVIAN ACCOUNTING STANDARDS

Riga, 2013

Management report

Field of activity

The Enterprise was founded in 1900, but received its current name in 1970. JSC “Latvijas balzams” is the leading producer of alcoholic beverages in the Baltic States, and produces more than 100 different kinds of alcoholic drinks. 75% of our products can be found in more than 160 countries via *SPI Group* exports and in more than 30 markets as the direct export of JSC “Latvijas balzams”. The major shareholder of JSC “Latvijas balzams” is “SPI Regional Business Unit BV” which owns 89.53% of the Company’s equity capital.

Enterprise activity in the first quarter of 2013

JSC “Latvijas balzams” is the leading producer of alcoholic beverages in Latvia, as well as one of the largest local taxpayers. During the first quarter of 2013, JSC “Latvijas balzams” paid 11.3 millions lats to the state budget, including excise tax, amounting to 8.4 millions lats.

The unaudited turnover of the Company in the first quarter of 2013 was 15.2 million lats, which is 0.6% less than in the same period of 2012. Domestic turnover in the first quarter has increased by 1.1%. Export turnover in the Baltic States showed a decline, but increased significantly in other direct export countries. JSC “Latvijas balzams” continued implementation of the pre-defined export strategy in the key markets and maintained the previous sales volumes to our core customers. The most significant increase in sales was achieved in such important markets as Russia – 39%, Germany – 38% and retail travel channel – 21%. During the first quarter of 2013 the main focus sales markets were the Baltic States, Russia, Germany and Scandinavia. Meanwhile, new export markets were actively acquired, for example, China.

The unaudited profit for the reporting period reached 449 thousands lats, which represents 43% growth *versus* the first quarter of 2012. The result was achieved through focused development of the beverage portfolio.

JSC “Latvijas balzams” has launched long - term talents and new heads development programs, as well as started to implement Competency model as the base for employees’ individual development plans.

Outlook of future activities

As one of the priorities of this year the Company will focus on the production of new and competitive products for domestic and export markets. JSC “Latvijas balzams” will continue to implement targeted export strategy based on the growth in our defined key markets. Our priorities for 2013 also including further control of production and logistics costs, optimization and improvement of production efficiency, increasing the competitiveness of the Company.

The Enterprise will continue to support nature-friendly solutions, persistently implementing 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” will continue to invest into training and managerial programs, increasing the level of professional competences and production efficiency, project management skills and sales proficiency.

In collaboration with industry enterprises and NGO’s JSC “Latvijas balzams” will continue the dialogue with legislators and law enforcement institutions to adjust processes of legal alcoholic beverages business and combat distribution of non-commercial alcoholic beverages in Latvia.

JSC „Latvijas balzams”
Chairman of the Board



Guntis Āboliņš - Āboliņš

Rīga, 31 May, 2013

Rīga
31.05.2013.

Declaration of Management Responsibility

Company Management 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
Chairman of the Board



Guntis Āboltiņš - 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

Boelen Sebastianus Antonius Theodorus – Member of the Council

Names and positions of Board members



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



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



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



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



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

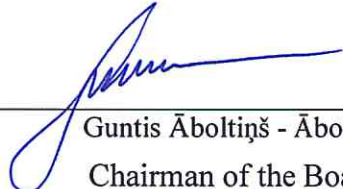
Reporting period

1st January – 31st March 2013

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

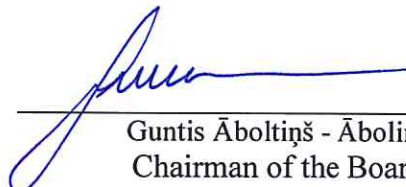
Income statement for the period ended March 31st, 2013

	Notes	01.01.2013 - 31.03.2013 LVL	01.01.2012 - 31.03.2012 LVL	01.01.2013 - 31.03.2013 EUR	01.01.2012 - 31.03.2012 EUR
Net sales	1	15 217 456	15 312 230	21 652 490	21 787 341
Cost of sales	2	(13 613 559)	(13 854 993)	(19 370 349)	(19 713 878)
Gross profit or losses		1 603 898	1 457 238	2 282 141	2 073 463
Distribution expenses	3	(650 776)	(683 407)	(925 970)	(972 401)
Administrative expenses	4	(549 770)	(500 995)	(782 253)	(712 851)
Other operating income		271 112	1 288 566	385 758	1 833 464
Other operating expenses		(216 974)	(1 099 445)	(308 726)	(1 564 370)
Interest and similar income		230 139	184 737	327 459	262 857
Interest and similar expenses		(110 036)	(234 090)	(156 568)	(333 080)
Profit or losses prior to extraordinary items and taxes		577 592	412 604	821 840	587 083
Corporate income tax		(105 290)	(73 415)	(149 814)	(104 460)
Other taxes		(23 434)	(26 208)	(33 344)	(37 291)
Net profit or losses		448 868	312 981	638 681	445 331
Earnings per share (in santims)		5.99	4.17	8.52	5.94

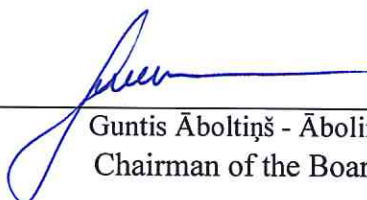

 Guntis Āboltiņš - Āboliņš
 Chairman of the Board

Balance sheet as at March 31st, 2013

ASSETS	31.03.2013	31.03.2012	31.03.2013	31.03.2012
	LVL	LVL	EUR	EUR
Non-current assets				
Intangible assets				
Concessions, patents, licenses, trademarks and similar rights	20 898	26 961	29 735	38 362
Total intangible assets:	20 898	26 961	29 735	38 362
Fixed assets				
Land and buildings	10 735 906	11 334 645	15 275 818	16 127 747
Equipment and machinery	1 693 984	2 180 197	2 410 322	3 102 140
Other fixed assets and equipment	208 915	267 988	297 260	381 313
Fixed assets under construction	53 622	55 179	76 298	78 512
Advances for fixed assets	79 232	16 409	112 737	23 348
Total fixed assets:	12 771 660	13 854 417	18 172 435	19 713 060
Non-current financial investments				
Receivables from group companies	17 780 941	17 780 941	25 300 000	25 300 000
Other securities and investments	24 000	24 000	34 149	34 149
Total non-current financial investments:	17 804 941	17 804 941	25 334 149	25 334 149
Total non-current assets:	30 597 499	31 686 319	43 536 319	45 085 571
Current assets				
Inventories				
Raw materials and consumables	7 268 129	8 845 852	10 341 615	12 586 514
Work in progress	561 892	951 605	799 500	1 354 012
Finished goods and goods for sale	7 765 062	7 089 482	11 048 687	10 087 424
Advances for inventories	681 167	314 433	969 213	447 397
Total inventories:	16 276 248	17 201 372	23 159 015	24 475 348
Account receivable:				
Trade receivables	1 069 899	336 959	1 522 329	479 449
Receivables from group companies	34 493 759	32 783 604	49 080 198	46 646 866
Other receivables	220 628	805 347	313 925	1 145 905
Deferred expenses	155 343	103 282	221 034	146 957
Total receivables:	35 939 630	34 029 191	51 137 486	48 419 177
Cash and bank:	88 052	61 849	125 287	88 003
Total current assets:	52 303 930	51 292 413	74 421 788	72 982 528
Total assets	82 901 429	82 978 732	117 958 107	118 068 099


 Guntis Āboliņš - Āboliņš
 Chairman of the Board

<u>EQUITY, PROVISIONS AND LIABILITIES</u>	31.03.2013	31.03.2012	31.03.2013	31.03.2012
	LVL	LVL	EUR	EUR
Equity				
Share capital	7 496 900	7 496 900	10 667 128	10 667 128
Share premium	61 767	61 767	87 887	87 887
Non-current investments revaluation reserve	8 095 573	8 095 573	11 518 963	11 518 963
Financial instruments revaluation reserves	-	(48 535)	-	(69 059)
Retained earnings				
previous year's retained earnings	35 225 388	31 032 385	50 121 212	44 155 106
current years profit or losses	448 868	312 981	638 681	445 331
Total equity:	51 328 496	46 951 070	73 033 870	66 805 355
Liabilities:				
Non-current liabilities:				
Loans from banks	3 241 696	4 265 744	4 612 518	6 069 607
Other borrowings	4 081	10 000	5 807	14 228
Deferred income tax liabilities	1 218 055	1 340 948	1 733 136	1 907 997
Total non-current liabilities:	4 463 832	5 616 691	6 351 460	7 991 832
Current liabilities:				
Loans from banks	15 119 938	16 848 181	21 513 733	23 972 802
Other borrowings	4 461	4 285	6 348	6 098
Advances from customers	7 379	3 393	10 499	4 827
Trade payables	2 140 366	4 100 837	3 045 467	5 834 966
Payables to group companies	778 976	1 404 187	1 108 383	1 997 978
Taxes and social insurance payments	7 971 552	6 621 485	11 342 497	9 421 525
Other liabilities	210 248	228 255	299 155	324 778
Deferred income	24 188	72 888	34 416	103 711
Accrued liabilities	851 994	1 070 357	1 212 278	1 522 980
Derivative financial instruments	-	57 101	-	81 247
Total current liabilities:	27 109 101	30 410 970	38 572 776	43 270 912
Total liabilities:	31 572 933	36 027 662	44 924 237	51 262 744
Total equity, provisions and liabilities	82 901 429	82 978 732	117 958 107	118 068 099


 Guntis Ābolīņš - Ābolīņš
 Chairman of the Board

Statement of changes in equity for the period ended March 31st, 2013

	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
31.12.2011	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
31.12.2012	7 496 900	61 767	8 095 573	0	35 225 388	50 879 628
Increase of share capital	-	-	-	-	-	-
Revaluation	-	-	-	-	-	-
Disposal of revalued fixed assets	-	-	-	-	-	-
Profit for the year	-	-	-	-	448 868	448 868
31.03.2013	7 496 900	61 767	8 095 573	0	35 674 256	51 328 496

	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
31.12.2011	10 667 128	87 887	11 518 962	(69 059)	44 155 106	66 360 023
Increase of share capital	-	-	-	-	-	-
Revaluation	-	-	-	-	-	-
Disposal of revalued fixed assets	-	-	-	-	-	-
Profit for the year	-	-	-	-	445 331	445 331
31.03.2012	10 667 128	87 887	11 518 962	(69 059)	44 600 437	66 805 355
31.12.2012	10 667 128	87 887	11 518 963	0	50 121 212	72 395 188
Increase of share capital	-	-	-	-	-	-
Revaluation	-	-	-	-	-	-
Disposal of revalued fixed assets	-	-	-	-	-	-
Profit for the year	-	-	-	-	638 681	638 681
31.03.2013	10 667 128	87 887	11 518 963	0	50 759 893	73 033 870

Cash flow statement for the period ended March 31st, 2013

	01.01.2013 - 31.03.2013 LVL	01.01.2012 - 31.03.2012 LVL	01.01.2013 - 31.03.2013 EUR	01.01.2012 - 31.03.2012 EUR
Cash flow from operating activities				
Profit or losses before taxes	577 592	412 604	821 839	587 083
<u>Adjustments for:</u>				
depreciation of fixed and intangible assets	373 768	383 373	531 824	545 491
changes in provisions	(26 321)	66 530	(37 451)	94 664
interest expenses	131 050	234 090	186 467	333 080
interest income	(230 139)	(183 803)	(327 458)	(261 528)
Cash flow prior to changes in current assets and liabilities	825 950	912 794	1 175 221	1 298 789
Inventory (increase)/decrease	521 736	(1 305 893)	742 363	(1 858 118)
Account receivable (increase)/decrease	3 942 679	2 737 498	5 609 927	3 895 109
Account payable increase/(decrease)	(5 216 522)	(841 803)	(7 422 442)	(1 197 778)
Gross cash flow generated from operating activities	73 843	1 502 596	105 069	2 138 001
Interest payments	(119 938)	(233 541)	(170 656)	(332 299)
Corporate income tax paid	(198 444)	(219 546)	(282 360)	(312 386)
Net cash flow generated from operating activities	(244 539)	1 049 509	(347 948)	1 493 317
Cash flow from investing activities				
Acquisition of fixed and intangible assets	(35 237)	(32 817)	(50 138)	(46 694)
Loans interest received	4 471	8 726	6 362	12 416
Net cash flow generated from investing activities	(30 766)	(24 091)	(43 776)	(34 278)
Cash flow from financing activities				
Changes in credit lines	669 504	6 787	952 618	9 657
Borrowings repaid	(368 972)	(992 014)	(525 000)	(1 411 509)
Financial leasing	(2 465)	(1 400)	(3 507)	(1 992)
Net cash flow generated from financing activities	298 067	(986 627)	424 111	(1 403 844)
Net increase / (decrease) in cash and cash equivalents	22 762	38 791	32 387	55 195
Cash and cash equivalents at the beginning of the financial year	65 290	23 058	92 899	32 809
Cash and Cash equivalents at the end of the financial year	88 052	61 849	125 287	88 003

	01.01.2013 – 31.03.2013	01.01.2012 – 31.03.2012	01.01.2013 – 31.03.2013	01.01.2012 – 31.03.2012
	LVL	LVL	EUR	EUR
1. Net sales				
Sales of drinks in local market	8 462 727	8 373 190	12 041 376	11 913 976
Export of drinks and services	6 747 534	6 929 400	9 600 876	9 859 648
Other sales (spirits, raw materials)	7 195	9 641	10 237	13 718
TOTAL	15 217 456	15 312 230	21 652 490	21 787 341
2. Cost of Sales				
Materials	11 476 490	11 570 266	16 329 574	16 463 005
Salary expenses	365 051	364 284	519 421	518 329
Energy resources	223 813	232 796	318 458	331 239
Mandatory state social insurance contributions	87 005	86 731	123 797	123 408
Natural recourse tax	57 841	49 277	82 300	70 115
Changes in accrued expenses on unused annual leave	(18 048)	18 099	(25 680)	25 753
Changes of inventory value of finished goods	672 402	637 106	956 742	906 520
Goods purchased	6 735	6 290	9 583	8 950
Other variable costs	54 619	159 879	77 716	227 488
Variable costs total:	12 925 907	13 124 728	18 391 909	18 674 806
Depreciation of non-current assets	294 533	303 182	419 083	431 389
Salary expenses	182 826	195 491	260 137	278 159
Services for production needs	31 600	36 728	44 962	52 259
Repair expenses	78 026	75 236	111 021	107 051
Mandatory state social insurance contributions	43 074	46 157	61 288	65 675
Insurance payments	12 260	18 473	17 444	26 285
Laboratory expenses	5 682	7 543	8 085	10 733
Changes in accrued expenses on unused annual leave	10 916	9 838	15 532	13 998
Other production expenses	28 735	37 616	40 887	53 523
Fixed costs total:	687 651	730 264	978 440	1 039 073
TOTAL	13 613 559	13 854 993	19 370 349	19 713 878
3. Distribution expenses				
Advertising expenses	83 310	82 556	118 539	117 467
Salary expenses	255 598	256 181	363 683	364 513
Transportation expenses	96 384	109 129	137 142	155 276
Mandatory state social insurance contributions	61 075	61 244	86 902	87 143
Depreciation of non-current assets	51 733	49 485	73 609	70 411
Warehouse maintenance expenses	32 303	42 349	45 964	60 258
Changes in accrued expenses on unused annual leave	(450)	17 068	(640)	24 285
Other distribution expenses	70 822	65 395	100 771	93 049
TOTAL	650 776	683 407	925 970	972 401

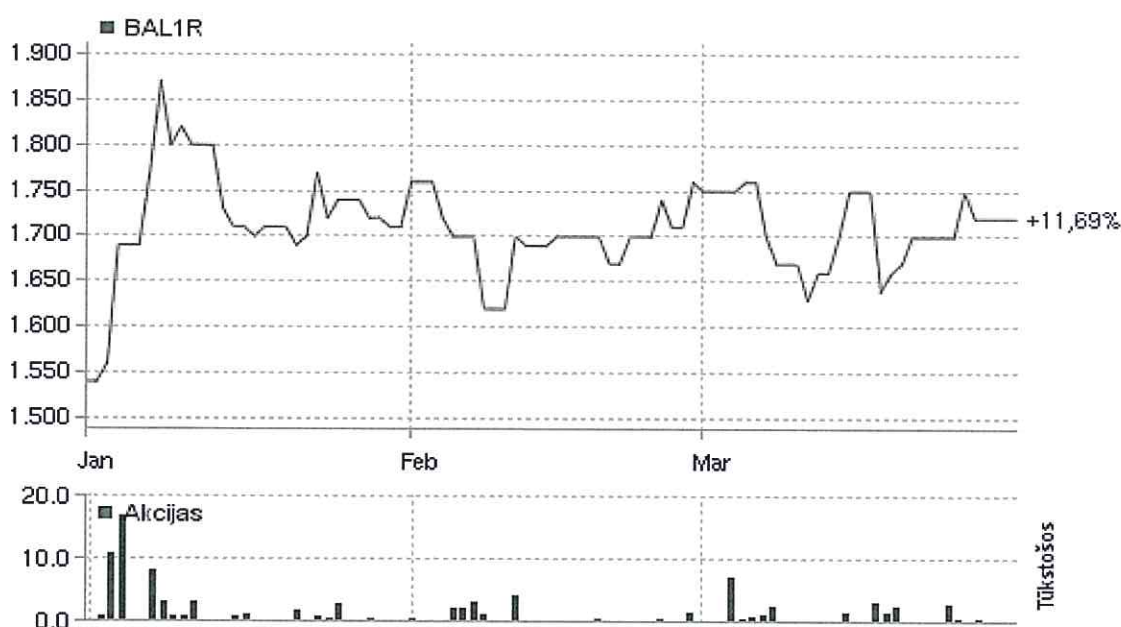
4. Administrative expenses	01.01.2013 –	01.01.2012 –	01.01.2013 –	01.01.2012 –
	31.03.2013	31.03.2012	31.03.2013	31.03.2012
	LVL	LVL	EUR	EUR
Salary expenses	294 370	239 042	418 851	340 126
Management services	46 377	87 663	65 988	124 733
Mandatory state social insurance contributions	69 986	56 602	99 581	80 537
Professional fees	17 468	12 603	24 855	17 933
Depreciation of non-current assets	16 374	16 564	23 298	23 568
Representations	3 900	5 335	5 549	7 592
Office expenses	6 672	7 635	9 493	10 863
Communication and postal expenses	8 183	7 847	11 643	11 165
Business trips	7 340	1 881	10 444	2 676
IT maintenance	2 284	2 047	3 250	2 912
Financial help, sponsorship	-	3 000	-	4 269
Transportation	2 727	4 494	3 880	6 395
Healthcare, health insurance	1 253	1 313	1 782	1 869
Personnel education and trainings	2 111	10 062	3 004	14 317
Changes in accrued expenses on unused annual leave	17 114	11 845	24 351	16 853
Other administrative expenses	53 612	33 062	76 282	47 044
	549 770	500 995	782 253	712 851

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 01.01.13 – 31.03.13



	LVL	EUR
Open	1.550	2.205
Max	1.880	2.675
Min	1.530	2.177
Last	1.720	2.447
Change	11.69 %	11.69%
Deals	492	492
No of shares traded	87 660	87 660
Turnover	147 747	210 224