

JOINT STOCK COMPANY LATVIJAS BALZAMS

(ENTERPRISE REGISTER NUMBER LV40003031873)

CONDENSED FINANCIAL STATEMENTS *(NOT AUDITED)*

FOR THE FIRST 3 MONTHS OF 2015

PREPARED UNDER INTERNATIONAL ACCOUNTING STANDARDS

Riga, 2015

Management Report

Type of Operations

The Company was established in 1900 and operates under the current name since 1970. Due to SPI Group internal reorganization the major shareholder of JSC Latvijas balzams from October 2014 is Amber Beverage Group LLC which owns 89.53% of the Company's equity capital (previous major shareholder - S.P.I. Regional Business Unit B.V.).

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 the First Quarter of 2015

The unaudited turnover of the Company in the first quarter of 2015 was 15.5 million Euros, which is 2% more than in the first quarter of 2014. The growth of turnover influenced by significant increase in sales in export markets, for example, orders of *SPI Group* has increased by 10.4%. The most significant increase in sales was achieved in Estonia (+52%) and Norway (+4%), and also in *Travel Retail and Duty free* market (+32%). Continuing purposeful growth in strategically significant markets, the Company has successfully expanded assortment and developed in China's market, and also led the foundation for future growth in the USA and UK markets.

The unaudited profit for the reporting period reached 1.37 million Euros that is by 0.173 million Euros less than in the first quarter of 2014. Decrease in profit comparing to the first quarter of 2014 were mainly caused by the difference of sales distribution between product categories and exchange rate fluctuations due to geopolitical factors.

During the first quarter of 2015, JSC Latvijas balzams paid 13.3 million Euros into the state budget, including excise tax, amounting to 9.6 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”
Chairman of the Board
Rīga, May 29th, 2015



Guntis Ābolītiņš - Āboliņš

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”
Chairman of the Board
Rīga, May 29th, 2015



Guntis Āboliņš – Āboliņš

MANAGEMENT

Names and positions of Council members:

Aigars Kalvītis – Chairman of the Council

Pjotrs Avens – Member of the Council

Seymour Paul Ferreira - Member of the Council
(until 20.05.2015.)

Sergejs Ļimarenko – Vice Chairman of the
Council (from 21.05.2015.)

Valizhan Abidov - Member of the Council (from
21.05.2015.)

Valery Mendeleev – Vice Chairman of the Council
(until 20.05.2015.)

David Ronald Surbey – Member of the Council (until
20.05.2015)

Boelen Sebastianus Antonius Theodorus – Member
of the Council (until 20.05.2015.)

Oļegs Alainis - Member of the Council (from
21.05.2015.)

Names and positions of Board members:



Guntis Āboltiņš-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 (until 25.04.2015.)
Chief of internal control department of JSC Latvijas balzams



Signe Bīdermane – Member of the Board (until 19.01.2015.)
Director of human resources department of JSC Latvijas balzams



Jekaterina Stučē – Member of the Board (from 19.01.2015.)
Amber Beverage Group LLC member of the board



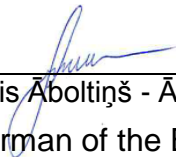
Līga Slenģe – Member of the Board (from 19.01.2015. until 21.05.2015.)
Amber Beverage Group LLC member of the board

Reporting period 1st January – 31st March 2015

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

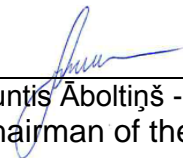
Income statement for the period ended March 31, 2015

	Notes	01.01.2015 - 31.03.2015 EUR	01.01.2014 - 31.03.2014 restated* EUR
Revenue	1	15 495 154	15 189 539
Cost of sales	2	(12 051 253)	(11 598 658)
Gross profit		3 443 901	3 590 881
Distribution expenses	3	(1 105 363)	(957 997)
Administrative expenses	4	(898 371)	(831 350)
Other income		162 703	37 329
Other expenses		(186 282)	(262 648)
Finance income		381 204	350 529
Finance costs		(172 789)	(64 615)
Profit before tax		1 625 003	1 862 128
Corporate income tax		(250 944)	(314 817)
Net profit		1 374 059	1 547 311


Guntis Āboliņš - Āboliņš
Chairman of the Board

Balance sheet as at March 31, 2015

<u>ASSETS</u>	31.03.2015 EUR	31.03.2014 restated* EUR
Non-current assets		
Intangible assets	396 742	207 638
Property, plant and equipment	9 487 053	8 472 757
Loans to group companies	43 947 333	37 051 671
Other non-current assets	249 149	34 149
Total non-current assets:	54 080 277	45 766 215
Current assets		
Inventories	25 357 143	22 594 828
Trade receivables	1 174 580	1 477 213
Receivables from group companies	45 543 119	49 238 912
Other current assets	806 153	574 766
Cash and cash equivalents	216 015	1 588
Total current assets:	73 097 010	73 887 306
<u>Total assets</u>	<u>127 177 286</u>	<u>119 653 521</u>
<u>EQUITY AND LIABILITIES</u>		
Equity		
Share capital	10 667 128	10 667 128
Share premium	87 887	87 887
Revaluation reserves of derivative financial instruments	(78 212)	-
Retained earnings	70 018 467	62 229 311
Total equity:	80 695 269	72 984 325
Liabilities:		
Non-current liabilities:		
Borrowings	6 871 863	2 512 518
Deferred income tax liabilities	388 772	366 223
Derivative financial instruments	92 014	-
Total non-current liabilities:	7 352 649	2 878 741
Current liabilities:		
Borrowings	14 690 627	21 477 380
Trade payables	7 545 077	3 523 947
Payables to group companies	1 064 439	3 061 739
Current corporate income tax payables	302 267	94 618
Other liabilities	15 526 957	15 632 771
Total current liabilities:	39 129 367	43 790 455
Total liabilities:	46 482 016	46 669 196
<u>Total equity and liabilities:</u>	<u>127 177 286</u>	<u>119 653 521</u>


 Guntis Ābolīņš - Ābolīņš
 Chairman of the Board

Statement of changes in equity for the period ended March 31, 2015

	Share capital	Share premium	Revaluation reserves of derivative financial instruments	Retained earnings	Total
	EUR	EUR	EUR	EUR	EUR
31.12.2013 restated*	10 667 128	87 887		60 682 000	71 437 015
Net profit	-	-		1 547 311	1 547 311
31.03.2014 restated*	10 667 128	87 887		62 229 311	72 984 325
31.12.2014	10 667 128	87 887		68 644 408	79 399 422
Net profit	-	-		1 374 059	1 374 059
Other income / (loss)	-	-	(78 212)	-	(78 212)
31.03.2015	10 667 128	87 887	(78 212)	70 018 467	80 695 269

Cash flow statement for the period ended March 31, 2015

	01.01.2015 - 31.03.2015 EUR	01.01.2014 - 31.03.2014 EUR
Cash flow from operating activities		
Profit or losses before taxes	1 625 003	1 692 424
<u>Adjustments for:</u>		
depreciation of fixed and intangible assets	297 535	496 596
changes in provisions	198 332	379 600
interest expenses	172 789	111 192
interest income	(381 204)	(350 529)
Cash flow prior to changes in current assets and liabilities	1 912 454	2 329 283
Inventory (increase)/decrease	(1 936 772)	(1 402 692)
Account receivable (increase)/decrease	(1 374 592)	2 532 876
Account payable increase/(decrease)	3 335 125	(1 411 440)
Gross cash flow generated from operating activities	1 936 215	2 048 028
Interest payments	(172 789)	(151 344)
Corporate income tax paid	(306 627)	(574 947)
Net cash flow generated from operating activities	1 456 800	1 321 737
Cash flow from investing activities		
Acquisition of fixed and intangible assets	(418 855)	(21 895)
Loans interest received	-	10 187
Net cash flow generated from investing activities	(418 855)	(11 708)
Cash flow from financing activities		
Changes in credit lines	(274 982)	(822 021)
Received loans	-	15 000
Borrowings repaid	(903 539)	(525 000)
Financial leasing	(41 595)	(2 160)
Net cash flow generated from financing activities	(1 220 117)	(1 334 181)
Net increase / (decrease) in cash and cash equivalents	(182 172)	(24 152)
Cash and cash equivalents at the beginning of the financial year	398 187	25 740
Cash and Cash equivalents at the end of the financial year	216 015	1 588

	01.01.2015 - 31.03.2015 EUR	01.01.2014 - 31.03.2014 restated* EUR
1. Net sales		
Production of alcoholic drinks	14 834 963	14 751 001
Excise warehouse services, storage and office rental	188 357	218 951
Other services	43 206	81 739
Sales of other goods and materials	428 628	137 847
TOTAL	15 495 154	15 189 539
2. Cost of Sales		
Materials	9 047 415	10 601 024
Changes of inventory value of finished goods	448 898	(970 706)
Salary expense	705 250	521 715
Goods purchased	17 730	49 173
Energy resources	280 082	265 391
Mandatory state social insurance contributions	164 531	121 476
Natural recourse tax	52 824	77 573
Changes in provision for receivables, inventories and other accrued liabilities	21 609	-
Accrued expenses on unused annual leave (variable)	7 294	39 857
Other variable costs	184 374	86 757
Variable costs total:	10 930 008	10 792 261
Depreciation of non-current assets	243 418	230 193
Salary expense	458 251	263 786
Repair expenses	175 376	95 372
Mandatory state social insurance contributions	111 891	60 712
Insurance payments	23 649	15 920
Laboratory expenses	4 735	10 873
Accrued expenses on unused annual leave (fixed)	39 040	28 654
Other fixed expenses	64 886	100 888
Fixed costs total:	1 121 246	806 397
TOTAL	12 051 253	11 598 658
3. Distribution expenses		
Salary expense	406 906	378 635
Advertising expenses	80 974	113 102
Transport costs	153 626	129 771
Mandatory state social insurance contributions	104 177	88 604
Depreciation of non-current assets	32 535	34 330
Warehouse maintenance expenses	189 983	39 976
Accrued expenses on unused annual leave	17 114	36 503
Other expenses	120 048	137 077
TOTAL	1 105 363	957 997

	01.01.2015 - 31.03.2015	01.01.2014 - 31.03.2014
	EUR	restated* EUR
4. Administrative expenses		
Salary expense	296 409	348 699
Mandatory state social insurance contributions	77 763	81 085
Management services and expenses	220 480	134 152
Real estate tax	35 186	35 495
Professional service costs	20 545	15 125
Depreciation of non-current assets	19 024	18 569
Financial support, sponsorship	20 000	8 604
Office expenses	8 361	13 263
Communication and postal expenses	18 006	11 515
Business trip expenses	2 123	12 495
Representation expenses	7 434	14 683
Employee training	1 713	3 275
Computer maintenance	14 569	3 649
Transport costs	3 638	5 445
Accrued expenses on unused annual leave	77 479	46 566
Healthcare, health insurance	1 761	2 144
Other expenses	73 881	76 585
TOTAL	898 371	831 350

*** Adjustments for changes in accounting policies**

In 2014 the Company's management has decided to change real estate accounting policy from revaluation model to cost model. Management's decision was based on various arguments:

- most of the buildings and land plots are used in production process and therefore, they affect the goods production cost, as well as indirectly have impact on the selling price. This situation can lead to large fluctuations in the cost calculation with the impact on the Company's profitability indicators;
- real estate fair value is dependent on a variety of internal and external factors, as, given the specifics of the Company assets, comparative market information is not always available. The transition from the revaluation model to cost model would reduce dependence on management's estimates and therefore will allow to provide more reliable information;
- the analysis of the direct competitors in the Baltic states, as well as accounting principles applied in other alcohol production companies of SPI Group, shows that the competitors are applying cost model for valuation of land and buildings. Thus moving to cost model will improve the Company's financial statements comparability to other industry participants.

In condensed financial statements for the year 2015 and financial statements for year 2014 the changes in accounting policy are reflected retrospectively.

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 01.01.15 – 31.03.15.



	EUR
Open	3.160
Max	3.590
Min	3.030
Last	3.030
Change	-4.11%
Deals	203
No of shares traded	21 825
Turnover	70 967