

JOINT STOCK COMPANY LATVIJAS BALZAMS

(ENTERPRISE REGISTER NUMBER LV40003031873)

CONDENSED FINANCIAL STATEMENTS *(NOT AUDITED)*

FOR THE FIRST 9 MONTHS OF 2013

PREPARED UNDER LATVIAN ACCOUNTING STANDARDS

Riga, 2013

Management report

Field of activity

The Company 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.

Company’s activity in 9 months 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 nine months of 2013, JSC “Latvijas balzams” paid 30.2 millions lats to the state budget, including excise tax, amounting to 21.9 millions lats.

The unaudited turnover of the Company in the first 9 months of 2013 was 50.4 million lats, which is 0.1% more than in the same period of 2012. The maintenance of the turnover is based on successful performance in core export markets and commencement of new business. The most significant increase in sales was achieved in such important markets as Russia (+7.3%), Travel Retail channel (15.5%) and Turkey (+28.6%). The main focus markets in the first 9 months of 2013 were the Baltic countries, Russia, Germany and Scandinavia. Meanwhile, new export markets, such as China, were actively acquired. Also the export by the orders of *SPI Group* has increased by 2.4%.

Sales in domestic and Baltic market have faced some decline in the first 9 months of 2013 due to the amendments of beverage portfolio. The turnover in the other direct export markets has increased by 9.3%.

The unaudited profit for the reporting period reached 2.6 million lats, which represents 2.7% growth *versus* the first 9 months of 2012. The result was achieved due to focused development of the beverage portfolio and progress in export markets.

JSC “Latvijas balzams” executes long - term Talents and New Heads Development Programs and implements Competency model as the base for employees’ individual development plans.

Outlook of future activities

JSC "Latvijas balzams" will continue to focus on production of competitive products for domestic and export markets and to enhance the growth in export markets by realizing already launched development strategy.

As one of the leading enterprises in food industry and as an employer, 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.

By focusing on long-term development, JSC "Latvijas balzams" will continue processes on improving production efficiency and further control of logistic costs. Our priorities for 2013 include environmental, safety and sustainability aspects. In the last quarter of 2013 JSC "Latvijas balzams" is planning to commence a collaboration with emerging food technologists and environmental specialists by announcing a grant competition.

As the member of Association of Latvian alcoholic beverage industry 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, 29th November, 2013

Rīga
29.11.2013.

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



Guntis Ābolītiņš - 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 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
Chief of internal control department of JSC “Latvijas balzams”



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

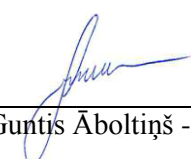
Reporting period

1st January – 30th September 2013

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

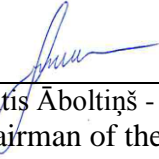
Income statement for the period ended September 30, 2013

	Notes	01.01.2013 - 30.09.2013 LVL	01.01.2012 - 30.09.2012 LVL	01.01.2013 - 30.09.2013 EUR	01.01.2012 - 30.09.2012 EUR
Net sales	1	50 356 593	50 298 616	71 650 976	71 568 483
Cost of sales	2	(43 952 310)	(44 130 438)	(62 538 503)	(62 791 956)
Gross profit or losses		6 404 283	6 168 178	9 112 473	8 776 526
Distribution expenses	3	(2 055 957)	(2 025 116)	(2 925 364)	(2 881 480)
Administrative expenses	4	(1 704 334)	(1 585 822)	(2 425 049)	(2 256 421)
Other operating income		1 274 489	1 170 939	1 813 434	1 666 096
Other operating expenses		(951 147)	(824 644)	(1 353 360)	(1 173 362)
Interest and similar income		701 641	848 663	998 345	1 207 538
Interest and similar expenses		(380 954)	(539 204)	(542 048)	(767 218)
Profit or losses prior to extraordinary items and taxes		3 288 020	3 212 994	4 678 431	4 571 679
Corporate income tax		(611 366)	(595 530)	(869 896)	(847 363)
Other taxes		(70 303)	(78 624)	(100 032)	(111 872)
Net profit or losses		2 606 351	2 538 840	3 708 504	3 612 444
Earnings per share (in santims)		34.77	33.87	49.47	48.19

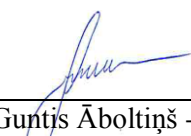

 Guntis Āboliņš - Āboliņš
 Chairman of the Board

Balance sheet as at September 30, 2013

ASSETS	30.09.2013	30.09.2012	30.09.2013	30.09.2012
	LVL	LVL	EUR	EUR
Non-current assets				
Intangible assets				
Concessions, patents, licenses, trademarks and similar rights	17 377	24 349	24 725	34 646
Intangible assets under construction	74 964	-	106 665	-
Total intangible assets:	92 341	24 349	131 389	34 646
Fixed assets				
Land and buildings	10 424 476	11 024 358	14 832 693	15 686 249
Equipment and machinery	1 408 223	1 847 131	2 003 721	2 628 230
Other fixed assets and equipment	182 910	242 164	260 258	344 569
Fixed assets under construction	100 991	55 938	143 697	79 592
Advances for fixed assets	8 471	97 018	12 053	138 045
Total fixed assets:	12 125 071	13 266 609	17 252 422	18 876 684
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:	30 022 353	31 095 900	42 717 960	44 245 479
Current assets				
Inventories				
Raw materials and consumables	9 131 096	9 997 240	12 992 379	14 224 791
Work in progress	748 269	548 480	1 064 691	780 416
Finished goods and goods for sale	9 018 777	4 443 558	12 832 564	6 322 613
Advances for inventories	138 738	177 238	197 406	252 186
Total inventories:	19 036 880	15 166 515	27 087 040	21 580 007
Account receivable:				
Trade receivables	573 246	309 094	815 656	439 801
Receivables from group companies	37 377 668	37 862 718	53 183 630	53 873 795
Other receivables	190 471	699 932	271 016	995 914
Deferred expenses	101 174	111 890	143 957	159 205
Total receivables:	38 242 559	38 983 634	54 414 259	55 468 714
Cash and bank:	1 617	23 918	2 301	34 033
Total current assets:	57 281 056	54 174 067	81 503 600	77 082 753
Total assets	87 303 409	85 269 967	124 221 560	121 328 232


 Guntis Āboliņš - Āboliņš
 Chairman of the Board

<u>EQUITY, PROVISIONS AND LIABILITIES</u>	30.09.2013	30.09.2012	30.09.2013	30.09.2012
	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	8 095 073	8 095 573	11 518 252	11 518 963
Financial instruments revaluation reserves	-	(48 535)	-	(69 059)
Retained earnings				
previous year's retained earnings	35 225 388	31 032 385	50 121 211	44 155 106
current years profit or losses	2 606 351	2 538 840	3 708 504	3 612 444
Total equity:	53 485 479	49 176 930	76 102 981	69 972 467
Liabilities:				
Non-current liabilities:				
Loans from banks	2 503 752	3 979 640	3 562 518	5 662 518
Other borrowings	-	10 000	-	14 228
Deferred income tax liabilities	1 218 055	1 340 948	1 733 136	1 907 997
Total non-current liabilities:	3 721 807	5 330 588	5 295 654	7 584 743
Current liabilities:				
Loans from banks	15 163 077	15 114 526	21 575 115	21 506 032
Other borrowings	5 583	1 443	7 944	2 053
Advances from customers	-	8 972	-	12 766
Trade payables	2 940 557	2 915 092	4 184 036	4 147 802
Payables to group companies	1 347 474	1 803 678	1 917 283	2 566 403
Taxes and social insurance payments	9 586 841	9 421 859	13 640 846	13 406 097
Other liabilities	226 680	209 003	322 537	297 384
Deferred income	24 131	71 036	34 336	101 076
Accrued liabilities	801 779	1 159 740	1 140 829	1 650 161
Derivative financial instruments	-	57 101	-	81 247
Total current liabilities:	30 096 123	30 762 449	42 822 925	43 771 021
Total liabilities:	33 817 930	36 093 037	48 118 579	51 355 765
Total equity, provisions and liabilities	87 303 409	85 269 967	124 221 560	121 328 232


 Guntis Āboliņš - Āboliņš
 Chairman of the Board

Statement of changes in equity for the period ended September 30, 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	-	-	-	-	2 538 840	2 538 840
30.09.2012	7 496 900	61 767	8 095 573	(48 535)	33 571 225	49 176 930
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	-	-	-	-	2 606 351	2 606 351
30.09.2013	7 496 900	61 767	8 095 573	0	37 831 739	53 485 979

	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	11 518 963	(69 059)	44 155 106	66 360 024
Increase of share capital	-	-	-	-	-	-
Revaluation	-	-	-	-	-	-
Disposal of revalued fixed assets	-	-	-	-	-	-
Profit for the year	-	-	-	-	3 612 444	3 612 444
30.09.2012	10 667 128	87 887	11 518 963	(69 059)	47 767 550	69 972 467
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	-	-	-	-	3 708 504	3 708 504
30.09.2013	10 667 128	87 887	11 518 963	0	53 829 715	76 103 692

Cash flow statement for the period ended September 30, 2013

	01.01.2013 - 30.09.2013 LVL	01.01.2012 - 30.09.2012 LVL	01.01.2013 - 30.09.2013 EUR	01.01.2012 - 30.09.2012 EUR
Cash flow from operating activities				
Profit or losses before taxes	3 288 020	3 212 994	4 678 431	4 571 679
<u>Adjustments for:</u>				
depreciation of fixed and intangible assets	1 021 252	1 122 628	1 453 111	1 597 356
changes in provisions	(53 951)	99 762	(76 765)	141 949
interest expenses	398 386	603 323	566 852	858 451
interest income	(701 641)	835 996	(998 345)	1 189 515
Cash flow prior to changes in current assets and liabilities	3 954 525	5 878 248	5 626 782	8 363 994
Inventory (increase)/decrease	(2 240 362)	565 712	(3 187 748)	804 936
Account receivable (increase)/decrease	2 140 248	(3 392 462)	3 045 299	(4 827 039)
Account payable increase/(decrease)	(2 141 147)	1 070 109	(3 046 578)	1 522 628
Gross cash flow generated from operating activities	1 713 264	4 121 607	2 437 755	5 864 519
Interest payments	(373 467)	(602 038)	(531 396)	(856 623)
Corporate income tax paid	(860 525)	(490 942)	(1 224 417)	(698 548)
Net cash flow generated from operating activities	479 272	3 028 627	681 943	4 309 348
Cash flow from investing activities				
Acquisition of fixed and intangible assets	(110 535)	(185 197)	(157 277)	(263 512)
Loans interest received	4 572	16 657	6 505	23 701
Net cash flow generated from investing activities	(105 963)	(168 540)	(150 772)	(239 811)
Cash flow from financing activities				
Changes in credit lines	712 644	(234 325)	1 014 001	(333 414)
Borrowings repaid	(1 106 916)	(2 770 660)	(1 575 000)	(3 942 294)
Proceeds from borrowings	(36 000)	-	(51 223)	-
Interests paid	-	150 000	-	213 431
Financial leasing	(6 710)	(4 242)	(9 547)	(6 036)
Net cash flow generated from financing activities	(436 982)	(2 859 227)	(621 769)	(4 068 313)
Net increase / (decrease) in cash and cash equivalents	(63 673)	860	(90 599)	1 224
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	1 617	23 918	2 301	34 033

	01.01.2013 – 30.09.2013	01.01.2012 – 30.09.2012	01.01.2013 – 30.09.2013	01.01.2012 – 30.09.2012
	LVL	LVL	EUR	EUR
1. Net sales				
Sales of drinks in local market	27 333 972	27 643 055	38 892 738	39 332 524
Export of drinks and services	22 997 744	22 632 217	32 722 842	32 202 743
Other sales (spirits, raw materials)	24 877	23 344	35 397	33 216
TOTAL	50 356 593	50 298 616	71 650 976	71 568 483
2. Cost of Sales				
Materials	39 140 727	39 015 654	55 692 236	55 514 274
Salary expenses	1 164 252	1 171 846	1 656 581	1 667 386
Energy resources	511 092	504 653	727 219	718 057
Mandatory state social insurance contributions	277 419	279 217	394 732	397 290
Natural recourse tax	194 507	172 851	276 759	245 944
Changes in accrued expenses on unused annual leave	(27 870)	14 441	(39 655)	20 548
Changes of inventory value of finished goods	17 158	556 818	24 413	792 281
Goods purchased	393 300	22 098	559 615	31 442
Other variable costs	216 443	288 322	307 970	410 245
Variable costs total:	41 887 027	42 025 899	59 599 870	59 797 468
Depreciation of non-current assets	842 541	895 180	1 198 827	1 273 727
Salary expenses	588 806	595 629	837 795	847 503
Services for production needs	110 891	104 595	157 783	148 825
Repair expenses	244 165	193 457	347 415	275 264
Mandatory state social insurance contributions	138 679	140 126	197 323	199 381
Insurance payments	35 868	56 632	51 036	80 580
Laboratory expenses	20 208	25 176	28 754	35 822
Changes in accrued expenses on unused annual leave	(6 152)	(141)	(8 754)	(200)
Other production expenses	90 277	93 886	128 453	133 587
Fixed costs total:	2 065 283	2 104 539	2 938 632	2 994 489
TOTAL	43 952 310	44 130 438	62 538 503	62 791 956
3. Distribution expenses				
Advertising expenses	277 977	233 815	395 525	332 689
Salary expenses	804 367	803 579	1 144 511	1 143 389
Transportation expenses	328 894	337 724	467 974	480 538
Mandatory state social insurance contributions	192 314	192 162	273 638	273 421
Depreciation of non-current assets	149 595	146 958	212 854	209 102
Warehouse maintenance expenses	75 614	79 425	107 589	113 012
Changes in accrued expenses on unused annual leave	(13 151)	4 937	(18 712)	7 025
Other distribution expenses	240 348	226 516	341 985	322 303
TOTAL	2 055 957	2 025 116	2 925 364	2 881 480

4. Administrative expenses	01.01.2013 –	01.01.2012 –	01.01.2013 –	01.01.2012 –
	30.09.2013	30.09.2012	30.09.2013	30.09.2012
	LVL	LVL	EUR	EUR
Salary expenses	888 915	763 589	1 264 813	1 086 490
Management services	163 099	267 377	232 069	380 443
Mandatory state social insurance contributions	211 149	180 792	300 438	257 243
Professional fees	58 948	48 873	83 876	69 541
Depreciation of non-current assets	48 050	49 529	68 369	70 474
Representations	14 034	21 529	19 969	30 633
Office expenses	26 896	27 585	38 270	39 250
Communication and postal expenses	25 392	24 086	36 130	34 271
Business trips	21 719	10 302	30 904	14 659
IT maintenance	8 163	5 680	11 616	8 083
Financial help, sponsorship	58 002	3 000	82 529	4 269
Transportation	10 490	12 539	14 927	17 842
Healthcare, health insurance	3 755	3 458	5 343	4 921
Personnel education and trainings	12 950	18 031	18 427	25 656
Changes in accrued expenses on unused annual leave	782	(5 013)	1 113	(7 132)
Other administrative expenses	151 987	154 463	216 257	219 781
	1 704 334	1 585 822	2 425 049	2 256 421

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 – 30.09.13



	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	1007	1007
No of shares traded	146 230	146 230
Turnover	248 421	353 471