

AS “LATVIJAS BALZAMS”

(Registration number 40003031873)

CONDENSED FINANCIAL STATEMENTS (NOT AUDITED)
for the first 3 months of 2016

prepared in accordance with
International Financial Reporting Standards as adopted by the EU

Riga, 2016

INFORMATION ON THE COMPANY

Name of the Company	Latvijas balzams
Legal status of the Company	Joint stock company
Number, place and date of registration	Companies register Nr. 40003031873 Rīga, 2 October 1991 Re-registered on 20 October 1998 Commercial register Rīga, 19 June 2014
Address	A. Čaka street 160 Rīga, LV- 1012 Latvia
Main business activities	Production of alcoholic beverages NACE2 11.01
Parent company	SIA “Amber Beverage Group” (89.99%)
Names and positions of the Council members:	Rolands Gulbis – Chairman of the Council (from 12.11.2015.) Oļegs Alainis – Vice Chairman of the Council (from 12.11.2015) Sergejs Ļimarenko – Member of the Council (from 12.11.2015) Pjotr Aven – Member of the Council Valizhan Abidov – Member of the Council (from 21.05.2015) Oļegs Alainis – Member of the Council (from 21.05.2015 until 11.11.2015) Aigars Kalvītis – Chairman of the Council (until 11.11.2015) Sergejs Ļimarenko – Vice Chairman of the Council (from 21.05.2015 until 11.11.2015) Valery Mendeleev – Vice Chairman of the Council (until 20.05.2015) David Ronald Surbey – Member of the Council (until 20.05.2015) Seymour Paul Ferreira – Member of the Council (until 20.05.2015) Sebastianus Antonius Theodorus Boelen – Member of the Council (until 20.05.2015)
Names and positions of the Board members:	Intars Geidāns – Chairman of the Board (from 03.03.2016.) Ronalds Žarinovs – Member of the Board Jekaterina Stuģe – Member of the Board (from 30.12.2014) Seymour Paul Ferreira – Chairman of the Board (from 01.09.2015. until 02.03.2016.) Guntis Āboliņš – Āboliņš – Chairman of the Board (until 31.08.2015.) Intars Geidāns – Member of the Board (until 02.03.2016.) Sergejs Ļimarenko – Member of the Board (until 25.04.2015.) Signe Bīdermane – Member of the Board (until 30.12.2014.) Līga Sleņģe – Member of the Board (from 30.12.2014. until 20.05.2015.)

REPORT OF THE MANAGEMENT

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 Latvijas balzams AS from October 2014 is Amber Beverage Group SIA, which owns 89.99% of the Company's equity capital.

Latvijas balzams AS is the largest producer of alcoholic beverages in the Baltic States with a range of more than 100 different products. Our production is exported to more than 160 export markets as mediated by Stoli Group, and to 42 markets via the Company's direct export route.

The Company's Activity in the first quarter of 2016

The unaudited turnover of the Company in the first quarter of 2016 was 16.8 million Euros, which is 8.5% more than in the first quarter of 2015. The turnover growth has been achieved by launching new products, establishing collaboration with new partners and a solid teamwork.

The unaudited profit for the reporting period reached 1.2 million euro that represents 12% decrease versus the first quarter of 2015 that caused by decrease of sales in the most profitable markets, as well as development of a platform for future growth in other export markets by investing in advertising and sales promo activities for Latvijas balzams AS branded products.

Latvijas balzams AS is the leading producer of alcoholic beverages in Latvia, as well as one of the largest local taxpayers. During the first quarter of 2016, Latvijas balzams AS paid 13.1 million euro to the state budget, including excise tax, amounting to 9.9 million euro.

Share market

In 2016 the Company's share price fluctuated from 5.40 to 9.00 euro. Total amount of shares traded was 101 thousands.



Future prospects

As Latvijas Balsams's outlook for the year ahead is one of caution as the impact of the situation in Russia, with the price of oil coupled with the slow down in China and the uncertainty around the EU is expected to dampen growth in 2016.

The Company will continue its purposeful focus on the achievement of objectives in both domestic and export markets. Our priorities will continue to be to focus on our domestic business, on building our international brands, and on implementation of effective production strategy to increase the Company's competitiveness.

REPORT OF THE MANAGEMENT (continued)

Future prospects (continued)

Latvijas Balsams AS actively participates in the Industry Association and cooperate with non-governmental organizations, represents the interests of industry in any dialogue with legislators and law enforcement institutions and promotes a responsible policy of development of the alcohol market and focuses on the public education on these issues. For example, Latvijas Balsams AS will continue to combat the illegal production and distribution of non-commercial alcoholic beverages.

Intars Geidāns
Chairman of the Board

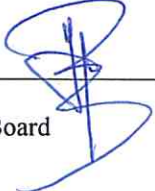


Rīga, 30 May, 2016

DECLARATION OF THE 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.

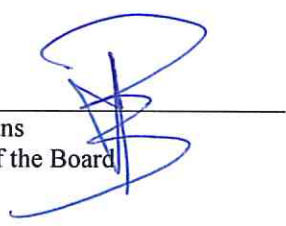


Intars Geidāns
Chairman of the Board

Rīga, 30 May, 2016

INCOME STATEMENT

	Notes	01.01.2016 - 31.03.2016 EUR	01.01.2015 - 31.03.2015 EUR
Revenue	1	16 812 532	15 495 154
Cost of sales	2	(13 496 355)	(12 051 253)
Gross profit		3 316 177	3 443 901
Distribution expenses	3	(1 256 674)	(1 105 363)
Administrative expenses	4	(1 072 774)	(922 055)
Other operating income		256 793	162 703
Other operating expenses		(55 022)	(186 282)
Interest and similar income		409 201	381 204
Interest and similar expense		(110 164)	(149 105)
Profit before tax		1 487 537	1 625 003
Corporate income tax		(282 632)	(250 944)
Net profit		1 204 905	1 374 059


Intars Geidāns
Chairman of the Board

Riga, 30 May, 2016

STATEMENT OF FINANCIAL POSITION

	31.03.2016	31.03.2015
	EUR	EUR
<u>ASSETS</u>		
Non-current assets		
Intangible assets	610 349	396 742
Property, plant and equipment	10 754 522	9 487 053
Investment property	698 311	-
Loans to group companies	38 205 729	43 947 333
Receivables from group companies	6 000 000	-
Deferred income tax assets	945 680	-
Other non current assets	1 147 878	249 149
Total non-current assets:	58 362 469	54 080 277
Current assets		
Inventories	24 197 417	25 357 143
Trade receivables	414 753	1 174 579
Receivables from group companies	31 182 567	45 543 119
Other current assets	940 590	806 153
Corporate income tax	1 576 235	-
Cash and cash equivalents	10 762	216 015
Total current assets:	58 322 324	73 097 009
<u>Total assets</u>	<u>116 684 793</u>	<u>127 177 286</u>
<u>EQUITY AND LIABILITIES</u>		
Equity		
Share capital	10 495 660	10 667 128
Share premium	87 887	87 887
Revaluation reserves of derivative financial instruments	(69 951)	(78 212)
Reserves	(2 992 951)	-
Retained earnings	76 914 809	70 018 467
Total equity:	84 435 454	80 695 270
Liabilities		
Non-current liabilities		
Borrowings	10 930 858	6 871 863
Deferred income tax liabilities	-	388 772
Derivative financial instruments	82 295	92 014
Total non-current liabilities:	11 013 153	7 352 649
Current liabilities		
Borrowings	2 408 269	14 690 627
Trade payables	3 936 481	7 545 077
Payables to group companies	1 550 772	1 064 439
Current corporate income tax payables	-	302 267
Other liabilities	13 340 664	15 526 957
Total current liabilities:	21 236 186	39 129 367
Total liabilities:	32 249 339	46 482 016
<u>Total equity and liabilities</u>	<u>116 684 793</u>	<u>127 177 286</u>

Intars Geidāns
 Chairman of the Board

Rīga, 30 May, 2016

STATEMENT OF CHANGES IN EQUITY

	Share capital	Share premium	Reserves	Revaluation reserves of derivative financial instruments	Retained earnings	Total
	EUR	EUR	EUR	EUR	EUR	EUR
31.12.2014.	10 667 128	87 887	-	(78 212)	68 644 408	79 321 211
Net profit	-	-	-	-	7 065 496	7 065 496
Other comprehensive income	-	-	-	8 261	-	8 261
Total comprehensive income	-	-	-	8 261	7 065 496	7 073 757
Reorganisation reserve	-	-	(3 164 419)	-	-	(3 164 419)
Share capital denomination	(171 468)	-	171 468	-	-	-
31.12.2015.	10 495 660	87 887	(2 992 951)	(69 951)	75 709 904	83 230 549
Net profit	-	-	-	-	1 204 905	1 204 905
Total comprehensive income	-	-	-	-	1 204 905	1 204 905
31.03.2016.	10 495 660	87 887	(2 992 951)	(69 951)	76 914 809	84 435 454

CASH FLOW STATEMENT

	01.01.2016 - 31.03.2016 EUR	01.01.2015 - 31.03.2015 EUR
Cash flow from operating activities		
Profit for the period before taxation from continuing operations	1 487 537	1 625 003
<u>Adjustments for:</u>		
Depreciation and amortisation	338 228	297 535
Net loss on sales and disposal of fixed assets and intangibles	(7 890)	-
Provisions	103 484	198 332
Interest income	(409 201)	(381 204)
Interest expense	110 164	172 789
<u>Changes in working capital:</u>		
Decrease / (Increase) in inventories	(4 321 343)	(1 936 772)
Decrease / (Increase) in trade and other receivables	4 184 096	(1 374 592)
Increase / (Decrease) in trade and other payables	(2 910 530)	3 335 124
Cash generated from operations	(1 425 455)	1 936 215
Interest paid	(110 164)	(172 789)
Corporate income tax paid	(371 433)	(306 627)
Net cash generated by operating activities	(1 907 052)	1 456 799
Cash flow from investing activities		
Acquisition of property, plant and equipment and intangible assets	(584 174)	(418 855)
Proceeds from sales of property, plant and equipment	10 946	-
Loans repayment received	3 300 000	-
Interest received	-	-
Net cash flow generated from investing activities	2 726 772	(418 855)
Cash flow from financing activities		
Changes in credit lines (net)	(98 490)	(274 982)
Borrowings received	57 783	-
Borrowings repaid	(731 611)	(903 539)
Finance lease payments	(61 111)	(41 595)
Net cash flow generated from financing activities	(833 429)	(1 220 116)
Net increase / (decrease) in cash and cash equivalents	(13 709)	(182 172)
Cash and cash equivalents at the beginning of the period	24 471	398 187
Cash and cash equivalents at the end of the period	10 762	216 015

NOTES

(1) Revenue

	01.01.2016 - 31.03.2016	01.01.2015 - 31.03.2015
	EUR	EUR
Production of alcoholic drinks	15 510 196	14 834 963
Sales of other goods and materials	268 427	428 628
Other services	1 033 909	231 563
	<u>16 812 532</u>	<u>15 495 154</u>

(2) Cost of sales

	01.01.2016 - 31.03.2016	01.01.2015 - 31.03.2015
	EUR	EUR
Materials	9 971 235	9 047 415
Changes of inventory value of finished goods	646 055	448 898
Salary expense	1 142 459	1 163 501
Goods purchased	253 045	17 730
Mandatory state social insurance contributions	265 482	276 422
Depreciation of non-current assets	219 741	243 418
Energy resources	235 870	280 082
Repair and maintenance expenses	153 167	175 376
Management of packaging	72 067	52 824
Changes in provision for inventories	-	21 609
Insurance payments	13 296	23 649
Laboratory expenses	9 674	4 735
Accrued expenses on unused annual leave	21 998	46 334
Other costs	492 266	249 260
	<u>13 496 355</u>	<u>12 051 253</u>

(3) Distribution expenses

	01.01.2016 - 31.03.2016	01.01.2015 - 31.03.2015
	EUR	EUR
Advertising and sales promotion expenses	125 839	80 974
Salary expenses	406 545	406 906
Transportation expenses	158 392	153 626
Warehouse maintenance expenses	274 629	189 983
Mandatory state social insurance contributions	95 222	104 177
Depreciation of non-current assets	52 541	32 535
Accrued expenses on unused annual leave	23 229	17 114
Other expenses	120 277	120 048
	<u>1 256 674</u>	<u>1 105 363</u>

(4) Administrative expenses

	01.01.2016 - 31.03.2016	01.01.2015 - 31.03.2015
	EUR	EUR
Management services and expenses *	475 401	220 480
Salary expenses	212 225	296 409
Depreciation of non-current assets	65 946	19 024
Mandatory state social insurance contributions	48 690	77 763
Real estate tax	47 917	35 186
Professional service costs	13 437	20 545
Communication and postal expenses	24 725	18 006
Bank commissions	4 174	23 684
Computer maintenance	16 911	14 569
Business trip expenses	2 092	2 123
Office expenses	14 836	8 361
Transport costs	12 936	3 638
Representation expenses	3 631	7 434
Financial support, sponsorship	-	20 000
Other expenses	129 853	154 833
	<u>1 072 774</u>	<u>922 055</u>

* As of June 2015 the Company's management and administrative functions were transferred to the parent company Amber Beverage Group SIA. This organizational structure of group companies economic activities allows the maximum optimization of group's management and administrative processes. As well as it enables Latvijas balzams AS to focus on the production process, to produce and offer in the market high value and high quality products.