

**JOINT STOCK COMPANY LATVIJAS BALZAMS**  
(ENTERPRISE REGISTER NUMBER LV40003031873)

**CONDENSED FINANCIAL STATEMENTS** *(NOT AUDITED)*  
FOR THE FIRST 9 MONTHS OF 2012

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PREPARED UNDER LATVIAN ACCOUNTING STANDARDS

Riga, 2012

## Management report

### Field of activity

The enterprise was founded in 1900, but the actual name it has got in 1970. JSC “Latvijas balzams” is the leading producer of alcoholic beverages in the Baltic States that produces more than 100 different kinds of alcoholic drinks. Our products can be found in more than 30 countries as the direct export of „Latvijas balzams” and in more than 160 countries via the export of the SPI group. The major shareholder of JSC “Latvijas balzams” is SPI Regional Business Unit BV which owns 89.53% of the company’s equity capital.

### The activity of enterprise in 9 months of 2012

JSC “Latvijas balzams” is the leading producer of alcoholic beverages in Latvia, as well as one of the largest taxpayers in Latvia. During the first nine months of 2012 JSC “Latvijas balzams” paid 26.3 millions lats to the state budget, including excise tax amounting to 18.3 millions lats.

The unaudited turnover of the company in 9 months of 2012 reached 50.3 million lats, which is by 8% more than income for the same period in 2011. The turnover in the domestic market increased by 7.7%, in the export market dropped by 3.1%. Export orders of S.P.I. Group have increased by 10.5%. During 9 months of 2012 sales to EU countries have decreased by 12.7%, due to the structural changes in private label clients orders. At the same time sales to Russia increased by 39% and to Latvia’s tax free zone by 30%. Sales to Germany also have increased significantly. Overall increase in sales was determined by targeted market relations with partners in the main markets. During 9 months of 2012 the most important export markets were the Baltic States, Russia, Germany and Scandinavia. Meanwhile, new export markets were actively acquired, for example, Croatia and Georgia.

The unaudited profit for the reporting period was 2.5 million lats, which is 19% growth versus the same period of 2011. The result was determined by focused development of beverage portfolio.

JSC “Latvijas balzams” has received special award of the Ministry of Welfare of Latvia for being “Senior - friendly company”. This acknowledges “Latvijas balzams” expertise and quality of its social programs for supporting employees.

### Future outlook of activities

The company has improved its product portfolio. Since the beginning of the year “Latvijas balzams” has successfully introduced 14 new products for local and export markets. Further the Company will continue to focus on development of competitive products, retain existing market share, and grow in export markets.

JSC “Latvijas balzams” 2012 priorities will be further control of production and logistics costs, optimization and improvement of production efficiency, increase of company's competitiveness, analysis and planning of potential export development opportunities.

JSC “Latvijas balzams” will continue to support nature friendly solutions, persistently improving 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  
Chairman of the Board



Guntis Āboliņš - Āboliņš

Rīga, November 30th, 2012

Rīga  
30.11.2012.

## **Declaration of Management Responsibility**

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

Management Report contains truthful information.

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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

Blain Alan Rowlette – 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 AS Latvijas balzams

Intars Geidāns – Member of the Board  
Director of logistics department of AS Latvijas balzams

Ronalds Žarinovs – Member of the Board  
Production director of AS Latvijas balzams

Sergejs Ļimarenko – Member of the Board  
Chief of internal control department of AS Latvijas balzams

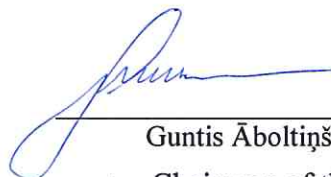
Signe Bīdermane – Member of the Board  
Director of human resources department of AS Latvijas balzams

### Reporting period

1st January – 30th September 2012

## Income statement for the period ended September 30, 2012

	Notes	01.01.2012 - 30.09.2012 LVL	01.01.2011 - 30.09.2011 LVL
Net sales	1	50 298 616	46 689 832
Cost of sales	2	(44 130 438)	(40 350 997)
<b>Gross profit or losses</b>		<b>6 168 178</b>	<b>6 338 835</b>
Distribution expenses	3	(2 025 116)	(2 352 835)
Administrative expenses	4	(1 585 822)	(1 426 152)
Other operating income		1 170 939	1 354 399
Other operating expenses		(824 644)	(798 137)
Interest and similar income		848 663	586 216
Interest and similar expenses		(539 204)	(998 701)
<b>Profit or losses prior to extraordinary items and taxes</b>		<b>3 212 994</b>	<b>2 703 623</b>
Corporate income tax		(595 530)	(500 971)
Other taxes		(78 624)	(66 932)
<b>Net profit or losses</b>		<b>2 538 840</b>	<b>2 135 720</b>
Earnings per share (in santims)		33.87	28.49



Guntis Āboliņš - Āboliņš  
Chairman of the Board

## Balance sheet as at September 30, 2012

### ASSETS

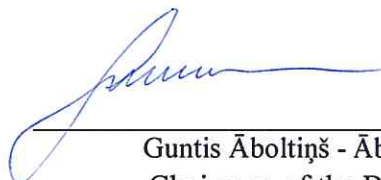
	30.09.2012 LVL	30.09.2011 LVL
<b>Non-current assets</b>		
<b>Intangible assets</b>		
Concessions, patents, licenses, trademarks and similar rights	24 349	30 748
<b>Total intangible assets:</b>	<b>24 349</b>	<b>30 748</b>
<b>Fixed assets</b>		
Land and buildings	11 024 358	12 083 293
Equipment and machinery	1 847 131	2 525 753
Other fixed assets and equipment	242 164	322 999
Fixed assets under construction	55 938	37 790
Advances for fixed assets	97 018	31 987
<b>Total fixed assets:</b>	<b>13 266 609</b>	<b>15 001 823</b>
<b>Non-current financial investments</b>		
Receivables from group companies	17 780 941	24 808 981
Other securities and investments	24 000	24 000
<b>Total non-current financial investments:</b>	<b>17 804 941</b>	<b>24 832 981</b>
<b>Total non-current assets:</b>	<b>31 095 900</b>	<b>39 865 552</b>
<b>Current assets</b>		
<b>Inventories</b>		
Raw materials and consumables	9 997 240	10 021 132
Work in progress	548 480	709 015
Finished goods and goods for sale	4 443 558	6 128 058
Advances for inventories	177 238	193 504
<b>Total inventories:</b>	<b>15 166 515</b>	<b>17 051 709</b>
<b>Account receivable:</b>		
Trade receivables	309 094	291 492
Receivables from group companies	37 862 718	24 170 443
Other receivables	699 932	228 161
Deferred expenses	111 890	85 039
<b>Total receivables:</b>	<b>38 983 634</b>	<b>24 775 135</b>
<b>Cash and bank:</b>	<b>23 918</b>	<b>23 636</b>
<b>Total current assets:</b>	<b>54 174 067</b>	<b>41 850 479</b>
<b>Total assets</b>	<b>85 269 967</b>	<b>81 716 031</b>



Guntis Āboliņš - Āboliņš  
 Chairman of the Board

**EQUITY, PROVISIONS AND LIABILITIES**

	30.09.2012	30.09.2011
	LVL	LVL
<b>Equity</b>		
Share capital	7 496 900	7 496 900
Share premium	61 767	61 767
Non-current investments revaluation reserve	8 095 573	8 335 385
Financial instruments revaluation reserves	(48 535)	(174 240)
Retained earnings		
previous year's retained earnings	31 032 385	27 380 522
current years profit or losses	2 538 840	2 135 720
<b>Total equity:</b>	<b>49 176 930</b>	<b>45 236 054</b>
<b>Liabilities:</b>		
<b>Non-current liabilities:</b>		
Loans from banks	3 979 640	9 002 012
Other borrowings	10 000	-
Deferred income tax liabilities	1 340 948	1 334 856
Derivative financial instruments	-	204 989
<b>Total non-current liabilities:</b>	<b>5 330 588</b>	<b>10 541 857</b>
<b>Current liabilities:</b>		
Loans from banks	15 114 526	13 142 002
Other borrowings	1 443	-
Advances from customers	8 972	-
Trade payables	2 915 092	3 598 882
Payables to group companies	1 803 678	1 451 334
Taxes and social insurance payments	9 421 859	6 318 794
Other liabilities	209 003	241 519
Deferred income	71 036	129 544
Accrued liabilities	1 159 740	1 056 045
Derivative financial instruments	57 101	-
<b>Total current liabilities:</b>	<b>30 762 449</b>	<b>25 938 120</b>
<b>Total liabilities:</b>	<b>36 093 037</b>	<b>36 479 977</b>
<b>Total equity, provisions and liabilities</b>	<b>85 269 967</b>	<b>81 716 031</b>

  
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 Guntis Ābolītiņš - Āboliņš  
 Chairman of the Board

## Statement of changes in equity for the period ended September 30, 2012

	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
<b>31.12.2010</b>	<b>7 496 900</b>	<b>61 767</b>	<b>8 335 385</b>	<b>(174 240)</b>	<b>27 380 522</b>	<b>43 100 334</b>
Increase of share capital	-	-	-	-	-	-
Revaluation	-	-	-	-	-	-
Disposal of revalued fixed ass	-	-	-	-	-	-
Profit for the year	-	-	-	-	2 135 720	2 135 720
<b>30.09.2011</b>	<b>7 496 900</b>	<b>61 767</b>	<b>8 335 385</b>	<b>(174 240)</b>	<b>29 516 242</b>	<b>45 236 054</b>
<b>31.12.2011</b>	<b>7 496 900</b>	<b>61 767</b>	<b>8 095 573</b>	<b>(48 535)</b>	<b>31 032 385</b>	<b>46 638 090</b>
Increase of share capital	-	-	-	-	-	-
Revaluation	-	-	-	-	-	-
Disposal of revalued fixed ass	-	-	-	-	-	-
Profit for the year	-	-	-	-	2 538 840	2 538 840
<b>30.09.2012</b>	<b>7 496 900</b>	<b>61 767</b>	<b>8 095 573</b>	<b>(48 535)</b>	<b>33 571 225</b>	<b>49 176 930</b>



## Cash flow statement for the period ended September 30, 2012

	01.01.2012 - 30.09.2012 LVL	01.01.2011 - 30.09.2011 LVL
<b>Cash flow from operating activities</b>		
Profit or losses before taxes	3 212 994	2 703 623
<b>Adjustments for:</b>		
depreciation of fixed and intangible assets	1 122 628	1 195 824
profit from disposal of fixed assets	3 545	3 683
changes in provisions	99 762	27 421
interest expenses	603 323	784 775
interest income	835 996	(544 892)
<b>Cash flow prior to changes in current assets and liabilities</b>	<b>5 878 248</b>	<b>4 370 744</b>
Inventory (increase)/decrease	565 712	(1 114 438)
Account receivable (increase)/decrease	(3 392 462)	2 483 159
Account payable increase/(decrease)	1 070 109	(2 156 094)
<b>Gross cash flow generated from operating activities</b>	<b>4 121 607</b>	<b>3 583 371</b>
Interest payments	(602 038)	(783 619)
Corporate income tax paid	(490 942)	(715 214)
<b>Net cash flow generated from operating activities</b>	<b>3 028 627</b>	<b>2 084 538</b>
<b>Cash flow from investing activities</b>		
Acquisition of fixed and intangible assets	(185 197)	(245 047)
Loans interest received	16 657	22 438
<b>Net cash flow generated from investing activities</b>	<b>(168 540)</b>	<b>(222 609)</b>
<b>Cash flow from financing activities</b>		
Changes in credit lines	(234 325)	387 127
Borrowings repaid	(2 770 660)	(2 538 414)
Interest paid	150 000	210 000
Financial leasing	(4 242)	-
<b>Net cash flow generated from financing activities</b>	<b>(2 859 227)</b>	<b>(1 941 287)</b>
<b>Net increase / (decrease) in cash and cash equivalents</b>	<b>860</b>	<b>(79 358)</b>
<b>Cash and cash equivalents at the beginning of the financial year</b>	<b>23 058</b>	<b>102 994</b>
<b>Cash and Cash equivalents at the end of the financial year</b>	<b>23 918</b>	<b>23 636</b>

	01.01.2012 – 30.09.2012	01.01.2011– 30.09.2011
	LVL	LVL
<b>1. Net sales</b>		
Sales of drinks in local market	27 643 055	25 655 903
Export of drinks and services	22 632 217	20 988 603
Other sales (spirits, raw materials)	23 344	45 326
<b>TOTAL</b>	<b>50 298 616</b>	<b>46 689 832</b>
<b>2. Cost of Sales</b>		
Materials	39 015 654	36 942 414
Salary expenses	1 171 846	1 120 303
Energy resources	504 653	409 962
Mandatory state social insurance contributions	279 217	267 811
Natural recourse tax	172 851	161 656
Changes in accrued expenses on unused annual leave	14 441	(27 539)
Changes of inventory value of finished goods	556 818	(1 158 183)
Goods purchased	22 098	13 261
Other variable costs	288 322	419 383
<b>Variable costs total:</b>	<b>42 025 899</b>	<b>38 149 069</b>
Depreciation of non-current assets	895 180	966 923
Salary expenses	595 629	584 994
Services for production needs	104 595	243 494
Repair expenses	193 457	138 902
Mandatory state social insurance contributions	140 126	116 034
Insurance payments	56 632	53 839
Laboratory expenses	25 176	25 687
Changes in accrued expenses on unused annual leave	(141)	(4 725)
Other production expenses	93 886	76 779
<b>Fixed costs total:</b>	<b>2 104 539</b>	<b>2 201 929</b>
<b>TOTAL</b>	<b>44 130 438</b>	<b>40 350 997</b>
<b>3. Distribution expenses</b>		
Advertising expenses	233 815	660 793
Salary expenses	803 579	745 697
Transportation expenses	337 724	328 761
Mandatory state social insurance contributions	192 162	178 252
Depreciation of non-current assets	146 958	152 213
Warehouse maintenance expenses	79 425	88 921
Changes in accrued expenses on unused annual leave	4 937	(12 349)
Other distribution expenses	226 516	210 547
<b>TOTAL</b>	<b>2 025 116</b>	<b>2 352 835</b>

<b>4. Administrative expenses</b>	<b>01.01.2012 –</b>	<b>01.01.2011 –</b>
	<b>30.09.2012</b>	<b>30.09.2011</b>
	<b>LVL</b>	<b>LVL</b>
Salary expenses	763 589	775 816
Management services	267 377	230 660
Mandatory state social insurance contributions	180 792	86 414
Professional fees	48 873	50 229
Depreciation of non-current assets	49 529	47 985
Representations	21 529	15 827
Office expenses	27 585	25 373
Communication and postal expenses	24 086	24 430
Business trips	10 302	13 933
IT maintenance	5 680	20 332
Financial help, sponsorship	3 000	3 660
Transportation	12 539	11 414
Healthcare, health insurance	3 458	3 044
Personnel education and trainings	18 031	9 124
Changes in accrued expenses on unused annual leave	(5 013)	(16 051)
Other administrative expenses	154 463	123 963
	<b>1 585 822</b>	<b>1 426 152</b>

## 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 01.01.12 – 30.09.12



Currency: LVL

Open	2.047 LVL
Max	3.110 LVL
Min	2.016 LVL
Last	2.070 LVL
Change	-0.43 %
Deals	1 061
No of shares traded	55 978
Turnover	126 567.12 LVL