

JOINT STOCK COMPANY LATVIJAS BALZAMS

(ENTERPRISE REGISTER NUMBER LV40003031873)

CONDENSED FINANCIAL STATEMENTS *(NOT AUDITED)*

FOR THE FIRST 3 MONTHS OF 2011

PREPARED UNDER LATVIAN ACCOUNTING STANDARDS

Riga, 2011

Management report

Field of activity

The enterprise was founded in 1900, but the actual name it has got in 1970. AS "Latvijas balzams" is a leading producer of alcoholic beverages in the Baltic States that produces more than 100 different kinds of alcoholic drinks. AS "Latvijas balzams" major shareholder is "SPI Regional Business Unit BV" which owns 89.53% of the company's equity capital.

The activity of enterprise in year 2011 first quarter

AS "Latvijas balzams" is the biggest producer of alcoholic beverages in Latvia, as well as one of the largest taxpayers in Latvia. During first quarter of 2011 AS "Latvijas balzams" paid 8.5 millions lats to the state budget, including excise tax amounting to 6.1 millions lats.

The unaudited turnover of the company in the first quarter of year 2011 was 13.3 million lats, which is by 17% less than in the first quarter of 2010. Turnover in the domestic market has fallen by 17%, in the export market by 9%, while export orders of "S.P.I. Group" has decreased by 18%. During the first quarter of year 2011, sales to the EU countries decreased by 9%, sales to Estonia decreased by 29%, but sales to Lithuania increased by 4%. Decrease in sales was affected by the increase in illegal alcohol trade and decrease of economical activity in the main markets. During the first quarter of year 2011 the top focus sales markets were Baltic States, Russia, Poland, Ukraine and Scandinavia. Meanwhile new export markets were actively acquired, for example, Bulgaria, China, Australia and Kazakhstan.

The unaudited profit for the reporting period was 324 thousands lats, that is 21% less than in the first quarter of 2010.

Future perspectives of activity

Economical situation in Latvia has started to stabilise and, even though customer purchasing power is very low, the objectives of the Company is to maintain the existing market share and to continue new market acquirement by improving product portfolio. In 2010 the priorities of AS Latvijas balzams will be further control of production and logistics costs, optimization and improvement of production efficiency, rise of Company's competitiveness.

AS 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.

AS Latvijas balzams
Per procura

Ronalds Žarinovs

Rīga, May 31, 2011

Rīga
31.05.2011.

Declaration of Management Responsibility

Management of a 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.

AS Latvijas balzams
Per procura

Ronalds Žarinovs

MANAGEMENT

Names and positions of Council members

Aigars Kalvītis – Chairman of the Council

Valery Mendelev – Vice Chairman of the Council

Pjotrs Aven – Member of the Council

Andrejs Skurihins – Member of the Council

Alexander Kovalev – Member of the Council

Boelem Sebastianus Antonius Theodorus – Member of the Council

Names and positions of Board members

Kārlis Andersons – Chairman of the Board
General director of AS Latvijas balzams

Gunita Kronberga – Member of the Board
Chief Financial Officer 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

1 January – 31 March 2011

Income statement for the period ended March 31, 2011

	Notes	01.01.2011 - 31.03.2011 LVL	01.01.2010 - 31.03.2010 LVL
Net sales	1	13 276 158	15 980 840
Cost of sales	2	(11 600 360)	(13 985 739)
Gross profit or losses		1 675 799	1 995 101
Distribution expenses	3	(782 869)	(611 831)
Administrative expenses	4	(469 120)	(532 881)
Other operating income		424 656	292 569
Other operating expenses		(341 471)	(223 256)
Interest and similar income		163 800	144 471
Interest and similar expenses		(248 226)	(541 506)
Profit or losses prior to extraordinary items and taxes		422 568	522 668
Corporate income tax		(76 049)	(95 735)
Other taxes		(22 309)	(18 799)
Net profit or losses		324 210	408 134
Earnings per share (in santims)		4.32	5.44

Ronalds Žarinovs

Per procura

Balance sheet as at March 31, 2011

ASSETS

31.03.2011 **31.03.2010**
LVL **LVL**

Non-current assets

Intangible assets

Concessions, patents, licenses, trademarks and similar rights

4 708 230

Total intangible assets:

4 708 **230**

Fixed assets

Land and buildings

12 382 089 12 723 539

Equipment and machinery

2 718 322 3 326 601

Other fixed assets and equipment

369 154 494 812

Fixed assets under construction

130 060 89 153

Advances for fixed assets

82 432 512

Total fixed assets:

15 682 058 **16 634 617**

Non-current financial investments

Receivables from group companies

17 780 941 24 808 981

Other securities and investments

24 000 24 000

Total non-current financial investments:

17 804 941 **24 832 981**

Total non-current assets:

33 491 707 **41 467 828**

Current assets

Inventories

Raw materials and consumables

10 575 529 12 116 276

Work in progress

740 852 561 062

Finished goods and goods for sale

5 487 144 4 915 105

Advances for inventories

402 016 52 997

Total inventories:

17 205 540 **17 645 440**

Account receivable:

Trade receivables

250 289 233 536

Receivables from group companies

30 063 169 20 536 531

Other receivables

114 471 104 921

Deferred expenses

99 596 118 922

Total receivables:

30 527 526 **20 993 909**

Cash and bank:

54 836 23 014

Total current assets:

47 787 902 **38 662 364**

Total assets

81 279 609 **80 130 192**

Ronalds Žarinovs
 Per procura

EQUITY, PROVISIONS AND LIABILITIES

	31.03.2011	31.03.2010
	LVL	LVL
Equity		
Share capital	7 496 900	7 496 900
Share premium	61 767	61 767
Non-current investments revaluation reserve	8 335 385	8 346 267
Financial instruments revaluation reserves	(174 240)	(283 450)
Retained earnings		
previous year's retained earnings	27 380 522	23 447 185
current years profit or losses	324 210	408 134
Total equity:	43 424 543	39 476 804
Liabilities:		
Non-current liabilities:		
Loans from banks	9 002 012	11 631 944
Deferred income tax liabilities	1 334 857	1 407 648
Derivative financial instruments	204 989	333 471
Total non-current liabilities:	10 541 858	13 373 063
Current liabilities:		
Loans from banks	13 980 769	15 133 849
Trade payables	3 501 896	2 571 071
Payables to group companies	1 201 828	568 946
Taxes and social insurance payments	7 257 033	6 337 920
Other liabilities	228 269	242 536
Deferred income	134 704	197 655
Accrued liabilities	1 008 707	2 228 350
Total current liabilities:	27 313 208	27 280 325
Total liabilities:	37 855 066	40 653 388
Total equity, provisions and liabilities	81 279 609	80 130 192

Ronalds Žarinovs
 Per procura

Statement of changes in equity for the period ended March 31, 2011

	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
31.12.2009	7 496 900	61 767	8 346 267	(283 450)	23 447 185	39 068 669
Increase of share capital	-	-	-	-	-	-
Revaluation	-	-	-	-	-	-
Disposal of revalued fixed assets	-	-	-	-	-	-
Profit for the year	-	-	-	-	408 134	408 134
31.03.2010	7 496 900	61 767	8 346 267	(283 450)	23 855 319	39 476 804
31.12.2010	7 496 900	61 767	8 335 385	(174 241)	27 380 523	43 100 334
Increase of share capital	-	-	-	-	-	-
Revaluation	-	-	-	-	-	-
Disposal of revalued fixed assets	-	-	-	-	-	-
Profit for the year	-	-	-	-	324 210	324 210
31.03.2011	7 496 900	61 767	8 335 385	(174 241)	27 704 733	43 424 543

Cash flow statement for the period ended March 31, 2011

	01.01.2011 - 31.03.2011	01.01.2010 - 31.03.2010
	LVL	LVL
Cash flow from operating activities		
Profit or losses before taxes	422 568	522 668
<u>Adjustments for:</u>		
depreciation of fixed and intangible assets	395 803	403 755
profit from disposal of fixed assets	1 218	4 032
changes in provisions	(9 436)	(22 559)
foreign exchange (gains)/losses	-	116 733
interest expenses	253 611	239 547
interest income	163 791	141 398
Cash flow prior to changes in current assets and liabilities	1 227 555	1 405 574
Inventory (increase)/decrease	(1 035 249)	(186 935)
Account receivable (increase)/decrease	3 041 728	215 915
Account payable increase/(decrease)	(1 453 343)	(1 422 351)
Gross cash flow generated from operating activities	1 780 691	12 203
Interest payments	(262 516)	(363 566)
Corporate income tax paid	(192 042)	(215 286)
Net cash flow generated from operating activities	1 326 133	(566 649)
Cash flow from investing activities		
Acquisition of fixed and intangible assets	(96 755)	(18 968)
Loans issued	-	(436 000)
Loans interest received	7 562	3 967
Net cash flow generated from investing activities	(89 193)	(451 001)
Cash flow from financing activities		
Changes in credit lines	(553 494)	1 388 940
Borrowings repaid	(731 604)	(750 707)
Net cash flow generated from financing activities	(1 285 098)	638 233
Net increase / (decrease) in cash and cash equivalents	(48 158)	(379 417)
Cash and cash equivalents at the beginning of the financial year	102 994	402 431
Cash and Cash equivalents at the end of the financial year	54 836	23 014

	01.01.2011 – 31.03.2011	01.01.2010 – 31.03.2010
	LVL	LVL
1. Net sales		
Sales of drinks in local market	7 004 303	8 442 877
Export of drinks and services	6 263 325	7 535 664
Other sales (spirits, raw materials)	8 530	2 299
TOTAL	13 276 158	15 980 840
2. Cost of Sales		
Materials	10 814 345	12 355 019
Salary expenses	361 085	342 543
Energy resources	164 144	155 509
Mandatory state social insurance contributions	86 381	82 101
Natural recourse tax	46 334	51 684
Changes in accrued expenses on unused annual leave	(9 747)	44
Changes of inventory value of finished goods	(795 224)	(78 127)
Goods purchased	6 133	5 734
Other variable costs	171 895	269 537
Variable costs total:	10 845 346	13 184 043
Depreciation of non-current assets	319 570	324 564
Salary expenses	189 091	189 231
Services for production needs	37 564	118 770
Repair expenses	102 122	74 646
Mandatory state social insurance contributions	44 920	45 122
Insurance payments	16 511	16 119
Laboratory expenses	8 380	5 504
Changes in accrued expenses on unused annual leave	9 359	1 727
Other production expenses	27 496	26 012
Fixed costs total:	755 013	801 696
TOTAL	11 600 360	13 985 739
3. Distribution expenses		
Advertising expenses	229 390	81 501
Salary expenses	242 915	241 476
Transportation expenses	98 528	89 568
Mandatory state social insurance contributions	58 134	57 688
Depreciation of non-current assets	50 329	52 980
Warehouse maintenance expenses	34 714	34 617
Changes in accrued expenses on unused annual leave	7 268	(3 688)
Other distribution expenses	61 591	57 690
TOTAL	782 869	611 831

4. Administrative expenses	01.01.2011 –	01.01.2010 –
	31.03.2011	31.03.2010
	LVL	LVL
Salary expenses	236 143	248 341
Management services	67 863	92 019
Mandatory state social insurance contributions	56 360	58 058
Professional fees	10 795	16 023
Depreciation of non-current assets	16 559	18 113
Representations	2 862	4 130
Office expenses	7 490	7 333
Communication and postal expenses	8 048	10 504
Business trips	3 610	7 479
IT maintenance	5 203	3 969
Financial help, sponsorship	-	18 000
Transportation	5 788	4 191
Healthcare, health insurance	1 030	1 538
Personnel education and trainings	1 020	613
Changes in accrued expenses on unused annual leave	8 618	8 723
Other administrative expenses	37 732	33 849
	469 120	532 881

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 01.01.11 – 31.03.11



Currency: LVL

Open	1,970 LVL
Max	2,200 LVL
Min	1,899 LVL
Last	2,050 LVL
Change	4,859 %
Deals	239
No of shares traded	28 872
Turnover	58 634,90 LVL