

JOINT STOCK COMPANY LATVIJAS BALZAMS

(ENTERPRISE REGISTER NUMBER LV40003031873)

CONDENSED FINANCIAL STATEMENTS *(NOT AUDITED)*

FOR THE FIRST 6 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.

Enterprise activity in the first half 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 half of 2013, JSC "Latvijas balzams" paid 21.4 millions lats to the state budget, including excise tax, amounting to 15.9 millions lats.

The unaudited turnover of the Company in the first half of 2013 was 32.5 million lats, which is 2.6% more than in the same period of 2012. The increase 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 (41%) and Travel Retail channel (19%). The main focus markets in the first half 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 10.7%.

Sales in domestic and Baltic market have faced some decline in the first half of 2013 due to the amendments of beverage portfolio. The turnover in the other direct export markets has increased by 9.4%.

The unaudited profit for the reporting period reached 1.4 million lats, which represents 30% growth *versus* the first half of 2012. The result was achieved due to focused development of the beverage portfolio and progress in export markets.

The Company has realized purposeful cooperation and communication with clients and business partners and improved its position in annual *Reputation TOP* - ranked 15th among TOP 150 Latvian companies with the best reputation.

JSC "Latvijas balzams" was acknowledged as one the 25 best Latvian exporters who received the symbolic *Red Jacket* award of the best exporting brands from Latvia, selected on the base of the research.

JSC "Latvijas balzams" has launched long - term Talents and New Heads Development Programs, as well as started to implement Competency model as the base for employees' individual development plans.

Outlook of future activities

As one of the priorities for the second half of 2013 the Company will focus on the production of new and competitive products for domestic and export markets by continuing to implement targeted export strategy. JSC "Latvijas balzams" will continue to improve production efficiency and further control of logistic costs by implementing innovative and nature-friendly solutions that will promote competitiveness.

Our priorities for 2013 also include environmental, safety and sustainability aspects, and measures that can help to reduce Society's negative impact on environment, establishing high requirements for itself and the Company's partners and following the principles of sustainable business.

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.

In collaboration with industry enterprises and NGO's 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 Ābolīņš - Ābolīņš

Rīga, 23 August, 2013

Rīga
23.08.2013.

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”

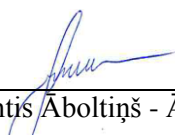
Reporting period

1st January – 30th June 2013

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

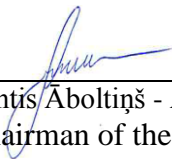
Income statement for the period ended June 30, 2013

	Notes	01.01.2013 - 30.06.2013 LVL	01.01.2012 - 30.06.2012 LVL	01.01.2013 - 30.06.2013 EUR	01.01.2012 - 30.06.2012 EUR
Net sales	1	32 523 930	31 706 749	46 277 384	45 114 639
Cost of sales	2	(28 620 805)	(28 192 343)	(40 723 737)	(40 114 090)
Gross profit or losses		3 903 125	3 514 406	5 553 647	5 000 549
Distribution expenses	3	(1 353 071)	(1 385 154)	(1 925 246)	(1 970 896)
Administrative expenses	4	(1 143 277)	(1 096 444)	(1 626 737)	(1 560 099)
Other operating income		809 323	746 948	1 151 563	1 062 811
Other operating expenses		(595 723)	(517 514)	(847 638)	(736 355)
Interest and similar income		463 966	585 122	660 165	832 554
Interest and similar expenses		(248 010)	(416 068)	(352 886)	(592 012)
Profit or losses prior to extraordinary items and taxes		1 836 333	1 431 297	2 612 867	2 036 552
Corporate income tax		(339 998)	(261 987)	(483 774)	(372 774)
Other taxes		(46 869)	(52 416)	(66 688)	(74 582)
Net profit or losses		1 449 466	1 116 893	2 062 405	1 589 196
Earnings per share (in santims)		19.33	14.90	27.51	21.20



 Guntis Ābolīņš - Ābolīņš
 Chairman of the Board

Balance sheet as at June 30, 2013

ASSETS	30.06.2013	30.06.2012	30.06.2013	30.06.2012
	LVL	LVL	EUR	EUR
Non-current assets				
Intangible assets				
Concessions, patents, licenses, trademarks and similar rights	18 895	26 447	26 885	37 631
Intangible assets under construction	74 964	-	106 664	-
Total intangible assets:	93 859	26 447	133 549	37 631
Fixed assets				
Land and buildings	10 580 191	11 179 928	15 054 256	15 907 604
Equipment and machinery	1 525 780	2 012 181	2 170 989	2 863 075
Other fixed assets and equipment	203 400	244 973	289 412	348 565
Fixed assets under construction	52 208	55 938	74 285	79 592
Advances for fixed assets	17 290	68 121	24 601	96 927
Total fixed assets:	12 378 869	13 561 140	17 613 544	19 295 764
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:	30 277 669	31 392 528	43 081 242	44 667 543
Current assets				
Inventories				
Raw materials and consumables	7 958 922	7 055 247	11 324 526	10 038 712
Work in progress	585 463	560 000	833 039	796 809
Finished goods and goods for sale	9 522 333	8 004 915	13 549 059	11 389 967
Advances for inventories	218 791	438 545	311 312	623 993
Total inventories:	18 285 509	16 058 707	26 017 935	22 849 481
Account receivable:				
Trade receivables	548 648	354 597	780 656	504 546
Receivables from group companies	36 982 011	35 049 113	52 620 661	49 870 395
Other receivables	310 280	721 931	441 489	1 027 215
Deferred expenses	147 077	117 061	209 272	166 562
Total receivables:	37 988 016	36 242 701	54 052 077	51 568 718
Cash and bank:	18 446	18 223	26 246	25 930
Total current assets:	56 291 971	52 319 632	80 096 259	74 444 129
Total assets	86 569 640	83 712 160	123 177 500	119 111 673


 Guntis Abolitiņš - Āboliņš
 Chairman of the Board

<u>EQUITY, PROVISIONS AND LIABILITIES</u>	30.06.2013	30.06.2012	30.06.2013	30.06.2012
	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	8 095 573	8 095 573	11 518 963	11 518 963
Financial instruments revaluation reserves	-	(48 535)	-	(69 059)
Retained earnings				
previous year's retained earnings	35 225 388	31 032 385	50 121 212	44 155 106
current years profit or losses	1 449 466	1 116 893	2 062 404	1 589 196
Total equity:	52 329 094	47 754 983	74 457 593	67 949 219
Liabilities:				
Non-current liabilities:				
Loans from banks	3 610 668	4 348 612	5 137 518	6 187 518
Other borrowings	4 081	10 000	5 807	14 228
Deferred income tax liabilities	1 218 055	1 340 948	1 733 136	1 907 997
Total non-current liabilities:	4 832 804	5 699 560	6 876 461	8 109 743
Current liabilities:				
Loans from banks	15 132 300	14 924 004	21 531 323	21 234 944
Other borrowings	3 519	2 871	5 007	4 085
Advances from customers	-	3 926	-	5 587
Trade payables	3 979 839	2 722 241	5 662 800	3 873 400
Payables to group companies	1 232 059	1 937 728	1 753 062	2 757 139
Taxes and social insurance payments	7 944 797	9 103 857	11 304 428	12 953 621
Other liabilities	215 892	214 858	307 187	305 715
Deferred income	24 182	71 067	34 408	101 120
Accrued liabilities	875 154	1 219 963	1 245 232	1 735 852
Derivative financial instruments	-	57 101	-	81 247
Total current liabilities:	29 407 742	30 257 617	41 843 447	43 052 710
Total liabilities:	34 240 546	35 957 177	48 719 907	51 162 453
Total equity, provisions and liabilities	86 569 640	83 712 160	123 177 500	119 111 673


Guntis Āboliņš - Āboliņš
Chairman of the Board

Statement of changes in equity for the period ended June 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	-	-	-	-	1 116 893	1 116 893
30.06.2012	7 496 900	61 767	8 095 573	(48 535)	32 149 278	47 754 983
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	-	-	-	-	1 449 466	1 449 466
30.06.2013	7 496 900	61 767	8 095 573	0	36 674 854	52 329 094

	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	-	-	-	-	1 589 196	1 589 196
30.06.2012	10 667 128	87 887	11 518 963	(69 059)	45 744 301	67 949 219
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	-	-	-	-	2 062 404	2 062 404
30.06.2013	10 667 128	87 887	11 518 963	0	52 183 616	74 457 593

Cash flow statement for the period ended June 30, 2013

	01.01.2013 - 30.06.2013 LVL	01.01.2012 - 30.06.2012 LVL	01.01.2013 - 30.06.2013 EUR	01.01.2012 - 30.06.2012 EUR
Cash flow from operating activities				
Profit or losses before taxes	1 836 333	1 431 297	2 612 866	2 036 552
<u>Adjustments for:</u>				
depreciation of fixed and intangible assets	728 969	761 587	1 037 229	1 083 641
changes in provisions	(35 989)	77 668	(51 208)	110 512
interest expenses	268 543	442 496	382 102	629 615
interest income	(463 862)	(585 122)	(660 016)	(832 554)
Cash flow prior to changes in current assets and liabilities	2 336 128	2 130 885	3 324 011	3 031 976
Inventory (increase)/decrease	(1 494 749)	(330 163)	(2 126 836)	(469 780)
Account receivable (increase)/decrease	2 147 499	796 730	3 055 616	1 133 645
Account payable increase/(decrease)	(2 797 142)	926 851	(3 979 975)	1 318 790
Gross cash flow generated from operating activities	191 736	3 524 303	272 816	5 014 631
Interest payments	(253 166)	(441 833)	(360 223)	(628 672)
Corporate income tax paid	(596 081)	(303 049)	(848 147)	(431 200)
Net cash flow generated from operating activities	(657 511)	2 779 421	(935 554)	3 954 760
Cash flow from investing activities				
Acquisition of fixed and intangible assets	(72 741)	(120 198)	(103 501)	(171 026)
Loans interest received	6 025	15 291	8 573	21 757
Net cash flow generated from investing activities	(66 716)	(104 907)	(94 928)	(149 269)
Cash flow from financing activities				
Changes in credit lines	1 419 811	(924 660)	2 020 209	(1 315 673)
Borrowings repaid	(737 944)	(1 901 875)	(1 050 000)	(2 706 124)
Proceeds from borrowings	-	150 000	-	213 431
Financial leasing	(4 464)	(2 814)	(6 352)	(4 004)
Net cash flow generated from financing activities	677 403	(2 679 349)	963 858	(3 812 370)
Net increase / (decrease) in cash and cash equivalents	(46 824)	(4 835)	(66 625)	(6 880)
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	18 466	18 223	26 275	25 929

	01.01.2013 – 30.06.2013	01.01.2012 – 30.06.2012	01.01.2013 – 30.06.2013	01.01.2012 – 30.06.2012
	LVL	LVL	EUR	EUR
1. Net sales				
Sales of drinks in local market	17 490 265	17 630 713	24 886 405	25 086 245
Export of drinks and services	15 018 313	14 062 553	21 369 134	20 009 210
Other sales (spirits, raw materials)	15 353	13 483	21 845	19 184
TOTAL	32 523 930	31 706 749	46 277 384	45 114 639
2. Cost of Sales				
Materials	25 139 904	24 765 443	35 770 860	35 238 050
Salary expenses	746 686	757 465	1 062 438	1 077 776
Energy resources	376 474	380 689	535 674	541 672
Mandatory state social insurance contributions	177 965	180 386	253 221	256 666
Natural recourse tax	126 972	105 612	180 665	150 272
Changes in accrued expenses on unused annual leave	(5 060)	43 360	(7 199)	61 696
Changes of inventory value of finished goods	528 964	291 200	752 648	414 340
Goods purchased	20 178	14 581	28 710	20 747
Other variable costs	126 321	208 932	179 739	297 284
Variable costs total:	27 238 403	26 747 668	38 756 756	38 058 503
Depreciation of non-current assets	573 998	601 266	816 726	855 525
Salary expenses	381 121	396 086	542 286	563 579
Services for production needs	70 630	72 360	100 497	102 959
Repair expenses	147 900	137 093	210 443	195 065
Mandatory state social insurance contributions	89 680	93 373	127 604	132 857
Insurance payments	24 256	37 724	34 513	53 677
Laboratory expenses	14 726	16 313	20 953	23 211
Changes in accrued expenses on unused annual leave	17 354	20 849	24 692	29 666
Other production expenses	62 738	69 611	89 268	99 047
Fixed costs total:	1 382 402	1 444 675	1 966 981	2 055 587
TOTAL	28 620 805	28 192 343	40 723 737	40 114 090
3. Distribution expenses				
Advertising expenses	169 140	170 103	240 664	242 034
Salary expenses	518 009	519 194	737 060	738 747
Transportation expenses	222 693	216 693	316 863	308 326
Mandatory state social insurance contributions	123 800	124 110	176 151	176 593
Depreciation of non-current assets	99 707	98 574	141 870	140 258
Warehouse maintenance expenses	54 590	61 110	77 675	86 951
Changes in accrued expenses on unused annual leave	8 229	35 365	11 709	50 319
Other distribution expenses	156 903	160 006	223 253	227 667
TOTAL	1 353 071	1 385 154	1 925 246	1 970 896

4. Administrative expenses	01.01.2013 –	01.01.2012 –	01.01.2013 –	01.01.2012 –
	30.06.2013	30.06.2012	30.06.2013	30.06.2012
	LVL	LVL	EUR	EUR
Salary expenses	584 152	504 485	831 174	717 818
Management services	102 598	176 028	145 984	250 465
Mandatory state social insurance contributions	138 814	119 495	197 514	170 026
Professional fees	37 189	31 371	52 915	44 637
Depreciation of non-current assets	33 030	33 247	46 997	47 306
Representations	16 157	17 859	22 989	25 411
Office expenses	13 982	23 573	19 894	33 541
Communication and postal expenses	16 795	16 012	23 897	22 782
Business trips	16 633	6 787	23 666	9 657
IT maintenance	3 480	3 953	4 952	5 625
Financial help, sponsorship	20 002	3 000	28 460	4 269
Transportation	6 753	8 457	9 608	12 033
Healthcare, health insurance	2 352	2 466	3 347	3 508
Personnel education and trainings	8 850	16 183	12 592	23 026
Changes in accrued expenses on unused annual leave	36 058	29 404	51 306	41 838
Other administrative expenses	106 434	104 125	151 442	148 156
	1 143 277	1 096 444	1 626 737	1 560 099

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 – 30.06.13



	LVL	EUR
Open	1.550	2.205
Max	1.880	2.675
Min	1.530	2.177
Last	1.660	2.362
Change	7.79 %	7.79 %
Deals	772	772
No of shares traded	115 497	115 497
Turnover	194 915	277 339