

AS “Latvijas balzams”

JOINT STOCK COMPANY LATVIJAS BALZAMS
(ENTERPRISE REGISTER NUMBER LV40003031873)

CONDENSED FINANCIAL STATEMENTS (*NOT*
AUDITED)

FOR THE FIRST 9 MONTHS OF 2011
PREPARED UNDER LATVIAN ACCOUNTING STANDARD

Riga, 2011

AS "Latvijas balzams"

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 9 month of 2011

AS "Latvijas balzams" is the biggest producer of alcoholic beverages in Latvia, as well as one of the largest taxpayers in Latvia. During 9 month of 2011 AS "Latvijas balzams" paid 27,2 millions lats to the state budget, including excise tax amounting to 19,4 millions lats.

The unaudited turnover of the company in the 9 month of year 2011 was 46,7 million lats, which is by 11% less than in the 9 month of 2010. Turnover in the domestic market has fallen by 5%, in the export market has fallen by 2%, while export orders of "S.P.I. Group" has decreased by 20%. During the 9 month of year 2011, sales to the EU countries decreased by 7%, sales to Estonia increased by 2%, sales to Lithuania decreased by 3%. Decrease of sales is related to the increase of excise tax, illegal alcohol trade and decrease of economical activity in the main markets. During the 9 month of year 2011 the top focus sales markets were Baltic States, Russia, Norway, Poland, Ukraine and Netherlands. Meanwhile new export markets were actively acquired, for example, Bulgaria, China, Australia, USA and Kazakhstan.

The Company has paid great attention to production cost control and improvement of productivity, as a result reaching 2,14 million lats unaudited profit, that is 1% less than in the 9 month of 2010, despite the 11% decrease in turnover.

Future perspectives of activity

Despite the critical economic situation and low purchasing power in Latvia, the objectives of the Company is to maintain the existing market share and to continue new market acquirement by improving product portfolio. In 2011 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

Riga, November 29, 2011

AS "Latvijas balzams"

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.

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Ronalds Žarinovs

AS “Latvijas balzams”

MANAGEMENT

Names and positions of Council members

Aigars Kalvītis – Chairman of the Council

Valery Mendeleev – Vice Chairman of the Council

Pjotrs Aven – Member of the Council

Andrejs Skurihins - Member of the Council until 29.04.2011

David Ronald Surbey – Member of the Council from 29.04.2011

Alexander Kovalev - Member of the Council until 29.04.2011

Blaine Alan Rowlette – Member of the Council from 29.04.2011

Boelem Sebastianus Antonius Theodorus – Member of the Council

Names and positions of Board members

Kārlis Andersons – Chairman of the Board and General director of AS Latvijas balsams until 05.05.2011

Gunita Kronberga – Member of the Board and Chief Financial Officer of AS “Latvijas balzams” until 17.06.2011

Intars Geidāns - Member of the Board and Director of logistics department of AS “Latvijas balzams” from 17.06.2011

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 – 30 September 2011

AS "Latvijas balzams"

Income statement for the period ended September 30, 2011

	Notes	01.01.2011 - 30.09.2011 LVL	01.01.2010 - 30.09.2010 LVL
Net sales	1	46 689 832	52 538 457
Cost of sales	2	(40 350 997)	(45 153 404)
Gross profit or losses		6 338 835	7 385 053
Distribution expenses	3	(2 352 835)	(2 311 636)
Administrative expenses	4	(1 426 152)	(1 665 576)
Other operating income		1 354 399	835 975
Other operating expenses		(798 137)	(430 960)
Interest and similar income		586 216	441 334
Interest and similar expenses		(998 701)	(1 547 453)
Profit or losses prior to extraordinary items and taxes		2 703 623	2 706 737
Corporate income tax		(500 971)	(503 554)
Other taxes		(66 932)	(56 451)
Net profit or losses		2 135 720	2 146 732
Earnings per share (in santims)		28.49	28.63

Ronalds Žarinovs
Per procura

AS "Latvijas balzams"

Balance sheet as at September 30, 2011

<u>ASSETS</u>	30.09.2011	30.09.2010
	LVL	LVL
Non-current assets		
Intangible assets		
Concessions, patents, licenses, trademarks and similar rights	30 748	5 710
Total intangible assets:	30 748	5 710
Fixed assets		
Land and buildings	12 083 293	12 429 279
Equipment and machinery	2 525 753	2 959 597
Other fixed assets and equipment	322 999	421 710
Fixed assets under construction	37 790	138 507
Advances for fixed assets	31 987	361 290
Total fixed assets:	15 001 823	16 310 383
Non-current financial investments		
Receivables from group companies	24 808 981	24 808 981
Other securities and investments	24 000	24 000
Total non-current financial investments:	24 832 981	24 832 981
Total non-current assets:	39 865 552	41 149 074
Current assets		
Inventories		
Raw materials and consumables	10 021 132	12 731 411
Work in progress	709 015	501 448
Finished goods and goods for sale	6 128 058	5 730 530
Advances for inventories	193 504	-
Total inventories:	17 051 709	18 963 389
Account receivable:		
Trade receivables	291 492	583 859
Receivables from group companies	24 170 443	23 716 939
Other receivables	228 161	132 163
Deferred expenses	85 039	109 045
Total receivables:	24 775 135	24 542 006
Cash and bank:	23 636	103 983
Total current assets:	41 850 479	43 609 378
Total assets	81 716 031	84 758 452

AS "Latvijas balzams"

<u>EQUITY, PROVISIONS AND LIABILITIES</u>	30.09.2011	30.09.2010
	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	2 135 720	2 146 732
Total equity:	45 236 054	41 215 401
Liabilities:		
Non-current liabilities:		
Loans from banks	9 002 012	11 631 944
Deferred income tax liabilities	1 334 856	1 407 648
Derivative financial instruments	204 989	333 471
Total non-current liabilities:	10 541 857	13 373 063
Current liabilities:		
Loans from banks	13 142 002	13 618 788
Trade payables	3 598 882	3 494 567
Payables to group companies	1 451 334	1 050 639
Taxes and social insurance payments	6 318 794	7 591 952
Other liabilities	241 519	249 488
Deferred income	129 544	194 027
Accrued liabilities	1 056 045	3 970 527
Total current liabilities:	25 938 120	30 169 988
Total liabilities:	36 479 977	43 543 051
Total equity, provisions and liabilities	81 716 031	84 758 452

Ronalds Žarinovs
Per procura

AS "Latvijas balzams"

Statement of changes in equity for the period ended September 30, 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	-	-	-	-	2 146 732	2 146 732
30.09.2010	7 496 900	61 767	8 346 267	(283 450)	25 593 917	41 215 401
31.12.2010	7 496 900	61 767	8 335 385	(174 240)	27 380 522	43 100 334
Increase of share capital	-	-	-	-	-	-
Revaluation	-	-	-	-	-	-
Disposal of revalued fixed assets	-	-	-	-	-	-
Profit for the year	-	-	-	-	2 135 720	2 135 720
30.09.2011	7 496 900	61 767	8 335 385	(174 240)	29 516 242	45 236 054

AS "Latvijas balzams"

Cash flow statement for the period ended September 30, 2011

	01.01.2011 - 30.09.2011	01.01.2010 - 30.09.2010
	LVL	LVL
Cash flow from operating activities		
Profit or losses before taxes	2 703 623	2 706 737
<u>Adjustments for:</u>		
depreciation of fixed and intangible assets	1 195 824	1 206 349
profit from disposal of fixed assets	3 683	4 976
changes in provisions	200 310	17 762
foreign exchange (gains)/losses	27 421	300 758
interest expenses	784 775	433 033
interest income	(544 892)	-
Cash flow prior to changes in current assets and liabilities	4 370 744	4 669 615
Inventory (increase)/decrease	(1 114 438)	(560 849)
Account receivable (increase)/decrease	2 483 159	(2 388 512)
Account payable increase/(decrease)	(2 156 094)	1 332 009
Gross cash flow generated from operating activities	3 583 371	3 052 263
Interest payments	(783 619)	(870 203)
Corporate income tax paid	(715 214)	(546 372)
Net cash flow generated from operating activities	2 084 538	1 635 688
Cash flow from investing activities		
Acquisition of fixed and intangible assets	(245 047)	(455 234)
Loans issued	-	(436 000)
Loans interest received	22 438	17 950
Net cash flow generated from investing activities	(222 609)	(873 284)
Cash flow from financing activities		
Changes in credit lines	387 127	1 191 983
Borrowings repaid	(2 538 414)	(2 252 836)
Samaksāti procenti	210 000	
Net cash flow generated from financing activities	(1 941 287)	(1 060 853)
Net increase / (decrease) in cash and cash equivalents	(79 358)	(298 449)
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	23 636	103 983

AS "Latvijas balzams"

	01.01.2011 – 30.09.2011	01.01.2010 – 30.09.2010
1. Net sales	LVL	LVL
Sales of drinks in local market	25 655 903	27 031 701
Export of drinks and services	20 988 603	25 499 067
Other sales (spirits, raw materials)	45 326	7 689
TOTAL	46 689 832	52 538 457

2. Cost of Sales

Materials	36 942 414	39 726 181
Salary expenses	1 120 303	1 083 851
Energy resources	409 962	375 194
Mandatory state social insurance contributions	267 811	259 532
Natural recourse tax	161 656	189 679
Changes in accrued expenses on unused annual leave	(27 539)	6 925
Changes of inventory value of finished goods	(1 158 183)	249 236
Goods purchased	13 261	34 417
Other variable costs	419 383	794 693
Variable costs total:	38 149 069	42 719 709
Depreciation of non-current assets	966 923	970 033
Salary expenses	584 994	584 470
Services for production needs	116 034	340 681
Repair expenses	243 494	255 704
Mandatory state social insurance contributions	138 902	138 674
Insurance payments	53 839	48 750
Laboratory expenses	25 687	22 611
Changes in accrued expenses on unused annual leave	(4 725)	(7 061)
Other production expenses	76 779	79 835
Fixed costs total:	2 201 929	2 433 695
TOTAL	40 350 997	45 153 404

3. Distribution expenses

Advertising expenses	660 793	683 033
Salary expenses	745 697	719 830
Transportation expenses	328 761	297 156
Mandatory state social insurance contributions	178 252	172 263
Depreciation of non-current assets	152 213	154 300
Warehouse maintenance expenses	88 921	83 837
Changes in accrued expenses on unused annual leave	(12 349)	(9 334)
Other distribution expenses	210 547	210 551
TOTAL	2 352 835	2 311 636

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4. Administrative expenses	01.01.2011 – 30.09.2011	01.01.2010 – 30.09.2010
	LVL	LVL
Salary expenses	775 816	753 279
Management services	230 660	281 638
Mandatory state social insurance contributions	86 414	176 285
Professional fees	50 229	61 938
Depreciation of non-current assets	47 985	54 886
Representations	15 827	46 701
Office expenses	25 373	29 809
Communication and postal expenses	24 430	29 422
Business trips	13 933	14 534
IT maintenance	20 332	11 274
Financial help, sponsorship	3 660	22 080
Transportation	11 414	14 263
Healthcare, health insurance	3 044	4 718
Personnel education and trainings	9 124	3 038
Changes in accrued expenses on unused annual leave	-16 051	8 179
Other administrative expenses	123 963	153 531
	1 426 152	1 665 576
	1 426 152	1 665 576

AS “Latvijas balzams”

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 – 30.09.11



Currency: LVL

Open	1,970 LVL
Max	3,488 LVL
Min	1,899 LVL
Last	2,303 LVL
Change	17,801 %
Deals	817
No of shares traded	120 069
Turnover	308 886,18LVL