

**JOINT STOCK COMPANY LATVIJAS BALZAMS**

(ENTERPRISE REGISTER NUMBER LV40003031873)

**CONDENSED FINANCIAL STATEMENTS** *(NOT AUDITED)*

FOR THE YEAR OF 2014

PREPARED UNDER INTERNATIONAL ACCOUNTING STANDARDS

Riga, 2015

## Management Report

### 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 JSC Latvijas balzams from October 2014 is AMBER BEVERAGE GROUP LLC which owns 89.53% of the Company's equity capital.

JSC Latvijas balzams is the largest producer of alcoholic beverages in the Baltic States with a range of more than 100 different products. 73% of our production is exported to more than 160 export markets, as mediated by SPI Group, and an additional 30 markets via the Company's direct export route.

### The Company's Activity in 2014

The unaudited turnover of the Company in 2014 was 73.7 million Euros, which is 4.8% more than in 2013. The growth of turnover influenced by significant increase in sales in export markets, for example, orders of *SPI Group* has increased by 6.4%. The most significant increase in sales was achieved in the Baltic countries (+22%) and Norway (+5%), and also in *Travel Retail and Duty free* market (+8%). Continuing purposeful growth in strategically significant markets, the Company has successfully expanded assortment and developed in China's market, and also led the foundation for future growth in the USA and UK markets.

The unaudited profit for the reporting period reached 7.1 million Euros, which represents 14% growth *versus* 2013. The result was achieved through focused development of the beverage portfolio, volume growth in strategically significant export markets and production process efficiency.

During 2014, JSC Latvijas balzams paid 53.5 million Euros into the state budget, including excise tax, amounting to 39.2 million Euros.

### Outlook of Future Activities

The Company will continue purposeful focus on achieve of settled objectives in both domestic and export markets. Our priorities still will be beverage portfolio consummate with the focus on exportable beverages and internationally acknowledged brands, as well as focus on implementation of effective production strategy to increase the Company's competitiveness.

In cooperation with subsidiary company Daugavgrivas 7 LLC, the Company is planning in the future to set up the museum and show rooms to promote the dialogue with consumers and give the opportunity to present the JSC Latvijas balzams produced brands and their history.

By active participation in the Industry Association and cooperating with non-governmental organizations, the Company will represent the interests of industry in the dialogue with legislators and law enforcement institutions, and promote advised policy development in the alcohol market. The Company will continue to focus on activities of combating non-commercial alcoholic beverages and to focus on the public education on these issues.

JSC „Latvijas balzams”  
Chairman of the Board



Guntis Āboliņš - Āboliņš

Rīga, February 27<sup>th</sup>, 2015

Rīga  
27.02.2015.

### **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 Āboliņš - Āboliņš

## MANAGEMENT

### Names and positions of Council members:

Aigars Kalvītis – Chairman of the Council

Valery Mendelev – Vice Chairman of the Council

Pjotrs Avens – Member of the Council

David Ronald Surbey – Member of the Council

Seymour Ferreira - Member of the Council

Boelen Sebastianus Antonius Theodorus – Member of the Council

### Names and positions of Board members:



Guntis Āboliņš-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 (until 19.01.2015.)  
Director of human resources department of JSC Latvijas balzams



Līga Slenģe – Member of the Board (from 19.01.2015.)  
Human resources director of Amber Beverage Group LLC



Jekaterina Stučē – Member of the Board (from 19.01.2015.)  
Financial director of Amber Beverage Group LLC

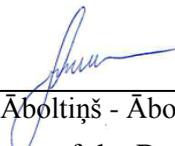
Reporting period

1st January – 31st December 2014

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

## Income statement for the period ended December 31, 2014

	Notes	01.01.2014 - 31.12.2014 EUR	01.01.2013 - 31.12.2013 EUR
Revenue	1	73 745 723	70 368 874
Cost of sales	2	(57 582 564)	(56 221 488)
<b>Gross profit</b>		<b>16 163 159</b>	<b>14 147 386</b>
Distribution expenses	3	(4 962 416)	(4 126 709)
Administrative expenses	4	(3 705 767)	(3 438 379)
Other income		776 914	260 117
Other expenses		(172 685)	(168 474)
Finance income		1 433 979	1 342 334
Finance costs		(765 746)	(758 152)
<b>Profit before tax</b>		<b>8 767 439</b>	<b>7 258 123</b>
Corporate income tax		(1 665 813)	(1 029 364)
<b>Net profit</b>		<b>7 101 625</b>	<b>6 228 759</b>

  
Guntis Āboliņš - Āboliņš  
Chairman of the Board

## Balance sheet as at December 31, 2014

<u>ASSETS</u>	31.12.2014 EUR	31.12.2013 EUR
<b>Non-current assets</b>		
Intangible assets	399 301	209 956
Property, plant and equipment	18 875 280	18 888 414
Loans to group companies	43 566 129	37 051 670
Other non-current assets	34 149	34 149
<b>Total non-current assets:</b>	<b>62 874 858</b>	<b>56 184 189</b>
<b>Current assets</b>		
Inventories	22 839 335	21 361 814
Trade receivables	1 472 185	930 195
Receivables from group companies	44 667 753	52 018 765
Other current assets	738 508	550 816
Corporate income tax	-	220 199
Cash and cash equivalents	392 182	25 740
<b>Total current assets:</b>	<b>70 109 963</b>	<b>75 107 529</b>
<b><u>Total assets</u></b>	<b><u>132 984 822</u></b>	<b><u>131 291 718</u></b>
<b><u>EQUITY AND LIABILITIES</u></b>		
<b>Equity</b>		
Share capital	10 667 128	10 667 128
Share premium	87 887	87 887
Revaluation reserves of non-current assets	12 600 197	12 600 197
Retained earnings	63 856 692	56 755 065
<b>Total equity:</b>	<b>87 211 903</b>	<b>80 110 276</b>
<b>Liabilities:</b>		
<b>Non-current liabilities:</b>		
Borrowings	6 871 863	3 037 518
Deferred income tax liabilities	1 863 986	1 863 986
<b>Total non-current liabilities:</b>	<b>8 735 849</b>	<b>4 901 504</b>
<b>Current liabilities:</b>		
Borrowings	15 669 753	22 301 560
Other borrowings	73 128	-
Trade payables	2 256 882	5 666 743
Payables to group companies	1 547 117	3 051 045
Current corporate income tax payables	438 346	-
Other liabilities	17 051 844	15 260 590
<b>Total current liabilities:</b>	<b>37 037 070</b>	<b>46 279 938</b>
<b>Total liabilities:</b>	<b>45 772 919</b>	<b>51 181 442</b>
<b><u>Total equity and liabilities:</u></b>	<b><u>132 984 822</u></b>	<b><u>131 291 718</u></b>

  
 Guntis Āboliņš - Āboliņš  
 Chairman of the Board

## Statement of changes in equity for the period ended December 31, 2014

	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
<b>31.12.2012</b>	<b>10 667 128</b>	<b>87 887</b>	<b>11 114 579</b>	<b>0</b>	<b>50 525 595</b>	<b>72 395 188</b>
Net profit	-	-	-	-	6 228 759	6 228 759
Other income / (loss)	-	-	-	-	-	-
Disposal of property, plant and equipment	-	-	-	-	-	-
Revaluation of property, plant and equipment	-	-	1 748 496	-	-	1 748 496
Changes in deferred income tax liabilities	-	-	(262 167)	-	-	(262 167)
Disposals of revalued property, plant and equipment	-	-	(711)	-	711	-
<b>31.12.2013</b>	<b>10 667 128</b>	<b>87 887</b>	<b>12 600 197</b>	<b>0</b>	<b>56 755 065</b>	<b>80 110 276</b>
<b>31.12.2013</b>	<b>10 667 128</b>	<b>87 887</b>	<b>12 600 197</b>	<b>0</b>	<b>56 755 065</b>	<b>80 110 276</b>
Net profit	-	-	-	-	7 101 625	7 101 625
Other income / (loss)	-	-	-	-	-	-
Disposal of property, plant and equipment	-	-	-	-	-	-
Revaluation of property, plant and equipment	-	-	-	-	-	-
Changes in deferred income tax liabilities	-	-	-	-	-	-
Disposals of revalued property, plant and equipment	-	-	-	-	-	-
<b>31.12.2014</b>	<b>10 667 128</b>	<b>87 887</b>	<b>12 600 197</b>		<b>63 856 692</b>	<b>87 211 903</b>

## Cash flow statement for the period ended December 31, 2014

	<b>01.01.2014 - 31.12.2014</b>	<b>01.01.2013 - 31.12.2013</b>
	<b>EUR</b>	<b>EUR</b>
<b>Cash flow from operating activities</b>		
Profit or losses before taxes	8 907 379	7 391 473
<u>Adjustments for:</u>		
depreciation of fixed and intangible assets	2 033 797	1 967 337
profit from disposal of fixed assets	56 819	12 642
profit on disposal of fixed assets	-	(180 356)
changes in provisions	(124 387)	(244 343)
interest expenses	765 746	758 152
interest income	(1 427 505)	(1 341 014)
<b>Cash flow prior to changes in current assets and liabilities</b>	<b>10 211 849</b>	<b>8 363 891</b>
Inventory (increase)/decrease	(1 200 358)	2 578 113
Account receivable (increase)/decrease	1 337 396	(7 646 694)
Account payable increase/(decrease)	(3 029 780)	(234 256)
<b>Gross cash flow generated from operating activities</b>	<b>7 319 107</b>	<b>3 061 054</b>
Interest payments	(757 627)	(759 889)
Corporate income tax paid	(1 007 267)	(1 601 700)
<b>Net cash flow generated from operating activities</b>	<b>5 554 213</b>	<b>699 465</b>
<b>Cash flow from investing activities</b>		
Acquisition of fixed and intangible assets	(2 318 001)	(450 333)
Loans repayed	198 995	60 000
Revenue of fixed and intangible assets sales	51 174	-
Loans interest received	65 407	50 014
<b>Net cash flow generated from investing activities</b>	<b>(2 002 425)</b>	<b>(340 320)</b>
<b>Cash flow from financing activities</b>		
Changes in credit lines	(2 561 010)	1 734 639
Borrowings repaid	(1 207 275)	(2 151 223)
Financial leasing	582 939	(9 721)
<b>Net cash flow generated from financing activities</b>	<b>(3 185 346)</b>	<b>(426 305)</b>
<b>Net increase / (decrease) in cash and cash equivalents</b>	<b>366 442</b>	<b>(67 160)</b>
<b>Cash and cash equivalents at the beginning of the financial year</b>	<b>25 740</b>	<b>92 899</b>
<b>Cash and Cash equivalents at the end of the financial year</b>	<b>392 182</b>	<b>25 740</b>

	01.01.2014 – 31.12.2014 EUR	01.01.2013 – 31.12.2013 EUR
<b>1. Net sales</b>		
Production of alcoholic drinks	70 699 026	67 946 126
Excise warehouse services, storage and office rental	848 618	838 725
Other services	908 286	664 495
Sales of other goods and materials	1 289 793	919 528
<b>TOTAL</b>	<b>73 745 723</b>	<b>70 368 874</b>
<b>2. Cost of Sales</b>		
Materials	46 951 569	43 370 009
Changes of inventory value of finished goods	(1 041 407)	2 459 349
Salary expense	2 826 474	2 381 105
Goods purchased	1 342 807	1 455 118
Energy resources	968 961	969 969
Mandatory state social insurance contributions	659 956	567 003
Natural recourse tax	382 437	396 253
Changes in provision for receivables, inventories and other accrued liabilities	(97 305)	(244 343)
Accrued expenses on unused annual leave (variable)	60 362	(31 167)
Other variable costs	1 426 102	1 058 437
<b>Variable costs total:</b>	<b>53 479 956</b>	<b>52 381 733</b>
Depreciation of non-current assets	1 528 458	1 596 553
Salary expense	1 208 604	1 128 357
Repair expenses	422 136	449 110
Mandatory state social insurance contributions	278 364	265 589
Insurance payments	76 667	67 848
Laboratory expenses	57 812	45 286
Accrued expenses on unused annual leave (fixed)	16 898	(10 447)
Net income from revaluation of property, plant and equipment	-	(180 356)
Other fixed expenses	513 669	477 815
<b>Fixed costs total:</b>	<b>4 102 608</b>	<b>3 839 755</b>
<b>TOTAL</b>	<b>57 582 564</b>	<b>56 221 488</b>
<b>3. Distribution expenses</b>		
Salary expense	1 821 633	1 553 326
Advertising expenses	604 596	682 287
Transport costs	696 981	618 754
Mandatory state social insurance contributions	425 386	371 084
Depreciation of non-current assets	402 772	281 141
Warehouse maintenance expenses	352 695	153 048
Accrued expenses on unused annual leave	64 907	(22 352)
Other expenses	593 447	489 421
<b>TOTAL</b>	<b>4 962 416</b>	<b>4 126 709</b>

<b>4. Administrative expenses</b>	<b>01.01.2014 –</b>	<b>01.01.2013 –</b>
	<b>31.12.2014</b>	<b>31.12.2013</b>
	<b>EUR</b>	<b>EUR</b>
Salary expense	1 594 608	1 665 747
Mandatory state social insurance contributions	232 379	395 389
Management services and expenses	694 770	363 356
Real estate tax	139 941	132 640
Professional service costs	98 652	113 585
Depreciation of non-current assets	102 567	89 614
Financial support, sponsorship	10 293	84 813
Office expenses	73 177	51 882
Communication and postal expenses	51 072	48 186
Business trip expenses	58 493	36 889
Representation expenses	47 106	34 120
Employee training	8 971	24 842
Computer maintenance	26 460	23 988
Transport costs	22 231	21 538
Accrued expenses on unused annual leave	24 051	(8 184)
Healthcare, health insurance	14 526	7 177
Other expenses	506 470	352 797
	<b><u>3 705 767</u></b>	<b><u>3 438 379</u></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 01.01.14 – 31.12.14.



	EUR
Open	2.450
Max	4.330
Min	2.160
Last	3.160
Change	+22.7%
Deals	1 029
No of shares traded	143 589
Turnover	418 767