

AS “LATVIJAS BALZAMS”

(Registration number 40003031873)

CONDENSED FINANCIAL STATEMENTS (NOT AUDITED)
for the first 6 months of 2016

prepared in accordance with
International Financial Reporting Standards as adopted by the EU

Riga, 2016

AS Latvijas balzams
Address: A.Čaka iela, Rīga,
LV-1012
Reg. number: 40003031873

INFORMATION ON THE COMPANY

Name of the Company	Latvijas balzams
Legal status of the Company	Joint stock company
Number, place and date of registration	Companies register Nr. 40003031873 Rīga, 2 October 1991 Re-registered on 20 October 1998 Commercial register Rīga, 19 June 2014
Address	A. Čaka street 160 Rīga, LV- 1012 Latvia
Main business activities	Production of alcoholic beverages NACE2 11.01
Parent company	SIA “Amber Beverage Group” (89.99%)
Names and positions of the Council members:	Rolands Gulbis – Chairman of the Council (from 12.11.2015.) Oļegs Alainis – Vice Chairman of the Council (from 12.11.2015) Sergejs Ļimarenko – Member of the Council (from 12.11.2015) Pjotr Aven – Member of the Council Valizhan Abidov – Member of the Council (from 21.05.2015) Oļegs Alainis – Member of the Council (from 21.05.2015 until 11.11.2015) Aigars Kalvītis – Chairman of the Council (until 11.11.2015) Sergejs Ļimarenko – Vice Chairman of the Council (from 21.05.2015 until 11.11.2015) Valery Mendelev – Vice Chairman of the Council (until 20.05.2015) David Ronald Surbey – Member of the Council (until 20.05.2015) Seymour Paul Ferreira – Member of the Council (until 20.05.2015) Sebastianus Antonius Theodorus Boelen – Member of the Council (until 20.05.2015)
Names and positions of the Board members:	Intars Geidāns – Chairman of the Board (from 03.03.2016.) Ronalds Žarinovs – Member of the Board Jekaterina Stūģe – Member of the Board Seymour Paul Ferreira – Chairman of the Board (from 01.09.2015. until 02.03.2016.) Guntis Ābolītiņš – Āboliņš – Chairman of the Board (until 31.08.2015.) Intars Geidāns – Member of the Board (until 02.03.2016.) Sergejs Ļimarenko – Member of the Board (until 25.04.2015.) Līga Sļeņģe – Member of the Board (from 30.12.2014. until 20.05.2015.)

REPORT OF THE MANAGEMENT

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 Latvijas balzams AS from October 2014 is Amber Beverage Group SIA, which owns 89.99% of the Company's equity capital.

Latvijas balzams AS is the largest producer of alcoholic beverages in the Baltic States with a range of more than 100 different products. Our production is exported to more than 160 export markets as mediated by Stoli Group, and to 42 markets via the Company's direct export route.

The Company's Activity in the first half of 2016

The unaudited turnover of the Company in the first half of 2016 was 34.9 million Euros, which is 0.2% less than in the first half of 2015. The unaudited profit for the reporting period reached 2.9 million euro that represents 14% decrease versus the first half of 2015.

Profit drop has been impacted by decrease of sales in the most profitable markets. To compensate production and sales volume drop during first half of 2016, Latvijas balzams has started providing an additional services – using employee competence and warehouse resources, from beginning of 2016 Company are providing warehousing and logistics services, mostly to alcohol beverage companies – like transit assurance service, bonded warehouse services, 3PL services, value added services, picking, etc. Actions taken has allowed to maintain same turnover and more efficient use of available resources and assets.

Latvijas balzams AS is the leading producer of alcoholic beverages in Latvia, as well as one of the largest local taxpayers. During the first half of 2016, Latvijas balzams AS paid 25.6 million euro to the state budget, including excise tax, amounting to 19.5 million euro.

Share market

In 2016 the Company's share price fluctuated from 5.40 to 9.00 euro. Total amount of shares traded was 130 thousands.




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Future prospects

As Latvijas Balsams's outlook for the year ahead is one of caution as the impact of the situation in Russia, with the price of oil coupled with the slow down in China and the uncertainty around the EU is expected to dampen growth in 2016.

The Company will continue its purposeful focus on the achievement of objectives in both domestic and export markets. Our priorities will continue to be to focus on our domestic business, on building our international brands, and on implementation of effective production strategy to increase the Company's competitiveness.

Latvijas Balsams AS actively participates in the Industry Association and cooperate with non-governmental organizations, represents the interests of industry in any dialogue with legislators and law enforcement institutions and promotes a responsible policy of development of the alcohol market and focuses on the public education on these issues. For example, Latvijas Balsams AS will continue to combat the illegal production and distribution of non-commercial alcoholic beverages.



Intars Geidāns
Chairman of the Board

Rīga, 30 August, 2016

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LATVIJAS  BALZAMS

DECLARATION OF THE 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.

Intars Geidāns
Chairman of the Board



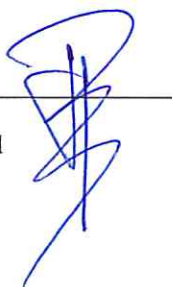
Rīga, 30 August, 2016

INCOME STATEMENT

	Notes	01.01.2016 - 30.06.2016 EUR	01.01.2015 - 30.06.2015 EUR
Revenue	1	34 903 027	34 983 882
Cost of sales	2	(27 818 224)	(27 197 327)
Gross profit		7 084 803	7 786 555
Distribution expenses	3	(2 724 987)	(2 892 894)
Administrative expenses	4	(2 141 233)	(1 856 091)
Other operating income		1 100 698	856 343
Other operating expenses		(218 900)	(201 536)
Interest and similar income		688 297	766 643
Interest and similar expense		(203 752)	(284 910)
Profit before tax		3 584 926	4 174 110
Corporate income tax		(681 136)	(793 081)
Net profit		2 903 790	3 381 029

Intars Geidāns
Chairman of the Board

Rīga, 30 August, 2016



STATEMENT OF FINANCIAL POSITION

	30.06.2016	31.12.2015
	EUR	EUR
<u>ASSETS</u>		
Non-current assets		
Intangible assets	611 713	603 823
Property, plant and equipment	11 059 345	10 513 300
Investment property	693 453	703 169
Loans to group companies	36 755 729	41 505 730
Receivables from group companies	-	6 000 000
Deferred income tax assets	945 680	945 680
Other non current assets	960 148	1 187 320
Total non-current assets:	51 026 068	61 459 022
Current assets		
Inventories	24 392 672	19 976 909
Trade receivables	647 635	625 461
Receivables from group companies	38 711 482	33 465 601
Other current assets	291 514	821 279
Corporate income tax	-	1 487 434
Cash and cash equivalents	38 064	24 471
Total current assets:	64 081 367	56 401 155
<u>Total assets</u>	<u>115 107 435</u>	<u>117 860 177</u>
<u>EQUITY AND LIABILITIES</u>		
Equity		
Share capital	10 495 660	10 495 660
Share premium	87 887	87 887
Revaluation reserves of derivative financial instruments	(69 951)	(69 951)
Reserves	(2 992 951)	(2 992 951)
Retained earnings	78 613 694	75 709 904
Total equity:	86 134 339	83 230 549
Liabilities		
Non-current liabilities		
Borrowings	11 064 672	10 846 085
Deferred income tax liabilities	-	-
Derivative financial instruments	82 295	82 295
Total non-current liabilities:	11 146 967	10 928 380
Current liabilities		
Borrowings	1 651 177	3 257 789
Trade payables	3 075 373	3 538 661
Payables to group companies	938 580	4 753 547
Current corporate income tax payables	62 081	-
Other liabilities	12 098 918	12 151 251
Total current liabilities:	17 826 129	23 701 248
Total liabilities:	28 973 096	34 629 628
<u>Total equity and liabilities</u>	<u>115 107 435</u>	<u>117 860 177</u>

Intars Geidāns
 Chairman of the Board



Rīga, 30 August, 2016

STATEMENT OF CHANGES IN EQUITY

	Share capital	Share premium	Reserves	Revaluation reserves of derivative financial instru- ments	Retained earnings	Total
	EUR	EUR	EUR	EUR	EUR	EUR
31.12.2014.	10 667 128	87 887	-	(78 212)	68 644 408	79 321 211
Net profit	-	-	-	-	3 381 029	3 381 029
Total comprehensive income	-	-	-	-	3 381 029	3 381 029
30.06.2015.	10 667 128	87 887	-	(78 212)	72 025 437	82 702 240
31.12.2015.	10 495 660	87 887	(2 992 951)	(69 951)	75 709 904	83 230 549
Net profit	-	-	-	-	2 903 790	2 903 790
Total comprehensive income	-	-	-	-	2 903 790	2 903 790
30.06.2016.	10 495 660	87 887	(2 992 951)	(69 951)	78 613 694	86 134 339

CASH FLOW STATEMENT

	01.01.2016 - 30.06.2016	01.01.2015 - 30.06.2015
	EUR	EUR
Cash flow from operating activities		
Profit for the period before taxation from continuing operations	3 584 926	4 174 110
<u>Adjustments for:</u>		
Depreciation and amortisation	652 338	589 954
Net loss on sales and disposal of fixed assets and intangibles	(531 706)	-
Provisions	118 316	750 839
Interest income	(688 297)	(766 643)
Interest expense	203 752	344 739
<u>Changes in working capital:</u>		
Decrease / (Increase) in inventories	(4 531 431)	(2 456 073)
Decrease / (Increase) in trade and other receivables	5 374 123	(2 183 596)
Increase / (Decrease) in trade and other payables	(2 840 710)	3 965 415
Cash generated from operations	1 341 311	4 418 745
Interest paid	(206 196)	(344 739)
Corporate income tax paid	(619 055)	(613 254)
Net cash generated by operating activities	516 060	3 460 752
Cash flow from investing activities		
Acquisition of property, plant and equipment and intangible assets	(1 335 104)	(740 693)
Proceeds from sales of property, plant and equipment	670 253	-
Loans repayment received	4 750 001	-
Interest received	-	-
Net cash flow generated from investing activities	4 085 150	(740 693)
Cash flow from financing activities		
Changes in credit lines (net)	(3 316 390)	(6 794 518)
Borrowings received	346 441	-
Borrowings repaid	(1 463 224)	3 807 369
Finance lease payments	(154 444)	(83 482)
Net cash flow generated from financing activities	(4 587 617)	(3 070 631)
Net increase / (decrease) in cash and cash equivalents	13 593	(350 572)
Cash and cash equivalents at the beginning of the period	24 471	398 187
Cash and cash equivalents at the end of the period	38 064	47 615

NOTES

(1) Revenue

	01.01.2016 - 30.06.2016	01.01.2015 - 30.06.2015
	EUR	EUR
Production of alcoholic drinks	31 207 502	33 373 209
Sales of other goods and materials	1 746 047	984 918
Other services	1 949 478	625 755
	<u>34 903 027</u>	<u>34 983 882</u>

(2) Cost of sales

	01.01.2016 - 30.06.2016	01.01.2015 - 30.06.2015
	EUR	EUR
Materials	21 037 701	19 658 084
Changes of inventory value of finished goods	(352 863)	1 440 666
Salary expense	2 363 659	2 680 472
Goods purchased	1 777 952	39 492
Mandatory state social insurance contributions	548 425	567 569
Depreciation of non-current assets	447 504	486 835
Energy resources	409 754	485 305
Repair and maintenance expenses	395 725	330 740
Management of packaging	172 279	118 033
Changes in provision for inventories	-	39 103
Insurance payments	27 230	22 995
Laboratory expenses	15 967	1 467
Accrued expenses on unused annual leave	64 801	85 888
Other costs	910 090	1 240 678
	<u>27 818 224</u>	<u>27 197 327</u>

(3) Distribution expenses

	01.01.2016 - 30.06.2016	01.01.2015 - 30.06.2015
	EUR	EUR
Advertising and sales promotion expenses	415 863	674 596
Salary expenses	856 023	799 349
Transportation expenses	335 195	371 328
Warehouse maintenance expenses	511 216	352 089
Mandatory state social insurance contributions	200 616	193 530
Depreciation of non-current assets	105 203	65 070
Accrued expenses on unused annual leave	25 464	22 640
Other expenses	275 407	414 292
	<u>2 724 987</u>	<u>2 892 894</u>

(4) Administrative expenses

	01.01.2016 - 30.06.2016	01.01.2015 - 30.06.2015
	EUR	EUR
Management services and expenses *	958 649	456 177
Salary expenses	396 445	610 068
Depreciation of non-current assets	136 749	38 048
Mandatory state social insurance contributions	68 450	130 128
Real estate tax	85 872	70 376
Professional service costs	42 443	52 603
Communication and postal expenses	42 371	38 933
Bank commissions	8 883	41 798
Computer maintenance	28 233	26 487
Business trip expenses	18 325	27 710
Office expenses	32 592	18 406
Transport costs	26 879	10 301
Representation expenses	8 888	24 297
Financial support, sponsorship	1 501	20 000
Other expenses	284 953	290 759
	<u>2 141 233</u>	<u>1 856 091</u>

* As of June 2015 the Company's management and administrative functions were transferred to the parent company Amber Beverage Group SIA. This organizational structure of group companies economic activities allows the maximum optimization of group's management and administrative processes. As well as it enables Latvijas balzams AS to focus on the production process, to produce and offer in the market high value and high quality products.