

JOINT STOCK COMPANY LATVIJAS BALZAMS
(ENTERPRISE REGISTER NUMBER LV40003031873)

UNAUDITED FINANCIAL STATEMENTS
FOR THE FIRST 6 MONTHS OF 2009

PREPARED IN ACCORDANCE WITH REPUBLIC OF LATVIA STANDARDS OF
BOOKKEEPING

Riga, 2009

MANAGEMENT

Names and positions of Council members

Alexander Kovalev – Chairman of the Council

Vitolds Kokars – Chairman's of the Council Deputy, Member of inspection committee

Pjotr Aven – Member of the Council

Andrey Skurikhin – Member of the Council

Valizhan Abidov– Member of the Council

Alexander Yernev - Member of the Council, Member of inspection committee

Names and positions of Board members

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

Valery Parshikov – Member of the Board

Ronalds Zarinovs – Member of the Board
Production director of AS Latvijas balzams

Sergey Limarenko – Member of the Board
Chief of internal security department of AS Latvijas balzams

Signe Bidermane – Member of the Board
Director of human resources department of AS Latvijas balzams

Reporting period

1 January – 30 June 2009

AS “Latvijas balzams”

Management report

Field of activity

The enterprise was founded in 1900, but the actual name it has got since 1970. Today, AS “Latvijas balzams” is a leading producer of alcoholic beverages. Totally, company produces more than 130 different kinds of alcoholic beverages. AS “Latvijas balzams” major shareholder is “S.P.I. Distilleries. B.V.” which owns 89.52% shares of the company’s equity capital.

The activity of enterprise in 1st half year of 2009

AS “Latvijas balzams” is the biggest producer of alcoholic beverages in Latvia, as well as one of the largest taxpayers in Latvia. During first six months of 2009 AS “Latvijas balzams” paid 21.9 millions lats to the state budget, including excise tax amounting to 16.5 million lats.

The unaudited turnover of the company in the first six months of year 2009 was 39.3 million lats, which is by 18.3% less than during first six months of 2008. The decrease in turnover at local market was 20% as compared to the same period in 2008. In comparison with 2008, the export market sales decreased by 15.9%, or 3 168 thousands lats. During the first six months of year 2009, the sales to the EU countries decreased by 9.9% in comparison with the same period in 2008. Sales to Lithuania decreased by 24.9% and to Estonia increased by 19.1% as compared to the same period in 2008. Fall of sales is connected with rise of excise tax, illegal alcohol trade and decrease of economical activity in the world. The top sales focus markets are Baltic States, Poland and Scandinavia; meanwhile new export markets are being acquired.

The profit for the reporting period was 1 258 thousands lats, that’s 11% less than in the first six months in 2008 (1 418 thousands lats).

Future perspectives of activity

Despite of critical economic situation in country and low citizen purchasing capacity, companies aim is to hold existing market share as well as continuation of export business development by improving existing products portfolio. For the second half year of 2009 AS “Latvijas balzams” priorities will be control of production expenses, limitation of cost increase and rise of production effectiveness.

AS Latvijas balzams
Chairman of the Board

Karlis Andersons

Riga, 28 August, 2009

A/s Latvijas balzams
Address: A. Čaka 160, Riga, LV-1012
Reg. number: LV40003031873



Riga
28.08.2009

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.

Interim Management Report contains truthful information.

A/s "Latvijas balzams"
Chairman of the Board

Karlis Andersons

Income statement for the period ended June 30, 2009

	Notes	01.01.2009 - 30.06.2009 EUR*	01.01.2008 - 30.06.2008 EUR*
Net turnover	1	55,987,292	68,524,434
Cost of sales	2	(49,358,068)	(59,217,723)
Gross profit or loss		6,629,224	9,306,711
Distribution costs	3	(2,394,576)	(3,168,043)
Administrative expenses	4	(2,261,984)	(3,820,439)
Other operating income		576,312	529,096
Interest receivable and similar income		683,895	1,270,539
Interest payable and similar expenses		(1,067,408)	(1,681,574)
Profit or loss before taxes		2,165,465	2,436,291
Corporate income tax		(315,981)	(355,949)
Other taxes		(58,922)	(63,299)
Profit or loss for the reporting year		1,790,561	2,017,043
Earnings per share (cents)		23.88	26.91

* - after currency exchange rate set by Bank of Latvia (1 EUR = 0.702804 LVL)

Karlis Andersons
Chairman of the Executive Board

Balance sheet as at June 30, 2009

		Notes	30.06.2009	30.06.2008
			EUR*	EUR*
ASSETS				
NON-CURRENT ASSETS				
Intangible fixed assets				
	Concessions, patents, licences and similar rights		816	5,122
	TOTAL		816	5,122
Tangible fixed assets				
	Land, buildings, constructions and perennial plants		24,448,604	25,420,611
	Equipment and machinery		4,979,061	5,186,175
	Other fixtures and fittings, tools and equipment		814,762	826,688
	Construction in progress		1,020,672	205,528
	Prepayments for tangible fixed assets		452,157	507,158
	TOTAL		31,715,257	32,146,160
Non-current financial assets				
	Loans to related companies		25,299,999	35,300,000.00
	Other investments		34,149	34,148.92
	TOTAL		25,334,148	35,334,148.92
	TOTAL NON-CURRENT ASSETS		57,050,221	67,485,431
CURRENT ASSETS				
Inventories				
	Raw materials		19,466,670	17,078,534
	Work in progress		896,457	916,143
	Finished goods and goods for resale		7,591,667	7,558,800
	Prepayments for goods		368,667	3,244,689
	TOTAL		28,323,462	28,798,166
Receivables				
	Trade receivables		1,371,594	821,808
	Receivables from related companies		33,031,200	22,723,038
	Other receivables		316,510	31,329
	Prepaid expense		188,704	245,699
	TOTAL		34,908,007	23,821,875
	Cash (TOTAL)		104,343	1,414,905
	TOTAL CURRENT ASSETS		63,335,812	54,034,946
	TOTAL ASSETS		120,386,032	121,520,377

* - after currency exchange rate set by Bank of Latvia (1 EUR = 0.702804 LVL)

Karlis Andersons
 Chairman of the Executive Board

EQUITY AND LIABILITIES

	Notes	30.06.2009 EUR*	30.06.2008 EUR*
CAPITAL AND RESERVES			
Share capital		10,667,128	10,667,128
Share premium		87,887	87,887
Non-current assets revaluation reserve		17,220,578	17,350,402
Retained earnings:			
brought forward		28,259,344	19,852,278
for the period		1,790,561	2,017,043
	TOTAL EQUITY	58,025,496	49,974,737
PROVISIONS FOR LIABILITIES AND CHARGES			
Deferred taxation		2,941,356	3,203,899
Other provisions		5,291,017	5,471,829
	TOTAL PROVISIONS FOR LIABILITIES AND CHARGES	8,232,373	8,675,728
LIABILITIES			
Non-current liabilities			
Loans from credit institutions		15,345,880	31,142,484
	TOTAL	15,345,880	31,142,484
Current liabilities			
Loans from credit institutions		20,926,199	13,302,757
Trade payables		3,655,992	4,761,216
Payables to related companies		1,693,701	2,549,546
Taxes payable		11,720,187	10,198,113
Other liabilities		456,669	536,277
Deferred income		322,086	372,069
Undrawn dividends of previous years		7,449	7,449
	TOTAL	38,782,283	31,727,426
	TOTAL LIABILITIES	54,128,163	62,869,911
TOTAL EQUITY AND LIABILITIES		120,386,032	121,520,377

* - after currency exchange rate set by Bank of Latvia (1 EUR = 0.702804 LVL)

Karlis Andersons
 Chairman of the Executive Board

Cash flow statement for the period ended June 30, 2009

Notes	01.01.2009 - 30.06.2009 EUR*	01.01.2008 - 30.06.2008 EUR*
Cash flows to/ from operating activities		
Net profit or loss before extraordinary items and taxes	2,165,465	2,436,291
Adjustments for:		
Amortisation and depreciation	1,321,297	1,277,453
Interest income/expense	383,693	413,783
Increase/(decrease) in provisions	(57,609)	305,777
Gain/loss from fluctuations of currency exchange rates	47,217	(306,896)
Gain/loss on disposal of fixed assets	6,534	(904)
<i>Operating profit or loss before working capital changes</i>	<i>3,866,596</i>	<i>4,125,503</i>
(Increase)/decrease in inventories	1,766,316	(2,351,597)
(Increase)/decrease in receivables	3,146,261	11,351,126
Increase/(decrease) in payables	(4,929,471)	(5,433,025)
<i>Cash generated from operations</i>	<i>3,849,702</i>	<i>7,692,007</i>
Interest paid	(1,067,407)	(1,701,760)
Corporate income tax paid	(1,185,015)	(659,372)
Net cash flows to/ from operating activities	1,597,280	5,330,875
Cash flows to/ from investing activities		
Purchase of fixed assets	(964,879)	(408,082)
Loans granted	(3,178,084)	(5,000,000)
Repayment of granted loans	3,153,084	8,300,000
Interest received	-	1,955,727
Dividends received	-	28,793
Net cash flows to/ from investing activities	(989,879)	4,876,438
Cash flows to/ from financing activities		
Net loans paid	(794,456)	(8,917,388)
Net cash flows to/ from financing activities	(794,456)	(8,917,388)
Change in cash and cash equivalents	(187,055)	1,289,924
Cash and cash equivalents at the beginning of the reporting year	291,397	124,981
Cash and cash equivalents at the end of the reporting year	104,343	1,414,905

* - after currency exchange rate set by Bank of Latvia (1 EUR = 0.702804 LVL)

Statement of changes in equity for the period ended June 30, 2009

	Share capital	Share premium	Long-term investments revaluation reserve	Retained earnings	Total
	EUR	EUR	EUR	EUR	EUR
Balance as at 1 January 2008	10,667,128	87,887	17,350,403	19,852,277	47,957,694
Profit/loss for the reporting year	-	-	-	2,017,043	2,017,043
Balance as at 30 June 2008	10,667,128	87,887	17,350,403	21,869,320	49,974,737
Balance as at 1 January 2009	10,667,128	87,887	17,220,578	28,259,344	56,234,935
Profit/loss for the reporting period	-	-	-	1,790,561	1,790,561
Balance as at 30 June 2009	10,667,128	87,887	17,220,578	30,049,905	58,025,496

* - after currency exchange rate set by Bank of Latvia (1 EUR = 0.702804 LVL)

1. Net sales

	01.01.2009 – 30.06.2009	01.01.2008 – 30.06.2008
	EUR	EUR
Sales of drinks in local market	32,110,982	40,137,341
Export of drinks and services	23,868,492	28,375,823
Other sales (spirits, raw materials)	7,819	11,271
TOTAL:	55,987,292	68,524,434

2. Cost of sales

Variable costs:	46,705,468	56,361,020
Materials	44,184,416	50,827,431
Goods bought	145,398	392,471
Salary expenses	1,148,094	1,673,178
Social insurance	275,233	401,936
Electricity	486,170	492,418
Natural resources tax	219,872	315,544
Other expenses	246,285	2,258,042
Fixed costs:	2,652,600	2,856,703
Depreciation and amortization	986,006	925,765
Salary expenses	622,313	765,439
Social insurance	148,152	182,973
Repair expenses	218,466	389,219
Services for production needs	358,769	254,811
Insurance	65,013	70,894
Laboratory and quality maintenance expenses	26,947	28,385
Other expenses	226,934	239,218
TOTAL:	49,358,068	59,217,723

3. Selling expenses

Salary expenses	739,319	1,001,175
Social insurance	177,924	239,940
Depreciation and amortization	152,789	166,638
Advertising	645,386	855,407
Transportation cost	387,294	481,087
Warehouse maintenance	90,731	120,179
Other expenses	201,132	303,617
TOTAL:	2,394,576	3,168,043

4. Administrative expenses

	01.01.2009 – 30.06.2009	01.01.2008 – 30.06.2008
	EUR	EUR
Salary expenses	741,990	1,061,416
Social insurance	174,508	150,210
Communication and postal expenses	25,723	60,107
Office expenses	34,742	44,940
Professional fees	23,374	44,440
IT maintenance	20,937	41,307
Representations	35,293	161,063
Security	0	63,999
Management services	658,196	450,815
Transportation	22,596	30,116
Business trip	20,489	12,998
Personnel education and training	2,349	10,347
Depreciation and amortization	139,627	182,256
Financial help, sponsorship	22,437	38,506
Healthcare, health insurance	4,702	7,361
Other expenses	335,021	1,460,556
TOTAL:	2,261,984	3,820,439

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 01.01.09 – 30.06.09



Currency: EUR

Open	1,47 EUR
Max	1,66 EUR
Min	1,15 EUR
Last	1,66 EUR
Change	13,59 %
Deals	249
No of shares traded	21 284
Turnover	29 518,88 EUR