

**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 1<sup>st</sup> 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 LVL	01.01.2008 - 30.06.2008 LVL
Net turnover	1	39,348,093	48,159,247
Cost of sales	2	(34,689,048)	(41,618,453)
Gross profit or loss		4,659,045	6,540,794
Distribution costs	3	(1,682,918)	(2,226,513)
Administrative expenses	4	(1,589,731)	(2,685,020)
Other operating income		405,035	371,851
Interest receivable and similar income		480,644	892,940
Interest payable and similar expenses		(750,178)	(1,181,817)
Profit or loss before taxes		1,521,897	1,712,235
Corporate income tax		(222,073)	(250,162)
Other taxes		(41,411)	(44,487)
<b>Profit or loss for the reporting year</b>		<b>1,258,413</b>	<b>1,417,586</b>
Earnings per share (in santims)		16.79	18.91

Karlis Andersons  
Chairman of the Executive Board

## Balance sheet as at June 30, 2009

ASSETS		Notes	30.06.2009 LVL	30.06.2008 LVL
<b>NON-CURRENT ASSETS</b>				
<b>Intangible fixed assets</b>				
Concessions, patents, licences and similar rights			574	3,600
TOTAL			574	3,600
<b>Tangible fixed assets</b>				
Land, buildings, constructions and perennial plants			17,182,577	17,865,707
Equipment and machinery			3,499,304	3,644,864
Other fixtures and fittings, tools and equipment			572,618	581,000
Construction in progress			717,332	144,446
Prepayments for tangible fixed assets			317,778	356,433
TOTAL			22,289,609	22,592,450
<b>Non-current financial assets</b>				
Loans to related companies			17,780,940	24,808,981
TOTAL			17,804,940	24,832,981
<b>TOTAL NON-CURRENT ASSETS</b>			<b>40,095,123</b>	<b>47,429,031</b>
<b>CURRENT ASSETS</b>				
<b>Inventories</b>				
Raw materials			13,681,254	12,002,862
Work in progress			630,034	643,869
Finished goods and goods for resale			5,335,454	5,312,355
Prepayments for goods			259,100	2,280,380
TOTAL			19,905,842	20,239,466
<b>Receivables</b>				
Trade receivables			963,961	577,570
Receivables from related companies			23,214,460	15,969,842
Other receivables			222,444	22,018
Prepaid expense			132,622	172,678
TOTAL			24,533,487	16,742,109
Cash (TOTAL)			73,332	994,401
<b>TOTAL CURRENT ASSETS</b>			<b>44,512,662</b>	<b>37,975,976</b>
<b>TOTAL ASSETS</b>			<b>84,607,785</b>	<b>85,405,007</b>

Karlis Andersons  
Chairman of the Executive Board

## EQUITY AND LIABILITIES

	Notes	30.06.2009 LVL	30.06.2008 LVL
<b>CAPITAL AND RESERVES</b>			
Share capital		7,496,900	7,496,900
Share premium		61,767	61,767
Non-current assets revaluation reserve		12,102,691	12,193,932
Retained earnings:			
brought forward		19,860,780	13,952,260
for the period		1,258,413	1,417,586
<b>TOTAL EQUITY</b>		<b>40,780,551</b>	<b>35,122,445</b>
<b>PROVISIONS FOR LIABILITIES AND CHARGES</b>			
Deferred taxation		2,067,197	2,251,713
Other provisions		3,718,548	3,845,623
<b>TOTAL PROVISIONS FOR LIABILITIES AND CHARGES</b>		<b>5,785,745</b>	<b>6,097,337</b>
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Loans from credit institutions		10,785,146	21,887,063
<b>TOTAL</b>		<b>10,785,146</b>	<b>21,887,063</b>
<b>Current liabilities</b>			
Loans from credit institutions		14,707,017	9,349,231
Trade payables		2,569,446	3,346,202
Payables to related companies		1,190,340	1,791,831
Taxes payable		8,236,994	7,167,275
Other liabilities		320,949	376,898
Deferred income		226,363	261,492
Undrawn dividends of previous years		5,235	5,235
<b>TOTAL</b>		<b>27,256,344</b>	<b>22,298,162</b>
<b>TOTAL LIABILITIES</b>		<b>38,041,490</b>	<b>44,185,225</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>84,607,785</b>	<b>85,405,007</b>

Karlis Andersons  
Chairman of the Executive Board

## Cash flow statement for the period ended June 30, 2009

Notes	01.01.2009 - 30.06.2009 LVL	01.01.2008 - 30.06.2008 LVL
<b>Cash flows to/ from operating activities</b>		
Net profit or loss before extraordinary items and taxes	1,521,897	1,712,235
Adjustments for:		
Amortisation and depreciation	928,613	897,799
Interest income/expense	269,661	290,808
Increase/(decrease) in provisions	(40,488)	214,901
Gain/loss from fluctuations of currency exchange rates	33,184	(215,688)
Gain/loss on disposal of fixed assets	4,592	(635)
<b>Operating profit or loss before working capital changes</b>	<b>2,717,459</b>	<b>2,899,420</b>
(Increase)/decrease in inventories	1,241,374	(1,652,712)
(Increase)/decrease in receivables	2,211,205	7,977,617
Increase/(decrease) in payables	(3,464,452)	(3,818,352)
<b>Cash generated from operations</b>	<b>2,705,586</b>	<b>5,405,973</b>
Interest paid	(750,178)	(1,196,004)
Corporate income tax paid	(832,833)	(463,409)
<b>Net cash flows to/ from operating activities</b>	<b>1,122,575</b>	<b>3,746,560</b>
<b>Cash flows to/ from investing activities</b>		
Purchase of fixed assets	(678,121)	(286,802)
Loans granted	(2,233,570)	(3,514,020)
Repayment of granted loans	2,216,000	5,833,273
Interest received	-	1,374,493
Dividends received	-	20,236
<b>Net cash flows to/ from investing activities</b>	<b>(695,691)</b>	<b>3,427,180</b>
<b>Cash flows to/ from financing activities</b>		
Net loans paid	(558,347)	(6,267,176)
<b>Net cash flows to/ from financing activities</b>	<b>(558,347)</b>	<b>(6,267,176)</b>
<b>Change in cash and cash equivalents</b>	<b>(131,463)</b>	<b>906,564</b>
<b>Cash and cash equivalents at the beginning of the reporting year</b>	<b>204,795</b>	<b>87,837</b>
<b>Cash and cash equivalents at the end of the reporting year</b>	<b>73,332</b>	<b>994,401</b>



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

	Share capital	Share premium	Long-term investments revaluation reserve	Retained earnings	Total
	LVL	LVL	LVL	LVL	LVL
Balance as at 1 January 2008	7,496,900	61,767	12,193,932	13,952,260	33,704,859
Profit/loss for the reporting year				1,417,586	1,417,586
Balance as at 30 June 2008	7,496,900	61,767	12,193,932	15,369,846	35,122,445
Balance as at 1 January 2009	7,496,900	61,767	12,102,691	19,860,780	39,522,138
Profit/loss for the reporting period				1,258,413	1,258,413
Balance as at 30 June 2009	7,496,900	61,767	12,102,691	21,119,193	40,780,551

# A/s Latvijas balzams

Address: A. Čaka , Rīga, LV-1012

Reg. number: LV40003031873



## 1. Net sales

	01.01.2009 – 30.06.2009	01.01.2008 – 30.06.2008
	LVL	LVL
Sales of drinks in local market	22,567,727	28,208,683
Export of drinks and services	16,774,872	19,942,642
Other sales (spirits, raw materials)	5,495	7,921
<b>TOTAL:</b>	<b>39,348,093</b>	<b>48,159,247</b>

## 2. Cost of sales

<b>Variable costs:</b>	<b>32,824,790</b>	<b>39,610,750</b>
Materials	31,052,985	35,721,722
Goods bought	102,186	275,830
Salary expenses	806,885	1,175,917
Social insurance	193,435	282,483
Electricity	341,682	346,073
Natural resources tax	154,527	221,765
Other expenses	173,090	1,586,961
<b>Fixed costs:</b>	<b>1,864,258</b>	<b>2,007,702</b>
Depreciation and amortization	692,969	650,632
Salary expenses	437,364	537,953
Social insurance	104,122	128,594
Repair expenses	153,539	273,545
Services for production needs	252,144	179,082
Insurance	45,692	49,824
Laboratory and quality maintenance expenses	18,938	19,949
Other expenses	159,490	168,123
<b>TOTAL:</b>	<b>34,689,048</b>	<b>41,618,453</b>

## 3. Selling expenses

Salary expenses	519,596	703,630
Social insurance	125,046	168,631
Depreciation and amortization	107,381	117,114
Advertising	453,580	601,183
Transportation cost	272,192	338,110
Warehouse maintenance	63,766	84,462
Other expenses	141,357	213,383
<b>TOTAL:</b>	<b>1,682,918</b>	<b>2,226,513</b>

## 4. Administrative expenses

	01.01.2009 – 30.06.2009	01.01.2008 – 30.06.2008
	LVL	LVL
Salary expenses	521,473	745,968
Social insurance	122,645	105,568
Communication and postal expenses	18,078	42,244
Office expenses	24,417	31,584
Professional fees	16,428	31,233
IT maintenance	14,715	29,031
Representations	24,804	113,196
Security	0	44,979
Management services	462,583	316,835
Transportation	15,880	21,166
Business trip	14,400	9,135
Personnel education and training	1,651	7,272
Depreciation and amortization	98,130	128,090
Financial help, sponsorship	15,769	27,062
Healthcare, health insurance	3,305	5,173
Other expenses	235,454	1,026,485
TOTAL:	1,589,731	2,685,020

## 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: LVL

Open	1,03 LVL
Max	1,17 LVL
Min	0,81 LVL
Last	1,17 LVL
Change	13,59 %
Deals	249
No of shares traded	21 284
Turnover	20 745,99 LVL