

JOINT STOCK COMPANY LATVIJAS BALZAMS
(ENTERPRISE REGISTER NUMBER LV40003031873)

CONDENSED FINANCIAL STATEMENTS *(not audited)*
FOR THE FIRST 9 MONTHS OF 2009

**PREPARED IN ACCORDANCE WITH REPUBLIC OF LATVIA STANDARDS OF
BOOKKEEPING**

Riga, 2009

MANAGEMENT

Names and positions of Council members

Aigars Kalvitis – Chairman of the Council

Val Mendelev – Chairman's of the Council Deputy

Petr Aven – Member of the Council

Andrey Skurikhin – Member of the Council

Alexander Kovalev – Member of the Council

Sebastiaan Boelen - Member of the Council

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 September 2009

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 year 2009 first nine months

AS "Latvijas balzams" is the biggest producer of alcoholic beverages in Latvia, as well as one of the largest taxpayers in Latvia. During first nine months of 2009 AS "Latvijas balzams" paid 34.2 millions lats to the state budget, including excise tax amounting to 26.3 million lats.

The unaudited turnover of the company in the first nine months of year 2009 was 60.1 million lats, which is by 23.8% less than during first nine months of 2008. The decrease in turnover at local market was 27.6% as compared to the same period in 2008. In comparison with 2008, the export market sales decreased by 18%, or 5 787 thousands lats. During the first nine months of year 2009, the sales to the EU countries decreased by 14.6% in comparison with the same period in 2008. Between them, sales to Lithuania decreased by 23.3% and to Estonia increased by 7.1% as compared to the same period in 2008. Decrease of sales is related to the increase of excise tax, illegal alcohol trade and decrease of economical activity in the region. The top focus sales markets are Baltic States, Poland and Scandinavia; meanwhile new export markets are being acquired.

The unaudited profit for the reporting period was 2 444 thousands lats, that is 22.8% less than in the first nine months of 2008 (3 165 thousands lats).

Future perspectives of activity

Despite of hard economic situation in country and low consumption power company aims to hold existing market share as well as to continue with export development by improving its product portfolio. In the last quarter of 2009 AS "Latvijas balzams" priorities will be control of production cost and increase of production effectiveness.

AS Latvijas balzams
Chairman of the Board

Karlis Andersons

Riga, 27 November, 2009

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



Riga
27.11.2009

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 September 30, 2009

	Notes	01.01.2009 - 30.09.2009	01.01.2008 - 30.09.2008
		EUR	EUR
Net turnover	1	85,534,353	112,278,604
Cost of sales	2	(74,502,510)	(96,059,728)
Gross profit or loss		11,031,843	16,218,876
Distribution costs	3	(3,707,323)	(4,939,147)
Administrative expenses	4	(3,172,120)	(6,883,023)
Other operating income		783,064	1,523,006
Interest receivable and similar income		916,014	1,865,106
Interest payable and similar expenses		(1,671,133)	(2,348,742)
Profit or loss before taxes		4,180,346	5,393,391
Corporate income tax		(613,799)	(794,766)
Other taxes		(88,352)	(94,948)
Profit or loss for the reporting year		3,478,194	4,503,677
Earnings per share (in eurocents)		46.40	60.07

Karlis Andersons
Chairman of the Executive Board

Balance sheet as at September 30, 2009

ASSETS		30.09.2009	30.09.2008
		EUR	EUR
NON-CURRENT ASSETS			
Intangible fixed assets			
Concessions, patents, licences and similar rights		570	3,724
TOTAL		570	3,724
Tangible fixed assets			
Land, buildings, constructions and perennial plants		25,214,353	24,970,671
Equipment and machinery		4,721,370	4,933,090
Other fixtures and fittings, tools and equipment		792,272	847,540
Construction in progress		233,148	395,462
Prepayments for tangible fixed assets		543,989	768,095
TOTAL		31,505,131	31,914,858
Non-current financial assets			
Loans to related companies		25,299,999	35,300,000
Deposit		34,149	34,149
TOTAL		25,334,148	35,334,149
TOTAL NON-CURRENT ASSETS		56,839,849	67,252,732
CURRENT ASSETS			
Inventories			
Raw materials		21,497,474	23,090,683
Work in progress		1,152,668	1,046,690
Finished goods and goods for resale		8,004,803	7,156,425
Purchased productin for resale		265,571	485,860
Finished products in possession		436,276	581,425
Prepayments for goods		413,302	848,674
TOTAL		31,770,094	33,209,757
Receivables			
Trade receivables		2,167,466	1,124,639
Debts of related comapnies		30,598,565	26,298,234
Other receivables		457,033	1,582,454
Next period expense		144,452	187,088
TOTAL		33,367,515	29,192,415
Cash (TOTAL)		155,212	77,133
TOTAL CURRENT ASSETS		65,292,821	62,479,305
TOTAL ASSETS		122,132,670	129,732,036

Karlis Andersons
Chairman of the Executive Board

EQUITY AND LIABILITIES

	30.09.2009	30.09.2008
	EUR	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	17,197,667
Retained earnings:		
brought forward	28,259,344	19,852,278
for the period	3,478,194	4,503,675
TOTAL EQUITY	59,713,130	52,308,635
PROVISIONS FOR LIABILITIES AND CHARGES		
Provisions for expected taxes	2,941,356	3,203,899
Other provisions	6,044,476	8,705,922
TOTAL PROVISIONS FOR LIABILITIES AND CHARGES	8,985,832	11,909,822
LIABILITIES		
Non-current liabilities		
Loans from credit institutions	15,345,880	29,611,790
TOTAL	15,345,880	29,611,790
Current liabilities		
Loans from credit institutions	23,570,010	11,729,517
Trade payables	4,613,494	6,945,393
Payables to related companies	556,001	2,617,386
Taxes payable	8,616,842	13,712,987
Other liabilities	368,159	464,109
Deferred income	355,874	424,950
Undrawn dividends of previous years	7,449	7,449
TOTAL	38,087,828	35,901,790
TOTAL LIABILITIES	53,433,708	65,513,580
TOTAL EQUITY AND LIABILITIES	122,132,670	129,732,036

Karlis Andersons
Chairman of the Executive Board

Cash flow statement for the period ended September 30, 2009

	01.01.2009 - 30.09.2009 EUR	01.01.2008 - 30.09.2008 EUR
Cash flows to/ from operating activities		
Net profit or loss before extraordinary items and taxes	4,180,346	5,393,390
Adjustments for:		
Amortisation and depreciation	1,974,984	1,919,434
Interest income/expense	755,300	486,817
Increase/(decrease) in provisions	(73,204)	2,314,765
Gain/loss from fluctuations of currency exchange rates	(72,621)	(19,032)
Gain/loss on disposal of fixed assets	6,534	38,962
Operating profit or loss before working capital changes	6,771,340	10,134,336
(Increase)/decrease in inventories	(1,680,316)	(7,196,783)
(Increase)/decrease in receivables	5,282,877	7,058,335
Increase/(decrease) in payables	(7,469,885)	1,493,156
Cash generated from operations	2,904,016	11,489,044
Interest paid	(1,671,133)	(2,348,742)
Dividends paid	-	-
Corporate income tax paid	(1,572,004)	(1,153,519)
Net cash flows to/ from operating activities	(339,122)	7,986,783
Cash flows to/ from investing activities		
Purchase of fixed assets	(1,408,440)	(1,009,971)
Proceeds from disposal of fixed assets	-	28,798
Interest received	138	1,955,729
Loans granted	(3,511,036)	(5,000,000)
Repayment of loans granted	3,153,084	8,300,000
Net cash flows to/ from investing activities	(1,766,253)	4,274,554
Cash flows to/ from financing activities		
Net loans paid	(5,287,457)	(12,309,189)
Credit line	7,256,648	-
Net cash flows to/ from financing activities	1,969,191	(12,309,189)
Change in cash and cash equivalents	(136,184)	(47,851)
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	155,213	77,130

Statement of changes in equity for the period ended September 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	17,350,402	19,852,278	47,957,694
Profit/loss for the reporting period	-	-	(152,735)	4,503,675	4,350,940
Balance as at 30 September 2008	10,667,128	87,887	17,197,667	24,355,953	52,308,635
Balance as at 1 January 2009	10,667,128	87,887	17,220,578	28,259,343	56,234,935
Profit/loss for the reporting period	-	-	-	3,478,194	3,478,194
Balance as at 30 September 2009	10,667,128	87,887	17,220,578	31,737,538	59,713,130

A/s Latvijas balzams

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**1. Net sales**

	01.01.2009 – 30.09.2009	01.01.2008 – 30.09.2008
	EUR	EUR
Sales of drinks in local market	48,441,148	66,948,976
Export of drinks and services	37,081,600	45,315,535
Other sales (spirits, raw materials)	11,605	14,093
TOTAL:	85,534,353	112,278,604

2. Cost of sales

Variable costs:	70,548,243	91,740,960
Materials	67,459,986	83,963,208
Goods bought	158,590	683,945
Salary expenses	1,887,129	2,551,885
Social insurance	452,658	612,714
Electricity	652,307	704,660
Natural resources tax	325,528	470,345
Other expenses	-387,955	2,754,203
Fixed costs:	3,954,267	4,318,767
Depreciation and amortization	1,480,543	1,401,307
Salary expenses	973,459	1,116,700
Social insurance	232,006	267,215
Repair expenses	268,375	459,424
Services for production needs	501,427	394,797
Insurance	87,328	104,407
Laboratory and quality maintenance expenses	44,467	36,103
Other expenses	366,661	538,815
TOTAL:	74,502,510	96,059,728

3. Selling expenses

Salary expenses	1,175,846	1,463,099
Social insurance	282,109	350,556
Depreciation and amortization	247,646	246,831
Advertising	1,049,253	1,457,331
Transportation cost	519,284	840,889
Warehouse maintenance	124,169	182,170
Other expenses	309,016	398,270
TOTAL:	3,707,323	4,939,147

A/s Latvijas balzams

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**4. Administrative expenses**

	01.01.2009 – 30.09.2009	01.01.2008 – 30.09.2008
	EUR	EUR
Salary expenses	1,136,451	1,473,274
Social insurance	267,709	198,082
Communication and postal expenses	43,852	77,750
Office expenses	46,299	61,098
Professional fees	36,608	151,719
IT maintenance	28,157	64,042
Representations	51,797	207,004
Security	90	64,173
Management services	668,122	662,030
Transportation	33,584	43,658
Business trip	29,884	17,082
Personnel education and training	3,842	12,574
Depreciation and amortization	178,785	271,298
Financial help, sponsorship	24,364	74,611
Healthcare, health insurance	7,284	10,588
Other expenses	615,291	3,494,041
TOTAL:	3,172,120	6,883,023

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 – 30.09.09



Currency: EUR

Open	1,47 EUR
Max	4,41 EUR
Min	1,15 EUR
Last	3,74 EUR
Change	155,34 %
Deals	607
No of shares traded	56 835
Turnover	130 844,16 EUR