

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 Mendeleev – 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

Rīga, 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
		LVL	LVL
Net turnover	1	60,113,885	78,909,852
Cost of sales	2	(52,360,662)	(67,511,161)
Gross profit or loss		7,753,223	11,398,691
Distribution costs	3	(2,605,522)	(3,471,252)
Administrative expenses	4	(2,229,378)	(4,837,416)
Other operating income		550,341	1,070,375
Interest receivable and similar income		643,779	1,310,804
Interest payable and similar expenses		(1,174,479)	(1,650,705)
Profit or loss before taxes		2,937,964	3,790,497
Corporate income tax		(431,380)	(558,565)
Other taxes		(62,094)	(66,730)
Profit or loss for the reporting year		2,444,489	3,165,202
Earnings per share (in eurocents)		32.61	42.22

Karlis Andersons
Chairman of the Executive Board

Balance sheet as at September 30, 2009

ASSETS		30.09.2009	30.09.2008
		LVL	LVL
NON-CURRENT ASSETS			
Intangible fixed assets			
Concessions, patents, licences and similar rights		400	2,618
	TOTAL	400	2,618
Tangible fixed assets			
Land, buildings, constructions and perennial plants		17,720,748	17,549,488
Equipment and machinery		3,318,198	3,466,995
Other fixtures and fittings, tools and equipment		556,812	595,654
Construction in progress		163,857	277,932
Prepayments for tangible fixed assets		382,317	539,820
	TOTAL	22,141,932	22,429,890
Non-current financial assets			
Loans to related companies		17,780,940	24,808,981
Deposit		24,000	24,000
	TOTAL	17,804,940	24,832,981
	TOTAL NON-CURRENT ASSETS	39,947,273	47,265,489
CURRENT ASSETS			
Inventories			
Raw materials		15,108,511	16,228,224
Work in progress		810,100	735,618
Finished goods and goods for resale		5,625,808	5,029,564
Purchased productin for resale		186,644	341,465
Finished products in possession		306,616	408,628
Prepayments for goods		290,470	596,451
	TOTAL	22,328,149	23,339,950
Receivables			
Trade receivables		1,523,304	790,401
Debts of related comapanies		21,504,794	18,482,504
Other receivables		321,204	1,112,155
Next period expense		101,521	131,486
	TOTAL	23,450,823	20,516,546
Cash (TOTAL)		109,084	54,209
	TOTAL CURRENT ASSETS	45,888,056	43,910,705
TOTAL ASSETS		85,835,329	91,176,194

Karlis Andersons
 Chairman of the Executive Board

EQUITY AND LIABILITIES

	30.09.2009	30.09.2008
	LVL	LVL
CAPITAL AND RESERVES		
Share capital	7,496,900	7,496,900
Share premium	61,767	61,767
Non-current assets revaluation reserve	12,102,691	12,086,589
Retained earnings:		
brought forward	19,860,780	13,952,260
for the period	2,444,489	3,165,201
TOTAL EQUITY	41,966,627	36,762,718
PROVISIONS FOR LIABILITIES AND CHARGES		
Provisions for expected taxes	2,067,197	2,251,713
Other provisions	4,248,082	6,118,557
TOTAL PROVISIONS FOR LIABILITIES AND CHARGES	6,315,279	8,370,270
LIABILITIES		
Non-current liabilities		
Loans from credit institutions	10,785,146	20,811,284
TOTAL	10,785,146	20,811,284
Current liabilities		
Loans from credit institutions	16,565,097	8,243,551
Trade payables	3,242,382	4,881,250
Payables to related companies	390,760	1,839,509
Taxes payable	6,055,951	9,637,542
Other liabilities	258,743	326,177
Deferred income	250,110	298,656
Undrawn dividends of previous years	5,235	5,235
TOTAL	26,768,278	25,231,921
TOTAL LIABILITIES	37,553,424	46,043,206
TOTAL EQUITY AND LIABILITIES	85,835,329	91,176,194

Karlis Andersons
 Chairman of the Executive Board

Cash flow statement for the period ended September 30, 2009

	01.01.2009 - 30.09.2009 LVL	01.01.2008 - 30.09.2008 LVL
Cash flows to/ from operating activities		
Net profit or loss before extraordinary items and taxes	2,937,964	3,790,496
Adjustments for:		
Amortisation and depreciation	1,388,027	1,348,986
Interest income/expense	530,828	342,137
Increase/(decrease) in provisions	(51,448)	1,626,826
Gain/loss from fluctuations of currency exchange rates	(51,038)	(13,376)
Gain/loss on disposal of fixed assets	4,592	27,383
Operating profit or loss before working capital changes	4,758,925	7,122,452
(Increase)/decrease in inventories	(1,180,933)	(5,057,928)
(Increase)/decrease in receivables	3,712,827	4,960,626
Increase/(decrease) in payables	(5,249,865)	1,049,396
Cash generated from operations	2,040,954	8,074,546
Interest paid	(1,174,479)	(1,650,705)
Dividends paid		
Corporate income tax paid	(1,104,811)	(810,698)
Net cash flows to/ from operating activities	(238,336)	5,613,143
Cash flows to/ from investing activities		
Purchase of fixed assets	(989,857)	(709,812)
Proceeds from disposal of fixed assets	-	20,239
Interest received	97	1,374,494
Loans granted	(2,467,570)	(3,514,020)
Repayment of loans granted	2,216,000	5,833,273
Net cash flows to/ from investing activities	(1,241,330)	3,004,174
Cash flows to/ from financing activities		
Net loans paid	(3,716,046)	(8,650,947)
Credit line	5,100,001	
Net cash flows to/ from financing activities	1,383,955	(8,650,947)
Change in cash and cash equivalents	(95,711)	(33,630)
Cash and cash equivalents at the beginning of the reporting year	204,795	87,837
Cash and cash equivalents at the end of the reporting year	109,084	54,207

Statement of changes in equity for the period ended September 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 period			(107,343)	3,165,201	3,057,858
Balance as at 30 September 2008	7,496,900	61,767	12,086,590	17,117,461	36,762,718
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				2,444,489	2,444,489
Balance as at 30 September 2009	7,496,900	61,767	12,102,691	22,305,269	41,966,627

1. Net sales

	01.01.2009 – 30.09.2009 LVL	01.01.2008 – 30.09.2008 LVL
Sales of drinks in local market	34,044,632	47,052,008
Export of drinks and services	26,061,097	31,847,940
Other sales (spirits, raw materials)	8,156	9,904
TOTAL:	60,113,885	78,909,852

2. Cost of sales

Variable costs:	49,581,588	64,475,914
Materials	47,411,148	59,009,679
Goods bought	111,457	480,680
Salary expenses	1,326,282	1,793,475
Social insurance	318,130	430,618
Electricity	458,444	495,238
Natural resources tax	228,783	330,560
Other expenses	-272,656	1,935,665
Fixed costs:	2,779,074	3,035,247
Depreciation and amortization	1,040,532	984,844
Salary expenses	684,151	784,821
Social insurance	163,055	187,800
Repair expenses	188,615	322,885
Services for production needs	352,405	277,465
Insurance	61,374	73,378
Laboratory and quality maintenance expenses	31,252	25,373
Other expenses	257,691	378,681
TOTAL:	52,360,662	67,511,161

3. Selling expenses

Salary expenses	826,390	1,028,272
Social insurance	198,268	246,373
Depreciation and amortization	174,047	173,474
Advertising	737,419	1,024,218
Transportation cost	364,955	590,980
Warehouse maintenance	87,266	128,030
Other expenses	217,178	279,906
TOTAL:	2,605,522	3,471,252

A/S Latvijas balzams

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Reg. number: LV40003031873



4. Administrative expenses

	01.01.2009 – 30.09.2009 LVL	01.01.2008 – 30.09.2008 LVL
Salary expenses	798,702	1,035,423
Social insurance	188,147	139,213
Communication and postal expenses	30,819	54,643
Office expenses	32,539	42,940
Professional fees	25,728	106,629
IT maintenance	19,789	45,009
Representations	36,403	145,483
Security	63	45,101
Management services	469,559	465,277
Transportation	23,603	30,683
Business trip	21,002	12,005
Personnel education and training	2,700	8,837
Depreciation and amortization	125,651	190,669
Financial help, sponsorship	17,123	52,437
Healthcare, health insurance	5,119	7,441
Other expenses	432,429	2,455,626
TOTAL:	2,229,378	4,837,416

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, OMXRG

JSC “Latvijas balzams” share price development for the period 01.01.09 – 30.09.09



Currency: LVL

Open	1,03 LVL
Max	3,10 LVL
Min	0,81 LVL
Last	2,63 LVL
Change	155,34 %
Deals	607
No of shares traded	56 835
Turnover	91 957,80 LVL