

JOINT STOCK COMPANY LATVIJAS BALZAMS
(ENTERPRISE REGISTER NUMBER LV40003031873)

CONDENSED FINANCIAL STATEMENTS *(NOT AUDITED)*
FOR THE FIRST 12 MONTHS OF 2009

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

Riga, 2010

AS “Latvijas balzams”

Management report

Field of activity

The enterprise was founded in 1900, but the actual name it has got since 1970. AS “Latvijas balzams” is a leading producer of alcoholic beverages in the Baltic States that produces more than 130 different kinds of alcoholic drinks. AS “Latvijas balzams” major shareholder is “SPI Regional Business Unit BV” which owns 89.52% of the company’s equity capital.

The activity of enterprise in year 2009

AS “Latvijas balzams” is the biggest producer of alcoholic beverages in the Baltic States as well as one of the largest taxpayers in Latvia. In 2009 AS “Latvijas balzams” paid 43 millions lats to the state budget, including excise tax amounting to 33 million lats.

The unaudited turnover of the company in 2009 was 82.4 million lats, which is 20.4% less than in 2008. The decrease in turnover in comparison with 2008 at local market was 23.7%, export market 15.9%. In 2009, the sales to the EU countries decreased by 7.8% in comparison with previous year. Sales to Lithuania decreased by 25.2%, but sales to Estonia stayed at the same level as in 2008. Decrease of sales is related to the increase of excise tax in the region countries, illegal alcohol trade and decrease of economical activity in the main markets. In 2009 the top focus sales markets were Baltic States, Poland and Scandinavia; meanwhile new export markets such as Morocco and Slovakia are being acquired.

The unaudited profit for the reporting period was 3 673 thousands lats, that is 37.8% less than in 2008.

Future perspectives of activity

Despite of hard economic situation and low consumption power in Latvia, company aims to hold existing market share as well as to continue with export development by improving its product portfolio. In 2010 AS “Latvijas balzams” priorities will be control of production costs and increase of production effectiveness.

AS Latvijas balzams
Chairman of the Board

Karlis Andersons

Riga, 25 February, 2010

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



Riga
24.02.2010.

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.

Management Report contains truthful information.

A/s "Latvijas balzams"
Chairman of the Board

Karlis Andersons

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 – 31 December 2009

Income statement for the period ended December 31, 2009

	Notes	01.01.2009 - 31.12.2009 EUR	01.01.2008 - 31.12.2008 EUR
Net turnover	1	117 291 781	147 407 427
Cost of sales	2	(101 327 526)	(126 535 920)
Gross profit or loss		15 964 256	20 871 506
Distribution costs	3	(5 272 380)	(7 312 183)
Administrative expenses	4	(3 803 814)	(4 871 523)
Other operating income		683 352	1 316 367
Interest receivable and similar income		1 134 276	3 530 001
Interest payable and similar expenses		(2 438 709)	(3 471 881)
Profit or loss before extraordinary items and taxes		6 266 982	10 062 287
Extraordinary income		-	69 790
Profit or loss before taxes		6 266 982	10 132 078
Corporate income tax		(922 289)	(1 598 416)
Other taxes		(118 389)	(126 597)
Profit or loss for the reporting year		5 226 304	8 407 065
Earnings per share (in eurocents)		69.71	112.14

Karlis Andersons
Chairman of the Executive Board

Balance sheet as at December 31, 2009

ASSETS

	31.12.2009	31.12.2008
	EUR	EUR
NON-CURRENT ASSETS		
Intangible fixed assets		
Concessions, patents, licences and similar rights	379	2 913
TOTAL	379	2 913
Tangible fixed assets		
Land, buildings, constructions and perennial plants	24 957 198	24 932 298
Equipment and machinery	4 979 612	5 441 778
Other fixtures and fittings, tools and equipment	721 653	928 255
Construction in progress	205 881	528 970
Prepayments for tangible fixed assets	6 435	243 997
TOTAL	30 870 778	32 075 297
Non-current financial assets		
Loans to related companies	35 300 000	25 300 000
Other investments	34 149	34 149
TOTAL	35 334 149	25 334 149
TOTAL NON-CURRENT ASSETS	66 205 305	57 412 358
CURRENT ASSETS		
Inventories		
Raw materials	17 153 836	20 710 352
Work in progress	740 880	689 882
Finished goods and goods for resale	6 834 718	7 013 559
TOTAL	24 729 434	28 413 792
Receivables		
Trade receivables	1 354 992	2 093 191
Receivables from related companies	26 771 651	34 315 856
Other receivables	1 041 845	176 854
Prepaid expense	106 127	178 983
TOTAL	29 274 617	36 764 885
Cash (TOTAL)	572 608	291 397
TOTAL CURRENT ASSETS	54 576 659	65 470 074
TOTAL ASSETS	120 781 964	122 882 432

Karlis Andersons
Chairman of the Executive Board

EQUITY AND LIABILITIES

	31.12.2009	31.12.2008
	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	17 220 578
Retained earnings:		
brought forward	28 259 344	19 852 279
for the period	5 226 305	8 407 065
TOTAL EQUITY	61 461 240	56 234 936
LIABILITIES		
Non-current liabilities		
Loans from credit institutions	16 550 766	15 345 880
Deferred taxation	2 941 356	2 941 356
TOTAL	19 492 122	18 287 237
Current liabilities		
Loans from credit institutions	20 459 307	21 673 441
Prepayments received from customers	-	9 081
Trade payables	5 559 146	4 532 456
Payables to related companies	800 277	3 360 240
Taxes payable	8 965 731	14 495 376
Other liabilities	322 119	453 387
Deferred income	359 894	363 742
Undrawn dividends of previous years	-	7 449
Accrued liabilities	3 362 128	3 465 090
TOTAL	39 828 602	48 360 260
TOTAL LIABILITIES	59 320 724	66 647 496
TOTAL EQUITY AND LIABILITIES	120 781 964	122 882 432

Karlis Andersons
Chairman of the Executive Board

Cash flow statement for the period ended December 31, 2009

	01.01.2009 - 31.12.2009 EUR	01.01.2008 - 31.12.2008 EUR
Cash flows to/ from operating activities		
Net profit or loss before extraordinary items and taxes	6 266 982	10 132 078
Adjustments for:		
Amortisation and depreciation	2 616 994	2 555 624
Interest income/expense	1 305 861	677 909
Increase/(decrease) in provisions	(57 771)	677 803
Gain/loss from fluctuations of currency exchange rates	(25 754)	43 398
Gain/loss on disposal of fixed assets	69 667	45 718
Operating profit or loss before working capital changes	10 175 978	14 132 530
(Increase)/decrease in inventories	3 745 554	(3 643 209)
(Increase)/decrease in receivables	(598 345)	9 147 269
Increase/(decrease) in payables	(6 378 949)	(1 611 794)
Cash generated from operations	6 944 238	18 024 796
Interest paid	(2 438 708)	(3 082 188)
Corporate income tax paid	(1 979 599)	(1 564 997)
Net cash flows to/ from operating activities	2 525 930	13 377 611
Cash flows to/ from investing activities		
Purchase of fixed assets	(1 479 230)	(1 802 113)
Proceeds from disposal of fixed assets	-	28 795
Loans granted	(3 980 583)	(5 000 000)
Repayment of granted loans	3 178 084	8 300 000
Interests recieved	20 504	1 955 727
Net cash flows to/ from investing activities	(2 261 226)	3 482 409
Cash flows to/ from financing activities		
Net loans increase/decrease	(7 034 748)	(9 246 147)
Credit line	7 051 255	(7 447 458)
Net cash flows to/ from financing activities	16 507	(16 693 604)
Change in cash and cash equivalents	281 211	166 416
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	572 608	291 397

Statement of changes in equity for the period ended December 31, 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	19 852 279	47 957 695
Profit/loss for the reporting period	-	-	-	8 407 065	8 407 065
Excluded and revaluated capital assets	-	-	(152 734)	-	(152 734)
Deferred tax changes	-	-	22 910	-	22 910
Balance as at 31 December 2008	10 667 128	87 887	17 220 578	28 259 344	56 234 936
Balance as at 1 January 2009	10 667 128	87 887	17 220 578	28 259 344	56 234 936
Profit/loss for the reporting period	-	-	-	5 226 304	5 226 304
Balance as at 31 December 2009	10 667 128	87 887	17 220 578	33 485 648	61 461 240

1. Net sales

	01.01.2009 – 31.12.2009	01.01.2008 – 31.12.2008
	EUR	EUR
Sales of drinks in local market	65 963 506	86 411 385
Export of drinks and services	51 311 226	60 976 343
Other sales (spirits, raw materials)	17 049	19 698
TOTAL:	117 291 781	147 407 427

2. Cost of Sales

Variable costs:	96 109 500	120 639 232
Materials	90 357 081	109 387 609
Goods bought	172 493	887 118
Salary expenses	2 449 121	3 410 890
Social insurance	587 646	817 924
Electricity	845 766	1 026 054
Natural resources tax	444 302	658 357
Other expenses	1 253 091	4 451 281
Fixed costs:	5 218 026	5 896 688
Depreciation and amortization	1 974 445	1 868 743
Salary expenses	1 253 752	1 487 928
Social insurance	299 116	358 586
Repair expenses	378 266	801 249
Services for production needs	644 909	835 303
Insurance	109 108	138 727
Laboratory and quality maintenance expenses	61 239	52 951
Other expenses	497 191	353 201
TOTAL:	101 327 526	126 535 920

3. Selling expenses

Salary expenses	1 516 847	1 949 522
Social insurance	363 789	468 552
Depreciation and amortization	334 036	332 800
Advertising	1 710 517	2 711 205
Transportation cost	680 042	977 220
Warehouse maintenance	172 430	277 017
Other expenses	494 717	595 866
TOTAL:	5 272 380	7 312 182

4. Administrative expenses01.01.2009 – 01.01.2008 –
31.12.2009 31.12.2008**EUR EUR**

Salary expenses	1 454 800	1 853 402
Social insurance	342 737	264 237
Communication and postal expenses	61 274	90 483
Office expenses	74 588	104 380
Professional fees	57 234	240 703
IT maintenance	35 176	71 186
Representations	64 540	302 319
Security	150	-
Management services	315 022	1 159 056
Transportation	40 783	79 920
Business trip	36 445	24 422
Personnel education and training	8 134	15 138
Depreciation and amortization	217 024	354 082
Financial help, sponsorship	25 081	76 835
Healthcare, health insurance	10 160	14 115
Other expenses	1 060 665	221 245
TOTAL:	3 803 814	4 871 523

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 – 31.12.09



Currency: EUR

Open	1,47 EUR
Max	4.41 EUR
Min	1,15 EUR
Last	2,70 EUR
Change	84,47 %
Deals	899
No of shares traded	74 236
Turnover	180 087,63 EUR