

JOINT STOCK COMPANY LATVIJAS BALZAMS
(ENTERPRISE REGISTER NUMBER LV40003031873)

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

PREPARED UNDER LATVIAN ACCOUNTING STANDARDS

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 LVL	01.01.2008 - 31.12.2008 LVL
Net turnover	1	82 433 133	103 598 529
Cost of sales	2	(71 213 390)	(88 929 951)
Gross profit or loss		11 219 743	14 668 578
Distribution costs	3	(3 705 449)	(5 139 031)
Administrative expenses	4	(2 673 335)	(3 423 726)
Other operating income		480 263	925 148
Interest receivable and similar income		797 174	2 480 899
Interest payable and similar expenses		(1 713 934)	(2 440 052)
Profit or loss before extraordinary items and taxes		4 404 460	7 071 816
Extraordinary income		-	49 049
Profit or loss before taxes		4 404 460	7 120 865
Corporate income tax		(648 188)	(1 123 373)
Other taxes		(83 204)	(88 973)
Profit or loss for the reporting year		3 673 068	5 908 519
Earnings per share (in santims)		48.99	78.81

Karlis Andersons

Chairman of the Executive Board

Balance sheet as at December 31, 2009

ASSETS

	31.12.2009 LVL	31.12.2008 LVL
NON-CURRENT ASSETS		
Intangible fixed assets		
Concessions, patents, licences and similar rights	266	2 047
TOTAL	266	2 047
Tangible fixed assets		
Land, buildings, constructions and perennial plants	17 540 018	17 522 519
Equipment and machinery	3 499 691	3 824 503
Other fixtures and fittings, tools and equipment	507 180	652 381
Construction in progress	144 694	371 762
Prepayments for tangible fixed assets	4 523	171 482
TOTAL	21 696 106	22 542 647
Non-current financial assets		
Loans to related companies	24 808 981	17 780 941
Other investments	24 000	24 000
TOTAL	24 832 981	17 804 941
TOTAL NON-CURRENT ASSETS	46 529 354	40 349 635
CURRENT ASSETS		
Inventories		
Raw materials	12 055 785	14 555 318
Work in progress	520 693	484 852
Finished goods and goods for resale	4 803 467	4 929 157
TOTAL	17 379 945	19 969 327
Receivables		
Trade receivables	952 294	1 471 103
Receivables from related companies	18 815 224	24 117 321
Other receivables	732 213	124 294
Prepaid expense	74 587	125 790
TOTAL	20 574 318	25 838 508
Cash (TOTAL)	402 431	204 795
TOTAL CURRENT ASSETS	38 356 694	46 012 630
TOTAL ASSETS	84 886 047	86 362 265

Karlis Andersons

Chairman of the Executive Board

EQUITY AND LIABILITIES

	31.12.2009	31.12.2008
	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	12 102 691
Retained earnings:		
brought forward	19 860 780	13 952 261
for the period	3 673 068	5 908 519
TOTAL EQUITY	43 195 206	39 522 138
LIABILITIES		
Non-current liabilities		
Loans from credit institutions	11 631 944	10 785 146
Deferred taxation	2 067 197	2 067 197
TOTAL	13 699 141	12 852 343
Current liabilities		
Loans from credit institutions	14 378 883	15 232 181
Prepayments received from customers	-	6 382
Trade payables	3 906 990	3 185 428
Payables to related companies	562 438	2 361 590
Taxes payable	6 301 151	10 187 408
Other liabilities	226 387	318 642
Deferred income	252 935	255 639
Undrawn dividends of previous years	-	5 235
Accrued liabilities	2 362 917	2 435 279
TOTAL	27 991 701	33 987 784
TOTAL LIABILITIES	41 690 842	46 840 127
TOTAL EQUITY AND LIABILITIES	84 886 047	86 362 265

Karlis Andersons
Chairman of the Executive Board

Cash flow statement for the period ended December 31, 2009

	01.01.2009 - 31.12.2009 LVL	01.01.2008 - 31.12.2008 LVL
Cash flows to/ from operating activities		
Net profit or loss before extraordinary items and taxes	4 404 460	7 120 865
Adjustments for:		
Amortisation and depreciation	1 839 234	1 796 103
Interest income/expense	917 764	476 437
Increase/(decrease) in provisions	(40 602)	476 363
Gain/loss from fluctuations of currency exchange rates	(18 100)	30 500
Gain/loss on disposal of fixed assets	48 962	32 131
<i>Operating profit or loss before working capital changes</i>	<i>7 151 718</i>	<i>9 932 399</i>
(Increase)/decrease in inventories	2 632 390	(2 560 462)
(Increase)/decrease in receivables	(420 519)	6 428 737
Increase/(decrease) in payables	(4 483 151)	(1 132 775)
<i>Cash generated from operations</i>	<i>4 880 438</i>	<i>12 667 899</i>
Interest paid	(1 713 934)	(2 166 174)
Corporate income tax paid	(1 391 270)	(1 099 886)
Net cash flows to/ from operating activities	1 775 234	9 401 839
Cash flows to/ from investing activities		
Purchase of fixed assets	(1 039 609)	(1 266 532)
Proceeds from disposal of fixed assets	-	20 237
Loans granted	(2 797 570)	(3 514 020)
Repayment of granted loans	2 233 570	5 833 273
Interests recieved	14 410	1 374 493
Net cash flows to/ from investing activities	(1 589 199)	2 447 451
Cash flows to/ from financing activities		
Net loans increase/decrease	(4 944 049)	(6 498 229)
Credit line	4 955 650	(5 234 103)
Net cash flows to/ from financing activities	11 601	(11 732 332)
Change in cash and cash equivalents	197 636	116 958
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	402 431	204 795

Statement of changes in equity for the period ended December 31, 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	13 952 261	33 704 860
Profit/loss for the reporting period	-	-	-	5 908 519	5 908 519
Excluded and revaluated capital assets	-	-	(107 342)	-	(107 342)
Deferred tax changes	-	-	16 101	-	16 101
Balance as at 31 December 2008	7 496 900	61 767	12 102 691	19 860 780	39 522 138
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	-	-	-	3 673 068	3 673 068
Balance as at 31 December 2009	7 496 900	61 767	12 102 691	23 533 848	43 195 206

1. Net sales

	01.01.2009 – 31.12.2009	01.01.2008 – 31.12.2008
	LVL	LVL
Sales of drinks in local market	46 359 416	60 730 267
Export of drinks and services	36 061 735	42 854 418
Other sales (spirits, raw materials)	11 982	13 844
TOTAL:	82 433 133	103 598 529

2. Cost of Sales

Variable costs:	67 546 141	84 785 735
Materials	63 503 318	76 878 049
Goods bought	121 229	623 470
Salary expenses	1 721 252	2 397 187
Social insurance	413 000	574 840
Electricity	594 408	721 115
Natural resources tax	312 258	462 696
Other expenses	880 677	3 128 378
Fixed costs:	3 667 249	4 144 216
Depreciation and amortization	1 387 648	1 313 360
Salary expenses	881 142	1 045 722
Social insurance	210 220	252 016
Repair expenses	265 847	563 121
Services for production needs	453 245	587 054
Insurance	76 682	97 498
Laboratory and quality maintenance expenses	43 039	37 214
Other expenses	349 428	248 231
TOTAL:	71 213 390	88 929 951

3. Selling expenses

Salary expenses	1 066 046	1 370 132
Social insurance	255 673	329 300
Depreciation and amortization	234 762	233 893
Advertising	1 202 158	1 905 446
Transportation cost	477 936	686 794
Warehouse maintenance	121 185	194 689
Other expenses	347 689	418 777
TOTAL:	3 705 449	5 139 031

4. Administrative expenses01.01.2009 – 01.01.2008 –
31.12.2009 31.12.2008

LVL LVL

Salary expenses	1 022 439	1 302 578
Social insurance	240 877	185 707
Communication and postal expenses	43 064	63 592
Office expenses	52 421	73 359
Professional fees	40 224	169 167
IT maintenance	24 722	50 030
Representations	45 359	212 471
Security	106	-
Management services	221 399	814 589
Transportation	28 663	56 168
Business trip	25 614	17 164
Personnel education and training	5 716	10 639
Depreciation and amortization	152 525	248 850
Financial help, sponsorship	17 627	54 000
Healthcare, health insurance	7 140	9 920
Other expenses	745 440	155 492
TOTAL:	2 673 335	3 423 726

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: LVL

Open	1,03 LVL
Max	3,10 LVL
Min	0,81 LVL
Last	1,90 LVL
Change	84,47 %
Deals	899
No of shares traded	74 236
Turnover	126 566,31 LVL