

JOINT STOCK COMPANY LATVIJAS BALZAMS
(ENTERPRISE REGISTER NUMBER LV40003031873)

UNAUDITED FINANCIAL STATEMENTS
FOR THE FIRST 9 MONTHS OF 2010

PREPARED IN ACCORDANCE WITH REPUBLIC OF LATVIA STANDARDS OF
BOOKKEEPING

Riga, 2010

MANAGEMENT

Names and positions of Council members

Aigars Kalvītis – Chairman of the Council

Val Mendeļevs – 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

Kārlis Andersons – Chairman of the Board
General director of AS Latvijas balzams

Gunita Kronberga – Member of the Board
Chief Financial Officer of AS "Latvijas balzams"

Ronalds Zariņš – Member of the Board
Production director of AS Latvijas balzams

Sergey Limarenko – Member of the Board
Chief of internal control department of AS Latvijas balzams

Signe Bīdēmane – Member of the Board
Director of human resources department of AS Latvijas
balzams

Reporting period

1 January – 30 September 2010

Management report

Field of activity

The enterprise was founded in 1900, but the actual name it has got in 1970. AS "Latvijas balzams" is a leading producer of alcoholic beverages in the Baltic States producing more than 130 different kinds of alcoholic drinks. AS "Latvijas balzams" major shareholder is "SPI Regional Business Unit BV", having 89.53% of the company's equity capital.

The activity of enterprise in first nine months of year 2010

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 2010 AS "Latvijas balzams" paid 24.7 millions lats to the state budget, including excise tax amounting to 18.2 million lats.

The unaudited turnover of the company in the first nine months of year 2010 was 52.5 million lats, or by 12.6% less than during first nine months of 2009. The decrease in turnover at local market was 20.6% or 7 013 thousands lats compared to the same period in 2009. In comparison with 2009, the export market sales have decreased by 23.7% or 1 193 thousands lats while export related to S.P.I. Group orders increased by 3.0%. During the first nine months of year 2010 sales to the EU countries decreased by 18.8% in comparison with the same period in 2009 - sales to Lithuania decreased by 23.2%, sales to Estonia decreased by 11.5% . Decrease of sales is related to the increase of excise tax, decline in consumption on the domestic market while economy is growing only because of export, increase of illegal alcohol trade and uncertain economical situation in the main markets. During first nine months of year 2010 the top sales markets were Baltic States, Russia, Scandinavia and Poland meanwhile new export markets such as Bulgaria, China, Australia and Kazakhstan were being acquired.

The Company has paid great attention to production cost control and improvement of productivity, thus maintaining the positive profit. Despite the fact that company's unaudited turnover has decreased by 12.6%, the profit for the reporting period was 2 147 thousands lats, that is 12.2% less than during the first nine months of year 2009 (2 444 thousands lats).

Future business prospects

The economic situation in country has started to stabilize, however, purchasing power of consumers is still very low, therefore company aims to hold existing market share as well as to continue export business development by improving existing products portfolio. In the last quarter of year 2010 AS "Latvijas balzams" priorities will be control of production and logistics costs, optimization and increase of production effectiveness, enhancement of company's competitiveness.

AS Latvijas balzams
Chairman of the Board

Karlis Andersons

Riga, 30 November, 2010

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



Riga
30.11.2010.

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

Income statement for the period ended September 30, 2010

	Notes	01.01.2010 - 30.09.2010 EUR	01.01.2009 - 30.09.2009 EUR
Net turnover	1	74 755 489	85 534 353
Cost of sales	2	(64 330 054)	(74 502 510)
Gross profit or loss		10 425 436	11 031 843
Distribution costs	3	(3 294 788)	(3 707 323)
Administrative expenses	4	(3 456 198)	(3 172 120)
Other operating income		787 117	783 064
Interest receivable and similar income		627 961	916 014
Interest payable and similar expenses		(1 238 187)	(1 671 133)
Profit or loss before taxes		3 851 340	4 180 346
Corporate income tax		(716 493)	(613 799)
Other taxes		(80 322)	(88 352)
Profit or loss for the reporting year		3 054 525	3 478 194
Earnings per share (in eurocents)		40.74	46.40

Karlis Andersons
Chairman of the Executive Board

Balance sheet as at September 30, 2010

ASSETS		30.09.2010	30.09.2009
		EUR	EUR
NON-CURRENT ASSETS			
Intangible fixed assets			
Concessions, patents, licences and similar rights		8 124	570
TOTAL		8 124	570
Tangible fixed assets			
Land, buildings, constructions and perennial plants		17 685 271	25 214 353
Equipment and machinery		4 211 127	4 721 370
Other fixtures and fittings, tools and equipment		600 039	792 272
Construction in progress		197 078	233 148
Prepayments for tangible fixed assets		514 070	543 989
TOTAL		23 207 585	31 505 131
Non-current financial assets			
Loans to related companies		35 300 000	25 299 999
Other investments		34 149	34 149
TOTAL		35 334 149	25 334 148
TOTAL NON-CURRENT ASSETS		58 549 857	56 839 849
CURRENT ASSETS			
Inventories			
Raw materials		18 115 166	21 497 474
Work in progress		713 496	1 152 668
Finished goods and goods for resale		8 153 810	9 119 951
TOTAL		26 982 472	31 770 094
Receivables			
Trade receivables		830 757	2 167 466
Receivables from related companies		33 746 164	30 598 565
Other receivables		188 051	457 033
Prepaid expense		155 157	144 452
TOTAL		34 920 129	33 367 515
Cash (TOTAL)		147 955	155 212
TOTAL CURRENT ASSETS		62 050 555	65 292 821
TOTAL ASSETS		120 600 412	122 132 670

Karlis Andersons
Chairman of the Executive Board

EQUITY AND LIABILITIES

	30.09.2010	30.09.2009
	EUR	EUR
CAPITAL AND RESERVES		
Share capital	10 667 128	10 667 128
Share premium	87 887	87 887
Non-current assets revaluation reserve	11 875 669	17 220 578
Revaluation reserves of derivative financial instruments	(403 313)	-
Retained earnings:		
brought forward	33 362 338	28 259 344
for the period	3 054 525	3 478 194
TOTAL EQUITY	58 644 233	59 713 130
LIABILITIES		
Non-current liabilities		
Loans from credit institutions	16 550 765	15 345 880
Deferred taxation	2 002 903	2 941 356
Derivative financial instruments	474 486	-
TOTAL	19 028 154	18 287 236
Current liabilities		
Loans from credit institutions	19 377 789	23 570 010
Trade payables	4 972 323	4 613 494
Payables to related companies	1 494 924	556 001
Taxes payable	10 802 374	8 616 842
Other liabilities	354 989	368 159
Deferred income	276 075	355 874
Undrawn dividends of previous years	-	7 449
Accrued liabilities	5 649 550	6 044 476
TOTAL	42 928 025	44 132 304
TOTAL LIABILITIES	61 956 179	62 419 540
TOTAL EQUITY AND LIABILITIES	120 600 412	122 132 670

Karlis Andersons
Chairman of the Executive Board

Cash flow statement for the period ended September 30, 2010

	01.01.2010 - 30.09.2010 EUR	01.01.2009 - 30.09.2009 EUR
Cash flows to/ from operating activities		
Net profit or loss before extraordinary items and taxes	3 851 340	4 180 346
Adjustments for:		
Amortisation and depreciation	1 716 480	1 974 984
Interest income/expense	616 150	755 300
Increase/(decrease) in provisions	25 273	(73 204)
Gain/loss from fluctuations of currency exchange rates	427 940	(72 621)
Gain/loss on disposal of fixed assets	7 080	6 534
Operating profit or loss before working capital changes	6 644 264	6 771 340
(Increase)/decrease in inventories	(798 016)	(1 680 316)
(Increase)/decrease in receivables	(3 398 546)	5 282 877
Increase/(decrease) in payables	1 895 278	(7 469 885)
Cash generated from operations	4 342 979	2 904 016
Interest paid	(1 238 187)	(1 671 133)
Corporate income tax paid	(777 417)	(1 572 004)
Net cash flows to/ from operating activities	2 327 374	(339 122)
Cash flows to/ from investing activities		
Purchase of fixed assets	(647 738)	(1 408 440)
Loans granted	(620 372)	(3 511 036)
Repayment of granted loans	-	3 153 084
Interests recieved	25 541	138
Net cash flows to/ from investing activities	(1 242 570)	(1 766 253)
Cash flows to/ from financing activities		
Borrowings repaid	(3 205 497)	(5 287 457)
Changes in credit lines (net)	1 696 039	7 256 648
Net cash flows to/ from financing activities	(1 509 458)	1 969 191
Change in cash and cash equivalents	(424 653)	(136 184)
Cash and cash equivalents at the beginning of the reporting year	572 608	291 397
Cash and cash equivalents at the end of the reporting year	147 954	155 213

Statement of changes in equity for the period ended September 30, 2010

	Share capital	Share premium	Long-term investments revaluation reserve	Revaluation reserves of derivative financial instruments	Retained earnings	Total
	EUR	EUR	EUR	EUR	EUR	EUR
Balance as at 1 January 2009	10 667 128	87 887	17 220 578	-	28 259 344	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
Balance as at 1 January 2010	10 667 128	87 887	11 875 669	(403 313)	33 362 338	55 589 708
Profit/loss for the reporting period	-	-	-	-	3 054 525	3 054 525
Balance as at 30 September 2009	10 667 128	87 887	11 875 669	(403 313)	36 416 863	58 644 233

1. Net sales

	01.01.2010 – 30.09.2010	01.01.2009 – 30.09.2009
	EUR	EUR
Sales of drinks in local market	38 462 645	48 441 148
Export of drinks and services	36 281 904	37 081 600
Other sales (spirits, raw materials)	10 940	11 605
TOTAL:	74 755 489	85 534 353

2. Cost of Sales

Variable costs:	60 871 810	70 548 243
Materials	56 499 019	67 459 986
Goods bought	48 971	158 590
Salary expenses	1 559 796	1 887 129
Social insurance	373 523	452 659
Electricity	534 778	652 307
Natural resources tax	269 889	325 528
Other expenses	1 585 834	-387 955
Fixed costs:	3 458 244	3 954 267
Depreciation and amortization	1 380 232	1 480 543
Salary expenses	823 529	973 459
Social insurance	195 364	232 006
Repair expenses	246 749	268 375
Services for production needs	369 535	501 427
Insurance	69 365	87 328
Laboratory and quality maintenance expenses	32 131	44 467
Other expenses	341 337	366 661
TOTAL:	64 330 054	74 502 510

3. Selling expenses

Salary expenses	1 013 787	1 175 846
Social insurance	242 593	282 109
Depreciation and amortization	219 549	247 646
Advertising	969 555	1 049 253
Transportation cost	447 121	519 284
Warehouse maintenance	119 289	124 169
Other expenses	282 895	309 016
TOTAL:	3 294 788	3 707 323

4. Administrative expenses

	01.01.2010 – 30.09.2010	01.01.2009 – 30.09.2009
	EUR	EUR
Salary expenses	1 016 073	1 136 450
Social insurance	237 402	267 710
Communication and postal expenses	41 864	43 852
Office expenses	42 415	46 299
Professional fees	59 340	36 608
IT maintenance	16 041	28 157
Representations	66 296	51 797
Security	848	90
Management services	201 434	668 122
Transportation	20 444	33 584
Business trip	25 239	29 884
Personnel education and training	4 322	3 842
Depreciation and amortization	78 084	178 785
Financial help, sponsorship	30 783	24 364
Healthcare, health insurance	6 714	7 284
Other expenses	1 608 898	615 291
TOTAL:	<u>3 456 198</u>	<u>3 172 120</u>

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 01.01.10 – 30.09.10



Currency: EUR

Open	2,70 EUR
Max	3,56 EUR
Min	2,33 EUR
Last	2,73 EUR
Change	1,05%
Deals	490
No of shares traded	49 585
Turnover	141 353,42 EUR