

JOINT STOCK COMPANY LATVIJAS BALZAMS

(ENTERPRISE REGISTER NUMBER LV40003031873)

CONDENSED FINANCIAL STATEMENTS *(NOT AUDITED)*

FOR THE FIRST 12 MONTHS OF 2010

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

Riga, 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.

Results of the business in year 2010

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 2010 AS “Latvijas balzams” paid 34.7 millions lats to the state budget, including excise tax amounting to 25.8 million lats.

The unaudited turnover of the company in 2010 was 74.9 million lats, which is 9% less than in 2009. The decrease in turnover on the local market was 14%, export market 18% while export related to S.P.I. Group orders increased by 2% in comparison with previous year. In 2010 the sales to the EU countries decreased by 17% in comparison with 2009. Sales to Lithuania and Estonia decreased by 24% and 5% accordingly. 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 and consumer spending is low, increase of illegal alcohol trade and uncertain economical situation in the main export markets. In 2010 the top focus sales markets were Baltic States, Russia, Poland and Scandinavia; 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, as a result reaching 3 640 thousands lats unaudited profit, that is 2% more than in 2009, despite the 9% decrease in turnover.

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 2011 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” will continue to support solutions that are environmentally friendly, persistently improving activities that would reduce company’s business negative influence on the nature by setting high requirements for ourselves and collaboration partners.

AS Latvijas balzams
Chairman of the Board

Karlis Andersons

Riga, 28 February, 2011

Riga
28.02.2011.

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

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

Ronalds Zarinovs – 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 Bidermane – Member of the Board
Director of human resources department of AS Latvijas balzams

Reporting period

1 January – 31 December 2010

Income statement for the period ended December 31, 2010

	01.01.2010 - 31.12.2010 EUR	01.01.2009 - 31.12.2009 EUR
Net turnover	106 629 902	117 329 516
Cost of sales	(91 310 756)	(101 370 845)
Gross profit or loss	15 319 146	15 958 671
Distribution costs	(4 676 176)	(5 224 595)
Administrative expenses	(3 043 946)	(3 547 830)
Other operating income	1 798 283	1 791 524
Other operating expense	(949 811)	(1 050 535)
Interest receivable and similar income	866 614	1 134 276
Interest payable and similar expenses	(2 808 139)	(2 677 268)
Profit or loss before taxes	6 505 973	6 384 244
Corporate income tax	(1 214 895)	(1 162 860)
Other taxes	(111 791)	(118 389)
Profit or loss for the reporting year	5 179 288	5 102 995
Earnings per share	0.69	0.68

Karlis Andersons
Chairman of the Executive Board

Balance sheet as at December 31, 2010

ASSETS

	31.12.2010	31.12.2009
	EUR	EUR
NON-CURRENT ASSETS		
Intangible fixed assets		
Concessions, patents, licences and similar rights	7 507	378
TOTAL	7 507	378
Tangible fixed assets		
Land, buildings, constructions and perennial plants	17 838 121	18 321 427
Equipment and machinery	4 092 471	4 979 612
Other fixtures and fittings, tools and equipment	576 703	778 174
Construction in progress	185 059	136 468
Prepayments for tangible fixed assets	47 636	6 436
TOTAL	22 739 991	24 222 116
Non-current financial assets		
Loans to related companies	35 300 000	35 300 000
Other investments	34 149	34 149
TOTAL	35 334 149	35 334 149
TOTAL NON-CURRENT ASSETS	58 081 647	59 556 643
CURRENT ASSETS		
Inventories		
Raw materials	14 125 482	16 818 513
Work in progress	631 651	740 879
Finished goods and goods for resale	6 600 299	6 958 384
Prepayments for goods	1 495 287	249 940
TOTAL	22 852 719	24 767 716
Receivables		
Trade receivables	578 778	738 556
Receivables from related companies	37 762 223	28 245 962
Other receivables	85 059	645 294
Prepaid expense	80 496	94 284
TOTAL	38 506 556	29 724 095
Cash (TOTAL)	146 547	572 608
TOTAL CURRENT ASSETS	61 505 822	55 064 419
TOTAL ASSETS	119 587 468	114 621 062

Karlis Andersons
 Chairman of the Executive Board

EQUITY AND LIABILITIES

	31.12.2010	31.12.2009
CAPITAL AND RESERVES	EUR	EUR
Share capital	10 667 128	10 667 128
Share premium	87 887	87 887
Non-current assets revaluation reserve	11 857 451	11 875 668
Revaluation reserves of financial instruments	(403 313)	(403 313)
Retained earnings:		
brought forward	33 362 338	28 259 344
for the period	5 179 288	5 102 995
TOTAL EQUITY	60 750 778	55 589 707
LIABILITIES		
Non-current liabilities		
Loans from credit institutions	12 808 709	16 550 765
Deferred taxation	2 002 903	2 002 903
Derivative financial instruments	474 486	474 486
TOTAL	15 286 098	19 028 154
Current liabilities		
Loans from credit institutions	21 721 373	20 459 307
Prepayments received from customers	18 532	26 027
Trade payables	4 652 520	5 393 524
Payables to related companies	2 021 423	837 454
Taxes payable	12 679 541	9 542 025
Other liabilities	350 209	322 672
Deferred income	194 376	281 309
Accrued liabilities	1 912 618	3 140 883
TOTAL	43 550 592	40 003 200
TOTAL LIABILITIES	58 836 690	59 031 354
TOTAL EQUITY AND LIABILITIES	119 587 468	114 621 062

Karlis Andersons
Chairman of the Executive Board

Cash flow statement for the period ended December 31, 2010

	01.01.2010 - 31.12.2010 EUR	01.01.2009 - 31.12.2009 EUR
Cash flows to/ from operating activities		
Net profit or loss before extraordinary items and taxes	6 505 973	6 384 244
Adjustments for:		
Amortisation and depreciation	2 275 639	2 561 246
Interest income/expense	765 404	1 305 861
Increase/(decrease) in provisions	(159 012)	(275 205)
Gain/loss from fluctuations of currency exchange rates	427 940	(25 754)
Gain/loss on disposal of fixed assets	26 012	417 310
Operating profit or loss before working capital changes	9 841 956	10 367 701
(Increase)/decrease in inventories	2 045 731	3 538 156
(Increase)/decrease in receivables	(7 534 293)	(478 385)
Increase/(decrease) in payables	1 973 115	(6 527 224)
Cash generated from operations	6 326 509	6 900 248
Interest paid	(1 632 017)	(2 376 589)
Corporate income tax paid	(1 014 099)	(1 979 599)
Net cash flows to/ from operating activities	3 680 393	2 544 061
Cash flows to/ from investing activities		
Purchase of fixed assets	(845 246)	(1 497 359)
Loans granted	(620 372)	(3 955 584)
Repayment of granted loans	-	3 153 084
Interests received	267 094	20 504
Net cash flows to/ from investing activities	(1 198 523)	(2 279 355)
Cash flows to/ from financing activities		
Borrowings repaid	(4 246 474)	(7 034 749)
Changes in credit lines (net)	1 338 544	7 051 255
Net cash flows to/ from financing activities	(2 907 930)	16 505
Change in cash and cash equivalents	(426 060)	281 211
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	146 547	572 608

Statement of changes in equity for the period ended December 31, 2010

	Share capital EUR	Share premium EUR	Long-term investments revaluation reserve EUR	Revaluation reserves of derivative financial instruments EUR	Retained earnings EUR	Total 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	-	-	(5 344 910)	(403 313)	5 102 995	(645 228)
Balance as at 31 December 2009	10 667 128	87 887	11 875 668	(403 313)	33 362 338	55 589 707
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	-	-	(18 217)	-	5 179 288	5 161 070
Balance as at 31 December 2010	10 667 128	87 887	11 857 451	(403 313)	38 541 626	60 750 778

1. Net sales

	01.01.2010 – 31.12.2010	01.01.2009 – 31.12.2009
	EUR	EUR
Sales of drinks in local market	56 573 815	66 001 241
Export of drinks and services	50 033 269	51 311 226
Other sales (spirits, raw materials)	22 818	17 049
TOTAL:	106 629 902	117 329 516

2. Cost of Sales

Variable costs:	86 693 840	96 210 686
Materials	80 736 967	90 394 221
Goods bought	80 862	172 493
Salary expenses	2 240 629	2 489 192
Accrued expenses on unused annual leave	(57 860)	(49 724)
Social insurance	536 654	597 297
Electricity	755 966	845 766
Natural resources tax	389 317	444 303
Other expenses	2 011 305	1 317 137
Fixed costs:	4 616 916	5 160 158
Depreciation and amortization	1 827 125	1 914 078
Salary expenses	1 128 842	1 346 970
Accrued expenses on unused annual leave	(3 510)	(115 674)
Social insurance	267 549	321 572
Repair expenses	501 585	503 828
Services for production needs	589 813	830 106
Insurance	92 138	109 109
Laboratory and quality maintenance expenses	48 155	61 239
Other expenses	165 220	188 930
TOTAL:	91 310 756	101 370 845

3. Selling expenses

Salary expenses	1 403 584	1 546 548
Accrued expenses on unused annual leave	(7 315)	(36 857)
Social insurance	335 262	370 946
Depreciation and amortization	291 211	340 529
Advertising	1 454 389	1 720 609
Transportation cost	617 247	638 780
Warehouse maintenance	176 095	172 431
Other expenses	405 703	471 609
TOTAL:	4 676 176	5 224 595

4. Administrative expenses

01.01.2010 – 01.01.2009 –
31.12.2010 31.12.2009
EUR EUR

Salary expenses	1 350 784	1 563 370
Accrued expenses on unused annual leave	15 030	(22 544)
Social insurance	313 956	368 628
Communication and postal expenses	54 462	61 275
Office expenses	77 162	74 588
Professional fees	121 062	96 068
IT maintenance	31 399	35 176
Representations	88 814	64 540
Management services	461 265	787 974
Transportation	25 109	40 784
Business trip	37 592	36 445
Personnel education and training	5 112	8 093
Depreciation and amortization	103 412	217 024
Financial help, sponsorship	32 128	22 766
Healthcare, health insurance	9 313	10 159
Other expenses	317 345	183 484

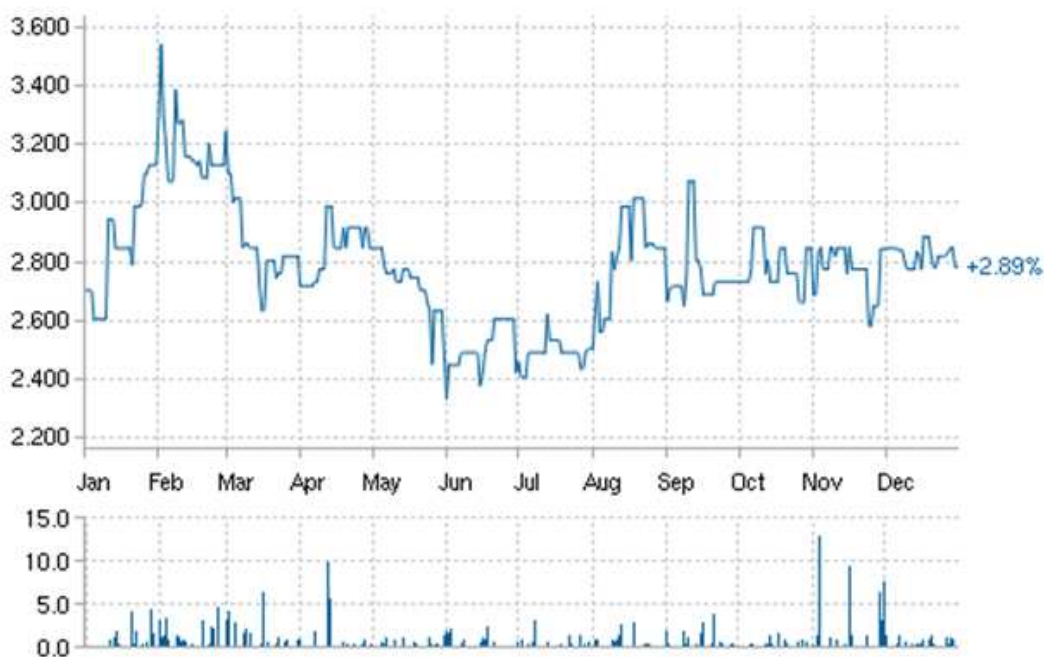
TOTAL: 3 043 946 3 547 830

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 – 31.12.10



Currency: EUR

Open	2,700 EUR
Max	3,557 EUR
Min	2,334 EUR
Last	2,782 EUR
Change	2,895%
Deals	680
No of shares traded	71 234
Turnover	202 579,92 EUR