

JOINT STOCK COMPANY LATVIJAS BALZAMS

(ENTERPRISE REGISTER NUMBER LV40003031873)

UNAUDITED FINANCIAL STATEMENTS

FOR THE FIRST 6 MONTHS OF 2010

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

Riga, 2010

MANAGEMENT

Names and positions of Council members

Aigars Kalvitis – Chairman of the Council

Val Mendelev – 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 – 30 June 2010

Income statement for the period ended June 30, 2010

	Notes	01.01.2010 - 30.06.2010 LVL	01.01.2009 - 30.06.2009 LVL
Net turnover	1	35 293 787	39 348 093
Cost of sales	2	(30 637 121)	(34 689 048)
Gross profit or loss		4 656 667	4 659 045
Distribution costs	3	(1 471 835)	(1 682 918)
Administrative expenses	4	(1 782 088)	(1 589 731)
Other operating income		400 323	405 035
Interest receivable and similar income		287 115	480 644
Interest payable and similar expenses		(573 974)	(750 178)
Profit or loss before taxes		1 516 206	1 521 897
Corporate income tax		(280 932)	(222 073)
Other taxes		(37 619)	(41 411)
Profit or loss for the reporting year		1 197 656	1 258 413
Earnings per share (in santims)		15.98	16.79

Karlis Andersons
Chairman of the Executive Board

Balance sheet as at June 30, 2010

ASSETS		30.06.2010	30.06.2009
		LVL	LVL
NON-CURRENT ASSETS			
Intangible fixed assets			
Concessions, patents, licences and similar rights		6 119	574
TOTAL		6 119	574
Tangible fixed assets			
Land, buildings, constructions and perennial plants		12 570 705	17 182 577
Equipment and machinery		3 132 235	3 499 304
Other fixtures and fittings, tools and equipment		452 178	572 618
Construction in progress		138 507	717 332
Prepayments for tangible fixed assets		77 763	317 778
TOTAL		16 371 389	22 289 609
Non-current financial assets			
Loans to related companies		24 808 981	17 780 940
Other investments		24 000	24 000
TOTAL		24 832 981	17 804 940
TOTAL NON-CURRENT ASSETS		41 210 490	40 095 123
CURRENT ASSETS			
Inventories			
Raw materials		11 218 319	13 681 254
Work in progress		487 310	630 034
Finished goods and goods for resale		5 818 825	5 594 555
TOTAL		17 524 455	19 905 842
Receivables			
Trade receivables		576 744	963 961
Receivables from related companies		22 327 654	23 214 460
Other receivables		119 097	222 444
Prepaid expense		130 116	132 622
TOTAL		23 153 611	24 533 487
Cash (TOTAL)		19 448	73 332
TOTAL CURRENT ASSETS		40 697 514	44 512 662
TOTAL ASSETS		81 908 004	84 607 785

Karlis Andersons
Chairman of the Executive Board

EQUITY AND LIABILITIES

	30.06.2010	30.06.2009
	LVL	LVL
CAPITAL AND RESERVES		
Share capital	7 496 900	7 496 900
Share premium	61 767	61 767
Non-current assets revaluation reserve	8 346 267	12 102 691
Revaluation reserves of derivative financial instruments	(283 450)	-
Retained earnings:		
brought forward	23 447 185	19 860 780
for the period	1 197 656	1 258 413
TOTAL EQUITY	40 266 325	40 780 551
LIABILITIES		
Non-current liabilities		
Loans from credit institutions	11 631 944	10 785 146
Deferred taxation	1 407 648	2 067 197
Derivative financial instruments	333 471	-
TOTAL	13 373 063	12 852 343
Current liabilities		
Loans from credit institutions	14 649 053	14 707 017
Trade payables	2 217 446	2 569 446
Payables to related companies	580 358	1 190 340
Taxes payable	6 430 125	8 236 994
Other liabilities	245 672	320 949
Deferred income	195 179	226 363
Undrawn dividends of previous years	-	5 235
Accrued liabilities	3 950 782	3 718 548
TOTAL	28 268 615	30 974 891
TOTAL LIABILITIES	41 641 678	43 827 234
TOTAL EQUITY AND LIABILITIES	81 908 004	84 607 785

Karlis Andersons
Chairman of the Executive Board

Cash flow statement for the period ended June 30, 2010

	01.01.2010 - 30.06.2010 LVL	01.01.2009 - 30.06.2009 LVL
Cash flows to/ from operating activities		
Net profit or loss before extraordinary items and taxes	1 516 206	1 521 897
Adjustments for:		
Amortisation and depreciation	806 947	928 613
Interest income/expense	290 551	269 661
Increase/(decrease) in provisions	52 448	(40 488)
Gain/loss from fluctuations of currency exchange rates	294 242	33 184
Gain/loss on disposal of fixed assets	4 017	4 592
Operating profit or loss before working capital changes	2 964 412	2 717 459
(Increase)/decrease in inventories	786 479	1 241 374
(Increase)/decrease in receivables	(1 124 068)	2 211 205
Increase/(decrease) in payables	(1 112 456)	(3 464 452)
Cash generated from operations	1 514 367	2 705 586
Interest paid	(573 974)	(750 178)
Corporate income tax paid	(757 405)	(832 833)
Net cash flows to/ from operating activities	182 988	1 122 575
Cash flows to/ from investing activities		
Purchase of fixed assets	(116 287)	(678 121)
Loans granted	(436 000)	(2 233 570)
Repayment of granted loans	-	2 216 000
Interests recieved	10 388	-
Net cash flows to/ from investing activities	(541 899)	(695 691)
Cash flows to/ from financing activities		
Borrowings repaid	(1 510 623)	(558 347)
Changes in credit lines (net)	1 486 551	-
Net cash flows to/ from financing activities	(24 072)	(558 347)
Change in cash and cash equivalents	(382 983)	(131 463)
Cash and cash equivalents at the beginning of the reporting year	402 431	204 795
Cash and cash equivalents at the end of the reporting year	19 448	73 332

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

	Share capital LVL	Share premium LVL	Long-term investments revaluation reserve LVL	Revaluation reserves of derivative financial instruments LVL	Retained earnings LVL	Total LVL
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	-	-	-	-	1 258 413	1 258 413
Balance as at 30 June 2009	7 496 900	61 767	12 102 691	-	21 119 193	40 780 551
Balance as at 1 January 2010	7 496 900	61 767	8 346 267	(283 450)	23 447 185	39 068 669
Profit/loss for the reporting period	-	-	-	-	1 197 656	1 197 656
Balance as at 30 June 2010	7 496 900	61 767	8 346 267	(283 450)	24 644 841	40 266 325

1. Net sales

	01.01.2010 – 30.06.2010	01.01.2009 – 30.06.2009
	LVL	LVL
Sales of drinks in local market	17 794 307	22 567 727
Export of drinks and services	17 495 342	16 774 872
Other sales (spirits, raw materials)	4 138	5 495
TOTAL:	35 293 787	39 348 093

2. Cost of Sales

Variable costs:	29 022 426	32 824 790
Materials	27 186 473	31 052 985
Goods bought	22 038	102 186
Salary expenses	733 796	806 885
Social insurance	175 823	193 435
Electricity	259 562	341 682
Natural resources tax	114 099	154 527
Other expenses	530 635	173 090
Fixed costs:	1 614 694	1 864 258
Depreciation and amortization	649 197	692 969
Salary expenses	393 698	437 364
Social insurance	93 538	104 122
Repair expenses	103 226	153 539
Services for production needs	182 421	252 144
Insurance	33 265	45 692
Laboratory and quality maintenance expenses	15 684	18 938
Other expenses	143 665	159 490
TOTAL:	30 637 121	34 689 048

3. Selling expenses

Salary expenses	498 867	519 596
Social insurance	119 164	125 046
Depreciation and amortization	104 741	107 381
Advertising	375 912	453 580
Transportation cost	210 681	272 192
Warehouse maintenance	57 772	63 766
Other expenses	104 696	141 357
TOTAL:	1 471 835	1 682 918

4. Administrative expenses

	01.01.2010 – 30.06.2010 LVL	01.01.2009 – 30.06.2009 LVL
Salary expenses	492 452	521 473
Social insurance	115 153	122 645
Communication and postal expenses	22 509	18 078
Office expenses	21 566	24 417
Professional fees	20 900	16 428
IT maintenance	6 807	14 715
Representations	38 870	24 804
Security	79	-
Management services	117 603	462 583
Transportation	10 895	15 880
Business trip	13 639	14 400
Personnel education and training	2 528	1 651
Depreciation and amortization	36 312	98 130
Financial help, sponsorship	21 635	15 769
Healthcare, health insurance	3 141	3 305
Other expenses	858 000	235 454
TOTAL:	1 782 088	1 589 731

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 – 30.06.10



Currency: LVL

Open	1,90 LVL
Max	2,50 LVL
Min	1,64 LVL
Last	1,70 LVL
Change	-10,53 %
Deals	362
No of shares traded	36 502
Turnover	74 613,27 LVL

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



Riga
31.08.2010.

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