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 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 – 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

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

Latvijas Balzams

Balance sheet as at June 30, 2010

ASSETS

NON-CURRENT ASSETS	30.06.2010 LVL	30.06.2009 LVL
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

CAPITAL AND RESERVES	30.06.2010 LVL	30.06.2009 LVL
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	Share premium	Long-term investments revaluation reserve	Revaluation reserves of derivative financial instruments	Retained earnings	**Total**
	LVL	LVL	LVL	LVL	LVL	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