

JOINT STOCK COMPANY LATVIJAS BALZAMS
(ENTERPRISE REGISTER NUMBER LV40003031873)

CONDENSED FINANCIAL STATEMENTS *(not audited)*
FOR THE FIRST 3 MONTHS OF 2008
PREPARED UNDER LATVIAN ACCOUNTING STANDARDS

Riga, 2008

AS “Latvijas balzams”

Management report

Field of activity

The enterprise was founded in 1900, but the actual name it has got since 1970. Today, LB is a leading producer of alcoholic beverages. Totally, AS “Latvijas balzams” produces more than 130 different kinds of alcoholic beverages. AS “Latvijas balzams” major shareholder is “S.P.I. Distilleries. B.V.” which owns 6,595,745 shares or 88.05% of the company equity capital.

The activity of enterprise in year 2008 first quarter

AS “Latvijas balzams” is the biggest producer of alcoholic beverages in Latvia, as well as one of the largest taxpayers in Latvia. During first quarter of 2008 LB paid 11.4 millions lats to the state budget, including excise tax amounting to 7.7 millions lats.

The unaudited turnover of the company in the first quarter of year 2008 was 22.3 million lats, which is by 1.06% more than during first quarter in 2007. The increase in turnover at local market is 1.4% as compared to the same period in 2007. In comparison with 2007, the export market sales increased for 0.6%, or else for 49 thousands lats. During the first quarter in 2008, in comparison with the same period in 2007, sales to non European Union countries, increased for 6.4%, but to Lithuania increased by 20%. The top sales focus markets are Baltic States and Scandinavia, meanwhile new export markets are being acquired.

The loss for the reporting period was 503 thousands lats, because of expensive raw materials and production resources in all over the world and high inflation rate in country.

Future perspectives of activity

For the second quarter of year 2008 AS “Latvijas balzams” priorities are control of production expenses and limitation of costs increase as well as continue of export market development. Special emphasize is set to Scandinavian countries.

AS Latvijas balzams
Chairman of the Board

Karlis Andersons

Riga, 28. May, 2008

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



Riga
28.05.2008

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.

Interim Management Report contains truthful information.

A/s "Latvijas balzams"
Chairman of the Board

Karlis Andersons

MANAGEMENT

Names and positions of Council members

Alexander Kovalev – Chairman of the Council

Vitolds Kokars – Chairman's of the Council Deputy

Pjotr Aven – Member of the Council

Andrey Skurikhin – Member of the Council

Alexey Oliynik – Member of the Council

Brian Andrew Dublin - Member of the Council

Names and positions of Board members

Rolands Gulbis – Chairman of the Board
General director of AS Latvijas balzams

Alexander Yernev – Member of the Board
Chief engineer of AS Latvijas balzams

Egils Dzerelis – Member of the Board
Director of logistics of AS Latvijas balzams

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

Valizhan Abidov – member of the Board

Reporting period

1 January – 31 March 2008

Income statement

	Notes	01.01.2008 - 31.03.2008 EUR*	01.01.2007 - 31.03.2007 EUR*
Net turnover	1	31,770,603	31,436,967
Cost of sales	2	(29,086,424)	(27,463,035)
Gross profit or loss		2,684,179	3,973,932
Distribution costs	3	(1,348,687)	(1,194,114)
Administrative expenses	4	(1,974,673)	(1,578,291)
Other operating income		203,900	143,716
Interest receivable and similar income		700,494	252,820
Interest payable and similar expenses		(951,158)	(372,716)
Profit or loss before taxes		(685,946)	1,225,348
Corporate income tax		-	(183,802)
Other taxes		(29,995)	(28,536)
Profit or loss for the reporting year		(715,941)	1,013,009
Earnings per share (cents)		(9.55)	13.51

* - after currency exchange rate set by Bank of Latvia (1 EUR = 0.702804 LVL)

Karlis Andersons
Chairman of the Executive Board

Balance sheet

		ASSETS		
	Notes	31.03.2008	31.03.2007	
		EUR*	EUR*	
NON-CURRENT ASSETS				
Intangible fixed assets				
Concessions, patents, licences and similar rights		6,519	12,438	
Goodwill				
	TOTAL	6,519	12,438	
Tangible fixed assets				
Land, buildings, constructions and perennial plants		25,686,242	26,555,906	
Equipment and machinery		4,683,081	3,746,409	
Other fixtures and fittings, tools and equipment		849,606	1,140,602	
Construction in progress		961,671	267,501	
Prepayments for tangible fixed assets		404,869	618,662	
	TOTAL	32,585,468	32,329,079	
Non-current financial assets				
Loans to related companies		36,600,000		
	TOTAL	36,600,000	20,600,000	
	TOTAL NON-CURRENT ASSETS	69,191,987	52,941,517	
CURRENT ASSETS				
Inventories				
Raw materials		17,337,618	16,794,374	
Work in progress		956,162	873,644	
Finished goods and goods for resale		6,713,855	8,955,858	
	TOTAL	27,307,408	26,671,190	
Receivables				
Trade receivables		786,631	10,287,557	
Receivables from related companies		22,427,361	9,392,264	
Other receivables		105,311	190,364	
Prepaid expense		193,332	324,011	
	TOTAL	23,512,635	20,194,196	
Cash (TOTAL)		1,550,182	494,065	
	TOTAL CURRENT ASSETS	52,370,226	47,359,452	
TOTAL ASSETS		121,562,213	100,300,969	

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Karlis Andersons
Chairman of the Executive Board

EQUITY AND LIABILITIES

	Notes	31.03.2008	31.03.2007
		EUR*	EUR*
CAPITAL AND RESERVES			
Share capital		10,667,128	10,667,128
Share premium		87,887	87,887
Non-current assets revaluation reserve		17,350,403	17,350,403
Retained earnings:			
brought forward		19,852,277	15,383,373
for the period		(715,940)	1,013,009
TOTAL EQUITY		47,241,754	44,501,799
PROVISIONS FOR LIABILITIES AND CHARGES			
Provisions for expected taxes		3,303,179	3,451,918
Other provisions		4,694,983	2,338,840
TOTAL PROVISIONS FOR LIABILITIES AND CHARGES		7,998,162	5,790,758
LIABILITIES			
Non-current liabilities			
Loans from credit institutions		32,811,183	21,457,246
Other loans			
TOTAL		32,811,183	21,457,246
Current liabilities			
Loans from credit institutions		14,636,150	9,553,000
Trade payables		6,228,411	6,072,102
Payables to related companies		-	-
Taxes payable		11,634,490	11,674,790
Other liabilities		1,004,614	1,243,825
Undrawn dividends of previous years		7,449	7,449
Accrued liabilities			-
TOTAL		33,511,114	28,551,166
TOTAL LIABILITIES		66,322,297	50,008,412
TOTAL EQUITY AND LIABILITIES		121,562,213	100,300,969

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Karlis Andersons
Chairman of the Executive Board

Cash flow statement

Notes	01.01.2008 - 31.03.2008 EUR	01.01.2007 - 31.03.2007 EUR
Cash flows to/ from operating activities		
Net profit or loss before extraordinary items and taxes	(685,945)	1,225,347
Adjustments for:		
Amortisation and depreciation	635,432	658,734
Interest income/expense	253,009	372,716
Increase/(decrease) in provisions	472,358	442,196
Gain/loss on disposal of fixed assets	59,381	653,515
Operating profit or loss before working capital changes	734,235	3,352,508
(Increase)/decrease in inventories	(860,840)	(4,615,209)
(Increase)/decrease in receivables	11,090,721	4,873,474
Increase/(decrease) in payables	(5,925,073)	(263,920)
Cash generated from operations	5,039,042	3,346,853
Interest paid	984,384	(302,581)
Corporate income tax paid	(288,790)	(263,305)
Cash flows before extraordinary items	5,734,636	2,780,967
Net cash flows to/ from operating activities	5,734,636	2,780,967
Cash flows to/ from investing activities		
Purchase of fixed assets	(238,258)	(1,175,594)
Acquisition of subsidiary		
Net cash flows to/ from investing activities	(238,258)	(1,175,594)
Cash flows to/ from financing activities		
Net loans paid	(4,071,176)	(1,258,869)
Net cash flows to/ from financing activities	(4,071,176)	(1,258,869)
Change in cash and cash equivalents	1,425,201	346,503
Cash and cash equivalents at the beginning of the reporting year	124,981	147,562
Cash and cash equivalents at the end of the reporting year	1,550,182	494,066

* - after currency exchange rate set by Bank of Latvia (1 EUR = 0.702804 LVL)

Statement of changes in equity for three months period ended 31 March 2008

	Share capital	Share premium	Long-term investments revaluation reserve	Other reserves	Merger reserve	Retained earnings	Total
Balance as at 1 January 2007	10,667,128	87,887	17,350,402			15,383,374	43,488,791
Profit/loss for the reporting period						1,013,009	1,013,009
Balance as at 31 March 2007	10,667,128	87,887	17,350,402	-	-	16,396,384	44,501,800
Balance as at 1 January 2008	10,667,128	87,887	17,350,403	--	--	19,852,277	47,957,694
Profit/loss for the reporting period						(715,940)	(715,940)
Balance as at 31 March 2008	10,667,128	87,887	17,350,403	-	-	19,136,337	47,241,754

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A/s Latvijas balzams

Address: A. Čaka iela 160, Rīga, LV-1012

Reg. number: LV40003031873

**1. Net sales**

	01.01.2008 – 31.03.2008	01.01.2007 – 31.03.2007
Sales of drinks in local market	20,059,178	19,790,760
Export of drinks and services	11,705,828	11,636,377
Other sales (spirits, raw materials)	5,597	9,831
TOTAL:	31,770,603	31,436,967

2. Cost of sales

Variable costs:	27,729,271	26,220,363
Materials	24,269,805	23,861,119
Goods bought	183,336	94,163
Salary expenses	750,384	845,960
Social insurance	180,259	203,343
Electricity	253,160	184,922
Natural resources tax	158,838	106,482
Other expenses	1,933,488	924,374
Fixed costs:	1,357,153	1,242,672
Depreciation and amortization	457,821	461,235
Salary expenses	374,261	354,454
Social insurance	89,365	84,470
Repair expenses	205,057	190,868
Services for production needs	114,265	22,743
Insurance	25,571	21,101
Laboratory and quality maintenance expenses	13,521	12,658
Other expenses	77,292	95,142
TOTAL:	29,086,424	27,463,035

3. Selling expenses

Salary expenses	489,423	451,122
Social insurance	117,331	106,630
Depreciation and amortization	85,830	86,020
Advertising	266,954	201,999
Transportation cost	201,069	198,728
Warehouse maintenance	63,605	47,589
Other expenses	124,475	102,026
TOTAL:	1,348,687	1,194,114

4. Administrative expenses

	01.01.2008 – 31.12.2008	01.01.2007 – 31.12.2007
Salary expenses	588,465	384,470
Social insurance	91,143	71,992
Communication and postal expenses	35,178	48,029
Office expenses	16,186	17,917
Professional fees	13,558	29,315
IT maintenance	23,722	18,598
Representations	80,778	55,135
Security	63,933	53,383
Management services	218,393	252,440
Transportation	15,073	37,025
Business trip	3,695	7,607
Personnel education and training	1,271	5,070
Depreciation and amortization	91,781	111,479
Financial help, sponsorship	37,972	21,554
Healthcare, health insurance	16,780	18,638
Other expenses	676,744	445,639
TOTAL:	1,974,673	1,578,291