

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 Ls	01.01.2007 - 31.03.2007 Ls
Net turnover	1	22,328,507	22,094,026
Cost of sales	2	(20,442,055)	(19,301,131)
Gross profit or loss		1,886,452	2,792,895
Distribution costs	3	(947,863)	(839,228)
Administrative expenses	4	(1,387,808)	(1,109,229)
Other operating income		143,302	101,004
Interest receivable and similar income		492,310	177,683
Write-offs of the value of non-current financial assets and short-term securities			
Interest payable and similar expenses		(668,477)	(261,946)
Profit or loss before extraordinary items and taxes		(482,085)	861,179
Extraordinary income		-	-
Extraordinary expense		-	-
Profit or loss before taxes		(482,085)	861,179
Corporate income tax			(129,177)
Other taxes		(21,081)	(20,055)
Profit or loss for the reporting year		(503,166)	711,947
Earnings per share (in santims)		(6.71)	9.50

Karlis Andersons
Chairman of the Executive Board

Balance sheet

		ASSETS		
	Notes	31.03.2008	31.03.2007	
		LVL	LVL	
NON-CURRENT ASSETS				
Intangible fixed assets				
Concessions, patents, licences and similar rights		4,581	8,742	
Goodwill				
	TOTAL	4,581	8,742	
Tangible fixed assets				
Land, buildings, constructions and perennial plants		18,052,394	18,663,597	
Equipment and machinery		3,291,288	2,632,991	
Other fixtures and fittings, tools and equipment		597,107	801,619	
Construction in progress		675,866	188,000	
Prepayments for tangible fixed assets		284,543	434,798	
	TOTAL	22,901,198	22,721,006	
Non-current financial assets				
Loans to related companies		25,722,626	14,477,762	
	TOTAL	25,722,626	14,477,762	
	TOTAL NON-CURRENT ASSETS	48,628,405	37,207,510	
CURRENT ASSETS				
Inventories				
Raw materials		12,184,948	11,803,153	
Work in progress		671,995	614,000	
Finished goods and goods for resale		4,718,524	6,294,213	
	TOTAL	19,191,756	18,744,619	
Receivables				
Trade receivables		552,847	7,230,136	
Receivables from related companies		15,762,039	6,600,921	
Other receivables		74,013	133,788	
Prepaid expense		135,875	227,717	
	TOTAL	16,524,774	14,192,562	
Cash (TOTAL)		1,089,474	347,231	
	TOTAL CURRENT ASSETS	36,806,004	33,284,412	
TOTAL ASSETS		85,434,409	70,491,922	

Karlis Andersons
Chairman of the Executive Board

EQUITY AND LIABILITIES

	Notes	31.03.2008 LVL	31.03.2007 LVL
CAPITAL AND RESERVES			
Share capital		7,496,900	7,496,900
Share premium		61,767	61,767
Non-current assets revaluation reserve		12,193,932	12,193,932
Retained earnings:			
brought forward		13,952,260	10,811,496
for the period		(503,166)	711,947
TOTAL EQUITY		33,201,694	31,276,042
PROVISIONS FOR LIABILITIES AND CHARGES			
Provisions for expected taxes		2,321,488	2,426,022
Other provisions		3,299,652	1,643,746
TOTAL PROVISIONS FOR LIABILITIES AND CHARGES		5,621,140	4,069,768
LIABILITIES			
Non-current liabilities			
Loans from credit institutions		23,059,831	15,080,238
TOTAL		23,059,831	15,080,238
Current liabilities			
Loans from credit institutions		10,286,345	6,713,887
Trade payables		4,377,352	4,267,497
Taxes payable		8,176,766	8,205,089
Other liabilities		706,047	874,165
Undrawn dividends of previous years		5,235	5,235
TOTAL		23,551,745	20,065,874
TOTAL LIABILITIES		46,611,576	35,146,112
TOTAL EQUITY AND LIABILITIES		85,434,409	70,491,922

Karlis Andersons
Chairman of the Executive Board

Cash flow statement

	01.01.2008 - 31.03.2008 LVL	01.01.2007 - 31.03.2007 LVL
Cash flows to/ from operating activities		
Net profit or loss before extraordinary items and taxes	(482,085)	861,179
Adjustments for:		
Amortisation and depreciation	446,584	462,961
Interest income/expense	177,816	261,946
Increase/(decrease) in provisions	331,975	310,777
Gain/loss on disposal of fixed assets	41,733	459,293
Operating profit or loss before working capital changes	516,023	2,356,156
(Increase)/decrease in inventories	(605,002)	(3,243,587)
(Increase)/decrease in receivables	7,794,603	3,425,097
Increase/(decrease) in payables	(4,164,165)	(185,484)
Cash generated from operations	3,541,459	2,352,182
Interest paid	691,829	(212,655)
Corporate income tax paid	(202,963)	(185,052)
Cash flows before extraordinary items	4,030,325	1,954,474
Net cash flows to/ from operating activities	4,030,325	1,954,474
Cash flows to/ from investing activities		
Purchase of fixed assets	(167,449)	(826,212)
Acquisition of subsidiary		
Net cash flows to/ from investing activities	(167,449)	(826,212)
Cash flows to/ from financing activities		
Net loans paid	(2,861,239)	(884,738)
Net cash flows to/ from financing activities	(2,861,239)	(884,738)
Change in cash and cash equivalents	1,001,637	243,524
Cash and cash equivalents at the beginning of the reporting year	87,837	103,707
Cash and cash equivalents at the end of the reporting year	1,089,474	347,231

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	7,496,900	61,767	12,193,932	--	--	10,811,496	30,564,095
Profit/loss for the reporting period						711,947	711,947
Balance as at 31 March 2007	7,496,900	61,767	12,193,932	-	-	11,523,443	31,276,042
Balance as at 1 January 2008	7,496,900	61,767	12,193,932	--	--	13,952,260	33,704,859
Profit/loss for the reporting period						(503,166)	(503,166)
Balance as at 31 March 2008	7,496,900	61,767	12,193,932	-	-	13,449,094	33,201,694

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	14,097,671	13,909,025
Export of drinks and services	8,226,903	8,178,092
Other sales (spirits, raw materials)	3,933	6,909
TOTAL:	22,328,507	22,094,026

2. Cost of sales

Variable costs:	19,488,242	18,427,776
Materials	17,056,916	16,769,690
Goods bought	128,849	66,178
Salary expenses	527,373	594,544
Social insurance	126,687	142,910
Electricity	177,922	129,964
Natural resources tax	111,632	74,836
Other expenses	1,358,863	649,654
Fixed costs:	953,813	873,355
Depreciation and amortization	321,758	324,158
Salary expenses	263,032	249,112
Social insurance	62,806	59,366
Repair expenses	144,115	134,143
Services for production needs	80,306	15,984
Insurance	17,971	14,830
Laboratory and quality maintenance expenses	9,502	8,896
Other expenses	54,321	66,866
TOTAL:	20,442,055	19,301,131

3. Selling expenses

Salary expenses	343,969	317,050
Social insurance	82,461	74,940
Depreciation and amortization	60,322	60,455
Advertising	187,616	141,966
Transportation cost	141,312	139,667
Warehouse maintenance	44,702	33,446
Other expenses	87,481	71,704
TOTAL:	947,863	839,228

4. Administrative expenses

	01.01.2008 – 31.12.2008	01.01.2007 – 31.12.2007
Salary expenses	413,575	270,207
Social insurance	64,056	50,596
Communication and postal expenses	24,723	33,755
Office expenses	11,375	12,592
Professional fees	9,528	20,603
IT maintenance	16,672	13,071
Representations	56,771	38,749
Security	44,933	37,518
Management services	153,488	177,416
Transportation	10,593	26,021
Business trip	2,597	5,346
Personnel education and training	893	3,563
Depreciation and amortization	64,504	78,348
Financial help, sponsorship	26,687	15,148
Healthcare, health insurance	11,793	13,099
Other expenses	475,619	313,197
TOTAL:	1,387,808	1,109,229