

JOINT STOCK COMPANY LATVIJAS BALZAMS
(ENTERPRISE REGISTER NUMBER LV40003031873)

CONDENSED FINANCIAL STATEMENTS *(not audited)*
FOR THE FIRST 12 MONTHS OF 2008

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

Riga, 2009

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

Valizhan Abidov– Member of the Council

Georgy Kipiani- Member of the Council

Names and positions of Board members

Karlis Andersons – Chairman of the Board
General director of AS Latvijas balzams

Egils Dzerelis – Member of the Board
Director of logistics 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 security 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 2008

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



Riga
27.02.2009

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.

AS "Latvijas balzams"
Chairman of the Board

Karlis Andersons

Income statement for the period ended December 31, 2008

	Notes	01.01.2008 - 31.12.2008 EUR	01.01.2007 - 31.12.2007 EUR
Net turnover	1	147,407,427	149,570,155
Cost of sales	2	(126,500,207)	(129,799,322)
Gross profit or loss		20,907,220	19,770,832
Distribution costs	3	(7,297,607)	(7,107,145)
Administrative expenses	4	(5,348,387)	(5,804,364)
Other operating income		2,186,271	341,457
Interest receivable and similar income		2,471,931	1,746,790
Interest payable and similar expenses		(3,141,379)	(3,070,887)
Profit or loss before extraordinary items and taxes		9,778,050	5,876,683
Extraordinary income		85,858	-
Profit or loss before taxes		9,863,908	5,876,683
Corporate income tax		(1,767,878)	(989,812)
Other taxes		(162,078)	(161,953)
Profit or loss for the reporting year		7,933,952	4,724,918
Earnings per share (in eurocents)		105.83	63.02

Karlis Andersons
Chairman of the Executive Board

Balance sheet as at December 31, 2008

ASSETS

	Notes	31.12.2008 EUR	31.12.2007 EUR
NON-CURRENT ASSETS			
Intangible fixed assets			
Concessions, patents, licences and similar rights		2,913	7,916
TOTAL		2,913	7,916
Tangible fixed assets			
Land, buildings, constructions and perennial plants		24,932,298	25,952,428
Equipment and machinery		5,441,777	4,942,290
Other fixtures and fittings, tools and equipment		928,255	958,091
Construction in progress		511,448	954,250
Prepayments for tangible fixed assets		282,577	233,567
TOTAL		32,096,355	33,040,626
Non-current financial assets			
Loans to related companies		35,300,000	38,600,000
Other investments		34,149	34,149
TOTAL		35,334,149	38,634,149
TOTAL NON-CURRENT ASSETS		67,433,417	71,682,691
CURRENT ASSETS			
Inventories			
Raw materials		20,711,537	16,976,900
Work in progress		689,882	605,550
Finished goods and goods for resale		6,744,732	7,834,691
TOTAL		28,146,151	25,417,140
Receivables			
Trade receivables		1,347,115	567,608
Receivables from related companies		25,093,112	34,296,660
Other receivables		214,944	379,386
Prepaid expense		178,909	191,999
TOTAL		26,834,079	35,435,653
Cash (TOTAL)		291,398	124,981
TOTAL CURRENT ASSETS		55,271,628	60,977,774
TOTAL ASSETS		122,705,045	132,660,465

Karlis Andersons
 Chairman of the Executive Board

EQUITY AND LIABILITIES

	Notes	31.12.2008	31.12.2007
		EUR	EUR
CAPITAL AND RESERVES			
Share capital		10,667,128	10,667,128
Share premium		87,887	87,887
Non-current assets revaluation reserve		17,197,667	17,350,403
Retained earnings:			
brought forward		19,852,279	15,127,361
for the period		7,933,952	4,724,918
	TOTAL EQUITY	55,738,912	47,957,696
LIABILITIES			
Non-current liabilities			
Loans from credit institutions		15,345,880	23,519,378
Deferred taxation		3,239,380	3,203,899
	TOTAL	18,585,259	26,723,277
Current liabilities			
Loans from credit institutions		21,673,442	30,150,149
Prepayments received from customers		11,254	11,477
Trade payables		4,522,331	8,167,260
Payables to related companies		2,867,502	2,939,019
Taxes payable		14,462,258	12,833,449
Other liabilities		453,387	529,384
Deferred income		420,874	474,112
Undrawn dividends of previous years		7,449	7,449
Accrued liabilities		3,962,378	2,867,195
	TOTAL	48,380,874	57,979,492
	TOTAL LIABILITIES	66,966,133	84,702,769
TOTAL EQUITY AND LIABILITIES		122,705,045	132,660,465

Karlis Andersons
Chairman of the Executive Board

Cash flow statement for the period ended December 31, 2008

	Notes	01.01.2008 - 31.12.2008 EUR	01.01.2007 - 31.12.2007 EUR
Cash flows to/ from operating activities			
Net profit or loss before extraordinary items and taxes		9,863,908	5,876,683
Adjustments for:			
Amortisation and depreciation		2,555,627	2,620,864
Interest income/expense		677,907	848,646
Increase/(decrease) in provisions		926,627	198,168
Gain/loss from fluctuations of currency exchange rates		43,398	(480,309)
Gain/loss on disposal of fixed assets		45,718	46,572
<i>Operating profit or loss before working capital changes</i>		<i>14,113,185</i>	<i>9,110,624</i>
(Increase)/decrease in inventories		(3,660,143)	(4,820,294)
(Increase)/decrease in receivables		9,113,780	(9,423,070)
Increase/(decrease) in payables		(1,552,340)	4,650,141
<i>Cash generated from operations</i>		<i>18,014,482</i>	<i>(482,598)</i>
Interest paid		(3,123,101)	(2,625,906)
Corporate income tax paid		(1,482,327)	(1,114,820)
Net cash flows to/ from operating activities		13,409,054	(4,223,324)
Cash flows to/ from investing activities			
Purchase of fixed assets		(1,833,599)	(3,361,180)
Proceeds from disposal of fixed assets		28,795	123,370
Loans granted		(5,000,000)	(18,000,000)
Repayment of granted loans		8,300,000	143,801
Interests received		1,955,729	6,144
Net cash flows to/ from investing activities		3,450,924	(21,087,865)
Cash flows to/ from financing activities			
Dividends paid		-	(256,012)
Net loans increase/decrease		(16,693,604)	25,578,769
Net cash flows to/ from financing activities		(16,693,604)	25,322,757
Change in cash and cash equivalents		166,374	11,568
Cash and cash equivalents at the beginning of the reporting year		124,981	113,413
Cash and cash equivalents at the end of the reporting year		291,354	124,981

Statement of changes in equity for the period ended December 31, 2008

	Share capital	Share premium	Long-term investments revaluation reserve	Retained earnings	Total
Balance as at 1 January 2007	10,667,128	87,887	17,350,402	15,383,373	43,488,790
Dividends	-	-	-	(256,011)	(256,011)
Profit/loss for the reporting period	-	-	-	4,724,917	4,724,917
Balance as at 31 December 2007	10,667,128	87,887	17,350,402	19,852,279	47,957,696
Balance as at 1 January 2008	10,667,128	87,887	17,350,402	19,852,279	47,957,696
Profit/loss for the reporting period	-	-	-	7,933,952	7,933,952
Excluded and revaluated capital assets	-	-	(152,735)	-	(152,735)
Balance as at 31 December 2008	10,667,128	87,887	17,197,667	27,786,231	55,738,912

AS Latvijas balzams

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**1. Net sales**

	01.01.2008 – 31.12.2008	01.01.2007 – 31.12.2007
Sales of drinks in local market	86,411,384	98,217,685
Export of drinks and services	60,976,345	51,287,379
Other sales (spirits, raw materials)	19,698	65,091
TOTAL:	147,407,427	149,570,155

2. Cost of sales

Variable costs:	120,637,375	124,289,588
Materials	109,385,753	115,631,849
Goods bought	887,118	1,006,113
Salary expenses	3,407,815	3,444,486
Social insurance	820,999	826,893
Electricity	1,026,054	818,854
Natural resources tax	658,357	793,335
Other expenses	4,451,281	1,768,056
Fixed costs:	5,862,831	5,509,734
Depreciation and amortization	1,868,744	1,852,706
Salary expenses	1,498,420	1,576,923
Social insurance	348,094	373,924
Repair expenses	613,430	809,540
Services for production needs	582,512	327,592
Insurance	138,727	101,882
Laboratory and quality maintenance expenses	52,951	63,716
Other expenses	759,953	403,450
TOTAL:	126,500,207	129,799,322

3. Selling expenses

Salary expenses	1,956,456	2,069,014
Social insurance	461,618	492,347
Depreciation and amortization	332,800	345,210
Advertising	2,712,267	2,449,400
Transportation cost	977,300	1,014,345
Warehouse maintenance	261,319	189,642
Other expenses	595,847	547,187
TOTAL:	7,297,607	7,107,145

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4. Administrative expenses

	01.01.2008 – 31.12.2008	01.01.2007 – 31.12.2007
Salary expenses	1,927,448	1,875,198
Social insurance	190,192	242,826
Communication and postal expenses	97,566	212,688
Office expenses	104,380	131,330
Professional fees	232,104	232,366
IT maintenance	75,626	99,743
Representations	302,319	264,067
Security	65,652	168,455
Management services	905,195	1,458,034
Transportation	79,919	157,207
Business trip	24,422	33,706
Personnel education and training	15,137	24,627
Depreciation and amortization	354,082	423,220
Financial help, sponsorship	83,293	72,306
Healthcare, health insurance	14,115	100,664
Other expenses	876,937	307,925
TOTAL:	5,348,387	5,804,364