

JOINT STOCK COMPANY LATVIJAS BALZAMS
(ENTERPRISE REGISTER NUMBER LV40003031873)

CONDENSED FINANCIAL STATEMENTS *(not audited)*
FOR THE 12 MONTHS OF 2008
PREPARED UNDER LATVIAN ACCOUNTING STANDARDS

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 Ls	01.01.2007 - 31.12.2007 Ls
Net turnover	1	103,598,529	105,118,503
Cost of sales	2	(88,904,851)	(91,223,483)
Gross profit or loss		14,693,678	13,895,020
Distribution costs	3	(5,128,787)	(4,994,930)
Administrative expenses	4	(3,758,868)	(4,079,330)
Other operating income		1,536,520	239,977
Interest receivable and similar income		1,737,283	1,227,651
Interest payable and similar expenses		(2,207,774)	(2,158,232)
Profit or loss before extraordinary items and taxes		6,872,052	4,130,156
Extraordinary income		60,342	-
Profit or loss before taxes		6,932,394	4,130,156
Corporate income tax		(1,242,472)	(695,644)
Other taxes		(113,909)	(113,821)
Profit or loss for the reporting year		5,576,013	3,320,691
Earnings per share (in santims)		74.38	44.29

Karlis Andersons
Chairman of the Executive Board

Balance sheet as at December 31, 2008

ASSETS

	31.12.2008	31.12.2007
	LVL	LVL
NON-CURRENT ASSETS		
Intangible fixed assets		
Concessions, patents, licences and similar rights	2,047	5,563
TOTAL	2,047	5,563
Tangible fixed assets		
Land, buildings, constructions and perennial plants	17,522,519	18,239,470
Equipment and machinery	3,824,503	3,473,461
Other fixtures and fittings, tools and equipment	652,381	673,350
Construction in progress	359,448	670,651
Prepayments for tangible fixed assets	198,596	164,152
TOTAL	22,557,447	23,221,084
Non-current financial assets		
Loans to related companies	24,808,981	27,128,234
Other investments	24,000	24,000
TOTAL	24,832,981	27,152,234
TOTAL NON-CURRENT ASSETS	47,392,475	50,378,882
CURRENT ASSETS		
Inventories		
Raw materials	14,556,151	11,931,433
Work in progress	484,852	425,583
Finished goods and goods for resale	4,740,224	5,506,252
TOTAL	19,781,228	17,863,268
Receivables		
Trade receivables	946,758	398,917
Receivables from related companies	17,635,539	24,103,830
Other receivables	151,063	266,634
Prepaid expense	125,738	134,938
TOTAL	18,859,098	24,904,319
Cash (TOTAL)	204,795	87,837
TOTAL CURRENT ASSETS	38,845,121	42,855,423
TOTAL ASSETS	86,237,596	93,234,305

Karlis Andersons
 Chairman of the Executive Board

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**EQUITY AND LIABILITIES**

	31.12.2008	31.12.2007
	LVL	LVL
CAPITAL AND RESERVES		
Share capital	7,496,900	7,496,900
Share premium	61,767	61,767
Non-current assets revaluation reserve	12,086,589	12,193,932
Retained earnings:		
brought forward	13,952,260	10,631,570
for the period	5,576,013	3,320,691
TOTAL EQUITY	39,173,530	33,704,860
LIABILITIES		
Non-current liabilities		
Loans from credit institutions	10,785,146	16,529,513
Deferred taxation	2,276,649	2,251,713
TOTAL	13,061,795	18,781,226
Current liabilities		
Loans from credit institutions	15,232,181	21,189,645
Prepayments received from customers	7,910	8,066
Trade payables	3,178,312	5,739,983
Payables to related companies	2,015,292	2,065,554
Taxes payable	10,164,133	9,019,399
Other liabilities	318,642	372,053
Deferred income	295,792	333,208
Undrawn dividends of previous years	5,235	5,235
Accrued liabilities	2,784,775	2,015,076
TOTAL	34,002,271	40,748,219
TOTAL LIABILITIES	47,064,066	59,529,445
TOTAL EQUITY AND LIABILITIES	86,237,596	93,234,305

Karlis Andersons
Chairman of the Executive Board

Cash flow statement for the period ended December 31, 2008

	01.01.2008 - 31.12.2008 LVL	01.01.2007 - 31.12.2007 LVL
Cash flows to/ from operating activities		
Net profit or loss before extraordinary items and taxes	6,932,394	4,130,156
Adjustments for:		
Amortisation and depreciation	1,796,105	1,841,954
Interest income/expense	476,436	596,432
Increase/(decrease) in provisions	651,237	139,273
Gain/loss from fluctuations of currency exchange rates	30,500	(337,563)
Gain/loss on disposal of fixed assets	32,131	32,731
<i>Operating profit or loss before working capital changes</i>	<i>9,918,803</i>	<i>6,402,983</i>
(Increase)/decrease in inventories	(2,572,363)	(3,387,722)
(Increase)/decrease in receivables	6,405,201	(6,622,571)
Increase/(decrease) in payables	(1,090,991)	3,268,138
<i>Cash generated from operations</i>	<i>12,660,650</i>	<i>(339,172)</i>
Interest paid	(2,194,928)	(1,845,497)
Corporate income tax paid	(1,041,785)	(783,500)
Net cash flows to/ from operating activities	9,423,937	(2,968,169)
Cash flows to/ from investing activities		
Purchase of fixed assets	(1,288,661)	(2,362,251)
Proceeds from disposal of fixed assets	20,237	86,705
Loans granted	(3,514,020)	(12,650,472)
Repayment of granted loans	5,833,273	101,064
Interests received	1,374,494	4,318
Net cash flows to/ from investing activities	2,425,323	(14,820,636)
Cash flows to/ from financing activities		
Dividends paid	-	(179,926)
Net loans increase/decrease	(11,732,332)	17,976,861
Net cash flows to/ from financing activities	(11,732,332)	17,796,935
Change in cash and cash equivalents	116,928	8,130
Cash and cash equivalents at the beginning of the reporting year	87,837	79,707
Cash and cash equivalents at the end of the reporting year	204,765	87,837

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	7,496,900	61,767	12,193,932	10,811,496	30,564,095
Dividends	-	-	-	(179,926)	(179,926)
Profit/loss for the reporting period	-	-	-	3,320,691	3,320,691
Balance as at 31 December 2007	7,496,900	61,767	12,193,932	13,952,260	33,704,860
Balance as at 1 January 2008	7,496,900	61,767	12,193,932	13,952,260	33,704,860
Profit/loss for the reporting period	-	-	-	5,576,013	5,576,013
Excluded and revaluated capital assets	-	-	(107,343)	-	(107,343)
Balance as at 31 December 2008	7,496,900	61,767	12,086,589	19,528,273	39,173,530

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	60,730,266	69,027,782
Export of drinks and services	42,854,419	36,044,975
Other sales (spirits, raw materials)	13,844	45,746
TOTAL:	103,598,529	105,118,503

2. Cost of sales

Variable costs:	84,784,430	87,351,219
Materials	76,876,744	81,266,526
Goods bought	623,470	707,100
Salary expenses	2,395,026	2,420,800
Social insurance	577,001	581,144
Electricity	721,115	575,494
Natural resources tax	462,696	557,559
Other expenses	3,128,378	1,242,597
Fixed costs:	4,120,421	3,872,263
Depreciation and amortization	1,313,360	1,302,089
Salary expenses	1,053,095	1,108,268
Social insurance	244,642	262,795
Repair expenses	431,121	568,948
Services for production needs	409,392	230,233
Insurance	97,498	71,603
Laboratory and quality maintenance expenses	37,214	44,781
Other expenses	534,099	283,546
TOTAL:	88,904,851	91,223,483

3. Selling expenses

Salary expenses	1,375,005	1,454,111
Social insurance	324,427	346,023
Depreciation and amortization	233,893	242,615
Advertising	1,906,192	1,721,448
Transportation cost	686,850	712,886
Warehouse maintenance	183,656	133,281
Other expenses	418,764	384,565
TOTAL:	5,128,787	4,994,930

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4. Administrative expenses

	01.01.2008 – 31.12.2008	01.01.2007 – 31.12.2007
Salary expenses	1,354,618	1,317,897
Social insurance	133,668	170,659
Communication and postal expenses	68,570	149,478
Office expenses	73,359	92,299
Professional fees	163,124	163,308
IT maintenance	53,150	70,100
Representations	212,471	185,587
Security	46,140	118,391
Management services	636,175	1,024,712
Transportation	56,168	110,486
Business trip	17,164	23,689
Personnel education and training	10,639	17,308
Depreciation and amortization	248,850	297,441
Financial help, sponsorship	58,538	50,817
Healthcare, health insurance	9,920	70,747
Other expenses	616,314	216,411
TOTAL:	3,758,868	4,079,330