

JOINT STOCK COMPANY LATVIJAS BALZAMS
(ENTERPRISE REGISTER NUMBER LV40003031873)

CONDENSED FINANCIAL STATEMENTS *(not audited)*
FOR THE FIRST 3 MONTHS OF 2009
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 March 2009

Income statement

	Notes	01.01.2009 - 31.03.2009 EUR*	01.01.2008 - 31.03.2008 EUR*
Net turnover	1	24,975,513	31,770,603
Cost of sales	2	(22,510,760)	(29,086,424)
Gross profit or loss		2,464,754	2,684,179
Distribution costs	3	(946,943)	(1,348,687)
Administrative expenses	4	(524,393)	(1,974,673)
Other operating income		184,532	203,900
Interest receivable and similar income		409,014	700,494
Interest payable and similar expenses		(510,040)	(951,158)
Profit or loss before taxes		1,076,924	(685,945)
Corporate income tax		(152,404)	-
Other taxes		(60,895)	(29,995)
Profit or loss for the reporting year		863,624	(715,940)
Earnings per share (cents)		11.52	(9.55)

* - 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	31.03.2009 EUR*	31.03.2008 EUR*
NON-CURRENT ASSETS				
Intangible fixed assets				
Concessions, patents, licences and similar rights			1,464	6,519
	TOTAL		1,464	6,519
Tangible fixed assets				
Land, buildings, constructions and perennial plants			24,693,266	25,686,242
Equipment and machinery			5,177,027	4,683,081
Other fixtures and fittings, tools and equipment			869,861	849,606
Construction in progress			621,392	961,671
Prepayments for tangible fixed assets			639,132	404,869
	TOTAL		32,000,677	32,585,468
Non-current financial assets				
Loans to related companies			25,299,999	36,600,000
Other investments			34,149	34,149
	TOTAL		25,334,148	36,634,149
TOTAL NON-CURRENT ASSETS			57,336,289	69,226,136
CURRENT ASSETS				
Inventories				
Raw materials			24,360,551	17,337,618
Work in progress			928,637	956,162
Finished goods and goods for resale			8,039,823	6,713,855
Prepayments for goods			205,382	2,299,772
	TOTAL		33,534,393	27,307,408
Receivables				
Trade receivables			2,189,920	786,631
Receivables from related companies			30,001,095	22,427,361
Other receivables			112,916	105,311
Prepaid expense			168,473	193,332
	TOTAL		32,472,404	23,512,635
Cash (TOTAL)			679,972	1,516,033
TOTAL CURRENT ASSETS			66,686,769	52,336,077
TOTAL ASSETS			124,023,058	121,562,213

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

Karlis Andersons
Chairman of the Executive Board

EQUITY AND LIABILITIES

	Notes	31.03.2009	31.03.2008
		EUR*	EUR*
CAPITAL AND RESERVES			
Share capital		10,667,128	10,667,128
Share premium		87,887	87,887
Non-current assets revaluation reserve		17,220,578	17,350,403
Retained earnings:			
brought forward		28,259,344	19,852,277
for the period		863,624	(715,940)
TOTAL EQUITY		57,098,560	47,241,754
PROVISIONS FOR LIABILITIES AND CHARGES			
Provisions for expected taxes		2,941,356	3,303,179
Other provisions		5,799,266	4,694,983
TOTAL PROVISIONS FOR LIABILITIES AND CHARGES		8,740,622	7,998,162
LIABILITIES			
Non-current liabilities			
Loans from credit institutions		15,345,880	32,811,183
TOTAL		15,345,880	32,811,183
Current liabilities			
Loans from credit institutions		18,325,548	14,636,150
Trade payables		4,875,938	3,715,437
Payables to related companies		2,294,409	2,512,974
Taxes payable		16,521,554	11,634,490
Other liabilities		813,098	1,004,614
Undrawn dividends of previous years		7,449	7,449
TOTAL		42,837,996	33,511,114
TOTAL LIABILITIES		58,183,876	66,322,297
TOTAL EQUITY AND LIABILITIES		124,023,058	121,562,213

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Karlis Andersons
Chairman of the Executive Board

Cash flow statement

Notes	01.01.2009 - 31.03.2009 EUR*	01.01.2008 - 31.03.2008 EUR*
Cash flows to/ from operating activities		
Net profit or loss before extraordinary items and taxes	1,076,923	(685,945)
Adjustments for:		
Amortisation and depreciation	655,288	494,774
Interest income/expense	101,064	253,011
Increase/(decrease) in provisions	(52,663)	(5,524)
Gain/loss from fluctuations of currency exchange rates	233,974	(322,548)
Gain/loss on disposal of fixed assets	7,351	193,146
<i>Operating profit or loss before working capital changes</i>	<i>2,021,936</i>	<i>(73,086)</i>
(Increase)/decrease in inventories	(3,444,616)	(2,479,166)
(Increase)/decrease in receivables	5,272,237	10,654,483
Increase/(decrease) in payables	1,588,079	(3,390,181)
<i>Cash generated from operations</i>	<i>5,437,636</i>	<i>4,712,049</i>
Interest paid	(510,040)	(951,159)
Corporate income tax paid	(370,584)	(288,790)
<i>Cash flows before extraordinary items</i>	<i>4,557,012</i>	<i>3,472,100</i>
Net cash flows to/ from operating activities	4,557,012	3,472,100
Cash flows to/ from investing activities		
Purchase of fixed assets	(586,570)	(253,998)
Net cash flows to/ from investing activities	(586,570)	(253,998)
Cash flows to/ from financing activities		
Net loans paid	(3,581,866)	(1,827,050)
Net cash flows to/ from financing activities	(3,581,866)	(1,827,050)
Change in cash and cash equivalents	388,575	1,391,052
Cash and cash equivalents at the beginning of the reporting year	291,397	124,981
Cash and cash equivalents at the end of the reporting year	679,972	1,516,033

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Statement of changes in equity for three months period ended 31 March 2009

	Share capital	Share premium	Long-term investments revaluation reserve	Retained earnings	Total
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
Balance as at 1 January 2009	10,667,128	87,887	17,220,578	28,259,344	56,234,935
Profit/loss for the reporting period				863,624	863,624
Balance as at 31 March 2009	10,667,128	87,887	17,220,578	29,122,968	57,098,560

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A/s Latvijas balzams

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

Reg. number: LV40003031873

**1. Net sales**

	01.01.2009 – 31.03.2009	01.01.2008 – 31.03.2008
Sales of drinks in local market	14,544,657	20,059,178
Export of drinks and services	10,426,989	11,705,828
Other sales (spirits, raw materials)	3,867	5,597
TOTAL:	24,975,513	31,770,603

2. Cost of sales

Variable costs:	21,186,488	27,729,271
Materials	20,458,324	24,269,805
Goods bought	122,964	183,336
Salary expenses	653,865	750,384
Social insurance	156,865	180,259
Electricity	287,591	253,160
Natural resources tax	97,431	158,838
Other expenses	-590,552	1,933,488
Fixed costs:	1,324,272	1,357,153
Depreciation and amortization	489,312	457,821
Salary expenses	319,987	374,261
Social insurance	76,325	89,365
Repair expenses	102,405	205,057
Services for production needs	195,335	114,265
Insurance	32,372	25,571
Laboratory and quality maintenance expenses	12,910	13,521
Other expenses	95,628	77,292
TOTAL:	22,510,760	29,086,424

3. Selling expenses

Salary expenses	378,106	489,423
Social insurance	90,250	117,331
Depreciation and amortization	69,432	85,830
Advertising	148,113	266,954
Transportation cost	122,520	201,069
Warehouse maintenance	50,234	63,605
Other expenses	88,288	124,475
TOTAL:	946,943	1,348,687

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**4. Administrative expenses**

	01.01.2009 – 31.03.2009	01.01.2008 – 31.03.2008
Salary expenses	350,298	588,465
Social insurance	82,370	91,143
Communication and postal expenses	11,203	35,178
Office expenses	22,028	16,186
Professional fees	5,005	13,558
IT maintenance	16,190	23,722
Representations	14,345	80,778
Security	0	63,933
Management services	311,355	218,393
Transportation	11,375	15,073
Business trip	10,780	3,695
Personnel education and training	1,322	1,271
Depreciation and amortization	75,356	91,781
Financial help, sponsorship	17,622	37,972
Healthcare, health insurance	1,820	16,780
Other expenses	-406,676	676,744
TOTAL:	524,393	1,974,673

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Riga
29.05.2009

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.

A/s "Latvijas balzams"
Chairman of the Board

Karlis Andersons