

JOINT STOCK COMPANY LATVIJAS BALZAMS
(ENTERPRISE REGISTER NUMBER LV40003031873)

CONDENSED FINANCIAL STATEMENTS *(not audited)*
FOR THE FIRST 3 MONTHS OF 2007
PREPARED UNDER LATVIAN ACCOUNTING STANDARDS

Riga, 2007

MANAGEMENT

Names and positions of Council members

Alexander Kovalev – Chairman of the Council

Pjotr Aven – Member of the Council

Vitolds Kokars – Member of the Council
Director for quality control of AS Latvijas balzams

Alexey Oliynik – Member of the Council
(from 23 February 2004)

Andrey Skurihin – 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 2007

Income statement

	Notes	01.01.2007 - 31.03.2007 Ls	01.01.2006 - 31.03.2006 Ls
Net turnover	1	22 094 026	17 117 432
Cost of sales	2	(19 301 131)	(15 096 504)
Gross profit or loss		2 792 895	2 020 928
Distribution costs	3	(839 228)	(775 229)
Administrative expenses	4	(1 109 229)	(1 077 902)
Other operating income		101 004	158 140
Interest receivable and similar income		177 683	8 055
Write-offs of the value of non-current financial assets and short-term securities			
Interest payable and similar expenses		(261 946)	(167 185)
Profit or loss before extraordinary items and taxes		861 179	166 807
Extraordinary income		-	-
Extraordinary expense		-	-
Profit or loss before taxes		861 179	166 807
Corporate income tax		(129 177)	(24 867)
Other taxes		(20 055)	(34 657)
Profit or loss for the reporting year		711 947	107 283
Earnings per share (in santims)		9,50	1,43

Rolands Gulbis
Chairman of the Executive Board

Balance sheet

		ASSETS	
		Notes	
		31.03.2007	31.03.2006
		LVL	LVL
NON-CURRENT ASSETS			
Intangible fixed assets			
	Concessions, patents, licences and similar rights	8 742	67 449
	Goodwill		
	TOTAL	8 742	67 449
Tangible fixed assets			
	Land, buildings, constructions and perennial plants	18 663 597	12 031 515
	Equipment and machinery	2 632 991	2 981 416
	Other fixtures and fittings, tools and equipment	801 619	1 030 932
	Construction in progress	188 000	3 551 616
	Prepayments for tangible fixed assets	434 798	427 131
	TOTAL	22 721 006	20 022 610
Non-current financial assets			
	Investments in share capital of related companies		500 000
	TOTAL	-	500 000
	TOTAL NON-CURRENT ASSETS	22 729 748	20 590 059
CURRENT ASSETS			
Inventories			
	Raw materials	11 803 153	10 889 014
	Work in progress	614 000	806 060
	Finished goods and goods for resale	6 294 213	2 903 314
	TOTAL	18 744 619	14 598 388
Receivables			
	Trade receivables	7 230 136	4 961 420
	Receivables from related companies	21 078 683	4 075 686
	Other receivables	133 788	883 687
	Prepaid expense	227 717	124 653
	TOTAL	28 670 324	10 045 446
	Cash (TOTAL)	347 231	422 788
	TOTAL CURRENT ASSETS	47 762 174	25 066 622
	TOTAL ASSETS	70 491 922	45 656 681

 Rolands Gulbis
 Chairman of the Executive Board

EQUITY AND LIABILITIES

	Notes	31.03.2007 LVL	31.03.2006 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	5 334 639
Reserves:			
unrealized gain from investment in subsidiary undertakings			
other reserves			1 249 047
merger reserve			(11 101 905)
Retained earnings:			
brought forward		10 811 496	18 265 462
for the period		711 947	107 283
TOTAL EQUITY		31 276 042	21 413 193
PROVISIONS FOR LIABILITIES AND CHARGES			
Provisions for expected taxes		2 426 022	1 336 030
Other provisions		1 643 746	1 493 403
TOTAL PROVISIONS FOR LIABILITIES AND CHARGES		4 069 768	2 829 433
LIABILITIES			
Non-current liabilities			
Loans from credit institutions		15 080 238	8 332 400
TOTAL		15 080 238	8 332 400
Current liabilities			
Loans from credit institutions		6 713 887	1 580 620
Trade payables		4 267 497	3 461 259
Taxes payable		8 205 089	7 649 000
Other liabilities		874 165	385 541
Undrawn dividends of previous years		5 235	5 235
TOTAL		20 065 874	13 081 655
TOTAL LIABILITIES		35 146 112	21 414 055
TOTAL EQUITY AND LIABILITIES		70 491 922	45 656 681

 Rolands Gulbis
 Chairman of the Executive Board

Cash flow statement

	Notes	01.01.2007 - 31.03.2007	01.01.2006 - 31.03.2006
		LVL	LVL
Cash flows to/ from operating activities			
Net profit or loss before extraordinary items and taxes		861 179	166 807
Adjustments for:			
Amortisation and depreciation		462 961	560 466
Interest income/expense		261 946	167 490
Increase/(decrease) in provisions		310 777	346
Gain/loss on disposal of fixed assets		459 293	65 075
<i>Operating profit or loss before working capital changes</i>		<i>2 356 156</i>	<i>960 184</i>
(Increase)/decrease in inventories		(3 243 587)	(1 829 991)
(Increase)/decrease in receivables		3 425 097	9 913 904
Increase/(decrease) in payables		(185 484)	(9 325 674)
<i>Cash generated from operations</i>		<i>2 352 182</i>	<i>(281 577)</i>
Interest paid		(212 655)	(171 554)
Corporate income tax paid		(185 052)	(35 658)
Net cash flows to/ from operating activities		1 954 474	(488 789)
Cash flows to/ from investing activities			
Purchase of fixed assets		(826 212)	(475 821)
Acquisition of subsidiary			(500 000)
Net cash flows to/ from investing activities		(826 212)	(975 821)
Cash flows to/ from financing activities			
Net loans paid		(884 738)	981 212
Net cash flows to/ from financing activities		(884 738)	981 212
Change in cash and cash equivalents		243 524	(483 398)
Cash and cash equivalents at the beginning of the reporting year		103 707	906 186
Cash and cash equivalents at the end of the reporting year		347 231	422 788

Statement of changes in equity for three months period ended 31 March 2007

	Share capital	Share premium	Long-term investments revaluation reserve	Other reserves	Merger reserve	Retained earnings	Total
Balance as at 1 January 2006	7 496 900	61 767	5 334 638	1 249 047	(11 101 905)	18 265 462	21 305 909
Profit/loss for the reporting period						107 283	107 283
Balance as at 31 March 2006	7 496 900	61 767	5 334 638	1 249 047	(11 101 905)	18 372 745	21 413 193
Balance as at 1 January 2007	7 496 900	61 767	12 193 932	---	---	10 811 497	30 564 096
Profit/loss for the reporting period						711 947	711 947
Balance as at 31 March 2007	7 496 900	61 767	12 193 932	-	-	11 523 444	31 276 043

1. Net sales

	01.01.2007 – 31.03.2007	01.01.2006 – 31.03.2006
Sales of drinks in local market	13 909 025	9 321 205
Export of drinks and services	8 178 092	7 795 745
Other sales (spirits, raw materials)	6 909	482
TOTAL:	22 094 026	17 117 432

2. Cost of sales

Variable costs	18 427 776	14 169 931
<i>Materials</i>	16 769 690	13 023 548
<i>Goods bought</i>	66 178	52 741
<i>Salary expenses</i>	594 544	386 890
<i>Social insurance</i>	142 910	93 009
<i>Electricity</i>	129 964	105 842
<i>Natural resources tax</i>	74 836	102 965
<i>Other expenses</i>	649 654	404 936
Fixed costs	873 355	927 599
<i>Depreciation and amortisation</i>	324 158	374 967
<i>Salary expenses</i>	249 112	207 811
<i>Social insurance</i>	59 366	49 750
<i>Repair expenses</i>	134 143	188 358
<i>Services for production needs</i>	15 984	12 931
<i>Insurance</i>	14 830	16 959
<i>Laboratory and quality maintenance expenses</i>	8 896	6 151
<i>Other expenses</i>	66 866	69 646
TOTAL:	19 301 131	15 096 504

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3. Selling expenses

Salary expenses	317 050	223 464
Social insurance	74 940	53 715
Depreciation and amortisation	60 455	58 729
Advertising	141 966	165 127
Transportation cost	139 667	167 938
Warehouse maintenance	33 446	18 360
Other expenses	71 704	87 896
TOTAL:	839 228	775 229

4. Administrative expenses

	01.01.2007 – 31.03.2007	01.01.2006 – 31.03.2006
Salary expenses	270 207	227 690
Social insurance	50 596	53 469
Communication and postal expenses	33 755	47 009
Office expenses	12 592	13 909
Professional fees	20 603	28 711
IT maintenance	13 071	58 066
Representations	38 749	22 153
Security	37 518	40 823
Management services	177 416	202 835
Transportation	26 021	36 852
Business trip	5 346	21 858
Personnel education and training	3 563	1 125
Depreciation and amortisation	78 348	77 434
Financial help, sponsorship	15 148	54 616
Healthcare, health insurance	13 099	12 142
Other expenses	313 197	179 210
TOTAL:	<u>1 109 229</u>	<u>1 077 902</u>