

JOINT STOCK COMPANY LATVIJAS BALZAMS
(ENTERPRISE REGISTER NUMBER LV40003031873)

CONDENSED FINANCIAL STATEMENTS
FOR THE FIRST 6 MONTHS OF 2007

PREPARED IN ACCORDANCE WITH REPUBLIC OF LATVIA STANDARDS OF
BOOKKEEPING

Riga, 2007

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 – 30 June 2007

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



Riga
31.08.2007

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

Rolands Gulbis

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 87.98% of the company equity capital.

The activity of enterprise in half-year 2007

AS “Latvijas balzams” is the biggest producer of alcoholic beverages in Latvia, as well as one of the largest taxpayers in Latvia. During first six month of 2007 LB paid 19.4 millions lats to the state budget, including excise tax amounting to 16 millions lats.

The unaudited turnover of the company in the first six months of year 2007 was 48.7 million lats, which is by 27.3% more than during first six months in 2006. The increase in turnover at local market is 33.7% as compared to the same period in 2006. The substantial increase of sales is reached in export market. In comparison with 2006, the export market sales increased for 17%, or else for 2 532 thousands lats. During the first six months in 2007, the sales to the EU counties increased for 15%, in comparison with the same period in 2006. Sales to Lithuania increased by 40% as compared to the same period in 2006. The top sales focus markets are Baltic States, Poland and Scandinavia, meanwhile new export markets are being acquired.

The profit for the reporting period was 1 494 thousands lats, that’s 102% more than in the first six months in 2006 (739 thousands lats).

Future perspectives of activity

For the second half-year 2007 one of the AS “Latvijas balzams” priorities is export expansion. Special emphasize is set to Poland and Scandinavian countries.

AS Latvijas balzams
Chairman of the Board

Rolands Gulbis

Riga, 31. August, 2007

Income statement for the period ended June 30, 2007

	Notes	01.01.2007 - 30.06.2007 EUR*	01.01.2006 - 30.06.2006 EUR*
Net turnover	1	69,394,297	54,514,179
Cost of sales	2	(61,024,607)	(48,284,381)
Gross profit or loss		8,369,690	6,229,798
Distribution costs	3	(3,063,090)	(2,713,697)
Administrative expenses	4	(2,797,031)	(2,515,340)
Other operating income		338,249	727,311
Interest receivable and similar income		547,985	240,809
Interest payable and similar expenses		(816,084)	(591,634)
Profit or loss before taxes		2,579,719	1,377,247
Corporate income tax		(386,957)	(206,587)
Other taxes		(65,886)	(119,268)
Profit or loss for the reporting year		2,126,876	1,051,392
Earnings per share (cents)		28.37	14.02

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

Rolands Gulbis
Chairman of the Executive Board

Balance sheet as at June 30, 2007

		Notes	30.06.2007	30.06.2006
			EUR*	EUR*
ASSETS				
NON-CURRENT ASSETS				
Intangible fixed assets				
	Concessions, patents, licences and similar rights		10,899	39,458
	Goodwill			
	TOTAL		10,899	39,458
Tangible fixed assets				
	Land, buildings, constructions and perennial plants		26,279,999	27,128,584
	Equipment and machinery		3,643,506	4,065,059
	Other fixtures and fittings, tools and equipment		805,950	1,254,930
	Construction in progress		1,101,407	1,222,715
	Prepayments for tangible fixed assets		228,784	729,140
	TOTAL		32,059,646	34,400,428
Non-current financial assets				
	Investments in share capital of related companies			5,562,006
	TOTAL			5,562,006
	TOTAL NON-CURRENT ASSETS		32,070,545	40,001,892
CURRENT ASSETS				
Inventories				
	Raw materials		18,365,528	17,051,637
	Work in progress		887,450	899,128
	Finished goods and goods for resale		9,600,119	7,440,248
	TOTAL		28,888,946	25,453,751
Receivables				
	Trade receivables		13,384,441	10,533,715
	Receivables from related companies		27,769,449	27,623,672
	Other receivables		224,164	128,225
	Prepaid expense		285,152	214,970
	TOTAL		41,663,206	38,500,582
	Cash (TOTAL)		459,596	376,509
	TOTAL CURRENT ASSETS		71,011,748	64,330,842
	TOTAL ASSETS		103,082,293	104,332,734

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

Rolands Gulbis
 Chairman of the Executive Board

EQUITY AND LIABILITIES

	Notes	30.06.2007 EUR*	30.06.2006 EUR*
CAPITAL AND RESERVES			
Share capital		10,667,128	10,667,128
Share premium		87,887	87,887
Non-current assets revaluation reserve		17,350,402	19,072,737
Reserves:			-
unrealized gain from investment in subsidiary undertakings			-
other reserves			1,777,167
merger reserve			(15,796,587)
Retained earnings:			-
brought forward		15,127,361	25,733,397
for the period		2,126,876	1,051,392
	TOTAL EQUITY	45,359,653	42,593,120
PROVISIONS FOR LIABILITIES AND CHARGES			
Provisions for expected taxes		3,451,918	1,900,957
Other provisions		2,356,768	2,125,009
	TOTAL PROVISIONS FOR LIABILITIES AND CHARGES	5,808,686	4,025,966
LIABILITIES			
Non-current liabilities			
Loans from credit institutions		21,042,300	24,356,906
	TOTAL	21,042,300	24,356,906
Current liabilities			
Loans from credit institutions		10,719,458	15,034,445
Trade payables		6,129,877	6,190,488
Taxes payable		13,069,397	11,539,279
Other liabilities		945,473	374,829
Undrawn dividends of previous years		7,449	7,449
	TOTAL	30,871,654	33,356,742
	TOTAL LIABILITIES	51,913,954	57,713,648
TOTAL EQUITY AND LIABILITIES		103,082,293	104,332,734

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

 Rolands Gulbis
 Chairman of the Executive Board

Cash flow statement for the period ended June 30, 2006

Notes	01.01.2007 - 30.06.2007 EUR*	01.01.2006 - 30.06.2006 EUR*
Cash flows to/ from operating activities		
Net profit or loss before extraordinary items and taxes	2,664,020	1,377,247
Adjustments for:		-
Amortisation and depreciation	1,312,890	1,450,281
Interest income/expense	816,084	591,634
Increase/(decrease) in provisions	-259,072	539
Gain/loss on disposal of fixed assets	530,407	520,250
Operating profit or loss before working capital changes	5,064,329	3,939,952
(Increase)/decrease in inventories	-7,262,672	(7,285,959)
(Increase)/decrease in receivables	3,887,284	(10,101,051)
Increase/(decrease) in payables	-1,072,438	(10,603,667)
Cash generated from operations	616,503	(24,050,725)
Interest paid	-816,083	(592,428)
Dividends paid	-256,013	(256,013)
Corporate income tax paid	-987,393	(1,004,661)
Net cash flows to/ from operating activities	(1,442,986)	(25,903,828)
Cash flows to/ from investing activities		
Purchase of fixed assets	-1,435,673	(980,147)
Acquisition of subsidiary	0	(711,436)
Net cash flows to/ from investing activities	(1,435,673)	(1,691,583)
Cash flows to/ from financing activities		
Net loans paid	3,190,693	26,682,533
Net cash flows to/ from financing activities	3,190,693	26,682,533
Change in cash and cash equivalents	312,034	(912,877)
Cash and cash equivalents at the beginning of the reporting year	147,562	1,289,387
Cash and cash equivalents at the end of the reporting year	459,596	376,509

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

Statement of changes in equity for the period ended June 30, 2006

	Share capital	Share premium	Long-term investments revaluation reserve	Other reserves	Retained earnings	Total
Balance as at 1 January 2006, EUR*	10,667,128	87,887	19,072,737	1,777,167	10,988,201	42,593,120
Profit/loss for the reporting period	-	-	(1,722,335)	-	-	(1,722,335)
Retained earnings			-	-	6,266,035	-
Dividends paid from the previous year's profit			-	(1,777,167)	-	(1,777,167)
Balance as at 30 June 2006, EUR*	10,667,128	87,887	17,350,402	0	17,254,236	45,359,653

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