

JOINT STOCK COMPANY LATVIJAS BALZAMS
(ENTERPRISE REGISTER NUMBER LV40003031873)

CONDENSED FINANCIAL STATEMENTS (*not audited*)
FOR THE FIRST 9 MONTHS OF 2007

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

Riga, 2007

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



Riga
30.11.2007

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

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 September 2007

Income statement for the period ended September 30, 2007

	Notes	01.01.2007 - 30.09.2007	01.01.2006 - 30.09.2006
		Eur	Eur
Net turnover	1	104,993,782	85,627,939
Cost of sales	2	(92,995,835)	(75,083,780)
Gross profit or loss		11,997,947	10,544,159
Distribution costs	3	(4,868,909)	(4,514,152)
Administrative expenses	4	(4,334,570)	(4,436,669)
Other operating income		732,068	1,188,513
Income from investments in subsidiaries and associates			1,726,558
Interest receivable and similar income		1,118,749	611,106
Interest payable and similar expenses		(1,656,012)	(1,028,645)
Profit or loss before taxes		2,989,272	4,090,870
Corporate income tax		(430,370)	(613,631)
Other taxes		(120,136)	(189,838)
Profit or loss for the reporting year		2,438,765	3,287,402
Earnings per share (in eurocents)		32.53	43.85

Rolands Gulbis
 Chairman of the Executive Board

Balance sheet as at September 30, 2007

		ASSETS	
		Notes	
		30.09.2007	30.09.2006
		EUR	EUR
NON-CURRENT ASSETS			
Intangible fixed assets			
		9,360	13,574
	TOTAL	9,360	13,574
Tangible fixed assets			
		26,091,390	26,866,293
		4,775,586	3,890,563
		1,089,809	1,185,530
		208,701	128,632
		608,808	585,324
	TOTAL	32,774,294	32,656,341
Non-current financial assets			
		33,599,999	20,599,999
	TOTAL	33,599,999	20,599,999
	TOTAL NON-CURRENT ASSETS	66,383,653	53,269,915
CURRENT ASSETS			
Inventories			
		16,473,902	16,117,151
		1,000,589	848,316
		8,805,361	6,268,070
		549,896	421,364
		14,094	55,049
	TOTAL	26,843,841	23,709,950
Receivables			
		14,273,857	10,710,401
		7,458,281	7,916,496
		149,335	380,405
		215,105	155,587
	TOTAL	22,096,579	19,162,889
Cash (TOTAL)		145,036	204,849
	TOTAL CURRENT ASSETS	49,085,456	43,077,689
TOTAL ASSETS		115,469,109	96,347,603

 Rolands Gulbis
 Chairman of the Executive Board

EQUITY AND LIABILITIES

	Notes	30.09.2007	30.09.2006
		EUR	EUR
CAPITAL AND RESERVES			
Share capital		10,667,128	10,667,128
Share premium		87,887	87,887
Non-current assets revaluation reserve		17,350,402	19,072,737
Reserves:			
unrealized gain from investment in subsidiary undertakings			
other reserves			1,777,234
merger reserve			(15,796,588)
Retained earnings:			
brought forward		15,127,361	25,733,398
for the period		2,438,765	3,287,402
TOTAL EQUITY		45,671,543	44,829,197
PROVISIONS FOR LIABILITIES AND CHARGES			
Provisions for expected taxes		3,451,918	1,900,999
Other provisions		2,365,732	2,105,537
TOTAL PROVISIONS FOR LIABILITIES AND CHARGES		5,817,650	4,006,537
LIABILITIES			
Non-current liabilities			
Loans from credit institutions		32,906,527	23,984,945
TOTAL		32,906,527	23,984,945
Current liabilities			
Loans from credit institutions		12,618,394	6,868,357
Prepayments received from customers		-	-
Trade payables		6,652,267	4,315,641
Taxes payable		10,852,181	11,537,662
Other liabilities		943,098	797,816
Undrawn dividends of previous years		7,449	7,449
TOTAL		31,073,389	23,526,925
TOTAL LIABILITIES		63,979,916	47,511,870
TOTAL EQUITY AND LIABILITIES		115,469,109	96,347,603

Rolands Gulbis
 Chairman of the Executive Board

Cash flow statement for the period ended September 30, 2007

No tes	01.01.2007 - 30.09.2007 EUR	01.01.2006 - 30.09.2006 EUR
Cash flows to/ from operating activities		
Net profit or loss before extraordinary items and taxes	2,989,272	4,130,013
Adjustments for:		
Amortisation and depreciation	1,974,220	2,290,048
Interest income/expense	1,656,012	1,026,327
Increase/(decrease) in provisions	26,892	32,225
Gain/loss on disposal of fixed assets	21,020	520,317
<i>Operating profit or loss before working capital changes</i>	<i>6,667,417</i>	<i>7,998,931</i>
(Increase)/decrease in inventories	(10,400,894)	(5,648,036)
(Increase)/decrease in receivables	(20,943,899)	15,336,597
Increase/(decrease) in payables	15,310,545	(739,902)
<i>Cash generated from operations</i>	<i>(9,366,832)</i>	<i>16,947,591</i>
Interest paid	(1,656,012)	(1,026,327)
Dividends paid	(256,012)	(256,013)
Corporate income tax paid	(819,677)	(1,368,218)
Net cash flows to/ from operating activities	(12,098,532)	14,297,033
Cash flows to/ from investing activities		
Purchase of fixed assets	(2,190,493)	(3,098,251)
Acquisition of subsidiary	-	(1,422,872)
Net cash flows to/ from investing activities	(2,190,493)	(4,521,123)
Cash flows to/ from financing activities		
Net loans paid	14,434,061	(10,860,448)
Net cash flows to/ from financing activities	14,434,061	(10,860,448)
Change in cash and cash equivalents	145,036	(1,084,537)
Cash and cash equivalents at the beginning of the reporting year	145,036	1,289,387
Cash and cash equivalents at the end of the reporting year	290,072	204,849

Statement of changes in equity for the period ended September 30, 2007

	Akciju kapitāls	Akciju emisijas uzcenojums	Ilgtermiņa ieguldījumu pārvērtēšanas rezerve	Citas rezerves	Interesu saplūšanas rezerve	Nesadalītā peļņa	Kopā
Balance as at 1 January 2006	10,667,128	87,887	7,590,506	1,777,234	(15,796,588)	25,989,411	30,315,577
Profit/loss for the reporting period			11,482,231			3,287,402	14,769,633
Dividends paid from the previous year's profit						(256,013)	(256,013)
Balance as at 30 September 2006	10,667,128	87,887	19,072,737	1,777,234	(15,796,588)	29,020,800	44,829,197
Balance as at 1 January 2007	10,667,128	87,887	19,072,737	1,777,234	(15,796,588)	25,733,398	41,541,795
Profit/loss for the reporting period			(1,722,335)		15,796,588	2,438,765	16,513,018
Dividends paid from the previous year's profit				(1,777,234)			(1,777,234)
Balance as at 30 September 2007	10,667,128	87,887	17,350,402	-	-	17,566,127	45,671,543

1. Net sales

	01.01.2007 – 30.09.2007	01.01.2006 – 30.09.2006
Sales of drinks in local market	68 584 326	54 317 002
Export of drinks and services	36 363 460	31 298 496
Other sales (spirits, raw materials)	45 996	12 442
TOTAL:	104 993 782	85 627 939

2. Cost of sales

Variable costs	88 946 373	71 038 497
<i>Materials</i>	81 398 285	66 937 657
<i>Goods bought</i>	428 373	318 036
<i>Salary expenses</i>	2 570 138	2 000 245
<i>Social insurance</i>	617 552	480 297
<i>Electricity</i>	539 146	449 122
<i>Natural resources tax</i>	512 030	494 035
<i>Other expenses</i>	2 880 849	359 103
Fixed costs	4 049 462	4 045 283
<i>Depreciation and amortisation</i>	1 387 262	1 540 031
<i>Salary expenses</i>	1 143 268	917 482
<i>Social insurance</i>	272 457	218 919
<i>Repair expenses</i>	583 521	826 489
<i>Services for production needs</i>	168 905	65 382
<i>Insurance</i>	75 034	58 578
<i>Laboratory and quality maintenance expenses</i>	43 718	47 762
<i>Other expenses</i>	375 297	370 640
TOTAL:	92 995 835	75 083 780

3. Selling expenses

Salary expenses	1 458 427	1 133 295
Social insurance	351 779	271 214
Depreciation and amortisation	258 660	259 058
Advertising	1 579 860	1 459 787
Transportation cost	739 799	985 377
Warehouse maintenance	109 775	71 625
Other expenses	370 610	333 797
TOTAL:	4 868 910	4 514 152

4. Administrative expenses

	01.01.2007 – 30.09.2007	01.01.2006 – 30.09.2006
Salary expenses	1 155 420	942 389
Social insurance	161 586	182 434
Communication and postal expenses	158 465	234 898
Office expenses	81 878	95 563
Professional fees	215 140	197 308
IT maintenance	78 020	249 647
Representations	169 572	187 849
Security	150 829	180 451
Management services	757 080	804 142
Transportation	115 850	137 095
Business trip	24 762	85 027
Personnel education and training	24 586	11 493
Depreciation and amortisation	328 299	323 937
Financial help, sponsorship	91 550	153 455
Healthcare, health insurance	71 543	72 821
Other expenses	749 990	578 161
TOTAL:	4 334 570	4 436 669