

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 Ls	01.01.2006 - 30.09.2006 Ls
Net turnover	1	73,790,050	60,179,658
Cost of sales	2	(65,357,845)	(52,769,181)
Gross profit or loss		8,432,205	7,410,477
Distribution costs	3	(3,421,889)	(3,172,564)
Administrative expenses	4	(3,046,353)	(3,118,109)
Other operating income		514,500	835,292
Income from investments in subsidiaries and associates			1,213,432
Interest receivable and similar income		786,261	429,488
Interest payable and similar expenses		(1,163,852)	(722,936)
Profit or loss before taxes		2,100,872	2,875,080
Corporate income tax		(302,466)	(431,262)
Other taxes		(84,432)	(133,419)
Profit or loss for the reporting year		1,713,974	2,310,399
Earnings per share (in santims)		22.86	30.82

Rolands Gulbis
Chairman of the Executive Board

Balance sheet as at September 30, 2007

ASSETS		30.09.2007	30.09.2006
		LVL	LVL
NON-CURRENT ASSETS			
Intangible fixed assets			
Concessions, patents, licences and similar rights		6,578	9,540
Goodwill			
TOTAL		6,578	9,540
Tangible fixed assets			
Land, buildings, constructions and perennial plants		18,337,133	18,881,738
Equipment and machinery		3,356,301	2,734,303
Other fixtures and fittings, tools and equipment		765,922	833,195
Construction in progress		146,676	90,403
Prepayments for tangible fixed assets		427,873	411,368
TOTAL		23,033,905	22,951,007
Non-current financial assets			
Loans to related companies		23,614,214	14,477,762
TOTAL		23,614,214	14,477,762
TOTAL NON-CURRENT ASSETS		46,654,697	37,438,309
CURRENT ASSETS			
Inventories			
Raw materials		11,577,924	11,327,198
Work in progress		703,218	596,200
Finished goods and goods for resale		6,188,443	4,405,225
Work in progress for third parties		386,469	296,136
Prepayments for goods		9,905	38,689
TOTAL		18,865,959	16,663,448
Receivables			
Trade receivables		10,031,724	7,527,313
Receivables from related companies		5,241,710	5,563,745
Other receivables		104,953	267,350
Prepaid expense		151,177	109,347
TOTAL		15,529,564	13,467,755
Cash (TOTAL)		101,932	143,969
TOTAL CURRENT ASSETS		34,497,455	30,275,172
TOTAL ASSETS		81,152,152	67,713,481

Rolands Gulbis
Chairman of the Executive Board

EQUITY AND LIABILITIES

	30.09.2007	30.09.2006
	LVL	LVL
CAPITAL AND RESERVES		
Share capital	7,496,900	7,496,900
Share premium	61,767	61,767
Non-current assets revaluation reserve	12,193,932	13,404,396
Reserves:		
unrealized gain from investment in subsidiary undertakings		
other reserves		1,249,047
merger reserve		(11,101,905)
Retained earnings:		
brought forward	10,631,570	18,085,535
for the period	1,713,974	2,310,399
TOTAL EQUITY	32,098,143	31,506,139
PROVISIONS FOR LIABILITIES AND CHARGES		
Provisions for expected taxes	2,426,022	1,336,030
Other provisions	1,662,646	1,479,780
TOTAL PROVISIONS FOR LIABILITIES AND CHARGES	4,088,668	2,815,810
LIABILITIES		
Non-current liabilities		
Loans from credit institutions	23,126,839	16,856,715
TOTAL	23,126,839	16,856,715
Current liabilities		
Bonds issued		
Loans convertible into shares		
Loans from credit institutions	8,868,258	4,827,109
Other loans		
Prepayments received from customers		
Trade payables	4,675,240	3,033,050
Bills of exchange payable		
Payables to related companies		
Payables to associates		
Taxes payable	7,626,956	8,108,715
Other liabilities	662,813	560,708
Deferred income		
Dividends for the reporting year		
Undrawn dividends of previous years	5,235	5,235
Accrued liabilities		
TOTAL	21,838,502	16,534,817
TOTAL LIABILITIES	44,965,341	33,391,532
TOTAL EQUITY AND LIABILITIES	81,152,152	67,713,481

Rolands Gulbis
Chairman of the Executive Board

Cash flow statement for the period ended September 30, 2007

	01.01.2007 - 30.09.2007 LVL	01.01.2006 - 30.09.2006 LVL
Cash flows to/ from operating activities		
Net profit or loss before extraordinary items and taxes	2,100,872	2,902,590
Adjustments for:		
Amortisation and depreciation	1,387,490	1,609,455
Interest income/expense	1,163,852	721,307
Increase/(decrease) in provisions	18,900	22,648
Gain/loss on disposal of fixed assets	14,773	365,681
Operating profit or loss before working capital changes	4,685,887	5,621,681
(Increase)/decrease in inventories	(7,309,790)	(3,969,462)
(Increase)/decrease in receivables	(14,719,456)	10,778,622
Increase/(decrease) in payables	10,760,312	(520,006)
Cash generated from operations	(6,583,047)	11,910,835
Interest paid	(1,163,852)	(721,307)
Dividends paid	(179,926)	(179,927)
Corporate income tax paid	(576,072)	(961,589)
Net cash flows to/ from operating activities	(8,502,897)	10,048,012
Cash flows to/ from investing activities		
Purchase of fixed assets	(1,539,487)	(2,177,463)
Acquisition of subsidiary		(1,000,000)
Net cash flows to/ from investing activities	(1,539,487)	(3,177,463)
Cash flows to/ from financing activities		
Net loans paid	10,144,316	(7,632,766)
Net cash flows to/ from financing activities	10,144,316	(7,632,766)
Change in cash and cash equivalents	101,932	(762,217)
Cash and cash equivalents at the beginning of the reporting year	101,932	906,186
Cash and cash equivalents at the end of the reporting year	203,864	143,969

Statement of changes in equity for the period ended September 30, 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			8,069,758			2,310,399	10,380,157
Dividends paid from the previous year's profit						(179,927)	(179,927)
Balance as at 30 September 2006	7,496,900	61,767	13,404,396	1,249,047	(11,101,905)	20,395,934	31,506,139
Balance as at 1 January 2007	7,496,900	61,767	13,404,396	1,249,047	(11,101,905)	18,085,535	29,195,740
Profit/loss for the reporting period			(1,210,464)		11,101,905	1,713,974	11,605,415
Dividends paid from the previous year's profit				(1,249,047)			(1,249,047)
Balance as at 30 September 2007	7,496,900	61,767	12,193,932	-	-	12,345,544	32,098,143

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**1. Net sales**

	01.01.2007 – 30.09.2007	01.01.2006 – 30.09.2006
Sales of drinks in local market	48 201 339	38 174 206
Export of drinks and services	25 556 385	21 996 708
Other sales (spirits, raw materials)	32 326	8 744
TOTAL:	73 790 050	60 179 658

2. Cost of sales

Variable costs	62 511 867	49 926 140
<i>Materials</i>	57 207 041	47 044 053
<i>Goods bought</i>	301 062	223 517
<i>Salary expenses</i>	1 806 303	1 405 780
<i>Social insurance</i>	434 018	337 555
<i>Electricity</i>	378 914	315 645
<i>Natural resources tax</i>	359 857	347 210
<i>Other expenses</i>	2 024 672	252 379
Fixed costs	2 845 978	2 843 041
<i>Depreciation and amortisation</i>	974 973	1 082 340
<i>Salary expenses</i>	803 493	644 810
<i>Social insurance</i>	191 484	153 857
<i>Repair expenses</i>	410 101	580 860
<i>Services for production needs</i>	118 707	45 951
<i>Insurance</i>	52 734	41 169
<i>Laboratory and quality maintenance expenses</i>	30 725	33 567
<i>Other expenses</i>	263 761	260 487
TOTAL:	65 357 845	52 769 181

3. Selling expenses

Salary expenses	1 024 988	796 484
Social insurance	247 232	190 610
Depreciation and amortisation	181 787	182 067
Advertising	1 110 332	1 025 944
Transportation cost	519 934	692 527
Warehouse maintenance	77 150	50 338
Other expenses	260 466	234 594
TOTAL:	3 421 889	3 172 564

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4. Administrative expenses

	01.01.2007 – 30.09.2007	01.01.2006 – 30.09.2006
Salary expenses	812 034	662 315
Social insurance	113 563	128 215
Communication and postal expenses	111 370	165 087
Office expenses	57 544	67 162
Professional fees	151 201	138 669
IT maintenance	54 833	175 453
Representations	119 176	132 021
Security	106 003	126 822
Management services	532 079	565 154
Transportation	81 420	96 351
Business trip	17 403	59 757
Personnel education and training	17 279	8 077
Depreciation and amortisation	230 730	227 664
Financial help, sponsorship	64 342	107 849
Healthcare, health insurance	50 280	51 179
Other expenses	527 096	406 334
TOTAL:	<u>3 046 353</u>	<u>3 118 109</u>