

JOINT STOCK COMPANY LATVIJAS BALZAMS
(ENTERPRISE REGISTER NUMBER LV40003031873)

CONDENSED FINANCIAL STATEMENTS
FOR THE FIRST 6 MONTHS OF 2006

Riga, 2006

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

Juris Gulbis – 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 2006

Income statement for the period ended June 30, 2006

	Notes	01.01.2006 - 30.06.2006 EUR*	01.01.2005 - 30.06.2005 EUR*
Net turnover	1	54 514 179	46 215 672
Cost of sales	2	(48 284 381)	(41 146 029)
Gross profit or loss		6 229 798	5 069 642
Distribution costs	3	(2 713 697)	(2 318 101)
Administrative expenses	4	(2 515 340)	(1 825 569)
Other operating income		727 311	369 571
Interest receivable and similar income		240 809	321 136
Interest payable and similar expenses		(591 634)	(420 804)
Profit or loss before taxes		1 377 247	1 195 875
Corporate income tax		(206 587)	(179 381)
Other taxes		(119 268)	(73 978)
Profit or loss for the reporting year		1 051 392	942 516
Earnings per share (cents)		14.02	12.57

* - 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, 2006

		Notes	30.06.2006	30.06.2005
			EUR*	EUR*
ASSETS				
NON-CURRENT ASSETS				
Intangible fixed assets				
	Concessions, patents, licences and similar rights		39 458	313 594
	Goodwill			-
	TOTAL		39 458	313 594
Tangible fixed assets				
	Land, buildings, constructions and perennial plants		27 128 584	10 639 443
	Equipment and machinery		4 065 059	4 648 669
	Other fixtures and fittings, tools and equipment		1 254 930	1 379 372
	Construction in progress		1 222 715	1 062 024
	Prepayments for tangible fixed assets		729 140	1 580 951
	TOTAL		34 400 428	19 310 459
Non-current financial assets				
	Investments in share capital of related companies		5 562 006	6 618
	TOTAL		5 562 006	6 618
	TOTAL NON-CURRENT ASSETS		40 001 892	19 630 671
CURRENT ASSETS				
Inventories				
	Raw materials		17 051 637	14 769 637
	Work in progress		899 128	967 307
	Finished goods and goods for resale		7 440 248	5 555 269
	TOTAL		25 453 751	21 292 212
Receivables				
	Trade receivables		10 533 715	8 614 799
	Receivables from related companies		27 623 672	5 699 993
	Other receivables		128 225	922 138
	Prepaid expense		214 970	172 631
	TOTAL		38 500 582	15 409 561
	Cash (TOTAL)		376 509	240 887
	TOTAL CURRENT ASSETS		64 330 842	36 942 660
	TOTAL ASSETS		104 332 734	56 573 331

* - 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	30.06.2006 EUR*	30.06.2005 EUR*
CAPITAL AND RESERVES			
Share capital		10 667 128	10 667 128
Share premium		87 887	87 887
Non-current assets revaluation reserve		19 072 737	1 401 355
Reserves:		-	-
unrealized gain from investment in subsidiary undertakings		-	-
other reserves		1 777 167	1 777 234
merger reserve		(15 796 588)	(15 796 588)
Retained earnings:		-	-
brought forward		25 733 398	22 605 105
for the period		1 051 392	942 516
		42 593 120	21 684 636
PROVISIONS FOR LIABILITIES AND CHARGES			
Provisions for expected taxes		1 900 957	821 596
Other provisions		2 125 009	1 693 758
		4 025 966	2 515 354
LIABILITIES			
Non-current liabilities			
Loans from credit institutions		24 356 906	14 203 106
	TOTAL	24 356 906	14 203 106
Current liabilities			
Loans from credit institutions		15 034 445	2 171 563
Trade payables		6 190 488	5 532 464
Taxes payable		11 539 279	10 096 145
Other liabilities		374 829	362 613
Undrawn dividends of previous years		7 449	7 449
	TOTAL	33 356 742	18 170 234
		57 713 648	32 373 340
TOTAL EQUITY AND LIABILITIES		104 332 734	56 573 331

* - 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	01.01.2006 - 30.06.2006 EUR*	01.01.2005 - 30.06.2005 EUR*
Cash flows to/ from operating activities		
Net profit or loss before extraordinary items and taxes	1 377 247	1 195 875
Adjustments for:	-	-
Amortisation and depreciation	1 450 281	1 216 826
Interest income/expense	591 634	420 931
Increase/(decrease) in provisions	539	(2 920)
Gain/loss on disposal of fixed assets	520 250	-
Operating profit or loss before working capital changes	3 939 952	2 830 712
(Increase)/decrease in inventories	(7 285 959)	(5 186 198)
(Increase)/decrease in receivables	(10 101 051)	3 341 957
Increase/(decrease) in payables	(10 603 667)	1 877 523
Cash generated from operations	(24 050 725)	2 863 995
Interest paid	(592 428)	(420 931)
Dividends paid	(256 013)	-
Corporate income tax paid	(1 004 661)	(184 996)
Net cash flows to/ from operating activities	(25 903 828)	2 258 068
Cash flows to/ from investing activities		
Purchase of fixed assets	(980 147)	(1 998 413)
Acquisition of subsidiary	(711 436)	-
Net cash flows to/ from investing activities	(1 691 583)	(1 998 413)
Cash flows to/ from financing activities		
Net loans paid	26 682 533	(1 296 028)
Net cash flows to/ from financing activities	26 682 533	(1 296 028)
Change in cash and cash equivalents	(912 877)	(1 036 374)
Cash and cash equivalents at the beginning of the reporting year	1 289 387	1 277 261
Cash and cash equivalents at the end of the reporting year	376 509	240 887

* - 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	Merger reserve	Retained earnings	Total
Balance as at 1 January 2006, EUR*	10 667 128	87 887	7 590 507	1 777 234	(15 796 588)	25 989 411	30 315 578
Profit/loss for the reporting period	-	-	11 482 231	(67)	-	1 051 392	12 533 556
Dividends paid from the previous year's profit			-	-	-	(256 013)	(256 013)
Balance as at 30 June 2006, EUR*	10 667 128	87 887	19 072 738	1 777 167	(15 796 588)	26 784 789	42 593 120

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