

JOINT STOCK COMPANY LATVIJAS BALZAMS
(ENTERPRISE REGISTER NUMBER LV40003031873)

CONDENSED FINANCIAL STATEMENTS *(not audited)*
FOR THE FIRST 9 MONTHS OF 2006
PREPARED UNDER LATVIAN ACCOUNTING STANDARDS

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 September 2006

Income statement for the period ended September 30, 2006

	Notes	01.01.2006 - 30.09.2006 EUR	01.01.2005 - 30.09.2005 EUR	01.01.2005 - 31.12.2005 EUR
Net turnover	1	85 627 939	71 637 162	111 686 389
Cost of sales	2	(75 083 780)	(63 072 579)	(96 976 342)
Gross profit or loss		10 544 159	8 564 583	14 710 047
Distribution costs	3	(4 514 152)	(3 501 171)	(5 467 806)
Administrative expenses	4	(4 436 669)	(3 263 782)	(5 616 465)
Other operating income		1 188 513	2 199 475	1 458 374
Other operating expense			-	-
Income from investments in subsidiaries and associates		1 726 558	-	97 396
Interest receivable and similar income		611 106	146 468	205 854
Interest payable and similar expenses		(1 028 645)	(637 528)	(930 736)
Profit or loss before taxes		4 090 870	3 508 045	4 456 664
Corporate income tax		(613 631)	(526 206)	(871 287)
Other taxes		(189 838)	(115 144)	(197 058)
Profit or loss for the reporting year		3 287 402	2 866 694	3 388 319
Earnings per share (in eurocents)		43.85	38.24	45.20

 Rolands Gulbis
 Chairman of the Executive Board

Balance sheet as at September 30, 2006

		ASSETS		
		30.09.2006	30.09.2005	31.12.2005
		EUR	EUR	EUR
NON-CURRENT ASSETS				
Intangible fixed assets				
	Concessions, patents, licences and similar rights	13 574	238 704	166 172
	Goodwill			-
	TOTAL	13 574	238 704	166 172
Tangible fixed assets				
	Land, buildings, constructions and perennial plants	26 866 293	10 559 660	17 394 524
	Equipment and machinery	3 890 563	4 432 478	4 491 420
	Other fixtures and fittings, tools and equipment	1 185 530	1 927 959	1 506 397
	Construction in progress	128 632	1 333 883	4 358 495
	Prepayments for tangible fixed assets	585 324	1 867 640	881 603
	TOTAL	32 656 341	20 121 619	28 632 439
Non-current financial assets				
	Investments in share capital of related companies		6 618	
	TOTAL	-	6 618	-
	TOTAL NON-CURRENT ASSETS	32 669 915	20 366 940	28 798 611
CURRENT ASSETS				
Inventories				
	Raw materials	16 117 151	14 930 333	12 247 948
	Work in progress	848 316	915 120	1 049 180
	Finished goods and goods for resale	6 268 070	6 412 069	4 124 494
	Work in progress for third parties	421 364		
	Prepayments for goods	55 049		
	TOTAL	23 709 950	22 257 523	17 421 623
Receivables				
	Trade receivables	10 710 401	7 956 035	15 833 700
	Receivables from related companies	28 516 495	4 294 695	11 535 999
	Other receivables	380 405	61 899	578 229
	Prepaid expense	155 587	126 944	149 902
	TOTAL	39 762 888	12 439 573	28 097 831
	Cash (TOTAL)	204 849	551 962	1 289 387
	TOTAL CURRENT ASSETS	63 677 688	35 249 058	46 808 840
	TOTAL ASSETS	96 347 603	55 615 998	75 607 451

 Rolands Gulbis
 Chairman of the Executive Board

EQUITY AND LIABILITIES

	30.09.2006	30.09.2005	31.12.2005
	EUR	EUR	EUR
CAPITAL AND RESERVES			
Share capital	10 667 128	10 667 128	10 667 128
Share premium	87 887	87 887	87 887
Non-current assets revaluation reserve	19 072 737	1 401 355	7 590 506
Reserves:			
unrealized gain from investment in subsidiary undertakings			
other reserves	1 777 234	1 777 234	1 777 234
merger reserve	(15 796 588)	(15 796 588)	(15 796 588)
Retained earnings:			
brought forward	25 733 398	22 605 105	22 601 092
for the period	3 287 402	2 866 694	3 388 319
TOTAL EQUITY	44 829 197	23 608 814	30 315 577
PROVISIONS FOR LIABILITIES AND CHARGES			
Provisions for expected taxes	1 900 999	821 596	1 900 999
Other provisions	2 105 537	1 702 722	1 076 495
TOTAL PROVISIONS FOR LIABILITIES AND CHARGES	4 006 537	2 524 318	2 977 494
LIABILITIES			
Non-current liabilities			
Loans from credit institutions	23 984 945	13 106 072	12 708 818
TOTAL	23 984 945	13 106 072	12 708 818
Current liabilities			
Loans from credit institutions	6 868 357	2 017 099	6 278 987
Prepayments received from customers			
Trade payables	4 315 641	3 470 197	9 661 302
Taxes payable	11 537 662	10 537 498	13 378 928
Other liabilities	797 816	257 531	278 894
Undrawn dividends of previous years	7 449	7 449	7 449
TOTAL	23 526 925	16 289 774	29 605 560
TOTAL LIABILITIES	47 511 870	29 395 846	42 314 378
TOTAL EQUITY AND LIABILITIES	96 347 603	55 615 998	75 607 451

Rolands Gulbis
 Chairman of the Executive Board

Cash flow statement for the period ended September 30, 2006

	01.01.2006 - 30.09.2006 EUR	01.01.2005 - 30.09.2005 EUR	01.01.2005 - 31.12.2005 EUR
Cash flows to/ from operating activities			
Net profit or loss before extraordinary items and taxes	4 130 013	3 508 045	5 639 954
Adjustments for:			
Amortisation and depreciation	2 290 048	1 775 205	2 575 425
Interest income/expense	1 026 327	420 931	784 017
Increase/(decrease) in provisions	32 225	6 044	315 270
Gain/loss on disposal of fixed assets	520 317		308 067
Operating profit or loss before working capital changes	7 998 931	5 710 225	9 622 733
(Increase)/decrease in inventories	(5 648 036)	(6 151 509)	(2 061 778)
(Increase)/decrease in receivables	15 336 597	5 996 130	(5 751 932)
Increase/(decrease) in payables	(739 902)	197 381	7 857 929
Cash generated from operations	16 947 591	5 752 227	9 666 951
Interest paid	(1 026 327)	(420 931)	(837 828)
Dividends paid	(256 013)		
Corporate income tax paid	(1 368 218)	(216 006)	(216 006)
Net cash flows to/ from operating activities	14 297 033	5 115 290	8 613 117
Cash flows to/ from investing activities			
Purchase of fixed assets	(3 098 251)	(3 293 062)	(4 677 677)
Acquisition of subsidiary	(1 422 872)		99 999
Net cash flows to/ from investing activities	(4 521 123)	(3 293 062)	(4 577 677)
Cash flows to/ from financing activities			
Net loans paid	(10 860 448)	(2 547 527)	(4 023 314)
Net cash flows to/ from financing activities	(10 860 448)	(2 547 527)	(4 023 314)
Change in cash and cash equivalents	(1 084 537)	(725 299)	12 126
Cash and cash equivalents at the beginning of the reporting year	1 289 387	1 277 261	1 277 261
Cash and cash equivalents at the end of the reporting year	204 849	551 962	1 289 387

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

	Share capital	Share premium	Long-term investments revaluation reserve	Other reserves	Merger reserve	Retained earnings	Total
Balance as at 1 January 2005	10 667 128	87 887	1 401 355	1 777 234	(15 796 588)	22 605 105	20 742 120
Profit/loss for the reporting period	-	-	-	-	-	2 866 694	2 866 694
Dividends paid from the previous year's profit							-
Balance as at 30 September 2005	10 667 128	87 887	1 401 355	1 777 234	(15 796 588)	25 471 799	23 608 814
Balance as at 1 January 2006	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			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	19 072 738	1 777 234	(15 796 588)	29 020 800	44 829 197

1. Net sales

	01.01.2006 – 30.09.2006	01.01.2005 – 30.09.2005
Sales of drinks in local market	54 317 002	48 827 325
Export of drinks and services	31 298 496	22 797 895
Other sales (spirits, raw materials)	12 442	11 942
TOTAL:	85 627 939	71 637 162

2. Cost of sales

Variable costs	71 038 497	59 560 168
<i>Materials</i>	66 937 657	56 298 240
<i>Goods bought</i>	318 036	380 073
<i>Salary expenses</i>	2 000 245	1 513 907
<i>Social insurance</i>	480 297	363 800
<i>Electricity</i>	449 122	365 957
<i>Natural resources tax</i>	494 035	464 109
<i>Other expenses</i>	359 103	174 081
Fixed costs	4 045 283	3 512 412
<i>Depreciation and amortisation</i>	1 540 031	1 446 758
<i>Salary expenses</i>	917 482	752 362
<i>Social insurance</i>	218 919	179 830
<i>Repair expenses</i>	826 489	655 992
<i>Services for production needs</i>	65 382	74 638
<i>Insurance</i>	58 578	64 775
<i>Laboratory and quality maintenance expenses</i>	47 762	33 381
<i>Other expenses</i>	370 640	304 677
TOTAL:	75 083 780	63 072 579

3. Selling expenses

Salary expenses	1 133 295	837 118
Social insurance	271 214	201 163
Depreciation and amortisation	259 058	106 466
Advertising	1 459 787	1 384 668
Transportation cost	985 377	660 881
Warehouse maintenance	71 625	59 426
Other expenses	333 797	251 448
TOTAL:	4 514 152	3 501 171

4. Administrative expenses

	01.01.2006 – 30.09.2006	01.01.2005– 30.09.2005
Salary expenses	942 389	828 375
Social insurance	182 434	166 460
Communication and postal expenses	234 898	207 243
Office expenses	95 563	63 553
Professional fees	197 308	83 010
IT maintenance	249 647	205 026
Representations	187 849	42 422
Security	180 451	195 043
Management services	804 142	682 384
Transportation	137 095	101 387
Business trip	85 027	86 306
Personnel education and training	11 493	10 783
Depreciation and amortisation	323 937	221 979
Financial help, sponsorship	153 455	100 654
Healthcare, health insurance	72 821	47 962
Other expenses	578 161	221 197
TOTAL:	4 436 669	3 263 782