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 Ls	01.01.2005 - 30.09.2005 Ls	01.01.2005 - 31.12.2005 Ls
Net turnover	1	60 179 658	50 346 884	78 493 641
Cost of sales	2	(52 769 181)	(44 327 661)	(68 155 361)
Gross profit or loss		**7 410 477**	**6 019 223**	**10 338 280**
Distribution costs	3	(3 172 564)	(2 460 637)	(3 842 796)
Administrative expenses	4	(3 118 109)	(2 293 799)	(3 947 274)
Other operating income		835 292	1 545 800	1 024 951
Other operating expense			-	-
Income from investments in subsidiaries and associates		1 213 432	-	68 450
Interest receivable and similar income		429 488	102 938	144 675
Interest payable and similar expenses		(722 936)	(448 057)	(654 125)
Profit or loss before taxes		**2 875 080**	**2 465 468**	**3 132 161**
Corporate income tax		(431 262)	(369 820)	(612 344)
Other taxes		(133 419)	(80 924)	(138 493)
Profit or loss for the reporting year		**2 310 399**	**2 014 724**	**2 381 324**
Earnings per share (in santims)		**30.82**	**26.87**	**31.76**

Rolands Gulbis
Chairman of the Executive Board

Balance sheet as at September 30, 2006

ASSETS

NON-CURRENT ASSETS	30.09.2006 LVL	30.09.2005 LVL	31.12.2005 LVL
Intangible fixed assets			
Concessions, patents, licences and similar rights	9 540	167 762	116 786
Goodwill			-
TOTAL	**9 540**	**167 762**	**116 786**
Tangible fixed assets			
Land, buildings, constructions and perennial plants	18 881 738	7 421 371	12 224 941
Equipment and machinery	2 734 303	3 115 163	3 156 588
Other fixtures and fittings, tools and equipment	833 195	1 354 977	1 058 702
Construction in progress	90 403	937 458	3 063 168
Prepayments for tangible fixed assets	411 368	1 312 585	619 594
TOTAL	**22 951 007**	**14 141 554**	**20 122 993**
Non-current financial assets			
Investments in share capital of related companies		4 651	
TOTAL	**-**	**4 651**	**-**
TOTAL NON-CURRENT ASSETS	**22 960 547**	**14 313 967**	**20 239 779**
CURRENT ASSETS			
Inventories			
Raw materials	11 327 198	10 493 098	8 607 907
Work in progress	596 200	643 150	737 368
Finished goods and goods for resale	4 405 225	4 506 428	2 898 711
Work in progress for third parties	296 136		
Prepayments for goods	38 689		
TOTAL	**16 663 448**	**15 642 676**	**12 243 986**
Receivables			
Trade receivables	7 527 313	5 591 533	11 127 988
Receivables from related companies	20 041 507	3 018 329	8 107 546
Other receivables	267 350	43 503	406 382
Prepaid expense	109 347	89 217	105 352
TOTAL	**27 945 517**	**8 742 582**	**19 747 268**
Cash (TOTAL)	143 969	387 921	906 186
TOTAL CURRENT ASSETS	**44 752 934**	**24 773 179**	**32 897 440**
TOTAL ASSETS	**67 713 481**	**39 087 146**	**53 137 219**

Rolands Gulbis
Chairman of the Executive Board

EQUITY AND LIABILITIES

	30.09.2006 LVL	30.09.2005 LVL	31.12.2005 LVL
CAPITAL AND RESERVES			
Share capital	7 496 900	7 496 900	7 496 900
Share premium	61 767	61 767	61 767
Non-current assets revaluation reserve	13 404 396	984 878	5 334 638
Reserves:			
unrealized gain from investment in subsidiary undertakings			
other reserves	1 249 047	1 249 047	1 249 047
merger reserve	(11 101 905)	(11 101 905)	(11 101 905)
Retained earnings:			
brought forward	18 085 535	15 886 958	15 884 138
for the period	2 310 399	2 014 724	2 381 324
TOTAL EQUITY	**31 506 139**	**16 592 369**	**21 305 909**
PROVISIONS FOR LIABILITIES AND CHARGES			
Provisions for expected taxes	1 336 030	577 421	1 336 030
Other provisions	1 479 780	1 196 680	756 565
TOTAL PROVISIONS FOR LIABILITIES AND CHARGES	**2 815 810**	**1 774 101**	**2 092 595**
LIABILITIES			
Non-current liabilities			
Loans from credit institutions	16 856 715	9 211 000	8 931 808
TOTAL	**16 856 715**	**9 211 000**	**8 931 808**
Current liabilities			
Bonds issued			
Loans convertible into shares			
Loans from credit institutions	4 827 109	1 417 625	4 412 897
Other loans			
Prepayments received from customers			
Trade payables	3 033 050	2 438 868	6 790 002
Bills of exchange payable			
Payables to related companies			
Payables to associates			
Taxes payable	8 108 715	7 405 796	9 402 764
Other liabilities	560 708	180 994	196 008
Deferred income			
Dividends for the reporting year			
Undrawn dividends of previous years	5 235	5 235	5 235
Accrued liabilities			
TOTAL	**16 534 817**	**11 509 675**	**20 806 906**
TOTAL LIABILITIES	**33 391 532**	**20 720 675**	**29 738 714**
TOTAL EQUITY AND LIABILITIES	**67 713 481**	**39 087 146**	**53 137 219**

Rolands Gulbis
Chairman of the Executive Board

Cash flow statement for the period ended September 30, 2006

	01.01.2006 - 30.09.2006 LVL	01.01.2005 - 30.09.2005 LVL	01.01.2005 - 31.12.2005 LVL
Cash flows to/ from operating activities			
Net profit or loss before extraordinary items and taxes	2 902 590	2 465 468	3 963 782
Adjustments for:			
Amortisation and depreciation	1 609 455	1 247 621	1 810 019
Interest income/expense	721 307	295 832	551 010
Increase/(decrease) in provisions	22 648	4 248	221 573
Gain/loss on disposal of fixed assets	365 681		216 511
Operating profit or loss before working capital changes	***5 621 681***	***4 013 169***	***6 762 895***
(Increase)/decrease in inventories	(3 969 462)	(4 323 305)	(1 449 026)
(Increase)/decrease in receivables	10 778 622	4 214 104	(4 042 481)
Increase/(decrease) in payables	(520 006)	138 720	5 522 584
Cash generated from operations	***11 910 835***	***4 042 688***	***6 793 972***
Interest paid	(721 307)	(295 832)	(588 829)
Dividends paid	(179 927)		
Corporate income tax paid	(961 589)	(151 810)	(151 810)
Net cash flows to/ from operating activities	**10 048 012**	**3 595 046**	**6 053 333**
Cash flows to/ from investing activities			
Purchase of fixed assets	(2 177 463)	(2 314 377)	(3 287 490)
Acquisition of subsidiary	(1 000 000)		70 280
Net cash flows to/ from investing activities	**(3 177 463)**	**(2 314 377)**	**(3 217 210)**
Cash flows to/ from financing activities			
Net loans paid	(7 632 766)	(1 790 412)	(2 827 601)
Net cash flows to/ from financing activities	**(7 632 766)**	**(1 790 412)**	**(2 827 601)**
Change in cash and cash equivalents	**(762 217)**	**(509 743)**	**8 522**
Cash and cash equivalents at the beginning of the reporting year	**906 186**	**897 664**	**897 664**
Cash and cash equivalents at the end of the reporting ye	**143 969**	**387 921**	**906 186**

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	7 496 900	61 767	984 878	1 249 047	(11 101 905)	15 886 958	14 577 645
Profit/loss for the reporting period						2 014 724	2 014 724
Dividends paid from the previous year's profit							-
Balance as at 30 September 2005	**7 496 900**	**61 767**	**984 878**	**1 249 047**	**(11 101 905)**	**17 901 682**	**16 592 369**
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**

1. Net sales

	01.01.2006 – 30.09.2006	01.01.2005 – 30.09.2005
Sales of drinks in local market	38 174 206	34 316 039
Export of drinks and services	21 996 708	16 022 452
Other sales (spirits, raw materials)	8 744	8 393
TOTAL:	**60 179 658**	**50 346 884**

2. Cost of sales

Variable costs	49 926 140	41 859 124
Materials	*47 044 053*	*39 566 628*
Goods bought	*223 517*	*267 117*
Salary expenses	*1 405 780*	*1 063 980*
Social insurance	*337 555*	*255 680*
Electricity	*315 645*	*257 196*
Natural resources tax	*347 210*	*326 178*
Other expenses	*252 379*	*122 345*
Fixed costs	2 843 041	2 468 537
Depreciation and amortisation	*1 082 340*	*1 016 787*
Salary expenses	*644 810*	*528 763*
Social insurance	*153 857*	*126 385*
Repair expenses	*580 860*	*461 034*
Services for production needs	*45 951*	*52 456*
Insurance	*41 169*	*45 524*
Laboratory and quality maintenance expenses	*33 567*	*23 460*
Other expenses	*260 487*	*214 128*
TOTAL:	**52 769 181**	**44 327 661**

3. Selling expenses

Salary expenses	796 484	588 330
Social insurance	190 610	141 378
Depreciation and amortisation	182 067	74 825
Advertising	1 025 944	973 150
Transportation cost	692 527	464 470
Warehouse maintenance	50 338	41 765
Other expenses	234 594	176 719
TOTAL:	**3 172 564**	**2 460 637**

4. Administrative expenses

	01.01.2006 – 30.092006	01.01.2005– 30.09.2005
Salary expenses	662 315	582 185
Social insurance	128 215	116 989
Communication and postal expenses	165 087	145 651
Office expenses	67 162	44 665
Professional fees	138 669	58 340
IT maintenance	175 453	144 093
Representations	132 021	29 814
Security	126 822	137 077
Management services	565 154	479 582
Transportation	96 351	71 255
Business trip	59 757	60 656
Personnel education and training	8 077	7 578
Depreciation and amortisation	227 664	156 008
Financial help, sponsorship	107 849	70 740
Healthcare, health insurance	51 179	33 708
Other expenses	406 334	155 458
TOTAL:	**3 118 109**	**2 293 799**