

JSC “Latvijas balzams”

Management report

Field of activity

The enterprise was founded in 1900, but the actual name it has got since 1970. Today, LB is a leading producer of alcoholic beverages. Totally, JSC “Latvijas balzams” produce more than 130 different alcoholic beverages. JSC “Latvijas balzams” major shareholder is “S.P.I. Distilleries. B. V.” which owns 6,595,745 shares or 87.98% of the company’s equity capital.

The activity of enterprise in half-year 2004

JSC “Latvijas balzams” is the biggest producer of alcoholic beverages in Latvia, as well as one of the largest taxpayers in Latvia. During first six month of 2004 LB paid 11.4 millions lats to the state budget, including excise tax amounting to 10 millions lats.

The turnover of the company in the first six months 2004 was 25.9 millions lats, which is by 13.5% more than during first six months in 2003. The increase in turnover at local market for 7.6%, as compared to the same period in 2003, is explained by marketing activities and new products presented to the market. The substantial increase of sales is reached in export market. In comparison with 2003, the export market sales increased for 102%, or else for 956 thousands lats. During the first six months in 2004, the sales to the EU counties increased for 156%, in comparison with the same period in 2003. Sales to Lithuania and Estonia almost doubled as compared to the same period in 2003. The export market has also been enlarged to Norway and Malta.

The profit for the reporting period was 407 thousands lats, that’s almost two times more than in the first six months in 2003 (214 thousands lats). The increase of profit is mostly explained by changes in product range, as well as production expenses optimisation.

Since May 1st 2004, after Latvia joined the EU, JSC “Latvijas balzams” began to work in new conditions, following new legislation requirements.

Future perspectives of activity

For the second half-year 2004 one of the JSC LB priorities is export expansion. Special emphasize is set to Baltic States export, as well as for the EU countries. It’s planned to increase the export sales in such countries as Poland, Greece, Czech Republic, and Slovak Republic. At the same time the target is to keep the leading position at local market.

JSC Latvijas balzams
Chairman of the Board

Rolands Gulbis

Name of the Company

AS "Latvijas balzams"

Registration number

L V 4 0 0 0 3 0 3 1 8 7 3

Address

Rīgā, A.Čaka iela 160

Phone

7081213

Fax

7315265

Currency

Ls

PROFIT OR LOSS STATEMENT**For first 6 months 2004**

Nr. p.k.		Note	Line code	30.06.2004.g.	30.06.2003.g.
1	2	3	4	5	6
1	Net sales		10	25 914 828	22 837 076
2	Cost of sales		20	-23 159 370	-20 392 535
3	Gross profit		30	2 755 458	2 444 541
4	Selling expenses		40	-1 119 411	-1 115 091
5	Administration expenses		50	-1 121 053	-1 162 018
6	Other operating income		60	360 103	427 269
7	Income from investments in subsidiaries		70		
8	Other operating expenses		80		
9	Interest income and similar income		90	8	1 140
11	Interest expenses and similar expenses		110	-347 108	-297 190
12	Profit before taxes		120	527 997	298 651
16	Corporate income tax		160	-79 200	-56 744
17	Other taxes		170	-41 648	-28 309
18	Current period profit		180	407 149	213 598

Chairman of the Board _____ (signature) _____ (name, surname)

Name of the Company

AS "Latvijas balzams"

Registration number

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BALANCE

As of 30 June 2004

ASSETS	Note	Line code	30.06.2004	30.06.2003
1	2	3	4	5
1. LONG TERM ASSETS				
I. Intangible assets				
1. Cost of research and development		010		
2. Concessions, patents, licenses, trademarks and similar rights and assets		020	458 777	676 437
3. Other intangible assets		021		
4. Goodwill		030	-57 394	-172 183
5. Payments on account for intangible assets		040		
I. TOTAL		050	401 383	504 254
II. Tangible assets				
1. Land and buildings		060	7 418 210	5 669 225
2. Plant and machinery		070	3 981 787	2 358 730
3. Other fixtures and fittings, tools and equipment		080	722 479	556 293
4. Tangible assets under construction		090	253 346	949 865
5. Leased fixed assets improvements		100		41 475
6. Advances for tangible assets		110	395 216	2 699 450
II. KOPĀ:		120	12 771 038	12 275 038
III. Long-term financial investments				
1. Investments in subsidiary undertakings		130	1 445	
2. Loans to subsidiaries		140		
3. Participating interests in associated enterprises		150		
4. Loans to associated enterprises		160		
7. Own shares and parts		170		
8. Loans to members of the company, management and the board		180		
III. TOTAL		190	1 445	0
1. long term assets total		200	13 173 866	12 779 292
2. CURRENT ASSETS				
I. Stock				
1. Raw materials and consumables		210	6 996 421	7 764 670
2. Work in progress		220	782 127	543 097
3. Finished goods and goods for resale		230	1 920 921	2 165 027
4. Work in progress for third parties		240		
5. Payments on account for goods		250		
6. Animals		260		
I. TOTAL		270	9 699 469	10 472 794
II. Debtors				
1. Trade debtors		280	2 711 625	6 397 934
2. Receivables from affiliated companies		290	4 855 822	
3. Receivables from related companies		300		
4. Other debtors		310	3 847 539	1 617 846
5. Company capital not paid up		320		
6. Short-term loans to members of the company, management and the board		330		
7. Deferred expenses		340	84 013	81 194
II. TOTAL		350	11 498 999	8 096 974
III. Securities and capital participation				
1. Participating interest in subsidiaries		360		
2. Own shares and parts		370		
3. Other securities and capital participation		380		
III. TOTAL		390		
IV. Cash funds (TOTAL)		400	1 014 517	295 617
2. current assets total		410	22 212 985	18 865 385
BALANCE		420	35 386 851	31 644 677

LIABILITIES	Note	Line code	30.06.2004	30.06.2003
1	2	3	4	5
1. SHAREHOLDERS' FUNDS				
1. Share capital		430	7 496 900	7 496 900
2. Share premium		440	61767	61767
3. Long-term investments revaluation reserve		450	984 878	998 736
4. Reserves:				
a) legal reserve		460		
c) reserve for own shares or parts		470		
d) statutory reserves		480	1 249 047	1 249 047
e) merger reserve		490	-11 101 905	-11 101 905
4. TOTAL		500	-9 852 858	-9 852 858
5. Retained earnings				
a) previous years' retained earnings		510	15 065 338	12 881 753
b) current year profit		520	407 149	213 599
1. total shareholders' funds		530	14 163 174	11 799 897
2. PROVISIONS				
1. Provision for pensions and similar obligations		540		
2. Provision for taxes		550	484 910	311 140
3. Other provisions		560	975 730	1 290 751
2. total provisions		570	1 460 640	1 601 891
3. CREDITORS				
I. LONG-TERM LIABILITIES				
1. Debenture loans		580		
2. Convertible loans		590		
3. Credit institutions		600	11 809 085	9 088 244
4. Other loans		601		
5. Amounts owned by subsidiaries		610		
6. Amounts owned by associated companies		620		
7. Other creditors		630		
I. TOTAL:		640	11 809 085	9 088 244
II. SHORT TERM LIABILITIES				
1. Debenture loans		650		
2. Convertible loans		660		
3. Credit institutions		670	1 343 415	4 903 103
4. Other loans		671		
5. Advances received		680		
6. Trade creditors		690	2 236 331	2 656 535
7. Bills of exchange payable		700		
8. Amounts owned by subsidiaries		710		
9. Amounts owned by associated companies		720		
10. Taxes payable		730	4 215 747	1 375 974
11. Other creditors		740	153 224	207 821
12. Deferred income		750		5 977
13. Dividends for the current year		760		
14. Prior years' unpaid dividends		770	5 235	5 235
II. TOTAL		780	7 953 952	9 154 645
3. total creditors		790	19 763 037	18 242 889
BALANCE		800	35 386 851	31 644 677

Chairman of the Board _____ (signature)

(name, surname)