JOINT STOCK COMPANY LATVIJAS BALZAMS

(ENTERPRISE REGISTER NUMBER LV40003031873)

FIRST 3 MONTHS OF THE YEAR 2005

Riga, 2005

A/s Latvijas balzams
Address: A. Čaka iela, Riga, LV-1012
Reg. number: LV40003031873

Income statement

	Notes	01.01.2005 - 31.03.2005 Ls	01.01.2004 - 31.03.2004 Ls
Net turnover	1	14 312 977	11 797 140
Cost of sales	2	(12 954 935)	(10 380 705)
Gross profit or loss		**1 358 042**	**1 416 435**
Distribution costs	3	(625 034)	(420 868)
Administrative expenses	4	(602 539)	(555 142)
Other operating income		89 278	107 302
Interest receivable and similar income		139 755	66
Interest payable and similar expenses		(150 285)	(139 403)
Profit or loss before taxes		**209 217**	**408 390**
Corporate income tax		(31 383)	(61 258)
Other taxes		(21 441)	(18 000)
Profit or loss for the reporting year		**156 393**	**329 132**

Rolands Gulbis
Chairman of the Executive Board

Balance sheet
ASSETS

	Notes	31.03.2005 LVL	31.03.2004 LVL
NON-CURRENT ASSETS			
Intangible fixed assets			
Concessions, patents, licences and similar rights		274 031	497 087
Goodwill		-	(86 091)
TOTAL		**274 031**	**410 996**
Tangible fixed assets			
Land, buildings, constructions and perennial plants		7 533 568	7 390 761
Equipment and machinery		3 473 582	4 215 738
Other fixtures and fittings, tools and equipment		986 342	602 653
Construction in progress		418 422	404 242
Prepayments for tangible fixed assets		400 474	199 517
TOTAL		**12 812 388**	**12 812 911**
Non-current financial assets			
Investments in share capital of related companies		4 651	1 445
TOTAL		**4 651**	**1 445**
TOTAL NON-CURRENT ASSETS		**13 091 070**	**13 225 352**
CURRENT ASSETS			
Inventories			
Raw materials		9 036 526	6 415 881
Work in progress		505 298	659 152
Finished goods and goods for resale		3 288 065	2 070 304
TOTAL		**12 829 889**	**9 145 337**
Receivables			
Trade receivables		5 076 372	4 359 514
Receivables from related companies		5 130 345	3 512 380
Other receivables		463 101	2 142 584
Prepaid expense		105 491	87 343
TOTAL		**10 775 309**	**10 101 821**
Cash (TOTAL)		1 060 550	142 134
TOTAL CURRENT ASSETS		**24 665 748**	**19 389 292**
TOTAL ASSETS		**37 756 818**	**32 614 644**

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EQUITY AND LIABILITIES

	Notes	31.03.2005 LVL	31.03.2004 LVL
CAPITAL AND RESERVES			
Share capital		7 496 900	7 496 900
Share premium		61 767	61 767
Non-current assets revaluation reserve		984 878	984 878
Reserves:			
unrealized gain from investment in subsidiary undertakings			
other reserves		1 249 047	1 249 047
merger reserve		(11 101 905)	(11 101 905)
Retained earnings:			
brought forward		15 886 958	15 065 337
for the period		156 393	329 132
TOTAL EQUITY		**14 734 038**	**14 085 156**
PROVISIONS FOR LIABILITIES AND CHARGES			
Provisions for expected taxes		577 421	484 910
Other provisions		1 184 079	1 130 430
TOTAL PROVISIONS FOR LIABILITIES AND CHARGES		**1 761 500**	**1 615 340**
LIABILITIES			
Non-current liabilities			
Loans from credit institutions		10 080 000	7 296 551
TOTAL		**10 080 000**	**7 296 551**
Current liabilities			
Loans from credit institutions		1 618 610	6 115 744
Trade payables		3 588 182	1 656 773
Taxes payable		5 798 668	1 689 957
Other liabilities		170 585	149 888
Undrawn dividends of previous years		5 235	5 235
TOTAL		**11 181 280**	**9 617 597**
TOTAL LIABILITIES		**21 261 280**	**16 914 148**
TOTAL EQUITY AND LIABILITIES		**37 756 818**	**32 614 644**

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Cash flow statement

	Notes	01.01.2005 - 31.03.2005 LVL	01.01.2004 - 31.03.2004 LVL
Cash flows to/ from operating activities			
Net profit or loss before extraordinary items and taxes		209 217	408 390
Adjustments for:			
Amortisation and depreciation		439 791	441 920
Interest income/expense		150 285	172 240
Increase/(decrease) in provisions		(8 353)	6 300
Operating profit or loss before working capital changes		***790 940***	***1 028 850***
(Increase)/decrease in inventories		(1 510 518)	(521 456)
(Increase)/decrease in receivables		2 432 636	632 310
Increase/(decrease) in payables		(331 178)	(3 455 526)
Cash generated from operations		***1 381 880***	***(2 315 822)***
Interest paid		(150 285)	(148 714)
Corporate income tax paid		(64 632)	(169 566)
Net cash flows to/ from operating activities		**1 166 963**	**(2 634 102)**
Cash flows to/ from investing activities			
Purchase of fixed assets		(283 650)	(245 059)
Net cash flows to/ from investing activities		**(283 650)**	**(245 059)**
Cash flows to/ from financing activities			
Net loans paid		(720 427)	2 848 465
Net cash flows to/ from financing activities		**(720 427)**	**2 848 465**
Change in cash and cash equivalents		**162 886**	**(30 696)**
Cash and cash equivalents at the beginning of the reporting year		**897 664**	**172 830**
Cash and cash equivalents at the end of the reporting year		**1 060 550**	**142 134**

Statement of changes in equity for three months period ended 31 March 2005

	Share capital	Share premium	Long-term investments revaluation reserve	Other reserves	Merger reserve	Retained earnings	**Total**
Balance as at 31 December 2004	**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						156 393	156 393
Balance as at 31 March 2005	**7 496 900**	**61 767**	**984 878**	**1 249 047**	**(11 101 905)**	**16 043 351**	**14 734 038**

1. Net sales

	01.01.2005 – 31.03.2005	01.01.2004 – 31.03.2004
Sales of drinks in local market	10 160 254	8 782 108
Export of drinks and services	4 152 723	3 013 318
Other sales (spirits, raw materials)	-	1 714
TOTAL:	**14 312 977**	**11 797 140**

2. Cost of sales

Variable costs	12 101 953	9 563 433
Materials	*11 344 515*	*9 010 151*
Goods bought	*128 621*	*11 186*
Salary expenses	*306 264*	*256 155*
Social insurance	*73 555*	*61 551*
Electricity	*100 743*	*94 659*
Natural resources tax	*84 000*	*97 010*
Other expenses	*64 255*	*32 721*
Fixed costs	852 982	817 272
Depreciation and amortisation	*362 964*	*395 040*
Salary expenses	*169 005*	*159 683*
Social insurance	*40 377*	*38 169*
Repair expenses	*179 468*	*128 687*
Services for production needs	*13 962*	*19 617*
Insurance	*12 558*	*16 784*
Laboratory and quality maintenance expenses	*4 308*	*9 829*
Other expenses	*70 340*	*49 463*
TOTAL:	**12 954 935**	**10 380 705**

3. Selling expenses

Salary expenses	180 020	177 392
Social insurance	43 261	42 681
Depreciation and amortisation	26 075	31 072
Advertising	192 248	46 282
Transportation cost	131 784	81 607
Warehouse maintenance	10 655	19 786
Other expenses	40 991	22 048
TOTAL:	**625 034**	**420 868**

4. Administrative expenses

	01.01.2005 – 31.03.2005	01.01.2004 – 31.03.2004
Salary expenses	184 086	179 967
Social insurance	47 984	44 698
Communication and postal expenses	48 999	32 603
Office expenses	15 942	24 400
Professional fees	23 889	34 315
IT maintenance	20 631	66 655
Representations	8 528	2 914
Security	48 753	43 090
Management services	44 473	37 076
Transportation	17 177	17 309
Business trip	10 323	7 214
Personnel education and training	1 690	3 512
Depreciation and amortisation	50 752	44 506
Financial help, sponsorship	7 871	1 364
Healthcare, health insurance	33 593	10 819
Trade union, cultural and other expenses	9 033	2 794
Other expenses	28 815	1 906
TOTAL:	**602 539**	**555 142**