

**JOINT STOCK COMPANY LATVIJAS BALZAMS**  
(ENTERPRISE REGISTER NUMBER LV40003031873)

**FIRST 6 MONTHS OF THE YEAR 2005**

**Riga, 2005**

## MANAGEMENT

### Names and positions of Council members

Alexander Kovalev – Chairman of the Council

Pjotr Aven – Member of the Council

Vitolds Kokars – Member of the Council  
Director for quality control of AS Latvijas balzams

Yury Shefler – Member of the Council (from 23 February 2004)

Alexey Oliynik – Member of the Council  
(from 23 February 2004)

Juris Gulbis – Member of the Council (from 23 February 2004)

### 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  
(from 23 February 2004)

### Reporting period

1 January – 30 June 2005

## Income statement

	Notes	01.01.2005 - 30.06.2005 EUR*	01.01.2004 - 30.06.2004 EUR**
Net turnover	1	46 215 672	39 087 222
Cost of sales	2	(41 146 029)	(34 931 176)
<b>Gross profit or loss</b>		<b>5 069 642</b>	<b>4 156 045</b>
Distribution costs	3	(2 318 101)	(1 688 403)
Administrative expenses	4	(1 825 569)	(1 870 754)
Other operating income		369 571	629 709
Interest receivable and similar income		321 136	93 320
Interest payable and similar expenses		(420 804)	(523 541)
<b>Profit or loss before taxes</b>		<b>1 195 875</b>	<b>796 376</b>
Corporate income tax		(179 381)	(119 457)
Other taxes		(73 978)	(62 817)
<b>Profit or loss for the reporting year</b>		<b>942 516</b>	<b>614 101</b>
Earnings per share (cents)		12.57	8.19

\* - after currency exchange rate set by Bank of Latvia on 30.06.2005 (1 EUR = 0.702804 LVL)

\*\* - after currency exchange rate set by Bank of Latvia on 30.06.2004 (1 EUR = 0.663 LVL)

Rolands Gulbis  
Chairman of the Executive Board

## Balance sheet

		ASSETS		
			Notes	
			30.06.2005	30.06.2004
			EUR*	EUR**
<b>NON-CURRENT ASSETS</b>				
<b>Intangible fixed assets</b>				
		Concessions, patents, licences and similar rights	313 594	691 971
		Goodwill	-	(86 567)
	TOTAL		<b>313 594</b>	<b>605 404</b>
<b>Tangible fixed assets</b>				
		Land, buildings, constructions and perennial plants	10 639 443	11 188 854
		Equipment and machinery	4 648 669	6 005 712
		Other fixtures and fittings, tools and equipment	1 379 372	1 089 712
		Construction in progress	1 062 024	382 121
		Prepayments for tangible fixed assets	1 580 951	596 103
	TOTAL		<b>19 310 459</b>	<b>19 262 501</b>
<b>Non-current financial assets</b>				
		Investments in share capital of related companies	6 618	2 179
	TOTAL		<b>6 618</b>	<b>2 179</b>
		<b>TOTAL NON-CURRENT ASSETS</b>	<b>19 630 671</b>	<b>19 870 084</b>
<b>CURRENT ASSETS</b>				
<b>Inventories</b>				
		Raw materials	14 769 637	10 552 671
		Work in progress	967 307	1 179 679
		Finished goods and goods for resale	5 555 269	2 897 317
	TOTAL		<b>21 292 212</b>	<b>14 629 667</b>
<b>Receivables</b>				
		Trade receivables	8 614 799	4 089 932
		Receivables from related companies	5 699 993	7 324 015
		Other receivables	922 138	5 803 226
		Prepaid expense	172 631	126 716
	TOTAL		<b>15 409 561</b>	<b>17 343 890</b>
		<b>Cash (TOTAL)</b>	<b>240 887</b>	<b>1 530 192</b>
		<b>TOTAL CURRENT ASSETS</b>	<b>36 942 660</b>	<b>33 503 748</b>
		<b>TOTAL ASSETS</b>	<b>56 573 331</b>	<b>53 373 833</b>

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 Rolands Gulbis  
 Chairman of the Executive Board

## EQUITY AND LIABILITIES

	Notes	30.06.2005 EUR*	30.06.2004 EUR**
<b>CAPITAL AND RESERVES</b>			
Share capital		10 667 128	11 307 541
Share premium		87 887	93 163
Non-current assets revaluation reserve		1 401 355	1 485 487
Reserves:			
unrealized gain from investment in subsidiary undertakings			
other reserves		1 777 234	1 883 932
merger reserve		(15 796 588)	(16 744 955)
Retained earnings:			
brought forward		22 605 105	22 722 983
for the period		942 516	614 101
		<b>21 684 636</b>	<b>21 362 253</b>
<b>PROVISIONS FOR LIABILITIES AND CHARGES</b>			
Provisions for expected taxes		821 596	731 388
Other provisions		1 693 758	1 471 689
		<b>2 515 354</b>	<b>2 203 077</b>
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Loans from credit institutions		14 203 106	17 811 591
	TOTAL	<b>14 203 106</b>	<b>17 811 591</b>
<b>Current liabilities</b>			
Loans from credit institutions		2 171 563	2 026 267
Trade payables		5 532 464	3 373 048
Taxes payable		10 096 145	6 358 593
Other liabilities		362 613	231 107
Undrawn dividends of previous years		7 449	7 896
	TOTAL	<b>18 170 234</b>	<b>11 996 911</b>
		<b>32 373 340</b>	<b>29 808 502</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>56 573 331</b>	<b>53 373 833</b>

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Rolands Gulbis  
 Chairman of the Executive Board

## Cash flow statement

Notes	01.01.2005 - 30.06.2005 EUR*	01.01.2004 - 30.06.2004 EUR**
<b>Cash flows to/ from operating activities</b>		
Net profit or loss before extraordinary items and taxes	1 195 875	796 376
Adjustments for:		
Amortisation and depreciation	1 216 826	1 290 416
Interest income/expense	420 931	559 697
Increase/(decrease) in provisions	(2 920)	(223 830)
<b>Operating profit or loss before working capital changes</b>	<b>2 830 712</b>	<b>2 422 659</b>
(Increase)/decrease in inventories	(5 186 198)	(1 622 305)
(Increase)/decrease in receivables	3 341 957	1 128 083
Increase/(decrease) in payables	1 877 523	(558 807)
<b>Cash generated from operations</b>	<b>2 863 995</b>	<b>1 369 630</b>
Interest paid	(420 931)	(524 213)
Corporate income tax paid	(184 996)	(513 267)
<b>Net cash flows to/ from operating activities</b>	<b>2 258 068</b>	<b>332 151</b>
<b>Cash flows to/ from investing activities</b>		
Purchase of fixed assets	(1 998 413)	(915 836)
<b>Net cash flows to/ from investing activities</b>	<b>(1 998 413)</b>	<b>(915 836)</b>
<b>Cash flows to/ from financing activities</b>		
Net loans paid	(1 296 028)	1 853 198
<b>Net cash flows to/ from financing activities</b>	<b>(1 296 028)</b>	<b>1 853 198</b>
<b>Change in cash and cash equivalents</b>	<b>(1 036 374)</b>	<b>1 269 513</b>
<b>Cash and cash equivalents at the beginning of the reporting year</b>	<b>1 277 261</b>	<b>260 679</b>
<b>Cash and cash equivalents at the end of the reporting year</b>	<b>240 887</b>	<b>1 530 192</b>

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## Statement of changes in equity for six months period ended 30 June 2005

	Share capital	Share premium	Long-term investments revaluation reserve	Other reserves	Merger reserve	Retained earnings	Total
<b>Balance as at 1 January 2005, EUR*</b>	<b>10 667 128</b>	<b>87 887</b>	<b>1 401 355</b>	<b>1 777 234</b>	<b>(15 796 588)</b>	<b>22 605 105</b>	<b>20 742 120</b>
Profit/loss for the reporting period						942 516	942 516
<b>Balance as at 30 June 2005, EUR**</b>	<b>10 667 128</b>	<b>87 887</b>	<b>1 401 355</b>	<b>1 777 234</b>	<b>(15 796 588)</b>	<b>23 547 621</b>	<b>21 684 636</b>

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