

JOINT STOCK COMPANY LATVIJAS BALZAMS
(ENTERPRISE REGISTER NUMBER LV40003031873)

FIRST 9 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 2005 – 30 September 2005

Income statement

	Notes	01.01.2005 - 30.09.2005 EUR*	01.01.2004 - 30.09.2004 EUR**
Net turnover	1	71 637 162	61 629 846
Cost of sales	2	(63 072 579)	(54 800 449)
Gross profit or loss		8 564 583	6 829 398
Distribution costs	3	(3 501 171)	(2 721 870)
Administrative expenses	4	(3 263 782)	(2 934 525)
Other operating income		2 199 475	558 753
Interest receivable and similar income		146 468	21 010
Interest payable and similar expenses		(637 528)	(482 809)
Profit or loss before taxes		3 508 045	1 269 957
Corporate income tax		(526 206)	(190 493)
Other taxes		(115 144)	(98 610)
Profit or loss for the reporting year		2 866 694	980 854
Earnings per share (cents)		38.24	13.08

* - after currency exchange rate set by Bank of Latvia on 30.09.2005 (1 EUR = 0.702804 LVL)

** - after currency exchange rate set by Bank of Latvia on 30.09.2004 (1 EUR = 0.671 LVL)

Rolands Gulbis
Chairman of the Executive Board

Balance sheet

		ASSETS	Notes	30.09.2005	30.09.2004
				EUR*	EUR**
NON-CURRENT ASSETS					
Intangible fixed assets					
		Concessions, patents, licences and similar rights		238 704	572 054
		Goodwill		-	(85 535)
	TOTAL			238 704	486 519
Tangible fixed assets					
		Land, buildings, constructions and perennial plants		10 559 659	11 096 194
		Equipment and machinery		4 432 478	5 910 596
		Other fixtures and fittings, tools and equipment		1 927 958	1 601 502
		Construction in progress		1 333 883	116 088
		Prepayments for tangible fixed assets		1 867 640	633 858
	TOTAL			20 121 619	19 358 238
Non-current financial assets					
		Investments in share capital of related companies		6 618	2 154
	TOTAL			6 618	2 154
		TOTAL NON-CURRENT ASSETS		20 366 940	19 846 911
CURRENT ASSETS					
Inventories					
		Raw materials		14 930 333	11 914 194
		Work in progress		915 120	851 961
		Finished goods and goods for resale		6 412 069	3 726 128
	TOTAL			22 257 522	16 492 283
Receivables					
		Trade receivables		7 956 035	6 606 900
		Receivables from related companies		4 294 696	8 626 844
		Other receivables		61 899	10 228 633
		Prepaid expense		126 944	78 937
	TOTAL			12 439 574	25 541 314
Cash (TOTAL)				551 962	142 866
		TOTAL CURRENT ASSETS		35 249 058	42 176 463
TOTAL ASSETS				55 615 998	62 023 374

* - after currency exchange rate set by Bank of Latvia on 30.09.2005 (1 EUR = 0.702804 LVL)

** - after currency exchange rate set by Bank of Latvia on 30.09.2004 (1 EUR = 0.671 LVL)

 Rolands Gulbis
 Chairman of the Executive Board

EQUITY AND LIABILITIES

	Notes	30.09.2005 EUR*	30.09.2004 EUR**
CAPITAL AND RESERVES			
Share capital		10 667 128	11 172 727
Share premium		87 887	92 052
Non-current assets revaluation reserve		1 401 355	1 467 775
Reserves:			
unrealized gain from investment in subsidiary undertakings			
other reserves		1 777 234	1 861 471
merger reserve		(15 796 588)	(16 545 313)
Retained earnings:			
brought forward		22 605 105	22 452 067
for the period		2 866 694	980 854
TOTAL EQUITY		23 608 814	21 481 633
PROVISIONS FOR LIABILITIES AND CHARGES			
Provisions for expected taxes		821 596	722 668
Other provisions		1 702 723	1 666 121
TOTAL PROVISIONS FOR LIABILITIES AND CHARGES		2 524 319	2 388 788
LIABILITIES			
Non-current liabilities			
Loans from credit institutions		13 106 072	16 445 604
TOTAL		13 106 072	16 445 604
Current liabilities			
Loans from credit institutions		2 017 099	5 282 344
Trade payables		3 470 197	3 256 906
Taxes payable		10 537 498	12 940 034
Other liabilities		257 531	220 262
Undrawn dividends of previous years		7 449	7 802
Accrued liabilities		87 020	
TOTAL		16 376 793	21 707 349
TOTAL LIABILITIES		29 482 865	38 152 952
TOTAL EQUITY AND LIABILITIES		55 615 998	62 023 374

* - after currency exchange rate set by Bank of Latvia on 30.09.2005 (1 EUR = 0.702804 LVL)

** - after currency exchange rate set by Bank of Latvia on 30.09.2004 (1 EUR = 0.671 LVL)

 Rolands Gulbis
 Chairman of the Executive Board

Cash flow statement

Notes	01.01.2005 - 30.09.2005 EUR*	01.01.2004 - 30.09.2004 EUR**
Cash flows to/ from operating activities		
Net profit or loss before extraordinary items and taxes	3 508 045	1 269 957
Adjustments for:		
Amortisation and depreciation	1 775 205	2 179 028
Interest income/expense	420 931	482 809
Increase/(decrease) in provisions	6 044	(9 185)
Operating profit or loss before working capital changes	5 710 225	3 922 610
(Increase)/decrease in inventories	(6 151 509)	(3 640 001)
(Increase)/decrease in receivables	5 996 130	(9 705 514)
Increase/(decrease) in payables	197 381	11 400 565
Cash generated from operations	5 752 227	1 977 659
Interest paid	(420 931)	(610 841)
Corporate income tax paid	(216 006)	(591 972)
Net cash flows to/ from operating activities	5 115 290	774 846
Cash flows to/ from investing activities		
Purchase of fixed assets	(3 293 062)	(1 591 742)
Net cash flows to/ from investing activities	(3 293 062)	(1 591 742)
Cash flows to/ from financing activities		
Net loans paid	(2 547 527)	702 191
Net cash flows to/ from financing activities	(2 547 527)	702 191
Change in cash and cash equivalents	(725 299)	(114 705)
Cash and cash equivalents at the beginning of the reporting year	1 277 261	257 571
Cash and cash equivalents at the end of the reporting year	551 962	142 865

* - after currency exchange rate set by Bank of Latvia on 30.09.2005 (1 EUR = 0.702804 LVL)

** - after currency exchange rate set by Bank of Latvia on 30.09.2004 (1 EUR = 0.671 LVL)

Statement of changes in equity for nine months period ended 30 September 2005

	Share capital	Share premium	Long-term investments revaluation reserve	Other reserves	Merger reserve	Retained earnings	Total
Balance as at 1 January 2005, EUR*	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
Balance as at 30 September 2005, EUR**	10 667 128	87 887	1 401 355	1 777 234	(15 796 588)	25 471 799	23 608 814

* - after currency exchange rate set by Bank of Latvia on 01.01.2005 (1 EUR = 0.702804 LVL)

** - after currency exchange rate set by Bank of Latvia on 30.09.2005 (1 EUR = 0.702804 LVL)