

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 – 30 September 2005

Income statement

	Notes	01.01.2005 - 30.09.2005 Ls	01.01.2004 - 30.09.2004 Ls
Net turnover	1	50 346 884	41 353 627
Cost of sales	2	(44 327 661)	(36 771 101)
Gross profit or loss		6 019 223	4 582 526
Distribution costs	3	(2 460 637)	(1 826 375)
Administrative expenses	4	(2 293 799)	(1 969 066)
Other operating income		1 545 800	374 923
Interest receivable and similar income		102 938	14 098
Interest payable and similar expenses		(448 057)	(323 965)
Profit or loss before taxes		2 465 468	852 141
Corporate income tax		(369 820)	(127 821)
Other taxes		(80 924)	(66 167)
Profit or loss for the reporting year		2 014 724	658 153
Earnings per share (in santims)		26.87	8.78

Rolands Gulbis
Chairman of the Executive Board

Balance sheet

ASSETS		Notes	30.09.2005 LVL	30.09.2004 LVL
NON-CURRENT ASSETS				
Intangible fixed assets				
	Concessions, patents, licences and similar rights		167 762	383 848
	Goodwill		-	(57 394)
	TOTAL		167 762	326 454
Tangible fixed assets				
	Land, buildings, constructions and perennial plants		7 421 371	7 445 546
	Equipment and machinery		3 115 163	3 966 010
	Other fixtures and fittings, tools and equipment		1 354 977	1 074 608
	Construction in progress		937 458	77 895
	Prepayments for tangible fixed assets		1 312 585	425 319
	TOTAL		14 141 554	12 989 378
Non-current financial assets				
	Investments in share capital of related companies		4 651	1 445
	TOTAL		4 651	1 445
	TOTAL NON-CURRENT ASSETS		14 313 967	13 317 277
CURRENT ASSETS				
Inventories				
	Raw materials		10 493 098	7 994 424
	Work in progress		643 150	571 666
	Finished goods and goods for resale		4 506 428	2 500 232
	TOTAL		15 642 676	11 066 322
Receivables				
	Trade receivables		5 591 533	4 433 230
	Receivables from related companies		3 018 329	5 788 612
	Other receivables		43 503	6 863 413
	Prepaid expense		89 217	52 967
	TOTAL		8 742 582	17 138 222
Cash (TOTAL)			387 921	95 863
	TOTAL CURRENT ASSETS		24 773 179	28 300 407
TOTAL ASSETS			39 087 146	41 617 684

Rolands Gulbis
Chairman of the Executive Board

A/s Latvijas balzams

Address: A. Čaka iela, Rīga, LV-1012

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	Notes	30.09.2005 LVL	30.09.2004 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	984 877
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		2 014 724	658 153
TOTAL EQUITY		16 592 369	14 414 176
PROVISIONS FOR LIABILITIES AND CHARGES			
Provisions for expected taxes		577 421	484 910
Other provisions		1 196 680	1 117 967
TOTAL PROVISIONS FOR LIABILITIES AND CHARGES		1 774 101	1 602 877
LIABILITIES			
Non-current liabilities			
Loans from credit institutions		9 211 000	11 035 000
TOTAL		9 211 000	11 035 000
Current liabilities			
Loans from credit institutions		1 417 625	3 544 453
Trade payables		2 438 868	2 185 384
Taxes payable		7 405 796	8 682 763
Other liabilities		180 994	147 796
Undrawn dividends of previous years		5 235	5 235
Accrued liabilities		61 158	
TOTAL		11 509 675	14 565 631
TOTAL LIABILITIES		20 720 675	25 600 631
TOTAL EQUITY AND LIABILITIES		39 087 146	41 617 684

Rolands Gulbis
Chairman of the Executive Board

Cash flow statement

Notes	01.01.2005 - 30.09.2005 LVL	01.01.2004 - 30.09.2004 LVL
Cash flows to/ from operating activities		
Net profit or loss before extraordinary items and taxes	2 465 468	852 141
Adjustments for:		
Amortisation and depreciation	1 247 621	1 462 128
Interest (income)/expense	295 832	323 965
Increase/(decrease) in provisions	4 248	(6 163)
Operating profit or loss before working capital changes	4 013 169	2 632 071
(Increase)/decrease in inventories	(4 323 305)	(2 442 441)
(Increase)/decrease in receivables	4 214 104	(6 512 400)
Increase/(decrease) in payables	138 720	7 649 779
Cash generated from operations	4 042 688	1 327 009
Interest paid	(295 832)	(409 874)
Corporate income tax paid	(151 810)	(397 213)
Net cash flows to/ from operating activities	3 595 046	519 922
Cash flows to/ from investing activities		
Purchase of fixed assets	(2 314 377)	(1 068 059)
Net cash flows to/ from investing activities	(2 314 377)	(1 068 059)
Cash flows to/ from financing activities		
Net loans paid	(1 790 412)	471 170
Net cash flows to/ from financing activities	(1 790 412)	471 170
Change in cash and cash equivalents	(509 743)	(76 967)
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	387 921	95 863

A/s Latvijas balzams

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Statement of changes in equity for 9 months period ended 30 September 2005

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
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

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**1. Net sales**

	01.01.2005 – 30.09.2005	01.01.2004 – 30.09.2004
Sales of drinks in local market	34 316 039	30 343 300
Export of drinks and services	16 022 452	11 006 769
Other sales (spirits, raw materials)	8 393	3 558
TOTAL:	50 346 884	41 353 627

2. Cost of sales

Variable costs	41 859 124	34 298 405
<i>Materials</i>	39 566 628	32 344 960
<i>Goods bought</i>	267 117	45 825
<i>Salary expenses</i>	1 063 980	802 718
<i>Social insurance</i>	255 680	192 787
<i>Electricity</i>	257 196	231 284
<i>Natural resources tax</i>	326 178	382 380
<i>Other expenses</i>	122 345	298 451
Fixed costs	2 468 537	2 472 696
<i>Depreciation and amortisation</i>	1 016 787	1 134 412
<i>Salary expenses</i>	528 763	489 442
<i>Social insurance</i>	126 385	116 926
<i>Repair expenses</i>	461 034	417 248
<i>Services for production needs</i>	52 456	55 955
<i>Insurance</i>	45 524	53 497
<i>Laboratory and quality maintenance expenses</i>	23 460	25 442
<i>Other expenses</i>	214 128	179 774
TOTAL:	44 327 661	36 771 101

3. Selling expenses

Salary expenses	588 330	518 241
Social insurance	141 378	124 635
Depreciation and amortisation	74 825	90 833
Advertising	973 150	608 974
Transportation cost	464 470	344 149
Warehouse maintenance	41 765	34 427
Other expenses	176 719	105 116
TOTAL:	2 460 637	1 826 375

4. Administrative expenses

	01.01.2005 – 30.09.2005	01.01.2004 – 30.09.2004
Salary expenses	582 185	538 762
Social insurance	116 989	110 812
Communication and postal expenses	145 651	136 689
Office expenses	44 665	66 724
Professional fees	58 340	76 714
IT maintenance	144 093	237 335
Representations	29 814	33 577
Security	137 077	115 582
Management services	479 582	42 924
Transportation	71 255	76 659
Business trip	60 656	28 258
Personnel education and training	7 578	15 737
Depreciation and amortisation	156 008	144 437
Financial help, sponsorship	70 740	32 351
Healthcare, health insurance	33 708	25 613
Other expenses	155 458	286 892
TOTAL:	2 293 799	1 969 066