

JOINT STOCK COMPANY LATVIJAS BALZAMS
(ENTERPRISE REGISTER NUMBER LV40003031873)

YEAR 2005

Riga, 2006

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 – 31 December 2005

Income statement

	Notes	01.01.2005 - 31.12.2005 EUR*	01.01.2004 - 31.12.2004 EUR*
Net turnover	1	111 215 622	86 965 279
Cost of sales	2	(97 600 053)	(76 510 706)
Gross profit or loss		13 615 568	10 454 573
Distribution costs	3	(4 985 315)	(4 653 017)
Administrative expenses	4	(5 442 359)	(4 243 947)
Other operating income		2 481 113	463 539
Interest receivable and similar income		199 983	21 134
Interest payable and similar expenses		(849 709)	(659 458)
Profit or loss before taxes		5 019 281	1 382 824
Corporate income tax		(1 051 694)	(282 944)
Other taxes		(158 038)	(94 147)
Profit or loss for the reporting year		3 809 549	1 005 733
Earnings per share (cents)		50,8	13,42

* - after currency exchange rate set by Bank of Latvia on 31.12.2005 (1 EUR = 0.702804 LVL)

Rolands Gulbis
Chairman of the Executive Board

Balance sheet

		ASSETS		
			Notes	
			31.12.2005	31.12.2004
			EUR*	EUR*
NON-CURRENT ASSETS				
Intangible fixed assets				
		Concessions, patents, licences and similar rights	166 172	468 076
		Goodwill	-	(81 664)
	TOTAL		166 172	386 412
Tangible fixed assets				
		Land, buildings, constructions and perennial plants	17 363 864	10 594 058
		Equipment and machinery	5 180 275	5 614 901
		Other fixtures and fittings, tools and equipment	650 803	1 529 029
		Construction in progress	179 337	110 835
		Prepayments for tangible fixed assets	2 789 123	605 174
	TOTAL		26 163 403	18 453 997
Non-current financial assets				
		Investments in share capital of related companies	6 618	2 056
	TOTAL		6 618	2 056
		TOTAL NON-CURRENT ASSETS	26 336 192	18 842 465
CURRENT ASSETS				
Inventories				
		Raw materials	12 645 961	10 455 450
		Work in progress	1 049 180	1 137 664
		Finished goods and goods for resale	4 558 709	3 744 779
	TOTAL		18 253 850	15 337 894
Receivables				
		Trade receivables	18 040 955	10 534 122
		Receivables from related companies	5 015 094	6 879 153
		Other receivables	4 737 859	911 446
		Prepaid expense	186 150	172 974
	TOTAL		27 980 057	18 497 695
		Cash (TOTAL)	1 289 387	1 278 089
		TOTAL CURRENT ASSETS	47 523 294	35 113 677
		TOTAL ASSETS	73 859 486	53 956 143

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 Rolands Gulbis
 Chairman of the Executive Board

EQUITY AND LIABILITIES

	Notes	31.12.2005 EUR*	31.12.2004 EUR*
CAPITAL AND RESERVES			
Share capital		10 667 128	10 667 128
Share premium		87 887	87 887
Non-current assets revaluation reserve		8 647 775	1 401 354
Reserves:			
unrealized gain from investment in subsidiary undertakings			
other reserves		1 777 234	1 777 234
merger reserve		(15 796 588)	(15 796 588)
Retained earnings:			
brought forward		22 605 106	21 599 372
for the period		3 809 547	1 005 733
		31 798 089	20 742 119
PROVISIONS FOR LIABILITIES AND CHARGES			
Provisions for expected taxes		821 596	704 479
Other provisions		1 818 117	1 249 232
		2 639 713	1 953 711
LIABILITIES			
Non-current liabilities			
Loans from credit institutions		11 957 815	14 764 486
	TOTAL	11 957 815	14 764 486
Current liabilities			
Loans from credit institutions		7 064 146	2 906 211
Trade payables		6 067 972	6 174 179
Taxes payable		13 958 391	7 247 292
Other liabilities		278 891	160 695
Undrawn dividends of previous years		7 449	7 449
	TOTAL	27 463 869	16 495 827
		39 421 684	31 260 313
TOTAL EQUITY AND LIABILITIES		73 859 486	53 956 143

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 Rolands Gulbis
 Chairman of the Executive Board

Cash flow statement

Notes	01.01.2005 - 31.12.2005 EUR*	01.01.2004 - 31.12.2004 EUR*
Cash flows to/ from operating activities		
Net profit or loss before extraordinary items and taxes	5 669 007	2 021 148
Adjustments for:		
Amortisation and depreciation	3 234 577	2 281 905
Increase/(decrease) in provisions	686 002	224 532
Operating profit or loss before working capital changes	9 589 587	4 527 585
(Increase)/decrease in inventories	(2 915 957)	(4 047 410)
(Increase)/decrease in receivables	(9 482 362)	(3 621 623)
Increase/(decrease) in payables	6 564 325	4 505 169
Cash generated from operations	3 755 593	1 363 722
Interest paid	(649 726)	(732 472)
Corporate income tax paid	(1 051 694)	(565 183)
Net cash flows to/ from operating activities	2 054 173	66 067
Cash flows to/ from investing activities		
Purchase of fixed assets	(3 394 138)	(2 193 819)
Other investments		518 149
Net cash flows to/ from investing activities	(3 394 138)	(1 675 671)
Cash flows to/ from financing activities		
Net loans paid	1 351 263	2 639 722
Net cash flows to/ from financing activities	1 351 263	2 639 722
Change in cash and cash equivalents	11 298	1 030 118
Cash and cash equivalents at the beginning of the reporting year	1 278 089	247 971
Cash and cash equivalents at the end of the reporting year	1 289 387	1 278 089

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Statement of changes in equity for Year ended 31 December 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)	26 414 653	34 933 876
Profit/loss for the reporting period						3 809 547	3 809 547
Balance as at 31 December 2005, EUR*	10 667 128	87 887	1 401 355	1 777 234	(15 796 588)	30 224 200	38 743 423

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