

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 – 31 December 2005

Income statement

	Notes	01.01.2005 - 31.12.2005 Ls	01.01.2004 - 31.12.2004 Ls
Net turnover	1	78 162 784	61 119 546
Cost of sales	2	(68 593 708)	(53 772 030)
Gross profit or loss		9 569 076	7 347 516
Distribution costs	3	(3 503 699)	(3 270 159)
Administrative expenses	4	(3 824 912)	(2 982 663)
Other operating income		1 743 736	325 777
Interest receivable and similar income		140 549	14 853
Interest payable and similar expenses		(597 179)	(463 470)
Profit or loss before taxes		3 527 571	971 854
Corporate income tax		(739 135)	(198 854)
Other taxes		(111 070)	(66 167)
Profit or loss for the reporting year		2 677 366	706 833
Earnings per share (in santims)		35,7	9,43

Rolands Gulbis
Chairman of the Executive Board

Balance sheet

		ASSETS	Notes	31.12.2005	31.12.2004
				LVL	LVL
NON-CURRENT ASSETS					
Intangible fixed assets					
		Concessions, patents, licences and similar rights		116 786	328 966
		Goodwill		-	(57 394)
	TOTAL			116 786	271 572
Tangible fixed assets					
		Land, buildings, constructions and perennial plants		12 203 393	7 445 546
		Equipment and machinery		3 640 718	3 946 175
		Other fixtures and fittings, tools and equipment		457 387	1 074 608
		Construction in progress		126 039	77 895
		Prepayments for tangible fixed assets		1 960 207	425 319
	TOTAL			18 387 744	12 969 543
Non-current financial assets					
		Investments in share capital of related companies		4 651	1 445
	TOTAL			4 651	1 445
		TOTAL NON-CURRENT ASSETS		18 509 181	13 242 560
CURRENT ASSETS					
Inventories					
		Raw materials		8 887 632	7 348 132
		Work in progress		737 368	799 555
		Finished goods and goods for resale		3 203 879	2 631 846
	TOTAL			12 828 879	10 779 533
Receivables					
		Trade receivables		12 679 255	7 403 423
		Receivables from related companies		3 524 628	4 834 696
		Other receivables		3 329 786	640 568
		Prepaid expense		130 827	121 567
	TOTAL			19 664 496	13 000 254
		Cash (TOTAL)		906 186	898 246
		TOTAL CURRENT ASSETS		33 399 561	24 678 033
		TOTAL ASSETS		51 908 742	37 920 593

Rolands Gulbis
 Chairman of the Executive Board

EQUITY AND LIABILITIES

	Notes	31.12.2005	31.12.2004
		LVL	LVL
CAPITAL AND RESERVES			
Share capital		7 496 900	7 496 900
Share premium		61 767	61 767
Non-current assets revaluation reserve		6 077 691	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		15 886 959	15 180 125
for the period		2 677 365	706 833
TOTAL EQUITY		22 347 824	14 577 644
PROVISIONS FOR LIABILITIES AND CHARGES			
Provisions for expected taxes		577 421	495 111
Other provisions		1 277 780	877 965
TOTAL PROVISIONS FOR LIABILITIES AND CHARGES		1 855 201	1 373 076
LIABILITIES			
Non-current liabilities			
Loans from credit institutions		8 404 000	10 376 540
TOTAL		8 404 000	10 376 540
Current liabilities			
Loans from credit institutions		4 964 710	2 042 497
Trade payables		4 264 595	4 339 238
Taxes payable		9 810 013	5 093 426
Other liabilities		196 006	112 937
Undrawn dividends of previous years		5 235	5 235
Accrued liabilities		61 158	
TOTAL		19 301 717	11 593 333
TOTAL LIABILITIES		27 705 717	21 969 873
TOTAL EQUITY AND LIABILITIES		51 908 742	37 920 593

Rolands Gulbis
 Chairman of the Executive Board

Cash flow statement

Notes	01.01.2005 - 31.12.2005 LVL	01.01.2004 - 31.12.2004 LVL
Cash flows to/ from operating activities		
Net profit or loss before extraordinary items and taxes	3 984 201	1 420 471
Adjustments for:		
Amortisation and depreciation	2 273 274	1 603 732
Increase/(decrease) in provisions	482 125	157 802
Operating profit or loss before working capital changes	6 739 600	3 182 005
(Increase)/decrease in inventories	(2 049 346)	(2 844 536)
(Increase)/decrease in receivables	(6 664 242)	(2 545 291)
Increase/(decrease) in payables	4 613 434	3 166 251
Cash generated from operations	2 639 446	958 429
Interest paid	(456 630)	(514 784)
Corporate income tax paid	(739 135)	(397 213)
Net cash flows to/ from operating activities	1 443 681	46 432
Cash flows to/ from investing activities		
Purchase of fixed assets	(2 385 414)	(1 541 825)
Other investments		364 157
Net cash flows to/ from investing activities	(2 385 414)	(1 177 668)
Cash flows to/ from financing activities		
Net loans paid	949 673	1 855 207
Net cash flows to/ from financing activities	949 673	1 855 207
Change in cash and cash equivalents	7 940	723 971
Cash and cash equivalents at the beginning of the reporting year	898 246	174 275
Cash and cash equivalents at the end of the reporting year	906 186	898 246

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	7 496 900	61 767	984 878	1 249 047	(11 101 905)	18 564 324	22 347 824
Profit/loss for the reporting period						2 677 365	2 677 365
Balance as at 31 December 2005	7 496 900	61 767	984 878	1 249 047	(11 101 905)	21 241 689	25 025 189

1. Net sales

	01.01.2005 – 31.12.2005	01.01.2004 – 31.12.2004
Sales of drinks in local market	55 275 361	44 892 501
Export of drinks and services	22 875 423	16 217 804
Other sales (spirits, raw materials)	12 000	9 241
TOTAL:	78 162 784	61 119 546

2. Cost of sales

Variable costs	64 696 099	50 499 402
<i>Materials</i>	61 444 342	48 003 392
<i>Goods bought</i>	383 054	134 399
<i>Salary expenses</i>	1 499 487	1 153 813
<i>Social insurance</i>	291 712	277 258
<i>Electricity</i>	364 717	321 960
<i>Natural resources tax</i>	518 232	456 753
<i>Other expenses</i>	194 555	151 827
Fixed costs	3 897 609	3 272 628
<i>Depreciation and amortisation</i>	1 904 243	1 511 247
<i>Salary expenses</i>	731 050	659 602
<i>Social insurance</i>	171 260	157 706
<i>Repair expenses</i>	715 307	598 196
<i>Insurance</i>	81 806	70 085
<i>Laboratory and quality maintenance expenses</i>	39 815	31 961
<i>Other expenses</i>	254 128	243 831
TOTAL:	68 593 708	53 772 030

3. Selling expenses

Salary expenses	830 482	710 606
Social insurance	200 378	170 919
Depreciation and amortisation	132 286	119 617
Advertising	1 538 958	1 509 626
Transportation cost	605 900	557 139
Warehouse maintenance	53 689	48 544
Other expenses	142 006	153 708
TOTAL:	3 503 699	3 270 159

4. Administrative expenses

	01.01.2005 – 31.12.2005	01.01.2004 – 31.12.2004
Salary expenses	798 333	718 278
Social insurance	142 149	131 917
Communication and postal expenses	208 243	172 912
Office expenses	154 297	100 971
Professional fees	287 820	239 902
IT maintenance	375 082	365 896
Representations	68 241	81 260
Security	198 831	172 794
Management services	583 624	183 547
Transportation	155 662	130 882
Business trip	78 932	48 225
Personnel education and training	10 428	31 955
Depreciation and amortisation	307 326	200 673
Financial help, sponsorship	209 109	42 991
Healthcare, health insurance	41 320	48 724
Other expenses	205 515	311 736
TOTAL:	3 824 912	2 982 663