JOINT STOCK COMPANY LATVIJAS BALZAMS

(ENTERPRISE REGISTER NUMBER LV40003031873)

FIRST 3 MONTHS OF THE YEAR 2006

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
Reporting period	1 January – 31 March 2006

Income statement

	Notes	01.01.2006 - 31.03.2006 Ls	01.01.2005 - 31.03.2005 Ls
Net turnover	1	17 117 432	14 312 977
Cost of sales	2	(15 096 504)	(12 954 935)
Gross profit or loss		**2 020 928**	**1 358 042**
Distribution costs	3	(775 229)	(625 034)
Administrative expenses	4	(1 077 902)	(602 539)
Other operating income		158 140	89 278
Interest receivable and similar income		8 055	139 755
Interest payable and similar expenses		(167 185)	(150 285)
Profit or loss before taxes		**166 807**	**209 217**
Corporate income tax		(24 867)	(31 383)
Other taxes		(34 657)	(21 441)
Profit or loss for the reporting year		**107 283**	**156 393**
Earnings per share (in santims)		**1.43**	**2.09**

Rolands Gulbis
Chairman of the Executive Board

Balance sheet

ASSETS

	Notes	31.03.2006 LVL	31.03.2005 LVL
NON-CURRENT ASSETS			
Intangible fixed assets			
Concessions, patents, licences and similar rights		67 449	274 031
Goodwill			-
TOTAL		**67 449**	**274 031**
Tangible fixed assets			
Land, buildings, constructions and perennial plants		12 031 515	7 533 568
Equipment and machinery		2 981 416	3 473 582
Other fixtures and fittings, tools and equipment		1 030 932	986 342
Construction in progress		3 551 616	418 422
Prepayments for tangible fixed assets		427 131	400 474
TOTAL		**20 022 610**	**12 812 388**
Non-current financial assets			
Investments in share capital of related companies		500 000	4 651
TOTAL		**500 000**	**4 651**
TOTAL NON-CURRENT ASSETS		**20 590 059**	**13 091 070**
CURRENT ASSETS			
Inventories			
Raw materials		10 889 014	9 036 526
Work in progress		806 060	505 298
Finished goods and goods for resale		2 903 314	3 288 065
TOTAL		**14 598 388**	**12 829 889**
Receivables			
Trade receivables		4 961 420	5 076 372
Receivables from related companies		4 075 686	5 130 345
Other receivables		883 687	463 101
Prepaid expense		124 653	105 491
TOTAL		**10 045 446**	**10 775 309**
Cash (TOTAL)		422 788	1 060 550
TOTAL CURRENT ASSETS		**25 066 622**	**24 665 748**
TOTAL ASSETS		**45 656 681**	**37 756 818**

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Chairman of the Executive Board

EQUITY AND LIABILITIES

	Notes	31.03.2006 LVL	31.03.2005 LVL
CAPITAL AND RESERVES			
Share capital		7 496 900	7 496 900
Share premium		61 767	61 767
Non-current assets revaluation reserve		5 334 639	984 878
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		18 265 462	15 886 958
for the period		107 283	156 393
TOTAL EQUITY		**21 413 193**	**14 734 038**
PROVISIONS FOR LIABILITIES AND CHARGES			
Provisions for expected taxes		1 336 030	577 421
Other provisions		1 493 403	1 184 079
TOTAL PROVISIONS FOR LIABILITIES AND CHARGES		**2 829 433**	**1 761 500**
LIABILITIES			
Non-current liabilities			
Loans from credit institutions		8 332 400	10 080 000
TOTAL		**8 332 400**	**10 080 000**
Current liabilities			
Loans from credit institutions		1 580 620	1 618 610
Trade payables		3 461 259	3 588 182
Taxes payable		7 649 000	5 798 668
Other liabilities		385 541	170 585
Undrawn dividends of previous years		5 235	5 235
TOTAL		**13 081 655**	**11 181 280**
TOTAL LIABILITIES		**21 414 055**	**21 261 280**
TOTAL EQUITY AND LIABILITIES		**45 656 681**	**37 756 818**

Rolands Gulbis
Chairman of the Executive Board

Cash flow statement

	Notes	01.01.2006 - 31.03.2006 LVL	01.01.2005 - 31.03.2005 LVL
Cash flows to/ from operating activities			
Net profit or loss before extraordinary items and taxes		166 807	209 217
Adjustments for:			
Amortisation and depreciation		560 466	439 791
Interest income/expense		167 490	150 285
Increase/(decrease) in provisions		346	(8 353)
Gain/loss on disposal of fixed assets		65 075	
Operating profit or loss before working capital changes		***960 184***	***790 940***
(Increase)/decrease in inventories		(1 829 991)	(1 510 518)
(Increase)/decrease in receivables		9 913 904	2 432 636
Increase/(decrease) in payables		(9 325 674)	(331 178)
Cash generated from operations		***(281 577)***	***1 381 880***
Interest paid		(171 554)	(150 285)
Corporate income tax paid		(35 658)	(64 632)
Net cash flows to/ from operating activities		**(488 789)**	**1 166 963**
Cash flows to/ from investing activities			
Purchase of fixed assets		(475 821)	(283 650)
Acquisition of subsidiary		(500 000)	
Net cash flows to/ from investing activities		**(975 821)**	**(283 650)**
Cash flows to/ from financing activities			
Net loans paid		981 212	(720 427)
Net cash flows to/ from financing activities		**981 212**	**(720 427)**
Change in cash and cash equivalents		**(483 398)**	**162 886**
Cash and cash equivalents at the beginning of the reporting year		**906 186**	**897 664**
Cash and cash equivalents at the end of the reporting year		**422 788**	**1 060 550**

Statement of changes in equity for three months period ended 31 March 2006

	Akciju kapitāls	Akciju emisijas uzcenojums	Ilgtermiņa ieguldījumu pārvērtēšanas rezerve	Citas rezerves	Interešu saplūšanas rezerve	Nesadalītā peļņa	**Kopā**
Atlikums 2006. gada 1. janvārī	**7 496 900**	**61 767**	**5 334 638**	**1 249 047**	**(11 101 905)**	**18 265 462**	**21 305 909**
Pārskata preioda peļņa/zaudējumi						107 283	107 283
Atlikums 2006. gada 31.martā	**7 496 900**	**61 767**	**5 334 638**	**1 249 047**	**(11 101 905)**	**18 372 745**	**21 413 193**

1. Net sales

	01.01.2006 – 31.03.2006	01.01.2005 – 31.03.2005
Sales of drinks in local market	9 321 205	10 160 254
Export of drinks and services	7 795 745	4 152 723
Other sales (spirits, raw materials)	482	
TOTAL:	**17 117 432**	**14 312 977**

2. Cost of sales

Variable costs	14 169 931	12 101 953
Materials	*13 023 548*	*11 344 515*
Goods bought	*52 741*	*128 621*
Salary expenses	*386 890*	*306 264*
Social insurance	*93 009*	*73 555*
Electricity	*105 842*	*100 743*
Natural resources tax	*102 965*	*84 000*
Other expenses	*404 936*	*64 255*
Fixed costs	927 599	852 982
Depreciation and amortisation	*374 967*	*362 964*
Salary expenses	*207 811*	*169 005*
Social insurance	*49 750*	*40 377*
Repair expenses	*188 358*	*179 468*
Services for production needs	*12 931*	*13 962*
Insurance	*16 959*	*12 558*
Laboratory and quality maintenance expenses	*6 151*	*4 308*
Other expenses	*69 646*	*70 340*
TOTAL:	**15 096 504**	**12 954 935**

3. Selling expenses

Salary expenses	223 464	180 020
Social insurance	53 715	43 261
Depreciation and amortisation	58 729	26 075
Advertising	165 127	192 248
Transportation cost	167 938	131 784
Warehouse maintenance	18 360	10 655
Other expenses	87 896	40 991
TOTAL:	**775 229**	**625 034**

4. Administrative expenses

	01.01.2006 – 31.03.2006	01.01.2005– 31.03.2005
Salary expenses	227 690	184 086
Social insurance	53 469	47 984
Communication and postal expenses	47 009	48 999
Office expenses	13 909	15 942
Professional fees	28 711	23 889
IT maintenance	58 066	20 631
Representations	22 153	8 528
Security	40 823	48 753
Management services	202 835	44 473
Transportation	36 852	17 177
Business trip	21 858	10 323
Personnel education and training	1 125	1 690
Depreciation and amortisation	77 434	50 752
Financial help, sponsorship	54 616	7 871
Healthcare, health insurance	12 142	33 593
Other expenses	179 210	37 848
TOTAL:	**1 077 902**	**602 539**