

AS LAIMA

(UNIFIED REGISTRATION NUMBER 40003020441)

**REPORT
FOR THE QUARTER ENDED 31 MARCH 2007**

Riga, 2007

General information

Name of the company	Laima
Legal status of the company	Joint stock company
Unified registration number, place and date of registration	40003020441 Riga, 25 November 1993
Re-registration	Riga, 31 October 1996
Registration with the Commercial Register	Riga, 19 June 2003
Registered office	Sporta iela 2, Riga, Latvia, LV-1013
Parent Company	AS Staburadze Artilērijas iela 55, Riga, Latvia, LV-1009
Major shareholder	SIA NTBDC L (75.42%) Sporta iela 2, Riga, Latvia, LV-1013
Operations of the Company	The main types of operations of the Company are chocolate and sugar confectionery production and wholesale.
Council Members	Juris Jonaitis Chairman of the Council Daumants Vītols Deputy Chairman of the Council Bjarni Gunnarson Council Member Jon Thor Hjaltason Council Member Gisli Reynisson Council Member
Movements in the Council during the period 1 January 2006 through 30 April 2007	Solvita Evarðsone Board Member, resigned on 12/03/2007
Board Members	Normunds Ozoliņš Chairman of the Board, appointed on 06/02/2007 Iļģvars Ļubka Board Member, appointed on 06/02/2007 Dace Mende Board Member, appointed on 06/02/2007 Liene Pētersone Board Member, appointed on 06/02/2007

Movements in the Board during the period
1 January 2006 through 30 April 2007

Juris Jonaitis

Chairman of the Board, resigned on 06/02/2007

Ivo Luka-Indāns

Board Member, resigned on 06/02/2007

Normunds Ozoliņš

Board Member, resigned on 06/02/2007

Didzis Zālītis

Board Member, resigned on 06/02/2007

Subsidiaries

SIA Saldumu tirdzniecība
Sporta iela 2,
Riga, Latvia (50%)

SIA Sporta ielas centrs
Sporta iela 2,
Riga, Latvia (100%)

SIA Miera ielas centrs
Sporta iela 2,
Riga, Latvia (100%)

SIA Euro Food
Maskavas iela 6,
Riga, Latvia (100%)

UAB Laima Lita
P. Puzino g. 1
Panevežys, Lithuania (100%)

AS Laima Eesti
Pärnu mnt, 107/109
Tallinn, Estonia (100%)

OOO Laymauz
Sergeli 2, 700012
Tashkent, Uzbekistan (51%)

Financial year

1 January – 31 March 2007

Auditors

Jekaterina Stūģe SIA Ernst & Young Baltic
Latvian Sworn Auditor Kronvalda bulvāris 3-5, Riga
Certificate No. 143 Latvia, LV-1010
Licence No. 17

Income statement

	Notes	2007.g.1.cet. Ls	2006.g.1.cet. Ls
Net turnover	1	7 082 505	5 763 561
Cost of sales	2	(5 135 107)	(4 437 186)
Gross profit		1 947 398	1 326 375
Selling and distribution expense	3	(941 176)	(767 972)
Administrative expense	4	(546 467)	(502 782)
Other operating income	5	2 129	10 498
Other operating expense	6	(65 840)	(37 049)
Profit from operating activities		396 044	29 070
Write-offs of the value of non-current financial assets			
Other interest receivable and similar income	7	45 068	26 870
Interest payable and similar expense	8	(29 521)	(53 117)
Profit before taxes		411 591	2 823
Corporate income tax		(63 593)	(17 000)
Deferred corporate income tax			
Other taxes		(21 142)	(7 627)
Net profit for the year		326 856	(21 804)

The accompanying notes form an integral part of these financial statements.

Balance sheet

ASSETS

	Notes	31/03/2007 LVL	31/03/2006 LVL
NON-CURRENT ASSETS			
Intangible assets			
Other intangible assets	11	58 468	70 963
Prepayments for intangible assets		6 695	-
TOTAL		65 163	70 963
Tangible assets			
Land and buildings	12	1 741 357	1 665 199
Equipment and machinery	12	1 035 285	1 147 898
Other tangible assets	12	62 611	86 788
Construction in progress	12	2 004 013	75 940
Prepayments for tangible assets		52 064	26 670
TOTAL		4 895 330	3 002 495
Non-current financial assets			
Investments in subsidiaries	13	516 821	575 169
Loans to subsidiaries and related parties	16, 21	5 097 626	4 832 101
Other non-current loans		667	1 207
TOTAL		5 615 114	5 408 477
TOTAL NON-CURRENT ASSETS		10 575 607	8 481 935
CURRENT ASSETS			
Inventories	14	2 656 901	2 186 101
Receivables			
Trade receivables	15	2 890 684	1 697 239
Loans to subsidiaries and related parties	16, 21	530 274	355 670
Receivables from related parties	21	1 634 299	853 202
Other receivables	17	628 866	392 734
Prepaid expense		44 994	18 166
TOTAL		5 729 117	3 317 011
Cash		127 215	552 140
TOTAL CURRENT ASSETS		8 513 233	6 055 252
TOTAL ASSETS		19 088 840	14 537 187

The accompanying notes form an integral part of these financial statements.

Balance sheet

EQUITY AND LIABILITIES

EQUITY	Notes	31/03/2007 LVL	31/03/2006 LVL
Share capital	18	6 481 133	6 481 133
Share premium		146 483	146 483
Non-current asset revaluation reserve		38 868	38 868
Retained earnings		6 203 811	4 850 806
Profit for the year		326 856	(21 804)
TOTAL EQUITY		13 197 151	11 495 486
LIABILITIES			
Non-current liabilities			
Non-current portion of finance lease liabilities	19	1 333 769	-
Deferred corporate income tax		74 769	125 011
TOTAL		1 408 538	125 011
Current liabilities			
Current portion of finance lease liabilities	19	308 747	-
Current portion of loans from related parties		-	-
Trade payables		2 095 078	1 514 843
Factoring advances received		537	360 888
Taxes payable		164 796	8 388
Payables to related parties	21	732 474	26 162
Undrawn dividends of previous years		9 782	9 782
Other and accrued liabilities	20	1 171 737	996 627
TOTAL		4 483 151	2 916 690
TOTAL LIABILITIES		5 891 689	3 041 701
TOTAL EQUITY AND LIABILITIES		19 088 840	14 537 187

The accompanying notes form an integral part of these financial statements.

Cash flow statement

	31/03/2007 LVL	31/03/2006 LVL
Cash flows to/ from operating activities		
Profit before taxes	326 856	(21 804)
Adjustments for:		
Depreciation	176 200	187 913
(Decrease)/ increase in provisions, net	734 005	551 805
Amortisation	5 686	5 284
Operating profit before working capital changes	1 242 747	723 198
(Increase) in inventories	(876 296)	(502 201)
(Increase) in receivables	(156 565)	190 497
Increase in payables	56 021	146 114
Cash generated from operations	265 907	557 608
Net cash flows to/ from operating activities	265 907	557 608
Cash flows to/ from investing activities		
(Purchase) of tangible assets, net	(1 434 288)	(95 083)
(Increase) in loans issued	(351 402)	(149 000)
Decrease in loans issued	308 026	63 894
Net cash flows to/ from investing activities	(1 477 664)	(180 189)
Cash flows to/ from financing activities		
(Decrease) in loans received	(48 142)	(421 815)
Increase in loans received	1 300 799	
Net cash flows to/ from financing activities	1 252 657	(421 815)
Change in cash	40 900	(44 396)
Cash at the beginning of the year	86 316	596 538
Cash at the end of the year	127 216	552 142

The accompanying notes form an integral part of these financial statements.

Statement of changes in equity

Balance as at 31 December 2005 (as adjusted)	6 481 133	146 483	38 868	3 668 605	1 182 203	11 517 292
Transfer of net profit for 2005	-	-	-	1 182 203	(1 182 203)	-
Profit for the reporting year (01.01.06.-31.03.06.)	-	-	-	-	(21 804)	(21 804)
Balance as at 31 March 2006	6 481 133	146 483	38 868	4 850 808	(21 804)	11 495 488
Profit for the reporting year (01.04.06.-31.12.06.)	-	-	-	-	1 374 809	1 374 809
Balance as at 31 December 2006	6 481 133	146 483	38 868	4 850 808	1 353 005	12 870 297
Transfer of net profit for 2006	-	-	-	1 353 005	(1 353 005)	-
Profit for the reporting year (01.01.06.-31.03.06.)	-	-	-	-	326 856	326 856
Balance as at 31 March 2007	6 481 133	146 483	38 868	6 203 813	326 856	13 197 153

1. Net turnover

<i>By business and geographical segments</i>	31/03/2007	31/03/2006
Domestic sales:		
Wholesale	4 269 505	3 987 006
Services provided and materials sold to related parties	182 385	197 031
Sale of materials	135 435	57 561
Export sales	2 495 181	1 521 963
TOTAL:	7 082 506	5 763 561

2. Cost of sales

	31/03/2007	31/03/2006
Cost of materials (raw materials, consumables, packaging, and finished goods)	4 118 477	3 656 093
Personnel expense:		
Wages and salaries	407 518	267 190
Statutory social insurance contributions	99 294	62 451
Depreciation	151 841	159 915
Utilities	167 571	166 749
Repairs and maintenance expense	119 842	100 497
Sanitation	12 007	11 340
Cost of services supplied	9 770	6 364
Raw material write-offs, net of previously established provisions for slow-moving items	3 260	843
Income from export subsidies	(21 847)	(30 616)
Other cost of sales	67 374	36 360
TOTAL:	5 135 107	4 437 186

3. Selling and distribution expense

	31/03/2007	31/03/2006
Advertising and marketing	436 613	366 234
Logistic expense	157 972	99 091
Personnel expense:		
Wages and salaries	150 667	122 363
Statutory social insurance contributions	36 521	28 712
Transport expense	44 684	37 865
Export promotion and marketing	14 681	15 754
Depreciation	8 544	10 354
Amortisation	2 053	1 662
Other selling and distribution expense	89 441	85 937
TOTAL:	941 176	767 972

4. Administrative expense

	31/03/2007	31/03/2006
Consulting	144 488	144 995
Personnel expense:		
Wages and salaries	130 324	123 924
Statutory social insurance contributions	31 958	29 084
Transport expense	6 654	10 727
Office expense	11 468	14 440
IT expense	24 778	19 047
Security expense	18 910	18 425
Depreciation	14 844	16 688
Business trips	19 756	14 375
Insurance expense	18 235	13 786
Training expense	6 760	6 413
Representation expense	5 106	2 758
Communication expense	4 511	9 495
Amortisation	3 633	3 622
Bank charges	2 136	1 649
Utilities	14 798	13 140
Services from outside	23 494	17 331
Provisions for doubtful trade receivables	15 000	15 000
Other administrative expense	49 614	27 883
TOTAL:	546 467	502 782

5. Other operating income

	31/03/2007	31/03/2006
Gain on disposal of tangible assets, net	2 129	5 747
Penalties repaid	-	4 751
TOTAL:	2 129	10 498

6. Other operating expense

	31/03/2007	31/03/2006
New projects intended for production and sale optimisation *	19 999	25 985
Personnel expense*:		
Wages and salaries	28 032	7 340
Statutory social insurance contributions	6 753	1 768
Penalties paid	10 872	1 000
Write-offs of tangible assets	184	956
TOTAL:	65 840	37 049

* This expense is related to the research of new production and sale market opportunities in Poland, as well as preparation for opening the new factory.

7. Other interest receivable and similar income

	31/03/2007	31/03/2006
Interest income	37 111	15 891
Currency exchange gain, net	7 958	10 979
TOTAL:	45 068	26 870

8. Interest payable and similar expense

	31/03/2007	31/03/2006
Currency exchange loss, net	14 793	33 353
Factoring services	14 728	16 672
Interest expense	-	3 092
TOTAL:	29 521	53 117

9. Depreciation and amortisation

	31/03/2007	31/03/2006
<u>Depreciation:</u>		
Cost of sales	151 841	159 915
Selling and distribution expense	9 331	10 354
Administrative expense	14 844	16 688
TOTAL:	176 016	186 957

	31/03/2007	31/03/2006
<u>Amortisation:</u>		
Selling and distribution expense	2 053	1 662
Administrative expense	3 633	3 622
	5 686	5 284
TOTAL:	181 702	192 241

10. Personnel expense and number of employees

	31/03/2007	31/03/2006
Wages and salaries	718 043	521 242
Statutory social insurance contributions	174 698	122 015
TOTAL:	892 741	643 257

	31/03/2007	31/03/2006
<u>Personnel expense:</u>		
Cost of sales	506 812	329 641
Selling and distribution expense	187 188	151 075
Administrative expense	163 072	153 433
Other operating expense	35 669	9 108
TOTAL:	892 741	643 257

Including remuneration to the management of the Company

	31/03/2007	31/03/2006
Wages and salaries	76 849	63 034
Statutory social insurance contributions	18 513	15 185
TOTAL:	275 947	223 828

In 2006 and 2005, the Board and the Council Members did not receive any remuneration for their functions.

	31/03/2007	31/03/2006
Average number of employees during the reporting year	475	436
including the management of the Company	7	8

11. Intangible assets

	Other intangible assets	TOTAL
Acquisition value as at 31/12/2005	99 972	99 972
2006 1st q Additions	2 551	2 551
Disposals	(232)	(232)
Acquisition value as at 31/03/2006	102 291	102 291
1.04.06.- Additions	7 880	7 880
31.12.06. Disposals	(528)	(528)
Acquisition value as at 31/12/2006	109 643	109 643
2007 1 st q Additions	1 665	1 665
Disposals		
Acquisition value as at 31/03/2007	111 308	111 308
Accumulated amortisation as at 31/12/2005	26 276	26 276
2006 1st q Amortisation	5 284	5 284
Amortisation of disposals	(232)	(232)
Accumulated amortisation as at 31/03/2006	31 328	31 328
1.04.06.- Amortisation	16 354	16 354
31.12.06. Amortisation of disposals	(528)	(528)
Accumulated amortisation as at 31/12/2006	47 154	47 154
2007 1st q Amortisation	5 686	5 686
Amortisation of disposals		
Accumulated amortisation as at 31/03/2007	52 840	52 840
Net carrying amount as at 31/12/2005	73 696	73 696
Net carrying amount as at 31/03/2006	70 963	70 963
Net carrying amount as at 31/12/2006	62 489	62 489
Net carrying amount as at 31/03/2007	58 468	58 468

12. Tangible assets

Acquisition value as at 31/12/2006	3 842 352	9 061 639	866 425	577 633	14 348 049
Additions	-	-	-	1 432 623	1 432 623
2007 1st q Disposals	-	(34 414)	(21 976)	-	(56 390)
Reclassification	-	5 746	498	(6 244)	-
Acquisition value as at 31/03/2007	3 842 352	9 032 971	844 947	2 004 012	15 724 282
Accumulated depreciation as at 31/12/2005	1 821 659	7 470 351	914 293	-	10 206 303
2006 1st q Depreciation	46 172	126 757	14 028	-	186 957
Depreciation of disposals	-	(14 101)	(39 654)	-	(53 755)
Accumulated depreciation as at 31/03/2006	1 867 831	7 583 007	888 667	-	10 339 505
01.04.06.- Depreciation	198 666	379 349	38 747	-	616 762
31.12.06. Depreciation of disposals	(17 886)	(45 007)	(132 165)	-	(195 058)
Accumulated depreciation as at 31/12/2006	2 048 611	7 917 349	795 249	-	10 761 209
2007 1st q Depreciation	52 385	114 567	9 064	-	176 016
Depreciation of disposals	-	(34 230)	(21 976)	-	(56 206)
Accumulated depreciation as at 31/03/2007	2 100 996	7 997 686	782 337	-	10 881 019
Net carrying amount as at 31/12/2005	1 696 914	1 254 975	101 763	17 553	3 071 205
Net carrying amount as at 31/03/2006	1 665 199	1 147 897	86 788	75 940	2 975 824
Net carrying amount as at 31/12/2006	1 793 741	1 144 290	71 176	577 633	3 586 840
Net carrying amount as at 31/03/2007	1 741 356	1 035 285	62 610	2 004 012	4 843 263

13. Investments in subsidiaries

Company	%	Original investment	Write-off of the investment value	31/12/2005	31/03/2006	Write-off of the investment value	31/12/2006	31/03/2007
SIA Euro Food	100	518 545	(73 364)	445 181	445 181	(52 893)	392 288	392 288
AS Laima Eesti	100	161 373	(36 840)	124 533	124 533	-	124 533	124 533
OOO Laymauz	51	144 703	(144 703)	-	-	-	-	-
SIA Saldumu tirdznieciba	50	136 500	(136 500)	-	-	-	-	-
UAB Laima Lita	100	1 455	-	1 455	1 455	(1 455)	-	-
SIA Miera ielas centrs	100	2 000	-	2 000	2 000	2 000	-	-
SIA Sporta ielas centrs	100	2 000	-	2 000	2 000	2 000	-	-
TOTAL:		966 576	(391 407)	575 169	575 169	(50 348)	516 821	516 821

14. Inventories

	31/03/2007	31/03/2006
Raw materials and consumables	1 288 523	1 021 300
Finished goods	1 371 806	1 153 019
Prepayments for inventories	5 736	16 600
Provisions for slow-moving items	(9 163)	(4 818)
TOTAL:	2 656 901	2 186 101

15. Trade receivables

	31/03/2007	31/03/2006
Trade receivables	3 843 505	2 715 926
Provisions for doubtful trade receivables	(952 821)	(1 018 687)
TOTAL:	2 890 684	1 697 239

16. Loans to subsidiaries and related parties

Company	31/03/2007	31/12/2006	31/03/2006	31/12/2005
Non-current loans to subsidiaries and related parties:				
Principal amount of the loan to SIA NTBDC L	2 262 816	2 262 816	2 262 816	2 262 816
Principal amount of the loan to AS Staburadze	1 620 000	1 620 000	1 920 000	1 920 000
Principal amount of the loan to SIA Nordic Food	1 400 523	1 400 523	1 400 523	1 400 523
Principal amount of the loan to SIA Nordic Industries	1 325 704	1 325 704	1 389 279	1 409 847
Principal amount of the loan to SIA Euro Food	751 399	399 997	-	-
Principal amount of the loan to SIA Saldumu tirdzniecība	-	-	290 000	290 000
Provisions	(2 262 816)	(2 262 816)	(2 430 517)	(2 430 517)
	5 097 626	4 746 224	4 832 101	4 852 669
Current loans to subsidiaries and related parties:				
Principal amount of the loan to SIA Nordic Industries	-	295 975	149 000	-
Principal amount of the loan to SIA Saldumu tirdzniecība	230 000	230 000	-	-
Accrued interest on the loan to SIA NTBDC L	116 929	116 929	116 929	116 929
Accrued interest on the loan to AS Staburadze	82 730	98 094	51 700	51 700
Accrued interest on the loan to SIA Nordic Food	111 900	89 353	91 034	91 034
Accrued interest on the loan to SIA Nordic Industries	88 512	79 792	85 168	86 385
Accrued interest on the loan to SIA Saldumu tirdzniecība	39 469	35 870	20 877	20 877
Accrued interest on the loan to SIA Euro Food	18 741	9 216	-	-
Provisions	(158 007)	(116 929)	(159 038)	(116 929)
	838 300	249 996	355 670	249 996
TOTAL:	5 627 900	5 584 524	5 187 771	5 102 665

17. Other receivables

	31/03/2007	31/03/2006
Overpayment of VAT*	403 833	265 226
Overpayment of corporate income tax*	120 322	12 593
Prepayments	56 444	37 276
Deferred VAT	11 714	10 183
Other overpaid taxes	2 831	3 028
Future income from export subsidies	19 366	-
Future interest income from loans	-	56 295
Provisions for other receivables	(35 277)	(35 277)
Other receivables	49 632	43 407
TOTAL:	628 865	392 734

18. The share capital of the Company is LVL 6 481 133 and consists of 6 481 133 shares. The par value of each share is LVL 1.

The shareholders of the Company can be specified as follows:

	%	Number of shares
SIA "NTBDC L"	75.42	4 887 945
NP Confectionary AB	12.55	813 594
SIA "Nordic Food"	4.70	304 670
Citi akcionāri	7.33	474 924
TOTAL:	100	6 481 133

19. Finance lease liabilities

		<i>Effective interest rate (%)</i>	<i>Maturity</i>	31/03/2007	31/03/2006
Finance lease liabilities to SIA Hanza līzings	EUR	3-month EURIBOR+0.9%	10/02/2008	341 717	-
Finance lease liabilities to SIA Hanza līzings	EUR	3-month EURIBOR+0.9%	30/01/2012	1 300 799	-
TOTAL:				1 642 516	-

	<i>Non-current portion:</i>	31/03/2007	31/03/2006
Finance lease liabilities to SIA Hanza līzings		231 733	-
Finance lease liabilities to SIA Hanza līzings		1 102 036	-
TOTAL:		1 333 769	-

	<i>Current portion:</i>	31/03/2007	31/03/2006
Finance lease liabilities to SIA Hanza līzings		109 984	-
Finance lease liabilities to SIA Hanza līzings		198 763	-
TOTAL:		308 747	-

20. Other and accrued liabilities

	31/03/2007	31/03/2006
Vacation pay reserve	171 635	138 228
Wages and salaries	104 933	68 283
Accrued expense	880 180	778 378
Deferred income	2 895	-
Other liabilities	12 094	11 738
TOTAL:	1 171 737	996 627

21. Related party disclosures

Related party	Sales to related parties		Purchases from related parties		Amounts owed by related parties		Amounts owed to related parties	
	31/03/2006	31/03/2007	31/03/2006	31/03/2007	31/03/2006	31/03/2007	31/03/2006	31/03/2007
AS Staburadze (Parent Company)*								
- goods and services	747 581	158 967	1 621 042	1 812 151	99 736	34 782	9 674	547 178
- loan and accrued interest	11 199	23 935	-	-	1 971 700	1 702 729	-	-
- paid principal amount	-	-	-	-	-	-	-	-
SIA Nordic Food (shareholder)								
- services	-	-	-	-	4 058	4 060	-	-
- loan and accrued interest	22 758	22 548	-	-	1 491 557	1 512 424	-	-
- provisions	-	-	-	-	(22 758)	(22 548)	-	-
SIA Nordic Industries								
- loan and accrued interest	149 000	295 975	-	-	1 623 447	1 414 216	-	-
- loan issued	20 567	18 530	-	-	-	-	-	-
- provisions	-	-	-	-	(19 557)	(18 530)	-	-
<i>Subsidiaries:</i>								
SIA Saldumu tirdzniecība								
- goods and services	305 818	321 507	1 054	6 753	240 342	235 233	4 510	2 260
- loan and accrued interest	2 915	3 599	-	-	310 877	269 469	-	-
- provisions	-	-	-	-	(167 701)	-	-	-
- paid loan	-	-	-	-	-	-	-	-

21. Related party disclosures (cont.)

Related party	Sales to related parties		Purchases from related parties		Amounts owed by related parties		Amounts owed to related parties	
	31/03/2006	31/03/2007	31/03/2006	31/03/2007	31/03/2006	31/03/2007	31/03/2006	31/03/2007
AS Laima Eesti								
- goods	604 839	960 210	1 106	-	157 150	529 847	7 649	-
UAB Laima Lita								
- goods and services	523 417	644 082	-	-	325 698	731 666	-	21 749
OOO Laymauz								
- goods	-	-	-	-	6 537	6 507	-	-
- provisions	-	-	-	-	-	(6 357)	-	-
SIA Euro Food								
- goods and services	59	100	-	-	70	2 527	-	-
- loan and accrued interest	-	9 525	-	-	-	770 140	-	-
SIA Sporta ielas centrs								
- services	-	-	-	-	30	-	-	5 279
- loan received	-	-	-	-	-	-	-	-
- loan interest	-	-	-	-	-	-	-	-
SIA Miera ielas centrs								
- services	-	-	-	-	30	-	-	-
<i>Subsidiaries of AS Staburadze:</i>								
SIA Staburadzes konditoreja								
- goods and services	13 871	19 949	9 388	7 439	19 519	57 859	4 327	14 176
- tangible assets	-	-	-	-	-	-	-	-
SIA Tallinas ielas centrs								
- services	-	-	-	-	30	-	-	-
<i>Other related parties:</i>								
Lider Artur SP Zoo								
- goods and services	-	9 657	-	89 846	-	38 175	-	163 580
TOTAL:	2 402 024	2 488 585	1 632 590	1 916 189	6 040 973	7 262 199	26 160	732 473