

Enterprise name **RĪGAS FARMACEITISKĀ FABRIKA**

Registration No

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Registration No of tax-payer

4	0	0	0	3	0	0	0	7	6	5
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Address *Rīga , Dunties 16/22*

Phone *7355550 , 7355548*

Fax *7391790*

The basic kind of activity: *manufacturing of medicines*

Unit: *LVL and EUR*

B A L A N C E

for the period ended 31. December 2007

a/s "Rīgas Farmaceutiskā Fabrika"

reg. No 40003000765
Rīga, Duntes iela 16/22

BALANCE SHEET

for the period ended 31 december 2007

Period

01.01.2007.

31.12.2007.

(LB currency EUR rate = 0.702804)

ASSETS		Line code	The end of reporting period 2007.g. 01.01.-31.12. LVL	The end of reporting period 2007.g. 01.01.-31.12. EUR	The end of reporting period 2006.g. 01.01.-31.12. LVL	The end of reporting period 2006.g. 01.01.-31.12. EUR
1. Long - term investments						
<i>I Intangible investments</i>						
1 Research and development costs		10				
2 Concessions, patents, licenses, trade-marks and similar rights		20	14,470	20,589	19,782	28,147
3 Other intangible rights		21				
4 Intangible value of enterprise		30		-		-
5 Advance payments of intangible investments		40				
TOTALLY	1		14470	20589	19782	28147
<i>II Fixed assets</i>						
1 Lands, buildings, constructions and preennial plantations		60	379,307	539,705	293,146	417,109
2 Long-term leased fixed		70				
3 Technological equipment and machines		80	129,329	184,019	113,548	161,564
4 Other fixed assets and inventory		90	101,989	145,117	79,488	113,101
5 Forming of fixed assets and costs of unfinished objects of constructio		100				
6 Advance payments for fixed assets		110				
TOTALLY	2		610625	868841	486182	691775
<i>III Long - term financial investments</i>						
1 Participation in capital of related companies		130				
2 Loans to related companies		140				
3 Participation in capital of affiliated companies		150				
4 Loans to affiliated companies		160				
5 Other securities and investments		170				
6 Other loans		180				
7 Own stocks and shares		190				
8 Loans to joint owners and administration		200				
TOTALLY			0	0	0	0
1. TOTALLY			625095	889430	505964	719922
2. Current assets						
<i>I Stocks</i>						
1 Row materials, direct materials and auxiliary materials	3	230	231,377	329,220	273,921	389,754
2 Unfinished products	4	240	62,357	88,726	25,702	36,571
3 Complete products and goods for sale	5	250	59,152	84,166	49,879	70,971
4 Unfinished orders		260				
5 Advance payments for goods	6	270	14,407	20,499	46,677	66,415
6 Work animals and productive animals	7	280	50	71	50,00	71
TOTALLY			367343	522682	396229	563783
<i>II Debtors</i>						
1 Customers and client debts	8	300	249,246	354,645	151,829	216,033
2 Related companies debts		310	-		-	
3 Affiliated companies debts		320	-		-	
4 Other debts	9	330	286,489	407,637	76,124	108,315
5 Undeposited shares in business capital		340				
6 Short - term loans to joint owners and administration	9	350	152	216	180,000	256,117
7 Accrued income	10	360	9,288	13,216	9,389	13,359
TOTALLY			545175	775714	417342	593824
<i>III Securities and participation in capitals</i>						
1 Participation in capital of related companies		380				
2 Own stocks and shares		390				
3 Other securities and participation in capitals		400				
TOTALLY			0	0	0	0
<i>IV Cash assets (TOTAL)</i>						
1 Cash assets	11	420	1,486	2,114	3,499	4,979
2. TOTALLY			914004	1300511	817070	1162586
BALANCE			1539099	2189941	1323034	1882508

LIABILITIES		Line code	The end of reporting period 2007.g. 01.01.- 31.12. LVL	The end of reporting period 2007.g. 01.01.- 31.12. EUR	The end of reporting period 2006.g. 01.01.- 31.12. LVL	The end of reporting period 2006.g. 01.01.-31.12. EUR
1. Equity capital						
<i>Equity capital</i>						
1 Stock or share capital (equity capital)	12	450	663,000	943,364	663,000	943,364
2 Stock issue extra charge		460	-		-	
3 Long - term investment re-estimation reserve		470	-		-	
4 Prescribed reserves		480	-		-	
5 Reserves for own stocks and shares		490	-		-	
6 Reserves prescribed by enterprise		500	-		-	
7 Other reserves		510	28,060	39,926	28,060	39,926
8 Retained profit of previous years		530	465,927	662,954	372,466	529,971
9 Retained profit of the year of accountant		540	206,065	293,204	93,461	132,983
TOTALLY			1363052	1939448	1156987	1646244
1. TOTALLY			1363052	1939448	1156987	1646244
2. Stockpiles						
<i>Stockpiles</i>						
1 Reserves for pensions and similar obligations		560				
2 Reserve for prospective taxes	13	570	29,150	41,477	27027.00	38,456
3 Other stockpiles	13	580	18,578	26,434	17,410	24,772
TOTALLY			47728	67911	44437	63228
2. TOTALLY			47728	67911	44437	63228
3. Creditors						
<i>I Long - term debts</i>						
1 Funded borrowings		600	-		-	
2 Borrowings for shares		610	-		-	
3 Bank borrowings		620	-		-	
4 Other borrowings		630	-		-	
5 Customers advanced payments		640	-		-	
6 Debts to suppliers and contractors		650	-		-	
7 Bills to be paid		660	-		-	
8 Borrowings from related companies		670	-		-	
9 Borrowings from affiliated companies		680	-		-	
10 Tax and social security payments		690	-		-	
11 Other creditors	14	700	-		6,669	9,489
12 Deferred income		710	-		-	
13 Dividends of the year of account		720	-		-	
14 Unpaid dividends of previous years		730	-		-	
TOTALLY			0	0	6669	9489
<i>II Short - term debts</i>						
1 Funded borrowings		750	-		-	
2 Borrowings for shares		760	-		-	
3 Bank borrowings		770	-		-	
4 Other borrowings		780	-		-	
5 Customers advanced payments		790	-		-	
6 Debts to suppliers and contractors	14	800	91,573	130,297	86,700	123,363
7 Bills to be paid		810	-		-	
8 Borrowings from related companies		820	-		-	
9 Borrowings from affiliated companies		830	-		-	
10 Tax and social security payments	14	840	22,751	32,372	17,020	24,217
11 Other creditors	14	850	13,995	19,913	11,221	15,966
12 Deferred income		860	-		-	
13 Dividends of the year of account		870	-		-	
14 Unpaid dividends of previous years		880	-		-	
TOTALLY			128319	182581	114941	163546
3. TOTALLY			128319	182581	121610	173035
BALANCE			1539099	2189941	1323034	1882508

a/s "Rīgas Farmaceutiskā Fabrika "

reg. No 40003000765
Rīga , Dunties iela 16/22

PROFIT OR LOSS STATEMENT

for the period ended 31 december 2007

Period 01.01.2007.
31.12.2007.

(LB currency EUR rate = 0.702804)

No	Special rate	Note	ROW	The end of reporting period 2007.g. 01.01.-31.12. LVL	The end of reporting period 2007.g. 01.01.-31.12. EUR	The end of reporting period 2006.g. 01.01.-31.12. LVL	The end of reporting period 2006.g. 01.01.-31.12. EUR
1.	Net turnover	15	10	2052164	2919966	1734747	2468323
2.	Cost of sales (prime cost)	16	20	-1188010	-1690386	-1095091	-1558174
3.	Gross profit or loss		30	864154	1229580	639656	910148
4.	Sales Distribution costs:	16	40	-245191	-348875	-212621	-302532
5.	Administration costs	16	50	-313530	-446113	-264024	-375672
6.	Other operating income	17	60	1843	2622	4506	6411
7.	Other operating expenses	18	70	-63511	-90368	-51762	-73651
8.	Income from participation in capital of related and affiliated companies		80				
9.	Income from securities and long - term loans		90				
10.	Other interests receivable and similar income		100				
11.	Amounts written off investments		110				
12.	Interest payable and similar changes		120				
13.	Profit or loss before extraordinary items and tax	19	130	243765	346846	115755	164705
14.	Extraordinary income		140				
15.	Extraordinary charges		150				
16.	Profit or loss before tax	19	160	243765	346846	115755	164705
17.	Tax on profit or loss for the financial period	20	170	-31399	-44677	-22587	-32138
18.	Tax on profit (pustpone) or loss for the financial period	21	170	-2123	-3021	4445	6325
19.	Other taxes	22	180	-4178	-5945	-4152	-5908
20.	Profit or loss for the financial period	23	190	206065	293204	93461	132983
EPS k-t				0.31	0.44	0.14	0.20

Enterprise name

RĪGAS FARMACEITISKĀ FABRIKA A/S

Registration No

0 0 0 3 0 0 0 7 6

Registration No of tax-payer

4 0 0 0 3 0 0 0 7 6 5

Address Rīga , Dunties iela 16/22

Phone 7355550

Fax

7391790

Unit: LVL and EUR

OVERVIEW OF EQUITY CAPITAL CHANGES

		for the period ended 31 december 2007		Period	
		(LB currency EUR rate = 0.702804)		01.01.2007.	31.12.2007.
		The end of reporting period 2007.g. 01.01.- 31.12. , LVL	The end of reporting period 2007.g. 01.01.- 31.12. , EUR	The end of reporting period 2006.g. 01.01.- 31.12. , LVL	The end of reporting period 2006.g. 01.01.- 31.12. , EUR
1.	Share capital				
	Post-balance residue on: 01.01.2007.	663,000	943,364	663,000	943,364
	Increase :	0	0	0	0
	Decrease :	0	0	0	0
	Post-balance residue on: 31.12.2007.	663,000	943,364	663,000	943,364
2.	Share premium				
	Post-balance residue on: 01.01.2007.	0	0	0	0
	Increase :	0	0	0	0
	Decrease :	0	0	0	0
	Post-balance residue on: 31.12.2007.	0	0	0	0
3.	Revaluation reserve of long-term investments				
	Post-balance residue on: 01.01.2007.	0	0	0	0
	Increase :	0	0	0	0
	Decrease :	0	0	0	0
	Post-balance residue on: 31.12.2007.	0	0	0	0
4.	Mandatory reserves				
	Post-balance residue on: 01.01.2007.	0	0	0	0
	Increase :	0	0	0	0
	Decrease :	0	0	0	0
	Post-balance residue on: 31.12.2007.	0	0	0	0
5.	Revaluation of own stocks of shares reserves				
	Post-balance residue on: 01.01.2007.	0	0	0	0
	Increase :	0	0	0	0
	Decrease :	0	0	0	0
	Post-balance residue on: 31.12.2007.	0	0	0	0
6.	Reserves determined by company statute				
	Post-balance residue on: 01.01.2007.	0	0	0	0
	Increase :	0	0	0	0
	Decrease :	0	0	0	0
	Post-balance residue on: 31.12.2007.	0	0	0	0
7.	Other reserves				
	Post-balance residue on: 01.01.2007.	28,060	39,926	28,060	39,926
	Increase :	0	0	0	0
	Decrease :	0	0	0	0
	Post-balance residue on: 31.12.2007.	28,060	39,926	28,060	39,926
8.	Retained profit				
	Post-balance residue on: 01.01.2007.	465,927	662,954	372,466	529,971
	Post-balance residue on: 31.12.2007.	671,992	956,158	465,927	662,954
9.	Equity capital (total)				
	Post-balance residue on: 01.01.2007.	1,156,987	1,646,244	1,063,526	1,513,261
	Post-balance residue on: 31.12.2007.	1,363,052	1,939,448	1,156,987	1,646,244

a/s "Rīgas Farmaceutiskā Fabrika "

reg. No 40003000765

Rīga , Duntes iela 16/22

STATEMENT OF CASH FLOW

for the period ended 31 december 2007

Period 01.01.2007.

(LB currency EUR rate = 0.702804) 31.12.2007.

	Note No	The end of reporting period 2007.g. 01.01.-31.12. , LVL	The end of reporting period 2007.g. 01.01.-31.12. , EUR	The end of reporting period 2006.g. 01.01.-31.12. , LVL	The end of reporting period 2006.g. 01.01.-31.12. , EUR
CASH FLOW from operating activities					
Net profit (before enterprise income tax)		243765	346846	115755	164705
<i>Corrections to adjust the profit of revision year to hard cash of economic activities :</i>					
Depreciation of fixed assets and intangible investments		110838	157708	141076	200733
Profit or loss from sale of fixed assets and intangible investments		3173	4515	0	0
Expenditures per cent		0	0	0	0
Provisions for non-used holidays		34517	49113	27832	39601
Other reserves		-33348	-47450	4445	6325
Debt expenditures of doubtful debtors		0	0	0	0
Incoming of next periods		0	0	0	0
The taxes to deduct from net profit (property tax)		-4178	-5945	-4152	-5908
Paid enterprise income tax		-31399	-44677	-22587	-32138
<i>The changes of the current assets and liabilities:</i>					
Provisions		28885	41100	-57999	-82525
Debts of customers and subscribers		-97417	-138612	-86368	-122891
Expenditures of next periods		101	144	-763	-1086
Others debtors		-210365	-299322	-31484	-44798
Advance payments from customers		0	0	0	0
Debts to suppliers and contractors		4873	6934	10860	15452
Other creditors		8504	12100	-27762	-39502
Net cash provided by (used in) operating activities		57949	82454	68853	97969
CASH FLOW from investing activities					
Fixed assets purchase costs		-235659	-335313	-92265	-131281
Investment costs		0	0	0	0
Fixed assets selling income		2518	3583	0	0
Investment selling income		0	0	0	0
Company equity		0	0	0	0
Dividends received		0	0	0	0
Net cash provided by (used in) investing activities		-233141	-331730	-92265	-131281
CASH FLOW from financing activities					
Income from issue		0	0	0	0
Loans from credit institutions		0	0	0	0
Loans to creditors		0	0	0	0
Payments for leasing liabilities		-6669	-9489	-9030	-12849
Other loans		179848	255901	30000	42686
Fixed assets investments		0	0	0	0
Cost of dividends		0	0	0	0
Net cash provided by (used in) financing activities		173179	246412	20970	29838
Net increase (decrease) in cash		-2013	-2864	-2442	-3475
Cash at the beginning of the year		3499	4979	5941	8453
Cash at the end of the year		1486	2114	3499	4979

A/S „RĪGAS FARMACEITISKĀ FABRIKA”

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 December 2007

ACCOUNTING POLICES

(1) Basis of preparation

The financial statements have been prepared in accordance with general accounting principles that correspond to the laws of the Republic of Latvia. All amounts presented in these financial statements are denominated in EUR of the Bank of Latvia LVL rate of exchange as at date of report (0,702804).

The financial statements reporting period is from 1 January 2007 till 31 December 2007.

The company's accounting policies have not changed in comparison with the previous year.

The financial statements reporting period is not verified by auditor.

1. INTANGIBLE ASSETS

	Expenditures on research activities LVL / EUR	Licenses and patents LVL / EUR	Company's intangible value LVL / EUR	Total LVL / EUR
Historical cost as of 1 January 2007	13 053 / 18 573	72 776 / 103 551	3 682 / 5 239	89 511 / 127 363
Additions	0	2 397 / 3 411	0	2 397 / 3 411
Disposals	0	(35 093) / (49 933)	0	(35 093) / (49 933)
Historical cost as of 31 December 2007	13 053 / 18 573	40 080 / 57 029	3 682 / 5 239	56 815 / 80 841
Accumulated depreciation before 2007	13 053 / 18 573	52 994 / 75 404	3 682 / 5 239	69 729 / 99 216
Excluded on disposal		(34 693) / (49 364)		(34 693) / (49 364)
Accumulated depreciation in 2007	0	7 309 / 10 400	0	7 309 / 10 400
Net book value as of 31 December 2007	0	14 470 / 20 589	0	14 470 / 20 589

2. FIXED ASSETS

	Land LVL / EUR	Buildings LVL / EUR	Equipmen t LVL / EUR	Computin g equipment LVL / EUR	Other fixed assets LVL / EUR	Pendin g objects LVL / EUR	Total LVL / EUR
Historical cost as of 1 January 2007	67 473 / 96 005	316 709 / 450 636	537 339 / 764 563	24 592 / 34 991	175 013 / 249 021	0	1 121 126 / 1 595 216
Additions	0	108 726 / 154 703	64 907 / 92 355	4 555 / 6 481	55 074 / 78 363	0	233 262 / 331 902
Disposals	0	0	(11 806) / (16 798)	0	(12 268) / (17 456)	0	(24 074) / (34 254)
Historical cost as of 31 December 2007	67 473 / 96 005	425 435 / 605 339	590 440 / 840 120	29 147 / 41 472	217 819 / 309 928	0	1 330 314 / 1 892 864
Accumulated depreciation before 2007	0	91 036 / 129 532	423 791 / 603 000	16 407 / 23 344	103 710 / 147 566	0	634 944 / 903 442
Accumulated depreciation in 2007	0	22 565 / 32 107	46 229 / 65 778	5 041 / 7 173	28 914 / 41 141	0	102 749 / 146 199
Excluded on disposal	0	0	(8 909) / (12 677)	0	(9 095) / (12 941)	0	(18 004) / (25 618)
Net book value as of 31 December 2007	67 473 / 96 005	311 834 / 443 700	129 329 / 184 019	7 699 / 10 955	94 290 / 134 162	0	610 625 / 868 841

3. RAW AND ANCILLARY MATERIALS

Raw and ancillary materials are presented at their historical cost .

4. GOODS FOR SALE

Goods for sale are presented in the financial statements at their net realizable value

5. GOODS HELD ON CONSIGNMENT

Goods held on consignment are presented in the financial statements at their net realizable value

6. ADVANCE PAYMENTS

Amounts for raw and ancillary materials as well as advance payments for factory reconstruction designing works are presented in advance payments.

7. Work animals – guard dog.

8. ACCOUNTS RECEIVABLE

All accounts receivable are short-term.

9. OTHER DEBTORS

	As of 31 December 2007 LVL / EUR	As of 01 January 2007 LVL / EUR
Corporate income tax overpayment	0	0
Natural resources tax overpayment	0	0
VAT overpayment	143 489 / 204 166	76 124 / 108 315
VAT on unpaid invoices	0	0
Short-term loans to partners and employees	143 152 / 203 678	180 000 / 256 117
Total	286 641 / 407 853	256 124 / 364 432

VAT overpayment amount has been used to cover other taxes for 2008. Year.

Accounts receivable consist of loans to the Company's partner that will be settled in the end of year 2007.

10. DEFERRED EXPENSES

	As of 31 December 2007 LVL / EUR	As of 01 January 2007 LVL / EUR
Press subscription	516 / 734	959 / 1 364
Insurance	2 627 / 3 738	2 550 / 3 628
Other	6 145 / 8 744	5 880 / 8 367
Total	9 288 / 13 216	9 389 / 13 359

11. CASH

	As of 31 December 2007 LVL / EUR	As of 01 January 2007 LVL / EUR
Cash on hand	772 / 1 098	901 / 1 282
Current account with NORDEA BANKA (LVL)	57 / 81	693 / 986
Current account with HANSABANKA (LVL)	657 / 935	1 905 / 2 711
Current account with HANSABANKA (currency)	0	0
Total	1 486 / 2 114	3 499 / 4 979

12. SHARE CAPITAL

The share capital of the Company consisted of 663,000 LVL; that is 660,000 common voting shares and 3,000 common nonvoting shares with nominal value 1 LVL per share.

13. PROVISIONS

Provisions for the reporting year consisted of vacation salaries and other remaining balance amounts.

14. CREDITORS

	As of 31 December 2007 LVL / EUR	As of 01 January 2007 LVL / EUR
Lease (of cars)	0 / 0	6 669 / 9 489
Due to suppliers	91 573 / 130 297	86 700 / 123 363
Advance from suppliers	0	0
Salary for December	13 995 / 19 913	11 221 / 15 966
Taxes and social security payment	17 935 / 25 519	14 863 / 21 148
Corporate income tax	4 816 / 6 852	2 157 / 3 069
Total	128 319 / 182 581	121 610 / 173 035

15. SALES

	LVL / EUR
Total sales	2 052 164 / 2 919 966
including : - operating income	2 035 231 / 2 895 873
- other operating expenses	16 933 / 24 093

16. SALES EXPENSES

Production expenses	1 188 010 / 1 690 386
Sales expenses	245 191 / 348 875
Administrative expenses	313 530 / 446 113
Total expenses	1 746 731 / 2 485 374
Profit for the year	305 433 / 434 592

17. OTHER OPERATING INCOME

Bank interest for application of funds from current account	50 / 71
Income from currency fluctuations	1 578 / 2 245
Other	215 / 306
Total	1 843 / 2 622

18. OTHER OPERATING EXPENSES

Lease interest payment	249 / 354
Expenses from currency fluctuations	945 / 1 344
Fines paid	5 / 7
Provisions for vacations	22 398 / 31 870
Donations	7 200 / 10 245
Other	32 714 / 46 548
Total expenses	63 511 / 90 368

19. PROFIT FOR THE YEAR	243 765 / 346 846
20. CORPORATE INCOME TAX	31 399 / 44 677
21. CORPORATE INCOME TAX /postpone/ (enlargement within current year)	2 123 / 3 021
22. OTHER TAXES	4 178 / 5 945
23. NET PROFIT	206 065 / 293 204

24. The average number of employees in 2007 was 80.

A/S "RĪGAS FARMACEITISKĀ FABRIKA"

GOVERNING BODY REPORT

JSC "Riga Pharmaceutical Plant" is situated in Riga, 16/22 Dunties street and 6 Maza Ozolu street. The enterprise is the largest producer of finite pharmaceuticals, medical plants and drugs in Latvia. The factory was registered in Latvian Commercial Register of Enterprises in 2004. The Company has the licence for opening (activity) of drug manufacturing enterprise and has successfully passed the GMP certificate, as well as ISO 14001 standard.

The main business course of the enterprise is devoted to the manufacturing of medicines, medical goods and food supplements. All the 88 kinds of produced medicines are being realized in Latvia.

In 2007 the enterprise turnover was 2 919 966 EUR (2 052 164 LVL), which is about 18% more than in a corresponding period in 2006. The income of the enterprise in 2007 was 293 204 EUR (206 065 LVL), which is almost 2 times more than in a corresponding period of 2006. In the reporting period the prices for the production units have been increased.

We are planning to continue our work and to sell our production in all Baltic countries and also to accomplish the registration process for the first our medicines in Bulgaria.

The government of JSC "Riga Pharmaceutical Plant" (later in the text - Enterprise) is responsible for the preparing of intermediate finance report. Intermediate reports of the enterprise are not being audited. This management report based on accountant abstracts and incoming documents is considered to provide real and true information about the assets, liabilities and the whole financial position of the enterprise.

The government of the enterprise is responsible for using a corresponding register system, for preservation of assets of the enterprise and for investigation and elimination of the deceptions and delusions committed by the enterprise. The government of the enterprise is also responsible for the observance of Latvian legislation.