

Rīga

2015 year 30 may

JSC "Rīgas Farmaceutiskā Fabrika"

Unaudited statement of financial position

for year **2015.**

I quart.

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FINANCIAL REPORT

DATA OF THE ENTERPRISE

| | |
|---|---|
| Full name of the enterprise | JSC "Rīgas Farmaceutiskā Fabrika" |
| The legal status of a society | Joint-stock company |
| The state registration in the register of the enterprises | registration Nr. 40003000765 , Riga , 1991 year 26 march |
| The legal address of the enterprise | Duntes street 16/22 , Riga , LV-1005 |
| Main activity of the company | Manufacture of pharmaceutical preparations |
| NACE code | 21.20 |
| Members of the board | Kaspars BĀLIŅŠ Uģis FREIMANIS Dace KALEINE |
| Councillors | Dagmāra ĀBOLTIŅA Jūlija DMITRIJEVA Vladimirs IVANIKINS Natalja GORBUNOVA Aksana BĒRZIŅA |
| The accounting period | from 2015.01.01 to 2015.03.31 |

MANAGEMENT REPORT

„Rīgas farmaceutiskā fabrika” JSC is located in Riga, 16/22 Dunties street and 6 Maza Ozolu street. The management of the company is realized by the Board of 3 persons.

The Company produce galenics products, therapeutically herbal teas and food supplies in Latvia. The factory was registered in the Register of Enterprises of the Republic of Latvia in 2004

The main types of operations of the company is the manufacturing of medicinal products, food supplies and medical goods. The finished products mainly were distributed in Latvia.

We have rebuilt our home page www.rff.lv starting this year. Our web page is modernized and made much more user-friendly and foreseeable. Here you can learn about all ongoing monthly special offers in local pharmacies chains, as well as get more depth information on each of our manufactured products. We have also started activities in different social networks- locals and internationals.

The neto turnover of the company in 3 mounth 2015 was **1 437 099 EUR** . The profit of the company in 2014 was **57 484 EUR** .

The management of joint stock company „Rīgas farmaceutiskā fabrika” is liable for the preparation of financial report and it is liable, that financial reports are prepared according to requirements of valid legislative acts and provides the true and clear conception about the assets, liabilities, financial situation and profit or losses, as well as for the fact that the management report includes true information.

The management of the company is liable about corresponding provision of bookkeeping system, the maintenance of the Company's assets, as well as for the prevention and detection of the fraud and other irregularities in the Company. The management is also responsible for the accomplishment of Latvian legislation.



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STATEMENT OF COMPREHENSIVE INCOME for the period ended 2015.03.31

| | | 2015. | 2014 |
|--|---|-----------------|-----------------|
| | | I quart. EUR | I quart. EUR |
| Net turnover | 2 | 1 437 099 | 895 656 |
| Cost of sales (prime cost) | 3 | -926 607 | -540 328 |
| Gross profit or loss | | 510 492 | 355 328 |
| Sales distribution costs | 4 | -344 420 | -250 126 |
| Administration costs | 5 | -106 652 | -70 050 |
| Other operating income | 6 | 1 671 | 63 |
| Other operating expenses | 7 | -2 087 | -864 |
| Interest payable and similar charges | 8 | -310 | -696 |
| Peļņa vai zaudējumi pirms ārkārtas posteņiem un nodokļiem | | 58 694 | 33 655 |
| Corporate income tax (postpone) | | 0 | 0 |
| Other taxes | 9 | -1 210 | 0 |
| Profit or loss for the financial period | | 57 484 | 33 655 |
| EPS k-t | | 0,0867 | 0,0508 |

Annex from 10 . to 19 . is an integral part of these financial statements



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| <u>BALANCE SHEET for the period ended</u> | | <u>2015.03.31</u> | |
|--|----|-----------------------------------|-----------------------------------|
| ASSETS | | 2015. I quart. EUR | 2014. I quart. EUR |
| Long - term investments | | | |
| Intangible investments | | | |
| Concessions, patents, licenses, trade-marks and similar rights | 10 | 677 | 5 531 |
| Advance payments of intangible investments | | 0 | 0 |
| TOTALLY | | 677 | 5 531 |
| Fixed assets | | | |
| Lands, buildings, constructions and preniai plantations | 11 | 421 049 | 420 421 |
| Technological equipment and machines | 11 | 41 668 | 53 831 |
| Other fixed assets and inventory | 11 | 78 844 | 53 446 |
| Advance payments for fixed assets | | 0 | 0 |
| TOTALLY | | 541 561 | 527 698 |
| Long - term investments TOTALLY | | 542 238 | 533 229 |
| Current assets | | | |
| Stocks | | | |
| Raw materials, direct materials and auxiliary materials | 12 | 300 614 | 551 592 |
| Unfinished products | 13 | 3 479 | 9 743 |
| Complete products and goods for sale | 14 | 258 412 | 160 060 |
| Advance payments for goods | | 16 498 | 13 093 |
| Work animals and productive animals | 15 | 0 | 213 |
| TOTALLY | | 579 003 | 734 701 |
| Debtors | | | |
| Customers and client debts | 16 | 293 443 | 168 484 |
| Other debts | 17 | 0 | -81 |
| Accrued income | 18 | 19 430 | 41 381 |
| TOTALLY | | 312 873 | 209 784 |
| Cash assets | 19 | 9 412 | 3 261 |
| Current assets TOTALLY | | 901 288 | 947 746 |
| BALANCE | | 1 443 526 | 1 480 975 |

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BALANCE SHEET for the period ended 2015.03.31

LIABILITIES

| | | 2015. I quart. EUR | 2014. I quart. EUR |
|---|----|-----------------------------------|-----------------------------------|
| Equity capital | | | |
| Stock or share capital (equity capital) | 20 | 943 364 | 943 364 |
| Retained profit: | | | |
| a) Retained profit of previous years | | 58 658 | -11 833 |
| b) Retained profit of the year of accountant | 21 | 57 484 | 33 655 |
| TOTALLY | | 1 059 506 | 965 186 |
| Stockpiles | | | |
| Other stockpiles | 22 | 31 286 | 33 144 |
| TOTALLY | | 31 286 | 33 144 |
| Creditors | | | |
| Long - term debts | | | |
| Other loans | 23 | 114 563 | 144 531 |
| Tax on profit (pustpone) or loss for the financial period | 27 | 0 | 0 |
| TOTALLY | | 114 563 | 144 531 |
| Short - term debts | | | |
| Other loans | 23 | 13 892 | 29 461 |
| Debts to suppliers and contractors | 24 | 174 972 | 228 021 |
| Tax and social security payments | 25 | 26 771 | 57 860 |
| Other creditors | 26 | 22 536 | 22 772 |
| Accrued liabilities | 28 | 0 | 0 |
| TOTALLY | | 238 171 | 338 114 |
| Creditors TOTALLY | | 352 734 | 482 645 |
| BALANCE | | 1 443 526 | 1 480 975 |

Annex from 10 . to 19 . is an integral part of these financial statements

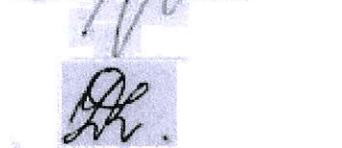


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Dace KALEINE

STATEMENT OF CASH FLOW for the period ended 2015.03.31
(indirect method)

| | 2015. I quart. EUR | 2014. I quart. EUR |
|---|-----------------------------------|-----------------------------------|
| CASH FLOW from operating activities | | |
| Profit or loss before extraordinary items and tax | 58 694 | 33 655 |
| Corrections : | | |
| depreciation of fixed assets and intangible investments (+) | 28 860 | 130 870 |
| accumulation for unused vacation (+) | -1 858 | 0 |
| interest payable and similar charges (+) | 310 | 696 |
| Profit or loss before working capital and working capital correction influence | 86 006 | 165 221 |
| Corrections : | | |
| debts of customers and subscribers | -103 089 | -114 285 |
| provisions | 155 698 | 185 352 |
| others debtors | -84 374 | -223 996 |
| Net cash provided by operating activities | 54 241 | 12 292 |
| interest payments (-) | -310 | 696 |
| the taxes deducted from net profit (property tax) | -1 210 | 0 |
| Cash flow from operating activities | 52 721 | 12 988 |
| Investing activities | | |
| fixed assets purchase costs | -1 224 | -23 910 |
| income from sale of fixed assets | 0 | 0 |
| Cash provided by investing activities | -1 224 | -23 910 |
| Cash flow from financing | | |
| received loans | 0 | 27 360 |
| Expenses of leased fixed assets (-) | -45 537 | -14 926 |
| Net financing cash flow | -45 537 | 12 434 |
| Net increase (decrease) in cash | 5 960 | 1 512 |
| Cash at the beginning of the year | 3 452 | 1 749 |
| Cash at the end of the year | 9 412 | 3 261 |

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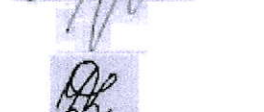
OVERVIEW of EQUITY CAPITAL CHANGES
for the period ended 2015.03.31

| | Share capital | Reserves | Retained profit of previous years | Retained profit of the year of accountant | Equity capital (total) |
|---|----------------|---------------|-----------------------------------|---|------------------------|
| | EUR | EUR | EUR | EUR | EUR |
| 2013.12.31 | 943 364 | 0 | -83 097 | 34 173 | 894 440 |
| 2012 year profit transferred to retained earnings | | | 34 173 | -34 173 | - |
| Retained profit of the year of accountant | | | | 37 091 | 37 091 |
| Relief for losses from reserves | | | | | - |
| 2014.12.31 | 943 364 | - | -48 924 | 37 091 | 931 531 |
| 2013 year profit transferred to retained earnings | | | 37 091 | -37 091 | - |
| Retained profit of the year of accountant | | | | 57 484 | 57 484 |
| 2015.03.31 | 928 200 | 15 164 | 58 658 | 57 484 | 1 059 506 |

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Dace KALEINE

2015 year 30 may

(1) STATEMENT OF ACCOUNTING POLICIES - GENERAL PRINCIPLES

Basis of preparation

The Annual Report is prepared in accordance with Latvian law "On Accounting" and "Annual reports".

The income statement is prepared in accordance with the turnover method.

The cash flow statement prepared using the indirect method.

Net sales

Net sales represent the revenues of the company's core business, the sale of products and services, net of trade discount and other discounts granted, as well as value added tax and other taxes directly related to the sale.

Proceeds from the sale of goods is recognized when the buyer s accepted the goods, according to delivery terms.

During the reporting period

The reporting period is 3 months of 2015.01.01 to 2015.03.31 .

Currency and foreign currency translation

These financial statements are expressed in the Latvian national currency - euro (EUR).

All monetary assets and liabilities are translated into Latvian lats at the exchange rate at the period end.

Foreign exchange rate fluctuations on profit or loss is reflected in the profit and loss account.

Long-term and short-term items

Long-term items of an amount reported by the receipt, payment, or write-off shall be the later of one year after the year end.

The amounts received, paid or written off during the reported short-term positions.

Non-current assets and depreciation recognition

Balance sheet of all fixed assets and intangible assets are stated at cost less depreciation rates.

Depreciation is calculated on straight-line methods,

choosing on the basis of the following rates:

Intangible assets:

| | | |
|-------------------------|----|---|
| license | 20 | % |
| other intangible assets | 20 | % |

Fixed Assets:

| | | |
|--------------------------|-------|---|
| Buildings and structures | 5-10 | % |
| Iekārtas un mašīnas | 20 | % |
| Other fixed assets | 20-35 | % |

Measurement of inventories

Reserves are estimated using FIFO method.
Inventory balances checked on the inventory.

Receivables

Trade receivables are shown net of.

Savings

Provisions are intended to cover certain types of obligations, relating to the reporting year or previous years and Annual Reports of the anticipated or known, but the amount or specific commitment to the creation or the date of recovery is uncertain.

Provision for vacation pay

Amount of the provision is determined by multiplying the average employee salary of one day to the year-end accrued but unused vacation days.

Accrued liabilities

Clearly aware of the settlement amount payable for the current year goods or services received if the balance sheet date has not yet received the corresponding payment document in accordance with the supply, sale or contract business conditions or other reasons, recognized as accruals for the period.

Corporate income tax

Corporate income tax costs are included in the financial statements in accordance with Latvian tax legislation of.

For the reporting period the estimated tax is calculated under the Law "On Corporate Income Tax " 'claims in determining taxable income, and applying the statutory tax rate of 15%.

(2) Net Sales

| Type of activity | 2015. EUR | 2014. EUR |
|--------------------------------|------------------|----------------|
| Manufacture of drugs | 1 419 827 | 874 055 |
| Raw materials and distribution | 9 092 | 7 977 |
| Provision of services | 8 180 | 13 624 |
| Total | 1 437 099 | 895 656 |

Net sales by geographical markets

| State | 2015. EUR | 2014. EUR |
|--------------|------------------|----------------|
| Latvia | 1 372 714 | 847 129 |
| Lithuania | 820 | 3 097 |
| Estonia | 23 542 | 45 430 |
| Other | 40 023 | 0 |
| Total | 1 437 099 | 895 656 |

(3) Cost of sales

| | 2015. EUR | 2014. EUR |
|---|----------------|----------------|
| Cost of materials | 708 490 | 338 110 |
| Staff costs | 70 845 | 72 742 |
| State social security contributions | 15 801 | 22 658 |
| Depreciation of fixed assets and intangible assets depreciation | 28 860 | 28 175 |
| Depreciation of current assets | 220 | 1 227 |
| Maintenance costs | 37 624 | 48 041 |
| Transport costs | 8 288 | 16 141 |
| Other | 56 479 | 13 234 |
| Total | 926 607 | 540 328 |

(4) Sales expenses

| | 2015. EUR | 2014. EUR |
|-------------------------------------|----------------|----------------|
| Staff costs | 40 002 | 107 721 |
| State social security contributions | 9 199 | 25 853 |
| Advertising expenses | 95 260 | 92 281 |
| Transport costs | 4 682 | 5 452 |
| Other | 195 277 | 18 819 |
| Total | 344 420 | 250 126 |

(5) Administration costs

| | 2015. EUR | 2014. EUR |
|-------------------------------------|----------------------|----------------------|
| Staff costs | 42 006 | 33 691 |
| State social security contributions | 9 042 | 7 655 |
| Legal and accounting services | 4 362 | 4 475 |
| Transport costs | 7 024 | 8 596 |
| Other | 44 218 | 15 633 |
| Total | 106 652 | 70 050 |

(6) Other operating income

| | 2015. EUR | 2014. EUR |
|--|----------------------|----------------------|
| The difference of exchange rate changes and currency sales | 0 | 63 |
| Received a penalty | 0 | 0 |
| Proceeds from sale of fixed assets | 0 | 0 |
| Other | 1 671 | 0 |
| Total | 1 671 | 63 |

(7) Other operating expenses

| | 2015. EUR | 2014. EUR |
|--|----------------------|----------------------|
| Expenses not related to economic activity | 376 | 412 |
| The difference of exchange rate changes and currency sales | 156 | 118 |
| Penalties | 500 | 6 |
| Gifts and benefits | 727 | 0 |
| Other | 328 | 328 |
| Total | 2 087 | 864 |

(8) Interest payable and similar charges

| | 2015. EUR | 2014. EUR |
|---------------------------|----------------------|----------------------|
| Leasing interest payments | 310 | 696 |
| Total | 310 | 696 |

(9) Other taxes

| | 2015. EUR | 2014. EUR |
|------------------|----------------------|----------------------|
| Real estates tax | 1 210 | 0 |
| Total | 1 210 | 0 |

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(9) Intangible assets

| | Licenses and patents | Advance payment for intangible assets | Total intangible assets |
|---|-------------------------|--|-------------------------------|
| | EUR | LVL | EUR |
| Historical cost as of 2014.12.31 | 136 582 | 0 | 136 582 |
| Additions | 0 | 0 | 0 |
| Disposals | 0 | 0 | 0 |
| 2015.03.31 | 136 582 | 0 | 136 582 |
| Accumulated depreciation before 2014.12.31 | 135 123 | 0 | 135 123 |
| Accumulated depreciation | 782 | 0 | 782 |
| 2015.03.31 | 135 905 | 0 | 135 905 |
| Net book value 2014.12.31 | 1 459 | 0 | 9 674 |
| Net book value 2015.03.31 | 677 | 0 | 677 |

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(11) Fixed assets

| | Land and buildings | Equipment | Other fixed assets | Advance payment for fixed assets | Fixed assets total |
|--|-----------------------|----------------|-----------------------|---|-----------------------|
| | EUR | EUR | EUR | EUR | EUR |
| Historical cost as of 2014.12.31 | 1 016 266 | 826 856 | 412 504 | - | 2 255 626 |
| Additions | 0 | 0 | 1 224 | 0 | 1 224 |
| Disposals | 0 | 0 | 0 | 0 | 0 |
| 2015.03.31 | 1 016 266 | 826 856 | 413 728 | 0 | 2 256 850 |
| Accumulated depreciation before 2014.12.31 | 581 402 | 779 020 | 329 706 | - | 1 690 128 |
| Accumulated depreciation Excluded on disposal | 13 815 0 | 6 168 0 | 5 178 0 | 0 0 | 25 161 0 |
| 2015.03.31 | 595 217 | 785 188 | 334 884 | 0 | 1 715 289 |
| Net book value 2014.12.31 | 434 864 | 47 836 | 82 798 | 0 | 631 906 |
| Net book value 2015.03.31 | 421 049 | 41 668 | 78 844 | 0 | 541 561 |

(12) Raw materials, direct materials and auxiliary materials

| | 2015. EUR | 2014. EUR |
|--|----------------------|----------------------|
| Materials | 133 019 | 241 853 |
| Consumables - glass containers | 83 512 | 141 840 |
| Consumables - plastic and metal packages | 20 863 | 37 932 |
| Printed materials | 54 356 | 98 829 |
| Other | 8 864 | 31 138 |
| Total | 300 614 | 551 592 |

(13) Unfinished products

| | 2015. EUR | 2014 EUR |
|---|----------------------|---------------------|
| The packing station neizfāsēta products (quarantine area) | 2 001 | 7 003 |
| Production units of semi-finished products segment | 1 478 | 2 740 |
| Total | 3 479 | 9 743 |

(14) Complete products and goods for sale

| | 2015. EUR | 2014. EUR |
|--|----------------------|----------------------|
| The company's stock of finished goods in stock | 258 412 | 160 060 |
| Total | 258 412 | 160 060 |

(15) Work animals and productive animals

| | 2015. EUR | 2014. EUR |
|--------------|----------------------|----------------------|
| Guard dogs | 0 | 213 |
| Total | 0 | 213 |

(16) Customers and client debts

| | 2015. EUR | 2014. EUR |
|--|----------------------|----------------------|
| Trade receivables have a carrying amount | 293 443 | 168 484 |
| Book value | 293 443 | 168 484 |

| By currencies : | 2015. currency | EUR | 2014. EUR |
|-----------------|---------------------------|----------------|----------------------|
| EUR | | 293 443 | 168 484 |
| Other | | 0 | 0 |
| Total | | 293 443 | 168 484 |

(17) Other debts

| | 2015. EUR | 2014. EUR |
|---|----------------------|----------------------|
| Tax receivables together | 0 | 0 |
| Operatīvā līzīngā neamortizētās daļas of settlement balances | 0 | -81 |
| Total | 0 | -81 |

(18) Accured income

| | 2015. EUR | 2014. EUR |
|---------------------------|----------------------|----------------------|
| Property Insurance | 2 254 | 4 522 |
| Vehicle Insurance | 926 | 629 |
| Employee Health Insurance | 9 168 | 10 263 |
| Magazine subscription | 462 | 264 |
| Other | 6 620 | 25 703 |
| Total | 19 430 | 41 381 |

(19) Cash Assets and EUR currency according to the 31.12.

| By currencies : | 2015. | 2014. |
|-----------------|-----------------|--------------|
| | currency | EUR |
| EUR | | 9 412 |
| Other | | 0 |
| Total | | 9 412 |

| 2014. |
|--------------|
| EUR |
| 3 261 |
| 0 |
| 3 261 |

(20) Share capital

| | | |
|-------------------|---------|-------------------------------------|
| | 943 364 | EUR |
| consisting of | 660 000 | ordinary shares with voting rights |
| and | 3 000 | common shares without voting rights |
| Each share is LVL | 1,423 | |

(21) Retained earnings

| | |
|--|--------|
| | EUR |
| For 2013. the reporting year, the profits up | 57 484 |

(22) Other provisions

| | 2015. EUR | 2014. EUR |
|--------------------------------|---------------|---------------|
| Provision for unused vacations | 31 286 | 33 144 |
| Total | 31 286 | 33 144 |

Long-term debts

| | 2015. EUR | 2014. EUR |
|------------------|----------------|----------------|
| (23) Other loans | 114 563 | 144 531 |
| Total | 114 563 | 144 531 |

Short-term debts

| | 2015. EUR | 2014. EUR |
|------------------|---------------|---------------|
| (23) Other loans | 13 892 | 29 461 |
| Total | 13 892 | 29 461 |

| | 2015. EUR | 2014. EUR |
|--|--------------|--------------|
| (27) Tax on profit (pustpone) or loss for the financial period | 0 | 0 |
| Total | 0 | 0 |

(24) Trade and other payables

| Current portion of | 2015. EUR | 2014. EUR |
|---|----------------|----------------|
| Trade and other payables the carrying amount of | 174 972 | 228 021 |
| Total | 174 972 | 228 021 |

| Current portion of | 2015. | | |
|--------------------|----------|----------------|----------------|
| By currencies : | currency | EUR | EUR |
| EUR | 174 972 | 174 972 | 228 021 |
| Other | 0 | 0 | 0 |
| Total | | 174 972 | 228 021 |

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(25) Current portion of

| | 2015. EUR | 2014. EUR |
|-------------------------------------|----------------------|----------------------|
| Corporate income tax | 0 | 0 |
| Value-added tax | 114 | 30 703 |
| State social security contributions | 16 831 | 17 005 |
| Personal income tax | 9 575 | 9 954 |
| Business risk charge | 25 | 22 |
| Natural resource tax | 226 | 176 |
| Nekustamā īpašuma nodoklis | 0 | 0 |
| Total | 26 771 | 57 860 |

(26) Current portion of

| | 2015. EUR | 2014. EUR |
|--------------|----------------------|----------------------|
| Wage debt | 22 536 | 22 772 |
| Total | 22 536 | 22 772 |

(28) Accrued liabilities

| | 2015. EUR | 2014. EUR |
|---------------------------|----------------------|----------------------|
| Accrued discounts will be | 0 | 0 |
| Other | 0 | 0 |
| Total | 0 | 0 |

(29) Number of employees

| | 2015. | 2014. |
|---|--------------|--------------|
| The average number of persons employed by the company | 67 | 63 |

(30) News about events after the balance sheet date

In the period since the last days before the reporting date is no significant events that could materially affect the results of the annual report.