

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 30.September 2007

a/s "Rīgas Farmaceutiskā Fabrika"

reg. No 40003000765

Rīga, Dunties iela 16/22

BALANCE SHEET

for the period ended 30 september 2007

Period

01.01.2007.

30.09.2007.

(LB currency EUR rate = 0.702804)

ASSETS	Line code	The end of reporting period 2007.g. 01.01.-30.09. LVL	The end of reporting period 2007.g. 01.01.-30.09. EUR	The end of reporting period 2006.g. 01.01.-30.09. LVL	The end of reporting period 2006.g. 01.01.-30.09. 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	15 608	22 208	21 359	30 391
3 Other intangible rights	21				
4 Intangible value of enterprise	30	-	-	736	1 047
5 Advance payments of intangible investments	40				
TOTALLY	1	15608	22208	22095	31438
<i>II Fixed assets</i>					
1 Lands, buildings, constructions and preennial plantations	60	341 293	485 616	297 498	423 302
2 Long-term leased fixed	70				
3 Technological equipment and machines	80	105 697	150 393	112 388	159 914
4 Other fixed assets and inventory	90	87 004	123 796	61 039	86 851
5 Forming of fixed assets and costs of unfinished objects of constructio	100				
6 Advance payments for fixed assets	110				
TOTALLY	2	533994	759805	470925	670066
<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		549602	782013	493020	701504
2. Current assets					
<i>I Stocks</i>					
1 Row materials, direct materials and auxiliary materials	3 230	252 748	359 628	236 950	337 149
2 Unfinished products	4 240	27 722	39 445	11 845	16 854
3 Complete products and goods for sale	5 250	-	-	-	-
4 Unfinished orders	260				
5 Advance payments for goods	6 270	65 152	92 703	3 317	4 720
6 Work animals and productive animals	7 280	50	71		
TOTALLY		345672	491847	252112	358723
<i>II Debtors</i>					
1 Customers and client debts	8 300	1 814	2 581	181 283	257 942
2 Related companies debts	310	-		-	
3 Affiliated companies debts	320	-		-	
4 Other debts	9 330	431 124	613 434		
5 Undeposited shares in business capital	340				
6 Short - term loans to joint owners and administration	9 350	195	277	211 209	300 523
7 Accrued income	10 360	13 309	18 937	9 607	13 670
TOTALLY		446442	635230	402099	572135
<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	12 233	17 406	20 190	28 728
2. TOTALLY		804347	1144483	674401	959586
BALANCE		1353949	1926496	1167421	1661090

LIABILITIES		Line code	The end of reporting period 2007.g. 01.01.- 30.09. LVL	The end of reporting period 2007.g. 01.01.- 30.09. EUR	The end of reporting period 2006.g. 01.01.- 30.09. LVL	The end of reporting period 2006.g. 01.01.- 30.09. 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	193 931	275 939	58 042	82 586
TOTALLY			1350918	1922183	1121568	1595847
1. TOTALLY			1350918	1922183	1121568	1595847
2. Stockpiles						
<i>Stockpiles</i>						
1 Reserves for pensions and similar obligations		560				
2 Reserve for prospective taxes	13	570	27 027	38 456		
3 Other stockpiles	13	580	(13 400)	(19 066)	(4 588)	(6 528)
TOTALLY			13627	19389	-4588	-6528
2. TOTALLY			13627	19389	-4588	-6528
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	-		8 275	11 774
12 Deferred income		710	-		-	
13 Dividends of the year of account		720	-		-	
14 Unpaid dividends of previous years		730	-		-	
TOTALLY			0	0	8275	11774
<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	8 528	12 134	31 932	45 435
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	(33 412)	(47 541)	(1 311)	(1 865)
11 Other creditors	14	850	14 288	20 330	11 545	16 427
12 Deferred income		860	-		-	
13 Dividends of the year of account		870	-		-	
14 Unpaid dividends of previous years		880	-		-	
TOTALLY			-10596	-15077	42166	59997
3. TOTALLY			-10596	-15077	50441	71771
BALANCE			1353949	1926496	1167421	1661090

a/s "Rīgas Farmaceutiskā Fabrika "

reg. No 40003000765
Rīga, Dunties iela 16/22

PROFIT OR LOSS STATEMENT

for the period ended 30 september 2007

Period 01.01.2007.
30.09.2007.

(LB currency EUR rate = 0.702804)

No	Special rate	Note	ROW	The end of reporting period 2007.g. 01.01.-30.09. LVL	The end of reporting period 2007.g. 01.01.-30.09. EUR	The end of reporting period 2006.g. 01.01.-30.09. LVL	The end of reporting period 2006.g. 01.01.-30.09. EUR
1.	Net turnover	15	10	1540178	2191476	1498630	2132358
2.	Cost of sales (prime cost)	16	20	-905762	-1288783	-966867	-1375728
3.	Gross profit or loss		30	634416	902693	531763	756631
4.	Sales Distribution costs:	16	40	-175864	-250232	-197957	-281667
5.	Administration costs	16	50	-218374	-310718	-241119	-343081
6.	Other operating income	17	60	1430	2035	3783	5383
7.	Other operating expenses	18	70	-25375	-36105	-14344	-20410
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	216233	307672	82126	116855
14.	Extraordinary income		140				
15.	Extraordinary charges		150				
16.	Profit or loss before tax	19	160	216233	307672	82126	116855
17.	Tax on profit or loss for the financial period	20	170	-19168	-27274	-13838	-19690
18.	Tax on profit (pustpone) or loss for the financial period	21	170	0	0	0	0
19.	Other taxes	22	180	-3134	-4459	-10246	-14579
20.	Profit or loss for the financial period	23	190	193931	275939	58042	82586
EPS k-t				0,2925	0,4162	0,0875	0,1245

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 , Duntes iela 16/22

Phone 7355550

Fax 7391790

Unit: LVL and EUR

OVERVIEW OF EQUITY CAPITAL CHANGES

		(LB currency EUR rate = 0.702804)		Period	
		for the period ended 30 september 2007		01.01.2007. 30.09.2007.	
		The end of reporting period 2007.g. 01.01.- 30.09. , LVL	The end of reporting period 2007.g. 01.01.- 30.09. , EUR	The end of reporting period 2006.g. 01.01.- 30.09. , LVL	The end of reporting period 2006.g. 01.01.- 30.09. , 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: 30.09.2007.	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: 30.09.2007.	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: 30.09.2007.	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: 30.09.2007.	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: 30.09.2007.	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: 30.09.2007.	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: 30.09.2007.	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: 30.09.2007.	659 858	938 893	430 508	612 558
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: 30.09.2007.	1 350 918	1 922 183	1 121 568	1 595 847

a/s "Rīgas Farmaceutiskā Fabrika "

reg. No 40003000765

Rīga , Dunties iela 16/22

STATEMENT OF CASH FLOW

for the period ended 30 september 2007

Period 01.01.2007.

(LB currency EUR rate = 0.702804) 30.09.2007.

	Note No	The end of reporting period 2007.g. 01.01.-30.09. , LVL	The end of reporting period 2007.g. 01.01.-30.09. , EUR	The end of reporting period 2006.g. 01.01.-30.09. , LVL	The end of reporting period 2006.g. 01.01.-30.09. , EUR
CASH FLOW from operating activities					
Net profit (before enterprise income tax)		216233	307672	82126	116855
<i>Corrections to adjust the profit of revision year to hard cash of economic activities :</i>					
Depreciation of fixed assets and intangible investments		85007	120954	104626	148869
Profit or loss from sale of fixed assets and intangible investments		0	0	0	0
Expenditures per cent		0	0	0	0
Provisions for non-used holidays		-30810	-43839	-21193	-30155
Other reserves		0	0	0	0
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)		-3134	-4459	-10246	-14579
Paid enterprise income tax		-19168	-27274	-13838	-19690
<i>The changes of the current assets and liabilities:</i>					
Provisions		50557	71936	-87453	-124434
Debts of customers and subscribers		150015	213452	57749	82169
Expenditures of next periods		-3920	-5578	-980	-1394
Others debtors		-355000	-505119	44640	63517
Advance payments from customers		0	0	0	0
Debts to suppliers and contractors		-78172	-111229	-43907	-62474
Other creditors		-47366	-67396	-45769	-65123
Net cash provided by (used in) operating activities		-35758	-50879	65755	93561
CASH FLOW from investing activities					
Fixed assets purchase costs		-128644	-183044	-42872	-61001
Investment costs		0	0	0	0
Fixed assets selling income		0	0	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		-128644	-183044	-42872	-61001
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	-7425	-10565
Other loans		179805	255839	-1209	-1720
Fixed assets investments		0	0	0	0
Cost of dividends		0	0	0	0
Net cash provided by (used in) financing activities		173136	246350	-8634	-12285
Net increase (decrease) in cash		8734	12427	14249	20275
Cash at the beginning of the year		3499	4979	5941	8453
Cash at the end of the year		12233	17406	20190	28728

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 30 September 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	1 389 / 1 976	0	1 389 / 1 976
Disposals	0	0	0	0
Historical cost as of 30 September 2007	13 053 / 18 573	74 165 / 105 527	3 682 / 5 239	90 900 / 129 339
Accumulated depreciation before 2007	13 053 / 18 573	52 994 / 75 404	3 682 / 5 239	69 729 / 99 216
Accumulated depreciation in 2007	0	5 563 / 7 915	0	5 563 / 7 915
Net book value as of 30 September 2007	0	15 608 / 22 208	0	15 608 / 22 208

2. FIXED ASSETS

	Land LVL / EUR	Buildings LVL / EUR	Equipment LVL / EUR	Computing equipment LVL / EUR	Other fixed assets LVL / EUR	Pending objects LVL / EUR	Total LVL / EUR
Historical cost as of 1 January 2007	67 473 / 96 005	316 709 / 450 636	537 338 / 764 563	24 592 / 34 991	176 584 / 251 256	0	1 122 696 / 1 597 451
Additions	0	63 731 / 90 681	29 851 / 42 475	3 465 / 4 930	30 208 / 42 982	0	127 255 / 181 068
Disposals	0	0	0	0	0	0	0
Historical cost as of 30 September 2007	67 473 / 96 005	380 440 / 541 317	567 189 / 807 038	28 057 / 39 921	206 792 / 294 238	0	1 249 951 / 1 778 519
Accumulated depreciation before 2007	0	91 036 / 129 532	423 791 / 603 000	16 407 / 23 344	105 280 / 149 800	0	636 514 / 905 676
Accumulated depreciation in 2007	0	15 584 / 22 174	34 805 / 49 523	3 723 / 5 298	25 331 / 36 043	0	79 443 / 113 038
Excluded on disposal	0	0	0	0	0	0	0
Net book value as of 30 September 2007	67 473 / 96 005	273 820 / 389 611	108 593 / 154 515	7 927 / 11 279	76 181 / 108 395	0	533 994 / 759 805

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 30 September 2007 LVL / EUR	As of 01 January 2007 LVL / EUR
Corporate income tax overpayment	0	0
Natural resources tax overpayment	0	0
VAT overpayment	76 124 / 108 315	76 124 / 108 315
VAT on unpaid invoices	0	0
Short-term loans to partners and employees	355 195 / 505 397	180 000 / 256 117
Total	431 319 / 613 711	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 30 September 2007 LVL / EUR	As of 01 January 2007 LVL / EUR
Press subscription	1 132 / 1 611	959 / 1 364
Insurance	3 573 / 5 084	2 550 / 3 628
Other	8 604 / 12 242	5 880 / 8 367
Total	13 309 / 18 937	9 389 / 13 359

11. CASH

	As of 30 September 2007 LVL / EUR	As of 01 January 2007 LVL / EUR
Cash on hand	53 / 75	901 / 1 282
Current account with NORDEA BANKA (LVL)	1 605 / 2 284	693 / 986
Current account with HANSABANKA (LVL)	10 575 / 15 047	1 905 / 2 711
Current account with HANSABANKA (currency)	0	0
Total	12 233 / 17 406	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 30 September 2007 LVL / EUR	As of 01 January 2007 LVL / EUR
Lease (of cars)	1 707 / 2 429	6 669 / 9 489
Due to suppliers	6 821 / 9 705	86 700 / 123 363
Advance from suppliers	0	0
Salary for December	14 288 / 20 330	11 221 / 15 966
Taxes and social security payment	-33 412 / -47 541	14 863 / 21 148
Corporate income tax	0	2 157 / 3 069
Total	-10 596 / -15 077	121 610 / 173 035

15. SALES

	LVL / EUR
Total sales	1 540 178 / 2 191 476
including : - operating income	1 531 645 / 2 179 335
- other operating expenses	8 533 / 12 141

16. SALES EXPENSES

Production expenses	905 762 / 1 288 783
Sales expenses	175 864 / 250 232
Administrative expenses	218 374 / 310 718
Total expenses	1 300 000 / 1 849 733
Profit for the year	240 178 / 341 743

17. OTHER OPERATING INCOME

Bank interest for application of funds from current account	36 / 51
Income from currency fluctuations	1 179 / 1 678
Other	215 / 306
Total	1 430 / 2 035

18. OTHER OPERATING EXPENSES

Lease interest payment	217 / 309
Expenses from currency fluctuations	815 / 1 160
Fines paid	0
Provisions for vacations	0
Donations	500 / 711
Other	23 843 / 33 925
Total expenses	25 375 / 36 105

19. PROFIT FOR THE YEAR	216 233 / 307 672
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20. CORPORATE INCOME TAX (advance payments)	19 168 / 27 274
21. OTHER TAXES	3 134 / 4 459
22. NET PROFIT	193 931 / 275 939

23. The average number of employees in 2007 was 81.

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 first 9 months of 2007 the enterprise turnover was 2 191 476 EUR (1 540 178 LVL), which is about 3 % more than in a corresponding period in 2006. The income of the enterprise in first 9 months of 2007 was 275 939 EUR (193 931 LVL), which is almost 3 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.