Riga, 2012 year 07 may

JSC "Rīgas Farmaceitiskā Fabrika"

Statement of financial position for 2011. year

CONTENTS

		Page Nr.
Data of the enterprise		**3**
Governing body report		**4**
Statement of comprehensive income (profit and loss account)		**5**
Balance sheet :	**- assets**	**6**
	- liabilities	**7**
Statement of cash flow		**8**
Overview of equity capital changes		**9**
Notes to the financial statement		**10**
Independent auditor's report		**21**

DATA OF THE ENTERPRISE

Full name of the enterprise	JSC "Rīgas Farmaceitiskā 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
The post address of the enterprise	Duntes street 16/22 , Riga , LV-1005
Bank requisites	NORDEA BANKA , code NDEA LV 2X
Bank account	LV 32 NDEA 00000 80 121 297 LV 26 NDEA 00000 80 146 528
Bank requisites	SWEDBANK , code HABA LV 22
Bank account	LV 51 HABA 0551 00415 6810
Members of the board	Kaspars BĀLIŅŠ Vladimirs KRUŠINSKIS Uģis FREIMANIS
Councilors	Dailonis PAKALNS Jūlija DMITRIJEVA Vladimirs IVANIKINS Nataļja GORBUNOVA Aksana BĒRZIŅA
The accounting period	from 2011.01.01 to 2011.12.31
Auditor:	SIA "OIR Birojs" Kalēju 14a, Jūrmala, LV-2008 Licence Nr. 35
	Qualified auditor Olga Ibišova Certificate Nr.131

MANAGEMENT REPORT

„Rīgas farmaceitiskā fabrika" JSC (hereinafter – „Company") is located in Riga, 16/22 Duntes street and 6 Maza Ozolu street. The management of the company is realized by the Board of 3 persons, in which from 02 May 2011 there occurred changes: Vladimirs Krushinskis was elected as a Board member instead of Vladimirs Rukavicins.

The Company is the most large manufacturer of galena 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. In the report year the company received a new certificate of conformity with good manufacturing practice of medicinal products, special permission (license) for manufacturing of pharmaceutical substances and a special permission (license) for the actions with precursors of 1 category.

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

At the moment the company manufacturers 149 products, 54 from which are medicinal products, 35 food supplies, 60 herbal teas. Within the report period the company enlarged the assortment with 6 new products. The new form of the produced – aerosol – was successfully started. The work out of the new products – syrups and compositions of herbal teas – was continued. The registration of the products in Estonia was continued, the registration of the medicinal products in Georgia was started. There was performed the manufacturing of various products on a contractual basis, due to the offers of many Latvian and Lithuanian companies.

In 2011 in prepacking sector of the company the modernization of syrup and oil prepacking line with new dosations was performed, the cosmetic renovation was performed in prepacking and galena sectors, raw material and finished products quarantine warehouses, the planking of the floor was renovated.

In 2011 the 3 576 496 prepacking units were sold, that is only for the 0,7% more, than in 2010 (3 552 229 prepacking units). This shows, that the level of saturation of local market of medicinal products, was really reached, but further grow is possible due to working out and offering the new products, as well as developing the marketing policy, enlarging the export.

As the fall down of purchasing power of inhabitants, as a result of the crisis, continued, the neto turnover of the company in 2011 was 1 583 286 LVL (2 252 813 EUR), that is for 312 910 LVL (445 231 EUR) less than in 2010. The profit of the company in 2011 was 8 628 LVL (12 277 EUR) or for 140 826 LVL (200 377 EUR) less than in 2010.

The management of the company suggests to divert the profit of the company to company's development.

The company has no affiliates of representative offices abroad.

The management of the joint stock company hopes and is confident, that the gained experience and the performed rearrangements in the future will found the sufficient basis for the further development of the company.

The management of joint stock company „Rīgas farmaceitiskā 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.

During the period between the balance sheet date and the date of signing this report there have been no significant events that would have a material impact on the Company's financial statements.

Kaspars BĀLIŅŠ

Vladimirs KRUŠINSKIS

Uģis FREIMANIS

2012 year 07 may

STATMENT OF COMPREHENSIVE INCOME for the period ended 2011.12.31

		2011. LVL	2011. EUR	2010. LVL	2010. EUR
Net turnover	2	**1 583 286**	**2 252 813**	**1 896 196**	**2 698 044**
Cost of sales (prime cost)	3	-1 096 402	-1 560 039	-1 226 533	-1 745 199
Gross profit or loss		**486 884**	**692 774**	**669 663**	**952 845**
Sales distribution costs	4	-392 637	-558 672	-240 454	-342 135
Administration costs	5	-78 517	-111 720	-275 895	-392 563
Other operating income	6	10 718	15 250	4 115	5 855
Other operating expenses	7	-28 926	-41 158	-17 915	-25 491
Profit or loss before extraordinary items and tax		**-2 478**	**-3 526**	**139 514**	**198 511**
Corporate income tax (postpone)		14 976	21 309	13 498	19 206
Other taxes	8	-3 870	-5 507	-3 558	-5 063
Profit or loss for the financial period		**8 628**	**12 277**	**149 454**	**212 654**
EPS k-t		**0,0130**	**0,0185**	**0,2254**	**0,3207**

Kaspars BĀLIŅŠ

Vladimirs KRUŠINSKIS

Uģis FREIMANIS

2012 year 07 may

BALANCE SHEET for the period ended 2011.12.31

ASSETS		2011. LVL	2011. EUR	2010. LVL	2010. EUR
Long - term investments					
Intangible investments					
Concessions, patents, licenses, trade-marks and similar rights	9	28 704	40 842	39 934	56 821
Advance payments of intangible investments	9			140	199
TOTALLY		**28 704**	**40 842**	**40 074**	**57 020**
Fixed assets					
Lands, buildings, constructions and prenial plantations	10	365 912	520 646	411 806	585 947
Technological equipment and machines	10	88 171	125 456	142 744	203 106
Other fixed assets and inventory	10	24 117	34 315	43 419	61 780
Advance payments for fixed assets	10	2 053	2 921		
TOTALLY		**480 253**	**683 338**	**597 969**	**850 833**
Long - term investments TOTALLY		**508 957**	**724 181**	**638 043**	**907 853**
Current assets					
Stocks					
Row materials, direct materials and auxiliary materials	11	229 772	326 936	222 495	316 582
Unfinished products	12	11 013	15 670	10 416	14 821
Complete products and goods for sale	13	88 207	125 507	147 335	209 639
Advance payments for goods		1 120	1 594	6 815	9 697
Work animals and productive animals	14	150	213	150	213
TOTALLY		**330 262**	**469 920**	**387 211**	**550 952**
Debtors					
Customers and client debts	15	135 107	192 240	102 071	145 234
Other debts	16	45 307	64 466	89 539	127 403
Accrued income	17	1 831	2 605	1 889	2 688
TOTALLY		**182 245**	**259 311**	**193 499**	**275 324**
Cash assets	18	886	1 261	3 477	4 947
Current assets TOTALLY		**513 393**	**730 492**	**584 187**	**831 223**
BALANCE		**1 022 350**	**1 454 673**	**1 222 230**	**1 739 077**

BALANCE SHEET for the period ended **2011.12.31**

LIABILITIES		**2011.**	**2011.**	**2010.**	**2010.**
		LVL	**EUR**	**LVL**	**EUR**
Equity capital					
Stock or share capital (equity capital)	19	663 000	943 364	663 000	943 364
Retained profit:					
a) Retained profit of previous years		-67 030	-95 375	-216 484	-308 029
b) Retained profit of the year of accountant	20	8 628	12 277	149 454	212 654
TOTALLY		**604 598**	**860 265**	**595 970**	**847 989**
Stockpiles					
Other stockpiles	21	20 938	29 792	20 657	29 392
TOTALLY		**20 938**	**29 792**	**20 657**	**29 392**
Creditors					
Long - term debts					
Tax on profit (postpone) or loss for the financial period	25	13 355	19 002	28 331	40 311
TOTALLY		**13 355**	**19 002**	**28 331**	**40 311**
Short - term debts					
Debts to suppliers and contractors	22	227 134	323 183	155 938	221 880
Tax and social security payments	23	31 259	44 478	15 076	21 451
Other creditors	24	12 658	18 011	8 636	12 288
Accrued liabilities	26	112 408	159 942	397 622	565 765
TOTALLY		**383 459**	**545 613**	**577 272**	**821 384**
Creditors TOTALLY		**396 814**	**564 615**	**605 603**	**861 695**
BALANCE		**1 022 350**	**1 454 673**	**1 222 230**	**1 739 077**

Kaspars BĀLIŅŠ

Vladimirs KRUŠINSKIS

Uģis FREIMANIS

2013 year 07 may

STATEMENT OF CASH FLOW for the period ended 2011.12.31
(indirect method)

	2011. LVL	2011. EUR	2010. LVL	2010. EUR
CASH FLOW from operating activities				
Profit or loss before extraordinary items and tax	**-2 478**	**-3 526**	**139 514**	**198 511**
Corrections :				
depreciation of fixed assets and intangible investments (+)	133 987	190 646	141 325	201 087
accumulation for unused vacation (+)	280	398	6 657	9 472
Profit or loss before working capital and working capital correction influence	**131 789**	**187 519**	**287 496**	**409 070**
Corrections :				
debts of customers and subscribers	-33 035	-47 005	97 636	138 924
provisions	56 949	81 031	48 092	68 429
others debtors	-149 523	-212 752	-400 632	-570 048
Net cash provided by operating activities	**6 180**	**8 793**	**32 592**	**46 374**
the taxes deducted from net profit (property tax)	-3 870	-5 507	-3 558	-5 063
Cash flow from operating activities	**2 310**	**3 287**	**29 034**	**41 312**
Investing activities				
fixed assets purchase costs	-9 532	-13 563	-37 239	-52 986
income from sale of fixed assets	4 631	6 589		
Cash provided by investing activities	**-4 901**	**-6 973**	**-37 239**	**-52 986**
Net increase (decrease) in cash	**-2 591**	**-3 687**	**-8 205**	**-11 675**
Cash at the beginning of the year	**3 477**	**4 947**	**11 682**	**16 622**
Cash at the end of the year	**886**	**1 261**	**3 477**	**4 947**

Kaspars BĀLIŅŠ

Vladimirs KRUŠINSKIS

Uģis FREIMANIS

2012year 07 may

OVERWIEW of EQUITY CAPITAL CHANGES
for the period ended 2011.12.31

	Share capital		Reserves		Retained profit of previous years		Retained profit of the year of accountant		Equity capital (total)	
	LVL	EUR	LVL	EUR	LVL	EUR	LVL	EUR	LVL	EUR
2009.12.31	**663 000**	**943 364**	**28 060**	**39 926**	**739 748**	**1 052 567**	**-984 292**	**-1 400 521**	**446 516**	**635 335**
2009 year profit transferred to retained earnings					-984 292	-1 400 521	984 292	1 400 521	-	-
Retained profit of the year of accountant							149 454	212 654	**149 454**	**212 654**
Relief for losses from reserves			-28 060	-39 926	28 060	39 926			-	-
2010.12.31	**663 000**	**943 364**	**-**	**-**	**-216 484**	**-308 029**	**149 454**	**212 654**	**595 970**	**847 989**
2010 year profit transferred to retained earnings					149 454	212 654	-149 454	-212 654	-	-
Retained profit of the year of accountant							8 628	12 277	**8 628**	**12 277**
2011.12.31	**663 000**	**943 364**	**-**	**-**	**-67 030**	**-95 375**	**8 628**	**12 277**	**604 598**	**860 265**

Kaspars BĀLIŅŠ

Vladimirs KRUŠINSKIS

Uģis FREIMANIS

2012year 07 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 are recognized when the buyer s accepted the goods, according to delivery terms.

During the reporting period

The reporting period is 12 months of 2011.01.01 to 2011.12.31.

Currency and foreign currency translation
These financial statements are expressed in the Latvian national currency – Lat (LVL) and euro (EUR).
All monetary assets and liabilities are translated into Latvian lat at the exchange rate at the period end.

	2011.12.31	2010.12.31
USD	-	-
EUR	0,702804	0,702804

Foreign exchange rate fluctuations on profit or loss are 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	%
Equipment and machinery	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	2011. LVL	2011. EUR	2010. LVL	2010. EUR
Manufacture of drugs	1 519 961	2 162 710	1 824 563	2 596 119
Raw materials and distribution	37 378	53 184	43 571	61 996
Provision of services	25 947	36 919	28 062	39 929
Total	**1 583 286**	**2 252 813**	**1 896 196**	**2 698 044**

Net sales by geographical markets

State	2011. LVL	2011. EUR	2010. LVL	2010. EUR
Latvia	1 545 119	2 198 506	1 830 012	2 603 872
Lithuania	24 923	35 462	47 887	68 137
Estonia	13 244	18 845		
China			18 297	26 034
Total	**1 583 286**	**2 252 813**	**1 896 196**	**2 698 044**

(3) Cost of sales

	2011. LVL	2011. EUR	2010. LVL	2010. EUR
Cost of materials	689 107	980 511	733 209	1 043 262
Staff costs	101 204	144 000	136 272	193 898
State social security contributions	24 527	34 899	32 764	46 619
Depreciation of fixed assets and intangible assets depreciation	133 987	190 646	160 174	227 907
Depreciation of current assets	3 601	5 124	3 452	4 912
Maintenance costs	133 280	189 640	121 626	173 058
Transport costs	978	1 392	13 252	18 856
Other	9 718	13 827	25 784	36 687
Total	**1 096 402**	**1 560 039**	**1 226 533**	**1 745 199**

(4) Sales expenses

	2011. LVL	2011. EUR	2010. LVL	2010. EUR
Staff costs	165 837	235 965	75 571	107 528
State social security contributions	38 364	54 587	18 165	25 846
Advertising expenses	161 666	230 030	136 203	193 799
Transport costs	11 384	16 198	3 873	5 511
Other	15 386	21 892	6 642	9 451
Total	**392 637**	**558 672**	**240 454**	**342 135**

(5) Administration costs

	2011. LVL	2011. EUR	2010. LVL	2010. EUR
Staff costs	40 238	57 254	116 677	166 016
State social security contributions	9 567	13 613	29 812	42 419
Legal and accounting services	9 157	13 029	22 599	32 155
Other	19 555	27 824	106 807	151 973
Total	**78 517**	**111 720**	**275 895**	**392 563**

(6) Other operating income

	2011. LVL	2011. EUR	2010. LVL	2010. EUR
Marketing revenue	8 025	11 419		
The difference of exchange rate changes and currency sales	-2 256	-3 210	996	1 417
Received a penalty	3 087	4 392	2 718	3 867
Proceeds from sale of fixed assets	124	176		
Other	1 738	2 473	401	571
Total	**10 718**	**15 250**	**4 115**	**5 855**

(7) Other operating expenses

	2011. LVL	2011. EUR	2010. LVL	2010. EUR
Expenses not related to economic activity	28 596	40 688	11 182	15 911
The difference of exchange rate changes and currency sales			6 415	9 128
Penalties	30	43	16	23
Gifts and benefits	300	427	300	427
Other			2	3
Total	**28 926**	**41 158**	**17 915**	**25 491**

(8) Other taxes

	2011. LVL	2011. EUR	2010. LVL	2010. EUR
Real estates tax	3 870	5 507	3 558	5 063
Total	**3 870**	**5 507**	**3 558**	**5 063**

(9) Intangible assets

	Licenses and patents		Advance payment for intangible assets		Total intangible assets	
	LVL	EUR	LVL	EUR	LVL	EUR
Historical cost as of 2010.12.31	**99 037**	**140 917**	**140**	**199**	**99 177**	**141 116**
Additions	208	296			**208**	**296**
Disposals			-140	-199	**-140**	**-199**
2011.12.31	**99 245**	**141 213**	-		**99 245**	**141 213**
Accumulated depreciation before **2010.12.31**	**59 103**	**84 096**			**59 103**	**84 096**
Accumulated depreciation	11 438	16 275			**11 438**	**16 275**
2011.12.31	**70 541**	**100 371**	-		**70 541**	**100 371**
Net book value 2010.12.31	**39 934**	**56 821**	**140**	**199**	**40 074**	**57 020**
Net book value 2011.12.31	**28 704**	**40 842**	-		**28 704**	**40 842**

(10) Fixed assets

	Land and buildings		Equipment		Other fixed assets		Advance payment for fixed assets		Fixed assets total	
	LVL	EUR	LVL	EUR	LVL	EUR	LVL	EUR	LVL	EUR
Historical cost as of 2010.12.31	**649 072**	**923 546**	**529 095**	**752 834**	**254 987**	**362 814**	-	-	**1 433 154**	**2 039 194**
Additions			1 934	2 752	5 476	7 792	2 053	2 921	9 463	13 465
Disposals			-11 753	-16 723	-20 689	-29 438			-32 442	-46 161
2011.12.31	**649 072**	**923 546**	**519 276**	**738 863**	**239 774**	**341 168**	**2 053**	**2 921**	**1 410 175**	**2 006 498**
Accumulated depreciation before **2010.12.31**	**237 266**	**337 599**	**386 351**	**549 728**	**211 568**	**301 034**	-	-	**835 185**	**1 188 361**
Accumulated depreciation	45 894	65 301	56 507	80 402	20 147	28 667			122 548	174 370
Excluded on disposal			-11 753	-16 723	-16 058	-22 848			-27 811	-39 571
2011.12.31	**283 160**	**402 900**	**431 105**	**613 407**	**215 657**	**306 852**	-	-	**929 922**	**1 323 160**
Net book value 2010.12.31	**411 806**	**585 947**	**142 744**	**203 106**	**43 419**	**61 780**	-	-	**597 969**	**850 833**
Net book value 2011.12.31	**365 912**	**520 646**	**88 171**	**125 456**	**24 117**	**34 315**	**2 053**	**2 921**	**480 253**	**683 338**

Real Estate		Land		Buildings	
		LVL	EUR	LVL	EUR
cadastral value	**2010.12.31**	271 199	385 881	156 279	222 365
cadastral value	**2011.12.31**	247 953	352 805	156 847	223 173

(11) Row materials, direct materials and auxiliary materials

	2011. LVL	2011. EUR	2010. LVL	2010. EUR
Materials	78 692	111 969	56 524	80 426
Consumables - glass containers	101 543	144 483	93 219	132 639
Consumables - plastic and metal packages	19 699	28 029	39 621	56 376
Printed materials	29 358	41 773	33 126	47 134
Other	480	683	5	7
Total	**229 772**	**326 936**	**222 495**	**316 582**

(12) Unfinished products

	2011. LVL	2011. EUR	2010. LVL	2010. EUR
The packing station neizfasēta products (quarantine area)	7 135	10 152	4 402	6 263
Production units of semi-finished products segment	3 878	5 518	6 014	8 557
Total	**11 013**	**15 670**	**10 416**	**14 821**

(13) Complete products and goods for sale

	2011. LVL	2011. EUR	2010. LVL	2010. EUR
The company's stock of finished goods in stock	88 207	125 507	147 335	209 639
Total	**88 207**	**125 507**	**147 335**	**209 639**

(14) Work animals and productive animals

	2011. LVL	2011. EUR	2010. LVL	2010. EUR
Guard dogs	150	213	150	213
Total	**150**	**213**	**150**	**213**

(15) Customers and client debts

	2011. LVL	2011. EUR	2010. LVL	2010. EUR
Trade receivables have a carrying amount	135 107	192 240	102 071	145 234
Book value	**135 107**	**192 240**	**102 071**	**145 234**

By currencies :

	2011. currency	2011. LVL	2011. EUR	2010. currency	2010. LVL	2010. EUR
LVL	132 290	132 290	188 232	102 071	102 071	145 234
EUR	4 008	2 817	4 008			
Total		**135 107**	**192 240**		**102 071**	**145 234**

(16) Other debts

	2011. LVL	2011. EUR	2010. LVL	2010. EUR
Tax receivables together	44 971	63 988	89 538	127 401
Short-term loans to employees and the amount of settlement balances	336	478	1	1
Total	**45 307**	**64 466**	**89 539**	**127 403**

(17) Accrued income

	2011. LVL	2011. EUR	2010. LVL	2010. EUR
Property Insurance	338	481	391	556
Vehicle Insurance	684	973	829	1 180
Employee Health Insurance	408	581	159	226
Magazine subscription	324	461	435	619
Other	77	110	75	107
Total	**1 831**	**2 605**	**1 889**	**2 688**

(18) Cash Assets and EUR currency according to the 31.12.2012.

By currencies :

	2011. currency	2011. LVL	2011. EUR	2010. currency	2010. LVL	2010. EUR
LVL	886	886	1 261	3 477	3 477	4 947
Total		**886**	**1 261**		**3 477**	**4 947**

(19) Share capital

	663 000	LVL,	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	,EUR 1,4229	

(20) Retained earnings

	LVL	EUR
For 2011. the reporting year, the profits up	**8 628**	**12 277**

(21) Other provisions

	2011. LVL	2011. EUR	2010. LVL	2010. EUR
Provision for unused vacations	20 938	29 792	20 657	29 392
Total	**20 938**	**29 792**	**20 657**	**29 392**

Provision for annual leave balance at the beginning of	**20 657**	**29 392**	**14 001**	**19 922**
increase (+)	281	400	6 656	9 471
Leave accrual balance at end of year	**20 938**	**29 792**	**20 657**	**29 392**

(22) Trade and other payables

Current portion of	2011. LVL	2011. EUR	2010. LVL	2010. EUR
Trade and other payables The carrying amount of	227 134	323 183	155 938	221 880
Total	**227 134**	**323 183**	**155 938**	**221 880**

Current portion of	2011.			2010.		
By currencies :	**currency**	**LVL**	**EUR**	**currency**	**LVL**	**EUR**
LVL	140 153	140 153	199 420	115 227	115 227	163 953
EUR	101 052	71 020	101 052	43 768	30 761	43 769
PLN	99 756	15 961	22 710	56 536	9 950	14 158
Total		**227 134**	**323 183**		**155 938**	**221 880**
Total		**227 134**	**323 183**		**155 938**	**221 880**

(23) Taxes and social security contributions

Current portion of	2011. LVL	2011. EUR	2010. LVL	2010. EUR
Value-added tax	15 566	22 148		
State social security contributions	9 717	13 826	8 990	12 792
Personal income tax	5 829	8 294	5 960	8 480
Business risk charge	15	21	15	21
Natural resource tax	132	188	111	158
Total	**31 259**	**44 478**	**15 076**	**21 451**

Summary of the types of taxes:

Overpayment (-) / receivable (+)	balance 2010.12.31 LVL/EUR	calculated 2011. LVL	calculated 2011 EUR	paid 2011. LVL	paid 2011 EUR	balance 2011.12.31 LVL	balance 2011.12.31 EUR
Corporate income tax	**-44 971**					**-44 971**	
	-63 988						**-63 988**
Value-added tax	**-44 567**	90 878		-30 745		**15 566**	
	-63 413		129 308		-43 746		**22 148**
State social security contributions	**8 990**	105 365		-104 638		**9 717**	
	12 792		149 921		-148 886		**13 826**
Personal income tax	**5 960**	60 061		-60 192		**5 829**	
	8 480		85 459		-85 646		**8 294**
Real estate tax		3 870		-3 870		-	
			5 507		-5 507		-
Business risk charge	**15**	185		-185		**15**	
	21		263		-263		**21**
Natural resource tax	**111**	132		-111		**132**	
	158		188		-158		**188**
Total LVL	**-74 462**	**260 491**		**-199 741**		**-13 712**	
Total EUR	**-105 950**		**370 645**		**-284 206**		**-19 510**

including :	2011. LVL	2011. EUR	2010. LVL	2010. EUR
Tax receivables (-)	-44 971	-63 988	-89 538	-127 401
Tax debt (+)	31 259	44 478	15 076	21 451

(24) Other creditors

Current portion of	2011. LVL	2011. EUR	2010. LVL	2010. EUR
Wage debt	12 658	18 011	8 636	12 288
Total	**12 658**	**18 011**	**8 636**	**12 288**

Current portion of By currencies :	2011. currency	LVL	EUR	2010. currency	LVL	EUR
LVL	12 658	12 658	18 011	8 636	8 636	12 288
Total		**12 658**	**18 011**		**8 636**	**12 288**
Total		**12 658**	**18 011**		**8 636**	**12 288**

(25) Deferred tax liabilities

	2011. LVL	2011. EUR	2010. LVL	2010. EUR
Deferred income tax liabilities	13 355	19 002	28 331	40 311
	13 355	**19 002**	**28 331**	**40 311**
The deferred tax balance at the beginning of	**28 331**	**40 311**	**41 829**	**59 517**
Increase (+) / decrease (-)	-14 976	-21 309	-13 498	-19 206
The deferred tax balance at end of year	**13 355**	**19 002**	**28 331**	**40 311**

	2011. LVL	2011. EUR	2010. LVL	2010. EUR
Value of fixed assets in financial accounting at end of year	410 727	584 412	530 497	754 829
Value of fixed assets accounting for the tax year end	300 756	427 937	362 282	515 481
Temporary differences in depreciation rules applied:	**109 971**	**156 475**	**168 215**	**239 348**
Leave accrual balance sheet value of (-)	-20 938	-29 792	20 657	29 392
Total temporary differences	**89 033**	**126 683**	**188 872**	**268 741**
The tax rate, %	15	15	15	15

(26) Accrued liabilities

	2011. LVL	2011. EUR	2010. LVL	2010. EUR
Accrued discounts will be	112 408	159 942	397 622	565 765
Total	**112 408**	**159 942**	**397 622**	**565 765**

(27) Remuneration audit firm

	2011. LVL	2011. EUR	2010. LVL	2010. EUR
The annual general inspection	2 500	3 557	2 500	3 557
Total	**2 500**	**3 557**	**2 500**	**3 557**

(28) Number of employees

	2011.	2010.
The average number of persons employed by the company	62	62

(29) Staff costs

	2011. LVL	2011. EUR	2010. LVL	2010. EUR
Wages and salaries	307 906	438 111	334 145	475 446
State social security contributions	72 634	103 349	80 927	115 149
Total	**380 540**	**541 460**	**415 072**	**590 594**

Including the Board and remuneration of board members:	2011. LVL	2011. EUR	2010. LVL	2010. EUR
Wages and salaries	31 343	44 597	24 299	34 574
State social security contributions	7 551	10 744	5 595	7 961
Total	**38 894**	**55 341**	**29 894**	**42 535**

(30) News about events after the balance sheet date

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

SIA" OIR Birojs"
Auditori. Nodokļu konsultanti.
LV40003386018
Kalēju iela 14a, Jūrmala, LV2008
Telefons 67517503
Telefakss 67517504
e-mail oir@brtnams.lv

Independent Auditors` Report

Translation from Latvian original

To the Shareholders of AS " Rīgas Farmaceitiskā Fabrika "

Report on the Financial Statements

We have audited the accompanying financial statements of AS " Rīgas Farmaceitiskā Fabrika "set out on pages 5 to 26 of the accompanying annual report, which comprise the balance sheet as of 31 December 2011 and the profit and loss account and the statements of changes in equity and cash flows for the year then ended and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the Law of the Republic of Latvia on Annual Reports, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of AS " Rīgas Farmaceitiskā Fabrika "as of 31 December 2011, and of its financial performance and its cash flows for the year then ended in accordance with the Law of the Republic of Latvia on Annual Reports.

Report on Other Legal and Regulatory Requirements

We have read the management report for 2011 set out on page 4 of the accompanying annual report for 2011 and did not identify material inconsistencies between the financial information contained in the management report and that contained in the financial statements for 2011.

SIA OIR Birojs
Licence No. 35

Olga Ibishova
Member of the Board
Certified auditor of Latvia
Certificate No. 131
Riga,
7 May 2012