

Management report

Results of economic activity of the company in the third quarter of year 2004 indicate that Joint Stock Company „Olainfarm” is acting in accordance with the annual plan. Planned amounts of income, sales and manufactured products have been reached. The turnover of the company in the reference period has reached 5,8 millions lats which by 0,5 millions lats overruns the turnover of the corresponding period in 2003.

In third quarter of 2004 first batches of tablets corresponding to the GMP requirements have been produced and put on market. After completion of reconstruction of manufacturing site increase of sales at European Union and other western markets has become the main priority of Joint Stock Company as well as enhancement of the its position in the promising markets of the CIS. Following summer-fall advertising campaign, sale of products in the Baltic States increased by 13% comparing to results of corresponding period of 2003. Diversifying own risks and applying presence politics at the different markets the company step by step reduces the share of the Russia's market in the common volume of sales. It is already reduced by 7,22% comparing to the corresponding period of 2003. In line with all said above, sales at Ukraine's and Byelorussia's markets have increased correspondingly by 13% and 156% comparing to three quarters' period of 2003. Presently a special program is carried out for the promotion of anti-cold and antivirus preparations in fall-winter season.

As it was reported before, noticeable investments have been made during this year in reconstruction of manufacturing sites, warehouses and laboratories in accordance with GMP requirements. Mentioned investments, on the one hand, allowed the company to adjust to Latvian and European standards and substantially enhanced manufacturing capacity, but, on the other hand, had certain influence on its financial indices. In the first three quarters of 2004 JSC „Olainfarm” has suffered losses in amount of 155435,- lats. This sum is shaped mainly by growth of depreciation. It is also foreseen that year 2004 will be finished with around 380 thousands lats losses.

Correspondence of the company's manufacturing sites to European quality standards, enhanced production capacity and growing interest of the customers confirms the Management's foreseen increase of turnover which will allow covering the debts from the income of the forthcoming periods.

Financial stability of the company is also confirmed by the most important indices of JSC „Olainfarm” during the reference period. Thus common solvency ratio (equity/creditors) has reached 1,16, but common liquidity ratio (current assets/short-term creditors) 2,21.

Presently the main attention is paid to completion of installation of new equipment and gradual achievement of planned capacity at the new drug manufacturing circuit. Adjustment of manufacturing processes to the new equipment is planned to be completed by the end of year 2004. Already from beginning of year 2005 new manufacturing site will run at its full capacity. Already now it can be foreseen that owing to the new equipment amount of production in the last quarter of 2004 will by 62% exceed production of corresponding period of 2003.

Regular planned inspection took place in October. During this inspection State pharmacy inspection representatives along with invited inspectors from Italy and Slovenia confirmed compliance of JSC „Olainfarm” manufacturing processes' to the GMP standards and issued a corresponding opinion to the company.

Presently Joint Stock Company has begun audit of three quarters of 2004 which in 2005 will allow combining operating result of year 2004 and timely providing information to the management for efficient planning of forthcoming activities.

Olaine, November 24, 2004

Chairmen of the Board

V.Maligin

Translation from Latvian

Name of the enterprise: *A/S "Olainfarm"*

Registration No.: *LV 40003007246*

Taxpayer reg.No.: *LV 40003007246*

Address: *Rupnicu str. 5, Olaine, LV - 2114*

Phone: *7013700* Fax: *7013777*

Tax authority of Rigas region

Type of activity: *manufacturing chem.-pharmac. products*

Measurement unit: *Ls*

BALANCE SHEET

on 01.10.2004

ASSETS	Note No.	Row Code	On 30.09.2004 LVL	On 30.09.2004 EUR	On 30.09.2003 LVL	On 30.09.2003 EUR
1	2	3	4	4a	5	5a
I.NON-CURRENT ASSETS						
I.Intangible assets						
1.Expences of research works and company's development		010				
2.Concession, patents, licences, trademarks and similar rights		020	1784770	2659866	116374	180146
3.Other intangible assets		021				
4.Intangible value of the company		030				
5.Advance payments for intangible assets		040	100820	150254	41890	64845
I.TOTAL:		050	1885591	2810120	158264	244991
II.Fixed assets						
1.Land, buildings, constructions and perennial plants		060	2253112	3357842	2256994	3493799
2.Equipment and machinery		070	3940325	5872317	683737	1058416
3.Other fixed assets and inventory		080	72250	107675	13395	20735
4.Creation of fixed assets and expences of unfinished construction objects		090	1363088	2031428	43047	66636
5.Advanced payments for fixed assets		091	215957	321844		
II.TOTAL:		100	7844731	11691106	2997173	4639587
III.Non-current financial assets						
1.Investments in related entities		110				
2.Loans to related entities		120				
3.Investments in associated entities		130	250830	373816	331384	512978
4.Loans to associated entities		140				
5.Other securities and investments		150	386	575	386	598
6.Other loans		160				
7.Own stocks and shares		170				
8.Loans to owners and managers of the company		180				
III.TOTAL:		190	251216	374391	331770	513576
Section 1 total:		200	9981538	14875617	3487207	5398153
2.CURRENT ASSETS						
I.Funds						
1.Raw materials, direct materials and auxiliary materials		210	732544	1091720	683925	1058707
2.Unfinished products		220	1098037	1636419	1227401	1900002
3.Finished products and goods for sale		230	774532	1154295	870182	1347031
4.Unfinished orders		240				
5.Advance payments for goods		250	29101	43369		
6.Draught animals and other animals		260				
I.TOTAL:		270	2634214	3925803	2781508	4305740
II.Receivables						
1.Buyer and customer receivables		280	1679533	2503030	1649453	2553333
2.Receivables from related companies		290	1349439	2011087	1164571	1802741
3.Receivables from associated companies		300				
4.Other receivables		310	2042948	3044632	3780815	5852655
5.Unpaid shares of the company capital		320				
6.Short-term loans to owners and managers of the company		330	296229	441474	547249	847135
7.Prepaid expenses		340	5483	8171	228170	353204
II.TOTAL:		350	5373632	8008394	7370258	11409068
III.Securities and equity investments Vērtspapīri un līdzdalība kapitālos						
1.Investments in related entities		360				
2.Own stocks and shares		370				
3.Other securities and capital investments		380				
III.Total:		390				
IV.Cash (Total)		400	5148	7673	258310	399861
Section 2 total		410	8012994	11941869	10410076	16114669
ASSETS TOTAL		420	17994533	26817486	13897283	21512822

EQUITY AND LIABILITIES	Note No.	Row code	On 30.09.2004 LVL	On 30.09.2004 EUR	On 30.09.2003 LVL	On 30.09.2003 EUR
1	2	3	4	4a	5	5a
I. OWN CAPITAL						
1. Stock or share capital (fixed capital)		430	10252365	15279232	10252365	15870534
2. Share issue premium		440	65934	98262	65934	102065
3. Provision for revaluation of long-term investments		450				
4. Provisions:						
a) provisions established by law		460				
b) provisions for own stocks or shares		470				
c) provisions established by the company's statutes		480				
d) other provisions		490				
4.TOTAL:		500	0	0	0	0
5. Retained profit:						
a) retained profit of the previous year		510	-566716	-844584	-217829	-337197
b) retained profit of the accounting period		520	-155435	-231647	59710	92430
Section 1 total		530	9596148	14301263	10160180	15727833
2. PROVISIONS						
1. Provisions for pension and similar liabilities		540				
2. Provisions for deferred taxes		550			34195	52933
3. Other provisions		560	119804	178545	492	762
Section 2 total		570	119804	178545	34687	53695
3. LIABILITIES						
I. NON-CURRENT LIABILITIES						
1. Funded loan		580				
2. Loans convertible into shares		590				
3. Loans from credit institutions		600	4563579	6801161	489054	757050
4. Other loans		601	84638	126137	46392	71814
5. Payables to related entities		610				
6. Payables to associated entities		620				
7. Other liabilities		630				
I.TOTAL:		640	4648217	6927298	535446	828864
II. CURRENT LIABILITIES						
1. Funded loan		650				
2. Loans convertible into shares		660				
3. Loans from credit institutions		670	601296	896120	444629	688280
4. Other loans		671	25387	37835	22225	34404
5. Advances received from customers		680	72691	108332	153074	236957
6. Payables to suppliers of goods and services		690	1297385	1933510	996383	1542389
7. Bills payable		700				
8. Payables to related entities		710				
9. Payables to associated entities		720				
10. Taxes and social insurance payments		730	1472336	2194241	1374793	2128163
11. Other liabilities		740	161269	240342	175866	272238
12. Deferred income		750				
13. Dividends of the accountable year		760				
14. Retained dividends of the the previous years		770				
II.TOTAL:		780	3630364	5410379	3166970	4902430
Section 3 total		790	8278581	12337677	3702416	5731294
EQUITY AND LIABILITIES TOTAL		800	17994533	26817486	13897283	21512822

Chairmen of the Board (signature) V.Maligins

Name of the enterprise: JSC "Olainfarm"

Translation from Latvian

Registration No.: LV 40003007246

Address: Rupnicu str. 5, Olaine, LV - 2114

Phone: 7013700 Fax: 7013777

Type of activity: manufacturing chem.-pharmac. Products

Measurement unit: Ls

INCOME STATEMENT
(classified by method of periodic payments)
on 9 month of year 2004

No. p.k.	Name of indices	Row code	2004	2004	2003	2003
			LVL	EUR	LVL	EUR
1	2	3			5	
1	Net turnover	010	5831444	8690677	5286651	8183670
2	Changes in stock of finished goods and work in progress	020	8754	13046	-346674	-536647
3	Works performed for the company's placement	030				
4	Other income from economic activity of the company	040	101408	151130	233761	361859
5	Costs of materials:					
	a)raw materials and consumables	050	1274227	1898997	1242108	1922768
	b)other external costs	060	477065	710976	224744	347901
	5.Overall:	070	1751292	2609973	1466852	2270669
6	Staff costs					
	a)salaries	080	1733131	2582908	1513160	2342353
	b)other social payments	090	404459	602770	352651	545899
	6.Overall:	100	2137590	3185678	1865811	2888252
7	Write-offs of assets and values:					
	a)depreciation of fixed and intangible assets	110	698493	1040973	599461	927958
	b)write-offs of the value of current assets	120	47979	71504	17399	26933
8	Other operating expenses	130	996822	1485577	1063869	1646856
9	Income from investments in capital of other entities	140				
10	Income from other capital investments, securities and credits which formed long-term investments	150				
11	Other interest receivable and similar income	160	149	222	38	59
12	Write-offs of value of long -term financial investments securities and short-term capital investments	170	29442	43878		
13	Interest payable and similar expenses	180	333005	496282	73609	113946
14	Profit or loss before extraordinary items and taxes	190	-52868	-78790	86775	134327
15	Extraordinary income	200	0	0		
16	Extraordinary expenses	210	0	0	0	
17	Extraordinary profit or loss before taxes	220	0	0	0	0
18	Corporate income tax	230	76337	113766		
19	Other taxes	240	26230	39091	27065	41896
20	Profit or loss of the accountable year	250	-155435	-231647	59710	92430

Chairmen of the Board (signature) V.Maligns

JSC "Olainfarm

Registration No.: LV 40003007246

Address: Rupnicu str. 5, Olaine, LV - 2114

Translation from Latvian

CASH FLOW STATEMENTS

for 9 month of year 2004

(non-detailed)

	2004	2004	2003	2003
Titles of floating expences and income items	Sum, Ls (with + or - sign)	Sum, EUR (with + or - sign)	Sum, Ls (with + or - sign)	Sum, EUR (with + or - sign)
Remainder of funds at the beginning of period (year)	63399	94484	223014	345223
A. Changes in assets at the balance sheet				
1. Long-term investments				
I. Intangible investments: increase (-), decrease (+)	-1097988	-1636345	-2569	-3977
II. Fixed assets: increase (-), decrease (+)	-1958806	-2919235	483053	747760
III. Long-term financial investments: increase (-), decrease (+)	29442	43877		
2. Current assets				
II. Funds: increase (-), decrease (+)	-78009	-116257	450450	697291
II Receivables: increase (-), decrease (+)	1475361	2198749	-839817	-1300026
III. Securities and capital investment: increase (-), decrease (+)				
B. Changes in equity and liabilities at the balance sheet				
I. Equity increase (-), decrease (+)	-155435	-231647	59709	92429
II. Provisions increase (-), decrease (+)			-21370	-33080
III. Liabilities increase (-), decrease (+)	1727185	2574047	-94160	-145759
Remainder of funds at the end of period (year)	5149	7673	258310	399861

Name of the entity: **JSC "Olainfarm"**
 ER registration No. **0003007246**
 Taxpayer reg.No.: **40003007246**
 Address: **Rupnicu str. 5, Olaine, LV - 2114**
 Phone: **7013700** Fax **7013777**
 Measurement unit: LVL / EUR

STATEMENT OF CHANGES IN EQUITY

for 9 month of year 2004

LVL EUR

1.	Equity			
		Balance as on: 01.01.2004	10252365	15279232
		Increase		
		Decrease		
		Balance as on: 30.09.2004	10252365	15279232
2.	Stock (share) emission premium		65934	98262
		Balance as on: 01.01.2004		
		Increase		
		Decrease		
		Balance as on: 30.09.2004	65934	98262
3.	Retained profit		-566716	-844584
		Balance as on: 01.01.2004		
		Balance as on: 30.09.2004	-722151	-1076232
4.	Equity (total)		9751583	14532911
		Balance as on: 01.01.2004		
		Balance as on: 30.09.2004	9596148	14301263
1.	Equity			
		Balance as on: 01.01.2003	10252365	15870534
		Increase		
		Decrease		
		Balance as on: 30.09.2003	10252365	15870534
2.	Stock (share) emission premium		65934	102065
		Balance as on: 01.01.2003		
		Increase		
		Decrease		
		Balance as on: 30.09.2003	65934	102065
3.	Retained profit		-217829	-337197
		Balance as on: 01.01.2003		
		Balance as on: 30.09.2003	-158119	-244766
4.	Equity (total)		10100470	15635402
		Balance as on: 01.01.2003		
		Balance as on: 30.09.2003	10160180	15727833