JOINT STOCK COMPANY OLAINFARM

(UNIFIED REGISTRATION NUMBER 40003007246)

CONSOLIDATED NOT AUDITED FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 30 SEPTEMBER 2005

PREPARED IN ACCORDANCE WITH
THE LAW OF REPUBLIC OF LATVIA ON CONSOLIDATED FINANCIAL STATEMENTS

Olaine, 2005

CONTENTS

General information

Name of the Company	JSC "Olainfarm"
Legal statuss	Joint Stock Company
Unified registration number, Place and date of registration	40003007246 Rīga, June 10th, 1991 (re-registered on March 27th, 1997)
Registered office	5 Rūpnīcu street Olaine, Latvia, LV-2114
Major shareholders	SIA "Olmafarm" (49,84 %) 87 A.Čaka street Rīga, Latvia, LV-1011 Juris Savickis (26,19 %)
Board	Valērijs Maligins, Chairman of the Board (president), appointed on 04/08/2004 Jurijs Kaplinovs, appointed on 04/08/2004 Aleksandrs Černobrovijs, appointed on 04/08/2004 Inga Liščika, appointed on 19/08/2005 Andris Jegorovs, appointed on 04/08/2004 Armands Lapiņš, appointed on 04/08/2004 Viktorija Žuka-Ņikuļina, appointed on 04/08/2004
Council	Juris Savickis, Chairman of the Council, appointed on 04/08/2004 Ivars Kalviņš, Deputy Chairman of the Council, appointed on 04/08/2004, Eļena Dudko, appointed on 04/08/2004 Guntis Belēvičs, appointed on 04/08/2004 Tatjana Lukina, appointed on 06/08/2003 Zigurds Jeromanovs, appointed on 04/08/2004
Movements in the Board during the period 1 January 2005 through 30 September 2005	Aleksandrs Kuļikovs, appointed on 04/08/2004, revoked on 19/08/2005 Inga Liščika, appointed on 19/08/2005
Subsidiaries	A/O Aroma-Peterburg A.Nevskogo 9 St. Petersburg, Russia (51%) (sold in July, 2005) OOO Baltfarm Čerjomuškinskaja 13/17 Moscow, Russia (100%) Stimfarm Ltd. Kadaka 86a-205 Tallina, Igaunija (51%)

Core business activity	Manufacturing and distribution of chemical and pharmaceutical products	
Period	1 January – 30 September 2005	
Responsible for preparation of the information	Director of Financial department Inga Liščika	Phone. 7013 706 Fax 7013 777 jlishchika@olainfarm.lv
	Director of Commerce and marketing department Jurijs Kaplinovs	Phone. 7013 704 Fax 7013 777 jkaplinov@olainfarm.lv
	Head of Legal department Viktorija Žuka-Ņikuļina	Phone. 7013 871 Fax 7013 777 vzuk@olainfarm.lv

Consolidated Management's report

During the reporting period the holding has been formed by the parent company JSC „Olainfarm" and its companies „Baltfarm" L.L.C., Closed JSC „Aroma – Peterburg" and „Stimfarm" L.L.C. (hereinafter-Holding). The total net turnover of the daughter companies in the first nine month of 2005 amounted to 1,2 millions of lats, or 13% from the total Holding turnover. The basic activity of the daughter companies is distribution of medications in Russia. Due to negative activity results in the previous periods and in the first six month of 2005 it has been decided to sell shares of Closed JSC „Aroma – Peterburg" which belong to the mother company. The profit and loss calculation in the Consolidated report the activity results of the mentioned daughter company are reflected up to the moment of alienation of shares.

Financial standing

Holding activity results in the nine month of 2005 are valued positively. The total net turnover of the Holding in the first nine month of 2005 amounted up to 9,02 millions of lats, which is almost 85% from the turnover of year 2004. Increase of the Holding's turnover was mainly influenced by increase of mother company's turnover by 2,55 millions Ls (3,62 millions EUR). The Holding's profit in the nine month of year 2005 amounted to 0,215 millions Ls (0,306 millions EUR), in opposition to losses suffered in year 2004 in amount of 0,797 millions of lats (1,13 millions EUR). Earning per share for the nine month of 2005 amounts to Ls 0,021 (0,03 EUR), which is valued very positively comparing to the negative value of this index in year 2004 - Ls -0,07 (-0,11 EUR) per one share.

Financial stability indices of the Holding are valued positively. Total liquidity index of the Holding comparing to the index 2,12 in year 2004 has grown up to 2,96, which is only a little bit higher then the optimal value of this index. The total solvency ratio has also grown up to 1,06, comparing to 0,93 in 2004, and is a little bit above its critical value. The index of account receivables turnover has improved comparing to year 2004: from 207 days in year 2004 up to 162 days in the nine month of 2005, which can be explained by constant improvement of debtors' debts collection.

AKCIJU SABIEDRĪBA «OLAINFARM» LATVIJAS REPUBLIKA OlainFarm

Valērijs Maligins
President
(Chairman of the Board)

Income statement

	Notes	30.09.2005. LVL	30.09.2005. EUR
Net turnover	3	9 027 031	12 844 308
Changes in stock of finished goods and work in progress		602 205	856 861
Other operating income	4	749 333	1 066 205
Cost of materials:			
raw materials and consumables		(2 067 607)	(2 941 940)
other external costs		(532 282)	(757 369)
Staff costs:			
salaries	9	(2 431 066)	(3 459 095)
other social security payments	9	(553 980)	(788 243)
Depreciation/ amortisation and write-offs:			
depreciation and amortisation expense	11,12	(1 387 808)	(1 974 673)
write-offs of the value of current assets		(51 404)	(73 141)
Other operating expense	5	(2 199 814)	(3 130 053)
Income from investments in associates	6	(37 139)	(52 844)
Interest receivable and similar income		1 240	1 764
Interest payable and similar expense	7	(791 667)	(1 126 441)
Profit/(Loss) before taxes and minority interest		**327 042**	**465 339**
Corporate income tax	8	(72 407)	(103 026)
Other taxes	9	(34 482)	(49 063)
Profit/(Loss) before minority interest		**220 153**	**313 249**
Minority interest		(4 768)	(6 784)
Profit/(Loss) for the reporting year		**215 385**	**306 465**
Earning per share	10	0,021	0,030

The accompanying notes form an integral part of these financial statements.

The financial statements have been approved by the Board of the Parent Company and signed by:

AKCIJU SABIEDRĪBA «OLAINFARM» OlainFarm LATVIJAS REPUBLIKA

Valērijs Maligins
President
(Chairman of the Board)

Balance sheet

ASSETS

	Notes	30.09.2005. LVL	30.09.2005. EUR
NON-CURRENT ASSETS			
Intangible assets			
Goodwill		70 000	99 601
Other intangible assets		1 465 074	2 084 612
Prepayments for intangible assets		115 043	163 691
TOTAL	11	**1 650 117**	2 347 905
Tangible assets			
Land, buildings and constructions		2 747 513	3 909 359
Equipment and machinery		4 076 470	5 800 294
Other fixtures and fittings, tools and equipment		235 489	335 071
Construction in progress		482 001	685 826
Prepayments for tangible assets		120 075	170 851
TOTAL	12	7 661 548	10 901 401
Financial assets			
Other securities and investments		386	549
TOTAL		**386**	**549**
TOTAL NON-CURRENT ASSETS		9 312 051	13 249 855
CURRENT ASSETS			
Inventories			
Raw materials		651 514	927 021
Work in progress		1 345 597	1 914 612
Finished goods and goods for resale		1 300 315	1 850 182
Prepayments for goods		73 615	104 745
TOTAL	13	3 371 042	4 796 561
Receivables			
Trade receivables	14	3 310 230	4 710 033
Receivables from related companies	15	487 170	693 180
Other receivables	16	1 337 487	1 903 073
Current loans to management	17	229 527	326 587
Prepaid expense	18	36 724	52 254
TOTAL		**5 401 138**	**7 685 127**
Cash	19	**16 094**	**22 900**
TOTAL CURRENT ASSETS		8 788 274	12 504 587
TOTAL ASSETS		18 100 325	25 754 442

The accompanying notes form an integral part of these financial statements.

The financial statements have been approved by the Board of the Parent Company and signed by:

AKCIJU SABIEDRĪBA «OLAINFARM» Olainfarm LATVIJA

Valērijs Maligins
President
(Chairman of the Board)

EQUITY AND LIABILITIES

	Notes	30.09.2005. LVL	30.09.2005. EUR
EQUITY			
Share capital	20	10 252 365	14 587 801
Share premium		65 934	93 816
Accumulated deficit		-	-
brought forward		(1 222 941)	(1 740 088)
for the period		215 385	306 465
TOTAL EQUITY		9 310 743	13 247 994
MINORITY INTEREST			
Minority interest		-	-
TOTAL MINORITY INTEREST		-	-
PROVISIONS FOR LIABILITIES AND CHARGES			
Provisions for expected taxes	8	38 001	54 071
TOTAL PROVISIONS FOR LIABILITIES AND CHARGES		38 001	54 071
LIABILITIES			
Non-current liabilities			
Loans from credit institutions	21	4 210 970	5 991 671
Other loans	22	384 305	546 817
Taxes payable	23	1 184 941	1 686 019
TOTAL		5 780 216	8 224 506
Current liabilities			
Loans from credit institutions	21	664 817	945 949
Other loans	22	118 659	168 837
Prepayments received from customers		204 376	290 801
Trade payables		1 355 049	1 928 061
Taxes payable	23	176 312	250 869
Accrued liabilities	24	187 068	266 174
Other liabilities	25	265 084	377 181
TOTAL		2 971 365	4 227 871
TOTAL LIABILITIES		8 751 581	12 452 378
TOTAL EQUITY AND LIABILITIES		**18 100 325**	**25 754 442**

The accompanying notes form an integral part of these financial statements.

Off balance sheet liabilities: See Note 26.

The accompanying notes form an integral part of these financial statements.

The financial statements have been approved by the Board of the Parent Company and signed by:

AKCIJU SABIEDRĪBA "OLAINFARM" OlainFarm LATVIJAS REPUBLIKA

Valērijs Maligins
President
(Chairman of the Board)

Cash flow statement

	30/09/2005 LVL	30/09/2005 EUR
Cash flows to/ from operating activities		
(Loss) before taxes in the reporting year	**327 042**	**465 339**
Adjustments for:		
Depreciation of fixed assets	1 096 763	1 560 553
Amortization of intangible investments	326 087	463 980
Disposal of tangible non-current assets and investments	138 864	197 586
Investment loss	4 479	6 373
Interest expenses	791 667	1 126 441
Interest income	(1 240)	(1 764)
Operating cash flows before changes of working capital	**2 683 662**	**3 818 507**
(Increase)/decrease in inventories	(555 729)	(790 731)
Decrease/(increase) in receivables and prepaid expense	738 431	1 050 693
Increase in payables	(3 051 216)	(4 341 489)
Cash generated from operations	**(2 868 514)**	**(4 081 528)**
Interest paid	(791 667)	(1 126 441)
Corporate income tax paid	(106 889)	(152 089)
Net cash flows to/ from operating activities	***(1 083 408)***	***(1 541 551)***
Cash flows to/ from investing activities		
Purchase of intangible and fixed assets	(1 072 871)	(1 526 558)
Proceeds from disposal of intangible and fixed assets	7 613	10 832
Income from sale of investments in subsidiaries	1 000	1 423
Interest income	1 240	1 764
Net cash flows to/ from investing activities	**(1 063 018)**	**(1 512 538)**
Cash flows to/ from financing activities		
Proceeds/ (payables) from borrowings, net	1 401 124	1 993 620
Received loans	862 106	1 226 666
Paid loans	(4 603)	(6 549)
Payments of financial lease liabilities	(131 072)	(186 499)
Net cash flows to/ from financing activities	**2 127 555**	**3 027 238**
Cash (decrease)	**(18 871)**	**(26 851)**
Cash and equivalents at the beginning of the reporting period	**34 965**	**49 751**
Cash and equivalents at the end of the reporting period	**16 094**	**22 900**

Statement of changes in equity

	Share capital	Share capital	Share premium	Share premium	(Accumulated deficit)	(Accumulated deficit)	Total share capital	Total share capital
	LVL	EUR	LVL	EUR	LVL	EUR	LVL	EUR
Balance as at 31 December 2004	**10 252 365**	**14 587 801**	**65 934**	**93 816**	**(1 222 941)**	**(1 740 088)**	**9 095 358**	**12 941 529**
(Loss) for the reporting year	-	-	-	-	215 385	306 465	215 385	306 465
Balance as at 30 Deptember 2005	**10 252 365**	**14 587 801**	**65 934**	**93 816**	**(1 007 556)**	**(1 433 623)**	**9 310 743**	**13 247 994**

The accompanying notes form an integral part of these financial statements.

Notes to the financial statements

1. Corporate information

Joint stock company Olainfarm (hereinafter, the Parent Company) was registered with the Enterprise Register of the Republic of Latvia on 10 June 1991 (re-registered on 27 March 1997) and with the Commercial Register of the Republic of Latvia on 4 August 2004.

The Group companies and the Parent Company are basically engaged in manufacturing and distribution of chemical and pharmaceutical products.

2. Summary of significant accounting policies

Basis of preparation

The consolidated financial statements have been prepared in accordance with the law of the Republic of Latvia on Financial Statements of Companies and the law of the Republic of Latvia on Consolidated Financial Statements, as well as Latvian Accounting Standards issued by the Accounting Council of the Republic of Latvia Ministry of Finance applicable in the reporting year.

A/s Olainfarm and its subsidiaries were consolidated for the first time in 2004 for the full year. Therefore, these financial statements do not comprise comparative financial information for period ended on 30 September 2004.

The consolidated financial statements are prepared on a historical cost basis.

The monetary unit used in the financial statements is lat (LVL), the monetary unit of the Republic of Latvia. The financial statements cover the period 1 January 2005 through 30 September 2005.

Basis of consolidation

As at 31 December 2004, the Parent Company had investments in the following subsidiaries:

Name	Country	Business	Date of acquisition	The Group's shareholding (%)
A/O Aroma-Peterburg	Russia	Distribution of products	2 January 2001	51
OOO Baltfarm	Russia	Distribution of products	2 January 2001	100
Stimfarm Ltd.	Estonia	Distribution of products	2 January 2001	51

The financial statements of a/s Olainfarm and its subsidiaries A/O Aroma Peterburg and OOO Baltfarm are consolidated in the Group's financial statements on a line by line basis by adding together like items of assets and liabilities as well as income and expenses. Due to sale of shares of Closed JSC „Aroma-Peterburg" in July, 2005, the income statement of the Group includes results of its activity up to the moment of the alienation of the company. In its turn „Stimfarm Ltd." Is not included into consolidation inaccordance with terms of the law „On consolidated reports" (article 10, part 2), because the company is actully inactive and results of its activity are unimportant.

For the purposes of consolidation, unrealised internal profit, inter-group balances, internal shareholdings, internal dividends and other internal transactions are eliminated in the Group's financial statements

Consolidation of foreign subsidiaries

The Parent Company is using the closing rate established by the Bank of Latvia at the last day of the reporting year for the assets and liabilities of foreign subsidiaries, both monetary and non-monetary, and the average rate for the respective year for income and expense items of foreign subsidiaries for translating the financial statements of foreign subsidiaries and incorporation thereof in the consolidated financial statements. Resulting exchange differences are classified as equity. The incorporation itself, of the financial statements of foreign subsidiaries, follows normal consolidation procedures, such as the elimination of intra-group transactions of a subsidiary.

Use of estimates

The preparation of financial statements in conformity with the law of the Republic of Latvia on Financial Statements of Companies and on Consolidated Financial Statements requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, income and expenses and disclosure of contingencies. The significant areas of estimation used in the preparation of the accompanying financial statements relate to an allowance for bad debts and inventories, depreciation, etc.

Summary of significant accounting policies (cont'd)

Future events occur which cause the assumptions used in arriving at the estimates to change. The effect of any changes in estimates will be recorded in the financial statements, when determinable.

Foreign currency translation

Monetary assets and liabilities denominated in foreign currencies are translated into Latvian lats applying the official exchange rate established by the Bank of Latvia at the last day of the reporting year. The differences arising on settlements of transactions or on reporting foreign currency transactions at rates different from those at which these transactions have originally been recorded are netted and presented in the income statement accounts.

Currency exchange rates established by the Bank of Latvia:

	30/09/2005 LVL
1 USD	0.5830
1 RUB	0.0204
1 EUR	0.702804

Intangible non-current assets

Intangible assets consist of goodwill recognised on the acquisition of Group subsidiaries and other intangible assets.

Positive goodwill resulting from an acquisition is determined at the fair value of the acquisition price in excess of the identifiable assets and liabilities acquired. Positive goodwill recognised on the acquisition of shares in the subsidiaries is capitalised as an intangible asset and amortised over 10 years using the straight-line method.

Other intangible assets basically consist of costs of acquisition of preparation production technologies, medicine registration fee and software. Intangible assets are stated at cost amortised over their estimated useful lives on a straight-line basis. The amortisation rate for intangible non-current assets is fixed as follows: 20% for production technologies and 20-25% for other intangible non-current assets.

The carrying values of intangible non-current assets are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

Tangible non-current assets

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment in value. Land is not depreciated.

Depreciation is calculated on a straight-line basis over the estimated useful life of the asset. Depreciation is calculated starting with the following month after the tangible non-current asset is put into operation or engaged in commercial activity. When tangible non-current assets are sold or disposed of, their cost and accumulated depreciation are eliminated from the accounts and any gain or loss resulting from their disposal is included in the income statement. The following depreciation rates were established and applied:

	% per annum
Buildings and constructions	*5*
Equipment and machinery	*10-15*
Computers and software	*25*
Other tangible assets	*20*

The cost of property, plant and equipment comprises its purchase price, including import duties and non-refundable purchase taxes and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenses incurred after the non-current assets have been put into operation, such as repair and maintenance and overhaul costs, are normally charged to the income statement in the period when incurred. In situations where it can be clearly demonstrated that the expenses have resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property, plant and equipment beyond its originally assessed standard of performance, such expenses are capitalised as an additional cost of property, plant and equipment.

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets are written down to their recoverable amount.

2. Summary of significant accounting policies (cont'd)

Tangible non-current assets (cont'd)

Construction in progress represents tangible non-current assets under construction and is stated at historical cost. This includes the cost of construction, equipment and other direct cost. Construction in progress is not depreciated as long as the respective assets are not completed and put into operation.

Research and development costs

Research costs are expensed as incurred. Project development costs are recognised as intangible assets where the project feasibility is demonstrated and the assets developed is reasonably expected to generate future economic benefits. Capitalised development costs are amortised over their estimated useful lives on a straight-line basis.

Should the respective asset be not yet in use, the carrying value of development costs is reviewed for impairment at the end of each reporting year and otherwise when events or changes in circumstances indicate that the carrying value may not be recoverable.

Inventories

Inventories are valued at the lower of net realisable value and cost.

Costs incurred in bringing each product to its present location and condition are accounted for as follows:

Raw materials – acquisition cost on an average weighed cost basis;

Finished goods and work-in-progress – cost of direct materials and labour plus indirect costs related to production. Indirect production costs consist of labour, energy, depreciation and other production-related expense calculated based on the ordinary production output.

Finished goods are stated at the lower of net realisable value and cost. Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

A provision for obsolete inventories is established based on review and analysis of individual items. Impairment of inventories caused by obsolescence and physical damage is assessed by the Group on a regular basis, and the respective losses are charged to the income statement as cost of sales. Where damaged inventories are physically destroyed, the value of inventories and the respective provision are written off.

Trade and other receivables

Trade receivables are recognised and carried at original invoice amount less an allowance for any non-collectable amounts. An estimate for doubtful debts is made when collection of the full amount is no longer probable, evaluating each receivable separately. Bad debts are written off when recovery is deemed impossible.

Cash

Cash comprises cash at bank and in hand.

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Loans and borrowings

All loans and borrowings are initially recognised at cost, being the fair value of the consideration received net of issue costs associated with the borrowing.

2. Summary of significant accounting policies (cont'd)

Leases

Finance leases, which transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance leases are charged directly against income.

If there is reasonable certainty that the lessee will obtain ownership by the end of the lease term, the period of expected use is the useful life of the asset; otherwise capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset or the lease term on a straight-line basis.

Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease payments are recognised as an expense in the income statement on a straight-line basis over the lease term.

Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

Sale of goods

Revenue is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer and the amount of revenue can be measured reliably.

Rendering of services

The value of services rendered basically comprises revenue from water treatment services. Revenue is recognised in the period when the services are rendered.

Interest

Revenue is recognised on an accrual basis.

Corporate income tax

Corporate income tax includes current and deferred taxes. Current corporate income tax is applied at the rate of 15% on taxable income generated by the Company during the taxation period.

Deferred corporate income tax arising from temporary differences in the timing of the recognition of items in the tax returns and these financial statements is calculated using the liability method. The deferred corporate income tax asset and liability are determined on the basis of the tax rates that are expected to apply when the timing differences reverse. The principal temporary timing differences arise from differing rates of accounting and tax amortisation and depreciation on the Company's non-current assets, the treatment of temporary non-taxable provisions and reserves, as well as tax losses carried forward for the subsequent five years.

Related parties

Related parties shall be deemed shareholders that may exercise significant influence over the Group's operations, Council and Board members, their close members of the families and enterprises over which these persons exercise significant influence or control, as well as Group companies.

Earnings or loss per share

Earnings or loss per share are calculated by dividing the net profit or loss for the year by the average weighed number of shares for the period. The average number of shares for the reporting year has been determined taking into consideration the moment of issue of new shares.

Contingencies

Contingent liabilities are not recognised in these financial statements. They are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. Contingent assets are not recognised in these financial statements but disclosed when an inflow of economic benefits is probable.

2. Summary of significant accounting policies (cont'd)

Subsequent events

Post year end events that provide additional information about the Group's position at the balance sheet date (adjusting events) are reflected in the financial statements. Post year end events that are not adjusting events are disclosed in the notes when material.

3. Net turnover

By business segments		30.09.2005 LVL	30.09.2005 EUR
Finished forms		8 348 836	11 879 323
Chemistry		678 195	964 985
	TOTAL:	**9 027 031**	**12 844 308**

By geographical segments		30.09.2005 LVL	30.09.2005 EUR
CIS		5 982 882	8 512 874
Latvia		1 814 679	2 582 056
Europe		660700	940 091
Baltic states (Lithuania and Estonia)		279579	397 805
Other		289 191	411 482
	TOTAL:	**9 027 031**	**12 844 308**

4. Other operating income

		30.09.2005 LVL	30.09.2005 EUR
Treatment of waste water		67 740	96 385
Sale of current assets		78 620	111 866
Lease of premises		5 956	8 475
Other operating income		597 017	849 479
	TOTAL:	**749 334**	**1 066 206**

5. Other operating expense

		30.09.2005 LVL	30.09.2005 EUR
Distribution costs		299 207	425 733
Administrative expense		606 133	862 450
Write-offs of current assets		63 571	90 453
Business trips		49 870	70 959
Insurance		36 622	52 108
Provisions for bad debts		671 372	955 276
Transportation expense		16 689	23 746
Representation expense		29 427	41 871
Provisions for impairment of tangible assets		15 860	22 567
Audit expense		11 589	16 490
Security expense		41 540	59 106
Write-offs of tangible non-current assets		26 492	37 695
Other operating expense		331 442	471 599
	TOTAL:	**2 199 814**	**3 130 053**

6. Income from investments in associates

		30.09.2005 LVL	30.09.2005 EUR
Aroma-Peterburg		(4 479)	(6 373)
Baltfarm		(32 660)	(46 471)
	TOTAL:	**(37 139)**	**(52 844)**

7. Interest payable and similar expense

		30.09.2005 LVL	30.09.2005 EUR
Currency exchange loss, net		(92 508)	(131 627)
Loan interest payments		245 694	349 591
Penalties paid		600 243	854 069
Currency exchange commission		38 238	54 408
	TOTAL:	**791 667**	**1 126 441**

8. Other taxes comprise real estate tax expense.

9. Staff costs and number of employees

		30.09.2005 LVL	30.09.2005 EUR
Wages and salaries		2 431 066	3 459 095
Statutory social insurance contributions		553 980	788 243
	TOTAL:	**2 985 046**	**4 247 339**

		30.09.2005 LVL	30.09.2005 EUR
Management of the Company			
Wages and salaries		172 260	245 104
Vacation pay reserve		2 696	3 836
Statutory social insurance contributions		52 776	75 093
Board members			
Wages and salaries		204 873	291 508
Vacation pay reserve			
Statutory social insurance contributions		25 913	36 871
Council members			
Wages and salaries		71 800	102 162
Statutory social insurance contributions		15 249	21 697
	TOTAL:	**545 568**	**776 272**

	2005
Average number of employees during the reporting year	934

10. Earning per share

Earning per share is calculated by dividing the net profit for the year attributable to shareholders by the average weighed number of shares for the period. The table below presents information on profit and shares used for calculation of the earning per share:

	30.09.2005 LVL	30.09.2005 EUR
Profit for the reporting year attributable to shareholders used for calculation of the earning per share	215385	306465
Average weighed number of ordinary shares	10252365	14587801
Earn per share	**0,021**	**0,030**

11. Intangible non-current assets

		Goodwill		Production technologies*		Other intangible assets		**TOTAL**	
		LVL	EUR	LVL	EUR	LVL	EUR	LVL	EUR
Acquisition value as at 31/12/2004		232 504	330 823	1 897 074	2 699 293	321 229	457 068	2 450 807	3 487 184
	Additions			38 146	54 277	59 961	85 317	98 108	139 595
2005	Reclassification				-		-	-	-
	Write-offs of values	(5 479)	(7 796)	-	-	(3 782)	(5 381)	(9 261)	(13 177)
Acquisition value as at 30/09/2005		227 025	323 027	1 935 220	2 753 570	377 409	537 004	2 539 654	3 613 602
Accumul:	Amortisation	157 025	223 426	316 157	449 850	209 093	297 512	682 274	970 789
	Reclassification			289 195	411 487	36 892	52 493	326 087	463 980
2005	Write-offs of values				-		-	-	-
	Amortisation of disposals			-	-	(3 782)	(5 381)	(3 782)	(5 381)
Accumulated amortisation as at 30/09/2005		157 025	223 426	605 352	861 338	242 203	344 624	1 004 580	1 429 389
Net carrying amount as at 31/12/2004		**75 479**	**107 397**	**1 580 917**	**2 249 443**	**112 136**	**159 556**	**1 768 533**	**2 516 395**
Net carrying amount as at 30/09/2005		**70 000**	**99 601**	**1 329 869**	**1 892 233**	**135 205**	**192 380**	**1 535 074**	**2 184 214**

Prepayments for intangible assets amounting to LVL 115 043 as at 30 September 2005 are attributable to fees prepaid for medicine registration abroad.

12. Tangible non-current assets

LVL

		Land	Buildings and constructions	Equipment and machinery	Other tangible assets	Construction in progress	TOTAL
Acquisition value as at 31/12/2004		55 928	8 623 814	7 959 393	296 405	193 123	17 128 663
	Additions	-	78 795	557 850	170 487	408 865	1 215 997
2005	Disposals	-		(73 967)	(556)	(119 987)	(194 510)
	Impairment*	-	-	-	-	-	-
Acquisition value as at 30/09/2005		55 928	8 702 609	8 443 276	466 336	482 001	18 150 150
Accumulated depreciation as at 31/12/2004		-	5 719 712	3 669 992	170 244	-	9 559 948
2005	Depreciation	-	291 313	744 305	61 145	-	1 096 763
	Depreciation of disposals	-	-	(47 490)	(543)	-	(48 033)
Accumulated depreciation as at 30/09/2005		-	6 011 025	4 366 807	230 846	-	10 608 678
Net carrying amount as at 31/12/2004		**55 928**	**2 904 102**	**4 289 401**	**126 161**	**193 123**	**7 568 715**
Net carrying amount as at 30/09/2005		**55 928**	**2 691 584**	**4 076 469**	**235 490**	**482 001**	**7 541 473**

EUR

		Land	Buildings and constructions	Equipment and machinery	Other tangible assets	Construction in progress	TOTAL
Acquisition value as at 31/12/2004		79 578	12 270 582	11 325 196	421 746	274 789	24 371 893
	Additions	-	112 115	793 749	242 581	581 762	1 730 208
2005	Disposals	-	-	(105 246)	(792)	(170 726)	(276 764)
	Impairment*	-	-		-	-	-
Acquisition value as at 30/09/2005		79 578	12 382 697	12 013 700	663 535	685 825	25 825 337
Accumulated depreciation as at 31/12/2004		-	8 138 417	5 221 928	242 235	-	13 602 580
2005	Depreciation	-	414 501	1 059 050	87 001	-	1 560 552
	Depreciation of disposals	-	-	(67 573)	(773)	-	(68 346)
Accumulated depreciation as at 30/09/2005		-	8 552 918	6 213 405	328 463	-	15 094 786
Net carrying amount as at 31/12/2004		**79 578**	**4 132 165**	**6 103 268**	**179 511**	**274 789**	**10 769 312**
Net carrying amount as at 30/09/2005		**79 578**	**3 829 779**	**5 800 295**	**335 072**	**685 825**	**10 730 550**

Prepayments for tangible non-current assets as at 30 September 2005 amounted to LVL 120 075.

13. Inventories

		30.09.2005 LVL	30.09.2005 EUR
Raw materials		796 507	1 133 327
Work in progress		1 479 448	2 105 065
Finished goods and goods for resale		1 388 691	1 975 929
Prepayments for goods		73 615	104 745
	TOTAL:	3 738 261	5 319 066
Provisions for raw materials		(144 993)	(206 306)
Provisions for work in progress		(133 851)	(190 453)
Provisions for finished goods and goods for resale		(88 375)	(125 746)
	TOTAL:	(367 219)	(522 506)
	TOTAL:	**3 371 042**	**4 796 561**

14. Trade receivables

		30.09.2005 LVL	30.09.2005 EUR
Trade receivables		3 381 899	4 812 009
Provisions for doubtful trade receivables		(71 669)	(101 976)
	TOTAL:	**3 310 230**	**4 710 033**

15. Receivables from related companies

Company	30.09.2005 LVL	30.09.2005 EUR
SIA "Olmafarm" *	487 170	693 180
Stimfarm Ltd.	25 518	36 309
Provisions for doubtful receivables	(25 518)	(36 309)
TOTAL:	**487 170**	**693 180**

* The Company issued an interest-free loan to its major shareholder SIA Olmafarm. The loan matures on 31 December 2005. On 30 May 2005, the Company received a letter of guarantee from SIA Olmafarm, whereunder repayment of the outstanding debt and the loan was guaranteed.

16. Other receivables

Representation office expense	19 671	27 989
Advances to employees	102 480	145 816
Other receivables	59 159	84 176
Provisions for advances to employees and other receivables	(645 278)	(918 148)
TOTAL:	**1 337 487**	**1 903 073**

17. Current loans to management

Current loans to the management of the Group comprise an interest-free loan to Valērijs Maligins, Chairman of the Board of the Parent Company. The loan matures on 31 December 2005.

18. Prepaid expense

	30.09.2005 LVL	30.09.2005 EUR
Prepaid expense relating to analyses	12 233	17 406
Insurance payments	10 132	14 417
Subscription to the media	1 735	2 469
Other prepaid expense	12 624	17 962
KOPĀ:	**36 724**	**52 254**

19. Cash in foreign currency and lats according to the exchange rate established by the Bank of Latvia

Cash by currency profile:	30/09/2005 **Foreign currency**	**LVL**
RUR	440 937	8 995
LVL		1 839
EUR	1 515	1 065
USD	7 195	4 195
	TOTAL:	**16 094**

20. Share capital

The share capital of the Parent Company is LVL 10 252 365 and consists of 10 252 365 shares. The par value of each share is LVL 1. The shares are divided by classes follows: 7 257 465 shares are ordinary registered closed-issue shares entitled to vote, and 2 994 900 shares are public-issue ordinary registered shares entitled to vote.

21. Loans from credit institutions

Non-current:	Amount		Effective interest rate (%)	Maturity	30.09.2005 LVL	30.09.2005 EUR
Aizņēmums no a/s "SEB Unibanka" (1)	6950000	EUR	EUR LIBOR (3 mēn.)+3%		4 210 970	5 991 671
				TOTAL:	4 210 970	5 991 671

Current:	Amount		Effective interest rate (%)	Maturity	30.09.2005 LVL	30.09.2005 EUR
Aizņēmums no a/s "SEB Unibanka" (1)	950000	EUR	EUR LIBOR (3 mēn.)+3%	08.12.2006.	116 450	165 693
Kredītlīnija no a/s "SEB Unibanka" (2)	200000	LVL	LVL Unibor (3 mēn.)+4,5%	05.12.2005.	187 771	267 174
Kredītlīnija no a/s "SEB Unibanka" (3)	200000	EUR	EUR LIBOR (3 mēn.)+4,5%	05.12.2005.	103 535	147 317
Kredītlīnija no a/s "SEB Unibanka" (4)	500000	USD	USD LIBOR (3 mēn.)+4,5%	05.12.2005.	257 060	365 763
Uzkrātās procentu izmaksas						-
				TOTAL:	664 816	945 948

Due to the necessity to implement the standards of Good Manufacturing Practice (GMP), a non-current loan was obtained from a/s SEB Unibanka in the end of 2003. On 22 June 2004, the loan agreement was amended, the total amount of the loan available being increased to EUR 6 950 000. During the period of the loan agreement, the Parent Company has to ensure that its equity is positive, and the ratio of equity to total assets should not be less than 35 per cent. As at the end of the reporting year, the Parent Company complied with these requirements.

In 2003, the Parent Company concluded several credit line agreements with a/s SEB Unibanka with the maturity on 4 December 2004. In the reporting year, the aforementioned credit line agreements were extended by one more year under the same provisions, with the new maturity term being fixed on 5 December 2005.

22. Other loans

	LVL		EUR	
	Current	Non-current	Current	Non-current
Finance lease liabilities to SIA Hanza Līzings	61 422	11 087	87 396	15 775
Finance lease liabilities to SIA Unilīzings	322 883	18 980	459 421	27 006
Loan from Donetex Finance LLC, EUR	-	88 592	-	126 055
TOTAL:	**384 305**	**118 659**	**546 817**	**168 837**

The interest rate on the finance leases ranges from 5.12% to 9.35%. Finance lease liabilities are repayable till September 2007. The net carrying amount of the tangible non-current assets held under finance lease is disclosed in Note 13.

23. Taxes payable

According to Cabinet Order No. 127 of 25 February 2005, the Parent Company has been granted extension of the payment term of delayed statutory social insurance contributions, personal income tax and real estate tax (accrued till 1 November 2003), without late payment penalties being charged as defined in the Law on Taxes and Duties and applicable tax laws. Tax liabilities by maturity profile as at 30 September 2005 can be specified as follows:

	30.09.2005		30.09.2005	
	Current	Non-current	Current	Non-current
Personal income tax	625 956	71 566	890 655	101 829
Statutory social insurance contributions	467 024	94 187	664 515	134 016
Real estate tax	91 961	1 698	130 849	2 416
Other taxes	-	6 806	-	9 684
Natural resource tax	-	2 055	-	2 924
TOTAL:	**1 184 941**	**176 312**	**1 686 019**	**250 869**

24. Accrued liabilities

	30.09.2005 LVL	30.09.2005 EUR
Provisions for penalties related to taxes	120 970	172 125
Vacation pay reserve	66 098	94 049
TOTAL:	**187 068**	**266 174**

25. Other liabilities

	30.09.2005	30.09.2005
Wages and salaries	216 201	307 626
Other liabilities	48 883	69 554
TOTAL:	**265 084**	**377 181**

26. Off-balance sheet liabilities

The Parent Company concluded several agreements with SIA Unilīzings on operating lease of vehicles. The minimal future lease commitments arising therefrom can be presented as follows:

	30.09.2005	30.09.2005
Payable within 1 year, LVL / EUR	12 669	18 026
Payable within 1-5 years, LVL/ EUR	29 204	41 554
TOTAL:	**41 873**	**59 580**

27. Related party disclosures

Related party	Type of services		Sales to related parties	Purchases from related parties	Amounts owed by related parties	Amounts owed to related parties
SIA Olmafarm	Loan and sale of finished goods	LVL	717 703	-	487 170	-
		EUR	1 021 199	-	693 180	-
Stimfarm Ltd.	Sale of finished goods and chemistry	LVL	-	-	25 518	-
		EUR		-	36 309	-
V. Maligins	Loan	LVL	144 403	4 603	229 527	-
		EUR	205 467	6 549	326 587	-
	TOTAL:	**LVL**	**862 106**	**4 603**	**742 215**	-
		EUR	**1 226 666**	**6 549**	**1 056 077**	-

28. Financial risk management

The Group's principal financial instruments comprise loans from credit institutions, finance leases and cash. The main purpose of these financial instruments is to ensure financing for the Group's operations. The Group has various other financial instruments such as trade and other receivables and trade and other payables, which arise directly from its operations. The Group might also issue loans to shareholders and management on a short-term basis.