

JOINT STOCK COMPANY OLAINFARM
(UNIFIED REGISTRATION NUMBER 40003007246)
NON-AUDITED CONSOLIDATED ANNUAL REPORT
FOR THE YEAR ENDED 31 DECEMBER 2009
(13TH FINANCIAL YEAR)

**PREPARED IN ACCORDANCE WITH
INTERNATIONAL FINANCIAL REPORTING STANDARDS**

Olaine, 2010

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| | |
|---|---|
| Name of the Parent Company | Olainfarm |
| Legal status of the Parent Company | Joint stock Company |
| Unified registration number, place and date of registration of the Parent Company | 40003007246 Riga, 10 June 1991 (re-registered on 27 March 1997) |
| Registered office of the Parent Company | Rūpnīcu iela 5 Olaine, Latvia, LV-2114 |
| Major shareholders of the Parent Company | SIA Olmafarm (42.56 %) Rūpnīcu iela 5 Olaine, Latvia, LV-2114 "HB-19 Investments Limited" Company, Cyprus (26.17 %) |
| Board | <p>Valērijs Maligins, Chairman of the Board <i>Positions held in other companies:</i> SIA Aroma, Chairman of the Board, SIA Olmafarm, Chairman of the Board, Hunting Club Vitkupe, Board Member <i>Participation in other companies:</i> SIA Lano Serviss (25,04%) SIA Vega MS (60%), SIA Briz (12,48%), SIA Olfa Press (45%), SIA Carbochem (50%), SIA Aroma (100%), SIA Olmafarm (100%).</p> <p>Jeļena Borcova, Board Member <i>Positions held in other companies:</i> SIA Carbochem – Board Member <i>Participation in other companies:</i> none</p> <p>Jurijs Kaplinovs <i>Positions held and participation in other companies:</i> none</p> <p>Inga Liščika <i>Positions held and participation in other companies:</i> none</p> <p>Vjačeslavs Kuļikovs <i>Positions held and participation in other companies:</i> none</p> |

Council

Juris Savickis, Chairman of the Council (resigned 09.07.2009)

Positions held in other companies:

AS Dinamo Rīga, Deputy Chairman of the Council
The Latvian Tennis Union (unregistered office),
Tennis club Prezidents (unregistered office)
Company of apartment owners Četri plus (unregistered office)
AS Sibur Itera, Chairman of the Council,
AS Latvijas Gāze, Deputy Chairman of the Council,,
SIA Itera Latvija, Chairman of the Board,
AS Nordeka, Chairman of the Council,
SIA Islande Hotel, Board Member,

Participation in other companies:

SIA Islande Hotel (75.31%),
SIA Energo SG (50%),
SIA Nordeka Serviss (100%),
SIA Palasta nami (100%),
SIA Elssa-SIA (55%),
SIA Bobrova nams (28.75%),
AS Nordeka (48.09%),
SIA Blūza klubs (50%),
SIA Ajura (50%),
SIA SWH Sets (15.29%),
SIA Babbord (33%),
AS Dinamo Rīga (9.76%),
SIA Select Medical (100,00%),
SIA Areti Holding (100,00%),
SIA Savero Holding (100,00%),
SIA Biznesa Aviācijas Serviss (100,00%),

Rolands Klincis (resigned 26.01.2009)

Positions held and participation in other companies: none

Eļena Dudko, Deputy Chairperson of the Council

Positions held and participation in other companies: none

Helmuts Balderis-Sildedzis, Chairman of the Council (appointed 28.04.2009.)

Positions held in other companies:

SIA HB-19 Board Member
SIA Nordic Bio Energy Board Member
SIA EGRA trans Board Member

Participation in other companies:

SIA HB-19 (100%);
SIA Nordic Bio Energy (30,9%);
SIA EGRA trans (25%)

| | |
|--|--|
| | <p>Aleksandrs Raicis <i>Positions held in other companies:</i> Latvian Pharmaceutical Wholesalers Association SIA BRIZ Development Director <i>Participation in other companies:</i> SIA VIP Pharma (50%), SIA Reccesus(30%) SIA Briz (3,4%)</p> |
| | <p>Volodimirs Krivozubovs <i>Positions held in other companies:</i> SIA Torgovije Tehnologii (Ukraine) General Director <i>Participation in other companies:</i> none</p> |
| | <p>Signe Baldere-Sildedze <i>Positions held in other companies:</i> SIA Louvre Commercial Director <i>Participation in other companies:</i> SIA Louvre (50%)</p> |
| Movements in the Board during the period 1 January 2009 through 31 December 2009 | none |
| Movements in the Council during the period 1 January 2009 through 31 December 2009 | <p>Rolands Klincis (resigned 26.01.2009.)</p> <p><u>appointed 28.04.2009.:</u> Juris Savickis, Chairman of the Council; Helmutis Balderis Sildedzis, Deputy Chairperson of the Council Elena Dudko; Aleksandrs Raicis; Volodimirs Krivozubovs.</p> <p>Juris Savickis (resigned 09.07.2009.)</p> <p><u>appointed 25.09.2009.:</u> Helmutis Balderis Sildedzis, Chairman of the Council; Olena Dudko, Deputy Chairperson of the Council; Aleksandrs Raicis; Volodimir Krivozubov; Signe Baldere-Sildedze</p> |
| Subsidiaries | <p>SIA Reinolds (100%) Dzegužu iela 1/2, LV-1007, from 26/08/2008</p> |
| Core business activity | <p>Manufacture of basic pharmaceutical products; manufacture of pharmaceutical preparations; manufacture of other inorganic basic chemicals; manufacture of other organic basic chemicals; manufacture of fertilisers and nitrogen compounds; manufacture of pesticides and other agrochemical products; manufacture of other chemical products n.e.c.; wholesale of pharmaceutical goods; wholesale of chemical products; water collection, treatment and supply; sewerage; freight transport by road; other passenger land transport n.e.c.; renting and operating of own or leased real estate; other food service activities; other professional, scientific and technical activities n.e.c.; warehousing and storage;</p> |
| Audit Committee | <p>Žanna Karaseva, personal code 150775-10415</p> |

Financial year

1 January – 31 December 2009

Auditors

Diana Krisjane
Sworn auditor
Certificate number 124

SIA "Ernst & Young Baltic"
Muitas iela 1, Rīga
Latvia, LV-1010
License number 17

MANAGEMENT REPORT

General information

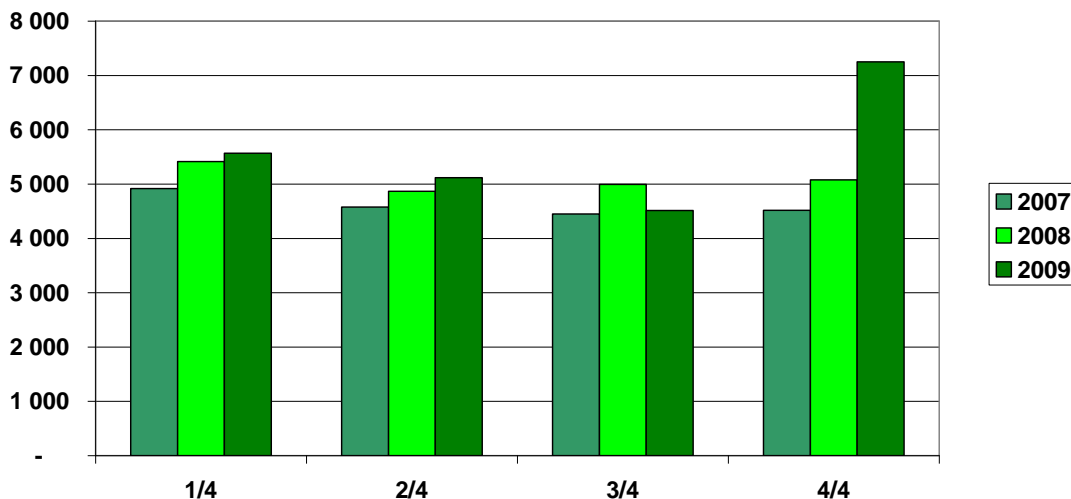
During the reporting period no changes have been made to the composition of the Concern and it still consists from a Parent Company JSC „Olainfarm” and its daughter company SIA „Reinolds”, which owns several patents related to the new products.

Concern is one of the biggest pharmaceutical companies in Latvia with nearly 40 years of experience in production of medication and chemical and pharmaceutical products. A basic principle of Concern’s operations is to produce reliable and effective top quality for Latvia and the rest of the world. Products made by the Concern are being exported to more than 30 countries of the world, including the Baltics, Russia, other CIS, Europe, Asia, North America and Australia.

Financial results

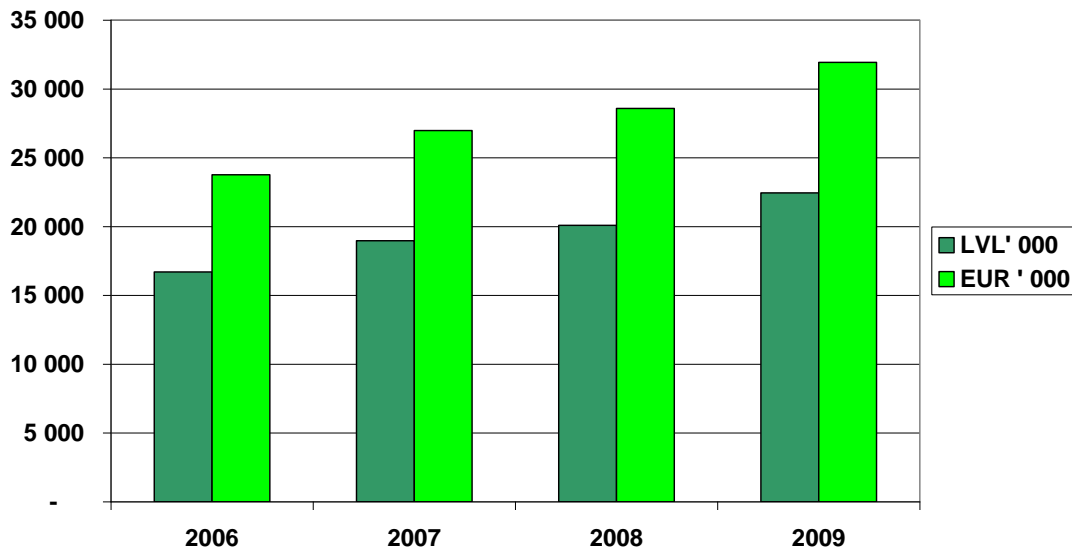
Sales of the Concern have demonstrated a significant growth during the fourth quarter of 2009, when they grew by 43% and exceeded 7.2 million lats (10.3 million euros).

Consolidated Sales by Quarters, thsnd. LVL



Sales of the concern in 2009 exceeded 22.4 million lats (nearly 32 million euros), which is by almost 12% more than the sales in 2008. 2009 was the first year in Concern’s history when its sales exceeded 30 million euros.

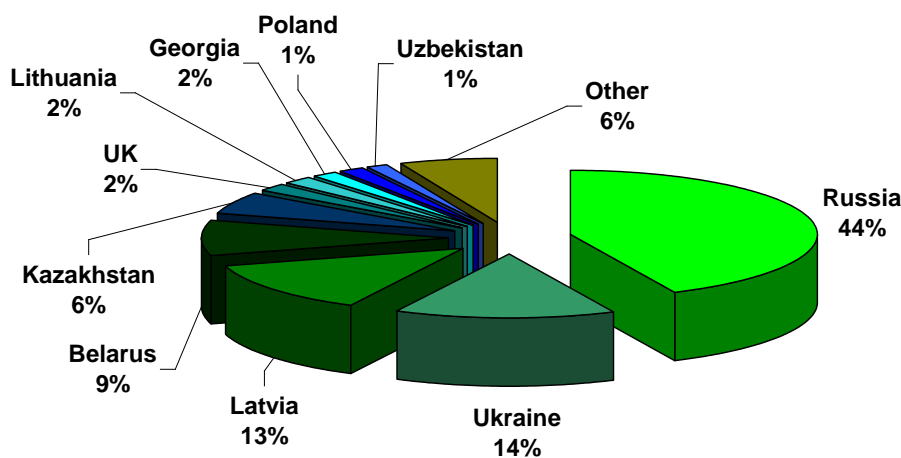
Consolidated Sales



Such a rapid increase in sales in 4th quarter of 2009 was influenced by several factors, including increasing demand for company's promotable products in its key markets, special sizeable shipments to Poland, the UK and Bulgaria as well as increased demand for company's antiviral medicines in the context of AH1N1 pandemic.

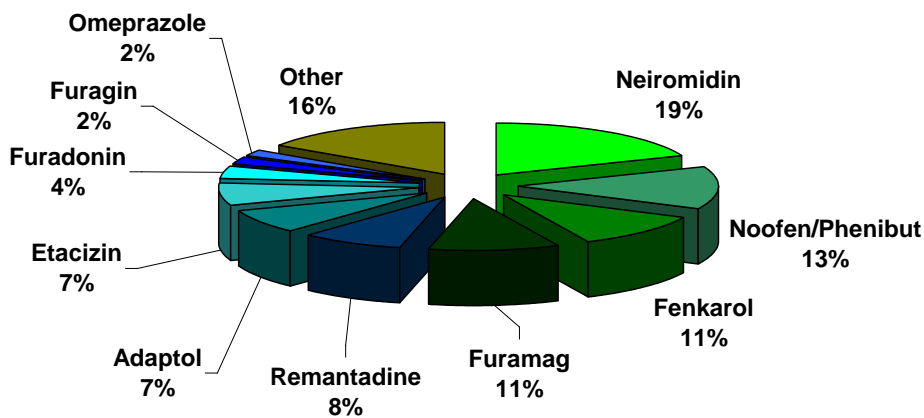
In a whole year of 2009 just as in separate quarters one can observe a particularly rapid sales growth in markets where strengthened marketing effort is taken. Compared to 2008, sales to Russia grew by 33%, to Belarus by 10%, to Kazakhstan and Azerbaijan by 65%, to Uzbekistan by 60%. Sales to Latvia were down by less than 8%, therefore Ukraine, where the sales dropped by a mere 1.5% has become the second sales market of the Company. Still the biggest sales decreases can be observed in markets with relatively small share in company's overall sales. Those countries include Poland, Tajikistan, Estonia and Georgia. At the same time the trend is still valid that even if sales of Olainfarm had decreased in a given market, the market itself of that country has shrunk even more. In several countries, including Russia, Belarus, Azerbaijan, Moldova, Uzbekistan and Kyrgyzstan sales volumes of Olainfarm have increased, while markets themselves have shrunk.

Sales by Countries, 2009



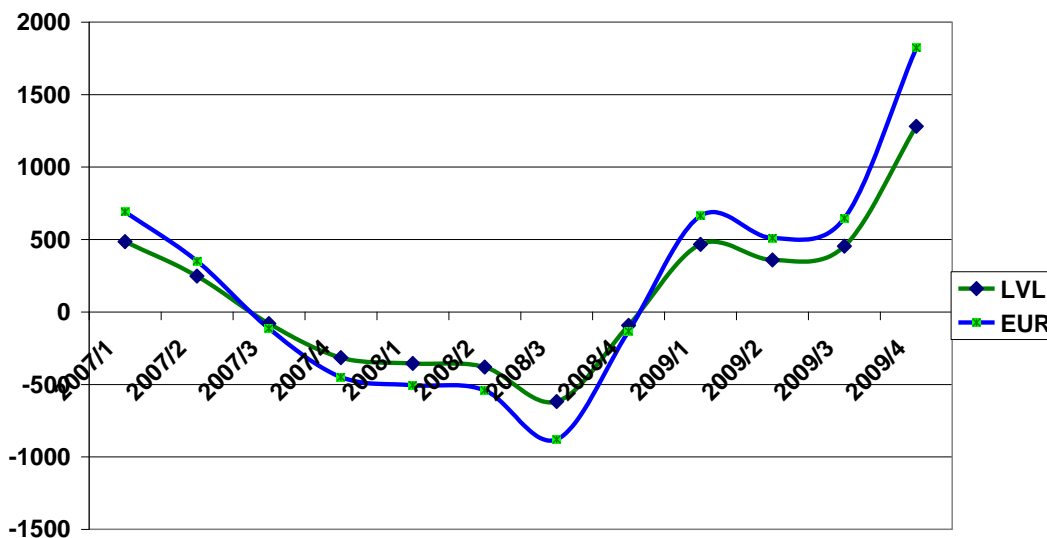
Throughout 2009 a good diversification of products remained and still no product has more than 20% share of company's total sales. Successful diversification effort is also confirmed by the fact that although during the fourth quarter of 2009 a demand for a well known anti-viral medicine Remantadine was particularly strong and its quality was confirmed by deliveries of this product to a quality conscious market like US, still its share in total sales of the company was smaller than in 2008 when it made up about 9% of company's total sales. Still 6 out of 10 best sold company's products are the promoted ones.

Sales by Products, 2009



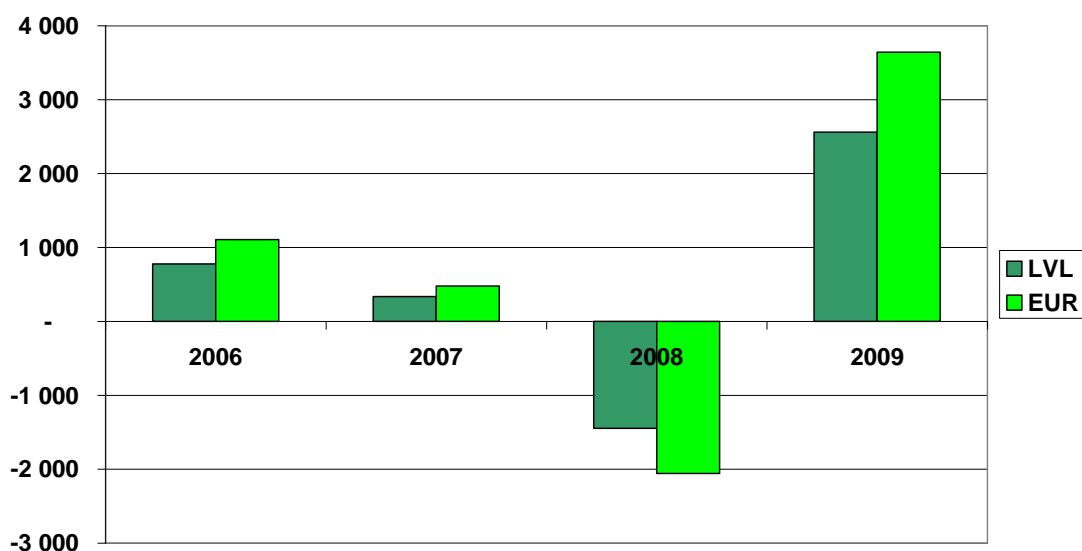
Because of the very rapid sales increases during the fourth quarter of 2009, company's net profit also experienced a significant growth. During the last quarter of 2009 it reached nearly 1.3 million lats or more than 1.8 million euros. Similarly to many other indicators, net profit of the fourth quarter has reached record levels for the Company.

Profit by Quarters, thsnd.



Profit for the entire year 2009 is also at the record levels for the Company and exceeds 2.5 million lats (3.6 million euros). Although the Company has not met its sales target of 24 million lats (34 million euros), because of bigger demand for higher value-added products it has managed to significantly exceed its profit target, which at the beginning of the year was 1.5 million lats (2.1 million euros).

Consolidated Profit, thsnd.



Because of the very successful operations of the Company, all of the indicators shown below have demonstrated significant improvements.

| Key financial indicators | 31.12.2009. | 31.12.2008. | % to the previous period |
|--|-------------|-------------|--------------------------|
| Net sales (LVL) | 22 441 240 | 20 086 220 | 112% |
| Net profit (LVL) | 2 560 492 | -1 436 905 | NA |
| EBITDA (LVL) | 5 662 726 | 1 617 869 | 350% |
| EBIT (LVL) | 3 400 086 | -937 476 | NA |
| Net sales (EUR) | 31 931 008 | 28 556 331 | 112% |
| Net profit (EUR) | 3 643 251 | -2 044 532 | NA |
| EBITDA (EUR) | 8 057 333 | 23 02 020 | 350% |
| EBIT (EUR) | 4 837 887 | -1 333 908 | NA |
| EBITDA margin, % | 25 | 8 | |
| Net margin, % | 11 | -7 | |
| EBIT margin, % | 15 | -5 | |
| ROA, % | 8,4 | -4,6 | |
| ROE, % | 14,8 | -9,7 | |
| Current ratio | 2,4 | 1,4 | |
| EPS, LVL | 0,182 | -0,102 | NA |
| EPS, EUR | 0,259 | -0,145 | NA |
| Share price at the end of period , (LVL) | 0,94 | 0,38 | 247% |

| Key financial indicators | 31.12.2009. | 31.12.2008. | % to the previous period |
|--|-------------|-------------|--------------------------|
| Share price at the end of period , (EUR) | 1,34 | 0,54 | 247% |
| P/E | 5,2 | -3,7 | NA |
| Market capitalisation at the end of the period (LVL) | 13 239 973 | 5 352 330 | 247% |
| Market capitalisation at the end of the period (EUR) | 18 838 784 | 7 615 679 | 247% |
| P/B | 0,76 | 0,36 | 211% |

Shares and stock market

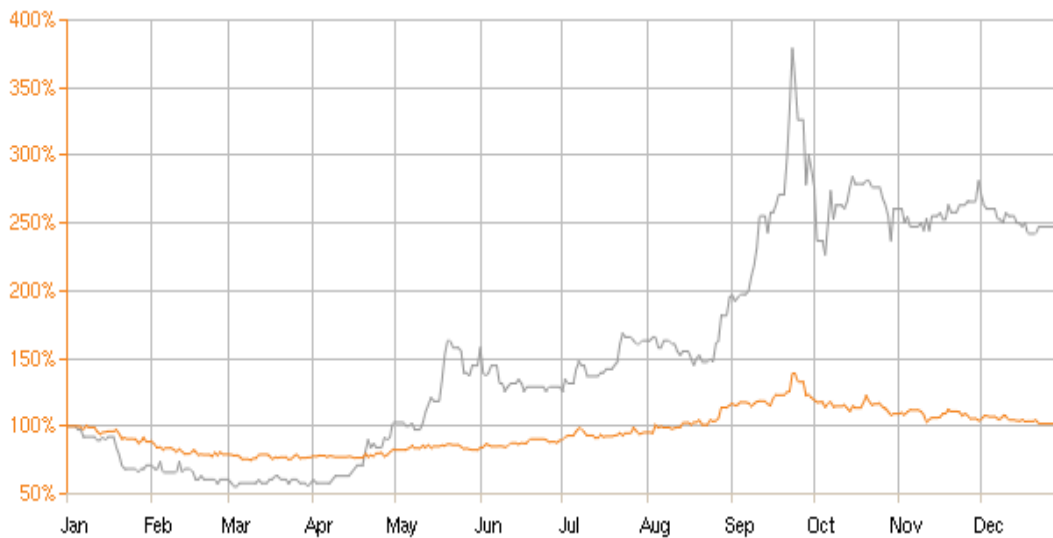
Significant movements in company's performance over the last three years have been reflected in company's share price on NASDAQ OMX Riga. Although during 2009 the share price has increased significantly because of considerable improvement in company's operations, it still is much smaller than it was at its recent highest in summer of 2007.

Share Price of Olainfarm on NASDAQ OMX Riga (LVL) (January 2007 – December 2009)



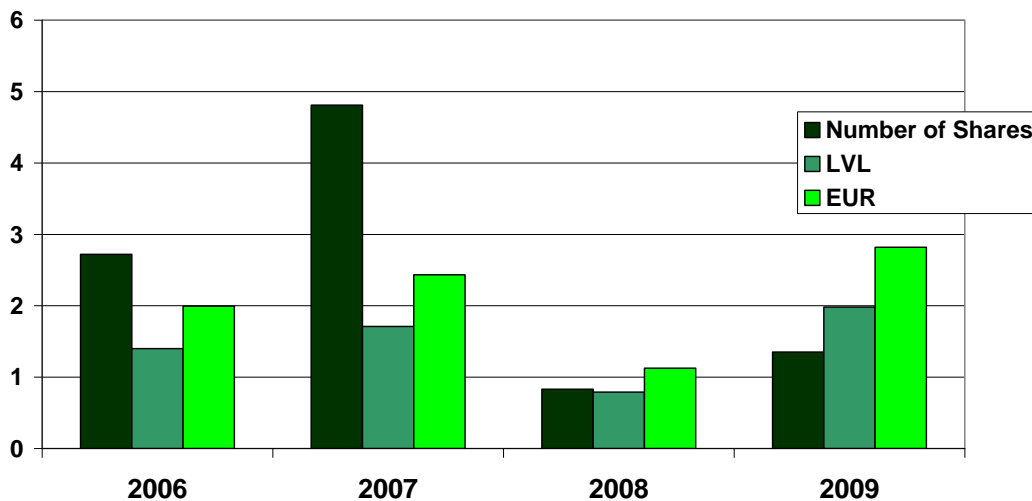
Since the reports of 1st quarter of 2009 were published a particularly rapid price increase of Olainfarm's shares took place. With some corrections it persisted throughout 2009 and during this period has increased by nearly 150%. During 2009 the price has fluctuated between 0.2 lats (0.28 euros) and 1.5 lats (2.13 euros). Average weighted share price in 2009 was 0.68 lats (.97 euros). NASDAQ OMX Riga Index during this period has remained relatively unchanged and has increased by a mere 3%.

Rebased Price of “Olainfarm” Shares on NASDAQ OMX Riga vs. Rebased OMX Riga Index (January – December 2009)



-- OMR Riga
 -- AS “Olainfarm”

Turnover of Shares on NASDAQ OMX Riga, mln.



Product development

45 registrations of products and doses in 13 different countries have been completed during 2009. It includes registration of products in countries that so far have been untypical for Company’s sales, like Tajikistan, Turkmenistan, Poland, Albania and Australia. Registration of several products has also been started in Romania and Vietnam. Products that are being registered include totally new names for the company, like meldonium, olanzapine, amlodipine, flukonazole, terbinafine and memantine. Good Manufacturing Practice certificate for production of 2 new active substances has also been obtained in 2009. First ever shipment of final dosage forms to Australia has taken place in 2009.

Environment

On April 22nd, 2009 Company underwent the supervisory audit for ISO 14001:2004 environmental management certificate, but in December 2009, re-certification of the company was successfully completed according to this standard. The current ISO 14001:2004 certificate is valid until January, 2013.

Significant modernisation of the waste water treatment facilities have been 2009. Investments made will allow at least 30% reduction in electrical power consumed by them. Work place environmental risks have also been assessed in 2009.

Events after the end of the reporting period

On January 9, 2010, loyal long term employee and a Board member of Olainfarm Mr. Vjaceslavs Kulikovs died. After this tragic event the company is left with four Board members and during the next meeting of the Supervisory Council a new Board member will be appointed.

In February 2010 the registration of ampouled meldonium has been completed in Ukraine and registration of several products has been started in Serbia and Indonesia.

Application for new category A polluting activity permit has been applied for.

In February 2010 according to the orders received shipments of the chemical product for British „Novartis Grimsby limited” were continued.

Financial reports have been approved by the Board of the Parent Company and on its behalf they are signed by:

February 26, 2010



Statement of Responsibility of the Management

The Management Board prepares financial statements for each financial year which give a true and fair view of the state of affairs of the Group, the cash flows and the results of the Group for that period in accordance with International Financial Reporting Standards as adopted by the EU. In preparing those financial statements, they:

- ♦ select suitable accounting policies and then apply them consistently;
- ♦ make judgments and estimates that are reasonable and prudent;
- ♦ prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group will continue in business.

The Management Board is responsible for keeping proper accounting records, which disclose with reasonable accuracy at any time the financial position, financial performance and cash flows of the Parent Company and the Group and enable them to ensure that financial statements drawn up from them comply with International Financial Reporting Standards as adopted by the EU.

On behalf of the Board



February 26, 2010

Consolidated income statement

| | Notes | 2009 LVL | 2009 EUR | 2008 LVL | 2008 EUR |
|---|--------|--------------------|--------------------|--------------------|---------------------|
| Net sales | 3 | 22 441 240 | 31 931 008 | 20 086 220 | 28 580 116 |
| Changes in stock of finished goods and work in progress | | 86 809 | 123 518 | 875 078 | 1 245 124 |
| Other operating income | 4 | 409 361 | 582 468 | 508 349 | 723 316 |
| Cost of materials: | | | | | |
| <i>raw materials and consumables</i> | | (2 326 977) | (3 310 990) | (3 229 985) | (4 595 855) |
| <i>other external costs</i> | | (1 606 572) | (2 285 946) | (1 893 967) | (2 694 872) |
| | | <u>(3 933 549)</u> | <u>(5 596 936)</u> | <u>(5 123 952)</u> | <u>(7 290 727)</u> |
| Staff costs: | | | | | |
| <i>Wages and salaries</i> | 9 | (5 017 518) | (7 139 285) | (6 937 286) | (9 870 869) |
| <i>Statutory social insurance contributions</i> | 9 | (1 139 469) | (1 621 318) | (1 508 002) | (2 145 694) |
| | | <u>(6 156 987)</u> | <u>(8 760 603)</u> | <u>(8 445 288)</u> | <u>(12 016 562)</u> |
| Depreciation/ amortization | 11,12. | <u>(2 262 640)</u> | <u>(3 219 447)</u> | <u>(2 555 345)</u> | <u>(3 635 928)</u> |
| Other operating expense | 5 | (7 194 285) | (10 236 545) | (6 282 538) | (8 939 246) |
| Income from investments into subsidiaries | | - | - | 32 630 | 46 428 |
| Financial income | 6 | 69 702 | 99 177 | 44 715 | 63 624 |
| Financial expense | 7 | (553 131) | (787 035) | (681 963) | (970 346) |
| (Loss)/ profit before taxes | | 2 906 520 | 4 135 605 | (1 542 094) | (2 194 203) |
| Corporate income tax | 18 | (356 165) | (506 778) | - | - |
| Deferred corporate income tax | 18 | 10 137 | 14 424 | 95 566 | 135 978 |
| (Loss)/ profit for the reporting year | | 2 560 492 | 3 643 251 | (1 446 528) | (2 058 224) |
| Basic and diluted earnings per share | 10 | 0.182 | 0.259 | (0.103) | (0.146) |

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

For the Board of the Group:


 Valerijs Maligins
 Chairman of the Board
 (President)



26 February 2010

Consolidated balance sheet

| | | ASSETS | | | | |
|--------------------------------------|--|---------------------------------|-------------------|-------------------|-------------------|-------------------|
| | | Notes | 31.12.2009 | 31.12.2009 | 31.12.2008 | 31.12.2008 |
| | | | LVL | EUR | LVL | EUR |
| NON-CURRENT ASSETS | | | | | | |
| Intangible assets | | | | | | |
| | | 10 | 503 930 | 717 028 | 503 930 | 717 028 |
| | | 10 | 5 923 670 | 8 428 623 | 6 061 513 | 8 624 756 |
| | | 10 | 637 935 | 907 700 | 399 113 | 567 887 |
| | | | 173 471 | 246 827 | 289 678 | 412 175 |
| | | TOTAL | 7 239 006 | 10 300 178 | 7 254 234 | 10 321 845 |
| Property, plant and equipment | | | | | | |
| | | 11 | 6 445 656 | 9 171 342 | 6 980 756 | 9 932 721 |
| | | 11 | 2 862 135 | 4 072 451 | 4 052 292 | 5 765 892 |
| | | 11 | 183 408 | 260 966 | 262 939 | 374 128 |
| | | 11 | 111 637 | 158 845 | 88 779 | 126 321 |
| | | | 247 580 | 352 275 | 229 545 | 326 613 |
| | | TOTAL | 9 850 416 | 14 015 879 | 11 614 311 | 16 525 676 |
| Financial assets | | | | | | |
| | | | 386 | 549 | 386 | 549 |
| | | | 650 | 925 | 650 | 925 |
| | | TOTAL | 1 036 | 1 474 | 1 036 | 1 474 |
| | | TOTAL NON-CURRENT ASSETS | 17 090 458 | 24 317 531 | 18 869 581 | 26 848 995 |
| CURRENT ASSETS | | | | | | |
| Inventories | | | | | | |
| | | | 668 186 | 950 743 | 983 211 | 1 398 983 |
| | | | 4 029 985 | 5 734 152 | 3 644 321 | 5 185 402 |
| | | | 1 881 127 | 2 676 603 | 2 294 060 | 3 264 153 |
| | | | 19 074 | 27 140 | - | - |
| | | | 45 242 | 64 374 | 16 785 | 23 883 |
| | | TOTAL | 6 643 614 | 9 453 011 | 6 938 377 | 9 872 421 |
| Receivables | | | | | | |
| | | 13 | 5 414 429 | 7 704 038 | 4 577 918 | 6 513 790 |
| | | | 73 000 | 103 870 | 37 325 | 53 109 |
| | | | - | - | 491 069 | 698 728 |
| | | | 200 862 | 285 801 | 277 994 | 395 550 |
| | | | 235 | 334 | 124 194 | 176 712 |
| | | | 423 000 | 601 875 | 239 438 | 340 690 |
| | | | 89 974 | 128 021 | 66 254 | 94 271 |
| | | TOTAL | 6 201 500 | 8 823 940 | 5 814 192 | 8 272 850 |
| Cash | | 14 | 683 055 | 971 900 | 37 106 | 52 797 |
| | | TOTAL CURRENT ASSETS | 13 528 169 | 19 248 850 | 12 789 675 | 18 198 068 |
| TOTAL ASSETS | | | 30 618 627 | 43 566 381 | 31 659 256 | 45 047 063 |

| EQUITY AND LIABILITIES | | | | | |
|---|-------|-------------------|-------------------|-------------------|-------------------|
| | Notes | 31.12.2009 | 31.12.2009 | 31.12.2008 | 31.12.2008 |
| EQUITY | | LVL | EUR | LVL | EUR |
| Share capital | 15 | 14 085 078 | 20 041 260 | 14 085 078 | 20 041 260 |
| Share premium | | 1 759 708 | 2 503 839 | 1 759 708 | 2 503 839 |
| Retained earnings/ (accumulated deficit): | | | | | |
| brought forward | | (1 096 253) | (1 559 828) | 350 275 | 498 396 |
| for the period | | 2 560 492 | 3 643 252 | (1 446 528) | (2 058 224) |
| TOTAL EQUITY | | 17 309 025 | 24 628 523 | 14 748 533 | 20 985 271 |
| LIABILITIES | | | | | |
| Non-current liabilities | | | | | |
| Loans from credit institutions | 16 | 3 564 690 | 5 072 097 | 4 944 134 | 7 034 869 |
| Long term payables for the long-term investment | | 3 007 882 | 4 279 831 | 1 256 836 | 1 788 317 |
| Deferred corporate income tax liabilities | | 708 027 | 1 007 432 | 718 164 | 1 021 855 |
| Taxes payable | 18 | 197 586 | 281 140 | 394 981 | 562 007 |
| Finance lease liabilities | 17 | 104 531 | 148 734 | 216 828 | 308 518 |
| TOTAL | | 7 582 716 | 10 789 233 | 7 530 943 | 10 715 567 |
| Current liabilities | | | | | |
| Loans from credit institutions | 16 | 2 412 513 | 3 432 697 | 3 482 417 | 4 955 033 |
| Finance lease liabilities | 17 | 108 708 | 154 678 | 172 536 | 245 497 |
| Prepayments received from customers | | 125 035 | 177 909 | 356 829 | 507 722 |
| Trade and other payables | 20 | 1 375 596 | 1 957 297 | 3 278 115 | 4 664 337 |
| Payables to related companies | | 199 142 | 283 354 | 344 786 | 490 586 |
| Taxes payable | 18 | 578 711 | 823 432 | 935 430 | 1 330 997 |
| Corporate income tax | 18 | 304 262 | 432 926 | - | - |
| Accrued liabilities | 19 | 622 918 | 886 332 | 809 667 | 1 152 052 |
| TOTAL | | 5 726 885 | 8 148 623 | 9 379 780 | 13 346 224 |
| TOTAL LIABILITIES | | 13 309 602 | 18 937 857 | 16 910 723 | 24 061 791 |
| TOTAL EQUITY AND LIABILITIES | | 30 618 627 | 43 566 381 | 31 659 256 | 45 047 063 |

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

For the Board of the Group:

26 February 2010


 Valērijs Māliņš
 Chairman of the Board
 (President)



Consolidated cash flow statement

| | 2009 LVL | 2009 EUR | 2008 LVL | 2008 EUR |
|---|--------------------|--------------------|--------------------|--------------------|
| Cash flows to/from operating activities | | | | |
| (Loss)/ Profit before taxes | 2 965 475 | 4 219 491 | (1 542 094) | (2 194 202) |
| Adjustments for: | | | | |
| Amortisation and depreciation | 2 272 104 | 3 232 913 | 2 581 624 | 3 673 320 |
| Loss on sale/ disposal of property, plant and equipment | 8 455 | 12 030 | 231 401 | 329 254 |
| Increase in allowances | 495 731 | 705 362 | 116 970 | 166 433 |
| Interest expenses | 385 028 | 547 845 | 589 224 | 838 390 |
| Operating cash flows before working capital changes | 6 126 793 | 8 717 641 | 1 977 125 | 2 813 195 |
| Increase in inventories | (115 438) | (164 253) | (605 609) | (861 704) |
| Decrease in receivables and prepaid expense | (480 852) | (684 191) | 313 977 | 446 749 |
| Increase/ (decrease) in payables and prepayments received | (2 662 501) | (3 788 398) | 1 019 272 | 1 450 293 |
| Cash generated from operations | 2 868 002 | 4 080 799 | 2 704 765 | 3 848 534 |
| Interest paid | (328 173) | (466 948) | (596 552) | (848 817) |
| Corporate income tax paid | (44 891) | (63 874) | (199 830) | (284 332) |
| Net cash flows to/ from operating activities | 2 494 938 | 3 549 977 | 1 908 383 | 2 715 384 |
| Cash flows to/from investing activities | | | | |
| Purchase of property, plant and equipment | (493 164) | (701 709) | (3 008 450) | (4 280 639) |
| Acquisition of subsidiary | - | - | (282 988) | (402 656) |
| Proceeds from sale of intangible assets and property, plant and equipment | 7 226 | 10 282 | 1 708 | 2 430 |
| Loans repaid | 6 069 | 8 635 | 243 263 | 346 132 |
| Loans granted | (200 906) | (285 863) | (338 565) | (481 735) |
| Net cash flows to/from investing activities | (680 775) | (968 656) | (3 385 032) | (4 816 467) |
| Cash flows to/from financing activities | | | | |
| Proceeds from issue of shares | - | - | - | - |
| Borrowings repaid | (1 668 610) | (2 374 218) | (1 432 018) | (2 037 578) |
| Proceeds from borrowings | 500 396 | 711 999 | 1 867 169 | 2 656 742 |
| Net cash flows to/from financing activities | (1 168 214) | (1 662 219) | 435 151 | 619 164 |
| Change in cash | 645 949 | 919 103 | (1 041 498) | (1 481 918) |
| Cash at the beginning of the year | 37 106 | 52 797 | 1 078 604 | 1 534 715 |
| Cash at the end of the year | 683 055 | 971 900 | 37 106 | 52 797 |

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

Consolidated statement of changes in equity

| | Share capital | | Share premium | | Retained earnings/ (Accumulated deficit) | Retained earnings/ (Accumulated deficit) | Total | |
|---------------------------------------|-------------------|-------------------|------------------|------------------|---|---|-------------------|-------------------|
| | LVL | EUR | LVL | EUR | LVL | EUR | LVL | EUR |
| Balance as at 31 December 2008 | 14 085 078 | 20 041 260 | 1 759 708 | 2 503 839 | (1 096 253) | (1 559 828) | 14 748 533 | 20 985 272 |
| Loss for the reporting year | - | - | - | - | 2 560 492 | 3 643 252 | 2 560 492 | 3 643 252 |
| Balance as at 31 December 2009 | 14 085 078 | 20 041 260 | 1 759 708 | 2 503 839 | 1 464 239 | 2 083 424 | 17 309 025 | 24 628 523 |

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

Notes to the consolidated financial statements

1. Corporate information

The principal activities of Olainfarm Group (hereinafter, the Group) are manufacturing and distribution of chemical and pharmaceutical products.

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

The shares of the Parent Company are listed on Riga Stock Exchange, Latvia.

These consolidated financial statements were approved by the Board on 26 February 2010.

The Parent Company's shareholders have the power to amend the consolidated financial statements after the issue.

2. Summary of significant accounting policies

Foreign currency translation

The functional and reporting currency of companies of the Group is the Lat (LVL). All transactions denominated in foreign currencies are converted into Lats at the Bank of Latvia rate of exchange prevailing on the day the transaction took place. Gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies are recognized in the income statement. At the year end foreign currency financial assets and liabilities are translated at the Bank of Latvia rate of exchange ruling at 31 December, and all associated exchange differences are dealt with through the income statement.

Exchange rates against the USD and EUR in the last two years have been:

| | <u>31/12/2009</u> | <u>31/12/2008</u> |
|-----|-------------------|-------------------|
| EUR | 0.702804 | 0.702804 |
| USD | 0.489 | 0.495 |

3. Net sales

| <i>By business segments</i> | 2009 | | 2008 | |
|------------------------------------|-------------------|-------------------|-------------------|-------------------|
| | LVL | EUR | LVL | EUR |
| Finished form medicine | 20 986 161 | 29 860 616 | 18 494 454 | 26 315 237 |
| Chemicals | 1 455 080 | 2 070 392 | 1 591 766 | 2 264 879 |
| TOTAL: | 22 441 240 | 31 931 008 | 20 086 220 | 28 580 116 |

| <i>By geographical segments</i> | 2009 | | 2008 | |
|--|-------------------|-------------------|-------------------|-------------------|
| | LVL | EUR | LVL | EUR |
| CIS | 17 156 717 | 24 411 809 | 14 197 981 | 20 201 907 |
| Latvia | 2 965 522 | 4 219 558 | 3 219 004 | 4 580 230 |
| Europe | 1 286 881 | 1 831 067 | 1 853 838 | 2 637 774 |
| Other | 547 529 | 779 063 | 256 865 | 365 486 |
| Baltic states (Lithuania and Estonia) | 484 591 | 689 511 | 558 532 | 794 719 |
| TOTAL: | 22 441 240 | 31 931 008 | 20 086 220 | 28 580 116 |

4. Other operating income

| | 2009 | | 2008 | |
|---------------------------------------|----------------|----------------|----------------|----------------|
| | LVL | EUR | LVL | EUR |
| Treatment of waste water | 172 905 | 246 022 | 152 781 | 217 388 |
| Income of services* | 95 793 | 136 301 | 118 749 | 168 965 |
| Lease of premises | 66 925 | 95 226 | 54 702 | 77 835 |
| Sale of current assets | 995 | 1 416 | 52 893 | 75 261 |
| Incomes from catering services | 25 813 | 36 728 | 44 882 | 63 862 |
| Gains from sale of non-current assets | 3 654 | 5 198 | 1 708 | 2 430 |
| Other operating income | 43 275 | 61 575 | 82 632 | 117 574 |
| TOTAL: | 409 361 | 582 469 | 508 349 | 723 316 |

* Income from services includes the analysis of preparations based on customer's orders.

5. Other operating expense

| | 2009 | | 2008 | |
|--|------------------|-------------------|------------------|------------------|
| | LVL | EUR | LVL | EUR |
| Marketing expense* | 4 784 714 | 6 808 034 | 3 868 863 | 5 504 896 |
| Other distribution costs | 73 060 | 103 955 | 153 308 | 218 138 |
| Sales commissions | 131 968 | 187 774 | 109 984 | 156 493 |
| Transportation expense | 84 986 | 120 924 | 108 523 | 154 414 |
| Expert analysis of medicines | 7 001 | 9 962 | 22 332 | 31 776 |
| <i>Total distribution costs:</i> | <i>5 081 730</i> | <i>7 230 650</i> | <i>4 263 010</i> | <i>6 065 716</i> |
| Allowances for slow-moving raw materials | 351 470 | 500 097 | 77 931 | 110 886 |
| Insurance | 158 971 | 226 195 | 144 168 | 205 132 |
| Security | 158 747 | 225 877 | 31 660 | 45 047 |
| Allowances for doubtful receivables | 135 593 | 192 931 | 62 645 | 89 136 |
| Write-offs of current assets | 134 585 | 191 497 | 104 636 | 148 883 |
| Information and business consulting | 101 894 | 144 982 | 122 330 | 174 060 |
| Business trips | 92 618 | 131 784 | 151 229 | 215 179 |
| Other taxes | 59 179 | 84 204 | 54 287 | 77 243 |
| Communications expense | 59 011 | 83 965 | 75 785 | 107 833 |
| Allowances for work in progress | 58 731 | 83 567 | 39 452 | 56 135 |
| Representation expense | 44 073 | 62 710 | 69 426 | 98 784 |
| Car fleet maintenance | 40 688 | 57 894 | 74 766 | 106 382 |
| Permits for import and export of medicines | 40 409 | 57 497 | 82 217 | 116 985 |
| Allowances to staff | 39 171 | 55 735 | 44 842 | 63 804 |
| Social infrastructure | 32 290 | 45 945 | 48 742 | 69 354 |
| Impairment non-tangible assets | 30 702 | 43 685 | - | - |
| Current repairs | 30 027 | 42 725 | 57 883 | 82 361 |
| Audit fees | 29 650 | 42 188 | 42 415 | 60 351 |
| Bank charges | 29 535 | 42 025 | 26 819 | 38 160 |
| Education | 28 016 | 39 863 | 24 535 | 34 910 |
| Donations | 25 223 | 35 889 | 26 747 | 38 058 |
| Waste removal | 19 680 | 28 002 | 19 024 | 27 068 |
| Annual payment for medicines registered in LR | 19 250 | 27 390 | 3 051 | 4 341 |
| Flowers and gifts | 17 379 | 24 728 | 62 633 | 89 119 |
| New product research and development costs | 16 399 | 23 334 | 108 215 | 153 976 |
| Hosting expense | 14 583 | 20 750 | 20 031 | 28 502 |
| Inventoring of buildings | 13 000 | 18 497 | - | - |
| Membership fees | 12 392 | 17 632 | 15 437 | 21 965 |
| Office expense | 12 089 | 17 201 | 27 519 | 39 156 |
| Laboratory tests | 11 131 | 15 838 | 11 917 | 16 957 |
| Write-offs and disposal of property, plant and equipment | 10 421 | 14 828 | 56 844 | 80 882 |
| Legal expense | 8 413 | 11 971 | 33 830 | 48 136 |
| Write-off of intangible assets | - | - | 110 714 | 157 532 |
| Other operating expense | 277 235 | 394 470 | 187 798 | 267 212 |
| TOTAL: | 7 194 285 | 10 236 545 | 6 282 538 | 8 939 246 |

6. Financial income

| | 2009 | | 2008 | |
|---|---------------|---------------|---------------|---------------|
| | LVL | EUR | LVL | EUR |
| Interest accrued on bank account balances | 13 804 | 19 642 | 21 502 | 30 594 |
| Currency exchange gain, net | 33 860 | 48 179 | 7 220 | 10 273 |
| Loan interest payments | 12 291 | 17 488 | 11 175 | 15 901 |
| Currency exchange commission | 9 746 | 13 868 | - | - |
| Received penalties | - | - | 4 818 | 6 855 |
| TOTAL: | 69 702 | 99 177 | 44 715 | 63 624 |

7. Financial expense

| | 2009 | | 2008 | |
|----------------------------------|----------------|----------------|----------------|----------------|
| | LVL | EUR | LVL | EUR |
| Loan interest expenses | 411 045 | 584 865 | 589 224 | 838 390 |
| Penalties paid for late payments | 142 086 | 202 170 | 59 338 | 84 430 |
| Currency exchange commission | - | - | 33 401 | 47 526 |
| TOTAL: | 553 131 | 787 035 | 681 963 | 970 346 |

8. Staff costs and number of employees

| | 2009 | | 2008 | |
|--|------------------|------------------|------------------|-------------------|
| | LVL | EUR | LVL | EUR |
| Wages and salaries | 5 017 518 | 7 139 285 | 6 937 286 | 9 870 868 |
| Statutory social insurance contributions | 1 139 469 | 1 621 318 | 1 508 002 | 2 145 694 |
| TOTAL: | 6 156 987 | 8 760 603 | 8 445 288 | 12 016 562 |

| | 2009 | | 2008 | |
|--|------------------|------------------|------------------|------------------|
| | LVL | EUR | LVL | EUR |
| Management of the Group | | | | |
| Wages and salaries | 387 327 | 551 117 | 538 385 | 766 053 |
| Statutory social insurance contributions | 92 974 | 132 290 | 115 959 | 164 995 |
| Board Members | | | | |
| Wages and salaries | 375 767 | 534 668 | 405 376 | 576 798 |
| Statutory social insurance contributions | 70 995 | 101 017 | 16 288 | 23 176 |
| Council Members | | | | |
| Wages and salaries | 91 575 | 130 299 | 153 855 | 218 915 |
| Statutory social insurance contributions | 20 825 | 29 632 | 22 607 | 32 167 |
| TOTAL: | 1 039 463 | 1 479 023 | 1 252 470 | 1 782 105 |

| | 31/12/2009 | 31/012/2008 |
|---|------------|-------------|
| Average number of employees during the reporting year | 857 | 1 003 |

9. Basic and diluted earnings per share

Earnings per share are calculated by dividing the net result for the year after taxation attributable to shareholders by the weighted average number of shares in issue during the year. The table below presents the income and share data used in the computations of basic earnings per share:

| | 2009 | | 2008 | |
|---|--------------|--------------|----------------|----------------|
| | LVL | EUR | LVL | EUR |
| Net result attributable to shareholders | 2 560 492 | 3 643 252 | (1 446 527) | (2 058 222) |
| Weighted average number of ordinary shares* | 14 085 078 | 14 085 078 | 14 085 078 | 14 085 078 |
| Earnings per share | 0,182 | 0,259 | (0,103) | (0,146) |

The Parent Company has no potential dilutive ordinary shares and therefore diluted earnings per share are the same as the basic earnings per share.

10. Intangible assets

| | Goodwill | | Goodwill | | Production technologies | | Other intangible assets | | TOTAL | |
|--|----------------|----------------|-------------|-------------|-------------------------|------------------|-------------------------|------------------|------------------|-------------------|
| | LVL | EUR | LVL | EUR | LVL | EUR | LVL | EUR | LVL | EUR |
| Acquisition value as at 31/12/2007 | - | - | 1 710 896 | 2 434 386 | 950 000 | 1 351 728 | 375 480 | 534 260 | 3 036 376 | 4 320 374 |
| Additions | - | - | - | - | 1 900 000 | 2 703 456 | 183 831 | 261 568 | 2 083 831 | 2 965 024 |
| Acquired as a result of business combination | - | - | - | - | 3 359 531 | 4 780 182 | - | - | 3 359 531 | 4 780 182 |
| 2008 | | | | | | | | | | |
| Arising on acquisition of subsidiary | 503 930 | 717 028 | - | - | - | - | - | - | 503 930 | 717 028 |
| Reclasification** | - | - | (322 797) | (459 299) | - | - | 322 797 | 459 299 | - | - |
| Disposals | - | - | (1 388 099) | (1 975 087) | - | - | (63 325) | (90 103) | (1 451 424) | (2 065 190) |
| Acquisition value as at 31/12/2008 | 503 930 | 717 028 | - | - | 6 209 531 | 8 835 367 | 818 783 | 1 165 023 | 7 532 244 | 10 717 418 |
| 2009 | | | | | | | | | | |
| Additions | - | - | - | - | 18 918 | 26 918 | 410 590 | 584 217 | 429 508 | 611 135 |
| Disposals | - | - | - | - | - | - | (44 105) | (62 756) | (44 105) | (62 756) |
| Acquisition value as at 31/12/2009 | 503 930 | 717 028 | - | - | 6 228 449 | 8 862 285 | 1 185 268 | 1 686 484 | 7 917 647 | 11 265 797 |
| Accumulated amortisation as at 31/12/2007 | - | - | 1 170 439 | 1 665 385 | - | - | 185 150 | 263 445 | 1 355 589 | 1 928 829 |
| Amortisation | - | - | 310 249 | 441 445 | 148 018 | 210 611 | 91 485 | 130 171 | 549 752 | 782 227 |
| 2008 | | | | | | | | | | |
| Reclasification** | - | - | (204 903) | (291 551) | - | - | 204 903 | 291 551 | - | - |
| Amortisation of disposals | - | - | (1 275 785) | (1 815 279) | - | - | (61 866) | (88 027) | (1 337 651) | (1 903 306) |
| Accumulated amortisation as at 31/12/2008 | - | - | - | - | 148 018 | 210 611 | 419 672 | 597 139 | 567 690 | 807 750 |
| 2009 | | | | | | | | | | |
| Amortisation | - | - | - | - | 156 763 | 223 054 | 171 624 | 244 198 | 328 387 | 467 252 |
| Amortisation of disposals | - | - | - | - | - | - | (43 962) | (62 552) | (43 962) | (62 552) |
| Accumulated amortisation as at 31/12/2009 | - | - | - | - | 304 781 | 433 664 | 547 334 | 778 785 | 852 115 | 1 212 450 |
| Net carrying amount as at 31/12/2008 | 503 930 | 717 028 | - | - | 6 061 513 | 8 624 756 | 399 113 | 567 887 | 6 964 556 | 9 909 670 |
| Net carrying amount as at 31/12/2009 | 503 930 | 717 028 | - | - | 5 923 670 | 8 428 623 | 637 935 | 907 700 | 7 065 535 | 10 053 351 |

11. Property, plant and equipment

LVL

| | Land | Buildings and constructions | Equipment and machinery | Other tangible assets | Construction in progress | TOTAL |
|--|---------------|-----------------------------|-------------------------|-----------------------|--------------------------|-------------------|
| Acquisition value as at 31/12/2007 | 55 928 | 10 562 122 | 11 324 420 | 732 351 | 1 187 133 | 23 861 954 |
| Additions | - | 5 750 | 866 615 | 84 649 | 1 854 894 | 2 811 908 |
| 2008 Disposals | - | (203 827) | (318 253) | (105 855) | (10 720) | (638 655) |
| Reclassification | - | 2 659 094 | 391 885 | (108 451) | (2 942 528) | - |
| Acquisition value as at 31/12/2008 | 55 928 | 13 023 139 | 12 264 667 | 602 694 | 88 779 | 26 035 207 |
| 2009 Additions | - | - | 148 944 | 4 531 | 22 858 | 176 333 |
| Disposals | - | (31 119) | (154 277) | (5 971) | - | (191 367) |
| Acquisition value as at 31/12/2009 | 55 928 | 12 992 020 | 12 259 334 | 601 254 | 111 637 | 26 020 173 |
| Accumulated depreciation as at 31/12/2007 | - | 5 857 445 | 6 964 522 | 315 923 | - | 13 137 890 |
| 2008 Depreciation | - | 399 665 | 1 537 900 | 94 307 | - | 2 031 872 |
| Depreciation of disposals | - | (158 798) | (290 047) | (70 474) | - | (519 319) |
| Accumulated depreciation as at 31/12/2008 | - | 6 098 312 | 8 212 375 | 339 756 | - | 14 650 443 |
| 2009 Depreciation | - | 526 356 | 1 333 303 | 84 117 | - | 1 943 775 |
| Depreciation of disposals | - | (22 375) | (148 002) | (5 453) | - | (175 830) |
| Reversed impairment | - | - | (475) | (574) | - | (1 049) |
| Accumulated depreciation as at 31/12/2009 | - | 6 602 293 | 9 397 201 | 417 846 | - | 16 417 339 |
| Net carrying amount as at 31/12/2008 | 55 928 | 6 924 828 | 4 052 292 | 262 939 | 88 779 | 11 384 766 |
| Net carrying amount as at 31/12/2009 | 55 928 | 6 389 728 | 2 862 135 | 183 408 | 111 637 | 9 602 837 |

EUR

| | Land | Buildings and constructions | Equipment and machinery | Other tangible assets | Construction in progress | TOTAL |
|--|---------------|-----------------------------|-------------------------|-----------------------|--------------------------|-------------------|
| Acquisition value as at 31/12/2007 | 79 578 | 15 028 546 | 16 113 198 | 1 042 042 | 1 689 138 | 33 952 502 |
| Additions | - | 8 182 | 1 233 082 | 120 445 | 2 639 276 | 4 000 985 |
| 2008 Disposals | - | (290 020) | (452 833) | (150 618) | (15 253) | (908 724) |
| Reclassification | - | 3 783 550 | 557 602 | (154 312) | (4 186 840) | - |
| Acquisition value as at 31/12/2008 | 79 578 | 18 530 257 | 17 451 049 | 857 556 | 126 321 | 37 044 762 |
| 2009 Additions | - | - | 211 928 | 6 447 | 32 524 | 250 899 |
| Disposals | - | (44 278) | (219 516) | (8 496) | - | (272 291) |
| Acquisition value as at 31/12/2009 | 79 578 | 18 485 979 | 17 443 461 | 855 507 | 158 845 | 37 023 370 |
| Accumulated depreciation as at 31/12/2007 | - | 8 334 393 | 9 909 622 | 449 518 | - | 18 693 533 |
| 2008 Depreciation | - | 568 672 | 2 188 235 | 134 187 | - | 2 891 093 |
| Depreciation of disposals | - | (225 949) | (412 700) | (100 275) | - | (738 924) |
| Accumulated depreciation as at 31/12/2008 | - | 8 677 116 | 11 685 157 | 483 429 | - | 20 845 702 |
| 2009 Depreciation | - | 748 936 | 1 897 119 | 119 687 | - | 2 765 743 |
| Depreciation of disposals | - | (31 837) | (210 588) | (7 759) | - | (250 183) |
| Reversed impairment | - | - | (676) | (817) | - | (1 493) |
| Accumulated depreciation as at 31/12/2009 | - | 9 394 216 | 13 371 012 | 594 541 | - | 23 359 769 |
| Net carrying amount as at 31/12/2008 | 79 578 | 9 853 143 | 5 765 892 | 374 128 | 126 321 | 16 199 063 |
| Net carrying amount as at 31/12/2009 | 79 578 | 9 091 765 | 4 072 451 | 260 966 | 158 845 | 13 663 606 |

There is a difference of LVL 9 521 between total depreciation and amortisation under the income statement and the total depreciation and amortisation stated in Notes 10 and 11. Difference is explained as depreciation of the property, plant and equipment in the cafe and the canteen – LVL 5 687 which was disclosed in the income statement as other operating expense and 3 834 LVL depreciation and amortization expenses included in other operating expense.

12. Inventories

| | 31.12.2009. | | 31.12.2008. | |
|--|------------------|--------------------|------------------|-------------------|
| | LVL | EUR | LVL | EUR |
| Work in progress (at cost) | 4 269 847 | 6 075 445 | 3 825 452 | 5 443 128 |
| Finished goods and goods for resale (at cost)* | 2 243 903 | 3 192 786 | 2 456 061 | 3 494 660 |
| Raw materials (at cost) | 904 337 | 1 286 755 | 1 068 667 | 1 520 576 |
| Prepayments for goods | 45 242 | 64 374 | 16 785 | 23 883 |
| Goods in transit | 19 074 | 27 140 | - | - |
| TOTAL: | 7 482 403 | 10 646 500 | 7 366 965 | 10 482 247 |
| Allowances for raw materials | (236 150) | (336 012) | (85 456) | (121 592) |
| Allowances for work in progress | (239 862) | (341 293) | (181 131) | (257 726) |
| Allowances for finished goods and goods for resale | (362 776) | (516 184) | (162 001) | (230 507) |
| TOTAL: | (838 789) | (1 193 489) | (428 588) | (609 825) |
| TOTAL: | 6 643 614 | 9 453 011 | 6 938 377 | 9 872 421 |

* As at 31 December 2009, the Group's inventories comprised goods on consignment in the amount of LVL 265 700 (31/12/2008: LVL 231 737).

13. Trade receivables

| | 31.12.2009. | | 31.12.2008. | |
|---|------------------|------------------|------------------|------------------|
| | LVL | EUR | LVL | EUR |
| Trade receivables | 5 466 032 | 7 777 463 | 4 598 706 | 6 543 368 |
| Allowances for doubtful trade receivables | (51 603) | (73 424) | (20 788) | (29 579) |
| TOTAL: | 5 414 429 | 7 704 038 | 4 577 918 | 6 513 790 |

14. Cash and short term deposits

| | 31.12.2009. | | 31.12.2008. | |
|---------------------------|-------------|---------|-------------|--------|
| | LVL | EUR | LVL | EUR |
| Cash at banks and on hand | 182 659 | 259 900 | 37 106 | 52 797 |
| Short-term deposits | 500 396 | 712 000 | - | - |
| | 683 055 | 971 900 | 37 106 | 52 797 |

On September 23, 2009, the Company entered into a Deposit agreement with AS SEB Banka, whereby it deposited 712 000 euros for 6 months. Thereby the Bank undertook to pay an interest of 2.5% per annum.

| | 31.12.2009. | | 31.12.2008. | |
|----------------------------------|------------------|----------------|------------------|---------------|
| | Foreign currency | LVL | Foreign currency | LVL |
| Cash by currency profile: | | | | |
| LVL | - | 90 216 | - | 28 267 |
| EUR | 810 585 | 569 682 | 11 433 | 8 035 |
| USD | 47 185 | 23 033 | 1 625 | 804 |
| RUB | 7 499 | 123 | - | - |
| KOPĀ: | - | 683 055 | - | 37 106 |

Cash at banks earns interest at average 0.25% based on bank account service agreement.

15. Share capital

The share capital of the Parent Company on 31.12.2009 is LVL 14 085 078 (31/12/2008: LVL 14 085 078) and consists of 14 085 078 (2008: 14 085 078) shares. The par value of each share is LVL 1.

All 14 085 078 shares are ordinary publicly traded dematerialized voting shares to bearer.

16. Loans from credit institutions

| Non-current: | | Amount | Interest rate (%) as at 31/12/2009 | Maturity | 31.12.2009. LVL | 31.12.2009. EUR | 31.12.2008. LVL | 31.12.2008. EUR |
|---------------------------|-----------|--------|--|-------------|--------------------|--------------------|--------------------|--------------------|
| Loan from AS SEB banka | 6 950 000 | EUR | EUR LIBOR (3 month)+2.1% | 08.12.2011. | 1 576 917 | 2 243 750 | 2 117 574 | 3 013 036 |
| Loan from AS SEB banka | 4 000 000 | EUR | EURIBOR (3 month)+2.1% | 23.05.2013. | 1 148 243 | 1 633 803 | 1 623 378 | 2 309 859 |
| Loan from AS SEB banka | 2 000 000 | EUR | EURIBOR (3 month)+2.1% | 10.10.2012. | 606 341 | 862 745 | 937 072 | 1 333 333 |
| Loan from AS SEB banka | 445 000 | EUR | EURIBOR (3 month)+2.1% | 30.01.2015. | 233 189 | 331 798 | 266 110 | 378 640 |
| TOTAL: | | | | | 3 564 690 | 5 072 097 | 4 944 134 | 7 034 869 |

| Current: | | Amount | Interest rate (%) as at 31/12/2009 | Maturity | 31.12.2009. LVL | 31.12.2009. EUR | 31.12.2008. LVL | 31.12.2008. EUR |
|----------------------------------|-----------|--------|--|-------------|--------------------|--------------------|--------------------|--------------------|
| Loan from AS SEB banka | 6 950 000 | EUR | EUR LIBOR (3 month)+2.1% | 08.12.2011. | 540 657 | 769 286 | 541 655 | 770 705 |
| Loan from AS SEB banka | 4 000 000 | EUR | EURIBOR (3 month)+2.1% | 23.05.2013. | 475 135 | 676 056 | 475 978 | 677 255 |
| Loan from AS SEB banka | 2 000 000 | EUR | EURIBOR (3 month)+2.1% | 10.10.2012. | 330 731 | 470 588 | 331 389 | 471 524 |
| Loan from AS SEB banka | 445 000 | EUR | EURIBOR (3 month)+2.1% | 30.01.2015. | 32 921 | 46 842 | 33 014 | 46 975 |
| Credit line from AS SEB banka | 2 200 000 | EUR | EURIBOR (3 month)+2.9% | 03.01.2011. | 1 033 069 | 1 469 925 | 2 100 382 | 2 988 574 |
| TOTAL: | | | | | 2 412 513 | 3 432 697 | 3 482 417 | 4 955 033 |

On March 27, 2009 amendments were signed to the Credit line Agreement with JSC SEB Banka, providing that the new due date of the credit line is June 30, 2009 and the limit of the credit line is to be reduced to 2 200 000 Euro (Ls 1 546 169) by May 31, 2009. The new interest rate of the credit line was set at Euribor 3m +2,9%. On July 14, 2009 new amendments to the Credit Line Agreement with JSC SEB Banka were signed, providing the new due date of the credit line to be on December 31, 2009. Also agreements on long term loans were amended at this date, whereby the additional interest rate was increased to 2.1%. On May 22, 2009 Olainfarm signed a Factoring agreement with SIA „SEB Lizings” about factoring services with the total limit of EUR 800 000 (LVL 562 243). The Concern has put a deposit of 712 000 Euro (Ls 500 996) as an additional financial collateral to secure its obligations towards SEB Banka. On December 30, 2009., new amendments to the Credit line agreement were signed with SEB Banka, providing that the limit of the credit line is reduced to 1 488 000 EUR and the new due date is December 31st, 2010.

17. Finance lease liabilities

| | 31.12.2009. | | 31.12.2009. | | 31.12.2008. | | 31.12.2008. | |
|--|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| | LVL | | EUR | | LVL | | EUR | |
| | Non-current | Current | Non-current | Current | Non-current | Current | Non-current | Current |
| Finance lease liabilities to SIA SEB lizings, EUR | 104 531 | 108 708 | 148 734 | 154 678 | 216 828 | 156 939 | 308 518 | 223 304 |
| Finance lease liabilities to SIA Swedbank Lizings, EUR | - | - | - | - | - | 8 106 | - | 11 534 |
| Finance lease liabilities to SIA SEB lizings, LVL | - | - | - | - | - | 2 023 | - | 2 878 |
| Finance lease liabilities to SIA "Parex Lizings", EUR | - | - | - | - | - | 5 468 | - | 7 780 |
| TOTAL: | 104 531 | 108 708 | 148 734 | 154 678 | 216 828 | 172 536 | 308 518 | 245 497 |

Future minimum lease payments for the above finance leases can be specified as follows:

| | 31.12.2009. | | 31.12.2009. | | 31.12.2008. | | 31.12.2008. | |
|--|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| | Present | | Present | | Present | | Present | |
| | Minimum | value of | Minimum | value of | Minimum | value of | Minimum | value of |
| | payments | payments | payments | payments | payments | payments | payments | payments |
| | LVL | LVL | EUR | EUR | LVL | LVL | EUR | EUR |
| Within one year | 116 129 | 108 708 | 165 237 | 154 678 | 192 109 | 172 536 | 273 346 | 245 497 |
| Between one and five years | 108 655 | 104 531 | 154 602 | 148 734 | 232 230 | 216 828 | 330 434 | 308 518 |
| Total minimum lease payments | 224 784 | 213 239 | 319 839 | 303 412 | 424 339 | 389 364 | 603 780 | 554 015 |
| Less amounts representing finance charges | (11 545) | - | (16 427) | - | (34 975) | - | (49 765) | - |
| Present value of minimum lease payments | 213 239 | 213 239 | 303 412 | 303 412 | 389 364 | 389 364 | 554 015 | 554 015 |

18. Taxes payable/ receivable

| | 31.12.2009 | | 31.12.2009 | | 31.12.2008 | | 31.12.2008 | |
|--|------------|--------------------|------------|--------------------|------------|--------------------|------------|--------------------|
| | LVL | EUR | LVL | EUR | LVL | EUR | LVL | EUR |
| Personal income tax * | | (375 897) | | (534 853) | | (567 727) | | (807 803) |
| Statutory social insurance contributions * | | (367 087) | | (522 317) | | (712 429) | | (1 013 695) |
| Real estate tax * | | (29 560) | | (42 061) | | (46 190) | | (65 722) |
| Natural resource tax | | (3 650) | | (5 194) | | (4 065) | | (5 784) |
| Corporate income tax | | (304 027) | | (432 592) | | 124 194 | | 176 712 |
| Value added tax | | 94 222 | | 134 066 | | 90 895 | | 129 332 |
| TOTAL: | | (986 000) | | (1 402 951) | | (1 115 321) | | (1 586 959) |
| Total liabilities: | | (1 080 559) | | (1 537 496) | | (1 330 411) | | (1 893 004) |
| Total assets: | | 94 559 | | 134 545 | | 215 089 | | 306 044 |

19. Accrued liabilities

| | 31.12.2009. | | 31.12.2008. | |
|---|----------------|----------------|----------------|------------------|
| | LVL | EUR | LVL | EUR |
| Vacation pay reserve | 324 312 | 461 454 | 378 894 | 539 117 |
| Accrued interest for purchase of long term investment | 107 774 | 153 349 | 34 062 | 48 466 |
| Accruals for electricity and gas | 90 524 | 128 804 | 176 158 | 250 650 |
| Other accrued liabilities | 59 756 | 85 025 | 42 710 | 60 771 |
| Provisions for penalties related to taxes (see Note 25) | 40 552 | 57 701 | 60 497 | 86 080 |
| Accruals for discounts for customers | - | - | 63 803 | 90 783 |
| Accruals for marketing services | - | - | 53 543 | 76 184 |
| TOTAL: | 622 918 | 886 332 | 809 667 | 1 152 052 |

20. Trade and other payables

| | 31.12.2009 | | 31.12.2008 | |
|--|-------------------|------------------|-------------------|------------------|
| | LVL | EUR | LVL | EUR |
| Trade and other payables | 1 070 746 | 1 523 535 | 1 676 597 | 2 385 583 |
| Wages and salaries | 304 850 | 433 762 | 295 468 | 420 413 |
| Liability for long term investment (see Note 13) | - | - | 1 306 050 | 1 858 342 |
| TOTAL: | 1 375 596 | 1 957 297 | 3 278 115 | 4 664 337 |

21. Segment information

For management purposes group is organized into business units based on its products, and has two reportable operating segments as follows:

The finished form medicine segment represents tablets, capsules, ampoules and sachets, namely the products ready for final consumption by end users.

The chemicals segment is sales of chemicals to the clients of the Group for further processing, eventually into finished form medicines. Production of both segments is separated.

Under the segment „Chemicals” the Group has stated revenues from sale of chemical and pharmaceutical substances only to customers outside the Group. However, most of the chemicals are used to produce the final dosage forms within the Group and revenues generated by them do cover the resources invested into fixed assets used for chemical production. The Group does not keep separate books by segments.

21. Segment information (cont'd)**LVL**

| | Finished form medicine | | Chemicals | | Unallocated | | Total | |
|---|------------------------|-------------------|--------------------|--------------------|-------------------|-------------------|-------------------|--------------------|
| | 31.12.2009. | 31.12.2008. | 31.12.2009. | 31.12.2008. | 31.12.2009. | 31.12.2008. | 31.12.2009. | 31.12.2008. |
| Assets | | | | | | | | |
| Intangible assets | 4 530 414 | 2 552 208 | 2 706 714 | 2 706 714 | 156 384 | 166 819 | 7 239 006 | 7 254 234 |
| Tangible assets | 6 307 425 | 8 290 105 | 2 631 670 | 2 316 478 | 911 322 | 1 007 728 | 9 850 416 | 11 614 311 |
| Financial assets | - | - | - | - | 1 036 | 1 036 | 1 036 | 1 036 |
| Inventories | 4 687 601 | 5 423 035 | 1 955 825 | 1 515 342 | 188 | - | 6 643 614 | 6 938 377 |
| Receivables | 5 461 883 | 5 024 524 | 159 769 | 451 927 | 579 848 | 337 741 | 6 201 500 | 5 814 192 |
| Cash | - | - | - | - | 683 055 | 37 106 | 683 055 | 37 106 |
| Total assets | 20 987 324 | 23 118 365 | 7 299 471 | 6 990 461 | 2 331 833 | 1 550 430 | 30 618 626 | 31 659 256 |
| Equity and liabilities | | | | | | | | |
| Total equity | - | - | - | - | 17 309 025 | 14 748 533 | 17 309 025 | 14 748 533 |
| Deferred income tax liability | - | - | - | - | 708 027 | 718 164 | 708 027 | 718 164 |
| Loans from credit institution | 4 217 514 | 6 586 192 | 1 759 689 | 1 840 359 | - | - | 5 977 203 | 8 426 551 |
| Other loans | 150 461 | 304 327 | 62 778 | 85 037 | - | - | 213 239 | 389 364 |
| Taxes payable | 762 442 | 1 039 849 | 318 117 | 290 562 | - | - | 1 080 559 | 1 330 411 |
| Prepayments received from customers | 95 218 | 326 420 | 29 817 | 30 409 | - | - | 125 035 | 356 829 |
| Trade payables | 3 092 983 | 3 544 518 | 1 290 496 | 990 433 | - | - | 4 383 478 | 4 534 951 |
| Payables to related companies | 140 515 | 269 485 | 58 627 | 75 301 | - | - | 199 142 | 344 786 |
| Accrued liabilities | - | - | - | - | 622 918 | 809 667 | 622 918 | 809 667 |
| Total equity and liabilities | 8 459 134 | 12 070 791 | 3 519 523 | 3 312 101 | 18 639 970 | 16 276 364 | 30 618 626 | 31 659 256 |
| Income statement | | | | | | | | |
| Net turnover | 20 986 160 | 18 494 454 | 1 455 080 | 1 591 766 | - | - | 22 441 240 | 20 086 220 |
| Changes in stock of finished goods and work in progress | 61 252 | 683 961 | 25 557 | 191 117 | - | - | 86 809 | 875 078 |
| Other operating income | - | 683 961 | - | 191 117 | 409 361 | 508 349 | 409 361 | 508 349 |
| Cost of materials | (2 775 512) | (4 004 881) | (1 158 037) | (1 119 071) | - | - | (3 933 549) | (5 123 952) |
| Staff costs | (4 344 370) | (6 600 837) | (1 812 617) | (1 844 451) | - | - | (6 156 987) | (8 445 288) |
| Depreciation/ amortisation and write-offs | (1 524 350) | (1 922 864) | (636 010) | (537 300) | (102 280) | (95 181) | (2 262 640) | (2 555 345) |
| Other operating expense | (5 076 287) | (4 910 432) | (2 117 998) | (1 372 106) | - | - | (7 194 285) | (6 282 538) |
| Income from investments in subsidiaries | - | - | - | - | - | 32 630 | - | 32 630 |
| Financial income | - | - | - | - | 69 702 | 44 715 | 69 702 | 44 715 |
| Financial expenses | - | - | - | - | (553 131) | (681 963) | (553 131) | (681 963) |
| Taxes | - | - | - | - | (346 028) | 95 566 | (346 028) | 95 566 |
| Net profit/ (loss) for the year | 7 326 893 | 1 739 401 | (4 244 025) | (3 090 045) | (522 376) | (95 884) | 2 560 492 | (1 446 528) |

21. Segment information (cont'd)

EUR

| | Finished form medicine | | Chemicals | | Unallocated | | Total | |
|---|------------------------|-------------------|--------------------|--------------------|-------------------|-------------------|-------------------|--------------------|
| | 31.12.2009. | 31.12.2008. | 31.12.2009. | 31.12.2008. | 31.12.2009. | 31.12.2008. | 31.12.2009. | 31.12.2008. |
| Assets | | | | | | | | |
| Intangible assets | 6 446 199 | 6 233 176 | 3 631 465 | 3 851 307 | 222 514 | 237 362 | 10 300 178 | 10 321 845 |
| Tangible assets | 8 974 658 | 11 795 757 | 3 744 528 | 3 296 051 | 1 296 695 | 1 433 868 | 14 015 879 | 16 525 676 |
| Financial assets | - | - | - | - | 1 474 | 1 474 | 1 474 | 1 474 |
| Inventories | 6 669 856 | 7 716 284 | 2 782 888 | 2 156 137 | 267 | - | 9 453 011 | 9 872 421 |
| Receivables | 7 771 559 | 7 149 254 | 227 331 | 643 034 | 825 050 | 480 562 | 8 823 940 | 8 272 850 |
| Cash | - | - | - | - | 971 900 | 52 797 | 971 900 | 52 797 |
| Total assets | 29 862 272 | 32 894 470 | 10 386 212 | 9 946 530 | 3 317 900 | 2 206 063 | 43 566 381 | 45 047 063 |
| Equity and liabilities | | | | | | | | |
| Total equity | - | - | - | - | 24 628 524 | 20 985 272 | 24 628 523 | 20 985 271 |
| Deferred income tax liability | - | - | - | - | 1 007 432 | 1 021 855 | 1 007 432 | 1 021 855 |
| Loans from credit institution | 6 000 982 | 9 371 307 | 2 503 811 | 2 618 595 | - | - | 8 504 794 | 11 989 902 |
| Other loans | 214 087 | 433 018 | 89 324 | 120 997 | - | - | 303 412 | 554 015 |
| Taxes payable | 1 084 858 | 1 479 572 | 452 639 | 413 432 | - | - | 1 537 498 | 1 893 004 |
| Prepayments received from customers | 135 483 | 464 454 | 42 426 | 43 268 | - | - | 177 909 | 507 722 |
| Trade payables | 4 400 918 | 5 043 395 | 1 836 210 | 1 409 259 | - | - | 6 237 128 | 6 452 654 |
| Payables to related companies | 199 934 | 383 443 | 83 419 | 107 144 | - | - | 283 354 | 490 586 |
| Accrued liabilities | - | - | - | - | 886 332 | 1 152 052 | 886 332 | 1 152 052 |
| Total equity and liabilities | 12 036 263 | 17 175 188 | 5 007 831 | 4 712 695 | 26 522 288 | 23 159 180 | 43 566 381 | 45 047 063 |
| Income statement | | | | | | | | |
| Net turnover | 29 860 615 | 26 315 237 | 2 070 392 | 2 264 879 | - | - | 31 931 008 | 28 580 116 |
| Changes in stock of finished goods and work in progress | 87 154 | 973 189 | 36 364 | 271 935 | - | - | 123 518 | 1 245 124 |
| Other operating income | - | - | - | - | 582 468 | 723 315 | 582 468 | 723 316 |
| Cost of materials | (3 949 198) | (5 698 432) | (1 647 738) | (1 592 295) | - | - | (5 596 936) | (7 290 727) |
| Staff costs | (6 181 482) | (9 392 145) | (2 579 122) | (2 624 417) | - | - | (8 760 603) | (12 016 562) |
| Depreciation/ amortisation and write-offs | (2 168 955) | (2 735 989) | (904 961) | (764 509) | (145 531) | (135 430) | (3 219 447) | (3 635 928) |
| Other operating expense | (7 222 906) | (6 986 915) | (3 013 639) | (1 952 331) | - | - | (10 236 545) | (8 939 246) |
| Income from investments in subsidiaries | - | - | - | - | - | 46 428 | - | 46 428 |
| Financial income | - | - | - | - | 99 177 | 63 624 | 99 177 | 63 624 |
| Financial expenses | - | - | - | - | (787 035) | (970 346) | (787 035) | (970 346) |
| Taxes | - | - | - | - | (492 353) | 135 978 | (492 354) | 135 978 |
| Net profit/ (loss) for the year | 10 425 229 | 2 474 945 | (6 038 703) | (4 396 738) | (743 274) | (136 431) | 3 643 251 | (2 058 224) |

Secondary information is reported geographically. The geographical segments, based on location of the Group's assets, are not presented, as major part of the Group assets (approx. 92%) are located in Latvia. Sales to external customers disclosed in geographical segments are based on the geographical location of its customers, see Note 3.