

JOINT STOCK COMPANY OLAINFARM
(UNIFIED REGISTRATION NUMBER 40003007246)
CONSOLIDATED NON-AUDITED SEMI ANNUAL REPORT
FOR THE PERIOD ENDED 30 JUNE 2010

PREPARED IN ACCORDANCE WITH
INTERNATIONAL FINANCIAL REPORTING STANDARDS, AS ADOPTED BY THE EU

Olaine, 2010

Contents

Contents	2
General information	3
Major shareholders	5
Management report	6
Statement of Responsibility of the Management	14
Statement of consolidated comprehensive income	15
Consolidated statement of financial position	16
Consolidated statement of financial position	17
Consolidated statement of cash flow	18
Statement of consolidated changes in equity	19
Notes to the consolidated financial statements	20

General information

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 (died on 09/01/2010) <i>Positions held and participation in other companies:</i> none</p> <p>Salvis Lapiņš (appointed 09/03/2010) <i>Positions held and participation in other companies:</i> none</p>
Council	Eļena Dudko, Deputy Chairperson of the Council <i>Positions held and participation in other companies:</i> none

General information (cont'd)

Council

Helmuts Balderis-Sildedzis, Chairman of the Council

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%)

Aleksandrs Raicis

Positions held in other companies:

SIA BRIZ, Development Director

Participation in other companies:

SIA VIP Pharma (50%)

SIA Reccesus (30%)

SIA Briz (10.96%)

Volodimirs Krivozubovs

Positions held in other companies:

OOO Torgovije Tehnologii (Ukraine), General Director

Participation in other companies: none

Signe Baldere-Sildedze

Positions held in other companies:

SIA Louvre Commercial Director

Participation in other companies:

SIA Louvre (50%)

Movements in the Board during the period 1 January 2010 through 30 June 2010

Vjačeslavs Kujikovs (died on 09/01/2010)

Positions held and participation in other companies: none

Salvis Lapiņš (appointed 09/03/2010)

Positions held and participation in other companies: none

Movements in the Council during the period 1 January 2010 through 30 June 2010

none

Subsidiaries

SIA Reinolds (100%)

Dzegužu iela 1/2, LV-1007, from 26/08/2008

Core business activity

Manufacture of basic pharmaceutical products and pharmaceutical preparations

Audit Committee

Žanna Karaseva

Financial year

1 January – 30 June 2010

Auditors

Ivars Ragainis

Certified auditor

Certificate number 159

SIA Ernst & Young Baltic

Muitas iela 1, Rīga

Latvia, LV-1010

License number 17

Major shareholders

	Holding (%)
Swedbank AS Clients Account	5,42%
Olmafarm, SIA	42,56%
HB - 19 Investments Limited	26,17%
Other shareholders	<u>25,85%</u>
Total	100,00%

Management report

General information

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

The Group 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 Group's operations is to produce reliable and effective top quality products for Latvia and the rest of the world. Products made by the Group are being exported to more than 30 countries of the world, including the Baltics, Russia, other CIS, Europe, Asia, North America and Australia.

Corporate mission and vision

Corporate mission:

JSC „Olainfarm” is one of the biggest manufacturers of finished drug forms chemical products in the Baltics. The keystone of our work is manufacturing of reliable and effective high quality products to the whole world. We are about fair and effective cooperation with our customers – patients, doctors, pharmacists and other partners. In achievement of our goals we are creating a team of highly qualified, socially secured and well motivated employees. Our priority is organizing an environmentally friendly manufacturing and constant increase of the Company's shareholders value.

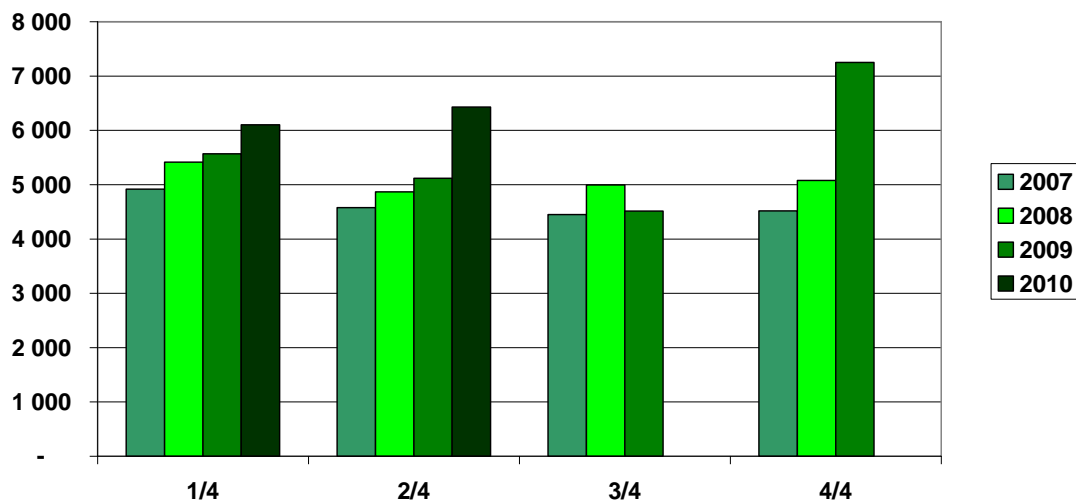
Corporate vision:

We are aiming to become the leading manufacturer of finished drug forms and chemical-pharmaceutical products in the Baltics and to make our products known and available worldwide.

Financial results

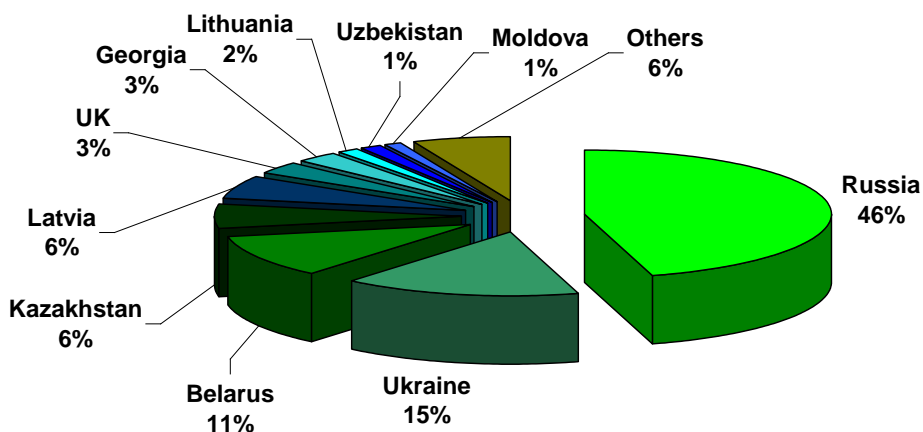
Still, despite the fact that not all of Company's main markets have recovered from recessions experienced during previous periods, rapid increase in Company's sales continues. Company continues to set the new record highs in sales; this has been yet another most successful 2nd quarter and first half of year in Company's history. 2nd quarter of 2010 compared to the similar period one year earlier has shown an increase in sales for more than 25%, and the sales during the first half of this year have increased by more than 17% compared to first six months of 2009. This increase has been strong enough to break the seasonality trend that has been in place for many years, when the sales during the second quarter have been smaller than the sales in first quarter of the same year. New products, markets and increased marketing are still the main growth drivers.

Consolidated sales by quarters, thsnd LVL



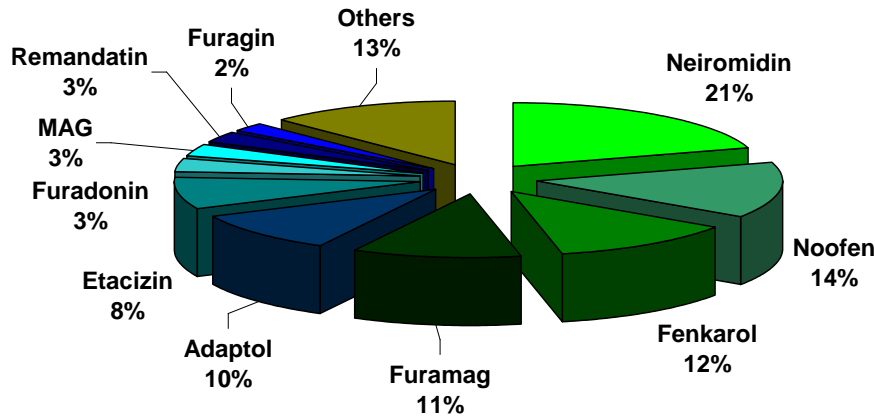
During the first six months of 2010, the sales to all main markets of the Company have increased, except for Latvia and Lithuania. Considerable increase in sales has been experienced not only in countries with historically insignificant sales volumes (Kyrgyzstan by more than 400%, Poland by more than 200%, Tajikistan by 199%, Uzbekistan by 179%, Estonia by 144%), but also in countries with much bigger share in Company's sales, like Kazakhstan by 75%, Belarus by 45%, Russia by 22%, Ukraine by 14%. Sales in Latvia have also increased during the 2nd quarter, but the increase has not been strong enough to compensate for previously experienced reduction.

Sales by Countries, 1st Half 2010



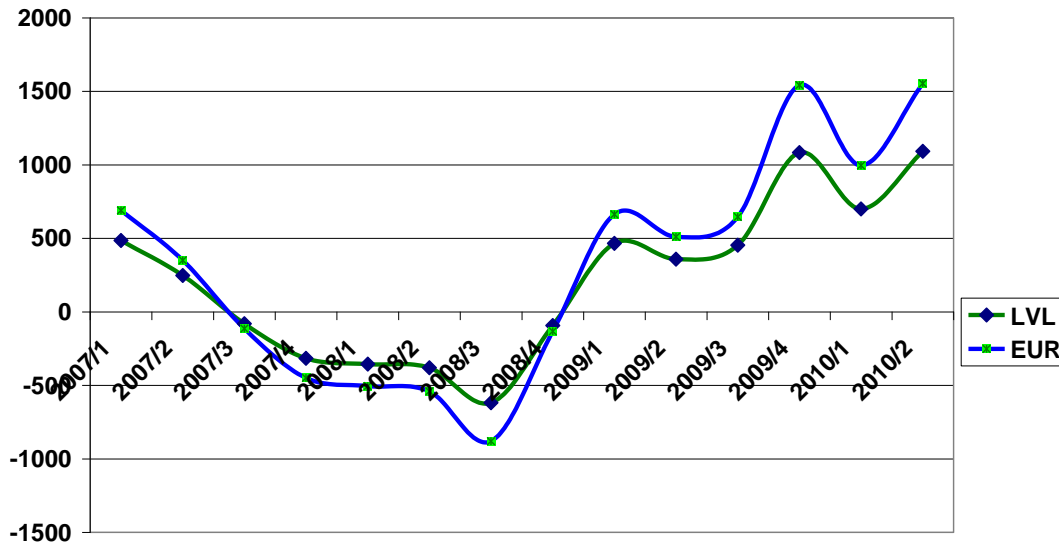
Olainfarm's product portfolio remains well diversified during the 1st six months of 2010, except the significant increase of share of Neiromidin to 21% of total sales. Although such share shall not be regarded as critical, increase of this share over the last quarters makes the management of the company pay more attention to promotion of other products. Development trend of other products remains well balanced. Six best selling products are products with strengthened sales effort.

Sales by Products, 1st Half 2010



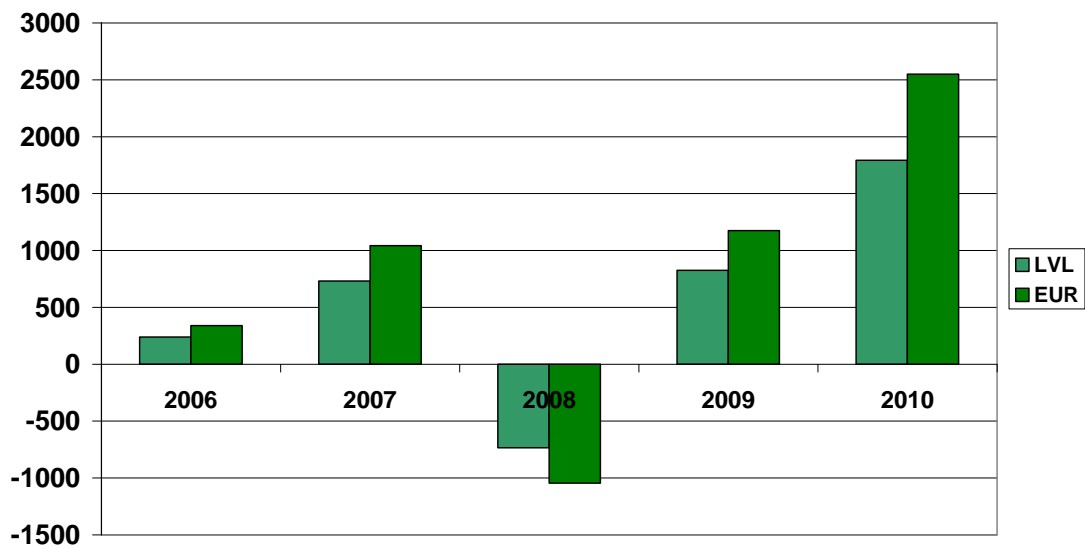
Because rapid increase in sales continues, and, as noted above, sales of 2nd quarter of 2010 are for more than 25% bigger than those of 2nd quarter of 2009, new quarterly profit record has been set in seasonally so untypical quarter. The net profit for the quarter is 1 092 thousand lats (1 554 thsnd euro), which is by 6 thousand lats (8.5 thousand euro) more than during the 4th quarter of 2009.

Profit by Quarters, thsnd



This has also been the most successful first six months in company's history

Profit of 1st Halves, thsnd



All major financial indicators of the company continue improving.

Main financial indicators	30.06.2010.	30.06.2009.	% to the previous period
Net sales (LVL)	12 528 217	10 681 616	117%
Net profit (LVL)	1 792 017	824 707	217%
EBITDA (LVL)	3 078 528	2 306 452	133%
EBIT (LVL)	2 172 403	1 058 486	205%
Net sales (EUR)	17 826 047	15 198 570	117%
Net profit (EUR)	2 549 810	1 173 452	217%
EBITDA (EUR)	4 380 351	3 281 786	133%
EBIT (EUR)	3 091 051	1 506 090	205%
EBITDA margin, %	25	22	
Net margin, %	14	8	
EBIT margin, %	17	10	
Net profit 12 months, LVL	3 330 373	113 179	2 943%
Net profit 12 months EUR	4 738 694	161 039	2 943%
EBITDA 12 months LVL	6 383 682	2 999 390	213%
EBITDA 12 months EUR	9 083 161	4 267 747	213%

Main financial indicators	30.06.2010.	30.06.2009.	% to the previous period
ROA, % (12 months)	10.4	0.4	
ROE, % (12 months)	17.6	0.7	
Current ratio	2,5	1,8	
EPS 6 months , LVL	0,13	0,06	217%
EPS 6 months, EUR	0,18	0,08	217%
Share price, end of period LVL	1,17	0,49	239%
Share price, end of period EUR	1,66	0,70	239%
P/E (12 months profit)	4.9	61.0	NA
Market capitalisation, end of period, LVL	16 479 541	6 901 688	239%
Market capitalisation, end of period, EUR	23 448 274	9 820 217	239%
EV/EBITDA	2,6	2,3	
P/B	0,87	0,44	

Annual General Meeting of Shareholders of „Olainfarm” held on April 29, 2010 approved the operating plan of the company. According to it, the forecast sales of the Concern for 2010 are 24.5 million lats (34.9 million Euro), but the net profit is forecast at 2.7 million lats (3.8 million Euro). Sales of the company during the 1st half of 2010 were 51% of target and net profit reached 67% of annual target. Therefore the sales of the company develop according to target results, while the net profit is slightly exceeding the target for the year.

Shares and stock market

Considerable swings in company's operations over the last three years are well reflected in company's share price on NASDAQ OMX Riga. The relative stabilisation of share price took place only in autumn 2009, when the price stabilised at the level of approximately 1 lats per share. After the end of the reporting period share price started slightly increasing and at the day of publishing this report is fluctuating around 1.3 lats (1.8 euro) per share.

Price of shares of “Olainfarm” on NASDAQ OMX Riga (LVL) (July 2007 – June 2010)



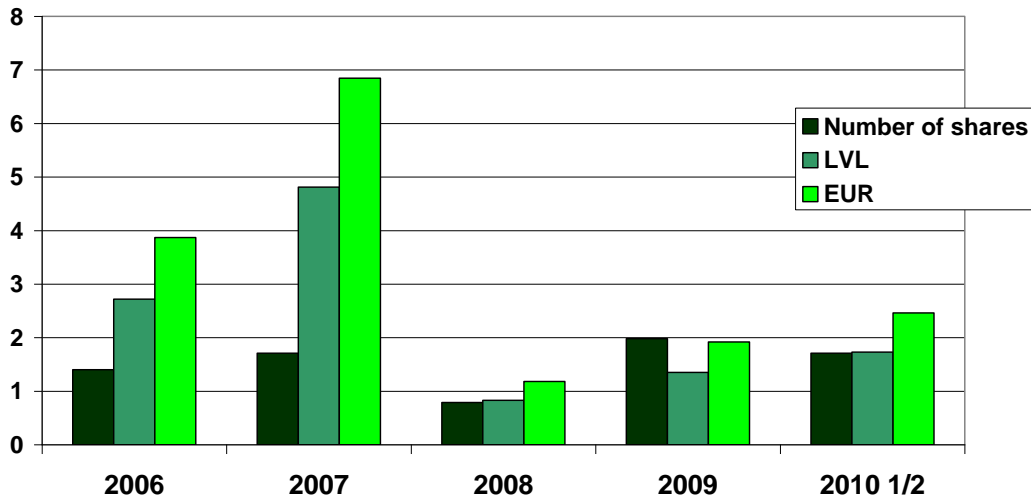
During the first half of 2010 the growth trend of Olainfarm’s shares and OMXRiga was somewhat similar, and both grew by about 25%. During this period the share price has been fluctuating between 0.87 lats (1.24 euro) and 1.24 lats (1.76 euro). In total 2316 transactions have been made. Average weighted price was 1.01 lats (1.44 euro) per share.

Rebased price of Olainfarm share vs. rebased OMX Riga index (January – June 2010)



-- OMX Riga
 -- AS “Olainfarm”

Trading of Shares on NASDAQ OMX Riga, mln.



Trading with shares of Olainfarm on NASDAQ OMX Riga is also increasing considerably. During the 1st six months of 2010 the turnover of shares was more than 1.7 mln. lats (2.4 mln euro), which is more than during the entire 2009.

Development

During the six months of 2010 several registration cases have been finalized in Latvia, Lithuania, Estonia, Ukraine, Kyrgyzstan and Albania. Also several registration files have been submitted to other markets that are untypical for the company, including Indonesia and Serbia. During the reporting period pilot tests of R-Fenotropil have also been successfully completed and the work has been launched to identify the optimal drug form for this molecule.

In April 2010 Olainfarm has received a new Good Manufacturing Practice compliance certificate.

On April 28, 2010 the new company SIA „NKC” (Ķīmijas, farmācijas, biotehnoloģijas un vides nozaru kvalifikācijas centrs – Centre for qualifications of chemical, pharmaceutical, biotechnological and environmental industries) was founded. This company was established together with other companies and organisations interested in development of the mentioned industries to develop the curricula necessary for employees of these industries and in order to help the educational institutions related to industries to be able to react in as short time as possible to new educational needs appearing in these industries. JSC owns 20% of the capital of this company, and so far Olainfarm has invested 3 500 lats (about 5000 euros) in it.

Environment

During the 1st quarter of 2010 the application has been developed to receive the permit for category A polluting activity and the relevant public debate has been held.

Events after the end of the reporting period

On August 20, the district court of Riga has cancelled its prior verdict made on July 26 to impose the temporary means of protection. The cancelled verdict provided for seizing and recalling from distribution all medications of Olainfarm labelled with textual designations “MIDOLAT” and “МИДОЛАТ”, as well as by prohibiting the use of the textual trademark “MIDOLAT”/“МИДОЛАТ” in commercial activities of Olainfarm. As the verdict was recalled, Olainfarm restarted normal operations with its production stock. Olainfarm has also decided to waive its rights to use its former trade mark “MIDOLAT”/“МИДОЛАТ”. Such a decision was based on concerns that previously experienced unjustified claims may delay the availability of this high quality Latvian made product to patients.

AS Olainfarm Consolidated non-audited semi annual report for the period ended 30 June 2010

Address: Rūpnīcu iela 5, Olaine, LV-2114

Unified registration number: 40003007246

On July 28, 2010 Olainfarm became a partner in SIA „Pharma and Chemistry Competence Centre of Latvia”. This company was established by leading Latvian pharma and chemistry companies as a competence centre for the sector. Olainfarm owns 11% of this company.

On July 23, 2010 a permit for category A polluting activity has been obtained, valid for the period of 7 years.

The financial reports were approved by the Board of the Parent company and on its behalf they are signed by



Jelena Borcova
Member of the Board



31 August 2010

Statement of Responsibility of the Management

Management Board of JSC „Olainfarm” (hereinafter – the Company) is responsible for preparation of consolidated interim financial statements of the Company and its subsidiaries (hereinafter – the Group). Interim financial statements are not audited.

Interim financial statements are prepared based on justifying documents and represent true and clear overview on the Group's Assets and Equity and Liabilities, its financial standing and results of activity as wells as cash flow within the reporting period ended on June 30, 2010.

Interim financial statements are prepared according to EU approved International standards of financial reports and observing principle of continuing business activity. Accounting principles used in preparation of interim financial statements have not been changed comparing to previous reporting period. During preparation of interim financial statements decisions taken by the management board and estimations made have been cautious and well-founded. The information included in the interim management's report is true.

The management board of the Company is responsible for ensuring the corresponding accounting system, securing the assets of the Group, as well as for prevention and exposure of fraud and other violation within the Group. The management board of the Company is responsible for observing legal requirements of the states were the Groups companies operate (Latvia).

For the Board of JSC Olainfarm:



Jelena Borcova
Member of the Board





31 August 2010

Statement of consolidated comprehensive income

	Notes	30.06.2010 LVL	30.06.2010 EUR	30.06.2009 LVL	30.06.2009 EUR
Net sales	3	12 528 217	17 826 047	10 681 616	15 198 570
Changes in stock of finished goods and work in progress		(396 098)	(563 597)	851 091	1 210 993
Other operating income	4	147 288	209 572	241 137	343 107
Cost of materials:					
<i>raw materials and consumables</i>		(1 115 528)	(1 587 253)	(1 271 189)	(1 808 739)
<i>other external costs</i>		(771 354)	(1 097 538)	(1 008 926)	(1 435 572)
		(1 886 882)	(2 684 791)	(2 280 115)	(3 244 311)
Staff costs:					
<i>Wages and salaries</i>	8	(2 516 782)	(3 581 058)	(2 830 911)	(4 028 023)
<i>Statutory social insurance contributions</i>	8	(578 483)	(823 107)	(638 065)	(907 885)
		(3 095 265)	(4 404 165)	(3 468 976)	(4 935 908)
Depreciation/ amortization	10,11.	(906 125)	(1 289 300)	(1 247 966)	(1 775 696)
Other operating expense	5	(4 218 929)	(6 002 995)	(3 748 451)	(5 333 565)
Income from investments into subsidiaries		-	-	-	-
Financial income	6	122 525	174 338	70 993	101 014
Financial expense	7	(162 886)	(231 765)	(269 892)	(384 022)
(Loss)/ profit before taxes		2 131 845	3 033 342	829 437	1 180 183
Corporate income tax		(339 828)	(483 532)	(4 730)	(6 730)
(Loss)/ profit for the reporting year		1 792 017	2 549 810	824 707	1 173 452
Basic and diluted earnings per share	9	0.127	0.181	0.059	0.083

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

For the Board of JSC Olainfarm:



 Jelena Borcova
 Member of the Board

31 August 2010

Consolidated statement of financial position

		ASSETS				
		Notes	30.06.2010.	30.06.2010.	30.06.2009.	30.06.2009.
			LVL	EUR	LVL	EUR
NON-CURRENT ASSETS						
Intangible assets						
		10	503 930	717 028	503 930	717 028
		10	5 833 625	8 300 500	5 983 137	8 513 237
		10	585 198	832 662	361 442	514 286
			282 179	401 505	311 197	442 793
		TOTAL	7 204 932	10 251 695	7 159 706	10 187 344
Property, plant and equipment						
		11	6 188 692	8 805 715	6 707 105	9 543 351
		11	2 467 912	3 511 522	3 327 004	4 733 900
		11	634 252	902 459	220 726	314 065
		11	141 001	200 626	110 805	157 661
			3 524	5 014	197 838	281 498
		TOTAL	9 435 381	13 425 338	10 563 478	15 030 475
Financial assets						
			-	-	386	549
			650	925	650	925
			3 500	4 980	-	-
		TOTAL	4 150	5 905	1 036	1 474
		TOTAL NON-CURRENT ASSETS	16 644 463	23 682 937	17 724 220	25 219 293
CURRENT ASSETS						
Inventories						
			593 038	843 817	865 008	1 230 795
			3 353 595	4 771 736	4 037 948	5 745 482
			2 181 802	3 104 425	2 521 576	3 587 879
			1 368	1 946	-	-
			69 763	99 264	15 543	22 116
		TOTAL	6 199 566	8 821 188	7 440 075	10 586 274
Receivables						
		13	7 907 655	11 251 579	5 377 422	7 651 382
			131 061	186 483	41 293	58 755
			-	-	222 075	315 985
			241 166	343 148	367 161	522 423
			-	-	164 069	233 449
			797 468	1 134 695	275 883	392 546
			15 839	22 537	44 023	62 639
		TOTAL	9 093 189	12 938 442	6 491 926	9 237 178
		Cash	121 670	173 121	622 090	885 154
		TOTAL CURRENT ASSETS	15 414 425	21 932 751	14 554 091	20 708 606
		TOTAL ASSETS	32 058 887	45 615 687	32 278 311	45 927 899

For the Board of JSC Olainfarm:


 Jelena Borcova
 Member of the Board



31 August 2010

Consolidated statement of financial position

EQUITY AND LIABILITIES					
	Notes	30.06.2010. LVL	30.06.2010. EUR	30.06.2009. LVL	30.06.2009. EUR
EQUITY					
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		1 266 811	1 802 510	(1 096 253)	(1 559 827)
for the period		1 792 017	2 549 810	824 707	1 173 452
TOTAL EQUITY		18 903 614	26 897 419	15 573 240	22 158 724
LIABILITIES					
Non-current liabilities					
Loans from credit institutions	16	2 874 967	4 090 710	4 254 412	6 053 483
Long term payables		2 453 050	3 490 376	2 453 050	3 490 376
Loan from shareholder		610 517	868 687	557 232	792 870
Finance lease liabilities	17	66 614	94 783	146 202	208 027
Taxes payable	18	98 746	140 503	290 010	412 647
Deferred corporate income tax liabilities		839 689	1 194 770	718 164	1 021 855
TOTAL		6 943 583	9 879 829	8 419 070	11 979 257
Current liabilities					
Loans from credit institutions	16	2 255 585	3 209 408	3 467 874	4 934 340
Finance lease liabilities	17	90 125	128 236	150 842	214 629
Prepayments received from customers		30 829	43 866	119 451	169 963
Trade and other payables	20	1 802 931	2 565 340	2 078 081	2 956 843
Payables to related companies		291 912	415 353	250 387	356 269
Taxes payable	18	674 499	959 726	1 395 484	1 985 595
Corporate income tax	18	515 080	732 893	-	-
Accrued liabilities	19	550 728	783 615	823 882	1 172 278
TOTAL		6 211 689	8 838 437	8 286 001	11 789 917
TOTAL LIABILITIES		13 155 272	18 718 266	16 705 071	23 769 175
TOTAL EQUITY AND LIABILITIES		32 058 887	45 615 687	32 278 311	45 927 899

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

For the Board of JSC Olainfarm:

31 August 2010


 Jelena Borcova
 Member of the Board



Consolidated statement of cash flow

	30.06.2010		30.06.2009	
	LVL	EUR	LVL	EUR
Cash flows to/from operating activities				
(Loss)/ Profit before taxes	2 131 845	3 033 342	829 437	1 180 183
Adjustments for:				
Amortisation and depreciation	910 896	1 296 088	1 252 723	1 782 464
Loss on sale/ disposal of property, plant and equipment	(24 279)	(34 546)	9 390	13 361
Increase in allowances	76 813	109 295	294 016	418 347
Income from investing activities	386	549	-	-
Interest expenses	150 596	214 279	185 634	264 133
Interest receivable	(11 987)	(17 056)	(5 470)	(7 783)
Operating cash flows before working capital changes	3 234 270	4 601 952	2 565 730	3 650 705
Decrease in inventories	343 304	488 478	(766 698)	(1 090 913)
Decrease in receivables and prepaid expense	(2 078 691)	(2 957 711)	(608 090)	(865 234)
Increase/ (decrease) in payables and prepayments received	125 332	178 332	207 710	295 545
Cash generated from operations	1 624 216	2 311 051	1 398 652	1 990 103
Interest paid	(113 800)	(161 923)	(189 146)	(269 131)
Corporate income tax paid	(153 534)	(218 459)	(44 706)	(63 611)
Real estate tax paid	(32 174)	(45 779)	(22 133)	(31 492)
Net cash flows to/ from operating activities	1 324 708	1 884 889	1 142 667	1 625 869
Cash flows to/from investing activities				
Purchase of property, plant and equipment	(471 385)	(670 720)	(123 084)	(175 133)
Prepayments for investments	(3 500)	(4 980)	-	-
Acquisition of subsidiary	-	-	(53 000)	(75 412)
Proceeds from sale of intangible assets and property, plant and equipment	31 848	45 316	7 013	9 979
Loans repaid	40 632	57 814	1 189	1 692
Interest receivable	3 793	5 397	269	383
Loans granted	(302 827)	(430 884)	(23 354)	(33 230)
Net cash flows to/from investing activities	(701 439)	(998 058)	(190 966)	(271 720)
Cash flows to/from financing activities				
Borrowings repaid	(684 258)	(973 611)	(366 717)	(521 791)
Net cash flows to/from financing activities	(684 258)	(973 611)	(366 717)	(521 791)
Change in cash	(60 989)	(86 780)	584 984	832 357
Cash at the beginning of the year	182 659	259 900	37 106	52 797
Cash at the end of the year	121 670	173 121	622 090	885 154

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

Statement of consolidated changes in equity

	Share capital	Share capital	Share premium	Share premium	Retained earnings/ (Accumulated deficit)	Retained earnings/ (Accumulated deficit)	Total	Total
	LVL	EUR	LVL	EUR	LVL	EUR	LVL	EUR
Balance as at 31 December 2009	14 085 078	20 041 260	1 759 708	2 503 839	1 266 811	1 802 510	17 111 597	24 347 609
Loss for the reporting year	-	-	-	-	1 792 017	2 549 810	1 792 017	2 549 810
Balance as at 30 June 2010	14 085 078	20 041 260	1 759 708	2 503 839	3 058 828	4 352 320	18 903 614	26 897 419

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, JSC 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 31 August 2010.

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

2. Summary of significant accounting policies

Basis of preparation

The consolidated financial statements have been prepared on a historical cost basis. The consolidated financial statements are presented in lats (LVL), the monetary unit of the Republic of Latvia.

The consolidated financial statements of JSC Olainfarm and all its subsidiaries have been prepared in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU.

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 statement of comprehensive income. 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 statement of comprehensive income.

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

	<u>30/06/2010</u>	<u>30/06/2009</u>
EUR	0.702804	0.702804
USD	0.573	0.501

3. Net sales

By business segments	30.06.2010		30.06.2009	
	LVL	EUR	LVL	EUR
Finished form medicine	12 204 013	17 364 746	10 049 721	14 299 465
Chemicals	324 204	461 301	631 895	899 106
TOTAL:	12 528 217	17 826 047	10 681 616	15 198 570

By geographical segments	30.06.2010		30.06.2009	
	LVL	EUR	LVL	EUR
CIS	10 587 637	15 064 850	8 236 422	11 719 373
Europe	757 959	1 078 478	273 000	388 444
Latvia	715 880	1 018 606	1 625 464	2 312 827
Baltic states (Lithuania and Estonia)	228 734	325 459	217 000	308 763
Other	238 007	338 654	329 730	469 164
TOTAL:	12 528 217	17 826 047	10 681 616	15 198 570

4. Other operating income

	30.06.2010		30.06.2009	
	LVL	EUR	LVL	EUR
Other operating income	43 111	61 341	25 394	36 132
Income of services*	42 687	60 738	39 802	56 632
Lease of premises	25 831	36 754	40 927	58 234
Royalty	21 047	29 948	-	-
Incomes from catering services	11 814	16 810	15 918	22 649
Treatment of waste water	1 702	2 422	115 664	164 575
Gains from sale of non-current assets	861	1 225	2 940	4 184
Sale of current assets	235	334	492	700
TOTAL:	147 288	209 572	241 137	343 107

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

5. Other operating expense

	30.06.2010		30.06.2009	
	LVL	EUR	LVL	EUR
Marketing expense	2 831 612	4 029 020	2 446 202	3 480 632
Sales commissions	103 419	147 152	50 989	72 550
Transportation expense	50 204	71 434	35 980	51 195
Other distribution costs	48 371	68 826	31 344	44 599
Expert analysis of medicines	25 536	36 335	39 544	56 266
Exhibition expense	-	-	471	670
<i>Total distribution costs:</i>	<i>3 059 142</i>	<i>4 352 768</i>	<i>2 604 531</i>	<i>3 705 913</i>
Other operating expense	195 316	277 909	514 976	732 744
Write-offs of current assets	152 962	217 645	86 878	123 617
Information and business consulting	142 433	202 664	53 072	75 515
Security	100 340	142 771	58 327	82 992
Business trips	90 340	128 542	38 065	54 162
Representation expense	89 373	127 167	21 633	30 781
Insurance	75 845	107 918	106 353	151 327
Donations	36 360	51 736	4 618	6 571
Current repairs	32 710	46 542	16 691	23 749
Other taxes	32 392	46 090	30 150	42 900
Communications expense	31 759	45 189	30 521	43 427
Car fleet maintenance	21 754	30 953	24 765	35 237
Allowances to staff	20 297	28 881	19 213	27 338
Flowers and gifts	18 410	26 195	5 758	8 193
Education	16 155	22 987	13 435	19 116
Social infrastructure	15 832	22 527	18 989	27 019
New product research and development costs	14 056	20 000	2 225	3 165
Bank charges	12 288	17 485	11 284	16 056
Office expense	9 460	13 461	5 717	8 135
Membership fees	8 552	12 169	7 549	10 741
Waste removal	7 419	10 556	11 769	16 745
Annual payment for medicines registered in LR	7 350	10 458	-	-
Laboratory tests	6 721	9 563	5 680	8 082
Legal and audit expense	4 132	5 880	6 253	8 898
Administrative offices maintenance	4 066	5 786	4 982	7 089
Write-offs and disposal of tangible assets	3 327	4 735	9 100	12 948
Visas, invitations	3 322	4 726	1 943	2 765
Hosting expense	2 217	3 154	8 275	11 774
Land lease for eco-field	1 896	2 698	5 366	7 635
Unemployment risk duty	1 198	1 705	1 349	1 919
Provisions for impairment of tangible assets	785	1 117	650	925
Humanitarian aid	718	1 022	5 335	7 591
Inventorying of buildings	-	-	13 000	18 497
TOTAL:	4 218 929	6 002 995	3 748 451	5 333 565

6. Financial income

	30.06.2010		30.06.2009	
	LVL	EUR	LVL	EUR
Currency exchange gain, net	110 538	157 282	51 033	72 614
Loan interest payments	11 970	17 032	5 201	7 401
Interest accrued on bank account balances	17	24	269	383
Received penalties	-	-	14 490	20 617
TOTAL:	122 525	174 338	70 993	101 014

7. Financial expense

	30.06.2010		30.06.2009	
	LVL	EUR	LVL	EUR
Loan interest expenses	150 596	214 277	185 634	264 133
Penalties paid for late payments	12 290	17 487	69 298	98 602
Currency exchange loss, net	-	-	14 960	21 286
TOTAL:	162 886	231 765	269 892	384 022

8. Staff costs and number of employees

	30.06.2010		30.06.2009	
	LVL	EUR	LVL	EUR
Wages and salaries	2 516 782	3 581 058	2 830 911	4 028 023
Statutory social insurance contributions	578 483	823 107	638 065	907 885
TOTAL:	3 095 265	4 404 165	3 468 976	4 935 908

	30.06.2010		30.06.2009	
	LVL	EUR	LVL	EUR
<u>Management of the Group</u>				
Wages and salaries	197 121	280 477	197 615	281 180
Statutory social insurance contributions	48 236	68 634	47 501	67 589
<u>Board Members</u>				
Wages and salaries	208 786	297 075	188 700	268 496
Statutory social insurance contributions	46 375	65 986	26 636	37 900
<u>Council Members</u>				
Wages and salaries	54 218	77 145	41 650	59 263
Statutory social insurance contributions	13 061	18 584	8 852	12 595
TOTAL:	567 796	807 901	510 955	727 024

	30/06/2010	30/06/2009
Average number of employees during the reporting year	734	772

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:

	30.06.2010		30.06.2009	
	LVL	EUR	LVL	EUR
Net result attributable to shareholders	1 792 017	2 549 810	824 707	1 173 452
Weighted average number of ordinary shares*	14 085 078	14 085 078	14 085 078	14 085 078
Earnings per share	0.127	0.181	0.059	0.083

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		Production technologies		Other intangible assets		TOTAL	
	LVL	EUR	LVL	EUR	LVL	EUR	LVL	EUR
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
2010 Additions	-	-	337	480	52 629	74 884	52 966	75 364
II quarter Reclassification	-	-	(11 988)	(17 057)	(67 176)	(95 583)	(79 164)	(112 640)
Disposals	-	-	-	-	(38 828)	(55 247)	(38 828)	(55 247)
Acquisition value as at 30/06/2010	503 930	717 028	6 216 798	8 845 707	1 131 893	1 610 539	7 852 621	11 173 273
Accumulated amortisation as at 31/12/2009	-	-	304 781	433 664	547 334	778 785	852 115	1 212 450
2010 Amortisation	-	-	78 392	111 542	99 000	140 865	177 392	252 406
II quarter Reclassification	-	-	-	-	(60 811)	(86 526)	(60 811)	(86 526)
Amortisation of disposals	-	-	-	-	(38 828)	(55 247)	(38 828)	(55 247)
Accumulated amortisation as at 30/06/2010	-	-	383 173	545 206	546 695	777 877	929 868	1 323 083
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
Net carrying amount as at 30/06/2010	503 930	717 028	5 833 625	8 300 500	585 198	832 662	6 922 753	9 850 189

	Goodwill		Patents		Other intangible assets		TOTAL	
	LVL	EUR	LVL	EUR	LVL	EUR	LVL	EUR
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. II Additions	-	-	-	-	42 475	60 436	42 475	60 436
quarter Disposals	-	-	-	-	(20 330)	(28 927)	(20 330)	(28 927)
Acquisition value as at 30/06/2009	503 930	717 028	6 209 531	8 835 367	840 928	1 196 533	7 554 389	10 748 927
Accumulated amortisation as at 31/12/2008	-	-	148 018	210 611	419 672	597 139	567 690	807 750
2009. Amortisation	-	-	78 376	111 519	80 001	113 831	158 377	225 350
II quarter Amortisation of disposals	-	-	-	-	(20 187)	(28 724)	(20 187)	(28 724)
Accumulated amortisation as at 30/06/2009	-	-	226 394	322 130	479 486	682 247	705 880	1 004 377
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 30/06/2009	503 930	717 028	5 983 137	8 513 237	361 442	514 286	6 848 509	9 744 551

11. Property, plant and equipment

LVL

	Land	Buildings and constructions	Equipment and machinery	Other tangible assets	Construction in progress	TOTAL
Acquisition value as at 31/12/2009	55 928	12 992 020	12 259 334	601 254	82 484	25 991 020
2010. Additions	-	1 325	449 271	68 000	61 798	580 394
II quarter Liquidation	-	(894)	(33 743)	(13 862)	(3 281)	(51 780)
Reclassification**	-	-	(1 357 881)	1 440 300	-	82 419
Acquisition value as at 30/06/2010	55 928	12 992 451	11 316 981	2 095 692	141 001	26 602 053
Accumulated depreciation as at 31/12/2009	-	6 602 293	9 397 201	417 846	-	16 417 339
2010. Depreciation	-	257 983	369 707	105 813	-	733 503
II quarter Depreciation of disposals	-	(587)	(31 705)	(11 916)	-	(44 208)
Reclassification**	-	-	(475)	(574)	-	63 563
Accumulated depreciation as at 30/06/2010	-	6 859 688	8 849 069	1 461 440	-	17 170 197
Net carrying amount as at 31/12/2009	55 928	6 389 728	2 862 135	183 408	82 484	9 573 684
Net carrying amount as at 30/06/2010	55 928	6 132 764	2 467 912	634 252	141 001	9 431 857

	Land	Buildings and constructions	Equipment and machinery	Other tangible assets	Construction in progress	TOTAL
Acquisition value as at 31/12/2008	55 928	13 023 139	12 264 667	602 694	88 779	26 035 207
2009. Additions	-	-	65 329	1 793	23 678	90 800
II quarter Disposals	-	(30 745)	(63 357)	(2 530)	(1 652)	(98 284)
Reclassification	-	-	(207)	207	-	-
Acquisition value as at 30/06/2009	55 928	12 992 394	12 266 432	602 164	110 805	26 027 723
Accumulated depreciation as at 31/12/2008	-	6 098 312	8 212 375	339 756	-	14 650 443
2009. Depreciation	-	264 922	785 334	44 090	-	1 094 346
II quarter Depreciation of disposals	-	(22 016)	(57 600)	(2 408)	-	(82 024)
Reversed impairment	-	-	(681)	-	-	(681)
Accumulated depreciation as at 30/06/2009	-	6 341 218	8 939 428	381 438	-	15 662 084
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 30/06/2009	55 928	6 651 177	3 327 004	220 726	110 805	10 365 639

11. Property, plant and equipment (cont'd)

EUR

	Land	Buildings and constructions	Equipment and machinery	Other tangible assets	Construction in progress	TOTAL
Acquisition value as at 31/12/2009	79 578	18 485 979	17 443 461	855 507	117 364	36 981 889
2010. Additions	-	1 885	639 255	96 755	87 931	825 826
II quarter Liquidation	-	(1 272)	(48 012)	(19 724)	(4 668)	(73 676)
Reclassification**	-	-	(1 932 091)	2 049 362	-	117 272
Acquisition value as at 30/06/2010	79 578	18 486 592	16 102 613	2 981 901	200 626	37 851 311
Accumulated depreciation as at 31/12/2009	-	9 394 216	13 371 012	594 541	-	23 359 769
2010. Depreciation	-	367 076	526 046	150 559	-	1 043 681
II quarter Depreciation of disposals	-	(835)	(45 112)	(16 955)	-	(62 902)
Reclassification**	-	-	(676)	(817)	-	90 442
Accumulated depreciation as at 30/06/2010	-	9 760 457	12 591 091	2 079 442	-	24 430 990
Net carrying amount as at 31/12/2009	79 578	9 091 765	4 072 451	260 966	117 364	13 622 125
Net carrying amount as at 30/06/2010	79 578	8 726 137	3 511 522	902 459	200 626	13 420 323

	Land	Buildings and constructions	Equipment and machinery	Other tangible assets	Construction in progress	TOTAL
Acquisition value as at 31/12/2008	79 578	18 530 257	17 451 049	857 556	126 321	37 044 762
2009. Additions	-	-	92 955	2 551	33 691	129 197
II quarter Disposals	-	(43 746)	(90 149)	(3 600)	(2 351)	(139 846)
Reclassification	-	-	(295)	295	-	-
Acquisition value as at 30/06/2009	79 578	18 486 511	17 453 560	856 802	157 661	37 034 113
Accumulated depreciation as at 31/12/2008	-	8 677 116	11 685 157	483 429	-	20 845 702
2009. Depreciation	-	376 950	1 117 430	62 734	-	1 557 114
II quarter Depreciation of disposals	-	(31 326)	(81 957)	(3 426)	-	(116 710)
Reversed impairment	-	-	(969)	-	-	(969)
Accumulated depreciation as at 30/06/2009	-	9 022 740	12 719 660	542 737	-	22 285 138
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 30/06/2009	79 578	9 463 773	4 733 900	314 065	157 661	14 748 976

There is a difference of LVL 4 770 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 2 845 which was disclosed in the income statement as other operating expense and 1 925 LVL depreciation expenses included in other operating expense.

12. Inventories

	30.06.2010		30.06.2009	
	LVL	EUR	LVL	EUR
Work in progress (at cost)	3 605 855	5 130 670	4 369 079	6 216 639
Finished goods and goods for resale (at cost)*	2 482 924	3 532 883	2 763 578	3 932 217
Raw materials (at cost)	979 188	1 393 260	985 463	1 402 188
Prepayments for goods	69 763	99 264	15 543	22 116
Goods in transit	1 368	1 946	-	-
TOTAL:	7 139 098	10 158 022	8 133 662	11 573 159
Allowances for raw materials	(386 150)	(549 442)	(120 456)	(171 393)
Allowances for finished goods and goods for resale	(301 123)	(428 459)	(242 001)	(344 337)
Allowances for work in progress	(252 260)	(358 933)	(331 131)	(471 157)
TOTAL:	(939 533)	(1 336 834)	(693 588)	(986 885)
TOTAL:	6 199 566	8 821 188	7 440 075	10 586 274

* As at 30 June 2010, the Group's inventories comprised goods on consignment in the amount of LVL 303 693 (30/06/2009: LVL 231 052).

13. Trade receivables

	30.06.2010		30.06.2009	
	LVL	EUR	LVL	EUR
Trade receivables	7 951 676	11 314 216	5 398 210	7 680 961
Allowances for doubtful trade receivables	(44 021)	(62 636)	(20 788)	(29 579)
TOTAL:	7 907 655	11 251 579	5 377 422	7 651 382

14. Cash and short term deposits

	30.06.2010		30.06.2009	
	LVL	EUR	LVL	EUR
Cash at banks and on hand	121 670	173 121	121 694	173 154
Short-term deposits	-	-	500 396	712 000
	121 670	173 121	622 090	885 154

Cash by currency profile:	30.06.2010		30.06.2009	
	Foreign currency	LVL	Foreign currency	LVL
RUB	289 544	5 328	39	1
LVL	-	77 841	-	59 518
EUR	34 575	24 299	798 988	561 532
USD	24 785	14 202	2 074	1 039
KOPĀ:	-	121 670	-	622 090

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 30/06/2010 is LVL 14 085 078 (31/03/2009: LVL 14 085 078) and consists of 14 085 078 (30/06/2009: 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

				The rests of the loans				
				30.06.2010.	30.06.2010.	30.06.2009.	30.06.2009.	
				LVL	EUR	LVL	EUR	
Non-current:	Amount	Interest rate (%) as at 30/06/2010		Maturity				
Loan from AS SEB		EUR LIBOR						
banka	6 950 000	EUR	(3-month)+2.1%	08.12.2011.	1 306 588	1 859 107	1 847 245	2 628 393
Loan from AS SEB		EURIBOR						
banka	4 000 000	EUR	(3-month)+2.1%	23.05.2013.	910 676	1 295 775	1 385 811	1 971 831
Loan from AS SEB		EURIBOR						
banka	2 000 000	EUR	(3-month)+2.1%	10.10.2012.	440 975	627 450	771 706	1 098 039
Loan from AS SEB		EURIBOR						
banka	445 000	EUR	(3-month)+2.1%	30.01.2015.	216 729	308 377	249 650	355 220
TOTAL:					2 874 967	4 090 710	4 254 412	6 053 483
				30.06.2010.	30.06.2010.	30.06.2009.	30.06.2009.	
				LVL	EUR	LVL	EUR	
Current:	Amount	Interest rate (%) as at 30/06/2010		Maturity				
Loan from AS SEB		EUR LIBOR						
banka	6 950 000	EUR	(3-month)+2.1%	08.12.2011.	540 657	769 286	540 657	769 286
Loan from AS SEB		EURIBOR						
banka	4 000 000	EUR	(3-month)+2.1%	23.05.2013.	475 135	676 056	475 135	676 056
Loan from AS SEB		EURIBOR						
banka	2 000 000	EUR	(3-month)+2.1%	10.10.2012.	330 731	470 588	330 731	470 588
Loan from AS SEB		EURIBOR						
banka	445 000	EUR	(3-month)+2.1%	30.01.2015.	32 921	46 842	32 921	46 842
Credit line from AS SEB banka *	1 488 000	EUR	(3-month)+2.9%	03.01.2011	876 141	1 246 637	2 088 430	2 971 568
TOTAL:					2 255 585	3 209 408	3 467 874	4 934 340

Interest payable is normally revised quarterly throughout the financial year.

* Limit for 2010 was set at 1 488 000 EUR. As at 30 June 2010, the undrawn portion was EUR 241 363 (LVL 169 631). As at 30 June 2009 limit of credit line was 3 000 000 EUR and unused credit line amount comprised EUR 28 432 (LVL 19 982).

As at 30 June 2010, all the non-current and current assets owned by the Parent Company were pledged as a security for the loan and credit lines received. The pledge agreements were registered with the Commercial Pledge Register. In addition, major shareholders of the Parent Company guaranteed repayment of the loan by their shares in the Parent Company, and the chairman of the Board of the Parent Company (President) pledged all his shares in SIA Olmafarm.

17. Finance lease liabilities

	30.06.2010.		30.06.2010.		30.06.2009.		30.06.2009.	
	LVL		EUR		LVL		EUR	
	Non-curren	Current	Non-curren	Current	Non-current	Current	Non-current	Current
Finance lease liabilities to SIA SEB Unilzings, EUR	66 614	90 125	94 783	128 236	146 202	149 794	208 027	213 138
Finance lease liabilities to SIA SEB Unilzings, LVL	-	-	-	-	-	1 048	-	1 491
TOTAL:	66 614	90 125	94 783	128 236	146 202	150 842	208 027	214 629

The interest rate on the finance leases is from 2.33% till 4,14%. Interest rate is normally revised quarterly throughout the financial year. The net carrying amount of the property, plant and equipment held under finance lease is disclosed in Note 11.

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

	30.06.2010.		30.06.2010.		30.06.2009.		30.06.2009.	
	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	95 448	90 125	135 810	128 236	161 700	150 842	230 078	214 629
Between one and five years	68 797	66 614	97 889	94 783	153 638	146 202	218 607	208 027
Total minimum lease payments	164 245	156 739	233 699	223 019	315 338	297 044	448 686	422 656
Less amounts representing finance charges	(7 506)	-	(10 680)	-	(18 294)	-	(26 030)	-
Present value of minimum lease payments	156 739	156 739	223 019	223 019	297 044	297 044	422 656	422 656

18. Taxes payable/ receivable

	30.06.2010.		30.06.2010.		30.06.2009.		30.06.2009.	
	LVL		EUR		LVL		EUR	
Personal income tax *		(370 640)		(527 373)		(789 963)		(1 124 016)
Statutory social insurance contributions *		(371 746)		(528 947)		(836 446)		(1 190 155)
Real estate tax *		(30 849)		(43 894)		(52 024)		(74 023)
Natural resource tax		4 072		5 794		(7 053)		(10 035)
Corporate income tax		(515 080)		(732 892)		164 069		233 450
Value added tax		104 989		149 386		103 329		147 024
TOTAL:		(1 179 254)		(1 677 927)		(1 418 087)		(2 017 756)
Total liabilities:		(1 288 325)		(1 833 122)		(1 685 494)		(2 398 242)
Total assets:		109 071		155 194		267 406		380 484

* According to Cabinet Order No. 127 as of 25 February 2005, the Parent Company was 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.

19. Accrued liabilities

	30.06.2010.		30.06.2009.	
	LVL	EUR	LVL	EUR
Vacation pay reserve	324 312	461 454	378 833	539 031
Accrued interest for purchase of long term investment	144 570	205 705	34 062	48 466
Accruals for electricity and gas	47 924	68 190	98 526	140 190
Provisions for penalties related to taxes (see Note 25)	29 275	41 655	50 525	71 890
Other accrued liabilities	4 647	6 612	13 582	19 326
Accruals for marketing services	-	-	248 354	353 376
TOTAL:	550 728	783 615	823 882	1 172 278

20. Trade and other payables

	30.06.2010.		30.06.2009.	
	LVL	EUR	LVL	EUR
Trade and other payables	1 419 261	2 019 426	1 627 441	2 315 640
Wages and salaries	366 029	520 812	391 447	556 979
Other payables	17 641	25 101	59 193	84 224
TOTAL:	1 802 931	2 565 340	2 078 081	2 956 843

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. The segment „Other” relates primarily to matters that are managed on a group basis.

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

	Finished form medicine		Chemicals		Unallocated		Total	
	30.06.2010.	30.06.2009.	30.06.2010.	30.06.2009.	30.06.2010.	30.06.2009.	30.06.2010.	30.06.2009.
Assets								
Intangible assets	4 613 846	2 474 592	2 625 117	2 625 117	116 494	372 735	7 204 932	7 159 706
Tangible assets	5 669 887	7 284 790	2 883 269	2 324 483	882 225	954 205	9 435 381	10 563 478
Financial assets	-	-	-	-	4 150	1 036	4 150	1 036
Inventories	4 109 692	5 640 064	2 089 874	1 799 672	-	339	6 199 566	7 440 075
Receivables	8 493 234	5 681 041	435 439	350 250	164 516	460 636	9 093 189	6 491 926
Cash	-	-	-	-	121 670	622 090	121 670	622 090
Total assets	22 886 659	22 767 749	7 883 174	7 099 522	1 289 054	2 411 041	32 058 887	32 278 311
Equity and liabilities								
Total equity	-	-	-	-	18 903 614	15 573 240	18 903 614	15 573 240
Deferred income tax liability	-	-	-	-	839 689	718 164	839 689	718 164
Loans from credit institution	3 401 043	5 854 265	1 729 509	1 868 021	-	-	5 130 552	7 722 286
Other loans	508 614	636 546	258 642	217 730	-	-	767 256	854 276
Taxes payable	854 031	1 277 553	434 294	407 651	-	289	1 288 325	1 685 494
Prepayments received from customers	208	90 162	30 609	29 289	12	-	30 829	119 451
Trade payables	2 821 290	3 112 398	1 434 691	1 418 733	-	-	4 255 981	4 531 131
Payables to related companies	193 508	189 818	98 404	60 569	-	-	291 912	250 387
Accrued liabilities	-	-	-	-	550 728	823 882	550 728	823 882
Total equity and liabilities	7 778 694	11 160 742	3 986 149	4 001 993	20 294 043	17 115 575	32 058 887	32 278 311
Income statement								
Net turnover	12 204 013	10 049 721	324 204	631 896	-	-	12 528 217	10 681 616
Changes in stock of finished goods and work in progress	(262 573)	645 212	(133 525)	205 879	-	-	(396 098)	851 091
Other operating income	-	645 212	-	205 879	147 288	241 137	147 288	241 137
Cost of materials	(1 250 814)	(1 726 047)	(636 068)	(550 759)	-	(3 309)	(1 886 882)	(2 280 115)
Staff costs	(2 051 851)	(2 629 831)	(1 043 414)	(839 145)	-	-	(3 095 265)	(3 468 976)
Depreciation/ amortisation and write-offs	(566 044)	(907 011)	(287 847)	(289 415)	(52 234)	(51 540)	(906 125)	(1 247 966)
Other operating expense	(2 796 728)	(2 813 261)	(1 422 201)	(897 675)	-	(51 540)	(4 218 929)	(3 748 451)
Income from investments in subsidiaries	-	-	-	-	122 525	-	-	-
Financial income	-	-	-	-	(162 886)	70 993	122 525	70 993
Financial expenses	-	-	-	-	(162 886)	(269 892)	(162 886)	(269 892)
Corporate income tax	-	-	-	-	(339 828)	(4 730)	(339 828)	(4 730)
Net profit/ (loss) for the year	5 276 002	2 618 783	(3 198 850)	(1 739 219)	(285 135)	(54 856)	1 792 017	824 707

21. Segment information (cont'd)

EUR

	Finished form medicine		Chemicals		Unallocated		Total	
	30.06.2010.	30.06.2009.	30.06.2010.	30.06.2009.	30.06.2010.	30.06.2009.	30.06.2010.	30.06.2009.
Assets								
Intangible assets	6 564 911	5 921 785	3 521 027	3 735 205	165 756	530 354	10 251 695	10 187 344
Tangible assets	8 067 523	10 365 322	4 102 522	3 307 441	1 255 292	1 357 711	13 425 338	15 030 475
Financial assets	-	-	-	-	5 905	1 474	5 905	1 474
Inventories	5 847 565	8 025 088	2 973 622	2 560 703	-	482	8 821 188	10 586 274
Receivables	12 969 798	8 083 393	1 069 624	498 361	234 085	655 426	14 273 507	9 237 178
Cash	-	-	-	-	173 121	885 154	173 121	885 154
Total assets	33 449 797	32 395 588	11 666 796	10 101 710	1 834 159	3 430 602	46 950 753	45 927 899
Equity and liabilities								
Total equity	-	-	-	-	26 897 418	22 158 724	26 897 418	22 158 724
Deferred income tax liability	-	-	-	-	1 194 770	1 021 855	1 194 770	1 021 855
Loans from credit institution	4 839 248	8 329 869	2 460 870	2 657 954	-	-	7 300 118	10 987 823
Other loans	723 693	905 723	368 014	309 802	-	-	1 091 706	1 215 526
Taxes payable	1 215 176	1 817 794	617 945	580 035	-	411	1 833 122	2 398 242
Prepayments received from customers	297	128 289	43 553	41 674	16	-	43 866	169 963
Trade payables	4 899 351	4 428 544	2 491 433	2 018 675	-	-	7 390 785	6 447 219
Payables to related companies	275 338	270 087	140 016	86 182	-	-	415 353	356 269
Accrued liabilities	-	-	-	-	783 615	1 172 278	783 615	1 172 278
Total equity and liabilities	11 953 102	15 880 305	6 121 831	5 694 323	28 875 820	24 353 269	46 950 753	45 927 899
Income statement								
Net turnover	17 364 746	14 299 465	461 301	899 107	-	-	17 826 047	15 198 570
Changes in stock of finished goods and work in progress	(373 608)	918 054	(189 988)	292 939	-	-	(563 597)	1 210 993
Other operating income	-	-	-	-	209 852	343 107	209 852	343 107
Cost of materials	(1 779 748)	(2 455 944)	(905 043)	(783 659)	-	(4 708)	(2 684 791)	(3 244 311)
Staff costs	(2 919 521)	(3 741 912)	(1 484 644)	(1 193 996)	-	-	(4 404 165)	(4 935 908)
Depreciation/ amortisation and write-offs	(805 409)	(1 290 560)	(409 569)	(411 800)	(74 322)	(73 335)	(1 289 300)	(1 775 696)
Other operating expense	(3 979 385)	(4 002 910)	(2 023 610)	(1 277 276)	-	(53 379)	(6 002 995)	(5 333 565)
Income from investments in subsidiaries	-	-	-	-	-	-	-	-
Financial income	-	-	-	-	174 058	101 014	174 058	101 014
Financial expenses	-	-	-	-	(231 765)	(384 022)	(231 765)	(384 022)
Corporate income tax	-	-	-	-	(483 532)	(6 730)	(483 532)	(6 730)
Net profit/ (loss) for the year	7 507 075	3 726 193	(4 551 554)	(2 474 686)	(405 710)	(78 053)	2 549 810	1 173 452

Segment assets do not include part of the intangible assets, tangible assets, inventories, receivables and financial assets and cash, as these assets are managed on a Group bases.

Segment liabilities do not include deferred tax liability and accrued liabilities, as these liabilities are managed on Group level.

Net profit for each operating segment does not include financial income and expenses and corporate income tax and deferred corporate income tax.

Geographic information

Major part of the Group assets (approx. 99%) is located in Latvia. For sales disclosed to external customers based on its geographical location, see Note 3.

22. Events after reporting period end

As of the last day of the reporting year until the date of signing these financial statements there have been no events requiring adjustment of or disclosure in the financial statements or notes thereto.