

JOINT STOCK COMPANY OLAINFARM
(UNIFIED REGISTRATION NUMBER 40003007246)
CONSOLIDATED NON-AUDITED SEMI ANNUAL REPORT
FOR THE PERIOD ENDED 31 DECEMBER 2010

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

Olaine, 2011

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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 street 5 Olaine, Latvia, LV-2114
Major shareholders of the Parent Company	SIA Olmafarm (42.56%) Rūpnīcu street 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 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 (75%) 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>Vjačeslavs Kuļikovs (died on 09/01/2010) <i>Positions held and 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> SIA „Pharma and Chemistry Competence Centre of Latvia”, Council Member <i>Participation in other companies:</i> none</p> <p>Salvis Lapiņš (appointed 09/03/2010) <i>Positions held in other companies:</i> none <i>Participation in other companies:</i> SIA „Baltic Team-Up” (50%)</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 (through 08.02.2010.)

Participation in other companies:

SIA HB-19 (100%)

SIA Nordic Bio Energy (30.9%)

SIA EGRA trans (25%)

SIA „Sabiedrība Mārupe” (0,000964%)

Aleksandrs Raicis

Positions held in other companies:

SIA BRIZ, Development Director

Participation in other companies:

SIA VIP Pharma (50%)

SIA Recessus (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 31 December 2010

Vjačeslavs Kuļikovs (died on 09/01/2010)

Positions held and participation in other companies: none

Salvis Lapiņš (appointed 09/03/2010)

Positions held in other companies: none

Participation in other companies:

SIA „Baltic Team-Up” (50%)

Movements in the Council during the period 1 January 2010 through 31 December 2010

none

Subsidiaries

SIA „Reinolds” (100%)

Dzegužu street 1/2, Rīga, LV-1007, from 26/08/2008.

SIA „Ozols JDR” (100%)

Zeiferta street 18B, Olaine, LV-2114, from 30/08/2010.

SIA „Olainfarm enerģija” (50%)

Rūpnīcu street 5, Olaine, LV-2114, from 15/09/2010.

Core business activity

Manufacture of basic pharmaceutical products and pharmaceutical preparations

Audit Committee

Žanna Karaseva

General information (cont'd)

Report period

1 January – 31 December 2010

Auditors

Dace Cikmača
Certified auditor
Certificate number 175

SIA Ernst & Young Baltic
Muitas street 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 changes have been made to the composition of the Group. Now it consists of a Parent Company JSC Olainfarm, its daughter company SIA Reinolds, which owns several patents related to new products, daughter company SIA "Ozols JRD", whose main activity will be to organize sports and active leisure activities in the town of Olaine, as well as daughter company "Olainfarm Enerģija", which will produce and sell electric energy, using cogeneration technologies.

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.

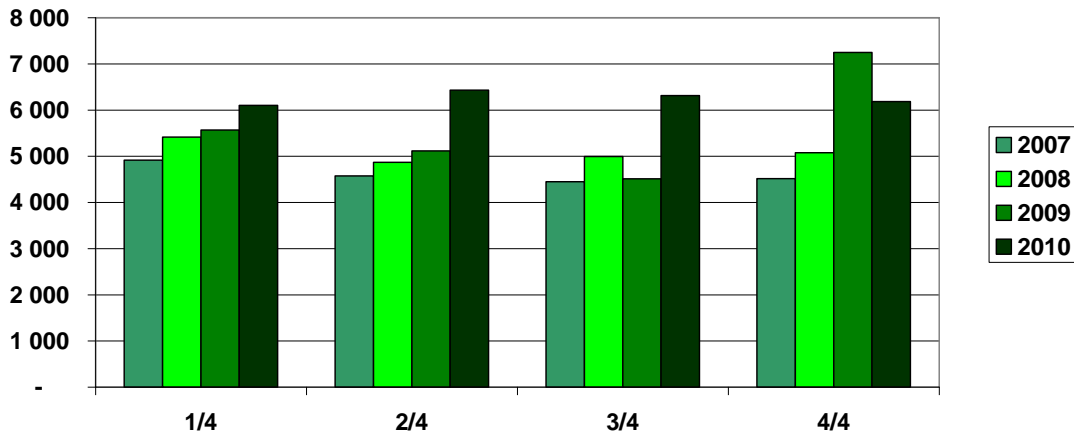
Corporate vision:

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

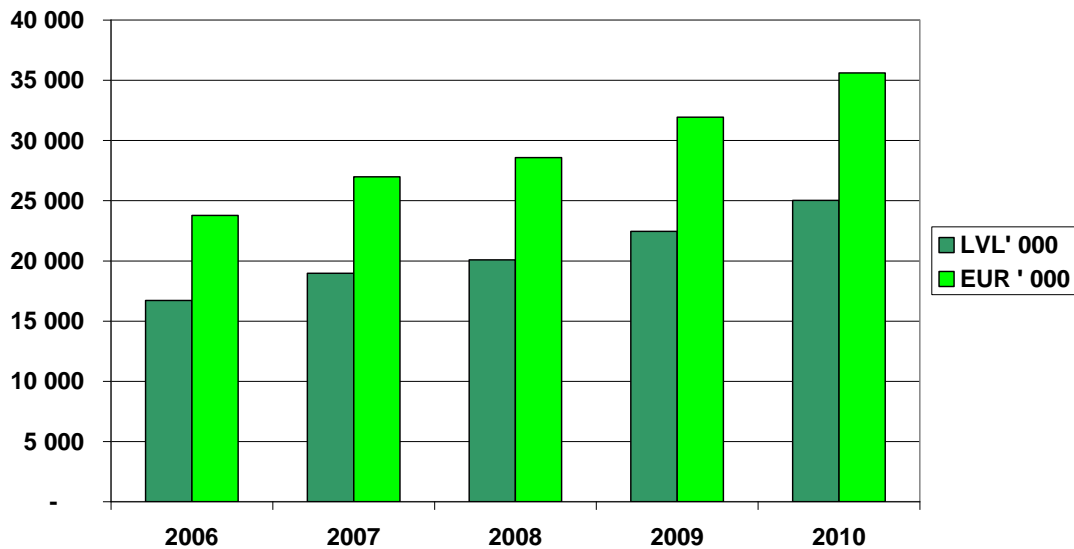
During the 4th quarter of 2010 the level of sales was still comfortably above 6 million lats (8.6 million EUR), but because of excess demand for antiviral medications experienced in 4th quarter of 2009, the company could not outperform its last quarter sales figures in 2010. In total company's sales during 4th quarter of 2010 were 6.18 million lats (8.8 million EUR).

Consolidated Sales by Quarters, thsnd. LVL



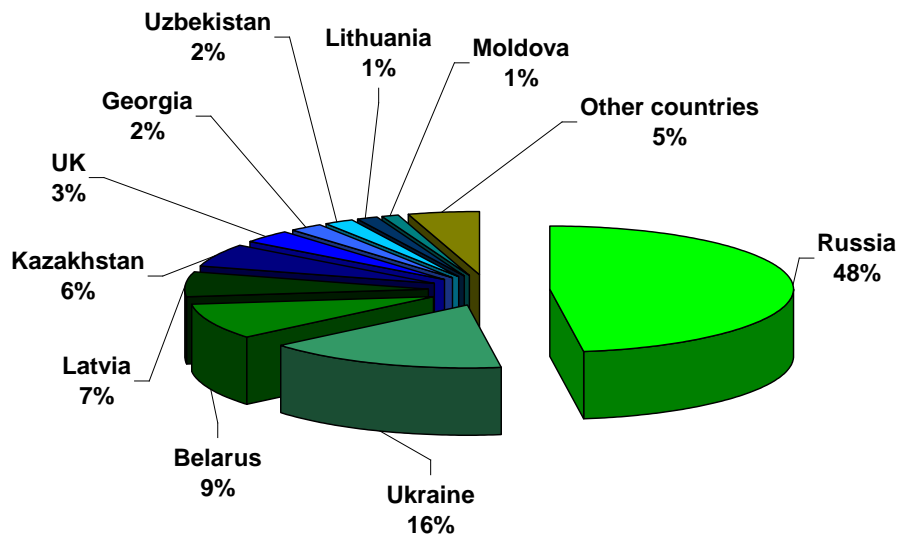
Sales in 2010 in total compared to the sales in 2009 have increased by 12% and have reached 25 million lats (35.6 million EUR), which is some 2% above the sales target approved by the company's AGM in 2010. The sales target approved was 24.5 million lats (34.9 million EUR).

Consolidated Sales



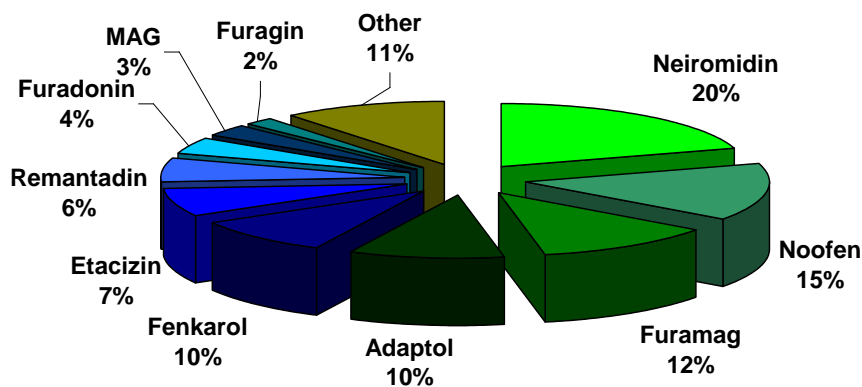
In 2010 company's sales increased in all its major markets, except Latvia. Sales to Uzbekistan have increased by 49%, to Moldova by 118%, to Belarus by 16%, to Kazakhstan by 15%, Georgia by 39%, Russia by 23% and Ukraine by 25%. Sales volumes in Latvia are gradually increasing too, comparing to previous quarters of 2010, however, when comparing year on year there is still a decrease in Latvian sales.

Sales by Countries, 2010



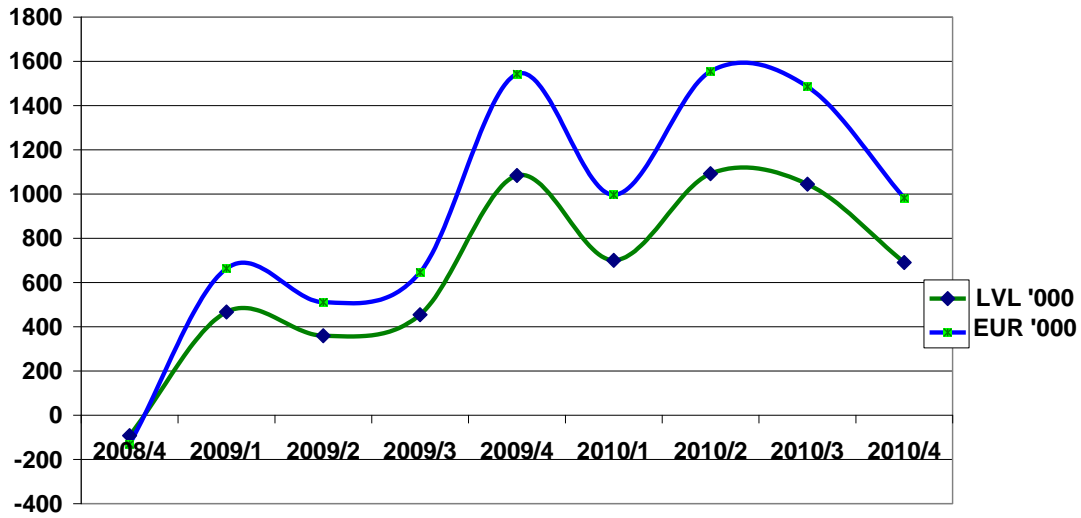
Product portfolio of A/s “Olainfarm” still remains rather well diversified and as demand for antiviral medicines increased by the end of the year, sales of antiviral medicine „Remantadins” have increased respectively reducing the share of other products, including share of Neiromidin in total sales compared to their share as of 9 months of 2010. However, this demand for antivirals at the end of 2010 was not as strong as at the end of 2009, with strong concerns about outbreak of pandemic flu. For the entire year, the share of Neiromidin in total sales has decreased to 20%. In general throughout 2010 sales of all products have increased rather equally and ten best selling products combined still make up less than 90% of sales. Sales of six best selling products are still being additionally promoted.

Sales by Products, 2010



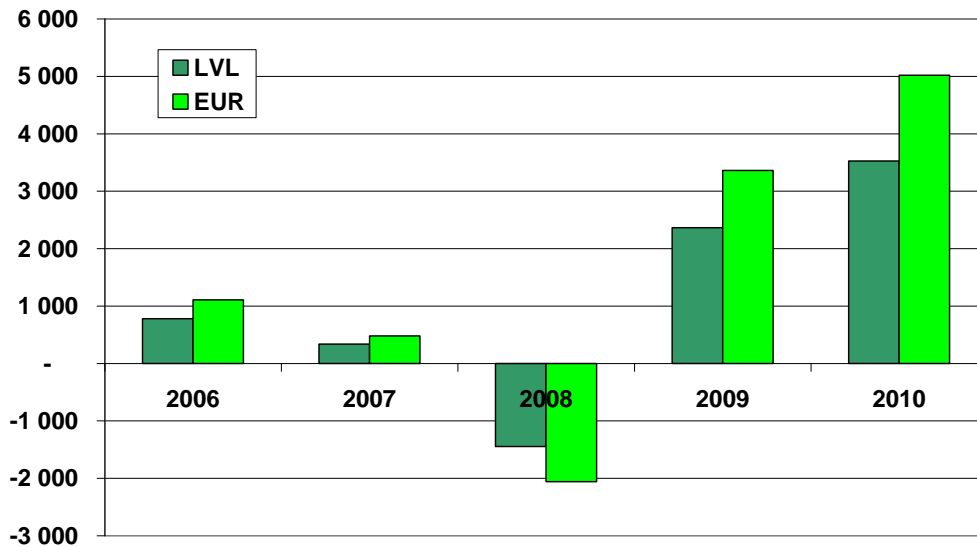
Along with stable sales figures, company also demonstrated rather stable profit figures. Since there were no major extraordinary demand increases during the last quarter of 2010, unlike in 2009, some minor sales and profit reduction took place, if compared with previous quarters. However, quarterly profits remain rather high at the level of approximately 1 million euro.

Profit by Quarters



In 2010 the new record profits have been achieved by the company. Profit of 2010 exceeds 3.5 million lats (5 million EUR), which is nearly a 50% increase compared to 2009.

Consolidated Profit, Thsnd.



Other financial indicators of the Company also continue improving.

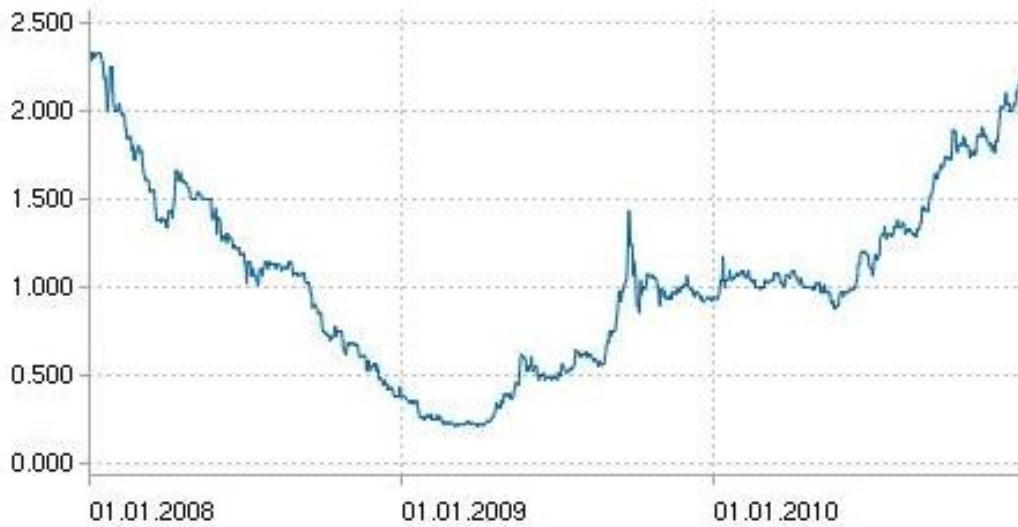
Financial indicator	31.12.2010.	31.12.2009.	% to previous period
Net sales (LVL)	25 023 430	22 441 240	112%
Net profit (LVL)	3 525 897	2 363 063	149%
EBITDA (LVL)	6 371 804	5 611 606	114%
EBIT (LVL)	4 527 211	3 348 966	135%
Net sales (EUR)	35 605 134	31 931 008	112%
Net profit (EUR)	5 016 899	3 362 336	149%
EBITDA (EUR)	9 066 260	7 984 596	114%
EBIT (EUR)	6 441 641	4 765 149	135%
EBITDA margin, %	25	25	
Net margin, %	14	11	
EBIT margin, %	18	15	
ROA, %	10,8	7,7	
ROE, %	17,1	13,8	
Current ratio	3,6	2,4	
EPS, LVL	0,25	0,168	149%
EPS, EUR	0,356	0,239	149%
Share price at the end of the period LVL	2,17	0,94	231%
Share price at the end of the period EUR	3,088	1,34	231%
P/E	8,7	5,6	NA
Market capitalisation at the end of the period LVL	30 564 619	13 239 973	231%
Market capitalisation at the end of the period EUR	42 494 721	18 838 784	231%
(P/B)	1,48	0,77	

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). According to this unaudited report the sales target has been exceeded by more than 2%, while the profit target was exceeded by nearly 31%.

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. Successful operations of the Company were best reflected starting with the 3rd quarter of 2010, when the share price started to demonstrate a rather fast growth, reaching 2.17 lats per share (3.88 euro per share) at the end of 4th quarter. This is the highest share price since the beginning of 2008. As this report is being prepared share price fluctuates around 2.30 lats (3.30 euro) per share. During 2010 share price of Olainfarm has been fluctuating between 0.87 and 2.17 lats (1.24 and 3.09 euro)

Price of shares of “Olainfarm” on NASDAQ OMX Riga (LVL) (2008 - 2010)



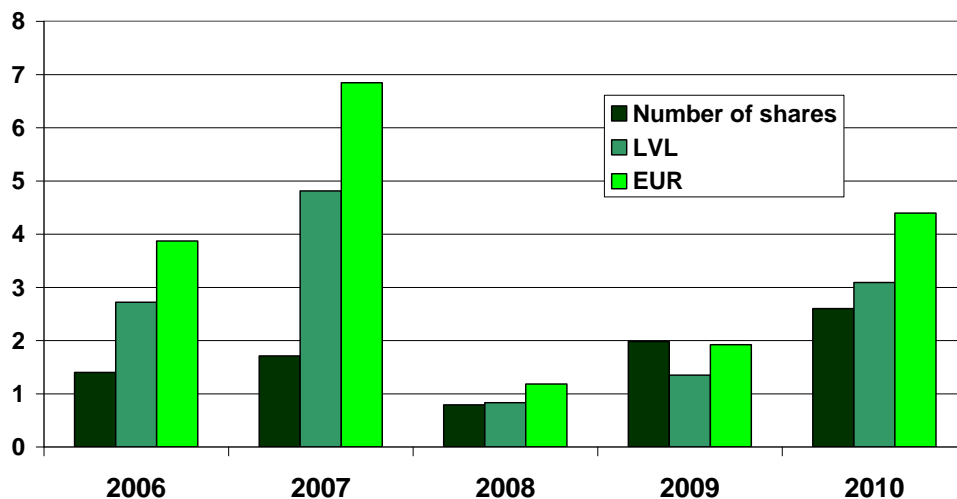
During the first half of 2010 the growth trend of Olainfarm’s shares and OMXRiga were somewhat similar, as both grew by about 25%. However, in 3rd quarter of 2010 share price of Olainfarm started a more rapid growth, significantly outperforming the growth of OMXR index, and demonstrated the increase of 130% in 2010 compared to 41% growth of OMXR.

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



-- **OMX Riga**
 -- **AS “Olainfarm”**

Trading of Shares at NASDAQ OMX Riga, mln.



Trading of shares of Olainfarm on NASDAQ OMX Riga also experienced considerable increase. During 2010 more than 3 million lats (4.4 million euro) worth of shares were traded, which is more than 2008 and 2009 combined. Besides, during 2010 more than 2.5 million shares were traded, which is the largest number for the last five years.

Development

During 2010 the total of 38 registration renewals were completed in 7 countries as well as 36 totally new registration cases completed. 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 September 28, 2010 another Good Manufacturing practice certificate was obtained, certifying the conformity of production of yet another 5 active pharmaceutical ingredients to the requirements of GMP.

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.

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 August 24, Company opened its representative office in Tajikistan.

On September 15, 2010, a new company „Olainfarm Enerģija” was registered. Olainfarm holds 50% stake in this company. The new company will produce and sell electric energy using the cogeneration technologies. Construction of the cogeneration facilities not only will allow reducing the costs of produced thermal energy, but will also provide extra income from the sales of co generated electric energy.

Clinical trials of Olvazol® have been successfully completed.

Environment

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

On November 25, 2010 Olainfarm passed the monitoring audit for ISO 14001 certificate conducted by international conformity auditing company „Bureau Veritas”.

Social Responsibility

On September 28, 2010, employees of Olainfarm donated the aid packs to the charity movement „Paēdušai Latvijai”. During two days 15 boxes of food and clothing were gathered and delivered to organizers.

In September 2010, Olainfarm purchased 100% shares of SIA „Ozols JRD”. It is planned that the main activities of this company will be related to organizing sports and active leisure activities in the town of Olaine.

Reacting to the rapid decrease of purchasing power of Latvian population and to the expected increases in VAT and other taxes, Olainfarm decided to significantly reduce the prices for several its products in Latvia by November 1st. Prices for 26 different products were reduced by 16% on average.

Events after the end of the reporting period

In February 2011, registration application of Olvazol® capsules has been submitted in Ukraine.

In February 2011 Olainfarm's application of project „Reduction of carbon dioxide emissions, by improving energy efficiency of production units 2 and 4 of Olainfarm” has been approved. Implementation of the project will allow reducing carbon dioxide emissions and increasing energy efficiency of two production buildings of Olainfarm.

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

28 February 2011


Valerijs Maligins
Chairman of the Board
(President)

AKCĪBU SAŅĒMĒIBA
LATVIJAS REPUBLIKA
* Olainfarm *

Statement of Responsibility of the Management

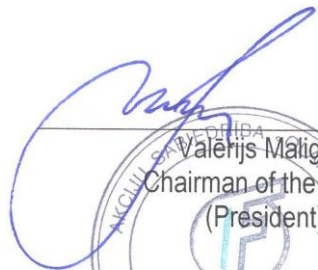

Management Board of JSC „Olainfarm” (hereinafter – the Company) is responsible for preparation of consolidated interim financial statements of the Company and its subsidiaries (hereinafter – the Group). Interim financial statements are not audited.

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 December 31, 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:


Valerijs Maligins
Chairman of the Board
(President)


28 February 2011

Statement of consolidated comprehensive income

	Notes	2010 LVL	2010 EUR	2009 LVL	2009 EUR
Net sales	3	25 023 430	35 605 134	22 441 240	31 931 008
Changes in stock of finished goods and work in progress		(369 684)	(526 013)	86 809	123 518
Other operating income	4	251 772	358 239	415 361	591 005
Cost of materials:					
<i>raw materials and consumables</i>		(2 318 130)	(3 298 402)	(2 326 977)	(3 310 990)
<i>other external costs</i>		(1 516 713)	(2 158 088)	(1 606 572)	(2 285 946)
		(3 834 843)	(5 456 490)	(3 933 549)	(5 596 936)
Staff costs:					
<i>Wages and salaries</i>	8	(4 900 918)	(6 973 378)	(5 017 518)	(7 139 285)
<i>Statutory social insurance contributions</i>	8	(1 127 228)	(1 603 901)	(1 139 469)	(1 621 318)
		(6 028 146)	(8 577 279)	(6 156 987)	(8 760 603)
Depreciation/ amortization	10,11.	(1 844 593)	(2 624 619)	(2 262 640)	(3 219 447)
Other operating expense	5	(8 670 725)	(12 337 330)	(7 241 268)	(10 303 396)
Income from investments into subsidiaries		(4 194)	(5 968)	-	-
Financial income	6	146 543	208 512	69 702	99 177
Financial expense	7	(342 707)	(487 628)	(553 279)	(787 245)
(Loss)/ profit before taxes		4 326 853	6 156 557	2 865 389	4 077 081
Corporate income tax		(694 808)	(988 623)	(380 801)	(541 831)
Deferred corporate income tax		(106 148)	(151 035)	(121 525)	(172 914)
(Loss)/ profit for the reporting year		3 525 897	5 016 899	2 363 063	3 362 336
Basic and diluted earnings per share	9	0,250	0,356	0,168	0,239

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

For the Board of JSC Olainfarm:


 Valerijs Maligins
 Chairman of the Board
 (President)


28 February 2011

Consolidated statement of financial position

	Notes	ASSETS			
		31.12.2010.	31.12.2010.	31.12.2009.	31.12.2009.
		LVL	EUR	LVL	EUR
NON-CURRENT ASSETS					
Intangible assets					
Goodwill	10	503 930	717 028	503 930	717 028
Patents	10	5 761 221	8 197 479	5 923 670	8 428 623
Other intangible assets	10	516 932	735 529	637 935	907 700
Prepayments for intangible assets		298 901	425 298	173 471	246 827
TOTAL		7 080 984	10 075 333	7 239 006	10 300 178
Property, plant and equipment					
Land, buildings and constructions	11	6 138 825	8 734 761	6 445 656	9 171 342
Equipment and machinery	11	2 292 024	3 261 256	2 862 135	4 072 451
Other tangible assets	11	670 401	953 895	183 409	260 967
Construction in progress	11	13 635	19 401	82 484	117 364
Prepayments for property, plant and equipment		24 515	34 882	247 580	352 275
TOTAL		9 139 400	13 004 195	9 821 264	13 974 400
Financial assets					
Other securities and investments		-	-	386	549
Investments in related companies		1 650	2 348	650	925
Prepayments for investments		3 720	5 293	-	-
TOTAL		5 370	7 641	1 036	1 474
TOTAL NON-CURRENT ASSETS		16 225 754	23 087 168	17 061 306	24 276 051
CURRENT ASSETS					
Inventories					
Raw materials		932 807	1 327 265	668 186	950 743
Work in progress		3 400 014	4 837 784	4 017 587	5 716 511
Finished goods and goods for resale		2 257 050	3 211 493	1 881 127	2 676 603
Goods in transit		70 068	99 698	19 074	27 140
Prepayments for goods		100 164	142 521	45 242	64 374
TOTAL	12	6 760 103	9 618 759	6 631 216	9 435 370
Receivables					
Trade receivables	13	7 671 621	10 915 733	5 414 429	7 704 038
Receivables from related companies		151 968	216 231	73 000	103 870
Prepayments to suppliers		-	-	15 018	21 369
Other receivables		435 220	619 262	180 345	256 608
Corporate income tax		-	-	-	-
Current loans to management and employees		830 696	1 181 974	435 486	619 641
Prepaid expense		9 391	13 362	65 250	92 842
Short-term deposits	14	-	-	500 396	711 999
TOTAL		9 098 896	12 946 563	6 683 924	9 510 366
Cash	14	494 697	703 890	182 659	259 900
TOTAL CURRENT ASSETS		16 353 696	23 269 213	13 497 799	19 205 638
TOTAL ASSETS		32 579 450	46 356 381	30 559 105	43 481 689

For the Board of JSC Olainfarm:

28 February 2011


 Valerijs Māligins
 Chairman of the Board
 (President)


Consolidated statement of financial position

EQUITY	Notes	EQUITY AND LIABILITIES			
		31.12.2010. LVL	31.12.2010. EUR	31.12.2009. LVL	31.12.2009. 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		1 266 811	1 802 510	(1 096 253)	(1 559 827)
for the period		3 525 897	5 016 899	2 363 063	3 362 336
TOTAL EQUITY		20 637 494	29 364 508	17 111 596	24 347 608
LIABILITIES					
Non-current liabilities					
Loans from credit institutions	16	3 459 918	4 923 020	3 564 690	5 072 097
Long term payables for the long-term investment	20	2 453 050	3 490 376	2 453 050	3 490 376
Finance lease liabilities	17	36 890	52 490	104 531	148 734
Other loans		540 237	768 688	500 397	712 001
Taxes payable	18	-	-	197 491	281 004
Deferred corporate income tax liabilities		945 837	1 345 805	839 689	1 194 770
TOTAL		7 435 932	10 580 378	7 659 848	10 898 982
Current liabilities					
Loans from credit institutions	16	1 258 152	1 790 189	2 412 513	3 432 697
Finance lease liabilities	17	75 770	107 811	108 708	154 678
Prepayments received from customers		38 766	55 159	125 036	177 910
Trade and other payables	20	1 615 847	2 299 143	1 371 011	1 950 773
Payables to related companies		-	-	237 983	338 619
Taxes payable	18	503 165	715 939	578 820	823 587
Corporate income tax	18	311 682	443 484	328 797	467 836
Accrued liabilities	19	702 642	999 769	624 793	889 000
TOTAL		4 506 024	6 411 495	5 787 661	8 235 100
TOTAL LIABILITIES		11 941 956	16 991 873	13 447 509	19 134 081
TOTAL EQUITY AND LIABILITIES		32 579 450	46 356 381	30 559 105	43 481 689

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

For the Board of JSC Olainfarm:


 Valerijs Māģis
 Chairman of the Board
 (President)



28 February 2011

Consolidated statement of cash flow

	2010		2009	
	LVL	EUR	LVL	EUR
Cash flows to/from operating activities				
(Loss)/ Profit before taxes	4 326 853	6 156 557	2 865 389	4 077 081
Adjustments for:				
Amortisation and depreciation	1 854 227	2 638 327	2 272 161	3 232 994
Loss on sale/ disposal of property, plant and equipment	63 374	90 173	37 608	53 511
Increase in allowances	(37 294)	(53 065)	533 298	758 815
Loss from investments	386	549	-	-
Interest expences	294 057	418 405	411 045	584 864
Interest receivable	(22 558)	(32 097)	(26 095)	(37 130)
Operating cash flows before working capital changes	6 479 045	9 218 850	6 093 406	8 670 136
Increase in inventories	4 195	5 969	(115 438)	(164 253)
(Increase)/ decrease in receivables and prepaid expence	(1 994 118)	(2 837 374)	(462 880)	(658 619)
Increase/ (decrease) in payables and prepayments received	(33 455)	(47 602)	(2 647 028)	(3 766 382)
Cash generated from operations	4 455 667	6 339 843	2 868 060	4 080 882
Interest paid	(111 221)	(158 253)	(337 297)	(479 930)
Corporate income tax paid	(743 553)	(1 057 981)	(44 891)	(63 874)
Net cash flows to/ from operating activities	3 600 893	5 123 609	2 485 872	3 537 077
Cash flows to/from investing activities				
Purchase of property, plant and equipment	(1 117 872)	(1 590 589)	(493 222)	(701 792)
Prepayment for financial investments	(3 720)	(5 293)	-	-
Acquisition of subsidiary	(1 000)	(1 423)	-	-
Proceeds from sale of intangible assets and property, plant and equipment	48 395	68 860	7 226	10 282
Loans repaid	313 646	446 278	6 069	8 635
Interest receivable	727	1 034	9 124	12 982
Loans granted	-	-	(500 396)	(711 999)
	(700 282)	(996 412)	(200 906)	(285 863)
Net cash flows to/from investing activities	(1 460 106)	(2 077 544)	(1 172 105)	(1 667 756)
Cash flows to/from financing activities				
Borrowings repaid	(6 756 511)	(9 613 649)	(1 668 610)	(2 374 218)
Proceeds from borrowings	4 927 762	7 011 574	500 396	711 999
Net cash flows to/from financing activities	(1 828 749)	(2 602 075)	(1 168 214)	(1 662 219)
Change in cash	312 038	443 990	145 553	207 103
Cash at the beginning of the year	182 659	259 900	37 106	52 797
Cash at the end of the year	494 697	703 890	182 659	259 900

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

Statement of consolidated 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 2009	14 085 078	20 041 260	1 759 708	2 503 839	1 266 810	1 802 508	17 111 596	24 347 607
Loss for the reporting year	-	-	-	-	3 525 897	5 016 899	3 525 897	5 016 899
Balance as at 31 December 2010	14 085 078	20 041 260	1 759 708	2 503 839	4 792 707	6 819 408	20 637 494	29 364 508

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 28 February 2011.

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:

	31/012/2010	31/12/2009
EUR	0.702804	0.702804
USD	0.535	0.489

3. Net sales

<i>By business segments</i>	2010		2009	
	LVL	EUR	LVL	EUR
Finished form medicine	23 249 856	33 081 564	20 986 160	29 860 615
Chemicals	1 773 574	2 523 570	1 455 080	2 070 392
TOTAL:	25 023 430	35 605 134	22 441 240	31 931 008

<i>By geographical segments</i>	2010		2009	
	LVL	EUR	LVL	EUR
CIS	21 229 513	30 206 876	17 156 717	24 411 809
Europe	1 628 455	2 317 082	2 965 522	4 219 558
Latvia	1 382 248	1 966 762	1 286 881	1 831 067
Baltic states (Lithuania and Estonia)	399 118	567 894	484 591	689 511
Other	384 096	546 520	547 529	779 063
TOTAL:	25 023 430	35 605 134	22 441 240	31 931 008

4. Other operating income

	2010		2009	
	LVL	EUR	LVL	EUR
Other operating income	74 741	106 347	49 276	70 113
Income of services	68 412	97 342	95 793	136 301
Lease of premises	49 809	70 871	66 925	95 226
Incomes from catering services	22 991	32 714	25 813	36 729
Royalty	21 047	29 948	-	-
Gains from sale of non-current assets	6 766	9 628	3 654	5 199
Sale of current assets	4 438	6 315	995	1 416
Treatment of waste water	3 567	5 075	172 905	246 022
TOTAL:	251 772	358 239	415 361	591 005

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

5. Other operating expense

	2010		2009	
	LVL	EUR	LVL	EUR
Marketing expense	6 027 383	8 576 194	4 784 714	6 808 035
Sales commissions	177 933	253 176	131 969	187 774
Transportation expense	110 547	157 294	84 986	120 924
Other distribution costs	106 773	151 924	73 060	103 955
Expert analysis of medicines	83 912	119 396	47 410	67 459
<i>Total distribution costs:</i>	<i>6 506 548</i>	<i>9 257 984</i>	<i>5 122 139</i>	<i>7 288 147</i>
Write-offs of current assets	250 718	356 740	134 585	191 497
Information and business consulting	236 717	336 818	101 894	144 982
Security	201 334	286 472	158 747	225 877
Representation expense	174 909	248 873	44 073	62 710
Business trips	170 204	242 179	92 618	131 784
Insurance	116 281	165 453	158 971	226 195
Car fleet maintenance	87 480	124 472	40 688	57 894
Allowances for doubtful receivables, established/ recovered*	87 093	123 923	135 593	192 931
Current repairs	69 094	98 312	30 027	42 725
Flowers and gifts	67 427	95 940	17 379	24 728
New product research and development costs	67 195	95 611	16 399	23 334
Other taxes	64 186	91 328	59 179	84 204
Communications expense	62 971	89 600	59 011	83 965
Donations	48 142	68 499	25 223	35 889
Allowances to staff	44 205	62 898	39 171	55 735
Education	41 005	58 344	28 016	39 863
Write-offs and disposal of tangible assets	38 139	54 266	39 574	56 309
Provisions for slow-moving items	37 045	52 710	200 775	285 678
Social infrastructure	31 412	44 696	32 290	45 945
Provisions for impairment of tangible assets	30 909	43 980	29 650	42 188
Laboratory tests	25 824	36 744	11 131	15 838
Bank charges	25 652	36 500	29 535	42 025
Impairment of tangible assets	22 058	31 385	-	-
Allowances for work in progress	17 060	24 275	71 129	101 207
Hosting expense	16 177	23 017	14 583	20 750
Legal and audit expense	15 829	22 523	8 413	11 971
Office expense	15 769	22 437	12 089	17 201
Waste removal	13 870	19 735	19 680	28 002
Write-offs of intangible assets	10 825	15 402	30 702	43 685
Membership fees	10 786	15 348	12 392	17 632
Administrative offices maintenance	10 557	15 021	6 783	9 652
Annual payment for medicines registered in LR	8 700	12 379	19 250	27 390
Allowances for slow-moving items	8 433	11 998	150 695	214 420
Inventorying of buildings	-	-	13 000	18 497
Provisions for impairment of tangible assets	(4 050)	(5 762)	(1 049)	(1 493)
Provisions for of intangible assets	(12 725)	(18 106)	-	-
Provisions for slow-moving items	(18 577)	(26 433)	-	-
Provisions for slow-moving items	(28 904)	(41 127)	-	-
Provisions for allowances for work in progress	(86 485)	(123 057)	-	-
Other operating expense	186 910	265 949	276 933	394 040
TOTAL:	8 670 725	12 337 330	7 241 268	10 303 396

6. Financial income

	2010		2009	
	LVL	EUR	LVL	EUR
Currency exchange gain, net	123 985	176 414	43 607	62 047
Loan interest payments	22 172	31 548	12 291	17 489
Interest accrued on bank account balances	387	550	13 804	19 641
TOTAL:	146 543	208 512	69 702	99 177

7. Financial expense

	2010		2009	
	LVL	EUR	LVL	EUR
Loan interest expenses	294 136	418 518	411 045	584 864
Penalties paid for late payments	48 571	69 110	142 234	202 381
TOTAL:	342 707	487 618	553 279	787 245

8. Staff costs and number of employees

	2010		2009	
	LVL	EUR	LVL	EUR
Wages and salaries	4 900 918	6 973 378	5 017 518	7 139 285
Statutory social insurance contributions	1 127 228	1 603 901	1 139 469	1 621 318
TOTAL:	6 028 146	8 577 279	6 156 987	8 760 603

	2010		2009	
	LVL	EUR	LVL	EUR
Management of the Group				
Wages and salaries	375 869	534 814	387 327	551 117
Statutory social insurance contributions	92 009	130 918	92 974	132 290
Board Members				
Wages and salaries	415 992	591 903	375 767	534 668
Statutory social insurance contributions	96 691	137 579	70 995	101 017
Council Members				
Wages and salaries	108 202	153 957	91 575	130 299
Statutory social insurance contributions	26 166	37 231	20 825	29 631
TOTAL:	1 114 929	1 586 401	1 039 463	1 479 023

	31/12/2010	31/12/2009
Average number of employees during the reporting year	754	792

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:

	2010		2009	
	LVL	EUR	LVL	EUR
Net result attributable to shareholders	3 525 897	5 016 899	2 363 063	3 362 336
Weighted average number of ordinary shares	14 085 078	14 085 078	14 085 078	14 085 078
Earnings per share	0,250	0,356	0,168	0,239

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 31/12/2008	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
2010 Additions	-	-	7 255	10 323	143 319	203 925	150 574	214 248
Reclassification	-	-	(12 915)	(18 376)	(66 249)	(94 264)	(79 164)	(112 640)
Disposals	-	-	-	-	(424 415)	(603 888)	(424 415)	(603 888)
Acquisition value as at 31/12/2010	503 930	717 028	6 222 789	8 854 231	837 923	1 192 257	7 564 642	10 763 516
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
2010 Amortisation	-	-	156 788	223 089	198 984	283 129	355 772	506 218
Reclassification	-	-	-	-	(60 811)	(86 526)	(60 811)	(86 526)
Amortisation of disposals	-	-	-	-	(364 517)	(518 661)	(364 517)	(518 661)
Accumulated amortisation as at 31/12/2010	-	-	461 569	656 754	320 990	456 727	782 559	1 113 481
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 31/12/2010	503 930	717 028	5 761 221	8 197 479	516 932	735 529	6 782 083	9 650 037

11. Property, plant and equipment

LVL

	Land	Buildings and constructions	Equipment and machinery	Other tangible assets	Construction in progress	TOTAL
Acquisition value as at 31/12/2008	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
2009 Disposals	-	(31 119)	(154 277)	(5 971)	(29 153)	(220 520)
Acquisition value as at 31/12/2009	55 928	12 992 020	12 259 334	601 254	82 484	25 991 020
Additions	-	26 805	614 485	302 984	146 906	1 091 180
Liquidation	-	(178 707)	(63 708)	(97 337)	(15 019)	(354 771)
2010 Impairment	-	-	(23 118)	-	-	-
2010 Reversed impairment	-	-	4 050	-	-	4 050
2010 Reclassification	-	200 736	-	-	(200 736)	-
2010 Reclassification	-	-	(1 390 034)	1 426 032	-	35 998
Acquisition value as at 31/12/2010	55 928	13 040 855	11 401 009	2 232 933	13 635	26 744 359
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	-	1 943 776
2009 Depreciation of disposals	-	(22 375)	(148 002)	(5 453)	-	(175 830)
2009 Reversed impairment	-	-	(475)	(574)	-	(1 049)
Accumulated depreciation as at 31/12/2009	-	6 602 293	9 397 201	417 846	-	16 417 339
2010 Depreciation	-	517 531	693 704	287 220	-	1 498 455
2010 Depreciation of disposals	-	(161 865)	(57 219)	(83 816)	-	(302 900)
2010 Impairment	-	-	(1 060)	-	-	-
2010 Reclassification	-	-	(475)	(574)	-	17 640
Accumulated depreciation as at 31/12/2010	-	6 957 958	9 108 985	1 562 532	-	17 629 474
Net carrying amount as at 31/12/2009	55 928	6 389 728	2 862 135	183 408	82 484	9 573 683
Net carrying amount as at 31/12/2010	55 928	6 082 897	2 292 024	670 401	13 635	9 114 885

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 31/12/2008	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
2009 Disposals	-	(44 278)	(219 516)	(8 496)	(41 481)	(313 772)
Acquisition value as at 31/12/2009	79 578	18 485 979	17 443 461	855 507	117 364	36 981 889
2010 Additions	-	38 140	874 333	431 107	209 028	1 552 609
2010 Liquidation	-	(254 277)	(90 648)	(138 498)	(21 370)	(504 793)
2010 Impairment	-	-	(32 894)	-	-	-
2010 Reversed impairment	-	-	5 762	-	-	5 762
2010 Reclassification	-	285 622	-	-	(285 622)	-
2010 Reclassification	-	-	(1 977 840)	2 029 061	-	51 221
Acquisition value as at 31/12/2010	79 578	18 555 465	16 222 174	3 177 177	19 401	38 053 795
Accumulated depreciation as at 31/12/2008	-	8 677 116	11 685 157	483 429	-	20 845 702
2009 Depreciation	-	749 293	1 897 119	119 688	-	2 766 100
2009 Depreciation of disposals	-	(31 837)	(210 588)	(7 759)	-	(250 184)
2009 Reversed impairment	-	-	(676)	(817)	-	(1 493)
Accumulated depreciation as at 31/12/2009	-	9 394 572	13 371 012	594 541	-	23 360 125
2010 Depreciation	-	736 024	987 052	408 678	-	2 131 754
2010 Depreciation of disposals	-	(230 313)	(81 415)	(119 259)	-	(430 988)
2010 Impairment	-	-	(1 508)	-	-	-
2010 Reclassification	-	-	(676)	(817)	-	25 099
Accumulated depreciation as at 31/12/2010	-	9 900 282	12 960 918	2 223 282	-	25 084 482
Net carrying amount as at 31/12/2009	79 578	9 091 408	4 072 450	260 966	117 364	13 621 766
Net carrying amount as at 31/12/2010	79 578	8 655 183	3 261 256	953 895	19 401	12 969 313

There is a difference of LVL 9 633 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 5 534 which was disclosed in the income statement as other operating expense and 4 099 LVL depreciation expenses included in other operating expense.

As a result of detailed inspection of fixed assets and intangible assets, a reclassification of some groups of fixed and intangible assets has been made.

12. Inventories

	31.12.2010.		31.12.2009.	
	LVL	EUR	LVL	EUR
Raw materials (at cost)	1 148 485	1 634 148	904 336	1 286 754
Work in progress (at cost)	3 582 849	5 097 935	4 269 847	6 075 445
Finished goods and goods for resale (at cost)*	2 576 642	3 666 231	2 243 903	3 192 786
Goods in transit	70 068	99 697	19 074	27 140
Prepayments for goods	100 164	142 521	45 242	64 374
TOTAL:	7 478 208	10 640 530	7 482 402	10 646 499
Allowances for raw materials	(215 679)	(306 883)	(236 150)	(336 010)
Allowances for work in progress	(182 835)	(260 151)	(252 260)	(358 934)
Allowances for finished goods and goods for resale	(319 591)	(454 736)	(362 776)	(516 184)
TOTAL:	(718 105)	(1 021 771)	(851 186)	(1 211 128)
TOTAL:	6 760 103	9 618 759	6 631 216	9 435 370

* As at 31 December 2010, the Group's inventories comprised goods on consignment in the amount of LVL 599 325 (31/12/2009: LVL 265 700).

13. Trade receivables

	31.12.2010		31.12.2009	
	LVL	EUR	LVL	EUR
Trade receivables	7 802 737	11 102 294	5 466 032	7 777 463
Allowances for doubtful trade receivables	(131 115)	(186 560)	(51 603)	(73 424)
TOTAL:	7 671 621	10 915 733	5 414 429	7 704 038

14. Cash and short term deposits

	31.12.2010		31.12.2009	
	LVL	EUR	LVL	EUR
Cash at banks and on hand	494 697	703 890	182 659	259 900
Short-term deposits	-	-	500 396	712 000
	494 697	703 890	683 055	971 900

	31.12.2010.		31.12.2009.	
	Foreign currency	LVL	Foreign currency	LVL
Cash by currency profile:				
RUB	977	17	7 499	123
LVL	-	22 948	-	90 217
EUR	643 962	452 579	810 585	569 682
USD	35 799	19 152	47 185	23 033
KOPĀ:	-	494 697	-	683 055

15. Share capital

The share capital of the Parent Company on 31/12/2010 is LVL 14 085 078 (31/03/2009: LVL 14 085 078) and consists of 14 085 078 (31/12/2009: 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

<i>Non-current:</i>	Amount	Interest rate (%) as at		Maturity	31.12.2010.	31.12.2010.	31.12.2009.	31.12.2009.
		31/12/ 2009/2010			LVL	EUR	LVL	EUR
Loan from AS SEB banka	6 950 000	EUR	EUR LIBOR (3-month)+1.3%	08.12.2011.	-	-	1 576 917	2 243 751
Loan from AS SEB banka	4 000 000	EUR	EURIBOR (3-month)+1.3%	23.05.2013.	-	-	1 148 243	1 633 803
Loan from AS SEB banka	2 000 000	EUR	EURIBOR (3-month)+1.3%	10.10.2012.	-	-	606 341	862 746
Loan from AS SEB banka	445 000	EUR	EURIBOR (3-month)+1.3%	30.01.2015.	-	-	233 189	331 798
Loan from AS SEB banka	7 011 574	EUR	EURIBOR (3-month)+1.3%	29.09.2014.	3 459 918	4 923 020	-	-
TOTAL:					3 459 918	4 923 020	3 564 690	5 072 097

<i>Current:</i>	Amount	Interest rate (%) as at		Maturity	31.12.2010.	31.12.2010.	31.12.2009.	31.12.2009.
		31/12/ 2009/2010			LVL	EUR	LVL	EUR
Loan from AS SEB banka	6 950 000	EUR	EUR LIBOR (3-month)+1.3%	08.12.2011.	-	-	540 657	769 286
Loan from AS SEB banka	4 000 000	EUR	EURIBOR (3-month)+1.3%	23.05.2013.	-	-	475 135	676 056
Loan from AS SEB banka	2 000 000	EUR	EURIBOR (3-month)+1.3%	10.10.2012.	-	-	330 731	470 588
Loan from AS SEB banka	445 000	EUR	EURIBOR (3-month)+1.3%	30.01.2015.	-	-	32 921	46 842
Credit line from AS SEB banka *	2 200 000	EUR	EURIBOR (3-month)+2.9%	03.01.2011	-	-	1 033 069	1 469 925
Loan from AS SEB banka	7 011 574	EUR	EURIBOR (3-month)+1.3%	29.09.2014.	1 258 152	1 790 189	-	-
TOTAL:					1 258 152	1 790 189	2 412 513	3 432 697

Interest payable is normally revised quarterly throughout the financial year.

On September 29 a new Loan agreement was signed with a/s „SEB Banka”, whereby the new long – term loan of 7 million EUR was issued with the interest rate consisting from 3 month EURIBOR and an additional rate of 1.9% p.a. The maturity of the loan is September 29, 2014. The loan was issued with a purpose to merge all the existing loans into one. The loan was disbursed on October 22, 2010, and all previously issued loans were repaid using the disbursed funds.

As at 31 December 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

	31.12.2010.		31.12.2010.		31.12.2009.		31.12.2009.	
	LVL		EUR		LVL		EUR	
	Non-current	Current	Non-current	Current	Non-current	Current	Non-current	Current
Finance lease liabilities to SIA SEB Utilizings, EUR	36 890	75 770	52 490	107 811	104 531	108 708	148 734	154 678
TOTAL:	36 890	75 770	52 490	107 811	104 530	108 708	148 734	154 678

The interest rate on the finance leases is from 2.68% till 4.49%. 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:

	31.12.2010.		31.12.2010.		31.12.2009.		31.12.2009.	
	Present		Present		Present		Present	
	Minimum payments	value of payments	Minimum payments	value of payments	Minimum payments	value of payments	Minimum payments	value of payments
	LVL	LVL	EUR	EUR	LVL	LVL	EUR	EUR
Within one year	79 287	75 770	112 815	107 811	116 129	108 708	165 237	154 678
Between one and five years	37 857	36 890	53 866	52 490	108 655	104 531	154 602	148 734
Total minimum lease payments	117 144	112 660	166 681	160 301	224 784	213 239	319 839	303 412
Less amounts representing finance charges	(4 484)	-	(6 380)	-	(11 545)	-	(16 427)	-
Present value of minimum lease payments	112 660	112 660	160 301	160 301	213 239	213 239	303 412	303 412

18. Taxes payable/ receivable

	31.12.2010.		31.12.2010.		31.12.2009.		31.12.2009.	
	LVL		EUR		LVL		EUR	
Personal income tax *		(190 123)		(270 520)		(375 898)		(534 855)
Statutory social insurance contributions *		(293 705)		(417 905)		(367 197)		(522 474)
Real estate tax *		(15 294)		(21 761)		(29 566)		(42 069)
Natural resource tax		(3 833)		(5 454)		(3 650)		(5 193)
Corporate income tax		(311 682)		(443 494)		(328 797)		(467 836)
Value added tax		192 656		274 124		94 445		134 383
Value added tax		(210)		(298)		-		-
TOTAL:		(622 191)		(885 298)		(1 010 663)		(1 438 044)
Total liabilities:		(814 847)		(1 159 423)		(1 105 108)		(1 572 427)
Total assets:		192 656		274 124		94 445		134 383

* 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

	31.12.2010.		31.12.2009.	
	LVL	EUR	LVL	EUR
Vacation pay reserve	341 164	485 433	324 312	461 454
Accruals for electricity and gas	140 343	199 691	90 524	128 804
Provisions for penalties related to taxes	19 303	27 465	40 552	57 700
Accrued interest for purchase of long term investment	181 366	258 060	107 774	153 349
Other accrued liabilities	20 466	29 121	61 631	87 693
TOTAL:	702 642	999 769	624 793	889 000

20. Trade and other payables

	31.12.2010.		31.12.2009.	
	LVL	EUR	LVL	EUR
Trade and other payables	1 335 461	1 900 189	1 076 913	1 532 309
Wages and salaries	280 387	398 954	294 098	418 464
TOTAL:	1 615 847	2 299 143	1 371 011	1 950 773

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	
	31.12.2010.	31.12.2009.	31.12.2010.	31.12.2009.	31.12.2010.	31.12.2009.	31.12.2010.	31.12.2009.
Assets								
Intangible assets	4 578 114	2 401 901	2 552 208	2 552 208	100 968	156 384	7080984	7239006
Tangible assets	5 850 066	6 286 855	2 398 758	2 623 087	890 576	911 322	9139400	9821264
Financial assets	-	-	-	-	5 370	1 036	5370	1036
Inventories	4 793 995	4 678 853	1 965 727	1 952 175	381	188	6760103	6631216
Receivables	7 623 584	5 449 368	83 186	154 547	1 392 126	1 080 009	9098896	6683924
Cash	-	-	-	-	494 697	182 659	494697	182659
Total assets	22845759	20945490	6849573	7282017	2884118	2331598	32579450	30559105
Equity and liabilities								
Total equity	-	-	-	-	20 637 494	17 111 596	20 637 494	17111596
Deferred income tax liability	-	-	-	-	945 837	839 689	945837	839689
Loans from credit institution	3 346 055	4 217 514	1 372 015	1 759 689	-	-	4718070	5977203
Other loans	79 898	150 461	32 762	62 778	-	-	112660	213239
Taxes payable	577 390	779 695	236 753	325 413	704	-	814847	1105108
Prepayments received from customers	6 582	95 218	32 161	29 818	24	-	38766	125036
Trade payables	3 260 822	3 051 338	1 337 066	1 273 120	11 246	-	4609134	4324458
Payables to related companies	-	167 921	-	70 062	-	-	-	237983
Accrued liabilities	-	-	-	-	702 642	624 793	702642	624793
Total equity and liabilities	7270748	8462147	3010756	3520880	22297947	18576078	32579450	30559105
Income statement								
Net turnover	23 249 856	20 986 160	1 773 574	1 455 080	-	-	25 023 430	22 441 240
Changes in stock of finished goods and work in progress	(262 180)	61 252	(107 504)	25 557	-	-	(369 684)	86 809
Other operating income	-	61 252	-	25 557	251 772	415 361	251 772	415 361
Cost of materials	(2 719 671)	(2 775 512)	(1 115 172)	(1 158 037)	-	-	(3 834 843)	(3 933 549)
Staff costs	(4 275 161)	(4 344 370)	(1 752 985)	(1 812 617)	-	-	(6 028 146)	(6 156 987)
Depreciation/ amortisation and write-offs	(1 239 490)	(1 524 350)	(508 240)	(636 010)	(96 863)	(102 280)	(1 844 593)	(2 262 640)
Other operating expense	(6 149 278)	(5 109 439)	(2 521 447)	(2 131 829)	-	-	(8 670 725)	(7 241 268)
Expenses from investments in subsidiaries	-	-	-	-	(4 194)	-	(4 194)	-
Financial income	-	-	-	-	(342 707)	69 702	146 543	69 702
Financial expenses	-	-	-	-	(342 707)	(553 279)	(342 707)	(553 279)
Corporate income tax	-	-	-	-	(694 808)	(553 279)	(694 808)	(380 801)
Taxes	-	-	-	-	(106 148)	(121 525)	(106 148)	(121 525)
Net profit/ (loss) for the year	8604076	7293742	(4 231 774)	(4 257 857)	(846 405)	(672 822)	3525897	2363063

21. Segment information (cont'd)

EUR

	Finished form medicine		Chemicals		Unallocated		Total	
	31.12.2010.	31.12.2009.	31.12.2010.	31.12.2009.	31.12.2010.	31.12.2009.	31.12.2010.	31.12.2009.
Assets								
Intangible assets	6 514 070	6 446 198	3 417 598	3 631 465	143 665	222 514	10 075 333	10 300 178
Tangible assets	8 323 894	8 945 389	3 413 125	3 732 317	1 267 175	1 296 694	13 004 195	13 974 400
Financial assets	-	-	-	-	7 641	1 474	7 641	1 474
Inventories	6 821 240	6 657 408	2 796 978	2 777 695	542	267	9 618 759	9 435 370
Receivables	10 847 383	7 753 752	118 363	219 901	1 980 817	1 536 714	12 946 563	9 510 367
Cash	-	-	-	-	703 890	259 900	703 890	259 900
Total assets	32 506 586	29 802 747	9 746 064	10 361 377	4 103 730	3 317 565	46 356 381	43 481 689
Equity and liabilities								
Total equity	-	-	-	-	29 364 508	24 347 608	29 364 508	24 347 608
Deferred income tax liability	-	-	-	-	1 345 805	1 194 770	1 345 805	1 194 770
Loans from credit institution	4 761 008	6 000 982	1 952 201	2 503 812	-	-	6 713 209	8 504 794
Other loans	113 685	214 087	46 615	89 325	-	-	160 301	303 412
Taxes payable	821 552	1 109 406	336 869	463 021	1 002	-	1 159 423	1 572 427
Prepayments received from customers	9 365	135 483	45 761	42 427	34	-	55 159	177 910
Trade payables	4 639 732	4 341 663	1 902 473	1 811 487	16 002	-	6 558 207	6 153 150
Payables to related companies	-	238 930	-	99 689	-	-	-	338 619
Accrued liabilities	-	-	-	-	999 769	889 000	999 769	889 000
Total equity and liabilities	10 345 343	12 040 550	4 283 919	5 009 761	31 727 120	26 431 378	46 356 381	43 481 689
Income statement								
Net turnover	33 081 565	29 860 615	2 523 568	2 070 392	-	-	35 605 134	31 931 008
Changes in stock of finished goods and work in progress	(373 048)	87 154	(152 965)	36 364	-	-	(526 013)	123 518
Other operating income	-	-	-	-	358 239	591 005	358 239	591 005
Cost of materials	(3 869 743)	(3 949 198)	(1 586 747)	(1 647 738)	-	-	(5 456 490)	(5 596 936)
Staff costs	(6 083 006)	(6 181 482)	(2 494 273)	(2 579 122)	-	-	(8 577 279)	(8 760 603)
Depreciation/ amortisation and write-offs	(1 763 636)	(2 168 955)	(723 160)	(904 961)	(137 824)	(145 531)	(2 624 619)	(3 219 447)
Other operating expense	(8 749 635)	(7 270 077)	(3 587 696)	(3 033 319)	-	-	(12 337 330)	(10 303 396)
Expenses from investments in subsidiaries	-	-	-	-	(5 968)	-	(5 968)	-
Financial income	-	-	-	-	208 512	99 177	208 512	99 177
Financial expenses	-	-	-	-	(487 628)	(787 245)	(487 628)	(787 245)
Corporate income tax	-	-	-	-	(988 623)	(541 831)	(988 623)	(541 831)
Taxes	-	-	-	-	(151 035)	(172 914)	(151 035)	(172 914)
Net profit/ (loss) for the year	12 242 497	10 378 058	(6 021 272)	(6 058 383)	(1 204 326)	(957 339)	5 016 899	3 362 336

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.