

JOINT STOCK COMPANY OLAINFARM
(UNIFIED REGISTRATION NUMBER 40003007246)
CONSOLIDATED ANNUAL REPORT
FOR THE PERIOD ENDED 31 MARCH 2011

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 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

Supervisory Council elects the Management Board of AS „Olainfarm” for five years. When selecting the members of the Management Board, Council assesses experience of candidates in team management, in particular area of responsibility of candidate and in pharmaceutical sector in general.

Valērijs Maligins, Chairman of the Board



Valērijs Maligins is the Chairman of Management Board of Olainfarm. He has obtained a degree of a Doctor of Economics at NewPort Interational University, Baltic Center (2007), as well as Master of economics and social sciences (University of Latvia, 2002), Bachelor of economics and finances (RSEBAA 1998). V. Maligins has more than 20 years of experience in pharmaceutical sector, 14 of them from management positions at AS „Olainfarm”.

Positions held in other companies:

SIA Olmafarm, Chairman of the Board

Hunting Club Vitkupe, Board Member

Participation in other companies:

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%)

Number of shares of AS „Olainfarm” owned (as of April 19, 2011):

- Directly: 430 730
- Indirectly (through SIA „Olmafarm”): 5 994 054
- Total: 6 424 784

Jelena Borcova, Board Member



Jelena Borcova is a member of Company's Management Board and a qualified person. J. Borcova has a degree in Pharmacy (Medical Institute of Riga, 1988). J. Borcova has more than 15 years of experience in pharmaceutical production.

Positions held in other companies:

SIA Carbochem, Board Member

Participation in other companies: none

Number of shares of AS „Olainfarm” owned (as of April 19, 2011): 0

Jurijs Kaplinovs



Jurijs Kaplinovs is a member of company's Management Board and the Director of Commercial Department. Mr. Kaplinovs has an MBA degree (Riga Management University 2004), as well as a Bachelor of Economics degree (Moscow State University 1996). Mr. Kaplinovs has been holding different positions at AS “Olainfarm” since 1997.

Positions held and participation in other companies: none

Number of shares of AS „Olainfarm” owned (as of April 19, 2011)
: 26 071

Inga Liščika



Inga Lscika is a member of Company's Management Board and a Finance director. I. Liscika has been studying the Professional Management programme at English „Open University“. I Liscika is a Master of Business Economics (Riga Technical University 1997) and a civil engineer (1995). I.Liscika hs been working at AS “Olainfarm” for more than 10 years.

Positions held in other companies:

SIA Pharma and Chemistry Competence Centre of Latvia, Council Member

Participation in other companies: none

Number of shares of AS „Olainfarm” owned (as of April 19, 2011)

: 1 002

Salvis Lapiņš



Salvis Lapins is a member of Company's Management Board, manager of Investor relations. He has been studying business in RSEBAA and law in University of Latvia. He has been actively working in financial and pharmaceutical sectors since 1995.

Positions held in other companies: none

Participation in other companies:

SIA Baltic Team-Up (50%)

Number of shares of AS „Olainfarm” owned (as of April 19, 2011)

: 83 153

General information (cont'd)

Council

Supervisory Council of AS „Olainfarm” is elected by General Meeting of Shareholders for 5 years. Supervisory Council is a supervising institution, representing interests of shareholders between meetings of shareholders. Main tasks of the Supervisory Council include supervising the Management Board and these are the main requirements that are taken into account when shareholders propose new members of the Council.

Supervisory Council sets the remuneration for the members of the Management Board, while the remuneration of the Council itself is set by the General Meeting of Shareholders.

Helmuts Balderis-Sildedzis, Chairman of the Council

From 1992 through 2006 Mr. Balderis – Sildedzis has been a director of Riga Sports Palace. Mr. Balderis – Sildedzis has a degree from Latvian State Institute for Physical Culture (1983).

Helmuts Balderis-Sildedzis, Chairman of the Council

Positions held in other companies:

SIA HB-19, Board Member

SIA Nordic Bio Energy, Board Member

Participation in other companies:

SIA HB-19 (100%)

SIA Nordic Bio Energy (30.09%)

SIA EGRA trans (25%)

SIA Sabiedrība Mārupe (0.000964%)

„HB-19 Investments Limited” (Cyprus) 100%

Number of shares of AS „Olainfarm” owned (as of April 19, 2011): indirectly through „HB-19 Investments Limited”: 3 686 014

Jelena Dudko, Deputy Chairperson of the Council

Jelena Dudko is a Strategic Development and Marketing Director of pharmaceutical company “Olfa”. In 1996 J.Dudko graduated post graduate course in Faculty of Therapy and Hematology of Kiev Medical Academy. Positions held and participation in other companies: none

Number of shares of AS „Olainfarm” owned (as of April 19, 2011): 0

Aleksandrs Raicis

Aleksandrs Raicis is a Deputy Director of Latvian Association of Medical Wholesalers and Pharmaceutical Director of SIA “Briz”. A.Raicis has a degree in Pharmacy from Riga Medical Institute (1984).

Positions held in other companies:

SIA BRIZ , Board Member Participation in other companies:

SIA VIP Pharma (50%)

SIA Recessus (30%).

SIA Briz (10.96%)

Number of shares of AS „Olainfarm” owned (as of April 19, 2011): 0

	<p>Volodimir Krivozubov Volodimir Krivozubov is a Director of Ukrainian OOO "Torgoviye Tehnologii". V.Krivozubov has a medical degree from A. Bogomolec Kiev Medical Institute (1984). Positions held in other companies: OOO Torgovije Tehnologii (Ukraine), General Director Participation in other companies: none Number of shares of AS „Olainfarm” owned (as of April 19, 2011): 0</p>		
	<p>Signe Baldere-Sildedze Since 2007 S.Baldere-Sildedze was a cCommercial Director of SIA "Louvre". In 1997 S.Baldere-Sildedze graduated International School of Hospitality and Tourism in Switzerland. Positions held in other companies: SIA Louvre, Commercial Director Participation in other companies: SIA Louvre (50%) Number of shares of AS „Olainfarm” owned (as of April 19, 2011): 0</p>		
Movements in the Board during the period 1 January 2011 through 31 March 2011	None		
Movements in the Council during the period 1 January 2011 through 31 March 2011	None		
Subsidiaries	<p>SIA Reinolds (100%) Dzegužu iela 1/2, Riga, LV-1007, from 26/08/2008 SIA Ozols JDR (100%) Zeiferta iela 18B, Olaine, LV-2114, from 30/08/2010 SIA Olainfarm enerģija (50%) Rūpnīcu iela 5, Olaine, LV-2114, from 15/09/2010</p>		
Core business activity	Manufacture of basic pharmaceutical products and pharmaceutical preparations		
Audit Committee	Žanna Karaseva		
Financial year	1 January – 31 March 2011		
Auditors	<table border="0"> <tr> <td>Dace Cikmača Latvian Certified Auditor Certificate No. 175</td> <td>SIA Ernst & Young Baltic Muitas iela 1A, Riga Latvia, LV-1010 Licence No. 17</td> </tr> </table>	Dace Cikmača Latvian Certified Auditor Certificate No. 175	SIA Ernst & Young Baltic Muitas iela 1A, Riga Latvia, LV-1010 Licence No. 17
Dace Cikmača Latvian Certified Auditor Certificate No. 175	SIA Ernst & Young Baltic Muitas iela 1A, Riga Latvia, LV-1010 Licence No. 17		
	<p>Company does not have any other contractual relationships either with its auditor or auditing company .</p>		
Major (above 5%) shareholders (as of April 19, 2011)	<p>V. Maligins (directly and indirectly): 45,6% HB-19 Investments Limited (Cyprus): 26,2% Swedbank AB Clients Account: 9,0%</p>		

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	<u>100,00%</u>

Management report

General information

During the reporting period no changes have been made to the composition of the Group. It still 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.

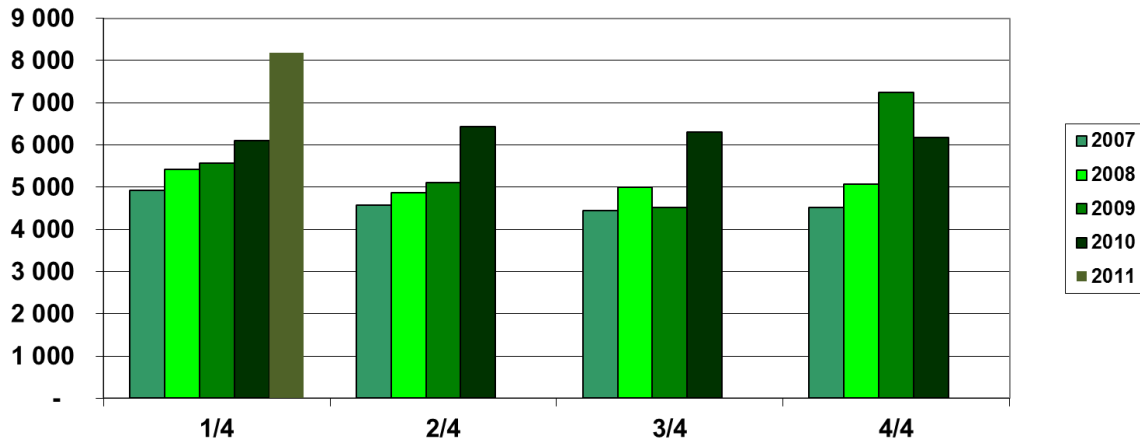
Corporate vision:

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

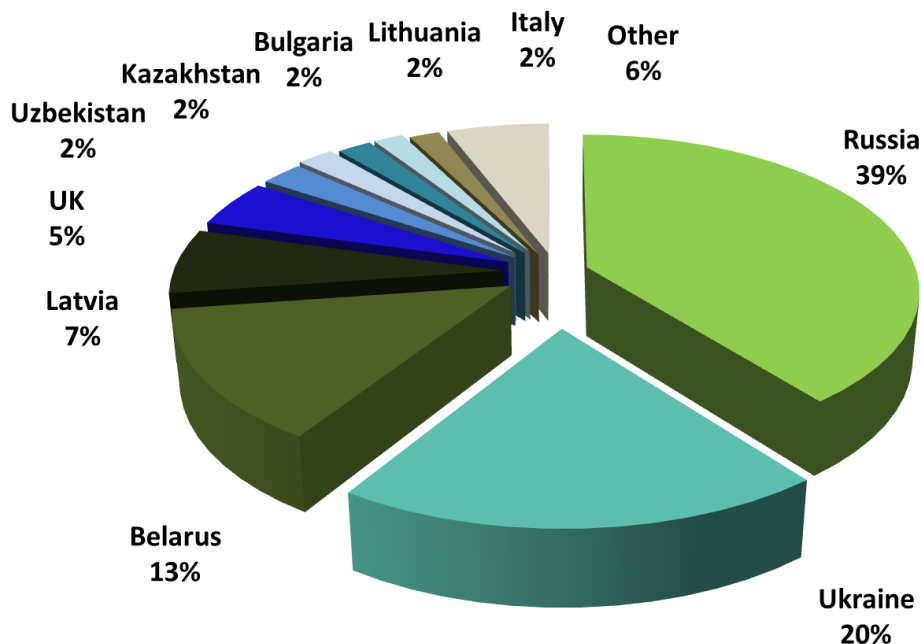
During the 1st quarter of 2011 sales volumes of the Company experienced a particularly rapid growth reaching nearly 8.2 million lats (11,6 million euro), which represents an increase by 34% compared to the first quarter of 2010. This figure also exceeds the sales made during the 4th quarter of 2009 by nearly 1 million lats (1.5 million euro), which was the previous record sales quarter of the Company.

Sales by Quarters, thsnd. LVL

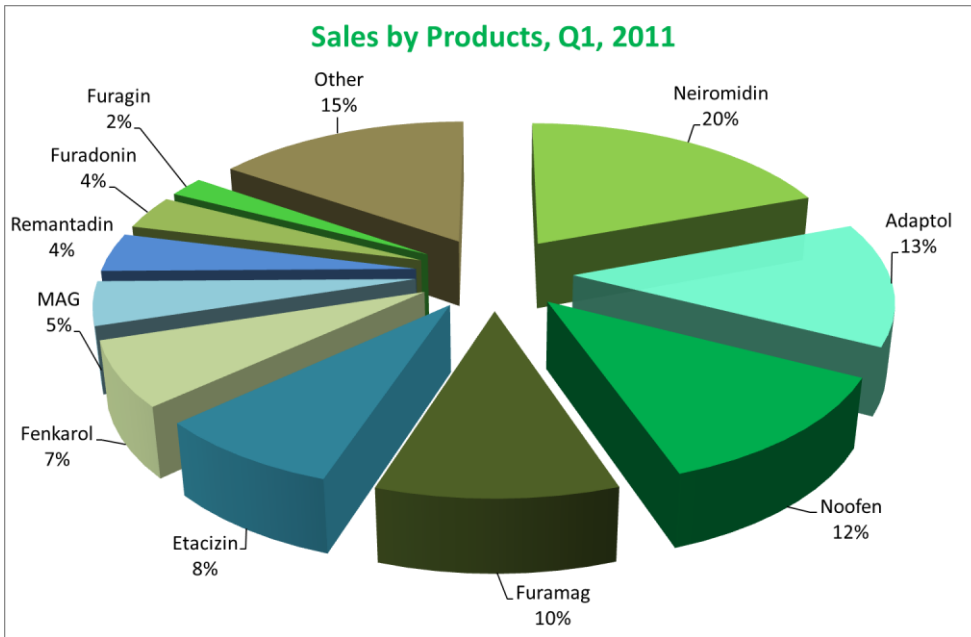


During the 1st quarter of 2011 sales to all key markets of the Company, except Kazakhstan, continued increasing. The fastest sales growth was experienced in Bulgaria (by 350%), Belarus (by 117%) Uzbekistan (by 87%) Ukraine (by 80%) and Latvia (by 75%). Sales to Bulgaria have increased largely because some larger annual shipments were made at the beginning of the year, and sales to Ukraine partially increased because of restructuring of price and marketing costs, but in all the other markets the growth was achieved with the same trade conditions as usually.

Sales by Countries, Q1, 2011

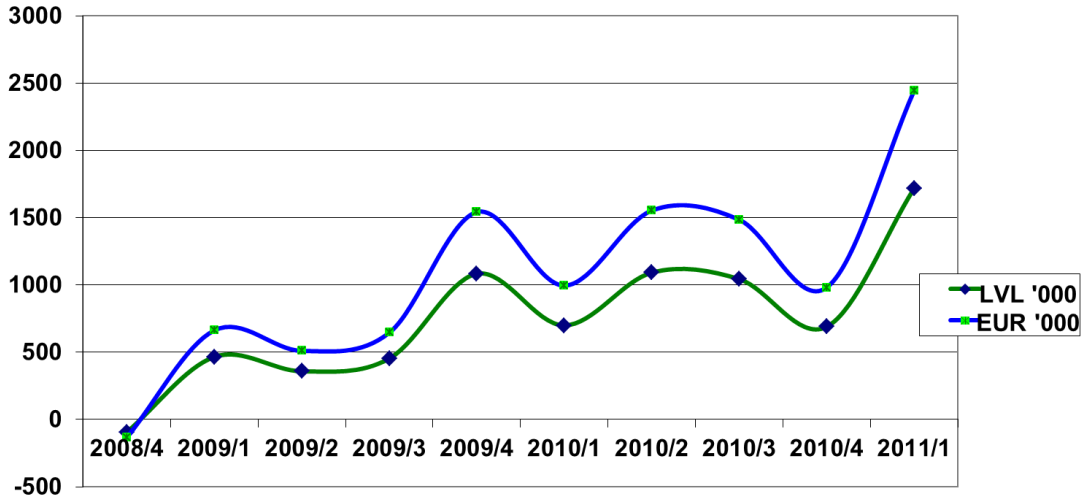


Diversity of products sold by AS "Olainfarm" has increased during 1st quarter of 2011. Now 10 best sellers make up only 85% of total sales. No major changes have occurred to the division of products, except for falling share of Fenkarol as re-branding of that product has been started in Russia. Promoted products are still the best selling ones.



The above mentioned rapid sales growth is also reflected on profitability of the Company. During the reporting period it has reached 1.72 million lats (2.45 mln. euro), which is nearly 250% of that of last year's first quarter. This by far has been the most profitable quarter in Company's history so far.

Profit by Quarters



Other financial indicators have experienced similar improvements

Financial indicator	31.03.2011.	31.03.2010.	% to previous period
Sales (LVL)	8 177 235	6 101 424	134%
Net profit (LVL)	1 719 093	697 883	246%
EBITDA (LVL)	2 502 936	1 335 136	187%
EBIT (LVL)	2 032 474	882 654	230%
Sales (EUR)	11 635 157	8 681 544	134%
Net profit (EUR)	2 446 049	992 998	246%
EBITDA (EUR)	3 561 357	1 899 727	114%
EBIT (EUR)	2 891 950	1 255 903	230%
EBITDA margin, %	31	22	
Net margin, %	21	11	
EBIT margin, %	25	14	
Profit, last 12 months (LVL)	4 560 660	2 595 233	176%
Profit, last 12 months (EUR)	6 489 235	3 692 684	176%
EBITDA, last 12 months (LVL)	7 533 486	5 741 955	131%
EBITDA, last 12 months (EUR)	10 719 185	8 170 066	131%
ROA, % (last 12 months)	13,4	8,4	
ROE, % (last. 12 months)	20,4	14,6	
Current ratio	3,9	2,4	
EPS, LVL (quarter)	0,122	0,05	246%
EPS, EUR (quarter)	0,174	0,071	246%
Share price, end of the period (LVL)	2,19	1,06	207%
Share price, end of the period (EUR)	3,12	1,51	207%
P/E, last 12 months	6,8	5,8	NA
Market capitalisation at the end of the period (LVL)	30 846 321	14 930 183	207%
Market capitalisation at the end of the period (EUR)	43 890 360	21 243 736	207%
P/B	1,38	0,84	

Annual General Meeting of Shareholders of „Olainfarm” held on April 29, 2011 approved the operating plan of the company. According to it, the forecast sales of the Concern for 2011 are 29.4 million lats (41.8 million Euro), but the net profit is forecast at 5.1 million lats (7.3 million Euro). According to this unaudited report, during the first quarter 28% of targeted annual sales and 34% of targeted annual profit were achieved.

Shares and Stock Market

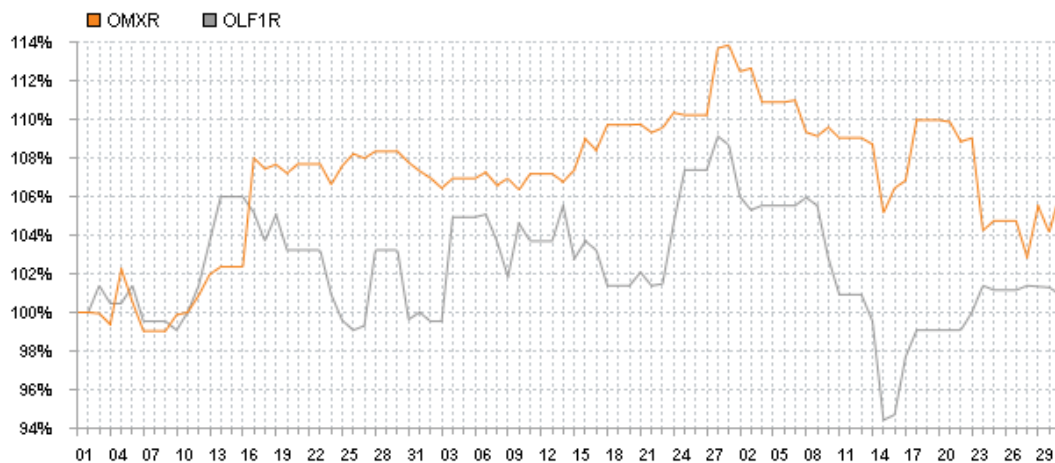
Considerable swings in company's operations over the last three years are well reflected in company's share price on NASDAQ OMX Riga. Successful financial performance of the Company has helped the share price to reach its highest level for the last three years, as it reached 2.386 lats (3.395 euro) per share in February of 2011. As this report is being prepared share price fluctuates around 2.45 lats (3.49 euro) per share. During the first quarter of 2011 share price of Olainfarm has been fluctuating between 1.96 and 2.386 lats (2.789 and 3.395 euro).

Price of shares of "Olainfarm" on NASDAQ OMX Riga (LVL) (April 2008 – March 2010)



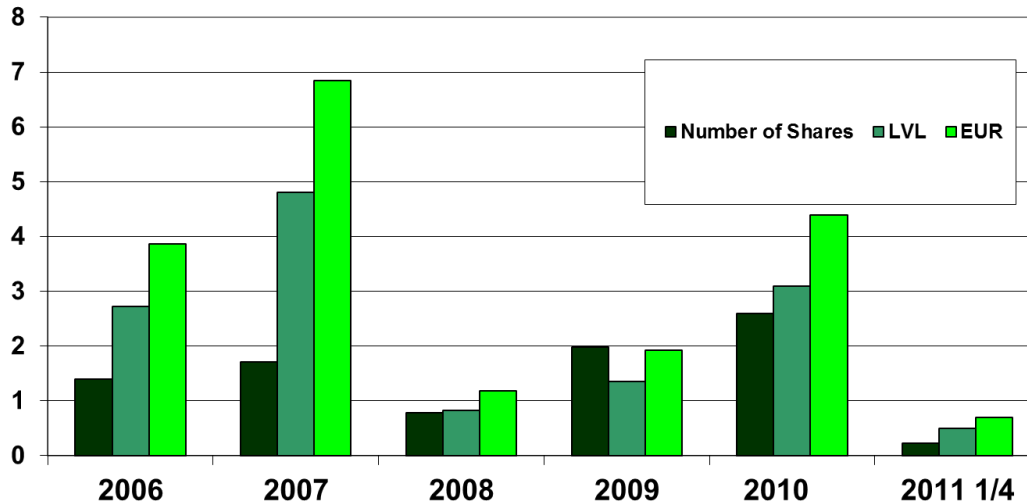
After the rapid price increase during 2010, during the 1st quarter of this year the share price was experiencing a more moderate growth and grew slower than OMX Riga index. During the three month period OMX Riga Index grew by more than 6%, while Olainfarm's share price by slightly less than one per cent

Rebased price of Olainfarm share vs. rebased OMX Riga index (1st quarter of 2011)



-- OMX Riga
 -- AS "Olainfarm"

Trading of Shares on NASDAQ OMX Riga, mln.



Although trading with shares of Olainfarm during the first quarter of this year has not been particularly active, still, more than 200 000 shares were traded during this period for a total value of nearly 0.5 million lats (0.7miln euro).

Development

During the reporting period registration of 6 products in as many countries has been completed, including Poland and Serbia, which are not typical sales markets of AS "Olainfarm".

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

Environment

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.

Social responsibility

Reacting on further deterioration of purchasing power of people of Latvia, Olainfarm continues reducing prices to several of its products in Latvia in 2011. On average the prices of said products has been reduced by 35%.

On March 30, 2011 the Company signed a cooperation agreement with Riga Stradins University Alumni Association. According to the Agreement, scholarships will be created for students of Pharmacy along with possibilities to practice at the Company. Scholarships paid by AS Olainfarm will allow 4 best graded pharmacy students receive a scholarship of 70 lats (100 euro) for 10 months.

Events after the reporting period

On April 29, 2011, General Meeting of Shareholders decided to pay dividends. Such decision was made for the first time in corporate history. It was decided that 352 126.95 lats (501 031.51 euro), or approximately 10% of profit made in 2010 will be paid in dividends. Dividends of 2.5 santims (3.557 euro cents) per share were declared. June 15, 2011 was set to be the record date while June 20, 2011 be the payment date of said dividends.

On June 12, 2011, resignation of Jurijs Kaplinovs, long serving member of Management Board was received. On May 17, 2011 Supervisory Council of Olainfarm decided to appoint Mrs Veranika Dubitskaya to be the new member of the Management Board. Prior to this Mrs Dubitskaya was a very successful head of representative office of AS "Olainfarm" in Belarus.

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



Chairman of the Board
Valerijs Maligns



31 May 2011

Statement of Responsibility of the Management

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

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

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

For the Board of JSC Olainfarm:



31 May 2011

Statement of consolidated comprehensive income

	Notes	2011 I.quarter LVL	2011 I.quarter EUR	2010 I.quarter LVL	2010 I.quarter EUR
Net sales	3	8 177 235	11 635 157	6 101 424	8 681 544
Changes in stock of finished goods and work in progress		(415 359)	(591 002)	(307 505)	(437 540)
Other operating income	4	82 987	118 079	86 889	123 632
Cost of materials:					
<i>raw materials and consumables</i>		(836 238)	(1 189 859)	(542 295)	(771 616)
<i>other external costs</i>		(654 747)	(931 621)	(525 510)	(747 733)
		(1 490 985)	(2 121 480)	(1 067 805)	(1 519 350)
Staff costs:					
<i>Wages and salaries</i>	8	(1 250 367)	(1 779 112)	(1 138 194)	(1 619 504)
<i>Statutory social insurance contributions</i>	8	(285 649)	(406 442)	(263 978)	(375 607)
		(1 536 016)	(2 185 554)	(1 402 172)	(1 995 111)
Depreciation/ amortization	10,11.	(470 462)	(669 407)	(452 482)	(643 824)
Other operating expense	5	(2 314 926)	(3 293 843)	(2 075 695)	(2 953 448)
Financial income	6	9 570	13 617	55 715	79 275
Financial expense	7	(77 317)	(110 012)	(82 556)	(117 467)
(Loss)/ profit before taxes		1 964 727	2 795 555	855 813	1 217 712
Corporate income tax		(245 634)	(349 506)	(157 930)	(224 714)
(Loss)/ profit for the reporting year		1 719 093	2 446 049	697 883	992 998
Basic and diluted earnings per share	9	0.122	0.174	0.050	0.071

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

For the Board of JSC Olainfarm:

31 May 2011



 Chairman of the Board
 Valerijs Malģins



Consolidated statement of financial position

		ASSETS				
		Notes	31.03.2011	31.03.2011	31.03.2010	31.03.2010
			LVL	EUR	LVL	EUR
NON-CURRENT ASSETS						
Intangible assets						
	Goodwill	10	503 930	717 028	503 930	717 028
	Patents	10	5 723 757	8 144 172	5 872 484	8 355 792
	Other intangible assets	10	516 207	734 496	593 034	843 811
	Prepayments for intangible assets		307 147	437 031	190 341	270 831
	TOTAL		7 051 041	10 032 727	7 159 789	10 187 462
Property, plant and equipment						
	Land, buildings and constructions	11	6 008 751	8 549 682	6 317 025	8 988 317
	Equipment and machinery	11	2 170 391	3 088 189	2 299 245	3 271 531
	Other tangible assets	11	620 305	882 614	639 982	910 612
	Construction in progress	11	63 174	89 889	81 650	116 177
	Prepayments for property, plant and equipment		32 731	46 572	297 722	423 620
	TOTAL		8 895 352	12 656 946	9 635 624	13 710 258
Financial assets						
	Other securities and investments		-	-	386	549
	Investments in related companies		1 650	2 347	650	925
	Prepayments for investments		3 720	5 293	3 500	4 980
	TOTAL		5 370	7 640	4 536	6 454
	TOTAL NON-CURRENT ASSETS		15 951 763	22 697 313	16 799 949	23 904 174
CURRENT ASSETS						
Inventories						
	Raw materials		1 065 292	1 515 774	597 089	849 581
	Work in progress		4 065 149	5 784 186	3 706 986	5 274 566
	Finished goods and goods for resale		1 401 305	1 993 878	1 876 616	2 670 184
	Goods in transit		70 068	99 698	1 368	1 946
	Prepayments for goods		149 416	212 600	58 424	83 130
	TOTAL	12	6 751 230	9 606 136	6 240 483	8 879 407
Receivables						
	Trade receivables	13	9 116 248	12 971 253	6 836 444	9 727 383
	Receivables from related companies		162 282	230 907	81 965	116 626
	Other receivables		363 459	517 155	298 683	424 988
	Prepayments to suppliers		212 258	302 015	-	-
	Current loans to management and employees		1 084 362	1 542 908	618 946	880 681
	Prepaid expense		14 618	20 799	38 050	54 140
	TOTAL		10 953 227	15 585 037	7 874 088	11 203 818
	Cash	14	429 896	611 687	37 547	53 425
	TOTAL CURRENT ASSETS		18 134 353	25 802 860	14 152 118	20 136 650
	TOTAL ASSETS		34 086 116	48 500 173	30 952 067	44 040 824

For the Board of JSC Olainfarm:


 Chairman of the Board
 Valerijs Maligins


31 May 2011

Consolidated statement of financial position

		EQUITY AND LIABILITIES				
		Notes	31.03.2011	31.03.2011	31.03.2010	31.03.2010
EQUITY			LVL	EUR	LVL	EUR
Share capital	15	14 085 078	20 041 260	14 085 078	20 041 260	
Share premium		1 759 708	2 503 839	1 759 708	2 503 839	
Retained earnings/ (accumulated deficit):						
brought forward		4 806 260	6 838 692	1 266 810	1 802 508	
for the period		1 719 093	2 446 049	697 883	992 998	
TOTAL EQUITY		22 370 139	31 829 840	17 809 479	25 340 606	
LIABILITIES						
Non-current liabilities						
Loans from credit institutions	16	3 145 380	4 475 473	3 219 829	4 581 404	
Long term payables for the long-term investment		2 453 050	3 490 376	2 453 050	3 490 376	
Deferred corporate income tax liabilities		916 370	1 303 877	839 689	1 194 770	
Other loans		540 237	768 687	610 517	868 687	
Taxes payable	18	-	-	148 214	210 890	
Finance lease liabilities	17	23 586	33 560	83 513	118 828	
TOTAL		7 078 623	10 071 973	7 354 812	10 464 955	
Current liabilities						
Loans from credit institutions	16	1 258 152	1 790 189	2 402 773	3 418 838	
Finance lease liabilities	17	66 239	94 249	97 740	139 071	
Prepayments received from customers		87 412	124 376	35 171	50 044	
Trade and other payables	20	1 289 998	1 835 502	1 374 795	1 956 157	
Payables to related companies		282 104	401 398	227 604	323 851	
Taxes payable	18	512 191	728 782	583 958	830 897	
Corporate income tax	18	462 064	657 458	486 727	692 550	
Accrued liabilities	19	679 194	966 406	579 008	823 854	
TOTAL		4 637 354	6 598 360	5 787 776	8 235 264	
TOTAL LIABILITIES		11 715 977	16 670 333	13 142 588	18 700 218	
TOTAL EQUITY AND LIABILITIES		34 086 116	48 500 173	30 952 067	44 040 824	

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

For the Board of JSC Olainfarm:


 Chairman of the Board
 Valerijs Maligins


31 May 2011

Consolidated statement of cash flow

	2011 I quarter		2010 I quarter	
	LVL	EUR	LVL	EUR
Cash flows to/from operating activities				
(Loss)/ Profit before taxes	1 964 727	2 795 555	855 813	1 217 712
Adjustments for:				
Amortisation and depreciation	472 094	671 729	454 868	647 219
Loss on sale/ disposal of property, plant and equipment	(36 809)	(52 374)	1 897	2 699
Increase in allowances	-	-	40 224	57 234
Interest expences	67 149	95 544	76 483	108 826
Interest receivable	(9 570)	(13 617)	(8 815)	(12 543)
Operating cash flows before working capital changes	2 457 591	3 496 837	1 420 470	2 021 147
Increase in inventories	8 874	12 627	349 724	497 612
(Increase)/ decrease in receivables and prepaid expence	(1 667 850)	(2 373 137)	(993 282)	(1 413 313)
Increase/ (decrease) in payables and prepayments received	(47 853)	(68 089)	(260 238)	(370 285)
Cash generated from operations	750 762	1 068 238	516 674	735 161
Interest paid	(48 751)	(69 366)	(58 085)	(82 648)
Corporate income tax paid	(95 759)	(136 253)	-	-
Net cash flows to/ from operating activities	606 252	862 619	458 589	652 513
Cash flows to/from investing activities				
Purchase of property, plant and equipment	(185 174)	(263 479)	(167 381)	(238 162)
Proceeds from sale of intangible assets and property, plant and equipment	48 395	68 860	31 848	45 316
Loans repaid	325	462	40 085	57 036
Interest receivable	120	171	3 588	5 105
Loans granted	(183 134)	(260 576)	(205 275)	(292 080)
Net cash flows to/from investing activities	(319 468)	(454 562)	(297 135)	(422 785)
Cash flows to/from financing activities				
Borrowings repaid	(351 383)	(499 973)	(376 846)	(536 204)
Proceeds from borrowings	-	-	70 280	99 999
Net cash flows to/from financing activities	(351 383)	(499 973)	(306 566)	(436 204)
Change in cash	(64 599)	(91 916)	(145 112)	(206 476)
Cash at the beginning of the year	494 495	703 603	182 659	259 900
Cash at the and of the year	429 896	611 687	37 547	53 425

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 2010	14 085 078	20 041 260	1 759 708	2 503 839	4 806 260	6 838 692	20 651 046	29 383 791
Loss for the reporting year	-	-	-	-	1 719 093	2 446 049	1 719 093	2 446 049
Balance as at 31 March 2011	14 085 078	20 041 260	1 759 708	2 503 839	6 525 353	9 284 741	22 370 139	31 829 840

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 May 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:

	<u>31/03/2011</u>	<u>31/03/2010</u>
EUR	0.702804	0.702804
USD	0.499	0.521

3. Net sales

By business segments	2011 I.quarter		2010 I.quarter	
	LVL	EUR	LVL	EUR
Finished form medicine	7 445 884	10 594 539	5 445 116	7 747 702
Chemicals	731 351	1 040 619	656 308	933 842
TOTAL:	8 177 235	11 635 157	6 101 424	8 681 544

By geographical segments	2011 I.quarter		2010 I.quarter	
	LVL	EUR	LVL	EUR
CIS	6 361 381	9 051 429	5 010 266	7 128 966
Europe	746 219	1 061 774	522 298	743 163
Latvia	524 434	746 203	299 451	426 080
Baltic states (Lithuania and Estonia)	160 765	228 748	107 876	153 494
Other	384 436	547 004	161 533	229 841
TOTAL:	8 177 235	11 635 157	6 101 424	8 681 544

4. Other operating income

	2011 I.quarter		2010 I.quarter	
	LVL	EUR	LVL	EUR
Income of services	28 351	40 340	29 363	41 780
Gains from sale of non-current assets	17 435	24 808	30 861	43 911
Lease of premises	13 834	19 684	16 695	23 755
Other operating income	12 285	17 480	3 180	4 525
Incomes from catering services	6 051	8 610	5 990	8 523
Sale of current assets	3 250	4 624	22	31
Royalty	1 087	1 547	-	-
Treatment of waste water	693	986	778	1 107
TOTAL:	82 987	118 079	86 889	123 632

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

5. Other operating expense

	2011 I.quarter		2010 I.quarter	
	LVL	EUR	LVL	EUR
Marketing expense	1 685 192	2 397 812	1 399 259	1 990 966
Other distribution costs	41 189	58 607	35 706	50 805
Transportation expense	23 637	33 632	20 753	29 529
Sales commissions	27 488	39 112	40 558	57 709
<i>Total distribution costs:</i>	<i>1 777 506</i>	<i>2 529 163</i>	<i>1 496 276</i>	<i>2 129 010</i>
Security	50 825	72 317	50 166	71 380
Business trips	50 544	71 918	34 081	48 492
Representation expense	37 371	53 174	61 246	87 145
Information and business consulting	32 291	45 946	58 423	83 128
Annual payment for medicines registered in LR	29 815	42 423	7 350	10 458
Write-offs of current assets	25 539	36 339	67 230	95 660
Car fleet maintenance	23 435	33 345	11 100	15 794
Insurance	21 930	31 204	43 003	61 187
New product research and development costs	20 444	29 089	8 238	11 722
Social infrastructure	19 445	27 668	8 168	11 621
Communications expense	17 588	25 025	15 859	22 566
Other taxes	17 448	24 826	16 473	23 439
Current repairs	16 115	22 930	17 753	25 260
Education	14 543	20 693	6 779	9 646
Office expense	13 307	18 934	8 848	12 589
Write-offs and disposal of tangible assets	10 263	14 603	2 276	3 238
Other operating expense	136 517	194 246	162 427	231 113
TOTAL:	2 314 926	3 293 843	2 075 695	2 953 448

6. Financial income

	2011 I.quarter		2010 I.quarter	
	LVL	EUR	LVL	EUR
Currency exchange gain, net	-	-	46 900	66 733
Loan interest payments	9 540	13 574	5 227	7 437
Interest accrued on bank account balances	30	42	3 588	5 105
TOTAL:	9 570	13 617	55 715	79 275

7. Financial expense

	2011 I.quarter		2010 I.quarter	
	LVL	EUR	LVL	EUR
Loan interest expenses	67 147	95 542	67 388	95 885
Penalties paid for late payments	3 923	5 581	5 810	8 267
Currency exchange loss, net	6 246	8 887	9 358	13 315
TOTAL:	77 317	110 012	82 556	117 467

8. Staff costs and number of employees

	2011 I.quarter		2010 I.quarter	
	LVL	EUR	LVL	EUR
Wages and salaries	1 250 367	1 779 112	1 138 194	1 619 504
Statutory social insurance contributions	285 649	406 442	263 978	375 607
TOTAL:	1 536 016	2 185 554	1 402 172	1 995 111

	2011 I.quarter		2010 I.quarter	
	LVL	EUR	LVL	EUR
<u>Management of the Group</u>				
Wages and salaries	119 935	170 652	95 810	136 326
Statutory social insurance contributions	28 789	40 963	23 489	33 422
<u>Board Members</u>				
Wages and salaries	102 606	145 996	97 359	138 529
Statutory social insurance contributions	24 718	35 170	23 032	32 772
<u>Council Members</u>				
Wages and salaries	27 000	38 418	27 071	38 519
Statutory social insurance contributions	6 504	9 255	6 557	9 329
TOTAL:	309 552	440 454	273 318	388 897

	31/03/2011	31/03/2010
Average number of employees during the reporting year	772	731

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:

	2011 I. quarter		2010 I. quarter	
	LVL	EUR	LVL	EUR
Net result attributable to shareholders	1 719 093	2 446 049	697 883	992 998
Weighted average number of ordinary shares	14 085 078	14 085 078	14 085 078	14 085 078
Earnings per share	0.122	0.174	0.050	0.071

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 31/12/2010	503 930	717 028	6 222 789	8 854 231	837 923	1 192 257	7 564 642	10 763 516
2011								
I quarter Additions	-	-	1 740	2 476	38 876	55 316	40 616	57 791
Acquisition value as at 31/03/2011	503 930	717 028	6 224 529	8 856 707	876 799	1 247 573	7 605 258	10 821 307
Accumulated amortisation as at 31/12/2010	-	-	461 569	656 754	320 990	456 727	782 559	1 113 481
2011								
I quarter Amortisation	-	-	39 203	55 781	39 603	56 349	78 806	112 130
Accumulated amortisation as at 31/03/2011	-	-	500 772	712 534	360 592	513 077	861 364	1 225 611
Net carrying amount as at 31/03/2011	503 930	717 028	5 723 757	8 144 172	516 207	734 496	6 743 894	9 595 697

	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	-	-	-	-	10 989	15 636	10 989	15 636
I quarter Reclassification	-	-	(11 988)	(17 057)	(67 176)	(95 583)	(79 164)	(112 640)
Acquisition value as at 31/03/2010	503 930	717 028	6 216 461	8 845 227	1 129 081	1 606 538	7 849 472	11 168 792
Accumulated amortisation as at 31/12/2009	-	-	304 781	433 664	547 334	778 785	852 115	1 212 450
2010								
Amortisation	-	-	39 196	55 771	49 525	70 467	88 721	126 238
I quarter Reclassification	-	-	-	-	(60 811)	(86 526)	(60 811)	(86 526)
Accumulated amortisation as at 31/03/2010	-	-	343 977	489 435	536 047	762 726	880 024	1 252 162
Net carrying amount as at 31/03/2010	503 930	717 028	5 872 484	8 355 792	593 034	843 811	6 969 448	9 916 631

11. Property, plant and equipment

LVL

	Land	Buildings and constructions	Equipment and machinery	Other tangible assets	Construction in progress	TOTAL
Acquisition value as at 31/12/2010	55 928	13 040 855	11 401 009	2 232 933	13 635	26 744 359
2011. Additions	-	-	65 606	34 386	52 619	152 611
I quarter Liquidation	-	(208)	(3 374)	(161 751)	(1 324)	(166 657)
Reclassification	-	1 756	639	(639)	(1 756)	-
Acquisition value as at 31/03/2011	55 928	13 042 404	11 463 880	2 104 929	63 174	26 730 314
Accumulated depreciation as at 31/12/2010	-	6 957 958	9 108 985	1 562 532	-	17 629 474
2011. Depreciation	-	131 833	187 027	74 432	-	393 292
I quarter Depreciation of disposals	-	(208)	(3 163)	(151 700)	-	(155 071)
Reversed impairment	-	-	640	-	-	640
Accumulated depreciation as at 31/03/2011	-	7 089 581	9 293 489	1 484 624	-	17 867 694
Net carrying amount as at 31/03/2011	55 928	5 952 823	2 170 391	620 305	63 174	8 862 621

	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
Additions	-	-	76 179	38 989	505	115 673
2010. Liquidation	-	(841)	(19 848)	(13 781)	(505)	(34 975)
I quarter Reversed impairment	-	-	82	-	-	82
Reclassification*	-	834	-	-	(834)	-
Reclassification*	-	-	(1 358 377)	1 440 300	-	81 923
Acquisition value as at 31/03/2010	55 928	12 992 013	10 957 369	2 066 762	81 650	26 153 723
Accumulated depreciation as at 31/12/2009	-	6 602 293	9 397 201	417 846	-	16 417 339
2010. Depreciation	-	129 158	165 918	71 071	-	366 147
I quarter Depreciation of disposals	-	(534)	(18 861)	(11 835)	-	(31 230)
Reclassification*	-	-	(475)	(574)	-	63 563
Accumulated depreciation as at 31/03/2010	-	6 730 916	8 658 124	1 426 779	-	16 815 820
Net carrying amount as at 31/03/2010	55 928	6 261 097	2 299 245	639 982	81 650	9 337 902

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 31/12/2010	79 578	18 555 465	16 222 174	3 177 177	19 401	38 053 795
2011. Additions	-	-	93 349	48 927	74 870	217 146
1 quarter Liquidation	-	(296)	(4 801)	(230 151)	(1 884)	(237 132)
Reclassification	-	2 499	909	(909)	(2 499)	-
Acquisition value as at 31/03/2011	79 578	18 557 668	16 311 631	2 995 044	89 889	38 033 810
Accumulated depreciation as at 31/12/2010	-	9 900 282	12 960 918	2 223 282	-	25 084 482
2011. Depreciation	-	187 581	266 115	105 908	-	559 604
1 quarter Depreciation of disposals	-	(296)	(4 501)	(215 850)	-	(220 646)
Reversed impairment	-	-	911	-	-	911
Accumulated depreciation as at 31/03/2011	-	10 087 566	13 223 444	2 112 429	-	25 423 439
Net carrying amount as at 31/03/2011	79 578	8 470 103	3 088 189	882 614	89 889	12 610 374

	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
Additions	-	-	108 392	55 477	719	164 588
2010. Liquidation	-	(1 197)	(28 241)	(19 609)	(719)	(49 765)
1 quarter Reversed impairment	-	-	117	-	-	117
Reclassification*	-	1 187	-	-	(1 187)	-
Reclassification**	-	-	(1 932 797)	2 049 362	-	116 565
Acquisition value as at 31/03/2010	79 578	18 485 969	15 590 932	2 940 737	116 177	37 213 395
Accumulated depreciation as at 31/12/2009	-	9 394 217	13 371 012	594 541	-	23 359 769
2010. Depreciation	-	183 775	236 080	101 126	-	520 980
1 quarter Depreciation of disposals	-	(760)	(26 837)	(16 839)	-	(44 436)
Reclassification*	-	-	(676)	(817)	-	90 442
Accumulated depreciation as at 31/03/2010	-	9 577 232	12 319 400	2 030 125	-	23 926 757
Net carrying amount as at 31/03/2010	79 578	8 908 739	3 271 531	910 612	116 177	13 286 638

There is a difference of LVL 684 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 1 636 which was disclosed in the income statement as other operating expense and 952 LVL depreciation expenses included in other operating expense.

12. Inventories

	31.03.2011		31.03.2010	
	LVL	EUR	LVL	EUR
Raw materials (at cost)	1 280 971	1 822 657	933 239	1 327 879
Work in progress (at cost)	4 247 984	6 044 337	3 959 245	5 633 498
Finished goods and goods for resale (at cost)*	1 720 896	2 448 614	2 180 401	3 102 431
Goods in transit	70 068	99 698	1 368	1 946
Prepayments for goods	149 416	212 600	58 424	83 130
TOTAL:	7 469 335	10 627 906	7 132 677	10 148 885
Allowances for raw materials	(215 679)	(306 883)	(336 150)	(478 299)
Allowances for work in progress	(182 835)	(260 151)	(252 260)	(358 933)
Allowances for finished goods and goods for resale	(319 591)	(454 736)	(303 785)	(432 248)
TOTAL:	(718 105)	(1 021 770)	(892 195)	(1 269 480)
TOTAL:	6 751 230	9 606 136	6 240 483	8 879 407

* As at 31 March 2011, the Group's inventories comprised goods on consignment in the amount of LVL 330 045 (31/03/2010: LVL 258 664).

13. Trade receivables

	31.03.2011		31.03.2010	
	LVL	EUR	LVL	EUR
Trade receivables	9 247 363	13 157 812	6 888 047	9 800 807
Allowances for doubtful trade receivables	(131 114)	(186 559)	(51 603)	(73 424)
TOTAL:	9 116 248	12 971 253	6 836 444	9 727 383

14. Cash and short term deposits

	31.03.2011		31.03.2010	
	LVL	EUR	LVL	EUR
Cash at banks and on hand	429 896	611 687	37 547	53 425
	429 896	611 687	37 547	53 425

Cash by currency profile:	31.03.2011		31.03.2010	
	Foreign	LVL	Foreign	LVL
RUB	752	13	4 151	73
LVL	-	111 395	-	28 116
EUR	355 812	250 066	12 046	8 466
USD	137 118	68 422	1 711	891
KOPĀ:	-	429 896	-	37 547

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

15. Share capital

The share capital of the Parent Company on 31/03/2011 is LVL 14 085 078 (31/03/2010: LVL 14 085 078) and consists of 14 085 078 (31/03/2009: 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

Non-current:	Amount		Interest rate (%) as at 31/03/2011	Maturity	31.03.2011.	31.03.2011.	31.03.2010.	31.03.2010.
					LVL	EUR	LVL	EUR
Loan from AS SEB banka	6 950 000	EUR	EUR LIBOR (3-month)+1.3%	08.12.2011.	-	-	1 441 752	2 051 429
Loan from AS SEB banka	4 000 000	EUR	EURIBOR (3-month)+1.3%	23.05.2013.	-	-	1 029 459	1 464 789
Loan from AS SEB banka	2 000 000	EUR	EURIBOR (3-month)+1.3%	10.10.2012.	-	-	523 658	745 098
Loan from AS SEB banka	445 000	EUR	EURIBOR (3-month)+1.3%	30.01.2015.	-	-	224 959	320 088
Loan from AS SEB banka *	7 011 574	EUR	EURIBOR (3-month)+1.3%	29.09.2014.	3 145 380	4 475 473	-	-
TOTAL:					3 145 380	4 475 473	3 219 829	4 581 404

Current:	Amount		Interest rate (%) as at 31/03/2011	Maturity	31.03.2011.	31.03.2011.	31.03.2010.	31.03.2010.
					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	1 488 000	EUR	EURIBOR (3-month)+2.9%	03.01.2011	-	-	1 023 329	1 456 066
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	2 402 773	3 418 838

Interest payable is normally settled quarterly throughout the financial year.

* On 29 September 2010, a loan agreement with AS SEB banka was signed on a new non-current loan of EUR 7 million bearing interest at 3-month EURIBOR + 1.9 % and maturing on 29 September 2014. The loan is aimed for the settlement of all the existing loans by combining them in a single loan. The loan amount was disbursed on 22 October 2010, and all the existing loan amounts were simultaneously settled.

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 received. The pledge agreements are registered with the Commercial Pledge Registry.

17. Finance lease liabilities

	31.03.2011.		31.03.2011.		31.03.2010.		31.03.2010.	
	LVL		EUR		LVL		EUR	
	Non-current	Current	Non-current	Current	Non-current	Current	Non-current	Current
Finance lease liabilities to SIA SEB Unītizings, EUR	23 586	66 239	33 560	94 249	83 513	97 740	118 828	139 071
TOTAL:	23 586	66 239	33 560	94 249	83 513	97 740	118 828	139 071

The interest rate on the finance leases ranges from 2.69% to 4.51%. 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:

	31.03.2011		31.03.2011		31.03.2010		31.03.2010	
	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	68 964	66 239	98 127	94 250	103 912	97 740	147 853	139 071
Between one and five years	24 154	23 586	34 368	33 560	86 508	83 513	123 090	118 828
Total minimum lease payments	93 118	89 825	132 495	127 809	190 420	181 253	270 943	257 900
Less amounts representing finance charges	(3 293)	-	(4 686)	-	(9 167)	-	(13 043)	-
Present value of minimum lease payments	89 825	89 825	127 809	127 809	181 253	181 253	257 900	257 900

18. Taxes payable/ receivable

	31.03.2011.		31.03.2011.		31.03.2010.		31.03.2010.	
	LVL		EUR		LVL		EUR	
Personal income tax *		(171 121)		(243 483)		(504 501)		(717 840)
Statutory social insurance contributions *		(323 494)		(460 291)		(181 421)		(258 138)
Real estate tax *		(11 923)		(16 966)		(41 058)		(58 421)
Natural resource tax		(5 456)		(7 763)		(5 191)		(7 386)
Provisions for impairment of tangible assets		(196)		(279)		-		-
Corporate income tax		(462 064)		(657 458)		(486 727)		(692 550)
Value added tax		175 920		250 312		141 778		201 732
TOTAL:		(798 334)		(1 135 927)		(1 077 120)		(1 532 603)
Total liabilities:		(974 255)		(1 386 239)		(1 218 898)		(1 734 336)
Total assets:		175 920		250 312		141 779		201 733

* 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

	31.03.2011		31.03.2010	
	LVL	EUR	LVL	EUR
Vacation pay reserve	341 164	485 433	324 312	461 454
Accruals for electricity and gas	79 745	113 468	89 692	127 620
Provisions for penalties related to taxes	14 317	20 371	34 261	48 749
Accrued interest for purchase of long term investment	199 764	284 238	126 172	179 527
Other accrued liabilities	44 204	62 897	4 571	6 504
TOTAL:	679 194	966 406	579 008	823 854

20. Trade and other payables

	31.03.2011		31.03.2010	
	LVL	EUR	LVL	EUR
Trade and other payables	971 342	1 382 095	1 105 879	1 573 524
Wages and salaries	312 462	444 594	268 916	382 633
Other paybles	6 194	8 813	-	-
TOTAL:	1 289 998	1 835 502	1 374 795	1 956 157

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	
	31.03.2011	31.03.2010	31.03.2011	31.03.2010	31.03.2011	31.03.2010	31.03.2011	31.03.2010
Assets								
Intangible assets	4 595 099	4 510 657	2 364 834	2 522 236	91 108	126 897	7 051 041	7 159 789
Tangible assets	5 367 059	4 843 635	2 629 155	3 899 389	899 138	892 600	8 895 352	9 635 624
Financial assets	-	-	-	-	5 370	4 536	5 370	4 536
Inventories	4 531 426	3 457 228	2 219 804	2 783 255	-	-	6 751 230	6 240 483
Receivables	7 159 817	6 787 817	3 507 372	304 692	286 038	781 579	10 953 227	7 874 088
Cash	-	-	-	-	429 896	37 547	429 896	37 547
Total assets	21 653 401	19 599 337	10 721 165	9 509 572	1 711 551	1 843 159	34 086 116	30 952 067
Equity and liabilities								
Total equity	-	-	-	-	22 370 139	17 809 479	22 370 139	17 809 479
Deferred income tax liability	-	-	-	-	916 370	839 689	916 370	839 689
Loans from credit institution	2 955 651	3 114 922	1 447 881	2 507 680	-	-	4 403 532	5 622 602
Other loans	422 898	438 641	207 164	353 129	-	-	630 062	791 770
Taxes payable	653 920	675 270	320 335	543 629	-	-	974 255	1 218 899
Prepayments received from customers	55 228	149	32 161	35 022	24	-	87 412	35 171
Trade payables	2 512 334	2 435 238	1 230 714	1 392 607	-	-	3 743 048	3 827 845
Payables to related companies	189 348	126 093	92 756	101 511	-	-	282 104	227 604
Accrued liabilities	-	-	-	-	679 194	579 008	679 194	579 008
Total equity and liabilities	6 789 378	6 790 311	3 331 011	4 933 580	23 965 727	19 228 176	34 086 116	30 952 067
Income statement								
Net turnover	7 445 884	5 445 116	731 351	656 308	-	-	8 177 235	6 101 424
Changes in stock of finished goods and work in progress	(278 789)	(170 358)	(136 570)	(137 147)	-	-	(415 359)	(307 505)
Other operating income	-	-	-	-	82 987	86 889	82 987	86 889
Cost of materials	(1 000 748)	(591 564)	(490 237)	(476 241)	-	-	(1 490 985)	(1 067 805)
Staff costs	(1 030 974)	(776 803)	(505 042)	(625 369)	-	-	(1 536 016)	(1 402 172)
Depreciation/ amortisation and write-offs	(315 774)	(235 981)	(154 688)	(189 978)	-	(26 523)	(470 462)	(452 482)
Other operating expense	(1 553 778)	(1 149 935)	(761 148)	(925 760)	-	-	(2 314 926)	(2 075 695)
Income from investments in subsidiaries	-	-	-	-	-	-	-	-
Financial income	-	-	-	-	9 570	55 715	9 570	55 715
Financial expenses	-	-	-	-	(77 317)	(82 556)	(77 317)	(82 556)
Taxes	-	-	-	-	(245 634)	(157 930)	(245 634)	(157 930)
Net profit/ (loss) for the year	3 265 820	2 520 475	(1 316 333)	(1 698 187)	(230 394)	(124 405)	1 719 093	697 883

21. Segment information (cont'd)

EUR

	Finished form medicine		Chemicals		Unallocated		Total	
	31.03.2011	31.03.2010	31.03.2011	31.03.2010	31.03.2011	31.03.2010	31.03.2011	31.03.2010
Assets								
Intangible assets	6 538 236	6 418 087	3 364 855	3 588 819	129 636	180 558	10 032 727	10 187 462
Tangible assets	7 636 637	6 891 872	3 740 951	5 548 331	1 279 358	1 270 055	12 656 946	13 710 258
Financial assets	-	-	-	-	7 640	6 454	7 640	6 454
Inventories	6 447 639	4 919 192	3 158 497	3 960 215	-	-	9 606 136	8 879 407
Receivables	10 187 502	9 658 193	4 990 540	433 538	406 995	1 112 087	15 585 037	11 203 818
Cash	-	-	-	-	611 687	53 425	611 687	53 425
Total assets	30 810 014	27 887 344	15 254 843	13 530 902	2 435 317	2 622 579	48 500 173	44 040 824
Equity and liabilities								
Total equity	-	-	-	-	31 829 840	25 340 606	31 829 840	25 340 606
Deferred income tax liability	-	-	-	-	1 303 877	1 194 770	1 303 877	1 194 770
Loans from credit institution	4 205 512	4 432 135	2 060 150	3 568 107	-	-	6 265 662	8 000 242
Other loans	601 728	624 130	294 768	502 457	-	-	896 496	1 126 586
Taxes payable	930 444	960 823	455 796	773 514	-	-	1 386 240	1 734 338
Prepayments received from customers	78 581	212	45 761	49 832	34	-	124 376	50 044
Trade payables	3 574 729	3 465 032	1 751 149	1 981 501	-	-	5 325 877	5 446 533
Payables to related companies	269 418	179 414	131 980	144 437	-	-	401 398	323 851
Accrued liabilities	-	-	-	-	966 406	823 854	966 406	823 854
Total equity and liabilities	9 660 415	9 661 742	4 739 602	7 019 852	34 100 157	27 359 230	48 500 173	44 040 824
Income statement								
Net turnover	10 594 538	7 747 702	1 040 619	933 842	-	-	11 635 157	8 681 544
Changes in stock of finished goods and work in progress	(396 681)	(242 398)	(194 321)	(195 143)	-	-	(591 002)	(437 540)
Other operating income	-	-	-	-	118 079	123 632	118 079	123 632
Cost of materials	(1 423 936)	(841 720)	(697 544)	(677 630)	-	-	(2 121 480)	(1 519 350)
Staff costs	(1 466 944)	(1 105 291)	(718 610)	(889 820)	-	-	(2 185 554)	(1 995 111)
Depreciation/ amortisation and write-offs	(449 306)	(335 771)	(220 101)	(270 314)	-	(37 739)	(669 407)	(643 824)
Other operating expense	(2 210 827)	(1 636 210)	(1 083 016)	(1 317 238)	-	-	(3 293 843)	(2 953 448)
Income from investments in subsidiaries	-	-	-	-	-	-	-	-
Financial income	-	-	-	-	13 617	79 275	13 617	79 275
Financial expenses	-	-	-	-	(110 012)	(117 467)	(110 012)	(117 467)
Taxes	-	-	-	-	(349 506)	(224 714)	(349 506)	(224 714)
Net profit/ (loss) for the year	4 646 844	3 586 313	(1 872 973)	(2 416 302)	(327 821)	(177 012)	2 446 049	992 998

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.