

JOINT STOCK COMPANY OLAINFARM

(UNIFIED REGISTRATION NUMBER 40003007246)

**CONSOLIDATED ANNUAL REPORT
FOR THE PERIOD ENDED 30 JUNE 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

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

Veranika Dubickaja



Veranika Dubitskaya since 2005 works in Company representation in Belarus. Till 2006 the madam Dubitsky held a post of the medical representative, since 2006 till July, 2009 a post of the manager, and since July, 2009 till May, 2011 was the principal of representation of jCompany in Belarus.

Positions held in other companies: none

Participation in other companies: none

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

2003. gadā Veranika Dubickaja ir absolvējusi Baltkrievijas Valsts medicīnas universitāti.

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 30 June 2011	<p>Jurijs Kaplinovs (canceling of the member of the board) Veranika Dubitskaya (appointed 23/05/2011)</p>		
Movements in the Council during the period 1 January 2011 through 30 June 2011	<p>None</p>		
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	<p>Manufacture of basic pharmaceutical products and pharmaceutical preparations</p>		
Audit Committee	<p>Žanna Karaseva</p>		
Financial year	<p>1 January – 30 June 2011</p>		
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	100,00%

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.

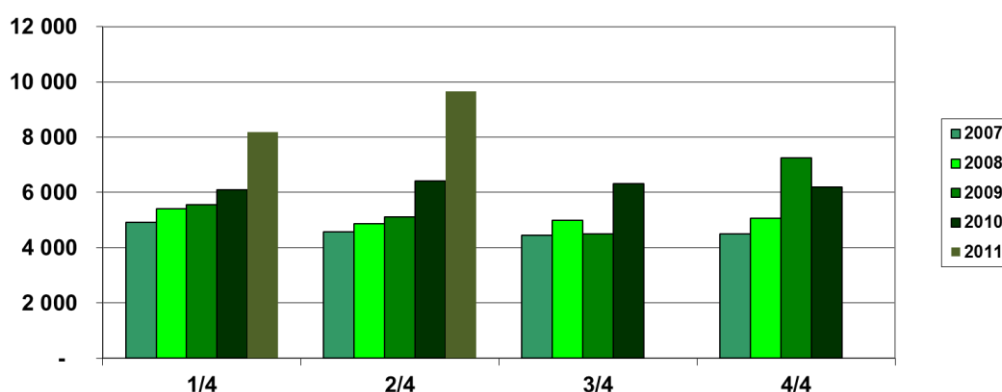
Corporate vision:

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

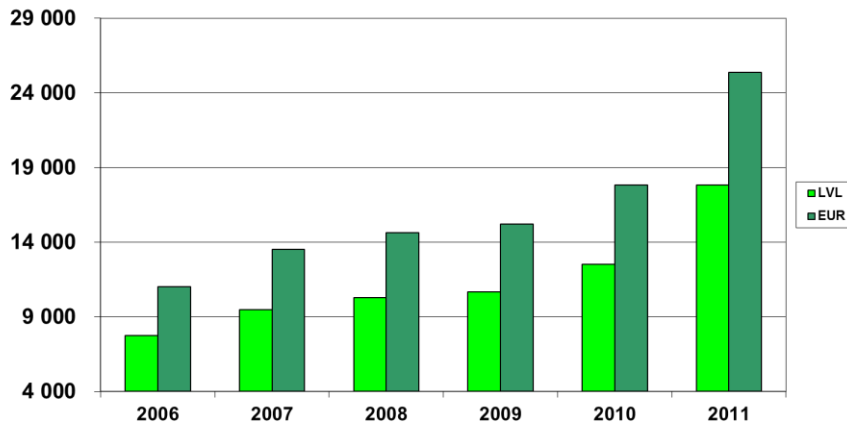
During the 2nd quarter of 2011 the Company has set yet another sales record as this has been yet another most successful quarter and half-year of the company, this time achieved through particularly rapid growth. Sales made during 2nd quarter of 2011 are by more than 50% higher compared to 2010 and have reached 9.7 million lats (13.8 million euro).

Sales by Quarters, thsnd. LVL



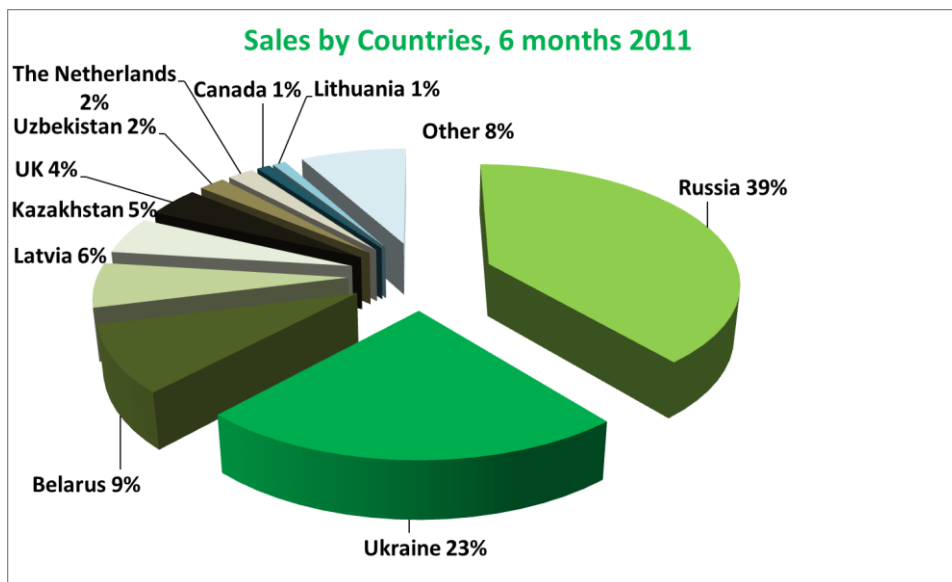
Sales of first 6 months of 2011 are also up significantly, and have reached 17.8 million lats (25.4 million euro), which represents an increase by 42% compared to the first six months of 2010. Since 2007, the sales made during first six months have nearly doubled.

Sales, 1st half year, thsnd.

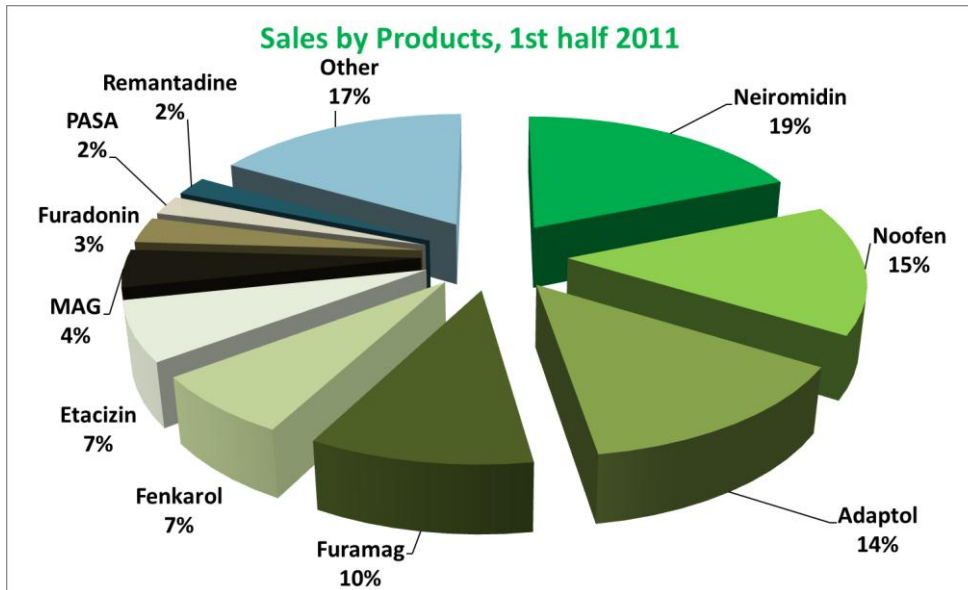


During the first six months of 2011 Company's sales to all its major markets have continued growing. The growth rates were between 10% to Lithuania and 3529% to Canada. Significant increase was made to Dutch sales (by 807%), Uzbekistan sales (by 134%), Ukrainian sales (by 118%) and British sales (100%).

Sales increase to Canada is mainly caused by significant intensification of memantine program, while PASA produced for the needs of WHO is shipped to the Netherlands, which has caused this significant increase in sales to this country. Growth in Ukraine has been partially a result of reviewed marketing and distribution arrangements in this country, but growth in all other countries has been achieved based on conditions comparable to those applied previously.



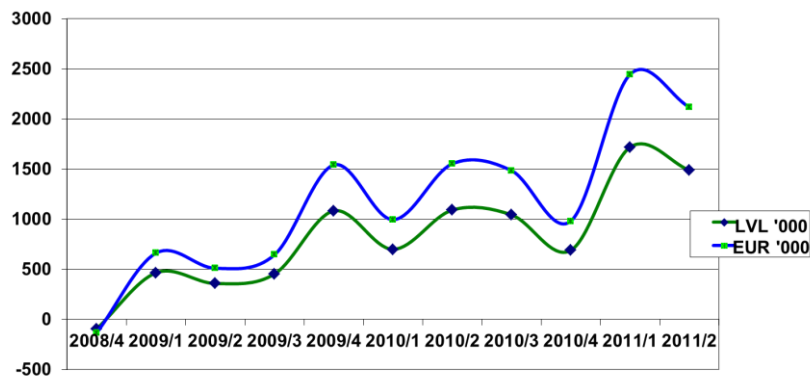
Sales portfolio has become even more diversified during the first half of 2011. Now 10 best sellers are making up just 83% of total sales. Share of best seller Neiromidin® is decreasing. Still the specifically promoted products are the bestselling ones.



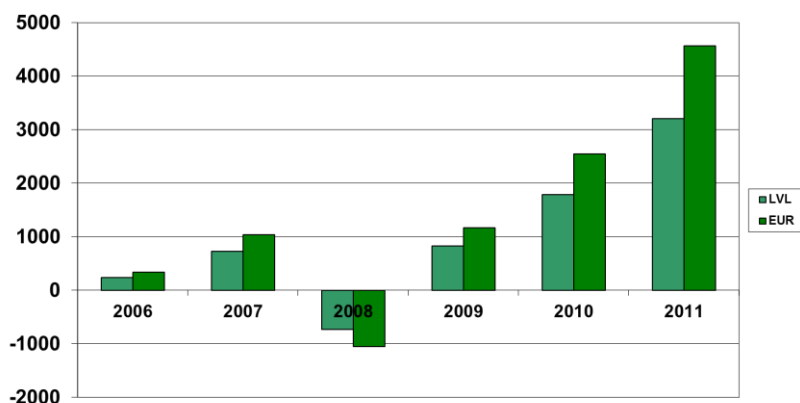
The above mentioned rapid sales growth is also reflected on profitability of the Company. During the reporting period it has reached 1.72 million lats (2.45 mln. euro), which is nearly 250% of that of last year's first quarter, while during the second quarter it has reached the level of 1.5 million lats (2.1 million euro).

Profit made in previous years allowed the shareholders on the general meeting held on April 29, to decide on paying 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 be paid in dividends. Dividends of 2.5 santims (3.557 euro cents) per share were declared and paid later on June 20th, 2011.

Profit by Quarters



During 6 months of 2011 the Company has already made a profit of 3.2 million lats (4.6 million euro), which has resulted in yet another record profits.

Profit of 1st 6 Months, thsnd.

Other financial indicators have experienced similar improvements

Financial indicator	31.03.2011.	31.03.2010.	% to previous period
Sales (LVL)	17 830 534	12 528 217	142%
Net profit (LVL)	3 207 698	1 794 097	179%
EBITDA (LVL)	5 061 473	3 078 528	164%
EBIT (LVL)	4 124 938	2 172 403	190%
Sales (EUR)	25 370 564	17 826 047	142%
Net profit (EUR)	4 564 144	2 549 810	179%
EBITDA (EUR)	7 201 827	4 380 351	164%
EBIT (EUR)	5 869 258	3 091 051	190%
EBITDA margin, %	28	25	
Net margin, %	18	14	
EBIT margin, %	23	17	
Profit, last 12 months (LVL)	4 963 051	3 330 373	149%
Profit, last 12 months (EUR)	7 061 785	4 738 694	149%
EBITDA, last 12 months (LVL)	8 348 631	6 383 682	131%
EBITDA, last 12 months (EUR)	11 879 032	9 083 161	131%
ROA, % (last 12 months)	12.9	10.4	
ROE, % (last. 12 months)	21.1	17.6	
Current ratio	2,6	2,5	
EPS, LVL (quarter)	0,23	0,13	179%
EPS, EUR (quarter)	0,32	0,18	179%
Share price, end of the period (LVL)	3,005	1,17	257%
Share price, end of the period (EUR)	4,276	1,66	257%
P/E, last 12 months	8,5	4.9	NA
Market capitalisation at the end of the period (LVL)	42 325 659	16 479 541	257%
Market capitalisation at the end of the period (EUR)	60 223 987	23 448 274	257%
P/B	1,8	0,87	

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 six months 61% of targeted annual sales and 63% 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 3.136 lats (4.46 euro) per share at the very end of the reporting period. As this report is being prepared share price fluctuates around 3.00 lats (4.26 euro) per share. During the first 6 months of 2011 share price of Olainfarm has been fluctuating between 1.96 and 3.136 lats (2.789 and 4.46 euro).

Price of shares of “Olainfarm” on NASDAQ OMX Riga (LVL) (July 2008 – June 2011)

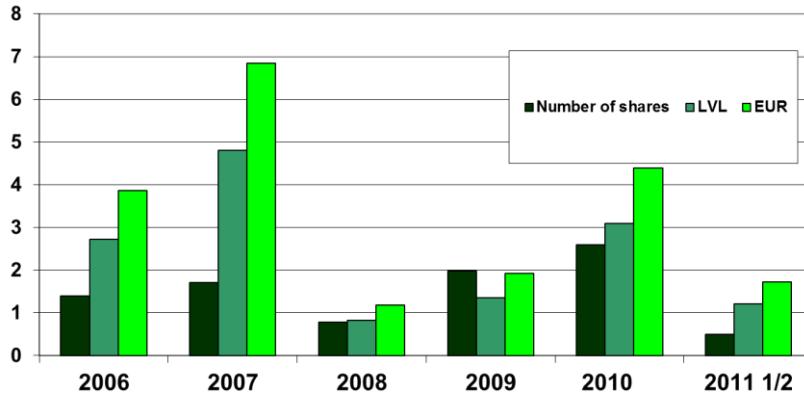


During the second quarter of 2011 a more rapid growth of share price started, which resulted in an increase by more than 38% since the beginning of the year, while OMX Riga index during the same period increased by less than 13%.

Rebased price of Olainfarm share vs. rebased OMX Riga index
(1st 6 months of 2011)



Trading of Shares on NASDAQ OMX Riga, mln.



Although the trading of shares of AS “Olainfarm” during these 6 months has not been as active as in 2010, in total during this period more than half a million shares were traded for a total value of 1.2 million lats (1,7 million euro).

Development

During the reporting period registration of 13 products in several countries has been completed.

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.

In May 2011, AS „Olainfarm” transferred its hazardous waste site “Ekolauks” along with deep wells to the Ministry of Environmental Protection and Regional Development. Such action was necessary to implement the rehabilitation project of the site using the co-funding by European Union.

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 July 15, 2011 Financial and Capital Markets Commission had passed a decision to allow shareholder of AS „Olainfarm” Valerijs Maligins to announce the voluntary buyback offer of shares of AS “Olainfarm”. Valerijs Maligins offered to purchase shares from all shareholders of AS “Olainfarm” for 1.95 lats (2.775 euro)

Although the Management Board of the AS “Olainfarm” agrees that the Offer made meets all the requirements of legislative acts, it also is of an opinion that the Offer price is below the price of the share of AS “Olainfarm” on a regulated market at the time of an offer and it also does not reflect the development potential of the Company. The Board was satisfied that plans of Mr. Maligins do not include any major changes to Company’s operations and he plans to maintain “Olainfarm” as a company listed on a regulated stock market.

On August 25, 2011 Board of AS “Olainfarm” was informed that as the result of an offer Mr. Maligins has acquired 3 687 514, shares, which results in him holding 10 112 298 shares or more than 71% of share capital of AS „Olainfarm”.

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

31 August 2011



Chairman of the Board
Valerijs Maligins


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 August 2011



Chairman of the Board
Valerijs Maligins



Statement of consolidated comprehensive income


	Notes	2011.II.quarter LVL	2011.II.quarter EUR	2010.II.quarter LVL	2010.II.quarter EUR
Net sales	3	17 830 534	25 370 564	12 528 217	17 826 047
Changes in stock of finished goods and work in progress		(217 171)	(309 006)	(396 098)	(563 597)
Other operating income	4	286 307	407 378	147 288	209 572
Cost of materials:					
<i>raw materials and consumables</i>		(1 866 835)	(2 656 267)	(1 115 528)	(1 587 253)
<i>other external costs</i>		(972 067)	(1 383 127)	(771 354)	(1 097 538)
		(2 838 903)	(4 039 395)	(1 886 882)	(2 684 791)
Staff costs:					
<i>Wages and salaries</i>	8	(2 822 997)	(4 016 763)	(2 516 782)	(3 581 058)
<i>Statutory social insurance contributions</i>	8	(659 272)	(938 060)	(578 483)	(823 107)
		(3 482 269)	(4 954 823)	(3 095 265)	(4 404 165)
Depreciation/ amortization	10,11.	(936 535)	(1 332 569)	(906 125)	(1 289 300)
Other operating expense	5	(6 548 771)	(9 318 062)	(4 218 929)	(6 002 995)
Financial income	6	21 482	30 566	122 525	174 338
Financial expense	7	(160 456)	(228 309)	(162 886)	(231 765)
(Loss)/ profit before taxes		3 954 218	5 626 345	2 131 845	3 033 342
Corporate income tax		(743 684)	(1 058 167)	(339 828)	(483 532)
(Loss)/ profit for the reporting year		3 210 534	4 568 178	1 792 017	2 549 810
Basic and diluted earnings per share	9	0.228	0.324	0.127	0.181

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

For the Board of JSC Olainfarm:



 Chairman of the Board
 Valerijs Maligns



31 August 2011

Consolidated statement of financial position

	Notes	ASSETS			
		30.06.2011 LVL	30.06.2011 EUR	30.06.2010. LVL	30.06.2010. EUR
NON-CURRENT ASSETS					
Intangible assets					
Goodwill	10	503 930	717 028	503 930	717 028
Patents	10	5 686 192	8 090 723	5 833 625	8 300 500
Other intangible assets	10	546 095	777 023	585 198	832 662
Prepayments for intangible assets		331 289	471 382	282 179	401 505
TOTAL		7 067 507	10 056 156	7 204 932	10 251 695
Property, plant and equipment					
Land, buildings and constructions	11	5 887 342	8 376 932	6 188 692	8 805 715
Equipment and machinery	11	2 177 799	3 098 729	2 467 912	3 511 522
Other tangible assets	11	597 641	850 366	634 252	902 459
Construction in progress	11	213 656	304 004	141 001	200 626
Prepayments for property, plant and equipment		467 725	665 512	3 524	5 014
TOTAL		9 344 162	13 295 545	9 435 381	13 425 338
Financial assets					
Investments in related companies		1 650	2 347	650	925
Prepayments for investments		-	-	3 500	4 980
TOTAL		1 650	2 347	4 150	5 905
TOTAL NON-CURRENT ASSETS		16 413 318	23 354 048	16 644 463	23 682 937
CURRENT ASSETS					
Inventories					
Raw materials		771 425	1 097 639	593 038	843 817
Work in progress		3 665 906	5 216 114	3 353 595	4 771 736
Finished goods and goods for resale		1 945 148	2 767 696	2 181 802	3 104 425
Goods in transit		70 068	99 697	1 368	1 946
Prepayments for goods		92 571	131 716	69 763	99 264
TOTAL	12	6 545 117	9 312 863	6 199 566	8 821 188
Receivables					
Trade receivables	13	10 947 028	15 576 218	7 907 655	11 251 579
Receivables from related companies		159 127	226 417	131 060	186 482
Prepayments to suppliers		2 542 615	3 617 815	-	-
Other receivables		355 904	506 406	241 166	343 148
Current loans to management and employees		1 114 683	1 586 052	797 468	1 134 695
Prepaid expense		14 419	20 516	15 839	22 537
TOTAL		15 133 776	21 533 424	9 093 188	12 938 441
Cash	14	823 426	1 171 630	121 670	173 121
TOTAL CURRENT ASSETS		22 502 320	32 017 917	15 414 424	21 932 749
TOTAL ASSETS		38 915 638	55 371 965	32 058 887	45 615 687

For the Board of JSC Olainfarm:


 Chairman of the Board
 Valerijs Maligns


31 August 2011

Consolidated statement of financial position

EQUITY	Notes	EQUITY AND LIABILITIES			
		30.06.2011 LVL	30.06.2011 EUR	30.06.2010. LVL	30.06.2010. 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		4 454 134	6 337 662	1 266 810	1 802 508
for the period		3 210 534	4 568 178	1 792 017	2 549 810
TOTAL EQUITY		23 509 453	33 450 939	18 903 614	26 897 419
LIABILITIES					
Non-current liabilities					
Loans from credit institutions	16	2 830 842	4 027 925	2 874 967	4 090 710
Long term payables		2 453 050	3 490 376	2 453 050	3 490 376
Loan from shareholder		540 237	768 688	610 517	868 687
Finance lease liabilities	17	12 839	18 268	66 614	94 783
Taxes payable	18	-	-	98 746	140 503
Deferred corporate income tax liabilities		916 370	1 303 877	839 689	1 194 770
TOTAL		6 753 338	9 609 134	6 943 583	9 879 829
Current liabilities					
Loans from credit institutions	16	1 258 152	1 790 189	2 255 585	3 209 408
Finance lease liabilities	17	55 681	79 227	90 125	128 236
Prepayments received from customers		41 840	59 533	30 829	43 866
Trade and other payables	20	4 555 589	6 482 019	1 802 931	2 565 340
Payables to related companies		183 668	261 336	291 912	415 353
Taxes payable	18	486 689	692 496	674 499	959 726
Corporate income tax	18	469 760	668 408	515 080	732 893
Accrued liabilities	19	1 601 469	2 278 685	550 728	783 615
TOTAL		8 652 847	12 311 892	6 211 689	8 838 437
TOTAL LIABILITIES		15 406 185	21 921 026	13 155 272	18 718 266
TOTAL EQUITY AND LIABILITIES		38 915 638	55 371 965	32 058 887	45 615 687

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

For the Board of JSC Olainfarm:

31 August 2011


 Chairman of the Board
 Valerijs Maligins


Consolidated statement of cash flow

	2011.II.quarter		2010.II.quarter	
	LVL	EUR	LVL	EUR
Cash flows to/from operating activities				
(Loss)/ Profit before taxes	3 954 218	5 626 345	2 131 845	3 033 342
Adjustments for:				
Amortisation and depreciation	939 792	1 337 204	910 896	1 296 088
Loss on sale/ disposal of property, plant and equipment	12 319	17 528	(24 279)	(34 546)
Increase/ (decrease) in allowances	(291)	(414)	76 813	109 295
Income from investing activities	220	313	386	549
Interest expenses	135 489	192 783	150 596	214 279
Interest receivable	(21 482)	(30 566)	(11 987)	(17 056)
Operating cash flows before working capital changes	5 020 265	7 143 194	3 234 270	4 601 952
Decrease in inventories	214 986	305 898	343 304	488 478
Decrease in receivables and prepaid expense	(5 838 677)	(8 307 689)	(2 078 691)	(2 957 711)
Increase/ (decrease) in payables and prepayments received	3 831 526	5 451 770	125 332	178 332
Cash generated from operations	3 228 100	4 593 172	1 624 216	2 311 051
Interest paid	(98 694)	(140 429)	(113 800)	(161 923)
Corporate income tax paid	(586 605)	(834 664)	(153 534)	(218 459)
Real estate tax paid	(44 867)	(63 839)	(32 174)	(45 779)
Net cash flows to/ from operating activities	2 497 934	3 554 240	1 324 708	1 884 889
Cash flows to/from investing activities				
Purchase of property, plant and equipment	(985 106)	(1 401 680)	(471 385)	(670 720)
Prepayments for investments	3 500	4 980	(3 500)	(4 980)
Proceeds from sale of intangible assets and property, plant and equipment	18 395	26 174	31 848	45 316
Loans repaid	-	-	40 632	57 814
Interest receivable	1 263	1 797	3 793	5 397
Loans granted	(181 758)	(258 618)	(302 827)	(430 884)
Net cash flows to/from investing activities	(1 143 706)	(1 627 347)	(701 439)	(998 058)
Cash flows to/from financing activities				
Proceeds from issue of shares	(352 127)	(501 032)	-	-
Borrowings repaid	(673 170)	(957 835)	(684 258)	(973 611)
Net cash flows to/from financing activities	(1 025 297)	(1 458 866)	(684 258)	(973 611)
Change in cash	328 931	468 027	(60 989)	(86 780)
Cash at the beginning of the year	494 495	703 603	182 659	259 900
Cash at the end of the year	823 426	1 171 630	121 670	173 121

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	20 651 047	29 383 793
Dividends from profit are paid	-	-	-	-	(352 127)	(501 032)	(352 127)	(501 032)
Loss for the reporting year	-	-	-	-	3 210 534	4 568 178	3 210 534	4 568 178
Balance as at 30 June 2011	14 085 078	20 041 260	1 759 708	2 503 839	7 664 667	10 905 839	23 509 453	33 450 939

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

Notes to the consolidated financial statements

1. Corporate information

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

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

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

These consolidated financial statements were approved by the Board on 31 August 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>30/06/2011</u>	<u>30/06/2010</u>
EUR	0.702804	0.702804
USD	0.489	0.573

3. Net sales

<i>By business segments</i>	2011.II.quarter		2010.II.quarter	
	LVL	EUR	LVL	EUR
Finished form medicine	16 403 252	23 339 725	11 583 598	16 481 975
Chemicals	1 427 282	2 030 839	944 619	1 344 073
TOTAL:	17 830 534	25 370 564	12 528 217	17 826 047

<i>By geographical segments</i>	2011.II.quarter		2010.II.quarter	
	LVL	EUR	LVL	EUR
CIS	14 515 877	20 654 233	10 587 637	15 064 850
Europe	1 538 138	2 188 574	757 959	1 078 478
Latvia	1 069 569	1 521 859	715 880	1 018 606
Baltic states (Lithuania and Estonia)	272 248	387 374	228 734	325 459
Other	434 701	618 524	238 007	338 654
TOTAL:	17 830 534	25 370 564	12 528 217	17 826 047

4. Other operating income

	2011.II.quarter		2010.II.quarter	
	LVL	EUR	LVL	EUR
Incomes of wholesale trade	138 280	196 755	501	713
Other operating income	42 561	60 559	42 610	60 629
Income of services*	31 834	45 296	42 687	60 738
Gains from sale of non-current assets	29 357	41 772	861	1 225
Lease of premises	21 788	31 002	25 831	36 754
Incomes from catering services	13 807	19 646	11 814	16 810
Sale of current assets	5 937	8 448	235	334
Treatment of waste water	1 654	2 354	1 702	2 422
Royalty	1 087	1 546	21 047	29 948
TOTAL:	286 307	407 378	147 288	209 572

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

5. Other operating expense

	2011.II.quarter		2010.II.quarter	
	LVL	EUR	LVL	EUR
Marketing expense	5 133 417	7 304 195	2 831 612	4 029 020
Sales commissions	37 470	53 315	103 419	147 152
Transportation expense	62 543	88 991	50 204	71 434
Other distribution costs	77 713	110 575	48 371	68 826
Expert analysis of medicines	35 086	49 923	25 536	36 335
<i>Total distribution costs:</i>	<i>5 346 229</i>	<i>7 606 999</i>	<i>3 059 142</i>	<i>4 352 768</i>
Car fleet maintenance	123 050	175 085	21 754	30 953
Security	101 662	144 652	100 340	142 771
Business trips	82 486	117 368	90 340	128 542
Representation expense	82 443	117 306	89 373	127 167
Information and business consulting	68 240	97 097	142 433	202 664
Write-offs of current assets	64 199	91 347	152 962	217 645
Expense of registration of products	62 201	88 504	7 350	10 458
Social infrastructure	39 541	56 262	15 832	22 527
Flowers and gifts	35 910	51 096	18 410	26 195
Other taxes	34 802	49 519	32 392	46 090
Communications expense	34 456	49 027	31 759	45 189
Write-offs and disposal of tangible assets	28 747	40 903	3 327	4 735
Education	27 466	39 081	16 155	22 987
Donations	25 413	36 160	36 360	51 736
Insurance	23 431	33 340	75 845	107 918
Legal and audit expense	19 941	28 374	4 132	5 880
Current repairs	18 259	25 981	32 710	46 542
Laboratory tests	17 428	24 797	6 721	9 563
Stock quote expense	15 879	22 594	-	-
Office expense	14 087	20 043	9 460	13 461
Expense of preservation of the environment	14 044	19 983	-	-
Other operating expense	268 854	382 545	207 604	295 394
TOTAL:	6 548 771	9 318 062	4 218 929	6 002 995

6. Financial income

	2011.II.quarter		2010.II.quarter	
	LVL	EUR	LVL	EUR
Currency exchange gain, net	20 450	29 098	11 970	17 032
Loan interest payments	1 032	1 468	17	24
Interest accrued on bank account balances	-	-	110 538	157 282
TOTAL:	21 482	30 566	122 525	174 337

7. Financial expense

	2011.II.quarter		2010.II.quarter	
	LVL	EUR	LVL	EUR
Loan interest expenses	135 493	192 789	150 596	214 278
Currency exchange loss, net	17 655	25 121	-	-
Penalties paid for late payments	7 308	10 399	12 290	17 488
TOTAL:	160 456	228 309	162 886	231 766

8. Staff costs and number of employees

	2011.II.quarter		2010.II.quarter	
	LVL	EUR	LVL	EUR
Wages and salaries	2 822 997	4 016 763	2 516 782	3 581 058
Statutory social insurance contributions	659 272	938 060	578 483	823 107
TOTAL:	3 482 269	4 954 823	3 095 265	4 404 165

	2011.II.quarter		2010.II.quarter	
	LVL	EUR	LVL	EUR
<u>Management of the Group</u>				
Wages and salaries	270 415	384 766	197 121	280 477
Statutory social insurance contributions	64 929	92 386	48 236	68 634
<u>Board Members</u>				
Wages and salaries	279 018	397 007	208 786	297 075
Statutory social insurance contributions	67 215	95 638	46 375	65 986
<u>Council Members</u>				
Wages and salaries	54 000	76 835	54 218	77 145
Statutory social insurance contributions	13 009	18 510	13 061	18 584
TOTAL:	748 586	1 065 142	567 796	807 901

	30/06/2011	30/06/2010
Average number of employees during the reporting year	815	734

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.II.quarter		2010.II.quarter	
	LVL	EUR	LVL	EUR
Net result attributable to shareholders	3 210 534	4 568 178	1 792 017	2 549 810
Weighted average number of ordinary shares	14 085 078	14 085 078	14 085 078	14 085 078
Earnings per share	0.228	0.324	0.127	0.181

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								
II quarter Additions	-	-	3 381	4 811	108 988	155 076	112 369	159 887
Acquisition value as at 30/06/2011	503 930	717 028	6 226 170	8 859 042	946 911	1 347 333	7 677 011	10 923 403
Accumulated amortisation as at 31/12/2010	-	-	461 569	656 754	320 990	456 727	782 559	1 113 481
2011								
II quarter Amortisation	-	-	78 410	111 567	79 824	113 580	158 234	225 147
Accumulated amortisation as at 30/06/2011	-	-	539 979	768 321	400 814	570 307	940 793	1 338 628
Net carrying amount as at 30/06/2011	503 930	717 028	5 686 192	8 090 723	546 095	777 023	6 736 217	9 584 774

	Goodwill		Production technologies		Other intangible assets		TOTAL	
	LVL	EUR	LVL	EUR	LVL	EUR	LVL	EUR
Acquisition value as at 31/12/2009	503 930	717 028	6 228 449	8 862 285	1 185 268	1 686 484	7 917 647	11 265 797
2010								
Additions	-	-	337	480	52 629	74 884	52 966	75 364
II quarter Reclassification	-	-	(11 988)	(17 057)	(67 176)	(95 583)	(79 164)	(112 640)
Disposals	-	-	-	-	(38 828)	(55 247)	(38 828)	(55 247)
Acquisition value as at 30/06/2010	503 930	717 028	6 216 798	8 845 707	1 131 893	1 610 539	7 852 621	11 173 273
Accumulated amortisation as at 31/12/2009	-	-	304 781	433 664	547 334	778 785	852 115	1 212 450
2010								
Amortisation	-	-	78 392	111 542	99 000	140 865	177 392	252 406
II quarter Reclassification	-	-	-	-	(60 811)	(86 526)	(60 811)	(86 526)
Amortisation of disposals	-	-	-	-	(38 828)	(55 247)	(38 828)	(55 247)
Accumulated amortisation as at 30/06/2010	-	-	383 173	545 206	546 695	777 877	929 868	1 323 083
Net carrying amount as at 30/06/2010	503 930	717 028	5 833 625	8 300 500	585 198	832 662	6 922 753	9 850 190

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. II quarter						
Additions	10 000	-	264 805	94 554	204 173	573 532
Liquidation	-	(271)	(28 801)	(198 068)	(1 967)	(229 107)
Reclassification of reversed impairment	-	-	(5 546)	5 546	-	-
Reclassification	-	2 186	-	-	(2 186)	-
Reversed impairment	-	-	291	-	-	291
Acquisition value as at 30/06/2011	65 928	13 042 771	11 631 758	2 134 964	213 656	27 089 077
Accumulated depreciation as at 31/12/2010	-	6 957 958	9 108 985	1 562 532	-	17 629 474
2011. II quarter						
Depreciation	-	263 670	373 241	144 647	-	781 557
Depreciation of disposals	-	(271)	(28 267)	(169 855)	-	(198 393)
Accumulated depreciation as at 30/06/2011	-	7 221 355	9 453 959	1 537 323	-	18 212 637
Net carrying amount as at 30/06/2011	65 928	5 821 414	2 177 799	597 641	213 656	8 876 437

	Land	Buildings and constructions	Equipment and machinery	Other tangible assets	Construction in progress	TOTAL
Acquisition value as at 31/12/2009	55 928	12 992 020	12 259 334	601 254	82 484	25 991 020
2010. II quarter						
Additions	-	1 325	449 271	68 000	61 798	580 394
Liquidation	-	(894)	(33 743)	(13 862)	(3 281)	(51 780)
Reversed impairment	-	-	-	-	-	-
Reclassification*	-	-	-	-	-	-
Reclassification**	-	-	(1 357 881)	1 440 300	-	82 419
Acquisition value as at 30/06/2010	55 928	12 992 451	11 316 981	2 095 692	141 001	26 602 053
Accumulated depreciation as at 31/12/2009	-	6 602 293	9 397 201	417 846	-	16 417 339
2010. II quarter						
Depreciation	-	257 982	369 707	105 813	-	733 502
Depreciation of disposals	-	(587)	(31 705)	(11 916)	-	(44 208)
Reclassification**	-	-	(475)	(574)	-	63 563
Accumulated depreciation as at 30/06/2010	-	6 859 687	8 849 069	1 461 440	-	17 170 196
Net carrying amount as at 30/06/2010	55 928	6 132 764	2 467 912	634 252	141 001	9 431 857

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	14 229	-	376 784	134 538	290 512	816 063
2011. Liquidation	-	(386)	(40 980)	(281 825)	(2 799)	(325 990)
II quarter Reclassification of reversed impairment	-	-	(7 891)	7 891	-	-
Reclassification	-	3 110	-	-	(3 110)	-
Reversed impairment	-	-	414	-	-	414
Acquisition value as at 30/06/2011	93 807	18 558 190	16 550 501	3 037 781	304 004	38 544 282
Accumulated depreciation as at 31/12/2010	-	9 900 283	12 960 918	2 223 282	-	25 084 483
2011. Depreciation	-	375 168	531 074	205 814	-	1 112 056
II quarter Depreciation of disposals	-	(386)	(40 220)	(241 682)	-	(282 288)
Accumulated depreciation as at 30/06/2011	-	10 275 066	13 451 772	2 187 414	-	25 914 251
Net carrying amount as at 30/06/2011	93 807	8 283 125	3 098 729	850 366	304 004	12 630 031

	Land	Buildings and constructions	Equipment and machinery	Other tangible assets	Construction in progress	TOTAL
Acquisition value as at 31/12/2009	79 578	18 485 979	17 443 461	855 507	117 364	36 981 889
2010. Additions	-	1 885	639 255	96 755	87 931	825 826
2010. Liquidation	-	(1 272)	(48 012)	(19 724)	(4 668)	(73 676)
II quarter Reversed impairment	-	-	-	-	-	-
Reclassification	-	-	-	-	-	-
Reclassification*	-	-	(1 932 091)	2 049 362	-	117 272
Acquisition value as at 30/06/2010	79 578	18 486 592	16 102 613	2 981 901	200 626	37 851 311
Accumulated depreciation as at 31/12/2009	-	9 394 217	13 371 012	594 541	-	23 359 769
2010. Depreciation	-	367 074	526 046	150 559	-	1 043 678
II quarter Depreciation of disposals	-	(835)	(45 112)	(16 955)	-	(62 902)
Reclassification*	-	-	(676)	(817)	-	90 442
Accumulated depreciation as at 30/06/2010	-	9 760 455	12 591 091	2 079 442	-	24 430 988
Net carrying amount as at 30/06/2010	79 578	8 726 137	3 511 522	902 459	200 626	13 420 323

There is a difference of LVL 3 256 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 1 361 which was disclosed in the income statement as other operating expense and 1 895 LVL depreciation expenses included in other operating expense.

12. Inventories

	30.06.2011		30.06.2010	
	LVL	EUR	LVL	EUR
Work in progress (at cost)	3 848 741	5 476 265	3 605 855	5 130 670
Finished goods and goods for resale (at cost)*	2 264 738	3 222 432	2 482 924	3 532 883
Raw materials (at cost)	987 104	1 404 522	979 188	1 393 260
Prepayments for goods	92 571	131 716	69 763	99 264
Goods in transit	70 068	99 697	1 368	1 946
TOTAL:	7 263 221	10 334 633	7 139 098	10 158 022
Allowances for raw materials	(215 679)	(306 883)	(386 150)	(549 442)
Allowances for finished goods and goods for resale	(319 590)	(454 736)	(301 123)	(428 459)
Allowances for work in progress	(182 835)	(260 151)	(252 260)	(358 933)
TOTAL:	(718 104)	(1 021 769)	(939 533)	(1 336 834)
TOTAL:	6 545 117	9 312 864	6 199 566	8 821 188

* As at 30 June 2011, the Group's inventories comprised goods on consignment in the amount of LVL 197 110 (30/06/2010: LVL 303 693).

13. Trade receivables

	30.06.2011		30.06.2010	
	LVL	EUR	LVL	EUR
Trade receivables	11 078 143	15 762 777	7 951 676	11 314 216
Allowances for doubtful trade receivables	(131 114)	(186 559)	(44 021)	(62 636)
TOTAL:	10 947 028	15 576 218	7 907 655	11 251 579

14. Cash and short term deposits

	30.06.2011		30.06.2010	
	LVL	EUR	LVL	EUR
Cash at banks and on hand	823 426	1 171 630	121 670	173 121
	823 426	1 171 630	121 670	173 121

Cash by currency profile:	30.06.2011		30.06.2010	
	Foreign currency	LVL	Foreign currency	LVL
RUB	-	-	289 544	5 328
LVL	-	188 923	-	77 841
EUR	861 010	605 121	34 575	24 299
USD	60 087	29 382	24 785	14 202
KOPĀ:	-	823 426	-	121 670

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

15. Share capital

The share capital of the Parent Company on 30/06/2011 is LVL 14 085 078 (30/06/2010: LVL 14 085 078) and consists of 14 085 078 (30/06/2009: 14 085 078) shares. The par value of each share is LVL 1.

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

16. Loans from credit institutions

						30.06.2011.	30.06.2011.	30.06.2010.	30.06.2010.
						LVL	EUR	LVL	EUR
Non-current:									
	Amount		Interest rate (%) as at 30/06/2011	Maturity					
Loan from AS SEB banka	6 950 000	EUR	EUR LIBOR (3-month)+1.3%	08.12.2011.	-	-	1 306 588	1 859 107	
Loan from AS SEB banka	4 000 000	EUR	EURIBOR (3-month)+1.3%	23.05.2013.	-	-	910 676	1 295 775	
Loan from AS SEB banka	2 000 000	EUR	EURIBOR (3-month)+1.3%	10.10.2012.	-	-	440 975	627 450	
Loan from AS SEB banka	445 000	EUR	EURIBOR (3-month)+1.3%	30.01.2015.	-	-	216 729	308 377	
Loan from AS SEB banka	7 011 574	EUR	EURIBOR (3-month)+1.9%	29.09.2014.	2 830 842	4 027 925	-	-	
TOTAL:					2 830 842	4 027 925	2 874 967	4 090 710	
Current:									
			Interest rate (%) as at 30/06/2009	Maturity					
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	-	-	876 141	1 246 637	
Loan from AS SEB banka	7 011 574	EUR	EURIBOR (3-month)+1.9%	29.09.2014.	1 258 152	1 790 189	-	-	
TOTAL:					1 258 152	1 790 189	2 255 585	3 209 408	

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 30 June 2011, 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

	30.06.2011.		30.06.2011.		30.06.2010.		30.06.2010.	
	LVL	EUR	LVL	EUR	LVL	EUR	LVL	EUR
	Non-curren	Current	Non-curren	Current	Non-curren	Current	Non-curren	Current
Finance lease liabilities to SIA SEB Unitizings, EUR	12 839	55 681	18 268	79 227	66 614	90 125	94 783	128 236
TOTAL:	12 839	55 681	18 268	79 227	66 614	90 125	94 783	128 236

The interest rate on the finance leases ranges from 2.68% to 4.83%. Interest rate is normally revised quarterly throughout the financial year. The net carrying amount of the property, plant and equipment held under finance lease is disclosed in Note 11.

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

	30.06.2011.		30.06.2011.		30.06.2010.		30.06.2010.	
	Minimum	Present	Minimum	Present	Minimum	Present	Minimum	Present
	payments	value of	payments	value of	payments	value of	payments	value of
	LVL	LVL	EUR	EUR	LVL	LVL	EUR	EUR
Within one year	57 715	55 681	82 121	79 227	95 448	90 125	135 810	128 236
Between one and five years	13 153	12 839	18 715	18 268	68 797	66 614	97 889	94 783
Total minimum lease payments	70 868	68 520	100 836	97 495	164 245	156 739	233 699	223 019
Less amounts representing finance charges	(2 348)	-	(3 341)	-	(7 506)	-	(10 680)	-
Present value of minimum lease payments	68 520	68 520	97 495	97 495	156 739	156 739	223 019	223 019

18. Taxes payable/ receivable

	30.06.2011.		30.06.2011.		30.06.2010.		30.06.2010.	
	Minimum	Present	Minimum	Present	Minimum	Present	Minimum	Present
	payments	value of	payments	value of	payments	value of	payments	value of
	LVL	LVL	EUR	EUR	LVL	LVL	EUR	EUR
Within one year	57 715	55 681	82 121	79 227	95 448	90 125	135 810	128 236
Between one and five years	13 153	12 839	18 715	18 268	68 797	66 614	97 889	94 783
Total minimum lease payments	70 868	68 520	100 836	97 495	164 245	156 739	233 699	223 019
Less amounts representing finance charges	(2 348)	-	(3 341)	-	(7 506)	-	(10 680)	-
Present value of minimum lease payments	68 520	68 520	97 495	97 495	156 739	156 739	223 019	223 019

* According to Cabinet Order No. 127 as of 25 February 2005, the Parent Company was granted extension of the payment term of delayed statutory social insurance contributions, personal income tax and real estate tax (accrued till 1 November 2003), without late payment penalties being charged as defined in the Law on Taxes and Duties and applicable tax laws.

19. Accrued liabilities

	30.06.2011.		30.06.2010.	
	LVL	EUR	LVL	EUR
Accruals for marketing services	949 020	1 350 334	-	-
Vacation pay reserve	341 164	485 433	324 312	461 454
Accrued interest for purchase of long term investment	218 162	310 416	144 570	205 705
Accruals for electricity and gas	75 662	107 657	47 924	68 190
Provisions for penalties related to taxes (see Note 25)	9 330	13 275	29 275	41 655
Other accrued liabilities	8 132	11 570	4 647	6 612
TOTAL:	1 601 469	2 278 685	550 728	783 615

20. Trade and other payables

	30.06.2011.		30.06.2010.	
	LVL	EUR	LVL	EUR
Trade and other payables	4 238 342	6 030 617	1 419 261	2 019 426
Wages and salaries	308 591	439 086	366 029	520 812
Other payables	8 656	12 316	17 641	25 101
TOTAL:	4 555 589	6 482 019	1 802 931	2 565 340

21. Segment information

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

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

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

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

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

	Finished form medicine		Chemicals		Unallocated		Total	
	30.06.2011.	30.06.2010.	30.06.2011.	30.06.2010.	30.06.2011.	30.06.2010.	30.06.2011.	30.06.2010.
Assets								
Intangible assets	4 652 916	2 328 690	2 474 592	2 474 592	85 901	116 494	7 067 507	7 204 932
Tangible assets	5 992 843	5 669 887	2 451 349	2 883 269	899 969	882 225	9 344 162	9 435 381
Financial assets	-	-	-	-	1 650	4 150	1 650	4 150
Inventories	4 645 070	4 109 692	1 900 047	2 089 874	-	-	6 545 117	6 199 566
Receivables	12 830 390	8 493 234	2 138 870	435 439	164 516	164 516	15 133 776	9 093 188
Cash	-	-	-	-	823 426	121 670	823 426	121 670
Total assets	28 121 219	22 886 659	8 818 956	7 883 174	1 975 462	1 289 055	38 915 638	32 058 886
Equity and liabilities								
Total equity	-	-	-	-	23 509 453	18 903 614	23 509 453	18 903 614
Deferred income tax liability	-	-	-	-	916 370	839 689	916 370	839 689
Loans from credit institution	2 901 959	3 401 043	1 187 035	1 729 509	-	-	4 088 994	5 130 552
Other loans	432 035	508 614	176 722	258 642	-	-	608 757	767 256
Taxes payable	678 792	854 031	277 657	434 294	-	-	956 449	1 288 325
Prepayments received from customers	11 830	208	30 000	30 609	10	12	41 840	30 829
Trade payables	4 974 030	2 821 290	2 034 608	1 434 691	-	-	7 008 639	4 255 981
Payables to related companies	130 349	193 508	53 319	98 404	-	-	183 668	291 912
Accrued liabilities	-	-	-	-	1 601 469	550 728	1 601 469	550 728
Total equity and liabilities	9 128 995	7 778 694	3 759 341	3 986 149	26 027 302	20 294 043	38 915 638	32 058 886
Income statement								
Net turnover	16 403 252	12 204 013	1 427 282	324 204	-	-	17 830 534	12 528 217
Changes in stock of finished goods and work in progress	16 403 252	(262 573)	1 427 282	(133 525)	-	-	(217 171)	(396 098)
Other operating income	-	(262 573)	-	(133 525)	286 307	147 288	286 307	147 288
Cost of materials	(2 014 769)	(1 250 814)	(824 134)	(636 068)	-	-	(2 838 903)	(1 886 882)
Staff costs	(2 471 366)	(2 051 851)	(1 010 903)	(1 043 414)	-	-	(3 482 269)	(3 095 265)
Depreciation/ amortisation and write-offs	(630 407)	(566 044)	(257 865)	(287 847)	(48 263)	(52 234)	(936 535)	(906 125)
Other operating expense	(4 647 663)	(2 796 728)	(1 901 108)	(1 422 201)	-	(52 234)	(6 548 771)	(4 218 929)
Financial income	-	-	-	-	(160 456)	122 525	21 482	122 525
Financial expenses	-	-	-	-	(160 456)	(162 886)	(160 456)	(162 886)
Corporate income tax	-	-	-	-	(743 684)	(339 828)	(743 684)	(339 828)
Net profit/ (loss) for the year	6 484 921	5 276 003	(2 629 773)	(3 198 851)	(644 614)	(285 135)	3 210 534	1 792 017

21. Segment information (cont'd)

EUR

	Finished form medicine		Chemicals		Unallocated		Total	
	30.06.2011.	30.06.2010.	30.06.2011.	30.06.2010.	30.06.2011.	30.06.2010.	30.06.2011.	30.06.2010.
Assets								
Intangible assets	6 620 503	6 564 911	3 313 427	3 521 027	122 226	165 756	10 056 156	10 251 695
Tangible assets	8 527 048	8 067 522	3 487 956	4 102 522	1 280 541	1 255 293	13 295 545	13 425 338
Financial assets	-	-	-	-	2 347	5 905	2 347	5 905
Inventories	6 609 338	5 847 565	2 703 524	2 973 623	-	-	9 312 863	8 821 188
Receivables	18 256 001	12 084 783	3 043 338	6 195 574	234 085	234 085	21 533 424	12 938 441
Cash	-	-	-	-	1 171 630	173 121	1 171 630	173 121
Total assets	40 012 890	32 564 782	12 548 245	11 216 746	2 810 830	1 834 160	55 371 965	45 615 687
Equity and liabilities								
Total equity	-	-	-	-	33 450 939	26 897 419	33 450 939	26 897 419
Deferred income tax liability	-	-	-	-	1 303 877	1 194 770	1 303 877	1 194 770
Loans from credit institution	4 129 116	4 839 248	1 688 999	2 460 870	-	-	5 818 114	7 300 118
Other loans	614 730	723 693	251 453	368 014	-	-	866 183	1 091 707
Taxes payable	965 834	1 215 177	395 071	617 945	-	-	1 360 904	1 833 121
Prepayments received from customers	16 833	296	42 686	43 553	14	17	59 533	43 866
Trade payables	7 077 407	4 014 334	2 894 986	2 041 381	-	-	9 972 393	6 055 715
Payables to related companies	185 470	275 337	75 866	140 016	-	-	261 336	415 353
Accrued liabilities	-	-	-	-	2 278 685	783 615	2 278 685	783 615
Total equity and liabilities	12 989 390	11 068 084	5 349 060	5 671 779	37 033 514	28 875 822	55 371 965	45 615 687
Income statement								
Net turnover	23 339 725	17 364 746	2 030 839	461 301	-	-	25 370 564	17 826 047
Changes in stock of finished goods and work in progress	(219 302)	(373 608)	(89 705)	(189 989)	-	-	(309 006)	(563 597)
Other operating income	-	-	-	-	407 378	209 572	407 378	209 572
Cost of materials	(2 866 759)	(1 779 748)	(1 172 636)	(905 043)	-	-	(4 039 395)	(2 684 791)
Staff costs	(3 516 437)	(2 919 521)	(1 438 385)	(1 484 644)	-	-	(4 954 823)	(4 404 165)
Depreciation/ amortisation and write-offs	(896 988)	(805 408)	(366 909)	(409 569)	(68 672)	(74 322)	(1 332 569)	(1 289 300)
Other operating expense	(6 613 028)	(3 979 385)	(2 705 033)	(2 023 610)	-	-	(9 318 062)	(6 002 995)
Income from investments in subsidiaries	-	-	-	-	-	-	-	-
Financial income	-	-	-	-	30 566	174 338	30 566	174 338
Financial expenses	-	-	-	-	(228 308)	(231 766)	(228 309)	(231 765)
Corporate income tax	-	-	-	-	(1 058 167)	(483 532)	(1 058 167)	(483 532)
Net profit/ (loss) for the year	9 227 211	7 507 076	(3 741 829)	(4 551 555)	(917 203)	(405 710)	4 568 178	2 549 810

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.