

**JOINT STOCK COMPANY OLAINFARM**  
(UNIFIED REGISTRATION NUMBER 40003007246)  
**CONSOLIDATED ANNUAL REPORT**  
**FOR THE PERIOD ENDED 30 SEPTEMBER 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	Valērijs Maligins – 29.24% SIA Olmafarm (42.56%) Formerly AS Swedbank - 9,03%

## 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%)

SIA Escargot (33.50%)

## Number of shares of AS „Olainfarm” owned (as of September 30, 2011):

- Directly: 4 118 244
- Indirectly (through SIA „Olmafarm”): 5 994 054
- Total: 10 112 298

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 September 30,2011): 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 September 30, 2011): 1 300

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 September 30, 2011): 83 653

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 Company in Belarus.

Positions held in other companies: none

Participation in other companies: none

Number of shares of AS „Olainfarm” owned (as of September 30, 2011): 0

## 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).

Positions held in other companies:

SIA HB-19, Board Member

Foundation "H. Balderis hockey school", the liquidator

SIA Nordic Bio Energy, Board Member

'Latvian Hockey Federation "

Participation in other companies:

SIA HB-19 (100%) SIA Nordic Bio Energy (30.09%)

SIA EGRA trans (25%)

SIA Sabiedrība Mārupe (20.91%)

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

Number of shares of AS „Olainfarm” owned (as of April 30, 2011): 0

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 30, 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 SUPEREURO (17%) SIA VIP Pharma (50%)

SIA Recessus (30%).

SIA Briz (10.96%)

Number of shares of AS „Olainfarm” owned (as of September 30, 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 September 30, 2011): 0</p>		
	<p>Signe Baldere-Sildedze          Since 2007 S.Baldere-Sildedze was a Commercial Director of SIA Louvre. In 1997          S.Baldere-Sildedze graduated International School of Hospitality and Tourism in          Switzerland.          Positions held in other companies: none          Participation in other companies: none          Number of shares of AS „Olainfarm” owned (as of September 30, 2011): 0</p>		
Movements in the Board during the period 1 January 2011 through 30 September 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 September 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 18/10/2010          SIA Olainfarm enerģija (50%)          Rūpnīcu iela 5, Olaine, LV-2114, from 15/09/2010          SIA Pharma and Chemistry Centre of Latvia (11%)          Rūpnīcu iela 5, Olaine, LV-2114, from 11/08/2010</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 September 2011</p>		
Auditors	<table> <tr> <td>Dace Cikmača Latvian Certified Auditor Certificate No. 175</td> <td>SIA Ernst &amp; 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 shareholders**

	<b>Holding (%)</b>
Swedbank AS Clients Account Formerly AS Swedbank	9.03%
Olmafarm, SIA	42,56%
V.Maligins	29.24%
Other shareholders	<u>19.17%</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.

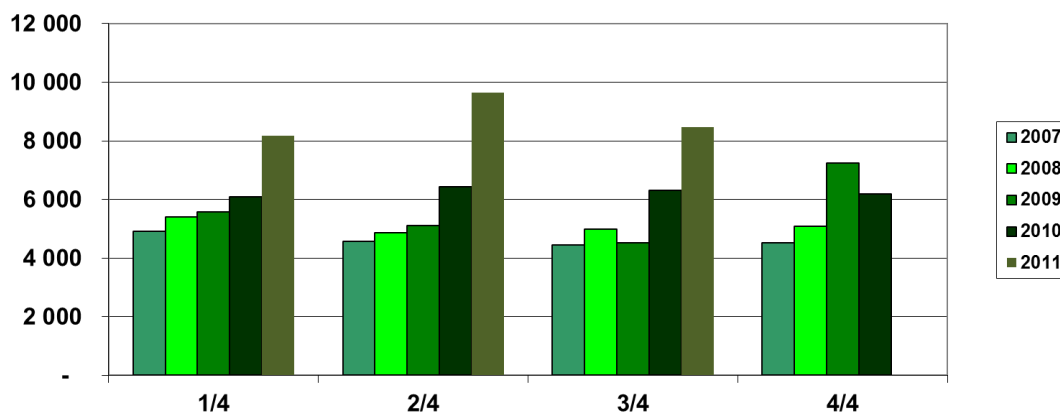
#### Corporate vision:

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

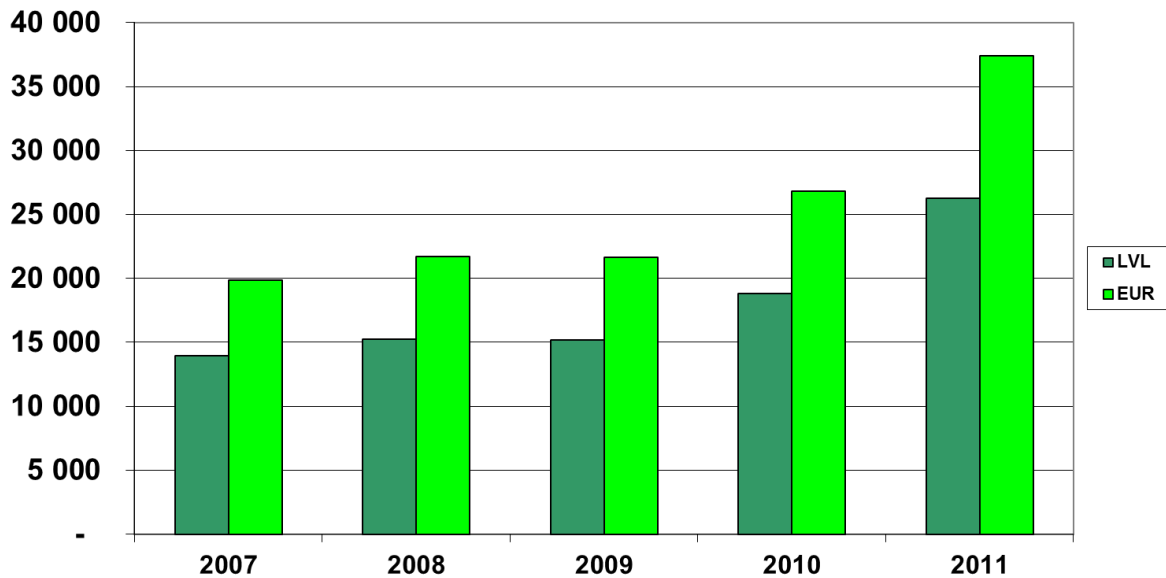
During the 3rd quarter of 2011 rather rapid sales growth, that had started with the beginning of the year, continued. In total during the 3rd quarter of 2011 the company made sales worth 8.5 million lats (12 million euros), which has made this quarter one of the most successful in the history of the company and the most successful 3rd quarter ever. Compared to the 3rd quarter of 2010 the sales have grown by more than 34%.

## Sales by Quarters, thsnd LVL

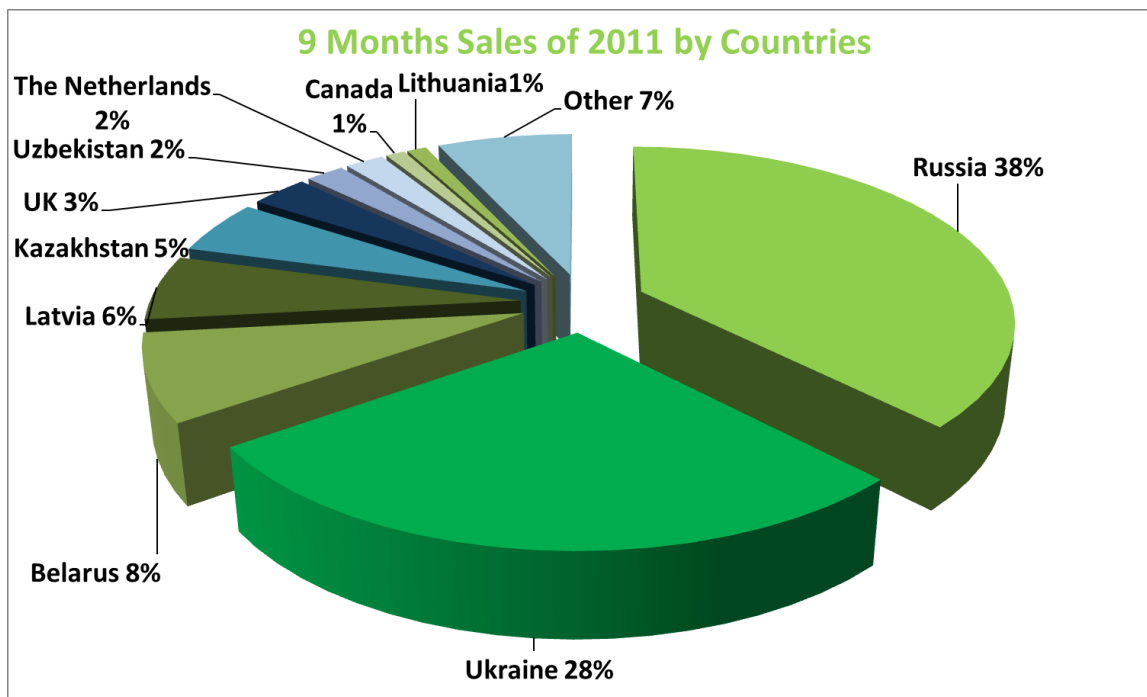


Total sales of 9 months also continued growing rapidly and reached 26.3 million lats (37.4 million euros), which is by nearly 40% more than during 9 months of 2010 and by more than 1 million lats exceeds the sales made totally in 2010.

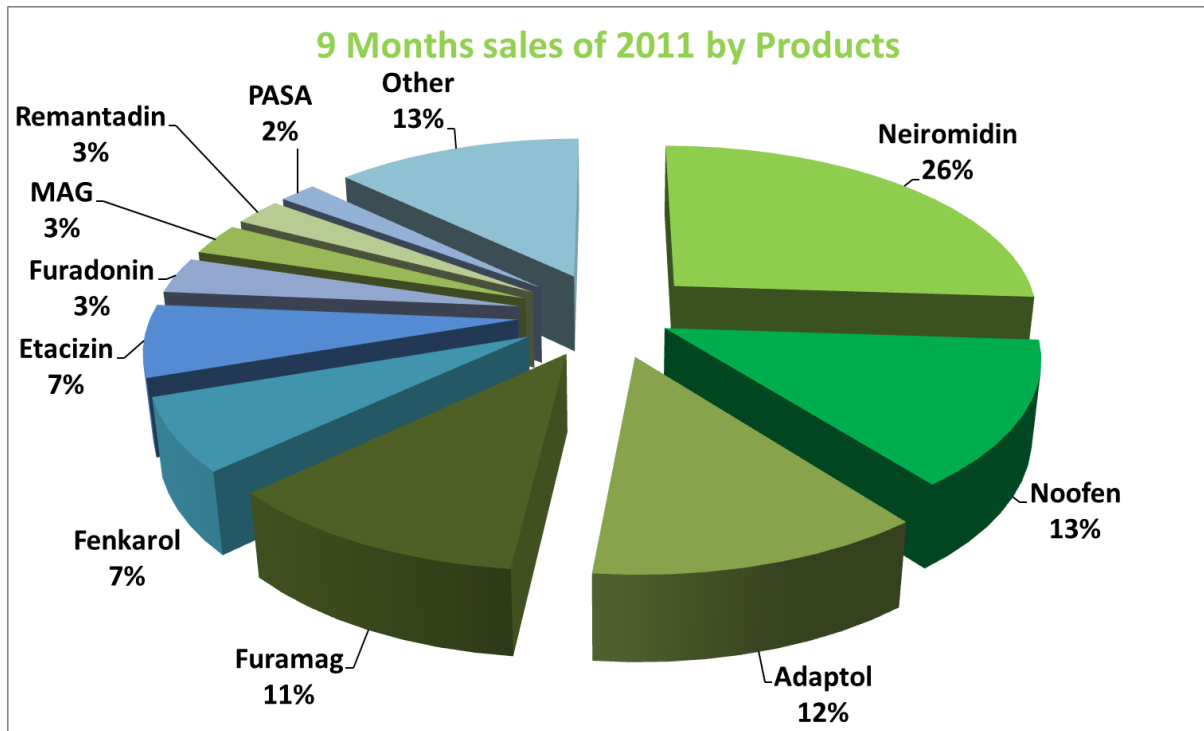
### 9 Months Sales, thsnd.



During 9 months of 2011 compared to 9 months of 2010, sales continued growing to all major markets of AS Olainfarm except for the UK, where they stayed at the same level. Growth rate varied from 15% in Russia and Belarus to 5016% in Canada and 999% in the Netherlands. Although the sales increases in the latter two countries are impressive, the nominal volumes of sales, although growing, are not crucial.

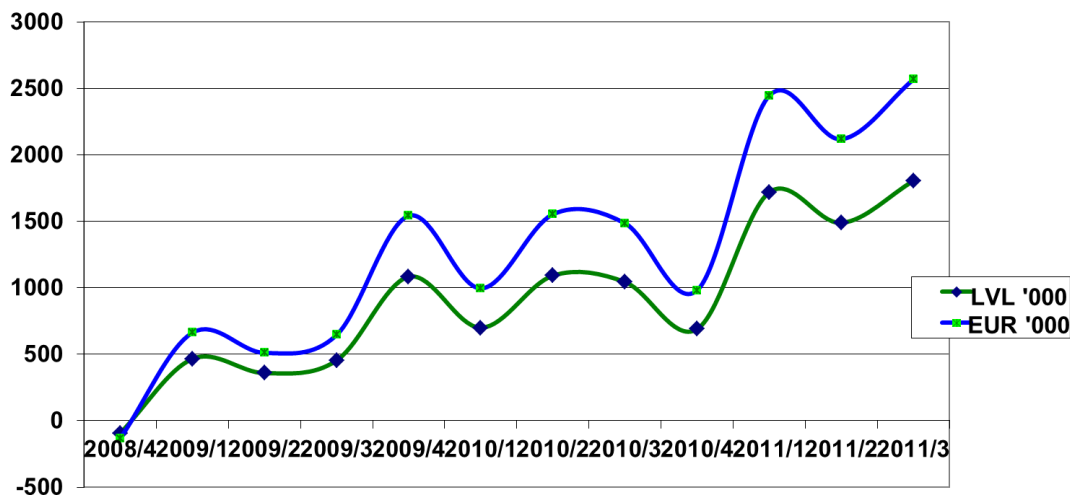


During the 3<sup>rd</sup> quarter of 2011 and therefore throughout the entire 2011 share of best-selling product Neiromidin® in total sales has increased and now it reaches 26%. In total 10 most popular products make up 87% of sales. Still the most popular products are the ones, sales of which are specifically promoted.

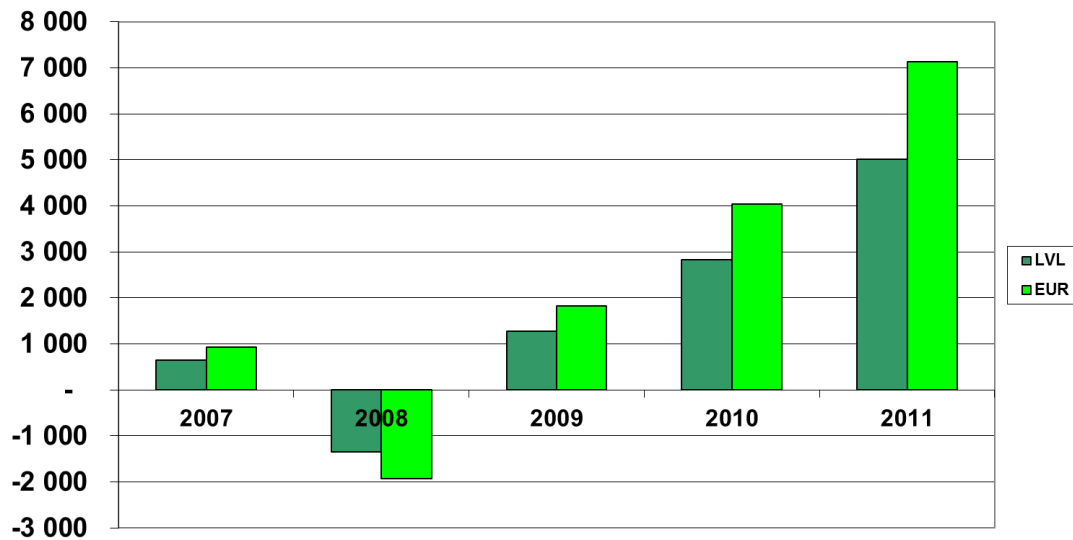


The rapid sales increase referred to above has also influenced company's profit. In 3<sup>rd</sup> quarter of 2011 it was 1.8 million lats (2,6 million euros), which makes this quarter the most profitable so far.

### Profit by Quarters



During 9 months of 2011 the Company has made a net profit of 5 million lats (7.1 million euros), which is company's best 9 months profitability figure.

**9 Months Profit, thsnd.**

Other financial indicators of the Company have also experienced similar improvements:

Financial indicator	30.09.2011.	30.09.2010.	% to the previous period
Sales (LVL)	26 289 802	18 839 494	140%
Net profit (LVL)	5 012 912	2 836 075	177%
EBITDA (LVL)	7 534 211	4 861 289	155%
EBIT (LVL)	6 127 888	3 494 136	175%
Sales (EUR)	37 407 018	26 806 185	140%
Net profit (EUR)	7 132 729	4 035 371	177%
EBITDA (EUR)	10 720 216	6 916 990	155%
EBIT (EUR)	8 719 199	4 971 707	175%
EBITDA margin, %	29	26	
Net margin, %	19	15	
EBIT margin, %	23	19	
Profit, last 12 months (LVL)	5 716 286	3 920 032	146%
Profit, last 12 months (EUR)	8 133 542	5 577 703	146%
EBITDA, last 12 months (LVL)	9 038 608	7 045 171	128%
EBITDA, last 12 months (EUR)	12 860 781	10 024 374	128%
ROA, % (last 12 months)	14,8	12,6	
ROE, % (last. 12 months)	22,6	19,7	
Current ratio	3,0	3,1	
EPS, LVL (quarter)	0,36	0,20	177%
EPS, EUR (quarter)	0,51	0,29	177%
Share price, end of the period (LVL)	2,36	1,74	136%

Financial indicator	30.09.2011.	30.09.2010.	% to the previous period
Share price, end of the period (EUR)	3,36	2,48	136%
P/E, last 12 months	5,8	6,3	
Market capitalisation at the end of the period (LVL)	33 240 784	24 508 036	136%
Market capitalisation at the end of the period (EUR)	47 297 375	34 871 794	136%
P/B	1,3	1,2	

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 9 months report during 3 quarters of 2011 89% of annual sales targets and 98% of annual profit targets are met.

On November 16, 2011 Board of the Company decided to increase annual sales and profit targets of the Company. The new sales target was set at 35 million lats (49.8 million euros) while the new profit target was set at 6.3 million lats (8.96 million euros). According to this unaudited report during 9 months of 2011 75% of revised sales targets and 80% of revised profit targets are met during 3 quarters of 2011.

#### 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 more than the last ten years, as in July it reached 3.50 lats (4.98 euro) per share. As this report is being prepared share price fluctuates around 2.42 lats (3.44 euro) per share. During the first 9 months of 2011 share price of Olainfarm has been fluctuating between 1.96 and 3.50 lats (2.789 and 4.98 euro).

#### Price of shares of “Olainfarm” on NASDAQ OMX Riga (LVL) (October 2008 – September 2011)



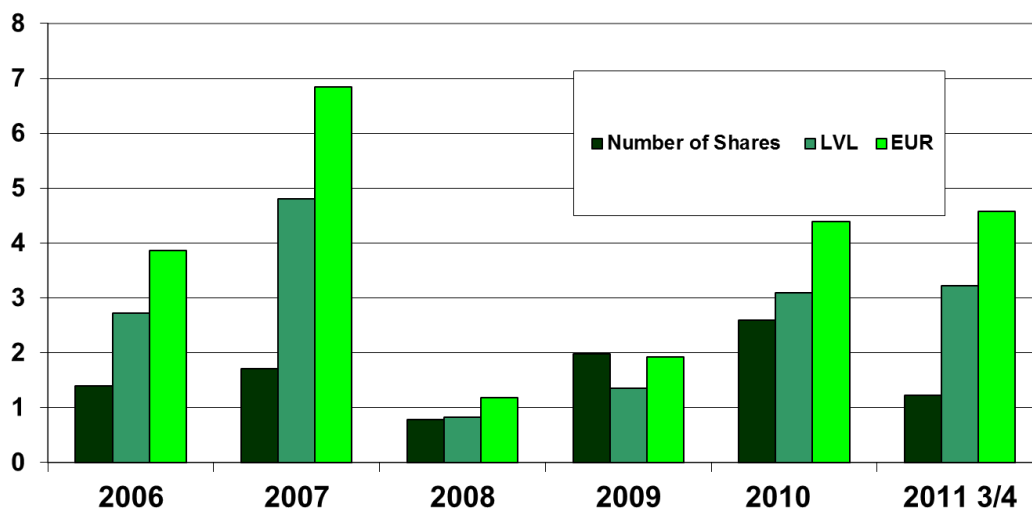
During the second quarter of 2011 a more rapid growth of share price started, which resulted in an increase by more than 38% since the beginning of the year, while OMX Riga index during the same period increased by less than 13%. However, during the third quarter, both, share price of Olainfarm and the index fell. As a result, since the beginning of the year value of OMX Riga index has fallen by 2.73%, while share price of Olainfarm has increased by 8.76%.

Rebased price of Olainfarm share vs. rebased OMX Riga index  
 (1st 9 months of 2011)



-- OMX Riga  
 -- AS "Olainfarm"

### Trading of Shares at NASDAQ OMX Riga, mln.



Although the trading of shares of AS "Olainfarm" during 6 months has not been as active as in 2010, in total during nine months period more than 1.2 million shares were traded for a total value of 3.22 million lats (4.58 million euro), which is more than during the entire 2010.

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 72% of share capital of AS „Olainfarm”.

### **Development**

During 9 months of 2011 registration of 26 products of AS Olainfarm has been completed in several countries and 4 products were registered in GDF system of the World Health Organisation. 72 registration files are still being processed in numerous countries.

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 October 6, 2011 Mr. Helmutis Balderis – Sildedzis, Chairman of the Supervisory Council of Olainfarm submitted his resignation from the post of Member of the Supervisory Council. An extraordinary Meeting of Shareholders was held on November 11, which elected the new Supervisory Council. The new Council members are: Aleksandrs Raicis, Signe Baldere – Sildedze, Elena Dudko, Volodymyr Kryvozubov and Valentina Andrejeva. On November 24 the newly elected Council elected Valentina Andrejeva to be the new Chairperson of the Council and Elena Dudko to be her deputy.

In November 2011 AS "Olainfarm" signed a contract about purchasing 100% shares in SIA „Ilmas aptiekas" un 100% shares in SIA „Juko 99". In total the purchased companies own 18 pharmaceutical retail points of sales in different parts of Latvia. With these purchases AS "Olainfarm" starts operations in pharmacy business of Latvia. Within the coming months AS „Olainfarm" plans to increase number of points of sales to 40.



On November 21, 2011 Financial and Capital Markets Commission of Latvia decided to suspend the operations of AS „Latvijas Krajbanka”. AS „Olainfarm” did not have any assets with this bank, so such decision did not influence operations of AS „Olainfarm” in any way.

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

  
\_\_\_\_\_  
Jelena Borcova  
Member of the Board



30 November 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:

  
\_\_\_\_\_  
Jelena Borcova  
Member of the Board




30 November 2011


## Statement of consolidated comprehensive income

		Notes 2011.III.quarter 2011.III.quarter 2010.III.quarter 2010.III.quarter			
		LVL	EUR	LVL	EUR
Net sales	3	26 289 802	37 407 018	18 839 494	26 806 186
Changes in stock of finished goods and work in progress		(576 452)	(820 217)	(674 882)	(960 271)
Other operating income	4	678 063	964 797	179 726	255 726
Cost of materials:					
<i>raw materials and consumables</i>		(2 628 562)	(3 740 106)	(1 626 568)	(2 314 398)
<i>other external costs</i>		(1 193 881)	(1 698 740)	(969 088)	(1 378 888)
		(3 822 443)	(5 438 846)	(2 595 656)	(3 693 286)
Staff costs:					
<i>Wages and salaries</i>	8	(4 234 893)	(6 025 711)	(3 599 897)	(5 122 192)
<i>Statutory social insurance contributions</i>	8	(988 215)	(1 406 103)	(829 651)	(1 180 487)
		(5 223 108)	(7 431 813)	(4 429 548)	(6 302 679)
Depreciation/ amortization	10,11.	(1 406 323)	(2 001 017)	(1 367 153)	(1 945 283)
Other operating expense	5	(9 811 650)	(13 960 720)	(6 457 845)	(9 188 686)
Financial income	6	102 692	146 118	111 696	158 929
Financial expense	7	(254 727)	(362 444)	(238 403)	(339 217)
<b>(Loss)/ profit before taxes</b>		<b>5 975 854</b>	<b>8 502 873</b>	<b>3 367 429</b>	<b>4 791 419</b>
Corporate income tax		(962 942)	(1 370 143)	(531 354)	(756 049)
<b>(Loss)/ profit for the reporting year</b>		<b>5 012 912</b>	<b>7 132 730</b>	<b>2 836 075</b>	<b>4 035 371</b>
Basic and diluted earnings per share	9	0,356	0,506	0,201	0,286

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

For the Board of JSC Olainfarm:

  
 Jelena Borcova  
 Member of the Board





30 November 2011

**Consolidated statement of financial position**

	Notes	ASSETS			
		30.09.2011 LVL	30.09.2011 EUR	30.09.2010 LVL	30.09.2010 EUR
<b>NON-CURRENT ASSETS</b>					
<b>Intangible assets</b>					
Goodwill	10	503 930	717 028	503 930	717 028
Patents	10	5 647 644	8 035 873	5 798 864	8 251 040
Other intangible assets	10	575 345	818 642	496 610	706 613
Prepayments for intangible assets		323 044	459 650	320 651	456 245
TOTAL		<b>7 049 963</b>	<b>10 031 194</b>	<b>7 120 055</b>	<b>10 130 926</b>
<b>Property, plant and equipment</b>					
Land, buildings and constructions	11	5 784 283	8 230 293	6 103 391	8 684 343
Equipment and machinery	11	2 477 164	3 524 687	2 358 084	3 355 251
Other tangible assets	11	642 049	913 553	604 662	860 357
Construction in progress	11	507 678	722 361	150 952	214 785
Prepayments for property, plant and equipment		673 591	958 434	43 047	61 250
TOTAL		<b>10 084 765</b>	<b>14 349 328</b>	<b>9 260 136</b>	<b>13 175 986</b>
<b>Financial assets</b>					
Investments in related companies		1 650	2 348	2 981	4 242
Prepayments for investments		-	-	3 720	5 293
TOTAL		<b>1 650</b>	<b>2 348</b>	<b>6 701</b>	<b>9 535</b>
<b>TOTAL NON-CURRENT ASSETS</b>		<b>17 136 378</b>	<b>24 382 869</b>	<b>16 386 892</b>	<b>23 316 447</b>
<b>CURRENT ASSETS</b>					
<b>Inventories</b>					
Raw materials		994 357	1 414 843	690 090	981 910
Work in progress		4 078 566	5 803 277	3 857 004	5 488 022
Finished goods and goods for resale		1 259 626	1 792 286	1 423 487	2 025 440
Goods in transit		-	-	1 368	1 946
Prepayments for goods		101 911	145 006	73 440	104 496
TOTAL	12	<b>6 434 460</b>	<b>9 155 412</b>	<b>6 045 389</b>	<b>8 601 813</b>
<b>Receivables</b>					
Trade receivables	13	11 975 091	17 039 019	7 592 561	10 803 241
Current loans to management and employees		1 261 719	1 795 264	611 756	870 450
Other receivables		196 050	278 954	299 003	425 443
Receivables from related companies		175 756	250 078	124 660	177 375
Prepayments to suppliers		156 942	223 308	31 702	45 108
Prepaid expense		13 205	18 789	7 181	10 218
TOTAL		<b>13 778 763</b>	<b>19 605 413</b>	<b>8 666 863</b>	<b>12 331 835</b>
Cash	14	<b>1 400 295</b>	<b>1 992 440</b>	<b>38 280</b>	<b>54 468</b>
<b>TOTAL CURRENT ASSETS</b>		<b>21 613 518</b>	<b>30 753 265</b>	<b>14 750 532</b>	<b>20 988 116</b>
<b>TOTAL ASSETS</b>		<b>38 749 896</b>	<b>55 136 135</b>	<b>31 137 424</b>	<b>44 304 563</b>

For the Board of JSC Olainfarm:

  
 Jelena Borcova  
 Member of the Board



30 November 2011

**Consolidated statement of financial position**

		<b>EQUITY AND LIABILITIES</b>				
		Notes	30.09.2011	30.09.2011	30.09.2010	30.09.2010
<b>EQUITY</b>			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			4 454 133	6 337 660	1 266 810	1 802 508
for the period			5 012 912	7 132 731	2 836 075	4 035 371
<b>TOTAL EQUITY</b>			<b>25 311 831</b>	<b>36 015 491</b>	<b>19 947 671</b>	<b>28 382 979</b>
<b>LIABILITIES</b>						
<b>Non-current liabilities</b>						
Loans from credit institutions	16		2 516 304	3 580 378	2 530 106	3 600 017
Long term payables	20		2 453 050	3 490 376	2 453 050	3 490 376
Loan from shareholder			540 237	768 688	540 237	768 688
Deferred corporate income tax liabilities			916 370	1 303 877	839 689	1 194 770
Finance lease liabilities	17		7 278	10 356	50 128	71 326
Taxes payable	18		-	-	49 373	70 251
<b>TOTAL</b>			<b>6 433 239</b>	<b>9 153 674</b>	<b>6 462 583</b>	<b>9 195 427</b>
<b>Current liabilities</b>						
Trade and other payables	20		4 164 733	5 925 881	1 197 117	1 703 344
Loans from credit institutions	16		1 258 152	1 790 189	2 065 074	2 938 336
Accrued liabilities	19		540 231	768 679	582 739	829 163
Corporate income tax	18		469 759	668 407	292 720	416 503
Taxes payable	18		347 066	493 830	473 878	674 268
Payables to related companies			154 702	220 121	211	300
Finance lease liabilities	17		45 749	65 095	84 738	120 571
Prepayments received from customers			24 434	34 766	30 693	43 672
<b>TOTAL</b>			<b>7 004 826</b>	<b>9 966 969</b>	<b>4 727 170</b>	<b>6 726 157</b>
<b>TOTAL LIABILITIES</b>			<b>13 438 065</b>	<b>19 120 644</b>	<b>11 189 753</b>	<b>15 921 584</b>
<b>TOTAL EQUITY AND LIABILITIES</b>			<b>38 749 896</b>	<b>55 136 135</b>	<b>31 137 424</b>	<b>44 304 563</b>

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

For the Board of JSC Olainfarm:

  
 Jelena Borcoya  
 Member of the Board



30 November 2011

**Consolidated statement of cash flow**

	2011.III.quarter		2010.III.quarter	
	LVL	EUR	LVL	EUR
<b>Cash flows to/from operating activities</b>				
(Loss)/ Profit before taxes	5 975 854	8 502 874	3 367 429	4 791 420
Adjustments for:				
Amortisation and depreciation	1 411 271	2 008 058	1 374 307	1 955 463
Loss on sale/ disposal of property, plant and equipment	(973)	(1 384)	53 984	76 812
Increase/ (decrease) in allowances	(954)	(1 357)	163 310	232 369
Income from investing activities	220	313	386	549
Interest expenses	195 929	278 782	218 189	310 455
Interest receivable	(33 339)	(47 437)	(15 673)	(22 301)
<b>Operating cash flows before working capital changes</b>	<b>7 548 008</b>	<b>10 739 848</b>	<b>5 161 932</b>	<b>7 344 768</b>
Decrease in inventories	325 643	463 348	497 481	707 852
Decrease in receivables and prepaid expense	(4 283 334)	(6 094 635)	(1 981 479)	(2 819 391)
Increase/ (decrease) in payables and prepayments received	2 250 440	3 202 088	(1 119 274)	(1 592 583)
<b>Cash generated from operations</b>	<b>5 840 757</b>	<b>8 310 648</b>	<b>2 558 660</b>	<b>3 640 645</b>
Interest paid	(140 735)	(200 248)	(163 827)	(233 105)
Corporate income tax paid	(806 113)	(1 146 995)	(577 157)	(821 220)
Real estate tax paid	(67 136)	(95 526)	(54 749)	(77 901)
<b>Net cash flows to/ from operating activities</b>	<b>4 826 773</b>	<b>6 867 880</b>	<b>1 762 927</b>	<b>2 508 419</b>
<b>Cash flows to/from investing activities</b>				
Purchase of property, plant and equipment	(2 233 576)	(3 178 092)	(761 400)	(1 083 375)
Prepayments for investments	3 500	4 980	(3 720)	(5 293)
Acquisition of subsidiary	-	-	(2 331)	(3 317)
Proceeds from sale of intangible assets and property, plant and equipment	33 403	47 528	31 848	45 316
Loans repaid	(370 679)	(527 429)	(50 812)	(72 299)
Interest receivable	1 707	2 429	381	542
<b>Net cash flows to/from investing activities</b>	<b>(2 565 645)</b>	<b>(3 650 584)</b>	<b>(786 034)</b>	<b>(1 118 426)</b>
<b>Cash flows to/from financing activities</b>				
Proceeds from issue of shares	(352 127)	(501 032)	-	-
Borrowings repaid	(1 003 201)	(1 427 426)	(1 121 272)	(1 595 426)
<b>Net cash flows to/from financing activities</b>	<b>(1 355 328)</b>	<b>(1 928 458)</b>	<b>(1 121 272)</b>	<b>(1 595 426)</b>
<b>Change in cash</b>	<b>905 800</b>	<b>1 288 838</b>	<b>(144 379)</b>	<b>(205 433)</b>
<b>Cash at the beginning of the year</b>	<b>494 495</b>	<b>703 603</b>	<b>182 659</b>	<b>259 900</b>
<b>Cash at the end of the year</b>	<b>1 400 295</b>	<b>1 992 440</b>	<b>38 280</b>	<b>54 468</b>

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

### Statement of consolidated changes in equity

	Share capital		Share premium		Retained earnings/ (Accumulated deficit)	Retained earnings/ (Accumulated deficit)	Total	
	LVL	EUR	LVL	EUR	LVL	EUR	LVL	EUR
<b>Balance as at 31 December 2010</b>	<b>14 085 078</b>	<b>20 041 260</b>	<b>1 759 708</b>	<b>2 503 839</b>	<b>4 806 260</b>	<b>6 838 692</b>	<b>20 651 047</b>	<b>29 383 792</b>
Dividends from profit are paid	-	-	-	-	(352 127)	(501 032)	(352 127)	(501 032)
Loss for the reporting year	-	-	-	-	5 012 912	7 132 731	5 012 912	7 132 731
<b>Balance as at 30 September 2011</b>	<b>14 085 078</b>	<b>20 041 260</b>	<b>1 759 708</b>	<b>2 503 839</b>	<b>9 467 045</b>	<b>13 470 392</b>	<b>25 311 831</b>	<b>36 015 491</b>

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 30 November 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>30/09/2011</u>	<u>30/09/2010</u>
EUR	0.702804	0.702804
USD	0.516	0.517

### 3. Net sales

<b><i>By business segments</i></b>	<b>2011.III.quarter</b>		<b>2010.III.quarter</b>	
	<b>LVL</b>	<b>EUR</b>	<b>LVL</b>	<b>EUR</b>
Finished form medicine	24 295 199	34 568 954	17 355 587	24 694 776
Chemicals	1 994 603	2 838 064	1 483 907	2 111 410
<b>TOTAL:</b>	<b>26 289 802</b>	<b>37 407 018</b>	<b>18 839 494</b>	<b>26 806 186</b>

<b><i>By geographical segments</i></b>	<b>2011.III.quarter</b>		<b>2010.III.quarter</b>	
	<b>LVL</b>	<b>EUR</b>	<b>LVL</b>	<b>EUR</b>
CIS	21 774 832	30 982 794	15 872 003	22 583 826
Europe	1 726 390	2 456 432	1 160 471	1 651 202
Latvia	1 632 819	2 323 292	1 137 987	1 619 209
Baltic states (Lithuania and Estonia)	390 538	555 685	319 830	455 077
Other	765 223	1 088 814	349 203	496 871
<b>TOTAL:</b>	<b>26 289 802</b>	<b>37 407 018</b>	<b>18 839 494</b>	<b>26 806 186</b>



**4. Other operating income**

	2011.III.quarter		2010.III.quarter	
	LVL	EUR	LVL	EUR
Incomes of wholesale trade	434 635	618 430	-	-
Income of services*	88 350	125 711	54 435	77 454
Other operating income	57 448	81 741	17 511	24 916
Gains from sale of non-current assets	33 430	47 567	30 897	43 962
Lease of premises	27 560	39 214	34 281	48 777
Incomes from catering services	18 842	26 810	16 088	22 891
Sale of current assets	13 787	19 617	2 800	3 984
Treatment of waste water	2 924	4 160	2 666	3 793
Royalty	1 087	1 547	21 047	29 947
<b>TOTAL:</b>	<b>678 063</b>	<b>964 797</b>	<b>179 726</b>	<b>255 726</b>

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

**5. Other operating expense**

	2011.III.cet.		2010.III.cet.	
	LVL	EUR	LVL	EUR
Marketing expense	7 558 543	10 754 838	4 423 208	6 293 658
Sales commissions	53 701	76 410	144 583	205 723
Transportation expense	82 862	117 901	73 838	105 062
Other distribution costs	153 118	217 868	62 591	89 059
Expert analysis of medicines	47 506	67 595	71 545	101 799
Exhibition expense	-	-	8 359	11 894
<i>Total distribution costs:</i>	<i>7 895 730</i>	<i>11 234 612</i>	<i>4 784 124</i>	<i>6 807 195</i>
Car fleet maintenance	192 005	273 199	35 859	51 023
Security	152 514	217 008	150 573	214 246
Business trips	151 462	215 511	106 131	151 010
Information and business consulting	108 600	154 524	200 336	285 052
Representation expense	97 835	139 207	107 886	153 508
Expense of registration of products	75 718	107 737	64 291	91 478
Flowers and gifts	63 934	90 970	28 191	40 113
Insurance	62 619	89 098	104 838	149 172
Write-offs of current assets	60 834	86 560	158 214	225 118
Other taxes	51 796	73 699	48 299	68 723
Communications expense	48 823	69 468	46 338	65 933
Donations	34 159	48 604	39 807	56 641
Education	31 927	45 428	28 877	41 088
Write-offs and disposal of tangible assets	28 981	41 236	13 258	18 865
Current repairs	25 885	36 831	50 571	71 956
Legal and audit expense	24 707	35 155	12 154	17 294
Expense of preservation of the environment	22 899	32 582	-	-
Laboratory tests	18 751	26 680	22 362	31 818
Office expense	17 648	25 111	13 510	19 223
Stock quote expense	15 879	22 594	-	-
Hosting expense	14 672	20 876	7 858	11 181
Social infrastructure	13 930	19 820	22 572	32 117
Bank charges	13 772	19 596	17 724	25 219
New product research and development costs	12 005	17 082	-	-
Other operating expense	574 564	817 531	394 069	560 710
<b>TOTAL:</b>	<b>9 811 650</b>	<b>13 960 720</b>	<b>6 457 845</b>	<b>9 188 686</b>

**6. Financial income**

	2011.III.quarter		2010.III.quarter	
	LVL	EUR	LVL	EUR
Currency exchange commission	69 353	98 680	47 039	66 930
Loan interest payments	32 059	45 616	15 547	22 121
Interest accrued on bank account balances	1 280	1 821	125	178
Currency exchange gain, net	-	-	48 985	69 699
<b>TOTAL:</b>	<b>102 692</b>	<b>146 118</b>	<b>111 696</b>	<b>158 929</b>

**7. Financial expense**

	2011.III.quarter		2010.III.quarter	
	LVL	EUR	LVL	EUR
Loan interest expenses	195 929	278 782	218 189	310 454
Currency exchange loss, net	44 336	63 084	-	-
Penalties paid for late payments	9 994	14 220	20 214	28 763
	4 468	6 357	-	-
<b>TOTAL:</b>	<b>254 727</b>	<b>362 444</b>	<b>238 403</b>	<b>339 217</b>

**8. Staff costs and number of employees**

	2011.III.quarter		2010.III.quarter	
	LVL	EUR	LVL	EUR
Wages and salaries	4 234 893	6 025 710	3 599 897	5 122 192
Statutory social insurance contributions	988 215	1 406 103	829 651	1 180 487
<b>TOTAL:</b>	<b>5 223 108</b>	<b>7 431 813</b>	<b>4 429 548</b>	<b>6 302 679</b>

	2011.III.quarter		2010.III.quarter	
	LVL	EUR	LVL	EUR
<u>Management of the Group</u>				
Wages and salaries	376 419	535 595	285 294	405 937
Statutory social insurance contributions	90 110	128 215	69 844	99 379
<u>Board Members</u>				
Wages and salaries	371 663	528 829	313 603	446 217
Statutory social insurance contributions	89 534	127 395	71 842	102 222
<u>Council Members</u>				
Wages and salaries	81 000	115 253	81 104	115 401
Statutory social insurance contributions	19 513	27 764	19 589	27 873
<b>TOTAL:</b>	<b>1 028 239</b>	<b>1 463 052</b>	<b>841 276</b>	<b>1 197 028</b>

	30/09/2011	30/09/2010
Average number of employees during the reporting year	865	751

## 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.III.quarter		2010.III.quarter	
	LVL	EUR	LVL	EUR
Net result attributable to shareholders	5 012 912	7 132 731	2 836 075	4 035 371
Weighted average number of ordinary shares	14 085 078	14 085 078	14 085 078	14 085 078
<b>Earnings per share</b>	<b>0,356</b>	<b>0,506</b>	<b>0,201</b>	<b>0,286</b>

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
<b>Acquisition value as at 31/12/2010</b>	<b>503 930</b>	<b>717 028</b>	<b>6 222 789</b>	<b>8 854 231</b>	<b>837 923</b>	<b>1 192 257</b>	<b>7 564 642</b>	<b>10 763 516</b>
2011 Additions	-	-	4 037	5 744	179 336	255 171	183 373	260 916
III quarter Disposals	-	-	-	-	(61 174)	(87 043)	(61 174)	(87 043)
<b>Acquisition value as at 30/09/2011</b>	<b>503 930</b>	<b>717 028</b>	<b>6 226 826</b>	<b>8 859 975</b>	<b>956 085</b>	<b>1 360 385</b>	<b>7 686 841</b>	<b>10 937 388</b>
<b>Accumulated amortisation as at 31/12/2010</b>	<b>-</b>	<b>-</b>	<b>461 569</b>	<b>656 754</b>	<b>320 990</b>	<b>456 727</b>	<b>782 559</b>	<b>1 113 481</b>
2011 Amortisation	-	-	117 613	167 347	120 924	172 059	238 537	339 406
III quarter Amortisation of disposals	-	-	-	-	(61 174)	(87 043)	(61 174)	(87 043)
<b>Accumulated amortisation as at 30/09/2011</b>	<b>-</b>	<b>-</b>	<b>579 182</b>	<b>824 102</b>	<b>380 740</b>	<b>541 743</b>	<b>959 922</b>	<b>1 365 845</b>
<b>Net carrying amount as at 30/09/2011</b>	<b>503 930</b>	<b>717 028</b>	<b>5 647 644</b>	<b>8 035 873</b>	<b>575 345</b>	<b>818 642</b>	<b>6 726 919</b>	<b>9 571 543</b>

	Goodwill		Production technologies		Other intangible assets		TOTAL	
	LVL	EUR	LVL	EUR	LVL	EUR	LVL	EUR
<b>Acquisition value as at 31/12/2009</b>	<b>503 930</b>	<b>717 028</b>	<b>6 228 449</b>	<b>8 862 285</b>	<b>1 185 268</b>	<b>1 686 484</b>	<b>7 917 647</b>	<b>11 265 797</b>
2010 Additions	-	-	4 774	6 793	75 451	107 357	80 225	114 150
III quarter Reclassification	-	-	(11 988)	(17 057)	(67 176)	(95 583)	(79 164)	(112 640)
III quarter Disposals	-	-	-	-	(98 727)	(140 476)	(98 727)	(140 476)
<b>Acquisition value as at 30/09/2010</b>	<b>503 930</b>	<b>717 028</b>	<b>6 221 235</b>	<b>8 852 020</b>	<b>1 094 816</b>	<b>1 557 783</b>	<b>7 819 981</b>	<b>11 126 831</b>
<b>Accumulated amortisation as at 31/12/2009</b>	<b>-</b>	<b>-</b>	<b>304 781</b>	<b>433 664</b>	<b>547 334</b>	<b>778 785</b>	<b>852 115</b>	<b>1 212 450</b>
2010 Amortisation	-	-	117 591	167 317	150 511	214 158	268 102	381 475
III quarter Reclassification	-	-	-	-	(60 811)	(86 526)	(60 811)	(86 526)
III quarter Amortisation of disposals	-	-	-	-	(38 828)	(55 247)	(38 828)	(55 247)
<b>Accumulated amortisation as at 30/09/2010</b>	<b>-</b>	<b>-</b>	<b>422 372</b>	<b>600 981</b>	<b>598 206</b>	<b>851 170</b>	<b>1 020 578</b>	<b>1 452 151</b>
<b>Net carrying amount as at 30/09/2010</b>	<b>503 930</b>	<b>717 028</b>	<b>5 798 863</b>	<b>8 251 038</b>	<b>496 610</b>	<b>706 613</b>	<b>6 799 403</b>	<b>9 674 680</b>

**11. Property, plant and equipment****LVL**

	Land	Buildings and constructions	Equipment and machinery	Other tangible assets	Construction in progress	TOTAL
<b>Acquisition value as at 31/12/2010</b>	<b>55 928</b>	<b>13 040 855</b>	<b>11 401 009</b>	<b>2 232 933</b>	<b>13 635</b>	<b>26 744 360</b>
Additions	10 000	25 500	758 593	203 371	503 034	1 500 498
2011. Liquidation	-	(503)	(80 569)	(212 402)	(3 391)	(296 865)
III quarter Reclassification of reversed impairment	-	-	(5 546)	5 546	-	-
Reclassification	-	5 600	-	-	(5 600)	-
Reversed impairment	-	-	954	-	-	954
<b>Acquisition value as at 30/09/2011</b>	<b>65 928</b>	<b>13 071 452</b>	<b>12 074 441</b>	<b>2 229 447</b>	<b>507 678</b>	<b>27 948 946</b>
<b>Accumulated depreciation as at 31/12/2010</b>	<b>-</b>	<b>6 957 958</b>	<b>9 108 985</b>	<b>1 562 532</b>	<b>-</b>	<b>17 629 475</b>
2011. Depreciation	-	395 642	568 093	208 999	-	1 172 734
III quarter Depreciation of disposals	-	(503)	(79 801)	(184 133)	-	(264 437)
<b>Accumulated depreciation as at 30/09/2011</b>	<b>-</b>	<b>7 353 097</b>	<b>9 597 277</b>	<b>1 587 398</b>	<b>-</b>	<b>18 537 772</b>
<b>Net carrying amount as at 30/09/2011</b>	<b>65 928</b>	<b>5 718 355</b>	<b>2 477 164</b>	<b>642 049</b>	<b>507 678</b>	<b>9 411 174</b>

	Land	Buildings and constructions	Equipment and machinery	Other tangible assets	Construction in progress	TOTAL
<b>Acquisition value as at 31/12/2009</b>	<b>55 928</b>	<b>12 992 020</b>	<b>12 259 334</b>	<b>601 254</b>	<b>82 484</b>	<b>25 991 020</b>
Additions	-	53 767	474 935	153 041	128 591	810 334
2010. Liquidation	-	(53 334)	(37 638)	(38 284)	(60 123)	(189 379)
III quarter Reversed impairment	-	-	126	-	-	126
Reclassification*	-	-	(116)	116	-	-
Reclassification**	-	-	(1 357 881)	1 440 300	-	82 419
<b>Acquisition value as at 30/09/2010</b>	<b>55 928</b>	<b>12 992 453</b>	<b>11 338 760</b>	<b>2 156 427</b>	<b>150 952</b>	<b>26 694 520</b>
<b>Accumulated depreciation as at 31/12/2009</b>	<b>-</b>	<b>6 602 293</b>	<b>9 397 201</b>	<b>417 846</b>	<b>-</b>	<b>16 417 340</b>
2010. Depreciation	-	386 832	505 102	214 272	-	1 106 206
III quarter Depreciation of disposals	-	(44 135)	(35 493)	(30 050)	-	(109 678)
Reclassification**	-	-	(475)	(574)	-	63 563
<b>Accumulated depreciation as at 30/09/2010</b>	<b>-</b>	<b>6 944 990</b>	<b>8 980 676</b>	<b>1 551 765</b>	<b>-</b>	<b>17 477 431</b>
<b>Net carrying amount as at 30/09/2010</b>	<b>55 928</b>	<b>6 047 463</b>	<b>2 358 084</b>	<b>604 662</b>	<b>150 952</b>	<b>9 217 089</b>

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

EUR

	Land	Buildings and constructions	Equipment and machinery	Other tangible assets	Construction in progress	TOTAL
<b>Acquisition value as at 31/12/2010</b>	<b>79 578</b>	<b>18 555 465</b>	<b>16 222 174</b>	<b>3 177 177</b>	<b>19 401</b>	<b>38 053 795</b>
2011. Additions	14 229	36 283	1 079 381	289 370	715 753	2 135 016
2011. Liquidation	-	(716)	(114 639)	(302 222)	(4 825)	(422 402)
III quarter Reclassification of reversed impairment	-	-	(7 892)	7 891	-	-
Reclassification	-	7 968	-	-	(7 968)	-
Reversed impairment	-	-	1 358	-	-	1 358
<b>Acquisition value as at 30/09/2011</b>	<b>93 807</b>	<b>18 599 000</b>	<b>17 180 382</b>	<b>3 172 216</b>	<b>722 361</b>	<b>39 767 766</b>
<b>Accumulated depreciation as at 31/12/2010</b>	<b>-</b>	<b>9 900 283</b>	<b>12 960 918</b>	<b>2 223 282</b>	<b>-</b>	<b>25 084 483</b>
2011. Depreciation	-	562 947	808 324	297 377	-	1 668 648
III quarter Depreciation of disposals	-	(717)	(113 546)	(261 997)	-	(376 260)
<b>Accumulated depreciation as at 30/09/2011</b>	<b>-</b>	<b>10 462 513</b>	<b>13 655 696</b>	<b>2 258 662</b>	<b>-</b>	<b>26 376 871</b>
<b>Net carrying amount as at 30/09/2011</b>	<b>93 807</b>	<b>8 136 486</b>	<b>3 524 687</b>	<b>913 553</b>	<b>722 361</b>	<b>13 390 894</b>

	Land	Buildings and constructions	Equipment and machinery	Other tangible assets	Construction in progress	TOTAL
<b>Acquisition value as at 31/12/2009</b>	<b>79 578</b>	<b>18 485 979</b>	<b>17 443 461</b>	<b>855 507</b>	<b>117 364</b>	<b>36 981 889</b>
2010. Additions	-	76 504	675 772	217 758	182 969	1 153 001
2010. Liquidation	-	(75 887)	(53 554)	(54 472)	(85 548)	(269 462)
III quarter Reversed impairment	-	-	179	-	-	179
Reclassification	-	-	(165)	165	-	-
Reclassification*	-	-	(1 932 091)	2 049 362	-	117 271
<b>Acquisition value as at 30/09/2010</b>	<b>79 578</b>	<b>18 486 596</b>	<b>16 133 602</b>	<b>3 068 319</b>	<b>214 785</b>	<b>37 982 880</b>
<b>Accumulated depreciation as at 31/12/2009</b>	<b>-</b>	<b>9 394 217</b>	<b>13 371 012</b>	<b>594 541</b>	<b>-</b>	<b>23 359 770</b>
2010. Depreciation	-	550 412	718 695	304 882	-	1 573 990
III quarter Depreciation of disposals	-	(62 798)	(50 502)	(42 757)	-	(156 058)
Reclassification*	-	-	(676)	(817)	-	90 441
<b>Accumulated depreciation as at 30/09/2010</b>	<b>-</b>	<b>9 881 831</b>	<b>12 778 351</b>	<b>2 207 962</b>	<b>-</b>	<b>24 868 144</b>
<b>Net carrying amount as at 30/09/2010</b>	<b>79 578</b>	<b>8 604 765</b>	<b>3 355 251</b>	<b>860 357</b>	<b>214 785</b>	<b>13 114 736</b>

There is a difference of LVL 4948 between total depreciation and amortisation under the income statement and the total depreciation and amortisation stated in Notes 10 and 11. Difference is explained as depreciation of the property, plant and equipment in the cafe and the canteen – LVL 2 036 which was disclosed in the income statement as other operating expense and 2 912 LVL depreciation expenses included in other operating expense.

**12. Inventories**

	30.09.2011		30.09.2010	
	LVL	EUR	LVL	EUR
Work in progress (at cost)	4 261 402	6 063 429	4 109 264	5 846 956
Finished goods and goods for resale (at cost)*	1 579 216	2 247 022	1 724 610	2 453 899
Raw materials (at cost)	1 210 036	1 721 726	1 076 240	1 531 351
Prepayments for goods	101 911	145 006	73 440	104 496
Goods in transit	-	-	1 368	1 946
<b>TOTAL:</b>	<b>7 152 565</b>	<b>10 177 183</b>	<b>6 984 921</b>	<b>9 938 647</b>
Allowances for raw materials	(215 679)	(306 884)	(386 150)	(549 442)
Allowances for finished goods and goods for resale	(319 591)	(454 737)	(301 123)	(428 459)
Allowances for work in progress	(182 835)	(260 151)	(252 260)	(358 933)
<b>TOTAL:</b>	<b>(718 105)</b>	<b>(1 021 771)</b>	<b>(939 533)</b>	<b>(1 336 836)</b>
<b>TOTAL:</b>	<b>6 434 460</b>	<b>9 155 412</b>	<b>6 045 389</b>	<b>8 601 813</b>

\* As at 30 September 2011, the Group's inventories comprised goods on consignment in the amount of LVL 67 596 (30/09/2010: LVL 501 037).

**13. Trade receivables**

	LVL	EUR	LVL	EUR
Trade receivables	12 106 205	17 225 578	7 723 675	10 989 800
Allowances for doubtful trade receivables	(131 114)	(186 559)	(131 114)	(186 559)
<b>TOTAL:</b>	<b>11 975 091</b>	<b>17 039 019</b>	<b>7 592 561</b>	<b>10 803 241</b>

**14. Cash and short term deposits**

	30.09.2011		30.09.2010	
	LVL	EUR	LVL	EUR
Cash at banks and on hand	1 400 295	1 992 440	38 280	54 468
	1 400 295	1 992 440	38 280	54 468

Cash by currency profile:	30.09.2011		30.09.2010	
	Foreign currency	LVL	Foreign currency	LVL
RUB	488 221	7 958	5 109	87
LVL	-	219 374	-	12 052
EUR	1 633 662	1 148 144	7 355	5 169
USD	48 099	24 819	40 564	20 972
<b>KOPĀ:</b>		<b>1 400 295</b>		<b>38 280</b>

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 30/09/2011 is LVL 14 085 078 (30/09/2010: LVL 14 085 078) and consists of 14 085 078 (30/09/2010: 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**

<b>Non-current:</b>	Amount		Interest rate (%) as at 30/09/2011	Maturity	30.09.2011.	30.09.2011.	30.09.2010.	30.09.2010.
					LVL	EUR	LVL	EUR
Loan from AS SEB banka	6 950 000	EUR	EUR LIBOR (3-month)+1.3%	08.12.2011.	-	-	1 171 424	1 666 786
Loan from AS SEB banka	4 000 000	EUR	EURIBOR (3-month)+1.3%	23.05.2013.	-	-	791 892	1 126 761
Loan from AS SEB banka	2 000 000	EUR	EURIBOR (3-month)+1.3%	10.10.2012.	-	-	358 292	509 803
Loan from AS SEB banka	445 000	EUR	EURIBOR (3-month)+1.3%	30.01.2015.	-	-	208 499	296 667
Loan from AS SEB banka	7 011 574	EUR	EURIBOR (3-month)+1.2%	29.09.2014.	2 516 304	3 580 378	-	-
<b>TOTAL:</b>					<b>2 516 304</b>	<b>3 580 378</b>	<b>2 530 108</b>	<b>3 600 017</b>

<b>Current:</b>			Interest rate (%) as at 30/09/2010	Maturity	30.09.2011.	30.09.2011.	30.09.2010.	30.09.2010.
					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	-	-	685 629	975 561
Loan from AS SEB banka	7 011 574	EUR	EURIBOR (3-month)+1.2%	29.09.2014.	1 258 152	1 790 189	-	-
<b>TOTAL:</b>					<b>1 258 152</b>	<b>1 790 189</b>	<b>2 065 073</b>	<b>2 938 333</b>

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 September 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**

	30.09.2011.		30.09.2011.		30.09.2010.		30.09.2010.	
	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 Unifizings, EUR	7 278	45 749	10 356	65 095	50 128	84 738	71 326	120 571
<b>TOTAL:</b>	<b>7 278</b>	<b>45 749</b>	<b>10 356</b>	<b>65 095</b>	<b>50 128</b>	<b>84 738</b>	<b>71 326</b>	<b>120 571</b>

The interest rate on the finance leases ranges from 3.30% to 5.11%. 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:

	30.09.2011.		30.09.2011.		30.09.2010.		30.09.2010.	
	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	47 211	45 749	67 175	65 095	89 130	84 738	126 821	120 571
Between one and five years	7 430	7 278	10 572	10 356	51 627	50 128	73 459	71 326
Total minimum lease payments	54 641	53 027	77 747	75 451	140 757	134 866	200 279	191 897
Less amounts representing finance charges	(1 614)	-	(2 297)	-	(5 891)	-	(8 382)	-
<b>Present value of minimum lease payments</b>	<b>53 027</b>	<b>53 027</b>	<b>75 451</b>	<b>75 451</b>	<b>134 866</b>	<b>134 866</b>	<b>191 897</b>	<b>191 897</b>

**18. Taxes payable/ receivable**

	30.09.2011.		30.09.2011.		30.09.2010.		30.09.2010.	
	LVL	EUR	LVL	EUR	LVL	EUR	LVL	EUR
Personal income tax *	(126 472)	(179 954)	(213 717)	(304 092)	(213 717)	(304 092)	(213 717)	(304 092)
Statutory social insurance contributions *	(213 317)	(303 523)	(286 243)	(407 287)	(286 243)	(407 287)	(286 243)	(407 287)
Real estate tax *	(3 826)	(5 444)	(23 085)	(32 847)	(23 085)	(32 847)	(23 085)	(32 847)
Natural resource tax	(3 283)	(4 671)	963	1 371	963	1 371	963	1 371
Corporate income tax	(469 759)	(668 407)	(292 720)	(416 503)	(292 720)	(416 503)	(292 720)	(416 503)
Value added tax	13 204	18 787	124 421	177 034	124 421	177 034	124 421	177 034
Value added tax	(167)	(238)	(206)	(293)	(206)	(293)	(206)	(293)
<b>TOTAL:</b>	<b>(803 621)</b>	<b>(1 143 450)</b>	<b>(690 587)</b>	<b>(982 617)</b>	<b>(690 587)</b>	<b>(982 617)</b>	<b>(690 587)</b>	<b>(982 617)</b>
<b>Total liabilities:</b>	<b>(816 825)</b>	<b>(1 162 237)</b>	<b>(815 971)</b>	<b>(1 161 022)</b>	<b>(815 971)</b>	<b>(1 161 022)</b>	<b>(815 971)</b>	<b>(1 161 022)</b>
<b>Total assets:</b>	<b>13 204</b>	<b>18 787</b>	<b>125 384</b>	<b>178 405</b>	<b>125 384</b>	<b>178 405</b>	<b>125 384</b>	<b>178 405</b>

\* 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**

	30.09.2011.		30.09.2010.	
	LVL	EUR	LVL	EUR
Vacation pay reserve	341 940	486 537	324 312	461 454
Accrued interest for purchase of long term investment	55 195	78 535	-	-
Accruals for electricity and gas	73 422	104 470	68 081	96 871
Provisions for penalties related to taxes	4 344	6 181	24 289	34 560
Other accrued liabilities	65 330	92 956	166 058	236 279
<b>TOTAL:</b>	<b>540 231</b>	<b>768 679</b>	<b>582 739</b>	<b>829 163</b>

**20. Trade and other payables**

	30.09.2011.		30.09.2010.	
	LVL	EUR	LVL	EUR
Trade and other payables	3 834 071	5 455 392	910 257	1 295 179
Liability for long term investment	2 453 050	3 490 376	2 453 050	3 490 376
Wages and salaries	311 740	443 567	262 612	373 663
Other payables	18 921	26 922	24 249	34 503
<b>TOTAL:</b>	<b>6 617 783</b>	<b>9 416 257</b>	<b>3 650 167</b>	<b>5 193 720</b>

**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	
	30.09.2011.	30.09.2010.	30.09.2011.	30.09.2010.	30.09.2011.	30.09.2010.	30.09.2011.	30.09.2010.
<b>Assets</b>								
Intangible assets	4 570 758	2 337 210	2 439 635	2 439 635	141 994	106 906	7 049 963	7 120 055
Tangible assets	6 304 971	5 879 406	2 880 325	2 518 546	899 469	862 184	10 084 765	9 260 136
Financial assets	-	-	-	-	1 650	6 701	1 650	6 701
Inventories	4 416 742	4 232 377	2 017 718	1 813 012	-	-	6 434 460	6 045 389
Receivables	12 816 621	8 143 725	677 507	339 238	284 634	183 900	13 778 763	8 666 863
Cash	-	-	-	-	1 400 295	38 280	1 400 295	38 280
<b>Total assets</b>	<b>28 109 092</b>	<b>22 829 023</b>	<b>7 912 761</b>	<b>7 110 431</b>	<b>2 728 042</b>	<b>1 197 970</b>	<b>38 749 896</b>	<b>31 137 424</b>
<b>Equity and liabilities</b>								
Total equity	-	-	-	-	25 311 831	19 947 671	25 311 831	19 947 671
Deferred income tax liability	-	-	-	-	916 370	839 689	916 370	839 689
Loans from credit institution	2 590 862	3 217 086	1 183 594	1 378 094	-	-	3 774 456	4 595 180
Other loans	407 228	472 640	186 036	202 463	-	-	593 264	675 103
Taxes payable	560 685	571 261	256 140	244 710	-	-	816 825	815 971
Prepayments received from customers	498	84	23 897	30 585	39	24	24 434	30 693
Trade payables	4 542 579	2 555 482	2 075 204	1 094 685	-	-	6 617 783	3 650 167
Payables to related companies	106 191	148	48 511	63	-	-	154 702	211
Accrued liabilities	-	-	-	-	540 231	582 739	540 231	582 739
<b>Total equity and liabilities</b>	<b>8 208 042</b>	<b>6 816 700</b>	<b>3 773 383</b>	<b>2 950 601</b>	<b>26 768 471</b>	<b>21 370 123</b>	<b>38 749 896</b>	<b>31 137 424</b>
<b>Income statement</b>								
Net turnover	24 295 199	17 355 587	1 994 603	1 483 907	-	-	26 289 802	18 839 494
Changes in stock of finished goods and work in progress	24 295 199	(472 485)	1 994 603	(202 397)	-	-	(576 452)	(674 882)
Other operating income	-	(472 485)	-	(202 397)	678 063	179 726	678 063	179 726
Cost of materials	(2 623 801)	(1 817 219)	(1 198 642)	(778 437)	-	-	(3 822 443)	(2 595 656)
Staff costs	(3 585 246)	(3 101 127)	(1 637 862)	(1 328 421)	-	-	(5 223 108)	(4 429 548)
Depreciation/ amortisation and write-offs	(915 306)	(905 457)	(418 143)	(387 868)	(72 874)	(73 828)	(1 406 323)	(1 367 153)
Other operating expense	(6 734 913)	(4 521 137)	(3 076 737)	(1 936 708)	-	(73 828)	(9 811 650)	(6 457 845)
Financial income	-	-	-	-	(254 727)	111 696	102 692	111 696
Financial expenses	-	-	-	-	(254 727)	(238 403)	(254 727)	(238 403)
Corporate income tax	-	-	-	-	(962 942)	(531 354)	(962 942)	(531 354)
<b>Net profit/ (loss) for the year</b>	<b>10 040 245</b>	<b>6 538 163</b>	<b>(4 517 545)</b>	<b>(3 149 923)</b>	<b>(509 788)</b>	<b>(552 163)</b>	<b>5 012 912</b>	<b>2 836 075</b>

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

EUR

	Finished form medicine		Chemicals		Unallocated		Total	
	30.09.2011.	30.09.2010.	30.09.2011.	30.09.2010.	30.09.2011.	30.09.2010.	30.09.2011.	30.09.2010.
<b>Assets</b>								
Intangible assets	6 503 603	3 325 551	3 471 288	3 471 288	202 040	152 114	10 031 193	10 130 926
Tangible assets	8 971 166	8 365 641	4 098 334	3 583 568	1 279 829	1 226 777	14 349 328	13 175 986
Financial assets	-	-	-	-	2 348	9 535	2 348	9 535
Inventories	6 284 458	6 022 130	2 870 954	2 579 684	-	-	9 155 412	8 601 814
Receivables	18 236 408	11 587 477	964 006	482 692	404 998	261 666	19 605 413	12 331 835
Cash	-	-	-	-	1 992 440	54 468	1 992 440	54 468
<b>Total assets</b>	<b>39 995 634</b>	<b>32 482 773</b>	<b>11 258 845</b>	<b>10 117 232</b>	<b>3 881 655</b>	<b>1 704 558</b>	<b>55 136 135</b>	<b>44 304 563</b>
<b>Equity and liabilities</b>								
Total equity	-	-	-	-	36 015 491	28 382 979	36 015 491	28 382 979
Deferred income tax liability	-	-	-	-	1 303 877	1 194 770	1 303 877	1 194 770
Loans from credit institution	3 686 465	4 577 501	1 684 102	1 960 851	-	-	5 370 567	6 538 352
Other loans	579 434	672 506	264 705	288 079	-	-	844 139	960 585
Taxes payable	797 783	812 831	364 454	348 191	-	-	1 162 237	1 161 022
Prepayments received from customers	708	120	34 002	43 519	55	34	34 766	43 672
Trade payables	6 463 507	3 636 123	2 952 750	1 557 596	-	-	9 416 257	5 193 720
Payables to related companies	151 096	211	69 026	90	-	-	220 121	300
Accrued liabilities	-	-	-	-	768 679	829 163	768 679	829 163
<b>Total equity and liabilities</b>	<b>11 678 992</b>	<b>9 699 291</b>	<b>5 369 040</b>	<b>4 198 327</b>	<b>38 088 103</b>	<b>30 406 946</b>	<b>55 136 135</b>	<b>44 304 563</b>
<b>Income statement</b>								
Net turnover	34 568 954	24 694 775	2 838 064	2 111 409	-	-	37 407 018	26 806 185
Changes in stock of finished goods and work in progress	34 568 954	(672 286)	2 838 064	(287 985)	-	-	(820 217)	(960 271)
Other operating income	-	(672 286)	-	(287 985)	964 797	255 727	964 797	255 727
Cost of materials	(3 733 333)	(2 585 670)	(1 705 513)	(1 107 616)	-	-	(5 438 846)	(3 693 286)
Staff costs	(5 101 345)	(4 412 506)	(2 330 468)	(1 890 173)	-	-	(7 431 813)	(6 302 679)
Depreciation/ amortisation and write-offs	(1 302 363)	(1 288 349)	(594 964)	(551 886)	(103 690)	(105 048)	(2 001 017)	(1 945 283)
Other operating expense	(9 582 918)	(6 432 998)	(4 377 803)	(2 755 687)	-	(105 048)	(13 960 720)	(9 188 686)
Financial income	-	-	-	-	(362 444)	158 929	146 118	158 929
Financial expenses	-	-	-	-	(362 444)	(339 217)	(362 444)	(339 217)
Corporate income tax	-	-	-	-	(1 370 143)	(756 049)	(1 370 143)	(756 049)
<b>Net profit/ (loss) for the year</b>	<b>14 285 981</b>	<b>9 302 967</b>	<b>(6 427 887)</b>	<b>(4 481 937)</b>	<b>(725 363)</b>	<b>(785 657)</b>	<b>7 132 730</b>	<b>4 035 371</b>

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.