

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

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

**Olaine, 2012**

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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 December 31, 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 December 31,2011): 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

AS „Lege Artis Rīga”, Council Member;

SIA „First Class Lounge”, Board Member

Participation in other companies: none

Number of shares of AS „Olainfarm” owned (as of December 10, 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 December 31, 2011): 83 653

**Veranika Dubickaya**



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 December 31, 2011): 0

## 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 (till 11/11/2011)

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 December 31, 2011): 0

**Valentina Andreeva** (from 11.11.2011.g.)

Valentina Andreeva, the chairman of the council (11.11.2011.g.)

Valentina Andreeva, the Doctor of Economics of the Riga technical university

(Dr.oec.) - 2006, and also has degree of the master of economic sciences in a

management of the enterprise activity, received in the Riga technical university in

2001, a speciality of the engineer-economist which it has received in 1976 at the Riga polytechnical institute

Positions held in other companies: none

Participation in other companies: none

**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 December 31, 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 December 31, 2011): 0

**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 December 31, 2011): 0

**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 December 31, 2011): 0

Movements in the Board during the period 1 January 2011 through 31 December 2011

Jurijs Kaplinovs (canceling of the member of the board)  
Veranika Dubitskaya (appointed 23/05/2011)

Movements in the Council during the period 1 January 2011 through 31 December 2011

Helmuts Balderis-Sildedzis atstāja amatu 11.11.2011.g.

New Council from 11/11/2011.g.:

Valentina Andreeva, the chairman of the council;

Jelena Dudko, Deputy Chairperson of the Council ;

Aleksandrs Raicis;

Volodimirs Krivozubovs;

Signe Baldere-Sildedze



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Subsidiaries	<p><b>SIA Reinolds</b> (100%) Dzegužu iela 1/2, Rīga, LV-1007, from 26/08/2008 till 30/12/2011</p> <p><b>SIA Ozols JDR</b> (100%) Zeiferta iela 18B, Olaine, LV-2114, from 18/10/2010</p> <p><b>SIA Olainfarm enerģija</b> (50%) Rūpnīcu iela 5, Olaine, LV-2114, from 15/09/2010</p> <p><b>SIA Pharma and Chemistry Centre of Latvia</b> (11%) Dzirnavu iela 93-27, Rīga, LV-1011, from 11/08/2010</p> <p><b>SIA JUKO 99</b> (100%) Celmu iela 3, Rīga, LV-1079, from 28/10/2011</p> <p><b>SIA Ilmas Aptieka</b> (100%) Krišjāņa Barona iela 117, Rīga, LV-1012, from 02/11/2011</p> <p><b>SIA Veritas-Farm</b> (100%) Valkas iela 2a, Daugavpils, LV-5417, from 06/12/2011</p> <p><b>AS Lege Artis Rīga</b> (100%) Rūpnīcu iela 5, Olaine, LV-2114, from 01/12/2011</p> <p><b>SIA First Class Lounge</b> (51%) Baznīcas iela 20/22-10, Rīga, LV-1010, from 08/12/2011</p> <p><b>SIA Inula Farma</b> (100%) Nīcgales iela 47A, Rīga, LV-1035, from 21/12/2011</p> <p><b>SIA Vita Plus Aptieka</b> (100%) Dārza iela 6, Priekulji, Priekulju nov., LV-4126, from 22/12/2011</p>		
Core business activity	Manufacture of basic pharmaceutical products and pharmaceutical preparations		
Audit Committee	Žanna Karaseva		
Financial year	1 January – 31 December 2011		
Auditors	<table> <tr> <td>Dace Cikmača Latvian Certified Auditor Certificate No. 175</td> <td>SIA Ernst &amp; Young Baltic Muitas iela 1A, Rīga Latvia, LV-1010 Licence No. 17</td> </tr> </table> <p>Company does not have any other contractual relationships either with its auditor or auditing company.</p>	Dace Cikmača Latvian Certified Auditor Certificate No. 175	SIA Ernst & Young Baltic Muitas iela 1A, Rīga Latvia, LV-1010 Licence No. 17
Dace Cikmača Latvian Certified Auditor Certificate No. 175	SIA Ernst & Young Baltic Muitas iela 1A, Rīga Latvia, LV-1010 Licence No. 17		

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**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 changes have been made to the composition of the Concern and now it consists from Parent company AS "Olainfarm", its daughter companies 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. Also during the 4<sup>th</sup> quarter of 2011 travel agency „First Class Lounge” and pharmaceutical retail companies SIA „Ilmas Aptiekas”, SIA „Juko 99”, SIA „Veritas Farm”, SIA „Inula Farma”, SIA „Vita Plus” un AS „Lege Artis Rīga”, were purchased. Shares in SIA „Reinolds” were alienated.

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.

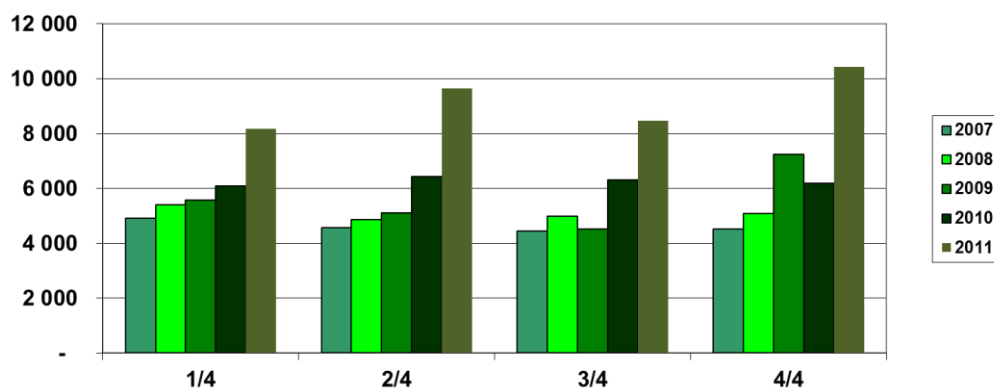
#### Corporate vision:

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

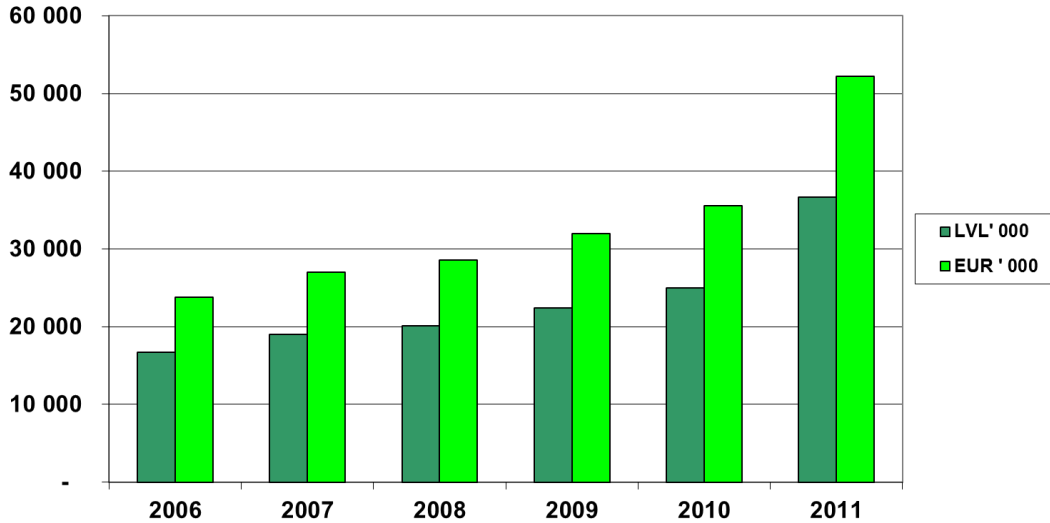
During 4<sup>th</sup> quarter of 2011 yet another sales record was set, as quarterly sales for the first time exceeded 10 million lats. In total during the fourth quarter the sales of 10.42 million lats (14.83 million euros) were made, which means that rather impressive sales increase, that was started at the beginning of the year was continuing. Compared to 4<sup>th</sup> quarter of 2010, the sales have grown by nearly 70%.

### Sales by Quarters, Thsnd. LVL



Overall sales in 2011 also grew substantially and reached 36.7 million lats (52.2 million euros), which represents an increase by nearly 47% compared to 2010.

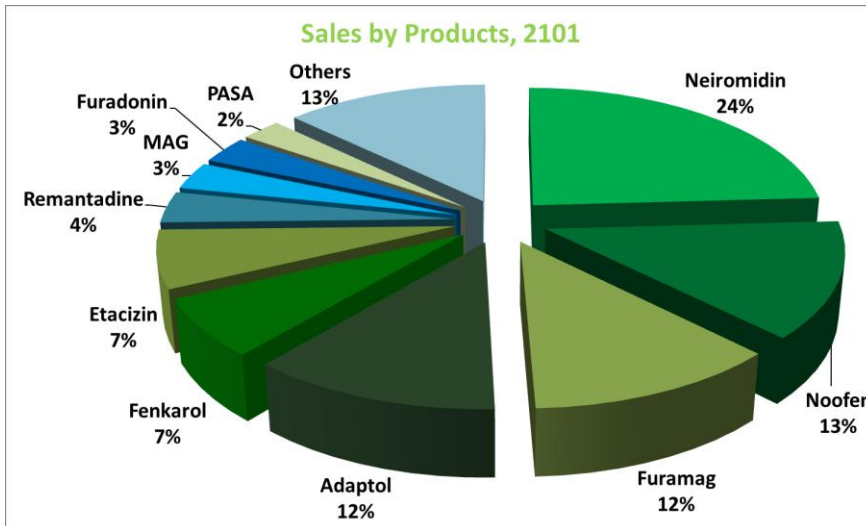
### Sales



During 2011 sales have grown in all main sales markets of the company, except in Georgia, where, compared to 2010, the sales were by 20% smaller. In other markets growth rate varied from 17% in Russia to 1710% in The Netherlands. Even in Belarus, which faced several local currency difficulties during 2011 and experienced several devaluations, AS "Olainfarm" managed to increase its sales by more than 25%.

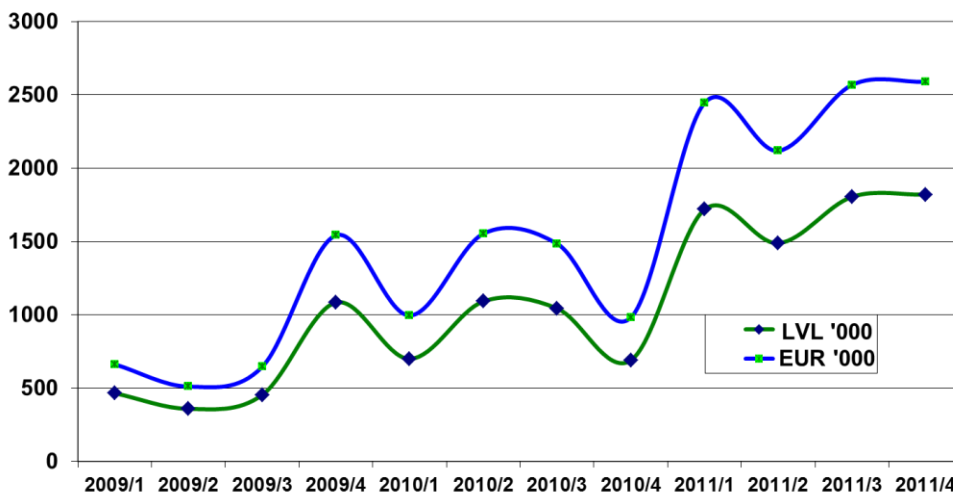


At the end of 2011 the share of Neiromidin® in total sales fell compared to similar figure for 9 months to 24%. Share of other best-selling products in total sales has remained relatively intact, which shows that in general sales of all products are increasing at comparable pace. 10 best-selling products still make up 87% of total sales and still the best selling products are the ones that are additionally promoted.



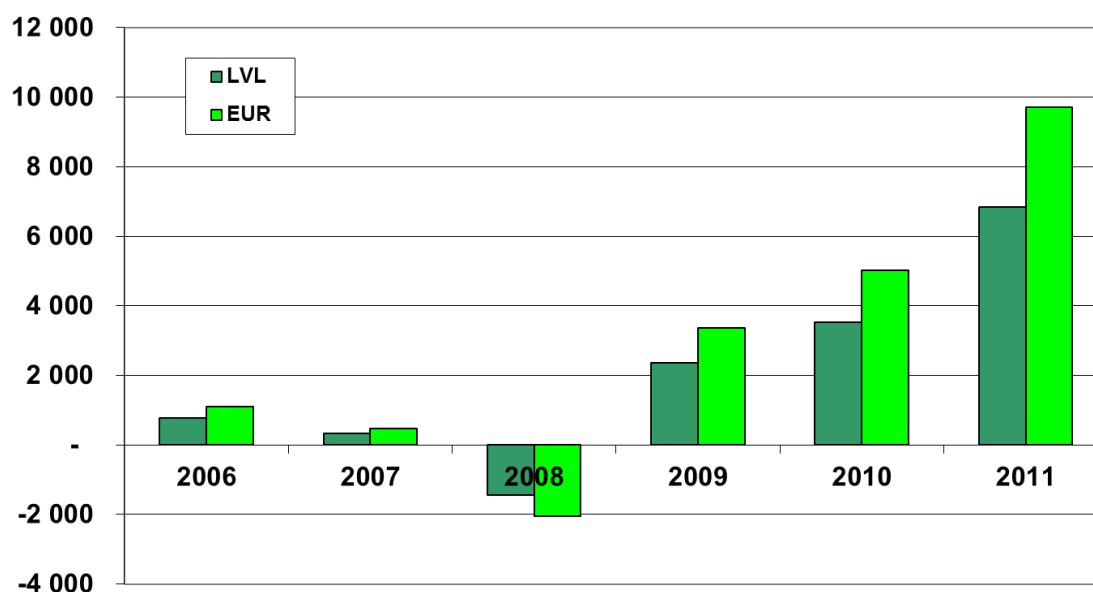
Company continues to operate with the profit, which is persistently high and growing. During the 4<sup>th</sup> quarter of 2011 it has reached 1.82 million lats (2,6 mill. euro), which is yet another profit record so far.

**Profit by Quarters**



In 2011 the Company has made a profit of 6.8 million lats (9.7 million euros), which means that it almost doubled its profit compared to 2010.

## Profit in Thsnd.



Similar improvements were observed to other financial indicators.

Financial indicator	31.12.2011.	31.12.2010.	% to previous period
Net sales(LVL)	36 712 917	25 023 430	147%
Net profit (LVL)	6 833 082	3 539 451	193%
EBITDA (LVL)	10 247 546	6 365 686	161%
EBIT (LVL)	8 356 410	4 521 093	185%
Net sales (EUR)	52 237 775	35 605 133	147%
Net profit (EUR)	9 722 600	5 036 185	193%
EBITDA (EUR)	14 580 944	9 057 555	161%
EBIT (EUR)	11 890 100	6 432 936	185%
EBITDA margin, %	28	25	
Net margin, %	19	14	
EBIT margin, %	23	18	
ROA, %	16,6	10,9	
ROE, %	25,2	17,1	
Current ratio	2,8	3,6	
EPS, LVL	0,49	0,25	193%
EPS, EUR	0,69	0,36	193%
Share price at the end of reporting period, LVL	2,455	2,17	113%
Share price at the end of reporting period, EUR	3,493	3,088	113%
P/E	5,1	8,6	

Financial indicator	31.12.2011.	31.12.2010.	% to previous period
Market capitalisation at the end of reporting period, LVL	34 583 776	30 564 619	113%
Market capitalisation at the end of reporting period, EUR	49 208 281	42 494 721	113%
P/B	1,27	1,48	

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 were 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 2011 125% of annual sales targets and 134% of initial 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 2011 105% of revised sales targets and 108% of revised profit targets are met.

### 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. Since the beginning of 2009 the share price has increased by nearly 550%. Successful financial performance of the Company during the reporting period 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 3 lats (4.27 euro) per share. In general, during 2011 share price of Olainfarm has been fluctuating between 1.96 and 3.50 lats (2.789 and 4.98 euro), while the average weighted price was 2.58 lats (3.67 euros) per share.

Price of shares of “Olainfarm” on NASDAQ OMX Riga (LVL) (2009 –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 and the fourth quarters, both, share price of Olainfarm and the index fell, followed by a stabilisation of both. As a result, since the beginning of the year value of OMX Riga index has fallen by 5.7%, while share price of Olainfarm has increased by 13.1%.

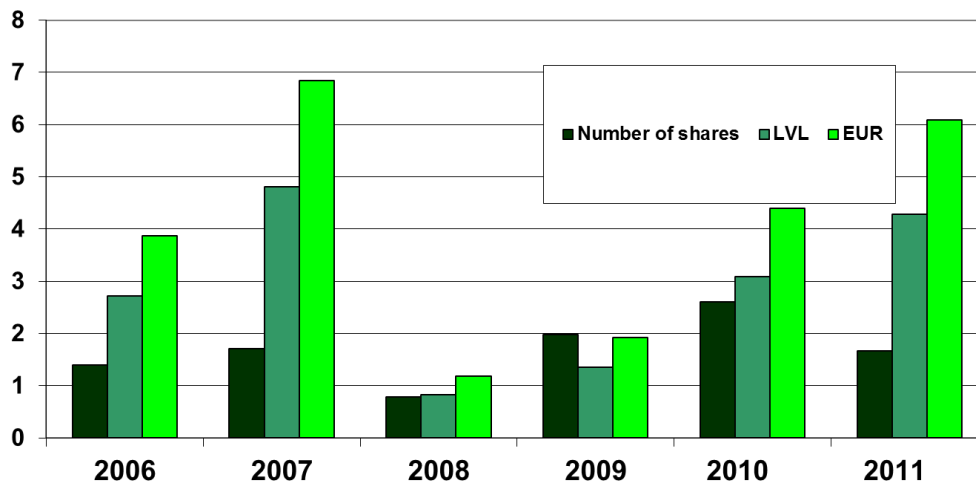
### Rebased price of Olainfarm share vs. rebased OMX Riga index (2011)



-- 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 a year more than 1.6 million shares were traded for a total value of 4.2 million lats (6 million euro). Although the number of traded shares is smallest since 2008, due to rapid price increase, the turnover in monetary terms is the highest since 2007.

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" agreed 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”.

## Development

During 2011 39 registration cases of products of AS "Olainfarm" were completed and 4 products were registered in system of the WHO. Among others, registration of Olvazol® capsules in Ukraine is still waiting its completion.

## 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.

At the end of 2011 AS „Olainfarm" became a proud supporter of SOS Children Villages.

## Other events

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 an agreement according to which 100% shares of capital in SIA „Ilmas aptiekas" and SIA „Juko 99" were purchased. These two companies combined own 18 pharmacies. In different parts of Latvia. In December 2011 100% shares in four other companies were purchased, those include a/s „Lege Artis", SIA „Veritas farm", SIA „Inula farma" and SIA „Vita plus aptieka". With these purchased AS "Olainfarm" launched the program of creation of its own chain of pharmacies, which provides that by the middle of 2012 number of pharmacies shall reach 40. These purchases were partially financed by AS "SEB Banka".

In December 2011, according to mutual agreement contract on purchase of shares in SIA "Reinolds" was reversed. According to this agreement AS "Olainfarm" will return to original owners the shares in the company and receive back full amount of payments made so far to the owners. Agreement also provides a time frame within which the parties shall agree on terms of using an intellectual property held by SIA „Reinolds".

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.

**Events after the end of the reporting period**

On February 9, 2012, AS „Olainfarm” purchased 100% of shares in SIA „Teriaks Pļaviņu Aptieka”, which owns the biggest pharmacy in Plavinas. On February 17, 2012 SIA „Ilmas Aptiekas” owned by AS “Olainfarm” opened a new pharmacy in Jurmala. Thus number of pharmacies owned by AS “Olainfarm” has now reached 32.

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

29 February 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:

  
\_\_\_\_\_  
Chairman of the Board  
Valerijs Maligins



29 February 2011

## Statement of consolidated comprehensive income

	Notes	2011 LVL	2011 EUR	2010 LVL	2010 EUR
Net sales	3	36 712 917	52 237 775	25 023 430	35 605 134
Changes in stock of finished goods and work in progress		(567 261)	(807 140)	(369 684)	(526 013)
Other operating income	4	1 011 928	1 439 843	257 241	366 020
Cost of materials:					
<i>raw materials and consumables</i>		(4 215 099)	(5 997 545)	(2 318 130)	(3 298 402)
<i>other external costs</i>		(1 714 165)	(2 439 037)	(1 516 713)	(2 158 088)
		(5 929 264)	(8 436 583)	(3 834 843)	(5 456 490)
Staff costs:					
<i>Wages and salaries</i>	8	(5 901 263)	(8 396 740)	(4 940 023)	(7 029 019)
<i>Statutory social insurance contributions</i>	8	(1 675 458)	(2 383 962)	(1 127 228)	(1 603 901)
		(7 576 721)	(10 780 702)	(6 067 251)	(8 632 920)
Depreciation/ amortization	10,11.	(1 891 136)	(2 690 844)	(1 844 593)	(2 624 619)
Other operating expense	5	(13 405 405)	(19 074 173)	(8 643 207)	(12 298 176)
Income from investments into subsidiaries		-	-	(4 194)	(5 968)
Financial income	6	53 733	76 455	147 148	209 373
Financial expense	7	(193 400)	(275 183)	(353 090)	(502 400)
<b>(Loss)/ profit before taxes</b>		<b>8 215 391</b>	<b>11 689 449</b>	<b>4 310 956</b>	<b>6 133 938</b>
Corporate income tax		(1 383 660)	(1 968 771)	(694 825)	(988 647)
Deferred corporate income tax		-	-	(76 681)	(109 107)
<b>(Loss)/ profit for the reporting year</b>		<b>6 831 731</b>	<b>9 720 677</b>	<b>3 539 450</b>	<b>5 036 184</b>
Basic and diluted earnings per share	9	0.485	0.690	0.251	0.358

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

For the Board of JSC Olainfarm:

  
 \_\_\_\_\_  
 Chairman of the Board  
 Valerijs Maligins



29 February 2011

**Consolidated statement of financial position**

	Notes	ASSETS			
		31.12.2011. LVL	31.12.2011. EUR	31.12.2010. LVL	31.12.2010. EUR
<b>NON-CURRENT ASSETS</b>					
<b>Intangible assets</b>					
Goodwill	10	4 729 956	6 730 121	503 930	717 028
Patents	10	1 396 527	1 987 079	5 761 221	8 197 479
Other intangible assets	10	682 406	970 976	516 932	735 529
Prepayments for intangible assets		253 724	361 016	298 901	425 298
TOTAL		<b>7 062 613</b>	<b>10 049 193</b>	<b>7 080 984</b>	<b>10 075 333</b>
<b>Property, plant and equipment</b>					
Land, buildings and constructions	11	6 844 847	9 739 340	6 138 825	8 734 761
Equipment and machinery	11	2 637 829	3 753 293	2 292 024	3 261 256
Other tangible assets	11	818 871	1 165 149	670 401	953 895
Construction in progress	11	840 982	1 196 609	13 635	19 401
Prepayments for property, plant and equipment		<b>375 890</b>	<b>534 843</b>	<b>24 515</b>	<b>34 882</b>
TOTAL		11 518 420	16 389 235	9 139 400	13 004 195
<b>Financial assets</b>					
Investments in related companies		1 660	2 362	1 650	2 348
Prepayments for investments		-	-	3 720	5 293
TOTAL		<b>1 660</b>	<b>2 362</b>	<b>5 370</b>	<b>7 641</b>
<b>TOTAL NON-CURRENT ASSETS</b>		<b>18 582 693</b>	<b>26 440 790</b>	<b>16 225 754</b>	<b>23 087 168</b>
<b>CURRENT ASSETS</b>					
<b>Inventories</b>					
Raw materials		969 392	1 379 320	932 807	1 327 265
Work in progress		3 683 318	5 240 889	3 400 014	4 837 784
Finished goods and goods for resale		2 272 877	3 234 013	2 257 050	3 211 493
Goods in transit		-	-	70 068	99 698
Prepayments for goods		<b>121 016</b>	<b>172 190</b>	<b>100 164</b>	<b>142 521</b>
TOTAL		7 046 603	10 026 413	6 760 103	9 618 759
<b>Receivables</b>					
Trade receivables	12	11 575 247	16 470 093	7 665 387	10 906 863
Receivables from related companies		381 709	543 123	158 439	225 438
Prepayments to suppliers		1 810 740	2 576 451	186 197	264 935
Other receivables		131 121	186 569	232 232	330 436
Current loans to management and employees		89 218	126 946	831 505	1 183 125
Prepaid expense		141 055	200 703	19 358	27 544
TOTAL		<b>14 129 090</b>	<b>20 103 884</b>	<b>9 093 118</b>	<b>12 938 341</b>
Cash	13	<b>1 524 993</b>	<b>2 169 870</b>	<b>494 495</b>	<b>703 603</b>
<b>TOTAL CURRENT ASSETS</b>		<b>22 700 686</b>	<b>32 300 167</b>	<b>16 347 716</b>	<b>23 260 704</b>
<b>TOTAL ASSETS</b>		<b>41 283 380</b>	<b>58 740 957</b>	<b>32 573 470</b>	<b>46 347 872</b>

For the Board of JSC Olainfarm:

Chairman of the Board

Valerijs Malģins

29 February 2011



**Consolidated statement of financial position**

	Notes	EQUITY AND LIABILITIES			
		31.12.2011.	31.12.2011.	31.12.2010.	31.12.2010.
<b>EQUITY</b>		LVL	EUR	LVL	EUR
Share capital	14	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		4 455 515	6 339 627	1 266 810	1 802 508
for the period		6 831 731	9 720 677	3 539 450	5 036 184
<b>TOTAL EQUITY</b>		<b>27 132 032</b>	<b>38 605 403</b>	<b>20 651 046</b>	<b>29 383 791</b>
<b>LIABILITIES</b>					
<b>Non-current liabilities</b>					
Loans from credit institutions	15	5 357 424	7 622 928	3 459 918	4 923 020
Long term payables for the long-term investment	17	-	-	2 453 050	3 490 376
Finance lease liabilities	16	36 052	51 297	36 890	52 490
Other loans		249 214	354 600	540 237	768 688
Deferred corporate income tax liabilities		429 831	611 594	916 370	1 303 877
<b>TOTAL</b>		<b>6 072 521</b>	<b>8 640 419</b>	<b>7 406 465</b>	<b>10 538 450</b>
<b>Current liabilities</b>					
Loans from credit institutions	15	1 617 908	2 302 076	1 258 152	1 790 189
Finance lease liabilities	16	8 315	11 831	75 770	107 811
Prepayments received from customers		88 161	125 442	38 766	55 159
Trade and other payables	17	4 072 398	5 794 500	1 355 745	1 929 051
Payables to related companies		121 069	172 266	260 341	370 432
Taxes payable		787 241	1 120 143	512 077	728 620
Corporate income tax		669 994	953 316	311 699	443 508
Accrued liabilities		713 740	1 015 561	703 409	1 000 861
<b>TOTAL</b>		<b>8 078 827</b>	<b>11 495 135</b>	<b>4 515 959</b>	<b>6 425 631</b>
<b>TOTAL LIABILITIES</b>		<b>14 151 348</b>	<b>20 135 555</b>	<b>11 922 424</b>	<b>16 964 081</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>41 283 380</b>	<b>58 740 957</b>	<b>32 573 470</b>	<b>46 347 872</b>

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

For the Board of JSC Olainfarm:

  
 \_\_\_\_\_  
 Chairman of the Board  
 Valerijs Maligins



29 February 2011

**Consolidated statement of cash flow**

	2011		2010	
	LVL	EUR	LVL	EUR
<b>Cash flows to/from operating activities</b>				
(Loss)/ Profit before taxes	8 215 391	11 689 448	4 310 956	6 133 938
Adjustments for:				
Amortisation and depreciation	1 884 404	2 681 265	1 853 977	2 637 972
Loss on sale/ disposal of property, plant and equipment	30 511	43 413	63 374	90 173
Increase/(decrease) in allowances	920 179	1 309 297	(53 570)	(76 224)
Provisions for vacation reserve	(10 696)	(15 219)	16 853	23 979
Impairment of tangible non-current assets	(59)	(84)	16 276	23 159
Income on disposal of other securities and investments	3 329 611	4 737 610	386	549
Loss from investments into subsidiaries	-	-	4 195	5 969
Interest expences	195 929	278 782	294 185	418 588
Interest receivable	(33 339)	(47 437)	(23 366)	(33 247)
<b>Operating cash flows before working capital changes</b>	<b>14 589 693</b>	<b>20 759 263</b>	<b>6 483 265</b>	<b>9 224 856</b>
Increase in inventories	247 085	351 570	4 195	5 969
(Increase)/ decrease in receivables and prepaid expence	(5 234 994)	(7 448 725)	(1 987 532)	(2 828 003)
Increase/ (decrease) in payables and prepayments received	(1 172 638)	(1 668 514)	65 019	92 514
<b>Cash generated from operations</b>	<b>8 429 146</b>	<b>11 993 594</b>	<b>4 564 948</b>	<b>6 495 336</b>
Interest paid	(195 929)	(278 782)	(219 826)	(312 784)
Corporate income tax paid	(806 113)	(1 146 995)	(743 553)	(1 057 981)
<b>Net cash flows to/ from operating activities</b>	<b>7 427 104</b>	<b>10 567 817</b>	<b>3 601 569</b>	<b>5 124 571</b>
<b>Cash flows to/from investing activities</b>				
Purchase of property, plant and equipment	(3 786 417)	(5 387 586)	(1 117 422)	(1 589 948)
Prepayment for financial investments	3 500	4 980	(3 720)	(5 293)
Acquisition of subsidiary	(4 350 065)	(6 189 585)	(2 328)	(3 312)
Proceeds from sale of intangible assets and property, plant and equipment	33 403	47 528	48 395	68 860
Loans repaid	-	-	313 646	446 278
Interest receivable	30 637	43 593	727	1 034
Loans granted	40 497	57 622	(700 282)	(996 412)
<b>Net cash flows to/from investing activities</b>	<b>(8 028 445)</b>	<b>(11 423 448)</b>	<b>(1 460 984)</b>	<b>(2 078 794)</b>
<b>Cash flows to/from financing activities</b>				
Proceeds from issue of shares	(352 127)	(501 032)	-	-
Borrowings repaid	(1 332 333)	(1 895 739)	(6 756 511)	(9 613 649)
Proceeds from borrowings	3 316 299	4 718 668	4 927 762	7 011 575
<b>Net cash flows to/from financing activities</b>	<b>1 631 839</b>	<b>2 321 898</b>	<b>(1 828 749)</b>	<b>(2 602 075)</b>
<b>Change in cash</b>	<b>1 030 498</b>	<b>1 466 266</b>	<b>311 836</b>	<b>443 702</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>1 524 993</b>	<b>2 169 869</b>	<b>494 495</b>	<b>703 603</b>

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

### Statement of consolidated changes in equity

	Share capital		Share premium		Profit/ (Accumulated deficit)	Profit/ (Accumulated deficit)	Total share capital	Total share capital
	LVL	EUR	LVL	EUR	LVL	EUR	LVL	EUR
<b>Balance as at 31 December 2010</b>	14 085 078	20 041 260	1 759 708	2 503 839	4 806 260	6 838 692	20 651 046	29 383 791
Profit for the reporting year	-	-	-	-	6 831 731	9 720 677	6 831 731	9 720 677
Paid dividends from profit	-	-	-	-	(352 127)	(501 032)	(352 127)	(501 032)
Exception of profit of the related enterprise	-	-	-	-	1 382	1 966	1 382	1 966
<b>Balance as at 31 December 2011</b>	14 085 078	20 041 260	1 759 708	2 503 839	11 287 246	16 060 304	27 132 032	38 605 403

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 December 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.

At the end of 2011 AS „Olainfarm” purchased 100% of shares of capital in several companies with an intention to create its own network of pharmacies in Latvia

While preparing consolidated financial reports according to International Financial Reporting Standards (IFRS), AS „Olainfarm” has to apply IFRS No.3 „Merger of Companies”. This Standard provides that AS „Olainfarm” has to:

- 1) identify assets and liabilities taken over as a result of a merger;
- 2) identify the intangible values purchased as a result of a merger;

According to IFRS No.3 the company may complete the accounting of a merger transaction within one year after completing the purchase.

At the time of submitting unaudited financial reports AS „Olainfarm” has not yet completed the accounting of merger of companies. This implies that if corrections due to mergers will be made to audited financial reports of AS „Olainfarm” according to IFRS No. 3, consolidated report as of December 31, 2011 can differ from this unaudited report.

#### **Foreign currency translation**

The functional and reporting currency of companies of the Group is the Lat (LVL). All transactions denominated in foreign currencies are converted into Lats at the Bank of Latvia rate of exchange prevailing on the day the transaction took place. Gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies are recognized in the statement of comprehensive income. At the year end foreign currency financial assets and liabilities are translated at the Bank of Latvia rate of exchange ruling at 31 December, and all associated exchange differences are dealt with through the statement of comprehensive income.

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

	<u>31/12/2011</u>	<u>31/12/2010</u>
EUR	0.702804	0.702804
USD	0.544	0.535

**3. Net sales**

<i>By business segments</i>	2011		2010	
	LVL	EUR	LVL	EUR
Finished form medicine	33 795 018	48 085 979	23 249 856	33 081 564
Chemicals	2 917 899	4 151 796	1 773 574	2 523 570
<b>TOTAL:</b>	<b>36 712 917</b>	<b>52 237 775</b>	<b>25 023 430</b>	<b>35 605 134</b>

<i>By geographical segments</i>	2011		2010	
	LVL	EUR	LVL	EUR
CIS	29 428 400	41 872 840	21 229 513	30 206 876
Latvia	3 020 419	4 297 670	1 628 455	2 317 082
Europe	2 590 060	3 685 323	1 382 248	1 966 762
Baltic states (Lithuania and Estonia)	605 239	861 177	399 118	567 894
Other	1 068 800	1 520 765	384 096	546 520
<b>TOTAL:</b>	<b>36 712 917</b>	<b>52 237 775</b>	<b>25 023 430</b>	<b>35 605 134</b>

**4. Other operating income**

	2011		2010	
	LVL	EUR	LVL	EUR
Income of wholesale trade	415 453	591 136	-	-
Cancellation of the calculated percent	254 957	362 771	-	-
Income of services in packing	73 687	104 848	75 711	107 727
Income of services*	63 415	90 232	68 412	97 342
Lease of premises	39 143	55 696	49 809	70 871
Gains from sale of non-current assets	33 430	47 567	6 766	9 628
Incomes from catering services	26 690	37 976	22 991	32 714
Sale of current assets	16 367	23 288	4 438	6 315
Income of transport services	13 639	19 407	-	-
Income of projects financed from European Union funds	8 767	12 474	-	-
Treatment of waste water	4 013	5 710	3 567	5 075
Royalty	1 087	1 546	21 047	29 948
Other operating income	61 278	87 191	4 499	6 402
<b>TOTAL:</b>	<b>1 011 928</b>	<b>1 439 843</b>	<b>257 241</b>	<b>366 020</b>

**5. Other operating expense**

	2011		2010	
	LVL	EUR	LVL	EUR
Marketing expense	9 240 343	13 147 824	6 027 383	8 576 194
Sales commissions	88 350	125 711	177 933	253 176
Transportation expense	136 082	193 627	110 547	157 294
Expert analysis of medicines	68 783	97 869	83 912	119 396
Other distribution costs	269 240	383 094	106 773	151 924
<i>Total distribution costs:</i>	9 802 798	13 948 125	6 506 548	9 257 984
Provisions for of intangible assets	900 000	1 280 585	(12 725)	(18 106)
Business trips	323 340	460 071	170 204	242 179
Car fleet maintenance	283 041	402 731	87 480	124 472
Write-offs of current assets	208 971	297 339	250 718	356 740
Security	204 286	290 673	201 334	286 472
Information and business consulting	150 513	214 161	236 717	336 818
Representation expense	132 968	189 196	174 909	248 873
Flowers and gifts	100 007	142 297	67 427	95 940
Expense of registration of products	87 806	124 937	8 700	12 379
Insurance	84 140	119 720	110 502	157 230
Social infrastructure	78 566	111 789	31 412	44 696
Communications expense	71 312	101 468	62 971	89 600
Other taxes	68 943	98 097	64 186	91 328
Write-offs and disposal of tangible assets	59 056	84 029	38 139	54 266
Education	56 592	80 523	41 005	58 344
Office expense	40 984	58 315	15 769	22 437
Donations	39 291	55 906	48 142	68 499
Bank charges	36 724	52 254	25 652	36 500
Provisions for impairment of tangible assets	31 949	45 459	30 909	43 980
Legal and audit expense	31 197	44 389	15 829	22 523
Hosting expense	25 086	35 694	16 177	23 017
Waste removal	22 930	32 626	13 870	19 735
Laboratory tests	21 590	30 720	25 824	36 744
Current repairs	20 569	29 267	69 094	98 312
Tax to natural resources	18 328	26 078	16 384	23 312
Administrative offices maintenance	14 051	19 993	10 557	15 021
New product research and development costs	12 005	17 082	67 195	95 611
Allowances to staff	10 183	14 489	5 100	7 257
Membership fees	4 777	6 797	10 786	15 348
Other operating expense	463 402	659 362	232 390	330 661
<b>TOTAL:</b>	<b>13 405 405</b>	<b>19 074 173</b>	<b>8 643 207</b>	<b>12 298 176</b>

**6. Financial income**

	2011		2010	
	LVL	EUR	LVL	EUR
Loan interest payments	52 131	74 176	22 980	32 698
Interest accrued on deposits and bank account balances	1 602	2 279	387	550
Currency exchange gain, net	-	-	123 782	176 125
<b>TOTAL:</b>	<b>53 733</b>	<b>76 455</b>	<b>147 148</b>	<b>209 373</b>

**7. Financial expense**

	2011		2010	
	LVL	EUR	LVL	EUR
Currency exchange loss, net	97 918	139 325	-	-
Loan interest expenses	83 021	118 128	219 827	312 785
Penalties paid for late payments	12 461	17 730	58 904	83 813
The saved up percent on promissory notes	-	-	73 592	-
The saved up percent on the rests on bank accounts	-	-	767	1 091
<b>TOTAL:</b>	<b>193 400</b>	<b>275 183</b>	<b>353 090</b>	<b>502 400</b>

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

	2011		2010	
	LVL	EUR	LVL	EUR
Wages and salaries	5 901 263	8 396 740	4 940 023	7 029 019
Statutory social insurance contributions	1 675 458	2 383 962	1 127 228	1 603 901
<b>TOTAL:</b>	<b>7 576 721</b>	<b>10 780 702</b>	<b>6 067 251</b>	<b>8 632 920</b>

	31/12/2011	31/12/2010
Average number of employees during the reporting year	881	754

## 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		2010	
	LVL	EUR	LVL	EUR
Net result attributable to shareholders	6 831 731	9 720 677	3 539 450	5 036 184
Weighted average number of ordinary shares	14 085 078	14 085 078	14 085 078	14 085 078
<b>Earnings per share</b>	<b>0.485</b>	<b>0.690</b>	<b>0.251</b>	<b>0.358</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 31/12/2009</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>
Additions	-	-	7 255	10 323	143 319	203 925	150 574	214 248
2010 Reclassification	-	-	(12 915)	(18 376)	(66 249)	(94 264)	(79 164)	(112 640)
Disposals	-	-	-	-	(424 415)	(603 888)	(424 415)	(603 888)
<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>
Additions	4 729 956	6 730 121	51 657	73 501	343 201	488 330	5 124 814	7 291 953
2011 Reclassification	-	-	(900 000)	(1 280 585)	-	-	(900 000)	(1 280 585)
Disposals	(503 930)	(717 028)	(3 359 531)	(4 780 182)	(95 839)	(136 366)	(3 959 300)	(5 633 576)
<b>Acquisition value as at 31/12/2011</b>	<b>4 729 956</b>	<b>6 730 121</b>	<b>2 014 915</b>	<b>2 866 966</b>	<b>1 085 285</b>	<b>1 544 221</b>	<b>7 830 156</b>	<b>11 141 308</b>
<b>Accumulated amortisation as at 31/12/2009</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>
Amortisation	-	-	156 788	223 089	198 984	283 129	355 772	506 218
2010 Reclassification	-	-	-	-	(60 811)	(86 526)	(60 811)	(86 526)
Amortisation of disposals	-	-	-	-	(364 517)	(518 661)	(364 517)	(518 661)
<b>Accumulated amortisation as at 31/12/2010</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>
Amortisation	-	-	156 819	223 132	164 588	234 188	321 407	457 320
2011 Reclassification	-	-	-	-	-	-	-	-
Amortisation of disposals	-	-	-	-	(82 699)	(117 670)	(82 699)	(117 670)
<b>Accumulated amortisation as at 31/12/2011</b>	-	-	<b>618 388</b>	<b>879 887</b>	<b>402 879</b>	<b>573 245</b>	<b>1 021 267</b>	<b>1 453 131</b>
<b>Net carrying amount as at 31/12/2011</b>	<b>4 729 956</b>	<b>6 730 121</b>	<b>1 396 527</b>	<b>1 987 079</b>	<b>682 406</b>	<b>970 976</b>	<b>6 808 889</b>	<b>9 688 176</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 31/12/2009</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	-	26 805	614 485	302 984	146 906	1 091 180
Liquidation	-	(178 707)	(63 708)	(97 337)	(15 019)	(354 771)
2010			(23 118)			
Reversed impairment	-	-	4 050	-	-	4 050
Reclassification*	-	200 736	-	-	(200 736)	-
Reclassification**	-	-	(1 390 034)	1 426 032	-	35 998
<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	25 020	334 052	1 108 182	660 030	1 745 904	3 873 188
2011					-	
Liquidation	-	(174 298)	(110 882)	(214 890)	(4 858)	(504 928)
Reclassification of reversed impairment	-	-	(5 546)	5 546	-	-
Reclassification	-	912 625	9 100	(8 026)	(913 699)	-
Reversed impairment	-	-	954	-	-	954
<b>Acquisition value as at 31/12/2011</b>	<b>109 826</b>	<b>14 142 118</b>	<b>12 402 817</b>	<b>2 675 592</b>	<b>840 982</b>	<b>30 171 335</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>
Depreciation	-	517 531	693 704	287 220	-	1 498 455
2010						
Depreciation of disposals	-	(161 865)	(57 219)	(83 816)	-	(302 900)
Reclassification**	-	-	(475)	(574)	-	17 640
<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	-	593 708	763 110	480 671	-	1 837 489
Depreciation of disposals	-	(144 570)	(107 107)	(186 482)	-	(438 159)
<b>Accumulated depreciation as at 31/12/2011</b>	<b>-</b>	<b>7 407 097</b>	<b>9 764 988</b>	<b>1 856 721</b>	<b>-</b>	<b>19 028 806</b>
<b>Net carrying amount as at 31/12/2011</b>	<b>109 826</b>	<b>6 735 021</b>	<b>2 637 829</b>	<b>818 871</b>	<b>840 982</b>	<b>11 142 529</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 31/12/2009</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>
Additions	-	38 140	874 333	431 107	209 028	1 552 609
Liquidation	-	(254 277)	(90 648)	(138 498)	(21 370)	(504 793)
2010			(32 894)			
Reversed impairment	-	-	5 762	-	-	5 762
Reclassification*	-	285 622	-	-	(285 622)	-
Reclassification**	-	-	(1 977 840)	2 029 061	-	51 221
<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>19 400</b>	<b>38 053 794</b>
Additions	35 600	475 313	1 576 801	939 138	2 484 198	5 511 050
2011						
Liquidation	-	(248 004)	(157 771)	(305 761)	(6 912)	(718 448)
Reclassification of reversed impairment	-	-	(7 891)	7 891	-	-
Reclassification	-	1 298 548	12 948	(11 420)	(1 300 077)	-
Reversed impairment	-	-	1 358	-	-	1 358
<b>Acquisition value as at 31/12/2011</b>	<b>156 268</b>	<b>20 122 421</b>	<b>17 647 619</b>	<b>3 807 025</b>	<b>1 196 609</b>	<b>42 929 941</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>23 359 769</b>
2010						
Depreciation	-	736 380	987 052	408 678	-	2 132 109
Depreciation of disposals	-	(230 313)	(81 415)	(119 259)	-	(430 988)
Reclassification**	-	-	(676)	(817)	-	25 099
<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	-	844 770	1 085 808	683 933	-	2 614 511
Depreciation of disposals	-	(205 704)	(152 400)	(265 340)	-	(623 445)
<b>Accumulated depreciation as at 31/12/2011</b>	<b>-</b>	<b>10 539 348</b>	<b>13 894 326</b>	<b>2 641 876</b>	<b>-</b>	<b>27 075 550</b>
<b>Net carrying amount as at 31/12/2011</b>	<b>156 268</b>	<b>9 583 072</b>	<b>3 753 293</b>	<b>1 165 149</b>	<b>1 196 609</b>	<b>15 854 391</b>

There is a difference 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 which was disclosed in the income statement as other operating expense and depreciation expenses included in other operating expense.

**12. Trade receivables**

	31.12.2011.		31.12.2010.	
	LVL	EUR	LVL	EUR
Trade receivables	11 706 362	16 656 653	7 796 503	11 093 424
Allowances for doubtful trade receivables	(131 115)	(186 560)	(131 115)	(186 560)
<b>TOTAL:</b>	<b>11 575 247</b>	<b>16 470 093</b>	<b>7 665 387</b>	<b>10 906 863</b>

**13. Cash and short term deposits**

	31.12.2011.		31.12.2010.	
	LVL	EUR	LVL	EUR
Cash at banks and on hand	1 524 993	2 169 870	494 495	703 603
	<b>1 524 993</b>	<b>2 169 870</b>	<b>494 495</b>	<b>703 603</b>

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

**14. Share capital**

The share capital of the Parent Company on 31/12/2011 is LVL 14 085 078 (31/12/2010: LVL 14 085 078) and consists of 14 085 078 (31/12/2010: 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.

**15. Loans from credit institutions**

<i>Non-current:</i>	Amount	Interest rate (%) as at 31/12/ 2011	Maturity	31.12.2011.	31.12.2011.	31.12.2010.	31.12.2010.
				Ls	EUR	Ls	EUR
Loan from AS SEB banka	4 800 000	EUR (3-month)+1.2%	01.11.2014	3 212 818	4 571 429	-	-
Loan from AS SEB banka	7 011 574	EUR (3-month)+1.2%	29.09.2014	2 144 606	3 051 499	3 459 918	4 923 020
<b>TOTAL:</b>				<b>5 357 424</b>	<b>7 622 928</b>	<b>3 459 918</b>	<b>4 923 020</b>

<i>Current:</i>	Amount	Interest rate (%) as at 31/12/ 2011	Maturity	31.12.2011.	31.12.2011.	31.12.2010.	31.12.2010.
				Ls	EUR	Ls	EUR
Loan from AS SEB banka	4 800 000	EUR (3-month)+1.2%	01.11.2014	160 641	228 571	-	-
Loan from AS SEB banka	7 011 574	EUR (3-month)+1.2%	29.09.2014	1 258 152	1 790 189	1 258 152	1 790 189
Credit line from Nordea Banka	285 000	EUR (3-month)+1.2%	02.01.2012	199 115	283 315	-	-
<b>TOTAL:</b>				<b>1 617 908</b>	<b>2 302 076</b>	<b>1 258 152</b>	<b>1 790 189</b>



**16. Finance lease liabilities**

	31.12.2011.		31.12.2011.		31.12.2010.		31.12.2010.	
	LVL		EUR		LVL		EUR	
	Non-current	Current	Non-current	Current	Non-current	Current	Non-current	Current
Finance lease liabilities to SIA SEB Unifzings, EUR	34 526	3 904	49 125	5 555	36 890	75 770	52 490	107 811
Finance lease liabilities to SIA Hanza Lzings, EUR	1 526	4 411	2 172	6 276	-	-	-	-
<b>TOTAL:</b>	<b>36 052</b>	<b>8 315</b>	<b>51 297</b>	<b>11 831</b>	<b>36 890</b>	<b>75 770</b>	<b>52 490</b>	<b>107 811</b>

The interest rate on the finance leases ranges from 3.26% to 5.07%. 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.

**17. Trade and other payables**

	31.12.11		31.12.10	
	LVL	EUR	LVL	EUR
Trade and other payables	3 651 549	5 195 686	1 075 358	1 530 096
Wages and salaries	397 250	565 236	280 387	398 955
Liability for long term investment	-	-	2 453 050	3 490 376
Other paybles	23 599	33 578	-	-
<b>TOTAL:</b>	<b>4 072 398</b>	<b>5 794 500</b>	<b>3 808 795</b>	<b>5 419 427</b>