

JOINT STOCK COMPANY OLAINFARM
(UNIFIED REGISTRATION NUMBER 40003007246)
CONSOLIDATED ANNUAL REPORT
FOR THE PERIOD ENDED 31 MARCH 2012

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

Olaine, 2012

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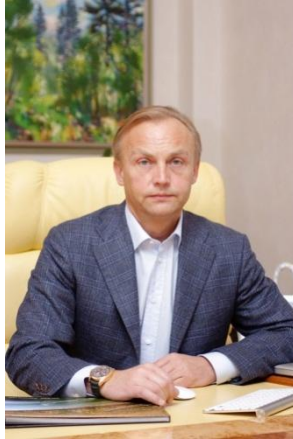
General information

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% AS Swedbank Clients Account – 12.64%

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%)
SIA Olalex (50%)

Number of shares of AS Olainfarm owned (as of March 31, 2012):

- 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 March 31,2012): 0

Inga Liščika



Inga Liscika 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 has 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

SIA Olalex, Board Member

Participation in other companies: none

Number of shares of AS Olainfarm owned (as of March 31, 2012): 1 302

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 March 31, 2012): 83 653

Veranika Dubickaya



Veronika Dubicka (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 March 31, 2012): 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.

Valentina Andreeva

Valentina Andreeva, the chairman of the council

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

Number of shares of AS Olainfarm owned (as of March 31, 2012): 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 March 31, 2012): 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 Reesus (30%).

SIA Briz (10.96%)

Number of shares of AS Olainfarm owned (as of March 31, 2012): 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 March 31, 2012): 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: SIA Louvre, Board Member

Participation in other companies: SIA Louvre (50%)

Number of shares of AS Olainfarm owned (as of March 31, 2012): 0

Movements in the Board during the year
1 January 2012 through 31 March 2012 none

Movements in the Council during the year
1 January 2012 through 31 March 2012 none

Subsidiaries

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%)

Dzirnavu iela 93-27, Rīga, LV-1011, from 11/08/2010

SIA JUKO 99 (100%)

Celmu iela 3, Rīga, LV-1079, from 28/10/2011

SIA Ilmas Aptieka (100%)

Krišjāņa Barona iela 117, Rīga, LV-1012, from 02/11/2011

SIA Veritas-Farm (100%)

Valkas iela 2a, Daugavpils, LV-5417, from 06/12/2011

AS Lege Artis Rīga (100%)

Rūpnīcu iela 5, Olaine, LV-2114, from 01/12/2011

SIA First Class Lounge (51%)

Baznīcas iela 20/22-10, Rīga, LV-1010, from 08/12/2011

SIA Inula Farma (100%)

Nīcgales iela 47A, Rīga, LV-1035, from 21/12/2011

SIA Vita Plus Aptieka (100%)

Dārza iela 6, Priekule, Priekule nov., LV-4126, from 22/12/2011

SIA Teriaks Pļaviņu aptieka (100%)

Odzienas iela 1, Priekule, Priekule nov., LV-5120, from 09/02/2012

“OLAINFARM ILJAČ VE TIBBI URJUNLERI SANAJI VE TIDŽARET LIMITED ŠIRKETI” (99%)

Kırbis Şehitleri. Džadesi Nr.134/1, Daire: 204, Alsandžaka /IZMIRA, Turcija.

Core business activity

Manufacture of basic pharmaceutical products and pharmaceutical preparations

Audit Committee

Žanna Karaseva

Financial year

1 January – 31 March 2012

Auditors

Iveta Vimba
Member of the Board
Latvian Certified Auditor
Certificate No. 153.SIA Ernst & Young Baltic
Muitas iela 1A, Riga
Latvia, LV-1010
Licence No. 17

Company does not have any other contractual relationships either with its auditor or auditing company.

Major shareholders

	Holding (%)
Swedbank AS Clients Account Formerly AS Swedbank	12.64%
Olmafarm, SIA	42.56%
V.Maligins	29.24%
Other shareholders	<u>15.56%</u>
Total	100.00%

MANAGEMENT REPORT

General information

During the reporting period changes have been made to the composition of the Concern and it now consists from parent company a/s „Olainfarm”, its daughter companies SIA „Ozols JRD”, whose major activities will be related to organizing sports and active leisure events in Olaine, daughter company „Olainfarm Enerģija”, that will be engaged in production of electric energy using cogeneration technologies, travel agency „First Class Lounge” and pharmaceutical retail companies SIA „Ilmas Aptieka”, SIA „Juko 99”, SIA „Veritas Farm”, SIA „Inula Farma”, a/s „Lege Artis” and SIA „Vita Plus”. In February 2012, shares in SIA „Teriaks Pļaviņu Aptieka” were also purchased.

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.

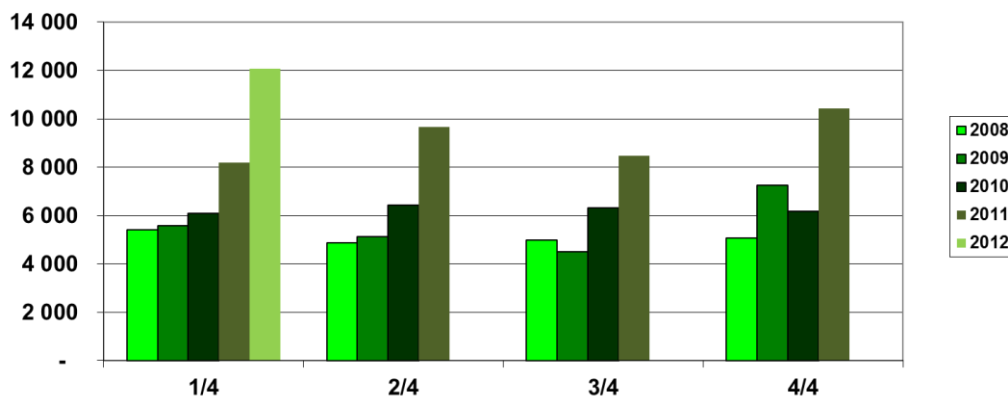
Corporate vision:

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.

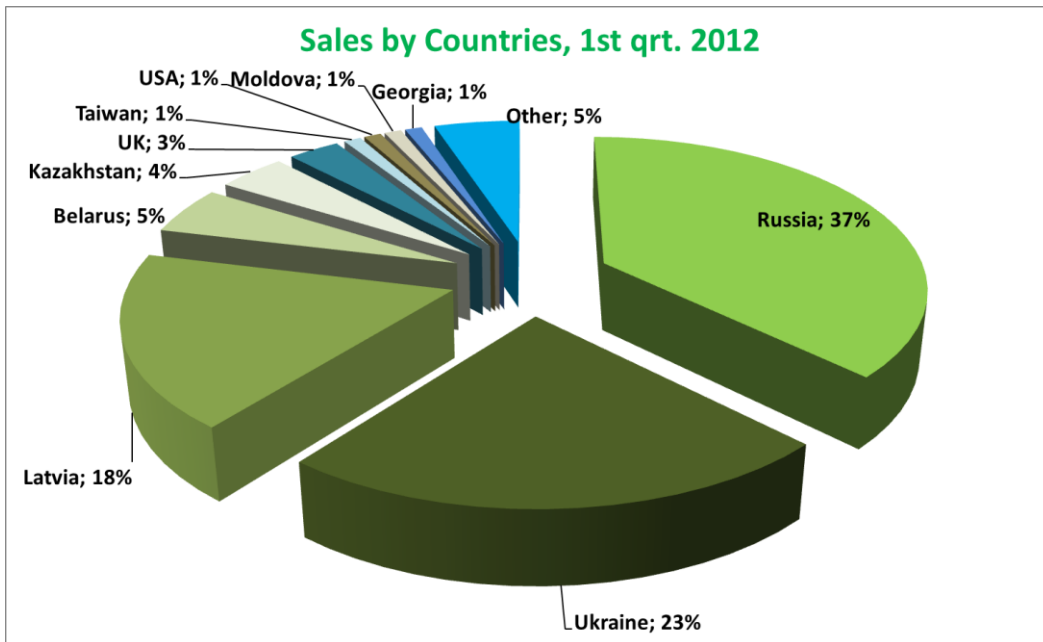
Financial results

During the first quarter of 2012 sales volume of the Company experiences yet another rapid increase and exceeded 12 million lats (17 million euros), which is an increase by 48% compared to 1st quarter of 2011 and is another best quarter so far.

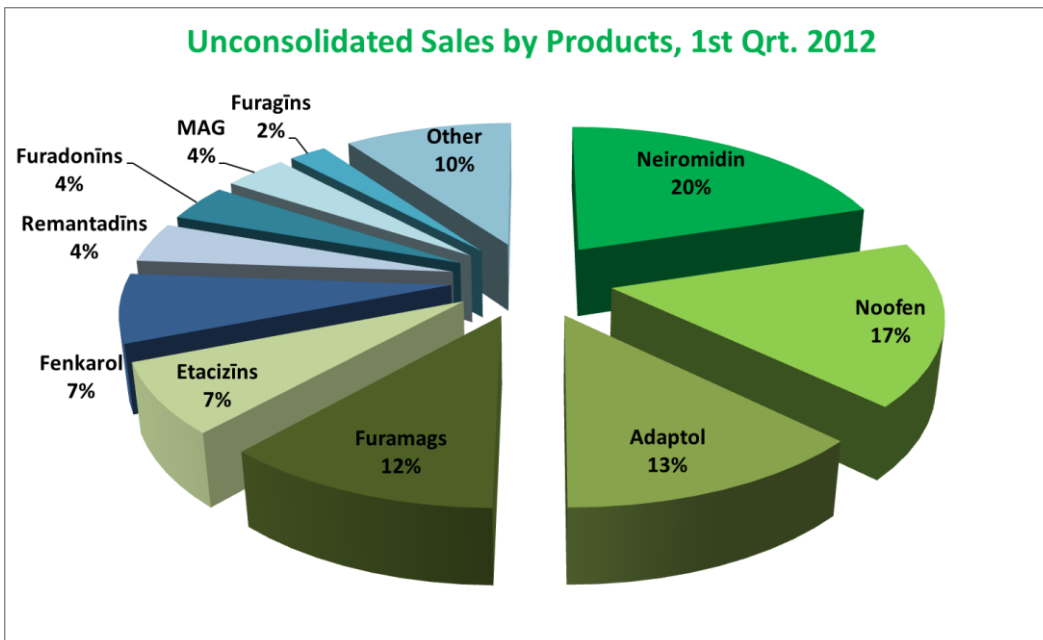
Sales by Quarters, Thsnd. LVL



During 1st quarter of 2012 sales continued increasing to all key markets except Belarus. The most rapid sales increases were achieved to USA, where sales grew 267 times, Taiwan 13 times, Latvia more than fourfold, Georgia more than threefold, and Ukraine where sales grew by 81%. Major sales markets of AS "Olainfarm" in three months of 2012 were Russia, Ukraine, Latvia, Belarus, Kazakhstan and the UK.

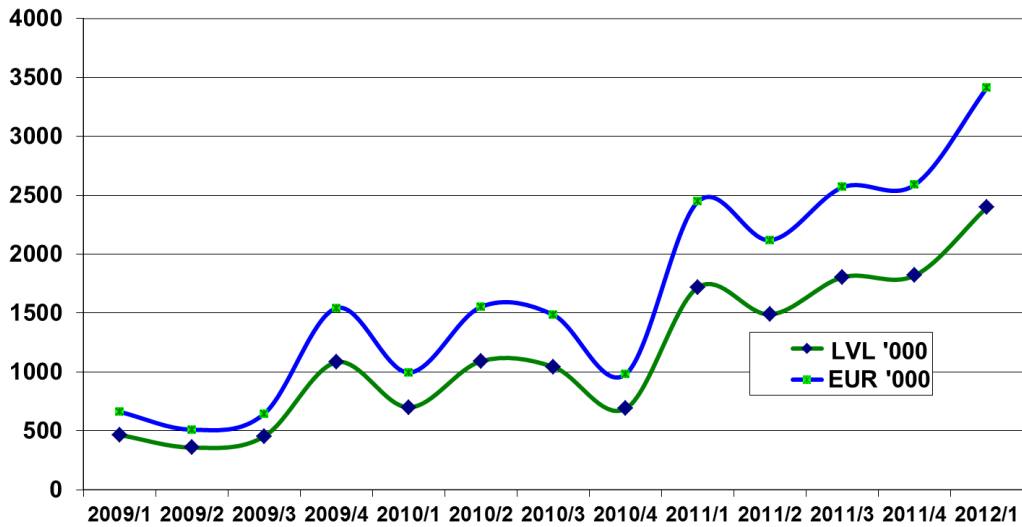


As total sales increased during 1st quarter of 2012, share of bestselling product Neiromidin® in total turnover dropped from 24% to 20%. Sales breakdown remains well diversified, as 10 bestselling products make up 90% of total sales. No major changes have occurred to product mix in sales, except for decrease of share of Neiromidin® and increase of share of Noofen® to 17%.



The rapid increase in sales has also impacted the profitability of the company. In first quarter of 2012 it has reached 2.4 million lats (3.4 mill. euro), which is by 40% more than the net profit made during 1st quarter of 2011. This has so far been yet another most profitable quarter in corporate history.

Profit by Quarters



Other financial indicators have experienced similar improvements

Financial indicator	31.03.2012.	31.03.2011.	% to previous period
Sales (LVL)	12 061 690	8 177 235	148%
Net profit (LVL)	2 400 481	1 719 093	140%
EBITDA (LVL)	3 111 269	2 502 936	124%
EBIT (LVL)	2 611 855	2 032 474	129%
Sales (EUR)	17 162 239	11 635 157	148%
Net profit (EUR)	3 415 577	2 446 049	140%
EBITDA (EUR)	4 426 937	3 561 357	124%
EBIT (EUR)	3 716 335	2 891 950	129%
EBITDA margin, %	26	31	
Net margin, %	20	21	
EBIT margin, %	22	25	
Profit, last 12 months (LVL)	7 595 439	4 560 660	166%
Profit, last 12 months (EUR)	10 807 336	6 489 235	166%

Financial indicator	31.03.2012.	31.03.2011.	% to previous period
EBITDA, last 12 months (LVL)	10 963 158	7 533 486	146%
EBITDA, last 12 months (EUR)	15 599 168	10 719 185	146%
ROA, % (last 12 months)	17,3	13,4	
ROE, % (last. 12 months)	25,6	20,4	
Current ratio	3,1	3,9	
EPS, LVL (quarter)	0,17	0,122	140%
EPS, EUR (quarter)	0,242	0,174	140%
Share price, end of the period (LVL)	2,88	2,19	132%
Share price, end of the period (EUR)	4,098	3,12	132%
P/E, last 12 months	5,3	6,8	
Market capitalisation at the end of the period (LVL)	40 565 024	30 846 321	132%
Market capitalisation at the end of the period (EUR)	57 718 830	43 890 360	132%
P/B	1,37	1,38	

Annual meeting of shareholders of A/s "Olainfarm" held on April 27, 2012 approved operign plan of the Concern. According to it, sales of the Concern in 2012 are planned to be 48 million lats (68.3 million euros), but the net profit will reach 8.6 million lats (12.24 million euros). According to this unaudited report for 1st quarter of 2012, during the first three months 25.1% of annual sales target and 28% of annual profit target is met.

Shares and stock market

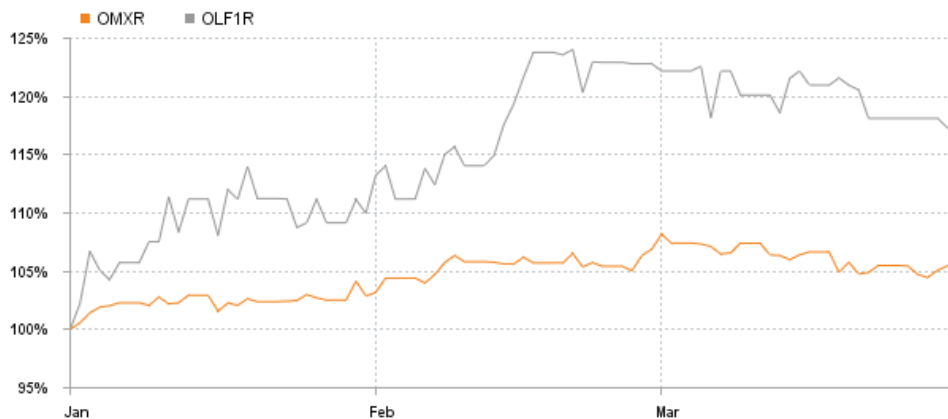
Rapid improvement of Company's financial indicators over the last three years are reflected in fluctuations of price of Company's shares on NASDAQ OMX Riga, as during this period the price of share increased by more than 1150%. During the reporting period after approximately six months period price of share again exceeded 3 lats (4.27 euros). At the time of preparation of this report the share price fluctuates at the level of 3.05 lats (4.34 euros). During the first quarter of 2012 price of share of a/s "Olainfarm" has been fluctuating between 2.495 and 3.045 lats (3.55 and 4.333 euros).

Price of shares of "Olainfarm" on NASDAQ OMX Riga (LVL) (April 2009 – March 2012)



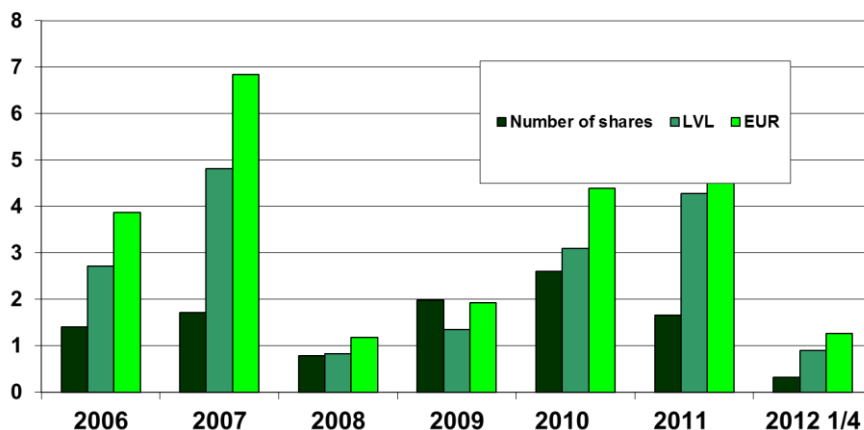
During the first quarter of this year price of share of a/s "Olainfarm" increased significantly more than OMX Riga index. During these three months OMX Riga index increased by 5.46%, while price for share of "Olainfarm" by 17.31%.

Rebased price of Olainfarm share vs. rebased OMX Riga index (1st quarter of 2012)



-- OMX Riga

Trading of Shares on NASDAQ OMX Riga, mln.



-- AS "Olainfarm"

Number of traded shares during the 1st quarter of 2012 compared to similar period of the last year has increased by nearly 50% to 318 thousand shares for the total value of almost 900 thousand lats.

Development

During the first quarter of 2012 16 registration cases have been completed in 6 different countries. The strongest emphasis was put on registration of products in Central Asian countries of the CIS.

Environment

In order to further minimize possible environmental damage risk, in 1st quarter of 2012 the company stopped using carcinogenic benzene in its production. According to the requirements of REACH directive, use of benzene in industrial production will be significantly limited in the nearest future throughout European Union.

Social responsibility

Since 2011 the Company has started supporting SOS Children village in region of Olaine. This year the company will support provision of psychological assistance for families affected crisis.

Events after the end of the reporting period

On April 27, 2012, Annual General Meeting of shareholders of the Company decided to pay dividends for a second consecutive year. The decision was made to pay 867 793.50 lats (1 234 758.91 euro) in dividends, which represents approximately 12.5% of the net profit made in 2011. 6.16 santims (8.76 euro cents) per share will be paid. August 3rd, 2012 was set as a record date and August 8th, 2012 was set to be the payment date.

Also, AGM decided to elect new Supervisory Council. New members of the Council are: Valentina Andrejeva, Elena Dudko, Aleksandrs Raicis, Volodimirs Krivozubovs and Talis Talents.

After the end of the reporting period an agreement has been reached, according to which beginning with April 12, 2012 bank Finasta will provide liquidity for company's shares on Nasdaq OMX Riga. According to the agreement Finasta will constantly ensure supply and demand for shares worth 2000 lats, with a spread of 4%.

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


Valerijs Māligins
Chairman of the Board
(President)


31 May 2012

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:


Valerijs Maligins
Chairman of the Board
(President)


31 May 2012

Statement of consolidated comprehensive income

	Notes	2012 I. quarter LVL	2012 I. quarter EUR	2011 I. quarter LVL	2011 I. quarter EUR
Net sales	3	12 061 690	17 162 239	8 177 235	11 635 157
Changes in stock of finished goods and work in progress		111 287	158 347	(415 359)	(591 002)
Other operating income	4	294 872	419 565	82 987	118 079
Cost of materials:					
<i>raw materials and consumables</i>		(2 367 059)	(3 368 022)	(836 238)	(1 189 859)
<i>other external costs</i>		(777 939)	(1 106 907)	(654 747)	(931 621)
		(3 144 998)	(4 474 929)	(1 490 985)	(2 121 480)
Staff costs:					
<i>Wages and salaries</i>	8	(1 791 146)	(2 548 571)	(1 250 367)	(1 779 112)
<i>Statutory social insurance contributions</i>	8	(427 219)	(607 878)	(285 649)	(406 442)
		(2 218 365)	(3 156 449)	(1 536 016)	(2 185 554)
Depreciation/ amortization	10,11.	(518 465)	(737 709)	(470 462)	(669 407)
Other operating expense	5	(3 974 166)	(5 654 729)	(2 314 926)	(3 293 843)
Financial income	6	272 990	388 430	9 570	13 617
Financial expense	7	(60 764)	(86 459)	(77 317)	(110 012)
(Loss)/ profit before taxes		2 824 081	4 018 305	1 964 727	2 795 555
Corporate income tax		(423 600)	(602 728)	(245 634)	(349 506)
(Loss)/ profit for the reporting year		2 400 481	3 415 577	1 719 093	2 446 049
Basic and diluted earnings per share	9	0.170	0.242	0.122	0.174

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

For the Board of JSC Olainfarm:


 Valerijs Maligins
 Chairman of the Board
 (President)


31 May 2012

Consolidated statement of financial position

	Notes	ASSETS			
		31.03.2012	31.03.2012	31.03.2011	31.03.2011
		LVL	EUR	LVL	EUR
NON-CURRENT ASSETS					
Intangible assets					
Goodwill	10	1 473 566	2 096 696	503 930	717 028
Patents	10	1 359 228	1 934 006	5 723 757	8 144 172
	10	3 980 000	5 663 030	-	-
Other intangible assets	10	646 883	920 432	516 207	734 496
Prepayments for intangible assets		197 002	280 309	307 147	437 031
TOTAL		7 656 679	10 894 473	7 051 041	10 032 727
Property, plant and equipment					
Land, buildings and constructions	11	7 002 069	9 963 047	6 008 751	8 549 682
Equipment and machinery	11	2 650 242	3 770 955	2 170 391	3 088 189
Other tangible assets	11	889 009	1 264 946	620 305	882 614
Construction in progress	11	1 082 356	1 540 054	63 174	89 889
Prepayments for property, plant and equipment		271 144	385 803	32 731	46 572
TOTAL		11 894 820	16 924 804	8 895 352	12 656 946
Financial assets					
Other securities and investments		7	10	-	-
Investments in related companies		1 000	1 423	1 650	2 347
Prepayments for investments		-	-	3 720	5 293
TOTAL		1 007	1 433	5 370	7 640
TOTAL NON-CURRENT ASSETS		19 552 506	27 820 710	15 951 763	22 697 313
CURRENT ASSETS					
Inventories					
Raw materials		1 343 395	1 911 479	1 065 292	1 515 774
Work in progress		3 753 836	5 341 227	4 065 149	5 784 186
Finished goods and goods for resale		2 597 384	3 695 744	1 401 305	1 993 878
Goods in transit		-	-	70 068	99 698
Prepayments for goods		91 362	129 996	149 416	212 600
TOTAL	12	7 785 977	11 078 447	6 751 230	9 606 136
Receivables					
Trade receivables	13	13 198 936	18 780 394	9 116 248	12 971 253
Receivables from related companies		243 219	346 069	162 282	230 907
Other receivables		848 166	1 206 831	363 459	517 155
Prepayments to suppliers		280 824	399 577	212 258	302 015
Current loans to management and employees		346 617	493 192	1 084 362	1 542 908
Prepaid expense		150 985	214 832	14 618	20 799
TOTAL		15 068 747	21 440 895	10 953 227	15 585 037
Cash	14	1 326 812	1 887 883	429 896	611 687
TOTAL CURRENT ASSETS		24 181 536	34 407 226	18 134 353	25 802 860
TOTAL ASSETS		43 734 042	62 227 936	34 086 116	48 500 173

For the Board of JSC Olainfarm:

31 May 2012


 Valerijs Maligins
 Chairman of the Board
 (President)


Consolidated statement of financial position

		EQUITY AND LIABILITIES				
		Notes	31.03.2012	31.03.2012	31.03.2011	31.03.2011
EQUITY			LVL	EUR	LVL	EUR
Share capital	15		14 085 078	20 041 260	14 085 078	20 041 260
Share premium			1 759 708	2 503 839	1 759 708	2 503 839
Retained earnings/ (accumulated deficit):						
brought forward			11 369 565	16 177 434	4 806 260	6 838 692
for the period			2 400 481	3 415 577	1 719 093	2 446 049
TOTAL EQUITY			29 614 832	42 138 110	22 370 139	31 829 840
Minority interest			370	526	-	-
LIABILITIES						
Non-current liabilities						
Loans from credit institutions	16		5 251 880	7 472 752	3 145 380	4 475 473
Long term payables for the long-term investment			-	-	2 453 050	3 490 376
Deferred corporate income tax liabilities			1 132 032	1 610 736	916 370	1 303 877
Other loans			-	-	540 237	768 687
Finance lease liabilities	17		2 291	3 260	23 586	33 560
TOTAL			6 386 203	9 086 748	7 078 623	10 071 973
Current liabilities						
Loans from credit institutions	16		1 729 274	2 460 535	1 258 152	1 790 189
Finance lease liabilities	17		27 477	39 096	66 239	94 249
Prepayments received from customers			71 017	101 048	87 412	124 376
Trade and other payables	20		3 880 543	5 521 515	1 289 998	1 835 502
Payables to related companies			178 809	254 422	282 104	401 398
Taxes payable	18		399 027	567 764	512 191	728 782
Corporate income tax	18		873 806	1 243 314	462 064	657 458
Accrued liabilities	19		572 683	814 854	679 194	966 406
TOTAL			7 732 636	11 002 550	4 637 354	6 598 360
TOTAL LIABILITIES			14 118 839	20 089 298	11 715 977	16 670 333
TOTAL EQUITY AND LIABILITIES			43 734 041	62 227 934	34 086 116	48 500 173

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

For the Board of JSC Olainfarm:


 Valerijs Māligins
 Chairman of the Board
 (President)


31 May 2012

Consolidated statement of cash flow

	2012 I quarter		2011 I quarter	
	LVL	EUR	LVL	EUR
Cash flows to/from operating activities				
(Loss)/ Profit before taxes	2 824 081	4 018 305	1 964 727	2 795 555
Adjustments for:				
Amortisation and depreciation	513 467	730 598	472 094	671 729
Loss on sale/ disposal of property, plant and equipment	1 552	2 208	(36 809)	(52 374)
Increase in allowances	(549)	(781)	-	-
Interest expenses	57 090	81 232	67 149	95 544
Interest receivable	(751)	(1 069)	(9 570)	(13 617)
Operating cash flows before working capital changes	3 394 890	4 830 493	2 457 591	3 496 837
Increase in inventories	(632 334)	(899 730)	8 874	12 627
(Increase)/ decrease in receivables and prepaid expense	(1 169 154)	(1 663 556)	(1 667 850)	(2 373 137)
Increase/ (decrease) in payables and prepayments received	(552 573)	(786 241)	(47 853)	(68 089)
Cash generated from operations	1 040 829	1 480 966	750 762	1 068 238
Interest paid	(57 090)	(81 232)	(48 751)	(69 366)
Corporate income tax paid	(182 199)	(259 246)	(95 759)	(136 253)
Net cash flows to/ from operating activities	801 540	1 140 489	606 252	862 619
Cash flows to/from investing activities				
Purchase of property, plant and equipment	(825 272)	(1 174 256)	(185 174)	(263 479)
Acquisition of subsidiary	(58 784)	(83 642)	-	-
Proceeds from sale of intangible assets and property, plant and equipment	245	349	48 395	68 860
Loans repaid	1 680	2 390	325	462
Interest receivable	597	849	120	171
Loans granted	(106 276)	(151 217)	(183 134)	(260 576)
Net cash flows to/from investing activities	(987 810)	(1 405 527)	(319 468)	(454 562)
Cash flows to/from financing activities				
Borrowings repaid	(341 790)	(486 323)	(351 383)	(499 973)
Proceeds from borrowings	329 475	468 801	-	-
Net cash flows to/from financing activities	(12 315)	(17 523)	(351 383)	(499 973)
Change in cash	(198 585)	(282 561)	(64 599)	(91 916)
Cash at the beginning of the year	1 525 397	2 170 444	494 495	703 603
Cash at the end of the year	1 326 812	1 887 883	429 896	611 687

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

Statement of consolidated changes in equity

	Share capital	Share capital	Share premium	Share premium	Retained earnings/ (Accumulated deficit)	Retained earnings/ (Accumulated deficit)	Total	Total
	LVL	EUR	LVL	EUR	LVL	EUR	LVL	EUR
Balance as at 31 March 2011	14 085 078	20 041 260	1 759 708	2 503 839	11 369 565	16 177 434	27 214 351	38 722 533
Loss for the reporting year	-	-	-	-	2 400 481	3 415 577	2 400 481	3 415 577
Balance as at 31 March 2011	14 085 078	20 041 260	1 759 708	2 503 839	13 770 046	19 593 011	29 614 832	42 138 110

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

Notes to the consolidated financial statements

1. Corporate information

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

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

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

These consolidated financial statements were approved by the Board on 31 May 2012

The Parent Company's shareholders have the power to amend the consolidated financial statements after the issue.

2. Summary of significant accounting policies

Basis of preparation

The consolidated financial statements have been prepared on a historical cost basis. The consolidated financial statements are presented in lats (LVL), the monetary unit of the Republic of Latvia.

The consolidated financial statements of JSC Olainfarm and all its subsidiaries have been prepared in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU.

Foreign currency translation

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

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

	<u>31/03/2012</u>	<u>31/03/2011</u>
<i>EUR</i>	0.702804	0.702804
<i>USD</i>	0,528	0,499
<i>RUB</i>	0,018	0,0176

3. Net sales

By business segments	2012 I. quarter		2011 I. quarter	
	LVL	EUR	LVL	EUR
Finished form medicine	9 591 894	13 648 036	7 445 884	10 594 539
Pharmacy retail	1 582 935	2 252 314	-	-
Chemicals	886 861	1 261 890	731 351	1 040 619
TOTAL:	12 061 690	17 162 239	8 177 235	11 635 157

By geographical segments	2012 I. quarter		2011 I. quarter	
	LVL	EUR	LVL	EUR
CIS	8 769 798	12 478 298	6 361 381	9 051 429
Latvia	2 224 177	3 164 719	524 434	746 203
Europe	522 335	743 216	746 219	1 061 774
Baltic states (Lithuania and Estonia)	119 511	170 049	160 765	228 748
Other	425 869	605 957	384 436	547 004
TOTAL:	12 061 690	17 162 239	8 177 235	11 635 157

4. Other operating income

	2012 I.quarter		2011 I.quarter	
	LVL	EUR	LVL	EUR
Income from tourism business	156 980	223 362	-	-
Income of projects financed from European Union funds	57 388	81 656		
Lease of premises	18 201	25 898	13 834	19 684
Income of services*	15 535	22 104	-	-
Income of services in packing	14 379	20 459	28 351	40 340
Incomes from catering services	9 523	13 550	6 051	8 610
Income of transport services	6 995	9 953	-	-
Sale of current assets	1 832	2 607	3 250	4 624
Treatment of waste water	811	1 154	693	986
Gains from sale of non-current assets	246	350	17 435	24 808
Royalty	-	-	1 087	1 547
Other operating income	12 982	18 472	12 285	17 480
TOTAL:	294 872	419 565	82 987	118 079

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

5. Other operating expense

	2012. I.cet.		2011. I.cet.	
	LVL	EUR	LVL	EUR
Marketing expense	2 768 110	3 938 665	1 685 192	2 397 812
Other distribution costs	108 815	154 830	41 189	58 607
Transportation expense	50 079	71 256	23 637	33 632
Sales commissions	10 582	15 057	27 488	39 112
Expert analysis of medicines	12 589	17 913	-	-
<i>Total distribution costs:</i>	<i>2 950 175</i>	<i>4 197 721</i>	<i>1 777 506</i>	<i>2 529 163</i>
	168 457	239 693	-	-
Write-offs of current assets	123 363	175 530	25 539	36 339
Business trips	105 716	150 420	50 544	71 918
Car fleet maintenance	89 694	127 622	23 435	33 345
Security	52 403	74 563	50 825	72 317
Information and business consulting	31 959	45 474	32 291	45 946
Representation expense	28 873	41 083	37 371	53 174
Insurance	30 138	42 883	21 930	31 204
New product research and development costs	24 698	35 142	20 444	29 089
Education	22 737	32 352	14 543	20 693
Office expense	21 050	29 951	13 307	18 934
Visas, invitations	18 769	26 706	-	-
Other taxes	37 841	53 843	17 448	24 826
Social infrastructure	18 258	25 979	19 445	27 668
Communications expense	20 550	29 240	17 588	25 025
Hosting expense	16 292	23 181	-	-
Legal and audit expense	16 356	23 272	-	-
Annual payment for medicines registered in LR	13 166	18 734	29 815	42 423
The shares quotations cost	11 762	16 736	-	-
Environmental costs	11 615	16 527	-	-
Laboratory tests	24 467	34 813	-	-
Current repairs	8 900	12 664	16 115	22 930
Write-offs and disposal of tangible assets	5 585	7 947	10 263	14 603
Other operating expense	121 342	172 653	136 517	194 246
TOTAL:	3 974 166	5 654 729	2 314 926	3 293 843

6. Financial income

	2012 I. quarter		2011 I. quarter	
	LVL	EUR	LVL	EUR
Currency exchange gain, net	272 239	387 361	-	-
Loan interest payments	692	985	9 540	13 575
Interest accrued on bank account balances	59	84	30	42
TOTAL:	272 990	388 430	9 570	13 617

7. Financial expense

	2012 I.quarter		2011 I.quarter	
	LVL	EUR	LVL	EUR
Loan interest expenses	57 091	81 233	67 147	95 542
Penalties paid for late payments	3 673	5 226	3 923	5 581
Currency exchange loss, net	-	-	6 246	8 887
TOTAL:	60 764	86 459	77 317	110 012

8. Staff costs and number of employees

	2012 I.quarter		2011 I.quarter	
	LVL	EUR	LVL	EUR
Wages and salaries	1 791 146	2 548 571	1 250 367	1 779 112
Statutory social insurance contributions	427 219	607 878	285 649	406 442
TOTAL:	2 218 365	3 156 449	1 536 016	2 185 554

	31/03/2012	31/03/2011
Average number of employees during the reporting year	1 019	772

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:

	2012 I.quarter		2011 I.quarter	
	LVL	EUR	LVL	EUR
Net result attributable to shareholders	2 400 481	3 415 577	1 719 093	2 446 049
Weighted average number of ordinary shares	14 085 078	14 085 078	14 085 078	14 085 078
Earnings per share	0.170	0.242	0.122	0.174

The Parent Company has no potential dilutive ordinary shares and therefore diluted earnings per share are the same as the basic earnings per share.

10. Intangible assets

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

	Goodwill		Goodwill		Production technologies*		Other intangible assets		TOTAL	
	LVL	EUR	LVL	EUR	LVL	EUR	LVL	EUR	LVL	EUR
Acquisition value as at 31/12/2011	1 417 186	2 016 474	3 980 000	5 663 030	2 940 990	4 184 652	1 000 098	1 423 010	9 338 274	13 287 166
Additions	-	-	-	-	9 856	14 024	94 667	134 698	104 523	148 723
2012										
I quarter Acquisition value as at 31/03/2012 of subsidiary	56 380	80 222	-	-	-	-	-	-	56 380	80 222
Disposals	-	-	-	-	-	-	(13 245)	(18 846)	(13 245)	(18 846)
Acquisition value as at 31/03/2012	1 473 566	2 096 696	3 980 000	5 663 030	2 950 846	4 198 676	1 081 520	1 538 863	9 485 932	13 497 264
Accumulated amortisation as at 31/12/2011	-	-	-	-	1 551 402	2 207 446	400 993	570 562	1 952 395	2 778 008
2012										
I quarter Amortisation	-	-	-	-	40 216	57 222	46 783	66 566	86 999	123 788
I quarter Amortisation of disposals	-	-	-	-	-	-	(13 139)	(18 695)	(13 139)	(18 695)
Accumulated amortisation as at 31/03/2012	-	-	-	-	1 591 618	2 264 668	434 637	618 433	2 026 255	2 883 101
Net carrying amount as at 31/12/2011	1 417 186	2 016 474	3 980 000	5 663 030	1 389 588	1 977 206	599 105	852 450	7 385 879	10 509 159
Net carrying amount as at 31/03/2012	1 473 566	2 096 696	3 980 000	5 663 030	1 359 228	1 934 007	646 883	920 432	7 459 677	10 614 164

11. Property, plant and equipment

LVL

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

	Land	Buildings and constructions	Equipment and machinery	Other tangible assets	Construction in progress	TOTAL
Acquisition value as at 31/12/2011	109 826	14 027 907	12 402 816	2 462 099	854 852	29 857 500
2012 I. quarter						
Additions	4 847	45 099	213 848	168 096	525 157	957 047
Acquisition value as at 31/03/2012 of of subsidiary	-	4 149	-	36	-	4 185
Liquidation	-	-	(76 566)	(17 672)	(1 172)	(95 410)
Reclassification	-	296 481	14 197	(14 197)	(296 481)	-
Acquisition value as at 31/03/2012	114 673	14 373 636	12 554 295	2 598 362	1 082 356	30 723 322
Accumulated depreciation as at 31/12/2011	-	7 341 828	9 764 987	1 650 048	-	18 756 863
2012 I. quarter						
Depreciation	-	144 229	201 821	91 001	-	437 051
Reclassification	-	183	13 292	(13 475)	-	-
Depreciation of disposals	-	-	(76 047)	(17 672)	-	(93 719)
Reversed impairment	-	-	-	(549)	-	(549)
Accumulated depreciation as at 31/03/2012	-	7 486 240	9 904 053	1 709 353	-	19 099 646
Net carrying amount as at 31/12/2011	109 826	6 686 079	2 637 829	812 051	854 852	11 100 637
Net carrying amount as at 31/03/2012	114 673	6 887 396	2 650 242	889 009	1 082 356	11 623 676

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

EUR

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

	Land	Buildings and constructions	Equipment and machinery	Other tangible assets	Construction in progress	TOTAL
Acquisition value as at 31/12/2011	156 268	19 959 913	17 647 617	3 503 251	1 216 345	42 483 395
2012 I. quarter						
Additions	6 897	64 170	304 278	239 179	747 231	1 361 755
Acquisition value as at 31/03/2012 of of subsidiary	-	5 903	-	51	-	5 955
Liquidation	-	-	(108 944)	(25 145)	(1 668)	(135 756)
Reclassification	-	421 854	20 201	(20 201)	(421 854)	-
Acquisition value as at 31/03/2012	163 165	20 451 841	17 863 152	3 697 136	1 540 054	43 715 348
Accumulated depreciation as at 31/12/2011	-	10 446 480	13 894 325	2 347 807	-	26 688 612
2012 I. quarter						
Depreciation	-	205 219	287 165	129 483	-	621 868
Reclassification	-	260	18 913	(19 173)	-	-
Depreciation of disposals	-	-	(108 205)	(25 145)	-	(133 350)
Reversed impairment	-	-	-	(781)	-	(781)
Accumulated depreciation as at 31/03/2012	-	10 651 960	14 092 198	2 432 190	-	27 176 348
Net carrying amount as at 31/12/2011	156 268	9 513 433	3 753 293	1 155 444	1 216 345	15 794 783
Net carrying amount as at 31/03/2012	163 165	9 799 882	3 770 955	1 264 945	1 540 054	16 539 000

There is a difference of LVL 5 585 between total depreciation and amortisation under the income statement and the total depreciation and amortisation stated in Notes 10 and 11. Difference is explained as depreciation of the property, plant and equipment in the cafe and the canteen – LVL 5 585 which was disclosed in the income statement as other operating .

12. Inventories

	31.03.2012		31.03.2011	
	LVL	EUR	LVL	EUR
Raw materials (at cost)	1 494 048	2 125 839	1 280 971	1 822 657
Work in progress (at cost)	4 017 691	5 716 659	4 247 984	6 044 337
Finished goods and goods for resale (at cost)*	2 886 637	4 107 314	1 720 896	2 448 614
Goods in transit	-	-	70 068	99 698
Prepayments for goods	91 362	129 996	149 416	212 600
TOTAL:	8 489 738	12 079 808	7 469 335	10 627 906
Allowances for raw materials	(150 654)	(214 361)	(215 679)	(306 883)
Allowances for work in progress	(263 854)	(375 430)	(182 835)	(260 151)
Allowances for finished goods and goods for resale	(289 253)	(411 570)	(319 591)	(454 736)
TOTAL:	(703 761)	(1 001 361)	(718 105)	(1 021 770)
TOTAL:	7 785 977	11 078 447	6 751 230	9 606 136

* As at 31 March 2012, the Group's inventories comprised goods on consignment in the amount of LVL 32 928 (31/03/2011: LVL 330 045).

13. Trade receivables

	31.03.2012		31.03.2011	
	LVL	EUR	LVL	EUR
Trade receivables	13 306 533	18 933 491	9 247 362	13 157 812
Allowances for doubtful trade receivables	(107 597)	(153 097)	(131 114)	(186 559)
TOTAL:	13 198 936	18 780 394	9 116 248	12 971 253

14. Cash and short term deposits

	31.03.2012		31.03.2011	
	LVL	EUR	LVL	EUR
Cash at banks and on hand	1 326 812	1 887 883	429 896	611 687
	1 326 812	1 887 883	429 896	611 687

Cash by currency profile:	31.03.2012		31.03.2011	
	Foreign	LVL	Foreign	LVL
RUB	27 833 246	500 998	752	13
LVL	-	477 754	-	111 395
EUR	253 451	178 127	355 812	250 066
USD	321 843	169 933	137 118	68 422
KOPĀ:	-	1 326 812	-	429 896

15. Share capital

The share capital of the Parent Company on 31/03/2012 is LVL 14 085 078 (31/03/2011: LVL 14 085 078) and consists of 14 085 078 (31/03/2011: 14 085 078) shares. The par value of each share is LVL 1.

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

16. Loans from credit institutions

<i>Non-current:</i>	Amount		Interest rate (%) as at 31/03/ 2012	Maturity	31.03.2012.	31.03.2012.	31.03.2011.	31.03.2011.
					Ls	EUR	Ls	EUR
Loan from AS SEB banka	4 800 000	EUR	EURIBOR (3-month)+1.2%	01.11.2014	3 364 652	4 787 469	-	-
Loan from AS SEB banka	7 011 574	EUR	EURIBOR (3-month)+1.2%	29.09.2014	1 887 228	2 685 283	3 145 380	4 475 473
TOTAL:					5 251 880	7 472 752	3 145 380	4 475 473

<i>Current:</i>	Amount		Interest rate (%) as at 31/03/ 2012	Maturity	31.03.2012.	31.03.2012.	31.03.2011.	31.03.2011.
					Ls	EUR	Ls	EUR
Loan from AS SEB banka	4 800 000	EUR	EURIBOR (3-month)+1.2%	01.11.2014	281 122	400 000	-	-
Loan from AS SEB banka	7 011 574	EUR	EURIBOR (3-month)+1.2%	29.09.2014	1 258 152	1 790 190	1 258 152	1 790 189
Credit line from AS SEB banka	200 000	LVL	REGIBOR (3-month)+1.2%	14.01.2013	190 000	270 346	-	-
TOTAL:					1 729 274	2 460 535	1 258 152	1 790 189

Interest payable is normally settled quarterly throughout the financial year.

* As at 31March 2012, all the non-current and current assets owned by the Parent Company were pledged as a security for the loan received. The pledge agreements are registered with the Commercial Pledge Registry.

17. Finance lease liabilities

	31.03.2012.		31.03.2012.		31.03.2011.		31.03.2011.	
	LVL		EUR		LVL		EUR	
	Non-current	Current	Non-current	Current	Non-current	Current	Non-current	Current
Finance lease liabilities to SIA SEB Unīzings, EUR	2 291	27 477	3 260	39 096	23 586	66 239	33 560	94 249
TOTAL:	2 291	27 477	3 260	39 096	23 586	66 239	33 560	94 249

The interest rate on the finance leases ranges from 2.92% to 4.73%. Interest rate is normally revised quarterly throughout the financial year. The net carrying amount of the property, plant and equipment held under finance lease is disclosed in Note 11.

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

	31.03.2012		31.03.2012		31.03.2011		31.03.2011	
	Minimum payments	Present value of payments	Minimum payments	Present value of payments	Minimum payments	Present value of payments	Minimum payments	Present value of payments
		LVL		EUR		LVL		EUR
	LVL	LVL	EUR	EUR	LVL	LVL	EUR	EUR
Within one year	28 069	27 477	39 939	39 096	68 964	66 239	98 127	94 250
Between one and five years	2 299	2 291	3 271	3 260	24 154	23 586	34 368	33 560
Total minimum lease payments	30 368	29 768	43 210	42 356	93 118	89 825	132 495	127 809
Less amounts representing finance charges	(600)	-	(854)	-	(3 293)	-	(4 686)	-
Present value of minimum lease payments	29 768	29 768	42 356	42 356	89 825	89 825	127 809	127 809

18. Taxes payable/ receivable

	31.03.2012.		31.03.2011.	
	LVL	EUR	LVL	EUR
Personal income tax	(131 795)	(187 527)	(171 121)	(243 483)
Statutory social insurance contributions	(239 901)	(341 348)	(323 494)	(460 291)
Real estate tax	(18 512)	(26 340)	(11 923)	(16 966)
Natural resource tax	(8 567)	(12 190)	(5 456)	(7 763)
Provisions for impairment of tangible assets	(252)	(359)	(196)	(279)
Corporate income tax	(873 806)	(1 243 314)	(462 064)	(657 458)
Value added tax	159 647	227 157	175 920	250 312
TOTAL:	(1 113 186)	(1 583 921)	(798 334)	(1 135 927)
Total liabilities:	(1 272 833)	(1 811 078)	(974 255)	(1 386 239)
Total assets:	159 647	227 157	175 920	250 312

19. Accrued liabilities

	31.03.2012		31.03.2011	
	LVL	EUR	LVL	EUR
Vacation pay reserve	376 687	535 977	341 164	485 433
Provision renovation works	94 772	134 848	-	-
Accruals for electricity and gas	78 446	111 619	79 745	113 468
Provisions for penalties related to taxes	-	-	14 317	20 371
Accrued interest for purchase of long term investment	-	-	199 764	284 238
Other accrued liabilities	22 778	32 410	44 204	62 897
TOTAL:	572 683	814 854	679 194	966 406

20. Trade and other payables

	31.03.2012		31.03.2011	
	LVL	EUR	LVL	EUR
Trade and other payables	3 393 453	4 828 448	971 342	1 382 095
Wages and salaries	474 320	674 897	312 462	444 594
Other payables	12 770	18 170	6 194	8 813
TOTAL:	3 880 543	5 521 515	1 289 998	1 835 502

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		Pharmacy wholesale		Chemicals		Pharmacy retail		Unallocated		Total	
	31.03.2012.	31.03.2011.	31.03.2012.	31.03.2011.	31.03.2012.	31.03.2011.	31.03.2012.	31.03.2011.	31.03.2012.	31.03.2011.	31.03.2012.	31.03.2011.
Assets												
Intangible assets	2 084 276	4 595 099	-	-	1 459 022	2 364 834	3 980 000	-	133 381	91 108	7 656 678	7 051 041
Tangible assets	6 624 402	3 453 799	2 629 155	288 115	-	1 527 867	899 138	11 894 820	8 895 352	899 138	11 894 820	8 895 352
Financial assets	-	-	-	-	-	1 007	5 370	1 007	5 370	5 370	1 007	5 370
Inventories	4 705 700	2 346 495	2 219 804	704 677	-	-	-	7 785 977	6 751 230	-	7 785 977	6 751 230
Receivables	12 555 785	244 666	3 507 372	122 848	-	1 866 276	286 038	15 068 747	10 953 227	286 038	15 068 747	10 953 227
Cash	-	-	-	168 956	-	1 157 856	429 896	1 326 812	429 896	429 896	1 326 812	429 896
Total assets	25 970 162	21 653 401	308 914	-	7 503 982	10 721 165	5 264 596	-	4 686 387	1 711 550	43 734 041	34 086 116
Equity and liabilities												
Total equity	-	-	-	-	-	-	-	-	29 614 832	22 370 139	29 614 832	22 370 139
Minority interest	-	-	-	-	-	-	-	-	370	-	370	-
Deferred income tax liability	-	-	-	-	-	-	618 161	-	513 871	916 370	1 132 032	916 370
Loans from credit institution	4 463 826	2 955 651	-	-	2 327 328	1 447 881	190 000	-	-	-	6 981 154	4 403 532
Other loans	16 376	422 898	-	-	8 538	207 164	4 854	-	-	-	29 768	630 062
Taxes payable	815 258	653 920	-	-	425 056	320 335	32 519	-	-	-	1 272 833	974 255
Prepayments received from customers	35 168	55 228	-	-	23 826	32 161	-	-	12 023	24	71 017	87 412
Trade payables	1 962 207	2 512 334	126 549	-	652 838	1 230 714	1 138 648	-	301	-	3 880 543	3 743 048
Payables to related companies	178 809	189 348	-	-	-	92 756	-	-	-	-	178 809	282 104
Accrued liabilities	-	-	-	-	-	-	50 458	-	522 225	679 194	572 683	679 194
Total equity and liabilities	7 471 644	6 789 379	126 549	-	3 437 586	3 331 011	2 034 640	-	30 663 622	23 965 727	43 734 041	34 086 116
Income statement												
Net turnover	9 395 624	7 445 884	196 271	-	886 860	731 351	1 582 935	-	-	-	12 061 690	8 177 235
Changes in stock of finished goods and work in progress	9 395 624	(278 789)	-	-	38 138	(136 570)	-	-	-	-	111 287	(415 359)
Other operating income	-	-	-	-	-	-	6 068	-	288 804	82 987	294 872	82 987
Cost of materials	(1 204 387)	(1 000 748)	-	-	(627 937)	(490 237)	(1 184 978)	-	(127 696)	-	(3 144 998)	(1 490 985)
Staff costs	(1 303 812)	(1 030 974)	(4 058)	-	(679 775)	(505 042)	(216 346)	-	(14 374)	-	(2 218 365)	(1 536 016)
Depreciation/ amortisation and write-offs	(300 913)	(315 774)	(45)	-	(156 889)	(154 688)	(3 090)	-	(57 528)	-	(518 465)	(470 462)
Other operating expense	(2 491 972)	(1 553 778)	-	-	(1 299 253)	(761 148)	(9 045)	-	(173 896)	-	(3 974 166)	(2 314 926)
Financial income	-	-	-	-	-	-	-	-	(60 764)	9 570	272 990	9 570
Financial expenses	-	-	-	-	-	-	-	-	(60 764)	(77 317)	(60 764)	(77 317)
Corporate income tax	-	-	-	-	-	-	-	-	(423 600)	(245 634)	(423 600)	(245 634)
Net profit/ (loss) for the year	4 167 689	3 265 820	192 168	-	(1 838 856)	(1 316 333)	175 544	-	(296 064)	(230 394)	2 400 481	1 719 093

21. Segment information (cont'd)

EUR

	Finished form medicine		Pharmacy wholesale		Chemicals		Pharmacy retail		Unallocated		Total	
	31.03.2012.	31.03.2011.	31.03.2012.	31.03.2011.	31.03.2012.	31.03.2011.	31.03.2012.	31.03.2011.	31.03.2012.	31.03.2011.	31.03.2012.	31.03.2011.
Assets												
Intangible assets	2 965 657	2 076 001	3 588 819	5 663 030	3 588 819	3 588 819	5 663 030	-	189 784	180 558	10 894 471	10 187 463
Tangible assets	9 425 674	4 914 314	5 548 331	4 099 951	4 914 314	5 548 331	4 099 951	-	2 173 959	1 270 055	16 924 804	13 710 258
Financial assets	-	-	-	-	-	-	-	-	1 433	6 454	1 433	6 454
Inventories	6 695 608	3 338 761	3 960 215	1 002 665	3 338 761	3 960 215	1 002 665	-	-	-	11 078 447	8 879 407
Receivables	17 865 273	348 128	433 538	174 797	348 128	433 538	174 797	-	2 655 472	1 112 087	21 440 896	11 203 818
Cash	-	-	-	240 403	-	-	240 403	-	1 647 481	53 425	1 887 883	53 425
Total assets	36 952 212	27 887 344	439 545	-	10 677 204	13 530 902	7 490 845	-	6 668 128	2 622 579	62 227 934	44 040 824
Equity and liabilities												
Total equity	-	-	-	-	-	-	-	-	42 138 110	25 340 606	42 138 110	25 340 606
Minority interest	-	-	-	-	-	-	-	-	526	-	526	-
Deferred income tax liability	-	-	-	-	-	-	879 564	-	731 173	1 194 770	1 610 736	1 194 770
Loans from credit institution	6 351 452	4 432 135	-	-	3 311 490	3 568 107	270 346	-	-	-	9 933 287	8 000 242
Other loans	23 301	624 130	-	-	12 149	502 457	6 907	-	-	-	42 356	1 126 587
Taxes payable	1 160 008	960 823	-	-	604 800	773 514	46 270	-	-	-	1 811 078	1 734 337
Prepayments received from customers	50 040	212	-	-	33 901	49 832	-	-	17 107	-	101 048	50 044
Trade payables	2 791 969	3 465 032	180 063	-	928 905	1 981 501	1 620 150	-	428	-	5 521 515	5 446 533
Payables to related companies	254 422	179 414	-	-	-	144 437	-	-	-	-	254 422	323 851
Accrued liabilities	-	-	-	-	-	-	71 795	-	743 059	823 854	814 854	823 854
Total equity and liabilities	10 631 191	9 661 745	180 063	-	4 891 244	7 019 849	2 895 032	-	43 630 403	27 359 230	62 227 934	44 040 824
Income statement												
Net turnover	13 368 769	7 747 702	279 269	-	1 261 888	933 842	2 252 314	-	-	-	17 162 239	8 681 544
Changes in stock of finished goods and work in progress	13 368 769	(242 398)	-	-	54 266	(195 143)	-	-	-	-	158 347	(437 540)
Other operating income	-	-	-	-	-	-	8 634	-	410 931	123 632	419 565	123 632
Cost of materials	(1 713 688)	(841 720)	-	-	(893 474)	(677 630)	(1 686 072)	-	(181 695)	-	(4 474 929)	(1 519 350)
Staff costs	(1 855 157)	(1 105 291)	(5 774)	-	(967 233)	(889 820)	(307 833)	-	(20 452)	-	(3 156 449)	(1 995 111)
Depreciation/ amortisation and write-offs	(428 161)	(335 771)	(64)	-	(223 233)	(270 314)	(4 397)	-	(81 855)	(37 739)	(737 709)	(643 824)
Other operating expense	(3 545 757)	(1 636 210)	-	-	(1 848 670)	(1 317 238)	(12 870)	-	(247 432)	(37 739)	(5 654 730)	(2 953 448)
Financial income	-	-	-	-	-	-	-	-	(86 459)	79 275	388 430	79 275
Financial expenses	-	-	-	-	-	-	-	-	(86 459)	(117 467)	(86 459)	(117 467)
Corporate income tax	-	-	-	-	-	-	-	-	(602 728)	(224 714)	(602 728)	(224 714)
Taxes	-	-	-	-	-	-	-	-	-	-	-	-
Net profit/ (loss) for the year	5 930 087	3 586 313	273 431	-	(2 616 457)	(2 416 302)	249 777	-	(421 261)	(177 012)	3 415 577	992 998

Segment assets do not include part of the intangible assets, tangible assets, inventories, receivables and financial assets and cash, as these assets are managed on a Group bases.

Segment liabilities do not include deferred tax liability and accrued liabilities, as these liabilities are managed on Group level.

Net profit for each operating segment does not include financial income and expenses and corporate income tax and deferred corporate income tax.

Geographic information

Major part of the Group assets (approx. 99%) is located in Latvia. For sales disclosed to external customers based on its geographical location, see Note 3.