JOINT STOCK COMPANY OLAINFARM

(UNIFIED REGISTRATION NUMBER 40003007246)

CONSOLIDATED NON-AUDITED SEMI ANNUAL REPORT FOR THE PERIOD ENDED 30 SEPTEMBER 2010

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

Olaine, 2010

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General information

Name of the Parent Company	OLAINFARM
Legal status of the Parent Company	JOINT STOCK COMPANY
Unified registration number, place and date of registration of the Parent Company	40003007246 Riga, 10 June 1991 (re-registered on 27 March 1997)
Registered office of the Parent Company	Rūpnīcu iela 5 Olaine, Latvia, LV-2114
Major shareholders of the Parent Company	SIA Olmafarm (42.56%) Rūpnīcu iela 5 Olaine, Latvia, LV-2114 HB-19 Investments Limited Company, Cyprus (26.17%)
Board	Valērijs Maligins, Chairman of the Board *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%) Jeļena Borcova, Board Member *Positions held in other companies:* SIA Carbochem, Board Member SIA „NKC", Board Member *Participation in other companies:* none Jurijs Kaplinovs *Positions held and participation in other companies:* none Inga Liščika *Positions held and participation in other companies:* SIA „Pharma and Chemistry Competence Centre of Latvia", Council Member *Participation in other companies:* none Salvis Lapiņš (appointed 09/03/2010) *Positions held in other companies:* none *Participation in other companies:* SIA „Baltic Team-Up" (50%)
Council	Eļena Dudko, Deputy Chairperson of the Council Positions held and participation in other companies: none

General information (cont'd)

Council	Helmuts Balderis-Sildedzis, Chairman of the Council *Positions held in other companies:* SIA HB-19, Board Member SIA Nordic Bio Energy, Board Member SIA EGRA trans, Board Member *Participation in other companies:* SIA HB-19 (100%) SIA Nordic Bio Energy (30.9%) SIA EGRA trans (25%) Aleksandrs Raicis *Positions held in other companies*: SIA BRIZ, Development Director *Participation in other companies*: SIA VIP Pharma (50%) SIA Recesus (30%) SIA Briz (10.96%) Volodimirs Krivozubovs *Positions held in other companies*: OOO Torgovije Tehnologii (Ukraine), General Director *Participation in other companies*: none Signe Baldere-Sildedze *Positions held in other companies*: SIA Louvre Commercial Director *Participation in other companies*: SIA Louvre (50%)
Movements in the Board during the period 1 January 2010 through 30 September 2010	Vjačeslavs Kuļikovs (died on 09/01/2010) *Positions held and participation in other companies:* none Salvis Lapiņš (appointed 09/03/2010) *Positions held in other companies:* none *Participation in other companies:* SIA „Baltic Team-Up" (50%)
Movements in the Council during the period 1 January 2010 through 30 September 2010	none
Subsidiaries	SIA „Reinolds" (100%) Dzegužu iela 1/2, Rīga, LV-1007, from 26/08/2008. SIA „Ozols JDR" (100%) Zeiferta iela 18B, Olaine, LV-2114, from 30/08/2010. SIA „Olainfarm enerģija" (50%) Rūpnīcu iela 5, Olaine, LV-2114, from 15/09/2010.
Core business activity	Manufacture of basic pharmaceutical products and pharmaceutical preparations
Audit Comittee	Žanna Karaseva

General information (cont'd)

Report period	1 January – 30 September 2010	
Auditors	Ivars Ragainis Certified auditor Certificate number 159	SIA Ernst & Young Baltic Muitas iela 1, Rīga Latvia, LV-1010 License number 17

Major shareholders

	Holding (%)
Swedbank AS Clients Account	5,42%
Olmafarm, SIA	42,56%
HB - 19 Investments Limited	26,17%
Other shareholders	25,85%
Total	100,00%

Management report

General information

During the reporting period changes have been made to the composition of the Group. Now it consists of a Parent Company JSC Olainfarm, its daughter company SIA Reinolds, which owns several patents related to new products, daughter company SIA "Ozols JRD", whose main activity will be to organize sports and active leisure activities in the town of Olaine, as well as daughter company "Olainfarm Enerģija", which will produce and sell electric energy, using cogeneration technologies.

The Group is one of the biggest pharmaceutical companies in Latvia with nearly 40 years of experience in production of medication and chemical and pharmaceutical products. A basic principle of Group's operations is to produce reliable and effective top quality products for Latvia and the rest of the world. Products made by the Group are being exported to more than 30 countries of the world, including the Baltics, Russia, other CIS, Europe, Asia, North America and Australia.

Corporate mission and vision

Corporate mission:

JSC „Olainfarm" is one of the biggest manufacturers of finished drug forms chemical products in the Baltics. The keystone of our work is manufacturing of reliable and effective high quality products to the whole world. We are about fair and effective cooperation with our customers – patients, doctors, pharmacists and other partners. In achievement of our goals we are creating a team of highly qualified, socially secured and well motivated employees. Our priority is organizing an environmentally friendly manufacturing and constant increase of the Company's shareholders value.

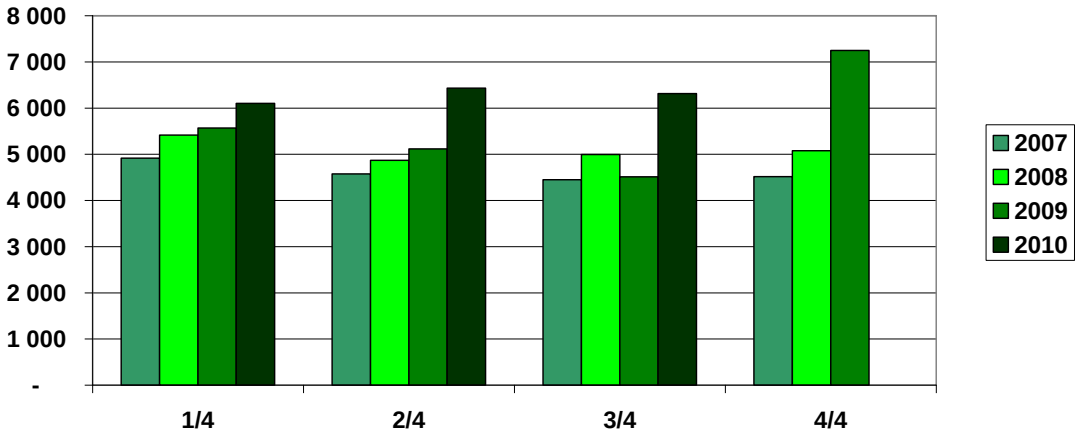
Corporate vision:

We are aiming to become the leading manufacturer of finished drug forms and chemical-pharmaceutical products in the Baltics and to make our products known and available worldwide.

Financial results

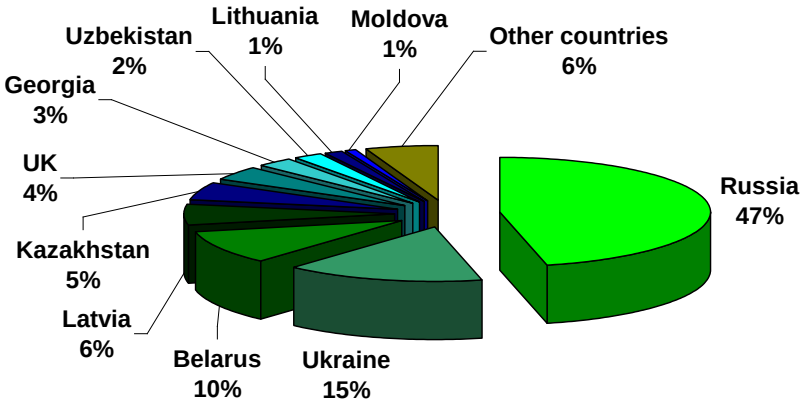
In 3rd quarter of 2010 rapid increase in company's sales continued. This has been yet another most successful third quarter ever, as the company as Company made sales of more than 6.3 million lats (9 million Euros), which is an increase of 40% compared to the sales of the 3rd quarter of 2009. In total in 9 months of 2010 Company's sales have increased by more than 24% compared to sales in 9 months of 2009.

Consolidated Sales by Quarters, thsnd LVL



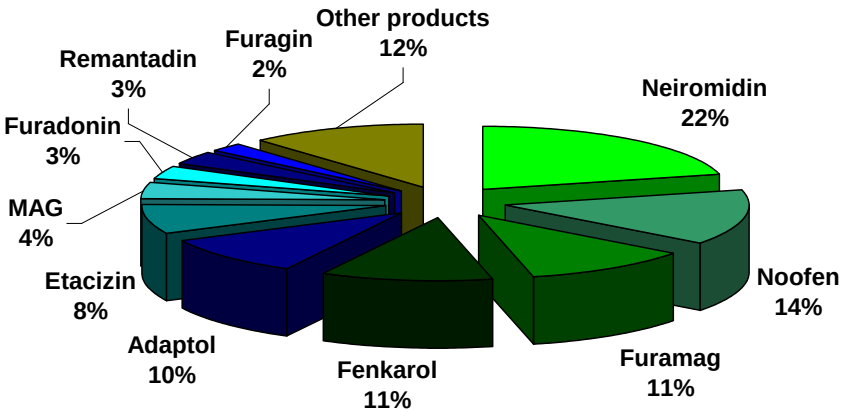
During the reporting period significant increases in sales continues in all key markets of Company, except Latvia. Sales to Uzbekistan grew by 154%, to Moldova by 92%, Belarus by 56%, Kazakhstan by 54%, Georgia by 33%, Russia by 30%, and Ukraine by 24%. Sales grew by 3% even in Lithuania where there was actually a decrease in sales in 6 months of 2010 compared to 6 months of 2009. Sales in Latvia are also gradually recovering, compared to the previous quarters of this year and Latvia has become the fourth biggest market for the Company, however, sales to Latvia are still much behind the levels of previous years.

Sales by Countries, 9 Months of 2010



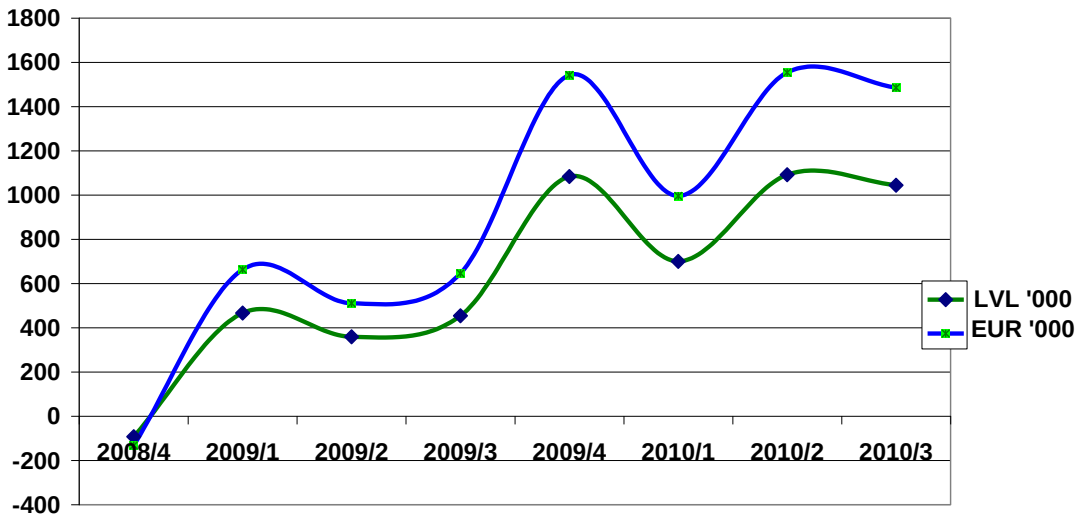
Product portfolio of "Olainfarm" still remains well diversified, however, the share of Neiromidin, the best sold product, in total sales of 9 months has increased to 9%, which still is far from critical level, but emphasizes the necessity to activate the promotion of other products more. Sales of other products increase rather equally and ten best sold products still do not make up more than 90% of total sales. Sales of six best sold products are additionally promoted. Two of previously announced new products are among twelve best sold and it is expected that in 2011 some of them will appear among 10 best sold products of the company.

Sales by Products, 9 Months of 2010



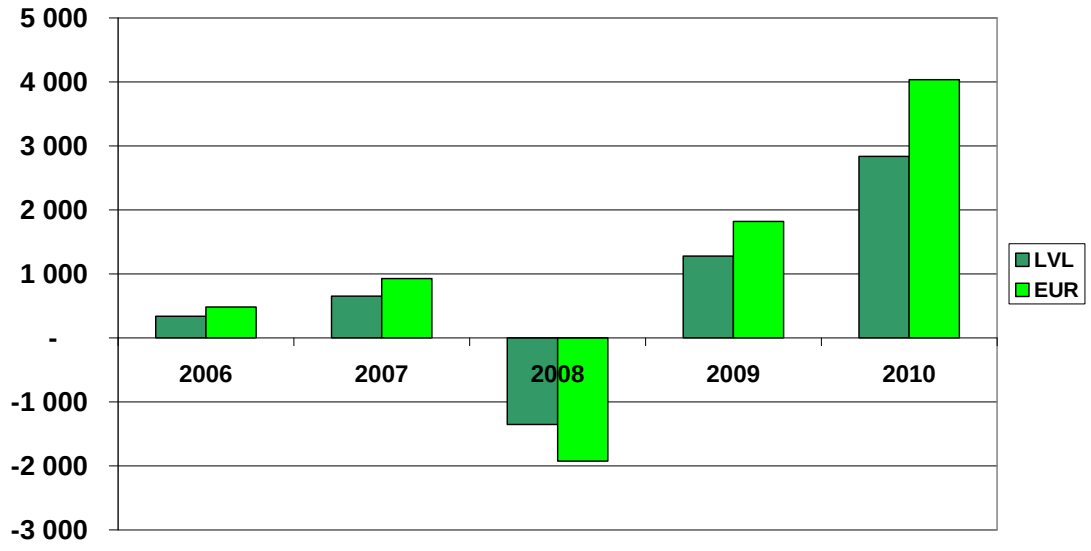
As Company's sales grow significantly, Company's profit increases significantly too. Profit of the 3rd quarter of 2010 is by almost 130% higher than that of 3rd quarter of 2009 and in the quarter alone has reached 1.04 million lats (1.49 million euro). In this respect this has by far been the best 3rd quarter in Company's history.

Profit by Quarters



The last 9 months in total have brought yet another record profit, as in nine months it has slightly exceeded 2.8 million lats (4 million euro).

Consolidated Profit in 9 Months, thsnd.



The above improvements are also reflected in all key financial indicators of the Company.

Financial indicators	30.09.2010.	30.09.2009.	% to the previous period
Net sales (LVL)	18 839 494	15 192 881	124%
Net profit (LVL)	2 836 075	1 279 106	222%
EBITDA (LVL)	4 861 289	3 427 724	142%
EBIT (LVL)	3 494 136	1 635 616	214%
Net sales (EUR)	26 806 186	21 617 522	124%
Net profit (EUR)	4 035 371	1 820 004	222%
EBITDA (EUR)	6 916 990	4 877 212	142%
EBIT (EUR)	4 971 707	2 327 272	214%
EBITDA margin, %	26	23	
Net margin, %	15	8	
EBIT margin, %	19	11	
Net profit 12 months, LVL	3 920 032	1 185 508	331%
Net profit 12 months EUR	5 577 702	1 686 826	331%
EBITDA 12 months LVL	7 045 171	3 978 262	177%
EBITDA 12 months EUR	10 024 374	5 660 557	177%
ROA, % (12 months)	12,6	3,9	
ROE, % (12 months)	19,7	7,4	
Current ratio	3,1	2,0	
EPS 6 months , LVL	0,20	0,09	222%
EPS 6 months, EUR	0,29	0,13	222%
Share price, end of period LVL	1,74	1,1	158%
Share price, end of period EUR	2,48	1,57	158%

Financial indicators	30.09.2010.	30.09.2009.	% to the previous period
P/E (12 months profit)	6,3	13,1	
Market capitalisation, end of period, LVL	24 508 036	15 493 586	158%
Market capitalisation, end of period, EUR	34 871 794	22 045 387	158%
EV/EBITDA	3,5	3,9	
P/B	1,2	1,0	

Annual General Meeting of Shareholders of „Olainfarm" held on April 29, 2010 approved the operating plan of the company. According to it, the forecast sales of the Concern for 2010 are 24.5 million lats (34.9 million Euro), but the net profit is forecast at 2.7 million lats (3.8 million Euro). During the first nine months of 2001 Company's sales were 77% of the annual target, while the net profit reached 105% of annual target. Therefore in terms of sales the Company operates rather closely to the plan, while in terms of the net profit it has in nine months exceeded its target for the entire year.

Shares and stock market

Considerable swings in company's operations over the last three years are well reflected in company's share price on NASDAQ OMX Riga. Successful operations of the Company were best reflected during the 3rd quarter of 2010, when share price experienced a rather rapid growth, exceeding 1.70 lats (2.42 euro) per share, which in the highest level since the middle of 2008. As this report is being prepared the share price fluctuates around 1.85 Lats (2.63 euro) per share. During the last nine months the price of Olainfarm's share has been fluctuating between 0.87 and 1.74 lats (1.24 to 2.48 euro)

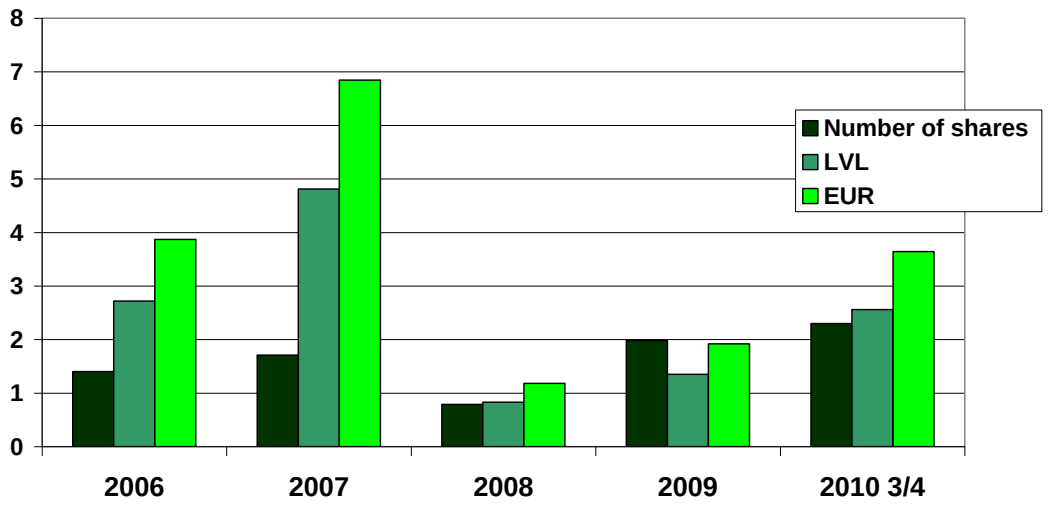
Price of shares of "Olainfarm" on NASDAQ OMX Riga (LVL) (October 2007 – September 2010)

During the first half of 2010 the growth trend of Olainfarm's shares and OMXRiga were somewhat similar, as both grew by about 25%. However, in 3rd quarter of 2010 share price of Olainfarm was experiencing a more rapid growth, significantly outperforming the growth of OMXR index, and demonstrating the increase of 85% since the beginning of the year compared to 44% growth of OMXR.

Rebased price of Olainfarm share vs. rebased OMX Riga index (January – September 2010)

-- OMX Riga
-- AS "Olainfarm"

Trading of Shares on NASDAQ OMX Riga, mln.



Trading of shares of Olainfarm on NASDAQ OMX Riga also experienced considerable increase. During 9 months of 2010 shares worth more than 2.5 million lats (3.6 million euro) were traded, which is more than entire 2008 and 2009 combined.

Development

During the six months of 2010 several registration cases have been finalized in Latvia, Lithuania, Estonia, Ukraine, Kyrgyzstan and Albania. Also several registration files have been submitted to other markets that are untypical for the company, including Indonesia and Serbia. During the reporting period pilot tests of R-Fenotropil have also been successfully completed and the work has been launched to identify the optimal drug form for this molecule.
In April 2010 Olainfarm has received a new Good Manufacturing Practice compliance certificate. On September 28, 2010 another Good Manufacturing practice certificate was obtained, certifying the conformity of production of yet another 5 active pharmaceutical ingredients to the requirements of GMP.

On April 28, 2010 the new company SIA „NKC" (Ķīmijas, farmācijas, biotehnoloģijas un vides nozaru kvalifikācijas centrs – Centre for qualifications of chemical, pharmaceutical, biotechnological and environmental industries) was founded. This company was established together with other companies and organisations interested in development of the mentioned industries to develop the curricula necessary for employees of these industries and in order to help the educational institutions related to industries to be able to react in as short time as possible to new educational needs appearing in these industries. JSC owns 20% of the capital of this company, and so far Olainfarm has invested 3 500 lats (about 5000 euros) in it.

On July 28, 2010 Olainfarm became a partner in SIA „Pharma and Chemistry Competence Centre of Latvia". This company was established by leading Latvian pharma and chemistry companies as a competence centre for the sector. Olainfarm owns 11% of this company.

On August 24, Company opened its representative office in Tajikistan.

On September 15, 2010, a new company „Olainfarm Enerģija" was registered. Olainfarm holds 50% stake in this company. The new company will produce and sell electric energy using the cogeneration technologies. Construction of the cogeneration facilities not only will allow reducing the costs of produced thermal energy, but will also provide extra income from the sales of co generated electric energy.

Clinical trials of Olvazol® have been successfully completed.

Environment

On July 23, 2010 a permit for category A polluting activity has been obtained, valid for the period of 7 years.

Social Responsibility

On September 28, 2010, employees of Olainfarm donated the aid packs to the charity movement „Paēdušai Latvijai". During two days 15 boxes of food and clothing were gathered and delivered to organizers.

In September 2010, Olainfarm purchased 100% shares of SIA „Ozols JRD". It is planned that the main activities of this company will be related to organizing sports and active leisure activities in the town of Olaine.

Events after the end of the reporting period

On November 25, 2010 Olainfarm passed the monitoring audit for ISO 14001 certificate conducted by international conformity auditing company „Bureau Veritas".

Reacting to the rapid decrease of purchasing power of Latvian population and to the expected increases in VAT and other taxes, Olainfarm decided to significantly reduce the prices for several its products in Latvia by November 1st. Prices for 26 different products were reduced by 16% on average.

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

Jelena Borcova
Member of the Board

30 November 2010

Statement of Responsibility of the Management

Management Board of JSC „Olainfarm" (hereinafter – the Company) is responsible for preparation of consolidated interim financial statements of the Company and its subsidiaries (hereinafter – the Group). Interim financial statements are not audited.

Interim financial statements are prepared based on justifying documents and represent true and clear overview on the Group's Assets and Equity and Liabilities, its financial standing and results of activity as wells as cash flow within the reporting period ended on September 30, 2010.

Interim financial statements are prepared according to EU approved International standards of financial reports and observing principle of continuing business activity. Accounting principles used in preparation of interim financial statements have not been changed comparing to previous reporting period. During preparation of interim financial statements decisions taken by the management board and estimations made have been cautious and well-founded. The information included in the interim management's report is true.

The management board of the Company is responsible for ensuring the corresponding accounting system, securing the assets of the Group, as well as for prevention and exposure of fraud and other violation within the Group. The management board of the Company is responsible for observing legal requirements of the states were the Groups companies operate (Latvia).

For the Board of JSC Olainfarm:

Jelena Borcova
Member of the Board

AKCIJU SABIEDRIBA "OLAINFARM" OlainFarm LATVIJAS REPUBLIKA

30 November 2010

Statement of consolidated comprehensive income

	Notes	2010 III.quarter LVL	2010 III.quarter EUR	2009 III.quarter LVL	2009 III.quarter EUR
Net sales	3	18 839 494	26 806 186	15 192 881	21 617 522
Changes in stock of finished goods and work in progress		(674 882)	(960 271)	489 967	697 160
Other operating income	4	179 726	255 726	329 153	468 343
Cost of materials:					
raw materials and consumables		(1 626 568)	(2 314 398)	(1 670 716)	(2 377 215)
other external costs		(969 088)	(1 378 888)	(1 211 072)	(1 723 200)
		(2 595 656)	(3 693 286)	(2 881 788)	(4 100 415)
Staff costs:					
Wages and salaries	8	(3 599 897)	(5 122 192)	(3 760 807)	(5 351 146)
Statutory social insurance contributions	8	(829 651)	(1 180 487)	(847 032)	(1 205 218)
		(4 429 548)	(6 302 679)	(4 607 839)	(6 556 364)
Depreciation/ amortization	10,11.	(1 367 153)	(1 945 283)	(1 792 108)	(2 549 940)
Other operating expense	5	(6 457 845)	(9 188 686)	(5 094 650)	(7 249 034)
Financial income	6	111 696	158 929	52 081	74 105
Financial expense	7	(238 403)	(339 217)	(403 676)	(574 379)
(Loss)/ profit before taxes		**3 367 429**	**4 791 419**	**1 284 021**	**1 826 997**
Corporate income tax		(531 354)	(756 049)	(4 915)	(6 993)
(Loss)/ profit for the reporting year		**2 836 075**	**4 035 371**	**1 279 106**	**1 820 004**
Basic and diluted earnings per share	9	0.201	0.286	0.091	0.129

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

For the Board of JSC Olainfarm:

Jelena Borcova
Member of the Board

AKCIJU SABIEDRIBA «OLAINFARM» OlainFarm LATVIJAS REPUBLIKA

30 November 2010

Consolidated statement of financial position

ASSETS

	Notes	30.09.2010. LVL	30.09.2010. EUR	30.09.2009. LVL	30.09.2009. EUR
NON-CURRENT ASSETS					
Intangible assets					
Goodwill	10	503 930	717 028	503 930	717 028
Patents	10	5 798 864	8 251 040	5 943 952	8 457 482
Other intangible assets	10	496 610	706 613	475 665	676 810
Prepayments for intangible assets		320 651	456 245	202 207	287 715
TOTAL		**7 120 055**	**10 130 926**	**7 125 754**	**10 139 034**
Property, plant and equipment					
Land, buildings and constructions	11	6 103 391	8 684 343	6 576 307	9 357 242
Equipment and machinery	11	2 358 084	3 355 251	3 054 777	4 346 556
Other tangible assets	11	604 662	860 357	201 178	286 251
Construction in progress	11	150 952	214 785	110 805	157 661
Prepayments for property, plant and equipment		43 047	61 250	202 270	287 804
TOTAL		**9 260 136**	**13 175 986**	**10 145 337**	**14 435 514**
Financial assets					
Other securities and investments		-	-	386	549
Investments in related companies		2 981	4 242	650	925
Prepayments for investments		3 720	5 293	-	-
TOTAL		**6 701**	**9 535**	**1 036**	**1 474**
TOTAL NON-CURRENT ASSETS		**16 386 892**	**23 316 447**	**17 272 127**	**24 576 023**
CURRENT ASSETS					
Inventories					
Raw materials		690 090	981 910	941 939	1 340 258
Work in progress		3 857 004	5 488 022	4 177 236	5 943 671
Finished goods and goods for resale		1 423 487	2 025 440	2 125 734	3 024 647
Goods in transit		1 368	1 946	-	-
Prepayments for goods		73 440	104 496	24 703	35 149
TOTAL	12	**6 045 389**	**8 601 813**	**7 269 612**	**10 343 726**
Receivables					
Trade receivables	13	7 592 561	10 803 241	4 426 766	6 298 721
Receivables from related companies		124 660	177 375	71 967	102 400
Other receivables		330 705	470 551	571 729	813 497
Corporate income tax		-	-	47 223	67 192
Current loans to management and employees		611 756	870 450	361 407	514 236
Prepaid expense		7 181	10 218	43 914	62 484
TOTAL		**8 666 863**	**12 331 835**	**5 523 006**	**7 858 528**
Cash	14	**38 280**	**54 468**	**650 675**	**925 827**
TOTAL CURRENT ASSETS		**14 750 532**	**20 988 116**	**13 443 293**	**19 128 082**
TOTAL ASSETS		**31 137 424**	**44 304 563**	**30 715 420**	**43 704 105**

For the Board of JSC Olainfarm:

Jelena Borcova
Member of the Board

30 November 2010

Consolidated statement of financial position

EQUITY AND LIABILITIES	Notes	30.09.2010. LVL	30.09.2010. EUR	30.09.2009. LVL	30.09.2009. EUR
EQUITY					
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		1 266 810	1 802 508	(1 096 253)	(1 559 827)
for the period		2 836 075	4 035 371	1 279 106	1 820 004
TOTAL EQUITY		**19 947 671**	**28 382 979**	**16 027 639**	**22 805 276**
LIABILITIES					
Non-current liabilities					
Loans from credit institutions	16	2 530 106	3 600 017	3 909 551	5 562 790
Long term payables for the long-term investment	20	2 453 050	3 490 376	2 453 050	3 490 376
Finance lease liabilities	17	50 128	71 326	125 679	178 825
Other loans		540 237	768 688	557 232	792 870
Taxes payable	18	49 373	70 251	206 959	294 476
Deferred corporate income tax liabilities		839 689	1 194 770	718 164	1 021 855
TOTAL		**6 462 583**	**9 195 427**	**7 970 635**	**11 341 192**
Current liabilities					
Loans from credit institutions	16	2 065 074	2 938 336	2 912 042	4 143 462
Finance lease liabilities	17	84 738	120 571	119 432	169 936
Prepayments received from customers		30 693	43 672	302 839	430 901
Trade and other payables	20	1 197 117	1 703 344	1 640 196	2 333 789
Payables to related companies		211	300	203 100	288 985
Taxes payable	18	473 878	674 268	951 747	1 354 214
Corporate income tax	18	292 720	416 503	-	-
Accrued liabilities	19	582 739	829 163	587 790	836 349
TOTAL		**4 727 170**	**6 726 157**	**6 717 146**	**9 557 637**
TOTAL LIABILITIES		**11 189 753**	**15 921 584**	**14 687 781**	**20 898 829**
TOTAL EQUITY AND LIABILITIES		**31 137 424**	**44 304 563**	**30 715 420**	**43 704 105**

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

For the Board of JSC Olainfarm:

30 November 2010

Jelena Borcova
Member of the Board

AKCIJU SABIEDRĪBA "OLAINFARM" OlainFarm LATVIJAS REPUBLIKA

Consolidated statement of cash flow

	2010 III quarter		2009 III quarter	
	LVL	EUR	LVL	EUR
Cash flows to/from operating activities				
(Loss)/ Profit before taxes	3 367 429	4 791 420	1 284 021	1 826 997
Adjustments for:				
Amortisation and depreciation	1 374 307	1 955 463	1 799 246	2 560 096
Loss on sale/ disposal of property, plant and equipment	53 984	76 812	9 485	13 496
Increase in allowances	163 310	232 369	285 085	405 639
Loss from investing activities	386	549	-	-
Interest expences	218 189	310 455	263 374	374 747
Interest receivable	(15 673)	(22 301)	(16 833)	(23 951)
Operating cash flows before working capital changes	**5 161 932**	**7 344 768**	**3 624 378**	**5 157 025**
Increase in inventories	497 481	707 852	(596 235)	(848 366)
(Increase)/ decrease in receivables and prepaid expence	(1 981 479)	(2 819 391)	(38 392)	(54 627)
Increase/ (decrease) in payables and prepayments received	(1 119 274)	(1 592 583)	(835 006)	(1 188 106)
Cash generated from operations	**2 558 660**	**3 640 645**	**2 154 745**	**3 065 926**
Interest paid	(163 827)	(233 105)	(266 887)	(379 746)
Corporate income tax paid	(577 157)	(821 220)	(45 691)	(65 012)
Real estate tax paid	(54 749)	(77 901)	(26 679)	(37 961)
Net cash flows to/ from operating activities	**1 762 927**	**2 508 419**	**1 815 488**	**2 583 207**
Cash flows to/from investing activities				
Purchase of property, plant and equipment	(761 400)	(1 083 375)	(202 685)	(288 395)
Investment in the capital of the associated company	(3 720)	(5 293)	-	-
Investments in related companies	(2 331)	(3 317)	(53 000)	(75 412)
Proceeds from sale of intangible assets and property, plant and equipment	31 848	45 316	7 154	10 179
Interest receivable	381	542	8 852	12 595
Loans (repaid)/granted	(50 812)	(72 299)	(142 377)	(202 584)
Net cash flows to/from investing activities	**(786 034)**	**(1 118 426)**	**(382 055)**	**(543 615)**
Cash flows to/from financing activities				
Borrowings repaid	(1 121 272)	(1 595 426)	(819 864)	(1 166 561)
Net cash flows to/from financing activities	**(1 121 272)**	**(1 595 426)**	**(819 864)**	**(1 166 561)**
Change in cash	**(144 379)**	**(205 433)**	**613 569**	**873 030**
Cash at the begining of the year	**182 659**	**259 900**	**37 106**	**52 797**
Cash at the and of the year	**38 280**	**54 467**	**650 675**	**925 827**

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

Statement of consolidated changes in equity

	Share capital	Share capital	Share premium	Share premium	Retained earnings/ (Accumulated deficit)	Retained earnings/ (Accumulated deficit)	Total	Total
	LVL	EUR	LVL	EUR	LVL	EUR	LVL	EUR
Balance as at 31 December 2009	**14 085 078**	**20 041 260**	**1 759 708**	**2 503 839**	**1 266 810**	**1 802 508**	**17 111 596**	**24 347 607**
Loss for the reporting year	-	-	-	-	2 836 075	4 035 371	2 836 075	4 035 371
Balance as at 30 September 2010	**14 085 078**	**20 041 260**	**1 759 708**	**2 503 839**	**4 102 885**	**5 837 879**	**19 947 671**	**28 382 979**

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

Notes to the consolidated financial statements

1. Corporate information

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

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

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

These consolidated financial statements were approved by the Board on 30 November 2010.

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:

	30/09/2010	*30/09/2009*
EUR	*0.702804*	*0.702804*
USD	*0.517*	*0.480*

3. Net sales

	2010 III.quarter		**2009 III.quarter**	
By business segments	**LVL**	**EUR**	**LVL**	**EUR**
Finished form medicine	17 355 587	24 694 776	14 374 442	20 452 988
Chemicals	1 483 907	2 111 410	818 439	1 164 534
TOTAL:	**18 839 494**	**26 806 186**	**15 192 881**	**21 617 522**

	2010 III.quarter		**2009 III.quarter**	
By geographical segments	**LVL**	**EUR**	**LVL**	**EUR**
CIS	15 872 003	22 583 826	11 705 464	16 655 375
Europe	1 160 471	1 651 202	468 179	666 158
Latvia	1 137 987	1 619 209	2 337 182	3 325 510
Baltic states (Lithuania and Estonia)	319 830	455 077	292 394	416 039
Other	349 203	496 871	389 663	554 441
TOTAL:	**18 839 494**	**26 806 186**	**15 192 881**	**21 617 522**

4. Other operating income

	2010 III.quarter		2009 III.quarter	
	LVL	EUR	LVL	EUR
Income of services*	54 435	77 454	56 114	79 843
Lease of premises	34 281	48 778	54 373	77 367
Gains from sale of non-current assets	30 897	43 962	3 081	4 384
Royalty	21 047	29 948	-	-
Other operating income	17 511	24 916	46 872	66 692
Incomes from catering services	16 088	22 891	18 983	27 010
Sale of current assets	2 800	3 984	751	1 069
Treatment of waste water	2 666	3 794	148 979	211 979
TOTAL:	**179 726**	**255 726**	**329 153**	**468 343**

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

5. Other operating expense

	30.09.2010		30.09.2009	
	LVL	EUR	LVL	EUR
Marketing expense	4 423 208	6 293 658	3 451 897	4 911 607
Sales commissions	144 583	205 723	79 759	113 487
Transportation expense	73 838	105 062	49 099	69 862
Other distribution costs	62 591	89 060	50 215	71 450
Exhibition expense	8 359	11 894	471	670
Expert analysis of medicines	71 545	101 799	30 069	42 784
Total distribution costs:	*4 784 124*	*6 807 195*	*3 661 510*	*5 209 859*
Other operating expense	325 393	462 992	534 378	760 351
Information and business consulting	200 336	285 053	77 103	109 707
Write-offs of current assets	158 214	225 118	91 325	129 944
Security	150 573	214 246	108 529	154 423
Representation expense	107 886	153 507	26 741	38 050
Business trips	106 131	151 010	65 015	92 508
Insurance	104 838	149 172	134 636	191 569
New product research and development costs	55 891	79 526	14 524	20 665
Current repairs	50 571	71 956	22 479	31 985
Other taxes	48 299	68 723	44 913	63 905
Communications expense	46 338	65 933	42 903	61 045
Donations	39 807	56 641	7 440	10 586
Allowances to staff	36 007	51 234	29 768	42 356
Car fleet maintenance	35 859	51 023	31 581	44 936
Education	28 877	41 088	22 145	31 509
Flowers and gifts	28 191	40 113	8 341	11 868
Social infrastructure	22 572	32 117	24 048	34 217
Laboratory tests	22 362	31 818	8 320	11 838
Bank charges	17 724	25 219	20 745	29 517
Office expense	13 510	19 223	6 982	9 935
Write-offs and disposal of tangible assets	13 258	18 865	9 335	13 283
Legal and audit expense	12 154	17 294	6 868	9 772
Waste removal	9 029	12 847	12 837	18 266
Annual payment for medicenes registred in LR	8 400	11 952	22 200	31 588
Hosting expense	7 858	11 181	13 627	19 390
Administrative offices maintenance	7 843	11 160	6 171	8 781
Visas, invitations	5 074	7 219	2 542	3 617
Membership fees	3 957	5 630	8 614	12 256
Land lease for eco-field	2 346	3 338	8 075	11 489
Provisions for impairment of tangible assets	1 909	2 717	650	925
Unemployment risk duty	1 793	2 551	1 972	2 806
Humanitarian aid	718	1 022	5 335	7 591
Inventorying of buildings		-	13 000	18 497
TOTAL:	**6 457 845**	**9 188 686**	**5 094 650**	**7 249 034**

6. Financial income

	2010 III.quarter		2009 III.quarter	
	LVL	EUR	LVL	EUR
Currency exchange gain, net	48 985	69 699	10 706	15 234
Currency exchange income	47 039	66 930	24 542	34 920
Loan interest payments	15 547	22 121	7 981	11 356
Interest accrued on bank account balances	125	178	8 852	12 595
TOTAL:	**111 696**	**158 929**	**52 081**	**74 105**

7. Financial expense

	2010 III.quarter		2009 III.quarter	
	LVL	EUR	LVL	EUR
Loan interest expenses	218 189	310 454	263 374	374 748
Penalties paid for late payments	20 214	28 762	107 545	153 023
Currency exchange commission	-	-	32 757	46 609
TOTAL:	**238 403**	**339 217**	**403 676**	**574 379**

8. Staff costs and number of employees

	2010 III.quarter		2009 III.quarter	
	LVL	EUR	LVL	EUR
Wages and salaries	3 599 897	5 122 192	3 760 807	5 351 146
Statutory social insurance contributions	829 651	1 180 487	847 032	1 205 218
TOTAL:	**4 429 548**	**6 302 679**	**4 607 839**	**6 556 364**

	2010 III.quarter		2009 III.quarter	
	LVL	EUR	LVL	EUR
Management of the Group				
Wages and salaries	285 294	405 936	280 392	398 961
Statutory social insurance contributions	69 844	99 379	67 268	95 714
Board Members				
Wages and salaries	313 603	446 217	273 217	388 753
Statutory social insurance contributions	71 842	102 222	46 641	66 364
Council Members				
Wages and salaries	81 104	115 400	64 575	91 882
Statutory social insurance contributions	19 589	27 873	14 321	20 377
TOTAL:	**841 276**	**1 197 028**	**746 413**	**1 062 051**

	30/09/2010	30/09/2009
Average number of employees during the reporting year	751	794

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:

	2010 III.quarter		2009 III.quarter	
	LVL	EUR	LVL	EUR
Net result attributable to shareholders	2 836 075	4 035 371	1 279 106	1 820 004
Weighted average number of ordinary shares	14 085 078	14 085 078	14 085 078	14 085 078
Earnings per share	**0.201**	**0.286**	**0.091**	**0.129**

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 31/12/2009		**503 930**	**717 028**	**6 228 449**	**8 862 285**	**1 185 268**	**1 686 484**	**7 917 647**	**11 265 797**
2010 III quarter	Additions	-	-	4 774	6 793	75 451	107 357	80 225	114 150
	Reclassification**	-	-	(11 988)	(17 057)	(67 176)	(95 583)	(79 164)	(112 640)
	Disposals	-	-	-	-	(98 727)	(140 476)	(98 727)	(140 476)
Acquisition value as at 30/09/2010		**503 930**	**717 028**	**6 221 235**	**8 852 020**	**1 094 816**	**1 557 783**	**7 819 981**	**11 126 831**
Accumulated amortisation as at 31/12/2009		**-**	**-**	**304 781**	**433 664**	**547 334**	**778 785**	**852 115**	**1 212 450**
2010 III quarter	Amortisation	-	-	117 591	167 317	150 511	214 158	268 102	381 475
	Reclassification**	-	-	-	-	(60 811)	(86 526)	(60 811)	(86 526)
	Amortisation of disposals	-	-	-	-	(38 828)	(55 247)	(38 828)	(55 247)
Accumulated amortisation as at 30/09/2010		**-**	**-**	**422 372**	**600 981**	**598 205**	**851 170**	**1 020 577**	**1 452 151**
Net carrying amount as at 31/12/2009		**503 930**	**717 028**	**5 923 670**	**8 428 623**	**637 935**	**907 700**	**7 065 535**	**10 053 351**
Net carrying amount as at 30/09/2010		**503 930**	**717 028**	**5 798 864**	**8 251 041**	**496 610**	**706 613**	**6 799 404**	**9 674 681**

		Goodwill		Patents		Other intangible assets		TOTAL	
		LVL	EUR	LVL	EUR	LVL	EUR	LVL	EUR
Acquisition value as at 31/12/2008		**503 930**	**717 028**	**6 209 531**	**8 835 367**	**818 783**	**1 165 023**	**7 532 244**	**10 717 418**
2009. III quarter	Additions	-	-	-	-	199 204	283 442	199 204	283 442
	Disposals	-	-	-	-	(20 330)	(28 927)	(20 330)	(28 927)
Acquisition value as at 30/09/2009		**503 930**	**717 028**	**6 209 531**	**8 835 367**	**997 657**	**1 419 538**	**7 711 118**	**10 971 932**
Accumulated amortisation as at 31/12/2008		**-**	**-**	**148 018**	**210 611**	**419 672**	**597 139**	**567 690**	**807 750**
2009. III quarter	Amortisation	-	-	117 562	167 276	122 509	174 314	240 071	341 590
	Amortisation of disposals	-	-	-	-	(20 187)	(28 724)	(20 187)	(28 724)
Accumulated amortisation as at 30/09/2009		**-**	**-**	**265 580**	**377 886**	**521 994**	**742 730**	**787 574**	**1 120 617**
Net carrying amount as at 31/12/2008		**503 930**	**717 028**	**6 061 513**	**8 624 756**	**399 111**	**567 884**	**6 964 554**	**9 909 668**
Net carrying amount as at 30/09/2009		**503 930**	**717 028**	**5 943 952**	**8 457 482**	**475 665**	**676 810**	**6 923 547**	**9 851 319**

11. Property, plant and equipment

LVL

		Land	Buildings and constructions	Equipment and machinery	Other tangible assets	Construction in progress	TOTAL
Acquisition value as at 31/12/2009		**55 928**	**12 992 020**	**12 259 334**	**601 254**	**82 484**	**25 991 020**
2010. III quarter	Additions	-	53 765	474 935	153 041	128 591	810 331
	Liquidation	-	(53 334)	(37 638)	(38 284)	(60 123)	(189 379)
	Reversed impairment	-	-	126	-	-	126
	Reclassification	-	-	(116)	116	-	-
	Reclassification**	-	-	(1 357 881)	1 440 300	-	82 419
Acquisition value as at 30/09/2010		**55 928**	**12 992 451**	**11 338 760**	**2 156 427**	**150 952**	**26 694 517**
Accumulated depreciation as at 31/12/2009		**-**	**6 602 293**	**9 397 201**	**417 846**	**-**	**16 417 339**
2010. III quarter	Depreciation	-	386 832	505 101	214 272	-	1 106 205
	Depreciation of disposals	-	(44 135)	(35 493)	(30 050)	-	(109 678)
	Reclassification**	-	-	(475)	(574)	-	63 563
Accumulated depreciation as at 30/09/2010		**-**	**6 944 989**	**8 980 675**	**1 551 765**	**-**	**17 477 429**
Net carrying amount as at 31/12/2009		**55 928**	**6 389 728**	**2 862 135**	**183 408**	**82 484**	**9 573 684**
Net carrying amount as at 30/09/2010		**55 928**	**6 047 463**	**2 358 084**	**604 662**	**150 952**	**9 217 089**

		Land	Buildings and constructions	Equipment and machinery	Other tangible assets	Construction in progress	TOTAL
Acquisition value as at 31/12/2008		**55 928**	**13 023 139**	**12 264 667**	**602 694**	**88 779**	**26 035 207**
2009. III quarter	Additions	-	-	106 438	3 176	23 678	133 292
	Disposals	-	(30 745)	(94 963)	(3 404)	(1 652)	(130 764)
	Reclassification	-	-	(206)	206	-	-
Acquisition value as at 30/09/2009		**55 928**	**12 992 394**	**12 275 936**	**602 672**	**110 805**	**26 037 735**
Accumulated depreciation as at 31/12/2008		**-**	**6 098 312**	**8 212 375**	**339 756**	**-**	**14 650 443**
2009. III quarter	Depreciation	-	395 719	1 098 671	64 785	-	1 559 175
	Depreciation of disposals	-	(22 016)	(89 206)	(3 047)	-	(114 269)
	Reversed impairment	-	-	(681)	-	-	(681)
Accumulated depreciation as at 30/09/2009		**-**	**6 472 015**	**9 221 159**	**401 494**	**-**	**16 094 668**
Net carrying amount as at 31/12/2008		**55 928**	**6 924 828**	**4 052 292**	**262 939**	**88 779**	**11 384 766**
Net carrying amount as at 30/09/2009		**55 928**	**6 520 379**	**3 054 777**	**201 178**	**110 805**	**9 943 067**

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 31/12/2009		**79 578**	**18 485 979**	**17 443 461**	**855 507**	**117 364**	**36 981 889**
2010. III quarter	Additions	-	76 501	675 771	217 757	182 969	1 152 998
	Liquidation	-	(75 887)	(53 554)	(54 473)	(85 547)	(269 462)
	Reversed impairment	-	-	179	-	-	179
	Reclassification	-	-	(165)	165	-	-
	Reclassification**	-	-	(1 932 091)	2 049 362	-	117 272
Acquisition value as at 30/09/2010		**79 578**	**18 486 592**	**16 133 601**	**3 068 319**	**214 785**	**37 982 876**
Accumulated depreciation as at 31/12/2009		**-**	**9 394 216**	**13 371 012**	**594 541**	**-**	**23 359 769**
2010. III quarter	Depreciation	-	550 412	718 694	304 882	-	1 573 988
	Depreciation of disposals	-	(62 798)	(50 502)	(42 757)	-	(156 058)
	Reclassification**	-	-	(676)	(817)	-	90 442
Accumulated depreciation as at 30/09/2010		**-**	**9 881 829**	**12 778 350**	**2 207 962**	**-**	**24 868 141**
Net carrying amount as at 31/12/2009		**79 578**	**9 091 765**	**4 072 451**	**260 966**	**117 364**	**13 622 125**
Net carrying amount as at 30/09/2010		**79 578**	**8 604 764**	**3 355 251**	**860 357**	**214 785**	**13 114 736**

		Land	Buildings and constructions	Equipment and machinery	Other tangible assets	Construction in progress	TOTAL
Acquisition value as at 31/12/2008		**79 578**	**18 530 257**	**17 451 049**	**857 556**	**126 321**	**37 044 762**
2009. III quarter	Additions	-	-	151 448	4 519	33 691	189 657
	Disposals	-	(43 746)	(135 120)	(4 843)	(2 351)	(186 060)
	Reclassification	-	-	(293)	293	-	-
Acquisition value as at 30/09/2009		**79 578**	**18 486 511**	**17 467 083**	**857 525**	**157 661**	**37 048 359**
Accumulated depreciation as at 31/12/2008		**-**	**8 677 116**	**11 685 157**	**483 429**	**-**	**20 845 702**
2009. III quarter	Depreciation	-	563 057	1 563 268	92 181	-	2 218 506
	Depreciation of disposals	-	(31 326)	(126 929)	(4 335)	-	(162 590)
	Reversed impairment	-	-	(969)	-	-	(969)
Accumulated depreciation as at 30/09/2009		**-**	**9 208 847**	**13 120 527**	**571 275**	**-**	**22 900 649**
Net carrying amount as at 31/12/2008		**79 578**	**9 853 143**	**5 765 892**	**374 128**	**126 321**	**16 199 063**
Net carrying amount as at 30/09/2009		**79 578**	**9 277 664**	**4 346 556**	**286 251**	**157 661**	**14 147 710**

There is a difference of LVL 7 154 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 4 264 which was disclosed in the income statement as other operating expense and 2 890 LVL depreciation expenses included in other operating expense.

** As a result of detailed inspection of fixed assets and intangible assets, a reclassification of some groups of fixed and intangible assets has been made.

12. Inventories

	30.09.2010.		30.09.2009.	
	LVL	EUR	LVL	EUR
Raw materials (at cost)	1 076 240	1 531 351	1 062 394	1 511 651
Work in progress (at cost)	4 109 264	5 846 956	4 508 367	6 414 828
Finished goods and goods for resale (at cost)*	1 724 610	2 453 899	2 367 736	3 368 984
Goods in transit	1 368	1 946	-	-
Prepayments for goods	73 440	104 496	24 703	35 149
TOTAL:	6 984 921	9 938 647	7 963 200	11 330 613
Allowances for raw materials	(386 150)	(549 442)	(120 456)	(171 392)
Allowances for work in progress	(252 260)	(358 933)	(331 131)	(471 157)
Allowances for finished goods and goods for resale	(301 123)	(428 459)	(242 001)	(344 337)
TOTAL:	(939 533)	(1 336 834)	(693 588)	(986 885)
TOTAL:	**6 045 389**	**8 601 813**	**7 269 612**	**10 343 726**

* As at 30 September 2010, the Group's inventories comprised goods on consignment in the amount of LVL 501 037 (30/09/2009: LVL 237 307).

13. Trade receivables

	30.09.2010		30.09.2009	
	LVL	EUR	LVL	EUR
Trade receivables	7 723 676	10 989 801	4 447 554	6 328 299
Allowances for doubtful trade receivables	(131 114)	(186 559)	(20 788)	(29 579)
TOTAL:	**7 592 561**	**10 803 241**	**4 426 766**	**6 298 721**

14. Cash and short term deposits

	30.09.2010.		30.09.2009.	
	LVL	EUR	LVL	EUR
Cash at banks and on hand	38 280	54 468	150 279	213 827
Short-term deposits	-	-	500 396	712 000
	38 280	54 468	650 675	925 827

	30.09.2010.		30.09.2009.	
Cash by currency profile:	Foreign currency	LVL	Foreign currency	LVL
RUB	5 109	87	158	3
LVL	-	12 052	-	80 170
EUR	7 355	5 169	792 312	556 840
USD	40 564	20 972	28 463	13 662
KOPĀ:	-	**38 280**	-	**650 675**

15. Share capital

The share capital of the Parent Company on 30/09/2010 is LVL 14 085 078 (31/03/2009: LVL 14 085 078) and consists of 14 085 078 (30/09/2009: 14 085 078) shares. The par value of each share is LVL 1.

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

16. Loans from credit institutions

Non-current:	Amount		Interest rate (%) as at 30/06/2010	Maturity	**30.09.2010. LVL**	**30.09.2010. EUR**	**30.09.2009. LVL**	**30.09.2009. EUR**
Loan from AS SEB banka	6 950 000	EUR	EUR LIBOR (3-month)+1.3%	08.12.2011.	1 171 424	1 666 786	1 712 081	2 436 072
Loan from AS SEB banka	4 000 000	EUR	EURIBOR (3-month)+1.3%	23.05.2013.	791 892	1 126 761	1 267 027	1 802 817
Loan from AS SEB banka	2 000 000	EUR	EURIBOR (3-month)+1.3%	10.10.2012.	358 292	509 803	689 023	980 392
Loan from AS SEB banka	445 000	EUR	EURIBOR (3-month)+1.3%	30.01.2015.	208 499	296 667	241 419	343 509
				TOTAL:	**2 530 106**	**3 600 017**	**3 909 551**	**5 562 790**

Current:	Amount		Interest rate (%) as at 30/06/2010	Maturity	**30.09.2010. LVL**	**30.09.2010. EUR**	**30.09.2009. LVL**	**30.09.2009. EUR**
Loan from AS SEB banka	6 950 000	EUR	EUR LIBOR (3-month)+1.3%	08.12.2011.	540 657	769 286	540 657	769 286
Loan from AS SEB banka	4 000 000	EUR	EURIBOR (3-month)+1.3%	23.05.2013.	475 135	676 056	475 135	676 056
Loan from AS SEB banka	2 000 000	EUR	EURIBOR (3-month)+1.3%	10.10.2012.	330 731	470 588	330 731	470 588
Loan from AS SEB banka	445 000	EUR	EURIBOR (3-month)+1.3%	30.01.2015.	32 921	46 842	32 921	46 842
Credit line from AS SEB banka *	1 488 000	EUR	EURIBOR (3-month)+2.9%	03.01.2011.	685 629	975 563	1 532 598	2 180 691
				TOTAL:	**2 065 074**	**2 938 336**	**2 912 042**	**4 143 462**

Interest payable is normally revised quarterly throughout the financial year.

* Limit for 2010 was set at 1 488 000 EUR. As at 30 September 2010, the undrawn portion was EUR 512 437 (LVL 360 142). As at 30 September 2009 limit of credit line was 2 200 000 EUR and unused credit line amount comprised EUR 19 309 (LVL 13 570).

As at 30 September 2010, all the non-current and current assets owned by the Parent Company were pledged as a security for the loan and credit lines received. The pledge agreements were registered with the Commercial Pledge Register. In addition, major shareholders of the Parent Company guaranteed repayment of the loan by their shares in the Parent Company, and the chairman of the Board of the Parent Company (President) pledged all his shares in SIA Olmafarm.

17. Finance lease liabilities

	30.09.2010. LVL		30.09.2010. EUR		30.09.2009. LVL		30.09.2008. EUR	
	Non-current	Current	Non-current	Current	Non-current	Current	Non-current	Current
Finance lease liabilities to SIA SEB Unilīzings, EUR	50 128	84 738	71 326	120 571	125 679	119 088	178 825	169 447
Finance lease liabilities to SIA SEB Unilīzings, LVL	-	-	-	-	-	344	-	489
TOTAL:	**50 128**	**84 738**	**71 326**	**120 571**	**125 679**	**119 432**	**178 825**	**169 936**

The interest rate on the finance leases is from 2.33% till 4.14%. Interest rate is normally revised quarterly throughout the financial year. The net carrying amount of the property, plant and equipment held under finance lease is disclosed in Note 11.

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

	30.09.2010.		30.09.2010.		30.09.2009.		30.09.2009.	
	Minimum payments LVL	Present value of payments LVL	Minimum payments EUR	Present value of payments EUR	Minimum payments LVL	Present value of payments LVL	Minimum payments EUR	Present value of payments EUR
Within one year	89 130	84 738	126 821	120 571	128 437	119 432	182 749	169 936
Between one and five years	51 627	50 128	73 459	71 326	131 226	125 679	186 718	178 825
Total minimum lease payments	140 757	134 866	200 279	191 897	259 663	245 111	369 467	348 762
Less amounts representing finance charges	(5 891)	-	(8 382)	-	(14 552)	-	(20 706)	-
Present value of minimum lease payments	**134 866**	**134 866**	**191 897**	**191 897**	**245 111**	**245 111**	**348 761**	**348 762**

18. Taxes payable/ receivable

	30.09.2010. LVL	30.09.2010. EUR	30.09.2009. LVL	30.09.2009. EUR
Personal income tax *	(213 717)	(304 092)	(543 947)	(773 967)
Statutory social insurance contributions *	(286 243)	(407 287)	(559 222)	(795 702)
Real estate tax *	(23 085)	(32 847)	(51 692)	(73 552)
Natural resource tax	963	1 371	(3 587)	(5 104)
Corporate income tax	(292 720)	(416 503)	47 223	67 192
Value added tax	124 421	177 034	67 718	96 355
Unemployment risk duty	(206)	(293)	-	-
TOTAL:	**(690 587)**	**(982 617)**	**(1 043 507)**	**(1 484 777)**
Total liabilities:	**(815 971)**	**(1 161 022)**	**(1 158 706)**	**(1 648 690)**
Total assets:	**125 384**	**178 405**	**115 197**	**163 910**

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

19. Accrued liabilities

	30.09.2010.		30.09.2009.	
	LVL	EUR	LVL	EUR
Vacation pay reserve	324 312	461 454	378 833	539 031
Accruals for electricity and gas	68 081	96 870	102 431	145 746
Provisions for penalties related to taxes	24 289	34 560	45 539	64 796
Accruals for discounts for customers (Rojalti)	-	-	16 357	23 273
Accruals for marketing services	-	-	4 628	6 585
Other accrued liabilities	166 058	236 279	40 003	56 919
TOTAL:	**582 739**	**829 163**	**587 790**	**836 349**

20. Trade and other payables

	30.09.2010.		30.09.2009.	
	LVL	EUR	LVL	EUR
Liability for long term investment	2 453 050	3 490 376	2 453 050	3 490 376
Trade and other payables	910 257	1 295 179	1 365 001	1 942 221
Wages and salaries	262 612	373 663	269 032	382 797
Other paybles	24 249	34 503	6 163	8 769
TOTAL:	**3 650 167**	**5 193 720**	**4 093 246**	**5 824 164**

21. Segment information

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

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

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

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

21. Segment information (cont'd)

LVL

	Finished form medicine		Chemicals		Unallocated		Total	
	30.09.2010.	30.09.2009.	30.09.2010.	30.09.2009.	30.09.2010.	30.09.2009.	30.09.2010.	30.09.2009.
Assets								
Intangible assets	4 573 514	2 439 635	3 350 983	3 350 983	106 906	166 189	7120055	7125754
Tangible assets	5 879 406	7 395 494	2 518 546	1 816 631	862 184	933 212	9260136	10145337
Financial assets	-	-	-	-	6 701	1 036	6701	1036
Inventories	4 232 377	5 835 773	1 813 012	1 433 499	-	340	6045389	7269612
Receivables	8 143 725	4 740 415	339 238	231 088	183 900	551 504	8666863	5523006
Cash	-	-	-	-	38 280	650 675	38280	650675
Total assets	**22829023**	**21580264**	**7110431**	**6832201**	**1197970**	**2302956**	**31137424**	**30715420**
Equity and liabilities								
Total equity	-	-	-	-	19 947 671	16 027 639	19947671	16027639
Deffered income tax liability	-	-	-	-	839 689	718 164	839689	718164
Loans from credit institution	3 217 086	5 476 375	1 378 094	1 345 218	-	-	4595180	6821593
Other loans	472 640	644 121	202 463	158 222	-	-	675103	802343
Taxes payable	571 261	929 683	244 710	228 368	-	655	815971	1158706
Prepayments received from customers	84	150 560	30 585	152 279	24	-	30693	302839
Trade payables	2 555 482	3 286 058	1 094 685	807 188	-	-	3650167	4093246
Payables to related companies	148	163 049	63	40 051	-	-	211	203100
Accrued liabilities	-	-	-	-	582 739	587 790	582739	587790
Total equity and liabilities	**6816700**	**10649846**	**2950601**	**2731326**	**21370123**	**17334248**	**31137424**	**30715420**
Income statement								
Net turnover	17 355 587	14 374 442	1 483 907	818 439	-	-	18 839 494	15 192 881
Changes in stock of finished goods and work in progress	(472 485)	393 346	(202 397)	96 621	-	-	(674 882)	489 967
Other operating income	-	393 346	-	96 621	179 726	329 153	179 726	329 153
Cost of materials	(1 817 219)	(2 309 843)	(778 437)	(567 390)	-	(4 555)	(2 595 656)	(2 881 788)
Staff costs	(3 101 127)	(3 699 173)	(1 328 421)	(908 666)	-	-	(4 429 548)	(4 607 839)
Depreciation/ amortisation and write-offs	(905 457)	(1 438 704)	(387 868)	(353 404)	(73 828)	-	(1 367 153)	(1 792 108)
Other operating expense	(4 521 137)	(4 041 111)	(1 936 708)	(992 659)	-	-	(6 457 845)	(5 094 650)
Financial income	-	-	-	-	111 696	52 081	111 696	52 081
Financial expenses	-	-	-	-	(238 403)	(403 676)	(238 403)	(403 676)
Corporate income tax	-	-	-	-	(531 354)	(4 915)	(531 354)	(4 915)
Net profit/ (loss) for the year	**6538163**	**3278957**	**(3 149 925)**	**(1 907 059)**	**(552 163)**	**(92 792)**	**2836076**	**1279106**

21. Segment information (cont'd)

EUR

	Finished form medicine		Chemicals		Unallocated		Total	
	30.09.2010.	30.09.2009.	30.09.2010.	30.09.2009.	30.09.2010.	30.09.2009.	30.09.2010.	30.09.2009.
Assets								
Intangible assets	6 507 525	5 134 550	3 471 287	4 768 019	152 114	236 466	10 130 926	10 139 034
Tangible assets	8 365 641	10 522 840	3 583 568	2 584 833	1 226 777	1 327 841	13 175 986	14 435 514
Financial assets	-	-	-	-	9 535	1 474	9 535	1 474
Inventories	6 022 130	8 303 557	2 579 684	2 039 685	-	484	8 601 813	10 343 726
Receivables	11 587 477	6 745 003	482 692	328 809	261 665	784 719	12 331 835	7 858 528
Cash	-	-	-	-	54 468	925 827	54 468	925 827
Total assets	**32 482 773**	**30 705 949**	**10 117 231**	**9 721 346**	**1 704 558**	**3 276 811**	**44 304 563**	**43 704 105**
Equity and liabilities								
Total equity	-	-	-	-	28 382 979	22 805 276	28 382 979	22 805 276
Deffered income tax liability	-	-	-	-	1 194 770	1 021 855	1 194 770	1 021 855
Loans from credit institution	4 577 500	7 792 180	1 960 852	1 914 073	-	-	6 538 353	9 706 252
Other loans	672 506	916 502	288 079	225 130	-	-	960 585	1 141 631
Taxes payable	812 832	1 322 820	348 191	324 938	-	932	1 161 022	1 648 690
Prepayments received from customers	119	214 228	43 519	216 673	34	-	43 672	430 901
Trade payables	3 636 123	4 675 639	1 557 597	1 148 525	-	-	5 193 720	5 824 165
Payables to related companies	210	231 998	90	56 987	-	-	300	288 985
Accrued liabilities	-	-	-	-	829 163	836 350	829 163	836 349
Total equity and liabilities	**9 699 290**	**15 153 366**	**4 198 327**	**3 886 327**	**30 406 945**	**24 664 413**	**44 304 563**	**43 704 105**
Income statement								
Net turnover	24 694 775	20 452 988	2 111 409	1 164 534	-	-	26 806 186	21 617 522
Changes in stock of finished goods and work in progress	(672 285)	559 681	(287 985)	137 479	-	-	(960 271)	697 160
Other operating income	-	-	-	-	255 726	468 343	255 726	468 343
Cost of materials	(2 585 669)	(3 286 610)	(1 107 616)	(807 323)	-	(6 481)	(3 693 286)	(4 100 415)
Staff costs	(4 412 506)	(5 263 449)	(1 890 173)	(1 292 915)	-	-	(6 302 679)	(6 556 364)
Depreciation/ amortisation and write-offs	(1 288 349)	(2 047 091)	(551 887)	(502 849)	(105 048)	-	(1 945 285)	(2 549 940)
Other operating expense	(6 432 999)	(5 749 983)	(2 755 687)	(1 412 427)	-	(86 624)	(9 188 686)	(7 249 034)
Income from investments in subsidiaries	-	-	-	-	-	-	-	-
Financial income	-	-	-	-	158 929	74 105	158 929	74 105
Financial expenses	-	-	-	-	(339 217)	(574 379)	(339 217)	(574 379)
Corporate income tax	-	-	-	-	(756 049)	(6 993)	(756 049)	(6 993)
Net profit/ (loss) for the year	**9 302 967**	**4 665 535**	**(4 481 939)**	**(2 713 500)**	**(785 659)**	**(132 031)**	**4 035 371**	**1 820 004**

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.

22. Events after reporting period end

On September 29 a new Loan agreement was signed with a/s „SEB Banka", whereby the new long – term loan of 7 million EUR was issued with the interest rate consisting from 3 month EURIBOR and an additional rate of 1.9% p.a. The maturity of the loan is September 29, 2014. The loan was issued with a purpose to merge all the existing loans into one. The loan was disbursed on October 22, 2010, and all previously issued loans were repaid using the disbursed funds.