JOINT STOCK COMPANY OLAINFARM

(UNIFIED REGISTRATION NUMBER 40003007246)

ANNUAL REPORT

FOR THE YEAR ENDED 31 DECEMBER 2010

(14th financial year)

PREPARED IN ACCORDANCE WITH

THE LAW OF THE REPUBLIC OF LATVIA ON ANNUAL REPORTS

TOGETHER WITH INDEPENDENT AUDITORS' REPORT

Olaine, 2011

ERNST & YOUNG

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INDEPENDENT AUDITOR'S REPORT

To the shareholders of AS "Olainfarm"

Report on the financial statements

We have audited the accompanying financial statements of AS "Olainfarm" (the "Company"), set out on pages 21 through 46 of the accompanying 2010 Annual Report, which comprise the balance sheet as at 31 December 2010, and the income statement, statements of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the Law of the Republic of Latvia on Annual Reports and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion.

Basis for qualified opinion

In year 2008 the Company has recognized patents for a new developed finished form medicine amounting to LVL 2 850 000 as intangible assets. As disclosed in Note 10 to the consolidated financial statements, the Company's management is working on preparing experimental products that will further be tested to assess their stability and other requirements and the Company expects to commence production of the respective medicine in 2013. The impairment test carried out by management revealed no need for impairment of the abovementioned intangible assets as at 31 December 2010. We have not been able to obtain sufficient audit evidence supporting that the Company will be able to commence production of the respective medicine in due time and sufficient audit evidence in relation to sales forecasts. Consequently, we were unable to obtain sufficient audit evidence that respective intangible assets are not impaired. These circumstances were in effect also as at 31 December 2009, and our audit opinion issued on 1 April 2010 was qualified.

During the year 2008 the Company has recognized an investment in patent on pharmaceutical compositions and brand names of "Olvazol" (Latvian and Russian version) and know-how on production technology of generic preparation "Meldonium" with the carrying value of 3.3 million LVL as intangible assets. The impairment test carried out by the Company management revealed no need for impairment of the abovementioned investment as at 31 December 2010. The detailed information of the impairment test is disclosed in Note 12 of accompanying financial statements. We have not been able to obtain sufficient audit evidence in relation to sales forecasts used in impairment test. Consequently, we were unable to obtain sufficient audit evidence that the investment value is not impaired. These circumstances were in effect also as at 31 December 2009, and our audit opinion issued on 1 April 2010 was qualified.

Qualified opinion

In our opinion, except for the possible effects of the matter described in the Basis for qualified opinion paragraph, the financial statements give a true and fair view of the financial position of the Company as of 31 December 2010, and of its financial performance and its cash flows for the year then ended in accordance with the Law of the Republic of Latvia on Annual Reports.

ERNST & YOUNG

Report on other legal and regulatory requirements

Furthermore, we have read the management report for the year ended 31 December 2010 (set out on pages 12 through 19 of the accompanying 2010 Annual Report) and have not noted any material inconsistencies between the financial information included in it and the financial statements for the year ended 31 December 2010.

SIA Ernst & Young Baltic
Licence No. 17

Diāna Krišjāne
Chairperson of the Board

Dace Cikmača
Latvian Certified Auditor
Certificate No. 175

Riga,
28 April 2011

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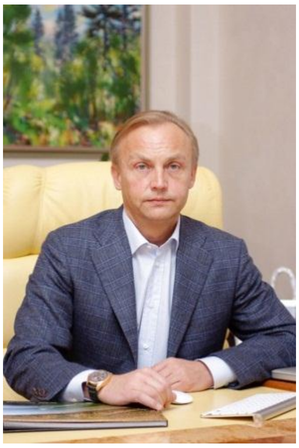
General information

Name of the Parent Company	OLAINFARM
Legal status of the Parent Company	JOINT STOCK COMPANY
Unified registration number, place and date of registration of the Parent Company	40003007246 Riga, 10 June 1991 (re-registered on 27 March 1997)
Registered office of the Parent Company	Rūpnīcu iela 5 Olaine, Latvia, LV-2114
Major shareholders of the Parent Company	SIA Olmafarm (42.56%) Rūpnīcu iela 5 Olaine, Latvia, LV-2114 HB-19 Investments Limited Company, Cyprus (26.17%)

Board

Supersivory Council elects the Management Board of AS „Olainfarm" for five years. When selecting the members of the Management Board, Council assesses experience of candidates in team management, in particular area of responsibility of candidate and in pharmaceutical sector in general.

Valērijs Maligins, Chairman of the Board



Valērijs Maligins is the Chairman of Management Board of Olainfarm. He has obtained a degree of a Doctor of Economics at NewPort Interational University, Baltic Center (2007), as well as Master of economics and social sciences (University of Latvia, 2002), Bachelor of economics and finances (RSEBAA 1998). V. Maligins has more than 20 years of experience in pharmaceutical sector, 14 of them from management positions at AS „Olainfarm".

Positions held in other companies:
SIA Olmafarm, Chairman of the Board
Hunting Club Vitkupe, Board Member
Participation in other companies:
SIA Lano Serviss (25.04%)
SIA Vega MS (60%)
SIA Briz (12.48%)
SIA Olfa Press (45%)
SIA Carbochem (50%)
SIA Aroma (75%)
SIA Olmafarm (100%)
Number of shares of AS „Olainfarm" owned (as of April 19, 2011):

- Directly: 430 730
- Indirectly (through SIA „Olmafarm"):5 994 054
- Total: 6 424 784

Jeļena Borcova, Board Member

Jelena Borcova is a member of Company's Management Board and a qualified person. J. Borcova has a degree in Pharmacy (Medical Institute of Riga, 1988). J. Borcova has more than 15 years of experience in pharmaceutical production.

Positions held in other companies:
SIA Carbochem, Board Member
Participation in other companies: none
Number of shares of AS „Olainfarm" owned (as of April 19, 2011): 0

Jurijs Kaplinovs

Jurijs Kaplinovs is a member of company's Management Board and the Director of Commercial Department. Mr. Kaplinovs has an MBA degree (Riga Management University 2004), as well as a Bachelor of Economics degree (Moscow State University 1996). Mr. Kaplinovs has been holding different positions at AS "Olainfarm" since 1997.

Positions held and participation in other companies: none
Number of shares of AS „Olainfarm" owned (as of April 19, 2011)
: 26 071

Inga Liščika

Inga Lscika is a member of Company's Management Board and a Finance director. I. Liscika has been studying the Professional Management programme at English „Open University". I Liscika is a Master of Business Economics (Riga Technical University 1997) and a civil engineer (1995). I.Liscika hs been working at AS "Olainfarm" for more than 10 years.

Positions held in other companies:
SIA Pharma and Chemistry Competence Centre of Latvia, Council Member
Participation in other companies: none
Number of shares of AS „Olainfarm" owned (as of April 19, 2011)
: 1 002

Vjačeslavs Kuļikovs (deceased on 09/01/2010)
Participation in other companies: none

Salvis Lapiņš (appointed on 09/03/2010)

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 actvely working in financial and pharmaceutical sectors since 1995.

Positions held in other companies: none
Participation in other companies:
SIA Baltic Team-Up (50%)
Number of shares of AS „Olainfarm" owned (as of April 19, 2011)
: 83 153

General information (cont'd)

Council

Supervisory Council of AS „Olainfarm" is elected by General Meeting of Shareholders for 5 years. Supervisory Council is a supervising institution, representing interests of shareholders between meetings of shareholders. Main tasks of the Supervisory Council include supervising the Mnagement 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 mambers of the Management Board, while the remuneration of the Council itself is set by the General Meeting of Shareholders.

Helmuts Balderis-Sildedzis, Chairman of the Council
From 1992 through 2006 Mr. Balderis – Sildedzis has been a director of Riga Sports Palace. Mr. Balderis – Sildedzis has a degree from Latvian State Institute for Physical Culture (1983).

Helmuts Balderis-Sildedzis, Chairman of the Council
Positions held in other companies:
SIA HB-19, Board Member
SIA Nordic Bio Energy, Board Member
SIA EGRA trans, Board Member (resigned on 08/02/2010)
Participation in other companies:
SIA HB-19 (100%)
SIA Nordic Bio Energy (30.9%)
SIA EGRA trans (25%)
SIA Sabiedrība Mārupe (0.000964%)
„HB-19 Investments Limited" (Cyprus) 100%
Number of shares of AS „Olainfarm" owned (as of April 19, 2011): indirectly through „HB-19 Investments Limited": 3 686 014

Jelena Dudko, Deputy Chairperson of the Council
Jelena Dudko is a Strategic Development nd Marketing Director of pharmaceutical company "Olfa". In 1996 J.Dudko graduated post graduate course in Faculty of Therapy and Hematology of Kiev Medical Academy. *Positions held and participation in other companies:* none
Number of shares of AS „Olainfarm" owned (as of April 19, 2011): 0

Aleksandrs Raicis
Aleksandrs Raicis is a Deputy Director of Latvian Association of Medical Wholesalers and Pharmaceutical Director of SIA "Briz". A.Raicis has a degree in Pharmacy from Riga Medical Institute (1984).

Positions held in other companies:
SIA BRIZ Development, Director
Participation in other companies:
SIA VIP Pharma (50%)
SIA Recesus (30%).
SIA Briz (10.96%)
Number of shares of AS „Olainfarm" owned (as of April 19, 2011): 0

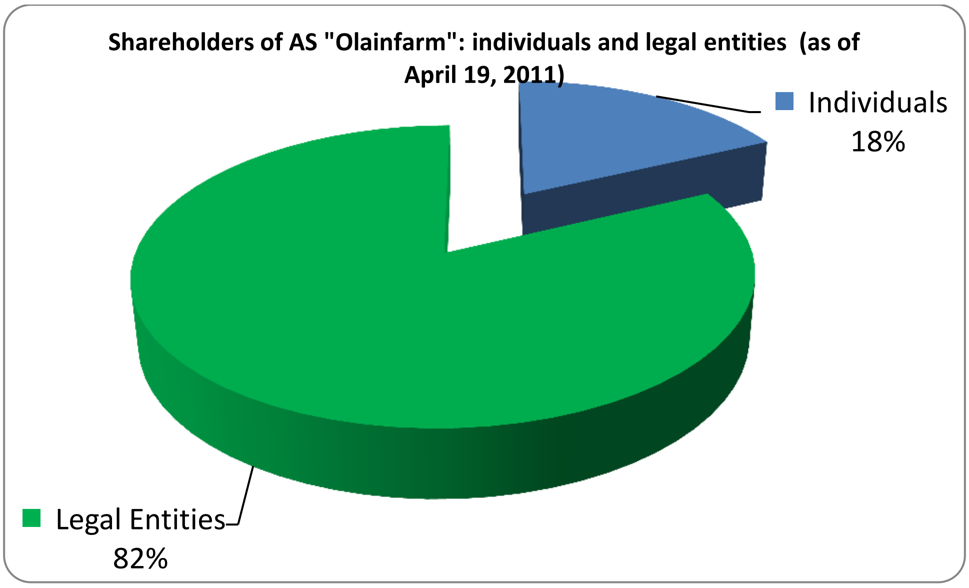
Volodimir Krivozubov
Volodimir Krivozubov is a Director of Ukrainian OOO “Torgoviye Tehnologii”. V.Krivozubov has a medical degree from A. Bogomolec Kiev Medical Institute (1984).
Positions held in other companies:
OOO Torgovije Tehnologii (Ukraine), General Director
Participation in other companies: none
Number of shares of AS „Olainfarm” owned (as of April 19, 2011): 0

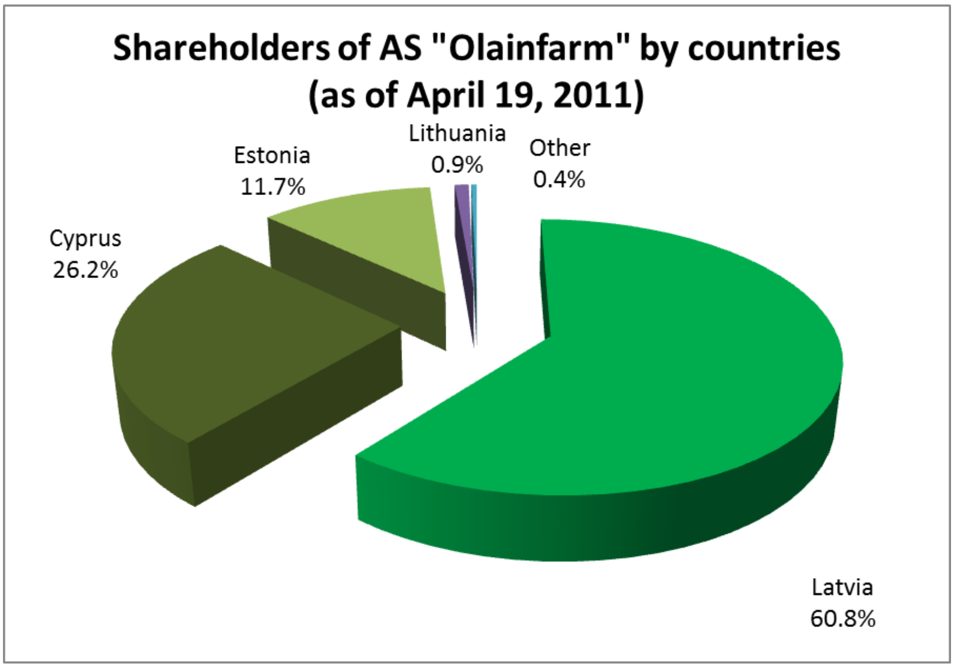
Signe Baldere-Sildedze
Since 2007 S.Baldere-Sildedze was a cCommercial Direcror of SIA “Louvre”. In 1997 S.Baldere-Sildedze graduated International School of Hospitality and Tourism in Switzerland.
Positions held in other companies:
SIA Louvre, Commercial Director
Participation in other companies:
SIA Louvre (50%)
Number of shares of AS „Olainfarm” owned (as of April 19, 2011): 0

Movements in the Board during the period 1 January 2010 through 31 December 2010	Vjačeslavs Kuļikovs (deceased on 09/01/2010) *Participation in other companies:* none Salvis Lapiņš (appointed on 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 31 December 2010	None
Subsidiaries	SIA Reinolds (100%) Dzegužu iela 1/2, Riga, LV-1007, from 26/08/2008 SIA Ozols JDR (100%) Zeiferta iela 18B, Olaine, LV-2114, from 30/08/2010 SIA Olainfarm enerģija (50%) Rūpnīcu iela 5, Olaine, LV-2114, from 15/09/2010
Core business activity	Manufacture of basic pharmaceutical products and pharmaceutical preparations
Audit Committee	Žanna Karaseva

General information (cont'd)

Financial year	1 January – 31 December 2010	
Auditors	Dace Cikmača Latvian Certified Auditor Certificate No. 175	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 (above 5%) shareholders (as of April 19, 2011)	V. Maligins (directly and indirectly): 45,6% HB-19 Investments Limited (Cyprus): 26,2% Swedbank AB Clients Account: 9,0%	





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.

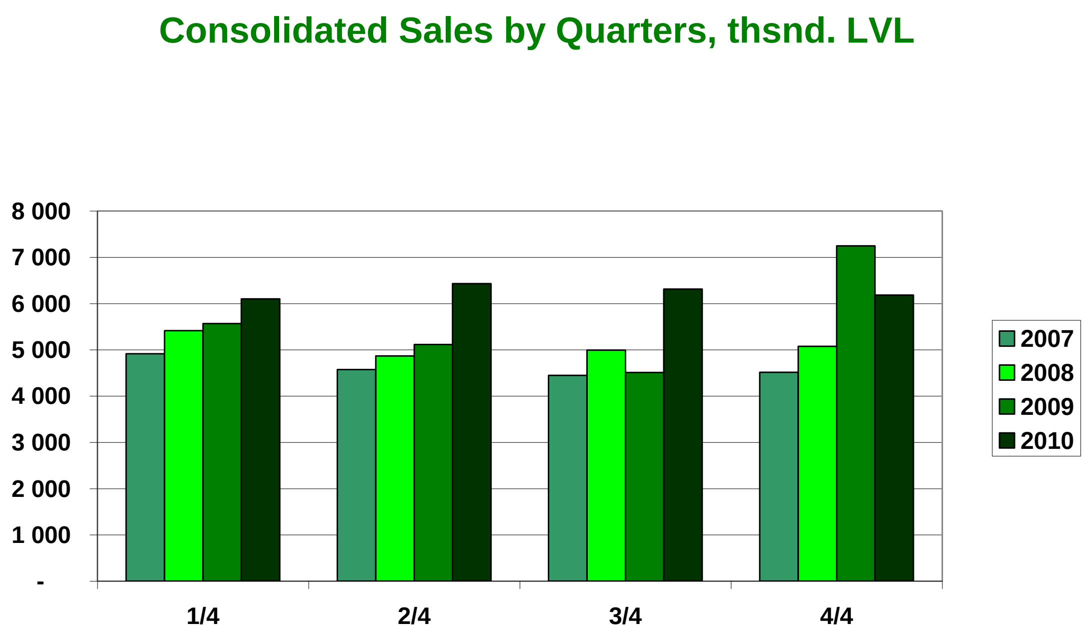
Corporate vision:

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.

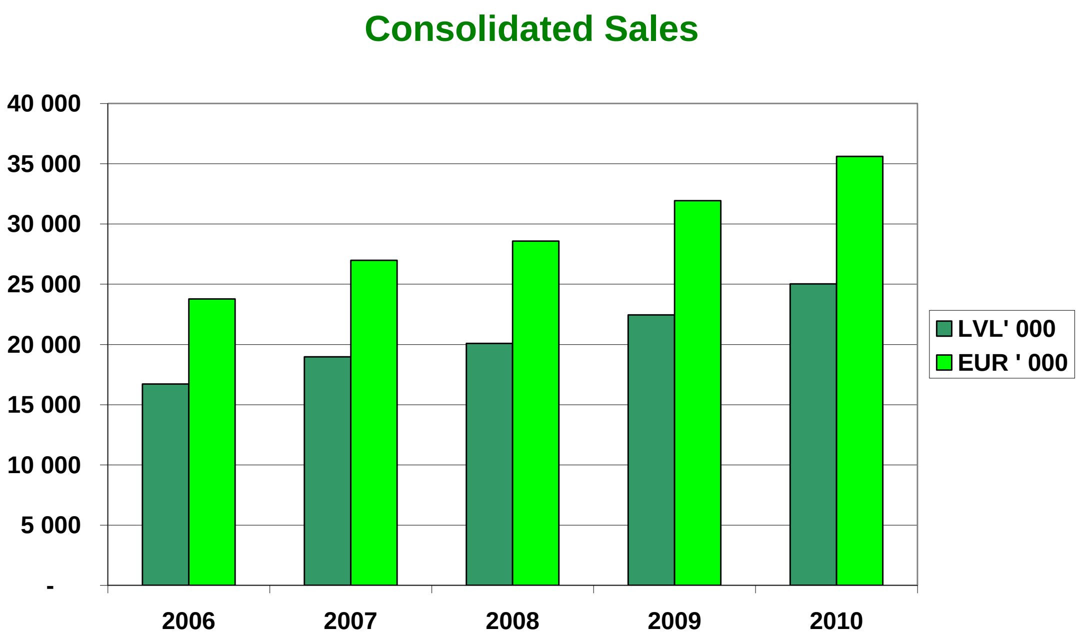
Financial results

During the 4th quarter of 2010 the level of sales was still comfortably above 6 million lats (8.6 million EUR), but because of excess demand for antiviral medications experienced in 4th quarter of 2009, the company could not outperform its last quarter sales figures in 2010. In total company's sales during 4th quarter of 2010 were 6.18 million lats (8.8 million EUR).

Management report (cont'd)

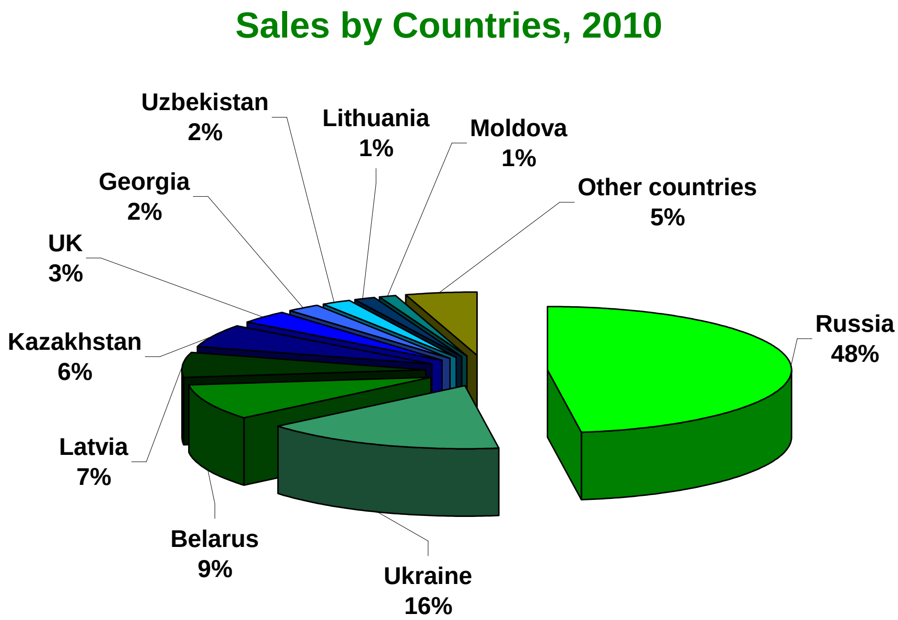


Sales in 2010 in total compared to the sales in 2009 have increased by 12% and have reached 25 million lats (35.6 million EUR), which is some 2% above the sales target approved by the company's AGM in 2010. The sales target approved was 24.5 million lats (34.9 million EUR).

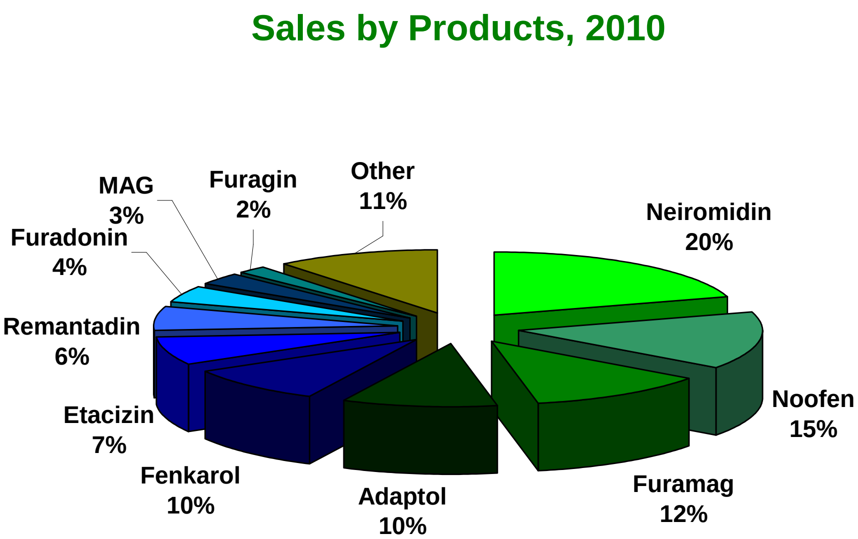


In 2010 company's sales increased in all its major markets, except Latvia. Sales to Uzbekistan have increased by 49%, to Moldova by 118%, to Belarus by 16%, to Kazakhstan by 15%, Georgia by 39%, Russia by 23% and Ukraine by 25%. Sales volumes in Latvia are gradually increasing too, comparing to previous quarters of 2010, however, when comparing year on year there is still a decrease in Latvian sales.

Management report (cont'd)

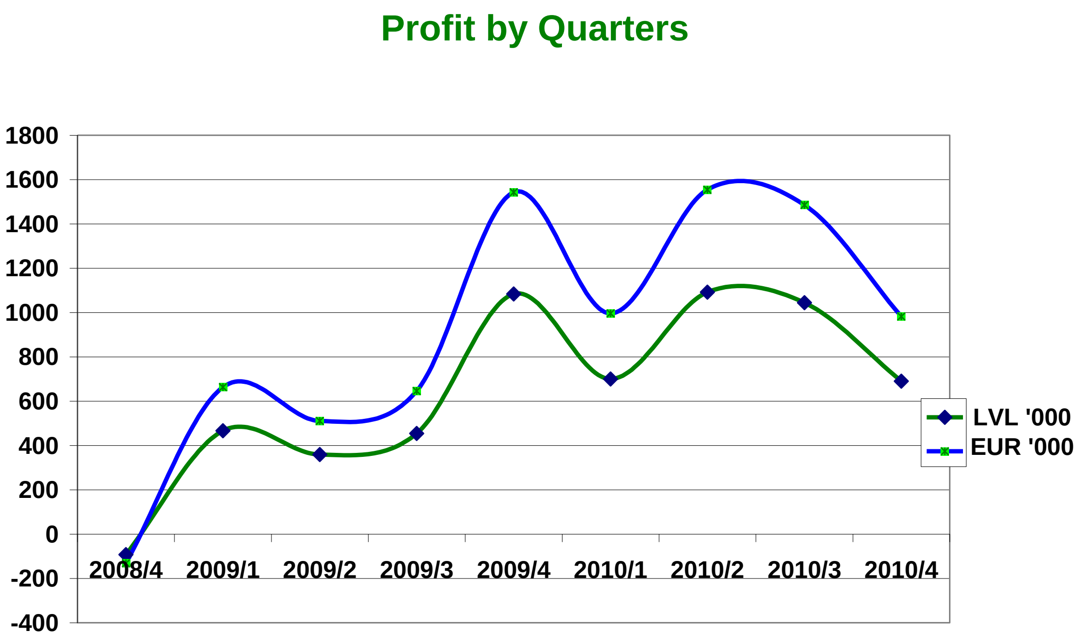


Product portfolio of A/s "Olainfarm" still remains rather well diversified and as demand for antiviral medicines increased by the end of the year, sales of antiviral medicine „Remantadins" have increased respectively reducing the share of other products, including share of Neiromidin in total sales compared to their share as of 9 months of 2010. However, this demand for antivirals at the end of 2010 was not as strong as at the end of 2009, with strong concerns about outbreak of pandemic flu. For the entire year, the share of Neiromidin in total sales has decreased to 20%. In general throughout 2010 sales of all products have increased rather equally and ten best selling products combined still make up less that 90% of sales. Sales of six best selling products are still being additionally promoted.

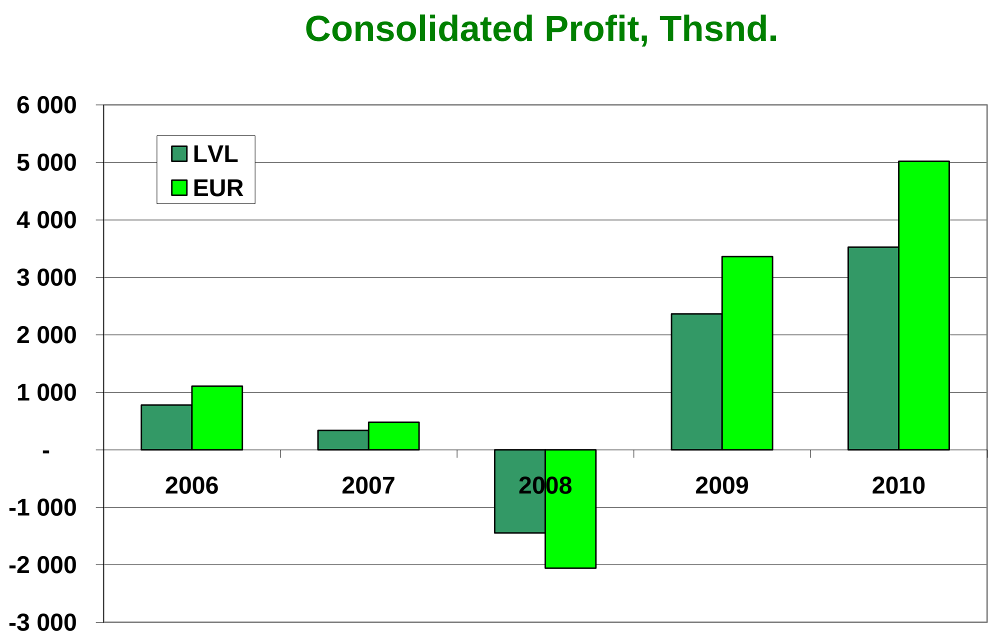


Along with stable sales figures, company also demonstrated rather stable profit figures. Since there were no major extraordinary demand increases during the last quarter of 2010, unlike in 2009, some minor sales and profit reduction took place, if compared with previous quarters. However, quarterly profits remain rather high at the level of approximately 1 million euro.

Management report (cont'd)



In 2010 the new record profits have been achieved by the company. Profit of 2010 exceeds 3.5 million lats (5 million EUR), which is nearly a 50% increase compared to 2009.



Management report (cont'd)

Other financial indicators of the Company also continue improving.

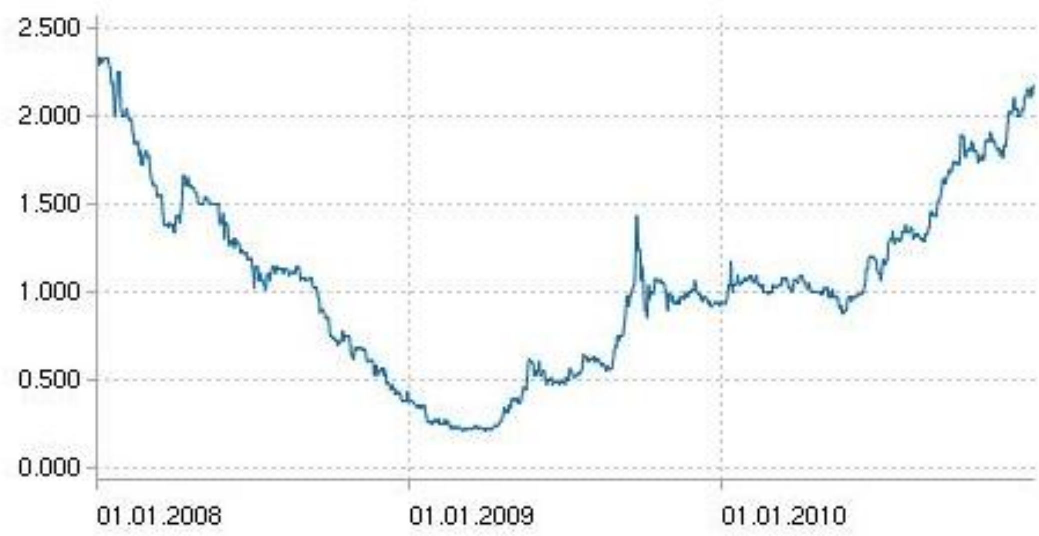
Financial indicator	31/12/2010	31/12/2009	% to previous period
Net sales (LVL)	25 023 430	22 441 240	112%
Net profit (LVL)	3 539 450	2 363 063	150%
EBITDA (LVL)	6 365 686	5 611 606	113%
EBIT (LVL)	4 521 093	3 348 966	135%
Net sales (EUR)	35 605 134	31 931 008	112%
Net profit (EUR)	5 036 184	3 362 336	150%
EBITDA (EUR)	9 057 555	7 984 596	113%
EBIT (EUR)	6 432 936	4 765 149	135%
EBITDA margin, %	25	25	
Net margin, %	14	11	
EBIT margin, %	18	15	
ROA, %	10,9	7,7	
ROE, %	17,1	13,8	
Current ratio	3,6	2,4	
EPS, LVL	0,25	0,168	150%
EPS, EUR	0,356	0,239	150%
Share price at the end of the period LVL	2,17	0,94	231%
Share price at the end of the period EUR	3,088	1,34	231%
P/E	8,6	5,6	
Market capitalisation at the end of the period LVL	30 564 619	13 239 973	231%
Market capitalisation at the end of the period EUR	42 494 721	18 838 784	231%
(P/B)	1,48	0,77	

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). According to this unaudited report the sales target has been exceeded by more than 2%, while the profit target was exceeded by nearly 31%.

Management report (cont'd)
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 starting with the 3rd quarter of 2010, when the share price started to demonstrate a rather fast growth, reaching 2.17 lats per share (3.88 euro per share) at the end of 4th quarter. This is the highest share price since the beginning of 2008. As this report is being prepared share price fluctuates around 2.30 lats (3.30 euro) per share. During 2010 share price of Olainfarm has been fluctuating between 0.87 and 2.17 lats (1.24 and 3.09 euro)

Price of shares of "Olainfarm" on NASDAQ OMX Riga (LVL) (2008 - 2010)

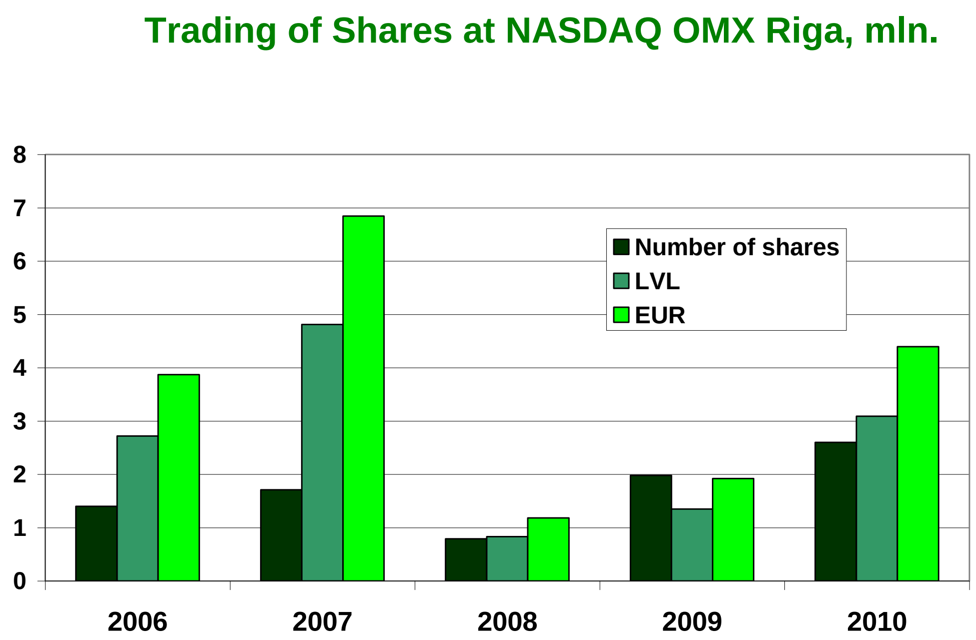


During the first half of 2010 the growth trend of Olainfarm's shares and OMXRiga were somewhat similar, as both grew by about 25%. However, in 3rd quarter of 2010 share price of Olainfarm started a more rapid growth, significantly outperforming the growth of OMXR index, and demonstrated the increase of 130% in 2010 compared to 41% growth of OMXR.

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

-- OMX Riga
-- AS "Olainfarm"

Management report (cont'd)



Trading of shares of Olainfarm on NASDAQ OMX Riga also experienced considerable increase. During 2010 more than 3 million lats (4.4 million euro) worth of shares were traded, which is more than 2008 and 2009 combined. Besides, during 2010 more than 2.5 million shares were traded, which is the largest number for the last five years.

Development

During 2010 the total of 38 registration renewals were completed in 7 countries as well as 36 totally new registration cases completed. 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.

Management report (cont'd)

Environment

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

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

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.

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.

Events after the end of the reporting period

In February 2011, registration application of Olvazol® capsules has been submitted in Ukraine.

In February 2011 Olainfarm's application of project „ Reduction of carbon dioxide emissions, by improving energy efficiency of production units 2 and 4 of Olainfarm" has been approved. Implementation of the project will allow reducing carbon dioxide emissions and increasing energy efficiency of two production buildings of Olainfarm.

In April 2011, Management Board of the Company unanimously decided to propose the Annual meting of Shareholderts to be held on April 29, 2011 to vote for paying dividends. The Management Board proposes that 352 126.95 lats (501 031.51 Euro), or 2.5 santims per share are paid in dividends.

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

Valērijs Maligins
Chairman of the Board
(President)

28 April 2011

The annual report was approved by the general shareholders' meeting on 29 April 2011.

Statement of Responsibility of the Management

The management of AS Olainfarm confirms that the consolidated financial statements give a true and fair view of the financial position of the Group as at 31 December 2010, as well as of the cash flows and the results of the Group for the period then ended in accordance with International Financial Reporting Standards as adopted by the EU. In preparing those financial statements, the management:

- selects suitable accounting policies and then applies them consistently;
- makes judgments and estimates that are reasonable and prudent;
- prepares the financial statements on the going concern basis unless it is inappropriate to presume that the Group will continue in business.

The management of AS Olainfarm 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:

Valērijs Maligins
Chairman of the Board
(President)

28 April 2011

Income statement

	Piezīme	2010 LVL	2009 EUR	2009 LVL	2009 EUR
Net sales	3	25 023 430	35 605 134	22 441 240	31 931 008
Changes in stock of finished goods and work in progress		(369 684)	(526 013)	86 809	123 518
Other operating income	4	245 086	348 725	400 109	569 304
Cost of materials:					
raw materials and consumables		(2 318 130)	(3 298 402)	(2 326 977)	(3 310 990)
other external costs		(1 506 668)	(2 143 795)	(1 600 192)	(2 276 868)
		(3 824 798)	(5 442 197)	(3 927 169)	(5 587 858)
Staff costs:					
Wages and salaries	9	(4 939 873)	(7 028 806)	(5 017 518)	(7 139 285)
Statutory social insurance contributions	9	(1 127 192)	(1 603 850)	(1 139 469)	(1 621 318)
		(6 067 065)	(8 632 656)	(6 156 987)	(8 760 603)
Depreciation/ amortization	10, 11	(1 844 593)	(2 624 619)	(2 262 640)	(3 219 447)
Other operating expense	5	(8 577 657)	(12 204 907)	(7 172 971)	(10 206 218)
Financial income	6	147 097	209 300	69 700	99 174
Financial expense	7	(353 011)	(502 289)	(553 266)	(787 227)
Profit before taxes		**4 378 804**	**6 230 477**	**2 924 825**	**4 161 651**
Corporate income tax	8	(694 825)	(988 647)	(380 801)	(541 831)
Deferred corporate income tax	8	(76 681)	(109 107)	(121 525)	(172 914)
Real Estate tax		(63 629)	(90 536)	(58 955)	(83 885)
Net profit for the year		**3 543 669**	**5 042 187**	**2 363 544**	**3 363 020**

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

For the Board:

Valērijs Maligins
Chairman of the Board
(President)

28 April 2011

Balance sheet
ASSETS

	Piezīme	31.12.2010. LVL	31.12.2010. EUR	31.12.2009. LVL	31.12.2009. EUR
NON-CURRENT ASSETS					
Intangible assets					
Patents	10	2 401 689	3 417 296	2 564 138	3 648 440
Other intangible assets	10	503 792	716 832	621 331	884 074
Prepayments for intangible assets		298 901	425 298	173 471	246 827
TOTAL		**3 204 382**	**4 559 425**	**3 358 940**	**4 779 341**
Property, plant and equipment					
Land, buildings and constructions	11	6 135 966	8 730 693	6 442 709	9 167 149
Equipment and machinery	11	2 292 024	3 261 256	2 862 133	4 072 448
Other fixtures and fittings, tools and equipment	11	670 205	953 616	183 161	260 615
Construction in progress	11	13 635	19 401	82 486	117 367
Prepayments for property, plant and equipment		24 515	34 882	247 580	352 275
TOTAL		**9 136 345**	**12 999 848**	**9 818 069**	**13 969 854**
Financial assets					
Investments in related companies	12	3 332 331	4 741 480	3 330 000	4 738 163
Investments in associated companies		3 720	5 293	-	-
Other securities and investments		-	-	386	549
TOTAL		**3 336 051**	**4 746 773**	**3 330 386**	**4 738 712**
TOTAL NON-CURRENT ASSETS		**15 676 778**	**22 306 045**	**16 507 395**	**23 487 907**
CURRENT ASSETS					
Inventories					
Raw materials		932 807	1 327 265	668 186	950 743
Work in progress		3 400 014	4 837 784	4 017 587	5 716 511
Finished goods and goods for resale		2 256 669	3 210 951	1 880 940	2 676 337
Goods in transit		70 068	99 698	19 074	27 140
Prepayments for goods		100 164	142 521	45 242	64 374
TOTAL	13	**6 759 722**	**9 618 217**	**6 631 029**	**9 435 104**
Receivables					
Trade receivables	14	7 665 387	10 906 863	5 414 429	7 704 038
Receivables from related companies	15, 27	159 439	226 861	73 800	105 008
Other receivables	16	418 685	595 735	195 363	277 977
Current loans to management and employees	17, 27	831 505	1 183 125	435 486	619 641
Prepaid expense	18	19 336	27 513	65 230	92 814
Short-term deposits	19	-	-	500 396	711 999
TOTAL		**9 094 352**	**12 940 097**	**6 684 704**	**9 511 476**
Cash	19	**493 813**	**702 633**	**181 381**	**258 082**
TOTAL CURRENT ASSETS		**16 347 887**	**23 260 948**	**13 497 114**	**19 204 663**
TOTAL ASSETS		**32 024 665**	**45 566 993**	**30 004 509**	**42 692 570**

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

For the Board:

Valērijs Maligins
Chairman of the Board
(President)

28 April 2011

EQUITY AND LIABILITIES

		Piezīme	31.12.2010.	31.12.2010.	31.12.2009.	31.12.2009.
EQUITY			**LVL**	**EUR**	**LVL**	**EUR**
Share capital		20	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		1 268 363	1 804 718	(1 095 181)	(1 558 302)
	for the period		3 543 669	5 042 187	2 363 544	3 363 020
	TOTAL EQUITY		**20 656 818**	**29 392 004**	**17 113 149**	**24 349 817**
LIABILITIES						
Non-current liabilities						
	Loans from credit institutions	21	3 459 918	4 923 020	3 564 690	5 072 097
	Long term payables for the long-term investment		2 453 050	3 490 376	2 453 050	3 490 376
	Other loans	27	500 396	711 999	500 397	712 001
	Deferred corporate income tax liabilities	8	412 440	586 849	335 759	477 742
	Finance lease liabilities	22	36 890	52 490	104 531	148 734
	Taxes payable	23	-	-	197 491	281 004
	TOTAL		**6 862 694**	**9 764 734**	**7 155 918**	**10 181 954**
Current liabilities				-		-
	Trade and other payables		1 061 933	1 510 995	1 067 452	1 518 847
	Loans from credit institutions	21	1 258 152	1 790 189	2 412 513	3 432 697
	Accrued liabilities	24	702 407	999 435	624 336	888 350
	Taxes payable	23	511 610	727 955	907 344	1 291 034
	Corporate income tax	23	311 936	443 845	-	-
	Payables to related companies	27	261 013	371 388	199 381	283 694
	Finance lease liabilities	22	75 770	107 811	108 708	154 678
	Other loans	25	283 566	403 478	290 672	413 589
	Prepayments received from customers		38 766	55 159	125 036	177 910
	TOTAL		**4 505 153**	**6 410 255**	**5 735 442**	**8 160 799**
	TOTAL LIABILITIES		**11 367 847**	**16 174 989**	**12 891 360**	**18 342 753**
TOTAL EQUITY AND LIABILITIES			**32 024 665**	**45 566 993**	**30 004 509**	**42 692 570**

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

For the Board:

Valērijs Maligins
Chairman of the Board
(President)

28 April 2011

Cash flow statement

	2010 LVL	2009 EUR	2010 LVL	2009 EUR
Cash flows to/from operating activities				
(Loss)/ Profit before taxes	4 378 804	6 230 477	2 924 825	4 161 651
Adjustments for:				
Amortisation and depreciation	1 850 128	2 632 495	2 268 328	3 227 540
Loss on sale/ disposal of property, plant and equipment	63 374	90 173	37 608	53 511
Increase in allowances	(53 570)	(76 224)	558 192	794 236
Provisions for vacation reserve	16 853	23 979	(54 547)	(77 613)
Impairment of tangible non-current assets	16 276	23 159	29 653	42 192
(Decrease)/ increase in vacation reserve	386	549	-	-
Interest expences	294 185	418 588	411 045	584 864
Interest receivable	(23 366)	(33 247)	(26 095)	(37 130)
Operating cash flows before working capital changes	**6 543 069**	**9 309 949**	**6 149 009**	**8 749 252**
Increase in inventories	4 389	6 245	(115 462)	(164 288)
(Increase)/ decrease in receivables and prepaid expence	(1 987 986)	(2 828 649)	(467 784)	(665 597)
Increase/ (decrease) in payables and prepayments receivec	84 221	119 836	(2 639 357)	(3 755 467)
Cash generated from operations	**4 643 694**	**6 607 381**	**2 926 406**	**4 163 901**
Interest paid	(219 826)	(312 784)	(337 297)	(479 930)
Corporate income tax paid	(743 553)	(1 057 981)	(44 891)	(63 874)
Real estate tax paid	(78 192)	(111 257)	(59 673)	(84 907)
Net cash flows to/ from operating activities	**3 602 123**	**5 125 359**	**2 484 545**	**3 535 189**
Cash flows to/from investing activities				
Purchase of property, plant and equipment	(1 117 377)	(1 589 884)	(493 161)	(701 705)
Prepayment for financial investments	(3 720)	(5 293)	-	-
Acquistion of subsidiary	(2 331)	(3 317)	-	-
Proceeds from sale of intangible assets and property, plant and	48 395	68 860	7 226	10 282
Loans repaid	313 646	446 278	-	-
Interest receivable	727	1 034	9 124	12 982
	-	-	(500 396)	(711 999)
Loans granted	(700 282)	(996 412)	(194 837)	(277 228)
Net cash flows to/from investing activities	**(1 460 942)**	**(2 078 733)**	**(1 172 044)**	**(1 667 669)**
Cash flows to/from financing activities				
Borrowings repaid	(1 828 749)	(2 602 075)	(1 168 214)	(1 662 219)
Net cash flows to/from financing activities	**(1 828 749)**	**(2 602 075)**	**(1 168 214)**	**(1 662 219)**
Change in cash	**312 432**	**444 551**	**144 287**	**205 302**
Cash at the begining of the year	**181 381**	**258 082**	**37 094**	**52 780**
Cash at the and of the year	**493 813**	**702 632**	**181 381**	**258 082**

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

Statement of 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 2008	**14 085 078**	**20 041 260**	**1 759 708**	**2 503 839**	**(1 095 181)**	**(1 558 302)**	**14 749 605**	**20 986 797**
Profit for the reporting year	-	-	-	-	2 363 544	3 363 020	2 363 544	3 363 020
Balance as at 31 December 2009	**14 085 078**	**20 041 260**	**1 759 708**	**2 503 839**	**1 268 363**	**1 804 718**	**17 113 149**	**24 349 816**
Profit for the reporting year	-	-	-	-	3 543 669	5 042 187	3 543 669	5 042 187
Balance as at 31 December 2010	**14 085 078**	**20 041 260**	**1 759 708**	**2 503 839**	**4 812 032**	**6 846 905**	**20 656 818**	**29 392 004**

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

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Notes to the financial statements

1. Corporate information

The joint stock company Olainfarm (hereinafter - the 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 Company is engaged in manufacturing and distribution of chemical and pharmaceutical products. The financial statements of the Company for the year ended 31 December 2010 were approved by a resolution of the Company's Board on 28 April 2010.

2. Summary of significant accounting policies

Basis of preparation

The financial statements present only the financial position of AS Olainfarm as a stand-alone entity; the financial position of companies belonging to the Olainfarm Group (i.e. AS Olainfarm and its subsidiaries) is presented in a separate set of consolidated financial statements.

The financial statements of AS Olainfarm have been prepared in accordance with the Law of the Republic of Latvia on Annual Reports and Latvian Accounting Standards issued by the Accounting Council of the Republic of Latvia Ministry of Finance applicable in the reporting year.

The financial statements are prepared on a historical cost basis. The monetary unit used in the financial statements is lat (LVL), the monetary unit of the Republic of Latvia and European monetary unit (EUR). The financial statements cover the period 1 January 2010 through 31 December 2010.

Use of estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, income and expense, and disclosure of contingencies. Future events occur which cause the assumptions used in arriving at the estimates to change. The effect of any changes in estimates will be recorded in the financial statements, when determinable.

Foreign currency translation

The functional and presentation currency of the Company is Latvian lats (LVL). Transactions in foreign currency are initially recorded at the functional currency rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated into Latvian lats applying the official exchange rate established by the Bank of Latvia at the last day of the reporting year. The differences arising on settlements of transactions or on reporting foreign currency transactions at rates different from those at which these transactions have originally been recorded are netted in the income statement accounts.

Currency exchange rates established by the Bank of Latvia:

	31/12/2010 LVL	31/12/2009 LVL
1 USD	0.535	0.489
1 RUB	0.0176	0.0164
1 EUR	0.7028	0.7028

Intangible assets

Intangible assets basically consist of the costs of acquisition of preparation production technologies, medicine registration fee, and software. Intangible assets are stated at cost and amortised over their estimated useful lives on a straight-line basis. The amortisation rate for intangible non-current assets is fixed as follows: 20% for production technologies, and 20-25% for other intangible non-current assets.

The carrying values of intangible non-current assets are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

Research and development costs

Research costs are expensed as incurred. Project development costs are recognised as intangible assets where the project feasibility is demonstrated and the assets developed are reasonably expected to generate future economic benefits. Capitalised development costs are amortised over their estimated useful lives on a straight-line basis. Should the respective asset be not yet in use, the carrying value of development costs is reviewed for impairment at the end of each reporting year and otherwise when events or changes in circumstances indicate that the carrying value may not be recoverable.

2. Summary of significant accounting policies (cont'd)

Patents

Patents have been granted for a particular period by the relevant government agency. Accordingly, patents have been assigned a finite period of useful life and are depreciated on a straight-line basis over the period of the patent. Please see Note 10 for details on acquired patents.

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment in value. Land is not depreciated.

Depreciation is calculated on a straight-line basis over the estimated useful life of the asset. Depreciation is calculated starting with the following month after the asset is put into operation or engaged in commercial activity. Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately. To the extent that the Company depreciates separately some parts of plant, property and equipment, it also depreciates separately the remainder of the item. The remainder consists of the parts that are individually insignificant. The depreciation for the remainder is determined using approximation techniques to faithfully represent its useful life. When assets are sold or disposed of, their cost and accumulated depreciation are eliminated from the accounts and any gain or loss resulting from their disposal is included in the income statement. The following depreciation rates were established and applied:

	% per annum
Buildings and constructions	*5*
Equipment and machinery	*10-15*
Computers and software	*25*
Other property, plant and equipment	*20*

The cost of property, plant and equipment comprises its purchase price, including import duties and non-refundable purchase taxes and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenses incurred after the assets have been put into operation, such as repair and maintenance and overhaul costs, are normally charged to the income statement in the period when incurred. In situations where it can be clearly demonstrated that the expenses have resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property, plant and equipment beyond its originally assessed standard of performance, such expenses are capitalised as an additional cost of property, plant and equipment.

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets are written down to their recoverable amount.

Construction in progress represents assets under construction and is stated at historical cost. This includes the cost of construction and other direct expenses. Construction in progress is not depreciated as long as the respective assets are not completed and put into operation.

Investments in subsidiaries

Investments in subsidiaries (i.e. where the Company holds more than 50% interest of the share capital or otherwise controls the company) are stated in accordance with the cost method. Following initial recognition, investments in subsidiaries are carried at cost less any accumulated impairment losses. The carrying values of investments in subsidiaries are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable. The Company recognises income from the investment only to the extent that the Company receives distributions from accumulated profits of the investee arising after the date of acquisition. Distributions received in excess of such profits are regarded as a recovery of investment and are recognised as a reduction of the cost of the investment.

Inventories

Inventories are valued at the lower of net realisable value and cost.

Costs incurred in bringing each product to its present location and condition are accounted for as follows:

Raw materials – purchase cost on an average weighed cost basis;

Finished goods and work in progress – cost of direct materials and labour plus indirect costs related to production. Indirect production costs consist of labour, energy, depreciation, and other production-related expense calculated based on the ordinary production output.

An allowance for obsolete inventories is established based on the review and analysis of individual items. Impairment of inventories caused by obsolescence and physical damage is assessed by the Company on a regular basis, and the respective losses are charged to the income statement as cost of sales. Where damaged inventories are physically destroyed, the value of inventories and the respective allowance are written off.

2. Summary of significant accounting policies (cont'd)

Trade and other receivables

Trade and other receivables are recognised and carried at original invoice amount. An estimate for doubtful debts is made when collection of the full amount is no longer probable, evaluating each receivable separately. Bad debts are written off when recovery is deemed impossible.

Cash

Cash comprises cash at bank and on hand. The cash flow statement has been prepared according to the indirect method by making adjustments to reconcile operating profit with cash flows from operating, investing, and financing activities.

Allowances

Allowances are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

Loans and borrowings

All loans and borrowings are recognised at cost, net of issue costs associated with the borrowing.

Leases

Finance leases, which transfer to the Company substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the principal lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly against income.

If there is reasonable certainty that the lessee will obtain ownership by the end of the lease term, the period of expected use is the useful life of the asset; otherwise capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset or the lease term on a straight-line basis.

Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease payments are recognised as an expense in the income statement on a straight-line basis over the lease term.

Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

Sale of goods

Revenue is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer and the amount of revenue can be measured reliably.

Rendering of services

The value of services rendered basically comprises revenue from services includes the analysis of preparations based on customers' orders . Revenue is recognised in the period when the services are rendered.

Interest

Revenue is recognised on an accrual basis.

Corporate income tax

Corporate income tax includes current and deferred taxes. Current corporate income tax is applied at the rate of 15% on taxable income generated by the Company during the taxation period.

Deferred corporate income tax arising from temporary differences in the timing of the recognition of items in the tax returns and these financial statements is calculated using the liability method. The deferred corporate income tax asset and liability are determined on the basis of the tax rates that are expected to apply when the timing differences reverse. The principal temporary timing differences arise from differing rates of accounting and tax amortisation and depreciation on the Company's non-current assets, the treatment of temporary non-taxable allowances and reserves, as well as tax losses carried forward for the subsequent eight years.

2. Summary of significant accounting policies (cont'd)

Related parties

Related parties shall be deemed shareholders that have the ability to exercise significant influence over the Company's operations, subsidiaries, Council and Board members, their close members of the families, and entities over which these persons exercise significant influence or control.

Contingencies

Contingent liabilities are not recognised in the financial statements. They are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. A contingent asset is not recognised in the financial statements but disclosed when an inflow of economic benefits is probable.

Subsequent events

Post-year-end events that provide additional information about the Company's position at the balance sheet date (adjusting events) are reflected in the financial statements. Post-year-end events that are not adjusting events are disclosed in the notes when material.

3. Net turnover

	2010		2009	
By business segments	**LVL**	**EUR**	**LVL**	**EUR**
Finished form medicine	23 249 856	33 081 564	20 986 160	29 860 615
Chemicals	1 773 574	2 523 570	1 455 080	2 070 392
TOTAL:	**25 023 430**	**35 605 134**	**22 441 240**	**31 931 008**

	2010		2009	
By geographical segments	**LVL**	**EUR**	**LVL**	**EUR**
CIS	21 229 513	30 206 876	17 156 717	24 411 809
Latvia	1 628 455	2 317 082	2 965 522	4 219 558
Europe	1 382 248	1 966 762	1 286 881	1 831 067
Baltic states (Lithuania and Estonia)	399 118	567 894	484 591	689 511
Other	384 096	546 520	547 529	779 063
TOTAL:	**25 023 430**	**35 605 134**	**22 441 240**	**31 931 008**

4. Other operating income

	2010		2009	
	LVL	**EUR**	**LVL**	**EUR**
Other operating income	68 055	96 834	34 024	48 412
Income of services	68 412	97 342	95 793	136 301
Lease of premises	49 809	70 871	66 925	95 226
Incomes from catering services	22 991	32 714	25 813	36 729
Royalty	21 047	29 948	-	-
Gains from sale of non-current assets	6 766	9 628	3 654	5 199
Sale of current assets	4 438	6 315	995	1 416
Treatment of waste water	3 567	5 075	172 905	246 022
TOTAL:	**245 086**	**348 725**	**400 109**	**569 304**

* Income from services includes the analysis of preparations based on customers' orders.

5. Other operating expense

	2010		2009	
	LVL	EUR	LVL	EUR
Marketing expense	6 027 383	8 576 194	4 784 714	6 808 035
Sales commissions	177 933	253 176	131 969	187 774
Transportation expense	110 547	157 294	84 986	120 924
Other distribution costs	106 773	151 924	73 060	103 955
Expert analysis of medicines	83 912	119 396	47 410	67 459
Total distribution costs:	*6 506 548*	*9 257 984*	*5 122 139*	*7 288 147*
Write-offs of current assets	250 718	356 740	134 585	191 497
Information and business consulting	236 717	336 818	101 894	144 982
Security	201 334	286 472	158 747	225 877
Representation expense	174 909	248 873	44 073	62 710
Business trips	170 204	242 179	92 618	131 784
Insurance	110 502	157 230	158 971	226 195
Car fleet maintenance	87 480	124 472	40 688	57 894
Allowances for doubtful receivables, established/ recovered	87 093	123 923	135 593	192 931
Current repairs	69 094	98 312	30 027	42 725
Flowers and gifts	67 427	95 940	17 379	24 728
New product research and development costs	67 195	95 611	16 399	23 334
Other taxes	64 186	91 328	59 179	84 204
Communications expense	62 971	89 600	59 011	83 965
Donations	48 142	68 499	25 223	35 889
Education	41 005	58 344	28 016	39 863
Write-offs and disposal of tangible assets	38 139	54 266	39 574	56 309
Provisions for unrealisable items	37 045	52 710	200 775	285 678
Social infrastructure	31 412	44 696	32 290	45 945
Audit fee	30 909	43 980	29 650	42 188
Laboratory tests	25 824	36 744	11 131	15 838
Bank charges	25 652	36 500	29 535	42 025
Impairment of tangible assets	22 058	31 385	-	-
Allowances for work in progress	17 060	24 275	71 129	101 207
Hosting expense	16 177	23 017	14 583	20 750
Legal and audit expense	15 829	22 523	8 413	11 971
Office expense	15 769	22 437	12 089	17 201
Waste removal	13 870	19 735	19 680	28 002
Write-offs of intangible assets	10 825	15 402	30 702	43 685
Membership fees	10 786	15 348	12 392	17 632
Administrative offices maintenance	10 557	15 021	6 783	9 652
Annual payment for medicines registered in LR	8 700	12 379	19 250	27 390
Allowances for slow-moving items	8 433	11 998	150 695	214 420
Allowances to staff	5 100	7 257	39 171	55 735
Inventorying of buildings	-	-	13 000	18 497
Provisions for impairment of tangible assets	(4 050)	(5 762)	(1 049)	(1 493)
Provisions for intangible assets	(12 725)	(18 106)	-	-
Provisions for finished production	(18 577)	(26 433)	-	-
Provisions for slow-moving items	(28 904)	(41 127)	-	-
Provisions for allowances for work in progress	(86 485)	(123 057)	-	-
Other operating expense	204 277	290 659	276 933	394 040
TOTAL:	**8 643 207**	**12 298 176**	**7 241 268**	**10 303 396**

6. Interest receivable and similar income

	2010		2009	
	LVL	EUR	LVL	EUR
Currency exchange gain, net	123 731	176 053	43 605	62 044
Interest income on loans	22 980	32 698	12 291	17 489
Interest accrued on deposits and bank account balances	387	550	13 804	19 641
TOTAL:	**147 097**	**209 300**	**69 700**	**99 174**

7. Interest payable and similar expense

	2010		2009	
	LVL	EUR	LVL	EUR
Loan interest payments	294 185	418 587	411 045	584 864
Penalties paid	58 825	83 701	142 221	202 362
TOTAL:	**353 011**	**502 289**	**553 266**	**787 227**

8. Corporate income tax

	2010		2009	
	LVL	EUR	LVL	EUR
Current corporate income tax charge for the reporting year	694 825	988 647	380 801	541 831
Deferred corporate income tax due to changes in temporary differences	76 681	109 107	121 525	172 914
TOTAL:	**771 506**	**1 097 754**	**502 326**	**714 746**

	2010		**2009**	
	LVL	EUR	LVL	EUR
Profit before taxes	4 378 804	6 230 477	2 924 825	4 161 651
Real estate tax expence	(63 629)	(90 536)	(58 955)	(83 885)
Profit/ (loss) before corporate income tax	4 315 175	6 139 941	2 865 870	4 077 766
Tax at the applicable rate of 15%	647 276	920 991	429 881	611 665
Permanent differences including:	124 230	176 764	72 445	103 080
Non-recoverable allowances	19 864	28 264	24 550	34 932
Expenses not related to business	79 895	113 680	25 577	36 393
Other	24 471	34 819	22 318	31 756
Actual corporate income tax for the reporting year:	**771 506**	**1 097 755**	**502 326**	**714 745**

8. Corporate income tax (cont'd)

	31/12/2010		31/12/2009	
	LVL	EUR	LVL	EUR
Deferred corporate income tax liability				
Accelerated depreciation for tax purposes	571 212	812 761	512 037	728 563
Gross deferred tax liability	571 212	812 761	512 037	728 563
Deferred corporate income tax asset				
Allowances for slow-moving items				
Vacation pay reserve	(107 716)	(153 266)	(127 678)	(181 669)
Gross deferred tax asset	(51 057)	(72 648)	(48 600)	(69 152)
Net deferred tax liability	(158 772)	(225 912)	(176 278)	(250 821)
Deferred corporate income tax liability	**412 440**	**586 849**	**335 759**	**477 742**

9. Staff costs and number of employees

	2010		2009	
	LVL	EUR	LVL	EUR
Wages and salaries	4 939 873	7 028 806	5 017 518	7 139 285
Statutory social insurance contributions	1 127 192	1 603 850	1 139 469	1 621 318
TOTAL:	**6 067 065**	**8 632 656**	**6 156 987**	**8 760 603**

	2010		**2009**	
	LVL	**EUR**	**LVL**	**EUR**
Management of the Group				
Wages and salaries	337 196	479 787	349 949	497 933
Statutory social insurance contributions	92 009	130 918	83 969	119 477
Vacation pay reserve	38 673	55 027	46 382	65 996
Board Members				
Wages and salaries	365 765	520 437	341 885	486 459
Statutory social insurance contributions	96 673	137 553	62 833	89 403
Vacation pay reserve	50 152	71 359	42 044	59 823
Council Members				
Wages and salaries	108 202	153 957	91 575	130 299
Statutory social insurance contributions	26 166	37 231	20 825	29 631
TOTAL:	**1 114 836**	**1 586 268**	**1 039 462**	**1 479 021**

	31/12/2010	31/12/2009
Average number of employees during the reporting year	754	788

10. Intangible assets

		Patents*		Other intangible assets		TOTAL	
		LVL	EUR	LVL	EUR	LVL	EUR
Acquisition value as at 31/12/2008		**2 850 000**	**4 055 185**	**784 418**	**1 116 126**	**3 634 418**	**5 171 311**
2009	Additions	18 918	26 918	410 590	584 217	429 508	611 135
	Disposals	-	-	(44 105)	(62 756)	(44 105)	(62 756)
Acquisition value as at 31/12/2009		**2 868 918**	**4 082 103**	**1 150 903**	**1 637 587**	**4 019 821**	**5 719 690**
2010	Additions	7 255	10 323	143 319	203 925	150 574	214 248
	Reclassification	(12 915)	(18 376)	(66 249)	(94 264)	(79 164)	(112 640)
	Disposals	-	-	(424 415)	(603 888)	(424 415)	(603 888)
Acquisition value as at 31/12/2010		**2 863 258**	**4 074 049**	**803 558**	**1 143 360**	**3 666 816**	**5 217 409**
Accumulated depreciation as at 31/12/2010		**148 017**	**210 609**	**405 381**	**576 805**	**553 398**	**787 414**
2009	Amortisation	156 763	223 054	168 153	239 260	324 916	462 314
	Amortisation of disposals	-	-	(43 962)	(62 552)	(43 962)	(62 552)
Accumulated depreciation as at 31/12/2010		**304 780**	**433 663**	**529 572**	**753 513**	**834 352**	**1 187 176**
2010	Amortisation	156 788	223 089	195 521	278 201	352 309	501 291
	Reclassification	-	-	(60 811)	(86 526)	(60 811)	(86 526)
	Amortisation of disposals	-	-	(364 517)	(518 661)	(364 517)	(518 661)
Accumulated depreciation as at 31/12/2010		**461 568**	**656 752**	**299 765**	**426 527**	**761 333**	**1 083 279**
Net carrying amount as at 31/12/2009		**2 564 138**	**3 648 440**	**621 331**	**884 074**	**3 185 469**	**4 532 514**
Net carrying amount as at 31/12/2010		**2 401 689**	**3 417 297**	**503 792**	**716 833**	**2 905 481**	**4 134 127**

* Patents acquired in 2007 (LVL 950 000) and in 2008 (LVL 1 900 000) have been received by the Group for derivation and use of the optical isomer for a chemical molecule. As at 31 December 2010, the carrying amount of those assets is LVL 2 388 482. The optimisation of the production technology for the respective products in laboratories have been completed, and currently field testing is being carried out to achieve maximum cost effectiveness. Development of finished form medicines is continued. In the second quarter of 2011, development of series of finished form medicines will be completed and the respective analysis of their stability will be commenced. Registration of the products is scheduled for 2012. As the products are derivatives from the existing products, the Parent Company's management believes that there are no impediments for the product registration.

Impairment test has been performed for the patents based on a value in use calculation using cash flow projections from financial budgets. The pre-tax discount rate applied to cash flow projections is 25%. Major assumptions and principles used for the calculation:

- Cost prices of raw materials will not change significantly in the projection period as the potential changes are included in the above mentioned discount rate of 25%;
- Based on its experience with other products, the Group projects that an especially steep sales growth will be observed in the second year of sales compared to the first year, which can be explained by expected low sales in the first year;
- External financing will not be attracted.

No impairment has been recognized for these patents as a result of the above test.

11. Property, plant and equipment

LVL

		Land	Buildings and constructions	Equipment and machinery	Other tangible assets	Construction in progress	TOTAL
Acquisition value as at 31/12/2008		**55 928**	**13 017 389**	**12 226 473**	**594 464**	**88 779**	**25 983 033**
2009	Additions	-	-	148 944	4 469	22 860	176 273
	Liquidation	-	(31 119)	(154 277)	(5 654)	(29 153)	(220 203)
Acquisition value as at 31/12/2009		**55 928**	**12 986 270**	**12 221 140**	**593 279**	**82 486**	**25 939 103**
2010	Additions	-	26 356	614 485	302 936	146 904	1 090 681
	Liquidation	-	(178 707)	(63 708)	(97 337)	(15 019)	(354 771)
	Reclassification	-	-	(23 118)	-	-	(23 118)
	Reversed impairment	-	-	4 050	-	-	4 050
	Reclassification	-	200 736	-	-	(200 736)	-
	Reclassification*	-	-	(1 390 034)	1 426 032	-	35 998
Acquisition value as at 31/12/2010		**55 928**	**13 034 655**	**11 362 815**	**2 224 910**	**13 635**	**26 691 943**
Accumulated depreciation as at 31/12/2008		**-**	**6 095 796**	**8 174 181**	**331 787**	**-**	**14 601 764**
2009	Depreciation	-	526 068	1 333 303	84 041	-	1 943 412
	Depreciation of disposals	-	(22 375)	(148 002)	(5 136)	-	(175 513)
	Reversed impairment	-	-	(475)	(574)	-	(1 049)
Accumulated depreciation as at 31/12/2009		**-**	**6 599 489**	**9 359 007**	**410 118**	**-**	**16 368 614**
2010	Depreciation	-	516 993	693 704	287 122	-	1 497 819
	Depreciation of disposals	-	(161 865)	(57 219)	(83 816)	-	(302 900)
	Reversed impairment	-	-	(1 060)	-	-	(1 060)
	Reclassification*	-	-	(475)	(574)	-	17 640
Accumulated depreciation as at 31/12/2010		**-**	**6 954 617**	**9 070 791**	**1 554 705**	**-**	**17 580 113**
Net carrying amount as at 31/12/2009		**55 928**	**6 386 781**	**2 862 133**	**183 161**	**82 486**	**9 570 489**
Net carrying amount as at 31/12/2010		**55 928**	**6 080 038**	**2 292 024**	**670 205**	**13 635**	**9 111 830**

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 31/12/2008		**79 578**	**18 522 076**	**17 396 704**	**845 846**	**126 321**	**36 970 525**
2009	Additions	-	-	211 928	6 359	32 527	250 814
	Liquidation	-	(44 278)	(219 516)	(8 045)	(41 481)	(313 320)
Acquisition value as at 31/12/2009		**79 578**	**18 477 798**	**17 389 116**	**844 160**	**117 367**	**36 908 019**
2010	Additions	-	37 501	874 333	431 039	209 026	1 551 899
	Liquidation	-	(254 277)	(90 648)	(138 498)	(21 370)	(504 793)
	Reclassification	-	-	(32 894)	-	-	(32 894)
	Reversed impairment	-	-	5 762	-	-	5 762
	Reclassification	-	285 622	-	-	(285 622)	-
	Reclassification*	-	-	(1 977 840)	2 029 061	-	51 221
Acquisition value as at 31/12/2010		**79 578**	**18 546 643**	**16 167 829**	**3 165 762**	**19 401**	**37 979 213**
Accumulated depreciation as at 31/12/2008		**-**	**8 673 536**	**11 630 812**	**472 090**	**-**	**20 776 438**
2009	Depreciation	-	748 527	1 897 119	119 580	-	2 765 226
	Depreciation of disposals	-	(31 837)	(210 588)	(7 308)	-	(249 733)
	Reversed impairment	-	-	(676)	(817)	-	(1 493)
Accumulated depreciation as at 31/12/2009		**-**	**9 390 227**	**13 316 667**	**583 545**	**-**	**23 290 439**
2010	Depreciation	-	735 615	987 052	408 538	-	2 131 204
	Depreciation of disposals	-	(230 313)	(81 415)	(119 259)	-	(430 988)
	Reversed impairment	-	-	(1 508)	-	-	(1 508)
	Reclassification*	-	-	(676)	(817)	-	25 099
Accumulated depreciation as at 31/12/2010		**-**	**9 895 528**	**12 906 573**	**2 212 146**	**-**	**25 014 247**
Net carrying amount as at 31/12/2009		**79 578**	**9 087 571**	**4 072 449**	**260 615**	**117 367**	**13 617 579**
Net carrying amount as at 31/12/2010		**79 578**	**8 651 115**	**3 261 256**	**953 616**	**19 401**	**12 964 966**

As depreciation of the items of property, plant and equipment in the cafe and canteen in the amount of LVL 5 534 (2009: LVL 5 688) was disclosed in the income statement as other operating expense, there is a difference of LVL 5 534 (2009: LVL 5 688) between the total depreciation and amortisation reported in the income statement and the total depreciation and amortisation stated in Notes 10 and 11.

* As a result of the detailed review of the Group's property, plant and equipment and intangible assets, several groups of plant and equipment and intangible assets have been reclassified.

A number of property, plant and equipment items that have been fully depreciated are still used in operations. The total original cost value of this property and equipment at the end of the year was LVL 8 679 560 (2009: LVL 8 304 872).

The book value of the land owned by the Company is LVL 55 928, whereas the total cadastral value of land owned by the Company as at 31 December 2010 is LVL 1 273 129 (2009: LVL 1 873 928). The cadastral value of buildings as at 31 December 2010 is LVL 3 153 619 (2009: LVL 4 600 478).

As at 31 December 2010, the net carrying amount of equipment and machinery held under finance lease was LVL 136 796 (2009: LVL 238 611) (see Note 22 for financial lease liabilities).

As at 31 December 2010, all the non-current and current assets owned by the Company had been pledged as a security for the loan and credit lines received (see Note 21). The pledge agreements were registered with the Commercial Pledge.

Prepayments for property, plant and equipment which as at 31 December 2010 amounted to LVL 24 515 (2009: LVL 247 580) refer to payments made for the assets intended to be used in the Company's operations.

12. Investments in related companies

Company	Line of business	%	31/12/2010 LVL	31/12/2010 EUR	31/12/2009 LVL	31/12/2009 EUR
SIA „Reinolds", Dzegužu iela 1/2, Riga	Public services	100	3 330 000	4 738 163	3 330 000	4 738 163
SIA „Ozols JDR", Zeiferta 18b, Olaine	Public services	100	1 331	1 894	-	-
SIA „Olainfarmenerģija", Rūpnūcu 5, Olaine	Electricity production and sales	50	1 000	1 423	-	-
		TOTAL:	**3 332 331**	**4 741 480**	**3 330 000**	**4 738 163**

On 26 August 2008, the Company acquired the 100% shareholding in SIA Reinolds the face value of all shares being LVL 2 000. SIA Reinolds owns the intellectual property of interest to the Company, i.e. the patent on the pharmaceutical compositions for treatment of cardiovascular diseases, the brand name of *Olvazol* and knowhow of the production technology of the generic preparation *Meldonium*. In 2010 the first stage of clinical trials was successfully completed for *Olvazol*. In 2011 the second stage of clinical trials was successfully completed. Documents for registration of the product in the Ukraine have been submitted in February 2011 and it is planned to finish registration and start distribution already in 2011. Registration of products is also planned in other countries – Russia, Kazakhstan, Belorussia. Information that the Company has about the combination of these molecules allows the management of the Company to have a great confidence that registration and sales of the product will be started as planned.

Ampoule form of the product is already registered in 7 countries – Tajikistan, Uzbekistan, Kirgizstan, Turkmenistan, Kazakhstan, Ukraine, Moldova. Ampoule form of the product is undergoing registration in several European countries and it is expected to be completed in 2010.

The acquisition cost of SIA Reinolds has been determined on the basis of the valuation performed by the independent valuators SIA Pētersona Patents. For the impairment testing, the discounted cash flow method has been used. The pre-tax discount rate of 25% has been applied. Major assumptions and principles used for the calculation are as follows:

- Cost prices of raw materials will not change significantly, as possible price changes include 25% pre-tax discount rate.
- The Company has made reliable sales forecasts, which show decrease in sales growth rate until 11% from 2014 to 2015.
- External financing will not be attracted.

The equity of SIA Reinolds as at 31 December 2010 was negative LVL 30 914, and its net profit for 2010 amounted to LVL 174.

SIA Reinolds was acquired on a deferred payment basis. The balance outstanding as at 31 December 2010 is LVL 2 453 050, is reported as non-current liabilities. Interest is 3% per annum.

13. Inventories

	31/12/2010		31/12/2009	
	LVL	EUR	LVL	EUR
Raw materials	1 148 485	1 634 148	904 336	1 286 754
Work in progress	3 582 849	5 097 935	4 269 847	6 075 445
Finished goods and goods for resale*	2 576 261	3 665 689	2 243 716	3 192 520
Goods in transit	70 068	99 697	19 074	27 140
Prepayments for goods	100 164	142 521	45 242	64 374
TOTAL:	7 477 827	10 639 988	7 482 215	10 646 233
Allowances for raw materials	(215 679)	(306 883)	(236 150)	(336 010)
Allowances for work in progress	(182 835)	(260 151)	(252 260)	(358 934)
Allowances for finished goods and goods for resale	(319 591)	(454 736)	(362 776)	(516 184)
TOTAL:	(718 105)	(1 021 771)	(851 186)	(1 211 128)
TOTAL:	**6 759 722**	**9 618 217**	**6 631 029**	**9 435 104**

* As at 31 December 2010, the Company's inventories comprised goods on consignment in the amount of LVL 599 325 (2009: LVL 265 700).

14. Trade receivables

	31/12/2010		31/12/2009	
	LVL	EUR	LVL	EUR
Trade receivables	7 796 503	11 093 424	5 466 032	7 777 463
Allowances for doubtful trade receivables	(131 115)	(186 560)	(51 603)	(73 424)
TOTAL:	**7 665 387**	**10 906 863**	**5 414 429**	**7 704 038**

15. Receivables from related companies

	31/12/2010		31/12/2009	
Uzņēmums	LVL	EUR	LVL	EUR
SIA "Olmafarm" *	123 768	176 106	69 333	98 652
SIA "Carbochem"	62 554	89 006	62 018	88 244
SIA "Aroma"	27 690	39 399	-	-
SIA "Olfa Pres"	4 928	7 013	3 630	5 165
SIA "Lano Serviss"	1 306	1 859	-	-
SIA "Ozols JDR"	1 000	1 423	-	-
SIA "Vega MS"	174	248	-	-
SIA "Reinold"	-	-	800	1 138
Allowances for doubtful receivables	(61 982)	(88 192)	(61 982)	(88 192)
TOTAL:	**159 439**	**226 861**	**73 800**	**105 008**

16. Other receivables

	31/12/2010		31/12/2009	
	LVL	EUR	LVL	EUR
VAT receivable	176 189	250 694	94 445	134 383
Amount payed to bailiff*	104 166	148 215	104 166	148 215
Representation office expense	54 298	77 259	51 111	72 724
Other receivables	2 000	2 846	34 789	49 500
Provisions for advances to employees and other receivables	(104 166)	(148 215)	(104 166)	(148 215)
Prepayments for services **	186 197	264 934	15 018	21 369
TOTAL:	**418 685**	**595 733**	**195 363**	**426 191**

* In January 2007, the Company complied with the judgement of the Republic of Latvia Supreme Court Department of Civil Cases in the case I. Maligina against AS Olainfarm and paid LVL 104 166 to the bailiff's account. The cassation appeal by AS Olainfarm was heard by the Supreme Court Senate on 28 March 2007, which ruled to annul the judgment made by the Supreme Court Department of Civil Cases. As a result, the Company reversed previously booked expenses and recorded the claim against the bailiff for the amount previously paid.

On 28 February 2008, the case was considered by the court of appeal, which ruled in favour of I. Maligina. The Company considered that the court did not take into account the documents received from the USA and submitted as new evidence in the case. Therefore, a cassation appeal was filed against this ruling. The Senate, at its activity meeting, resolved that the cassation appeal be considered further.

On 15 February 2011, the Republic of Latvia Supreme Court Department of Civil Cases heard the respective case anew in the part indicated in the ruling of the Supreme Court Senate and ruled to reject the claim of I.Maliginas for collection of LVL 99820.18 from AS Olainfarm, to satisfy the application of AS Olainfarm regarding the enforcement of Republic of Latvia Supreme Court Department of Civil Cases judgement from 3 November 2006 and to collect LVL 114 502 (one hundred fourteen thousand five hundred and two lats) from Inna Maligina in favour of AS Olainfarm. The ruling can be appealed within 30 days from the day the full judgment is produced.

** Prepayments for services mostly comprise the prepayment made to Trade Technologies Ltd. for the marketing services.

17. Current loans to management and employees

	31/12/2010		**31/12/2009**	
	LVL	**EUR**	**LVL**	**EUR**
Valērijs Maligins (Chairman of Board)*	739 477	1 052 181	379 491	539 967
Othershort term loans to employees	92 028	130 944	55 995	79 674
TOTAL	831 505	1 183 125	435 486	619 641

Current loans to the management comprise the loans issued and interest accrued thereon. The average interest on these loans is 5% per annum.

* The loan issued to Valērijs Maligins has been secured by his personal letter of guarantee.

18. Prepaid expense

	31/12/2010		31/12/2009	
	LVL	EUR	LVL	EUR
Insurance payments	13 887	19 759	17 082	24 305
Rent payments	1 986	2 825	2 382	3 389
Distribution costs	501	713	4 577	6 512
Information and business consulting	166	237	11 904	16 938
Education	66	94	2 935	4 176
Insurance for employees	22	32	24 386	34 698
Other prepaid expense	2 708	3 853	1 964	2 795
TOTAL:	**19 336**	**27 513**	**65 230**	**92 814**

19. Cash and short-term deposits

	31/12/2010		31/12/2009	
	LVL	EUR	LVL	EUR
Cash at bank and on hand	493 813	702 633	181 381	258 082
Short-term deposits*	-	-	500 396	712 000
TOTAL:	**493 813**	**702 633**	**681 777**	**970 082**

Cash by currency profile:	**Currency**	31/12/2010 **LVL**	**Currency**	31/12/2009 **LVL**
RUB	977	17	7 499	123
LVL	-	22 065	-	88 940
EUR	643 962	452 579	810 585	569 682
USD	35 799	19 152	47 185	23 033
TOTAL:		**493 813**		**681 778**

20. Share capital

The share capital of the Company is LVL 14 085 078 (2009: LVL 14 085 078) and consists of 14 085 078 (2009: 14 085 078) shares. The par value of each share is LVL 1.

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

21. Loans from credit institutions

Non-current :	Original amount	Interest rate (%) as at 31 December		Maturity	31/12/2010 LVL	31/12/2010 EUR	31/12/2009 LVL	31/12/2009 EUR
Loan from AS 'SEB banka	6 950 000	EUR	EUR LIBOR (3M)+2.1%	08/12/2011	-	-	1 576 917	2 243 751
Loan from AS 'SEB banka	4 000 000	EUR	EURIBOR (3M)+2.1%	23/05/2013	-	-	1 148 243	1 633 803
Loan from AS 'SEB banka	2 000 000	EUR	EURIBOR (3M)+2.1%	10/10/2012	-	-	606 341	862 746
Loan from AS 'SEB banka	445 000	EUR	EURIBOR (3M)+2.1%	30/01/2015	-	-	233 189	331 798
Loan from AS 'SEB banka	7 011 574	EUR	EURIBOR (3M)+1.9%	29/09/2014	3 459 918	4 923 020	-	-
				TOTAL:	**3 459 918**	**4 923 020**	**3 564 690**	**5 072 097**

Current :	Original amount	Interest rate (%) as at 31 December		Maturity	31/12/2010 LVL	31/12/2010 EUR	31/12/2009 LVL	31/12/2009 EUR
Loan from AS 'SEB banka	6 950 000	EUR	EUR LIBOR (3M)+2.1%	08/12/2011	-	-	540 657	769 286
Loan from AS 'SEB banka	4 000 000	EUR	EURIBOR (3M)+2.1%	23/05/2013	-	-	475 135	676 056
Loan from AS 'SEB banka	2 000 000	EUR	EURIBOR (3M)+2.1%	10/10/2012	-	-	330 731	470 588
Loan from AS 'SEB banka	445 000	EUR	EURIBOR (3M)+2.1%	30/01/2015	-	-	32 921	46 842
Credit line from AS SEB banka*	2 200 000	EUR	EURIBOR (3M)+2.9%	03/01/2011	-	-	1 033 069	1 469 925
Loan from AS 'SEB banka	7 011 574	EUR	EURIBOR (3M)+1.9%	29/09/2014	1 258 152	1 790 189	-	-
				TOTAL:	**1 258 152**	**1 790 189**	**2 412 513**	**3 432 697**

* On 29 September 2010, a loan agreement with AS SEB banka was signed on a new non-current loan of EUR 7 million bearing interest at 3-month EURIBOR + 1.9 % and maturing on 29 September 2014. The loan is aimed for the settlement of all the existing loans by combining them in a single loan. The loan amount was disbursed on 22 October 2010, and all the existing loan amounts were simultaneously settled.

As at 31 December 2010, all the non-current and current assets owned by the Parent Company amounting to LVL 32 078 975 were pledged as a security for the loan received (see Note 22). The pledge agreements are registered with the Commercial Pledge Registry.

22. Other loans

	31.12.2010. LVL		31.12.2010. EUR		31.12.2009. LVL		31.12.2009. EUR	
	Non-current	Current	Non-current	Current	Non-current	Current	Non-current	Current
Finance lease liabilities to SIA SEB Unilīzings, EUR	36 890	75 770	52 490	107 811	104 531	108 708	148 734	154 678
TOTAL:	**36 890**	**75 770**	**52 490**	**107 811**	**104 531**	**108 708**	**148 734**	**154 678**

The interest rate on the finance leases ranges from 2.68% to 4.49%. 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.

22. Other loans (cont'd)

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

	31/12/2010	31/12/2010	31/12/2010	31/12/2010	31/12/2009	31/12/2009	31/12/2009	31/12/2009
	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	79 287	75 770	112 815	107 811	116 129	108 708	165 237	154 678
Between one and five years	37 857	36 890	53 866	52 490	108 655	104 531	154 602	148 734
Total minimum lease payments	117 144	112 660	166 681	160 301	224 784	213 239	319 839	303 412
Less amounts representing finance charges	(4 484)	-	(6 380)	-	(11 545)	-	(16 427)	-
Minimālo nomas maksājumu pašreizējā vērtība	**112 660**	**112 660**	**160 301**	**160 301**	**213 239**	**213 239**	**303 412**	**303 412**

23. Taxes payable

	31/12/2010 LVL	31/12/2010 EUR	31/12/2009 LVL	31/12/2009 EUR
Personal income tax	(200 648)	(285 497)	(375 488)	(534 271)
Statutory social insurance contributions	(291 405)	(414 633)	(367 099)	(522 335)
Real estate tax	(15 514)	(22 074)	(29 565)	(42 067)
Natural resource tax	(3 833)	(5 454)	(3 650)	(5 193)
Corporate income tax	(311 936)	(443 856)	(329 033)	(468 172)
Value added tax	176 189	250 695	94 306	134 185
Unemployment risk duty	(210)	(299)	-	-
TOTAL:	**(647 357)**	**(921 106)**	**(1 010 529)**	**(1 437 853)**
Total liabilities:	**(823 546)**	**(1 171 801)**	**(1 104 835)**	**(1 572 039)**
Total assets:	**176 189**	**250 695**	**94 306**	**134 185**

According to Cabinet Order No. 127 of 25 February 2005, the 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.

23. Taxes payable (cont'd)

Tax liabilities by maturity profile as at 31 December 2010 can be specified as follows:

	31/12/2010 LVL		31/12/2010 EUR		31/12/2009 LVL		31/12/2009 EUR	
	Non-current	Current	Non-current	Current	Non-current	Current	Non-current	Current
Personal income tax	-	200 648	-	285 497	104 327	271 571	148 444	386 411
Statutory social insurance contributions	-	291 405	-	414 633	77 837	289 360	110 752	411 722
Real estate tax	-	15 514	-	22 074	15 327	14 239	21 808	20 260
Natural resource tax	-	3 833	-	5 454	-	3 650	-	5 193
Corporate income tax	-	311 936	-	443 845	-	328 797	-	467 836
Unemployment risk duty	-	210	-	299	-	-	-	-
TOTAL:	**-**	**823 546**	**-**	**1 171 800**	**197 491**	**907 617**	**281 004**	**1 291 423**

In 2005, the previously charged late payment penalty of LVL 560 160 was annulled. The aforementioned amount comprised late payment penalty for outstanding statutory social insurance contributions, personal income tax, and real estate tax in the amount of LVL 191 688, LVL 298 830, and LVL 70 142 respectively. The charging of late payment penalties shall be renewed in the event of the Company failing to observe the schedule of the principal debt repayment whereby payments are to be commenced starting from January 2006 and finished in December 2011.

The repayment schedule for the principal amount of delayed tax payments (accrued till 1 November 2003) can be specified as follows:

Year	Amount LVL	EUR
2010	197 490	281 003
2011	197 491	281 004
Total	**394 981**	**562 007**

24. Accrued liabilities

	31/12/2010 LVL	31/12/2010 EUR	31/12/2009 LVL	31/12/2009 EUR
Vacation pay reserve	340 378	484 314	323 998	461 008
Accrued interest for purchase of long term investment	181 366	258 060	107 774	153 349
Accruals for electricity and gas	140 343	199 691	90 524	128 804
Accrued interest for purchase of long term investment	19 303	27 465	40 552	57 700
Other accrued liabilities	21 017	29 905	61 488	87 490
TOTAL:	**702 407**	**999 435**	**624 336**	**888 350**

25. Other liabilities

	31/12/2010 LVL	31/12/2010 EUR	31/12/2009 LVL	31/12/2009 EUR
Salaries	283 566	403 478	290 672	413 589
TOTAL:	**283 566**	**403 478**	**290 672**	**413 589**

26. Commitments and contingencies

(a) Tax late payment penalties

The charging of tax late payment penalties on taxes shall be renewed in the event of the Company failing to observe the schedule of the principal tax debt repayment. Payments were started from January 2006 and will be finished in December 2011 (see also Note 23).

(b) Operating lease

The Company has entered into commercial leases on certain motor vehicles. These leases have an average life of between 3 and 5 years with no renewal option included in the contracts.

Future minimum rentals payable under non-cancellable operating leases as at 31 December 2010 are as follows:

	31/12/2010		31/12/2009	
	LVL	EUR	LVL	EUR
Less than one year, LVL	48 066	68 392	9 401	13 376
Between one and five years, LVL	86 710	123 377	13 194	18 773
TOTAL:	**134 776**	**191 769**	**22 595**	**32 150**

27. Related party disclosures

Related party	Type of services		Purchases from related parties, LVL	Purchases from related parties, EUR	Sales to related parties, LVL	Sales to related parties, EUR	Amounts owed by related parties, LVL	Amounts owed by related parties, EUR	Amounts owed to related parties, LVL	Amounts owed to related parties, EUR
SIA Olmafarm (shareholder)	The loan and finished goods sale	2009	2 898	4 124	189 369	269 448	69 333	98 652	-	-
		2010	3 121	4 440	57 555	81 894	123 768	176 106	-	-
Lano Serviss SIA (V.Maligins share 25.04%)	Drycleaner's services	01.07.1905	-	-	-	-	-	-	-	-
		2010	9 117	12 972	7 423	10 562	1 306	1 859	3 000	4 269
V. Maligins (shareholder of SIA Olmafarm)	The loan	2009	523 886	745 423	192 061	273 278	379 491	539 967	500 397	712 001
		2010	350 909	499 298	709 895	1 010 090	739 477	1 052 181	540 237	768 688
SIA "Aroma" (V.Maligins share 75%)	The loan	01.07.1905	1 461	2 079	436	620	22 340	31 787	-	-
		2010	1 690	2 405	7 040	10 017	27 690	39 399	-	-
SIA Carbochem (V.Maligins share 50%)	Intermediary on sale of chemical products	2009	-	-	436	620	62 018	88 244	-	-
		2010	-	-	536	762	62 554	89 006	-	-
SIA OLFA Press (V. Maligins share 45%)	Printing services	2009	541 514	770 505	539 433	767 544	3 630	5 165	199 141	283 352
		2010	591 381	841 460	534 717	760 833	4 928	7 013	257 105	365 826
OOO Ozols JDR	The loan	2009	-	-	-	-	-	-	-	-
		2010	-	-	1 000	1 423	1 000	1 423	-	-
OOO Reinolds	The loan and finished goods sale	2009	12 338	17 555	13 581	19 324	800	1 138	239	341
		2010	20 164	28 691	18 931	26 937	-	-	672	956
SIA Vega MS (V. Maligins share 60%)	Security services, manufacture of windows	2009	195 549	278 241	192 653	274 121	-	-	-	-
		2010	257 981	367 074	25 920	36 880	174	248	236	336
	TOTAL:	**2009**	**1 277 647**	**1 817 927**	**1 127 968**	**1 604 955**	**537 612**	**764 954**	**699 778**	**995 694**
	TOTAL:	**2010**	**1 234 363**	**1 756 340**	**1 363 017**	**1 939 399**	**960 898**	**1 367 235**	**801 250**	**1 140 075**

28. Financial risk management

The Company's principal financial instruments comprise loans from credit institutions and credit lines, finance leases, and trade payables. The main purpose of these financial instruments is to ensure financing for the Company's operations. The Company has various other financial instruments such as trade receivables, cash and short-term deposits, which arise directly from its operations. The Company might also issue loans to shareholders and management on a short-term basis.

Financial risks

The main financial risks arising from the Company's financial instruments are foreign currency risk, interest rate risk, liquidity risk, and credit risk.

Foreign currency risk

The Company's financial assets and liabilities, which are exposed to foreign currency risk, comprise cash, trade receivables, trade payables, as well as current and non-current loans and borrowings. The Company is mainly exposed to foreign currency risk of U.S. dollar.

The Company's currency risk as at 31 December 2010 may be specified as follows:

		LVL	USD	EUR	Other	Total LVL	Total EUR
Trade receivables	2009	652369	337748	4422327	1985	5414429	7704038
	2010	502260	346883	6816245		7665388	10906864
Receivables from related companies	2009	73000	-	-	-	73000	103870
	2010	158439	-	-	-	158439	225438
Other receivables	2009	195363	-	-	-	195363	277977
	2010	277308	183325	382511	18222	861367	1225615
Current loans to management	2009	173662	235820	26004	-	435486	619641
	2010	459942	326514	45050	-	831505	1183125
Short term deposit	2009	-	-	500396	-	500396	711999
	2010	-	-	-	-	-	-
Cash	2009	110707	8405	63425	122	182659	259900
	2010	22419	19152	452906	17	494495	703603
Total financial assets in LVL	**2009**	**1205101**	**581973**	**5012152**	**2107**	**6801333**	
	2010	**1420368**	**875874**	**7696712**	**18239**	**10011193**	
Total financial assets in EUR	**2009**	**1714704**	**828073**	**7131650**	**2998**		**9677425**
	2010	**2021001**	**1246257**	**10951434**	**25952**		**14244645**
Loans from credit institutions	2009	-	-	5977203	-	5977203	8504794
	2010	-	-	4718070	-	4718070	6713209
Other loans	2009	-	-	713636	-	713636	1015413
	2010	-	-	652897	-	652897	928989
Taxes payable	2009	1105108	-	-	-	1105108	1572427
	2010	1740146	-	-	-	1740146	2476005
Trade payables, other payables and received prepayments	2009	3303893	124229	515255	5720	3949097	5619059
	2010	3323511	48660	376072	38579	3786822	5388162
Payables to related companies	2009	237983	-	-	-	237983	338619
	2010	260341	-	-	-	260341	370432
Accrued liabilities	2009	624793	-	-	-	624793	889000
	2010	703409	-	-	-	703409	1000861
Total financial liabilities in LVL	**2009**	**5271777**	**124229**	**7206094**	**5720**	**12607820**	
	2010	**6027407**	**48660**	**5747039**	**38579**	**11861685**	
Total financial liabilities in EUR	**2009**	**7501063**	**176762**	**10253348**	**8139**		**17939312**
	2010	**8576228**	**69237**	**8177299**	**54893**		**16877657**
Net, LVL	**2009**	**(4 066 676)**	**457 744**	**(2 193 942)**	**(3 613)**	**(5 806 487)**	
	2010	**(4 607 040)**	**827 215**	**1 949 673**	**(20 340)**	**(1 850 492)**	
Net, EUR	**2009**	**(5 786 359)**	**651 311**	**(3 121 698)**	**(5 141)**		**(8 261 887)**
	2010	**(6 555 227)**	**1 177 020**	**2 774 135**	**(28 941)**		**(2 633 012)**

A significant part of the Company's revenues is derived in Latvian lats and euros, whilst the major part of expenses is in Latvian lats. The Company has no officially approved policy of foreign currency risk management.

Since 1 January 2005, the Bank of Latvia has stated a fixed currency exchange rate for Latvian lat against euro, i.e. 0.702804. From this moment the Bank of Latvia will also ensure that the market rate will not differ from the official rate by more than 1%. Therefore, the Company's future profit or loss due to fluctuations of the euro exchange rate will not be material as far as the Bank of Latvia maintains the above mentioned fixed rate.

28. Financial risk management (cont'd)

Interest rate risk

The Company is exposed to interest rate risk mainly through its current and non-current borrowings. The average interest rate payable on the Company's borrowings is disclosed in Notes 21 and 22.

Credit risk

The Company is exposed to credit risk through its trade receivables, issued loans, as well as cash. The Company manages its credit risk by continuously assessing the credit history of customers and assigning credit terms on an individual basis. In addition, receivable balances are monitored on an ongoing basis to ensure that the Company's exposure to bad debts is minimised.

The Company has no significant concentration of credit risk with any single customer or group of customers having similar characteristics.

29. Events after the balance sheet date

As of the last day of the reporting year until the date of signing these financial statements, there have been no events requiring adjustment of or disclosure in the financial statements or notes thereto.