

**JOINT STOCK COMPANY OLAINFARM**

(UNIFIED REGISTRATION NUMBER 40003007246)

**CONSOLIDATED ANNUAL REPORT  
FOR THE PERIOD ENDED 30 JUNE 2012**

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

**Olaine, 2012**

## **Contents**

|   |           |
|---|-----------|
| <b>Contents</b>                                       | <b>2</b>  |
| <b>General information</b>                            | <b>3</b>  |
| <b>Major shareholders</b>                             | <b>12</b> |
| <b>Statement of Responsibility of the Management</b>  | <b>21</b> |
| <b>Statement of consolidated comprehensive income</b> | <b>22</b> |
| <b>Consolidated statement of financial position</b>   | <b>23</b> |
| <b>Consolidated statement of financial position</b>   | <b>24</b> |
| <b>Consolidated statement of cash flow</b>            | <b>25</b> |
| <b>Statement of consolidated changes in equity</b>    | <b>26</b> |
| <b>Notes to the consolidated financial statements</b> | <b>27</b> |

**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<br>Riga, 10 June 1991 (re-registered on 27 March 1997)                                  |
| Registered office of the Parent Company   | Rūpnīcu iela 5<br>Olaine, Latvia, LV-2114   |
| Major shareholders of the Parent Company  | Valērijs Maligins - 29.24%<br><br>SIA Olmafarm - 42.56%<br><br>AS Swedbank Clients Account – 12.64% |

Board

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

**Valērijs Maligins**, Chairman of the Board



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

Positions held in other companies:

SIA Olmafarm, Chairman of the Board

Hunting Club Vitkupe, Board Member

Participation in other companies:

SIA Lano Serviss (25.04%)

SIA Vega MS (60%)

SIA Briz (12.48%)

SIA Olfa Press (45%)

SIA Carbochem (50%)

SIA Aroma (75%)

SIA Olmafarm (100%)

SIA Escargot (33.50%)

SIA Olalex (50%)

Number of shares of AS Olainfarm owned (as of June 30, 2012):

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

**Jelena Borcova**, Board Member



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

Positions held in other companies:

SIA Carbochem, Board Member (till 21 of June, 2012)

Participation in other companies: none

Number of shares of AS Olainfarm owned (as of June 30, 2012): 0

**Inga Liščika**



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

Positions held in other companies:

SIA Pharma and Chemistry Competence Centre of Latvia, Council Member

AS Lege Artis Rīga, Council Member;

SIA First Class Lounge, Board Member

SIA Olalex, Board Member

SIA „Carbochem“, Board Member (from 21 of June, 2012)

Participation in other companies: none

Number of shares of AS Olainfarm owned (as of June 30, 2012): 1 302

**Salvis Lapiņš**



Salvis Lapins is a member of Company's Management Board, manager of Investor relations. He has been studying business in RSEBAA and law in University of Latvia. He has been actively working in financial and pharmaceutical sectors since 1995.

Positions held in other companies: none

Participation in other companies:  
SIA Baltic Team-Up (50%)

Number of shares of AS Olainfarm owned (as of June 30, 2012): 83 653

**Veranika Dubickaya**



Veronika Dubicka (Veranika Dubitskaya) since 2005 works in Company representation in Belarus. Till 2006 the madam Dubitsky held a post of the medical representative, since 2006 till July, 2009 a post of the manager, and since July, 2009 till May, 2011 was the principal of representation of Company in Belarus.

Positions held in other companies: none

Participation in other companies: none

Number of shares of AS Olainfarm owned (as of June 30, 2012): 0

**Council**

Supervisory Council of AS Olainfarm is elected by General Meeting of Shareholders for 5 years. Supervisory Council is a supervising institution, representing interests of shareholders between meetings of shareholders. Main tasks of the Supervisory Council include supervising the Management Board and these are the main requirements that are taken into account when shareholders propose new members of the Council.

Supervisory Council sets the remuneration for the members of the Management Board, while the remuneration of the Council itself is set by the General Meeting of Shareholders.

**Valentina Andreeva**

Valentina Andreeva, the chairman of the council

Valentina Andreeva, the Doctor of Economics of the Riga technical university (Dr.oec.) - 2006, and also has degree of the master of economic sciences in a management of the enterprise activity, received in the Riga technical university in 2001, a speciality of the engineer-economist which it has received in 1976 at the Riga polytechnical institute.

Positions held in other companies: none

Participation in other companies: none

Number of shares of AS Olainfarm owned (as of June 30, 2012): 0

**Jelena Dudko**, Deputy Chairperson of the Council

Jelena Dudko is a Strategic Development and Marketing Director of pharmaceutical company Olfa. In 1996 J.Dudko graduated post graduate course in Faculty of Therapy and Hematology of Kiev Medical Academy.

Positions held and participation in other companies: none

Number of shares of AS Olainfarm owned (as June 30, 2012): 0

**Aleksandrs Raicis**

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

Positions held in other companies:

SIA BRIZ , Board Member

Participation in other companies:

SIA SUPEREURO (17%)

SIA VIP Pharma (50%)

SIA Recesus (30%).

SIA Briz (10.96%)

Number of shares of AS Olainfarm owned (as June 30, 2012): 0



**Volodimir Krivozubov**

Volodimir Krivozubov is a Director of Ukrainian OOO "Torgoviye Tehnologii". V.Krivozubov has a medical degree from A. Bogomolec Kiev Medical Institute (1984).

Positions held in other companies:

OOO Torgovije Tehnologii (Ukraine), General Director

Participation in other companies: none

Number of shares of AS Olainfarm owned (as of June 30, 2012): 0

**Signe Baldere-Sildedze (till April 27, 2012)**

Since 2007 S.Baldere-Sildedze was a Commercial Director of SIA Louvre. In 1997 S.Baldere-Sildedze graduated International School of Hospitality and Tourism in Switzerland.

Positions held in other companies: SIA Louvre, Board Member

Participation in other companies: SIA Louvre (50%)

Number of shares of AS Olainfarm owned (as of June 30, 2012): 0

**Tālis Talents (no 2012.gada 27.aprīļa)**

Talis Talents completed higher education in Riga Medical Institute, Faculty of Pharmacy (1980th year), the pharmacist profession, won the 1992 Manager's qualifications Iskra Business School in Tokyo, Japan.

Positions held in other companies: none

Participation in other companies: none

Number of shares of AS Olainfarm owned (as of June 30, 2012): 0

Movements in the Board during the year  
1 January 2012 through 30 June 2012

None

Movements in the Council during the year  
1 January 2012 through 30 June 2012

On April 27, 2012 "Olainfarm" Shareholder Meeting Board instead of member  
S. Baldere- Sildedze elected Tālis Talent.

Subsidiaries

**SIA Ozols JDR** (100%)  
Zeiferta iela 18B, Olaine, LV-2114, from 18/10/2010

**SIA Olainfarm enerģija** (50%)  
Rūpnīcu iela 5, Olaine, LV-2114, from 15/09/2010

**SIA Pharma and Chemistry Centre of Latvia** (11%)  
Dzirnavu iela 93-27, Rīga, LV-1011, from 11/08/2010

**SIA JUKO 99** (100%)  
Celmu iela 3, Rīga, LV-1079, from 28/10/2011

**SIA Ilmas Aptieka** (100%)  
Krišjāņa Barona iela 117, Rīga, LV-1012, from 02/11/2011

**SIA Veritas-Farm** (100%)  
Valkas iela 2a, Daugavpils, LV-5417, from 06/12/2011

**AS Lege Artis Rīga** (100%)  
Rūpnīcu iela 5, Olaine, LV-2114, from 01/12/2011

**SIA First Class Lounge** (51%)  
Baznīcas iela 20/22-10, Rīga, LV-1010, from 08/12/2011

**SIA Inula Farma** (100%)  
Nīcgales iela 47A, Rīga, LV-1035, from 21/12/2011

**SIA Vita Plus Aptieka** (100%)  
Dārza iela 6, Priekule, Priekule nov., LV-4126, from 22/12/2011

**SIA Teriaks Pļaviņu aptieka** (100%)  
Odzienas iela 1, Priekule, Priekule nov., LV-5120, from 09/02/2012

**„Aptieka Rudens 10”** (100%)  
Rūpnīca iela 5, Olaine, LV-2114, from 21.03.2012.

**SIA „Rudens Laiks”** (100%)  
Rūpnīca iela 5, Olaine, LV-2114, from 21.03.2012.

**SIA „Esplanāde Farm”** (100%)  
Kandavas iela 4, Daugavpils, LV-5401, from 17.07.2012.

“OLAINFARM ILJAČ VE TIBBI URJUNLERI SANAJI VE TIDŽARET LIMITED  
ŠIRKETI” (99%)  
Kırbis Şehitleri. Džadesi Nr.134/1, Daire: 204, Alsandžaka /İZMİR, Turcija.

Core business activity

Manufacture of basic pharmaceutical products and pharmaceutical preparations

Audit Committee

Žanna Karaseva

Financial year

1 January – 30 June 2012

Auditors

Iveta Vimba  
Member of the Board  
Latvian Certified Auditor  
Certificate No. 153.

SIA Ernst & Young Baltic  
Muitas iela 1A, Riga  
Latvia, LV-1010  
Licence No. 17

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

### Major shareholders

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

## MANAGEMENT REPORT

### General information

During the reporting period changes have been made to the composition of the Concern and it now consists from parent company a/s „Olainfarm”, its daughter companies SIA „Ozols JRD”, whose major activities will be related to organizing sports and active leisure events in Olaine, daughter company „Olainfarm Enerģija”, that will be engaged in production of electric energy using cogeneration technologies, travel agency „First Class Lounge” and pharmaceutical retail companies SIA „Ilmas Aptieka”, SIA „Juko 99”, SIA „Veritas Farm”, SIA „Inula Farma”, a/s „Lege Artis” and SIA „Vita Plus”. In February 2012, shares in SIA „Teriaks Pļaviņu Aptieka”, but in June 2012 shares in SIA “Rudens Laiks” and SIA “Rudens 10” were also purchased.

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

### Corporate mission and vision

#### *Corporate mission:*

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

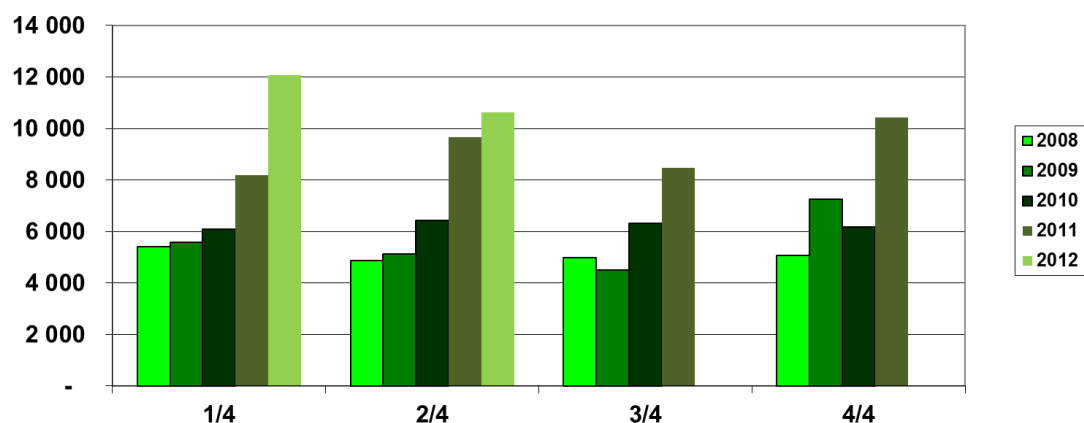
#### *Corporate vision:*

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

### Financial results

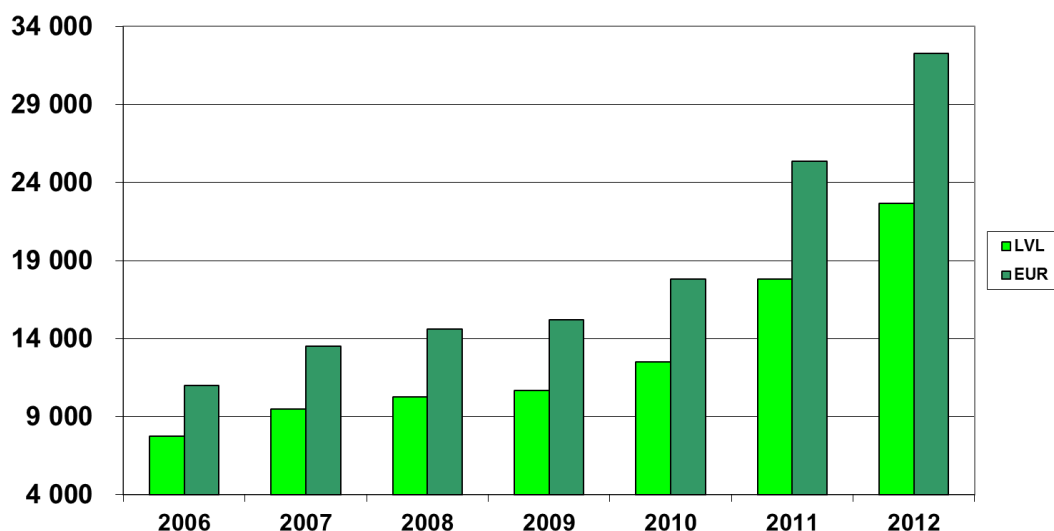
During the 2nd quarter of 2012 the sales of cocompany grew by 10% and reached 10.6 million lats (15.2 million euro) which makes this the most successful second quarter in a corporate history.

### Sales by Quarters, thsnd. LVL

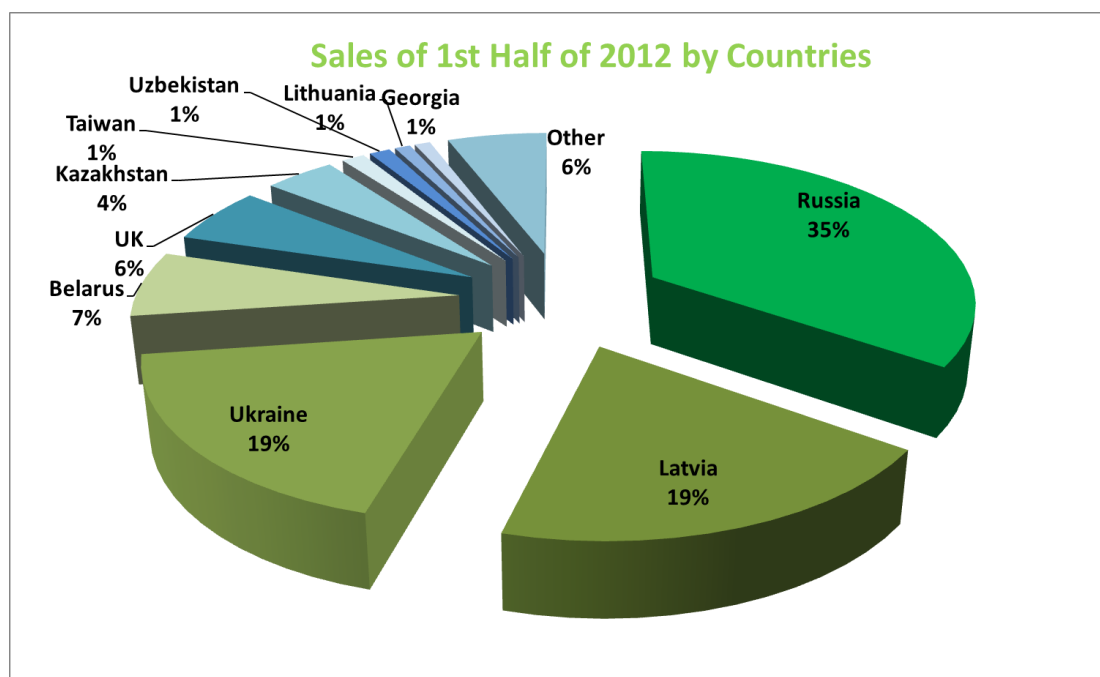


First six months combined have also been the best in corporate history in terms of sales. Consolidated six months sales have reached 11.7 million lats (32.2 million euro), which represents an increase by 27% compared to similar period of 2011.

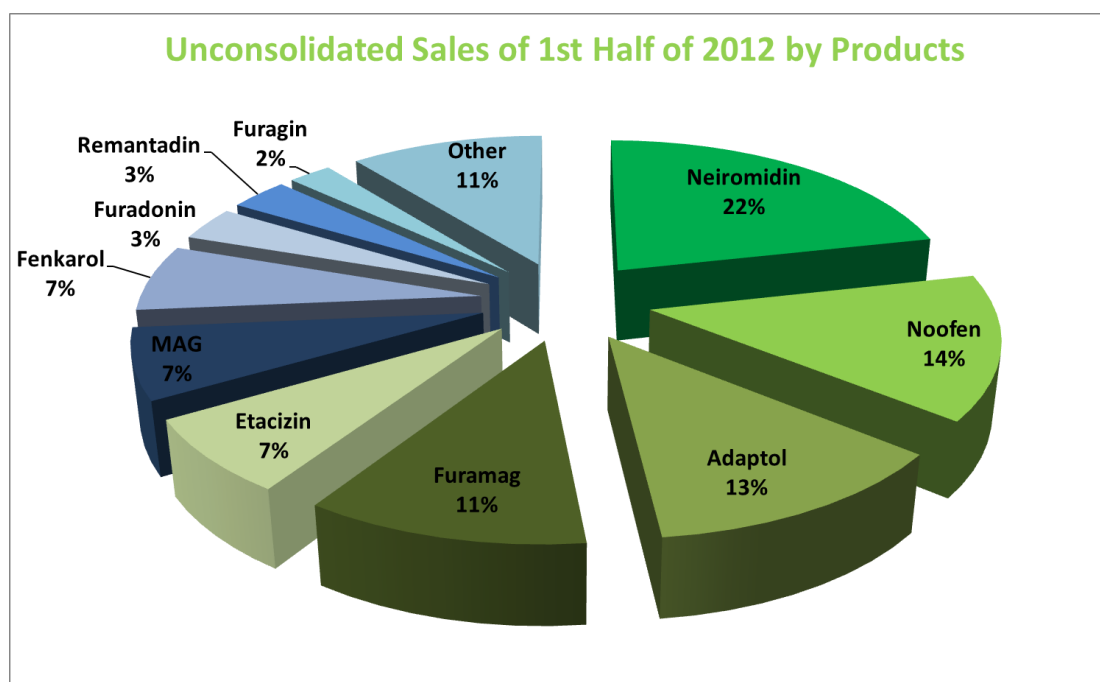
### Sales in Six Months, thsnd.



During 1st half of 2012 sales to all our key markets continued growing, except Belarus, where sales remained stable. The biggest sales increases were achieved in Taiwan, where sales grew by 596%, in Latvia, where sales grew by 313%, and the UK, where sales grew by 75%. Major sales markets of AS "Olainfarm" in six months of 2012 were Russia, Latvia, Ukraine, Belarus and the UK.

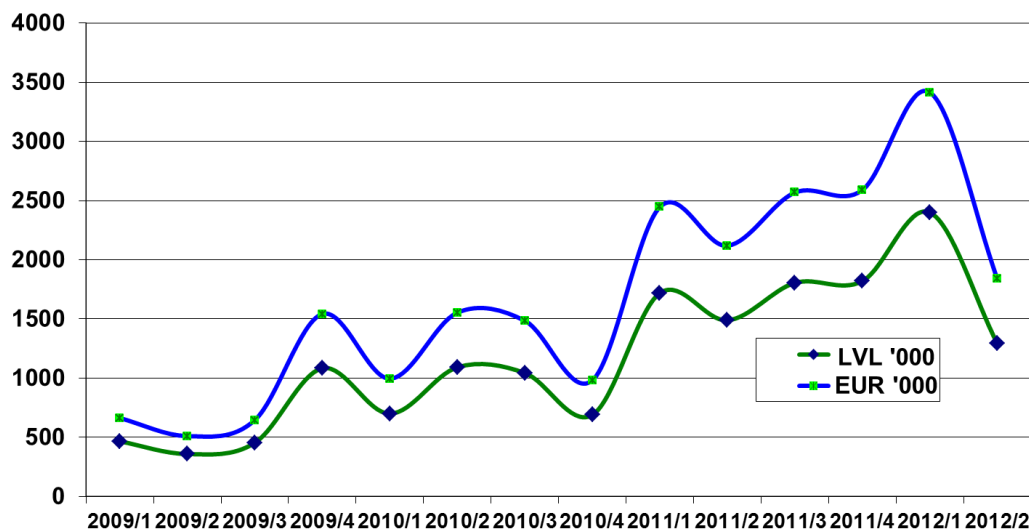


During the first half of 2012 the share of bestselling products Neiromidin® in total sales stabilized at the level of 22%. Share of all the other products has also remained relatively unchanged. Product portfolio is still well diversified, as 10 best-selling products make up 89% of total sales.



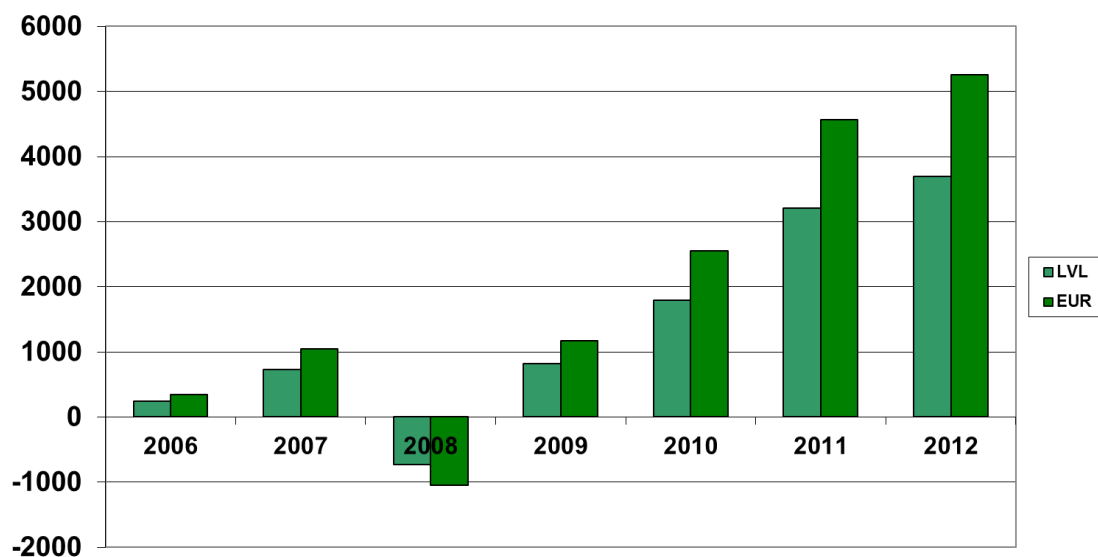
Since pharmacies owned by the company are having big and increasing impact on company's financial indicators, and as a business they have smaller margins and are subject to bigger seasonal fluctuations, the Company has not been able to set a new profit record for the 2nd quarter alone. During the 2nd quarter the net profit of the company has reached 1.3 million lats (1.8 million euro), which is a decrease by 13% compared to 2nd quarter of 2011.

### Profit by Quarters



Although no profit record was set for the 2nd quarter alone, first half of the year combined has been the corporate best-ever in terms of the net profit. During first dix months of 2012 the company has made a net profit of 3.7 million lats (5.3 million euro), which is by 15% more than during the 1st half of 2011.

### Six Months Profit, thsnd.



Other financial indicators of the company have experienced similar developments.

| Financial indicator | 30.06.2012. | 30.06.2011. | % to previous period |
|---------------------|-------------|-------------|----------------------|
| Sales (LVL)         | 22 677 582  | 17 830 534  | 127%                 |



| Financial indicator                                  | 30.06.2012. | 30.06.2011. | % to previous period |
|--|-------------|-------------|----------------------|
| Net profit (LVL)                                     | 3 692 776   | 3 207 698   | 115%                 |
| EBITDA (LVL)   | 5 350 644   | 5 061 473   | 106%                 |
| EBIT (LVL)   | 4 311 382   | 4 124 938   | 105%                 |
| Sales (EUR)  | 32 267 292  | 25 370 564  | 127%                 |
| Net profit (EUR)                                     | 5 254 347   | 4 564 144   | 115%                 |
| EBITDA (EUR)   | 7 613 280   | 7 201 827   | 106%                 |
| EBIT (EUR)   | 6 134 544   | 5 869 258   | 105%                 |
| EBITDA margin, %                                     | 24          | 28          |                      |
| Net margin, %  | 16          | 18          |                      |
| EBIT margin, %                                       | 19          | 23          |                      |
| Profit, last 12 months (LVL)                         | 7 396 293   | 4 963 051   | 149%                 |
| Profit, last 12 months (EUR)                         | 10 523 977  | 7 061 785   | 149%                 |
| EBITDA, last 12 months (LVL)                         | 10 643 996  | 8 348 631   | 127%                 |
| EBITDA, last 12 months (EUR)                         | 15 145 041  | 11 879 032  | 127%                 |
| ROA, % (last 12 months)                              | 16,3        | 12,9        |                      |
| ROE, % (last. 12 months)                             | 23,7        | 21,1        |                      |
| Current ratio  | 3,2         | 2,6         |                      |
| EPS, LVL (quarter)                                   | 0,26        | 0,23        | 115%                 |
| EPS, EUR (quarter)                                   | 0,37        | 0,32        | 115%                 |
| Share price, end of the period (LVL)                 | 2,95        | 3,005       | 98%                  |
| Share price, end of the period (EUR)                 | 4,197       | 4,276       | 98%                  |
| P/E, last 12 months                                  | 5,6         | 8,5         |                      |
| Market capitalisation at the end of the period (LVL) | 41 550 980  | 42 325 659  | 98%                  |
| Market capitalisation at the end of the period (EUR) | 59 121 718  | 60 223 987  | 98%                  |
| P/B  | 1,33        | 1,8         |                      |

Annual meeting of shareholders of A/s "Olainfarm" held on April 27, 2012 approved operating plan of the Concern. According to it, sales of the Concern in 2012 are planned to be 48 million lats (68.3 million euros), but the net profit will reach 8.6 million lats (12.24 million euros). According to this unaudited report for 1<sup>st</sup> half of 2012, during the first six months 47.2% of annual sales target and 42.9% of annual profit target is met.

## Shares and stock market

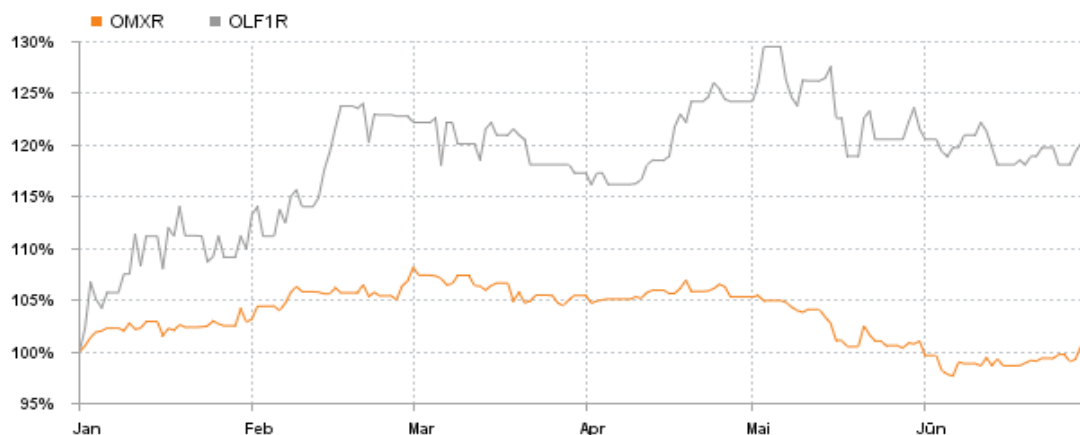
Rapid improvement of Company's financial indicators over the last three years are reflected in fluctuations of price of Company's shares on NASDAQ OMX Riga, as during this period the price of share increased by more than 500%. During the reporting period price of share mostly fluctuated around 3 lats (4.27 euros), however, at the beginning of May it reached the highest price this year of 3.18 lats (4.53 euro). As this report is being produced, the share price fluctuates at the level of 3 lats (4.30 euros). During the first half of 2012 price of share of a/s "Olainfarm" has been fluctuating between 2.495 and 3.18 lats (3.55 and 4.525 euros).

Price of shares of "Olainfarm" on NASDAQ OMX Riga (LVL) (July 2009 – June 2012)



During the first half of this year price of share of a/s "Olainfarm" increased significantly more than OMX Riga index. During these six months OMX Riga index increased by a mere 0.57%, while price for share of "Olainfarm" by 20.16%.

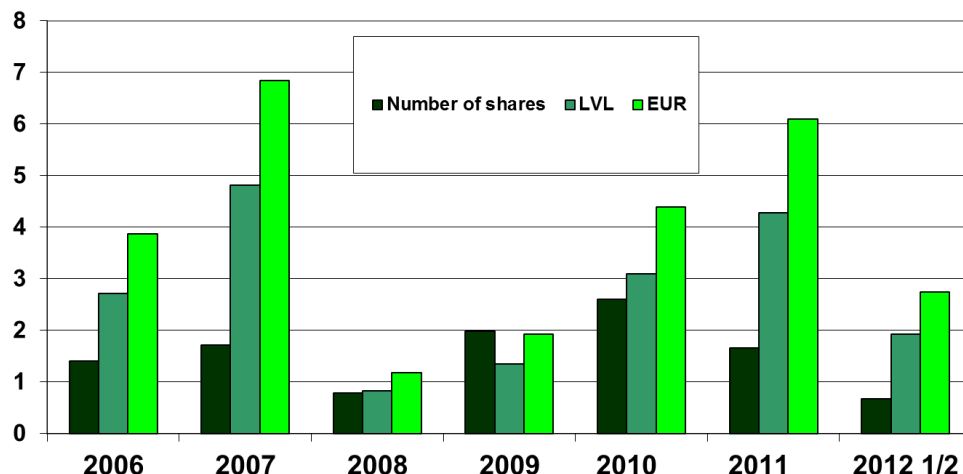
Rebased price of Olainfarm share vs. rebased OMX Riga index  
(1<sup>st</sup> half of 2012)



-- OMX Riga

-- AS "Olainfarm"

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



Since April 12, 2012 bank Finasta provides liquidity for company's shares on Nasdaq OMX Riga. According to the agreement signed with Finasta, it will constantly ensure supply and demand for shares worth 2000 lats, with a spread of 4%. Possibly this development, along with stable financial indicators of the company has been among the reasons, why number of shares of "Olainfarm" traded during 6 months of this year has increased by more than 30% to 668 thousand, for the total value of nearly 2 million lats.

### Development

During 1<sup>st</sup> half of 2012, 20 registration cases in 16 countries, mostly Central Asian countries of the FSU were completed.

An eCTD system has been successfully implemented in a Company and the first file in such format has been submitted (Memodex 10mg) for registration in 10 EU countries. For the first time Olainfarm is registering medicines according to DCP procedure with Latvia being a reference country.

In June 2012, the Company has obtained a license for production of the medicines for clinical trials.

In August 2012, State Agency for Medicines repeatedly confirmed, that production of APIs of memantine and amantadine in „Olainfarm” meets all the requirements of modern Good manufacturing practice.

### Environment

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

### Social responsibility

Since 2011 the Company has started supporting SOS Children village in region of Olaine. This year the company will support provision of psychological assistance for families affected by crisis. Also significant support is being provided to Football club of Olaine, Tennis School of Marupe. The Company also supports construction of the Orthodox church in Olaine.

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

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

August 3<sup>rd</sup>, 2012 was a record date and August 8<sup>th</sup>, 2012 was the payment date of the dividends declared for 2011. 6.16 santims (8.76 euro cents) per share were paid. This has been the second consecutive year when the company has paid dividends to its shareholders.

On August 15, the Company has signed an Agreement On Project Implementation with Latvian Investment and Development Agency. According to this agreement the Company will make high value-added investments into production of nitrofuranes and 35% of the eligible project costs will be funded by LIDA. Total cost of the project is 5.88 million lats and the completion is scheduled in 2015.

In July 2012 the Company has purchased 100% shares in SIA "Esplanāde Farm", a company that owns three pharmacies in Daugavpils. With this purchase the total number of pharmacies has been increased to 39.

In July 2012, AS "Olainfarm" was named the best Latvian company listed on Baltic stock exchanges and was awarded „Baltic Corporate Excellence Award 2012". AS "Olainfarm" this year was named second best company in the entire Baltics. During the last three years AS "Olainfarm" has demonstrated a very impressive improvement in valuations for Baltic Corporate Excellence Awards", it has climbed from position 19 in the Baltics in 2010, to position 8 in 2011 to the second place this year.

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

AKOJU SABIEDRĪBA "OLAINFARM"  
LATVIJAS REPUBLIKA

31 August 2012

## Statement of Responsibility of the Management

The Management Board prepares financial statements for each financial year which give a true and fair view of the state of affairs of the Group, the cash flows and the results of the Group for that period in accordance with International Financial Reporting Standards as adopted by the EU. In preparing those financial statements, they:

- ♦ select suitable accounting policies and then apply them consistently;
- ♦ make judgments and estimates that are reasonable and prudent;
- ♦ prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group will continue in business.

The Management Board is responsible for keeping proper accounting records, which disclose with reasonable accuracy at any time the financial position, financial performance and cash flows of the Parent Company and the Group and enable them to ensure that financial statements drawn up from them comply with International Financial Reporting Standards as adopted by the EU.

For the Board of JSC Olainfarm:

  
Jelena Borcova  
Member of the Board



31 August 2012

## Statement of consolidated comprehensive income

|   | Notes  | 2012.II.quarter<br>LVL | 2012.II.quarter<br>EUR | 2011.II.quarter<br>LVL | 2011.II.quarter<br>EUR |
|---|--------|------------------------|------------------------|------------------------|------------------------|
| Net sales   | 3      | 22 677 582             | 32 267 292             | 17 830 534             | 25 370 564             |
| Changes in stock of finished goods and work in progress |        | 394 209                | 560 909                | (217 171)              | (309 006)              |
| Other operating income                                  | 4      | 507 604                | 722 255                | 286 307                | 407 378                |
| Cost of materials:                                      |        |                        |                        |                        |                        |
| <i>raw materials and consumables</i>                    |        | (4 883 905)            | (6 949 171)            | (1 866 836)            | (2 656 268)            |
| <i>other external costs</i>                             |        | (1 158 887)            | (1 648 948)            | (972 067)              | (1 383 127)            |
|   |        | (6 042 792)            | (8 598 119)            | (2 838 903)            | (4 039 395)            |
| Staff costs:  |        |                        |                        |                        |                        |
| <i>Wages and salaries</i>                               | 8      | (3 676 043)            | (5 230 538)            | (2 822 997)            | (4 016 763)            |
| <i>Statutory social insurance contributions</i>         | 8      | (857 163)              | (1 219 633)            | (659 272)              | (938 060)              |
|   |        | (4 533 206)            | (6 450 171)            | (3 482 269)            | (4 954 823)            |
| Depreciation/ amortization                              | 10,11. | (1 039 262)            | (1 478 737)            | (936 535)              | (1 332 569)            |
| Other operating expense                                 | 5      | (7 652 753)            | (10 888 887)           | (6 548 771)            | (9 318 062)            |
| Financial income  | 6      | 27 787                 | 39 537                 | 21 482                 | 30 566                 |
| Financial expense                                       | 7      | (103 437)              | (147 178)              | (160 456)              | (228 308)              |
| <b>(Loss)/ profit before taxes</b>                      |        | <b>4 235 732</b>       | <b>6 026 901</b>       | <b>3 954 218</b>       | <b>5 626 345</b>       |
| Corporate income tax                                    |        | (542 956)              | (772 557)              | (743 684)              | (1 058 167)            |
| <b>(Loss)/ profit for the reporting year</b>            |        | <b>3 692 776</b>       | <b>5 254 347</b>       | <b>3 210 534</b>       | <b>4 568 178</b>       |
| Basic and diluted earnings per share                    | 9      | 0.262                  | 0.373                  | 0.228                  | 0.324                  |

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

For the Board of JSC Olainfarm:

  
 Jelena Borcova  
 Member of the Board



31 August 2012

## Consolidated statement of financial position

|   |       | ASSETS            |                   |                   |                   |
|---|-------|-------------------|-------------------|-------------------|-------------------|
|   | Notes | 30.06.2012        | 30.06.2012        | 30.06.2011        | 30.06.2011        |
|   |       | LVL               | EUR               | LVL               | EUR               |
| <b>NON-CURRENT ASSETS</b>                     |       |                   |                   |                   |                   |
| <b>Intangible assets</b>                      |       |                   |                   |                   |                   |
| Goodwill                                      | 10    | 2 178 102         | 3 099 160         | 503 930           | 717 028           |
| Patents                                       | 10    | 1 320 608         | 1 879 056         | 5 686 192         | 8 090 722         |
|   | 10    | 3 980 000         | 5 663 030         | -                 | -                 |
| Other intangible assets                       | 10    | 1 078 098         | 1 533 995         | 546 095           | 777 023           |
| Prepayments for intangible assets             |       | 176 619           | 251 306           | 331 289           | 471 382           |
| TOTAL   |       | <b>8 733 427</b>  | <b>12 426 547</b> | <b>7 067 507</b>  | <b>10 056 155</b> |
| <b>Property, plant and equipment</b>          |       |                   |                   |                   |                   |
| Land, buildings and constructions             | 11    | 7 545 088         | 10 735 693        | 5 887 342         | 8 376 933         |
| Equipment and machinery                       | 11    | 2 740 124         | 3 898 845         | 2 177 799         | 3 098 729         |
| Other tangible assets                         | 11    | 1 031 638         | 1 467 889         | 597 641           | 850 367           |
| Construction in progress                      | 11    | 692 794           | 985 757           | 213 656           | 304 005           |
| Prepayments for property, plant and equipment |       | 84 685            | 120 496           | 467 725           | 665 513           |
| TOTAL   |       | <b>12 094 329</b> | <b>17 208 680</b> | <b>9 344 162</b>  | <b>13 295 546</b> |
| <b>Financial assets</b>                       |       |                   |                   |                   |                   |
| Other securities and investments              | 7     | 10                | -                 | -                 | -                 |
| Investments in related companies              |       | 1 000             | 1 423             | 1 650             | 2 348             |
| TOTAL   |       | <b>1 007</b>      | <b>1 433</b>      | <b>1 650</b>      | <b>2 348</b>      |
| <b>TOTAL NON-CURRENT ASSETS</b>               |       | <b>20 828 763</b> | <b>29 636 660</b> | <b>16 413 318</b> | <b>23 354 048</b> |
| <b>CURRENT ASSETS</b>                         |       |                   |                   |                   |                   |
| <b>Inventories</b>                            |       |                   |                   |                   |                   |
| Raw materials                                 |       | 1 290 189         | 1 835 775         | 771 425           | 1 097 639         |
| Work in progress                              |       | 3 645 004         | 5 186 373         | 3 665 906         | 5 216 114         |
| Finished goods and goods for resale           |       | 3 247 762         | 4 621 148         | 1 945 148         | 2 767 696         |
| Goods in transit                              |       | -                 | -                 | 70 068            | 99 698            |
| Prepayments for goods                         |       | 127 575           | 181 523           | 92 571            | 131 717           |
| TOTAL   | 12    | <b>8 310 530</b>  | <b>11 824 819</b> | <b>6 545 117</b>  | <b>9 312 863</b>  |
| <b>Receivables</b>                            |       |                   |                   |                   |                   |
| Trade receivables                             | 13    | 13 312 528        | 18 942 021        | 10 947 028        | 15 576 218        |
| Receivables from related companies            |       | 292 183           | 415 739           | 159 127           | 226 417           |
| Prepayments to suppliers                      |       | 341 585           | 486 032           | 2 542 615         | 3 617 815         |
| Other receivables                             |       | 439 204           | 624 931           | 355 904           | 506 406           |
| Current loans to management and employees     |       | 668 645           | 951 396           | 1 114 683         | 1 586 051         |
| Prepaid expense                               |       | 178 049           | 253 341           | 14 419            | 20 516            |
| TOTAL   |       | <b>15 232 194</b> | <b>21 673 459</b> | <b>15 133 776</b> | <b>21 533 424</b> |
| <b>Cash</b>                                   | 14    | <b>1 012 064</b>  | <b>1 440 037</b>  | <b>823 426</b>    | <b>1 171 630</b>  |
| <b>TOTAL CURRENT ASSETS</b>                   |       | <b>24 554 788</b> | <b>34 938 316</b> | <b>22 502 319</b> | <b>32 017 917</b> |
| <b>TOTAL ASSETS</b>                           |       | <b>45 383 551</b> | <b>64 574 975</b> | <b>38 915 638</b> | <b>55 371 965</b> |

For the Board of JSC Olainfarm:

Jelena Borcova  
Member of the Board

31 August 2012



## Consolidated statement of financial position

| EQUITY AND LIABILITIES                    |       |                   |                   |                   |                   |
|---|-------|-------------------|-------------------|-------------------|-------------------|
|   | Notes | 30.06.2012        | 30.06.2012        | 30.06.2011        | 30.06.2011        |
| EQUITY                                    |       | LVL               | EUR               | LVL               | EUR               |
| Share capital                             | 15    | 14 085 078        | 20 041 260        | 14 085 078        | 20 041 260        |
| Share premium                             |       | 1 759 708         | 2 503 839         | 1 759 708         | 2 503 839         |
| Retained earnings/ (accumulated deficit): |       |                   |                   |                   |                   |
| brought forward                           |       | 11 628 975        | 16 546 541        | 4 454 134         | 6 337 662         |
| for the period                            |       | 3 692 776         | 5 254 347         | 3 210 534         | 4 568 178         |
| <b>TOTAL EQUITY</b>                       |       | <b>31 166 537</b> | <b>44 345 987</b> | <b>23 509 453</b> | <b>33 450 939</b> |
| <b>Minority interest</b>                  |       | 370               | 526               | -                 | -                 |
| <b>LIABILITIES</b>                        |       |                   |                   |                   |                   |
| <b>Non-current liabilities</b>            |       |                   |                   |                   |                   |
| Loans from credit institutions            | 16    | 5 288 862         | 7 525 373         | 2 830 842         | 4 027 925         |
| Deferred corporate income tax liabilities |       | 1 134 551         | 1 614 321         | 916 370           | 1 303 877         |
| Finance lease liabilities                 | 17    | 16 810            | 23 918            | 12 839            | 18 268            |
| Long term payables                        |       | -                 | -                 | 2 453 050         | 3 490 376         |
| Loan from shareholder                     |       | -                 | -                 | 540 237           | 768 688           |
| <b>TOTAL</b>                              |       | <b>6 440 223</b>  | <b>9 163 612</b>  | <b>6 753 338</b>  | <b>9 609 134</b>  |
| <b>Current liabilities</b>                |       |                   |                   |                   |                   |
| Loans from credit institutions            | 16    | 1 838 028         | 2 615 278         | 1 258 152         | 1 790 189         |
| Finance lease liabilities                 | 17    | 18 520            | 26 352            | 55 681            | 79 227            |
| Prepayments received from customers       |       | 37 672            | 53 602            | 41 840            | 59 533            |
| Trade and other payables                  | 20    | 4 186 141         | 5 956 342         | 4 555 589         | 6 482 019         |
| Payables to related companies             |       | 293 008           | 416 913           | 183 668           | 261 336           |
| Taxes payable                             | 18    | 433 881           | 617 357           | 486 689           | 692 496           |
| Corporate income tax                      | 18    | 411 974           | 586 186           | 469 760           | 668 408           |
|   |       | 114 775           | 163 310           | -                 | -                 |
| Accrued liabilities                       | 19    | 442 422           | 629 510           | 1 601 469         | 2 278 685         |
| <b>TOTAL</b>                              |       | <b>7 776 421</b>  | <b>11 064 850</b> | <b>8 652 847</b>  | <b>12 311 892</b> |
| <b>TOTAL LIABILITIES</b>                  |       | <b>14 216 644</b> | <b>20 228 462</b> | <b>15 406 185</b> | <b>21 921 026</b> |
| <b>TOTAL EQUITY AND LIABILITIES</b>       |       | <b>45 383 551</b> | <b>64 574 976</b> | <b>38 915 638</b> | <b>55 371 964</b> |

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

For the Board of JSC Olainfarm:

  
 Jelena Borcova  
 Member of the Board



31 August 2012



## Consolidated statement of cash flow

|   | 2012.II.quarter    |                    | 2011.II.quarter    |                    |
|---|--------------------|--------------------|--------------------|--------------------|
|   | LVL                | EUR                | LVL                | EUR                |
| <b>Cash flows to/from operating activities</b>                            |                    |                    |                    |                    |
| (Loss)/ Profit before taxes   | 4 235 731          | 6 026 902          | 3 954 218          | 5 626 345          |
| Adjustments for:  |                    |                    |                    |                    |
| Amortisation and depreciation   | 1 007 554          | 1 433 620          | 939 792            | 1 337 204          |
| Loss on sale/ disposal of property, plant and equipment                   | 13 589             | 19 335             | 12 319             | 17 528             |
| Increase/ (decrease) in allowances  | 21 962             | 31 249             | (291)              | (414)              |
| Income from investing activities  | -                  | -                  | 220                | 313                |
| Interest expenses   | 97 843             | 139 218            | 135 489            | 192 783            |
| Interest receivable   | (5 687)            | (8 092)            | (21 482)           | (30 566)           |
| <b>Operating cash flows before working capital changes</b>                | <b>5 370 992</b>   | <b>7 642 233</b>   | <b>5 020 265</b>   | <b>7 143 194</b>   |
| Decrease in inventories   | (1 031 618)        | (1 467 860)        | 214 986            | 305 898            |
| Decrease in receivables and prepaid expense                               | (858 436)          | (1 221 444)        | (3 381 323)        | (4 811 189)        |
| Increase/ (decrease) in payables and prepayments received                 | (409 878)          | (583 204)          | 1 329 305          | 1 891 431          |
| <b>Cash generated from operations</b>                                     | <b>3 071 060</b>   | <b>4 369 725</b>   | <b>3 183 233</b>   | <b>4 529 333</b>   |
| Interest paid   | (97 843)           | (139 218)          | (98 694)           | (140 429)          |
| Corporate income tax paid   | (765 188)          | (1 088 764)        | (586 605)          | (834 664)          |
| <b>Net cash flows to/ from operating activities</b>                       | <b>2 208 029</b>   | <b>3 141 742</b>   | <b>2 497 934</b>   | <b>3 554 240</b>   |
| <b>Cash flows to/from investing activities</b>                            |                    |                    |                    |                    |
| Purchase of property, plant and equipment                                 | (1 617 677)        | (2 301 747)        | (985 106)          | (1 401 680)        |
| Prepayments for investments   | -                  | -                  | 3 500              | 4 980              |
| Acquisition of subsidiary   | (739 196)          | (1 051 781)        | -                  | -                  |
| Proceeds from sale of intangible assets and property, plant and equipment | 245                | 349                | 18 395             | 26 174             |
| Interest receivable   | 82                 | 117                | 1 263              | 1 797              |
| Loans granted   | (511 825)          | (728 261)          | (181 758)          | (258 618)          |
| <b>Net cash flows to/from investing activities</b>                        | <b>(2 868 371)</b> | <b>(4 081 324)</b> | <b>(1 143 706)</b> | <b>(1 627 347)</b> |
| <b>Cash flows to/from financing activities</b>                            |                    |                    |                    |                    |
| Proceeds from issue of shares   | -                  | -                  | (352 127)          | (501 032)          |
| Borrowings repaid   | (654 465)          | (931 220)          | (673 170)          | (957 835)          |
| Proceeds from borrowings  | 801 474            | 1 140 395          | -                  | -                  |
| <b>Net cash flows to/from financing activities</b>                        | <b>147 009</b>     | <b>209 175</b>     | <b>(1 025 297)</b> | <b>(1 458 866)</b> |
| <b>Change in cash</b>   | <b>(513 333)</b>   | <b>(730 407)</b>   | <b>328 931</b>     | <b>468 027</b>     |
| <b>Cash at the beginning of the year</b>                                  | <b>1 525 397</b>   | <b>2 170 444</b>   | <b>494 495</b>     | <b>703 603</b>     |
| <b>Cash at the end of the year</b>  | <b>1 012 064</b>   | <b>1 440 037</b>   | <b>823 426</b>     | <b>1 171 630</b>   |

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/<br>(Accumulated deficit) | Retained earnings/<br>(Accumulated deficit) | Total             | Total             |
|---------------------------------------|-------------------|-------------------|------------------|------------------|---|---|-------------------|-------------------|
|                                       | LVL               | EUR               | LVL              | EUR              | LVL   | EUR   | LVL               | EUR               |
| <b>Balance as at 31 December 2009</b> | <b>14 085 078</b> | <b>20 041 260</b> | <b>1 759 708</b> | <b>2 503 839</b> | <b>1 266 810</b>                            | <b>1 802 508</b>                            | <b>17 111 596</b> | <b>24 347 607</b> |
| Loss for the reporting year           | -                 | -                 | -                | -                | 3 539 450                                   | 5 036 184                                   | 3 539 450         | 5 036 184         |
| <b>Balance as at 31 December 2010</b> | <b>14 085 078</b> | <b>20 041 260</b> | <b>1 759 708</b> | <b>2 503 839</b> | <b>4 806 260</b>                            | <b>6 838 692</b>                            | <b>20 651 046</b> | <b>29 383 791</b> |
| Loss for the reporting year           | -                 | -                 | -                | -                | 1 719 093                                   | 2 446 049                                   | 1 719 093         | 2 446 049         |
| <b>Balance as at 31 December 2011</b> | <b>14 085 078</b> | <b>20 041 260</b> | <b>1 759 708</b> | <b>2 503 839</b> | <b>11 369 565</b>                           | <b>16 177 434</b>                           | <b>27 214 351</b> | <b>38 722 533</b> |
| Loss for the reporting year           | -                 | -                 | -                | -                | 3 692 776                                   | 3 415 577                                   | 3 692 776         | 3 415 577         |
| Ilmas aptieka profit correction       | -                 | -                 | -                | -                | 259 410                                     | 369 107                                     | 259 410           | 369 107           |
| <b>Balance as at 30 June 2012</b>     | <b>14 085 078</b> | <b>20 041 260</b> | <b>1 759 708</b> | <b>2 503 839</b> | <b>15 321 751</b>                           | <b>19 962 118</b>                           | <b>31 166 537</b> | <b>42 507 217</b> |

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

## Notes to the consolidated financial statements

### 1. Corporate information

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

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

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

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

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

### 2. Summary of significant accounting policies

#### *Basis of preparation*

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

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

#### *Foreign currency translation*

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

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

|     | 30/06/2012 | 30/06/2011 |
|-----|------------|------------|
| EUR | 0.702804   | 0.702804   |
| USD | 0,562      | 0,489      |
| RUB | 0,0171     | 0,0174     |

### 3. Net sales

| <i>By business segments</i> | 2012.II.quarter   |                   | 2011.II.quarter   |                   |
|-----------------------------|-------------------|-------------------|-------------------|-------------------|
|                             | LVL               | EUR               | LVL               | EUR               |
| Finished form medicine      | 20 428 352        | 29 066 926        | 16 403 252        | 23 339 725        |
| Chemicals                   | 2 249 230         | 3 200 366         | 1 427 282         | 2 030 839         |
| <b>TOTAL:</b>               | <b>22 677 582</b> | <b>32 267 292</b> | <b>17 830 534</b> | <b>25 370 564</b> |

| <i>By geographical segments</i>       | 2012.II.quarter   |                   | 2011.II.quarter   |                   |
|---------------------------------------|-------------------|-------------------|-------------------|-------------------|
|                                       | LVL               | EUR               | LVL               | EUR               |
| CIS                                   | 18 542 424        | 26 383 492        | 14 515 877        | 20 654 233        |
| Europe                                | 1 565 366         | 2 227 315         | 1 538 138         | 2 188 574         |
| Latvia                                | 1 283 413         | 1 826 132         | 1 069 569         | 1 521 859         |
| Baltic states (Lithuania and Estonia) | 257 233           | 366 010           | 272 248           | 387 374           |
| Other                                 | 1 029 146         | 1 464 343         | 434 701           | 618 524           |
| <b>TOTAL:</b>                         | <b>22 677 582</b> | <b>32 267 292</b> | <b>17 830 534</b> | <b>25 370 564</b> |

**4. Other operating income**

|                                       | 2012.II.quarter |                | 2011.II.quarter |                |
|---------------------------------------|-----------------|----------------|-----------------|----------------|
|                                       | LVL             | EUR            | LVL             | EUR            |
| Other operating income                | 341 383         | 485 744        | 42 561          | 60 559         |
| Income of services*                   | 84 513          | 120 251        | 31 834          | 45 296         |
| Lease of premises                     | 36 465          | 51 885         | 21 788          | 31 002         |
| Incomes from catering services        | 22 983          | 32 702         | 13 807          | 19 646         |
| Gains from sale of non-current assets | 13 501          | 19 210         | 29 357          | 41 772         |
| Sale of current assets                | 6 344           | 9 027          | 5 937           | 8 448          |
| Treatment of waste water              | 2 415           | 3 436          | 1 654           | 2 354          |
| Incomes of wholesale trade            | -               | -              | 138 280         | 196 755        |
| Royalty                               | -               | -              | 1 087           | 1 546          |
| <b>TOTAL:</b>                         | <b>507 604</b>  | <b>722 255</b> | <b>286 307</b>  | <b>407 378</b> |

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

**5. Other operating expense**

|  | 2012.II.quarter  |                   | 2011.II.quarter  |                  |
|--|------------------|-------------------|------------------|------------------|
|  | LVL              | EUR               | LVL              | EUR              |
| Marketing expense                          | 5 191 850        | 7 387 337         | 5 133 417        | 7 304 195        |
| Sales commissions                          | 34 468           | 49 044            | 37 470           | 53 315           |
| Transportation expense                     | 84 639           | 120 430           | 62 543           | 88 991           |
| Other distribution costs                   | 313 902          | 446 642           | 77 713           | 110 575          |
| Expert analysis of medicines               | 22 921           | 32 614            | 35 086           | 49 923           |
| <i>Total distribution costs:</i>           | <i>5 647 780</i> | <i>8 036 067</i>  | <i>5 346 229</i> | <i>7 606 999</i> |
| Car fleet maintenance                      | 183 869          | 261 622           | 123 050          | 175 085          |
| Security                                   | 106 298          | 151 248           | 101 662          | 144 652          |
| Business trips                             | 178 892          | 254 540           | 82 486           | 117 368          |
| Representation expense                     | 68 585           | 97 588            | 82 443           | 117 306          |
| Information and business consulting        | 61 307           | 87 232            | 68 240           | 97 097           |
| Write-offs of current assets               | 252 566          | 359 369           | 64 199           | 91 347           |
| Expense of registration of products        | 36 482           | 51 909            | 62 201           | 88 504           |
| Social infrastructure                      | 57 706           | 82 108            | 39 541           | 56 262           |
| Flowers and gifts                          | 38 093           | 54 201            | 35 910           | 51 096           |
| Other taxes                                | 38 235           | 54 404            | 34 802           | 49 519           |
| Communications expense                     | 43 973           | 62 568            | 34 456           | 49 027           |
| Write-offs and disposal of tangible assets | 12 419           | 17 671            | 28 747           | 40 903           |
| Education                                  | 45 556           | 64 820            | 27 466           | 39 081           |
| Donations                                  | 51 100           | 72 709            | 25 413           | 36 160           |
| Insurance                                  | 62 822           | 89 388            | 23 431           | 33 340           |
| Legal and audit expense                    | 42 700           | 60 757            | 19 941           | 28 374           |
| Current repairs                            | 6 835            | 9 725             | 18 259           | 25 981           |
| Laboratory tests                           | 7 038            | 10 014            | 17 428           | 24 797           |
| Stock quote expense                        | 14 854           | 21 135            | 15 879           | 22 594           |
| Office expense                             | 21 683           | 30 852            | 14 087           | 20 043           |
| Expense of preservation of the environment | 17 488           | 24 883            | 14 044           | 19 983           |
| Bank charges                               | 24 245           | 34 498            | -                | -                |
| Allowances to staff                        | 19 505           | 27 753            | -                | -                |
| New product research and development costs | 59 336           | 84 428            | -                | -                |
| Other operating expense                    | 553 386          | 787 398           | 268 857          | 382 545          |
| <b>TOTAL:</b>                              | <b>7 652 753</b> | <b>10 888 887</b> | <b>6 548 771</b> | <b>9 318 062</b> |

**6. Financial income**

|   | 2012.II.quarter |               | 2011.II.quarter |               |
|---|-----------------|---------------|-----------------|---------------|
|   | LVL             | EUR           | LVL             | EUR           |
| Interest accrued on bank account balances | 21 870          | 31 118        | -               | -             |
| Currency exchange gain, net               | 5 605           | 7 975         | 20 450          | 29 098        |
| Received penalties                        | 230             | 327           | -               | -             |
| Loan interest payments                    | 82              | 117           | 1 032           | 1 468         |
| <b>TOTAL:</b>                             | <b>27 787</b>   | <b>39 537</b> | <b>21 482</b>   | <b>30 566</b> |

## 7. Financial expense

|                                  | 2012.II.quarter |                | 2011.II.quarter |                |
|----------------------------------|-----------------|----------------|-----------------|----------------|
|                                  | LVL             | EUR            | LVL             | EUR            |
| Loan interest expenses           | 97 843          | 139 218        | 135 493         | 192 788        |
| Penalties paid for late payments | 5 594           | 7 960          | 7 308           | 10 399         |
| Currency exchange loss, net      | -               | -              | 17 655          | 25 121         |
| <b>TOTAL:</b>                    | <b>103 437</b>  | <b>147 178</b> | <b>160 456</b>  | <b>228 308</b> |

## 8. Staff costs and number of employees

|  | 2012.II.quarter  |                  | 2011.II.quarter  |                  |
|--|------------------|------------------|------------------|------------------|
|  | LVL              | EUR              | LVL              | EUR              |
| Wages and salaries                       | 3 676 043        | 5 230 538        | 2 822 997        | 4 016 763        |
| Statutory social insurance contributions | 857 163          | 1 219 633        | 659 272          | 938 060          |
| <b>TOTAL:</b>                            | <b>4 533 206</b> | <b>6 450 171</b> | <b>3 482 269</b> | <b>4 954 822</b> |

|  | 2012.II.quarter |                  | 2011.II.quarter |                  |
|--|-----------------|------------------|-----------------|------------------|
|  | LVL             | EUR              | LVL             | EUR              |
| <u>Management of the Group</u>           |                 |                  |                 |                  |
| Wages and salaries                       | 312 152         | 444 152          | 270 415         | 384 766          |
| Statutory social insurance contributions | 73 878          | 105 119          | 64 929          | 92 386           |
| <u>Board Members</u>                     |                 |                  |                 |                  |
| Wages and salaries                       | 267 371         | 380 435          | 279 018         | 397 007          |
| Statutory social insurance contributions | 64 410          | 91 647           | 67 215          | 95 638           |
| <u>Council Members</u>                   |                 |                  |                 |                  |
| Wages and salaries                       | 36 000          | 51 223           | 54 000          | 76 835           |
| Statutory social insurance contributions | 8 672           | 12 339           | 13 009          | 18 510           |
| <b>TOTAL:</b>                            | <b>762 483</b>  | <b>1 084 916</b> | <b>748 586</b>  | <b>1 065 142</b> |

|   | 30/06/2012 | 30/06/2011 |
|---|------------|------------|
| Average number of employees during the reporting year | 1037       | 815        |

## 9. Basic and diluted earnings per share

Earnings per share are calculated by dividing the net result for the year after taxation attributable to shareholders by the weighted average number of shares in issue during the year. The table below presents the income and share data used in the computations of basic earnings per share:

|  | 2012.II.quarter |              | 2011.II.quarter |              |
|--|-----------------|--------------|-----------------|--------------|
|  | LVL             | EUR          | LVL             | EUR          |
| Net result attributable to shareholders    | 3 692 776       | 5 254 347    | 3 210 534       | 4 568 178    |
| Weighted average number of ordinary shares | 14 085 078      | 14 085 078   | 14 085 078      | 14 085 078   |
| <b>Earnings per share</b>                  | <b>0.262</b>    | <b>0.373</b> | <b>0.228</b>    | <b>0.324</b> |

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

**10. Intangible assets**

|  | Goodwill       |                | Production technologies |                  | Other intangible assets |                  | TOTAL            |                   |
|--|----------------|----------------|-------------------------|------------------|-------------------------|------------------|------------------|-------------------|
|  | LVL            | EUR            | LVL                     | EUR              | LVL                     | EUR              | LVL              | EUR               |
| <b>Acquisition value as at 31/12/2010</b>        | <b>503 930</b> | <b>717 028</b> | <b>6 222 789</b>        | <b>8 854 231</b> | <b>837 923</b>          | <b>1 192 257</b> | <b>7 564 642</b> | <b>10 763 516</b> |
| 2011   |                |                |                         |                  |                         |                  |                  |                   |
| II quarter Additions                             | -              | -              | 3 381                   | 4 811            | 108 987                 | 155 075          | 112 368          | 159 887           |
| <b>Acquisition value as at 30/06/2011</b>        | <b>503 930</b> | <b>717 028</b> | <b>6 226 170</b>        | <b>8 859 042</b> | <b>946 910</b>          | <b>1 347 332</b> | <b>7 677 010</b> | <b>10 923 403</b> |
| <b>Accumulated amortisation as at 31/12/2010</b> | <b>-</b>       | <b>-</b>       | <b>461 569</b>          | <b>656 754</b>   | <b>320 990</b>          | <b>456 727</b>   | <b>782 559</b>   | <b>1 113 481</b>  |
| 2011   |                |                |                         |                  |                         |                  |                  |                   |
| II quarter Amortisation                          | -              | -              | 78 409                  | 111 566          | 79 825                  | 113 581          | 158 234          | 225 147           |
| <b>Accumulated amortisation as at 30/06/2011</b> | <b>-</b>       | <b>-</b>       | <b>539 978</b>          | <b>768 319</b>   | <b>400 815</b>          | <b>570 308</b>   | <b>940 793</b>   | <b>1 338 626</b>  |
| <b>Net carrying amount as at 30/06/2011</b>      | <b>503 930</b> | <b>717 028</b> | <b>5 686 192</b>        | <b>8 090 722</b> | <b>546 095</b>          | <b>777 023</b>   | <b>6 736 217</b> | <b>9 584 773</b>  |

|  | Goodwill         |                  | Goodwill         |                  | Production technologies* |                  | Other intangible assets |                  | TOTAL             |                   |
|--|------------------|------------------|------------------|------------------|--------------------------|------------------|-------------------------|------------------|-------------------|-------------------|
|  | LVL              | EUR              | LVL              | EUR              | LVL                      | EUR              | LVL                     | EUR              | LVL               | EUR               |
| <b>Acquisition value as at 31/12/2011</b>        | <b>1 417 185</b> | <b>2 016 473</b> | <b>3 980 000</b> | <b>5 663 030</b> | <b>2 940 990</b>         | <b>4 184 652</b> | <b>1 000 098</b>        | <b>1 423 010</b> | <b>9 338 273</b>  | <b>13 287 164</b> |
| Additions  | -                | -                | -                | -                | 11 448                   | 16 289           | 271 078                 | 385 708          | 282 526           | 401 998           |
| 2012 Acquisition value as at 30/06/2012          |                  |                  |                  |                  |                          |                  |                         |                  |                   |                   |
| II quarter of subsidiary                         | 760 917          | 1 082 687        | 304 000          | 432 553          | -                        | -                | -                       | -                | 1 064 917         | 1 515 240         |
| Disposals  | -                | -                | -                | -                | -                        | -                | (13 245)                | (18 846)         | (13 245)          | (18 846)          |
| <b>Acquisition value as at 30/06/2012</b>        | <b>2 178 102</b> | <b>3 099 160</b> | <b>4 284 000</b> | <b>6 095 583</b> | <b>2 952 438</b>         | <b>4 200 941</b> | <b>1 257 931</b>        | <b>1 789 874</b> | <b>10 672 471</b> | <b>15 185 557</b> |
| <b>Accumulated amortisation as at 31/12/2011</b> | <b>-</b>         | <b>-</b>         | <b>-</b>         | <b>-</b>         | <b>1 551 402</b>         | <b>2 207 446</b> | <b>400 993</b>          | <b>570 562</b>   | <b>1 952 395</b>  | <b>2 778 008</b>  |
| 2012 Amortisation                                | -                | -                | -                | -                | 80 428                   | 114 439          | 95 982                  | 136 570          | 176 410           | 251 009           |
| II quarter Amortisation of disposals             | -                | -                | -                | -                | -                        | -                | (13 139)                | (18 695)         | (13 139)          | (18 695)          |
| <b>Accumulated amortisation as at 30/06/2012</b> | <b>-</b>         | <b>-</b>         | <b>-</b>         | <b>-</b>         | <b>1 631 830</b>         | <b>2 321 885</b> | <b>483 836</b>          | <b>688 437</b>   | <b>2 115 666</b>  | <b>3 010 322</b>  |
| <b>Net carrying amount as at 31/12/2011</b>      | <b>1 417 185</b> | <b>2 016 473</b> | <b>3 980 000</b> | <b>5 663 030</b> | <b>1 389 588</b>         | <b>1 977 206</b> | <b>599 105</b>          | <b>852 450</b>   | <b>7 385 878</b>  | <b>10 509 158</b> |
| <b>Net carrying amount as at 30/06/2012</b>      | <b>2 178 102</b> | <b>3 099 160</b> | <b>4 284 000</b> | <b>6 095 583</b> | <b>1 320 608</b>         | <b>1 879 056</b> | <b>774 095</b>          | <b>1 101 438</b> | <b>8 556 805</b>  | <b>12 175 237</b> |

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

|  | Land          | Buildings and constructions | Equipment and machinery | Other tangible assets | Construction in progress | TOTAL             |
|--|---------------|-----------------------------|-------------------------|-----------------------|--------------------------|-------------------|
| <b>Acquisition value as at 31/12/2010</b>          | <b>55 928</b> | <b>13 040 855</b>           | <b>11 401 009</b>       | <b>2 232 933</b>      | <b>13 635</b>            | <b>26 744 359</b> |
| Additions  | 10 000        | -                           | 264 805                 | 94 554                | 204 174                  | 573 533           |
| 2011. Liquidation                                  | -             | (271)                       | (28 801)                | (198 068)             | (1 967)                  | (229 107)         |
| II quarter Reclassification of reversed impairment | -             | -                           | (5 546)                 | 5 546                 | -                        | -                 |
| Reclassification                                   | -             | 2 186                       | -                       | -                     | (2 186)                  | -                 |
| Reversed impairment                                | -             | -                           | 291                     | -                     | -                        | 291               |
| <b>Acquisition value as at 30/06/2011</b>          | <b>65 928</b> | <b>13 042 770</b>           | <b>11 631 758</b>       | <b>2 134 966</b>      | <b>213 656</b>           | <b>27 089 077</b> |
| <b>Accumulated depreciation as at 31/12/2010</b>   | <b>-</b>      | <b>6 957 958</b>            | <b>9 108 985</b>        | <b>1 562 532</b>      | <b>-</b>                 | <b>17 629 475</b> |
| 2011. Depreciation                                 | -             | 263 669                     | 373 241                 | 144 647               | -                        | 781 558           |
| II quarter Depreciation of disposals               | -             | (271)                       | (28 267)                | (169 855)             | -                        | (198 393)         |
| <b>Accumulated depreciation as at 30/06/2011</b>   | <b>-</b>      | <b>7 221 357</b>            | <b>9 453 959</b>        | <b>1 537 324</b>      | <b>-</b>                 | <b>18 212 639</b> |
| <b>Net carrying amount as at 30/06/2011</b>        | <b>65 928</b> | <b>5 821 413</b>            | <b>2 177 799</b>        | <b>597 642</b>        | <b>213 656</b>           | <b>8 876 438</b>  |

|   | Land           | Buildings and constructions | Equipment and machinery | Other tangible assets | Construction in progress | TOTAL             |
|---|----------------|-----------------------------|-------------------------|-----------------------|--------------------------|-------------------|
| <b>Acquisition value as at 31/12/2011</b>                         | <b>109 826</b> | <b>14 027 907</b>           | <b>12 402 816</b>       | <b>2 462 099</b>      | <b>854 852</b>           | <b>29 857 500</b> |
| Additions   | 4 847          | 44 739                      | 517 160                 | 386 150               | 836 343                  | 1 789 239         |
| 2012 II. quarter Acquisition value as at 30/06/2012 of subsidiary | -              | 4 220                       | -                       | 2 143                 | -                        | 6 363             |
| Liquidation   | -              | (29 970)                    | (113 507)               | (104 352)             | (1 310)                  | (249 139)         |
| Reclassification of reversed impairment                           | -              | -                           | 1 686                   | -                     | -                        | 1 686             |
| Reclassification  | -              | 997 091                     | 900                     | (900)                 | (997 091)                | -                 |
| <b>Acquisition value as at 30/06/2012</b>                         | <b>114 673</b> | <b>15 043 987</b>           | <b>12 809 055</b>       | <b>2 745 140</b>      | <b>692 794</b>           | <b>31 405 649</b> |
| <b>Accumulated depreciation as at 31/12/2011</b>                  | <b>-</b>       | <b>7 341 828</b>            | <b>9 764 987</b>        | <b>1 650 048</b>      | <b>-</b>                 | <b>18 756 863</b> |
| 2012 II. quarter Depreciation                                     | -              | 297 425                     | 416 282                 | 160 926               | -                        | 874 633           |
| Depreciation of disposals   | -              | (25 601)                    | (112 338)               | (97 472)              | -                        | (235 411)         |
| <b>Accumulated depreciation as at 30/06/2012</b>                  | <b>-</b>       | <b>7 613 652</b>            | <b>10 068 931</b>       | <b>1 713 502</b>      | <b>-</b>                 | <b>19 396 085</b> |
| <b>Net carrying amount as at 31/12/2011</b>                       | <b>109 826</b> | <b>6 686 079</b>            | <b>2 637 829</b>        | <b>812 051</b>        | <b>854 852</b>           | <b>11 100 637</b> |
| <b>Net carrying amount as at 30/06/2012</b>                       | <b>114 673</b> | <b>7 430 335</b>            | <b>2 740 124</b>        | <b>1 031 638</b>      | <b>692 794</b>           | <b>12 009 564</b> |



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

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

|  | Land           | Buildings and constructions | Equipment and machinery | Other tangible assets | Construction in progress | TOTAL             |
|--|----------------|-----------------------------|-------------------------|-----------------------|--------------------------|-------------------|
| <b>Acquisition value as at 31/12/2011</b>        | <b>156 268</b> | <b>19 959 913</b>           | <b>17 647 617</b>       | <b>3 503 251</b>      | <b>1 216 345</b>         | <b>42 483 395</b> |
| 2012 I. quarter                                  |                |                             |                         |                       |                          |                   |
| Additions  | 6 897          | 63 658                      | 735 852                 | 549 442               | 1 190 009                | 2 545 858         |
| Acquisition value as at 31/03/2012 of subsidiary | -              | 6 004                       | -                       | 3 049                 | -                        | 9 054             |
| Liquidation                                      | -              | (42 643)                    | (161 506)               | (148 480)             | (1 864)                  | (354 493)         |
| Reclassification of reversed impairment          | -              | -                           | 2 399                   | -                     | -                        | 2 399             |
| Reclassification                                 | -              | 1 418 733                   | 1 281                   | (1 281)               | (1 418 733)              | -                 |
| <b>Acquisition value as at 31/03/2012</b>        | <b>163 165</b> | <b>21 405 665</b>           | <b>18 225 644</b>       | <b>3 905 982</b>      | <b>985 757</b>           | <b>44 686 213</b> |
| <b>Accumulated depreciation as at 31/12/2011</b> | <b>-</b>       | <b>10 446 480</b>           | <b>13 894 325</b>       | <b>2 347 807</b>      | <b>-</b>                 | <b>26 688 612</b> |
| 2012 I. quarter                                  |                |                             |                         |                       |                          |                   |
| Depreciation                                     | -              | 423 197                     | 592 316                 | 228 977               | -                        | 1 244 491         |
| Depreciation of disposals                        | -              | (36 427)                    | (159 843)               | (138 690)             | -                        | (334 960)         |
| <b>Accumulated depreciation as at 31/03/2012</b> | <b>-</b>       | <b>10 833 251</b>           | <b>14 326 798</b>       | <b>2 438 094</b>      | <b>-</b>                 | <b>27 598 143</b> |
| <b>Net carrying amount as at 31/12/2011</b>      | <b>156 268</b> | <b>9 513 433</b>            | <b>3 753 293</b>        | <b>1 155 444</b>      | <b>1 216 345</b>         | <b>15 794 783</b> |
| <b>Net carrying amount as at 31/03/2012</b>      | <b>163 165</b> | <b>10 572 414</b>           | <b>3 898 846</b>        | <b>1 467 888</b>      | <b>985 757</b>           | <b>17 088 070</b> |

There is a difference of LVL 11 781 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 11 781 which was disclosed in the income statement as other operating .

## 12. Inventories

|  | 30.06.2012       |                    | 30.06.2011       |                    |
|--|------------------|--------------------|------------------|--------------------|
|  | LVL              | EUR                | LVL              | EUR                |
| Work in progress (at cost)                         | 3 908 858        | 5 561 803          | 3 848 741        | 5 476 265          |
| Finished goods and goods for resale (at cost)*     | 3 537 014        | 5 032 718          | 2 264 738        | 3 222 432          |
| Raw materials (at cost)                            | 1 440 844        | 2 050 136          | 987 104          | 1 404 522          |
| Prepayments for goods                              | 127 575          | 181 523            | 92 571           | 131 717            |
| Goods in transit                                   | -                | -                  | 70 068           | 99 697             |
| <b>TOTAL:</b>                                      | <b>9 014 291</b> | <b>12 826 180</b>  | <b>7 263 222</b> | <b>10 334 633</b>  |
| Allowances for raw materials                       | (150 654)        | (214 361)          | (215 679)        | (306 885)          |
| Allowances for finished goods and goods for resale | (289 253)        | (411 570)          | (319 590)        | (454 737)          |
| Allowances for work in progress                    | (263 854)        | (375 430)          | (182 835)        | (260 152)          |
| <b>TOTAL:</b>                                      | <b>(703 761)</b> | <b>(1 001 361)</b> | <b>(718 104)</b> | <b>(1 021 772)</b> |
| <b>TOTAL:</b>                                      | <b>8 310 530</b> | <b>11 824 819</b>  | <b>6 545 118</b> | <b>9 312 864</b>   |

\* As at 30 June 2012, the Group's inventories comprised goods on consignment in the amount of LVL 49 203 (30/06/2011: LVL 197 110).

## 13. Trade receivables

|   | 30.06.2012        |                   | 30.06.2011        |                   |
|---|-------------------|-------------------|-------------------|-------------------|
|   | LVL               | EUR               | LVL               | EUR               |
| Trade receivables                         | 13 420 125        | 19 095 118        | 11 078 142        | 15 762 775        |
| Allowances for doubtful trade receivables | (107 597)         | (153 097)         | (131 114)         | (186 559)         |
| <b>TOTAL:</b>                             | <b>13 312 528</b> | <b>18 942 021</b> | <b>10 947 028</b> | <b>15 576 217</b> |

## 14. Cash and short term deposits

|                           | 30.06.2012 |           | 30.06.2011 |           |
|---------------------------|------------|-----------|------------|-----------|
|                           | LVL        | EUR       | LVL        | EUR       |
| Cash at banks and on hand | 1 012 064  | 1 440 037 | 823 426    | 1 171 630 |
|                           | 1 012 064  | 1 440 037 | 823 426    | 1 171 630 |

|                                  | 30.06.2012       |                  | 30.06.2011       |                |
|----------------------------------|------------------|------------------|------------------|----------------|
|                                  | Foreign currency | LVL              | Foreign currency | LVL            |
| <b>Cash by currency profile:</b> |                  |                  |                  |                |
| RUB                              | 7 613 051        | 130 183          | -                | -              |
| LVL                              | -                | 625 075          | -                | 188 923        |
| EUR                              | 302 760          | 212 781          | 861 010          | 605 121        |
| USD                              | 78 337           | 44 025           | 60 087           | 29 382         |
| <b>KOPĀ:</b>                     | <b>-</b>         | <b>1 012 064</b> | <b>-</b>         | <b>823 426</b> |

## 15. Share capital

The share capital of the Parent Company on 30/06/2012 is LVL 14 085 078 (30/06/2011: LVL 14 085 078) and consists of 14 085 078 (30/06/2011: 14 085 078) shares. The par value of each share is LVL 1.

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

## 16. Loans from credit institutions

|                               |           |     | Interest rate (%)<br>as at |            | 30.06.2012.<br>LVL | 30.06.2012.<br>EUR | 30.06.2011.<br>LVL | 30.06.2011.<br>EUR |
|-------------------------------|-----------|-----|----------------------------|------------|--------------------|--------------------|--------------------|--------------------|
| <b>Non-current:</b>           | Amount    |     | 30/06/ 2012                | Maturity   |                    |                    |                    |                    |
| Loan from AS SEB banka        | 4 800 000 | EUR | EURIBOR (3-month)+1.1%     | 01.11.2014 | 3 716 172          | 5 287 637          | -                  | -                  |
| Loan from AS SEB banka        | 7 011 574 | EUR | EURIBOR (3-month)+1.2%     | 29.09.2014 | 1 572 690          | 2 237 736          | 2 830 842          | 4 027 925          |
| TOTAL:                        |           |     |                            |            | 5 288 862          | 7 525 373          | 2 830 842          | 4 027 925          |
|                               |           |     |                            |            |                    |                    |                    |                    |
|                               |           |     | Interest rate (%)<br>as at |            | 30.06.2012.<br>LVL | 30.06.2012.<br>EUR | 30.06.2011.<br>LVL | 30.06.2011.<br>EUR |
| <b>Current:</b>               | Amount    |     | 30/06/ 2012                | Maturity   |                    |                    |                    |                    |
| Loan from AS SEB banka        | 4 800 000 | EUR | EURIBOR (3-month)+1.1%     | 01.11.2014 | 401 602            | 571 429            | -                  | -                  |
| Loan from AS SEB banka        | 7 011 574 | EUR | EURIBOR (3-month)+1.2%     | 29.09.2014 | 1 258 152          | 1 790 188          | 1 258 152          | 1 790 189          |
| Credit line from Nordea Banka | 200 000   | LVL | EURIBOR (3-month)+1.2%     | 02.01.2012 | 178 274            | 253 661            | -                  | -                  |
| TOTAL:                        |           |     |                            |            | 1 838 028          | 2 615 278          | 1 258 152          | 1 790 189          |

Interest payable is normally settled quarterly throughout the financial year.

\* As at 30 June 2012, all the non-current and current assets owned by the Parent Company were pledged as a security for the loan received. The pledge agreements are registered with the Commercial Pledge Registry.

## 17. Finance lease liabilities

|  | 30.06.2012.   |               | 30.06.2012.   |               | 30.06.2011.   |               | 30.06.2011.   |               |
|--|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
|  | LVL           |               | EUR           |               | LVL           |               | EUR           |               |
|  | Non-current   | Current       | Non-current   | Current       | Non-current   | Current       | Non-current   | Current       |
| Finance lease liabilities to SIA SEB Unifizings, EUR | 2 923         | 14 618        | 4 159         | 20 800        | 12 839        | 55 681        | 18 268        | 79 227        |
| Finance lease liabilities to SIA SEB Unifizings, LVL | 13 887        | 3 902         | 19 759        | 5 552         | -             | -             | -             | -             |
| TOTAL:   | <b>16 810</b> | <b>18 520</b> | <b>23 918</b> | <b>26 352</b> | <b>12 839</b> | <b>55 681</b> | <b>18 268</b> | <b>79 227</b> |

The interest rate on the finance leases ranges from 2.47% to 4.73%. Interest rate is normally revised quarterly throughout the financial year. The net carrying amount of the property, plant and equipment held under finance lease is disclosed in Note 11.

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

|   | 30.06.2012.      |                           | 30.06.2012.      |                           | 30.06.2011.      |                           | 30.06.2011.      |                           |
|---|------------------|---------------------------|------------------|---------------------------|------------------|---------------------------|------------------|---------------------------|
|   | Minimum payments | Present value of payments | Minimum payments | Present value of payments | Minimum payments | Present value of payments | Minimum payments | Present value of payments |
|   | LVL              | LVL                       | EUR              | EUR                       | LVL              | LVL                       | EUR              | EUR                       |
| Within one year                           | 19 235           | 18 520                    | 27 369           | 26 352                    | 57 715           | 55 681                    | 82 121           | 79 227                    |
| Between one and five years                | 17 472           | 16 810                    | 24 860           | 23 918                    | 13 153           | 12 839                    | 18 715           | 18 268                    |
| Total minimum lease payments              | 36 707           | 35 330                    | 52 229           | 50 270                    | 70 868           | 68 520                    | 100 835          | 97 494                    |
| Less amounts representing finance charges | (1 377)          | -                         | (1 959)          | -                         | (2 348)          | -                         | (3 341)          | -                         |
| Present value of minimum lease payments   | <b>35 330</b>    | <b>35 330</b>             | <b>50 270</b>    | <b>50 270</b>             | <b>68 520</b>    | <b>68 520</b>             | <b>97 494</b>    | <b>97 494</b>             |

## 18. Taxes payable/ receivable

|  | 30.06.2012.      | 30.06.2012.        | 30.06.2011.      | 30.06.2011.        |
|--|------------------|--------------------|------------------|--------------------|
|  | LVL              | EUR                | LVL              | EUR                |
| Corporate income tax                       | (411 974)        | (586 186)          | (469 760)        | (668 408)          |
| Statutory social insurance contributions * | (299 418)        | (426 033)          | (325 033)        | (462 480)          |
| Personal income tax *                      | (128 225)        | (182 448)          | (149 810)        | (213 160)          |
| Natural resource tax                       | (5 596)          | (7 962)            | (3 970)          | (5 649)            |
| Real estate tax *                          | (380)            | (541)              | (7 659)          | (10 898)           |
| Value added tax                            | (263)            | (374)              | (217)            | (309)              |
| Value added tax                            | 151 223          | 215 171            | 191 458          | 272 420            |
| <b>TOTAL:</b>                              | <b>(694 633)</b> | <b>(988 373)</b>   | <b>(764 991)</b> | <b>(1 088 484)</b> |
| <b>Total liabilities:</b>                  | <b>(845 856)</b> | <b>(1 203 544)</b> | <b>(956 449)</b> | <b>(1 360 904)</b> |
| <b>Total assets:</b>                       | <b>151 223</b>   | <b>215 171</b>     | <b>191 458</b>   | <b>272 420</b>     |

## 19. Accrued liabilities

|   | 30.06.2012.    | 30.06.2012.    | 30.06.2011.      | 30.06.2011.      |
|---|----------------|----------------|------------------|------------------|
|   | LVL            | EUR            | LVL              | EUR              |
| Vacation pay reserve                                    | 355 760        | 506 201        | 341 164          | 485 433          |
| Accruals for electricity and gas                        | 42 040         | 59 818         | 75 662           | 107 657          |
| Provisions for penalties related to taxes (see Note 25) | 22 590         | 32 143         | 9 330            | 13 275           |
| Other accrued liabilities                               | 22 032         | 31 349         | 8 132            | 11 570           |
| Accruals for marketing services                         | -              | -              | 949 020          | 1 350 334        |
| Accrued interest for purchase of long term investment   | -              | -              | 218 162          | 310 416          |
| <b>TOTAL:</b>   | <b>442 422</b> | <b>629 511</b> | <b>1 601 469</b> | <b>2 278 685</b> |

## 20. Trade and other payables

|                          | 30.06.2012.      | 30.06.2012.      | 30.06.2011.      | 30.06.2011.      |
|--------------------------|------------------|------------------|------------------|------------------|
|                          | LVL              | EUR              | LVL              | EUR              |
| Trade and other payables | 3 753 136        | 5 340 232        | 4 238 342        | 6 030 617        |
| Wages and salaries       | 385 077          | 547 915          | 308 591          | 439 086          |
| Other payables           | 47 928           | 68 195           | 8 656            | 12 316           |
| <b>TOTAL:</b>            | <b>4 186 141</b> | <b>5 956 342</b> | <b>4 555 589</b> | <b>6 482 019</b> |

## 21. Segment information

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

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

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

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

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

|   | Finished form medicine |                   | Pharmacy wholesale |             | Chemicals          |                    | Pharmacy retail  |             | Unallocated       |                   | Total             |                   |
|---|------------------------|-------------------|--------------------|-------------|--------------------|--------------------|------------------|-------------|-------------------|-------------------|-------------------|-------------------|
|   | 30.06.2012.            | 30.06.2011.       | 30.06.2012.        | 30.06.2011. | 30.06.2012.        | 30.06.2011.        | 30.06.2012.      | 30.06.2011. | 30.06.2012.       | 30.06.2011.       | 30.06.2012.       | 30.06.2011.       |
| <b>Assets</b>   |                        |                   |                    |             |                    |                    |                  |             |                   |                   |                   |                   |
| Intangible assets                                       | 2 345 530              | 4 652 916         | -                  | -           | 2 173 887          | 2 328 690          | 3 980 000        | -           | 234 010           | 85 901            | 8 733 427         | 7 067 507         |
| Tangible assets   | 6 813 720              | 5 992 843         | 1 116              | -           | 3 510 098          | 2 451 349          | 296 063          | -           | 1 473 332         | 899 969           | 12 094 329        | 9 344 162         |
| Financial assets  | -                      | -                 | -                  | -           | -                  | -                  | -                | -           | 1 007             | 1 650             | 1 007             | 1 650             |
| Inventories   | 5 035 841              | 4 645 070         | 22 574             | -           | 2 594 221          | 1 900 047          | 657 894          | -           | -                 | -                 | 8 310 530         | 6 545 117         |
| Receivables   | 12 294 390             | 12 830 390        | 83 165             | -           | 796 074            | 2 138 870          | 311 783          | -           | 1 746 783         | 164 516           | 15 232 194        | 15 133 776        |
| Cash  | -                      | -                 | -                  | -           | -                  | -                  | 279 300          | -           | 732 764           | 823 426           | 1 012 064         | 823 426           |
| <b>Total assets</b>                                     | <b>26 489 481</b>      | <b>28 121 219</b> | <b>106 855</b>     | <b>-</b>    | <b>9 074 280</b>   | <b>8 818 956</b>   | <b>5 525 040</b> | <b>-</b>    | <b>4 187 896</b>  | <b>1 975 462</b>  | <b>45 383 551</b> | <b>38 915 638</b> |
| <b>Equity and liabilities</b>                           |                        |                   |                    |             |                    |                    |                  |             |                   |                   |                   |                   |
| Total equity  | -                      | -                 | -                  | -           | -                  | -                  | -                | -           | 31 166 537        | 23 509 453        | 31 166 537        | 23 509 453        |
| Minority interest                                       | -                      | -                 | -                  | -           | -                  | -                  | -                | -           | 370               | -                 | 370               | -                 |
| Deferred income tax liability                           | -                      | -                 | -                  | -           | -                  | -                  | 620 680          | -           | 513 871           | 916 370           | 1 134 551         | 916 370           |
| Loans from credit institution                           | 4 703 747              | 2 901 959         | -                  | -           | 2 423 143          | 1 187 035          | -                | -           | -                 | -                 | 7 126 890         | 4 088 994         |
| Other loans   | 20 381                 | 432 035           | -                  | -           | 10 500             | 176 722            | 4 449            | -           | -                 | -                 | 35 330            | 608 757           |
| Taxes payable   | 513 453                | 678 792           | -                  | -           | 264 506            | 277 657            | 61 657           | -           | 6 239             | -                 | 845 855           | 956 449           |
| Prepayments received from customers                     | 13 811                 | 11 830            | -                  | -           | 23 862             | 30 000             | -                | -           | -                 | 10                | 37 673            | 41 840            |
| Trade payables  | 2 027 032              | 4 974 030         | 153 940            | -           | 985 102            | 2 034 608          | 1 134 842        | -           | -                 | -                 | 4 300 916         | 7 008 639         |
| Payables to related companies                           | 193 385                | 130 349           | -                  | -           | 99 623             | 53 319             | -                | -           | -                 | -                 | 293 008           | 183 668           |
| Accrued liabilities                                     | -                      | -                 | -                  | -           | -                  | -                  | 84 028           | -           | 358 394           | 1 601 469         | 442 422           | 1 601 469         |
| <b>Total equity and liabilities</b>                     | <b>7 471 810</b>       | <b>9 128 995</b>  | <b>153 940</b>     | <b>-</b>    | <b>3 806 735</b>   | <b>3 759 341</b>   | <b>1 905 656</b> | <b>-</b>    | <b>32 045 411</b> | <b>26 027 302</b> | <b>45 383 551</b> | <b>38 915 638</b> |
| <b>Income statement</b>                                 |                        |                   |                    |             |                    |                    |                  |             |                   |                   |                   |                   |
| Net turnover  | 16 960 207             | 16 403 252        | 276 590            | -           | 2 248 852          | 1 427 282          | 3 191 933        | -           | -                 | -                 | 22 677 582        | 17 830 534        |
| Changes in stock of finished goods and work in progress | 260 178                | (154 126)         | -                  | -           | 134 031            | (63 045)           | -                | -           | -                 | -                 | 394 209           | (217 171)         |
| Other operating income                                  | -                      | -                 | -                  | -           | -                  | -                  | 12 250           | -           | 495 354           | 286 307           | 507 604           | 286 307           |
| Cost of materials                                       | (2 408 040)            | (2 014 769)       | -                  | -           | (1 240 505)        | (824 134)          | (2 394 247)      | -           | -                 | -                 | (6 042 792)       | (2 838 903)       |
| Staff costs   | (2 672 139)            | (2 471 366)       | -                  | -           | (1 376 557)        | (1 010 903)        | (442 660)        | -           | (41 850)          | -                 | (4 533 206)       | (3 482 269)       |
| Depreciation/ amortisation and write-offs               | (622 049)              | (630 407)         | (143)              | -           | (320 450)          | (257 865)          | (23 319)         | -           | (73 301)          | (48 263)          | (1 039 262)       | (936 535)         |
| Other operating expense                                 | (4 677 074)            | (4 647 663)       | -                  | -           | (2 409 402)        | (1 901 108)        | (270 544)        | -           | (295 734)         | -                 | (7 652 753)       | (6 548 771)       |
| Financial income  | -                      | -                 | -                  | -           | -                  | -                  | -                | -           | 27 787            | 21 482            | 27 787            | 21 482            |
| Financial expenses                                      | -                      | -                 | -                  | -           | -                  | -                  | -                | -           | (103 437)         | (160 456)         | (103 437)         | (160 456)         |
| Corporate income tax                                    | -                      | -                 | -                  | -           | -                  | -                  | (1 432)          | -           | (541 524)         | (743 684)         | (542 956)         | (743 684)         |
| <b>Net profit/ (loss) for the year</b>                  | <b>6 841 083</b>       | <b>6 484 921</b>  | <b>276 447</b>     | <b>-</b>    | <b>(2 964 030)</b> | <b>(2 629 773)</b> | <b>71 981</b>    | <b>-</b>    | <b>(532 705)</b>  | <b>(644 614)</b>  | <b>3 692 776</b>  | <b>3 210 534</b>  |

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

EUR

|   | Finished form medicine |                   | Pharmacy wholesale |             | Chemicals          |                    | Pharmacy retail  |             | Unallocated       |                   | Total             |                   |
|---|------------------------|-------------------|--------------------|-------------|--------------------|--------------------|------------------|-------------|-------------------|-------------------|-------------------|-------------------|
|   | 30.06.2012.            | 30.06.2011.       | 30.06.2012.        | 30.06.2011. | 30.06.2012.        | 30.06.2011.        | 30.06.2012.      | 30.06.2011. | 30.06.2012.       | 30.06.2011.       | 30.06.2012.       | 30.06.2011.       |
| <b>Assets</b>   |                        |                   |                    |             |                    |                    |                  |             |                   |                   |                   |                   |
| Intangible assets                                       | 3 337 389              | 3 093 162         | 3 313 427          | 5 663 030   | 3 313 427          | 3 313 427          | 5 663 030        | -           | 332 966           | 122 226           | 12 426 547        | 10 056 156        |
| Tangible assets   | 9 695 050              | 4 994 420         | 3 487 955          | 421 260     | 4 994 420          | 3 487 955          | 421 260          | -           | 2 096 363         | 1 280 541         | 17 208 680        | 13 295 545        |
| Financial assets  | -                      | -                 | -                  | -           | -                  | -                  | -                | -           | 1 433             | 2 348             | 1 433             | 2 348             |
| Inventories   | 7 165 356              | 3 691 244         | 2 703 523          | 936 099     | 3 691 244          | 2 703 523          | 936 099          | -           | -                 | -                 | 11 824 819        | 9 312 862         |
| Receivables   | 17 493 340             | 1 132 711         | 3 043 338          | 443 627     | 1 132 711          | 3 043 338          | 443 627          | -           | 2 485 448         | 234 085           | 21 673 459        | 21 533 424        |
| Cash  | -                      | -                 | -                  | 397 408     | -                  | -                  | 397 408          | -           | 1 042 629         | 1 171 630         | 1 440 037         | 1 171 630         |
| <b>Total assets</b>                                     | <b>37 691 135</b>      | <b>40 012 890</b> | <b>152 041</b>     | <b>-</b>    | <b>12 911 537</b>  | <b>12 548 244</b>  | <b>7 861 424</b> | <b>-</b>    | <b>5 958 839</b>  | <b>2 810 829</b>  | <b>64 574 975</b> | <b>55 371 965</b> |
| <b>Equity and liabilities</b>                           |                        |                   |                    |             |                    |                    |                  |             |                   |                   |                   |                   |
| Total equity  | -                      | -                 | -                  | -           | -                  | -                  | -                | -           | 44 345 987        | 33 450 938        | 44 345 987        | 33 450 939        |
| Minority interest                                       | -                      | -                 | -                  | -           | -                  | -                  | -                | -           | 526               | -                 | 526               | -                 |
| Deferred income tax liability                           | -                      | -                 | -                  | -           | -                  | -                  | 883 148          | -           | 731 173           | 1 303 877         | 1 614 321         | 1 303 877         |
| Loans from credit institution                           | 6 692 830              | 4 129 116         | -                  | -           | 3 447 821          | 1 688 999          | -                | -           | -                 | -                 | 10 140 651        | 5 818 114         |
| Other loans   | 29 000                 | 614 730           | -                  | -           | 14 939             | 251 453            | 6 330            | -           | -                 | -                 | 50 270            | 866 183           |
| Taxes payable   | 730 578                | 965 834           | -                  | -           | 376 358            | 395 070            | 87 730           | -           | 8 877             | -                 | 1 203 543         | 1 360 904         |
| Prepayments received from customers                     | 19 651                 | 16 833            | -                  | -           | 33 953             | 42 686             | -                | -           | -                 | 14                | 53 604            | 59 533            |
| Trade payables  | 2 884 207              | 7 077 407         | 219 037            | -           | 1 401 674          | 2 894 986          | 1 614 735        | -           | -                 | -                 | 6 119 652         | 9 972 395         |
| Payables to related companies                           | 275 162                | 185 470           | -                  | -           | 141 750            | 75 866             | -                | -           | -                 | -                 | 416 913           | 261 336           |
| Accrued liabilities                                     | -                      | -                 | -                  | -           | -                  | -                  | 119 561          | -           | 509 949           | 2 278 685         | 629 510           | 2 278 685         |
| <b>Total equity and liabilities</b>                     | <b>10 631 428</b>      | <b>12 989 390</b> | <b>219 037</b>     | <b>-</b>    | <b>5 416 496</b>   | <b>5 349 060</b>   | <b>2 711 504</b> | <b>-</b>    | <b>45 596 512</b> | <b>37 033 514</b> | <b>64 574 975</b> | <b>55 371 965</b> |
| <b>Income statement</b>                                 |                        |                   |                    |             |                    |                    |                  |             |                   |                   |                   |                   |
| Net turnover  | 24 132 201             | 23 339 725        | 393 552            | -           | 3 199 828          | 2 030 839          | 4 541 711        | -           | -                 | -                 | 32 267 292        | 25 370 564        |
| Changes in stock of finished goods and work in progress | 24 132 201             | (219 302)         | -                  | -           | 190 709            | (89 705)           | -                | -           | -                 | -                 | 560 909           | (309 006)         |
| Other operating income                                  | -                      | -                 | -                  | -           | -                  | -                  | 17 430           | -           | 704 825           | 407 378           | 722 255           | 407 378           |
| Cost of materials                                       | (3 426 332)            | (2 866 758)       | -                  | -           | (1 765 080)        | (1 172 637)        | (3 406 707)      | -           | -                 | -                 | (8 598 119)       | (4 039 395)       |
| Staff costs   | (3 802 112)            | (3 516 437)       | -                  | -           | (1 958 664)        | (1 438 385)        | (629 848)        | -           | (59 547)          | -                 | (6 450 171)       | (4 954 822)       |
| Depreciation/ amortisation and write-offs               | (885 096)              | (896 988)         | (203)              | -           | (455 959)          | (366 909)          | (33 180)         | -           | (104 298)         | (68 672)          | (1 478 737)       | (1 332 569)       |
| Other operating expense                                 | (6 654 876)            | (6 613 029)       | -                  | -           | (3 428 269)        | (2 705 033)        | (384 949)        | -           | (420 792)         | (68 672)          | (10 888 887)      | (9 318 062)       |
| Financial income  | -                      | -                 | -                  | -           | -                  | -                  | -                | -           | (147 178)         | 30 566            | 39 537            | 30 566            |
| Financial expenses                                      | -                      | -                 | -                  | -           | -                  | -                  | -                | -           | (147 178)         | (228 308)         | (147 178)         | (228 308)         |
| Corporate income tax                                    | -                      | -                 | -                  | -           | -                  | -                  | (2 038)          | -           | (770 519)         | (1 058 167)       | (772 557)         | (1 058 167)       |
| <b>Net profit/ (loss) for the year</b>                  | <b>9 733 984</b>       | <b>9 227 211</b>  | <b>393 349</b>     | <b>-</b>    | <b>(4 217 435)</b> | <b>(3 741 830)</b> | <b>102 420</b>   | <b>-</b>    | <b>(757 971)</b>  | <b>(917 203)</b>  | <b>5 254 347</b>  | <b>4 568 178</b>  |

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

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

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

**Geographic information**

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