

JOINT STOCK COMPANY OLAINFARM

(UNIFIED REGISTRATION NUMBER 40003007246)

ANNUAL REPORT

FOR THE YEAR ENDED 31 DECEMBER 2013

(17th financial year)

PREPARED IN ACCORDANCE WITH

THE LAW OF THE REPUBLIC OF LATVIA ON ANNUAL REPORTS

TOGETHER WITH INDEPENDENT AUDITORS' REPORT

Olaine, 2014



SIA "Ernst & Young Baltic"
Muitas iela 1A
Rīga, LV-1010
Latvija
Tālr.: +371 6704 3801
Fakss: +371 6704 3802
riga@lv.ey.com
www.ey.com/lv

SIA Ernst & Young Baltic
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Rīga, LV-1010
Latvija
Tel.: +371 6704 3801
Fax: +371 6704 3802
riga@lv.ey.com
www.ey.com/lv

Reģ. Nr. 40003593454
PVN maksātāja Nr. LV40003593454

Reg. No: 40003593454
VAT payer code: LV40003593454

INDEPENDENT AUDITOR'S REPORT

To the shareholders of AS Olainfarm

Report on the Financial Statements

We have audited 2013 financial statements of AS Olainfarm (the Company), which are set out on pages 21 through 46 of the accompanying 2013 financial statements and which comprise the balance sheet as at 31 December 2013, and the income statement, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Basis for Qualified Opinion

In 2008, the Company recognised patents for new developed finished form medicines as intangible assets. The impairment tests carried out by the management in 2011 and 2012 revealed that the value in use of the aforementioned intangible assets was below their carrying amount and, therefore, the related impairment in 2012 and 2011 of LVL 1 144 324 and LVL 930 657 respectively was recognised. As a result, the above intangible assets were fully impaired as at 31 December 2012. We were unable to obtain sufficient evidence to determine whether the impairment was split properly in the income statements for the years ended 31 December 2012, 2011 and previous years. These circumstances were in effect as at 31 December 2012, and our auditors' report issued on 29 April 2013 was qualified in this respect. Our opinion on the current period's financial statements is modified because of the possible effect of this matter on the comparability of the current period's figures and the comparative information.



Qualified Opinion

In our opinion, except for the possible effects of the matter discussed in section "Basis for Qualified Opinion" above, the financial statements of AS Olainfarm give a true and fair view of the financial position of the Company as at 31 December 2013, and of its financial performance and its cash flows for the year then ended in accordance with the law of the Republic of Latvia on Financial Statements of Companies.

Report on Compliance of the Management Report

Furthermore, we have read the Management Report for the year ended 31 December 2013 (included on pages from 13 to 19 of the accompanying 2013 Annual Report) and have not noted any material inconsistencies between the financial information included in it and the financial statements for the year ended 31 December 2013.

SIA Ernst & Young Baltic
Licence No. 17

A handwritten signature in blue ink, appearing to read 'Iveta Vimba', is written over a light blue horizontal line.

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

Riga, 28 April 2014

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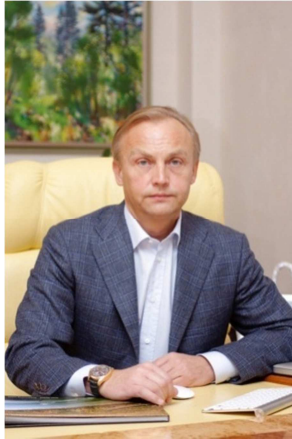
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General information

Name of the Parent Company	OLAINFARM
Legal status of the Parent Company	JOINT STOCK COMPANY
Unified registration number, place and date of registration of the Parent Company	40003007246 Riga, 10 June 1991 (re-registered on 27 March 1997)
Registered office of the Parent Company	Rūpnīcu iela 5 Olaine, Latvia, LV-2114
Major shareholders of the Parent Company	Valērijs Maligins – 27.13% SIA Olmafarm - 42.56% Swedbank AS Client accounts (Formerly AS Swedbank) – 12.72%

Board

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

Valērijs Maligins

Valērijs Maligins is the Chairman of the Management Board of AS OlainFarm. He has obtained a Doctoral Degree in Economics at NewPort International University, Baltic Center (2007), as well as a Master's Degree in economics and social sciences (University of Latvia, 2002), Bachelor's degree in economics and finances (RSEBAA 1998). V. Maligins has more than 20 years of experience in pharmaceutical sector, 15 of them in 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 (12.47%)
SIA Olfa Press (45%)
SIA Carbochem (50%)
SIA Aroma (99.21%)
SIA Olmafarm (100%)
SIA Escargot (33.50%)
SIA Olalex (50%)
SIA Energo Capital (50%)
OOO OLFA (51%)

Number of shares of AS OlainFarm owned (as of December 31, 2013):

- Directly: 3 821 266
- Indirectly (through SIA Olmafarm): 5 994 054
- Total: 9 815 320

Board (cont'd)

Jeļena Borcova



Jeļena Borcova is a member of the 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: none

Participation in other companies: none

Number of shares of AS OlainFarm owned (as of December 31, 2013): 0

Inga Liščika



Inga Liščika is a member of the Company's Management Board and a Finance director. I. Liščika has been studying the Professional Management programme at English „Open University“. I. Liščika is a Master of Business Economics (Riga Technical University 1997) and a civil engineer (1995). I. Liščika 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

Participation in other companies: none

Number of shares of AS OlainFarm owned (as of December 31, 2013): 1 302

Board (cont'd)

Salvis Lapiņš



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

Positions held in other companies:

SIA Silvanols, Board Member (from May 30, 2013 till October 04, 2013)

Participation in other companies:

SIA Baltic Team-Up (50%)

Number of shares of AS OlainFarm owned (as of December 31, 2013): 49 953

Veranika Dubitskaya



Veronika Dubicka (Veranika Dubitskaya) has worked in the Company's representative office in Belarus since 2005. Till 2006 V. Dubitskaya 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 the company's representative office in Belarus.

Positions held in other companies: none

Participation in other companies: none

Number of shares of AS OlainFarm owned (as of December 31, 2013): 0

Council

The Supervisory Council of AS OlainFarm is elected by the General Meeting of Shareholders for 5 years. The Supervisory Council is a supervising institution, representing interests of the shareholders between the 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.

The 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, the Chairperson of the Council

Valentina Andreeva, the Doctor of Economics of the Riga Technical University (Dr.oec.) - 2006, and has also degree of Master of Economic Sciences in management of the enterprise activity, received at the Riga Technical University in 2001, a speciality of the engineer-economist which she 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 December 31, 2013): 0

Jelena Dudko, Deputy Chairperson of the Council

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

Positions held and participation in other companies: OOO OLFA (49%)

Number of shares of AS OlainFarm owned (as December 31, 2013): 0

Aleksandrs Raicis

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

Positions held in other companies: SIA BRIZ , Board Member

Participation in other companies:

- SIA VIP Pharma (50%)
- SIA Reclusus (30%)
- SIA Briz (10.95%)

Number of shares of AS OlainFarm owned (as December 31, 2013): 0

Volodimir Krivozubov

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

Positions held in other companies:

OOO Torgovije Tehnologii (Ukraine), General Director

Participation in other companies: none

Number of shares of AS OlainFarm owned (as of December 31, 2013): 0

Council (cont'd)

Tālis Talents (till April 29, 2013)

Tālis Talents graduated from the Riga Medical Institute, Faculty of Pharmacy (1980), obtained the pharmacist's qualification; won the Manager's qualification at Iskra Business School in Tokyo, Japan (1992).

Positions held in other companies: none

Participation in other companies: none

Number of shares of AS OlainFarm owned (as of December 31, 2013): 0

Gunta Veismane (from April 30, 2013)

Gunta Veismane in 1975 graduated from the Latvian University Faculty of economics; in 1993 - Harvard University, HBS Management, Strategic management and organisational Psychology course; in 1996 - Latvian University, MBA.

Positions held in other companies: Economics and culture higher school rector

Participation in other companies: none

Number of shares of AS OlainFarm owned (as of December 31, 2013): 0

Movements in the Board during the year
1 January 2013 through
31 December 2013

None

Movements in the Council during the year
1 January 2013 through
31 December 2013

On April 29, 2013 AS OlainFarm Shareholder's Meeting elected Gunta Veismane as the Council member instead of member Tālis Talents.

Subsidiaries and associated entities

SIA „Ozols JDR” (100%)
Zeiferta iela 18B, Olaine, LV-2114

SIA „OlainFarm enerģija” (50%)
Rūpnīcu iela 5, Olaine, LV-2114

SIA „Pharma and Chemistry Centre of Latvia” (11%)
Dzirnavu iela 93-27, Rīga, LV-1011

SIA „JUKO 99” (100%)
Celmu iela 3, Rīga, LV-1079

SIA „Latvijas Aptieka” (100%)
Krišjāņa Barona iela 117, Rīga, LV-1012

SIA „Veritas-Farm” (100%)
Valkas iela 2a, Daugavpils, LV-5417

AS „Lege Artis Rīga” (100%)
Rūpnīcu iela 5, Olaine, LV-2114

SIA „First Class Lounge” (100%)
Baznīcas iela 20/22-10, Rīga, LV-1010

SIA „Inula Farma” (100%)
Nīcgales iela 47A, Rīga, LV-1035

SIA „Vita Plus Aptieka” (100%)
Dārza iela 6, Priekule, Priekule nov., LV-4126

SIA „Teriaks” (100%)
Odzienas iela 1, Priekule, Priekule nov., LV-5120

SIA „Aptieka Rudens 10” (100%)
Rūpnīca iela 5, Olaine, LV-2114

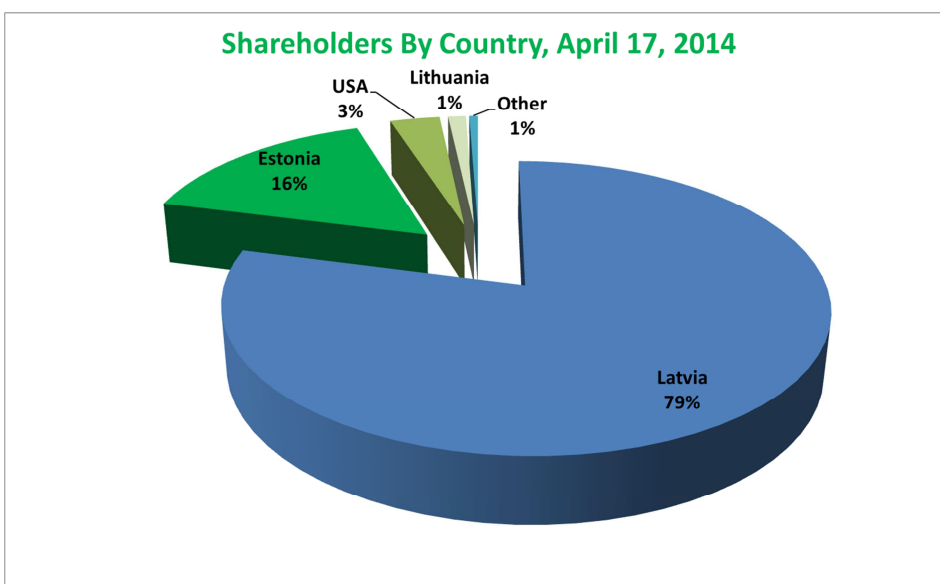
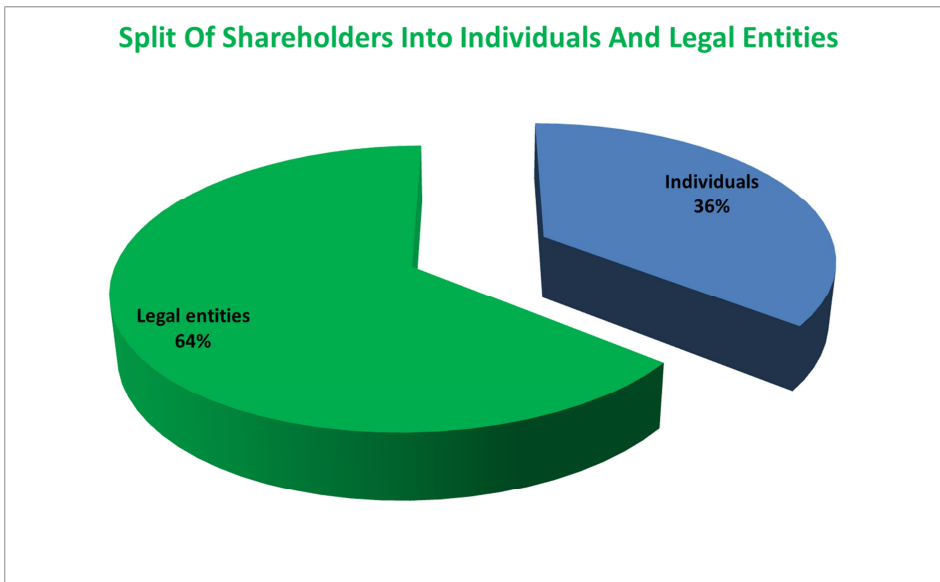
SIA „Rudens Laiks” (100%)
Rūpnīcu iela 5, Olaine, LV-2114

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

Subsidiaries and associated entities (nont'd.)	OLAINFARM ILJAÇ VE TIBBI URJUNLERI SANAJI VE TIDŽARET LIMITED ŞİRKETİ (99%) Kirbis Şehitleri. Džaddesi Nr.134/1, Daire: 204, Alsandžaka /İZMIRA, Turkey SIA „SILVANOLS” (70.88%) Kurbada iela 2A, Rīga, LV-1009, from 31.05.2013. SIA „Baltā aptieka I.P.I.” (100%) Krišjāņa Valdemāra iela 70, Rīga, LV-1013, from 05.03.2013 SIA „Daugavkrasta Farmācija” (100%) Rūpnīcu iela 5, Olaine, LV-2114, from 18.03.2013 SIA „Elpa Aptiekas” (100%) Rušonu iela 15, Rīga, LV-1057, from 11.02.2013. SIA „Mana aptieka” (100%) Rūpnīcu iela 5, Olaine, LV-2114, from 10.04.2013. SIA „Trīsdesmit seši un seši” (100%) Rūpnīcu iela 5, Olaine, LV-2114, from 16.04.2013. SIA „Jaunjelgavas aptieka” (100%) Rūpnīcu iela 5, Olaine, LV-2114, from 21.05.2013. SIA „Sabiedrības „ARS” Aptieka” (100%) Rūpnīcu iela 5, Olaine, LV-2114, from 25.11.2013. SIA „Priekules aptieka” (100%) Rūpnīcu iela 5, Olaine, LV-2114, from 29.10.2013. SIA „Traumu Aptieka” (100%) Rūpnīcu iela 5, Olaine, LV-2114, from 12.11.2013.	
Core business activity	Manufacture of basic pharmaceutical products and pharmaceutical preparations	
Audit Committee	Žanna Karaseva	
Financial year	1 January – 31 December 2013	
Auditors	Iveta Vimba Member of the Board Latvian Certified Auditor Certificate No. 153	SIA Ernst & Young Baltic Muižas iela 1A, Rīga Latvia, LV-1010 Licence No. 17

Major shareholders

	Holding (%) as at 31.12.2013
Swedbank AS Clients Account (Formerly AS Swedbank)	12.72%
Olmafarm, SIA	42.56%
V.Maligins	27.13%
Other shareholders	<u>17.59%</u>
Total	100.00%



Management Report

General Information

AS „OlainFarm” is one of the biggest pharmaceutical companies in Latvia with 40 years of experience in production of medication and chemical and pharmaceutical products. A basic principle of Company’s operations is to produce reliable and effective top quality products for Latvia and the rest of the world. Products made by the Company 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:

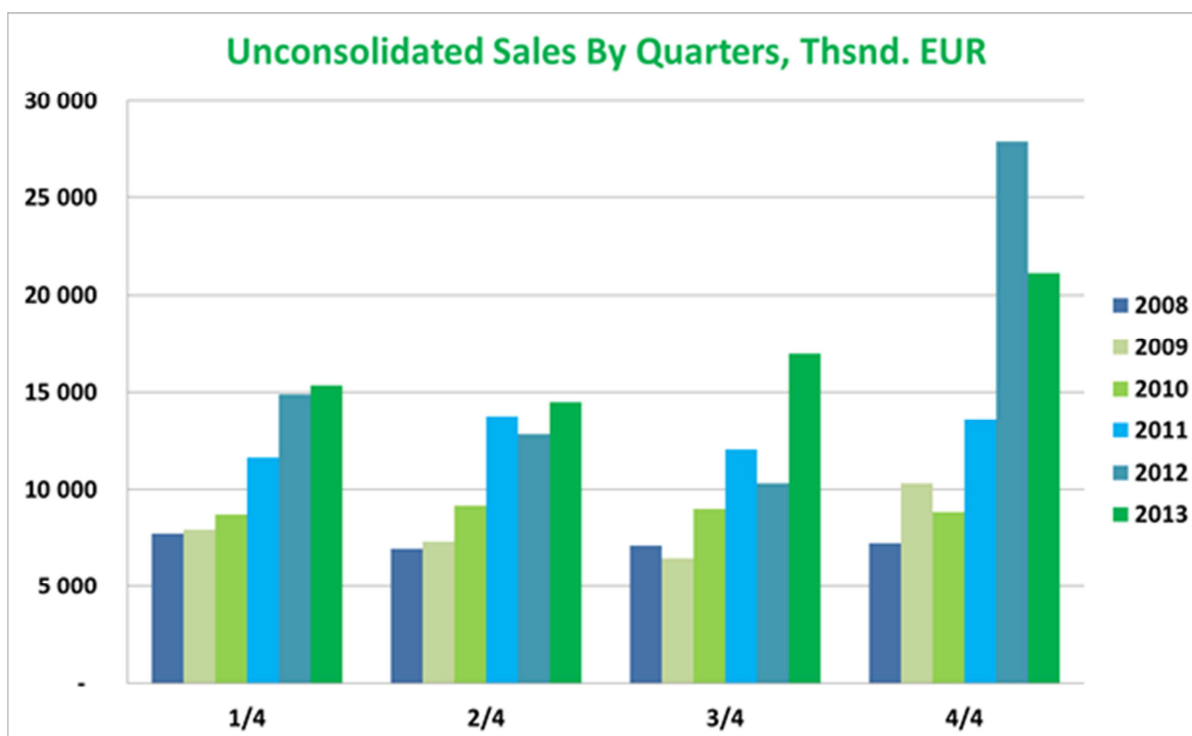
AS „OlainFarm” is one of the biggest manufacturers of finished drug forms chemical products in the Baltics. The keystone of our work is manufacturing of reliable and effective high quality products to the whole world. We are about fair and effective cooperation with our customers – patients, doctors,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

Corporate vision:

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

Financial results

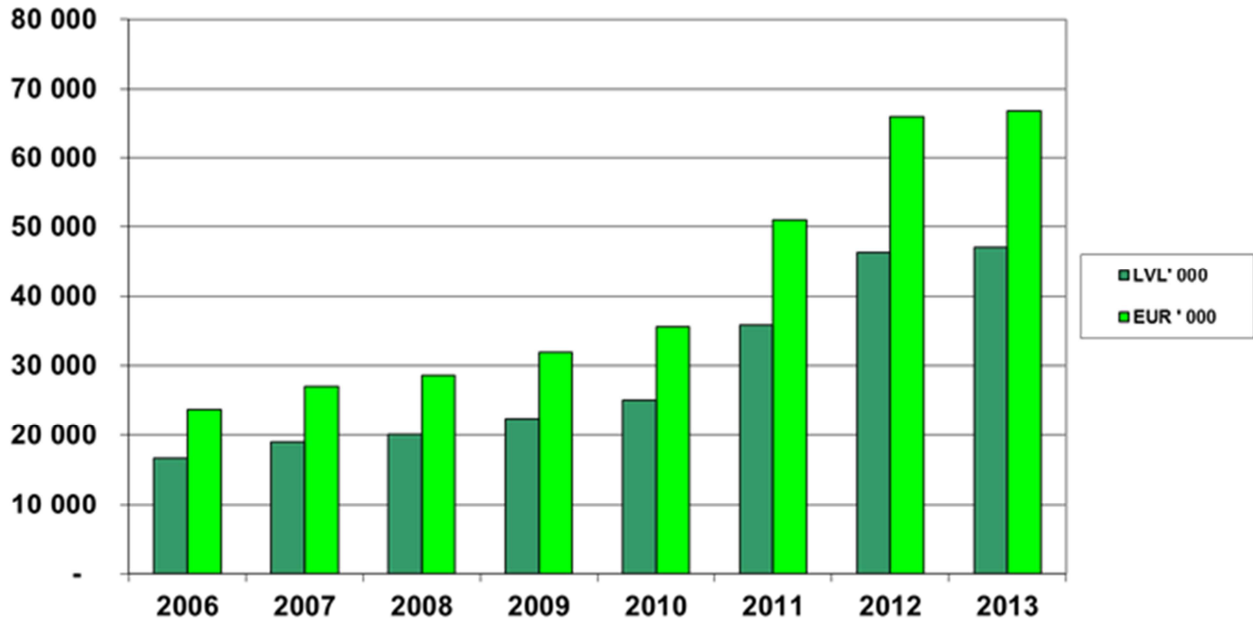
During the 4th quarter of 2013 the sales of company shrank by a little more than 24% and reached 21.1 million euros. Despite material decrease in sales it is the second most successful quarter in a corporate history. Besides, unlike in the last quarter of 2012, when extra shipments were made to Ukraine, which artificially increased the sales in that quarter, no additional shipments have been made during 4th quarter of 2013.



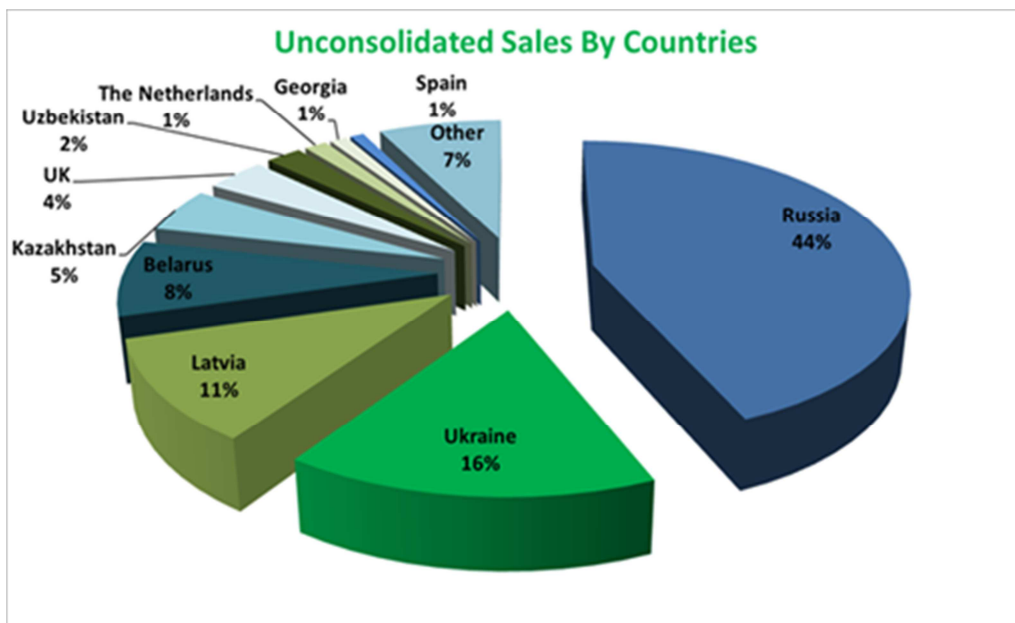
Financial results (cont'd)

Despite the above, this year in terms of sales has yet again been the best in corporate history so far. The Company made sales of 47 million lats (69.9 million euro), which is an increase by 1.4% compared to 2012.

Unconsolidated Sales



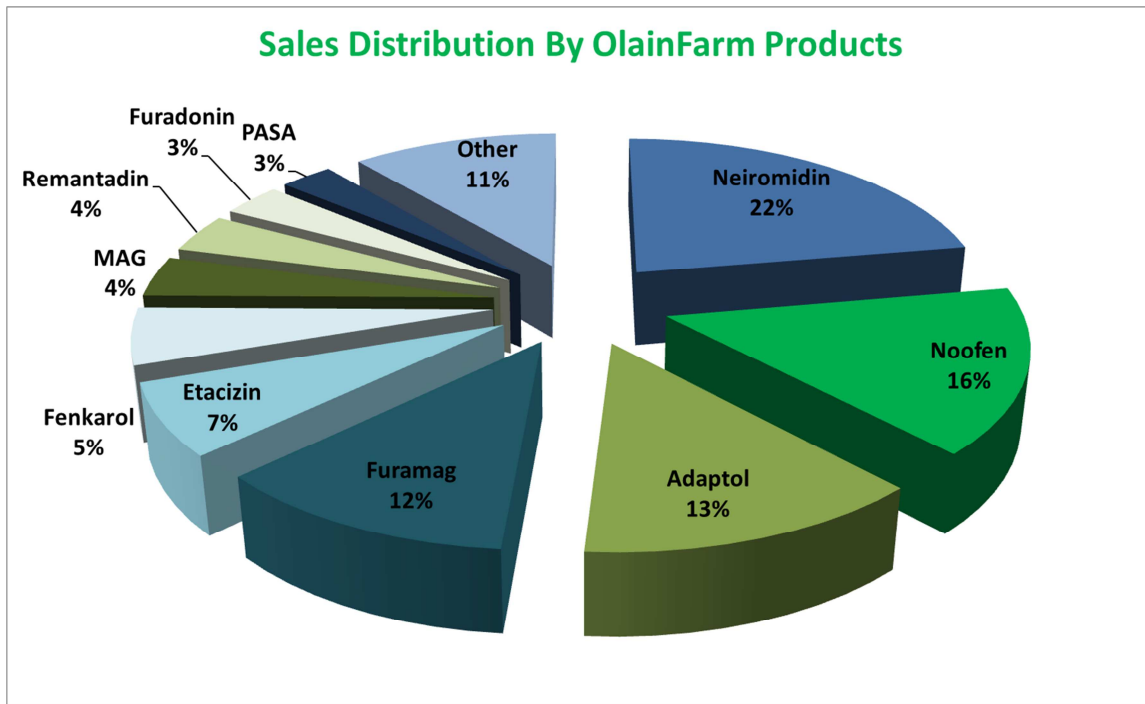
During 2013 the biggest sales increases were achieved in The Netherlands and Spain, where sales there have increased by 351% and 202% respectively. Significant sales increase has also been achieved in Latvia (sales grew by 71%), Belarus (sales grew by 48%) and Uzbekistan (sales grew by 42%). Major sales markets of AS "OlainFarm" in 2013 were Russia, Latvia, Ukraine, Belarus, Kazakhstan and the UK. In total during year 2013 AS 'Olainfarm" products are sold in 37 countries and 5 continents.



During 2013 the share of bestselling product 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 less than 90% of total sales.

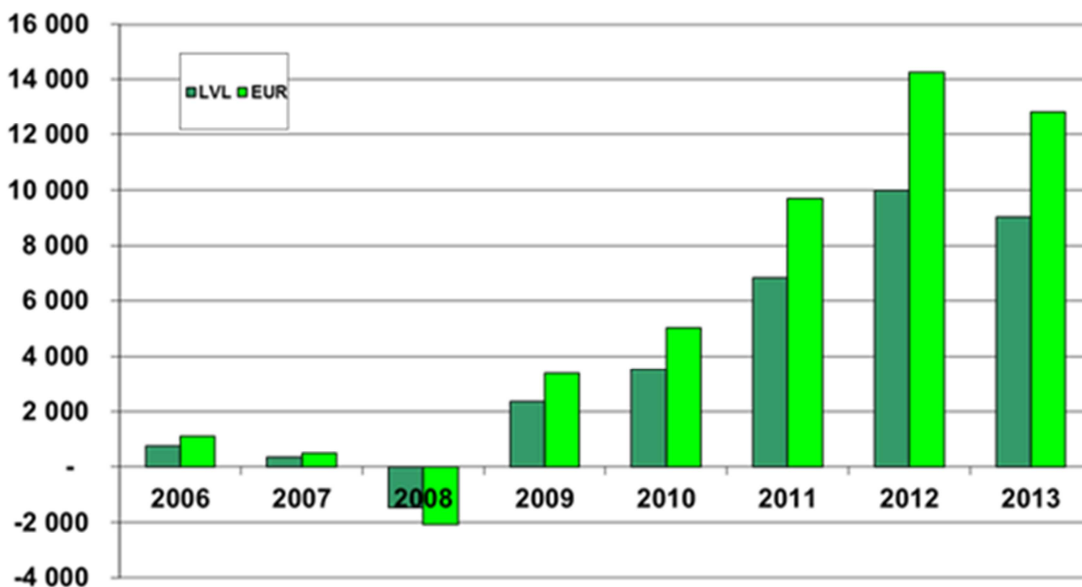
Financial results (cont'd)

Still, the bestselling products are the ones, which are being promoted particularly strongly.



Since in terms of sales 2013 and in particular the 4th quarter of the year have been rather successful, it has been successful also in terms of profit. During 2013 the company has made a net profit of 9 million lats (12.8 million euro), which represents a reduction by less than 10% compared to profit of 2012

Unconsolidated Profit, Thsnd.



Other financial indicators of the company has changed accordingly.

Financial indicator	2013	2012	% to previous period
Sales, LVL'000	47 003 064	46 341 142	101%
Net profit, LVL'000	9 028 492	10 007 758	90%
EBITDA, LVL'000	13 600 641	14 221 603	96%
EBIT, LVL'000	11 479 212	12 244 560	94%
Sales, EUR'000	66 879 335	65 937 505	101%
Net profit EUR'000	12 846 387	14 239 757	90%
EBITDA, EUR'000	19 351 969	20 235 518	96%
EBIT, EUR'000	16 333 447	17 422 439	94%
EBITDA margin	28.9%	30.7%	
Net margin	19.2%	21.6%	
EBIT margin	24.4%	26.4%	
ROA	14.2%	20.8%	
ROE	20.6%	27.5%	
Current ration	2.9	2.9	
EPS, LVL	0.641	0.711	90%
EPS, EUR	0.912	1.011	90%
Share price at period end, LVL	4.96	3.69	134%
Share price at period end, EUR	7.06	5.25	134%
P/E	7.7	5.2	
Market capitalisation at period end, LVL'000	69 862	51 974	134%
Market capitalisation at period end, EUR'000	99 405	73 952	134%
P/B	1.6	1.4	

In December 2013 Management Board of AS "OlainFarm" adjusted previously set profit and sales guidance. According to them the sales of the Company in 2013 were planned to be 45.4 million lats (64.6 million euro) while the net profit guidance was 7.5 million lats (10.7 million euro). According to this audited report the sales guidance has been outperformed by 3.5%, while profit guidance was outperformed by 20.4%.

Dividends

During the reporting period the company has paid dividends from profit made in 2012. 0.107 lats (0.152 euros) per share were paid. In total more than 1.5 million lats were paid in dividends, with pay-out ratio being approximately 15% of profits of 2012. Pay-out ratio from the profit made in 2011 was approximately 12.5%, but pay-out ratio from the profits made in 2010 was approximately 10% of profit of that year. Although no formal dividend policy has been approved in the company the Board intended to increase the pay-out ratio by 2.5 percentage points every year in coming years, in case of absence of any factors threatening operations or development of the company. Recent instability in two of company's main sales markets, namely Russia and Ukraine along with rather aggressive investment programme for the next two years to come, makes the Board to propose to the shareholders to put a dividend payments in hold until the distribution of profits for 2015.

Shares and stock market

Rapid improvement of Company's financial indicators over the last three years is reflected in fluctuations of price of Company's shares on NASDAQ OMX Riga, as during this period the price of share has increased by more than 128%. During the reporting period share price mainly fluctuated around 5 lats, while in middle of August it set a new historic high of the time of 5.39 lats (7.669 euro). During the reporting period price of share of AS "OlainFarm" has been fluctuating between 3.66 and 5.39 lats (5.21 and 7.669 euros).

Trading volumes and price of shares of "OlainFarm" on NASDAQ OMX Riga (EUR) (2011 –2013)



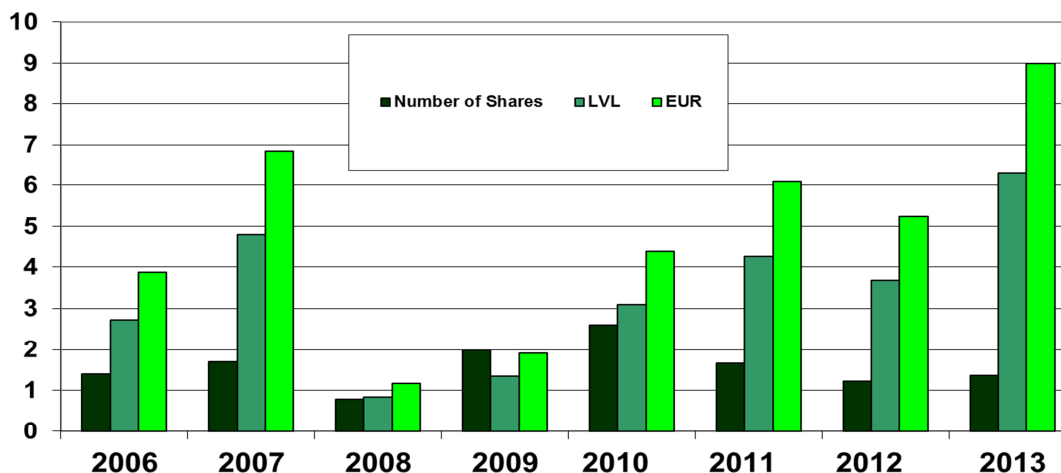
During this year price of share of a/s "OlainFarm" increased significantly more than OMX Riga index. During 2013 OMX Riga index increased by 16.2%, while price for share of "OlainFarm" by 34.42%.

Rebased price of AS OlainFarm share vs. rebased OMX Riga index (2013)



-- OMX Riga
 -- AS OlainFarm

Trading Of Shares On NasdaqOMX Riga, mln.



In 2013 trading of shares of AS „OlainFarm” on „NasdaqOMX Riga” reached a new record high in terms of turnover. During a year shares worth 6.3 million lats (9 million euro) were traded, which represents an increase by 72% compared to 2012. Number of traded shares also increased to 1.36 million and that was an increase by 11%.

Development

In February 2013 an agreement was signed with AS „SEB Banka”, whereby the amount of loan was increased by 6.6 million euro. Additional loan was taken in order to finance purchases of pharmacies and other companies related to pharmaceuticals.

In January 2013 Company underwent a regular GMP compliance audit, which resulted in prolonged GMP certification for the company.

During 2013 37 products have been registered in 7 different countries, including the marketing partnership products. Registration processes have been started also in Turkey, Mongolia, Mexico and Kosovo. The work has been started at developing several new final dosage forms, clinical trials of injectable form of Kapikor (Olvazol) are being conducted.

AS “OlainFarm” will be given corporate income tax exemption for approved long term investments made within the project “Introduction of new products and improved exporting capacity”. This decision was made on the meeting of Cabinet of Ministers held on May 7, and was based on assessment done by the Ministry of Economy about impact such exemption would have on national economy and local competition. It is planned that the total tax exemption could be as high as 5.21 million lats.

Laboratory equipment has been acquired which will allow moving the production of nitrofuranes to a new production unit and further improving production technologies of this group of products.

Future outlook

During 2013 and subsequent years company plans to continue all efforts targeted at implementation of new products, entering new markets, making a little more emphasis on cooperation with other producers in distribution of their products on CIS and other markets. The company also intends to expand its network of pharmacies, but at pace somewhat slower than recently.

Shares in SIA “Silvanols” that have been purchased by AS “OlainFarm” will allow company to involve itself more actively in sub-segments of medical devices and food supplements and for development of these sub-segments it intends to apply its marketing and promotion resources in CIS and other countries.

The company is very carefully following all political and economic developments in its major markets in CIS countries, specifically in Russia and Ukraine. As this report is being prepared, although the media reports from the region are rather alarming, the company’s sales to these countries and collection of receivables have not experienced any deterioration..

Environment

During the reporting period 30 internal environmental audits have been conducted and amendments have been approved to Category A polluting activity license, which was required due to increasing production volumes, consumption of technical water and launch of cogeneration facility.

5th version of industrial emergency prevention plan has been prepared and submitted to Environment Monitoring Agency.

Application has been submitted to obtain licence for greenhouse gas emissions, which will allow AS "OlainFarm" to involve itself into trading with CO2 emission quotas.

Social responsibility

During 2013 the Company continued supporting development of young professionals with scholarships for students of Department of Pharmacy of Riga Stradins University, of Department of Material Sciences and Applied Chemistry of Riga Technical University and of Department of Chemistry of Latvian University.

Demonstrating its concern about the development of health care and promoting a healthy life style AS „OlainFarm” have been supporting both, Annual Medicine Award and Annual Health Award of Latvia.

The company is also supporting top quality musical events, including musical festival „Rīgas ritmi”, concerts organized by Hermanis Brauns Foundation and by Inese Galante. AS „OlainFarm” continued supporting the construction of Orthodox Church in Olaine.

Events after the end of the reporting period

In February 2014, Kazakh national currency the Tenge was devalued by 20%. Kazakhstan is an important sales market for Company's products, generating about 4% of consolidated sales. As this report is being prepared, company possesses no alarming information that would give any reason to expect a significant sales reduction in this country, however currency devaluation will inevitably cause certain loss of purchasing power of Kazakh people, which may leave, albeit small and short term impact on sales volumes to this country.

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


Valerijs Maligins
Chairman of the Board
(President)


28 April 2014

Statement of Responsibility of the Management

The management of AS OlainFarm confirms that the consolidated financial statements give a true and fair view of the financial position of the Company as at 31 December 2013, as well as of the cash flows and the results of the Company for the period then ended in accordance with the Latvian Republic Law on Financial Statements of the companies. In preparing those financial statements, the management:

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

The Management of AS OlainFarm is responsible for keeping proper accounting records, which disclose with reasonable accuracy at any time the financial position, financial performance and cash flows of the Company and enable the Management to ensure that the financial statements comply with the requirements of Latvian legislation.

For the Board of AS OlainFarm:



Valērijs Matigins
Chairman of the Board
(President)


28 April 2014

Income statement

	Piezīme	2013 LVL	2013 EUR *	2012 LVL	2012 EUR *
Net sales	3	47 003 064	66 879 335	46 341 142	65 937 505
Changes in stock of finished goods and work in progress		(2 229 879)	(3 172 832)	(495 798)	(705 457)
Other operating income	4	1 221 633	1 738 227	595 216	846 916
Cost of materials:					
<i>raw materials and consumables</i>		(3 016 702)	(4 292 380)	(4 695 600)	(6 681 237)
<i>other external costs</i>		(3 288 102)	(4 678 548)	(2 044 332)	(2 908 822)
		(6 304 804)	(8 970 928)	(6 739 932)	(9 590 059)
Staff costs:					
<i>Wages and salaries</i>		(8 097 137)	(11 521 188)	(7 647 945)	(10 882 045)
<i>Statutory social insurance contributions</i>		(2 131 844)	(3 033 341)	(2 033 587)	(2 893 534)
	9	(10 228 981)	(14 554 529)	(9 681 532)	(13 775 579)
Depreciation/ amortization	10, 11	(2 121 429)	(3 018 521)	(1 977 043)	(2 813 079)
Other operating expense	5	(15 860 392)	(22 567 305)	(15 797 493)	(22 477 807)
Interest receivable and similar income	6	107 096	152 384	47 748	67 939
Interest payable and similar expense	7	(981 765)	(1 396 926)	(234 451)	(333 594)
Profit before taxes		10 604 543	15 088 905	12 057 857	17 156 785
Corporate income tax	8	(1 411 100)	(2 007 814)	(1 945 768)	(2 768 578)
Deferred corporate income tax	8	(91 907)	(130 772)	(30 268)	(43 067)
Real estate tax		(73 044)	(103 932)	(74 063)	(105 382)
Profit for the reporting period		9 028 492	12 846 387	10 007 758	14 239 757
Basic and diluted earnings per share, LVL/EUR		0.64	0.91	0.71	1.01

*Supplementary information, see also Note 2.

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

For the Board



28 April 2014

Balance sheet

ASSETS	Notes	31.12.2013	31.12.2013	31.12.2012	31.12.2012
NON-CURRENT ASSETS		LVL	EUR*	LVL	EUR*
Intangible assets					
Patents		104 616	148 855	101 429	144 320
Other intangible assets		684 187	973 510	742 513	1 056 501
Prepayments for intangible assets		137 811	196 087	126 277	179 676
TOTAL	10	926 614	1 318 452	970 219	1 380 497
Property, plant and equipment					
Land, buildings and constructions		7 617 532	10 838 772	7 535 452	10 721 982
Equipment and machinery		3 843 202	5 468 384	2 576 217	3 665 627
Other tangible assets		1 319 163	1 877 000	1 027 666	1 462 237
Construction in progress		3 026 532	4 306 367	933 831	1 328 722
Prepayments for property, plant and equipment		1 895 744	2 697 401	136 175	193 760
TOTAL	11	17 702 173	25 187 924	12 209 341	17 372 327
Financial assets					
Investments in related companies		10 317 001	14 679 770	5 471 501	7 785 245
Investments in associated companies		1 000	1 423	1 000	1 423
TOTAL	12	10 318 001	14 681 193	5 472 501	7 786 667
TOTAL NON-CURRENT ASSETS		28 946 788	41 187 569	18 652 061	26 539 492
CURRENT ASSETS					
Inventories					
Raw materials		1 473 645	2 096 808	1 235 886	1 758 507
Work in progress		5 503 993	7 831 476	4 156 216	5 913 763
Finished goods and goods for resale		3 210 612	4 568 289	1 402 227	1 995 189
Prepayments for goods		130 712	185 986	156 345	222 459
TOTAL	13	10 318 962	14 682 559	6 950 674	9 889 918
Receivables					
Trade receivables	14	18 065 490	25 704 876	18 548 832	26 392 610
Receivables from related companies	15	1 333 034	1 896 736	951 165	1 353 386
Receivables from associated companies	15	179 732	255 736	171 846	244 515
Prepayments to suppliers		418 178	595 014	146 874	208 983
Other receivables	16	712 402	1 013 657	397 682	565 851
Corporate income tax		644 565	917 133	-	-
Current loans to management and employees	17	1 664 185	2 367 922	898 801	1 278 879
Prepaid expense	18	113 042	160 844	98 396	140 005
TOTAL		23 130 628	32 911 919	21 213 596	30 184 228
Cash	19	1 186 286	1 687 933	1 338 361	1 904 316
TOTAL CURRENT ASSETS		34 635 876	49 282 411	29 502 631	41 978 462
TOTAL ASSETS		63 582 664	90 469 980	48 154 692	68 517 954

*Supplementary information, see also Note 2.

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

For the Board



28 April 2014

Balance sheet

EQUITY AND LIABILITIES		Notes	31.12.2013	31.12.2013	31.12.2012	31.12.2012
EQUITY			LVL	EUR*	LVL	EUR*
Share capital		20	14 085 078	20 041 260	14 085 078	20 041 260
Share premium			1 759 708	2 503 839	1 759 708	2 503 839
Retained earnings:						
brought forward			19 035 201	27 084 651	10 534 612	14 989 402
for the period			9 028 492	12 846 387	10 007 758	14 239 757
TOTAL EQUITY			43 908 479	62 476 137	36 387 156	51 774 259
LIABILITIES						
Non-current liabilities						
Loans from credit institutions		21	6 695 429	9 526 737	943 614	1 342 642
Deferred corporate income tax liabilities		8	636 046	905 012	544 139	774 240
Deferred income		24	305 977	435 366	168 467	239 707
Finance lease liabilities		22	121 118	172 335	30 461	43 342
TOTAL			7 758 570	11 039 450	1 686 681	2 399 931
Current liabilities						
Loans from credit institutions		21	4 077 185	5 801 312	6 004 890	8 544 189
Finance lease liabilities		22	87 309	124 230	28 014	39 860
Prepayments received from customers			29 806	42 410	53 404	75 987
Trade and other payables			6 326 615	9 001 962	2 312 055	3 289 758
Payables to related companies			26 472	37 666	2 367	3 368
Payables to associated companies		27	113 316	161 234	21 026	29 917
Taxes payable		23	334 390	475 794	450 370	640 819
Corporate income tax		23	-	-	503 844	716 905
Deferred income		24	112 000	159 362	84 000	119 521
Accrued liabilities		25	808 522	1 150 423	620 885	883 440
TOTAL			11 915 615	16 954 393	10 080 855	14 343 764
TOTAL LIABILITIES			19 674 185	27 993 843	11 767 536	16 743 695
TOTAL EQUITY AND LIABILITIES			63 582 664	90 469 980	48 154 692	68 517 954

*Supplementary information, see also Note 2.

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

For the Board



 Valerijs Maligins
 Chairman of the Board
 (President)



28 April 2014

Cash flow statement

	2013 LVL	2013 EUR*	2012 LVL	2012 EUR*
Cash flows to/from operating activities				
Profit before taxes	10 604 543	15 088 905	12 057 857	17 156 785
Adjustments for:				
Amortisation and depreciation	2 314 999	3 293 947	2 124 373	3 022 710
Loss on sale/ disposal of property, plant and equipment	865 294	1 231 202	(279)	(397)
Increase/ (decrease) in allowances	(102 421)	(145 732)	231 948	330 032
Increase in vacation reserve	109 414	155 682	115 749	164 696
Reversed impairment/ (decrease) in allowances of intangible assets	(73 154)	(104 089)	1 141 418	1 624 091
Interest expences	135 118	192 256	176 924	251 740
Interest receivable	(107 096)	(152 384)	(122)	(174)
Operating cash flows before working capital changes	13 746 697	19 559 788	15 847 868	22 549 485
Decrease in inventories	(3 207 047)	(4 563 217)	(728 909)	(1 037 144)
Decrease in receivables and prepaid expence	(1 272 152)	(1 810 109)	(6 730 957)	(9 577 289)
Increase/ (decrease) in payables and prepayments received	4 571 437	6 504 569	(108 111)	(153 828)
Cash generated from operations	13 838 935	19 691 031	8 279 891	11 781 223
Interest paid	(122 714)	(174 606)	(176 924)	(251 740)
Corporate income tax paid	(1 411 100)	(2 007 814)	(2 118 381)	(3 014 185)
Real estate tax paid	(73 048)	(103 938)	(74 063)	(105 382)
Net cash flows to/ from operating activities	12 232 073	17 404 672	5 910 523	8 409 917
Cash flows to/from investing activities				
Purchase of property, plant and equipment	(9 078 091)	(12 916 960)	(3 544 879)	(5 043 908)
Acquisition of subsidiary	(4 845 500)	(6 894 525)	(865 128)	(1 230 966)
Proceeds from sale of intangible assets and property, plant and equipment	35 725	50 832	72 397	103 012
Repayment of loans	724 666	1 031 107	6 706	9 542
Interest receivable	18 332	26 084	534	760
Loans granted	(1 556 220)	(2 214 302)	(800 002)	(1 138 300)
Net cash flows to/from investing activities	(14 701 088)	(20 917 764)	(5 130 372)	(7 299 862)
Cash flows to/from financing activities				
Proceeds from issue of shares	(1 507 169)	(2 144 508)	(867 641)	(1 234 542)
Borrowings repaid	(2 464 681)	(3 506 925)	(1 503 937)	(2 139 910)
Proceeds from borrowings	6 288 790	8 948 142	1 631 240	2 321 045
Net cash flows to/from financing activities	2 316 940	3 296 709	(740 338)	(1 053 406)
Change in cash	(152 075)	(216 383)	39 813	56 649
Cash at the beginning of the year	1 338 361	1 904 316	1 298 548	1 847 667
Cash at the and of the year	1 186 286	1 687 933	1 338 361	1 904 316

*Supplementary information, see also Note 2.

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

Statement of changes in equity

	Share capital		Share premium		Retained earnings		Total	
	LVL	EUR	LVL	EUR	LVL	EUR	LVL	EUR
Balance as at 31 December 2011	14 085 078	20 041 260	1 759 708	2 503 839	11 402 253	16 223 944	27 247 039	38 769 044
Profit for the reporting year	-	-	-	-	10 007 758	14 239 757	10 007 758	14 239 757
Exception of profit of the related	-	-	-	-	(867 641)	(1 234 542)	(867 641)	(1 234 542)
Balance as at 31 December 2012	14 085 078	20 041 260	1 759 708	2 503 839	20 542 370	29 229 159	36 387 156	51 774 259
Profit for the reporting year	-	-	-	-	9 028 492	12 846 387	9 028 492	12 846 387
Paid dividends from profit	-	-	-	-	(1 507 169)	(2 144 508)	(1 507 169)	(2 144 508)
Balance as at 31 December 2013	14 085 078	20 041 260	1 759 708	2 503 839	28 063 693	39 931 038	43 908 479	62 476 137

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

Notes to the financial statements

1. Corporate information

The joint stock company OlainFarm (hereinafter - the Company) was registered with the Republic of Latvia Enterprise Register on 10 June 1991 (re-registered on 27 March 1997) and with the Republic of Latvia Commercial Register on 4 August 2004. The Company is engaged in manufacturing and distribution of chemical and pharmaceutical products. The financial statements of the Company for the year ended 31 December 2013 were approved by a resolution of the Company's Board on 28 April 2014.

2. Summary of significant accounting policies

Basis of preparation

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

The financial statements of AS OlainFarm have been prepared in accordance with the Law of the Republic of Latvia on Annual Reports.

The financial statements are prepared on a historical cost basis. The monetary unit used in the financial statements is lat (LVL), the monetary unit of the Republic of Latvia and European monetary unit (EUR). The financial statements are translated in euros for information purposes only. It is supplementary information. As of 1 January 2014, the monetary unit of the Republic of Latvia has been euro – the opening balance as of this date as well as comparative historical information has been translated to euro at a fixed exchange rate of 0.702804 lats per one euro.

The financial statements cover the period 1 January 2013 through 31 December 2013.

Use of estimates

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

Foreign currency translation

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

Currency exchange rates established by the Bank of Latvia:

	31/12/2013 LVL	31/12/2012 LVL
1 USD	0.515	0.531
1 RUB	0.0156	0.0174
1 EUR	0.702804	0.702804

Intangible assets

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

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

Research and development costs

Research costs are expensed as incurred. Project development costs are recognised as intangible assets where the project feasibility is demonstrated and the assets developed are reasonably expected to generate future economic benefits. Capitalised development costs are amortised over their estimated useful lives on a straight-line basis.

Should the respective asset be not yet in use, the carrying value of development costs is reviewed for impairment at the end of each reporting year and otherwise when events or changes in circumstances indicate that the carrying value may not be recoverable.

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

Patents

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

Property, plant and equipment

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

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

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

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

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

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

Investments in subsidiaries

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

Inventories

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

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

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

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

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

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

Trade and other receivables

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

Cash

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

Allowances

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

Loans and borrowings

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

Leases

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

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

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

Revenue

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

Sale of goods

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

Rendering of services

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

Interest

Revenue is recognised on an accrual basis.

Corporate income tax

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

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

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

Related parties

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

Contingencies

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

Subsequent events

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

Accounting of grants received

The Company has received a grant as a financing of the construction of property, plant and equipment. Grant is accounted in the amounts received during the period (accumulated) and is decreased by the amount calculated as proportion of depreciation charge multiplied by the financing percent set in the agreement. As of 31 December 2012 there are no unfulfilled conditions and contingencies. Grants are recognized in the balance sheet as deferred income and are recognized in the profit or loss statement when depreciation for the particular item of the property, plant and equipment is recognized in the profit or loss statement.

	Note	Profit or loss statement for year 2013		Profit or loss statement for year 2012		Reclassification	
		2013	2012	2013	2012	2013	2012
		LVL	EUR	LVL	EUR	LVL	EUR
raw materials and consumables		(4 695 600)	(6 681 237)	(4 689 978)	(6 673 237)	(5 622)	(8 000)
Wages and salaries		(7 647 945)	(10 882 045)	(6 941 361)	(9 876 667)	(706 584)	(1 005 378)
Statutory social insurance contributions		(2 033 587)	(2 893 534)	(1 725 371)	(2 454 982)	(308 216)	(438 552)
Depreciation/ amortization	10, 11	(1 977 043)	(2 813 079)	(1 954 802)	(2 781 433)	(22 241)	(31 646)
Other operating expense	5	(15 797 493)	(22 477 807)	(16 840 156)	(23 961 383)	1 042 663	1 483 576
TOTAL:						-	-

3. Net turnover

By business segments	2013		2012	
	LVL	EUR	LVL	EUR
Finished form medicine	39 925 010	56 808 171	41 614 680	59 212 355
Chemicals	3 551 027	5 052 656	3 807 975	5 418 260
Wholesale	3 527 027	5 018 508	918 487	1 306 890
	47 003 064	66 879 335	46 341 142	65 937 505

By geographical segments	2013		2012	
	LVL	EUR	LVL	EUR
CIS	37 212 714	52 948 922	38 566 250	54 874 830
Europe	3 570 563	5 080 453	2 837 729	4 037 725
Latvia	5 116 745	7 280 473	3 022 017	4 299 943
Baltic states (Lithuania and Estonia)	442 454	629 555	509 099	724 383
Other	660 588	939 932	1 406 047	2 000 624
	47 003 064	66 879 335	46 341 142	65 937 505

4. Other operating income

	2013		2012	
	LVL	EUR	LVL	EUR
Release of allowances	193 643	275 529	84 018	119 547
Income of services*	181 435	258 159	78 561	111 782
Sale of current assets	136 294	193 929	23 558	33 520
Lease of premises	88 555	126 002	64 839	92 258
Incomes from catering services	67 309	95 772	45 252	64 388
Income of services in packing	66 871	95 149	92 163	131 136
Gains from sale of non-current assets	35 725	50 832	67 188	95 600
Income of transport services	18 718	26 633	13 362	19 012
Absorbed EU projects' funds	16 252	23 125	13 842	19 695
Treatment of waste water	6 057	8 618	5 534	7 874
Royalty	3 719	5 292	4 452	6 335
Other operating income**	407 055	579 187	102 447	145 769
	1 221 633	1 738 227	595 216	846 916

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

** Other operating income includes insurance compensation in amount of 219 838 LVL which was paid in connection with the explosion of the company's production facility.

5. Other operating expense

	2013		2012	
	LVL	EUR	LVL	EUR
Marketing expense	10 759 912	15 309 975	10 223 074	14 546 124
Other distribution costs	377 145	536 629	254 542	362 181
Transportation expense	186 757	265 731	179 091	254 824
Royalty	148 791	211 711	157 716	224 410
Sales commissions	124 124	176 613	139 554	198 567
Expert analysis of medicines	80 438	114 453	88 659	126 150
<i>Total distribution costs:</i>	<i>11 677 167</i>	<i>16 615 112</i>	<i>11 042 636</i>	<i>15 712 255</i>
Business trips	521 139	741 514	299 410	426 022
Car fleet maintenance	430 387	612 386	363 617	517 380
Representation expense	255 854	364 047	141 462	201 282
Information and business consulting	240 296	341 910	138 905	197 644
Security	227 662	323 934	227 621	323 876
Donations	199 112	283 311	94 697	134 742
New product research and developments costs	190 888	271 609	85 746	122 006
Flowers and gifts	176 534	251 185	159 647	227 157
Write-offs of current assets	164 224	233 670	101 264	144 086
Insurance	125 668	178 809	101 717	144 730
Education	113 825	161 958	89 832	127 819
Bank charges	111 779	159 047	26 058	37 077
Other administrative expense	76 459	108 791	85 380	121 485
Annual payment for medicines registered in LR	75 048	106 784	85 489	121 640
Social infrastructure	68 782	97 868	39 911	56 788
Write-offs and disposal of tangible assets	64 040	91 121	64 104	91 212
Current repairs	60 059	85 456	62 318	88 671
Communications expense	52 547	74 768	54 089	76 962
Allowances to staff	53 485	76 102	37 708	53 654
Audit expense	43 560	61 980	42 059	59 845
Laboratory tests	33 717	47 975	20 102	28 603
Legal expense	28 903	41 125	43 305	61 617
Hosting expense	26 332	37 467	170 114	242 050
Waste removal	17 697	25 181	19 663	27 978
Natural resources expense	15 110	21 500	28 551	40 624
Write-offs receivables	1 381	1 965	48 113	68 459
Other operating expense*	808 737	1 150 729	2 123 975	3 022 144
TOTAL:	15 860 392	22 567 305	15 797 493	22 477 807

* Other operating expense in 2012 includes impairment recognized for patents in amount of 1 144 thousand LVL

6. Interest receivable and similar income

	2013		2012	
	LVL	EUR	LVL	EUR
Interest accrued on bank account balances	107 023	152 280	47 626	67 766
Loan interest payments	73	104	122	173
TOTAL:	107 096	152 384	47 748	67 939

7. Interest payable and similar expense

	2013		2012	
	LVL	EUR	LVL	EUR
Loan interest expenses	135 119	192 257	176 924	251 740
Penalties paid for late payments	45 525	64 777	9 099	12 947
Currency exchange loss, net	801 121	1 139 892	48 428	68 907
TOTAL:	981 765	1 396 926	234 451	333 594

Currency exchange loss is mainly related to the RUB fluctuations in the reporting year.

8. Corporate income tax

	2013		2012	
	LVL	EUR	LVL	EUR
Current corporate income tax charge for the year	1 411 100	2 007 814	1 945 768	2 768 578
Deferred corporate income tax due to changes in temporary differences	91 907	130 772	30 268	43 067
Charged to the income statement:	1 503 007	2 138 586	1 976 036	2 811 646

	Statement of financial position				Profit and loss			
	31.12.2013.		31.12.2012.		2013		2012	
	LVL	EUR	LVL	EUR	LVL	EUR	LVL	EUR
<i>Deferred corporate income tax liability</i>								
Accelerated depreciation for tax purposes	(844 332)	(1 201 376)	(760 199)	(1 081 666)	(84 133)	(119 710)	(89 083)	(126 754)
Gross deferred corporate income tax liability	(844 332)	(1 201 376)	(760 199)	(1 081 666)	(84 133)	(119 710)	(89 083)	(126 754)
<i>Deferred corporate income tax assets</i>								
Vacation pay reserve	85 740	121 997	69 328	98 645	16 412	23 352	17 362	24 704
Allowances for slow-moving items	122 546	174 367	146 732	208 781	(24 186)	(34 414)	41 453	58 982
Gross deferred corporate income tax asset	208 286	296 364	216 060	307 426	(7 774)	(11 061)	58 815	83 686
Net deferred tax liability	(636 046)	(905 012)	(544 139)	(774 240)	(91 907)	(130 772)	(30 268)	(43 067)

9. Staff costs and number of employees

	2013		2012	
	LVL	EUR	LVL	EUR
Wages and salaries	8 097 137	11 521 188	7 647 945	10 882 045
Statutory social insurance contributions	2 131 844	3 033 341	2 033 587	2 893 534
TOTAL:	10 228 981	14 554 529	9 681 532	13 775 579

	2013		2012	
	LVL	EUR	LVL	EUR
<u>Management of the Group</u>				
Wages and salaries	649 494	924 147	570 573	811 852
Statutory social insurance contributions	154 975	220 510	136 294	193 928
<u>Board Members</u>				
Wages and salaries	741 178	1 054 601	519 205	738 762
Statutory social insurance contributions	177 887	253 110	125 077	177 969
<u>Council Members</u>				
Wages and salaries	72 294	102 865	72 000	102 447
Statutory social insurance contributions	17 070	24 288	17 345	24 680
TOTAL:	1 812 898	2 579 521	1 440 494	2 049 638

	31.12.2013.	31.12.2012.
Average number of employees during the reporting year	949	952

10. Intangible assets**LVL**

	Patents LVL	Other intangible assets LVL	TOTAL LVL	Prepayments for intangible assets LVL	TOTAL LVL
Acquisition value as at 31/12/11	2 940 990	994 091	3 935 081	224 187	4 159 268
Additions	20 650	265 212	285 862	-	285 862
2012 Reclassification from tangible assets	-	97 910	97 910	(97 910)	-
Disposals	(1 898)	(52 918)	(54 816)	-	(54 816)
Acquisition value as at 31/12/12	2 959 742	1 304 295	4 264 037	126 277	4 390 314
Additions	9 598	156 076	165 674	149 418	315 092
2013 Reversed impairment	156 750	-	156 750	-	156 750
Reclassification	-	122 063	122 063	(122 063)	-
Disposals	-	(99 226)	(99 226)	-	(99 226)
Acquisition value as at 31/12/13	3 126 090	1 483 208	4 609 298	153 632	4 762 929
Accumulated amortisation as at 31/12/11	1 551 402	400 993	1 952 395	-	1 952 395
Amortisation	162 587	213 103	375 690	-	375 690
2012 Impairment	1 144 324	-	1 144 324	-	1 144 324
Amortisation of disposals	-	(52 314)	(52 314)	-	(52 314)
Accumulated amortisation as at 31/12/12	2 858 313	561 782	3 420 095	-	3 420 095
Amortisation	163 161	232 134	395 295	-	395 295
2013 Impairment	-	72 224	72 224	15 821	88 044
Amortisation of disposals	-	(67 119)	(67 119)	-	-67 119
Accumulated amortisation as at 31/12/13	3 021 474	799 021	3 820 495	15 821	3 836 315
Net carrying amount as at 31/12/12	101 429	742 513	843 942	126 277	970 219
Net carrying amount as at 31/12/13	104 616	684 187	788 803	137 811	926 614

EUR

	Patents EUR	Other intangible assets EUR	TOTAL EUR	Prepayments for intangible assets EUR	TOTAL EUR
Acquisition value as at 31/12/11	4 184 652	1 414 464	5 599 116	318 989	5 918 105
Additions	29 382	377 363	406 745	-	406 745
2012 Reclassification from tangible assets	-	139 313	139 313	(139 313)	-
Disposals	(2 701)	(75 296)	(77 996)	-	(77 996)
Acquisition value as at 31/12/12	4 211 333	1 855 845	6 067 178	179 676	6 246 854
Additions	13 657	222 076	235 733	212 603	448 336
2013 Reversed impairment	223 035	-	223 035	-	223 035
Reclassification	-	173 680	173 680	(173 680)	-
Disposals	-	(141 186)	(141 186)	-	(141 186)
Acquisition value as at 31/12/13	4 448 025	2 110 415	6 558 440	218 599	6 777 039
Accumulated amortisation as at 31/12/11	2 207 447	570 562	2 778 009	-	2 778 009
Amortisation	231 340	303 218	534 558	-	534 558
2012 Impairment	1 628 226	-	1 628 226	-	1 628 226
Amortisation of disposals	-	(74 436)	(74 436)	-	(74 436)
Accumulated amortisation as at 31/12/12	4 067 013	799 344	4 866 357	-	4 866 357
Amortisation	232 157	330 297	562 454	-	562 454
2013 Impairment	-	102 765	102 765	22 512	125 277
Amortisation of disposals	-	(95 501)	(95 501)	-	(95 501)
Accumulated amortisation as at 31/12/13	4 299 170	1 136 905	5 436 075	22 512	5 458 587
Net carrying amount as at 31/12/12	144 320	1 056 501	1 200 821	179 676	1 380 497
Net carrying amount as at 31/12/13	148 855	973 510	1 122 365	196 087	1 318 452

In 2007 and 2008 the Company obtained patents for technology and application of optic isomer, with the respective values of LVL 950 000 and LVL 1 900 000 respectively. Fine-tuning of the technology for production of active pharmaceutical ingredients of these products has been completed and the impurities are reduced according to requirements of the EU.

10. Intangible assets (cont'd)

Batches of final dosage forms according to two different recipes were also produced and stability tests started. Different pre-clinical trials are being conducted. It was planned that the preparation of registration dossiers for these products will be started in 2013, however, as registration requirements in potential sales markets are getting stricter, the management has made a careful assumption that the first registration of products will be completed only in 2016-2017.

During the financial year of 2012, the Company re-assessed recoverable amounts of the patents. Patent impairment test has been conducted based on value in use, calculated using the budgeted cash flow forecasts for a seven year period. The applied pre-tax discount rate in cash flow projections is 25%. The following main assumptions and principles were applied:

- before the end of the calculation period prices of raw materials are not being indexed separately, as possible price fluctuations are covered by the said discount rate of 25%;
- as it is planned that sales of the products will only start in five years after this reporting period and the related difficulty to forecast precisely different developments of the market at that time, sales forecasts for that period are made in a very conservative way;

As a result of several such conservative assumptions the net present value is reduced. Taking into account future plans, the Company has come to the decision of impairing the values of the patents. Such impairment test results were mostly caused by the fact that the actual timing of finalizing the laboratory tests is not known precisely, and in order not to overstate the balance sheet values, impairment has been recognized.

11. Property, plant and equipment
LVL

	Patents LVL	Other intangible assets LVL	TOTAL LVL	Prepayments for intangible assets LVL	TOTAL LVL
Acquisition value as at 31/12/11	2 940 990	994 091	3 935 081	224 187	4 159 268
Additions	20 650	265 212	285 862	-	285 862
2012 Reclassification from tangible assets	-	97 910	97 910	(97 910)	-
Disposals	(1 898)	(52 918)	(54 816)	-	(54 816)
Acquisition value as at 31/12/12	2 959 742	1 304 295	4 264 037	126 277	4 390 314
Additions	9 598	156 076	165 674	149 418	315 092
2013 Reversed impairment	156 750	-	156 750	-	156 750
Reclassification	-	122 063	122 063	(122 063)	-
Disposals	-	(99 226)	(99 226)	-	(99 226)
Acquisition value as at 31/12/13	3 126 090	1 483 208	4 609 298	153 632	4 762 929
Accumulated amortisation as at 31/12/11	1 551 402	400 993	1 952 395	-	1 952 395
Amortisation	162 587	213 103	375 690	-	375 690
2012 Impairment	1 144 324	-	1 144 324	-	1 144 324
Amortisation of disposals	-	(52 314)	(52 314)	-	(52 314)
Accumulated amortisation as at 31/12/12	2 858 313	561 782	3 420 095	-	3 420 095
Amortisation	163 161	232 134	395 295	-	395 295
2013 Impairment	-	72 224	72 224	15 821	88 044
Amortisation of disposals	-	(67 119)	(67 119)	-	-67 119
Accumulated amortisation as at 31/12/13	3 021 474	799 021	3 820 495	15 821	3 836 315
Net carrying amount as at 31/12/12	101 429	742 513	843 942	126 277	970 219
Net carrying amount as at 31/12/13	104 616	684 187	788 803	137 811	926 614

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

EUR

	Land, buildings and constructions	Equipment and machinery	Other tangible assets	Construction in progress	TOTAL	Prepayments for property, plant and equipment	TOTAL
	EUR	EUR	EUR	EUR	EUR	EUR	EUR
Acquisition value as at 31/12/11	19 721 230	17 576 249	3 416 080	1 182 991	41 896 550	534 842	42 431 392
2012							
Additions	112 918	1 137 212	879 003	2 368 717	4 497 850	(341 082)	4 156 768
Reclassification	2 212 153	2 282	-	(2 214 435)	-	-	-
Disposals	(80 900)	(372 381)	(471 763)	(8 551)	(933 595)	-	(933 595)
Acquisition value as at 31/12/12	21 965 401	18 343 362	3 823 321	1 328 722	45 460 805	193 760	45 654 565
2013							
Additions	-	1 131 732	536 047	4 055 861	5 723 640	6 053 469	11 777 109
Reversed impairment	-	6 331	-	-	6 331	-	6 331
Reclassification	1 065 782	2 013 567	358 723	(1 065 782)	2 372 290	(2 372 290)	-
Disposals	(102 542)	(329 598)	(277 451)	(12 433)	(722 025)	(1 177 537)	(1 899 562)
Acquisition value as at 31/12/13	22 928 641	21 165 394	4 440 639	4 306 367	52 841 041	2 697 401	55 538 443
Accumulated amortisation as at 31/12/12	10 446 479	13 839 980	2 346 303	-	26 632 761	-	26 632 761
2012							
Depreciation	870 194	1 209 045	408 913	-	2 488 153	-	2 488 153
Reversed impairment	-	(4 135)	-	-	(4 135)	-	(4 135)
Depreciation of disposals	(73 254)	(367 155)	(394 133)	-	(834 541)	-	(834 541)
Accumulated amortisation as at 31/12/13	11 243 419	14 677 735	2 361 084	-	28 282 238	-	28 282 238
2013							
Depreciation	933 874.50	1 345 732	451 887	-	2 731 494	-	2 731 494
Depreciation of disposals	(87 425)	(326 458)	(249 331)	-	(663 213)	-	(663 213)
Accumulated amortisation as at 31/12/13	12 089 868	15 697 010	2 563 639	-	30 350 518	-	30 350 518
Net carrying amount as at 31/12/12	10 721 982	3 665 627	1 462 237	1 328 722	17 178 568	193 760	17 372 327
Net carrying amount as at 31/12/13	10 838 772	5 468 384	1 877 000	4 306 367	22 490 523	2 697 401	25 187 924

The total depreciation and amortisation charge indicated in the comprehensive income statement differs from the total amount of depreciation and amortisation presented in Notes 10 and 11 by LVL 193 570, as the depreciation charge of the fixed assets of LVL 69 539 is disclosed in construction in progress caption and in the work in progress, due to reallocation of the costs of auxiliary structural units, deferred income was reduced by the depreciation charge of the assets involved in EU projects totalling LVL 124 025.

A number of property, plant and equipment items that have been fully depreciated are still used in the operations of the Parent Company. The total original cost value of this property and equipment at the end of the year was LVL 11 156 291 (31 December 2012: LVL 10 658 737).

The book value of the land owned by the Company is LVL 90 189, whereas the total cadastral value of land owned by the Company as at 31 December 2013 is LVL 1 262 544 (31 December 2013: LVL 1 250 096). The cadastral value of buildings as at 31 December 2013 is LVL 3 643 345 (31 December 2012: LVL 3 732 221).

As at 31 December 2013, the net carrying amount of equipment and machinery held under finance lease was LVL 226 724 (31 December 2012: LVL 61 787) (see Note 22 for financial lease liabilities).

As at 31 December 2013, all the non-current and current assets owned by the Company had been pledged as a security for the loan and credit lines received (see Note 21). The pledge agreements were registered with the Commercial Pledge.

12. Investments in related and associated subsidiaries

Company	Business	%	31.12.2013.		31.12.2012.		31.12.2013.		31.12.2012.	
			LVL	EUR	LVL	EUR	Profit or loss statement*	Equity*	Profit or loss statement*	Equity*
SIA "Latvijas apteika", Rūpnīcu iela 5, Olaine, Olaines novads, LV-2114	Sales of medicine	100	2 252 071	3 204 408	2 252 071	3 204 408	639 738	611 843	(9 017)	(27 895)
A/S "Lege Artis", Rūpnīcu iela 5, Olaine, Olaines novads, LV-2114	Sales of medicine	100	1 405 608	2 000 000	1 405 608	2 000 000	12 268	156 027	100 845	143 759
SIA "Inula Farma", Ničgales iela 47A, Rīga, LV-1035	Sales of medicine	100	411 843	586 000	411 843	586 000	(11 452)	(7 840)	6 207	3 612
SIA "Rudens laiks", Rūpnīcu iela 5, Olaine, Olaines novads, LV-2114	Sales of medicine	100	295 000	419 747	295 000	419 747	(1 346)	35 076	16 404	36 422
SIA "Apteka Rudens 10", Rūpnīcu iela 5, Olaine, Olaines novads, LV-2114	Sales of medicine	100	295 000	419 747	295 000	419 747	(1 488)	50 533	18 700	52 021
SIA "Esplanāde Farm", Kandavas iela 4, Daugavpils, LV-5401	Sales of medicine	100	165 500	235 485	165 500	235 485	(10 649)	(18 932)	(10 659)	(8 283)
SIA "Veritas-Farm", Valkas iela 2a, Daugavpils, LV-5417	Sales of medicine	100	380 000	540 691	380 000	540 691	1 436	17 842	5 252	16 406
SIA "Juko-99", Celmu iela 3, Rīga, LV-1079	Sales of medicine	100	90 000	128 058	90 000	128 058	1 161	2 158	1 221	997
SIA "Vita Plus", Dārza ielā 6, Priekulji, Priekulu pagasts, Priekulu novads	Sales of medicine	100	64 500	91 775	64 500	91 775	4 094	(13 129)	(1 121)	(17 223)
SIA "Teriaks" Pļaviņu apteika, Odzianas iela 1, Pļaviņas, Pļaviņu novads, LV-5120	Sales of medicine	100	60 000	85 372	60 000	85 372	(2 300)	6 637	5 317	8 937
SIA "First Class Lounge", Baznīcas iela 20/22 - 10, Rīga, LV-1010	Tourism seervices	100	12 398	17 641	12 398	17 641	(83 946)	(367 662)	(225 206)	(283 716)
SIA "Ozols JDR", Zeifērtas iela 18 b, Olaine, Olaines novads, LV-2114	Public services	100	1 331	1 894	1 331	1 894	(3 699)	(16 603)	(6 288)	(12 904)
SIA "Olainfarm enerģija"	Electricity production and sales	50	1 000	1 423	1 000	1 423	422 041	292 503	(108 895)	(129 538)
OLAINFARM ILJAČ VE TIBBI URJUNLERI SANAJI VE TIDŽARET LIMITED ŠIRKETI" (SIA "Ārstniecisko līdzekļu un medicīnas preču tirzniecības-ražošanas uzņēmums "OLAINFARM")	Sales of medicine	99	38 250	54 425	38 250	54 426	(26 444)	3 274	(7 784)	29 718
SIA "Silvanols", Kurbada iela 2A, Rīga, LV-1009	Medicine production and sales	70.88	2 093 750	2 979 138	-	-	(314 839)	188 830	-	-
SIA "Elpa aptiekas", Rušonu iela 15, Rīga, LV-1057	Sales of medicine	100	950 000	1 351 728	-	-	(4 198)	(347 647)	-	-
SIA "Daugavkrasta farmācija", Rūpnīcu iela 5, Olaine, LV-2114	Sales of medicine	100	133 533	190 000	-	-	(2 091)	(1 032)	-	-
SIA "Balā apteika - I.P.I.", Krišjāņa Valdemāra iela 70, Rīga, LV-1013	Sales of medicine	100	291 000	414 056	-	-	(2 910)	12 136	-	-
SIA "Mana apteika", Rūpnīcu iela 5, Olaine, LV-2114	Sales of medicine	100	175 701	250 000	-	-	(3 117)	(3 453)	-	-
SIA "Trīsdesmit seši un seši", Rūpnīcu iela 5, Olaine, LV-2114	Sales of medicine	100	185 000	263 231	-	-	(18 528)	(7 995)	-	-
SIA "Jaunjelgavas apteika", Rūpnīcu iela 5, Olaine, LV-2114	Sales of medicine	100	62 000	88 218	-	-	(6 407)	(7 345)	-	-
SIA "Priekules apteika", Rūpnīcu iela 5, Olaine, LV-2114	Sales of medicine	100	150 000	213 431	-	-	1 481	9 824	-	-
SIA "Traumu apteika", Rūpnīcu iela 5, Olaine, LV-2114	Sales of medicine	100	204 516	291 000	-	-	(6 751)	(4 638)	-	-
SIA "Sabiedrības "ARS" Apteika", Rūpnīcu iela 5, Olaine, LV-2114	Sales of medicine	100	600 000	853 725	-	-	(3 401)	(8 010)	-	-
TOTAL			10 318 001	14 681 193	5 472 501	7 786 667	578 654	582 397	(215 024)	(187 687)

* The information of income statement and equity for newly acquired subsidiaries is reflected from the date of purchase.

13. Inventories

	31.12.2013		31.12.2012	
	LVL	EUR	LVL	EUR
Work in progress (at cost)	5 934 892	8 444 590	4 587 115	6 526 877
Finished goods and goods for resale (at cost)	3 396 175	4 832 321	1 749 031	2 488 647
Raw materials (at cost)	1 674 159	2 382 114	1 436 400	2 043 813
Prepayments for goods	130 712	185 986	156 345	222 459
TOTAL:	11 135 938	15 845 011	7 928 891	11 281 795
Allowances for work in progress	(430 899)	(613 114)	(430 899)	(613 114)
Allowances for finished goods and goods for resale	(185 563)	(264 032)	(346 804)	(493 458)
Allowances for raw materials	(200 514)	(285 306)	(200 514)	(285 306)
TOTAL:	(816 976)	(1 162 452)	(978 217)	(1 391 877)
TOTAL:	10 318 962	14 682 559	6 950 674	9 889 918

* As at 31 December 2013, the Company's inventories comprised goods on consignment amounting to LVL 90 168 (31 December 2012: LVL 59 544).

As at 31 December 2013, all the non-current and current assets owned by AS OlainFarm were pledged as a security for the loan received (see Note 21). The pledge agreements are registered with the Commercial Pledge Registry.

In comparison with 31 December 2012, the Company's allowances for the slow-moving inventories have decreased by LVL 161 241.

14. Trade receivables

	31.12.2013		31.12.2012	
	LVL	EUR	LVL	EUR
Trade receivables	10 521 351	14 970 533	9 571 627	13 619 198
Receivables from associated and related companies	7 710 003	10 970 346	9 103 621	12 953 286
Allowances for doubtful trade receivables	(165 864)	(236 003)	(126 416)	(179 874)
TOTAL:	18 065 490	25 704 876	18 548 832	26 392 610

OOO Olfa is the only distributor of the Company's products in Ukraine. Receivables from the related party OOO Olfa are non-interest bearing and are on 240 days' term (see also 28 Note). All the closing balance in the row Receivables from other related parties is represented by OOO Olfa debt.

The trade receivables are non-interest bearing and from foreign companies are generally on 91 days' terms, while for the local companies - on 77 days' terms.

15. Receivables from related and associated companies

Company	31.12.2013.		31.12.2012.	
	LVL	EUR	LVL	EUR
SIA "Aroma"	78 319	111 438	45 643	64 944
SIA "Lano Serviss"	403	573	533	758
SIA "Carbochem"	76 643	109 053	76 643	109 053
SIA "Olfa Press"	2 799	3 983	5 934	8 443
SIA "First Class Lounge"	455 180	647 663	419 228	596 508
SIA "Ozols JDR"	22 089	31 430	18 468	26 278
SIA "Silvanols"	7 062	10 048	-	-
SIA "Latvijas aptieka"	713 249	1 014 862	328 754	467 775
A/S "Lege Artis"	-	-	57 240	81 445
SIA "Inula Farma"	-	-	28 796	40 973
SIA "Rudens laiks"	-	-	12 442	17 703
SIA "Apteka Rudens 10"	-	-	11 059	15 736
SIA "Esplanāde Farm"	1 995	2 839	6 323	8 997
SIA "Veritas-Farm"	3 523	5 013	2 083	2 964
SIA "Priekules aptieka"	13 884	19 755	-	-
SIA "Traumu aptieka"	3 210	4 567	-	-
SIA "Sabiedrības "ARS" Aptieka"	353	502	-	-
OLAINFARM ILJAČ VE TIBBI URJUNLERI SANAJI VE TIDŽARET LIMITED ŠIRKETI	17 219	24 500	-	-
Allowances for doubtful receivables	(62 894)	(89 490)	(61 981)	(88 191)
TOTAL:	1 333 034	1 896 736	951 165	1 353 386

Company	31.12.2013.		31.12.2012.	
	LVL	EUR	LVL	EUR
SIA "Olmafarm enerģija"	179 732	255 736	171 846	244 515
TOTAL:	179 732	255 736	171 846	244 515

16. Other receivables

	31.12.2013		31.12.2012	
	LVL	EUR	LVL	EUR
Claim in accordance with court decision*	104 166	148 215	104 166	148 215
VAT receivable (see also Note 23)	110 148	156 726	159 902	227 520
Short term loans	174 827	248 756	113 106	160 936
Representation office expense	129 440	184 177	45 496	64 735
Other receivables	111 882	159 194	79 178	112 660
Accrued receivables	189 236	269 259	-	-
Provisions for advances to employees and other	(107 297)	(152 670)	(104 166)	(148 215)
TOTAL:	712 402	1 013 657	397 682	565 851

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

On 15 February 2011, the Department of Civil Cases of the Supreme Court of the Republic of Latvia heard the respective case anew in the part indicated in the ruling of the Supreme Court Senate and ruled to reject the claim of I. Maligina for collection of LVL 99 820 from AS OlainFarm, to satisfy the application of AS OlainFarm regarding the enforcement of the judgment by the Department of Civil Cases of the Supreme Court of the Republic of Latvia. Civil Cases judgement from 3 November 2006 and to collect LVL 114 502 (one hundred fourteen thousand five hundred and two lats) from Inna Maligina in favour of AS OlainFarm. The amount paid to the bailiff was fully provided for during the previous years.

A short-term loan of LVL 166 513 (EUR 236 927) was given to SIA Pharma and Chemistry Centre of Latvia

17. Current loans to management and employees, shareholders

	31.12.2013.		31.12.2012.	
	LVL	EUR	LVL	EUR
Loan to Valērijs Maligns (Chairman of Board)*	1 447 863	2 060 123	694 153	987 691
SIA "Olamafarm"	134 548	191 445	128 394	182 688
Other short term loans to employees	81 774	116 354	76 254	108 500
TOTAL	1 664 185	2 367 922	898 801	1 278 879

* Current loans to the management comprise the loans issued and interest accrued thereon. The average interest on these loans is 5.5% per annum.

18. Prepaid expense

	31.12.2013.		31.12.2012.	
	LVL	EUR	LVL	EUR
Distribution expense	-	-	24 178	34 402
Maintenance of IT systems	32 361	46 046	20 258	28 825
Information and Consultation expenses	-	-	11 609	16 518
Insurance payments	24 233	34 480	18 511	26 339
Other prepaid expense	56 448	80 318	23 840	33 921
TOTAL:	113 042	160 844	98 396	140 005

19. Cash and short-term deposits

	31.12.2013.		31.12.2012.	
	LVL	EUR	LVL	EUR
Cash at banks and on hand	1 136 286	1 616 789	1 288 361	1 833 173
Restricted cash (see also Note 26)	50 000	71 144	50 000	71 143
TOTAL	1 186 286	1 687 933	1 338 361	1 904 316

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

Restricted cash is the amount of money withheld by SEB bank as deposit according to the agreement with the Latvian Investment Agency.

Cash by currency profile:	31.12.2013		31.12.2012	
	Foreign currency	LVL	Foreign currency	LVL
LVL	-	104 149	-	284 262
EUR	524 776	368 815	574 523	403 777
RUB	39 432 051	615 140	27 783 391	483 431
USD	190 645	98 182	314 296	166 891
TOTAL:		1 186 286		1 338 361

20. Share capital

The share capital of the Company is LVL 14 085 078 (2012: LVL 14 085 078) and consists of 14 085 078 (2012: 14 085 078) shares. The par value of each share is LVL 1.

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

21. Loans from credit institutions

	Amount	Interest rate (%) as at 31.12.2013	Maturity	31.12.2013		31.12.2012		
				LVL	EUR	LVL	EUR	
Non-current:								
Loan from AS SEB banka	3 000 000	LVL	RIGIBOR (3m.)+1,2%	07.06.2015	1 926 931	2 741 776	-	-
Loan from AS SEB banka	12 490 000	EUR	EURIBOR (3m.)+1,1%	01.05.2015	4 768 498	6 784 961	-	-
Loan from AS SEB banka	7 011 574	EUR	EURIBOR (3m.)+1,2%	29.09.2014	-	-	943 614	1 342 642
TOTAL:					6 695 429	9 526 737	943 614	1 342 642
Current:								
Loan from AS SEB banka	12 490 000	EUR	EURIBOR (3m.)+1,1%	01.05.2015	1 574 267	2 239 980	3 916 972	5 573 350
Loan from AS SEB banka	7 011 574	EUR	EURIBOR (3m.)+1,2%	29.09.2014	1 048 460	1 491 825	1 258 152	1 790 189
Credit line from AS SEB banka	1 500 000	LVL	RIGIBOR (3m.)+1,1%	01.08.2014	1 454 458	2 069 507	829 766	1 180 650
TOTAL:					4 077 185	5 801 312	6 004 890	8 544 189

Interest is usually revised on a quarterly basis.

On 7 June 2013, a loan agreement with AS SEB banka was signed on a non-current loan of EUR 3 million bearing interest at 3-month EURIBOR + 1.3 % (or 1.2% if certain financial ratios are fulfilled) and maturing on 7 June 2015. The loan is aimed at implementation of the project "High-value-added investment in nitrofurans production".

The Company's loan agreements with AS SEB banka contain several covenants, which are to be fulfilled, and a report submitted to the bank on a quarterly basis. As at 31 December 2013, the Company was compliant with financial covenants imposed by AS SEB Banka.

On 15 February 2013 The Parent Company has prolonged agreement with SEB bank for the loan amounting to EUR 6 000 000 (LVL 4 216 824). The new loan amount is EUR 12 490 000 (LVL 8 778 022), with the maturity date 1 May 2015.

22. Finance lease liabilities

	31.12.2013				31.12.2012			
	LVL		EUR		LVL		EUR	
	Non-current	Current	Non-current	Current	Non-current	Current	Non-current	Current
Finance lease liabilities to SIA SEB Lizings, EUR	97 356	75 156	138 524	106 937	18 393	24 397	26 171	34 714
Finance lease liabilities to SIA SEB Lizings, LVL	14 471	6 436	20 591	9 157	12 068	3 617	17 171	5 146
Finance lease liabilities to BELIDEAL FLIT, USD	9 291	5 717	13 220	8 134	-	-	-	-
TOTAL:	121 118	87 309	172 335	124 229	30 461	28 014	43 342	39 860

The interest rate on the finance leases ranges from 1.93% to 2.07%. Interest rate is normally revised quarterly throughout the financial year. The net carrying amount of the property, plant and equipment held under finance lease is disclosed in Note 11.

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

	31.12.2013				31.12.2012			
	Minimum payments	Present value of payments	Minimum payments	Present value of payments	Minimum payments	Present value of payments	Minimum payments	Present value of payments
	LVL		EUR		LVL		EUR	
Within one year	96 950	87 309	137 948	124 230	29 103	28 014	41 410	39 860
Between one and five years	133 564	121 118	190 044	172 335	31 287	30 461	44 517	43 342
Total minimum lease payments	230 514	208 427	327 992	296 565	60 390	58 475	85 927	83 202
Less amounts representing finance charges	(22 087)	-	(31 427)	-	(1 915)	-	(2 725)	-
Present value of minimum lease payments	208 427	208 427	296 565	296 565	58 475	58 475	83 202	83 202

23. Taxes payable

Tax liabilities by maturity profile as at 31 December 2013 can be specified as follows:

LVL

	31.12.2013	Calculated	Paid/ refunded	Transfer if VAT overpaid	31.12.2012
Personal income tax	(147 446)	(1 697 570)	1 671 900	-	(121 776)
Statutory social insurance contributions	(186 244)	(2 894 646)	2 691 821	335 800	(319 219)
Real estate tax	-	73 044	73 044	-	-
Natural resource tax	(430)	(33 145)	39 419	-	(6 704)
Unemployment risk duty	(270)	(3 175)	3 125	3	(223)
Prepaid CIT	644 564	(1 438 867)	2 583 487	3 788	(503 844)
Company vehicle tax	39	(23 210)	25 697	-	(2 448)
VAT	110 148	854 747	(564 910)	(339 591)	159 902
TOTAL:	420 361	(5 162 822)	6 523 583	-	(794 312)
Total liabilities:	(334 390)	-	-	-	(954 214)
Total assets:	754 751	-	-	-	159 902

EUR

	31.12.2013	Calculated	Paid/ refunded	Transfer if VAT overpaid	31.12.2012
Personal income tax	(209 797)	(2 415 424)	2 378 899	-	(173 272)
Statutory social insurance contributions	(265 001)	(4 118 710)	3 830 116	477 800	(454 208)
Real estate tax	-	103 932	103 932	-	-
Natural resource tax	(612)	(47 161)	56 088	-	(9 539)
Unemployment risk duty	(384)	(4 518)	4 446	4	(317)
Prepaid CIT	917 132	(2 047 323)	3 675 971	5 389	(716 905)
Company vehicle tax	55	(33 025)	36 564	-	(3 483)
VAT	156 726	1 216 195	(803 795)	(483 194)	227 520
TOTAL:	598 120	(7 346 034)	9 282 223	-	(1 130 204)
Total liabilities:	(475 794)	-	-	-	(1 357 724)
Total assets:	1 073 914	-	-	-	227 520

24. Deferred income

	31.12.2013		31.12.2012	
	LVL	EUR	LVL	EUR
Deferred income related to EU project	417 977	594 728	252 467	359 228
TOTAL:	417 977	594 728	252 467	359 228
Short term deferred income	112 000	159 362	84 000	119 521
Long term deferred income	305 977	435 366	168 467	239 707

In 2013, the following three projects were completed: Project No KPFI-15.1/52 "Reconstruction of Substation Transformers of Workshops at AS OlainFarm"; No KPFI-6/5 "Reduction of Carbon Dioxide Emissions by improving energy efficiency at Production Units No 2 and No 3 of AS OlainFarm"; N L-JPR-11-0116 "Introduction of a New Medicine in Production at AS OlainFarm". During the implementation of the projects, the acquired items of property, plant and equipment are included in the assets as non-current assets subject to depreciation; the respective assets are also ensured against damage. All the acquired assets are used according to the terms and provisions of the respective projects and are in working order.

Deferred income related to the EU projects comprises amounts received from the Latvian Investment and Development Agency amounting to 35.66%, 44.21% and 32.99% from the total eligible project costs respectively.

25. Accrued liabilities

	31.12.2013		31.12.2012	
	LVL	EUR	LVL	EUR
Vacation pay reserve	464 650	661 137	344 145	489 675
Accruals for electricity and gas	106 950	152 176	118 041	167 957
Other accrued liabilities	236 922	337 110	158 699	225 808
TOTAL:	808 522	1 150 423	620 885	883 440

26. Commitments and contingencies**Operating lease**

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

Future minimum rentals payable under non-cancellable operating leases as at 31 December 2013 are as follows:

	31.12.2013		31.12.2012	
	LVL	EUR	LVL	EUR
Within one year	70 969	100 980	68 738	97 806
After one year but not more than five years	65 592	93 329	41 446	58 972
TOTAL:	136 561	194 309	110 184	156 778

On 23 April 2012, the Company issued a warranty to the SEB bank amounting to LVL 50 000 as a security for fulfillment of the agreement signed with the Latvian Investment and Development Agency. The warranty maturity date is 2 April 2014. The warranty is secured by restricted cash (deposit), as mentioned in the Note 19.

27. Related party transactions

Related party	Type of services		Goods and	Goods and	Goods and	Goods and	Amounts	Amounts	Amounts	Amounts
			received	received	services	services	owed by	owed by	owed to	owed to
			from related	from related	delivered to/	delivered to/	related	related	related	related
			parties,	parties,	to related	to related	parties	parties	parties,	parties,
			LVL	EUR	LVL	EUR	(gross),	(gross),	LVL	EUR
1. Associated entities										
OLAINFARM ENERĢIJA SIA	The loan, services, energy	2012	15 660	22 283	121 947	173 515	171 846	244 515	15 660	22 283
		2013	373 857	531 951	50 567	71 950	179 732	255 736	107 058	152 330
		TOTAL: 2012	15 660	22 283	121 947	173 515	171 846	244 515	15 660	22 283
		TOTAL: 2013	373 857	531 951	50 567	71 950	179 732	255 736	107 058	152 330
2. Key management personnel										
V. Maligins (shareholder)	The loan	2012	-	-	727 658	1 035 365	727 652	1 035 356	-	-
		2013	-	-	1 478 437	2 103 626	1 481 362	2 107 789	-	-
		TOTAL: 2012	-	-	727 658	1 035 365	727 652	1 035 356	-	-
		TOTAL: 2013	-	-	1 478 437	2 103 626	1 481 362	2 107 789	-	-
3. Entity with significant influence										
SIA Olmafarm (shareholder)	The loan and finished goods sale	2012	-	-	1 020	1 451	128 393	182 687	-	-
		2013	-	-	6 154	8 756	134 547	191 444	-	-
		TOTAL: 2012	-	-	1 020	1 451	128 393	182 687	-	-
		TOTAL: 2013	-	-	6 154	8 756	134 547	191 444	-	-
4. Key management personnel and Other Related companies										
SIA Vega MS (V. Maligins share 60%)	Security services, manufacture of windows	2012	357 832	509 148	348	496	-	-	5 365	7 634
		2013	480 452	683 622	-	-	-	-	2 843	4 045
SIA "Aroma" (V. Maligins share 75%)	Loan and Lease of premises	2012	-	-	35 993	51 213	45 643	64 945	-	-
		2013	8 649	12 307	40 464	57 575	78 319	111 437	3 414	4 858
Lano Serviss SIA (V. Maligins share 25.04%)	Drycleaner's services	2012	19 043	27 096	7 435	10 579	533	758	2 037	2 898
		2013	19 284	27 438	6 252	8 895	403	574	1 677	2 387
SIA Carbochem (V. Maligins share 50%)	Intermediary on sale of chemical products, Loan	2012	-	-	150	213	76 643	109 053	-	-
		2013	-	-	-	-	76 643	109 053	-	-
SIA OLFA Press (V. Maligins share 45%)	Printing services	2012	810 137	1 152 722	26 034	37 042	5 934	8 444	162 516	231 238
		2013	877 205	1 248 150	21 588	30 717	2 799	3 983	208 673	296 913
Olfa OOO (V. Maligin's share 51%, J. Dudko's share 49%)	Finished good sale	2012	-	-	13 668 304	19 448 244	9 103 621	12 953 286	-	-
		2013	-	-	7 550 544	10 743 456	7 926 097	11 277 820	-	-
		TOTAL: 2012	1 187 012	1 688 966	13 738 263	19 547 788	9 232 375	13 136 487	169 918	241 770
		TOTAL: 2013	1 385 590	1 971 517	7 618 847	10 840 643	8 084 261	11 502 867	216 608	308 204

*AS „OlainFarm” The major shareholder of the Parent Company is SIA Olmafarm (42.56%). The shareholder of SIA Olmafarm (100%) is Valērijs Maligins.

Terms and conditions of transactions with related parties.

As of 31 December 2013 the equity of OOO Olfa was negative amounting to LVL 4.2 million (EUR 6.0 million) (31.12.2012: LVL (4.1) million, (EUR (5.9) million)) and the company had the loss for the year amounting to LVL 342 thousand, EUR 486 thousand (2012: LVL (648) thousand (EUR (925) thousand)).

To ensure that the receivable from OOO Olfa is recoverable, the Company has signed an international factoring agreement without recourse rights. According to the factoring agreement, AS OlainFarm will have a right to claim the receivable outstanding at the agreement day and all future receivables from OOO Olfa. The factoring is provided by AS Trasta Komerbanka. In respect to this agreement, the receivable from OOO Olfa amounting to LVL 6.7 million (EUR 9.6 million) is pledged in the favour of AS Trasta Komerbanka.

Outstanding balances at the year-end are unsecured and interest free (except for the loan to Valērijs Maligins), and are settled in cash.

The Company assesses the receivables from the related parties each financial year through examining the financial position of the respective related party and the market in which the related party operates. Unsecured loans to Valērijs Maligins have interest rate 5.5 % per annum with repayment term less than one year.

27. Related party disclosures (cont'd)

Related party	Type of services		Goods and services received from related parties,	Goods and services received from related parties,	Goods and services delivered to/ Loans issued to related parties,	Goods and services delivered to/ Loans issued to related parties,	Amounts owed by related parties (gross),	Amounts owed by related parties (gross),	Amounts owed to related parties,	Amounts owed to related parties,
			LVL	EUR	LVL	EUR	LVL	EUR	LVL	EUR
5. Related entities										
SIA "First Class Lounge" (AS Olainfarm share 100%)	The loan and trip services	2012	429 449	611 050	86 500	123 078	419 227	596 506	-	-
		2013	625 274	889 684	15 232	21 673	455 180	647 663	-	-
SIA "Ozols JDR" (AS Olainfarm share 100%)	The loan	2012	-	-	2 725	3 877	18 468	26 278	-	-
		2013	-	-	3 621	5 152	22 089	31 429	-	-
SIA "Silvanols" (AS Olainfarm share 70.88%)	Finished good sale,	2012	-	-	-	-	49	70	9 053	12 881
		2013	94 092	133 881	7 956	11 320	7 062	10 048	22 848	32 510
SIA "Latvijas aptieka" (AS Olainfarm share 100%)	The loan,	2012	-	-	622 590	885 866	328 754	467 775	2 367	3 368
	Finished	2013	8 229	11 709	3 294 862	4 688 167	713 249	1 014 862	3 625	5 157
A/S "Lege Artis" (AS Olainfarm share 100%)	Finished good sale	2012	651	927	183 695	261 374	57 240	81 445	-	-
		2013	-	-	-	-	-	-	-	-
SIA "Inula Farma" (AS Olainfarm share 100%)	Finished good sale	2012	-	-	93 176	132 577	28 796	40 973	-	-
		2013	-	-	2 030	2 888	-	-	-	-
SIA "Rudens laiks" (AS Olainfarm share 100%)	Finished good sale	2012	-	-	50 869	72 380	12 442	17 703	-	-
		2013	-	-	-	-	-	-	-	-
SIA "Aptieka Rudens 10" (AS Olainfarm share 100%)	Finished good sale	2012	-	-	58 053	82 602	11 059	15 736	-	-
		2013	-	-	-	-	-	-	-	-
SIA "Esplanāde Farm" (AS Olainfarm share 100%)	Finished good sale	2012	-	-	6 565	9 341	6 323	8 997	-	-
		2013	-	-	18 588	26 448	1 995	2 839	-	-
SIA "Veritas-Farm" (AS Olainfarm share 100%)	Finished good sale	2012	-	-	16 502	23 480	2 083	2 964	-	-
		2013	-	-	25 869	36 809	3 523	5 012	-	-
SIA "Vita Plus" (AS Olainfarm share 100%)	Finished good sale	2012	18	25	3 566	5 074	-	-	-	-
		2013	-	-	-	-	-	-	-	-
SIA "Elpa aptiekas" (AS Olainfarm share 100%)	Finished good sale	2012	-	-	-	-	-	-	-	-
		2013	-	-	41 957	59 700	-	-	-	-
SIA "Daugavkrasta farmācija" (AS Olainfarm share 100%)	Finished good sale	2012	-	-	-	-	-	-	-	-
		2013	-	-	3 354	4 773	-	-	-	-
SIA "Baltā aptieka - I.P.I." (AS Olainfarm share 100%)	Finished good sale	2012	-	-	-	-	-	-	-	-
		2013	-	-	11 121	15 824	-	-	-	-
SIA "Mana aptieka" (AS Olainfarm share 100%)	Finished good sale	2012	-	-	-	-	300	427	-	-
		2013	-	-	12 120	17 245	-	-	-	-
SIA "Trīsdesmit seši un seši" (AS Olainfarm share 100%)	Finished good sale	2012	-	-	-	-	-	-	-	-
		2013	-	-	7 202	10 247	-	-	-	-
SIA "Jaunjelgavas aptieka" (AS Olainfarm share 100%)	Finished good sale	2012	-	-	-	-	-	-	-	-
		2013	-	-	2 820	4 013	-	-	-	-
SIA "Priekules aptieka" (AS Olainfarm share 100%)	Finished good sale	2012	-	-	-	-	-	-	-	-
		2013	-	-	22 735	32 348	13 884	19 755	-	-
SIA "Traumu aptieka" (AS Olainfarm share 100%)	Finished good sale	2012	-	-	-	-	-	-	-	-
		2013	-	-	8 260	11 753	3 210	4 567	-	-
SIA "Sabiedrības "ARS" Aptieka" (AS Olainfarm share 100%)	Finished good sale	2012	-	-	-	-	44	62	-	-
		2013	-	-	8 902	12 666	353	502	-	-
OLAINFARM ILJĀČ VE TIBBI URJUNLERI SANAJI VE TIDŽARET LIMITED ŠIRKETI (99%)	Loan	2012	-	-	-	-	-	-	-	-
		2013	-	-	17 219	24 500	17 219	24 500	-	-
	TOTAL:	2012	430 118	612 003	1 124 241	1 599 651	884 785	1 258 936	11 420	16 249
	TOTAL:	2013	727 595	1 035 274	3 503 846	4 985 524	1 237 763	1 761 178	26 472	37 667

28. Financial risk management

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

Financial risks

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

Foreign currency risk

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

Lats have been pegged to the euro as of 1 January 2005 at a rate of 0.702804 lats per one euro. As of 1 January 2014, the monetary unit of the Republic of Latvia has been euro – the opening balance as of this date as well as comparative historical information have been translated to the euro at a fixed exchange rate of 0.702804 lats per one euro. Therefore, for evaluation of foreign currency risk as at 31 December 2013, the LVL and EUR currencies are equal and disclosed together.

A significant part of the Group's revenues is derived in Latvian lats and Euros; the major part of expenses is in Latvian lats. The Company has no formal policy for foreign currency risk management. The trade receivables positions potentially exposed to currency risks are managed through pricing policies.

The Company's currency risk as at 31 December 2013 can be specified as follows:

		USD currency	RUB currency	Other	LVL and EUR	Total LVL	Total EUR
		LVL	LVL	currencies	currencies	LVL	EUR
				LVL	LVL		
Trade receivables	2013	1 073 201	6 228 195	6 152	12 541 504	19 849 052	28 242 656
	2012	613 117	6 121 132	-	12 937 594	19 671 843	27 990 511
Loans receivable	2013	62 592	-	-	1 461 246	1 523 838	2 168 226
	2012	29 205	-	-	869 596	898 801	1 278 879
Other receivables	2013	33 599	-	-	764 410	798 009	1 135 465
	2012	61 889	3 269	16 867	315 657	397 682	565 850
Cash	2013	97 116	615 140	-	474 029	1 186 286	1 687 933
	2012	166 885	483 431	-	688 046	1 338 361	1 904 316
Total financial assets, LVL	2013	1 266 508	6 843 335	6 152	15 241 189	23 357 185	
	2012	871 096	6 607 832	16 867	14 810 893	22 306 687	
Total financial assets, EUR	2013	1 802 079	9 737 189	8 754	21 686 258		33 234 280
	2012	1 239 457	9 402 097	24 000	21 074 002		31 739 556
Loans and borrowings	2013	15 074	0	-	10 965 967	10 981 041	15 624 614
	2012	-	0	-	7 006 979	7 006 979	9 970 033
Payables and other liabilities	2013	729 001	82 286	15 000	7 028 890	7 855 177	11 176 910
	2012	195 645	79 709	9 674	3 931 390	4 216 418	5 999 422
Total financial liabilities, LVL	2013	744 075	82 286	15 000	17 994 857	18 836 218	
	2012	195 645	79 709	9 674	10 938 369	11 223 397	
Total financial liabilities, EUR	2013	1 058 724	117 083	21 343	25 604 374		26 801 524
	2012	278 378	113 416	13 765	15 563 896		15 969 455
Net asset / (liabilities), LVL	2013	522 433	6 761 049	(8 848)	(2 753 668)	4 520 967	
	2012	675 451	6 528 122	7 193	3 872 524	11 083 290	
Net asset / (liabilities), EUR	2013	743 355	9 620 106	(12 589)	(3 918 116)		6 432 756
	2012	961 079	9 288 681	10 235	5 510 106		15 770 101

Interest rate risk

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

28. Financial risk management (cont'd)*Credit risk*

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

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

29. Events after the balance sheet date

As of 1 January 2014, the monetary unit of the Republic of Latvia is euro – the opening balance at this date as well as comparative historical information is translated to euro at a fixed exchange rate of 0.702804 lats per one euro.

In February 2014, the Kazakh national currency Tenge was devalued by 20%. Kazakhstan is an important sales market for the Company's products, generating about 4% of the total sales. When preparing these financial statements, the Company possessed no alarming information that would give any reason to expect a significant sales reduction in this country, however currency devaluation will inevitably cause a certain loss of purchasing power of the Kazakh people, which may leave, albeit small and short-term, impact on the sales volumes in this country.

Subsequent to 31 December 2013, the economic and political uncertainty in Ukraine significantly increased. Furthermore, during the period from 1 January 2014 to the date of authorization of these financial statements, the Ukrainian Hryvnia devalued to major foreign currencies by approximately 30%, and the National Bank of Ukraine imposed certain restrictions on purchasing foreign currencies in the inter-bank market. International rating agencies have downgraded sovereign debt ratings for Ukraine. The combination of the above events has resulted in a deterioration of liquidity and much tighter lending conditions. These and any further negative developments in Ukraine could have and unpredictable adverse impact on the results and the financial position of the Company. As at 31 December 2013, the Company's balance sheet exposures to the Ukrainian risk amounted to approximately LVL 9 104 thsd. (EUR 12 954 thsd.), consisting mainly of the receivables from OOO Olfa denominated in euro. The OOO Olfa receivables are mostly factorized, thus the management believes that they are fully recoverable (for additional information – see related party disclosures). Although some political and economic instability has been clearly present in Ukraine since November 2013, and in February and March 2014 the tension between Ukraine and Russia escalated, at the date of the approval of these financial statements the Company continues normal operations in Ukraine and its sales, compared to the similar period of 2013, are increasing.

On 11 April 2014, the Company renovated the international factoring agreement without recourse rights. The factoring is provided by AS Trasta Komerbanka. The receivable from OOO Olfa amounting to LVL 5.5 million (EUR 7.8 million) was pledged in favour of AS Trasta Komerbanka at the agreement renovation date (for additional information – see related party disclosures).

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