JOINT STOCK COMPANY OLAINFARM

(UNIFIED REGISTRATION NUMBER 40003007246)

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2013

(17th financial year)

PREPARED IN ACCORDANCE WITH

INTERNATIONAL FINANCIAL REPORTING STANDARDS, AS ADOPTED BY THE EU

TOGETHER WITH INDEPENDENT AUDITORS' REPORT

Olaine, 2014

Building a better working world

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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 59 of the accompanying 2013 financial statements and which comprise the statement of financial position as at 31 December 2013, and the statement of comprehensive income, statements of changes in equity and statement of 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 International Financial Reporting Standards as adopted by the European Union 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 statement of comprehensive income for the years ended 31 December 2012, 2011 and previous years. These circumstances were in effect as at 31 December 2012. 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 International Financial Reporting Standards as adopted by the European Union.

Report on other legal and regulatory requirements

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

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

Riga, 18 August 2014

CONTENTS

Independent auditors' report	**2**
General information	**5**
Major shareholders	**12**
Management Report	**13**
Statement of Responsibility of the Management	**20**
Statement of comprehensive income	**21**
Statement of financial position	**22**
Statement of cash flows	**24**
Statement of changes in equity	**25**
Notes to the financial statements	**26**

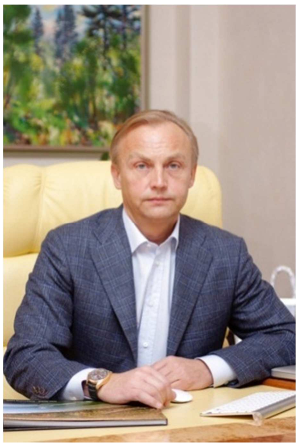
General information

Name of the Company	OLAINFARM
Legal status of the Company	JOINT STOCK COMPANY
Unified registration number, place and date of registration of the Company	40003007246 Riga, 10 June 1991 (re-registered on 27 March 1997)
Registered office of the Company	Rūpnīcu iela 5 Olaine, Latvia, LV-2114
Major shareholders of the 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 Recesus (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 Iscra 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.

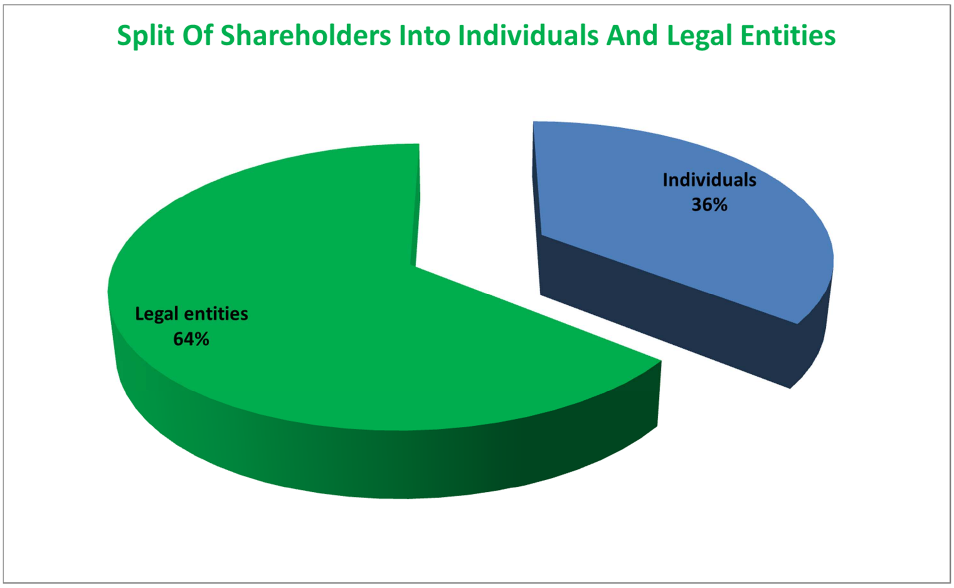
Subsidiaries and associated entities

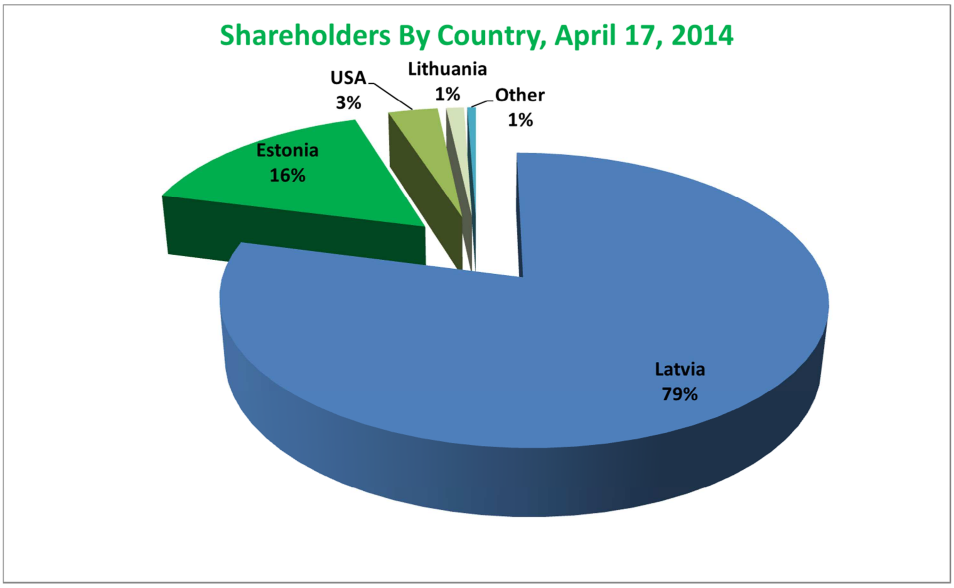
SIA Ozols JDR (100%)
Zeiferta iela 18B, Olaine, LV-2114, from 18.10.2010.
SIA OlainFarm enerģija (50%)
Rūpnīcu iela 5, Olaine, LV-2114, from 15.09.2010.
SIA JUKO 99 (100%)
Celmu iela 3, Rīga, LV-1079, from 28.10.2011.
SIA Latvijas Aptieka (100%)
Krišjāņa Barona iela 117, Rīga, LV-1012, from 02.11.2011.
SIA Veritas-Farm (100%)
Valkas iela 2a, Daugavpils, LV-5417, from 06.12.2011.
AS Lege Artis Rīga (100%)
Rūpnīcu iela 5, Olaine, LV-2114, from 01.12.2011.
SIA First Class Lounge (100%)
Baznīcas iela 20/22-10, Rīga, LV-1010, from 23.07.2012.
SIA Inula Farma (100%)
Nīcgales iela 47A, Rīga, LV-1035, from 21.12.2011.
SIA Vita Plus Aptieka (100%)
Dārza iela 6, Priekuļi, Priekuļu nov., LV-4126, from 22.12.2011.
SIA Teriaks (100%)
Odzienas iela 1, Priekuļi, Priekuļu nov., LV-5120, from 09.02.2012.
SIA Aptieka Rudens 10 (100%)
Rūpnīca iela 5, Olaine, LV-2114, from 24.05.2012.
SIA Rudens Laiks (100%)
Rūpnīcu iela 5, Olaine, LV-2114, from 24.05.2012.
SIA Esplanāde Farm (100%)
Kandavas iela 4, Daugavpils, LV-5401, from 17.06.2012.
OLAINFARM ILJAČ VE TIBBI URJUNLERI SANAJI VE TIDŽARET LIMITED ŠIRKETI (99%)
Kirbis Šehitleri. Džaddesi Nr.134/1, Daire: 204, Alsandžaka /IZMIRA, Turkey, from 07.02.2012.

Subsidiaries and associated entities (nont'd.)	**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 Muitas iela 1A, Riga 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	17.59%
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:

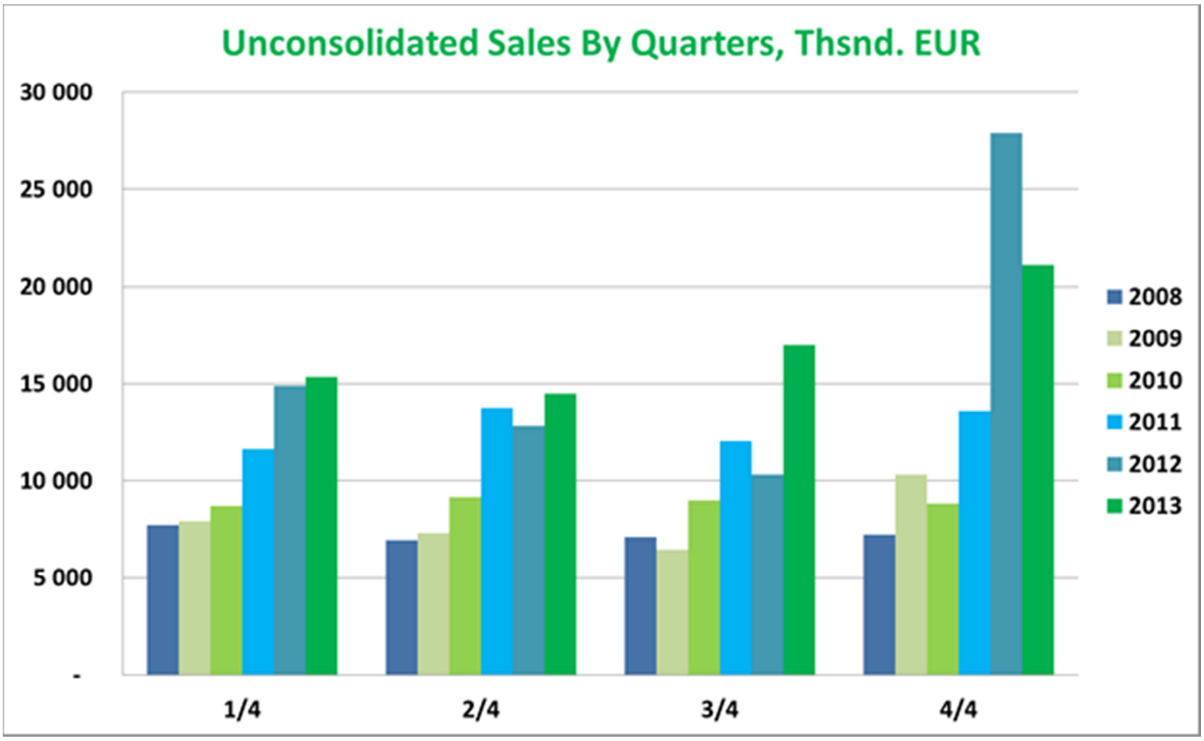
AS OlainFarm is one of the biggest manufacturers of finished drug forms chemical products in the Baltics. The keystone of our work is manufacturing of reliable and effective high quality products to the whole world. We are about fair and effective cooperation with our customers – patients, doctors, pharmacists 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.

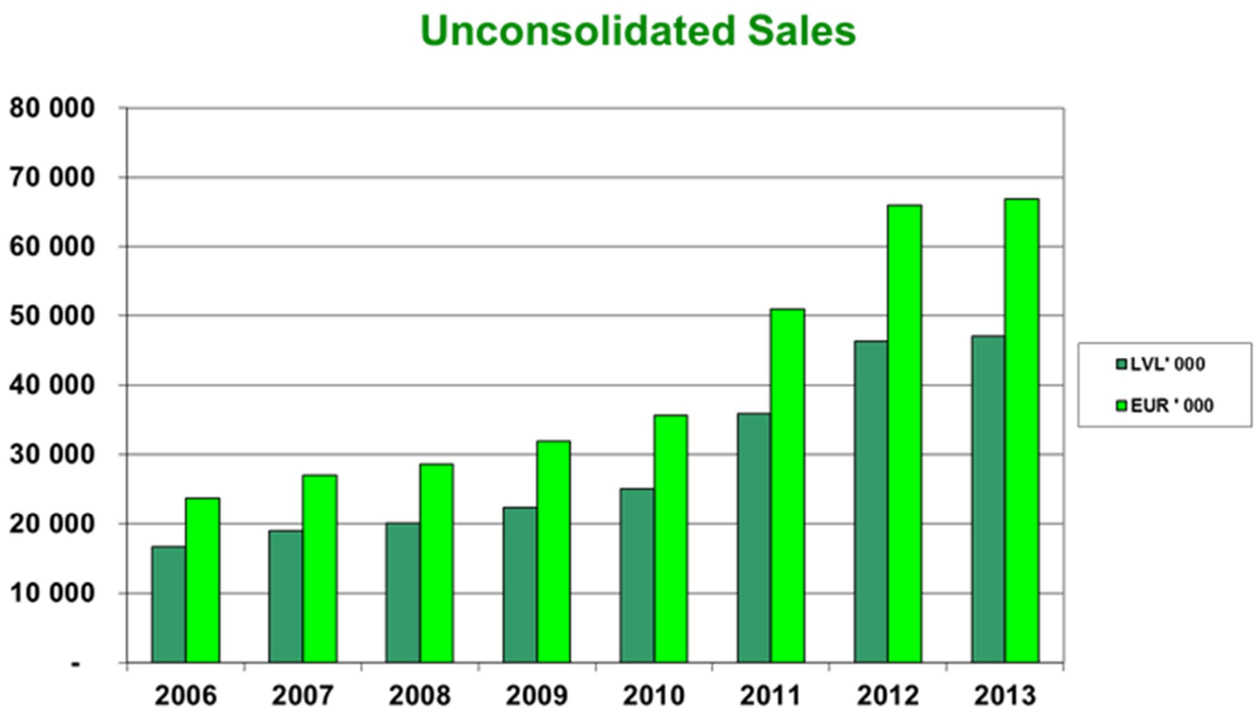
Financial results

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.

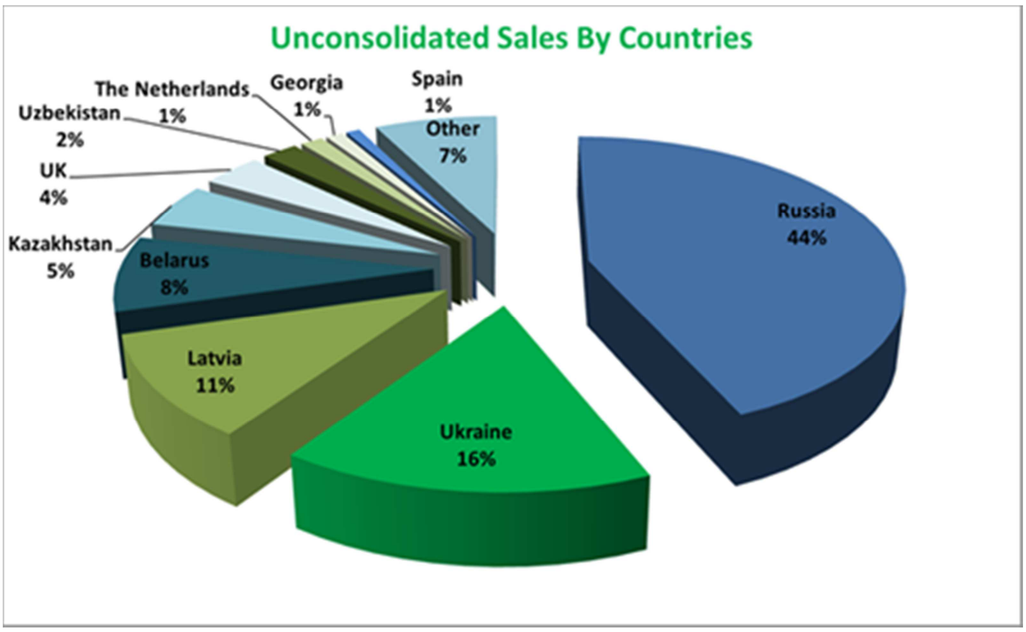


Financial results (cont'd)

Despite the above, overall sales volume of the year 2013 continued increasing. The Company made sales of 47 million lats (69.9 million euro), which is an increase by 1.4% compared to 2012.



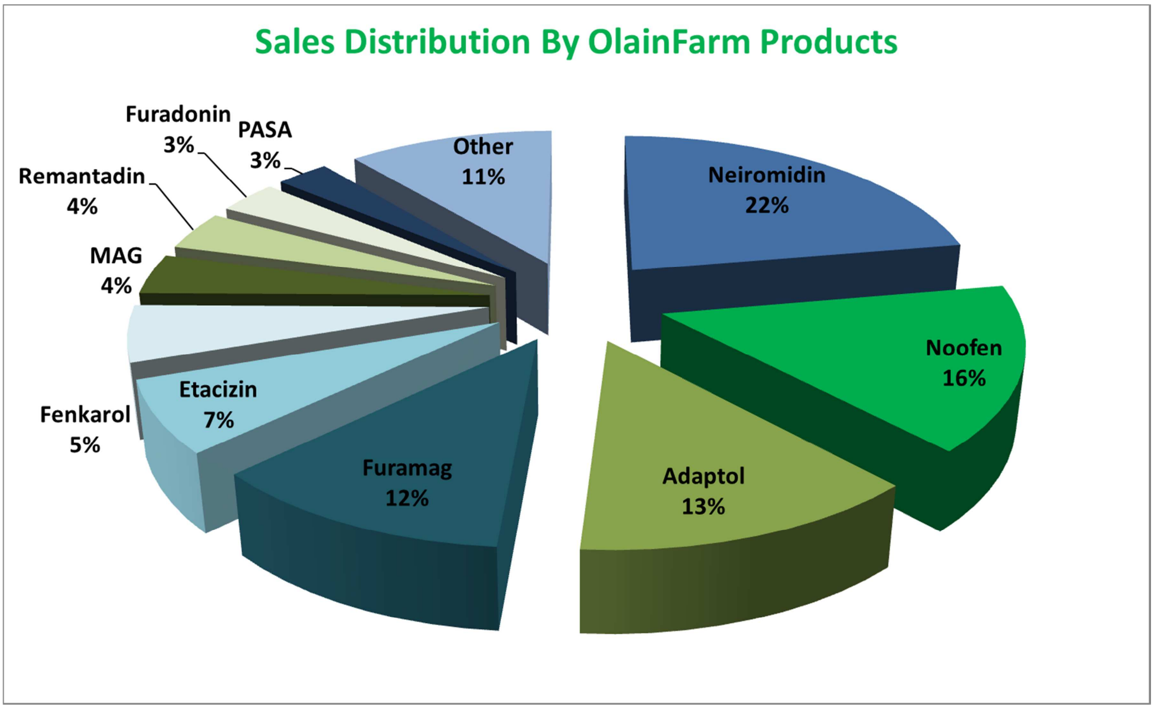
During 2013 the biggest sales increases were achieved in The Netherlands and Spain, where sales there have increased by 351% and 202% respectively. Significant sales increase has also been achieved in Latvia (sales grew by 71%), Belarus (sales grew by 48%) and Uzbekistan (sales grew by 42%). Major sales 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.



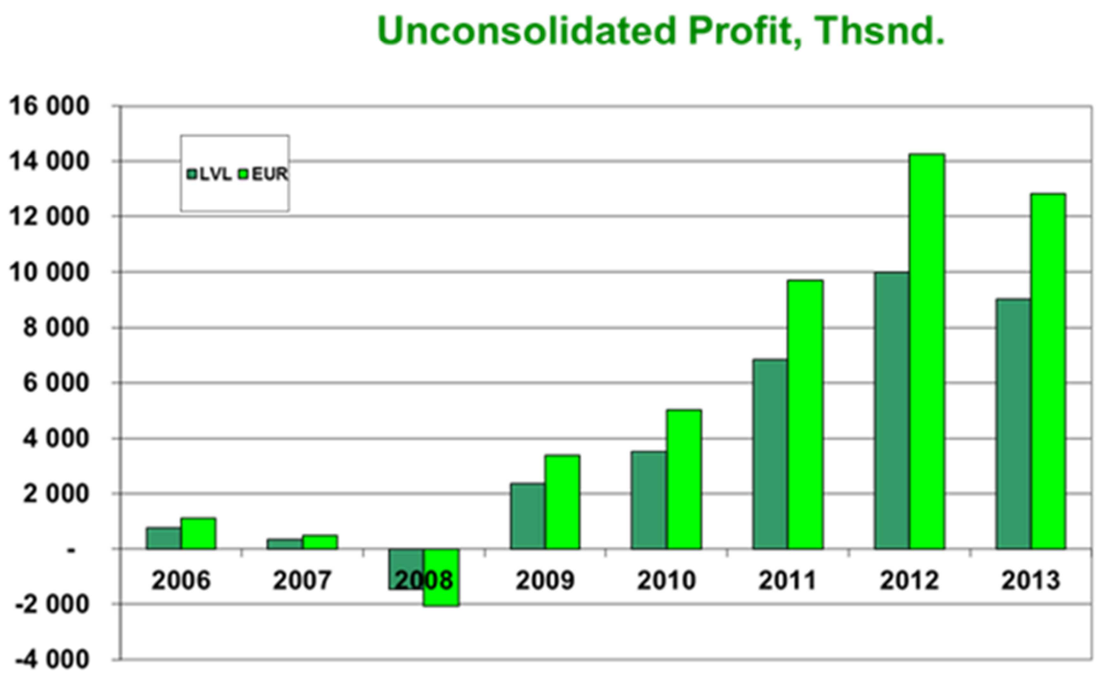
During 2013 the share of bestselling product Neiromidin® in total sales stabilized at the level of 22%. Share of all the other products has also remained relatively unchanged. Product portfolio is still well diversified, as 10 best-selling products make up less than 90% of total sales.

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



Other financial indicators of the company have changed accordingly.

Financial indicator	2013	2012	% to previous period
Sales, LVL'000	**47 003**	**46 341**	**101%**
Net profit, LVL'000	**9 028**	**10 008**	**90%**
EBITDA, LVL'000	**13 404**	**14 148**	**95%**
EBIT, LVL'000	**11 406**	**12 170**	**94%**
Sales, EUR'000	66 879	65 938	101%
Net profit EUR'000	12 846	14 240	90%
EBITDA, EUR'000	19 072	20 130	95%
EBIT, EUR'000	16 230	17 317	94%
EBITDA margin	**28.5%**	**30.5%**	
Net margin	**19.2%**	**21.6%**	
EBIT margin	**24.3%**	**26.3%**	
ROA	**14.2%**	**20.8%**	
ROE	**20.6%**	**27.5%**	
Current ration	**2.9**	**2.9**	
EPS, LVL	**0.64**	**0.71**	**90%**
EPS, EUR	0.91	1.01	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 dividend payments in hold until the distribution of profits for 2015.

Shares and stock market

Rapid improvement of Company’s financial indicators over the recent 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).

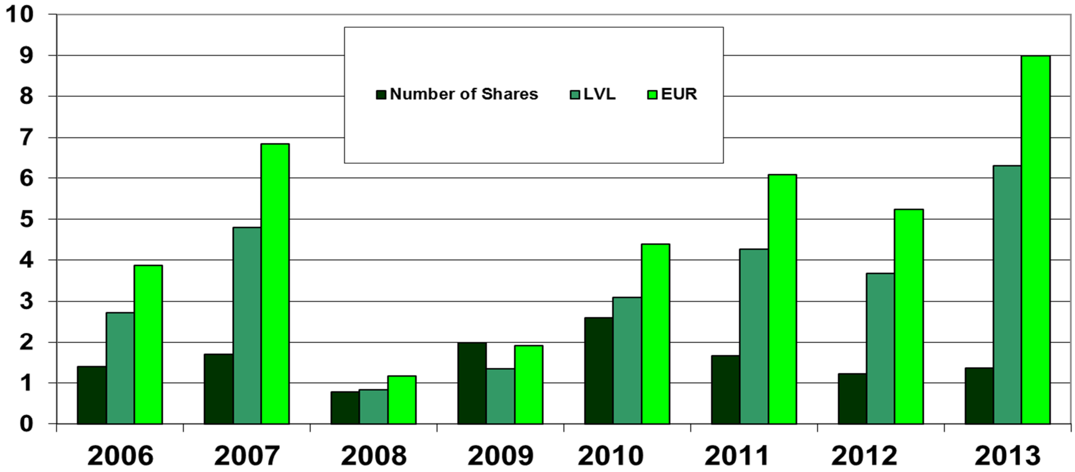
Price of shares of AS OlainFarm on NASDAQ OMX Riga (EUR) (2011 –2013)

During this year price of share of AS 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 2014 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.

In the nearest future the Company plans to involve itself more actively in sub-segments of medical devices and food supplements. For development of these sub-segments AS OlainFarm 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. As at the time of preparing these Financial statements, we do not have any information that would lead to concern about the possibility of the significant negative impact on the Company's performed activities in these countries.

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.

In 2014 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 Company and on its behalf they are signed by

AKCIJU SABIEDRĪBA «OLAINFARM» OlainFarm LATVIJAS REPUBLIKA

Jelena Borcova
Member of the Board

18 August 2014

Statement of Responsibility of the Management

The Management Board of AS OlainFarm prepares financial statements for each financial year which give a true and fair view of the AS OlainFarm (hereinafter - the Company) assets, liabilities and financial position as of the end of the respective period, and the financial results of the Company for that respective period. Financial statements are prepared based on International Financial Reporting Standards as adopted by the EU. In preparing those financial statements, 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 financial statements drawn up from them comply with International Financial Reporting Standards as adopted by the EU.

For the Board of AS OlainFarm:

Jelena Borcova
Member of the Board

AKCIJU SABIEDRIBA «OLAINFARM» OlainFarm LATVIJAS REPUBLIKA

18 August 2014

Financial statements

Statement of comprehensive income

	Notes	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		(2 353 904)	(3 349 304)	(495 798)	(705 457)
Other operating income	4	1 221 633	1 738 227	595 216	846 916
Cost of materials:					
raw materials and consumables		(3 016 702)	(4 292 380)	(4 695 600)	(6 681 237)
other external costs		(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:					
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)
	9	(10 228 981)	(14 554 529)	(9 681 532)	(13 775 579)
Depreciation/ amortization	11, 12	(1 997 404)	(2 842 050)	(1 977 043)	(2 813 079)
Other operating expense	5	(15 933 436)	(22 671 237)	(15 871 556)	(22 583 190)
Finance income	6	107 096	152 384	47 748	67 939
Finance costs	7	(981 765)	(1 396 926)	(234 451)	(333 594)
Profit before taxes		**10 531 499**	**14 984 972**	**11 983 794**	**17 051 403**
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)
Profit for the reporting period		**9 028 492**	**12 846 386**	**10 007 758**	**14 239 757**
Other comprehensive income for the reporting period		**-**	**-**	**-**	**-**
Total comprehensive income for the reporting period		**9 028 492**	**12 846 386**	**10 007 758**	**14 239 757**
Basic and diluted earnings per share, LVL/EUR	10	0.64	0.91	0.71	1.01

*Supplementary information, see also Note 2.1.

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

For the Board

Jelena Borcova
Member of the Board

AKCIJU SABIEDRIBA «OLAINFARM» OlainFarm LATVIJAS REPUBLIKA

18 August 2014

Statement of financial position

ASSETS NON-CURRENT ASSETS	Notes	31.12.2013 LVL	31.12.2013 EUR*	31.12.2012 LVL	31.12.2012 EUR*	01.01.2012 LVL	01.01.2012 EUR*
Intangible assets							
Patents		104 616	148 855	101 429	144 320	1 389 588	1 977 206
Other intangible assets		684 187	973 510	742 513	1 056 501	593 098	843 902
Prepayments for intangible assets		137 811	196 087	126 277	179 676	224 187	318 989
TOTAL	11	**926 614**	**1 318 452**	**970 219**	**1 380 497**	**2 206 873**	**3 140 097**
Property, plant and equipment							
Land, buildings and constructions		7 617 532	10 838 772	7 535 452	10 721 982	6 518 332	9 274 751
Equipment and machinery		3 843 202	5 468 384	2 576 217	3 665 627	2 625 865	3 736 269
Other tangible assets		1 319 163	1 877 000	1 027 666	1 462 237	751 844	1 069 778
Construction in progress		3 026 532	4 306 367	933 831	1 328 722	831 411	1 182 991
Prepayments for property, plant and equipment		1 895 744	2 697 401	136 175	193 760	375 890	534 843
TOTAL	12	**17 702 173**	**25 187 924**	**12 209 341**	**17 372 327**	**11 103 342**	**15 798 632**
Financial assets							
Investments in subsidiaries		10 317 001	14 679 770	5 471 501	7 785 245	4 606 373	6 554 278
Investments in associated companies		1 000	1 423	1 000	1 423	1 000	1 423
TOTAL	13	**10 318 001**	**14 681 193**	**5 472 501**	**7 786 667**	**4 607 373**	**6 555 701**
TOTAL NON-CURRENT ASSETS		**28 946 788**	**41 187 569**	**18 652 061**	**26 539 492**	**17 917 588**	**25 494 431**
CURRENT ASSETS							
Inventories							
Raw materials		1 473 645	2 096 808	1 235 886	1 758 507	1 012 622	1 440 831
Work in progress		5 503 993	7 831 476	4 156 216	5 913 763	3 602 299	5 125 610
Finished goods and goods for resale		3 210 612	4 568 289	1 402 227	1 995 189	1 776 061	2 527 107
Prepayments for goods		130 712	185 986	156 345	222 459	107 133	152 437
TOTAL	14	**10 318 962**	**14 682 559**	**6 950 674**	**9 889 918**	**6 498 115**	**9 245 985**
Receivables							
Trade receivables and receivables from associated and other related companies	15	19 578 256	27 857 348	19 671 843	27 990 511	11 913 884	16 951 930
Prepayments to suppliers		418 178	595 014	146 874	208 983	104 495	148 683
Other receivables	16	712 402	1 013 657	397 682	565 851	1 453 328	2 067 899
Corporate income tax	23	644 565	917 133	-	-	-	-
Current loans to management and employees	17	1 664 185	2 367 922	898 801	1 278 879	221 970	315 835
Prepaid expense	18	113 042	160 844	98 396	140 005	40 067	57 010
TOTAL		**23 130 628**	**32 911 919**	**21 213 596**	**30 184 228**	**13 733 744**	**19 541 357**
Cash	19	**1 186 286**	**1 687 933**	**1 338 361**	**1 904 316**	**1 298 548**	**1 847 667**
TOTAL CURRENT ASSETS		**34 635 876**	**49 282 411**	**29 502 631**	**41 978 462**	**21 530 407**	**30 635 009**
TOTAL ASSETS		**63 582 664**	**90 469 980**	**48 154 692**	**68 517 954**	**39 447 995**	**56 129 440**

*Supplementary information, see also Note 2.1.

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

For the Board

Jelena Borcova
Member of the Board

AKCIJU SABIEDRĪBA «OLAINFARM» OlainFarm LATVIJAS REPUBLIKA

18 August 2014

Statement of financial position

EQUITY AND LIABILITIES	Notes	31.12.2013	31.12.2013	31.12.2012	31.12.2012	01.01.2012	01.01.2012
EQUITY		**LVL**	**EUR***	**LVL**	**EUR***	**LVL**	**EUR***
Share capital	20	14 085 078	20 041 260	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	1 759 708	2 503 839
Retained earnings:							
brought forward		19 035 201	27 084 651	10 534 612	14 989 402	4 459 905	6 345 873
for the period		9 028 492	12 846 387	10 007 758	14 239 757	6 942 348	9 878 071
TOTAL EQUITY		**43 908 479**	**62 476 137**	**36 387 156**	**51 774 259**	**27 247 039**	**38 769 044**
LIABILITIES							
Non-current liabilities							
Loans from credit institutions	21	6 695 429	9 526 737	943 614	1 342 642	5 357 424	7 622 928
Deferred corporate income tax liabilities	8	636 046	905 012	544 139	774 240	513 871	731 173
Deferred income	24	305 977	435 366	168 467	239 707	-	-
Finance lease liabilities	22	121 118	172 335	30 461	43 342	3 904	5 555
TOTAL		**7 758 570**	**11 039 450**	**1 686 681**	**2 399 931**	**5 875 199**	**8 359 655**
Current liabilities							
Loans from credit institutions	21	4 077 185	5 801 312	6 004 890	8 544 189	1 418 794	2 018 762
Finance lease liabilities	22	87 309	124 230	28 014	39 860	34 526	49 126
Prepayments received from customers		29 806	42 410	53 404	75 987	80 526	114 578
Trade and other payables	26	6 326 615	9 001 962	2 312 055	3 289 758	2 972 479	4 229 457
Payables to related companies		26 472	37 666	2 367	3 368	4 161	5 921
Payables to associated companies	28	113 316	161 234	21 026	29 917	121 069	172 266
Taxes payable	23	334 390	475 794	450 370	640 819	339 615	483 229
Corporate income tax	23	-	-	503 844	716 905	654 832	931 742
Deferred income	24	112 000	159 362	84 000	119 521	-	-
Accrued liabilities	25	808 522	1 150 423	620 885	883 440	699 755	995 662
TOTAL		**11 915 615**	**16 954 393**	**10 080 855**	**14 343 764**	**6 325 757**	**9 000 741**
TOTAL LIABILITIES		**19 674 185**	**27 993 843**	**11 767 536**	**16 743 695**	**12 200 956**	**17 360 396**
TOTAL EQUITY AND LIABILITIES		**63 582 664**	**90 469 980**	**48 154 692**	**68 517 954**	**39 447 995**	**56 129 440**

*Supplementary information, see also Note 2.1.

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

For the Board

Jelena Borcova
Member of the Board

AKCIJU SABIEDRĪBA «OLAINFARM» OlainFarm LATVIJAS REPUBLIKA

18 August 2014

Statement of cash flows

	2013 LVL	2013 EUR*	2012 LVL	2012 EUR*
Cash flows to/from operating activities				
Profit before taxes	10 531 499	14 984 973	11 983 794	17 051 403
Adjustments for:				
Amortisation and depreciation	1 997 404	2 842 050	1 977 043	2 813 079
Gain/loss on sale/disposal of property, plant and equipment	28 315	40 289	(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
Impairment of tangible and intangible assets	83 596	118 946	1 141 418	1 624 091
Interest expences	135 118	192 256	176 924	251 740
Interest income	(107 096)	(152 384)	(122)	(174)
Operating cash flows before working capital changes	**12 675 829**	**18 036 080**	**15 626 475**	**22 234 471**
Increase in inventories	(2 321 353)	(3 302 987)	(664 504)	(945 504)
Increase in receivables and prepaid expence	(1 272 151)	(1 810 108)	(6 730 957)	(9 577 289)
Increase/ (decrease) in payables and prepayments received	3 711 552	5 281 063	(25 186)	(35 836)
Cash generated from operations	**12 793 877**	**18 204 047**	**8 205 828**	**11 675 841**
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)
Net cash flows to/ from operating activities	**11 260 063**	**16 021 626**	**5 910 523**	**8 409 917**
Cash flows to/from investing activities				
Purchase of property, plant and equipment	(8 106 080)	(11 533 912)	(3 544 879)	(5 043 908)
Acquistion 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 received	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	**(13 729 077)**	**(19 534 716)**	**(5 130 372)**	**(7 299 862)**
Cash flows to/from financing activities				
Dividends paid	(1 507 170)	(2 144 510)	(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	**2 316 939**	**3 296 707**	**(740 338)**	**(1 053 406)**
Change in cash	**(152 075)**	**(216 383)**	**39 813**	**56 649**
Cash at the begining 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 2.1.

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 1 January 2012	**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
Other comprehensive income	-	-	-	-	-	-	-	-
Total comprehensive income	-	-	-	-	10 007 758	14 239 757	10 007 758	14 239 757
Paid dividends from profit	-	-	-	-	(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
Other comprehensive income	-	-	-	-	-	-	-	-
Total comprehensive income	-	-	-	-	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**

*Supplementary information, see also Note 2.1.

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 18 August 2014.

2.1. 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 International Financial Reporting Standards (IFRS), as adopted by the European Union.

For all periods up to and including the year ended 31 December 2012, the Company prepared its financial statements in accordance with local generally accepted accounting principles (Local GAAP). These financial statements for the year ended 31 December 2013 are the first the Company has prepared in accordance with IFRS. Refer to Note 2.3 for information on how the Company adopted IFRS.

The financial statements are prepared on a historical cost basis, unless stated otherwise in the accounting policies described below. The monetary unit used in the financial statements is lat (LVL, the monetary unit of the Republic of Latvia). Lats are pegged to 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 is euro – opening balance as of this date as well as comparative historical information is translated to euro at fixed exchange rate of 0.702804 lats per one euro. For supplemental information purposes the financial statements are translated in euros (EUR, European Monetary Unit).

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

2.2. Summary of significant accounting policies

Fair value

Fair values of financial instruments measured at amortised cost are disclosed in Note 30.
Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.
The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible by the Company.
The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use. The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs. All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Company determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period. For the purpose of fair value disclosures, the Company has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

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

Research and development costs

Research costs are expensed as incurred. Development expenditures on an individual project are recognised as an intangible asset when the Company can demonstrate:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- its intention to complete and its ability to use or sell the asset;
- how the asset will generate future economic benefits;
- the availability of resources to complete the asset;
- the ability to measure reliably the expenditure during development.

Following initial recognition of the development expenditure as an asset, the asset is carried at cost less any accumulated amortization and accumulated impairment losses. Amortization of the asset begins when development is complete and the asset is available for use. It is amortised over the period of expected future benefit and amortization charge recorded in "Amortization/ depreciation" in statement of comprehensive income. During the period of development, the asset is tested for impairment annually.

Patents

Patents have been granted for a particular period by the relevant government agency. Patents are measured on initial recognition at cost. Following initial recognition patents are carried at cost less accumulated amortization and any impairment loss. Patents have been assigned a finite period of useful life (20 years) and are depreciated on a straight line basis over the period of the patent. Please see Note 11 for details on acquired patents.

Other intangible non-current assets

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

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:

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

Depreciation of an asset begins when it is available for use, i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. 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 tangible non-current 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 statement of comprehensive income.

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 non-current assets have been put into operation, such as repair and maintenance and overhaul costs, are normally charged to the statement of comprehensive income in the period when incurred.

Construction in progress represents property, plant and equipment 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 available for use.

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

Impairment of non-financial assets

The Company assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, the Company estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used. These calculations are corroborated by valuation multiples or other available fair value indicators.

Non-financial assets that have an indefinite useful life are tested for impairment at each reporting date. For the other non-financial assets, impairment indicators are checked on yearly basis. For this purpose, the Company estimates the asset's or cash-generating unit's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years.

Investments in subsidiaries and associates

Investments in subsidiaries (i.e. where the Company holds more than 50% interest of the share capital or otherwise controls the company) and associates (i.e. an entity over which the Company has significant influence without control over the financial and operating policy decisions of the investee) are recognised at cost according to IAS 27. Following initial recognition, investments in subsidiaries and associates are carried at cost less any accumulated impairment losses. The carrying values of investments are reviewed for impairment at each statement of financial position date. The Company calculates the amount of impairment as the difference between the recoverable amount of the subsidiary or associate and its carrying value, then, recognises the loss in the statement of comprehensive income.

Dividends received from subsidiaries, jointly controlled entities and associates can be recognised in profit or loss when the entity's right to receive the dividend is established.

Financial assets

Financial assets within the scope of IAS 39 are classified as financial assets at fair value through statement of comprehensive income, loans and receivables, held-to-maturity investments, or available-for-sale financial assets, as appropriate. When financial assets are recognized initially, they are measured at fair value, plus, in the case of investments not at fair value through statement of comprehensive income, directly attributable transaction costs.

The Company determines the classification of its financial assets on initial recognition and, where allowed and appropriate, re-evaluates the designation at each financial year end.

All regular way purchases and sales of financial assets are recognized on the trade date, which is the date when the Company commits to purchase the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the market place.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement loans and receivables are subsequently carried at amortised cost using the effective interest method less any allowance for impairment determined on individual bases. Amortised cost is calculated taking into account any discount or premium on acquisition and includes fees that are an integral part of the effective interest rate and transaction costs. Gains and losses are recognised as finance income or finance expenses or other operating expense in the statement of profit and loss when the loans and receivables are derecognised or impaired, as well as through the amortization process.

Cash and short term deposits

Cash comprises cash at bank and on hand, and short-term deposits with an original maturity of three months or less. 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.

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

Interest bearing loans and borrowings

All loans and borrowings are initially recognized at fair value, net of the consideration received less directly attributable transaction costs incurred. After initial recognition, loans and borrowings are subsequently measured at amortized cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognized in the statement of comprehensive income over the period of the borrowings using the effective interest rate method.

Gains and losses are recognised in the statement of comprehensive income as interest income/ expense when the liabilities are derecognised as well as through the amortization process.

Impairment of financial assets

The Company assesses at each statement of financial position date whether a financial asset or group of financial assets is impaired. An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. Such reversal is recognised in statement of comprehensive income.

For financial assets carried at amortised cost, the Company first assesses whether impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Company determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment.

Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment. The amount of any impairment loss identified is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account and the loss is recognised in statement of comprehensive income. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to finance costs in the statement of comprehensive income.

Derecognition of financial assets and liabilities

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognized when:

- the rights to receive cash flows from the asset have expired;
- the Company retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass through' arrangement; or
- the Company has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Company has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of Company's continuing involvement in the asset.

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the income statement.

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

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.

Accruals and deferrals

Accruals and deferrals are recorded to recognise revenues and costs as they are earned or incurred.

Provisions

Provisions are recognized 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. Where the Company expects some or all of provisions to be reimbursed, for example, under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the statement of comprehensive income net of any reimbursement. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as a borrowing cost.

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 recognized directly in the statement of comprehensive 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 statement of comprehensive income on a straight-line basis over the lease term. The commitments undertaken by the Company with respect to operating lease contracts are recorded as off-balance sheet liabilities.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the respective assets. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

The Company capitalises borrowing costs for all eligible assets where construction was commenced on or after 1 January 2009.

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

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, less value added tax and sales-related discounts. 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

For all financial instruments measured at amortised cost and interest bearing financial assets classified as available for sale, interest income or expense is recorded using the effective interest rate (EIR), which is the rate that exactly discounts the estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or liability. Interest income is included in finance income in the statement of comprehensive income.

Rental income

Rental income arising from operating leases on properties is accounted for on a straight-line basis over the lease terms and included in revenue due to its operating nature.

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.

Related parties

The parties are considered related when one party has a possibility to control the other one or has significant influence over the other party in making financial and operating decisions. Related parties of the Company are associates and shareholders who could control or who has significant influence over the Company in accepting operating business decisions, key management personnel of the Company including members of Supervisory body – Audit committee and close family members of any above-mentioned persons, as well as entities over which those persons has a control or significant influence.

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.

Earnings per share

Earnings per share are calculated by dividing the net profit after taxation for the year by the average number of ordinary shares in issue during the year. The average number of shares in issue during the year is weighted to take into account the timing of the issue of new shares.

Foreign currency translation

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

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

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

Accounting of grants received

The Company has received grants as a financing of the construction of property, plant and equipment or development of intangible assets as well as financial support for education, trainings and other development related expenses. Government grants are recognised where there is reasonable assurance that the grant will be received and all attached conditions will be complied with.

When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the costs, which it is intended to compensate, are expensed.

Where the grant relates to an asset, it is recognised as income in equal amounts over the expected useful life of the related asset.

Significant accounting judgments, estimates and assumptions

The preparation of the financial statements in conformity with IFRS requires the management to make estimates and assumptions that affect the reported amounts of assets, liabilities, income and expenses, and disclosure of contingencies. The significant areas of estimation used in the preparation of the financial statements relate to capitalization of development costs, depreciation, allowances for doubtful receivables and inventories, and impairment evaluation. Although these estimates are based on the management's best knowledge of current events and actions, the actual results may ultimately differ from those estimates.

Significant estimates and assumptions made by the management are disclosed in the following notes to the financial statements: Impairment of intangible assets - see Note 11; for depreciation - see Note 12; for Impairment testing of investments in subsidiaries and associates - see Note 13; for allowances for doubtful receivables - see Note 15; for allowances for slow-moving inventories - see Note 14.

2.3. First-time adoption of IFRS

These financial statements, for the year ended 31 December 2013, are the first the Company has prepared in accordance with IFRS. For periods up to and including the year ended 31 December 2012, the Company prepared its financial statements in accordance with local generally accepted accounting principle (Local GAAP). Since AS Olainfarm becames a first-time adopter for its separate financial statements later than for its consolidated financial statements, it measures its assets and liabilities at the same amounts in both financial statements, except for consolidation adjustmentshas been preparing its consolidated financial statements in accordance with IFRS.

Accordingly, the Company has prepared financial statements which comply with IFRS applicable for periods ending on or after 31 December 2013, together with the comparative period data as at and for the year ended 31 December 2012, as described in the summary of significant accounting policies. In preparing these financial statements, the Company's opening statement of financial position was prepared as at 1 January 2012, the Company's date of transition to IFRS. This note explains the principal adjustments made by the Company in restating its Local GAAP financial statements, including the statement of financial position as at 1 January 2012 and the financial statements as at and for the year ended 31 December 2012.

IFRS 1 allows first-time adopters certain exemptions from retrospective application of certain requirements of IFRS. None of these exemptions were applied by the Company.

The estimates at 1 January 2012 and at 31 December 2012 are consistent with those made for the same dates in accordance with local GAAP.

Transition from local GAAP to IFRS has no effect on the financial results of the Company and no differences were found for preparation of Statement of cash flows. Several reclassifications in Statement of financial position and Statement of other comprehensive income are performed.

Changes affecting Statement of financial position*:

	Local GAAP 31.12.2012		Restatement		IFRS 31.12.2012	
CURRENT ASSETS	**LVL**	**EUR**	**LVL**	**EUR**	**LVL**	**EUR**
Receivables						
Trade receivables	18 548 832	26 392 610	(18 548 832)	(26 392 610)	-	-
Receivables from related companies	951 165	1 353 386	(951 165)	(1 353 386)	-	-
Receivables from associated companies	171 846	244 515	(171 846)	(244 515)	-	-
Trade receivables and receivables from associated and other related companies	-	-	19 671 843	27 990 511	19 671 843	27 990 511

	Local GAAP 01.01.2012		Restatement		IFRS 01.01.2012	
CURRENT ASSETS	**LVL**	**EUR**	**LVL**	**EUR**	**LVL**	**EUR**
Receivables						
Trade receivables	11 590 366	16 491 605	(11 590 366)	(16 491 605)	-	-
Receivables from related companies	273 619	389 325	(273 619)	(389 325)	-	-
Receivables from associated companies	49 899	71 000	(49 899)	(71 000)	-	-
Trade receivables and receivables from associated and other related companies	-	-	11 913 884	16 951 930	11 913 884	16 951 930

*Restatements are performed in order to improve presentation of the receivables based on their substance.

2.3. First-time adoption of IFRS (cont'd)

Reconciliation of Statement of comprehensive income for the year ended 31 December 2012*:

	Local GAAP		Restatement		IFRS	
	LVL	EUR	LVL	EUR	LVL	EUR
Net sales	46 341 142	65 937 505	-	-	46 341 142	65 937 505
Changes in stock of finished goods and work in progress	(495 798)	(705 457)	-	-	(495 798)	(705 457)
Other operating income	595 216	846 916	-	-	595 216	846 916
Cost of materials:						
raw materials and consumables	(4 689 978)	(6 673 237)	(5 622)	(8 000)	(4 695 600)	(6 681 237)
other external costs	(2 044 332)	(2 908 822)	-	-	(2 044 332)	(2 908 822)
	(6 734 310)	(9 582 060)	(5 622)	(8 000)	(6 739 932)	(9 590 060)
Staff costs:						
wages and salaries	(6 941 361)	(9 876 667)	(706 584)	(1 005 378)	(7 647 945)	(10 882 045)
statutory social insurance contributions	(1 725 371)	(2 454 982)	(308 216)	(438 552)	(2 033 587)	(2 893 534)
	(8 666 732)	(12 331 649)	(1 014 800)	(1 443 930)	(9 681 532)	(13 775 579)
Depreciation/ amortization	(1 954 802)	(2 781 433)	(22 241)	(31 646)	(1 977 043)	(2 813 079)
Other operating expense*	(16 840 156)	(23 961 383)	968 600	1 378 194	(15 871 556)	(22 583 189)
Finance income	47 748	67 939	-	-	47 748	67 939
Finance costs	(234 451)	(333 594)	-	-	(234 451)	(333 594)
Profit before taxes	**12 057 857**	**17 156 785**	**(74 063)**	**(105 382)**	**11 983 794**	**17 051 403**
Corporate income tax	(1 945 768)	(2 768 578)	-	-	(1 945 768)	(2 768 578)
Deferred corporate income tax	(30 268)	(43 067)	-	-	(30 268)	(43 067)
Real estate tax*	(74 063)	(105 382)	74 063	105 382	-	-
Profit for the reporting period	**10 007 758**	**14 239 757**	**-**	**-**	**10 007 758**	**14 239 757**
Other comprehensive income for the reporting period	**-**	**-**	**-**	**-**	**-**	**-**
Total comprehensive income for the reporting period	**10 007 758**	**14 239 757**	**-**	**-**	**10 007 758**	**14 239 757**

*The only adjustment required by the transfer from local GAAP to IFRS is Real estate tax reclassification to position Other operating expense. Other restatements are performed in order to improve comparability between reporting and prior years due to retrospective changes in accounting methodology.

3. Net turnover

	2013		2012	
By business segments	**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**

	2013		2012	
By geographical segments	**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 from 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
Incomes 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
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
Other distribution costs	377 145	536 629	254 542	362 181
Total distribution costs:	*11 677 167*	*16 615 112*	*11 042 636*	*15 712 255*
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
Annual payment for medicines register	75 048	106 784	85 489	121 640
Real estate tax expense	73 044	103 932	74 063	105 382
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
Allowances to staff	53 485	76 102	37 708	53 654
Communications expense	52 547	74 768	54 089	76 962
Audit expence	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 exspense	15 110	21 500	28 551	40 624
Write-offs of receivables	1 381	1 965	48 113	68 459
Other administrative expense	76 459	108 791	85 380	121 485
Impairment/(reversal of impairment) of tangible non-current assets	83 596	118 946	1 141 418	1 624 092
Other operating expense	725 141	1 031 783	982 557	1 398 053
TOTAL:	**15 933 436**	**22 671 237**	**15 871 556**	**22 583 190**

6. Finance income

	2013		2012	
	LVL	EUR	LVL	EUR
Loan interest income	107 096	152 384	47 748	67 939
TOTAL:	**107 096**	**152 384**	**47 748**	**67 939**

7. Finance costs

	2013		2012	
	LVL	EUR	LVL	EUR
Loan interest expense	135 119	192 257	176 924	251 740
Penalties expense 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**	**2 811 645**

Deferred tax relates to the following:

	Statement of financial position				Profit and loss			
	31.12.2013.		31.12.2012.		2013		2012	
	LVL	EUR	LVL	EUR	LVL	EUR	LVL	EUR
Deferred corporate income tax liability								
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)**
Deferred corporate income tax assets								
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)**

Reconciliation of tax expense:

	2013		2012	
	LVL	EUR	LVL	EUR
Profit before taxes	10 531 499	14 984 972	11 983 794	17 051 403
Tax at the applicable rate of 15%	1 579 725	2 247 746	1 797 569	2 557 710
Permanent differences including:				
Fixed assets tax depreciation allowances	(6 728)	(9 573)	(11 994)	(17 066)
Expenses not related to business	144 412	205 480	141 854	201 840
Other permanent differences	(89 963)	(128 006)	117 454	167 121
Tax allowance	(124 439)	(177 061)	(68 847)	(97 960)
Actual corporate income tax for the reporting period:	**1 503 007**	**2 138 586**	**1 976 036**	**2 811 645**

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**
Management of the Company				
Wages and salaries	649 494	924 147	570 573	811 852
Statutory social insurance contributions	154 975	220 510	136 294	193 928
Board Members				
Wages and salaries	741 178	1 054 601	519 205	738 762
Statutory social insurance contributions	177 887	253 110	125 077	177 969
Council Members				
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. Basic and diluted earnings per share

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

	2013		2012	
	LVL	**EUR**	**LVL**	**EUR**
Net result attributable to shareholders	9 028 492	12 846 386	10 007 758	14 239 757
Weighted average number of ordinary shares	14 085 078	14 085 078	14 085 078	14 085 078
Earnings per share	**0.64**	**0.91**	**0.71**	**1.01**

	2013	2012
No of shares at the beginning of respective year	14 085 078	14 085 078
No of shares at the year end	14 085 078	14 085 078
Weighted average No of ordinary shares	**14 085 078**	**14 085 078**

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

Dividend paid per share in the financial year 2013 is LVL 0.107 (for financial year of 2012 - LVL 0.062).

11. Intangible assets

LVL

		Patents LVL	Other intangible assets LVL	TOTAL LVL	Prepayments for intangible assets LVL	TOTAL LVL
Acquisition value as at 01/01/12		2 940 990	994 091	**3 935 081**	224 187	**4 159 268**
2012	Additions	20 650	265 212	**285 862**	-	**285 862**
	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**
2013	Additions	9 598	156 076	**165 674**	149 418	**315 092**
	Reclassification	-	122 063	**122 063**	(122 063)	**-**
	Disposals	-	(99 226)	**(99 226)**	-	**(99 226)**
Acquisition value as at 31/12/13		2 969 340	1 483 208	**4 452 548**	153 632	**4 606 180**
Accumulated amotisation as at 01/01/12		1 551 402	400 993	**1 952 395**	-	**1 952 395**
2012	Amortisation	162 587	213 103	**375 690**	-	**375 690**
	Impairment	1 144 324	-	**1 144 324**	-	**1 144 324**
	Amortisation of disposals	-	(52 314)	**(52 314)**	-	**(52 314)**
Accumulated amotisation as at 31/12/12		2 858 313	561 782	**3 420 095**	-	**3 420 095**
2013	Amortisation	6 411	232 134	**238 545**	-	**238 545**
	Impairment	-	72 224	**72 224**	15 821	**88 044**
	Amortisation of disposals	-	(67 119)	**(67 119)**	-	**(67 119)**
Accumulated amotisation as at 31/12/13		2 864 724	799 021	**3 663 745**	15 821	**3 679 566**
Net carrying amount as at 01/01/12		**1 389 588**	**593 098**	**1 982 686**	**224 187**	**2 206 873**
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 01/01/12		4 184 652	1 414 464	**5 599 116**	318 989	**5 918 105**
2012	Additions	29 382	377 363	**406 745**	**-**	**406 745**
	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**
2013	Additions	13 657	222 076	**235 733**	212 603	**448 336**
	Reclassification	-	173 680	**173 680**	(173 680)	**-**
	Disposals	-	(141 186)	**(141 186)**	-	**(141 186)**
Acquisition value as at 31/12/13		4 224 990	2 110 415	**6 335 405**	218 599	**6 554 004**
Accumulated amotisation as at 01/01/12		2 207 447	570 562	**2 778 009**	**-**	**2 778 009**
2012	Amortisation	231 340	303 218	**534 558**	**-**	**534 558**
	Impairment	1 628 226	**-**	**1 628 226**	**-**	**1 628 226**
	Amortisation of disposals	-	(74 436)	**(74 436)**	**-**	**(74 436)**
Accumulated amotisation as at 31/12/12		4 067 013	799 344	**4 866 357**	**-**	**4 866 357**
2013	Amortisation	9 122	330 297	**339 419**	-	**339 419**
	Impairment	-	102 765	**102 765**	22 512	**125 277**
	Amortisation of disposals	-	(95 501)	**(95 501)**	-	**(95 501)**
Accumulated amotisation as at 31/12/13		4 076 135	1 136 905	**5 213 040**	22 512	**5 235 552**
Net carrying amount as at 01/01/12		**1 977 205**	**843 902**	**2 821 107**	**318 989**	**3 140 096**
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.

11. 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 the impairment test 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. The patents' net book value as at the end of the year 2012 was 1 144 324 LVL and impairment recognized in full net book value amount.

In the financial year ended 31 December 2013 it was probable that part of the products registration certificates will not be prolonged, therefore impairment has been recognized. The net book value of these products registration licences as at the end of the year 2013 was 72 224 LVL and impairment recognized in full net book value amount.

12. Property, plant and equipment

LVL

		Land, buildings and constructions LVL	Equipment and machinery LVL	Other tangible assets LVL	Construction in progress LVL	**TOTAL** LVL	Prepayments for property, plant and equipment LVL	**TOTAL** LVL
Acquisition value as at 01/01/12		13 860 159	12 352 658	2 400 835	831 411	**29 445 063**	375 890	**29 820 953**
2012	Additions	79 359	799 237	617 767	1 664 744	**3 161 107**	(239 715)	**2 921 392**
	Reclassification	1 554 710	1 604	-	(1 556 314)	**-**	-	**-**
	Disposals	(56 857)	(261 711)	(331 557)	(6 010)	**(656 135)**		**(656 135)**
Acquisition value as at 31/12/12		15 437 371	12 891 788	2 687 045	933 831	**31 950 035**	136 175	**32 086 210**
2013	Additions	-	795 386	376 736	2 850 475	**4 022 597**	4 254 402	**8 276 999**
	Reclassification	749 036	1 415 143	252 112	(749 036)	**1 667 255**	(1 667 255)	**-**
	Reclassification*	-	-	-	-	**-**	(827 578)	**(827 578)**
	Disposals	(72 067)	(231 643)	(194 994)	(8 738)	**(507 442)**	-	**(507 442)**
Acquisition value as at 31/12/13		16 114 340	14 870 674	3 120 899	3 026 532	**37 132 445**	1 895 744	**39 028 189**
Accumulated amotisation as at 01/01/12		7 341 827	9 726 793	1 648 991	-	**18 717 611**	-	**18 717 611**
2012	Depreciation	611 575	849 722	287 386	-	**1 748 683**	-	**1 748 683**
	Reversed impairment	-	(2 906)	-	-	**(2 906)**	-	**(2 906)**
	Depreciation of disposals	(51 483)	(258 038)	(276 998)	-	**(586 519)**	-	**(586 519)**
Accumulated amotisation as at 31/12/12		7 901 919	10 315 571	1 659 379	-	**19 876 869**	-	**19 876 869**
2013	Depreciation	656 331	945 786	317 588	-	**1 919 704**	-	**1 919 704**
	Reversed impairment	-	(4 450)	-	-	**(4 450)**	-	**(4 450)**
	Depreciation of disposals	(61 442)	(229 435)	(175 231)	-	**(466 108)**	-	**(466 108)**
Accumulated amotisation as at 31/12/13		8 496 808	11 027 472	1 801 736	-	**21 326 015**	-	**21 326 015**
Net carrying amount as at 01/01/12		**6 518 332**	**2 625 865**	**751 844**	**831 411**	**10 727 452**	**375 890**	**11 103 342**
Net carrying amount as at 31/12/12		**7 535 452**	**2 576 217**	**1 027 666**	**933 831**	**12 073 166**	**136 175**	**12 209 341**
Net carrying amount as at 31/12/13		**7 617 532**	**3 843 202**	**1 319 163**	**3 026 532**	**15 806 430**	**1 895 744**	**17 702 173**

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

EUR

		Land, buildings and constructions EUR	Equipment and machinery EUR	Other tangible assets EUR	Construction in progress EUR	TOTAL EUR	Prepayments for property, plant and equipment EUR	TOTAL EUR
Acquisition value as at 01/01/12		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**	(341 083)	**4 156 767**
	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**
	Reclassification	1 065 782	2 013 567	358 723	(1 065 782)	**2 372 290**	(2 372 290)	**-**
	Reclassification*	-	-	-	-	**-**	(1 177 537)	**(1 177 537)**
	Disposals	(102 542)	(329 598)	(277 451)	(12 433)	**(722 025)**	-	**(722 025)**
Acquisition value as at 31/12/13		22 928 641	21 159 063	4 440 639	4 306 367	**52 834 710**	2 697 402	**55 532 112**
Accumulated amotisation as at 01/01/12		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 amotisation as at 31/12/12		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**
	Reversed impairment	-	(6 331)	-	-	**(6 331)**	-	**(6 331)**
	Depreciation of disposals	(87 425)	(326 458)	(249 331)	-	**(663 213)**	-	**(663 213)**
Accumulated amotisation as at 31/12/13		12 089 868	15 690 679	2 563 639	-	**30 344 187**	-	**30 344 187**
Net carrying amount as at 01/01/12		**9 274 751**	**3 736 269**	**1 069 778**	**1 182 991**	**15 263 789**	**534 842**	**15 798 632**
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**	**2 697 402**	**25 187 925**

*Prepayments for property, plant and equipment in amount of LVL 827 578 (EUR 1 177 537) are reclassified to position Raw materials under Inventories.

The total depreciation and amortisation charge indicated in the statement of comprehensive income differs from the total amount of depreciation and amortisation presented in Notes 11 and 12 by LVL 160 845 (31 December 2012: LVL 147 330) as the depreciation charge of fixed assets in the amount of 58 116 LVL (31 December 2012: LVL 64 405) is disclosed in the comprehensive income statement as Cost of materials, and the depreciation of 102 729 LVL (31 December 2012: LVL 82 925) for the assets involved in EU projects, by which deferred income was reduced.

A number of property, plant and equipment items that have been fully depreciated are still used in the operations of the 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.

13. Investments in subsidiaries and associated companies

			31.12.2013		31.12.2012		01.01.2012		31.12.2013		31.12.2012	
Company	Business	%	LVL	EUR	LVL	EUR	LVL	EUR	Profit or loss statement*	Equity*	Profit or loss statement*	Equity*
Associated entities												
SIA "Olainfarm enerģija"	Electicity production and sales	50	1 000	1 423	1 000	1 423	1 000	1 423	422 041	292 503	(108 895)	(129 538)
	Total associates:		**1 000**	**1 423**	**1 000**	**1 423**	**1 000**	**1 423**	**422 041**	**292 503**	**(108 895)**	**(129 538)**
Subsidiaries												
SIA "Latvijas aptieka", Rūpnīcu iela 5, Olaine, Olaines novads, LV-2114	Sales of medicine	100	2 252 071	3 204 408	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	1 405 608	2 000 000	12 268	156 027	100 845	143 759
SIA "Inula Farma", Nīcgales iela 47A, Rīga, LV-1035	Sales of medicine	100	411 843	586 000	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 "Aptieka 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	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	90 000	128 058	1 161	2 158	1 221	997
SIA "Vita Plus", Dārza ielā 6, Priekuļi, Priekuļu pagasts, Priekuļu novads	Sales of medicine	100	64 500	91 775	64 500	91 775	64 500	91 775	4 094	(13 129)	(1 121)	(17 223)
SIA "Teriaks" Pļaviņu aptieka, Odzienas 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 seevices	100	12 398	17 641	12 398	17 641	1 020	1 452	(83 946)	(367 662)	(225 206)	(283 716)
SIA "Ozols JDR", Zeiferta iela 18 b, Olaine, Olaines novads, LV-2114	Public services	100	1 331	1 894	1 331	1 894	1 331	1 894	(3 699)	(16 603)	(6 288)	(12 904)
OLAINFARM ILJAČ VE TIBBI URJUNLERI SANAJI VE TIDŽARET LIMITED ŠIRKETI" (SIA "Ārstniecisko līdzekļu un medicīnas preču tirdzniecības-ražošanas uzņēmums "OLAINFARM"")	Sales of medicine	99	38 250	54 425	38 250	54 427	-	-	(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 "Baltā aptieka - I.P.I.", Krišjāņa Valdemāra iela 70, Rīga, LV-1013	Sales of medicine	100	291 000	414 056	-	-	-	-	(2 910)	12 136	-	-
SIA "Mana aptieka", 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 aptieka", Rūpnīcu iela 5, Olaine, LV-2114	Sales of medicine	100	62 000	88 218	-	-	-	-	(6 407)	(7 345)	-	-
SIA "Priekules aptieka", Rūpnīcu iela 5, Olaine, LV-2114	Sales of medicine	100	150 000	213 431	-	-	-	-	1 481	9 824	-	-
SIA "Traumu aptieka", Rūpnīcu iela 5, Olaine, LV-2114	Sales of medicine	100	204 516	291 000	-	-	-	-	(6 751)	(4 638)	-	-
SIA "Sabiedrības "ARS" Aptieka", Rūpnīcu iela 5, Olaine, LV-2114	Sales of medicine	100	600 000	853 725	-	-	-	-	(3 401)	(8 010)	-	-
	Total subsidiaries:		**10 317 001**	**14 679 770**	**5 471 501**	**7 785 245**	**4 606 373**	**6 554 278**	**156 613**	**289 894**	**(106 129)**	**(58 149)**
		TOTAL:	**10 318 001**	**14 681 193**	**5 472 501**	**7 786 668**	**4 607 373**	**6 555 701**	**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. Investments in subsidiaries and associated companies (cont'd)

Impairment testing of investments in subsidiaries and associates

Investments in subsidiaries and associated companies are split in Pharmacy retail CGU, Silvanols CGU and Other for impairment testing purposes.

		Pharmacy retail CGU	Silvanols CGU	Other	Total
		LVL	**LVL**	**LVL**	**LVL**
Investments in subsidiaries and associates	2013	8 209 522	2 093 750	14 729	10 318 001
	2012	5 457 772	-	14 729	5 472 501
	2011	4 604 022	-	3 351	4 607 373
		EUR	**EUR**	**EUR**	**EUR**
Investments in subsidiaries and associates	2013	11 681 097	2 979 138	20 958	14 681 193
	2012	7 765 709	-	20 958	7 786 667
	2011	6 550 932	-	4 769	6 555 701

The recoverable amounts of Pharmacy CGU and Silvanols CGU are determined based on a value in use calculation using cash flow projections from financial budgets approved by the management. As a result of performed calculations, the management did not identify impairment for Pharmacy and Silvanols CGUs.

Key assumptions used in value in use calculations for Pharmacy retail CGU

The calculation of value in use for CGU is most sensitive to the following assumptions:

- gross margin;
- discount rate;
- growth rate estimates.

Gross margins

Gross margins were calculated on division between products with regulated and unregulated price in total sales. On average 25% mark-up is applied to the products with regulated pricing and 40% mark-up is applied to the products with unregulated pricing.

Discount rates

The pre-tax Discount rate applied to the cash flow projections is 13.7%. Discount rates represent the current market assessment of the risks specific to CGU, taking into consideration the time value of money and individual risks of the underlying assets that have not been incorporated in the cash flow estimates. The discount rate calculation is based on the specific circumstances of the Company and its operating segments and is derived from its weighted average cost of capital (WACC). The WACC takes into account both debt and equity. The cost of equity is derived from the expected return on investment by the investors. A segment-specific risk is incorporated by applying individual beta factors. The beta factors are evaluated annually based on the publicly available market data. The cost of debt is based on the interest bearing borrowings the Company is obliged to service. Decrease of discount rate comparing to previous year rate (14.9%) is mainly due to revaluation of risk free rate used in assessment of WACC.

Growth rate estimates

The recoverable amount was calculated using cash flow projections of each pharmacy separately combined into one cash flow for all of the pharmacies. The cash flow projections were made for an eight year period, with terminal growth of 2% after that period. The nature of the business allows projecting for 8 years reliably. The growth rate of sales during the initial years was based on an assumption that sales of well-established and known pharmacies will grow by 4% per annum, which for a number of years has been a growth rate of the Latvian pharmaceutical retail industry, sales of recently established or remodelled pharmacies will grow by 7% per annum and sales of new pharmacies during the initial years will grow by 10% per annum. For all the companies it resulted in annual sales growing (on average) by 5%, which according to the opinion of the management, is conservative to the reasonable assumption, because it is widely expected that during the nearest years, as the Latvian budgetary situation stabilizes and improves, more funds will be allocated to health care, including the compensation for medicines, - development that will have a very strong positive impact on growth of the pharmaceutical retail industry.

13. Investments in subsidiaries and associated companies (cont'd)

Key assumptions used in value in use calculations for Silvanols CGU

The calculation of value in use for Silvanols CGU is most sensitive to the following assumptions:

- discount rate;
- growth rate estimates.

Discount rates

The pre-tax discount rate applied to the cash flow projections is 13.5%. Discount rates represent the current market assessment of the risks specific to CGU, taking into consideration the time value of money and individual risks of the underlying assets that have not been incorporated in the cash flow estimates. The discount rate calculation is based on the specific circumstances of the Company and its operating segments and is derived from its weighted average cost of capital (WACC). The WACC takes into account both debt and equity. The cost of equity is derived from the expected return on investment by the Company's investors. A segment-specific risk is incorporated by applying individual beta factor. The beta factor is evaluated annually based on the publicly available market data. The cost of debt is based on the interest bearing borrowings the Company is obliged to service.

Growth rate estimates

The recoverable amount was calculated using cash flow projections for thirteen years period, with terminal growth of 2% after that period. The growth rate of sales during the initial years is based on Olainfarm sales network potential and market penetration plans in CIS countries. Grows ratio is decreasing from 45% for year 2014 till 20% for year 2018 in line with realistic plans availability and assumption that at year 2019 whole potential of Olainfarm sales network will be accommodated with further development at 4% growth rate.

Sensitivity to changes in assumptions

With regard to the assessment of value in use of the Pharmacy and Silvanols unit, the management believes that no reasonably possible change in any of the above key assumptions would cause the carrying value of the unit to materially exceed its recoverable amount.

14. Inventories

	31.12.2013		31.12.2012		01.01.2012	
	LVL	**EUR**	**LVL**	**EUR**	**LVL**	**EUR**
Work in progress (at cost)	5 934 892	8 444 590	4 587 115	6 526 877	3 866 153	5 501 040
Finished goods and goods for resale (at cost)	3 396 175	4 832 321	1 749 031	2 488 647	2 063 420	2 935 982
Raw materials (at cost)	1 674 159	2 382 114	1 436 400	2 043 813	1 163 276	1 655 192
Prepayments for goods	130 712	185 986	156 345	222 459	107 133	152 437
TOTAL:	11 135 938	15 845 011	7 928 891	11 281 795	7 199 982	10 244 651
Allowances for work in progress	(430 899)	(613 114)	(430 899)	(613 114)	(263 854)	(375 430)
Allowances for finished goods and goods for resale	(185 563)	(264 032)	(346 804)	(493 458)	(287 359)	(408 875)
Allowances for raw materials	(200 514)	(285 306)	(200 514)	(285 306)	(150 654)	(214 361)
TOTAL:	(816 976)	(1 162 452)	(978 217)	(1 391 877)	(701 867)	(998 666)
TOTAL:	**10 318 962**	**14 682 559**	**6 950 674**	**9 889 918**	**6 498 115**	**9 245 985**

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.

15. Trade receivables and receivables from associated and other related companies

	31.12.2013		31.12.2012		01.01.2012	
	LVL	EUR	LVL	EUR	LVL	EUR
Trade receivables	10 242 364	14 573 571	9 571 625	13 619 195	8 111 849	11 542 121
Receivables from associated companies	179 732	255 736	171 846	244 515	49 899	71 000
Receivables from other related companies*	9 322 024	13 264 044	10 116 770	14 394 867	3 940 915	5 607 417
Allowances for doubtful receivables	(165 864)	(236 003)	(188 398)	(268 066)	(188 779)	(268 608)
TOTAL:	**19 578 256**	**27 857 348**	**19 671 843**	**27 990 511**	**11 913 884**	**16 951 930**

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.

*Includes receivable from related company OOO Olfa as at 31.12.2013 LVL 7 926 091 (EUR 11 277 820), as at 31.12.2012 LVL 9 103 621 (EUR 12 953 286). OOO Olfa is the only distributor of the Company's products in Ukraine. Receivables from the related party OOO Olfa are non-interest bearing, LVL 1.85 million (EUR 2.64 million) is factorized (see also note Related parties disclosures and Events after the reporting yearend). Receivables from the related party OOO Olfa are on 240 days' term (see also Note 28).

Trade receivables and receivables from the associated and related companies past due but not impaired as at 31 December 2013 may be specified as follows:

		Total	Neither past due nor impaired	Past due but not impaired, days				
				< 30	30-60	60-90	90-120	> 120
2012	**LVL**	19 671 843	18 456 026	447 232	346 528	58 297	206 659	157 101
2013	**LVL**	19 578 256	16 260 315	848 793	75 667	225 596	1 813 510	354 375
2012	**EUR**	27 990 511	26 260 559	636 354	493 065	82 949	294 049	223 535
2013	**EUR**	27 857 348	23 136 343	1 207 724	107 664	320 994	2 580 392	504 230

See Note 30 on credit risk and credit quality of trade receivables that are neither past due nor impaired.

	Individually impaired		Collectively impaired		Total	
	LVL	EUR	LVL	EUR	LVL	EUR
As at 01 January 2012	188 779	268 608	-	-	188 779	268 608
Charge for the year	36 933	52 551	-	-	36 933	52 551
Used amounts	(37 314)	(53 093)	-	-	(37 314)	(53 093)
As at 31 December 2012	188 398	268 066	-	-	188 398	268 066
Charge for the year	1 616	2 300	-	-	1 616	2 300
Used amounts	(24 149)	(34 361)	-	-	(24 149)	(34 361)
As at 31 December 2013	**165 865**	**236 005**	**-**	**-**	**165 865**	**236 005**

All provisions for impairment are assessed individually. No collective assessment has been carried out.

No collateral has been held by the Company to secure its receivables.

16. Other receivables

	31.12.2013		31.12.2012		01.01.2012	
	LVL	EUR	LVL	EUR	LVL	EUR
Claim in accordance with court decision*	104 166	148 215	104 166	148 215	104 166	148 215
VAT receivable (see also Note 23)	110 148	156 726	159 902	227 520	140 500	199 913
Short term loans	174 827	248 756	113 106	160 936	252 087	358 687
Advances paid for representation office expense	129 440	184 177	45 496	64 735	40 048	56 983
Accrued receivables	189 236	269 259	-	-	-	-
Receivables from V.Koļesņikov	-	-	-	-	876 950	1 247 787
Provisions for advances to employees and other	(107 297)	(152 670)	(104 166)	(148 215)	(148 187)	(210 851)
Other receivables	111 882	159 194	79 178	112 660	187 764	267 165
TOTAL:	**712 402**	**1 013 657**	**397 682**	**565 851**	**1 453 328**	**2 067 899**

Other receivables do not include any overdue amounts. Average turnover of these receivables is one month.

*Effective court decision in case I.Maligina against AS OlainFarm in favour of AS OlainFarm to claim amount paid to bailiff. In prior periods the accrual was made on amount paid to bailiff.

17. Current loans to management and employees, shareholders

	31.12.2013		31.12.2012		01.01.2012	
	LVL	EUR	LVL	EUR	LVL	EUR
Loan to Valērijs Maligins (Chairman of Board)*	1 447 863	2 060 123	694 153	987 691	-	-
SIA "Olmafarm"	134 548	191 445	128 394	182 688	129 047	183 617
Other short term loans to employees	81 774	116 354	76 254	108 500	92 923	132 218
TOTAL	**1 664 185**	**2 367 922**	**898 801**	**1 278 879**	**221 970**	**315 835**

*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		01.01.2012	
	LVL	EUR	LVL	EUR	LVL	EUR
Prepaid distribution expense	-	-	24 178	34 402	-	-
Maintenance of IT systems	32 361	46 046	20 258	28 825	-	-
Information and consultation expense	-	-	11 609	16 518	-	-
Insurance payments	24 233	34 480	18 511	26 339	23 562	33 526
Other prepaid expense	56 448	80 318	23 840	33 921	16 505	23 484
TOTAL:	**113 042**	**160 844**	**98 396**	**140 005**	**40 067**	**57 010**

19. Cash and short-term deposits

	31.12.2013		31.12.2012		01.01.2012	
	LVL	EUR	LVL	EUR	LVL	EUR
Cash at banks and on hand	1 136 286	1 616 789	1 288 361	1 833 173	1 298 548	1 847 667
Restricted cash (see also Note 27)	50 000	71 144	50 000	71 143	-	-
	1 186 286	**1 687 933**	**1 338 361**	**1 904 316**	**1 298 548**	**1 847 667**

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.

	31.12.2013		31.12.2012		01.01.2012	
Cash by currency profile:	Foreign currency	LVL	Foreign currency	LVL	Foreign currency	LVL
LVL	-	104 149	-	284 262	-	215 297
EUR	524 776	368 815	574 523	403 777	1 522 851	1 070 266
RUB	39 432 051	615 140	27 783 391	483 431	241 704	4 109
USD	190 645	98 182	314 296	166 891	16 316	8 876
TOTAL:		**1 186 286**		**1 338 361**		**1 298 548**

20. Share capital

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

All 14 085 078 shares are ordinary publicly traded dematerialized voting shares to the bearer. All of the shares have been paid for.

21. Loans from credit institutions

					31.12.2013		31.12.2012		01.01.2012	
Non-current:	Amount		Interest rate (%) as at 31.12.2013	Maturity	LVL	EUR	LVL	EUR	LVL	EUR
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	-	-	3 155 658	4 490 097
Loan from AS SEB banka	7 011 574	EUR	EURIBOR (3m.)+1,2%	29.09.2014	-	-	943 614	1 342 642	2 201 766	3 132 831
				KOPĀ:	**6 695 429**	**9 526 737**	**943 614**	**1 342 642**	**5 357 424**	**7 622 928**
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	160 641	228 572
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	1 258 153	1 790 190
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	-	-
				KOPĀ:	**4 077 185**	**5 801 312**	**6 004 890**	**8 544 189**	**1 418 794**	**2 018 762**

Interest is usually revised on a quarterly basis.

On 7 June 2013, a loan agreement with AS SEB bank was signed on a non-current loan of LVL 3 million bearing interest at 3-month RIGIBOR + 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 nitrofuran production".

The Company's loan agreements with AS SEB bank 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 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				01.01.2012			
	LVL		EUR		LVL		EUR		LVL		EUR	
	Non-current	Current	Non-current	Current	Non-current	Current	Non-current	Current	Non-current	Current	Non-current	Current
Finance lease liabilities to SIA SEB Līzings, EUR	97 356	75 156	138 524	106 938	18 393	24 397	26 171	34 714	3 904	34 526	5 555	49 126
Finance lease liabilities to SIA SEB Līzings, LVL	14 471	6 436	20 591	9 158	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**	**124 230**	**30 461**	**28 014**	**43 342**	**39 860**	**3 904**	**34 526**	**5 555**	**49 126**

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 12.

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

	31.12.2013				31.12.2012				01.01.2012			
	Minimum payments	Present value of payments	Minimum payments	Present value of payments	Minimum payments	Present value of payments	Minimum payments	Present value of payments	Minimum payments	Present value of payments	Minimum payments	Present value of payments
	LVL		EUR		LVL		EUR		LVL		EUR	
Within one year	96 950	87 309	137 947	124 229	29 103	28 014	41 410	39 860	35 492	34 526	50 501	49 126
Between one and five years	133 564	121 118	190 044	172 335	31 287	30 461	44 517	43 342	3 957	3 904	5 630	5 555
Total minimum lease payments	230 514	208 427	327 992	296 564	60 390	58 475	85 927	83 202	39 449	38 430	56 131	54 681
Less amounts representing finance charges	(22 087)	-	(31 427)	-	(1 915)	-	(2 725)	-	(1 019)	-	(1 450)	-
Present value of minimum lease payments	**208 427**	**208 427**	**296 565**	**296 564**	**58 475**	**58 475**	**83 202**	**83 202**	**38 430**	**38 430**	**54 681**	**54 681**

23. Taxes payable

LVL

	31.12.2013	Calculated	Paid/ refunded	Transfer of VAT overpaid	31.12.2012	01.01.2012
Personal income tax	(147 446)	(1 697 570)	1 671 900	-	(121 776)	(122 740)
Statutory social insurance contributions	(186 244)	(2 894 646)	2 691 821	335 800	(319 219)	(210 060)
Real estate tax	-	73 044	73 044	-	-	-
Natural resource tax	(430)	(33 145)	39 419	-	(6 704)	(6 600)
Unemployment risk duty	(270)	(3 175)	3 125	3	(223)	(215)
Prepaid CIT	644 565	(1 438 866)	2 583 487	3 788	(503 844)	(654 832)
Company vehicle tax	38	(23 211)	25 697	-	(2 448)	-
VAT	110 148	854 747	(564 910)	(339 591)	159 902	140 500
TOTAL:	**420 361**	**(5 162 822)**	**6 523 583**	**-**	**(794 312)**	**(853 947)**
Total liabilities:	**(334 390)**	**-**	**-**	**-**	**(954 214)**	**(994 447)**
Total assets:	**754 751**	**-**	**-**	**-**	**159 902**	**140 500**

EUR

	31.12.2013	Calculated	Paid/ refunded	Transfer of VAT overpaid	31.12.2012	01.01.2012
Personal income tax	(209 797)	(2 415 424)	2 378 899	-	(173 272)	(174 643)
Statutory social insurance contributions	(265 001)	(4 118 710)	3 830 116	477 800	(454 208)	(298 888)
Real estate tax	-	103 932	103 932	-	-	-
Natural resource tax	(612)	(47 161)	56 088	-	(9 539)	(9 391)
Unemployment risk duty	(384)	(4 518)	4 446	4	(317)	(306)
Prepaid CIT	917 133	(2 047 322)	3 675 971	5 389	(716 905)	(931 742)
Company vehicle tax	54	(33 026)	36 564	-	(3 483)	-
VAT	156 726	1 216 195	(803 795)	(483 194)	227 520	199 913
TOTAL:	**598 120**	**(7 346 034)**	**9 282 223**	**-**	**(1 130 204)**	**(1 215 057)**
Total liabilities:	**(475 794)**	**-**	**-**	**-**	**(1 357 724)**	**(1 414 971)**
Total assets:	**1 073 914**	**-**	**-**	**-**	**227 520**	**199 913**

24. Deferred income

	31.12.2013		31.12.2012		01.01.2012	
	LVL	EUR	LVL	EUR	LVL	EUR
Deferred income related to EU projects	417 977	594 728	252 467	359 228	-	-
TOTAL:	**417 977**	**594 728**	**252 467**	**359 228**	**-**	**-**
Shot term deferred income	**112 000**	**159 362**	**84 000**	**119 521**	**-**	**-**
Long term deferred income	**305 977**	**435 366**	**168 467**	**239 707**	**-**	**-**

Deferred income related to EU projects represents EU financing for 3 projects that are closed during reporting year. Long term investments acquired and generated during the projects are recognised as property, plant and equipment and are placed in operation. EU financing received covers in average 36.8% from total investment value under the projects.

Movement of the granted EU funds during the financial year of 2013:

	Amount granted	Amount used	Deferred government grant income
2013 LVL	268 239	102 729	417 977
2012 LVL	335 392	82 925	252 467
2011 LVL	-	-	-
2013 EUR	381 670	146 170	594 728
2012 EUR	477 220	117 992	359 228
2011 EUR	-	-	-

25. Accrued liabilities

	31.12.2013		31.12.2012		01.01.2012	
	LVL	EUR	LVL	EUR	LVL	EUR
Vacation pay reserve	464 650	661 137	344 145	489 675	346 437	492 935
Accruals for electricity and gas	106 950	152 176	118 041	167 957	121 893	173 438
Other accrued liabilities	236 922	337 110	158 699	225 808	231 425	329 289
TOTAL:	**808 522**	**1 150 423**	**620 885**	**883 440**	**699 755**	**995 662**

26. Trade and other payables

	31.12.2013		31.12.2012		01.01.2012	
	LVL	EUR	LVL	EUR	LVL	EUR
Trade and other payables	5 826 757	8 290 728	1 861 485	2 648 655	2 589 197	3 684 096
Wages and salaries	490 840	698 402	399 711	568 737	375 381	534 119
Other paybles	9 018	12 831	50 859	72 366	7 901	11 242
TOTAL:	**6 326 615**	**9 001 962**	**2 312 055**	**3 289 758**	**2 972 479**	**4 229 457**

Terms and conditions of the above liabilities:

- trade payables are non-interest bearing and are normally settled on 36 day terms;
- wages and salaries are non-interest bearing and have an average term of one month;
- other payables are non-interest bearing and have an average term of one month.

27. 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		01.01.2012	
	LVL	EUR	LVL	EUR	LVL	EUR
Within one year	70 969	100 980	68 738	97 806	46 182	65 711
After one year but not more than five years	65 592	93 329	41 446	58 972	40 528	57 666
TOTAL:	**136 561**	**194 309**	**110 184**	**156 778**	**86 710**	**123 377**

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.

28. Related party disclosures

SIA Olmafarm is the major shareholder of the Company and it owns 42.56% (2012: 42.56%) shares. The sole shareholder of SIA Olmafarm and 27.13% (2012: 29.24%) shareholder of the Company 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 Komercbanka. 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 Komercbanka.

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.

Related party	Type of services		Goods and services received from related parties, LVL	Goods and services received from related parties, EUR	Goods and services delivered to/ Loans issued to related parties, LVL	Goods and services delivered to/ Loans issued to related parties, EUR	Amounts owed by related parties (gross), LVL	Amounts owed by related parties (gross), EUR	Amounts owed to related parties, LVL	Amounts owed to related parties, EUR
1. Associated entities										
OLAINFARM ENERĢIJA SIA	Loan, services, energy	2011	-	-	49 899	71 000	49 899	71 000	-	-
		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:	**2011**	**-**	**-**	**49 899**	**71 000**	**49 899**	**71 000**	**-**	**-**
	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)	Loan	2011	-	-	1 112 152	1 582 450	-	-	(6)	(9)
		2012	-	-	727 658	1 035 365	727 652	1 035 356	-	-
		2013	-	-	1 478 437	2 103 626	1 481 362	2 107 788	-	-
	TOTAL:	**2011**	**-**	**-**	**1 112 152**	**1 582 450**	**-**	**-**	**(6)**	**(9)**
	TOTAL:	**2012**	**-**	**-**	**727 658**	**1 035 365**	**727 652**	**1 035 356**	**-**	**-**
	TOTAL:	**2013**	**-**	**-**	**1 478 437**	**2 103 626**	**1 481 362**	**2 107 788**	**-**	**-**
3. Entity with signicficant influence										
SIA Olmafarm (shareholder)	Loan and sale of finished goods	2011	-	-	6 300	8 964	129 047	183 617	-	-
		2012	-	-	1 020	1 451	128 393	182 687	-	-
		2013	-	-	6 154	8 756	134 547	191 444	-	-
	TOTAL:	**2011**	**-**	**-**	**6 300**	**8 964**	**129 047**	**183 617**	**-**	**-**
	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	2011	295 142	419 949	176	250	176	250	1 654	2 354
		2012	357 832	509 149	348	495	-	-	5 365	7 634
		2013	480 452	683 622	-	-	-	-	2 843	4 045
SIA "Aroma" (V.Maligins share 75%)	Loan and Lease of premises	2011	-	-	-	-	27 654	39 349	-	-
		2012	-	-	31 098	44 248	45 643	64 945	-	-
		2013	8 649	12 307	40 464	57 575	78 318	111 437	3 414	4 858
Lano Serviss SIA (V.Maligins share 25.04%)	Drycleaner's services	2011	16 949	24 116	6 657	9 471	2 195	3 123	2 857	4 065
		2012	19 043	27 096	7 435	10 579	533	758	2 037	2 898
		2013	19 284	27 438	6 252	8 896	404	574	1 677	2 387
SIA Carbochem (V.Maligins share 50%)	Intermediary on sale of chemical products, Loan	2011	-	-	13939	19 832	76 493	108 840	-	-
		2012	-	-	150	213	76 643	109 053	-	-
		2013	-	-	-	-	76 643	109 053	-	-
SIA OLFA Press (V. Maligins share 45%)	Printing services	2011	626 221	891 032	19 530	27 789	8 365	11 902	116 558	165 847
		2012	810 137	1 152 721	26 034	37 043	5 935	8 446	162 516	231 238
		2013	877 205	1 248 150	21 588	30 717	2 800	3 984	208 673	296 914
Olfa OOO (V. Maligin's share 51%, J.Dudko's share 49%)	Finished good sale	2011	4 027 367	5 730 427	7 275 905	10 352 679	3 605 314	5 129 900	-	-
		2012	-	-	13 668 303	19 448 243	9 103 623	12 953 288	-	-
		2013	-	-	7 550 543	10 743 455	7 926 096	11 277 818	-	-
	TOTAL:	**2011**	**938 312**	**1 335 097**	**7 750 969**	**11 028 634**	**3 720 197**	**5 293 364**	**121 069**	**172 266**
	TOTAL:	**2012**	**1 187 012**	**1 688 966**	**13 733 368**	**19 540 823**	**9 232 377**	**13 136 488**	**169 918**	**241 770**
	TOTAL:	**2013**	**1 385 590**	**1 971 517**	**7 618 847**	**10 840 643**	**8 084 260**	**11 502 867**	**216 608**	**308 204**

28. Related party disclosures (cont'd)

Related party	Type of services		Goods and services received from related parties, LVL	Goods and services received from related parties, EUR	Goods and services delivered to/ Loans issued to related parties, LVL	Goods and services delivered to/ Loans issued to related parties, EUR	Amounts owed by related parties (gross), LVL	Amounts owed by related parties (gross), EUR	Amounts owed to related parties, LVL	Amounts owed to related parties, EUR
5. Related entities										
SIA "First Class Lounge" (AS Olainfam share 100%)	Loan and traveling servicies	2011	58 470	83 195	198 995	283 144	197 000	280 306	4 161	5 921
		2012	429 449	611 050	86 500	123 078	419 227	596 507	-	-
		2013	625 274	889 684	15 232	21 673	455 179	647 662	-	-
SIA "Ozols JDR" (AS Olainfam share 100%)	Loan	2011	-	-	13 275	18 889	14 275	20 311	-	-
		2012	-	-	2 725	3 877	18 468	26 278	-	-
		2013	-	-	3 621	5 152	22 089	31 429	-	-
SIA "Silvanols" (AS Olainfam share 70.88%)	Finished good sale, distribution services	2011	-	-	-	-	-	-	-	-
		2012	-	-	-	-	-	-	-	-
		2013	94 092	133 881	7 956	11 320	7 062	10 048	22 848	32 509
SIA "Latvijas aptieka" (AS Olainfam share 100%)	Loan, Finished good sale	2011	-	-	6 734	9 581	7 396	10 524	-	-
		2012	-	-	622 590	885 866	328 755	467 776	2 367	3 368
		2013	8 229	11 709	3 294 862	4 688 167	713 250	1 014 863	3 624	5 157
A/S "Lege Artis" (AS Olainfam share 100%)	Finished good sale	2011	-	-	1 175	1 672	1 175	1 672	-	-
		2012	651	927	183 695	261 374	57 240	81 445	-	-
		2013	-	-	-	-	-	-	-	-
SIA "Inula Farma" (AS Olainfam share 100%)	Finished good sale	2011	-	-	-	-	-	-	-	-
		2012	-	-	93 176	132 577	28 796	40 973	-	-
		2013	-	-	2 030	2 888	-	-	-	-
SIA "Rudens laiks" (AS Olainfam share 100%)	Finished good sale	2011	-	-	-	-	-	-	-	-
		2012	-	-	50 869	72 380	12 442	17 703	-	-
		2013	-	-	-	-	-	-	-	-
SIA "Aptieka Rudens 10" (AS Olainfam share 100%)	Finished good sale	2011	-	-	2 561	3 644	-	-	-	-
		2012	-	-	58 053	82 602	11 059	15 736	-	-
		2013	-	-	-	-	-	-	-	-
SIA "Esplanāde Farm" (AS Olainfam share 100%)	Finished good sale	2011	-	-	-	-	-	-	-	-
		2012	-	-	6 565	9 341	6 323	8 997	-	-
		2013	-	-	18 588	26 448	1 995	2 839	-	-
SIA "Veritas-Farm" (AS Olainfam share 100%)	Finished good sale	2011	-	-	-	-	-	-	-	-
		2012	-	-	16 502	23 480	2 083	2 964	-	-
		2013	-	-	25 869	36 809	3 523	5 012	-	-
SIA "Juko-99" (AS Olainfam share 100%)	Finished good sale	2011	-	-	469	667	499	710	-	-
		2012	-	-	-	-	-	-	-	-
		2013	-	-	-	-	-	-	-	-
SIA "Vita Plus" (AS Olainfam share 100%)	Finished good sale	2011	-	-	880	1 253	373	530	-	-
		2012	18	25	3 566	5 074	-	-	-	-
		2013	-	-	-	-	-	-	-	-
SIA "Elpa aptiekas" (AS Olainfam share 100%)	Finished good sale	2011	-	-	-	-	-	-	-	-
		2012	-	-	-	-	-	-	-	-
		2013	-	-	41 957	59 700	-	-	-	-
SIA "Daugavkrasta farmācija" (AS Olainfam share 100%)	Finished good sale	2011	-	-	-	-	-	-	-	-
		2012	-	-	-	-	-	-	-	-
		2013	-	-	3 354	4 773	-	-	-	-
SIA "Baltā aptieka - I.P.I." (AS Olainfam share 100%)	Finished good sale	2011	-	-	-	-	-	-	-	-
		2012	-	-	-	-	-	-	-	-
		2013	-	-	11 121	15 824	-	-	-	-
SIA "Mana aptieka" (AS Olainfam share 100%)	Finished good sale	2011	-	-	-	-	-	-	-	-
		2012	-	-	-	-	-	-	-	-
		2013	-	-	12 120	17 245	-	-	-	-
SIA "Trīsdesmit seši un seši" (AS Olainfam share 100%)	Finished good sale	2011	-	-	-	-	-	-	-	-
		2012	-	-	-	-	-	-	-	-
		2013	-	-	7 202	10 247	-	-	-	-
SIA "Jaunjelgavas aptieka" (AS Olainfam share 100%)	Finished good sale	2011	-	-	-	-	-	-	-	-
		2012	-	-	-	-	-	-	-	-
		2013	-	-	2 820	4 013	-	-	-	-
SIA "Priekules aptieka" (AS Olainfam share 100%)	Finished good sale	2011	-	-	-	-	-	-	-	-
		2012	-	-	-	-	-	-	-	-
		2013	-	-	22 735	32 348	13 884	19 755	-	-
SIA "Traumu aptieka" (AS Olainfam share 100%)	Finished good sale	2011	-	-	-	-	-	-	-	-
		2012	-	-	-	-	-	-	-	-
		2013	-	-	8 260	11 753	3 210	4 567	-	-
SIA "Sabiedrības "ARS" Aptieka" (AS Olainfam share 100%)	Finished good sale	2011	-	-	-	-	-	-	-	-
		2012	-	-	-	-	-	-	-	-
		2013	-	-	8 902	12 666	353	502	-	-
OLAINFARM ILJAC VE TIBBI URJUNLERI SANAJI VE TIDŽARET LIMITED ŠIRKETI (99%)	Loan	2011	-	-	-	-	-	-	-	-
		2012	-	-	-	-	-	-	-	-
		2013	-	-	17 219	24 500	17 219	24 500	-	-
	TOTAL:	**2011**	**58 470**	**83 195**	**224 089**	**318 850**	**220 718**	**314 053**	**4 161**	**5 921**
	TOTAL:	**2012**	**430 118**	**612 002**	**1 124 241**	**1 599 649**	**884 393**	**1 258 379**	**2 367**	**3 368**
	TOTAL:	**2013**	**727 595**	**1 035 274**	**3 503 846**	**4 985 526**	**1 237 763**	**1 761 177**	**26 472**	**37 666**

29. Segment information

For management purposes, the Company is organized into business units based on its products. These financial statements provide information on three operating segments (major business units):

- The finished-form medicine segment represents tablets, capsules, ampoules and sachets, namely, the products ready for final consumption by end-users.
- The chemicals segment comprises the sales of chemicals to the Company's clients for further processing, eventually into finished form medicines. Major part of the chemicals is used to produce finished-form medicine within the Company.
- The pharmacy wholesale comprises the sales of medicine to retailers.

Transfer prices between operating segments are on arm's length basis in a manner similar to transactions with third parties. Transfer prices of chemicals between operating segments within one legal entity for segment reporting purposes only are evaluated with S&P Chemical industry entities average mark-up of 28%. Assets used by more than one segment are allocated proportionally on cost or revenue basis depending on nature of the asset. Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated mainly based on operating profit or loss and is measured consistently with operating profit or loss in the financial statements.

Unallocated information relates primarily to the matters managed on a Company level, such as Company level financing related activities (including major part of finance result, loans, cash, payables), corporate taxation, Company management related assets, minor supplemental businesses etc.

LVL		Finished form medicine	Chemicals	Pharmacy wholesale	Total segments	Unallocated and eliminated	Total
Assets							
	31.12.2013	32 498 814	9 762 268	1 825 808	44 086 890	19 495 774	63 582 664
	31.12.2012	30 772 564	6 868 349	789 150	38 430 063	9 724 629	48 154 692
Liabilities							
	31.12.2013	4 483 808	791 225	1 343 949	6 618 982	13 055 204	19 674 186
	31.12.2012	1 558 453	652 113	217 450	2 428 016	9 339 519	11 767 535
Revenue							
External customers							
	2013	39 925 010	3 551 027	3 527 027	47 003 064	-	47 003 064
	2012	41 614 680	3 807 975	918 487	46 341 142	-	46 341 142
Inter-segment							
	2013	-	6 092 458	-	6 092 458	(6 092 458)	-
	2012	-	6 448 595	-	6 448 595	(6 448 595)	-
Total revenue							
	2013	39 925 010	9 643 485	3 527 027	53 095 522	(6 092 458)	47 003 064
	2012	41 614 680	10 256 570	918 487	52 789 737	(6 448 595)	46 341 142
Segment profit / (loss)							
	2013	10 161 768	1 863 650	233 178	12 258 596	(1 727 097)	10 531 499
	2012	11 948 569	1 049 296	57 893	13 055 758	(1 071 964)	11 983 794

29. Segment information (cont'd)

EUR		Finished form medicine	Chemicals	Pharmacy wholesale	Total segments	Unallocated and eliminated	Total
Assets							
	31.12.2013	46 241 646	13 890 456	2 597 891	62 729 993	27 739 987	90 469 980
	31.12.2012	43 785 414	9 772 780	1 122 859	54 681 053	13 836 900	68 517 953
Liabilities							
	31.12.2013	6 379 884	1 125 812	1 912 267	9 417 963	18 575 882	27 993 845
	31.12.2012	2 217 479	927 873	309 403	3 454 755	13 288 938	16 743 693
Revenue							
External customers							
	2013	56 808 171	5 052 656	5 018 507	66 879 334	-	66 879 334
	2012	59 212 355	5 418 260	1 306 889	65 937 504	-	65 937 504
Inter-segment							
	2013	-	8 668 787	-	8 668 787	(8 668 787)	-
	2012	-	9 175 524	-	9 175 524	(9 175 524)	-
Total revenue							
	2013	56 808 171	13 721 443	5 018 507	75 548 121	(8 668 787)	66 879 334
	2012	59 212 355	14 593 784	1 306 889	75 113 028	(9 175 524)	65 937 504
Segment profit / (loss)							
	2013	14 458 893	2 651 735	331 782	17 442 410	(2 457 437)	14 984 973
	2012	17 001 282	1 493 014	82 374	18 576 670	(1 525 267)	17 051 403

Reconciliation of profit	2013 LVL	2013 EUR	2012 LVL	2012 EUR
Segment profit	**12 258 596**	**17 442 411**	**13 055 758**	**18 576 670**
Unallocated financial income	482 447	686 460	669 176	952 152
Unallocated financial expenses	(1 080 022)	(1 536 733)	(757 595)	(1 077 961)
Other unallocated income and expense	(775 487)	(1 103 419)	(112 373)	(159 892)
Inter-segment elimination	(354 035)	(503 746)	(871 172)	(1 239 566)
Profit before tax	**10 531 499**	**14 984 973**	**11 983 794**	**17 051 403**

Reconciliation of assets	2013 LVL	2013 EUR	2012 LVL	2012 EUR
Segment operating assets	**44 086 890**	**62 729 993**	**38 430 063**	**54 681 053**
Unallocated long term assets	14 499 140	20 630 417	6 370 127	9 063 874
Unallocated short term assets	3 810 348	5 421 637	2 016 141	2 868 710
Cash managed on group level	1 186 286	1 687 933	1 338 361	1 904 316
Total assets	**63 582 664**	**90 469 980**	**48 154 692**	**68 517 953**

Reconciliation of Liabilities	2013 LVL	2013 EUR	2012 LVL	2012 EUR
Segment operating liabilities	**6 618 981**	**9 417 961**	**2 428 017**	**3 454 757**
Deferred tax liability	636 046	905 012	544 139	774 240
Interest bearing loans and borrowings	11 232 144	15 981 901	7 134 494	10 151 470
Current tax liabilities	334 390	475 794	954 214	1 357 724
Other unallocated liabilities and eliminations	852 625	1 213 177	706 671	1 005 502
Total liabilities	**19 674 186**	**27 993 845**	**11 767 535**	**16 743 693**

Information on geographical segments

The major part of the Company's assets (approx. 99%) is located in Latvia. Information on sales by geographical segments is provided in Note 3.

30. 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

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in the foreign exchange rates. The Company's exposure to the risk of changes in the foreign exchange rates relates primarily to the Company's operating activities (when revenue or expense is denominated in a different currency from the Company's functional currency). Lats are pegged to 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 is euro – opening balance as of this date as well as comparative historical information is translated to euro at fixed exchange rate of 0.702804 lats per one euro. Therefore, for evaluation of foreign currency risk as of 31 December 2013, the LVL and EUR currencies are risk free and disclosed together.

A significant part of the Company'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 though pricing policies.

The Company's financial assets and liabilities, which are exposed to foreign currency risk, comprise cash, trade receivables, trade payables, as well as current and non-current loans and borrowings. The Company is mainly exposed to the foreign currency risk of US dollar (USD) and Russian roubles (RUB).

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

		USD currency	RUB currency	Other currencies	LVL and EUR currencies	Total LVL	Total EUR
		LVL	LVL	LVL	LVL	LVL	EUR
Trade receivables	2013	1 073 201	6 228 195	6 152	12 270 708	19 578 256	27 857 348
	2012	613 117	6 121 132	-	12 937 594	19 671 843	27 990 511
Loans receivable	2013	62 592	-	-	1 601 593	1 664 185	2 367 922
	2012	29 205	-	-	869 596	898 801	1 278 879
Other receivables	2013	33 599	-	-	678 803	712 402	1 013 657
	2012	61 889	3 269	16 867	315 657	397 682	565 851
Cash	2013	97 116	615 140	-	474 030	1 186 286	1 687 933
	2012	166 885	483 431	-	688 045	1 338 361	1 904 316
Total financial assets, LVL	2013	1 266 509	6 843 335	6 152	15 025 133	23 141 129	
	2012	871 096	6 607 832	16 867	14 810 892	22 306 687	
Total financial assets, EUR	2013	1 802 079	9 737 188	8 754	21 378 839		32 926 860
	2012	1 239 458	9 402 098	24 000	21 074 001		31 739 557
Loans and borrowings	2013	15 074	-	-	10 965 967	10 981 041	15 624 614
	2012	-	-	-	7 006 979	7 006 979	9 970 033
Payables and other liabilities	2013	729 001	82 286	15 000	7 230 811	8 057 098	11 464 218
	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	18 196 777	19 038 139	
	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	25 891 681		27 088 831
	2012	278 378	113 416	13 765	15 563 897		15 969 456
Net asset / (liabilities), LVL	2013	**522 433**	**6 761 049**	**(8 848)**	**(3 171 644)**	**4 102 990**	
	2012	**675 451**	**6 528 123**	**7 193**	**3 872 523**	**11 083 290**	
Net asset / (liabilities), EUR	2013	**743 355**	**9 620 105**	**(12 589)**	**(4 512 842)**		**5 838 029**
	2012	**961 081**	**9 288 684**	**10 235**	**5 510 105**		**15 770 105**

30. Financial risk management (cont'd)

The Company has evaluated potential effect on profit before tax on the USD and RUB currency exchange rate changes for the year end closing balances in the table below. Effect on equity would include effect on profit adjusted by corporate income tax 15%.

Currency exchange rate change		Potential net effect from USD exchange rate change	Potential net effect from RUB exchange rate change	Total potential net effect	
		LVL	LVL	LVL	EUR
+10%	2013	(47 494)	(614 641)	(662 135)	(942 133)
	2012	(61 405)	(593 466)	(654 870)	(931 797)
+5%	2013	(24 878)	(321 955)	(346 832)	(493 498)
	2012	(32 164)	(310 863)	(343 027)	(488 084)
-2.50%	2013	13 396	173 360	186 756	265 730
	2012	17 319	167 388	184 707	262 814

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in the market interest rates. The Company's exposure to the risk of changes in the market interest rates relates primarily to the Company's long-term debt obligations with floating interest rates.

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.

The Company does not have any policies for managing the interest rate risks.

Interest rate sensitivity

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Company's profit before tax (through the impact on mainly EURIBOR floating rate borrowings). There is no impact on the Company's equity, except for the effect on the current year result.

Year	EURIBOR change	Effect on profit before tax	
		LVL	EUR
2013	+1.0%	(90 659)	(128 996)
	-0.5%	45 329	64 498
2012	+1.0%	(75 559)	(107 511)
	-0.5%	37 780	53 755

Liquidity risk

The Company manages its liquidity risk by arranging an adequate amount of committed credit facilities with banks, planning of terms of payment of trade payables, developing and analysing future cash flows comprising both the existing and planned loans and interest on such loans.

30. Financial risk management (cont'd)

The table below summarises the maturity profile of the Company's financial liabilities at 31 December 2013 based on contractual undiscounted payments.

		On demand	Less than 3 months	3 to 12 months	1 to 5 years	> 5 years	**Total**
		LVL	LVL	LVL	LVL	LVL	LVL
Interest bearing loans and borrowings	2013	-	1 057 758	3 160 364	6 739 194		**10 957 315**
	2012	-	1 524 337	4 563 854	1 022 440	-	**7 110 631**
Other finance liabilities	2013	-	21 829	65 487	121 127		**208 444**
	2012	-	7 659	22 977	39 377	-	**70 013**
Trade and other payables	2013	2 915 225	3 770 841	114 726	-	-	**6 800 793**
	2012	589 929	2 166 299	533 434	-	-	**3 289 662**
TOTAL	**2013**	**2 915 225**	**4 850 428**	**3 340 577**	**6 860 321**	**-**	**17 966 552**
	2012	**589 929**	**3 698 295**	**5 120 265**	**1 061 817**	**-**	**10 470 306**

		On demand	Less than 3 months	3 to 12 months	1 to 5 years	> 5 years	**Total**
		EUR	EUR	EUR	EUR	EUR	EUR
Interest bearing loans and borrowings	2013	-	1 505 054	4 496 792	9 589 009	-	**15 590 855**
	2012	-	2 168 936	6 493 779	1 454 801	-	**10 117 516**
Other finance liabilities	2013	-	31 060	93 180	172 349	-	**296 589**
	2012	-	10 898	32 694	56 028	-	**99 620**
Trade and other payables	2013	4 147 992	5 365 424	163 241	-	-	**9 676 657**
	2012	839 393	3 082 366	759 009	-	-	**4 680 768**
TOTAL	**2013**	**4 147 992**	**6 901 538**	**4 753 213**	**9 761 358**	**-**	**25 564 101**
	2012	**839 393**	**5 262 200**	**7 285 482**	**1 510 829**	**-**	**14 897 904**

Credit risk

The Company is exposed to credit risk through its trade and other receivables, issued loans, as well as cash. The Company manages its credit risk by continuously assessing the credit history of customers and borrowers 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. Factoring of trade receivables is used to limit the risks.

As of 31 December 2013 credit risk concentration of trade receivables was 41% (2012: 48%). This credit risk concentration is represented by the receivable from related party OOO Olfa.

Capital management

The primary objective of the Company's capital management is to ensure that the Company maintains a strong credit rating and healthy capital ratios to support its business and increase the shareholder value. The Company manages its capital structure and makes adjustments to it in light of changes in economic conditions.

The Company does not have a capital management policy. From time to time, the management controls capital using a gearing ratio as following:

	31.12.2013		31.12.2012	
	LVL	EUR	LVL	EUR
Interest bearing loans and other financial liabilities	10 981 041	15 624 614	7 018 512	9 986 443
Trade and other payables	6 800 793	9 676 657	3 289 662	4 680 767
Less: cash and cash equivalents	(1 186 286)	(1 687 933)	(1 338 361)	(1 904 316)
Net debt	16 595 548	23 613 338	8 969 813	12 762 894
Equity	43 908 479	62 476 137	36 387 156	51 774 259
Total capital and net debt	**60 504 027**	**86 089 475**	**45 356 969**	**64 537 153**
Gearing ratio	27%	27%	20%	20%

30. Financial risk management (cont'd)

Gearing ratio is calculated as net debt divided by total capital plus net debt. Net debt comprises interest bearing loans and borrowings, trade and other payables, less cash and cash equivalents, excluding discontinued operations. Capital includes equity attributable to the equity holders of the Company.

At 31 December 2013, the Company met all capital requirements set by the credit institutions. According to legal requirements, the Board must ask the shareholders' meeting to address the going concern issue if the equity falls below 50% of the total capital.

Fair value

The fair value of the financial assets and liabilities represent the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

The following table provides the fair value measurement hierarchy of the Company's assets and liabilities at 31 December 2013 valuation date.

			Fair value measurement using		
Assets and liabilities for which FV is disclosed	Total at carrying value	Total at fair value	quoted prices in active markets (level 1)	significant observable inputs (level 2)	significant unobservable inputs (level 3)
	LVL	LVL	LVL	LVL	LVL
Loans to management, employees and shareholders	1 664 185	1 664 185			1 664 185
Finance lease obligations	208 427	208 427		208 427	
Floating rate borrowings	10 772 614	10 772 614		10 772 614	
	EUR	EUR	EUR	EUR	EUR
Loans to management, employees and shareholders	2 367 922	2 367 922			2 367 922
Finance lease obligations	296 565	296 565		296 565	
Floating rate borrowings	15 328 049	15 328 049		15 328 049	

The following methods and assumptions were used to estimate the fair values:

- Cash and short-term deposits, trade receivables, trade payables and other current liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments.
- The fair value of the loans and borrowings has been calculated by discounting the expected future cash flows at prevailing interest rates, which are based on Level 2 measurement. No material difference between book value and fair value has been recognised.

31. Standards issued but not yet effective

The Company has not applied the below disclosed standards and interpretations that have been issued as of the date of authorisation of these financial statements for issue, but which are not yet effective. The Company plans to adopt these standards and interpretations on their effectiveness date provided they are endorsed by the EU.

IFRS 10 Consolidated Financial Statements (effective for financial years beginning on or after 1 January 2014)

IFRS 10 establishes a single control model that applies to all entities, including special purpose entities. The changes introduced by IFRS 10 will require management to exercise significant judgment to determine which entities are controlled and, therefore, are required to be consolidated by a parent. Examples of areas of significant judgment include evaluating de facto control, potential voting rights or whether a decision maker is acting as a principal or agent. IFRS 10 replaces the part of IAS 27 Consolidated and Separate Financial Statements related to consolidated financial statements and replaces SIC 12 Consolidation — Special Purpose Entities. This standard will not have any effect on standalone statements of the company.

IFRS 11 Joint Arrangements (effective for financial years beginning on or after 1 January 2014)

IFRS 11 eliminates proportionate consolidation of jointly controlled entities. Under IFRS 11, jointly controlled entities, if classified as joint ventures (a newly defined term), must be accounted for using the equity method. Additionally, jointly controlled assets and operations are joint operations under IFRS 11, and the accounting for those arrangements will generally be consistent with today's accounting. That is, the entity will continue to recognize its relative share of assets, liabilities, revenues and expenses. The Company has not yet evaluated the impact of the implementation of this standard.

IFRS 12 Disclosures of Interests in Other Entities (effective for financial years beginning on or after 1 January 2014)

IFRS 12 combines the disclosure requirements for an entity's interests in subsidiaries, joint arrangements, investments in associates and structured entities into one comprehensive disclosure standard. A number of new disclosures also will be required such as disclosing the judgments made to determine control over another entity. The Company has not yet evaluated the impact of the implementation of this standard.

31. Standards issued but not yet effective (cont'd)

Amendments to IFRS 10, IFRS 11 and IFRS 12 – Transition Guidance (effective for financial years beginning on or after 1 January 2014)

These amendments clarify the transition guidance in IFRS 10 Consolidated Financial Statements and also provide additional transition relief in IFRS 10, IFRS 11 Joint Arrangements and IFRS 12 Disclosure of Interests in Other Entities. The Company will evaluate the impact of the implementation of these amendments together with implementation of respective standards.

Amendments to IFRS 10, IFRS 12 and IAS 27 - Investment Entities (effective for financial years beginning on or after 1 January 2014)

The amendments apply to entities that qualify as investment entities. The amendments provide an exception to the consolidation requirements of IFRS 10 by requiring investment entities to measure their subsidiaries at fair value through statement of comprehensive income, rather than consolidate them. The implementation of this amendment will not have any impact on the financial statements of the Company, as it is not an investment entity.

IFRS 14 Regulatory Deferral Accounts (effective for financial years beginning on or after 1 January 2016, once endorsed by the EU)

It is an interim standard that provides first-time adopters of IFRS with relief from derecognizing rate-regulated assets and liabilities until a comprehensive project on accounting for such assets and liabilities is completed by the IASB. The implementation of this standard will not have any impact on the Company.

IFRS 15 Revenue from contracts with customers (effective for financial years beginning on or after 1 January 2017, once endorsed by EU)

IASB has issued a new revenue recognition standard which determines how and when an entity will recognize revenue and replaces current requirement of IFRS relating to contracts with clients.

Amendments to IAS 19 Employee Benefits (effective for financial years beginning on or after 1 July 2014, once endorsed by the EU)

The amendments address accounting for the employee contributions to a defined benefit plan. Since the Company's employees do not make such contributions, the implementation of this amendment will not have any impact on the financial statements of the Company.

Amendment to IAS 27 Separate Financial Statements (effective for financial years beginning on or after 1 January 2014)

As a result of the new standards IFRS 10, IFRS 11 and IFRS 12 this standard was amended to contain accounting and disclosure requirements for investments in subsidiaries, joint ventures and associates when an entity prepares separate financial statements. IAS 27 Separate Financial Statements requires an entity preparing separate financial statements to account for those investments at cost or in accordance with IFRS 9 Financial Instruments. The implementation of this amendment will not have any impact on the financial statements of the Company.

Amendments to IAS 28 Investments in Associates and Joint Ventures (effective for financial years beginning on or after 1 January 2014)

As a result of the new standards IFRS 10, IFRS 11 and IFRS 12 this standard was renamed and addresses the application of the equity method to investments in joint ventures in addition to associates. The implementation of this amendment will not have any impact on the financial statements of the Company.

Amendment to IAS 32 Financial Instruments: Presentation - Offsetting Financial Assets and Financial Liabilities (effective for financial years beginning on or after 1 January 2014)

This amendment clarifies the meaning of "currently has a legally enforceable right to set-off" and also clarifies the application of the IAS 32 offsetting criteria to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous. The Company has not yet evaluated the impact of the implementation of this amendment.

Amendment to IAS 36 Impairment of Assets – Recoverable Amount Disclosures for Non-Financial Assets (effective for financial years beginning on or after 1 January 2014)

This amendment adds a few additional disclosure requirements about the fair value measurement when the recoverable amount is based on fair value less costs of disposal and removes an unintended consequence of IFRS 13 to IAS 36 disclosures. The amendment will not have any impact on the financial position or performance of the Company, however may result in additional disclosures.

Amendment to IAS 39 Financial Instruments: Recognition and Measurement - Novation of Derivatives and Continuation of Hedge Accounting (effective for financial years beginning on or after 1 January 2014)

The amendment provides relief from discontinuing hedge accounting when novation of a derivative designated as a hedging instrument meets certain criteria. The amendment will not have any impact on the financial position or performance of the Company, since it does not apply hedge accounting.

31. Standards issued but not yet effective (cont'd)

Improvements to IFRSs (effective for financial years beginning on or after 1 July 2014, once endorsed by the EU)

In December 2013 IASB issued omnibus of necessary, but non-urgent amendments to the following standards:

- IFRS 1 First-time adoption of IFRS;
- IFRS 2 Share-based Payment;
- IFRS 3 Business Combinations;
- IFRS 8 Operating Segments;
- IFRS 13 Fair value Measurement;
- IAS 16 Property, Plant and Equipment;
- IAS 24 Related Party Disclosures;
- IAS 38 Intangible Assets;
- IAS 40 Investment property.

The adoption of these amendments may result in changes to accounting policies or disclosures but will not have any impact on the financial position or performance of the Company.

IFRIC Interpretation 21: Levies (effective for financial years beginning on or after 1 January 2014)

This interpretation addresses the accounting for levies imposed by governments. Liability to pay a levy is recognized in the financial statements when the activity that triggers the payment of the levy occurs. The Company has not yet evaluated the impact of the implementation of this interpretation.

32. Events after the reporting year end

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 Komercbanka. The receivable from OOO Olfa amounting to LVL 5.5 million (EUR 7.8 million) was pledged in favour of AS Trasta Komercbanka at the agreement renovation date (for additional information – see related party disclosures).

On 8 May 2014 the Company signed agreements to acquire additional 25.8% minority shares in its subsidiary Silvanols. The transfer of shareholding has not been completed by the signing date of these financial statements. After completion of the transactions, the Company will hold 96.68% of Silvanols shares.

On 28 May 2014 reorganisation - merging process was completed in the course of which eleven AS OlainFarm owned pharmacies SIA Esplanāde Farm, SIA Vita Plus aptieka, SIA Veritas-Farm, SIA Teriaks Pļaviņu aptieka, SIA Rudens laiks, SIA Aptieka Rudens 10, AS Lege Artis Rīga, SIA Juko 99, SIA Inula Farma, SIA Daugavkrasta farmācija, SIA Baltā Aptieka I.P.I. were merged into SIA Latvijas Aptieka.

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.