

JOINT STOCK COMPANY OLAINFARM
(UNIFIED REGISTRATION NUMBER 40003007246)
CONSOLIDATED ANNUAL REPORT
FOR THE YEAR ENDED 31 DECEMBER 2012

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

Olaine, 2013

Contents

Contents	2
General information	3
Major shareholders	12
Statement of Responsibility of the Management	22
Statement of consolidated comprehensive income	23
Consolidated statement of financial position	24
Consolidated statement of cash flow	26
Statement of consolidated changes in equity	27
Notes to the consolidated financial statements	28

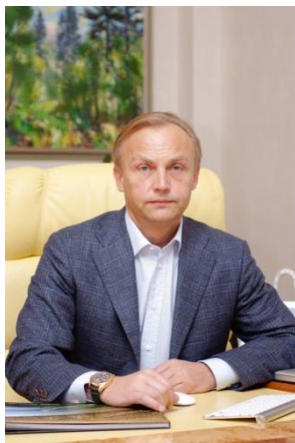
General information

Name of the Parent Company	OLAINFARM
Legal status of the Parent Company	JOINT STOCK COMPANY
Unified registration number, place and date of registration of the Parent Company	40003007246 Riga, 10 June 1991 (re-registered on 27 March 1997)
Registered office of the Parent Company	Rūpnīcu iela 5 Olaine, Latvia, LV-2114
Major shareholders of the Parent Company	Valērijs Maligins - 29.24% SIA Olmafarm - 42.56% AS Swedbank Clients Account – 12.64%

Board

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

Valērijs Maligins, Chairman of the Board



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

Positions held in other companies:

SIA Olmafarm, Chairman of the Board

Hunting Club Vitkupe, Board Member

Participation in other companies:

SIA Lano Serviss (25.04%)

SIA Vega MS (60%)

SIA Briz (12.48%)

SIA Olfa Press (45%)

SIA Carbochem (50%)

SIA Aroma (75%)

SIA Olmafarm (100%)

SIA Escargot (33.50%)

SIA Olalex (50%)

Number of shares of AS Olainfarm owned (as of December 31, 2012):

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

Jelena Borcova, Board Member



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

Positions held in other companies:

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

Participation in other companies: none

Number of shares of AS Olainfarm owned (as of December 31, 2012): 0

Inga Liščika



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

Positions held in other companies:

SIA Pharma and Chemistry Competence Centre of Latvia, Council Member

AS Lege Artis Rīga, Council Member;

SIA First Class Lounge, Board Member

SIA Olalex, Board Member

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

Participation in other companies: none

Number of shares of AS Olainfarm owned (as of December 31, 2012): 1 302

Salvis Lapiņš



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

Positions held in other companies: none

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

Number of shares of AS Olainfarm owned (as of December 31, 2012): 83 653

Veranika Dubickaya



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

Positions held in other companies: none

Participation in other companies: none

Number of shares of AS Olainfarm owned (as of December 31, 2012): 0

Council

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

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

Valentina Andreeva

Valentina Andreeva, the chairman of the council

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

Positions held in other companies: none

Participation in other companies: none

Number of shares of AS Olainfarm owned (as of December 31, 2012): 0

Jelena Dudko, Deputy Chairperson of the Council

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

Positions held and participation in other companies: none

Number of shares of AS Olainfarm owned (as December 31, 2012): 0

Aleksandrs Raicis

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

Positions held in other companies:

SIA BRIZ , Board Member

Participation in other companies:

SIA SUPEREURO (17%)

SIA VIP Pharma (50%)

SIA Recesus (30%).

SIA Briz (10.96%)

Number of shares of AS Olainfarm owned (as December 31, 2012): 0

Volodimir Krivozubov

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

Positions held in other companies:

OOO Torgovije Tehnologii (Ukraine), General Director

Participation in other companies: none

Number of shares of AS Olainfarm owned (as of December 31, 2012): 0

Signe Baldere-Sildedze (till April 27, 2012)

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

Positions held in other companies: SIA Louvre, Board Member

Participation in other companies: SIA Louvre (50%)

Number of shares of AS Olainfarm owned (as of December 31, 2012): 0

Tālis Talents (no 2012.gada 27.aprīļa)

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

Positions held in other companies: none

Participation in other companies: none

Number of shares of AS Olainfarm owned (as of December 31, 2012): 0

Movements in the Board during the year

1 January 2012 through

30 September 2012

None

Movements in the Council during the year

1 January 2012 through

30 September 2012

On April 27, 2012 "Olainfarm" Shareholder Meeting Board instead of member

S. Baldere- Sildedze elected Tālis Talent.

Subsidiaries

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

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

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

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

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

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

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

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

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

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

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

„Aptieka Rudens 10” (100%)
Rūpnīca iela 5, Olaine, LV-2114, from 24.05.2012.

SIA „Rudens Laiks” (100%)
Rūpnīca iela 5, Olaine, LV-2114, from 24.05.2012.

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

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

Core business activity

Manufacture of basic pharmaceutical products and pharmaceutical preparations

Audit Committee

Žanna Karaseva

Financial year

1 January – 31 December 2012

Auditors

Iveta Vimba

Member of the Board

Latvian Certified Auditor

Certificate No. 153.

SIA Ernst & Young Baltic

Muitas iela 1A, Riga

Latvia, LV-1010

Licence No. 17

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

Major shareholders

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

MANAGEMENT REPORT

General information

During the reporting period changes have been made to the composition of the Concern and it now consists from parent company a/s „Olainfarm”, its daughter companies SIA „Ozols JRD”, whose major activities will be related to organizing sports and active leisure events in Olaine, daughter company „Olainfarm Enerģija”, that is engaged in production of electric energy using cogeneration technologies, travel agency „First Class Lounge” and pharmaceutical retail companies SIA „Ilmas Aptieka”, SIA „Juko 99”, SIA „Veritas Farm”, SIA „Inula Farma”, a/s „Lege Artis” and SIA „Vita Plus”. In February 2012, shares in SIA „Teriaks Pļaviņu Aptieka”, in June 2012 shares in SIA „Rudens Laiks” and SIA „Rudens 10” were purchased, but in July 2012 shares in SIA „Esplanāde Farm” were also acquired. In December 2012 an agreement was signed whereby 100% of shares in SIA „Balta Aptieka IPI” were purchased

The Group 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 Group's operations is to produce reliable and effective top quality products for Latvia and the rest of the world. Products made by the Group are being exported to more than 30 countries of the world, including the Baltics, Russia, other CIS, Europe, Asia, North America and Australia.

Corporate mission and vision

Corporate mission:

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

Corporate vision:

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

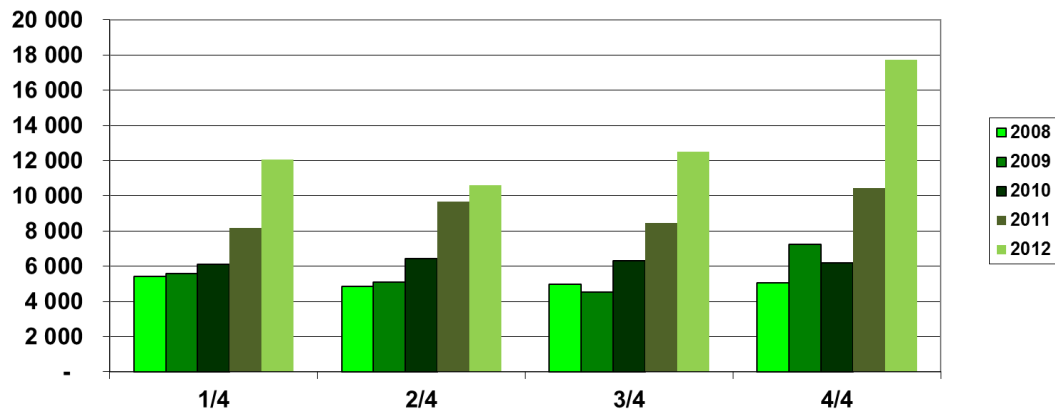
Operational environment

Retail and wholesale of pharmaceutical products is well controlled and regulated in all countries where company operates, therefore, unlike with many other sectors, it is much less subjected to significant political, conjuncture and even economic fluctuations. During the reporting period no major changes took place in company's main retail and wholesale markets and they are not expected in the nearest future. During the reporting period all major retail and wholesale markets of the company have grown in monetary terms by 4-15%. No administrative decisions that would significantly influence our operations were taken in any of the countries and they are not expected in the nearest years to come.

Financial results

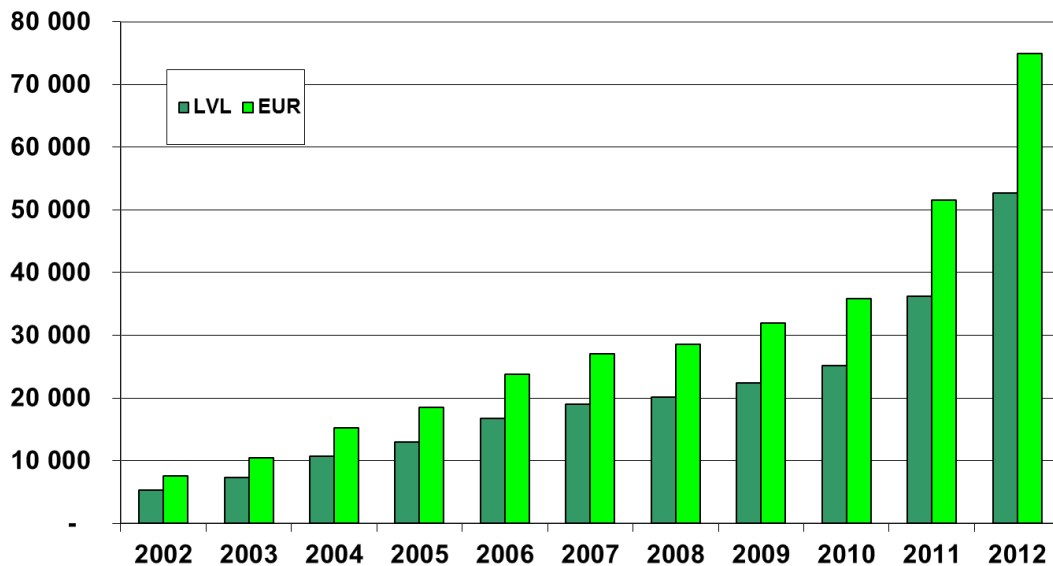
During the 4th quarter of 2012 the sales of company grew by more than 70% compared to 4th quarter of 2011 and reached 17.7 million lats (25.3 million euros) which makes this the most successful quarter in a corporate history. We have to admit though that because of the possible delay with renewal of registration documents, there is a risk that at the beginning of 2013, imports of several products to Ukraine will be temporarily limited. For this reason, during the fourth quarter extra shipments were made to Ukraine. It is very difficult to identify the precise value of extra shipments, however, it has been preliminary estimated that in addition to normal demand, products worth approximately 3.7 million lats (5.2 million euros), were shipped to Ukraine in advance. It is expected that for about this volume shipments to Ukraine will be smaller in 2013.

Sales by Quarters, thsnd. LVL

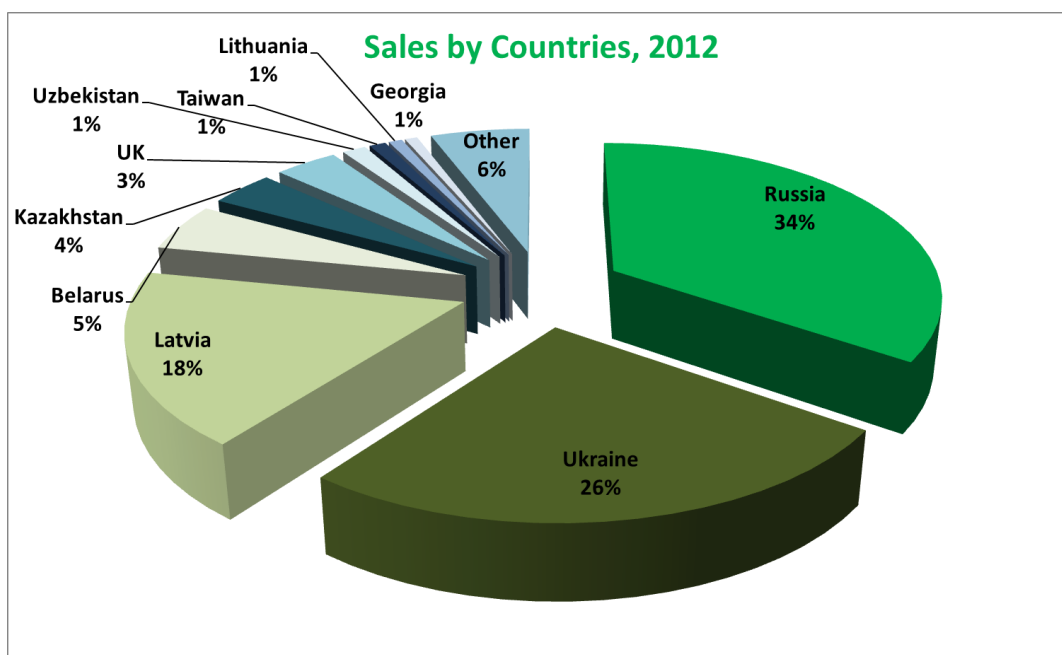


A whole year has also been the best in corporate history in terms of sales. Consolidated sales have reached 52.9 million lats (75.3 million euro), which represents an increase by 44% compared to 2011.

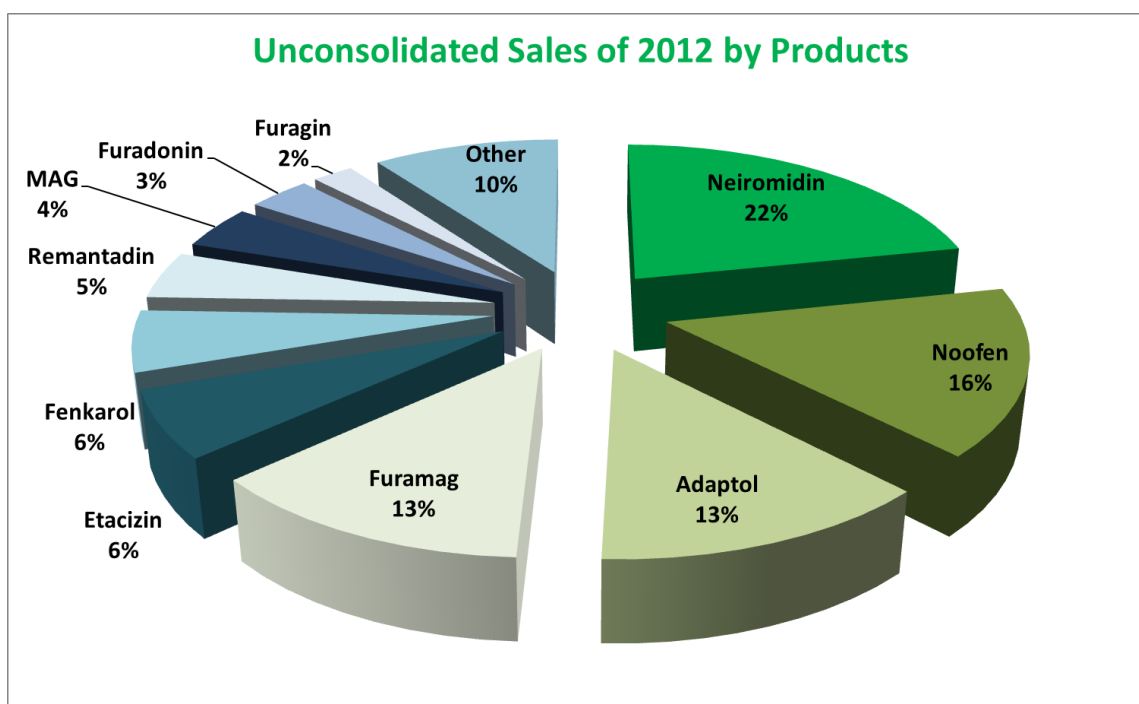
Sales in thsnd.



During 2012 sales to all our key markets continued growing, except Belarus, which experienced a decline of 10% compared to rather successful 2011. The biggest sales increases were achieved in Taiwan, where sales grew 11 times, in Latvia, where sales grew more than threefold, UK where sales increased by 61%, Ukraine by 44% and Russia, where sales grew by 31%. Major sales markets of AS "OlainFarm" in 2012 were Russia, Latvia, Ukraine, Belarus, Kazakhstan and the UK.

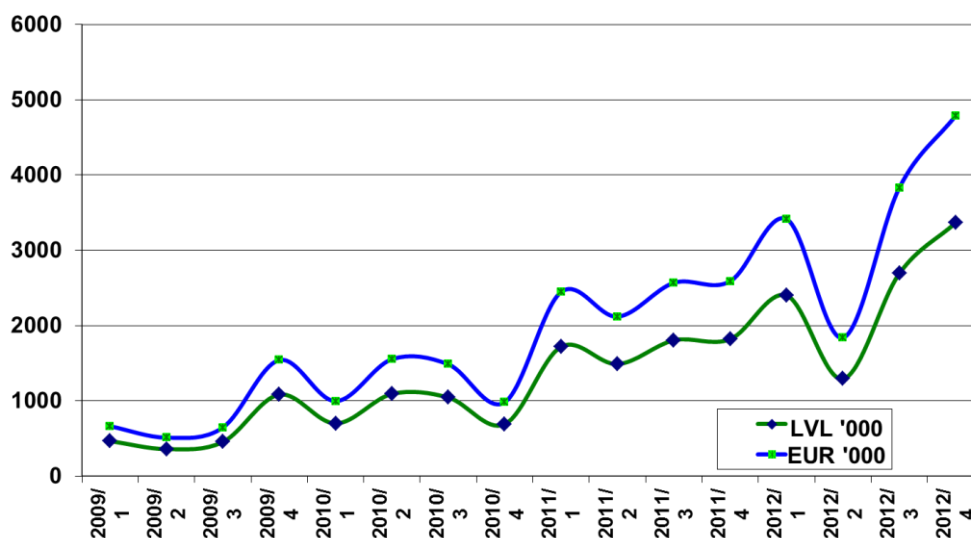


During 2012 the share of bestselling products Neiromidin® in total sales stabilized at the level of 22%. Share of all the other products has also remained relatively unchanged. Product portfolio is still well diversified, as 10 best-selling products make up 90% of total sales.



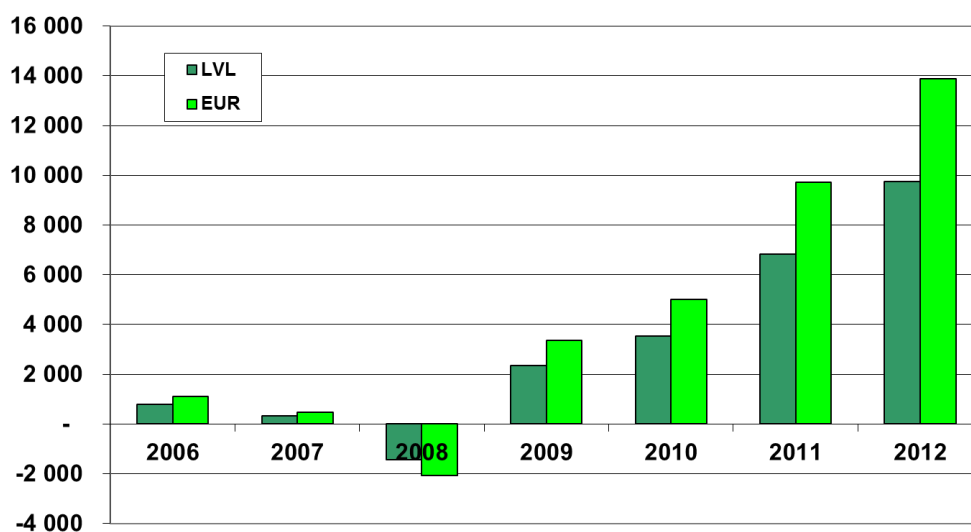
Yet another sales record is also reflecting in profitability of the company. 4th quarter of this year has also been the most profitable quarter in corporate history so far. During this period a profit of 4.5 million lats (6.4 million euro) has been made. However, since commercialisation of patents and technologies for R-fenibut and R-fenotropil is being delayed, the Board has made a decision to make provisions worth 1.1 million lats (1.6 million euros) for these assets thus reducing quarterly and annual profit. Making of these provisions has resulted in net profit of 4th quarter being 3.4 million lats (4.8 million euro), which still represents an increase by 85% compared to 4th quarter of 2011.

Profit by Quarters



Since 4th quarter and the entire year has been very successful, in terms of sales, new record of profit for the year has also been set. After making the above mentioned provisions, during 2012 the company has made a net profit of 9.8 million lats (13.9 million euro), which is an increase by 41% compared to 2011.

Net Profit, thsnd.



Other financial indicators of the company are also experiencing improvements.

Financial indicator	31.12.2012.	31.12.2011.	% to previous period	31.12.2010
Sales (LVL)	52 912 448	36 671 843	144%	25 023 430
Net profit (LVL)	9 752 488	6 914 051	141%	3 539 450
EBITDA (LVL)	14 088 793	10 354 825	136%	6 365 686
EBIT (LVL)	11 991 995	8 601 136	139%	4 521 093
Sales (EUR)	75 287 631	52 179 332	144%	35 605 134
Net profit (EUR)	13 876 540	9 837 808	141%	5 036 184
EBITDA (EUR)	20 046 546	14 733 589	136%	9 057 555
EBIT (EUR)	17 063 072	12 238 314	139%	6 432 936
EBITDA margin, %	27	29		25
Net margin, %	18	19		14
EBIT margin, %	23	23		18
ROA, %	19,4	16,6		10,9
ROE, %	26,8	25,4		17,1
Current ratio	3,5	2,9		3,6
EPS, LVL	0,69	0,49	141%	0,25
EPS, EUR	0,99	0,70	141%	0,356
Share price, end of the period (LVL)	3,69	2,46	150%	2,17
Share price, end of the period (EUR)	5,25	3,49	150%	3,088
P/E, last 12 months	5,3	5,0		8,6
Market capitalisation at the end of the period (LVL)	51 973 938	34 578 866	150%	30 564 619
Market capitalisation at the end of the period (EUR)	73 952 251	49 201 294	150%	42 494 721
P/B	1,4	1,3		1,48

Annual meeting of shareholders of A/s "Olainfarm" held on April 27, 2012 approved operating plan of the Concern. According to it, sales of the Concern in 2012 are planned to be 48 million lats (68.3 million euros), but the net profit will reach 8.6 million lats (12.24 million euros). According to this unaudited report for 2012, annual sales plan has been outperformed by 10.2%, while annual profit target has been exceeded by 13.4%.

Dividends

During the reporting period the company has paid dividends for profit made in 2011. 0.0616 lats per share were paid. In total 868 thousand lats were paid in dividends, with pay-out ratio being approximately 12.5% of profits of 2011. 352 thousand lats were paid in dividends for profit made in 2010, representing approximately 10% of profit of that year. Although no formal dividend policy has been approved in the company the Board intends to increase the pay-out ratio by 2.5 percentage points every year in coming years, if possible. The Board intends to propose such approach to shareholders until the pay-out ratio reaches 25%.

Shares and stock market

Rapid improvement of Company's financial indicators over the last three years is reflected in fluctuations of price of Company's shares on NASDAQ OMX Riga, as during this period the price of share has increased by more than 290%. During the reporting period price of share mostly fluctuated around 3 lats (4.27 euros), however, in the mid November is experienced a rapid increase reaching 3.71 lats (5.28 euro), the 14 years maximum. After the end of the reporting period a price increase continued and shortly before this report is published it fluctuated around 3.9 lats (5.60 euro) per share. During 2012 price of share of a/s "OlainFarm" has been fluctuating between 2.495 and 3.71 lats (3.55 and 5.28 euros).

Trading volumes and price of shares of "Olainfarm" on NASDAQ OMX Riga (LVL) (January 2010 – December 2012)



During the year price of share of a/s "Olainfarm" increased significantly more than OMX Riga index. During this period OMX Riga index increased by mere 6.67%, while price for share of "Olainfarm" by 50.31%, which is clearly the biggest price increase in Official list of Nasdaq OMX Riga and one of the most rapid price increases in Baltic Official list.

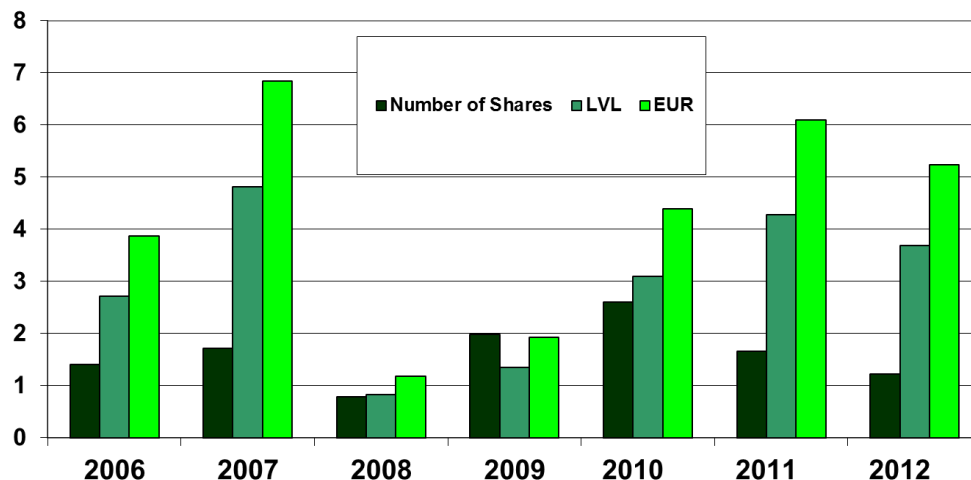
Rebased price of Olainfarm share vs. rebased OMX Riga index (2012)



-- OMX Riga

-- AS "OlainFarm"

Trading of Shares at NasdaqOMX Riga, mln.



Since April 12, 2012 bank Finasta provides liquidity for company's shares on Nasdaq OMX Riga. According to the agreement signed with Finasta, it will constantly ensure supply and demand for shares worth 2000 lats, with a spread of 4%. However the number of traded shares 2012 compared to 2011 has dropped by 27% to 1.2 million shares, while turnover has dropped by 14% to 3.7 million lats (5.2 million euro).

Development

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

During 2012 41 registration cases of OlainFarm products have been completed in 11 countries, mostly Central Asian countries of the FSU. During the last quarter 4 new registrations were finalized for Olvazol, Entrol and Memodex.

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

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

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

In November of this year SIA “Latvijas Aptieka”, a daughter company of AS “OlainFarm” purchased two pharmacies in Ogre.

Future outlook

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

The company also intends to involve itself more actively in sub-segments of medical devices and food supplements and for development of these sub-segments it intends to apply its marketing and promotion resources in CIS and other countries.

Environment

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

15 new data sheets have been prepared for chemical products produced by AS OlainFarm. This will allow a further increase of safety standards in handling of these products.

In November this year AS “OlainFarm” was successfully recertified according to ISO 14000 Environmental management standards.

Social responsibility

Since 2011 the Company has started supporting SOS Children village in region of Olaine. This year the company will support provision of psychological assistance for families affected by crisis. Also significant support is being provided to football club “FK Olaine”, Sports Club “Olimps” of Olaine, Motoclub of Olaine, Tennis School of Marupe. The Company also supports construction of the Orthodox church in Olaine, was one of the major supporters of Olaine Town Fest.

In October 2012 Company awarded 3 most successful students of Department of Chemistry of University of Latvia with Solomon Hiller scholarships of 150 lats per month for one academic.



Events after the end of the reporting period

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

In February 2013 an agreement was signed whereby company purchased 100% shares in SIA „Elpas Aptieka”, which owns 3 pharmacies in Riga. With this purchase number of pharmacies owned by AS “OlainFarm” was increased to 44.

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.

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

Jelena Borcova
Member of the Board

28 February 2013

Statement of Responsibility of the Management

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

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

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

For the Board of JSC Olainfarm:



Jelena Borcova
Member of the Board





28 February 2013

Statement of consolidated comprehensive income

	Notes	2012 LVL	2012 EUR	2011 LVL	2011 EUR
Net sales	3	52,912,448	75,287,631	36,671,843	52,179,332
Changes in stock of finished goods and work in progress		(495,798)	(705,457)	(592,690)	(843,322)
Other operating income	4	1,057,017	1,504,000	1,066,044	1,516,844
Cost of materials:					
<i>raw materials and consumables</i>		(9,401,988)	(13,377,824)	(4,190,779)	(5,962,940)
<i>other external costs</i>		(2,044,332)	(2,908,822)	(1,714,167)	(2,439,040)
		(11,446,320)	(16,286,646)	(5,904,946)	(8,401,981)
Staff costs:					
<i>Wages and salaries</i>	8	(8,008,818)	(11,395,521)	(5,887,125)	(8,376,624)
<i>Statutory social insurance contributions</i>	8	(1,973,072)	(2,807,429)	(1,378,148)	(1,960,928)
		(9,981,890)	(14,202,950)	(7,265,273)	(10,337,552)
Depreciation/ amortization	10,11.	(2,096,798)	(2,983,475)	(1,890,398)	(2,689,794)
Other operating expense	5	(17,956,664)	(25,550,031)	(13,620,153)	(19,379,732)
Income from investments into subsidiaries		(1,000)	(1,423)	-	-
Financial income	6	53,154	75,631	136,709	194,519
Financial expense	7	(268,433)	(381,946)	(220,567)	(313,839)
(Loss)/ profit before taxes		11,775,716	16,755,334	8,380,569	11,924,475
Corporate income tax		(1,990,006)	(2,831,523)	(1,367,057)	(1,945,147)
Deferred corporate income tax		(33,222)	(47,271)	(99,461)	(141,520)
(Loss)/ profit for the reporting year		9,752,488	13,876,540	6,914,051	9,837,808
Basic and diluted earnings per share	9	0.692	0.985	0.491	0.698

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

For the Board of JSC Olainfarm:



 Jelena Borcova
 Member of the Board


28 February 2013


Consolidated statement of financial position

		ASSETS			
	Notes	31.12.2012 LVL	31.12.2012 EUR	31.12.2011 LVL	31.12.2011 EUR
NON-CURRENT ASSETS					
Intangible assets					
Goodwill	10	2,178,102	3,099,160	1,417,186	2,016,474
Patents	10	101,429	144,320	1,389,588	1,977,205
	10	3,980,000	5,663,030	3,980,000	5,663,030
Other intangible assets	10	1,056,656	1,503,486	599,105	852,450
Prepayments for intangible assets		126,278	179,677	224,187	318,989
TOTAL		7,442,465	10,589,674	7,610,066	10,828,148
Property, plant and equipment					
Land, buildings and constructions	11	7,843,525	11,160,331	6,795,905	9,669,702
Equipment and machinery	11	2,610,880	3,714,948	2,637,829	3,753,293
Other tangible assets	11	1,104,182	1,571,109	812,051	1,155,444
Construction in progress	11	975,408	1,387,881	854,852	1,216,345
Prepayments for property, plant and equipment		139,165	198,014	375,889	534,842
TOTAL		12,673,160	18,032,282	11,476,526	16,329,625
Financial assets					
Other securities and investments		175,450	249,643	-	-
Prepayments for investments		-	-	1,000	1,423
TOTAL		175,450	249,643	1,000	1,423
TOTAL NON-CURRENT ASSETS		20,291,075	28,871,599	19,087,592	27,159,197
CURRENT ASSETS					
Inventories					
Raw materials		1,218,455	1,733,705	1,013,608	1,442,234
Work in progress		4,156,216	5,913,763	3,602,299	5,125,610
Finished goods and goods for resale		2,068,558	2,943,293	2,417,315	3,439,529
Prepayments for goods		156,384	222,514	107,134	152,438
TOTAL	12	7,599,613	10,813,275	7,140,356	10,159,811
Receivables					
Trade receivables	13	18,726,610	26,645,565	11,598,432	16,503,082
Receivables from associated companies		345,882	492,146	231,846	329,887
Prepayments to suppliers		149,337	212,487	104,494	148,682
Other receivables		497,672	708,123	1,624,151	2,310,959
Current loans to management and employees		769,366	1,094,709	86,015	122,388
Prepaid expense		149,231	212,337	141,705	201,628
TOTAL		20,638,098	29,365,368	13,786,643	19,616,626
Cash	14	1,844,486	2,624,467	1,525,397	2,170,444
TOTAL CURRENT ASSETS		30,082,197	42,803,110	22,452,396	31,946,881
TOTAL ASSETS		50,373,272	71,674,709	41,539,988	59,106,078

For the Board of JSC Olainfarm:

28 February 2013


Jelena Borcova
Member of the Board



Consolidated statement of financial position

EQUITY AND LIABILITIES					
	Notes	31.12.2012 LVL	31.12.2012 EUR	31.12.2011 LVL	31.12.2011 EUR
EQUITY					
Share capital	15	14,085,078	20,041,260	14,085,078	20,041,260
Share premium		1,759,708	2,503,839	1,759,708	2,503,839
Retained earnings/ (accumulated deficit):					
brought forward		10,749,965	15,295,822	4,455,514	6,339,625
for the period		9,752,488	13,876,540	6,914,051	9,837,808
TOTAL EQUITY		36,347,239	51,717,462	27,214,351	38,722,533
Minority interest		(297)	(423)	-	-
LIABILITIES					
Non-current liabilities					
Loans from credit institutions	16	4,207,983	5,987,420	5,357,424	7,622,928
Deferred corporate income tax liabilities		1,167,773	1,661,591	1,132,032	1,610,736
Finance lease liabilities	17	39,377	56,028	5,430	7,726
TOTAL		5,415,133	7,705,040	6,494,886	9,241,390
Current liabilities					
Loans from credit institutions	16	2,863,903	4,074,967	1,617,908	2,302,076
Finance lease liabilities	17	30,635	43,590	38,937	55,402
Prepayments received from customers		53,576	76,232	88,124	125,389
Trade and other payables	20	3,480,107	4,951,746	4,204,896	5,983,028
Payables to related companies		-	-	-	-
Payables to associated companies		21,026	29,917	121,069	172,266
Taxes payable	18	504,793	718,256	377,044	536,485
Corporate income tax	18	524,105	745,734	629,193	895,261
		376,387	535,550	-	-
Accrued liabilities	19	756,665	1,076,637	753,580	1,072,248
TOTAL		8,611,197	12,252,629	7,830,751	11,142,155
TOTAL LIABILITIES		14,026,330	19,957,670	14,325,637	20,383,545
TOTAL EQUITY AND LIABILITIES		50,373,272	71,674,709	41,539,988	59,106,078

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

For the Board of JSC Olainfarm:


 Jelena Borcova
 Member of the Board



28 February 2013

Consolidated statement of cash flow

	2012		2011	
	LVL	EUR	LVL	EUR
Cash flows to/from operating activities				
(Loss)/ Profit before taxes	11,775,715	16,755,333	8,380,569	11,924,475
Adjustments for:				
Amortisation and depreciation	2,141,375	3,046,902	1,887,675	2,685,920
Loss on sale/ disposal of property, plant and equipment	7,433	10,576	30,711	43,698
Increase/ (decrease) in allowances	1,191,646	1,695,560	978,967	1,392,945
(Decrease)/ increase in vacation reserve	-	-	51,743	73,624
Impairment of tangible non-current assets	1,007	1,433	-	-
Income from investing activities	-	-	220	313
Investing reversal	-	-	(609)	(867)
Interest expenses	206,665	294,058	190,204	270,636
Interest receivable	(52,916)	(75,293)	(53,297)	(75,835)
Operating cash flows before working capital changes	15,270,925	21,728,569	11,466,183	16,314,909
Decrease in inventories	(575,463)	(818,810)	290,823	413,804
Decrease in receivables and prepaid expense	(5,930,017)	(8,437,654)	(4,070,730)	(5,792,127)
Increase/ (decrease) in payables and prepayments received	(398,877)	(567,551)	717,178	1,020,452
Cash generated from operations	8,366,568	11,904,554	8,403,454	11,957,038
Interest paid	(206,665)	(294,058)	(190,204)	(270,636)
Corporate income tax paid	(2,239,015)	(3,185,831)	(1,026,675)	(1,460,827)
Net cash flows to/ from operating activities	5,920,888	8,424,665	7,186,575	10,225,575
Cash flows to/from investing activities				
Purchase of property, plant and equipment	(3,219,941)	(4,581,563)	(3,584,118)	(5,099,740)
Prepayments for investments	-	-	3,500	4,980
Acquisition of subsidiary	(926,025)	(1,317,615)	(4,334,319)	(6,167,180)
Proceeds from sale of intangible assets and property, plant and equipment	72,397	103,012	33,403	47,528
Loans repaid	-	-	1,333,617	1,897,566
Interest receivable	5,701	8,112	50,596	71,992
Loans granted	(793,296)	(1,128,759)	(1,290,191)	(1,835,776)
Net cash flows to/from investing activities	(4,861,164)	(6,916,813)	(7,787,512)	(11,080,631)
Cash flows to/from financing activities				
Proceeds from issue of shares	(867,641)	(1,234,542)	(352,127)	(501,032)
Borrowings repaid	(1,503,937)	(2,139,910)	(1,332,333)	(1,895,739)
Proceeds from borrowings	1,631,240	2,321,045	3,316,299	4,718,668
Net cash flows to/from financing activities	(740,338)	(1,053,406)	1,631,839	2,321,898
Change in cash	319,386	454,445	1,030,902	1,466,841
Minority interest				
Cash at the beginning of the year	1,525,397	2,170,444	494,495	703,603
Cash at the end of the year	1,844,486	2,624,467	1,525,397	2,170,444

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

Statement of consolidated changes in equity

	Share capital	Share capital	Share premium	Share premium	Retained earnings/ (Accumulated deficit)	Retained earnings/ (Accumulated deficit)	Total	Total
	LVL	EUR	LVL	EUR	LVL	EUR	LVL	EUR
Balance as at 31 December 2011	14,085,078	20,041,260	1,759,708	2,503,839	11,369,565	16,177,434	27,214,351	38,722,533
Profit for the reporting year	-	-	-	-	9,752,488	13,876,540	9,752,488	13,876,540
Change of accounting policies in related companies	-	-	-	-	248,041	352,931	248,041	352,931
Exception of profit of the related	-	-	-	-	(867,641)	(1,234,542)	(867,641)	(1,234,542)
Balance as at 31 December 2012	14,085,078	20,041,260	1,759,708	2,503,839	20,502,453	29,172,362	36,347,239	51,717,462

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

Notes to the consolidated financial statements

1. Corporate information

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

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

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

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

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

2. Summary of significant accounting policies

Basis of preparation

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

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

Foreign currency translation

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

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

	<u>31/12/2012</u>	<u>31/12/2011</u>
<i>EUR</i>	0.702804	0.702804
<i>USD</i>	0,531	0,544
<i>RUB</i>	0,0174	0,017

3. Net sales

<i>By business segments</i>	2012		2011	
	LVL	EUR	LVL	EUR
Finished form medicine	41,607,402	59,201,999	32,912,217	46,829,866
Chemicals	3,807,975	5,418,260	2,917,899	4,151,796
Wholesale	925,765	1,317,245	-	-
Chemicals	6,571,306	9,350,126	841,727	1,197,670
TOTAL:	52,912,448	75,287,631	36,671,843	52,179,332

<i>By geographical segments</i>	2012		2011	
	LVL	EUR	LVL	EUR
CIS	38,566,250	54,874,830	29,428,400	41,872,841
Europe	2,837,729	4,037,725	2,590,059	3,685,322
Latvia	9,593,323	13,650,069	2,979,345	4,239,226
Baltic states (Lithuania and Estonia)	509,099	724,383	605,239	861,178
Other	1,406,047	2,000,625	1,068,800	1,520,765
TOTAL:	52,912,448	75,287,631	36,671,843	52,179,332

4. Other operating income

	2012		2011	
	LVL	EUR	LVL	EUR
Income of travel services of related company	366,429	521,381	-	-
Other operating income	174,452	248,223	63,711	90,653
Income of services in packing	92,163	131,136	73,687	104,847
Release of allowances	84,018	119,547	133,416	189,834
Lease of premises	82,979	118,068	39,811	56,646
Income of services*	78,561	111,782	63,415	90,231
Gains from sale of non-current assets	72,397	103,012	33,430	47,567
Incomes from catering services	45,253	64,389	26,649	37,918
Sale of current assets	23,575	33,544	16,367	23,288
Absorbed EU projects' funds	13,842	19,695	-	-
Income of transport services	13,362	19,012	13,639	19,407
Treatment of waste water	5,534	7,874	4,013	5,710
Royalty	4,452	6,335	1,087	1,547
Incomes of wholesale trade	-	-	415,453	591,136
The calculated % reversal	-	-	181,366	258,061
TOTAL:	1,057,017	1,504,000	1,066,044	1,516,844

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

5. Other operating expense

	2012		2011	
	LVL	EUR	LVL	EUR
Marketing expense	11,188,243	15,919,436	9,260,357	13,176,301
Other distribution costs of Chemicals	318,150	452,687	-	-
Other distribution costs	261,708	372,377	171,982	244,708
Transportation expense	184,094	261,942	135,889	193,353
Royalty	157,716	224,410	-	-
Sales commissions	139,554	198,567	167,757	238,697
Expert analysis of medicines	88,659	126,150	68,783	97,869
<i>Total distribution costs:</i>	<i>12,338,124</i>	<i>17,555,569</i>	<i>9,804,768</i>	<i>13,950,928</i>
Impairment non-tangible assets	1,144,324	1,628,226	930,657	1,324,206
Car fleet maintenance	517,311	736,067	281,551	400,611
Theft of finished goods in transit	413,443	588,276	-	-
Other operating expense	408,124	580,708	226,760	322,650
Write-offs of current assets	327,118	465,447	165,257	235,140
Business trips	301,462	428,942	323,244	459,935
Security	232,866	331,338	204,286	290,673
Hosting expense	170,114	242,050	25,087	35,696
Allowances for work in progress	167,044	237,682	116,165	165,288
Flowers and gifts	160,598	228,510	100,007	142,297
Representation expense	142,921	203,358	132,968	189,196
Information and business consulting	139,362	198,294	150,513	214,161
Social infrastructure	127,892	181,974	77,611	110,431
Insurance	109,244	155,440	82,488	117,370
Donations	95,528	135,924	34,776	49,482
Education	92,053	130,980	56,933	81,008
New product research and developments costs	91,367	130,004	12,005	17,082
Communications expense	91,033	129,528	68,771	97,852
Annual payment for medicines registered in LR	85,489	121,640	88,088	125,338
Other taxes	75,884	107,973	68,874	97,999
Write-offs and disposal of tangible assets	74,033	105,339	59,256	84,314
Other administrative expense	72,398	103,013	-	-
Current repairs	69,259	98,547	20,569	29,267
Provisions for slow-moving items	68,339	97,238	-	-
Write-offs receivables	49,365	70,240	23,661	33,667
Audit expense	46,427	66,060	31,949	45,459
Bank charges	45,516	64,763	36,556	52,015
Legal expense	45,221	64,344	30,997	44,105
Office expense	44,572	63,420	39,805	56,637
Allowances to staff	38,008	54,081	38,578	54,892
Allowances for receivables	33,160	47,182	20,504	29,175
Administrative offices maintenance	31,583	44,939	14,051	19,993
Natural resources expense	28,550	40,623	-	-
Allowances for slow-moving items	21,273	30,269	-	-
Laboratory tests	20,102	28,603	21,590	30,720
Waste removal	20,099	28,598	22,930	32,626
Shares listing costs	17,458	24,841	15,879	22,594
Provisions for prepayments for intangible assets (drugs registration)	-	-	25,856	36,790
Wholesale trade expense	-	-	267,163	380,139
TOTAL:	17,956,664	25,550,031	13,620,153	19,379,732

6. Financial income

	2012		2011	
	LVL	EUR	LVL	EUR
Interest accrued on bank account balances	-	-	83,412	118,685
Currency exchange gain, net	52,792	75,116	51,695	73,555
Received penalties	238	339	-	-
Loan interest payments	124	176	1,602	2,279
TOTAL:	53,154	75,631	136,709	194,519

7. Financial expense

	2012		2011	
	LVL	EUR	LVL	EUR
Loan interest expenses	206,665	294,058	190,205	270,638
Penalties paid for late payments	10,386	14,778	30,362	43,201
Currency exchange loss, net	51,382	73,110	-	-
TOTAL:	268,433	381,946	220,567	313,839

8. Staff costs and number of employees

	2012		2011	
	LVL	EUR	LVL	EUR
Wages and salaries	8,008,818	11,395,521	5,887,125	8,376,624
Statutory social insurance contributions	1,973,072	2,807,429	1,378,148	1,960,928
TOTAL:	9,981,890	14,202,950	7,265,273	10,337,552

	2012		2011	
	LVL	EUR	LVL	EUR
<u>Management of the Group</u>				
Wages and salaries	835,331	1,188,569	505,060	718,636
Statutory social insurance contributions	188,750	268,567	120,798	171,880
<u>Board Members</u>				
Wages and salaries	519,205	738,762	487,866	694,171
Statutory social insurance contributions	125,077	177,969	117,527	167,226
<u>Council Members</u>				
Wages and salaries	72,000	102,447	103,381	147,098
Statutory social insurance contributions	17,345	24,680	24,904	35,435
TOTAL:	1,757,708	2,500,993	1,359,536	1,934,446

	31/12/2012	31/12/2011
Average number of employees during the reporting year	1083	1006

9. Basic and diluted earnings per share

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

	2012		2011	
	LVL	EUR	LVL	EUR
Net result attributable to shareholders	9,752,488	13,876,540	6,914,051	9,837,808
Weighted average number of ordinary shares	14,085,078	14,085,078	14,085,078	14,085,078
Earnings per share	0.692	0.985	0.491	0.698

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

10. Intangible assets

	Goodwill		LVL	EUR	Production technologies*		LVL	EUR	Other intangible assets		LVL	EUR	TOTAL	
	LVL	EUR			LVL	EUR			LVL	EUR			LVL	EUR
Acquisition value as at 31/12/2010	503,930	717,028	-	-	6,222,790	8,854,232	837,922	1,192,256	7,564,642	10,763,516				
Additions	-	-	-	-	77,732	110,603	252,007	358,573	329,739	469,176				
2011 Change of accounting policies in related companies result in														
Intangible assets acquisition value	1,417,185	2,016,473	3,980,000	5,663,030	-	-	6,008	8,549	5,403,193	7,688,051				
Disposals	(503,930)	(717,028)	-	-	(3,359,532)	(4,780,183)	(95,839)	(136,367)	(3,959,301)	(5,633,578)				
Acquisition value as at 31/12/2011	1,417,185	2,016,473	3,980,000	5,663,030	2,940,990	4,184,652	1,000,098	1,423,010	9,338,273	13,287,164				
Additions	-	-	-	-	20,650	29,382	368,593	524,460	389,243	553,843				
Acquisition value	760,917	1,082,687	-	-	-	-	-	-	760,917	1,082,687				
2012 Change of accounting policies in related companies result in	-	-	-	-	-	-	304,000	432,553	304,000	432,553				
Intangible assets acquisition value	-	-	-	-	-	-	148	211	148	211				
Reclassification from tangible assets	-	-	-	-	-	-	(52,918)	(75,296)	(54,816)	(77,996)				
Disposals	-	-	-	-	(1,898)	(2,701)	(52,918)	(75,296)	(54,816)	(77,996)				
Acquisition value as at 31/12/2012	2,178,102	3,099,160	3,980,000	5,663,030	2,959,742	4,211,333	1,619,921	2,304,939	10,737,765	15,278,462				
Accumulated amortisation as at 31/12/2010	-	-	-	-	461,569	656,754	320,990	456,728	782,559	1,113,482				
Amortisation	-	-	-	-	159,176	226,487	162,702	231,504	321,878	457,991				
2011 Acquisition value	-	-	-	-	930,657	1,324,206	-	-	930,657	1,324,206				
Reclassification	-	-	-	-	-	-	-	-	-	-				
Amortisation of disposals	-	-	-	-	-	-	(82,699)	(117,670)	(82,699)	(117,670)				
Accumulated amortisation as at 31/12/2011	-	-	-	-	1,551,402	2,207,446	400,993	570,562	1,952,395	2,778,008				
Amortisation	-	-	-	-	162,587	231,340	214,439	305,119	377,026	536,460				
2012 Reclassification from tangible assets	-	-	-	-	1,144,324	1,628,226	148	211	1,144,472	1,628,437				
Amortisation of disposals	-	-	-	-	-	-	(52,314)	(74,436)	(52,314)	(74,436)				
Accumulated amortisation as at 31/12/2012	-	-	-	-	2,858,313	4,067,013	563,266	801,455	3,421,579	4,868,468				
Net carrying amount as at 31/12/2011	1,417,185	2,016,473	3,980,000	5,663,030	1,389,588	1,977,206	599,105	852,450	7,385,878	10,509,156				
Net carrying amount as at 31/12/2012	2,178,102	3,099,160	3,980,000	5,663,030	101,429	144,320	1,056,655	1,503,485	7,316,187	10,409,996				

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

	Land	Buildings and constructions	Equipment and machinery	Other tangible assets	Construction in progress	TOTAL
Acquisition value as at 31/12/2010	55,928	13,040,854	11,401,009	2,232,932	13,635	26,744,358
Additions	10,000	25,499	1,104,242	378,305	1,736,331	3,254,377
2011 Acquisition value		223,676			23,443	363,189
Liquidation	-	(174,748)	(110,882)	(214,890)	(4,858)	(505,378)
Reclassification of reversed impairment	-	-	(5,546)	5,546	-	-
Reclassification	-	912,625	1,074	-	(913,699)	-
Reversed impairment	-	-	954	-	-	954
Acquisition value as at 31/12/2011	109,826	14,027,906	12,402,815	2,462,101	854,852	29,857,500
Additions	35,956	48,837	830,090	667,812	1,728,073	3,310,768
2012 Acquisition value as at of subsidiary	-	4,220	-	756	-	4,976
Liquidation	-	(56,857)	(261,711)	(348,848)	(8,358)	(675,774)
Reclassification of reversed impairment	-	-	2,778	-	-	2,778
Reclassification	-	1,597,555	7,534	(6,078)	(1,599,159)	(148)
Acquisition value as at 31/12/2012	145,782	15,621,661	12,981,506	2,775,743	975,408	32,500,099
Accumulated depreciation as at 31/12/2010	-	6,957,959	9,108,985	1,562,531	-	17,629,475
2011 Depreciation	-	528,689	763,109	273,999	-	1,565,797
Depreciation of disposals	-	(144,820)	(107,108)	(186,483)	-	(438,411)
Accumulated depreciation as at 31/12/2011	-	7,341,828	9,764,986	1,650,047	-	18,756,861
2012 Depreciation	-	633,573	858,980	315,285	-	1,807,838
Reclassification	-	-	4,698	(4,846)	-	(148)
Depreciation of disposals	-	(51,483)	(258,038)	(288,925)	-	(598,446)
Accumulated depreciation as at 31/12/2012	-	7,923,918	10,370,626	1,671,561	-	19,966,105
Net carrying amount as at 31/12/2011	109,826	6,686,078	2,637,829	812,054	854,852	11,100,639
Net carrying amount as at 31/12/2012	145,782	7,697,743	2,610,880	1,104,182	975,408	12,533,995

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

	Land	Buildings and constructions	Equipment and machinery	Other tangible assets	Construction in progress	TOTAL
Acquisition value as at 31/12/2010	79,578	18,555,464	16,222,175	3,177,176	19,401	38,053,793
2011 Additions	14,229	36,282	1,571,195	538,280	2,470,576	4,630,561
Acquisition value		318,262			33,356	516,771
Liquidation	-	(248,644)	(157,771)	(305,761)	(6,912)	(719,088)
Reclassification of reversed impairment	-	-	(7,891)	7,891	-	-
Reclassification	-	1,298,548	1,528	-	(1,300,077)	-
Reversed impairment	-	-	1,357	-	-	1,357
Acquisition value as at 31/12/2011	156,268	19,959,912	17,647,616	3,503,254	1,216,345	42,483,395
2012 Additions	51,161	69,489	1,181,112	950,211	2,458,826	4,710,798
Acquisition value as at 30/06/2012 of subsidiary	-	6,004	-	1,076	-	7,080
Liquidation	-	(80,900)	(372,381)	(496,366)	(11,892)	(961,540)
Reclassification of reversed impairment	-	-	3,952	-	-	3,952
Reclassification	-	2,273,116	10,720	(8,648)	(2,275,398)	(211)
Acquisition value as at 31/12/2012	207,429	22,227,621	18,471,019	3,949,526	1,387,881	46,243,476
Accumulated depreciation as at 31/12/2010	-	9,900,284	12,960,918	2,223,281	-	25,084,483
2011 Depreciation	-	752,257	1,085,806	389,865	-	2,227,928
Depreciation of disposals	-	(206,060)	(152,401)	(265,341)	-	(623,803)
Accumulated depreciation as at 31/12/2011	-	10,446,480	13,894,323	2,347,805	-	26,688,609
2012 Depreciation	-	901,492	1,222,218	448,610	-	2,572,321
Reclassification	-	-	6,685	(6,895)	-	(211)
Depreciation of disposals	-	(73,254)	(367,155)	(411,103)	-	(851,512)
Accumulated depreciation as at 31/12/2012	-	11,274,718	14,756,071	2,378,417	-	28,409,207
Net carrying amount as at 31/12/2011	156,268	9,513,432	3,753,293	1,155,448	1,216,345	15,794,786
Net carrying amount as at 31/12/2012	207,429	10,952,903	3,714,948	1,571,109	1,387,881	17,834,269

There is a difference of LVL 88 026 between total depreciation and amortisation under the income statement and the total depreciation and amortisation stated in Notes 10 and 11. Difference is explained as depreciation of the property, plant and equipment in the cafe and the canteen – LVL 22 241 and Chemicals plant and equipment depreciation – LVL 65 785 which was disclosed in the income statement as other operating.

12. Inventories

	31.12.2012		31.12.2011	
	LVL	EUR	LVL	EUR
Work in progress (at cost)	4,587,115	6,526,877	3,866,153	5,501,040
Finished goods and goods for resale (at cost)	2,377,190	3,382,437	2,704,674	3,848,404
Raw materials (at cost)	1,437,448	2,045,304	1,164,262	1,656,596
Prepayments for goods	156,384	222,514	107,134	152,438
TOTAL:	8,558,137	12,177,132	7,842,223	11,158,478
Allowances for work in progress	(430,899)	(613,114)	(263,854)	(375,430)
Allowances for finished goods and goods for resale	(308,632)	(439,144)	(287,359)	(408,875)
Allowances for raw materials	(218,993)	(311,599)	(150,654)	(214,361)
TOTAL:	(958,524)	(1,363,857)	(701,867)	(998,667)
TOTAL:	7,599,613	10,813,275	7,140,356	10,159,811

* As at 31 December 2012, the Group's inventories comprised goods on consignment in the amount of LVL 59 544 (31/12/2011: LVL 12 153).

13. Trade receivables

	31.12.2012		31.12.2011	
	LVL	EUR	LVL	EUR
Trade receivables	18,853,025	26,825,438	11,706,029	16,656,178
Allowances for doubtful trade receivables	(126,415)	(179,872)	(107,597)	(153,097)
TOTAL:	18,726,610	26,645,565	11,598,432	16,503,082

14. Cash and short term deposits

	31.12.2012		31.12.2011	
	LVL	EUR	LVL	EUR
Cash at banks and on hand	1,844,486	2,624,467	1,525,397	2,170,444
	<u>1,844,486</u>	<u>2,624,467</u>	<u>1,525,397</u>	<u>2,170,444</u>

	31.12.2012		31.12.2011	
	Foreign currency	LVL	Foreign currency	LVL
Cash by currency profile:				
LVL	-	790,297	-	442,146
EUR	574,651	403,867	1,522,851	1,070,266
RUB	27,783,391	483,431	241,704	4,109
USD	314,296	166,891	16,316	8,876
KOPĀ:		<u>1,844,486</u>		<u>1,525,397</u>

15. Share capital

The share capital of the Parent Company 31/12/2012 is LVL 14 085 078 (31/12/2011: LVL 14 085 078) and consists of 14 085 078 (31/12/2011: 14 085 078) shares. The par value of each share is LVL 1.

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

16. Loans from credit institutions

						31.12.2012.	31.12.2012.	31.12.2011.	31.12.2011.
						LVL	EUR	LVL	EUR
Non-current:	Amount		Interest rate (%) as at 31/12/ 2012	Maturity					
Loan from AS SEB banka	6,000,000	EUR	EURIBOR (3-month)+1.1%	41396		3,264,369	4,644,778	3,212,818	4,571,428
Loan from AS SEB banka	7,011,574	EUR	EURIBOR (3-month)+1.2%	29.09.2014		943,614	1,342,642	2,144,606	4,475,473
TOTAL:						4,207,983	5,987,420	5,357,424	7,622,928
						31.12.2012.	31.12.2012.	31.12.2011.	31.12.2011.
						LVL	EUR	LVL	EUR
Current:	Amount		Interest rate (%) as at 31/12/ 2012	Maturity					
Loan from AS SEB banka	6,000,000	EUR	EURIBOR (3-month)+1.1%	41396		652,604	928,571	160,641	228,572
Loan from AS SEB banka	7,011,574	EUR	EURIBOR (3-month)+1.2%	29.09.2014		1,258,152	1,790,189	1,258,152	1,790,189
Credit line from AS SEB banka	1,000,000	LVL	RIGIBOR (3-month)+1.1%	01.08.2013		829,766	1,180,650	-	-
Credit line from AS SEB banka	200,000	LVL	RIGIBOR (3-month)+1.2%	14.01.2013		123,382	175,557	-	-
Credit line from Nordeabanka	285,000	EUR	EURIBOR (3-month)+1.2%	02.01.2012		-	-	199,115	283,315
TOTAL:						2,863,903	4,074,967	1,617,908	2,302,076

Interest payable is normally settled quarterly throughout the financial year.

* As at 31 December 2012, all the non-current and current assets owned by the Parent Company were pledged as a security for the loan received. The pledge agreements are registered with the Commercial Pledge Registry.

17. Finance lease liabilities

	31.12.2012.		31.12.2012.		31.12.2011.		31.12.2011.	
	LVL		EUR		LVL		EUR	
	Non-curren	Current	Non-curren	Current	Non-curren	Current	Non-curren	Current
Finance lease liabilities to SIA SEB Unifizings, EUR	18,393	24,397	26,171	34,714	3,904	34,526	5,555	49,126
Finance lease liabilities to SIA SEB Unifizings, LVL	20,984	6,238	29,858	8,875	-	-	-	-
Finance lease liabilities to UniCredit Bank, EUR	-	-	-	-	1,526	4,411	2,171	6,276
TOTAL:	39,377	30,635	56,028	43,590	5,430	38,937	7,726	55,402

The interest rate on the finance leases ranges from 1.89% to 2019%. Interest rate is normally revised quarterly throughout the financial year. The net carrying amount of the property, plant and equipment held under finance lease is disclosed in Note 11.

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

	31.12.2012		31.12.2012		31.12.2011		31.12.2011	
	Minimum payments	Present value of payments	Minimum payments	Present value of payments	Minimum payments	Present value of payments	Minimum payments	Present value of payments
	LVL	LVL	EUR	EUR	LVL	LVL	EUR	EUR
Within one year	32,081	30,634	45,647	43,588	39,903	38,937	56,776	55,402
Between one and five years	40,705	39,374	57,918	56,024	5,483	5,430	7,802	7,726
Total minimum lease payments	72,786	70,008	103,565	99,612	45,386	44,367	64,578	63,128
Less amounts representing finance charges	(2,774)	-	(3,947)	-	(1,019)	-	(1,450)	-
Present value of minimum lease payments	70,012	70,008	99,618	99,612	44,367	44,367	63,128	63,128

18. Taxes payable/ receivable

	31.12.2012.	31.12.2012.	31.12.2011.	31.12.2011.
	LVL	EUR	LVL	EUR
Corporate income tax	(524,105)	(745,734)	(629,193)	(895,261)
Statutory social insurance contributions	(349,936)	(497,914)	(232,624)	(330,994)
Personal income tax	(145,205)	(206,608)	(137,233)	(195,265)
Natural resource tax	(6,728)	(9,573)	(6,724)	(9,567)
	(2,448)	(3,483)	-	-
Value added tax	(256)	(364)	(232)	(330)
Real estate tax	(220)	(313)	(231)	(329)
Value added tax	139,071	197,880	133,789	190,365
TOTAL:	(889,827)	(1,266,110)	(872,448)	(1,241,382)
Total liabilities:	(1,028,898)	(1,463,990)	(1,006,237)	(1,431,747)
Total assets:	139,071	197,880	133,789	190,365

19. Accrued liabilities

	31.12.2012		31.12.2011	
	LVL	EUR	LVL	EUR
Vacation pay reserve	566,632	806,245	392,121	557,938
Accruals for electricity and gas	118,041	167,957	121,893	173,438
Provisions for penalties related to taxes (see Note 25)	29,000	41,263	-	-
Accruals related to construction works	-	-	157,367	223,913
Other accrued liabilities	42,992	61,172	82,199	116,959
TOTAL:	756,665	1,076,637	753,580	1,072,248

20. Trade and other payables

	31.12.2012		31.12.2011	
	LVL	EUR	LVL	EUR
Trade and other payables	2,972,197	4,229,055	3,648,461	5,191,292
Wages and salaries	491,866	699,862	413,132	587,834
Payables for Shares	-	-	129,332	184,023
Other payables	16,044	22,829	13,971	19,879
TOTAL:	3,480,107	4,951,746	4,204,896	5,983,028

21. Segment information

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

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

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

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

21. Segment information (cont'd)

LVL

	Finished form medicine		Pharmacy wholesale		Chemicals		Pharmacy retail		Unallocated		Total	
	31.12.2012.	31.12.2011.	31.12.2012.	31.12.2011.	31.12.2012.	31.12.2011.	31.12.2012.	31.12.2011.	31.12.2012.	31.12.2011.	31.12.2012.	31.12.2011.
Assets												
Intangible assets	506,690	711,167	-	-	1,247,451	1,394,233	5,411,767	5,397,186	276,557	107,480	7,442,465	7,610,066
Tangible assets	7,373,009	6,824,333	939	101	3,153,845	3,080,360	390,094	373,187	1,755,273	1,198,545	12,673,160	11,476,526
Financial assets	-	-	-	-	-	-	-	-	175,450	1,000	175,450	1,000
Inventories	4,874,590	4,485,307	2,085,133	-	2,085,133	2,012,809	629,247	642,240	-	-	7,599,613	7,140,356
Receivables	18,032,341	11,056,226	522,739	267,879	387,819	373,858	436,019	49,163	436,019	2,039,517	20,638,098	13,786,643
Cash	-	-	-	-	-	-	458,026	203,162	1,386,460	1,322,235	1,844,486	1,525,397
Total assets	30,786,630	23,077,033	534,321	267,980	6,874,248	6,861,260	7,325,153	6,664,938	4,852,920	4,668,777	50,373,272	41,539,988
Equity and liabilities												
Total equity	-	-	-	-	-	-	-	-	36,347,239	27,214,351	36,347,239	27,214,351
Minority interest	-	-	-	-	-	-	-	-	(297)	-	(297)	-
Deferred income tax liability	-	-	-	-	-	-	620,680	419,661	547,093	712,371	1,167,773	1,132,032
Loans from credit institution	4,866,732	4,668,814	-	-	2,081,772	2,107,404	123,382	199,114	-	-	7,071,886	6,975,332
Other loans	40,956	26,478	-	-	17,519	11,952	11,537	5,937	-	-	70,012	44,367
Taxes payable	680,095	685,174	-	-	290,915	309,273	54,083	11,190	3,805	600	1,028,898	1,006,237
Prepayments received from customers	29,008	55,136	-	-	24,396	25,377	172	-	-	7,611	53,576	88,124
Trade payables	1,703,661	1,634,170	217,450	90,777	728,751	1,239,547	1,149,173	1,195,930	57,459	44,472	3,856,494	4,204,896
Payables to related companies	21,026	121,069	-	-	-	-	-	-	-	-	21,026	121,069
Accrued liabilities	-	-	-	-	-	-	135,780	53,825	620,885	699,755	756,665	753,580
Total equity and liabilities	7,341,479	7,190,841	217,450	90,777	3,143,352	3,693,553	2,094,807	1,885,657	37,576,184	28,679,160	50,373,272	41,539,988
Income statement												
Net turnover	40,619,834	32,912,257	879,074	-	3,807,489	2,917,859	7,606,051	841,727	-	-	52,912,448	36,671,843
Changes in stock of finished goods and work in progress	(347,257)	(408,363)	-	-	(148,541)	(184,327)	-	-	-	-	(495,798)	(592,690)
Other operating income	-	-	-	415,453	-	-	95,185	4,110	961,832	646,481	1,057,017	1,066,044
Cost of materials	(3,890,397)	(3,606,600)	-	-	(2,017,599)	(1,627,944)	(5,538,324)	(670,402)	-	-	(11,446,320)	(5,904,948)
Staff costs	(6,057,461)	(4,916,345)	(18,158)	(17,622)	(2,591,113)	(2,219,134)	(1,226,663)	(109,938)	(88,495)	(2,234)	(9,981,890)	(7,265,273)
Depreciation/ amortisation and write-offs	(1,322,032)	(1,229,388)	(323)	(152)	(565,507)	(554,920)	(44,669)	(5,657)	(164,267)	(100,281)	(2,096,798)	(1,890,398)
Other operating expense	(11,781,052)	(9,284,875)	-	49	(5,039,411)	(4,190,996)	(697,706)	(143,008)	(439,495)	(1,323)	(17,957,664)	(13,620,153)
Financial income	-	-	-	-	-	-	4,912	-	48,242	136,709	53,154	136,709
Financial expenses	-	-	-	-	-	-	(16,980)	-	(251,453)	(220,567)	(268,433)	(220,567)
Corporate income tax	-	-	-	-	-	-	(27,442)	-	(1,995,786)	(1,466,518)	(2,023,228)	(1,466,518)
Net profit/ (loss) for the year	17,221,635	13,466,686	860,593	397,728	(6,554,682)	(5,859,462)	154,364	(83,168)	(1,929,422)	(1,007,733)	9,752,488	6,914,049

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

	Finished form medicine		Pharmacy wholesale		Chemicals		Pharmacy retail		Unallocated		Total	
	31.12.2012.	31.12.2011.	31.12.2012.	31.12.2011.	31.12.2012.	31.12.2011.	31.12.2012.	31.12.2011.	31.12.2012.	31.12.2011.	31.12.2012.	31.12.2011.
Assets												
Intangible assets	720,955	1,774,963	1,983,815	7,700,251	1,983,815	1,983,815	7,700,251	7,679,504	393,505	152,930	10,589,674	10,828,148
Tangible assets	10,490,846	4,487,518	4,382,957	555,054	4,487,518	4,382,957	555,054	530,997	2,497,528	1,705,376	18,032,282	16,329,625
Financial assets	-	-	-	-	-	-	-	-	249,643	1,423	249,643	1,423
Inventories	6,935,917	2,966,877	2,863,969	895,338	2,966,877	2,863,969	895,338	913,825	-	-	10,813,275	10,159,811
Receivables	25,657,710	551,817	531,952	620,399	551,817	531,952	620,399	69,953	1,791,652	2,901,971	29,365,368	19,616,626
Cash	-	-	-	651,712	-	-	651,712	289,073	1,972,755	1,881,371	2,624,467	2,170,444
Total assets	43,805,427	32,835,660	760,270	381,301	9,781,174	9,762,693	10,422,754	9,483,352	6,905,083	6,643,071	71,674,709	59,106,078
Equity and liabilities												
Total equity	-	-	-	-	-	-	-	-	51,717,462	38,722,533	51,717,462	38,722,533
Minority interest	-	-	-	-	-	-	-	-	(423)	-	(423)	-
Deferred income tax liability	-	-	-	-	-	-	883,148	597,124	778,443	1,013,613	1,661,591	1,610,736
Loans from credit institution	6,924,736	6,643,124	-	-	2,962,094	2,998,566	175,557	283,314	-	-	10,062,387	9,925,003
Other loans	58,275	37,675	-	-	24,927	17,006	16,416	8,448	-	-	99,618	63,129
Taxes payable	967,689	974,915	-	-	413,934	440,056	76,953	15,922	5,414	854	1,463,990	1,431,746
Prepayments received from customers	41,275	78,451	-	-	34,712	36,108	245	-	-	10,829	76,232	125,389
Trade payables	2,424,092	2,325,214	309,403	129,164	1,036,919	1,763,716	1,635,126	1,701,655	81,757	63,278	5,487,297	5,983,028
Payables to related companies	29,917	172,266	-	-	-	-	-	-	-	-	29,917	172,266
Accrued liabilities	-	-	-	-	-	-	193,198	76,586	883,440	995,662	1,076,637	1,072,248
Total equity and liabilities	10,445,983	10,231,645	309,403	129,164	4,472,587	5,255,452	2,980,642	2,683,048	53,466,093	40,806,768	71,674,709	59,106,078
Income statement												
Net turnover	57,796,817	46,829,923	1,250,810	-	5,417,569	4,151,739	10,822,436	1,197,670	-	-	75,287,631	52,179,332
Changes in stock of finished goods and work in progress	57,796,817	(581,048)	-	-	(211,355)	(262,274)	-	-	-	-	(705,457)	(843,322)
Other operating income	-	-	-	591,136	-	-	135,436	5,848	1,368,564	919,860	1,504,000	1,516,844
Cost of materials	(5,535,536)	(5,131,729)	-	-	(2,870,785)	(2,316,356)	(7,880,325)	(953,896)	-	-	(16,286,646)	(8,401,984)
Staff costs	(8,618,991)	(6,995,329)	(25,837)	(25,074)	(3,686,821)	(3,157,543)	(1,745,384)	(156,428)	(125,917)	(3,179)	(14,202,950)	(10,337,552)
Depreciation/ amortisation and write-offs	(1,881,083)	(1,749,262)	(460)	(216)	(804,644)	(789,580)	(63,558)	(8,049)	(233,731)	(142,687)	(2,983,475)	(2,689,794)
Other operating expense	(16,762,927)	(13,211,187)	-	70	(7,170,435)	(5,963,250)	(992,746)	(203,482)	(625,345)	(142,687)	(25,551,454)	(19,379,732)
Financial income	-	-	-	-	-	-	6,989	-	(357,785)	194,519	75,631	194,519
Financial expenses	-	-	-	-	-	-	(24,160)	-	(357,785)	(313,839)	(381,946)	(313,839)
Corporate income tax	-	-	-	-	-	-	(39,046)	-	(2,839,748)	(2,086,667)	(2,878,794)	(2,086,667)
Net profit/ (loss) for the year	24,504,178	19,161,368	1,224,514	565,916	(9,326,472)	(8,337,263)	219,640	(118,337)	(2,745,320)	(1,433,875)	13,876,540	9,837,805

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

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

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

Geographic information

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