

**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**

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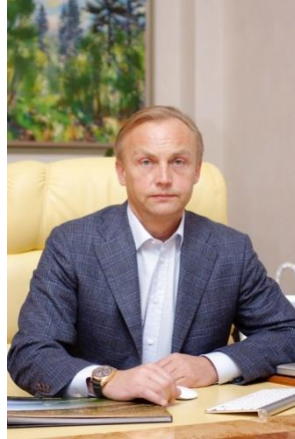
### General information

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

Board

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

**Valērijs Maligins**, Chairman of the Board



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

Positions held in other companies:

SIA Olmafarm, Chairman of the Board  
Hunting Club Vitkupe, Board Member

Participation in other companies:

SIA Lano Serviss (25.04%)  
SIA Vega MS (60%)  
SIA Briz (12.48%)  
SIA Olfa Press (45%)  
SIA Carbochem (50%)  
SIA Aroma (75%)  
SIA Olmafarm (100%)  
SIA Escargot (33.50%)  
SIA Olalex (50%)

Number of shares of AS Olainfarm owned (as of 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

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**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 Reesus (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<br>1 January 2012 through<br>30 September 2012   | None                                                                                                                 |
| Movements in the Council during the year<br>1 January 2012 through<br>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%)**  
Celmu iela 3, Rīga, LV-1079, from 28/10/2011
- SIA Ilmas Aptieka (100%)**  
Krišjāņa Barona iela 117, Rīga, LV-1012, from 02/11/2011
- SIA Veritas-Farm (100%)**  
Valkas iela 2a, Daugavpils, LV-5417, from 06/12/2011
- AS Lege Artis Rīga (100%)**  
Rūpnīcu iela 5, Olaine, LV-2114, from 01/12/2011
- SIA First Class Lounge (51%)**  
Baznīcas iela 20/22-10, Rīga, LV-1010, from 08/12/2011
- SIA Inula Farma (100%)**  
Nīcgales iela 47A, Rīga, LV-1035, from 21/12/2011
- SIA Vita Plus Aptieka (100%)**  
Dārza iela 6, Priekule, Priekule nov., LV-4126, from 22/12/2011
- SIA Teriaks Pļaviņu aptieka (100%)**  
Odzienas iela 1, Priekule, Priekule nov., LV-5120, from 09/02/2012
- „Aptieka Rudens 10” (100%)**  
Rūpnīca iela 5, Olaine, LV-2114, from 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. Džadesi 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<br>Formerly AS Swedbank | 12.64%        |
| Olmafarm, SIA                                       | 42.56%        |
| V.Maligins                                          | 29.24%        |
| Other shareholders                                  | <u>15.56%</u> |
| Total                                               | 100.00%       |

## MANAGEMENT REPORT

### General information

During the reporting period changes have been made to the composition of the Concern and it now consists from parent company a/s „Olainfarm”, its daughter companies SIA „Ozols JRD”, whose major activities will be related to organizing sports and active leisure events in Olaine, daughter company „Olainfarm Enerģija”, that 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.

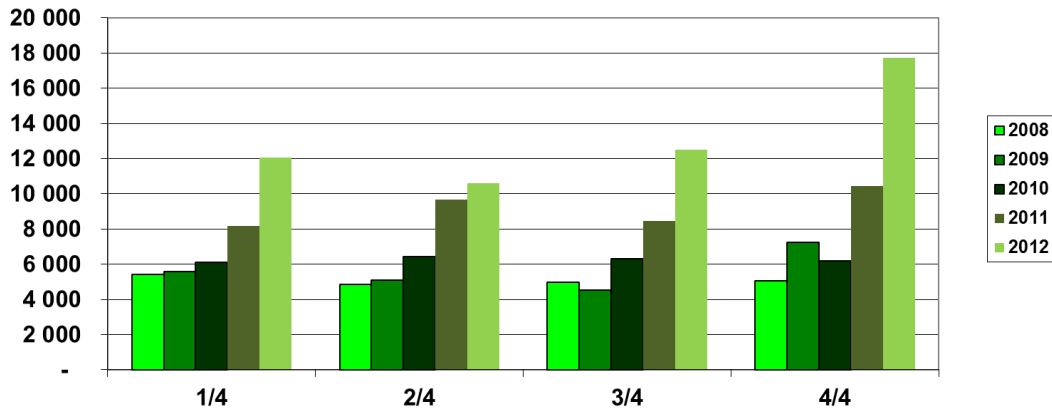
### Operational environment

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

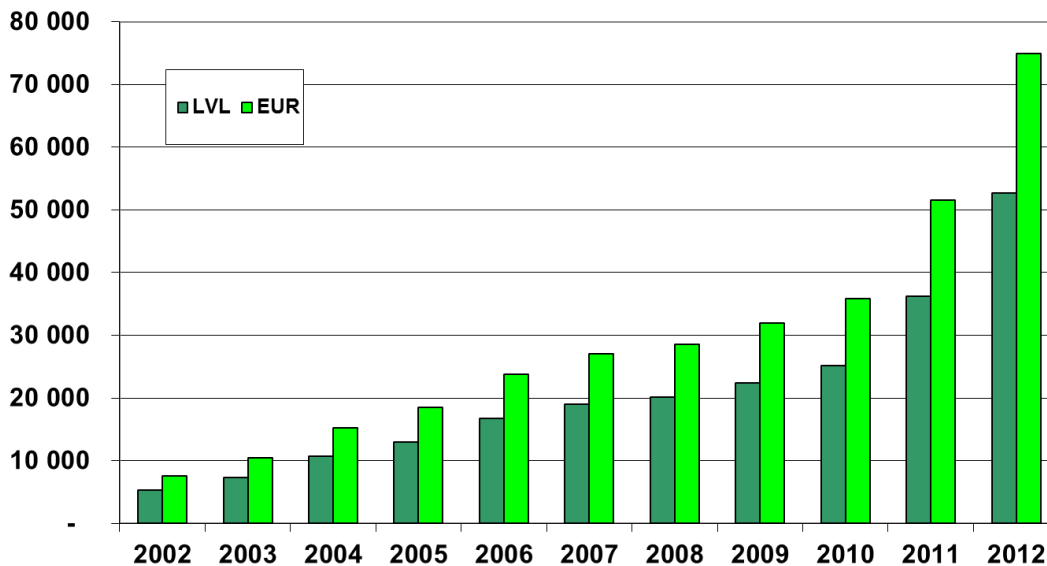
During the 4th quarter of 2012 the sales of company grew by more than 70% compared to 4<sup>th</sup> quarter of 2011 and reached 17.7 million lats (25.3 million euros) which makes this the most successful quarter in a corporate history. We have to admit though that because of the possible delay with 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

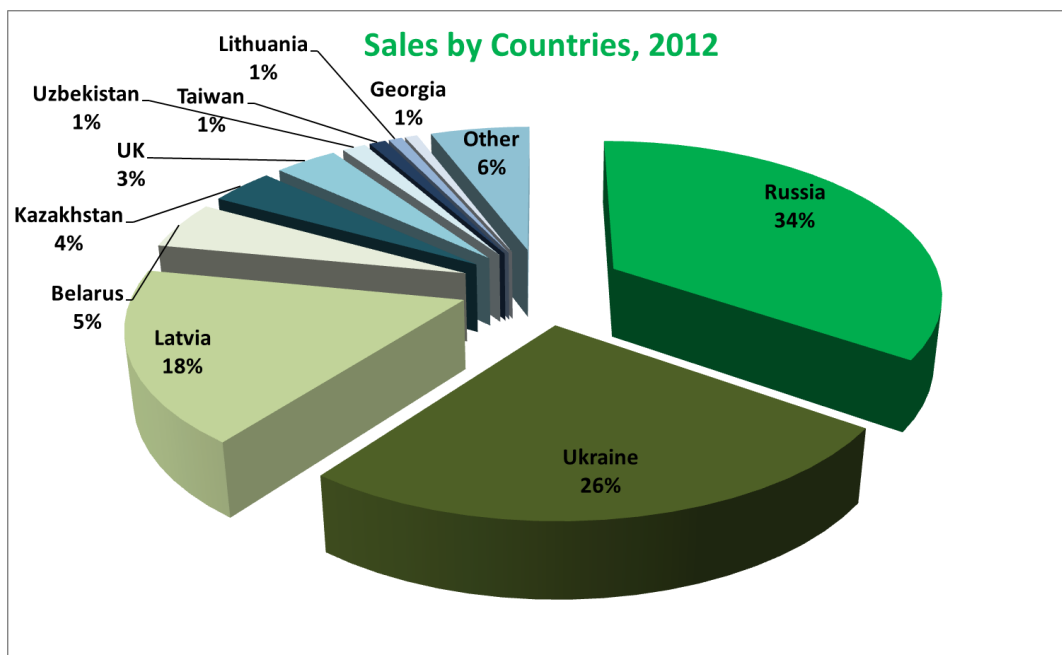


A whole year has also been the best in corporate history in terms of sales. Consolidated sales have reached 52.9 million lats (75.3 million euro), which represents an increase by 44% compared to 2011.

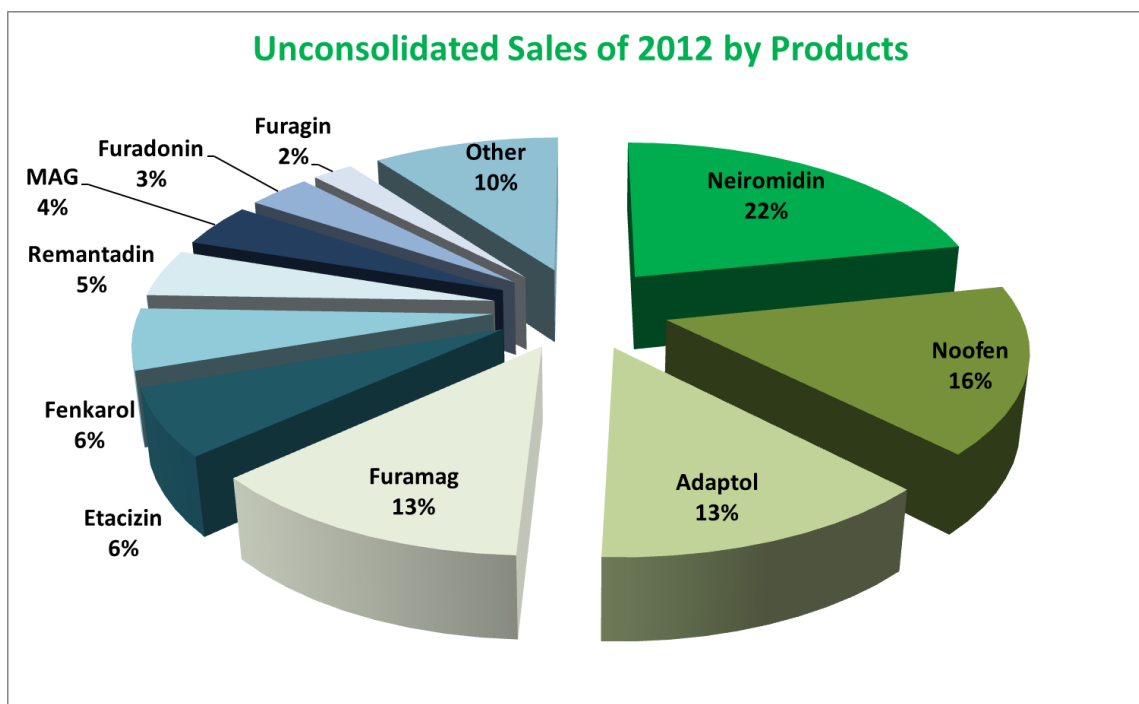
### Sales in thsnd.



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.

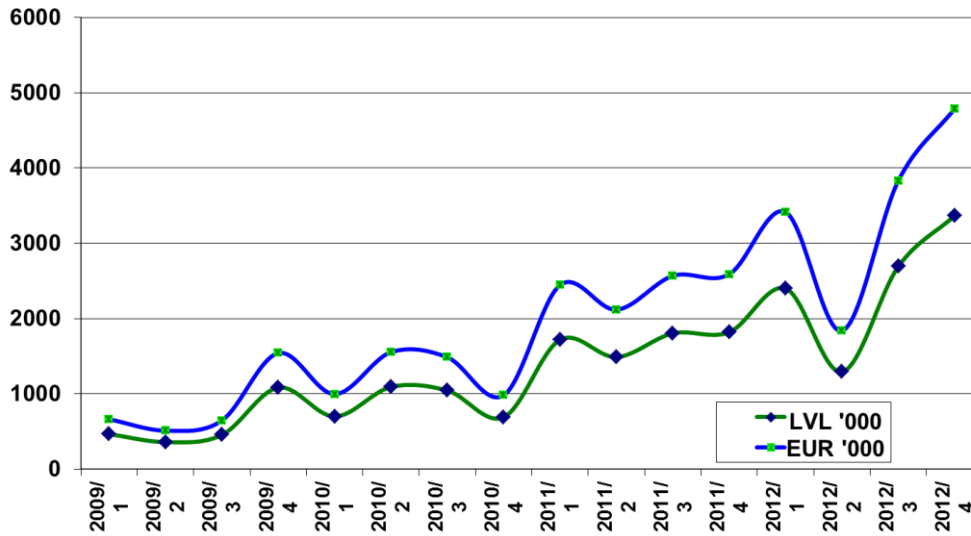


During 2012 the share of bestselling products Neiromidin® in total sales stabilized at the level of 22%. Share of all the other products has also remained relatively unchanged. Product portfolio is still well diversified, as 10 best-selling products make up 90% of total sales.



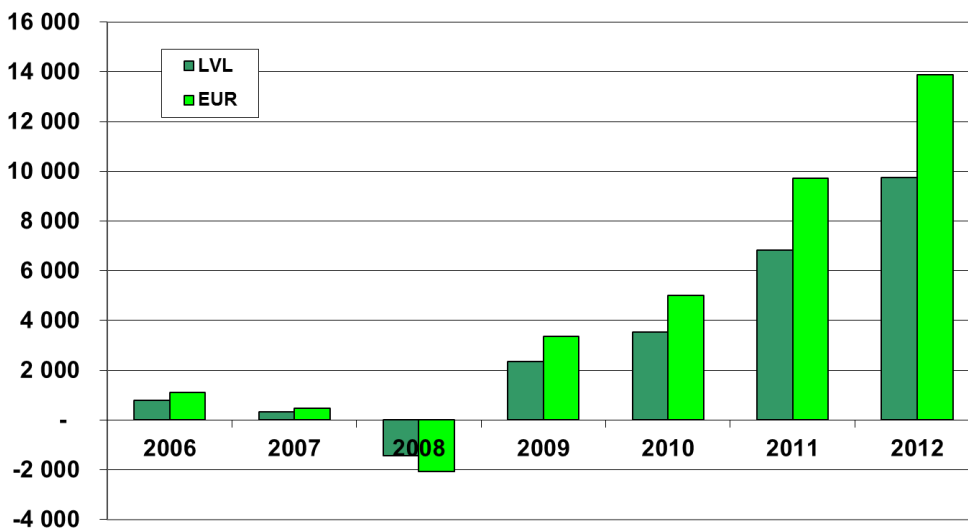
Yet another sales record is also reflecting in profitability of the company. 4<sup>th</sup> quarter of this year has also been the most profitable quarter in corporate history so far. During this period a profit of 4.5 million lats (6.4 million euro) has been made. However, since commercialisation of 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 4<sup>th</sup> quarter being 3.4 million lats (4.8 million euro), which still represents an increase by 85% compared to 4<sup>th</sup> 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)



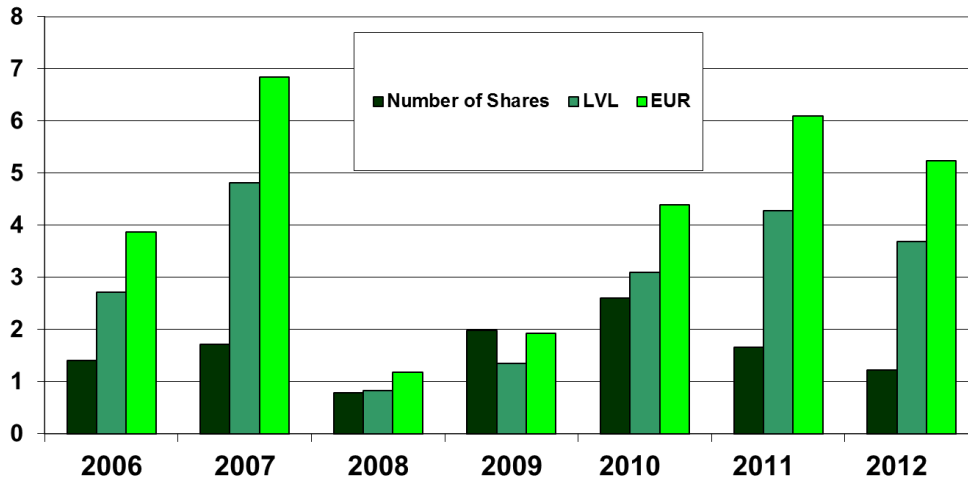
During the year price of share of a/s "Olainfarm" increased significantly more than OMX Riga index. During this period OMX Riga index increased by mere 6.67%, while price for share of "Olainfarm" by 50.31%, which is clearly the biggest price increase in Official list of Nasdaq OMX Riga and one of the 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 1<sup>st</sup> half of 2012 the company stopped using carcinogenic benzene in its production. According to the requirements of REACH directive, use of benzene in industrial production will be significantly limited in the nearest future throughout European Union.

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<br>LVL       | 2012<br>EUR       | 2011<br>LVL      | 2011<br>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)         |
| <b>(Loss)/ profit before taxes</b>                      |        | <b>11,775,716</b> | <b>16,755,334</b> | <b>8,380,569</b> | <b>11,924,475</b> |
| 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)         |
| <b>(Loss)/ profit for the reporting year</b>            |        | <b>9,752,488</b>  | <b>13,876,540</b> | <b>6,914,051</b> | <b>9,837,808</b>  |
| 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

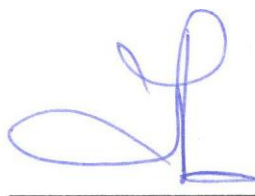
28 February 2013


## Consolidated statement of financial position

|                                               | Notes | ASSETS            |                   |                   |                   |
|-----------------------------------------------|-------|-------------------|-------------------|-------------------|-------------------|
|                                               |       | 31.12.2012<br>LVL | 31.12.2012<br>EUR | 31.12.2011<br>LVL | 31.12.2011<br>EUR |
| <b>NON-CURRENT ASSETS</b>                     |       |                   |                   |                   |                   |
| <b>Intangible assets</b>                      |       |                   |                   |                   |                   |
| 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                                         |       | <b>7,442,465</b>  | <b>10,589,674</b> | <b>7,610,066</b>  | <b>10,828,148</b> |
| <b>Property, plant and equipment</b>          |       |                   |                   |                   |                   |
| 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                                         |       | <b>12,673,160</b> | <b>18,032,282</b> | <b>11,476,526</b> | <b>16,329,625</b> |
| <b>Financial assets</b>                       |       |                   |                   |                   |                   |
| Other securities and investments              |       | 175,450           | 249,643           | -                 | -                 |
| Prepayments for investments                   |       | -                 | -                 | 1,000             | 1,423             |
| TOTAL                                         |       | <b>175,450</b>    | <b>249,643</b>    | <b>1,000</b>      | <b>1,423</b>      |
| <b>TOTAL NON-CURRENT ASSETS</b>               |       | <b>20,291,075</b> | <b>28,871,599</b> | <b>19,087,592</b> | <b>27,159,197</b> |
| <b>CURRENT ASSETS</b>                         |       |                   |                   |                   |                   |
| <b>Inventories</b>                            |       |                   |                   |                   |                   |
| 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    | <b>7,599,613</b>  | <b>10,813,275</b> | <b>7,140,356</b>  | <b>10,159,811</b> |
| <b>Receivables</b>                            |       |                   |                   |                   |                   |
| 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                                         |       | <b>20,638,098</b> | <b>29,365,368</b> | <b>13,786,643</b> | <b>19,616,626</b> |
| Cash                                          | 14    | <b>1,844,486</b>  | <b>2,624,467</b>  | <b>1,525,397</b>  | <b>2,170,444</b>  |
| <b>TOTAL CURRENT ASSETS</b>                   |       | <b>30,082,197</b> | <b>42,803,110</b> | <b>22,452,396</b> | <b>31,946,881</b> |
| <b>TOTAL ASSETS</b>                           |       | <b>50,373,272</b> | <b>71,674,709</b> | <b>41,539,988</b> | <b>59,106,078</b> |

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        | 31.12.2012        | 31.12.2011        | 31.12.2011        |
| EQUITY                                    |    |                        | LVL               | EUR               | LVL               | EUR               |
| Share capital                             | 15 | 14,085,078             | 20,041,260        | 14,085,078        | 20,041,260        |                   |
| Share premium                             |    | 1,759,708              | 2,503,839         | 1,759,708         | 2,503,839         |                   |
| Retained earnings/ (accumulated deficit): |    |                        |                   |                   |                   |                   |
| brought forward                           |    | 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         |                   |
| <b>TOTAL EQUITY</b>                       |    | <b>36,347,239</b>      | <b>51,717,462</b> | <b>27,214,351</b> | <b>38,722,533</b> |                   |
| <b>Minority interest</b>                  |    | (297)                  | (423)             | -                 | -                 |                   |
| <b>LIABILITIES</b>                        |    |                        |                   |                   |                   |                   |
| <b>Non-current liabilities</b>            |    |                        |                   |                   |                   |                   |
| 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             |                   |
| <b>TOTAL</b>                              |    | <b>5,415,133</b>       | <b>7,705,040</b>  | <b>6,494,886</b>  | <b>9,241,390</b>  |                   |
| <b>Current liabilities</b>                |    |                        |                   |                   |                   |                   |
| 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         |                   |
| <b>TOTAL</b>                              |    | <b>8,611,197</b>       | <b>12,252,629</b> | <b>7,830,751</b>  | <b>11,142,155</b> |                   |
| <b>TOTAL LIABILITIES</b>                  |    | <b>14,026,330</b>      | <b>19,957,670</b> | <b>14,325,637</b> | <b>20,383,545</b> |                   |
| <b>TOTAL EQUITY AND LIABILITIES</b>       |    |                        | <b>50,373,272</b> | <b>71,674,709</b> | <b>41,539,988</b> | <b>59,106,078</b> |

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                 |
| <b>Cash flows to/from operating activities</b>                            |                    |                    |                    |                     |
| (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)            |
| <b>Operating cash flows before working capital changes</b>                | <b>15,270,925</b>  | <b>21,728,569</b>  | <b>11,466,183</b>  | <b>16,314,909</b>   |
| 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           |
| <b>Cash generated from operations</b>                                     | <b>8,366,568</b>   | <b>11,904,554</b>  | <b>8,403,454</b>   | <b>11,957,038</b>   |
| 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)         |
| <b>Net cash flows to/ from operating activities</b>                       | <b>5,920,888</b>   | <b>8,424,665</b>   | <b>7,186,575</b>   | <b>10,225,575</b>   |
| <b>Cash flows to/from investing activities</b>                            |                    |                    |                    |                     |
| 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)         |
| <b>Net cash flows to/from investing activities</b>                        | <b>(4,861,164)</b> | <b>(6,916,813)</b> | <b>(7,787,512)</b> | <b>(11,080,631)</b> |
| <b>Cash flows to/from financing activities</b>                            |                    |                    |                    |                     |
| 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           |
| <b>Net cash flows to/from financing activities</b>                        | <b>(740,338)</b>   | <b>(1,053,406)</b> | <b>1,631,839</b>   | <b>2,321,898</b>    |
| <b>Change in cash</b>                                                     | <b>319,386</b>     | <b>454,445</b>     | <b>1,030,902</b>   | <b>1,466,841</b>    |
| <b>Minority interest</b>                                                  |                    |                    |                    |                     |
| <b>Cash at the beginning of the year</b>                                  | <b>1,525,397</b>   | <b>2,170,444</b>   | <b>494,495</b>     | <b>703,603</b>      |
| <b>Cash at the end of the year</b>                                        | <b>1,844,486</b>   | <b>2,624,467</b>   | <b>1,525,397</b>   | <b>2,170,444</b>    |

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

### Statement of consolidated changes in equity

|                                                    | Share capital     |                   | Share premium    |                  | Retained earnings/<br>(Accumulated deficit) | Retained earnings/<br>(Accumulated deficit) | Total             |                   |
|----------------------------------------------------|-------------------|-------------------|------------------|------------------|---------------------------------------------|---------------------------------------------|-------------------|-------------------|
|                                                    | LVL               | EUR               | LVL              | EUR              | LVL                                         | EUR                                         | LVL               | EUR               |
| <b>Balance as at 31 December 2011</b>              | <b>14,085,078</b> | <b>20,041,260</b> | <b>1,759,708</b> | <b>2,503,839</b> | <b>11,369,565</b>                           | <b>16,177,434</b>                           | <b>27,214,351</b> | <b>38,722,533</b> |
| 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)       |
| <b>Balance as at 31 December 2012</b>              | <b>14,085,078</b> | <b>20,041,260</b> | <b>1,759,708</b> | <b>2,503,839</b> | <b>20,502,453</b>                           | <b>29,172,362</b>                           | <b>36,347,239</b> | <b>51,717,462</b> |

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

## Notes to the consolidated financial statements

### 1. Corporate information

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

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

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

These consolidated financial statements were approved by the Board on 31 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         |
| <b>TOTAL:</b>               | <b>52,912,448</b> | <b>75,287,631</b> | <b>36,671,843</b> | <b>52,179,332</b> |

| <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         |
| <b>TOTAL:</b>                         | <b>52,912,448</b> | <b>75,287,631</b> | <b>36,671,843</b> | <b>52,179,332</b> |

**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           | -                | -                |
| Incom 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          |
| <b>TOTAL:</b>                                | <b>1,057,017</b> | <b>1,504,000</b> | <b>1,066,044</b> | <b>1,516,844</b> |

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           |
| <b>TOTAL:</b>                                                         | <b>17,956,664</b> | <b>25,550,031</b> | <b>13,620,153</b> | <b>19,379,732</b> |

**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          |
| <b>TOTAL:</b>                             | <b>53,154</b> | <b>75,631</b> | <b>136,709</b> | <b>194,519</b> |

**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         | -              | -              |
| <b>TOTAL:</b>                    | <b>268,433</b> | <b>381,946</b> | <b>220,567</b> | <b>313,839</b> |

**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         |
| <b>TOTAL:</b>                            | <b>9,981,890</b> | <b>14,202,950</b> | <b>7,265,273</b> | <b>10,337,552</b> |

|                                          | 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           |
| <b>TOTAL:</b>                            | <b>1,757,708</b> | <b>2,500,993</b> | <b>1,359,536</b> | <b>1,934,446</b> |

|                                                       | 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   |
| <b>Earnings per share</b>                  | <b>0.692</b> | <b>0.985</b> | <b>0.491</b> | <b>0.698</b> |

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

## 10. Intangible assets

|                                                                   | Goodwill         |                  |                  |                  | Production technologies* |                  | Other intangible assets |                  | TOTAL             |                   |
|-------------------------------------------------------------------|------------------|------------------|------------------|------------------|--------------------------|------------------|-------------------------|------------------|-------------------|-------------------|
|                                                                   | LVL              | EUR              | LVL              | EUR              | LVL                      | EUR              | LVL                     | EUR              | LVL               | EUR               |
| <b>Acquisition value as at 31/12/2010</b>                         | <b>503,930</b>   | <b>717,028</b>   | -                | -                | <b>6,222,790</b>         | <b>8,854,232</b> | <b>837,922</b>          | <b>1,192,256</b> | <b>7,564,642</b>  | <b>10,763,516</b> |
| 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)       |
| <b>Acquisition value as at 31/12/2011</b>                         | <b>1,417,185</b> | <b>2,016,473</b> | <b>3,980,000</b> | <b>5,663,030</b> | <b>2,940,990</b>         | <b>4,184,652</b> | <b>1,000,098</b>        | <b>1,423,010</b> | <b>9,338,273</b>  | <b>13,287,164</b> |
| Additions                                                         | -                | -                | -                | -                | 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 |                  |                  |                  |                  |                          |                  |                         |                  |                   |                   |
| Intangible assets acquisition value                               | -                | -                | -                | -                | -                        | -                | 304,000                 | 432,553          | 304,000           | 432,553           |
| Reclassification from tangible assets                             | -                | -                | -                | -                | -                        | -                | 148                     | 211              | 148               | 211               |
| Disposals                                                         | -                | -                | -                | -                | (1,898)                  | (2,701)          | (52,918)                | (75,296)         | (54,816)          | (77,996)          |
| <b>Acquisition value as at 31/12/2012</b>                         | <b>2,178,102</b> | <b>3,099,160</b> | <b>3,980,000</b> | <b>5,663,030</b> | <b>2,959,742</b>         | <b>4,211,333</b> | <b>1,619,921</b>        | <b>2,304,939</b> | <b>10,737,765</b> | <b>15,278,462</b> |
| <b>Accumulated amortisation as at 31/12/2010</b>                  | <b>-</b>         | <b>-</b>         | <b>-</b>         | <b>-</b>         | <b>461,569</b>           | <b>656,754</b>   | <b>320,990</b>          | <b>456,728</b>   | <b>782,559</b>    | <b>1,113,482</b>  |
| 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)         |
| <b>Accumulated amortisation as at 31/12/2011</b>                  | <b>-</b>         | <b>-</b>         | <b>-</b>         | <b>-</b>         | <b>1,551,402</b>         | <b>2,207,446</b> | <b>400,993</b>          | <b>570,562</b>   | <b>1,952,395</b>  | <b>2,778,008</b>  |
| 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)          |
| <b>Accumulated amortisation as at 31/12/2012</b>                  | <b>-</b>         | <b>-</b>         | <b>-</b>         | <b>-</b>         | <b>2,858,313</b>         | <b>4,067,013</b> | <b>563,266</b>          | <b>801,455</b>   | <b>3,421,579</b>  | <b>4,868,468</b>  |
| <b>Net carrying amount as at 31/12/2011</b>                       | <b>1,417,185</b> | <b>2,016,473</b> | <b>3,980,000</b> | <b>5,663,030</b> | <b>1,389,588</b>         | <b>1,977,206</b> | <b>599,105</b>          | <b>852,450</b>   | <b>7,385,878</b>  | <b>10,509,158</b> |
| <b>Net carrying amount as at 31/12/2012</b>                       | <b>2,178,102</b> | <b>3,099,160</b> | <b>3,980,000</b> | <b>5,663,030</b> | <b>101,429</b>           | <b>144,320</b>   | <b>1,056,655</b>        | <b>1,503,485</b> | <b>7,316,187</b>  | <b>10,409,996</b> |



**11. Property, plant and equipment**

LVL

|                                                  | Land           | Buildings and constructions | Equipment and machinery | Other tangible assets | Construction in progress | TOTAL             |
|--------------------------------------------------|----------------|-----------------------------|-------------------------|-----------------------|--------------------------|-------------------|
| <b>Acquisition value as at 31/12/2010</b>        | <b>55,928</b>  | <b>13,040,854</b>           | <b>11,401,009</b>       | <b>2,232,932</b>      | <b>13,635</b>            | <b>26,744,358</b> |
| 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               |
| <b>Acquisition value as at 31/12/2011</b>        | <b>109,826</b> | <b>14,027,906</b>           | <b>12,402,815</b>       | <b>2,462,101</b>      | <b>854,852</b>           | <b>29,857,500</b> |
| 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)             |
| <b>Acquisition value as at 31/12/2012</b>        | <b>145,782</b> | <b>15,621,661</b>           | <b>12,981,506</b>       | <b>2,775,743</b>      | <b>975,408</b>           | <b>32,500,099</b> |
| <b>Accumulated depreciation as at 31/12/2010</b> | <b>-</b>       | <b>6,957,959</b>            | <b>9,108,985</b>        | <b>1,562,531</b>      | <b>-</b>                 | <b>17,629,475</b> |
| 2011                                             |                |                             |                         |                       |                          |                   |
| Depreciation                                     | -              | 528,689                     | 763,109                 | 273,999               | -                        | 1,565,797         |
| Depreciation of disposals                        | -              | (144,820)                   | (107,108)               | (186,483)             | -                        | (438,411)         |
| <b>Accumulated depreciation as at 31/12/2011</b> | <b>-</b>       | <b>7,341,828</b>            | <b>9,764,986</b>        | <b>1,650,047</b>      | <b>-</b>                 | <b>18,756,861</b> |
| 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)         |
| <b>Accumulated depreciation as at 31/12/2012</b> | <b>-</b>       | <b>7,923,918</b>            | <b>10,370,626</b>       | <b>1,671,561</b>      | <b>-</b>                 | <b>19,966,105</b> |
| <b>Net carrying amount as at 31/12/2011</b>      | <b>109,826</b> | <b>6,686,078</b>            | <b>2,637,829</b>        | <b>812,054</b>        | <b>854,852</b>           | <b>11,100,639</b> |
| <b>Net carrying amount as at 31/12/2012</b>      | <b>145,782</b> | <b>7,697,743</b>            | <b>2,610,880</b>        | <b>1,104,182</b>      | <b>975,408</b>           | <b>12,533,995</b> |

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

EUR

|                                                  | Land           | Buildings and constructions | Equipment and machinery | Other tangible assets | Construction in progress | TOTAL             |
|--------------------------------------------------|----------------|-----------------------------|-------------------------|-----------------------|--------------------------|-------------------|
| <b>Acquisition value as at 31/12/2010</b>        | <b>79,578</b>  | <b>18,555,464</b>           | <b>16,222,175</b>       | <b>3,177,176</b>      | <b>19,401</b>            | <b>38,053,793</b> |
| 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             |
| <b>Acquisition value as at 31/12/2011</b>        | <b>156,268</b> | <b>19,959,912</b>           | <b>17,647,616</b>       | <b>3,503,254</b>      | <b>1,216,345</b>         | <b>42,483,395</b> |
| 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)             |
| <b>Acquisition value as at 31/12/2012</b>        | <b>207,429</b> | <b>22,227,621</b>           | <b>18,471,019</b>       | <b>3,949,526</b>      | <b>1,387,881</b>         | <b>46,243,476</b> |
| <b>Accumulated depreciation as at 31/12/2010</b> | <b>-</b>       | <b>9,900,284</b>            | <b>12,960,918</b>       | <b>2,223,281</b>      | <b>-</b>                 | <b>25,084,483</b> |
| 2011                                             |                |                             |                         |                       |                          |                   |
| Depreciation                                     | -              | 752,257                     | 1,085,806               | 389,865               | -                        | 2,227,928         |
| Depreciation of disposals                        | -              | (206,060)                   | (152,401)               | (265,341)             | -                        | (623,803)         |
| <b>Accumulated depreciation as at 31/12/2011</b> | <b>-</b>       | <b>10,446,480</b>           | <b>13,894,323</b>       | <b>2,347,805</b>      | <b>-</b>                 | <b>26,688,609</b> |
| 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)         |
| <b>Accumulated depreciation as at 31/12/2012</b> | <b>-</b>       | <b>11,274,718</b>           | <b>14,756,071</b>       | <b>2,378,417</b>      | <b>-</b>                 | <b>28,409,207</b> |
| <b>Net carrying amount as at 31/12/2011</b>      | <b>156,268</b> | <b>9,513,432</b>            | <b>3,753,293</b>        | <b>1,155,448</b>      | <b>1,216,345</b>         | <b>15,794,786</b> |
| <b>Net carrying amount as at 31/12/2012</b>      | <b>207,429</b> | <b>10,952,903</b>           | <b>3,714,948</b>        | <b>1,571,109</b>      | <b>1,387,881</b>         | <b>17,834,269</b> |

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           |
| <b>TOTAL:</b>                                      | <b>8,558,137</b> | <b>12,177,132</b>  | <b>7,842,223</b> | <b>11,158,478</b> |
| 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)         |
| <b>TOTAL:</b>                                      | <b>(958,524)</b> | <b>(1,363,857)</b> | <b>(701,867)</b> | <b>(998,667)</b>  |
| <b>TOTAL:</b>                                      | <b>7,599,613</b> | <b>10,813,275</b>  | <b>7,140,356</b> | <b>10,159,811</b> |

\* 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)         |
| <b>TOTAL:</b>                             | <b>18,726,610</b> | <b>26,645,565</b> | <b>11,598,432</b> | <b>16,503,082</b> |

**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 |
|                           | 1,844,486  | 2,624,467 | 1,525,397  | 2,170,444 |

| Cash by currency profile: | 31.12.2012       |                  | 31.12.2011       |                  |
|---------------------------|------------------|------------------|------------------|------------------|
|                           | Foreign currency | LVL              | Foreign currency | LVL              |
| 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            |
| <b>KOPĀ:</b>              |                  | <b>1,844,486</b> |                  | <b>1,525,397</b> |

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

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           | LVL          | EUR           | LVL          | EUR           |
| 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         |
| <b>TOTAL:</b>                                        | <b>39,377</b> | <b>30,635</b> | <b>56,028</b> | <b>43,590</b> | <b>5,430</b> | <b>38,937</b> | <b>7,726</b> | <b>55,402</b> |

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       |                   |
|------------------------------------------------|------------------|-------------------|------------------|-------------------|------------------|-------------------|------------------|-------------------|
|                                                | Present          |                   | Present          |                   | Present          |                   | Present          |                   |
|                                                | Minimum payments | value of payments | Minimum payments | value of payments | Minimum payments | value of payments | Minimum payments | 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)          | -                 |
| <b>Present value of minimum lease payments</b> | <b>70,012</b>    | <b>70,008</b>     | <b>99,618</b>    | <b>99,612</b>     | <b>44,367</b>    | <b>44,367</b>     | <b>63,128</b>    | <b>63,128</b>     |

**18. Taxes payable/ receivable**

|                                          | 31.12.2012.        |                    | 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            |
| <b>TOTAL:</b>                            | <b>(889,827)</b>   | <b>(1,266,110)</b> | <b>(872,448)</b>   | <b>(1,241,382)</b> |
| <b>Total liabilities:</b>                | <b>(1,028,898)</b> | <b>(1,463,990)</b> | <b>(1,006,237)</b> | <b>(1,431,747)</b> |
| <b>Total assets:</b>                     | <b>139,071</b>     | <b>197,880</b>     | <b>133,789</b>     | <b>190,365</b>     |

**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          |
| <b>TOTAL:</b>                                           | <b>756,665</b> | <b>1,076,637</b> | <b>753,580</b> | <b>1,072,248</b> |

**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           |
| <b>TOTAL:</b>            | <b>3,480,107</b> | <b>4,951,746</b> | <b>4,204,896</b> | <b>5,983,028</b> |

**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.       |
| <b>Assets</b>                                           |                        |                   |                    |                |                    |                    |                  |                  |                    |                    |                   |                   |
| 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         |
| <b>Total assets</b>                                     | <b>30,786,630</b>      | <b>23,077,033</b> | <b>534,321</b>     | <b>267,980</b> | <b>6,874,248</b>   | <b>6,861,260</b>   | <b>7,325,153</b> | <b>6,664,938</b> | <b>4,852,920</b>   | <b>4,668,777</b>   | <b>50,373,272</b> | <b>41,539,988</b> |
| <b>Equity and liabilities</b>                           |                        |                   |                    |                |                    |                    |                  |                  |                    |                    |                   |                   |
| 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           |
| <b>Total equity and liabilities</b>                     | <b>7,341,479</b>       | <b>7,190,841</b>  | <b>217,450</b>     | <b>90,777</b>  | <b>3,143,352</b>   | <b>3,693,553</b>   | <b>2,094,807</b> | <b>1,885,657</b> | <b>37,576,184</b>  | <b>28,679,160</b>  | <b>50,373,272</b> | <b>41,539,988</b> |
| <b>Income statement</b>                                 |                        |                   |                    |                |                    |                    |                  |                  |                    |                    |                   |                   |
| 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)       |
| <b>Net profit/ (loss) for the year</b>                  | <b>17,221,635</b>      | <b>13,466,686</b> | <b>860,593</b>     | <b>397,728</b> | <b>(6,554,682)</b> | <b>(5,859,462)</b> | <b>154,364</b>   | <b>(83,168)</b>  | <b>(1,929,422)</b> | <b>(1,007,733)</b> | <b>9,752,488</b>  | <b>6,914,049</b>  |

**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.       |
| <b>Assets</b>                                           |                        |                   |                    |                |                    |                    |                   |                  |                    |                    |                   |                   |
| 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         |
| <b>Total assets</b>                                     | <b>43,805,427</b>      | <b>32,835,660</b> | <b>760,270</b>     | <b>381,301</b> | <b>9,781,174</b>   | <b>9,762,693</b>   | <b>10,422,754</b> | <b>9,483,352</b> | <b>6,905,083</b>   | <b>6,643,071</b>   | <b>71,674,709</b> | <b>59,106,078</b> |
| <b>Equity and liabilities</b>                           |                        |                   |                    |                |                    |                    |                   |                  |                    |                    |                   |                   |
| 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         |
| <b>Total equity and liabilities</b>                     | <b>10,445,983</b>      | <b>10,231,645</b> | <b>309,403</b>     | <b>129,164</b> | <b>4,472,587</b>   | <b>5,255,452</b>   | <b>2,980,642</b>  | <b>2,683,048</b> | <b>53,466,093</b>  | <b>40,806,768</b>  | <b>71,674,709</b> | <b>59,106,078</b> |
| <b>Income statement</b>                                 |                        |                   |                    |                |                    |                    |                   |                  |                    |                    |                   |                   |
| 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)       |
| <b>Net profit/ (loss) for the year</b>                  | <b>24,504,178</b>      | <b>19,161,368</b> | <b>1,224,514</b>   | <b>565,916</b> | <b>(9,326,472)</b> | <b>(8,337,263)</b> | <b>219,640</b>    | <b>(118,337)</b> | <b>(2,745,320)</b> | <b>(1,433,875)</b> | <b>13,876,540</b> | <b>9,837,805</b>  |

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

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

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

**Geographic information**

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