

JSC "Rīgas Farmaceutiskā Fabrika"

statement of financial position
for year **2014.**

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JSC "Rīgas Farmaceutiskā Fabrika" year 2014
FINANCIAL REPORT

DATA OF THE ENTERPRISE

Full name of the enterprise	JSC "Rīgas Farmaceutiskā Fabrika"
The legal status of a society	Joint-stock company
The state registration in the register of the enterprises	registration Nr. 40003000765 , Riga , 1991 year 26 march
The legal address of the enterprise	Duntes street 16/22 , Riga , LV-1005
Main activity of the company	Manufacture of pharmaceutical preparations
NACE code	21.20
Members of the board	Kaspars BĀLIŅŠ Uģis FREIMANIS Dace KALEINE
Councillors	Dagmāra ĀBOLTIŅA Jūlija DMITRIJEVA Vladimirs IVANIKINS Natalja GORBUNOVA Aksana BĒRZIŅA
The accounting period	from 2014.01.01 to 2014.12.31

MANAGEMENT REPORT

„Rīgas farmaceitiskā fabrika” JSC is located in Riga, 16/22 Dunties street and 6 Maza Ozolu street. The management of the company is realized by the Board of 3 persons.

The Company produce galenics products, therapeutically herbal teas and food supplies in Latvia. The factory was registered in the Register of Enterprises of the Republic of Latvia in 2004

The main types of operations of the company is the manufacturing of medicinal products, food supplies and medical goods. The finished products mainly were distributed in Latvia.

We have rebuilt our home page www.rff.lv starting this year. Our web page is modernized and made much more user-friendly and foreseeable. Here you can learn about all ongoing monthly special offers in local pharmacies chains, as well as get more depth information on each of our manufactured products. We have also started activities in different social networks- locals and internationals.

The neto turnover of the company in 2014 was **2 101 462 EUR**, that is 188 555 EUR less than in 2013. The profit of the company in 2014 was **70 491 EUR**, that is 33 400 EUR more than in 2013.

The management of joint stock company „Rīgas farmaceitiskā fabrika” is liable for the preparation of financial report and it is liable, that financial reports are prepared according to requirements of valid legislative acts and provides the true and clear conception about the assets, liabilities, financial situation and profit or losses, as well as for the fact that the management report includes true information.

The management of the company is liable about corresponding provision of bookkeeping system, the maintenance of the Company's assets, as well as for the prevention and detection of the fraud and other irregularities in the Company. The management is also responsible for the accomplishment of Latvian legislation.



Kaspars BĀLIŅŠ
Rīga, 2015. gada 27. martā

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STATEMENT OF COMPREHENSIVE INCOME for the period ended 2014.12.31

		2014.	2013.
		EUR	EUR
Net turnover	2	2 101 462	2 290 017
Cost of sales (prime cost)	3	-1 167 090	-1 306 605
Gross profit or loss		934 372	983 412
Sales distribution costs	4	-628 113	-686 041
Administration costs	5	-234 164	-215 956
Other operating income	6	11 751	5 336
Other operating expenses	7	-4 574	-42 790
Interest payable and similar charges	8	-2 117	-1 802
Peļņa vai zaudējumi pirms ārkārtas posteņiem un nodokļiem		77 155	42 159
Corporate income tax (postpone)		0	0
Other taxes	9	-6 664	-5 068
Profit or loss for the financial period		70 491	37 091
EPS k-t		0,1063	0,0559

Annex from 10 . to 19 . is an integral part of these financial statements



Kaspars BĀLIŅŠ

Rīga , 2015. gada 27. martā

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<u>BALANCE SHEET for the period ended</u>		<u>2014.12.31</u>	
ASSETS		2014.	2013.
		EUR	EUR
Long - term investments			
Intangible investments			
Concessions, patents, licenses, trade-marks and similar rights	10	1 459	9 674
Advance payments of intangible investments		0	0
TOTALLY		1 459	9 674
Fixed assets			
Lands, buildings, constructions and prenil plantations	11	434 864	490 124
Technological equipment and machines	11	47 836	73 138
Other fixed assets and inventory	11	82 799	68 644
Advance payments for fixed assets		0	0
TOTALLY		565 499	631 906
Long - term investments TOTALLY		566 958	641 580
Current assets			
Stocks			
Raw materials, direct materials and auxiliary materials	12	456 397	566 777
Unfinished products	13	36 307	19 485
Complete products and goods for sale	14	827 863	320 876
Advance payments for goods		0	12 702
Work animals and productive animals	15	0	213
TOTALLY		1 320 567	920 053
Debtors			
Customers and client debts	16	182 132	91 004
Other debts	17	66 329	0
Accured income	18	1 889	4 495
TOTALLY		250 350	95 499
Cash assets	19	3 452	1 749
Current assets TOTALLY		1 574 369	1 017 301
BALANCE		2 141 327	1 658 881

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BALANCE SHEET for the period ended 2014.12.31

LIABILITIES

		2014.	2013.
		EUR	EUR
Equity capital			
Stock or share capital (equity capital)	20	943 364	943 364
Retained profit:			
a) Retained profit of previous years		-11 833	-48 924
b) Retained profit of the year of accountant	21	70 491	37 091
TOTALLY		1 002 022	931 531
Stockpiles			
Other stockpiles	22	31 286	33 144
TOTALLY		31 286	33 144
Creditors			
Long - term debts			
Other loans	23	33 743	121 486
Tax on profit (pustpone) or loss for the financial period	27	0	0
TOTALLY		33 743	121 486
Short - term debts			
Other loans	23	106 358	40 071
Debts to suppliers and contractors	24	157 690	252 366
Tax and social security payments	25	25 744	27 464
Other creditors	26	758 657	0
Accrued liabilities	28	25 827	252 819
TOTALLY		1 074 276	572 720
Creditors TOTALLY		1 108 019	694 206
BALANCE		2 141 327	1 658 881

Annex from 10 . to 19 . is an integral part of these financial statements



Kaspars BĀLIŅŠ

Rīga , 2015. gada 27. martā

STATEMENT OF CASH FLOW for the period ended 2014.12.31
(indirect method)

	2014.	2013.
	EUR	EUR
CASH FLOW from operating activities		
Profit or loss before extraordinary items and tax	77 155	42 159
Corrections :		
depreciation of fixed assets and intangible investments (+)	114 845	148 917
accumulation for unused vacation (+)	-1 858	3 639
interest payable and similar charges (+)	2 117	1 802
Profit or loss before working capital and working capital correction influence	192 259	196 517
Corrections :		
debts of customers and subscribers	-154 851	8 076
provisions	-400 514	-482 294
others debtors	439 151	334 321
Net cash provided by operating activities	76 045	56 620
interest payments (-)	-2 117	-1 802
the taxes deducted from net profit (property tax)	-6 664	-5 068
Cash flow from operating activities	67 264	49 750
Investing activities		
fixed assets purchase costs	-17 065	-99 590
income from sale of fixed assets	800	0
Cash provided by investing activities	-16 265	-99 590
Cash flow from financing		
received loans	0	81 104
Expenses of leased fixed assets (-)	-49 296	-32 761
Net financing cash flow	-49 296	48 343
Net increase (decrease) in cash	1 703	-1 497
Cash at the beginning of the year	1 749	3 246
Cash at the end of the year	3 452	1 749

Annex from 10 . to 19 . is an integral part of these financial statements



Kaspars BĀLIŅŠ

Rīga , 2015. gada 27. martā

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FINANCIAL REPORT

OVERVIEW of EQUITY CAPITAL CHANGES
for the period ended 2014.12.31

	Share capital	Reserves	Retained profit of previous years	Retained profit of the year of accountant	Equity capital (total)
	EUR	EUR	EUR	EUR	EUR
2012.12.31	943 364	0	-83 097	34 173	894 440
2012 year profit transferred to retained earnings			34 173	-34 173	-
Retained profit of the year of accountant				37 091	37 091
Relief for losses from reserves					-
2013.12.31	943 364	-	-48 924	37 091	931 531
2013 year profit transferred to retained earnings			37 091	-37 091	-
Retained profit of the year of accountant				70 491	70 491
2014.12.31	943 364	-	-11 833	70 491	1 002 022

Annex from 10. līdz 10 . to 19 . is an integral part of these financial statements



Kaspars BĀLIŅŠ

Rīga , 2015. gada 27. martā

(1) STATEMENT OF ACCOUNTING POLICIES - GENERAL PRINCIPLES

Basis of preparation

The Annual Report is prepared in accordance with Latvian law "On Accounting" and "Annual reports".

The income statement is prepared in accordance with the turnover method.

The cash flow statement prepared using the indirect method.

Net sales

Net sales represent the revenues of the company's core business, the sale of products and services, net of trade discount and other discounts granted, as well as value added tax and other taxes directly related to the sale.

Proceeds from the sale of goods is recognized when the buyer s accepted the goods, according to delivery terms.

During the reporting period

The reporting period is 12 months of 2014.01.01 to 2014.12.31 .

Currency and foreign currency translation

These financial statements are expressed in the Latvian national currency - euro (EUR).

All monetary assets and liabilities are translated into Latvian lats at the exchange rate at the period end.

Foreign exchange rate fluctuations on profit or loss is reflected in the profit and loss account.

Long-term and short-term items

Long-term items of an amount reported by the receipt, payment, or write-off shall be the later of one year after the year end.

The amounts received, paid or written off during the reported short-term positions.

Non-current assets and depreciation recognition

Balance sheet of all fixed assets and intangible assets are stated at cost less depreciation rates.

Depreciation is calculated on straight-line methods,

choosing on the basis of the following rates:

Intangible assets:

license	20	%
other intangible assets	<u>20</u>	<u>%</u>

Fixed Assets:

Buildings and structures	5-10	%
Iekārtas un mašīnas	<u>20</u>	<u>%</u>
Other fixed assets	<u>20-35</u>	<u>%</u>

AS "Rīgas Farmaceutiskā Fabrika" year 2014
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Measurement of inventories

Reserves are estimated using FIFO method.

Inventory balances checked on the inventory.

Receivables

Trade receivables are shown net of.

Savings

Provisions are intended to cover certain types of obligations, relating to the reporting year or previous years and Annual Reports of the anticipated or known, but the amount or specific commitment to the creation or the date of recovery is uncertain.

Provision for vacation pay

Amount of the provision is determined by multiplying the average employee salary of one day to the year-end accrued but unused vacation days.

Accrued liabilities

Clearly aware of the settlement amount payable for the current year goods or services received if the balance sheet date has not yet received the corresponding payment document in accordance with the supply, sale or contract business conditions or other reasons, recognized as accruals for the period.

Corporate income tax

Corporate income tax costs are included in the financial statements in accordance with Latvian tax legislation of.

For the reporting period the estimated tax is calculated under the Law "On Corporate Income Tax " 'claims in determining taxable income, and applying the statutory tax rate of 15%.

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(2) Net Sales

Type of activity

	2014.	2013.
	EUR	EUR
Manufacture of drugs	2 032 077	2 210 218
Raw materials and distribution	26 712	34 445
Provision of services	42 673	45 354
Total	2 101 462	2 290 017

Net sales by geographical markets

State

	2014.	2013.
	EUR	EUR
Latvia	1 900 432	2 126 789
Lithuania	54 984	26 461
Estonia	99 819	90 645
Other	46 227	46 122
Total	2 101 462	2 290 017

(3) Cost of sales

	2014.	2013.
	EUR	EUR
Cost of materials	475 528	714 329
Staff costs	289 359	158 225
State social security contributions	65 559	37 185
Depreciation of fixed assets and intangible assets depreciation	115 282	148 916
Depreciation of current assets	184 307	8 500
Maintenance costs	9 970	190 389
Transport costs	26 313	32 282
Other	772	16 779
Total	1 167 090	1 306 605

(4) Sales expenses

	2014.	2013.
	EUR	EUR
Staff costs	239 339	282 885
State social security contributions	55 057	65 576
Advertising expenses	307 460	311 357
Transport costs	21 654	9 952
Other	4 603	16 271
Total	628 113	686 041

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(5) Administration costs

	2014. EUR	2013. EUR
Staff costs	85 449	94 765
State social security contributions	17 882	22 622
Legal and accounting services	9 830	9 902
Transport costs	10 786	18 385
Other	110 217	70 282
Total	234 164	215 956

(6) Other operating income

	2014. EUR	2013. EUR
The difference of exchange rate changes and currency sales	59	1 191
Received a penalty	0	750
Proceeds from sale of fixed assets	0	0
Other	11 692	3 395
Total	11 751	5 336

(7) Other operating expenses

	2014. EUR	2013. EUR
Expenses not related to economic activity	3 137	39 547
The difference of exchange rate changes and currency sales	0	1 932
Penalties	8	30
Gifts and benefits	928	854
Other	501	427
Total	4 574	42 790

(8) Interest payable and similar charges

	2014. EUR	2013. EUR
Leasing interest payments	2 117	1 802
Total	2 117	1 802

(9) Other taxes

	2014. EUR	2013. EUR
Real estates tax	6 664	5 068
Total	6 664	5 068

(9) Intangible assets

	Licenses and patents	Advance payment for intangible assets	Total intangible assets
	EUR	LVL	EUR
Historical cost as of 2013.12.31	136 219	0	136 219
Additions	363	0	363
Disposals	0	0	0
2014.12.31	136 582	0	136 582
Accumulated depreciation before 2013.12.31	126 545	0	126 545
Accumulated depreciation	8 578	0	8 578
2014.12.31	135 123	0	135 123
Net book value 2013.12.31	9 674	0	9 674
Net book value 2014.12.31	1 459	0	1 459

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(11) Fixed assets

	Land and buildings	Equipment	Other fixed assets	Advance payment for fixed assets	Fixed assets total
	EUR	EUR	EUR	EUR	EUR
Historical cost as of					
2013.12.31	1 016 266	822 439	400 677	-	2 239 382
Additions	0	7 340	32 958	0	40 298
Disposals	0	-2 922	-21 129	0	-24 051
2014.12.31	1 016 266	826 857	412 506	0	2 255 629
Accumulated depreciation before					
2013.12.31	526 142	749 300	332 034	-	1 607 476
Accumulated depreciation	55 260	32 643	18 802	0	106 705
Excluded on disposal	0	-2 922	-21 129	0	-24 051
2014.12.31	581 402	779 021	329 707	0	1 690 130
Net book value 2013.12.31	490 124	73 139	68 643	0	631 906
Net book value 2014.12.31	434 864	47 836	82 799	0	565 499

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(12) Raw materials, direct materials and auxiliary materials

	2014. EUR	2013. EUR
Materials	179 378	255 154
Consumables - glass containers	121 868	135 803
Consumables - plastic and metal packages	87 483	76 132
Printed materials	67 633	76 191
Other	35	23 497
Total	456 397	566 777

(13) Unfinished products

	2014. EUR	2013. EUR
The packing station neizfasēta products (quarantine area)	30 349	11 491
Production units of semi-finished products segment	5 958	7 994
Total	36 307	19 485

(14) Complete products and goods for sale

	2014. EUR	2013. EUR
The company's stock of finished goods in stock	827 863	320 876
Total	827 863	320 876

(15) Work animals and productive animals

	2014. EUR	2013. EUR
Guard dogs	0	213
Total	0	213

(16) Customers and client debts

	2014. EUR	2013. EUR
Trade receivables have a carrying amount	182 132	91 004
Book value	182 132	91 004

By currencies :

	2014. currency	EUR	2013. EUR
EUR		182 132	91 004
Other		0	0
Total		182 132	91 004

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(17) Other debts

	2014.	2013.
	EUR	EUR
Tax receivables together	64 329	0
Operatīvā līzinga neamortizētās daļas of settlement balances	2 000	0
Total	66 329	0

(18) Accrued income

	2014.	2013.
	EUR	EUR
Property Insurance	384	404
Vehicle Insurance	866	830
Employee Health Insurance	566	546
Magazine subscription	49	40
Other	24	2 675
Total	1 889	4 495

(19) Cash Assets and EUR currency according to the 31.12.

By currencies :	2014.	2013.
	currency	EUR
EUR	3 452	1 749
Other	0	0
Total	3 452	1 749

(20) Share capital

	943 364	EUR
consisting of	660 000	ordinary shares with voting rights
and	3 000	common shares without voting rights
Each share is LVL	1,423	

(21) Retained earnings

	EUR
For 2013. the reporting year, the profits up	70 491

(22) Other provisions

	2014. EUR	2013. EUR
Provision for unused vacations	31 286	33 144
Total	31 286	33 144

Long-term debts

	2014. EUR	2013. EUR
(23) Other loans	140 101	121 486
Total	140 101	121 486

Short-term debts

	2014. EUR	2013. EUR
(23) Other loans	0	40 071
Total	0	40 071

(27) Tax on profit (pustpone) or loss for the financial period

Total	0	0
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(24) Trade and other payables

Current portion of	2014. EUR	2013. EUR
Trade and other payables the carrying amount of	157 690	252 366
Total	157 690	252 366

**Current portion of
By currencies :**

	2014. currency	EUR	EUR
EUR		157 690	252 366
Other		0	0
Total		157 690	252 366

(25) Current portion of

	2014.	2013.
	EUR	EUR
Corporate income tax	0	0
Value-added tax	0	687
State social security contributions	15 834	16 387
Personal income tax	9 752	10 252
Business risk charge	24	24
Natural resource tax	134	114
Nekustamā īpašuma nodoklis	0	0
Total	25 744	27 464

(26) Current portion of

	2014.	2013.
	EUR	EUR
Wage debt	758 657	0
Total	758 657	0

(28) Accrued liabilities

	2014.	2013.
	EUR	EUR
Accrued discounts will be	4 000	3 984
Other	21 827	248 835
Total	25 827	252 819

(29) Number of employees

	2014.	2013.
The average number of persons employed by the company	67	64

(30) News about events after the balance sheet date

In the period since the last days before the reporting date is no significant events that could materially affect the results of the annual report.