JOINT STOCK COMPANY OLAINFARM

(UNIFIED REGISTRATION NUMBER 40003007246)

CONSOLIDATED ANNUAL REPORT
FOR THE YEAR ENDED 31 MARCH 2013

(17TH FINANCIAL YEAR)

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

Olaine, 2013

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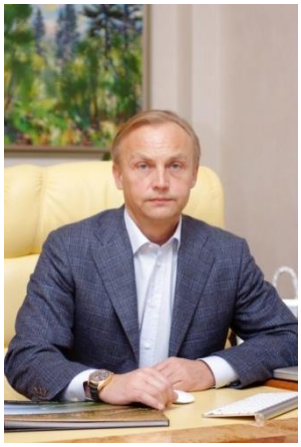
General information

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 Riga, 10 June 1991 (re-registered on 27 March 1997)
Registered office of the Parent Company	Rūpnīcu iela 5 Olaine, Latvia, LV-2114
Major shareholders of the Parent Company	Valērijs Maligins - 29.24% SIA Olmafarm - 42.56% Swedbank AS Clients account – 12.64% (Formerly AS Swedbank)

Board

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

Valērijs Maligins



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

Positions held in other companies:
SIA Olmafarm, Chairman of the Board
Hunting Club Vitkupe, Board Member

Participation in other companies:
SIA Lano Serviss (25.04%)
SIA Vega MS (60%)
SIA Briz (12.48%)
SIA Olfa Press (45%)
SIA Carbochem (50%)
SIA Aroma (75%)
SIA Olmafarm (100%)
SIA Escargot (33.50%)
SIA Olalex (50%)
OOO OLFA (51%)
Number of shares of AS OlainFarm owned (as of March 31, 2013):

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

Jeļena Borcova



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

Positions held in other companies:
SIA Carbochem, Board Member (till 21 of June, 2012)
Participation in other companies: none

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

Inga Liščika



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

Positions held in other companies:
SIA Pharma and Chemistry Competence Centre of Latvia, Council Member
AS Lege Artis Rīga, Council Member;
SIA First Class Lounge, Board Member
SIA Olalex, Board Member
SIA Carbochem, Board Member (from 21 of June, 2012)

Participation in other companies: none

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

Salvis Lapiņš



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

Positions held in other companies: none

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

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

Veranika Dubitskaya



Veronika Dubicka (Veranika Dubitskaya) has worked in the Company's representative office in Belarus since 2005. Till 2006 V. Dubitskaya held a post of the medical representative, since 2006 till July, 2009 a post of the manager, and since July, 2009 till May, 2011 was the principal of the company's representative office in Belarus.

Positions held in other companies: none

Participation in other companies: none

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

Council

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

Valentina Andreeva

Valentina Andreeva, the Chairman of the Council
Valentina Andreeva, the Doctor of Economics of the Riga Technical University (Dr.oec.) - 2006, and has also degree of Master of Economic Sciences in management of the enterprise activity, received at the Riga Technical University in 2001, a speciality of the engineer-economist which she received in 1976 at the Riga Polytechnical Institute.

Positions held in other companies: none

Participation in other companies: none

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

Jelena Dudko, Deputy Chairperson of the Council

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

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

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

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

Positions held in other companies:
SIA BRIZ , Board Member

Participation in other companies:
SIA SUPEREURO (17%)
SIA VIP Pharma (50%)
SIA Recesus (30%).
SIA Briz (10.96%)

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

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

Positions held in other companies:
OOO Torgovije Tehnologii (Ukraine), General Director

Participation in other companies: none

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

Tālis Talents (till April 29,2013
Tālis Talents graduated from the Riga Medical Institute, Faculty of Pharmacy (1980), obtained the pharmacist's qualification; won the Manager's qualification at Iscra Business School in Tokyo, Japan (1992).

Positions held in other companies: none

Participation in other companies: none

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

Gunta Veismane (from April 30, 2013)
Gunta Veismane in 1975 graduaded from the Latvian UniversityFaculty of economics, in 1993 year-Harvard University, HBS Management, S6trategic menegement and organisational Psychology course; 1996-MBA, Latvian University

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

Participation in other companies: none

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

Movements in the Board during the year 1 January 2013 through 31 March 2013	None
Movements in the Council during the year 1 January 2013 through 31 March 2013	On April 29, 2013 AS OlainFarm Shareholder's Meeting instead of member Talent place elected Gunta Veismane.

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 (100%) Baznīcas iela 20/22-10, Rīga, LV-1010, from 23/07/2012
	SIA Inula Farma (100%) Nīcgales iela 47A, Rīga, LV-1035, from 21/12/2011
	SIA Vita Plus Aptieka (100%) Dārza iela 6, Priekuļi, Priekuļu nov., LV-4126, from 22/12/2011
	SIA Teriaks (100%) Odzienas iela 1, Priekuļi, Priekuļu nov., LV-5120, from 09/02/2012
	SIA Aptieka Rudens 10 (100%) Rūpnīca iela 5, Olaine, LV-2114, from 24/05/2012
	SIA Rudens Laiks (100%) Rūpnīca iela 5, Olaine, LV-2114, from 24/05/2012
	SIA Esplanāde Farm (100%) Kandavas iela 4, Daugavpils, LV-5401, from 17/06/2012
	OLAINFARM ILJAČ VE TIBBI URJUNLERI SANAJI VE TIDŽARET LIMITED ŠIRKETI (99%) Kirbis Šehitleri. Džaddesi Nr.134/1, Daire: 204, Alsandžaka /IZMIRA, Turkey, from 07/02/2012.
	SIA „SILVANOLS" (20,1%) Kurbada iela 2A, Rīga, LV-1009
	SIA „Baltā aptieka I.P.I." (100%) Rušonu iela 15, Rīga, LV-1057, from 05.03.2013.
	SIA „Daugavkrasta Farmācija" (100%) Tallinas iela 36-1, Rīga, LV-1001, from 18.03.2013.
	SIA „Elpa Aptiekas" (100%) Rušonu iela 15, Rīga, LV-1057, from 11.02.2013.

Core business activity	Manufacture of basic pharmaceutical products and pharmaceutical preparations	
Audit Committee	Žanna Karaseva	
Financial year	1 January – 31 March 2013	
Auditors	Iveta Vimba Member of the Board Latvian Certified Auditor Certificate No. 153.	SIA Ernst & Young Baltic Muitas iela 1A, Riga Latvia, LV-1010 Licence No. 17

Major shareholders

	Holding (%)
Swedbank AS Clients Account (Formerly AS Swedbank)	12.64%
Olmafarm, SIA	42.56%
V.Maligins	29.24%
Other shareholders	15.56%
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 AS „Olainfarm", its daughter companies SIA „Ozols JRD", whose major activities will be related to organizing sports and active leisure events in Olaine, 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", SIA „Teriaks Pļaviņu Aptieka", SIA "Rudens Laiks" , SIA "Rudens 10, SIA "Esplanāde Farm" and. SIA "Balta Aptieka IPI". In February 2013 an agreement was signed whereby company purchased 100% shares in SIA „Elpas Aptieka", which owns 3 pharmacies in Riga. In March 2013 agreement on purchase of 100% shares in company SIA "Daugavkrasta Farmācija" was signed. SIA "Daugavkrasta Farmācija" owns one pharmacy in Kekava region. AS "Olainfarm" also owns 50% of shares in daughter company "Olainfarm Energija", that is engaged in production of electric energy using cogeneration technologies, but since AS does not have a decisive influence, this company is not consolidated into Concern.
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

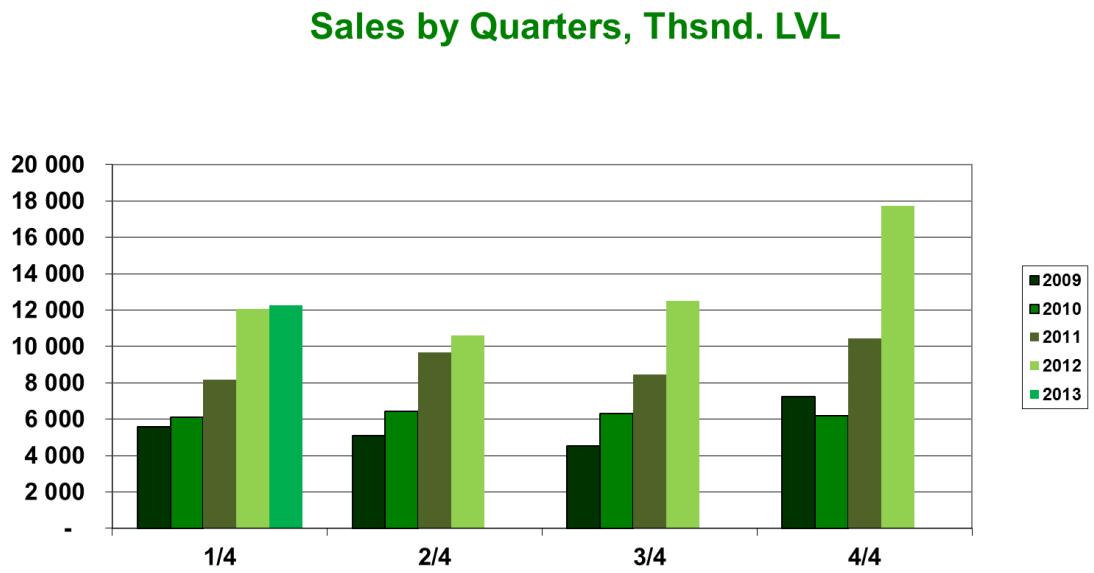
Corporate mission:
JSC „Olainfarm" is one of the biggest manufacturers of finished drug forms chemical products in the Baltics. The keystone of our work is manufacturing of reliable and effective high quality products to the whole world. We are about fair and effective cooperation with our customers – 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

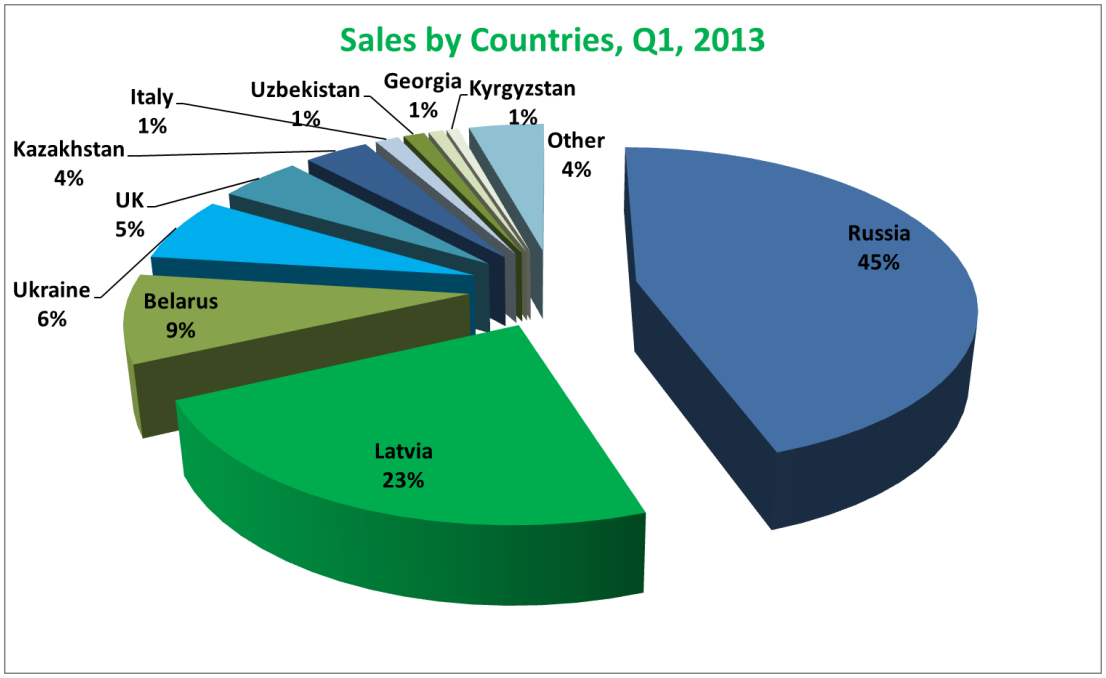
Retail and wholesale of pharmaceutical products is well controlled and regulated in all countries where company operates, therefore, unlike with many other sectors, it is much less subjected to significant political, conjuncture and even economic fluctuations. During the reporting period no major changes 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, except for Latvia, where the debate has started about allowing supermarkets and gas stations to sell OTC medicines.

Financial results

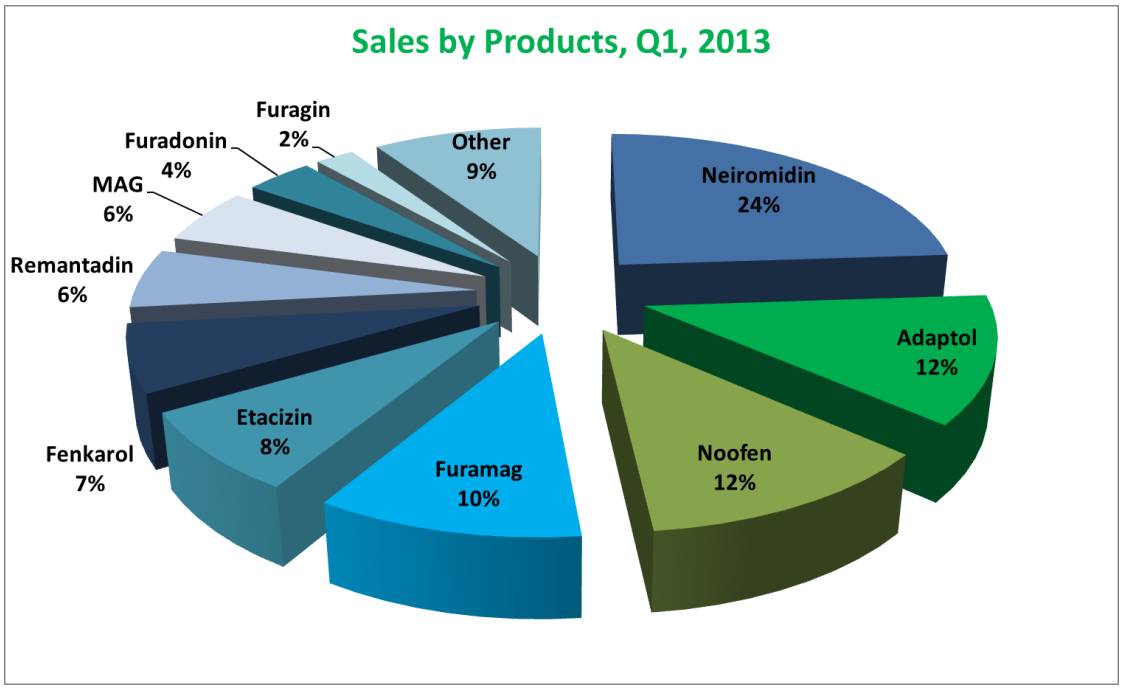
During the first quarter of 2013 sales volumes have grown by 4% compared to similar period of 2012 and reached 12.6 million lats (17.9 million euro), which makes this yet another best first quarter in corporate history. This has been achieved despite the fact that during the last quarter of 2012 extra shipments were made to Ukraine, which caused the sales to Ukraine during 1st quarter of 2013 be significantly smaller that usually.



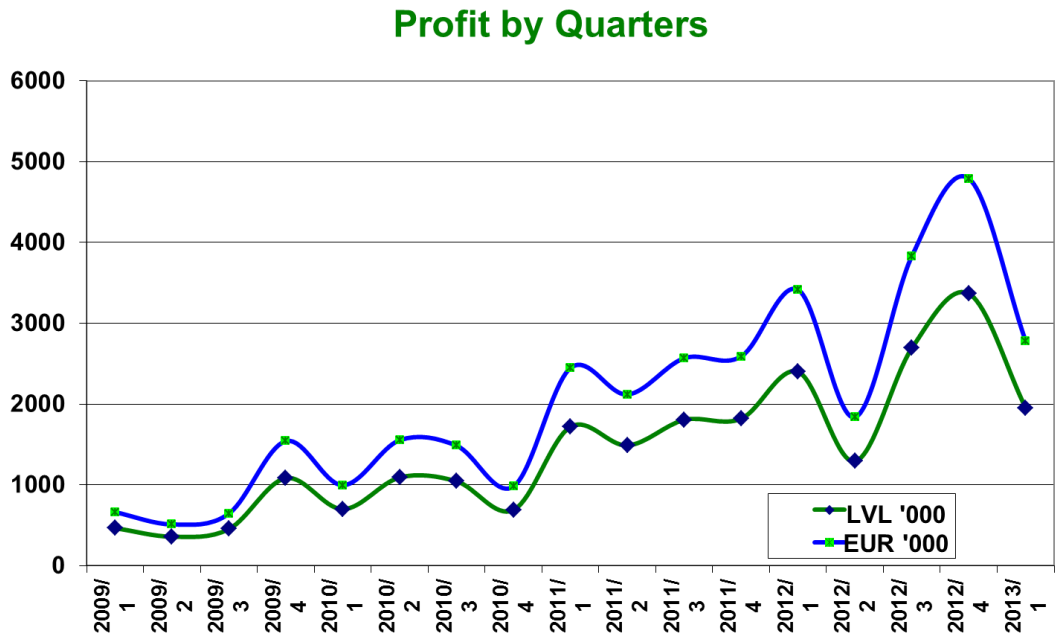
During the 1st quarter of 2013 sales to all company's main markets continued increasing except for Ukraine, where they shrunk by 71%, compared to 1st quarter of 2012. As mentioned above, such a reduction was expected as extra shipments were made to that country due to expected import difficulties to maintain the presence of the product. The most rapid sales increases during the 1st quarter of 2013 were achieved to Kyrgyzstan, where sales grew by 78%, Belarus by 72%, Uzbekistan by 64% and the UK by 51%. Major sales markets of AS "OlainFarm" during the 1st quarter of 2013 were Russia, Ukraine, Latvia, Belarus and the UK.



During the first quarter of 2013 no major changes have occurred to the structure of best selling products, except for share of Neiromidin increasing to 24% and share of Remantadin increasing to 6% of total unconsolidated sales



Significant reduction of sales to Ukraine has also left an impact to profitability of the company. During the first quarter of 2013 the company has made a net profit of 1.95 million lats (2.78 million euro), which is a reduction by 19% compared to the first quarter of 2012.



This is how other indicators of the company have changed during the first quarter :

Financial indicator	31.03.2013.	31.03.2012.	% to previous period
Sales (LVL)	12 580 322	12 061 690	104%
Net profit (LVL)	1 951 450	2 400 481	81%
EBITDA (LVL)	2 771 685	3 111 269	89%
EBIT (LVL)	2 196 341	2 611 855	84%
Sales (EUR)	17 900 186	17 162 239	104%
Net profit (EUR)	2 776 663	3 415 577	81%
EBITDA (EUR)	3 943 753	4 426 937	89%
EBIT (EUR)	3 125 112	3 716 335	84%
EBITDA margin, %	22	26	
Net margin, %	16	20	
EBIT margin, %	17	22	
Profit, last 12 months (LVL)	9 250 958	7 595 439	122%
Profit, last 12 months (EUR)	13 162 927	10 807 336	122%
EBITDA, last 12 months (LVL)	13 635 609	10 963 158	124%
EBITDA, last 12 months (EUR)	19 401 724	15 599 168	124%
ROA, % (last 12 months)	17,1	17,3	
ROE, % (last. 12 months)	24,3	25,6	
Current ratio	2,9	3,1	
EPS, LVL (quarter)	0,139	0,17	81%
EPS, EUR (quarter)	0,197	0,242	81%
Share price, end of the period (LVL)	4,80	2,88	167%
Share price, end of the period (EUR)	6,83	4,098	167%
P/E, last 12 months	7,3	5,3	
Market capitalisation at the end of the period (LVL)	67 608 374	40 565 024	167%
Market capitalisation at the end of the period (EUR)	96 198 050	57 718 830	167%
P/B	1,78	1,37	

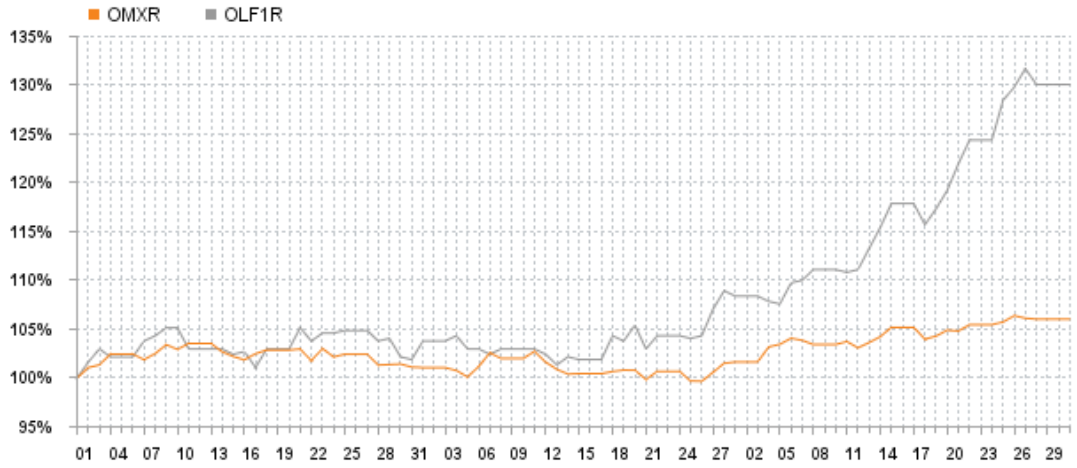
Annual meeting of shareholders of A/s "Olainfarm" held on April 29, 2013 approved operating plan of the Concern. According to it, sales of the Concern in 2012 are planned to be 59 million lats (84 million euros), but the net profit will reach 11.5 million lats (16.4 million euros). According to this unaudited report for 1st quarter of 2013, during the first three months 21% of annual sales target and 17% of annual profit target is met.

Shares and stock market

Rapid improvement of Company's financial indicators over the last three years are reflected in fluctuations of price of Company's shares on NASDAQ OMX Riga, as during this period the price of share increased by more than 350%. During the reporting period share price mainly fluctuated around 3.7 lats, while during the second half of the quarter it experienced a very rapid increase reaching its 16 year high of 4.89 lats (6.96 euro) per share. After the end of the reporting period share price continued increasing and shortly before preparation of this report it reached its historic high of 5.1 lats (7.26 euro). During the reporting period price of share of a/s "Olainfarm" has been fluctuating between 3.66 and 4.89 lats (5.21 and 6.96 euros).

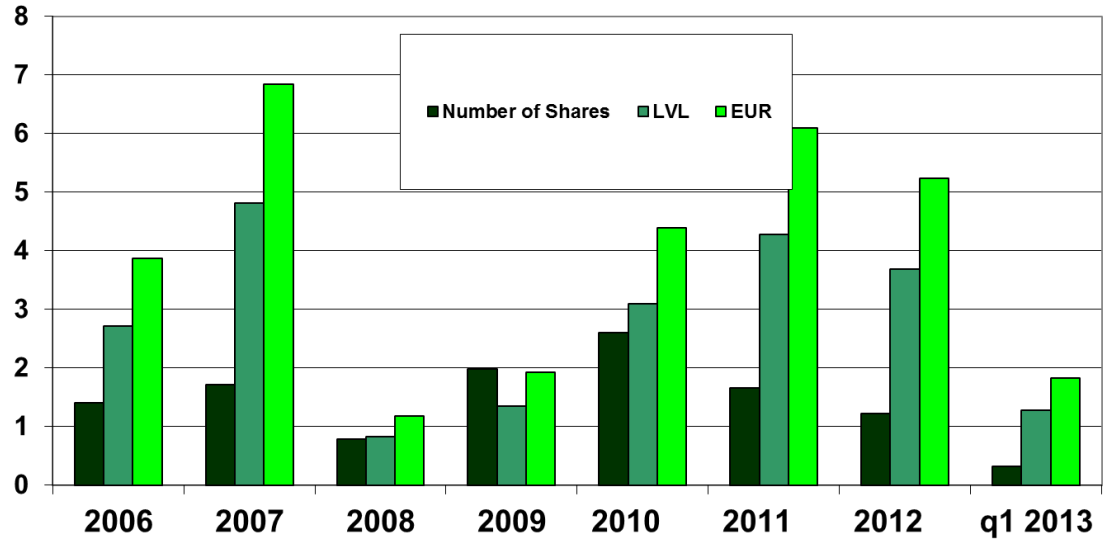
During the first quarter of this year price of share of a/s "Olainfarm" increased significantly more than OMX Riga index. During these three months OMX Riga index increased by 6.03%, while price for share of "Olainfarm" by 30.08%, which clearly was one of the most rapid price increases in the Baltic main list

Rebased price of Olainfarm share vs. rebased OMX Riga index (1st quarter of 2013)



-- 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%. During the reporting period shares of AS "OlainFarm" has been traded for more than 1.2 million lats, which is more than 50% of total turnover on the Main list of Nasdaq OMX Riga.

Development

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

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

During the 1st quarter of 2013 4 products have been registered in Ukraine, Turkmenistan, Russia and Belarus. Kapikor (Olvazol) is also among the registered products. An agreement has been reached about the commencement of registration process in Turkey. The work has been started at developing several new final dosage forms .

Future outlook

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

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

During May 2013 a debate was started in Latvia about the possibility that OTC medicines be also sold in supermarkets and gas stations. Should such a decision be made, now only will it leave an adverse impact on business and development of SIA "Latvijas Aptieka", but it will also endanger the existence of small independent pharmacies in smaller municipalities throughout Latvia, thus significantly limiting access to prescription medicines and other services provided by pharmacies.

Environment

During the 1st quarter an amendments have been approved to Category A polluting activity license, which was required due to increasing production volumes, consumption of technical water and launch of cogeneration facility.

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

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

Social responsibility

In 2013 the company continued supporting Marupe School of Tennis and football club „Olaine FK". The company also supports construction of orthodox church in Olaine and is one of the main supporter of Olaine town festival.

Events after the end of the reporting period

In March SIA "Balta Aptieka IPI" was purchased, having its only pharmacy located in central Riga. In April 2013, an agreement was signed on purchase of 100% shares in companies SIA "Mana Aptieka" and SIA "Trisdesmit seši un sesi". SIA "Mana Aptieka" owns a pharmacy in the town of Olaine, while SIA "Trisdesmit Seši un Sesi" owns a pharmacy in Riga. On April 25, 2013 AS Olainfarm became an owner of 47.52% of shares in SIA "Silvanols", a leading Latvian producer of natural dietary supplements.

On April 17, 2013 an explosion caused by toluene vapour occured in the company's nitrofuranes manufacturing plant Three people were injured in the explosion and two of them were hospitalized, one soon released. Two production lines have been affected, one of them was relaunched in few hours, while production of nitrofuranes was relocated and resumed in less than 24 hours after the explosion. The rest of Olainfarm's factory continued normal operations.

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

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

May 30, 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 AS OlainFarm:



Jelena Borcova
Member of the Board

30 Mayl 2013

Consolidated statement of comprehensive income

	Notes	2013 I.quarter LVL	2013 I.quarter EUR	2012 I.quarter LVL	2012 I.quarter EUR
Net sales	3	12 580 322	17 900 186	12 061 690	17 162 239
Changes in stock of finished goods and work in progress		474 098	674 581	111 287	158 347
Other operating income	4	368 258	523 984	294 872	419 565
Cost of materials:					
raw materials and consumables		(2 761 937)	(3 929 882)	(2 367 059)	(3 368 021)
other external costs		(861 669)	(1 226 045)	(777 939)	(1 106 907)
		(3 623 606)	(5 155 927)	(3 144 998)	(4 474 929)
Staff costs:					
Wages and salaries	8	(2 095 153)	(2 981 134)	(1 791 146)	(2 548 571)
Statutory social insurance contributions	8	(504 419)	(717 724)	(427 219)	(607 878)
		(2 599 572)	(3 698 858)	(2 218 365)	(3 156 449)
Depreciation/ amortization	10,11.	(575 344)	(818 641)	(518 465)	(737 709)
Other operating expense	5	(4 427 815)	(6 300 213)	(3 974 166)	(5 654 729)
Income from investments into subsidiaries		-	-	-	-
Financial income	6	92 626	131 795	272 990	388 430
Financial expense	7	(21 469)	(30 548)	(60 764)	(86 459)
(Loss)/ profit before taxes		**2 267 498**	**3 226 359**	**2 824 081**	**4 018 305**
Corporate income tax		(316 345)	(450 118)	(423 600)	(602 728)
(Loss)/ profit for the reporting year		**1 951 153**	**2 776 241**	**2 400 481**	**3 415 577**
Attributable to:					
The equity holders of the Parent Company		**1 951 450**	**2 776 663**	**2 400 111**	**3 415 050**
Minority		**(297)**	**(423)**	**370**	**526**
Profit for the reporting year		**1 951 450**	**2 776 663**	**2 400 481**	**3 415 577**
Basic and diluted earnings per share	0	0.139	0.197	0.170	0.242

*Supplementary information, see also Note 2.
The accompanying notes form an integral part of these financial statements.

For the Board of AS OlainFarm:



Jelena Borcova
Member of the Board

30 Mayl 2013

Consolidated statement of financial position

	Notes	31.03.2013 LVL	31.03.2013 EUR	31.03.2012 LVL	31.03.2012 EUR
ASSETS					
NON-CURRENT ASSETS					
Intangible assets					
Goodwill	10	3 304 979	4 702 561	1 473 566	2 096 696
Patents	10	62 133	88 407	1 359 228	1 934 006
	10	4 363 000	6 207 990	3 980 000	5 663 030
Other intangible assets	10	1 045 394	1 487 462	646 883	920 432
Prepayments for intangible assets		122 148	173 801	197 002	280 309
TOTAL		**8 897 654**	**12 660 221**	**7 656 679**	**10 894 473**
Property, plant and equipment					
Land, buildings and constructions	11	7 863 471	11 188 711	7 002 069	9 963 047
Equipment and machinery	11	2 543 497	3 619 070	2 650 242	3 770 955
Other tangible assets	11	1 204 423	1 713 740	889 009	1 264 946
Construction in progress	11	1 281 004	1 822 704	1 082 356	1 540 054
Prepayments for property, plant and equipment		498 516	709 324	271 144	385 803
TOTAL		**13 390 911**	**19 053 550**	**11 894 820**	**16 924 804**
Financial assets					
Other securities and investments		-	-	7	10
Prepayments for investments		662 312	942 385	1 000	1 423
TOTAL		**662 312**	**942 385**	**1 007**	**1 433**
TOTAL NON-CURRENT ASSETS		**22 950 877**	**32 656 156**	**19 552 506**	**27 820 710**
CURRENT ASSETS					
Inventories					
Raw materials		1 453 007	2 067 443	1 343 395	1 911 479
Work in progress		4 230 698	6 019 741	3 753 836	5 341 227
Finished goods and goods for resale		2 705 011	3 848 884	2 597 384	3 695 744
Prepayments for goods		97 938	139 353	91 362	129 996
TOTAL	12	**8 486 654**	**12 075 421**	**7 785 977**	**11 078 447**
Receivables					
Trade receivables	13	18 513 169	26 341 866	13 198 936	18 780 394
Receivables from accociated companies		355 046	505 185	243 219	346 069
Prepayments to suppliers		413 194	587 922	280 824	399 577
Other receivables		893 851	1 271 835	848 166	1 206 831
Current loans to management and employees		1 293 199	1 840 056	346 617	493 192
Prepaid expense		195 937	278 793	150 985	214 832
TOTAL		**21 664 396**	**30 825 658**	**15 068 747**	**21 440 895**
Cash	14	**990 780**	**1 409 753**	**1 326 812**	**1 887 883**
TOTAL CURRENT ASSETS		**31 141 830**	**44 310 832**	**24 181 536**	**34 407 226**
TOTAL ASSETS		**54 092 707**	**76 966 988**	**43 734 042**	**62 227 936**

*Supplementary information, see also Note 2.
The accompanying notes form an integral part of these financial statements.

For the Board of AS OlainFarm:

Jelena Borcova
Member of the Board

30 May 2013

Consolidated statement of financial position

	Notes	31.03.2013 LVL	31.03.2013 EUR	31.03.2012 LVL	31.03.2012 EUR
EQUITY AND LIABILITIES					
EQUITY					
Share capital	15	14 085 078	20 041 260	14 085 078	20 041 260
Share premium		1 759 708	2 503 839	1 759 708	2 503 839
Retained earnings/ (accumulated deficit):					
brought forward		20 225 013	28 777 601	11 369 565	16 177 434
for the period		1 951 450	2 776 663	2 400 481	3 415 577
Equity attributable to equity holders of the parent		**38 021 249**	**54 099 363**	**29 614 832**	**42 138 110**
Non-controlling interest		(297)	(423)	370	526
TOTAL EQUITY		**38 020 952**	**54 098 941**	**29 615 202**	**42 138 636**
LIABILITIES					
Non-current liabilities					
Loans from credit institutions	16	4 137 690	5 887 402	5 251 880	7 472 752
Deferred corporate income tax liabilities		1 241 521	1 766 525	1 132 032	1 610 736
Finance lease liabilities	17	32 586	46 366	2 291	3 260
TOTAL		**5 411 797**	**7 700 293**	**6 386 203**	**9 086 748**
Current liabilities					
Loans from credit institutions	16	3 575 286	5 087 174	1 729 274	2 460 535
Finance lease liabilities	17	28 510	40 566	27 477	39 096
Prepayments received from customers		37 602	53 503	71 017	101 048
Trade and other payables	20	4 731 815	6 732 766	3 880 544	5 521 517
Payables to related companies		-	-	-	-
Payables to accociated companies		5 218	7 425	178 809	254 422
Taxes payable	18	768 350	1 093 264	399 027	567 764
Corporate income tax	18	501 053	712 934	873 806	1 243 314
		385 168	548 045	-	-
Accrued liabilities	19	626 956	892 078	572 683	814 854
TOTAL		**10 659 958**	**15 167 754**	**7 732 637**	**11 002 551**
TOTAL LIABILITIES		**16 071 755**	**22 868 047**	**14 118 840**	**20 089 299**
TOTAL EQUITY AND LIABILITIES		**54 092 707**	**76 966 988**	**43 734 042**	**62 227 936**

*Supplementary information, see also Note 2.
The accompanying notes form an integral part of these financial statements.

For the Board of AS OlainFarm:



Jelena Borcova
Member of the Board

30 May 2013

Consolidated statement of cash flow

	31.12.2012		31.12.2011	
	LVL	EUR *	LVL	EUR *
Cash flows to/from operating activities				
Profit before taxes	11 731 666	16 692 657	8 380 569	11 924 475
Adjustments for:				
Amortisation and depreciation	2 153 583	3 064 273	1 887 675	2 685 920
Loss on sale/ disposal of property, plant and equipment	8 696	12 373	30 711	43 698
Increase/(decrease) in allowances	1 473 038	2 095 944	1 030 710	1 466 568
Income on disposal of other securities and investments	-	-	220	313
Disposal of investments	(43 583)	(62 013)	(609)	(867)
Interest expenses	206 665	294 058	190 204	270 636
Interest receivable	(52 792)	(75 116)	(53 297)	(75 835)
Operating cash flows before working capital changes	**15 477 273**	**22 022 175**	**11 466 183**	**16 314 909**
Increase in inventories	(715 643)	(1 018 268)	**290 823**	**413 804**
(Increase)/ decrease in receivables and prepaid expence	(5 964 633)	(8 486 908)	(4 070 730)	(5 792 127)
Increase/ (decrease) in payables and prepayments received	(512 323)	(728 970)	717 178	1 020 452
Cash generated from operations	**8 284 674**	**11 788 029**	8 403 454	11 957 038
Interest paid	(206 665)	(294 058)	**(190 204)**	**(270 636)**
Corporate income tax paid	(2 239 015)	(3 185 831)	(1 026 675)	(1 460 827)
Cash flows to/ from operating activities	5 838 994	8 308 141	7 186 575	10 225 575
Net cash flows to/ from operating activities	**5 838 994**	**8 308 141**	**7 186 575**	**10 225 575**
Cash flows to/from investing activities				
Purchase of property, plant and equipment	(3 220 739)	(4 582 699)	(3 584 118)	(5 099 740)
Prepayment for financial investments	-	-	3 500	4 980
Acquisition of the subsidiary	(895 575)	(1 274 288)	(4 334 319)	(6 167 180)
Proceeds from sale of intangible assets and property, plant and equip	72 397	103 012	33 403	47 528
Interest receivable	5 578	7 936	50 596	71 992
Loans granted	(793 296)	(1 128 759)	(1 290 191)	(1 835 776)
Loans repaid	-	-	1 333 617	1 897 566
Net cash flows to/from investing activities	**(4 831 636)**	**(6 874 798)**	(7 787 512)	(11 080 631)
Cash flows to/from financing activities				
Paid dividends	(867 641)	(1 234 542)	(352 127)	(501 032)
Borrowings repaid	(1 458 953)	(2 075 903)	(1 332 333)	(1 895 739)
Proceeds from borrowings	1 631 240	2 321 045	3 316 299	4 718 668
Finance lease liabilities paid	(44 984)	(64 007)	-	-
Net cash flows to/from financing activities	**(740 339)**	**(1 053 407)**	**1 631 839**	**2 321 898**
Change in cash	**267 020**	**379 935**	**1 631 839**	**2 321 898**
Non-controlling interest	**(297)**	**(423)**	**-**	**-**
Cash at the beginning of the year	**1 525 397**	**2 170 444**	**494 495**	**703 603**
Cash at the end of the year	**1 792 417**	**2 550 380**	**1 525 397**	**2 170 444**

*Supplementary information, see also Note 2.
The accompanying notes form an integral part of these financial statements.

Statement of consolidated changes in equity

	Share capital	Share capital	Share premium	Share premium	Retained earnings/ (Accumulated deficit)	Retained earnings/ (Accumulated deficit)	Total	Total	Retained earnings/ (Accumulated deficit)	Retained earnings/ (Accumulated deficit)	Total	Total
	LVL	EUR	LVL	EUR	LVL	EUR	LVL	EUR	LVL	EUR	LVL	EUR
Balance as at 31 December 2012	**14 085 078**	**20 041 260**	**1 759 708**	**2 503 839**	**20 225 013**	**28 777 601**	**36 069 799**	**51 322 700**	**(297)**	**(423)**	**36 069 502**	**51 322 278**
Profit for the reporting year	-	-	-	-	1 951 450	2 776 663	1 951 450	2 776 663	-	-	1 951 450	2 776 663
Balance as at 31 March 2013	**14 085 078**	**20 041 260**	**1 759 708**	**2 503 839**	**22 176 463**	**31 554 264**	**38 021 249**	**54 099 363**	**(297)**	**(423)**	**38 020 952**	**54 098 941**

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 (please refer to Note 28 Segment information for details of operations).

The Parent Company of the Group, AS 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 30 May 2013.
The Parent Company's shareholders have the power to amend the consolidated financial statements after the issue.

Changes in Group Structure in 2011 (continued in 2012) - Business Combinations

The Group has used a multiple earnings method in the valuation of intangible assets. The main assumptions used – expected profitability, revenue growth, remaining years to maturity.

Acquisitions during year 2012

Acquisition of SIA Teriaks

On February 09, 2012 the Group acquired 100% of shares in SIA Teriaks, a chain of pharmacies located in Latvia. The Group acquired the pharmacy chain for the purpose to develop the retail network and increasing the presence of the Group's products in the Latvian market.

The fair value of the identifiable assets and liabilities of SIA Teriaks as at the date of acquisition were:

	Fair value recognised on acquisition	
Assets	**LVL**	**EUR**
Premise lease agreements and licenses	36 000	51 223
Property, plant and equipment	28 640	40 751
Cash and cash equivalents	1 216	1 730
Trade receivables	5 259	7 483
Inventories	16 610	23 634
	87 725	**124 821**
Liabilities		
Trade payables	(19 097)	(27 173)
Other current liabilities	(1 235)	(1 757)
Deferred tax liabilities	(9 566)	(13 611)
	(29 898)	**(42 541)**
Total identifiable net assets at fair value	**57 827**	**82 280**
Goodwill arising on acquisition	**2 173**	**3 092**
Purchase consideration transferred in cash	**60 000**	**85 372**

1. Corporate information (cont'd)

Assets acquired and liabilities assumed
The goodwill of LVL 2 173 (EUR 3 092) arising on acquisition and recognized in the balance sheet of the Group represents the following:

- the goodwill of LVL 1 963 (EUR 2 793) represents an increase in the deferred tax liability due to a difference between the fair value of the acquired net assets of SIA Teriaks and their book value;

- the goodwill of LVL 210 (EUR 299) comprises the value of expected synergies arising from the acquisition and an assembled workforce which is not separately recognized. Goodwill is allocated entirely to the pharmacy retail segment.

Contribution of SIA Teriaks to the revenues and the net profit before tax for the Group is LVL 111 565 (EUR 158 743) and LVL 1 988 (EUR 2 829) accordingly. If the acquisition had taken place at the beginning of the year, revenue from continuing operations would have been LVL 147 396 (EUR 209 725) and the profit from continuing operations for the Group would have been LVL 3 030 (EUR 4 311).

Acquisition of SIA Rudens Laiks

On May 24, 2012 the Group acquired 100% of shares in SIA Rudens Laiks, a chain of pharmacies located in Latvia. The Group acquired the pharmacy chain for the purpose to develop the retail network and increasing the presence of the Group's products in the Latvian market.

At the date of authorising for issue the financial statements the Group has not yet finalized the identification process for intangible assets. Therefore the net assets and goodwill recognized in the financial statements are provisional.

The fair value of the identifiable assets and liabilities of SIA Rudens Laiks as at the date of acquisition were:

	Fair value recognized on acquisition	
Assets	**LVL**	**EUR**
Premise lease agreements and licenses	180 000	256 117
Property, plant and equipment	754	1 073
Cash and cash equivalents	18 259	25 980
Other receivables	75	107
Trade receivables	12 396	17 638
Inventories	64 021	91 094
	275 505	**392 009**
Liabilities		
Trade payables	(50 448)	(71 781)
Other current liabilities	(12 236)	(17 410)
Deferred tax liabilities	(28 920)	(41 150)
	(91 604)	**(130 341)**
Total identifiable net assets at fair value	**183 901**	**261 668**
Goodwill arising on acquisition	**111 099**	**158 080**
Purchase consideration transferred in cash	**295 000**	**419 748**

1. Corporate information (cont'd)

Assets acquired and liabilities assumed
The goodwill of LVL 111 099 (EUR 158 080) arising on acquisition and recognized in the balance sheet of the Group represents the following:

- the goodwill of LVL 28 921 (EUR 41 151) represents an increase in the deferred tax liability due to a difference between the fair value of the acquired net assets of SIA Rudens Laiks and their book value;

- the goodwill of LVL 82 178 (EUR 116 929) comprises the value of expected synergies arising from the acquisition and an assembled workforce which is not separately recognized. Goodwill is allocated entirely to the pharmacy retail segment.

Contribution of SIA Rudens Laiks to the revenues and the net profit before tax for the Group is LVL 268 356 (EUR 381 836) and LVL 3 600 (EUR 5 122) accordingly. If the acquisition had taken place at the beginning of the year, revenue from continuing operations would have been LVL 507 762 (EUR 722 480) and the profit from continuing operations for the Group would have been LVL 11 916 (EUR 16 955).

Acquisition of SIA Aptieka Rudens 10

On May 24, 2012 the Group acquired 100% of shares in SIA Aptieka Rudens 10, a chain of pharmacies located in Latvia. The Group acquired the pharmacy chain for the purpose to develop the retail network and increasing the presence of the Group's products in the Latvian market.

At the date of authorizing for issue the financial statements the Group has not yet finalized the identification process for intangible assets. Therefore, the net assets and goodwill recognized in the financial statements are provisional.

The fair value of the identifiable assets and liabilities of SIA Aptieka Rudens 10 as at the date of acquisition were:

	Fair value recognised on acquisition	
Assets	**LVL**	**EUR**
Premise lease agreements and licenses	180 000	256 117
Property, plant and equipment	690	982
Cash and cash equivalents	56 229	80 007
Other receivables	138	196
Trade receivables	25 459	36 225
Inventories	58 200	82 811
	320 716	**456 338**
Liabilities		
Trade payables	(81 748)	(116 317)
Other current liabilities	(14 382)	(20 464)
Deferred tax liabilities	(28 690)	(40 822)
	(124 820)	**(177 603)**
Total identifiable net assets at fair value	**195 896**	**278 735**
Goodwill arising on acquisition	**99 104**	**141 012**
Purchase consideration transferred in cash	**295 000**	**419 747**

1. Corporate information (cont'd)

Assets acquired and liabilities assumed
The goodwill of LVL 99 104 (EUR 141 012) arising on acquisition and recognized in the balance sheet of the Group represents the following:

- the goodwill of LVL 28 690 (EUR 40 822) represents an increase in the deferred tax liability due to a difference between the fair value of the acquired net assets of SIA Aptieka Rudens 10 and their book value;

- the goodwill of LVL 70 414 (EUR 100 190) comprises the value of expected synergies arising from the acquisition and an assembled workforce which is not separately recognized. Goodwill is allocated entirely to the pharmacy retail segment.

Contribution of SIA Aptieka Rudens 10 to the revenues and the net profit before tax for the Group is LVL 337 710 (EUR 480 518) and LVL 7 435 (EUR 10 579) accordingly. If the acquisition had taken place at the beginning of the year, revenue from continuing operations would have been LVL 679 474 (EUR 966 804) and the profit from continuing operations for the Group would have been LVL 20 992 (EUR 29 869).

Acquisition of SIA Esplanāde farm

On June 17, 2012 the Group acquired 100% of shares in SIA Esplanāde farm, a chain of pharmacies located in Latvia. The Group acquired the pharmacy chain for the purpose to develop the retail network and increasing the presence of the Group's products in the Latvian market.

At the date of authorizing for issue the financial statements the Group has not yet finalized the identification process for intangible assets. Therefore the net assets and goodwill recognized in the financial statements are provisional.

The fair value of the identifiable assets and liabilities of SIA Esplanāde farm as at the date of acquisition were:

	Fair value recognized on acquisition	
Assets	**LVL**	**EUR**
Premise lease agreements and licenses	100 000	142 287
Other property, plant and equipment	613	872
Other receivables	4 846	6 895
Trade receivables	18 572	26 426
Cash	600	854
Inventories	37 423	53 248
	162 054	**230 582**
Liabilities	**LVL**	**EUR**
Trade payables	(48 495)	(69 002)
Other liabilities	(7 522)	(10 703)
Deferred tax liabilities	(16 262)	(23 139)
	(72 279)	**(102 844)**
Total identifiable net assets at fair value	**89 775**	**127 738**
Goodwill arising on acquisition	**75 725**	**107 747**
Purchase consideration transferred in cash	**165 500**	**235 485**

1. Corporate information (cont'd)

Assets acquired and liabilities assumed
The goodwill of LVL 75 725 (EUR 107 747) arising on acquisition and recognized in the balance sheet of the Group represents the following:

- the goodwill of LVL 16 262 (EUR 23 139) represents an increase in the deferred tax liability due to a difference between the fair value of the acquired net assets of SIA Esplanāde and their book value;

- the goodwill of LVL 59 463 (EUR 84 608) comprises the value of expected synergies arising from the acquisition and an assembled workforce which is not separately recognized. Goodwill is allocated entirely to the pharmacy retail segment.

Contribution of SIA Esplanāde farm to the revenues and the net losses for the Group is LVL 103 364 (EUR 147 074) and LVL 17 087 (EUR 24 313) accordingly. If the acquisition had taken place at the beginning of the year, revenue from continuing operations would have been LVL 256 932 (EUR 365 581) and the profit from continuing operations for the Group would have been LVL 18 151 (EUR 25 827).

Acquisitions during year 2011

Acquisition of SIA Ilmas Aptieka

On November 2, 2011 the Group acquired 100% of shares in SIA Ilmas Aptieka, a chain of 17 pharmacies located in Latvia. The Group acquired the pharmacy chain for the purpose of entering the retail network and increasing the presence of the Group's products in the Latvian market.

The fair value of the identifiable assets and liabilities of SIA Ilmas Aptieka as at the date of acquisition were:

	Fair value recognised on acquisition *(restated)*	
Assets	**LVL**	**EUR**
Intangible assets	1 214	1 727
Premise lease agreements and licenses	2 216 835	3 154 272
Property, plant and equipment	337 187	409 760
Cash and cash equivalents	79 856	113 625
Other receivables	30 183	42 946
Trade receivables	96 824	137 768
Inventories	417 000	593 338
	3 179 099	**4 453 436**
Liabilities	**LVL**	**EUR**
Trade payables	(700 599)	(996 863)
Other current liabilities	(264 200)	(357 773)
Long term liabilities	(134 866)	(191 897)
Deferred tax liabilities	(319 769)	(454 990)
	(1 419 434)	**(2 001 523)**
Total identifiable net assets at fair value	**1 761 665**	**1 761 665**
Goodwill arising on acquisition	**490 407**	**697 786**
Purchase consideration transferred in cash	**2 252 072**	**3 204 409**

1. Corporate information (cont'd)

Assets acquired and liabilities assumed
The goodwill of LVL 490 407 (EUR 697 786) arising on acquisition and recognized in the balance sheet of the Group represents the following:

- the goodwill of LVL 332 525 (EUR 473 141) represents an increase in the deferred tax liability due to a difference between the fair value of the acquired net assets of SIA Ilmas Aptieka and their book value;

- the goodwill of LVL 157 882 (EUR 224 646) comprises the value of expected synergies arising from the acquisition and an assembled workforce which is not separately recognized. Goodwill is allocated entirely to the pharmacy retail segment.

In 2012 the valuation was completed and the acquisition date fair value of premise lease agreements and licenses was LVL 2 216 835, an increase of LVL 196 835 over the provisional value. As a result, there was a deferred tax increase of LVL 12 756 over the provisional value up to LVL 332 525. The 2011 comparative information was restated to reflect the adjustment to the provisional amounts. There was also a corresponding decrease in goodwill of LVL 248 041, resulting in LVL 490 407 of total goodwill arising on the acquisition.

From the date of acquisition SIA Ilmas Aptieka has contributed LVL 558 713 (EUR 794 977) of revenue and has made a loss of LVL 27 105 (EUR 38 567) before tax for the Group. If the acquisition had taken place at the beginning of the year, revenue from continuing operations would have been LVL 3 024 006 (EUR 4 302 773) and the loss from continuing operations for the Group would have been LVL 70 476 (EUR 100 278).

Acquisition of AS Lege Artis Rīga

On November 30, 2011 the Group acquired 100% of shares in AS Lege Artis Rīga, a chain of 5 pharmacies located in Latvia. The Group acquired the pharmacy chain for the purpose of entering the retail network and increasing the presence of the Group's products in the Latvian market.

The fair value of the identifiable assets and liabilities of AS Lege Artis Rīga as at the date of acquisition were:

	Fair value recognised on acquisition	
Assets	**LVL**	**EUR**
Premise lease agreements and licenses	1 310 000	1 863 962
Property, plant and equipment	5 760	8 196
Cash and cash equivalents	132 230	188 146
Other receivables	32 209	45 829
Trade receivables	713	1 015
Inventories	109 721	156 119
	1 590 633	**2 263 267**
Liabilities	**LVL**	**EUR**
Trade payables	(205 813)	(292 846)
Other current liabilities	(20 981)	(29 853)
Deferred tax liabilities	(198 464)	(282 389)
	(425 258)	**(605 088)**
Total identifiable net assets at fair value	**1 165 375**	**1 658 179**
Goodwill arising on acquisition	**240 233**	**341 821**
Purchase consideration transferred in cash	**1 405 608**	**2 000 000**

1. Corporate information (cont'd)

Assets acquired and liabilities assumed
The goodwill of LVL 240 233 (EUR 341 821) arising on acquisition and recognized in the balance sheet of the Group represents the following:

- the goodwill of LVL 198 464 (EUR 282 389) represents an increase in the deferred tax liability due to a difference between the fair value of the acquired net assets of AS Lege Artis Rīga and their book value

- the goodwill of LVL 41 769 (EUR 59 432) comprises the value of expected synergies arising from the acquisition and an assembled workforce which is not separately recognized. Goodwill is allocated entirely to the pharmacy retail segment.

From the date of acquisition AS Lege Artis Rīga has contributed LVL 133 619 (EUR 190 123) of revenue and LVL 3 647 (EUR 5 189) to the net profit before tax of the Group. If the acquisition had taken place at the beginning of the year, revenue from continuing operations would have been LVL 1 422 815 (EUR 2 024 061) and the profit from continuing operations for the Group would have been LVL 21 213 (EUR 30 183).
At the date of authorising for issue the financial statements the Group has finished Purchase Price Allocation calculations, no material changes revealed, which would need any corrections in the consolidated annual report to be made.

Acquisition of SIA Latvijas Aptieka (former Inula farm)

On December 21, 2011 the Group acquired 100% of shares in SIA Latvijas Aptieka, a chain of 4 pharmacies located in Latvia. The Group acquired the pharmacy chain for the purpose of entering the retail network and increasing the presence of The Group's products in the Latvian market.

The fair value of the identifiable assets and liabilities of SIA Latvijas Aptieka as at the date of acquisition were:

	Fair value recognized on acquisition	
Assets	**LVL**	**EUR**
Premise lease agreements and licenses	340 000	483 776
Property, plant and equipment	1 734	2 467
Cash and cash equivalents	22 084	31 423
Other receivables	14 852	21 132
Trade receivables	1 962	2 792
Inventories	65 073	92 591
	445 705	**634 181**
Liabilities	**LVL**	**EUR**
Trade payables	(90 879)	(129 309)
Other current liabilities	(5 314)	(7 561)
Deferred tax liabilities	(53 072)	(75 515)
	(149 265)	**(212 385)**
Total identifiable net assets at fair value	**296 440**	**421 797**
Goodwill arising on acquisition	**115 403**	**164 204**
Purchase consideration transferred in cash	**411 843**	**586 001**

1. Corporate information (cont'd)

Assets acquired and liabilities assumed

The goodwill of LVL 115 403 (EUR 164 204) arising on acquisition and recognized in the balance sheet of the Group represents the following:

- the goodwill of LVL 53 072 (EUR 75 515) represents an increase in the deferred tax liability due to a difference between the fair value of the acquired net assets of SIA Latvijas Aptieka and their book value;

- the goodwill of LVL 62 331 (EUR 88 689) comprises the value of expected synergies arising from the acquisition and an assembled workforce which is not separately recognized. Goodwill is allocated entirely to the pharmacy retail segment.

As the acquisition of SIA Latvijas Aptieka took place near the end of the financial year, there is no contribution to the revenues and the net profit before tax for the Group. If the acquisition had taken place at the beginning of the year, revenue from continuing operations would have been LVL 653 656 (EUR 930 069) and the loss from continuing operations for the Group would have been LVL 555 (EUR 790).

At the date of authorising for issue the financial statements the Group has finished Purchase Price Allocation calculations, no material changes revealed, which would need any corrections in the consolidated annual report to be made.

Acquisition of SIA Veritas-farm

On December 6, 2011 the Group acquired 100% of shares in SIA Veritas-farm, which owns 2 pharmacies located in Latvia. The Group acquired the pharmacy chain for the purpose of entering the retail network and increasing the presence of the Group's products in the Latvian market.

The fair value of the identifiable assets and liabilities of SIA Veritas-farm as at the date of acquisition were:

	Fair value recognised on acquisition *(restated)*	
Assets	**LVL**	**EUR**
Premise lease agreements and licenses	100 000	142 287
Property, plant and equipment	111 809	159 090
Cash and cash equivalents	3 707	5 275
Other receivables	2 039	2 901
Trade receivables	27 753	39 489
Inventories	41 910	59 633
	287 218	**408 675**
Liabilities	**LVL**	**EUR**
Trade payables	(74 377)	(105 829)
Other current liabilities	(10 610)	(15 097)
Deferred tax liabilities	(29 524)	(42 009)
	(114 511)	**(162 935)**
Total identifiable net assets at fair value	**172 707**	**245 740**
Goodwill arising on acquisition	**207 293**	**294 951**
Purchase consideration transferred in cash	**380 000**	**540 691**

1. Corporate information (cont'd)

Assets acquired and liabilities assumed
The goodwill of LVL 207 293 (EUR 294 951) arising on acquisition and recognized in the balance sheet of the Group represents the following:

- the goodwill of LVL 28 509 (EUR 40 565) represents an increase in the deferred tax liability due to a difference between the fair value of the acquired net assets of SIA Veritas-farm and their book value;

- the goodwill of LVL 178 784 (EUR 254 386) comprises the value of expected synergies arising from the acquisition and an assembled workforce which is not separately recognized. Goodwill is allocated entirely to the pharmacy retail segment.

As the acquisition of SIA Veritas-farm took place near the end of the financial year, there is no contribution to the revenues and the net profit before tax for the Group. If the acquisition had taken place at the beginning of the year, revenue from continuing operations would have been LVL 474 210 (EUR 674 740) and the profit from continuing operations for the Group would have been LVL 10 371 (EUR 14 757).
At the date of authorising for issue the financial statements the Group has finished Purchase Price Allocation calculations, no material changes revealed, which would need any corrections in the consolidated annual report to be made.

Acquisition of SIA Juko 99 and SIA Vita Plus

On October 28, 2011 the Group acquired 100% of shares in SIA Juko 99, which owns 1 pharmacy in Riga, and on December 22, 2011, the Group acquired 100% of shares in SIA "Vita Plus", which owns 1 pharmacy in Priekuli. The Group acquired these pharmacies for the purpose of entering the retail network and increasing the presence of the Group's products in the Latvian market.
Both entities acquired individually are not material to the Group.

The fair value of the identifiable assets and liabilities of SIA Juko 99 and SIA Vita Plus at the date of acquisition were:

	Fair value recognized on acquisition *(restated)*	
Assets	**LVL**	**EUR**
Property, plant and equipment	3 838	5 461
Premise lease agreements and licenses	97 000	138 019
Cash and cash equivalents	8 868	12 618
Other receivables	3 132	4 456
Trade receivables	4 853	6 905
Inventories	25 509	36 296
	143 200	**203 755**
Liabilities	**LVL**	**EUR**
Trade payables	(50 933)	(72 471)
Other current liabilities	(2 425)	(3 451)
Deferred tax liabilities	(15 149)	(21 555)
	(68 507)	**(97 477)**
Total identifiable net assets at fair value	**74 693**	**106 278**
Goodwill arising on acquisition	**79 807**	**113 555**
Purchase consideration transferred in cash	**154 500**	**219 833**

1. Corporate information (cont'd)

Assets acquired and liabilities assumed
Contribution by both companies to the revenues and net profit before of the Group from the acquisition date is not material for the Group. If the acquisition had taken place at the beginning of the year, revenue from continuing operations would have been LVL 290 918 (EUR 413 939) and the loss from continuing operations for the Group would have been LVL 15 724 (EUR 22 373).

At the date of authorising for issue the financial statements the Group has finished Purchase Price Allocation calculations, no material changes revealed, which would need any corrections in the consolidated annual report to be made.

Acquisition of SIA First Class Lounge
In December 2011 the Group acquired 51% shares in SIA First Class Lounge. Consideration transferred for the acquisition was LVL 1 020. As a result of business combination goodwill of LVL 59 530 was recognized. In July 2012 the Group acquired the rest 49% of SIA First Class Lounge.

At the date of authorising for issue the financial statements the Group has finished Purchase Price Allocation calculations, no material changes revealed, which would need any corrections in the consolidated annual report to be made.

Analysis of cash flows on acquisition in 2011:

Net cash acquired with the subsidiary	270 503
Consideration paid in cash on acquisition	(4 604 822)
Net cash flow on acquisition	**(4 334 319)**

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 and European Monetary Unit Euro (EUR).

The consolidated financial statements are translated in euros for information purposes only. It is a supplementary information. Lats are pegged to euro as of 1 January 2005 and are translated at a rate of 0.702804 lats per one euro.

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

Consolidation

The consolidated financial statements comprise the financial statements of AS OlainFarm and its all subsidiaries as at 31 December 2012.

The results of subsidiaries sold and acquired are fully consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

The financial statements of the subsidiaries are prepared for the same reporting period as the Parent Company, using consistent accounting policies.

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

Consolidation (cont'd)

The financial statements of the Parent Company and its subsidiaries are consolidated in the Group's consolidated financial statements by adding together like items of assets and liabilities as well as income and expense. For the purposes of consolidation, unrealised internal profits, intra-group balances, intra-group shareholdings, dividends and other intra-group transactions are eliminated from the Group's financial statements.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- Derecognises the assets (including goodwill) and liabilities of the subsidiary
- Derecognises the carrying amount of any non-controlling interest
- Derecognises the cumulative translation differences recorded in equity
- Recognises the fair value of the consideration received
- Recognises the fair value of any investment retained
- Recognises any surplus or deficit in profit or loss
- Reclassifies the parent's share of components previously recognised in other comprehensive income to profit or loss or retained earnings, as appropriate.

Changes in accounting policy and disclosures

A) Changes in accounting policy and disclosures

The accounting policies adopted are consistent with those of the previous financial year except as follows:

The Group has adopted the following new and amended IFRS as of 1 January 2012:

- ***amendment to IFRS 7 Financial Instruments - Enhanced Derecognition Disclosure Requirements,***
- ***amendment to IAS 12 Income tax - Deferred tax - Recovery of Underlying Assets.***

The amendments did not impact the financial statements of the Group, because the Group did not have items or transactions addressed by these changes.

B) Standards issued but not yet effective and not early adopted

The Group has not applied the following IFRS and IFRIC interpretations that have been issued as of the date of authorisation of these financial statements for issue, but which are not yet effective:

Amendment to IAS 1 Financial Statement Presentation - Presentation of Items of Other Comprehensive Income (effective for financial years beginning on or after 1 July 2012)

The amendments to IAS 1 change the grouping of items presented in OCI. Items that could be reclassified (or 'recycled') to profit or loss at a future point in time (for example, upon derecognition or settlement) would be presented separately from items that will never be reclassified. The amendment affects presentation only and has no impact on the Group's financial position or performance.

Amendment to IAS 19 Employee Benefits (effective for financial years beginning on or after 1 January 2013)

There are numerous amendments to IAS 19, they range from fundamental changes such as removing the corridor mechanism and the concept of expected returns on plan assets to simple clarifications and re-wording. The amendment has no impact on the Group's financial position or performance.

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

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

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

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

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

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

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

Amendment to IFRS 7 Financial Instruments: Disclosures - Offsetting Financial Assets and Financial Liabilities (effective for financial years beginning on or after 1 January 2013)

The amendment introduces common disclosure requirements. These disclosures would provide users with information that is useful in evaluating the effect or potential effect of netting arrangements on an entity's financial position. The amendments to IFRS 7 are to be retrospectively applied. The amendment has no impact on the Group's financial position or performance.

IFRS 9 Financial Instruments (effective for financial years beginning on or after 1 January 2015, once endorsed by the EU)

IFRS 9 will eventually replace IAS 39. The IASB has issued the first two parts of the standard, establishing a new classification and measurement framework for financial assets and requirements on the accounting for financial liabilities. The Group has not yet evaluated the impact of the implementation of this standard.

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

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

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

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

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

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

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

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

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

IFRS 13 Fair Value Measurement (effective for financial years beginning on or after 1 January 2013)

The main reason of issuance of IFRS 13 is to reduce complexity and improve consistency in application when measuring fair value. It does not change when an entity is required to use fair value but, rather, provides guidance on how to measure fair value under IFRS when fair value is required or permitted by IFRS. The amendment has no impact on the Group's financial position or performance.

Improvements to IFRSs (effective for financial years beginning on or after 1 January 2013, once endorsed by the EU)

In May 2012 IASB issued omnibus of necessary, but non-urgent amendments to its five standards:

- IFRS 1 First-time adoption of IFRS;
- IAS 1 Presentation of Financial Statements;
- IAS 16 Property, Plant and Equipment;
- IAS 32 Financial instruments: Presentation;
- IAS 34 Interim Financial Reporting.

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

IFRIC Interpretation 20 Stripping Costs in the Production Phase of a Surface Mine (effective for financial years beginning on or after 1 January 2013)

This interpretation applies to stripping costs incurred in the surface mining activity during the production phase of the mine ('production stripping costs'). Interpretation will have no impact on the Group's financial statements, as the Group is not involved in the mining activity.

The Group plans to adopt the above mentioned standards and interpretations on their effectiveness date provided they are endorsed by the EU.

Research and development costs

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

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

Following initial recognition of the development expenditure as an asset, the asset is carried at cost less any accumulated amortisation and accumulated impairment losses. Amortisation of the asset begins when development is complete and the asset is available for use. It is amortised over the period of expected future benefit. Amortisation is recorded in cost of sales. During the period of development, the asset is tested for impairment annually.

Patents

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

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

Pharmacy licences and premise lease agreements

Pharmacy licences and premise lease agreements are intangible assets acquired in a business combination. The cost of pharmacy licences and premise lease agreements are their fair value as at the date of acquisition. Following initial recognition, pharmacy licences and premise lease agreements are carried at cost less any accumulated impairment losses.
Pharmacy licences and lease contracts are considered as the major asset acquired with the business as in order to generate cash flows the licence holder should have leased or owned premises. Therefore the Group has decided to treat pharmacy licences and lease contracts as one combined intangible asset.

Due to the fact that there are very limited circumstances in which the licences can be revoked and licences can be renewed at a little or no cost to the Group, the Group has assessed the pharmacy licences and lease contracts to have an indefinite useful life.

Pharmacy licences and premise lease agreements are not amortised, but are tested for impairment annually, at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, a change in useful life from indefinite to finite is made on a prospective basis.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the income statement when the asset is derecognised.

Other intangible non-current assets

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

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment in value. Land is not depreciated. Depreciation is calculated on a straight-line basis over the estimated useful life of the asset:

	% per annum
Buildings and constructions	*5*
Equipment and machinery	*10-15*
Computers and software	*25*
Other tangible assets	*20*

Depreciation is calculated starting with the following month after the tangible non-current asset is put into operation or engaged in commercial activity. Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately. To the extent that the Group depreciates separately some parts of plant, property and equipment, it also depreciates separately the remainder of the item. The remainder consists of the parts that are individually insignificant. The depreciation for the remainder is determined using approximation techniques to faithfully represent its useful life.

When tangible non-current assets are sold or disposed of, their cost and accumulated depreciation are eliminated from the accounts and any gain or loss resulting from their disposal is included in the statement of comprehensive income.

The cost of property, plant and equipment comprises its purchase price, including import duties and non-refundable purchase taxes and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenses incurred after the non-current assets have been put into operation, such as repair and maintenance and overhaul costs, are normally charged to the statement of comprehensive income in the period when incurred.

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

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

Impairment of non-financial assets

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

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

Financial assets and liabilities

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

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

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

Loans and receivables

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

Cash and short term deposits

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

Interest bearing loans and borrowings

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

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

Impairment of financial assets

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

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

Derecognition of financial assets and liabilities

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

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

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

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

Inventories

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

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

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

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

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

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

Accruals and deferrals

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

Provisions

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Group expects some or all of provisions to be reimbursed, for example, under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the statement of comprehensive income net of any reimbursement. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as a borrowing cost.

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

Leases

Finance leases, which transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments, by respective charge to current and non-current liabilities. Lease payments are apportioned between the finance charges and reduction of the principal lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognized directly in the statement of comprehensive income.

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

Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease payments are recognised as an expense in the statement of comprehensive income on a straight-line basis over the lease term. The commitments undertaken by the Group with respect to operating lease contracts are recorded as off-balance sheet liabilities.

Borrowing costs

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

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

Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured, less value added tax and sales-related discounts. The following specific recognition criteria must also be met before revenue is recognised:

Sale of goods

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

Rendering of services

The value of services rendered basically comprises revenue from water treatment services. Revenue is recognised in the period when the services are rendered.

Interest

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

Rental income

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

Corporate income tax

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

Deferred corporate income tax arising from temporary differences in the timing of the recognition of items in the tax returns and these financial statements is calculated using the liability method. The deferred corporate income tax asset and liability are determined on the basis of the tax rates that are expected to apply when the timing differences reverse. The principal temporary timing differences arise from differing rates of accounting and tax amortisation and depreciation on the non-current assets, the treatment of temporary non-taxable provisions and reserves, as well as tax losses carried forward. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised.

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

Contingencies

Except for business combinations, contingent liabilities are not recognised in these financial statements. They are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. Contingent assets are not recognised in these financial statements but disclosed when an inflow of economic benefits is probable.

Subsequent events

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

Earnings per share

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

Foreign currency translation

The functional and reporting currency of 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 profit and loss statement. 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 profit and loss statement.

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

	31/03/2013	*31/03/2012*
EUR	*0.702804*	*0.702804*
USD	*0.547*	*0.528*
RUB	*0.0177*	*0.018*

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on retranslation of non-monetary items is treated in line with the recognition of gain or loss on change in fair value of the item (i.e., translation differences on items whose fair value gain or loss is recognized in other comprehensive income or profit or loss is also recognized in other comprehensive income or profit or loss, respectively).

Business combinations

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the Group elects whether it measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition costs incurred are expensed and included in administrative expenses.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss.

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

Business combinations (cont'd)

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports in its financial statements provisional amounts for the items for which the accounting is incomplete. During the measurement period, the Group will retrospectively adjust the provisional amounts recognised at the acquisition date to reflect new information obtained about facts and circumstances that existed as of the acquisition date and, if known, would have affected the measurement of the amounts recognised as of that date. During the measurement period, the Group will also recognise additional assets or liabilities if new information is obtained about facts and circumstances that existed as of the acquisition date and, if known, would have resulted in the recognition of those assets and liabilities as of that date. The measurement period ends as soon as the Group receives the information it was seeking about facts and circumstances that existed as of the acquisition date or learns that more information is not obtainable. However, the measurement period shall not exceed one year from the acquisition date.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability will be recognised in accordance with IAS 39 either in profit or loss or as a change to other comprehensive income. If the contingent consideration is classified as equity, it will not be remeasured. Subsequent settlement is accounted for within equity. In instances where the contingent consideration does not fall within the scope of IAS 39, it is measured in accordance with the appropriate IFRS.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interest over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognised in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Accounting of grants received

The Group has received a grant as a financing of the construction of property, plant and equipment. According to the IAS 20, grant is accounted in the amounts received during the period (accumulated) and is decreased by the amount calculated as proportion of depreciation charge multiplied by the financing percent set in the agreement. As of 31 December 2012 there are no unfulfilled conditions and contingencies. Grants are recognized in the balance sheet as deferred income and are recognized in the statement of comprehensive income when depreciation for the particular item of the property, plant and equipment is recognized in the statement of comprehensive income.

Significant accounting judgments, estimates and assumptions

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

Significant estimates and assumptions made by the management are disclosed in the following notes to the financial statements: Purchase price allocation: initial recognition and measurement of identifiable assets acquired and liabilities - see Note 1 – Intangibles with indefinite useful lives; Impairment of intangible assets – see Note 11; for depreciation – see Note 12; for allowances for doubtful receivables – see Note 14; for allowances for doubtful inventories – see Note 13.

Prior period error correction

In 2012 AS Olainfam discovered an error that OOO Olfa was not disclosed in the Financial Statement of 2011 as a related party, but as trade receivable. In the Financial Statement of 2012 the misstatement was corrected retrospectively, the transactions with OOO Olfa were included in the Related party disclosure and respective receivables were reclassified (see Note 14 and 27).

	2011	restatement	2011(restated)
Trade receivables	11 598 432	(3 630 386)	7 968 046
Receivables from associated	231 846	3 605 314	3 837 160
Other receivables	1 624 151	25 072	1 649 223

3. Net sales

	2013 I.quarter		2012 I.quarter	
By business segments	**LVL**	**EUR**	**LVL**	**EUR**
Finished form medicine	8 636 352	12 288 422	9 395 623	13 368 767
Chemicals	2 357 121	3 353 881	1 582 935	2 252 314
Sales of pharmacies	1 045 238	1 487 240	886 861	1 261 890
Wholesale	541 611	770 643	196 271	279 268
TOTAL:	**12 580 322**	**17 900 186**	**12 061 690**	**17 162 239**

	2013 I.quarter		2012 I.quarter	
By geographical segments	**LVL**	**EUR**	**LVL**	**EUR**
CIS	8 492 633	12 083 928	8 769 798	12 478 298
Latvia	2 985 932	4 248 598	2 224 177	3 164 719
Europe	943 026	1 341 805	522 335	743 216
Other	84 050	119 592	425 869	605 957
Baltic states (Lithuania and Estonia)	74 681	106 261	119 511	170 049
TOTAL:	**12 580 322**	**17 900 186**	**12 061 690**	**17 162 239**

4. Other operating income

	2013 I.quarter		2012 I.quarter	
	LVL	**EUR**	**LVL**	**EUR**
Income from investments in accociated companies	102 090	145 261	-	-
Other operating income	84 298	119 945	12 982	18 472
Income of services in packing	46 917	66 757	14 379	20 459
Income from travel services of subsidiary	33 535	47 716	156 980	223 362
Lease of premises	30 527	43 436	18 201	25 898
Sale of current assets	24 083	34 267	1 832	2 607
Income of services*	20 214	28 762	15 535	22 104
Incomes from catering services	16 503	23 482	9 523	13 550
Gains from sale of non-current assets	6 688	9 516	246	350
Incom of transport services	2 358	3 355	6 995	9 953
Treatment of waste water	1 045	1 487	811	1 154
Absorbed EU projects` funds	-	-	57 388	81 656
TOTAL:	**368 258**	**523 984**	**294 872**	**419 565**

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

5. Other operating expense

	2013 I.quarter		2012 I.quarter	
	LVL	EUR	LVL	EUR
Marketing expense	3 062 111	4 356 991	2 768 110	3 938 666
Other distribution costs of Chemicals	94 936	135 082	38 668	55 020
Other distribution costs	61 235	87 130	70 147	99 810
Transportation expense	49 025	69 756	50 079	71 256
Royalty	41 034	58 386	-	-
Expert analysis of medicines	11 223	15 969	12 589	17 913
Sales commissions	10 395	14 791	10 582	15 057
Total distribution costs:	*3 329 959*	*4 738 105*	*2 950 175*	*4 197 721*
Business trips	187 668	267 028	105 716	150 420
Write-offs of current assets	104 862	149 205	123 363	175 530
Donatations	104 432	148 593	24 698	35 142
Other operating expense	100 192	142 560	107 680	153 215
Car fleet maintenance	90 043	128 120	89 694	127 623
Representation expense	76 789	109 261	28 873	41 083
Security	61 596	87 643	52 403	74 563
Information and business consulting	43 156	61 405	31 959	45 474
Flowers and gifts	41 158	58 563	21 050	29 951
Insurance	37 009	52 658	30 138	42 883
Other administrative expense	34 035	48 427	-	-
Bank charges	29 704	42 265	13 662	19 439
Social infrastructure	28 532	40 597	18 258	25 979
Cost of travel services	26 782	38 107	168 457	239 693
Communications expense	24 683	35 121	20 550	29 240
Education	21 063	29 970	22 737	32 352
Other taxes	18 586	26 446	37 841	53 843
Shares listing costs	13 995	19 913	11 762	16 736
Office expense	12 851	18 285	24 467	34 813
Annual payment for medicenes registred in LR	10 297	14 651	13 166	18 734
Hosting expense	6 745	9 597	16 292	23 181
Laboratory tests	6 407	9 116	-	-
Current repairs	5 383	7 659	8 900	12 664
Legal expense	5 028	7 154	16 356	23 272
Natural resources exspense	4 045	5 756	11 615	16 527
Write-offs and disposal of tangible assets	2 815	4 005	5 585	7 947
New product research and developments costs	-	-	18 769	26 706
TOTAL:	**4 427 815**	**6 300 213**	**3 974 166**	**5 654 729**

6. Financial income

	2013 I.quarter		2012 I.quarter	
	LVL	EUR	LVL	EUR
Interest accrued on bank account balances	89 362	127 151	272 239	387 361
Currency exchange gain, net	3 252	4 627	692	985
Loan interest payments	12	17	59	84
TOTAL:	**92 626**	**131 795**	**272 990**	**388 430**

7. Financial expense

	2013 I.quarter		2012 I.quarter	
	LVL	EUR	LVL	EUR
Loan interest expenses	21 406	30 458	57 091	81 234
Penalties paid for late payments	63	90	3 673	5 226
TOTAL:	**21 469**	**30 548**	**60 764**	**86 459**

8. Staff costs and number of employees

	2013 I.quarter		2012 I.quarter	
	LVL	EUR	LVL	EUR
Wages and salaries	2 095 153	2 981 134	1 791 146	2 548 571
Statutory social insurance contributions	504 419	717 724	427 219	607 878
TOTAL:	**2 599 572**	**3 698 858**	**2 218 365**	**3 156 449**

	31/03/2013	31/03/2012
Average number of employees during the reporting year	1 0123	1 019

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:

	2013 I.quarter		2012 I.quarter	
	LVL	EUR	LVL	EUR
Net result attributable to shareholders	1 951 450	2 776 663	2 400 481	3 415 577
Weighted average number of ordinary shares	14 085 078	14 085 078	14 085 078	14 085 078
Earnings per share	**0.139**	**0.197**	**0.170**	**0.242**

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

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

10. Intangible assets

		Goodwill		Pharmacy licenses and lease contracts		Patents		Other intangible assets		TOTAL	
		LVL	EUR	LVL	EUR	LVL	EUR	LVL	EUR	LVL	EUR
Acquisition value as at 31/12/2012		**1 480 774**	**2 106 952**	**4 363 000**	**6 207 990**	**2 959 742**	**4 211 333**	**1 619 921**	**2 304 939**	**10 423 437**	**14 831 214**
	Additions	-	-	-	-	1 470	2 092	48 064	68 389	49 534	70 481
2013 I.quarter	Acquisition value of Intangible asets of subsidiaries purchased in 2012	1 824 205	2 595 610	-	-	-	-	666	948	1 824 871	2 596 558
Acquisition value as at 31/03/2013		**3 304 979**	**4 702 561**	**4 363 000**	**6 207 990**	**2 961 212**	**4 213 425**	**1 668 651**	**2 374 275**	**12 297 842**	**17 498 252**
Accumulated amortisation as at 31/12/2012		**-**	**-**	**-**	**-**	**2 858 313**	**4 067 013**	**563 266**	**801 455**	**3 421 579**	**4 868 468**
2013 I.quarter	Amortisation	-	-	-	-	40 766	58 005	59 991	85 360	100 757	143 364
Accumulated amortisation as at 31/03/2013		**-**	**-**	**-**	**-**	**2 899 079**	**4 125 018**	**623 257**	**886 815**	**3 522 336**	**5 011 833**
Net carrying amount as at 31/12/2012		**3 304 979**	**4 702 561**	**4 363 000**	**6 207 990**	**62 133**	**88 407**	**1 045 394**	**1 487 462**	**8 775 507**	**12 486 421**

		Goodwill		Goodwill		Production technologies*		Other intangible assets		TOTAL	
		LVL	EUR	LVL	EUR	LVL	EUR	LVL	EUR	LVL	EUR
Acquisition value as at 31/12/2011		**1 417 186**	**2 016 474**	**3 980 000**	**5 663 030**	**2 940 990**	**4 184 652**	**1 000 098**	**1 423 010**	**9 338 274**	**13 287 166**
	Additions	-	-	-	-	9 856	14 024	94 667	134 698	104 523	148 723
2012 I.quarter	Acquisition value as at 31/03/2012 of of subsidiary	56 380	80 222	-	-	-	-	-	-	56 380	80 222
	Disposals	-	-	-	-	-	-	(13 245)	(18 846)	(13 245)	(18 846)
Acquisition value as at 31/03/2012		**1 473 566**	**2 096 696**	**3 980 000**	**5 663 030**	**2 950 846**	**4 198 676**	**1 081 520**	**1 538 863**	**9 485 932**	**13 497 264**
Accumulated amortisation as at 31/12/		**-**	**-**	**-**	**-**	**1 551 402**	**2 207 446**	**400 993**	**570 562**	**1 952 395**	**2 778 008**
2012	Amortisation	-	-	-	-	40 216	57 222	46 783	66 566	86 999	123 788
I.quarter	Amortisation of disposals	-	-	-	-	-	-	(13 139)	(18 695)	(13 139)	(18 695)
Accumulated amortisation as at 31/12/		**-**	**-**	**-**	**-**	**1 591 618**	**2 264 668**	**434 637**	**618 433**	**2 026 255**	**2 883 101**
Net carrying amount as at 31/12/2011		**1 417 186**	**2 016 474**	**3 980 000**	**5 663 030**	**1 389 588**	**1 977 206**	**599 105**	**852 450**	**7 385 879**	**10 509 159**
Net carrying amount as at 31/12/2011		**1 473 566**	**2 096 696**	**3 980 000**	**5 663 030**	**1 359 228**	**1 934 007**	**646 883**	**920 432**	**7 459 677**	**10 614 164**

10. Intangible assets (cont'd)

During 2011, 2012 and 2013, the Group acquired a number of pharmacy retail units. The most significant intangibles identified as a result of business combination (see Note 1) were pharmacy licences and lease contracts. Some of the amounts from 2013 are provisional.

Pharmacy licences and lease contracts are considered as the major asset acquired with the business as in order to generate cash flows the licence holder should have leased or owned premises. Therefore the Group has decided to treat pharmacy licences and lease contracts as one combined intangible asset.

Patents

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

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

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

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

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

Prepayments for intangible assets

The balance as at 31 March 2013 and 31 March 2012 (LVL 122 148 (EUR 173 801) and LVL 197 002 (EUR 280 309) respectively) refer to prepayments for product registrations in foreign countries.

11. Property, plant and equipment

LVL

		Land	Buildings and constructions	Equipment and machinery	Other tangible assets	Construction in progress	TOTAL
Acquisition value as at 31/12/2012		**145 782**	**15 727 825**	**12 981 140**	**2 775 404**	**975 408**	**32 605 558**
2013 I.quarter	Additions	-	24 490	156 076	173 674	359 836	714 076
	Acquisition value of Property, plant and equipment of subsidaries purchased in 2013	-	18 427	-	13 836	-	32 263
	Liquidation	-	-	(39 656)	(50 533)	(246)	(90 435)
	Reclassification	-	53 994	319	(319)	(53 994)	-
Acquisition value as at 31/03/2013		**145 782**	**15 824 736**	**13 097 879**	**2 912 062**	**1 281 004**	**33 261 462**
Accumulated depreciation as at 31/12/2012		**-**	**7 936 399**	**10 370 260**	**1 671 803**	**-**	**19 978 462**
2013 I.quarter	Depreciation	-	170 648	223 086	83 502	-	477 236
	Depreciation of disposals	-	-	(38 964)	(47 666)	-	(86 630)
Accumulated depreciation as at 31/03/2013		**-**	**8 107 047**	**10 554 382**	**1 707 639**	**-**	**20 369 068**
Net carrying amount as at 31/12/2012		**145 782**	**7 791 426**	**2 610 880**	**1 103 601**	**975 408**	**12 627 096**
Net carrying amount as at 31/03/2013		**145 782**	**7 717 689**	**2 543 497**	**1 204 423**	**1 281 004**	**12 892 394**

		Land	Buildings and constructions	Equipment and machinery	Other tangible assets	Construction in progress	TOTAL
Acquisition value as at 31/12/2011		**109 826**	**14 027 907**	**12 402 816**	**2 462 099**	**854 852**	**29 857 500**
2012 I.quarter	Additions	4 847	45 099	213 848	168 096	525 157	957 047
	Acquisition value as at 31/03/2012 of of subsidiary	-	4 149	-	36	-	4 185
	Liquidation	-	-	(76 566)	(17 672)	(1 172)	(95 410)
	Reclassification	-	296 481	14 197	(14 197)	(296 481)	-
Acquisition value as at 31/03/2012		**114 673**	**14 373 636**	**12 554 295**	**2 598 362**	**1 082 356**	**30 723 322**
Accumulated depreciation as at 31/12/2011		**-**	**7 341 828**	**9 764 987**	**1 650 048**	**-**	**18 756 863**
2012 I.quarter	Depreciation	-	144 229	201 821	91 001	-	437 051
	Reclassification	-	183	13 292	(13 475)	-	-
	Depreciation of disposals	-	-	(76 047)	(17 672)	-	(93 719)
	Reversed impairment	-	-	-	(549)	-	(549)
Accumulated depreciation as at 31/03/2012		**-**	**7 486 240**	**9 904 053**	**1 709 353**	**-**	**19 099 646**
Net carrying amount as at 31/12/2011		**109 826**	**6 686 079**	**2 637 829**	**812 051**	**854 852**	**11 100 637**
Net carrying amount as at 31/03/2012		**114 673**	**6 887 396**	**2 650 242**	**889 009**	**1 082 356**	**11 623 676**

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

EUR

		Land	Buildings and constructions	Equipment and machinery	Other tangible assets	Construction in progress	TOTAL
Acquisition value as at 31/12/2012		**207 429**	**22 378 679**	**18 470 498**	**3 949 044**	**1 387 881**	**46 393 530**
2013 I.quarter	Additions	-	34 846	222 076	247 116	512 001	1 016 039
	Acquisition value of Property, plant and equipment of subsidaries purchased in 2013	-	26 219	-	19 687	-	45 906
	Liquidation	-	-	(56 425)	(71 902)	(350)	(128 677)
	Reclassification	-	76 827	454	(454)	(76 827)	-
Acquisition value as at 31/03/2013		**207 429**	**22 516 571**	**18 636 602**	**4 143 490**	**1 822 704**	**47 326 797**
Accumulated depreciation as at 31/12/2012		**-**	**11 292 478**	**14 755 551**	**2 378 760**	**-**	**28 426 789**
2013 I.quarter	Depreciation	-	242 810	317 423	118 813	-	679 046
	Depreciation of disposals	-	-	(55 441)	(67 823)	-	(123 263)
Accumulated depreciation as at 31/03/2013		**-**	**11 535 289**	**15 017 533**	**2 429 750**	**-**	**28 982 572**
Net carrying amount as at 31/03/2013		**207 429**	**10 981 282**	**3 619 070**	**1 713 740**	**1 822 704**	**18 344 226**

		Land	Buildings and constructions	Equipment and machinery	Other tangible assets	Construction in progress	TOTAL
Acquisition value as at 31/12/2011		**156 268**	**19 959 913**	**17 647 617**	**3 503 251**	**1 216 345**	**42 483 395**
2012 I.quarter	Additions	6 897	64 170	304 278	239 179	747 231	1 361 755
	Acquisition value as at 31/03/2012 of of subsidiary	-	5 903	-	51	-	5 955
	Liquidation	-	-	(108 944)	(25 145)	(1 668)	(135 756)
	Reclassification	-	421 854	20 201	(20 201)	(421 854)	-
Acquisition value as at 31/03/2012		**163 165**	**20 451 841**	**17 863 152**	**3 697 136**	**1 540 054**	**43 715 348**
Accumulated depreciation as at 31/12/2011		**-**	**10 446 480**	**13 894 325**	**2 347 807**	**-**	**26 688 612**
2012 I.quarter	Depreciation	-	205 219	287 165	129 483	-	621 868
	Reclassification	-	260	18 913	(19 173)	-	(0)
	Depreciation of disposals	-	-	(108 205)	(25 145)	-	(133 350)
	Reversed impairment	-	-	-	(781)	-	(781)
Accumulated depreciation as at 31/03/2012		**-**	**10 651 960**	**14 092 198**	**2 432 190**	**-**	**27 176 348**
Net carrying amount as at 31/12/2011		**156 268**	**9 513 433**	**3 753 293**	**1 155 444**	**1 216 345**	**15 794 783**
Net carrying amount as at 31/03/2012		**163 165**	**9 799 882**	**3 770 955**	**1 264 945**	**1 540 054**	**16 539 000**

* As a result of the detailed review of the Group's property, plant and equipment and intangible assets, several groups of plant and equipment and intangible assets have been reclassified.

The total depreciation and amortisation charge indicated in the comprehensive income statement differs from the total amount of depreciation and amortisation presented in Notes 10 and 11 by LVL 2 649, as the depreciation charge of fixed assets, while the depreciation charge for the cafe and canteen assets of LVL 2 649, are disclosed in the comprehensive income statement as other operating expense.

12. Inventories

	31.03.2013		31.03.2012	
	LVL	EUR	LVL	EUR
Work in progress (at cost)	5 000 694	7 115 347	4 017 691	5 716 659
Finished goods and goods for resale (at cost)	2 716 109	3 864 675	2 886 637	4 107 314
Raw materials (at cost)	1 653 521	2 352 748	1 494 048	2 125 839
Prepayments for goods	97 939	139 355	91 362	129 996
TOTAL:	9 468 263	13 472 125	8 489 738	12 079 809
Allowances for work in progress	(430 899)	(613 114)	(263 854)	(375 430)
Allowances for finished goods and goods for resale	(350 196)	(498 284)	(289 253)	(411 570)
Allowances for raw materials	(200 514)	(285 306)	(150 654)	(214 361)
TOTAL:	(981 609)	(1 396 704)	(703 761)	(1 001 362)
TOTAL:	**8 486 654**	**12 075 421**	**7 785 977**	**11 078 447**

* As at 31 March 2013, the Group's inventories comprised goods on consignment totalling LVL 42 756 (31 March 2012: LVL 32 928).

As at 31 March 2013, all the non-current and current assets owned by the Parent Company were pledged as a security for the loan received (see Note 16). The pledge agreements are registered with the Commercial Pledge Registry.

13. Trade receivables

	31.03.2013		31.03.2012	
	LVL	EUR	LVL	EUR
Trade receivables	18 639 584	26 521 740	13 306 533	18 933 490
Allowances for doubtful trade receivables	(126 416)	(179 874)	(107 597)	(153 097)
TOTAL:	**18 513 168**	**26 341 866**	**13 198 936**	**18 780 394**

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

14. Cash and short term deposits

	31.03.2013		31.03.2012	
	LVL	EUR	LVL	EUR
Cash at banks and on hand	878 511	1 250 009	1 326 812	1 887 883
Cash	112 269	159 744	-	-
	990 780	1 409 753	1 326 812	1 887 883

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

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

	31.03.2013		31.03.2012	
Cash by currency profile:	Foreign currency	LVL	Foreign currency	LVL
LVL	-	712 067	-	477 754
EUR	112 912	160 659	253 451	178 127
RUB	5 697 232	100 841	27 833 246	500 998
USD	31 468	17 213	321 843	169 933
KOPĀ:		**990 780**		**1 326 812**

15. Share capital

The share capital of the Parent Company on 31/03/2013 is LVL 14 085 078 (31/03/2012: LVL 14 085 078) and consists of 14 085 078 (31/03/2012: 14 085 078) shares. The par value of each share is LVL 1.

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

16. Loans from credit institutions

Non-current:	Amount		Interest rate (%) as at 31/03/ 2013	Maturity	**31.03.2013. LVL**	**31.03.2013. EUR**	**31.03.2012. LVL**	**31.03.2012. EUR**
Loan from AS SEB banka	12 490 000	EUR	EURIBOR (3-month)+1.2%	01.05.2015	3 286 281	4 675 956	3 364 652	4 787 468
Loan from AS SEB banka	7 011 574	EUR	EURIBOR (3-month)+1.2%	29.09.2014	629 076	895 095	1 887 228	2 685 284
Loan from AS SEB banka	250 000	LVL	RIGIBOR (3-month)+1.2%	13.11.2015	222 333	316 351	-	-
				TOTAL:	**4 137 690**	**5 887 402**	**5 251 880**	**7 472 752**

Current:	Amount		Interest rate (%) as at 31/03/ 2013	Maturity	**31.03.2013. LVL**	**31.03.2013. EUR**	**31.03.2012. LVL**	**31.03.2012. EUR**
Loan from AS SEB banka	12 490 000	EUR	EURIBOR (3-month)+1.2%	01.05.2015	1 453 167	2 067 671	281 122	400 001
Loan from AS SEB banka	7 011 574	EUR	EURIBOR (3-month)+1.2%	29.09.2014	1 258 152	1 790 189	1 258 152	1 790 189
Credit line from AS SEB banka	1 000 000	LVL	RIGIBOR (3-month)+1.1%	01.08.2013	836 300	1 189 948	-	-
Credit line from AS SEB banka	250 000	LVL	RIGIBOR (3-month)+1.2%	13.11.2015	27 667	39 367	-	-
Credit line from Nordea banka	285 000	EUR	EURIBOR (3-month)+1.2%	02.01.2012	-	-	190 000	270 346
				TOTAL:	**3 575 286**	**5 087 174**	**1 729 274**	**2 460 535**

Interest is usually revised on a quarterly basis.

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

17. Finance lease liabilities

	31.03.2013. LVL		31.03.2013. EUR		31.03.2012. LVL		31.03.2012. EUR	
	Non-curren	Current	Non-curren	Current	Non-curren	Current	Non-curren	Current
Finance lease liabilities to SIA SEB Unilzings, EUR	21 438	24 871	30 504	35 388	2 291	27 477	3 260	39 096
Finance lease liabilities to SIA SEB Unilzings, LVL	11 148	3 639	15 862	5 178	-	-	-	-
Finance lease liabilities to UniCredit Bank, EUR	-	-	-	-	-	-	-	-
TOTAL:	**32 586**	**28 510**	**46 366**	**40 566**	**2 291**	**27 477**	**3 260**	**39 096**

The interest rate on the finance leases ranges from 1.89 % to 2.01%. The interest rate is normally revised quarterly throughout the financial year. The net carrying amount of the property, plant and equipment held under the finance lease is disclosed in Note 11.

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

	31.03.2013		31.03.2013		31.03.2012		31.03.2012	
	Minimum payments LVL	Present value of payments LVL	Minimum payments EUR	Present value of payments EUR	Minimum payments LVL	Present value of payments LVL	Minimum payments EUR	Present value of payments EUR
Within one year	29 764	28 511	42 350	40 567	28 069	27 477	39 939	39 096
Between one and five years	33 675	32 585	47 915	46 364	2 299	2 291	3 271	3 260
Total minimum lease payments	63 439	61 096	90 266	86 932	30 368	29 768	43 210	42 355
Less amounts representing finance charges	(2 343)	-	(3 334)	-	(600)	-	(854)	-
Present value of minimum lease payments	**61 096**	**61 096**	**86 932**	**86 932**	**29 768**	**29 768**	**42 356**	**42 356**

18. Taxes payable

	31.03.2013. LVL	31.03.2013. EUR	31.03.2012. LVL	31.03.2012. EUR
Corporate income tax	(501 053)	(712 934)	(873 806)	(1 243 314)
Statutory social insurance contributions	(477 373)	(679 241)	(239 901)	(341 348)
Personal income tax	(274 404)	(390 442)	(131 795)	(187 527)
Natural resource tax	(16 328)	(23 233)	(8 567)	(12 190)
Company vehicle tax	252	359	-	-
Value added tax	(316)	(450)	(252)	(359)
Real estate tax	107 221	152 562	(18 512)	(26 340)
Value added tax	356 706	507 547	159 647	227 157
TOTAL:	**(805 295)**	**(1 145 832)**	**(1 113 186)**	**(1 583 921)**
Total liabilities:	**(1 269 474)**	**(1 806 299)**	**(1 272 833)**	**(1 811 079)**
Total assets:	**464 179**	**660 467**	**159 647**	**227 157**

19. Accrued liabilities

	31.03.2013		31.03.2012	
	LVL	EUR	LVL	EUR
Vacation pay reserve	466 377	663 595	376 687	535 977
Accruals for energy and gas	78 157	111 207	78 446	111 619
Accruals for marketing services	20 967	29 833	94 772	134 848
Other accrued liabilities	61 455	87 443	22 778	32 410
TOTAL:	**626 956**	**892 078**	**572 683**	**814 854**

20. Trade and other payables

	31.03.2013		31.03.2012	
	LVL	EUR	LVL	EUR
Trade and other payables	4 069 199	5 789 949	3 393 454	4 828 450
Wages and salaries	473 300	673 445	474 320	674 897
Peyables for Shares	350	498	-	-
Other paybles	188 966	268 874	12 770	18 170
TOTAL:	**4 731 815**	**6 732 766**	**3 880 544**	**5 521 517**

Terms and conditions of the above liabilities:

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

21. Segment information

For management purposes, the Group is organized into business units based on its products. These financial statements provide information on four operating segments.

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

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

The pharmacy retail segment comprises the sales of medicine through the pharmacy chain of the Group.

The pharmacy wholesale comprises the sales of medicine to retailers.

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

The management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss and is measured consistently with operating profit or loss in the consolidated financial statements. However, Group financing (including finance costs and finance income) and income taxes are managed on a Group basis and are not allocated to the operating segments.

21. Segment information (cont'd)

LVL

	Finished form medicine		Pharmacy wholesale		Chemicals		Pharmacy retail		Unallocated		Total	
	31.03.2013.	31.03.2012.	31.03.2013.	31.03.2012.	31.03.2013.	31.03.2012.	31.03.2013.	31.03.2012.	31.03.2013.	31.03.2012.	31.03.2013.	31.03.2012.
Assets												
Intangible assets	4 271 080	2 084 276	-	-	63 675	1 459 022	4 363 000	3 980 000	199 899	133 381	8 897 654	7 656 678
Tangible assets	7 722 358	6 624 402	867	637	3 048 016	3 453 799	423 830	288 115	2 195 840	1 527 867	13 390 911	11 894 820
Financial assets	-	-	-	-	-	-	-	-	662 312	1 007	662 312	1 007
Inventories	5 558 376	4 705 700	2 193 892	29 105	2 193 892	2 346 495	722 838	704 677	-	-	8 486 654	7 785 977
Receivables	17 533 837	12 555 785	453 935	279 172	587 078	244 666	630 407	122 848	630 407	1 866 276	21 664 396	15 068 747
Cash	-	-	-	-	-	-	577 337	168 956	413 443	1 157 856	990 780	1 326 812
Total assets	**35 085 651**	**25 970 163**	**466 350**	**308 914**	**5 892 661**	**7 503 982**	**6 717 412**	**5 264 596**	**5 930 633**	**4 686 387**	**54 092 707**	**43 734 041**
Equity and liabilities												
Total equity	-	-	-	-	-	-	-	-	38 021 249	29 614 832	38 021 249	29 614 832
Minority interest	-	-	-	-	-	-	-	-	(297)	370	(297)	370
Deffered income tax liability	-	-	-	-	-	-	697 382	618 161	544 139	513 871	1 241 521	1 132 032
Loans from credit institution	5 370 791	4 463 826	-	-	2 119 852	2 327 328	222 333	190 000	-	-	7 712 976	6 981 154
Other loans	37 896	16 376	-	-	14 957	8 538	8 243	4 854	-	-	61 096	29 768
Taxes payable	790 181	815 258	-	-	311 885	425 056	164 020	32 519	3 317	-	1 269 403	1 272 833
Prepayments received from customers	11 520	35 168	-	-	23 862	23 826	2 220	-	-	12 023	37 602	71 017
Trade payables	1 772 558	1 962 207	312 000	126 549	699629	652 838	1 771 074	1 138 648	561 722	301	5 116 983	3 880 543
Payables to related companies	5 218	178 809	-	-	-	-	-	-	-	-	5 218	178 809
Accrued liabilities	-	-	-	-	-	-	54 557	50 458	572 399	522 225	626 956	572 683
Total equity and liabilities	**7 988 164**	**7 471 644**	**312 000**	**126 549**	**3 170 185**	**3 437 586**	**2 919 829**	**2 034 640**	**39 702 529**	**30 663 622**	**54 092 707**	**43 734 041**
Income statement												
Net turnover	8 636 352	9 395 624	541 611	196 271	1 045 238	886 860	2 357 121	1 582 935	-	-	12 580 322	12 061 690
Changes in stock of finished goods and work in progress	339 928	73 149	-	-	134 170	38 138	-	-	-	-	474 098	111 287
Other operating income	-	-	-	-	-	-	64 585	6 068	303 673	288 804	368 258	294 872
Cost of materials	(1 362 810)	(1 204 387)	-	-	(537 901)	(501 028)	(1 722 895)	(1 311 887)	-	(127 696)	(3 623 606)	(3 144 998)
Staff costs	(1 600 621)	(1 303 812)	(2 827)	(4 058)	(631 765)	(679 775)	(345 672)	(216 346)	(18 687)	(14 374)	(2 599 572)	(2 218 365)
Depreciation/ amortisation and write-offs	(354 620)	(300 913)	(72)	(45)	(139 969)	(156 889)	(13 080)	(3 090)	(67 603)	(57 528)	(575 344)	(518 465)
Other operating expense	(3 016 812)	(2 491 972)	-	-	(1 190 736)	(1 299 253)	(189 461)	(9 045)	(30 806)	(173 896)	(4 427 815)	(3 974 166)
Financial income	-	-	-	-	-	-	-	-	92 626	272 990	92 626	272 990
Financial expenses	-	-	-	-	-	-	-	-	(21 469)	(60 764)	(21 469)	(60 764)
Corporate income tax	-	-	-	-	-	-	(2 244)	-	(314 101)	(423 600)	(316 345)	(423 600)
Net profit/ (loss) for the year	**2 641 417**	**4 167 689**	**538 712**	**192 168**	**(1 320 963)**	**(1 711 947)**	**148 354**	**48 635**	**(56 367)**	**(296 064)**	**1 951 153**	**2 400 481**

21. Segment information (cont'd)

EUR

	Finished form medicine		Pharmacy wholesale		Chemicals		Pharmacy retail		Unallocated		Total	
	31.03.2013.	31.03.2012.	31.03.2013.	31.03.2012.	31.03.2013.	31.03.2012.	31.03.2013.	31.03.2012.	31.03.2013.	31.03.2012.	31.03.2013.	31.03.2012.
Assets												
Intangible assets	6 077 199	2 965 658	-	-	90 601	2 076 001	6 207 990	5 663 030	284 431	189 784	12 660 221	10 894 471
Tangible assets	10 987 926	9 425 675	1 234	906	4 336 936	4 914 313	603 056	409 951	3 124 399	2 173 959	19 053 550	16 924 804
Financial assets	-	-	-	-	-	-	-	-	942 385	1 433	942 385	1 433
Inventories	7 908 857	3 121 627	3 338 762	1 028 506	3 121 627	3 338 762	1 028 506	1 002 665	-	-	12 075 421	11 078 447
Receivables	24 948 402	835 337	348 128	896 988	835 337	348 128	896 988	174 797	3 499 040	2 655 472	30 825 658	21 440 895
Cash	-	-	-	821 477	-	-	821 477	240 403	588 276	1 647 481	1 409 753	1 887 883
Total assets	**49 922 384**	**36 952 213**	**663 556**	**439 545**	**8 384 501**	**10 677 204**	**9 558 016**	**7 490 845**	**8 438 531**	**6 668 128**	**76 966 988**	**62 227 934**
Equity and liabilities												
Total equity	-		-	-	-	-	-	-	54 099 363	42 138 110	54 099 363	42 138 110
Minority interest	-	-	-	-	-	-	-	-	(423)	526	(423)	526
Deffered income tax liability	-	-	-	-	-	-	992 285	879 564	774 240	731 173	1 766 525	1 610 736
Loans from credit institution	7 641 947	6 351 452	-	-	3 016 278	3 311 489	316 351	270 346	-	-	10 974 576	9 933 287
Other loans	53 921	23 301	-	-	21 282	12 148	11 729	6 907	-	-	86 932	42 356
Taxes payable	1 124 327	1 160 008	-	-	443 772	604 800	233 379	46 270	4 720	-	1 806 198	1 811 078
Prepayments received from customers	16 391	50 040	-	-	33 953	33 901	3 159	-	-	17 107	53 503	101 048
Trade payables	2 522 123	2 791 969	443 936	180 063	995 482	928 905	2 520 011	1 620 150	799 258	428	7 280 811	5 521 515
Payables to related companies	7 425	254 422	-	-	-	-	-	-	-	-	7 425	254 422
Accrued liabilities	-	-	-	-	-	-	77 628	71 795	814 450	743 059	892 078	814 854
Total equity and liabilities	**11 366 133**	**10 631 192**	**443 936**	**180 063**	**4 510 767**	**4 891 244**	**4 154 542**	**2 895 032**	**56 491 609**	**43 630 403**	**76 966 988**	**62 227 934**
Income statement												
Net turnover	12 288 422	13 368 769	770 643	279 268	1 487 240	1 261 888	3 353 881	2 252 314	-	-	17 900 186	17 162 239
Changes in stock of finished goods and work in progress	12 288 422	104 082	-	-	190 906	54 265	-	-	-	-	674 581	158 347
Other operating income	-	-	-	-	-	-	91 896	8 634	432 088	410 931	523 984	419 565
Cost of materials	(1 939 104)	(1 713 688)	-	-	(765 364)	(712 899)	(2 451 459)	(1 866 647)	-	(181 695)	(5 155 927)	(4 474 929)
Staff costs	(2 277 478)	(1 855 157)	(4 022)	(5 774)	(898 921)	(967 233)	(491 847)	(307 833)	(26 589)	(20 452)	(3 698 858)	(3 156 449)
Depreciation/ amortisation and write-offs	(504 579)	(428 161)	(102)	(64)	(199 157)	(223 233)	(18 611)	(4 397)	(96 190)	(81 855)	(818 641)	(737 709)
Other operating expense	(4 292 537)	(3 545 757)	-	-	(1 694 265)	(1 848 670)	(269 579)	(12 870)	(43 833)	(81 855)	(6 300 213)	(5 654 729)
Financial income	-	-	-	-	-	-	-	-	(30 548)	388 430	131 795	388 430
Financial expenses	-	-	-	-	-	-	-	-	(30 548)	(86 459)	(30 548)	(86 459)
Corporate income tax	-	-	-	-	-	-	(3 193)	-	(446 925)	(602 728)	(450 118)	(602 728)
Net profit/ (loss) for the year	**3 758 398**	**5 930 087**	**766 518**	**273 430**	**(1 879 561)**	**(2 435 881)**	**211 089**	**69 201**	**(80 203)**	**(421 261)**	**2 776 241**	**3 415 577**

The Group has two customers with revenues amounting to more than 10% each, arising from sales by the finished-form medicine.

Information on geographical segments information

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

22. Events after reporting year end

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

In April 2013, an agreement was signed on purchase of 100% shares in company SIA Mana Aptieka (consideration paid 175 701 LVL (250 000 EUR)) and SIA Trisdesmit seši un seši (consideration paid 185 000 LVL (263 231 EUR)). SIA Mana Aptieka owns a pharmacy in the town of Olaine, while SIA Trisdesmit Seši un Sesi owns a pharmacy in Riga. On April 25, 2013 AS OlainFarm became an owner of 47.52% of shares in SIA Silvanols, a leading Latvian producer of natural dietary supplements (consideration paid 560 222 LVL (797 124 EUR)).

On April 17, 2013 an explosion caused by toluene vapour occured in the company's nitrofuranes manufacturing plant Three people were injured in the explosion and two of them were hospitalized, one soon released. Two production lines have been affected, one of them was relaunched in few hours, while production of nitrofuranes was relocated and resumed in less than 24 hours after the explosion. The rest of AS OlainFarm's factory continued normal operations.

On 26 April 2013 the Group has entered into the international factoring agreement and has pledged receivable from OOO Olfa in the favor of AS Trasta Komercbanka (see Note 27).

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

Subsequent to year end on 26 April 2013 to assure that the receivable is recoverable the Group has signed an international factoring agreement without recourse rights. According to the factoring agreement AS OlainFarm will have a right to settle the receivable outstanding as of the agreement day and all future receivables from OOO Olfa. The factoring is provided by AS Trasta Komercbanka. In respect to this agreement the receivable from OOO Olfa amounting to LVL 6.7 million (EUR 9.6 million) was pledged in the favor of AS Trasta Komercbanka.