



JOINT STOCK COMPANY OLAINFARM

(UNIFIED REGISTRATION NUMBER 40003007246)

**UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE 6 MONTHS PERIOD ENDED 30 JUNE 2014**

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

Olaine, 2014

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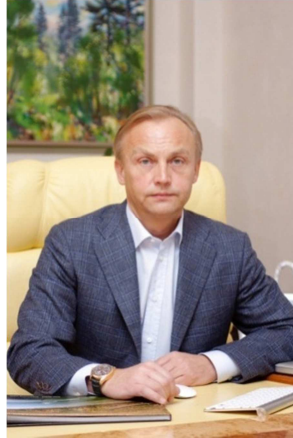
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General information

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	SIA Olmafarm (42.56%) Valērijs Maligins (27.13%, from 24.07.2014 – 26.22%) Swedbank AS LV Clients account (1.16%), based on data on 17.04.2014 Swedbank AS EE Clients account (13.14%), based on data on 17.04.2014
Major subsidiaries	Latvijas Aptieka SIA – 100% equity share Silvanols SIA – 70.88% equity share
Audit Committee	Viesturs Gurtlavs (from 29.04.2014) Žanna Karaseva (till 29.04.2014)
Financial year	1 January – 31 December 2014
Interim reporting period	1 January – 30 June 2014

Board

The Supervisory Council elects the Management Board of JSC 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 JSC 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 25 years of experience in pharmaceutical sector and holds leading positions at JSC Olainfarm since 1997.

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 (9.02%)
SIA Olfa Press (47.5%)
SIA Carbochem (50%)
SIA Aroma (99.21%)
SIA Olmafarm (100%)
SIA Escargot (33.50%)
SIA Olalex (50%)
SIA Energo Capital (50%)
OOO OLFA (51%)

Number of shares of JSC Olainfarm owned (as of June 30, 2014):

- directly: 3 821 266 (from 24.07.2014 – 3 693 371)
- indirectly (through SIA Olmafarm): 5 994 054
- total: 9 815 320 (from 24.07.2014 – 9 687 425)

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 20 years of experience in pharmaceutical production.

Positions held in other companies: none

Participation in other companies: none

Number of shares of JSC Olainfarm owned (as of June 30, 2014): 500

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 JSC Olainfarm for more than 10 years.

Positions held in other companies:

SIA Pharma and Chemistry Competence Centre of Latvia, Council Member

SIA First Class Lounge, Board Member

SIA Olalex, Board Member

SIA Carbochem, Board Member

Participation in other companies: none

Number of shares of JSC Olainfarm owned (as of June 30, 2014): 1 302

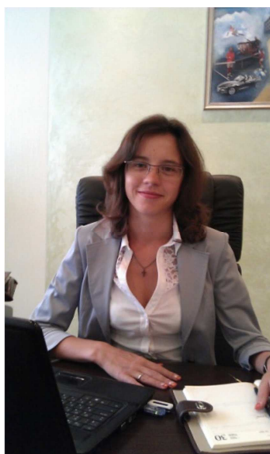
Salvis Lapiņš

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:
SIA Baltic Team-Up, procuration holder

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

Number of shares of JSC Olainfarm owned (as of June 30, 2014): 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 products' 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 JSC Olainfarm owned (as of June 30, 2014): 1 000

Council

The Supervisory Council of JSC 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.

Valentīna Andrējeva, Chairman of the Council

Valentina Andrējeva, 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 2011, a speciality of the engineer-economist which she received in 1976 at the Riga Polytechnical Institute.

Positions held in other companies:

JSC Riga Shipyard, Council Member (from 26.05.2014)

Participation in other companies: none

Number of shares of JSC Olainfarm owned (as of June 30, 2014): 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 JSC Olainfarm owned (as of June 30, 2014): 0

Aleksandrs Raicis

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

Positions held in other companies:

SIA BRIZ, Board Member

Participation in other companies:

SIA VIP Pharma (50%)

SIA Reclusus (30%).

SIA Briz (7.92%)

Number of shares of JSC Olainfarm owned (as of June 30, 2014): 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 JSC Olainfarm owned (as of June 30, 2014): 0

Gunta Veismane

Gunta Veismane in 1975 graduated from the Latvian University Faculty of economics, in 1993 year-Harvard University, HBS Management, Strategic management and organisational Psychology course; 1996-MBA, Latvian University

Positions held in other companies:
Economics and culture higher school rector;
Jūrmalas un Tukuma Rotari klubs

Participation in other companies: none

Number of shares of JSC Olainfarm owned (as of June 30, 2014): 0

Movements in the Board during the reporting period

None

Movements in the Council during the reporting period

None

Major shareholders

	Share holding
Swedbank AS Clients Account	14.30%
Olmafarm, SIA	42.56%
V. Maligins	27.13%
Other shareholders	<u>16.01%</u>
Total	100.00%

Management report

General information

At the end of reporting period the Concern consisted 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 Latvijas Aptieka, SIA Elpas Aptieka, SIA Mana Aptieka, SIA Jaunjelgavas aptieka, SIA 36,6, SIA Sabiedrības ARS Aptieka, SIA Traumu aptieka and SIA Priekules aptieka. Since May 31, 2013 AS Olainfarm also owns 70.88% shares in leading Latvian food supplement producer SIA Silvanols. AS Olainfarm also owns 50% of shares in the 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:

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

Corporate vision:

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

Operational environment

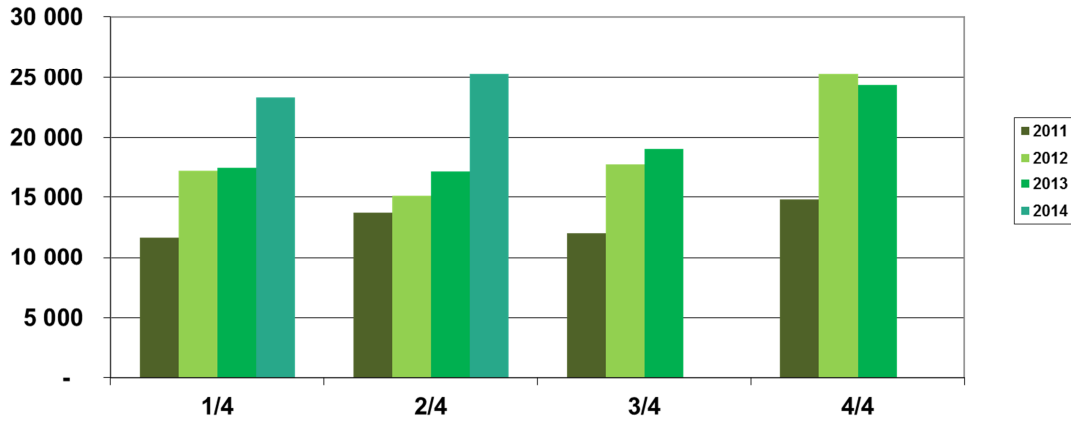
Retail and wholesale of pharmaceutical products is well controlled and regulated in all countries where company operates, therefore, unlike with many other sectors, it is much less subjected to significant political, conjuncture and even economic fluctuations. However, during the reporting period economic and political situation in of Ukraine deteriorated significantly and tensions between Russia and Ukraine intensified even further. It resulted in different mutual sanctions between the EU and Russian Federation, resulting in probability of sanctions between EU countries and Russian Federation and import of several categories of products (predominantly food) into Russia Federation from EU countries is significantly limited. So far the sanctions introduced by Russian Federation did not apply to medicines, therefore they left adverse impact on sales of products of AS Olainfarm. Company's sales to Ukraine during the reporting period have been rather volatile, probably due to unstable political and economic situation in this country.

Also during the reporting period devaluation by 20% of Kazakhstan's national currency the Tenge took place. Although this event brought no significant losses to the company, after this devaluation a reduction of sales to this country can be observed, which might be related to the reduced purchasing power of Kazakhstani population.

Financial results

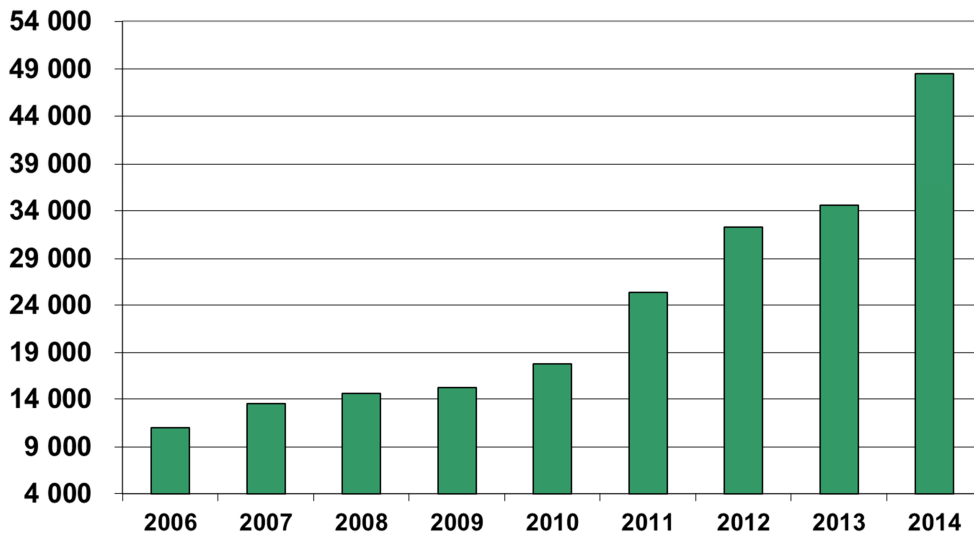
During the second quarter of 2014 sales volumes have grown by 52% compared to similar period of 2013 and reached 25.2 million euro. This makes this yet another best second quarter in corporate history, and second best of all quarters, lacking behind 4th quarter of 2012 by only 4 thousand euros.

Sales by Quarters, Thsnd. EUR

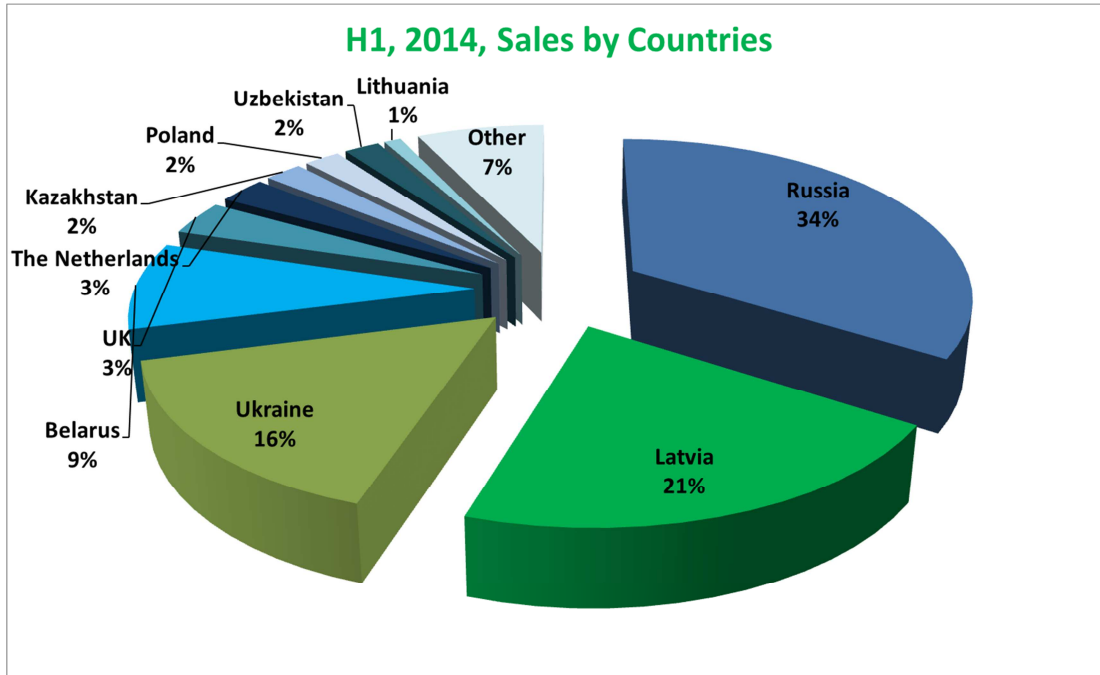


The first six months also have been the best first six months in corporate history in terms of sales. Consolidated six months sales were 48.6 million euro, which is an increase by 41% compared to the same period of 2013.

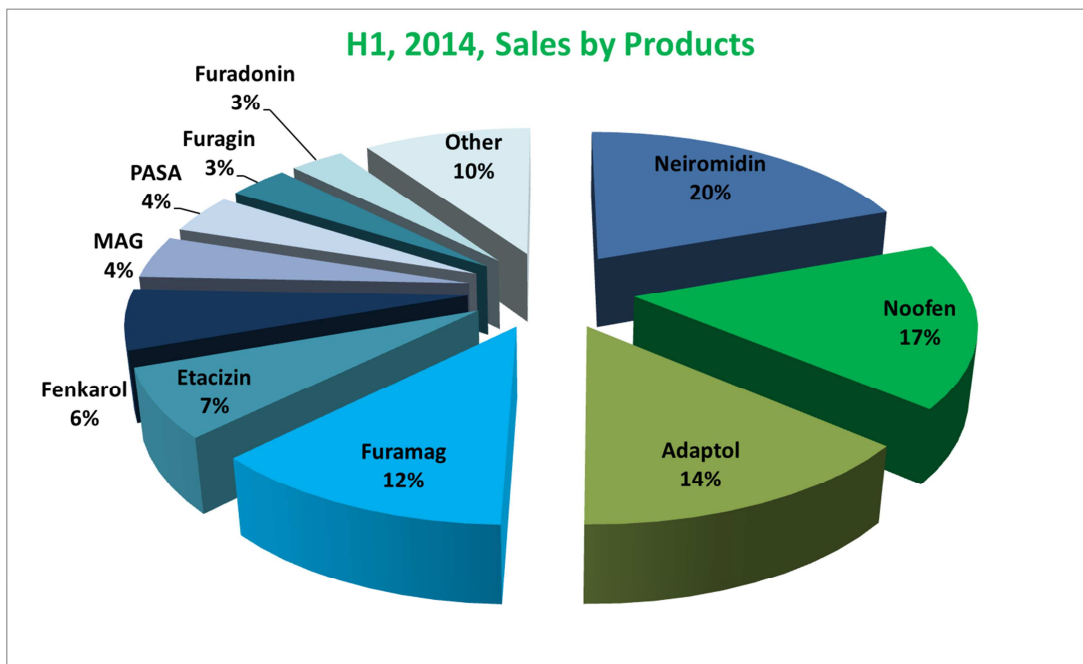
Sales in Six Months, Thsnd. EUR



During the 1st half of 2014 sales to all company's main markets continued increasing except for Kazakhstan, where they shrunk by 27%, compared to 1st half of 2013. As mentioned above, such a reduction was expected, mainly because of devaluation of Kazakhstan's currency. The most rapid sales increases during the 1st half of 2014 were achieved to Poland, where sales grew by 13434%, Ukraine by 303%, The Netherlands by 180% and Uzbekistan by 102%. Major sales markets of AS Olainfarm during the 1st half of 2013 were Russia, Ukraine, Latvia, Belarus and The UK.

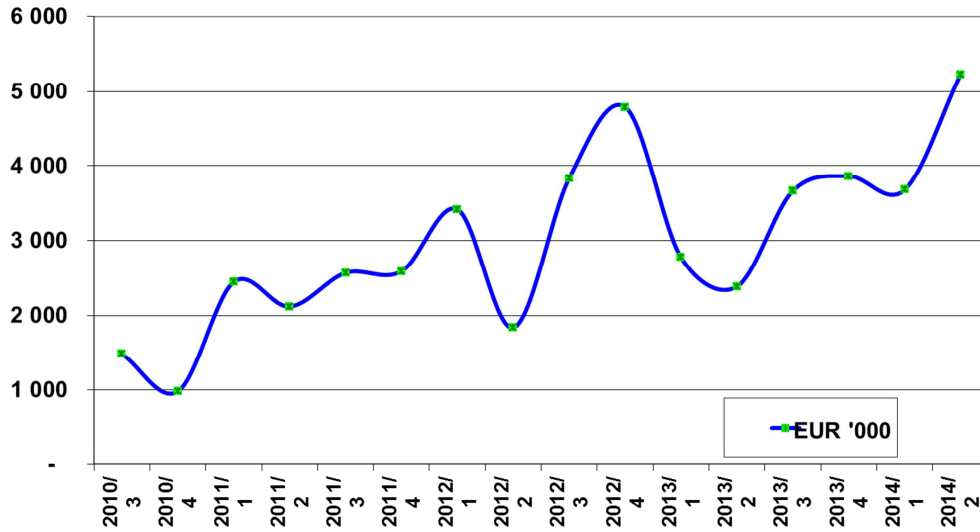


During the second quarter of 2014 no significant changes have occurred to the structure of bestselling products. Share of Neiromidin® has stabilised at the level of 20%, while share of Noofen® has increased to 17%. In general this trend has added to better diversification and more even distribution of sales among leading products, thus further reducing dependency on one particular product.



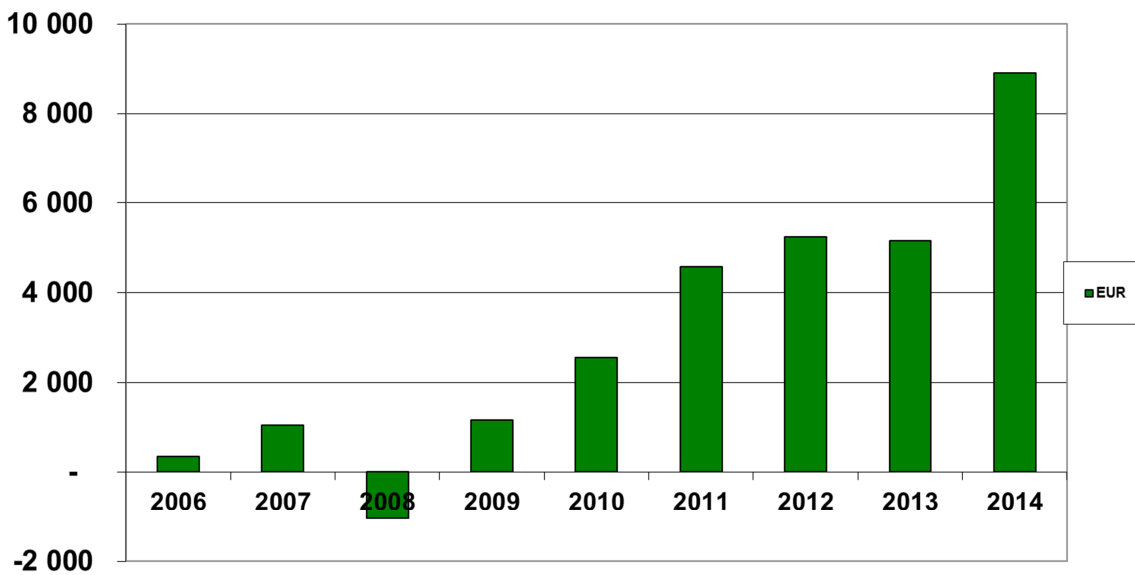
As, in terms of sales, this has been the best second quarter in corporate history, and one of the best quarters overall, this has also been the most profitable quarter. During the second quarter of 2014 the company made a net profit of 5.23 million euro, which is an increase by 119% compared to the second quarter of 2013. This result has been achieved despite the provisions that the company decided to make on receivables from Russia and Ukraine due to political and economic instabilities in these countries.

Profit by Quarters



Just as with the second quarter, the whole first six months have also been the most profitable period of this kind in corporate history. During the first six months the company made a net profit of 8.9 million euro, which is an increase by 73% compared to the first six months of 2013.

Profit, H1, Thsnd.



This is how other indicators of the company have changed.

Financial indicator for period	01.01.2014 - 30.06.2014	01.01.2013 - 30.06.2013	% to previous period
Sales, EUR'000	48 563	34 556	141%
Net profit, EUR'000	8 926	5 159	173%
EBITDA, EUR'000	13 213	7 631	173%
EBIT, EUR'000	11 340	6 342	179%
Gross margin	68.6%	66.9%	
EBITDA margin	27.2%	22.1%	
EBIT margin	23.4%	18.4%	
Net margin	18.4%	14.9%	
EPS, EUR	0.63	0.37	173%

Financial indicator at the period end	30.06.2014	30.06.2013	% to previous period
Current ratio	2.6	2.6	
Share price at period end, EUR	7.74	6.99	110.7%
Market capitalisation, EUR'000	109 019	98 455	110.7%
P/B	1.5	1.8	

Financial indicator for 12 month	01.07.2013 - 30.06.2014	01.07.2012 - 30.06.2013	% to previous period
Net profit, EUR'000	16 351	13 795	119%
EBITDA, EUR'000	23 065	19 935	116%
ROA	15%	17%	
ROE	23%	25%	
P/E	6.6	7.1	

Annual meeting of shareholders of AS Olainfarm held on April 29, 2014 approved operating plan of the Concern. According to it, sales of the Concern in 2014 are planned to be 93 million euros, but the net profit will reach 15 million euros. According to this unaudited report for 1st half of 2014, during the first six months 52.2% of annual sales target and 59.4% 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 72%. During the reporting period share price reached the new historic high as on January 23rd it was traded at 8.3 euros per share. During the first quarter the share price mainly fluctuated around 8 euros, while during the second half of the quarter and during the second quarter it experienced a very rapid slide to about 6 euros per share, possibly because of Russia- Ukraine tensions. In general during the 1st half of 2014 the share price fluctuated between 5.99 and 8.3 euros per share.



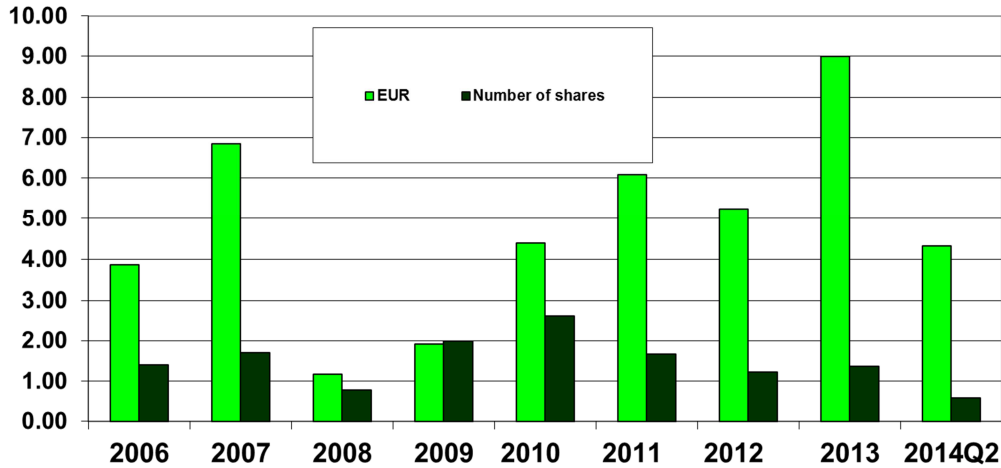
During the first half of 2014 significant price volatility was experienced for shares listed on NasdaqOMX Riga and for shares listed there. Unlike the value of OMX Riga index, which fell by 2.6% during the reporting period, share price of AS Olainfarm increased by nearly 9.7%. Shares of AS Olainfarm were the only shares of Latvian company listed on a Baltic Main list, price of which increased during the reporting period.

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



-- OMXR
-- AS Olainfarm

Trading of Shares on NasdaqOMX Riga, mln.



During the first quarter of 2014 almost 600 000 shares of AS Olainfarm worth more than 4.3 million euros were traded on NasdaqOMX Riga. Compared to the first half of 2013, the number of traded shares decreased by nearly 70%, while turnover has decreased by 11%.

Development

During the 1st half of 2014 27 registration cases have been approved in 12 countries, including Poland, Mongolia, Romania and Kosovo. Several products are still in the process of obtaining MAs, among other countries, in Turkey and Kosovo, registration processes have been launched in Bosnia and Herzegovina and other new markets. Preclinical trials of R-fenotrotil are being conducted and totally new forms and line extensions of existing products are being developed.

Future outlook

During 2014 and subsequent years company plans to continue all efforts targeted at implementation of new products, entering new markets, making a little more emphasis on cooperation with other producers in distribution of their products on CIS and other markets. It is planned to start selling our products in Mongolia in 2014. The company also intends to expand its network of pharmacies, but at pace significantly slower than recently.

In the near future the company will start actively using its logistical and marketing resources to start selling products of its daughter company Silvanols on Olainfarm's traditional markets.

Since sales to Russia and Ukraine combined make up about 50% of company's total sales, the company is very closely following the development of the conflict between these two countries. As this report is being prepared, the company has felt no material impact of this conflict of related sanctions to its operations in these countries, however, occurrence of such impact cannot be ruled out in future.

Environment

During the 1st half of 2014, data safety sheets have been prepared for 15 substances, and 12 internal environmental audits have been conducted, new procedures for waste management developed.

Social responsibility

During the first half of 2014 the company continued supporting development of new professionals of Riga Stradins University and Riga Technical University and University of Latvia.

Demonstrating that health care and healthy life style is high among company's values, AS Olainfarm participated in organizing Annual Health Care Awards. Significant support was also provided for young football and tennis talents, especially in the region of Olaine.

Company was also one of launchers of the support programme of Latvian musical talents "Ineses Galantes Talanti.LV", it also supported the creation of a family musical "The Wizard of Oz". AS Olainfarm is now a long term supporter of music festival "Rigas Ritmi", that presents worldwide celebrated artists as well as rising musical stars to Latvian public.

Events after the end of the reporting period

In July 2014, AS Olainfarm acquired another 25.8% of shares in SIA Silvanols, thus increasing its stake to 96.69%. Such an increase was advisable prior to full scale cooperation in distribution of Silvanols's products in countries with significant marketing and logistical resources of AS Olainfarm.

Because of increasing tensions between Ukraine and Russia, and rather unclear political and economic outlook for these countries, the company has decided to make provisions on all receivables from these two countries as at 30 June. It has been decided that 4.5% of receivables outstanding as of reporting date or 1.076 million euros be provided.

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


Valerijs Maligins
Chairman of the Board
(President)


August 29, 2014

Statement of responsibility of the management

The Management Board of JSC Olainfarm prepares interim condensed consolidated financial statements for each quarter which give a true and fair view of the JSC Olainfarm group's (hereinafter - the Group) assets, liabilities and financial position as of the end of the respective interim period, and the financial results of the Group for that respective period. Interim condensed consolidated financial statements are prepared based on International Financial Reporting Standards as adopted by the EU in respect of interim financial statements. In preparing those financial statements, management:

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

For the Board of JSC Olainfarm:


Valerijs Maigins
Chairman of the Board
(President)



August 29, 2014

INTERIM CONSOLIDATED FINANCIAL STATEMENTS**Interim consolidated statement of comprehensive income**

	Notes	01.04.2014 -	01.04.2013 -	01.01.2014 -	01.01.2013 -
		30.06.2014	30.06.2013	30.06.2014	30.06.2013
		EUR '000	EUR '000	EUR '000	EUR '000
Net revenue		25 249	16 656	48 563	34 556
Cost of goods sold		(7 684)	(5 436)	(15 271)	(11 441)
Gross profit		17 565	11 220	33 292	23 115
Selling expense		(6 653)	(4 824)	(13 113)	(10 353)
Administrative expense		(3 981)	(3 244)	(8 096)	(6 554)
Other operating income		484	619	981	1 143
Other operating expense		(1 524)	(553)	(1 817)	(1 009)
Share of profit of an associate		71	-	93	-
Financial income		404	(183)	969	10
Financial expense		(320)	(527)	(1 780)	(618)
Profit before tax		6 046	2 508	10 529	5 734
Corporate income tax	5	(996)	(125)	(1 679)	(575)
Deferred corporate income tax	5	182	-	59	-
Profit for the reporting period		5 232	2 383	8 909	5 159
Other comprehensive income for the reporting period		-	-	-	-
Total comprehensive income for the reporting period		5 232	2 383	8 909	5 159
Total comprehensive income attributable to:					
The equity holders of the Parent Company		5 272	2 383	8 926	5 159
Non-controlling interests		(40)	-	(17)	-
		5 232	2 383	8 909	5 159
Basic and diluted earnings per share, EUR		0.37	0.17	0.63	0.37

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

For the Board of JSC Olainfarm:


Valerijs Maligins
Chairman of the Board
(President)


August 29, 2014

Interim consolidated statement of financial position

ASSETS	Notes	30.06.2014	31.12.2013
NON-CURRENT ASSETS		EUR '000	EUR '000
Intangible assets			
Goodwill		6 660	6 660
Patents		189	149
Pharmacy licenses and lease contracts		9 216	9 216
Other intangible assets		1 476	1 453
Prepayments for intangible assets		178	196
TOTAL		17 719	17 674
Property, plant and equipment			
Land, buildings and constructions		12 378	11 460
Equipment and machinery		9 748	5 918
Other tangible assets		2 335	2 274
Leasehold investments		229	269
Construction in progress		5 537	4 307
Prepayments for property, plant and equipment		1 030	2 698
TOTAL	6	31 257	26 926
Financial assets			
Investments in associated companies		305	211
TOTAL		305	211
TOTAL NON-CURRENT ASSETS		49 281	44 811
CURRENT ASSETS			
Inventories			
Raw materials		2 463	2 369
Work in progress		6 633	7 843
Finished goods and goods for resale		6 835	5 874
Prepayments for goods		231	206
TOTAL		16 162	16 292
Receivables			
Trade receivables and receivables from associated and other related		32 494	27 033
Prepayments to suppliers		638	609
Other receivables		1 532	1 843
Corporate income tax		-	775
Current loans to management and employees		3 415	2 174
Prepaid expense		205	194
TOTAL		38 284	32 628
Cash		2 262	2 097
TOTAL CURRENT ASSETS		56 708	51 017
TOTAL ASSETS		105 989	95 828

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

For the Board of JSC Olainfarm:



August 29, 2014

Interim consolidated statement of financial position

EQUITY AND LIABILITIES	30.06.2014	31.12.2013
EQUITY	EUR '000	EUR '000
Share capital	20 041	20 041
Share premium	2 504	2 504
Retained earnings:		
brought forward	39 364	26 632
for the period	8 926	12 732
TOTAL	70 835	61 909
Non-controlling interests	61	78
TOTAL EQUITY	70 896	61 987
LIABILITIES		
Non-current liabilities		
Loans from credit institutions	9 657	9 831
Deferred corporate income tax liabilities	2 237	2 297
Deferred income	1 434	535
Finance lease liabilities	132	201
TOTAL	13 460	12 864
Current liabilities		
Loans from credit institutions	5 391	6 871
Finance lease liabilities	307	175
Other loans	2	-
Prepayments received from customers	577	44
Trade and other payables	12 098	11 422
Payables to associated companies	178	161
Taxes payable	807	656
Corporate income tax	234	-
Deferred income	83	174
Accrued liabilities	1 956	1 474
TOTAL	21 633	20 977
TOTAL LIABILITIES	35 093	33 841
TOTAL EQUITY AND LIABILITIES	105 989	95 828

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

For the Board of JSC Olainfarm:


 Valerijs Matigins
 Chairman of the Board
 (President)



August 29, 2014

Interim consolidated statement of cash flow

	01.01.2014 - 30.06.2014 EUR '000	01.01.2013 - 30.06.2013 EUR '000
Cash flows to/from operating activities		
Profit before taxes	10 529	5 734
Adjustments for:		
Amortization and depreciation	1 873	1 289
Loss / (profit) on sale/ disposal of property, plant and equipment	(11)	177
(Decrease)/ increase in allowances	1 317	(257)
(Income)/loss from investing activities	(94)	62
Interest expenses	157	44
Interest income	(82)	(10)
Operating cash flows before working capital changes	13 689	7 039
(Increase) / decrease in inventories	130	(2 764)
(Increase) / decrease in receivables and prepaid expense	(6 024)	1 544
Increase in payables and prepayments received	309	1 829
Cash generated from operations	8 104	7 648
Interest paid	(157)	(44)
Corporate income tax paid	(1 258)	(983)
Net cash flows to/ from operating activities	6 689	6 621
Cash flows to/from investing activities		
Purchase of property, plant and equipment	(4 879)	(3 076)
EU grants received	904	-
Acquisition of subsidiary	-	(5 477)
Proceeds from sale of intangible assets and property, plant and equipment	26	10
Repayment of loans	90	-
Loans granted	(1 223)	(923)
Net cash flows to/from investing activities	(4 997)	(9 466)
Cash flows to/from financing activities		
Dividends paid	-	(2 144)
Borrowings repaid	(2 516)	(1 967)
Proceeds from borrowings	989	6 359
Net cash flows to/from financing activities	(1 527)	2 248
Change in cash	165	(597)
Cash at the beginning of the year	2 097	2 550
Cash at the end of the reporting period	2 262	1 953

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

Interim consolidated statement of changes in equity

	Equity attributable to equity holders of the parent				Non-controlling interests	Total
	Share capital	Share premium	Retained earnings	Total		
	EUR '000	EUR '000	EUR '000	EUR '000		
Balance as at 31 December 2012	20 041	2 504	28 777	51 322	-	51 322
Profit for the reporting period	-	-	5 159	5 159	-	5 159
Other comprehensive income	-	-	-	-	-	-
Total comprehensive income	-	-	5 159	5 159	-	5 159
Paid dividends	-	-	(2 143)	(2 143)	-	(2 143)
Balance as at 30 June 2013	20 041	2 504	31 793	54 338	-	54 338
Balance as at 31 December 2013	20 041	2 504	39 364	61 909	78	61 987
Profit for the reporting period	-	-	8 926	8 926	(17)	8 909
Other comprehensive income	-	-	-	-	-	-
Total comprehensive income	-	-	8 926	8 926	(17)	8 909
Paid dividends	-	-	-	-	-	-
Balance as at 30 June 2014	20 041	2 504	48 290	70 835	61	70 896

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

Notes to the interim condensed consolidated financial statements

1. Corporate information

The principal activities of Olainfarm Group (hereinafter, the Group) are manufacturing and distribution of chemical and pharmaceutical products. The Parent Company of the Group, JSC Olainfarm (hereinafter, the Parent Company) was registered with the Republic of Latvia Enterprise Register on 10 June 1991 (re-registered on 27 March 1997) and with the Republic of Latvia Commercial Register on 4 August 2004. The shares of the Parent Company are listed on Riga Stock Exchange, Latvia.

These unaudited interim condensed consolidated financial statements (hereinafter – the interim financial statements) were approved by the Board on 29 August 2014.

2. Basis of preparation and changes to the Group's accounting policies

Basis of preparation

The interim condensed consolidated financial statements for six months ended 30 June 2014 have been prepared in accordance with IAS 34 Interim Financial Reporting.

The interim financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements as at 31 December 2013.

The interim financial statements are presented in euro (EUR), the monetary unit of the Republic of Latvia since 1 January 2014, and rounded to the nearest thousand (EUR'000 or thsd. EUR). Since 1 January 2014 the monetary unit of the Republic of Latvia is euro – opening balance as of this date as well as comparative historical information is translated to euro at fixed exchange rate of 1.4228718 euro per one lat.

The interim financial statements comprise the financial statements of the Parent Company and all its subsidiaries as at 30 June 2014.

Changes in accounting policy and disclosures

The Group has evaluated historically applied income statement layout where expenses disclosed by nature. With the purpose to describe the operating activities and results of the Group more precisely the income statement layout where expenses are disclosed by functions is implemented starting from financial year 2014. Comparative information of income statement and notes thereto is reclassified consistently according to the applied functional layout.

The accounting policies are consistent with those followed in the preparation of the Group's annual financial statement for the previous periods, except for the following new and amended IFRSs and IFRICs which have been adopted by the Group as of 1 January 2014:

- Amendments to IFRS 10, IFRS 12 and IAS 27 - Investment Entities
- Amendment to IAS 32 Financial Instruments: Presentation - Offsetting Financial Assets and Financial Liabilities
- Amendment to IAS 36 Impairment of Assets – Recoverable Amount Disclosures for Non-Financial Assets
- Amendment to IAS 39 Financial Instruments: Recognition and Measurement - Novation of Derivatives and Continuation of Hedge Accounting

The implementation of the above amendments does not have any impact on the interim financial statements of the Group, however amendments to IAS 36 might result in additional disclosures in annual financial statements.

The Group has not applied and has not evaluated the impact of the application of the 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. The Group plans to adopt these standards and interpretations on their effectiveness dates provided they are endorsed by the EU.

3. Business combination

There are no business acquisitions during reporting period. Regarding additional shares purchase of SIA Silvanols - see section Events after the end of the reporting period of the Management report.

On 28 May 2014 reorganisation - merging process was completed in the course of which eleven AS Olainfarm owned pharmacies (acquired companies) SIA Esplanāde Farm, SIA Vita Plus aptieka, SIA Veritas-Farm, SIA Teriaks Pļaviņu aptieka, SIA Rudens laiks, SIA Aptieka Rudens 10, AS Lege Artis Rīga, SIA Juko 99, SIA Inula Farma, SIA Daugavkrasta farmācija, SIA Baltā Aptieka I.P.I. were merged into SIA Latvijas Aptieka (acquiring company). In the case of reorganisation, all the rights and obligations of the acquired companies are transferred to the acquiring company. Assets and liabilities of the acquired companies are reflected in the financial statements of SIA Latvijas Aptieka at their carrying value as at the date of the merging, excluding intercompany mutual balances, recognising assets at fair value and the difference reflecting in prior year retained earnings. Due to the fact that all merged companies till the date of the reorganisation were part of the same Group, the performed reorganisation does not affect the financial results of the interim consolidated financial statements.

Information on prior year acquisitions

During financial year 2013 100% shares of Sabiedrības "ARS" Aptieka Ltd, Traumu Aptieka Ltd, Priekules Aptieka Ltd, Trīsdesmit seši un seši Ltd, Jaunjelgavas Aptieka Ltd, Mana Aptieka Ltd, Daugavkrasta Farmācija Ltd, Baltā Aptieka Ltd and Elpa Aptiekas Ltd were acquired, all unlisted pharmacy retail companies registered in Latvia.

On May 31, 2013 the Group concluded majority shareholding (70.88%) acquisition of pharmaceutical production company Silvanols Ltd.

No adjustments have been recognised in initial provisional goodwill and net assets value of acquired companies disclosed in latest annual accounts.

4. Impairments

Goodwill is tested for impairment annually (as at 31 December) and when circumstances indicate the carrying value may be impaired. The Group's impairment test for goodwill and other intangible assets with indefinite lives is based on value-in-use calculations using cash flow projections from financial budgets approved by the management. Goodwill and other intangible assets with indefinite lives recognised on acquisitions during the reporting period are not tested for impairment until final confirmation of the fair value within one year after acquisition.

Applying the same key assumptions in value in use calculation as for the latest year end testing, management has not identified circumstances that indicate the carrying value of Silvanols CGU and Pharmacy CGU related goodwill, premises lease agreements and licenses may be materially impaired at the date of these interim financial statements.

5. Income tax

The Group calculates the period income tax expense using the tax rate that would be applicable to the expected total annual earnings. The major components of income tax in the interim condensed income statement are corporate income tax 1 679 thsd. EUR (6M 2013: 575 thsd. EUR) and deferred income tax expense of 59 thsd. EUR. Deferred income tax liability at the period end is 2 237 thsd. EUR (31.12.2013: 2 297 thsd. EUR).

6. Property, plant and equipment

During the reporting period AS Olainfarm has invested 1,831 thsd. EUR in the Nitrofurantoin pharmaceutical Department project.

During the reporting period equipment and technology related to EU projects in amount of 3 984 thsd. EUR were put into operation.

No material disposals or write-offs performed during the reporting period.

7. Related party disclosures

Related party	Type of services		Goods and	Goods and	Amounts	Amounts
			services	services delivered	owed by	owed to
			received from	to/ Loans issued	related parties	related
			related parties	to related parties	(gross)	parties
			EUR '000	EUR '000	EUR '000	EUR '000
1. Associated entities						
OLAINFARM ENERĢIJA SIA	Loan, ervices, energy production	31.12.2013.	532	72	256	152
		30.06.2014.	253	32	172	175
		TOTAL: 31.12.2013.	532	72	256	152
		TOTAL: 30.06.2014.	253	32	172	175
2. Key management personnel						
V. Maligins (shareholder)	Loan	31.12.2013.	-	2 104	2 108	-
		30.06.2014.	-	1 357	3 465	-
		TOTAL: 31.12.2013.	-	2 104	2 108	-
		TOTAL: 30.06.2014.	-	1 357	3 465	-
3. Entity with significant influence						
SIA Olmafarm (shareholder)	Loan and finished goods sale	31.12.2013.	-	9	191	-
		30.06.2014.	-	28	219	-
		TOTAL: 31.12.2013.	-	9	191	-
		TOTAL: 30.06.2014.	-	28	219	-
4. Other Related companies						
SIA Vega MS (V. Maligins share 60%)	Security services, manufacture of windows	31.12.2013.	684	-	-	4
		30.06.2014.	208	-	-	3
SIA "Aroma" (V.Maligins share 99.21%)	Loan and lease of premises	31.12.2013.	12	58	111	5
		30.06.2014.	7	25	120	-
Lano Serviss SIA (V.Maligins share 25.04%)	Drycleaner's services	31.12.2013.	27	9	1	2
		30.06.2014.	16	5	1	3
SIA Carbochem (V.Maligins share 50%)	Intermediary on sale of chemical products, loan	31.12.2013.	-	-	109	-
		30.06.2014.	-	-	109	-
SIA OLFA Press (V. Maligins share 45%)	Printing services	31.12.2013.	1 248	31	4	297
		30.06.2014.	794	28	7	408
Olfa OOO (V. Maligin's share 51%, J.Dudko's share 49%)	Finished good sale	31.12.2013.	-	10 743	11 278	-
		30.06.2014.	-	7 527	12 498	-
		TOTAL: 31.12.2013.	1 972	10 841	11 503	308
		TOTAL: 30.06.2014.	1 026	7 584	12 736	415

8. Segment information

	Finished form medicine	Chemicals	Pharmacy wholesale	Pharmacy retail	Silvanols	Total segments	Unallocated and eliminated	Consolidated
	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000
Assets								
30.06.2014	53 725	16 892	3 721	17 355	4 384	96 077	9 912	105 989
31.12.2013	46 242	13 890	2 669	17 204	4 511	84 516	11 312	95 828
Liabilities								
30.06.2014	7 400	1 843	1 376	4 738	1 586	16 943	18 150	35 093
31.12.2013	6 379	1 126	1 912	4 744	1 774	15 935	17 906	33 841
Revenue								
External customers								
6M 2014	36 184	2 924	671	7 513	1 271	48 563	-	48 563
6M 2013	22 799	3 125	1 737	6 895	-	34 556	-	34 556
Inter-segment								
6M 2014	129	5 551	2 557	-	188	8 425	(8 425)	-
6M 2013	123	3 504	1 438	-	-	5 065	(5 065)	-
Total revenue								
6M 2014	36 313	8 475	3 228	7 513	1 459	56 988	(8 425)	48 563
6M 2013	22 922	6 629	3 175	6 895	-	39 621	(5 065)	34 556
Segment profit								
6M 2014	12 139	796	106	129	(178)	12 992	(2 463)	10 529
6M 2013	7 682	457	142	352	-	8 633	(2 898)	5 735

Reconciliation of profit	6M 2014	6M 2013
	EUR '000	EUR '000
Segment profit	12 992	8 633
Unallocated financial income	704	187
Unallocated financial expenses	(1 473)	(770)
Other unallocated income and expense	(186)	(414)
Inter-segment elimination	(1 508)	(1 901)
Profit before tax	10 529	5 735

Reconciliation of assets	30.06.2014	31.12.2013
	EUR '000	EUR '000
Segment operating assets	96 077	84 516
Unallocated long term assets	6 140	6 349
Unallocated short term assets	1 713	3 231
Cash managed on group level	2 059	1 732
Total assets	105 989	95 828

Reconciliation of Liabilities	30.06.2014	31.12.2013
	EUR '000	EUR '000
Segment operating liabilities	16 943	15 935
Deferred tax liability	1 040	938
Interest bearing loans and borrowings	15 009	15 876
Current tax liabilities	853	336
Other unallocated liabilities and eliminations	1 248	756
Total liabilities	35 093	33 841

9. Dividends paid and proposed

Shareholders of the Parent Company have decided not to distribute profit of the year 2013 and reinvest it in the Group's development. No dividends paid during the reporting period up to the authorisation of the interim financial statements.

10. Events after the reporting period

Details of events after the reporting period end are described in Management Report accompanying these interim financial statements.