



**JOINT STOCK COMPANY OLAINFARM**

(UNIFIED REGISTRATION NUMBER 40003007246)

**UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE 12 MONTHS PERIOD ENDED 31 DECEMBER 2014**

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

**Olaine, 2015**

**CONTENTS**

<b>General information</b>	<b>3</b>
<b>Major shareholders</b>	<b>9</b>
<b>Management report</b>	<b>10</b>
<b>Statement of responsibility of the management</b>	<b>18</b>
<b>Interim consolidated statement of comprehensive income</b>	<b>19</b>
<b>Interim consolidated statement of financial position</b>	<b>20</b>
<b>Interim consolidated statement of cash flow</b>	<b>22</b>
<b>Interim consolidated statement of changes in equity</b>	<b>23</b>
<b>Notes to the interim condensed consolidated financial statements</b>	<b>24</b>

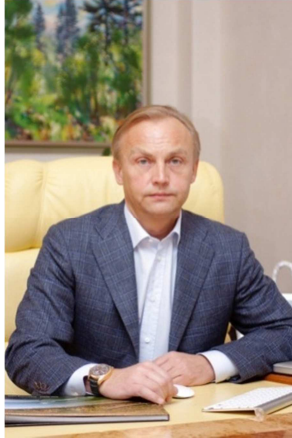
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**General information**

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 (based on data on 09.12.2014)	SIA Olmafarm (42.56%) Valērijs Maligins (26.92%) Swedbank AS LV Clients account (1.05%) Swedbank AS EE Clients account (11.99%)
Major subsidiaries	Latvijas Aptieka SIA – 100% equity share Silvanols SIA – 96.69% equity share (till 28.08.2014 - 70.88%)
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 – 31 December 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  
SIA Ozols JDR, 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 (from 24.08.2014 - 0%, till 24.08.2014 - 51%)

## Number of shares of JSC Olainfarm owned (as of December 31, 2014):

- directly: 3 791 810
- indirectly (through SIA Olmafarm): 5 994 054
- total: 9 785 864

**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 December 31, 2014): 1 450

**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

AS Lege Artis Rīga, Council Member (till 28.05.2014)

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 December 31, 2014): 1 302

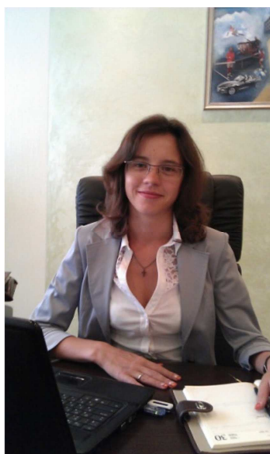
**Salvis Lapiņš**

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 December 31, 2014): 36 143

**Veranika Dubitskaya**

Veronika Dubicka (*Veranika Dubitskaya*) has worked in the Company's representative office in Belarus since 2005. From 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 December 31, 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 December 31, 2014): 0

**Jelena Dudko**, Deputy Chairperson of the Council (till 12.11.2014)

Jelena Dudko is a Strategic Development and Marketing Director of the pharmaceutical company OOO 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 (100%, till 25.08.2014 – 49%)

Number of shares of JSC Olainfarm owned (as of December 31, 2014): 0

**Ingrīda Circene**, Deputy Chairperson of the Council (from 17.12.2014)

Ingrīda Circene used to be Minister for Health of Latvia and member of several Saeima. I.Circene has graduated Riga Medical Institute and Riga Commerce School.

Positions held in other companies: none

Participation in other companies: none

Number of shares of JSC Olainfarm owned (as of December 31, 2014): 0

**Aleksandrs Raicis**

Aleksandrs Raicis is 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 (7.91703%)

Number of shares of JSC Olainfarm owned (as of December 31, 2014): 0

**Volodimir Krivozubov**

Volodimir Krivozubov is a Director-General 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 December 31, 2014): 0

**Gunta Veismane**

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

Positions held in other companies:

University College of Economics and Culture, Rector

Participation in other companies: none

Number of shares of JSC Olainfarm owned (as of December 31, 2014): 0

Movements in the Board during the reporting period

JSC Olainfarm shareholders extraordinary meeting of December 17, 2014 made a decision to amend the Charter concerning the representation rights of the Board members adding unlimited right for one more member of the Board to severally represent JSC Olainfarm.

Movements in the Council during the reporting period

The Deputy Chairperson of the Council Jelena Dudko submitted resignation from Council Member position on 12.11.2014;  
JSC Olainfarm shareholders extraordinary meeting of December 17, 2014 elected a new Council consisting of Valentīna Andrejeva, Gunta Veismane, Ingrīda Circene, Aleksandrs Raicis, Volodimirs Krivozubovs.



**Major shareholders**

	<b>Share holding</b>
Swedbank AS Clients Account	13.04%
Olmafarm, SIA	42.56%
V. Maligins	26.92%
Other shareholders	<u>17.48%</u>
Total	100.00%

## Management report

### General information

During the reporting period changes have been made to the composition of the Group. Since May 28, 2014, as a result of re-organizing, the following companies have been excluded from the Commercial register and merged with SIA "Latvijas Aptieka": SIA „Esplanāde Farm”, SIA „Vita Plus Aptieka”, SIA „Veritas-Farm”, SIA „Teriaks Pļaviņu Aptieka”, SIA „Rudens Laiks”, SIA „Rudens 10”, AS „Lege Artis Rīga”, SIA „Juko 99”, SIA „Inula Farma”, SIA „Daugavkrasta Farmācija” un SIA „Baltā Aptieka IPI”. Since September 16, 2014, as a result of re-organizing, the following companies have been excluded from the Commercial register and merged with SIA "Latvijas Aptieka": SIA „Mana Aptieka”, SIA „Traumu Aptieka”, SIA Trīsdesmit Seši un Seši”, SIA „Sabiedrības „Ars” Aptieka”, SIA „Priekules Aptieka” un SIA „Jaunjelgavas Aptieka”. On 15 December 2014 SIA Elpa aptiekas was merged into SIA Latvijas Aptieka. Thus, as of the end of the reporting period the Group consists from the parent company AS „Olainfarm”, its daughter companies SIA „Ozols JRD”, travel agency „First Class Lounge” and pharmaceutical retail company SIA „Latvijas Aptieka”. Since August 2014, AS “Olainfarm” owns 96.69% of shares in leading Latvian food supplement company SIA “Silvanols”.

In December of 2014 AS Olainfarm established a fully owned daughter company “Olainfarm Azija” in Kyrgyzstan. Main operations of the newly established company will be related to promotion in Kyrgyzstan of products made by the Group and its partners.

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 Group.

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.

Corporate governance report of the company is available at company's web site [www.olainfarm.lv](http://www.olainfarm.lv).

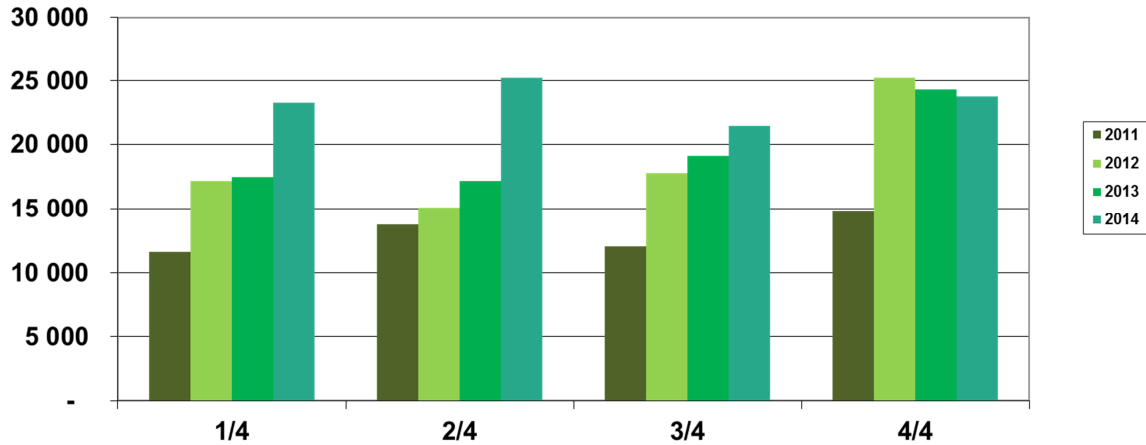
### Operational environment

During the reporting period significant developments took place in nearly all of main wholesale markets of the Group. Annexation of Crimea followed by military activity in south-east Ukraine limited accessibility of supply mechanisms to these regions of Ukraine. Military activity and economic complications resulted in rapid deterioration of value of Ukrainian currency, the Hryvnia and in limited conversion possibilities, thus limiting the exporting possibilities to this country even further. Besides Ukraine, considerable currency devaluations during the reporting period were also observed in Russia, Kazakhstan and Belarus. These four countries combined account for more than 60% of the sales of Group.

### Financial results

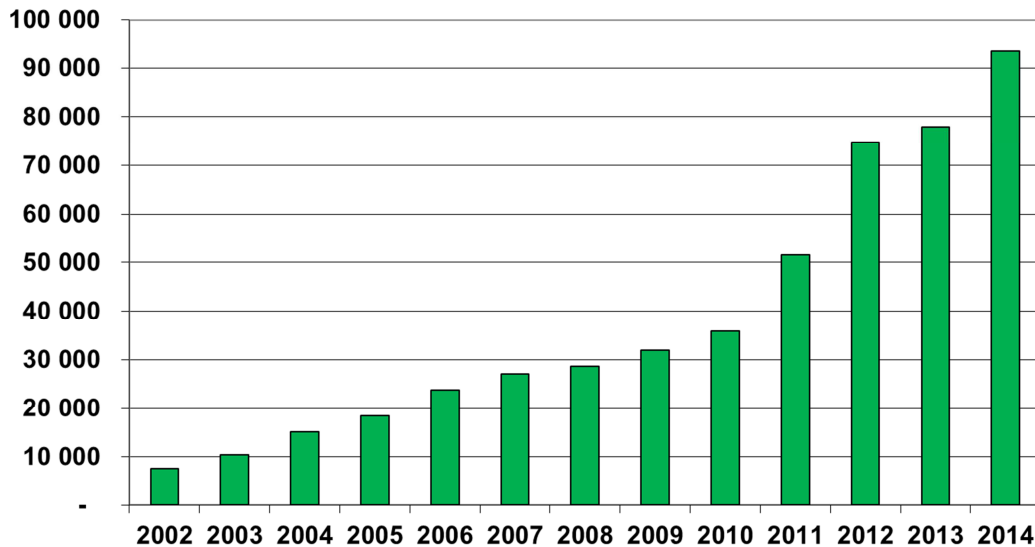
During the fourth quarter of 2014 sales volumes have declined by a little more than 2% compared to similar period of 2013 and reached 23.8 million euro. Although this still is one of the most successful quarters of this year in terms of sales, it still lacks slightly behind 4th quarters of previous years. It could be partially explained by the fact that at the very end of 2014 the decision was made to limit sales to Russian partners due to rapid deterioration of value of Russian ruble at the time.

### Sales By Quarters, Thsnd. EUR

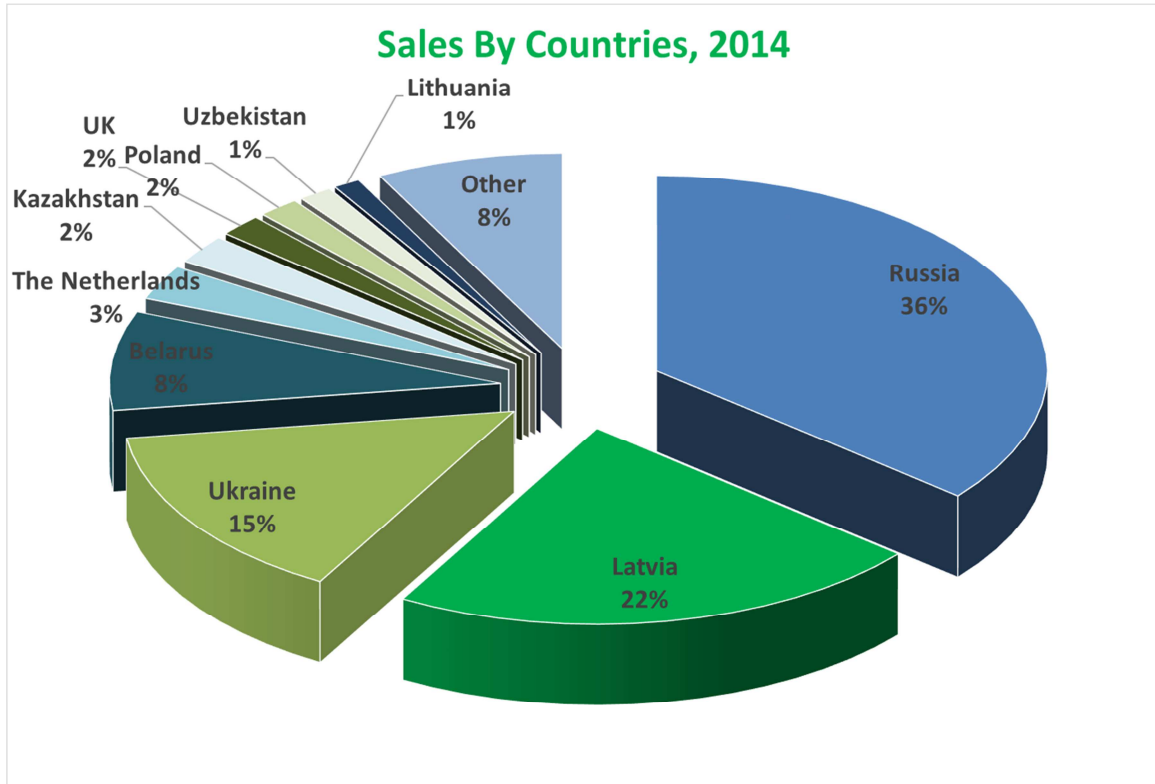


Although the 4th quarter was not as successful as 4th quarters of previous years, the sales increase accumulated during the first three quarters ensured that sales of the entire year of 2014 were the best annual sales in corporate history so far. During 2014 the Group made a total sales of 93.7 million euros, which represents an increase by more than 20% compared to sales of 2013. Sales guidance approved by the AGM was therefore outperformed by 0.7 million euros.

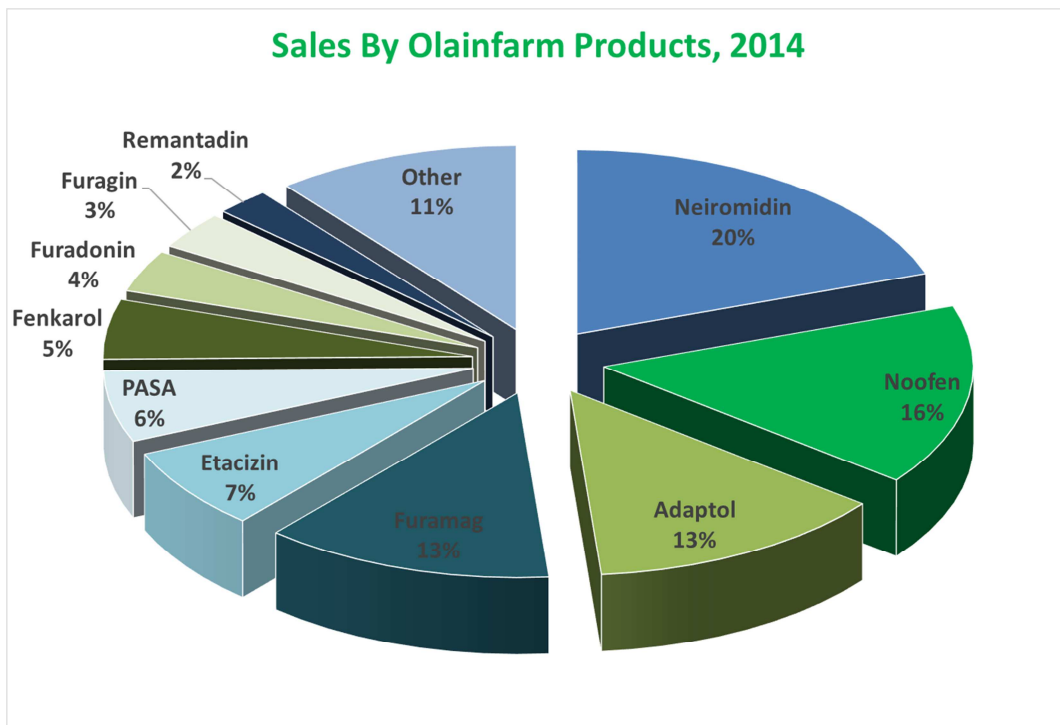
### Salse, Thsnd. EUR



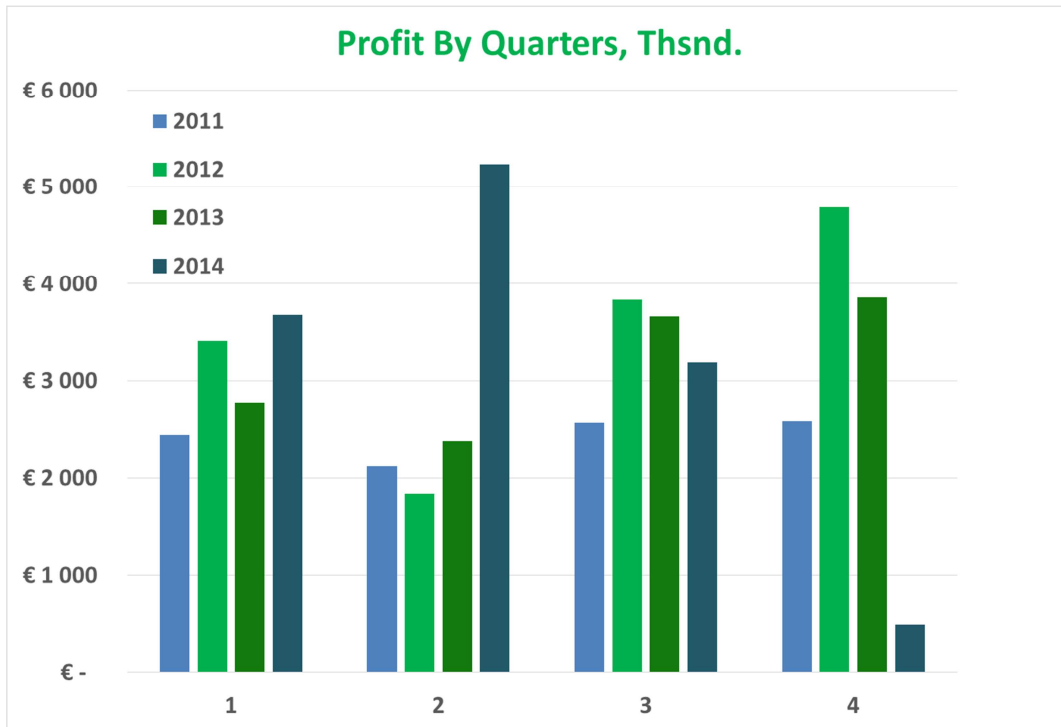
During 2014 sales to all company's main markets continued increasing except for Kazakhstan, UK and Uzbekistan, where sales shrunk by 32%, 32% and 11% respectively. The most rapid sales increase during 2014 was achieved in Poland, where sales grew by 434%, and in The Netherlands, where products of WHO's anti-tuberculosis program are being shipped. Sales to The Netherlands grew by 192%. Significant sales growth has also been achieved in Lithuania (by 60%) and Belarus (by 40%). Major sales markets of AS "Olainfarm" during 2014 were Russia, Latvia, Ukraine, Belarus and The Netherlands.



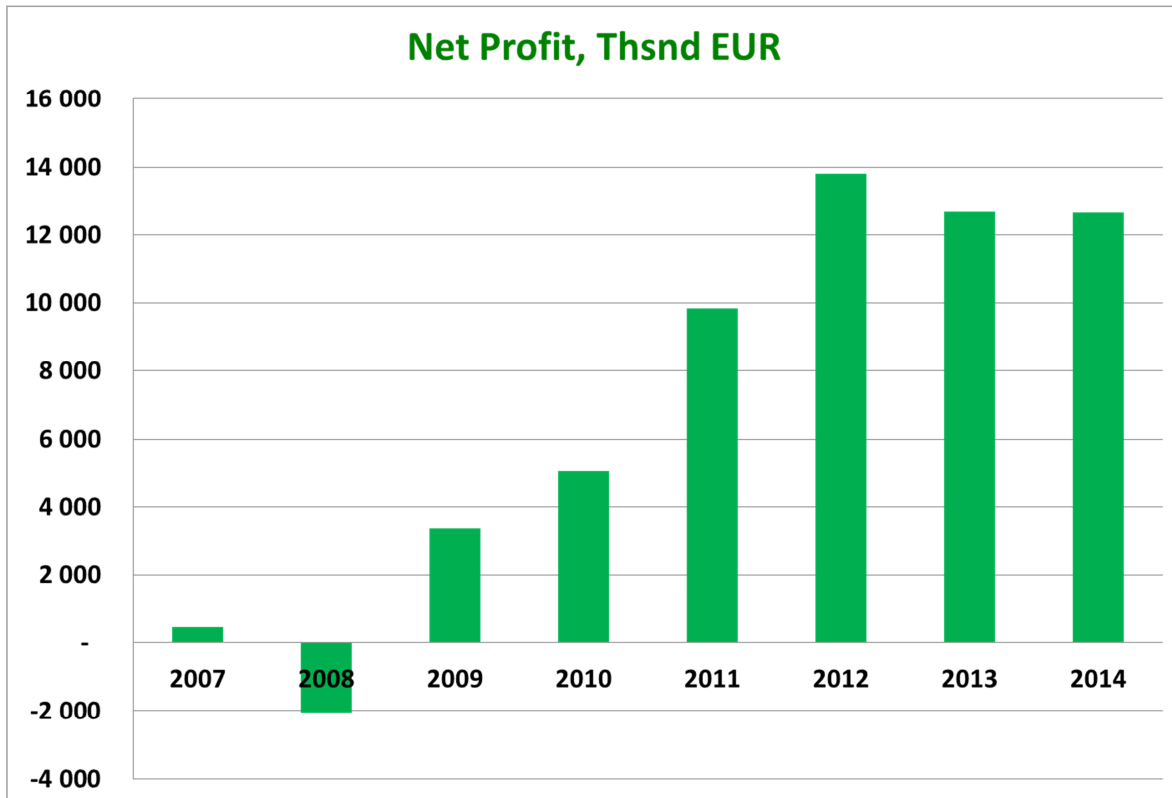
During the 2014 the share of Olainfarm’s best-selling product Neiromidin® in total sales has shrunk to 20%. Share of Furamag has increased to 7%, and the share of PASA has grown to 6%. MAG has left the list of 10 best-selling products and was replaced by Furagin with 3% share. All these developments clearly point to the trend for sales volumes of best-selling products to equalize.



Significant devaluation of Russian ruble at the end of 2014, as well as increasing non-payment risks from Russian and Ukrainian partners left a very significant adverse impact on Group’s profitability in 4th quarter of 2014. Only during the 4th quarter of 2014 and only due to foreign exchange fluctuations the Group lost nearly 3.5 million euros. Therefore, the profit of 4th quarter shrunk by 85% to 0.56 million euros.



Although due to the very significant currency foreign exchange loss, the Group failed to attain the profit target of 15 million euros set by the AGM, because of rather successful first three quarters of 2014, in terms of profitability this has been the second best year in corporate history. The net profit of 2014 was 12.66 million euros, which represents an increase by 0.5% compared to 2013.



This is how other indicators of the company have changed.

Financial indicator for period	2014	2013	% to previous period
Sales, EUR '000	93 655	77 956	120%
Net profit, EUR '000	12 664	12 732	99%
EBITDA, EUR '000	23 351	18 881	124%
EBIT, EUR '000	19 397	16 128	120%
Gross margin	68.5%	68.0%	
EBITDA margin	24.9%	24.2%	
EBIT margin	20.7%	20.7%	
Net margin	13.5%	16.3%	
ROA	11.8%	13.3%	
ROE	17.2%	20.6%	
Current ratio	2.8	2.4	
EPS, EUR	0.90	0.90	99%
Share price at period end, EUR	5.93	7.06	84%
P/E	6.6	7.8	
Market capitalisation at period end, EUR '000	83 525	99 441	84%
P/B	1.1	1.6	

The company has not set the specific target of debt/equity ratio, and this ratio has not been included in the table above.

Annual meeting of shareholders of A/s "Olainfarm" held on April 29, 2014 approved operating plan of the Group. According to it, sales of the Group in 2014 are planned to be 93 million euros, but the net profit will reach 15 million euros. According to this unaudited report for 2014, during this period 100.7% of annual sales target and 84% of annual profit target is met.

#### Dividends

During the reporting period AS "Olainfarm" was not paying any dividends. In previous years the dividends were paid, among others, from the profits of 2012. 0.152 euros per share were paid, which corresponds to approximately 15% of the net profit of 2012. The pay-out ratio of 12.5% was applied to the profit of 2011, and the pay-out ratio of 10% was applied to the profit of 2010. Although the Group does not have a formally approved dividend policy, the management of the company made a commitment, that if no adversely impacting factors are present, the pay-out ratio will be increased by 2.5 percentage points every year, until the pay-out ratio reaches 25%. However, the recent destabilization of situation in two main markets of the Group, namely Russia and Ukraine, as well as rather ambitious CAPEX plans for upcoming years made management to propose putting the dividend payment scheme on hold until distribution of profit of 2015.

#### 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 Riga, as during this period the price of share increased by more than 66%. 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 7 euros, but at the beginning of 2014 it reached its historic maximum of 8.30 euros. In general, during the reporting period the share price fluctuated between 5.50 and 8.3 euros per share.

Share Price of Olainfarm, 2012 –2014



During almost the entire 2014 share price of AS Olainfarm was performing better than OMX Riga index, however, during the last two weeks of the year, possibly because of rapid deterioration of value of Russian ruble, price of share of AS Olainfarm also experiences rather rapid decline. During the year OMX Riga index fell by 11.3%, share price of AS “Olainfarm” fell by 16%.

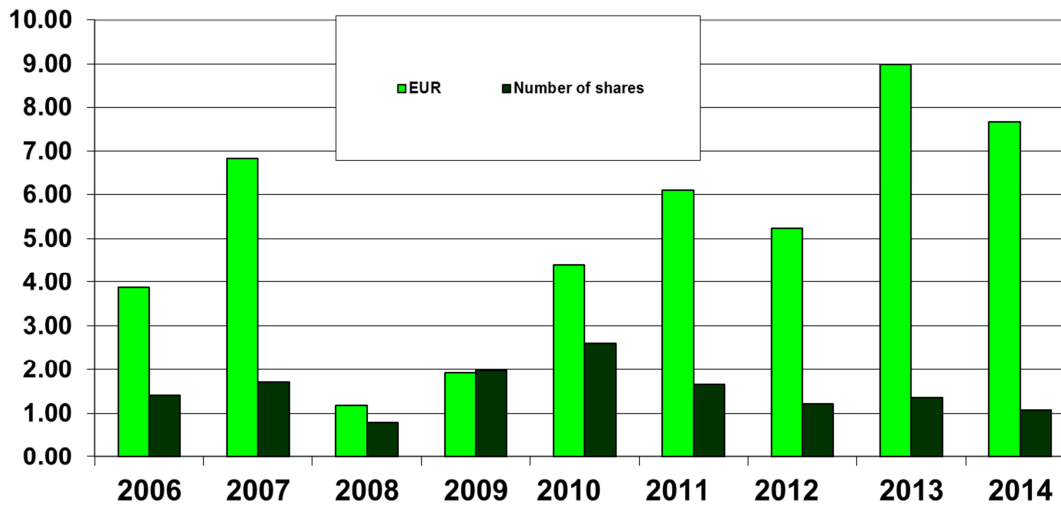
Rebased Price of Olainfarm Share vs. Rebased OMX Riga Index (Reporting period)



-- OMX Riga  
-- AS Olainfarm

During 2014 turnover of shares of AS “Olainfarm” traded on Nasdaq Riga reached it’s second best result in history as shares worth 7.7 million euros were traded. Number of shares traded declined to 1.07 million.

## Trading Of Shares On Nasdaq Riga, Mln.



### Development

During 2014 38 registration cases have been approved in several countries, including such untraditional countries for AS “Olainfarm” as Peru, Mongolia, Bhutan, Romania and Kosovo. Several products are still in the process of obtaining MAs, among other countries, in Turkey, registration processes have been launched in Bosnia and Herzegovina and other new markets. Preclinical trials of R-fenotropil are being conducted and totally new forms and line extensions of existing products are being developed. Among other things the company works at development of a new nootropic medication, new product of nitrofurantoin group and a new food supplement.

### Future outlook

During 2015 and subsequent years company plans to continue all efforts targeted at implementation of new products, entering new markets, putting 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 and Serbia shortly. The company also intends to slow down on its pharmacy chain expansion. It is expected that very few pharmacies will join the chain in 2015.

The company has started actively using its logistical and marketing resources to start selling products of its daughter company “Silvanols” on Olainfarm’s traditional markets.

As one can see from the results of 2014, especially from results of the last quarter, Group’s profitability is very much influenced by economic shape and currency performance of its key markets. As mentioned above, during 2014, countries to which AS “Olainfarm” sells more than 60% of its products were hit by significant economic turbulences and currency stability issues. In order to reduce Group’s dependency on economic situation of CIS countries, the Group is increasing its activities targeted at entering new markets with its final dosage and chemical products. The work also has been intensified at identifying acquisition targets that have significantly smaller dependency on CIS markets.

In order to further improve the good governance principles and reduce the risk of conflict of interest, the main shareholder of the company Mr. Valerijs Maligins on August 24 has sold all his shares in Ukrainian OOO “Olfa”. Since despite the relations, principles applied to mutual transactions with OOO “Olfa” were similar to those applied generally, and because of existing situation in Ukraine, it is important to have a well-known, experienced and trustworthy distribution partner in that country. Therefore the company does not plan to change either its partner in Ukraine or cooperation principles with it in any near future.



**Environment**

During nine months of 2014, data safety sheets have been prepared for 20 substances, and 22 internal environmental audits have been conducted, new procedures for waste management developed along with the new regulations on environmental aspects related to new products, technologies, reconstructions and other changes. Environmental audit has been passed without reservations.

**Social responsibility**

Corporate social responsibility activities of AS "Olainfarm" are targeted at people – though support to health care and healthy lifestyle, science and education, culture, personal growth, ensuring high quality and responsible cooperation.

During 2014 AS "Olainfarm" helped several projects promoting health care and healthy lifestyle, and participated in related seminars, conference, and supported "Annual Medical Award", intended to celebrate medical professionals for their contribution to health.

In order to promote healthier leisure time activities, the company has been supporting a wide range of sports activities, on international, national and local levels, from young budding tennis players in Marupe to boxing, football, strongmen and dance events. AS "Olainfarm" supported Latvian In-Line Hockey team's participation in World Championship in Czech Republic and participation of Latvian chess team in world championship in Norway.

The company helped to launch "Ineses Galantes Talanti.LV" - the support program for Latvian musical talents, and supported other activities of "Ineses Galantes Fonds", including festival "Summertime", as well as facilitated the preparation of family musical "The Wizard of Oz". AS "Olainfarm" is a long term supporter of music festival "Rigas Ritmi", that traditionally invites both, worldwide celebrated musicians along with new and yet undiscovered artists.

In 2014 AS "Olainfarm" continued providing scholarships to new professionals studying at Riga Stradins' University, Riga Technical University and University of Latvia. We also supported awards to best teachers of chemistry and natural sciences and funded Solomon Hiller's Award to the best Doctors of Chemistry.

**Events after the end of the reporting period**

On January 13th, with participation of President Andris Berzins of Latvia, the new final dosage form production unit of AS "Olainfarm" was opened. The unit includes final dosage form site for nitrofuranes, small batch production unit and final dosage development laboratory. The project has been implemented with a support from European Regional Development Fund. The new production unit has been built through reconstruction of previously underused building. Its total space is 2112 square meters. The building has two floors and is connected to the main final dosage form production unit. On the ground floor there is a small batch production unit and final dosage development laboratory, but on the second floor the nitrofurane final dosage production unit and in-process quality control laboratories are located. Nitrofuranes make up more than 20% of sales of „Olainfarm" and during the last five years sales of nitrofuranes have tripled.

In January 2015, denomination of shares of AS "Olainfarm" from lats to euros was completed. After denomination the face value of one share of AS "Olainfarm" is 1.40 euros and the share capital is 19 719 109.20 euros.

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)  


February 27, 2015

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## 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 Maligins  
Chairman of the Board  
(President)  


February 27, 2015

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

	Notes	01.10.2014 -	01.10.2013 -	01.01.2014 -	01.01.2013 -
		31.12.2014	31.12.2013	31.12.2014	31.12.2013
		EUR '000	EUR '000	EUR '000	EUR '000
Net revenue		23 764	24 320	93 655	77 956
Cost of goods sold		(6 571)	(6 625)	(29 489)	(24 962)
<b>Gross profit</b>		<b>17 193</b>	<b>17 695</b>	<b>64 166</b>	<b>52 994</b>
Selling expense		(8 329)	(8 176)	(27 946)	(22 968)
Administrative expense		(4 841)	(5 113)	(16 895)	(14 731)
Other operating income		605	797	2 119	3 121
Other operating expense		(195)	(490)	(2 200)	(2 496)
Share of profit of an associate		37	208	153	208
Financial income		63	52	187	145
Financial expense		(3 562)	(450)	(4 728)	(1 390)
<b>Profit before tax</b>		<b>971</b>	<b>4 523</b>	<b>14 856</b>	<b>14 883</b>
Corporate income tax	5	(91)	(613)	(2 225)	(2 151)
Deferred corporate income tax	5	(324)	(131)	31	(131)
<b>Profit for the reporting period</b>		<b>556</b>	<b>3 779</b>	<b>12 662</b>	<b>12 601</b>
<b>Other comprehensive income for the reporting period</b>		-	-	-	-
<b>Total comprehensive income for the reporting period</b>		<b>556</b>	<b>3 779</b>	<b>12 662</b>	<b>12 601</b>
Total comprehensive income attributable to:					
The equity holders of the Parent Company		558	3 901	12 664	12 732
Non-controlling interests		(2)	(122)	(2)	(131)
		<b>556</b>	<b>3 779</b>	<b>12 662</b>	<b>12 601</b>
Basic and diluted earnings per share, EUR		0.04	0.28	0.90	0.90

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

For the Board of JSC Olainfarm:

  
Valerijs Maligins  
Chairman of the Board  
(President)



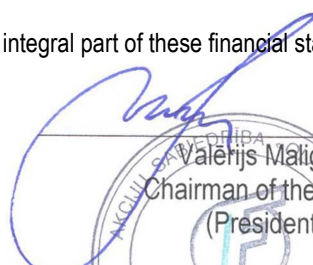
February 27, 2015


**Interim consolidated statement of financial position**

<b>ASSETS</b>	Notes	<b>31.12.2014</b>	<b>31.12.2013</b>
<b>NON-CURRENT ASSETS</b>		<b>EUR '000</b>	<b>EUR '000</b>
<b>Intangible assets</b>			
Goodwill		6 660	6 660
Patents		145	149
Pharmacy licenses and lease contracts		9 526	9 216
Other intangible assets		1 919	1 453
Prepayments for intangible assets		234	196
TOTAL		<b>18 484</b>	<b>17 674</b>
<b>Property, plant and equipment</b>			
Land, buildings and constructions		17 513	11 460
Equipment and machinery		10 861	5 917
Other tangible assets		2 412	2 274
Leasehold investments		226	269
Construction in progress		1 805	4 306
Prepayments for property, plant and equipment		1 857	2 697
TOTAL	6	<b>34 674</b>	<b>26 923</b>
<b>Financial assets</b>			
Investments in associated companies		364	211
TOTAL		<b>364</b>	<b>211</b>
<b>TOTAL NON-CURRENT ASSETS</b>		<b>53 522</b>	<b>44 808</b>
<b>CURRENT ASSETS</b>			
<b>Inventories</b>			
Raw materials		2 685	2 370
Work in progress		8 850	7 843
Finished goods and goods for resale		6 785	5 874
Prepayments for goods		372	207
TOTAL		<b>18 692</b>	<b>16 294</b>
<b>Receivables</b>			
Trade receivables and receivables from associated and other related companies		27 474	27 034
Prepayments to suppliers		271	609
Other receivables		597	1 843
Corporate income tax		85	775
Current loans to management and employees		4 279	2 175
Prepaid expense		266	193
TOTAL		<b>32 972</b>	<b>32 629</b>
<b>Cash</b>		<b>2 141</b>	<b>2 097</b>
<b>TOTAL CURRENT ASSETS</b>		<b>53 805</b>	<b>51 020</b>
<b>TOTAL ASSETS</b>		<b>107 327</b>	<b>95 828</b>

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

For the Board of JSC Olainfarm:

  
 Valerijs Maligins  
 Chairman of the Board  
 (President)



February 27, 2015

**Interim consolidated statement of financial position**

<b>EQUITY AND LIABILITIES</b>		Notes	<b>31.12.2014</b>	<b>31.12.2013</b>
<b>EQUITY</b>			<b>EUR '000</b>	<b>EUR '000</b>
Share capital			20 041	20 041
Share premium			2 504	2 504
Retained earnings:				
brought forward			38 255	26 632
for the period			12 664	12 732
	<b>TOTAL</b>		<b>73 464</b>	<b>61 909</b>
Non-controlling interests			9	78
	<b>TOTAL EQUITY</b>		<b>73 473</b>	<b>61 987</b>
<b>LIABILITIES</b>				
<b>Non-current liabilities</b>				
Loans from credit institutions			10 168	9 830
Deferred corporate income tax liabilities			2 266	2 297
Deferred income			2 054	535
Finance lease liabilities			195	201
	<b>TOTAL</b>		<b>14 683</b>	<b>12 863</b>
<b>Current liabilities</b>				
Loans from credit institutions			6 771	6 871
Finance lease liabilities			158	175
Prepayments received from customers			52	46
Trade and other payables			7 975	11 582
Taxes payable			748	656
Deferred income			1 466	174
Accrued liabilities			2 001	1 474
	<b>TOTAL</b>		<b>19 171</b>	<b>20 978</b>
	<b>TOTAL LIABILITIES</b>		<b>33 854</b>	<b>33 841</b>
<b>TOTAL EQUITY AND LIABILITIES</b>			<b>107 327</b>	<b>95 828</b>

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

For the Board of JSC Olainfarm:

  
 Valerijs Matigins  
 Chairman of the Board  
 (President)



February 27, 2015

**Interim consolidated statement of cash flow**

	01.01.2014 - 31.12.2014	01.01.2013 - 31.12.2013
	EUR '000	EUR '000
<b>Cash flows to/from operating activities</b>		
Profit before taxes	14 856	14 883
Adjustments for:		
Amortization and depreciation	3 954	2 753
Loss/ (profit) on sale/ disposal of non-current assets	196	(254)
Impairment of tangible and intangible assets	273	119
Increase/ (decrease) in allowances	1 987	(245)
Income from investing activities in associate	(153)	(208)
Interest expenses	254	232
Interest income	(187)	(145)
<b>Operating cash flows before working capital changes</b>	<b>21 180</b>	<b>17 135</b>
Increase in inventories	(2 438)	(2 852)
Increase in receivables and prepaid expense	(57)	(597)
(Decrease)/ increase in payables and prepayments received	(3 418)	5 404
<b>Cash generated from operations</b>	<b>15 267</b>	<b>19 090</b>
Interest paid	(254)	(216)
Corporate income tax paid	(1 953)	(3 642)
<b>Net cash flows to/ from operating activities</b>	<b>13 060</b>	<b>15 232</b>
<b>Cash flows to/from investing activities</b>		
Purchase of property, plant and equipment	(13 620)	(12 943)
EU grants received	3 035	382
Acquisition of subsidiaries and shares	(1 176)	(6 820)
Proceeds from sale of intangible assets and property, plant and equipment	86	933
Repayment of loans	114	1 031
Interest received	17	18
Loans granted	(1 922)	(2 781)
<b>Net cash flows to/from investing activities</b>	<b>(13 466)</b>	<b>(20 180)</b>
<b>Cash flows to/from financing activities</b>		
Dividends paid	-	(2 144)
Borrowings repaid	(5 498)	(3 755)
Proceeds from borrowings	5 948	10 394
<b>Net cash flows to/from financing activities</b>	<b>450</b>	<b>4 495</b>
<b>Change in cash</b>	<b>44</b>	<b>(453)</b>
<b>Cash at the beginning of the year</b>	<b>2 097</b>	<b>2 550</b>
<b>Cash at the end of the reporting period</b>	<b>2 141</b>	<b>2 097</b>

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

**Interim consolidated statement of changes in equity**

	Equity attributable to the equity holders of the parent				Non-controlling interests	Total
	Share capital	Share premium	Retained earnings	Total		
	EUR '000	EUR '000	EUR '000	EUR '000		
<b>Balance as at 31 December 2012</b>	<b>20 041</b>	<b>2 504</b>	<b>28 776</b>	<b>51 321</b>	<b>-</b>	<b>51 321</b>
Profit for the reporting period	-	-	12 732	12 732	(131)	12 601
Other comprehensive income	-	-	-	-	-	-
Total comprehensive income	-	-	12 732	12 732	(131)	12 601
Business combination	-	-	-	-	209	209
Paid dividends	-	-	(2 144)	(2 144)	-	(2 144)
<b>Balance as at 31 December 2013</b>	<b>20 041</b>	<b>2 504</b>	<b>39 364</b>	<b>61 909</b>	<b>78</b>	<b>61 987</b>
<b>Balance as at 31 December 2013</b>	<b>20 041</b>	<b>2 504</b>	<b>39 364</b>	<b>61 909</b>	<b>78</b>	<b>61 987</b>
Profit for the reporting period	-	-	12 664	12 664	(2)	12 662
Other comprehensive income	-	-	-	-	-	-
Total comprehensive income	-	-	12 664	12 664	(2)	12 662
Acquisition of non-controlling interest	-	-	(1 109)	(1 109)	(67)	(1 176)
<b>Balance as at 31 December 2014</b>	<b>20 041</b>	<b>2 504</b>	<b>50 919</b>	<b>73 464</b>	<b>9</b>	<b>73 473</b>

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 27 February 2015.

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

#### ***Basis of preparation***

The interim condensed consolidated financial statements for twelve months ended 31 December 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 31 December 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
- Amendments to IFRS 10, IFRS 11 and IFRS 12: Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities – Transition Guidance
- Amendments to IAS 36 Impairment of Assets – Recoverable Amount Disclosures for Non-Financial Assets
- Amendments 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

On 28 August 2014 AS Olainfarm acquisition of another 25.81% of shares in SIA Silvanols was registered, thus increasing its stake to 96.69%. Cash consideration of 1 176 thsd. EUR was transferred to the minority shareholders. The acquisition of additional ownership interest in a subsidiary is recorded in equity as following:

	<b>EUR '000</b>
Cash consideration paid to non-controlling shareholders	1 176
Carrying value of non-controlling interest in SIA Silvanols acquired	67
<b>Difference recognised in retained earnings</b>	<b>1 109</b>

During the reporting period reorganisation - merging process was performed in the course of which eighteen of AS Olainfarm owned pharmacies (acquiree) were merged into SIA Latvijas Aptieka (acquirer). On 28 May 2014 the first phase of the reorganisation process was completed in the course of which 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 and SIA Baltā Aptieka I.P.I. were merged. On 16 September 2014 the second phase of the reorganisation was completed in the course of which SIA Mana aptieka, SIA Traumu aptieka, SIA Trīsdesmit seši un seši, SIA Sabiedrības Ars aptieka, SIA Priekules aptieka and SIA Jaunjelgavas aptieka were merged into SIA Latvijas Aptieka. On 15 December 2014 the third phase of the reorganisation was completed in the course of which SIA Elpa aptiekas was merged into SIA Latvijas Aptieka.

All the rights and obligations of the acquirees are transferred to the acquirer. 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 and the difference recognising 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.

On December 3, 2014 AS Olainfarm established subsidiary SIA Olainfarm Azija in Kyrgyzstan. During the reporting period there was no operation in the company.

#### **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 acquired through business combinations has been allocated to SIA Latvija Aptieka Cash Generating Unit (Pharmacy CGU) and Silvanols CGU. Premises lease agreements and licences are fully related to Pharmacy CGU.

The recoverable amount of Pharmacy CGU is determined based on a value in use calculation using cash flow projections from financial budgets approved by the management of the Group. 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 Pharmacy CGU related goodwill, premises lease agreements and licenses may be materially impaired at the date of these interim financial statements.

The recoverable amount of Silvanols CGU is determined based on the company's market value applying comparison method. Market values and financial data of similar companies operating in emerging Europe and Asia markets were analysed to establish the market value of Silvanols CGU. Average rate of market value to revenue of comparative companies was selected as multiple to calculate Silvanols CGU market value. As a result of performed evaluation, the management has not identified circumstances that indicate the carrying value of Silvanols CGU related goodwill 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 2 225 thsd. EUR (12M 2013: 2 151 thsd. EUR) and decrease in deferred income tax expense of 31 thsd. EUR. Deferred income tax liability at the period end is 2 266 thsd. EUR (31.12.2013: 2 297 thsd. EUR).

**6. Property, plant and equipment**

During the reporting period AS Olainfarm has invested 6 053 thsd. EUR in the EU financed Nitrofurantoin Pharmaceutical Department project containing investments in the renovation of building in amount of 2 394 thsd. EUR and investments in operation equipment and technology in amount of 3 659 thsd. EUR. Overall, during the project there was performed capitalisation of building's reconstruction and equipment costs in amount of 7 871 thsd. EUR.

During the reporting period investments in equipment and technologies are made in amount of 794 thsd. EUR within other EU financed projects, among them 168 thsd. EUR of equipment put in operation.

During the reporting period the Group has invested 1 940 thsd. EUR in creation of the new Fenibut production scheme. Overall in the course of the project the equipment and reconstruction of the building in the amount of 2 317 thsd. EUR is capitalised.

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

On December 2014 JSC Olainfarm had received an advance financing of 1 002 thsd. EUR of EU financed project of High Added Value Investments in Improvement of Chemical and Technological Processes. The advance payment is disclosed in caption Deferred Income in Current Liabilities of these interim consolidated financial statements.

**7. Related party disclosures**

Related party	Type of services		Goods and	Goods and	Amounts	Amounts
			services received from related parties	services delivered to/ Loans issued to related parties	owed by related parties (gross)	owed to related parties
			EUR '000	EUR '000	EUR '000	EUR '000
<b>1. Associated entities</b>						
SIA Olainfarm enerģija (AS Olainfarm share 50%)	Loan, services, energy production	31.12.2013	532	72	256	152
		31.12.2014	481	83	215	62
SIA Pharma and Chemistry Competence Centre of Latvia (AS Olainfarm 11%, SIA Silvanols 19%)	Loan and project management services	31.12.2013	85	365	514	6
		31.12.2014	206	160	409	26
		<b>TOTAL: 31.12.2013</b>	<b>617</b>	<b>437</b>	<b>770</b>	<b>158</b>
		<b>TOTAL: 31.12.2014</b>	<b>687</b>	<b>243</b>	<b>624</b>	<b>88</b>
<b>2. Key management personnel</b>						
V. Maligins (shareholder)	Loan and travelling services	31.12.2013	-	2 131	2 125	-
		31.12.2014	-	2 035	4 140	-
		<b>TOTAL: 31.12.2013</b>	<b>-</b>	<b>2 131</b>	<b>2 125</b>	<b>-</b>
		<b>TOTAL: 31.12.2014</b>	<b>-</b>	<b>2 035</b>	<b>4 140</b>	<b>-</b>
<b>3. Entity with significant influence</b>						
SIA Olmafarm (shareholder)	Loan and finished goods sale	31.12.2013	-	9	191	-
		31.12.2014	-	38	230	-
		<b>TOTAL: 31.12.2013</b>	<b>-</b>	<b>9</b>	<b>191</b>	<b>-</b>
		<b>TOTAL: 31.12.2014</b>	<b>-</b>	<b>38</b>	<b>230</b>	<b>-</b>
<b>4. Other Related companies</b>						
SIA Vega MS (V. Maligins share 60%)	Security services, manufacture of windows	31.12.2013	684	-	-	4
		31.12.2014	429	-	-	4
SIA Aroma (V.Maligins share 99.21%)	Loan and lease of premises	31.12.2013	12	60	112	5
		31.12.2014	16	51	142	16
SIA Lano Serviss (V.Maligins share 25.04%)	Drycleaner's services	31.12.2013	27	9	1	2
		31.12.2014	31	10	1	3
SIA Carbochem (V.Maligins share 50%)	Intermediary on sale of chemical products, loan	31.12.2013	-	-	109	-
		31.12.2014	-	-	109	-
SIA OLFA Press (V. Maligins share 47.5%)	Printing services	31.12.2013	1 248	31	4	297
		31.12.2014	1 419	48	8	242
Olfa OOO (J.Dudko's share 100%)	Finished goods sale	31.12.2013	-	10 743	11 278	-
		31.12.2014	-	11 800	11 606	-
		<b>TOTAL: 31.12.2013</b>	<b>1 971</b>	<b>10 843</b>	<b>11 504</b>	<b>308</b>
		<b>TOTAL: 31.12.2014</b>	<b>1 895</b>	<b>11 909</b>	<b>11 866</b>	<b>265</b>

**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
<b>Assets</b>								
31.12.2014	53 773	16 007	3 285	16 882	4 015	93 962	13 365	107 327
31.12.2013	46 242	13 890	2 598	17 204	4 510	84 444	11 384	95 828
<b>Liabilities</b>								
31.12.2014	5 606	1 166	1 341	5 382	1 325	14 820	19 034	33 854
31.12.2013	6 380	1 125	1 912	4 744	1 774	15 935	17 906	33 841
<b>Revenue</b>								
External customers								
2014	69 955	3 984	2 298	15 138	2 280	93 655	-	93 655
2013	56 448	5 051	1 164	13 825	1 468	77 956	-	77 956
Inter-segment								
2014	252	16 071	5 135	-	476	21 934	(21 934)	-
2013	265	8 668	4 331	-	111	13 375	(13 375)	-
<b>Total revenue</b>								
2014	70 207	20 055	7 433	15 138	2 756	115 589	(21 934)	93 655
2013	56 713	13 719	5 495	13 825	1 579	91 331	(13 375)	77 956
<b>Segment profit</b>								
2014	14 945	5 792	324	447	9	21 517	(6 661)	14 856
2013	14 839	2 651	332	2 208	(239)	19 791	(4 908)	14 883

<b>Reconciliation of profit</b>	2014	2013
	EUR '000	EUR '000
<b>Segment profit</b>	<b>21 517</b>	<b>19 791</b>
Unallocated financial income	2 146	(157)
Unallocated financial expenses	(6 643)	(1 496)
Other unallocated income and expense	(310)	(323)
Inter-segment elimination	(1 854)	(2 932)
<b>Profit before tax</b>	<b>14 856</b>	<b>14 883</b>

<b>Reconciliation of assets</b>	31.12.2014	31.12.2013
	EUR '000	EUR '000
<b>Segment operating assets</b>	<b>93 962</b>	<b>84 444</b>
Unallocated long term assets	6 254	6 349
Unallocated short term assets	5 226	3 015
Cash managed on group level	1 885	2 020
<b>Total assets</b>	<b>107 327</b>	<b>95 828</b>

<b>Reconciliation of Liabilities</b>	31.12.2014	31.12.2013
	EUR '000	EUR '000
<b>Segment operating liabilities</b>	<b>14 820</b>	<b>15 935</b>
Deferred tax liability	1 065	938
Interest bearing loans and borrowings	15 384	15 876
Current tax liabilities	597	336
Other unallocated liabilities and eliminations	1 988	756
<b>Total liabilities</b>	<b>33 854</b>	<b>33 841</b>

**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**

The JSC Olainfarm shareholders extraordinary meeting of December 17, 2014 made a decision to denominate JSC Olainfarm share capital in EUR on January 23, 2015 establishing that par value of 14 085 078 shares will be 1.40 euro with total share capital of 19 718 thsd. EUR. Denomination difference of 322 thsd. EUR will be attributed to the reserves of the equity.

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