



JOINT STOCK COMPANY OLAINFARM

(UNIFIED REGISTRATION NUMBER 40003007246)

**UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE 6 MONTHS PERIOD ENDED 30 JUNE 2015**

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

Olaine, 2015

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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 (26.92%) Swedbank AS EE Clients account (11.99%) Swedbank AS LV Clients account (1.05%)
Major subsidiaries	Latvijas Aptieka SIA – 100% equity share Silvanols SIA – 96.69% equity share
Audit Committee	Viesturs Gurtlavs
Financial year	1 January – 31 December 2015
Interim reporting period	1 January – 30 June 2015

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%)
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%)

Number of shares of JSC Olainfarm owned (as of June 30, 2015):

- 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 June 30, 2015): 1 450

Inga Liščika

Inga Liščika is a member of the Company's Management Board and a Chief Executive Officer. 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, 2015): 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, 2015): 32 574

Veranika Dubitskaya

Veronika Dubicka (Veranika Dubitskaya) has worked in the Parent 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 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, 2015): 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, the Chairperson of the Council

Valentīna 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

Participation in other companies: none

Number of shares of JSC Olainfarm owned (as of June 30, 2015): 0

Ingrīda Circene, Deputy Chairperson of the Council

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 June 30, 2015): 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 Recessus (30%)
SIA Briz (7.92%)

Number of shares of JSC Olainfarm owned (as of June 30, 2015): 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 June 30, 2015): 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 June 30, 2015): 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	13.04%
SIA Olmafarm	42.56%
V.Maligins	26.92%
Other shareholders	<u>17.48%</u>
Total	100.00%

Management report

General information

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.

During the reporting period, changes have been made to the composition of the Group. It consisted from parent company JSC Olainfarm, its daughter companies SIA Ozols JRD, travel agency First Class Lounge and pharmaceutical retail company SIA Latvijas Aptieka. In December 2014 in Kyrgyzstan, a subsidiary named Olainfarm Azija was established, while in March 2015 a subsidiary Olainfarm Lietuva in Lithuania was opened. Main activity of both new subsidiaries is promotion of products of JSC Olainfarm and its partners in respective market. During the reporting period 100% of shares in SIA Nikafarm and SIA Aptieka Alante were acquired, these companies own pharmacies in Olaine and Plavinas respectively. JSC Olainfarm also owns 96.69% shares in leading Latvian food supplement company SIA Silvanols.

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.

Company's Corporate Governance Report is available at www.olainfarm.lv.

Operational environment

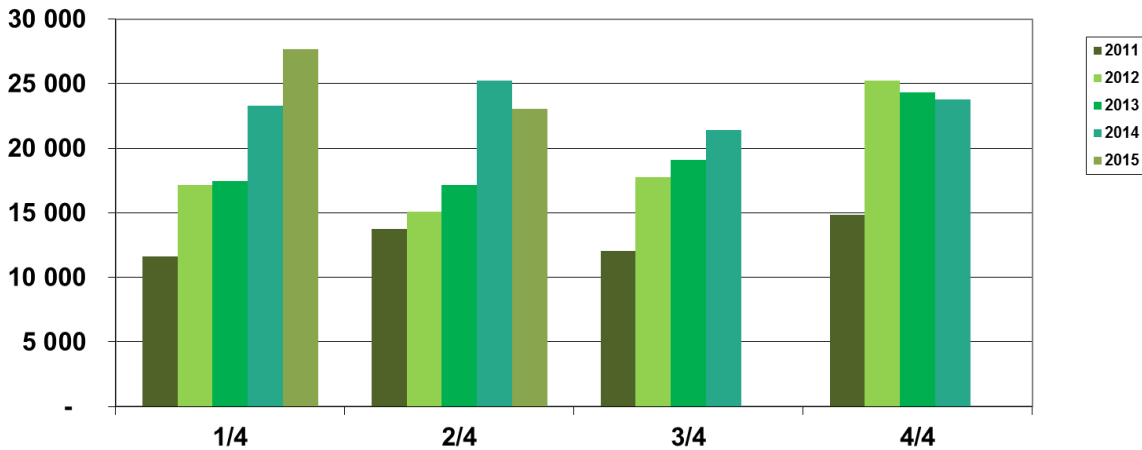
During the reporting period the operational environment in two markets important for the Company, namely Ukraine and Belarus remained unstable. As Russian Rouble was stabilizing, especially during the second quarter, environment in Russia stabilized as well and the company experienced a sales growth of 5% in that country. Possibilities of currency conversion remain very limited in Ukraine, which limits ability of our partners to make timely payments for products supplied. In order to avoid further accumulation of receivables from Ukraine, JSC Olainfarm has decided to link further shipments to Ukraine with payments received from Ukraine. This situation has resulted in sales decline to Ukraine by 20% compared to the first half of 2014.

During the reporting period, Belarus has experienced a devaluation of its national currency by about 40%, which caused Belarus authorities to introduce several protectionist measures. Under the influence of these two factors, sales in Belarus shrunk by 20% during first half of 2015.

Financial results

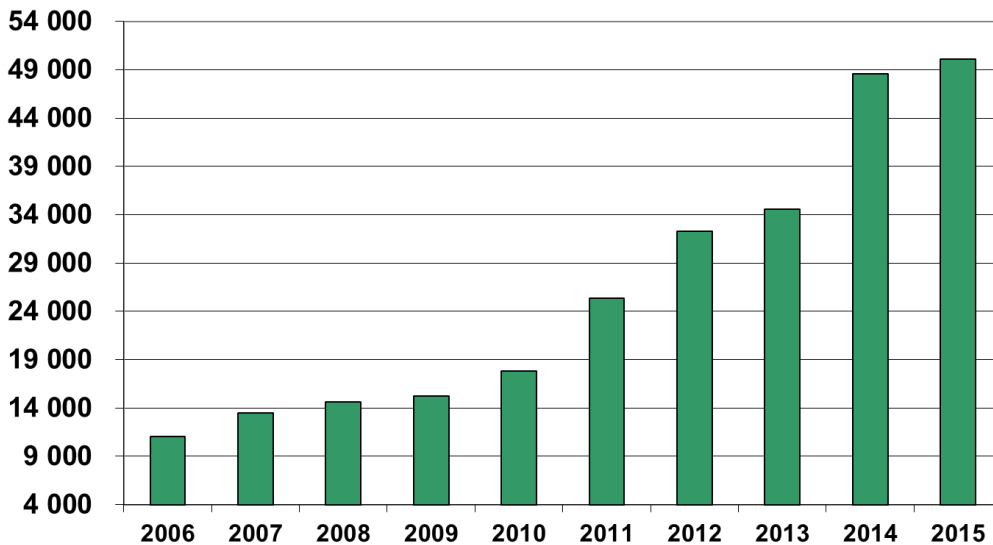
Although in terms of sales, the 2nd quarter of 2015 was rather successful, when compared to 2nd quarter of 2014, which was outstanding, the sales have shrunk by 9.6%. Very considerable sales decrease took place in Ukraine, where sales shrunk by 40%, and in Belarus, where sales shrunk by 13. Due to high base of 2014, 15% decrease has also been experienced in Russian sales. Sales to Latvia increased by 11%, while shipments to WHO increased more than six fold. In total, sales worth 23 million euros were made during the second quarter of 2015.

Sales by Quarters, Thsnd. EUR

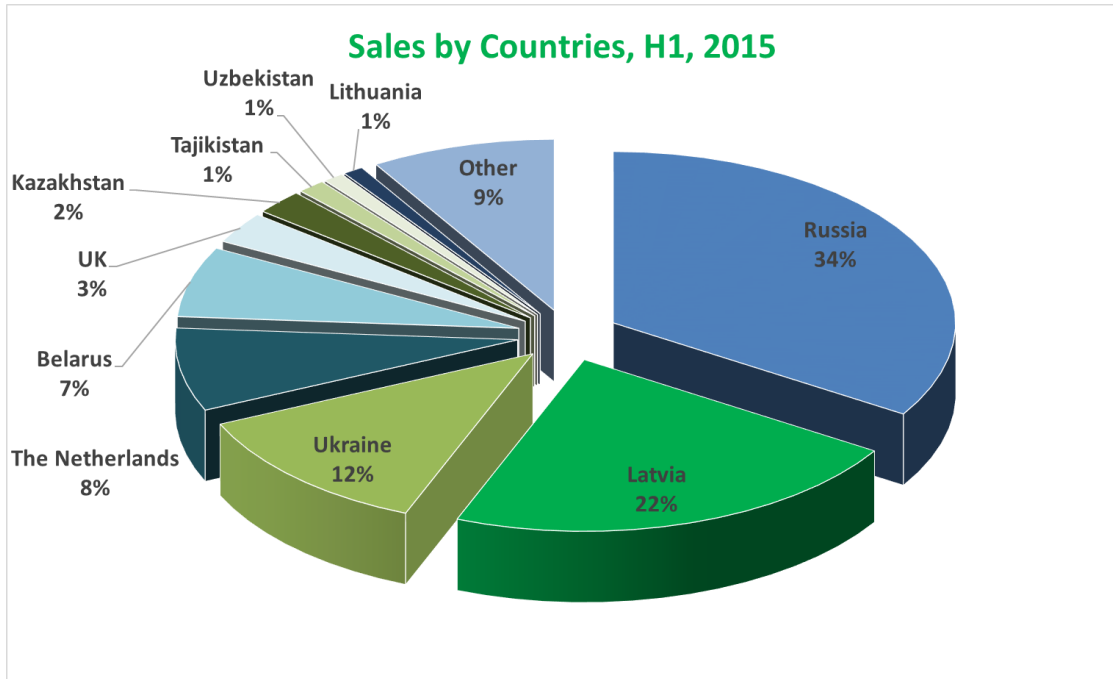


In 6 months of 2015 the sales have increased by 3% compared to 6 months of 2014 and reached 50 million euro, which makes this the best six months in corporate history so far. This has been achieved largely due to very successful first quarter of this year, when significant sales increases were achieved in Central Asian countries, Russia, Latvia as well as due to increasing orders from the WHO.

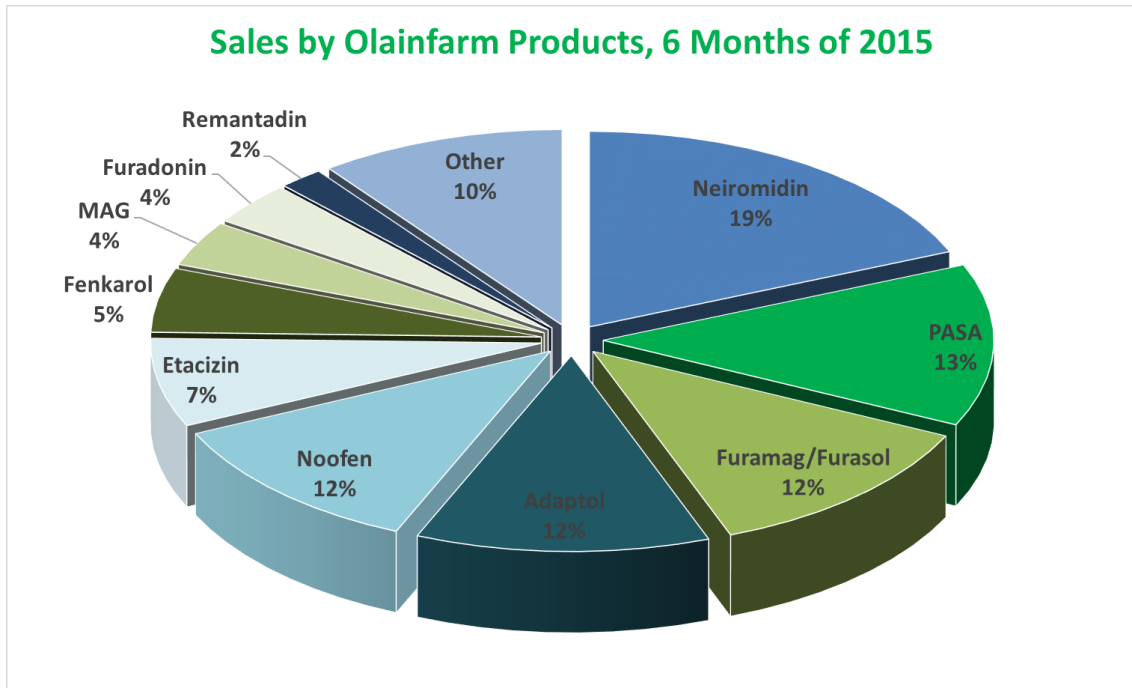
Six Months Sales, Thsnd. EUR



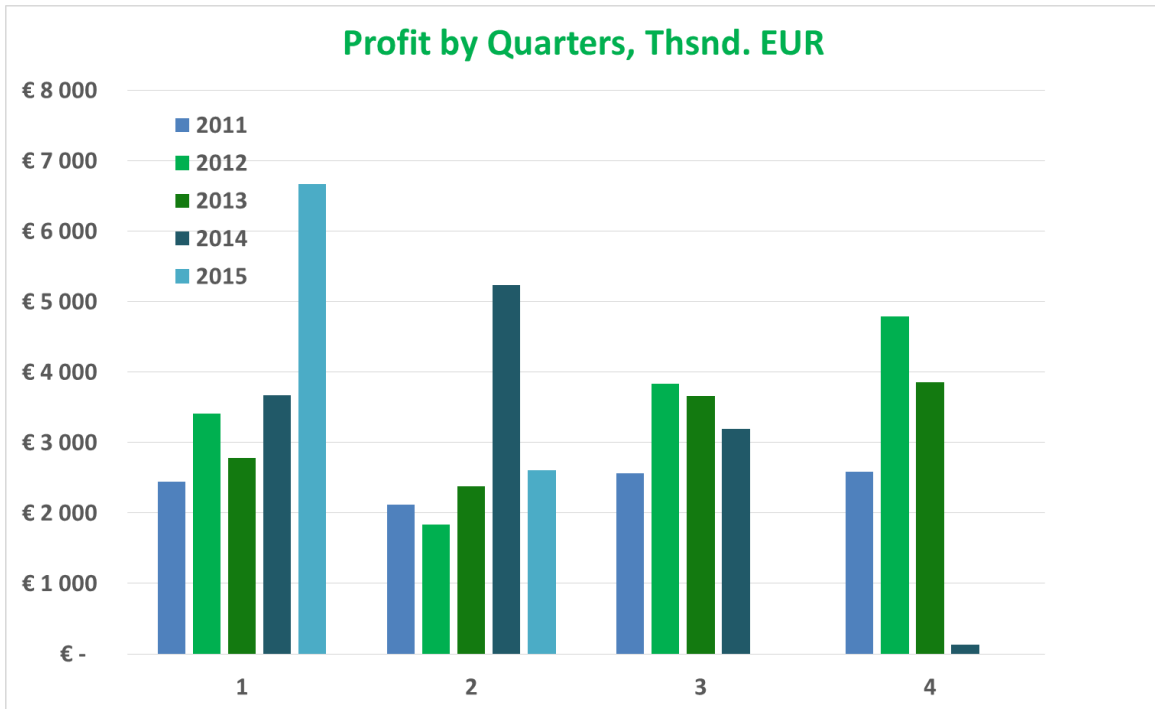
During the first half of 2015 Company's sales grew in Russia, Latvia, The Netherlands (WHO shipments), Kazakhstan, Tajikistan, Lithuania and other markets, while in Ukraine, Belarus, UK and Uzbekistan they shrunk. In general, the sales split between countries has remained relatively unchanged, and reduction of Russia's share from 37% to 34% is really the only significant development.



No significant changes have been occurring to the split of bestselling products of JSC Olainfarm in 2nd quarter compared to the first quarter of 2015, as due to increased demand for anti-tuberculosis product PASA Sodium salt, this product has become the second best selling product with a total share of 13% of all Olainfarm products sold. Products of soluble furaginum are now the third bestselling, followed by Adaptol. Fenkarol and Rementadin have also lost one percentage point of their share. In total, 10 bestselling products make up 90% of sales of JSC Olainfarm products, which means that there is a little less concentration than before.

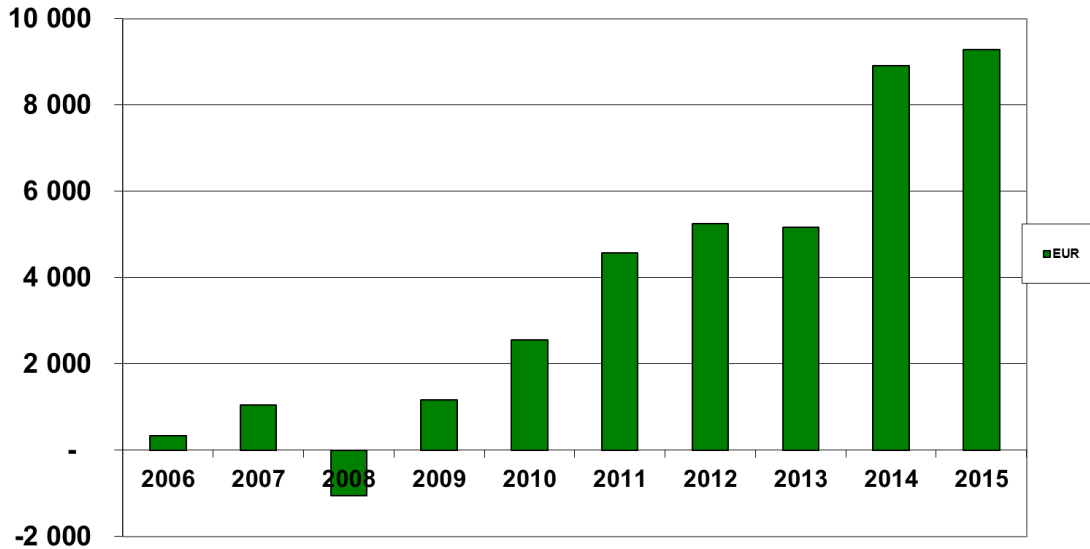


Although the 2nd quarter of 2015 was one of the best 2nd quarters in corporate history in terms of profit, it still significantly lags behind the 2nd quarter of 2014, when the company made a net profit of 5.2 million euros. 460 thousand euros from the profits of this year's second quarter were used for provisions for CIS receivables and 700 thousand for expected currency loss due to falling Russian Rouble. Even after these provisions of more than 1.1 million euros, the company has still made a net profit of 2.6 million euros, which is a 50% reduction compared to 2nd quarter of 2014.

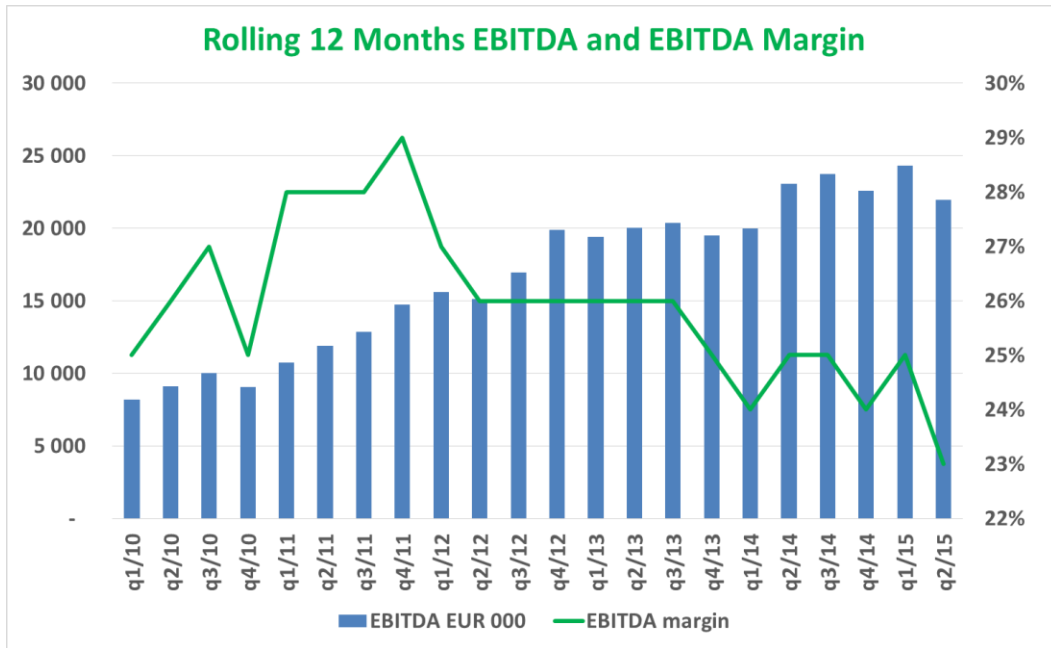


Although during the six-month period, the company has made total provisions of 1.5 million euros for receivables and currency risks, this has still been the most profitable six months period in corporate history so far. During this period, the company has made a net profit of 9.3 million euros, which represents an increase by 4% compared to the first half of 2014.

Six Months Profit, Thsnd.



Relatively smaller sales and additional provisions, have left minor, albeit negative impact on both, EBITDA and EBITDA margin. During this quarter 12 months, EBITDA has shrunk by 2.3 million euros to 22 million. Due to additional provisions, EBITDA margin has also fallen to 23%.



This is how other indicators have changed during the reporting period:

Financial indicator for period	01.01.2015 - 30.06.2015	01.01.2014 - 30.06.2014	% to previous period
Sales, EUR '000	50 069	48 563	103%
Net profit, EUR '000	9 276	8 926	104%
EBITDA, EUR '000	12 711	13 295	96%
EBIT, EUR '000	9 778	11 341	86%
Gross margin	67.6%	68.6%	
EBITDA margin	25.4%	27.4%	
EBIT margin	19.5%	23.4%	
Net margin	18.5%	18.4%	
EPS, EUR	0.66	0.63	104%

Financial indicator at the period end	30.06.2015	30.06.2014	% to previous period
Current ratio	2.7	2.6	
Share price at period end, EUR	8.05	7.74	104.0%
Market capitalisation, EUR '000	113 385	109 019	104.0%
P/B	1.4	1.5	

Financial indicator for 12 month	01.07.2014 - 30.06.2015	01.07.2013 - 30.06.2014	% to previous period
Net profit, EUR '000	12 587	16 499	76%
EBITDA, EUR '000	21 980	24 998	88%
ROA	11%	16%	
ROE	15%	23%	
P/E	9.0	6.6	

Annual meeting of shareholders of JSC Olainfarm held on June 11, 2015 approved operating plan of the Group for 2015. According to it, sales of the Group in 2015 are planned to be 100 million euros, but the net profit will reach 15 million euros. According to this unaudited report for 1st half of 2015, during the first six months 50% of annual sales target and 62% of annual profit target is met.

Shares and stock market

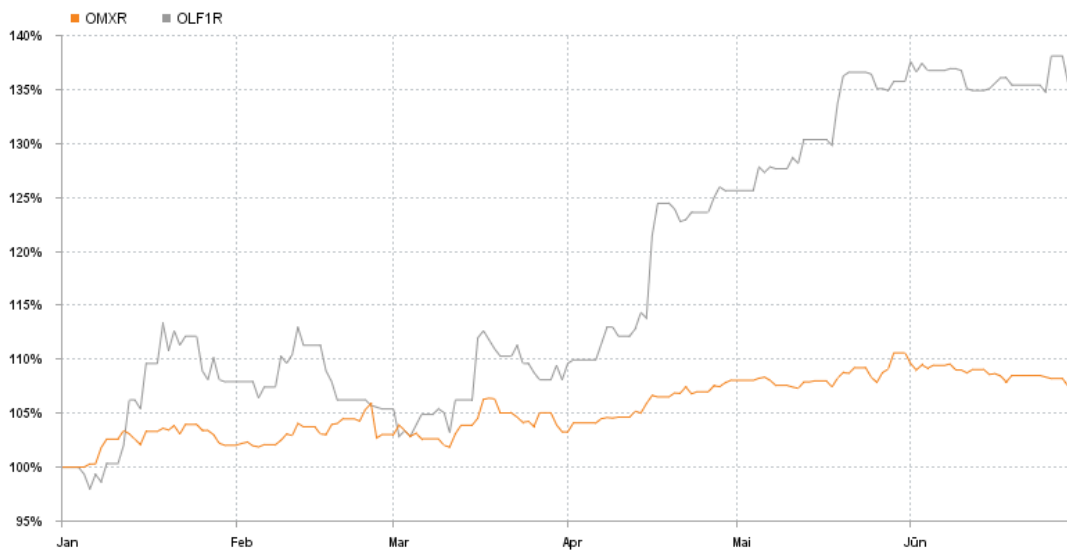
Rapid improvement of Company’s financial indicators over the last three years are reflected in fluctuations of price of Company’s shares on NASDAQ OMX Riga, as during this period the price of share increased by more than 90%. During the reporting period share price mainly fluctuated between 6.50 EUR and 8.00 EUR per share. around 6.40 euro per share, reaching its low of 5.81 per share at the beginning of the year. On June 1, 2015 the historic maximum of 8.70 EUR was reached. During the reporting period 1656 trades were made with Olainfarm’s shares. Shortly before the preparation of this report the share price experienced a slight decline and now it fluctuates around 7.40 EUR

Development of Price of Share of JSC Olainfarm, Three Years to the End of Reporting Period



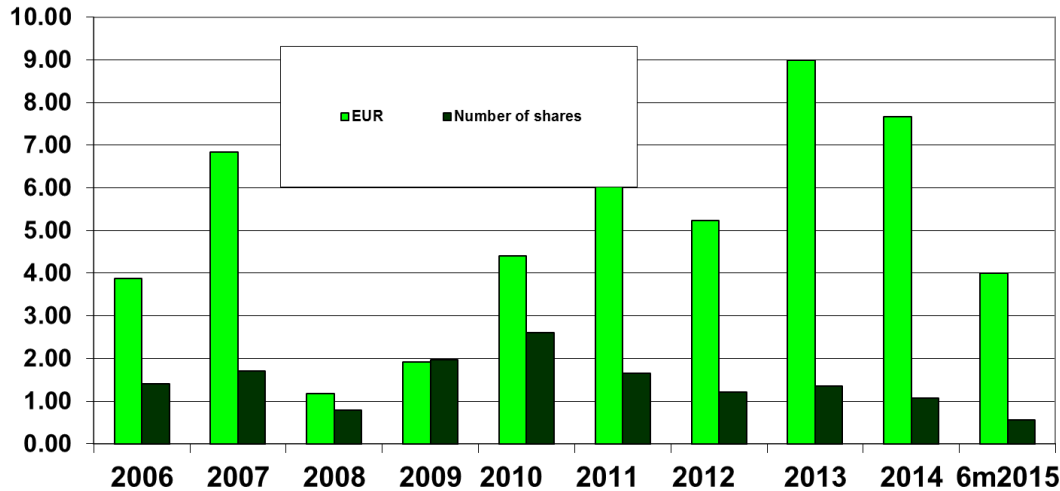
During the first half of 2015, OMX Riga Index demonstrated a solid growth of 7.7%. However, share price of JSC Olainfarm grew even more as in six months it increased by more than 35%, which is one of the most rapid price increases in entire Baltic securities market.

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



-- OMX Riga
-- JSC Olainfarm

Trading of Shares on Nasdaq Riga, Mln.



During the first half of 2015 more than 570 000 shares of JSC Olainfarm worth more than 4 million euros were traded on Nasdaq Riga. These numbers are comparable to the levels of trading in first half of 2014.

Development

During the reporting registration processes have been launched in Bosnia And Herzegovina; Vietnam, Myanmar; GMP audit by Turkish authorities has been passed, allowing the company to proceed with registration in Turkey.. New forms have been developed for Gripoflex 325 (with reduced content of paracetamol), ACC 200mg powder, and lactose free Memantine tablets of 10mg and 20mg. The work continues at development of new combined prolonged activity form of nitrofurantoin. Two new food supplements have been developed and registered in Baltic countries with urological and hepatological application.

Future outlook

Taking into consideration the geopolitical reality, a further diversification of sales markets increasingly is a priority. During 2015 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. After the end of the reporting period, the exports were commenced to Mongolia, registration processes in Turkey and other countries are successfully continuing. More attention is being paid to possible acquisition of a company, whose sales markets or products are significantly different from those of JSC Olainfarm.

It has been more than a year since the company actively uses its logistical and marketing resources to sell products of its daughter company Silvanols on Olainfarm's traditional markets, so even more rapid sales growth of SIA Silvanols can be expected in the near future.

Environment

During the 1st quarter data safety sheets have been prepared for 31 substances, eight internal environmental audits have been conducted and preparations of design for new wastewater treatment facility continued.

Social responsibility

During the first half of 2015 the company continued supporting development of new professionals of Riga Stradins University and Riga Technical University and University of Latvia with scholarships.

Demonstrating that health care and healthy life style is high among company's values, JSC Olainfarm participated in organizing Annual Medical Awards. Significant support was also provided for young football and tennis talents. Company supported Latvian leg of "Strongman Champion League", that took place in Olaine, running competition "Olaines Apli" and Sports Dance Contest "Dance Art Cup".

Company continued helping "Ineses Galantes Fonds" to search for musically talented young people of Latvia, was one of the key supporters of celebrations of anniversary of town of Olaine.

Employees of JSC Olainfarm were active in donating blood during Blood Donor's Day organized jointly with Center for Blood Donations semi-annually.

Events after the end of the reporting period

Shortly after the end of the reporting period, a rather rapid devaluation of Russian Rouble started, which are expected to adversely influence company's financial results in 3rd quarter of 2015. Therefore the company has made a decision to make provisions of 700 thousand euros to cover the expected foreign exchange loss.

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


Valeris Maligins
Chairman of the Board
(President)


August 31, 2015

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:

- ♦ selects suitable accounting policies and then apply them consistently;
- ♦ makes judgments and estimates that are reasonable and prudent;
- ♦ prepares 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)


August 31, 2015


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

	Note	01.04.2015 -	01.04.2014 -	01.01.2015 -	01.01.2014 -
		30.06.2015	30.06.2014	30.06.2015	30.06.2014
		EUR '000	EUR '000	EUR '000	EUR '000
Net revenue		23 045	25 249	50 069	48 563
Cost of goods sold		(8 052)	(7 684)	(16 242)	(15 271)
Gross profit		14 993	17 565	33 827	33 292
Selling expense		(6 433)	(6 689)	(13 552)	(13 151)
Administrative expense		(4 092)	(3 880)	(8 218)	(7 873)
Other operating income		736	484	1 328	981
Other operating expense		(2 076)	(1 587)	(3 702)	(2 001)
Share of profit of an associate		23	71	95	93
Financial income		268	156	2 258	82
Financial expense		(55)	(74)	(111)	(894)
Profit before tax		3 364	6 046	11 925	10 529
Corporate income tax	5	(738)	(996)	(2 510)	(1 679)
Deferred corporate income tax	5	(21)	182	(135)	59
Profit for the reporting period		2 605	5 232	9 280	8 909
Other comprehensive income for the reporting period		-	-	-	-
Total comprehensive income for the reporting period		2 605	5 232	9 280	8 909
Total comprehensive income attributable to:					
The equity holders of the Parent company		2 605	5 272	9 276	8 926
Non-controlling interests		-	(40)	4	(17)
		2 605	5 232	9 280	8 909
Basic and diluted earnings per share, EUR		0.18	0.37	0.66	0.63

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 31, 2015

Interim consolidated statement of financial position

ASSETS	Note	30.06.2015	31.12.2014
NON-CURRENT ASSETS		EUR '000	EUR '000
Intangible assets			
Goodwill		7 401	6 660
Patents		142	145
Pharmacy licenses and lease contracts		9 706	9 526
Other intangible assets		2 342	2 283
Prepayments for intangible assets		285	234
TOTAL		19 876	18 848
Property, plant and equipment			
Land, buildings and constructions		17 122	17 513
Equipment and machinery		13 530	10 102
Other tangible assets		2 223	2 384
Leasehold investments		109	226
Construction in progress		3 348	2 592
Prepayments for property, plant and equipment		313	1 857
TOTAL	6	36 645	34 674
Financial assets			
Loans to related and associated companies		177	173
Loans to management and shareholders		3 484	3 626
Investments in associated companies		461	365
Other non-current financial assets		-	70
TOTAL		4 122	4 234
TOTAL NON-CURRENT ASSETS		60 643	57 756
CURRENT ASSETS			
Inventories			
Raw materials		2 342	2 685
Work in progress		8 971	8 850
Finished goods and goods for resale		8 022	6 786
Prepayments for goods		331	372
TOTAL		19 666	18 693
Receivables			
Trade receivables and receivables from associated and other related companies		29 991	26 022
Prepayments and prepaid expense		546	537
Other receivables		956	729
Loans to management, employees and shareholders		1 608	865
Loans to related and associated companies		47	66
TOTAL		33 148	28 219
Cash			
		1 854	2 055
TOTAL CURRENT ASSETS		54 668	48 967
TOTAL ASSETS		115 311	106 723

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

For the Board of JSC Olainfarm:

August 31, 2015


 Valerijs Maligins
 Chairman of the Board
 (President)



Interim consolidated statement of financial position

EQUITY AND LIABILITIES	Note	30.06.2015	31.12.2014
EQUITY		EUR '000	EUR '000
Share capital		19 719	20 041
Share premium		2 504	2 504
Reserves		322	-
Retained earnings:			
brought forward		50 492	38 255
for the period		9 276	12 237
TOTAL		<u>82 313</u>	<u>73 037</u>
Non-controlling interests		12	8
TOTAL EQUITY		<u>82 325</u>	<u>73 045</u>
LIABILITIES			
Non-current liabilities			
Loans from credit institutions		8 287	10 192
Deferred corporate income tax liabilities		1 811	1 640
Deferred income		2 722	2 099
Finance lease liabilities		166	195
TOTAL		<u>12 986</u>	<u>14 126</u>
Current liabilities			
Loans from credit institutions		6 847	6 748
Finance lease liabilities		126	158
Prepayments received from customers		836	1 138
Trade payables and payables to associated and other related companies		7 034	7 979
Taxes payable		906	745
Corporate income tax		1 352	-
Deferred income		575	419
Accrued liabilities		2 324	2 365
TOTAL		<u>20 000</u>	<u>19 552</u>
TOTAL LIABILITIES		<u>32 986</u>	<u>33 678</u>
TOTAL EQUITY AND LIABILITIES		<u>115 311</u>	<u>106 723</u>

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 31, 2015

Interim consolidated statement of cash flow

	01.01.2015 - 30.06.2015 EUR '000	01.01.2014 - 30.06.2014 EUR '000
Cash flows to/from operating activities		
Profit before taxes	11 925	10 529
Adjustments for:		
Amortization and depreciation	2 933	1 954
Loss/ (profit) on sale/ disposal of non-current assets	6	(11)
Impairment of tangible and intangible assets	111	-
Increase/ (decrease) in allowances	3 036	1 317
Income from investing activities in associate	(95)	(93)
Interest expenses	111	157
Interest income	(129)	(82)
Income from EU projects' funds	(314)	(81)
Unrealised (gain)/ loss from fluctuations of currency exchange rates	92	(362)
Operating cash flows before working capital changes	17 676	13 328
Decrease/ (increase) in inventories	(1 398)	130
Decrease/ (increase) in receivables and prepaid expense	(6 853)	(5 462)
(Decrease)/ increase in payables and prepayments received	(1 789)	307
Cash generated from operations	7 636	8 303
Corporate income tax paid	(1 190)	(1 258)
Net cash flows to/ from operating activities	6 446	7 045
Cash flows to/from investing activities		
Purchase of intangible assets and property, plant and equipment	(5 074)	(4 879)
Receipt of EU grants	880	904
Acquisition of subsidiaries and shares	(918)	-
Proceeds from sale of intangible assets and property, plant and equipment	14	26
Repayment of loans	25	90
Interest received	-	17
Loans granted	(475)	(1 223)
Net cash flows to/from investing activities	(5 548)	(5 065)
Cash flows to/from financing activities		
Borrowings repaid	(3 785)	(2 516)
Interest paid	(111)	(157)
Proceeds from borrowings	2 736	989
Net cash flows to/from financing activities	(1 160)	(1 684)
Change in cash	(262)	296
Net foreign exchange difference	61	(131)
Cash at the beginning of the year	2 055	2 097
Cash at the end of the reporting period	1 854	2 262

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 company					Non-controlling interests	Total
	Share capital	Share premium	Reserves	Retained earnings	Total		
	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000		
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
Balance as at 30 June 2014	20 041	2 504	-	48 290	70 835	61	70 896
Balance as at 31 December 2014	20 041	2 504	-	50 492	73 037	8	73 045
Profit for the reporting period	-	-	-	9 276	9 276	4	9 280
Other comprehensive income	-	-	-	-	-	-	-
Total comprehensive income	-	-	-	9 276	9 276	4	9 280
Transfer to reserves	(322)	-	322	-	-	-	-
Balance as at 30 June 2015	19 719	2 504	322	59 768	82 313	12	82 325

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 31 August 2015.

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 2015 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 2014.

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).

The interim financial statements comprise the financial statements of the Parent Company and all its subsidiaries as at 30 June 2015.

Changes in accounting policy and disclosures

The accounting policies are consistent with those followed in the preparation of the Group's annual financial statement for the previous periods. The Group has evaluated new and amended IFRSs and IFRICs effective for annual periods beginning on or after 1 January 2015. No impact on the interim financial statements of the Group was identified.

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

During the reporting period the Group acquired several unlisted companies registered in Latvia as described below. Companies were acquired to increase retail coverage. The Group has used a multiple earnings method in the valuation of intangible assets. The main assumptions used – expected profitability and revenue growth. At the date of authorising for issue the interim financial statements the Group has not yet finalized the identification process for intangible assets from the business combinations - therefore the net assets and goodwill recognized in the interim financial statements are provisional. The interim financial statements include the results of acquired companies from acquisition date till the end of reporting period.

Acquisition of pharmacies

On April 14, 2015 the Group acquired 100% of shares in pharmacy retail company SIA Nikafarm and on June 30, 2015 the Group acquired 100% of shares in pharmacy retail company SIA Aptieka Ālante. The fair value of the identifiable assets and liabilities of the companies as at the date of acquisition were:

Acquired entity	<i>Aptieka Ālante</i>	<i>Nikafarm</i>	
	Percentage of voting equity interest acquired	100%	100%
Acquisition date	30.06.2015	14.04.2015	
	Fair value recognized on acquisition		TOTAL
	EUR '000	EUR '000	EUR '000
Assets			
Premises lease agreement and licences	20	160	180
Property, plant and equipment	-	68	68
Cash and cash equivalents	-	14	14
Other receivables	-	11	11
Trade receivables	8	22	30
Inventories	-	32	32
	28	307	335
Liabilities			
Trade payables	(11)	(87)	(98)
Other current liabilities	(1)	(9)	(10)
Deferred tax liabilities	(3)	(33)	(36)
	(15)	(129)	(144)
Total identifiable net assets at fair value	13	178	191
Goodwill arising on acquisition	59	682	741
Purchase consideration transferred	72	860	932
Goodwill comprises:			
- an increase in deferred tax from acquired net asset fair value and book value deference	3	33	36
- expected synergies and assembled workforce not recognised separately	56	649	705
Analysis of cash flows on acquisition:			
Net cash acquired with the subsidiary	-	14	14
Cash paid	(72)	(860)	(932)
Net cash outflow	(72)	(846)	(918)
Effect of acquisition to the Group			
Revenue contributed	-	113	113
Profit / (loss) before tax generated	-	(2)	(2)
Estimated effect of acquisition if acquisition date had been as of the beginning of the year			
Estimated revenue for whole period	63	279	342
Estimated profit / (loss) before tax for whole period	(7)	(29)	(36)

The goodwill recognized is primarily attributed to the expected synergies and other benefits from combining the assets and activities of the subsidiary with those of the Group and increase of deferred tax liability from the business combination. Goodwill is allocated entirely to the pharmacy retail segment.

Established subsidiary

On March 27, 2015 JSC Olainfarm established subsidiary UAB Olainfarm-Lietuva in Lithuania (100% of shareholding and voting power). Main operations of the newly established company relates to promotion in Lithuania of products made by the Group and its partners.

4. Impairments

Goodwill is tested for impairment annually (as at 31 December) and when circumstances indicate the carrying value may be impaired. 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. 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 2 510 thsd. EUR (6M 2014: 1 679 thsd. EUR) and increase in deferred income tax expense of 135 thsd. EUR (6M 2014: decrease of 59 thsd. EUR). Deferred income tax liability at the period end is 1 811 thsd. EUR (31.12.2014: 1 640 thsd. EUR).

6. Property, plant and equipment

During the reporting period the Parent company has made investments in equipment and technologies in amount of 3 437 thsd. EUR in the course of EU financed project High Added Value Investments in Improvement of Chemical and Technological Processes. During the reporting period the EU project related equipment and technologies in amount of 1 041 thsd. EUR were put in operation.

During the reporting period other EU financed projects' related equipment and technologies of 652 thsd. EUR were put in operation.

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

7. Related party disclosures

Related party	Type of services		Goods and services received from related parties	Goods and services delivered to/ Loans issued to related parties	Amounts owed by related parties (gross)	Amounts owed to related parties (gross)
			EUR '000	EUR '000	EUR '000	EUR '000
1. Associated entities						
SIA Olainfarm enerģija (AS Olainfarm share 50%)	Loan, services, energy production	31.12.2014	481	83	215	62
		30.06.2015	312	36	188	38
SIA Pharma and Chemistry Competence Centre of Latvia (AS Olainfarm share 11%, SIA Silvanols share 19%)	Financing and project management services	31.12.2014	206	160	345	26
		30.06.2015	32	36	370	35
		TOTAL: 31.12.2014	687	243	560	88
		TOTAL: 30.06.2015	344	72	558	73
2. Key management personnel						
V. Maligns (shareholder)	Loan and travelling services	31.12.2014	-	2 052	4 140	-
		30.06.2015	-	544	4 684	-
		TOTAL: 31.12.2014	-	2 052	4 140	-
		TOTAL: 30.06.2015	-	544	4 684	-
3. Entity with significant influence						
SIA Olmafarm (shareholder)	Loan and finished goods sale	31.12.2014	-	38	229	-
		30.06.2015	-	10	239	-
		TOTAL: 31.12.2014	-	38	229	-
		TOTAL: 30.06.2015	-	10	239	-
4. Other Related companies						
SIA Vega MS (V.Maligns share 60%)	Security services, manufacture of windows	31.12.2014	429	-	-	4
		30.06.2015	213	-	-	1
SIA Aroma (V.Maligns share 99.21%)	Loan and lease of premises	31.12.2014	16	51	141	16
		30.06.2015	14	32	143	1
SIA Lano Serviss (V.Maligns share 25%)	Drycleaner's services	31.12.2014	31	10	1	3
		30.06.2015	16	6	1	3
SIA Carbochem (V.Maligns share 50%)	Loan and intermediary on sale of chemical products	31.12.2014	-	-	109	-
		30.06.2015	-	-	89	-
SIA Olfa Press (V.Maligns share 47.5%)	Printing services	31.12.2014	1 419	48	8	241
		30.06.2015	842	20	7	178
Olfa OOO (J.Dudko's share 100%)	Finished goods sale	31.12.2014	-	10 566	10 374	-
		30.06.2015	-	4 924	10 874	-
		TOTAL: 31.12.2014	1 895	10 675	10 633	264
		TOTAL: 30.06.2015	1 085	4 982	11 114	183

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								
30.06.2015	54 394	17 841	3 743	18 199	4 223	98 400	16 911	115 311
31.12.2014	52 738	15 507	3 284	16 882	4 015	92 426	14 297	106 723
Liabilities								
30.06.2015	5 610	2 200	1 678	4 988	1 411	15 887	17 099	32 986
31.12.2014	5 149	1 198	1 398	5 382	1 325	14 452	19 226	33 678
Revenue								
External customers								
6M 2015	35 959	2 921	1 406	8 249	1 534	50 069	-	50 069
6M 2014	36 184	2 924	671	7 513	1 271	48 563	-	48 563
Inter-segment								
6M 2015	182	8 273	3 618	-	196	12 269	(12 269)	-
6M 2014	129	5 551	2 557	-	188	8 425	(8 425)	-
Total revenue								
6M 2015	36 141	11 194	5 024	8 249	1 730	62 338	(12 269)	50 069
6M 2014	36 313	8 475	3 228	7 513	1 459	56 988	(8 425)	48 563
Segment profit								
6M 2015	12 069	1 815	479	275	124	14 762	(2 837)	11 925
6M 2014	12 139	796	106	129	(178)	12 992	(2 463)	10 529

Reconciliation of profit

	6M 2015	6M 2014
	EUR '000	EUR '000
Segment profit	14 762	12 992
Unallocated financial income	2 669	704
Unallocated financial expenses	(118)	(1 473)
Other unallocated income and expense	(4 218)	(186)
Inter-segment elimination	(1 170)	(1 508)
Profit before tax	11 925	10 529

Reconciliation of assets

	30.06.2015	31.12.2014
	EUR '000	EUR '000
Segment operating assets	98 400	92 426
Unallocated long term assets	14 509	10 910
Unallocated short term assets	983	1 587
Cash managed on group level	1 419	1 800
Total assets	115 311	106 723

Reconciliation of Liabilities

	30.06.2015	31.12.2014
	EUR '000	EUR '000
Segment operating liabilities	15 887	14 452
Deferred tax liability	561	439
Interest bearing loans and borrowings	14 105	15 385
Current tax liabilities	2 114	594
Other unallocated liabilities and eliminations	319	2 808
Total liabilities	32 986	33 678

9. Dividends paid and proposed

Shareholders of the Parent Company have decided not to distribute profit of the year 2014 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

On 3 June 2015 amendments of SIA Silvanols articles of association were conducted, increasing its equity capital to 704 thsd. EUR. Payment for the new equity shares in amount of 399 thsd. EUR was made by JSC Olainfarm in July, 2015. JSC Olainfarm shareholding in SIA Silvanols remains unchanged – 96.69%.

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