



JOINT STOCK COMPANY OLAINFARM

(UNIFIED REGISTRATION NUMBER 40003007246)

**UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE 9 MONTHS PERIOD ENDED 30 SEPTEMBER 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 September 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 (59.99%)
SIA Briz (9.02%)
SIA Olfa Press (47.5%)
SIA Carbochem (50%)
SIA Aroma (99.21%, from 09.11.2015 – 100%)
SIA Olmafarm (100%)
SIA Escargot (33.5%)
SIA Olalex (50%)
SIA Energo Capital (50%)

Number of shares of JSC Olainfarm owned (as of September 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 Parent 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 September 30, 2015): 1 450

Inga Liščika (Board Member till 20.11.2015)

Inga Liščika is a member of the Parent 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 September 30, 2015): 1 302

Released from the position of Board Member since November 20, 2015.

Salvis Lapiņš

Salvis Lapiņš is a member of the Parent 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 September 30, 2015): 30 951

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 September 30, 2015): 1 000

Marjana Ivanova-Jevsejeva

Marjana Ivanova-Jevsejeva, Member of the Management Board of JSC Olainfarm since November 20, 2015. Previous positions of Marjana Ivanova-Jevsejeva include Member of Latvian Parliament, Socioeconomics analyst at Fenster publishing house and Project manager at Daugavpils city Council. Educational background of M. Ivanova-Jevsejeva includes Master degrees of Public Administration and Social sciences from University of Daugavpils and BBA degree of Baltic Russian Institute.

Positions held in other companies:
SIA Aroma, Board Member

Participation in other companies: none

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

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 September 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 September 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 September 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 September 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 September 30, 2015): 0

Movements in the Board during the reporting period

On July 17, 2015 the Council made a decision to extend duration of the JSC Olainfarm Board (present composition) for the upcoming five-year period.

On November 20, 2015 the Board composition was changed: I. Liščika was released from the position of Board Member and Marjana Ivanova-Jevsejeva appointed as a Board Member.

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 will be promotion of products of JSC Olainfarm and its partners in respective market. During the reporting period 100% of shares in SIA Nika Farm 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.

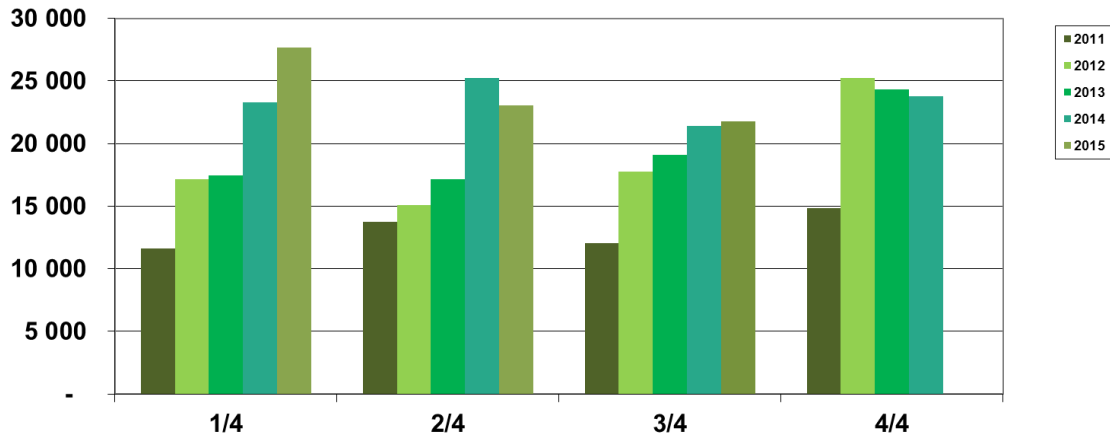
Operational environment

During the reporting period, the operational environment remained turbulent in all crucial CIS markets, including Russia, Belarus, Ukraine and Kazakhstan. Economic instability and depreciating local currencies have left a significant impact on purchasing power of local population. In addition to these factors, governments of CIS countries use administrative methods to limit imports of different products, including pharmaceuticals. Under the influence of these factors, during 9 months of 2015 we can observe a reduction of sales to three out of four markets mentioned above as compared to 9 months of 2014.

Financial results

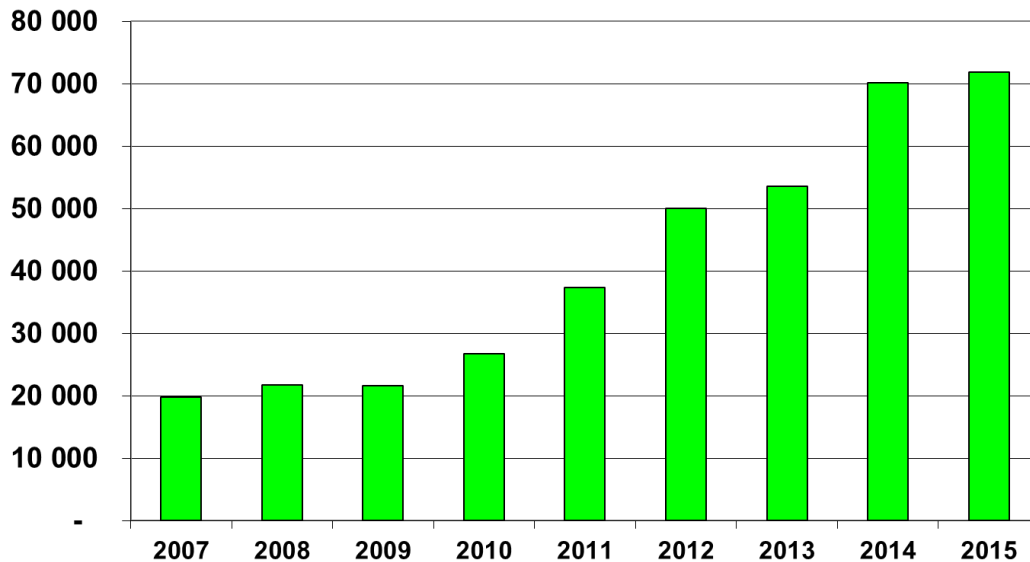
3rd quarter of 2015 has in terms of sales been the best third quarter in corporate history, as sales of the Group reached 21.8 million euros, which exceeds the sales made during 3rd quarter of 2014 by more than 2%. This has been achieved despite the fact that sales to many important markets, including Russia, Ukraine, Belarus, UK and Poland were shrinking.

Sales by Quarters, Thsnd. EUR

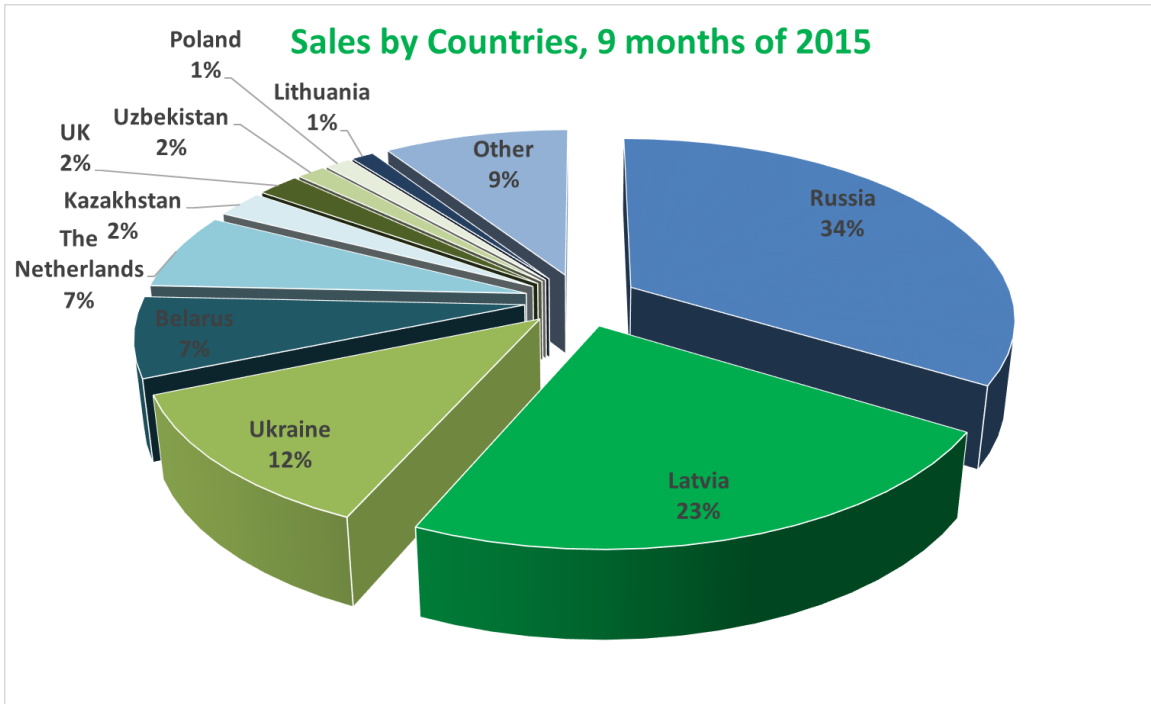


In nine months of 2015, the sales volumes grew by 3% compared to nine months of 2014 and reached 71.9 million euros, making these nine months the best in corporate history in terms of sales. Successful operations in Latvia and Lithuania and good cooperation with the World Health Organization’s anti-tuberculosis program are the key driving forces behind such increase.

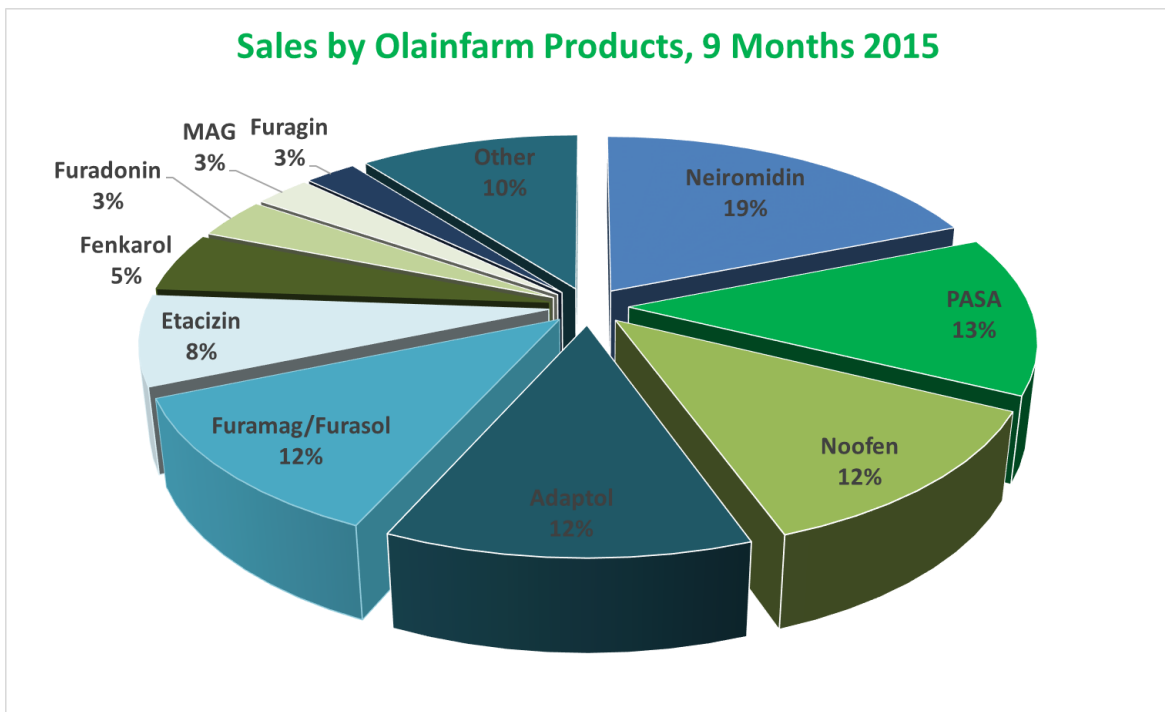
Sales in 9 Month, Thsnd. EUR



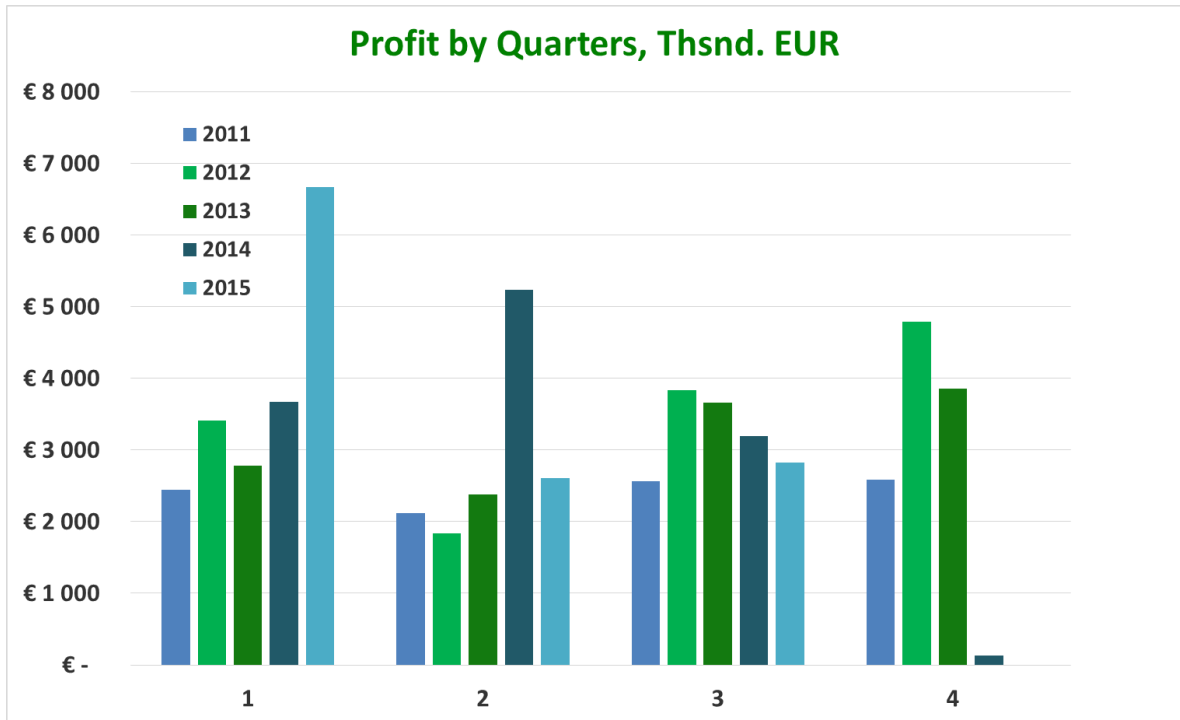
During nine months of 2015 Company’s sales grew in Latvia (by 9%), The Netherlands (WHO shipments, by 181%), Kazakhstan (by 2%), Lithuania (by 185), and other countries (by 28% on average). Sales have been shrinking to Ukraine (by 15%), Belarus (by 7%), UK (by 9%), Uzbekistan (by 6%) and Russia (by 3%). Sales split by countries has remained relatively unchanged and slight increase of Latvia’s share to 23% is really the only significant development.



No significant changes have been occurring to the split of bestselling products of JSC Olainfarm in 3rd quarter compared to the second 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. Noofen has become the third best-selling product of Olainfarm, very closely followed by Adaptol and products of soluble furaginum. Etacizin has gained one percentage point in its share. In total, 10 bestselling products make up 90% of sales of JSC Olainfarm products.

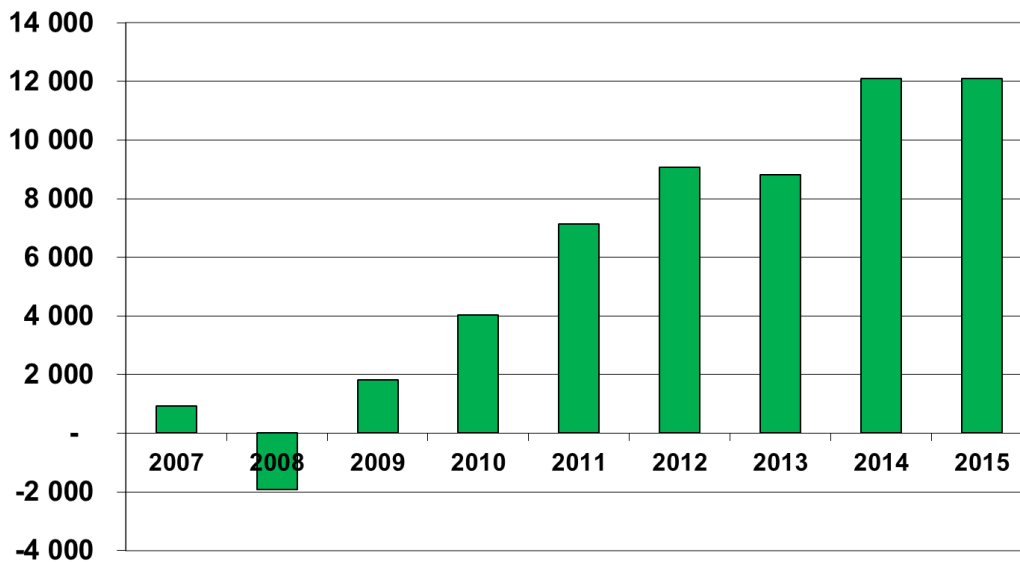


Although the 3rd quarter was the best 3rd quarter in corporate history in terms of sales, in terms of profit it is slightly lagging behind the 3rd quarter of 2014, when the company made a net profit of 3.2 million euros. During the third quarter of 2-15 the company made a net profit of 2.8 million euros, which represents a reduction by 12% compared to the same period of last year.

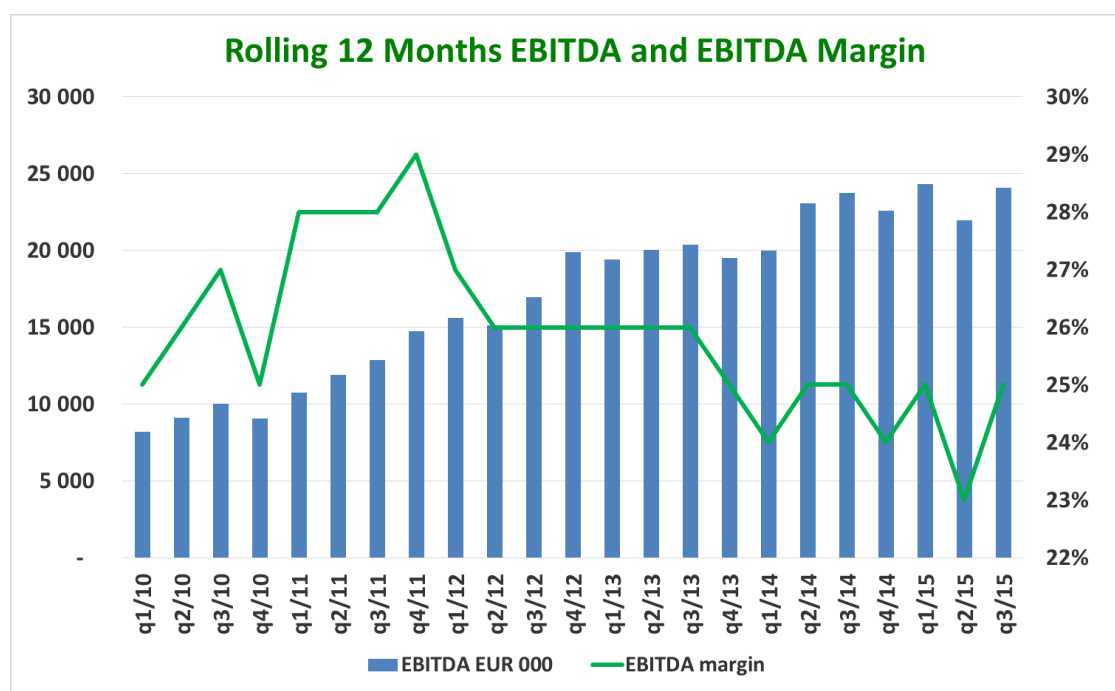


While the third quarter profit has fallen by 12% compared to the same period one year ago, the net profit of 9 months has remained almost unchanged. It has only fallen by one thousand euros to 12.105 million euros.

9 Months Profit, Thsnd. EUR



Since no new provisions were made during the 3rd quarter of 2015, it allowed for an increase in both, EBITDA and EBITDA margin. During the last quarter, EBITDA has increased by more than 2 million euros to 24.1 million and EBITDA margin has returned to historically more typical level of 25%.



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

Financial indicator for period	01.01.2015 - 30.09.2015	01.01.2014 - 30.09.2014	% to previous period
Sales, EUR '000	71 861	69 891	103%
Net profit, EUR '000	12 099	12 106	100%
EBITDA, EUR '000	19 434	17 910	109%
EBIT, EUR '000	14 964	14 927	100%
Gross margin	67.2%	67.2%	
EBITDA margin	27.0%	25.6%	
EBIT margin	20.8%	21.4%	
Net margin	16.8%	17.3%	
EPS, EUR	0.86	0.86	100%

Financial indicator at the period end	30.09.2015	30.09.2014	% to previous period
Current ratio	3.3	3.3	
Share price at period end, EUR	7.15	7.09	100.8%
Market capitalisation, EUR '000	100 708	99 863	100.8%
P/B	1.2	1.4	

Financial indicator for 12 month	01.10.2014 - 30.09.2015	01.10.2013 - 30.09.2014	% to previous period
Net profit, EUR '000	12 231	16 007	76%
EBITDA, EUR '000	24 089	23 868	101%
ROA	11%	16%	
ROE	14%	22%	
P/E	8.2	6.2	

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 9 months of 2015, during this period 72% of annual sales target and 81% of annual profit target is met.

Shares and stock market

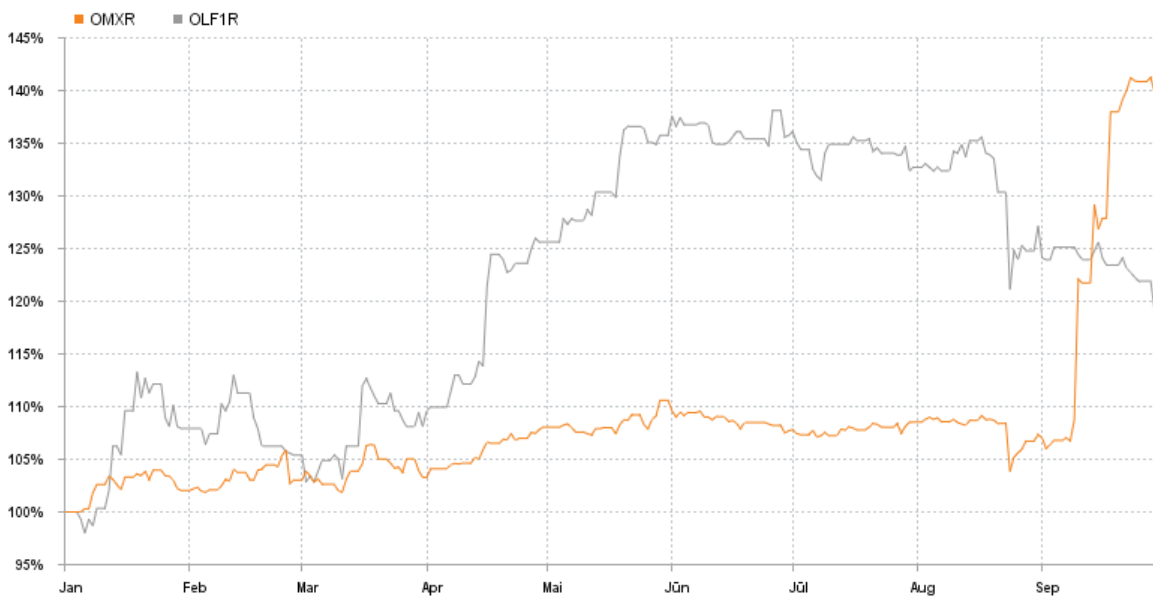
Rapid improvement of Company’s financial indicators over the last three years are reflected in fluctuations of price of Company’s shares on NASDAQ OMX Riga, as during this period the price of share increased by more than 65%. During the reporting period, share price mainly fluctuated between 6.50 EUR and 8.00 EUR 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 2217 trades were made with Olainfarm’s shares. Shortly before the preparation of this report, the share price experienced a slight increase and now it fluctuates around 7.40 EUR.

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



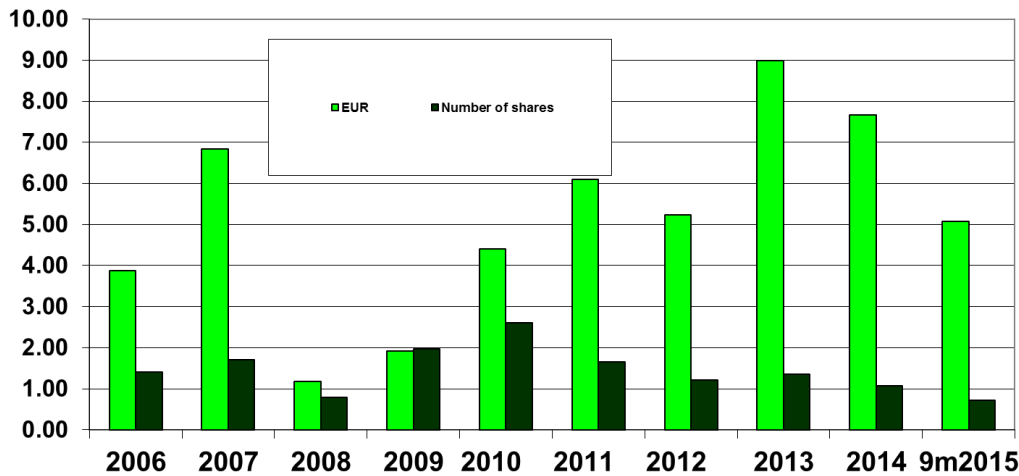
Up until the middle of September 2015 price of Olainfarm’s share grew much faster than did OMX Riga index. However, expectations about buyback of Ventspils Nafta shares, among other things caused significant increase in value of the said index, after which in nine months period OMX Riga has outperformed Olainfarm’s share in terms of growth. As a result during nine months period price of Olainfarm’s share grew by a little more than 20%, while OMX Riga index grew by 40%.

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 nine months of 2015 more than 713 000 shares of JSC Olainfarm worth more than 5 million euros were traded on Nasdaq Riga. These numbers are comparable to the levels of trading in nine months of 2014.

Development

During the reporting period registration processes have been launched in Bosnia And Herzegovina, Vietnam, Myanmar; GMP audit by Turkish pharmaceutical authorities has been passed, allowing the company to proceed with registration in Turkey. New forms have been developed for Gripoflex 325 and ACC 200mg powder. The work continues at development of new combined prolonged activity form of nitrofurantoin. Further extension of Gripoflex line has been launched. Two new food supplements have been developed and registered in Baltic countries with urological and hepatological application. A food supplement Jogurt Babydrops has been registered in Latvia.

During the 3rd quarter alone 5 registration processes have been completed in Azerbaijan, Ukraine and Romania.

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 reporting period, data safety sheets have been prepared for 31 substances, 17 internal environmental audits have been conducted and preparations of design for new wastewater treatment facility with most environmentally friendly technologies is continued.

Social responsibility

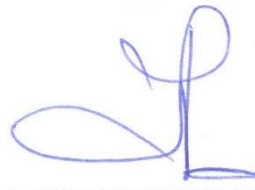
During the reporting period the company continued supporting development of new professionals of Riga Stradins University and Riga Technical University and University of Latvia with scholarships. JSC Olainfarm has become one of the supporters of Engineering college of Riga Technical University.

Demonstrating that healthy life style is high among company's values, JSC Olainfarm Latvian Cycling festival in Olaine and Jurmala Running Festival. The company also continued supporting several important cultural events, including music festivals Rigas Ritmi and Summertime, we have also become a General Sponsor of 95th season of Latvian Dailes Theatre.


Events after the end of the reporting period

In November 2015, 100% shares in SIA Nikapharm (formerly SIA Viļakas aptieka) were acquired. SIA Nikapharm owns a pharmacy in Latvian town of Vilaka.

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



Jelena Borcova
Member of the Board



November 30, 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:



Jelena Borcova
Member of the Board



November 30, 2015

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

	Note	01.07.2015 -	01.07.2014 -	01.01.2015 -	01.01.2014 -
		30.09.2015	30.09.2014	30.09.2015	30.09.2014
		EUR '000	EUR '000	EUR '000	EUR '000
Net revenue		21 792	21 328	71 861	69 891
Cost of goods sold		(7 346)	(7 647)	(23 588)	(22 918)
Gross profit		14 446	13 681	48 273	46 973
Selling expense		(6 732)	(6 466)	(20 284)	(19 617)
Administrative expense		(3 633)	(3 315)	(11 851)	(11 188)
Other operating income		1 159	533	2 487	1 514
Other operating expense		(37)	(870)	(3 739)	(2 871)
Share of profit of an associate		(17)	23	78	116
Financial income		69	42	198	124
Financial expense		(2 226)	(272)	(208)	(1 166)
Profit before tax		3 029	3 356	14 954	13 885
Corporate income tax	5	(185)	(455)	(2 695)	(2 134)
Deferred corporate income tax	5	(19)	296	(154)	355
Profit for the reporting period		2 825	3 197	12 105	12 106
Other comprehensive income for the reporting period		-	-	-	-
Total comprehensive income for the reporting period		2 825	3 197	12 105	12 106
Total comprehensive income attributable to:					
The equity holders of the Parent company		2 823	3 180	12 099	12 106
Non-controlling interests		2	17	6	-
		2 825	3 197	12 105	12 106
Basic and diluted earnings per share, EUR		0.20	0.23	0.86	0.86

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

For the Board of JSC Olainfarm:



 Jelena Borcova
 Member of the Board

November 30, 2015

Interim consolidated statement of financial position

ASSETS	Note	30.09.2015	31.12.2014
NON-CURRENT ASSETS		EUR '000	EUR '000
Intangible assets			
Goodwill		7 401	6 660
Patents		134	145
Pharmacy licenses and lease contracts		9 706	9 526
Other intangible assets		2 444	2 283
Prepayments for intangible assets		378	234
TOTAL		20 063	18 848
Property, plant and equipment			
Land, buildings and constructions		16 795	17 513
Equipment and machinery		10 995	10 102
Other tangible assets		2 291	2 384
Leasehold investments		105	226
Construction in progress		5 949	2 592
Prepayments for property, plant and equipment		366	1 857
TOTAL	6	36 501	34 674
Financial assets			
Loans to related and associated companies		79	173
Loans to management and shareholders		3 563	3 626
Investments in associated companies		443	365
Other non-current financial assets		-	70
TOTAL		4 085	4 234
TOTAL NON-CURRENT ASSETS		60 649	57 756
CURRENT ASSETS			
Inventories			
Raw materials		2 766	2 685
Work in progress		9 202	8 850
Finished goods and goods for resale		7 724	6 786
Prepayments for goods		321	372
TOTAL		20 013	18 693
Receivables			
Trade receivables and receivables from associated and other related companies		29 248	26 022
Prepayments and prepaid expense		1 107	537
Other receivables		1 285	729
Loans to management, employees and shareholders		1 336	865
Loans to related and associated companies		47	66
TOTAL		33 023	28 219
Cash			
		2 489	2 055
TOTAL CURRENT ASSETS		55 525	48 967
TOTAL ASSETS		116 174	106 723

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

For the Board of JSC Olainfarm:


 Jelena Borcova
 Member of the Board



November 30, 2015

Interim consolidated statement of financial position

EQUITY AND LIABILITIES	Note	30.09.2015	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		12 099	12 237
TOTAL		85 136	73 037
Non-controlling interests		28	8
TOTAL EQUITY		85 164	73 045
LIABILITIES			
Non-current liabilities			
Loans from credit institutions		9 477	10 192
Deferred corporate income tax liabilities		1 830	1 640
Deferred income		2 706	2 099
Finance lease liabilities		284	195
TOTAL		14 297	14 126
Current liabilities			
Loans from credit institutions		4 811	6 748
Finance lease liabilities		146	158
Prepayments received from customers		895	1 138
Trade payables and payables to associated and other related companies		6 621	7 979
Taxes payable		835	745
Corporate income tax		900	-
Deferred income		579	419
Accrued liabilities		1 926	2 365
TOTAL		16 713	19 552
TOTAL LIABILITIES		31 010	33 678
TOTAL EQUITY AND LIABILITIES		116 174	106 723

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

For the Board of JSC Olainfarm:



 Jelena Borcova
 Member of the Board

November 30, 2015

Interim consolidated statement of cash flow

	01.01.2015 - 30.09.2015	01.01.2014 - 30.09.2014
	EUR '000	EUR '000
Cash flows to/from operating activities		
Profit before taxes	14 954	13 885
Adjustments for:		
Amortization and depreciation	4 470	2 983
Loss/ (profit) on sale/ disposal of non-current assets	60	20
Impairment of tangible and intangible assets	82	-
Increase/ (decrease) in allowances	2 411	1 952
Income from investing activities in associate	(78)	(116)
Interest expenses	166	214
Interest income	(198)	(124)
Income from EU projects' funds	(457)	(126)
Unrealised (gain)/ loss from fluctuations of currency exchange rates	1 284	419
Operating cash flows before working capital changes	22 694	19 107
Decrease/ (increase) in inventories	(1 758)	(316)
Decrease/ (increase) in receivables and prepaid expense	(8 070)	(1 369)
(Decrease)/ increase in payables and prepayments received	(764)	(3 729)
Cash generated from operations	12 102	13 693
Corporate income tax paid	(1 832)	(1 608)
Net cash flows to/ from operating activities	10 270	12 085
Cash flows to/from investing activities		
Purchase of intangible assets and property, plant and equipment	(7 027)	(10 185)
Receipt of EU grants	969	999
Acquisition of subsidiaries and shares	(918)	(1 176)
Proceeds from sale of intangible assets and property, plant and equipment	30	37
Repayment of loans	125	77
Interest received	11	17
Loans granted	(234)	(1 683)
Net cash flows to/from investing activities	(7 044)	(11 914)
Cash flows to/from financing activities		
Equity increase in subsidiary	14	-
Borrowings repaid	(6 089)	(4 575)
Interest paid	(166)	(214)
Proceeds from borrowings	3 236	4 414
Net cash flows to/from financing activities	(3 005)	(375)
Change in cash	221	(204)
Net foreign exchange difference	213	(58)
Cash at the beginning of the year	2 055	2 097
Cash at the end of the reporting period	2 489	1 835

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	-	-	-	12 106	12 106	-	12 106
Other comprehensive income	-	-	-	-	-	-	-
Total comprehensive income	-	-	-	12 106	12 106	-	12 106
Acquisition of non-controlling interest	-	-	-	(1 109)	(1 109)	(67)	(1 176)
Balance as at 30 September 2014	20 041	2 504	-	50 361	72 906	11	72 917
Balance as at 31 December 2014	20 041	2 504	-	50 492	73 037	8	73 045
Profit for the reporting period	-	-	-	12 099	12 099	6	12 105
Other comprehensive income	-	-	-	-	-	-	-
Total comprehensive income	-	-	-	12 099	12 099	6	12 105
Transfer to reserves	(322)	-	322	-	-	-	-
Issue of equity capital (SIA Silvanols)	-	-	-	-	-	14	14
Balance as at 30 September 2015	19 719	2 504	322	62 591	85 136	28	85 164

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 30 November 2015.

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

Basis of preparation

The interim condensed consolidated financial statements for nine months ended 30 September 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 September 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	Aptieka Ālante	Nikafarm	
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	-	245	245
Profit / (loss) before tax generated	(2)	(5)	(7)
Estimated effect of acquisition if acquisition date had been as of the beginning of the year			
Estimated revenue for whole period	63	411	474
Estimated profit / (loss) before tax for whole period	(9)	(32)	(41)

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) and on July 9, 2015 established subsidiary in Azerbaijan SIA Olainfarm Azerbaijan (100% of shareholding and voting power). Main operations of the newly established entities relate to promotion of products made by the Group and its partners in these countries.

Additional investment in SIA Silvanols

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%.

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 2 695 thsd. EUR (9M 2014: 2 134 thsd. EUR) and increase in deferred income tax expense of 154 thsd. EUR (9M 2014: decrease of 355 thsd. EUR). Deferred income tax liability at the period end is 1 830 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 3 440 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 1 679 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 delivered to/	Goods and services received from	Amounts owed by	Amounts owed to
			Loans issued to related parties	related parties	related parties (gross)	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 30.09.2015	83 48	481 363	215 89	62 22
SIA Pharma and Chemistry Competence Centre of Latvia (AS Olainfarm share 11% , SIA Silvanols share 19%)	Financing and project management services	31.12.2014 30.09.2015	160 75	206 61	345 315	26 28
TOTAL: 31.12.2014			243	687	560	88
TOTAL: 30.09.2015			123	424	404	50
2. Key management personnel						
V. Maligins (shareholder)	Loan and travelling services	31.12.2014 30.09.2015	2 052 876	- -	4 140 5 016	- -
TOTAL: 31.12.2014			2 052	-	4 140	-
TOTAL: 30.09.2015			876	-	5 016	-
3. Entity with significant influence						
SIA Olmafarm (shareholder)	Loan and finished goods sale	31.12.2014 30.09.2015	38 13	- -	229 242	- -
TOTAL: 31.12.2014			38	-	229	-
TOTAL: 30.09.2015			13	-	242	-
4. Other Related companies						
SIA Vega MS (V.Maligins share 59.99%)	Security services, manufacture of windows	31.12.2014 30.09.2015	- -	429 343	- -	4 -
SIA Aroma (V.Maligins share 99.21% , from 09.11.2015 - 100%)	Loan and lease of premises	31.12.2014 30.09.2015	51 47	16 20	141 156	16 3
SIA Lano Serviss (V.Maligins share 25%)	Drycleaner's services	31.12.2014 30.09.2015	10 9	31 22	1 1	3 3
SIA Carbochem (V.Maligins share 50%)	Loan and intermediary on sale of chemical products	31.12.2014 30.09.2015	- -	- -	109 89	- -
SIA Olfa Press (V.Maligins share 47.5%)	Printing services	31.12.2014 30.09.2015	48 30	1 419 1 161	8 16	241 158
SIA Olalex (V.Maligins share 50%)	Finished goods sale, services	31.12.2014 30.09.2015	36 28	76 60	- -	- -
Olfa OOO (J.Dudko's share 100%)	Finished goods sale	31.12.2014 30.09.2015	10 566 5 248	- -	10 374 9 264	- -
TOTAL: 31.12.2014			10 711	1 971	10 633	264
TOTAL: 30.09.2015			5 362	1 606	9 526	164

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								
30.09.2015	52 923	15 519	4 484	18 448	4 523	95 897	20 277	116 174
31.12.2014	52 738	15 507	3 284	16 882	4 015	92 426	14 297	106 723
Liabilities								
30.09.2015	5 261	2 036	1 754	4 907	1 164	15 122	15 888	31 010
31.12.2014	5 149	1 198	1 398	5 382	1 325	14 452	19 226	33 678
Revenue								
External customers								
9M 2015	51 286	3 616	2 453	12 254	2 252	71 861	-	71 861
9M 2014	52 194	3 748	914	11 113	1 922	69 891	-	69 891
Inter-segment								
9M 2015	239	11 795	5 495	-	266	17 795	(17 795)	-
9M 2014	207	8 210	4 244	-	289	12 950	(12 950)	-
Total revenue								
9M 2015	51 525	15 411	7 948	12 254	2 518	89 656	(17 795)	71 861
9M 2014	52 401	11 958	5 158	11 113	2 211	82 841	(12 950)	69 891
Segment profit								
9M 2015	15 877	2 161	270	472	219	18 999	(4 044)	14 955
9M 2014	16 229	963	253	232	(122)	17 555	(3 670)	13 885

Reconciliation of profit

	9M 2015	9M 2014
	EUR '000	EUR '000
Segment profit	18 999	17 555
Unallocated financial income	590	1 472
Unallocated financial expenses	(142)	(2 463)
Other unallocated income and expense	(3 963)	(186)
Inter-segment elimination	(529)	(2 493)
Profit before tax	14 955	13 885

Reconciliation of assets

	30.09.2015	31.12.2014
	EUR '000	EUR '000
Segment operating assets	95 897	92 426
Unallocated long term assets	16 715	10 910
Unallocated short term assets	1 418	1 587
Cash managed on group level	2 144	1 800
Total assets	116 174	106 723

Reconciliation of Liabilities

	30.09.2015	31.12.2014
	EUR '000	EUR '000
Segment operating liabilities	15 122	14 452
Deferred tax liability	562	439
Interest bearing loans and borrowings	13 569	15 385
Current tax liabilities	1 556	594
Other unallocated liabilities and eliminations	201	2 808
Total liabilities	31 010	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

In November, 2015 the Group acquired 100% of shares in unlisted company registered in Latvia SIA Nikapharm (formerly SIA Vījakas aptieka). The company was acquired in order to increase retail coverage.

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.