



JOINT STOCK COMPANY OLAINFARM

(UNIFIED REGISTRATION NUMBER 40003007246)

**UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE 3 MONTHS PERIOD ENDED 31 MARCH 2016**

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

Olaine, 2016

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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 2016
Interim reporting period	1 January – 31 March 2016

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

Number of shares of JSC Olainfarm owned (as of March 31, 2016):

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

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%)

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

Number of shares of JSC Olainfarm owned (as of March 31, 2016): 1 450

Participation in other companies: none

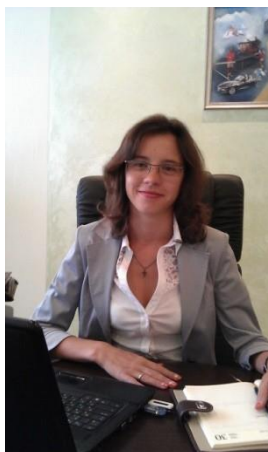
Salvis Lapiņš

Salvis Lapiņš is a member of the Parent Company's Management Board and a Director 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, Procurement holder

Number of shares of JSC Olainfarm owned (as of March 31, 2016): 30 951

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

Veranika Dubitskaya

Veronika Dubicka (Veranika Dubitskaya) is a member of the Parent Company's Management Board and Director of Marketing Department. Previously has worked in the Parent company's representative office in Belarus since 2005. From 2005 till 2006 V. Dubitska 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:
SIA Olalex, Board Member (from 04.01.2016)

Number of shares of JSC Olainfarm owned (as of March 31, 2016): 1 000

Participation in other companies: none

Marjana Ivanova-Jevsejeva (Board Member from 20.11.2015 until 25.02.2016)

Marjana Ivanova-Jevsejeva - a member of the Parent Company's Management Board from 20.11.2015 until 25.02.2016. Previous positions of M. 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 (from 25.11.2015 until 25.02.2016)
SIA Carbochem, Liquidator (from 08.01.2016)

Number of shares of JSC Olainfarm owned (as of March 31, 2016): 0

Participation in other companies: none

Oļegs Grigorjevs (Board Member from 25.02.2016)

Oļegs Grigorjevs is a member of the Parent Company's Management Board from 25.02.2016 and of Director of Commercial Department, having more than 20 years of experience in chemical and pharmaceutical sector. Mr. Grigorjevs joined Olainfarm in 2001. His previous career included sales units of SIA Aroma (1996 – 2000) and SIA Grif (2000 – 2001). Oļegs Grigorjevs has a degree in Economics from Moscow Institute of Communications and Informatics.

Positions held in other companies:

SIA Latvijas Aptieka, Chairman of the Board

SIA Aroma, Board Member (from 10.03.2016)

SIA Kiwi Cosmetics, Board Member (from 14.03.2016)

Number of shares of JSC Olainfarm owned (as of March 31, 2016): 1 000

Participation in other companies: none

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

Number of shares of JSC Olainfarm owned (as of March 31, 2016): 0

Participation in other companies: none

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

Number of shares of JSC Olainfarm owned (as of March 31, 2016): 0

Participation in other companies: none

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

Number of shares of JSC Olainfarm owned (as of March 31, 2016): 0

Participation in other companies:

SIA VIP Pharma (50%)

SIA Recessus (30%)

SIA Briz (7.92%)

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

Number of shares of JSC Olainfarm owned (as of March 31, 2016): 0

Participation in other companies: none

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: none

Number of shares of JSC Olainfarm owned (as of March 31, 2016): 0

Participation in other companies: none

Movements in the Board

The Council made a decision effective on February 25, 2016 to release Marjana Ivanova-Jevsejeva from the position of Board Member and appoint Oļegs Grigorjevs 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 SIA First Class Lounge and pharmaceutical retail companies SIA Latvijas Aptieka and SIA Rupes Farm. During the reporting period 100% shares in SIA Kiwi Cosmetics, a local producer of Eco cosmetics, were acquired. 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

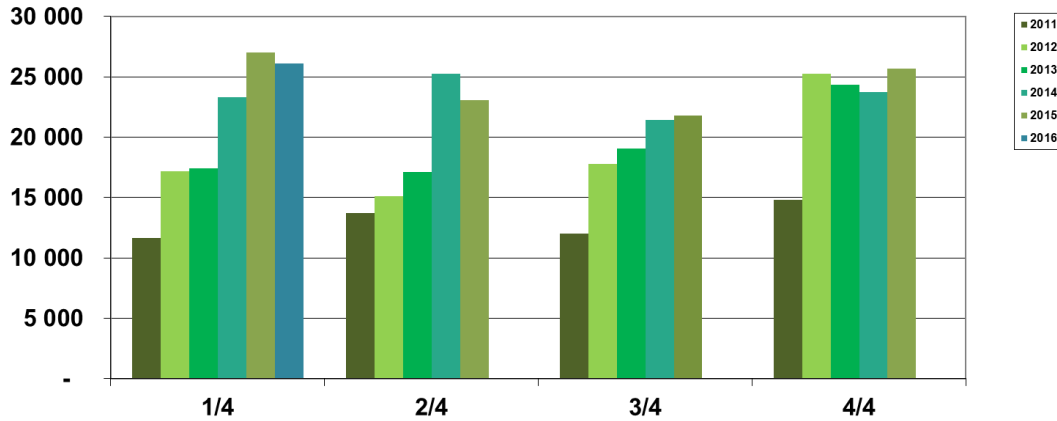
During the reporting period the operational environment in a large part of markets important for the company, has remained rather unpredictable. Although the economic situation in Russia seemed to be improving, it did not deliver the expected sales volumes there. At the same time, despite the obvious economic issues in both, Ukraine and Belarus, sales growth in these countries has been rather impressive.

During the reporting period, the banking license of AS Trasta Komercbanka has been withheld. This bank participated in a scheme, providing no-recourse factorizing of receivables from Ukrainian partner OOO Olfa. Since payments of this partner to AS Olainfarm were significantly delayed, the said factorizing scheme allowed treating these receivables as completely safe. Because such factorizing services are no longer available, depending upon payments from OOO Olfa, management of JSC Olainfarm will be deciding about additional provisions for these receivables. During the reporting period, JSC Olainfarm has already made provisions of 1 million euros for them.

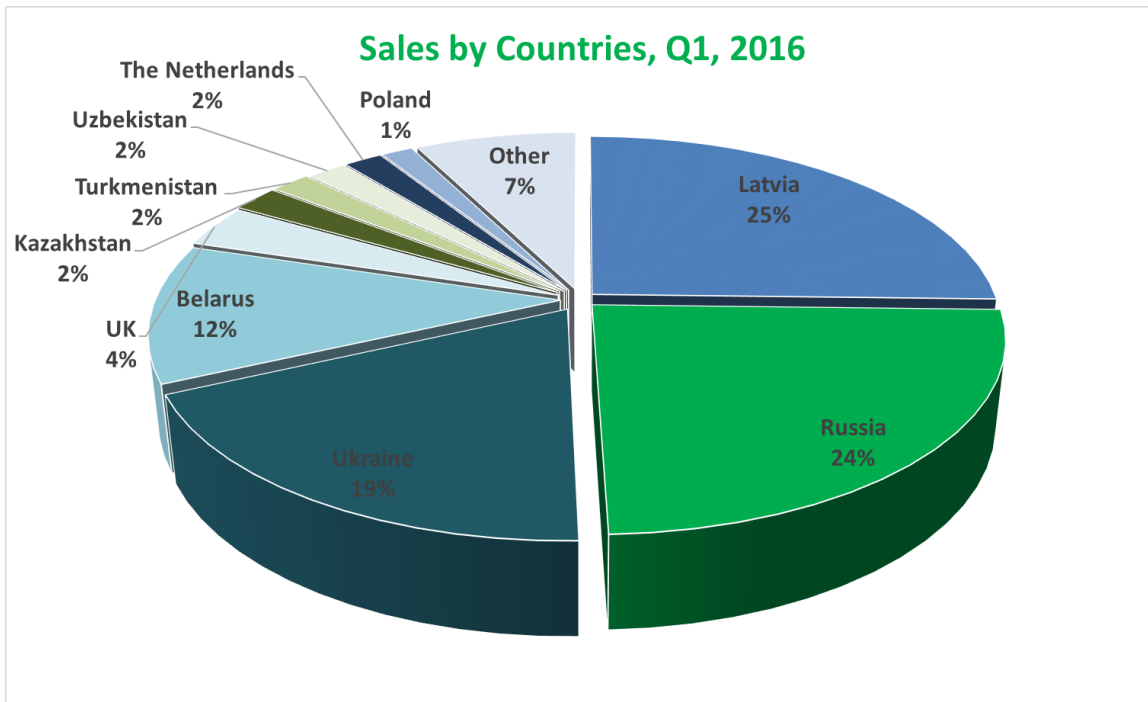
Financial results

During the first quarter of 2016, sales volumes have declined by 3% compared to similar period of 2015 and reached 26.1 million euro. Although there is a declining sales compared to the last year, in terms of sales this anyway is the second best quarter in corporate history. This has been achieved largely because of rather successful operations in Ukraine, Belarus and Central Asian countries.

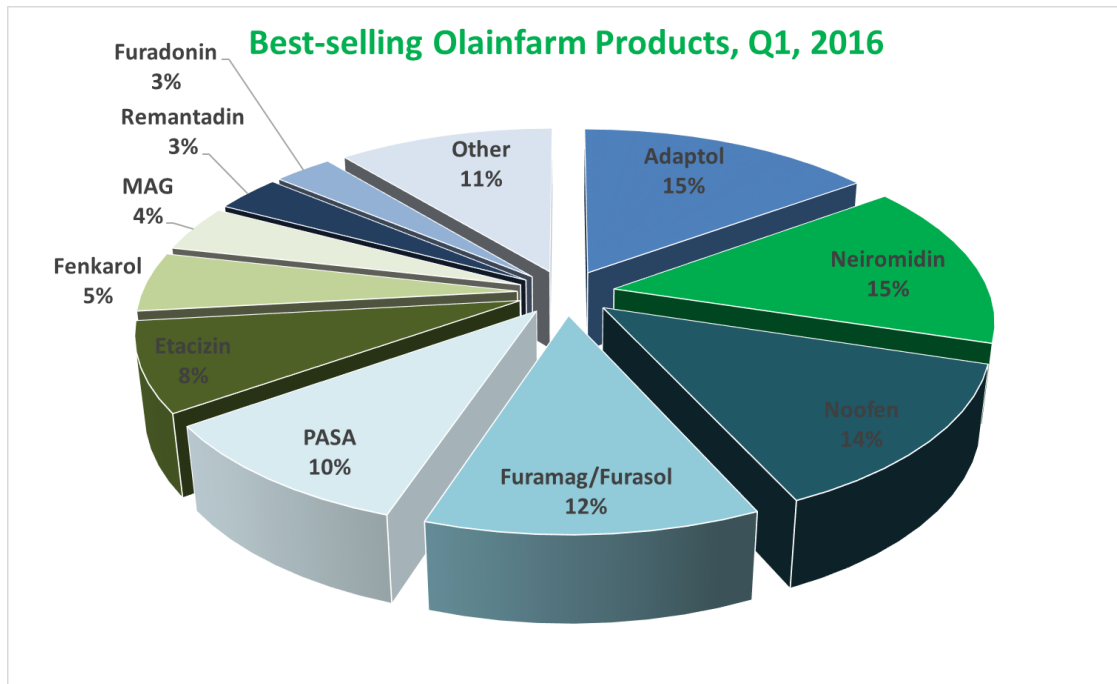
Sales by Quarters, Thsnd. EUR



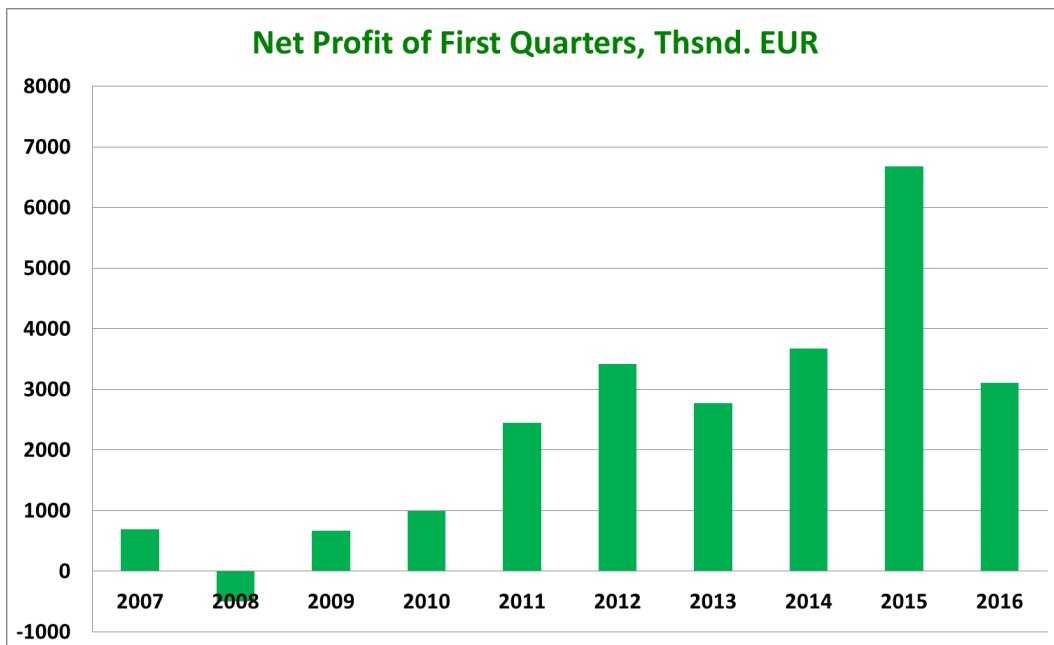
During the 1st quarter of 2016 sales to all company's main markets continued increasing except for Russia, where they shrunk by 38%, compared to 1st quarter of 2015. This fact, combined with good sales growth in Latvia, has made Latvia to be the biggest market for the Group during 1st quarter of 2016. The most rapid sales increase has been achieved in Poland, where sales grew by 181%. Sales to Turkmenistan grew by 162%, Sales to Uzbekistan grew by 134% and sales to Belarus grew by 77%. Major sales markets of JSC Olainfarm in three months of 2016 were Latvia, Russia, Ukraine and Belarus.

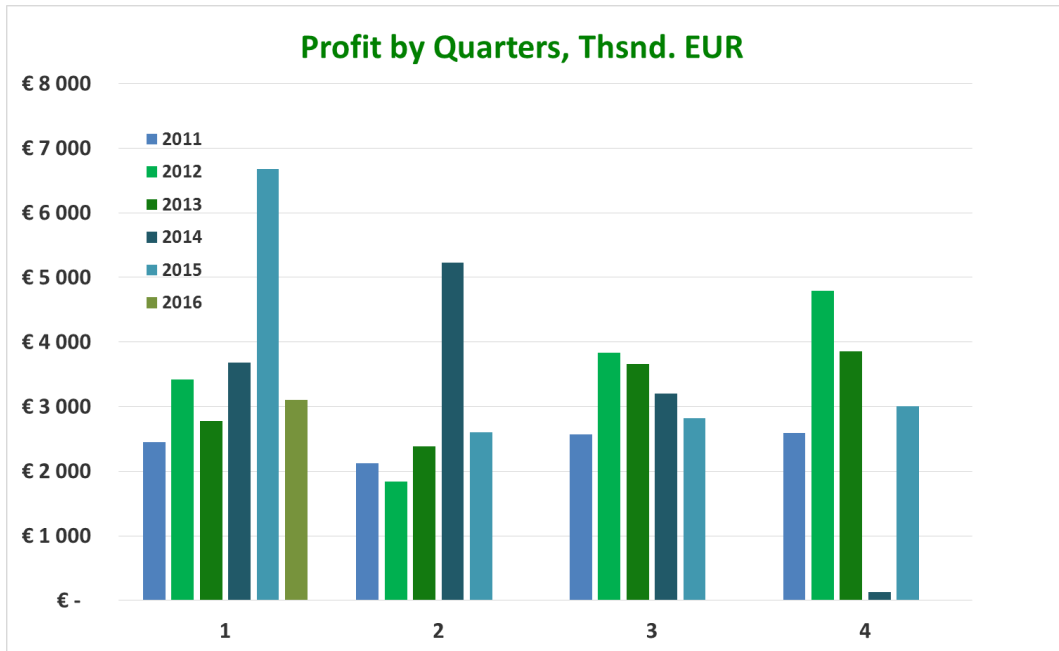


During the first quarter of 2016 significant changes have occurred to the structure of bestselling products, as Adaptol has become the bestselling product, leaving a long term leader Neiromidin in the second place. Share of the bestselling products has also levelled out as no product makes up more than 15% of JSC Olainfarm sales. Overall concentration of sales has also improved, as ten bestselling products make up only 89 % of sales.

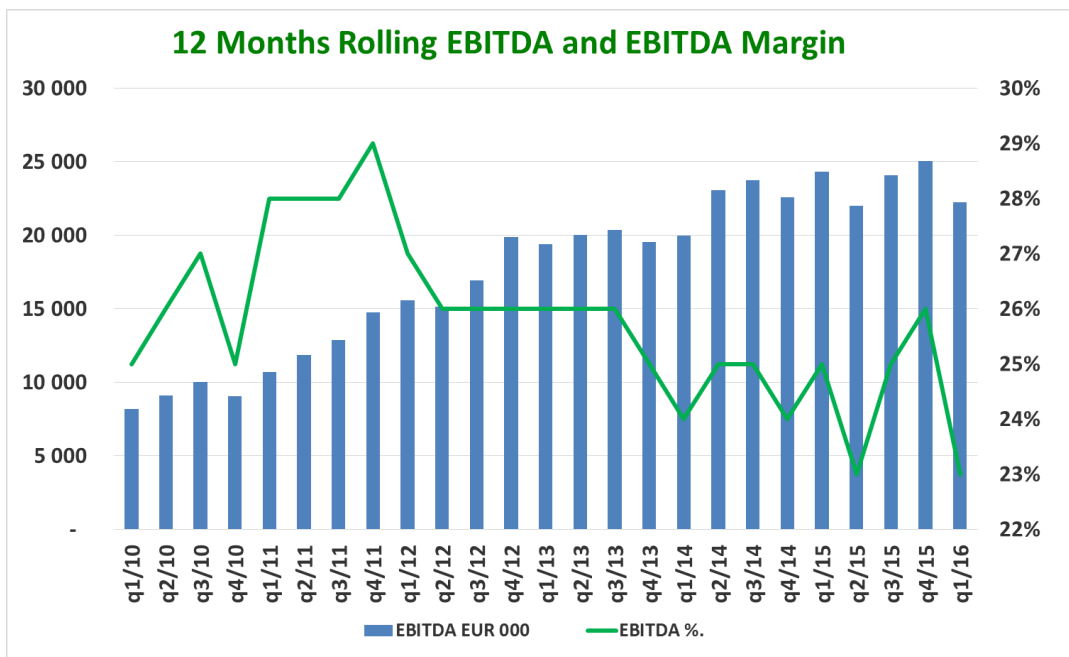


Profitability of the company during the 1st quarter of 2016 was influenced by several factors. Compared to the first quarter of 2015 such influence was mainly negative: sales were smaller, although there were positive rouble fluctuations, they were smaller than one year ago, and additional provisions of 1.2 million euros were also made. Therefore, the net profit of Q1 declined in 2016 by 52% to 3.1 million euros.





As less successful first quarter of 2016 replaced more successful first quarter of 2015 in 12 months rolling EBITDA calculation, EBITDA and EBITDA margin have also declined. 12 months EBITDA fell to 22.2 million and EBITDA margin during this period fell to 23%.



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

Financial indicator for period	01.01.2016 - 31.03.2016	01.01.2015 - 31.03.2015	% to previous period
Sales, EUR '000	26 130	27 024	97%
Net profit, EUR '000	3 108	6 671	47%
EBITDA, EUR '000	5 421	8 081	67%
EBIT, EUR '000	3 778	6 627	57%
Gross margin	62.1%	69.7%	
EBITDA margin	20.7%	29.9%	
EBIT margin	14.5%	24.5%	
Net margin	11.9%	24.7%	
EPS, EUR	0.22	0.47	47%

Financial indicator at the period end	31.03.2016	31.03.2015	% to previous period
Current ratio	3.6	2.5	
Share price at period end, EUR	7.47	6.41	116.5%
Market capitalisation, EUR '000	105 216	90 285	116.5%
P/B	1.2	1.1	

Financial indicator for 12 month	01.04.2015 - 31.03.2016	01.04.2014 - 31.03.2015	% to previous period
Net profit, EUR '000	11 718	15 254	77%
EBITDA, EUR '000	22 224	24 307	91%
ROA	10%	13%	
ROE	13%	19%	
P/E	9.0	5.9	

It is proposed, that Annual meeting of shareholders of JSC Olainfarm to be convened on June 7, 2016 approves operating plan of the Group for 2016. According to it, sales of the Group in 2016 are planned to be 100 million euros, but the net profit will reach 10 million euros. According to this unaudited report for 1st quarter of 2015, during the first three months 26% of annual sales target and 31% 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 significant fluctuations of price of Company's shares on NASDAQ OMX Riga. During the reporting period, share price mainly fluctuated around 7.20 euro per share, reaching its low of 7.00 per share in the middle of February, and reaching its high of 7.89 in the middle of March. During the reporting period, 408 transactions were made with shares of JSC Olainfarm. Before the production of this report, the share price did not experience any major changes and fluctuated around 7.60 euros.

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

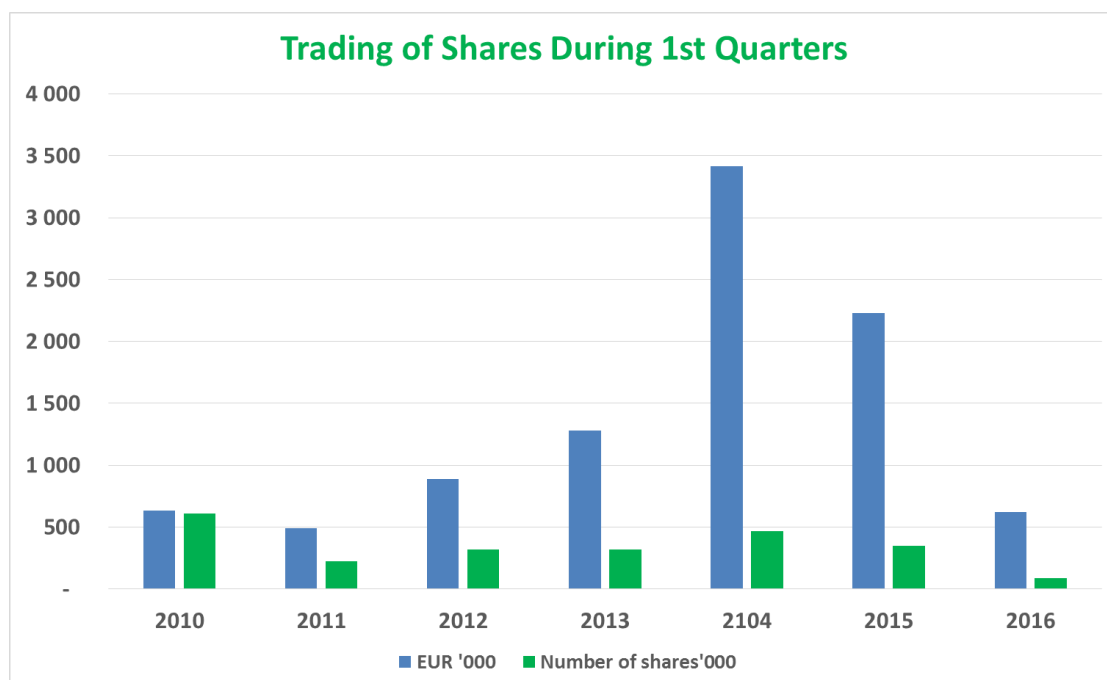


During the first quarter of 2016, price of share of JSC Olainfarm increased slightly more than OMX Riga index. During these three months OMX Riga index increased by 3.6%, while price for share of JSC Olainfarm by 5.5%.

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



-- OMX Riga
-- JSC Olainfarm



During the first quarter of 2016, more than 84 thousand shares of JSC Olainfarm worth more than 620 thousand million euros were traded on Nasdaq Riga. Compared to the first quarter of 2015, the number of traded shares decreased significantly, as the number of traded shares now was one fourth of what it was in 2015.

Development

During the reporting period, registration processes continued in Turkey, Bosnia and Herzegovina, Myanmar, Cameroon and Vietnam.

Registration of several products has been successfully completed in Estonia, Turkmenistan, Bosnia and Herzegovina.

Laboratory research has been completed for 100mg capsules of new product Macrobid and Ibuprofen Antigripp, two new final dosage forms developed for Ranitidine, scheduled for registration by the end of 2016. Work continues at developing new final dosage forms of anti-tuberculosis products.

Future outlook

Successful operations of the Company in future will largely depend on its ability to diversify its sales markets and products and to preserve its current position in its key markets. In this respect, the Company continues taking all steps necessary to obtain the market authorisations in Turkey, which is large enough market, much less subjected to turbulences, compared to CIS countries. Company continues and will continue acquiring daughter companies in pharma related sectors with similar or different sales markets.

Deterioration of economic situation in several CIS countries has forced their governments to take steps targeted at protection of local markets and supporting of local producers. In several occasions, such activity has had negative effect on operations of JSC Olainfarm. In order to mitigate the effect of measures already in place and to limit their effects in the future, the Company plans to place parts of production in these countries or acquire companies there. It is expected that such a move will at least partially ease the limitations currently in place for foreign producers.

Environment

Major environmental activities during the 1st quarter of 2016 were related to piloting the new wastewater plant and proposed technologies. In order to select the most appropriate treatment technology, their ability to purify actually produced wastewater was tested.

Social responsibility

During the first quarter of 2016, 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, supported amateur ice hockey tournament in the town of Olaine, basketball club Jurmala, development of young tennis and football players as well as sports dance festival Dance Art Cup 2016.

Company continued helping Inese Galante Fondation to search for musically talented young people of Latvia, was one of the key supporters of celebrations of Town Anniversary of Olaine, sponsored concerts of vocal group Dzeguzite.

Events after the end of the reporting period

In May 12, 2016 the Company acquired 100% stake of SIA Tonus Elast. SIA Tonus Elast was established in 1995 and is producing elastic medical products from elastic bandages to very complicated corset structures for pregnant and lactating women. Production site of SIA Tonus Elast meets all the standards of a modern producer of medical products, which is proven by LVS EN ISO 9001:2009 certificate.

Product portfolio of SIA Tonus Elast includes more than 100 different types of products. Best sold of them are bandages and compression products. On average about 11.2 million units are produced on production site of Tonus Elast in Nica County. About 11% are sold locally in Latvia, while 89% are being exported. The main markets are CIS countries, EU, India and the Middle East. In Latvia products of Tonus Elast are available from company stores in Riga, Liepaja, Daugavpils and Ventspils, as well as in several pharmacies and internet shopping sites.

Tonus Elast employs a little more than 200 people, which makes this company the biggest taxpayer and employer in Nica County. According to unaudited reports, in 2015 sales of Tonus Elast were 7.3 million euros, while net profit reached 1.7 million euros.

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


Valērijs Maligins
Chairman of the Board
(President)


May 31, 2016

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 Matigins
Chairman of the Board
(President)


May 31, 2016

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

	Note	01.01.2016 -	01.01.2015 -
		31.03.2016	31.03.2015
		EUR '000	EUR '000
Net revenue		26 130	27 024
Cost of goods sold		(9 908)	(8 190)
Gross profit		16 222	18 834
Selling expense		(6 845)	(7 068)
Administrative expense		(4 466)	(4 167)
Other operating income		605	414
Other operating expense		(1 755)	(1 458)
Share of profit of an associate		17	72
Financial income		257	1 990
Financial expense		(40)	(56)
Profit before tax		3 995	8 561
Corporate income tax	5	(1 014)	(1 772)
Deferred corporate income tax	5	132	(114)
Profit for the reporting period		3 113	6 675
Other comprehensive income for the reporting period		-	-
Total comprehensive income for the reporting period		3 113	6 675
Total comprehensive income attributable to:			
The equity holders of the Parent company		3 108	6 671
Non-controlling interests		5	4
		3 113	6 675
Basic and diluted earnings per share, EUR		0.22	0.47

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

For the Board of JSC Olainfarm:



May 31, 2016

Interim consolidated statement of financial position

ASSETS	Note	31.03.2016	31.12.2015
NON-CURRENT ASSETS		EUR '000	EUR '000
Intangible assets			
Goodwill		8 315	7 825
Patents		140	136
Pharmacy licenses and lease contracts		10 094	10 014
Other intangible assets		1 936	1 977
Intangible assets under construction		543	542
Prepayments for intangible assets		114	97
TOTAL		21 142	20 591
Property, plant and equipment			
Land, buildings and constructions		16 222	16 505
Equipment and machinery		11 571	12 305
Other tangible assets		2 172	2 255
Leasehold investments		122	133
Construction in progress		4 601	3 914
Prepayments for property, plant and equipment		721	467
TOTAL	6	35 409	35 579
Financial assets			
Loans to related and associated companies		80	79
Loans to management and shareholders		3 950	3 868
Investments in associated companies		499	482
Prepayments and prepaid expense		128	129
Other non-current financial assets		188	352
TOTAL		4 845	4 910
TOTAL NON-CURRENT ASSETS		61 396	61 080
CURRENT ASSETS			
Inventories			
Raw materials		2 647	2 747
Work in progress		9 363	9 742
Finished goods and goods for resale		8 517	8 277
Goods in transit		-	65
Prepayments for goods		444	159
TOTAL		20 971	20 990
Receivables			
Trade receivables and receivables from associated and other related companies		27 845	26 066
Prepayments and prepaid expense		1 736	1 551
Other receivables		1 024	862
Corporate income tax		-	333
Loans to management, employees and shareholders		1 760	1 675
TOTAL		32 365	30 487
Cash		5 366	5 574
TOTAL CURRENT ASSETS		58 702	57 051
TOTAL ASSETS		120 098	118 131

The accompanying notes form an integral part of these financial statements.
For the Board of JSC Olainfarm:


 Valerijs Matigins
 Chairman of the Board
 (President)



May 31, 2016

Interim consolidated statement of financial position

EQUITY AND LIABILITIES	Note	31.03.2016	31.12.2015
EQUITY		EUR '000	EUR '000
Share capital		19 719	19 719
Share premium		2 504	2 504
Reserves		322	322
Retained earnings:			
brought forward		65 773	50 492
for the period		3 108	15 281
TOTAL		91 426	88 318
Non-controlling interests		35	30
TOTAL EQUITY		91 461	88 348
LIABILITIES			
Non-current liabilities			
Loans from credit institutions		7 370	8 253
Deferred corporate income tax liabilities		1 830	1 947
Deferred income		2 695	2 656
Finance lease liabilities		240	307
TOTAL		12 135	13 163
Current liabilities			
Loans from credit institutions		4 322	4 108
Finance lease liabilities		190	150
Prepayments received from customers		379	268
Trade payables and payables to associated and other related companies		6 259	7 188
Taxes payable		909	981
Corporate income tax		81	-
Deferred income		780	800
Accrued liabilities		3 582	3 125
TOTAL		16 502	16 620
TOTAL LIABILITIES		28 637	29 783
TOTAL EQUITY AND LIABILITIES		120 098	118 131

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

For the Board of JSC Olainfarm:


 Valerijs Maligins
 Chairman of the Board
 (President)



May 31, 2016

Interim consolidated statement of cash flow

	01.01.2016 - 31.03.2016 EUR '000	01.01.2015 - 31.03.2015 EUR '000
Cash flows to/from operating activities		
Profit before taxes	3 995	8 561
Adjustments for:		
Amortization and depreciation	1 643	1 454
Loss/ (profit) on sale/ disposal of non-current assets	(7)	-
Impairment of tangible and intangible assets	(21)	90
Increase/ (decrease) in allowances	1 896	1 816
Share of profit of an associate	(17)	(72)
Interest expenses	40	56
Interest income	(69)	(70)
Income from EU projects' funds	(307)	(111)
Unrealised loss from fluctuations of currency exchange rates	(672)	(1 336)
Operating cash flows before working capital changes	6 481	10 388
Decrease/ (increase) in inventories	(85)	(518)
Decrease/ (increase) in receivables and prepaid expense	(2 804)	(5 324)
(Decrease)/ increase in payables and prepayments received	(303)	1 007
Cash generated from operations	3 289	5 553
Corporate income tax paid	(600)	(564)
Net cash flows to/ from operating activities	2 689	4 989
Cash flows to/from investing activities		
Purchase of intangible assets and property, plant and equipment	(1 500)	(2 825)
Receipt of EU grants	109	69
Acquisition of subsidiaries	(539)	-
Proceeds from sale of intangible assets and property, plant and equipment	81	5
Repayment of loans	2	2
Loans granted	(117)	(195)
Net cash flows to/from investing activities	(1 964)	(2 944)
Cash flows to/from financing activities		
Borrowings repaid	(1 203)	(1 900)
Interest paid	(40)	(56)
Proceeds from borrowings	-	1 984
Net cash flows to/from financing activities	(1 243)	28
Change in cash	(518)	2 073
Net foreign exchange difference	310	(17)
Cash at the beginning of the year	5 574	2 055
Cash at the end of the reporting period	5 366	4 111

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 2014	20 041	2 504	-	50 492	73 037	8	73 045
Profit for the reporting period	-	-	-	6 671	6 671	4	6 675
Other comprehensive income	-	-	-	-	-	-	-
Total comprehensive income	-	-	-	6 671	6 671	4	6 675
Transfer to reserves	(322)	-	322	-	-	-	-
Balance as at 31 March 2015	19 719	2 504	322	57 163	79 708	12	79 720
Balance as at 31 December 2015	19 719	2 504	322	65 773	88 318	30	88 348
Profit for the reporting period	-	-	-	3 108	3 108	5	3 113
Other comprehensive income	-	-	-	-	-	-	-
Total comprehensive income	-	-	-	3 108	3 108	5	3 113
Balance as at 31 March 2016	19 719	2 504	322	68 881	91 426	35	91 461

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 May 2016.

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

Basis of preparation

The interim condensed consolidated financial statements for three months ended 31 March 2016 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 2015.

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 31 March 2016.

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 2016. 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.

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

Acquired entity	<i>Rūpes Farm Aptieka</i>	<i>Kiwi Cosmetics</i>	
	100%	100%	
Percentage of voting equity interest acquired			
Acquisition date	12.01.2016	14.03.2016	
	Fair value recognized on acquisition		TOTAL
	EUR '000	EUR '000	EUR '000
Assets			
Premises lease agreement and licences	80	-	80
Property, plant and equipment	3	3	6
Cash and cash equivalents	32	5	37
Other receivables	2	1	3
Trade receivables	-	15	15
Inventories	24	52	76
	141	76	217
Liabilities			
Trade payables	(40)	(71)	(111)
Other current liabilities	(3)	(1)	(4)
Other long term liabilities	-	-	-
Deferred tax liabilities	(13)	(3)	(16)
	(56)	(75)	(131)
Total identifiable net assets at fair value	85	1	86
Goodwill arising on acquisition	265	225	490
Purchase consideration transferred	350	226	576
Goodwill comprises:			
- an increase in deferred tax from acquired net asset fair value and book value difference	13	3	16
- expected synergies and assembled workforce not recognised separately	252	222	474
Analysis of cash flows on acquisition:			
Net cash acquired with the subsidiary	32	5	37
Cash paid	(350)	(226)	(576)
Net cash outflow	(318)	(221)	(539)
Effect of acquisition to the Group			
Revenue contributed	72	-	72
Profit before tax generated	1	-	1
Estimated effect of acquisition if acquisition date had been as of the beginning of the year:			
Estimated revenue for whole period	78	39	117
Estimated profit before tax for whole period	-	13	13

According to the equity shares purchase agreement the total purchase price of SIA Kiwi Cosmetics is 326 thsd. EUR. Until the date of signing these interim financial statements there was consideration in the amount of 226 thsd. EUR paid. The remaining 100 thsd. EUR will be paid if SIA Kiwi Cosmetics achieves financial goals set in the purchase agreement.

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.

SIA Rūpes Farm Aptieka goodwill is allocated entirely to the pharmacy retail segment.

4. Impairments

Goodwill is tested for impairment annually 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 and Silvanols 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 and Silvanols CGU related goodwill, premises lease agreements and licenses may be materially impaired at the date of these interim financial statements.

5. Income tax

The Group calculates the period income tax expense using the tax rate that would be applicable to the expected total annual earnings. The major components of income tax in the interim condensed income statement are corporate income tax 1 014 thsd. EUR (3M 2015: 1 772 thsd. EUR) and decrease in deferred income tax expense of 132 thsd. EUR (3M 2015: increase of 114 thsd. EUR). Deferred income tax liability at the period end is 1 830 thsd. EUR (31.12.2015: 1 947 thsd. EUR).

6. Property, plant and equipment

During the reporting period there were no significant investments made for property, plant and equipment, also no material disposals or write-offs were performed during the reporting period.

7. Related party disclosures

Related party	Type of services		Goods and services	Goods and	Amounts owed	Amounts owed
			delivered to/ Loans issued to related parties	services received from related parties	by related parties (gross)	to related parties (gross)
			EUR '000	EUR '000	EUR '000	EUR '000
1. Associated entities						
SIA Olainfarm energija (JSC Olainfarm share 50%)	Loan, services, energy production	31.12.2015 31.03.2016	59 12	449 127	83 87	25 41
SIA Pharma and Chemistry Competence Centre of Latvia (JSC Olainfarm share 11%, SIA Silvanols share 19%)	Financing and project management services	31.12.2015 31.03.2016	114 -	79 29	337 337	46 46
		TOTAL: 31.12.2015	173	528	420	71
		TOTAL: 31.03.2016	12	156	424	87
2. Key management personnel						
V. Maligins (shareholder)	Loan and travelling services	31.12.2015 31.03.2016	1 423 232	- -	5 062 5 294	- -
		TOTAL: 31.12.2015	1 423	-	5 062	-
		TOTAL: 31.03.2016	232	-	5 294	-
3. Entity with significant influence						
SIA Olmafarm (shareholder)	Loan and finished goods sale	31.12.2015 31.03.2016	78 3	- -	308 311	- -
		TOTAL: 31.12.2015	78	-	308	-
		TOTAL: 31.03.2016	3	-	311	-
4. Other Related companies						
SIA Vega MS (V.Maligins share 59.99%)	Security services, manufacture of windows	31.12.2015 31.03.2016	- -	503 135	- 7	- -
SIA Aroma (V.Maligins share 100%)	Loan and lease of premises	31.12.2015 31.03.2016	63 15	31 4	172 190	- 1
SIA Lano Serviss (V.Maligins share 25%)	Drycleaner's services	31.12.2015 31.03.2016	12 4	31 9	1 1	3 3
SIA Carbochem (V.Maligins share 50%)	Loan and intermediary on sale of chemical products	31.12.2015 31.03.2016	- -	- -	89 89	- -
SIA Olfa Press (V.Maligins share 47.5%)	Printing services	31.12.2015 31.03.2016	40 10	1 463 455	10 20	202 270
SIA Olalex (V.Maligins share 50%)	Finished goods sale, services	31.12.2015 31.03.2016	58 -	122 -	- -	33 33
Olfa OOO (J.Dudko's share 100%)	Finished goods sale	31.12.2015 31.03.2016	6 539 3 502	- -	8 328 8 920	- -
		TOTAL: 31.12.2015	6 712	2 150	8 600	238
		TOTAL: 31.03.2016	3 531	603	9 227	307

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								
31.03.2016	51 308	29 811	3 325	19 761	4 821	109 026	11 072	120 098
31.12.2015	55 055	21 301	4 394	19 215	4 577	104 542	13 589	118 131
Liabilities								
31.03.2016	5 891	2 587	924	5 278	1 338	16 018	12 619	28 637
31.12.2015	5 379	2 274	935	5 232	1 228	15 048	14 735	29 783
Revenue								
External customers								
2016	18 175	2 097	185	4 957	716	26 130	-	26 130
2015	19 900	1 358	740	4 206	820	27 024	-	27 024
Inter-segment								
2016	107	3 353	2 480	-	209	6 149	(6 149)	-
2015	97	4 577	1 954	-	121	6 749	(6 749)	-
Total revenue								
2016	18 282	5 450	2 665	4 957	925	32 279	(6 149)	26 130
2015	19 997	5 935	2 694	4 206	941	33 773	(6 749)	27 024
Segment profit								
2016	5 323	1 331	272	266	161	7 353	(3 398)	3 955
2015	7 820	1 814	368	1 124	520	11 646	(3 085)	8 561

Reconciliation of profit

	3M 2016	3M 2015
	EUR '000	EUR '000
Segment profit	7 353	11 646
Unallocated financial income	69	2 063
Unallocated financial expenses	163	(70)
Other unallocated income and expense	(3 262)	(45)
Inter-segment elimination	(368)	(5 033)
Profit before tax	3 955	8 561

Reconciliation of assets

	31.03.2016	31.12.2015
	EUR '000	EUR '000
Segment operating assets	109 026	104 542
Unallocated long term assets	7 174	6 844
Unallocated short term assets	(869)	1 575
Cash managed on group level	4 767	5 170
Total assets	120 098	118 131

Reconciliation of Liabilities

	31.03.2016	31.12.2015
	EUR '000	EUR '000
Segment operating liabilities	16 018	15 048
Deferred tax liability	513	620
Interest bearing loans and borrowings	11 117	11 674
Current tax liabilities	698	832
Other unallocated liabilities and eliminations	291	1 609
Total liabilities	28 637	29 783

9. Dividends paid and proposed

No dividends are paid during the reporting period up to the authorisation of the interim financial statements. As this report is prepared, the Board maintains intentions to offer 17.5% pay-out ratio for approval by shareholders. The Board's intention also is to propose for the shareholders' approval to transfer the EUR denomination reserve of 322 thsd. EUR from Reserves to Retained earnings available for distribution to shareholders.

10. Events after the reporting period

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