



JOINT STOCK COMPANY OLAINFARM

(UNIFIED REGISTRATION NUMBER 40003007246)

**UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE 3 MONTHS PERIOD ENDED 31 MARCH 2014**

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

Olaine, 2014

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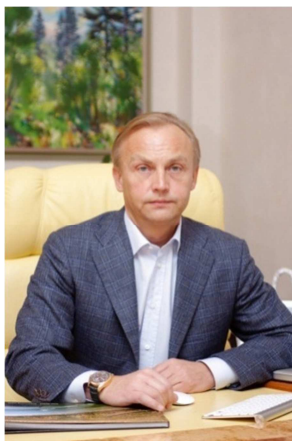
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General information

Name of the Parent Company	OLAINFARM
Legal status of the Parent Company	JOINT STOCK COMPANY
Unified registration number, place and date of registration of the Parent Company	40003007246 Riga, 10 June 1991 (re-registered on 27 March 1997)
Registered office of the Parent Company	Rūpnīcu iela 5 Olaine, Latvia, LV-2114
Major shareholders of the Parent Company	SIA Olmafarm - 42.56% Valērijs Maligins - 27.13% Swedbank AS Clients account – 12.72%
Major subsidiaries	Latvijas Aptieka SIA – 100% equity share Silvanols SIA – 70.88% equity share
Audit Committee	Viesturs Gurtlavs (from 30.04.2014) Žanna Karaseva (till 30.04.2014)
Financial year	1 January – 31 December 2014
Interim reporting period	1 January – 31 March 2014

Board

The Supervisory Council elects the Management Board of JSC Olainfarm for five years. When selecting the members of the Management Board, the Council assesses experience of candidates in team management, in particular area of responsibility of a candidate and in the pharmaceutical sector in general.

Valērijs Maligins

Valērijs Maligins is the Chairman of the Management Board of JSC Olainfarm. He has obtained a Doctoral Degree in Economics at NewPort International University, Baltic Center (2007), as well as a Master's Degree in economics and social sciences (University of Latvia, 2002), Bachelor's degree in economics and finances (RSEBAA 1998). V. Maligins has more than 20 years of experience in pharmaceutical sector, 14 of them in management positions at JSC Olainfarm.

Positions held in other companies:

SIA Olmafarm, Chairman of the Board
Hunting Club Vitkupe, Board Member

Participation in other companies:

SIA Lano Serviss (25.04%)
SIA Vega MS (60%)
SIA Briz (12.47%)
SIA Olfa Press (45%)
SIA Carbochem (50%)
SIA Aroma (99.21%)
SIA Olmafarm (100%)
SIA Escargot (33.50%)
SIA Olalex (50%)
SIA Energo Capital (50%)
OOO OLFA (51%)

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

- Directly: 3 821 266
- Indirectly (through SIA Olmafarm): 5 994 054
- Total: 9 815 320

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 15 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 March 31, 2014): 0

Inga Liščika

Inga Liščika is a member of the Company's Management Board and a Finance director. I. Liščika has been studying the Professional Management programme at English „Open University“. I. Liščika is a Master of Business Economics (Riga Technical University 1997) and a civil engineer (1995). I. Liščika has been working at JSC Olainfarm for more than 10 years.

Positions held in other companies:

SIA Pharma and Chemistry Competence Centre of Latvia, Council Member

AS Lege Artis Rīga, Council Member;

SIA First Class Lounge, Board Member

SIA Olalex, Board Member

SIA Carbochem, Board Member

Participation in other companies: none

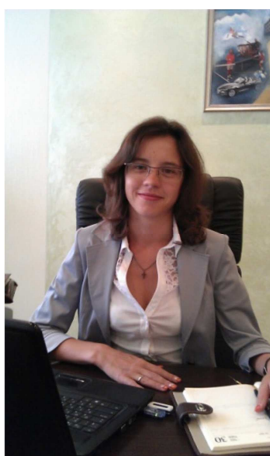
Number of shares of JSC Olainfarm owned (as of March 31, 2014): 1 302

Salvis Lapiņš

Salvis Lapiņš is a member of the Company's Management Board, and a manager of Investor relations. He has been studying business in RSEBAA and law at the University of Latvia. He has been actively working in financial and pharmaceutical sectors since 1995.

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

Number of shares of JSC Olainfarm owned (as of March 31, 2014): 49 953

Veranika Dubitskaya

Veronika Dubicka (Veranika Dubitskaya) has worked in the Company's representative office in Belarus since 2005. Till 2006 V. Dubitskaya held a post of the medical representative, since 2006 till July, 2009 a post of the manager, and since July, 2009 till May, 2011 was the principal of the company's representative office in Belarus.

Positions held in other companies: none

Participation in other companies: none

Number of shares of JSC Olainfarm owned (as of March 31, 2014): 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.

Valentina Andreeva

Valentina Andreeva, the Chairman of the Council

Valentina Andreeva, 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 2001, a speciality of the engineer-economist which she received in 1976 at the Riga Polytechnical Institute.

Positions held in other companies: none

Participation in other companies: none

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

Jelena Dudko, Deputy Chairperson of the Council

Jelena Dudko is a Strategic Development and Marketing Director of the pharmaceutical company Olfa. In 1996 J.Dudko graduated from a post-graduate course at the Faculty of Therapy and Hematology of the Kiev Medical Academy.

Positions held and participation in other companies:
OOO OLFA (49%)

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

Aleksandrs Raicis

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

Positions held in other companies:
SIA BRIZ, Board Member

Participation in other companies:
SIA VIP Pharma (50%)
SIA Recesus (30%).
SIA Briz (10.95%)

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

Volodimir Krivozubov

Volodimir Krivozubov is a Director of the Ukrainian OOO Torgoviye Tehnologii. V.Krivozubov has a medical degree from A. Bogomolec Kiev Medical Institute (1984).

Positions held in other companies:
OOO Torgovije Tehnologii (Ukraine), General Director

Participation in other companies: none

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

Gunta Veismane

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

Positions held in other companies: Economics and culture higher school rector

Participation in other companies: none

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

Movements in the Board during the reporting period

None

Movements in the Council during the reporting period

None

Major shareholders

	Share holding
Swedbank AS Clients Account	12.72%
Olmafarm, SIA	42.56%
V.Maligins	27.13%
Other shareholders	<u>17.59%</u>
Total	100.00%

Management report

General information

During the reporting period no changes have been made to the composition of the Concern and it consisted from parent company AS „Olainfarm”, its daughter companies SIA „Ozols JRD”, whose major activities will be related to organizing sports and active leisure events in Olaine, travel agency „First Class Lounge” and pharmaceutical retail companies SIA „Ilmas Aptieka”, SIA „Juko 99”, SIA „Veritas Farm”, SIA „Inula Farma”, a/s „Lege Artis” and SIA „Vita Plus”, SIA „Teriaks Pļaviņu Aptieka”, SIA „Rudens Laiks”, SIA „Rudens 10”, SIA „Esplanāde Farm” and SIA „Balta Aptieka IPI”. In February 2013 an agreement was signed whereby company purchased 100% shares in SIA „Elpas Aptieka”, which owns 3 pharmacies in Riga. In March 2013 agreement on purchase of 100% shares in company SIA „Daugavkrasta Farmācija” was signed. SIA „Daugavkrasta Farmācija” owns one pharmacy in Kekava region. AS „Olainfarm” also owns 50% of shares in daughter company „Olainfarm Energija”, that is engaged in production of electric energy using cogeneration technologies, but since AS does not have a decisive influence, this company is not consolidated into Concern.

The Group is one of the biggest pharmaceutical companies in Latvia with 40 years of experience in production of medication and chemical and pharmaceutical products. A basic principle of Group's operations is to produce reliable and effective top quality products for Latvia and the rest of the world. Products made by the Group are being exported to more than 30 countries of the world, including the Baltics, Russia, other CIS, Europe, Asia, North America and Australia.

Corporate mission and vision

Corporate mission:

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:

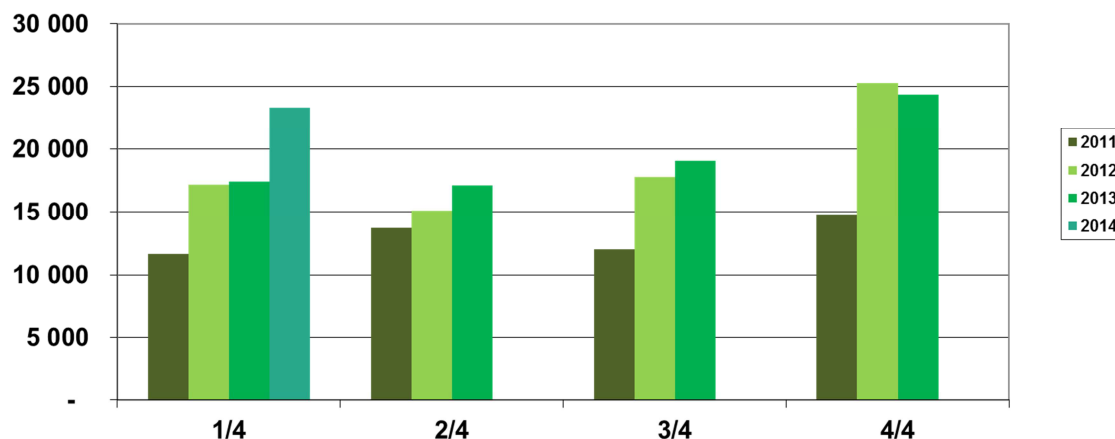
We are aiming to become the leading manufacturer of finished drug forms and chemical-pharmaceutical products in the Baltics and to make our products known and available worldwide.

Operational environment

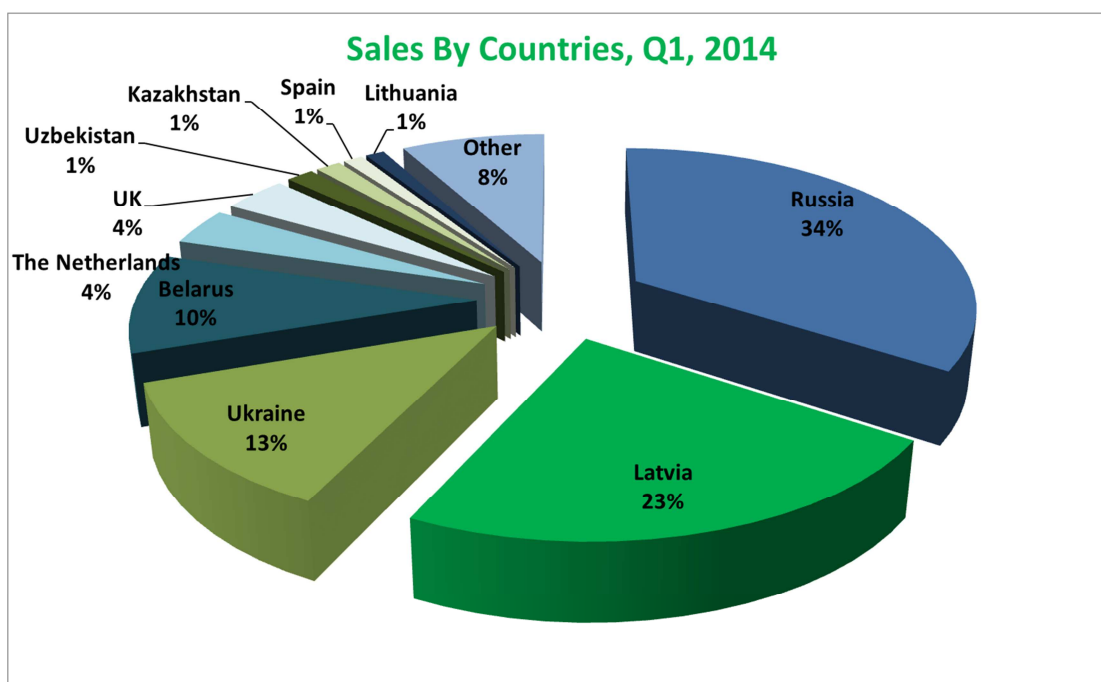
Retail and wholesale of pharmaceutical products is well controlled and regulated in all countries where company operates, therefore, unlike with many other sectors, it is much less subjected to significant political, conjuncture and even economic fluctuations. However, during the reporting period economic and political situation in of Ukraine deteriorated significantly and tensions between Russia and Ukraine intensified, resulting in probability of sanctions between EU countries and Russian Federation increasing. Despite tensions in the region and in Russia – EU relations, as this report is being prepared the company has not felt any material influence on its operations either in Russia or Ukraine, however, such influence cannot be excluded in the future. Also during the reporting period devaluation by 20% of Kazakhstan's national currency the Tenge took place. Although this event brought no significant losses to the company, such devaluation may leave a negative impact of purchasing power of Kazakhstan's people. Ukraine, Russia and Kazakhstan combined make up about one half of company's sales.

Financial results

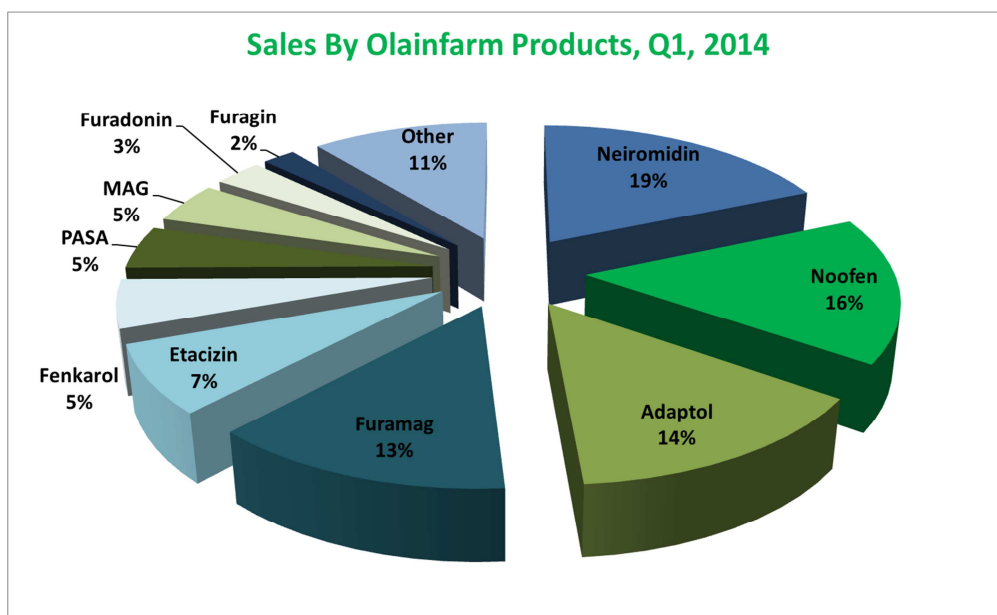
During the first quarter of 2014 sales volumes have grown by 30% compared to similar period of 2013 and reached 23.3 million euro, which makes this yet another best first quarter in corporate history. This has been achieved despite the fact due to political and economic instability in Ukraine sales to this country was a little smaller than initially expected.

Sales By Quarters, Thsnd. EUR

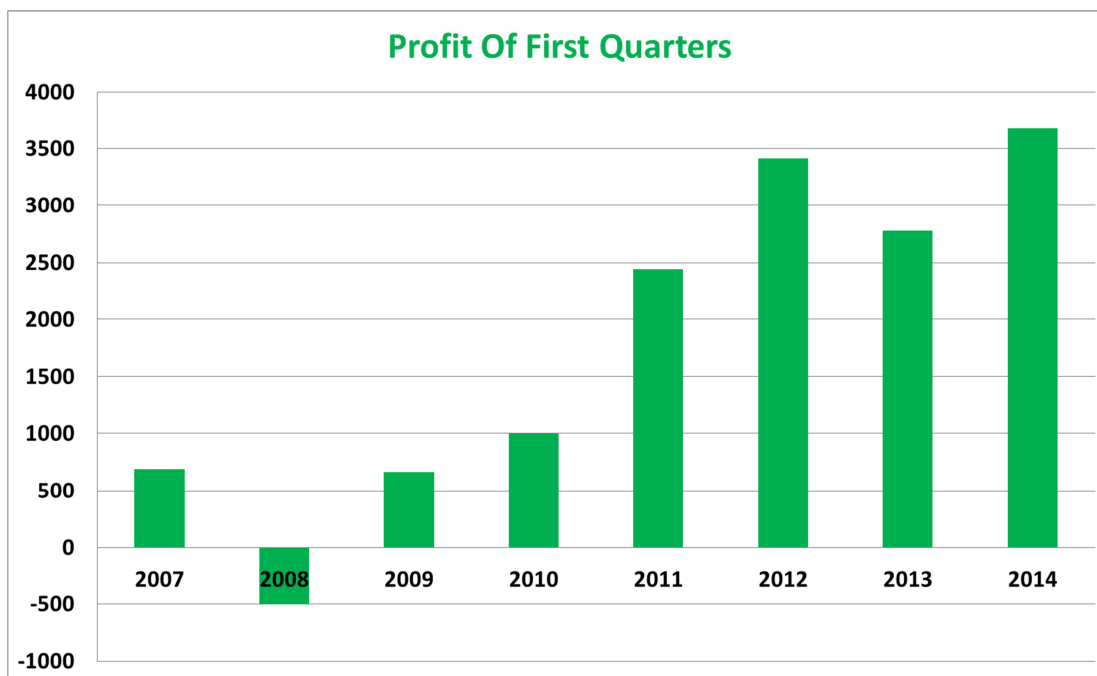
During the 1st quarter of 2014 sales to all company's main markets continued increasing except for Kazakhstan, where they shrunk by 50%, compared to 1st quarter of 2013. As mentioned above, such a reduction was expected, mainly because of devaluation of Kazakhstan's currency. The most rapid sales increases during the 1st quarter of 2014 were achieved to Spain, where sales grew by 181%, Lithuania by 171%, Ukraine by 157%, and Uzbekistan by 67%. Major sales markets of AS "OlainFarm" during the 1st quarter of 2013 were Russia, Ukraine, Latvia, Belarus and The Netherlands.



During the first quarter of 2014 some changes have occurred to the structure of bestselling products. Share of Neiromidin® has fallen from 24% to 19%, while share of Noofen® has increased from 12% to 16%, share of Adaptol® has increased from 12% to 14%, but share of Furamag® increased from 10% to 13%. PASA makes up 5% of total sales, while last year this product did not make it to 10 bestsellers. In general this trend has added to better diversification and more even distribution of sales among leading products, thus further reducing dependency on one particular product.

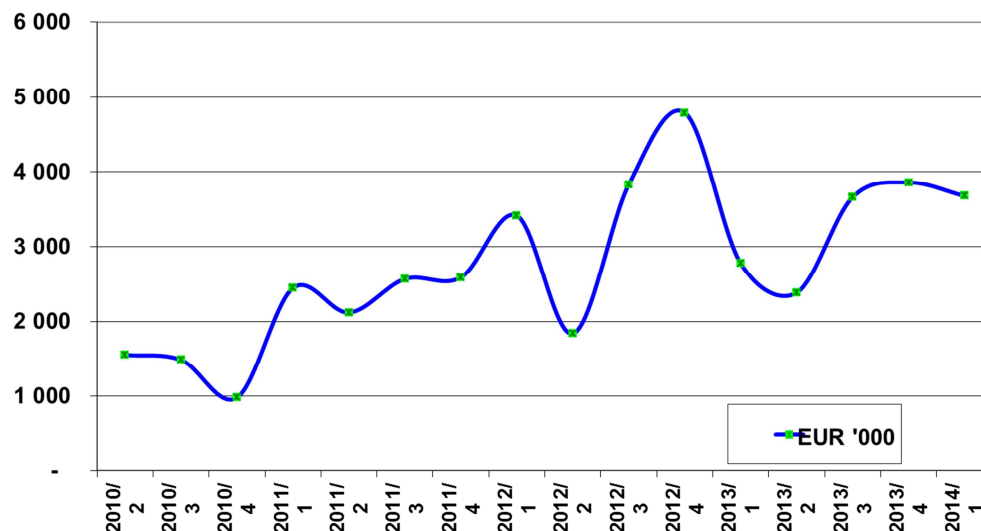


Record sales made in 1st quarter of 2014 are also reflected in profitability of the company. During this quarter the company has made a net profit of 3.7 million euro, which is an increase by 32% compared to the first quarter of 2013. This makes it the most profitable first quarter in corporate history



This has also been one of the most profitable overall quarters in our corporate history,

Profit By Quarters



This is how other indicators of the company have changed during the first quarter:

Financial indicator for period	01.01.2014 - 31.03.2014	01.01.2013 - 31.03.2013	% to previous period
Sales, EUR'000	23 314	17 900	130%
Net profit, EUR'000	3 654	2 776	132%
EBITDA, EUR'000	6 338	3 936	161%
EBIT, EUR'000	5 378	3 124	172%
Gross margin	67.5%	66.5%	
EBITDA margin	27.2%	22.0%	
EBIT margin	23.1%	17.5%	
Net margin	15.7%	15.5%	
EPS, EUR	0.26	0.20	132%

Financial indicator at the period end	31.03.2014	31.03.2013	% to previous period
Current ratio	2.5	2.9	
Share price at period end, EUR	6.80	6.83	99.6%
Market capitalisation, EUR'000	95 779	96 201	99.6%
P/B	1.5	1.8	

Financial indicator for 12 month	01.04.2013 - 31.03.2014	01.04.2012 - 31.03.2013	% to previous period
Net profit, EUR'000	13 502	14 267	95%
EBITDA, EUR'000	19 959	20 814	96%
ROA	13%	19%	
ROE	21%	26%	
P/E	26.2	34.7	

Annual meeting of shareholders of A/s "Olainfarm" held on April 29, 2014 approved operating plan of the Concern. According to it, sales of the Concern in 2014 are planned to be 93 million euros, but the net profit will reach 15 million euros. According to this unaudited report for 1st quarter of 2014, during the first three months 25.1% of annual sales target and 24.5% of annual profit target is met.

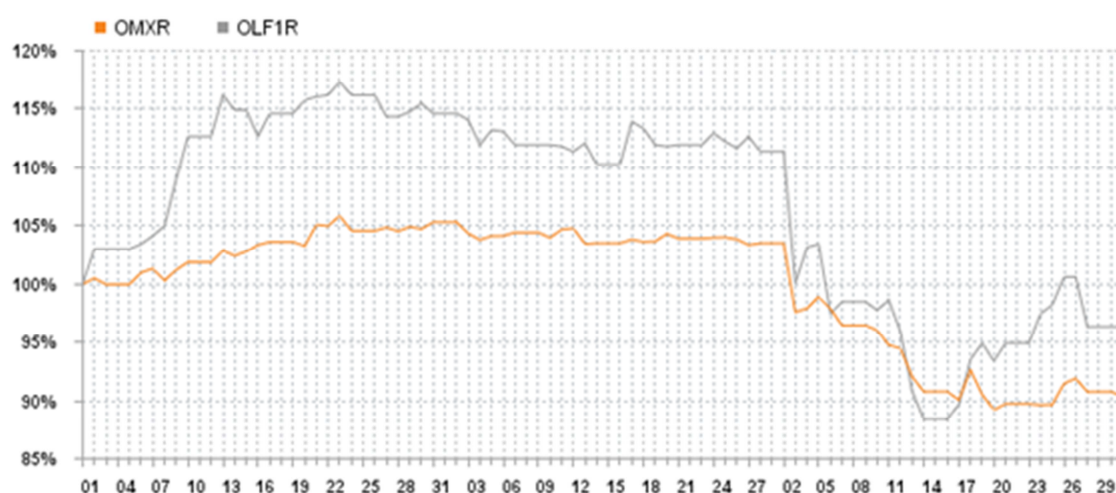
Shares and stock market

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 116%. During the reporting period share price reached the new historic high as on January 23rd it was traded at 8.3 euros per share. During the first quarter the share price mainly fluctuated around 8 euros, while during the second half of the quarter it experienced a very rapid slide to about 6 euros per share, possibly because of Russia- Ukraine tensions. In general during the 1st quarter of 2014 the share price fluctuated between 5.99 and 8.3 euros per share



During the first quarter of this year, mainly due to increasing tensions between Russia and Ukraine, prices of almost all stocks quoted on NasdaqOMX Riga fell, and so did the indexes. Share price of AS "Olainfarm" fell a little less than OMX Riga index. During these three months OMX Riga index fell by 9.6%, while price for share of "Olainfarm" by 3.7%.

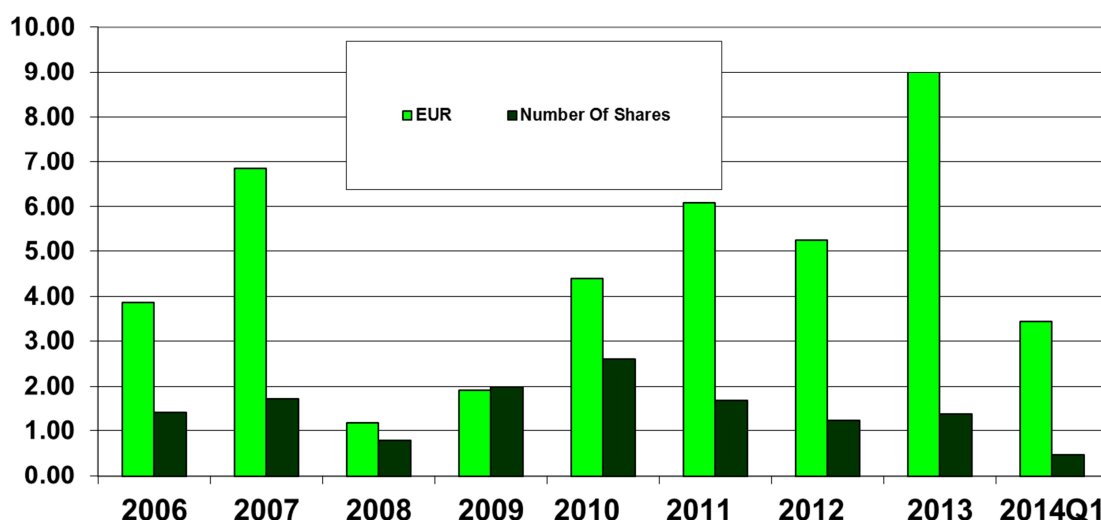
**Rebased price of Olainfarm share vs. rebased OMX Riga index
(Reporting period)**



-- OMX Riga

-- AS "Olainfarm"

Trading Of Shares On NasdaqOMX Riga, mln.



During the first quarter of 2014 almost half a millions shares of AS “Olainfarm” worth more than 3.4 million euros were traded on NasdaqOMX Riga. Compared to the first quarter of 2013 the number of traded shares increased by 47%, while turnover has increased by 88%.

Development

During the 1st quarter of 2014 12 registration cases have been approved in several countries. Several products are still in the process of obtaining MAs, among other countries, in Poland, Mongolia and Kosovo. Preclinical trials of R-fenotropil are being conducted and totally new forms of existing products are being developed.

Future outlook

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

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

Environment

During the 1st quarter data safety sheets have been prepared for 12 substances, an internal environmental audit has been conducted and the new procedures for waste management developed.

Social responsibility

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

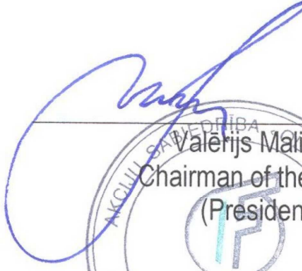
Demonstrating that health care and healthy life style is high among company’s values, AS “Olainfarm” participated in organizing Annual Health Care Awards. Significant support was also provided for young football and tennis talents.

Company was also one of launchers of the support programme of Latvian musical talents “Ineses Galantes Talanti.LV”

Events after the end of the reporting period

In May, 2014, as a result of reorganizing, SIA "Latvijas Aptieka" was merged with the following companies, which subsequently were deleted from Latvian Commercial Register: : SIA "TERIAKS" Pļaviņu aptieka", AS "Lege Artis Rīga", SIA "BALTĀ APTIEKA – I.P.I." SIA "VITA PLUS APTIEKA", SIA "RUDENS LAIKS", SIA "Daugavkrasta farmācija", SIA "APTIEKA RUDENS 10", SIA "JUKO 99", SIA "INULA FARMA", SIA "VERITAS-FARM" un SIA "ESPLANĀDE FARM".

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


Valerijs Maligins
Chairman of the Board
(President)


May 30, 2014

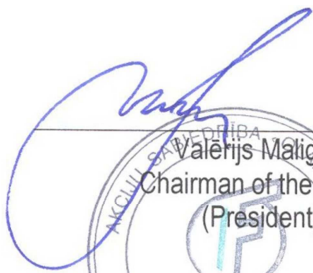
Statement of responsibility of the management

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

- ♦ select suitable accounting policies and then apply them consistently;
- ♦ make judgments and estimates that are reasonable and prudent;
- ♦ prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group will continue in business.

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

For the Board of JSC Olainfarm:


Valerijs Matigins
Chairman of the Board
(President)

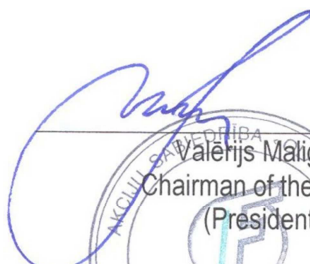

May 30, 2014

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

	Notes	01.01.2014 - 31.03.2014	01.01.2013 - 31.03.2013
		EUR '000	EUR '000
Net revenue		23 314	17 900
Cost of goods sold		(7 587)	(6 005)
Gross profit		15 727	11 895
Selling expense		(6 460)	(5 529)
Administrative expense		(4 115)	(3 310)
Other operating income		497	524
Other operating expense		(293)	(456)
Share of profit of an associate		22	-
Financial income		565	193
Financial expense		(1 460)	(91)
Profit before tax		4 483	3 226
Corporate income tax	5	(683)	(450)
Deferred corporate income tax	5	(123)	-
Profit for the reporting period		3 677	2 776
Other comprehensive income for the reporting period		-	-
Total comprehensive income for the reporting period		3 677	2 776
Total comprehensive income attributable to:			
The equity holders of the Parent Company		3 654	2 776
Non-controlling interests		23	-
		3 677	2 776
Basic and diluted earnings per share, EUR		0.26	0.20

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 30, 2014

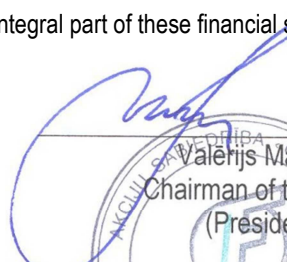
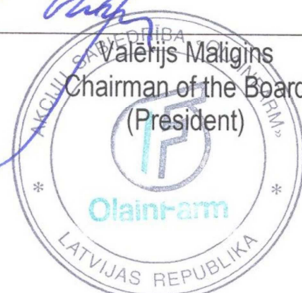
Interim consolidated statement of financial position

ASSETS	Notes	31.03.2014	31.12.2013
NON-CURRENT ASSETS		EUR '000	EUR '000
Intangible assets			
Goodwill		6 660	6 660
Patents		149	149
Pharmacy licenses and lease contracts		9 216	9 216
Other intangible assets		1 511	1 453
Prepayments for intangible assets		194	196
TOTAL		17 730	17 674
Property, plant and equipment			
Land, buildings and constructions		11 525	11 460
Equipment and machinery		6 219	5 917
Other tangible assets		2 358	2 274
Leasehold investments		237	269
Construction in progress		5 693	4 306
Prepayments for property, plant and equipment		2 770	2 697
TOTAL	6	28 802	26 923
Financial assets			
Investments in associated companies		234	211
TOTAL		234	211
TOTAL NON-CURRENT ASSETS		46 766	44 808
CURRENT ASSETS			
Inventories			
Raw materials		2 732	2 370
Work in progress		7 859	7 843
Finished goods and goods for resale		6 323	5 874
Prepayments for goods		142	207
TOTAL		17 056	16 294
Receivables			
Trade receivables and receivables from associated and other related		27 993	27 034
Prepayments to suppliers		535	609
Other receivables		2 575	1 843
Corporate income tax		838	775
Current loans to management and employees		2 620	2 175
Prepaid expense		217	193
TOTAL		34 778	32 629
Cash		1 728	2 097
TOTAL CURRENT ASSETS		53 562	51 020
TOTAL ASSETS		100 328	95 828

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

For the Board of JSC Olainfarm:

May 30, 2014

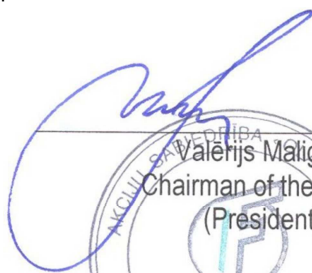

Valerijs Maligins
Chairman of the Board
(President)


Interim consolidated statement of financial position

EQUITY AND LIABILITIES		31.03.2014	31.12.2013
EQUITY		EUR '000	EUR '000
Share capital		20 041	20 041
Share premium		2 504	2 504
Retained earnings:			
brought forward		39 364	26 632
for the period		3 654	12 732
TOTAL		65 563	61 909
Non-controlling interests		101	78
TOTAL EQUITY		65 664	61 987
LIABILITIES			
Non-current liabilities			
Loans from credit institutions		10 391	9 831
Deferred corporate income tax liabilities		2 420	2 297
Deferred income		484	535
Finance lease liabilities		145	201
TOTAL		13 440	12 864
Current liabilities			
Loans from credit institutions		5 443	6 871
Finance lease liabilities		184	175
Other loans		96	-
Prepayments received from customers		442	44
Trade and other payables		10 892	11 422
Payables to associated companies		87	161
Taxes payable		2 027	656
Deferred income		191	174
Accrued liabilities		1 862	1 474
TOTAL		21 224	20 977
TOTAL LIABILITIES		34 664	33 841
TOTAL EQUITY AND LIABILITIES		100 328	95 828

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

For the Board of JSC Olainfarm:


Valerijš Matigins
Chairman of the Board
(President)


May 30, 2014

Interim consolidated statement of cash flow

	01.01.2014 - 31.03.2014 EUR '000	01.01.2013 - 31.03.2013 EUR '000
Cash flows to/from operating activities		
Profit before taxes	4 483	3 226
Adjustments for:		
Amortization and depreciation	960	812
Loss / (profit) on sale/ disposal of property, plant and equipment	6	(4)
(Decrease)/ increase in allowances	278	(131)
Income from investing activities	(22)	-
Interest expenses	85	30
Interest income	(35)	(5)
Operating cash flows before working capital changes	5 755	3 928
Increase in inventories	(762)	(1 177)
Increase in receivables and prepaid expense	(1 450)	(616)
Increase in payables and prepayments received	595	1 476
Cash generated from operations	4 138	3 611
Interest paid	(81)	(30)
Corporate income tax paid	(927)	(522)
Net cash flows to/ from operating activities	3 130	3 059
Cash flows to/from investing activities		
Purchase of property, plant and equipment	(2 157)	(1 660)
Acquisition of subsidiary	-	(2 687)
Proceeds from sale of intangible assets and property, plant and equipment	26	10
Repayment of loans	1	2
Loans granted	(445)	(574)
Net cash flows to/from investing activities	(2 575)	(4 909)
Cash flows to/from financing activities		
Borrowings repaid	(1 484)	(948)
Proceeds from borrowings	560	1 658
Net cash flows to/from financing activities	(924)	710
Change in cash	(369)	(1 140)
Cash at the beginning of the year	2 097	2 550
Cash at the end of the reporting period	1 728	1 410

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

Interim consolidated statement of changes in equity

	Equity attributable to equity holders of the parent				Non-controlling interests	Total
	Share capital	Share premium	Retained earnings	Total		
	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000
Balance as at 31 December 2012	20 041	2 504	28 776	51 321	-	51 321
Profit for the reporting period	-	-	2 776	2 776	-	2 776
Other comprehensive income	-	-	-	-	-	-
Total comprehensive income	-	-	2 776	2 776	-	2 776
Balance as at 31 March 2013	20 041	2 504	31 553	54 098	-	54 098
Balance as at 31 December 2013	20 041	2 504	39 364	61 909	78	61 987
Profit for the reporting period	-	-	3 654	3 654	23	3 677
Other comprehensive income	-	-	-	-	-	-
Total comprehensive income	-	-	3 654	3 654	23	3 677
Balance as at 31 March 2014	20 041	2 504	43 018	65 563	101	65 664

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 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 May 2014.

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 2014 have been prepared in accordance with IAS 34 Interim Financial Reporting.

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

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

The interim financial statements comprise the financial statements of the Parent Company and all its subsidiaries as at 31 March 2014.

Changes in accounting policy and disclosures

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

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

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

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

The Group has not applied and has not evaluated the impact of the application of the IFRS and IFRIC interpretations that have been issued as of the date of authorisation of these financial statements for issue, but which are not yet effective. The Group plans to adopt these standards and interpretations on their effectiveness dates provided they are endorsed by the EU.

3. Business combination

There are no business combinations during reporting period.

Information on prior year acquisitions

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

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

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

4. Impairments

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

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

5. Income tax

The Group calculates the period income tax expense using the tax rate that would be applicable to the expected total annual earnings. The major components of income tax in the interim condensed income statement are corporate income tax 683 thsd EUR (3M 2013: 450 thsd EUR) and deferred income tax expense of 123 thsd EUR mainly from accelerated depreciation for tax purposes of property, plant and equipment. Deferred income tax liability at the period end is 2 420 thsd EUR (31.12.2013: 2 297 thsd EUR).

6. Property, plant and equipment

During the reporting period the Group has invested 556 thsd. EUR in property, plant and equipment related to EU funded projects. 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
			EUR '000	EUR '000	EUR '000	EUR '000
1. Associated entities						
OLAINFARM ENERĢIJA SIA	Loan, ervices, energy production	31.12.2013.	532	72	256	152
		31.03.2014.	78	17	262	78
	TOTAL:	31.12.2013.	532	72	256	152
	TOTAL:	31.03.2014.	78	17	262	78
2. Key management personnel						
V. Maligins (shareholder)	Loan	31.12.2013.	-	2 104	2 108	-
		31.03.2014.	-	435	2 543	-
	TOTAL:	31.12.2013.	-	2 104	2 108	-
	TOTAL:	31.03.2014.	-	435	2 543	-
3. Entity with significant influence						
SIA Olmafarm (shareholder)	Loan and finished goods sale	31.12.2013.	-	9	191	-
		31.03.2014.	-	3	194	-
	TOTAL:	31.12.2013.	-	9	191	-
	TOTAL:	31.03.2014.	-	3	194	-
4. Other Related companies						
SIA Vega MS (V. Maligins share 60%)	Security services, manufacture of windows	31.12.2013.	684	-	-	4
		31.03.2014.	112	-	-	4
SIA "Aroma" (V.Maligins share 75%)	Loan and lease of premises	31.12.2013.	12	58	111	5
		31.03.2014.	5	14	110	-
Lano Serviss SIA (V.Maligins share 25.04%)	Drycleaner's services	31.12.2013.	27	9	1	2
		31.03.2014.	8	3	1	3
SIA Carbochem (V.Maligins share 50%)	Intermediary on sale of chemical products, loan	31.12.2013.	-	-	109	-
		31.03.2014.	-	-	109	-
SIA OLFA Press (V. Maligins share 45%)	Printing services	31.12.2013.	1 248	31	4	297
		31.03.2014.	378	15	19	326
Olfa OOO (V. Maligin's share 51%, J.Dudko's share 49%)	Finished good sale	31.12.2013.	-	10 743	11 278	-
		31.03.2014.	-	2 954	10 802	-
	TOTAL:	31.12.2013.	1 689	19 548	13 136	242
	TOTAL:	31.03.2014	1 972	10 841	11 503	308

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								
31.03.2014	48 679	15 564	3 112	17 687	4 556	89 598	10 730	100 328
31.12.2013	46 242	13 890	2 668	17 204	4 511	84 515	11 311	95 826
Liabilities								
31.03.2014	6 930	1 726	1 915	5 113	1 748	17 432	17 232	34 664
31.12.2013	6 380	1 126	1 912	4 744	1 774	15 936	17 905	33 841
Revenue								
External customers								
3M 2014	16 724	1 682	263	3 909	735	23 313	-	23 313
3M 2013	12 288	1 487	771	3 354	-	17 900	-	17 900
Inter-segment								
3M 2014	62	2 566	1 201	-	85	3 914	(3 914)	-
3M 2013	60	1 887	669	-	-	2 616	(2 616)	-
Total revenue								
3M 2014	16 786	4 248	1 464	3 909	820	27 227	(3 914)	23 313
3M 2013	12 348	3 374	1 440	3 354	-	20 516	(2 616)	17 900
Segment profit								
3M 2014	6 393	759	86	64	(40)	7 262	(2 779)	4 483
3M 2013	3 885	746	83	212	-	4 926	(1 700)	3 226

Reconciliation of profit

	3M 2014	3M 2013
	EUR '000	EUR '000
Segment profit	7 262	4 926
Unallocated financial income	309	221
Unallocated financial expenses	(1 173)	(115)
Other unallocated income and expense	(113)	(187)
Inter-segment elimination	(1 802)	(1 619)
Profit before tax	4 483	3 226

Reconciliation of assets

	31.03.2014	31.12.2013
	EUR '000	EUR '000
Segment operating assets	89 598	84 515
Unallocated long term assets	4 873	6 349
Unallocated short term assets	4 579	3 230
Cash managed on group level	1 278	1 732
Total assets	100 328	95 826

Reconciliation of Liabilities

	31.03.2014	31.12.2013
	EUR '000	EUR '000
Segment operating liabilities	17 432	15 936
Deferred tax liability	1 093	938
Interest bearing loans and borrowings	14 974	15 876
Current tax liabilities	673	336
Other unallocated liabilities and eliminations	492	755
Total liabilities	34 664	33 841

9. Dividends paid and proposed

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

10. Events after the reporting period

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