



JOINT STOCK COMPANY OLAINFARM

(UNIFIED REGISTRATION NUMBER 40003007246)

**UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE 9 MONTHS PERIOD ENDED 30 SEPTEMBER 2014**

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

Olaine, 2014

CONTENTS

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

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 (26.22%, till 23.07.2014 – 27.13%) Swedbank AS LV Clients account (1.16%), based on data on 17.04.2014 Swedbank AS EE Clients account (13.14%), based on data on 17.04.2014
Major subsidiaries	Latvijas Aptieka SIA – 100% equity share Silvanols SIA – 96.69% equity share (till 28.08.2014 - 70.88%)
Audit Committee	Viesturs Gurtlavs (from 29.04.2014) Žanna Karaseva (till 29.04.2014)
Financial year	1 January – 31 December 2014
Interim reporting period	1 January – 30 September 2014

Board

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

Valērijs Maligins

Valērijs Maligins is the Chairman of the Management Board of JSC Olainfarm. He has obtained a Doctoral Degree in Economics at NewPort International University, Baltic Center (2007), as well as a Master's Degree in economics and social sciences (University of Latvia, 2002), Bachelor's degree in economics and finances (RSEBAA 1998). V. Maligins has more than 25 years of experience in pharmaceutical sector and holds leading positions at JSC Olainfarm since 1997.

Positions held in other companies:

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

Participation in other companies:

SIA Lano Serviss (25.04%)
SIA Vega MS (60%)
SIA Briz (9.02%)
SIA Olfa Press (47.5%)
SIA Carbochem (50%)
SIA Aroma (99.21%)
SIA Olmafarm (100%)
SIA Escargot (33.50%)
SIA Olalex (50%)
SIA Energo Capital (50%)
OOO OLFA (0%, till 24.08.2014 - 51%)

Number of shares of JSC Olainfarm owned (as of September 30, 2014):

- directly: 3 693 371 (till 23.07.2014 – 3 821 266)
- indirectly (through SIA Olmafarm): 5 994 054
- total: 9 687 425 (till 23.07.2014 – 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 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, 2014): 500
(from 06.11.2014 - 1 450)

Inga Liščika

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

Positions held in other companies:

SIA Pharma and Chemistry Competence Centre of Latvia, Council Member

AS Lege Artis Rīga, Council Member (till 28.05.2014)

SIA First Class Lounge, Board Member

SIA Olalex, Board Member

SIA Carbochem, Board Member

Participation in other companies: none

Number of shares of JSC Olainfarm owned (as of September 30, 2014): 1 302

Salvis Lapiņš

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

Positions held in other companies:
SIA Baltic Team-Up, Procuration holder

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

Number of shares of JSC Olainfarm owned (as of September 30, 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 products' manager, and since July, 2009 till May, 2011 was the principal of the company's representative office in Belarus.

Positions held in other companies: none

Participation in other companies: none

Number of shares of JSC Olainfarm owned (as of September 30, 2014): 1 000

Council

The Supervisory Council of JSC Olainfarm is elected by the General Meeting of Shareholders for 5 years. The Supervisory Council is a supervising institution, representing interests of the shareholders between the meetings of shareholders. Main tasks of the Supervisory Council include supervising the Management Board, and these are the main requirements that are taken into account when shareholders propose new members of the Council.

The Supervisory Council sets the remuneration for the members of the Management Board, while the remuneration of the Council itself is set by the General Meeting of Shareholders.

Valentīna Andrējeva, Chairman of the Council

Valentina Andrējeva, the Doctor of Economics of the Riga Technical University (Dr.oec.) - 2006, and has also degree of Master of Economic Sciences in management of the enterprise activity, received at the Riga Technical University in 2011, a speciality of the engineer-economist which she received in 1976 at the Riga Polytechnical Institute.

Positions held in other companies:

JSC Riga Shipyard, Council Member (from 26.05.2014)

Participation in other companies: none

Number of shares of JSC Olainfarm owned (as of September 30, 2014): 0

Jelena Dudko, Deputy Chairperson of the Council

(submitted resignation from Council Member position on 12.11.2014)

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 (100%, till 25.08.2014 – 49%)

Number of shares of JSC Olainfarm owned (as of September 30, 2014): 0

Aleksandrs Raicis

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

Positions held in other companies:

SIA Briz, Board Member

Participation in other companies:

SIA VIP Pharma (50%)

SIA Recessus (30%)

SIA Briz (7.92%)

Number of shares of JSC Olainfarm owned (as of September 30, 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 September 30, 2014): 0

Gunta Veismane

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

Positions held in other companies:
University College of Economics and Culture, Rector

Participation in other companies: none

Number of shares of JSC Olainfarm owned (as of September 30, 2014): 0

Movements in the Board during the reporting period

None

Movements in the Council during the reporting period

The Deputy Chairperson of the Council Jelena Dudko submitted resignation from Council Member position on 12.11.2014

Major shareholders

	Share holding
Swedbank AS Clients Account	14.30%
Olmafarm, SIA	42.56%
V. Maligins	26.22%
Other shareholders	<u>16.92%</u>
Total	100.00%

Management report

General information

During the reporting period changes have been made to the composition of the Group. Since May 28, 2014, as a result of re-organising, the following companies have been excluded from the Commercial register and merged with SIA Latvijas Aptieka: SIA Esplanāde Farm, SIA Vita Plus Aptieka, SIA Veritas-Farm, SIA Teriaks Pļaviņu Aptieka, SIA Rudens Laiks, SIA Rudens 10, AS Lege Artis Rīga, SIA Juko 99, SIA Inula Farma, SIA Daugavkrasta Farmācija un SIA Baltā Aptieka IPI. Since September 16, 2014, as a result of re-organising, the following companies have been excluded from the Commercial register and merged with SIA Latvijas Aptieka: SIA Mana Aptieka, SIA Traumu Aptieka, SIA Trīsdesmit Seši un Seši, SIA Sabiedrības Ars Aptieka, SIA Priekules Aptieka un SIA Jaunjelgavas Aptieka. Thus, as of the end of the reporting period the Group consists from the parent company AS Olainfarm, its daughter companies SIA Ozols JRD, travel agency First Class Lounge and pharmaceutical retail companies SIA Latvijas Aptieka and SIA Elpas Aptieka. Since August 2014, AS Olainfarm owns 96.69% of shares in leading Latvian food supplement company SIA Silvanols. AS Olainfarm also owns 50% of shares in company Olainfarm Energija, that is engaged in production of electric energy using cogeneration technologies, but since AS Olainfarm does not have a decisive influence, this company is not consolidated into Group.

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

Corporate mission and vision

Corporate mission:

JSC Olainfarm is one of the biggest manufacturers of finished drug forms chemical products in the Baltics. The keystone of our work is manufacturing of reliable and effective high quality products to the whole world. We are about fair and effective cooperation with our customers – patients, doctors, pharmacists and other partners. In achievement of our goals we are creating a team of highly qualified, socially secured and well-motivated employees. Our priority is organizing an environmentally friendly manufacturing and constant increase of the Company's shareholders value.

Corporate vision:

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

Operational environment

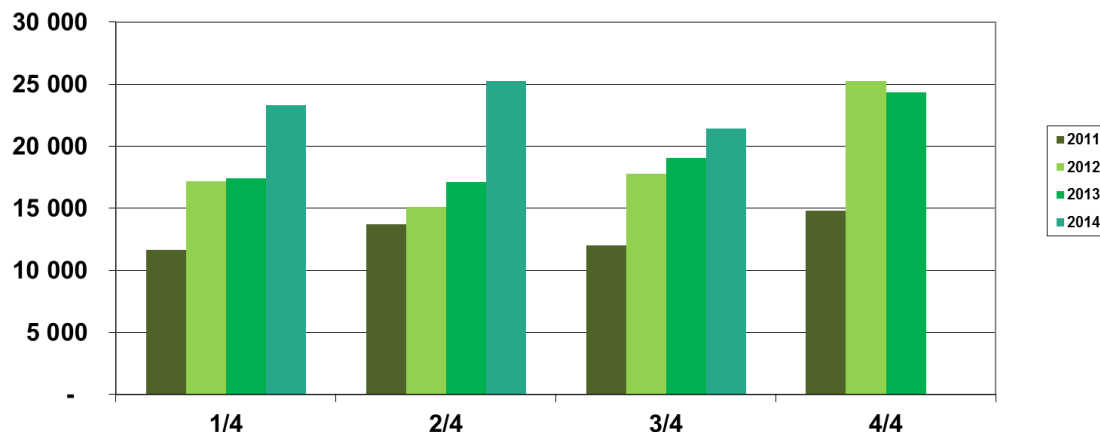
Retail and wholesale of pharmaceutical products is well controlled and regulated in all countries where company operates, therefore, unlike with many other sectors, it is much less subjected to significant political, conjuncture and even economic fluctuations. However, during the reporting period economic and political situation in of Ukraine deteriorated significantly and tensions between Russia and Ukraine intensified even further national currencies of both countries experienced significant devaluation. It resulted in different mutual sanctions between the EU and Russian Federation being applied and import of several categories of products (predominantly food) into Russia Federation from EU countries is significantly limited. So far the sanctions introduced by Russian Federation did not apply to medicines; therefore they left no adverse impact on sales of products of AS Olainfarm. Company's sales to Ukraine during the reporting period have been rather volatile, probably due to unstable political and economic situation in this country and due to particularly significant fall in value of Hryvnia.

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, after this devaluation a reduction of sales to this country can be observed, which might be related to the reduced purchasing power of Kazakhstani population.

Financial results

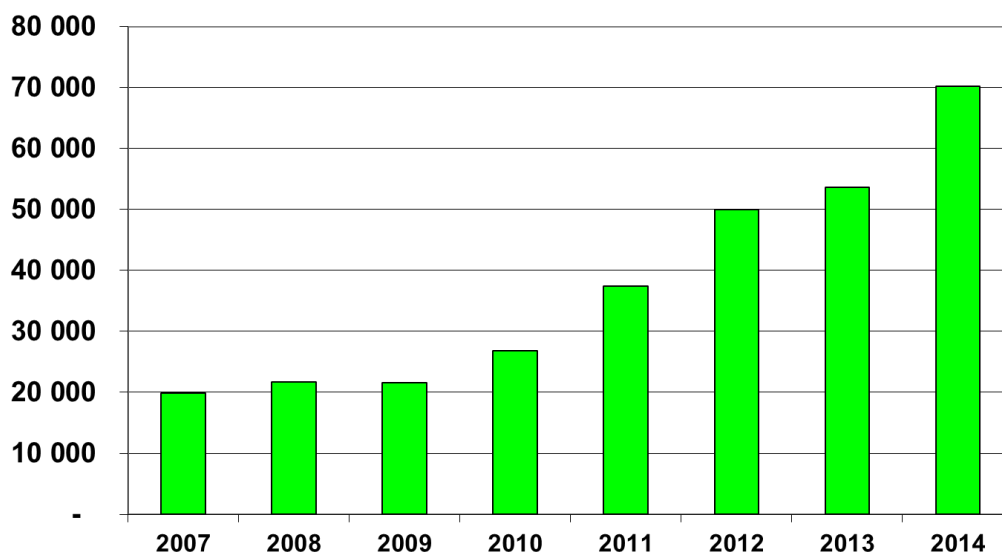
During the third quarter of 2014 sales volumes have grown by 12% compared to similar period of 2013 and reached 21.3 million euro. This makes this yet another best third quarter in corporate history, and one of the best quarters overall.

Sales by Quarters, Thsnd. Euro

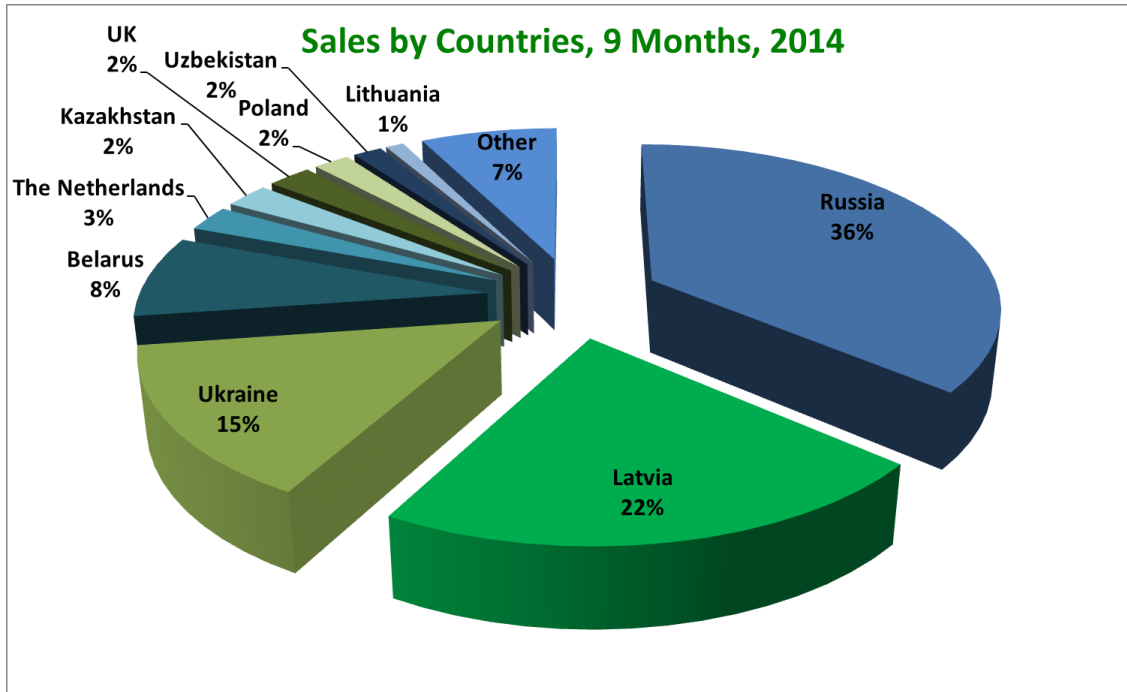


The nine months also have been the best nine months in corporate history in terms of sales. Consolidated nine months sales were 69.9 million euro, which is an increase by 30% compared to the same period of 2013.

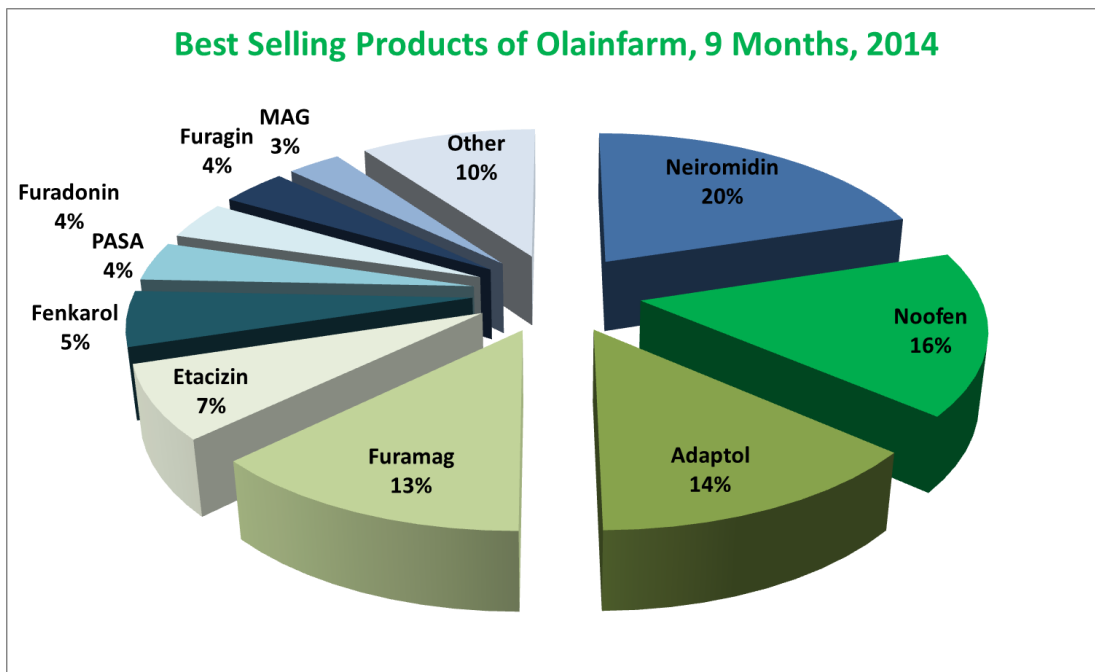
Sales in Nine Months, Thsnd. Euro



During nine months of 2014 sales to all company's main markets continued increasing except for Kazakhstan, where they shrunk by 11%, compared to the same period of 2013. To a large extent such reduction was caused by the above mentioned devaluation of Kazakhstan's currency, and the decline in sales slowed down during the third quarter. The most rapid sales increases during the reporting period were achieved to Poland, where sales grew by 714%, The Netherlands by 184%, Ukraine by 119%, and Lithuania by 94%, Uzbekistan by 102%. Major sales markets of AS Olainfarm during 9 months of 2014 were Russia, Latvia, Ukraine, Belarus and The Netherlands.



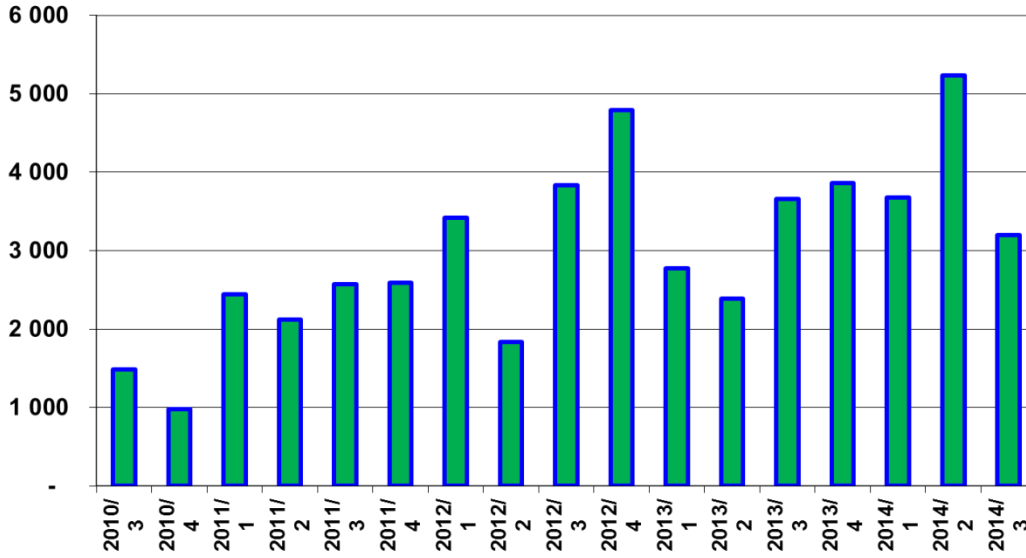
During the second quarter of 2014 no significant changes have occurred to the structure of bestselling products. Share of Neiromidin® has stabilised at the level of 20%, while share of Furamag, PASA, and Furagin have increased slightly. In general, this trend has added to better diversification and more even distribution of sales among leading products, thus further reducing dependency on one particular product.



Although, in terms of sales the company has experienced the best third quarter in its history and one of the best overall quarters, due to economic difficulties in two of its key markets, the Board has decided to create additional provisions of 700 thousand euros to provide for Russian and Ukrainian receivables. After such provisions the net profit of 3rd quarter of 2014 was 3.2 million euros, which represents a reduction by 12.5% compared to the third quarter of 2013.

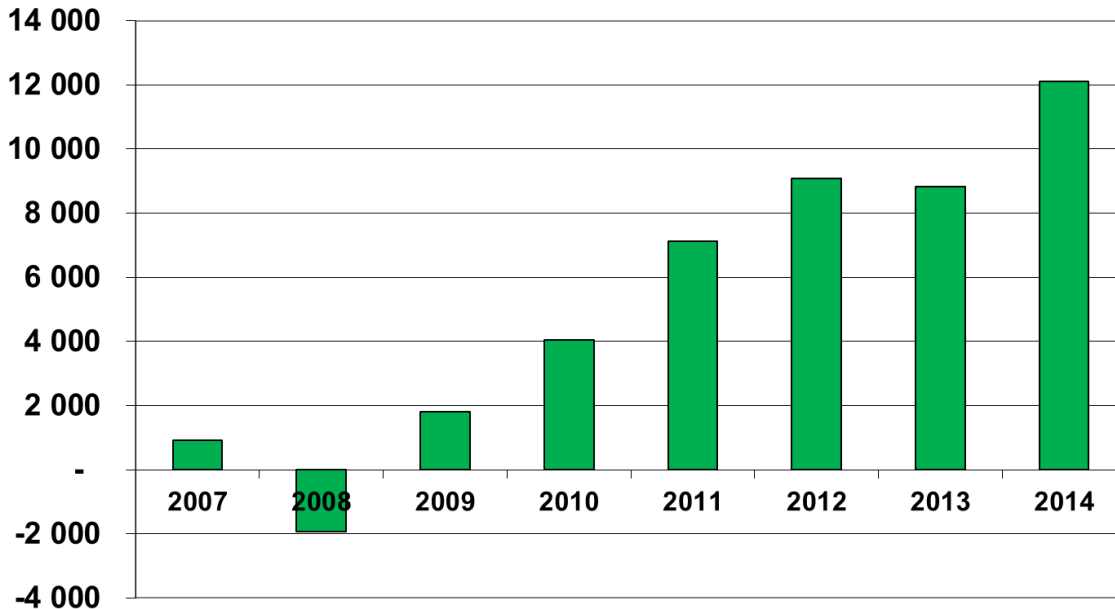
EUR '000

Profit by Quarters



Nine months of 2014 have been the most profitable nine months in corporate history. Despite the fact that during the reporting period a total provisions of 1.7 million euro have been made to provide for Russian and Ukrainian receivables, net of these provisions the company has made a profit of 12.1 million euros, which represents an increase by 37% compared to nine months of 2013.

9 Months Profit, Thsnd. Euro



This is how other indicators of the company have changed.

Financial indicator for period	01.01.2014 - 30.09.2014	01.01.2013 - 30.09.2013	% to previous period
Sales, EUR '000	69 891	53 636	130%
Net profit, EUR '000	12 106	8 831	137%
EBITDA, EUR '000	17 784	13 376	133%
EBIT, EUR '000	14 927	11 207	133%
Gross margin	67.2%	65.8%	
EBITDA margin	25.4%	24.9%	
EBIT margin	21.4%	20.9%	
Net margin	17.3%	16.5%	
EPS, EUR	0.86	0.63	137%

Financial indicator at the period end	30.09.2014	30.09.2013	% to previous period
Current ratio	3.3	2.6	
Share price at period end, EUR	7.09	6.92	102.5%
Market capitalisation, EUR '000	99 863	97 469	102.5%
P/B	1.4	1.7	

Financial indicator for 12 month	01.10.2013 - 30.09.2014	01.10.2012 - 30.09.2013	% to previous period
Net profit, EUR '000	16 007	13 636	117%
EBITDA, EUR '000	23 741	20 357	117%
ROA	16%	16%	
ROE	22%	24%	
P/E	6.2	7.1	

Annual meeting of shareholders of AS Olainfarm held on April 29, 2014 approved operating plan of the Group. According to it, sales of the Group in 2014 are planned to be 93 million euros, but the net profit will reach 15 million euros. According to this unaudited report for 9 months of 2014, during this period 75.2% of annual sales target and 80.7% 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 Riga, as during this period the price of share increased by more than 110%. 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 and during the second quarter it experienced a very rapid slide to about 6 euros per share, possibly because of Russia- Ukraine tensions. At the beginning of the third quarter the share price returned to the level of 8 euros, while at the end of the third quarter it mostly fluctuated around 7 euros per share. In general during the nine months of 2014 the share price fluctuated between 5.99 and 8.3 euros per share.

Share Price of Olainfarm, October 2011 – September 2014



During the first nine months of 2014 significant price volatility was experienced for shares listed on Nasdaq Riga and for the respective indexes. During this period price of nearly all equities listed on Nasdaq Riga fell. While OMX Riga index fell by 7.56%, share price of AS Olainfarm fell by mere 2.23%. Price of share of AS Olainfarm fell the least from all Latvian companies listed on Baltic Main list.

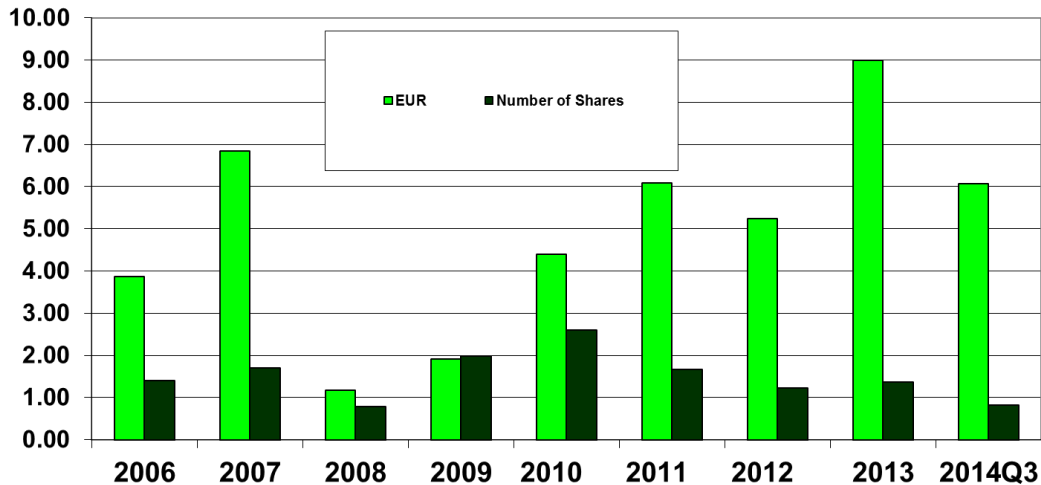
Rebased price of Olainfarm share vs. rebased OMX Riga index (Reporting period)



-- OMX Riga
-- AS Olainfarm

During nine months of 2014 more than 800 000 shares of AS Olainfarm worth more than 6 million euros were traded on Nasdaq Riga. Compared to the same period of 2013, the number of traded shares decreased by nearly 17%, while turnover has decreased by 6%. Turnover with the shares of AS Olainfarm made up nearly 60% of the total turnover of Latvian companies listed on Baltic Main list.

Trading of Shares on NASDAQ Riga, mln.



Development

During the 9 months of 2014 35 registration cases have been approved in several countries, including such untraditional countries for AS Olainfarm as Peru, Mongolia, Bhutan, Romania and Kosovo. Several products are still in the process of obtaining MAs, among other countries, in Turkey, registration processes have been launched in Bosnia and Herzegovina and other new markets. Preclinical trials of R-fenotropil are being conducted and totally new forms and line extensions of existing products are being developed. Among other things the company works at development of a new nootropic medication, new product of nitrofurantoin group and a new food supplement.

Future outlook

During 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.

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

Since sales to Russia and Ukraine combined make up about 50% of company's total sales, the company is very closely following the development of the conflict between these two countries. During the reporting period currencies of both countries have experienced significant loss of value, therefore the company expects moderate foreign exchange related loss, for which during the reporting period the company has already made provisions of 1.7 million euros. However, it is not expected that economic difficulties of both countries can cause any significant loss or threats to the company.

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

Environment

During nine months of 2014, data safety sheets have been prepared for 20 substances, and 12 internal environmental audits have been conducted, new procedures for waste management developed along with the new regulations on environmental aspects related to new products, technologies, reconstructions and other changes.

Social responsibility

During the third quarter of 2014 the company signed a cooperation agreement with Riga Stradins University, providing joint operations in development of innovative pharmaceutical products and tighter integration of curricula and practice.

The company also supported 10th music festival Summertime, numerous sports and cultural activities in the region of Olaine. AS Olainfarm is a long term supporter of music festival Rigas Ritmi, that traditionally invites both, worldwide celebrated musicians along with new and yet undiscovered artists.

Events after the end of the reporting period

On November 12, 2014, company received a resignation letter from the member of its Supervisory Council, Mrs. Elena Dudko. The resignation was explained with the necessity to spend more time on her basic activities in Ukraine, which, given the current situation, is requiring a lot more resources than before and therefore her ability to decently contribute to the operations of the Supervisory Council are limited.

On November 14, 2014, the Management Board of the Company announced that the extraordinary General Meeting of shareholders will be convened on December 17. The draft agenda of the meeting includes elections of the Supervisory Council, denomination of the share capital in euros as well as approval of unconsolidated annual report of AS Olainfarm for 2013 prepared according to IFRS.

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)


November 28, 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 Maligins
Chairman of the Board
(President)


November 28, 2014

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

Notes	01.07.2014 -	01.07.2013 -	01.01.2014 -	01.01.2013 -
	30.09.2014	30.09.2013	30.09.2014	30.09.2013
	EUR '000	EUR '000	EUR '000	EUR '000
Net revenue	21 328	19 080	69 891	53 636
Cost of goods sold	(7 647)	(6 896)	(22 918)	(18 337)
Gross profit	13 681	12 184	46 973	35 299
Selling expense	(6 504)	(4 439)	(19 617)	(14 792)
Administrative expense	(3 958)	(3 064)	(12 054)	(9 618)
Other operating income	533	1 181	1 514	2 324
Other operating expense	(188)	(997)	(2 005)	(2 006)
Share of profit of an associate	23	-	116	-
Financial income	42	83	124	93
Financial expense	(273)	(322)	(1 166)	(940)
Profit before tax	3 356	4 626	13 885	10 360
Corporate income tax	5 (455)	(963)	(2 134)	(1 538)
Deferred corporate income tax	5 296	-	355	-
Profit for the reporting period	3 197	3 663	12 106	8 822
Other comprehensive income for the reporting period	-	-	-	-
Total comprehensive income for the reporting period	3 197	3 663	12 106	8 822
Total comprehensive income attributable to:				
The equity holders of the Parent Company	3 180	3 672	12 106	8 831
Non-controlling interests	17	(9)	-	(9)
	3 197	3 663	12 106	8 822
Basic and diluted earnings per share, EUR	0.23	0.26	0.86	0.63

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

For the Board of JSC Olainfarm:


Valerijs Maligins
Chairman of the Board
(President)

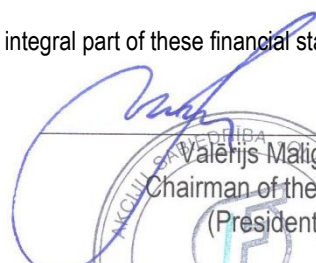

November 28, 2014


Interim consolidated statement of financial position

ASSETS	Notes	30.09.2014	31.12.2013
NON-CURRENT ASSETS		EUR '000	EUR '000
Intangible assets			
Goodwill		6 660	6 660
Patents		181	149
Pharmacy licenses and lease contracts		9 216	9 216
Other intangible assets		1 512	1 453
Prepayments for intangible assets		196	196
TOTAL		17 765	17 674
Property, plant and equipment			
Land, buildings and constructions		12 105	11 460
Equipment and machinery		10 590	5 918
Other tangible assets		2 299	2 274
Leasehold investments		224	269
Construction in progress		6 465	4 307
Prepayments for property, plant and equipment		1 477	2 698
TOTAL	6	33 160	26 926
Financial assets			
Investments in associated companies		329	211
TOTAL		329	211
TOTAL NON-CURRENT ASSETS		51 254	44 811
CURRENT ASSETS			
Inventories			
Raw materials		2 633	2 369
Work in progress		7 022	7 843
Finished goods and goods for resale		6 778	5 874
Prepayments for goods		175	206
TOTAL		16 608	16 292
Receivables			
Trade receivables and receivables from associated and other related		27 730	27 033
Prepayments to suppliers		273	609
Other receivables		805	1 843
Corporate income tax		-	775
Current loans to management and employees		3 859	2 174
Prepaid expense		474	194
TOTAL		33 141	32 628
Cash		1 835	2 097
TOTAL CURRENT ASSETS		51 584	51 017
TOTAL ASSETS		102 838	95 828

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

For the Board of JSC Olainfarm:


 Valerijis Maligins
 Chairman of the Board
 (President)



November 28, 2014

Interim consolidated statement of financial position

EQUITY AND LIABILITIES		30.09.2014	31.12.2013
EQUITY		EUR '000	EUR '000
Share capital		20 041	20 041
Share premium		2 504	2 504
Retained earnings:			
brought forward		38 257	26 632
for the period		12 106	12 732
	TOTAL	72 908	61 909
Non-controlling interests		9	78
	TOTAL EQUITY	72 917	61 987
LIABILITIES			
Non-current liabilities			
Loans from credit institutions		10 812	9 831
Deferred corporate income tax liabilities		1 942	2 297
Deferred income		1 424	535
Finance lease liabilities		99	201
	TOTAL	14 277	12 864
Current liabilities			
Loans from credit institutions		5 175	6 871
Finance lease liabilities		125	175
Prepayments received from customers		100	44
Trade and other payables		7 286	11 583
Taxes payable		773	656
Corporate income tax		300	-
Deferred income		145	174
Accrued liabilities		1 740	1 474
	TOTAL	15 644	20 977
	TOTAL LIABILITIES	29 921	33 841
TOTAL EQUITY AND LIABILITIES		102 838	95 828

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

For the Board of JSC Olainfarm:


 Valerijs Maligins
 Chairman of the Board
 (President)



November 28, 2014

Interim consolidated statement of cash flow

	01.01.2014 - 30.09.2014 EUR '000	01.01.2013 - 30.09.2013 EUR '000
Cash flows to/from operating activities		
Profit before taxes	13 885	10 360
Adjustments for:		
Amortization and depreciation	2 857	2 169
Loss/ (profit) on sale/ disposal of property, plant and equipment	20	(543)
(Decrease)/ increase in allowances	1 952	(654)
Income from investing activities in associate	(116)	-
Interest expenses	214	171
Interest income	(124)	(93)
Operating cash flows before working capital changes	18 688	11 410
Increase in inventories	(316)	(2 294)
(Increase)/ decrease in receivables and prepaid expense	(1 014)	1 284
(Decrease)/ increase in payables and prepayments received	(3 723)	1 188
Cash generated from operations	13 635	11 588
Interest paid	(214)	(171)
Corporate income tax paid	(1 608)	(2 552)
Net cash flows to/ from operating activities	11 813	8 865
Cash flows to/from investing activities		
Purchase of property, plant and equipment	(10 185)	(7 986)
EU grants received	999	375
Acquisition of subsidiary	(1 176)	(5 505)
Proceeds from sale of intangible assets and property, plant and equipment	37	930
Repayment of loans	77	-
Interest received	17	14
Loans granted	(1 683)	(1 483)
Net cash flows to/from investing activities	(11 914)	(13 655)
Cash flows to/from financing activities		
Dividends paid	-	(2 143)
Borrowings repaid	(4 575)	(2 957)
Proceeds from borrowings	4 414	8 361
Net cash flows to/from financing activities	(161)	3 261
Change in cash	(262)	(1 529)
Cash at the beginning of the year	2 097	2 550
Cash at the end of the reporting period	1 835	1 021

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		
Balance as at 31 December 2012	20 041	2 504	28 777	51 322	-	51 322
Profit for the reporting period	-	-	8 831	8 831	(9)	8 822
Other comprehensive income	-	-	-	-	-	-
Total comprehensive income	-	-	8 831	8 831	(9)	8 822
Business combination	-	-	-	-	261	261
Paid dividends	-	-	(2 142)	(2 142)	-	(2 142)
Balance as at 30 September 2013	20 041	2 504	35 466	58 011	252	58 263
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	-	-	(1 107)	(1 107)	(69)	(1 176)
Balance as at 30 September 2014	20 041	2 504	50 363	72 908	9	72 917

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 28 November 2014.

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

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

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

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

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

	EUR '000
Cash consideration paid to non-controlling shareholders	1 176
Carrying value of non-controlling interest in SIA Silvanols acquired	69
Difference recognised in retained earnings	1 107

During the reporting period reorganisation - merging process was performed in the course of which seventeen of AS Olainfarm owned pharmacies (acquiree) were merged into SIA Latvijas Aptieka (acquirer). On 28 May 2014 the first phase of the reorganisation process was completed in the course of which SIA Esplanāde Farm, SIA Vita Plus aptieka, SIA Veritas-Farm, SIA Teriaks Pļaviņu aptieka, SIA Rudens laiks, SIA Aptieka Rudens 10, AS Lege Artis Rīga, SIA Juko 99, SIA Inula Farma, SIA Daugavkrasta farmācija and SIA Baltā Aptieka I.P.I. were merged. On 16 September 2014 the second phase of the reorganisation was completed in the course of which SIA Mana aptieka, SIA Traumu aptieka, SIA Trīsdesmit seši un seši, SIA Sabiedrības Ars aptieka, SIA Priekules aptieka and SIA Jaunjelgavas aptieka were merged into SIA Latvijas Aptieka.

All the rights and obligations of the acquirees are transferred to the acquirer. Assets and liabilities of the acquired companies are reflected in the financial statements of SIA Latvijas Aptieka at their carrying value as at the date of the merging, excluding intercompany mutual balances and the difference recognising in prior year retained earnings. Due to the fact that all merged companies till the date of the reorganisation were part of the same Group, the performed reorganisation does not affect the financial results of the interim consolidated financial statements.

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.

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 2 134 thsd. EUR (9M 2013: 1 538 thsd. EUR) and decrease in deferred income tax expense of 355 thsd. EUR. Deferred income tax liability at the period end is 1 942 thsd. EUR (31.12.2013: 2 297 thsd. EUR).

6. Property, plant and equipment

During the reporting period AS Olainfarm has invested 2 390 thsd. EUR in the Nitrofurantoin Pharmaceutical Department project and there was also put into operation equipment and technology related to other EU projects in amount of 4 245 thsd. EUR.

During the reporting period AS Olainfarm has invested 1 662 thsd. EUR in the reconstruction of the production facility No. 22, creation of the new Fenibut production scheme.

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

7. Related party disclosures

Related party	Type of services		Goods and	Goods and	Amounts	Amounts
			received from	services	delivered to/	owed by
			related parties	Loans issued to	related parties	related
			EUR '000	related parties	(gross)	parties
				EUR '000	EUR '000	EUR '000
1. Associated entities						
SIA Olainfarm enerģija (AS Olainfarm share 50%)	Loan, services, energy production	31.12.2013 30.09.2014	532 308	72 47	256 183	152 35
SIA Pharma and Chemistry Competence Centre of Latvia (AS Olainfarm 11%, SIA Silvanols 19%)	Loan and project management services	31.12.2013 30.09.2014	85 62	365 81	514 595	6 7
		TOTAL: 31.12.2013	617	437	770	158
		TOTAL: 30.09.2014	370	128	778	42
2. Key management personnel						
V. Maligins (shareholder)	Loan	31.12.2013 30.09.2014	- -	2 104 1 812	2 108 3 910	- -
		TOTAL: 31.12.2013	-	2 104	2 108	-
		TOTAL: 30.09.2014	-	1 812	3 910	-
3. Entity with significant influence						
SIA Olmafarm (shareholder)	Loan and finished goods sale	31.12.2013 30.09.2014	- -	9 33	191 225	- -
		TOTAL: 31.12.2013	-	9	191	-
		TOTAL: 30.09.2014	-	33	225	-
4. Other Related companies						
SIA Vega MS (V. Maligins share 60%)	Security services, manufacture of windows	31.12.2013 30.09.2014	684 309	- -	- -	4 4
SIA Aroma (V. Maligins share 99.21%)	Loan and lease of premises	31.12.2013 30.09.2014	12 6	58 34	111 130	5 1
SIA Lano Serviss (V. Maligins share 25.04%)	Drycleaner's services	31.12.2013 30.09.2014	27 22	9 7	1 1	2 3
SIA Carbochem (V. Maligins share 50%)	Intermediary on sale of chemical products, loan	31.12.2013 30.09.2014	- -	- -	109 109	- -
SIA OLFA Press (V. Maligins share 47.5%)	Printing services	31.12.2013 30.09.2014	1 248 1 147	31 37	4 17	297 328
Olfa OOO (J.Dudko's share 100%)	Finished good sale	31.12.2013 30.09.2014	- -	10 743 9 957	11 278 11 776	- -
		TOTAL: 31.12.2013	1 971	10 841	11 503	308
		TOTAL: 30.09.2014	1 484	10 035	12 033	336

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								
30.09.2014	50 666	17 376	3 737	19 750	4 172	95 701	7 137	102 838
31.12.2013	46 242	13 890	2 669	17 204	4 511	84 516	11 312	95 828
Liabilities								
30.09.2014	7 497	1 925	1 355	3 274	1 521	15 572	14 349	29 921
31.12.2013	6 379	1 126	1 912	4 744	1 774	15 935	17 906	33 841
Revenue								
External customers								
9M 2014	52 194	3 748	914	11 113	1 922	69 891	-	69 891
9M 2013	36 615	4 939	973	10 367	742	53 636	-	53 636
Inter-segment								
9M 2014	207	8 210	4 244	-	289	12 950	(12 950)	-
9M 2013	718	6 007	2 885	-	-	9 610	(9 610)	-
Total revenue								
9M 2014	52 401	11 958	5 158	11 113	2 211	82 841	(12 950)	69 891
9M 2013	37 333	10 946	3 858	10 367	742	63 246	(9 610)	53 636
Segment profit								
9M 2014	16 229	963	253	232	(122)	17 555	(3 670)	13 885
9M 2013	12 694	1 014	352	1 091	(29)	15 122	(4 762)	10 360

Reconciliation of profit

	9M 2014	9M 2013
	EUR '000	EUR '000
Segment profit	17 555	15 122
Unallocated financial income	1 472	278
Unallocated financial expenses	(2 463)	(1 089)
Other unallocated income and expense	(186)	(359)
Inter-segment elimination	(2 493)	(3 592)
Profit before tax	13 885	10 360

Reconciliation of assets

	30.09.2014	31.12.2013
	EUR '000	EUR '000
Segment operating assets	95 701	84 516
Unallocated long term assets	3 457	6 349
Unallocated short term assets	2 068	3 231
Cash managed on group level	1 612	1 732
Total assets	102 838	95 828

Reconciliation of Liabilities

	30.09.2014	31.12.2013
	EUR '000	EUR '000
Segment operating liabilities	15 572	15 935
Deferred tax liability	769	938
Interest bearing loans and borrowings	14 464	15 876
Current tax liabilities	891	336
Other unallocated liabilities and eliminations	(1 775)	756
Total liabilities	29 921	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.