



## **JOINT STOCK COMPANY OLAINFARM**

(UNIFIED REGISTRATION NUMBER 40003007246)

**UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE 12 MONTHS PERIOD ENDED 31 DECEMBER 2015**

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

**Olaine, 2016**

**CONTENTS**

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

---

**General information**

Name of the Parent Company	OLAINFARM
Legal status of the Parent Company	JOINT STOCK COMPANY
Unified registration number, place and date of registration of the Parent Company	40003007246 Riga, 10 June 1991 (re-registered on 27 March 1997)
Registered office of the Parent Company	Rūpnīcu iela 5 Olaine, Latvia, LV-2114
Major shareholders of the Parent Company	SIA Olmafarm (42.56%) Valērijs Maligins (26.92%) Swedbank AS EE Clients account (11.99%) Swedbank AS LV Clients account (1.05%)
Major subsidiaries	Latvijas Aptieka SIA – 100% equity share Silvanols SIA – 96.69% equity share
Audit Committee	Viesturs Gurtlavs
Financial year	1 January – 31 December 2015
Interim reporting period	1 January – 31 December 2015

## Board

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

**Valērijs Maligins**

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

Positions held in other companies:  
SIA Olmafarm, Chairman of the Board

Hunting Club Vitkupe, Board Member  
SIA Ozols JDR, Board Member

Number of shares of JSC Olainfarm owned (as of December 31, 2015):

- 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 December 31, 2015): 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 December 31, 2015): 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 December 31, 2015): 1 000

Participation in other companies: none

**Inga Liščika** (Board Member until 20.11.2015)

Inga Liščika – a member of the Parent Company's Management Board and a Chief Executive Officer until 20.11.2015. 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).

## Positions held in other companies:

SIA Pharma and Chemistry Competence Centre of Latvia, Council Member

SIA First Class Lounge, Board Member (until 28.12.2015)

SIA Olalex, Board Member (until 04.01.2016)

SIA Carbochem, Board Member (until 28.12.2015)

Number of shares of JSC Olainfarm owned (as of December 31, 2015): 1 302

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 December 31, 2015): 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 Aroma Ltd. (1996 – 2000) and Grif Ltd. (2000 – 2001). Oļegs Grigorjevs has a degree in Economics from Moscow Institute of Communications and Informatics. Mr. Grigorjevs owns no shares of JSC Olainfarm.

Positions held in other companies:  
SIA Latvijas Aptieka, Chairman of the Board

Number of shares of JSC Olainfarm owned (as of December 31, 2015): 0  
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 December 31, 2015): 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 December 31, 2015): 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 December 31, 2015): 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 December 31, 2015): 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:

University College of Economics and Culture, Rector

Number of shares of JSC Olainfarm owned (as of December 31, 2015): 0

Participation in other companies: none

**Movements in the Board**

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

The Council made a decision effective on November 20, 2015 to release Inga Liščika from the position of Board Member and appoint Marjana Ivanova-Jevsejeva as a Board Member.

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**

	<b>Share holding</b>
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.

At the end of the reporting period the Group mainly consisted from the Parent company JSC Olainfarm, its subsidiaries pharmaceutical retail company SIA Latvijas aptieka, food supplement company SIA Silvanols and travel agency SIA First Class Lounge. In December 2014 in Kyrgyzstan a subsidiary named Olainfarm Azija was established, while in March 2015 a subsidiary Olainfarm-Lietuva in Lithuania was opened and in July 2015 subsidiary Olainfarm Azerbaijan was opened. Main activity of the new subsidiaries is promotion of products of JSC Olainfarm and its partners in respective markets. During the reporting period 100% of shares in SIA Nikafarm, SIA Aptieka Ālante, SIA Jāras Aptieka and SIA Nikapharm were acquired, these companies own pharmacies in Olaine, Plavinas, Ventspils and Vilaka respectively.

### 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.

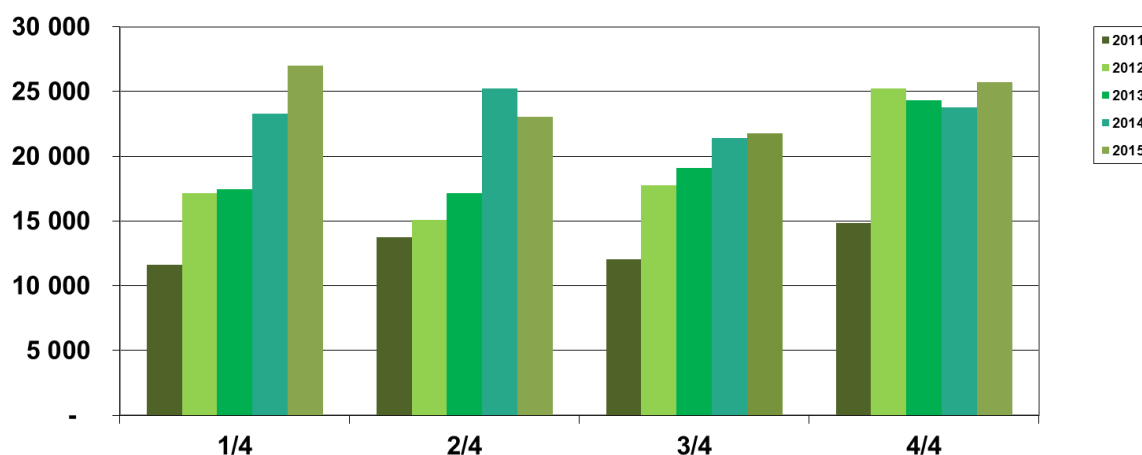
Company's Corporate Governance Report is available at [www.olainfarm.lv](http://www.olainfarm.lv).

### Operational environment

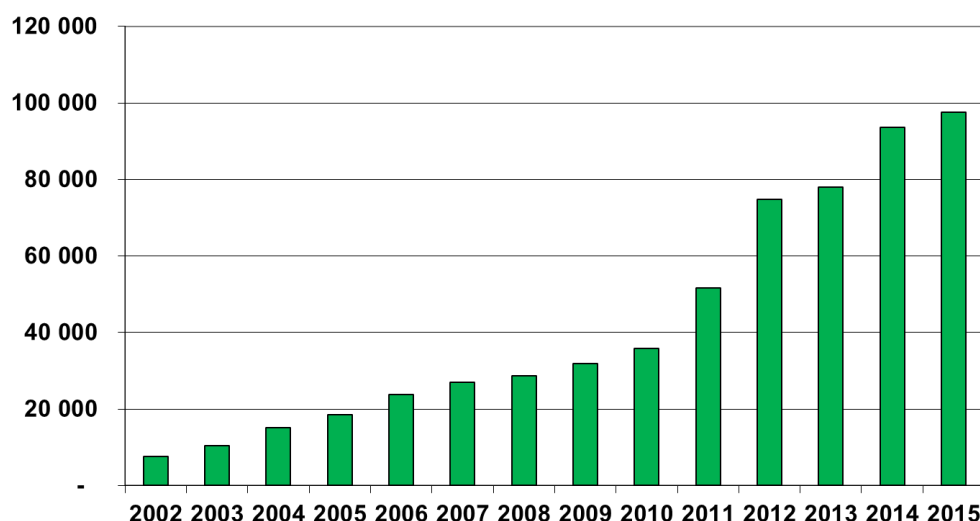
During the reporting period, the operational environment remained turbulent in all crucial CIS markets. Local currencies remained considerably turbulent in Russia, Belarus, Ukraine and Kazakhstan. Belarus continues tightening imports of several products, including pharmaceuticals. Only because of increased marketing activities, the company managed to maintain the same level of sales in Russia and increase sales a little in Kazakhstan (by 7%). Sales in Ukraine dropped by 7%, while sales to Belarus dropped by 19%.

**Financial results**

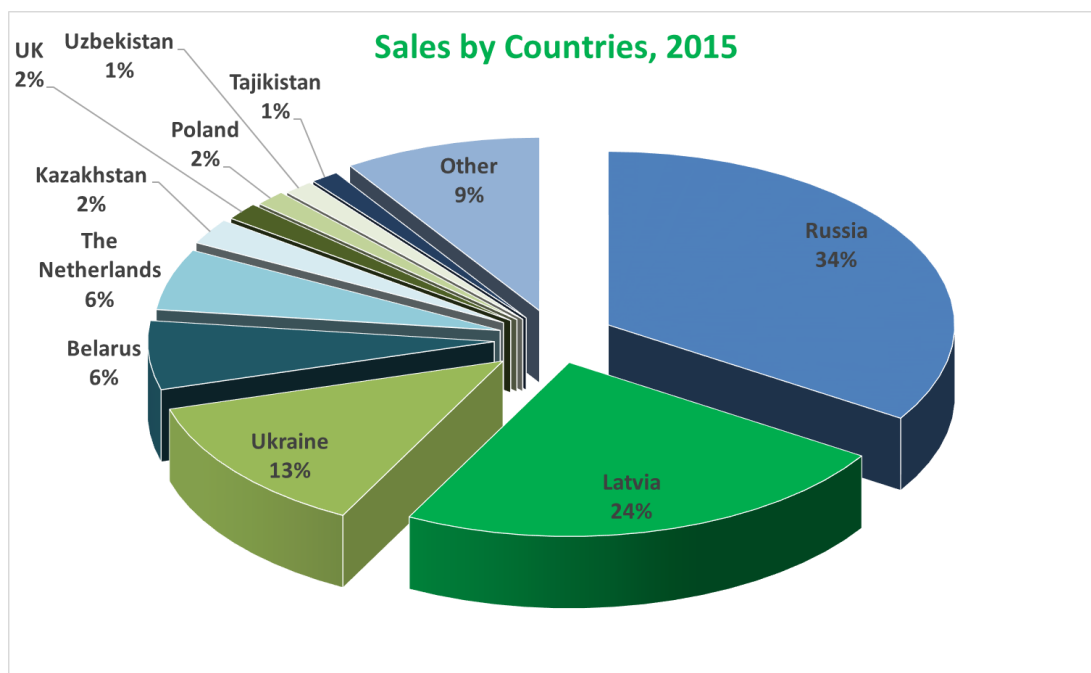
4th quarter of 2015 has in terms of sales been the best last quarter in corporate history, as sales of the Group reached 25.7 million euros, which exceeds the sales made during 4th quarter of 2014 by 8%. This has been achieved despite the fact that sales to many important markets, including, Ukraine, Belarus, UK and Poland were shrinking.

**Sales by Quarters, Thsnd. EUR**

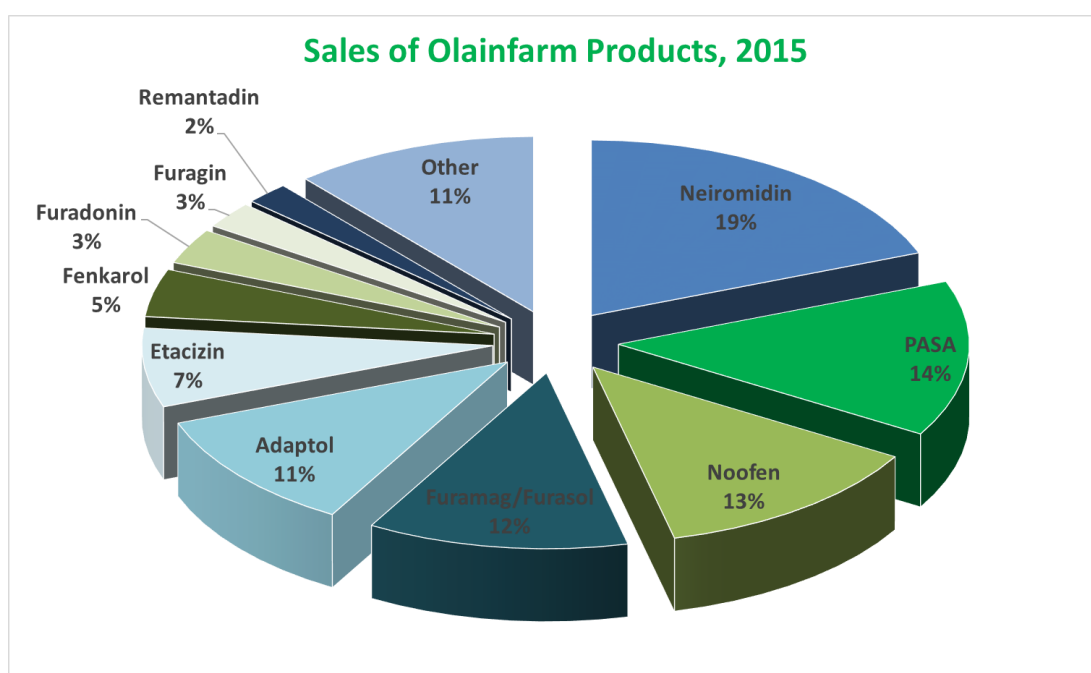
During 2015, the sales volumes grew by 4% compared to 2014 and reached 97.6 million euros. Although the annual sales target was not met, 2015 in terms of sales has been the most successful for the company so far. Successful operations in Latvia and Central Asian countries and good cooperation with the World Health Organization's anti-tuberculosis program are the key driving forces behind such increase.

**Annual Sales, Thsnd. EUR**

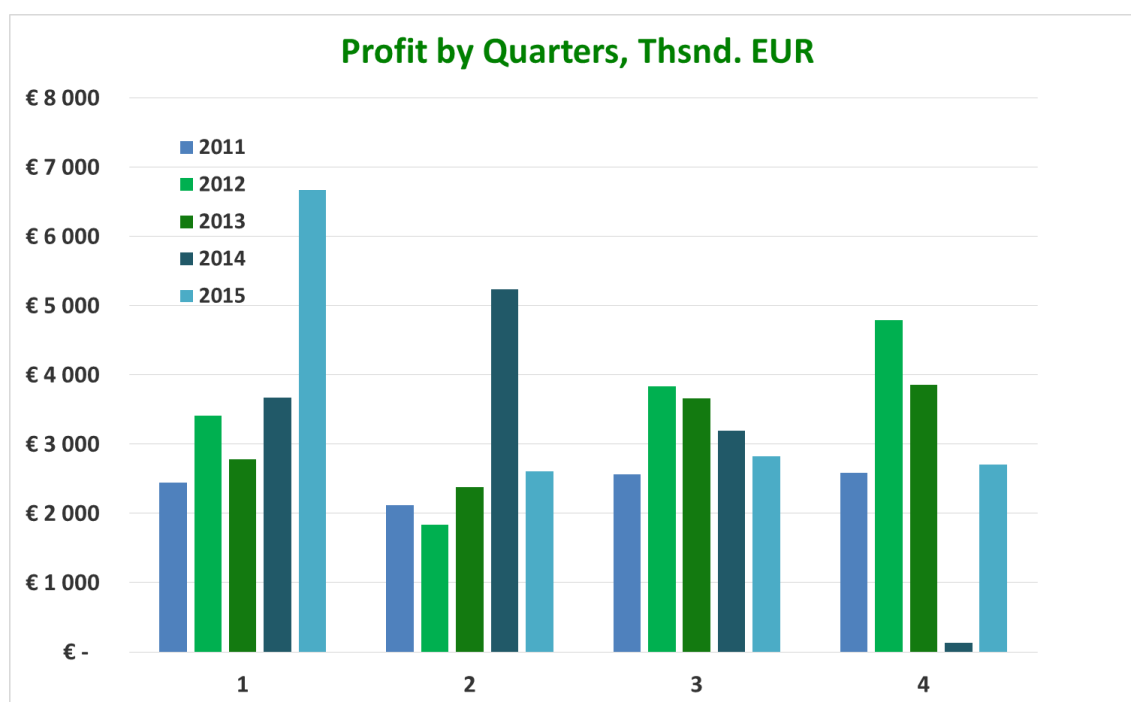
During nine months of 2015 Company's sales grew in Latvia (by 11%), The Netherlands (WHO shipments, by 107%), Kazakhstan (by 7%), Tajikistan (by 39%), Uzbekistan (by 3%) and other countries (by 23% on average). Sales have been shrinking to Ukraine (by 7%), Belarus (by 19%), UK (by 6%), Poland (by 13%) and Russia (by 1%). Sales split by countries has remained relatively unchanged with minor redistribution of shares among the biggest markets.



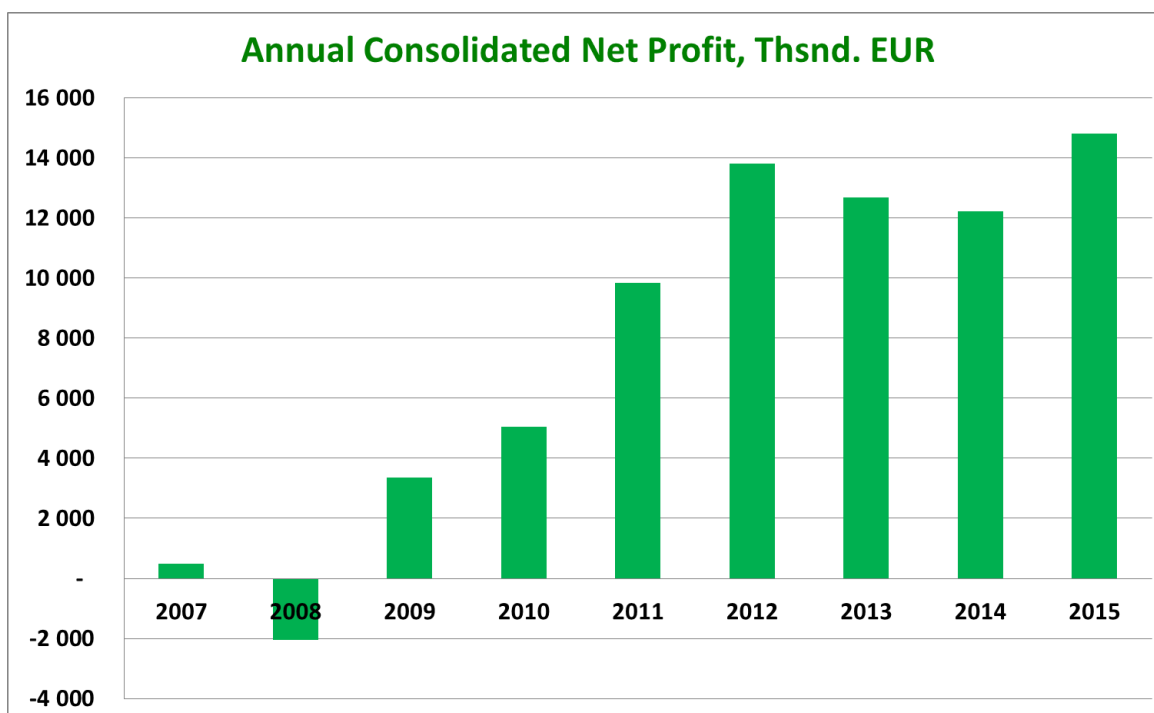
No significant changes have been occurring to the split of bestselling products of JSC Olainfarm in 4th quarter compared to the third quarter of 2015. Due to increased demand for anti-tuberculosis product PASA Sodium salt, this product has become the second best-selling product with a total share of 14% of all Olainfarm products sold. As volumes of MAG have been shrinking, this product is no longer among 10 bestselling products and is replaced by Rementadin. Share of all 10 bestselling products has also been shrinking a little as they all combined now make up 89% of sales of JSC Olainfarm products.



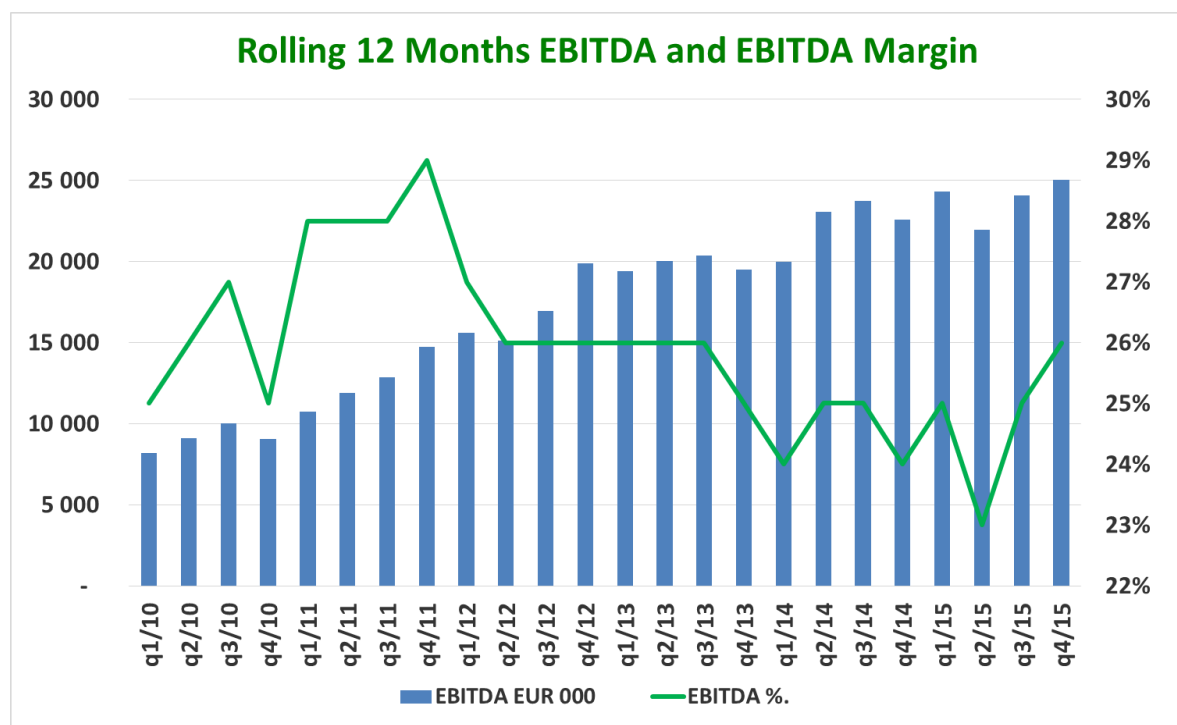
Although the 4th quarter was the best last quarter in corporate history in terms of sales, in terms of profit it is significantly lagging behind 4th quarters of 2012 and 2013. In 4th quarter of 2015 the decision has been made to make additional provisions for receivables from Ukraine worth 1.1 million euro due to depreciation of Ukrainian currency, and after these provisions, the remaining net profit was at the level of 2.7 million euros. Since results of the 4th quarter of 2014 were very adversely affected by devaluing Russian Rouble, which was much less significant in 2015, the quarter on quarter increase is particularly impressive at more than 2000%.



Because of very profitable first quarter of 2-15 and rather stable other quarters, not only has the company managed to exceed last year's profit, but it has also set a new annual profit record of 14.8 million euros. Although the profit target of 15 million is not reached, last year's profit has been surpassed by 21% and the profit of 2012, which previously has been the most profitable year, was surpassed by 7%.



Financial success is also reflected in company's EBITDA numbers. A new EBITDA record has been set in 2015 at the number exceeded 25 million for the first time. EBITDA margin has also returned to rather high level of 26%.



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

Financial indicator for period	2015	2014	% to previous period	2013
Sales, EUR '000	97 565	93 654	104%	77 956
Net profit, EUR '000	14 801	12 237	121%	12 732
EBITDA, EUR '000	25 057	22 564	111%	19 516
EBIT, EUR '000	18 945	18 384	103%	16 129
Gross margin	66.9%	68.3%		67.9%
EBITDA margin	25.7%	24.1%		25.0%
EBIT margin	19.4%	19.6%		20.7%
Net margin	15.2%	13.1%		16.3%
ROA	12.4%	11.5%		13.3%
ROE	16.9%	16.8%		20.6%
Current ratio	3.2	2.5		2.4
EPS, EUR	1.05	0.87	121%	0.90
Share price at period end, EUR	7.11	5.93	120%	7.06
P/E	6.8	6.8		7.8
Market capitalisation at period end, EUR '000	100 145	83 525	120%	99 441
P/B	1.1	1.1		1.6

Annual meeting of shareholders of JSC Olainfarm held on June 11, 2015 approved operating plan of the Group for 2015. According to it, sales of the Group in 2015 are planned to be 100 million euros, but the net profit will reach 15 million euros. According to this unaudited report for 2015, during this period 98% of annual sales target and 99% of annual profit target is met.

#### Shares and stock market

Stability of financial performance 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 35%. During the reporting period, share price mainly fluctuated between 67.00 EUR and 8.00 EUR per share, reaching its low of 5.81 per share at the beginning of the year. On June 1, 2015 the historic maximum of 8.70 EUR was reached. During the reporting period 2547 trades were made with Olainfarm's shares. During the preparation of this report, the share price fluctuates around 7.20 EUR.

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

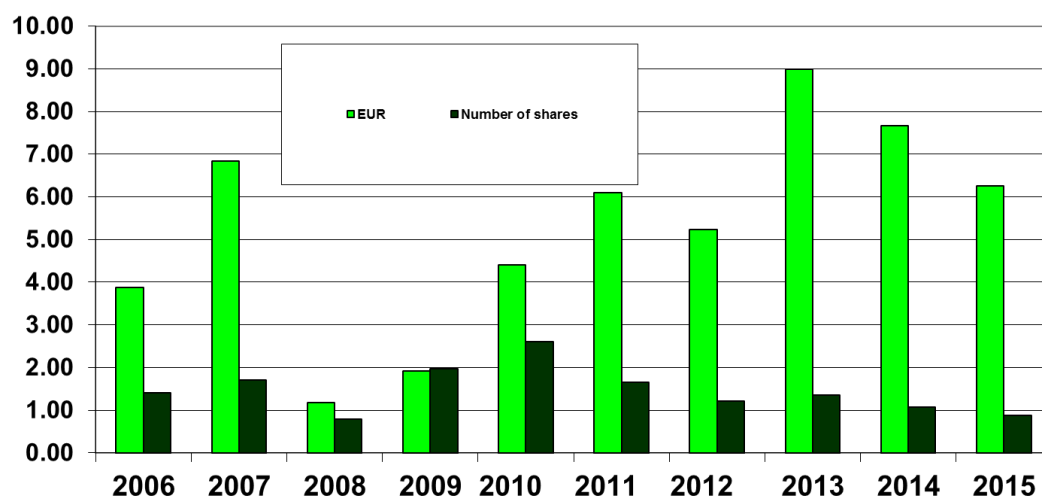
Up until the middle of September 2015 price of Olainfarm's share grew much faster than did OMX Riga index. However, expectations about buyback of Ventspils Nafta shares, among other things caused significant increase in value of the said index, after which OMX Riga has outperformed Olainfarm's share in terms of growth. As a result during the year price of Olainfarm's share grew almost by 22%, while OMX Riga index grew by 51%.

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

-- OMX Riga

-- JSC Olainfarm

### Trading of Shares on Nasdaq Riga, Mln.



During 2015 more than 876 000 shares of JSC Olainfarm worth more than 6.2 million euros were traded on Nasdaq Riga. Both of these indicators are falling for the second year in a row.

#### Development

During the reporting registration processes have been launched in Bosnia And Herzegovina; Vietnam, Myanmar; GMP audit by Turkish pharmaceutical authorities has been passed, and bioavailability tests for Turkish registration completed, allowing the company to proceed with registration in Turkey. New forms have been developed for Gripoflex 325 (with reduced content of paracetamol), ACC 200mg powder, and lactose free Memantine tablets of 10mg and 20mg. The work continues at development of new combined prolonged activity form of nitrofurantoin. Two new food supplements have been developed and registered in Baltic countries with urological and hepatological application. Food supplement Jogurt Babydrops has been registered in the Baltics and is planned for further registration in 14 countries.

During the 4th quarter alone 4 registration processes have been completed in Tajikistan, Turkmenistan and Moldova, files are being prepared for South Africa, Croatia and Iraq.

#### Future outlook

Taking into consideration the geopolitical reality and ever increasing protectionist tendencies a further diversification of sales markets increasingly is a priority. During 2015 and subsequent years company plans to continue all efforts targeted at implementation of new products, entering new markets, making a little more emphasis on cooperation with other producers in distribution of their products on CIS and other markets. After the end of the reporting period, the exports were commenced to Mongolia and Kosovo, registration processes in Turkey and other countries are successfully continuing. More attention is being paid to possible acquisition of a company, whose sales markets or products are significantly different from or synergic to those of JSC Olainfarm.

#### Environment

During the reporting period, data safety sheets have been prepared for almost 40 substances, more than 20 internal environmental audits have been conducted and preparations of design for new wastewater treatment facility with most environmentally friendly technologies is continued.

#### Social responsibility

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

Promoting health care and healthy practices JSC Olainfarm co organized Annual Health Awards and Annual Medical Awards, sponsored young tennis and football players, supported international Strongman Championship League, jogging festival Olaines Apli, and sports dance contest Dance Art Cup.

The company helped Inese Galante Foundation to continue searching for new musical talents in Latvia and supported celebrations



of Town Anniversary of Olaine.

Employees of JSC Olainfarm were active blood donors during Blood Donor's Day, co organized by the company semi-annually.

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

#### Events after the end of the reporting period

During January 100% of shares in companies SIA Rūpes Farm aptieka, owning one pharmacy in Riga and in SIA Kiwi Cosmetics, engaged in development and production of eco-cosmetics were acquired.

In February Marjana Ivanova- Jevsejeva left the position of Board Member of the Company by mutual agreement. She was replaced by long term Commercial director of the company Mr. Olegs Grigorjevs.

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)  


February 29, 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:



February 29, 2016

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

	Note	01.10.2015 - 31.12.2015	01.10.2014 - 31.12.2014	01.01.2015 - 31.12.2015	01.01.2014 - 31.12.2014
		EUR '000	EUR '000	EUR '000	EUR '000
Net revenue		25 704	23 763	97 565	93 654
Cost of goods sold		(8 723)	(6 765)	(32 311)	(29 683)
<b>Gross profit</b>		<b>16 981</b>	<b>16 998</b>	<b>65 254</b>	<b>63 971</b>
Selling expense		(7 610)	(8 380)	(27 894)	(28 037)
Administrative expense		(7 118)	(4 907)	(18 921)	(16 566)
Other operating income		1 984	708	3 833	1 893
Other operating expense		(297)	(999)	(3 445)	(3 030)
Share of profit of an associate		40	37	118	153
Financial income		61	63	259	187
Financial expense		(1 191)	(3 562)	(1 399)	(4 728)
<b>Profit before tax</b>		<b>2 850</b>	<b>(42)</b>	<b>17 805</b>	<b>13 843</b>
Corporate income tax	5	(110)	(132)	(2 805)	(2 266)
Deferred corporate income tax	5	(37)	302	(191)	657
<b>Profit for the reporting period</b>		<b>2 703</b>	<b>128</b>	<b>14 809</b>	<b>12 234</b>
<b>Other comprehensive income for the reporting period</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total comprehensive income for the reporting period</b>		<b>2 703</b>	<b>128</b>	<b>14 809</b>	<b>12 234</b>
Total comprehensive income attributable to:					
The equity holders of the Parent company		2 701	131	14 801	12 237
Non-controlling interests		2	(3)	8	(3)
		<b>2 703</b>	<b>128</b>	<b>14 809</b>	<b>12 234</b>
Basic and diluted earnings per share, EUR		0.19	0.01	1.05	0.87

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

For the Board of JSC Olainfarm:

  
 Valerijis Maligins  
 Chairman of the Board  
 (President)



February 29, 2016

**Interim consolidated statement of financial position**

ASSETS	Note	31.12.2015	31.12.2014
NON-CURRENT ASSETS		EUR '000	EUR '000
<b>Intangible assets</b>			
Goodwill		7 826	6 660
Patents		136	145
Pharmacy licenses and lease contracts		10 014	9 526
Other intangible assets		2 520	2 283
Prepayments for intangible assets		97	234
<b>TOTAL</b>		<b>20 593</b>	<b>18 848</b>
<b>Property, plant and equipment</b>			
Land, buildings and constructions		16 505	17 513
Equipment and machinery		12 303	10 102
Other tangible assets		2 269	2 384
Leasehold investments		133	226
Construction in progress		3 914	2 592
Prepayments for property, plant and equipment		467	1 857
<b>TOTAL</b>	6	<b>35 591</b>	<b>34 674</b>
<b>Financial assets</b>			
Loans to related and associated companies		79	173
Loans to management and shareholders		3 865	3 626
Investments in associated companies		484	365
Other non-current financial assets		434	70
<b>TOTAL</b>		<b>4 862</b>	<b>4 234</b>
<b>TOTAL NON-CURRENT ASSETS</b>		<b>61 046</b>	<b>57 756</b>
<b>CURRENT ASSETS</b>			
<b>Inventories</b>			
Raw materials		2 467	2 685
Work in progress		9 661	8 850
Finished goods and goods for resale		8 352	6 786
Goods in transit		65	-
Prepayments for goods		171	372
<b>TOTAL</b>		<b>20 716</b>	<b>18 693</b>
<b>Receivables</b>			
Trade receivables and receivables from associated and other related companies		27 397	26 022
Prepayments and prepaid expense		2 006	537
Other receivables		909	729
Loans to management, employees and shareholders		1 675	865
Loans to related and associated companies		-	66
<b>TOTAL</b>		<b>31 987</b>	<b>28 219</b>
<b>Cash</b>		<b>5 572</b>	<b>2 055</b>
<b>TOTAL CURRENT ASSETS</b>		<b>58 275</b>	<b>48 967</b>
<b>TOTAL ASSETS</b>		<b>119 321</b>	<b>106 723</b>

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

Valerijis Maligins  
Chairman of the Board  
(President)



February 29, 2016

**Interim consolidated statement of financial position**

<b>EQUITY AND LIABILITIES</b>		Note	31.12.2015	31.12.2014
<b>EQUITY</b>			EUR '000	EUR '000
Share capital			19 719	20 041
Share premium			2 504	2 504
Reserves			322	-
Retained earnings:				
brought forward			50 492	38 255
for the period			14 801	12 237
<b>TOTAL</b>			<b>87 838</b>	<b>73 037</b>
Non-controlling interests			30	8
<b>TOTAL EQUITY</b>			<b>87 868</b>	<b>73 045</b>
<b>LIABILITIES</b>				
<b>Non-current liabilities</b>				
Loans from credit institutions			8 223	10 192
Deferred corporate income tax liabilities			1 893	1 640
Deferred income			2 656	2 099
Finance lease liabilities			307	195
<b>TOTAL</b>			<b>13 079</b>	<b>14 126</b>
<b>Current liabilities</b>				
Loans from credit institutions			4 138	6 748
Finance lease liabilities			150	158
Prepayments received from customers			268	1 138
Trade payables and payables to associated and other related companies			5 780	7 979
Taxes payable			981	745
Corporate income tax			367	-
Deferred income			800	419
Accrued liabilities			5 890	2 365
<b>TOTAL</b>			<b>18 374</b>	<b>19 552</b>
<b>TOTAL LIABILITIES</b>			<b>31 453</b>	<b>33 678</b>
<b>TOTAL EQUITY AND LIABILITIES</b>			<b>119 321</b>	<b>106 723</b>

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

For the Board of JSC Olainfarm:

  
Valerijs Maligins  
Chairman of the Board  
(President)  


February 29, 2016

**Interim consolidated statement of cash flow**

	01.01.2015 - 31.12.2015 EUR '000	01.01.2014 - 31.12.2014 EUR '000
<b>Cash flows to/from operating activities</b>		
Profit before taxes	17 805	13 843
Adjustments for:		
Amortization and depreciation	6 112	4 180
Loss/ (profit) on sale/ disposal of non-current assets	748	154
Impairment of tangible and intangible assets	39	(32)
Increase/ (decrease) in allowances	3 180	1 939
Income from investing activities in associate	(118)	(153)
Interest expenses	213	254
Interest income	(259)	(187)
Income from EU projects' funds	(941)	(214)
Unrealised (gain)/ loss from fluctuations of currency exchange rates	717	2 649
<b>Operating cash flows before working capital changes</b>	<b>27 496</b>	<b>22 433</b>
Decrease/ (increase) in inventories	(2 392)	(2 439)
Decrease/ (increase) in receivables and prepaid expense	(3 590)	(1 229)
(Decrease)/ increase in payables and prepayments received	(3 429)	(3 164)
<b>Cash generated from operations</b>	<b>18 085</b>	<b>15 601</b>
Corporate income tax paid	(2 475)	(1 953)
<b>Net cash flows to/ from operating activities</b>	<b>15 610</b>	<b>13 648</b>
<b>Cash flows to/from investing activities</b>		
Purchase of intangible assets and property, plant and equipment	(8 166)	(12 975)
Receipt of EU grants	999	2 034
Acquisition of subsidiaries and shares	(1 462)	(1 176)
Proceeds from sale of intangible assets and property, plant and equipment	75	86
Repayment of loans	245	93
Interest received	390	18
Loans granted	(1 321)	(1 947)
<b>Net cash flows to/from investing activities</b>	<b>(9 240)</b>	<b>(13 867)</b>
<b>Cash flows to/from financing activities</b>		
Equity increase in subsidiary	14	-
Borrowings repaid	(6 277)	(5 201)
Interest paid	(213)	(254)
Proceeds from borrowings	3 236	5 798
<b>Net cash flows to/from financing activities</b>	<b>(3 240)</b>	<b>343</b>
<b>Change in cash</b>	<b>3 130</b>	<b>124</b>
Net foreign exchange difference	387	(95)
<b>Cash at the beginning of the year</b>	<b>2 055</b>	<b>2 026</b>
<b>Cash at the end of the reporting period</b>	<b>5 572</b>	<b>2 055</b>

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	EUR '000	EUR '000
<b>Balance as at 31 December 2013</b>	<b>20 041</b>	<b>2 504</b>	<b>-</b>	<b>39 364</b>	<b>61 909</b>	<b>78</b>	<b>61 987</b>
Profit for the reporting period	-	-	-	12 237	12 237	(3)	12 234
Other comprehensive income	-	-	-	-	-	-	-
Total comprehensive income	-	-	-	12 237	12 237	(3)	12 234
Acquisition of non-controlling interest	-	-	-	(1 109)	(1 109)	(67)	(1 176)
<b>Balance as at 31 December 2014</b>	<b>20 041</b>	<b>2 504</b>	<b>-</b>	<b>50 492</b>	<b>73 037</b>	<b>8</b>	<b>73 045</b>
Profit for the reporting period	-	-	-	14 801	14 801	8	14 809
Other comprehensive income	-	-	-	-	-	-	-
Total comprehensive income	-	-	-	14 801	14 801	8	14 809
Transfer to reserves	(322)	-	322	-	-	-	-
Issue of equity capital (SIA Silvanols)	-	-	-	-	-	14	14
<b>Balance as at 31 December 2015</b>	<b>19 719</b>	<b>2 504</b>	<b>322</b>	<b>65 293</b>	<b>87 838</b>	<b>30</b>	<b>87 868</b>

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 29 February 2016.

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

#### ***Basis of preparation***

The interim condensed consolidated financial statements for twelve months ended 31 December 2015 have been prepared in accordance with IAS 34 Interim Financial Reporting.

The interim financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements as at 31 December 2014.

The interim financial statements are presented in euro (EUR), the monetary unit of the Republic of Latvia since 1 January 2014, and rounded to the nearest thousand (EUR '000 or thsd. EUR).

The interim financial statements comprise the financial statements of the Parent Company and all its subsidiaries as at 31 December 2015.

#### ***Changes in accounting policy and disclosures***

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

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



**3. Business combination**

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

**Acquisition of pharmacies**

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

<b>Acquired entity</b>	<b>Jūras aptieka</b>	<b>Nikapharm</b>	<b>Aptieka Ālante</b>	<b>Nikafarm</b>	
Percentage of voting equity interest acquired	100%	100%	100%	100%	
Acquisition date	22.12.2015	11.11.2015	30.06.2015	14.04.2015	
	<b>Fair value recognized on acquisition</b>				<b>TOTAL</b>
	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000
<b>Assets</b>					
Premises lease agreement and licences	140	30	20	160	350
Property, plant and equipment	10	-	-	68	78
Cash and cash equivalents	2	9	-	14	25
Other receivables	1	1	-	11	13
Trade receivables	6	-	8	22	36
Inventories	29	-	-	32	61
	<b>188</b>	<b>40</b>	<b>28</b>	<b>307</b>	<b>563</b>
<b>Liabilities</b>					
Trade payables	(55)	-	(11)	(87)	(153)
Other current liabilities	(11)	(1)	(1)	(9)	(22)
Other long term liabilities	(6)	-	-	-	(6)
Deferred tax liabilities	(21)	(4)	(3)	(33)	(61)
	<b>(93)</b>	<b>(5)</b>	<b>(15)</b>	<b>(129)</b>	<b>(242)</b>
<b>Total identifiable net assets at fair value</b>	<b>95</b>	<b>35</b>	<b>13</b>	<b>178</b>	<b>321</b>
Goodwill arising on acquisition	405	20	59	682	1 166
<b>Purchase consideration transferred</b>	<b>500</b>	<b>55</b>	<b>72</b>	<b>860</b>	<b>1 487</b>
Goodwill comprises:					
- an increase in deferred tax from acquired net asset fair value and book value deference	21	4	3	33	61
- expected synergies and assembled workforce not recognised separately	384	16	56	649	1 105
<b>Analysis of cash flows on acquisition:</b>					
Net cash acquired with the subsidiary	2	9	-	14	25
Cash paid	(500)	(55)	(72)	(860)	(1 487)
<b>Net cash outflow</b>	<b>(498)</b>	<b>(46)</b>	<b>(72)</b>	<b>(846)</b>	<b>(1 462)</b>
<b>Effect of acquisition to the Group</b>					
Revenue contributed	-	-	5	340	345
Profit / (loss) before tax generated	-	-	(5)	8	3
<b>Estimated effect of acquisition if acquisition date had been as of the beginning of the year</b>					
Estimated revenue for whole period	331	89	68	506	994
Estimated profit / (loss) before tax for whole period	(22)	(9)	(12)	(19)	(62)

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

**Established subsidiaries**

On March 27, 2015 JSC Olainfarm established subsidiary UAB Olainfarm-Lietuva in Lithuania (100% of shareholding and voting power) and on July 9, 2015 established subsidiary in Azerbaijan OOO Olainfarm Azerbaijan (100% of shareholding and voting power). Main operations of the newly established entities relate to promotion of products made by the Group and its partners in these countries.

**Additional investment in SIA Silvanols**

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

**4. Impairments**

Goodwill is tested for impairment annually and when circumstances indicate the carrying value may be impaired. Goodwill acquired through business combinations has been allocated to SIA Latvija Aptieka Cash Generating Unit (Pharmacy CGU) and Silvanols CGU. Premises lease agreements and licences are fully related to Pharmacy CGU.

The recoverable amount of Pharmacy CGU is determined based on a value in use calculation using cash flow projections from financial budgets approved by the management of the Group. Applying the same key assumptions in value in use calculation as for the latest year end testing, management has not identified circumstances that indicate the carrying value of Pharmacy CGU related goodwill, premises lease agreements and licenses may be materially impaired at the date of these interim financial statements.

The recoverable amount of Silvanols CGU is determined based on the company's market value applying comparison method. Market values and financial data of similar companies operating in emerging Europe and Asia markets were analysed to establish the market value of Silvanols CGU. Average rate of market value to revenue of comparative companies was selected as multiple to calculate Silvanols CGU market value. The management has not identified circumstances that indicate the carrying value of Silvanols CGU related goodwill may be materially impaired at the date of these interim financial statements.

**5. Income tax**

The Group calculates the period income tax expense using the tax rate that would be applicable to the expected total annual earnings. The major components of income tax in the interim condensed income statement are corporate income tax 2 805 thsd. EUR (12M 2014: 2 266 thsd. EUR) and increase in deferred income tax expense of 191 thsd. EUR (12M 2014: decrease of 657 thsd. EUR). Deferred income tax liability at the period end is 1 893 thsd. EUR (31.12.2014: 1 640 thsd. EUR).

**6. Property, plant and equipment**

During the reporting period the Parent company has made investments in equipment and technologies in amount of 3 525 thsd. EUR in the course of EU financed project High Added Value Investments in Improvement of Chemical and Technological Processes. During the reporting period the EU project related equipment and technologies in amount of 3 675 thsd. EUR were put in operation.

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

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

## 7. Related party disclosures

Related party	Type of services		Goods and services	Goods and services	Amounts owed	Amounts owed
			delivered to/ Loans	received from	by related	to related
			issued to related	related parties	parties	parties
			parties	related parties	(gross)	(gross)
			EUR '000	EUR '000	EUR '000	EUR '000
1. Associated entities						
SIA Olainfarm enerģija (AS Olainfarm share 50%)	Loan, services, energy production	31.12.2014	83	481	215	62
		31.12.2015	59	449	83	25
SIA Pharma and Chemistry Competence Centre of Latvia (AS Olainfarm share 11%, SIA Silvanols share 19%)	Financing and project management services	31.12.2014	160	206	345	26
		31.12.2015	114	76	336	43
		TOTAL: 31.12.2014	243	687	560	88
		TOTAL: 31.12.2015	173	525	419	68
2. Key management personnel						
V. Maligins (shareholder)	Loan and travelling services	31.12.2014	2 052	-	4 140	-
		31.12.2015	1 423	-	5 062	-
		TOTAL: 31.12.2014	2 052	-	4 140	-
		TOTAL: 31.12.2015	1 423	-	5 062	-
3. Entity with significant influence						
SIA Olmafarm (shareholder)	Loan and finished goods sale	31.12.2014	38	-	229	-
		31.12.2015	75	-	304	-
		TOTAL: 31.12.2014	38	-	229	-
		TOTAL: 31.12.2015	75	-	304	-
4. Other Related companies						
SIA Vega MS (V.Maligins share 59.99%)	Security services, manufacture of windows	31.12.2014	-	429	-	4
		31.12.2015	-	503	-	-
SIA Aroma (V.Maligins share 99.21%, from 09.11.2015 - 100%)	Loan and lease of premises	31.12.2014	51	16	141	16
		31.12.2015	63	31	171	-
SIA Lano Serviss (V.Maligins share 25%)	Drycleaner's services	31.12.2014	10	31	1	3
		31.12.2015	12	31	1	3
SIA Carbochem (V.Maligins share 50%)	Loan and intermediary on sale of chemical products	31.12.2014	-	-	109	-
		31.12.2015	-	-	89	-
SIA Olfa Press (V.Maligins share 47.5%)	Printing services	31.12.2014	48	1 419	8	241
		31.12.2015	40	1 463	10	202
SIA Olalex (V.Maligins share 50%)	Finished goods sale, services	31.12.2014	36	76	-	-
		31.12.2015	58	122	-	33
Olfa OOO (J.Dudko's share 100%)	Finished goods sale	31.12.2014	10 566	-	10 374	-
		31.12.2015	7 411	-	9 276	-
		TOTAL: 31.12.2014	10 711	1 971	10 633	264
		TOTAL: 31.12.2015	7 584	2 150	9 547	238

**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
<b>Assets</b>								
31.12.2015	56 471	21 284	4 408	19 215	4 577	105 955	13 366	119 321
31.12.2014	52 738	15 507	3 284	16 882	4 015	92 426	14 297	106 723
<b>Liabilities</b>								
31.12.2015	6 675	2 366	1 134	5 232	1 228	16 635	14 819	31 454
31.12.2014	5 149	1 198	1 398	5 382	1 325	14 452	19 226	33 678
<b>Revenue</b>								
External customers								
2015	69 696	4 826	2 564	16 821	3 658	97 565	-	97 565
2014	69 958	3 977	1 738	15 226	2 755	93 654	-	93 654
Inter-segment								
2015	366	16 039	8 178	-	426	25 009	(25 009)	-
2014	250	16 071	5 695	-	491	22 507	(22 507)	-
<b>Total revenue</b>								
2015	70 062	20 865	10 742	16 821	4 084	122 574	(25 009)	97 565
2014	70 208	20 048	7 433	15 226	3 246	116 161	(22 507)	93 654
<b>Segment profit</b>								
2015	15 898	5 882	306	320	752	23 158	(5 353)	17 805
2014	14 562	5 596	293	536	499	21 486	(7 643)	13 843

**Reconciliation of profit**

	2015	2014
	EUR '000	EUR '000
<b>Segment profit</b>	<b>23 158</b>	<b>21 486</b>
Unallocated financial income	558	146
Unallocated financial expenses	(1 321)	(4 878)
Other unallocated income and expense	(3 772)	(1 573)
Inter-segment elimination	(818)	(1 338)
<b>Profit before tax</b>	<b>17 805</b>	<b>13 843</b>

**Reconciliation of assets**

	31.12.2015	31.12.2014
	EUR '000	EUR '000
<b>Segment operating assets</b>	<b>105 955</b>	<b>92 426</b>
Unallocated long term assets	6 810	10 910
Unallocated short term assets	1 387	1 587
Cash managed on group level	5 169	1 800
<b>Total assets</b>	<b>119 321</b>	<b>106 723</b>

**Reconciliation of Liabilities**

	31.12.2015	31.12.2014
	EUR '000	EUR '000
<b>Segment operating liabilities</b>	<b>16 635</b>	<b>14 452</b>
Deferred tax liability	566	439
Interest bearing loans and borrowings	11 674	15 385
Current tax liabilities	1 199	594
Other unallocated liabilities and eliminations	1 380	2 808
<b>Total liabilities</b>	<b>31 454</b>	<b>33 678</b>

**9. Dividends paid and proposed**

Shareholders of the Parent Company have decided not to distribute profit of the year 2014 and reinvest it in the Group's development. No dividends paid during the reporting period up to the authorisation of the interim financial statements.

**10. Events after the reporting period**

In January, 2016 the Group acquired 100% of shares in unlisted company registered in Latvia SIA Rūpes Farm aptieka. The company was acquired in order to increase retail coverage.

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