



# UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE 9 MONTHS PERIOD ENDED 30 SEPTEMBER 2020

Prepared in accordance with the requirements of the  
international financial reporting standards  
as adopted by the European Union

Olaine, 2020



**FORWARD**  
WITH THE  
NEW STRATEGY  
2020-2025

## Olainfarm Group

JSC Olainfarm is the leading manufacturer in the chemical and pharmaceutical sector of the Baltic States with more than 45 years of experience. Portfolio contains over 60 FDFs, 25 APIs and more than 20 Intermediates.

The key areas of specialization in FDFs include neurology, cardiology, infectiology and allergology. JSC Olainfarm has a long-standing technological and know-how advantage in adamantane, quinuclidine and nitrofurans chemistry.

JSC Olainfarm is certified in accordance with the requirements of the EU and Russia' Good Manufacturing Practice, ISO 14001:2015 Environmental Management System, in certain categories - in accordance with the U.S. standards (FDA), Australian standards (TGA), Japan standards (PMDA).



### CORPORATE MISSION:

We improve customers' lives and create value to our organization by providing sustainable healthcare products and services leveraging on our manufacturing and commercial expertise.

### VISION:

By the year 2025 we are the TOP 10 CEE manufacturing company sustainably delivering healthcare products and services in specific therapeutic areas in CEE, CIS and beyond.

## Corporate information

	Joint stock company OLAINFARM
Information on Parent company of the Group	Manufacturing and distribution of chemical and pharmaceutical products Unified registration number 40003007246 Registration: Riga, 10 June 1991 (re-registered on 27 March 1997) Address: Rūpnīcu iela 5, Olaine, Latvia, LV-2114
Largest subsidiaries (100%)	SIA Latvijas Aptieka – pharmacy chain SIA Silvanols – Latvian food supplement company SIA Tonus Elast – producer of elastic and compression medical products
Financial year	1 January – 31 December 2020
Interim reporting period	1 January – 30 September 2020

## Corporate Governance

### SUPERVISORY COUNCIL

(Elected for the term from 1 April 2019 to 31 March 2024)

<b>Gundars Bērziņš</b> Chairman of the Supervisory Council	Positions held in other companies: none Shareholding in other companies: SIA MeadowMe (99.96 %)
<b>Jānis Buks</b> Deputy chairman of the Supervisory Council	Positions held in other companies: SIA JV Holdings, Board member AS Spring Holding, Board member SIA LNK Asset Management AIFP, Chairman of the board AS Latvijas balzams, Member of the supervisory council (from 29 July 2020) Shareholding in other companies: SIA JV Holdings (50 %)
<b>Kārlis Krastiņš</b> Deputy chairman of the Supervisory Council (change of position on 22 September 2020) Member of the Supervisory Council (from 1 April 2019 to 22 September 2020)	Positions held in other companies: SIA Xiexie, Chairman of the board SIA Prudentia Advisers, Chairman of the board AS Prudentia, Chairman of the board SIA Prudentia Private Equity Partners, Board member SIA D & A Konsultanti, Board member (until 9 September 2020) SIA Pharma Invest, Board member (from 2 January 2020 to 8 April 2020) Shareholding in other companies: SIA Xiexie (100 %) SIA Prudentia Advisers (44.49 %) AS Prudentia (18.63 %) SIA Prudentia Private Equity Partners (100 % from 24 March 2020) SIA Tavs kapitāls 23 (80 % until 10 March 2020)
<b>Haralds Velmers</b> Member of the Supervisory Council	Positions held in other companies: SIA VH Invest, Board member (from 11 June 2020) Shareholding in other companies: SIA Compor (7.73 %) SIA Nami un būves (40 %) SIA VH Invest (100 % from 11 June 2020)
<b>Andrejs Saveļjevs</b> Member of the Supervisory Council	Positions held in other companies: SIA B28, Board member Shareholding in other companies: SIA RAAP (45 %) SIA Dzīvokļu īpašumi (16.67 % from 20 May 2020)







### AUDIT COMMITTEE

(Elected for the term from 1 April 2019 to 31 March 2022)

Members	Agris Auce - Chairman of the Audit Committee Kārlis Krastiņš - Member of the Audit Committee, Deputy chairman of the Supervisory Council Viesturs Gurtlavs - Member of the Audit Committee
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**MANAGEMENT BOARD**

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

	<p><b>Jeroen Hidde Weites</b></p> <p>Chairman of the Management Board Since 28 November 2019</p>		<p><b>Elena Bushberg</b></p> <p>Board member Since 5 December 2019</p>
	<p><b>Milana Beļeviča</b></p> <p>Board member Since 4 April 2019</p>		<p><b>Zane Kotāne</b></p> <p>Board member Since 2 July 2020</p>
	<p><b>Signe Baldere-Sildedze</b></p> <p>Board member Since 4 April 2019</p>		<p><b>Raimonds Terentjevs</b></p> <p>Board member Since 28 December 2017</p>

**CHANGES IN THE MANAGEMENT BOARD DURING THE REPORTING PERIOD**

Lauris Macijevskis	Board member until 12 June 2020
Mārtiņš Pūriņš	Board member until 1 August 2020

**Shares and Shareholders**

Share capital of JSC Olainfarm consists of 14 085 078 ordinary shares, which are listed on the Nasdaq Riga Baltic Main List. In the reporting period the total number of shares has not changed. The company does not own any treasury shares and no share buyback program has been approved.

ISIN	LV0000100501
Exchange Code	OLF1R
List	Riga, Baltic Official List
Nominal Value	1.40 EUR

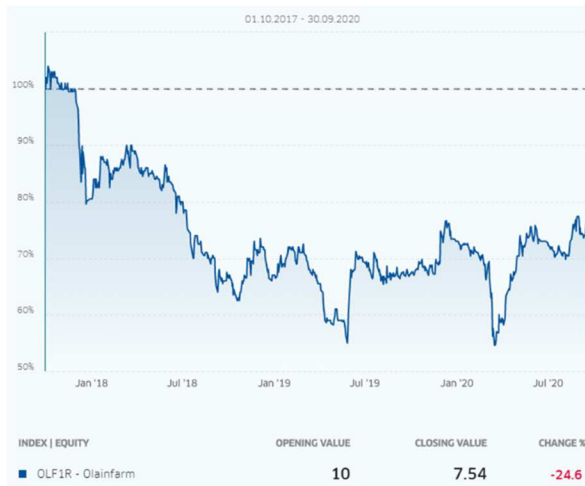
Total shares	14 085 078
Shares on public quotation	14 085 078

Source: Nasdaq Riga

**TRADING**

During nine months of 2020 JSC Olainfarm average share price was EUR 7.03 per 1 share and traded in a range of EUR 5.36 to 7.78 per share. During this period 8 365 transactions with 967 483 shares with total value of EUR 6 672 343.16 took place.

JSC Olainfarm share price changes for the past three years until the end of the reporting period

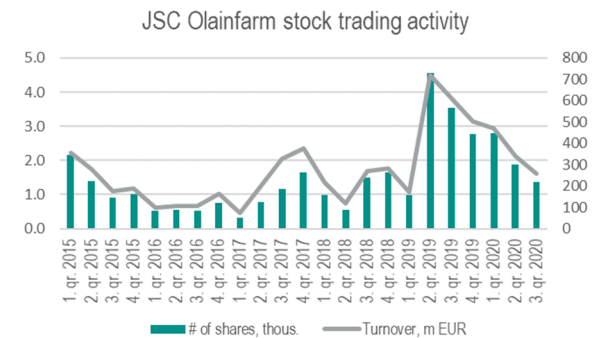


During the last 12 months until end of the reporting period OMX Riga index increased by 8.61 % and the share price of JSC Olainfarm increased by 12.2 %.

The next chart shows share price of JSC Olainfarm on the Nasdaq Riga stock exchange relative to OMX Riga index over the last 12 months until the end of the reporting period.



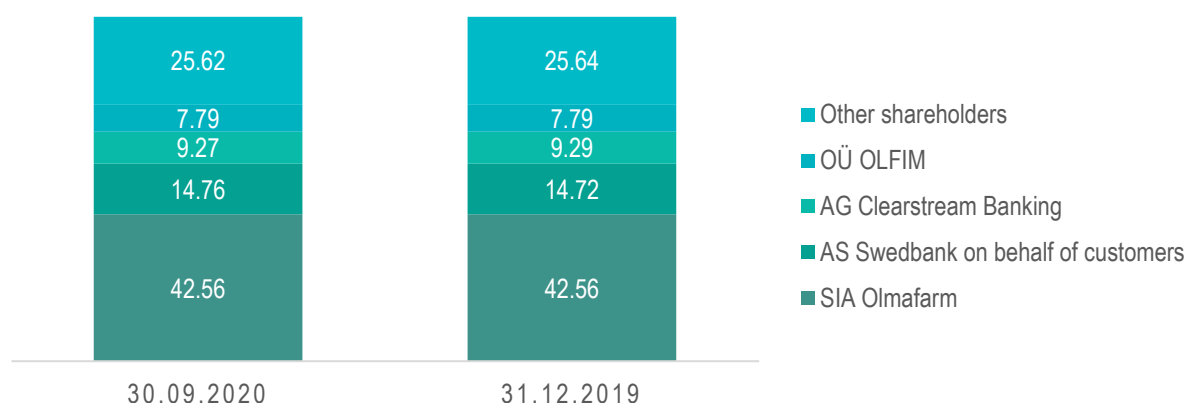
During the third quarter of 2020, more than 219 thousand shares of JSC Olainfarm, with a total value of EUR 1.6 million, were traded on Nasdaq Riga. Compared to the same period in 2019, the number of traded shares was lower by 61 %, while traded value was lower by 58 %.



## RESULTS OF SHARE TRADING

	2020 (9 months)	2019	2018
Share price (EUR):			
The first	7.30	6.70	8.05
Highest	7.78	7.80	9.10
Lowest	5.36	5.44	6.20
Average	7.03	6.75	7.71
The last	7.54	7.30	6.70
Changes (between the first and the last price)	2.42	2.36	2.90
Number of transactions	8 365	6 515	3 740
Shares traded	967 483	1 898 995	747 883
Turnover (mil. EUR)	6.67	12.54	5.51
Capitalization (mil. EUR)	106.20	102.82	94.37

## LARGEST SHAREHOLDERS



## JSC OLAINFARM SHARES OWNED BY THE GOVERNANCE STRUCTURE (30 SEPTEMBER 2020)

**Management Board**

Chairman of the Board	Jeroen Hidde Weites	None
Board member	Elena Bushberg	None
Board member	Milana Bejeviča	15
Board member	Zane Kotāne	None
Board member	Raimonds Terentjevs	None
Board member	Signe Baldere-Sildedze	directly: 297 manages 1 097 026 shares of JSC Olainfarm as a natural guardian of the minor shareholder Anna Emīlija Maligina

**Supervisory Council**

Chairman of the Supervisory Council	Gundars Bērziņš	3
Deputy Chairman the Supervisory Council	Jānis Buks	None
Deputy Chairman the Supervisory Council	Kārlis Krastiņš	None
Member of the Supervisory Council	Haralds Velmers	12
Member of the Supervisory Council	Andrejs Saveljevs	None

## Management Report

### OPERATING ENVIRONMENT

At the beginning of 2020, most of the Group largest markets showed positive trends in the business environment, based on the Group financial budget forecasts. But starting in February, the Covid-19 virus began to spread rapidly in Europe and other countries around the world. This created unprecedented social and economic challenges with a significant drop in business. The economies of the European Union and other countries are shrinking and are likely to show a drop in GDP and a rising unemployment rate in 2020. Currencies of developing countries lost their value against EUR in first nine months of 2020, for example, the value of the Russian Ruble dropped by 33%.

During the 1st quarter of 2020, the Group reviewed a list of cooperation partners in all the major markets in order to attain business with the largest and most stable Tier 1 wholesalers. At the beginning of this year there was a temporary disruption of sales in Ukraine but since February there has been an agreement in place with a new distributor.

In February, 2020 the Group established a subsidiary in Russia with the aim to facilitate promotion and distribution of products, market research and to increase JSC Olainfarm commercial presence, which previously were provided by third parties. This step allowed the company to better manage commercial processes and have better control over expenses. Operational kick-off and recruitment was slightly delayed by Covid-19 spring lockdown in Russia. In second quarter JSC Olainfarm executed mostly digital medical marketing, in August full team was placed and started full scale marketing operations since September 1.

### RUSSIAN RUBLE VALUE DECREASE, NEW TRACEABILITY REQUIREMENTS IN RUSSIA AND COVID19 ARE IMPACTING GROUP RESULTS IN 2020

It has been intended that since 1st January 2020 a new regulation would be enforced in Russia regarding traceability of medical products (the so called serialization) through the entire supply chain therefore the largest distributors of JSC Olainfarm purchased additional inventory of final dosage forms in order to safeguard sales during the 1st quarter of 2020. Such circumstances created additional sales of approximately EUR 6 million on top of the planned sales in the 4th quarter of 2019. In 2019, the goods were delivered to the cooperation partners and sales were recognized in the Group accounts, although the goods concerned were released for consumption in beginning of 2020 thus decreasing first quarter supplies to the Russian market. The introduction of the new framework has been postponed several times and entered into force since 1st July 2020 providing transitional period until 1st October 2020. It has been authorized to import unserialized products to Russia on receipt of special permit within transition period.

Due to introduction of traceability regulation on 1st July 2020 and to ensure availability of our products at Russian market, at the end of June substantial deliveries of EUR 8 million were sent to cooperation partners in Russia. Goods that were shipped at the end of June were placed in the market during the 3rd quarter 2020, and no new substantial deliveries were done to Russia in the third quarter. The Group has successfully introduced serialization requirements and since October shipments to Russia are done in compliance with the new regulation.

Despite negative trend in third quarter, the forecasted full year results remain as reported in 6 month interim statements.

### THE IMPACT OF COVID-19

Due to the fact that Latvia is one of the countries affected by Covid-19 the least, the final dosage forms segment was able to continue to operate successfully, providing a supply that is in line with the market demand. In this situation, the Group's vertically integrated mode of action was a major advantage in the ability to ensure the production of both chemical components and final dosage forms. It points out once again that full control of the production cycle is a competitive advantage to be used as a basis for the introduction of a new strategy. During the reporting period, the Group continued to implement the precautionary measures initiated during the first quarter in the production premises, the administration and sales structures.

Covid-19 world-wide penetration significantly hindered scheduled sales and marketing activity in several regions. The ability for medical representatives to conduct face to face meetings in some countries even until now remains limited, and the customers in the markets operated by the Group have a different level of readiness to on-line and digital promotion, thus replacing face-to-face meetings and off-line medical meetings with digital media did not provide the same level of effectiveness. Consequently, a number of markets did not carry out the planned necessary marketing activities. Another challenge is a decrease in consumer purchasing power to buy medical products, especially OTC ("over-the-counter" or non-prescription medications) and compression products. Largest changes in demand were experienced by the compression product segment, which carries products meant to be used after performing medical manipulation. Consumer purchasing power is a key factor in the decline in the OTC segment sales.

Several of the Group companies used the opportunity provided by the Latvian State to receive financial support for Covid-19 crisis mitigation and the motivation of medical personnel. In total, in 2020, the Group companies have received State financial support amounting to EUR 295 thousand.

## FINANCIAL RESULTS

Reported financial and alternative performance measure indicators represent main criteria used for information and performance analysis purposes and are presented or calculated based on the data disclosed in the Financial Statements and in the stock exchange [www.nasdaqbaltic.com](http://www.nasdaqbaltic.com) under ticker OLF1R. Neither the Parent Company or the Group has set the specific targets of the above indicators except for the Net revenue and the Net profit as the operating plan of the Parent Company and the Group for the reporting year. Information presented in this management report on sales by markets of the Group and sales by products of the Parent Company are direct components of the Net revenue providing additional dimension of the Net revenue for the performance of the reporting year as well as for the risk analysis purposes with comparative information described only in case of material changes.

Financial indicator for the period	01.01.2020 - 30.09.2020	% to prior period	01.01.2019 - 30.09.2019	01.01.2018 - 30.09.2018
Sales, EUR '000	88 893	90 %	98 774	89 505
Net Profit, EUR '000	5 150	27 %	19 198	7 454
EBITDA, EUR '000	18 130	75 %	24 219	14 795
EBIT, EUR '000	11 280	63 %	17 909	9 441
Gross margin	59.2 %		61.1 %	60.0 %
EBITDA margin	20.4 %		24.5 %	16.5 %
EBIT margin	12.7 %		18.1 %	10.5 %
Net margin	5.8 %		19.4 %	8.3 %
EPS, EUR	0.37	27 %	1.36	0.53

Financial indicator at the end of reporting period	30.09.2020	% to prior period	30.09.2019	30.09.2018
Current ratio	2.8		1.9	1.9
Share price at period end, EUR	7.54	112 %	6.72	6.75
Market capitalization, EUR '000	106 201	112 %	94 652	95 074
P/B	0.8		0.8	0.9

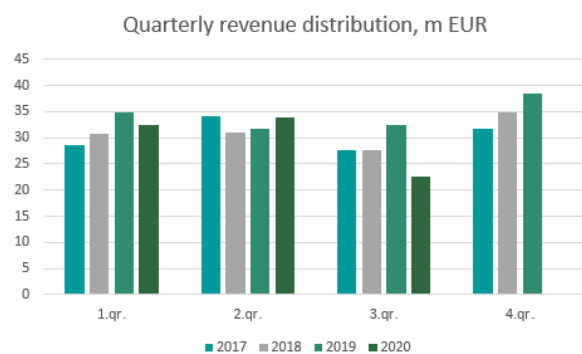
Financial indicator for 12 months until the end of reporting date	01.10.2019– 30.09.2020	% to prior period	01.10.2018– 30.09.2019	01.10.2017– 30.09.2018
Sales, EUR '000	127 338	95 %	133 525	121 197
Net profit, EUR '000	9 580	43 %	22 475	11 645
EBITDA, EUR '000	29 907	98 %	30 546	17 869
DSCR	5.3		2.7	1.9
Net Debt-to-EBITDA	-0.4		0.4	1.2
ROA	5.68 %		14.42 %	7.93 %
ROE	7.64 %		19.98 %	11.43 %
P/E	11.1		4.2	8.2



Additional data for EBITDA calculation	01.01.2020– 30.09.2020	% to prior period	01.01.2019– 30.09.2019	01.01.2018 - 30.09.2018
<b>Depreciation:</b>	<b>6 846</b>	<b>108 %</b>	<b>6 310</b>	<b>5 179</b>
Intangible assets	561	110 %	509	520
Fixed assets	4 967	110 %	4 511	4 632
Rights-of-use assets	1 291	111 %	1 167	-
Investment properties	27	22 %	123	27
<b>Value impairments:</b>	<b>4</b>		<b>-</b>	<b>-</b>
Intangible assets	-		-	-
Fixed assets	4		-	-
Investment properties	-		-	-

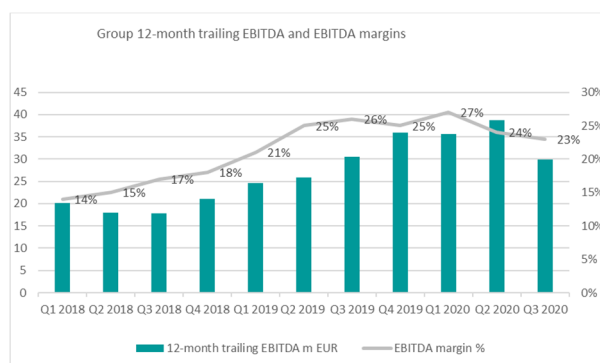
During nine months of 2020 the Group's sales reached EUR 88 893 thousand, which is 10% less than same period of last year. Gross profit, in turn, was EUR 52 590 thousand, which shows a decline by 7 735 thousand EUR or 12.8% compared to same time period last year. Decrease in gross profit is explained by timing change of Russian deliveries due to introduction of new regulation. Gross profit margin in 2020 is 59.2 %, which is 1.9 p.p. drop compared to 61,1 % reached same period last year.

Sales for the last 12 months (1 October 2019 – 30 September 2020) totaled up to EUR 127 338 thousand and it demonstrates a 4.6 % decrease compared to the same time period of last year (1 October 2018 – 30 September 2019). This financial indicator allows to even out the impact of one-off events over several quarters and is more appropriate as a long-term trend indicator.

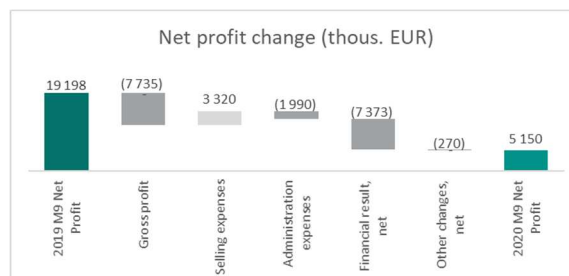


The Group's EBITDA figure for nine months 2020 was EUR 18 130 thousand, which is 25 % or EUR 6 089 thousand EUR less than the result of the same period of 2019. EBITDA margin of the Group is 20.4 %.

In the last 12 months the Group's EBITDA was EUR 29 907 thousand and EBITDA margin was 23.5 %.



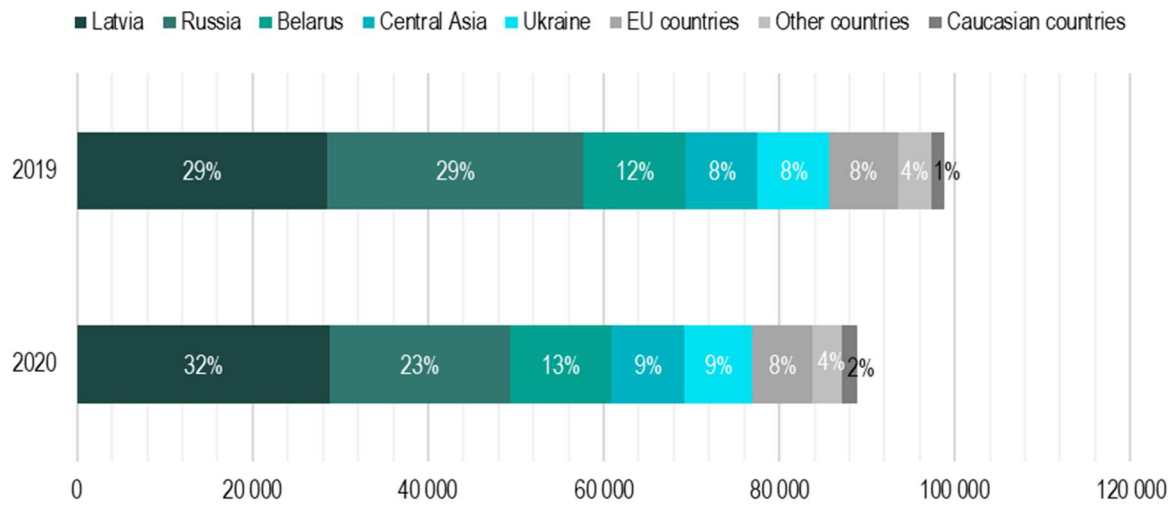
The profit of nine months was significantly influenced by a number of factors. The key impact for change in the profit relates to shipments to Russia done in last quarter 2019 for consumption in 2020, thus revenues and gross profit are less in 2020, compared to 2019. Selling expenses for the period decreased by EUR 3 320 thousand compared to 2019, as the marketing model in major markets was revised and there were physical limitations for performing marketing activities. The impact of exchange rate fluctuations (Russian Ruble drop by 33% in nine months 2020) is the second most significant negative factor compared to 2019. The forecasted full year profit of the Group remain as reported in 6 month interim statements – EUR 11.2 million.



**MARKETS**

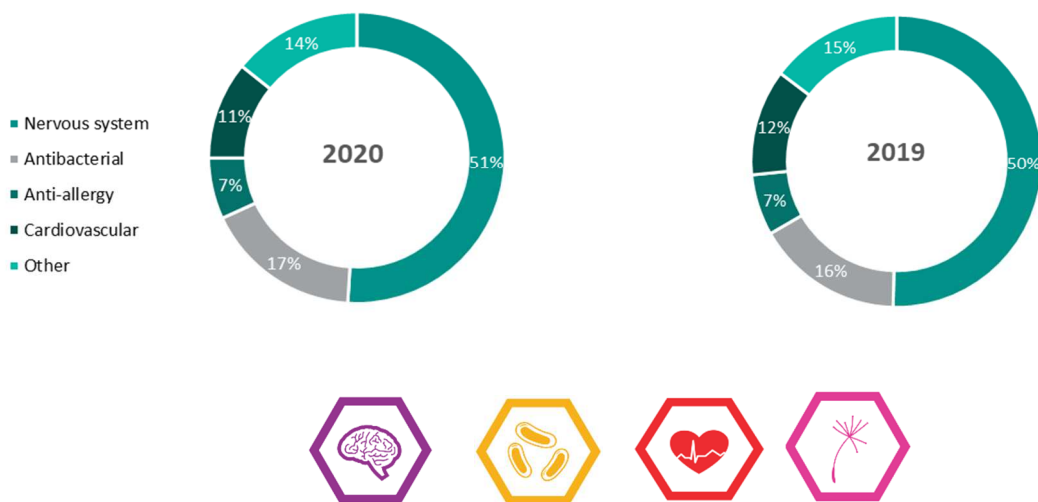
In 2020, the Group continued its ongoing activity in major markets. The highest sales in nine months in 2020 was in Latvia, reaching 28 738 thousand EUR, which is 232 thousand EUR or 1% higher than the same period year ago. Latvia sales represent 32% in Group revenues. Sales in Russia for the nine months period in 2020 amount to 20 590 thousand EUR which is decrease from 2019 due to extra one-off shipment at the end of 2019 for consumption in the first quarter 2020 amounting to 6 million EUR. Due to these factors total sales to Russia during nine months decreased by 8 540 thousand EUR or 29% compared to last year. Sales results in Belarus resulted in 270 thousand EUR or 2% decrease vs. prior year. Performance in Ukraine was negatively affected in January and February. Now the top brands in neurology, cardiology, and anti-infectives outperforming the market in the relevant therapeutic categories. Total nine months ratio in Ukraine still shows negative result due to gap in Noofen sales. Finally, Central Asia countries present sales increase by 254 thousand EUR or 3% vs same period of last year. .

Group sales in major markets during the first nine months of 2020 and the comparison with 2019 resulted in the following turnover breakdown:

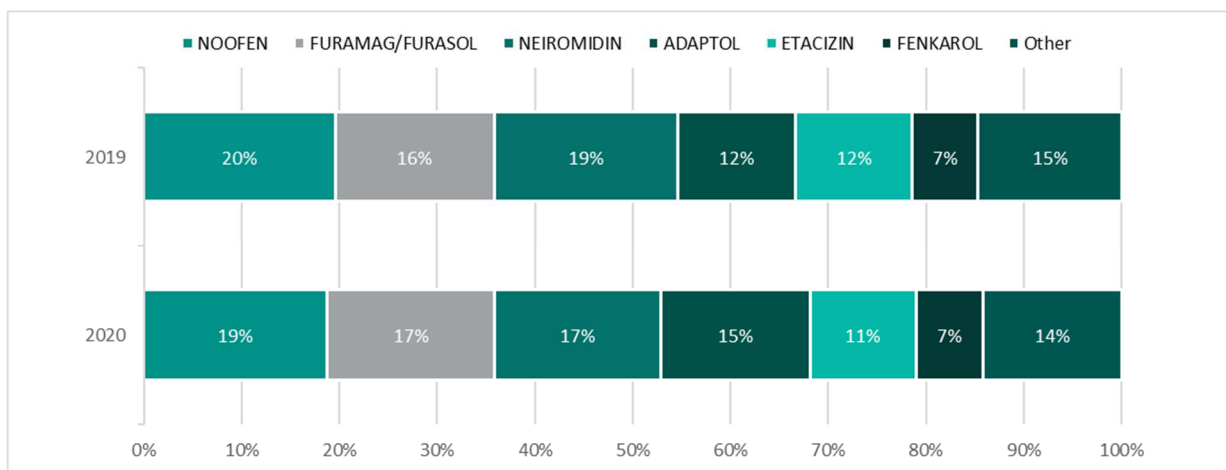


**PRODUCTS**

In 2020, the Group continued the marketing and development of primary therapeutic area medicinal products. The most important therapeutic areas for the Group are medicine for health of nervous system, antibacterial medicine, medicine for cardiovascular health and anti-allergy medicine.



The following chart shows JSC Olainfarm final dosage form sales of most demanded medicine in the reporting period, compared to nine months in 2019.



## BUSINESS SEGMENTS

Group's companies manufacture a wide range of pharmaceutical and chemical products, food supplements, compression materials, cosmetic products, as well as provide medical services, offer retail of medicines in pharmacies as well as act as wholesalers for other manufacturers' medical products.

Main Group's segments operated with profit in nine months of 2020. The largest profit before tax was generated by the medicine and chemical segment, which earned EUR 9 419 thousand, in wholesale the segment profit was EUR 1 668 thousand, retail (pharmacies) made EUR 336 thousand. The compression material segment generated a negative profit before tax of EUR 122 thousand, and also in other segments the profit before tax was negative and reached EUR 21 thousand.

### Medicine production segment

The main business segment is Medicine production segment. Final dosage forms are manufactured by the Parent company in Olaine. In addition, the Parent company manufactures chemical components that are sold to other pharmaceutical companies covering a wide geographical area. In nine months of 2020, segment' sales worth EUR 54 301 thousand, which is 12 % or EUR 7 568 thousand decrease if compared to the same time period of 2019. This segment's share in the Group's total revenue in the reporting period reached 60 %, which is 2 % decrease vs. prior year indicator.

### Pharmacies segment

Within the Group, SIA Latvijas Aptieka manages and develops pharmacies in Latvia where the Pharmacy segment in nine months of 2020 generated a revenue

increase by 4 % compared to the same time period of 2019 and reached EUR 19 694 thousand. This segment's share in the Group's total revenue during the reporting period increased to 22 % (+3 p.p.) compared to the same time period of 2019.

### Compression materials

Group's company SIA Tonus Elast manufactures a wide range of compression materials and sells products in Latvia and abroad. Revenue of this segment in nine months of 2020 was EUR 5 971 thousand that is a decrease by 33 % than the year before. This segment's share in the Group's total revenue in the reporting period was 5 % (-1 p.p).

### Wholesale

Within the Group, the Parent company manages the wholesale of medical products since it has a medicine wholesale license, which allows to purchase products from other manufacturers and to deliver them to SIA Latvijas aptieka as well as other cooperation partners. Revenue of this segment in nine months of 2020 was EUR 12 832 thousand, which is the same as last year result.

### Other

This segment combines SIA Silvanols, SIA DiaMed and SIA OlainMed medical facilities, the Belarussian manufacturing company NPK Biotest and others which generated EUR 7 980 thousand in revenue in nine months of 2020 and is 13 % less than in the same period of 2019. This segment's share in the Group's total revenue during the reporting period was 8 % (-1 p.p).

## INVESTMENTS AND DEVELOPMENT (R&D)

In nine months of 2020, investments were made in the project co-financed by the EU "Reduction of Greenhouse Gas Emissions by Reconstruction JSC Olainfarm Refrigeration station and its Engineering System". In the framework of this project, the conversion works of the production shop No 6, the supply and assembly of the cold station technological equipment and the reconstruction work of the external cold nets of the cold station have been carried out. Objective of the project: increasing energy efficiency and improving the technical situation.

During the reporting period, investments have been made in pre-clinical and clinical trials, including the EU co-financing of the "Pre-clinical and clinical trials" project. The investments made are fully financed by the Group's cash flow.

In nine months of 2020, four Phase 1 clinical trials (pharmacokinetics and bioavailability) were completed, while one Phase 1 clinical trial was deferred to H1 2021, taking into account the Covid-19 pandemic and following the guidelines issued by the European Medicines Agency in the implementation of clinical trials on 20 March 2020.

Four Phase 3 clinical trials are scheduled in 2020. Within the limits and risks associated with the Covid-19 pandemic, the implementation of Phase 3 clinical trials (clinical part) is scheduled to start in 2021.

During the reporting period, investments have also been made in the reconstruction of production facilities as well as in the modernization of production equipment.



## FINANCIAL AND LIQUIDITY MANAGEMENT

The Group's financial position during nine months in 2020 is stable. The Group's successful operations allowed it to accumulate EUR 29 991 thousand in cash at the end of September 2020. This is a significant precondition to limit the effect of uncertainty within the sales markets as well as allows to safeguard supply of raw materials in order to maintain stable operations. Also accumulated cash allows continued financing for fixed asset investments as well as investments into research and development activities linked to completing clinical trials.

The Group continues cooperation with AS SEB banka where the Group has short-term exposure as well available credit line facility and with AS BlueOrange Bank where it has a long-term loan.

The Group's Debt service coverage ratio (DSCR) in the nine months of 2020 was 5.3. Net Debt-to-EBITDA ratio was -0.4 due to cash balance exceeding net debt.

## SOCIAL RESPONSIBILITY

In Q3 2020, JSC Olainfarm was actively involved in Covid-19 development risk mitigation measures, promoting the quality of health care and the protection of public health in general.

In order to provide support for the treatment of persons infected by the Covid-19 virus and taking into account the emergency situation announced in the country, JSC Olainfarm made a decision regarding the provision of aid to the VSIA Paula Stradiņa klīniskā universitātes slimnīca in the purchase of lung artificial ventilation equipment for the treatment of persons infected by the Covid-19 virus amounting to EUR 100 thousand. Similarly, JSC Olainfarm transferred to the medical treatment institution half a ton of isopropyl alcohol to be used for disinfecting purposes and to limit the outbreak of the Covid-19 virus.

In the interests of the health of the residents of Olaine municipality and the restriction of the spread of Covid-19 infection, the municipality of Olaine, in cooperation with JSC

Olainfarm, carried out an informative campaign by distributing materials prepared by the Ministry of Health, in which people were reminded of how they can protect themselves and others, as well as containing other useful information.

In cooperation with the Latvian Institute of Organic Synthesis (OSI), a production technology for synthesis of the active pharmaceutical substance is being developed to limit the spread of the disease caused by Covid-19, followed by technological approval and introduction in production at JSC Olainfarm. It is planned to acquire the active pharmaceutical substance. The next step is developing manufacturing technology for the ready-made pharmaceutical form. Medicinal products on the Latvian market could be registered after the completion of the documentation process. The project has just been launched and the research process is ongoing. Successful implementation of

the project depends on the clinical adjunctive effects and effectiveness of the medicinal product.

While continuing to support students at the Riga Stradiņa University (RSU) Pharmaceutical Faculty, the RSU Alumni Association, in cooperation with JSC Olainfarm, has been

awarding JSC Olainfarm Excellence grants for the tenth year in a row. Monthly grants of EUR 200 for the entire fifth year of the pharmaceutical program have been awarded to three students on a competitive basis.

#### EVENTS AFTER REPORTING DATE

On 12 October 2020 JSC Olainfarm received a Russian certificate of Good Manufacturing Practice which confirms the Company's care for the quality system, including the maintenance of requirements for the production and quality control of medicines, and compliance with the market of Russia. The receiving of the certificate gives the opportunity for the company to fully continue operations in Russia, which is one of JSC Olainfarm key export markets.

On September 22, 2020 the General Meeting of Shareholders of JSC Olainfarm decided to pay dividends to shareholders in amount of EUR 4 507 thousand. Dividends payout was processed on 9 October, 2020. Minority shareholders have initiated the court case to question decision of the General Meeting of Shareholders to approve annual accounts for 2019.

Since the end of the reporting period until the approval date of these financial statements there have been no other significant events with effect on the financial position or financial results of the Group as at the balance sheet date.

On behalf of the Management Board of JSC Olainfarm:

(signature)  
\_\_\_\_\_  
Jeroen Hidde Weites  
*Chairman of the Management Board*

(signature)  
\_\_\_\_\_  
Zane Kotāne  
*Member of the Management Board*

November 30, 2020

**DEFINITIONS**

**DSCR** – EBITDA / Debt service payments (Inc. Interest)

**EBIT** - Profit before tax and before finance income, finance expense for the reporting period

**EBITDA** - Profit before tax and before finance income, finance expense, depreciation and amortization charge, incl. non-financial asset value impairments, for the reporting period

**FDA** – Food and Drug Administration

**OTC** – Over The Counter

**P/E** – Share Price / Net Profit per 1 share

**ROA** – Net Profit / Average Asset value

**ROE** – Net Profit / Average Equity Value

**TGA** – Therapeutic Goods Administration

## 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.

On behalf of the Management Board of JSC Olainfarm:

(signature)  
Jeroen Hidde Weites  
*Chairman of the Management Board*

(signature)  
Zane Kotāne  
*Member of the Management Board*

November 30, 2020

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

	01.01.2020 - 30.09.2020	01.01.2019 - 30.09.2019
	EUR '000	EUR '000
Revenue	88 893	98 774
Cost of goods sold	(36 303)	(38 449)
<b>Gross profit</b>	<b>52 590</b>	<b>60 325</b>
Selling expenses	(19 036)	(22 356)
Administrative expenses	(22 457)	(20 467)
Other operating income	1 990	1 577
Other operating expenses	(1 796)	(1 262)
Share of (loss) / profit of an associate	(11)	92
Finance income	57	2 093
Finance expense	(6 040)	(703)
<b>Profit before tax</b>	<b>5 297</b>	<b>19 299</b>
Corporate income tax	(184)	(100)
Deferred corporate income tax	37	(1)
<b>Profit for the reporting period</b>	<b>5 150</b>	<b>19 198</b>
<b>Other comprehensive income for the reporting period</b>		
<i>Other comprehensive income to be reclassified to profit or loss in subsequent periods, net of tax:</i>		
Exchange differences on translation of foreign operations	(646)	271
<b>Other comprehensive (loss) / income for the reporting period, net of tax</b>	<b>(646)</b>	<b>271</b>
<b>Total comprehensive income for the reporting period, net of tax</b>	<b>4 504</b>	<b>19 469</b>
Profit attributable to:		
The equity holders of the Parent company	5 150	19 198
Non-controlling interests	-	-
	<b>5 150</b>	<b>19 198</b>
Total comprehensive income attributable to:		
The equity holders of the Parent company	4 504	19 469
Non-controlling interests	-	-
	<b>4 504</b>	<b>19 469</b>
Basic and diluted earnings per share, EUR	0.37	1.36

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

On behalf of the Management Board of JSC Olainfarm:

(signature)  
\_\_\_\_\_  
Jeroen Hidde Weites  
Chairman of the Management Board

(signature)  
\_\_\_\_\_  
Zane Kotāne  
Member of the Management Board

November 30, 2020



## Interim consolidated statement of financial position

ASSETS	30.09.2020	31.12.2019
NON-CURRENT ASSETS	EUR '000	EUR '000
<b>Intangible assets</b>	40 086	38 422
<b>Property, plant and equipment</b>	41 488	42 442
<b>Right-of-use assets</b>	6 854	7 069
<b>Investment property</b>	226	253
<b>Other long-term investments</b>		
Investments in associated companies	414	504
Loans to management, employees and shareholders	225	203
Prepayments and next period expenses	3	10
Other non-current assets	1	1
Deferred corporate income tax assets	83	64
TOTAL	<u>726</u>	<u>782</u>
<b>TOTAL NON-CURRENT ASSETS</b>	<b>89 380</b>	<b>88 968</b>
<b>CURRENT ASSETS</b>		
<b>Inventories</b>		
Raw materials	5 947	5 209
Work in progress	11 873	10 170
Finished goods and goods for sale	12 224	12 210
Prepayments for goods	746	658
TOTAL	<u>30 790</u>	<u>28 247</u>
<b>Receivables and other current assets</b>		
Trade receivables	16 993	31 280
Prepayments and next period expenses	1 759	1 383
Other receivables	1 012	975
Corporate income tax	924	919
Loans to management, employees and shareholders	1 665	1 610
Contract assets	49	58
TOTAL	<u>22 402</u>	<u>36 225</u>
<b>Cash</b>	<b>29 991</b>	<b>15 230</b>
<b>TOTAL CURRENT ASSETS</b>	<b>83 183</b>	<b>79 702</b>
<b>TOTAL ASSETS</b>	<b>172 563</b>	<b>168 670</b>

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

On behalf of the Management Board of JSC Olainfarm:

\_\_\_\_\_  
(signature)  
Jeroen Hidde Weites  
Chairman of the Management Board

\_\_\_\_\_  
(signature)  
Zane Kotāne  
Member of the Management Board

November 30, 2020

**Interim consolidated statement of financial position**

<b>EQUITY AND LIABILITIES</b>		<b>30.09.2020</b>	<b>31.12.2019</b>
<b>EQUITY</b>		<b>EUR '000</b>	<b>EUR '000</b>
Share capital		19 719	19 719
Share premium		2 504	2 504
Reserves		(658)	(12)
Retained earnings:			
brought forward		100 791	81 670
for the period		5 150	23 628
	<b>TOTAL EQUITY</b>	<b>127 506</b>	<b>127 509</b>
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Loans from credit institutions		6 964	7 004
Lease liabilities		5 104	5 173
Deferred income		3 649	3 194
	<b>TOTAL</b>	<b>15 717</b>	<b>15 371</b>
<b>Current liabilities</b>			
Loans from credit institutions		5 119	6 723
Lease liabilities		1 688	1 763
Other loans		43	1 082
Trade payables		9 962	9 896
Contract liabilities		590	479
Dividends payable		4 507	-
Taxes payable		1 124	1 504
Deferred income		700	495
Accrued liabilities		5 607	3 848
	<b>TOTAL</b>	<b>29 340</b>	<b>25 790</b>
	<b>TOTAL LIABILITIES</b>	<b>45 057</b>	<b>41 161</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>172 563</b>	<b>168 670</b>

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

On behalf of the Management Board of JSC Olainfarm:

(signature)  
\_\_\_\_\_  
Jeroen Hidde Weites  
*Chairman of the Management Board*

(signature)  
\_\_\_\_\_  
Zane Kotāne  
*Member of the Management Board*

November 30, 2020

**Interim consolidated statement of cash flow**

	01.01.2020 - 30.09.2020	01.01.2019 - 30.09.2019
	EUR '000	EUR '000
<b>Cash flows from operating activities</b>		
Profit before taxes	5 297	19 299
Adjustments for:		
Amortization and depreciation	6 904	6 310
Loss on sale/ disposal of non-current assets	210	1
Increase/ (decrease) in provisions and accrued liabilities	1 537	(658)
Share of (loss)/ profit of an associate	11	(92)
Interest expenses	532	703
Interest income	(55)	(55)
Income from EU projects' funds	(507)	(499)
Unrealised loss/ (profit) from fluctuations of currency exchange rates	2 153	(592)
<b>Operating cash flows before changes in working capital</b>	<b>16 082</b>	<b>24 417</b>
Increase in inventories	(2 549)	(2 885)
Decrease in receivables and prepaid expenses	12 488	2 913
(Decrease)/ increase in payables and prepayments received	(569)	351
<b>Cash generated from operating activities</b>	<b>25 452</b>	<b>24 796</b>
Corporate income tax paid	(140)	(183)
<b>Net cash flows from operating activities</b>	<b>25 312</b>	<b>24 613</b>
<b>Cash flows from investing activities</b>		
Purchase of intangible assets and property, plant and equipment	(6 579)	(6 071)
Purchase of investment property	-	(100)
Receipt of EU grants	1 174	916
Dividends received	80	80
Proceeds from sale of intangible assets and property, plant and equipment	314	124
Repayment of loans granted	12	23
Interest received	2	-
Loans granted	(44)	(61)
<b>Net cash used in investing activities</b>	<b>(5 041)</b>	<b>(5 089)</b>
<b>Cash flows from financing activities</b>		
Dividends paid	-	(1 409)
Repayment of loans	(4 588)	(16 340)
Lease payments	(1 303)	(1 289)
Interest paid	(519)	(711)
Proceeds from loans	1 867	8 822
<b>Net cash used in financing activities</b>	<b>(4 543)</b>	<b>(10 927)</b>
<b>Net change in cash</b>	<b>15 728</b>	<b>8 597</b>
Effect of movements in exchange rates	(967)	151
<b>Cash at the beginning of the year</b>	<b>15 230</b>	<b>2 689</b>
<b>Cash at the end of the reporting period</b>	<b>29 991</b>	<b>11 437</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					
	Share capital	Share premium	Reserves	Foreign currency translation reserve	Retained earnings	Total
	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000
<b>Balance as at 31 December 2018</b>	<b>19 719</b>	<b>2 504</b>	<b>40</b>	<b>(264)</b>	<b>83 079</b>	<b>105 078</b>
Profit for the reporting period	-	-	-	-	19 198	19 198
Other comprehensive income	-	-	-	271	-	271
Total comprehensive income	-	-	-	271	19 198	19 469
Dividends	-	-	-	-	(1 409)	(1 409)
<b>Balance as at 30 September 2019</b>	<b>19 719</b>	<b>2 504</b>	<b>40</b>	<b>7</b>	<b>100 868</b>	<b>123 138</b>
<b>Balance as at 31 December 2019</b>	<b>19 719</b>	<b>2 504</b>	<b>40</b>	<b>(52)</b>	<b>105 298</b>	<b>127 509</b>
Profit for the reporting period	-	-	-	-	5 150	5 150
Other comprehensive income	-	-	-	(646)	-	(646)
Total comprehensive income	-	-	-	(646)	5 150	4 504
Dividends	-	-	-	-	(4 507)	(4 507)
<b>Balance as at 30 September 2020</b>	<b>19 719</b>	<b>2 504</b>	<b>40</b>	<b>(698)</b>	<b>105 941</b>	<b>127 506</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 Nasdaq Riga, Latvia.

These unaudited interim condensed consolidated financial statements (hereinafter – the interim financial statements) were approved by the Management Board on 30 November 2020.

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

The interim condensed consolidated financial statements for nine months ending on 30 September 2020 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 of 31 December 2019.

The interim financial statements are presented in euro (EUR), the monetary unit of the Republic of Latvia, 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 of 30 September 2020.

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

The accounting policies are consistent with those followed in the preparation of the Group's annual financial statements for the year ending on 31 December 2019. The Group has evaluated new and amended IFRSs and IFRICs effective for annual periods beginning on or after 1 January 2020. No impact on the interim financial statements of the Group was identified.

The Group has not applied early the IFRS and IFRIC interpretations that have been issued as of the date of authorization 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. Property, plant and equipment**

During the reporting period the investments of EUR 1 919 thsd. were provided by the EU co-financed project "Reduction of Greenhouse Gas Emissions by Reconstruction JSC Olainfarm Refrigeration station and its Engineering System". Within the project, reconstruction works of production workshop No.6, delivery and installation of technological equipment of the refrigeration system, and reconstruction works of the external cooling network were performed.

During the reporting period the investments of EUR 1 864 thsd. were provided for pre-clinical and clinical trials, including EUR 1 018 thsd. provided under the EU co-financed project "Pre-clinical and clinical trials". The investments made are fully financed from cash flows of the company.

**4. Loans from credit institutions**

During the reporting period, one of AS SEB banka loans in the amount of EUR 720 thsd. was fully repaid. JSC Olainfarm loan liabilities to the financial partner AS SEB banka as of 30 September 2020 consist of the loan in the amount of EUR 2 817 thsd. and of the unused credit line with assigned limit of EUR 1 000 thsd. The term of both Loan agreements is 30 June 2021.

During the reporting period the loan in the amount of EUR 1 867 thsd. was received from JSC BlueOrange Bank. The loan was issued for financing of the development project "Reduction of Greenhouse Gas Emissions by Reconstruction of JSC Olainfarm Refrigeration station and Its Engineering System" and for refinancing of the investments made by JSC Olainfarm in the above-mentioned project.

**5. Related party disclosures**

Related party	Type of services		Goods and services	Goods, services and	Amounts	Amounts
			delivered to/ Loans issued to related parties	loans received from related parties	owed by related parties (gross)	owed to related parties (gross)
			EUR '000	EUR '000	EUR '000	EUR '000
<b>1. Associated entities</b>						
SIA Olainfarm enerģija (AS Olainfarm share 50%)	Energy production and other services	31.12.2019	48	391	8	-
		30.09.2020	27	225	2	6
		<b>TOTAL: 31.12.2019</b>	<b>48</b>	<b>391</b>	<b>8</b>	<b>-</b>
		<b>TOTAL: 30.09.2020</b>	<b>27</b>	<b>225</b>	<b>2</b>	<b>6</b>
<b>2. Parties with significant influence</b>						
SIA Olmafarm (shareholder)	Loan and other services	31.12.2019	-	38	-	1 015
		30.09.2020	-	10	-	43
Heirs of V. Maligins	Loan and travelling services	31.12.2019	67	21	2 011	78
		30.09.2020	50	17	2 061	18
		<b>TOTAL: 31.12.2019</b>	<b>67</b>	<b>59</b>	<b>2 011</b>	<b>1 093</b>
		<b>TOTAL: 30.09.2020</b>	<b>50</b>	<b>27</b>	<b>2 061</b>	<b>61</b>
<b>3. Other Related companies</b>						
SIA Vega MS (Heirs of V.Maligins share 59.99%)	Security and other services	31.12.2019	-	367	-	-
		30.09.2020	-	20	-	-
SIA Lano Serviss (Heirs of V.Maligins share 25%)	Dry cleaning and other services	31.12.2019	11	39	1	3
		30.09.2020	7	21	1	-
SIA Olfa Press (Heirs of V.Maligins share 47.5%)	Printing and other services	31.12.2019	54	1 441	4	167
		30.09.2020	38	1 046	8	187
		<b>TOTAL: 31.12.2019</b>	<b>65</b>	<b>1 847</b>	<b>5</b>	<b>170</b>
		<b>TOTAL: 30.09.2020</b>	<b>45</b>	<b>1 087</b>	<b>9</b>	<b>187</b>

**6. Segment information**

	Medicine Production	Wholesale	Retail	Compression Materials	Other segments	Total segments	Unallocated and eliminated	Consolidated
	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000
<b>Revenue</b>								
External customers								
9M 2020	53 690	3 974	19 417	4 688	7 124	88 893	-	88 893
9M 2019	61 374	3 897	18 641	6 444	8 418	98 774	-	98 774
Inter-segment								
9M 2020	611	8 858	277	1 283	856	11 885	(11 885)	-
9M 2019	495	8 921	178	2 419	670	12 683	(12 683)	-
<b>Total revenue</b>								
9M 2020	54 301	12 832	19 694	5 971	7 980	100 778	(11 885)	88 893
9M 2019	61 869	12 818	18 819	8 863	9 088	111 457	(12 683)	98 774
<b>Segment profit before tax</b>								
9M 2020	9 419	1 668	336	(122)	(21)	11 280	(5 983)	5 297
9M 2019	14 702	1 632	319	3	1 253	17 909	1 390	19 299
<b>Assets</b>								
30.09.2020	83 997	6 257	32 271	16 542	11 789	150 856	21 707	172 563
31.12.2019	89 774	6 546	31 852	18 952	16 708	163 832	4 838	168 670
<b>Liabilities</b>								
30.09.2020	17 369	3 486	8 839	2 973	6 732	39 399	5 658	45 057
31.12.2019	16 833	2 634	8 160	4 493	6 871	38 991	2 170	41 161
Capital expenditure								
9M 2020	6 582	-	110	47	128	6 867	-	6 867
9M 2019	6 907	-	239	40	564	7 750	100	7 850

Segments financial data, excluding Segment profit before tax, presented without elimination of intercompany transaction impact.

There was made reclassification from the position Unallocated and eliminated to all segments positions and accordingly were reclassified the data of the year 2019.

<b>Reconciliation of profit</b>	9M 2020	9M 2019
	EUR '000	EUR '000
<b>Segment profit before tax</b>	<b>11 280</b>	<b>17 909</b>
Unallocated financial income	57	2 093
Unallocated financial expenses	(6 040)	(703)
<b>Profit before tax</b>	<b>5 297</b>	<b>19 299</b>
<b>Reconciliation of assets</b>	30.09.2020	31.12.2019
	EUR '000	EUR '000
<b>Assets of segments in total</b>	<b>150 856</b>	<b>163 832</b>
Unallocated long term assets and eliminations	2 239	(590)
Unallocated short term assets and eliminations	(6 723)	(7 538)
Cash managed on group level	26 191	12 966
<b>Total assets</b>	<b>172 563</b>	<b>168 670</b>
<b>Reconciliation of Liabilities</b>	30.09.2020	31.12.2019
	EUR '000	EUR '000
<b>Liabilities of segments in total</b>	<b>39 399</b>	<b>38 991</b>
Interest bearing loans and borrowings	11 614	13 159
Current tax liabilities	(1)	(18)
Other unallocated liabilities and eliminations	(5 955)	(10 971)
<b>Total liabilities</b>	<b>45 057</b>	<b>41 161</b>

**7. Dividends**

On September 22, 2020 the General Meeting of Shareholders of JSC Olainfarm decided to pay dividends to shareholders in amount of EUR 4 507 thousand. (EUR 0.32 per share) from prior year's profit, which is stated on the balance sheet as at 31 December 2017, arranging dividends payout in the fourth quarter 2020. Dividends payout was processed on 9 October, 2020.

**8. Events after the reporting period**

Details of the events after the end of the reporting period are described in the Management report accompanying these interim financial statements. Since the end of the reporting period until the approval date of these financial statements there have been no other significant events with effect on the financial position or financial results of the Group as of the balance sheet date.