



**UNAUDITED INTERIM CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS
FOR THE 6 MONTHS PERIOD ENDED 30 JUNE 2020**

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

Olaine, 2020



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 GMP for APIs and FDFs, the U.S. cGMP for certain APIs (FDA), TGA for FDFs (Australia), CEP for certain APIs, ISO 14001 Environmental Management System and ISO 17025 Laboratory Management System.



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 June 2020

Corporate Governance**SUPERVISORY COUNCIL**

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

Gundars Bērziņš Chairman of the Supervisory Council	Positions held in other companies: none Shareholding in other companies: SIA MeadowMe (99.96 %)
Jānis Buks 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 Shareholding in other companies: SIA JV Holdings (50 %)
Kārlis Krastiņš Member of the Supervisory Council	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 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)
Haralds Velmers 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)
Andrejs Saveljevs 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, Member of the Supervisory board Viesturs Gurtlavs - Member of the Audit Committee
---------	---

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>Jeroen Hidde Weites</p> <p>Chairman of the Management Board Since 28 November 2019</p>		<p>Elena Bushberg</p> <p>Board member Since 5 December 2019</p>
	<p>Milana Beļeviča</p> <p>Board member Since 4 April 2019</p>		<p>Zane Kotāne</p> <p>Board member Since 2 July 2020</p>
	<p>Signe Baldere-Sildedze</p> <p>Board member Since 4 April 2019</p>		<p>Raimonds Terentjevs</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 the first six months of 2020 JSC Olainfarm average share price was EUR 6.88 per 1 share and traded in a range of EUR 5.36 to 7.66 per share. During this period 5 750 transactions with 748 447 shares with total value of EUR 5 065 965.52 took place.

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

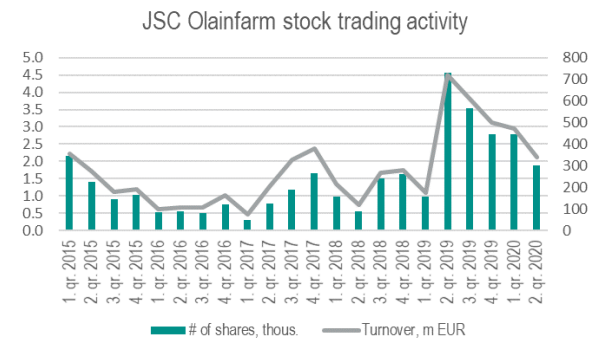


During the last 12 months until end of the reporting period OMX Riga index increased by 3.03 % and the share price of JSC Olainfarm increased by 4.90 %.

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.



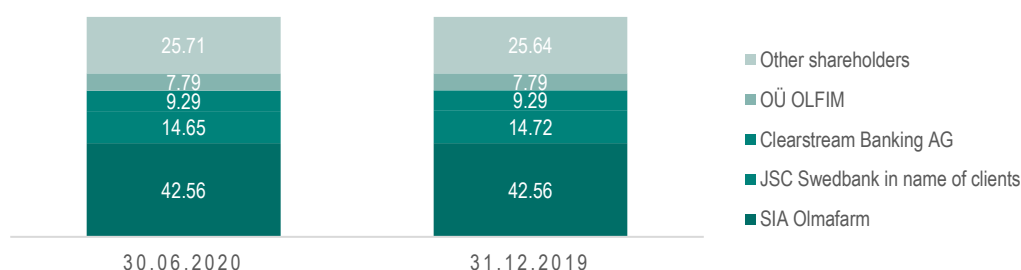
During the second quarter of 2020, more than 301 thousand shares of JSC Olainfarm, with a total value of EUR 2.1 million, were traded on Nasdaq Riga. Compared to the same period in 2019, the number of traded shares was lower by 53 %, while traded value was lower by 59 %.



RESULTS OF SHARE TRADING

	2020 H1	2019	2018
Share price (EUR):			
The first	7.30	6.70	8.05
Highest	7.66	7.80	9.10
Lowest	5.36	5.44	6.20
Average	6.88	6.75	7.71
The last	7.28	7.30	6.70
Changes (between the first and the last price)	2.30	2.36	2.90
Number of transactions	5 750	6 515	3 740
Shares traded	748 447	1 898 995	747 883
Turnover (mil. EUR)	5.07	12.54	5.51
Capitalization (mil. EUR)	102.54	102.82	94.37

LARGEST SHAREHOLDERS



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

Management Board

Chairman of the Board	Jeroen Hidde Weites	None
Board member	Elena Bushberg	None
Board member	Milana Beļeviča	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
Member of 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 six months of 2020, for example, the value of the Russian Ruble dropped by 15%.

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, 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 will allow the company to better manage commercial processes and have better control over expenses. For local partners this is a strong signal that the Russian market is important for the Group and it is committed to be actively present in this market in the long term.

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 the second quarter and in some countries even until now remains limited, and the markets operated by the Group have a different level of readiness to replace face-to-face meetings with digital media. Consequently, a number of markets did not carry out the necessary marketing activities which are now scheduled to resume in the second half of the year. Another challenge is a decrease in consumer purchasing power to buy medical products, especially OTC ("over-the-counter" or non-prescription medications) and compressive 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.

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. This was assumed for preparing a sales forecast for 2020. In 2019, the goods were delivered to the distributors 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 is 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, at the end of June substantial and unexpected deliveries of EUR 8 million were also sent to cooperation partners in Russia. Goods that were shipped at the end of June will be released for sale over the coming months, thus reducing the expected supply volumes for the second half of the year.

INTRODUCTION OF TRACEABILITY REQUIREMENTS FOR MEDICINAL PRODUCTS IN RUSSIA HAVE SIGNIFICANT IMPACT ON TURNOVER FLUCTUATIONS IN 2020

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 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 - 30.06.2020	% to prior period	01.01.2019 - 30.06.2019	01.01.2018 - 30.06.2018
Sales, EUR '000	66 369	100 %	66 392	61 844
Net Profit, EUR '000	10 017	82 %	12 244	5 786
EBITDA, EUR '000	17 924	119 %	15 123	10 436
EBIT, EUR '000	13 317	121 %	10 963	7 013
Gross margin	61.50 %		61.90 %	59.70 %
EBITDA margin	27.00 %		22.80 %	16.90 %
EBIT margin	20.10 %		16.50 %	11.30 %
Net margin	15.10 %		18.40 %	9.40 %
EPS, EUR	0.71	82 %	0.87	0.41

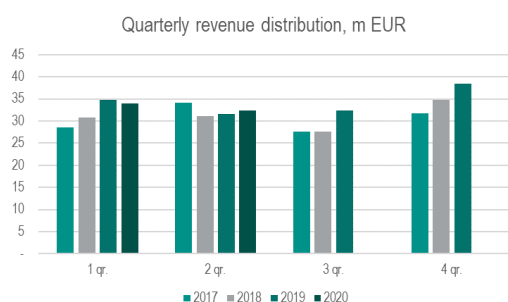
Financial indicator at the end of reporting period	30.06.2020	% to prior period	30.06.2019	30.06.2018
Current ratio	3.6		1.9	2.1
Share price at period end, EUR	7.28	105 %	6.94	8
Market capitalization, EUR '000	102 539	105 %	97 750	112 681
P/B	0.7		0.8	1.1

Financial indicator for 12 months until the end of reporting date	01.07.2019- 30.06.2020	% to prior period	01.07.2018 -30.06.2019	01.07.2017 - 30.06.2018
Sales, EUR '000	137 196	107 %	128 804	121 201
Net profit, EUR '000	21 401	125 %	17 189	10 872
EBITDA, EUR '000	38 801	150 %	25 809	18 009
DSCR	5.6		2.4	1.9
Net Debt-to-EBITDA	-0.1		0.6	1.3
ROA	12.50 %		11.00%	7.20 %
ROE	16.90 %		15.90%	11.20 %
P/E	4.8		5.7	10.4

Additional data for EBITDA calculation	01.01.2020 - 30.06.2020	% to prior period	01.01.2019 - 30.06.2019	01.01.2018 - 30.06.2018
Depreciation:	4 603	111 %	4 160	3 423
Intangible assets	367	108 %	339	329
Fixed assets	3 361	114 %	2 952	3 076
Rights-of-use assets	857	109 %	787	-
Investment properties	18	22 %	82	18
Value impairments:	4		-	-
Intangible assets	-		-	-
Fixed assets	4		-	-
Investment properties	-		-	-

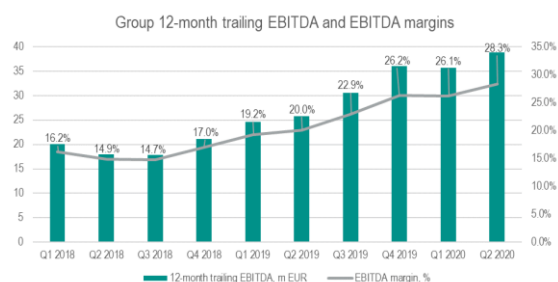
During the first half of 2020 the Group's sales reached EUR 66 369 thousand, which is the same level compared to the first half of last year. Gross profit, in turn, was EUR 40 850 thousand, which shows a decline by 0.57% since the same time period last year. Gross profit margin in 2020 is 61.5 %, which is a minor drop compared to 61,9 % reached in the first half of 2019.

Sales for the last 12 months (1 July 2019 – 30 June 2020) totaled up to EUR 137 196 thousand and it demonstrates a 6.5 % increase compared to the same time period of last year (1 July 2018 – 30 June 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.



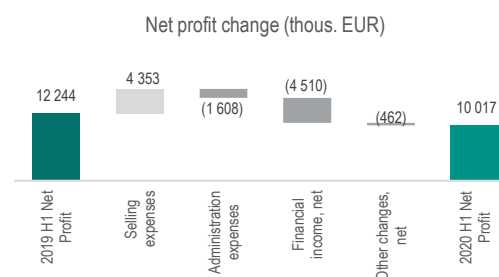
The Group's EBITDA figure in the reporting period was EUR 17 924 thousand, which is 19 % or EUR 2 801 thousand less than the result of the same period of 2019. EBITDA margin of the Group is 27 %.

In the last 12 months the Group's EBITDA was EUR 38 801 thousand and EBITDA margin was 28.3 %.



The profit of the first half of the year was positively influenced by a number of factors, but mainly a decrease in selling expenses by EUR 4 353 thousand compared to 2019, as the marketing model in major markets was revised and there were physical limitations for performing marketing activities.

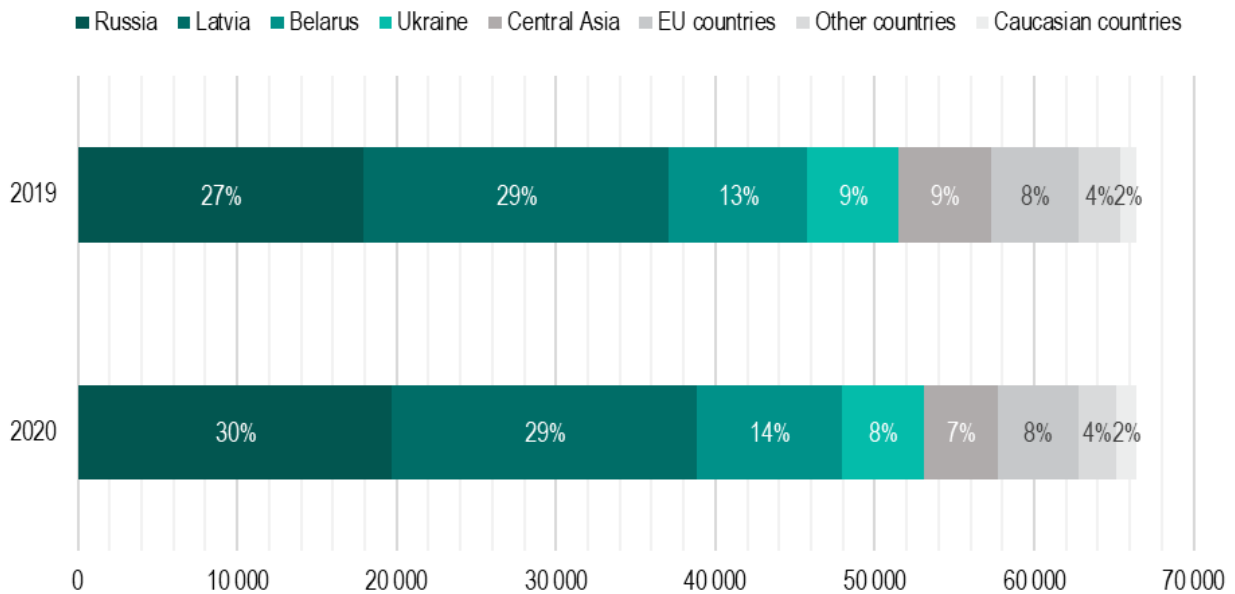
The impact of exchange rate fluctuations (Russian Ruble) is the most significant negative factor compared to 2019. The impact of the total exchange rate for the first half of 2020 is negative EUR 4 510 thousand. At the same time, administrative expenditure increased by EUR 1 608 thousand mainly due to the changes in the accounting of the personnel costs. In 2020, a provision was introduced for the employee annual bonus fund as well as paid bonuses for 2019 for which no such provision was created in 2019.



MARKETS

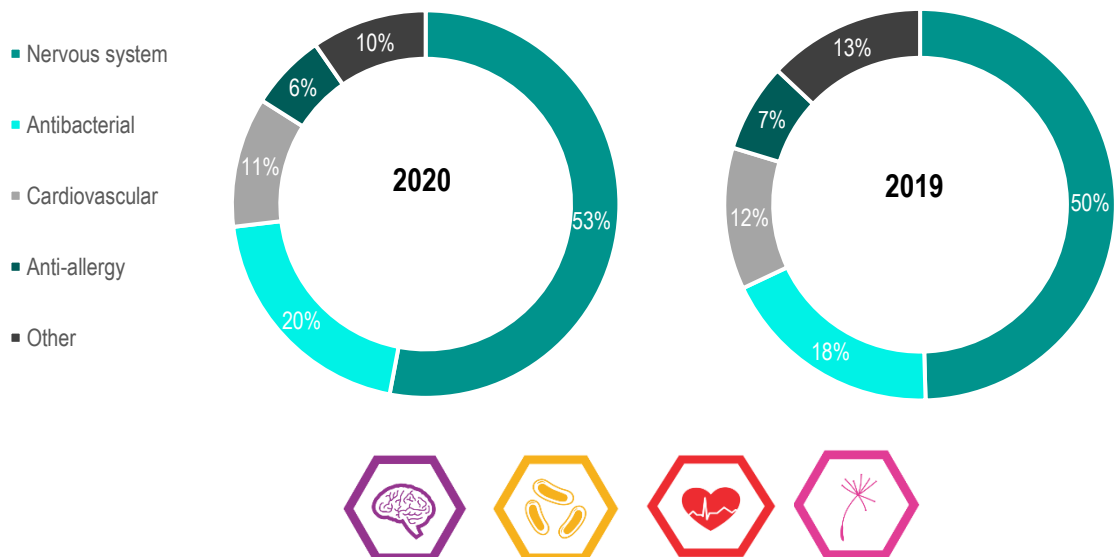
In 2020, the Group continued its ongoing activity in major markets. The best sales performance was achieved in Russia in anticipation of serialization requirements' changes since 1st July 2020, where sales increase reached 1 802 thousand EUR or 10% above prior year. The next best performance is achieved in Belarus with well established presence including local manufacturing, all major products are performing better than the competition in the relevant therapeutic areas that resulted in 447 thousand EUR or 5% growth vs. prior year. Performance in home market in Latvia is sustainable with positive trends. 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 and this resulted in strong sales performance in Ukraine in Q2 with growth of 13% or 363 thousand EUR above prior year, still leaving the remaining negative 660 thousand EUR in financial terms for Ukraine for total six months. Finally, Central Asia countries are still under Covid-19 restrictions that resulted in the negative trends -19% vs. first half of prior year.

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

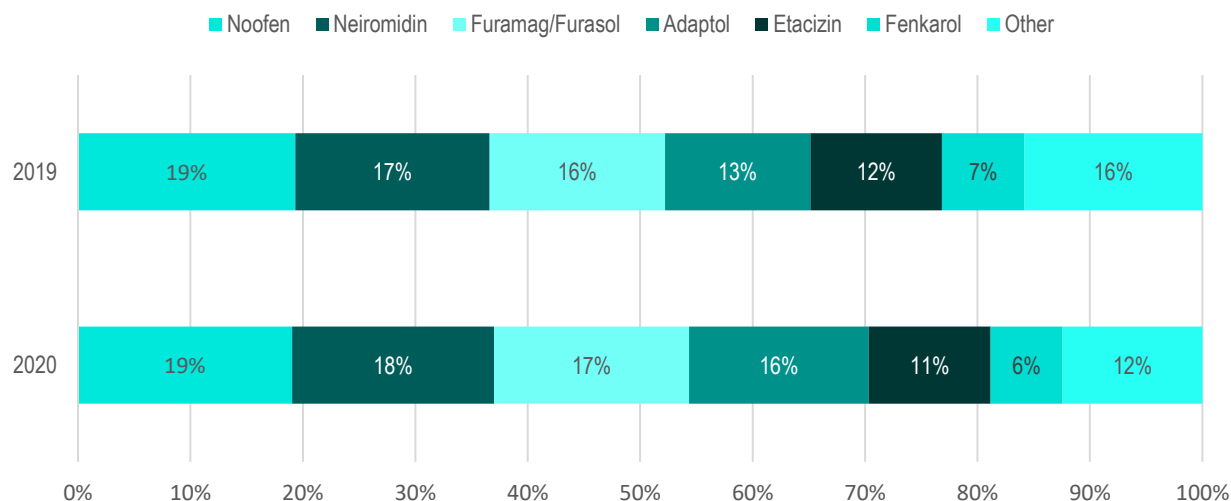


PRODUCTS

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. During the first half of 2020, Olainfarm group worldwide sales of medicine for health of nervous system exceeded sales by 1 400 thousand EUR or +7% in the same period of prior year, mainly driven by Adaptol. Besides that, strong steady demand was observed for antiarrhythmic Ethacizin and antibacterial Furasol.



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

Most of the Group's segments operated with profit in the 1st half of 2020. The largest profit before tax was generated by the medicine and chemical segment, which earned EUR 11 704 thousand, in wholesale the figure was EUR 1 171 thousand, retail (pharmacies) made EUR 598 thousand. The compression material segment generated a negative profit before tax of EUR 298 thousand, and also in other segments the profit before tax was negative and reached EUR 117 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 the 1st half of 2020, segment' sales worth EUR 42 220 thousand, which is 2 % or EUR 680 thousand increase if compared to the same time period of 2019. This segment's share in the Group's total revenue in the 1st half of 2020 reached 64 %, which is 1 % increase vs. prior year indicator.

Pharmacies segment

Within the Group, SIA Latvijas aptieka manages and develops pharmacies in Latvia where the Pharmacy segment in the 1st half of 2020 generated a revenue increase by 3 % compared to the same time period of 2019

and reached EUR 13 019 thousand. This segment's share in the Group's total revenue during the reporting period increased to 20 % (+1 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 the 1st half of 2020 was EUR 2 940 thousand that is a decrease by 29 % than the year before. This segment's share in the Group's total revenue in the 1st half of 2020 was 4 % (-2 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 from external customers was EUR 3 212 thousand, which is an increase by 34 % or EUR 809 thousand. This segment's share in the Group's total revenue during the reporting period rose to 5% (+1 p.p.).

Other

This segment combines SIA Silvanols, SIA DiaMed and SIA OlainMed medical facilities, the Belarussian manufacturing company NPK Biotest and others which generated EUR 4 978 thousand in revenue in the 1st half 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 decreased by 1 pp and was 8 %.

INVESTMENTS AND DEVELOPMENT (R&D)

In the first half 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 Q2 2020, three Phase 1 clinical trials (pharmacokinetics and bioavailability) were completed, while one Phase 1 clinical trial was deferred to Q1 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 the second quarter of 2020 continued to improve. The Group's successful operations allowed it to accumulate EUR 23 753 thousand in cash at the end of June 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 first half of the year in 2020 continued to improve and was 5.6 due to higher EBITDA in the last twelve months. Net Debt-to-EBITDA ratio was -0.1 due to cash balance exceeding net debt.

SOCIAL RESPONSIBILITY

In Q2 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 Kliniskā 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.

FUTURE OUTLOOK

In view of the changes in the timetable for the introduction of the Russian regulatory environment, the decrease in demand in the compression products segment, as well as other factors identified in the management report, the Group management revised the annual forecasts by reducing the Group's forecast annual sales to EUR 126 million, or by 7%, compared to the initial forecast. The reduction in revenue of the Parent company against the initial forecast is 5% and amounts to EUR 92 million.

The exchange rate changes in the first half of the year, as well as the postponing of marketing costs to the second half of the year in several operating markets, led to the reduction in the estimation of annual profit of the Group to EUR 11.2 million, compared to the EUR 14.2 million in prior forecast. The profit of the Parent company is expected to be EUR 12.5 million, which represents a reduction by 6.6% against the originally envisaged.

The further effects of the Covid-19 virus are unknown, so the Group will continue to comply with government requirements and recommendations and will carry out regular in-depth financial supervision.

EVENTS AFTER REPORTING DATE

The Management Board of JSC Olainfarm has called a regular shareholder meeting, which will take place on 22 September 2020.

After the end of the reporting period, JSC Olainfarm has approved the development of three new products:

- development of manufacturing technology for two finished dosage forms (cardiology);
- development of manufacturing technology for one active pharmaceutical ingredient (antibacterial).

In addition JSC Olainfarm has obtained marketing authorization in Latvia for Tramadol hydrochloride solution for injections and infusions, and has got two marketing authorizations for anti-tuberculosis products (Amiobutol and PASS sodium salt) in Moldova.

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

August 31, 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

August 31, 2020

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

	01.01.2020 - 30.06.2020	01.01.2019 - 30.06.2019
	EUR '000	EUR '000
Revenue	66 369	66 392
Cost of goods sold	(25 519)	(25 309)
Gross profit	40 850	41 083
Selling expenses	(12 668)	(17 021)
Administrative expenses	(15 240)	(13 632)
Other operating income	1 075	1 134
Other operating expenses	(715)	(704)
Share of profit of an associate	15	103
Finance income	38	1 842
Finance expense	(3 194)	(488)
Profit before tax	10 161	12 317
Corporate income tax	(158)	(72)
Deferred corporate income tax	14	(1)
Profit for the reporting period	10 017	12 244
Other comprehensive income for the reporting period		
<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	(328)	217
Other comprehensive (loss) / income for the reporting period, net of tax	(328)	217
Total comprehensive income for the reporting period, net of tax	9 689	12 461
Profit attributable to:		
The equity holders of the Parent company	10 017	12 244
Non-controlling interests	-	-
	10 017	12 244
Total comprehensive income attributable to:		
The equity holders of the Parent company	9 689	12 461
Non-controlling interests	-	-
	9 689	12 461
Basic and diluted earnings per share, EUR	0.71	0.87

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

Interim consolidated statement of financial position

ASSETS		30.06.2020	31.12.2019
NON-CURRENT ASSETS		EUR '000	EUR '000
Intangible assets		39 704	38 422
Property, plant and equipment		42 223	42 442
Right-of-use assets		6 730	7 069
Investment property		235	253
Other long-term investments			
Investments in associated companies		440	504
Loans to management, employees and shareholders		216	203
Prepayments and next period expenses		5	10
Other non-current assets		1	1
Deferred corporate income tax assets		72	64
	TOTAL	734	782
	TOTAL NON-CURRENT ASSETS	89 626	88 968
CURRENT ASSETS			
Inventories			
Raw materials		6 196	5 209
Work in progress		11 094	10 170
Finished goods and goods for sale		12 710	12 210
Prepayments for goods		649	658
	TOTAL	30 649	28 247
Receivables and other current assets			
Trade receivables		28 490	31 280
Prepayments and next period expenses		1 405	1 383
Other receivables		1 557	975
Corporate income tax		944	919
Loans to management, employees and shareholders		1 647	1 610
Contract assets		35	58
	TOTAL	34 078	36 225
Cash		23 753	15 230
	TOTAL CURRENT ASSETS	88 480	79 702
TOTAL ASSETS		178 106	168 670

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

August 31, 2020

Interim consolidated statement of financial position

EQUITY AND LIABILITIES		30.06.2020	31.12.2019
EQUITY		EUR '000	EUR '000
Share capital		19 719	19 719
Share premium		2 504	2 504
Reserves		(340)	(12)
Retained earnings:			
brought forward		105 298	81 670
for the period		10 017	23 628
	TOTAL EQUITY	137 198	127 509
LIABILITIES			
Non-current liabilities			
Loans from credit institutions		7 519	7 004
Lease liabilities		5 011	5 173
Deferred income		3 698	3 194
	TOTAL	16 228	15 371
Current liabilities			
Loans from credit institutions		5 613	6 723
Lease liabilities		1 653	1 763
Other loans		82	1 082
Trade payables		9 628	9 896
Contract liabilities		905	479
Taxes payable		1 274	1 504
Deferred income		542	495
Accrued liabilities		4 983	3 848
	TOTAL	24 680	25 790
	TOTAL LIABILITIES	40 908	41 161
TOTAL EQUITY AND LIABILITIES		178 106	168 670

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

August 31, 2020

Interim consolidated statement of cash flow

	01.01.2020 - 01.01.2019 -	
	30.06.2020	30.06.2019
	EUR '000	EUR '000
Cash flows from operating activities		
Profit before taxes	10 161	12 317
Adjustments for:		
Amortization and depreciation	4 603	4 160
Loss/ (profit) on sale/ disposal of non-current assets	239	(24)
Increase in provisions and accrued liabilities	1 715	316
Share of profit of an associate	(15)	(103)
Interest expenses	355	488
Interest income	(35)	(37)
Income from EU projects' funds	(316)	(390)
Unrealised loss/ (profit) from fluctuations of currency exchange rates	100	(280)
Operating cash flows before changes in working capital	16 807	16 447
Increase in inventories	(2 401)	(3 947)
Decrease in receivables and prepaid expenses	1 434	5 176
(Decrease)/ increase in payables and prepayments received	(1 021)	646
Cash generated from operating activities	14 819	18 322
Corporate income tax paid	(132)	(180)
Net cash flows from operating activities	14 687	18 142
Cash flows from investing activities		
Purchase of intangible assets and property, plant and equipment	(4 370)	(4 368)
Purchase of investment property	-	(100)
Receipt of EU grants	874	916
Dividends received	80	80
Proceeds from sale of intangible assets and property, plant and equipment	79	108
Repayment of loans granted	10	13
Loans granted	(30)	(44)
Net cash used in investing activities	(3 357)	(3 395)
Cash flows from financing activities		
Repayment of loans	(3 462)	(5 703)
Lease payments	(849)	(928)
Interest paid	(341)	(498)
Proceeds from loans	1 867	189
Net cash used in financing activities	(2 785)	(6 940)
Net change in cash	8 545	7 807
Effect of movements in exchange rates	(22)	127
Cash at the beginning of the year	15 230	2 689
Cash at the end of the reporting period	23 753	10 623

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
Balance as at 31 December 2018	19 719	2 504	40	(264)	83 079	105 078
Profit for the reporting period	-	-	-	-	12 244	12 244
Other comprehensive income	-	-	-	217	-	217
Total comprehensive income	-	-	-	217	12 244	12 461
Dividends	-	-	-	-	(1 409)	(1 409)
Balance as at 30 June 2019	19 719	2 504	40	(47)	93 914	116 130
Balance as at 31 December 2019	19 719	2 504	40	(52)	105 298	127 509
Profit for the reporting period	-	-	-	-	10 017	10 017
Other comprehensive income	-	-	-	(328)	-	(328)
Total comprehensive income	-	-	-	(328)	10 017	9 689
Balance as at 30 June 2020	19 719	2 504	40	(380)	115 315	137 198

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 31 August 2020.

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

The interim condensed consolidated financial statements for six months ending on 30 June 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 June 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 1 231 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 1 392 thsd. were provided for pre-clinical and clinical trials, including EUR 779 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 June 2020 consist of the loan in the amount of EUR 3 280 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 delivered to/ Loans issued to related parties	Goods, services and loans received from related parties	Amounts owed by related parties (gross)	Amounts owed to related parties (gross)
			EUR '000	EUR '000	EUR '000	EUR '000
1. Associated entities						
SIA Olainfarm enerģija (AS Olainfarm share 50%)	Energy production and other services	31.12.2019	48	391	8	-
		30.06.2020	22	194	6	21
		TOTAL: 31.12.2019	48	391	8	-
		TOTAL: 30.06.2020	22	194	6	21
2. Parties with significant influence						
SIA Olmafarm (shareholder)	Loan and other services	31.12.2019	-	38	-	1 015
		30.06.2020	-	10	-	5
Heirs of V. Maligins	Loan and travelling services	31.12.2019	67	21	2 011	78
		30.06.2020	33	17	2 044	95
		TOTAL: 31.12.2019	67	59	2 011	1 093
		TOTAL: 30.06.2020	33	27	2 044	100
3. Other Related companies						
SIA Vega MS (Heirs of V.Maligins share 59.99%)	Security and other services	31.12.2019	-	367	-	-
		30.06.2020	-	13	-	-
SIA Lano Serviss (Heirs of V.Maligins share 25%)	Dry cleaning and other services	31.12.2019	11	39	1	3
		30.06.2020	5	17	1	-
SIA Olfa Press (Heirs of V.Maligins share 47.5%)	Printing and other services	31.12.2019	54	1 441	4	167
		30.06.2020	26	814	4	208
		TOTAL: 31.12.2019	65	1 847	5	170
		TOTAL: 30.06.2020	31	844	5	208

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
Revenue								
External customers								
6M 2020	42 220	3 212	13 019	2 940	4 978	66 369	-	66 369
6M 2019	41 540	2 403	12 600	4 132	5 717	66 392	-	66 392
Inter-segment								
6M 2020	462	5 921	204	622	534	7 743	(7 743)	-
6M 2019	360	6 051	115	1 366	528	8 420	(8 420)	-
Total revenue								
6M 2020	42 682	9 133	13 223	3 562	5 512	74 112	(7 743)	66 369
6M 2019	41 900	8 454	12 715	5 498	6 245	74 812	(8 420)	66 392
Segment profit before tax								
6M 2020	11 704	1 171	598	(298)	(117)	13 058	(2 897)	10 161
6M 2019	8 257	845	548	549	437	10 636	1 681	12 317
Assets								
30.06.2020	93 744	5 808	31 205	16 582	11 886	159 225	18 881	178 106
31.12.2019	88 807	6 546	31 852	18 952	12 993	159 150	9 520	168 670
Liabilities								
30.06.2020	17 163	3 182	8 103	2 517	4 579	35 544	5 364	40 908
31.12.2019	16 490	2 634	8 160	4 493	4 608	36 385	4 776	41 161
Capital expenditure								
6M 2020	5 015	-	51	49	96	5 211	8	5 219
6M 2019	4 916	-	192	13	521	5 642	144	5 786

Segments' financial data presented without elimination of intercompany transaction impact

Reconciliation of profit	6M 2020	6M 2019
	EUR '000	EUR '000
Segment profit before tax	13 058	10 636
Unallocated financial income	95	1 667
Unallocated financial expenses	(2 819)	(432)
Other unallocated income and expense	1 581	1 517
Inter-segment elimination	(1 754)	(1 071)
Profit before tax	10 161	12 317
Reconciliation of assets	30.06.2020	31.12.2019
	EUR '000	EUR '000
Assets of segments in total	159 225	159 150
Unallocated long term assets and eliminations	2 630	2 743
Unallocated short term assets and eliminations	(5 183)	(6 306)
Cash managed on group level	21 434	13 083
Total assets	178 106	168 670
Reconciliation of Liabilities	30.06.2020	31.12.2019
	EUR '000	EUR '000
Liabilities of segments in total	35 544	36 385
Interest bearing loans and borrowings	12 600	13 193
Current tax liabilities	67	38
Other unallocated liabilities and eliminations	(7 303)	(8 455)
Total liabilities	40 908	41 161

7. Dividends proposed

Management Board of JSC Olainfarm proposes to use part JSC Olainfarm profit from the year 2019 in amount of EUR 4 507 224.96 to pay dividends to shareholders of JSC Olainfarm, paying dividends 0,32 euro per one share in the fourth quarter of 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.