



JOINT STOCK COMPANY OLAINFARM

(UNIFIED REGISTRATION NUMBER 40003007246)

**UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE 3 MONTHS PERIOD ENDED 31 MARCH 2019**

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

Olaine, 2019

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General information

Name of the Parent Company	OLAINFARM
Legal status of the Parent Company	JOINT STOCK COMPANY
Unified registration number, place and date of registration of the Parent Company	40003007246 Riga, 10 June 1991 (re-registered on 27 March 1997)
Registered office of the Parent Company	Rūpnīcu iela 5 Olaine, Latvia, LV-2114
Major shareholders of the Parent Company (as of March 22, 2019)	OÜ OLFIM (7,79%) Anna Emīlija Maligina (7,79%) Clearstream Banking S.A. (8,49%) SIA Olmafarm (42,56%)
Major subsidiaries	SIA Latvijas Aptieka (100%) SIA Tonus Elast (100%) SIA Silvanols (100%)
Audit Committee	Auditing Committee from 1 st April, 2019: Chairperson of the Audit Committee – Agris Auce Members of the Audit Committee: Member of the Council Kārlis Krastiņš Viesturs Gurtlavs Auditing Committee until 1 st April, 2019: Chairperson of the Auditing Committee - Viesturs Gurtlavs Members of the Auditing Committee: Irina Maligina, Daina Sirlaka
Financial year	1 January – 31 December 2019
Interim reporting period	1 January – 31 March 2019

Board

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

Lauris Macijevskis (Board member from April 1, 2019; Chairman of the Management Board from April 4, 2019)



Lauris Macijevskis is the Chairman of the Parent Company's Management Board, a finance expert who has worked for 16 years in the Latvian banking sector. For the previous three years L. Macijevskis has been performing as the vice president and member of the Board of directors of JSC DNB banka. He started his career in the banking in JSC Hansabanka and continued it with JSC Swedbank. From October 2008 to 2017 L. Macijevskis has been working in the leading positions in the structural units of several local banks. Lauris Macijevskis has obtained a professional higher education from BA School of Business and Finance (BASBF), as well as holds a Master's Degree in Business Administration, graduating from the Riga International School of Economics and Business Administration.

Positions held in other companies: none
Number of shares of JSC Olainfarm owned (as of March 22, 2019): 0
Participation in other companies: none

Signe Baldere-Sildedze (Board member from April 4, 2019)



Signe Baldere-Sildedze is a member of the Parent Company's Management Board with experience as the member of the Council of JSC Olainfarm from 2009 till 2012 and from June 4, 2018 till September 10, 2018. Since 2014 the owner and member of the board of SIA LOUVRE. She obtained education in tourism and hospitality and has been managing the tourism and hospitality related company in Switzerland.

Positions held in other companies:
SIA LOUVRE, Board member

Number of shares of JSC Olainfarm owned (as of March 22, 2019):
- directly: 297
- 1 097 026 shares controlled as a legal guardian of JSC Olainfarm shareholder - minor Anna Emīlija Maligina

Participation in other companies:
SIA LOUVRE (100%)

Milana Bejeviča (Board member from April 4, 2019)

Milana Bejeviča is a member of the Parent Company's Management Board with experience as the member of the Council of JSC Olainfarm from June 4, 2018 till September 4, 2018. Head and owner of SIA B2B Konsultants, as well as lecturer in financial and tax law at Riga Stradins University. More than 20 years of lawyer experience combining academic and practical knowledge in jurisprudence and financial and tax law. She has obtained higher education lawyer qualification diploma from the Faculty of Law of the University of Latvia, master's degree in social sciences in European studies from the Faculty of

Business, Management and Economics of the University of Latvia, as well as completed doctoral studies of Law at Riga Stradins University.

Positions held in other companies:

SIA Antik4Unik, Board member

SIA b2b konsultants, Board member

SIA Olmafarm, Board member

Number of shares of JSC Olainfarm owned (as of March 22, 2019): 15

Participation in other companies:

SIA Antik4Unik (100%)

SIA b2b konsultants (100%)

Mārtiņš Pūriņš (Board member from April 4, 2019)

Mārtiņš Pūriņš is a member of the Parent Company's Management Board with more than 20 years of experience in the field of information and communication technologies. M. Pūriņš joined JSC Olainfarm from JSC Sadales tīkls, where he held the position of the Head of Smart meter monitoring unit. Mārtiņš Pūriņš holds master degree in computer science from the University of Latvia.

Positions held in other companies: none

Number of shares of JSC Olainfarm owned (as of March 22, 2019): 4 500

Participation in other companies: none

Veronika Dubicka

Veronika Dubicka (Veranika Dubitskaya) is a member of the Parent Company's Management Board and Director of Marketing Department. Previously has worked in the Parent company's representative office in Belarus since 2005. From 2005 till 2006 V.Dubicka held a post of the medical representative, since 2006 till July, 2009 a post of the products' manager, and since July, 2009 till May, 2011 was the Head of the representative office in Belarus. Veronika Dubicka studied General Medicine at Belarusian State Medical University (specialty in surgery) and obtained Diploma in Professional Marketing (level 6) from The Chartered Institute of marketing (UK).

Positions held in other companies: none

Number of shares of JSC Olainfarm owned (as of March 22, 2019): 1 000

Participation in other companies: none

Mārtiņš Tambaks

Mārtiņš Tambaks is a member of the Parent Company's Management Board and Director of the Financial Department with more than 20 years of experience in the field of finance and accounting. M.Tambaks joined JSC Olainfarm in 2013. Previously he has worked in SIA Ernst&Young Baltic, where he held the position of the Director of Outsourced Accounting Services department. In 2006, Mārtiņš Tambaks became a member of the Association of Chartered Certified Accountants (ACCA) of the United Kingdom. Has obtained a master's degree at Riga Technical University, and a qualification of an economist-accountant at University of Latvia.

Positions held in other companies: none

Number of shares of JSC Olainfarm owned (as of March 22, 2019): 0

Participation in other companies: none

Raimonds Terentjevs

Raimonds Terentjevs is a member of the Parent Company's Management Board and Director of the Quality Management Department with more than 20 years of experience in the field of chemistry and pharmacy. R.Terentjevs joined JSC Olainfarm in 2011 from the Latvian Institute of Organic Synthesis, where he was performing the duties of a researcher. R.Terentjevs graduated from the Faculty of Chemistry of the University of Latvia with a natural sciences bachelor and master's degree in chemistry.

Positions held in other companies: none

Number of shares of JSC Olainfarm owned (as of March 22, 2019): 0

Participation in other companies: none

Ojēgs Grigorjevs (Chairman of the Management Board until April 4, 2019)

Positions held in other companies (as of April 4, 2019):
SIA Latvijas Aptieka, Chairman of the Board (until 09.04.2019)
SIA Kiwi Cosmetics, Board Member (until 09.04.2019)
SIA Ozols JDR, Board Member

Number of shares of JSC Olainfarm owned (as of March 22, 2019): 1 000

Participation in other companies (as of April 4, 2019): none

Vladimirs Krušinskis (Board member until April 4, 2019)

Positions held in other companies (as of April 4, 2019): none
Number of shares of JSC Olainfarm owned (as of March 22, 2019): 0
Participation in other companies (as of April 4, 2019): none

Mihails Raizbergs (Board member until April 4, 2019)

Positions held in other companies (as of April 4, 2019):
SIA Digital Partner, Board Member
SIA Digital Era, Board Member

Number of shares of JSC Olainfarm owned (as of March 22, 2019): 200

Participation in other companies (as of April 4, 2019):
SIA Digital Partner (100%)
SIA Digital Era (100%)

Inga Krūkle (Board member until April 1, 2019)

Positions held in other companies (as of April 1, 2019): none
Number of shares of JSC Olainfarm owned (as of March 22, 2019): 0
Participation in other companies (as of April 1, 2019): none

Council

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

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

Gundars Bērziņš, Chairperson of the Council (from April 1, 2019)

Gundars Bērziņš has obtained a bachelor's degree of science at University of Latvia in 1995, in 1998 a master's degree in management and in 2013 a doctor's degree in management. Gundars Bērziņš is the dean and the lead researcher of the Faculty of Business, Management and Economics of the University of Latvia, as well the member of the board of the Fellowship of Stockholm School of Economics in Riga.

Positions held in other companies:

SIA Saules Gaisma Consulting, Chairman of the Board

Number of shares of JSC Olainfarm owned (as of March 22, 2019): 3

Participation in other companies:

SIA Saules Gaisma Consulting (100%)

SIA MeadowMe (99,96%)

Jānis Buks, Deputy Chairperson of the Council (from April 1, 2019)

Jānis Buks in 1993 graduated from the Faculty of Law of the University of Latvia with a bachelor degree in law. J.Buks is a finance expert, who has worked for 8 years in the leading companies of Latvian banking sector. 7 years he was the head of Nordea Bank AB Latvia Branch and from 2017 till 2018 he was a Member of the Board of JSC Luminor Banka.

Positions held in other companies:

SIA JV Holdings, Board Member

Number of shares of JSC Olainfarm owned (as of March 22, 2019): 0

Participation in other companies:

SIA JV Holdings (50%)

Kārlis Krastiņš, Member of the Council (from April 1, 2019)

Kārlis Krastiņš in 1995 graduated the Faculty of Business, Management and Economics of the University of Latvia with a bachelor degree in economics. In 1997 he obtained a master's degree in economics from the Institute of International Relations of the University of Latvia. From 2002 till 2006 K.Krastiņš was the chairman of the board of Prudentia Asset Management . From 2005 he is the Chairman of the Board of JSC Prudentia and from 2008 also the Managing Partner of JSC Prudentia.

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 Tavs kapitāls 23, Board Member

Number of shares of JSC Olainfarm owned (as of March 22, 2019): 0

Participation in other companies:

SIA Xiexie (100%)

SIA Prudentia Advisers (44.49%)

AS Prudentia (18.63%)

SIA Prudentia Private Equity Partners (50%)

SIA Tavs kapitāls 23 (80%)

Haralds Velmers, Member of the Council (from April 1, 2019)

Haralds Velmers has obtained at University of Latvia in 1999 Higher education diploma in Law and in 2001 a Master's Degree in Law. Since 2004 he is attorney at law and since 2005 insolvency administrator.

Positions held in other companies: none

Number of shares of JSC Olainfarm owned (as of March 22, 2019): 12

Participation in other companies:

SIA Compor (7.73%)

SIA Nami un būves (40%)

Andrejs Saveljevs, Member of the Council (from April 1, 2019)

Andrejs Saveljevs obtained at Riga Technical University in 1994 a diploma of technical translator and in 1995 an engineer degree. Andrejs Saveljevs is highly qualified specialist in the technical field with more than 10 years of experience in the position of technical director in several companies.

Positions held in other companies:

SIA B28, Board Member

Number of shares of JSC Olainfarm owned (as of March 22, 2019): 0

Participation in other companies:

SIA RAAP (45%)

Pāvels Rebenoks (Chairperson of the Council until April 1, 2019)

Positions held in other companies (as of April 1, 2019): none

Number of shares of JSC Olainfarm owned (as of March 22, 2019): 700

Participation in other companies (as of April 1, 2019):

SIA Frančeska VET (16.7%)

Irina Maligina (Deputy Chairperson of the Council until April 1, 2019)

Positions held in other companies (as of April 1, 2019):

SIA Olmafarm, Board member (until 02.01.2019)

SIA OLFIM M, Chairman of the Board

OÜ OLFIM (Estonia), Board member

Number of shares of JSC Olainfarm owned (as of March 22, 2019):

- directly: 0

- indirectly (through OÜ OLFIM): 1 097 051

Participation in other companies (as of April 1, 2019):

Olainfarm Health Care Private Limited (50%)

SIA OLFIM M (100%)

OÜ OLFIM (100%)

SIA Olmafarm (1/3 from 40 shares)

Mārtiņš Kriekis (Member of the Council until April 1, 2019)

Positions held in other companies (as of April 1, 2019):

SIA GESIL LIMITED, Board member

SIA KRIEKIS LAW OFFICE, procuration holder

SIA Ziemeļu vārti, procuration holder

Number of shares of JSC Olainfarm owned (as of March 22, 2019): 0

Participation in other companies: none

Daina Sirlaka (Member of the Council until April 1, 2019)

Positions held in other companies (as of April 1, 2019):

SIA PERISHA, Board member

Number of shares of JSC Olainfarm owned (as of March 22, 2019): 0

Participation in other companies (as of April 1, 2019):

SIA PERISHA (100%)

Movements in the Board

According to Decision of the Council from April 1, 2019 Inga Krūkle was released from the position of the Board member and Lauris Macijevskis was appointed as a Board member of JSC Olainfarm with rights of separate representation.

According to Decision of the Council from April 4, 2019 Oļegs Grigorjevs was released from the position of the Chairman of the Management Board and Mihails Raizbergs and Vladimirs Krušinskis were released from the position of the Board member. Lauris Macijevskis was appointed as a Chairman of the Management Board of JSC Olainfarm and Signe Baldere-Sildedze and Milana Beļeviča were appointed as the Board members, each of them with rights of separate representation, as well as Mārtiņš Pūriņš with rights to represent JSC Olainfarm together with two other Board members.

Movements in the Council

The Extraordinary General Meeting of Shareholders on April 1, 2019 made a decision to release the Council members Pāvels Rebenoks, Irina Maligina, Mārtiņš Kriekis, Daina Sirlaka and to appoint the new Council of JSC Olainfarm: Jānis Buks, Gundars Bērziņš, Kārlis Krastiņš, Andrejs Saveljevs, Haralds Velmers. According to the Decision of the Council from April 1, 2019 Gundars Bērziņš was appointed as a Chairperson of the Council and Jānis Buks as a Deputy Chairperson of the Council.

Major shareholders

	Share holding
SIA Olmafarm	42.56%
Clearstream Banking S.A	8.49%
OÜ OLFIM	7.79%
Anna Emīlija Maligina	7.79%
Other shareholders	<u>33.37%</u>
Total	100.00%

Management report

General information

The Group's parent company JSC Olainfarm is one of the biggest pharmaceutical companies in Latvia with more than 45 years of experience in production of chemical and pharmaceutical products. A basic principle of the Group's operations is to produce reliable and effective top-quality products for Latvia and the rest of the world. Products made by the Group are being exported to more than 60 countries worldwide, including the Baltics, Russia, other CIS, Europe, Asia, North America and Australia.

The main companies in the Group are the parent company Olainfarm and its fully owned subsidiaries: chain of pharmacies Latvijas Aptieka, a leading Latvian food supplement company Silvanols, producer of elastic and compression products Tonus Elast, healthcare companies Klinika Diamed and OlainMed, eco-cosmetics producer Kiwi Cosmetics and Belarussian producer of natural herbal medicines and infusion NPK Biotest.

Corporate mission and vision

Corporate mission:

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

Corporate vision:

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

Company's Corporate Governance Report and ESG Report 2018 is available at www.olainfarm.com.

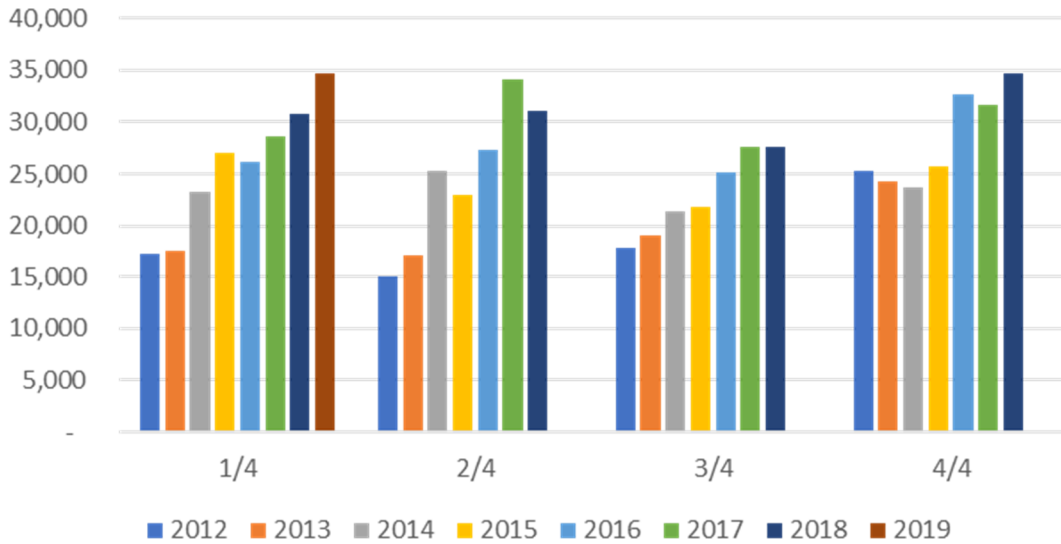
Operational environment

During the first quarter of this year main markets of Olainfarm Group experienced strong macro environment. Russian ruble strengthened from around 79 RUB per 1 EUR at the beginning of the year to less than 73 RUB per 1 EUR. Similar local currency appreciation process was observed in Belarus and Ukraine. Economic growth coupled with favorable currency movements helped increase 1st quarter revenues by 13% to EUR 34.7 million. Sales in Latvia and Russia increased by 11%, in Belarus and Ukraine - by 20%. Out of the major ten sales outlets Kazakhstan, Germany and Lithuania showed decrease by 27%, 19% and 34%, respectively. The main four markets (Russia, Latvia, Ukraine and Belarus) comprised 78% of consolidated revenues.

Revenue

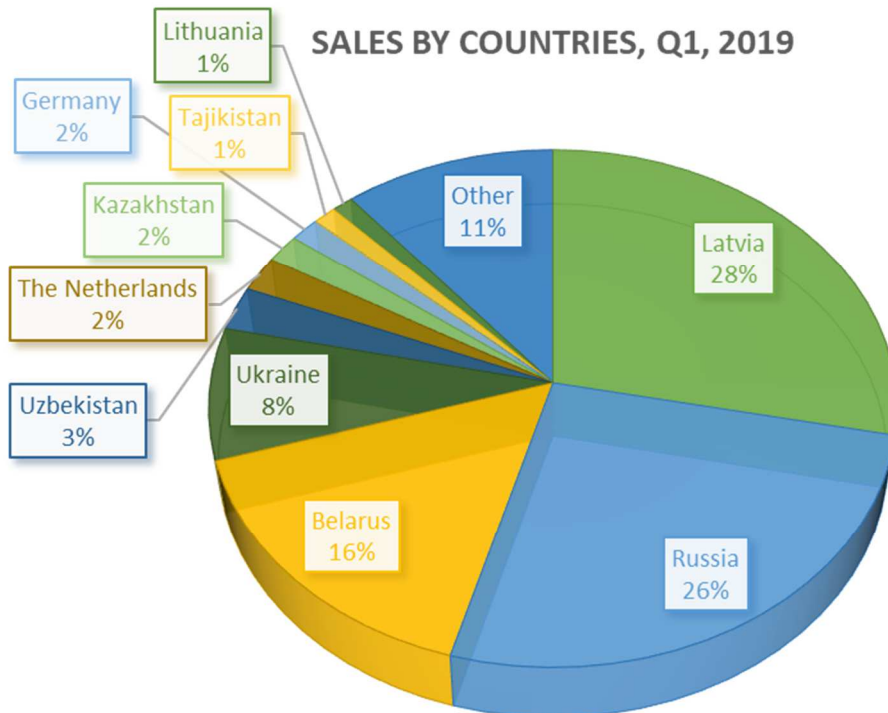
During the 1st quarter of 2019, consolidated sales of the Company reached 34.7 million euros which is an increase by 4 million euros or 13% if compared to similar period of 2018. Such result marks a new record of first quarter revenues.

Sales by Quarters, Thnsd. EUR



Markets

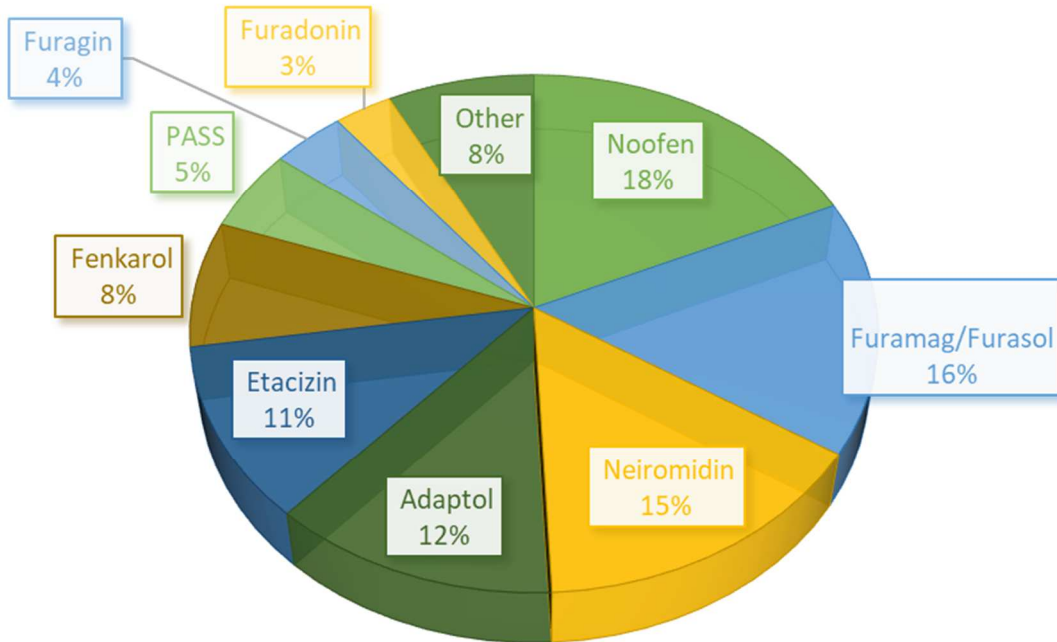
In the 1st quarter of 2019 sales continued to climb in all Group’s major markets. Latvia had the largest share with 28%, Russia was the second largest with 26%, Belarus and Ukraine followed with 16% and 8%, respectively. During the reporting period sales in Latvia and Belarus increased by over 900 thousand euros, in Russia – by around 880 thousand and in Ukraine – by close to 500 thousand euros.



Products

During the first three months of this year sales of Olainfarm’s main products continued to increase. The bestselling product was Noofen with 18% share, which is the same as a year ago. Share of the three largest products was 49% , and that is less than last year (51%). Olainfarm started deliveries of PASS Sodium Salt to World Health Organization, which allowed this product to make into the Top 10 products list.

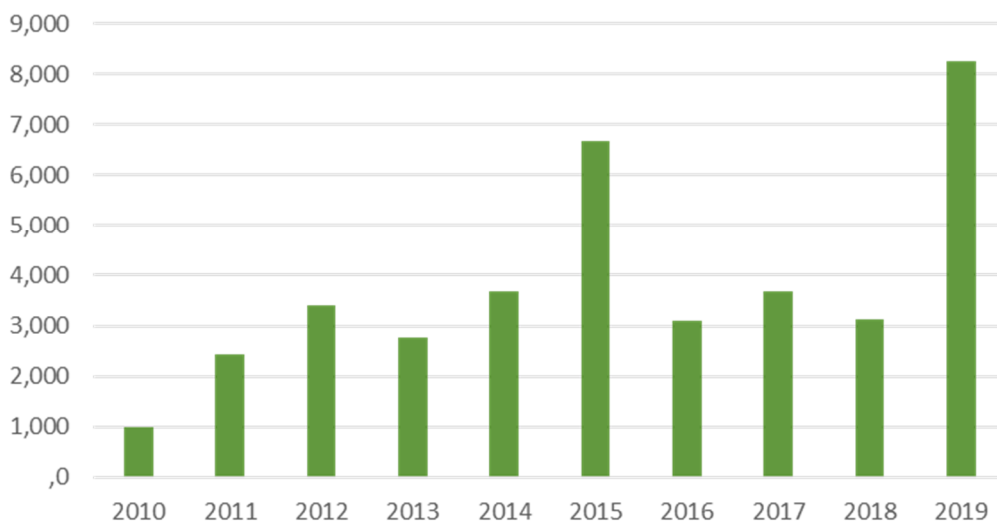
BESTSELLING OLAINFARM PRODUCTS, Q1, 2019



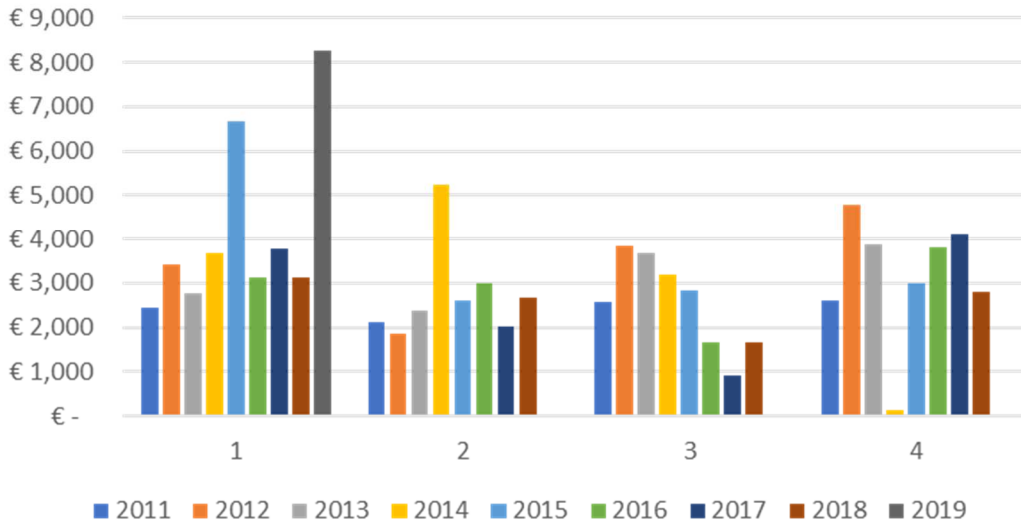
Profit

Net profit for the 1st quarter is by far the largest in Olainfarm Group’s history. Earnings were positively affected by increase in revenues, smaller increase in costs of goods sold and administrative expenses and decline in selling expenses. Favorable currency (Russian ruble) movements also had positive effect on net profit.

Profit of first quarters, Thsnd. EUR



Profit by Quarters, Thsnd. EUR



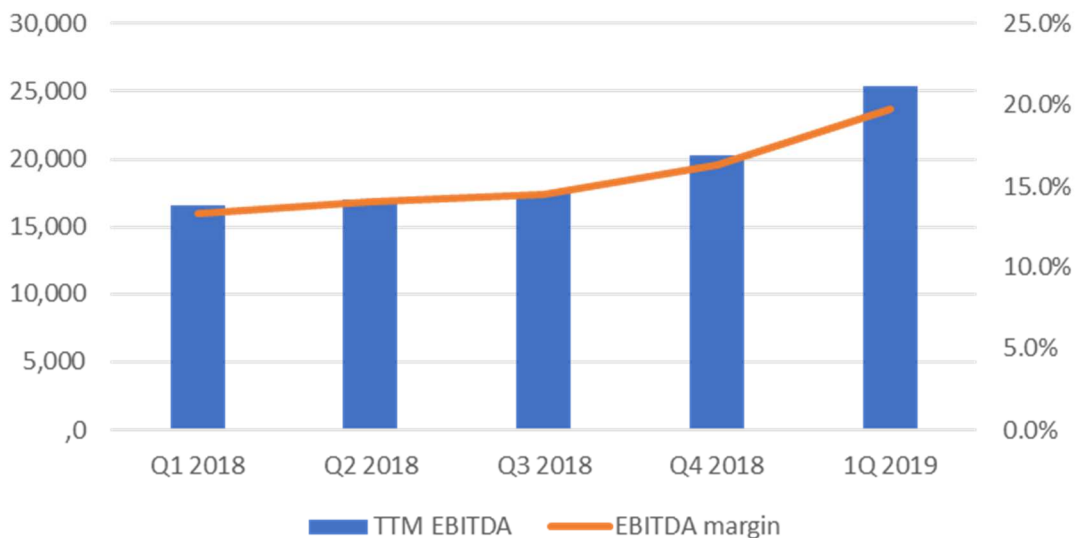
Starting from January 1, 2019 the Group has implemented IFRS 16 on Leases without retrospective application. As the result of the implementation of this standard, the assets use rights and finance liabilities are recognized in the balance sheet, and instead of lease expenses the leased assets depreciation is recognized in the statement of comprehensive income, that affects EBITDA result.

The Group has also changed EBITDA calculation methodology so that EBITDA result include currency exchange result for the purpose to align the calculation of this alternative performance indicator with the EBITDA calculation methodology of financing institutions. Applied EBITDA (and respectively – EBIT) definitions are following:

- EBITDA = Profit before tax and before interest income, interest expense, depreciation and amortization charge for 12-month period ending with reporting period end
- EBIT = Profit before tax and before interest income, interest expense for 12-month period ending with reporting period end

Change of definition and implementation of Leases standard, as described above, results in EBITDA information incomparability with historical information presented in previous reports. In this interim report recalculated retrospective quarterly information on 12-month EBITDA and EBITDA margin is presented starting with 1st quarter of year 2018.

TTM EBITDA and EBITDA Margin



Main financial indicators

Financial indicator for period	01.01.2019 - 31.03.2019	01.01.2018 - 31.03.2018	% to previous period
Sales, EUR '000	34 745	30 789	113%
Net profit, EUR '000	8 260	3 114	265%
EBITDA, EUR '000	10 541	5 414	195%
EBIT, EUR '000	8 470	3 299	257%
Gross margin	61.2%	58.5%	
EBITDA margin	30.3%	17.6%	
EBIT margin	24.4%	10.7%	
Net margin	23.8%	10.1%	
EPS, EUR	0.59	0.22	265%

Financial indicator at the period end	31.03.2019	31.03.2018	% to previous period
Current ratio	1.9	2.2	
Share price at period end, EUR	6.55	8.90	73.6%
Market capitalisation, EUR '000	92 257	125 357	73.6%
P/B	0.8	1.2	

Financial indicator for 12 month	01.04.2018- 31.03.2019	01.04.2017- 31.03.2018	% to previous period
Sales, EUR '000	128 212	124 294	103%
Net profit, EUR '000	15 877	10 230	155%
EBITDA, EUR '000	25 355	16 594	153%
ROA	10.3%	6.9%	
ROE	15%	10%	
P/E	5.9	12.4	

On March 5, 2019 investor conference – webinar JSC Olainfarm has published the main financial indicators of the planned Group's performance for the year 2019 - the Group's net revenue for the year 2019 is planned 133.3 million euro and the Group's net profit – 10.0 million euro. Based on the results of the 1st quarter the management has adjusted the plan by increasing net profit till 12.7 million euro, that are expected to be presented at the Annual General shareholders meeting. In accordance with this report on 1st quarter, 26% of net revenue annual plan is reached and 65% of net profit annual adjusted plan is reached.

Herein presented financial indicators and alternative performance indicators must be reviewed together with explanations and definitions included in the management report of the annual accounts for year 2018, that are not altered except above described changes in EBITDA and EBIT definitions.

Shares and stock market

During the reporting period, the average share price was around 6.93 euro per share, trading in a range of 6.50 to 7.25 euro per share. During the 1st quarter 2019, 796 transactions were made with 156,798 shares of JSC Olainfarm in the total amount of 1 087 446 euros.

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



OMX Riga index increased by more than 5% during the reporting period while share price of Olainfarm decreased by 2.2%.

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



-- OMX Riga
-- JSC Olainfarm

During the first quarter of 2019, almost 157 thousand shares of JSC Olainfarm, worth around 1.09 million euros, were traded on Nasdaq Riga. Compared to the same period in 2018, the number of traded shares was approximately the same while turnover was lower.

Developments

By February 2019, JSC Olainfarm has completed 3.4 mil. euro investments in production equipment, premises and software, as well as amended medicine registration documents and joined EU and regional Medicines Verification Organizations to comply with EU Directive on Falsified Medicinal Products (2011/62/ES) and EU Commission Delegated Regulation (EU 2016/161) requirements on safety indications and verification of medicinal products distributed in European markets. By the end of the year 2019 this system will be extended to comply with complex requirements of Russian Federation related to safety features on the packaging of medicinal products and monitoring of medicines circulation.

During the 1st quarter of the year 2019, JSC Olainfarm has received Latvian registration of generic final dosage form Acetylcysteine Olainfarm for respiratory diseases treatment; has received European Pharmacopoeia's Certificate of Sustainability (CEP) for active pharmaceutical ingredient Amantadine Hydrochloride produced by the company, as well as company's active pharmaceutical ingredient Chlorobutanol Hydrate is registered for production of final dosage form product by cooperation partner in Germany.

On February 2019 the Parent Company received the decision of the Ministry of Economics, which approved results of the investment project New Products Introduction into Production and Increase of Export Capacity of JSC Olainfarm and approved the state aid in form of corporate income tax (CIT) allowance of 4.6 million euros. In accordance with the Law on CIT effective from year 2018, the granted allowance is applicable to the CIT calculated on dividends paid from profits of year 2018 and future years. Usage timing of the allowance currently may not be forecasted due to the inconsistency between shareholders right to distribute profits of the last year as well as CIT Law incentive to reinvest the profits and between opinion of the Ministry of Finance that CIT Law foresees mandatory application of FIFO principle on distribution of profits in dividends applying this also to all historically reinvested profits already taxed with CIT.

Future Outlook

As Russia and several other countries are tightening their requirements towards dossiers of medicines, Olainfarm has started to conduct necessary studies to bring its dossiers up to date. Total investment in research in 2019 is estimated at 6.8 million EUR, with further 3 years material investments. Upgraded dossiers will not only safeguard and improve the positions in existing key markets, but will make an entry to new markets easier. Necessity to upgrade dossiers applies to all key products, including Neiromidin, Noofen, Adaptol, Nitrofuranes, Fenkarol and Etacizin.

Social Responsibility

In the first quarter of 2019, JSC Olainfarm continued its cooperation with the leading profile universities in Latvia, supporting their activities, such as the Riga Stradins University Science Week that was an excellent opportunity for young health professionals to discover the latest discoveries in research. With the support of Olainfarm, the exhibition of chemical elements tables by D.Mendeleev was opened at Riga Technical University Faculty of Material Science and Applied Chemistry.

As a long-term partner, JSC Olainfarm participated in the organization of the Annual Award in Medicine 2019, as well as supported the awarding of the Eduard Smilgis Award to the brightest names of the Latvian theatre stage, organized by the Union of Latvian Theater Artists.

We continued to support young talents and ideas of Valery Maligins, as the trusted long-term partner of the Riga Jazz Stage 2019 project. We also kept supporting healthy lifestyle activities in the Olaine region as one of our long term goals.

To stimulate interest in chemistry and pharmacy, and promote Olainfarm as one of the largest employers in Riga vicinity, we participated in Open Days, organized by Career and Education portal Prakse.lv.

Financial reports have been approved by the Board of the Parent company and on its behalf they are signed by:

(signature)

Lauris Macijevskis
Chairman of the Management Board

May 31, 2019

Statement of responsibility of the management

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

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

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

For the Board of JSC Olainfarm:

(signature)

Lauris Macijevskis
Chairman of the Management Board

May 31, 2019

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

	01.01.2019 - 31.03.2019	01.01.2018 - 31.03.2018
	EUR '000	EUR '000
Revenue	34 745	30 789
Cost of goods sold	(13 491)	(12 778)
Gross profit	21 254	18 011
Selling expense	(8 281)	(8 671)
Administrative expense	(6 333)	(5 641)
Other operating income	462	718
Other operating expense	(255)	(711)
Share of profit of an associate	78	68
Financial income	1 563	20
Financial expense	(161)	(590)
Profit before tax	8 327	3 204
Corporate income tax	(67)	(90)
Profit for the reporting period	8 260	3 114
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	155	(5)
Other comprehensive income for the reporting period, net of tax	155	(5)
Total comprehensive income for the reporting period, net of tax	8 415	3 109
Profit attributable to:		
The equity holders of the Parent company	8 260	3 114
Non-controlling interests	-	-
	8 260	3 114
Total comprehensive income attributable to:		
The equity holders of the Parent company	8 415	3 109
Non-controlling interests	-	-
	8 415	3 109
Basic and diluted earnings per share, EUR	0.59	0.22

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

For the Board of JSC Olainfarm:

(signature)
Lauris Macijevskis
Chairman of the Management Board

May 31, 2019

Interim consolidated statement of financial position

ASSETS	31.03.2019	31.12.2018
NON-CURRENT ASSETS	EUR '000	EUR '000
Intangible assets		
Goodwill	20 985	20 985
Patents	155	161
Pharmacy licenses and lease contracts	11 953	11 953
Other intangible assets	3 104	3 193
Intangible assets under development	277	284
Prepayments for intangible assets	22	43
TOTAL	36 496	36 619
Property, plant and equipment		
Land, buildings and constructions	19 873	20 249
Equipment and machinery	11 901	11 551
Other tangible assets	2 602	3 448
Leasehold investments	364	377
Construction in progress	7 231	6 299
Prepayments for property, plant and equipment	1 549	1 773
TOTAL	43 520	43 697
Right-of-use assets	7 469	-
Investment properties	3 551	3 492
Other non-current assets		
Investments in associated companies	681	603
Loans to management, employees and shareholders	208	187
Prepayments and deferred expenses	16	178
Other non-current assets	2	3
Deferred corporate income tax assets	12	12
TOTAL	919	983
TOTAL NON-CURRENT ASSETS	91 955	84 791
CURRENT ASSETS		
Inventories		
Raw materials	6 005	5 583
Work in progress	9 696	8 626
Finished goods and goods for resale	11 260	11 379
Prepayments for goods	442	206
TOTAL	27 403	25 794
Receivables and other current assets		
Trade receivables	29 050	29 281
Prepayments and deferred expenses	1 621	1 397
Other receivables	1 240	1 100
Corporate income tax	1 134	1 316
Loans to management, employees and shareholders	1 567	1 543
TOTAL	34 612	34 637
Cash	7 104	2 689
TOTAL CURRENT ASSETS	69 119	63 120
TOTAL ASSETS	161 074	147 911

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

(signature)

Lauris Macijevskis
Chairman of the Management Board

May 31, 2019

Interim consolidated statement of financial position

EQUITY AND LIABILITIES		31.03.2019	31.12.2018
EQUITY		EUR '000	EUR '000
Share capital		19 719	19 719
Share premium		2 504	2 504
Reserves		(69)	(224)
Retained earnings:			
brought forward		83 079	72 348
for the period		8 260	10 731
	TOTAL EQUITY	113 493	105 078
LIABILITIES			
Non-current liabilities			
Loans from credit institutions		175	58
Lease liabilities		5 615	656
Other non-current loans		1 015	1 079
Deferred income		3 509	2 878
	TOTAL	10 314	4 671
Current liabilities			
Loans from credit institutions		19 241	22 892
Lease liabilities		1 740	344
Other loans		74	-
Trade and other payables		10 837	9 393
Prepayments received from customers		265	353
Taxes payable		1 308	1 218
Deferred income		371	386
Accrued liabilities		3 431	3 576
	TOTAL	37 267	38 162
	TOTAL LIABILITIES	47 581	42 833
TOTAL EQUITY AND LIABILITIES		161 074	147 911

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

For the Board of JSC Olainfarm:

(signature)

Lauris Macijevskis
Chairman of the Management Board

May 31, 2019

Interim consolidated statement of cash flow

	01.01.2019 - 01.01.2018 -	
	31.03.2019	31.03.2018
	EUR '000	EUR '000
Cash flows to/from operating activities		
Profit before taxes	8 327	3 204
Adjustments for:		
Amortization and depreciation	2 036	1 694
Profit on sale/ disposal of non-current assets	(30)	(23)
Increase/ (decrease) in allowances and accrued liabilities	41	(189)
Share of profit of an associate	(78)	(68)
Interest expenses	161	115
Interest income	(18)	(20)
Income from EU projects' funds	(112)	(228)
Unrealised (profit)/ loss from fluctuations of currency exchange rates	(468)	111
Operating cash flows before working capital changes	9 859	4 596
Increase in inventories	(1 606)	(927)
Decrease in receivables and prepaid expense	199	2 277
Increase in payables and prepayments received	1 447	171
Cash generated from operations	9 899	6 117
Corporate income tax paid	(172)	(919)
Net cash flows from operating activities	9 727	5 198
Cash flows to/from investing activities		
Purchase of intangible assets and property, plant and equipment	(1 906)	(1 638)
Purchase of investment properties	(100)	(50)
Receipt of EU grants	728	110
Dividends received	-	80
Proceeds from sale of intangible assets and property, plant and equipment	62	174
Repayment of loans	3	91
Interest received	-	12
Loans granted	(32)	(22)
Net cash used in investing activities	(1 245)	(1 243)
Cash flows to/from financing activities		
Borrowings and lease liabilities repaid	(4 161)	(3 509)
Interest paid	(161)	(115)
Proceeds from borrowings	145	974
Net cash used in financing activities	(4 177)	(2 650)
Change in cash	4 305	1 305
Net foreign exchange difference	110	(46)
Cash at the beginning of the year	2 689	3 158
Cash at the end of the reporting period	7 104	4 417

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 2017	19 719	2 504	40	(114)	75 675	97 824
Change in accounting policy	-	-	-	-	(369)	(369)
Balance as at 1 January 2018	19 719	2 504	40	(114)	75 306	97 455
Profit for the reporting period	-	-	-	-	3 114	3 114
Other comprehensive income	-	-	-	(5)	-	(5)
Total comprehensive income	-	-	-	(5)	3 114	3 109
Balance as at 31 March 2018	19 719	2 504	40	(119)	78 420	100 564
Balance as at 31 December 2018	19 719	2 504	40	(264)	83 079	105 078
Profit for the reporting period	-	-	-	-	8 260	8 260
Other comprehensive income	-	-	-	155	-	155
Total comprehensive income	-	-	-	155	8 260	8 415
Balance as at 31 March 2019	19 719	2 504	40	(109)	91 339	113 493

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

Notes to the interim condensed consolidated financial statements

1. Corporate information

The principal activities of Olainfarm Group (hereinafter, the Group) are manufacturing and distribution of chemical and pharmaceutical products. The Parent Company of the Group, JSC Olainfarm (hereinafter, the Parent Company) was registered with the Republic of Latvia Enterprise Register on 10 June 1991 (re-registered on 27 March 1997) and with the Republic of Latvia Commercial Register on 4 August 2004. The shares of the Parent Company are listed on Riga Stock Exchange, Latvia.

These unaudited interim condensed consolidated financial statements (hereinafter – the interim financial statements) were approved by the Management Board on 31 May 2019.

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

Basis of preparation

The interim condensed consolidated financial statements for three months ended 31 March 2019 have been prepared in accordance with IAS 34 Interim Financial Reporting.

The interim financial statements do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the Group's annual financial statements as at 31 December 2018.

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 at 31 March 2019.

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 ended 31 December 2018. The Group has adopted new and amended IFRSs and IFRICs effective for annual periods beginning on 1 January 2019. No impact on the interim financial statements of the Group is identified except as described below.

Adoption of IFRS 16 Leases:

The new standard sets out the principles for the recognition, measurement, presentation and disclosure of leases. All leases result in the lessee obtaining the right of use an asset at the start of the lease and, if lease payments are made over time, also obtaining financing. IFRS 16 introduces a single lessee accounting model. Lessees are required to recognize: (a) assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value; and (b) depreciation of lease assets separately from interest on lease liabilities in the income statement.

The Group has adopted IFRS 16 from 1 January 2019. The Group has applied the simplified transitional approach and has not restated comparative amounts for the year prior to first adoption. The adjustments arising from the new leasing rules are therefore recognized in the balance sheet on 1 January 2019. Right-of-use assets are measured at the amount of the lease liability on adoption (adjusted for any prepaid lease expenses). Impact on the statement of financial position as at 1 January 2019:

Assets:

- Right-of-use assets – increase by 7 555 thsd EUR
- Other intangible assets – decrease by 919 thsd EUR
- Deferred expenses – decrease by 190 thsd EUR

Liabilities:

- Lease liabilities – increase by 6 446 thsd EUR.

The Group has not early applied 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. Impairments

Goodwill is tested for impairment annually and when circumstances indicate the carrying value may be impaired. Goodwill acquired through business combinations has been allocated to the following cash generating units (CGU): Pharmacy CGU (all pharmacy retail entities), Silvanols CGU, Tonus Elast CGU (Tonus Elast and Elast Mediki), Biotest CGU, Diamed CGU, Olainmed CGU and Other CGU. Premises lease agreements and licenses are fully related to Pharmacy CGU.

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

4. Property, plant and equipment

During the reporting period the investments of 689 thsd. EUR are provided under the EU co-financed project Implementation of Experimental Technology for Production of New Products of JSC Olainfarm. The investments made are fully financed from cash flows of the company.

During the reporting period there were no other significant investments made for property, plant and equipment, also no material disposals or write-offs were performed.

5. Loans from credit institutions

Information on repayment term extension for the loan from AS ABLV Bank is provided in the section Events after the reporting period.

6. Related party disclosures

Related party	Type of services		Goods and services	Goods, services	Amounts owed	Amounts owed
			delivered to/ Loans issued to related parties	and loans received from related parties	by related parties (gross)	to related parties (gross)
			EUR '000	EUR '000	EUR '000	EUR '000
1. Associated entities						
SIA Olainfarm enerģija (AS Olainfarm share 50%)	Loan, services, energy production	31.12.2018	53	393	5	53
		31.03.2019	13	149	5	43
		TOTAL: 31.12.2018	53	393	5	53
		TOTAL: 31.03.2019	13	149	5	43
2. Key management personnel						
Other management personnel	Study loan	31.12.2018	11	-	11	-
		31.03.2019	11	-	23	-
		TOTAL: 31.12.2018	11	-	11	-
		TOTAL: 31.03.2019	11	-	23	-
3. Parties with significant influence						
SIA Olmafam (shareholder)	Loan and other services	31.12.2018	1	1 005	-	1 005
		31.03.2019	-	10	-	1 015
Heirs of V. Maligins	Loan and travelling services	31.12.2018	62	16	1 944	74
		31.03.2019	17	19	1 961	92
		TOTAL: 31.12.2018	63	1 021	1 944	1 079
		TOTAL: 31.03.2019	17	29	1 961	1 107
4. Other Related companies						
SIA Vega MS (Heirs of V.Maligins share 59.99%)	Security services, windows production	31.12.2018	-	545	-	-
		31.03.2019	-	139	-	2
SIA Lano Serviss (Heirs of V.Maligins share 25%)	Dry cleaning and other services	31.12.2018	12	37	1	3
		31.03.2019	3	11	1	4
SIA Olfa Press (Heirs of V.Maligins share 47.5%)	Printing and other services	31.12.2018	56	1 380	5	143
		31.03.2019	15	512	5	269
SIA Egotrashcinema (Heirs of V.Maligins share 40%, E.Maligina share 60%)	Travelling and other services	31.12.2018	-	-	25	-
		31.03.2019	-	-	-	-
SIA Digital Era (M.Raizbergs share 100%)	IT services	31.12.2018	-	55	-	7
		31.03.2019	-	7	-	-
SIA Digital Partner (M.Raizbergs share 100%)	IT services	31.12.2018	-	29	-	1
		31.03.2019	-	16	-	8
		TOTAL: 31.12.2018	68	2 046	31	154
		TOTAL: 31.03.2019	18	685	6	283

7. 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								
3M 2019	21 738	1 407	6 588	1 927	3 085	34 745	-	34 745
3M 2018	18 135	1 966	6 259	1 976	2 453	30 789	-	30 789
Inter-segment								
3M 2019	142	3 269	84	647	221	4 363	(4 363)	-
3M 2018	120	3 006	80	283	731	4 220	(4 220)	-
Total revenue								
3M 2019	21 880	4 676	6 672	2 574	3 306	39 108	(4 363)	34 745
3M 2018	18 255	4 972	6 339	2 259	3 184	35 009	(4 220)	30 789
Segment profit before tax								
3M 2019	5 274	575	379	370	314	6 912	1 415	8 327
3M 2018	1 787	782	280	137	248	3 234	(30)	3 204
Assets								
31.03.2019	86 727	5 015	31 486	17 789	12 352	153 369	7 705	161 074
31.12.2018	82 261	5 027	27 942	18 132	10 445	143 807	4 104	147 911
Liabilities								
31.03.2019	16 610	2 730	8 226	3 805	4 132	35 503	12 078	47 581
31.12.2018	13 031	2 575	5 063	4 403	2 816	27 888	14 945	42 833
Capital expenditure								
3M 2019	1 123	-	16	5	284	1 428	120	1 548
3M 2018	736	1	34	371	17	1 159	26	1 185

Reconciliation of profit

	3M 2019	3M 2018
	EUR '000	EUR '000
Segment profit before tax	6 912	3 234
Unallocated financial income	1 397	48
Unallocated financial expenses	(132)	(550)
Other unallocated income and expense	405	573
Inter-segment elimination	(255)	(101)
Profit before tax	8 327	3 204

Reconciliation of assets

	31.03.2019	31.12.2018
	EUR '000	EUR '000
Assets of segments in total	153 369	143 807
Unallocated long term assets and eliminations	6 898	7 049
Unallocated short term assets and eliminations	(4 655)	(4 682)
Cash managed on group level	5 462	1 737
Total assets	161 074	147 911

Reconciliation of Liabilities

	31.03.2019	31.12.2018
	EUR '000	EUR '000
Liabilities of segments in total	35 503	27 888
Interest bearing loans and borrowings	18 836	21 497
Current tax liabilities	78	67
Other unallocated liabilities and eliminations	(6 836)	(6 619)
Total liabilities	47 581	42 833

8. Dividends proposed

Management Board of JSC Olainfarm proposes to use part of the year 2018 profit of JSC Olainfarm in amount of EUR 1 408 507,80 to pay dividends to shareholders of JSC Olainfarm, paying dividends 0,10 euro per one share in the third quarter 2019. Management Board of JSC Olainfarm indicates that proposal to pay dividend depends on receipt of approval from JSC Olainfarm financing institutions. Management Board of JSC Olainfarm plans to receive necessary approvals until the annual general meeting.

9. Events after the reporting period

On May 15th the Parent company of the Group has concluded novation agreement with ABLV Bank JSC under Liquidation on the loan's remaining amount 9 396 thousand EUR repayment term until April 30, 2020. On maturity date of the novation agreement the expected balance of the loan will be 6 436 thousand EUR. If this novation agreement would be concluded before reporting period end, the short term liabilities of 6 716 thousand EUR would be recognized as the long term. The management of the Parent company plans to refinance this loan before maturity.

There are no other events after the reporting period end that might be material in the context of these interim financial statements.