



JOINT STOCK COMPANY OLAINFARM

(UNIFIED REGISTRATION NUMBER 40003007246)

**UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE 12 MONTHS PERIOD ENDED 31 DECEMBER 2018**

**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 September 30, 2018)	LHV Pensionifond (5.2%) OÜ OLFIM (7.79%) Anna Emīlija Maligina (7.79%) Nika Saveļjeva (7.80%) SIA „Olmafarm” (42.56%)
Major subsidiaries	SIA Latvijas Aptieka (100%) SIA Tonus Elast (100%) SIA Silvanols (100%)
Audit Committee	Chairperson of the Auditing Committee - Viesturs Gurtlavs Members of the Auditing Committee: Deputy Chairperson of the Council Irina Maligina Member of the Council Daina Sirlaka Auditing Committee from 5 th June until 4 th September, 2018: Chairperson of the Auditing Committee - Viesturs Gurtlavs Members of the Auditing Committee: Milana Beļeviča Ivars Godmanis Auditing Committee until 5 th June, 2018: Chairperson of the Auditing Committee - Viesturs Gurtlavs Members of the Auditing Committee: Valentīna Andrējeva Gunta Veismane
Financial year	1 January – 31 December 2018
Interim reporting period	1 January – 31 December 2018

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.

Oļegs Grigorjevs

Oļegs Grigorjevs is the Chairman of the Parent Company's Management Board. He has more than 20 years of experience in chemical and pharmaceutical sector. O.Grigorjevs joined JSC Olainfarm in 2001. Oļegs Grigorjevs obtained a degree in economics at the Moscow Technical University of Communications and Informatics.

Positions held in other companies:

SIA Latvijas Aptieka, Chairman of the Board
SIA Aroma, Board Member (until 09.01.2018)
SIA Kiwi Cosmetics, Board Member
SIA Ozols JDR, Board Member (from 08.02.2018)

Number of shares of JSC Olainfarm owned (as of December 31, 2018): 1 000

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:

SIA Olalex, Board Member (until 07.11.2018)

Number of shares of JSC Olainfarm owned (as of December 31, 2018): 1 000

Participation in other companies: none

Mihails Raizbergs

Mihails Raizbergs is a member of the Parent Company's Management Board and Director of the Department of Information Technologies, having more than 17 years of experience in the field of information and communication technologies. M.Raizbergs joined JSC Olainfarm in 2006 after leaving JSC Rīgas Vagonbūves rūpnīca. Mihails Raizbergs obtained a master's degree in engineering sciences at Transport and Telecommunication Institute, as well as graduated from English *Open University* with a professional diploma in management.

Positions held in other companies:

SIA Digital Partner, Board Member

SIA Digital Era, Board Member

Number of shares of JSC Olainfarm owned (as of December 31, 2018): 200

Participation in other companies:

SIA Digital Partner (100%)

SIA Digital Era (100%)

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 December 31, 2018): 0

Participation in other companies: none

Vladimirs Krušinskis

Vladimirs Krušinskis is a member of the Parent Company's Management Board and Director of the Technical Department of JSC Olainfarm with more than 15 years of experience in industrial companies. V.Krušinskis joined JSC Olainfarm in 2012 when he left the position of Director of the Technical Department and Board member of JSC Rīgas Farmaceutiskā Fabrika. Vladimirs Krušinskis obtained a bachelor's degree in engineering sciences at Transport and Telecommunication Institute.

Positions held in other companies: none
Number of shares of JSC Olainfarm owned (as of December 31, 2018): 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 December 31, 2018): 0
Participation in other companies: none

Inga Krūkle, Board member (from September 4, 2018)

Inga Krūkle is a member of the Parent Company's Management Board, a finance expert with more than 15 years of experience in the banking sector. I.Krūkle joined JSC Olainfarm in 2018 from JSC SEB banka, where she held the position of the Head of Baltic Accounts and Payments Operations. Inga Krūkle has obtained a Professional Bachelor degree in economics at BA School of Business and Finance (BASBF), as well as graduated from Riga Business School with a master's degree in Business Administration (MBA).

Positions held in other companies: none
Number of shares of JSC Olainfarm owned (as of December 31, 2018): 0
Participation in other companies: none

Lauris Macijevskis (Board member from July 24, 2018 until September 4, 2018)

Positions held in other companies (as of September 4, 2018): none
Number of shares of JSC Olainfarm owned (as of August 27, 2018): 0
Participation in other companies (as of September 4, 2018): none

Salvis Lapinš (Board member until July 24, 2018)

Positions held in other companies (as of July 24, 2018):
SIA Baltic Team-Up, procurator holder

Number of shares of JSC Olainfarm owned (as of May 28, 2018): 22 137

Participation in other companies (as of July 24, 2018):
SIA Baltic Team-Up (50%)

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 considered 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.

Pāvels Rebenoks, Chairperson of the Council (from September 4, 2018)

Head of Sworn Advocate's Office Rebenoks & Vilders and sworn advocate with impressive professional experience. Previously worked as the Head of Legal department at PricewaterhouseCoopers Ltd. In 2007, he graduated from the Faculty of Law of the University of Latvia, holding Master's degree in Law.

Positions held in other companies: none

Number of shares of JSC Olainfarm owned (as of December 31, 2018): 700

Participation in other companies:
SIA Frančeska VET (16.7%)

Irina Maligina, Deputy Chairperson of the Council (from September 4, 2018)

Irina has been working in Olainfarm Group since 2012. This allowed her to learn the enterprise from the ground up and accumulate professional experience. Graduated from the Global Management Master's Program at Regent's Business School in London, UK.

Positions held in other companies:

SIA Olmafarm, Board member (until 02.01.2019)

SIA OLFIM M, Chairman of the Board (from 07.11.2018)

OÜ OLFIM (Estonia), Board member (from 06.11.2018)

Number of shares of JSC Olainfarm owned (as of December 31, 2018):

- directly: 0

- indirectly (through OÜ OLFIM): 1 097 051

Participation in other companies:

Olainfarm Health Care Private Limited (50%)

SIA OLFIM M (100%), from 07.11.2018

OÜ OLFIM (100%), from 06.11.2018

Mārtiņš Kriekis, Member of the Council (from September 4, 2018)

Partner at the Law firms Šiks & Kriekis and Rebenoks & Vilders. In 2005 he acquired a lawyer qualification from University of Latvia, Faculty of Law. In 2008 graduated from the Police Academy of Latvia with a Master's degree in Law.

Positions held in other companies:

SIA GESIL LIMITED, Board member

SIA KRIEKIS LAW OFFICE, procurator holder

SIA Ziemeļu vārti, procurator holder

Number of shares of JSC Olainfarm owned (as of December 31, 2018): 0

Participation in other companies: none

Daina Sirlaka, Member of the Council (from September 4, 2018)

More than 30 years of experience in the field of finance and accounting. Board member of PERISHA Ltd. Previously, Managing Director of VESTA finanses Ltd. D.Sirlaka has obtained a degree in economics at University of Latvia.

Positions held in other companies:

SIA PERISHA, Board member

Number of shares of JSC Olainfarm owned (as of December 31, 2018): 0

Participation in other companies:

SIA PERISHA (100%)

Ivars Kalviņš (Chairperson of the Council until September 4, 2018)

Positions held in other companies (as of September 4, 2018): none
Number of shares of JSC Olainfarm owned (as of August 27, 2018): 0

Participation in other companies (as of September 4, 2018):

SIA TETRA (50%)
SIA RIGVIR (3%)
SIA OSI laboratorijas (16.03%)
SIA Ditesan (10%)
SIA Nord papyrus (20%)

Milana Bejeviča (Deputy Chairperson of the Council until September 4, 2018)

Positions held in other companies (as of September 4, 2018):

SIA Antik4Unik, Board member
SIA b2b konsultants, Board member

Number of shares of JSC Olainfarm owned (as of August 27, 2018): 0

Participation in other companies (as of September 4, 2018):

SIA Antik4Unik (100%)
SIA b2b konsultants (100%)

Signe Baldere-Sildedze (until September 11, 2018)

Positions held in other companies (as of September 11, 2018):

SIA LOUVRE, Board member

Number of shares of JSC Olainfarm owned (as of August 27, 2018): 297

Participation in other companies (as of September 11, 2018):

SIA LOUVRE (100%)

Ivars Godmanis (until September 4, 2018)

Positions held in other companies (as of September 4, 2018): none
Number of shares of JSC Olainfarm owned (as of August 27, 2018): 0
Participation in other companies (as of September 4, 2018): none

Valentīna Andrējeva (until June 5, 2018)

Positions held in other companies (as of June 5, 2018):

JSC Riga Shipyard, Council Member

Number of shares of JSC Olainfarm owned (as of May 28, 2018): 0

Participation in other companies (as of June 5, 2018): none

Aleksandrs Raicis (until June 5, 2018)

Positions held in other companies (as of June 5, 2018):

SIA Briz, Board Member

SIA Format A3, Board Member

Number of shares of JSC Olainfarm owned (as of May 28, 2018): 0

Participation in other companies (as of June 5, 2018):

SIA VIP Pharma (50%)

SIA Recessus (30%)

SIA Briz (7.92%)

SIA Format A3 (33.33%)

Gunta Veismane (until June 5, 2018)

Positions held in other companies (as of June 5, 2018): none

Number of shares of JSC Olainfarm owned (as of May 28, 2018): 0

Participation in other companies (as of June 5, 2018): none

Andis Krūmiņš (until June 5, 2018)

Positions held in other companies (as of June 5, 2018):

SIA AO Solutions, Board Member

SIA Multitrial, Chairman of the Board

Number of shares of JSC Olainfarm owned (as of May 28, 2018): 0

Participation in other companies (as of June 5, 2018):

SIA AO Solutions (100%)

SIA Multitrial (100%)

Movements in the Board

According to Decision of the Council from July 24, 2018 Salvis Lapiņš was released from the position of 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 September 4, 2018 Lauris Macijevskis was released from the position of Board member and Inga Krūkle was appointed as a Board member of JSC Olainfarm with rights of separate representation.

Movements in the Council

The General Meeting of Shareholders on June 5, 2018 elected a new Supervisory Council of JSC Olainfarm: Ivars Godmanis, Milana Beļeviča, Signe Baldere-Sildedze, Ivars Kalviņš, Irina Maligna. According to the Decision of the Council from June 5, 2018 Ivars Kalviņš was appointed as a Chairperson of the Council and Milana Beļeviča as a Deputy Chairperson of the Council.

The Extraordinary General Meeting of Shareholders on September 4, 2018 made a decision to release Council members: Ivars Kalviņš, Milana Beļeviča, Ivars Godmanis, Irina Maligna, Signe Baldere-Sildedze and to appoint the new Council of JSC Olainfarm: Pāvels Rebenoks, Irina Maligna, Mārtiņš Kriekis, Daina Sirlaka, Signe Baldere-Sildedze. According to the Decision of the Council from September 4, 2018 Pāvels Rebenoks was appointed as a Chairperson of the Council and Irina Maligna as a Deputy Chairperson of the Council.

Council member Signe Baldere-Sildedze submitted a notification about her resignation from September 11, 2018.

Major shareholders

	Share holding
LHV Pensionifond	5.20%
OÜ OLFIM	7.79%
Anna Emīlija Maligina	7.79%
Nika Saveljeva	7.80%
SIA Olmafarm	42.56%
Valērijs Maligins 500 732 undivided shares, from which each heir is entitled to 1/3	3.56%
Other shareholders	<u>25.30%</u>
 Total	 100.00%

Management report

General information

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

The main companies in the Group are parent company AS Olainfarm, its subsidiaries SIA Latvijas Aptieka, SIA Kiwi Cosmetics, a leading Latvian food supplement company SIA Silvanols and a Latvian producer of elastic and compression products SIA Tonus Elast, since fourth quarter of 2016 the Group also includes SIA Klinika Diamed and Belarussian company NPK Biotest, but since middle of 2017 also SIA OlainMed.

Corporate mission and vision

Corporate mission:

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

Corporate vision:

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

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

Operational environment

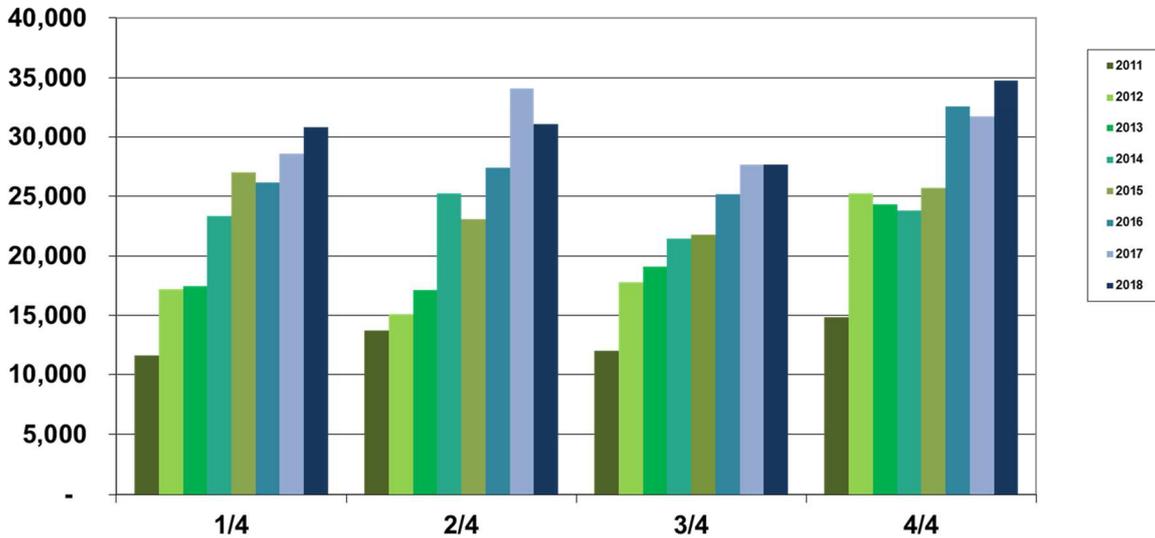
During the reporting period Company's operating environment was rather different in different markets important for the Company. Previously forecast fluctuations of Russian ruble set the scene for expected sales reduction in Russia, while strengthened presence in markets of Belarus and Latvia facilitated significant sales increases in these countries.

In 2018 the company has achieved a slight reduction in its sales costs, and at the same time it managed to increase sales in almost all of its key markets. Besides smaller (by 5%) sales to Russia, all the other main markets demonstrated sales increases.

Financial results

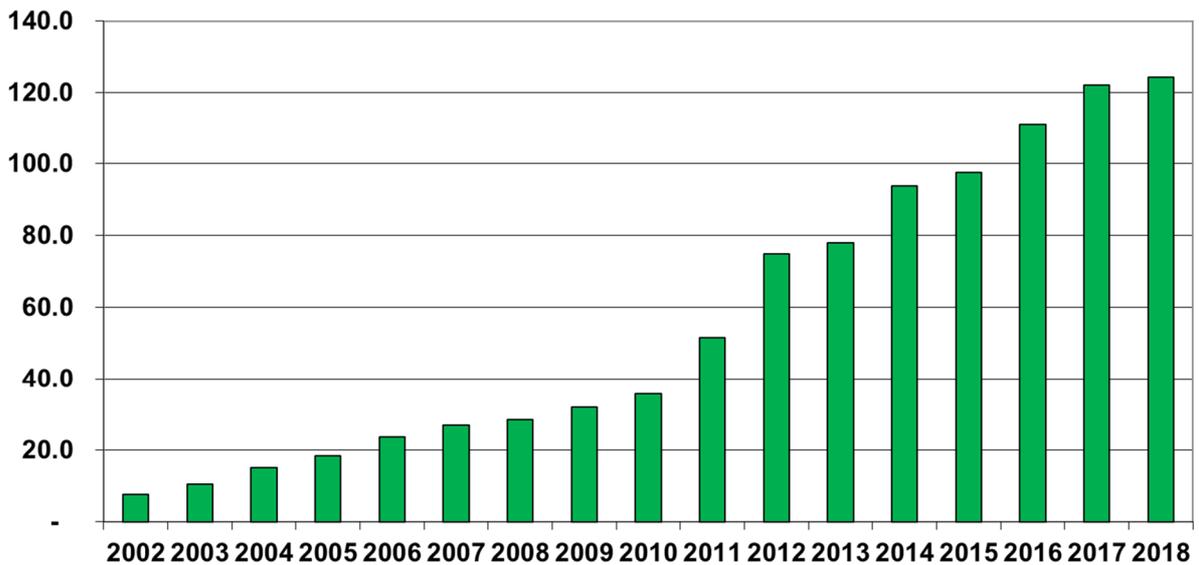
During the 4th quarter of 2018, compared to 4th quarter of 2017, sales of the Company increased by more than 3 million euros or by almost 10% to 34.8 million euros, making this the best quarter in terms of sales in corporate history.

Sales by Quarters, Thsnd. EUR



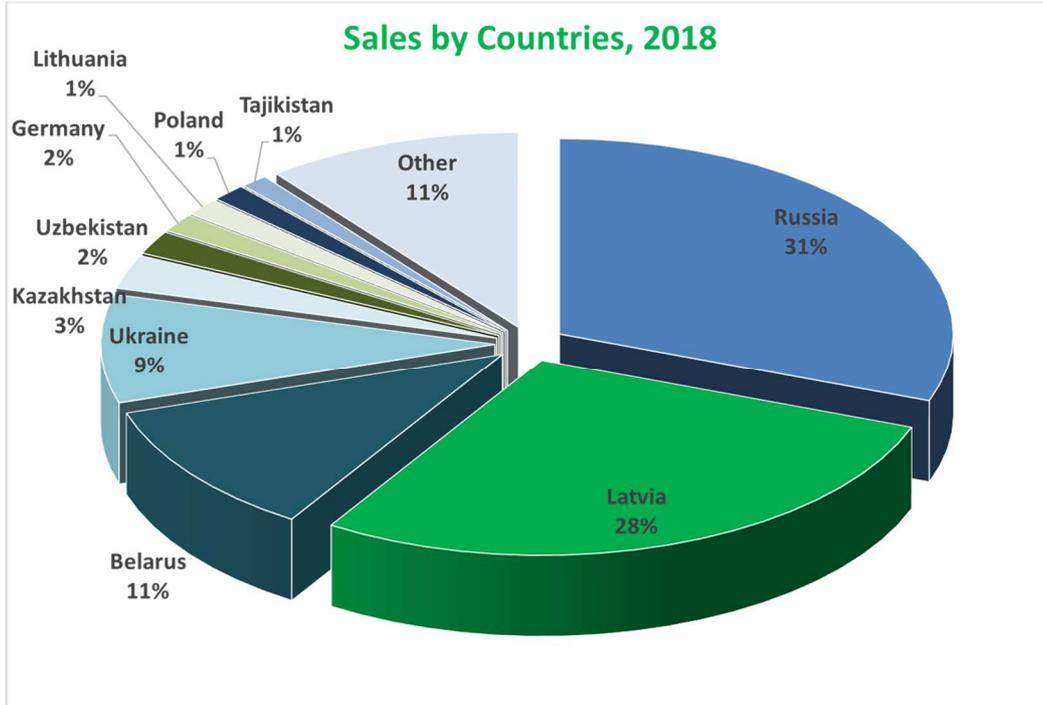
In 2018, compared to 2017, the sales volumes have increased by more than 2 million euros or by almost 2% to 124 million. Although the Group failed to achieved the previously announced sales target of 130 million, it has still set the new annual sales record.

Consolidated Sales, Mln. EUR



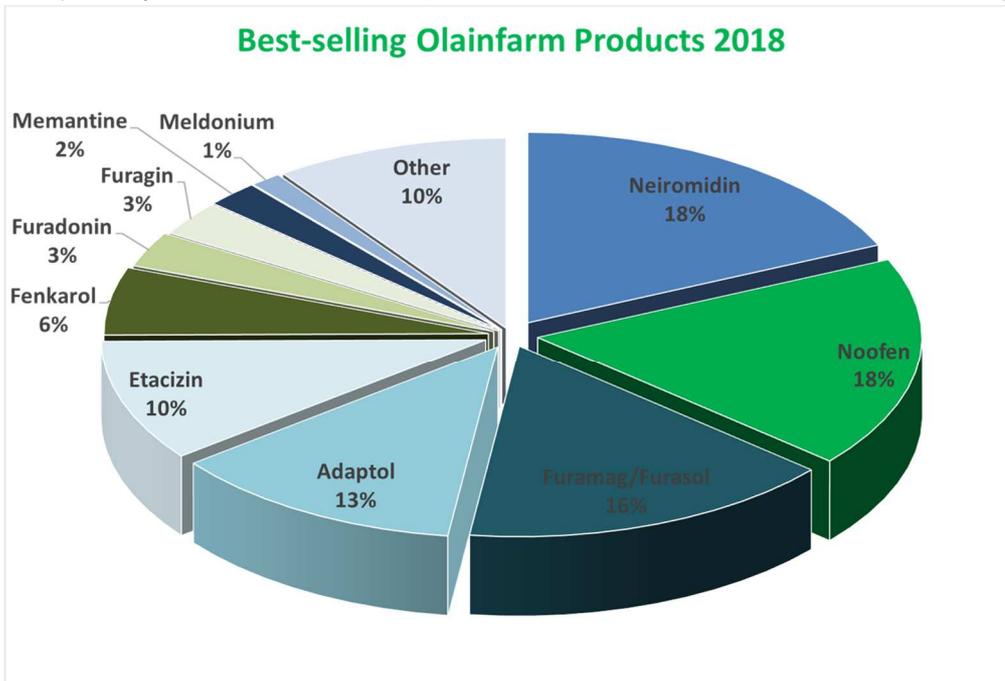
Markets

During the year sales to all company’s main markets continued increasing except for Russia, where because of economic situation and fluctuations of Russian ruble some sales decreases were expected for 2018. The biggest sales increase during this period was achieved in Belarus, where sales grew by 54% and in Tajikistan, where sales increased by 32%. Considerable sales increase (by 23%) was also achieved in Latvia, which resulted in total sales in Latvia being just a little behind those of Russia. In total in top 10 of the markets of the Group during 2018 The Netherlands were replaced by Tajikistan. Major sales markets of Olainfarm in 2018 were Russia, Latvia, Belarus and Ukraine.



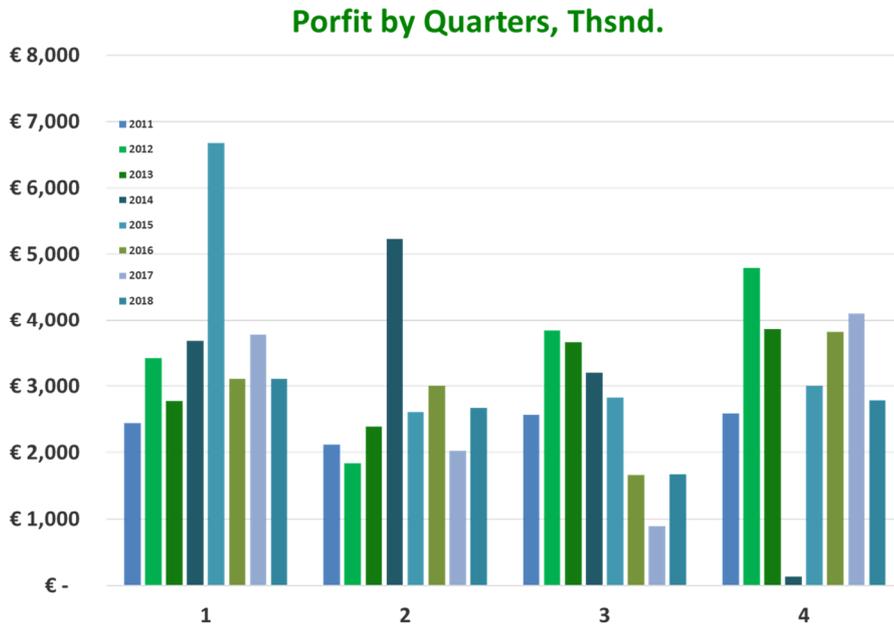
Products

Since 2017, some significant changes have occurred to the sales structure of bestselling products of Olainfarm. Remantadine and PASA were replaced by Meldonium and Memantine, while shares of Noofen and Neiromidin have become comparable.



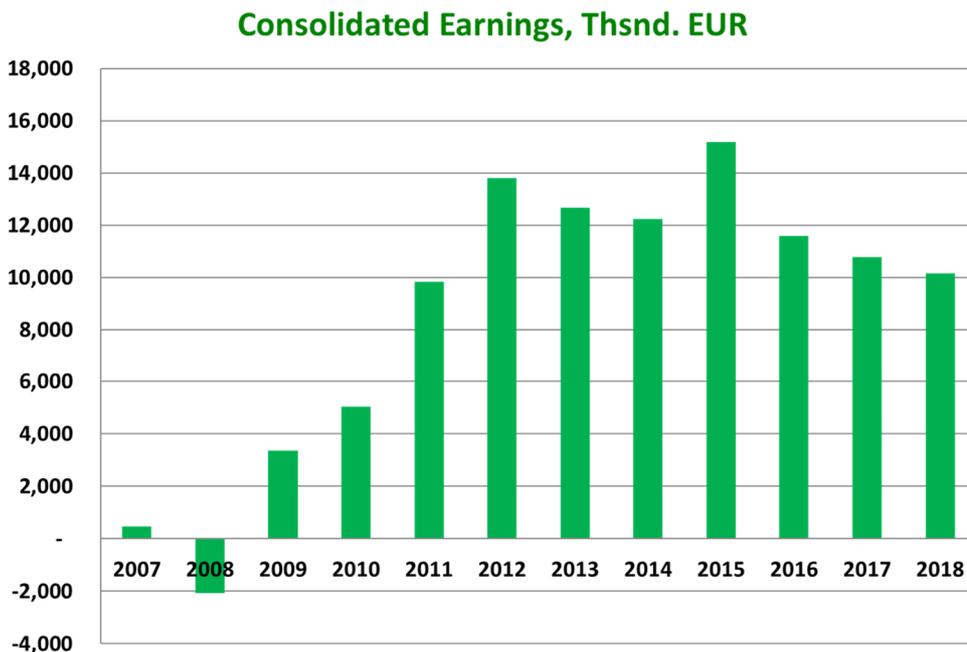
Profit

Although this past fourth quarter in terms of sales was the best in corporate history, in terms of net earnings it lags significantly (by more than 30%) behind the fourth quarter of 2017. The main reason for such a reduction is a reversal of deferred corporate income tax that was made in the last quarter of 2017 due to changing Latvian tax legislation. Such a reversal had a positive impact on earnings worth almost 3.3. million euros. In total during the last quarter of 2018 the company made net earnings of almost 2.9 million euros.



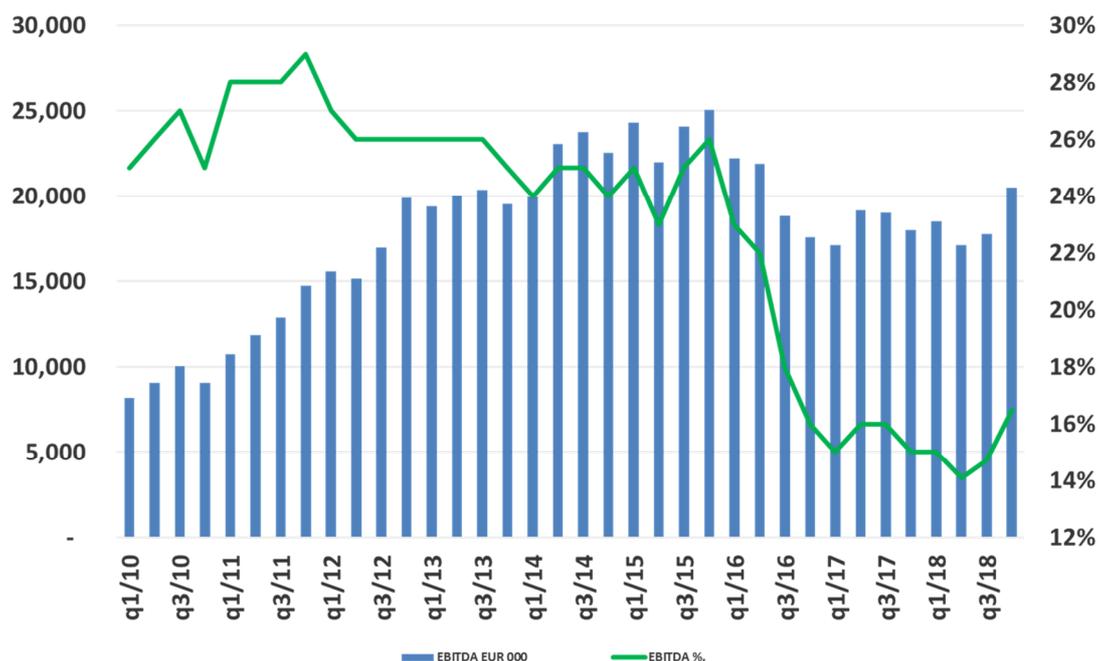
Although the annual sales have demonstrated some increase, the annual earnings are down by about 500 thousand euros. The major factors that have adversely contributed to such comparative reduction are the reversal of deferred tax liabilities worth 3.3 million euros that took place in 2017 and foreign exchange loss of 2.4 million euros. The main factor that had a positive impact on comparative results is less write-offs of value of investments in 2018 compared to 2017. Virtually no write-offs took place in 2018. In total during 2018 the group made the net profit of 10.3 million euros, which is a reduction by almost 5% compared to the net earnings of 2017.

Basing upon the results reflected in this unaudited report, the Board shall recommend the shareholders to decide on paying 1.4 million euros in dividends from earnings of 2018. Such a dividend payment would equal approximately 0.10 euros per share.



Trailing twelve months EBITDA has experienced some increase during the last quarter to 20.5 million euros and EBITDA margin in 12 months period has also gained 2 pp to 17%. Both these indicators are the highest since early 2016.

TTM EBITDA and EBITDA Margin



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

Financial indicator for period	2018	2017	% to previous period
Sales, EUR '000	124 261	122 076	102%
Net profit, EUR '000	10 308	10 789	96%
EBITDA, EUR '000	20 497	17 999	114%
EBIT, EUR '000	13 628	11 450	119%
Gross margin	60.2%	61.3%	
EBITDA margin	16.5%	14.7%	
EBIT margin	11.0%	9.4%	
Net margin	8.3%	8.8%	
ROA	7.0%	7.4%	
ROE	9.8%	11.0%	
Current ratio	2.1	2.0	
EPS, EUR	0.73	0.77	96%
Share price at period end, EUR	6.70	8.05	83%
P/E	9.2	10.5	
Market capitalisation at period end, EUR '000	94 370	113 385	83%
P/B	0.9	1.2	

Annual meeting of shareholders of JSC Olainfarm, convened on June 5, 2018 approved operating plan of the Group for 2018. According to it, sales of the Group in 2018 are planned to be 130 million euros, but the net profit will reach 11.5 million euros. According to this unaudited report of 2018, during the year 96% of annual sales target and 90% of annual profit target is met.

Shares and stock market

Events of the reporting period related to the sudden death of long term CEO and the main shareholder Mr.Valerijs Maligins and the respective distribution of his inheritance have resulted into fluctuations of share price. Throughout the reporting period share price was mainly falling, but its higher level (9.1 EUR) was reached in March, while the lowest (6.2 EUR) in early September. After the new Council was elected in early September and started several activities targeted at improving transparency of Company's operations share price started recovering and has stabilizes above 7 euros. As this report is being prepared it fluctuates around 7.2 EUR, meaning that since its lowest point in early September it has increased by more than 16%. During the reporting period 3 740 transactions have been concluded with Company's shares, which is by more than a thousand transactions more than in 2017.

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

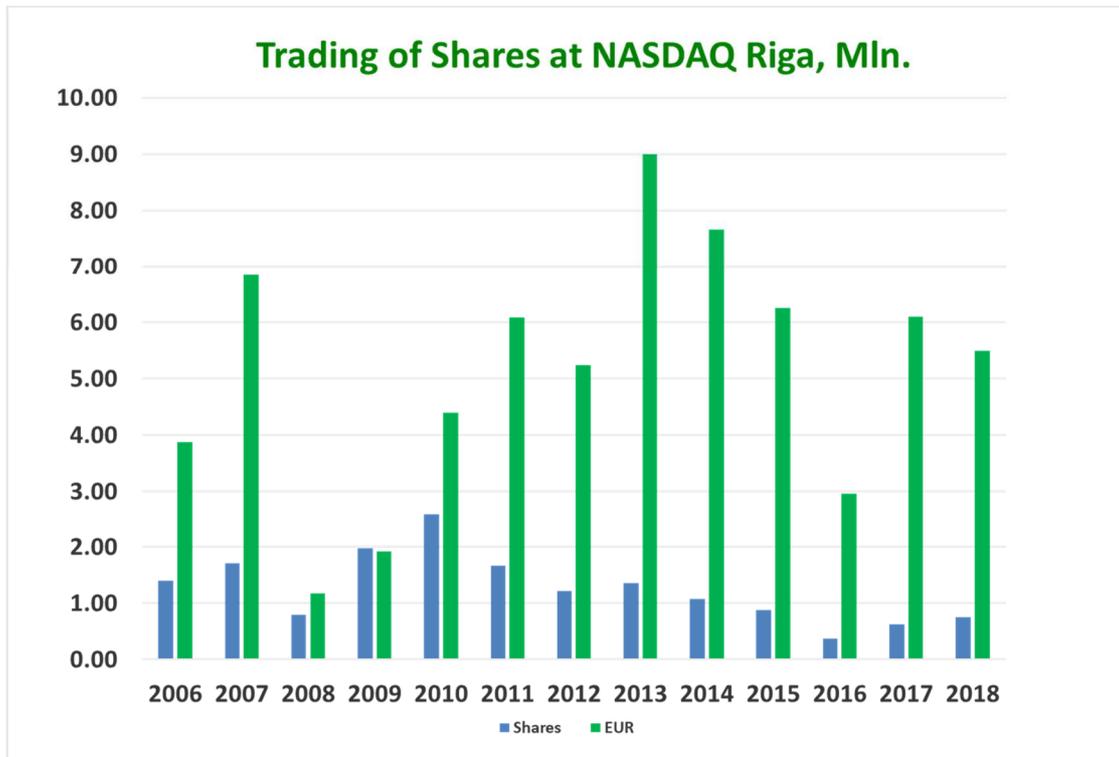


During 2018, especially during its third quarter, price of share of JSC Olainfarm fell sharper than OMX Riga index, while during the fourth quarter share price of JSC Olainfarm partially regained the ground. During the year OMX Riga index decreased by 6.7%, while price for share of JSC Olainfarm fell by 16.7%.

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



-- OMX Riga
-- JSC Olainfarm



During 2018, more than 750 thousand shares of JSC Olainfarm worth almost 5.5 million euros were traded on Nasdaq Riga.

Future Outlook

Although the overall number of sales markets is increasing and sales diversity is improving, achieving even greater variety in sales geography, diversification of the markets remains one of the main challenges for the Company. One of priorities in 2018 was to conduct additional research not only to secure the presence of existing products in existing markets, but also to make accessibility to other markets easier in future. Since this research program is rather sizeable, it will remain among company's priorities for a next three years.

Diversification of sales will remain in the focus of Company's management. In this context the management of the company has identified veterinary pharmaceuticals as one of the new potential segments that deserve a thorough investigation as it also continues to identify and assess acquisitions of companies as a tool for faster growth and greater sales diversification.

Social Responsibility

In 2018, JSC Olainfarm implemented a number of projects and public support initiatives that are in line with the company's philosophy, business strategy and business directions.

The company continued supporting development of new professionals of Riga Stradins University and Riga Technical University and University of Latvia with scholarships. In order to encourage the interest of young people in chemistry studies, the company also supported participation of the most talented students in different skill contests, as well as offered opportunities for profiled vocational school students to visit production plant and meet specialists.

Demonstrating that healthcare and healthy life style is high among company's values, JSC Olainfarm participated in organization of Annual Medical Awards ceremony: supported the annual Olaine Rogaining Championship and Latvian Cycling Festival in Olaine, as well as events organized by Latvian Inline Hockey association in Olaine vicinity. We kept supporting the young and perspective local football players, boxers and dancers.

With respect to family values and promotion of public well-being, the company supported SOS Children's Village projects, the needs of the Jelgava regional association of Disabled people, and Pensioners' Association of Olaine, as well as the Latvian Orphan Society. As one of the largest national companies, JSC Olainfarm promoted the production of the documentary "Born Together With Latvia" that is project devoted to Latvia's 100-year anniversary.

In 2018 we also supported the thematic exhibition at the Riga Psychiatric Museum and The Foundation of Children's Hospital. We kept investing into several long-term initiatives like International Jazz Festival Riga Jazz Stage 2018, celebrations of 51st anniversary of the town of Olaine and Youth Day activity in Olaine.

Events After the End of the Reporting Period

On January 8th, a request to convene an extraordinary general meeting of shareholders has been received from shareholders Anna Emilija Maligna (representative (Signe Baldere-Sildedze) and Nika Saveljeva who jointly represent 15,69% of the share capital of Joint Stock Company Olainfarm. Proposed agenda of the requested extraordinary general meeting of shareholders almost in full repeats the agenda of the extraordinary general meeting of shareholders of JSC Olainfarm held on November 22nd, 2018. Board of JSC Olainfarm decided to convene the requested EGM on April 1, 2019.

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

(signature)

Oļegs Grigorjevs
Chairman of the Management Board

February 28, 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)

Oļegs Grigorjevs
Chairman of the Management Board

February 28, 2019

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

	01.10.2018 - 31.12.2018	01.10.2017 - 31.12.2017	01.01.2018 - 31.12.2018	01.01.2017 - 31.12.2017
	EUR '000	EUR '000	EUR '000	EUR '000
Net revenue	34 756	31 692	124 261	122 076
Cost of goods sold	(13 626)	(12 380)	(49 430)	(47 231)
Gross profit	21 130	19 312	74 831	74 845
Selling expense	(10 376)	(11 117)	(37 091)	(38 125)
Administrative expense	(7 251)	(6 781)	(24 366)	(23 653)
Other operating income	999	944	2 946	2 697
Other operating expense	(339)	(967)	(2 799)	(4 427)
Share of profit of an associate	24	43	107	113
Financial income	19	30	76	236
Financial expense	(994)	(395)	(2 788)	(2 299)
Profit before tax	3 212	1 069	10 916	9 387
Corporate income tax	(359)	(171)	(609)	(1 977)
Deferred corporate income tax	1	3 293	1	3 379
Profit for the reporting period	2 854	4 191	10 308	10 789
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	(67)	(114)	(150)	(114)
Other comprehensive income for the reporting period, net of tax	(67)	(114)	(150)	(114)
Total comprehensive income for the reporting period, net of tax	2 787	4 077	10 158	10 675
Profit attributable to:				
The equity holders of the Parent company	2 854	4 192	10 308	10 789
Non-controlling interests	-	(1)	-	-
	2 854	4 191	10 308	10 789
Total comprehensive income attributable to:				
The equity holders of the Parent company	2 787	4 078	10 158	10 675
Non-controlling interests	-	(1)	-	-
	2 787	4 077	10 158	10 675
Basic and diluted earnings per share, EUR	0.20	0.30	0.73	0.77

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

For the Board of JSC Olainfarm:

(signature)

Oļegs Grigorjevs
Chairman of the Management Board

February 28, 2019

Interim consolidated statement of financial position

ASSETS	31.12.2018	31.12.2017
NON-CURRENT ASSETS	EUR '000	EUR '000
Intangible assets		
Goodwill	20 985	20 985
Patents	161	143
Pharmacy licenses and lease contracts	11 953	11 953
Other intangible assets	3 193	3 492
Intangible assets under development	284	424
Prepayments for intangible assets	43	37
TOTAL	36 619	37 034
Property, plant and equipment		
Land, buildings and constructions	20 249	20 386
Equipment and machinery	11 578	13 291
Other tangible assets	3 422	3 386
Leasehold investments	377	426
Construction in progress	6 299	3 819
Prepayments for property, plant and equipment	1 773	584
TOTAL	43 698	41 892
Investment properties	3 492	3 526
Financial assets		
Loans to management, employees and shareholders	187	1 729
Investments in associated companies	604	657
Prepayments and prepaid expense	173	202
Other non-current financial assets	3	5
Deferred corporate income tax assets	18	16
TOTAL	985	2 609
TOTAL NON-CURRENT ASSETS	84 794	85 061
CURRENT ASSETS		
Inventories		
Raw materials	5 449	3 942
Work in progress	8 475	8 548
Finished goods and goods for resale	11 135	11 313
Prepayments for goods	206	358
TOTAL	25 265	24 161
Receivables		
Trade receivables and receivables from associated and other related companies	28 915	30 263
Prepayments and prepaid expense	1 398	1 071
Other receivables	1 143	1 033
Corporate income tax	1 338	1 640
Loans to management, employees and shareholders	1 543	42
TOTAL	34 337	34 049
Cash	2 689	3 158
TOTAL CURRENT ASSETS	62 291	61 368
TOTAL ASSETS	147 085	146 429

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

For the Board of JSC Olainfarm:

(signature)
Oļegs Grigorjevs
Chairman of the Management Board

February 28, 2019

Interim consolidated statement of financial position

EQUITY AND LIABILITIES		31.12.2018	31.12.2017
EQUITY		EUR '000	EUR '000
Share capital		19 719	19 719
Share premium		2 504	2 504
Other components of equity		(224)	(74)
Retained earnings:			
brought forward		72 348	64 886
for the period		10 308	10 789
	TOTAL EQUITY	104 655	97 824
LIABILITIES			
Non-current liabilities			
Loans from credit institutions		8 650	15 347
Deferred income		2 756	2 347
Finance lease liabilities		669	393
Other non-current financial liabilities		1 079	138
	TOTAL	13 154	18 225
Current liabilities			
Loans from credit institutions		14 300	13 544
Finance lease liabilities		332	274
Other loans		-	195
Prepayments received from customers		353	907
Trade payables and payables to associated and other related companies		9 346	10 857
Taxes payable		1 219	1 152
Deferred income		384	475
Accrued liabilities		3 342	2 976
	TOTAL	29 276	30 380
	TOTAL LIABILITIES	42 430	48 605
TOTAL EQUITY AND LIABILITIES		147 085	146 429

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

For the Board of JSC Olainfarm:

(signature)

 Oļegs Grigorjevs
 Chairman of the Management Board

February 28, 2019

Interim consolidated statement of cash flow

	01.01.2018 - 31.12.2018	01.01.2017 - 31.12.2017
	EUR '000	EUR '000
Cash flows to/from operating activities		
Profit before taxes	10 916	9 387
Adjustments for:		
Amortization and depreciation	6 869	6 549
Loss/ (profit) on sale/ disposal of non-current assets	401	201
Impairment of tangible, intangible assets and investment property	195	1 839
Increase/ (decrease) in allowances and accrued liabilities	(467)	(1 695)
Share of profit of an associate	(107)	(113)
Interest expenses	420	439
Interest income	(76)	(236)
Income from EU projects' funds	(873)	(798)
Unrealised loss/ (profit) from fluctuations of currency exchange rates	601	481
Operating cash flows before working capital changes	17 879	16 054
Decrease/ (increase) in inventories	(1 110)	589
Decrease/ (increase) in receivables and prepaid expense	2 075	4 117
Increase/ (decrease) in payables and prepayments received	(1 405)	89
Cash generated from operations	17 439	20 849
Corporate income tax paid	(1 680)	(3 152)
Net cash flows from operating activities	15 759	17 697
Cash flows to/from investing activities		
Purchase of intangible assets and property, plant and equipment	(8 055)	(6 855)
Purchase of investment properties	(50)	(2 137)
Receipt of EU grants	407	308
Acquisition of subsidiaries	-	(6 576)
Dividends received	160	-
Proceeds from sale of intangible assets and property, plant and equipment	332	339
Repayment of loans	146	4 223
Interest received	14	608
Loans granted	(96)	(609)
Net cash flows (to)/from investing activities	(7 142)	(10 699)
Cash flows to/from financing activities		
Dividends paid	(2 958)	(9 304)
Acquisition of non-controlling interests	-	(210)
Borrowings repaid	(9 409)	(6 091)
Interest paid	(437)	(435)
Proceeds from borrowings	3 844	9 475
Net cash flows (to)/from financing activities	(8 960)	(6 565)
Change in cash	(343)	433
Net foreign exchange difference	(126)	(440)
Cash at the beginning of the year	3 158	3 165
Cash at the end of the reporting period	2 689	3 158

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

Interim consolidated statement of changes in equity

	Equity attributable to the equity holders of the Parent company							Non-controlling interests	Total
	Share capital	Share premium	Reserves	Foreign currency translation reserve	Retained earnings	Total			
	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000			
Balance as at 31 December 2016	19 719	2 504	322	-	74 081	96 626	37	96 663	
Profit for the reporting period	-	-	-	-	10 789	10 789	-	10 789	
Other comprehensive income	-	-	-	(114)	-	(114)	-	(114)	
Total comprehensive income	-	-	-	(114)	10 789	10 675	-	10 675	
Acquisition of non-controlling interest	-	-	-	-	(181)	(181)	(29)	(210)	
Dividends	-	-	(282)	-	(9 014)	(9 296)	(8)	(9 304)	
Balance as at 31 December 2017	19 719	2 504	40	(114)	75 675	97 824	-	97 824	
Change in accounting policy (Note 2)	-	-	-	-	(369)	(369)	-	(369)	
Restated total equity at 1 January 2018	19 719	2 504	40	(114)	75 306	97 455	-	97 455	
Profit for the reporting period	-	-	-	-	10 308	10 308	-	10 308	
Other comprehensive income	-	-	-	(150)	-	(150)	-	(150)	
Total comprehensive income	-	-	-	(150)	10 308	10 158	-	10 158	
Dividends	-	-	-	-	(2 958)	(2 958)	-	(2 958)	
Balance as at 31 December 2018	19 719	2 504	40	(264)	82 656	104 655	-	104 655	

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 28 February 2019.

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

Basis of preparation

The interim condensed consolidated financial statements for twelve months ended 31 December 2018 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 2017.

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 December 2018.

Changes in accounting policy and disclosures

The accounting policies are consistent with those followed in the preparation of the Group's annual financial statement for the previous periods. The Group has adopted new and amended IFRSs and IFRICs effective for annual periods beginning on 1 January 2018. No impact on the interim financial statements of the Group is identified except as described below.

Adoption of IFRS 9 Financial Instruments:

The Group has adopted IFRS 9 as from financial year 2018. Group has recorded lifetime expected losses on trade receivables applying measurement based on historical observed default rates of trade receivables. IFRS 9 impairment loss is applied retrospectively with transition impact recognized in retained earnings as of 01.01.2018 on amount of 369 thsd. EUR. During the reporting period, applying the same default rates as for the initial recognition, the Group has recognized reversal of trade receivables impairment in amount of 29 thsd. EUR in the statement of comprehensive income under Other operating expense.

The Group has not 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. Business combination and reorganization

During the reporting period, the Group has not acquired any new companies.

During the reporting period reorganization - merging process was performed in the course of which five of JSC Olainfarm owned companies (acquiree) were merged into SIA Latvijas Aptieka (acquirer). On 9 January 2018 cosmetic wholesale company SIA Aroma was merged into SIA Latvijas Aptieka. In April, 2018 three pharmacies SIA Avril, SIA Rēzeknes ērgļa aptieka and SIA Veselība were merged into SIA Latvijas Aptieka. In September, 2018 the pharmacy SIA Pārventas aptieka was merged into SIA Latvijas Aptieka.

In July, 2018 reorganization - merging was completed in the course of which JSC Olainfarm owned company SIA Longgo (acquiree) was merged into SIA Silvanols (acquirer).

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

On November 22, 2018 JSC Olainfarm established subsidiary Olainfarm Group Slovak Republic s.r.o. in Slovakia (100% of shareholding and voting power). Main operations of the newly established entity relate to promotion of products made by the Group and its partners in Slovakia.

4. Impairments

Goodwill is tested for impairment annually and when circumstances indicate the carrying value may be impaired. Goodwill acquired through business combinations has been allocated to the following cash generating units (CGU): Pharmacy CGU (all pharmacy retail entities), Silvanols CGU (including Longgo), 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.

5. Property, plant and equipment

During the reporting period the investments of 2 497 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 by loan from credit institution.

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.

6. Loans from credit institutions

During the reporting period the Parent company has withdrawn loan 2 397 thsd. EUR to finance equipment acquisitions within EU financed project Experimental technology implementation of New Products in Manufacturing in JSC Olainfarm.

As part of short term liability against banks there is recognised loan from AS SEB Bank to finance acquisition of pharmacies with maturity on March 2019. The outstanding amount of that loan at the due date will be 3 119 thsd. EUR.

Management does not expect significant obstacles for extension of short term credits repayment terms.

7. Related party disclosures

Related party	Type of services		Goods and services	Goods, services	Amounts	Amounts
			delivered to/ Loans issued to related parties	and loans received from related parties	owed by related parties (gross)	owed 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	31.12.2017	50	398	4	-
		31.12.2018	53	393	5	53
		TOTAL: 31.12.2017	50	398	4	-
		TOTAL: 31.12.2018	53	393	5	53
2. Key management personnel						
Other management personnel	Study loan	31.12.2017	-	-	-	-
		31.12.2018	11	-	11	-
		TOTAL: 31.12.2017	-	-	-	-
		TOTAL: 31.12.2018	11	-	11	-
3. Parties with significant influence						
SIA Olmafarm (shareholder)	Loan and other services	31.12.2017	2	-	-	-
		31.12.2018	1	1 005	-	1 005
Heirs of V. Maligins	Loan and travelling services	31.12.2017	1 230	321	1 929	105
		31.12.2018	62	16	1 944	74
		TOTAL: 31.12.2017	1 232	321	1 929	105
		TOTAL: 31.12.2018	63	1 021	1 944	1 079
4. Other Related companies						
SIA Vega MS (Heirs of V. Maligins share 59.99%)	Security services, windows production	31.12.2017	-	557	-	-
		31.12.2018	-	545	-	-
SIA Lano Serviss (Heirs of V. Maligins share 25%)	Dry cleaning and other services	31.12.2017	11	34	1	3
		31.12.2018	12	37	1	3
SIA Olfa Press (Heirs of V. Maligins share 47.5%)	Printing and other services	31.12.2017	27	1 459	4	170
		31.12.2018	56	1 380	5	143
SIA Olalex (Heirs of V. Maligins share 50%)	Finished goods sale and other services	31.12.2017	36	76	-	-
		31.12.2018	-	-	-	-
Olainfarm Health Care Private Ltd (I. Maligina share 50%)	Product registration services	31.12.2017	-	33	-	-
		31.12.2018	-	-	-	-
SIA Egotrashcinema (Heirs of V. Maligins share 40%, E. Maligina share 60%)	Travelling and other services	31.12.2017	22	-	29	-
		31.12.2018	-	-	25	-
SIA Digital Era (M. Raizbergs share 100%)	IT services	31.12.2017	-	-	-	-
		31.12.2018	-	55	-	7
SIA Digital Partner (M. Raizbergs share 100%)	IT services	31.12.2017	-	61	-	7
		31.12.2018	-	29	-	1
		TOTAL: 31.12.2017	96	2 220	34	180
		TOTAL: 31.12.2018	68	2 046	31	154

8. 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								
12M 2018	75 347	5 486	23 849	9 511	10 068	124 261	-	124 261
12M 2017	75 293	6 141	21 820	10 057	8 765	122 076	-	122 076
Inter-segment								
12M 2018	586	11 677	294	3 456	1 857	17 870	(17 870)	-
12M 2017	435	9 985	523	3 412	1 175	15 530	(15 530)	-
Total revenue								
12M 2018	75 933	17 163	24 143	12 967	11 925	142 131	(17 870)	124 261
12M 2017	75 728	16 126	22 343	13 469	9 940	137 606	(15 530)	122 076
Segment profit								
12M 2018	8 700	1 422	1 037	1 926	418	13 503	(2 587)	10 916
12M 2017	10 264	1 416	864	1 391	(585)	13 350	(3 963)	9 387
Assets								
31.12.2018	81 382	5 001	27 941	18 129	10 451	142 904	4 181	147 085
31.12.2017	80 363	6 612	27 431	16 386	11 175	141 966	4 463	146 429
Liabilities								
31.12.2018	12 767	2 515	5 061	4 328	2 816	27 487	14 943	42 430
31.12.2017	12 339	2 560	4 645	3 980	3 554	27 078	21 527	48 605
Capital expenditure								
12M 2018	4 020	15	146	929	254	5 364	104	5 468
12M 2017	5 760	3	208	531	820	7 322	2 248	9 570

Reconciliation of profit

	12M 2018	12M 2017
	EUR '000	EUR '000
Segment profit	13 503	13 350
Unallocated financial income	188	299
Unallocated financial expenses	(2 577)	(1 959)
Other unallocated income and expense	1 257	(204)
Inter-segment elimination	(1 455)	(2 099)
Profit before tax	10 916	9 387

Reconciliation of assets

	31.12.2018	31.12.2017
	EUR '000	EUR '000
Segment operating assets	142 904	141 966
Unallocated long term assets and eliminations	7 056	8 584
Unallocated short term assets and eliminations	(4 612)	(6 224)
Cash managed on group level	1 737	2 103
Total assets	147 085	146 429

Reconciliation of Liabilities

	31.12.2018	31.12.2017
	EUR '000	EUR '000
Segment operating liabilities	27 487	27 078
Interest bearing loans and borrowings	21 498	27 628
Current tax liabilities	68	(49)
Other unallocated liabilities and eliminations	(6 623)	(6 052)
Total liabilities	42 430	48 605

9. Dividends paid and proposed

On June 5, 2018 the General Meeting of Shareholders of JSC Olainfarm decided to pay dividends to shareholders in amount of 2 958 thsd. EUR (0.21 EUR per share) from the year 2017 profit. Dividends payout is arranged in two stages in third and fourth quarters of 2018 respectively. The first stage of dividends payout in amount of 1 409 thsd. EUR (0.10 EUR per share) was processed on 4 July 2018. The second dividends payout in amount of 1 549 thsd. EUR (0.11 EUR per share) was processed on 4 October 2018.

10. Events after the reporting period

During the year 2018, JSC Olainfarm has completed the 5 years and 24 201 thsd. EUR investment project "Development of Production of New Products and Increase of Export Capability of JSC Olainfarm" subjected to state support through corporate income tax (CIT) allowance. By the end of February 2019, Latvian state governance and controlling institutions have finished evaluation of the completed project and have confirmed CIT allowance of 4 640 thsd. EUR. In accordance with the current Law on CIT, the granted allowance is applicable to the CIT calculated on dividends paid from profits of year 2018 and future years.

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