



OlainFarm

JOINT STOCK COMPANY OLAINFARM

(UNIFIED REGISTRATION NUMBER 40003007246)

**UNAUDITED INTERIM CONDENSED
CONSOLIDATED FINANCIAL STATEMENTS
FOR THE 12 MONTHS PERIOD ENDED
31 DECEMBER 2019**

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

Olaine, 2020

Contents

3

General information

12

Major shareholders

13

Management report

28

**Statement of
responsibility of the
management**

29

**Interim consolidated
statement of
comprehensive income**

30

**Interim consolidated
statement of financial
position**

32

**Interim consolidated
statement of cash flow**

33

**Interim consolidated
statement of changes
in equity**

34

**Notes to the interim
condensed consolidated
financial statements**

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 January 16, 2020)	SIA Olmafarm (42.56%) Swedbank AS Clients Account (12.26%) Nika Saveljeva (7.80%) OŪ OLFIM (7.79%)
Major subsidiaries:	SIA „Latvijas Aptieka” (100%) SIA „Tonus Elast” (100%) SIA „Silvanols” (100%)
Audit Committee:	Auditing Committee from 1st April, 2019: Chairperson of the Auditing Committee – Agris Auce Members of the Auditing Committee: Member of the Council Kārlis Krastiņš Viesturs Gurtlavs Auditing Committee until 1st April, 2019: Chairperson of the Auditing Committee - Viesturs Gurtlavs Members of the Auditing Committee: Irina Maligina, Daina Sirlaka
Finanšu gads:	1 January – 31 December 2019
Interim reporting period:	1 January – 31 December 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.

Jeroen Weites is the Chairman of the Parent Company's Management Board. Under the leadership of J. Weites in other companies, more than 30 new pharmaceutical products have been successfully introduced in international markets.

Jeroen Weites has been the General Manager of Global Healthcare in Sanofi, Bulgaria since 2014, and has led Sanofi's General Medicine South Europe (165 mio euro revenue) and North Europe (200 mio euro revenue) clusters,

where his key task was to ensure successful transformation processes for the company. Between 2010 and 2014, he held the position of Senior Director at Sanofi Genzyme, France, primarily responsible for implementing, managing and advising on new European markets as well as developing launch strategies in Japan and China. He also previously held senior positions at UCB Pharma Brussels in Brussels, Belgium and at Biogen Idec in Boston, USA. Weites holds a Master's degree in Economics from the University of Amsterdam.

- **Positions held in other companies:** none
- **Number of shares of JSC Olainfarm owned (as of January 16, 2020):** 0
- **Participation in other companies:** none



Jeroen Weites

Chairman of the Management Board
from November 28, 2019

Elena Bushberg is a member of the Parent Company's Management Board. Her professional experience adds up to over 25 years at international pharmaceutical companies such as Schering-Plough, MSD and Abbott Laboratories. Since

2015 E. Bushberg has served as the General Manager of Abbott's Veropharm, one of Russia's leading manufacturers of pharmaceuticals and medical devices.

She has experience to the Management Board in areas such as finance, supply & operations, marketing and sales in CIS countries, with engagement in creating, managing, and leading high performing teams and developing talent across multiple business areas. Elena Bushberg holds a professional master's degree (Global Executive MBA) and a Certificate in Healthcare Sector Management from The Fuqua School of Business, Duke University, USA.

- **Positions held in other companies:** none
- **Number of shares of JSC Olainfarm owned (as of January 16, 2020):** 0
- **Participation in other companies:** none



Elena Bushberg

Board member from
December 5, 2019

Lauris Macijevskis is a member 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



Lauris Macijevskis

Board member from November 28, 2019;
Chairman of the Management Board from April 4, 2019 until November 28, 2019

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.

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 January 16, 2020)** 0
- **Participation in other companies:** none

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.



Signe Baldere-Sildedze

Board member from
April 4, 2019

- **Positions held in other companies:**
SIA LOUVRE, Board member
SIA RĪTS-L, Board member (from 30.09.2019)
- **Number of shares of JSC Olainfarm owned (as of January 16, 2020):**
 - 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%)
SIA RĪTS-L (100% from 09.09.2019)

Milana Beļeviča 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 of SIA B2B Konsultants and 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



Milana Beļeviča

Board member from
April 4, 2019

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 b2b konsultants, Board member
SIA Olmafarm, Board member (until 12.07.2019)
SIA Antik4Unik, Board member (until 25.07.2019)

• **Number of shares of JSC Olainfarm owned (as of January 16, 2020): 15**

• **Participation in other companies:**

SIA b2b konsultants (100% until 21.06.2019)
SIA Antik4Unik (100% until 23.07.2019)

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



Mārtiņš Pūriņš

Board member from
April 4, 2019

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 January 16, 2020) 4 500**

• **Participation in other companies:** none

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



Raimonds Terentjevs

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 January 16, 2020): 0**

• **Participation in other companies:** none

Veronika Dubicka (Board member until September 30, 2019)

- **Positions held in other companies (as of September 30, 2019):** none
- **Number of shares of JSC Olainfarm owned (as of June 13, 2019):** 1 000
- **Participation in other companies (as of September 30, 2019):** none

Mārtiņš Tambaks (Board member until July 31, 2019)

- **Positions held in other companies (as of July 31, 2019):** none
- **Number of shares of JSC Olainfarm owned (as of June 13, 2019):** 0
- **Participation in other companies (as of July 31, 2019):** none

Oļegs 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 (until 20.11.2019)
- **Number of shares of JSC Olainfarm owned (as of January 16, 2020):** 3
- **Participation in other companies**
SIA MeadowMe (99.96%)
SIA Saules Gaisma Consulting (100% until 03.05.2019)

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
AS Spring Holding, Board member (from 02.05.2019)
SIA LNK Asset Management AIFP, Chairman of the Board (from 18.07.2019)
- **Number of shares of JSC Olainfarm owned (as of January 16, 2020):** 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 Pharma Invest, Board member (from 02.01.2020)
SIA Tavs kapitāls 23, Board member (until 16.09.2019)

- **Number of shares of JSC Olainfarm owned (as of January 16, 2020): 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 January 16, 2020): 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 January 16, 2020): 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 Krieķis, (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 (as of April 1, 2019): 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.

JSC Olainfarm has received the letter of resignation from Mārtiņš Tambaks whereby he steps down from his duties as a Member of the Manage-

ment Board as of 31 July 2019.

JSC Olainfarm has received the letter of resignation from Veronika Dubicka whereby she steps down from her duties as a Member of the Management Board as of 30 September 2019.

According to Decision of the Council from November 28, 2019 Lauris Macijevskis was released from the position of the Chairman of the Management Board and was appointed as a Board member of JSC Olainfarm with rights of separate representation. Jeroen Weites was appointed as a Chairman of the Management Board of JSC Olainfarm with rights of separate representation.

According to Decision of the Council from December 5, 2019 Elena Bushberg was appointed as a Board member with rights to represent JSC Olainfarm together with two other Board members. On January 24, 2020 was changed the representation rights of Elena Bushberg to rights of separate representation.

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 %
Swedbank AS Clients Account	12.26 %
Nika Saveljeva	7.80 %
OÜ OLFIM	7.79 %
Other shareholders	29,59 %
Total	100.00 %

Management report

General information

The Group's parent company JSC Olainfarm is one of the biggest pharmaceutical companies in the Baltic's 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 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 Latvian green pharmaceutical 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:

We improve customers' lives and create value to our organization by providing sustainable healthcare

products and services leveraging on our manufacturing and commercial expertise.

Corporate vision:

By the year 2025 we are the top 10 CEE manufacturing company sustainably delivering healthcare

products and services in specific therapeutic areas in CEE, CIS and beyond.

Operational environment

During the 4th quarter of 2019 and throughout the whole year Group operated in fairly positive environment in all the major markets. Although economic growth in the Baltic countries slowed down as well as GDP forecasts for Latvia were revised downwards multiple times, low unemployment rate and consumer price inflation positively impacted purchasing power of consumers. In the CIS countries there was favorable trends in

exchange rates of national currencies against EUR, which led to increase of profit at Group level.

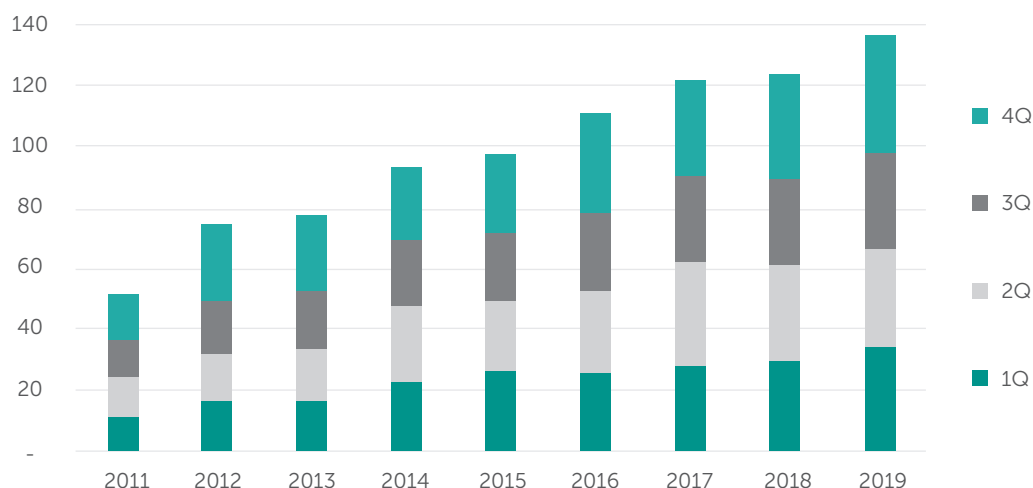
In the main market of Parent company – Russia, changes to regulatory enactments were expected which contributed additional sales of final dosage forms in the 2nd half of 2019 however implementation of the new regulation is postponed until the mid-2020.

Financial results

During the full 2019 Group's sales reached 137 253 thousand EUR, which is an increase by 10% or 12 997 thousand EUR comparing to 2018. Gross profit, in

turn, was 84 829 thousand EUR that shows an increase by 13% or 9 973 thousand EUR to 2018.

ANNUAL SALES BY QUARTERS, mil. EUR



Group's sales during the 4th quarter of 2019 were 38 479 thousand EUR and that is by 11% more than in the last quarter of 2018 when sales were 34 751 thousand EUR. At the same time gross profit was by 16% or 3 349 thousand EUR higher and reached 24 504 thousand EUR.

It was expected that as of the beginning of 2020 new regulation will come into force in Russia regarding traceability of medical products (so called serialization) through the entire supply

chain therefore the largest distributors of JSC Olainfarm purchased additional inventory of drugs in order to safeguard sales during the 1st quarter of 2020. Such circumstances created an additional sales of approximately 6 000 thousand EUR on top of planned sales in the 4th quarter 2019. The total annual revenue in 2019 exceeded planned sales figure for the full 2019 by 2.9% or 3 910 thousand EUR.

SALES BREAKDOWN BY QUARTER, '000 EUR



Markets

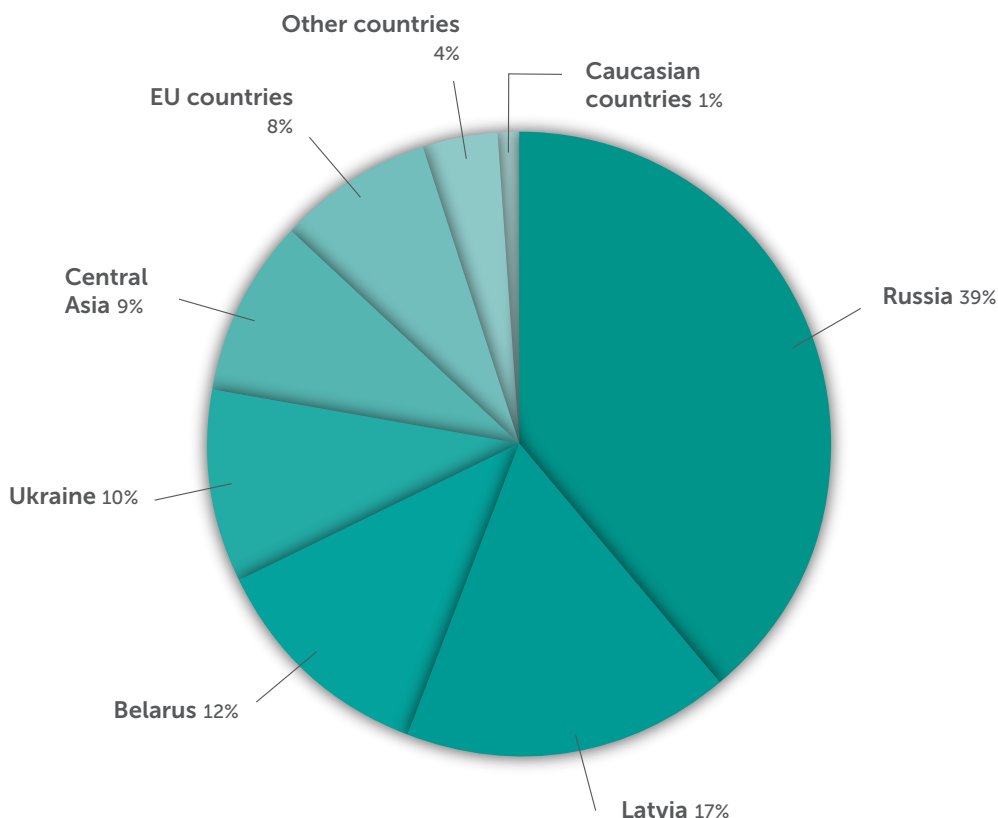
Starting from December 2019 sales data on geographical breakdown is summarized by four countries and four regions. Groups largest markets are Latvia, Russia, Belarus and Ukraine, other countries are combined in regions – the Central Asia, EU countries (except Latvia), the Caucasian countries and Other countries.

The Central Asian region includes Uzbekistan, Kazakhstan, Tajikistan, Kyrgyzstan, Mongolia and Turkmenistan. The EU countries region includes all the European Union member states except for Latvia. The Caucasian countries are Georgia,

Armenia and Azerbaijan but Other countries group includes remaining countries over the world, which are not included in any other groups.

Parent’s sales to various countries and regions during 2019 had mostly positive trend. If compared to 2018 results, sales to Russia increased by 23%, Latvia by 5%, Belarus by 10%, the Central Asian region by 13%, the EU countries by 12%, sales to Other countries by 10%. Decline in sales was in Ukraine and the Caucasian region by 4% and 3%, respectively.

JSC OLAINFARM SALES BREAKDOWN BY COUNTRIES, 12 M 2019



Business segments

Group’s companies manufacture wide range of pharmaceutical and chemical products, food supplements, compression materials, cosmetic

products, provide medical services, offer retail of medicines in pharmacies as well as act as wholesalers for other manufacturers’ medical products.

Final dosage forms segment

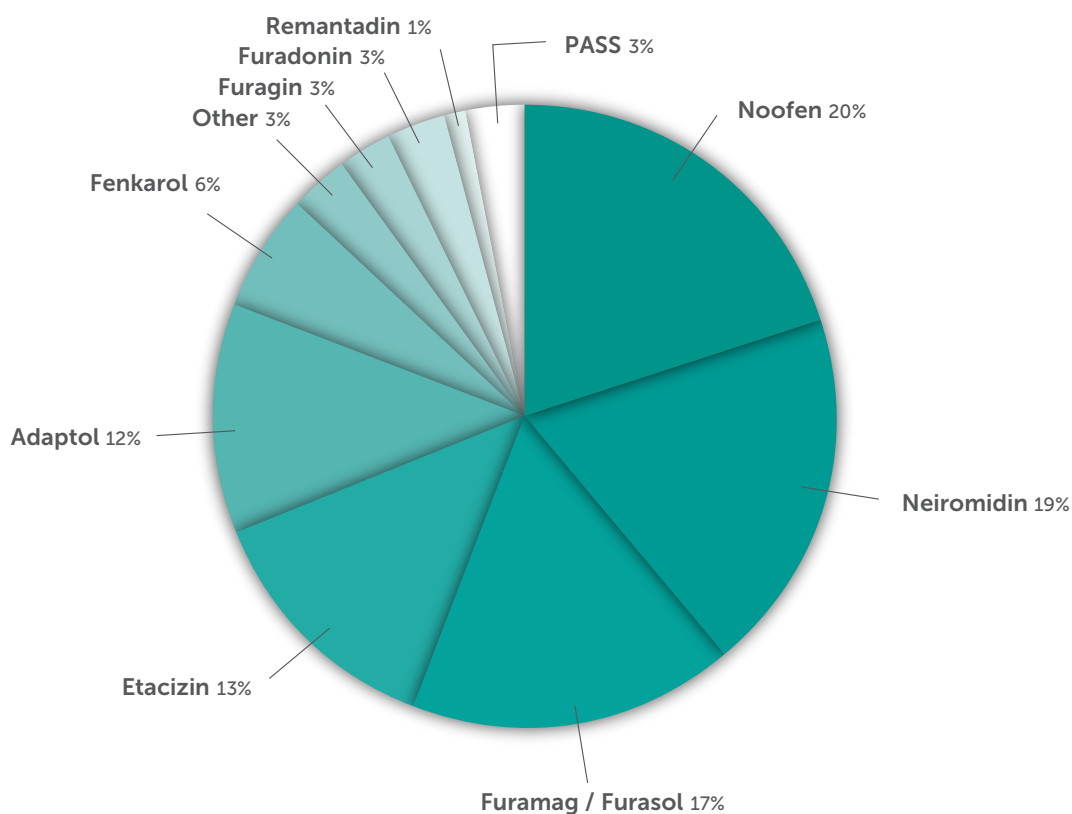
The main business segment is final dosage forms that are manufactured by Parent in Olaine. In 2019 pharmaceutical products worth 80 991 thousand EUR were sold, which is an increase by 14% or 10 044 thousand EUR if compared to 2018.

The share of the three largest products: Noofen, Neiromidin and Furamag/Furasol comprised 56% that is also by one percentage point higher than a year before.

Throughout 2019 sales of JSC Olainfarm main final dosage forms continued to increase. A share of the best sold product Noofen increased to 20% that is by one percentage point more than a year before.

At the same time in the 4th quarter this year the bestselling product was Noofen with 22% share, followed by Neiromidin with 21% and Furamag/Furasol group with 17%.

OLAINFARM TOP PRODUCTS, 12 MONTHS 2019



Pharmacies segment

Within Group SIA Latvijas Aptieka manages and develops pharmacies in Latvia where Pharmacies segment in 2019 generated revenue increase by 7% compared to 2018 and reached 25 417 thousand EUR. The company evaluates market trends and performance results of each pharmacy. There were

68 pharmacies at the end of 2019.

During the 4th quarter 2019 sales of pharmacies were 6 776 thousand EUR, which is 6% increase in comparison with the same period in 2018.

Compression materials

Group's company SIA Tonus Elast manufactures wide range of compression materials and sells products in Latvia and abroad. Revenues of this segment in 2019 were 8 793 thousand EUR that is

8% or 713 thousand EUR less than a year before. Sales of compression goods during the last quarter of 2019 were 2 349 thousand EUR, which is a drop by 13% against the fourth quarter of the previous year.

Wholesale

In Group Parent company manages wholesale of medical products as it has a medicine wholesale license, which allows to purchase products from other manufacturers and to deliver them to SIA Latvijas aptieka as well as other cooperation partners. Revenues of this segment from external

customers were 5 382 thousand EUR, which is a decline by 2% or 104 thousand EUR. Wholesale revenues in the 4th quarter 2019 were 11% more than during the same period 2018 and reached 1 485 thousand EUR.

Chemicals

In addition to final dosage forms Parent company manufactures chemical components that are sold to other pharmaceutical companies located in wide geography. The segment's income in 2019 was 16%

higher than in 2018 and reached 5 124 thousand EUR. Revenues from chemical products in the 4th quarter 2019 were 1 097 thousand EUR, which is a decline by 20% if compared to the last quarter of 2018.

Other

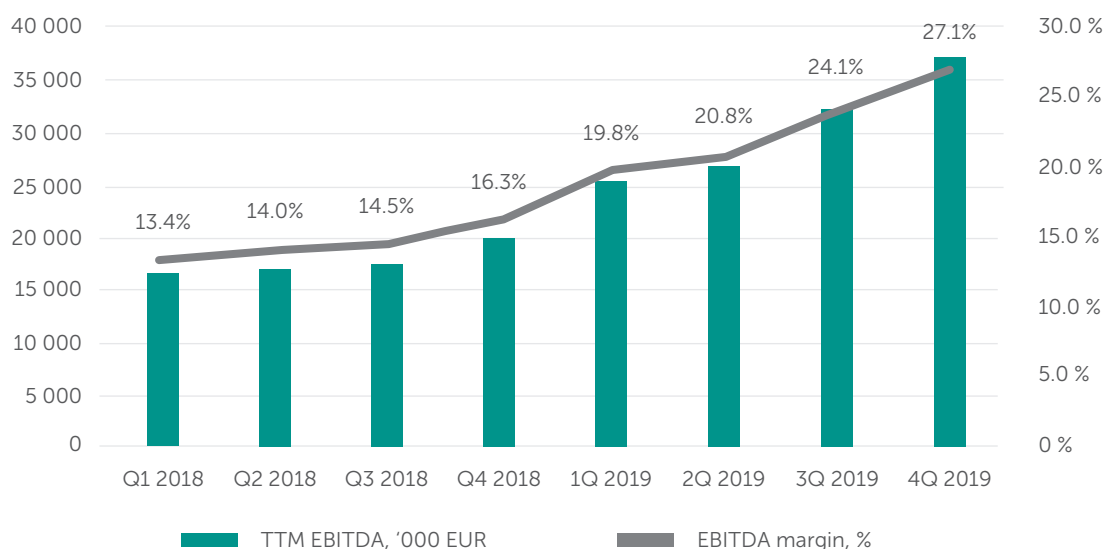
This segment which combines Silvanols, Diamed and Olainmed medical facilities, Belarussian manufacturing company Biotest and other, generated 11 546 thousand EUR in revenues in 2019, which

is 15% more than in 2018. During the last quarter of 2019 sales increased by 4% and were 3 128 thousand EUR.

EBITDA and reporting period profit

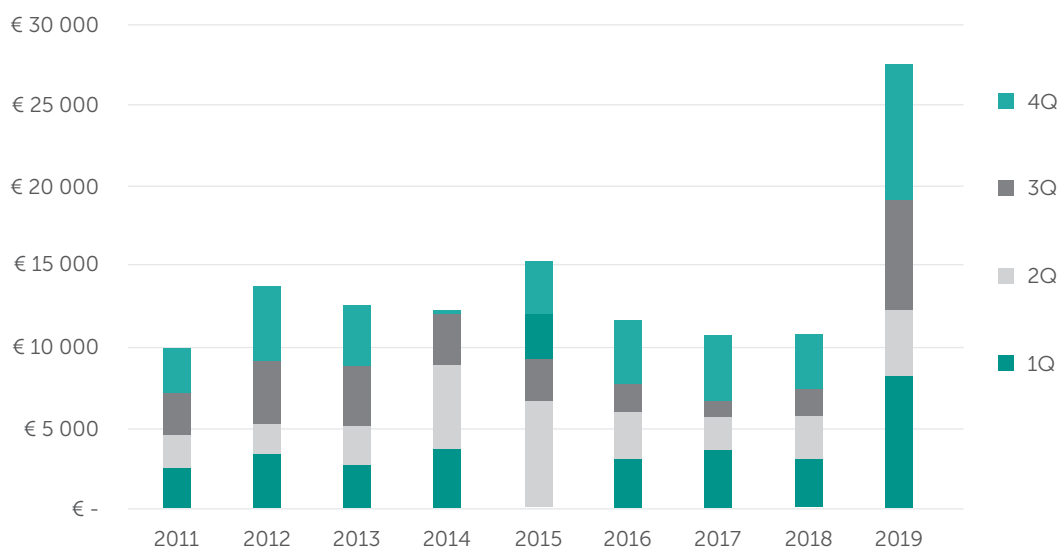
Group’s EBITDA figure in 2019 was 37 192 thousand EUR, which is by 84% or 16 964 thousand EUR more than the results of 2018. In the 4th quarter 2019 EBITDA was 10 935 thousand EUR that surpassed the figure of the last quarter of 2018 by 5 036 thousand EUR or 85%. EBITDA margin in 2019 and the last quarter was 27.1% and 28.6%, respectively.

Group’s TTM EBITDA and EBITDA margin



Group’s net profit in 2019 was 27 443 thousand EUR, which is the largest net profit amount in history of the Group. Profit increased by 156% or 16 712 thousand EUR in comparison with 2018.

Group’s annual net profit, '000 EUR



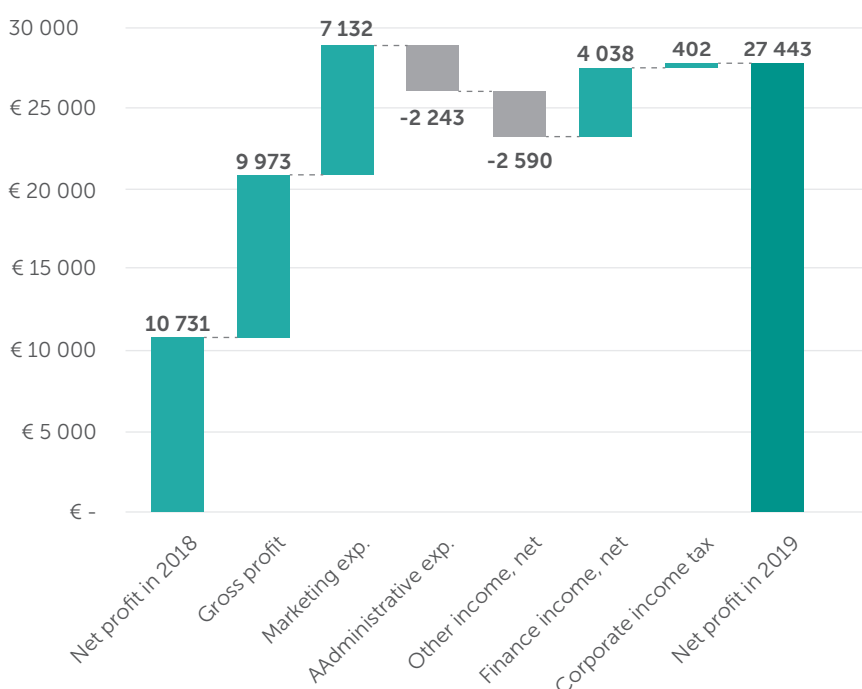
The reporting period profit was favorably affected by a number of factors:

- increase in gross profit by 9 973 thousand EUR, which is related to the major final dosage forms manufacturing in larger quantities;
- decrease in selling expense by 7 132 thousand EUR due to review of relations with marketing partners;
- income from foreign exchange fluctuations (2 187 thousand EUR) against losses of 2 368 thousand EUR from foreign exchange fluctuations in 2018;
- additional net profit of approximately 4 750 thousand EUR was generated due to extraordinary sales to Russia as described before.

The annual net profit for whole 2019 was negatively affected by increase in administrative expenses 2 243 thousand EUR, however, in the fourth quarter 2019 administrative expenses declined by 1 109 thousand EUR if compared to the last quarter 2018. In 2019 Group’s Other operating expenses when compared to 2018 increased by 2 348 thousand EUR to 4 074 thousand EUR where the main driver was Impairment on non-current asset (created in 2012-2019) by 1 233 thousand EUR due to non-profit nature of the asset and the fact that the asset is not related to core activities. Group also wrote-off 2 230 thousand EUR, incl.:

- a) a) of a doubtful debtor due to weak financial standing, and
- b) b) receivables and loans related to the subsidiary First Class Lounge (Samui) Co. Ltd due to unpaid invoices and potential lack of actual control over the subsidiary.

Net profit bridge 2018 to 2019, '000EUR



Profit for the last quarter 2019 was 8 245 thousand EUR, which is an increase by 152% in comparison with the same period 2018. During the 4th quarter 2019 R&D expenses related to Pharma 2020 were capitalized in the amount of 2 118 thousand EUR as Intangible assets under development.

Quarterly profit, '000 EUR



Net margin ratio in 2019 increased to 20% but during the last quarter of the year it was 22%, which is substantially higher result than in similar periods in 2018.

Segment profit

All of Group's segments operated with profit in 2019. The largest profit before tax was generated by medicine and chemical segment, which earned 19 422 thousand EUR, in wholesale the figure was 1 959 thousand EUR, retail (pharmacies) made 1 134 thousand EUR, in compression

materials and other segments profit before tax reached 751 thousand EUR and 709 thousand EUR, respectively. In all of the segments, except for compression material area, profit figure increased.

Financial and liquidity management

Group's financial position during 2019 materially improved and was influenced by several factors. During the first half of the year Group's management negotiated refinancing of ABLV bank loan's, which was due. BlueOrange Bank issued a loan with total limit in amount of 10.5 million EUR for this purpose as well as for additional investments in fixed assets. In addition, Group continues cooperation with SEB bank where the group has short-term exposure as well available credit line facility.

At the same time Group's successful operations

allowed to accumulate 15 225 thousand EUR in cash at the end of 2019 and that will be one of the main sources of financing for fixed assets purchases and investments as well as investments into research and development activities linked for accomplishing clinical trials.

As an outcome of such activities Debt service coverage ratio (DSCR) during 2019 increased from 2.1 to 3.1. Net Debt-to-EBITDA ratio has been improving for the third year in a row and was 0.2 at the end of 2019.

Main financial indicators

Financial indicator for period	2019	% to previous period	2018	2017
Sales, EUR '000	137 253	110%	124 256	122 076
EBITDA, EUR '000	37 192	184%	20 228	17 566
EBIT, EUR '000	28 528	244%	11 709	9 590
Net profit, EUR '000	27 443	256%	10 731	10 789
Gross margin	61.8%		60.2%	61.3%
EBITDA margin	27.1%		16.3%	14.4%
EBIT margin	20.8%		9.4%	7.9%
Neto margin	20.0%		8.6%	8.8%
ROA	15.9%		7.3%	7.4%
ROE	20.9%		10.2%	11.0%
DSCR	3.1		2.1	2.7
Net Debt-to-EBITDA	0.2		1.1	1.5
Current ratio	3.1		1.7	2.0
EPS, EUR	1.95	256%	0.76	0.77
Share price at period end, EUR	7.30	109%	6.70	8.05
P/E	3.7		8.8	10.6
Market capitalisation at period end, EUR '000	102 821	109%	94 370	113 385
P/B	0.8		0.9	1.2

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 changed except as described below:

Changes implemented from year 2019 and described in the interim financial statements for the 3 month period ended 31 March 2019:

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.

Changes implemented from year 2019 and described in the interim financial statements for the 6 month period ended 30 June 2019:

Financial institutions that provide loans and other financing instruments to the Group have established certain covenants to be met by the Group. These covenants are closely monitored by the management of the Group. The following major covenants are added to the list of main financial indicators of the Group:

- DSCR (Debt – Service Coverage Ratio) = EBITDA / Debt service, where Debt service = total interest and principal amount paid on loans, leases and other interest bearing liabilities within 12-month period ending with reporting period end, excluding refinancing of the existing loan. DSCR ratio represents the sufficiency of operating profit (EBITDA) for debts servicing. Minimum DSCR ratio established by the Group is 1.5;
- Net liabilities / EBITDA, where Net liabilities are all interest bearing liabilities minus cash as of the reporting date. Net liabilities / EBITDA ratio is a debt ratio that shows how many years of operating profit (EBITDA) it would take for the Group to pay back its interest bearing liabilities if net liabilities and EBITDA are held constant. Maximum Net liabilities / EBITDA ratio established by the Group is 2.3.

Shares and stock exchange

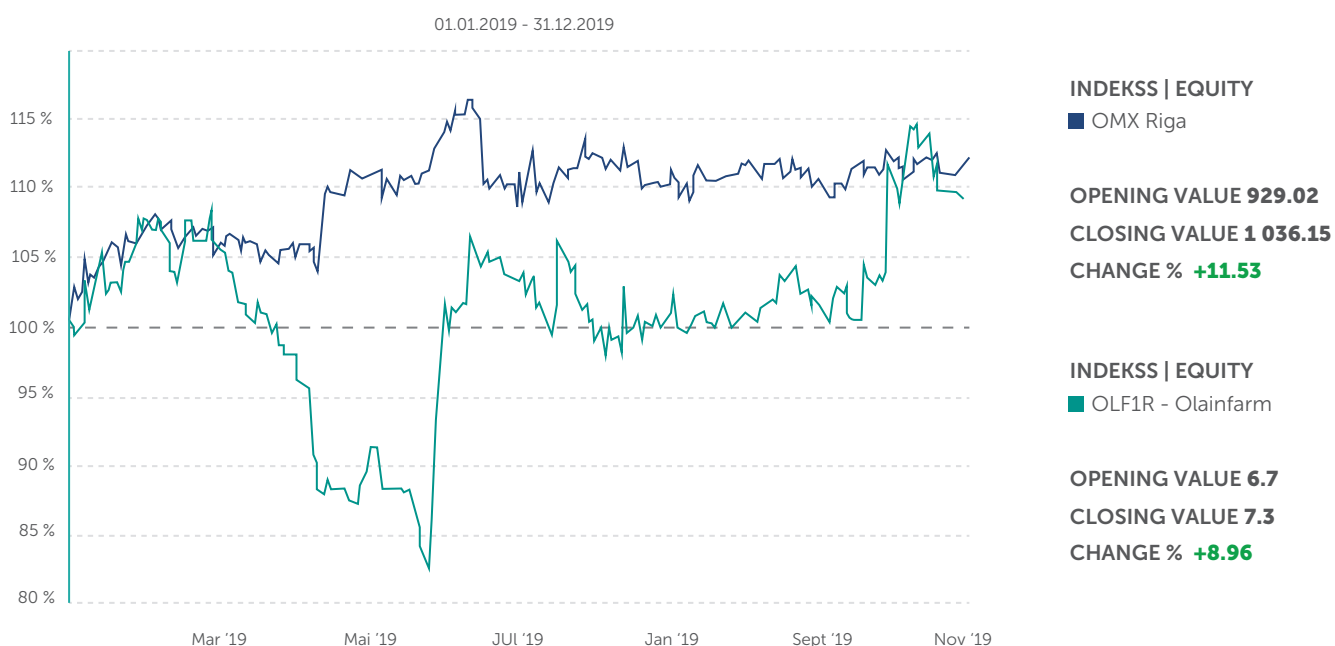
During the 4th quarter 2019 JSC Olainfarm average share price was 7.03 EUR per 1 share and traded in a range of 6.68 to 7.8 EUR per share. During this period 1 491 transactions with 445 085 shares with total value 3 136 188.34 EUR took place.

JSC OLAINFARM SHARE PRICE CHANGES FOR THE PAST THREE YEARS UNTIL THE END OF THE REPORTING PERIOD



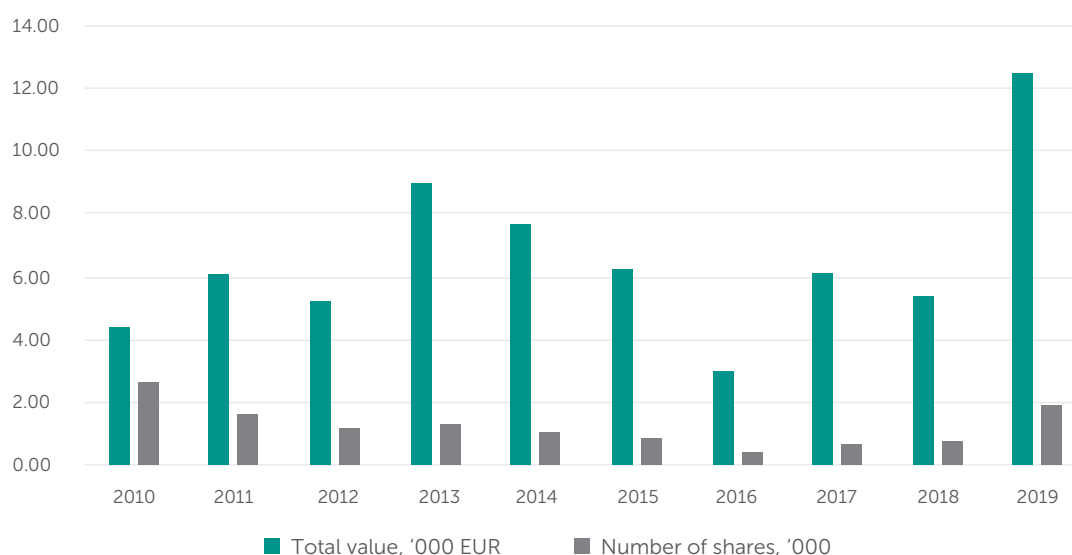
During the 4th quarter 2019 OMX Riga index increased by 0.75% and share price of JSC Olainfarm decreased by 8.63%.

SHARE PRICE OF JSC OLAINFARM ON NASDAQ RIGA STOCK EXCHANGE RELATIVE TO OMX RIGA INDEX OVER THE LAST 12 MONTHS UNTIL THE END OF THE REPORTING PERIOD



During the fourth quarter of 2019, more than 445 thousand shares of JSC Olainfarm, with total value of 3.1 million euros, were traded on Nasdaq Riga. Compared to the same period in 2018, the number of traded shares was higher by 79% more, while traded value was higher by 79%. Throughout the whole year there were 6 515 trades with 1 898 995 shares for the total value of 12.5 million EUR.

OLAINFARM SHARES TRADING ACTIVITY



Development

Olainfarm

According to the previous plan a set of pre-clinical and clinical trials was conducted in 2019. Throughout 2019 five 1st phase clinical trials (pharmacokinetics and bioavailability) were started with completion of trial planning, drafting required documentation and issue of permits. Trials are set to close and final reports to be received in the 1st to 3rd quarters, 2020.

At the same time in 2019 planning and preparation

phase for 3rd phase clinical trials for two final dosage forms with a plan to start trials in 2020. Implementation of clinical trials for peripheral nervous system diseases is planned for the 1st quarter 2020.

During 2020 substantial investments are planned for planning of clinical trials in order to start one 1st phase clinical trial and three 3rd phase clinical trials in the 4th quarter 2020 – 1st quarter 2021.

Tonus Elast

In 2019 Tonus Elast developed and started manufacturing of a new compression product line Soft, which stands out with a specially developed technological process that allows to offer a product that is comfortable to wear and available in a wide color spectrum in addition to being curative and

prophylactic. The company plans to add three new models to belt and corrector line Air.

In addition to existing markets the company in 2019 began sales to United Arab Emirates, Saudi Arabia, Tunis and Israel.

Silvanols

In 2019 SIA Silvanols introduced a new product – Golmmune Strong, which is immunity booster with antibacterial effect in capsules. This product is special due to research completed in cooperation

with Bior thus proving antibacterial impact of Golmmune Strong. Therefore product is not only safe but also effective and evidence based.

New members of the Management Board

In November 2019 JSC Olainfarm's Supervisory Council appointed Jeroen Weites as Chairman of the Management Board. Jeroen Weites has over 20 years of international experience in the pharmaceutical industry. He is entrusted with the overall management and strategic development of Group as well as new market niche and sales market expansion.

Under the leadership of Jeroen Weites, more than 30 new pharmaceutical products have been successfully introduced in international markets. Jeroen Weites has been the General Manager of Global Healthcare in Sanofi, Bulgaria since 2014, and has led Sanofi's General Medicine South Europe and North Europe clusters, where his key task was to ensure successful transformation processes for the company. Between 2010 and 2014, he held the position of Senior Director at Sanofi Genzyme, France, primarily responsible for implementing, managing and advising on new European markets as well as developing launch strategies in Japan and China. He also previously held senior positions at UCB Pharma Brussels in Brussels, Belgium and at Biogen Idec in Boston, USA. Weites holds a Master's degree in Economics from the University of Amsterdam.

In December 2019 the Supervisory Council of JSC Olainfarm approved Elena Bushberg as a member of the Management Board and CEO of Parent company. She brings over 25 years of international

pharmaceutical experience to the Management Board in areas such as finance, supply & operations, marketing and sales in CIS countries, with engagement in creating, managing, and leading high performing teams and developing talent across multiple business areas.

Elena Bushberg before worked at international pharmaceutical companies such as Schering-Plough, MSD and Abbott Laboratories. Since 2015 E. Bushberg has served as the General Manager of Abbott's Veropharm, one of Russia's leading manufacturers of pharmaceuticals and medical devices. While in this position (during the time period of 2015-2019) Elena Bushberg was responsible for developing and implementing the corporate strategy, leading organizational transformation and building a winning mind-set and culture in order to raise the efficiency of business operations, thus delivering sustainable organic and inorganic growth in sales and profits. Elena Bushberg holds a professional master's degree (Global Executive MBA) and a Certificate in Healthcare Sector Management from The Fuqua School of Business, Duke University, USA.

Elena Bushberg's primary focus will include leading the transformation of business processes at JSC Olainfarm and its existing affiliates to raise productivity and effectiveness of manufacturing, as well as sales and marketing operations in order to achieve sustainable organic growth ahead of the curve.

Dividend policy

JSC Olainfarm approved dividend policy with an aim to create a well-considered, balanced and transparent profit distribution model to ensure regular dividend payments to shareholders and to reach long-term business targets of JSC Olainfarm.

The Management Board of JSC Olainfarm shall observe the following principles when calculating dividend amount:

- “dividend stability principle” which states that JSC Olainfarm annually strives to pay shareholders dividend at least 20% from the previous year’s net profit.
- “balance principle” that sets reasonable balance between shareholders profits, cash flow forecasts and long-term development needs of JSC Olainfarm.
- “transparency principle” which states that arguments for setting annual dividend amount is communicated to involved parties.

A share of net profit of JSC Olainfarm which remains after dividend payment is retained in the company for further investments in the company’s development.

The Management Board of JSC Olainfarm after preparing annual report drafts a dividend payment recommendation based on dividend policy principles as well as terms specified in Latvia’s legal acts, JSC Olainfarm contractual liabilities and obligations.

The Management Board submits its dividend payment recommendation to the Supervisory Council which may draft its opinion on the Management Board’s recommendation and inform with it the general meeting.

The general meeting votes on dividend payment based on the recommendation of the Management Board and the opinion of the Supervisory Council.

For 2019 the Management Board will recommend dividend payout of 20% of Parent audited net profit.

Events after end of reporting period

Changes in sales processes

In the previous year with election of the new Supervisory Board members and following changes to the Management Board the new management team started review of all administrative processes. One of the base processes and main expense items of Group is marketing and sales. As one of priorities Group has set to review a list of cooperation partners in all the major markets in order to attain business with largest and most stable Tier1 wholesalers. Such approach will create more sustainable revenues in the longterm and more favorable financial conditions for Group.

In 2019 the management paid close attention to evening out of differences in prices of final dosage forms, which historically differed for groups of

products in various countries. This is gradual process due to requirement in some of the main markets to approve prices with a local drug registry.

In the near term it is envisaged to increase commercial operations in Russia, Ukraine and Kazakhstan markets. In February Group established a subsidiary in Russia with the aim to facilitate promotion and distribution of products, market research and to increase JSC Olainfarm’s commercial presence, which previously were provided by third parties. Such a step will allow to better manage commercial processes and have better control of the expenses. For local partners this is a strong signal that the Russian market is important for Group and is committed to be actively present in this market in the long term.

Extraordinary general meeting

Extraordinary general meeting planned on 24 January this year did not convene due to lack of quorum. According to the Articles of Association

meeting has a right to make a decision if more than 50% of paid capital with voting rights is present.

Future Outlook

For 2020, Group estimates revenues to be 135.5 million EUR and net profit of 14.3 million EUR as well as EPS of 1 EUR. JSC Olainfarm forecasts revenues in amount of 97.3 million EUR and net profit of 13.4 million EUR.

During this year the Group's capital expenditures are planned in amount of 19.5 million EUR, incl. 9.4 million EUR in product development. Strong cash

position and high forecasted operating cash flows allow the Group to finance investments and to continue repayment of borrowings.

At the same time Group estimates that in the 1st quarter 2020 revenues and net profit will be lower than the results in 2019, however, accelerated in-market performance in the following quarters will allow to reach annual forecasts

Social Responsibility

In the 4th quarter 2019 Group provided financial support to Latvian Pharmaceutical Society's Annual conference organized by Latvian Pharmaceutical Society as well as to charity event Rotaļlietu simfonija.

JSC Olainfarm in cooperation with Latvian Science Academy (LZA) and Riga Technical University Development Fund society arranged a contest to young Chemical and Material sciences post-graduate students who have completed their theses during the last five years.

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

(signature)

Lauris Macijevskis
Board member

February 28, 2020

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
Board member

February 28, 2020

Interim consolidated financial statements

Interim consolidated statement of comprehensive income

	01.10.2019 - 31.12.2019	01.10.2018 - 31.12.2018	01.01.2019 - 31.12.2019	01.01.2018 - 31.12.2018
	EUR '000	EUR '000	EUR '000	EUR '000
Revenue	38 479	34 751	137 253	124 256
Cost of goods sold	(13 975)	(13 596)	(52 424)	(49 400)
Gross profit	24 504	21 155	84 829	74 856
Selling expense	(7 803)	(10 576)	(30 159)	(37 291)
Administrative expense	(6 203)	(7 312)	(26 670)	(24 427)
Other operating income	740	612	2 317	2 559
Other operating expense	(2 812)	734	(4 074)	(1 726)
Share of profit of an associate	6	23	98	106
Financial income	167	19	2 260	76
Financial expense	(223)	(994)	(926)	(2 788)
Profit before tax	8 376	3 661	27 675	11 365
Corporate income tax	(179)	(380)	(279)	(630)
Deferred corporate income tax	48	(4)	47	(4)
Profit for the reporting period	8 245	3 277	27 443	10 731
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	(59)	(67)	212	(150)
Other comprehensive income for the reporting period, net of tax	(59)	(67)	212	(150)
Total comprehensive income for the reporting period, net of tax	8 186	3 210	27 655	10 581
Profit attributable to:				
The equity holders of the Parent company	8 245	3 277	27 443	10 731
Non-controlling interests	-	-	-	-
	8 245	3 277	27 443	10 731
Total comprehensive income attributable to:				
The equity holders of the Parent company	8 186	3 210	27 655	10 581
Non-controlling interests	-	-	-	-
	8 186	3 210	27 655	10 581
Basic and diluted earnings per share, EUR	0.59	0.23	1.95	0.76

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

For the Board of JSC Olainfarm:

(signature)

Lauris Macijevskis
Board member

February 28, 2020

Interim consolidated statement of financial position

ASSETS	31.12.2019	31.12.2018
NON-CURRENT ASSETS	EUR '000	EUR '000
Intangible assets		
Goodwill	20 985	20 985
Patents	142	161
Pharmacy licenses and lease contracts	11 953	11 953
Other intangible assets	3 180	3 193
Intangible assets under development	2 420	284
Prepayments for intangible assets	8	43
TOTAL	36 688	36 619
Property, plant and equipment		
Land, buildings and constructions	20 210	20 249
Equipment and machinery	17 640	11 551
Other tangible assets	2 345	3 448
Leasehold investments	761	377
Construction in progress	1 054	6 299
Prepayments for property, plant and equipment	453	1 773
TOTAL	42 463	43 697
Right-of-use assets	7 069	-
Investment properties	3 428	3 492
Other non-current assets		
Investments in associated companies	522	603
Loans to management, employees and shareholders	203	187
Prepayments and deferred expenses	14	178
Other non-current assets	1	3
Deferred corporate income tax asset	61	12
TOTAL	801	983
TOTAL NON-CURRENT ASSETS	92 449	84 791
CURRENT ASSETS		
Inventories		
Raw materials	5 266	5 583
Work in progress	10 319	8 626
Finished goods and goods for resale	12 407	11 379
Prepayments for goods	663	206
TOTAL	28 655	25 794
Receivables and other current assets		
Trade receivables	31 046	29 281
Prepayments and deferred expenses	1 395	1 397
Other receivables	975	1 100
Corporate income tax	1 005	1 316
Loans to management, employees and shareholders	1 610	1 543
TOTAL	36 031	34 637
Cash	15 225	2 689
TOTAL CURRENT ASSETS	79 911	63 120
TOTAL ASSETS	172 360	147 911

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

For the Board of JSC Olainfarm:

(signature)

February 28, 2020

Lauris Macijevskis
Board member

Interim consolidated statement of financial position

EQUITY AND LIABILITIES	31.12.2019	31.12.2018
EQUITY	EUR '000	EUR '000
Share capital	19 719	19 719
Share premium	2 504	2 504
Reserves	(12)	(224)
Retained earnings:		
brought forward	81 670	72 348
for the period	27 443	10 731
TOTAL EQUITY	131 324	105 078
LIABILITIES		
Non-current liabilities		
Loans from credit institutions	6 874	58
Lease liabilities	5 147	656
Other non-current loans	-	1 079
Deferred income	3 194	2 878
TOTAL	15 215	4 671
Current liabilities		
Loans from credit institutions	6 852	22 892
Lease liabilities	1 788	344
Other loans	1 092	-
Trade and other payables	9 861	9 393
Prepayments received from customers	460	353
Taxes payable	1 500	1 218
Deferred income	495	386
Accrued liabilities	3 773	3 576
TOTAL	25 821	38 162
TOTAL LIABILITIES	41 036	42 833
TOTAL EQUITY AND LIABILITIES	172 360	147 911

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

For the Board of JSC Olainfarm:

(signature)

Lauris Macijevskis
Board member

February 28, 2020

Interim consolidated statement of cash flow

	01.01.2019 - 31.12.2019	01.01.2018 - 31.12.2018
	EUR '000	EUR '000
Cash flows to/from operating activities		
Profit before taxes	27 675	11 365
Adjustments for:		
Amortization and depreciation	8 644	6 870
Loss on sale/ disposal of non-current assets	116	298
Impairment of tangible, intangible assets and investment property	1 233	195
Increase / (decrease) in allowances and accrued liabilities	1 002	(503)
Share of profit of an associate	(98)	(106)
Interest expenses	926	420
Interest income	(74)	(76)
Income from EU projects' funds	(634)	(750)
Unrealised (profit)/ loss from fluctuations of currency exchange rates	(549)	604
Operating cash flows before working capital changes	38 261	18 317
Increase in inventories	(2 918)	(1 138)
(Increase)/ decrease in receivables and prepaid expense	(2 035)	1 498
Increase/ (decrease) in payables and prepayments received	1 033	(1 345)
Cash generated from operations	34 341	17 332
Corporate income tax paid	(195)	(1 680)
Net cash flows from operating activities	34 146	15 652
Cash flows to/from investing activities		
Purchase of intangible assets and property, plant and equipment	(9 871)	(7 934)
Purchase of investment properties	(100)	(50)
Receipt of EU grants	1 061	406
Dividends received	180	160
Proceeds from sale of intangible assets and property, plant and equipment	324	331
Repayment of loans	51	146
Interest received	1	14
Loans granted	(81)	(96)
Net cash used in investing activities	(8 435)	(7 023)
Cash flows to/from financing activities		
Dividends paid	(1 409)	(2 958)
Borrowings and lease liabilities repaid	(19 864)	(9 409)
Interest paid	(872)	(437)
Proceeds from borrowings	8 822	3 832
Net cash used in financing activities	(13 323)	(8 972)
Change in cash	12 388	(343)
Net foreign exchange difference	148	(126)
Cash at the beginning of the year	2 689	3 158
Cash at the end of the reporting period	15 225	2 689

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	-	-	-	-	10 731	10 731
Other comprehensive income	-	-	-	(150)	-	(150)
Total comprehensive income	-	-	-	(150)	10 731	10 581
Dividends	-	-	-	-	(2 958)	(2 958)
Balance as at 31 December 2018	19 719	2 504	40	(264)	83 079	105 078
Profit for the reporting period	-	-	-	-	27 443	27 443
Other comprehensive income	-	-	-	212	-	212
Total comprehensive income	-	-	-	212	27 443	27 655
Dividends	-	-	-	-	(1 409)	(1 409)
Balance as at 31 December 2019	19 719	2 504	40	(52)	109 113	131 324

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 2020.

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 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 December 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 7 633 thsd EUR
- Other tangible assets – decrease by 946 thsd EUR
- Deferred expenses – decrease by 201 thsd EUR

Liabilities:

- Lease liabilities – increase by 6 486 thsd EUR.

IFRS 15 Revenue from Contracts with Customers, including 15.95 Contract costs - Costs to fulfil a contract:

The costs of extension of product registration under the project Pharma 2020: costs attributable to the development or/and research of existing products in order to obtain/extend marketing license continuing to sale certain types of pharmaceutical products. These costs are directly attributable to future sales of certain types of products/drugs, whose development / research costs will be recovered through sales revenue. Forward

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

the Group will attribute the costs of extension of existing products registration under Other intangible assets. The total amount of such costs as at 31 December 2019 was 2 118 thsd. EUR and in these interim financial statements this amount is included under assets, but in previous financial statements costs of extension of product registration were included under Administration expenses.

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 Medikl), 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.

4. Property, plant and equipment

During the reporting period the investments of 1 801 thsd. EUR are provided under the EU co-financed project Implementation of Experimental Technology for Production of New Products of JSC Olainfarm. Within the project is developed and in August put in operation experimental production line, which is planned to be used in research and development of new products (intermediates, active pharmaceutical ingredients, finished dosage forms), technology transfer, production of new products and quality control, also in production of new anti-tuberculosis final dosage form. The investments made are fully financed from cash flows of the company.

Construction of the new production unit No.44a was completed with total investments of 1 851

thsd. EUR. During the reporting period investments in equipment of the new production unit were made in amount of 472 thsd. EUR, total amount of investments in equipment is approximately 2 million EUR.

During the reporting period the investments of 2 082 thsd. EUR are provided for pre-clinical and clinical trials, including 941 thsd. EUR are provided under the EU co-financed project Pre-clinical and clinical trials. The investments made are fully financed from cash flows of the company.

In 2019 Group made Impairment on non-current asset (created in 2012-2019) by 1 233 thousand EUR due to non-profit nature of the asset and the fact that the asset is not related to core activities.

5. Loans from credit institutions

In August JSC Olainfarm and financial partner the bank BlueOrange have concluded an agreement on refinancing existing loan liabilities. The loan will total EUR 10.5 million with a five year term, of which 8 632 thousand EUR are redirected to fulfil historical liabilities to ABLV Bank JSC under liquidation and the remainder will be invested in upgrading of JSC Olainfarm cooling station and its engineering systems to reduce greenhouse gas emissions. This project is implemented with co-funding from the European Union structural funds.

In December JSC Olainfarm and financial partner AS SEB banka have concluded three agreements on extension of existing loan liabilities. The total amount of two loans as at 31 December 2019 was 4 927 thsd. EUR, from which the loan with amount of 720 thsd. EUR will be fully repaid till 31 March 2020 and the term of the loan with amount of 4 207 thsd. EUR was extended till 30 June 2020.

The term of credit line with limit 1 million EUR was extended till 30 June 2020.

6. Related party disclosures

Related party	Type of services		Goods and services delivered to/ Loans issued to related parties	Goods, services and loans received from related parties	Amounts owed by related parties (gross)	Amounts owed to related parties (gross)
			EUR '000	EUR '000	EUR '000	EUR '000
1. Associated entities						
SIA Olainfarm enerģija	Loan, services, energy	31.12.2018	53	393	5	53
(AS Olainfarm share 50%)	production	31.12.2019	48	391	8	-
	TOTAL:	31.12.2018	53	393	5	53
	TOTAL:	31.12.2019	48	391	8	-
2. Parties with significant influence						
SIA Olmafarm (shareholder)	Loan and other services	31.12.2018	1	1 005	-	1 005
		31.12.2019	-	38	-	1 015
Heirs of V. Maligins	Loan and travelling services	31.12.2018	62	16	1 944	74
		31.12.2019	67	21	2 011	78
	TOTAL:	31.12.2018	63	1 021	1 944	1 079
	TOTAL:	31.12.2019	67	59	2 011	1 093
3. Other Related companies						
SIA Vega MS (Heirs of V.Maligins share 59.99%)	Security services, windows production	31.12.2018	-	545	-	-
		31.12.2019	-	367	-	-
SIA Lano Serviss (Heirs of V.Maligins share 25%)	Dry cleaning and other services	31.12.2018	12	37	1	3
		31.12.2019	11	39	1	3
SIA Olfa Press (Heirs of V.Maligins share 47.5%)	Printing and other services	31.12.2018	56	1 380	5	143
		31.12.2019	54	1 441	4	167
SIA Egotrashcinema (Heirs of V.Maligins share 40% , E.Maligina share 60%) Liquidation - 13.02.2019	Travelling and other services	31.12.2018	-	-	25	-
		31.12.2019	-	-	-	-
	TOTAL:	31.12.2018	68	1 962	31	146
	TOTAL:	31.12.2019	65	1 847	5	170

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								
12M 2019	86 115	5 382	25 417	8 793	11 546	137 253	-	137 253
12M 2018	75 347	5 486	23 849	9 506	10 068	124 256	-	124 256
Inter-segment								
12M 2019	724	12 170	245	3 655	1 161	17 955	(17 955)	-
12M 2018	587	11 678	294	3 456	1 857	17 872	(17 872)	-
Total revenue								
12M 2019	86 839	17 552	25 662	12 448	12 707	155 208	(17 955)	137 253
12M 2018	75 934	17 164	24 143	12 962	11 925	142 128	(17 872)	124 256
Segment profit before tax								
12M 2019	19 422	1 959	1 134	751	709	23 975	3 700	27 675
12M 2018	9 561	1 420	1 037	1 855	416	14 289	(2 924)	11 365
Assets								
12M 2019	90 029	5 570	31 829	18 953	12 993	159 374	12 986	172 360
12M 2018	82 261	5 027	27 942	18 132	10 445	143 807	4 104	147 911
Liabilities								
12M 2019	16 440	2 622	8 143	4 498	4 575	36 278	4 758	41 036
12M 2018	13 031	2 575	5 063	4 403	2 816	27 888	14 945	42 833
Capital expenditure								
12M 2019	11 568	22	557	47	1 297	13 491	146	13 637
12M 2018	4 020	15	146	929	254	5 364	104	5 468

Reconciliation of profit	12M 2019 EUR '000	12M 2018 EUR '000
Segment profit before tax	23 975	14 289
Unallocated financial income	2 100	189
Unallocated financial expenses	(814)	(2 577)
Other unallocated income and expense	2 573	985
Inter-segment elimination	(159)	(1 521)
Profit before tax	27 675	11 365
Reconciliation of assets		
	31.12.2019 EUR '000	31.12.2018 EUR '000
Assets of segments in total	159 374	143 807
Unallocated long term assets and eliminations	6 222	7 049
Unallocated short term assets and eliminations	(6 319)	(4 682)
Cash managed on group level	13 083	1 737
Total assets	172 360	147 911
Reconciliation of Liabilities		
	31.12.2019 EUR '000	31.12.2018 EUR '000
Liabilities of segments in total	36 278	27 888
Interest bearing loans and borrowings	13 192	21 497
Current tax liabilities	26	67
Other unallocated liabilities and eliminations	(8 460)	(6 619)
Total liabilities	41 036	42 833

8. Dividends

On June 17, 2019 the General Meeting of Shareholders of JSC Olainfarm decided to pay dividends to shareholders in amount of 1 409 thsd. EUR (0.10

EUR per share) from the year 2018 profit, arranging dividends payout in the third quarter 2019. Dividends payout was processed on 31 July, 2019.

9. Events after the reporting period

Details of events after the reporting period end are described in Management report accompanying these interim financial statements. After the report-

ing period end there have been no other events requiring adjustment of or disclosure in these interim financial statements.