



## **JOINT STOCK COMPANY OLAINFARM**

(UNIFIED REGISTRATION NUMBER 40003007246)

**UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE 9 MONTHS PERIOD ENDED 30 SEPTEMBER 2017**

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

Olaine, 2017

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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	SIA Olmafarm (42.56%) Valērijs Maligins (26.92%) Swedbank AS EE Clients account (6.23%)
Major subsidiaries	SIA Latvijas Aptieka – 100% equity share SIA Tonus Elast – 100% equity share SIA Silvanols – 96.69% equity share
Audit Committee	Chairperson of the Auditing Committee - Viesturs Gurtlavs  Members of the Auditing Committee: Deputy Chairperson of the Council Valentīna Andrējeva Member of the Council Gunta Veismane
Financial year	1 January – 31 December 2017
Interim reporting period	1 January – 30 September 2017

## 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.

**Valērijs Maligins**

Valērijs Maligins is the Chairman of the Management Board of JSC Olainfarm. He has obtained a Doctoral Degree in Economics at Newport International University, Baltic Center (2007), as well as a Master's Degree in economics and social sciences (University of Latvia, 2002), Bachelor's degree in economics and finances (RSEBAA 1998). V.Maligins has more than 25 years of experience in pharmaceutical sector and holds leading positions at JSC Olainfarm since 1997.

## Positions held in other companies:

SIA Olmafarm, Chairman of the Board  
Hunting Club Vitkupe, Board Member  
SIA Ozols JDR, Board Member  
SIA Egotrashcinema, Board Member

## Number of shares of JSC Olainfarm owned (as of September 30, 2017):

- directly: 3 791 810
  - indirectly (through SIA Olmafarm): 5 994 054
- total: 9 785 864

## Participation in other companies:

SIA Lano Serviss (25%)  
SIA Vega MS (59.99%)  
SIA Briz (9.02%)  
SIA Olfa Press (47.5%)  
SIA Aroma (100%) until 18.05.2017  
SIA Olmafarm (100%)  
SIA Escargot (33.5%)  
SIA Olalex (50%)  
SIA Energo Capital (50%)  
SIA Egotrashcinema (40%)  
SIA HB19 (19.79%)

**Salvis Lapiņš**

Salvis Lapiņš is a member of the Parent Company's Management Board and Director of Investor Relations. He has been studying business in RSEBAA and law at the University of Latvia. He has been actively working in financial and pharmaceutical sectors since 1995.

Positions held in other companies:  
SIA Baltic Team-Up, Procurement holder

Number of shares of JSC Olainfarm owned (as of September 30, 2017): 25 916

Participation in other companies:  
SIA Baltic Team-Up (50%)

**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 principal of the representative office in Belarus.

Positions held in other companies:  
SIA Olalex, Board Member

Number of shares of JSC Olainfarm owned (as of September 30, 2017): 1 000  
Participation in other companies: none

**Oļegs Grigorjevs**

Oļegs Grigorjevs is a member of the Parent Company's Management Board from 25.02.2016 and a Chief Executive Officer, having more than 20 years of experience in chemical and pharmaceutical sector. O.Grigrorjevs joined JSC Olainfarm in 2001. His previous career included sales units of SIA Aroma (1996 – 2000) and SIA Grif (2000 – 2001). Oļegs Grigorjevs has a degree in Economics from Moscow Institute of Communications and Informatics.

Positions held in other companies:  
SIA Latvijas Aptieka, Chairman of the Board  
SIA Aroma, Board Member  
SIA Kiwi Cosmetics, Board Member

Number of shares of JSC Olainfarm owned (as of September 30, 2017): 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 AS Rīgas Vagonbūves rūpnīca. Mihails Raizbergs obtained a master's degree in engineering sciences at the Transport and Telecommunication Institute, as well as graduated from the 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 September 30, 2017): 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, when he left SIA Ernst&Young Baltic, where he held the position of the Director of Outsourced Accounting Services. 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 the Riga Technical University, and a qualification of an economist-accountant at the University of Latvia.

Positions held in other companies: none

Number of shares of JSC Olainfarm owned (as of September 30, 2017): 0

Participation in other companies: none

**Vladimirs Krušinskis** (Board member from 12.06.2017)

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 Rigas Farmaceutiskā Fabrika. Vladimirs Krušinskis obtained a bachelor's degree in engineering sciences at the Transport and Telecommunication Institute.

Positions held in other companies: none

Number of shares of JSC Olainfarm owned (as of September 30, 2017): 0

Participation in other companies: none

**Jeļena Borcova** (until 17.05.2017)

Jeļena Borcova is a member of the Parent Company's Management Board and a qualified person. J.Borcova has a degree in Pharmacy (Medical Institute of Riga, 1988). J.Borcova has more than 20 years of experience in pharmaceutical production.



Positions held in other companies (as of May 17, 2017): none

Number of shares of JSC Olainfarm owned (as of May 17, 2017): 1 450

Participation in other companies (as of May 17, 2017): 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.

**Ivars Godmanis**, Chairperson of the Council

In 1974 Ivars Godmanis has graduated Faculty of Physics and Mathematics and in 1992 he obtained doctor's degree in physics (Dr.Physics) at the University of Latvia. I.Godmanis is an associate professor at the Riga International School of Economics and Business Administration (RISEBA) and a lecturer at the University of Latvia and the business college Turība.

Positions held in other companies: none

Number of shares of JSC Olainfarm owned (as of September 30, 2017): 0

Participation in other companies: none

**Valentīna Andrējeva**, Deputy Chairperson of the Council

Valentīna Andrējeva, the Doctor of Economics of the Riga Technical University (Dr.oec.) - 2006, and has also degree of Master of Economic Sciences in management of the enterprise activity, received at the Riga Technical University in 2011, a speciality of the engineer-economist which she received in 1976 at the Riga Polytechnical Institute.

Positions held in other companies:  
JSC Riga Shipyard, Council Member

Number of shares of JSC Olainfarm owned (as of September 30, 2017): 0  
Participation in other companies: none

**Aleksandrs Raicis**

Aleksandrs Raicis is a Pharmaceutical Director of SIA Briz. A.Raicis has a degree in Pharmacy from the Riga Medical Institute (1984).

Positions held in other companies:  
SIA Briz, Board Member

Number of shares of JSC Olainfarm owned (as of September 30, 2017): 0

Participation in other companies:  
SIA VIP Pharma (50%)  
SIA Recessus (30%)  
SIA Briz (7.92%)  
SIA Format A3 (33.33%)

**Gunta Veismane**

Gunta Veismane in 1975 graduated from the University of Latvia, Faculty of Economics, in 1993 year - Harvard University, HBS Management, Strategic management and organisational Psychology course;1996 - MBA, University of Latvia.

Positions held in other companies: none

Number of shares of JSC Olainfarm owned (as of September 30, 2017): 0  
Participation in other companies: none

**Andis Krūmiņš** (Council Member from 02.06.2017)

Andis Krūmiņš graduated from the Medical Faculty of the Academy of Medicine of Latvia and obtained a doctor's degree. Andis Krūmiņš is continuing his studies at the Riga Stradins University, Faculty of Continuing Education, majoring in psychiatry.

Positions held in other companies:  
SIA AO Solutions, Board Member  
SIA Multitrial, Chairman of the Board

Number of shares of JSC Olainfarm owned (as of September 30, 2017): 0

Participation in other companies:  
SIA AO Solutions, (100%)  
SIA Multitrial, (100%)



**Geliia Gildeeva** (until 11.05.2017)

Geliia Gildeeva has graduated I.M.Sechenov First Moscow State Medical University (in 1989 she has obtained Pharmacist qualification and in 1992 she has completed the post-graduate programme and obtained the degree of a candidate of science in biology). G.Gildeeva is an associate professor at the I.M.Sechenov First Moscow State Medical University department Organisation and management in circulation of medicinal products.

Positions held in other companies (as of May 11, 2017):

Russian union National Pharmaceutical Chamber, Council Member

OOO Lekar (Moscow, Russia), Executive Director

OOO Medical Development Agency (Moscow, Russia), Leading Partner

Number of shares of JSC Olainfarm owned (as of May 11, 2017): 65 916

Participation in other companies (as of May 11, 2017):

OOO Lekar (Moscow, Russia)

OOO Medical Development Agency (Moscow, Russia)

## Changes in the Board

Member of the Board Jeļena Borcova submitted a notification about her resignation starting from 18.05.2017. According to the Decision of the Council from June 12, 2017 Vladimirs Krušinskis was appointed as a Board Member.

## Changes in the Council

Council Member Geliia Gildeeva submitted a notification about her resignation starting from 12.05.2017. The General Meeting of Shareholders on June 1, 2017 made a decision to appoint new Council of JSC Olainfarm effective from 2 June, 2017: Ivars Godmanis, Valentīna Andrējeva, Gunta Veismane, Aleksandrs Raicis, Andis Krūmiņš. According to the Decision of the Council from June 2, 2017 Ivars Godmanis was appointed as a Chairperson of the Council and Valentīna Andrējeva as a Deputy Chairperson of the Council.

**Major shareholders**

	<b>Share holding</b>
Swedbank AS EE Clients account	6.23%
SIA Olmafarm	42.56%
V. Maligins	26.92%
Other shareholders	<u>24.29%</u>
Total	100.00%

## Management report

### General information

The Group is one of the biggest pharmaceutical companies in Latvia with more than 40 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 50 countries worldwide, including the Baltics, Russia, other CIS, Europe, Asia, North America and Australia.

During the reporting period, changes have been made to the composition of the Group, as the company acquired SIA Parventas Aptieka, which owns one pharmacy in Ventspils. The main companies in the group are parent company JSC Olainfarm, its daughter companies 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 Olaines Veselibas Centrs.

### 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.lv](http://www.olainfarm.lv).

### Operational environment

During the reporting period the operational environment in a large part of markets important for the company, has remained rather volatile and rather unpredictable. During the 1<sup>st</sup> quarter of 2017 sales of the Group to Russia increased significantly, however, during the second quarter they dropped significantly, along with devaluation of Russian Rouble. Although sales to Russia increased again significantly in third quarter, devaluation of Russian rouble also continued, which in third quarter alone caused loss of about 0.5 million euros.

Sales to Uzbekistan during the first quarter were almost non-existent, however, they rapidly increased during the second quarter, as Uzbekistan once again became one of the big markets for the Group.

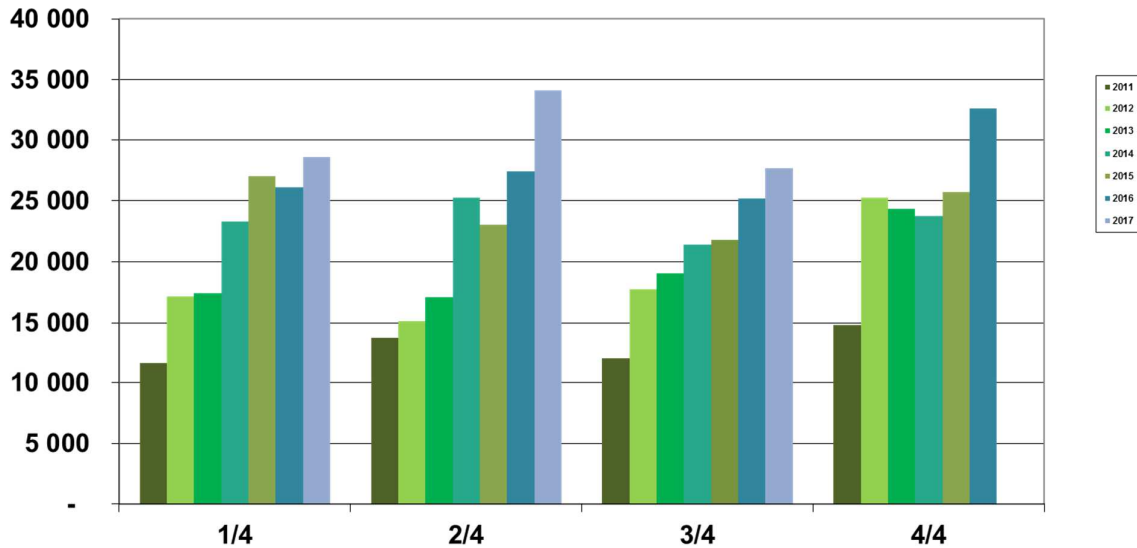
Significant increase in sales of PASA to WHO left an important positive impact on sales volumes of the Group, however, part of that are volumes of PASA intended for Ukraine and shipped to Ukraine directly according to last year's programme. This is one of the reasons for significant sales drop to Ukraine this year, compared to 2016. Another important reason for that drop is deterioration of overall economic situation in Ukraine accompanied by weakened purchasing power of Ukrainian population.

Although a certain improvement could be observed during the third quarter, the group still demonstrates increase in sales costs that is disproportionately large compared to increase in sales. This could be partially explained with the fact that relatively large number on new representative offices and daughter companies being open in several markets that are new to the group and therefore their contribution to overall sales is not yet very material.

### Financial results

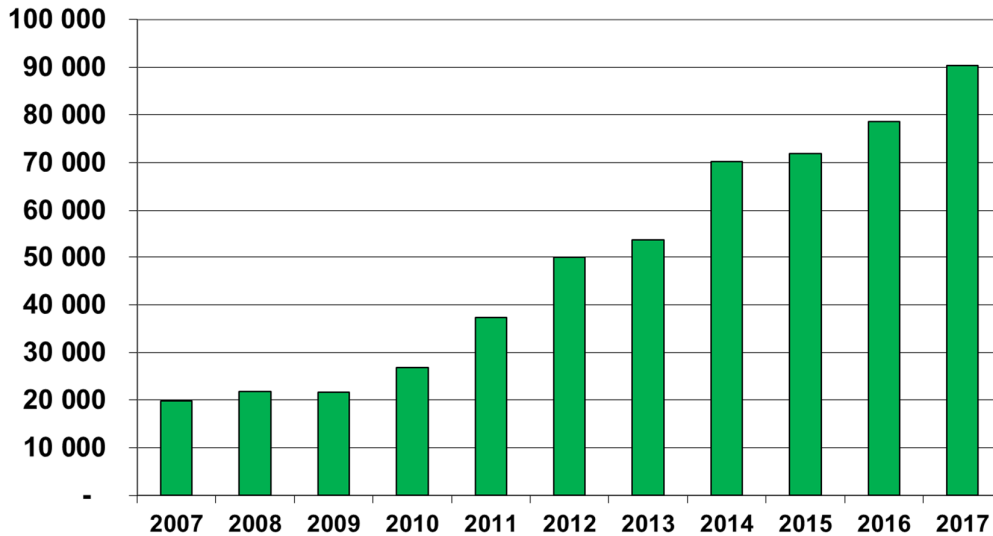
During the third quarter of 2017, sales volumes have increased by 10% compared to similar period of 2016 and reached 27.7 million euro, which makes this the best third quarter and one of the best quarters overall in corporate history in terms of sales so far. Large shipments to the WHO and considerable sales increase in Russia, Germany and Uzbekistan are important contributors to this growth.

### Sales By Quarters, Thsnd. EUR

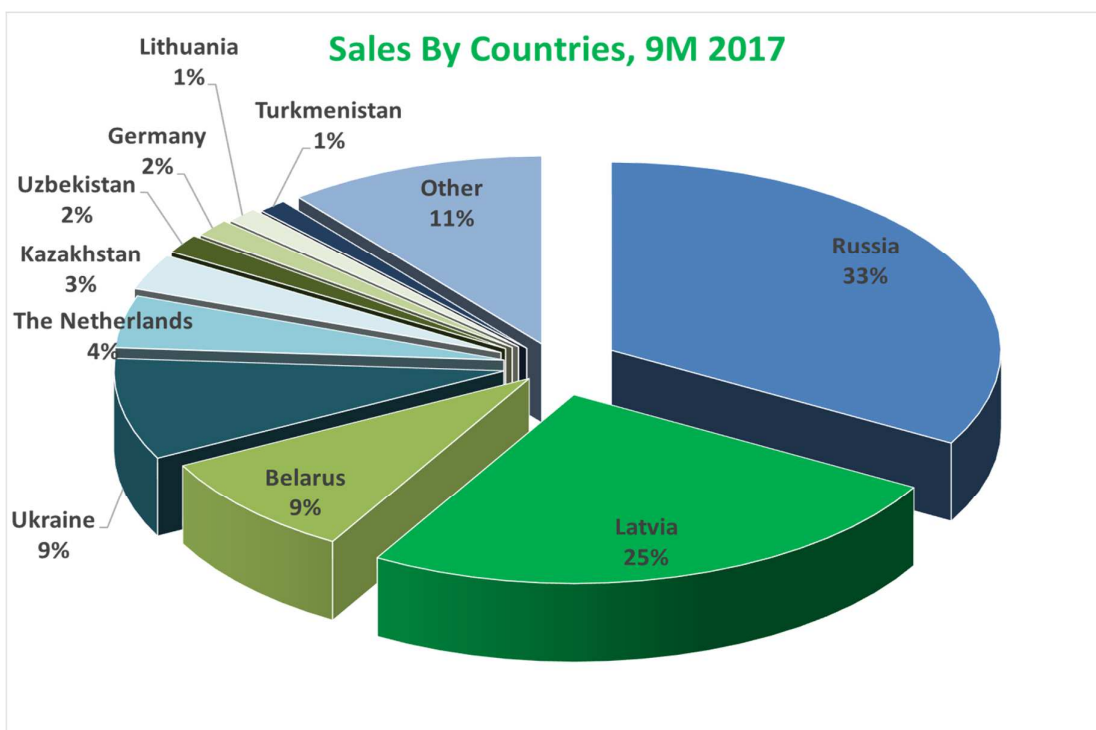


During 9 months of 2017, sales grew by 15% compared to the nine months of 2016 and reached 90.4 million euros, which in terms of sales makes this the best nine months in corporate history. From all the major sales markets of the Group, only Uzbekistan, Turkmenistan and Ukraine experienced some sales reduction, while Germany demonstrated 200% growth and the Netherlands demonstrated 133% growth. All the other markets demonstrated at least double-digit sales increase.

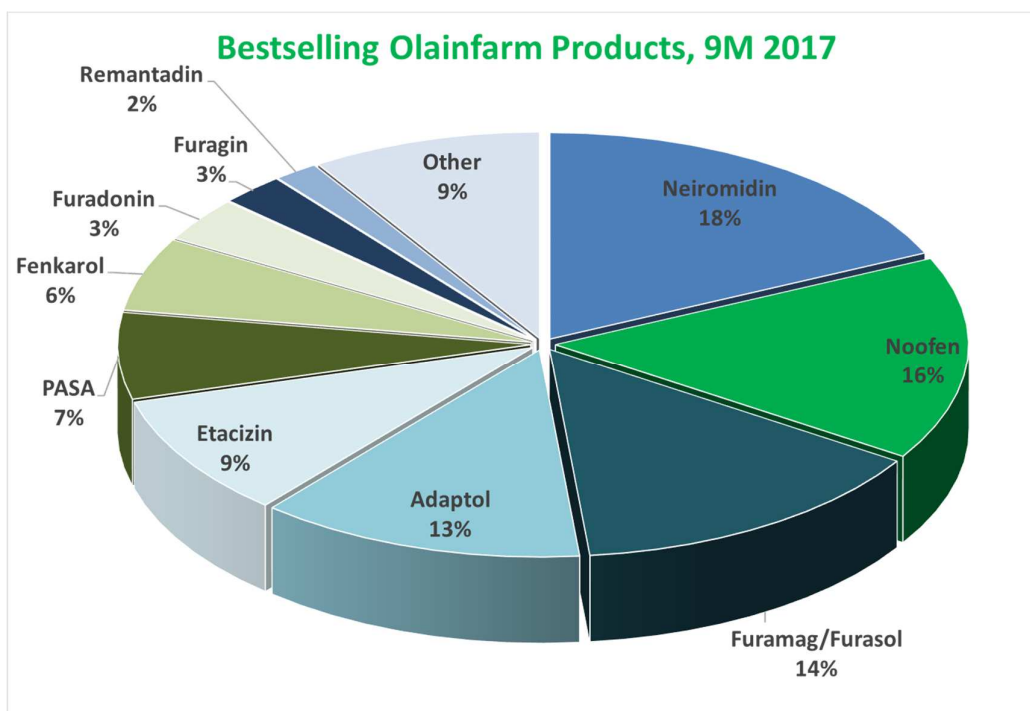
### 9 Months Sales, Thsnd. EUR



During the 9 months of 2017 sales to all company's main markets continued increasing except for Ukraine, where they dropped by 40%, Uzbekistan, where during the same period of time they shrunk by 22% and Turkmenistan with 4% sales drop. Major sales markets of the Group during the nine months of 2017 were Russia, Latvia, Belarus and Ukraine.

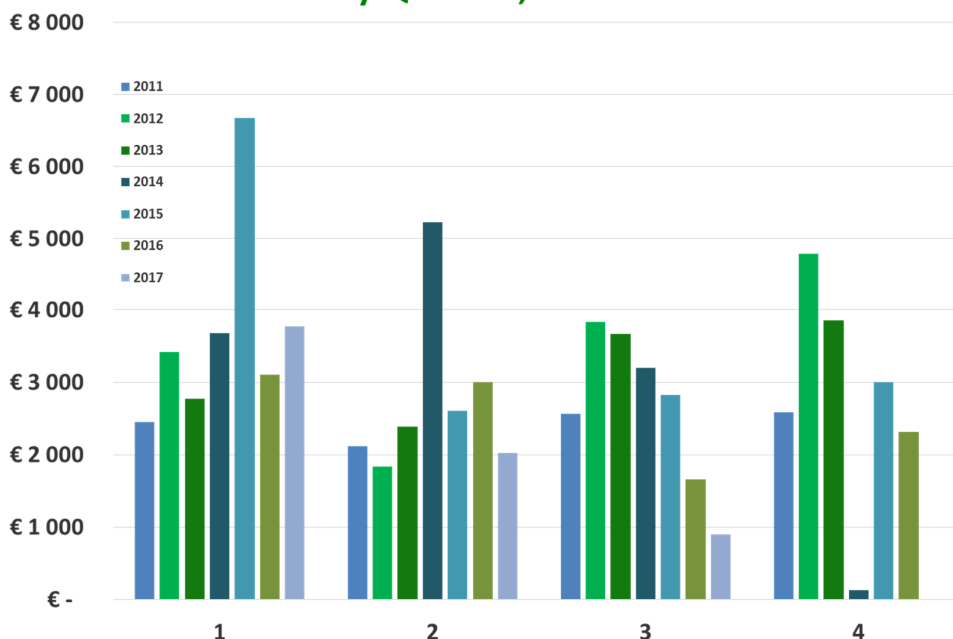


During the third quarter only some minor changes have occurred to the sales structure of bestselling products of JSC Olainfarm. Neiromidin's share has increased by one percentage point, while Adaptol's share increased by two percentage points. PASA's share is by two percentage points smaller.



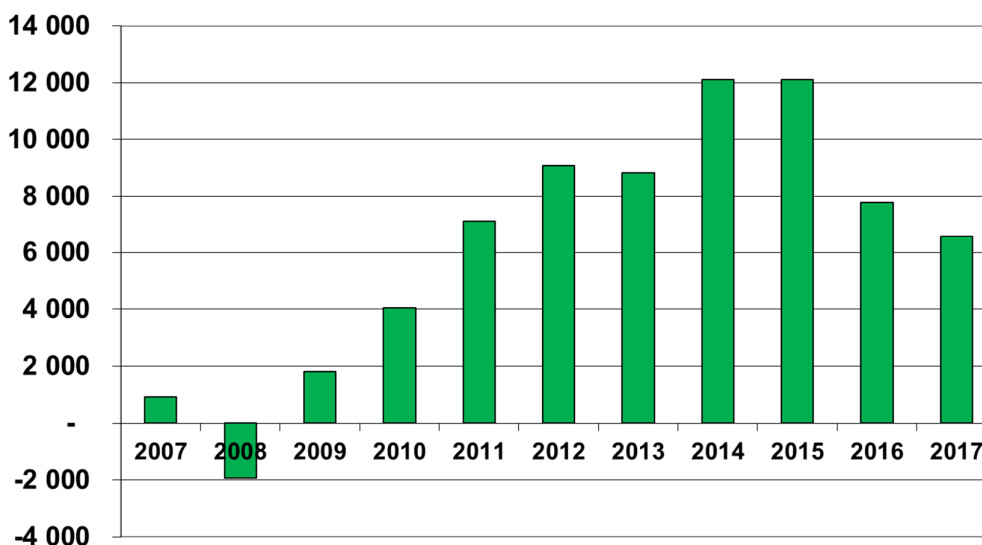
Although this past third quarter was outstanding in terms of sales, in terms of profitability it has been the least successful since 2014. The profitability was adversely impacted by several factors, including foreign exchange loss of approximately 0.5 million euros. Provisions of almost one million euros were made for assets deriving from acquisitions of SIA Klinika Diamed, NPK Biotest and SIA Kivvi Cosmetics. After these factors, the net profit of the Group during the third quarter was 895 thousand euros, which represents a reduction by 46%, compared to the third quarter of 2016.

### Profit By Quarters, Thsnd. EUR



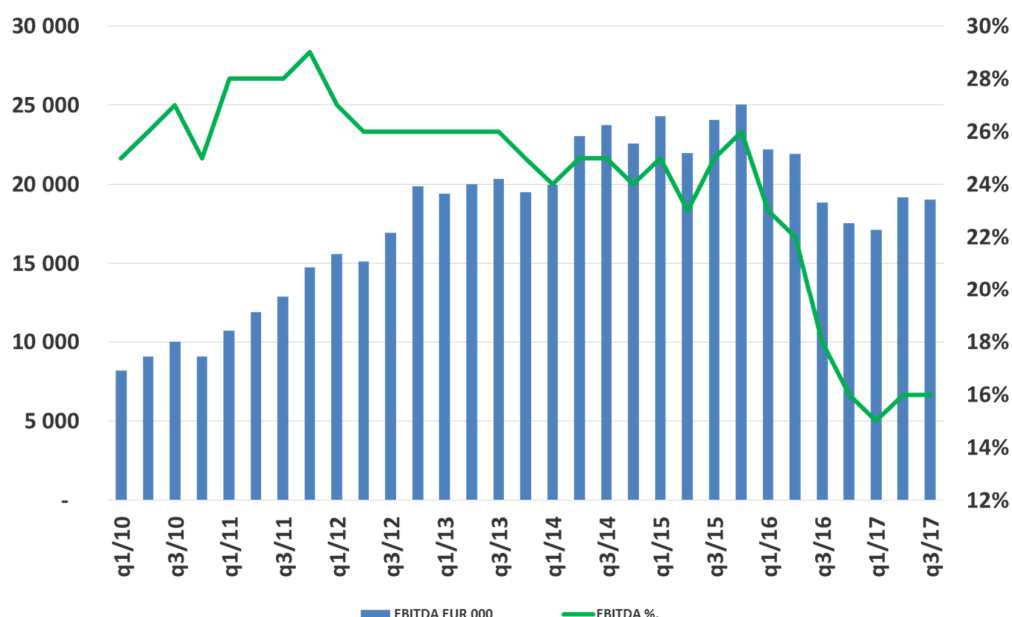
Although the new sales record has been set during this nine months period, the net profit has dropped by about 1.2 million euros or by more than 15%. Gross margins has remained virtually unchanged, and other costs have shrunk by 3.2 million euros, as there are less provisions and write-offs, however, it is selling, administrative and financial costs that have demonstrated significant increase.

### Net Profit In 9 Months, Thsnd. EUR



Twelve months rolling EBITDA has experienced a minor reduction by 120 thousand euros to 19 million. Total EBITDA margin still fluctuates around 16%.

## 12 Months Rolling EBITDA And EBITDA Margin



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

Financial indicator for period	01.01.2017 - 30.09.2017	01.01.2016 - 30.09.2016	% to previous period
Sales, EUR '000	90 384	78 675	115%
Net profit, EUR '000	6 597	7 764	85%
EBITDA, EUR '000	14 858	13 384	111%
EBIT, EUR '000	10 016	9 050	111%
Gross margin	61.4%	61.9%	
EBITDA margin	16.4%	17.0%	
EBIT margin	11.1%	11.5%	
Net margin	7.3%	9.9%	
EPS, EUR	0.47	0.55	85%

Financial indicator at the period end	30.09.2017	30.09.2016	% to previous period
Current ratio	2.2	3.1	
Share price at period end, EUR	10.00	8.50	117.6%
Market capitalisation, EUR '000	140 851	119 723	117.6%
P/B	1.5	1.3	

Financial indicator for 12 month	01.10.2016 - 30.09.2017	01.10.2015 - 30.09.2016	% to previous period
Sales, EUR '000	122 402	104 206	117%
Net profit, EUR '000	10 412	10 946	95%
EBITDA, EUR '000	19 031	18 834	101%
ROA	7.0%	8%	
ROE	11%	12%	
P/E	13.5	10.9	

Annual meeting of shareholders of JSC Olainfarm convened on June 1, 2017 approved operating plan of the Group for 2017. According to it, sales of the Group in 2017 are planned to be 127 million euros, but the net profit will reach 15.5 million euros. According to this unaudited report for nine months of 2017, during this period 71% of annual sales target and 43% of annual profit target is met.

Taking into account a considerable deviation in schedule to achieving the profit target after the second quarter, the Board decided in September to review profit guidances downwards, setting them at 13.5 million for consolidated profit and 11 million for standalone profit. Because of worse than expected profitability during the third quarter, the Board has again reviewed the profit guidances downwards, setting it at 9 million euros for consolidated and standalone profit, with a possibility of increasing it to 10 million if the deferred tax resulted from business combinations will be reversed (as consequence of tax legislation changes in Latvia) fully through income statement at the year end.

### Shares and stock market

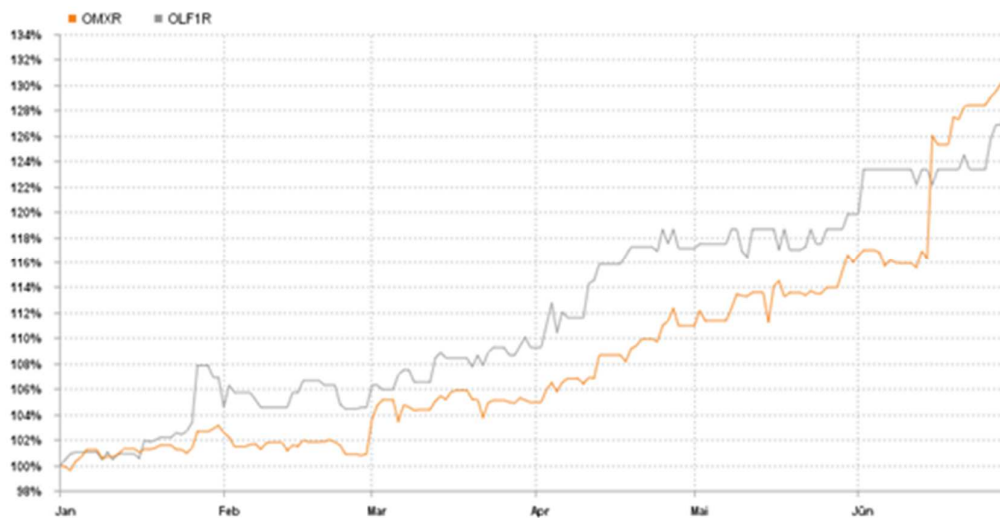
Stabilisation of Company's financial indicators over the last years is reflected in reoccurring historical highs of price of Company's shares on NASDAQ OMX Riga. During the first half, share price mainly fluctuated around 10.00 euro per share, reaching its low of 8.50 per share in the beginning of the year, and reaching its high of 10.90 euro at the very end of the second quarter. In a third quarter a historic maximum of 11.50 EUR per share was achieved. During the reporting period, 1400 transactions were made with shares of JSC Olainfarm. After the end of the reporting period a share price fell a little and as this report is being produced it fluctuates around 10 EUR per share.

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

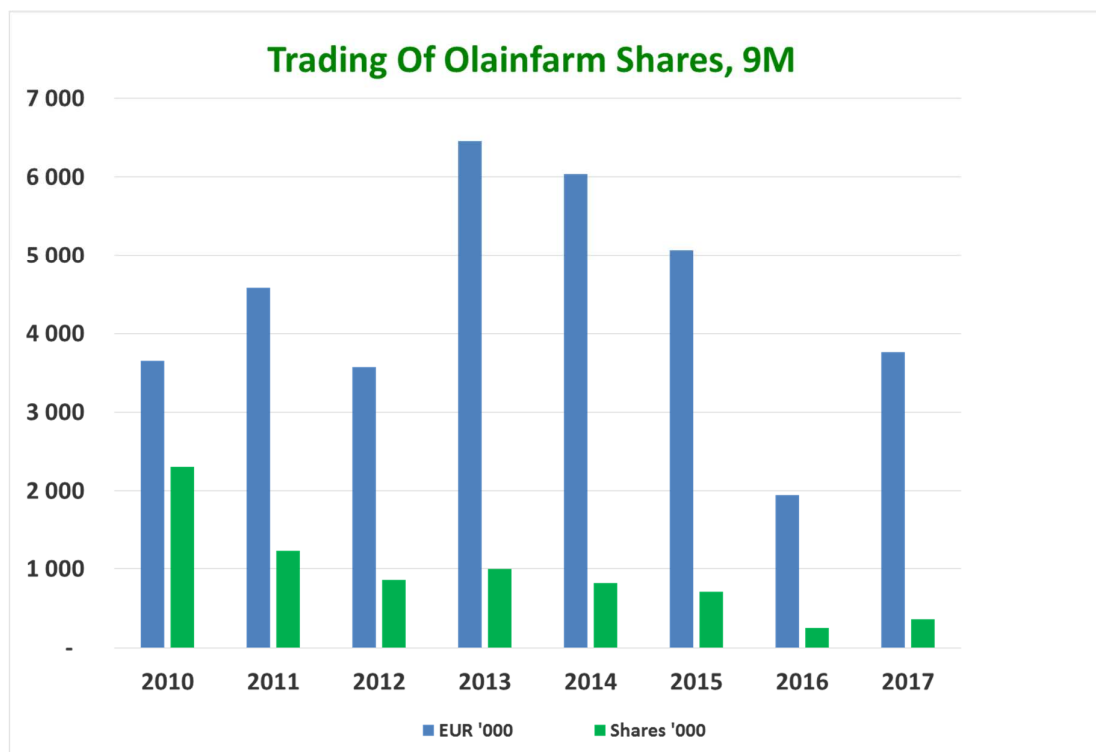


During nine months of 2017, price of share of JSC Olainfarm increased slower than OMX Riga index. During these six months OMX Riga index increased by 36%, while price for share of JSC Olainfarm by 18%.

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



-- OMX Riga  
-- JSC Olainfarm



During the nine months of 2017, more than 360 thousand shares of JSC Olainfarm worth more than 3.7 million euros were traded on Nasdaq Riga. Compared to nine months of 2016, the number of traded shares increased by nearly 50% while turnover almost doubled.



**Development**

During the reporting period, registration processes were completed in Armenia and Azerbaijan. Registration processes have been started in Nepal and continued in Turkey, Armenia, Myanmar, Cameroon and Vietnam. Registration of medicines produced by NPK Biotest continue in Belarus. Parent company itself has submitted one more dossier in Turkey and is soon expected to launch several painkilling and anti-inflammatory medicines. Registration of new product Jogurt ACTio has started in several markets.

**Future Outlook**

Successful operations of the Company in future will largely depend on its ability to diversify its sales markets and products and to preserve its current position in its key markets. In this respect, the Company continues taking all steps necessary to obtain the market authorisations in Turkey, which is large enough market, much less subjected to turbulences, compared to CIS countries and we expect that the first market approval will be obtained before the end of the year or early in 2018. Simultaneously the company has intensified effort to launch several new products, including several antituberculosis and anti-cancer products that are new to the company. It is planned that the first one of them might be commercialized at the beginning of 2019.

As could be seen from the last several quarterly reports, increasing sales and administrative costs make company to focus on increasing its sales volumes. Intensive sales promotion programme and administrative costs' increase from Group's expansion may leave a significant adverse impact on Group's profitability, therefore balancing these costs with increases in sales will be essential in maintaining and improving Groups margins.

Rapid cost increase and rather generous dividend programme of 2017, among other things have had an adverse impact on company's liquidity, stabilisation of which will be one of Board's priorities in 2018. Therefore Board's position regarding dividends in 2018 most likely will be rather conservative.

Basing on its recent year experience the Company has taken a particularly careful approach in valuing its assets. In short to medium term it may imply revaluating some of them, which means negative, but more balanced impact on overall profitability.

**Social Responsibility**

During the first half of 2017, the company continued supporting development of new professionals of Riga Stradins University and Riga Technical University and University of Latvia with scholarships. Participation of the most talented students in different skill contests was widely supported, particularly strong support was provided to RTU's Engineering School.

Demonstrating that health care and healthy life style is high among company's values, JSC Olainfarm participated in organizing Annual Medical Awards, supported amateur ice hockey tournament in the town of Olaine, sponsored young local basketball, tennis and football players and a local public running competition. With the support of Olainfarm Latvian national In-Line Hockey team participated in World Championships in Slovakia.

Olainfarm continued to be the main sponsor of Dailes Theatre of Riga, allowing everyone to visit the Knowledge Hours organized by it. The Company also supported international jazz festival "Riga Jazz Stage" and celebrations of 50<sup>th</sup> anniversary of the town of Olaine.

JSC Olainfarm also provided support for a whole range of charity organisations.

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

(signature)  
\_\_\_\_\_  
Oļegs Grigorjevs  
Member of the Board

November 30, 2017

### 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)

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Oļegs Grigorjevs  
Member of the Board

November 30, 2017

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

	Note	01.07.2017 - 30.09.2017	01.07.2016 - 30.09.2016	01.01.2017 - 30.09.2017	01.01.2016 - 30.09.2016
		EUR '000	EUR '000	EUR '000	EUR '000
Net revenue		27 665	25 158	90 384	78 675
Cost of goods sold		(10 921)	(9 685)	(34 851)	(30 005)
<b>Gross profit</b>		<b>16 744</b>	<b>15 473</b>	<b>55 533</b>	<b>48 670</b>
Selling expense		(8 377)	(6 716)	(27 008)	(21 340)
Administrative expense		(5 423)	(4 529)	(16 872)	(13 579)
Other operating income		732	427	1 753	1 923
Other operating expense		(1 862)	(2 400)	(3 460)	(6 651)
Share of profit of an associate		10	(12)	70	27
Financial income		59	55	215	1 354
Financial expense		(573)	(98)	(1 913)	(207)
<b>Profit before tax</b>		<b>1 310</b>	<b>2 200</b>	<b>8 318</b>	<b>10 197</b>
Corporate income tax	5	(398)	(536)	(1 806)	(2 631)
Deferred corporate income tax	5	(17)	(7)	86	207
<b>Profit for the reporting period</b>		<b>895</b>	<b>1 657</b>	<b>6 598</b>	<b>7 773</b>
<b>Other comprehensive income for the reporting period</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total comprehensive income for the reporting period</b>		<b>895</b>	<b>1 657</b>	<b>6 598</b>	<b>7 773</b>
Total comprehensive income attributable to:					
The equity holders of the Parent company		896	1 653	6 597	7 764
Non-controlling interests		(1)	4	1	9
		<b>895</b>	<b>1 657</b>	<b>6 598</b>	<b>7 773</b>
Basic and diluted earnings per share, EUR		0.06	0.12	0.47	0.55

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

For the Board of JSC Olainfarm:

(signature)  
\_\_\_\_\_  
Oļegs Grigorjevs  
Member of the Board

November 30, 2017

**Interim consolidated statement of financial position**

<b>ASSETS</b>	Note	<b>30.09.2017</b>	<b>31.12.2016</b>
<b>NON-CURRENT ASSETS</b>		<b>EUR '000</b>	<b>EUR '000</b>
<b>Intangible assets</b>			
Goodwill		20 815	17 251
Patents		136	137
Pharmacy licenses and lease contracts		12 024	10 404
Other intangible assets		3 304	3 432
Intangible assets under development		522	471
Prepayments for intangible assets		113	165
TOTAL		<b>36 914</b>	<b>31 860</b>
<b>Property, plant and equipment</b>			
Land, buildings and constructions		19 462	19 207
Equipment and machinery		13 480	13 715
Other tangible assets		3 548	3 027
Leasehold investments		422	481
Construction in progress		5 225	4 043
Prepayments for property, plant and equipment		634	470
TOTAL	6	<b>42 771</b>	<b>40 943</b>
<b>Investment properties</b>			
		<b>2 209</b>	<b>1 963</b>
<b>Financial assets</b>			
Loans to related and associated companies		-	51
Loans to management, employees and shareholders		1 843	5 694
Investments in associated companies		614	544
Prepayments and prepaid expense		227	146
Other non-current financial assets		91	79
TOTAL		<b>2 775</b>	<b>6 514</b>
		<b>84 669</b>	<b>81 280</b>
<b>TOTAL NON-CURRENT ASSETS</b>			
<b>CURRENT ASSETS</b>			
<b>Inventories</b>			
Raw materials		4 172	3 504
Work in progress		8 413	9 841
Finished goods and goods for resale		11 289	10 246
Prepayments for goods		493	420
TOTAL		<b>24 367</b>	<b>24 011</b>
<b>Receivables</b>			
Trade receivables and receivables from associated and other related companies		30 865	33 213
Prepayments and prepaid expense		1 531	1 042
Other receivables		1 136	1 159
Corporate income tax		783	346
Loans to management, employees and shareholders		1 039	319
Loans to related and associated companies		-	45
TOTAL		<b>35 354</b>	<b>36 124</b>
<b>Cash</b>		<b>4 057</b>	<b>3 165</b>
		<b>63 778</b>	<b>63 300</b>
<b>TOTAL CURRENT ASSETS</b>			
<b>TOTAL ASSETS</b>		<b>148 447</b>	<b>144 580</b>

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

For the Board of JSC Olainfarm:

(signature)  
\_\_\_\_\_  
Oļegs Grigorjevs  
Member of the Board

November 30, 2017

**Interim consolidated statement of financial position**

<b>EQUITY AND LIABILITIES</b>		Note	<b>30.09.2017</b>	<b>31.12.2016</b>
<b>EQUITY</b>			<b>EUR '000</b>	<b>EUR '000</b>
Share capital			19 719	19 719
Share premium			2 504	2 504
Reserves			40	322
Retained earnings:				
brought forward			65 059	62 502
for the period			6 597	11 579
	TOTAL		93 919	96 626
Non-controlling interests			38	37
		<b>TOTAL EQUITY</b>	<b>93 957</b>	<b>96 663</b>
<b>LIABILITIES</b>				
<b>Non-current liabilities</b>				
Loans from credit institutions			19 337	18 237
Deferred corporate income tax liabilities			3 231	3 025
Deferred income			2 466	2 810
Finance lease liabilities			355	449
Other non-current financial liabilities			137	114
	TOTAL		<b>25 526</b>	<b>24 635</b>
<b>Current liabilities</b>				
Loans from credit institutions			8 857	6 826
Finance lease liabilities			158	194
Other loans			193	-
Prepayments received from customers			914	50
Trade payables and payables to associated and other related companies			14 491	10 257
Taxes payable			1 073	1 071
Deferred income			482	493
Accrued liabilities			2 796	4 391
	TOTAL		<b>28 964</b>	<b>23 282</b>
		<b>TOTAL LIABILITIES</b>	<b>54 490</b>	<b>47 917</b>
<b>TOTAL EQUITY AND LIABILITIES</b>			<b>148 447</b>	<b>144 580</b>

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

For the Board of JSC Olainfarm:

\_\_\_\_\_  
(signature)  
Oļegs Grigorjevs  
Member of the Board

November 30, 2017

**Interim consolidated statement of cash flow**

	01.01.2017 - 30.09.2017	01.01.2016 - 30.09.2016
	EUR '000	EUR '000
<b>Cash flows to/from operating activities</b>		
Profit before taxes	8 318	10 197
Adjustments for:		
Amortization and depreciation	4 842	4 334
Loss/ (profit) on sale/ disposal of non-current assets	(63)	(37)
Impairment of tangible, intangible assets and investment property	1 902	-
Increase/ (decrease) in allowances	(2 572)	3 292
Share of profit of an associate	(70)	(27)
Interest expenses	332	207
Interest income	(202)	(205)
Income from EU projects' funds	(590)	(978)
Unrealised loss/ (profit) from fluctuations of currency exchange rates	(312)	(646)
<b>Operating cash flows before working capital changes</b>	<b>11 585</b>	<b>16 137</b>
Decrease/ (increase) in inventories	731	1 892
Decrease/ (increase) in receivables and prepaid expense	3 220	(3 929)
(Decrease)/ increase in payables and prepayments received	2 493	1 485
<b>Cash generated from operations</b>	<b>18 029</b>	<b>15 585</b>
Corporate income tax paid	(2 218)	(2 253)
<b>Net cash flows to/ from operating activities</b>	<b>15 811</b>	<b>13 332</b>
<b>Cash flows to/from investing activities</b>		
Purchase of intangible assets and property, plant and equipment	(5 431)	(4 935)
Purchase of investment properties	(766)	-
Receipt of EU grants	221	641
Acquisition of subsidiaries	(6 574)	(15 633)
Proceeds from sale of intangible assets and property, plant and equipment	128	123
Repayment of loans	3 203	1 099
Interest received	484	136
Loans granted	(587)	(637)
<b>Net cash flows to/from investing activities</b>	<b>(9 322)</b>	<b>(19 206)</b>
<b>Cash flows to/from financing activities</b>		
Dividends paid	(6 205)	(2 549)
Borrowings repaid	(4 262)	(3 368)
Interest paid	(332)	(207)
Proceeds from borrowings	4 800	14 000
<b>Net cash flows to/from financing activities</b>	<b>(5 999)</b>	<b>7 876</b>
<b>Change in cash</b>	<b>490</b>	<b>2 002</b>
Net foreign exchange difference	402	218
<b>Cash at the beginning of the year</b>	<b>3 165</b>	<b>5 574</b>
<b>Cash at the end of the reporting period</b>	<b>4 057</b>	<b>7 794</b>

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

**Interim consolidated statement of changes in equity**

	Equity attributable to the equity holders of the Parent company					Non-controlling interests	Total
	Share capital	Share premium	Reserves	Retained earnings	Total		
	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000		
<b>Balance as at 31 December 2015</b>	<b>19 719</b>	<b>2 504</b>	<b>322</b>	<b>65 773</b>	<b>88 318</b>	<b>30</b>	<b>88 348</b>
Profit for the reporting period	-	-	-	7 764	7 764	9	7 773
Other comprehensive income	-	-	-	-	-	-	-
Total comprehensive income	-	-	-	7 764	7 764	9	7 773
Dividends	-	-	-	(2 549)	(2 549)	-	(2 549)
<b>Balance as at 30 September 2016</b>	<b>19 719</b>	<b>2 504</b>	<b>322</b>	<b>70 988</b>	<b>93 533</b>	<b>39</b>	<b>93 572</b>
<b>Balance as at 31 December 2016</b>	<b>19 719</b>	<b>2 504</b>	<b>322</b>	<b>74 081</b>	<b>96 626</b>	<b>37</b>	<b>96 663</b>
Profit for the reporting period	-	-	-	6 597	6 597	1	6 598
Other comprehensive income	-	-	-	-	-	-	-
Total comprehensive income	-	-	-	6 597	6 597	1	6 598
Dividends	-	-	(282)	(9 022)	(9 304)	-	(9 304)
<b>Balance as at 30 September 2017</b>	<b>19 719</b>	<b>2 504</b>	<b>40</b>	<b>71 656</b>	<b>93 919</b>	<b>38</b>	<b>93 957</b>

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

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## 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 Board on 30 November 2017.

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

#### ***Basis of preparation***

The interim condensed consolidated financial statements for nine months ended 30 September 2017 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 2016.

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 30 September 2017.

#### ***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 evaluated new and amended IFRSs and IFRICs effective for annual periods beginning on or after 1 January 2017. No impact on the interim financial statements of the Group was identified.

The Group has not applied and has not evaluated the impact of the application of 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****Acquired subsidiaries**

During the reporting period, the Group acquired several unlisted companies registered in Latvia as described below. Companies were acquired to diversified business activity, to expand the Group product portfolio, to increase retail coverage. The Group has used a multiple earnings method in the valuation of intangible assets. The main assumptions used – expected profitability and revenue growth. At the date of authorizing for issue the interim financial statements the Group has not yet finalized the identification process for intangible assets from the business combinations - therefore the net assets and goodwill recognized in the interim financial statements are provisional. The interim financial statements include the results of acquired companies from acquisition date till the end of reporting period.

**Acquisition of Pharmacies**

The provisional fair value of the identifiable assets and liabilities of the companies as at the date of acquisition were:

Acquired entity	<i>Pārventas aptieka</i>	<i>Veselība</i>	<i>Rēzeknes ērgļa aptieka</i>	TOTAL
	28.02.2017	25.05.2017	19.06.2017	
Percentage of voting equity interest acquired	100%	100%	100%	
Acquisition date	28.02.2017	25.05.2017	19.06.2017	
	Fair value recognized on acquisition			TOTAL
	EUR '000	EUR '000	EUR '000	EUR '000
<b>Assets</b>				
Premises lease agreement and licences	400	910	310	1 620
Property, plant and equipment	46	139	-	185
Cash and cash equivalents	47	30	57	134
Other receivables	17	9	1	27
Trade receivables	-	28	11	39
Inventories	63	177	80	320
	<b>572</b>	<b>1 293</b>	<b>459</b>	<b>2 324</b>
<b>Liabilities</b>				
Trade payables	(106)	(152)	(117)	(375)
Other current liabilities	(9)	(60)	(14)	(83)
Deferred tax liabilities	(67)	(157)	(48)	(272)
	<b>(182)</b>	<b>(369)</b>	<b>(179)</b>	<b>(730)</b>
<b>Total identifiable net assets at fair value</b>	<b>391</b>	<b>924</b>	<b>280</b>	<b>1 595</b>
Goodwill arising on acquisition	909	2 076	1 420	4 405
<b>Purchase consideration transferred</b>	<b>1 300</b>	<b>3 000</b>	<b>1 700</b>	<b>6 000</b>
Goodwill comprises:				
- an increase in deferred tax from acquired net asset fair value and book value difference	67	157	48	272
- expected synergies and assembled workforce not recognised separately	842	1 919	1 372	4 133
<b>Analysis of cash flows on acquisition:</b>				
Net cash acquired with the subsidiary	47	30	57	134
Cash paid	(1 300)	(3 000)	(1 700)	(6 000)
<b>Net cash outflow</b>	<b>(1 253)</b>	<b>(2 970)</b>	<b>(1 643)</b>	<b>(5 866)</b>
<b>Effect of acquisition to the Group</b>				
Revenue contributed	102	623	258	983
Profit/ (loss) before tax generated	(5)	-	(19)	(24)
<b>Estimated effect of acquisition if acquisition date had been as of the beginning of the year:</b>				
Estimated revenue for whole period	240	1 437	724	2 401
Estimated profit/ (loss) before tax for whole period	9	(1)	(16)	(8)

The goodwill recognized is primarily attributed to the expected synergies and other benefits from combining the assets and activities of the subsidiary with those of the Group and increase of deferred tax liability from the business combination.

The acquired pharmacies goodwill is allocated entirely to the pharmacy retail segment.

**3. Business combination and reorganization (cont'd)****Acquisition of Wholesale and Health care companies**

The provisional fair value of the identifiable assets and liabilities of the companies as at the date of acquisition were:

Acquired entity	Global Lux	Aroma	Olaines veselības centrs	
	100%	100%	100%	
Percentage of voting equity interest acquired	100%	100%	100%	
Acquisition date	22.03.2017	19.05.2017	21.06.2017	
	Fair value recognized on acquisition			TOTAL
	EUR '000	EUR '000	EUR '000	EUR '000
<b>Assets</b>				
Intangible assets	64	-	-	64
Property, plant and equipment	-	134	129	263
Cash and cash equivalents	15	6	75	96
Other receivables	5	2	1	8
Trade receivables	28	224	17	269
Inventories	52	659	5	716
	<b>164</b>	<b>1 025</b>	<b>227</b>	<b>1 416</b>
<b>Liabilities</b>				
Trade payables	(17)	(108)	(4)	(129)
Other current liabilities	(2)	(216)	(69)	(287)
Other long term liabilities	-	(134)	-	(134)
Deferred tax liabilities	(13)	-	(8)	(21)
	<b>(32)</b>	<b>(458)</b>	<b>(81)</b>	<b>(571)</b>
<b>Total identifiable net assets at fair value</b>	<b>132</b>	<b>567</b>	<b>146</b>	<b>845</b>
Goodwill arising on acquisition	4	33	504	541
<b>Purchase consideration transferred</b>	<b>136</b>	<b>600</b>	<b>650</b>	<b>1 386</b>
Purchase consideration:				
- Cash paid during reporting period	86	68	650	804
- Settlement against loan	-	250	-	250
- Loan and trade receivable balance at acquisition date	50	282	-	332
<b>Purchase consideration</b>	<b>136</b>	<b>600</b>	<b>650</b>	<b>1 386</b>
Goodwill comprises:				
- an increase in deferred tax from acquired net asset fair value and book value difference	13	-	8	21
- expected synergies and assembled workforce not recognised separately	(9)	33	496	520
<b>Analysis of cash flows on acquisition:</b>				
Net cash acquired with the subsidiary	15	6	75	96
Cash paid	(86)	(68)	(650)	(804)
<b>Net cash outflow</b>	<b>(71)</b>	<b>(62)</b>	<b>(575)</b>	<b>(708)</b>
<b>Effect of acquisition to the Group</b>				
Revenue contributed	94	428	131	653
Profit/ (loss) before tax generated	(18)	(185)	(22)	(225)
<b>Estimated effect of acquisition if acquisition date had been as of the beginning of the year:</b>				
Estimated revenue for whole period	132	710	392	1 234
Estimated profit/ (loss) before tax for whole period	(10)	(195)	(37)	(242)

The goodwill recognized is primarily attributed to the expected synergies and other benefits from combining the assets and activities of the subsidiary with those of the Group and increase of deferred tax liability from the business combination.

The goodwill is allocated separately for each business segment.

Goodwill arising on acquisition of SIA Olaines veselības centrs has been partially written-off at the moment of recognition in amount of 399 thsd. EUR.

### 3. Business combination and reorganization (cont'd)

#### Merging of pharmacies

During the reporting period reorganization - merging process was performed in the course of which five of JSC Olainfarm owned pharmacies (acquiree) were merged into SIA Latvijas aptieka (acquirer). On 11 August 2017 the companies SIA FB1, SIA Gostiņu Aptieka, SIA Nikafarm, SIA Rūpes Farm Aptieka and SIA Stefānijas aptieka were merged into SIA Latvijas aptieka.

All the rights and obligations of the acquirees were transferred to the acquirer. Assets and liabilities of the acquired companies were reflected in the financial statements of SIA Latvijas aptieka 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 all 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 interim consolidated financial statements.

During the reporting period reorganization of SIA Aroma has been initiated with intent to merge it into SIA Latvijas Aptieka.

### 4. Impairments

Goodwill acquired through business combinations has been allocated to the following cash generating units (CGU): Pharmacy (all pharmacy retail entities), Silvanols, Tonus Elast (Tonus Elast and Elast Medical), Biotest, Diamed and Other. Premises lease agreements, licenses and other intangible assets with indefinite or definite lives identified through business combinations are fully related to respective 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. Value of CGUs is tested for impairment annually at the year end and when circumstances indicate the carrying value may be impaired. Management has not identified circumstances that indicate the carrying value of CGUs related goodwill, premises lease agreements, licenses and other intangible assets acquired through business combinations may be materially impaired at the date of these interim financial statements, except for Kivvi Cosmetics, NPK Biotest and Klinika Diamed acquired last year. Based on actual post acquisition performance and adjustments of future forecasts the impairment of goodwill in these three companies is recognized in total on 950 thsd. EUR during this reporting period.

### 5. Income tax

The Group calculates the period income tax expense using the tax rate that would be applicable to the expected total annual earnings. The major components of income tax in the interim condensed income statement are corporate income tax 1 806 thsd. EUR (9M 2016: 2 631 thsd. EUR) and decrease in deferred income tax expense of 86 thsd. EUR (9M 2016: decrease of 207 thsd. EUR). Deferred income tax liability at the period end is 3 231 thsd. EUR (31.12.2016: 3 025 thsd. EUR).

Government of the Republic of Latvia carried out tax policy reform and introduced amendments in tax laws effective from 1 January 2018. The tax reform significantly changes calculation principles of corporate income tax that will influence recognition of deferred income tax in the financial statements. As a result, major part of deferred tax will be derecognized at the end of this financial year.

### 6. Property, plant and equipment

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

**7. Related party disclosures**

Related party	Type of services		Goods and services delivered to/ Loans issued to related parties	Goods and services received from related parties	Amounts owed by related parties (gross)	Amounts owed to related parties (gross)
			EUR '000	EUR '000	EUR '000	EUR '000
<b>1. Associated entities</b>						
SIA Olainfarm enerģija (AS Olainfarm share 50%)	Loan, services, energy production	31.12.2016	56	386	56	35
		30.09.2017	39	291	5	23
SIA Pharma and Chemistry Competence Centre of Latvia (AS Olainfarm share 11%, SIA Silvanols share 19%)	Financing and project management services	31.12.2016	-	18	8	-
		30.09.2017	-	-	-	-
		<b>TOTAL: 31.12.2016</b>	<b>56</b>	<b>404</b>	<b>64</b>	<b>35</b>
		<b>TOTAL: 30.09.2017</b>	<b>39</b>	<b>291</b>	<b>5</b>	<b>23</b>
<b>2. Key management personnel</b>						
V. Maligins (shareholder)	Loan and travelling services	31.12.2016	1 352	48	5 611	48
		30.09.2017	1 058	320	2 882	104
Other management personnel	Loan	31.12.2016	60	-	56	-
		30.09.2017	2	-	36	-
Other management personnel	Loan	31.12.2016	83	-	106	-
		30.09.2017	4	-	102	-
		<b>TOTAL: 31.12.2016</b>	<b>1 495</b>	<b>48</b>	<b>5 773</b>	<b>48</b>
		<b>TOTAL: 30.09.2017</b>	<b>1 064</b>	<b>320</b>	<b>3 020</b>	<b>104</b>
<b>3. Entity with significant influence</b>						
SIA Olmafarm (shareholder)	Loan and finished goods sale	31.12.2016	59	-	51	-
		30.09.2017	2	-	-	-
		<b>TOTAL: 31.12.2016</b>	<b>59</b>	<b>-</b>	<b>51</b>	<b>-</b>
		<b>TOTAL: 30.09.2017</b>	<b>2</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>4. Other Related companies</b>						
SIA Vega MS (V.Maligins share 59.99%)	Security services, manufacture of windows	31.12.2016	-	573	-	4
		30.09.2017	-	418	-	-
SIA Lano Serviss (V.Maligins share 25%)	Drycleaner's services	31.12.2016	13	33	1	3
		30.09.2017	8	25	1	3
SIA Olfa Press (V.Maligins share 47.5%)	Printing services	31.12.2016	51	1 469	25	230
		30.09.2017	43	1 110	64	246
SIA Olalex (V.Maligins share 50%)	Finished goods sale and other services	31.12.2016	15	31	-	-
		30.09.2017	-	19	-	-
SIA VIP Pharma (A.Raicis share 50%)	Product registration services	31.12.2016	-	5	-	-
		30.09.2017	-	18	-	-
SIA Egotrashcinema (V.Maligins share 40%)	Travelling and other services	31.12.2016	6	-	6	-
		30.09.2017	22	-	28	-
		<b>TOTAL: 31.12.2016</b>	<b>85</b>	<b>2 111</b>	<b>32</b>	<b>237</b>
		<b>TOTAL: 30.09.2017</b>	<b>73</b>	<b>1 590</b>	<b>93</b>	<b>249</b>

Due to the changes in the Council of JSC Olainfarm, starting from May 12, 2017 OOO Medical Development Agency is no more related party to JSC Olainfarm and intercompany transactions between JSC Olainfarm and OOO Medical Development Agency are not included in the table above. During the period from the beginning of the year 2017 till May 12, 2017 there were no transactions between the companies. Amount due from OOO Medical Development Agency as at the end of the reporting period is 28 thsd. EUR.

During the reporting period, the Group acquired 100% equity shares of SIA Aroma (previously owned by V. Maligins). Thus, starting from 19 May, 2017 SIA Aroma is considered as subsidiary of JSC Olainfarm and is fully consolidated in these Financial Statements.

**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
<b>Assets</b>								
30.09.2017	82 034	6 267	27 448	16 415	10 519	142 683	5 764	148 447
31.12.2016	82 464	5 106	20 649	15 536	10 795	134 550	10 030	144 580
<b>Liabilities</b>								
30.09.2017	13 743	2 852	5 567	3 726	3 491	29 379	25 111	54 490
31.12.2016	14 052	2 000	4 442	3 611	2 954	27 059	20 858	47 917
<b>Revenue</b>								
External customers								
9M 2017	56 327	4 700	15 956	7 117	6 284	90 384	-	90 384
9M 2016	56 453	2 704	13 984	2 562	2 972	78 675	-	78 675
Inter-segment								
9M 2017	314	7 145	153	2 466	598	10 677	(10 677)	-
9M 2016	251	6 315	267	-	509	7 342	(7 342)	-
<b>Total revenue</b>								
9M 2017	56 641	11 845	16 109	9 583	6 882	101 061	(10 677)	90 384
9M 2016	56 704	9 019	14 251	2 562	3 481	86 017	(7 342)	78 675
<b>Segment profit</b>								
9M 2017	9 214	1 537	566	1 120	(1 364)	11 073	(2 755)	8 318
9M 2016	7 801	1 283	629	822	302	10 837	(640)	10 197

Reconciliation of profit	9M 2017	9M 2016
	EUR '000	EUR '000
<b>Segment profit</b>	<b>11 073</b>	<b>10 837</b>
Unallocated financial income	264	(1 365)
Unallocated financial expenses	(1 547)	(193)
Other unallocated income and expense	(960)	(938)
Inter-segment elimination	(512)	1 856
<b>Profit before tax</b>	<b>8 318</b>	<b>10 197</b>

Reconciliation of assets	30.09.2017	31.12.2016
	EUR '000	EUR '000
<b>Segment operating assets</b>	<b>142 683</b>	<b>134 550</b>
Unallocated long term assets and eliminations	7 036	10 343
Unallocated short term assets and eliminations	(3 966)	(2 541)
Cash managed on group level	2 694	2 228
<b>Total assets</b>	<b>148 447</b>	<b>144 580</b>

Reconciliation of Liabilities	30.09.2017	31.12.2016
	EUR '000	EUR '000
<b>Segment operating liabilities</b>	<b>29 379</b>	<b>27 059</b>
Deferred tax liability	1 043	851
Interest bearing loans and borrowings	27 189	23 492
Current tax liabilities	40	15
Other unallocated liabilities and eliminations	(3 161)	(3 500)
<b>Total liabilities</b>	<b>54 490</b>	<b>47 917</b>

**9. Dividends paid and proposed**

Latest shareholder meeting of JSC Olainfarm has made a decision that the dividends of 0.66 EUR per share are paid from Parent company's profit of 2016 and reserves. Dividends payout is arranged in three equal instalments at the ends of second, third and fourth quarters of 2017 respectively. The first stage of dividends payout in amount of 3 099 thsd. EUR was accomplished on 20 June, 2017. The second dividends payout in the same amount of 3 099 thsd. EUR was processed on 12 September, 2017.

**10. Events after the reporting period**

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