



## **JOINT STOCK COMPANY OLAINFARM**

(UNIFIED REGISTRATION NUMBER 40003007246)

### **UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE 3 MONTHS PERIOD ENDED 31 MARCH 2018**

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

**Olaine, 2018**

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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%) Heirs of Valērijs Maligins (26.92%) Swedbank AS Clients account (7.34%)
Major subsidiaries	SIA Latvijas Aptieka (100%) SIA Tonus Elast (100%) SIA Silvanols (100%)
Audit Committee	Chairperson of the Auditing Committee - Viesturs Gurtlavs  Members of the Auditing Committee: Deputy Chairperson of the Council Valentīna Andrējeva Member of the Council Gunta Veismane
Financial year	1 January – 31 December 2018
Interim reporting period	1 January – 31 March 2018

## Board

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

**Oļegs Grigorjevs**

Oļegs Grigorjevs is the chairman of the Management Board of JSC Olainfarm. He has more than 20 years of experience in chemical and pharmaceutical sector. O.Grigorjevs joined JSC Olainfarm in 2001. Previously he has worked in 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 (until 09.01.2018)

SIA Kiwi Cosmetics, Board Member

SIA Ozols JDR, Board Member (from 08.02.2018)

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

Participation in other companies: none

**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 Riga International School of Economics and Business Administration (RISEBA) 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, procuration holder

SIA Longgo, procuration holder

SIA Silvanols, procuration holder

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

Participation in other companies: none

**Mihails Raizbergs**

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

Positions held in other companies:

SIA Digital Partner, Board Member

SIA Digital Era, Board Member

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

Participation in other companies:

SIA Digital Partner (100%)

SIA Digital Era (100%)

**Mārtiņš Tambaks**

Mārtiņš Tambaks is a member of the Parent Company's Management Board and Director of the Financial Department with more than 20 years of experience in the field of finance and accounting. M.Tambaks joined JSC Olainfarm in 2013. Previously he has worked in SIA Ernst&Young Baltic, where he held the position of the Director of Outsourced Accounting Services department. In 2006, Mārtiņš Tambaks became a member of the Association of Chartered Certified Accountants (ACCA) of the

United Kingdom. Has obtained a master's degree at Riga Technical University, and a qualification of an economist-accountant at University of Latvia.

Positions held in other companies: none

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

Participation in other companies: none

**Vladimirs Krušinskis**

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

Positions held in other companies: none

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

Participation in other companies: none

**Raimonds Terentjevs**

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

Positions held in other companies: none

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

Participation in other companies: 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 obtained doctor's degree in physics (Dr.Physics) at the University of Latvia. I.Godmanis is an associate professor at Riga International School of Economics and Business Administration (RISEBA) and a lecturer at University of Latvia and at Business University Turība.

Positions held in other companies: none

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

Participation in other companies: none

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

Valentīna Andrējeva, the Doctor of Economics of Riga Technical University (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 Riga Polytechnical Institute.

Positions held in other companies:

JSC Riga Shipyard, Council Member

Number of shares of JSC Olainfarm owned (as of March 31, 2018): 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 Riga Medical Institute (1984).

Positions held in other companies:

SIA Briz, Board Member

SIA Format A3, Board Member (from 09.01.2018)

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

Participation in other companies: none

**Andis Krūmiņš**

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 Riga Stradina University at faculty of Continuing Education, specializing 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 March 31, 2018): 0

Participation in other companies:

SIA AO Solutions (100%)

SIA Multitrial (100%)

Changes in the Board

None

Changes in the Council

None

## Major shareholders

	Share holding
Swedbank AS Clients account	7.34%
SIA Olmafarm	42.56%
Heirs of V. Maligins	26.92%
Other shareholders	<u>23.18%</u>
Total	100.00%

## Management report

### General information

The Group is one of the biggest pharmaceutical companies in Latvia with more than 45 years of experience in production of medication and chemical and pharmaceutical products. A basic principle of Group's operations is to produce reliable and effective top quality products for Latvia and the rest of the world. Products made by the Group are being exported to about 40 countries worldwide, including the Baltics, Russia, other CIS, Europe, Asia, North America and Australia.

During the reporting period 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, SIA Klinika Diamed, Belarussian company NPK Biotest and, since mid-2017 also SIA Olaines Veselības 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.

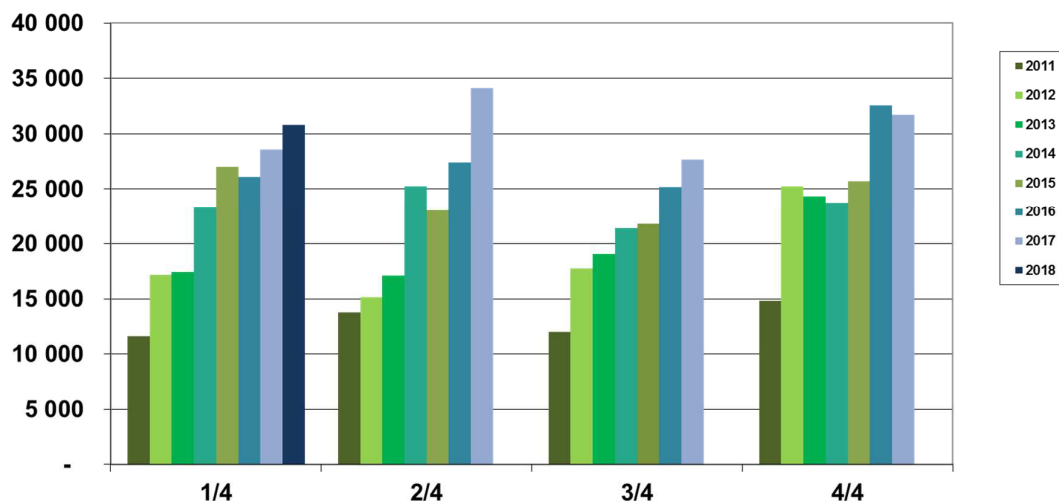
Company's Corporate Governance Report and ESG Report 2017 are available at [www.olainfarm.lv](http://www.olainfarm.lv).

### Operational environment

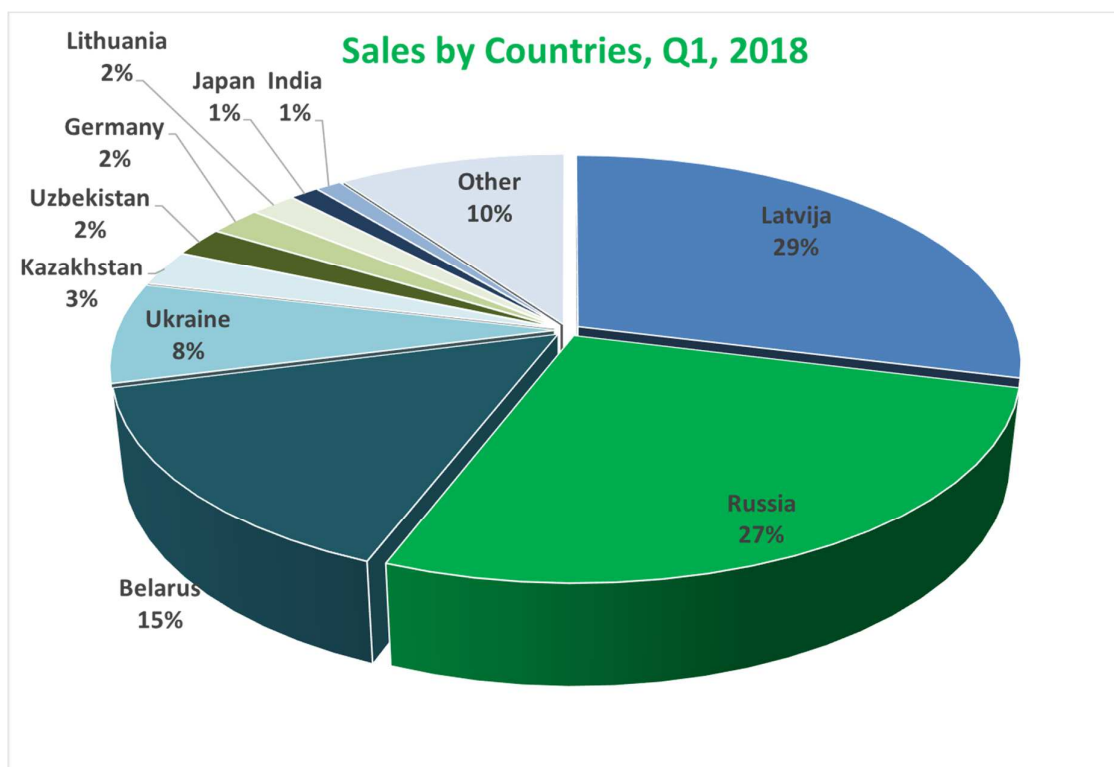
During the reporting period the operational environment in a large part of markets important for the company, has remained rather unstable. During the first quarter of 2018, the Russian ruble experienced significant volatility, which resulted into losses from currency fluctuations and also worsened the payment discipline of individual Russian partners. At the same time, it should be noted that the improvement of the payment discipline of the main Ukrainian partner LLC OOO Olfa was noticed, which could allow a re-decision on the reversal of the provisions of this partner's obligations.

**Financial results**

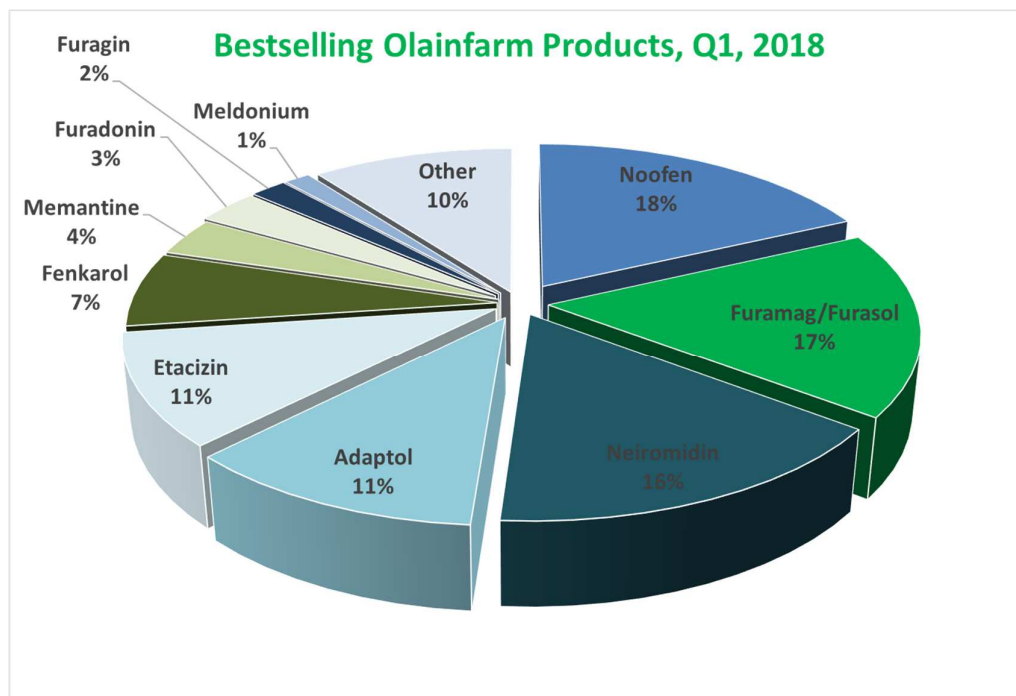
In the first quarter of 2018, sales volume increased by 8% vs. the same period of Y2017 and reached 30.8 million euros, which, in terms of sales volume, makes it the best ever the 1st quarter in the history of the company and one of the best quarters in general.

**Sales by Quarters, Thsnd. EUR**

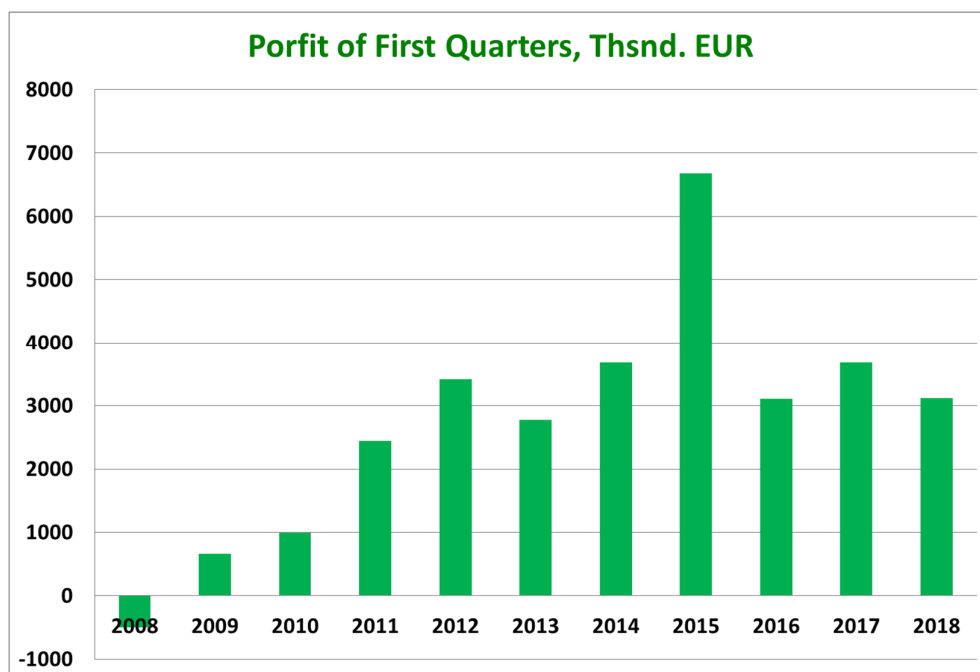
In the 1st quarter of 2018, the Company reached sales increase in all its main markets. Latvia again has become the main market of the Group, as it outperformed Russia, while Belarus with 15% share in sales is now a stable third biggest market. During the reporting period, sales volumes in Latvia and Belarus increased by EUR 1.4 million each, in Uzbekistan by 0.57 million and in Russia by 0.51 million euros.



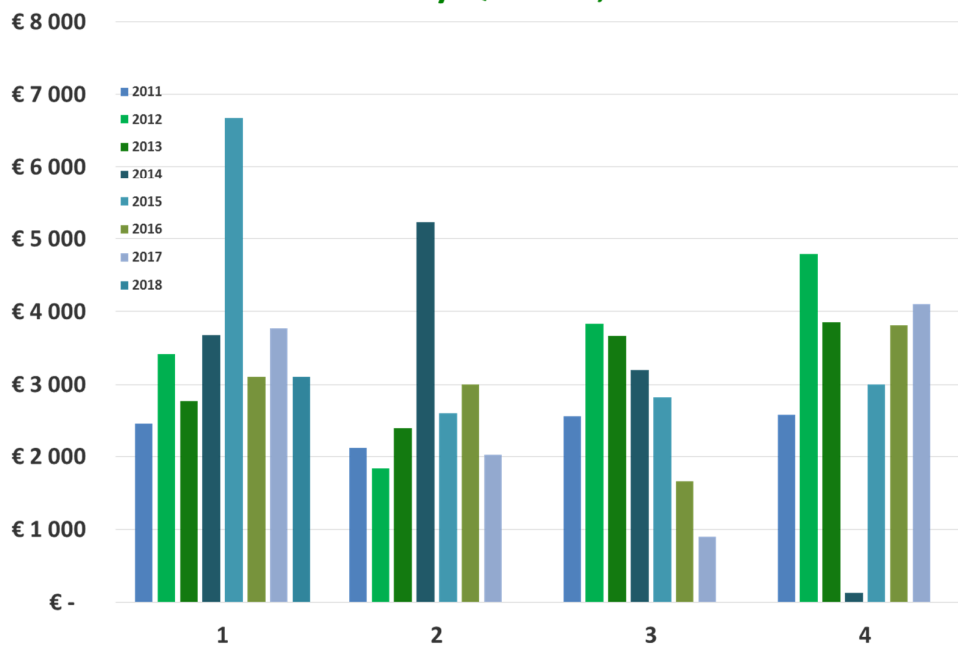
In the 1<sup>st</sup> quarter of 2018 significant changes occurred in the structure of the company's best sold products both, in comparison with the first quarter of 2017 and the last year as a whole. Noofen, which accounted for only 10% share in the first quarter of last year, has become the sales leader, while Neiromidin, the most sold product of Y2017, is only the third amongst the most demanded products this year. Meldonium and Memantine have replaced PASS and Remantadine in the list of best- sellers.



Company's profitability in the 1<sup>st</sup> quarter of 2018 was influenced by a number of factors. During this time, no provisions were made for receivables, however, compared to the 1<sup>st</sup> quarter of 2017, when the fluctuation of Russian Ruble generated profit for the Company, national currency fluctuations in the Russia in the reporting period caused losses to the company of approximately 0.5 million euros. As a result, the Group's net profit in the 1<sup>st</sup> quarter was EUR 3.11 million, which is a 15% decrease in profit compared to the first quarter of 2017, mainly due to unfavorable currency fluctuations.

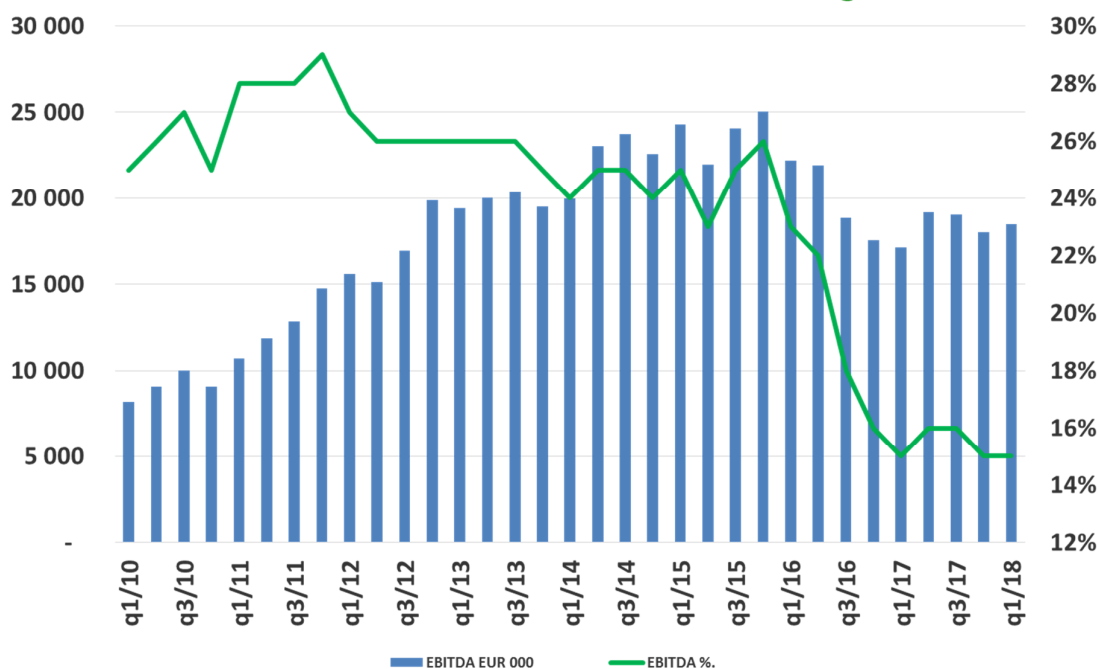


### Profit by Quarters, Thsnd. EUR



Over the reporting period, EBITDA over the past 12 months has increased by approximately 0.5 million or 3% (to EUR 18.5 million). Profitability of EBITDA remains at 15%.

### TTM EBITDA and EBITDA Margin



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

Financial indicator for period	01.01.2018 - 31.03.2018	01.01.2017 - 31.03.2017	% to previous period
Sales, EUR '000	30 789	28 571	108%
Net profit, EUR '000	3 114	3 673	85%
EBITDA, EUR '000	5 468	4 979	110%
EBIT, EUR '000	3 774	3 407	111%
Gross margin	58.5%	59.9%	
EBITDA margin	17.8%	17.4%	
EBIT margin	12.3%	11.9%	
Net margin	10.1%	12.9%	
EPS, EUR	0.22	0.26	85%

Financial indicator at the period end	31.03.2018	31.03.2017	% to previous period
Current ratio	2.2	2.6	
Share price at period end, EUR	8.90	9.30	95.7%
Market capitalisation, EUR '000	125 357	130 991	95.7%
P/B	1.2	1.3	

Financial indicator for 12 month	01.04.2017- 31.03.2018	01.04.2016- 31.03.2017	% to previous period
Sales, EUR '000	124 294	113 134	110%
Net profit, EUR '000	10 230	12 151	84%
EBITDA, EUR '000	18 488	17 115	108%
ROA	7.0%	8.2%	
ROE	10%	12%	
P/E	12.3	10.8	

Annual meeting of shareholders of JSC Olainfarm, which will be convened on June 5, 2018, is proposed to approve the operating plan of the Group for 2018. According to it, sales of the Group in 2018 are planned to be 130 million euros, but the net profit will reach 11.5 million euros. According to this unaudited report for 1st quarter of 2018, during the first three months the annual sales plan is executed by 23.7%, but the annual profit plan is executed by 27.1%.

**Shares and stock market**

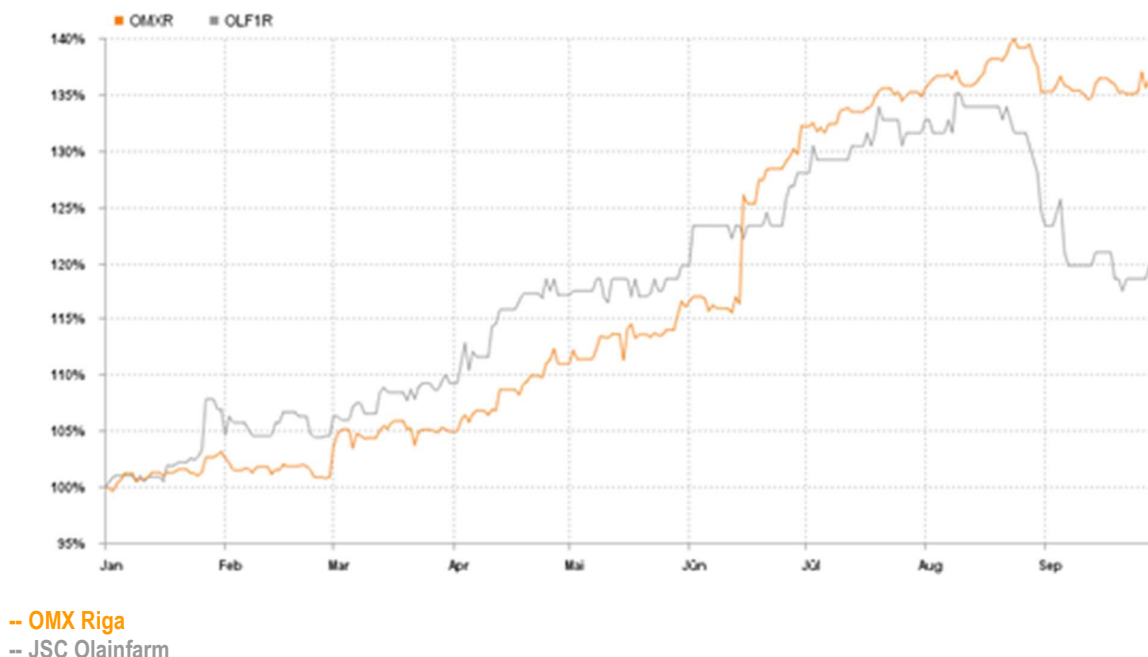
During the reporting period, share price mainly fluctuated around 8.5 euro per share, reaching its low of 8.00 per share at the beginning of the year, and reaching its high of 9.10 euro at the very end of the 1st quarter. During the reporting period, 821 transactions were made with shares of JSC Olainfarm. Before the production of this report, the average share price was 8.5 euro.

**JSC Olainfarm Share Price Fluctuations At The NASDAQ Riga Stock Exchange During The Last Three Years Before The End Of The Reporting Period**



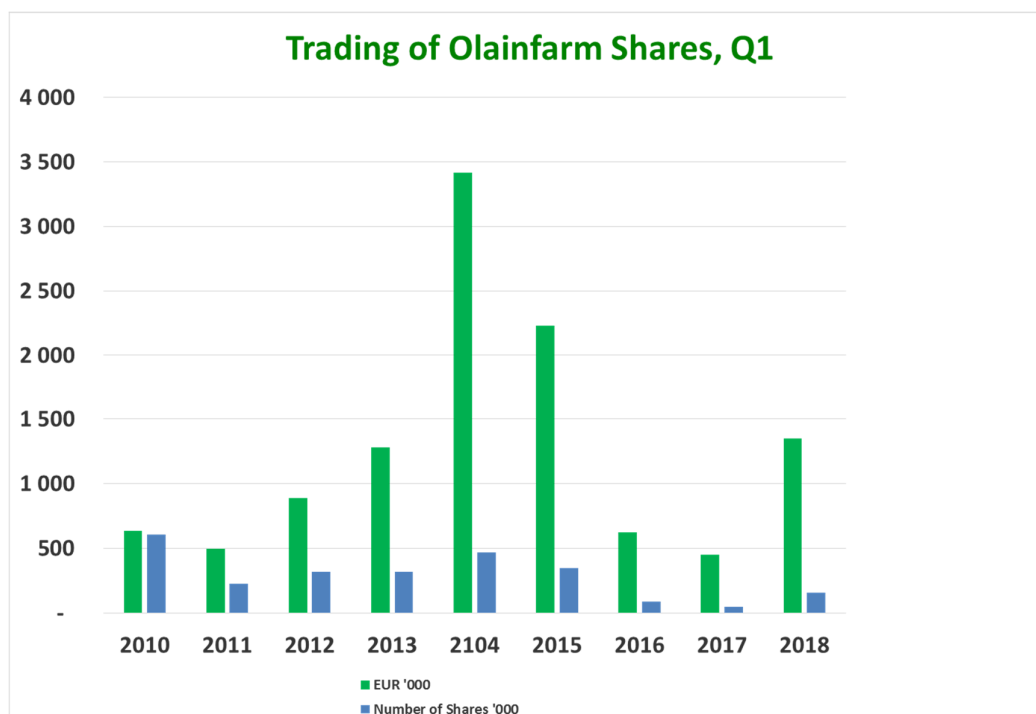
During the first quarter of 2018, the price of JSC Olainfarm share increased significantly in comparison to OMX Riga index. During these 3 months OMX Riga index increased by 5%, while price of JSC Olainfarm share grew by 11%.

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



-- OMX Riga  
-- JSC Olainfarm

During the first quarter of 2018, almost 160 thousand shares of AS "Olainfarm", worth more than 1.3 million euros, were traded on Nasdaq Riga. Compared to the first quarter of 2017, both, the number of traded shares and turnover, increased more than three times.



### Development

During the reporting period, registration processes of several NPK Biotest products commenced in Belarus. In case of successful outcome it would further help the company to strengthen its position in home market. Studies are also underway to develop a new formulation of the active substance Etacizin.

### Future Outlook

The diversification of export markets is still one of the key challenges for ensuring the success and sustained performance. In order to achieve this goal, the Company not only pays great efforts to register its products in new markets, but plans to invest substantial funds in further research of existing products in 2018 that could allow the expansion in potential outlets.

Another important task for ensuring the company's future stability is to strengthen the position of its subsidiaries in both existing and emerging markets. To this end, the company plans to pay an extra attention to the promotion of products of Silvanols and Tonus Elast in several new markets, where so far such measures have not been taken or were insignificant.

**Social Responsibility**

During the first quarter of 2017, the company continued supporting development of new professionals and potential chemistry students of Latvian University by supporting the New Chemists Days, as well as continued its previous cooperation with Riga Technical University by supporting the annual Baltic Chemistry Contest for students.

Demonstrating that health care and healthy life style is high priority among company's values, JSC Olainfarm participated in organization of the Annual Medical Awards Ceremony, as well as supported a number of sports activities in Olaine vicinity.

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 the international jazz festival "Riga Jazz Stage" and celebrations of 51st anniversary of the town of Olaine.

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 the international jazz festival "Riga Jazz Stage" and celebrations of 51st anniversary of the town of Olaine.

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

\_\_\_\_\_  
(signature)  
Oļegs Grigorjevs  
Chairman of the Management Board

May 31, 2018

**Statement of responsibility of the management**

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

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

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

For the Board of JSC Olainfarm:

\_\_\_\_\_  
(signature)  
Oļegs Grigorjevs  
Chairman of the Management Board

May 31, 2018

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

	01.01.2018 - 31.03.2018	01.01.2017 - 31.03.2017
	EUR '000	EUR '000
Net revenue	30 789	28 571
Cost of goods sold	(12 778)	(11 463)
<b>Gross profit</b>	<b>18 011</b>	<b>17 108</b>
Selling expense	(8 671)	(8 025)
Administrative expense	(5 641)	(5 414)
Other operating income	718	449
Other operating expense	(711)	(743)
Share of profit of an associate	68	32
Financial income	20	1 158
Financial expense	(590)	(102)
<b>Profit before tax</b>	<b>3 204</b>	<b>4 463</b>
Corporate income tax	(90)	(839)
Deferred corporate income tax	-	54
<b>Profit for the reporting period</b>	<b>3 114</b>	<b>3 678</b>
<b>Other comprehensive income for the reporting period</b>		
<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	(5)	-
<b>Other comprehensive loss for the reporting period, net of tax</b>	<b>(5)</b>	<b>-</b>
<b>Total comprehensive income for the reporting period, net of tax</b>	<b>3 109</b>	<b>3 678</b>
Profit attributable to:		
The equity holders of the Parent company	3 114	3 673
Non-controlling interests	-	5
	<b>3 114</b>	<b>3 678</b>
Total comprehensive income attributable to:		
The equity holders of the Parent company	3 109	3 673
Non-controlling interests	-	5
	<b>3 109</b>	<b>3 678</b>
Basic and diluted earnings per share, EUR	0.22	0.26

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

For the Board of JSC Olainfarm:

\_\_\_\_\_  
(signature)  
Oļegs Grigorjevs  
Chairman of the Management Board

May 31, 2018

**Interim consolidated statement of financial position**

<b>ASSETS</b>	<b>31.03.2018</b>	<b>31.12.2017</b>
<b>NON-CURRENT ASSETS</b>	<b>EUR '000</b>	<b>EUR '000</b>
<b>Intangible assets</b>		
Goodwill	20 985	20 985
Patents	142	143
Pharmacy licenses and lease contracts	11 953	11 953
Other intangible assets	3 398	3 492
Intangible assets under development	469	424
Prepayments for intangible assets	64	37
<b>TOTAL</b>	<b>37 011</b>	<b>37 034</b>
<b>Property, plant and equipment</b>		
Land, buildings and constructions	20 190	20 386
Equipment and machinery	13 016	13 291
Other tangible assets	3 424	3 386
Leasehold investments	413	426
Construction in progress	3 815	3 819
Prepayments for property, plant and equipment	1 295	584
<b>TOTAL</b>	<b>42 153</b>	<b>41 892</b>
<b>Investment properties</b>	<b>3 567</b>	<b>3 526</b>
<b>Financial assets</b>		
Loans to management, employees and shareholders	169	1 729
Investments in associated companies	645	657
Prepayments and prepaid expense	179	202
Other non-current financial assets	5	5
Deferred corporate income tax assets	18	16
<b>TOTAL</b>	<b>1 016</b>	<b>2 609</b>
<b>TOTAL NON-CURRENT ASSETS</b>	<b>83 747</b>	<b>85 061</b>
<b>CURRENT ASSETS</b>		
<b>Inventories</b>		
Raw materials	4 542	3 942
Work in progress	8 727	8 548
Finished goods and goods for resale	11 461	11 313
Prepayments for goods	306	358
<b>TOTAL</b>	<b>25 036</b>	<b>24 161</b>
<b>Receivables</b>		
Trade receivables and receivables from associated and other related companies	27 487	30 263
Prepayments and prepaid expense	1 382	1 071
Other receivables	1 037	1 033
Corporate income tax	2 472	1 640
Loans to management, employees and shareholders	1 530	42
<b>TOTAL</b>	<b>33 908</b>	<b>34 049</b>
<b>Cash</b>	<b>4 417</b>	<b>3 158</b>
<b>TOTAL CURRENT ASSETS</b>	<b>63 361</b>	<b>61 368</b>
<b>TOTAL ASSETS</b>	<b>147 108</b>	<b>146 429</b>

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

For the Board of JSC Olainfarm:

\_\_\_\_\_  
(signature)  
Oļegs Grigorjevs  
Chairman of the Management Board

May 31, 2018

**Interim consolidated statement of financial position**

<b>EQUITY AND LIABILITIES</b>		<b>31.03.2018</b>	<b>31.12.2017</b>
<b>EQUITY</b>		<b>EUR '000</b>	<b>EUR '000</b>
Share capital		19 719	19 719
Share premium		2 504	2 504
Other components of equity		(79)	(74)
Retained earnings:			
brought forward		75 306	64 886
for the period		3 114	10 789
	<b>TOTAL</b>	<b>100 564</b>	<b>97 824</b>
Non-controlling interests		-	-
	<b>TOTAL EQUITY</b>	<b>100 564</b>	<b>97 824</b>
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Loans from credit institutions		14 192	15 347
Deferred income		2 621	2 347
Finance lease liabilities		601	393
Other non-current financial liabilities		140	138
	<b>TOTAL</b>	<b>17 554</b>	<b>18 225</b>
<b>Current liabilities</b>			
Loans from credit institutions		12 285	13 544
Finance lease liabilities		336	274
Other loans		196	195
Prepayments received from customers		753	907
Trade payables and payables to associated and other related companies		10 949	10 857
Taxes payable		1 040	1 152
Deferred income		459	475
Accrued liabilities		2 972	2 976
	<b>TOTAL</b>	<b>28 990</b>	<b>30 380</b>
	<b>TOTAL LIABILITIES</b>	<b>46 544</b>	<b>48 605</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>147 108</b>	<b>146 429</b>

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

For the Board of JSC Olainfarm:

\_\_\_\_\_  
(signature)  
Oļegs Grigorjevs  
Chairman of the Management Board

May 31, 2018

**Interim consolidated statement of cash flow**

	01.01.2018 - 31.03.2018 EUR '000	01.01.2017 - 31.03.2017 EUR '000
<b>Cash flows to/from operating activities</b>		
Profit before taxes	3 204	4 463
Adjustments for:		
Amortization and depreciation	1 694	1 572
Loss/ (profit) on sale/ disposal of non-current assets	(23)	(12)
Impairment of tangible, intangible assets and investment property	-	220
Increase/ (decrease) in allowances	(189)	(1 723)
Share of profit of an associate	(68)	(32)
Interest expenses	115	102
Interest income	(20)	(75)
Income from EU projects' funds	(228)	(140)
Unrealised loss/ (profit) from fluctuations of currency exchange rates	111	(1 390)
<b>Operating cash flows before working capital changes</b>	<b>4 596</b>	<b>2 985</b>
Decrease/ (increase) in inventories	(927)	(747)
Decrease/ (increase) in receivables and prepaid expense	2 277	1 644
(Decrease)/ increase in payables and prepayments received	171	3 170
<b>Cash generated from operations</b>	<b>6 117</b>	<b>7 052</b>
Corporate income tax paid	(919)	(744)
<b>Net cash flows from operating activities</b>	<b>5 198</b>	<b>6 308</b>
<b>Cash flows to/from investing activities</b>		
Purchase of intangible assets and property, plant and equipment	(1 638)	(1 138)
Purchase of investment properties	(50)	(220)
Receipt of EU grants	110	18
Acquisition of subsidiaries	-	(1 374)
Dividends received	80	-
Proceeds from sale of intangible assets and property, plant and equipment	174	12
Repayment of loans	91	17
Interest received	12	3
Loans granted	(22)	(351)
<b>Net cash flows (to)/from investing activities</b>	<b>(1 243)</b>	<b>(3 033)</b>
<b>Cash flows to/from financing activities</b>		
Borrowings repaid	(3 509)	(1 383)
Interest paid	(115)	(102)
Proceeds from borrowings	974	-
<b>Net cash flows (to)/from financing activities</b>	<b>(2 650)</b>	<b>(1 485)</b>
<b>Change in cash</b>	<b>1 305</b>	<b>1 790</b>
Net foreign exchange difference	(46)	47
<b>Cash at the beginning of the year</b>	<b>3 158</b>	<b>3 165</b>
<b>Cash at the end of the reporting period</b>	<b>4 417</b>	<b>5 002</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	Foreign currency translation reserve	Retained earnings	Total		
	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000
<b>Balance as at 31 December 2016</b>	<b>19 719</b>	<b>2 504</b>	<b>322</b>	<b>-</b>	<b>74 081</b>	<b>96 626</b>	<b>37</b>	<b>96 663</b>
Profit for the reporting period	-	-	-	-	3 673	3 673	5	3 678
Other comprehensive income	-	-	-	-	-	-	-	-
Total comprehensive income	-	-	-	-	3 673	3 673	5	3 678
<b>Balance as at 31 March 2017</b>	<b>19 719</b>	<b>2 504</b>	<b>322</b>	<b>-</b>	<b>77 754</b>	<b>100 299</b>	<b>42</b>	<b>100 341</b>
<b>Balance as at 31 December 2017</b>	<b>19 719</b>	<b>2 504</b>	<b>40</b>	<b>(114)</b>	<b>75 675</b>	<b>97 824</b>	<b>-</b>	<b>97 824</b>
Change in accounting policy (Note 2)	-	-	-	-	(369)	(369)	-	(369)
<b>Restated total equity at 1 January 2018</b>	<b>19 719</b>	<b>2 504</b>	<b>40</b>	<b>(114)</b>	<b>75 306</b>	<b>97 455</b>	<b>-</b>	<b>97 455</b>
Profit for the reporting period	-	-	-	-	3 114	3 114	-	3 114
Other comprehensive income	-	-	-	(5)	-	(5)	-	(5)
Total comprehensive income	-	-	-	(5)	3 114	3 109	-	3 109
<b>Balance as at 31 March 2018</b>	<b>19 719</b>	<b>2 504</b>	<b>40</b>	<b>(119)</b>	<b>78 420</b>	<b>100 564</b>	<b>-</b>	<b>100 564</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 Management Board on 31 May 2018.

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

#### *Basis of preparation*

The interim condensed consolidated financial statements for three months ended 31 March 2018 have been prepared in accordance with IAS 34 Interim Financial Reporting.

The interim financial statements do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the Group's annual financial statements as at 31 December 2017.

The interim financial statements are presented in euro (EUR), the monetary unit of the Republic of Latvia, and rounded to the nearest thousand (EUR '000 or thsd. EUR).

The interim financial statements comprise the financial statements of the Parent Company and all its subsidiaries as at 31 March 2018.

#### *Changes in accounting policy and disclosures*

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

Adoption of IFRS 9 Financial Instruments:

Group has adopted IFRS 9 as from financial year 2018. Group has recorded lifetime expected losses on trade receivables applying measurement based on historical observed default rates of trade receivables. IFRS 9 impairment loss is applied retrospectively with transition impact recognized in retained earnings as of 01.01.2018 on amount of 369 thsd. EUR. During the reporting period applying the same default rates as for the initial recognition the additional impairment of Group's trade receivables of 27 thsd. EUR is recognized in the statement of comprehensive income under Other operating expense.

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

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

On 09 January 2018 reorganization - merging process was performed in the course of which JSC Olainfarm owned cosmetic wholesale company SIA Aroma (acquiree) was merged into SIA Latvijas Aptieka (acquirer). All the rights and obligations of the acquiree are transferred to the acquirer. Assets and liabilities of the acquired company are 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 the merged companies till the date of the reorganization were part of the same Group, the performed reorganization did not affect the financial results of the Group.

### 4. Impairments

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

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

### 5. Property, plant and equipment

During the reporting period the investments of 784 thsd. EUR are provided under the EU co-financed project Implementation of Experimental Technology for Production of New Products of JSC Olainfarm. The investments made are fully financed by loan from credit institution.

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

### 6. Loans from credit institutions

During the reporting period the Parent company has withdrawn long term loan 784 thsd EUR to finance equipment acquisitions within EU financed project Experimental technology implementation of New Products in Manufacturing in JSC Olainfarm.

As part of short term liability against banks there is recognised loan from AS SEB Bank to finance acquisition of pharmacies with maturity on December 2018. The outstanding amount of that loan at the due date will be 4 079 thsd EUR. Management does not expect any obstacles and it is management intention to prolong the credit repayment term.

**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
1. Associated entities						
SIA Olainfarm enerģija (AS Olainfarm share 50%)	Loan, services, energy production	31.12.2017	50	398	4	-
		31.03.2018	92	104	5	-
		TOTAL: 31.12.2017	50	398	4	-
		TOTAL: 31.03.2018	92	104	5	-
2. Key management personnel						
Other management personnel	Loan	31.12.2017	3	-	29	-
		31.03.2018	-	-	23	-
Other management personnel	Loan	31.12.2017	5	-	99	-
		31.03.2018	1	-	-	-
V. Maligins (shareholder)	Loan and travelling	31.12.2017	1 230	321	1 929	105
Assets and liabilities owned by his heirs	services	31.03.2018	12	1	1 941	107
		TOTAL: 31.12.2017	1 238	321	2 057	105
		TOTAL: 31.03.2018	13	1	1 964	107
3. Entity with significant influence						
SIA Olmafarm (shareholder)	Loan and other services	31.12.2017	2	-	-	-
		31.03.2018	-	-	-	-
		TOTAL: 31.12.2017	2	-	-	-
		TOTAL: 31.03.2018	-	-	-	-
4. Other Related companies						
SIA Vega MS (Heirs of V.Maligins share 59.99%)	Security services, windows production	31.12.2017	-	557	-	-
		31.03.2018	-	139	-	5
SIA Lano Serviss (Heirs of V.Maligins share 25%)	Dry cleaning and other services	31.12.2017	11	34	1	3
		31.03.2018	3	9	1	3
SIA Olfa Press (Heirs of V.Maligins share 47.5%)	Printing and other services	31.12.2017	27	1 459	4	170
		31.03.2018	14	401	5	259
SIA Olalex (Heirs of V.Maligins share 50%)	Finished goods sale and other services	31.12.2017	36	76	-	-
		31.03.2018	-	-	-	-
SIA VIP Pharma (A.Raicis share 50%)	Product registration services	31.12.2017	-	24	-	-
		31.03.2018	-	4	-	-
Olainfarm Health Care Private Ltd (I.Maligina share 50%)	Product registration services	31.12.2017	-	33	-	-
		31.03.2018	-	-	-	-
SIA Egotrashcinema (Heirs of V.Maligins share 40%, E.Maligina share 60%)	Travelling and other services	31.12.2017	22	-	29	-
		31.03.2018	-	-	25	-
SIA Digital Partner (M. Raizbergs share 100%)	IT service	31.12.2017	-	61	-	6
		31.03.2018	-	16	-	5
		TOTAL: 31.12.2017	96	2 244	34	179
		TOTAL: 31.03.2018	17	569	31	272

**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>Revenue</b>								
External customers								
3M 2018	18 135	1 966	6 259	1 976	2 451	30 787	-	30 787
3M 2017	17 203	1 659	5 295	2 168	2 246	28 571	-	28 571
Inter-segment								
3M 2018	120	3 006	80	283	731	4 220	(4 220)	-
3M 2017	111	2 467	76	761	209	3 624	(3 624)	-
<b>Total revenue</b>								
3M 2018	18 255	4 972	6 339	2 259	3 182	35 007	(4 220)	30 787
3M 2017	17 314	4 126	5 371	2 929	2 455	32 195	(3 624)	28 571
<b>Segment profit</b>								
3M 2018	1 787	782	280	137	246	3 232	(30)	3 202
3M 2017	2 336	575	274	440	88	3 713	750	4 463
<b>Assets</b>								
31.03.2018	79 897	6 252	28 488	15 540	10 824	141 001	6 107	147 108
31.12.2017	80 362	6 612	27 431	16 386	11 175	141 966	4 463	146 429
<b>Liabilities</b>								
31.03.2018	12 609	2 953	5 526	3 271	2 870	27 229	19 315	46 544
31.12.2017	12 339	2 560	4 645	3 980	3 554	27 078	21 527	48 605
<b>Capital expenditure</b>								
3M 2018	736	1	34	371	17	1 159	26	1 185
3M 2017	544	2	23	45	24	638	8	646

<b>Reconciliation of profit</b>	3M 2018	3M 2017
	EUR '000	EUR '000
<b>Segment profit</b>	<b>3 232</b>	<b>3 713</b>
Unallocated financial income	48	1 100
Unallocated financial expenses	(550)	(88)
Other unallocated income and expense	573	(40)
Inter-segment elimination	(101)	(222)
<b>Profit before tax</b>	<b>3 202</b>	<b>4 463</b>

<b>Reconciliation of assets</b>	31.03.2018	31.12.2017
	EUR '000	EUR '000
<b>Segment operating assets</b>	<b>141 001</b>	<b>141 966</b>
Unallocated long term assets and eliminations	6 964	8 584
Unallocated short term assets and eliminations	(3 678)	(6 224)
Cash managed on group level	2 821	2 103
<b>Total assets</b>	<b>147 108</b>	<b>146 429</b>

<b>Reconciliation of Liabilities</b>	31.03.2018	31.12.2017
	EUR '000	EUR '000
<b>Segment operating liabilities</b>	<b>27 229</b>	<b>27 078</b>
Deferred tax liability	-	-
Interest bearing loans and borrowings	24 558	27 628
Current tax liabilities	(29)	(49)
Other unallocated liabilities and eliminations	(5 214)	(6 052)
<b>Total liabilities</b>	<b>46 544</b>	<b>48 605</b>

**9. Dividends paid and proposed**

Management Board of JSC Olainfarm has proposed a decision that the dividends of 0.21 EUR per share are paid from Parent company's 2017 year profit. The Board proposed dividends payout in two instalments on third and fourth quarters of 2018 respectively. On first instalment 0.10 EUR per share and on second instalment 0.11 EUR per share to be paid.

**10. Events after the reporting period**

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