



JOINT STOCK COMPANY OLAINFARM

(UNIFIED REGISTRATION NUMBER 40003007246)

**UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE 6 MONTHS PERIOD ENDED 30 JUNE 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 Olaive, Latvia, LV-2114
Major shareholders of the Parent Company	SIA Olmafarm (42.56%) Heirs of Valērijs Maligins (26.92%)
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 Milana Beļeviča Member of the Council Ivars Godmanis Valentīna Andrējeva (Member of the Auditing Committee until 5 th June, 2018) Gunta Veismane (Member of the Auditing Committee until 5 th June, 2018)
Financial year	1 January – 31 December 2018
Interim reporting period	1 January – 30 June 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 June 30, 2018): 1 000

Participation in other companies: none

Salvis Lapiņš (Board member until July 24, 2018)

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

Number of shares of JSC Olainfarm owned (as of June 30, 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. Veronika Dubicka studied General Medicine at Belarusian State Medical

University (specialty in surgery) and obtained Diploma in Professional Marketing (level 6) from The Chartered Institute of marketing (UK).

Positions held in other companies:

SIA Olalex, Board Member

Number of shares of JSC Olainfarm owned (as of June 30, 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 June 30, 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 June 30, 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 June 30, 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 June 30, 2018): 0

Participation in other companies: none

Lauris Macijevskis, Board member (from July 24, 2018)



Lauris Macijevskis is a member of the Management Board of JSC Olainfarm, finance expert who has worked for 16 years in the leading companies of the Latvian banking sector. For the previous three years Lauris has been performing as the vice president and member of the Board of JSC DNB banka. He started his career in the banking in JSC Hansabanka and continued it with Swedbank. From October 2008 to 2017 L.Macijevskis has been working in the leading positions in the structural units of several local banks. Lauris Macijevskis has obtained a professional higher education from BA School of Business and Finance

(BASBF), as well as holds a Master's Degree in Business Administration, graduating from the Riga International School of Economics and Business Administration.

Positions held in other companies: none

Number of shares of JSC Olainfarm owned (as of June 30, 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 considered when shareholders propose new members of the Council.

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

Ivars Kalviņš, Chairperson of the Council (from June 5, 2018)

Member of the Latvian Academy of Sciences and professor of chemistry. Previously Chairman of the Scientific Council of the Latvian Institute of Organic Synthesis, head of Medical Chemistry division and the Laboratory of Carbofunctional Compounds. Received several significant Latvian and international awards for professional achievements.

Positions held in other companies: none

Number of shares of JSC Olainfarm owned (as of June 30, 2018): 0

Participation in other companies:

SIA TETRA (50%)

SIA RIGVIR (3%)

SIA OSI laboratorijas (16.03%)

SIA Ditesan (10%)

SIA Nord papyrus (20%)

Milana Bejeviča, Deputy Chairperson of the Council (from June 5, 2018)

Lecturer in finance and tax law at Riga Stradins University. More than 20 years of lawyer experience combining academic and practical knowledge in jurisprudence and finance and tax law. She has obtained degree in law from the Faculty of Law of the University of Latvia, master's degree of social sciences in European studies from the Faculty of Business, Management and Economics of the University of Latvia, as well as completed doctoral studies of Law at Rīga Stradiņš University.

Positions held in other companies:
SIA Antik4Unik, Board member
SIA b2b konsultants, Board member

Number of shares of JSC Olainfarm owned (as of June 30, 2018): 0

Participation in other companies:
SIA Antik4Unik (100%)
SIA b2b konsultants (100%)

Irina Maligina (from June 5, 2018)

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

Positions held in other companies:
SIA Olmafarm, Board member

Number of shares of JSC Olainfarm owned (as of June 30, 2018): 10

Participation in other companies:
Olainfarm Health Care Private Limited (50%)

Signe Baldere-Sildedze (from June 5, 2018)

HR specialist at JSC Olainfarm since 2018. She already has previous experience in leading position as ex-member of the Council of JSC Olainfarm from 2009 till 2012. She obtained education in tourism and hospitality and has been managing the tourism and hospitality related company in Switzerland.

Positions held in other companies:
SIA LOUVRE, Board member

Number of shares of JSC Olainfarm owned (as of June 30, 2018): 297

Participation in other companies:
SIA LOUVRE (100%)

Ivars Godmanis, until June 5, 2018 - 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 June 30, 2018): 0
Participation in other companies: none

Valentīna Andrējeva (until June 5, 2018)

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 (as of June 5, 2018):
JSC Riga Shipyard, Council Member

Number of shares of JSC Olainfarm owned (as of June 5, 2018): 0
Participation in other companies (as of June 5, 2018): none

Aleksandrs Raicis (until June 5, 2018)

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 (as of June 5, 2018):
SIA Briz, Board Member
SIA Format A3, Board Member

Number of shares of JSC Olainfarm owned (as of June 5, 2018): 0

Participation in other companies (as of June 5, 2018):
SIA VIP Pharma (50%)
SIA Recessus (30%)
SIA Briz (7.92%)
SIA Format A3 (33.33%)

Gunta Veismane (until June 5, 2018)

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 (as of June 5, 2018): none
Number of shares of JSC Olainfarm owned (as of June 5, 2018): 0
Participation in other companies (as of June 5, 2018): none

Andis Krūmiņš (until June 5, 2018)

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 Rīga Stradiņš University at Faculty of Continuing Education, specializing in psychiatry.

Positions held in other companies (as of June 5, 2018):
SIA AO Solutions, Board Member
SIA Multitrial, Chairman of the Board

Number of shares of JSC Olainfarm owned (as of June 5, 2018): 0

Participation in other companies (as of June 5, 2018):
SIA AO Solutions (100%)
SIA Multitrial (100%)

Changes in the Board

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

Changes in the Council

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

Major shareholders

	Share holding
SIA Olmafarm	42.56%
Heirs of V. Maligins	26.92%
Other shareholders	<u>30.52 %</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 about 40 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 Longgo was merged with SIA Silvanols. The main companies in the group are parent company JSC Olainfarm, its daughter companies SIA Latvijas Aptieka, a leading Latvian food supplement company SIA Silvanols, Latvian producer of elastic and compression products SIA Tonus Elast. The Group also includes SIA Klinika DiaMed and SIA OlainMed, Belarussian company NPK Biotest and SIA Kiwi Cosmetics.

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.

Operational environment

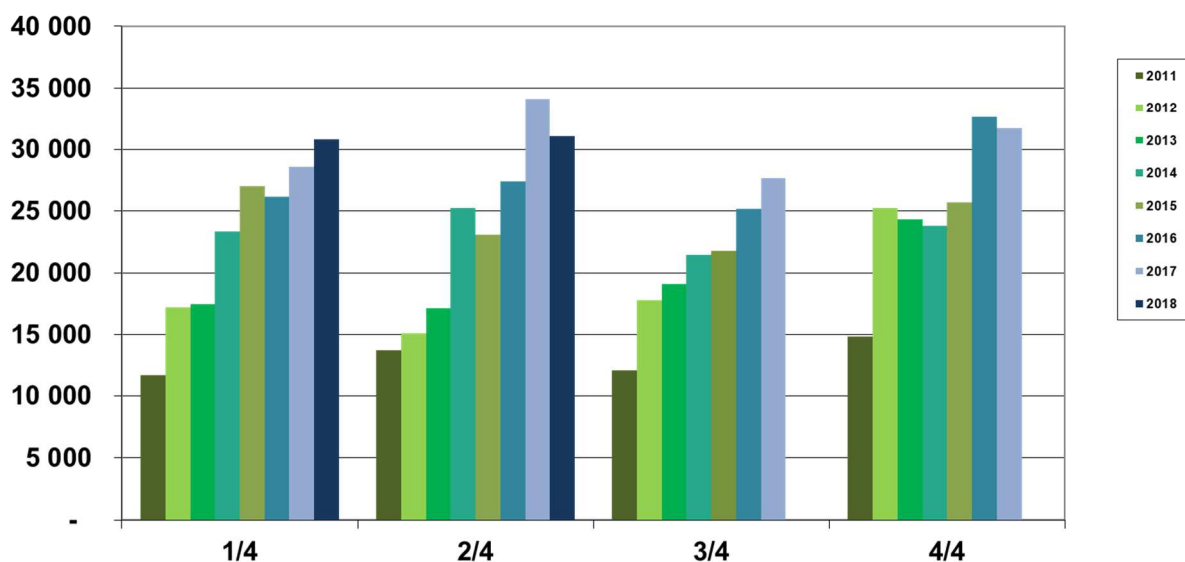
During the reporting period the operational environment in a large part of markets important for the company, has remained rather volatile and rather unpredictable. The Group focused on diversification of sales markets therefore reaching substantial increases in Latvian, Belarussian and Ukrainian markets, last of those showing signs of improvement.

Sales of PASA to WHO left an important impact on sales volumes of the Group during the 1st half of 2017, however, during the 1st half of 2018 respective sales were postponed.

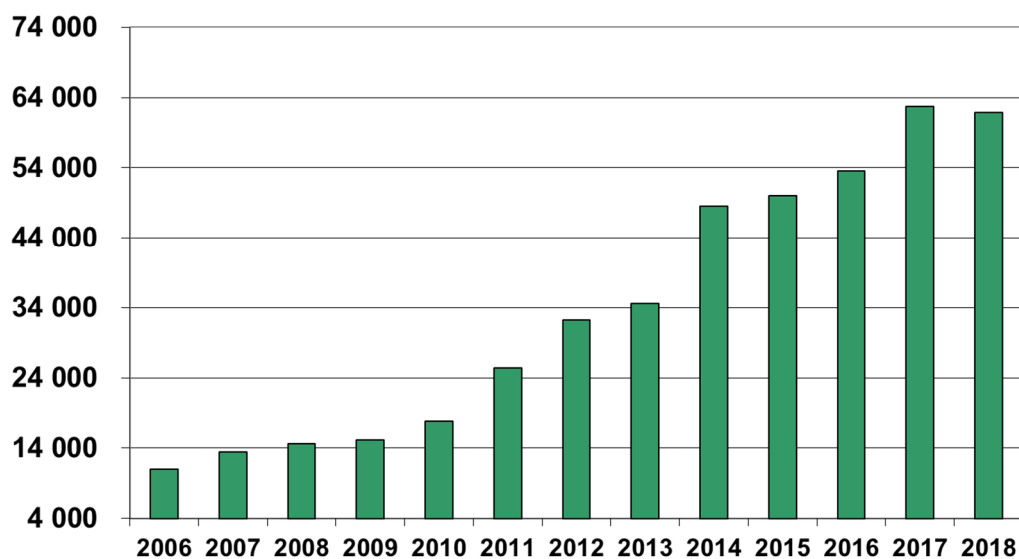
The Group faces increase in production costs, but were able to reduce sales costs as well as to fix administrative costs.

Financial results

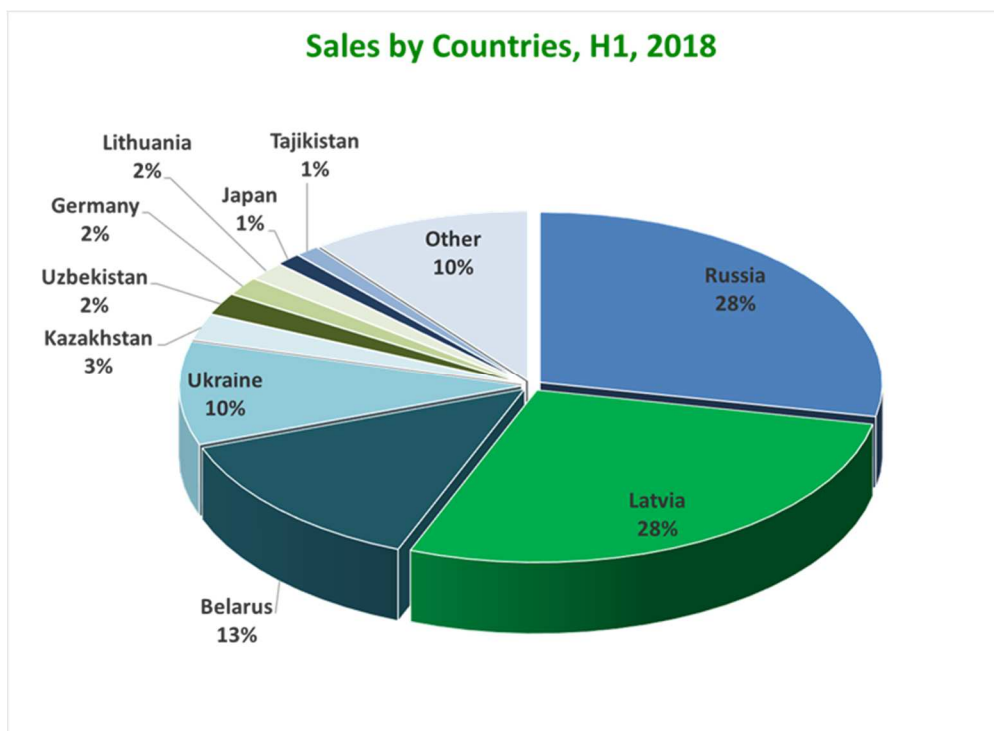
During the second quarter of 2018, sales volumes have decreased by 9% compared to similar period of 2017 and reached 31.1 million euro. It should be noted that significant shipments to the WHO considerably increased sales during respective period of last year, however currently sales to WHO in respective amounts are postponed.

Sales by Quarters, Thsnd. EUR

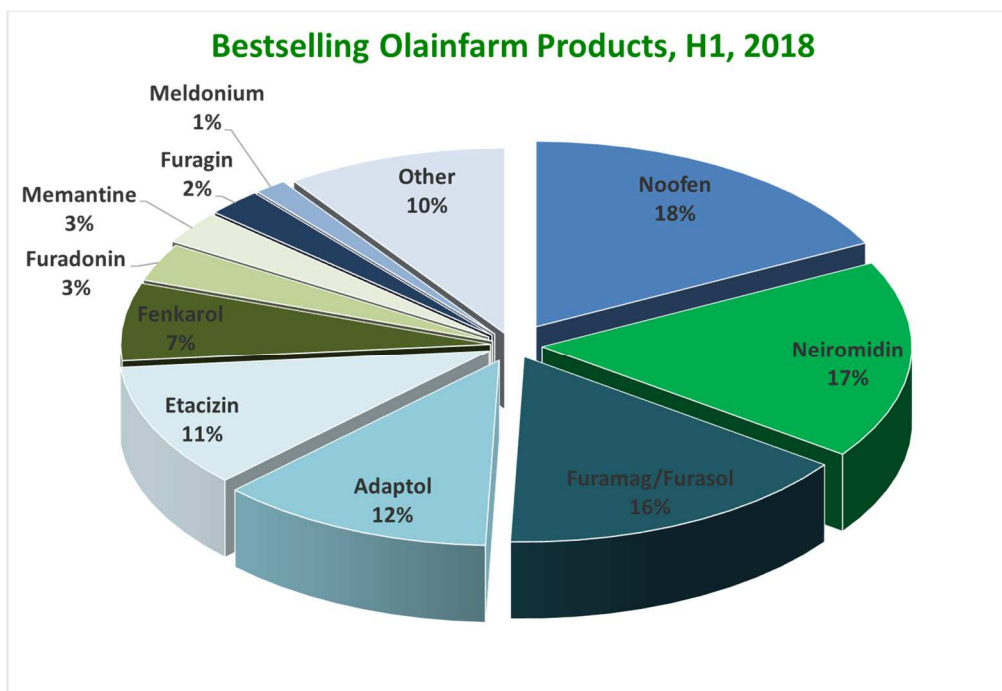
During 6 months of 2018, sales decreased by 1% compared to the first half of 2017 and reached 61.8 million euros and quarterly sales results stabilized over 30-million-euro level.

Six Months Sales, Thsnd. EUR

During the 1st half of 2018 sales to all company's main markets continued increasing except for Russia and Kazakhstan, where in both markets drop by 5% was observed. Significant sales increase during this period was achieved in Belorussia, where sales increased by 26% and Uzbekistan, where sales increased by 38%, followed by Latvia and Ukraine. Major sales markets of the Group during the first half of 2018 has not changed.

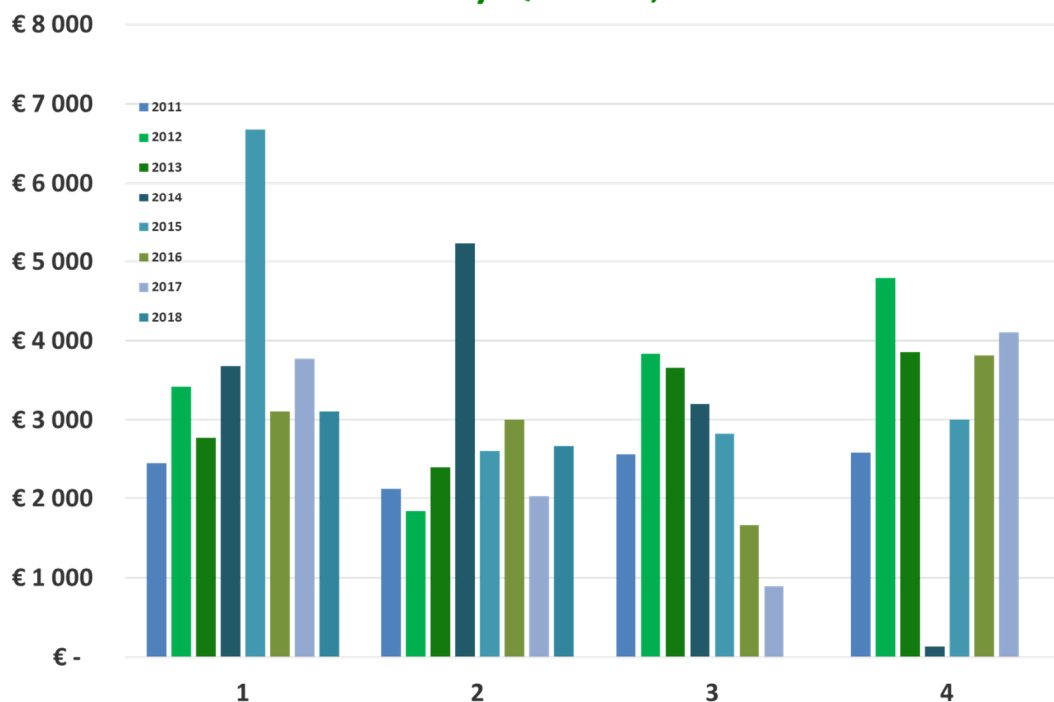


During the year, some minor changes have occurred to the sales structure of bestselling products of JSC Olainfarm. Noofen and Neiromidin still maintained their bestselling status, but share of products of soluble furaginum, as well as share of Adaptol, increased slightly.



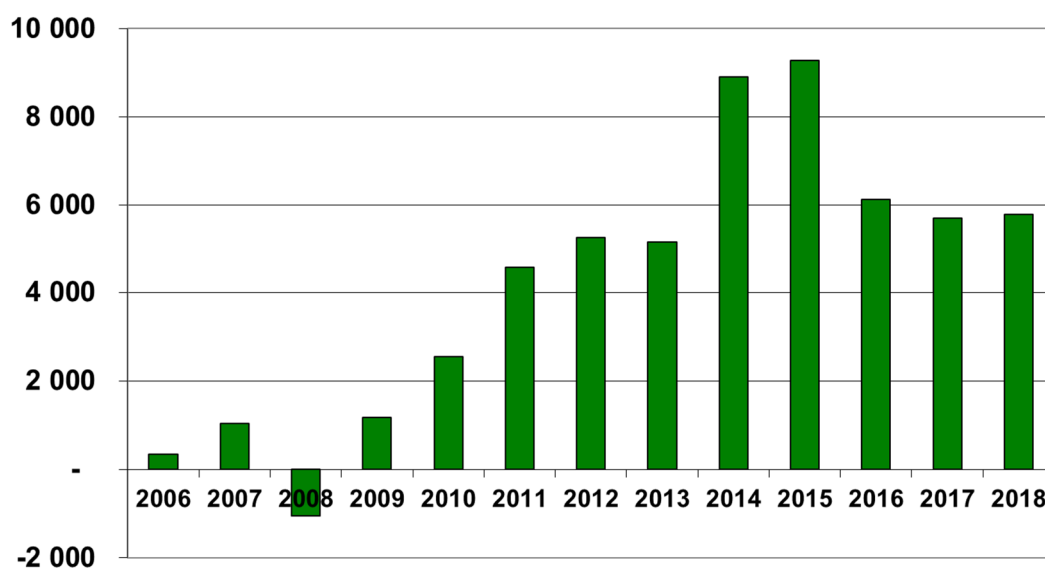
Although the past second quarter was with some decrease in terms of sales, in terms of profitability we see improvement in comparison with respective period of last year.

Profit by Quarters, Thsnd. EUR



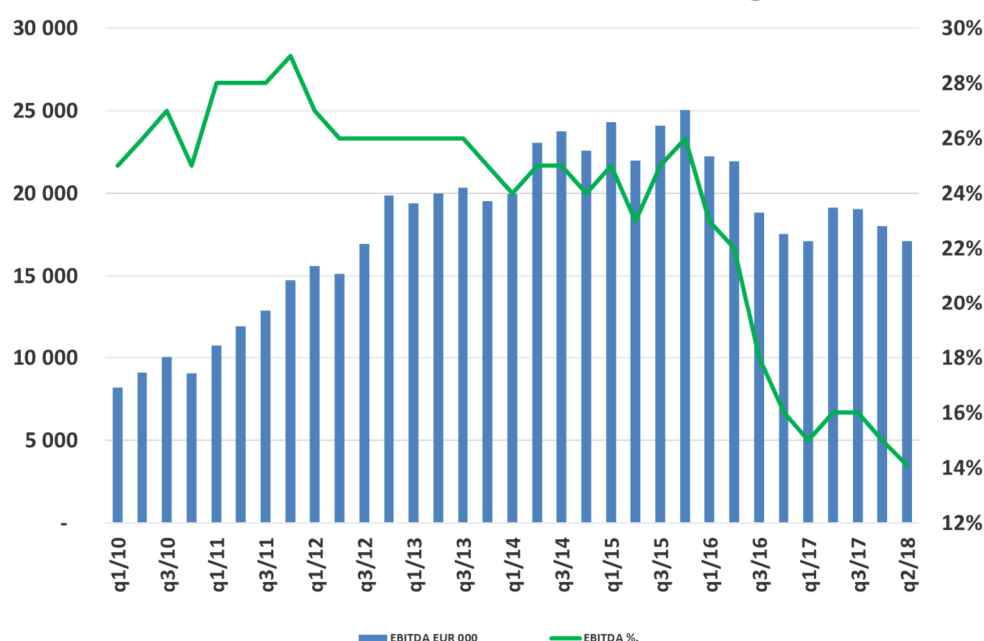
Despite the fact that the sales results in reporting period were slightly lower compared to the first half of 2017, net profit for the 1st half of 2018 slightly increased. The profitability was impacted by several factors, including lower corporate income tax and lower value loss of Russian Rouble. During the six months period additional provisions in amount of 0.5 million were established.

Net Profit of First Halves, Thsnd. EUR



The increased sales volumes in Retail and Wholesale segments as well as increased API sales and decreased FDF sales resulted in drop of the gross margin of the Group till 60% and consequently - trailing twelve months EBITDA margin has decreased till 14.1% but EBITDA itself has reached 17.1 million EUR.

TTM EBITDA and EBITDA Margin



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

Financial indicator for period	01.01.2018 - 30.06.2018	01.01.2017 - 30.06.2017	% to previous period
Sales, EUR '000	61 844	62 719	99%
Net profit, EUR '000	5 786	5 701	101%
EBITDA, EUR '000	10 436	11 342	92%
EBIT, EUR '000	7 013	8 192	86%
Gross margin	59.7%	61.8%	
EBITDA margin	16.9%	18.1%	
EBIT margin	11.3%	13.1%	
Net margin	9.4%	9.1%	
EPS, EUR	0.41	0.40	101%

Financial indicator at the period end	30.06.2018	30.06.2017	% to previous period
Current ratio	2.1	2.0	
Share price at period end, EUR	8.00	10.90	73.4%
Market capitalisation, EUR '000	112 681	153 527	73.4%
P/B	1.1	1.6	

Financial indicator for 12 month	01.07.2017- 30.06.2018	01.07.2016- 30.06.2017	% to previous period
Sales, EUR '000	121 201	119 895	101%
Net profit, EUR '000	10 874	11 169	97%
EBITDA, EUR '000	17 093	19 154	89%
ROA	7.3%	7.3%	
ROE	11%	12%	
P/E	10.5	13.7	

Annual meeting of shareholders of JSC Olainfarm convened on June 5, 2018 approved operating plan of the Group for 2018. According to it, sales of the Group in 2018 are planned in amount of 130 million euros, but the net profit will reach 11.5 million euros. According to this unaudited report for first half of 2018, during the first six months 47.5% of annual sales target and 50% of annual profit target is met.

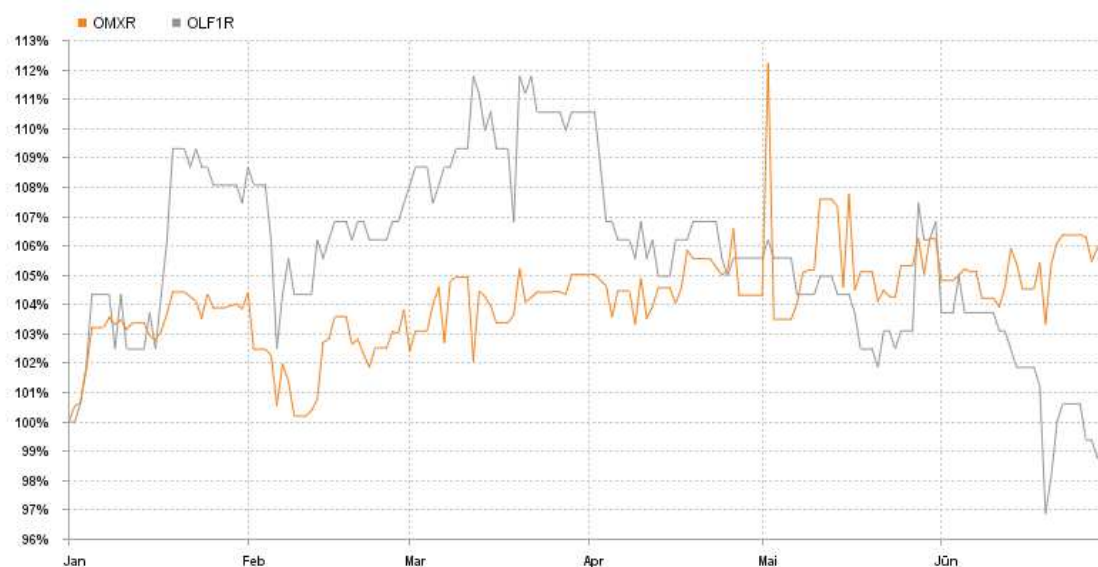
Shares and stock market

During the reporting period, share price mainly fluctuated between 8.00 and 9.00 euro per share, reaching its high of 9.00 euro in March and reaching its low of 7.80 per share during June. At the very end of the second quarter the share price was at 8.00 euro level. During the reporting period, 1 368 transactions were made with shares of JSC Olainfarm. Before the production of this report, the share price decreased and stabilized on 7.00 EUR level.



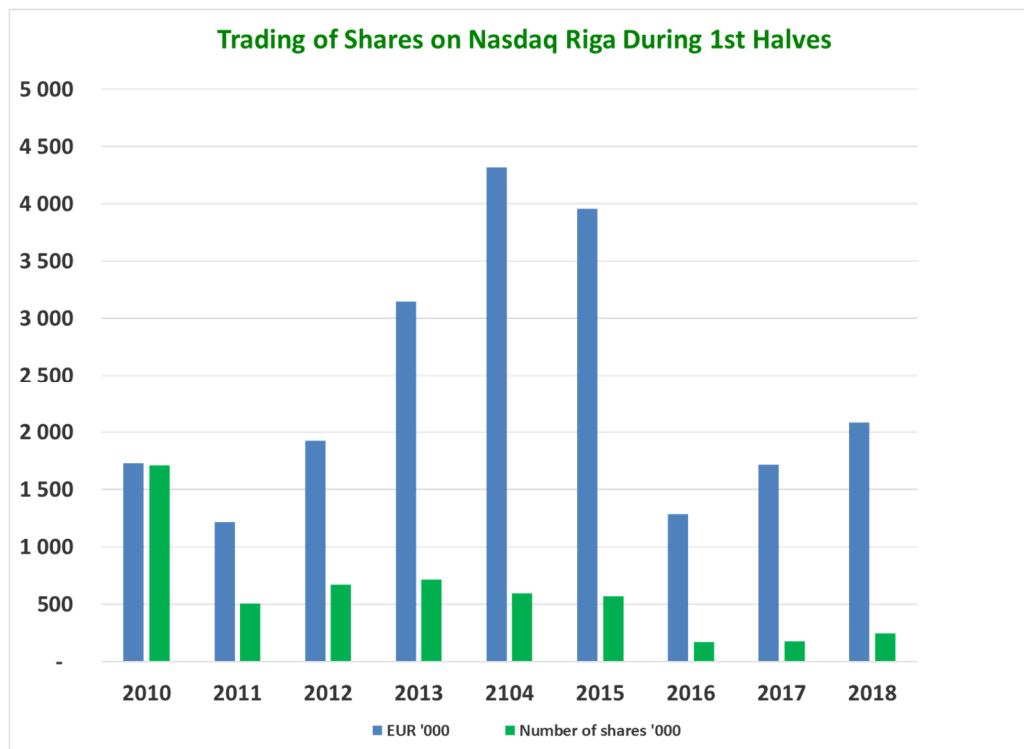
During the first half of 2018, price of share of JSC Olainfarm performed weaker than OMX Riga index. During these six months OMX Riga index increased by 6.4%, while price for share of JSC Olainfarm decreased by 0.62%.

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



-- OMX Riga
-- JSC Olainfarm

During the first half of 2018, more than 245 thousand shares of JSC Olainfarm worth more than 2.08 million euros were traded on Nasdaq Riga. Compared to the first half of 2017, the number of traded shares increased, as well as the turnover increased by 370 thousand euros.



Development

During the reporting period, registration processes of several Olainfarm products to be produced in Belorussia by subsidiary NPK Biotest continued. In case of successful outcome, it would further help The Group to strengthen its position in Belorussian market.

Future Outlook

The diversification of export markets is still one of the key challenges for ensuring the successful and sustainable performance. In order to achieve this goal, the Group increases efforts to register its products in new markets, as well as plans to invest substantial funds in further research of existing products during 2018 - 2021 period. That could allow the expansion in current and potential markets.

Another important task for ensuring the company's future stability is to strengthen the position of its subsidiaries in both existing and emerging markets. Taking this into account The Group plans to pay extra attention to the promotion of products of SIA Silvanols and SIA Tonus Elast in existing and new markets, utilizing Groups current presence and marketing knowledge.

Basing on its recent year experience the Company has taken a particularly conservative 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 2018, the company continued supporting development of new professionals of Riga Stradins University and Riga Technical University and University of Latvia with scholarships. In order to encourage the interest of young people in chemistry studies, the company also supported participation of the most talented students in different skill contests, as well as offered opportunities for profiled vocational school students to visit production plant and meet specialists.

Demonstrating that health care and healthy life style is high among company's values, JSC Olainfarm participated in organization of Annual Medical Awards ceremony, supported the annual Olaine Rogaining Championship, as well as young and perspective local tennis players, football players and dancers. The company also supported the thematic exhibition at the Riga Psychiatric Museum.

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 2018 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

August 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

August 31, 2018

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

	01.04.2018 - 30.06.2018	01.04.2017 - 30.06.2017	01.01.2018 - 30.06.2018	01.01.2017 - 30.06.2017
	EUR '000	EUR '000	EUR '000	EUR '000
Net revenue	31 055	34 148	61 844	62 719
Cost of goods sold	(12 117)	(12 467)	(24 895)	(23 930)
Gross profit	18 938	21 681	36 949	38 789
Selling expense	(9 510)	(10 606)	(18 181)	(18 631)
Administrative expense	(5 790)	(6 035)	(11 431)	(11 449)
Other operating income	687	572	1 405	1 021
Other operating expense	(1 093)	(855)	(1 804)	(1 598)
Share of profit of an associate	7	28	75	60
Financial income	19	79	39	156
Financial expense	(501)	(2 319)	(1 091)	(1 340)
Profit before tax	2 757	2 545	5 961	7 008
Corporate income tax	(87)	(569)	(177)	(1 408)
Deferred corporate income tax	2	49	2	103
Profit for the reporting period	2 672	2 025	5 786	5 703
Other comprehensive income for the reporting period				
<i>Other comprehensive income to be reclassified to profit or loss in subsequent periods, net of tax:</i>				
Exchange differences on translation of foreign operations	41	-	36	-
Other comprehensive income for the reporting period, net of tax	41	-	36	-
Total comprehensive income for the reporting period, net of tax	2 713	2 025	5 822	5 703
Profit attributable to:				
The equity holders of the Parent company	2 672	2 028	5 786	5 701
Non-controlling interests	-	(3)	-	2
	2 672	2 025	5 786	5 703
Total comprehensive income attributable to:				
The equity holders of the Parent company	2 713	2 028	5 822	5 701
Non-controlling interests	-	(3)	-	2
	2 713	2 025	5 822	5 703
Basic and diluted earnings per share, EUR	0.19	0.14	0.41	0.40

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

August 31, 2018

Interim consolidated statement of financial position

ASSETS		30.06.2018	31.12.2017
NON-CURRENT ASSETS		EUR '000	EUR '000
Intangible assets			
Goodwill		20 985	20 985
Patents		150	143
Pharmacy licenses and lease contracts		11 953	11 953
Other intangible assets		3 412	3 492
Intangible assets under development		513	424
Prepayments for intangible assets		55	37
	TOTAL	37 068	37 034
Property, plant and equipment			
Land, buildings and constructions		21 095	20 386
Equipment and machinery		12 682	13 291
Other tangible assets		3 312	3 386
Leasehold investments		405	426
Construction in progress		3 934	3 819
Prepayments for property, plant and equipment		1 344	584
	TOTAL	42 772	41 892
Investment properties		3 510	3 526
Financial assets			
Loans to management, employees and shareholders		154	1 729
Investments in associated companies		652	657
Prepayments and prepaid expense		193	202
Other non-current financial assets		17	5
Deferred corporate income tax assets		18	16
	TOTAL	1 034	2 609
TOTAL NON-CURRENT ASSETS		84 384	85 061
CURRENT ASSETS			
Inventories			
Raw materials		4 606	3 942
Work in progress		8 673	8 548
Finished goods and goods for resale		11 782	11 313
Prepayments for goods		713	358
	TOTAL	25 774	24 161
Receivables			
Trade receivables and receivables from associated and other related companies		29 186	30 263
Prepayments and prepaid expense		1 614	1 071
Other receivables		990	1 033
Corporate income tax		2 882	1 640
Loans to management, employees and shareholders		1 549	42
	TOTAL	36 221	34 049
Cash		2 583	3 158
TOTAL CURRENT ASSETS		64 578	61 368
TOTAL ASSETS		148 962	146 429

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

(signature)
Oļegs Grigorjevs
Chairman of the Management Board

August 31, 2018

Interim consolidated statement of financial position

EQUITY AND LIABILITIES		30.06.2018	31.12.2017
EQUITY		EUR '000	EUR '000
Share capital		19 719	19 719
Share premium		2 504	2 504
Other components of equity		(38)	(74)
Retained earnings:			
brought forward		72 348	64 886
for the period		5 786	10 789
TOTAL EQUITY		100 319	97 824
LIABILITIES			
Non-current liabilities			
Loans from credit institutions		14 373	15 347
Deferred income		2 522	2 347
Finance lease liabilities		518	393
Other non-current financial liabilities		108	138
TOTAL		17 521	18 225
Current liabilities			
Loans from credit institutions		11 170	13 544
Finance lease liabilities		333	274
Other loans		-	195
Prepayments received from customers		812	907
Trade payables and payables to associated and other related companies		10 813	10 857
Dividends payable		2 958	-
Taxes payable		1 164	1 152
Deferred income		440	475
Accrued liabilities		3 432	2 976
TOTAL		31 122	30 380
TOTAL LIABILITIES		48 643	48 605
TOTAL EQUITY AND LIABILITIES		148 962	146 429

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

For the Board of JSC Olainfarm:

(signature)
Oļegs Grigorjevs
Chairman of the Management Board

August 31, 2018

Interim consolidated statement of cash flow

	01.01.2018 - 30.06.2018	01.01.2017 - 30.06.2017
	EUR '000	EUR '000
Cash flows to/from operating activities		
Profit before taxes	5 961	7 008
Adjustments for:		
Amortization and depreciation	3 423	3 150
Loss/ (profit) on sale/ disposal of non-current assets	(7)	(21)
Impairment of tangible, intangible assets and investment property	-	919
Increase/ (decrease) in allowances	784	(1 808)
Share of profit of an associate	(75)	(60)
Interest expenses	214	209
Interest income	(39)	(152)
Income from EU projects' funds	(423)	(361)
Unrealised loss/ (profit) from fluctuations of currency exchange rates	173	584
Operating cash flows before working capital changes	10 011	9 468
Decrease/ (increase) in inventories	(1 613)	(39)
Decrease/ (increase) in receivables and prepaid expense	(95)	543
Increase/ (decrease) in payables and prepayments received	(116)	4 275
Cash generated from operations	8 187	14 247
Corporate income tax paid	(1 585)	(1 399)
Net cash flows from operating activities	6 602	12 848
Cash flows to/from investing activities		
Purchase of intangible assets and property, plant and equipment	(3 786)	(3 185)
Purchase of investment properties	(50)	(520)
Receipt of EU grants	188	115
Acquisition of subsidiaries	-	(6 506)
Dividends received	80	-
Proceeds from sale of intangible assets and property, plant and equipment	266	43
Repayment of loans	94	1 893
Interest received	12	4
Loans granted	(47)	(549)
Net cash flows (to)/from investing activities	(3 243)	(8 705)
Cash flows to/from financing activities		
Dividends paid	-	(3 107)
Borrowings repaid	(5 939)	(2 778)
Interest paid	(214)	(209)
Proceeds from borrowings	2 383	3 440
Net cash flows (to)/from financing activities	(3 770)	(2 654)
Change in cash	(411)	1 489
Net foreign exchange difference	(164)	246
Cash at the beginning of the year	3 158	3 165
Cash at the end of the reporting period	2 583	4 900

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
Balance as at 31 December 2016	19 719	2 504	322	-	74 081	96 626	37	96 663
Profit for the reporting period	-	-	-	-	5 701	5 701	2	5 703
Other comprehensive income	-	-	-	-	-	-	-	-
Total comprehensive income	-	-	-	-	5 701	5 701	2	5 703
Dividends	-	-	(282)	-	(9 022)	(9 304)	-	(9 304)
Balance as at 30 June 2017	19 719	2 504	40	-	70 760	93 023	39	93 062
Balance as at 31 December 2017	19 719	2 504	40	(114)	75 675	97 824	-	97 824
Change in accounting policy (Note 2)	-	-	-	-	(369)	(369)	-	(369)
Restated total equity at 1 January 2018	19 719	2 504	40	(114)	75 306	97 455	-	97 455
Profit for the reporting period	-	-	-	-	5 786	5 786	-	5 786
Other comprehensive income	-	-	-	36	-	36	-	36
Total comprehensive income	-	-	-	36	5 786	5 822	-	5 822
Dividends	-	-	-	-	(2 958)	(2 958)	-	(2 958)
Balance as at 30 June 2018	19 719	2 504	40	(78)	78 134	100 319	-	100 319

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

Notes to the interim condensed consolidated financial statements

1. Corporate information

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

These unaudited interim condensed consolidated financial statements (hereinafter – the interim financial statements) were approved by the Management Board on 31 August 2018.

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

Basis of preparation

The interim condensed consolidated financial statements for six months ended 30 June 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 30 June 2018.

Changes in accounting policy and disclosures

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

Adoption of IFRS 9 Financial Instruments:

The Group has adopted IFRS 9 as from financial year 2018. Group has recorded lifetime expected losses on trade receivables applying measurement based on historical observed default rates of trade receivables. IFRS 9 impairment loss is applied retrospectively with transition impact recognized in retained earnings as of 01.01.2018 on amount of 369 thsd. EUR. During the reporting period applying the same default rates as for the initial recognition the additional impairment of Group's trade receivables of 50 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.

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

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.

During the reporting period reorganization of SIA Longgo has been initiated with intent to merge it into SIA Silvanols. The reorganisation process was completed after the end of the reporting period – on 6 July, 2018.

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 1 305 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 1 946 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	-
		30.06.2018	28	209	6	28
		TOTAL: 31.12.2017	50	398	4	-
		TOTAL: 30.06.2018	28	209	6	28
2. Key management personnel						
Other management personnel	Loan	31.12.2017	5	-	99	-
		30.06.2018	1	-	-	-
V. Maligins (shareholder)	Loan and travelling services	31.12.2017	1 230	321	1 929	105
Assets and liabilities owned by his heirs		30.06.2018	29	14	1 958	108
		TOTAL: 31.12.2017	1 235	321	2 028	105
		TOTAL: 30.06.2018	30	14	1 958	108
3. Entity with significant influence						
SIA Olmafam (shareholder)	Loan and other services	31.12.2017	2	-	-	-
		30.06.2018	-	-	-	-
		TOTAL: 31.12.2017	2	-	-	-
		TOTAL: 30.06.2018	-	-	-	-
4. Other Related companies						
SIA Vega MS (Heirs of V.Maligins share 59.99%)	Security services, windows production	31.12.2017	-	557	-	-
		30.06.2018	-	279	-	-
SIA Lano Serviss (Heirs of V.Maligins share 25%)	Dry cleaning and other services	31.12.2017	11	34	1	3
		30.06.2018	6	19	2	3
SIA Olfa Press (Heirs of V.Maligins share 47.5%)	Printing and other services	31.12.2017	27	1 459	4	170
		30.06.2018	29	787	10	194
SIA Olalex (Heirs of V.Maligins share 50%)	Finished goods sale and other services	31.12.2017	36	76	-	-
		30.06.2018	-	-	-	-
SIA VIP Pharma (A.Raicis share 50%)	Product registration services	31.12.2017	-	24	-	-
		30.06.2018	-	11	-	-
Olainfarm Health Care Private Ltd (I.Maligina share 50%)	Product registration services	31.12.2017	-	33	-	-
		30.06.2018	-	-	-	-
SIA Egotrashcinema (Heirs of V.Maligins share 40%, E.Maligina share 60%)	Travelling and other services	31.12.2017	22	-	29	-
		30.06.2018	-	-	25	-
SIA Digital Era (M.Raizbergs share 100%)	IT services	31.12.2017	-	-	-	-
		30.06.2018	-	14	-	7
SIA Digital Partner (M.Raizbergs share 100%)	IT services	31.12.2017	-	61	-	6
		30.06.2018	-	21	-	-
		TOTAL: 31.12.2017	96	2 244	34	179
		TOTAL: 30.06.2018	35	1 131	37	204

8. Segment information

	Medicine Production	Wholesale	Retail	Compression Materials	Other segments	Total segments	Unallocated and eliminated	Consolidated
	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000
Revenue								
External customers								
6M 2018	37 343	3 412	11 897	4 341	4 851	61 844	-	61 844
6M 2017	40 127	3 089	10 437	4 825	4 241	62 719	-	62 719
Inter-segment								
6M 2018	336	5 666	126	1 300	1 312	8 740	(8 740)	-
6M 2017	225	4 718	138	1 492	174	6 747	(6 747)	-
Total revenue								
6M 2018	37 679	9 078	12 023	5 641	6 163	70 584	(8 740)	61 844
6M 2017	40 352	7 807	10 575	6 317	4 415	69 466	(6 747)	62 719
Segment profit								
6M 2018	3 433	1 230	97	571	717	6 048	(87)	5 961
6M 2017	6 317	1 065	425	543	(262)	8 088	(1 080)	7 008
Assets								
30.06.2018	83 698	6 134	13 083	16 332	10 947	130 194	18 768	148 962
31.12.2017	80 363	6 612	17 728	16 386	11 175	132 264	14 165	146 429
Liabilities								
30.06.2018	13 507	2 888	5 390	3 672	3 024	28 481	20 162	48 643
31.12.2017	12 339	2 560	4 645	3 980	3 554	27 078	21 527	48 605
Capital expenditure								
6M 2018	2 703	14	84	455	53	3 309	90	3 399
6M 2017	3 057	2	80	305	833	4 277	577	4 854

Reconciliation of profit

	6M 2018	6M 2017
	EUR '000	EUR '000
Segment profit	6 048	8 088
Unallocated financial income	94	181
Unallocated financial expenses	(1 034)	(1 048)
Other unallocated income and expense	2 165	735
Inter-segment elimination	(1 312)	(948)
Profit before tax	5 961	7 008

Reconciliation of assets

	30.06.2018	31.12.2017
	EUR '000	EUR '000
Segment operating assets	130 194	132 264
Unallocated long term assets and eliminations	21 670	18 286
Unallocated short term assets and eliminations	(4 652)	(6 224)
Cash managed on group level	1 750	2 103
Total assets	148 962	146 429

Reconciliation of Liabilities

	30.06.2018	31.12.2017
	EUR '000	EUR '000
Segment operating liabilities	28 481	27 078
Deferred tax liability	-	-
Interest bearing loans and borrowings	23 140	27 628
Current tax liabilities	61	(49)
Other unallocated liabilities and eliminations	(3 039)	(6 052)
Total liabilities	48 643	48 605

9. Dividends paid and proposed

On June 5, 2018 the General Meeting of Shareholders of JSC Olainfarm decided to pay dividends to shareholders in amount of 2 958 thsd. EUR (0.21 EUR per share) from the year 2017 profit. Dividends payout is arranged in two stages in third and fourth quarters of 2018 respectively. The first stage of dividends payout in amount of 1 409 thsd. EUR (0.10 EUR per share) was processed on 4 July, 2018. The second dividends payout in amount 1 549 thsd. EUR (0.11 EUR per share) will be arranged on 3 October, 2018.

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.