



JOINT STOCK COMPANY OLAINFARM

(UNIFIED REGISTRATION NUMBER 40003007246)

**UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE 9 MONTHS PERIOD ENDED 30 SEPTEMBER 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 (as of September 30, 2018)	LHV Pensionifond (5.2%) Swedbank AS EE Clients account (7.08%) Irina Maligina (7.79%) Nika Saveljeva (7.80%) Anna Emīlija Maligina (7.79%) SIA Olmafarm (42.56%)
Major subsidiaries	SIA Latvijas Aptieka (100%) SIA Tonus Elast (100%) SIA Silvanols (100%)
Audit Committee	Chairperson of the Auditing Committee - Viesturs Gurtlavs Members of the Auditing Committee: Deputy Chairperson of the Council Irina Maligina Member of the Council Daina Sirlaka Auditing Committee from 5 th June until 4 th September, 2018: Chairperson of the Auditing Committee - Viesturs Gurtlavs Members of the Auditing Committee: Milana Beļeviča Ivars Godmanis Auditing Committee until 5 th June, 2018: Chairperson of the Auditing Committee - Viesturs Gurtlavs Members of the Auditing Committee: Valentīna Andrējeva Gunta Veismane
Financial year	1 January – 31 December 2018
Interim reporting period	1 January – 30 September 2018

Board

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

Oļegs Grigorjevs

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

Positions held in other companies:

SIA Latvijas Aptieka, Chairman of the Board

SIA Aroma, Board Member (until 09.01.2018)

SIA Kiwi Cosmetics, Board Member

SIA Ozols JDR, Board Member (from 08.02.2018)

Number of shares of JSC Olainfarm owned (as of September 30, 2018): 1 000

Participation in other companies: none

Veronika Dubicka

Veronika Dubicka (Veranika Dubitskaya) is a member of the Parent Company's Management Board and Director of Marketing Department. Previously has worked in the Parent company's representative office in Belarus since 2005. From 2005 till 2006 V.Dubicka held a post of the medical representative, since 2006 till July, 2009 a post of the products' manager, and since July, 2009 till May, 2011 was the Head of the representative office in Belarus. Veronika Dubicka studied General Medicine at Belarusian State Medical University (specialty in surgery) and obtained Diploma in Professional Marketing (level 6) from The Chartered Institute of marketing (UK).

Positions held in other companies:

SIA Olalex, Board Member (until 07.11.2018)

Number of shares of JSC Olainfarm owned (as of September 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 September 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 September 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 September 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 with more than 20 years of experience in the field of chemistry and pharmacy. R.Terentjevs joined JSC Olainfarm in 2011 from the Latvian Institute of Organic Synthesis, where he was performing the duties of a researcher. R.Terentjevs graduated from the Faculty of Chemistry of the University of Latvia with a natural sciences bachelor and master's degree in chemistry.

Positions held in other companies: none

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

Participation in other companies: none

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

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

Positions held in other companies: none

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

Participation in other companies: none

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

Positions held in other companies (as of September 4, 2018): none

Number of shares of JSC Olainfarm owned (as of September 4, 2018): 0

Participation in other companies (as of September 4, 2018): none

Salvis Lapinš (Board member until July 24, 2018)

Positions held in other companies (as of July 24, 2018):

SIA Baltic Team-Up, procurator holder

Number of shares of JSC Olainfarm owned (as of July 24, 2018): 25 916

Participation in other companies (as of July 24, 2018):

SIA Baltic Team-Up (50%)

Council

The Supervisory Council of JSC Olainfarm is elected by the General Meeting of Shareholders for 5 years. The Supervisory Council is a supervising institution, representing interests of the shareholders between the meetings of shareholders. Main tasks of the Supervisory Council include supervising the Management Board, and these are the main requirements that are considered when shareholders propose new members of the Council.

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

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

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

Positions held in other companies: none

Number of shares of JSC Olainfarm owned (as of September 30, 2018): 500

Participation in other companies:

SIA Frančeska VET (16.7%)

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

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

Positions held in other companies:

SIA Olmafarm, Board member

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

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

Number of shares of JSC Olainfarm owned (as of September 30, 2018): 1 097 051

Participation in other companies:

Olainfarm Health Care Private Limited (50%)

SIA OLFIM M (100%), from 07.11.2018

OÜ OLFIM (100%), from 06.11.2018

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

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

Positions held in other companies:

SIA GESIL LIMITED, Board member

SIA KRIEKIS LAW OFFICE, procuration holder

SIA Ziemeļu vārti, procuration holder

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

Participation in other companies: none

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

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

Positions held in other companies:

SIA PERISHA, Board member

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

Participation in other companies:

SIA PERISHA (100%)

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

Positions held in other companies (as of September 4, 2018): none

Number of shares of JSC Olainfarm owned (as of September 4, 2018): 0

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

SIA TETRA (50%)

SIA RIGVIR (3%)

SIA OSI laboratorijas (16.03%)

SIA Ditesan (10%)

SIA Nord papyrus (20%)

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

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

SIA Antik4Unik, Board member

SIA b2b konsultants, Board member

Number of shares of JSC Olainfarm owned (as of September 4, 2018): 0

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

SIA Antik4Unik (100%)

SIA b2b konsultants (100%)

Signe Baldere-Sildedze (until September 11, 2018)

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

SIA LOUVRE, Board member

Number of shares of JSC Olainfarm owned (as of September 11, 2018): 297

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

SIA LOUVRE (100%)

Ivars Godmanis (until September 4, 2018)

Positions held in other companies (as of September 4, 2018): none

Number of shares of JSC Olainfarm owned (as of September 4, 2018): 0

Participation in other companies (as of September 4, 2018): none

Valentīna Andrējeva (until June 5, 2018)

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

JSC Riga Shipyard, Council Member

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

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

Aleksandrs Raicis (until June 5, 2018)

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

SIA Briz, Board Member

SIA Format A3, Board Member

Number of shares of JSC Olainfarm owned (as of 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)

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)

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%)

Movements in the Board

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

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

Movements in the Council

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

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

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

Major shareholders**Share holding**

LHV Pensionifond	5.20%
Swedbank AS EE Clients account	7.08%
Nika Saveljeva	7.80%
Anna Emīlija Maligina	7.79%
Irina Maligina	7.79%
SIA Olmafarm	42.56%
Other shareholders	<u>21.78%</u>
Total	100.00%

Management report

General information

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

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

Corporate mission and vision

Corporate mission:

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

Corporate vision:

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

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

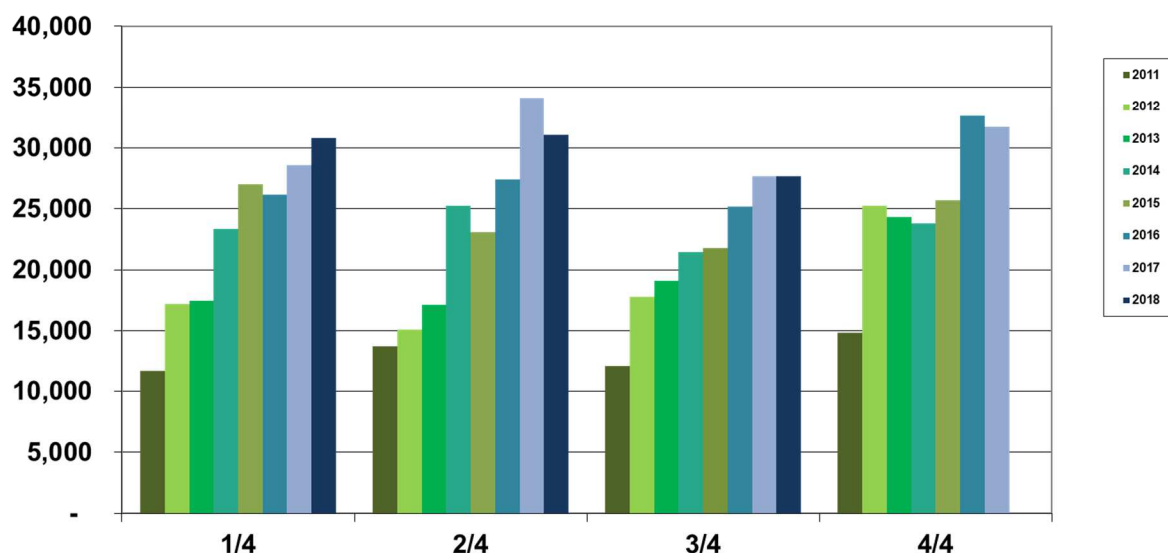
Operational environment

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

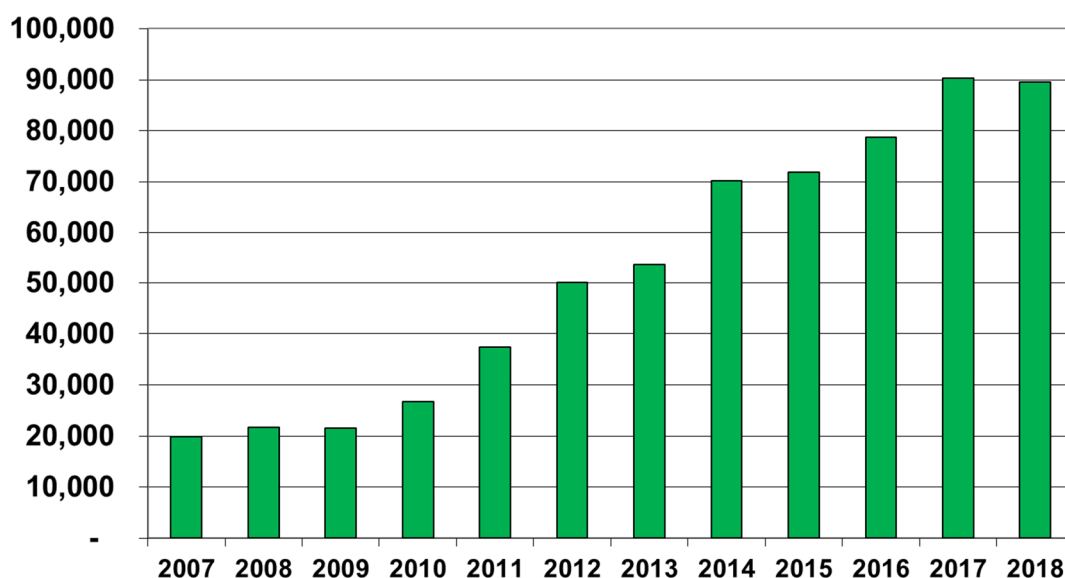
In 9 months of 2018, the company has achieved a slight reduction in its sales costs, and, at the same time, it managed to increase sales in almost all of its key markets. Besides smaller (by 7%) sales to Russia, the other market with shrinking sales was Kazakhstan, with sales reduction of 14%. All the other main markets demonstrated sales increases.

Financial results

During the 3rd quarter of 2018, compared to the 3rd quarter of 2017, sales of the Company shrunk by more than 4 thousand euros or by less than 0.02% and reached 27.661 million euros, making this third quarter still one of the most successful in terms of sales in corporate history. Despite of reduced sales to WHO program, the company has actually managed to repeat the sales volume of last year's third quarter.

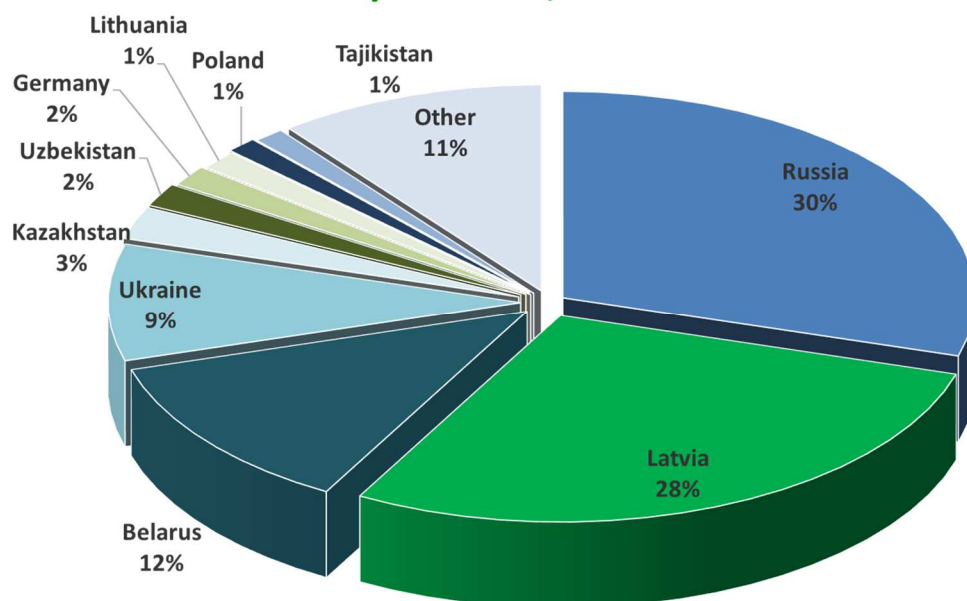
Sales By Quarters Thsnd. EUR

In nine months of 2018, compared to the same period of 2017, the sales volumes have shrunk by approximately 800 thousand euros or by less than 1% and reached 89.5 million euros.

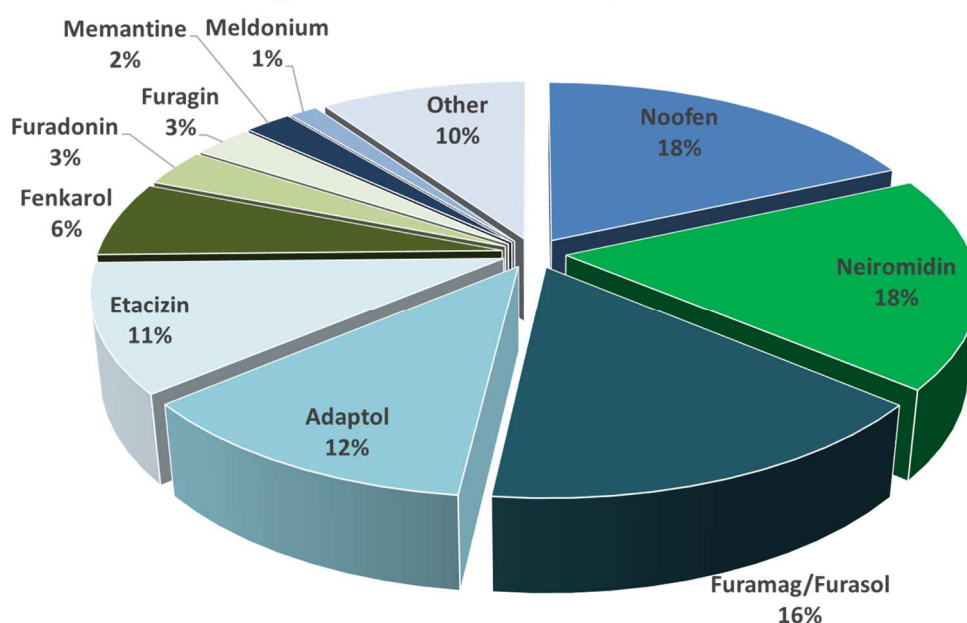
Sales In 9 Months, Thsnd. EUR

Markets

During the 9 months of 2018 sales to all company's main markets continued increasing, except for Russia and Kazakhstan. The biggest sales increase during this period was achieved in Tajikistan, where sales grew by 64%, and in Belarus, where sales increased by 42%. Considerable sales increase (by 17%) was also achieved in Latvia, which resulted in total sales in Latvia being comparable to those of Russia. In total in top 10 of the markets of the Group during this 9-month period The Netherlands and Turkmenistan were replaced by Poland and Tajikistan. Major sales markets of Olainfarm in 9 months of 2018 were Russia, Latvia, Belarus and Ukraine.

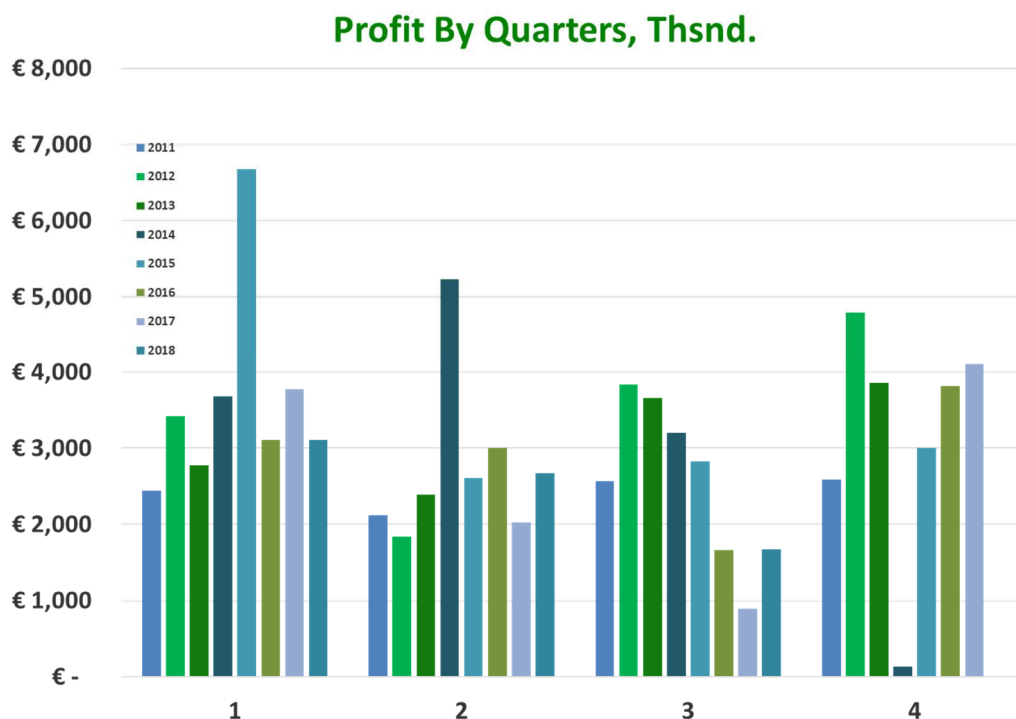
Sales By Countries, 9 months of 2018**Products**

Since the end of 9 months period of 2017, some significant changes have occurred to the sales structure of bestselling products of Olainfarm. Remantadine and PASA were replaced by Meldonium and Memantine, Share of Noofen, soluble Furaginum and Etacizin have significantly increased, while share of Adaptol in sales of Olainfarm products has experienced some considerable reduction.

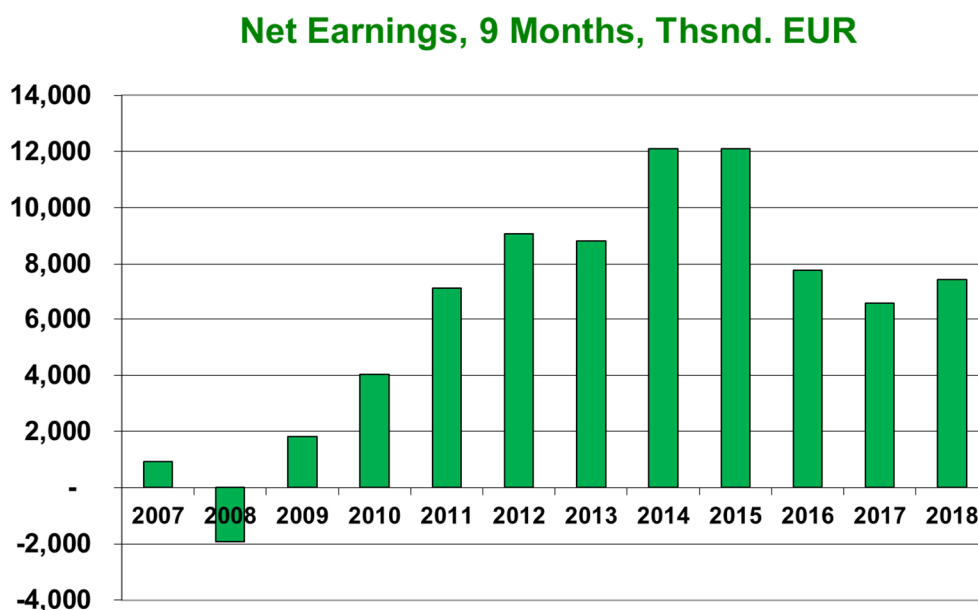
Sales By Olainfarm Products, 9 Months of 2018

Profit

Although this past third quarter in terms of sales was slightly worse than the third quarter of 2017, in terms of earnings it was the best third quarter since 2015. Even despite foreign exchange loss increasing by almost 200 thousand, the net profit of third quarter reached 1.7 million euros, which represents an increase by 86% compared to the third quarter of 2016. Major factors influencing the profit increase were write offs of long-term investments being by 700 thousand smaller and write offs of other assets being by 400 thousand smaller than one year ago.

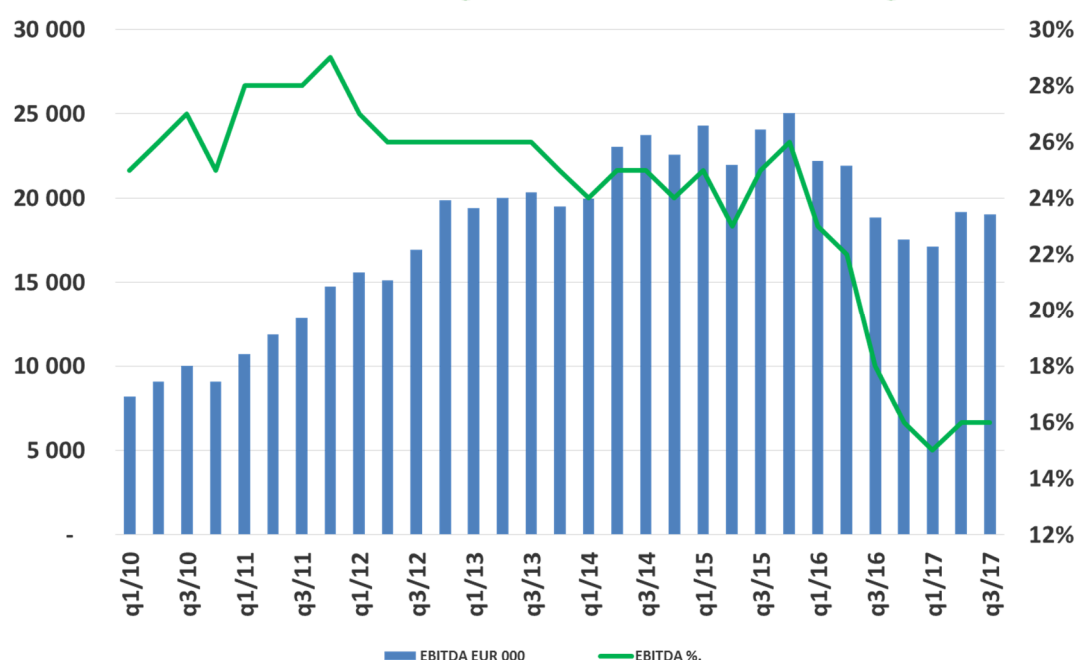


Although the sales in nine months of 2018 a little lagged behind what has been achieved last year, the Company managed to increase its earnings by more than 850 thousand euros. The major positive factor that write offs of long-term assets during these nine months were smaller by more than 1.6 million euros, while the major negative change was an increase of COGS by one million euros. In total during nine months of 2018 the company made profit of 7.5 million euros, which represents an increase by 13%, compared to the nine months of 2017.



Trailing twelve months EBITDA has experienced some increase to 17.8 million euros and EBITDA margin in 12 months period has also gained 1 pp to 15%.

12 Months Rolling EBITDA And EBITDA Margin



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

Financial indicator for period	01.01.2018 - 30.09.2018	01.01.2017 - 30.09.2017	% to previous period
Sales, EUR '000	89 505	90 384	99%
Net profit, EUR '000	7 454	6 597	113%
EBITDA, EUR '000	14 620	14 858	98%
EBIT, EUR '000	9 441	10 016	94%
Gross margin	60.0%	61.4%	
EBITDA margin	16.3%	16.4%	
EBIT margin	10.5%	11.1%	
Net margin	8.3%	7.3%	
EPS, EUR	0.53	0.47	113%

Financial indicator at the period end	30.09.2018	30.09.2017	% to previous period
Current ratio	1.9	2.2	
Share price at period end, EUR	6.75	10.00	67.5%
Market capitalisation, EUR '000	95 074	140 851	67.5%
P/B	0.9	1.5	

Financial indicator for 12 month	01.10.2017- 30.09.2018	01.10.2016- 30.09.2017	% to previous period
Sales, EUR '000	121 197	122 402	99%
Net profit, EUR '000	11 646	10 412	112%
EBITDA, EUR '000	17 761	19 031	93%
ROA	7.9%	7.0%	
ROE	11%	11%	
P/E	8.2	13.5	

Annual meeting of shareholders of JSC Olainfarm convened on June 5, 2018 approved operating plan of the Group for 2018. According to it, sales of the Group in 2018 are planned to be 130 million euros, but the net profit will reach 11.5 million euros. According to this unaudited report for nine months of 2018, during this period 69% of annual sales target and 65% of annual profit target is met. Since for the last three years 3rd quarter has been the worst quarter of the year in terms of revenues and earnings, management does not expect the actual revenues and earnings of the company to show any significant deviations from approved guidance.

Shares and stock market

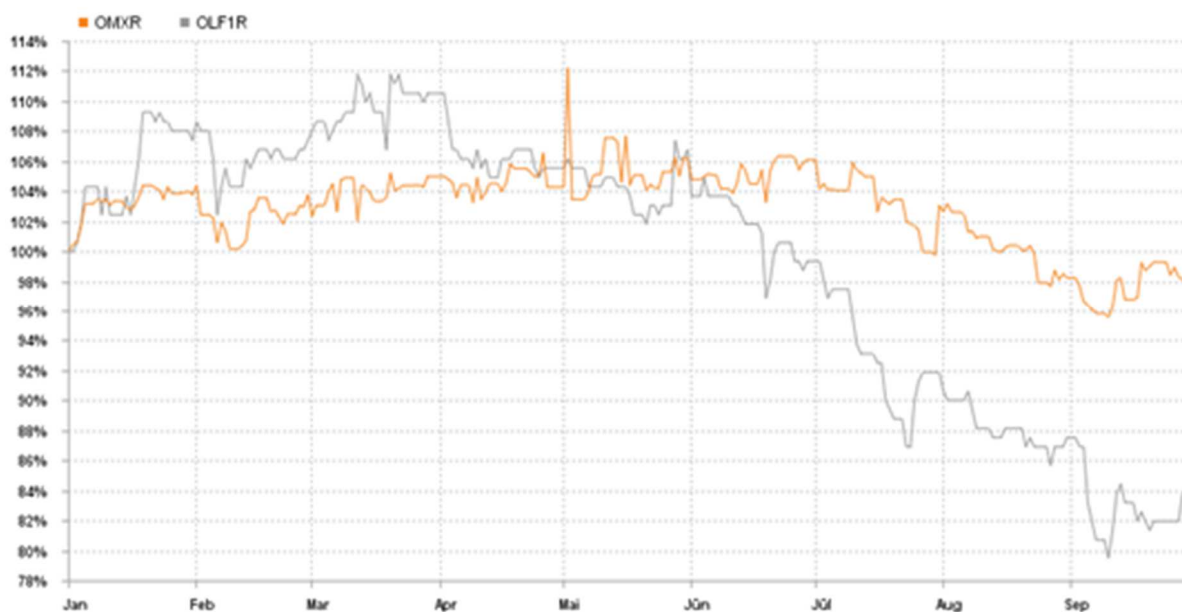
Events of the reporting period related to the sudden death of long term CEO and the main shareholder, Mr. Valerijs Maligins and the respective distribution of his inheritance have resulted in fluctuations of share price. Throughout the reporting period share price was mainly falling, its higher level (9.1 EUR) was reached in March, while the lowest (6.2 EUR) in early September. After the new Council was elected in early September and started several activities targeted at improving transparency of Company's operations share price started recovering and as this report is being prepared it fluctuates around 7.2 EUR, meaning that since its lowest point in early September it has increased by more than 16%. During the reporting period almost 2500 transaction have been concluded with Company's shares, which is almost twice as many as in nine months of 2017.

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

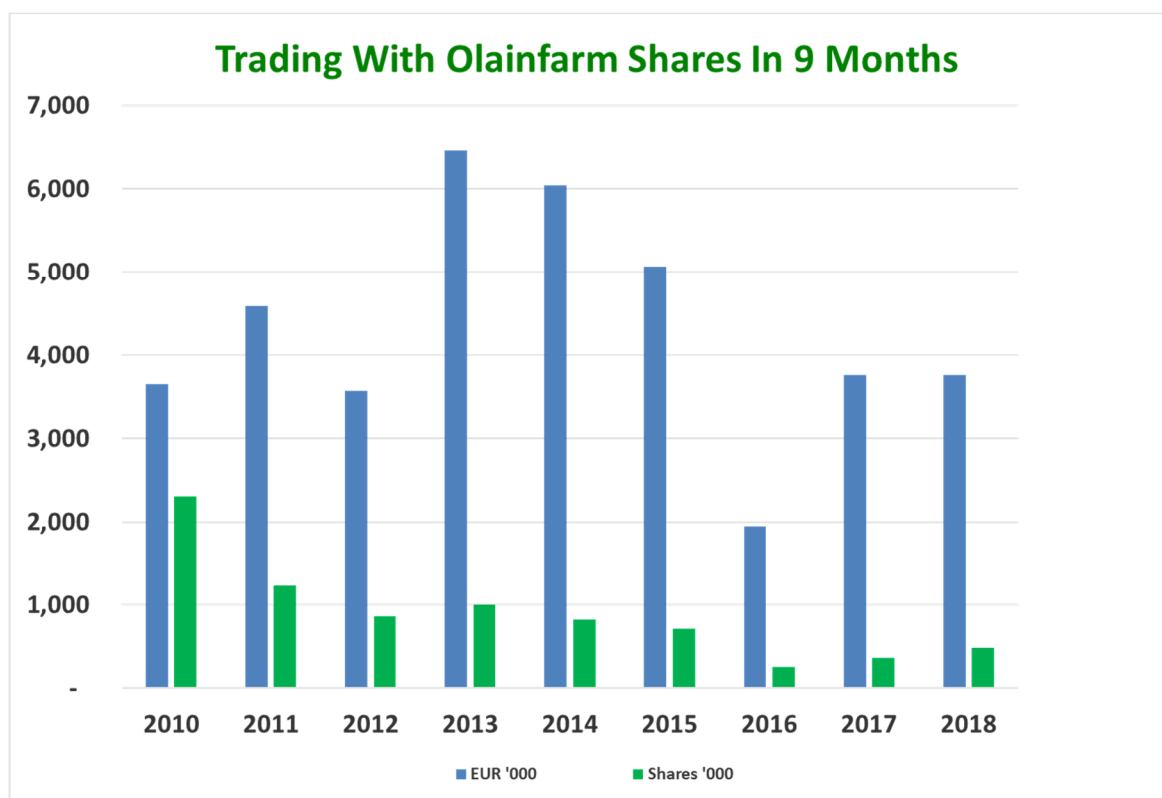


During nine months of 2018, price of JSC Olainfarm share fell sharper than OMX Riga index. During these nine months OMX Riga index decreased by 1.8%, while price for share of Olainfarm fell by 16%, although up until early June share price of Olainfarm was outperforming OMX Riga index.

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



-- OMX Riga
-- JSC Olainfarm



During nine months of 2018, more than 480 thousand shares of JSC Olainfarm worth almost 3.8 million euros were traded on Nasdaq Riga. Both these numbers are the highest since 2015.

Future Outlook

Although the overall number of sales markets is increasing and sales diversity is improving, achieving even greater variety in sales, geography remains one of the main challenges for the Company. One of priorities in 2018 was to conduct additional research not only to secure the presence of existing products in existing markets but also to make accessibility to other markets easier in future. In the next years to come, diversification of sales will remain in the focus of Company's management. In this context the management of the company has identified veterinary pharmaceuticals as one of the new potential segments that deserve a thorough investigation.

In order to diversify sales markets of daughter companies of the Group, negotiations have been started about the possible acquisition of producer of compression medical devices in one of Western European countries. Should such an acquisition take place, it may significantly improve the possibilities of SIA Tonus Elast to expand its sales in several Western European countries, thus contributing to better sales diversity of the entire Group.

Other Events

On September 5th, 2018 an Extraordinary General Meeting of Shareholders of AS Olainfarm was convened. The only announced agenda item included amending the Articles. Despite the announced agenda, unexpectedly the Supervisory Council was re-elected, dismissing previous Council, consisting of Ivars Godmanis, Ivars Kalvins, Milana Belevica, Signe Baldere – Sildedze and Irina Maligina. A new council was elected, with Pavels Rebenoks as a Chairman, and Irina Maligina as a Deputy Chairwoman. Besides these Council members, Martins Kriekis, Daina Sirlaka and Signe Baldere-Sildedze were also elected to the Council. Soon after the elections of the new Council Signe Baldere-Sildedze resigned from her Council membership.

Although the elections of the new Council were conducted with violations of good corporate governance standards, from the very first days the Council declared that transparency, improved governance and openness in banking and investor relations are among their top priorities. Since the new council is elected, several previously discontinued investor relations activities are restarted, professional corporate governance and investor relations advisors are contracted, and long-term dividend policy is being prepared.

Social Responsibility

During the first nine months 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 healthcare and healthy life style is high among company's values, JSC Olainfarm participated in organization of Annual Medical Awards ceremony, supported the annual Olaine Rogaining Championship and Latvian Cycling Festival in Olaine, as well as events organized by Latvian Inline Hockey association in Olaine vicinity. We kept supporting the young and perspective local football players, boxers and dancers. The company also supported the thematic exhibition at the Riga Psychiatric Museum and The Childrens Hospital Foundation.

Olainfarm also supported International Jazz Festival Riga Jazz Stage 2018, celebrations of 51st anniversary of the town of Olaine and Youth Day in Olaine.

Events After the End of the Reporting Period

On 22 November, 2018 another Extraordinary General Meeting of Shareholders was convened upon the request of two minority shareholders, with revoking the Council and amending the Articles being among the announced agenda items. Proposed amendments to Articles would significantly limit the power of Company's Management and transfer it to the Council. With convincing majority of votes all proposed decisions were rejected.

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

November 30, 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

November 30, 2018

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

	01.07.2018 - 30.09.2018	01.07.2017 - 30.09.2017	01.01.2018 - 30.09.2018	01.01.2017 - 30.09.2017
	EUR '000	EUR '000	EUR '000	EUR '000
Net revenue	27 661	27 665	89 505	90 384
Cost of goods sold	(10 909)	(10 921)	(35 804)	(34 851)
Gross profit	16 752	16 744	53 701	55 533
Selling expense	(8 534)	(8 377)	(26 715)	(27 008)
Administrative expense	(5 684)	(5 423)	(17 115)	(16 872)
Other operating income	542	732	1 947	1 753
Other operating expense	(656)	(1 862)	(2 460)	(3 460)
Share of profit of an associate	8	10	83	70
Financial income	18	50	57	206
Financial expense	(703)	(564)	(1 794)	(1 904)
Profit before tax	1 743	1 310	7 704	8 318
Corporate income tax	(73)	(398)	(250)	(1 806)
Deferred corporate income tax	(2)	(17)	-	86
Profit for the reporting period	1 668	895	7 454	6 598
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	(119)	-	(83)	-
Other comprehensive income for the reporting period, net of tax	(119)	-	(83)	-
Total comprehensive income for the reporting period, net of tax	1 549	895	7 371	6 598
Profit attributable to:				
The equity holders of the Parent company	1 668	896	7 454	6 597
Non-controlling interests	-	(1)	-	1
	1 668	895	7 454	6 598
Total comprehensive income attributable to:				
The equity holders of the Parent company	1 549	896	7 371	6 597
Non-controlling interests	-	(1)	-	1
	1 549	895	7 371	6 598
Basic and diluted earnings per share, EUR	0.12	0.06	0.53	0.47

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

November 30, 2018

Interim consolidated statement of financial position

ASSETS		30.09.2018	31.12.2017
NON-CURRENT ASSETS		EUR '000	EUR '000
Intangible assets			
Goodwill		20 985	20 985
Patents		146	143
Pharmacy licenses and lease contracts		11 953	11 953
Other intangible assets		3 323	3 492
Intangible assets under development		265	424
Prepayments for intangible assets		62	37
	TOTAL	36 734	37 034
Property, plant and equipment			
Land, buildings and constructions		20 751	20 386
Equipment and machinery		11 883	13 291
Other tangible assets		3 250	3 386
Leasehold investments		396	426
Construction in progress		4 832	3 819
Prepayments for property, plant and equipment		1 732	584
	TOTAL	42 844	41 892
Investment properties		3 501	3 526
Financial assets			
Loans to management, employees and shareholders		178	1 729
Investments in associated companies		660	657
Prepayments and prepaid expense		207	202
Other non-current financial assets		4	5
Deferred corporate income tax assets		17	16
	TOTAL	1 066	2 609
TOTAL NON-CURRENT ASSETS		84 145	85 061
CURRENT ASSETS			
Inventories			
Raw materials		5 229	3 942
Work in progress		9 170	8 548
Finished goods and goods for resale		11 350	11 313
Prepayments for goods		609	358
	TOTAL	26 358	24 161
Receivables			
Trade receivables and receivables from associated and other related companies		26 158	30 263
Prepayments and prepaid expense		1 956	1 071
Other receivables		977	1 033
Corporate income tax		1 620	1 640
Loans to management, employees and shareholders		1 556	42
	TOTAL	32 267	34 049
Cash		4 002	3 158
TOTAL CURRENT ASSETS		62 627	61 368
TOTAL ASSETS		146 772	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

November 30, 2018

Interim consolidated statement of financial position

EQUITY AND LIABILITIES		30.09.2018	31.12.2017
EQUITY		EUR '000	EUR '000
Share capital		19 719	19 719
Share premium		2 504	2 504
Other components of equity		(157)	(74)
Retained earnings:			
brought forward		72 348	64 886
for the period		7 454	10 789
TOTAL EQUITY		101 868	97 824
LIABILITIES			
Non-current liabilities			
Loans from credit institutions		8 927	15 347
Deferred income		2 827	2 347
Finance lease liabilities		487	393
Other non-current financial liabilities		109	138
TOTAL		12 350	18 225
Current liabilities			
Loans from credit institutions		15 657	13 544
Finance lease liabilities		317	274
Other loans		-	195
Prepayments received from customers		179	907
Trade payables and payables to associated and other related companies		10 365	10 857
Dividends payable		1 549	-
Taxes payable		1 313	1 152
Deferred income		423	475
Accrued liabilities		2 751	2 976
TOTAL		32 554	30 380
TOTAL LIABILITIES		44 904	48 605
TOTAL EQUITY AND LIABILITIES		146 772	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

November 30, 2018

Interim consolidated statement of cash flow

	01.01.2018 - 30.09.2018	01.01.2017 - 30.09.2017
	EUR '000	EUR '000
Cash flows to/from operating activities		
Profit before taxes	7 704	8 318
Adjustments for:		
Amortization and depreciation	5 179	4 842
Loss/ (profit) on sale/ disposal of non-current assets	223	(63)
Impairment of tangible, intangible assets and investment property	175	1 902
Increase/ (decrease) in allowances and accrued liabilities	(24)	(2 572)
Share of profit of an associate	(83)	(70)
Interest expenses	315	332
Interest income	(57)	(202)
Income from EU projects' funds	(701)	(590)
Unrealised loss/ (profit) from fluctuations of currency exchange rates	104	(312)
Operating cash flows before working capital changes	12 835	11 585
Decrease/ (increase) in inventories	(2 197)	731
Decrease/ (increase) in receivables and prepaid expense	3 884	3 220
Increase/ (decrease) in payables and prepayments received	(780)	2 493
Cash generated from operations	13 742	18 029
Corporate income tax paid	(1 609)	(2 218)
Net cash flows from operating activities	12 133	15 811
Cash flows to/from investing activities		
Purchase of intangible assets and property, plant and equipment	(5 592)	(5 431)
Purchase of investment properties	(50)	(766)
Receipt of EU grants	349	221
Acquisition of subsidiaries	-	(6 574)
Dividends received	80	-
Proceeds from sale of intangible assets and property, plant and equipment	295	128
Repayment of loans	103	3 203
Interest received	13	484
Loans granted	(66)	(587)
Net cash flows (to)/from investing activities	(4 868)	(9 322)
Cash flows to/from financing activities		
Dividends paid	(1 409)	(6 205)
Borrowings repaid	(7 243)	(4 262)
Interest paid	(315)	(332)
Proceeds from borrowings	2 639	4 800
Net cash flows (to)/from financing activities	(6 328)	(5 999)
Change in cash	937	490
Net foreign exchange difference	(93)	402
Cash at the beginning of the year	3 158	3 165
Cash at the end of the reporting period	4 002	4 057

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	-	-	-	-	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)
Balance as at 30 September 2017	19 719	2 504	40	-	71 656	93 919	38	93 957
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	-	-	-	-	7 454	7 454	-	7 454
Other comprehensive income	-	-	-	(83)	-	(83)	-	(83)
Total comprehensive income	-	-	-	(83)	7 454	7 371	-	7 371
Dividends	-	-	-	-	(2 958)	(2 958)	-	(2 958)
Balance as at 30 September 2018	19 719	2 504	40	(197)	79 802	101 868	-	101 868

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 30 November 2018.

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 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 September 2018.

Changes in accounting policy and disclosures

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

Adoption of IFRS 9 Financial Instruments:

The Group has adopted IFRS 9 as from financial year 2018. Group has recorded lifetime expected losses on trade receivables applying measurement based on historical observed default rates of trade receivables. IFRS 9 impairment loss is applied retrospectively with transition impact recognized in retained earnings as of 01.01.2018 on amount of 369 thsd. EUR. During the reporting period, applying the same default rates as for the initial recognition, the Group has recognized reversal of trade receivables impairment in amount of 32 thsd. EUR in the statement of comprehensive income under Other operating expense.

The Group has not applied the IFRS and IFRIC interpretations that have been issued as of the date of authorization of these financial statements for issue, but which are not yet effective. The Group plans to adopt these standards and interpretations on their effectiveness dates provided they are endorsed by the EU.

3. Business combination and reorganization

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

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

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

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

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 Medikl), Biotest CGU, Diamed CGU, Olainmed CGU and Other CGU. Premises lease agreements and licenses are fully related to Pharmacy CGU.

The recoverable amount of each CGU is determined based on a value in use calculation using cash flow projections from financial budgets approved by the management of the Group. 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 1 976 thsd. EUR are provided under the EU co-financed project Implementation of Experimental Technology for Production of New Products of JSC Olainfarm. The investments made are fully financed by loan from credit institution.

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

6. Loans from credit institutions

During the reporting period the Parent company has withdrawn loan 2 134 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 3 838 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	-
		30.09.2018	39	255	5	21
		TOTAL: 31.12.2017	50	398	4	-
		TOTAL: 30.09.2018	39	255	5	21
2. Key management personnel						
V. Maligins (shareholder)	Loan and travelling services	31.12.2017	1 230	321	1 929	105
Assets and liabilities owned by his heirs		30.09.2018	46	15	1 974	109
Other management personnel	Study loan	31.12.2017	-	-	-	-
		30.09.2018	11	-	11	-
		TOTAL: 31.12.2017	1 230	321	1 929	105
		TOTAL: 30.09.2018	57	15	1 985	109
3. Entity with significant influence						
SIA Olmafarm (shareholder)	Loan and other services	31.12.2017	2	-	-	-
		30.09.2018	-	-	-	-
		TOTAL: 31.12.2017	2	-	-	-
		TOTAL: 30.09.2018	-	-	-	-
4. Other Related companies						
SIA Vega MS (Heirs of V.Maligins share 59.99%)	Security services, windows production	31.12.2017	-	557	-	-
		30.09.2018	-	412	-	-
SIA Lano Serviss (Heirs of V.Maligins share 25%)	Dry cleaning and other services	31.12.2017	11	34	1	3
		30.09.2018	10	27	1	4
SIA Olfa Press (Heirs of V.Maligins share 47.5%)	Printing and other services	31.12.2017	27	1 459	4	170
		30.09.2018	42	1 001	5	98
SIA Olalex (Heirs of V.Maligins share 50%)	Finished goods sale and other services	31.12.2017	36	76	-	-
		30.09.2018	-	-	-	-
Olainfarm Health Care Private Ltd (I.Maligina share 50%)	Product registration services	31.12.2017	-	33	-	-
		30.09.2018	-	-	-	-
SIA Egotrashcinema (Heirs of V.Maligins share 40%, E.Maligina share 60%)	Travelling and other services	31.12.2017	22	-	29	-
		30.09.2018	-	-	25	-
SIA Digital Era (M.Raizbergs share 100%)	IT services	31.12.2017	-	-	-	-
		30.09.2018	-	35	-	7
SIA Digital Partner (M.Raizbergs share 100%)	IT services	31.12.2017	-	61	-	6
		30.09.2018	-	21	-	-
		TOTAL: 31.12.2017	96	2 220	34	179
		TOTAL: 30.09.2018	52	1 496	31	109

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								
9M 2018	54 026	4 148	17 470	6 810	7 051	89 505	-	89 505
9M 2017	56 327	4 700	15 956	7 117	6 284	90 384	-	90 384
Inter-segment								
9M 2018	451	8 473	211	2 318	1 634	13 087	(13 087)	-
9M 2017	314	7 145	153	2 466	598	10 677	(10 677)	-
Total revenue								
9M 2018	54 477	12 621	17 681	9 128	8 685	102 592	(13 087)	89 505
9M 2017	56 641	11 845	16 109	9 583	6 882	101 061	(10 677)	90 384
Segment profit								
9M 2018	4 878	1 273	179	1 041	902	8 273	(569)	7 704
9M 2017	9 214	1 537	566	1 120	(1 364)	11 073	(2 755)	8 318
Assets								
30.09.2018	79 964	5 483	11 948	17 262	10 221	124 878	21 894	146 772
31.12.2017	80 363	6 612	17 728	16 386	11 175	132 264	14 165	146 429
Liabilities								
30.09.2018	11 574	2 562	5 280	4 199	2 597	26 212	18 692	44 904
31.12.2017	12 339	2 560	4 645	3 980	3 554	27 078	21 527	48 605
Capital expenditure								
9M 2018	3 308	15	120	736	75	4 254	101	4 355
9M 2017	3 850	2	129	512	241	4 734	602	5 336

Reconciliation of profit	9M 2018	9M 2017
	EUR '000	EUR '000
Segment profit	8 273	11 073
Unallocated financial income	140	264
Unallocated financial expenses	(1 682)	(1 547)
Other unallocated income and expense	2 440	(960)
Inter-segment elimination	(1 467)	(512)
Profit before tax	7 704	8 318

Reconciliation of assets	30.09.2018	31.12.2017
	EUR '000	EUR '000
Segment operating assets	124 878	132 264
Unallocated long term assets and eliminations	23 086	18 286
Unallocated short term assets and eliminations	(4 508)	(6 224)
Cash managed on group level	3 316	2 103
Total assets	146 772	146 429

Reconciliation of Liabilities	30.09.2018	31.12.2017
	EUR '000	EUR '000
Segment operating liabilities	26 212	27 078
Deferred tax liability	-	-
Interest bearing loans and borrowings	22 893	27 628
Current tax liabilities	76	(49)
Other unallocated liabilities and eliminations	(4 277)	(6 052)
Total liabilities	44 904	48 605

9. Dividends paid and proposed

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

10. Events after the reporting period

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

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