



JOINT STOCK COMPANY OLAINFARM

(UNIFIED REGISTRATION NUMBER 40003007246)

**UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE 6 MONTHS PERIOD ENDED 30 JUNE 2019**

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

Olaine, 2019

CONTENTS

General information	3
Major shareholders	11
Management report	12
Statement of responsibility of the management	21
Interim consolidated statement of comprehensive income	22
Interim consolidated statement of financial position	23
Interim consolidated statement of cash flow	25
Interim consolidated statement of changes in equity	26
Notes to the interim condensed consolidated financial statements	27

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 June 13, 2019)	OÜ OLFIM (7.79%) Anna Emīlija Maligina (7.79%) Nika Saveļjeva (7.80%) SIA Olmafarm (42.56%)
Major subsidiaries	SIA Latvijas Aptieka (100%) SIA Tonus Elast (100%) SIA Silvanols (100%)
Audit Committee	Auditing Committee from 1 st April, 2019: Chairperson of the Auditing Committee – Agris Auce Members of the Auditing Committee: Member of the Council Kārlis Krastiņš Viesturs Gurtlavs Auditing Committee until 1 st April, 2019: Chairperson of the Auditing Committee - Viesturs Gurtlavs Members of the Auditing Committee: Irina Maligina, Daina Sirlaka
Financial year	1 January – 31 December 2019
Interim reporting period	1 January – 30 June 2019

Board

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

Lauris Macijevskis (Chairman of the Management Board from April 4, 2019; Board member from April 1, 2019)



Lauris Macijevskis is the Chairman of the Parent Company's Management Board, a finance expert who has worked for 16 years in the Latvian banking sector. For the previous three years L. Macijevskis has been performing as the vice president and member of the Board of directors of JSC DNB banka. He started his career in the banking in JSC Hansabanka and continued it with JSC Swedbank. From October 2008 to 2017 L. Macijevskis has been working in the leading positions in the structural units of several local banks. Lauris Macijevskis has obtained a professional higher education from BA School of Business and Finance (BASBF), as well as holds a Master's Degree in Business Administration, graduating from the Riga International School of Economics and Business Administration.

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

Signe Baldere-Sildedze (Board member from April 4, 2019)



Signe Baldere-Sildedze is a member of the Parent Company's Management Board with experience as the member of the Council of JSC Olainfarm from 2009 till 2012 and from June 4, 2018 till September 10, 2018. Since 2014 the owner and member of the board of SIA LOUVRE. She obtained education in tourism and hospitality and has been managing the tourism and hospitality related company in Switzerland.

Positions held in other companies:
SIA LOUVRE, Board member

Number of shares of JSC Olainfarm owned (as of June 13, 2019):
- directly: 297
- 1 097 026 shares controlled as a legal guardian of JSC Olainfarm shareholder - minor Anna Emīlija Maligina

Participation in other companies:
SIA LOUVRE (100%)

Milana Bejeviča (Board member from April 4, 2019)

Milana Bejeviča is a member of the Parent Company's Management Board with experience as the member of the Council of JSC Olainfarm from June 4, 2018 till September 4, 2018. Head and owner of SIA B2B Konsultants, as well as lecturer in financial and tax law at Riga Stradins University. More than 20 years of lawyer experience combining academic and practical knowledge in jurisprudence and financial and tax law. She has obtained higher education lawyer qualification diploma from the Faculty of Law of the University of Latvia, master's degree in social sciences in European studies from the Faculty of

Business, Management and Economics of the University of Latvia, as well as completed doctoral studies of Law at Riga Stradins University.

Positions held in other companies:

SIA b2b konsultants, Board member

SIA Olmafarm, Board member (until 12.07.2019)

SIA Antik4Unik, Board member (until 25.07.2019)

Number of shares of JSC Olainfarm owned (as of June 13, 2019): 15

Participation in other companies:

SIA b2b konsultants (100% until 21.06.2019)

SIA Antik4Unik (100% until 22.07.2019)

Mārtiņš Pūriņš (Board member from April 4, 2019)

Mārtiņš Pūriņš is a member of the Parent Company's Management Board with more than 20 years of experience in the field of information and communication technologies. M. Pūriņš joined JSC Olainfarm from JSC Sadales tīkls, where he held the position of the Head of Smart meter monitoring unit. Mārtiņš Pūriņš holds master degree in computer science from the University of Latvia.

Positions held in other companies: none

Number of shares of JSC Olainfarm owned (as of June 13, 2019): 4 500

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: none
Number of shares of JSC Olainfarm owned (as of June 13, 2019): 1 000
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 June 13, 2019): 0
Participation in other companies: none

Mārtiņš Tambaks (Board member until July 31, 2019)

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

Oļegs Grigorjevs (Chairman of the Management Board until April 4, 2019)

Positions held in other companies (as of April 4, 2019):
SIA Latvijas Aptieka, Chairman of the Board (until 09.04.2019)
SIA Kiwi Cosmetics, Board member (until 09.04.2019)
SIA Ozols JDR, Board member

Number of shares of JSC Olainfarm owned (as of March 22, 2019): 1 000

Participation in other companies (as of April 4, 2019): none

Vladimirs Krušinskis (Board member until April 4, 2019)

Positions held in other companies (as of April 4, 2019): none
Number of shares of JSC Olainfarm owned (as of March 22, 2019): 0
Participation in other companies (as of April 4, 2019): none

Mihails Raizbergs (Board member until April 4, 2019)

Positions held in other companies (as of April 4, 2019):
SIA Digital Partner, Board member
SIA Digital Era, Board member

Number of shares of JSC Olainfarm owned (as of March 22, 2019): 200

Participation in other companies (as of April 4, 2019):
SIA Digital Partner (100%)
SIA Digital Era (100%)

Inga Krūkle (Board member until April 1, 2019)

Positions held in other companies (as of April 1, 2019): none
Number of shares of JSC Olainfarm owned (as of March 22, 2019): 0
Participation in other companies (as of April 1, 2019): none

Council

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

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

Gundars Bērziņš, Chairperson of the Council (from April 1, 2019)

Gundars Bērziņš has obtained a bachelor's degree of science at University of Latvia in 1995, in 1998 a master's degree in management and in 2013 a doctor's degree in management. Gundars Bērziņš is the dean and the lead researcher of the Faculty of Business, Management and Economics of the University of Latvia, as well the member of the board of the Fellowship of Stockholm School of Economics in Riga.

Positions held in other companies:
SIA Saules Gaisma Consulting, Chairman of the Board

Number of shares of JSC Olainfarm owned (as of June 13, 2019): 3

Participation in other companies:
SIA Saules Gaisma Consulting (100%)
SIA MeadowMe (99.96%)

Jānis Buks, Deputy Chairperson of the Council (from April 1, 2019)

Jānis Buks in 1993 graduated from the Faculty of Law of the University of Latvia with a bachelor degree in law. J.Buks is a finance expert, who has worked for 8 years in the leading companies of Latvian banking sector. 7 years he was the head of Nordea Bank AB Latvia Branch and from 2017 till 2018 he was a Member of the Board of JSC Luminor Banka.

Positions held in other companies:

SIA JV Holdings, Board member

AS Spring Holding, Board member (from 02.05.2019)

SIA LNK Asset Management AIFP, Chairman of the Board (from 18.07.2019)

Number of shares of JSC Olainfarm owned (as of June 13, 2019): 0

Participation in other companies:

SIA JV Holdings (50%)

Kārlis Krastiņš, Member of the Council (from April 1, 2019)

Kārlis Krastiņš in 1995 graduated the Faculty of Business, Management and Economics of the University of Latvia with a bachelor degree in economics. In 1997 he obtained a master's degree in economics from the Institute of International Relations of the University of Latvia. From 2002 till 2006 K.Krastiņš was the chairman of the board of Prudentia Asset Management . From 2005 he is the Chairman of the Board of JSC Prudentia and from 2008 also the Managing Partner of JSC Prudentia.

Positions held in other companies:

SIA Xiexie, Chairman of the Board

SIA Prudentia Advisers, Chairman of the Board

AS Prudentia, Chairman of the Board

SIA Prudentia Private Equity Partners, Board member

SIA D & A Konsultanti, Board member

SIA Tavs kapitāls 23, Board member

Number of shares of JSC Olainfarm owned (as of June 13, 2019): 0

Participation in other companies:

SIA Xiexie (100%)

SIA Prudentia Advisers (44.49%)

AS Prudentia (18.63%)

SIA Prudentia Private Equity Partners (50%)

SIA Tavs kapitāls 23 (80%)

Haralds Velmers, Member of the Council (from April 1, 2019)

Haralds Velmers has obtained at University of Latvia in 1999 Higher education diploma in Law and in 2001 a Master's Degree in Law. Since 2004 he is attorney at law and since 2005 insolvency administrator.

Positions held in other companies: none

Number of shares of JSC Olainfarm owned (as of June 13, 2019): 12

Participation in other companies:

SIA Compor (7.73%)

SIA Nami un būves (40%)

Andrejs Saveljevs, Member of the Council (from April 1, 2019)

Andrejs Saveljevs obtained at Riga Technical University in 1994 a diploma of technical translator and in 1995 an engineer degree. Andrejs Saveljevs is highly qualified specialist in the technical field with more than 10 years of experience in the position of technical director in several companies.

Positions held in other companies:
SIA B28, Board member

Number of shares of JSC Olainfarm owned (as of June 13, 2019): 0

Participation in other companies:
SIA RAAP (45%)

Pāvels Rebenoks (Chairperson of the Council until April 1, 2019)

Positions held in other companies (as of April 1, 2019): none

Number of shares of JSC Olainfarm owned (as of March 22, 2019): 700

Participation in other companies (as of April 1, 2019):
SIA Frančeska VET (16.7%)

Irina Maligina (Deputy Chairperson of the Council until April 1, 2019)

Positions held in other companies (as of April 1, 2019):
SIA Olmafarm, Board member (until 02.01.2019)
SIA OLFIM M, Chairman of the Board
OÜ OLFIM (Estonia), Board member

Number of shares of JSC Olainfarm owned (as of March 22, 2019):
- directly: 0
- indirectly (through OÜ OLFIM): 1 097 051

Participation in other companies (as of April 1, 2019):
Olainfarm Health Care Private Limited (50%)
SIA OLFIM M (100%)
OÜ OLFIM (100%)
SIA Olmafarm (1/3 from 40 shares)

Mārtiņš Kriekis (Member of the Council until April 1, 2019)

Positions held in other companies (as of April 1, 2019):
SIA GESIL LIMITED, Board member
SIA KRIEKIS LAW OFFICE, procuration holder
SIA Ziemeļu vārti, procuration holder

Number of shares of JSC Olainfarm owned (as of March 22, 2019): 0
Participation in other companies (as of April 1, 2019): none

Daina Sirlaka (Member of the Council until April 1, 2019)

Positions held in other companies (as of April 1, 2019):
SIA PERISHA, Board member

Number of shares of JSC Olainfarm owned (as of March 22, 2019): 0

Participation in other companies (as of April 1, 2019):
SIA PERISHA (100%)

Movements in the Board

According to Decision of the Council from April 1, 2019 Inga Krūkle was released from the position of the Board member and Lauris Macijevskis was appointed as a Board member of JSC Olainfarm with rights of separate representation.

According to Decision of the Council from April 4, 2019 Oļegs Grigorjevs was released from the position of the Chairman of the Management Board and Mihails Raizbergs and Vladimirs Krušinskis were released from the position of the Board member. Lauris Macijevskis was appointed as a Chairman of the Management Board of JSC Olainfarm and Signe Baldere-Sildedze and Milana Beļeviča were appointed as the Board members, each of them with rights of separate representation, as well as Mārtiņš Pūriņš with rights to represent JSC Olainfarm together with two other Board members.

JSC Olainfarm has received the letter of resignation from Mārtiņš Tambaks whereby he steps down from his duties as a member of the Management Board as of 31 July 2019.

Movements in the Council

The Extraordinary General Meeting of Shareholders on April 1, 2019 made a decision to release the Council members Pāvils Rebenoks, Irina Maligina, Mārtiņš Kriekšis, Daina Sirlaka and to appoint the new Council of JSC Olainfarm: Jānis Buks, Gundars Bērziņš, Kārlis Krastiņš, Andrejs Saveljevs, Haralds Velmers. According to the Decision of the Council from April 1, 2019 Gundars Bērziņš was appointed as a Chairperson of the Council and Jānis Buks as a Deputy Chairperson of the Council.

Major shareholders

	Share holding
SIA Olmafarm	42.56%
Nika Saveljeva	7.80%
OÜ OLFIM	7.79%
Anna Emīlija Maligina	7.79%
Other shareholders	<u>34.06%</u>
Total	100.00%

Management report

General information

The Group's parent company JSC Olainfarm is one of the biggest pharmaceutical companies in Latvia with more than 45 years of experience in production of chemical and pharmaceutical products. A basic principle of the Group's operations is to produce 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 the parent company Olainfarm and its fully owned subsidiaries: chain of pharmacies Latvijas Aptieka, a leading Latvian food supplement company Silvanols, producer of elastic and compression products Tonus Elast, healthcare companies Klinika Diamed and OlainMed, eco-cosmetics producer Kiwi Cosmetics and Belarussian producer of natural herbal medicines and infusion NPK Biotest.

Corporate mission and vision

Corporate mission:

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

Corporate vision:

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

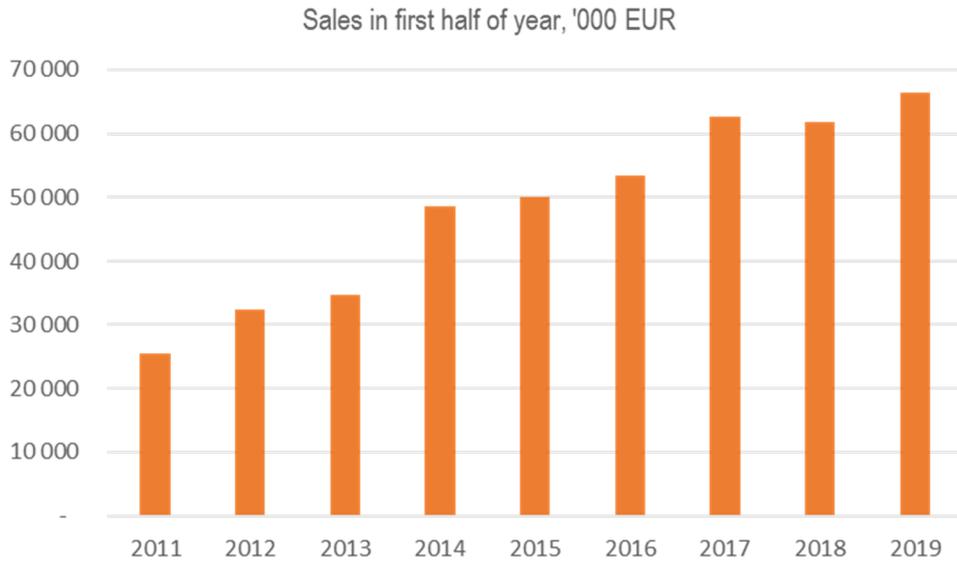
Company's Corporate Governance Report and ESG Report 2018 is available at www.olainfarm.com.

Operational environment

During the 2nd quarter of this year there was continuation of existing trends, such as Group's main markets experienced modest growth and appreciation of national currencies. Exchange rate of Russian rouble increased from 73.75 per 1 EUR to 71.60, Belarussian rouble appreciated from 2.39 BYR per 1 EUR to 2.33 BYR, but Ukrainian hryvna from 30.57 UAH per 1 EUR to 29.73. Taking into consideration continuing uncertainties regarding USA and China trade regulations (tariffs), which may negatively affect Group's operational performance in the coming quarters, economy's growth forecasts are revised downwards. For example, Bank of Latvia decreased Latvia's GDP growth forecast for year 2019 from 3.5% to 2.9%.

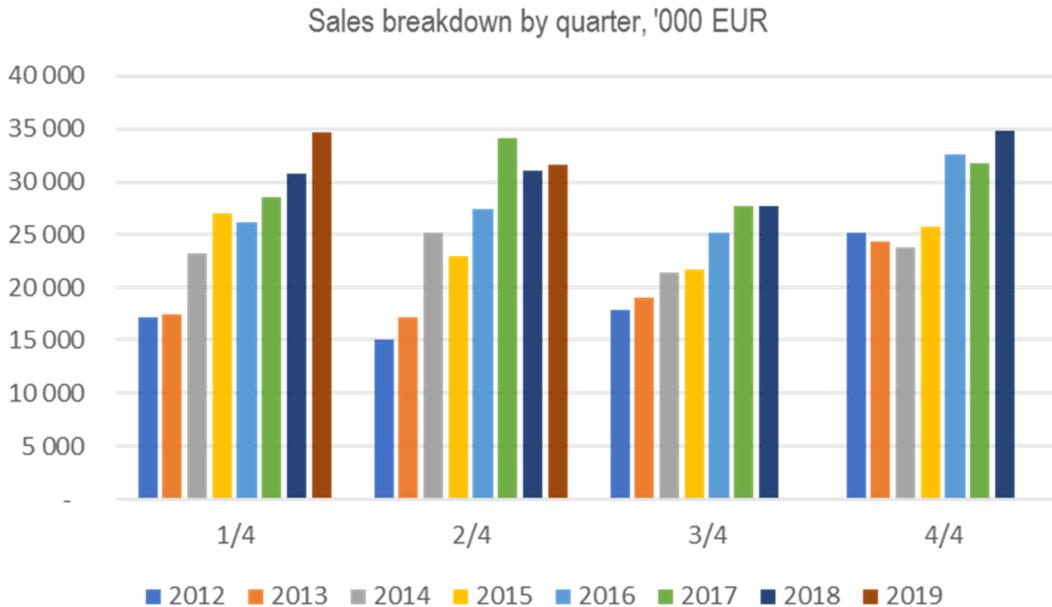
Financial results

During the first six months of this year Group’s sales reached 66 392 thousand EUR, which is an increase by 7% or 4 548 thousand EUR comparing to the same period of 2018. Gross profit, in turn, was 41 083 thousand EUR that shows an increase by 11% of 4 134 thousand EUR to the last year’s six months figures.



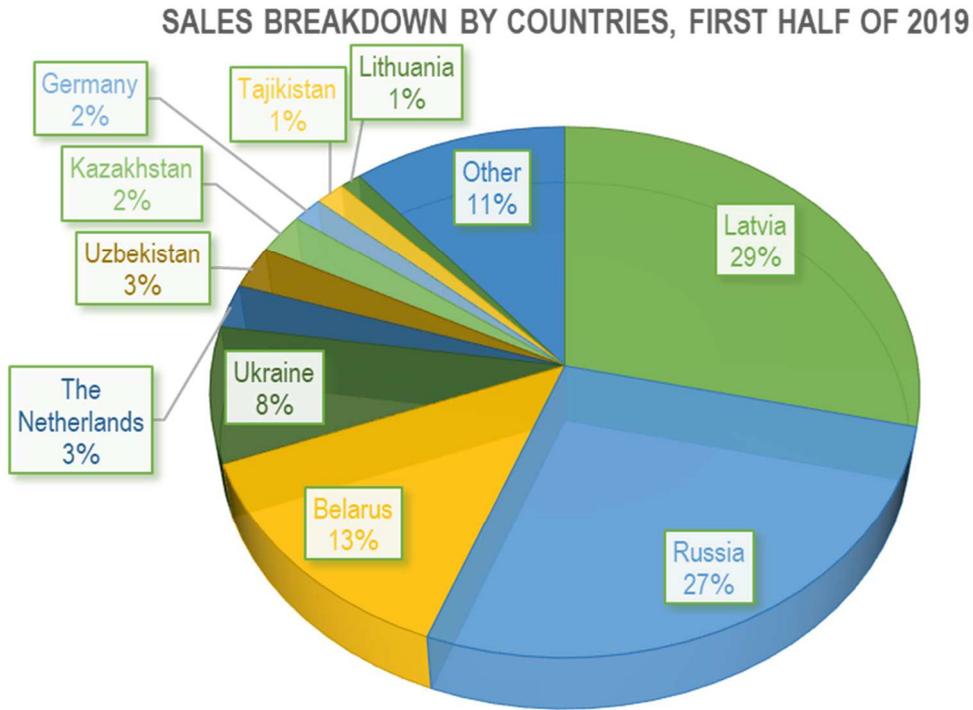
Group’s sales during the 2nd quarter of 2019 were 31 647 thousand EUR and that is by 2% more than in the 2nd quarter of 2018 when sales were 31 055 thousand EUR. At the same time gross profit was by 5% or 891 thousand EUR higher and reached 19 829 thousand EUR.

Substantial variability can be observed in the previously published monthly sales data. Sales in separate months can be influenced by changes in Group’s clients order volumes when planned total sales amounts do not change but are unevenly spread over year. If order volume is relatively small Group companies can deliver it to a client once or several times a year. Group’s management continues to work towards reaching annual sales volume target, which much better reflects overall trends.



Markets

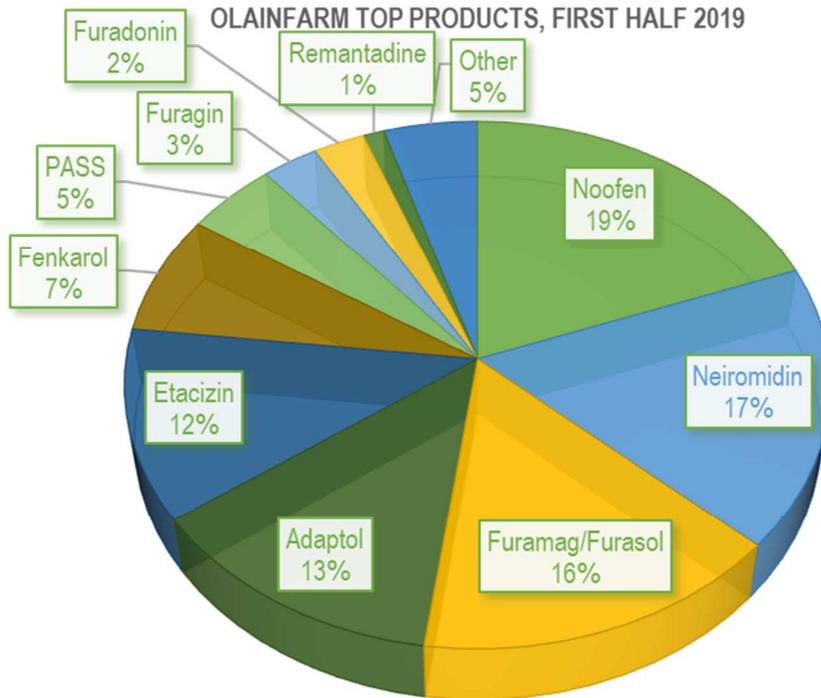
Group's main markets during the first six months of this year are Latvia, Russia, Belarus and Ukraine, where total share is 77% of sales. Group continues to actively pursue geographical diversification in order to lessen its dependency on the largest sales outlets.



Products

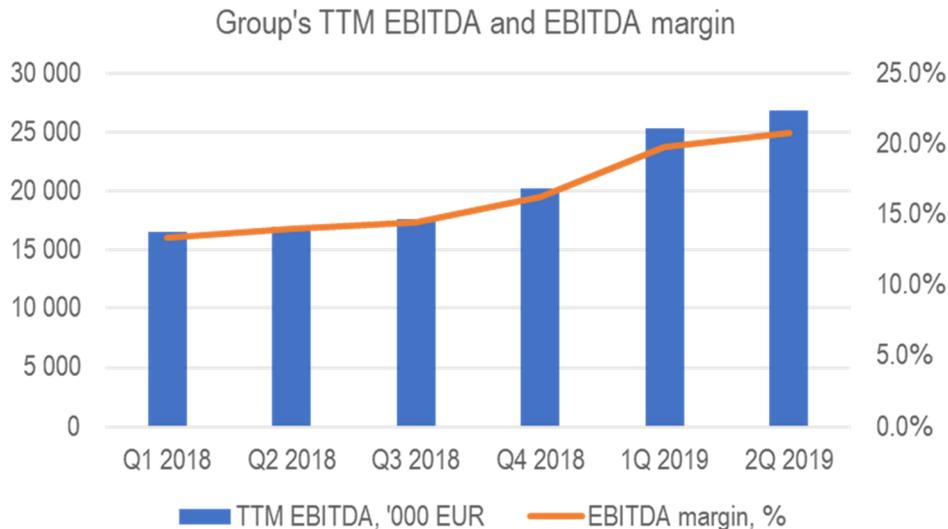
During the first six months of this year sales volumes of the main Olainfarm products continued to increase. The share of the leading product Noofen is 19%, which is by one percentage point more than a year before. The share of the three largest products comprise 52% that is by one percentage point higher than a year before (51%).

In April this year JSC Olainfarm signed agreement with a unit of UN (UN Office for Project Services) about deliveries of PASS in the amount of 3 million EUR during 2019-2020, which will keep this medicine among top products also in the future.



EBITDA and reporting period profit

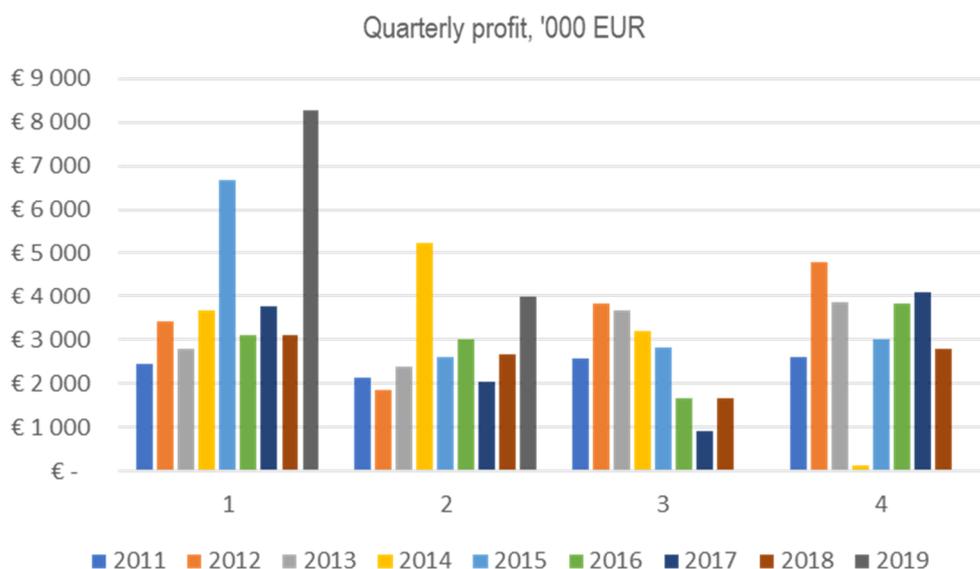
Group's EBITDA figure during this year's first six months was 16 928 thousand EUR, which is by 64% or 6 589 thousand EUR more than the half year results of the last year. In the 2nd quarter EBITDA was 6 422 thousand EUR that surpassed the figure of the 2nd quarter of 2018 by 1 497 thousand EUR or 30%. EBITDA for 12 months until the end of reporting period was 26 817 thousand EUR. EBITDA margin for the first six months of this year and for the last 12 months until the end of reporting period was 26% and 21%, respectively.



Group's reporting period profit for the six month 2019 was 12 244 thousand EUR, which is the largest profit amount in history. Profit increased by 112% or 6 458 thousand EUR in comparison with half year of 2018. Reporting period profit was positively influenced by gross margin increase, selling expense decrease, income from currency rate fluctuations but negatively impacted by increase of administrative expenses. Administrative expenses rose due to investments in medicine registration dossiers and such costs may not always possible to capitalize as well as with review of salaries and bonus payments to personnel (excluding the Supervisory Council and the Management Board).



Profit for this year's second quarter was 3 984 thousand EUR, which is an increase by 49% or 1 312 thousand EUR in comparison with the second quarter of 2018.



Main financial indicators

Financial indicator for period	01.01.2019 - 30.06.2019	01.01.2018 - 30.06.2018	% to previous period
Sales, EUR '000	66 392	61 844	107%
Net profit, EUR '000	12 244	5 786	212%
EBITDA, EUR '000	16 928	10 339	164%
EBIT, EUR '000	12 768	6 136	208%
Gross margin	61.9%	59.7%	
EBITDA margin	25.5%	16.7%	
EBIT margin	19.2%	9.9%	
Net margin	18.4%	9.4%	
EPS, EUR	0.87	0.41	212%

Financial indicator at the period end	30.06.2019	30.06.2018	% to previous period
Current ratio	1.9	2.1	
Share price at period end, EUR	6.94	8.00	86.8%
Market capitalisation, EUR '000	97 750	112 681	86.8%
P/B	0.8	1.1	

Financial indicator for 12 month	01.07.2018- 30.06.2019	01.07.2017- 30.06.2018	% to previous period
Sales, EUR '000	128 804	121 201	106%
Net profit, EUR '000	17 189	10 874	158%
EBITDA, EUR '000	26 817	17 016	158%
DSCR	2.5	1.8	
Net Debt-to-EBITDA	0.6	1.4	
ROA	11.0%	7.2%	
ROE	16%	11%	
P/E	5.7	10.5	

Herein presented financial indicators and alternative performance indicators must be reviewed together with explanations and definitions included in the management report of the annual accounts for year 2018, that are not changed except as described below:

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

- EBITDA = Profit before tax and before interest income, interest expense, depreciation and amortization charge for 12-month period ending with reporting period end
- EBIT = Profit before tax and before interest income, interest expense for 12-month period ending with reporting period end

Additional indicators implemented with current interim report:

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

- DSCR (Debt – Service Coverage Ratio) = EBITDA / Debt service, where Debt service = total interest and principal amount paid on loans, leases and other interest bearing liabilities within 12-month period ending with reporting period end, excluding refinancing of the existing loan. DSCR ratio represents the sufficiency of operating profit (EBITDA) for debts servicing. Minimum DSCR ratio established by the Group is 1.5

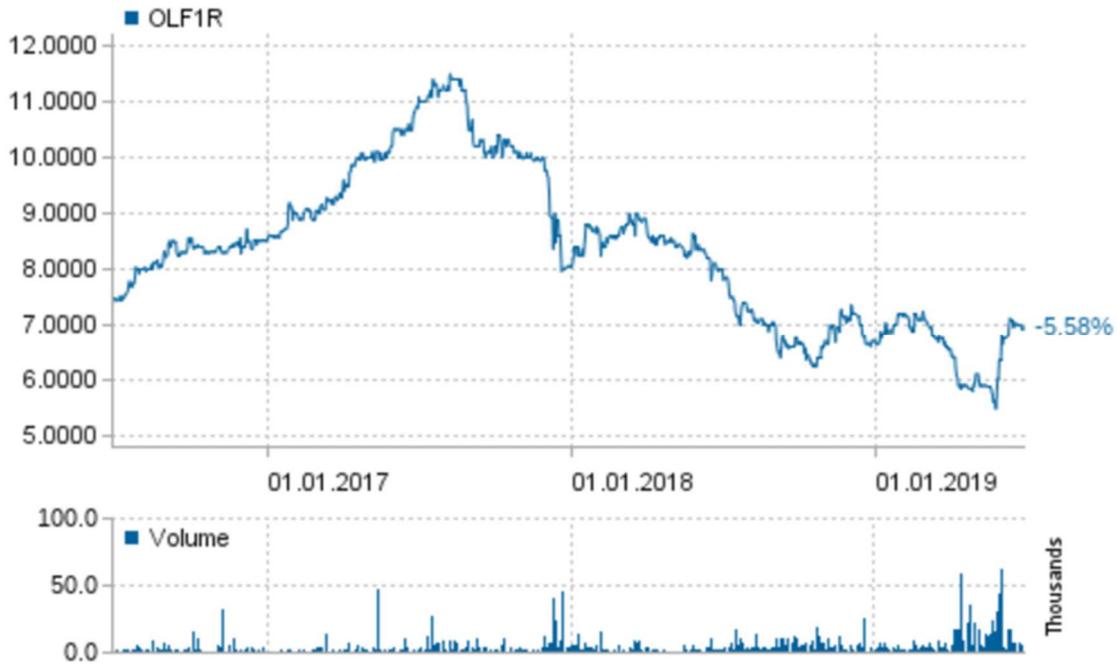
- Net liabilities / EBITDA, where Net liabilities are all interest bearing liabilities minus cash as of the reporting date. Net liabilities / EBITDA ratio is a debt ratio that shows how many years of operating profit (EBITDA) it would take for the Group to pay back its interest bearing liabilities if net liabilities and EBITDA are held constant. Maximum Net liabilities / EBITDA ratio established by the Group is 2.3

The annual general meeting, which took place on the 17th of June this year, approved sales targets – 133.3 million EUR for Group and 98.6 million EUR for JSC Olainfarm. Profit targets, on the other hand, were revised and approved in amount of 12.7 million EUR for Group and 11.5 million EUR for Parent company. In accordance with the approved plans Group's sales target is fulfilled by 50% and profit figure by 96%.

Shares and stock exchange

During this year's 2nd quarter JSC Olainfarm average share price was 5.85 EUR per 1 share and was traded in a range of 5.44 to 7.24 per share. During this period 2704 transactions with 731 227 shares with total value 4 498 077.14 EUR took place.

JSC Olainfarm share price changes for the past three years until the end of the reporting period



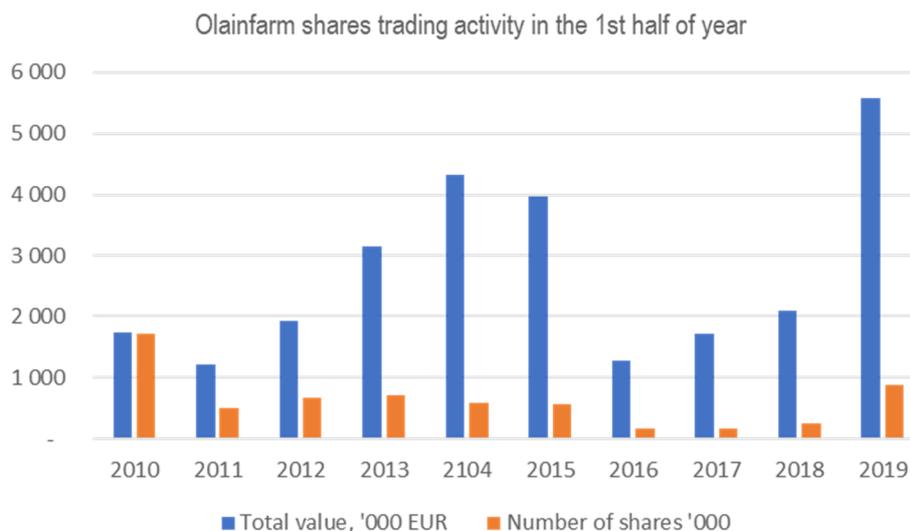
During this year's 2nd quarter OMX Riga index increased by 4.37% and share price of JSC Olainfarm by 5.95%.

Share price of JSC Olainfarm on Nasdaq Riga stock exchange relative to OMX Riga index over the last 12 months until the end of the reporting period



-- OMX Riga
-- JSC Olainfarm

During the second quarter of 2019, more than 731 thousand shares of JSC Olainfarm, with total value of 4.5 million euros, were traded on Nasdaq Riga. Compared to the same period in 2018, the number of traded shares was by 726% more, while traded value was higher by 511%. During the first half of this year there were 3 500 trades with 888 025 shares for the total value of 5.6 million EUR.



Developments

During the first half of this year JSC Olainfarm paid close attention to registration of active pharmaceutical ingredients and final dosage forms.

Group's company SIA Silvanols launched innovative and natural nasal spray for allergic rhinitis. Development of this project was in close cooperation with University of Latvia and Latvian Biomedical Research and Study Centre. Products of SIA Silvanols are available not only in pharmacies but also in grocery and everyday goods stores.

SIA Latvijas Aptieka, subsidiary of JSC Olainfarm, continued to invest in strengthening of its brand. Three pharmacies in Riga and Daugavpils were renovated, one new pharmacy was opened in Pure. Three new specialists who studies were supported by SIA Latvijas Aptieka, joined the company's team of professionals. By expanding available services seven pharmaceutical specialists within lifelong educational program received certificates for distribution of veterinary medicines.

Events after end of reporting period

There were the following changes in the management of JSC Olainfarm:

- On the 1st of August Martins Tambaks resignation was received whereby he resigns from performing duties of management board member as of the 31st of July, 2019. JSC Olainfarm Management Board continues its work with six board members. M. Tambaks will continue to work at JSC Olainfarm.
- A new Director of the Finance Department, Jana Gridasova, has joined JSC Olainfarm. With more than 15 years of experience in the financial sector, J. Gridasova manages and organizes budget planning, financial resource flow, makes necessary changes in financial management processes, to increase efficiency and develop necessary competencies within the company.

In order to strengthen the management team of JSC Olainfarm, the Supervisory Council has decided to appoint a new candidate with international experience in pharmacy for the position of the Chairman of the Board of JSC Olainfarm. In order to facilitate the selection of candidates, Amrop Latvia, a top-level recruitment company with experience in the field, has been engaged. Lauris Macijevskis will continue to work as the Chairman of the Board until a new manager is selected through tendering. The international tendering process for the position of Olainfarm Chairman of the Board is planned to be completed by the end of October. After appointing the new Chairman of the Board, Lauris Macijevskis will continue his work on the Board of JSC Olainfarm.

JSC Olainfarm concluded agreement with bank BlueOrange for the total amount of 10.5 million EUR, which allows to refinance historical liabilities to ABLV bank and to finance cooling station and its engineering system to reduce greenhouse gas emissions. The loan's term is five years.

On August 2nd, 2019, request to convene an extraordinary general meeting of shareholders has been received from shareholder limited liability company OLMAFARM, representing 42,56% of the share capital of Joint Stock Company Olainfarm. Management Board of Joint Stock Company Olainfarm based on the shareholder's request in accordance with the article 270 of the Commercial law hereby convenes and announces that Extraordinary General Meeting of Shareholders of Joint Stock Company Olainfarm will be held on November 1st, 2019. Agenda includes recall of the Council and Election of the new Council and recall of the Auditing committee and election of the new Auditing committee.

In April of 2019, when starting to act on their duties, the Board of JSC Olainfarm, became acquainted with the economic activities of the company and the previously signed contracts. The new Management Board identified transactions regarding marketing outsourcing services which raised doubts about their potential fictitious nature, economic validity and legitimacy. In addition, the

amount of the contract did not match the amount of services received and the marketing activities were lacking supporting documentation, so initially cooperation with the company was temporarily terminated, at this moment, it has been completely suspended and the situation has been reported to the law enforcement agencies. The existing Management Board of JSC Olainfarm has turned to the State Police with a request to declare the company a victim in the previously initiated criminal proceedings.

Following the instructions of law enforcement agencies, JSC Olainfarm actively cooperated with the international auditing company in order to help it gain an in-depth understanding of the marketing services purchased and to eliminate any shadow of a doubt. The auditor's report, received in August 2019, indicates that an in-depth analysis confirmed - as a result of this transaction, potentially significant losses were caused to JSC Olainfarm.

Future Outlook

Group's development outlook remains mildly optimistic which allows to state with confidence that previously set financial targets will be achieved.

Social Responsibility

JSC Olainfarm continued to actively support and increase society's interest about pharmaceutical industry. For example, during the 2nd quarter of this year Open door event was held at JSC Olainfarm where more than ten interested persons participated. JSC Olainfarm was involved in Entrepreneur experience days where as experienced employer shared its achievements and challenges.

Several plant tours were organized for students of educational institutions as well as for participants of an international conference. Students of biotechnology had opportunity to complete internship.

As one of the largest companies in Olaine, JSC Olainfarm supported several local events – Olaine's Rogainings, Youth Sport Festival of Olaine and Olaine Football Club Society.

JSC Olainfarm with SIA Dienas Bizness, a publishing house, organized two conferences on medicine accessibility and healthcare industry.

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

(signature)

Lauris Macijevskis
Chairman of the Management Board

August 30, 2019

Statement of responsibility of the management

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

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

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

For the Board of JSC Olainfarm:

(signature)

Lauris Macijevskis
Chairman of the Management Board

August 30, 2019

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

	01.04.2019 - 30.06.2019	01.04.2018 - 30.06.2018	01.01.2019 - 30.06.2019	01.01.2018 - 30.06.2018
	EUR '000	EUR '000	EUR '000	EUR '000
Revenue	31 647	31 055	66 392	61 844
Cost of goods sold	(11 818)	(12 117)	(25 309)	(24 895)
Gross profit	19 829	18 938	41 083	36 949
Selling expense	(8 740)	(9 510)	(17 021)	(18 181)
Administrative expense	(7 299)	(5 790)	(13 632)	(11 431)
Other operating income	672	687	1 134	1 405
Other operating expense	(449)	(1 093)	(704)	(1 804)
Share of profit of an associate	25	7	103	75
Financial income	279	19	1 842	39
Financial expense	(327)	(501)	(488)	(1 091)
Profit before tax	3 990	2 757	12 317	5 961
Corporate income tax	(5)	(87)	(72)	(177)
Deferred corporate income tax	(1)	2	(1)	2
Profit for the reporting period	3 984	2 672	12 244	5 786
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	62	41	217	36
Other comprehensive income for the reporting period, net of tax	62	41	217	36
Total comprehensive income for the reporting period, net of tax	4 046	2 713	12 461	5 822
Profit attributable to:				
The equity holders of the Parent company	3 984	2 672	12 244	5 786
Non-controlling interests	-	-	-	-
	3 984	2 672	12 244	5 786
Total comprehensive income attributable to:				
The equity holders of the Parent company	4 046	2 713	12 461	5 822
Non-controlling interests	-	-	-	-
	4 046	2 713	12 461	5 822
Basic and diluted earnings per share, EUR	0.28	0.19	0.87	0.41

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

For the Board of JSC Olainfarm:

(signature)
Lauris Macijevskis
Chairman of the Management Board

August 30, 2019

Interim consolidated statement of financial position

ASSETS	30.06.2019	31.12.2018
NON-CURRENT ASSETS	EUR '000	EUR '000
Intangible assets		
Goodwill	20 985	20 985
Patents	150	161
Pharmacy licenses and lease contracts	11 953	11 953
Other intangible assets	3 028	3 193
Intangible assets under development	255	284
Prepayments for intangible assets	17	43
TOTAL	36 388	36 619
Property, plant and equipment		
Land, buildings and constructions	19 588	20 249
Equipment and machinery	11 733	11 551
Other tangible assets	2 523	3 448
Leasehold investments	419	377
Construction in progress	9 441	6 299
Prepayments for property, plant and equipment	1 128	1 773
TOTAL	44 832	43 697
Right-of-use assets	7 230	-
Investment properties	3 510	3 492
Other non-current assets		
Investments in associated companies	626	603
Loans to management, employees and shareholders	216	187
Prepayments and deferred expenses	13	178
Other non-current assets	2	3
Deferred corporate income tax assets	11	12
TOTAL	868	983
TOTAL NON-CURRENT ASSETS	92 828	84 791
CURRENT ASSETS		
Inventories		
Raw materials	5 595	5 583
Work in progress	10 575	8 626
Finished goods and goods for resale	12 963	11 379
Prepayments for goods	611	206
TOTAL	29 744	25 794
Receivables and other current assets		
Trade receivables	24 325	29 281
Prepayments and deferred expenses	1 496	1 397
Other receivables	1 226	1 100
Corporate income tax	1 169	1 316
Loans to management, employees and shareholders	1 569	1 543
TOTAL	29 785	34 637
Cash	10 623	2 689
TOTAL CURRENT ASSETS	70 152	63 120
TOTAL ASSETS	162 980	147 911

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

For the Board of JSC Olainfarm:

(signature)

Lauris Macijevskis
Chairman of the Management Board

August 30, 2019

Interim consolidated statement of financial position

EQUITY AND LIABILITIES		30.06.2019	31.12.2018
EQUITY		EUR '000	EUR '000
Share capital		19 719	19 719
Share premium		2 504	2 504
Reserves		(7)	(224)
Retained earnings:			
brought forward		81 670	72 348
for the period		12 244	10 731
	TOTAL EQUITY	116 130	105 078
LIABILITIES			
Non-current liabilities			
Loans from credit institutions		215	58
Lease liabilities		5 360	656
Other non-current loans		1 015	1 079
Deferred income		3 418	2 878
	TOTAL	10 008	4 671
Current liabilities			
Loans from credit institutions		17 212	22 892
Lease liabilities		1 728	344
Other loans		75	-
Trade and other payables		10 637	9 393
Prepayments received from customers		112	353
Dividends payable		1 409	-
Taxes payable		1 220	1 218
Deferred income		371	386
Accrued liabilities		4 078	3 576
	TOTAL	36 842	38 162
	TOTAL LIABILITIES	46 850	42 833
TOTAL EQUITY AND LIABILITIES		162 980	147 911

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

For the Board of JSC Olainfarm:

(signature)

Lauris Macijevskis
Chairman of the Management Board

August 30, 2019

Interim consolidated statement of cash flow

	01.01.2019 - 30.06.2019	01.01.2018 - 30.06.2018
	EUR '000	EUR '000
Cash flows to/from operating activities		
Profit before taxes	12 317	5 961
Adjustments for:		
Amortization and depreciation	4 160	3 423
Profit on sale/ disposal of non-current assets	(24)	(7)
Increase in allowances and accrued liabilities	316	784
Share of profit of an associate	(103)	(75)
Interest expenses	488	214
Interest income	(37)	(39)
Income from EU projects' funds	(390)	(423)
Unrealised (profit)/ loss from fluctuations of currency exchange rates	(280)	173
Operating cash flows before working capital changes	16 447	10 011
Increase in inventories	(3 947)	(1 613)
Decrease/ (increase) in receivables and prepaid expense	5 176	(95)
Increase/ (decrease) in payables and prepayments received	646	(116)
Cash generated from operations	18 322	8 187
Corporate income tax paid	(180)	(1 585)
Net cash flows from operating activities	18 142	6 602
Cash flows to/from investing activities		
Purchase of intangible assets and property, plant and equipment	(4 368)	(3 786)
Purchase of investment properties	(100)	(50)
Receipt of EU grants	916	188
Dividends received	80	80
Proceeds from sale of intangible assets and property, plant and equipment	108	266
Repayment of loans	13	94
Interest received	-	12
Loans granted	(44)	(47)
Net cash used in investing activities	(3 395)	(3 243)
Cash flows to/from financing activities		
Borrowings and lease liabilities repaid	(6 631)	(5 939)
Interest paid	(498)	(214)
Proceeds from borrowings	189	2 383
Net cash used in financing activities	(6 940)	(3 770)
Change in cash	7 807	(411)
Net foreign exchange difference	127	(164)
Cash at the beginning of the year	2 689	3 158
Cash at the end of the reporting period	10 623	2 583

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

Interim consolidated statement of changes in equity

	Equity attributable to the equity holders of the Parent company					
	Share capital	Share premium	Reserves	Foreign currency translation reserve	Retained earnings	Total
	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000
Balance as at 31 December 2017	19 719	2 504	40	(114)	75 675	97 824
Change in accounting policy	-	-	-	-	(369)	(369)
Balance as at 1 January 2018	19 719	2 504	40	(114)	75 306	97 455
Profit for the reporting period	-	-	-	-	5 786	5 786
Other comprehensive income	-	-	-	36	-	36
Total comprehensive income	-	-	-	36	5 786	5 822
Dividends	-	-	-	-	(2 958)	(2 958)
Balance as at 30 June 2018	19 719	2 504	40	(78)	78 134	100 319
Balance as at 31 December 2018	19 719	2 504	40	(264)	83 079	105 078
Profit for the reporting period	-	-	-	-	12 244	12 244
Other comprehensive income	-	-	-	217	-	217
Total comprehensive income	-	-	-	217	12 244	12 461
Dividends	-	-	-	-	(1 409)	(1 409)
Balance as at 30 June 2019	19 719	2 504	40	(47)	93 914	116 130

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 August 2019.

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 2019 have been prepared in accordance with IAS 34 Interim Financial Reporting.

The interim financial statements do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the Group's annual financial statements as at 31 December 2018.

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

The interim financial statements comprise the financial statements of the Parent Company and all its subsidiaries as at 30 June 2019.

Changes in accounting policy and disclosures

The accounting policies are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2018. The Group has adopted new and amended IFRSs and IFRICs effective for annual periods beginning on 1 January 2019. No impact on the interim financial statements of the Group is identified except as described below.

Adoption of IFRS 16 Leases:

The new standard sets out the principles for the recognition, measurement, presentation and disclosure of leases. All leases result in the lessee obtaining the right of use an asset at the start of the lease and, if lease payments are made over time, also obtaining financing. IFRS 16 introduces a single lessee accounting model. Lessees are required to recognize: (a) assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value; and (b) depreciation of lease assets separately from interest on lease liabilities in the income statement.

The Group has adopted IFRS 16 from 1 January 2019. The Group has applied the simplified transitional approach and has not restated comparative amounts for the year prior to first adoption. The adjustments arising from the new leasing rules are therefore recognized in the balance sheet on 1 January 2019. Right-of-use assets are measured at the amount of the lease liability on adoption (adjusted for any prepaid lease expenses). Impact on the statement of financial position as at 1 January 2019:

Assets:

- Right-of-use assets – increase by 7 555 thsd EUR
- Other tangible assets – decrease by 919 thsd EUR
- Deferred expenses – decrease by 190 thsd EUR

Liabilities:

- Lease liabilities – increase by 6 446 thsd EUR.

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

3. Impairments

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

4. Property, plant and equipment

During the reporting period the investments of 1 639 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 from cash flows of the company.

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.

5. Loans from credit institutions

Information on AS ABLV Bank loan liabilities refinancing is provided in the section Events after the reporting period.

6. Related party disclosures

Related party	Type of services		Goods and services	Goods, services and	Amounts owed	Amounts owed
			delivered to/ Loans issued to related parties	loans received from related parties	by related parties (gross)	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	31.12.2018	53	393	5	53
		30.06.2019	25	247	3	32
		TOTAL: 31.12.2018	53	393	5	53
		TOTAL: 30.06.2019	25	247	3	32
2. Key management personnel						
Other management personnel	Study loan	31.12.2018	11	-	11	-
		30.06.2019	11	-	23	-
		TOTAL: 31.12.2018	11	-	11	-
		TOTAL: 30.06.2019	11	-	23	-
3. Parties with significant influence						
SIA Olmafarm (shareholder)	Loan and other services	31.12.2018	1	1 005	-	1 005
		30.06.2019	-	10	-	1 015
Heirs of V. Maligins	Loan and travelling services	31.12.2018	62	16	1 944	74
		30.06.2019	33	20	1 978	76
		TOTAL: 31.12.2018	63	1 021	1 944	1 079
		TOTAL: 30.06.2019	33	30	1 978	1 091
4. Other Related companies						
SIA Vega MS (Heirs of V.Maligins share 59.99%)	Security services, windows production	31.12.2018	-	545	-	-
		30.06.2019	-	276	-	2
SIA Lano Serviss (Heirs of V.Maligins share 25%)	Dry cleaning and other services	31.12.2018	12	37	1	3
		30.06.2019	5	22	1	3
SIA Olfa Press (Heirs of V.Maligins share 47.5%)	Printing and other services	31.12.2018	56	1 380	5	143
		30.06.2019	28	903	4	279
SIA Egotrashcinema (Heirs of V.Maligins share 40%, E.Maligina share 60%) Liquidation - 13.02.2019	Travelling and other services	31.12.2018	-	-	25	-
		30.06.2019	-	-	-	-
		TOTAL: 31.12.2018	68	1 962	31	146
		TOTAL: 30.06.2019	33	1 201	5	284

7. Segment information

	Medicine Production	Wholesale	Retail	Compression Materials	Other segments	Total segments	Unallocated and eliminated	Consolidated
	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000
Revenue								
External customers								
6M 2019	41 540	2 403	12 600	4 132	5 717	66 392	-	66 392
6M 2018	37 343	3 412	11 897	4 341	4 851	61 844	-	61 844
Inter-segment								
6M 2019	360	6 051	115	1 366	528	8 420	(8 420)	-
6M 2018	336	5 666	126	1 300	1 312	8 740	(8 740)	-
Total revenue								
6M 2019	41 900	8 454	12 715	5 498	6 245	74 812	(8 420)	66 392
6M 2018	37 679	9 078	12 023	5 641	6 163	70 584	(8 740)	61 844
Segment profit before tax								
6M 2019	8 257	845	548	549	437	10 636	1 681	12 317
6M 2018	3 433	1 230	97	571	717	6 048	(87)	5 961
Assets								
30.06.2019	86 440	4 644	31 039	17 946	12 426	152 495	10 485	162 980
31.12.2018	82 261	5 027	27 942	18 132	10 445	143 807	4 104	147 911
Liabilities								
30.06.2019	17 263	2 718	7 952	3 767	4 264	35 964	10 886	46 850
31.12.2018	13 031	2 575	5 063	4 403	2 816	27 888	14 945	42 833
Capital expenditure								
6M 2019	1 919	-	287	11	318	2 535	144	2 679
6M 2018	2 703	14	84	455	53	3 309	90	3 399

Reconciliation of profit

	6M 2019	6M 2018
	EUR '000	EUR '000
Segment profit before tax	10 636	6 048
Unallocated financial income	1 667	94
Unallocated financial expenses	(432)	(1 034)
Other unallocated income and expense	1 517	2 165
Inter-segment elimination	(1 071)	(1 312)
Profit before tax	12 317	5 961

Reconciliation of assets

	30.06.2019	31.12.2018
	EUR '000	EUR '000
Assets of segments in total	152 495	143 807
Unallocated long term assets and eliminations	6 689	7 049
Unallocated short term assets and eliminations	(5 218)	(4 682)
Cash managed on group level	9 014	1 737
Total assets	162 980	147 911

Reconciliation of Liabilities

	30.06.2019	31.12.2018
	EUR '000	EUR '000
Liabilities of segments in total	35 964	27 888
Interest bearing loans and borrowings	16 849	21 497
Current tax liabilities	74	67
Other unallocated liabilities and eliminations	(6 037)	(6 619)
Total liabilities	46 850	42 833

8. Dividends

On June 17, 2019 the General Meeting of Shareholders of JSC Olainfarm decided to pay dividends to shareholders in amount of 1 409 thsd. EUR (0.10 EUR per share) from the year 2018 profit, arranging dividends payout in the third quarter 2019. Dividends payout was processed on 31 July, 2019.

9. Events after the reporting period

On May 15th the Parent company of the Group has concluded novation agreement with ABLV Bank JSC under liquidation on the loan's remaining amount 9 396 thousand EUR repayment term until April 30, 2020. The management of the Parent company plans to refinance this loan before maturity.

In August, JSC Olainfarm and financial partner the bank BlueOrange have concluded an agreement of refinancing existing loan liabilities. The total loan will amount to EUR 10.5 million over five years, of which nearly nine million will be redirected to fulfill historical liabilities and the remainder will be invested in upgrading of JSC Olainfarm cooling station and its engineering system to reduce greenhouse gas emissions. This project is implemented with co-funding from the European Union structural funds.

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