



JOINT STOCK COMPANY OLAINFARM

(UNIFIED REGISTRATION NUMBER 40003007246)

**UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE 3 MONTHS PERIOD ENDED 31 MARCH 2017**

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

Olaine, 2017

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General information

Name of the Parent Company	OLAINFARM
Legal status of the Parent Company	JOINT STOCK COMPANY
Unified registration number, place and date of registration of the Parent Company	40003007246 Riga, 10 June 1991 (re-registered on 27 March 1997)
Registered office of the Parent Company	Rūpnīcu iela 5 Olaine, Latvia, LV-2114
Major shareholders of the Parent Company	SIA Olmafarm (42.56%) Valērijs Maligins (26.92%) Swedbank AS EE Clients account (11.99%) Swedbank AS LV Clients account (1.05%)
Major subsidiaries	SIA Latvijas Aptieka – 100% equity share SIA Tonus Elast – 100% equity share
Audit Committee	Viesturs Gurtlavs
Financial year	1 January – 31 December 2017
Interim reporting period	1 January – 31 March 2017

Board

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

Valērijs Maligins

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

Positions held in other companies:
SIA Olmafarm, Chairman of the Board

Hunting Club Vitkupe, Board Member
SIA Ozols JDR, Board Member
SIA Egotrashcinema, Board Member

Number of shares of JSC Olainfarm owned (as of March 31, 2017):

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

Participation in other companies:

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

Jeļena Borcova (Board Member until 17.05.2017)



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

Positions held in other companies: none

Number of shares of JSC Olainfarm owned (as of March 31, 2017): 1 450

Participation in other companies: none

Salvis Lapiņš

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

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

Number of shares of JSC Olainfarm owned (as of March 31, 2017): 25 916

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

Veronika Dubicka

Veronika Dubicka (Veranika Dubitskaya) is a member of the Parent Company's Management Board and Director of Marketing Department. Previously has worked in the Parent company's representative office in Belarus since 2005. From 2005 till 2006 V.Dubicka held a post of the medical representative, since 2006 till July, 2009 a post of the products' manager, and since July, 2009 till May, 2011 was the principal of the representative office in Belarus.

Positions held in other companies:
SIA Olalex, Board Member

Number of shares of JSC Olainfarm owned (as of March 31, 2017): 1 000
Participation in other companies: none

Oļegs Grigorjevs

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

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

Number of shares of JSC Olainfarm owned (as of March 31, 2017): 1 000
Participation in other companies: none

Mihails Raizbergs

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

Positions held in other companies:

SIA Digital Partner, Board Member

SIA Digital Era, Board Member

Number of shares of JSC Olainfarm owned (as of March 31, 2017): 200

Participation in other companies:

SIA Digital Partner (100%)

SIA Digital Era (100%)

Mārtiņš Tambaks

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

master's degree at the Riga Technical University, and a qualification of an economist-accountant at the University of Latvia.

Positions held in other companies: none

Number of shares of JSC Olainfarm owned (as of March 31, 2017): 0

Participation in other companies: none

Council

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

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

Ivars Godmanis, Chairperson of the Council

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

Positions held in other companies: none

Number of shares of JSC Olainfarm owned (as of March 31, 2017): 0

Participation in other companies: none

Valentīna Andrējeva, Deputy Chairperson of the Council

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

Positions held in other companies:

JSC Riga Shipyard, Council Member

Number of shares of JSC Olainfarm owned (as of March 31, 2017): 0

Participation in other companies: none

Geliia Gildeeva (Council Member until 11.05.2017)

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

Positions held in other companies:

Russian union National Pharmaceutical Chamber, Council Member

OOO Lekar (Moscow, Russia), Executive Director

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

Number of shares of JSC Olainfarm owned (as of March 31, 2017): 65 916

Participation in other companies:

OOO Lekar (Moscow, Russia)

OOO Medical Development Agency, Moscow, Russia (80%)

Aleksandrs Raicis

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

Positions held in other companies:

SIA Briz, Board Member

Number of shares of JSC Olainfarm owned (as of March 31, 2017): 0

Participation in other companies:

SIA VIP Pharma (50%)

SIA Recessus (30%)

SIA Briz (7.92%)

SIA Format A3 (33.33%)

Gunta Veismane

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

Positions held in other companies: none

Number of shares of JSC Olainfarm owned (as of March 31, 2017): 0

Participation in other companies: none

Changes in the Board

Member of the Board Jeļena Borcova submitted a notification about her resignation starting from 18.05.2017. Appointment for the new Member of the Board is assigned to JSC Olainfarm Council.

Changes in the Council

Council Member Geliia Gildeeva submitted a notification about her resignation starting from 12.05.2017. New Council election is brought on agenda of Annual General Meeting of JSC Olainfarm announced on 01.06.2017.

Major shareholders

	Share holding
Swedbank AS Clients Account	13.04%
SIA Olmafarm	42.56%
V. Maligns	26.92%
Other shareholders	<u>17.48%</u>
Total	100.00%

Management report

General information

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

During the reporting period, changes have been made to the composition of the Group, as the Parent company acquired SIA Parventas Aptieka, which owns one pharmacy in Ventspils. The main companies in the group are parent company JSC Olainfarm, its daughter companies SIA Latvijas Aptieka, SIA Kiwi Cosmetics, a leading Latvian food supplement company SIA Silvanols and a Latvian producer of elastic and compression products SIA Tonus Elast, since fourth quarter of 2016 the Group also includes SIA Klinika Diamed and Belarussian company NPK Biotest.

Corporate mission and vision

Corporate mission:

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

Corporate vision:

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

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

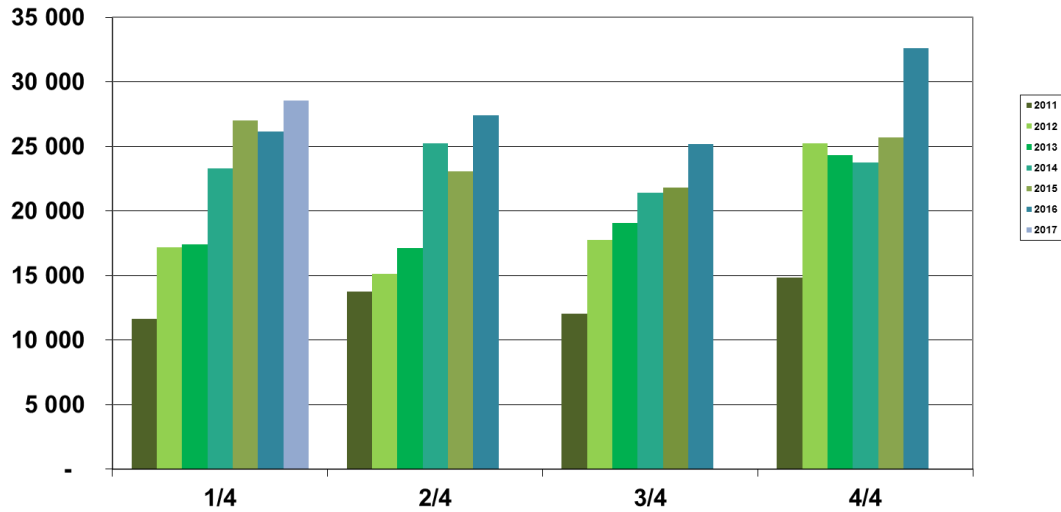
Operational environment

During the reporting period the operational environment in a large part of markets important for the company, has remained rather unpredictable. During the 1st quarter of 2017 sales of the Group to Russia increased significantly, they increased a little in Latvia, while sales to Belarus remained virtually unchanged, but sales to Ukraine dropped very significantly. At the same time a number of newly established daughter companies of the Group started operating in several countries, which created significant increase in sales and administrative costs, however sales in these countries are not increasing as rapidly.

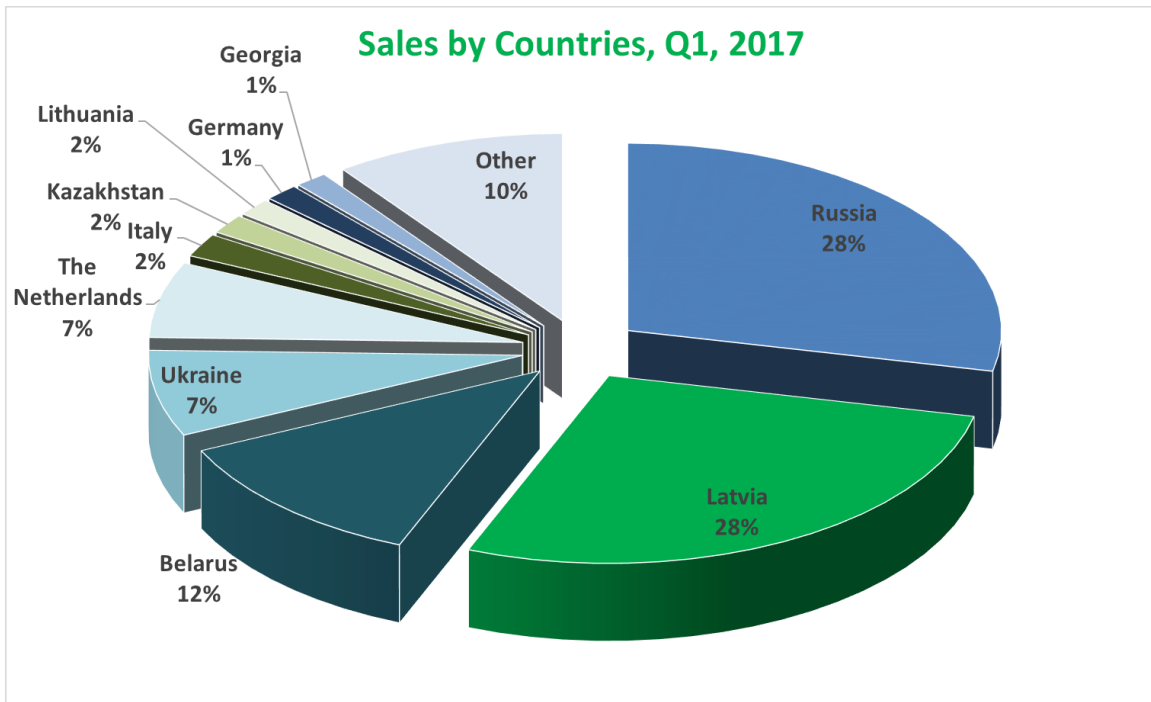
Financial results

During the first quarter of 2017, sales volumes have increased by 9% compared to similar period of 2016 and reached 28.6 million euro, which makes this the second best quarter in corporate history and the best first quarter in corporate history in terms of sales so far.

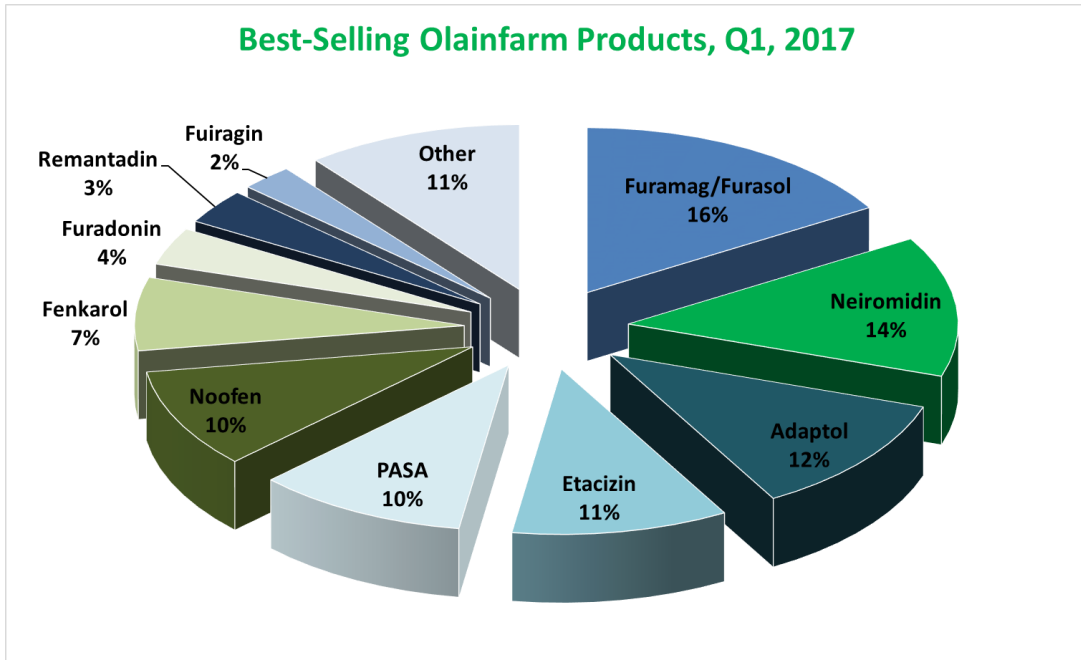
Sales by Quarters, Thsnd. EUR



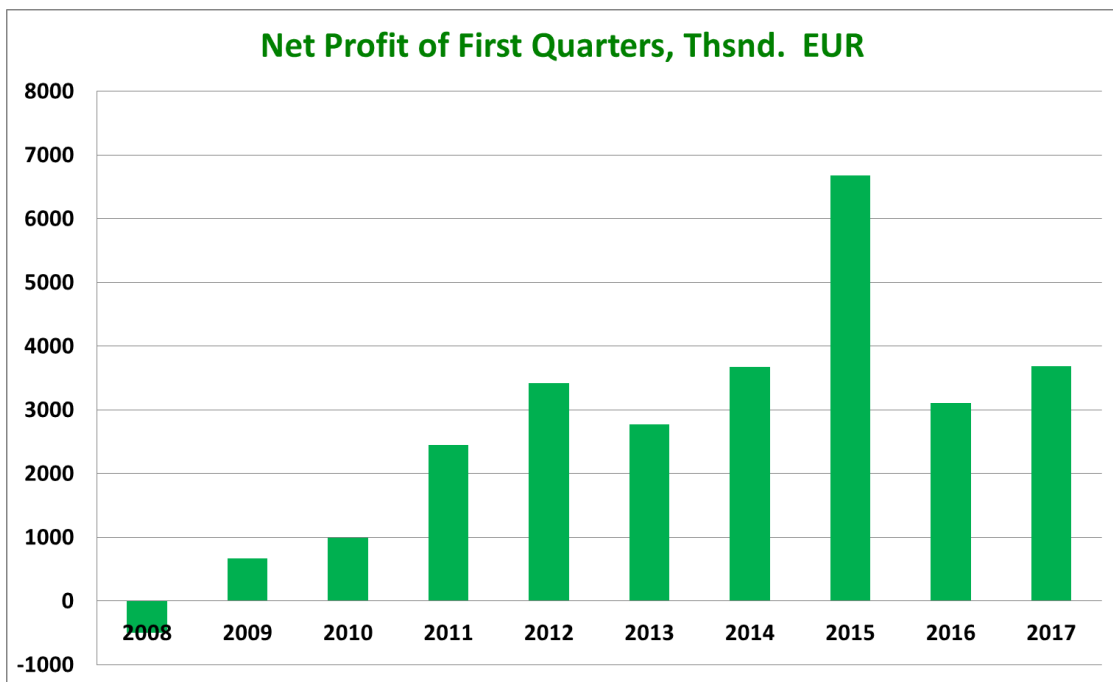
During the 1st quarter of 2017 sales to all company's main markets continued increasing except for Ukraine, where they dropped by 59% and Kazakhstan, where they dropped by 21% compared to the first quarter of 2016. As sales to Russia demonstrated significant increase during the first quarter, Russia has again become the biggest sales market of the group, as sales there slightly exceed those made to Latvia.

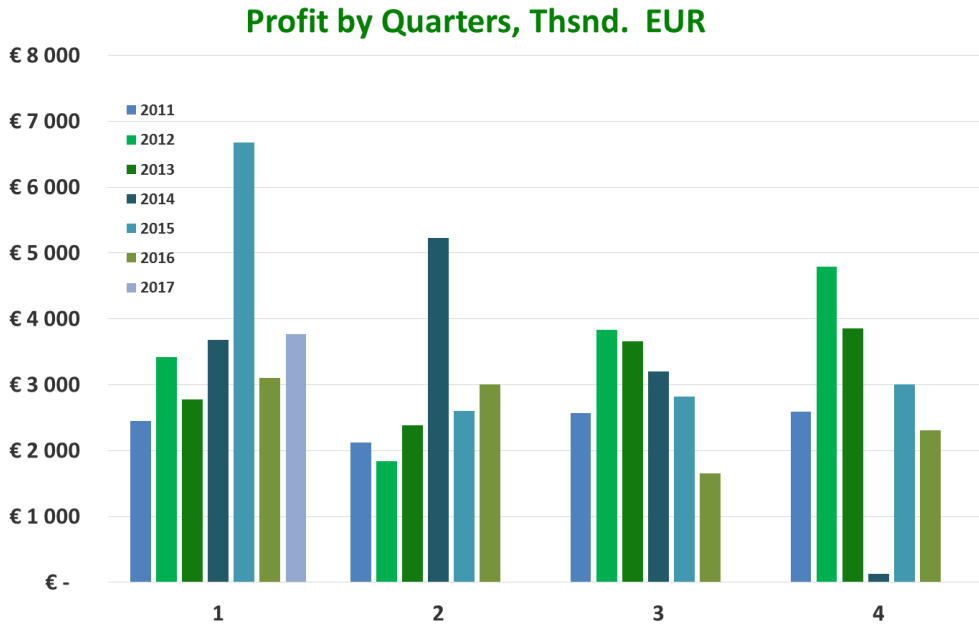


During the first quarter of 2017 significant changes have occurred to the structure of bestselling products, as Adaptol, which was the best selling product in 1st quarter of 2016 is now only the third best selling. Soluble furagin products (Furamag and Furasol) have become the best selling product of Olainfarm, leaving Neiromidin, the long term bestseller in the second positions. Overall, the distribution of sales between top 10 products has become more even as the leading product makes up only 16% of sales of Olainfarm products.

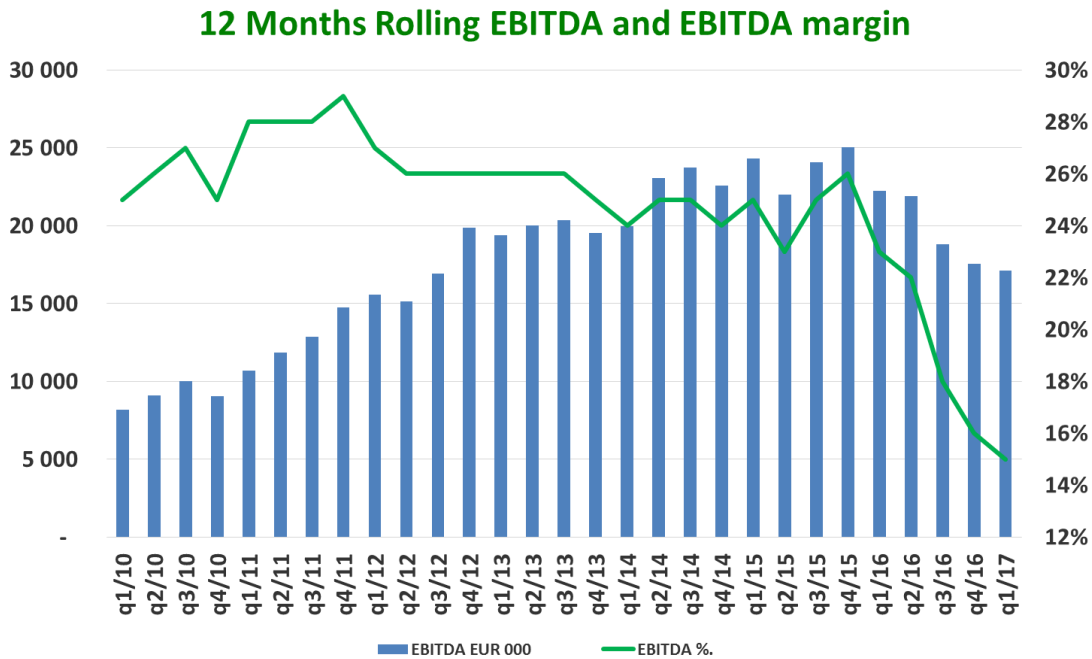


Profitability of the company during the 1st quarter of 2017 was influenced by several factors. About one million euros was the foreign currency gains, about 0.3 million provisions were made for several doubtful assets, because of wider network of daughter companies in several countries, administrative costs increased significantly. It all resulted in the net profit for 1st quarter of 2017 being at 3.68 million euros, which represents an increase by 18.3% compared to the first quarter of 2016. In terms of net profit, this quarter too has been one of the most successful first quarters in corporate history so far.





Since during these 12 months administrative costs increased significantly and during the first quarter the Group had significant foreign currency gains, the total EBITDA continues decreasing. During the last 12 months it has decreased to 17.1 million euros and EBITDA margin has reached the new low of 15.1%.



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

Financial indicator for period	01.01.2017 - 31.03.2017	01.01.2016 - 31.03.2016	% to previous period
Sales, EUR '000	28 571	26 130	109%
Net profit, EUR '000	3 673	3 108	118%
EBITDA, EUR '000	4 979	5 421	92%
EBIT, EUR '000	3 407	3 778	90%
Gross margin	59.9%	62.1%	
EBITDA margin	17.4%	20.7%	
EBIT margin	11.9%	14.5%	
Net margin	12.9%	11.9%	
EPS, EUR	0.26	0.22	118%

Financial indicator at the period end	31.03.2017	31.03.2016	% to previous period
Current ratio	2.6	3.6	
Share price at period end, EUR	9.30	7.47	124.5%
Market capitalisation, EUR '000	130 991	105 216	124.5%
P/B	1.3	1.2	

Financial indicator for 12 month	01.04.2016 - 31.03.2017	01.04.2015 - 31.03.2016	% to previous period
Sales, EUR '000	113 134	96 498	117%
Net profit, EUR '000	12 144	11 718	104%
EBITDA, EUR '000	17 115	22 224	77%
ROA	8.2%	10%	
ROE	12%	13%	
P/E	10.8	9.0	

It is proposed, that Annual meeting of shareholders of JSC Olainfarm to be convened on June 1, 2017 approves operating plan of the Group for 2017. According to it, sales of the Group in 2017 are planned to be 127 million euros, but the net profit will reach 15.5 million euros. According to this unaudited report for 1st quarter of 2016, during the first three months 22.5% of annual sales target and 23.8% of annual profit target is met.

Shares and stock market

Improvement of Company’s financial indicators over the last years are reflected in significant fluctuations of price of Company’s shares on NASDAQ OMX Riga. During the reporting period, share price mainly fluctuated around 9.00 euro per share, reaching its low of 8.50 per share in the beginning of the year, and reaching its high of 9.50 euro in the end of March. During the reporting period, 290 transactions were made with shares of JSC Olainfarm. Before the production of this report, the share price reached the new historic high of 10.30 EUR.

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



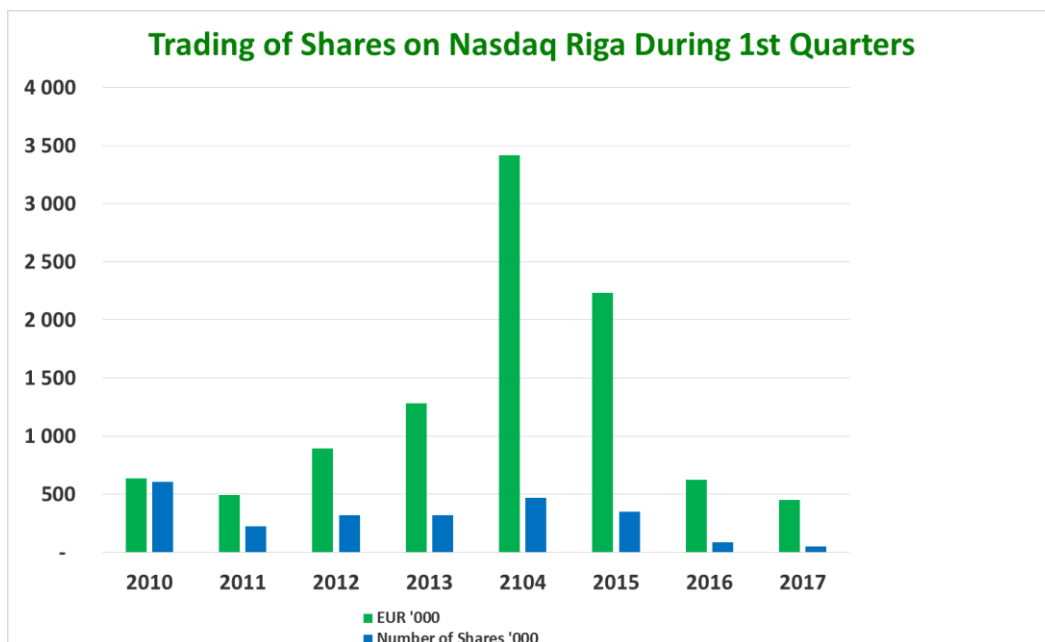
During the first quarter of 2017, price of share of JSC Olainfarm increased more than OMX Riga index. During these three months OMX Riga index increased by 4.9%, while price for share of “Olainfarm” by 5.5%.

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



-- OMX Riga
-- JSC Olainfarm

During the first quarter of 2017, almost 50 thousand shares of AS "Olainfarm" worth more than 450 thousand million euros were traded on Nasdaq Riga. Compared to the first quarter of 2016, the number of traded shares decreased by 41%, while the turnover decreased by 27%



Development

During the reporting period, registration processes were completed in Armenia, Albania and Azerbaijan. Registration processed have been started in Nepal and continued in Turkey, Armenia, Myanmar and Vietnam.

Synthesis development is completed for anticancer and antituberculosis substances new to the company.

Future Outlook

Successful operations of the Company in future will largely depend on its ability to diversify its sales markets and products and to preserve its current position in its key markets. In this respect, the Company continues taking all steps necessary to obtain the market authorisations in Turkey, which is large enough market, much less subjected to turbulences, compared to CIS countries and we expect that the first market approval will be obtained before the end of the year.

Administrative costs that have increased partially because of reorganizing of representative offices make us pay a specific attention to increasing of the sales volumes. Experience of several quarters in row that deficiencies in managing of administrative and sales promotion costs may leave considerable adverse impact on profitability of the Group. Therefore Group's ability to balance sales growth and growth of the said costs will be an important factor for Group's near term development.

Social Responsibility

During the first quarter of 2017, the company continued supporting development of new professionals of Riga Stradins University and Riga Technical University and University of Latvia with scholarships.

Demonstrating that health care and healthy life style is high among company's values, JSC Olainfarm participated in organizing Annual Medical Awards, supported amateur ice hockey tournament in the town of Olaine, sponsored young local basketball, tennis and football players.

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

Events after the end of the reporting period

After the end of this reporting period, the Group has acquired SIA Veseliba, the company that owns two pharmacies in town of Bauska, and SIA Aroma, which is importing and distributing mass-market cosmetic products. The Company has also established a daughter company in Estonia, that will engage in sales promotion of products of Olainfarm and its daughter companies.

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

(signature)

Oļegs Grigorjevs
Member of the Board

May 31, 2017

Statement of responsibility of the management

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

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

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

For the Board of JSC Olainfarm:

(signature)

Oļegs Grigorjevs
Member of the Board

May 31, 2017

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

	Note	01.01.2017 - 31.03.2017	01.01.2016 - 31.03.2016
		EUR '000	EUR '000
Net revenue		28 571	26 130
Cost of goods sold		(11 463)	(9 908)
Gross profit		17 108	16 222
Selling expense		(8 025)	(6 845)
Administrative expense		(5 414)	(4 466)
Other operating income		449	605
Other operating expense		(743)	(1 755)
Share of profit of an associate		32	17
Financial income		1 158	257
Financial expense		(102)	(40)
Profit before tax		4 463	3 995
Corporate income tax	5	(839)	(1 014)
Deferred corporate income tax	5	54	132
Profit for the reporting period		3 678	3 113
Other comprehensive income for the reporting period		-	-
Total comprehensive income for the reporting period		3 678	3 113
Total comprehensive income attributable to:			
The equity holders of the Parent company		3 673	3 108
Non-controlling interests		5	5
		3 678	3 113
Basic and diluted earnings per share, EUR		0.26	0.22

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

For the Board of JSC Olainfarm:

(signature)

Oļegs Grigorjevs
Member of the Board

May 31, 2017

Interim consolidated statement of financial position

ASSETS	Note	31.03.2017	31.12.2016
NON-CURRENT ASSETS		EUR '000	EUR '000
Intangible assets			
Goodwill		18 223	17 251
Patents		133	137
Pharmacy licenses and lease contracts		10 804	10 404
Other intangible assets		3 397	3 432
Intangible assets under development		473	471
Prepayments for intangible assets		144	165
TOTAL		33 174	31 860
Property, plant and equipment			
Land, buildings and constructions		18 821	19 207
Equipment and machinery		13 164	13 715
Other tangible assets		3 102	3 027
Leasehold investments		458	481
Construction in progress		4 711	4 043
Prepayments for property, plant and equipment		574	470
TOTAL	6	40 830	40 943
Investment properties			
		1 963	1 963
Financial assets			
Loans to related and associated companies		80	51
Loans to management, employees and shareholders		6 073	5 694
Investments in associated companies		576	544
Prepayments and prepaid expense		266	146
Other non-current financial assets		379	79
TOTAL		7 374	6 514
TOTAL NON-CURRENT ASSETS		83 341	81 280
CURRENT ASSETS			
Inventories			
Raw materials		3 920	3 504
Work in progress		9 565	9 841
Finished goods and goods for resale		10 776	10 246
Prepayments for goods		605	420
TOTAL		24 866	24 011
Receivables			
Trade receivables and receivables from associated and other related companies		32 099	33 213
Prepayments and prepaid expense		1 945	1 042
Other receivables		971	1 159
Corporate income tax		256	346
Loans to management, employees and shareholders		328	319
Loans to related and associated companies		-	45
TOTAL		35 599	36 124
Cash		5 002	3 165
TOTAL CURRENT ASSETS		65 467	63 300
TOTAL ASSETS		148 808	144 580

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

For the Board of JSC Olainfarm:

(signature)

Oļegs Grigorjevs
Member of the Board

May 31, 2017

Interim consolidated statement of financial position

EQUITY AND LIABILITIES		Note	31.03.2017	31.12.2016
EQUITY			EUR '000	EUR '000
Share capital			19 719	19 719
Share premium			2 504	2 504
Reserves			322	322
Retained earnings:				
brought forward			74 081	62 502
for the period			3 673	11 579
	TOTAL		100 299	96 626
Non-controlling interests			42	37
		TOTAL EQUITY	100 341	96 663
LIABILITIES				
Non-current liabilities				
Loans from credit institutions			16 995	18 237
Deferred corporate income tax liabilities			3 040	3 025
Deferred income			2 694	2 810
Finance lease liabilities			406	449
Other non-current financial liabilities			112	114
	TOTAL		23 247	24 635
Current liabilities				
Loans from credit institutions			7 889	6 826
Finance lease liabilities			183	194
Prepayments received from customers			51	50
Trade payables and payables to associated and other related companies			12 541	10 257
Taxes payable			1 164	1 071
Deferred income			487	493
Accrued liabilities			2 905	4 391
	TOTAL		25 220	23 282
		TOTAL LIABILITIES	48 467	47 917
TOTAL EQUITY AND LIABILITIES			148 808	144 580

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

For the Board of JSC Olainfarm:

(signature)

Oļegs Grigorjevs
Member of the Board

May 31, 2017

Interim consolidated statement of cash flow

	01.01.2017 - 31.03.2017 EUR '000	01.01.2016 - 31.03.2016 EUR '000
Cash flows to/from operating activities		
Profit before taxes	4 463	3 995
Adjustments for:		
Amortization and depreciation	1 572	1 643
Loss/ (profit) on sale/ disposal of non-current assets	(12)	(7)
Impairment of tangible, intangible assets and investment property	220	(21)
Increase/ (decrease) in allowances	(1 723)	1 896
Share of profit of an associate	(32)	(17)
Interest expenses	102	40
Interest income	(75)	(69)
Income from EU projects' funds	(140)	(307)
Unrealised loss/ (profit) from fluctuations of currency exchange rates	(1 390)	(672)
Operating cash flows before working capital changes	2 985	6 481
Decrease/ (increase) in inventories	(747)	(85)
Decrease/ (increase) in receivables and prepaid expense	1 644	(2 804)
(Decrease)/ increase in payables and prepayments received	3 170	(303)
Cash generated from operations	7 052	3 289
Corporate income tax paid	(744)	(600)
Net cash flows to/ from operating activities	6 308	2 689
Cash flows to/from investing activities		
Purchase of intangible assets and property, plant and equipment	(1 138)	(1 500)
Purchase of investment properties	(220)	-
Receipt of EU grants	18	109
Acquisition of subsidiaries	(1 374)	(539)
Proceeds from sale of intangible assets and property, plant and equipment	12	81
Repayment of loans	17	2
Interest received	3	-
Loans granted	(351)	(117)
Net cash flows to/from investing activities	(3 033)	(1 964)
Cash flows to/from financing activities		
Borrowings repaid	(1 383)	(1 203)
Interest paid	(102)	(40)
Net cash flows to/from financing activities	(1 485)	(1 243)
Change in cash	1 790	(518)
Net foreign exchange difference	47	310
Cash at the beginning of the year	3 165	5 574
Cash at the end of the reporting period	5 002	5 366

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

Interim consolidated statement of changes in equity

	Equity attributable to the equity holders of the Parent company					Non-controlling interests	Total
	Share capital	Share premium	Reserves	Retained earnings	Total		
	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000		
Balance as at 31 December 2015	19 719	2 504	322	65 773	88 318	30	88 348
Profit for the reporting period	-	-	-	3 108	3 108	5	3 113
Other comprehensive income	-	-	-	-	-	-	-
Total comprehensive income	-	-	-	3 108	3 108	5	3 113
Balance as at 31 March 2016	19 719	2 504	322	68 881	91 426	35	91 461
Balance as at 31 December 2016	19 719	2 504	322	74 081	96 626	37	96 663
Profit for the reporting period	-	-	-	3 673	3 673	5	3 678
Other comprehensive income	-	-	-	-	-	-	-
Total comprehensive income	-	-	-	3 673	3 673	5	3 678
Balance as at 31 March 2017	19 719	2 504	322	77 754	100 299	42	100 341

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 Board on 31 May 2017.

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

Basis of preparation

The interim condensed consolidated financial statements for three months ended 31 March 2017 have been prepared in accordance with IAS 34 Interim Financial Reporting.

The interim financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements as at 31 December 2016.

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

The interim financial statements comprise the financial statements of the Parent Company and all its subsidiaries as at 31 March 2017.

Changes in accounting policy and disclosures

The accounting policies are consistent with those followed in the preparation of the Group's annual financial statement for the previous periods. The Group has evaluated new and amended IFRSs and IFRICs effective for annual periods beginning on or after 1 January 2017. No impact on the interim financial statements of the Group was identified.

The Group has not applied and has not evaluated the impact of the application of the IFRS and IFRIC interpretations that have been issued as of the date of authorisation 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**Acquired subsidiaries**

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

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

Acquired entity	<i>Pārventas aptieka</i>	<i>Global Lux</i>	
	100%	100%	
Percentage of voting equity interest acquired	28.02.2017	22.03.2017	
Acquisition date			
	Fair value recognized on acquisition		TOTAL
	EUR '000	EUR '000	EUR '000
Assets			
Premises lease agreement and licences	400	-	400
Property, plant and equipment	46	-	46
Cash and cash equivalents	47	15	62
Other receivables	17	5	22
Trade receivables	-	27	27
Inventories	63	45	108
	572	92	664
Liabilities			
Trade payables	(106)	(14)	(120)
Other current liabilities	(9)	(2)	(11)
Deferred tax liabilities	(67)	(3)	(70)
	(182)	(19)	(201)
Total identifiable net assets at fair value	391	73	464
Goodwill arising on acquisition	909	63	972
Purchase consideration transferred	1 300	136	1 436
Purchase consideration:			
- Cash paid during reporting period	1 300	86	1 386
- Loan balance at acquisition date	-	50	50
Purchase consideration transferred	1 300	136	1 436
Goodwill comprises:			
- an increase in deferred tax from acquired net asset fair value and book value difference	67	3	70
- expected synergies and assembled workforce not recognised separately	842	60	902
Analysis of cash flows on acquisition:			
Net cash acquired with the subsidiary	47	15	62
Cash paid	(1 300)	(136)	(1 436)
Net cash outflow	(1 253)	(121)	(1 374)
Effect of acquisition to the Group			
Revenue contributed	74	-	74
Profit before tax generated	6	-	6
Estimated effect of acquisition if acquisition date had been as of the beginning of the year:			
Estimated revenue for whole period	212	37	249
Estimated profit before tax for whole period	18	2	20

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

SIA Pārventas aptieka goodwill is allocated entirely to the pharmacy retail segment.

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 (all pharmacy retail entities), Silvanols, Tonus Elast (Tonus Elast and Elast Medical), Biotest, Diamed and Other. Premises lease agreements and licenses with indefinite lives 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. Income tax

The Group calculates the period income tax expense using the tax rate that would be applicable to the expected total annual earnings. The major components of income tax in the interim condensed income statement are corporate income tax 839 thsd. EUR (3M 2016: 1 014 thsd. EUR) and decrease in deferred income tax expense of 54 thsd. EUR (3M 2016: decrease of 132 thsd. EUR). Deferred income tax liability at the period end is 3 040 thsd. EUR (31.12.2016: 3 025 thsd. EUR).

6. Property, plant and equipment

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

7. Related party disclosures

Related party	Type of services		Goods and services	Goods and	Amounts owed	Amounts owed
			delivered to/ Loans issued to related parties	services 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	31.12.2016	56	386	56	35
		31.03.2017	13	118	58	37
SIA Pharma and Chemistry Competence Centre of Latvia (AS Olainfarm share 11%, SIA Silvanols share 19%)	Financing and project management services	31.12.2016	-	47	8	-
		31.03.2017	-	-	-	-
TOTAL: 31.12.2016			56	433	64	35
TOTAL: 31.03.2017			13	118	58	37
2. Key management personnel						
V. Maligins (shareholder)	Loan and travelling services	31.12.2016	1 352	48	5 611	48
		31.03.2017	578	-	6 190	48
Other management personnel	Loan	31.12.2016	60	-	56	-
		31.03.2017	1	-	49	-
Other management personnel	Loan	31.12.2016	83	-	106	-
		31.03.2017	1	-	107	-
TOTAL: 31.12.2016			1 495	48	5 773	48
TOTAL: 31.03.2017			580	-	6 346	48
3. Entity with significant influence						
SIA Olmafarm (shareholder)	Loan and finished goods sale	31.12.2016	59	-	51	-
		31.03.2017	1	-	52	-
TOTAL: 31.12.2016			59	-	51	-
TOTAL: 31.03.2017			1	-	52	-
4. Other Related companies						
SIA Vega MS (V.Maligins share 59.99%)	Security services, manufacture of windows	31.12.2016	-	573	-	4
		31.03.2017	-	133	17	-
SIA Aroma (V.Maligins share 100%)	Loan, lease of premises and other services	31.12.2016	238	34	273	15
		31.03.2017	23	17	270	22
SIA Lano Serviss (V.Maligins share 25%)	Drycleaner's services	31.12.2016	13	33	1	3
		31.03.2017	2	9	1	3
SIA Olfa Press (V.Maligins share 47.5%)	Printing services	31.12.2016	51	1 469	25	230
		31.03.2017	17	463	40	329
SIA Olalex (V.Maligins share 50%)	Finished goods sale and other services	31.12.2016	15	31	-	-
		31.03.2017	4	8	-	-
SIA VIP Pharma (A.Raicis share 50%)	Product registration services	31.12.2016	-	5	-	-
		31.03.2017	-	8	-	-
OOO Medical Development Agency (G.Gildeeva share 80%)	Product registration services	31.12.2016	-	45	35	-
		31.03.2017	-	-	35	-
SIA Egotrashcinema (V.Maligins share 40%)	Travelling and other services	31.12.2016	6	-	6	-
		31.03.2017	8	-	14	-
TOTAL: 31.12.2016			323	2 190	340	252
TOTAL: 31.03.2017			54	638	377	354

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
Assets								
31.03.2017	82 242	5 381	22 327	16 656	11 252	137 858	10 950	148 808
31.12.2016	82 464	5 106	20 649	15 536	10 795	134 550	10 030	144 580
Liabilities								
31.03.2017	13 937	3 336	4 569	4 375	2 816	29 033	19 434	48 467
31.12.2016	14 052	2 000	4 442	3 611	2 954	27 059	20 858	47 917
Revenue								
External customers								
3M 2017	17 203	1 659	5 295	2 168	2 246	28 571	-	28 571
3M 2016	19 424	824	4 957	-	925	26 130	-	26 130
Inter-segment								
3M 2017	111	2 467	76	761	209	3 624	(3 624)	-
3M 2016	92	2 265	83	-	209	2 649	(2 649)	-
Total revenue								
3M 2017	17 314	4 126	5 371	2 929	2 455	32 195	(3 624)	28 571
3M 2016	19 516	3 089	5 040	-	1 134	28 779	(2 649)	26 130
Segment profit								
3M 2017	2 336	575	274	440	88	3 713	750	4 463
3M 2016	3 096	429	306	-	179	4 010	(15)	3 995

Reconciliation of profit	3M 2017	3M 2016
	EUR '000	EUR '000
Segment profit	3 713	4 010
Unallocated financial income	1 100	256
Unallocated financial expenses	(88)	(37)
Other unallocated income and expense	(40)	(178)
Inter-segment elimination	(222)	(56)
Profit before tax	4 463	3 995

Reconciliation of assets	31.03.2017	31.12.2016
	EUR '000	EUR '000
Segment operating assets	137 858	134 550
Unallocated long term assets and eliminations	11 075	10 343
Unallocated short term assets and eliminations	(3 803)	(2 541)
Cash managed on group level	3 678	2 228
Total assets	148 808	144 580

Reconciliation of Liabilities	31.03.2017	31.12.2016
	EUR '000	EUR '000
Segment operating liabilities	29 033	27 059
Deferred tax liability	882	851
Interest bearing loans and borrowings	23 342	23 492
Current tax liabilities	28	15
Other unallocated liabilities and eliminations	(4 818)	(3 500)
Total liabilities	48 467	47 917

9. Dividends paid and proposed

Board of JSC Olainfarm proposes that the dividends of 0.66 EUR per share are paid from Parent company's profit of 2016 and reserves. The Board proposes dividends payout in three equal instalments at the ends of second, third and fourth quarters of 2017 respectively.

10. Events after the reporting period

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