



JOINT STOCK COMPANY OLAINFARM

(UNIFIED REGISTRATION NUMBER 40003007246)

**UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE 6 MONTHS PERIOD ENDED 30 JUNE 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 (6.23%)
Major subsidiaries	SIA Latvijas Aptieka – 100% equity share SIA Tonus Elast – 100% equity share SIA Silvanols – 96.69% equity share
Audit Committee	Chairperson of the Auditing Committee - Viesturs Gurtlavs Members of the Auditing Committee: Deputy Chairperson of the Council Valentīna Andrējeva Member of the Council Gunta Veismane
Financial year	1 January – 31 December 2017
Interim reporting period	1 January – 30 June 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 June 30, 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%)

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 June 30, 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 June 30, 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 June 30, 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 June 30, 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 June 30, 2017): 0

Participation in other companies: none

Vladimirs Krušinskis (Board member from 12.06.2017)

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

Positions held in other companies: none

Number of shares of JSC Olainfarm owned (as of June 30, 2017): 0

Participation in other companies: none

Jeļena Borcova (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 (as of May 17, 2017): none

Number of shares of JSC Olainfarm owned (as of May 17, 2017): 1 450

Participation in other companies (as of May 17, 2017): 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 June 30, 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 June 30, 2017): 0
Participation in other companies: none

Aleksandrs Raicis

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

Positions held in other companies:
SIA Briz, Board Member

Number of shares of JSC Olainfarm owned (as of June 30, 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 June 30, 2017): 0
Participation in other companies: none

Andis Krūmiņš (Council Member from 02.06.2017)

Andis Krūmiņš graduated from the Medical Faculty of the Academy of Medicine of Latvia and obtained a doctor's degree. Andis Krūmiņš is continuing his studies at the Riga Stradins University, Faculty of Continuing Education, majoring in psychiatry.

Positions held in other companies:
SIA AO Solutions, Board Member
SIA MULTITRIAL, Chairman of the Board

Number of shares of JSC Olainfarm owned (as of June 30, 2017): 0

Participation in other companies:
SIA AO Solutions, (100%)
SIA MULTITRIAL, (100%)

Geliia Gildeeva (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 (as of May 11, 2017):

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 May 11, 2017): 65 916

Participation in other companies (as of May 11, 2017):

OOO Lekar (Moscow, Russia)

OOO Medical Development Agency (Moscow, Russia)

Changes in the Board

Member of the Board Jeļena Borcova submitted a notification about her resignation starting from 18.05.2017. According to the Decision of the Council from June 12, 2017 Vladimirs Krušinskis was appointed as a Board Member.

Changes in the Council

Council Member Geliia Gildeeva submitted a notification about her resignation starting from 12.05.2017. The General Meeting of Shareholders on June 1, 2017 made a decision to appoint new Council of JSC Olainfarm effective from 2 June, 2017: Ivars Godmanis, Valentīna Andrējeva, Gunta Veismane, Aleksandrs Raicis, Andis Krūmiņš. According to the Decision of the Council from June 2, 2017 Ivars Godmanis was appointed as a Chairperson of the Council and Valentīna Andrējeva as a Deputy Chairperson of the Council.

Major shareholders

	Share holding
Swedbank AS EE Clients account	6.23%
SIA Olmafarm	42.56%
V. Maligins	26.92%
Other shareholders	<u>24.29%</u>
Total	100.00%

Management report

General information

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

During the reporting period, changes have been made to the composition of the Group, as the company acquired SIA 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 volatile and rather unpredictable. During the 1st quarter of 2017 sales of the Group to Russia increased significantly, however, during the second quarter they dropped significantly, along with devaluation of Russian Rouble.

Sales to Uzbekistan during the first quarter were almost non-existent, however, they rapidly increased during the second quarter, as Uzbekistan once again became one of the big markets for the Group.

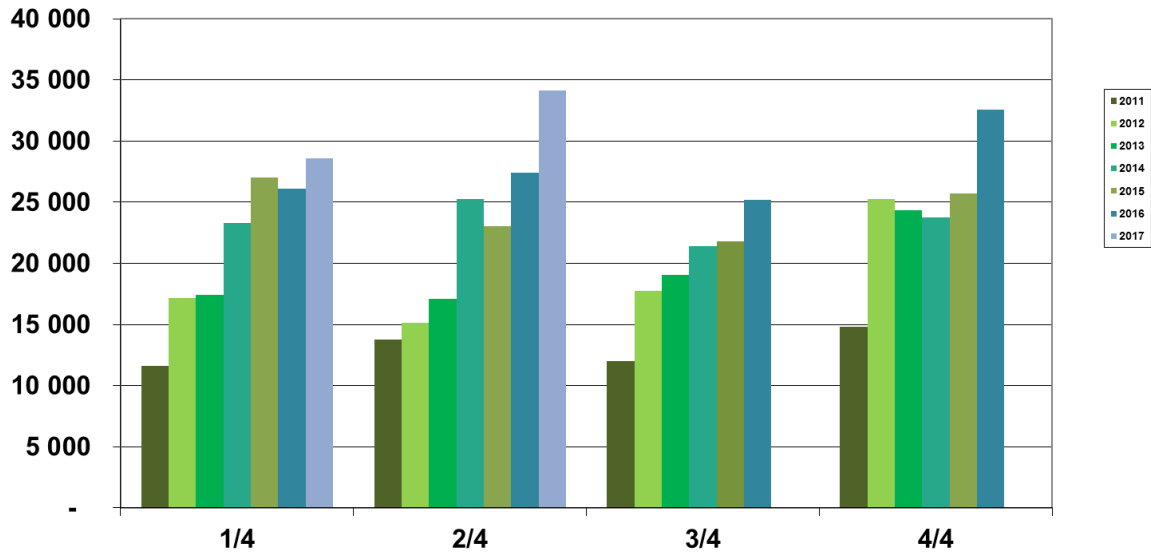
Significant increase in sales of PASA to WHO left an important positive impact on sales volumes of the Group, however, part of that are volumes of PASA intended for Ukraine and shipped to Ukraine directly according to last year's programme. This is one of the reasons for significant sales drop to Ukraine this year, compared to 2016. Another important reason for that drop is deterioration of overall economic situation in Ukraine accompanied by weakened purchasing power of Ukrainian population.

The Group still demonstrates increase in sales costs that is disproportionately large compared to increase in sales. This could be partially explained with the fact that relatively large number on new representative offices and daughter companies being open in several markets that are new to the group and therefore their contribution to overall sales is not yet very material.

Financial results

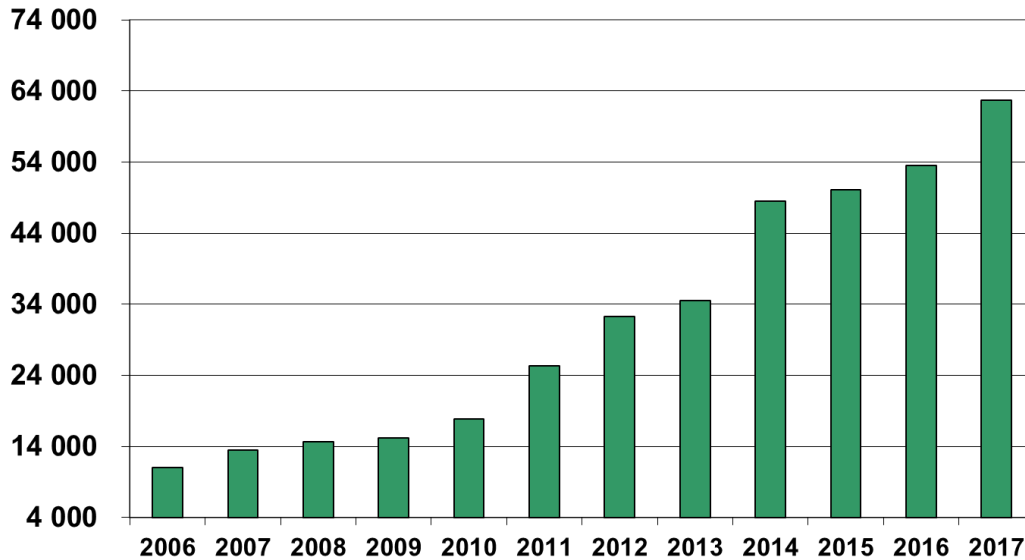
During the second quarter of 2017, sales volumes have increased by 25% compared to similar period of 2016 and reached 34.1 million euro, which makes this the best quarter in corporate history in terms of sales so far. Large shipments to the WHO and considerable sales increase in Uzbekistan are important contributors to this growth.

Sales by Quarters, Thsnd. EUR

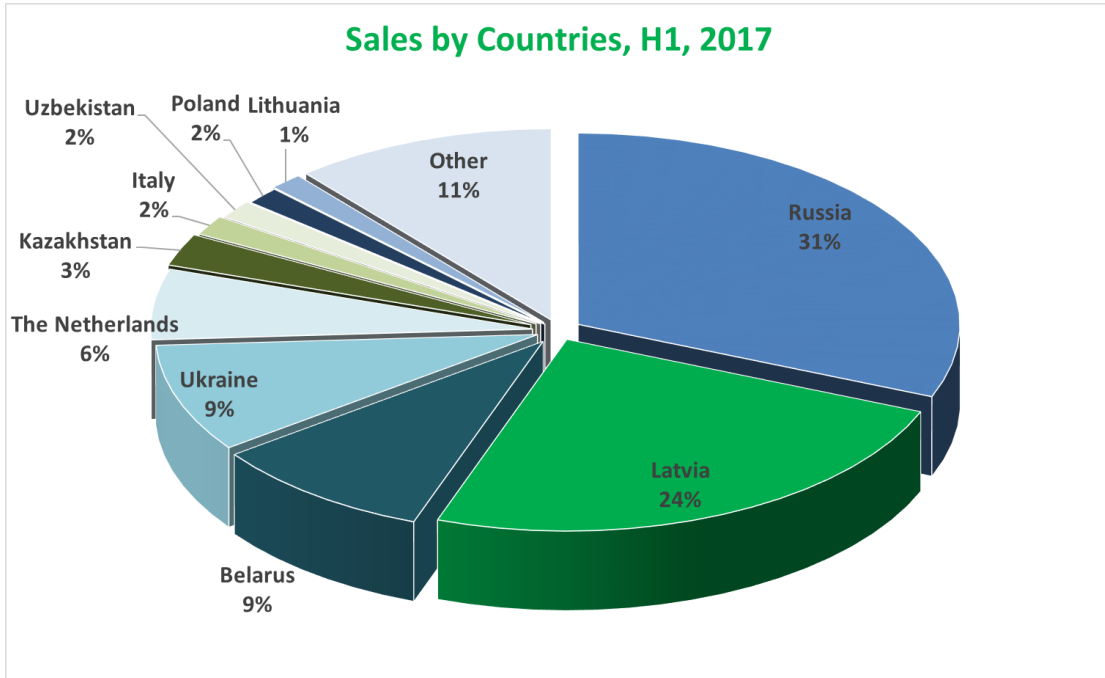


During 6 months of 2017, sales grew by more than 17% compared to the first half of 2016 and reached 62.7 million euros, which in terms of sales makes this the best first half in corporate history. From all the major sales markets of the Group, only Uzbekistan and Ukraine experienced some sales reduction, all the other markets demonstrated at least double-digit sales increase.

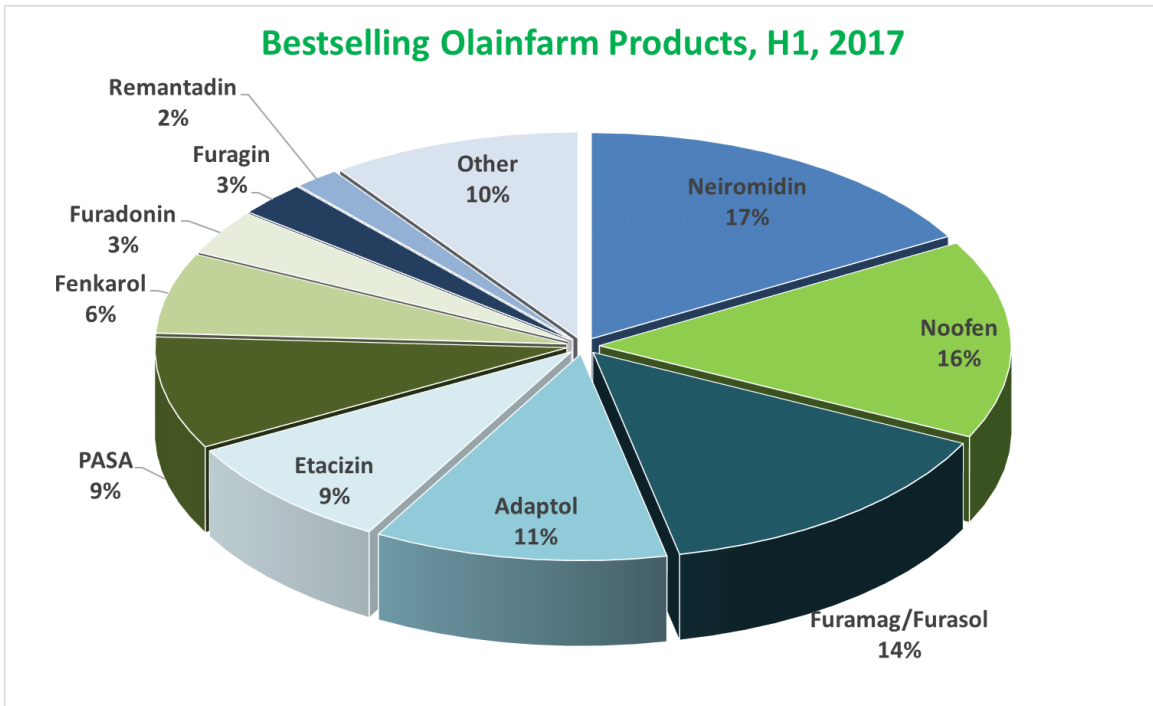
Six Months Sales, Thsnd. EUR



During the 1st half of 2017 sales to all company's main markets continued increasing except for Ukraine, where they dropped by 40% and Uzbekistan, where during the same period of time they shrunk by 21%. Significant sales increase during this period was achieved to The Netherlands, where sales increased by 600%, Italy, where sales increased by 56% and Kazakhstan, where sales increased by 55%. Major sales markets of the Group during the first half of 2017 were Russia, Latvia, Belarus and Ukraine.

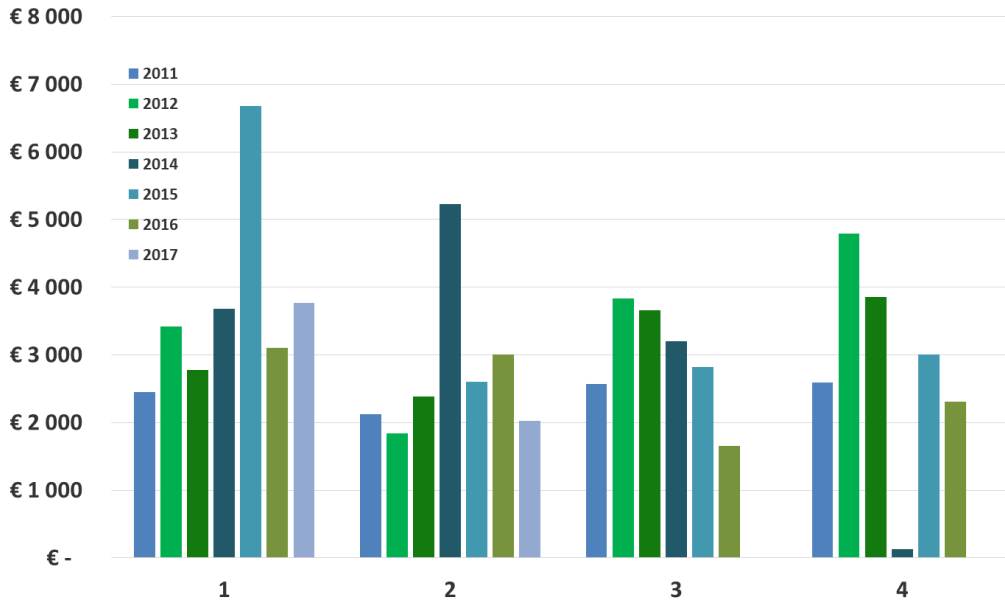


During the year, some minor changes have occurred to the sales structure of bestselling products of JSC Olainfarm. Neiromidin and Noofen still maintained their bestselling status, but share of products of soluble furaginum increased slightly, but share of Adaptol dropped to 11%. In top 10 list, Remantadin replaced MAG.



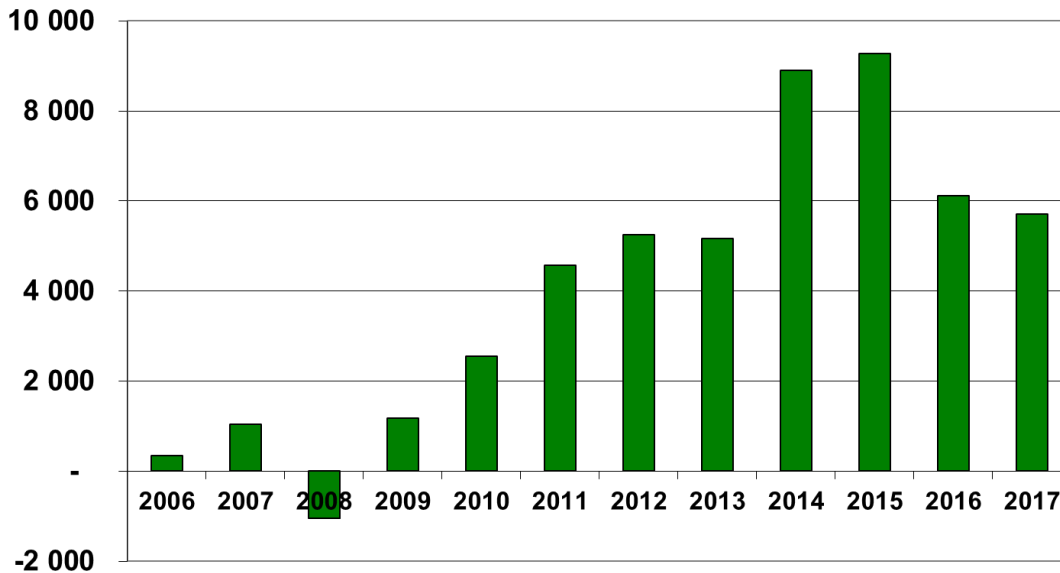
Although this past second quarter was outstanding in terms of sales, in terms of profitability it has been one of the least successful. The profitability was adversely impacted by several factors, including value loss of Russian Rouble, which created a forex loss of nearly 2 million euros, as well as conservative revaluation of value of Olaines Veselibas Centrs, resulting in 0.4 million provisions. After these factors, the net profit of the Group during the second quarter was 2 million euros, which represents a reduction by a third, compared to second quarter of 2016.

Profit by Quarters, Thsnd. EUR



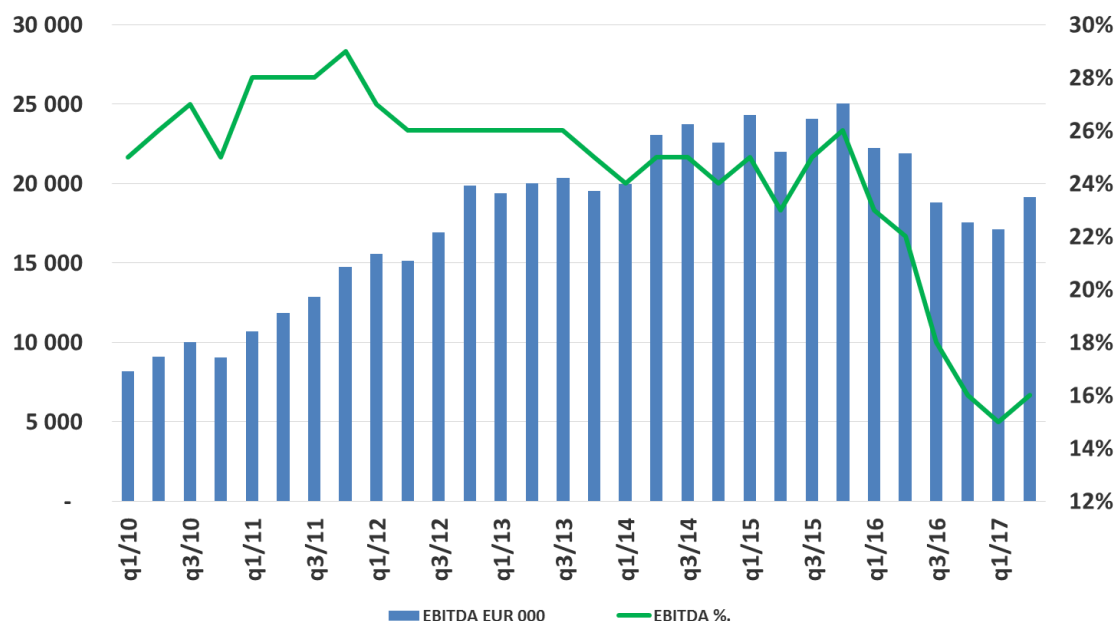
Although the new sales record has been set during this six months period, the net profit has dropped by about 400 thousand euros or by approximately 7%. Although other operating expenses are reduced by 2.7 million euros, due to smaller provisions and write-offs, sales costs have increased by 4 million and there were about 1 million euros foreign exchange loss.

Net Profit of First Halves, Thsnd. EUR



As the total volume of provisions and write-offs, is reduced, for the first time since the end of 2015 there is some slight increase in EBITDA and EBITDA margin. 12 months EBITDA margin has again reached 16%, but EBITDA itself is now up to 19.2 million EUR.

12 Months Rolling EBITDA and EBITDA Margin



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

Financial indicator for period	01.01.2017 - 30.06.2017	01.01.2016 - 30.06.2016	% to previous period
Sales, EUR '000	62 719	53 517	117%
Net profit, EUR '000	5 701	6 111	93%
EBITDA, EUR '000	11 342	9 745	116%
EBIT, EUR '000	8 192	6 807	120%
Gross margin	61.8%	62.0%	
EBITDA margin	18.1%	18.2%	
EBIT margin	13.1%	12.7%	
Net margin	9.1%	11.4%	
EPS, EUR	0.40	0.43	93%

Financial indicator at the period end	30.06.2017	30.06.2016	% to previous period
Current ratio	2.0	3.2	
Share price at period end, EUR	10.90	7.30	149.3%
Market capitalisation, EUR '000	153 527	102 821	149.3%
P/B	1.6	1.1	

Financial indicator for 12 month	01.07.2016 - 30.06.2017	01.07.2015 - 30.06.2016	% to previous period
Sales, EUR '000	119 895	100 840	119%
Net profit, EUR '000	11 169	12 116	92%
EBITDA, EUR '000	19 154	21 918	87%
ROA	7.3%	9%	
ROE	12%	13%	
P/E	13.7	8.5	

Annual meeting of shareholders of JSC Olainfarm convened on June 1, 2017 approved 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 first half of 2017, during the first six months 49.3% of annual sales target and 36.8% of annual profit target is met. Taking into account a considerable deviation in schedule to achieving the profit target, the Board will soon decide on reviewing Groups profit target.

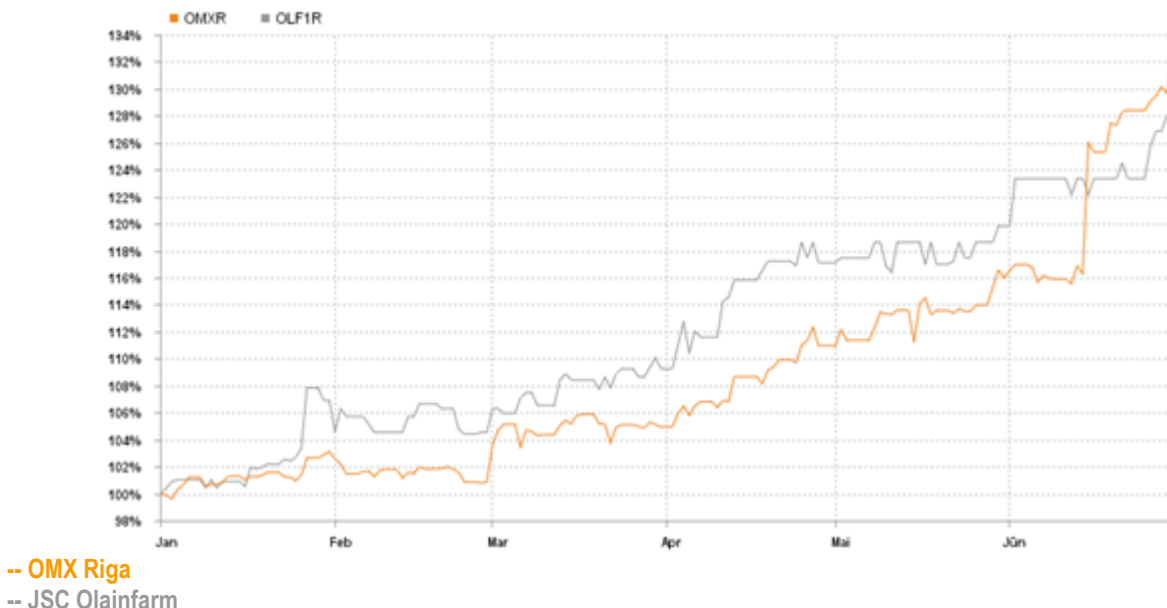
Shares and stock market

Stabilisation of Company's financial indicators over the last years is reflected in reoccurring historical highs of price of Company's shares on NASDAQ OMX Riga. During the reporting period, share price mainly fluctuated around 10.00 euro per share, reaching its low of 8.50 per share in the beginning of the year, and reaching its high of 10.90 euro at the very end of the second quarter. During the reporting period, 683 transactions were made with shares of JSC Olainfarm. Before the production of this report, the share price reached the new historic high of 11.50 EUR.

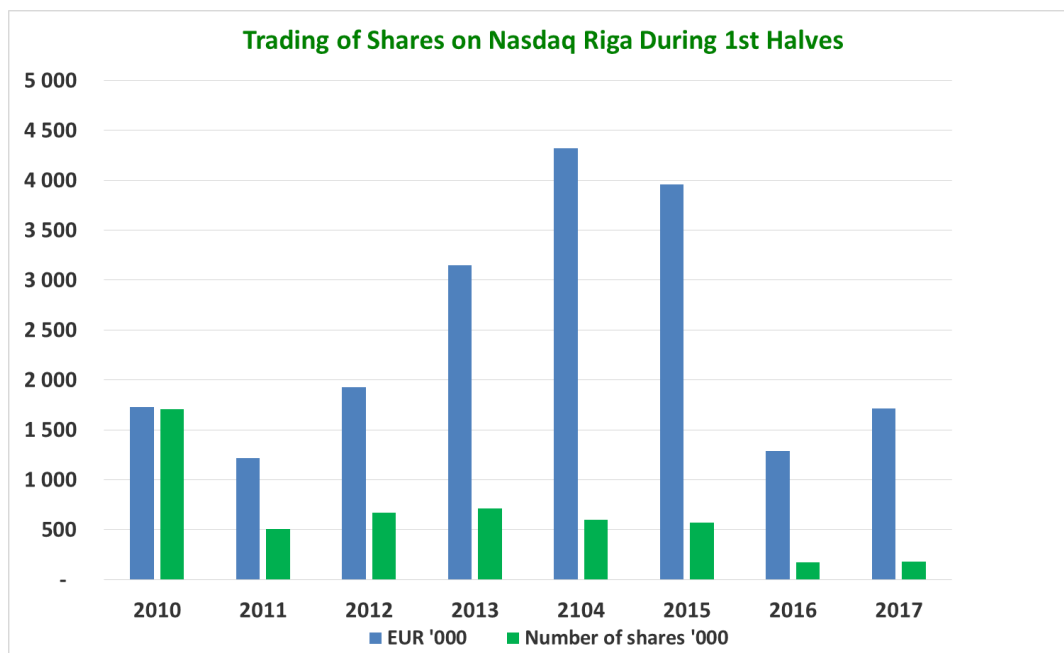


During the first half of 2017, price of share of JSC Olainfarm increased slightly less than OMX Riga index. During these six months OMX Riga index increased by 32.2%, while price for share of JSC Olainfarm by 28.1%.

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



During the first half of 2017, more than 175 thousand shares of JSC Olainfarm worth more than 1.7 million million euros were traded on Nasdaq Riga. Compared to the first half of 2016, the number of traded shares remained virtually flat, while the turnover increased by half a million euros.



Development

During the reporting period, registration processes were completed in Armenia, Albania and Azerbaijan. Registration processes have been started in Nepal and continued in Turkey, Armenia, Myanmar, Cameroon and Vietnam. Registration of medicines produced by NPK Biotest are started in Belarus. Parent company itself has submitted one more dossier in Turkey and is soon expected to launch several painkilling and anti-inflammatory medicines.

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. Simultaneously the company has intensified effort to launch several new products, including several antituberculosis and anti-cancer products that are new to the company. It is planned that the first one of them might be commercialized at the beginning of 2019.

As could be seen from the last several quarterly reports, increasing administrative costs make company to focus on increasing its sales volumes. Failure to contain sales and administrative costs may leave a significant adverse impact on Group's profitability, therefore balancing these costs with increases in sales will be essential in maintaining and improving Groups margins.

Basing on its recent year experience the Company has taken a particularly conservative approach in valuing its assets. In short to medium term it may imply revaluating some of them, which means negative, but more balanced impact on overall profitability.

Social Responsibility

During the first half of 2017, the company continued supporting development of new professionals of Riga Stradins University and Riga Technical University and University of Latvia with scholarships. Participation of the most talented students in different skill contests was widely supported.

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 and a local public running competition. With the support of Olainfarm Latvian national In-Line Hockey team participated in World Championships in Slovakia.

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

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

(signature)

Oļegs Grigorjevs
Member of the Board

August 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

August 31, 2017

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

	Note	01.04.2017 -	01.04.2016 -	01.01.2017 -	01.01.2016 -
		30.06.2017	30.06.2016	30.06.2017	30.06.2016
		EUR '000	EUR '000	EUR '000	EUR '000
Net revenue		34 148	27 387	62 719	53 517
Cost of goods sold		(12 467)	(10 412)	(23 930)	(20 320)
Gross profit		21 681	16 975	38 789	33 197
Selling expense		(10 606)	(7 779)	(18 631)	(14 624)
Administrative expense		(6 035)	(4 584)	(11 449)	(9 050)
Other operating income		572	891	1 021	1 496
Other operating expense		(855)	(2 496)	(1 598)	(4 251)
Share of profit of an associate		28	22	60	39
Financial income		79	1 042	156	1 299
Financial expense		(2 319)	(69)	(1 340)	(109)
Profit before tax		2 545	4 002	7 008	7 997
Corporate income tax	5	(569)	(1 081)	(1 408)	(2 095)
Deferred corporate income tax	5	49	82	103	214
Profit for the reporting period		2 025	3 003	5 703	6 116
Other comprehensive income for the reporting period		-	-	-	-
Total comprehensive income for the reporting period		2 025	3 003	5 703	6 116
Total comprehensive income attributable to:					
The equity holders of the Parent company		2 028	3 003	5 701	6 111
Non-controlling interests		(3)	-	2	5
		2 025	3 003	5 703	6 116
Basic and diluted earnings per share, EUR		0.14	0.21	0.40	0.43

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

For the Board of JSC Olainfarm:

(signature)

Oļegs Grigorjevs
Member of the Board

August 31, 2017

Interim consolidated statement of financial position

ASSETS	Note	30.06.2017	31.12.2016
NON-CURRENT ASSETS		EUR '000	EUR '000
Intangible assets			
Goodwill		21 824	17 251
Patents		130	137
Pharmacy licenses and lease contracts		12 024	10 404
Other intangible assets		3 347	3 432
Intangible assets under development		461	471
Prepayments for intangible assets		131	165
TOTAL		37 917	31 860
Property, plant and equipment			
Land, buildings and constructions		19 864	19 207
Equipment and machinery		13 024	13 715
Other tangible assets		3 453	3 027
Leasehold investments		443	481
Construction in progress		4 615	4 043
Prepayments for property, plant and equipment		458	470
TOTAL	6	41 857	40 943
Investment properties			
		1 963	1 963
Financial assets			
Loans to related and associated companies		-	51
Loans to management, employees and shareholders		3 816	5 694
Investments in associated companies		604	544
Prepayments and prepaid expense		226	146
Other non-current financial assets		79	79
TOTAL		4 725	6 514
TOTAL NON-CURRENT ASSETS		86 462	81 280
CURRENT ASSETS			
Inventories			
Raw materials		3 950	3 504
Work in progress		8 479	9 841
Finished goods and goods for resale		12 176	10 246
Prepayments for goods		540	420
TOTAL		25 145	24 011
Receivables			
Trade receivables and receivables from associated and other related companies		32 691	33 213
Prepayments and prepaid expense		1 333	1 042
Other receivables		1 175	1 159
Corporate income tax		352	346
Loans to management, employees and shareholders		1 028	319
Loans to related and associated companies		-	45
TOTAL		36 579	36 124
Cash		4 900	3 165
TOTAL CURRENT ASSETS		66 624	63 300
TOTAL ASSETS		153 086	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

August 31, 2017

Interim consolidated statement of financial position

EQUITY AND LIABILITIES		Note	30.06.2017	31.12.2016
EQUITY			EUR '000	EUR '000
Share capital			19 719	19 719
Share premium			2 504	2 504
Reserves			40	322
Retained earnings:				
brought forward			65 059	62 502
for the period			5 701	11 579
	TOTAL		<u>93 023</u>	<u>96 626</u>
Non-controlling interests			39	37
		TOTAL EQUITY	93 062	96 663
LIABILITIES				
Non-current liabilities				
Loans from credit institutions			19 499	18 237
Deferred corporate income tax liabilities			3 208	3 025
Deferred income			2 584	2 810
Finance lease liabilities			476	449
Other non-current financial liabilities			177	114
	TOTAL		<u>25 944</u>	<u>24 635</u>
Current liabilities				
Loans from credit institutions			7 867	6 826
Finance lease liabilities			196	194
Other loans			192	-
Prepayments received from customers			230	50
Trade payables and payables to associated and other related companies			20 429	10 257
Taxes payable			1 173	1 071
Deferred income			488	493
Accrued liabilities			3 505	4 391
	TOTAL		<u>34 080</u>	<u>23 282</u>
		TOTAL LIABILITIES	60 024	47 917
TOTAL EQUITY AND LIABILITIES			153 086	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

August 31, 2017

Interim consolidated statement of cash flow

	01.01.2017 - 30.06.2017 EUR '000	01.01.2016 - 30.06.2016 EUR '000
Cash flows to/from operating activities		
Profit before taxes	7 008	7 997
Adjustments for:		
Amortization and depreciation	3 150	2 938
Loss/ (profit) on sale/ disposal of non-current assets	(21)	(41)
Impairment of tangible, intangible assets and investment property	919	19
Increase/ (decrease) in allowances	(1 808)	2 395
Share of profit of an associate	(60)	(39)
Interest expenses	209	109
Interest income	(152)	(139)
Income from EU projects' funds	(361)	(857)
Unrealised loss/ (profit) from fluctuations of currency exchange rates	584	(1 253)
Operating cash flows before working capital changes	9 468	11 129
Decrease/ (increase) in inventories	(39)	957
Decrease/ (increase) in receivables and prepaid expense	543	(5 923)
(Decrease)/ increase in payables and prepayments received	4 275	(169)
Cash generated from operations	14 247	5 994
Corporate income tax paid	(1 399)	(1 353)
Net cash flows to/ from operating activities	12 848	4 641
Cash flows to/from investing activities		
Purchase of intangible assets and property, plant and equipment	(3 185)	(3 077)
Purchase of investment properties	(520)	-
Receipt of EU grants	115	641
Acquisition of subsidiaries	(6 506)	(14 712)
Proceeds from sale of intangible assets and property, plant and equipment	43	105
Repayment of loans	1 893	1 015
Interest received	4	132
Loans granted	(549)	(245)
Net cash flows to/from investing activities	(8 705)	(16 141)
Cash flows to/from financing activities		
Dividends paid	(3 107)	(2 549)
Borrowings repaid	(2 778)	(2 050)
Interest paid	(209)	(109)
Proceeds from borrowings	3 440	14 000
Net cash flows to/from financing activities	(2 654)	9 292
Change in cash	1 489	(2 208)
Net foreign exchange difference	246	290
Cash at the beginning of the year	3 165	5 574
Cash at the end of the reporting period	4 900	3 656

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	-	-	-	6 111	6 111	5	6 116
Other comprehensive income	-	-	-	-	-	-	-
Total comprehensive income	-	-	-	6 111	6 111	5	6 116
Dividends	-	-	-	(2 549)	(2 549)	-	(2 549)
Balance as at 30 June 2016	19 719	2 504	322	69 335	91 880	35	91 915
Balance as at 31 December 2016	19 719	2 504	322	74 081	96 626	37	96 663
Profit for the reporting period	-	-	-	5 701	5 701	2	5 703
Other comprehensive income	-	-	-	-	-	-	-
Total comprehensive income	-	-	-	5 701	5 701	2	5 703
Dividends	-	-	(282)	(9 022)	(9 304)	-	(9 304)
Balance as at 30 June 2017	19 719	2 504	40	70 760	93 023	39	93 062

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 August 2017.

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 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 30 June 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 authorizing 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.

Acquisition of Pharmacies

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

Acquired entity	Pārventas aptieka	Veselība	Rēzeknes ērgļa aptieka	
Percentage of voting equity interest acquired	100%	100%	100%	
Acquisition date	28.02.2017	25.05.2017	19.06.2017	
	Fair value recognized on acquisition			TOTAL
	EUR '000	EUR '000	EUR '000	EUR '000
Assets				
Premises lease agreement and licences	400	910	310	1 620
Property, plant and equipment	46	139	-	185
Cash and cash equivalents	47	30	57	134
Other receivables	17	9	1	27
Trade receivables	-	28	11	39
Inventories	63	177	80	320
	572	1 293	459	2 324
Liabilities				
Trade payables	(106)	(152)	(117)	(375)
Other current liabilities	(9)	(60)	(14)	(83)
Deferred tax liabilities	(67)	(157)	(48)	(272)
	(182)	(369)	(179)	(730)
Total identifiable net assets at fair value	391	924	280	1 595
Goodwill arising on acquisition	909	2 076	1 420	4 405
Purchase consideration transferred	1 300	3 000	1 700	6 000
Goodwill comprises:				
- an increase in deferred tax from acquired net asset fair value and book value difference	67	157	48	272
- expected synergies and assembled workforce not recognised separately	842	1 919	1 372	4 133
Analysis of cash flows on acquisition:				
Net cash acquired with the subsidiary	47	30	57	134
Cash paid	(1 300)	(3 000)	(1 700)	(6 000)
Net cash outflow	(1 253)	(2 970)	(1 643)	(5 866)
Effect of acquisition to the Group				
Revenue contributed	102	181	30	313
Profit/ (loss) before tax generated	(4)	21	(2)	15
Estimated effect of acquisition if acquisition date had been as of the beginning of the year:				
Estimated revenue for whole period	240	995	496	1 731
Estimated profit before tax for whole period	10	20	1	31

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.

The acquired pharmacies goodwill is allocated entirely to the pharmacy retail segment.

3. Business combination (cont'd)**Acquisition of Wholesale and Health care companies**

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

Acquired entity	<i>Global Lux</i>	<i>Aroma</i>	<i>Olaines veselibas centrs</i>	
	100% 22.03.2017	100% 19.05.2017	100% 21.06.2017	
	Fair value recognized on acquisition			TOTAL
	EUR '000	EUR '000	EUR '000	EUR '000
Assets				
Property, plant and equipment	-	134	129	263
Cash and cash equivalents	15	6	75	96
Other receivables	5	2	1	8
Trade receivables	27	237	17	281
Inventories	45	684	5	734
	92	1 063	227	1 382
Liabilities				
Trade payables	(14)	(108)	(4)	(126)
Other current liabilities	(2)	(218)	(69)	(289)
Other long term liabilities	-	(134)	-	(134)
Deferred tax liabilities	(3)	(3)	(8)	(14)
	(19)	(463)	(81)	(563)
Total identifiable net assets at fair value	73	600	146	819
Goodwill arising on acquisition	63	-	504	567
Purchase consideration transferred	136	600	650	1 386
Purchase consideration:				
- Cash paid during reporting period	86	-	650	736
- Loan and trade receivable balance at acquisition date	50	282	-	332
- Cash not paid during reporting period	-	318	-	318
	136	600	650	1 386
Goodwill comprises:				
- an increase in deferred tax from acquired net asset fair value and book value difference	3	3	8	14
- expected synergies and assembled workforce not recognised separately	60	(3)	496	553
Analysis of cash flows on acquisition:				
Net cash acquired with the subsidiary	15	6	75	96
Cash paid	(86)	-	(650)	(736)
Net cash outflow	(71)	6	(575)	(640)
Effect of acquisition to the Group				
Revenue contributed	51	156	-	207
Profit/ (loss) before tax generated	6	(97)	-	(91)
Estimated effect of acquisition if acquisition date had been as of the beginning of the year:				
Estimated revenue for whole period	88	449	261	798
Estimated profit/ (loss) before tax for whole period	8	(97)	(19)	(108)

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.

The goodwill is allocated separately for each business segment.

Goodwill arising on SIA Olaines veselibas centrs acquisition has been partly written-off. The write-off amount is 399 thsd. EUR and is recognised in Other operating expense. The remaining recoverable goodwill amount according to the management estimates is 105 thsd. EUR.

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, except for goodwill arising on the newly acquired Health care company SIA Olaines veselības centrs (see Note 3).

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 1 408 thsd. EUR (6M 2016: 2 095 thsd. EUR) and decrease in deferred income tax expense of 103 thsd. EUR (6M 2016: decrease of 214 thsd. EUR). Deferred income tax liability at the period end is 3 208 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	Goods and	Amounts	Amounts
			services delivered to/ Loans issued to related parties	services received from related parties	owed by related parties (gross)	owed to related parties (gross)
			EUR '000	EUR '000	EUR '000	EUR '000
1. Associated entities						
SIA Olainfarm enerģija (AS Olainfarm share 50%)	Loan, services, energy production	31.12.2016	56	386	56	35
		30.06.2017	27	246	4	33
SIA Pharma and Chemistry Competence Centre of Latvia (AS Olainfarm share 11%, SIA Silvanols share 19%)	Financing and project management services	31.12.2016	-	18	8	-
		30.06.2017	-	-	-	-
TOTAL: 31.12.2016			56	404	64	35
TOTAL: 30.06.2017			27	246	4	33
2. Key management personnel						
V. Maligins (shareholder)	Loan and travelling services	31.12.2016	1 352	48	5 611	48
		30.06.2017	899	318	4 754	318
Other management personnel	Loan	31.12.2016	60	-	56	-
		30.06.2017	1	-	43	-
Other management personnel	Loan	31.12.2016	83	-	106	-
		30.06.2017	3	-	105	-
TOTAL: 31.12.2016			1 495	48	5 773	48
TOTAL: 30.06.2017			903	318	4 902	318
3. Entity with significant influence						
SIA Olmafarm (shareholder)	Loan and finished goods sale	31.12.2016	59	-	51	-
		30.06.2017	2	-	-	-
TOTAL: 31.12.2016			59	-	51	-
TOTAL: 30.06.2017			2	-	-	-
4. Other Related companies						
SIA Vega MS (V.Maligins share 59.99%)	Security services, manufacture of windows	31.12.2016	-	573	-	4
		30.06.2017	-	284	-	-
SIA Lano Serviss (V.Maligins share 25%)	Drycleaner's services	31.12.2016	13	33	1	3
		30.06.2017	5	18	1	3
SIA Olfa Press (V.Maligins share 47.5%)	Printing services	31.12.2016	51	1 469	25	230
		30.06.2017	31	860	52	276
SIA Olalex (V.Maligins share 50%)	Finished goods sale and other services	31.12.2016	15	31	-	-
		30.06.2017	4	8	-	-
SIA VIP Pharma (A.Raicis share 50%)	Product registration services	31.12.2016	-	5	-	-
		30.06.2017	-	14	-	-
SIA Egotrashcinema (V.Maligins share 40%)	Travelling and other services	31.12.2016	6	-	6	-
		30.06.2017	16	-	22	-
TOTAL: 31.12.2016			85	2 111	32	237
TOTAL: 30.06.2017			56	1 184	75	279

Due to the changes in the Council of JSC Olainfarm, starting from May 12, 2017 OOO Medical Development Agency is no more related party to JSC Olainfarm and intercompany transactions between JSC Olainfarm and OOO Medical Development Agency are not included in the table above. During the period from the beginning of the year 2017 till May 12, 2017 there were no transactions between the companies. Amount due from OOO Medical Development Agency as at the end of the reporting period is 35 thsd. EUR.

During the reporting period, the Group acquired 100% equity shares of SIA Aroma (previously owned by V. Maligins). Thus, starting from 19 May, 2017 SIA Aroma is considered as subsidiary of JSC Olainfarm and is fully consolidated in these Financial Statements.

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								
30.06.2017	83 082	5 349	18 802	16 392	11 662	135 287	17 799	153 086
31.12.2016	82 464	5 106	11 971	15 536	10 795	125 872	18 708	144 580
Liabilities								
30.06.2017	16 325	3 177	5 505	4 022	2 919	31 948	28 076	60 024
31.12.2016	14 052	2 000	4 442	3 611	2 954	27 059	20 858	47 917
Revenue								
External customers								
6M 2017	40 127	3 089	10 437	4 825	4 241	62 719	-	62 719
6M 2016	39 677	1 642	9 521	773	1 904	53 517	-	53 517
Inter-segment								
6M 2017	225	4 718	138	1 492	174	6 747	(6 747)	-
6M 2016	171	4 321	196	-	332	5 020	(5 020)	-
Total revenue								
6M 2017	40 352	7 807	10 575	6 317	4 415	69 466	(6 747)	62 719
6M 2016	39 848	5 963	9 717	773	2 236	58 537	(5 020)	53 517
Segment profit								
6M 2017	6 317	1 065	425	543	(262)	8 088	(1 080)	7 008
6M 2016	6 081	826	461	164	204	7 736	261	7 997

Reconciliation of profit

	6M 2017	6M 2016
	EUR '000	EUR '000
Segment profit	8 088	7 736
Unallocated financial income	181	1 290
Unallocated financial expenses	(1 048)	(101)
Other unallocated income and expense	735	(477)
Inter-segment elimination	(948)	(451)
Profit before tax	7 008	7 997

Reconciliation of assets

	30.06.2017	31.12.2016
	EUR '000	EUR '000
Segment operating assets	135 287	125 872
Unallocated long term assets and eliminations	17 264	19 021
Unallocated short term assets and eliminations	(2 800)	(2 541)
Cash managed on group level	3 335	2 228
Total assets	153 086	144 580

Reconciliation of Liabilities

	30.06.2017	31.12.2016
	EUR '000	EUR '000
Segment operating liabilities	31 948	27 059
Deferred tax liability	1 078	851
Interest bearing loans and borrowings	26 267	23 492
Current tax liabilities	(154)	15
Other unallocated liabilities and eliminations	885	(3 500)
Total liabilities	60 024	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. The first stage of dividends payout in amount of 3 099 thsd. EUR was accomplished on 20 June, 2017.

10. Events after the reporting period

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