



JOINT STOCK COMPANY OLAINFARM

(UNIFIED REGISTRATION NUMBER 40003007246)

**UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE 6 MONTHS PERIOD ENDED 30 JUNE 2016**

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

Olaine, 2016

CONTENTS

General information	3
Major shareholders	9
Management report	4
Statement of responsibility of the management	19
Interim consolidated statement of comprehensive income	20
Interim consolidated statement of financial position	21
Interim consolidated statement of cash flow	23
Interim consolidated statement of changes in equity	24
Notes to the interim condensed consolidated financial statements	25

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 SIA Silvanols – 96.69% equity share
Audit Committee	Viesturs Gurtlavs
Financial year	1 January – 31 December 2016
Interim reporting period	1 January – 30 June 2016

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 (from 03.06.2016)

Number of shares of JSC Olainfarm owned (as of June 30, 2016):

- 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 Carbochem (50%)
- SIA Aroma (100%)
- SIA Olmafarm (100%)
- SIA Escargot (33.5%)
- SIA Olalex (50%)
- SIA Energo Capital (50%)
- SIA Egotrashcinema (40%)

Jeļena Borcova

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 June 30, 2016): 1 450

Participation in other companies: none

Salvis Lapiņš

Salvis Lapiņš is a member of the Parent Company's Management Board and a 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, 2016): 30 951

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 (from 04.01.2016)

Number of shares of JSC Olainfarm owned (as of June 30, 2016): 1 000
Participation in other companies: none

Oļegs Grigorjevs (Board Member from 25.02.2016)

Oļegs Grigorjevs is a member of the Parent Company's Management Board from 25.02.2016 and Director of Commercial Department, 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 (from 10.03.2016)
SIA Kiwi Cosmetics, Board Member (from 14.03.2016)

Number of shares of JSC Olainfarm owned (as of June 30, 2016): 1 000
Participation in other companies: none

Mihails Raizbergs (Board Member from 16.08.2016)

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, 2016): 200

Participation in other companies:

SIA "Digital Partner" (100%)

SIA Digital Era (100%)

Mārtiņš Tambaks (Board Member from 16.08.2016)

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, 2016): 0

Participation in other companies: none

Marjana Ivanova-Jevsejeva (Board Member from 20.11.2015 until 25.02.2016)

Marjana Ivanova-Jevsejeva - a member of the Parent Company's Management Board from 20.11.2015 until 25.02.2016. Previous positions of M.Ivanova-Jevsejeva include Member of Latvian Parliament, Socioeconomics analyst at Fenster publishing house and Project manager at Daugavpils city Council. Educational background of M.Ivanova-Jevsejeva includes Master degrees of Public Administration and Social sciences from University of Daugavpils and BBA degree of Baltic Russian Institute.

Positions held in other companies:

SIA Aroma, Board Member (from 25.11.2015 until 25.02.2016)

SIA Carbochem, Liquidator (from 08.01.2016 until 12.04.2016)

Number of shares of JSC Olainfarm owned (as of June 30, 2016): 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 (from 16.08.2016)

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:

Latvian Tennis union, Vice President

Tennis club Prezidents, Board member

Latvia's First Party/Latvian Way election union, Chairperson

Number of shares of JSC Olainfarm owned (as of June 30, 2016): 0

Participation in other companies:

Sports 1, Apartment owners cooperative society (10%)

Valentīna Andrējeva, Deputy Chairperson of the Council (Chairperson of the Council from 12.01.2015 until 16.08.2016)

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, 2016): 0
Participation in other companies: none

Geliia Gildeeva (from 16.08.2016)

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 June 30, 2016): 65 916

Participation in other companies:
OOO Lekar (Moscow, Russia)
OOO Medical Development Agency (Moscow, Russia)

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, 2016): 0

Participation in other companies:
SIA VIP Pharma (50%)
SIA Reclusus (30%)
SIA Briz (7.92%)

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, 2016): 0
Participation in other companies: none

Ingrīda Circene (Deputy Chairperson of the Council from 12.01.2015 until 16.08.2016)

Ingrīda Circene used to be Minister for Health of Latvia and member of several Saeima. I.Circene has graduated Riga Medical Institute and Riga Commerce School.

Positions held in other companies: none

Number of shares of JSC Olainfarm owned (as of June 30, 2016): 0

Participation in other companies: none

Volodimir Krivozubov (Member of the Council from 12.01.2015 until 16.08.2016)

Volodimir Krivozubov is a Director-General of the Ukrainian OOO Torgoviye Tehnologii. V.Krivozubov has a medical degree from A. Bogomolec Kiev Medical Institute (1984).

Positions held in other companies:
OOO Torgovije Tehnologii (Ukraine), General Director

Number of shares of JSC Olainfarm owned (as of June 30, 2016): 0

Participation in other companies: none

Movements in the Board

The Council made a decision effective on February 25, 2016 to release Marjana Ivanova-Jevsejeva from the position of Board Member and appoint Oļegs Grigorjevs as a Board Member. According to the Decision of the Council from August 16, 2016 Mihails Raizbergs and Mārtiņš Tambaks were appointed as a Board Members.

Movements in the Council during the reporting period

The General Meeting of Shareholders made a decision effective on August 16, 2016 to release Volodimirs Krivozubovs from the position of Council Member, Ingrīda Circene from the position of Deputy Chairperson of the Council and Valentīna Andrējeva from the position of Chairperson of the Council and appoint Ivars Godmanis as a Chairperson of the Council, Valentīna Andrējeva as a Deputy Chairperson of the Council and Gelija Geldeeva as a Council Member.

Major shareholders

	Share holding
Swedbank AS Clients Account	13.04%
SIA Olmafarm	42.56%
V. Maligins	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 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 more than 30 countries of the world, 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. It consisted from parent company JSC Olainfarm, its daughter companies SIA Ozols JRD, travel agency SIA First Class Lounge and pharmaceutical retail companies SIA Latvijas Aptieka, and SIA Rupes Farm. During the reporting period 100% shares in SIA Kiwi Cosmetics, a local producer of Eco cosmetics, were acquired. JSC Olainfarm also owns 96.69% shares in leading Latvian food supplement company SIA Silvanols.

On May 12, 2016, JSC Olainfarm acquired 100% shares in SIA Tonus Elast, a Latvian producer of elastic and compression products. During the second quarter of this year, JSC Olainfarm also acquired SIA Stefanijas Aptieka and SIA FB1, two Latvian pharmaceutical retailers.

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

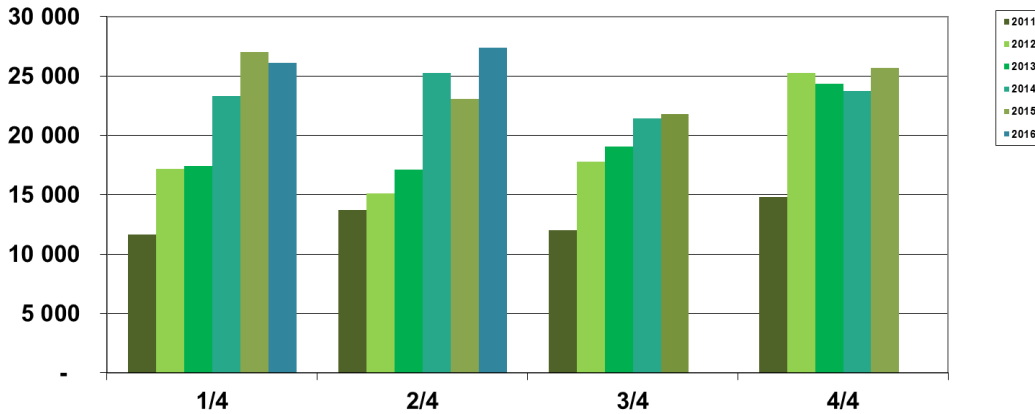
During the reporting period the operational environment in a large part of markets important for the company, has remained relatively stable, allowing significant sales growth to markets like Russia, Ukraine and Belarus, which are particularly important markets for the Company.

Despite the concerns, although since AS Trasta Komerbanka ceased operations JSC Olainfarm has not been able to agree on commercially viable factorising or insurance schemes for Ukrainian receivables, payment from Ukraine remain stable, total receivables remain on decent levels, although the sales volumes to this country have grown significantly. However, basing on our conservative approaches, during second quarter of the year, JSC Olainfarm has made additional provisions of additional 1 million euros, meaning that the total provisions made to secure Ukrainian receivables since the beginning of 2016 are 2 million euros.

Financial results

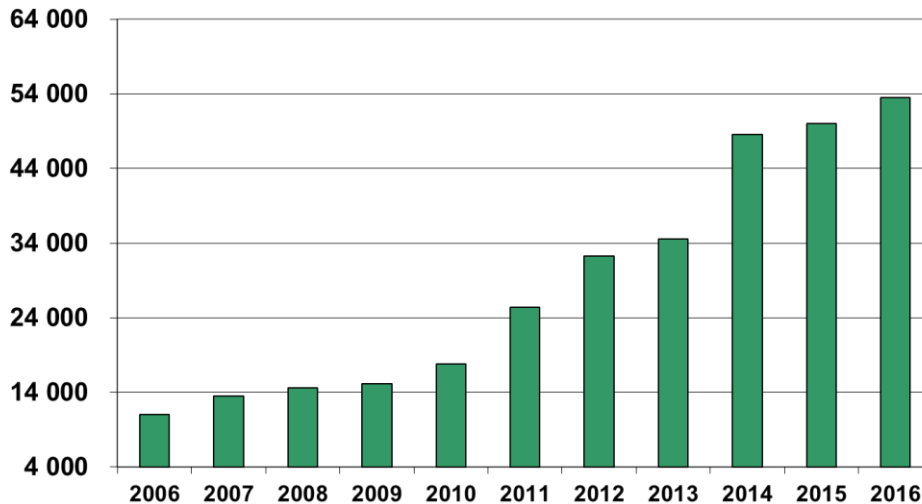
During the second quarter of 2016, sales volumes have increased by 19% compared to similar period of 2015 and reached 27.4 million euro, which in terms of sales is the best quarter in corporate history so far. As mentioned above, this has been achieved to a large extent because of increasing sales volumes in Russia, Ukraine, Belarus and countries of Central Asia.

Sales by Quarters, Thsnd. EUR

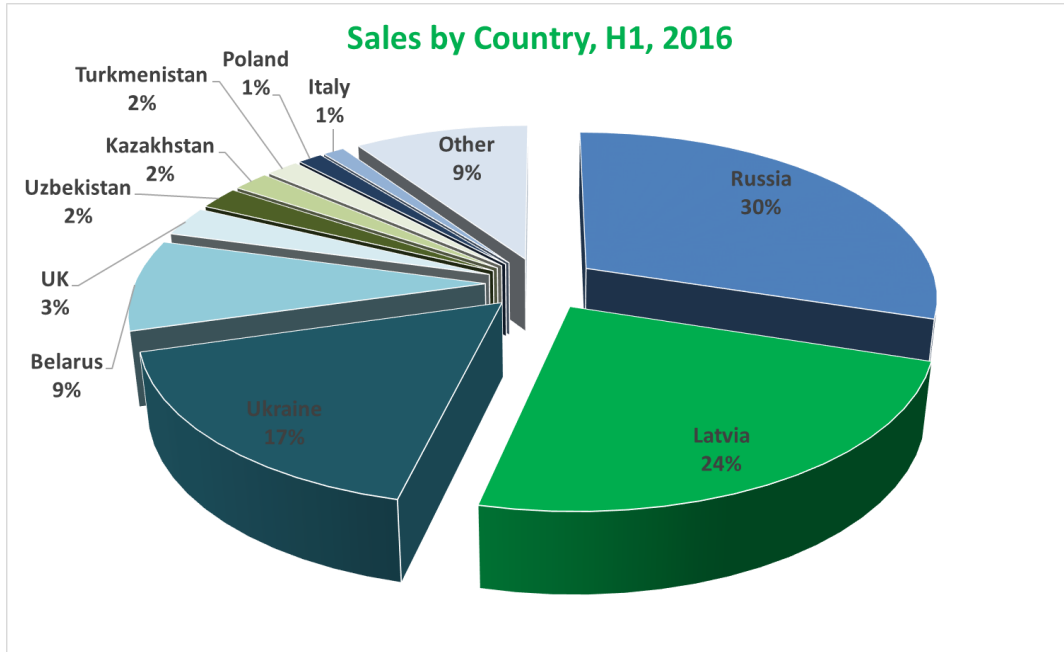


During 6 months of 2016, sales grew by 7% compared to the first half of 2015 and reached 53.5 million euros, which in terms of sales makes this the best first half in corporate history. In six months sales to Russia shrunk by 7%, but this reduction was more than compensated by sales increases to Italy, Central Asia and Poland.

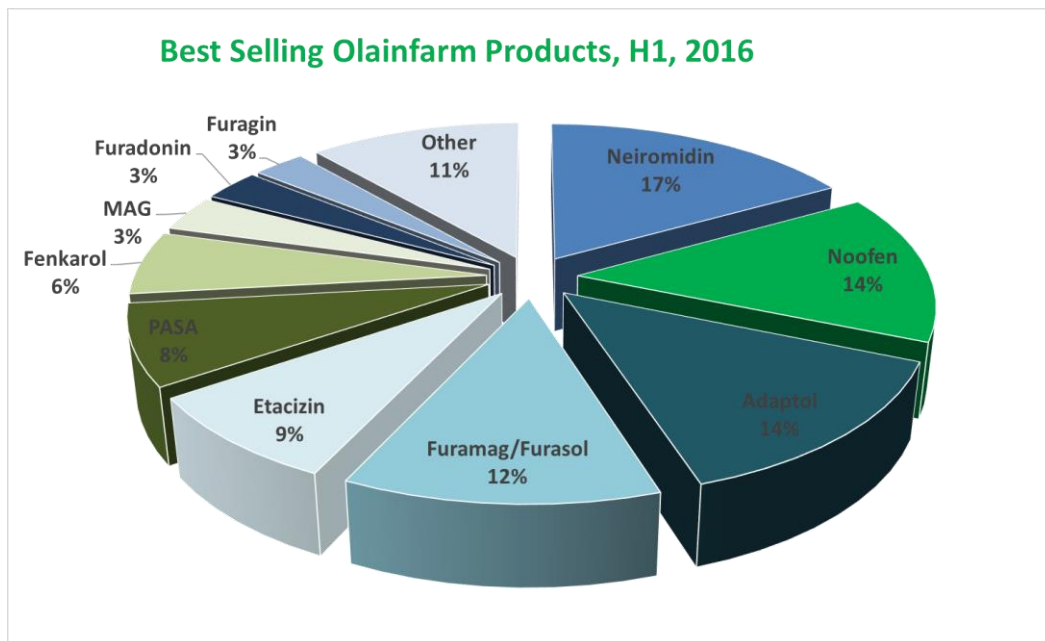
Six Months Sales, Thsnd. EUR



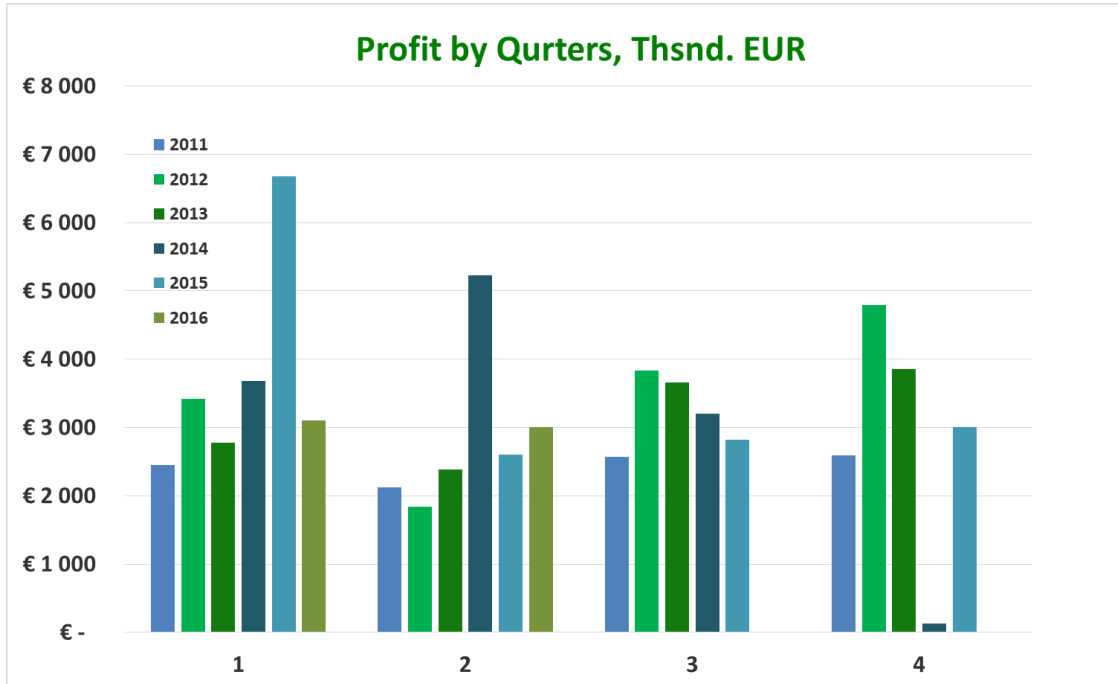
During the first half of 2016, sales to most of Company’s key markets continued growing, except Ukraine, where they fell by 7% compared to six months of 2015, and Kazakhstan, when they fell by 12% during the same period. Since during the second quarter sales to Russia increased again, Russia has again become the largest market for the Company with 30% share in total sales. During six months of 2016, significant sales increase has been achieved in Italy, where sales grew by 194%, Uzbekistan, where sales grew by 134% and Turkmenistan, where sales grew by 97%. Major sales markets of JSC Olainfarm in first half of 2016 were Russia, Latvia, Ukraine and Belarus.



During the first half of 2016 significant changes have occurred to the structure of bestselling products, as Neiromidin has again become the bestselling product with 17% share in total sales. Sales made during the second quarter have brought Furagin back to ten bestselling products replacing Remantadin. Overall concentration of sales has remained unchanged, as ten bestselling products make up only 89 % of sales.

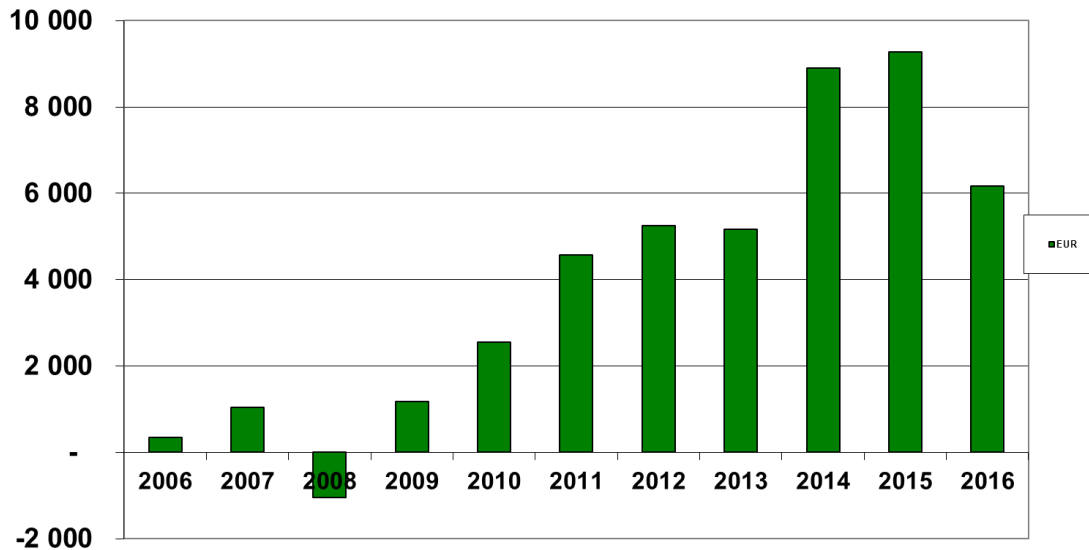


Although the second quarter of 2016 was, in terms of sales, the best in corporate history so far, in terms of profit it significantly lags behind other more successful quarters. During the second quarter of 2016, the Company made a net profit of 3 million euros, which is an increase by 15.3% compared to the second quarter of 2015 but is by 42% less than in second quarter of 2014.

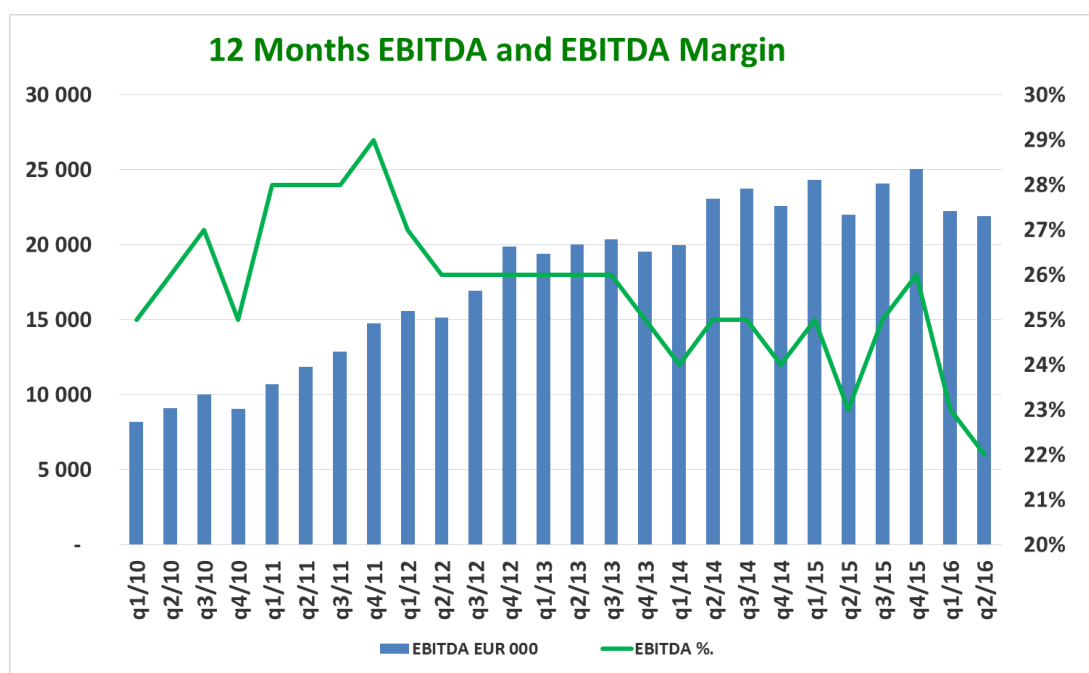


Although the new sales record has been set, the profit of the first half has experienced a reduction by 34%, from 9.3 million in 2015 to 6.1 million this year. During these six months, we did not experience as favourable foreign currency fluctuations, which reduced comparable profit by approximately 1 million euros and the Company made provisions of 2.5 million euros for its partners' credit risk.

Net Profit of Six Months, Thsnd. EUR



As less successful first half of 2016 replaced more successful first half of 2015 in 12 months rolling EBITDA calculation, EBITDA and EBITDA margin have also declined. 12 months EBITDA fell to 21.9 million and EBITDA margin during this period fell to 22%.



This is how other indicators of the company have changed during the first half of 2016:

Financial indicator for period	01.01.2016 - 30.06.2016	01.01.2015 - 30.06.2015	% to previous period
Sales, EUR '000	53 517	50 069	107%
Net profit, EUR '000	6 111	9 276	66%
EBITDA, EUR '000	9 745	12 711	77%
EBIT, EUR '000	6 807	9 778	70%
Gross margin	62.0%	67.6%	
EBITDA margin	18.2%	25.4%	
EBIT margin	12.7%	19.5%	
Net margin	11.4%	18.5%	
EPS, EUR	0.43	0.66	66%

Financial indicator at the period end	30.06.2016	30.06.2015	% to previous period
Current ratio	3.2	2.7	
Share price at period end, EUR	7.30	8.05	90.7%
Market capitalisation, EUR '000	102 821	113 385	90.7%
P/B	1.1	1.4	

Financial indicator for 12 month	01.07.2015 - 30.06.2016	01.07.2014 - 30.06.2015	% to previous period
Net profit, EUR '000	12 116	12 587	96%
EBITDA, EUR '000	21 918	21 980	100%
ROA	9%	11%	
ROE	13%	15%	
P/E	8.5	9.0	

Annual meeting of shareholders of JSC Olainfarm convened on June 7, 2016 approved operating plan of the Group for 2016. According to it, sales of the Group in 2016 are planned to be 100 million euros, but the net profit will reach 10 million euros. According to this unaudited report for 6 months of 2016, during this period 54% of annual sales target and 61% of annual profit target is met.

Shares and stock market

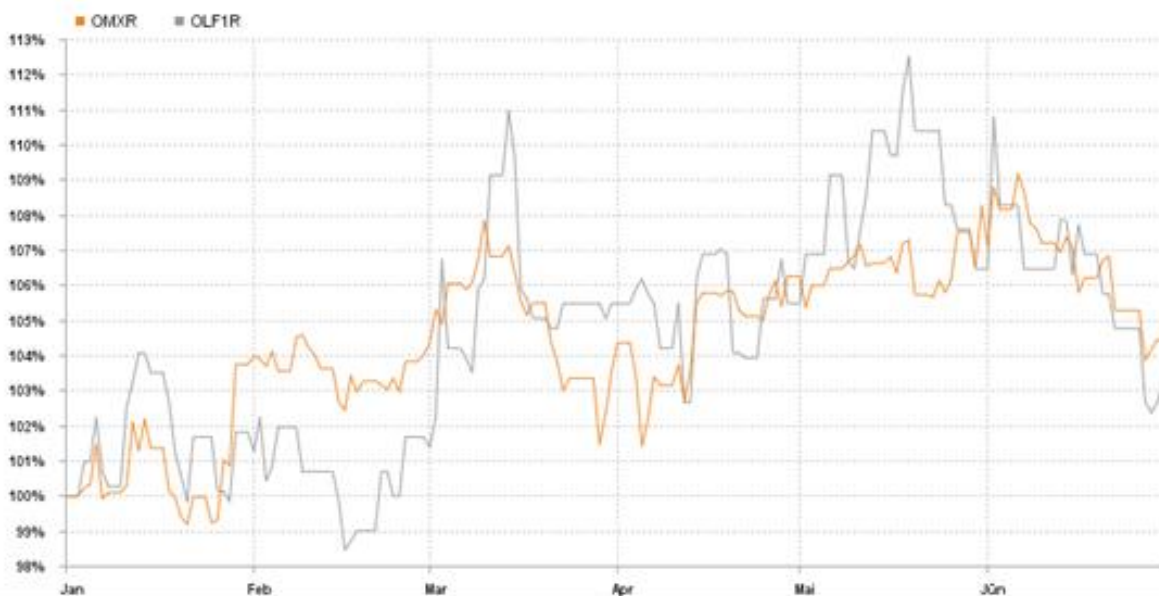
During the reporting period, share price mainly fluctuated around 7.50 euro per share, reaching its low of 7.00 per share in the middle of February, and reaching its high of 8.03 in the middle of May. During the reporting period, 800 transactions were made with shares of JSC Olainfarm. Before the production of this report, the share price increased a little and was fluctuating around 8.20 euros.

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

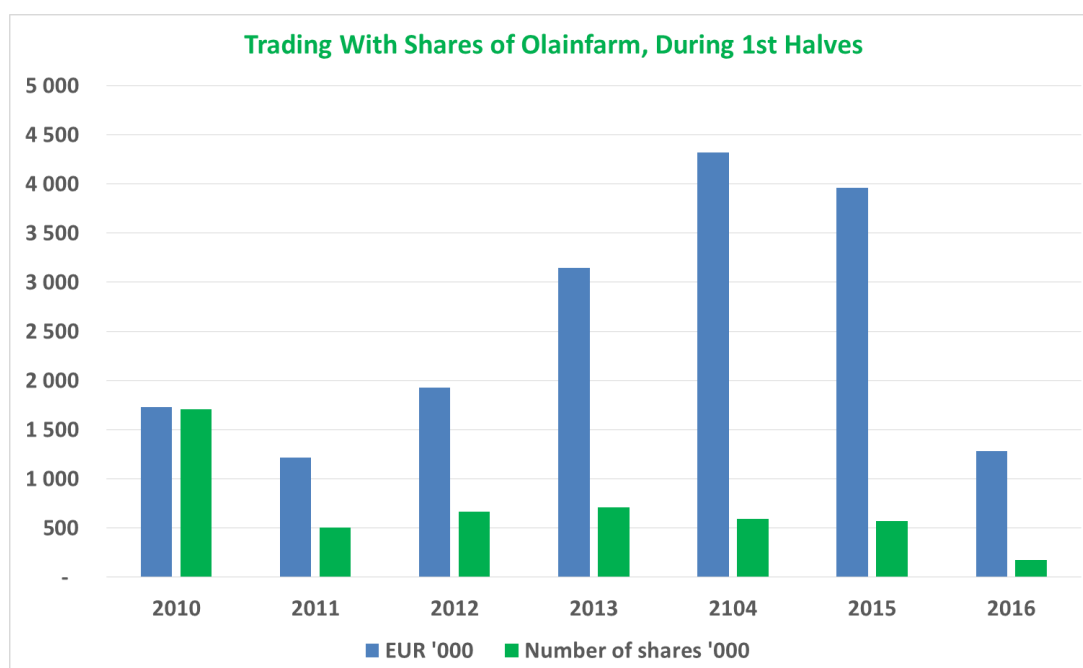


During the first half of 2016, price of share of JSC Olainfarm fluctuated similarly to OMX Riga index. During these six months OMX Riga index increased by 4.43%, while price for share of Olainfarm by 3.38%.

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



-- OMX Riga
-- JSC Olainfarm



During the first half of 2016, more than 171 thousand shares of JSC Olainfarm worth more than 1.3 million euros were traded on Nasdaq Riga. In terms of turnover these were the worst first six months since 2011, but in terms of shares traded, this low activity has not been experienced at least since 2000.

Development

During the reporting period, registration processes continued in Turkey, Armenia, Russia, Kazakhstan, Lithuania, Moldova, Bosnia and Herzegovina, Myanmar, Cameroon and Vietnam.

Registration of several products has been successfully completed in Estonia, Kyrgyzstan, Azerbaijan, Turkmenistan, Bosnia and Herzegovina.

Laboratory research has been completed for 100mg capsules of new product Macrobid and Ibuprofen Antigripp, two new final dosage forms developed for Ranitidine, scheduled for registration by the end of 2016. Work continues at developing new final dosage forms of anti-tuberculosis products.

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. Company continues and will continue acquiring daughter companies in pharma related sectors with similar or different sales markets.

Deterioration of economic situation in several CIS countries has forced their governments to take steps targeted at protection of local markets and supporting of local producers. In several occasions, such activity has had negative effect on operations of JSC Olainfarm. In order to mitigate the effect of measures already in place and to limit their effects in the future, the Company plans to place parts of production in these countries or acquire companies there. It is expected that such a move will at least partially ease the limitations currently in place for foreign producers. As this report is being produced, there are ongoing negotiations about acquisition of such company in Belarus.

Environment

Major environmental activities during the 1st quarter of 2016 were related to piloting the new wastewater plant and proposed technologies. In order to select the most appropriate treatment technology, their ability to purify actually produced wastewater was tested. The testing also has been started to identify more environmentally friendly large-scale cooling technologies.

Social responsibility

During the first quarter of 2016, the company continued supporting development of new professionals of Riga Stradins University and Riga Technical University and University of Latvia with scholarships.

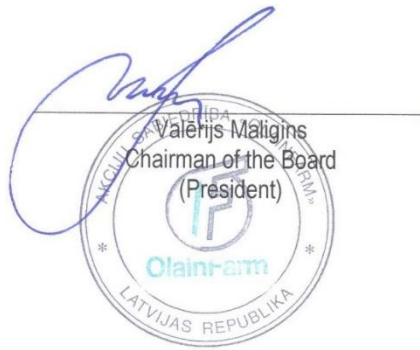
Demonstrating that health care and healthy life style is high among company's values, JSC Olainfarm participated in organizing Annual Medical Awards, supported amateur ice hockey tournament in the town of Olaine, basketball club Jurmala, development of young tennis and football players as well as sports dance festival Dance Art Cup 2016.

Company continued helping Ineses Galantes Fonds to search for musically talented young people of Latvia, was one of the key supporters of celebrations of anniversary of town of Olaine, sponsored concerts of vocal group Dzeguzite.

AS Olainfarm jointly with SIA Silvanols are proud supporters of Latvian national In-Line hockey team for its participation in World Championships.

Events after the end of the reporting period

In August 2016 a fully owned daughter company Elast Medikl has been registered in Russia. The purpose of registering this company was to make it an exclusive importer and distributor of products of SIA Tonus Elast in Russian Federation.



August 31, 2016

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:


Valerijs Matigins
Chairman of the Board
(President)


August 31, 2016

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

	Note	01.04.2016 -	01.04.2015 -	01.01.2016 -	01.01.2015 -
		30.06.2016	30.06.2015	30.06.2016	30.06.2015
		EUR '000	EUR '000	EUR '000	EUR '000
Net revenue		27 387	23 045	53 517	50 069
Cost of goods sold		(10 412)	(8 052)	(20 320)	(16 242)
Gross profit		16 975	14 993	33 197	33 827
Selling expense		(7 779)	(6 375)	(14 624)	(13 443)
Administrative expense		(4 584)	(4 135)	(9 050)	(8 302)
Other operating income		891	522	1 496	936
Other operating expense		(2 496)	(1 877)	(4 251)	(3 335)
Share of profit of an associate		22	23	39	95
Financial income		1 042	268	1 299	2 258
Financial expense		(69)	(55)	(109)	(111)
Profit before tax		4 002	3 364	7 997	11 925
Corporate income tax	5	(1 081)	(738)	(2 095)	(2 510)
Deferred corporate income tax	5	82	(21)	214	(135)
Profit for the reporting period		3 003	2 605	6 116	9 280
Other comprehensive income for the reporting period		-	-	-	-
Total comprehensive income for the reporting period		3 003	2 605	6 116	9 280
Total comprehensive income attributable to:					
The equity holders of the Parent company		3 003	2 605	6 111	9 276
Non-controlling interests		-	-	5	4
		3 003	2 605	6 116	9 280
Basic and diluted earnings per share, EUR		0.21	0.18	0.43	0.66

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

For the Board of JSC Olainfarm:


Valerijs Matigins
Chairman of the Board
(President)



August 31, 2016

Interim consolidated statement of financial position

ASSETS	Note	30.06.2016	31.12.2015
NON-CURRENT ASSETS		EUR '000	EUR '000
Intangible assets			
Goodwill		14 072	7 825
Patents		137	136
Pharmacy licenses and lease contracts		10 114	10 014
Other intangible assets		3 351	1 977
Intangible assets under construction		525	542
Prepayments for intangible assets		140	97
TOTAL		28 339	20 591
Property, plant and equipment			
Land, buildings and constructions		16 746	16 505
Equipment and machinery		12 503	12 305
Other tangible assets		2 321	2 255
Leasehold investments		111	133
Construction in progress		5 432	3 914
Prepayments for property, plant and equipment		1 400	467
TOTAL	6	38 513	35 579
Financial assets			
Loans to related and associated companies		80	79
Loans to management and shareholders		3 721	3 868
Investments in associated companies		521	482
Prepayments and prepaid expense		124	129
Other non-current financial assets		84	359
TOTAL		4 530	4 917
TOTAL NON-CURRENT ASSETS		71 382	61 087
CURRENT ASSETS			
Inventories			
Raw materials		3 707	2 747
Work in progress		9 034	9 742
Finished goods and goods for resale		10 479	8 277
Goods in transit		-	65
Prepayments for goods		550	159
TOTAL		23 770	20 990
Receivables			
Trade receivables and receivables from associated and other related companies		34 909	26 066
Prepayments and prepaid expense		1 434	1 551
Other receivables		857	855
Corporate income tax		-	333
Loans to management, employees and shareholders		969	1 675
Loans to related and associated companies		28	-
TOTAL		38 197	30 480
Cash		3 656	5 574
TOTAL CURRENT ASSETS		65 623	57 044
TOTAL ASSETS		137 005	118 131

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


 Valerijs Matigins
 Chairman of the Board
 (President)



August 31, 2016

Interim consolidated statement of financial position

EQUITY AND LIABILITIES		Note	30.06.2016	31.12.2015
EQUITY			EUR '000	EUR '000
Share capital			19 719	19 719
Share premium			2 504	2 504
Reserves			322	322
Retained earnings:				
brought forward			63 224	50 492
for the period			6 111	15 281
	TOTAL		91 880	88 318
Non-controlling interests			35	30
		TOTAL EQUITY	91 915	88 348
LIABILITIES				
Non-current liabilities				
Loans from credit institutions			18 991	8 253
Deferred corporate income tax liabilities			2 295	1 947
Deferred income			3 030	2 656
Finance lease liabilities			376	307
	TOTAL		24 692	13 163
Current liabilities				
Loans from credit institutions			6 403	4 108
Finance lease liabilities			187	150
Prepayments received from customers			308	268
Trade payables and payables to associated and other related companies			7 447	7 188
Taxes payable			1 049	981
Corporate income tax			596	-
Deferred income			494	800
Accrued liabilities			3 914	3 125
	TOTAL		20 398	16 620
		TOTAL LIABILITIES	45 090	29 783
TOTAL EQUITY AND LIABILITIES			137 005	118 131

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

For the Board of JSC Olainfarm:


 Valerijs Maligins
 Chairman of the Board
 (President)

August 31, 2016



Interim consolidated statement of cash flow

	01.01.2016 - 30.06.2016 EUR '000	01.01.2015 - 30.06.2015 EUR '000
Cash flows to/from operating activities		
Profit before taxes	7 997	11 925
Adjustments for:		
Amortization and depreciation	2 938	2 933
Loss/ (profit) on sale/ disposal of non-current assets	(41)	6
Impairment of tangible and intangible assets	19	111
Increase/ (decrease) in allowances	2 395	3 036
Share of profit of an associate	(39)	(95)
Interest expenses	109	111
Interest income	(139)	(129)
Income from EU projects' funds	(857)	(314)
Unrealised loss/ (profit) from fluctuations of currency exchange rates	(1 253)	92
Operating cash flows before working capital changes	11 129	17 676
Decrease/ (increase) in inventories	957	(1 398)
Decrease/ (increase) in receivables and prepaid expense	(5 923)	(6 853)
(Decrease)/ increase in payables and prepayments received	(169)	(1 789)
Cash generated from operations	5 994	7 636
Corporate income tax paid	(1 353)	(1 190)
Net cash flows to/ from operating activities	4 641	6 446
Cash flows to/from investing activities		
Purchase of intangible assets and property, plant and equipment	(3 077)	(5 074)
Receipt of EU grants	641	880
Acquisition of subsidiaries	(14 712)	(918)
Proceeds from sale of intangible assets and property, plant and equipment	105	14
Repayment of loans	1 015	25
Interest received	132	-
Loans granted	(245)	(475)
Net cash flows to/from investing activities	(16 141)	(5 548)
Cash flows to/from financing activities		
Dividends paid	(2 549)	-
Borrowings repaid	(2 050)	(3 785)
Interest paid	(109)	(111)
Proceeds from borrowings	14 000	2 736
Net cash flows to/from financing activities	9 292	(1 160)
Change in cash	(2 208)	(262)
Net foreign exchange difference	290	61
Cash at the beginning of the year	5 574	2 055
Cash at the end of the reporting period	3 656	1 854

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 2014	20 041	2 504	-	50 492	73 037	8	73 045
Profit for the reporting period	-	-	-	9 276	9 276	4	9 280
Other comprehensive income	-	-	-	-	-	-	-
Total comprehensive income	-	-	-	9 276	9 276	4	9 280
Transfer to reserves	(322)	-	322	-	-	-	-
Balance as at 30 June 2015	19 719	2 504	322	59 768	82 313	12	82 325
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
Paid 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

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 2016.

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 2016 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 2015.

The interim financial statements are presented in euro (EUR), the monetary unit of the Republic of Latvia since 1 January 2014, 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 2016.

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 2016. 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

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.

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	Rūpes Farm Aptieka	Stefānijas Aptieka	FB1	
Percentage of voting equity interest acquired	100%	100%	100%	
Acquisition date	12.01.2016	28.04.2016	09.05.2016	
	Fair value recognized on acquisition			TOTAL
	EUR '000	EUR '000	EUR '000	EUR '000
Assets				
Premises lease agreement and licences	80	-	20	100
Property, plant and equipment	3	-	-	3
Cash and cash equivalents	32	2	3	37
Other receivables	2	1	-	3
Inventories	24	-	-	24
	141	3	23	167
Liabilities				
Trade payables	(40)	(2)	-	(42)
Other current liabilities	(3)	-	-	(3)
Deferred tax liabilities	(13)	-	(3)	(16)
	(56)	(2)	(3)	(61)
Total identifiable net assets at fair value	85	1	20	106
Goodwill arising on acquisition	265	158	7	430
Purchase consideration transferred	350	159	27	536
Goodwill comprises:				
- an increase in deferred tax from acquired net asset fair value and book value difference	13	-	3	16
- expected synergies and assembled workforce not recognised separately	252	158	4	414
Analysis of cash flows on acquisition:				
Net cash acquired with the subsidiary	32	2	3	37
Cash paid	(350)	(159)	(27)	(536)
Net cash outflow	(318)	(157)	(24)	(499)
Effect of acquisition to the Group				
Revenue contributed	95	-	-	95
Profit/ (loss) before tax generated	5	(1)	-	4
Estimated effect of acquisition if acquisition date had been as of the beginning of the year:				
Estimated revenue for whole period	101	-	-	101
Estimated profit/ (loss) before tax for whole period	4	(3)	-	1

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 Production companies**

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

Acquired entity	<i>Kiwi Cosmetics</i>	<i>Tonus Elast</i>	
	100%	100%	
Percentage of voting equity interest acquired			
Acquisition date	14.03.2016	25.05.2016	
	Fair value recognized on acquisition		TOTAL
	EUR '000	EUR '000	EUR '000
Assets			
Intangible assets	1	1 459	1 460
Property, plant and equipment	3	2 312	2 315
Cash and cash equivalents	5	8	13
Other receivables	7	50	57
Trade receivables	15	3 022	3 037
Inventories	51	3 887	3 938
	82	10 738	10 820
Liabilities			
Trade payables	(84)	(814)	(898)
Other current liabilities	(3)	(864)	(867)
Other long term liabilities	-	(99)	(99)
Deferred tax liabilities	(3)	(544)	(547)
	(90)	(2 321)	(2 411)
Total identifiable net assets at fair value	(8)	8 417	8 409
Goodwill arising on acquisition	234	5 583	5 817
Purchase consideration transferred	226	14 000	14 226
Goodwill comprises:			
- an increase in deferred tax from acquired net asset fair value and book value difference	3	529	532
- expected synergies and assembled workforce not recognised separately	231	5 054	5 285
Analysis of cash flows on acquisition:			
Net cash acquired with the subsidiary	5	8	13
Cash paid	(226)	(14 000)	(14 226)
Net cash outflow	(221)	(13 992)	(14 213)
Effect of acquisition to the Group			
Revenue contributed	40	773	813
Profit/ (loss) before tax generated	(20)	(149)	(169)
Estimated effect of acquisition if acquisition date had been as of the beginning of the year:			
Estimated revenue for whole period	86	3 802	3 888
Estimated profit/ (loss) before tax for whole period	(18)	1 532	1 514

For financing acquisition of SIA Tonus Elast on 18 May 2016 the Parent company signed non-current loan agreement with AS ABLV Bank for amount of 14 million EUR bearing interest at 6month EURIBOR+1.5% and maturing on 30 May 2026.

According to the equity shares purchase agreement the total purchase price of SIA Kiwi Cosmetics is 326 thsd. EUR. Until the date of signing these interim financial statements there was consideration in the amount of 226 thsd. EUR paid. The remaining 100 thsd. EUR will be paid if SIA Kiwi Cosmetics achieves financial goals set in the purchase agreement.

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 SIA Latvija Aptieka Cash Generating Unit (Pharmacy CGU) and Silvanols CGU. Premises lease agreements and licences are fully related to Pharmacy CGU.

The recoverable amount of Pharmacy and Silvanols 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 Pharmacy and Silvanols CGU 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 2 095 thsd. EUR (6M 2015: 2 510 thsd. EUR) and decrease in deferred income tax expense of 214 thsd. EUR (6M 2015: increase of 135 thsd. EUR). Deferred income tax liability at the period end is 2 295 thsd. EUR (31.12.2015: 1 947 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 energija (JSC Olainfarm share 50%)	Loan, services, energy production	31.12.2015 30.06.2016	59 29	449 235	83 102	25 29
SIA Pharma and Chemistry Competence Centre of Latvia (JSC Olainfarm share 11%, SIA Silvanols share 19%)	Financing and project management services	31.12.2015 30.06.2016	114 -	79 18	337 96	46 5
		TOTAL: 31.12.2015	173	528	420	71
		TOTAL: 30.06.2016	29	253	198	34
2. Key management personnel						
V. Maligins (shareholder)	Loan and travelling services	31.12.2015 30.06.2016	1 423 495	- -	5 062 4 756	- -
		TOTAL: 31.12.2015	1 423	-	5 062	-
		TOTAL: 30.06.2016	495	-	4 756	-
3. Entity with significant influence						
SIA Olmafarm (shareholder)	Loan and finished goods sale	31.12.2015 30.06.2016	78 8	- -	308 5	- -
		TOTAL: 31.12.2015	78	-	308	-
		TOTAL: 30.06.2016	8	-	5	-
4. Other Related companies						
SIA Vega MS (V.Maligins share 59.99%)	Security services, manufacture of windows	31.12.2015 30.06.2016	- -	503 291	- -	- -
SIA Aroma (V.Maligins share 100%)	Loan and lease of premises	31.12.2015 30.06.2016	63 103	31 13	172 232	- 7
SIA Lano Serviss (V.Maligins share 25%)	Drycleaner's services	31.12.2015 30.06.2016	12 7	31 17	1 1	3 3
SIA Carbochem (V.Maligins share 50%)	Loan and intermediary on sale of chemical products	31.12.2015 30.06.2016	- -	- -	89 89	- -
SIA Olfa Press (V.Maligins share 47.5%)	Printing services	31.12.2015 30.06.2016	40 21	1 463 881	10 31	202 245
SIA Olalex (V.Maligins share 50%)	Finished goods sale, services	31.12.2015 30.06.2016	58 -	122 -	- -	33 -
Olfa OOO (J.Dudko's share 100%)	Finished goods sale	31.12.2015 30.06.2016	6 539 6 490	- -	8 328 9 528	- -
		TOTAL: 31.12.2015	6 712	2 150	8 600	238
		TOTAL: 30.06.2016	6 621	1 202	9 881	255

8. Segment information

	Finished form medicine	Chemicals	Pharmacy wholesale	Pharmacy retail	Silvanols	Total segments	Unallocated and eliminated	Consolidated
	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000
Assets								
30.06.2016	58 578	21 862	4 692	19 934	4 786	109 852	27 153	137 005
31.12.2015	55 055	21 301	4 394	19 215	4 577	104 542	13 589	118 131
Liabilities								
30.06.2016	4 088	2 045	740	5 152	1 278	13 303	31 787	45 090
31.12.2015	5 379	2 274	935	5 232	1 228	15 048	14 735	29 783
Revenue								
External customers								
6M 2016	36 633	3 169	1 870	9 531	1 541	52 744	773	53 517
6M 2015	35 959	2 921	1 406	8 249	1 534	50 069	-	50 069
Inter-segment								
6M 2016	170	12 846	4 130	-	323	17 469	(17 469)	-
6M 2015	182	8 273	3 618	-	196	12 269	(12 269)	-
Total revenue								
6M 2016	36 803	16 015	6 000	9 531	1 864	70 213	(16 696)	53 517
6M 2015	36 141	11 194	5 024	8 249	1 730	62 338	(12 269)	50 069
Segment profit								
6M 2016	12 111	1 556	661	323	163	14 814	(6 817)	7 997
6M 2015	12 069	1 815	479	275	124	14 762	(2 837)	11 925

Reconciliation of profit

	6M 2016	6M 2015
	EUR '000	EUR '000
Segment profit	14 814	14 762
Unallocated financial income	1 309	2 669
Unallocated financial expenses	(95)	(118)
Other unallocated income and expense	(7 861)	(4 918)
Inter-segment elimination	(170)	(470)
Profit before tax	7 997	11 925

Reconciliation of assets

	30.06.2016	31.12.2015
	EUR '000	EUR '000
Segment operating assets	109 852	104 542
Unallocated long term assets	16 524	6 844
Unallocated short term assets	7 464	1 575
Cash managed on group level	3 165	5 170
Total assets	137 005	118 131

Reconciliation of Liabilities

	30.06.2016	31.12.2015
	EUR '000	EUR '000
Segment operating liabilities	13 303	15 048
Deferred tax liability	1 000	620
Interest bearing loans and borrowings	24 682	11 674
Current tax liabilities	1 494	832
Other unallocated liabilities and eliminations	4 611	1 609
Total liabilities	45 090	29 783

9. Dividends paid and proposed

In June 2016 shareholders of the Parent Company has decided to pay dividends 0.181 EUR per share allocating in total for distribution 2 549 thsd. EUR of year 2015 profits. Dividends have been assigned for pay-out on 27 June 2016.

10. Events after the reporting period

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