



JOINT STOCK COMPANY OLAINFARM

(UNIFIED REGISTRATION NUMBER 40003007246)

**UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE 9 MONTHS PERIOD ENDED 30 SEPTEMBER 2016**

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

Olaine, 2016

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General information

Name of the Parent Company	OLAINFARM
Legal status of the Parent Company	JOINT STOCK COMPANY
Unified registration number, place and date of registration of the Parent Company	40003007246 Riga, 10 June 1991 (re-registered on 27 March 1997)
Registered office of the Parent Company	Rūpnīcu iela 5 Olaine, Latvia, LV-2114
Major shareholders of the Parent Company	SIA Olmafarm (42.56%) Valērijs Maligins (26.92%) Swedbank AS EE Clients account (11.99%) Swedbank AS LV Clients account (1.05%)
Major subsidiaries	SIA Latvijas Aptieka – 100% equity share SIA Tonus Elast – 100% equity share SIA Silvanols – 96.69% equity share
Audit Committee	Viesturs Gurtlavs
Financial year	1 January – 31 December 2016
Interim reporting period	1 January – 30 September 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 September 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%), liquidated in 22.11.2016
SIA Aroma (100%)
SIA Olmafarm (100%)
SIA Escargot (33.5%)
SIA Olalex (50%)
SIA Energo Capital (50%)
SIA Egotrashcinema (40%)
SIA HB19 (19,79%), from 24.10.2016

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 September 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 September 30, 2016): 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 (from 04.01.2016)

Number of shares of JSC Olainfarm owned (as of September 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 September 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 September 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 September 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), liquidated in 22.11.2016

Number of shares of JSC Olainfarm owned (as of September 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: none

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

Participation in other companies: none

Valentīna Andrējeva, (Deputy Chairperson of the Council from 16.08.2016, 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 September 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 September 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 September 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 September 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 September 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 September 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. 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.

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

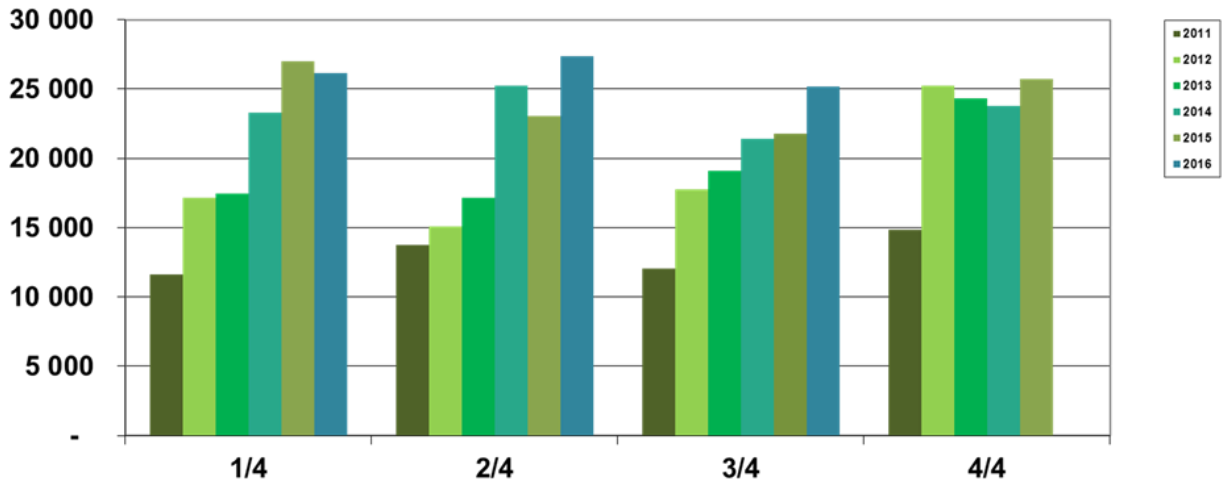
During the reporting period the operational environment in a large part of markets important for the company has remained relatively stable, in the second quarter allowing significant sales growth to markets like Russia, Ukraine and Belarus, which are particularly important markets for the Company, and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

Despite the concerns, although since AS Trasta Komercbanka 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 third 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 3 million euros.

Financial results

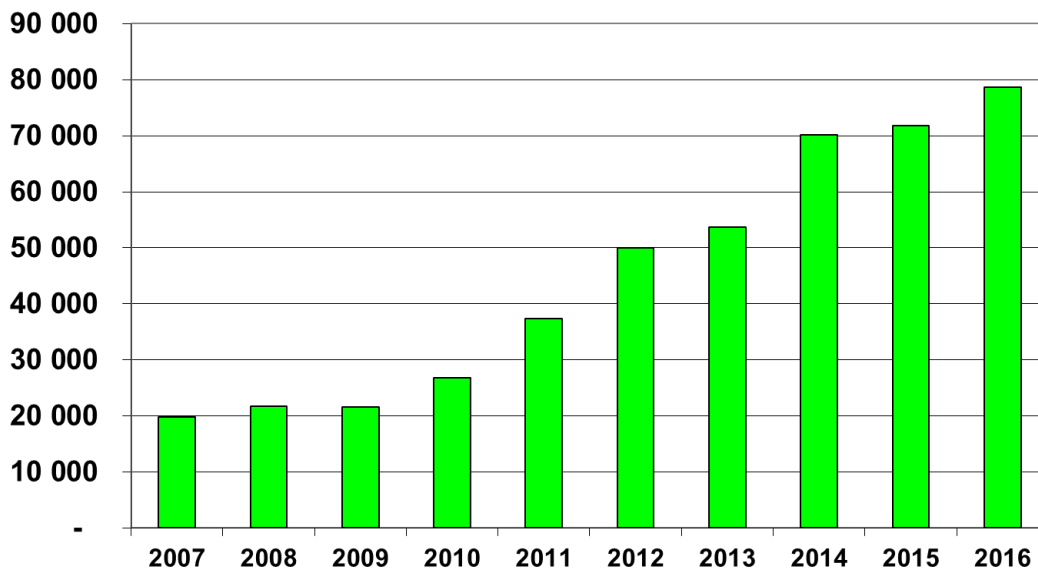
During the third quarter of 2016, sales volumes have increased by 15% compared to similar period of 2015 and exceeded 25 million euro, which in terms of sales is the best quarter in corporate history so far.

Sales by Quarters, Thsnd. EUR.

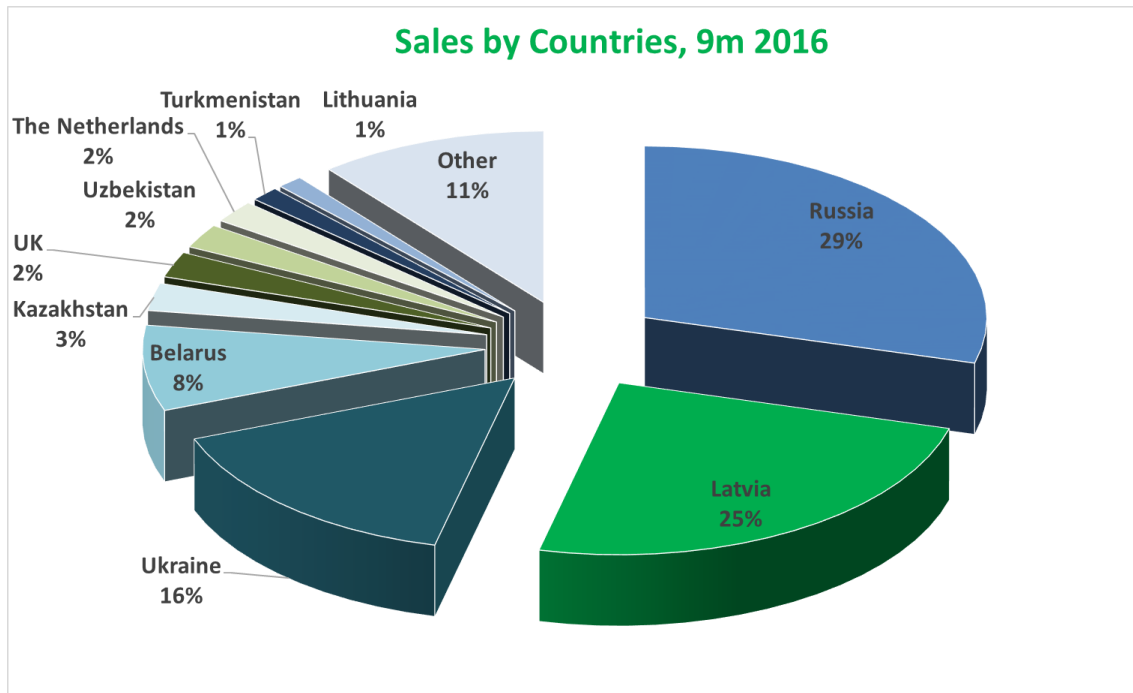


During 9 months of 2016, sales grew by 9% compared to the same period of 2015 and reached 78.7 million euros, which in terms of sales makes this the best nine months in corporate history. In nine months sales to Russia shrunk by 7%, but sales to The Netherlands even by 67%. However, this reduction was more than compensated by sales increases to Latvia, Central Asia and Ukraine.

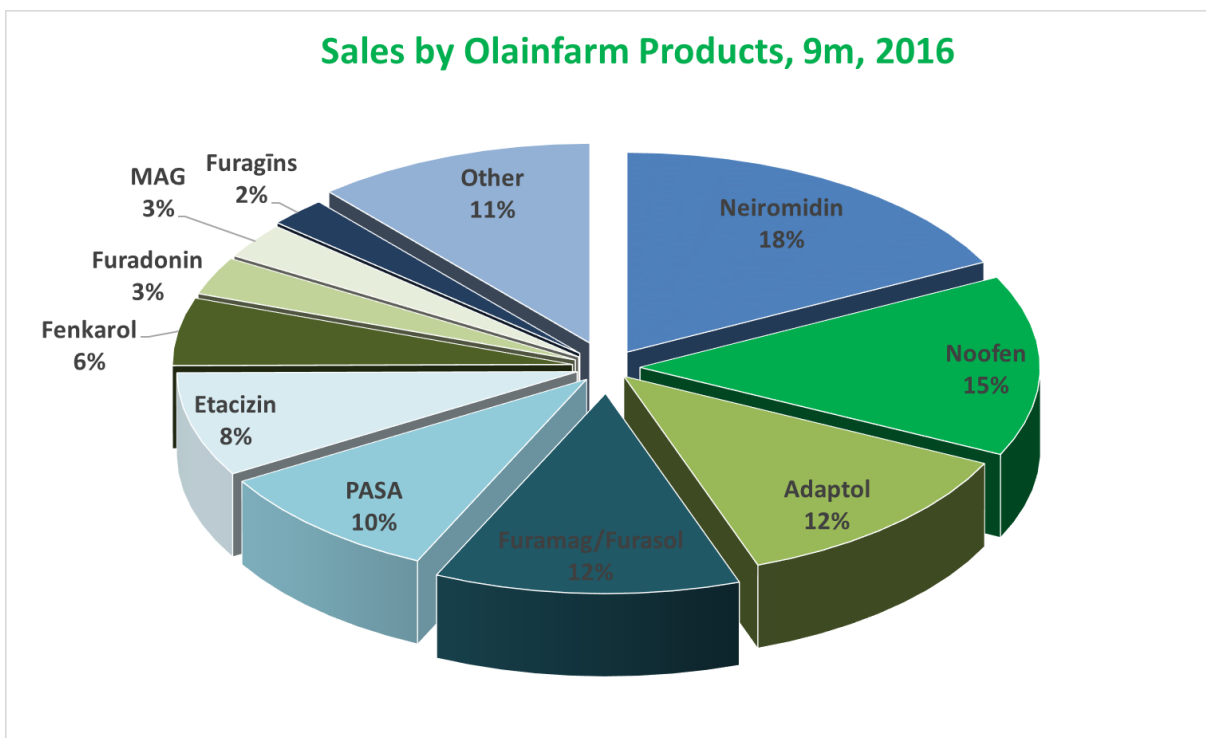
Sales in 9 Months, Thsnd. EUR



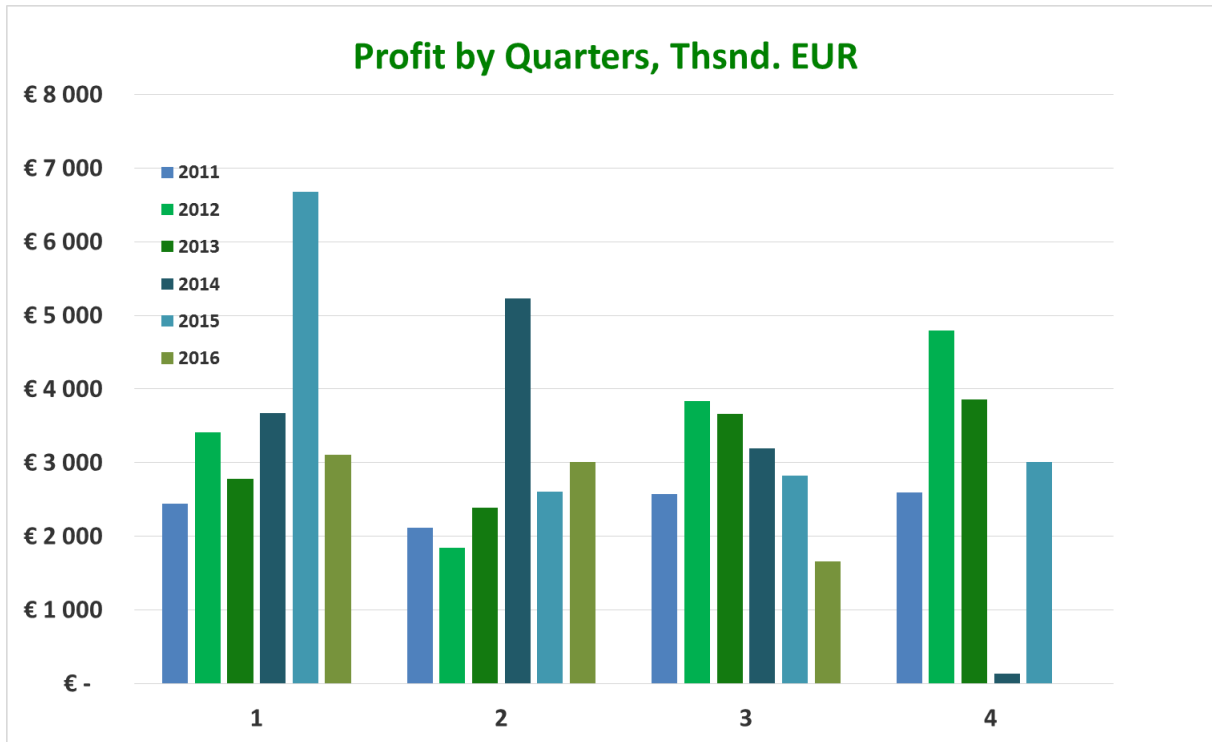
During the first nine months of 2016, sales to most of Company’s key markets continued growing, except Russia, where they fell by 7% compared to nine months of 2015, and The Netherlands, when they fell by as much as 67% during the same period. It should be noted, however, that partially shipments previously made to WHO in The Netherlands this year were shipped directly to Ukraine, thus increasing Ukrainian sales.



During the nine months of 2016 some changes have occurred to the structure of bestselling products. Share of PASA increased by 2 percentage points. Neiromidin and Noofen have increased by one percentage point. Shares of Furamag/Furasol, Fenkarol, MAG and Furadonin remained unchanged. Etacizin’s and Furagin’s shares each lost one percentage point while Adaptol’s share is smaller by 2 pps. Share of all other products combined remains at 11%.

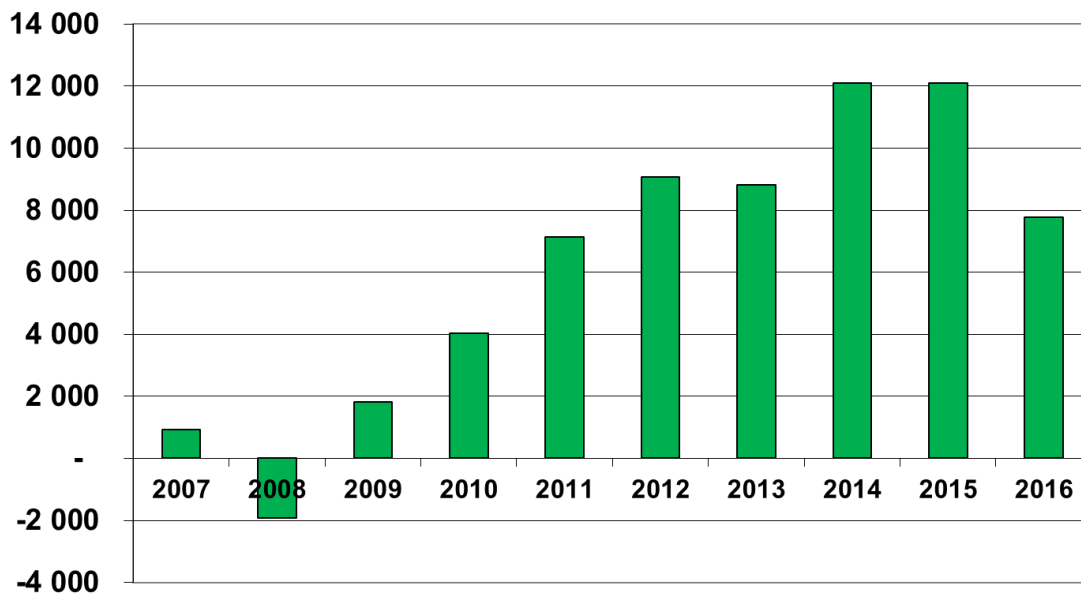


Although the third quarter of 2016 was, in terms of sales, the best third quarter in corporate history so far, in terms of profit, it is one of the least successful in Company's recent history. The profit of the third quarter is 1.66 million euros, which represents a reduction by 41.3% compared to the third quarter of last year. Profitability is very heavily influenced by provisions, which this quarter totalled 2.2 million euros, of which 1 million were provisions for Ukrainian receivables, 0.5 million were provided for receivables from Russian company Apteka Ave, but value of investment into Belarussian company NPK Biotest was impaired by another 0.7 million euros. Without such provisions, the profit of the third quarter would have been slightly below 4 million euros, and it would be one of the most profitable quarters.

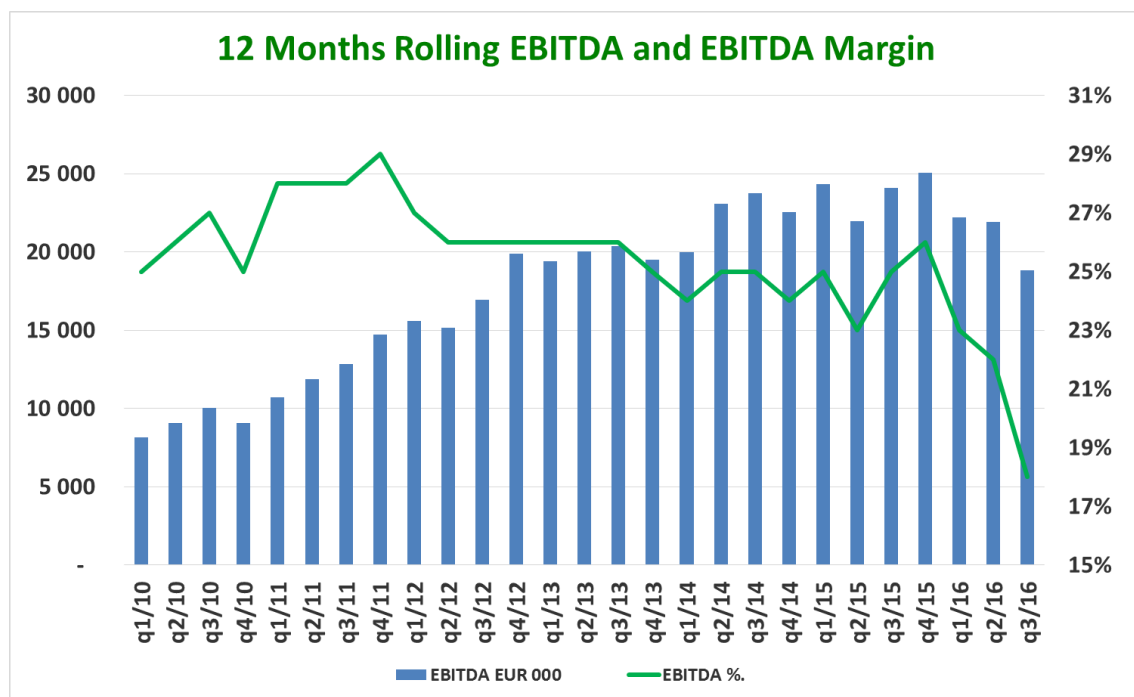


Although the new sales record has been set, the profit has experienced a reduction by 36%, from 12.1 million in 2015 to 7.8 million this year. In nine months too the profitability was very adversely impacted by provisions, which during this period totalled about 5 million euros. Without such provisions the nine months profit would have been close to 13 million euros.

9 Months Profit, Thsnd. EUR



As less successful first nine months of 2016 replaced more successful period of 2015 in 12 months rolling EBITDA calculation, EBITDA and EBITDA margin have also declined. 12 months EBITDA fell to 18.8 million and EBITDA margin during this period fell to recent low of 18%. This negative development is also significantly influenced by provisions.



This is how other indicators of the company have changed during nine months of 2016:

Financial indicator for period	01.01.2016 - 30.09.2016	01.01.2015 - 30.09.2015	% to previous period
Sales, EUR '000	78 675	71 861	109%
Net profit, EUR '000	7 764	12 099	64%
EBITDA, EUR '000	13 384	19 434	69%
EBIT, EUR '000	9 050	14 964	60%
Gross margin	61.9%	67.2%	
EBITDA margin	17.0%	27.0%	
EBIT margin	11.5%	20.8%	
Net margin	9.9%	16.8%	
EPS, EUR	0.55	0.86	64%

Financial indicator at the period end	30.09.2016	30.09.2015	% to previous period
Current ratio	3.1	3.3	
Share price at period end, EUR	8.50	7.15	118.9%
Market capitalisation, EUR '000	119 723	100 708	118.9%
P/B	1.3	1.2	

Financial indicator for 12 month	01.10.2015 - 30.09.2016	01.10.2014 - 30.09.2015	% to previous period
Sales, EUR '000	104 206	95 624	109%
Net profit, EUR '000	10 946	12 231	89%
EBITDA, EUR '000	18 834	24 089	78%
ROA	8%	11%	
ROE	12%	14%	
P/E	10.9	8.2	

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 9 months of 2016, during this period 79% of annual sales target and 78% of annual profit target is met.

Shares and stock market

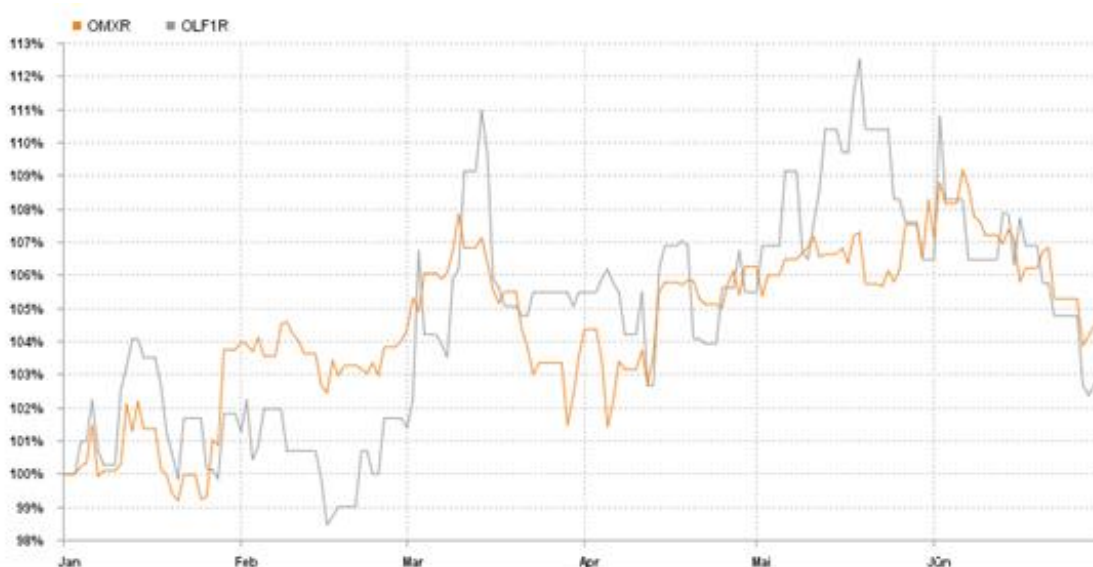
During the reporting period, share price mainly fluctuated between 7 and 8 euro per share, reaching its low of 7.00 per share in the middle of February, and reaching its high of 8.58 at the end of September. During the reporting period, 1215 transactions were made with shares of JSC Olainfarm. Before the production of this report, the share price increased a little and was fluctuating around 8.40 euros.

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

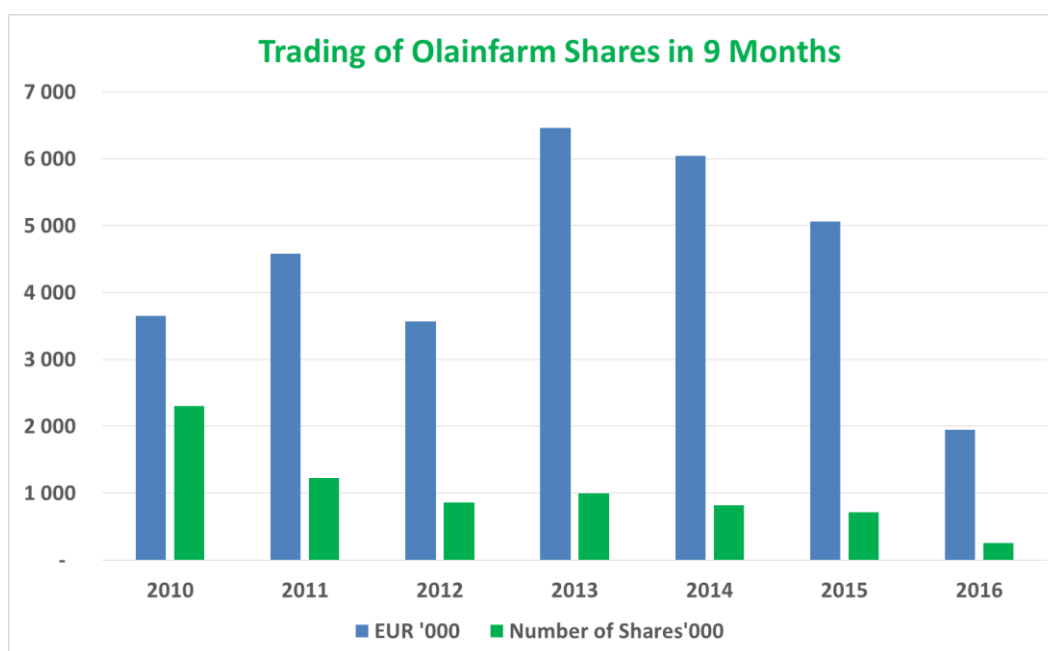


During 9 months of 2016, price of share of JSC Olainfarm fluctuated similarly to OMX Riga index. During this period OMX Riga index increased by 19.26%, while price for share of JSC Olainfarm by 19.55%.

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



-- OMX Riga
-- JSC Olainfarm



During nine months of 2016, more than 254 thousand shares of JSC Olainfarm worth more than 1.9 million euros were traded on Nasdaq Riga. In terms of turnover and number of shares it is the third year in a row with falling volumes.

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.

During the third quarter registration of tree food supplements have been completed in Lithuania.

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. An important precondition for successful development of the company for the next two years will be Company's ability to integrate operations of acquired companies and to take maximum advantage of opportunities provided by joint administrative, marketing and logistics structure.

Environment

Major environmental activities during the reporting period 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. Several energy efficiency audits have been conducted to further boost company's energy efficiency.

Social responsibility

During the nine months 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 and Latvian leg of International Strongman Champions league.

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, is the main sponsor of Latvian Dailes Theatre, Riga Jazz Stage jazz contest and Rendez Vous music festival in Jurmala.

JSC 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 November 2016 JSC Olainfarm acquired 100% shares in private health care service provider SIA Klinika Diamed, diversifying away from CIS markets was among the reasons for such decision.

Since November 2016, JSC Olainfarm owns 70% shares in Belarussian pharmaceutical company NPK Biotest. The group acquired these shares to place some last stages of production in Belarus, which will allow it to gain some advantages provided by Belarussian authorities for locally placed producers.

Since October 2016, LHV Pank has become the second provider of liquidity for shares of Olainfarm in Nasdaq Riga. Since April 2012 share liquidity was provided by Siauliu Bankas.

(signature)

Oļegs Grigorjevs
Member of the Board

November 30, 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:

(signature)

Oļegs Grigorjevs
Member of the Board

November 30, 2016

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

	Note	01.07.2016 -	01.07.2015 -	01.01.2016 -	01.01.2015 -
		30.09.2016	30.09.2015	30.09.2016	30.09.2015
		EUR '000	EUR '000	EUR '000	EUR '000
Net revenue		25 158	21 792	78 675	71 861
Cost of goods sold		(9 685)	(7 346)	(30 005)	(23 588)
Gross profit		15 473	14 446	48 670	48 273
Selling expense		(6 716)	(6 638)	(21 340)	(20 081)
Administrative expense		(4 529)	(3 704)	(13 579)	(12 006)
Other operating income		427	1 371	1 923	2 307
Other operating expense		(2 400)	(272)	(6 651)	(3 607)
Share of profit of an associate		(12)	(17)	27	78
Financial income		55	69	1 354	198
Financial expense		(98)	(2 226)	(207)	(208)
Profit before tax		2 200	3 029	10 197	14 954
Corporate income tax	5	(536)	(185)	(2 631)	(2 695)
Deferred corporate income tax	5	(7)	(19)	207	(154)
Profit for the reporting period		1 657	2 825	7 773	12 105
Other comprehensive income for the reporting period		-	-	-	-
Total comprehensive income for the reporting period		1 657	2 825	7 773	12 105
Total comprehensive income attributable to:					
The equity holders of the Parent company		1 653	2 823	7 764	12 099
Non-controlling interests		4	2	9	6
		1 657	2 825	7 773	12 105
Basic and diluted earnings per share, EUR		0.12	0.20	0.55	0.86

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

For the Board of JSC Olainfarm:

(signature)

Oļegs Grigorjevs
Member of the Board

November 30, 2016

Interim consolidated statement of financial position

ASSETS	Note	30.09.2016	31.12.2015
NON-CURRENT ASSETS		EUR '000	EUR '000
Intangible assets			
Goodwill		14 101	7 825
Patents		133	136
Pharmacy licenses and lease contracts		10 114	10 014
Other intangible assets		3 362	1 977
Intangible assets under construction		538	542
Prepayments for intangible assets		142	97
TOTAL		28 390	20 591
Property, plant and equipment			
Land, buildings and constructions		17 424	16 505
Equipment and machinery		13 355	12 305
Other tangible assets		2 542	2 255
Leasehold investments		105	133
Construction in progress		4 987	3 914
Prepayments for property, plant and equipment		484	467
TOTAL	6	38 897	35 579
Financial assets			
Loans to related and associated companies		323	79
Loans to management and shareholders		4 206	3 868
Investments in associated companies		1 160	482
Prepayments and prepaid expense		130	129
Other non-current financial assets		1 303	359
TOTAL		7 122	4 917
TOTAL NON-CURRENT ASSETS		74 409	61 087
CURRENT ASSETS			
Inventories			
Raw materials		3 779	2 747
Work in progress		9 445	9 742
Finished goods and goods for resale		9 525	8 277
Goods in transit		-	65
Prepayments for goods		240	159
TOTAL		22 989	20 990
Receivables			
Trade receivables and receivables from associated and other related companies		29 934	26 066
Prepayments and prepaid expense		992	1 551
Other receivables		857	855
Corporate income tax		-	333
Loans to management, employees and shareholders		621	1 675
Loans to related and associated companies		37	-
TOTAL		32 441	30 480
Cash		7 794	5 574
TOTAL CURRENT ASSETS		63 224	57 044
TOTAL ASSETS		137 633	118 131

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

(signature)

Oļegs Grigorjevs
Member of the Board

November 30, 2016

Interim consolidated statement of financial position

EQUITY AND LIABILITIES		Note	30.09.2016	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			7 764	15 281
	TOTAL		93 533	88 318
Non-controlling interests			39	30
		TOTAL EQUITY	93 572	88 348
LIABILITIES				
Non-current liabilities				
Loans from credit institutions			17 943	8 253
Deferred corporate income tax liabilities			2 303	1 947
Deferred income			2 927	2 656
Finance lease liabilities			258	307
	TOTAL		23 431	13 163
Current liabilities				
Loans from credit institutions			7 715	4 108
Finance lease liabilities			264	150
Prepayments received from customers			257	268
Trade payables and payables to associated and other related companies			7 280	7 188
Taxes payable			1 324	981
Corporate income tax			240	-
Deferred income			475	800
Accrued liabilities			3 075	3 125
	TOTAL		20 630	16 620
		TOTAL LIABILITIES	44 061	29 783
TOTAL EQUITY AND LIABILITIES			137 633	118 131

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

For the Board of JSC Olainfarm:

(signature)
Oļegs Grigorjevs
Member of the Board

November 30, 2016

Interim consolidated statement of cash flow

	01.01.2016 - 30.09.2016	01.01.2015 - 30.09.2015
	EUR '000	EUR '000
Cash flows to/from operating activities		
Profit before taxes	10 197	14 954
Adjustments for:		
Amortization and depreciation	4 334	4 470
Loss/ (profit) on sale/ disposal of non-current assets	(37)	60
Impairment of tangible and intangible assets	-	82
Increase/ (decrease) in allowances	3 292	2 411
Share of profit of an associate	(27)	(78)
Interest expenses	207	166
Interest income	(205)	(198)
Income from EU projects' funds	(978)	(457)
Unrealised loss/ (profit) from fluctuations of currency exchange rates	(646)	1 284
Operating cash flows before working capital changes	16 137	22 694
Decrease/ (increase) in inventories	1 892	(1 758)
Decrease/ (increase) in receivables and prepaid expense	(3 929)	(8 070)
(Decrease)/ increase in payables and prepayments received	1 485	(764)
Cash generated from operations	15 585	12 102
Corporate income tax paid	(2 253)	(1 832)
Net cash flows to/ from operating activities	13 332	10 270
Cash flows to/from investing activities		
Purchase of intangible assets and property, plant and equipment	(4 935)	(7 027)
Receipt of EU grants	641	969
Acquisition of subsidiaries and associate	(15 633)	(918)
Proceeds from sale of intangible assets and property, plant and equipment	123	30
Repayment of loans	1 099	125
Interest received	136	11
Loans granted	(637)	(234)
Net cash flows to/from investing activities	(19 206)	(7 044)
Cash flows to/from financing activities		
Dividends paid	(2 549)	-
Equity increase in subsidiary	-	14
Borrowings repaid	(3 368)	(6 089)
Interest paid	(207)	(166)
Proceeds from borrowings	14 000	3 236
Net cash flows to/from financing activities	7 876	(3 005)
Change in cash	2 002	221
Net foreign exchange difference	218	213
Cash at the beginning of the year	5 574	2 055
Cash at the end of the reporting period	7 794	2 489

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				Total	Non-controlling interests	Total
	Share capital	Share premium	Reserves	Retained earnings			
	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	-	-	-	12 099	12 099	6	12 105
Other comprehensive income	-	-	-	-	-	-	-
Total comprehensive income	-	-	-	12 099	12 099	6	12 105
Transfer to reserves	(322)	-	322	-	-	-	-
Issue of equity capital (SIA Silvanols)	-	-	-	-	-	14	14
Balance as at 30 September 2015	19 719	2 504	322	62 591	85 136	28	85 164
Balance as at 31 December 2015	19 719	2 504	322	65 773	88 318	30	88 348
Profit for the reporting period	-	-	-	7 764	7 764	9	7 773
Other comprehensive income	-	-	-	-	-	-	-
Total comprehensive income	-	-	-	7 764	7 764	9	7 773
Paid dividends	-	-	-	(2 549)	(2 549)	-	(2 549)
Balance as at 30 September 2016	19 719	2 504	322	70 988	93 533	39	93 572

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 30 November 2016.

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

Basis of preparation

The interim condensed consolidated financial statements for nine months ended 30 September 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 September 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 and investment in NPK Biotest**Acquired subsidiaries**

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

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	<i>Rūpes Farm</i>	<i>Stefānijas</i>	<i>FB1</i>	<i>Gostiņu</i>	TOTAL
	<i>Aptieka</i>	<i>Aptieka</i>		<i>Aptieka</i>	
Percentage of voting equity interest acquired	100%	100%	100%	100%	
Acquisition date	12.01.2016	28.04.2016	09.05.2016	05.09.2016	
Fair value recognized on acquisition					
	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000
Assets					
Premises lease agreement and licences	80	-	20	-	100
Property, plant and equipment	3	-	-	1	4
Cash and cash equivalents	32	2	3	-	37
Other receivables	2	1	-	-	3
Inventories	24	-	-	-	24
	141	3	23	1	168
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	1	107
Goodwill arising on acquisition	265	158	7	29	459
Purchase consideration transferred	350	159	27	30	566
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	29	443
Analysis of cash flows on acquisition:					
Net cash acquired with the subsidiary	32	2	3	-	37
Cash paid	(350)	(159)	(27)	(30)	(566)
Net cash outflow	(318)	(157)	(24)	(30)	(529)
Effect of acquisition to the Group					
Revenue contributed	95	-	-	-	95
Profit/ (loss) before tax generated	4	(3)	-	-	1
Estimated effect of acquisition if acquisition date had been as of the beginning of the year:					
Estimated revenue for whole period	101	-	-	23	124
Estimated profit/ (loss) before tax for whole period	3	(5)	-	-	(2)

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 and investment in NPK Biotest (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	100%	100%	
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	71	2 562	2 633
Profit/ (loss) before tax generated	(69)	152	83
Estimated effect of acquisition if acquisition date had been as of the beginning of the year:			
Estimated revenue for whole period	117	5 591	5 708
Estimated profit/ (loss) before tax for whole period	(67)	1 833	1 766

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.

3. Business combination and investment in NPK Biotest (cont'd)**Acquisition of NPK Biotest equity shares – investment in associate**

During the reporting period the Group acquired equity shares in Belarussian pharmaceutical company OOO NPK Biotest. The total agreed purchase price of 70% shares is 2.6 million EUR. At the reporting date JSC Olainfarm holds the title to 24% of NPK Biotest equity shares and since November 2016, JSC Olainfarm owns 70% equity shares. The Group's 24% investment in NPK Biotest in amount of 891 thsd EUR is recognised in the balance sheet position Investments in associated companies, however, advance payment for the additional 46% equity shares registered in November 2016, reflected in the balance sheet position Other non-current financial assets. The interest in the associate disclosed in the consolidated financial statements is accounted for using the equity method.

The following table illustrates summarised unaudited financial information of NPK Biotest at the end of the reporting period:

	<u>30.09.2016</u>
	EUR '000
Assets	
Current assets	994
Non-current assets	883
	<u>1 877</u>
Liabilities	
Current liabilities	629
Non-current liabilities	303
	<u>932</u>
Equity	<u>945</u>
Revenue for the reporting period	1 493
Result for the reporting period	-

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.

Impairment testing of the investment in NPK Biotest will be performed at the reporting year end. According to management estimates based on available unaudited NPK Biotest financial information as at the interim financial statement date, the parent company of the Group has recognised potential impairment allowance for the investment and advance payment amounting to 700 thsd EUR. The accrual has been allocated to balance sheet positions Investments in associated companies and Other non-current financial assets respectively 240 thsd EUR and 460 thsd EUR.

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 2 631 thsd. EUR (9M 2015: 2 695 thsd. EUR) and decrease in deferred income tax expense of 207 thsd. EUR (9M 2015: increase of 154 thsd. EUR). Deferred income tax liability at the period end is 2 303 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 enerģija (JSC Olainfarm share 50%)	Loan, services, energy production	31.12.2015 30.09.2016	59 42	449 280	83 57	25 20
SIA Pharma and Chemistry Competence Centre of Latvia (JSC Olainfarm share 11%, SIA Silvanols share 19%)	Financing and project management services	31.12.2015 30.09.2016	114 -	79 47	337 13	46 5
OOO NPK Biotest (AS Olainfarm share 24%)	Loan	31.12.2015 30.09.2016	- 272	- -	- 272	- -
		TOTAL: 31.12.2015	173	528	420	71
		TOTAL: 30.09.2016	314	327	342	25
2. Key management personnel						
V. Maligins (shareholder)	Loan and travelling services	31.12.2015 30.09.2016	1 423 673	- -	5 062 4 934	- -
		TOTAL: 31.12.2015	1 423	-	5 062	-
		TOTAL: 30.09.2016	673	-	4 934	-
3. Entity with significant influence						
SIA Olmafarm (shareholder)	Loan and finished goods sale	31.12.2015 30.09.2016	78 58	- -	308 50	- -
		TOTAL: 31.12.2015	78	-	308	-
		TOTAL: 30.09.2016	58	-	50	-
4. Other Related companies						
SIA Vega MS (V.Maligins share 59.99%)	Security services, manufacture of windows	31.12.2015 30.09.2016	- -	503 427	- -	- -
SIA Aroma (V.Maligins share 100%)	Loan and lease of premises	31.12.2015 30.09.2016	63 183	31 23	172 251	- 10
SIA Lano Serviss (V.Maligins share 25%)	Drycleaner's services	31.12.2015 30.09.2016	12 10	31 24	1 1	3 3
SIA Carbochem (V.Maligins share 50%)	Loan and intermediary on sale of chemical products	31.12.2015 30.09.2016	- -	- -	89 -	- -
SIA Olfa Press (V.Maligins share 47.5%)	Printing services	31.12.2015 30.09.2016	40 28	1 463 1 129	10 3	202 231
SIA Olalex (V.Maligins share 50%)	Finished goods sale, services	31.12.2015 30.09.2016	58 -	122 -	- -	33 -
		TOTAL: 31.12.2015	173	2 150	272	238
		TOTAL: 30.09.2016	221	1 603	255	244

Due to the changes in the Council of JSC Olainfarm, starting with August 16, 2016 OOO Olfa is no more related party of JSC Olainfarm and intercompany transactions between JSC Olainfarm and OOO Olfa are not included in the table above. During the period from the beginning of the year 2016 till the August 16 JSC Olainfarm has delivered goods to OOO Olfa in amount of 7 322 thsd EUR (till 30.09.2016: in amount of 8 532 thsd. EUR). Amount owed by OOO Olfa as of August 16, 2016 is 9 311 thsd. EUR (as of 30.09.2016: 9 245 thsd. EUR).

8. Segment information

	Finished form medicine	Chemicals	Pharmacy wholesale	Pharmacy retail	TONUS ELAST	Silvanols	Total segments	Unallocated and eliminated	Consolidated
	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000
Assets									
30.09.2016	58 720	21 863	4 699	19 841	16 443	4 704	126 270	11 363	137 633
31.12.2015	55 055	21 301	4 394	19 215	-	4 577	104 542	13 589	118 131
Liabilities									
30.09.2016	6 259	2 307	1 199	4 884	1 799	1 027	17 475	26 586	44 061
31.12.2015	5 379	2 274	935	5 232	-	1 228	15 048	14 735	29 783
Revenue									
External customers									
9M 2016	52 407	4 475	2 736	14 021	2 562	2 403	78 604	71	78 675
9M 2015	51 286	3 616	2 453	12 254	-	2 252	71 861	-	71 861
Inter-segment									
9M 2016	251	12 846	6 315	-	-	499	19 911	(19 911)	-
9M 2015	239	11 795	5 495	-	-	266	17 795	(17 795)	-
Total revenue									
9M 2016	52 658	17 321	9 051	14 021	2 562	2 902	98 515	(19 840)	78 675
9M 2015	51 525	15 411	7 948	12 254	-	2 518	89 656	(17 795)	71 861
Segment profit									
9M 2016	14 079	1 980	698	529	70	324	17 680	(7 484)	10 196
9M 2015	15 876	2 161	270	472	-	219	18 998	(4 044)	14 954

Reconciliation of profit

	9M 2016	9M 2015
	EUR '000	EUR '000
Segment profit	17 680	18 998
Unallocated financial income	1 375	590
Unallocated financial expenses	(186)	(142)
Other unallocated income and expense	(8 211)	(3 963)
Inter-segment elimination	(462)	(529)
Profit before tax	10 196	14 954

Reconciliation of assets

	30.09.2016	31.12.2015
	EUR '000	EUR '000
Segment operating assets	126 270	104 542
Unallocated long term assets	3 990	6 844
Unallocated short term assets	200	1 575
Cash managed on group level	7 173	5 170
Total assets	137 633	118 131

Reconciliation of Liabilities

	30.09.2016	31.12.2015
	EUR '000	EUR '000
Segment operating liabilities	17 475	15 048
Deferred tax liability	629	620
Interest bearing loans and borrowings	24 599	11 674
Current tax liabilities	1 230	832
Other unallocated liabilities and eliminations	128	1 609
Total liabilities	44 061	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.