



## **JOINT STOCK COMPANY OLAINFARM**

(UNIFIED REGISTRATION NUMBER 40003007246)

**UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE 12 MONTHS PERIOD ENDED 31 DECEMBER 2016**

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

Olaine, 2017

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**General information**

Name of the Parent Company	OLAINFARM
Legal status of the Parent Company	JOINT STOCK COMPANY
Unified registration number, place and date of registration of the Parent Company	40003007246 Riga, 10 June 1991 (re-registered on 27 March 1997)
Registered office of the Parent Company	Rūpnīcu iela 5 Olaine, Latvia, LV-2114
Major shareholders of the Parent Company	SIA Olmafarm (42.56%) Valērijs Maligins (26.92%) Swedbank AS EE Clients account (11.99%) Swedbank AS LV Clients account (1.05%)
Major subsidiaries	SIA Latvijas Aptieka – 100% equity share SIA Tonus Elast – 100% equity share SIA Silvanols – 96.69% equity share
Audit Committee	Viesturs Gurtlavs
Financial year	1 January – 31 December 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 December 31, 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 December 31, 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 December 31, 2016): 26 327

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 December 31, 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 December 31, 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 December 31, 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 December 31, 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 December 31, 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 December 31, 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 December 31, 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 December 31, 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 December 31, 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 December 31, 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 December 31, 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 December 31, 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.

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**Major shareholders**

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

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## 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 AS Olainfarm, its daughter companies SIA Latvijas Aptieka, SIA Kiwi Cosmetics, a leading Latvian food supplement company SIA Silvanols and a Latvian producer of elastic and compression products SIA Tonus Elast, since fourth quarter of 2016 the Group also includes SIA Klinika Diamed and Belarussian company NPK Biotest.

### Corporate mission and vision

#### *Corporate mission:*

AS 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](http://www.olainfarm.lv).

### Operational environment

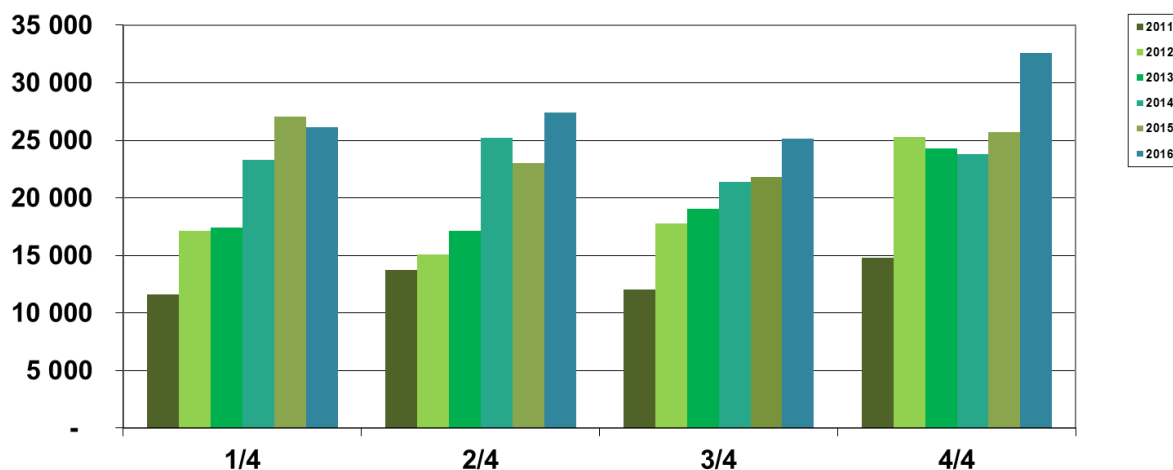
During the reporting period the operational environment in a large part of markets important for the company has remained relatively stable with some signs of improvement in Russia, particularly during the fourth quarter. Increase in value of Russian Rouble took place during this period, creating about 2 million forex revenue for the Company.

During the fourth quarter the company continued practice launched in previous quarters of creating provisions for Ukrainian receivables. Similarly to previous quarters we provided another 1 million euros, thus for the entire reporting period, provisions of 4 million euros have been made for Ukrainian receivables. Sanctions against Russia partially influenced Russian medical wholesale market. At the end of 2015 and beginning of 2016, certain consolidation of few bigger players took place along with some reorganizing processes and some winding down of operations. To ensure more prudent approach and with a critical view on possibilities to recover the due amounts, throughout the reporting period we have made provisions of more than 2 million for several Russian clients.

**Financial results**

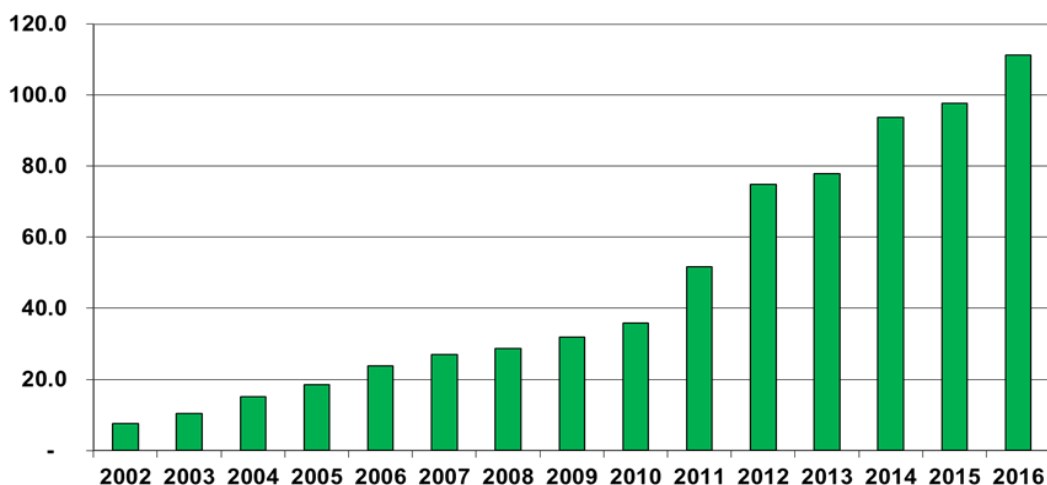
In terms of sales, fourth quarter of 2016 is again by far the best in corporate history. During the fourth quarter of 2016, sales volumes have increased by 27% compared to similar period of 2015 and reached 32.6 million euro.

**Sales by Quarters, Thsnd. EUR**

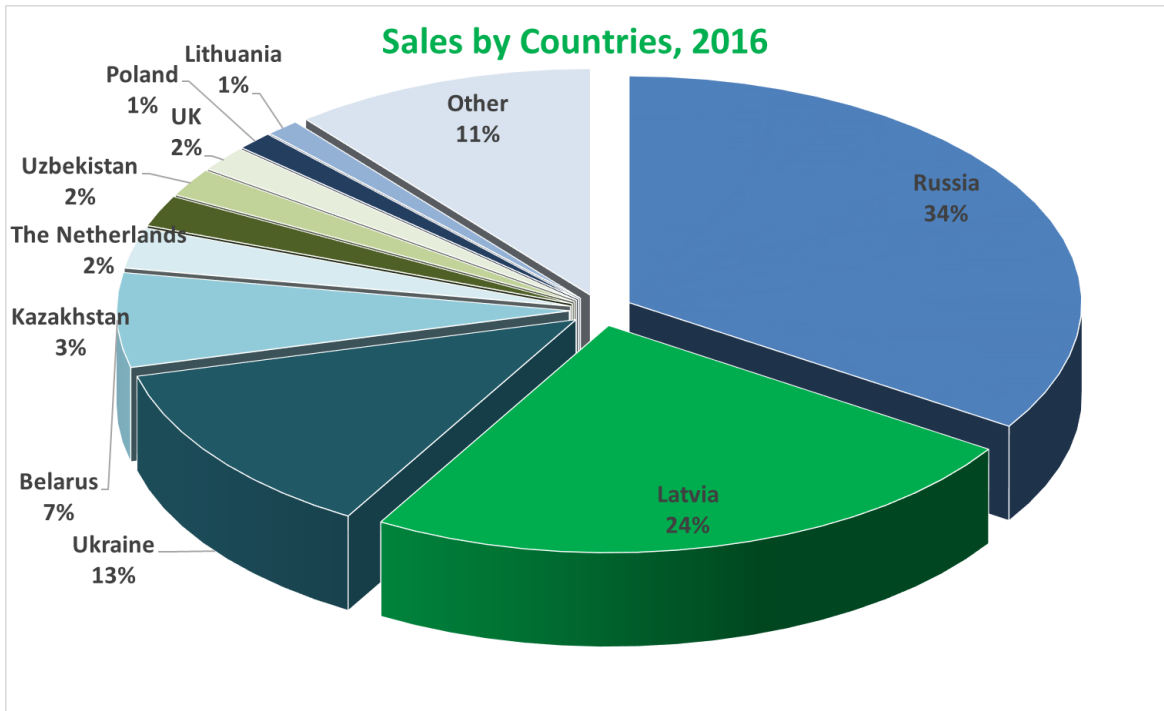


During 2016, sales grew by 14% compared to 2015 and reached 111.2 million euros, which in terms of sales makes this the best year corporate history. Importantly, this is the first year, when corporate sales exceeded the important threshold of 100 million euros.

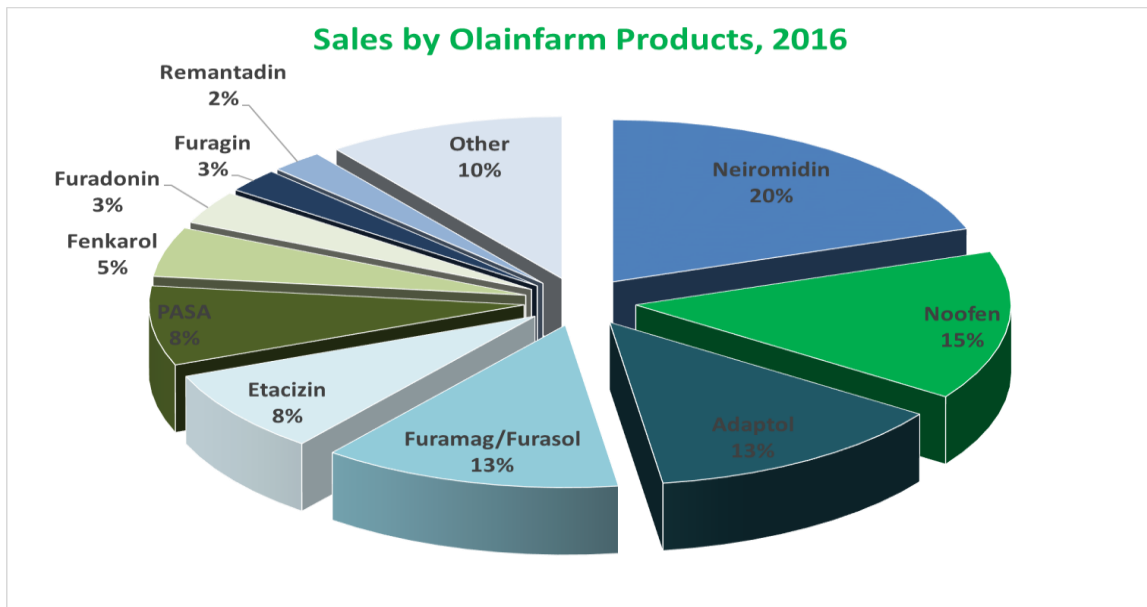
**Consolidated Sales, Mln. EUR**



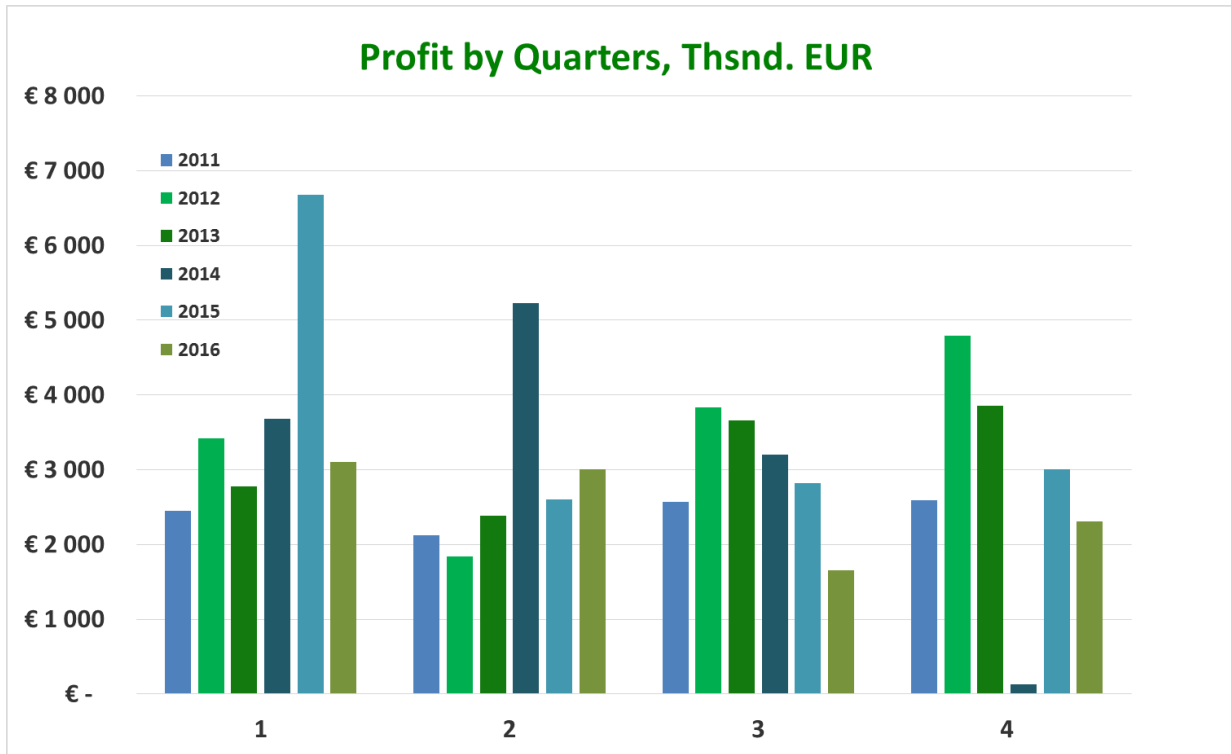
During 2016, compared to its nine months share of Russia in totals sales grew significantly (from 29% to 34%). This was facilitated by particularly large sales volumes to this country during the fourth quarter. Share of Ukraine has dropped by 3 percentage points during the same period. Shares of other markets have remained relatively unchanged.



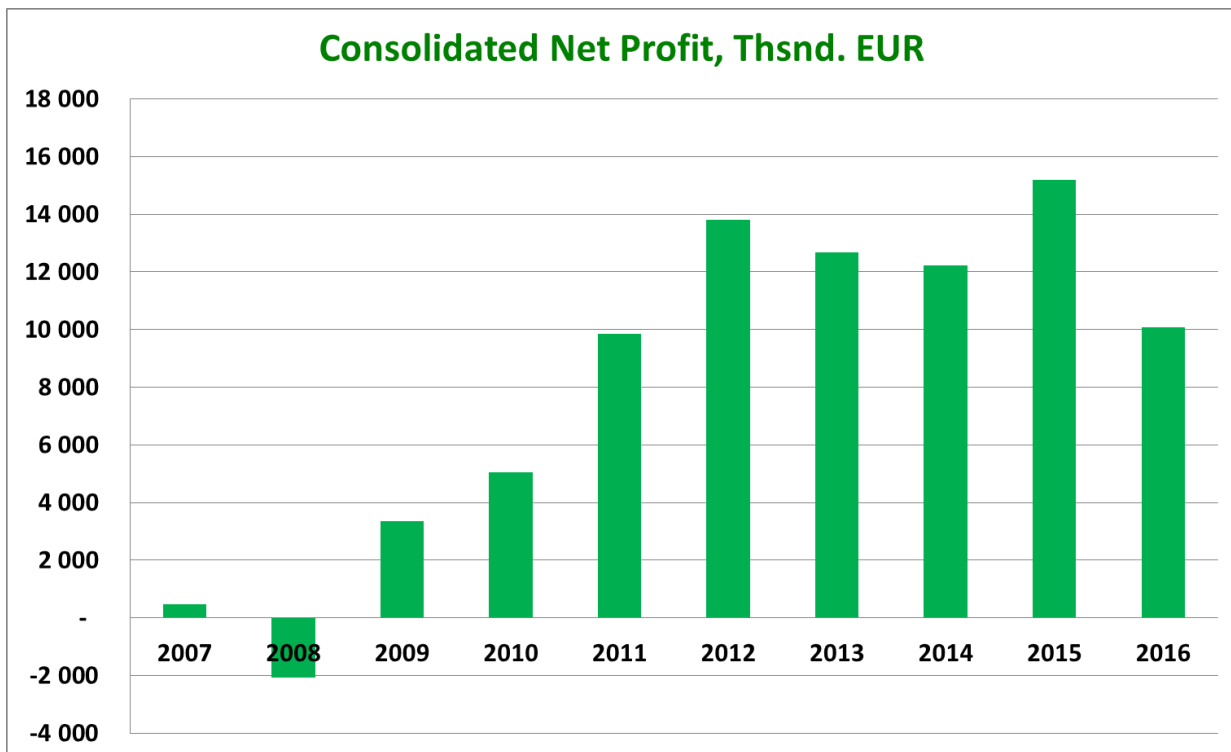
Some changes have also occurred to the shares of best-selling products. Share of best-selling Neiromidin during the fourth quarter has increased from 18% to 20%. Shares of Adaptol and soluble furaginum have increased from 12% to 13%. Shares of PASA, MAG and Fenkarol have slightly shrunk.



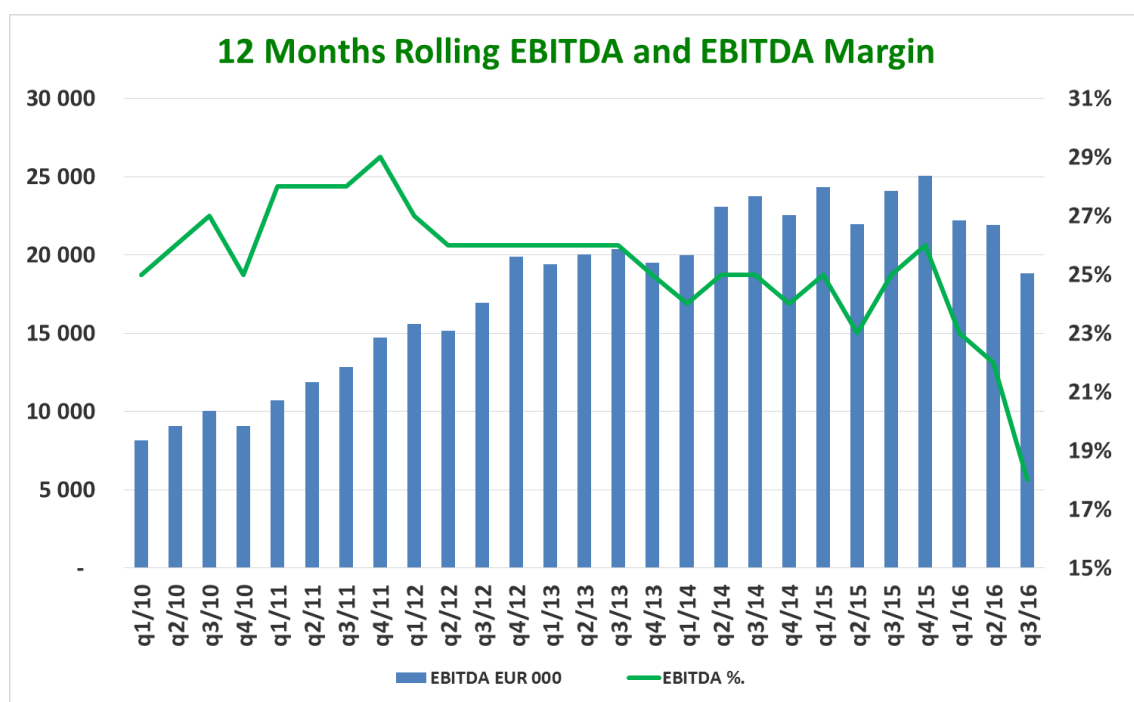
Although the past was the best in terms of sales, in terms of profitability it is not nearly as good. During the fourth quarter of 2016 the Group made a net profit of 2.3 million euros, which represents a reduction by 13% compared to the same period of 2015. The provisions of 2.47 million euros left a very significant impact of quarterly profitability as 1 million was provided for Ukrainian receivables, 0.8 million for Russian receivables and 650 thousand for other receivables. Without such provisions, the profit of the fourth quarter would have been slightly below 4.8 million, potentially making this one of the best quarters in terms of net profit too.



Although the new sales record has been set, the profit has experienced a reduction by 33%, from 15.2 million in 2015 to 10.1 million this year. In a full year too the profitability was very adversely impacted by provisions, which during this period totalled about 7 million euros. Without such provisions the nine months profit would have exceeded 17 million euros.



As less successful months of 2016 replaced more successful periods of 2015 in 12 months rolling EBITDA calculation, EBITDA and EBITDA margin have also declined. 12 months EBITDA fell to 16.2 million, which is the lowest level since 2012, while EBITDA margin during this period fell to recent low of 15%. This negative development is also significantly influenced by provisions.



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

Financial indicator for period	2016	2015	% to previous period
Sales, EUR '000	111 275	97 392	114%
Net profit, EUR '000	10 079	15 281	66%
EBITDA, EUR '000	16 210	24 884	65%
EBIT, EUR '000	10 398	18 786	55%
Gross margin	62.9%	66.8%	
EBITDA margin	14.6%	25.6%	
EBIT margin	9.3%	19.3%	
Net margin	9.1%	15.7%	
ROA	7.0%	12.9%	
ROE	10.6%	17.3%	
Current ratio	2.6	3.4	
EPS, EUR	0.72	1.08	66%
Share price at period end, EUR	8.51	7.11	120%
P/E	11.9	6.6	
Market capitalisation at period end, EUR '000	119 864	100 145	120%
P/B	1.3	1.1	

Annual meeting of shareholders of AS 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 2016, during this period 111% of annual sales target and 101% of annual profit target is met.

#### Dividends

Board of AS Olainfarm proposes that the dividends of 0.66 EUR per share are paid from Parent company's profit in 2016. If necessary, the Board proposes that parts of undistributed profit be used for dividend payments. In order to minimize the adverse impact of dividend payment on Company's liquidity, the Board proposes that such dividends be paid in three equal instalments at the ends of second, third and fourth quarters of 2017 respectively. It is expected that such dividend payments will allow almost complete repayment of liabilities of related parties towards the company.

**Shares and stock market**

During the reporting period, share price mainly fluctuated between 7 and 8.74 euro per share, reaching its low of 7.00 per share in the middle of February, and reaching its high of 8.74 at the beginning of December. During the reporting period, 1553 transactions were made with shares of AS Olainfarm. Shortly after the end of the reporting period the share price reached a new historic record of 9.18 euros. At the time when this report is being produced, the share price fluctuates around 8.9 euros per share.

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



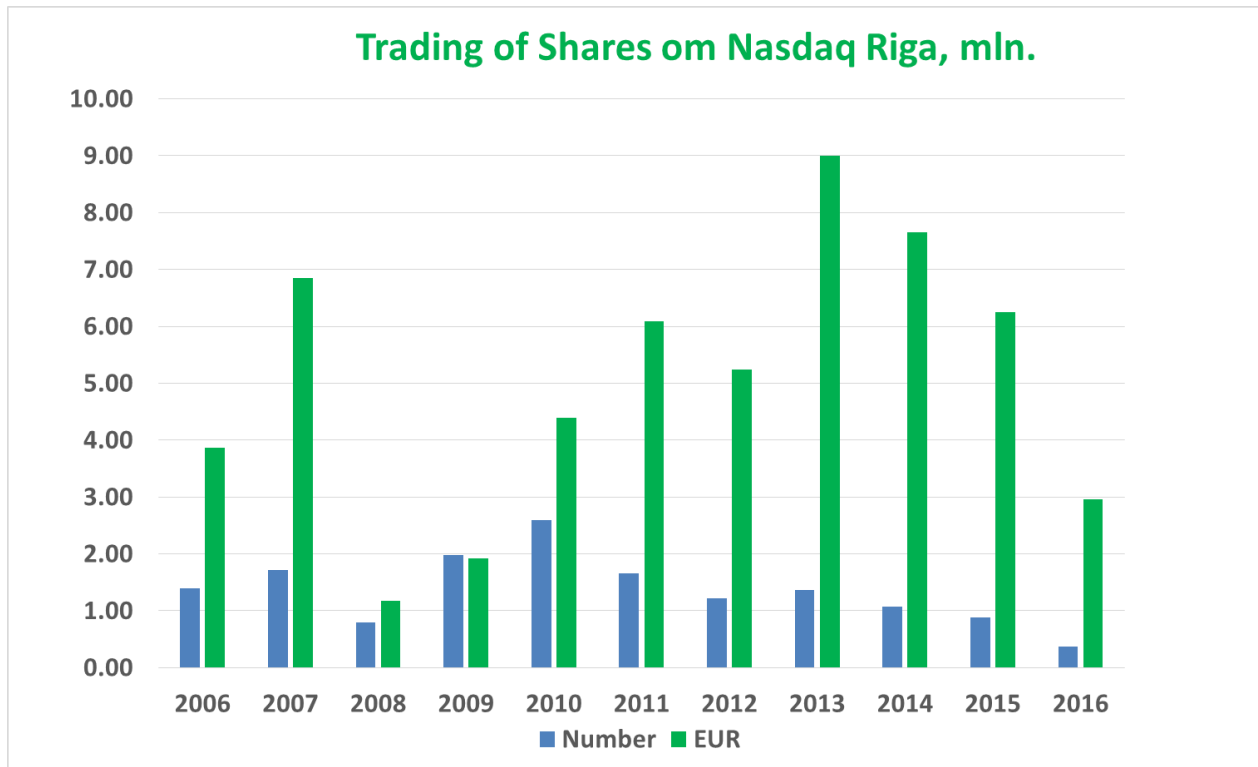
During 2016, price of share of AS Olainfarm fluctuated similarly to OMX Riga index. During this period OMX Riga index increased by 23.5%, while price for share of AS Olainfarm by 19.7%.

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



-- OMX Riga  
-- JSC Olainfarm





During 2016, more than 380 thousand shares of AS Olainfarm worth almost 3 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. In terms of shares traded this has been the worst year in a decade, while in terms of turnover this has been the worst year since 2009.

#### 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, Ukraine, Mongolia, Armenia, Turkmenistan and Bosnia and Herzegovina.

During the fourth quarter alone registration of ten products in five countries has been completed.

#### 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 particularly positive development is expected at the second part of 2017, when we expect our first products be registered in Turkey. 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

Social responsibility activities of AS Olainfarm are targeted at people – via supporting health care, healthy lifestyle, science, education and culture.

*Supporting health care and healthy lifestyle*

AS Olainfarm supported Annual Medical Awards and Health Awards organized by Latvian Medical Society. Both awards celebrate achievements in improving public health in Latvia

Company also supported a wide range of sporting events, both on national and local level – from development support to budding tennis players to practices and tournaments of football, basketball and dancing enthusiasts. With a support from AS Olainfarm, Latvian In Line Hockey team participated in World Championships of 2016. AS Olainfarm also supported Open Amateur Ice Hockey Championship in Olaine, running competitions, boxing tournaments, Olaine Chess tournament. We are also proud to be a partner in Latvian Cycling Festival, held in Olaine for the second year in a row. One of the legs of World Strongman championships in Olaine has also become a good tradition.

AS Olainfarm supports Latvian Red Cross, Latvian Union of Orphans, SOS Children villages and other organisations in their efforts to improve the health conditions of those socially most vulnerable.

*Supporting science and education*

AS Olainfarm provided scholarships for new professionals of several faculties of Riga Stradins University, Latvian University and Riga Technical University, we have also contributed to creation of engineering High School of Riga Technical University.

During 2016 AS Olainfarm was visited not only by teachers and lecturers in chemistry, but also by more than 100 students of high schools and universities. We proudly supported participation of Latvian students in 24<sup>th</sup> Baltic Olympics in Chemistry, and trained 62 interns.

*Supporting culture*

AS Olainfarm is honoured to be the leading sponsor of Dailes Theatre and to ensure that anyone could visit theatre's skill lessons for free.

Company continued helping Ineses Galantes Fonds to search for musically talented young people of Latvia as well as other activities of Ineses Galantes Fonds, including its musical festival Summertime.

Festival Rigas Ritmi has become a long living support tradition for AS Olainfarm, recently enriched with a new jazz section named Olainfarm Jazz Nights.

We also supported an international jazz contest "Riga Jazz Stage 2016, and a tour Kristine Opolais, a star of New York Metropolitan Opera.

We were proud supporters of children vocal group Dzeguzite, and continuing our long term cooperation, we also assisted in releasing new album by Raimonds Pauls.

**Events after the end of the reporting period**

No events that could significantly influence company's further activities have taken place since the end of the reporting period.

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

(signature)  
\_\_\_\_\_  
Oļegs Grigorjevs  
Member of the Board

February 28, 2017

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## 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)

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Oļegs Grigorjevs  
Member of the Board

February 28, 2017

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

	Note	01.10.2016 -	01.10.2015 -	01.01.2016 -	01.01.2015 -
		31.12.2016	31.12.2015	31.12.2016	31.12.2015
		EUR '000	EUR '000	EUR '000	EUR '000
Net revenue		32 600	25 531	111 275	97 392
Cost of goods sold		(11 233)	(8 727)	(41 238)	(32 315)
<b>Gross profit</b>		<b>21 367</b>	<b>16 804</b>	<b>70 037</b>	<b>65 077</b>
Selling expense		(12 542)	(8 121)	(33 882)	(28 202)
Administrative expense		(5 767)	(6 959)	(19 346)	(18 965)
Other operating income		1 028	2 355	2 951	2 715
Other operating expense		(2 776)	(297)	(9 427)	(1 957)
Share of profit of an associate		38	40	65	118
Financial income		2 103	64	3 457	262
Financial expense		(100)	(1 196)	(307)	(1 404)
<b>Profit before tax</b>		<b>3 351</b>	<b>2 690</b>	<b>13 548</b>	<b>17 644</b>
Corporate income tax	5	(719)	585	(3 350)	(2 110)
Deferred corporate income tax	5	(319)	(91)	(112)	(245)
<b>Profit for the reporting period</b>		<b>2 313</b>	<b>3 184</b>	<b>10 086</b>	<b>15 289</b>
<b>Other comprehensive income for the reporting period</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total comprehensive income for the reporting period</b>		<b>2 313</b>	<b>3 184</b>	<b>10 086</b>	<b>15 289</b>
Total comprehensive income attributable to:					
The equity holders of the Parent company		2 315	3 182	10 079	15 281
Non-controlling interests		(2)	2	7	8
		<b>2 313</b>	<b>3 184</b>	<b>10 086</b>	<b>15 289</b>
Basic and diluted earnings per share, EUR		0.16	0.23	0.72	1.08

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

For the Board of JSC Olainfarm:

(signature)  
\_\_\_\_\_  
Oļegs Grigorjevs  
Member of the Board

February 28, 2017

**Interim consolidated statement of financial position**

<b>ASSETS</b>	Note	31.12.2016	31.12.2015
<b>NON-CURRENT ASSETS</b>		EUR '000	EUR '000
<b>Intangible assets</b>			
Goodwill		17 250	7 825
Patents		137	136
Pharmacy licenses and lease contracts		10 404	10 014
Other intangible assets		3 432	1 977
Intangible assets under construction		471	542
Prepayments for intangible assets		165	97
TOTAL		<b>31 859</b>	<b>20 591</b>
<b>Property, plant and equipment</b>			
Land, buildings and constructions		19 207	16 505
Equipment and machinery		13 715	12 305
Other tangible assets		3 027	2 255
Leasehold investments		481	133
Construction in progress		4 043	3 914
Prepayments for property, plant and equipment		473	467
TOTAL	6	<b>40 946</b>	<b>35 579</b>
<b>Investment properties</b>			
TOTAL		<b>2 200</b>	<b>-</b>
<b>Financial assets</b>			
Loans to related and associated companies		51	79
Loans to management and shareholders		5 424	3 868
Investments in associated companies		547	482
Prepayments and prepaid expense		143	129
Other non-current financial assets		79	359
TOTAL		<b>6 244</b>	<b>4 917</b>
<b>TOTAL NON-CURRENT ASSETS</b>		<b>81 249</b>	<b>61 087</b>
<b>CURRENT ASSETS</b>			
<b>Inventories</b>			
Raw materials		3 473	2 747
Work in progress		9 981	9 742
Finished goods and goods for resale		10 253	8 277
Goods in transit		-	65
Prepayments for goods		428	159
TOTAL		<b>24 135</b>	<b>20 990</b>
<b>Receivables</b>			
Trade receivables and receivables from associated and other related companies		33 697	26 066
Prepayments and prepaid expense		1 026	1 551
Other receivables		1 099	855
Corporate income tax		-	333
Loans to management, employees and shareholders		588	1 675
Loans to related and associated companies		45	-
TOTAL		<b>36 455</b>	<b>30 480</b>
<b>Cash</b>			
TOTAL		<b>3 166</b>	<b>5 574</b>
<b>TOTAL CURRENT ASSETS</b>		<b>63 756</b>	<b>57 044</b>
<b>TOTAL ASSETS</b>		<b>145 005</b>	<b>118 131</b>

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

(signature)  
\_\_\_\_\_  
Oļegs Grigorjevs  
Member of the Board

February 28, 2017

**Interim consolidated statement of financial position**

<b>EQUITY AND LIABILITIES</b>		Note	<b>31.12.2016</b>	<b>31.12.2015</b>
<b>EQUITY</b>			<b>EUR '000</b>	<b>EUR '000</b>
Share capital			19 719	19 719
Share premium			2 504	2 504
Reserves			322	322
Retained earnings:				
brought forward			62 502	50 492
for the period			10 079	15 281
	TOTAL		95 126	88 318
Non-controlling interests			37	30
		<b>TOTAL EQUITY</b>	<b>95 163</b>	<b>88 348</b>
<b>LIABILITIES</b>				
<b>Non-current liabilities</b>				
Loans from credit institutions			19 283	8 253
Deferred corporate income tax liabilities			2 685	1 947
Deferred income			2 810	2 656
Finance lease liabilities			449	307
Other non-current financial liabilities			114	-
	TOTAL		<b>25 341</b>	<b>13 163</b>
<b>Current liabilities</b>				
Loans from credit institutions			5 780	4 108
Finance lease liabilities			194	150
Prepayments received from customers			49	268
Trade payables and payables to associated and other related companies			10 096	7 188
Taxes payable			1 106	981
Corporate income tax			136	-
Deferred income			493	800
Accrued liabilities			6 647	3 125
	TOTAL		<b>24 501</b>	<b>16 620</b>
		<b>TOTAL LIABILITIES</b>	<b>49 842</b>	<b>29 783</b>
<b>TOTAL EQUITY AND LIABILITIES</b>			<b>145 005</b>	<b>118 131</b>

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

For the Board of JSC Olainfarm:

(signature)  
\_\_\_\_\_  
Oļegs Grigorjevs  
Member of the Board

February 28, 2017

**Interim consolidated statement of cash flow**

	01.01.2016 - 31.12.2016	01.01.2015 - 31.12.2015
	EUR '000	EUR '000
<b>Cash flows to/from operating activities</b>		
Profit before taxes	13 548	17 644
Adjustments for:		
Amortization and depreciation	5 812	6 098
Loss/ (profit) on sale/ disposal of non-current assets	49	772
Impairment of tangible and intangible assets	-	1
Increase/ (decrease) in allowances	8 783	151
Share of profit of an associate	(65)	(118)
Interest expenses	307	213
Interest income	(275)	(262)
Income from EU projects' funds	(1 099)	(1 007)
Unrealised loss/ (profit) from fluctuations of currency exchange rates	(1 488)	717
<b>Operating cash flows before working capital changes</b>	<b>25 572</b>	<b>24 209</b>
Decrease/ (increase) in inventories	1 412	(2 344)
Decrease/ (increase) in receivables and prepaid expense	(8 494)	(2 031)
(Decrease)/ increase in payables and prepayments received	829	(2 631)
<b>Cash generated from operations</b>	<b>19 319</b>	<b>17 203</b>
Corporate income tax paid	(3 043)	(2 473)
<b>Net cash flows to/ from operating activities</b>	<b>16 276</b>	<b>14 730</b>
<b>Cash flows to/from investing activities</b>		
Purchase of intangible assets and property, plant and equipment	(7 062)	(7 667)
Purchase of investment properties	(2 200)	-
Receipt of EU grants	641	1 066
Acquisition of subsidiaries	(20 092)	(1 462)
Proceeds from sale of intangible assets and property, plant and equipment	314	75
Proceeds from sales of investments	172	-
Repayment of loans	1 125	109
Interest received	138	10
Loans granted	(692)	(490)
<b>Net cash flows to/from investing activities</b>	<b>(27 656)</b>	<b>(8 359)</b>
<b>Cash flows to/from financing activities</b>		
Dividends paid	(2 549)	-
Equity increase in subsidiary	-	14
Borrowings repaid	(4 831)	(6 276)
Interest paid	(307)	(213)
Proceeds from borrowings	16 600	3 236
<b>Net cash flows to/from financing activities</b>	<b>8 913</b>	<b>(3 239)</b>
<b>Change in cash</b>	<b>(2 467)</b>	<b>3 132</b>
Net foreign exchange difference	59	387
<b>Cash at the beginning of the year</b>	<b>5 574</b>	<b>2 055</b>
<b>Cash at the end of the reporting period</b>	<b>3 166</b>	<b>5 574</b>

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			
<b>Balance as at 31 December 2014</b>	<b>20 041</b>	<b>2 504</b>	<b>-</b>	<b>50 492</b>	<b>73 037</b>	<b>8</b>	<b>73 045</b>
Profit for the reporting period	-	-	-	15 281	15 281	8	15 289
Other comprehensive income	-	-	-	-	-	-	-
Total comprehensive income	-	-	-	15 281	15 281	8	15 289
Transfer to reserves	(322)	-	322	-	-	-	-
Issue of equity capital (SIA Silvanols)	-	-	-	-	-	14	14
<b>Balance as at 31 December 2015</b>	<b>19 719</b>	<b>2 504</b>	<b>322</b>	<b>65 773</b>	<b>88 318</b>	<b>30</b>	<b>88 348</b>
Profit for the reporting period	-	-	-	10 079	10 079	7	10 086
Other comprehensive income	-	-	-	-	-	-	-
Total comprehensive income	-	-	-	10 079	10 079	7	10 086
Business combination	-	-	-	-	-	392	392
Acquisition of non-controlling interest	-	-	-	(722)	(722)	(392)	(1 114)
Paid dividends	-	-	-	(2 549)	(2 549)	-	(2 549)
<b>Balance as at 31 December 2016</b>	<b>19 719</b>	<b>2 504</b>	<b>322</b>	<b>72 581</b>	<b>95 126</b>	<b>37</b>	<b>95 163</b>

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



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## 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 28 February 2017.

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

#### ***Basis of preparation***

The interim condensed consolidated financial statements for three months and twelve months ended 31 December 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 31 December 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****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>	<i>Avril 18</i>	TOTAL
	<i>Aptieka</i>	<i>Aptieka</i>		<i>Aptieka</i>		
Percentage of voting equity interest acquired	100%	100%	100%	100%	100%	
Acquisition date	12.01.2016	28.04.2016	09.05.2016	05.09.2016	14.12.2016	
Fair value recognized on acquisition						
	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000
<b>Assets</b>						
Premises lease agreement and licences	80	-	20	-	190	290
Property, plant and equipment	3	-	-	1	-	4
Cash and cash equivalents	32	2	3	-	5	42
Other receivables	2	1	-	-	1	4
Trade receivables	-	-	-	-	11	11
Inventories	24	-	-	-	37	61
	<b>141</b>	<b>3</b>	<b>23</b>	<b>1</b>	<b>244</b>	<b>412</b>
<b>Liabilities</b>						
Trade payables	(40)	(2)	-	-	(63)	(105)
Other current liabilities	(3)	-	-	-	(85)	(88)
Deferred tax liabilities	(13)	-	(3)	-	(29)	(45)
	<b>(56)</b>	<b>(2)</b>	<b>(3)</b>	<b>-</b>	<b>(177)</b>	<b>(238)</b>
<b>Total identifiable net assets at fair value</b>	<b>85</b>	<b>1</b>	<b>20</b>	<b>1</b>	<b>67</b>	<b>174</b>
Goodwill arising on acquisition	265	158	7	29	266	725
<b>Purchase consideration transferred</b>	<b>350</b>	<b>159</b>	<b>27</b>	<b>30</b>	<b>333</b>	<b>899</b>
Goodwill comprises:						
- an increase in deferred tax from acquired net asset fair value and book value difference	13	-	3	-	29	45
- expected synergies and assembled workforce not recognised separately	252	158	4	29	237	680
<b>Analysis of cash flows on acquisition:</b>						
Net cash acquired with the subsidiary	32	2	3	-	5	42
Cash paid	(350)	(159)	(27)	(30)	(333)	(899)
<b>Net cash outflow</b>	<b>(318)</b>	<b>(157)</b>	<b>(24)</b>	<b>(30)</b>	<b>(328)</b>	<b>(857)</b>
<b>Effect of acquisition to the Group</b>						
Revenue contributed	95	-	-	-	16	111
Profit/ (loss) before tax generated	(2)	(5)	-	-	-	(7)
<b>Estimated effect of acquisition if acquisition date had been as of the beginning of the year:</b>						
Estimated revenue for whole period	101	-	-	23	348	472
Estimated profit/ (loss) before tax for whole period	(3)	(7)	-	-	(3)	(13)

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 and Health care companies**

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

Acquired entity Percentage of voting equity interest acquired Acquisition date	<i>Kiwi Cosmetics</i>	<i>Tonus Elast</i>	<i>NPK Biotest</i>	<i>Klīnika DiaMed</i>	<b>TOTAL</b> EUR '000
	100% 14.03.2016	100% 25.05.2016	100% 11.11.2016	100% 24.11.2016	
	<b>Fair value recognized on acquisition</b>				
	EUR '000	EUR '000			EUR '000
<b>Assets</b>					
Intangible assets	1	1 459	2	37	1 499
Property, plant and equipment	3	2 312	940	673	3 928
Cash and cash equivalents	5	8	168	20	201
Other receivables	7	50	110	51	218
Trade receivables	14	3 022	129	44	3 209
Inventories	51	3 887	654	5	4 597
	<b>81</b>	<b>10 738</b>	<b>2 003</b>	<b>830</b>	<b>13 652</b>
<b>Liabilities</b>					
Trade payables	(30)	(814)	(486)	(298)	(1 628)
Other current liabilities	(4)	(864)	(155)	(277)	(1 300)
Other long term liabilities	-	(99)	(44)	(42)	(185)
Deferred tax liabilities	(3)	(544)	(10)	(27)	(584)
	<b>(37)</b>	<b>(2 321)</b>	<b>(695)</b>	<b>(644)</b>	<b>(3 697)</b>
<b>Total identifiable net assets at fair value</b>	<b>44</b>	<b>8 417</b>	<b>1 308</b>	<b>186</b>	<b>9 955</b>
Non-controlling interest	-	-	(393)	-	-
Goodwill arising on acquisition	300	5 583	1 960	917	8 760
<b>Purchase consideration transferred</b>	<b>344</b>	<b>14 000</b>	<b>2 875</b>	<b>1 103</b>	<b>18 322</b>
Goodwill comprises:					
- an increase in deferred tax from acquired net asset fair value and book value difference	3	529	10	27	569
- expected synergies and assembled workforce not recognised separately	297	5 054	1 950	890	8 191
<b>Analysis of cash flows on acquisition:</b>					
Net cash acquired with the subsidiary	5	8	168	20	201
Cash paid	(344)	(14 000)	(2 875)	(1 103)	(18 322)
<b>Net cash outflow</b>	<b>(339)</b>	<b>(13 992)</b>	<b>(2 707)</b>	<b>(1 083)</b>	<b>(18 121)</b>
<b>Effect of acquisition to the Group</b>					
Revenue contributed	108	3 854	360	95	4 417
Profit/ (loss) before tax generated	(139)	(196)	65	(48)	(318)
<b>Estimated effect of acquisition if acquisition date had been as of the beginning of the year:</b>					
Estimated revenue for whole period	154	6 883	2 060	1 444	10 541
Estimated profit/ (loss) before tax for whole period	(137)	1 600	72	(130)	1 405

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 deferred purchase price 100 thsd. EUR is payable if SIA Kiwi Cosmetics achieves financial goals set in the purchase agreement. As of 31.12.2016 deferred liability of 68 thsd. EUR is recognised.

During the reporting year, the Group acquired 100% of Belarussian pharmaceutical company OOO NPK Biotest. The acquisition stages are following:

- In August 2016, the 24% investment in associate was made with consideration paid 891 thsd. EUR;
- In November 2016, the majority in the company (70%) is acquired with consideration for 46% paid 1709 thsd EUR;
- In December 2016, the remaining 30% of minority shares acquired with consideration paid 1114 thsd EUR.

#### 4. Impairments

Goodwill is tested for impairment annually and when circumstances indicate the carrying value may be impaired. Goodwill acquired through business combinations has been allocated to 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 in subsidiary amounting to 1114 thsd EUR. There is no effect on the consolidated result as the 1114 thsd EUR was recognised as minority shareholding acquisition through equity.

#### 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 3 350 thsd. EUR (12M 2015: 2 110 thsd. EUR) and increase in deferred income tax expense of 112 thsd. EUR (12M 2015: increase of 245 thsd. EUR). Deferred income tax liability at the period end is 2 685 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
<b>1. Associated entities</b>						
SIA Olainfarm enerģija (JSC Olainfarm share 50%)	Loan, services, energy production	31.12.2015 31.12.2016	59 56	449 386	83 56	25 35
SIA Pharma and Chemistry Competence Centre of Latvia (JSC Olainfarm share 11%, SIA Silvanols share 19%)	Financing and project management services	31.12.2015 31.12.2016	114 -	79 47	337 8	46 -
<b>TOTAL: 31.12.2015</b>			<b>173</b>	<b>528</b>	<b>420</b>	<b>71</b>
<b>TOTAL: 31.12.2016</b>			<b>56</b>	<b>433</b>	<b>64</b>	<b>35</b>
<b>2. Key management personnel</b>						
V. Maligins (shareholder)	Loan and travelling services	31.12.2015 31.12.2016	1 423 6 159	- 48	5 062 5 612	- 48
V. Andrejeva (Deputy Chairperson of the Council)	Loan	31.12.2015 31.12.2016	- 60	- -	- 56	- -
S. Lapiņš (Member of the Board)	Loan	31.12.2015 31.12.2016	- 83	- -	24 106	- -
<b>TOTAL: 31.12.2015</b>			<b>1 423</b>	<b>-</b>	<b>5 086</b>	<b>-</b>
<b>TOTAL: 31.12.2016</b>			<b>6 302</b>	<b>48</b>	<b>5 774</b>	<b>48</b>
<b>3. Entity with significant influence</b>						
SIA Olmafarm (shareholder)	Loan and finished goods sale	31.12.2015 31.12.2016	78 62	- -	308 51	- -
<b>TOTAL: 31.12.2015</b>			<b>78</b>	<b>-</b>	<b>308</b>	<b>-</b>
<b>TOTAL: 31.12.2016</b>			<b>62</b>	<b>-</b>	<b>51</b>	<b>-</b>
<b>4. Other Related companies</b>						
SIA Vega MS (V.Maligins share 59.99%)	Security services, manufacture of windows	31.12.2015 31.12.2016	- -	503 573	- -	- 4
SIA Aroma (V.Maligins share 100%)	Loan and lease of premises	31.12.2015 31.12.2016	63 208	31 32	172 272	- 15
SIA Lano Serviss (V.Maligins share 25%)	Drycleaner's services	31.12.2015 31.12.2016	12 13	31 33	1 1	3 3
SIA Carbochem (V.Maligins share 50%)	Loan and intermediary on sale of chemical products	31.12.2015 31.12.2016	- -	- -	89 -	- -
SIA Olfa Press (V.Maligins share 47.5%)	Printing services	31.12.2015 31.12.2016	40 17	1 463 1 469	10 25	202 230
SIA Olalex (V.Maligins share 50%)	Finished goods sale, services	31.12.2015 31.12.2016	58 -	122 31	- -	33 -
SIA EGOTRASHCINEMA (V.Maligina share 40%)	Accounting services	31.12.2015 31.12.2016	- 6	- -	- 6	- -
<b>TOTAL: 31.12.2015</b>			<b>173</b>	<b>2 150</b>	<b>272</b>	<b>238</b>
<b>TOTAL: 31.12.2016</b>			<b>244</b>	<b>2 138</b>	<b>304</b>	<b>252</b>

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 31.12.2016: in amount of 10 235 thsd. EUR). Amount owed by OOO Olfa as of August 16, 2016 is 9 311 thsd. EUR (as of 31.12.2016: 9 460 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
<b>Assets</b>									
31.12.2016	60 831	22 786	5 382	20 448	16 796	4 713	130 956	14 049	145 005
31.12.2015	55 055	21 301	4 394	19 215	-	4 577	104 542	13 589	118 131
<b>Liabilities</b>									
31.12.2016	10 691	2 546	1 260	4 869	2 922	1 096	23 384	26 458	49 842
31.12.2015	5 379	2 274	935	5 232	-	1 228	15 048	14 735	29 783
<b>Revenue</b>									
External customers									
2016	74 743	4 683	3 727	18 882	4 929	3 473	110 437	838	111 275
2015	69 669	4 625	2 619	16 821	-	3 658	97 392	-	97 392
Inter-segment									
2016	337	16 479	8 470	-	-	673	25 959	(25 959)	-
2015	366	16 031	8 179	-	-	426	25 002	(25 002)	-
<b>Total revenue</b>									
2016	75 080	21 162	12 197	18 882	4 929	4 146	136 396	(25 121)	111 275
2015	70 035	20 656	10 798	16 821	-	4 084	122 394	(25 002)	97 392
<b>Segment profit</b>									
2016	14 916	2 408	184	658	859	271	19 296	(5 748)	13 548
2015	15 784	5 724	336	320	-	752	22 916	(5 272)	17 644

**Reconciliation of profit**

	2016	2015
	EUR '000	EUR '000
<b>Segment profit</b>	<b>19 296</b>	<b>22 916</b>
Unallocated financial income	1 371	561
Unallocated financial expenses	(279)	(1 320)
Other unallocated income and expense	(702)	(3 635)
Inter-segment elimination	(6 138)	(878)
<b>Profit before tax</b>	<b>13 548</b>	<b>17 644</b>

**Reconciliation of assets**

	31.12.2016	31.12.2015
	EUR '000	EUR '000
<b>Segment operating assets</b>	<b>130 956</b>	<b>104 542</b>
Unallocated long term assets	9 541	6 844
Unallocated short term assets	2 209	1 575
Cash managed on group level	2 299	5 170
<b>Total assets</b>	<b>145 005</b>	<b>118 131</b>

**Reconciliation of Liabilities**

	31.12.2016	31.12.2015
	EUR '000	EUR '000
<b>Segment operating liabilities</b>	<b>23 384</b>	<b>15 048</b>
Deferred tax liability	1 011	620
Interest bearing loans and borrowings	24 134	11 674
Current tax liabilities	1 000	832
Other unallocated liabilities and eliminations	313	1 609
<b>Total liabilities</b>	<b>49 842</b>	<b>29 783</b>

**8. Segment information (cont'd)**

Segment TonusElast includes information on company Tonus Elast and related distribution network. Newly acquired companies Kivvi Cosmetics, Klīnika Diamed and NPK Biotest are not allocated to the segments.

**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.