

Joint Stock Company “Grindeks”

*Non -audited Consolidated financial statements,
prepared in accordance with International
Financial Reporting Standards
as adopted by the European Union
for the periods ended 30 June, 2017 and
ended 30 June, 2016*

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ANCILLARY INFORMATION

Name	“GRINDEKS”
Legal status	Joint Stock Company since 25 August 1997
Number, place and date of registration	40003034935, Riga, Republic of Latvia, October 11, 1991
Business activities	Production of pharmaceutical products, medical products and phytochemical medicine
Legal address	53 Krustpils Street Riga, LV – 1057, Latvia
Subsidiaries	JSC “Tallinn Pharmaceutical Plant” Tondi 33, 11316, Tallinn, Estonia JSC “Kalceks” 53 Krustpils str., Riga, LV - 1057, Latvia “Namu apsaimniekosanas projekti” Ltd. 53 Krustpils str., Riga, LV - 1057, Latvia “Grindeks Rus” Ltd. 74/3 Warsaw str., 117556, Moscow, Russia “HBM Pharma” Ltd. Sklabinska 30, 036 80, Martin, Slovakia
Reporting period	1 January 2017 – 30 June 2017
Previous reporting period	1 January 2016 – 30 June 2016

THE SUPERVISORY COUNCIL AND THE BOARD

Supervisory Council of the Company

(in compliance with the election/dismissal dates)

Since 11 November 2014 to 12 January 2016:

<u>Name</u>	<u>Position</u>	Ownership interest (%)*
Kirovs Lipmans	Chairman of the Supervisory Council	33.29
Anna Lipmane	Deputy Chairman of the Supervisory Council	16.65
Uldis Osis	Member of the Supervisory Council	0.00
Janis Naglis	Member of the Supervisory Council	0.00
Arkadiy Vertkin	Member of the Supervisory Council	0.00

* *Latvian Central Depository data as of 31 October 2015*

Since 12 January 2016 to the date of issuing the financial statements:

<u>Name</u>	<u>Position</u>	Ownership interest (%)*
Kirovs Lipmans	Chairman of the Supervisory Council	33.29
Anna Lipmane	Deputy Chairman of the Supervisory Council	16.65
Janis Naglis	Member of the Supervisory Council	0.00
Arkadiy Vertkin	Member of the Supervisory Council	0.00

* *Latvian Central Depository data as of 30 April 2017*

** *The term of Office of Supervisory Council members till 07.06.2019.*

- **Kirovs Lipmans - Chairman of the Council**

Born in 1940. Kirovs Lipmans has been the Chairman of the Council of “Grindeks” since 2003. Simultaneously K. Lipmans is also the Member of Executive Committee of the Latvian Olympic Committee, the Chairman of the Council of JSC “Kalceks” and JSC “Tallinn pharmaceutical plant”, also the Chairman of the Board of JSC “Grindeks” Foundation „For the Support of Science and Education”. Graduated from the Leningrad Institute of Railway and Transport Engineering, also graduated from the Faculty of Economics of the University of Latvia, obtaining degree as an Engineer-Economist. K. Lipmans is also one of the major shareholders of JSC “Grindeks”.

- **Anna Lipmane - Deputy Chairman of the Council**

Born in 1948. Anna Lipmane has been the Member of the Council of “Grindeks” since 2008. A. Lipmane is certified doctor-neurologist and the Member of the Latvian Medical Association, the Latvian Association of Internists, the Latvian Society of Cardiology and the Latvian Association of Neurologists. A. Lipmane is one of the major shareholders of JSC “Grindeks” and member of the Council of JSC “Tallinn pharmaceutical plant”.

- **Janis Naglis - Member of the Council**

Born in 1958. Jānis Naglis has been a member of the Council of JSC “Grindeks” since 2002. Simultaneously to the job responsibilities in JSC “Grindeks” J. Naglis is also the Member of the Council of the Employers’ Confederation of Latvia, the President of the Latvian Auto Federation and Board member of the Association of Hotels and Restaurants of Latvia and Board member of the Latvian Sports Association, also member of other enterprises and institutions. J. Naglis has graduated from Riga Polytechnic institute with qualification Engineer-Mechanic.

- **Arkadiy Vertkin - Member of the Council**

Born in 1951. Professor Arkadiy Vertkin has been the Head of Therapy, Clinical Pharmacology and Ambulance Department at the Moscow State University of Medicine and Dentistry (MSUMD) since 1989, and the Scientific Secretary of the Scientific Council of MSUMD since 2012. Simultaneously, A. Vertkin is the President of Russian National Scientific Practical Society of Ambulance Care and International Society for the Study of Age-related involution, also he is the Member of the numerous Russian and international organizations. Dr. med. A. Vertkin is an Honored Science Worker of Russian Federation, and has received several awards.

The Board of the Company

(in compliance with the election/dismissal dates)

From 12 October 2015 to 4 January 2016:

<u>Name</u>	<u>Position</u>	<u>Ownership interest(%)*</u>
Juris Bundulis	Chairman of the Board	0.00
Vadims Rabsha	Board member	0.00
Ibraim Muhtshi	Board member	0.00

** Latvian Central Depository data as of 31 October 2015*

From 4 January 2016 to 12 January 2016:

<u>Name</u>	<u>Position</u>	<u>Ownership interest(%)*</u>
Juris Bundulis	Chairman of the Board	0.00
Ibraim Muhtshi	Board member	0.00

** Latvian Central Depository data as of 31 October 2015*

Since 12 January 2016 to 1 March 2017:

<u>Name</u>	<u>Position</u>	<u>Ownership interest(%)*</u>
Juris Bundulis	Chairman of the Board	0.00
Janis Romanovskis	Board member	0.00
Ibraim Muhtshi	Board member	0.00

** Latvian Central Depository data as of 31 October 2016*

Since 1 March 2017 to the date of issuing the financial statement:

<u>Name</u>	<u>Position</u>	<u>Ownership interest(%)*</u>
Juris Bundulis	Chairman of the Board	0.00
Janis Romanovskis	Board member	0.00

** Latvian Central Depository data as of 30 April 2017*

• **Juris Bundulis – Chairman of the Board**

Born in 1953. Obtained the Doctoral degree of Biological Sciences if the University of Latvia, also graduated from the Faculty of Chemistry of the University of Latvia. Previously Juris Bundulis worked at “Grindeks” as the Marketing and Sales Director and the Scientific Research and Development Director. Before his appointment as Chairman of the Board of JSC “Grindeks” J.Bundulis was the Deputy State Secretary of the Health Ministry of Latvia and dealt with the health policy issues. Besides the position at “Grindeks” J.Bundulis is also the Member of the Council of „Pharma and Chemistry Competence Centre of Latvia” Ltd. and the Member of the Board of JSC “Grindeks” Foundation “For the Support of Science and Education”.

** The Term of office - 08.01.2018.*

• **Janis Romanovskis - Member of the Board, Chief Finance and Administrative Officer**

Born in 1960. Graduated from Riga Secondary School No.1, Faculty of Economics of University of Latvia and Riga International School of Economics and Business Administration. Janis Romanovskis had also previously worked at „Grindeks” as the Chairman of the Board and Chief Finance and Administrative Officer. During his career Janis Romanovskis has been the Chairman of the Board of pharmaceutical companies „Recipe plus” and „Sentor Farm aptiekas”, as well as the Finance Director of the IT company „Komerccentrs DATI Grupa” and the Head of the Financial Management Unit of JSC „Dati”.

** The Term of office - 11.01.2019.*

MAJOR SHAREHOLDERS

The shareholders as at 30 April 2017 and 30 May 2016 were as follows (Latvian Central Depository data):

	Percentage (%) 30.04.2017	Percentage (%) 30.05.2016
Kirovs Lipmans	33.29	33.29
AMBERSTONE GROUP, AS	22.66	22.66
Anna Lipmane	16.65	16.65
Swedbank AS Clients Account (nominal holder)	9.51	9.58
Other shareholders	17.89	17.82
Total	100.00	100.00

MANAGEMENT REPORT

Business activity

During the reporting period the Group of “Grindeks” consists of JSC “Grindeks” and its subsidiaries: JSC “Tallinn Pharmaceutical Plant” in Estonia, JSC “Kalceks” in Latvia, “Namu Apsaimniekošanas projekti” Ltd. in Latvia, “Grindeks Rus” Ltd. in Russia and “HBM Pharma” Ltd. In Slovakia (together hereinafter – the Group). Core business activity of the Group is research, development, manufacturing and sales of original products, generics and active pharmaceutical ingredients.

Business activity of the Group of “Grindeks” during the reporting period

Turnover of the Group in the first half-year of 2017 was 68.3 million euro and has increased by 21.9 million euro or 47% in comparison to the first half-year of 2016. In the first half-year of 2017, the Group’s net profit, attributable to shareholders of the parent company, was 6.5 million euro and has increased by 2.2 million euro or 53% compared to the first half-year of 2016. Gross profit margin in the first half-year of 2017 was 58%, while net profit margin was 9%. In the first half-year of 2017, the Group’s production was exported to 62 countries worldwide, a total of 61.2 million euro which is by 19.9 million euro or 48% more than in the first half-year of 2016.

Sales of final dosage forms and active pharmaceutical ingredients

Sales volume of the final dosage forms of “Grindeks” in the first half-year of 2017 was 61.7 million euro and has increased by 19.5 million euro or 46% in comparison to the first half-year of 2016. In the first half-year of 2017, the sales amount in Russia, other CIS countries and Georgia reached 41.7 million euro, which is by 17.8 million euro or 75% more than in the first half-year of 2016. In comparison to the first half-year of 2016, in the first half-year of 2017 the biggest increase in sales volume has been reached in Russia (2.4 times), Tajikistan (2.1 times), Azerbaijan (48%), Ukraine (44%) and Armenia (26%).

The sales volume in the Baltic States and other countries in the first half-year of 2017 reached 20.1 million euro which is by 1.7 million euro or 9% more than in the first half-year of 2016. The sales volume in the first half-year of 2017, compared with the first half-year of 2016, has increased by 17 times in Denmark, by 2.7 times in Czech Republic, by 79% in Hungary, by 64% in Vietnam, by 55% in France, by 35% in Spain and by 30% in Poland. In the first half-year of 2017, the sales volume in Latvia reached 3.6 million euro and has decreased by 0.18 million euro or 5% in comparison with the first half-year of 2016.

In the first half-year of 2017, sales of the active pharmaceutical ingredients reached 3.7 million euro, which is by 0.5 million euro or 16% more than in the first half-year of 2016. During this reporting period “Grindeks” mainly exported its active pharmaceutical ingredients to the EU countries, Canada, Australia and Japan. The most required active pharmaceutical ingredients of “Grindeks” in the first half-year of 2017 were ftorafur, oxytocin, zopiclone, xylazine, pimobendan and medetomidine.

Investment program

In 2017, “Grindeks” continues its most important research and development projects. In cooperation with Latvian and foreign scientists “Grindeks” continues researches of the cardioprotective agent – inhibitor of GBB hydroxyls with an original structure. In the first half-year of 2017 a new ampoule production line was opened in “HBM Pharma”, Slovakia.

Quality and environmental protection

In the first half-year of 2017 three successful audits of compliance with “Good manufacturing practice” standard requirements by international clients were held.

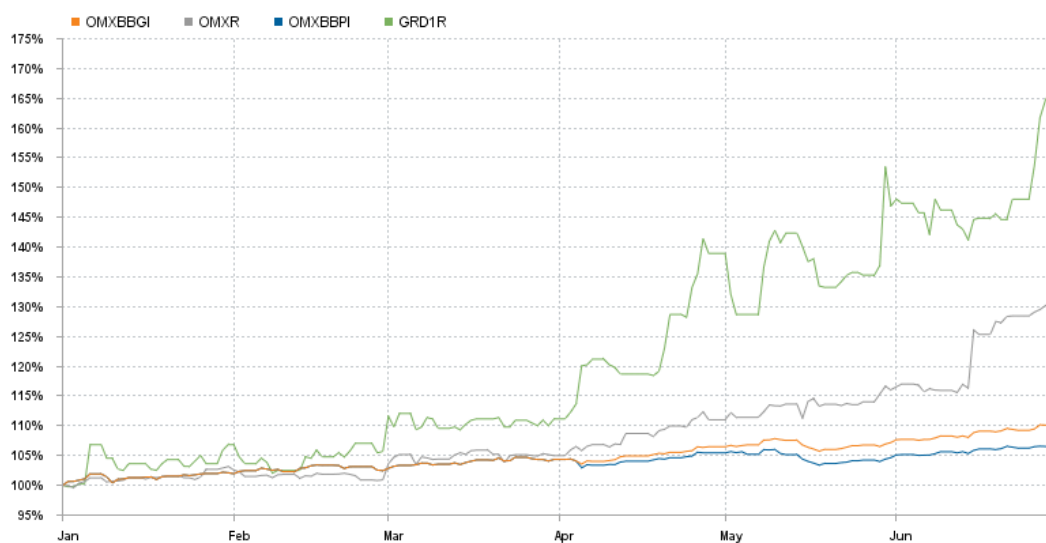
“Grindeks” share price development in the first half-year of 2017 (data of “Nasdaq Riga”)

Since 2 January 2006 shares of “Grindeks” are listed in the official list of “Nasdaq Riga”. JSC “Grindeks” share price on “Nasdaq Riga” in the first half-year of 2017 ranged from 4.33 to 7.60 euro. In the first half-year of 2017 the average price of JSC “Grindeks” shares on “Nasdaq Riga” was 5.34 euro. The total of “Nasdaq Riga” traded shares in the first half-year of 2017 was 528 404 shares, reaching 3.06 million euro turnover. At the end of the first half-year of 2017, market capitalization of “Grindeks” shares was 72.85 million euro.

In the first half-year of 2017, the Group’s earnings per share (EPS factor) was 0.68 euro in comparison to 0.48 euro in the first half-year of 2016.



“Grindeks” share price development in the first six months of 2017 in comparison with Baltic market indexes (data of “Nasdaq Riga”)



Index/Equity	01.01.2017 ?	30.06.2017 ?	+/- %
— OMX Baltic Benchmark GI	788.17	868.84	10.24 ↑
— OMX Riga	733.77	970.21	32.22 ↑
— OMX Baltic Benchmark PI	411.83	439.20	6.65 ↑
— GRD1R	4.390 EUR	7.600 EUR	73.12 ↑

Future prospects

In 2017, “Grindeks” continues focusing on the new markets, diversifying its operations and thereby reducing risks. As before in 2017 “Grindeks” continues to expand its product portfolio.

- Strategic markets of business development – European Union and South East Asia countries. It is planned to increase sales by 30%
- Strengthening positions in Russia and other CIS countries
- Business expansion of JSC “Kalceks”

- Expected increase in turnover of the Group by at least 10% in 2017
- Investments in 2017 – 4 million euro
- Optimization of current assets and cost reduction in positions which are not related to the company's strategic development projects, as well as product registration and their promotion.

Decrease in value or devaluation of national currencies in the CIS countries are still the most significant business risks that might negatively affect the company's performance indicators.

On behalf of the Group's Management:

Juris Bundulis
Chairman of the Board

28 August 2017

STATEMENT OF BOARD'S RESPONSIBILITIES

The Board of JSC "Grindeks" (hereinafter - the Company) is bearing the responsibility for preparation of the consolidated interim financial statements of the Company and its subsidiaries (hereinafter - the Group). The interim financial statements of the Group are not audited.

The consolidated interim financial statements, enclosed from the page 11 to the page 19, are prepared in accordance with the accounting records and source documents, presenting fairly the financial position of the Group as of 30 June 2017 and the results of its operations and cash flows for the period of six months ended 30 June 2017.

Above mentioned consolidated interim financial statements are prepared in accordance with the International Financial Reporting Standards, reposing on the principle of business activities continuation. Appropriate accounting policies have been applied on a consistent basis. The management in preparation of the consolidated interim financial statements has made prudent and reasonable judgments and estimates.

The Board of the Company is responsible for providing accounting records, preservation of the Group's assets and the prevention and disclosure of fraud and other irregularities of the Group. The Board is responsible for the compliance with the existing legislation in the countries in which the Group's companies are operating (Latvia, Russia, Estonia and Slovakia).

On behalf of the Board:

Juris Bundulis
Chairman of the Board

28 August 2017

STATEMENT OF FINANCIAL POSITION

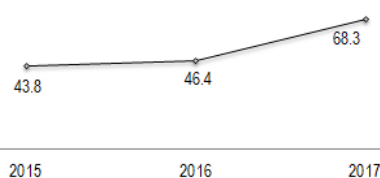
	30.06.2017 EUR	30.06.2016 EUR
ASSETS		
Non-current assets		
Intangible assets		
Software, patents, licenses, trademarks and other rights	689,187	648,667
Advance payments for intangible assets	449,726	130,700
Total intangible assets	1,138,913	779,367
Goodwill	5,044,761	5,044,761
Tangible fixed assets		
Land, buildings and constructions	31,288,834	31,966,508
Equipment and machinery	22,297,310	23,014,892
Other fixed assets	1,094,779	907,987
Construction in progress	1,483,273	2,868,054
Advance payments for fixed assets	836,467	981,536
Total tangible fixed assets	57,000,663	59,738,977
Investment property	8,108,000	9,080,000
Non-current financial investments		
Other investments	99,020	99,020
Other loans	2,200,000	2,200,000
Loans provided to the Company's/the Group's management and shareholders	2,468,728	-
Total long term financial investments	4,767,748	2,299,020
Total non-current financial assets	76,060,085	76,942,125
Current assets		
Inventories		
Raw materials	6,911,410	5,611,370
Unfinished goods	8,885,355	9,751,714
Finished goods and goods for resale	6,212,028	6,053,835
Advance payments for inventories	982,849	-
Total inventory	22,991,642	21,416,919
Debtors		
Trade receivables	49,693,843	52,233,909
Other debtors	3,558,679	1,674,872
Loans provided to the Company's/the Group's management and shareholders	160,455	2,640,282
Other loans	1,579,843	2,226,826
Deferred expenses	12,574,603	7,178,821
Total debtors	67,567,423	65,954,710
Cash and cash equivalents	4,463,935	1,207,357
Total current assets	95,023,000	88,578,986
TOTAL ASSETS	171,083,085	165,521,111

	30.06.2017	30.06.2016
	EUR	EUR
EQUITY AND LIABILITIES		
EQUITY		
Share capital	13,419,000	13,419,000
Share premium	22,321,657	22,321,657
Other reserves	880,726	880,726
Foreign currency revaluation reserve	304,629	242,857
Retained profit		
a) retained profit	80,845,698	72,770,154
b) current year (loss)/ profit	6,477,097	4,243,948
Equity attributable to equity holders of the Parent entity	124,248,806	113,878,341
Non-controlling interest	81,186	100,191
Total equity	124,329,991	113,978,532
LIABILITIES		
Non-current liabilities		
Loans from credit institutions	11,007,061	2,950,516
Finance lease liabilities	104,935	126,909
Deferred income tax liabilities	4,849,449	5,203,490
Deferred income	4,211,834	4,574,236
Total non-current liabilities	20,173,279	12,855,151
Current liabilities		
Loans from credit institutions	6,838,275	20,638,305
Finance lease liabilities	91,502	79,115
Advances from customers	187,951	1,167,898
Trade accounts payable	9,710,102	10,811,927
Taxes and social security contributions	4,741,727	1,790,552
Other payables	2,303,430	3,416,941
Accrued liabilities	696,220	552,775
Deferred income	572,858	229,915
Unpaid dividends	1,437,750	-
Total current liabilities	26,579,815	38,687,428
Total liabilities	46,753,094	51,542,579
TOTAL EQUITY AND LIABILITIES	171,083,085	165,521,111

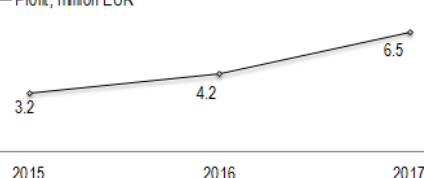
STATEMENT OF COMPREHENSIVE INCOME

	2017 January-June EUR	2016 January-June EUR
Net sales	68,265,331	46,369,558
Cost of goods sold	(28,574,380)	(22,654,033)
Gross profit	39,690,951	23,715,525
Selling expenses	(13,935,565)	(9,555,612)
Administrative expenses	(10,522,318)	(6,577,500)
Other operating income	1,683,182	1,310,794
Other operating expenses	(8,183,694)	(3,446,707)
Interest income and similar income	76,962	77,568
Interest expenses and similar expenses	(165,746)	(216,357)
Real estate tax	(42,437)	(66,683)
Profit /loss before taxation	8,601,335	5,241,028
Corporate income tax	(2,135,859)	(1,000,158)
PROFIT/LOSS FOR THE PERIOD	6,465,475	4,240,870
Other comprehensive income /loss		
Foreign currency revaluation	(134,256)	358,051
Total other comprehensive income /loss	(134,256)	358,051
Total comprehensive income /loss	6,331,219	4,598,921
Attributable to:		
Equity holders of the Parent entity	6,477,097	4,243,948
Non-controlling interest	(11,621)	(3,078)
TOTAL	6,465,475	4,240,870
Comprehensive (loss)/ income attributable to:		
Equity holders of the Parent entity	6,342,841	4,595,843
Non-controlling interest	(11,621)	(3,078)
TOTAL	6,331,219	4,598,921
Earnings per share attributable to the equity holders of the Parent entity (EUR per share)		
– Earnings per share	0.68	0.48

— Turnover, million EUR



— Profit, million EUR



STATEMENT OF CHANGES IN EQUITY

	Share capital	Share premium	Other reserves	Foreign currency re-valuation reserve	Retained profit	Equity attributable to equity holders of the parent	Non-controlling interest	Total
	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR
31.12. 2016	13,419,000	22,321,657	880,726	438,884	82,283,448	119,343,715	92,807	119,436,522
Dividends	-	-	-	-	(1,437,750)	(1,437,750)	-	(1,437,750)
Profit for the period	-	-	-	-	6,477,097	6,477,097	(11,621)	6,465,475
Foreign currency re-valuation	-	-	-	(134,256)	-	(134,256)	-	(134,256)
30.06. 2017	13,419,000	22,321,657	880,726	304,629	87,322,795	124,248,806	81,186	124,329,991

STATEMENT OF CASH FLOWS

	2017	2016
	January-June	January-June
	EUR	EUR
OPERATING ACTIVITIES		
Net (loss)/ profit before taxation	8,601,335	5,241,028
<i>Adjustments to reconcile net profit to net cash provided by operating activities:</i>		
Depreciation and amortization	2,822,492	2,832,797
Sale and write-off of fixed assets	79,504	-
Revenue from the EU funds	(221,644)	(671,692)
Interest income	(161,202)	(165,122)
Interest expense	151,682	183,621
<i>Changes in operating assets and liabilities:</i>		
Inventory	(2,055,823)	(1,638,177)
Debtors	6,632,910	(7,421,034)
Creditors	(1,791,498)	2,129,856
Gross cash provided by operating activities	14,057,756	491,277
Corporate income tax paid	(274,765)	-
Net cash provided by operating activities	13,782,991	491,277
INVESTING ACTIVITIES		
Purchase of fixed assets and intangible assets	(3,514,758)	(1,476,375)
Purchase of long term financial investments	-	(15,000)
Net cash used in investing activities	(3,514,758)	(1,491,375)
FINANCING ACTIVITIES		
Received loans from credit institutions	1,605,283	2,233,241
Repaid loans to credit institutions and leasing payments	(9,031,520)	(587,567)
Dividends paid	-	-
Revenue from the EU funds	58,309	22,742
Interest paid	(151,682)	(185,459)
Net cash (used in) /provided by financing activities	(7,519,610)	1,482,957
Net increase/decrease in cash and cash equivalents	2,748,623	482,859
Cash and cash equivalents at the beginning of the year	1,715,312	724,498
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	4,463,935	1,207,357

NOTES

OTHER DEBTORS

	30.06.2017 EUR	30.06.2016 EUR
Tax receivables	1,790,551	917,536
Other	1,768,128	757,336
Total	3,558,679	1,674,872

CASH AND CASH EQUIVALENTS

	30.06.2017 EUR	30.06.2016 EUR
Cash in bank	4,451,414	1,198,284
Cash on hand	12,521	9,073
Total	4,463,935	1,207,357

LOANS FROM CREDIT INSTITUTIONS

	30.06.2017 EUR	30.06.2016 EUR
Credit line from Nordea Bank AB Latvia branch	2,961,757	13,210,702
Credit line from JSC "SEB banka", Latvia	1,184,072	4,999,816
Credit line from Tatrabank JSC, Slovakia	1,183,106	1,840,220
Nordea Bank AB Latvia branch	499,995	-
Tatrabank JSC, Slovakia	203,754	203,750
Tatrabank JSC, Slovakia	105,000	105,000
Tatrabank JSC, Slovakia	116,400	116,400
JSC "SEB banka", Latvia	-	162,417
Tatrabank JSC, Slovakia	584,191	-
Current loans from credit institutions	6,838,275	20,638,305
Nordea Bank AB Latvia branch	7,583,335	-
Tatrabank JSC, Slovakia	815,000	1,222,500
Tatrabank JSC, Slovakia	475,400	708,200
Tatrabank JSC, Slovakia	193,316	616,500
Tatrabank JSC, Slovakia	1,940,010	403,316
Non-current loans from credit institutions	11,007,061	2,950,516
Total	17,845,336	23,588,821

TAXES AND SOCIAL SECURITY CONTRIBUTIONS

	30.06.2017	30.06.2016
	EUR	EUR
Social security contributions	742,106	942,971
Personal income tax	398,044	324,373
Corporate income tax	3,555,197	520,176
Other	46,380	3,032
Total	4,741,727	1,790,552

NET SALES

	2017	2016
	January-June	January-June
	EUR	EUR
Other CIS countries	17,739,013	16,016,445
Other countries	15,605,889	14,030,505
Russia	26,106,490	10,700,042
Latvia	6,601,565	4,614,990
Lithuania	2,616,656	2,262,161
Estonia	1,182,833	1,243,517
Other sales	555,042	422,320
Gross sales	70,407,488	49,289,980
Less discounts		
Other CIS countries	(1,947,768)	(2,670,302)
Russia	(4,709)	(3,778)
Latvia	(126,050)	(175,294)
Lithuania	(31,082)	(21,684)
Estonia	(19,446)	(28,556)
Other countries	(13,102)	(20,808)
Discounts total	(2,142,157)	(2,920,422)
Total, net	68,265,331	46,369,558

COST OF GOODS SOLD

	2017	2016
	January-June	January-June
	EUR	EUR
Raw materials and packaging	19,875,833	11,779,829
Direct labor and social security contributions	7,726,399	6,923,910
Depreciation of fixed assets and amortization of intangible assets	2,305,085	2,365,334
Electricity expenses	1,141,117	1,122,304
Goods purchased for resale and contract manufacturing costs	3,146,970	1,524,713
Research costs	457,943	881,443
Machinery, buildings and equipment repairs	539,458	510,404
Household expenses	110,584	123,977
Transport costs	91,133	89,250
Rent of work clothing	85,554	66,960
Waste disposal	88,724	59,472
Other expenses	2,002,082	1,008,626
Internal turnover of self-manufactured raw materials	(8,996,502)	(3,802,189)
Total	28,574,380	22,654,033

SELLING AND DISTRIBUTION COSTS

	2017	2016
	January-June	January-June
	EUR	EUR
Advertising expenses	5,338,763	3,326,517
Expenses of representative offices	1,935,948	1,785,604
Salaries and social security contributions	2,874,032	1,327,642
Distribution costs	558,210	515,502
Commissions	506,254	518,390
Depreciation of fixed assets and amortization of intangible assets	197,788	168,453
Registration costs for medicine	317,842	406,696
Freight insurance expenses	9,715	7,987
Other expenses	2,197,013	1,468,821
Total	13,935,565	9,555,612

ADMINISTRATIVE EXPENSES

	2017	2016
	January-June	January-June
	EUR	EUR
Salaries and social security contributions	5,296,968	3,525,586
Professional and consultancy services	473,713	323,913
Depreciation of fixed assets and amortization of intangible assets	271,895	275,844
Computer maintenance and repair	229,480	193,406
Security costs	224,106	199,651
Bank charges	80,610	70,030
Electricity costs	146,083	131,559
Employee insurance expenses	102,997	105,902
Transport costs	87,619	86,485
Property and liability insurance	57,435	62,834
Business trip expenses	55,735	58,557
Communication expenses	31,960	34,153
Personnel training and hiring expenses	44,443	13,318
Creation of provisions	1,990,831	-
Other expenses	1,428,443	1,496,262
Total	10,522,318	6,577,500

JSC “Grindeks” hereby informs that there were no changes made in its accounting policy in January-June 2017. In non-audited financial accounts for the period January- June 2017 the Group has employed the same Accounting and Consolidation Principles as in the audited consolidated financial accounts for the year 2016, released on 28 April 2017.

Chairman of the Board

Juris Bundulis

28 August 2017