

Joint Stock Company “Grindeks”

Reg. No. 40003034935

*Unaudited consolidated interim financial statements,
for the period ended September 30, 2018,
prepared in accordance with International
Financial Reporting Standards as adapted
by the European Union*

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ANCILLARY INFORMATION

Name	“GRINDEKS”
Legal status	Joint Stock Company since August 25, 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 street, Riga, LV - 1057, Latvia “HBM Pharma” Ltd. Sklabinska 30, 036 80, Martin, Slovakia “Namu apsaimniekošanas projekti” Ltd. 53 Krustpils street, Riga, LV - 1057, Latvia “Grindeks Rus” Ltd. 74/3 Warshaw road, 117556, Moscow, Russia
Interim reporting period	January 1, 2018 – September 30, 2018

THE SUPERVISORY COUNCIL AND THE BOARD

Supervisory Council of the Company

(in compliance with the election/dismissal dates)

From January 12, 2016 to the date of issue of these financial statements

<u>Name, Surname</u>	<u>Position</u>	<u>Ownership interest (%)*</u>
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
Arkady Vertkin	Member of the Supervisory Council	0.00

* *Nasdaq CSD data as of June 18, 2018*

** *The term of Office of Supervisory Council members till June 7, 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 the 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 a degree as an Engineer-Economist. K. Lipmans is also the largest shareholder 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. Janis 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 Employers’ Confederation of Latvia, the President of 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.

- **Arkady 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 January 12, 2016 to March 1, 2017:

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

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

From March 1, 2017 to January 8, 2018:

<u>Name, Surmane</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 October 31, 2017*

From January 9, 2018 to the date of issuing the financial statement:

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

** Nasdaq CSD data as of June 18, 2018*

• Juris Bundulis – Chairman of the Board

Born in 1953, obtained the Doctoral degree of Biological Sciences of 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 - 08.01.2019.*

• 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 the 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, Romanovskis has been the Chairman of the Board of pharmaceutical companies „Recipe plus” and „Sentor Farm aptiekas”, as well as the Head of the Financial Management Unit of JSC „Dati”.

** The Term of office - 11.01.2019.*

• Juris Hmelņickis- Member of the Board

Born in 1980. Juris Hmelņickis is also the Chairman of the Board of JSC „Kalceks”, which is a subsidiary entity of JSC “Grindeks”. Hmelņickis has advanced his career at Grindeks since 2000, when started as a chemical technician analyst, and thanks to his professionalism and goal oriented attitude, he quickly developed career, serving at number of leading positions. From 2010 to 2018 Juris Hmelņickis was Quality Director/Qualified Person of JSC Grindeks, as well he is Chairman of the Board of JSC Kalceks since 2014. Juris Hmelņickis has obtained several higher education degrees. He graduated from the Faculty of Chemistry of University of Latvia in 2004 with the Master of Natural Sciences, while in 2005 he acquired Professional Master Degree in Total Quality Management. Furthering his professional advancement, Hmelņickis graduated from the Faculty of Chemistry of University of Latvia in 2010, where obtained a Doctoral Degree in analytical chemistry (Dr.chem.). In 2016 he completed a Swedish Institute Management Programme of Leadership and Sustainable Management, while in 2017 Juris Hmelņickis finished Master studies in the programme Strategic Management and Leadership at Faculty of Business, Management and Economics of University of Latvia. Ph.D. Juris Hmelņickis is a co-author of number of scientific publications on analytical research and chromatography.

** The Term of office – 09.01.2021*

MAJOR SHAREHOLDERS

The shareholders as at June 18, 2018 and December 31, 2017 were as follows (according to Nasdaq CSD data):

	Percentage of investment (%) 18.06.2018	Percentage of investment (%) 31.12.2017
Kirovs Lipmans	33.29	33.29
JSC AMBERSTONE GROUP	22.66	22.66
Anna Lipmane	16.65	16.65
Other shareholders (less 5% ownership interest)	27.40	27.40
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 nine months of 2018 was 102.4 million euro and has increased by 6.6 million euro or 7% in comparison to the first nine months of 2017. In the first nine months of 2018, the Group’s net profit, attributable to shareholders of the parent company, was 7.6 million euro and has increased by 1.1 million euro or 17% compared to the first nine months of 2017. In the first nine months of 2018, the Group’s production was exported to 82 countries worldwide, a total of 95.3 million euro which is by 6.5 million euro or 7% more than in the first nine months of 2017.

Financial indicator	01.01.2018. – 30.09.2018.	01.01.2017. – 30.09.2017.
Gross profit margin	56.9 %	58.3%
Net profit margin	7.4%	6.7%
EBITDA margin	12.5%	13.8%
ROA	5.2%	5.4%
Liquidity	3.6	3.8

At the end of the reporting period, the amount of accounts receivable was 51.9 million euro, which is by 12.9 million euro more than accounts payable that were 39.0 million euro. The amount of current assets at the end of reporting period was 86.0 million euro, which is by 62.0 million euro more than amount of current liabilities that was 24.0 million euro.

Sales of final dosage forms and active pharmaceutical ingredients

Sales volume of the final dosage forms in the first nine months of 2018 was 95.8 million euro and has increased by 6.1 million euro or 7% in comparison to the first nine months of 2017. In the first nine months of 2018, the sales amount in Russia, the other CIS countries and Georgia reached 61.1 million euro, which is by 2.1million euro or 4% more than in the first nine months of 2017. In comparison to the first nine months of 2017, in the first nine months of 2018 the biggest increase in sales volume has been reached in Uzbekistan (29%), Kirgizstan (24%), Kazakhstan (18%), Armenia (14%), Azerbaijan and Belarus (9%), Ukraine (7%).

Sales volume of the final dosage forms in the EU countries in the first nine months of 2018 reached 32.4 million euro which is by 4.3 million euro or 15% more than in the first nine months of 2017. Sales volume in the first nine months of 2018, compared with the first nine months of 2017, has increased by 4.1 times in Poland, by 2.2 times in Czech Republic and Croatia, by 84% in Denmark and Sweden, by 58% in Finland, and by 43% in Spain.

In the first nine months of 2018, sales of the active pharmaceutical ingredients reached 5.7 million euro, which is by 0.45 million euro or 9% more than in the first nine months of 2017. During this reporting period “Grindeks” mostly exported its active pharmaceutical ingredients to the EU countries, Japan, the U.S. and Australia. The most required active pharmaceutical ingredients of “Grindeks” in the first nine months of 2018 were dexmedetomidine, zopiclone, pimobendan, oxytocin, medetomidine, tegafur (ftorafur), atipamezole and detomidine.

Investment program

In 2018, “Grindeks” manages 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.

Quality and environmental protection

In the first nine months of 2018 for the renewal of Good manufacturing practice certificate standard the State Agency of Medicines made a successful inspection on manufacturing and quality assurance for six active pharmaceutical ingredients, and 12 audits on compliance with Good manufacturing practice standard requirements by the clients were held.

U.S. Food and Drugs Administration inspection was held for the maintenance of Good manufacturing practice certificate standard on manufacturing, quality control and assurance of seven active pharmaceutical ingredients.

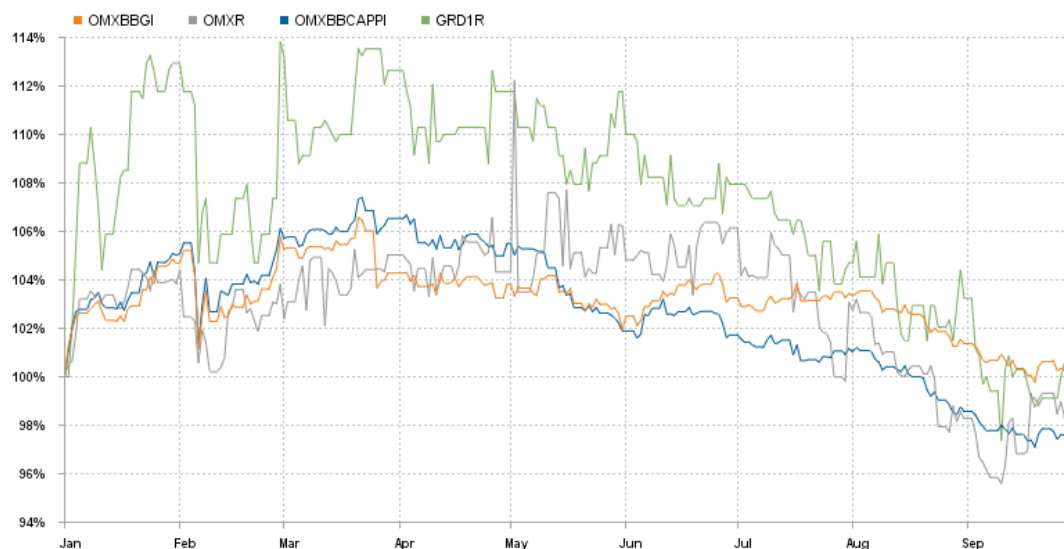
“Grindex” share price development in the first nine months of 2018 (data of “Nasdaq Riga”)

Since January 2, 2006 shares of “Grindex” are listed in the official list of “Nasdaq Riga”. JSC “Grindex” share price on “Nasdaq Riga” in the first nine months of 2018 ranged from 6.5 to 7.84 euro. In the first nine months of 2018 the average price of JSC “Grindex” shares on “Nasdaq Riga” was 7.29 euro. The total of “Nasdaq Riga” traded shares in the first nine months of 2018 was 210 048 shares, reaching 1.54 million euro turnover. At the end of the first nine months of 2018, market capitalization of “Grindex” shares was 64.6 million euro.

In the first nine months of 2018, the Group’s earnings per share (EPS factor) were 0.79 euro in comparison to 0.68 euro in the first nine months of 2017.



“Grindex” share price development in the first nine months of 2018 in comparison with Baltic market indexes (data of “Nasdaq Riga”)



Index/Equity	01.01.2018 ⁷	30.09.2018 ⁷	+/- %
— OMX Baltic Benchmark GI	944.09	948.29	0.44 ▲
— OMX Riga	996.13	977.91	-1.83 ▼
— OMX Baltic Benchmark Cap PI	458.75	448.29	-2.28 ▼
— GRD1R	6.8 EUR	6.74 EUR	-0.88 ▼

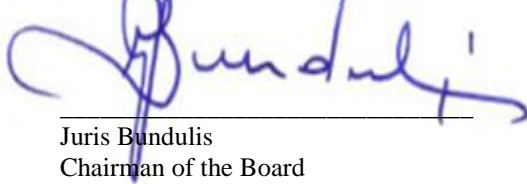
Future prospects for 2019

In 2019, “Grindeks” will strategically focus on complex solutions to meet the needs of patients, will continue focusing on the new markets and it will diversify its operations thereby reducing business risks. Also in 2019, “Grindeks” will continue expanding its product range.

- Strategic markets of business development – European Union and South East Asia countries
- Strengthening positions in Russia and the other CIS countries
- Business expansion of JSC “Kalceks”
- Expected increase in turnover of the Group by at least 12% in 2019
- Investments in 2019 – 9 million euro
- Successful implementation and maintenance of new medicines verification system

Decrease in value or devaluation of national currencies in the CIS countries and changes in geopolitical situation 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

November 29, 2018

STATEMENT OF BOARD'S RESPONSIBILITIES

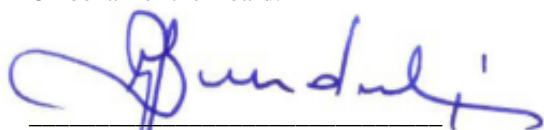
The Board of JSC "Grindex" (hereinafter - the Company) is bearing the responsibility for preparation of the consolidated interim financial statements of the Company and its subsidiaries (hereinafter - the Group). The interim financial statements of the Group are not audited.

The consolidated interim financial statements, enclosed from the page 11 to the page 20, are prepared in accordance with the accounting records and source documents, presenting fairly the financial position of the Group as of September 30, 2018 and the results of its operations and cash flows for the period of nine months ended September 30, 2018.

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

November 29, 2018

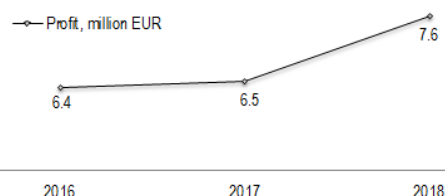
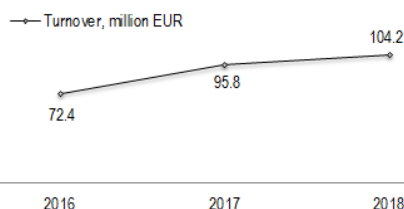
STATEMENT OF FINANCIAL POSITION

	30.09.2018.	31.12.2017.
	EUR	EUR
ASSETS		
Non-current assets		
Intangible assets		
Software, patents, licenses, trademarks and other rights	1,413,467	915,846
Advance payments for intangible assets	2,743,504	2,452,510
Total intangible assets	4,156,971	3,368,356
Goodwill	5,044,761	5,044,761
Property, plant and equipment		
Land, buildings and constructions	30,613,593	30,963,303
Equipment and machinery	21,691,421	22,571,638
Other fixed assets	1,174,581	1,013,326
Construction in progress	1,849,546	1,102,278
Advance payments for fixed assets	2,147,732	1,013,208
Total property, plant and equipment	57,476,873	56,663,753
Investment property	8,056,000	8,056,000
Non-current financial investments		
Other investments	99,020	99,020
Other loans	2,200,000	2,200,000
Loans to Management and Shareholders of the Company and the Group	2,652,520	2,629,183
Total long term financial investments	4,951,540	4,928,203
Total non-current financial assets	79,686,145	78,061,073
Current assets		
Inventories		
Raw materials	9,787,745	6,977,100
Unfinished goods	9,723,285	10,250,416
Finished goods and goods for resale	9,778,068	5,459,537
Advance payments for inventories	109,167	21,504
Total inventory	29,398,265	22,708,557
Debtors		
Trade receivables	44,251,373	45,256,442
Other debtors	4,781,081	6,309,948
Loans to Management and Shareholders of the Company and the Group	13,769	26,837
Other loans	555,426	555,426
Deferred expenses	2,265,060	3,412,764
Total debtors	51,866,709	55,561,417
Cash and cash equivalents	4,728,023	4,800,466
Total current assets	85,992,997	83,070,440
TOTAL ASSETS	165,679,142	161,131,513

	30.09.2018.	31.12.2017.
	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	71,949	245,942
Retained profit		
a) retained profit	82,313,268	73,792,831
b) current year (loss)/ profit	7,590,276	9,958,187
Equity attributable to equity holders of the Parent entity	126,596,876	120,618,343
Non-controlling interest	85,861	103,055
Total equity	126,682,737	120,721,398
LIABILITIES		
Non-current liabilities		
Loans from credit institutions	9,283,530	9,283,530
Finance lease liabilities	58,481	82,177
Deferred income tax liabilities	1,237,672	1,237,672
Deferred income	4,456,858	4,496,941
Total non-current liabilities	15,036,541	15,100,320
Current liabilities		
Loans from credit institutions	8,754,675	10,896,825
Finance lease liabilities	54,680	68,980
Advances from customers	174,391	417,362
Trade accounts payable	9,311,268	7,200,951
Taxes and social security contributions	1,911,120	1,027,450
Other payables	2,162,264	4,011,978
Accrued liabilities	937,032	1,125,178
Deferred income	654,434	561,071
Total current liabilities	23,959,864	25,309,795
Total liabilities	38,996,405	40,410,115
TOTAL EQUITY AND LIABILITIES	165,679,142	161,131,513

STATEMENT OF COMPREHENSIVE INCOME

	01.07.2018.- 30.09.2018.	01.07.2017.- 30.09.2018.	01.01.2018.- 30.09.2018.	01.01.2017.- 30.09.2017.
	EUR	EUR	EUR	EUR
Net sales	30,897,858	27,598,467	102,446,643	95,863,798
Cost of goods sold	(13,889,209)	(11,433,649)	(44,130,871)	(40,008,029)
Gross profit	17,008,649	16,164,818	58,315,772	55,855,769
Selling expenses	(6,068,834)	(5,824,280)	(21,904,539)	(19,759,845)
Administrative expenses	(7,085,181)	(8,092,253)	(21,195,096)	(18,614,571)
Other operating income	1,005,166	448,902	3,729,521	2,132,084
Other operating expenses	(3,618,456)	(2,247,366)	(10,369,435)	(10,473,497)
Interest income and similar income	31,062	32,170	103,697	109,132
Interest expenses and similar expenses	(70,652)	(72,111)	(207,170)	(237,858)
Profit /loss before taxation	1,201,755	409,879	8,472,751	9,011,214
Corporate income tax	(342,264)	(417,950)	(899,668)	(2,553,809)
PROFIT/LOSS FOR THE PERIOD	859,490	(8,071)	7,573,083	6,457,405
Other comprehensive income /loss				
Foreign currency revaluation	(70,840)	(15,624)	(173,993)	(149,880)
Total other comprehensive income /loss	(70,840)	(15,624)	(173,993)	(149,880)
Total comprehensive income /loss	788,650	(23,695)	7,399,090	6,307,525
Profit attributable to:				
Equity holders of the Parent entity	865,904	(6,840)	7,590,276	6,470,257
Non-controlling interest	(6,414)	(1,231)	(17,193)	(12,852)
TOTAL	859,490	(8,071)	7,573,083	6,457,405
Comprehensive income attributable to:				
Equity holders of the Parent entity	795,064	(22,464)	7,416,283	6,320,377
Non-controlling interest	(6,414)	(1,230)	(17,193)	(12,852)
TOTAL	788,650	(23,694)	7,399,099	6,307,525
Earnings per share attributable to the equity holders of the Parent entity (EUR per share)	0.09	0.0	0.79	0.68



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. (Restated*)	13,419,000	22,321,657	880,726	438,884	75,230,581	112,290,848	92,807	112,383,655
Dividends	-	-	-	-	(1,437,750)	(1,437,750)	-	(1,437,750)
Profit for the period	-	-	-	-	6,470,256	6,470,256	(12,852)	6,457,405
Foreign currency revaluation	-	-	-	(149,880)	-	(149,880)	-	(149,880)
30.09.2017.	13,419,000	22,321,657	880,726	289,004	80,263,087	117,173,474	79,955	117,253,430
31.12.2017.	13,419,000	22,321,657	880,726	245,942	83,751,018	120,618,343	103,055	120,721,398
Dividends	-	-	-	-	(1,437,750)	(1,437,750)	-	(1,437,750)
Profit for the period	-	-	-	-	7,590,276	7,590,276	(17,193)	7,573,083
Foreign currency revaluation	-	-	-	(173,993)	-	(173,993)	-	(173,993)
30.09.2018.	13,419,000	22,321,657	880,726	71,949	89,903,544	126,596,876	85,862	126,682,738

*During 2017 the Group has identified a number of errors relating to previous reporting years. The Group has elected to restate financial statements for previous periods to properly present correction of above-mentioned errors (including effect on equity as of December 31, 2016).

STATEMENT OF CASH FLOW

	01.01.2018.- 30.09.2018. EUR	01.01.2017.- 30.09.2017. EUR
OPERATING ACTIVITIES		
Net profit/(loss) before taxation	8,472,751	9,011,214
<i>Adjustments to reconcile net profit to net cash provided by operating activities:</i>		
Depreciation and amortization	4,246,503	4,180,472
Profit/(loss) on disposal of fixed assets and intangible assets	(101,723)	(277,986)
Revenue from the EU funds	(332,628)	(332,465)
Interest income	(234,769)	(245,409)
Interest expense	184,450	220,629
<i>Changes in operating assets and liabilities:</i>		
Inventory	(4,141,847)	(2,702,237)
Debtors	1,908,077	11,056,963
Creditors	(433,796)	(3,331,058)
Gross cash provided by operating activities	9,567,018	17,580,123
Corporate income tax paid	(959,330)	(2,017,570)
Net cash provided by operating activities	8,607,688	15,562,553
INVESTING ACTIVITIES		
Purchase of fixed assets and intangible assets	(5,111,349)	(5,767,183)
Proceeds from sale of fixed assets	10,647	-
Net cash used in investing activities	(5,100,702)	(5,767,183)
FINANCING ACTIVITIES		
Received loans from credit institutions	3,715,577	5,258,149
Repaid loans to credit institutions and leasing payments	(6,098,875)	(10,057,919)
Dividends paid	(1,437,750)	(1,437,750)
Revenue from the EU funds	426,069	58,309
Interest paid	(184,450)	(220,629)
Net cash provided by financing activities	(3,579,429)	(6,399,840)
Net increase/decrease in cash and cash equivalents	(72,443)	3,395,530
Cash and cash equivalents at the beginning of the year	4,800,466	1,715,312
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	4,728,023	5,110,842

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1.GENERAL INFORMATION

The principal activities of JSC “Grindex” Group are production of pharmaceutical, medical and phytochemical medicine, real estate management. JSC “Grindex” was incorporated in the Republic of Latvia on October 11, 1991.

The interim financial statements are presented in the currency of the European Union, the Euro, which is the Group’s functional and presentation currency. .

These unaudited interim condensed consolidated financial statements were approved by the Board on November 28, 2018.

2.ACCOUNTING PRINCIPLES

The interim condensed consolidated financial statements for nine months ended 30 September 2018 have been prepared in accordance with International Financial Reporting Standards (IFRS). 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 2017.

The interim financial statements comprise the financial statements of the Parent Company and all its subsidiaries as at 30 September 2018.

3.FIXED ASSETS

During the reporting period, investments have been made for the purchase of real estate. The total value of the property is 913 thousand EUR (the purchase price includes costs that are directly attributable to the creation of fixed assets). No extra borrowing from credit institutions has been made for the purchase of this property.

4.RELATED PARTY DISCLOSURES

	30.09.2018.	31.12.2017.
	EUR	EUR
Loans to Management and Shareholders of the Company and the Group	2,666,289	2,656,020
Total	2,666,289	2,656,020

5. OTHER DEBTORS

	30.09.2018.	31.12.2017.
	EUR	EUR
Tax receivables	3,666,683	2,202,581
Other	1,114,398	4,107,367
Total	4,781,081	6,309,948

6. CASH AND CASH EQUIVALENTS

	30.09.2018.	31.12.2017.
	EUR	EUR
Cash in bank	4,711,380	4,790,051
Cash on hand	16,643	10,415
Total	4,728,023	4,800,466

7. LOANS FROM CREDIT INSTITUTIONS

Current loans from credit institutions are not subject to significant changes, the existing credit lines are extended to 2019. Management does not impede further extension of this loan repayment term.

	30.09.2018.	31.12.2017.
	EUR	EUR
Credit line from Luminor Bank AS	3,691,750	5,161,332
Credit line from JSC "SEB banka", Latvia	2,734,168	2,780,162
Credit line from Tatrabank JSC, Slovakia	1,638,327	193,611
Luminor Bank AS	250,000	1,000,000
Tatrabank JSC, Slovakia	440,430	1,761,720
Current loans from credit institutions	8,754,675	10,896,825
Luminor Bank AS	6,583,333	6,583,333
Tatrabank JSC, Slovakia	2,700,197	2,700,197
Non-current loans from credit institutions	9,283,530	9,283,530
Total	18,038,205	20,180,355

8. TAXES AND SOCIAL SECURITY CONTRIBUTIONS

	30.09.2018.	31.12.2017.
	EUR	EUR
Social security contributions	834,974	637,436
Personal income tax	389,615	320,569
Corporate income tax	446,257	-
Value added tax	236,894	57,002
Other	3,380	12,443
Total	1,911,120	1,027,450

9. DIVIDENDS PAID AND PROPOSED

The shareholders meeting of JSC "Grindex" on June 26, 2018 has made a decision to pay the dividends in the amount of Euro 1,437,750 (one million four hundred thirty seven thousand seven hundred and fifty euros) from 2017 profit, amounting to Euro 0.15 per share. Dividends payout was processed on September 12, 2018.

10. BUSINESS SEGMENTS

Reportable segments are operating segments or aggregations of operating segments that meet specified criteria. Operating segments are components of an entity about which separate financial information is available that is evaluated regularly by the chief operating decision maker in deciding how to allocate resources and in assessing performance.

Based on the type of its products, the Group is divided into two main divisions – final dosage forms and active pharmaceutical ingredients business structure. Those divisions serve as the basis to report the primary segments of the Group – business segments.

9 Months 2018, EUR

	Final dosage forms	Active pharmaceutical ingredients	Eliminations	Total
Revenue				
External sales	96,719,681	5,726,962	-	102,446,643
Inter-segment sales	-	9,176,723	(9,176,723)	-
Total revenue	96,719,681	14,903,685	(9,176,723)	102,446,643
Result				
Segment direct attributable result	31,857,153	4,554,080	-	36,411,233
Unallocated expenses				(27,835,009)
Operating profit				8,576,224
Interest income				103,697
Interest expenses				(207,170)
Profit before taxation				8,472,751
Income tax expense				(899,668)
Profit for the period				7,573,083
Attributable to:				
Equity holders for parent Company				7,590,276
Non-controlling interest				(17,193)
Total				7,573,083

The Group is not allocating assets and liabilities across the above-mentioned divisions.

9 Months 2017, EUR

	Final dosage forms	Active pharmaceutical ingredients	Eliminations	Total
Revenue				
External sales	90,585,531	5,278,267	-	95,863,798
Inter-segment sales	-	10,832,287	(10,832,287)	-
Total revenue	90,585,531	16,110,554	(10,832,287)	95,863,798
Result				
Segment direct attributable result	29,521,124	6,574,800	-	36,095,924
Unallocated expenses				(26,892,253)
Operating profit				9,203,671
Interest income				109,132
Interest expenses				(237,858)
Real estate tax				(63,731)
Profit before taxation				9,011,214
Income tax expense				(2,553,809)
Profit for the period				6,457,405
Attributable to:				
Equity holders for parent Company				6,470,257
Non-controlling interest				(12,852)
Total				6,457,405

The Group is not allocating assets and liabilities across the above-mentioned divisions.

11. NET SALES

	01.01.2018.– 30.09.2018. EUR	01.01.2017.– 30.09.2017. EUR
Other CIS countries	26,150,682	26,088,097
Other countries	28,168,537	24,113,630
Russia	37,521,696	36,074,843
Latvia	6,974,751	6,520,594
Lithuania	4,175,556	3,805,240
Estonia	1,811,981	1,769,557
Other sales	758,431	744,479
Gross sales	105,561,634	99,116,440
Less discounts		
Other CIS countries	(2,440,253)	(2,975,199)
Russia	(2,784)	(4,709)
Latvia	(542,086)	(183,252)
Lithuania	(105,540)	(54,490)
Estonia	(9,156)	(19,701)
Other countries	(15,172)	(15,291)
Discounts total	(3,114,991)	(3,252,642)
Total, net	102,446,643	95,863,798

12. COST OF GOODS SOLD

	01.01.2018.- 30.09.2018. EUR	01.01.2017.- 30.09.2017. EUR
Raw materials and packaging	27,027,643	26,055,682
Direct labor and social security contributions	13,827,632	11,714,553
Depreciation of fixed assets and amortization of intangible assets	3,511,404	3,424,416
Electricity expenses	1,677,497	1,550,823
Goods purchased for resale and contract manufacturing costs	1,112,395	3,172,109
Research costs	1,094,584	703,070
Machinery, buildings and equipment repairs	1,334,560	1,047,678
Household expenses	174,063	165,005
Transport costs	129,934	133,758
Rent of work clothing	145,738	127,970
Waste disposal	131,860	129,431
Other expenses	3,258,670	2,721,173
Internal turnover of self-manufactured raw materials	(9,295,109)	(10,937,639)
Total	44,130,871	40,008,029

13. SELLING AND DISTRIBUTION COSTS

	01.01.2018.- 30.09.2018. EUR	01.01.2017.- 30.09.2017. EUR
Advertising expenses	8,480,058	7,345,242
Expenses of representative offices	3,232,664	2,849,894
Salaries and social security contributions	4,365,284	3,943,827
Distribution costs	1,004,334	864,168
Commissions	1,045,723	909,042
Depreciation of fixed assets and amortization of intangible assets	246,981	295,963
Registration costs for medicine	499,492	375,583
Freight insurance expenses	11,753	13,328
Other expenses	3,018,250	3,162,798
Total	21,904,539	19,759,845

14. ADMINISTRATIVE EXPENSES

	01.01.2018.- 30.09.2018. EUR	01.01.2017.- 30.09.2017. EUR
Salaries and social security contributions	12,159,599	9,402,393
Professional and consultancy services	1,431,597	808,618
Depreciation of fixed assets and amortization of intangible assets	500,326	412,838
Computer maintenance and repair	487,148	370,120
Security costs	351,632	350,070
Bank charges	161,499	140,572
Electricity costs	195,699	205,837
Employee insurance expenses	171,596	163,139
Transport costs	171,434	129,630
Property and liability insurance	85,257	84,547
Business trip expenses	77,318	84,099
Communication expenses	44,780	46,687
Personnel training and hiring expenses	112,379	62,967
Provisions	1,707,000	4,469,918
Other expenses	3,537,832	1,883,136
Total	21,195,096	18,614,571

JSC "Grindeks" hereby informs that there were no changes made in its accounting policy in January-September 2018. In unaudited financial statements for the period January - September 2018 the Group has employed the same Accounting and Consolidation Principles as in the audited consolidated financial statements for the year 2017, released on May 7, 2018.

Chairman of the Board

Juris Bundulis

November 29, 2018