

Joint Stock Company “GRINDEKS”
Reg. No. 40003034935

*Unaudited consolidated interim condensed financial statements
for the period ended December 31, 2019
prepared in accordance with International Financial Reporting Standards
as adopted by the European Union*

CONTENTS

ANCILLARY INFORMATION	3
THE SUPERVISORY COUNCIL AND THE BOARD	4-5
MAJOR SHAREHOLDERS	6
MANAGEMENT REPORT	7-9
STATEMENT OF BOARD'S RESPONSIBILITIES	10
FINANCIAL STATEMENTS:	
Statement of financial position	11-12
Statement of comprehensive income	13
Statement of changes in equity	14
Statement of cash flow	15
NOTES	16-21

ANCILLARY INFORMATION

Name of the Parent Company	“GRINDEKS”
Legal status	JSC from August 25, 1997
Registration number, place and date	40003034935, Riga, Latvia, October 11, 1991
Business activities	Production of pharmaceutical, medical and phyto-chemical medicines
NACE code	21 Production of pharmaceutical, medical and phyto-chemical medicines
Legal and postal address	Krustpils Street 53, Riga, LV – 1057, Latvia
Subsidiaries	JSC “Tallinn Pharmaceutical Plant” Tondi 33, 11316, Tallinn, Estonia JSC “Kalceks” Krustpils Street 53, Riga, LV – 1057, Latvia “HBM Pharma” Ltd. Sklabinska 30, 036 80, Martin, Slovakia “Namu apsaimniekošanas projekti” Ltd. Krustpils Street 53, Riga, LV – 1057, Latvia “Grindeks Rus” Ltd. Warshaw road 74/3, 117556, Moscow, Russia
Interim reporting period	January 1, 2019 – December 31, 2019

THE SUPERVISORY COUNCIL AND THE BOARD

Supervisory Council of the Company

(in compliance with the election/dismissal dates)

From January 12, 2016 to June 07, 2019:

<u>Name, Surname</u>	<u>Position</u>	<u>Ownership interest (%)</u>
Kirovs Lipmans	Chairman of the Supervisory Council	None*
Anna Lipmane	Deputy Chairman of the Supervisory Council	None*
Janis Naglis	Member of the Supervisory Council	None
Arkady Vertkin	Member of the Supervisory Council	None

* *K.Lipmans and A.Lipmane are not in possession of shares of JCS "Grindeks" directly; however they own shares of "Liplat Holding" Ltd.*

From June 07, 2019 to the date of issue of the financial statements:

<u>Name, Surname</u>	<u>Position</u>	<u>Ownership interest (%)</u>
Kirovs Lipmans	Chairman of the Supervisory Council	None*
Anna Lipmane	Deputy Chairman of the Supervisory Council	None*
Filips Lipmans	Member of the Supervisory Council	None*
Janis Naglis	Member of the Supervisory Council	None
Arkady Vertkin	Member of the Supervisory Council	None

* *K.Lipmans, A.Lipmane and F.Lipmans are not in possession of shares of JCS "Grindeks" directly; however they own shares of "Liplat Holding" Ltd.*

• 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", and the Chairman of the Board of "Liplat Holding" Ltd. the major JSC "Grindeks" shareholder. K. Lipmans has graduated from the Leningrad Institute of Railway and Transport Engineering and from the Faculty of Economics of the University of Latvia, obtaining a degree as an Engineer-Economist.

• Anna Lipmane - Deputy Chairman of the Council

Born in 1948. Anna Lipmane has been the Member of the Council of JSC "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. Simultaneously A. Lipmane is the Member of the Council of JSC "Tallinn Pharmaceutical Plant" and a Member of the Board of "Liplat Holding" Ltd., the major JSC Grindeks shareholder.

• Filips Lipmans - Member of the Council

Born in 1978. Graduated from the Faculty of Economics and Management of the University of Latvia, obtaining Master's Degree in Management Science. F. Lipmans has been the Advisor to the Chairman of the Board of JSC "Grindeks" since 2004. At the same time, Mr. Lipmans is also a Member of the Council of JSC "Kalceks" and JSC "Tallinn Pharmaceutical Plant", as well as Member of the Board of "Namapsaimniekošanas projekti" Ltd. and "Liplat Holding" Ltd. the major shareholder of JSC Grindeks.

• 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. Arkady Vertkin has been the Member of the Council of JSC "Grindeks" since 2013. Professor Arkady 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

From January 09, 2012 to January 21, 2020:

<u>Name, Surname</u>	<u>Position</u>	<u>Ownership interest (%)*</u>
Juris Bundulis	Chairman of the Board	None
Janis Romanovskis	Board member	None
Juris Hmelnickis	Board member	None

* Nasdaq CSD data as of October 24, 2019.

From January 21, 2020 to February 04, 2020:

<u>Name, Surname</u>	<u>Position</u>	<u>Ownership interest (%)*</u>
Juris Hmelnickis	Board member	None
Janis Romanovskis	Board member	None

* Nasdaq CSD data as of January 22, 2019.

From February 04, 2020 to the date of issuing the financial statement:

<u>Name, Surname</u>	<u>Position</u>	<u>Ownership interest (%)*</u>
Juris Hmelnickis	Chairman of the Board	None
Janis Romanovskis	Board member	None

* Nasdaq CSD data as of October 24, 2019.

• Juris Hmelnickis - Chairman of the Board

Born in 1953, Juris Hmelnickis has obtained a PhD in chemistry and a Master's degree in economics from the University of Latvia and a Master's degree in business management for quality assurance from Riga Technical University. He has also graduated the Swedish Institute Management Programme of Leadership and Sustainable Management. Juris Hmelnickis in JSC "Grindeks" has previously taken several managerial positions – he was the Quality Director, Certification Officer and the Member of the Board. Before his appointment as Chairman of the Board of JSC "Grindeks", Juris Hmelnickis was the Chairman of the Board of JSC "Kalceks", which is a subsidiary entity of JSC "Grindeks". Currently Juris Hmelnickis also is continuing work of JSC "Kalceks" as Member of the Board. Juris Hmelnickis is a co-author for a number of scientific publications in analytical research and chromatography.

* The Term of office - 03.02.2023.

• 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 Chief Finance Officer at "Komercentrs DATI grupa" Ltd. and the Head of the Financial Management Unit of JSC "Dati".

* The Term of office – 07.01.2022.

MAJOR SHAREHOLDERS

The shareholders to the date of issuing the financial statement
(according to *Nasdaq CSD* data as at July 09, 2019):

	Percentage of investment (%) 09.07.2019
Liplat Holding, Ltd.**	92.81
Other shareholders*	7.19
Total	100.00

* for other shareholders number of shares not exceeding 5%

**"Liplat Holding" Ltd. owners are Kirovs Lipmans, Anna Lipmane and Filips Lipmans.

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, 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

In 2019, the Group’s profit, attributable to shareholders of the parent company, reached 12.9 million euros. Turnover of the Group in 2019 was 141.4 million euro and decreased by 4.1 million euro or 2.8% in comparison to 2018.

In 2019, the Group’s production was exported to 84 countries worldwide, a total of 132.0 million euro which is by 3.1 million euro or by 2% less than in 2018.

In 2019 the Group evaluated and diversified its product range by implementing new, complex solutions to meet the needs of patients and withdrew products whose profitability and production volumes are low.

Financial indicator	01.01.2019. – 31.12.2019.	01.01.2018. – 31.12.2018.
Gross profit margin ¹	60.5%	55.3%
Net profit margin ²	9.1%	-6.7%
EBITDA margin ³	17.7%	-1.5%
ROA ⁴	8.0%	-6.3%
Liquidity ⁵	2.2	2.7

At the end of the reporting period, the amount of accounts receivable was 41.7 million euro, which is by 21.5 million euro less than accounts payable that were 63.1 million euro. The amount of current assets at the end of reporting period was 89.8 million euro, which is by 48.2 million euro more than amount of current liabilities that was 41.6 million euro.

Sales of final dosage forms and active pharmaceutical ingredients

Sales volume of the final dosage forms in 2019 was 132.2 million euro and decreased by 4.4 million euro or by 3% in comparison to 2018. In 2019, the sales amount in Russia, the other CIS countries and Georgia reached 77.9 million euro, which is by 9.1 million euro or by 11% less than in 2018. In comparison to 2018, in 2019 the biggest increase in sales volume was reached in Belarus (20%), Georgia (18%), Moldova (13%) and Armenia (12%).

Sales volume of the final dosage forms in the EU countries in 2019 reached 50.2 million euro which is by 4.7 million euro or by 10% more than in 2018. Sales volume in 2019, compared with 2018, increased by 3 times in France, by 2 times in Sweden and Czech Republic, by 52% in Hungary and by 46% in Great Britain. In 2019, sales of the active pharmaceutical ingredients reached 8.6 million euro, which is by 1.1 million euro or by 15% more than in 2018. During this reporting period, “Grindeks” mostly exported its active pharmaceutical ingredients to the EU countries, Japan, Australia and Canada. The most required active pharmaceutical ingredients of “Grindeks” in 2019 were dexmedetomidine, xylazine and pimobendan.

¹ Gross profit margin, unit % = gross profit divided by net turnover.

² Net profit margin, unit % = profit attributable to Equity holders of the Parent entity divided by net turnover.

³ EBITDA (Earnings Before Interest, Taxes, Depreciation and Amortization Definition), unit % = (Operating Profit minus sales costs, costs of administration, other operating income, other operating expenses, plus depreciation of fixed assets) divided by net turnover.

⁴ ROA (return on assets), unit % = profit attributable to Equity holders of the Parent entity divided by average assets incl. (end - of - period assets plus end - of - period assets) divided by 2.

⁵ Liquidity, unit ratios = current assets divided by the amount of short-term creditors.

The above alternative performance measures are used by the management of the Company to evaluate Company’s performance for particular financial period.

Investment program

In 2019, “Grindex” managed significant research and development projects. In cooperation with Latvian and foreign scientists “Grindex” continued researches of the cardioprotective agent – inhibitor of GBB hydroxyls with an original structure.

At JSC “Tallinn Pharmaceutical Plant” in Estonia manufacturing plant was expanded and new technological equipment was installed to manufacture also prescription ointments and gels. New technological equipment and programs were also installed in “HBM Pharma” Ltd. in Slovakia. Total investment in 2019 in both plants amounted 3.6 million euro.

Quality and environmental protection

In 2019 in “Grindex” the State Agency of Medicines audit was held and in result certificates for seven active pharmaceutical ingredients compliance with Good Manufacturing Practice standard were received. Additionally, Food and Veterinary Service inspection on food supplements was held.

In 2019 one successful foreign inspection and 19 customers audits were held.

New business development opportunities are awaited as the company received certifications of Saudi Food and Drug Authority certifying “Grindex” final dosage forms (tablets and capsules) and “HBM Pharma” injection solutions production plant compliance with the Saudi Arabia’s medicines manufacturing requirements.

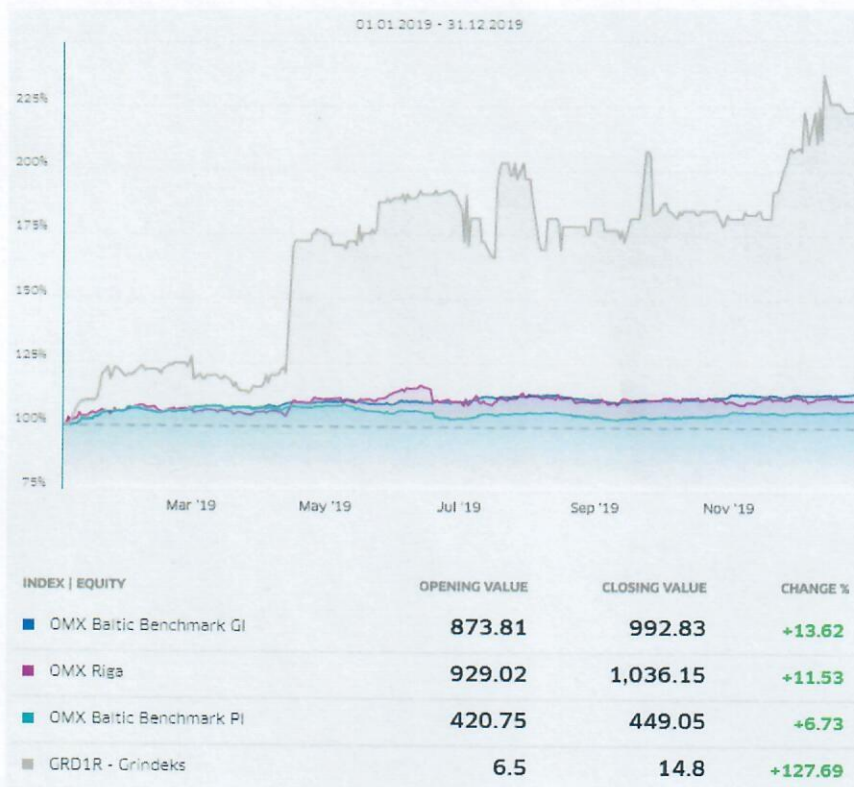
“Grindex” share price development in the first nine months of 2019 (data of “Nasdaq Riga”)

Since 2 January 2006 shares of “Grindex” are listed in the official list of “Nasdaq Riga”. JSC “Grindex” share price on “Nasdaq Riga” in 2019 ranged from 6.5 to 15.4 euro. In 2019 the average price of JSC “Grindex” shares on “Nasdaq Riga” was 10.7 euro. The total of “Nasdaq Riga” traded shares in 2019 was 819 661 shares, reaching 8.4 million euro turnover. At the end of 2019, market capitalization of JSC “Grindex” shares was 141.86 million euro.

In 2019, the Group’s earnings per share (EPS factor) was 1.34 euro in comparison to 1.02 euro in 2018.



“Grindeks” share price development in 2019 in comparison with Baltic market indexes (data of “Nasdaq Riga”)



Future prospects for 2020

In 2020, “Grindeks” strategically focuses on complex solutions to meet the needs of patients, continues focusing on the new markets and diversifies its operations thereby reducing business risks. Also in 2020, “Grindeks” continues to expand its product range.

- Strategic markets of business development – European Union and South East Asia countries and the USA
- Strengthening positions in Russia and the other CIS countries.
- Business expansion of JSC “Kalceks”
- Expected increase in turnover of the Group by at least 10% in 2020
- Investments in 2020 – by 10 million euro
- Successful maintenance of the 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:

J. Hmelnickis

 Ph.D. Juris Hmelnickis
 Chairman of the Board

February 28, 2020

STATEMENT OF BOARD'S RESPONSIBILITIES

The Board of JSC "Grindex" (hereinafter - the Company) is bearing the responsibility for preparation of the consolidated financial statement of the Company and its subsidiaries (hereinafter - the Group).

The consolidated financial statements, enclosed from page 11 to page 21, are prepared in accordance with the accounting records and source documents, presenting fairly the financial position of the Group as of December 31, 2019 and the results of its operations and cash flows for the period of twelve months December 31, 2019.

The above mentioned consolidated interim financial statements are prepared in accordance with the International Financial Reporting Standards, as adopted by the European Union based on going concern principle. Appropriate accounting policies are applied on a consistent basis. The management in preparation of the consolidated 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 Hmelnickis
Ph.D. Chairman of the Board

February 28, 2020

STATEMENT OF FINANCIAL POSITION

ASSETS	Notes	31.12.2019 EUR	01.01.2019 EUR restated*	31.12.2018 EUR
Non-current assets				
Intangible assets				
Software, patents, licences, trademarks and other rights		3,231,124	1,829,866	1,829,866
Advances for intangible assets and capitalized development		1,147,378	1,262,659	1,262,659
Total intangible assets		4,378,502	3,092,525	3,092,525
Goodwill		5,044,761	5,044,761	5,044,761
Property, plant and equipment				
Land, buildings and constructions		29,283,250	29,971,478	29,971,478
Equipment and machinery		25,586,753	22,506,942	22,506,942
Other fixed assets		1,683,847	1,232,978	1,232,978
Construction in progress		2,380,872	2,487,237	2,487,237
Advance payments for fixed assets		1,224,692	2,350,242	2,350,242
Total property, plant and equipment		60,159,414	58,548,877	58,548,877
Investment property		3,970,000	7,749,000	7,749,000
Non-current financial investments				
Other investments		99,020	99,020	99,020
Other loans		2,200,000	2,200,000	2,200,000
Other long-term receivables		-	74,317	74,317
Loans to Management and Shareholders of the Group	4	2,698,804	2,675,923	2,675,923
Total non-current financial investments		4,997,824	5,049,260	5,049,260
Right-of-use-asset (IFRS 16 Leases)		4,259,987	2,619,798	-
Total non-current assets		82,810,488	82,104,221	79,484,423
Current assets				
Inventories				
Raw materials		11,418,352	10,209,521	10,209,521
Unfinished goods		10,536,682	10,499,666	10,499,666
Finished goods and goods for resale		23,876,311	7,224,020	7,224,020
Advance payments for stock		171,182	295,998	295,998
Total inventory		46,002,527	28,229,205	28,229,205
Receivables				
Trade receivables		33,222,531	30,614,389	30,614,389
Other receivables	5	7,023,490	3,991,424	3,991,424
Loans to Management and Shareholders of the Group	4	5,632	2,959	2,959
Other loans		579,301	580,869	580,869
Deferred expenses		857,085	1,613,687	1,613,687
Total receivables		41,688,039	36,803,328	36,803,328
Cash and cash equivalents	6	2,107,356	4,219,118	4,219,118
Total current assets		89,797,922	69,251,651	69,251,651
TOTAL ASSETS		172,608,410	151,355,872	148,736,074

Notes are integral part of this financial statement

*see Note 3

STATEMENT OF FINANCIAL POSITION

EQUITY AND LIABILITIES	Notes	31.12.2019 EUR	01.01.2019 EUR restated*	31.12.2018 EUR
Equity				
Share capital		13,419,000	13,419,000	13,419,000
Share premium		22,321,657	22,321,657	22,321,657
Other reserves		880,726	880,726	880,726
Foreign currency revaluation reserve		(134,794)	158,197	158,197
Retained earnings				
a) previous period retained earning		59,980,117	72,248,917	81,981,268
b) reporting period profit		12,886,764	-	(9,732,351)
Equity attributable to equity holders of the Parent entity		109,353,470	109,028,497	109,028,497
Non-controlling interest		116,069	98,509	98,509
Total equity		109,469,539	109,127,007	109,127,007
Liabilities				
Non-current liabilities				
Loans from credit institutions	7	12,940,294	8,798,062	8,798,062
Finance lease liabilities		71,102	29,479	29,479
Deferred tax liabilities		1,295,602	1,295,602	1,295,602
Deferred income		2,628,277	3,381,620	3,381,620
Other payables		776,874	-	-
Lease liabilities (IFRS 16 Leases)		3,863,910	2,492,985	-
Total non-current liabilities		21,576,059	15,997,748	13,504,763
Current liabilities				
Loans from credit institutions	7	19,872,717	10,211,678	10,211,678
Finance lease liabilities		46,075	56,860	56,860
Advances from customers		1,813,556	439,832	439,832
Trade payables to suppliers		12,039,394	8,484,508	8,484,508
Taxes and mandatory state social insurance contributions	8	2,215,426	1,188,858	1,188,858
Corporate income tax liability	8	812,064	126,394	126,394
Other payables		2,478,995	2,937,818	2,937,818
Accrued liabilities		1,416,360	1,938,601	1,938,601
Deferred income		505,256	719,755	719,755
Lease liabilities (IFRS 16 Leases)		362,969	126,813	-
Total current liabilities		41,562,812	26,231,117	26,104,304
Total liabilities		63,138,871	42,228,865	39,609,067
TOTAL EQUITY AND LIABILITIES		172,608,410	151,355,872	148,736,074

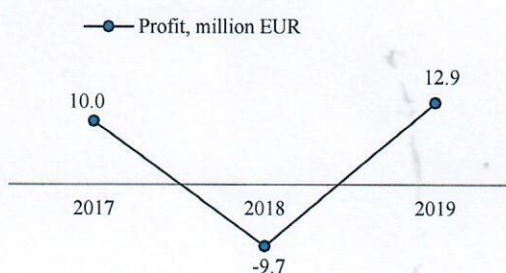
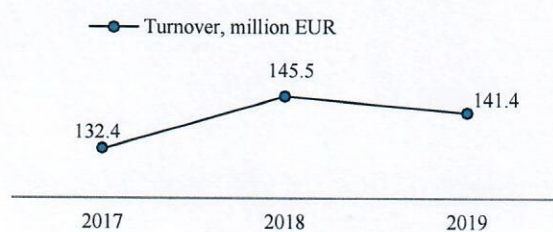
Notes are integral part of this financial statement

*see Note 3

STATEMENT OF COMPREHENSIVE INCOME

	Notes	01.01.2019 31.12.2019 EUR	01.01.2018 31.12.2018 EUR
Net sales	10	141,417,586	145,477,001
Cost of goods sold	11	(55,864,964)	(65,036,044)
Gross profit		85,552,622	80,440,957
Selling expenses	12	(34,257,777)	(29,423,212)
Administrative expenses	13	(26,308,174)	(44,764,564)
Other operating income	14	8,340,767	4,598,558
Other operating expenses	15	(15,317,001)	(18,820,983)
Interest income and similar income		191,707	162,418
Interest expenses and similar expenses		(573,001)	(286,164)
Changes in fair value		(3,779,000)	(748,825)
Profit before taxation		13,850,143	(8,841,815)
Corporate income tax		(945,819)	(895,082)
NET PROFIT FOR THE PERIOD		12,904,324	(9,736,897)
Other comprehensive income:			
Foreign currency revaluation		(292,992)	(87,744)
Total other comprehensive income		(292,992)	(87,744)
TOTAL COMPREHENSIVE INCOME		12,611,332	(9,824,641)
Profit attributable to:			
Equity holders of the Parent entity		12,886,764	(9,732,351)
Non-controlling interest		17,560	(4,546)
TOTAL		12,904,324	(9,736,897)
Comprehensive income attributable to:			
Equity holders of the Parent entity		12,593,772	(9,820,095)
Non-controlling interest		17,560	(4,546)
TOTAL		12,611,332	(9,824,641)
Earnings per share attributable to the equity holders of the Parent entity (EUR per share)		1.34	(1.02)

Notes are integral part of this financial statement



STATEMENT OF CHANGES IN EQUITY

	Share capital	Share premium	Other reserves	Foreign currency revaluation reserve	Retained profit	Equity attributable to equity holders of the parent	Non-controlling interest	Total
	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR
31.12.2017	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)
Foreign currency revaluation impact of initial application of IFRS 9	-	-	-	(87,744)	-	(87,744)	-	(87,744)
	-	-	-	-	(332,000)	(332,000)	-	(332,000)
Profit for the reporting period	-	-	-	-	(9,732,351)	(9,732,351)	(4,546)	(9,736,897)
31.12.2018	13,419,000	22,321,657	880,726	158,198	72,248,917	109,028,498	98,509	109,127,007
Dividends	-	-	-	-	(12,268,800)	(12,268,800)	-	(12,268,800)
Foreign currency revaluation	-	-	-	(292,992)	-	(292,992)	-	(292,992)
Profit for the reporting period	-	-	-	-	12,886,764	12,886,764	17,560	12,904,324
31.12.2019	13,419,000	22,321,657	880,726	(134,794)	72,866,881	109,353,470	116,069	109,469,539

STATEMENT OF CASH FLOW

	01.01.2019 31.12.2019 EUR	01.01.2018 31.12.2018 EUR
OPERATING ACTIVITIES		
Profit for the reporting period before tax	13,850,143	(8,841,815)
<i>Adjustments to reconcile net profit to net cash provided by operating activities:</i>		
Depreciation and amortization	7,045,656	5,746,637
Loss/(profit) on disposal of fixed assets and intangible assets	(191,049)	2,175,937
Changes in fair value of investments and impairment loss of fixed assets	3,779,000	1,057,686
Revenue from the EU funds	(1,057,679)	(1,161,849)
Interest expense	573,001	286,164
Interest income	(191,707)	(162,583)
<i>Changes in operating assets and liabilities:</i>		
Inventory	(17,773,322)	(5,584,170)
Trade receivables	(2,536,681)	17,040,588
Trade payables	3,554,886	(5,319,054)
Net cash flow provided by operating activities	7,052,248	5,237,541
Corporate income tax paid	(629,751)	(932,650)
Net cash provided by operating activities	6,422,497	4,304,891
INVESTING ACTIVITIES		
Purchase of fixed assets and intangible assets	(9,058,025)	(9,994,672)
Proceeds from sale of fixed assets	54,212	20,980
Net cash flow provided by investing activities	(9,003,813)	(9,973,692)
FINANCING ACTIVITIES		
Received loans from credit institutions	20,138,792	11,760,680
Repayment of loans to credit institutions and financial lease	(7,087,742)	(5,420,996)
Dividens paid	(12,268,800)	(1,437,750)
Received EU funding	260,305	471,683
Interest paid	(573,001)	(286,164)
Net cash flow provided by financing activities	469,554	5,087,453
Net increase in cash and cash equivalents	(2,111,762)	(581,348)
Cash and cash equivalents at the beginning of the reporting period	4,219,118	4,800,466
CASH AND CASH EQUIVALENTS AT THE END OF THE REPORTING PERIOD	2,107,356	4,219,118

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL INFORMATION

The principal activities of JSC “Grindeks” Group are production of pharmaceutical, medical and phytochemical medicine, real estate management. JSC “Grindeks” 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 February 28, 2020.

2. ACCOUNTING PRINCIPLES

The interim condensed consolidated financial statements for nine months ended 31 December 2019 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 2018.

The interim financial statements comprise the financial statements of the Parent Company and all its subsidiaries as at 31 December 2019.

3. ACCOUNTING POLICY

JSC “Grindeks” Group hereby informs that there were no changes made in its accounting policy in January-December 2019, except as described below. In unaudited financial statements for the period January - December 2019 the Group has employed the same Accounting and Consolidation Principles as in the audited consolidated financial statements for the year 2018, released on April 30, 2019. The Group has not applied the IFRS that have been issued as of the date of authorization of these financial statements for issue, but which are not yet effective.

New IFRS 16 Leases is effective for the current period. The Group has adopted IFRS 16 as from 1 January 2019. IFRS 16 supersedes IAS 17 Leases and related interpretations. The Standard eliminates the current dual accounting model for lessees and instead requires companies to bring most leases on-balance sheet under a single model, eliminating the distinction between operating and finance leases.

4. RELATED PARTY DISCLOSURES

	31.12.2019 EUR	31.12.2018. EUR
Loans to Management and Shareholders of the Group	2,704,436	2,678,882
Total	2,704,436	2,678,882

5. OTHER RECEIVABLES

	31.12.2019 EUR	31.12.2018. EUR
Tax receivables	6,589,835	3,669,281
Other	433,655	322,143
Total	7,023,490	3,991,424

6. CASH AND CASH EQUIVALENTS

	31.12.2019 EUR	31.12.2018. EUR
Cash in bank	2,094,857	4,206,444
Cash on hand	12,499	12,674
Total	2,107,356	4,219,118

7. LOANS FROM CREDIT INSTITUTIONS

	31.12.2019 EUR	31.12.2018. EUR
Credit line from Luminor Bank AS Latvian branch	9,114,260	2,838,810
Credit line from SEB banka JSC , Latvia	3,314,912	2,444,221
Credit line from Citadele JSC, Latvia	-	2,376,937
Tatrabank JSC, Slovakia	2,691,324	1,551,710
Nordea Bank Finland Plc	1,000,000	1,000,000
Luminor Bank AS Latvian branch	3,000,000	-
Credit line from Tatrabank JSC, Slovakia	752,221	-
Current loans from credit institutions	19,872,717	10,211,678
Nordea Bank Finland Plc	4,583,334	5,583,333
Luminor Bank AS Latvian branch	1,750,000	-
Tatrabank JSC, Slovakia	6,606,960	3,214,729
Non-current loans from credit institutions	12,940,294	8,798,062
Total	32,813,011	19,009,740

8. TAXES AND SOCIAL SECURITY CONTRIBUTIONS

	31.12.2019 EUR	31.12.2018. EUR
Mandatory state social insurance contributions	1,070,187	771,660
Personal income tax	380,877	362,888
Corporate income tax	812,064	126,394
Value added tax	750,983	42,772
Other	13,379	11,538
Total	3,027,490	1,315,252

9. 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.

12 Months 2019, EUR

	Final dosage forms	Active pharmaceutical ingredients	Eliminations	Total
Revenue				
External sales	132,861,589	8,555,997	-	141,417,586
Inter-segment sales	-	11,967,649	(11,967,649)	-
Total revenue	132,861,589	20,523,646	(11,967,649)	141,417,586
Result				
Segment direct attributable result	43,014,566	8,280,279	-	51,294,845
Unallocated expenses				(33,284,408)
Operating profit				18,010,437
Interest income				191,707
Interest expense				(573,001)
Changes in fair value				(3,779,000)
Profit before taxation				13,850,143
Income tax expense				(945,819)
Profit for the period				12,904,324
Attributable to:				
Equity holders for parent Company				12,886,764
Non-controlling interest				17,560
Total				12,904,324

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

12 Months 2018, EUR

	Final dosage forms	Active pharmaceutical ingredients	Eliminations	Total
Revenue				
External sales	138,033,669	7,443,332	-	145,477,001
Inter-segment sales	-	11,914,859	(11,914,859)	-
Total revenue	138,033,669	19,358,191	(11,914,859)	145,477,001
Result				
Segment direct attributable result	44,936,505	6,081,240	-	51,017,745
Unallocated expenses				(58,986,989)
Operating profit				(7,969,244)
Interest income				162,418
Interest expense				(286,164)
Changes in fair value				(748,825)
Profit before taxation				(8,841,815)
Income tax expense				(895,082)
Profit for the period				(9,736,897)
Attributable to:				
Equity holders for parent Company				(9,732,351)
Non-controlling interest				(4,546)
Total				(9,736,897)

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

10. NET SALES

	01.01.2019 31.12.2019 EUR	01.01.2018 31.12.2018 EUR
Russia	45,101,228	54,668,517
Other CIS countries	34,450,115	36,001,307
Other countries	46,669,017	39,354,057
Latvia	9,535,767	9,904,319
Lithuania	6,207,524	6,022,628
Estonia	2,599,885	2,505,495
Other sales	1,105,154	1,145,397
Gross sales	145,668,690	149,601,720
Less discounts		
Russia	(12,046)	(6,636)
Other CIS countries	(2,787,123)	(3,312,299)
Other countries	(169,665)	(16,770)
Latvia	(1,226,820)	(654,676)
Lithuania	(8,431)	(120,962)
Estonia	(47,019)	(13,376)
Discounts total	(4,251,104)	(4,124,719)
Total net	141,417,586	145,477,001

11. COST OF GOODS SOLD

	01.01.2019 31.12.2019 EUR	01.01.2018 31.12.2018 EUR
Raw materials and packaging	27,858,417	37,052,921
Direct labor and social security contributions	20,501,980	18,577,035
Depreciation of fixed assets and amortization of intangible assets	4,930,277	4,707,886
Depreciation of right-of-use-asset (IFRS 16 Leases)	229,396	-
Electricity expenses	2,384,312	2,371,116
Goods purchased for resale and contract manufacturing costs	768,834	3,744,636
Research costs	2,789,684	3,847,814
Machinery, buildings and equipment repairs	2,262,414	1,747,658
Household expenses	275,431	241,387
Transport costs	186,475	181,267
Rent of work clothing	223,597	196,659
Waste disposal	182,815	194,637
Other expenses	4,860,126	4,258,681
Internal turnover of self-manufactured raw materials	(11,588,794)	(12,085,653)
Total	55,864,964	65,036,044

12. SELLING EXPENSES

	01.01.2019 31.12.2019 EUR	01.01.2018 31.12.2018 EUR
Advertising expenses	12,743,265	12,202,559
Expenses of representative offices	4,725,298	4,658,103
Salaries and social security contributions	5,949,910	5,647,356
Distribution costs	1,647,317	1,619,117
Commissions	2,871,800	2,604,374
Depreciation of fixed assets and amortization of intangible assets	308,059	310,648
Depreciation of right-of-use-asset (IFRS 16 Leases)	699,556	-
Registration costs for medicine	1,037,018	684,946
Freight insurance expenses	12,627	15,280
Other expenses	4,262,927	1,680,829
Total	34,257,777	29,423,212

13. ADMINISTRATIVE EXPENSES

	01.01.2019 31.12.2019 EUR	01.01.2018 31.12.2018 EUR
Salaries and social security contributions	16,149,648	15,587,137
Professional and consultancy services	1,829,742	2,440,071
Depreciation of fixed assets and amortization of intangible assets	1,017,232	684,728
Depreciation of right-of-use-asset (IFRS 16 Leases)	179,455	-
Computer maintenance and repair	759,182	624,099
Security costs	507,835	473,860
Bank charges	232,122	212,025
Electricity costs	236,983	270,674
Employee insurance expenses	408,635	232,734
Transport costs	122,976	232,755
Property and liability insurance	120,023	112,790
Business trip expenses	99,762	105,876
Communication expenses	68,436	56,501
Personnel training and hiring expenses	153,198	130,106
Provisions	1,853,960	18,911,212
Other expenses	2,568,985	4,689,996
Total	26,308,174	44,764,564

14. OTHER OPERATING INCOME

	01.01.2019 31.12.2019 EUR	01.01.2018 31.12.2018 EUR
Currency exchange gain	4,491,504	1,732,119
Income from EU projects	1,057,679	1,161,849
Income from services rendered	1,252,631	908,121
Past period's income for the reporting period	176,663	595,447
Income from sale of property, plant and equipment	54,212	19,675
Other income	1,308,078	181,347
Total	8,340,767	4,598,558

15. OTHER OPERATING EXPENSES

	01.01.2019 31.12.2019 EUR	01.01.2018 31.12.2018 EUR
Sales discounts	12,282,737	11,126,205
Exchange rate losses	1,616,264	5,040,888
Property tax	154,812	131,550
Debtor debt write-off	-	71,589
Provisions for benefits and discounts	-	1,480,963
Inventory write-off	144,223	264,639
Other operating income	1,118,965	705,149
Total	15,317,001	18,820,983

16. DIVIDENDS PROPOSED AND PAID

The JSC "Grindeks" shareholders extraordinary general meeting on July 17, 2019 has made a decision to pay EUR 12,268,800 (twelve million two hundred and sixty-eight euros) or EUR 1.28 (one euro twenty-eight euro cents) per one share from accumulated profit till December 31, 2017 of JSC "Grindeks" to shareholders in dividends from the undistributed profit of previous years. Dividends were paid on July 31, 2019.



Chairman of the Board
Ph.D. Juris Hmelnickis

February 28, 2020