

Joint Stock Company “Grindeks”

Reg. No. 40003034935

*Unaudited consolidated interim financial statements,
for the period ended December 31, 2018,
prepared in accordance with International
Financial Reporting Standards as adapted
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 | 16-20 |

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 – December 31, 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 January 04, 2019*

** *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 January 04, 2019*

• *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 - 08.01.2020.*

• *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 - 07.01.2022.*

• *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 January 04, 2019 and December 31, 2017 were as follows (according to Nasdaq CSD data):

| | Percentage of investment (%) 04.01.2019 | 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, 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 12 months of 2018 was 145.5 million euro and has increased by 13.1 million euro or 10% in comparison to the 12 months of 2017. While in the 12 months of 2018, the Group’s net loss, attributable to shareholders of the parent company, was 10.0 million euros. The Group’s net loss attributes to couple of factors. As the International Financial Reporting Standard on Financial Instruments (IFRS 9) requires, company made an allowance for doubtful accounts of 16.8 million euros. Also, after comprehensive evaluation of the initiated research and development projects the company’s management took into an account that many of projects have reached a successful progress and made a decision to focus recourses on them, at the same time cancelling projects with uncertain outcome. Thereby, costs from cancelled research and development projects account for 2.0 million euros. Additionally, impairment of real estate assets as well as currency fluctuations in Russia notably affected performance indicators and made a loss of 3.3 million euros.

In the 12 months of 2018, the Group’s production was exported to 87 countries worldwide, a total of 135.1 million euro which is by 12.6 million euro or 10% more than in 2017.

| Financial indicator | 01.01.2018. – 31.12.2018. | 01.01.2017. – 31.12.2017. |
|---------------------|---------------------------|---------------------------|
| Gross profit margin | 55.3% | 57.5% |
| Net profit margin | -6.9% | 7.5% |
| EBITDA margin | -2.0% | 11.4% |
| ROA | -6.5% | 6.1% |
| Liquidity | 2.6 | 3.3 |

At the end of the reporting period, the amount of accounts receivable was 36.5 million euro, which is by 2.8 million euro less than accounts payable that were 39.2 million euro. The amount of current assets at the end of reporting period was 69.0 million euro, which is by 42.7 million euro more than amount of current liabilities that was 26.3 million euro.

Sales of final dosage forms and active pharmaceutical ingredients

Sales volume of the final dosage forms in the 12 months of 2018 was 136.6 million euro and has increased by 12.4 million euro in comparison to 2017. In the 12 months of 2018, the sales amount in Russia, the other CIS countries and Georgia reached 87.0 million euro, which is by 5.9 million euro or 7% more than in 2017. In comparison to 2017, in the 12 months of 2018 the biggest increase in sales volume has been reached in Kazakhstan (28%), Kirgizstan (20%), Azerbaijan and Belarus (17%) and Uzbekistan (16%).

Sales volume of the final dosage forms in the EU countries in the 12 months of 2018 reached 45.5 million euro which is by 5.1 million euro or 13% more than in 2017. Sales volume in the 12 months of 2018, compared with 2017, has increased by 9 times in Bulgaria, by 3 times in Poland, by 2 times in Austria and Czech Republic, by 78% in Spain, by 60% in Denmark, by 27% in Sweden and by 25% in Croatia.

In the 12 months of 2018, sales of the active pharmaceutical ingredients reached 7.4 million euro, which is by 0.5 million euro or 8% more than in 2017. During this reporting period “Grindeks” mostly exported its active pharmaceutical ingredients to the EU countries, Japan, Australia and the U.S.. The most required active pharmaceutical ingredients of “Grindeks” in 2018 were dexmedetomidine, pimobendan, oxytocin, zopiclone, medetomidine, atipamezole, detomidine and droperidol.

Investment program

In 2018, “Grindeks” managed significant research and development projects. In cooperation with Latvian and foreign scientists “Grindeks” continued researches of the cardioprotective agent – inhibitor of GBB hydroxyls with an original structure. In 2018, “Grindeks” acquired a 92 584-square-meter plot of land with buildings in Riga, Krustpils street 63 for the development of innovation centre.

Quality and environmental protection

In 2018, for the maintenance of Good manufacturing practice certificates the State Agency of Medicines made a successful inspection on manufacturing and quality assurance for six active pharmaceutical ingredients in the company, as well as the World Health Organisation’s inspection and 21 client audits on compliance with Good manufacturing practice standard requirements were held.

For maintenance of Good manufacturing practice certificates for seven active pharmaceutical ingredients, an inspection by the U.S. Food and Drug Administration was held.

In accordance with the requirements of the EU Falsified Medicines Directive, in 2018, “Grindex” introduced a new drug verification system that provides each package of medicines with an authentication code. The total cost of the project is 6 million euros.

“Grindex” share price development in 2018 (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 2018 ranged from 5.6 to 7.84 euro. In 2018 the average price of JSC “Grindex” shares on “Nasdaq Riga” was 6.98 euro. The total of “Nasdaq Riga” traded shares in 2018 was 465 416 shares, reaching 3.09 million euro turnover. At the end of 2018, market capitalization of “Grindex” shares was 62.3 million euro.

In 2018, the Group’s earnings per share (EPS factor) was -1.05 euro in comparison to 1.04 euro in 2017.



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



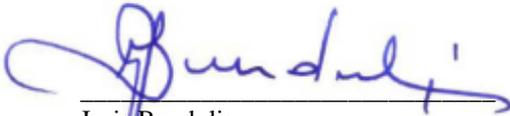
Future prospects for 2019

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 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:



Juris Bundulis
Chairman of the Board

February 28, 2019

STATEMENT OF BOARD'S RESPONSIBILITIES

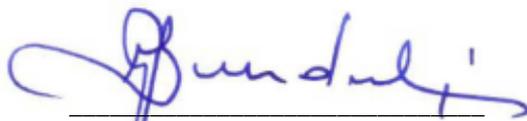
The Board of JSC "Grindex" (hereinafter - the Company) is bearing the responsibility for preparation of the consolidated interim financial statements of the Company and its subsidiaries (hereinafter - the Group). The interim financial statements of the Group are not audited.

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 December 31, 2018 and the results of its operations and cash flows for the period of twelve months ended December 31, 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

February 28, 2019

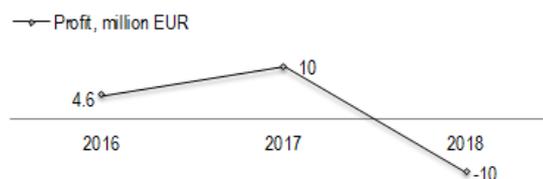
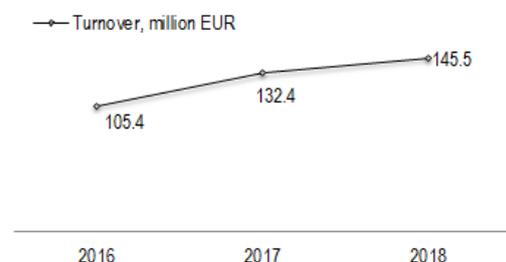
STATEMENT OF FINANCIAL POSITION

| | 31.12.2018. EUR | 31.12.2017. EUR |
|---|--------------------|--------------------|
| ASSETS | | |
| Non-current assets | | |
| Intangible assets | | |
| Software, patents, licenses, trademarks and other rights | 1,829,866 | 915,846 |
| Advance payments for intangible assets | 1,262,659 | 2,452,510 |
| Total intangible assets | 3,092,525 | 3,368,356 |
| Goodwill | 5,044,761 | 5,044,761 |
| Property, plant and equipment | | |
| Land, buildings and constructions | 29,662,617 | 30,963,303 |
| Equipment and machinery | 22,506,942 | 22,571,638 |
| Other fixed assets | 1,232,978 | 1,013,326 |
| Construction in progress | 2,487,237 | 1,102,278 |
| Advance payments for fixed assets | 2,350,242 | 1,013,208 |
| Total property, plant and equipment | 58,240,016 | 56,663,753 |
| Investment property | 8,057,862 | 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 | 2,675,923 | 2,629,183 |
| Total long term financial investments | 4,974,943 | 4,928,203 |
| Total non-current financial assets | 79,410,107 | 78,061,073 |
| Current assets | | |
| Inventories | | |
| Raw materials | 10,209,521 | 6,977,100 |
| Unfinished goods | 9,547,714 | 10,250,416 |
| Finished goods and goods for resale | 8,239,494 | 5,459,537 |
| Advance payments for inventories | 295,998 | 21,504 |
| Total inventory | 28,292,727 | 22,708,557 |
| Debtors | | |
| Trade receivables | 29,599,931 | 45,256,442 |
| Other debtors | 4,750,835 | 6,309,948 |
| Loans to Management and Shareholders of the Company and the Group | 2,959 | 26,837 |
| Other loans | 580,869 | 555,426 |
| Deferred expenses | 1,557,950 | 3,412,764 |
| Total debtors | 36,492,544 | 55,561,417 |
| Cash and cash equivalents | 4,218,879 | 4,800,466 |
| Total current assets | 69,004,150 | 83,070,440 |
| TOTAL ASSETS | 148,414,257 | 161,131,513 |

| | 31.12.2018. | 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 | 157,234 | 245,942 |
| Retained profit | | |
| a) retained profit | 82,313,268 | 73,792,831 |
| b) current year (loss)/ profit | (10,023,885) | 9,958,187 |
| Equity attributable to equity holders of the Parent entity | 109,068,000 | 120,618,343 |
| Non-controlling interest | 98,517 | 103,055 |
| Total equity | 109,166,517 | 120,721,398 |
| LIABILITIES | | |
| Non-current liabilities | | |
| Loans from credit institutions | 8,283,530 | 9,283,530 |
| Finance lease liabilities | 28,891 | 82,177 |
| Deferred income tax liabilities | 1,237,672 | 1,237,672 |
| Deferred income | 3,381,621 | 4,496,941 |
| Total non-current liabilities | 12,931,714 | 15,100,320 |
| Current liabilities | | |
| Loans from credit institutions | 10,725,972 | 10,896,825 |
| Finance lease liabilities | 57,448 | 68,980 |
| Advances from customers | 439,832 | 417,362 |
| Trade accounts payable | 8,468,988 | 7,200,951 |
| Taxes and social security contributions | 1,727,419 | 1,027,450 |
| Other payables | 2,938,011 | 4,011,978 |
| Accrued liabilities | 1,238,601 | 1,125,178 |
| Deferred income | 719,755 | 561,071 |
| Total current liabilities | 26,316,026 | 25,309,795 |
| Total liabilities | 39,247,740 | 40,410,115 |
| TOTAL EQUITY AND LIABILITIES | 148,414,257 | 161,131,513 |

STATEMENT OF COMPREHENSIVE INCOME

| | 01.10.2018.- 31.12.2018. | 01.10.2017.- 31.12.2017. | 01.01.2018.- 31.12.2018. | 01.01.2017.- 31.12.2017. |
|---|-----------------------------|-----------------------------|-----------------------------|-----------------------------|
| | EUR | EUR | EUR | EUR |
| Net sales | 43,030,358 | 36,547,053 | 145,477,001 | 132,410,851 |
| Cost of goods sold | (20,903,535) | (16,225,055) | (65,034,406) | (56,233,084) |
| Gross profit | 22,126,823 | 20,321,998 | 80,442,595 | 76,177,767 |
| Selling expenses | (7,274,194) | (8,559,683) | (29,178,733) | (28,319,528) |
| Administrative expenses | (22,290,858) | (7,120,597) | (43,485,954) | (25,735,168) |
| Other operating income | 1,557,461 | 226,846 | 5,286,982 | 2,358,930 |
| Other operating expenses | (10,906,147) | (4,890,832) | (21,275,581) | (15,364,329) |
| Interest income and similar income | 58,886 | 79,750 | 162,583 | 188,882 |
| Interest expenses and similar expenses | (78,994) | (76,226) | (286,164) | (314,084) |
| Changes in fair value | (814,933) | (185,142) | (814,933) | (185,142) |
| Profit /loss before taxation | (17,621,956) | (203,886) | (9,149,205) | 8,807,328 |
| Corporate income tax | 20,450 | 3,714,916 | (879,218) | 1,161,107 |
| PROFIT/LOSS FOR THE PERIOD | (17,601,506) | 3,511,030 | (10,028,423) | 9,968,435 |
| Other comprehensive income /loss | | | | |
| Foreign currency revaluation | 85,285 | (43,036) | (88,708) | (192,916) |
| Total other comprehensive income /loss | 85,285 | (43,036) | (88,708) | (192,916) |
| Total comprehensive income /loss | (17,516,221) | 3,467,994 | (10,117,131) | 9,775,519 |
| Profit attributable to: | | | | |
| Equity holders of the Parent entity | (17,614,161) | 3,487,930 | (10,023,885) | 9,958,187 |
| Non-controlling interest | 12,655 | 23,100 | (4,538) | 10,248 |
| TOTAL | (17,601,506) | 3,511,030 | (10,028,423) | 9,968,435 |
| Comprehensive income attributable to: | | | | |
| Equity holders of the Parent entity | (17,528,876) | 3,444,895 | (10,112,593) | 9,765,272 |
| Non-controlling interest | 12,655 | 23,100 | (4,538) | 10,248 |
| TOTAL | (17,516,221) | 3,467,995 | (10,117,131) | 9,775,520 |
| Earnings per share attributable to the equity holders of the Parent entity (EUR per share) | (1.84) | 0.36 | (1.05) | 1.04 |



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 | - | - | - | - | 9,958,187 | 9,958,187 | 10,248 | 9,968,435 |
| Foreign currency revaluation | - | - | - | (192,942) | - | (192,942) | - | (192,942) |
| 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 | - | - | - | - | (10,023,885) | (10,023,885) | (4,538) | (10,028,423) |
| Foreign currency revaluation | - | - | - | (88,708) | - | (88,708) | - | (88,708) |
| 31.12.2018. | 13,419,000 | 22,321,657 | 880,726 | 157,234 | 72,289,383 | 109,068,000 | 98,517 | 109,166,517 |

*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.- 31.12.2018. EUR | 01.01.2017.- 31.12.2017. EUR |
|--|---|---|
| OPERATING ACTIVITIES | | |
| Net profit/(loss) before taxation | (9,149,205) | 8,807,328 |
| <i>Adjustments to reconcile net profit to net cash provided by operating activities:</i> | | |
| Depreciation and amortization | 5,296,425 | 5,938,403 |
| Profit/(loss) on disposal of fixed assets and intangible assets | 139,111 | (292,988) |
| Changes in fair value of investments and impairment loss of fixed assets | 814,933 | 52,000 |
| Revenue from the EU funds | (1,161,849) | (453,627) |
| Interest income | (162,583) | (35,293) |
| Interest expense | 286,164 | 290,509 |
| <i>Changes in operating assets and liabilities:</i> | | |
| Inventory | (5,584,170) | (1,959,251) |
| Debtors | 17,936,951 | 12,772,522 |
| Creditors | 2,003,252 | (4,779,298) |
| Gross cash provided by operating activities | 10,419,029 | 20,340,305 |
| Corporate income tax paid | (1,003,627) | (3,018,626) |
| Net cash provided by operating activities | 9,415,402 | 17,321,679 |
| INVESTING ACTIVITIES | | |
| Purchase of fixed assets and intangible assets | (9,762,341) | (7,057,297) |
| Purchase of long term financial investments | - | (3,034,098) |
| Proceeds from sale of fixed assets | 20,980 | |
| Net cash used in investing activities | (9,741,361) | (10,091,395) |
| FINANCING ACTIVITIES | | |
| Received loans from credit institutions | 4,733,075 | 12,722,628 |
| Repaid loans to credit institutions and leasing payments | (3,736,472) | (15,472,072) |
| Dividends paid | (1,437,750) | (1,437,750) |
| Revenue from the EU funds | 471,683 | 332,574 |
| Interest paid | (286,164) | (290,509) |
| Net cash provided by financing activities | (255,628) | (4,145,130) |
| Net increase/decrease in cash and cash equivalents | (581,587) | 3,085,154 |
| 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 | 4,218,879 | 4,800,466 |

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, 2019.

2.ACCOUNTING PRINCIPLES

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

3.RELATED PARTY DISCLOSURES

| | 31.12.2018. | 31.12.2017. |
|---|--------------------|--------------------|
| | EUR | EUR |
| Loans to Management and Shareholders of the Company and the Group | 2,678,882 | 2,656,020 |
| Total | 2,678,882 | 2,656,020 |

4. OTHER DEBTORS

| | 31.12.2018. | 31.12.2017. |
|-----------------|--------------------|--------------------|
| | EUR | EUR |
| Tax receivables | 3,944,751 | 2,202,581 |
| Other | 806,084 | 4,107,367 |
| Total | 4,750,835 | 6,309,948 |

5. CASH AND CASH EQUIVALENTS

| | 31.12.2018. | 31.12.2017. |
|--------------|--------------------|--------------------|
| | EUR | EUR |
| Cash in bank | 4,206,092 | 4,790,051 |
| Cash on hand | 12,787 | 10,415 |
| Total | 4,218,879 | 4,800,466 |

6. LOANS FROM CREDIT INSTITUTIONS

During the reporting period, the Group's subsidiary AS "Kalceks" signed an agreement with JSC "Citadele" on granting a credit line in the amount of EUR 2,900,000 which is therefore recognized as a current liability in this financial statement. In its turn, JSC "Grindex" concluded a guarantee agreement with JSC "Citadele" for the above mentioned liabilities. The due of this loan agreement is October 31, 2020.

| | 31.12.2018. | 31.12.2017. |
|---|--------------------|--------------------|
| | EUR | EUR |
| Credit line from Luminor Bank AS Latvian branch | 2,838,810 | 5,161,332 |
| Credit line from JSC "SEB banka", Latvia | 2,444,221 | 2,780,162 |
| Credit line from Tatrabank JSC, Slovakia | - | 193,611 |
| Luminor Bank AS Latvian branch | 1,000,000 | 1,000,000 |
| Tatrabank JSC, Slovakia | 2,066,242 | 1,761,720 |
| Credit line from JSC "Citadele", Latvia | 2,376,699 | - |
| Current loans from credit institutions | 10,725,972 | 10,896,825 |
| | | |
| Luminor Bank AS Latvian branch | 5,583,333 | 6,583,333 |
| Tatrabank JSC, Slovakia | 2,700,197 | 2,700,197 |
| Non-current loans from credit institutions | 8,283,530 | 9,283,530 |
| Total | 19,009,502 | 20,180,355 |

7. TAXES AND SOCIAL SECURITY CONTRIBUTIONS

| | 31.12.2018. | 31.12.2017. |
|-------------------------------|--------------------|--------------------|
| | EUR | EUR |
| Social security contributions | 791,849 | 637,436 |
| Personal income tax | 363,074 | 320,569 |
| Corporate income tax | 518,189 | - |
| Value added tax | 42,772 | 57,002 |
| Other | 11,535 | 12,443 |
| Total | 1,727,419 | 1,027,450 |

8. 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 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 | 42,281,267 | 6,081,240 | - | 48,362,507 |
| Unallocated expenses | | | | (56,573,198) |
| Operating profit | | | | (8,210,691) |
| Interest income | | | | 162,583 |
| Interest expenses | | | | (286,164) |
| Changes in fair value | | | | (814,933) |
| Profit before taxation | | | | (9,149,205) |
| Income tax expense | | | | (879,218) |
| Profit for the period | | | | (10,028,423) |
| Attributable to: | | | | |
| Equity holders for parent Company | | | | (10,023,885) |
| Non-controlling interest | | | | (4,538) |
| Total | | | | (10,028,423) |

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

12 Months 2017, EUR

| | Final dosage forms | Active pharmaceutical ingredients | Eliminations | Total |
|------------------------------------|--------------------|-----------------------------------|---------------------|--------------------|
| Revenue | | | | |
| External sales | 125,488,865 | 6,921,986 | - | 132,410,851 |
| Inter-segment sales | - | 12,667,752 | (12,667,752) | - |
| Total revenue | 125,488,865 | 19,589,738 | (12,667,752) | 132,410,851 |
| Result | | | | |
| Segment direct attributable result | 40,042,883 | 7,815,355 | - | 47,858,238 |
| Unallocated expenses | | | | (38,740,565) |
| Operating profit | | | | 9,117,673 |
| Interest income | | | | 188,882 |
| Interest expenses | | | | (314,084) |
| Changes in fair value | | | | (185,142) |
| Profit before taxation | | | | 8,807,329 |
| Income tax expense | | | | 1,161,107 |
| Profit for the period | | | | 9,968,436 |
| Attributable to: | | | | |
| Equity holders for parent Company | | | | 9,958,188 |
| Non-controlling interest | | | | 10,248 |
| Total | | | | 9,968,436 |

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

9. NET SALES

| | 01.01.2018.– 31.12.2018. | 01.01.2017.– 31.12.2017. |
|------------------------|-------------------------------------|-------------------------------------|
| | EUR | EUR |
| Other CIS countries | 36,001,307 | 35,152,643 |
| Other countries | 39,354,057 | 33,395,741 |
| Russia | 54,668,517 | 50,117,586 |
| Latvia | 9,904,319 | 9,135,157 |
| Lithuania | 6,022,628 | 5,233,990 |
| Estonia | 2,505,495 | 2,468,715 |
| Other sales | 1,145,397 | 1,092,047 |
| Gross sales | 149,601,720 | 136,595,879 |
| Less discounts | | |
| Other CIS countries | (3,312,299) | (3,808,892) |
| Russia | (6,636) | (5,175) |
| Latvia | (654,676) | (253,801) |
| Lithuania | (120,962) | (80,911) |
| Estonia | (13,376) | (20,085) |
| Other countries | (16,770) | (16,164) |
| Discounts total | (4,124,719) | (4,185,028) |
| Total, net | 145,477,001 | 132,410,851 |

10. COST OF GOODS SOLD

| | 01.01.2018.- 31.12.2018. | 01.01.2017.- 31.12.2017. |
|--|-------------------------------------|-------------------------------------|
| | EUR | EUR |
| Raw materials and packaging | 37,307,811 | 34,721,972 |
| Direct labor and social security contributions | 18,577,035 | 15,969,021 |
| Depreciation of fixed assets and amortization of intangible assets | 4,707,886 | 4,582,271 |
| Electricity expenses | 2,371,116 | 2,144,174 |
| Goods purchased for resale and contract manufacturing costs | 3,370,641 | 4,581,795 |
| Research costs | 3,847,814 | 1,195,439 |
| Machinery, buildings and equipment repairs | 1,747,658 | 1,445,105 |
| Household expenses | 241,387 | 198,647 |
| Transport costs | 181,267 | 181,041 |
| Rent of work clothing | 196,659 | 174,930 |
| Waste disposal | 194,637 | 184,966 |
| Other expenses | 4,376,148 | 3,770,446 |
| Internal turnover of self-manufactured raw materials | (12,085,653) | (12,916,722) |
| Total | 65,034,406 | 56,233,084 |

11. SELLING AND DISTRIBUTION COSTS

| | 01.01.2018.- 31.12.2018. EUR | 01.01.2017.- 31.12.2017. EUR |
|--|---|---|
| Advertising expenses | 12,202,554 | 11,645,696 |
| Expenses of representative offices | 4,390,132 | 3,858,041 |
| Salaries and social security contributions | 5,647,356 | 5,140,997 |
| Distribution costs | 1,619,117 | 1,258,772 |
| Commissions | 2,604,374 | 1,299,718 |
| Depreciation of fixed assets and amortization of intangible assets | 310,648 | 378,788 |
| Registration costs for medicine | 684,946 | 454,623 |
| Freight insurance expenses | 15,280 | 14,246 |
| Other expenses | 1,704,326 | 4,268,647 |
| Total | 29,178,733 | 28,319,528 |

12. ADMINISTRATIVE EXPENSES

| | 01.01.2018.- 31.12.2018. EUR | 01.01.2017.- 31.12.2017. EUR |
|--|---|---|
| Salaries and social security contributions | 15,586,206 | 12,429,065 |
| Professional and consultancy services | 2,440,071 | 1,143,606 |
| Depreciation of fixed assets and amortization of intangible assets | 631,842 | 566,312 |
| Computer maintenance and repair | 624,099 | 549,121 |
| Security costs | 473,860 | 463,721 |
| Bank charges | 212,025 | 177,379 |
| Electricity costs | 270,674 | 282,506 |
| Employee insurance expenses | 232,734 | 223,655 |
| Transport costs | 232,755 | 179,135 |
| Property and liability insurance | 112,790 | 111,894 |
| Business trip expenses | 105,876 | 113,334 |
| Communication expenses | 56,501 | 61,888 |
| Personnel training and hiring expenses | 130,106 | 71,275 |
| Provisions | 17,709,661 | 3,188,627 |
| Other expenses | 4,666,754 | 6,173,650 |
| Total | 43,485,954 | 25,735,168 |

JSC "Grindex" hereby informs that there were no changes made in its accounting policy in January-December 2018. In unaudited financial statements for the period January - December 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. The Group has not applied the IFRS that have been issued as of the date of authorization of these financial statements, but which are not yet effective.

Chairman of the Board

Juris Bundulis

February 28, 2019