

**Joint Stock Company “Grindeks”**

*Non -audited Consolidated financial statements,  
prepared in accordance with International  
Financial Reporting Standards  
as adopted by the European Union  
for the periods ended 31 March, 2018 and  
ended 31 March, 2017*

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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	<p>JSC “Tallinn Pharmaceutical Plant” (100 %) Tondi 33, 11316, Tallinn, Estonia</p> <p>JSC “Kalceks” (98.67%) 53 Krustpils street, Riga, LV - 1057, Latvia</p> <p>“Namu apsaimniekošanas projekti” Ltd. (100%) 53 Krustpils street, Riga, LV - 1057, Latvia</p> <p>“Grindeks Rus” Ltd. (100%) 74/3 Warshaw road, 117556, Moscow, Russia</p> <p>“HBM Pharma” Ltd. (100%) Sklabinska 30, 036 80, Martin, Slovakia</p>
Reporting period	January 1, 2018 – March 31, 2018
Previous reporting period	January 1, 2017 – March 31, 2017

## THE SUPERVISORY COUNCIL AND THE BOARD

### Supervisory Council of the Company

(in compliance with the election/dismissal dates )

From 12 January 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 October 31, 2017

\*\* 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, Surname</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, Surname</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, 2016

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 October 31, 2017*

• *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 - 08.01.2018.*

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

Born in 1960, graduated from Riga Secondary School No.1, Faculty of Economics of 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 December 31, 2017 and December 31, 2016 were as follows (according to Nasdaq CSD data):

	<b>Percentage of investment (%) 31.12.2017</b>	<b>Percentage of investment (%) 31.12.2016</b>
Kirovs Lipmans	33.29	33.29
JSC AMBERSTONE GROUP	22.66	22.66
Anna Lipmane	16.65	16.65
Swedbank AS Clients Account (nominal holder)	-	9.56
Other shareholders (less 5% ownership interest)	27.40	17.84
<b>Total</b>	<b>100.00</b>	<b>100.00</b>

## 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 three months of 2018 was 34.8 million euro and has increased by 2.9 million euro or 9% in comparison to the first three months of 2017. In the first three months of 2018, the Group’s net profit, attributable to shareholders of the parent company, was 3.2 million euro and has decreased by 1.3 million euro or 29% compared to the first three months of 2017. Gross profit margin in the first three months of 2018 was 55%, while net profit margin was 9%. In the first three months of 2018, the Group’s production was exported to 58 countries worldwide, a total of 32.3 million euro which is by 2.6 million euro or 9% more than in the first three months of 2017.

At the end of the reporting period the amount of accounts receivable (debtors) was 56.9 million euro, which is by 16.4 million euro more than accounts payable (liabilities) that were 40.5 million euro. The amount of current assets at the end of reporting period was 86.5 million euro, which is by 61.1 million euro more than amount of current liabilities which was 25.4 million euro.

### Sales of final dosage forms and active pharmaceutical ingredients

Sales volume of the final dosage forms of “Grindeks” in the first three months of 2018 was 32.4 million euro and has increased by 2.8 million euro or 9% in comparison to the first three months of 2017. In the first three months of 2018, the sales amount in Russia, other CIS countries and Georgia reached 21.4 million euro, which is by 0.9 million euro or 4% more than in the first three months of 2017. In comparison to the first three months of 2017, in the first quarter of 2018 the biggest increase in sales volume has been reached in Uzbekistan (94%), Belarus (40%), Georgia (34%), Kirgizstan (20%), Armenia and Tajikistan (16%).

Sales volume in the EU countries in the first three months of 2018 reached 10.7 million euro which is by 2 million euro or 23% more than in the first three months of 2017. Sales volume in the first three months of 2017, compared with the first three months of 2017, has increased by 6 times in Poland, by 94% in the Netherlands, by 81% in Slovakia, by 37% in Sweden, by 27% in Czech Republic and by 22% in Finland. In the first three months of 2018, the sales volume in Latvia reached 1.9 million euro and has increased by 0.3 million euro or 17% in comparison with the first three months of 2017.

In the first three months of 2018, sales of the active pharmaceutical ingredients reached 2 million euro, which is by 0.1 million euro or 5% more than in the first three months of 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 the first three months of 2018 were dexmedetomidine, tegafur (ftorafur), oxytocin, zopiclone, medetomidine, pimobendan, atipamezole, 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 quarter 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, as well as four audits on compliance with Good manufacturing practice standard requirements by the clients were held.

### “Grindeks” share price development in the first three months of 2018 (data of “Nasdaq Riga”)

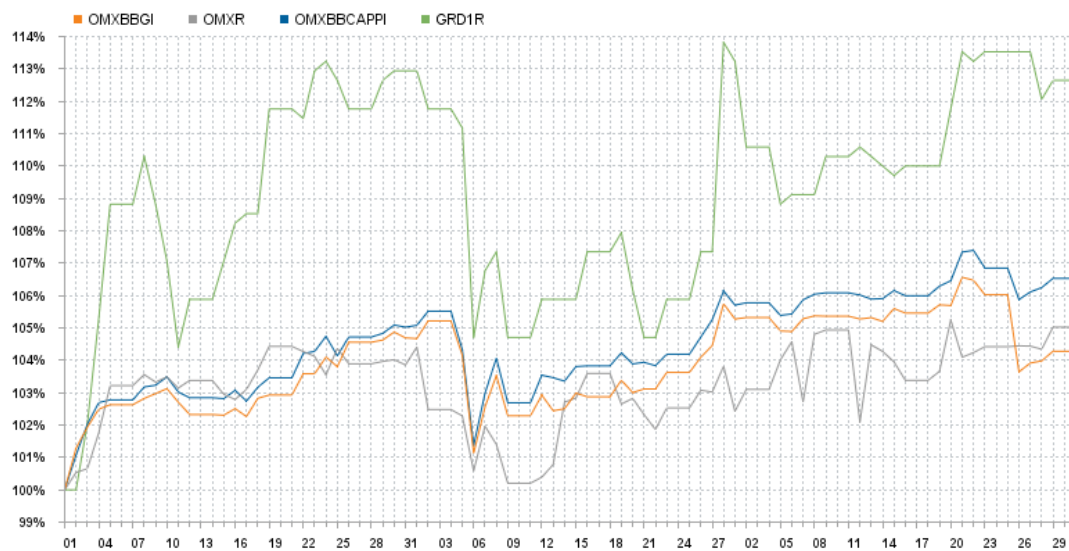
Since 2 January 2006 shares of “Grindeks” are listed on the official list of “Nasdaq Riga”. JSC “Grindeks” share price on “Nasdaq Riga” in the first three months of 2018 ranged from 6.94 to 7.84 euro. In the first three months of 2018 the average price of JSC “Grindeks” shares on “Nasdaq Riga” was 7.43 euro. The total of “Nasdaq Riga” traded shares in the first three months of 2018 was 101 182

shares, reaching 752 thousand euro turnover. At the end of the first three months of 2018, market capitalization of “Grindeks” shares was 73.4 million euro.

In the three months of 2018, the Group’s earnings per share (EPS factor) was 0.33 euro in comparison to 0.47 euro in the first three months of 2017.



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



Index/Equity	01.01.2018 ?	31.03.2018 ?	+/-%
— OMX Baltic Benchmark GI	944.09	984.48	4.28 ↑
— OMX Riga	996.13	1,046.18	5.02 ↑
— OMX Baltic Benchmark Cap PI	458.75	488.71	6.53 ↑
— GRD1R	6.8 EUR	7.66 EUR	12.65 ↑



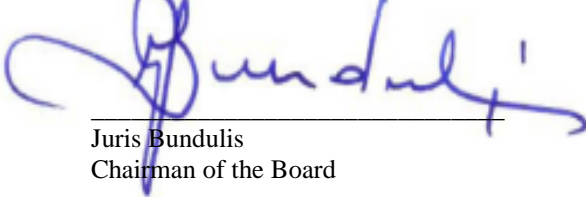
## **Future prospects for 2018**

In 2018, “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 2018, “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 10% in 2018
- Investments in 2018 – 7 million euro
- Optimization of current assets and cost reduction in positions, which are not related to the company’s strategic development, projects, as well as product registration and their promotion.

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

On behalf of the Group’s Management:



Juris Bundulis  
Chairman of the Board

May 31, 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 10 to the page 18, are prepared in accordance with the accounting records and source documents, presenting fairly the financial position of the Group as of 31 March 2018 and the results of its operations and cash flows for the period of three months ended 31 March 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

May 31, 2018

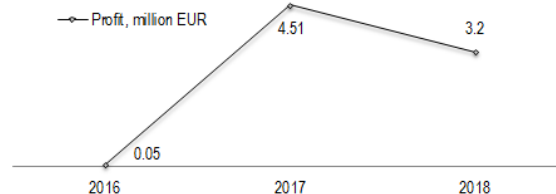
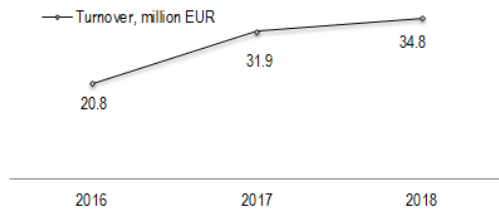
## STATEMENT OF FINANCIAL POSITION

	31.03.2018. EUR	31.03.2017. EUR
<b>ASSETS</b>		
<b>Non-current assets</b>		
<b>Intangible assets</b>		
Software, patents, licenses, trademarks and other rights	962,096	537,040
Advance payments for intangible assets	2,683,493	358,640
<b>Total intangible assets</b>	<b>3,645,589</b>	<b>895,680</b>
<b>Goodwill</b>	<b>5,044,761</b>	<b>5,044,761</b>
<b>Tangible fixed assets</b>		
Land, buildings and constructions	30,765,653	32,599,088
Equipment and machinery	22,127,872	22,791,281
Other fixed assets	1,055,808	1,022,020
Construction in progress	1,102,277	1,848,628
Advance payments for fixed assets	1,188,401	581,042
<b>Total tangible fixed assets</b>	<b>56,240,011</b>	<b>58,842,059</b>
<b>Investment property</b>	<b>8,056,000</b>	<b>8,108,000</b>
<b>Non-current financial investments</b>		
Other investments	99,020	99,020
Other loans	2,200,000	2,200,000
Loans provided to the Company's/the Group's management and shareholders	2,629,183	2,468,728
<b>Total long term financial investments</b>	<b>4,928,203</b>	<b>4,797,748</b>
<b>Total non-current financial assets</b>	<b>77,914,564</b>	<b>77,658,248</b>
<b>Current assets</b>		
<b>Inventories</b>		
Raw materials	8,211,033	6,939,425
Unfinished goods	10,382,538	9,971,856
Finished goods and goods for resale	6,218,607	6,520,337
Advance payments for inventories	206,101	511,143
<b>Total inventory</b>	<b>25,018,279</b>	<b>23,942,761</b>
<b>Debtors</b>		
Trade receivables	47,543,832	50,098,741
Other debtors	5,276,884	3,667,238
Loans provided to the Company's/the Group's management and shareholders	27,045	160,455
Other loans	555,426	1,579,843
Deferred expenses	3,478,461	11,753,307
<b>Total debtors</b>	<b>56,881,647</b>	<b>67,259,584</b>
<b>Cash and cash equivalents</b>	<b>4,614,648</b>	<b>3,959,932</b>
<b>Total current assets</b>	<b>86,514,575</b>	<b>95,162,277</b>
<b>TOTAL ASSETS</b>	<b>164,429,139</b>	<b>172,820,525</b>

	<b>31.03.2018.</b>	<b>31.03.2017.</b>
	<b>EUR</b>	<b>EUR</b>
<b>EQUITY AND LIABILITIES</b>		
<b>EQUITY</b>		
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	228,293	650,808
Retained profit		
a) retained profit	83,751,018	82,283,448
b) current year (loss)/ profit	3,202,680	4,513,335
<b>Equity attributable to equity holders of the Parent entity</b>	<b>123,803,374</b>	<b>124,068,974</b>
<b>Non-controlling interest</b>	<b>103,280</b>	<b>89,421</b>
<b>Total equity</b>	<b>123,906,654</b>	<b>124,158,395</b>
<b>LIABILITIES</b>		
<b>Non-current liabilities</b>		
Loans from credit institutions	9,283,531	11,007,061
Finance lease liabilities	69,768	109,877
Deferred income tax liabilities	1,237,672	4,849,449
Deferred income	4,488,859	4,211,834
<b>Total non-current liabilities</b>	<b>15,079,830</b>	<b>20,178,221</b>
<b>Current liabilities</b>		
Loans from credit institutions	8,845,124	9,640,166
Finance lease liabilities	59,722	82,734
Advances from customers	284,624	89,365
Trade accounts payable	10,237,848	12,006,952
Taxes and social security contributions	2,017,225	3,468,235
Other payables	2,399,810	1,920,070
Accrued liabilities	1,021,312	686,334
Deferred income	576,990	590,053
Unpaid dividends	-	-
<b>Total current liabilities</b>	<b>25,442,655</b>	<b>28,483,909</b>
<b>Total liabilities</b>	<b>40,522,485</b>	<b>48,662,130</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>164,429,139</b>	<b>172,820,525</b>

STATEMENT OF COMPREHENSIVE INCOME

	2018 January-March EUR	2017 January-March EUR
Net sales	34,768,804	31,850,169
Cost of goods sold	(15,567,959)	(12,785,877)
<b>Gross profit</b>	<b>19,200,845</b>	<b>19,064,292</b>
Selling expenses	(6,978,125)	(6,562,824)
Administrative expenses	(6,626,500)	(5,098,499)
Other operating income	553,886	2,295,950
Other operating expenses	(2,653,195)	(3,734,996)
Changes in fair value	-	-
Interest income and similar income	30,410	31,365
Interest expenses and similar expenses	(70,666)	(92,416)
Real estate tax	-	-
<b>Profit /loss before taxation</b>	<b>3,456,655</b>	<b>5,902,872</b>
Corporate income tax	(253,749)	(1,392,923)
<b>PROFIT/LOSS FOR THE PERIOD</b>	<b>3,202,906</b>	<b>4,509,949</b>
<b>Other comprehensive income /loss</b>		
Foreign currency revaluation	(17,649)	211,924
<b>Total other comprehensive income /loss</b>	<b>(17,649)</b>	<b>211,924</b>
<b>Total comprehensive income /loss</b>	<b>3,185,257</b>	<b>4,721,873</b>
<b>Attributable to:</b>		
<b>Equity holders of the Parent entity</b>	<b>3,202,680</b>	<b>4,513,335</b>
<b>Non-controlling interest</b>	<b>226</b>	<b>(3,386)</b>
<b>TOTAL</b>	<b>3,202,906</b>	<b>4,509,949</b>
<b>Comprehensive (loss)/ income attributable to:</b>		
<b>Equity holders of the Parent entity</b>	<b>3,185,031</b>	<b>4,725,259</b>
<b>Non-controlling interest</b>	<b>226</b>	<b>(3,386)</b>
<b>TOTAL</b>	<b>3,185,257</b>	<b>4,721,873</b>
<b>Earnings per share attributable to the equity holders of the Parent entity (EUR per share)</b>		
– Earnings per share	0.33	0.47



## STATEMENT OF CHANGES IN EQUITY

	Share capital	Share premium	Other reserves	Foreign currency re- valuation reserve	Retained profit	Equity attribu- table to equity holders of the parent	Non- controll ing interest	Total
	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR
<b>31.12. 2017.</b>	<b>13,419,000</b>	<b>22,321,657</b>	<b>880,726</b>	<b>245,942</b>	<b>83,751,018</b>	<b>120,618,343</b>	<b>103,055</b>	<b>120,721,398</b>
Dividends	-	-	-	-	-	-	-	-
Profit for the period	-	-	-	-	3,202,680	3,202,680	226	3,202,906
Foreign currency revaluation	-	-	-	(17,649)	-	(17,649)	-	(17,649)
<b>31.03. 2018.</b>	<b>13,419,000</b>	<b>22,321,657</b>	<b>880,726</b>	<b>228,293</b>	<b>86,953,698</b>	<b>123,803,374</b>	<b>103,281</b>	<b>123,906,655</b>

## STATEMENT OF CASH FLOWS

	<b>2018</b>	<b>2017</b>
	<b>January-March</b>	<b>January-March</b>
	<b>EUR</b>	<b>EUR</b>
<b>OPERATING ACTIVITIES</b>		
<b>Net (loss)/ profit before taxation</b>	<b>3,456,655</b>	<b>5,902,872</b>
<i>Adjustments to reconcile net profit to net cash provided by operating activities:</i>		
Depreciation and amortization	1,392,317	1,354,507
(Gain)/loss on disposal of fixed assets and intangible assets	110	21,667
Changes in fair value and impairment loss		
Revenue from the EU funds	(110,822)	(110,822)
Interest income	(30,410)	(73,883)
Interest expense	66,101	85,301
<i>Changes in operating assets and liabilities:</i>		
Inventory	(2,309,722)	(3,006,942)
Debtors	(1,320,230)	6,940,749
Creditors	1,078,008	(3,692,799)
<b>Gross cash provided by operating activities</b>	<b>2,222,007</b>	<b>7,420,650</b>
Corporate income tax paid	(375,390)	(274,765)
<b>Net cash provided by operating activities</b>	<b>1,846,617</b>	<b>7,145,885</b>
<b>INVESTING ACTIVITIES</b>		
Purchase of fixed assets and intangible assets	(895,185)	(637,287)
Purchase of long term financial investments	-	-
Proceeds from sales of fixed assets	7,981	-
<b>Net cash used in investing activities</b>	<b>(887,204)</b>	<b>(637,287)</b>
<b>FINANCING ACTIVITIES</b>		
Received loans from credit institutions	1,087,741	1,273,493
Repaid loans to credit institutions and leasing payments	(2,293,688)	(5,583,701)
Dividends paid	-	-
Revenue from the EU funds	126,817	131,531
Interest paid	(66,101)	(85,301)
<b>Net cash (used in) /provided by financing activities</b>	<b>(1,145,231)</b>	<b>(4,263,978)</b>
<b>Net increase/decrease in cash and cash equivalents</b>	<b>(185,818)</b>	<b>2,244,620</b>
<b>Cash and cash equivalents at the beginning of the year</b>	<b>4,800,466</b>	<b>1,715,312</b>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD</b>	<b>4,614,648</b>	<b>3,959,932</b>

## NOTES

### OTHER DEBTORS

	<b>31.03.2018.</b>	<b>31.03.2017.</b>
	<b>EUR</b>	<b>EUR</b>
Tax receivables	3,349,494	1,401,742
Other	1,927,390	2,265,496
<b>Total</b>	<b>5,276,884</b>	<b>3,667,238</b>

### CASH AND CASH EQUIVALENTS

	<b>31.03.2018.</b>	<b>31.03.2017.</b>
	<b>EUR</b>	<b>EUR</b>
Cash in bank	4,604,764	3,954,478
Cash on hand	9,884	5,454
<b>Total</b>	<b>4,614,648</b>	<b>3,959,932</b>

### LOANS FROM CREDIT INSTITUTIONS

	<b>31.03.2018.</b>	<b>31.03.2017.</b>
	<b>EUR</b>	<b>EUR</b>
Credit line from Luminor Bank AS	3,070,895	4,048,484
Credit line from JSC "SEB banka", Latvia	2,751,825	2,662,993
Credit line from Tatrabank JSC, Slovakia	951,114	868,966
Luminor Bank AS	750,000	749,998
Tatrabank JSC, Slovakia	1,321,290	174,600
Tatrabank JSC, Slovakia	-	305,625
Tatrabank JSC, Slovakia	-	157,500
Tatrabank JSC, Slovakia	-	672,000
<b>Current loans from credit institutions</b>	<b>8,845,124</b>	<b>9,640,166</b>
Luminor Bank AS	6,583,333	7,583,335
Tatrabank JSC, Slovakia	2,700,198	815,000
Tatrabank JSC, Slovakia	-	475,400
Tatrabank JSC, Slovakia	-	193,316
Tatrabank JSC, Slovakia	-	1,940,010
<b>Non-current loans from credit institutions</b>	<b>9,283,531</b>	<b>11,007,061</b>
<b>Total</b>	<b>18,128,655</b>	<b>20,647,227</b>



## TAXES AND SOCIAL SECURITY CONTRIBUTIONS

	<b>31.03.2018.</b>	<b>31.03.2017.</b>
	<b>EUR</b>	<b>EUR</b>
Social security contributions	1,140,443	573,704
Personal income tax	600,990	298,582
Corporate income tax	50,947	2,584,086
Value added tax	218,099	
Other	6,746	11,863
<b>Total</b>	<b>2,017,225</b>	<b>3,468,235</b>

## NET SALES

	<b>2018</b>	<b>2017</b>
	<b>January-March</b>	<b>January-March</b>
	<b>EUR</b>	<b>EUR</b>
Other CIS countries	8,854,768	7,763,059
Other countries	8,751,334	7,159,165
Russia	13,315,300	13,659,526
Latvia	2,378,177	1,959,582
Lithuania	1,568,992	1,405,561
Estonia	557,781	597,035
Other sales	241,839	228,162
<b>Gross sales</b>	<b>35,668,191</b>	<b>32,772,090</b>
<b>Less discounts</b>		
Other CIS countries	(761,999)	(825,567)
Russia	(905)	-
Latvia	(101,770)	(65,378)
Lithuania	(27,431)	(11,872)
Estonia	(1,959)	(15,419)
Other countries	(5,323)	(3,685)
<b>Discounts total</b>	<b>(899,387)</b>	<b>(921,921)</b>
<b>Total, net</b>	<b>34,768,804</b>	<b>31,850,169</b>

## COST OF GOODS SOLD

	<b>2018</b>	<b>2017</b>
	<b>January-March</b>	<b>January-March</b>
	<b>EUR</b>	<b>EUR</b>
Raw materials and packaging	8,179,164	10,173,946
Direct labor and social security contributions	4,816,162	3,440,884
Depreciation of fixed assets and amortization of intangible assets	1,172,422	1,124,721
Electricity expenses	702,106	625,536
Goods purchased for resale and contract manufacturing costs	2,179,534	1,054,041
Research costs	398,551	231,385
Machinery, buildings and equipment repairs	327,826	357,655
Household expenses	53,410	58,878
Transport costs	48,113	46,998
Rent of work clothing	40,976	40,309
Waste disposal	37,948	43,924
Other expenses	1,173,312	973,346
Internal turnover of self-manufactured raw materials	(3,561,565)	(5,385,746)
<b>Total</b>	<b>15,567,959</b>	<b>12,785,877</b>

## SELLING AND DISTRIBUTION COSTS

	<b>2018</b>	<b>2017</b>
	<b>January-March</b>	<b>January-March</b>
	<b>EUR</b>	<b>EUR</b>
Advertising expenses	2,737,418	2,670,928
Expenses of representative offices	1,058,745	976,468
Salaries and social security contributions	1,401,648	1,139,713
Distribution costs	279,484	261,293
Commissions	279,229	215,446
Depreciation of fixed assets and amortization of intangible assets	81,104	91,671
Registration costs for medicine	184,970	178,969
Freight insurance expenses	3,858	4,848
Other expenses	951,669	1,023,488
<b>Total</b>	<b>6,978,125</b>	<b>6,562,824</b>

## ADMINISTRATIVE EXPENSES

	<b>2018</b>	<b>2017</b>
	<b>January-March</b>	<b>January-March</b>
	<b>EUR</b>	<b>EUR</b>
Salaries and social security contributions	3,724,863	1,845,539
Professional and consultancy services	235,998	311,093
Depreciation of fixed assets and amortization of intangible assets	157,867	126,299
Computer maintenance and repair	146,051	113,914
Security costs	118,478	110,138
Bank charges	41,807	33,742
Electricity costs	83,379	80,759
Employee insurance expenses	59,119	55,828
Transport costs	54,049	47,129
Property and liability insurance	25,531	28,267
Business trip expenses	17,801	16,472
Communication expenses	14,350	15,616
Personnel training and hiring expenses	35,035	46,252
Provisions	1,007,000	1,735,776
Other expenses	905,172	531,675
<b>Total</b>	<b>6,626,500</b>	<b>5,098,499</b>

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

Chairman of the Board

May 31, 2018

Juris Bundulis