

Joint Stock Company “GRINDEKS”
Reg. No. 40003034935

*Unaudited consolidated interim condensed financial statements
for the 6 months period ended June 30, 2019
prepared in accordance with International Financial Reporting Standards
as adopted by the European Union*

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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, Latvija
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
Finance period	January 1, 2019 – December 31, 2019
Interim reporting period	January 1, 2019 – June 30, 2019

THE SUPERVISORY COUNCIL AND THE BOARD

Supervisory Council of the Company

(in compliance with the election/dismissal dates)

From January 12, 2016 till June 07, 2019:

<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

* *Latvian Central Depository data as of March 01, 2019.*

From June 07, 2019** 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
Filips Lipmans	Member of the Supervisory Council	0.04
Janis Naglis	Member of the Supervisory Council	0.00
Arkady Vertkin	Member of the Supervisory Council	0.00

* *Latvian Central Depository data as of March 01, 2019.*

** *The term of Office of Supervisory Council members till June 07, 2022.*

- **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 Masters 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 “Namu apsaimniekošanas 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 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

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, 2017.*

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

<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
Juris Hmelnickis	Board member	0.00

* *Nasdaq CSD data as of July09, 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.

* *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 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.*

• **Juris Hmelņickis - Member of the Board**

Born in 1980. Juris Hmelnickis is the Certification officer of JSC “Grindeks”, and the Chairman of the Board of JSC “Kalceks”, which is a subsidiary entity of JSC “Grindeks”. In the year 2000 J. Hmelnickis joined JSC “Grindeks” as a chemistry analyst, and his professional characteristics and strive for excellence helped him to make a prosper career and get managerial positions. From the year 2010 J. Hmelnickis is a Quality director/Certification officer at JSC “Grindeks”, but in the year 2014 he became a Chairman of the Board JSC “Kalceks”. Juris Hmelnickis holds several degrees. In 2004 he received a Master diploma from the chemistry faculty of the University of Latvia as a specialist in natural sciences, but in 2005 he graduated Riga Technical University as a specialist in business management for quality assurance. In order to continue education, in the year 2010 Juris Hmelnickis obtained a Doctor degree from a Chemistry faculty of University of Latvia (Dr.chem.). Moreover, in 2016 he graduated from the Swedish Institute, receiving a degree in business management and leadership field. In 2017 Juris Hmelnickis obtained Master Degree in “Strategic management and leadership” from the business and management faculty of the University of Latvia. Also, Juris Hmelnickis is a co-author for a number of scientific publications in analytical research and chromatography.

* *The Term of office – 09.01.2021.*

MAJOR SHAREHOLDERS

The shareholders as at December 31, 2018 were as follows (according to *Nasdaq CSD* data):

	Percentage of investment (%) 31.12.2018
Kirovs Lipmans	33.29
JSC AMBERSTONE GROUP	22.66
Anna Lipmane	16.65
Other shareholders*	27.40
Total	100.00

* for other shareholders number of shares not exceeding 5%

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, Filips Lipmans and "Dashdirect Limited".

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 the first six months of 2019, the Group’s profit, attributable to shareholders of the parent company, was 7.65 million euros. The profit has increased by 0.92 million euro or 14% in comparison to the first six months of 2018.

Turnover of the Group in the first six months of 2019 was 69.0 million euro, and it has decreased by 2.6 million euro or 4% in comparison to the first six months of 2018.

In order to improve the Group’s performance indicators, the Group constantly evaluates and diversifies its product range by implementing new, complex solutions to meet the needs of patients and by withdrawing products whose profitability and production volumes are low. The Group’s turnover loss in the first six months of 2019 mainly attributes to the decision to withdraw from production and sales products with low profitability.

In the first six months of 2019, the Group’s production was exported to 68 countries worldwide, a total of 64.2 million euro, which is by 1.5 million euro or 2% less than in the first six months of 2018.

Financial indicator	01.01.2019. – 30.06.2019.	01.01.2018. – 30.06.2018.
Gross profit margin ¹	55.3%	57.7%
Net profit margin ²	11.1%	9.4%
EBITDA margin ³	17.2%	14.2%
Liquidity ⁴	2.8	3.6

At the end of the reporting period, the amount of accounts receivable was 44.8 million euro, which is by 8.7 million euro less than accounts payable that were 53.5 million euro. The amount of current assets at the end of reporting period was 85.2 million euro, which is by 54.4 million euro more than amount of current liabilities that was 30.9 million euro.

Sales of final dosage forms and active pharmaceutical ingredients

“Grindeks” sales volume of the final dosage forms in the first six months of 2019 was 63.0 million euro and it has decreased by 2.6 million euro in comparison to the first six months of 2018. In the first six months of 2019, the sales amount in Russia, the other CIS countries and Georgia reached 38.4 million euro, which is by 4.7 million euro or 11% less than in the first six months of 2018. In comparison to the first six months of 2018, in the first six months of 2019 the biggest increase in sales volume has been reached in Georgia (27%), Belarus (25%), Kirgizstan (24%), Armenia (18%) and Moldova (16%).

Sales volume of the final dosage forms in the EU countries in the first six months of 2019 reached 23.3 million euro, which is by 2.1 million euro or 10% more than in the first six months of 2018.

Sales volume of active pharmaceutical ingredients in the first six months of 2019 reached 5.1 million euro which is by 0.81 million euro or 19% more than in the first six months of 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 the first six months of 2019 were dexmedetomidine, detomidine and oxytocin.

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 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 Group to evaluate Group’s performance for particular financial period.

Investment program

In 2019, “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.

At JSC “Tallinn Pharmaceutical Plant” in Estonia manufacturing plant is being expanded and new technological equipment is being installed to manufacture also prescription ointments and gels. New technological equipment and programs are also being installed in “HBM Pharma” Ltd. in Slovakia. Total investment in both plants this year amounts 2.8 million euro.

Quality and environmental protection

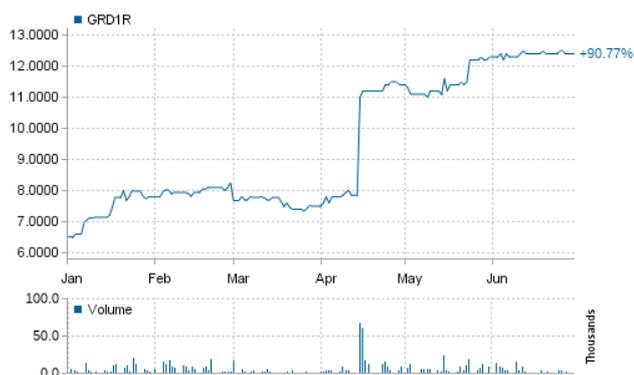
In the first six months of 2019 in “Grindeks” the State Agency of Medicines audit was held and in result certificates for seven active pharmaceutical ingredients compliance with Good Manufacturing Practice standard were received. Additionally, Food and Veterinary Service inspection on food supplements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

In the first six months of 2019 several successful foreign inspections and audits were held – Saudi Food and Drug Authority and six customers’ audits.

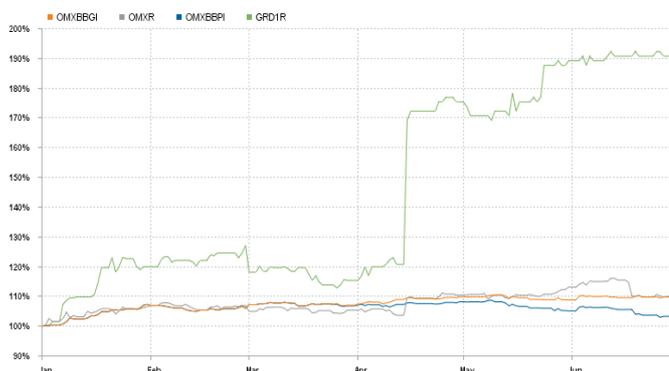
“Grindeks” share price development in the first six months of 2019 (data of “Nasdaq Riga”)

Since 2 January 2006 shares of “Grindeks” are listed in the official list of “Nasdaq Riga”. “Grindeks” share price on “Nasdaq Riga” in the first six months of 2019 ranged from 6.5 to 12.5 euro. In the first six months of 2019 the average price of “Grindeks” shares on “Nasdaq Riga” was 9.3 euro. The total of “Nasdaq Riga” traded shares in the first six months of 2019 was 750 753 shares, reaching 7.4 million euro turnover. At the end of the first six months of 2019, market capitalization of “Grindeks” shares was 118.9 million euro.

In the first six months of 2019, the Group’s earnings per share (EPS factor) were 0.8 euro in comparison to 0.7 euro in the first six months of 2018.



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



Index/Equity	01.01.2019 ⁷	30.06.2019 ⁷	+/-%
— OMX Baltic Benchmark GI	873.81	959.52	9.81 ▲
— OMX Riga	929.02	1,021.8	9.99 ▲
— OMX Baltic Benchmark PI	420.75	434.83	3.35 ▲
— GRD1R	6.5 EUR	12.4 EUR	90.77 ▲

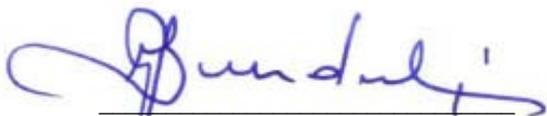
Future prospects for 2019

In 2019, “Grindeks” strategically focuses on complex solutions to meet the needs of patients, will continue concentrating on the new markets and diversify its operations thereby reducing business risks. Also in 2019, “Grindeks” continues 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
- Opening of new representative offices in Slovakia and Vietnam
- 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

August 29, 2019

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 at June 30, 2019 and the results of its operations and cash flows for the 6 months period ended June 30, 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 Bundulis
Chairman of the Board

August 29, 2019

STATEMENT OF FINANCIAL POSITION

ASSETS	Notes	30.06.2019 EUR	01.01.2019 EUR restated*	31.12.2018 EUR
Non-current assets				
Intangible assets				
Software, patents, licences, trademarks and other rights		2,255,498	1,829,866	1,829,866
Advances for intangible assets and capitalized development		1,501,863	1,262,659	1,262,659
Total intangible assets		3,757,361	3,092,525	3,092,525
Goodwill		5,044,761	5,044,761	5,044,761
Property, plant and equipment				
Land, buildings and constructions		29,270,080	29,971,478	29,971,478
Equipment and machinery		23,076,366	22,506,942	22,506,942
Other fixed assets		1,311,017	1,232,978	1,232,978
Construction in progress		2,098,290	2,487,237	2,487,237
Advance payments for fixed assets		2,927,562	2,350,242	2,350,242
Total property, plant and equipment		58,683,315	58,548,877	58,548,877
Investment property		7,749,000	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	2,675,923	2,675,923	2,675,923
Total non-current financial investments		4,974,943	5,049,260	5,049,260
Right-of-use-asset (IFRS 16 Leases)		4,726,489	2,619,798	-
Total non-current assets		84,935,869	82,104,221	79,484,423
Current assets				
Inventories				
Raw materials		10,821,905	10,209,521	10,209,521
Unfinished goods		11,533,228	10,499,666	10,499,666
Finished goods and goods for resale		9,967,825	7,224,020	7,224,020
Advance payments for stock		326,598	295,998	295,998
Total inventory		32,649,556	28,229,205	28,229,205
Receivables				
Trade receivables		38,227,170	30,614,389	30,614,389
Other receivables	5	4,420,578	3,991,424	3,991,424
Loans to Management and Shareholders of the Group	4	16,097	2,959	2,959
Other loans		567,567	580,869	580,869
Deferred expenses		1,565,396	1,613,687	1,613,687
Total receivables		44,796,808	36,803,328	36,803,328
Cash and cash equivalents	6	7,795,493	4,219,118	4,219,118
Total current assets		85,241,857	69,251,651	69,251,651
TOTAL ASSETS		170,177,726	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	30.06.2019 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		97,578	158,197	158,197
Retained earnings				
a) previous period retained earning		72,248,917	72,248,917	81,981,268
b) reporting period profit		7,646,375	-	(9,732,351)
Equity attributable to equity holders of the Parent entity		116,614,253	109,028,497	109,028,497
Non-controlling interest		91,225	98,509	98,509
Total equity		116,705,478	109,127,007	109,127,007
Liabilities				
Non-current liabilities				
Loans from credit institutions	7	12,535,955	8,798,062	8,798,062
Finance lease liabilities		111,401	29,479	29,479
Deferred tax liabilities		1,295,602	1,295,602	1,295,602
Deferred income		4,052,303	3,381,620	3,381,620
Lease liabilities (IFRS 16 Leases)		4,585,641	2,492,985	-
Total non-current liabilities		22,580,902	15,997,748	13,504,763
Current liabilities				
Loans from credit institutions	7	14,756,956	10,211,678	10,211,678
Finance lease liabilities		52,861	56,860	56,860
Advances from customers		1,302,807	439,832	439,832
Trade payables to suppliers		7,110,901	8,484,508	8,484,508
Taxes and mandatory state social insurance contributions	8	1,746,571	1,188,858	1,188,858
Corporate income tax liability	8	455,649	126,394	126,394
Other payables		2,493,430	2,937,818	2,937,818
Accrued liabilities		2,278,945	1,938,601	1,938,601
Deferred income		566,931	719,755	719,755
Lease liabilities (IFRS 16 Leases)		126,295	126,813	-
Total current liabilities		30,891,346	26,231,117	26,104,304
Total liabilities		53,472,248	42,228,865	39,609,067
TOTAL EQUITY AND LIABILITIES		170,177,726	151,355,872	148,736,074

Notes are integral part of this financial statement

*see Note 3

STATEMENT OF COMPREHENSIVE INCOME

	Notes	01.04.2019- 30.06.2019 EUR	01.04.2018- 30.06.2018 EUR	01.01.2019- 30.06.2019 EUR	01.01.2018- 30.06.2018 EUR
Net sales	10	38,808,718	36,779,981	68,965,540	71,548,785
Cost of goods sold	11	(16,403,565)	(14,673,703)	(30,793,661)	(30,241,662)
Gross profit		22,405,153	22,106,278	38,171,879	41,307,123
Selling expenses	12	(9,046,978)	(8,857,580)	(15,508,555)	(15,835,705)
Administrative expenses	13	(6,739,500)	(7,483,415)	(12,834,446)	(14,109,915)
Other operating income	14	1,735,988	2,170,469	4,092,133	2,724,355
Other operating expenses	15	(3,657,801)	(4,097,785)	(5,421,112)	(6,750,980)
Interest income and similar income		44,399	42,225	72,760	72,635
Interest expenses and similar expenses		(120,270)	(65,852)	(210,929)	(136,518)
Profit before taxation		4,620,991	3,814,340	8,361,730	7,270,995
Corporate income tax		(341,927)	(303,655)	(722,639)	(557,404)
NET PROFIT FOR THE PERIOD		4,279,064	3,510,685	7,639,091	6,713,592
Other comprehensive income:					
Foreign currency revaluation		9,840	(85,504)	(60,620)	(103,153)
Total other comprehensive income		9,840	(85,504)	(60,620)	(103,153)
TOTAL COMPREHENSIVE INCOME		4,288,904	3,425,181	7,578,471	6,610,439

Profit attributable to:

Equity holders of the Parent entity		4,275,802	3,521,691	7,646,375	6,724,371
Non-controlling interest		3,262	(11,006)	(7,284)	(10,780)
TOTAL		4,279,064	3,510,685	7,639,091	6,713,592

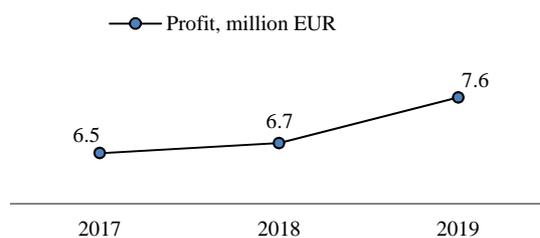
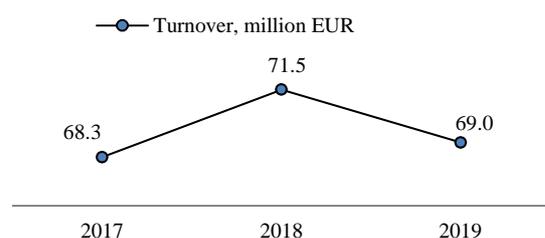
Comprehensive income attributable to:

Equity holders of the Parent entity		4,285,642	3,436,187	7,585,755	6,621,218
Non-controlling interest		3,262	(11,006)	(7,284)	(10,780)
TOTAL		4,288,904	3,425,181	7,578,471	6,610,439

Earnings per share attributable to the equity holders of the Parent entity (EUR per share)

	0.45	0.37	0.80	0.70
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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	-	-	-	(103,153)	-	(103,153)	-	(103,153)
Profit for the reporting period	-	-	-	-	6,724,371	6,724,371	(10,780)	6,713,592
30.06.2018	13,419,000	22,321,657	880,726	142,789	89,037,639	125,801,811	92,275	125,894,087
31.12.2018	13,419,000	22,321,657	880,726	158,198	72,248,917	109,028,498	98,509	109,127,007
Foreign currency revaluation	-	-	-	(60,620)	-	(60,620)	-	(60,620)
Profit for the reporting period	-	-	-	-	7,646,375	7,646,375	(7,284)	7,639,091
30.06.2019	13,419,000	22,321,657	880,726	97,578	79,895,292	116,614,253	91,225	116,705,478

STATEMENT OF CASH FLOW

	01.01.2019- 30.06.2019 EUR	01.01.2018- 30.06.2018 EUR
OPERATING ACTIVITIES		
Profit for the reporting period before tax	8,361,730	7,270,995
<i>Adjustments to reconcile net profit to net cash provided by operating activities:</i>		
Depreciation and amortization	3,391,674	2,822,868
Loss/(profit) on disposal of fixed assets and intangible assets	273,121	(97,830)
Revenue from the EU funds	(364,100)	(376,264)
Interest expense	210,931	82,015
Interest income	(72,757)	(126,560)
<i>Changes in operating assets and liabilities:</i>		
Inventory	(4,420,351)	(4,257,954)
Trade receivables	(9,356,878)	(667,106)
Trade payables	1,945,913	1,405,527
Net cash flow provided by operating activities	(30,717)	6,055,691
Corporate income tax paid	(334,507)	(1,003,627)
Net cash provided by operating activities	(365,224)	5,052,064
INVESTING ACTIVITIES		
Purchase of fixed assets and intangible assets	(4,091,079)	(2,315,974)
Proceeds from sale of fixed assets	-	8,789
Net cash flow provided by investing activities	(4,091,079)	(2,307,185)
FINANCING ACTIVITIES		
Received loans from credit institutions	12,576,825	978,227
Repayment of loans to credit institutions and financial lease	(4,340,401)	(4,675,987)
Received EU funding	7,185	315,617
Interest paid	(210,931)	(82,015)
Net cash flow provided by financing activities	8,032,678	(3,464,158)
Net increase in cash and cash equivalents	3,576,375	(719,279)
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	7,795,493	4,081,187

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 August 29, 2019.

2. ACCOUNTING PRINCIPLES

The interim condensed consolidated financial statements for six months ended 30 June 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 30 June 2019.

3. ACCOUNTING POLICY

JSC “Grindeks” Group hereby informs that there were no changes made in its accounting policy in January-June 2019, except as described below. In unaudited financial statements for the period January - June 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

	30.06.2019	31.12.2018
	EUR	EUR
Loans to Management and Shareholders of the Group	2,692,020	2,678,882
Total	2,692,020	2,678,882

5. OTHER RECEIVABLES

	30.06.2019	31.12.2018
	EUR	EUR
Tax receivables	3,367,887	3,669,281
Other	1,052,691	322,143
Total	4,420,578	3,991,424

6. CASH AND CASH EQUIVALENTS

	30.06.2019	31.12.2018
	EUR	EUR
Cash in bank	7,785,599	4,206,444
Cash on hand	9,894	12,674
Total	7,795,493	4,219,118

7. LOANS FROM CREDIT INSTITUTIONS

	30.06.2019	31.12.2018
	EUR	EUR
Credit line from Luminor Bank AS Latvian branch	4,850,116	2,838,810
Credit line from JSC "SEB banka", Latvia	3,190,047	2,444,221
Credit line from JSC "Citadele", Latvia	2,733,935	2,376,937
Tatrabank JSC, Slovakia	2,803,334	1,551,710
Nordea Bank Finland Plc	500,000	1,000,000
Credit line from Tatrabank JSC, Slovakia	679,524	-
Current loans from credit institutions	14,756,956	10,211,678
Nordea Bank Finland Plc	5,583,333	5,583,333
Tatrabank JSC, Slovakia	6,952,622	3,214,729
Non-current loans from credit institutions	12,535,955	8,798,062
Total	27,292,911	19,009,740

8. TAXES AND SOCIAL SECURITY CONTRIBUTIONS

	30.06.2019	31.12.2018
	EUR	EUR
Mandatory state social insurance contributions	924,550	771,660
Personal income tax	444,022	362,888
Corporate income tax	455,649	126,394
Value added tax	373,762	42,772
Other	4,237	11,538
Total	2,202,220	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 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.

6 Months 2019, EUR

	Final dosage forms	Active pharmaceutical ingredients	Eliminations	Total
Revenue				
External sales	63,895,162	5,070,378	-	68,965,540
Inter-segment sales	-	6,426,614	(6,426,614)	-
Total revenue	63,895,162	11,496,992	(6,426,614)	68,965,540
Result				
Segment direct attributable result	17,584,819	5,078,505	-	22,663,324
Unallocated expenses				(14,163,425)
Operating profit				8,499,899
Interest income				72,760
Interest expense				(210,929)
Profit before taxation				8,361,730
Income tax expense				(722,639)
Profit for the period				7,639,091
Attributable to:				
Equity holders for parent Company				7,646,375
Non-controlling interest				(7,284)
Total				7,639,091

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

6 Months 2018, EUR

	Final dosage forms	Active pharmaceutical ingredients	Eliminations	Total
Revenue				
External sales	67,292,663	4,256,122	-	71,548,785
Inter-segment sales	-	6,901,552	(6,901,552)	-
Total revenue	67,292,663	11,157,674	(6,901,552)	71,548,785
Result				
Segment direct attributable result	21,402,040	4,069,378	-	25,471,418
Unallocated expenses				(18,136,540)
Operating profit				7,334,878
Interest income				72,635
Interest expense				(136,518)
Profit before taxation				7,270,995
Income tax expense				(557,404)
Profit for the period				6,713,592
Attributable to:				
Equity holders for parent Company				6,724,371
Non-controlling interest				(10,780)
Total				6,713,592

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

10. NET SALES

	01.01.2019- 30.06.2019 EUR	01.01.2018- 30.06.2018 EUR
Russia	22,076,343	26,390,470
Other CIS countries	17,829,884	18,477,593
Other countries	21,299,781	18,335,015
Latvia	4,551,301	5,714,932
Lithuania	3,235,713	3,029,058
Estonia	1,254,146	1,205,642
Other sales	490,810	386,394
Gross sales	70,737,978	73,539,104
Less discounts		
Russia	(5,767)	(905)
Other CIS countries	(1,404,151)	(1,669,427)
Other countries	(31,446)	(6,232)
Latvia	(316,675)	(260,929)
Lithuania	(3,464)	(47,178)
Estonia	(10,935)	(5,648)
Discounts total	(1,772,438)	(1,990,319)
Total net	68,965,540	71,548,785

11. COST OF GOODS SOLD

	01.01.2019- 30.06.2019 EUR	01.01.2018- 30.06.2018 EUR
Raw materials and packaging	17,893,291	19,068,456
Direct labor and social security contributions	10,236,896	9,193,658
Depreciation of fixed assets and amortization of intangible assets	2,487,461	2,347,123
Depreciation of right-of-use-asset (IFRS 16 Leases)	114,684	-
Electricity expenses	1,308,078	1,221,720
Goods purchased for resale and contract manufacturing costs	746,637	1,246,363
Research costs	1,214,549	780,756
Machinery, buildings and equipment repairs	863,423	713,169
Household expenses	130,974	113,231
Transport costs	62,527	91,450
Rent of work clothing	109,406	94,049
Waste disposal	123,291	86,181
Other expenses	2,266,698	2,249,997
Internal turnover of self-manufactured raw materials	(6,764,254)	(6,964,491)
Total	30,793,661	30,241,662

12. SELLING EXPENSES

	01.01.2019- 30.06.2019	01.01.2018- 30.06.2018
	EUR	EUR
Advertising expenses	5,612,075	6,366,112
Expenses of representative offices	2,427,693	2,126,291
Salaries and social security contributions	2,611,189	3,205,363
Distribution costs	816,148	705,222
Commissions	1,212,732	693,437
Depreciation of fixed assets and amortization of intangible assets	157,710	164,625
Depreciation of right-of-use-asset (IFRS 16 Leases)	169,049	-
Registration costs for medicine	527,147	389,265
Freight insurance expenses	6,876	8,203
Other expenses	1,967,936	2,177,187
Total	15,508,555	15,835,705

13. ADMINISTRATIVE EXPENSES

	01.01.2019- 30.06.2019	01.01.2018- 30.06.2018
	EUR	EUR
Salaries and social security contributions	7,966,937	8,394,585
Professional and consultancy services	1,063,977	451,013
Depreciation of fixed assets and amortization of intangible assets	530,902	324,673
Depreciation of right-of-use-asset (IFRS 16 Leases)	43,380	-
Computer maintenance and repair	342,600	286,573
Security costs	241,709	239,513
Bank charges	83,164	105,082
Electricity costs	129,325	141,211
Employee insurance expenses	194,843	113,163
Transport costs	96,953	120,879
Property and liability insurance	59,532	47,444
Business trip expenses	45,486	58,243
Communication expenses	32,635	30,020
Personnel training and hiring expenses	85,878	80,125
Provisions	659,119	1,707,000
Other expenses	1,258,006	2,010,391
Total	12,834,446	14,109,915

14. OTHER OPERATING INCOME

	01.01.2019- 30.06.2019	01.01.2018- 30.06.2018
	EUR	EUR
Currency exchange gain	2,878,114	1,217,257
Income from EU projects	364,100	221,644
Income from services rendered	140,281	-
Other income	709,638	1,285,454
Total	4,092,133	2,724,355

15. OTHER OPERATING EXPENSES

	01.01.2019- 30.06.2019	01.01.2018- 30.06.2018
	EUR	EUR
Sales discounts	3,408,719	2,431,985
Exchange rate losses	479,535	1,631,234
Property tax	37,070	55,703
Other operating income	1,495,788	2,632,058
Kopā	5,421,112	6,750,980

16. EVENTS AFTER THE REPORTING PERIOD

Financial and Capital Market Commission on May 28, 2019 decided to allow JSC "GRINDEKS" shareholder "Liplat Holding" Ltd. to announce the mandatory takeover bid of JSC "GRINDEKS" shares. After execution of the mandatory redemption of shares on June 28, 2019 "Liplat Holding" Ltd., whose owners are Kirovs Lipmans, Anna Lipmane, Filips Lipmans and "Dashdirect Limited", holds 92.81% (8,896,147 shares) of JSC "GRINDEKS" capital. Hereby "Liplat Holding" Ltd. on July 5, 2019 has acquired a major holding in the capital of JSC "GRINDEKS".

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 by signing an agreement with Luminor Bank AS Latvian branch for a loan of EUR 6,000,000 (six million euros) and increasing the credit line limit of Luminor Bank AS Latvian branch to EUR 10,900,000 (ten million nine hundred thousand euros).

In accordance with the agreement, on August 9, 2019 JSC "GRINDEKS" issued a loan of EUR 2,900,000 (two million nine hundred thousand euros) to the subsidiary JSC "KALCEKS" for financing the business activities. The loan is due on July 31, 2020.

JSC "Grindeks" Chairman of the Board



Juris Bundulis

August 29, 2019