

**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 December 2016 and  
ended 31 December 2015*

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## ANCILLARY INFORMATION

Name	“GRINDEKS”
Legal status	Joint Stock Company since 25 August 1997
Number, place and date of registration	40003034935, Riga, Republic of Latvia, 11 October 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 str., Riga, LV - 1057, Latvia  “Namu apsaimniekosanas projekti” Ltd. 53 Krustpils str., Riga, LV - 1057, Latvia  “Grindeks Rus” Ltd. 74/3 Warsaw str., 117556, Moscow, Russia  “HBM Pharma” Ltd. Sklabinska 30, 036 80, Martin, Slovakia
Reporting period	1 January 2016 – 31 December 2016
Previous reporting period	1 January 2015– 31 December 2015

## THE SUPERVISORY COUNCIL AND THE BOARD

### **Supervisory Council of the Company**

*(in compliance with the election/dismissal dates )*

Since 11 November 2014 to 12 January 2016:

<u>Name</u>	<u>Position</u>	Ownership interest (%)*
Kirovs Lipmans	Chairman of the Supervisory Council	33.29
Anna Lipmane	Deputy Chairman of the Supervisory Council	16.65
Uldis Osis	Member of the Supervisory Council	0.00
Janis Naglis	Member of the Supervisory Council	0.00
Arkadiy Vertkin	Member of the Supervisory Council	0.00

\* *Latvian Central Depository data as of 31 October 2015*

Since 12 January 2016 to the date of issuing the financial statements:

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

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

\*\* *The term of Office of Supervisory Council members till 07.06.2019.*

- **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 Board of JSC “Grindeks” Foundation „For the Support of Science and Education”, the Chairman of the Council of JSC “Kalceks” and JSC “Tallinn pharmaceutical plant”. Graduated from the Leningrad Institute of Railway and Transport Engineering, also graduated from the Faculty of Economics of the University of Latvia, obtaining degree as an Engineer-Economist. K. Lipmans is also one of the major shareholders 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, as well as the Member of the Council of JSC “Tallinn pharmaceutical plant”. A. Lipmane is one of the major shareholders 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 responsibilities in JSC “Grindeks” J. Naglis is also the Member of the Council of the Employers' Confederation of Latvia, the President of the the Latvian Auto Federation, the Member of the Board of the Association of Hotels and Restaurants of Latvia and the Latvian Sports for All Association, as well as the Member of management boards and supervisory councils of many others companies and institutions. J. Naglis graduated from Riga Polytechnic institute with qualification Engineer-Mechanic.

- **Arkadiy Vertkin - Member of the Council**

Born in 1951. Professor Arkadiy Vertkin has been a member of the Council of JSC “Grindeks” since 2013. A.Vertkin is 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 numerously Russian and international organizations. Dr.med. A.Vertkin is an Honoured Science Worker of Russian Federation, and has received several awards.

### **The Board of the Company**

*(in compliance with the election/dismissal dates )*

From 3 July 2014 to 12 October 2015:

<u>Name</u>	<u>Position</u>	<u>Ownership interest(%)*</u>
Juris Bundulis	Chairman of the Board	0.00
Vadims Rabsha	Board member	0.00
Sergejs Batalins	Board member	0.00

*\* Latvian Central Depository data as of 31 December 2014*

From 12 October 2015 to 4 January 2016:

<u>Name</u>	<u>Position</u>	<u>Ownership interest(%)*</u>
Juris Bundulis	Chairman of the Board	0.00
Vadims Rabsha	Board member	0.00
Ibraim Muhtshi	Board member	0.00

*\* Latvian Central Depository data as of 31 October 2015*

From 4 January 2016 to 12 January 2016:

<u>Name</u>	<u>Position</u>	<u>Ownership interest(%)*</u>
Juris Bundulis	Chairman of the Board	0.00
Ibraim Muhtshi	Board member	0.00

*\* Latvian Central Depository data as of 31 October 2015*

Since 12 January 2016 to the date of issuing the financial statements:

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

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

• **Juris Bundulis – Chairman of the Board**

Born in 1953. Obtained the Doctoral degree of Biological Sciences if 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 Board of JSC “Grindeks” Foundation “For the Support of Science and Education”.

*\* The Term of office - 08.01.2018.*

• **Ibraim Muhtshi – Member of the Board, Commercial Director**

Born in 1956. Graduated from the University of Tartu in Estonia, obtaining a Doctor’s diploma in Anaesthesia and Intensive Care specialty. During a career I.Muhtshi had also worked as a medical practitioner, as well as he run the department of Anaesthesiology and Intensive Care at the Viru Central Hospital (Estonia). Previously, Muhtshi had also worked at JSC “Grindeks” as the Director of Sales. Before his appointment as Member of the Board of JSC “Grindeks” I.Muhtshi was the Chairman of the Board of a subsidiary of JSC “Grindeks” – JSC “Tallinn Pharmaceutical Plant” (Estonia).

*\* The Term of office - 11.10.2018.*

• **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 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 Finance Director of the IT company „Komercentrs DATI Grupa” and the Head of the Financial Management Unit of JSC „Dati”.

*\* The Term of office - 11.01.2019.*

## MAJOR SHAREHOLDERS

The shareholders as at 31 October 2016, 30 May 2016 and 31 December 2014 were as follows (Latvian Central Depository data):

	<b>Percentage (%) 31.10.2016</b>	<b>Percentage (%) 30.05.2016</b>	<b>Percentage (%) 31.12.2014</b>
Kirovs Lipmans	33.29	33.29	33.29
“AB.LV Private equity fund 2010”	-	-	22.66
AMBERSTONE GROUP, AS	22.66	22.66	-
Anna Lipmane	16.65	16.65	16.69
Swedbank AS Clients Account (nominal holder)	9.66	9.58	9.92
Other shareholders (less 5% ownership interest)	17.74	17.82	17.44
<b>Total</b>	<b>100.00</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 2016 was 105.4 million euro and has increased by 22.7 million euro or 27% in comparison to 2015. In 2016, the Group’s net profit, attributable to shareholders of the parent company, was 9.4 million euro and has increased by 8.4 million euro or 9.1 times compared to 2015. Gross profit margin in 2016 was 55%, while net profit margin was 9%. In 2016, the Group’s production was exported to 71 countries worldwide, a total of 95.7 million euro which is by 21.7 million euro or 29% more than in 2015.

At the end of the reporting period the amount of accounts receivable (debtors) was 77.5 million euro, which is by 20.2 million euro more than accounts payable (liabilities) that were 57.3 million euro. The amount of current assets at the end of reporting period was 99.7 million euro, which is by 61.9 million euro more than amount of current liabilities which was 37.8 million euro.

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

Sales volume of the final dosage forms of “Grindeks” in 2016 was 97.5 million euro and has increased by 23.6 million euro or 32% in comparison to 2015. In 2016, the sales amount in Russia, other CIS countries and Georgia reached 58.2 million euro, which is by 16.9 million euro or 41% more than in 2015. After assessment of potential currency risks, “Grindeks” limited its operations in Central Asia countries, thus, the export to these countries was reduced. In comparison 2015, the biggest increase in sales volume has been reached in Russia (2.1 times), Moldova (17%), Ukraine (12%), Belarus (10%) and Georgia (10%).

Due to the business diversification strategy and the development of company’s activities in the new markets, in 2016 the sales volume in the Baltic States and other countries reached 39.3 million euro which is by 6.8 million euro or 21% more than in 2015. The sales volume compared to 2015 in Denmark has increased by 58.2 times, in Mongolia – 7.6 times, in Belgium – 6.9 times, in Tunisia – 4.3, in Croatia – 2.7 times, in Nigeria – 2.3 times, in the Netherlands – 2.1 times while in Spain it has increased by 2 times. In 2016, the sales volume in Latvia reached 7.3 million euro and has increased by 1.3 million euro or 21% in comparison to 2015. In 2016, compared to 2015, remarkable increase in sales has been reached also in the other Baltic States – in Lithuania by 21% and Estonia by 11%.

In 2016, in several Eastern European countries, including the Baltic States, the Group of “Grindeks” has registered injectable preparations – Diazepeks®, Neostigmine-Kalceks, Piracetam-Kalceks, Magnesium sulfate-Kalceks and Tramadol-Kalceks. In Ukraine, the Group has widened the product range and finished the registration of 8 generic medicines. In Australia, the registration of the mucolytic over-the-counter drug developed by “Grindeks” was successfully finished. Active pharmaceutical ingredients meldonium and ursodeoxycholic acid manufactured by “Grindeks” received the European Pharmacopoeia Certificate of Suitability.

In 2016, sales of the active pharmaceutical ingredients reached 6.3 million euro, which is by 0.9 million euro or 11.9% less than in 2015. In 2016 in comparison to 2015 2.2 times more active pharmaceutical ingredients were produced for own needs in order to manufacture final dosage forms.

During this reporting period, “Grindeks” exported its active pharmaceutical ingredients to the EU countries, U.S., Australia and Japan. The most required active pharmaceutical ingredients of “Grindeks” in 2016 were oxytocin, zopiclone, droperidol, detomidine and pimobendan.

### Investment program

In 2016, “Grindeks” continued its most important research and development projects. In cooperation with Latvian and foreign scientists “Grindeks” continued development of the cardioprotective agent – inhibitor of GBB hydroxyls with an original structure.

## Quality and environmental protection

In 2016 the recertification inspection of the State Agency of Medicines of the Republic of Latvia for manufacturing processes and quality assurance of several active pharmaceutical ingredients on compliance to the Good Manufacturing Practice standard was successfully accomplished, and the State Agency successfully inspected the “Grindeks” Wholesaler on compliance to the requirements of the Good Distribution Practice standard, as well. The certificate on Good Distribution Practice of medicinal products for human use was received and significant inspection was carried out by the U.S. Food and drug Administration (FDA). Specialists from “Grindeks” audited active pharmaceutical ingredient manufacturers, raw material suppliers, wholesalers and cooperation partners both in Latvia and in other countries. In 2016 the recertification for company’s subsidiary “Kaleks” on compliance to the Good Manufacturing Practice standard was accomplished. “Grindeks” occupational health and safety management system (OHSAS) recertification audit, as well as Environmental monitoring laboratory recertification according to the ISO 17025 standard were both successful.

## “Grindeks” share price development in 2016 (data of “Nasdaq Riga”)

Since 2 January 2006 shares of “Grindeks” are listed in the official list of “Nasdaq Riga”. JSC “Grindeks” share price on “Nasdaq Riga” in 2016 ranged from 3.96 to 5.27 euro. In 2016 the average price of JSC “Grindeks” shares on “Nasdaq Riga” was 4.6 euro. The total of “Nasdaq Riga” traded shares in 2016 was 634 894 shares, reaching 2.87 million euro turnover. At the end of 2016, market capitalization of “Grindeks” shares was 42.08 million euro.

In 2016, the Group’s earnings per share (EPS factor) were 1.03 euro in comparison to 0.10 euro in 2015.



## “Grindeks” share price development in the first nine months of 2016 in comparison with Baltic market indexes (data of “Nasdaq Riga”)



Index/Equity	01.01.2016	31.12.2016	+/-%
— OMX Baltic Benchmark GI	648.32	788.17	21.57 ↑
— OMX Riga	594.35	733.77	23.46 ↑
— OMX Baltic Benchmark Cap PI	340.20	397.37	16.80 ↑
— GRD1R	5.200 EUR	4.390 EUR	-15.58 ↓

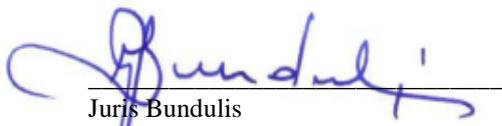
## Future prospects for 2017

In 2017, “Grindex” continues focusing on the new markets, diversifying its operations and thereby reducing risks. As before in 2017 “Grindex” continues to expand its product portfolio.

- Strategic markets of business development – European Union and South East Asia countries. It is planned to increase sales by 30%
- Strengthening positions in Russia and other CIS countries
- Launch new production line in “HBM Pharma” Ltd.
- Business expansion of JSC “Kalceks”
- At least 10% increase of turnover of the Group in 2017
- Investments in 2017 – 4 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 risk factors, that might negatively affect the company's performance indicators.

On behalf of the Group's Management:



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Juris Bundulis  
Chairman of the Board

28 February 2017

## STATEMENT OF BOARD'S RESPONSIBILITIES

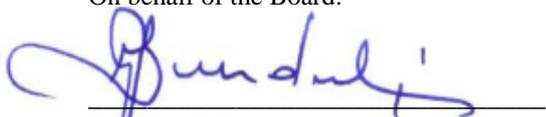
The Board of JSC "Grindeks" (hereinafter - the Company) is bearing the responsibility for preparation of the consolidated interim financial statements of the Company and its subsidiaries (hereinafter - the Group). The interim financial statements of the Group are not audited.

The consolidated interim financial statements, enclosed from the page 11 to the page 18, are prepared in accordance with the accounting records and source documents, presenting fairly the financial position of the Group as of 31 December 2016 and the results of its operations and cash flows for the period of twelve months ended 31 December 2016.

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

28 February 2017

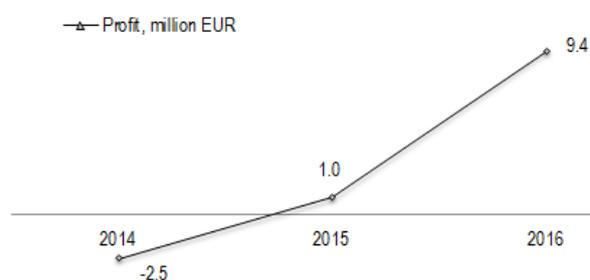
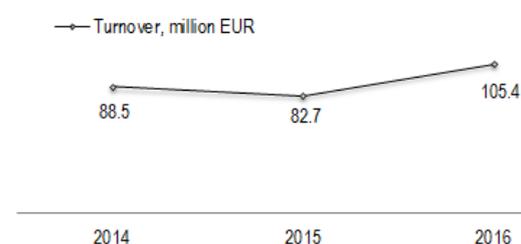
## STATEMENT OF FINANCIAL POSITION

ASSETS	31.12.2016 EUR	31.12.2015 EUR
<b>Non-current assets</b>		
<b>Intangible assets</b>		
Software, patents, licenses, trademarks and other rights	605,168	713,239
Advance payments for intangible assets	300,706	110,293
<b>Total intangible assets</b>	<b>905,874</b>	<b>823,532</b>
<b>Goodwill</b>	<b>5,044,761</b>	<b>5,044,761</b>
<b>Tangible fixed assets</b>		
Land, buildings and constructions	31,360,017	32,874,958
Equipment and machinery	21,668,491	23,879,749
Other fixed assets	924,465	991,203
Construction in progress	6,151,544	2,943,613
Advance payments for fixed assets	486,911	320,381
<b>Total tangible fixed assets</b>	<b>60,591,428</b>	<b>61,009,904</b>
<b>Investment property</b>	<b>8,127,078</b>	<b>9,080,000</b>
<b>Non-current financial investments</b>		
Other investments	99,020	98,450
Other loan	2,200,000	2,200,000
<b>Total long term financial investments</b>	<b>2,299,020</b>	<b>2,298,450</b>
<b>Total non-current financial assets</b>	<b>76,968,161</b>	<b>78,256,647</b>
<b>Current assets</b>		
<b>Inventories</b>		
Raw materials	5,124,161	6,172,459
Unfinished goods	9,004,981	8,680,150
Finished goods and goods for resale	6,321,329	4,926,133
<b>Total inventory</b>	<b>20,450,471</b>	<b>19,778,742</b>
<b>Debitori</b>		
Trade receivables	56,292,940	43,490,082
Other debtors	2,745,810	3,796,190
Loans provided to management and shareholders	2,629,183	2,640,282
Other loans	2,264,101	1,542,568
Deferred expenses	13,588,134	7,064,554
<b>Total debtors</b>	<b>77,520,168</b>	<b>58,533,676</b>
<b>Cash and cash equivalents</b>	<b>1,715,312</b>	<b>724,498</b>
<b>Total current assets</b>	<b>99,685,951</b>	<b>79,036,916</b>
<b>TOTAL ASSETS</b>	<b>176,654,112</b>	<b>157,293,563</b>

	<b>31.12.2016</b>	<b>31.12.2015</b>
	<b>EUR</b>	<b>EUR</b>
<b>LIABILITIES</b>		
<b>EQUITY</b>		
Share capital	13,419,000	13,419,000
Share premium	22,321,657	22,321,657
Other reserves	880,727	880,727
Foreign currency revaluation reserve	440,593	(115,195)
Retained profit		
a) retained profit /loss	72,770,154	71,733,419
b) current year profit/loss	9,437,955	1,036,734
<b>Equity attributable to equity holders of the parent</b>	<b>119,270,084</b>	<b>109,276,342</b>
No controlling interest	90,898	103,269
<b>Total equity</b>	<b>119,360,982</b>	<b>109,379,611</b>
<b>LIABILITIES</b>		
<b>Non-current liabilities</b>		
Loans from credit institutions	9,901,568	2,334,016
Finance lease liabilities	109,877	174,990
Deferred income	5,203,490	5,193,123
Deferred tax liabilities	4,320,003	5,203,490
<b>Total non-current liabilities</b>	<b>19,534,938</b>	<b>12,905,619</b>
<b>Current liabilities</b>		
Loans from credit institutions	16,038,018	20,100,466
Finance lease liabilities	85,197	101,157
Advances from customers	227,935	1,908,891
Trade accounts payable	14,314,261	5,746,625
Taxes and social security liabilities	2,829,301	1,111,185
Other payables	3,352,232	5,059,003
Accrued liabilities	387,376	477,407
Deferred income	523,874	503,599
<b>Total current liabilities</b>	<b>37,758,192</b>	<b>35,008,333</b>
<b>Total liabilities</b>	<b>57,293,130</b>	<b>47,913,952</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>176,654,112</b>	<b>157,293,563</b>

## STATEMENT OF COMPREHENSIVE INCOME

	2016 EUR	2015 EUR
Net sales	105,366,545	82,662,311
Cost of goods sold	(47,629,556)	(46,081,900)
<b>Gross profit</b>	<b>57,736,989</b>	<b>36,580,411</b>
Selling expenses	(21,364,858)	(18,927,140)
Administrative expenses	(18,026,008)	(11,702,680)
Other operating income	7,960,423	8,809,025
Other operating expenses	(13,163,926)	(12,797,947)
Changes in fair value/impairment loss	(863,141)	-
Interest income and similar income	189,580	200,986
Interest expense and similar expense	(418,700)	(445,354)
Real estate tax	(134,182)	(274,747)
<b>Profit/loss before taxation</b>	<b>11,916,177</b>	<b>1,442,554</b>
Corporate income tax	(2,490,593)	(395,549)
<b>NET PROFIT/LOSS FOR THE YEAR</b>	<b>9,425,584</b>	<b>1,047,005</b>
<b>Other comprehensive income</b>	<b>440,593</b>	<b>(54,732)</b>
Foreign currency revaluation	440,593	(54,732)
<b>Other comprehensive income total</b>	<b>9,866,177</b>	<b>992,273</b>
<b>Attributable to:</b>		
Equity holders of the parent	9,437,955	1,036,734
Non-controlling interest	(12,371)	10,271
<b>TOTAL</b>	<b>9,425,584</b>	<b>1,047,005</b>
<b>Comprehensive income attributable of:</b>		
Equity holders of the parent	9,878,548	982,002
Non-controlling interest	(12,371)	10,271
<b>Total</b>	<b>9,866,177</b>	<b>992,273</b>
<b>Earnings /loss per share attributable equity holders of the parent</b>		
<b>(EUR per share)</b>		
– Earnings/loss per share	1.03	0.10



## STATEMENT OF CHANGES IN EQUITY

	Share capital	Share premium	Other reserves	Foreign currency translation reserve	Accumulated profit	Equity attributable to equity holders of the parent	Non-controlling Interest	Total
	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR
<b>31.12. 2015.</b>	<b>13,419,000</b>	<b>22,321,657</b>	<b>880,727</b>	<b>(115,195)</b>	<b>72,770,154</b>	<b>109,276,342</b>	<b>103,269</b>	<b>109,379,611</b>
Foreign currency revaluation	-	-	-	555,787	-	555,787	-	555,787
Profit for the year	-	-	-	-	9,437,955	9,437,955	(12,371)	9,425,584
<b>31.12. 2016.</b>	<b>13,419,000</b>	<b>22,321,657</b>	<b>880,727</b>	<b>440,593</b>	<b>82,208,109</b>	<b>119,270,084</b>	<b>90,898</b>	<b>119,360,982</b>

## STATEMENT OF CASH FLOWS

	2016 EUR	2015 EUR
<b>OPERATING ACTIVITIES</b>		
<b>Net profit before taxation</b>	<b>11,916,176</b>	<b>1,442,554</b>
<i>Adjustments to reconcile net profit to net cash provided by operating activities:</i>		
Depreciation and amortization	5,641,572	5,897,562
Increase/decrease in provisions	3,283,452	-
Changes in fair value	701,000	-
(Gain)/loss on disposal of fixed assets and intangible assets	-	(104,601)
Revenue from the EU funds	(894,796)	(859,499)
Interest expense	361,268	659,042
Interest income	(437,871)	(295,870)
<i>Changes in operating assets and liabilities</i>		
Inventory	(671,729)	(796,562)
Debtors	(18,986,492)	(471,716)
Creditors	2,935,169	(3,965,085)
<b>Gross cash provided by operating activities</b>	<b>3,847,751</b>	<b>1,505,821</b>
Corporate income tax paid	(274,765)	1,758,382
<b>Net cash provided by operating activities</b>	<b>3,572,986</b>	<b>3,264,203</b>
<b>INVESTING ACTIVITIES</b>		
Purchase of fixed assets and intangible assets	(5,498,908)	(3,612,998)
Purchase of long term financial investments	(15,000)	(141,829)
Loans	-	(42,568)
<b>Net cash used in investing activities</b>	<b>(5,513,908)</b>	<b>(3,797,395)</b>
<b>FINANCING ACTIVITIES</b>		
Received loans from credit institutions	5,721,695	10,206,727
Repaid loans to credit institutions	(2,452,893)	(1,932,062)
EU financing received	24,202	274,781
Interest paid	(361,268)	(482,844)
Dividends paid	-	(9,000,000)
<b>Net cash (used in) /provided by financing activities</b>	<b>2,931,736</b>	<b>(933,398)</b>
<b>Net increase in cash and cash equivalents from related company purchase</b>	<b>-</b>	<b>-</b>
<b>Net increase in cash and cash equivalents</b>	<b>990,814</b>	<b>(1,466,590)</b>
<b>Cash and cash equivalents at the beginning of the year</b>	<b>724,498</b>	<b>2,191,088</b>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD</b>	<b>1,715,312</b>	<b>724,498</b>

## NOTES

### OTHER DEBTORS

	31.12.2016 EUR	31.12.2015 EUR
„Grindeks Rus” Ltd. other debtors	620,477	431,682
JSC „Tallinn Pharmaceutical Plant” other debtors	638	1,880
Tax receivables	1,303,206	687,751
Other	821,489	2,674,877
<b>Total</b>	<b>2,745,810</b>	<b>3,796,190</b>

### CASH AND CASH EQUIVALENTS

	31.12.2016 EUR	31.12.2015 EUR
Cash in bank	1,704,856	712,026
Cash on hand	10,456	12,472
<b>Total</b>	<b>1,715,312</b>	<b>724,498</b>

### LOANS FROM CREDIT INSTITUTIONS

	31.12.2016 EUR	31.12.2015 EUR
Credit line from Nordea Bank Finland Plc.	6,667,543	12,338,801
Credit line from JSC “SEB Bank”, Latvia	4,997,058	4,939,235
Credit line from JSC Tatrabank , Slovakia	1,851,117	1,614,814
Nordea Bank Finland Plc.	1,000,000	-
JSC Tatrabank , Slovakia	407,500	407,500
JSC “SEB Bank”, Latvia	-	357,317
JSC Tatrabank , Slovakia	232,800	232,800
JSC Tatrabank , Slovakia	210,000	210,000
JSC Tatrabank , Slovakia	672,000	-
<b>Current loans from credit institutions</b>	<b>16,038,018</b>	<b>20,100,466</b>
Nordea Bank Finland Plc.	7,583,335	-
JSC Tatrabank , Slovakia	834,517	-
JSC Tatrabank , Slovakia	815,000	1,222,500
JSC Tatrabank , Slovakia	475,400	708,200
JSC Tatrabank , Slovakia	193,316	403,316
<b>Non-current loans from credit institutions</b>	<b>9,901,568</b>	<b>2,334,016</b>
<b>Total</b>	<b>25,939,586</b>	<b>22,434,482</b>

### TAX LIABILITIES

	31.12.2016 EUR	31.12.2015 EUR
Corporate income tax	1,948,471	89,927
Social security payments	558,061	470,370
Personal income tax	313,364	225,926
Value added tax	1,197	98,254
Other	8,208	226,708
<b>Total</b>	<b>2,829,301</b>	<b>1,111,185</b>

## NET SALES

	2016 EUR	2015 EUR
Other CIS countries	31,214,509	30,330,746
Russia	32,152,864	15,928,576
Other countries	30,140,128	26,800,918
Latvia	9,195,332	7,508,462
Lithuania	4,597,414	3,943,595
Estonia	2,460,425	2,174,402
Other income	909,673	1,217,367
<b>Gross sales</b>	<b>110,670,347</b>	<b>87,904,066</b>
Other CIS countries	(4,766,730)	(4,456,935)
Russia	(3,778)	(244,859)
Latvia	(402,136)	(276,570)
Lithuania	(44,730)	(185,512)
Estonia	(60,896)	(57,123)
Other countries	(25,531)	(20,756)
<b>Discounts total</b>	<b>(5,303,801)</b>	<b>(5,241,755)</b>
<b>Total, net</b>	<b>105,366,545</b>	<b>82,662,311</b>

## COST OF GOODS SOLD

	2016 EUR	2015 EUR
Raw materials and packing	27,515,232	16,118,079
Direct labour and social security payments	14,152,429	13,763,617
Goods purchased for resale and contract manufacturing	2,596,691	7,161,186
Depreciation of fixed assets and amortization of intangible assets	4,689,260	4,813,705
Research costs	759,044	1,948,475
Electricity resource expenses	2,074,213	2,224,456
Machinery, buildings and equipment repairs	1,206,077	1,266,257
Household expenses	272,035	239,025
Transport	186,740	170,851
Waste disposal	136,788	134,780
Rent of work clothing	142,687	128,921
Other	2,186,356	1,801,314
Internal turnover of self-manufactured raw materials	(8,287,996)	(3,688,766)
<b>Total</b>	<b>47,629,556</b>	<b>46,081,900</b>

## SELLING AND DISTRIBUTION COSTS

	2016 EUR	2015 EUR
Advertising	8,145,173	6,982,881
Expenses of representative offices	3,683,415	3,826,778
Salaries and social security payments	2,905,203	2,485,532
Distribution expenses for goods	1,042,350	919,675
Commissions	1,127,028	959,584
Registration costs for medicine	785,757	416,615
Depreciation of fixed assets and amortisation of intangible assets	341,528	416,566
Freight insurance	17,277	17,119
Other	3,317,127	2,902,390
<b>Total</b>	<b>21,364,858</b>	<b>18,927,140</b>

## ADMINISTRATIVE EXPENSES

	<b>2016</b>	<b>2015</b>
	<b>EUR</b>	<b>EUR</b>
Salaries and social security payments	8,700,755	6,902,266
Professional services	992,802	263,231
Depreciation of fixed assets and amortisation of intangible assets	548,775	607,890
Security costs	409,498	412,225
Employee insurance	214,016	226,760
Computers maintenance	378,049	381,567
Electricity costs	257,729	251,516
Transport	183,681	168,742
Business trip expensis	102,192	83,134
Bank charges	175,379	261,365
Property and liability insurance	126,559	136,682
Personnel training and hiring expenses	28,513	11,104
Communication expense	65,398	53,625
Provisions	3,283,452	-
Other	2,559,210	1,942,573
<b>Total</b>	<b>18,026,008</b>	<b>11,702,680</b>

JSC "Grindeks" hereby informs that there were no changes made in its accounting policy in January-December 2016. In non-audited financial accounts for the year 2015 the Group has employed the same Accounting and Consolidation Principles as in the audited consolidated financial accounts for the year 2015, released on 29 April 2016.

Chairman of the Board

Juris Bundulis

28 February 2017