

**Joint Stock Company “GRINDEKS”**

Reg. No. 40003034935

*Unaudited consolidated interim condensed financial statements  
for the 9 months period ended September 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 – September 30, 2019

## THE SUPERVISORY COUNCIL AND THE BOARD

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

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

From January 12, 2016 to June 07, 2019:

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

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

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

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

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

#### • Kirovs Lipmans - Chairman of the Council

Born in 1940. Kirovs Lipmans has been the Chairman of the Council of “Grindeks” since 2003. Simultaneously K. Lipmans is also the Member of the Executive Committee of the Latvian Olympic Committee, the Chairman of the Council of JSC “Kalceks” and JSC “Tallinn pharmaceutical plant”, and the Chairman of the Board of “Liplat Holding” Ltd. the major JSC “Grindeks” shareholder. K. Lipmans has graduated from the Leningrad Institute of Railway and Transport Engineering and from the Faculty of Economics of the University of Latvia, obtaining a degree as an Engineer-Economist.

#### • Anna Lipmane - Deputy Chairman of the Council

Born in 1948. Anna Lipmane has been the Member of the Council of JSC “Grindeks” since 2008. A. Lipmane is certified doctor-neurologist and the Member of the Latvian Medical Association, the Latvian Association of Internists, the Latvian Society of Cardiology and the Latvian Association of Neurologists. Simultaneously A. Lipmane is the Member of the Council of JSC “Tallinn Pharmaceutical Plant” and a Member of the Board of “Liplat Holding” Ltd., the major JSC Grindeks shareholder.

#### • Filips Lipmans - Member of the Council

Born in 1978. Graduated from the Faculty of Economics and Management of the University of Latvia, obtaining 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	None
Janis Romanovskis	Board member	None

\* *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	None
Janis Romanovskis	Board member	None
Juris Hmelnickis	Board member	None

\* *Nasdaq CSD data as of October 24, 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 “Komerccentrs DATI grupa” Ltd. and the Head of the Financial Management Unit of JSC “Dati”.

\* *The Term of office – 07.01.2022.*

### • Juris Hmelnickis - 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):

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

\* 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):

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

\* for other shareholders number of shares not exceeding 5%

\*\*“Liplat Holding” Ltd. owners are Kirovs Lipmans, Anna Lipmane, Filipis 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 nine months of 2019, the Group’s profit, attributable to shareholders of the parent company, was 8.9 million euros. The profit has increased by 1.3 million euro or 17% in comparison to the first nine months of 2018.

Turnover of the Group in the first nine months of 2019 was 106.6 million euro, and it has increased by 4.1 million euro or 4% in comparison to the first nine 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.

In the first nine months of 2019, the Group’s production was exported to 75 countries worldwide, a total of 99.6 million euro, which is by 4.3 million euro or 5% more than in the first nine months of 2018.

Financial indicator	01.01.2019. – 30.09.2019.	01.01.2018. – 30.09.2018.
Gross profit margin <sup>1</sup>	53.0%	56.9%
Net profit margin <sup>2</sup>	8.4%	7.4%
EBITDA margin <sup>3</sup>	14.3%	12.5%
Liquidity <sup>4</sup>	2.4	3.6

At the end of the reporting period, the amount of accounts receivable was 46.1 million euro, which is by 13.7 million euro less than accounts payable that were 59.8 million euro. The amount of current assets at the end of reporting period was 79.5 million euro, which is by 46.7 million euro more than amount of current liabilities that was 32.8 million euro.

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

“Grindeks” sales volume of the final dosage forms in the first nine months of 2019 was 98.0 million euro and it has increased by 2.2 million euro in comparison to the first nine months of 2018. In the first nine months of 2019, the sales amount in Russia, the other CIS countries and Georgia reached 61.4 million euro, which is by 0.4 million euro or 1% more than in the first nine months of 2018. In comparison to the first nine months of 2018, in the first nine months of 2019 the biggest increase in sales volume has been reached in Turkmenistan (51%), Belarus (28%) and Georgia (23%).

Sales volume of the final dosage forms in the EU countries in the first nine months of 2019 reached 34.0 million euro, which is by 1.7 million euro or 5% more than in the first nine months of 2018. In comparison to the first nine months of 2018, in the first nine months of 2019 sales volume in France and Sweden has doubled and in the Czech Republic has increased for 38%.

Sales volume of active pharmaceutical ingredients in the first nine months of 2019 reached 6.5 million euro which is by 0.8 million euro or 14% more than in the first nine months of 2018. During this reporting period, “Grindeks” mostly exported its active pharmaceutical ingredients to the EU countries, Japan, Canada and Australia. The most required active pharmaceutical ingredients of “Grindeks” in the first nine months of 2019 were dexmedetomidine, xylazine and oxytocin.

<sup>1</sup> Gross profit margin, unit % = gross profit divided by net turnover.

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

<sup>3</sup> 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.

<sup>4</sup> 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 nine 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 nine months of 2019 several successful foreign inspections and audits were held – Saudi Food and Drug Authority and nine customers’ audits.

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

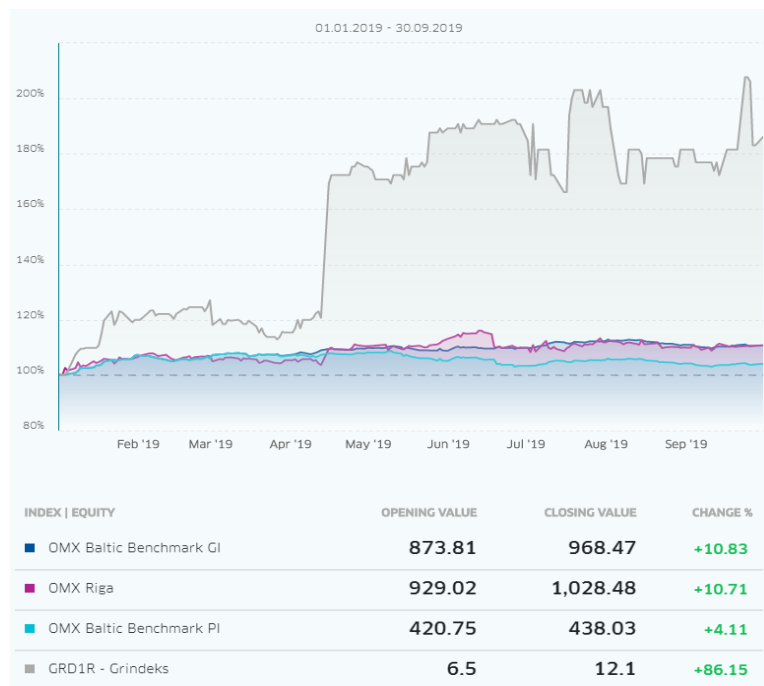
Since 2 January 2006 shares of “Grindeks” are listed in the official list of “Nasdaq Riga”. JSC “Grindeks” share price on “Nasdaq Riga” in the first nine months of 2019 ranged from 6.5 to 13.5 euro. In the first nine months of 2019 the average price of JSC “Grindeks” shares on “Nasdaq Riga” was 10.1 euro. The total of “Nasdaq Riga” traded shares in the first nine months of 2019 was 805 494 shares, reaching 8.1 million euro turnover. At the end of the first nine months of 2019, market capitalization of JSC “Grindeks” shares was 115.97 million euro.

In the first nine months of 2019, the Group’s earnings per share (EPS factor) was 0.9 euro in comparison to 0.8 euro in the first nine months of 2018.





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



### Future prospects for 2020

In 2020, “Grindeks” will strategically focus 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 2020, “Grindeks” will continue to expand 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 2020
- Investments in 2020 – up to 10 million euro
- Successful maintenance of the new Medicines Verification System

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

On behalf of the Group’s Management:

Juris Bundulis  
Chairman of the Board  
November 28, 2019

## STATEMENT OF BOARD'S RESPONSIBILITIES

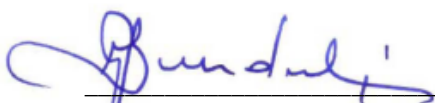
The Board of JSC "Grindeks" (hereinafter - the Company) is bearing the responsibility for preparation of the consolidated financial statement of the Company and its subsidiaries (hereinafter - the Group).

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 September 30, 2019 and the results of its operations and cash flows for the 9 months period ended September 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:



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Juris Bundulis  
Chairman of the Board

November 28, 2019

**STATEMENT OF FINANCIAL POSITION**

ASSETS	Notes	30.09.2019 EUR	01.01.2019 EUR restated*	31.12.2018 EUR
<b>Non-current assets</b>				
<b>Intangible assets</b>				
Software, patents, licences, trademarks and other rights		2,709,092	1,829,866	1,829,866
Advances for intangible assets and capitalized development		1,510,719	1,262,659	1,262,659
<b>Total intangible assets</b>		<b>4,219,811</b>	<b>3,092,525</b>	<b>3,092,525</b>
<b>Goodwill</b>		<b>5,044,761</b>	<b>5,044,761</b>	<b>5,044,761</b>
<b>Property, plant and equipment</b>				
Land, buildings and constructions		28,841,380	29,971,478	29,971,478
Equipment and machinery		25,145,911	22,506,942	22,506,942
Other fixed assets		1,655,936	1,232,978	1,232,978
Construction in progress		1,370,050	2,487,237	2,487,237
Advance payments for fixed assets		2,010,874	2,350,242	2,350,242
<b>Total property, plant and equipment</b>		<b>59,024,151</b>	<b>58,548,877</b>	<b>58,548,877</b>
<b>Investment property</b>		<b>7,749,000</b>	<b>7,749,000</b>	<b>7,749,000</b>
<b>Non-current financial investments</b>				
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
<b>Total non-current financial investments</b>		<b>4,974,943</b>	<b>5,049,260</b>	<b>5,049,260</b>
Right-of-use-asset (IFRS 16 Leases)		5,025,562	2,619,798	-
<b>Total non-current assets</b>		<b>86,038,228</b>	<b>82,104,221</b>	<b>79,484,423</b>
<b>Current assets</b>				
<b>Inventories</b>				
Raw materials		10,951,818	10,209,521	10,209,521
Unfinished goods		11,835,562	10,499,666	10,499,666
Finished goods and goods for resale		8,498,562	7,224,020	7,224,020
Advance payments for stock		327,826	295,998	295,998
<b>Total inventory</b>		<b>31,613,768</b>	<b>28,229,205</b>	<b>28,229,205</b>
<b>Receivables</b>				
Trade receivables		40,353,207	30,614,389	30,614,389
Other receivables	5	4,207,713	3,991,424	3,991,424
Loans to Management and Shareholders of the Group	4	16,854	2,959	2,959
Other loans		567,567	580,869	580,869
Deferred expenses		959,742	1,613,687	1,613,687
<b>Total receivables</b>		<b>46,105,083</b>	<b>36,803,328</b>	<b>36,803,328</b>
<b>Cash and cash equivalents</b>	6	<b>1,757,150</b>	<b>4,219,118</b>	<b>4,219,118</b>
<b>Total current assets</b>		<b>79,476,001</b>	<b>69,251,651</b>	<b>69,251,651</b>
<b>TOTAL ASSETS</b>		<b>165,514,229</b>	<b>151,355,872</b>	<b>148,736,074</b>

Notes are integral part of this financial statement

\*see Note 3

## STATEMENT OF FINANCIAL POSITION

EQUITY AND LIABILITIES	Notes	30.09.2019 EUR	01.01.2019 EUR restated*	31.12.2018 EUR
<b>Equity</b>				
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		66,455	158,197	158,197
Retained earnings				
a) previous period retained earning		59,980,117	72,248,917	81,981,268
b) reporting period profit		8,898,162	-	(9,732,351)
<b>Equity attributable to equity holders of the Parent entity</b>		<b>105,566,117</b>	<b>109,028,497</b>	<b>109,028,497</b>
Non-controlling interest		106,250	98,509	98,509
<b>Total equity</b>		<b>105,672,367</b>	<b>109,127,007</b>	<b>109,127,007</b>
<b>Liabilities</b>				
<b>Non-current liabilities</b>				
Loans from credit institutions	7	16,863,124	8,798,062	8,798,062
Finance lease liabilities		100,854	29,479	29,479
Deferred tax liabilities		1,295,602	1,295,602	1,295,602
Deferred income		4,044,783	3,381,620	3,381,620
Lease liabilities (IFRS 16 Leases)		4,719,506	2,492,985	-
<b>Total non-current liabilities</b>		<b>27,023,869</b>	<b>15,997,748</b>	<b>13,504,763</b>
<b>Current liabilities</b>				
Loans from credit institutions	7	17,127,542	10,211,678	10,211,678
Finance lease liabilities		35,565	56,860	56,860
Advances from customers		1,257,761	439,832	439,832
Trade payables to suppliers		7,454,180	8,484,508	8,484,508
Taxes and mandatory state social insurance contributions	8	1,464,098	1,188,858	1,188,858
Corporate income tax liability	8	726,708	126,394	126,394
Other payables		2,164,910	2,937,818	2,937,818
Accrued liabilities		2,231,062	1,938,601	1,938,601
Deferred income		60,795	719,755	719,755
Lease liabilities (IFRS 16 Leases)		295,372	126,813	-
<b>Total current liabilities</b>		<b>32,817,993</b>	<b>26,231,117</b>	<b>26,104,304</b>
<b>Total liabilities</b>		<b>59,841,862</b>	<b>42,228,865</b>	<b>39,609,067</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>165,514,229</b>	<b>151,355,872</b>	<b>148,736,074</b>

Notes are integral part of this financial statement

\*see Note 3

## STATEMENT OF COMPREHENSIVE INCOME

	Notes	01.07.2019 30.09.2019 EUR	01.07.2018 30.09.2018 EUR	01.01.2019 30.09.2019 EUR	01.01.2018 30.09.2018 EUR
Net sales	10	37,598,411	30,897,858	106,563,951	102,446,643
Cost of goods sold	11	(19,254,403)	(13,889,209)	(50,048,064)	(44,130,871)
<b>Gross profit</b>		<b>18,344,008</b>	<b>17,008,649</b>	<b>56,515,887</b>	<b>58,315,772</b>
Selling expenses	12	(8,972,746)	(6,068,834)	(24,481,301)	(21,904,539)
Administrative expenses	13	(6,995,271)	(7,085,181)	(19,829,717)	(21,195,096)
Other operating income	14	2,872,902	1,005,166	6,965,035	3,729,521
Other operating expenses	15	(3,654,479)	(3,618,456)	(9,075,591)	(10,369,435)
Interest income and similar income		31,025	31,062	103,785	103,697
Interest expenses and similar expenses		(181,521)	(70,652)	(392,450)	(207,170)
<b>Profit before taxation</b>		<b>1,443,918</b>	<b>1,201,755</b>	<b>9,805,648</b>	<b>8,472,751</b>
Corporate income tax		(177,106)	(342,264)	(899,745)	(899,668)
<b>NET PROFIT FOR THE PERIOD</b>		<b>1,266,812</b>	<b>859,490</b>	<b>8,905,903</b>	<b>7,573,083</b>
<b>Other comprehensive income:</b>					
Foreign currency revaluation		(31,123)	(70,840)	(91,743)	(173,993)
<b>Total other comprehensive income</b>		<b>(31,123)</b>	<b>(70,840)</b>	<b>(91,743)</b>	<b>(173,993)</b>
<b>TOTAL COMPREHENSIVE INCOME</b>		<b>1,235,689</b>	<b>788,650</b>	<b>8,814,160</b>	<b>7,399,090</b>

### Profit attributable to:

Equity holders of the Parent entity		1,251,787	865,904	8,898,162	7,590,276
Non-controlling interest		16,025	(6,414)	7,741	(17,193)
<b>TOTAL</b>		<b>1,267,812</b>	<b>859,490</b>	<b>8,905,903</b>	<b>7,573,083</b>

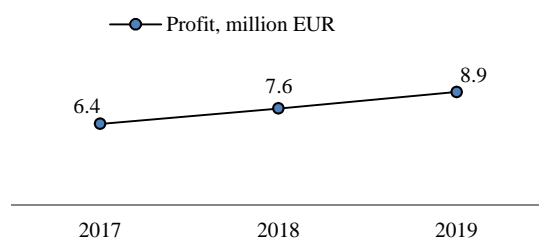
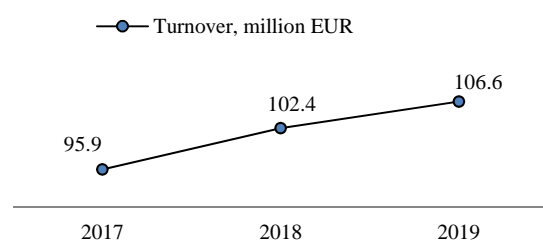
### Comprehensive income attributable to:

Equity holders of the Parent entity		1,220,964	795,064	8,806,719	7,416,283
Non-controlling interest		15,025	(6,414)	7,741	(17,193)
<b>TOTAL</b>		<b>1,235,989</b>	<b>788,650</b>	<b>8,814,460</b>	<b>7,399,090</b>

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

	0.13	0.09	0.93	0.79
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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
<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	-	-	-	-	(1,437,750)	(1,437,750)	-	(1,437,750)
Foreign currency revaluation	-	-	-	(173,993)	-	(173,993)	-	(173,993)
Profit for the reporting period	-	-	-	-	7,590,276	7,590,276	(17,193)	7,573,083
<b>30.09.2018</b>	<b>13,419,000</b>	<b>22,321,657</b>	<b>880,726</b>	<b>71,949</b>	<b>89,903,544</b>	<b>126,596,876</b>	<b>85,862</b>	<b>126,682,738</b>
<b>31.12.2018</b>	<b>13,419,000</b>	<b>22,321,657</b>	<b>880,726</b>	<b>158,198</b>	<b>72,248,917</b>	<b>109,028,498</b>	<b>98,509</b>	<b>109,127,007</b>
Dividends	-	-	-	-	(12,268,800)	(12,268,800)	-	(12,268,800)
Foreign currency revaluation	-	-	-	(91,743)	-	(91,743)	-	(91,743)
Profit for the reporting period	-	-	-	-	8,898,162	8,898,162	7,741	8,905,903
<b>30.09.2019</b>	<b>13,419,000</b>	<b>22,321,657</b>	<b>880,726</b>	<b>66,455</b>	<b>68,878,279</b>	<b>105,566,117</b>	<b>106,250</b>	<b>105,672,367</b>

**STATEMENT OF CASH FLOW**

	<b>01.01.2019- 30.09.2019 EUR</b>	<b>01.01.2018- 30.09.2018 EUR</b>
<b>OPERATING ACTIVITIES</b>		
<b>Profit for the reporting period before tax</b>	<b>9,805,648</b>	<b>8,472,751</b>
<i>Adjustments to reconcile net profit to net cash provided by operating activities:</i>		
Depreciation and amortization	5,120,168	4,246,503
Loss/(profit) on disposal of fixed assets and intangible assets	(189,629)	(101,723)
Revenue from the EU funds	(728,049)	(332,628)
Interest expense	392,450	184,450
Interest income	(103,785)	(234,769)
<i>Changes in operating assets and liabilities:</i>		
Inventory	(3,384,563)	(4,141,847)
Trade receivables	(9,223,209)	1,908,077
Trade payables	(212,399)	(433,796)
<b>Net cash flow provided by operating activities</b>	<b>1,476,632</b>	<b>9,567,018</b>
Corporate income tax paid	(466,190)	(959,330)
<b>Net cash provided by operating activities</b>	<b>1,010,442</b>	<b>8,607,688</b>
<b>INVESTING ACTIVITIES</b>		
Purchase of fixed assets and intangible assets	(6,017,947)	(5,111,349)
Proceeds from sale of fixed assets	8,838	10,647
<b>Net cash flow provided by investing activities</b>	<b>(6,009,109)</b>	<b>(5,100,702)</b>
<b>FINANCING ACTIVITIES</b>		
Received loans from credit institutions	18,094,351	3,715,577
Repayment of loans to credit institutions and financial lease	(3,113,425)	(6,098,875)
Dividends paid	(12,268,800)	(1,437,750)
Received EU funding	217,023	426,069
Interest paid	(392,450)	(184,450)
<b>Net cash flow provided by financing activities</b>	<b>2,536,699</b>	<b>(3,579,429)</b>
<b>Net increase in cash and cash equivalents</b>	<b>(2,461,968)</b>	<b>(72,443)</b>
<b>Cash and cash equivalents at the beginning of the reporting period</b>	<b>4,219,118</b>	<b>4,800,466</b>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE REPORTING PERIOD</b>	<b>1,757,150</b>	<b>4,728,023</b>

## 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 November 28, 2019.

### 2. ACCOUNTING PRINCIPLES

The interim condensed consolidated financial statements for nine months ended 30 September 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 September 2019.

### 3. ACCOUNTING POLICY

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

	<b>30.09.2019</b>	<b>31.12.2018</b>
	EUR	EUR
Loans to Management and Shareholders of the Group	2,692,777	2,678,882
<b>Total</b>	<b>2,692,777</b>	<b>2,678,882</b>

### 5. OTHER RECEIVABLES

	<b>30.09.2019</b>	<b>31.12.2018</b>
	EUR	EUR
Tax receivables	3,296,199	3,669,281
Other	911,514	322,143
<b>Total</b>	<b>4,207,713</b>	<b>3,991,424</b>



## 6. CASH AND CASH EQUIVALENTS

	30.09.2019	31.12.2018
	EUR	EUR
Cash in bank	1,751,972	4,206,444
Cash on hand	5,178	12,674
<b>Total</b>	<b>1,757,150</b>	<b>4,219,118</b>

## 7. LOANS FROM CREDIT INSTITUTIONS

	30.09.2019	31.12.2018
	EUR	EUR
Credit line from Luminor Bank AS Latvian branch	9,562,373	2,838,810
Credit line from JSC "SEB banka", Latvia	3,344,728	2,444,221
Credit line from JSC "Citadele", Latvia	13,512	2,376,937
Tatrabank JSC, Slovakia	2,747,324	1,551,710
Nordea Bank Finland Plc	250,000	1,000,000
Luminor Bank AS Latvian branch	500,000	-
Credit line from Tatrabank JSC, Slovakia	709,605	-
<b>Current loans from credit institutions</b>	<b>17,127,542</b>	<b>10,211,678</b>
Nordea Bank Finland Plc	5,583,333	5,583,333
Luminor Bank AS Latvian branch	5,000,000	-
Tatrabank JSC, Slovakia	6,279,791	3,214,729
<b>Non-current loans from credit institutions</b>	<b>16,863,124</b>	<b>8,798,062</b>
<b>Total</b>	<b>33,990,666</b>	<b>19,009,740</b>

## 8. TAXES AND SOCIAL SECURITY CONTRIBUTIONS

	30.09.2019	31.12.2018
	EUR	EUR
Mandatory state social insurance contributions	786,054	771,660
Personal income tax	446,712	362,888
Corporate income tax	726,708	126,394
Value added tax	224,794	42,772
Other	6,538	11,538
<b>Total</b>	<b>2,190,806</b>	<b>1,315,252</b>

## 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.

### 9 Months 2019, EUR

	Final dosage forms	Active pharmaceutical ingredients	Eliminations	Total
<b>Revenue</b>				
External sales	100,094,210	6,469,741	-	106,563,951
Inter-segment sales	-	6,426,614	(6,426,614)	-
<b>Total revenue</b>	<b>100,094,210</b>	<b>12,896,355</b>	<b>(6,426,614)</b>	<b>106,563,951</b>
<b>Result</b>				
Segment direct attributable result	26,353,386	5,681,200	-	32,034,586
Unallocated expenses				(21,940,273)
<b>Operating profit</b>				<b>10,094,313</b>
Interest income				103,785
Interest expense				(392,450)
<b>Profit before taxation</b>				<b>9,805,648</b>
Income tax expense				(899,745)
<b>Profit for the period</b>				<b>8,905,903</b>
<b>Attributable to:</b>				
Equity holders for parent Company				8,898,162
Non-controlling interest				7,741
<b>Total</b>				<b>8,905,903</b>

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

### 9 Months 2018, EUR

	Final dosage forms	Active pharmaceutical ingredients	Eliminations	Total
<b>Revenue</b>				
External sales	96,719,681	5,726,962	-	102,446,643
Inter-segment sales	-	9,176,723	(9,176,723)	-
<b>Total revenue</b>	<b>96,719,681</b>	<b>14,903,685</b>	<b>(9,176,723)</b>	<b>102,446,643</b>
<b>Result</b>				
Segment direct attributable result	31,857,153	4,554,080	-	36,411,233
Unallocated expenses				(27,835,009)
<b>Operating profit</b>				<b>8,576,224</b>
Interest income				103,697
Interest expense				(207,170)
<b>Profit before taxation</b>				<b>8,472,751</b>
Income tax expense				(899,668)
<b>Profit for the period</b>				<b>7,573,083</b>
<b>Attributable to:</b>				
Equity holders for parent Company				7,590,276
Non-controlling interest				(17,193)
<b>Total</b>				<b>7,573,083</b>

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

## 10. NET SALES

	01.01.2019- 30.09.2019 EUR	01.01.2018- 30.09.2018 EUR
Russia	37,177,855	37,521,696
Other CIS countries	26,576,387	26,150,682
Other countries	31,661,745	28,168,537
Latvia	6,903,476	6,974,751
Lithuania	4,552,750	4,175,556
Estonia	1,863,849	1,811,981
Other sales	866,292	758,431
<b>Gross sales</b>	<b>109,602,354</b>	<b>105,561,634</b>
<b>Less discounts</b>		
Russia	(5,767)	(2,784)
Other CIS countries	(2,164,394)	(2,440,253)
Other countries	(48,998)	(15,172)
Latvia	(783,508)	(542,086)
Lithuania	(6,889)	(105,540)
Estonia	(28,847)	(9,156)
<b>Discounts total</b>	<b>(3,038,403)</b>	<b>(3,114,991)</b>
<b>Total net</b>	<b>106,563,951</b>	<b>102,446,643</b>

## 11. COST OF GOODS SOLD

	01.01.2019- 30.09.2019 EUR	01.01.2018- 30.09.2018 EUR
Raw materials and packaging	28,158,780	27,027,643
Direct labor and social security contributions	15,378,933	13,827,632
Depreciation of fixed assets and amortization of intangible assets	3,700,654	3,511,404
Depreciation of right-of-use-asset (IFRS 16 Leases)	172,040	-
Electricity expenses	1,762,727	1,677,497
Goods purchased for resale and contract manufacturing costs	855,189	1,112,395
Research costs	2,018,079	1,094,584
Machinery, buildings and equipment repairs	1,656,764	1,334,560
Household expenses	202,646	174,063
Transport costs	139,298	129,934
Rent of work clothing	165,329	145,738
Waste disposal	125,567	131,860
Other expenses	4,271,445	3,258,670
Internal turnover of self-manufactured raw materials	(8,559,387)	(9,295,109)
<b>Total</b>	<b>50,048,064</b>	<b>44,130,871</b>

## 12. SELLING EXPENSES

	<b>01.01.2019- 30.09.2019</b>	<b>01.01.2018- 30.09.2018</b>
	<b>EUR</b>	<b>EUR</b>
Advertising expenses	8,890,534	8,480,058
Expenses of representative offices	3,358,808	3,232,664
Salaries and social security contributions	4,447,681	4,365,284
Distribution costs	1,114,112	1,004,334
Commissions	1,876,896	1,045,723
Depreciation of fixed assets and amortization of intangible assets	234,719	246,981
Depreciation of right-of-use-asset (IFRS 16 Leases)	615,867	-
Registration costs for medicine	728,382	499,492
Freight insurance expenses	10,345	11,753
Other expenses	3,203,957	3,018,250
<b>Total</b>	<b>24,481,301</b>	<b>21,904,539</b>

## 13. ADMINISTRATIVE EXPENSES

	<b>01.01.2019- 30.09.2019</b>	<b>01.01.2018- 30.09.2018</b>
	<b>EUR</b>	<b>EUR</b>
Salaries and social security contributions	12,012,663	12,159,599
Professional and consultancy services	1,474,584	1,431,597
Depreciation of fixed assets and amortization of intangible assets	775,177	500,326
Depreciation of right-of-use-asset (IFRS 16 Leases)	111,418	-
Computer maintenance and repair	517,079	487,148
Security costs	378,721	351,632
Bank charges	187,163	161,499
Electricity costs	178,570	195,699
Employee insurance expenses	301,288	171,596
Transport costs	89,361	171,434
Property and liability insurance	88,546	85,257
Business trip expenses	70,850	77,318
Communication expenses	49,504	44,780
Personnel training and hiring expenses	119,636	112,379
Provisions	1,909,119	1,707,000
Other expenses	1,566,038	3,537,832
<b>Total</b>	<b>19,829,717</b>	<b>21,195,096</b>

#### 14. OTHER OPERATING INCOME

	01.01.2019- 30.09.2019 EUR	01.01.2018- 30.09.2018 EUR
Currency exchange gain	4,467,594	1,299,089
Income from EU projects	728,049	355,075
Income from services rendered	921,523	819,364
Past period's income for the reporting period	139,427	43,419
Income from sale of property, plant and equipment	8,838	10,647
Other income	699,604	1,201,927
<b>Total</b>	<b>6,965,035</b>	<b>3,729,521</b>

#### 15. OTHER OPERATING EXPENSES

	01.01.2019- 30.09.2019 EUR	01.01.2018- 30.09.2018 EUR
Sales discounts	6,655,978	4,953,272
Exchange rate losses	1,436,626	3,780,666
Property tax	113,827	107,577
Other operating income	869,160	1,527,920
<b>Kopā</b>	<b>9,075,591</b>	<b>10,369,435</b>

#### 16. DIVIDENDS PROPOSED AND PAID

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

JSC "Grindeks" Chairman of the Board



Juris Bundulis

November 28, 2019