

**Joint Stock Company "GRINDEKS"**

Reg. No. 40003034935

Address: 53 Krustpils Street, Riga, LV - 1057, Latvia

Unaudited consolidated interim condensed financial statements  
for the period ended March 31, 2020 prepared in accordance  
with International Financial Reporting Standards as adopted by  
the European Union

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**JSC "GRINDEKS"**  
**INFORMATION ABOUT THE GROUP**

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Name of the Parent Company	"GRINDEKS"
Legal status	JSC from 25 August 1997
Registration number, place and date	40003034935, Riga, Latvia, 11 October 1991
Business activities	Production of pharmaceutical, medical and phytochemical 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" (100 %) Tondi 33, 11316, Tallinn, Estonia
	JSC "Kalceks" (98.67%) Krustpils Street 53, Riga, LV – 1057, Latvia
	"HBM Pharma" Ltd. (100%) Sklabinska 30, 036 80, 036 80, Martina Slovakia
	"Namu apsaimniekosanas projekti" Ltd. (100%) Krustpils Street 53, Riga, LV – 1057, Latvia
	Subsidiary "Grindeks Rus" Ltd. (100%) Warsaw road 74/3, 117556, Moscow, Russia
Reporting period	01.01.2020 - 31.12.2020
Interim reporting period	01.01.2020 - 31.03.2020

## JSC "GRINDEKS" THE SUPERVISORY COUNCIL AND THE BOARD

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### Supervisory Council of the JSC "Grindeks"

*(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 Master's 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 apsaimniekosanas 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.



**JSC "GRINDEKS"**  
**THE SUPERVISORY COUNCIL AND THE BOARD**

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**The Board of the JSC "Grindeks"**

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

From January 09, 2012 to January 21, 2020

<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 January 21, 2020*

From January 21, 2020 to February 04, 2020

<u>Name, Surname</u>	<u>Position</u>	<u>Ownership interest (%)</u>
Juris Hmelnickis	Board member	None*
Janis Romanovskis	Board member	None*

*\* Nasdaq CSD data as of January 22, 2020*

From February 04, 2020 to the date of issuing the financial statement

<u>Name, Surname</u>	<u>Position</u>	<u>Ownership interest (%)</u>
Juris Hmelnickis	Chairman of the Board	None*
Janis Romanovskis	Board member	None*

*\* Nasdaq CSD data as of February 4, 2020*

• **Juris Hmelnickis - Chairman of the Board**

Born in 1980, Juris Hmelnickis has obtained a PhD in chemistry and a Master's degree in economics from the University of Latvia and a Master's degree in business management for quality assurance from Riga Technical University. He has also graduated the Swedish Institute Management Programme of Leadership and Sustainable Management. Juris Hmelnickis in JSC "Grindeks" has previously taken several managerial positions – he was the Quality Director, Certification Officer and the Member of the Board. Before his appointment as Chairman of the Board of JSC "Grindeks", Juris Hmelnickis was the Chairman of the Board of JSC "Kalceks", which is a subsidiary entity of JSC "Grindeks". Currently Juris Hmelnickis also is continuing work of JSC "Kalceks" as Member of the Board. Juris Hmelnickis is a co-author for a number of scientific publications in analytical research and chromatography.

*\*The Term of office - 03.02.2023*

• **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 JSC "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*

**JSC "GRINDEKS"**  
**MAJOR SHAREHOLDERS**

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The shareholders to the date of issuing the financial statements  
(according to *Nasdaq CSD* data as at March 31, 2020):

	<b>Percentage of investment (%) 31.03.2020</b>	<b>Percentage of investment (%) 31.03.2019</b>
Liplat Holding Ltd.*	92,81	-
Kirovs Lipmans	-	33,29
AMBERSTONE GROUP JSC	-	22,66
Anna Lipmane	-	16,65
Other shareholders**	7,19	27,40
<b>Total</b>	<b>100,00</b>	<b>100,00</b>

\*"Liplat Holding" Ltd. owners are Kirovs Lipmans, Anna Lipmane and Filips Lipmans.

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

### **Business activity**

During the reporting period, the "Grindeks" Group consisted of JSC "Grindeks" and its subsidiaries: JSC "Kalceks" in Latvia, JSC "Tallinn Pharmaceutical Plant" in Estonia, "HBM Pharma" Ltd. in Slovakia and "Namu apsaimniekosanas projekti" Ltd. in Latvia (all 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 "Grindeks" Group during the reporting period**

The Group's turnover in the first quarter of 2020 reached 43.3 million euro, which is by 13.2 million euro or 43.6% more than in the first quarter of 2019. In the first quarter of 2020, the Group's profit to shareholders of the parent company was 0.8 million. euro, which is by 2.6 million euro or 77% less than in the first quarter of 2019.

The decrease in profit in the first quarter of 2020 can be explained by the sharp increase in logistic costs and the depreciation of the Russian ruble. In April 2020, there was a positive trend towards a gradual normalization of the Russian ruble, and the results of the four months of this year show that most of the losses caused by depreciation of the ruble has already been recovered.

In the first quarter of 2020, the Group exported products to 63 countries around the world for a total of 40.3 million. euro, which is by 12.4 million euro or 45% more than in the first quarter of 2019.

At the end of the reporting period, the amount of accounts receivable was 42.2 million euro, which is by 14.0 million euro less than accounts payable that were 56.2 million euro. The amount of current assets at the end of reporting period was 84.3 million euro, which is by 44.5 million euro more than amount of current liabilities that was 39.8 million euro.

Financial indicator	01.01.2020 - 31.03.2020	01.01.2019 - 31.03.2019
Gross profit margin <sup>1</sup>	52.4%	52.3%
Net profit margin <sup>2</sup>	1.8%	11.2%
EBITDA margin <sup>3</sup>	8.2%	17.8%
Liquidity <sup>4</sup>	2.1	2.7

### **Impact of Covid-19 virus on the Group's operation**

The spread of the Covid-19 virus in the world and the declaration of a Public Health Emergency of International Concern has a significant impact on the economic activities of the Group in the first quarter of 2020.

The Covid-19 pandemic has changed the needs of patients. Group continuously monitors changes in demand for medicines and looks for flexible solutions to meet them and reorganize production in order to produce more. Thus, the ability of the Group to operate in emergency situation and respond promptly to the growing demand has significantly increased the Group's turnover in the first quarter of 2020 and even created business opportunities in new markets - Belgium, Italy, Cyprus, Spain and other countries.

Following the changes in the pharmaceutical market caused by the Covid-19 pandemic, the Group sees new business prospects in the segment of active pharmaceutical ingredients. Taking into account that JSC "Grindeks" permanently produces 25 active pharmaceutical ingredients, the experience and knowledge accumulated over the years encourages to use the unique advantage - to increase the production capacity of the active pharmaceutical ingredients, develop new substances and later expand the offer of final dosage forms. In addition, the development of this segment will increase the Group's independence from Indian and Chinese raw material producers, which in the future perspective would be beneficial for the patients of Latvia and the European Union in terms of accessibility of medicines. JSC "Grindeks" is convinced in the long-term benefits of the Group.

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<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.



The Covid-19 pandemic led to an unexpected increase in logistics costs, as well as disruptions and delays of all types of freight. For example, the air transportation costs have increased tenfold. In some cases, accurate information on the transit possibilities of goods is not available. In order to meet partner contract obligations, goods to such countries as, for example, Moldova, are sent on routes through Europe. In accordance with Covid-19 safety measures, several countries are introducing additional cargo custom control requirements, which may cause significant delays. At the same time, in the case of maritime transport, the number of available containers and available cargo space is shrinking due to the growing demand for transportation services. Consequently, maritime transport cannot fully ensure the smooth and timely product export. As a result, total transportation time, as well as delivery transit time and distance, as well as hard costs have increased.

In addition to the circumstances caused by the Covid-19 containment measures, the second most important factor influencing the Group's economic activity in the first quarter of 2020 was the depreciation of the Russian ruble. At the end of the first quarter of 2020, the ruble value against the euro depreciated by 22.9%, causing losses of several million. The main reason for the fluctuations of the Russian ruble was the fall in oil prices on world markets, which in turn affected the Russian economy as a whole.

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

Sales volume of the final dosage forms in the first three months of 2020 was 40.1 million euro and has increased by 12.5 million euro or 46%, in comparison to the first three months of 2019. In the first three months of 2020 sales in Russia, other CIS countries and Georgia reached 21.6 million euro, which is by 7.1 million euro or 49% more than in the first three months of 2019. Compared to the first quarter of 2019, sales in Russia and Turkmenistan have doubled. In the first three months of 2020 the biggest increase in sales volume has been reached in Georgia (64%), Kazakhstan (13%) and Uzbekistan (7%).

Sales volume of the final dosage forms in the EU countries, Great Britain and Norway in the first three months of 2020 reached 17.7 million euro, which is by 5.7 million euro or 48% more than in the first quarter of 2019. In comparison to the 2019, the first quarter of 2020 sales volumes also increased in Denmark (8 times), the Czech Republic (5 times), the Netherlands and Finland (2 times), Hungary (83%), Estonia (40%) and the United Kingdom (39%).

In the first quarter of 2020 sales volume of active pharmaceutical ingredients reached 3.0 million euro, which is by 0.4 million euro or 17% more than in the first quarter of 2019. The largest export countries of Group's active pharmaceutical ingredients during the reporting period were the EU countries, the USA, Australia and Singapore. In the first three months of 2020 the most demanded active pharmaceutical ingredients of the Group were pimobendan, oxytocin and atipamezole.

The subsidiary JSC "Kalceks", which specializes in medicines for the hospital segment, achieved a rapid increase in sales in the first quarter of 2020. Sales volumes of JSC "Kalceks" during the first three months of 2020 reached 8.5 million euro, which is by 6.5 million euro or 4 times more than in the first quarter of 2019. JSC "Kalceks" main sales markets were Belgium, Italy, the Czech Republic, Denmark and Germany.

#### **Investment program**

In 2020, Group plans to invest 10 million euro in strategically important research and development projects, including clinical trials of new investigational medicinal product metyl-GBB.

As part of the investment program, the production facility will be expanded and new technological equipment will be installed at JSC "Tallinn Pharmaceutical Plant" in Estonia. In the future, the prescription ointments and gels will also be produced there.

**JSC "Grindeks" share price development in the first three months of 2020 (data of "Nasdaq Riga")**

Since January 2, 2006 shares of JSC "Grindeks" are listed in the official list of "Nasdaq Riga". JSC "Grindeks" share price on "Nasdaq Riga" in the first three months of 2020 ranged from 12 to 15.9 euro. In the first three months of 2020 the average price of JSC "Grindeks" shares on "Nasdaq Riga" was 14.5 euro. The total of "Nasdaq Riga" traded shares in the first three months of 2020 was 8501 shares, reaching 123,7 thousand euro turnover. In the first three months of 2020, market capitalization of JSC "Grindeks" shares was 136,107 million euro.

In the first three months of 2020, the Group's earnings per share (EPS factor) was – 0.08 euro in comparison to 0.35 euro in the first three months of 2019.



**JSC "Grindeks" share price development in the first three months of 2020 in comparison with Baltic market indexes (data of "Nasdaq Riga")**





**Future prospects for 2020**

In 2020, Group strategically focuses on complex solutions to meet the needs of patients, expands the range of products and develops operations in new markets. In order to reduce business risks, the Group diversifies its operations.

Priorities of the Group's business strategy for 2020:

- Business expansion in the European Union, South East Asia and the United States
- Strengthening positions in Russia and other CIS countries
- Business expansion of JSC "Kalceks"
- Increase of the Group's turnover in 2020 - by at least 10%
- Investments in 2020 - up to 10 million euro
- Successful maintenance of the new Medicines Verification System
- Successful overcoming obstacles created by Covid-19

The most significant business risks that may affect the economic operations of the Group are still the depreciation or devaluation of national currencies in the CIS countries, changes in the geopolitical situation, as well as the global situation caused by the spread of Covid-19 virus and the declaration of a Public Health Emergency of International Concern.

On behalf of the Group's Management:



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Chairman of the Board  
Ph.D. Juris Hmelnickis

May 29, 2020

The Board of JSC "Grindeks" is bearing the responsibility for preparation of the consolidated financial statements of the JSC "Grindeks" and its subsidiaries.

The consolidated financial statements, enclosed from page 12 to page 21, are prepared in accordance with the accounting records and source documents, presenting fairly the financial position of the Group as at 31 March 2020 and the results of its operations and cash flows for the period ended 31 March 2020.

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 JSC "Grindeks" 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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Chairman of the Board  
Ph.D. Juris Hmelnickis

May 29, 2020

## JSC "GRINDEKS"

## STATEMENT OF FINANCIAL POSITION AS AT MARCH 31, 2020

ASSETS	Notes	31.03.2020 EUR	31.12.2019 EUR
<b>Non-current assets</b>			
<b>Intangible assets</b>			
Software, patents, licences, trademarks and other rights		3,444,695	3,285,491
Advances for intangible assets and capitalized development		1,000,867	1,078,378
<b>Total intangible assets</b>		<b>4,445,562</b>	<b>4,363,869</b>
<b>Goodwill</b>		<b>5,044,761</b>	<b>5,044,761</b>
<b>Property, plant and equipment</b>			
Land, buildings and constructions		28,879,346	29,349,335
Equipment and machinery		26,550,830	25,594,640
Other fixed assets		1,757,069	1,682,723
Right-of-use-asset		3,930,789	4,259,987
Construction in progress		2,170,821	2,448,726
Advance payments for fixed assets		1,296,161	1,224,692
<b>Total property, plant and equipment</b>		<b>64,585,016</b>	<b>64,560,103</b>
<b>Investment property</b>		<b>3,970,000</b>	<b>3,970,000</b>
<b>Non-current financial investments</b>			
Other investments		77,025	77,025
Other loans		2,200,000	2,200,000
Other long-term receivables		-	59,028
Loans to Management and Shareholders of the Group	4	2,563,579	2,563,579
<b>Total non-current financial investments</b>		<b>4,840,604</b>	<b>4,899,632</b>
<b>Total non-current assets</b>		<b>82,885,943</b>	<b>82,838,365</b>
<b>Current assets</b>			
<b>Inventories</b>			
Raw materials		11,948,464	11,403,916
Unfinished goods		12,636,462	10,927,151
Finished goods and goods for resale		14,057,875	23,828,262
Advance payments for stock		306,774	171,182
<b>Total inventory</b>		<b>38,949,575</b>	<b>46,330,511</b>
<b>Receivables</b>			
Trade receivables		33,929,324	31,753,330
Other receivables	5	6,751,168	8,056,318
Loans to Management and Shareholders of the Group	4	142,076	140,857
Other loans		579,301	579,301
Deferred expenses		808,387	683,818
<b>Total receivables</b>		<b>42,210,256</b>	<b>41,213,624</b>
<b>Cash and cash equivalents</b>	6	<b>3,102,250</b>	<b>2,106,465</b>
<b>Total current assets</b>		<b>84,262,081</b>	<b>89,650,600</b>
<b>TOTAL ASSETS</b>		<b>167,148,024</b>	<b>172,488,965</b>

Notes are integral part of these financial statements

<b>EQUITY AND LIABILITIES</b>	<b>Notes</b>	<b>31.03.2020 EUR</b>	<b>31.12.2019 EUR</b>
<b>Equity</b>			
Share capital		13,419,000	13,419,000
Share premium		22,321,657	22,321,657
Other reserves		880,726	880,726
Foreign currency revaluation reserve		31,071	(134,823)
Retained earnings			
a) previous period retained earning		73,414,697	59,980,117
b) reporting period profit		772,630	13,434,580
<b>Equity attributable to equity holders of the Parent entity</b>		<b>110,839,781</b>	<b>109,901,257</b>
Non-controlling interest		138,631	116,069
<b>Total equity</b>		<b>110,978,412</b>	<b>110,017,326</b>
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
Loans from credit institutions	7	7,684,129	8,356,960
Finance lease liabilities		212,833	71,102
Lease liabilities		3,588,698	3,863,911
Deferred tax liabilities		1,511,502	1,511,502
Other payables		758,688	776,874
Deferred income		2,620,654	2,628,262
<b>Total non-current liabilities</b>		<b>16,376,504</b>	<b>17,208,611</b>
<b>Current liabilities</b>			
Loans from credit institutions	7	23,207,477	24,456,050
Finance lease liabilities		51,369	46,075
Lease liabilities		318,124	362,968
Advances from customers		1,802,557	2,173,242
Trade payables to suppliers		9,326,535	12,035,767
Taxes and mandatory state social insurance contributions	8	1,068,976	2,215,053
Corporate income tax liability	8	174,366	39,754
Other payables		1,858,887	2,088,276
Accrued liabilities		1,548,485	1,340,587
Deferred income		436,332	505,256
<b>Total current liabilities</b>		<b>39,793,108</b>	<b>45,263,028</b>
<b>Total liabilities</b>		<b>56,169,612</b>	<b>62,471,639</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>167,148,024</b>	<b>172,488,965</b>

*Notes are integral part of these financial statements*



	Notes	01.01.2020 - 31.03.2020 EUR	01.01.2019 - 31.03.2019 EUR
Net sales	10	43,316,325	30,156,822
Cost of goods sold	11	(20,619,828)	(14,390,096)
<b>Gross profit</b>		<b>22,696,497</b>	<b>15,766,726</b>
Selling expenses	12	(7,354,443)	(6,461,577)
Administrative expenses	13	(5,291,552)	(6,094,946)
Other operating income	14	1,456,295	2,356,145
Other operating expenses	15	(10,163,336)	(1,763,311)
Interest income and similar income		31,925	28,361
Interest expenses and similar expenses		(170,779)	(90,659)
<b>Profit before taxation</b>		<b>1,204,607</b>	<b>3,740,739</b>
Corporate income tax		(409,415)	(380,712)
<b>NET PROFIT FOR THE PERIOD</b>		<b>795,192</b>	<b>3,360,027</b>

**Other comprehensive income:**

Foreign currency revaluation		165,894	(70,460)
<b>Total other comprehensive income</b>		<b>165,894</b>	<b>(70,460)</b>
<b>TOTAL COMPREHENSIVE INCOME</b>		<b>961,086</b>	<b>3,289,567</b>

**Profit attributable to:**

Equity holders of the Parent entity		772,630	3,370,573
Non-controlling interest		22,562	(10,546)
<b>TOTAL</b>		<b>795,192</b>	<b>3,360,027</b>

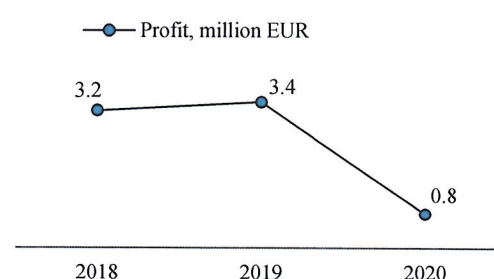
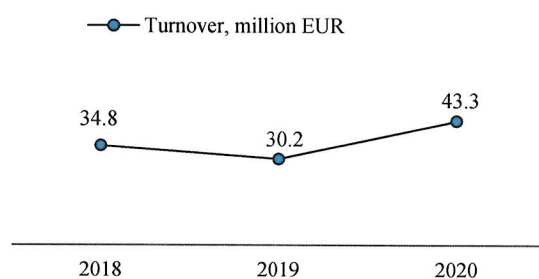
**Comprehensive income attributable to:**

Equity holders of the Parent entity		938,524	3,300,113
Non-controlling interest		22,562	(10,546)
<b>TOTAL</b>		<b>961,086</b>	<b>3,289,567</b>

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

**0.08                      0.35**

*Notes are integral part of these financial statements*





**JSC "GRINDEKS"**
**STATEMENT OF CHANGES IN EQUITY FOR THE THREE MONTH PERIOD ENDED MARCH 31, 2020**

	Share capital	Share premium	Other reserves	Foreign currency revaluation reserve	Retained profit	Equity attributable to equity holders of the parent company	Non- controlling interest	Total
	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR
<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>
Foreign currency revaluation	-	-	-	(70,460)	-	(70,460)	-	(70,460)
Profit for the reporting period	-	-	-	-	3,370,573	3,370,573	(10,546)	3,360,027
<b>31.03.2019</b>	<b>13,419,000</b>	<b>22,321,657</b>	<b>880,726</b>	<b>87,738</b>	<b>75,619,490</b>	<b>112,328,611</b>	<b>87,963</b>	<b>112,416,574</b>
<b>31.12.2019</b>	<b>13,419,000</b>	<b>22,321,657</b>	<b>880,726</b>	<b>(134,823)</b>	<b>73,414,697</b>	<b>109,901,257</b>	<b>116,069</b>	<b>110,017,326</b>
Foreign currency revaluation	-	-	-	165,894	-	165,894	-	165,894
Profit for the reporting period	-	-	-	-	772,630	772,630	22,562	795,192
<b>31.03.2020</b>	<b>13,419,000</b>	<b>22,321,657</b>	<b>880,726</b>	<b>31,071</b>	<b>74,187,327</b>	<b>110,839,781</b>	<b>138,631</b>	<b>110,978,412</b>

*Notes are integral part of these financial statements*

## STATEMENT OF CASH FLOWS FOR THE THREE MONTHS PERIOD ENDED MARCH 31, 2020

	01.01.2020 - 31.03.2020 EUR	01.01.2019 - 31.03.2019 EUR
<b>OPERATING ACTIVITIES</b>		
<b>Profit for the reporting period before tax</b>	<b>1,204,607</b>	<b>3,740,739</b>
<i>Adjustments to reconcile net profit to net cash provided by operating activities:</i>		
Depreciation and amortization	2,200,678	1,575,130
Loss/(profit) on disposal of fixed assets and intangible assets	7,118	134,973
Revenue from the EU funds	(120,066)	(110,822)
Interest expense	170,779	162,418
Interest income	(31,925)	(162,583)
<i>Changes in operating assets and liabilities:</i>		
Inventory	7,380,936	(2,350,777)
Trade receivables	(1,044,417)	(3,808,672)
Trade payables	(4,340,559)	360,207
<b>Net cash flow provided by operating activities</b>	<b>5,427,151</b>	<b>(459,387)</b>
Corporate income tax paid	(431,047)	(116,058)
<b>Net cash provided by operating activities</b>	<b>4,996,104</b>	<b>(575,445)</b>
<b>INVESTING ACTIVITIES</b>		
Purchase of fixed assets and intangible assets	(2,073,684)	(1,982,307)
Proceeds from sale of fixed assets	8,002	-
<b>Net cash flow provided by investing activities</b>	<b>(2,065,682)</b>	<b>(1,982,307)</b>
<b>FINANCING ACTIVITIES</b>		
Received loans from credit institutions	-	12,055,900
Repayment of loans to credit institutions	(1,422,831)	(5,406,502)
Payments of lease liabilities	(384,561)	-
Received EU funding	43,534	7,185
Interest paid	(170,779)	(162,418)
<b>Net cash flow provided by financing activities</b>	<b>(1,934,637)</b>	<b>6,494,165</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>995,785</b>	<b>3,936,413</b>
<b>Cash and cash equivalents at the beginning of the reporting period</b>	<b>2,106,465</b>	<b>4,219,118</b>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE REPORTING PERIOD</b>	<b>3,102,250</b>	<b>8,155,531</b>

*Notes are integral part of these 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 consolidated interim condensed financial statements are approved by the Board on May 29, 2020.

## **2. ACCOUNTING PRINCIPLES**

The consolidated interim condensed financial statements for three months ended 31 March 2020 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 2019.

The interim financial statements comprise the financial statements of the Parent Company and all its subsidiaries as at 31 March 2020.

The financial statements were prepared in Latvian and English. In the event of any discrepancies between the Latvian and the English reports, the Latvian version shall prevail.

## **3. ACCOUNTING POLICY**

JSC "Grindeks" Group hereby informs that there were no changes made in its accounting policy in January - March 2020. In unaudited financial statements for the period January - March 2020 the Group has employed the same Accounting and Consolidation Principles as in the audited consolidated financial statements for the year 2019, released on April 30, 2020. 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.

## **4. RELATED PARTY DISCLOSURES**

	<b>31.03.2020</b>	<b>31.12.2019</b>
	<b>EUR</b>	<b>EUR</b>
Loans to Management and Shareholders of the Group	2,705,655	2,704,436
<b>Total</b>	<b>2,705,655</b>	<b>2,704,436</b>

## **5. OTHER RECEIVABLES**

	<b>31.03.2020</b>	<b>31.12.2019</b>
	<b>EUR</b>	<b>EUR</b>
Tax receivables	4,261,715	6,021,396
Other	2,489,453	2,034,922
<b>Total</b>	<b>6,751,168</b>	<b>8,056,318</b>

## **6. CASH AND CASH EQUIVALENTS**

	<b>31.03.2020</b>	<b>31.12.2019</b>
	<b>EUR</b>	<b>EUR</b>
Cash in bank	3,078,693	2,094,044
Cash on hand	23,557	12,421
<b>Total</b>	<b>3,102,250</b>	<b>2,106,465</b>

## **7. LOANS FROM CREDIT INSTITUTIONS**

	<b>31.03.2020</b>	<b>31.12.2019</b>
	<b>EUR</b>	<b>EUR</b>
Credit line from Luminor Bank AS Latvian branch	9,339,347	9,114,260
Credit line from SEB banka JSC, Latvia	3,302,353	3,314,912
Tatrabank JSC, Slovakia	2,691,324	2,691,324
Nordea Bank Finland Plc	5,333,333	5,583,333
Luminor Bank AS Latvian branch	2,500,000	3,000,000
Credit line from Tatrabank JSC, Slovakia	41,120	752,221
<b>Current loans from credit institutions</b>	<b>23,207,477</b>	<b>24,456,050</b>
Luminor Bank AS Latvian branch	1,750,000	1,750,000
Tatrabank JSC, Slovakia	5,934,129	6,606,960
<b>Non-current loans from credit institutions</b>	<b>7,684,129</b>	<b>8,356,960</b>
<b>Total</b>	<b>30,891,606</b>	<b>32,813,010</b>

## **8. TAXES AND SOCIAL SECURITY CONTRIBUTIONS**

	<b>31.03.2020</b>	<b>31.12.2019</b>
	<b>EUR</b>	<b>EUR</b>
Mandatory state social insurance contributions	675,294	1,070,187
Personal income tax	377,911	380,950
Corporate income tax	174,366	39,754
Value added tax	-	750,983
Other	15,771	12,933
<b>Total</b>	<b>1,243,342</b>	<b>2,254,807</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.



**JSC "GRINDEKS"**  
**NOTES TO FINANCIAL STATEMENTS**

**3 Months 2020, EUR**

	<b>Final dosage forms</b>	<b>Active pharma- ceutical ingredients</b>	<b>Eliminations</b>	<b>Total</b>
<b>Revenue</b>				
External sales	40,287,725	3,028,600	-	43,316,325
Inter-segment sales	-	852,925	(852,925)	-
<b>Total revenue</b>	<b>40,287,725</b>	<b>3,881,525</b>	<b>(852,925)</b>	<b>43,316,325</b>
<b>Result</b>				
Segment direct attributable result	13,189,730	2,152,324	-	15,342,054
Unallocated expenses				(13,998,593)
<b>Operating profit</b>				<b>1,343,461</b>
Interest income				31,925
Interest expense				(170,779)
<b>Profit before taxation</b>				<b>1,204,607</b>
Income tax expense				(409,415)
<b>Profit for the period</b>				<b>795,192</b>
<b>Attributable to:</b>				
Equity holders for parent Company				772,630
Non-controlling interest				22,562
<b>Total</b>				<b>795,192</b>

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

**3 Months 2019, EUR**

	<b>Final dosage forms</b>	<b>Active pharma- ceutical ingredients</b>	<b>Eliminations</b>	<b>Total</b>
<b>Revenue</b>				
External sales	27,575,654	2,581,168	-	30,156,822
Inter-segment sales	-	3,211,943	(3,211,943)	-
<b>Total revenue</b>	<b>27,575,654</b>	<b>5,793,111</b>	<b>(3,211,943)</b>	<b>30,156,822</b>
<b>Result</b>				
Segment direct attributable result	6,930,462	2,374,687	-	9,305,149
Unallocated expenses				(5,502,112)
<b>Operating profit</b>				<b>3,803,037</b>
Interest income				28,361
Interest expense				(90,659)
<b>Profit before taxation</b>				<b>3,740,739</b>
Income tax expense				(380,712)
<b>Profit for the period</b>				<b>3,360,027</b>
<b>Attributable to:</b>				
Equity holders for parent Company				3,370,573
Non-controlling interest				(10,546)
<b>Total</b>				<b>3,360,027</b>

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



## 10. NET SALES

	01.01.2020 - 31.03.2020	01.01.2019 - 31.03.2019
	EUR	EUR
Russia	12,622,321	6,254,245
Other CIS countries	9,978,130	8,972,031
Other countries	16,032,667	11,070,785
Latvia	2,963,009	2,162,495
Lithuania	1,785,689	1,711,374
Estonia	869,235	600,226
Other sales	183,176	319,019
<b>Gross sales</b>	<b>44,434,227</b>	<b>31,090,175</b>
<b>Less discounts</b>		
Russia	-	(2,193)
Other CIS countries	(897,628)	(697,956)
Other countries	(19,343)	(29,446)
Latvia	(159,024)	(197,359)
Lithuania	(11,616)	(3,433)
Estonia	(30,291)	(2,966)
<b>Discounts total</b>	<b>(1,117,902)</b>	<b>(933,353)</b>
<b>Total net</b>	<b>43,316,325</b>	<b>30,156,822</b>

## 11. COST OF GOODS SOLD

	01.01.2020 - 31.03.2020	01.01.2019 - 31.03.2019
	EUR	EUR
Raw materials and packaging	6,164,235	7,027,873
Direct labor and social security contributions	4,628,812	4,914,889
Depreciation of fixed assets and amortization of intangible assets	1,242,047	1,238,625
Depreciation of right-of-use-asset	57,357	57,838
Electricity expenses	632,689	738,055
Goods purchased for resale and contract manufacturing costs	6,376,570	1,580,306
Research costs	572,010	526,297
Machinery, buildings and equipment repairs	381,531	412,340
Household expenses	72,807	56,666
Transport costs	65,002	34,712
Rent of work clothing	59,747	54,880
Waste disposal	52,949	58,774
Other expenses	1,166,789	894,938
Internal turnover of self-manufactured raw materials	(852,717)	(3,206,097)
<b>Total</b>	<b>20,619,828</b>	<b>14,390,096</b>

## 12. SELLING EXPENSES

	01.01.2020 - 31.03.2020	01.01.2019 - 31.03.2019
	EUR	EUR
Advertising expenses	1,480,411	1,752,223
Expenses of representative offices	1,243,866	1,145,391
Salaries and social security contributions	1,135,093	1,262,535
Distribution costs	400,066	392,430
Commissions	462,544	619,826
Depreciation of fixed assets and amortization of intangible assets	53,558	79,046
Depreciation of right-of-use-asset	211,418	203,184
Registration costs for medicine	483,293	281,316
Freight insurance expenses	2,288	3,424
Other expenses	1,881,906	722,202
<b>Total</b>	<b>7,354,443</b>	<b>6,461,577</b>

### 13. ADMINISTRATIVE EXPENSES

	01.01.2020 - 31.03.2020	01.01.2019 - 31.03.2019
	EUR	EUR
Salaries and social security contributions	3,426,771	3,460,102
Professional and consultancy services	199,200	1,165,904
Depreciation of fixed assets and amortization of intangible assets	303,287	275,875
Depreciation of right-of-use-asset	61,889	21,750
Computer maintenance and repair	216,135	155,355
Security costs	132,523	115,732
Bank charges	39,792	40,969
Electricity costs	57,164	73,923
Employee insurance expenses	114,189	59,350
Transport costs	22,582	25,119
Property and liability insurance	38,283	26,932
Business trip expenses	15,671	16,247
Communication expenses	14,847	16,761
Personnel training and hiring expenses	20,373	44,524
Provisions	-	491,577
Othes expenses	628,846	104,826
<b>Total</b>	<b>5,291,552</b>	<b>6,094,946</b>

### 14. OTHER OPERATING INCOME

	01.01.2020 - 31.03.2020	01.01.2019 - 31.03.2019
	EUR	EUR
Currency exchange gain	769,576	2,230,485
Income from EU projects	119,941	118,304
Income from services rendered	191,361	-
Past period's income for the reporting period	17,373	-
Income from sale of property, plant and equipment	20,984	-
Other income	337,060	7,356
<b>Total</b>	<b>1,456,295</b>	<b>2,356,145</b>

### 15. OTHER OPERATING EXPENSES

	01.01.2020 - 31.03.2020	01.01.2019 - 31.03.2019
	EUR	EUR
Sales discounts	2,257,260	1,187,133
Exchange rate losses	7,643,132	493,624
Property tax	32,182	16,795
Inventory write-off	15,291	-
Other opartaing income	215,471	65,759
<b>Total</b>	<b>10,163,336</b>	<b>1,763,311</b>

### 16. EVENTS AFTER THE REPORTING PERIOD

Details of events after the reporting period end are described in Management Report.

  
Chairman of the Board  
Ph.D. Juris Hmelnickis

May 29, 2020