

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 June 30, 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

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	<p>JSC "Tallinn Pharmaceutical Plant" (100 %) Tondi 33, 11316, Tallinn, Estonia</p> <p>JSC "Kalceks" (98.67%) Krustpils Street 53, Riga, LV – 1057, Latvia</p> <p>"HBM Pharma" Ltd. (100%) Sklabinska 30, 036 80, 036 80, Martina Slovakia</p> <p>"Namu apsaimniekosanas projekti" Ltd. (100%) Krustpils Street 53, Riga, LV – 1057, Latvia</p> <p>Subsidiary "Grindeks Rus" Ltd. (100%) Warsaw road 74/3, 117556, Moscow, Russia</p>
Reporting period	01.01.2020 - 31.12.2020
Interim reporting period	01.01.2020 - 30.06.2020

JSC "GRINDEKS" THE SUPERVISORY COUNCIL AND THE BOARD

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

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

The shareholders to the date of issuing the financial statements
(according to Nasdaq CSD data as at July 28, 2020):

	Percentage of investment (%) 09.07.2020	Percentage of investment (%) 09.07.2019
Liplat Holding Ltd.*	94,16	92,81
Other shareholders**	5,84	7,19
Total	100,00	100,00

**"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 half of 2020 reached 94,5 million euro, which is by 25,6 million euro or 37% more than first half of 2019. In the first half of the 2020 the Group's profit to shareholders of the parent company was 12,8 million euro, which is by 5,2 million euro or 67% more than in the first half of 2019.

In the first half of 2020, the Group exported its production to 77 countries worldwide for a total of 88,9 million euro, which is by 24,6 million euro or 38% more than in the first half of 2019.

At the end of the reporting period, the amount of accounts receivable was 44,6 million euro, which is by 10,9 million euro less than accounts payable that were 55,5 million euro. The amount of current assets at the end of reporting period was 95,3 million euro, which is by 55,2 million euro more than amount of current liabilities that was 40,1 million euro.

Financial indicator	01.01.2020 - 30.06.2020	01.01.2019 - 30.06.2019
Gross profit margin ¹	60,0%	55,3%
Net profit margin ²	13,5%	11,1%
EBITDA margin ³	19,3%	17,2%
Liquidity ⁴	2,4	2,8

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

The spread of the Covid-19 virus in the world and declared global emergency has a significant impact on the economic activities of the "Grindeks" Group in the first half 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 half of 2020 and even created business opportunities in new markets – Spain, Belgium, Italy, Denmark, Great Britain 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 "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 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. "Grindeks" is convinced in the long-term benefits of the Group.

Initially, the Covid-19 pandemic led to an unexpected increase in logistical costs – disrupting or hindering all types of freight extended overall transportation time and distance. Now the situation has stabilized.

¹ Gross profit margin, unit % = gross profit divided by net turnover.

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

³ EBITDA (Earnings Before Interest, Taxes, Depreciation and Amortization Definition), unit % = (Operating Profit minus sales costs, costs of administration, other operating income, other operating expenses, plus depreciation of fixed assets) divided by net turnover.

⁴ Liquidity, unit ratios = current assets divided by the amount of short-term creditors.

The above alternative performance measures are used by the management of the Group to evaluate Group's performance for particular financial period.

In addition to the situation caused by restrictive measures on the spread of Covid-19, the second most important factor in the economic activity of the Group in the first half of 2020 was the Russian ruble value fall.

Sales of final dosage forms and active pharmaceutical ingredients

"Grindeks" Group's sales volume of the final dosage forms in the first half of 2020 was 87,6 million euro and has increased by 24,6, million euro or 39% in comparison to the first half of 2019.

In the first half of 2020 sales in Russia, other CIS countries and Georgia reached 42,8 million euro, which is by 4,4 million euro or 11% more than in the first half of 2019. Compared to the first half of 2019, first half of the 2020 biggest increase in sales volume has been reached in Ukraine (43%), Georgia (19%), Kazakhstan (15%) and Russia (6%).

Group's sales volume of the final dosage forms in the EU countries, Great Britain and Norway in the first half of 2020 reached 41,5 million euro, which is by 18,1 million euro or 77% more than in first half of 2019. In comparison to the first half of 2019, the first half of 2020 sales volumes also increased in Belgium (720 times), in Spain (82 times), in Denmark (7 times), the Netherlands (3 times), in Great Britain (84%), in Latvia (49%) and Estonia (21%). The high sales results in Belgium and Spain have been achieved thanks to the intensive work of "Grindeks" subsidiary JSC "Kalceks", and business development in EU countries.

In the first half of 2020 sales volume of active pharmaceutical ingredients reached 6,5 million euro, which is by 1,5 million euro or 29% more than in the first half of 2019. The largest export countries of Group's active pharmaceutical ingredients during the reporting period were the EU countries, the USA, Japan and Canada.

In the first half of 2020 the subsidiary company of "Grindeks" JSC "Kalceks", which specializes in medicines for the hospital segment, achieved a rapid increase in sales, achieved by increasing the number of export countries and by introducing new products. JSC "Kalceks" product sales in the first half of 2020 reached 24,9 million euro, which is by 19,8 million euro or 5 times more than in the first half of 2019. In the first half of 2020 JSC "Kalceks" medications were exported to 48 countries, main sales markets were Spain, Belgium, Israel, Italy and Denmark.

Investment program

As part of the investment program, "Grindeks" Group implements strategically important research and development projects, including clinical trials of new investigational medicinal product metyl-GBB.

The production facility is expanding and new technological equipment is being installed at JSC "Tallinn Pharmaceutical Plant" in Estonia. Further on, the prescription ointments and gels will also be produced there.

The development of the "Grindeks" plant expansion project has been started in Latvia, which includes the introduction of complex manufacturing processes for active pharmaceuticals and the installation of a variety of technological equipment.

JSC "GRINDEKS" MANAGEMENT REPORT

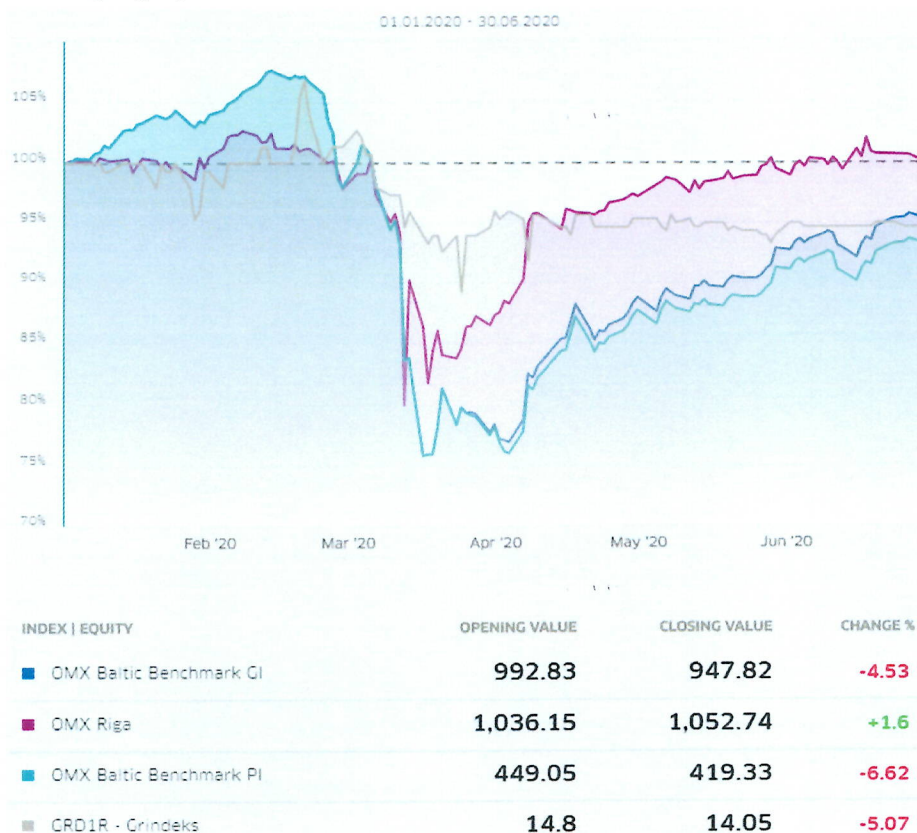
JSC "Grindeks" share price development in the first six months of 2020 (data of "Nasdaq Riga")

Since 2 January 2006 shares of JSC "Grindeks" are listed in the official list of "Nasdaq Riga". JSC "Grindeks" share price on "Nasdaq Riga" in the first half-year of 2020 ranged from 12 to 15.9 euro. In the first half-year of 2020 the average price of JSC "Grindeks" shares on "Nasdaq Riga" was 14.3 euro. The total of "Nasdaq Riga" traded shares in the first six months of 2020 was 17 447 shares, reaching 248.1 thousand euro turnover. At the end of the first six months of 2020, market capitalization of JSC "Grindeks" shares was 134.669 thousand euro.

In the first six months of 2020, the Group's earnings per share (EPS factor) was 1.34 euro in comparison to 0.8 euro in the first half-year of 2019.



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



Future prospects for 2020

In 2020, "Grindeks" 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
- Overcoming the obstacles created by Covid-19

The most significant business risks that may affect the economic operations of the "Grindeks" 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.

On behalf of the Group's Management:



Chairman of the Board
Ph.D. Juris Hmelnickis

August 27, 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 30 June 2020 and the results of its operations and cash flows for the period ended 30 June 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:


Chairman of the Board
Ph.D. Juris Hmelnickis

August 27, 2020

JSC "GRINDEKS"

STATEMENT OF FINANCIAL POSITION AS AT JUNE 30, 2020

ASSETS	Notes	30.06.2020 EUR	31.12.2019 EUR
Non-current assets			
Intangible assets			
Software, patents, licences, trademarks and other rights		3,637,743	3,285,491
Advances for intangible assets and capitalized development		1,133,446	1,078,378
Total intangible assets		4,771,189	4,363,869
Goodwill		5,044,761	5,044,761
Property, plant and equipment			
Land, buildings and constructions		28,171,126	29,349,335
Equipment and machinery		26,465,110	25,594,640
Other fixed assets		1,742,600	1,682,723
Right-of-use-asset		3,601,582	4,259,987
Construction in progress		2,386,974	2,448,726
Advance payments for fixed assets		2,275,604	1,224,692
Total property, plant and equipment		64,642,996	64,560,103
Investment property		3,970,000	3,970,000
Non-current financial investments			
Other investments		77,025	77,025
Other loans		2,200,000	2,200,000
Other long-term receivables		34,480	59,028
Loans to Management and Shareholders of the Group	4	2,563,579	2,563,579
Total non-current financial investments		4,875,084	4,899,632
Total non-current assets		83,304,030	82,838,365
Current assets			
Inventories			
Raw materials		14,358,803	11,403,916
Unfinished goods		11,775,955	10,927,151
Finished goods and goods for resale		17,353,771	23,828,262
Advance payments for stock		501,384	171,182
Total inventory		43,989,913	46,330,511
Receivables			
Trade receivables		35,417,266	31,753,330
Other receivables	5	7,778,231	8,056,318
Loans to Management and Shareholders of the Group	4	153,189	140,857
Other loans		579,301	579,301
Deferred expenses		693,477	683,818
Total receivables		44,621,464	41,213,624
Cash and cash equivalents	6	6,705,872	2,106,465
Total current assets		95,317,249	89,650,600
TOTAL ASSETS		178,621,279	172,488,965

Notes are integral part of these financial statements

EQUITY AND LIABILITIES	Notes	30.06.2020 EUR	31.12.2019 EUR
Equity			
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		105,383	(134,823)
Retained earnings			
a) previous period retained earning		73,414,697	59,980,117
b) reporting period profit		12,798,586	13,434,580
Equity attributable to equity holders of the Parent entity		122,940,049	109,901,257
Non-controlling interest		184,055	116,069
Total equity		123,124,104	110,017,326
Liabilities			
Non-current liabilities			
Loans from credit institutions	7	7,011,298	8,356,960
Finance lease liabilities		210,739	71,102
Lease liabilities		3,313,343	3,863,911
Deferred tax liabilities		1,511,502	1,511,502
Other payables		758,688	776,874
Deferred income		2,613,158	2,628,262
Total non-current liabilities		15,418,728	17,208,611
Current liabilities			
Loans from credit institutions	7	21,921,500	24,456,050
Finance lease liabilities		38,296	46,075
Lease liabilities		273,672	362,968
Advances from customers		1,578,894	2,173,242
Trade payables to suppliers		10,171,778	12,035,767
Taxes and mandatory state social insurance contributions	8	1,962,596	2,215,053
Corporate income tax liability	8	438,595	39,754
Other payables		2,184,502	2,088,276
Accrued liabilities		1,157,738	1,340,587
Deferred income		350,876	505,256
Total current liabilities		40,078,447	45,263,028
Total liabilities		55,497,175	62,471,639
TOTAL EQUITY AND LIABILITIES		178,621,279	172,488,965

Notes are integral part of these financial statements

	Notes	01.04.2020- 30.06.2020 EUR	01.04.2019- 30.06.2019 EUR	01.01.2020 - 30.06.2020 EUR	01.01.2019 - 30.06.2019 EUR
Net sales	10	51,201,095	38,808,718	94,517,420	68,965,540
Cost of goods sold	11	(17,186,498)	(16,403,565)	(37,806,326)	(30,793,661)
Gross profit		34,014,597	22,405,153	56,711,094	38,171,879
Selling expenses	12	(8,132,921)	(9,046,978)	(15,487,364)	(15,508,555)
Administrative expenses	13	(13,193,000)	(6,739,500)	(18,484,552)	(12,834,446)
Other operating income	14	690,124	1,735,988	2,146,419	4,092,133
Other operating expenses	15	(955,502)	(3,657,801)	(11,118,838)	(5,421,112)
Interest income and similar income		41,431	44,399	73,356	72,760
Interest expenses and similar expenses		(158,495)	(120,270)	(329,274)	(210,929)
Profit before taxation		12,306,234	4,620,991	13,510,841	8,361,730
Corporate income tax		(234,854)	(341,927)	(644,269)	(722,639)
NET PROFIT FOR THE PERIOD		12,071,380	4,279,064	12,866,572	7,639,091

Other comprehensive income:

Foreign currency revaluation		74,312	9,840	240,206	(60,620)
Total other comprehensive income		74,312	9,840	240,206	(60,620)
TOTAL COMPREHENSIVE INCOME		12,145,692	4,288,904	13,106,778	7,578,471

Profit attributable to:

Equity holders of the Parent entity		12,025,956	4,275,802	12,798,586	7,646,375
Non-controlling interest		45,424	3,262	67,986	(7,284)
TOTAL		12,071,380	4,279,064	12,866,572	7,639,091

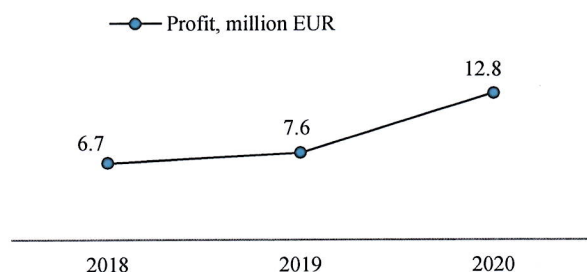
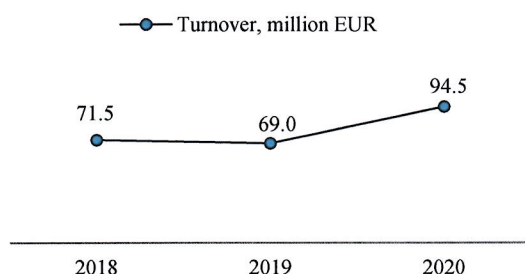
Comprehensive income attributable to:

Equity holders of the Parent entity		12,100,268	4,285,642	13,038,792	7,585,755
Non-controlling interest		45,424	3,262	67,986	(7,284)
TOTAL		12,145,692	4,288,904	13,106,778	7,578,471

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

	1.25	0.45	1.34	0.80
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Notes are integral part of these financial statements



JSC "GRINDEKS"
STATEMENT OF CHANGES IN EQUITY FOR SIX MONTH PERIOD ENDED JUNE 30, 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
31.12.2018	13,419,000	22,321,657	880,726	158,198	72,248,917	109,028,498	98,509	109,127,007
Foreign currency revaluation	-	-	-	(60,620)	-	(60,620)	-	(60,620)
Profit for the reporting period	-	-	-	-	7,646,375	7,646,375	(7,284)	7,639,091
30.06.2019	13,419,000	22,321,657	880,726	97,578	79,895,292	116,614,253	91,225	116,705,478
31.12.2019	13,419,000	22,321,657	880,726	(134,823)	73,414,697	109,901,257	116,069	110,017,326
Foreign currency revaluation	-	-	-	240,206	-	240,206	-	240,206
Profit for the reporting period	-	-	-	-	12,798,586	12,798,586	67,986	12,866,572
30.06.2020	13,419,000	22,321,657	880,726	105,383	86,213,283	122,940,049	184,055	123,124,104

Notes are integral part of these financial statements

	01.01.2020 - 30.06.2020 EUR	01.01.2019 - 30.06.2019 EUR
OPERATING ACTIVITIES		
Profit for the reporting period before tax	13,510,841	8,361,730
<i>Adjustments to reconcile net profit to net cash provided by operating activities:</i>		
Depreciation and amortization	4,452,765	3,391,674
Loss/(profit) on disposal of fixed assets and intangible assets	(332,862)	273,121
Revenue from the EU funds	(240,021)	(364,100)
Interest expense	329,274	210,931
Interest income	(73,356)	(72,757)
<i>Changes in operating assets and liabilities:</i>		
(Increase)/decrease in inventories	2,340,598	(4,420,351)
(Increase)/decrease in receivables	(2,955,222)	(9,356,878)
Increase/(decrease) in payables	(2,832,767)	1,945,913
Net cash flow provided by operating activities	14,199,250	(30,717)
Corporate income tax	(438,007)	(334,507)
Net cash provided by operating activities	13,761,243	(365,224)
INVESTING ACTIVITIES		
Purchase of fixed assets and intangible assets	(4,896,271)	(4,091,079)
Proceeds from sale of fixed assets	8,426	-
Net cash flow provided by investing activities	(4,887,845)	(4,091,079)
FINANCING ACTIVITIES		
Received loans from credit institutions	-	12,576,825
Repayment of loans to credit institutions	(3,272,750)	(4,340,401)
Payments of lease liabilities	(742,504)	-
Received EU funding	70,537	7,185
Interest paid	(329,274)	(210,931)
Net cash flow provided by financing activities	(4,273,991)	8,032,678
Net increase/(decrease) in cash and cash equivalents	4,599,407	3,576,375
Cash and cash equivalents at the beginning of the reporting period	2,106,465	4,219,118
CASH AND CASH EQUIVALENTS AT THE END OF THE REPORTING PERIOD	6,705,872	7,795,493

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,

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 August 27, 2020.

2. ACCOUNTING PRINCIPLES

The consolidated interim condensed financial statements for six months ended 30 June 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 30 June 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 - June 2020. In unaudited financial statements for the period January - June 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

	30.06.2020	31.12.2019
	EUR	EUR
Loans to Management and Shareholders of the Group	2,716,768	2,704,436
Total	2,716,768	2,704,436

5. OTHER RECEIVABLES

	30.06.2020	31.12.2019
	EUR	EUR
Tax receivables	5,231,215	6,021,396
Other	2,547,016	2,034,922
Total	7,778,231	8,056,318

6. CASH AND CASH EQUIVALENTS

	30.06.2020	31.12.2019
	EUR	EUR
Cash in bank	6,703,410	2,094,044
Cash on hand	2,462	12,421
Total	6,705,872	2,106,465

7. LOANS FROM CREDIT INSTITUTIONS

	30.06.2020	31.12.2019
	EUR	EUR
Credit line from Luminor Bank AS Latvian branch	7,001,658	9,114,260
Credit line from SEB banka JSC, Latvia	3,285,502	3,314,912
Tatrabank JSC, Slovakia	2,691,324	2,691,324
Nordea Bank Finland Plc	5,083,333	5,583,333
Luminor Bank AS Latvian branch	2,500,000	3,000,000
Credit line from Tatrabank JSC, Slovakia	1,359,683	752,221
Current loans from credit institutions	21,921,500	24,456,050
Luminor Bank AS Latvian branch	1,750,000	1,750,000
Tatrabank JSC, Slovakia	5,261,298	6,606,960
Non-current loans from credit institutions	7,011,298	8,356,960
Total	28,932,798	32,813,010

8. TAXES AND SOCIAL SECURITY CONTRIBUTIONS

	30.06.2020	31.12.2019
	EUR	EUR
Mandatory state social insurance contributions	848,852	1,070,187
Personal income tax	506,321	380,950
Corporate income tax	438,595	39,754
Value added tax	588,490	750,983
Other	18,933	12,933
Total	2,401,191	2,254,807

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

6 Months 2020, EUR

	Final dosage forms	Active pharma- ceutical ingredients	Eliminations	Total
Revenue				
External sales	87,994,980	6,522,440	-	94,517,420
Inter-segment sales		5,164,782	(5,164,782)	-
Total revenue	87,994,980	11,687,222	(5,164,782)	94,517,420
Result				
Segment direct attributable result	35,423,845	5,799,885	-	41,223,730
Unallocated expenses				(27,456,971)
Operating profit				13,766,759
Interest income				73,356
Interest expense				(329,274)
Profit before taxation				13,510,841
Income tax expense				(644,269)
Profit for the period				12,866,572
Attributable to:				
Equity holders for parent Company				12,798,586
Non-controlling interest				67,986
Total				12,866,572

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

6 Months 2019, EUR

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

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

10. NET SALES

	01.01.2020- 30.06.2020	01.01.2019- 30.06.2019
	EUR	EUR
Russia	23,722,127	22,076,343
Other CIS countries	20,834,453	17,829,884
Other countries	41,266,119	21,299,781
Latvia	5,463,721	4,551,301
Lithuania	3,258,396	3,235,713
Estonia	1,545,887	1,254,146
Other sales	428,793	490,810
Gross sales	96,519,496	70,737,978
Less discounts		
Russia	(9,035)	(5,767)
Other CIS countries	(1,596,586)	(1,404,151)
Other countries	(79,621)	(31,446)
Latvia	(231,825)	(316,675)
Lithuania	(41,783)	(3,464)
Estonia	(43,226)	(10,935)
Discounts total	(2,002,076)	(1,772,438)
Total net	94,517,420	68,965,540

11. COST OF GOODS SOLD

	01.01.2020- 30.06.2020	01.01.2019- 30.06.2019
	EUR	EUR
Raw materials and packaging	16,040,792	17,893,291
Direct labor and social security contributions	9,526,446	10,236,896
Depreciation of fixed assets and amortization of intangible assets	2,515,173	2,487,461
Depreciation of right-of-use-asset	114,713	114,684
Electricity expenses	1,196,568	1,308,078
Goods purchased for resale and contract manufacturing costs	7,609,415	746,637
Research costs	912,159	1,214,549
Machinery, buildings and equipment repairs	723,518	863,423
Household expenses	150,092	130,974
Transport costs	125,468	62,527
Rent of work clothing	113,028	109,406
Waste disposal	98,816	123,291
Other expenses	2,584,762	2,266,698
Internal turnover of self-manufactured raw materials	(3,904,624)	(6,764,254)
Total	37,806,326	30,793,661

12. SELLING EXPENSES

	01.01.2020- 30.06.2020	01.01.2019- 30.06.2019
	EUR	EUR
Advertising expenses	4,007,489	5,612,075
Expenses of representative offices	2,292,962	2,427,693
Salaries and social security contributions	2,297,273	2,611,189
Distribution costs	967,129	816,148
Commissions	1,193,601	1,212,732
Depreciation of fixed assets and amortization of intangible assets	108,974	157,710
Depreciation of right-of-use-asset	422,837	169,049
Registration costs for medicine	943,376	527,147
Freight insurance expenses	4,479	6,876
Other expenses	3,249,244	1,967,936
Total	15,487,364	15,508,555

13. ADMINISTRATIVE EXPENSES

	01.01.2020- 30.06.2020	01.01.2019- 30.06.2019
	EUR	EUR
Salaries and social security contributions	13,312,624	7,966,937
Professional and consultancy services	369,394	1,063,977
Depreciation of fixed assets and amortization of intangible assets	619,616	530,902
Depreciation of right-of-use-asset	123,778	43,380
Computer maintenance and repair	436,301	342,600
Security costs	265,371	241,709
Bank charges	94,503	83,164
Electricity costs	101,543	129,325
Employee insurance expenses	224,954	194,843
Transport costs	59,845	96,953
Property and liability insurance	73,386	59,532
Business trip expenses	14,423	45,486
Communication expenses	29,277	32,635
Personnel training and hiring expenses	23,930	85,878
Provisions	1,450,969	659,119
Othes expenses	1,284,638	1,258,006
Total	18,484,552	12,834,446

14. OTHER OPERATING INCOME

	01.01.2020- 30.06.2020	01.01.2019- 30.06.2019
	EUR	EUR
Currency exchange gain	1,365,286	2,878,114
Income from EU projects	239,881	364,100
Income from services rendered	166,699	140,281
Past period's income for the reporting period	24,479	-
Income from sale of property, plant and equipment	8,426	-
Other income	341,648	709,638
Total	2,146,419	4,092,133

15. OTHER OPERATING EXPENSES

	01.01.2020- 30.06.2020	01.01.2019- 30.06.2019
	EUR	EUR
Sales discounts	4,470,243	3,408,719
Exchange rate losses	6,228,816	479,535
Property tax	81,167	75,844
Inventory write-off	22,251	-
Other opartaing income	316,361	1,457,014
Total	11,118,838	5,421,112

16. EVENTS AFTER THE REPORTING PERIOD

The JSC "Grindeks" shareholders extraordinary general meeting on August 18, 2020 has made a decision to pay EUR 8,818,200 (eight million eight hundred eighteen thousand two hundred euros) or EUR 0.92 (ninety-two 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 will be paid on September 17, 2020.


Chairman of the Board
Ph.D. Juris Hmelnickis

August 27, 2020