

**REGULATIONS
OF THE MANAGEMENT BOARD
OF JOINT STOCK COMPANY “GRINDEKS”
(new wording)**

Approved at the Supervisory Board meeting of Joint stock Company “Grindeks”
on 19 January, 2018, Minutes No. 4

RIGA, 2018

1. General rules

- 1.1. Regulations of the management board of Joint stock Company “Grindeks” (hereinafter in the text “Company”) are prepared on the basis of the laws and regulations of the Republic of Latvia and the Articles of Association of the Company (hereinafter in the text “Articles of Association”).
- 1.2. Regulations of the management board (hereinafter in the text “Management Board”) of the Company establish general principles of action, competence, scope of representation rights, composition of the Management Board, convocation procedure and agenda of the Management Board meetings, minutes preparation procedure and basic conditions of the control over the implementation of the Management Board decisions.

2. Competence of the Management Board

- 2.1. Management Board is the executive body of the Company that organizes and represents the operation of the Company under supervision of the supervisory board of the Company (hereinafter in the text “Supervisory Board”). It manages and directs all matters of the Company, is responsible for the business activities of the Company, as well as for the compliance with the legislative requirements in accountancy.
- 2.2. Management Board is entitled to represent the Company; it manages property of the Company and handles it in accordance with the laws and regulations, Articles of Association, decisions of the shareholders’ meeting of the Company (hereinafter in the text “Shareholders’ meeting”) and decisions of the Supervisory Board.
- 2.3. Members of the Management Board perform their duties in accordance with the laws and regulations, Articles of Association, Regulations of the Management Board, decisions of the Shareholders’ meeting, Supervisory Board and the Management Board. If the member of the Management Board has acted unlawfully, has failed to comply with the Articles of Association, Regulations of the Management Board, decisions of the Supervisory Board or Shareholders’ meeting, or has acted negligently or wilfully maliciously, he or she is liable for any damage caused to the Company.
- 2.4. Management Board is entitled to consider all issues regarding operation of the Company and to make decisions, except for the issues which pursuant to the laws and regulations of the Republic of Latvia and the Articles of Association are within the competence of the Shareholders’ Meeting and the Supervisory Board.
- 2.5. Management Board requires permission from the Supervisory Board to decide on certain issues, but by decision of the Supervisory Board the Management Board may be exempt from the obligation to obtain Supervisory Board’s prior consent regarding deciding on certain issues.
- 2.6. Supervisory Board may revoke decision of the Management Board, if it is in conflict with the laws and regulations, Articles of Association, decisions of the Shareholders’ meeting and the Supervisory Board, Regulations of the Management Board and other acts regulating the activities of the Company.
- 2.7. Management Board of the Company:
 - 2.7.1. prepares the Company’s budget and investment program for each year, and the Company’s long-term business plan (development strategy) for the next 3-5 years, and submits them to the Supervisory Board for approval;
 - 2.7.2. draws up the annual report of the Company and profit sharing project for the previous year and submits them to the Supervisory Board and the auditor for coordination before approval at the Shareholders’ meeting;

- 2.7.3. convenes Shareholders' meeting after receipt of the auditor's report and the report of the Supervisory Board;
- 2.7.4. prepares and submits to the Supervisory Board for approval proposals for new product selection and product portfolio according to the market share;
- 2.7.5. once a quarter submits a written report on its activities to the Supervisory Board, but at the end of the reporting year – to the Shareholders' meeting, reflecting results of the Company's commercial activities, its financial position, profitability, turnover and securities' turnover, as well as conditions that may affect Company's financial position, the Company's planned business policy for the next reporting period and informs about other significant aspects of the Company's activities.
- 2.7.6. within one month after the end of the reporting quarter reviews the implementation of the Company's annual budget and makes any necessary changes to the Company's business plan and, if necessary, in the budget, which it submits to the Supervisory Board for approval;
- 2.7.7. prepares and submits to the Supervisory Board for approval material incentive system of the Company;
- 2.7.8. submits proposals to the Supervisory Board on the use of Company's funds from reserve capital;
- 2.7.9. determines procedure for signing the Company's documents;
- 2.7.10. provides the information, reports and summaries to the Supervisory Board or the chairman of the Supervisory Board on position of the Company within the set terms and in accordance with the procedures laid down;
- 2.7.11. considers at the Management Board meeting and decides on the following issues of the Company that require the prior consent of the Supervisory Board:
 - 2.7.11.1. acquisition of interest in other companies, increase or decrease of the interest;
 - 2.7.11.2. acquisition or alienation of a company;
 - 2.7.11.3. long-term strategic development of the Company and investments program;
 - 2.7.11.4. annual budget and investment program;
 - 2.7.11.5. real estate purchase, disposal or encumbrance with the proprietary interest;
 - 2.7.11.6. establishment or closing of branches and representative offices;
 - 2.7.11.7. issue of credits as well as guarantees and undertaking of other security obligations to the Company's employees;
 - 2.7.11.8. entering into loan agreements;
 - 2.7.11.9. commencement of new types of business and termination of current types of business;
 - 2.7.11.10. disposal and/ or purchase of trademarks and other intellectual property;
 - 2.7.11.11. determination of general business directions;
 - 2.7.11.12. on undertaking of long-term obligations by establishing partnership including for sales, marketing events, products licensing, etc.;
 - 2.7.11.13. assignment of exclusive rights in sales and distribution of the Company's products;
 - 2.7.11.14. on sponsorship and donations exceeding EUR 3000 (three thousand euros);
 - 2.7.11.15. approval of the internal corporate structure, distribution of functions and competence between the structural units;
- 2.7.12. considers at the Management Board meeting and decides on the following issues of the Company that require the prior written consent of the chairman of the Supervisory Board:
 - 2.7.12.1. on the sale of products to new business partners, including selling by deferred payment and on consignment conditions, excluding deals with prepayments;

- 2.7.12.2. on entering into agreements, their amendment or termination that may have significant impact on the operation of the Company, as well as in cases, if the total amount of the first transaction exceeds EUR 75 000 (seventy five thousand euros).
- 2.8. For the issues that require consent of the Supervisory Board or of the chairman of the Supervisory Board, the Chairman of the Management Board must submit the draft of the specific decision and explanations to the chairman of the Supervisory Board at least 5 (five) days before the regular meeting of the Supervisory Board. Supervisory Board is entitled to determine other term.

3. Representation rights

- 3.1. Chairman of the Management Board represents the Company separately, but the other members of the Management Board represent the Company only jointly together with at least any one other member of the Management Board. Members of the Management Board in their operation must comply with the limitations set by the Articles of Association, decisions of the Shareholders' meeting and the Supervisory Board.
- 3.2. Management Board may authorize individual members of the Management Board to conclude certain transactions or certain types of transactions within their competence.

4. Composition of the Management Board

- 4.1. Management Board is elected by the Supervisory Board and consists of 3 (three) members. Election of the Board requires prior written consent of the person to be a member of the Management Board.
- 4.2. Member of the Management Board must comply with the requirements set forth in the laws and regulations of the Republic of Latvia.
- 4.3. Member of the Management Board is elected for a term not exceeding 3 (three) years.
- 4.4. Chairman of the Management Board is appointed by the Supervisory Board from among the members of the Management Board pursuant to the proposal of the chairman of the Supervisory Board.
- 4.5. Chairman of the Supervisory Board concludes employment agreement with the chairman of the Management Board in accordance with the procedure established by the Labour Law of the Republic of Latvia.
- 4.6. The amount of the remuneration for the members of the Management Board is determined by the Supervisory Board according to the extent of their duties and the financial position of the Company. Chairman of the Supervisory Board may conclude contract of mandate with the members of the Management Board. The contract shall specify:
- 4.6.1. the work to be performed by the member of the Management Board;
 - 4.6.2. rights, obligations and liability of the member of the Management Board;
 - 4.6.3. amount of remuneration;
 - 4.6.4. term of agreement;
 - 4.6.5. miscellaneous.
- 4.7. Company informs the Enterprise Register of the Republic of Latvia on all changes to the composition of the Management Board and the representation rights of the members of the Management Board.
- 4.8. The work of the Management Board of the Company is organized and managed by the Chairman of the Management Board. Chairman of the Management Board:

- 4.8.1. manages drafting of the Company's development strategy and investment program and ensures its implementation;
- 4.8.2. ensures introduction of the Company's integrated management system and its development;
- 4.8.3. manages preparation of the annual plan and budget, and ensures their enforcement;
- 4.8.4. ensures regular increase of the Company's value;
- 4.8.5. provides reports of the Management Board at the Supervisory Board meetings and Shareholders' meetings;
- 4.8.6. submits proposals to the Company's Supervisory Board on election of the members of the Management Board;
- 4.8.7. ensures implementation of decisions of Shareholders' meetings, Supervisory Board and Management Board;
- 4.8.8. informs the chairman of the Supervisory Board on any significant aspect of the Company's activities;
- 4.8.9. organizes and controls the subordinate units;
- 4.8.10. distributes responsibilities among the members of the Management Board;
- 4.8.11. appoints the secretary of the Management Board;
- 4.8.12. convenes ordinary and extraordinary meetings of the Management Board, determining agenda of the meetings;
- 4.8.13. chairs the meetings of the Management Board and ensures their conduct;
- 4.8.14. organizes convocation of the ordinary and extraordinary Shareholders' meetings and ensures their operation. When convening the ordinary Shareholders' meeting, observes the statutory deadline for approval of the annual report.
- 4.9. In the absence of the Chairman of the Management Board (in case of illness, vacation, business trip) his duties are performed by a member of the Management Board appointed by decision of the Management Board.
- 4.10. Supervisory Board is authorized to withdraw any member of the Management Board at any time from the performance of the duties entrusted to him/ her, if there is an overriding reason. In any case, overriding reasons are considered gross misconduct, failure to perform or improper performance of duties, inability to manage the Company, damage to the Company's interests, and mistrust expressed by the Shareholders' meeting.
- 4.11. Member of the Management Board may at any time submit a request to the Company for discharge from his or her duties by notifying the Company in writing at least one month in advance.

5. Convocation of the Management Board meetings

- 5.1. Management Board meetings are convened as necessary. Management Board meetings are usually convened at the Company's premises at 53 Krustpils Street, Riga, unless the notice of the meeting specifies another venue of the meeting.
- 5.2. Ordinary and extraordinary meetings of the Management Board are convened. Ordinary meetings of the Management Board normally take place on a date agreed in advance by the members of the Management Board. Extraordinary meetings are convened by the Chairman of the Management Board, by the designated member of the Management Board in his absence, if the meeting of the Management Board is necessary for the consideration of an important issue and the consideration of the issue at the next meeting of the Management Board could harm the interests of the Company, as well as in cases, when convocation of the extraordinary meeting of the Management Board is requested by any member of the Management Board or the

Supervisory Board, upon motivating the reasons. If no meeting of the Management Board is convened within three days of receipt of the proposal, the initiator of the meeting has the right to convene the meeting of the Management Board by informing the secretary of the Management Board and all members of the Management Board; if the initiator is a member of the Supervisory Board, then also all members of the Supervisory Board.

- 5.3. Chairman of the Management Board informs the members of the Management Board in writing about the convening of the regular meeting of the Management Board and its agenda at least two business days in advance, and draft decisions, documents and materials on the agenda issues are distributed to the members of the Management Board in accordance with the procedure specified in these Regulations. Chairman of the Management Board informs the members of the Management Board about the convening of the extraordinary meeting of the Management Board and its agenda at least two hours in advance, and in this case it is acceptable that draft decisions, documents and materials are distributed at the meeting of the Management Board itself.
- 5.4. The agenda of the Management Board meeting is determined by the Chairman of the Management Board. Any member of the Management Board or the Supervisory Board, as well as the managers of structural units of the Company have the right to initiate consideration of the issue at the Management Board meeting.
- 5.5. Chairman of the Management Board appoints responsible employees of the Company for preparation of draft decisions, documents and materials on the issues included in the agenda of the Management Board meeting.
- 5.6. The drafts and materials prepared for the Management Board meeting together with the recommended Management Board decision have to be submitted to the secretary of the Management Board no later than 16.00 two business days before the Management Board meeting. Chairman of the Management Board or the responsible employees of the Company inform the secretary of the Management Board not later than one day before the Management Board meeting about the necessity to invite other persons for consideration of the issue included in the agenda of the Management Board meeting.
- 5.7. Prior to submitting the draft decision, documents and materials to the secretary of the Management Board, the responsible employee coordinates them with the managers of the structural unit responsible for the specific issues. The approval is certified by the visa of the manager of the structural unit concerned. If the particular issue is within the competence of more than one structural unit, the decision, document or material in question must be agreed with all the managers of the structural unit. In the event of long absence of the manager of the structural unit, the acting manager of the structural unit endorses the documents. The person who has endorsed the draft decision, document or material is responsible for its compliance with the laws and the facts contained therein. If the draft decision, document or material has been endorsed by several persons, each of them is responsible for issues within their competence.
- 5.8. Secretary of the Management Board compiles draft decisions, documents and materials on all matters included in the agenda of the Management Board meeting and, if necessary, requests additional information, documents or materials. Secretary of the Management Board submits the materials to the Chairman of the Management Board for approval before sending them to the members of the Management Board.

- 5.9. Secretary of the Management Board submits the materials of the Management Board meeting on the agenda issues to all members of the Management Board on the day before the Management Board meeting.
- 5.10. Secretary of the Management Board informs the persons invited to the Management Board meeting about the venue and time of the meeting.

6. Procedure of the Management Board meeting

- 6.1. Management Board has a quorum if more than half of the members of the Management Board attends its meeting. If the Management Board has fewer members than provided for in the Articles of Association, the quorum is determined according to the number of members specified in the Articles of Association.
- 6.2. If the convened Management Board meeting is not empowered to decide due to lack of quorum, the chairman of the Management Board is entitled to convene a repeated meeting with the same agenda, defining the time of the repeated Management Board meeting and informing the members thereof. If a member of the Management Board fails to attend a repeated Management Board meeting without a valid reason, the chairman of the Management Board immediately informs the Supervisory Board thereof.
- 6.3. Members of the Supervisory Board are entitled to participate in the Management Board meetings. Employees of the Company may be invited to the Management Board meeting with the consent of the Management Board and to participate in the Management Board meeting without voting rights. Other persons invited to attend a Management Board meeting for consideration of a specific issue participate only in the consideration of that issue.
- 6.4. If a member of the Management Board is unable to attend a Management Board meeting, he/ she informs the secretary of the Management Board.
- 6.5. The issues on the agenda are considered at the Management Board meetings. If all members of the Management Board being present agree, the Management Board meeting may consider issues, the postponement of which may hinder operation of the Company or harm its interests.
- 6.6. Management Board meeting is chaired by the chairman of the Management Board or, in his/ her absence, by the designated member of the Management Board.
- 6.7. Secretary of the Management Board keeps the records of the Management Board meetings, but in the absence of the secretary of the Management Board the meeting is recorded by the member of the Management Board appointed by the Management Board.
- 6.8. If necessary, the chairman of the Management Board is entitled to announce a break of the Management Board meeting, deciding on the place and time of the continuation of the Management Board meeting.
- 6.9. Decisions at the Management Board meeting are taken by simple majority of those present. Each member of the Management Board has one vote. In case of equal division of votes, the vote of the chairman of the Management Board is decisive. In the absence of the chairman of the Management Board the designated member of the Management Board does not have the decisive voice.
- 6.10. If member of the Management Board disagrees and votes against the decision of the Management Board, his or her dissenting opinion has to be recorded in the minutes of the Management Board meeting upon his or her request.
- 6.11. Member of the Management Board does not have the right to vote on matters where the interests of the Company conflict with the interests of a member of the Management Board, his spouse, relative or brother in law, counting the kinship to the

second degree and the affinity to the first degree, as well as with the interests of a person, with whom he shares the household, and it must be recorded in the minutes of the Management Board meeting. Member of the Management Board informs on such interests before the beginning of the Management Board meeting. If a member of the Management Board violates these rules, he indemnifies the Company for the loss suffered.

- 6.12. The issues that require consent of the Supervisory Board are defined in clause 2.7.11 of this Regulation. The issues that require consent of the chairman of the Supervisory Board are specified in clause 2.7.12 of this Regulation. Management Board cannot execute its decision on these issues before the consent of the Supervisory Board or the chairman of the Supervisory Board has been obtained.
- 6.13. If the Supervisory Board rejects the proposal of the Management Board, the Management Board is entitled to convene extraordinary Shareholders' meeting, which takes decision on the issue.

7. Minutes of the Management Board meetings

- 7.1. Secretary of the Management Board is responsible for precise recording of the Management Board meeting in the minutes and timely preparation and execution of the minutes.
- 7.2. The minutes reflect the exact course of the Management Board meeting. The minutes indicate:
- 7.2.1. number of the minutes;
 - 7.2.2. venue and time of the Management Board meeting;
 - 7.2.3. agenda of the Management Board meeting;
 - 7.2.4. name, surname of the attending members of the Management Board;
 - 7.2.5. name and surname of other persons attending the meeting;
 - 7.2.6. discussion procedure and content of the issues of the agenda;
 - 7.2.7. voting results, indicating the vote of each member of the Management Board;
 - 7.2.8. notes on non-participation in deciding the issue;
 - 7.2.9. decisions taken;
 - 7.2.10. persons responsible for execution of the taken decisions and execution terms;
 - 7.2.11. other important issues.
- 7.3. The minutes of the Management Board meeting are prepared by the secretary of the Management Board and coordinated with all members of the Management Board, who have participated in the Management Board meeting, within 3 (three) business days from the day of the Board meeting. The minutes of the Management Board meeting are signed by all members of the Management Board, who have participated in the Management Board meeting and the secretary of the Management Board in one original copy.
- 7.4. After signing the minutes of the Management Board meeting, the secretary of the Management Board ensures a proper registration and keeping of the originals and annexes of the minutes of the Management Board meeting.
- 7.5. Secretary of the Management Board issues copies, transcripts and extracts of the minutes of the meetings upon consent of the chairman of the Management Board. Secretary of the Management Board registers information on the issued copies, transcripts and extracts of the minutes of the Management Board meetings in a special register.

8. Control over the implementation of the Management Board's decisions

- 8.1. Decisions taken by the Management Board take effect on the day of their adoption, if the Management Board decision does not provide for any other date of entry into force.
- 8.2. Secretary of the Management Board prepares and issues copies of the decisions to the responsible employee(s) of the Company who is (are) designated as responsible for the execution of the particular decision not later than within 5 (five) business days from the day of the Management Board meeting.
- 8.3. The responsible employee of the Company reports to the Management Board on the implementation of the decision of the Management Board within time limits set by the Management Board.
- 8.4. Implementation of the decisions of the Management Board is controlled by an employee of the Company responsible pursuant to the decision of the Management Board for controlling the particular issue. Irrespective of the above, the implementation of the Management Board decisions may be controlled by the chairman of the Management Board of the Company.
- 8.5. Secretary of the Management Board follows the deadlines for implementation of the decisions of the Management Board meetings and informs on them the member of the Management Board responsible for the respective issue pursuant to the distribution of duties among the members of the Management Board.
- 8.6. Exercising control over the implementation of the decisions of the Management Board, the members of the Management Board have the right to request documents, information, as well as reports on the implementation of decisions from the Company's employees.

9. Confidentiality

- 9.1. Members of the Management Board, secretary of the Management Board and employees of the Company are not entitled to disclose confidential information to the third parties. Management Board specifies in its decision which information shall be treated as confidential.

Riga, 19 January, 2018

Chairman of the Supervisory Board of Joint stock Company "Grindeks"

Kirovs Lipmans

/signature/