

# Grindex

## **Joint Stock Company “Grindeks”**

*Non-audited consolidated financial statements  
for the periods ended 31 December 2009 and  
ended 31 December 2008  
prepared in accordance with International  
Financial Reporting Standards*

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## ANCILLARY INFORMATION

Name	“GRINDEKS”
Legal status	Joint Stock Company since 25 August 1997
Number, place and date of registration	40003034935, Riga, Republic of Latvia, 11 October 1991
Business activities	Production of pharmaceutical, medical and phyto-chemical medicines
Legal address	53 Krustpils Street Riga, LV – 1057 Latvia
Subsidiaries	JSC “Tallinn Pharmaceutical Plant” Tondi 33 11316, Tallinn, Estonia  JSC “Kalceks” 53 Krustpils str. Riga, LV - 1057, Latvia  “Namu apsaimniekosanas projekti” Ltd. 53 Krustpils str. Riga, LV - 1057, Latvia  “Grindeks Rus” Ltd. 74/3 Warsaw str. 117556, Moscow, Russia
Reporting period	1 January 2009 – 31 December 2009
Previous reporting period	1 January 2008 – 31 December 2008

## THE BOARD AND THE SUPERVISORY COUNCIL

### **Board of the Company**

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

Since 13 October 2008 to the date of issuing the financial statements:

<u>Name</u>	<u>Position</u>	<u>Ownership interest (%)*</u>
Janis Romanovskis	Chairman of the Board	0.08
Vadims Rabsa	Board member	0.00
Lipmans Zeligmans	Board member	0.00

*\*Latvian Central Depository data as of 25 May 2009*

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

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

Since 22 February 2008 to the date of issuing the financial statements:

<u>Name</u>	<u>Position</u>	<u>Ownership interest (%)*</u>
Kirovs Lipmans	Chairman of the Supervisory Council	33.29
Vitalijs Gavrilovs	Vice-Chairman of the Supervisory Council	11.30
Uldis Osis	Member of the Supervisory Council	0.00
Janis Naglis	Member of the Supervisory Council	0.00
Anna Lipmane	Member of the Supervisory Council	16.69

*\*Latvian Central Depository data as of 25 May 2009*

## MAJOR SHAREHOLDERS

Shareholders of the Company as of 1 February 2009 and 25 May 2009 (*Latvian Central Depository data*)

	<b>01.02.2009.</b>	<b>25.05.2009.</b>
	<b>Investments in</b>	<b>Investments in</b>
	<b>percentage (%)</b>	<b>percentage (%)</b>
Kirovs Lipmans	33.29	33.29
Anna Lipmane	16.69	16.69
Vitalijs Gavrilovs	11.30	11.30
<i>Swedbank AS Clients Account</i> (nominal account)	9.40	8.93
<i>Skandinaviska Enskilda Banken</i> (nominal account)	8.48	8.90
<i>State Social Security Agency</i>	2.29	2.29
Other shareholders	18.55	18.60
<b>Total</b>	<b>100.00</b>	<b>100.00</b>

## MANAGEMENT REPORT

### Mode of activity

In the accounting period the “Grindeks” Group consisted of JSC “Grindeks” and its four subsidiaries: JSC “Tallinn Pharmaceutical Plant” in Estonia, JSC “Kalceks”, “Namu Apsaimniekošanas projekti” Ltd. in Latvia and “Grindeks RUS” Ltd. in Russia (altogether hereinafter referred to as “the Group”). Main activity of the Group is research, development, manufacturing and sales of original products, generics and active pharmaceutical ingredients.

### Group’s activity during accounting period

Group’s turnover amounted to 53.6 million lats in 2009, which is by 8.5 million lats or 13.7% less than in 2008. In its turn, net profit related to the shareholders of the holding company, amounted to 3.7 million lats in the accounting period, which is by 58.9% less in comparison with 2008.

During the accounting period, gross profit margin of the Group was 49.8%, whereas, net profit margin comprised 6.9%. Products of the Group, manufactured during the accounting period, were exported to 44 states worldwide for the total amount of 50.8 million lats, which is by 8.5 million lats or 14.3% less than in 2008.

In 2009 ROE was 1.08; ROA was 0.78; liquidity was 2.25.

Main factor, which essentially influenced the turnover of the Group and the decrease of the profit, comparing to 2008, was the global economic recession, which stimulated overall decrease of consumer purchasing power and thereby also the decline in demand for both: “Grindeks” final dosage forms and active pharmaceutical ingredients in the veterinary product market. Also the results of the Group were influenced by devaluation of the national currency in Russia and several other CIS countries. Additional load was caused by changing the rules of the pharmaceutical market last year – the tendency of distributors to decrease the medical supplies in storehouses and to postpone the previously agreed purchasing terms.

Summer months of 2009 were the least profitable, however since the fourth quarter of 2009 and in the beginning of 2010 there is a positive increase of the demand of “Grindeks” goods.

### Sales of final dosage forms

Group’s sales volume of the final dosage forms was 48.2 million lats in 2009, which is by 8.7 million lats or 15.2 % less compared with 2008. In 2009 the sales volume of final dosage forms to the CIS countries, including Russia, which are the main markets of the final dosage forms, comprised 41.9 million lats.

In 2009 the biggest decrease of the sales of final dosage forms was observed in Belarus, Kazakhstan and Russia. Purposefully strengthening the marketing and sales activities, there have been positive changes in Russia and Kazakhstan starting with last October. In its turn, in Belarus, where the foreign currency reserves have decreased significantly and the import of medications is limited essentially, the situation has not changed yet.

In the environment of the tense economic situation the turnover in the Baltic States and in other European countries was 6.3 million lats in 2009, which is by 2.2% more than in 2008.

### Sales of active pharmaceutical ingredients

Main export markets for active pharmaceutical ingredients (hereinafter referred to as “APIs”) produced by the Group are Europe, Japan, the USA, Australia, Pakistan and India. Overall APIs export amounted to 5.3 million lats in 2009, which is by 3.9% more than in 2008.

“Grindeks” concluded a multi-degree and long-term cooperation agreement with German pharmaceutical company “Marenis Pharma” and introduced in production a new API - ursodeoxycholic acid (UDCA), which is used for manufacturing of final dosage forms in the treatment of hepatic and gallstone diseases.

## Investment program

In January of 2009 “Grindex” opened a new final dosage forms plant, which is the most considerable investment project in the history of the company. Expansion and modernization of the final dosage forms plant was performed within 2 years and 9.1 million lats were invested in total.

In June of 2009, taking care of the protection of environment, “Grindex” opened a new industrial sewage purification plant, where the principle of biological purification is implemented and the most modern technologies installed. Principle of biological purification is the most modern and environmentally friendly way of sewage purification in chemical industry. In total, 2.5 million lats were invested in the project.

In order to ensure regular development and manufacturing of the UDCA API, “Grindex” has started construction of a new manufacturing unit. The construction will be completed in 1.5 - 2 years and it is planned to invest almost 6 million lats.

In 2009 “Grindex” continued and in 2010 successfully finished an international clinical trial on the influence of the brand product Mildronate® on the treatment of angina. Results of the just-finished multinational clinical trial once more approve effectiveness and the high safety of Mildronate® in the treatment of angina in combination with the standard therapy. Results obtained will promote sales and registration of Mildronate® in new markets. “Grindex” altogether invested 1.6 million lats in this research.

## Quality and environment protection

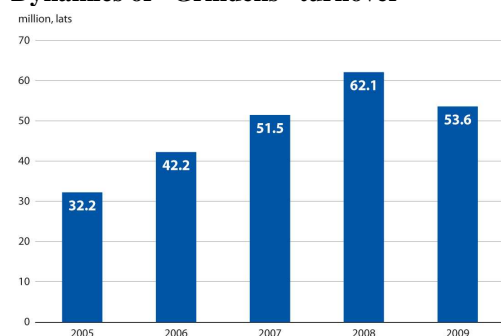
In 2009 “Grindex” successfully passed 23 significant inspections and audits by Latvian and foreign state agencies of medicine and supervisory bodies of food supplement manufacturers, clients and institutions of environment protection. Audits of ISO9001 and ISO14001 recertification were performed successfully, as well as the Shared Third Party Audit by Certified Auditors of Active Pharmaceutical Ingredient Committee (APIC) on the request of “Grindex” APIs customers. “Grindex” is accepted as a supplier for 3 APIs - Droperidol, Oxytocin and Xylazine. In 2009 “Grindex” implemented the newest requirements of European Union legislation in the field of pharmaceutical manufacturing - yearly product quality reports are issued, several quality agreements with contract manufacturers are concluded, as well as analysis of drug quality are performed by the most modern methods that are 2-4 times more effective than previously.

## Main financial data of “Grindex” during five year period (2005-2009)

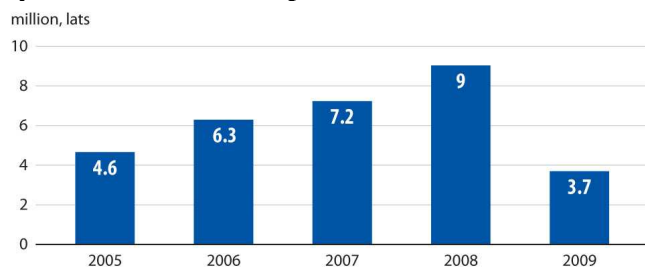
### Development of “Grindex” share price (Data of “NASDAQ OMX Riga”)



### Dynamics of “Grindex” turnover



## Dynamics of “Grindeks” profit



## Development of “Grindeks” share price in 2009 (Data of “NASDAQ OMX Riga”)

Since 2 January 2006 “Grindeks” shares are listed in the Official list of “NASDAQ OMX Riga”. Fluctuation of “Grindeks” share price on “NASDAQ OMX Riga” during the accounting period was within the limits from 1.55 lats to 5.09 lats per share. In 2009 the average price of “Grindeks” shares was 2.80 lats. Total quantity of “Grindeks” shares, traded in “NASDAQ OMX Riga” during the accounting period, was 1 059 348 shares, whereas turnover amounted to 2.97 million lats. As of 31 December 2009 the capitalization of “Grindeks” reached 36.42 million lats.



Profit per share for the year ended 31 December 2009 amounted to 0.39 lats as compared to 0.94 lats during the same period in 2008.

## Future expectations

Overcoming the global economic recession of 2009, in 2010 “Grindeks” plans to regain the increment rate of the previous years. Therefore, to organize effectively the diverse pharmaceutical business and to achieve the business goals, “Grindeks” tactics will be:

- flexible approach in the changing market situation;
- cooperation with the secure business partners in every separate market;
- strict control of expenses, as well as optimization of manufacturing and resources;
- determined diversification of business actions:
  - introduction of new products;
  - entrance into new markets;
  - increase of production capacity, offering manufacturing services to other companies;
- investments for future – new business projects, research, development of medications.

On behalf of the Management:

Chairman of the Board  
Janis Romanovskis

26 February 2010



## STATEMENT OF BOARD`S RESPONSIBILITIES

The Board of JSC "Grindex" (hereinafter - the Company) is bearing the responsibility for preparation of the consolidated year financial statements of the Company and its subsidiaries (hereinafter the Group). Independent auditors have not audited year financial statements of the Group.

The consolidated year financial statements, enclosed from the page 10 to the page 18, are prepared in accordance with the accounting records and source documents, presenting fairly the financial position of the Group as of 31 December 2009 and the results of its operations and cash flows for the twelve-months period ended 31 December 2009.

Above mentioned consolidated year financial statements are prepared in accordance with the International Financial Reporting Standards, reposing on the principle of business activities continuation. Appropriate accounting policies have been applied on a consistent basis. The management in preparation of the consolidated year financial statements has made prudent and reasonable judgments and estimates.

The Board of the Company is responsible for providing accounting records, preservation of the Group's assets and the prevention and disclosure of fraud and other irregularities of the Group. The Board is responsible for the compliance with the existing legislation in the countries in which the Group's companies are operating (Latvia, Russia and Estonia).

On behalf of the Management:



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Chairman of the Board  
Janis Romanovskis

26 February 2010

## BALANCE SHEET

	31.12.2009. LVL	31.12.2008. LVL	31.12.2009. EUR	31.12.2008. EUR
<b>ASSETS</b>				
<b>Non-current assets</b>				
<b>Intangible assets</b>				
Software, patents, licenses, trademarks and other rights	491,500	369,105	699,341	525,189
Advance payments for intangible assets	295,178	61,495	420,001	87,500
<b>Total intangible assets</b>	<b>786,678</b>	<b>430,600</b>	<b>1,119,342</b>	<b>612,689</b>
<b>Tangible fixed assets</b>				
Land, buildings and constructions	16,358,919	7,139,276	23,276,645	10,158,275
Equipment and machinery	10,204,744	8,910,574	14,520,043	12,678,605
Other fixed assets	835,901	804,418	1,189,380	1,144,584
Advance payments for fixed assets	2,386,423	13,144,030	3,395,573	18,702,269
Konstruktion in progress	3,405,717	685,242	4,845,899	975,011
<b>Total tangible fixed assets</b>	<b>33,191,704</b>	<b>30,683,540</b>	<b>47,227,540</b>	<b>43,658,744</b>
<b>Investment property</b>	<b>5,048,582</b>	<b>4,763,966</b>	<b>7,183,485</b>	<b>6,778,513</b>
<b>Non current financial investments</b>				
Investment in associates	22,000	22,000	31,303	31,303
Other investments	710,335	84,118	1,010,716	119,689
<b>Total long term financial investments</b>	<b>732,335</b>	<b>106,118</b>	<b>1,042,019</b>	<b>150,992</b>
<b>Total non current financial assets</b>	<b>39,759,299</b>	<b>35,984,224</b>	<b>56,572,386</b>	<b>51,200,938</b>
<b>Current assets</b>				
<b>Inventories</b>				
Raw materials	2,925,231	1,830,040	4,162,229	2,603,912
Unfinished goods	1,848,574	1,993,927	2,630,284	2,837,103
Finished goods and goods for resale	5,576,253	3,332,771	7,934,293	4,742,106
Advance payments for goods	-	450	-	640
<b>Total inventories</b>	<b>10,350,058</b>	<b>7,157,188</b>	<b>14,726,806</b>	<b>10,183,761</b>
<b>Debtors</b>				
Trade receivables	19,233,801	18,026,541	27,367,233	25,649,457
Other debtors	3,767,247	1,394,270	5,360,310	1,983,868
Other investments	669,504	-	952,618	-
Deferred expenses	195,171	152,124	277,703	216,453
<b>Total debtors</b>	<b>23,865,723</b>	<b>19,572,935</b>	<b>33,957,864</b>	<b>27,849,778</b>
<b>Cash and cash equivalents</b>	<b>116,428</b>	<b>868,796</b>	<b>165,662</b>	<b>1,236,185</b>
<b>Total current assets</b>	<b>34,332,209</b>	<b>27,598,919</b>	<b>48,850,332</b>	<b>39,269,724</b>
<b>TOTAL ASSETS</b>	<b>74,091,508</b>	<b>63,583,143</b>	<b>105,422,718</b>	<b>90,470,662</b>

	31.12.2009. LVL	31.12.2008. LVL	31.12.2009. EUR	31.12.2008. EUR
<b>EQUITY AND LIABILITIES</b>				
<b>EQUITY</b>				
Share capital	9,585,000	9,585,000	13,638,226	13,638,226
Share premium	15,687,750	15,687,750	22,321,657	22,321,657
Other reserves	464,905	464,905	661,500	661,500
(Accumulated loss) / retained profit:				
a) prior year accumulated profit/loss	22,012,072	12,984,900	31,320,357	18,475,848
b) foreign currency revaluation	(139,429)	(40,036)	(198,389)	(56,966)
c) current year profit	3,717,349	9,027,172	5,289,311	12,844,509
<b>Equity attributable to equity holders of the parent</b>	<b>51,327,647</b>	<b>47,709,691</b>	<b>73,032,662</b>	<b>67,884,774</b>
<b>Minority interest</b>	<b>55,670</b>	<b>54,110</b>	<b>79,211</b>	<b>76,992</b>
<b>Total equity</b>	<b>51,383,317</b>	<b>47,763,801</b>	<b>73,111,873</b>	<b>67,961,766</b>
<b>LIABILITIES</b>				
<b>Long-term liabilities</b>				
Loans from credit institutions	3,324,869	4,471,843	4,730,862	6,362,859
Finance lease liabilities	1,230,828	1,102,339	1,751,310	1,568,487
Deferred income	1,084,826	1,209,953	1,543,569	1,721,608
Deferred tax liabilities	1,811,931	1,509,328	2,578,146	2,147,581
<b>Total non-current liabilities</b>	<b>7,452,454</b>	<b>8,293,463</b>	<b>10,603,887</b>	<b>11,800,535</b>
<b>Current liabilities</b>				
Loans from credit institutions	7,241,415	2,123,016	10,303,605	3,020,780
Finance lease liabilities	332,263	228,949	472,768	325,765
Advances from customers	11,922	72,416	16,963	103,039
Trade accounts payable	6,232,233	3,811,221	8,867,669	5,422,878
Taxes and social security liabilities	492,874	367,012	701,297	522,211
Other payables	640,167	308,385	910,876	438,792
Deferred income	216,419	124,306	307,936	176,872
Accrued liabilities	88,444	490,574	125,844	698,024
<b>Total current liabilities</b>	<b>15,255,737</b>	<b>7,525,879</b>	<b>21,706,958</b>	<b>10,708,361</b>
<b>Total liabilities</b>	<b>22,708,191</b>	<b>15,819,342</b>	<b>32,310,845</b>	<b>22,508,896</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>74,091,508</b>	<b>63,583,143</b>	<b>105,422,718</b>	<b>90,470,662</b>

## STATEMENTS OF PROFIT AND LOSS

	2009 LVL	2008 LVL	2009 EUR	2008 EUR
Net sales	53,574,211	62,107,484	76,229,235	88,370,988
Cost of goods sold	(26,878,420)	(27,655,298)	(38,244,546)	(39,349,944)
<b>Gross profit</b>	<b>26,695,791</b>	<b>34,452,186</b>	<b>37,984,689</b>	<b>49,021,044</b>
Selling expenses	(14,851,150)	(14,016,038)	(21,131,283)	(19,943,025)
Administrative expenses	(6,804,792)	(7,765,585)	(9,682,347)	(11,049,432)
Other operating income	503,717	575,460	716,725	818,806
Other operating expenses	(2,245,943)	(2,403,464)	(3,195,689)	(3,419,821)
Changes in fair value of investment property and fixed assets	1,288,968	112,200	1,834,036	159,646
Interest income and similar income	40,157	14,011	57,138	19,936
Interest expense and similar expense	(194,763)	(232,141)	(277,123)	(330,307)
Real estate tax	(83,105)	(86,917)	(118,248)	(123,672)
<b>Profit before taxation</b>	<b>4,348,880</b>	<b>10,649,712</b>	<b>6,187,898</b>	<b>15,153,175</b>
Corporate income tax	(629,971)	(1,620,913)	(896,368)	(2,306,351)
<b>NET PROFIT FOR THE PERIOD</b>	<b>3,718,909</b>	<b>9,028,799</b>	<b>5,291,530</b>	<b>12,846,824</b>
Attributable to:				
Equity holders of the parent	3,717,349	9,027,172	5,289,311	12,844,509
Minority interest	1,560	1,627	2,219	2,315
<b>TOTAL</b>	<b>3,718,909</b>	<b>9,028,799</b>	<b>5,291,530</b>	<b>12,846,824</b>
<b>Earnings per share attributable equity holders of the parent (LVL per share)</b>				
- Basic earnings per share	0.39	0.94		1.34
- Diluted earnings per share	0.39	0.94		1.34

## STATEMENTS OF CHANGES IN EQUITY

	Share capital	Share premium	Other reserves	Foreign currency translation reserve	Accumulated (loss)/profit	Equity attributable to equity holders of the parent	Minority Interest	Total
	LVL	LVL	LVL	LVL	LVL	LVL	LVL	LVL
<b>As of 31.12.2008</b>	<b>9,585,000</b>	<b>15,687,750</b>	<b>464,905</b>	<b>(40,036)</b>	<b>22,012,072</b>	<b>47,709,691</b>	<b>54,110</b>	<b>47,763,801</b>
Profit for the period	-	-	-	-	3,717,349	3,717,349	1,560	3,718,909
Foreign currency revaluation	-	-	-	(99,393)	-	(99,393)	-	(99,393)
<b>As of 31.12.2009</b>	<b>9,585,000</b>	<b>15,687,750</b>	<b>464,905</b>	<b>(139,429)</b>	<b>25,729,421</b>	<b>51,327,647</b>	<b>55,670</b>	<b>51,383,317</b>

	Share capital	Share premium	Other reserves	Foreign currency translation reserve	Accumulated (loss)/profit	Equity attributable to equity holders of the parent	Minority Interest	Total
	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR
<b>As of 31.12.2008</b>	<b>13,638,226</b>	<b>22,321,657</b>	<b>661,500</b>	<b>(56,966)</b>	<b>31,320,357</b>	<b>67,884,774</b>	<b>76,992</b>	<b>67,961,766</b>
Profit for the period	-	-	-	-	5,289,311	5,289,311	2,219	5,291,530
Foreign currency revaluation	-	-	-	(141,423)	-	(141,423)	-	(141,423)
<b>As of 31.12.2009</b>	<b>13,638,226</b>	<b>22,321,657</b>	<b>661,500</b>	<b>(198,389)</b>	<b>36,609,668</b>	<b>73,032,662</b>	<b>79,211</b>	<b>73,111,873</b>

## STATEMENTS OF CASH FLOWS

	2009 LVL	2008 LVL	2009 EUR	2008 EUR
<b>OPERATING ACTIVITIES</b>				
<b>Net profit before taxation</b>	<b>4,348,880</b>	<b>10,649,712</b>	<b>6,187,899</b>	<b>15,153,175</b>
<i>Adjustments to reconcile net profit to net cash provided by operating activities:</i>				
Depreciation and amortisation	2,563,564	2,024,864	3,647,623	2,881,122
Loss / (gain) on disposal of fixed assets and intangible assets	1,258	21,307	1,790	30,317
Changes in fair value of investment property and fixed assets	(1,288,968)	(112,200)	(1,834,036)	(159,646)
Income from EU funding	(125,629)	(124,306)	(178,754)	(176,872)
Interest income	(40,157)	(14,011)	(57,138)	(19,936)
Interest expense	194,763	232,141	277,123	330,307
<i>Changes in operating assets and liabilities:</i>				
Inventory	(3,192,870)	(114,210)	(4,543,045)	(162,506)
Debtors	(2,239,194)	(1,508,897)	(3,186,086)	(2,146,967)
Creditors	2,313,689	382,775	3,292,083	544,640
<b>Gross cash provided by operating activities</b>	<b>2,535,336</b>	<b>11,437,175</b>	<b>3,607,459</b>	<b>16,273,634</b>
Interest income	1,391	9,446	1,979	13,440
Corporate income tax paid	(1,345,324)	(1,573,768)	(1,914,224)	(2,239,270)
<b>Net cash provided by (used in) operating activities</b>	<b>1,191,403</b>	<b>9,872,853</b>	<b>1,695,214</b>	<b>14,047,804</b>
<b>INVESTING ACTIVITIES</b>				
Purchase of fixed assets and intangible assets	(4,430,899)	(10,616,783)	(6,304,601)	(15,106,321)
Proceeds from disposal of fixed assets	6,187	480	8,803	683
Other investments	(1,295,721)	21,303	(1,843,645)	30,311
<b>Net cash used in investing activities</b>	<b>(5,720,433)</b>	<b>(10,595,000)</b>	<b>(8,139,443)</b>	<b>(15,075,327)</b>
<b>FINANCING ACTIVITIES</b>				
Received loans from credit institutions	5,346,133	3,265,892	7,606,862	4,646,946
Repaid loans to credit institutions	(1,374,708)	(3,246,858)	(1,956,033)	(4,619,863)
Interest paid	(194,763)	(232,141)	(277,123)	(330,307)
<b>Net cash provided by financing activities</b>	<b>3,776,662</b>	<b>(213,107)</b>	<b>5,373,706</b>	<b>(303,224)</b>
<b>Net (decrease)/ increase in cash and cash equivalents</b>	<b>(752,368)</b>	<b>(935,254)</b>	<b>(1,070,523)</b>	<b>(1,330,747)</b>
<b>Cash and cash equivalents at the beginning of the year</b>	<b>868,796</b>	<b>1,804,050</b>	<b>1,236,185</b>	<b>2,566,932</b>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR</b>	<b>116,428</b>	<b>868,796</b>	<b>165,662</b>	<b>1,236,185</b>

## NOTES

### OTHER DEBTORS

	31.12.2009. LVL	31.12.2008. LVL	31.12.2009. EUR	31.12.2008. EUR
Tax receivables	1,680,900	621,087	2,391,705	883,727
Other	2,086,347	773,183	2,968,605	1,100,140
<b>Total</b>	<b>3,767,247</b>	<b>1,394,270</b>	<b>5,360,310</b>	<b>1,983,867</b>

### CASH AND CASH EQUIVALENTS

	31.12.2009. LVL	31.12.2008. LVL	31.12.2009. EUR	31.12.2008. EUR
Cash in bank	102,753	854,386	146,204	1,215,681
Cash on hand	13,675	14,410	19,458	20,504
<b>Total</b>	<b>116,428</b>	<b>868,796</b>	<b>165,662</b>	<b>1,236,185</b>

### LOANS FROM CREDIT INSTITUTIONS

	31.12.2009. LVL	31.12.2008. LVL	31.12.2009. EUR	31.12.2008. EUR
Credit line from JSC "Swedbank", Latvia	3,261,314	718,790	4,640,432	1,022,746
Credit line from JSC "SEB bank", Latvia	2,803,608	-	3,989,175	-
JSC "Swedbank", Latvia	632,524	632,524	900,001	900,001
JSC "Swedbank", Latvia	354,213	354,213	504,000	504,000
JSC "Swedbank", Latvia	189,756	240,359	269,997	342,000
Credit line from JSC "UnicreditBank Latvia"	-	177,130	-	252,033
<b>Current loans from credit institutions</b>	<b>7,241,415</b>	<b>2,123,016</b>	<b>10,303,605</b>	<b>3,020,780</b>
JSC "SEB bank", Latvia	1,325,611	1,325,611	1,886,175	1,886,175
JSC "Swedbank", Latvia	1,106,916	1,739,440	1,575,000	2,475,000
JSC "Swedbank", Latvia	569,364	923,576	810,132	1,314,130
JSC "Swedbank", Latvia	322,978	483,216	459,556	687,554
<b>Non-current loans from credit institutions</b>	<b>3,324,869</b>	<b>4,471,843</b>	<b>4,730,863</b>	<b>6,362,859</b>
<b>Total</b>	<b>10,566,284</b>	<b>6,594,859</b>	<b>15,034,468</b>	<b>9,383,639</b>

## TAX LIABILITIES

	31.12.2009. LVL	31.12.2008. LVL	31.12.2009. EUR	31.12.2008. EUR
Value added tax	234,598	-	333,803	-
Personal income tax	151,325	212,625	215,316	302,538
Social security payments	91,836	42,344	130,671	60,250
Corporate income tax	847	90,267	1,205	128,438
Other	14,268	21,776	20,302	30,985
<b>Total</b>	<b>492,874</b>	<b>367,012</b>	<b>701,297</b>	<b>522,211</b>

## NET SALES

	2009 LVL	2008 LVL	2009 EUR	2008 EUR
Russia	29,415,240	36,898,557	41,854,116	52,501,917
Other CIS countries	19,054,788	20,352,048	27,112,521	28,958,355
Other countries	6,003,004	5,590,225	8,541,505	7,954,174
Latvia	2,902,352	2,994,939	4,129,675	4,261,414
Lithuania	1,823,443	1,886,468	2,594,526	2,684,202
Estonia	1,086,348	1,020,328	1,545,734	1,451,796
Other income	10,869	44,954	15,465	63,963
<b>Gross sales</b>	<b>60,296,044</b>	<b>68,787,519</b>	<b>85,793,542</b>	<b>97,875,821</b>
Russia	(5,154,172)	(4,583,508)	(7,333,726)	(6,521,744)
Other CIS countries	(1,322,261)	(1,742,707)	(1,881,408)	(2,479,649)
Latvia	(109,649)	(190,350)	(156,016)	(270,844)
Lithuania	(41,696)	(73,466)	(59,328)	(104,533)
Estonia	(35,931)	(64,291)	(51,125)	(91,478)
Other countries	(58,124)	(25,713)	(82,704)	(36,585)
<b>Discounts total</b>	<b>(6,721,833)</b>	<b>(6,680,035)</b>	<b>(9,564,307)</b>	<b>(9,504,833)</b>
<b>Total, net</b>	<b>53,574,211</b>	<b>62,107,484</b>	<b>76,229,235</b>	<b>88,370,988</b>



## COST OF GOODS SOLD

	<b>2009</b>	<b>2008</b>	<b>2009</b>	<b>2008</b>
	<b>LVL</b>	<b>LVL</b>	<b>EUR</b>	<b>EUR</b>
Goods purchased for resale and contract manufacturing	6,956,586	7,989,994	9,898,330	11,368,737
Raw materials and packing	7,980,635	8,940,572	11,355,421	12,721,288
Direct labour and social security payments	6,338,077	6,892,540	9,018,271	9,807,201
Research costs	2,644,094	2,537,035	3,762,207	3,609,876
Depreciation of fixed assets and amortization of intangible assets	1,870,540	1,418,536	2,661,539	2,018,395
Electricity resource expenses	1,012,019	844,407	1,439,973	1,201,483
Machinery, buildings and equipment repairs	627,110	739,883	892,297	1,052,759
Household expenses	222,762	222,162	316,962	316,108
Transport	113,591	161,310	161,625	229,523
Rent of work clothing	98,904	90,391	140,728	128,615
Waste disposal	56,510	82,354	80,406	117,179
Other	1,509,374	1,496,890	2,147,646	2,129,882
Internal turnover of self-manufactured raw materials	(2,551,782)	(3,760,776)	(3,630,859)	(5,351,102)
<b>Total</b>	<b>26,878,420</b>	<b>27,655,298</b>	<b>38,244,546</b>	<b>39,349,944</b>

## SELLING AND DISTRIBUTION COSTS

	<b>2009</b>	<b>2008</b>	<b>2009</b>	<b>2008</b>
	<b>LVL</b>	<b>LVL</b>	<b>EUR</b>	<b>EUR</b>
Advertising	8,083,003	6,905,716	11,501,077	9,825,949
Expenses of representative offices	1,929,137	2,431,247	2,744,915	3,459,353
Salaries and social security payments	1,685,667	1,064,911	2,398,488	1,515,232
Distribution expenses for goods	455,187	555,560	647,673	790,491
Patents	441,662	537,562	628,428	764,882
Registration costs for medicine	333,705	337,269	474,819	479,891
Depreciation of fixed assets and amortisation of intangible assets	245,766	205,041	349,694	291,747
Commissions	116,713	158,347	166,068	225,307
Freight insurance	28,768	46,450	40,933	66,092
Other	1,531,542	1,773,935	2,179,188	2,524,081
<b>Total</b>	<b>14,851,150</b>	<b>14,016,038</b>	<b>21,131,283</b>	<b>19,943,025</b>

## ADMINISTRATIVE EXPENSES

	<b>2009</b>	<b>2008</b>	<b>2009</b>	<b>2008</b>
	<b>LVL</b>	<b>LVL</b>	<b>EUR</b>	<b>EUR</b>
Salaries and social security payments	3,407,831	4,154,820	4,848,907	5,911,776
Depreciation of fixed assets and amortisation of intangible assets	381,796	400,411	543,247	569,734
Personnel training and hiring expenses	315,826	192,106	449,380	273,342
Security costs	233,686	270,428	332,505	384,784
Employee insurance	225,213	175,968	320,449	250,380
Transport	182,964	207,543	260,334	295,307
Electricity	161,928	168,633	230,403	239,943
Professional services	104,741	209,718	149,033	298,402
Computers maintenance	86,969	138,964	123,746	197,728
Business trips	72,464	87,871	103,107	125,029
Bank charges	68,991	76,455	98,165	108,786
Communication expense	40,012	39,046	56,932	55,557
Property and liability insurance	39,768	59,622	56,585	84,834
Other	1,482,603	1,584,000	2,109,554	2,253,830
<b>Total</b>	<b>6,804,792</b>	<b>7,765,585</b>	<b>9,682,347</b>	<b>11,049,432</b>

Currency exchange for the EUR – 0.702804

JSC “Grindex” hereby informs that there were no changes made in its accounting policy in 2009. In non-audited financial accounts for the year 2009 the Group has employed the same Accounting and Consolidation Principles as in the audited consolidated financial accounts for the year 2008, released on 24 April 2009.

Chairman of the Board

Janis Romanovskis