

Grindex

Joint Stock Company “Grindeks”

*Non-audited consolidated financial statements
for the periods ended 30 June 2011
and 30 June 2010
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 products, medical products and phytochemical medicine
Legal address	53 Krustpils Street Riga, LV – 1057 Latvia
Subsidiaries	JSC “Tallinn Pharmaceutical Plant” (100%) Tondi 33 11316 Tallinn Estonia JSC “Kalceks” (98.67%) 53 Krustpils Str. Riga, LV - 1057, Latvia “Namu apsaimniekosanas projekti” Ltd. (100%) 53 Krustpils Str. Riga, LV - 1057, Latvia “Grindeks Rus” Ltd. (100%) 74/3 Warsaw Str. 117556 Moscow Russia
Reporting period	1 January 2011– 30 June 2011
Previous period	1 January 2010 – 30 June 2010

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	0.03
Vadims Rabša	Board member	0.00
Lipmans Zeligmans	Board member	0.00

*Latvian Central Depository data as of 14 June 2011

- Janis Romanovskis – Chairman of the Board

Born in 1960. Graduated from the Faculty of Economics of the University of Latvia. Has been employed at JSC “Grindeks” since 2003, having previously performed the duties of the Chief Finance and Administrative Officer, as well as being the Member of the Board. Prior to this he worked as the Chief Finance Officer at “Komercentrs Dati grupa” Ltd. Simultaneously J.Romanovskis is also the Member of the Council of JSC “Kalceks”, JSC “Tallinn pharmaceutical plant” and “Pharma and Chemistry Competence Centre of Latvia”.

- Lipmans Zeligmans - Member of the Board, Director of Final Dosage Forms Manufacturing unit

Born in 1947. Graduated from the Faculty of Chemistry of the Riga Polytechnic Institute. Has been employed at JSC “Grindeks” since 1992, having previously worked in the experimental factory of the Institute of Organic Synthesis of the Latvian Academy of Sciences. Simultaneously L.Zeligmans is also the Chairman of the Board of JSC “Kalceks” and the Member of the Council of JSC “Tallinn pharmaceutical plant”.

- Vadims Rabša - Member of the Board, Chief Finance and Administrative Officer

Born in 1976. Graduated from the Stockholm School of Economics in Riga where he studied Economics and Business. Has been employed at JSC “Grindeks” since 2007. Previously was employed at “Exigen Services” Ltd., holding the post of the Chief Finance Officer, as well as the position of the Deputy Chairman of the Board at JSC “DATI Exigen Group”. V.Rabša also worked at JSC “Latvijas Balzāms” as the Chief Finance Officer. Besides the position at “Grindeks”, V.Rabša is also the Member of the Council of “HBM Pharma” Ltd..

Supervisory Council of the Company

(In compliance with the election/dismissal dates)

Since 22 February 2008 to 13 April 2010

<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

Since 13 April 2010 to 25 May 2010:

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

*Latvian Central Depository data as of 14 June 2011

Since 25 May 2010 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
Anna Lipmane	Vice-Chairman of the Supervisory Council	16.69
Uldis Osis	Member of the Supervisory Council	0.00
Jānis Naglis	Member of the Supervisory Council	0.00
Ivars Kalvins	Member of the Supervisory Council	0.18

*Latvian Central Depository data as of 14 June 2011

- Kirovs Lipmans - Chairman of the Council

Born in 1940. Kirovs Lipmans has been the Chairman of the Council of “Grindeks” since 2003. From 1996 to 2002 he was the Chairman of the Council of JSC “Liepājas Eļļas rūpnīca” and JSC “Liepājas Metalurģis”. Simultaneously K.Lipmans is also the President of the Latvian Hockey Federation, the Member of the Executive Committee of the Latvian Olympic Committee, the Chairman of the Board of “Liplats 2000” Ltd. and the Chairman of the Council of JSC “Kalceks” and JSC “Tallinn pharmaceutical plant”. Graduated from the Leningrad Institute of Railway and Transport Engineering, also the Faculty of Economics of the University of Latvia, obtaining degree as an Engineer-Economist. K.Lipmans is also one of the major shareholders of “Grindeks”.

- Anna Lipmane - Deputy Chairman of the Council

Born in 1948. Anna Lipmane has been the Member of the Council of “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. A.Lipmane is one of the major shareholders of “Grindeks”.

- Uldis Osis - Member of the Council

Born in 1948. Uldis Osis has worked in the Council of “Grindeks” since 2002. Besides the position at “Grindeks”, U.Osis is also the President of “Konsorts” Ltd.. U.Osis has graduated from the Faculty of Economics of the Leningrad State University, also the post graduate studies of the Construction Economics Research Institute of the USSR Construction Committee, obtaining a diploma of the Candidate of Economics Science (Dr.oec.). Has studied also in foreign educational institutions, including the Georgetown University (in 1992, Washington D.C., USA).

- Janis Naglis - Member of the Council

Born in 1958. Janis Naglis has been the Member of the Council of “Grindeks” since 2002. Simultaneously to the job responsibilities in JSC “Grindeks” J.Naglis is also the General Director of “Islande Hotel” Ltd., the Director of „Jānis Naglis” Ltd., the Chairman of the Board of „Purvciema mājas” Ltd., „Imantas mājas” Ltd., „Kembi” Ltd., the Member of the Board of „Puzes karjers” Ltd., „JA GRS” Ltd., „Kauguru priedes” Ltd., „Arsan” Ltd., „Nordic bioenergy” Ltd., „Kempings Gauja” Ltd., „Baltic TAXI” Ltd. As well as he is the President of the Association of Hotels and Restaurants of Latvia and the Latvian Auto Federation, the Member of the Board of the Latvian Sports for All Association and the Member of the Council of the Employers’ Confederation of Latvia. J.Naglis has graduated from Riga Polytechnic institute with qualification Engineer-Mechanic.

- Ivars Kalvins - Member of the Council

Born in 1947. Professor Ivars Kalvins has been the Director, the Head of the Medical Chemistry Department and of the Chemistry Laboratory of Carbofunctional Combinations in the Institute of Organic Synthesis of Latvia (IOS) since 2003. Previously professor I.Kalvins was the Deputy Director of IOS. From 2006 to 2008 he was the Member of the Council of JSC “Grindeks”. Professor I.Kalvins is one of the best known scientists in Latvia, Dr. habil. chem., the Member of the Latvian Academy of Science, has received several awards. Professor I.Kalvins is involved in different professional and nongovernmental organizations.

MAJOR SHAREHOLDERS

The shareholders as of 14 June 2011 and 31 December 2010 were as follows (*Latvian Central Depository* data):

	Percentage holding (%) 14.06.2011	Percentage holding (%) 31.12.2010
Kirovs Lipmans	33.29	33.29
Anna Lipmane	16.69	16.69
Skandinaviska Enskilda banken	12.42	10.62
„AB.LV Private equity fund 2010”	11.38	11.38
Swedbank AS Clients Account	6.87	7.10
Other shareholders	19.35	20.92
Total	100.00	100.00

MANAGEMENT REPORT

Mode of activity

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

Group’s business activity during the accounting period

Turnover of the Group amounted to 32.7 million lats in the first half-year of 2011, which is by 0.6 million lats or 1.9% more than during the first half-year of 2010. In its turn, net profit of the Group, related to the shareholders of the holding company, amounted to 4.26 million lats in the accounting period, which is by 0.16 million lats or 3.9% more in comparison with the first six months of 2010. In the first half-year of 2011, gross profit margin of the Group was 59.3%, whereas, net profit margin comprised 13%. Products of the Group, manufactured during the accounting period, were exported to 46 states worldwide for the total amount of 31 million lats.

Sales of final dosage forms and active pharmaceutical ingredients

Sales volume of the final dosage forms of “Grindeks” was 27.8 million lats in the first half of 2011, and was maintained at the same level as in the same period last year. The main markets for the final dosage forms are Russia, other CIS countries, Georgia and the Baltic States. The most demanded products of “Grindeks” are the brand product Mildronate®, ointments Capsicam® and Viprosal B®.

In the first six months of 2011, sales of the active pharmaceutical ingredients reached 4.9 million lats, which is by 0.7 million lats or 16.7% more than in the first half of 2010. The main active pharmaceutical ingredient markets for “Grindeks” are Germany, the Netherlands, Japan and the USA. The most demanded pharmaceutical ingredients are: the UDCA (ursodeoxycholic acid) and oxitocine.

The demand for the active pharmaceutical ingredient zopiclone, developed by our own resources, and the final dosage form manufactured from it – the sedative-hypnotic medication Somnols® – confirms that “Grindeks” has competence in the vertically integrated solutions.

Investment program

In June of 2011, an important investment project was concluded and the manufacturing unit of the active pharmaceutical ingredient UDCA was opened, which construction was started in the middle of 2009. 6.34 million lats were invested in the construction of the manufacturing unit, out of which 2.8 million lats were from the European Regional Development Fund (ERDF). It is planned that the newly established UDCA manufacturing unit will significantly raise the turnover of “Grindeks”. When UDCA manufacturing unit will work at full capacity, UDCA turnover will rise to 7 million lats per year. In its turn, after the development and registration of the final dosage form in the next 2-3 years, sales could grow by another 7 million lats per year.

“Grindeks” has started establishment of the manufacturing unit for ethanol-based gels and ointments. The new production unit is located in the territory of the company in Riga, 53 Krustpils street. The total planned investment of the project – 1.28 million lats. Thanks to the new manufacturing unit, the company’s product range will be extended with ethanol-based gels and ointments. For the establishment of the manufacturing unit the necessary equipment for smelting, manufacture and packaging will be purchased and it will ensure output up to 20 million units (tubes) per year.

Quality and environmental protection

In the first half of 2011, “Grindeks” successfully passed several significant client audits on droperidol, oxitocin and milnacipran pharmaceutical ingredients, as well as the milnacipran final dosage form’s production’s compliance with the Good Manufacturing Practice standard. In June, inspections on both the veterinary product manufacturing, UDCA and other two active pharmaceutical ingredients - ipidakrine and imantinib – manufacturing conformity with the Good Manufacturing Practice (GMP) standard by the Latvian and Estonian State Agencies of Medicines were successfully concluded. Manufacturing processes in the new UDCA manufacturing unit are automated and meet the GMP standard requirements, as it is confirmed by the score assessment of the Latvian and Estonian State

Agencies of Medicines. Also the water resources control inspection by “Rigas udens” Ltd. (Riga Water Municipal Enterprise) was successfully passed. In its turn, specialists of “Grindeks” carried out audits in Lithuania, Italy, Israel and Russia.

Development of “Grindeks” share price in the first half-year of 2011 (Data of “NASDAQ OMX Riga”)

Since 2 January 2006 “Grindeks” shares have been listed in the Official list of “NASDAQ OMX Riga”. Fluctuation of “Grindeks” share price on “NASDAQ OMX Riga” during the first half-year of 2011 was within the limits from 6.00 lats to 7.00 lats per share. In the first half-year of 2011 the average price of “Grindeks” shares was 6.61 lats. Total quantity of “Grindeks” shares, traded in “NASDAQ OMX Riga” during the first half-year of 2011, was 660 256 shares, reaching the turnover of 4.3 million lats. As of 30 June 2011 the market capitalization of “Grindeks” shares was 65.2 million lats.



The Group’s earnings per share (EPS ratio) during the first half-year of 2011 amounted to 0.44 lats as compared with 0.43 lats during the first half-year of 2010.

Future expectations

One of the priorities of “Grindeks” is a product portfolio expansion, and currently 28 new final dosage forms are in various stages of development. These include both over-the-counter, and prescription generics, which are gradually being introduced for sale. Every year, “Grindeks” introduces 4-5 new generics.

Using its uniqueness, “Grindeks” will increasingly focus its attention on solutions that will allow using the vertical integration benefits – active pharmaceutical ingredients developed and manufactured by its own resources, from which then final dosage products will be manufactured and marketed. Thus, high quality and cost effective solutions will be created. One of the projects initiated is the UDCA final dosage form development and registration.

Similarly, the company will strictly follow the costs by reducing expenses and increasing their returns.

On behalf of the Group’s Management:

Janis Romanovskis
Chairman of the Board

25 August 2011

STATEMENT OF BOARD'S RESPONSIBILITIES

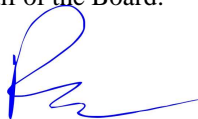
The Board of JSC "Grindex" (hereinafter - the Company) is bearing the responsibility for preparation of the consolidated interim financial statements of the Company and its subsidiaries (hereinafter - the Group). The interim financial statements of the Group are not audited.

The consolidated interim 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 30 June 2011 and the results of its operations and cash flows for the period of six months ended 30 June 2011.

Above mentioned consolidated interim 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 interim 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 Board:



Chairman of the Board
Janis Romanovskis

25 August 2011

STATEMENT OF FINANCIAL POSITION

	30.06.2011. LVL	30.06.2010. LVL	30.06.2011. EUR	30.06.2010. EUR
ASSETS				
Non-current assets				
Intangible assets				
Software, patents, licenses, trademarks and other rights	749,464	729,280	1,066,391	1,037,672
Advance payments for intangible assets	160,339	160,227	228,142	227,982
Total intangible assets	909,803	889,507	1,294,533	1,265,654
Tangible fixed assets				
Land, buildings and constructions	13,824,081	16,416,551	19,669,895	23,358,648
Equipment and machinery	8,622,870	9,574,548	12,269,239	13,623,354
Other fixed assets	811,837	802,531	1,155,140	1,141,899
Advance payments for fixed assets	4,572,986	3,084,739	6,506,773	4,389,188
Konstruktion in progress	8,071,730	5,517,910	11,485,037	7,851,279
Total tangible fixed assets	35,903,504	35,396,279	51,086,084	50,364,368
Investment property	4,882,200	5,041,842	6,946,745	7,173,895
Non current financial investments				
Investment in associates	-	25,500	-	36,283
Other investments	22,220	-	31,616	-
Other non current assets	1,706,860	973,886	2,428,643	1,385,715
Loan for the partner and management	896,075	-	1,275,000	-
Total long term financial investments	2,625,155	999,386	3,735,259	1,421,998
Total non current financial assets	44,320,662	42,327,014	63,062,621	60,225,915
Current assets				
Inventories				
Raw materials	3,208,211	1,823,838	4,564,873	2,595,088
Unfinished goods	2,283,045	2,161,096	3,248,480	3,074,962
Finished goods and goods for resale	6,576,907	6,304,924	9,358,096	8,971,099
Total inventory	12,068,163	10,289,858	17,171,449	14,641,149
Debtors				
Trade receivables	24,847,786	20,361,530	35,355,214	28,971,847
Other debtors	5,235,540	5,142,312	7,449,502	7,316,851
Loan for the partner and management	772,824	717,763	1,099,629	1,021,285
Deferred expenses	538,907	84,684	766,796	120,494
Total debtors	31,395,057	26,306,289	44,671,141	37,430,477
Cash and cash equivalents	1,918,304	2,821,228	2,729,501	4,014,246
Total current assets	45,381,524	39,417,375	64,572,091	56,085,872
TOTAL ASSETS	89,702,186	81,744,389	127,634,712	116,311,787

	30.06.2011.	30.06.2010.	30.06.2011.	30.06.2010.
	LVL	LVL	EUR	EUR
EQUITY AND LIABILITIES				
EQUITY				
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	32,692,830	25,580,132	46,517,706	36,397,249
b) foreign currency revaluation	2,038	(120,945)	2,900	(172,089)
c) current year profit	4,257,407	4,124,009	6,057,744	5,867,936
Equity attributable to equity holders of the parent	62,689,930	55,320,851	89,199,734	78,714,479
No controlling interest	56,291	55,107	80,095	78,410
Total equity	62,746,221	55,375,958	89,279,829	78,792,890
LIABILITIES				
Long-term liabilities				
Loans from credit institutions	3,728,933	6,645,807	5,305,794	9,456,131
Finance lease liabilities	879,664	1,076,080	1,251,649	1,531,124
Deferred income	3,056,775	3,499,831	4,349,399	4,979,811
Deferred tax liabilities	1,993,312	1,827,506	2,836,227	2,600,307
Total non-current liabilities	9,658,684	13,049,224	13,743,069	18,567,373
Current liabilities				
Loans from credit institutions	9,286,930	6,132,857	13,214,111	8,726,269
Finance lease liabilities	168,030	162,942	239,085	231,846
Advances from customers	97,342	70,767	138,505	100,692
Trade accounts payable	5,763,856	5,538,981	8,201,228	7,881,260
Taxes and social security liabilities	1,063,319	492,934	1,512,967	701,382
Other payables	414,094	459,136	589,203	653,292
Deferred income	392,035	238,146	557,816	338,851
Accrued liabilities	111,675	223,444	158,899	317,932
Total current liabilities	17,297,281	13,319,207	24,611,814	18,951,524
Total liabilities	26,955,965	26,368,431	38,354,883	37,518,897
TOTAL EQUITY AND LIABILITIES	89,702,186	81,744,389	127,634,712	116,311,787

STATEMENT OF COMPREHENSIVE INCOME

	2011 January - June LVL	2010 January - June LVL	2011 January - June EUR	2010 January - June EUR
Net sales	32,721,870	32,111,576	46,559,026	45,690,656
Cost of goods sold	(13,304,950)	(14,036,947)	(18,931,238)	(19,972,776)
Gross profit	19,416,920	18,074,629	27,627,788	25,717,880
Selling expenses	(10,129,912)	(8,988,624)	(14,413,566)	(12,789,660)
Administrative expenses	(3,576,533)	(4,268,030)	(5,088,948)	(6,072,860)
Other operating income	1,640,215	2,925,655	2,333,816	4,162,832
Other operating expenses	(2,341,286)	(2,667,783)	(3,331,351)	(3,795,912)
Interest income and similar income	47,472	1,765	67,547	2,511
Interest expense and similar expense	(127,515)	(151,204)	(181,437)	(215,144)
Real estate tax	(39,388)	(47,469)	(56,044)	(67,542)
Profit before taxation	4,889,973	4,878,939	6,957,805	6,942,105
Corporate income tax	(632,295)	(755,285)	(899,675)	(1,074,674)
NET PROFIT FOR THE PERIOD	4,257,678	4,123,654	6,058,130	5,867,431
Other comprehensive income				
Foreign currency revaluation	(43,244)	(2,973)	(61,531)	(4,230)
Other comprehensive income total	(43,244)	(2,973)	(61,531)	(4,230)
Comprehensive income total	4,214,434	4,120,681	5,996,599	5,863,201
Attributable to:				
Equity holders of the parent	4,257,407	4,124,009	6,057,744	5,867,936
No controlling interest	271	(355)	386	(505)
TOTAL	4,257,678	4,123,654	6,058,130	5,867,431
Comprehensive income attributable of				
Equity holders of the parent	4,214,163	4,121,036	5,996,213	5,863,706
No controlling interest	271	(355)	386	(505)
TOTAL	4,214,434	4,120,681	5,996,599	5,863,201
Earnings per share attributable equity holders of the parent (LVL per share)				
- Basic earnings per share	0.44	0.43	0.63	0.61
- Diluted earnings per share	0.44	0.43	0.63	0.61

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
As of 31.12.2010	9,585,000	15,687,750	464,905	45,282	32,692,830	58,475,767	56,020	58,531,787
Profit for the period	-	-	-	-	4,257,407	4,257,407	271	4,257,678
Foreign currency revaluation	-	-	-	(43,244)	-	(43,244)	-	(43,244)
As of 30.06.2011	9,585,000	15,687,750	464,905	2,038	36,950,237	62,689,930	56,291	62,746,221

	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
As of 31.12.2010	13,638,226	22,321,657	661,500	64,430	46,517,706	83,203,520	79,709	83,283,230
Profit for the period	-	-	-	-	6,057,744	6,057,744	386	6,058,130
Foreign currency revaluation	-	-	-	(61,531)	-	(61,531)	-	(61,531)
As of 30.06.2011	13,638,226	22,321,657	661,500	2,900	52,575,451	89,199,734	80,095	89,279,829

STATEMENTS OF CASH FLOWS

	2011 January - June LVL	2010 January - June LVL	2011 January - June EUR	2010 January - June EUR
OPERATING ACTIVITIES				
Net profit before taxation	4,889,973	4,878,939	6,957,805	6,942,105
<i>Adjustments to reconcile net profit to net cash provided by operating activities:</i>				
Depreciation and amortisation	1,432,701	1,394,172	2,038,550	1,983,728
Loss / (gain) on disposal of fixed assets and intangible assets	-	735	-	1,046
Income from EU funding	(91,688)	(62,153)	(130,460)	(88,436)
Interest income	(47,472)	(1,765)	(67,547)	(2,511)
Interest expense	127,515	151,204	181,437	215,144
<i>Changes in operating assets and liabilities:</i>				
Inventory	(1,322,497)	273,991	(1,881,744)	389,854
Debtors	(2,157,974)	(2,600,829)	(3,070,520)	(3,700,646)
Creditors	207,965	(2,252,918)	295,908	(3,205,614)
Gross cash provided by operating activities	3,038,523	1,781,376	4,323,429	2,534,670
Corporate income tax paid	(803,512)	497,231	(1,143,295)	707,496
Net cash provided by (used in) operating activities	2,235,011	2,278,607	3,180,134	3,242,166
INVESTING ACTIVITIES				
Purchase of fixed assets and intangible assets	(2,234,836)	(3,822,489)	(3,179,885)	(5,438,912)
Proceeds from sale of fixed assets	-	10,375	-	14,762
Purchase of long term financial investments	-	(248,120)	-	(353,043)
Net cash used in investing activities	(2,234,836)	(4,060,234)	(3,179,885)	(5,777,193)
FINANCING ACTIVITIES				
Received loans from credit institutions	2,076,491	3,323,938	2,954,581	4,729,538
Repaid loans to credit institutions	(588,247)	(1,111,558)	(837,000)	(1,581,605)
Income from EU funding	32,894	2,425,338	46,803	3,450,946
Interest paid	(127,515)	(151,275)	(181,437)	(215,245)
Net cash provided by financing activities	1,393,623	4,486,443	1,982,947	6,383,634
Net (decrease)/ increase in cash and cash equivalents	1,393,798	2,704,816	1,983,196	3,848,607
Cash and cash equivalents at the beginning of the period	524,506	116,412	746,305	165,639
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	1,918,304	2,821,228	2,729,501	4,014,246

NOTES

OTHER DEBTORS

	30.06.2011.	30.06.2010.	30.06.2011.	30.06.2010.
	LVL	LVL	EUR	EUR
Tax receivables	1,045,931	435,928	1,488,226	620,270
Other	4,189,609	4,706,384	5,961,276	6,696,581
Total	5,235,540	5,142,312	7,449,502	7,316,851

CASH AND CASH EQUIVALENTS

	30.06.2011.	30.06.2010.	30.06.2011.	30.06.2010.
	LVL	LVL	EUR	EUR
Cash in bank	1,913,133	2,812,839	2,722,143	4,002,310
Cash on hand	5,171	8,389	7,358	11,936
Total	1,918,304	2,821,228	2,729,501	4,014,246

LOANS FROM CREDIT INSTITUTIONS

	30.06.2011. LVL	30.06.2010. LVL	30.06.2011. EUR	30.06.2010. EUR
Credit line from JSC "SEB bank", Latvia	3,505,878	2,775,692	4,988,415	3,949,454
Credit line from JSC "Swedbank", Latvia	3,408,320	2,765,919	4,849,602	3,935,548
JSC "SEB bank", Latvia	1,325,611	-	1,886,175	-
JSC "Swedbank", Latvia	458,874	-	652,919	-
JSC "Swedbank", Latvia	316,263	319,262	450,002	454,269
JSC "Swedbank", Latvia	177,107	177,107	252,001	252,001
JSC "Swedbank", Latvia	94,877	94,877	134,997	134,997
Current loans from credit institutions	9,286,930	6,132,857	13,214,111	8,726,269
JSC "Swedbank", Latvia	2,906,170	3,323,938	4,135,107	4,729,538
JSC "Swedbank", Latvia	474,392	1,103,916	674,999	1,570,731
JSC "Swedbank", Latvia	215,151	569,364	306,132	810,132
JSC "Swedbank", Latvia	133,220	322,978	189,556	459,555
JSC "SEB bank", Latvia	-	1,325,611	-	1,886,175
Non-current loans from credit institutions	3,728,933	6,645,807	5,305,794	9,456,131
Total	13,015,863	12,778,664	18,519,905	18,182,400

TAX LIABILITIES

	30.06.2011. LVL	30.06.2010. LVL	30.06.2011. EUR	30.06.2010. EUR
Corporate income tax	495,550	5,657	705,104	8,049
Social security payments	360,631	220,324	513,132	313,493
Personal income tax	188,263	246,634	267,874	350,929
Other	18,875	20,319	26,857	28,911
Total	1,063,319	492,934	1,512,967	701,382

NET SALES

	2011 January - June LVL	2010 January - June LVL	2011 January - June EUR	2010 January - June EUR
Russia	15,520,092	16,029,702	22,083,101	22,808,211
Other CIS countries	11,709,049	13,465,888	16,660,476	19,160,232
Other countries	4,942,618	4,566,801	7,032,712	6,497,973
Latvia	1,732,095	1,659,184	2,464,549	2,360,806
Lithuania	1,239,414	947,007	1,763,527	1,347,470
Estonia	689,601	530,358	981,214	754,631
Other income	65,810	1,933	93,639	2,750
Gross sales	35,898,679	37,200,873	51,079,218	52,932,073
Less discounts				
Russia	(1,906,973)	(2,868,950)	(2,713,378)	(4,082,148)
Other CIS countries	(1,149,457)	(2,123,227)	(1,635,530)	(3,021,080)
Latvia	(44,624)	(37,591)	(63,494)	(53,487)
Lithuania	(43,694)	(30,898)	(62,171)	(43,964)
Estonia	(16,962)	(12,042)	(24,135)	(17,134)
Other countries	(15,099)	(16,589)	(21,484)	(23,604)
Discounts total	(3,176,809)	(5,089,297)	(4,520,192)	(7,241,417)
Total, net	32,721,870	32,111,576	46,559,026	45,690,656

COST OF GOODS SOLD

	2011 January - June LVL	2010 January - June LVL	2011 January - June EUR	2010 January - June EUR
Raw materials and packaging	5,393,391	4,567,265	7,674,104	6,498,633
Direct labour and social security payments	3,210,191	2,692,555	4,567,690	3,831,161
Goods purchased for resale	2,949,556	4,855,994	4,196,840	6,909,457
Depreciation of fixed assets and amortisation of intangible assets	1,080,881	1,047,279	1,537,955	1,490,144
Research costs	875,788	1,403,047	1,246,134	1,996,356
Electricity resource expenses	608,868	515,580	866,341	733,604
Machinery, buildings and equipment repairs	292,840	310,676	416,674	442,052
Household expenses	98,339	101,767	139,924	144,801
Transport	66,128	56,991	94,092	81,091
Waste disposal	38,809	26,780	55,220	38,105
Rent of work clothing	36,415	32,946	51,814	46,878
Other	677,146	269,826	963,492	383,927
Internal turnover of self-manufactured raw materials	(2,023,402)	(1,843,759)	(2,879,042)	(2,623,433)
Total	13,304,950	14,036,947	18,931,238	19,972,776

SELLING AND DISTRIBUTION COSTS

	2011	2010	2011	2010
	January -	January -	January -	January -
	June	June	June	June
	LVL	LVL	EUR	EUR
Advertising	6,184,054	5,524,461	8,799,116	7,860,600
Expenses of representative offices	1,138,425	969,104	1,619,833	1,378,911
Salaries and social security payments	873,669	760,599	1,243,119	1,082,235
Distribution expenses for goods	318,211	256,957	452,773	365,617
Patents	218,558	249,823	310,980	355,466
Depreciation of fixed assets and amortisation of intangible assets	179,844	138,626	255,895	197,247
Registration costs for medicine	145,826	133,869	207,492	190,478
Commissions	51,680	86,046	73,534	122,432
Freight insurance	10,713	16,893	15,243	24,037
Other	1,008,932	852,246	1,435,581	1,212,637
Total	10,129,912	8,988,624	14,413,566	12,789,660

ADMINISTRATIVE EXPENSIS

	2011	2010	2011	2010
	January -	January -	January -	January -
	June	June	June	June
	LVL	LVL	EUR	EUR
Administrative salaries and social security payments	2,241,838	1,976,926	3,189,848	2,812,912
Depreciation of fixed assets and amortisation of intangible assets	147,575	183,578	209,980	261,208
Security costs	95,526	102,830	135,921	146,314
Professional and consultancy services	93,016	115,567	132,350	164,437
Transport	75,698	74,351	107,709	105,792
Employee insurance	73,136	74,480	104,063	105,975
Electricity	55,822	50,020	79,428	71,172
Personnel training and hiring expenses	53,956	93,028	76,772	132,367
Bank charges	42,088	52,635	59,886	74,893
Computers maintenance	41,006	47,186	58,346	67,140
Business trips	35,849	30,859	51,009	43,908
Property and liability insurance	24,935	17,130	35,479	24,374
Communication expense	15,725	15,432	22,375	21,958
Other	580,363	1,434,008	825,782	2,040,410
Total	3,576,533	4,268,030	5,088,948	6,072,860

Currency exchange for the EUR – 0.702804

JSC “Grindeks” hereby informs that there were no changes made in its accounting policy in January-March 2011. In non-audited financial accounts for the period January- June 2011 the Group has employed the same Accounting and Consolidation Principles as in the audited consolidated financial accounts for the year 2010, released on April 27, 2011.

Chairman of the Board
25 August 2011

Janis Romanovskis