



Joint Stock Company “Grindeks”

*Non-audited consolidated financial statements
for the periods ended 31December, 2011 and
31December, 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, 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 2011 – 31 December 2011
Previous reporting period	1 January 2010 – 31 December 2010

THE BOARD AND THE SUPERVISORY COUNCIL

Board of the Company

(In compliance with the election/dismissal dates)

Since 13 October, 2008 to 24 November, 2011:

<u>Name</u>	<u>Position</u>	<u>Ownership interest (%)*</u>
Janis Romanovskis	Chairman of the Board	0.03
Vadims Rabsa	Board member	0.00
Lipmans Zeligmans	Board member	0.00

**Latvian Central Depository data as of 31 October, 2011*

Since 24 November, 2011 to 09 January, 2012:

<u>Name</u>	<u>Position</u>	<u>Ownership interest (%)*</u>
Vadims Rabsa	Board member	0.00
Lipmans Zeligmans	Board member	0.00

**Latvian Central Depository data as of 31 October, 2011*

Since 09 January, 2012 to the date of issuing the financial statements:

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

**Latvian Central Depository data as of 31 October, 2011*

- Juris Bundulis – Chairman of the Board

Born in 1953. Graduated from the Doctoral Study Programme of Biological Sciences of the University of Latvia; he has also graduated from the Faculty of Chemistry of the University of Latvia. Juris Bundulis has worked in “Grindeks” previously as the Marketing and Sales director and the Scientific Research and Development director. Prior his appointment as Chairman of the Board of “Grindeks” Juris Bundulis was the Deputy State Secretary of the Health Ministry of Latvia, where he worked on health politics issues.

- 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 Rabsa - 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.Rabsa also worked at JSC “Latvijas Balzāms” as the Chief Finance Officer. Besides the position at “Grindeks”, V.Rabsa is also the Member of the Board of JSC “Grindeks” Foundation “For the Support of Science and Education” and 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 31 October, 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 31 October, 2011

- Kirovs Lipmans - Chairman of the Council

Born in 1940. Kirovs Lipmans has been the Chairman of the Council of “Grindeks” since 2003, thereto he is also the Chairman of the Board of JSC “Grindeks” Foundation "For the Support of Science and Education". From 1996 to 2002 he was the Chairman of the Council of JSC “Liepājas Eļļas rūpnīca” and JSC “Liepājas Metalurģs”. 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 the Member of the Board 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 31 October, 2011, 14 June, 2011 and 31 December, 2010 were as follows (*Latvian Central Depository* data):

	Percentage holding (%) 31.10.2011	Percentage holding (%) 14.06.2011	Percentage holding (%) 31.12.2010
Kirovs Lipmans	33.29	33.29	33.29
Anna Lipmane	16.69	16.69	16.69
„AB.LV Private equity fund 2010”	11.38	11.38	11.38
Skandinaviska Enskilda banken	11.01	12.42	10.62
Swedbank AS Clients Account	9.00	6.87	7.10
Other shareholders	18.63	19.35	20.92
Total	100.00	100.00	100.00

MANAGEMENT REPORT

Business mode

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 activity during reporting period

The Group’s turnover amounted to 69.6 million lats in 2011, which is by 4.5 million lats or 6.9% more than in 2010. In its turn, net profit related to the shareholders of the holding company amounted to 6.7 million lats in 2011, which, in comparison with 2010, has decreased by 0.4 million lats or 5.6%. In 2011, gross profit margin of the Group was 58.9%, whereas, net profit margin comprised 9.6%. Products of the Group, manufactured during the Year 2011, were exported to 50 countries worldwide for the total amount of 65.8 million lats.

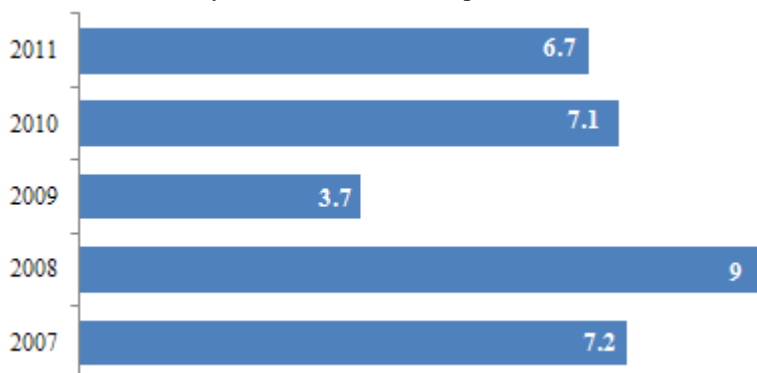
In 2011, ROE was 10.8%; ROA was 8.9%; ROS was 11.2%; liquidity was 2.89.

Main financial data of “Grindeks” during five year period (2006-2010)

Dynamics of “Grindeks” turnover (million lats)



Dynamics of “Grindeks” profit (million lats)



Market overview

In all final dosage forms’ markets, competition is becoming increasingly fiercer, and the low-price policy starts to dominate more and more. In the markets of the CIS countries national legislative changes have a major influence that are aimed at protecting the interests of local producers. In 2011, Russia, Belarus and Kazakhstan established a Customs Union, which target is to facilitate the national pharmaceutical companies in medication registration procedures and logistics processes. According to the new situation, medication importers, who are outside this union, will have to adapt and find solutions for medication sales promotion.

In 2011, in Russia a number of important legislative changes were made that impacted the pharmaceutical market as a whole. For example, at the time of accreditation of clinical research centres, from October 2010 to June 2011, importation of medications for clinical trials was stopped. It also negatively affected new “Grindeks” medication registration in Russia.

Overall, in 2011, the final dosage form markets began to recover after a long period of crisis, showing moderate growth. The only exception is the Belarusian pharmaceutical market, in which stagnation continued. The economic situation in this country has been profoundly changed by the national currency devaluation.

The market potential in each of the final dosage product markets is different, and development opportunities depend not only on the market, but also on purchasing capacity and public health policies of a given country.

The main active pharmaceutical ingredient markets for “Grindeks” – the European Union, the United States and Japan – face stiffer competition as more and more Chinese and Indian manufacturers offer substances in these regulated markets. With increasing competition, increases the number of counterfeit substances, therefore it is thought about how to make this environment more secure. Since 2011 “Grindeks” has been participating in an international project “Fingerprinting” organized by the EDQM, which identifies the main differences and features of active pharmaceutical ingredients that prove the product quality of the particular manufacturer. “Grindeks” participates in this project with four produced active pharmaceutical ingredients. “Grindeks” key competitive advantage in the active pharmaceutical ingredients business are complex active pharmaceutical ingredients, created in multi-stage synthesis.

In 2011, costs of raw materials, packaging materials and other procurement increased from 5% to 10% compared with 2010. It was influenced by several factors, one of which was the U.S. dollar, Swiss franc and the Chinese yuan’s exchange rate appreciation against the euro. With signs of economic recovery emerging, many European raw material suppliers, trying to offset the increasing costs for energy, raw materials and transportation, substantially increased the prices – even up to 14%.

Compared with 2010, “Grindeks” final dosage form supply amount to all markets increased by 4% in 2011. Shipping costs to the geographically furthest CIS countries increased by 8.7%. In its turn, land delivery costs through long-term stable cooperation with transport companies, did not increase significantly.

Sales of final dosage forms and active pharmaceutical ingredients

Sales volume of the final dosage forms of “Grindeks” was 60.4 million lats in 2011 and has increased by 2.7 million lats or 4.7% more in comparison with 2010. The main markets of the final dosage forms are Russia, other CIS countries, Georgia and the Baltic States. The sales amount in Russia, other CIS countries and Georgia reached 51.8 million lats in 2011, which is by 1.6 million lats or 3.2% more than in 2010. In its turn, turnover of the final dosage forms to the Baltic States and other European countries reached 8.6 million lats, which is by 1.1 million lats or 14.7% more than in 2010. The most demanded products of “Grindeks” are the brand product Mildronate®, ointments – Capsicam®, Viprosal B®, Sulfargin®, central nervous system medications – Somnols®, Rispaxol® and the original anti-cancer medication Ftorafur®.

In 2011, sales of the active pharmaceutical ingredients reached 9.2 million lats, which is by 1.8 million lats or 24.3% more than in 2010. The main active pharmaceutical ingredient export markets for “Grindeks” are Germany, the Netherlands, Japan and the U.S. The most demanded pharmaceutical ingredients of “Grindeks” are: zopiclone, oxitocine, ftorafur (tegafur), UDCA (ursodeoxycholic acid) as well as the veterinary products – detomidine, medetomidine, atipamezol and xilazine. Overall “Grindeks” produces 22 active pharmaceutical ingredients. In 2011, the company introduced 7 new active pharmaceutical ingredients. In 2011, the zopiclone of “Grindeks” share of the world market was 25%, while the oxytocin’s share of the world market was 30%. “Grindeks” veterinary substances’ market share in the EU amounted to 32% of the European Union market.

Investment program

In 2011, “Grindeks” successfully continued to implement its investment program, investing 3.79 million lats during the year. The major investment project in 2011 was the completion of the UDCA active pharmaceutical ingredient’s manufacturing unit. In the construction of the production facilities 6.34 million lats are invested, out of which 2.8 million lats is the European Regional Development Fund co-financing. The UDCA active pharmaceutical ingredient’s world market is gradually increasing and in 2011 it contributed to more than 400t of the active pharmaceutical ingredient per year. There are five active substance’s manufacturers in the world, and in 2014 “Grindeks” plans to capture about 15% of UDCA active pharmaceutical ingredient’s world market.

“Grindeks” continues establishment of the manufacturing unit for ethanol-based gels and ointments in the territory of the company in Riga, 53 Krustpils Street. The total planned investment of the project is 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 2011, “Grindeks” successfully passed 12 significant client audits on droperidol, oxytocin, xilazine, milnacipran and other active pharmaceutical ingredients, as well as on the milnacipran final dosage form production’s compliance with the Good Manufacturing Practice standard. Inspections by the Latvian and Estonian State Agencies of Medicines were concluded, and Good Manufacturing Practice (GMP) certificate was issued for active pharmaceutical ingredients – UDCA, ipidakrine and imatinib and veterinary products. ISO 9001 and 14001 supervisory audit was successfully passed, the Food and Veterinary Service inspections on manufacture of food supplements were carried out. In its turn, specialists of “Grindeks” audited 16 raw material production companies in Lithuania, Italy, Israel, India, Russia and other countries.

In 2011, a new laboratory room was set up for carrying out analysis of active pharmaceutical ingredients. To quicken the summing up of the results, equipment was purchased and a new express-method for microbial contamination in purified water and in the working environment was acquired. To improve working effectiveness in the work of quality staff the modern information system introduction is continued. In 2011, metrology and clean room monitoring databases were established; from 2012 the electronic accounting and registration system of the test samples is being introduced.

Development of “Grindeks” share price (data of “NASDAQ OMX Riga”)

Since 2 January 2006 “Grindeks” shares have been listed on the Official List of “NASDAQ OMX Riga”. Fluctuation of “Grindeks” share price on “NASDAQ OMX Riga” during 2011 was within the limits from 4.20 lats to 7.35 lats. In 2011, the average price of “Grindeks” shares was 6.02 lats. The total quantity of “Grindeks” shares, traded in “NASDAQ OMX Riga”, during 2011 was 1 171 531 shares, reaching the turnover of 7.04 million lats. At the end of 2011, the market capitalization of “Grindeks” shares was 41.04 million lats.

The Group’s earnings per share (EPS ratio) amounted to 0.70 lats in 2011 as compared with 0.74 lats in 2010.



Future expectations

“Grindeks” has determined the product range expansion as a top priority in 2012. The main therapeutic groups are heart and cardiovascular, anti-cancer and the central nervous system medications, but the company also has focused on other therapeutic directions – gastrointestinal and antimicrobial medications. Following the previous strategy, “Grindeks” will continue to develop and implement four new generics annually. Also development of new combinations of Mildronate® will be continued.

“Grindeks” will increasingly focus its attention on solutions that will allow using the vertical integration benefits

– active pharmaceutical ingredients developed and manufactured by own resources, from which then final dosage form products are 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.

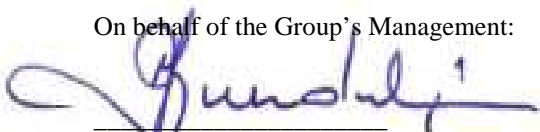
To increase its final dosage form product sales, in 2012 “Grindeks” will pay special attention to marketing and sales capacity improvement. The company’s position and role of foreign representative offices in existing markets will be strengthened. In all representative offices operations and customer relationship principles will be improved, as well as the representative offices’ responsibility in local markets enhanced and sales increased.

In 2012, “Grindeks” will strictly follow the costs by reducing expenses and increasing their returns.

“Grindeks” ongoing investment program will be continued – it is planned to complete the construction of the manufacturing unit for ethanol-based gels and ointments. “Grindeks” will also assess the Group’s expansion opportunities by the acquisition of pharmaceutical production companies.

In 2012, “Grindeks” plans the turnover and profit growth above 10%.

On behalf of the Group’s Management:



Juris Bundulis
Chairman of the Board

24 February, 2012

STATEMENT OF THE BOARD'S RESPONSIBILITIES

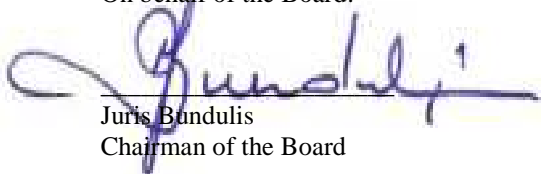
The Board of JSC "Grindex" (hereinafter - the Company) is bearing the responsibility for preparation of the consolidated interim financial statements of the Company and its subsidiaries (hereinafter - the Group). The interim financial statements of the Group are not audited.

The consolidated interim financial statements, enclosed from the page 12 to the page 20, are prepared in accordance with the accounting records and source documents, presenting fairly the financial position of the Group as of 31 December, 2011 and the results of its operations and cash flows for the period of twelve-months ended 31 December, 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:



Juris Bundulis
Chairman of the Board

24 February, 2012

STATEMENT OF FINANCIAL POSITION

	31.12.2011. LVL	31.12.2010. LVL	31.12.2011. EUR	31.12.2010. EUR
ASSETS				
Non-current assets				
Intangible assets				
Software, patents, licenses, trademarks and other rights	677,801	883,491	964,424	1,257,094
Advance payments for intangible assets	170,454	90,741	242,534	129,113
Total intangible assets	848,255	974,232	1,206,958	1,386,207
Tangible fixed assets				
Land, buildings and constructions	16,917,483	14,106,736	24,071,410	20,072,077
Equipment and machinery	12,442,971	9,119,061	17,704,753	12,975,255
Other fixed assets	770,100	787,502	1,095,754	1,120,514
Construction in progress	3,720,724	8,597,711	5,294,113	12,233,441
Advance payments for fixed assets	2,229,229	2,377,536	3,171,906	3,382,929
Total tangible fixed assets	36,080,507	34,988,546	51,337,936	49,784,216
Investment property	4,882,200	4,882,200	6,946,745	6,946,745
Non current financial investments				
Other investments	22,220	25,720	31,616	36,596
Other non current assets	1,706,860	1,706,200	2,428,643	2,427,704
Loan for the partner and management	896,075	896,075	1,275,000	1,275,000
Total long term financial investments	2,625,155	2,627,995	3,735,259	3,739,300
Total non current financial assets	44,436,117	43,472,973	63,226,898	61,856,468
Current assets				
Inventories				
Raw materials	2,468,866	2,828,538	3,512,880	4,024,647
Unfinished goods	2,229,339	1,980,706	3,172,063	2,818,290
Finished goods and goods for resale	6,940,335	5,936,422	9,875,207	8,446,768
Total inventory	11,638,540	10,745,666	16,560,150	15,289,705
Debtors				
Trade receivables	30,167,026	23,846,258	42,923,811	33,930,168
Other debtors	3,489,360	4,437,538	4,964,912	6,314,048
Other investments	823,188	845,096	1,171,291	1,202,463
Deferred expenses	125,925	108,191	179,175	153,942
Total debtors	34,605,499	29,237,083	49,239,189	41,600,621
Cash and cash equivalents	923,603	524,506	1,314,169	746,305
Total current assets	47,167,642	40,507,255	67,113,508	57,636,631
TOTAL ASSETS	91,603,759	83,980,228	130,340,406	119,493,099

	31.12.2011. LVL	31.12.2010. LVL	31.12.2011. EUR	31.12.2010. 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
Retained profit:				
a) foreign currency revaluation	(140)	45,282	(199)	64,430
b) prior year accumulated profit	32,692,830	25,580,132	46,517,706	36,397,249
c) current year profit	6,667,185	7,112,698	9,486,550	10,120,457
Equity attributable to equity holders of the parent	65,097,530	58,475,767	92,625,440	83,203,520
No controlling interest	57,379	56,020	81,643	79,709
Total equity	65,154,909	58,531,787	92,707,083	83,283,230
LIABILITIES				
Long-term liabilities				
Loans from credit institutions	4,059,003	3,687,826	5,775,441	5,247,304
Finance lease liabilities	502,969	770,300	715,660	1,096,038
Deferred income	3,279,036	3,056,775	4,665,648	4,349,399
Deferred tax liabilities	2,204,422	1,993,312	3,136,610	2,836,227
Total non-current liabilities	10,045,430	9,508,213	14,293,359	13,528,968
Current liabilities				
Loans from credit institutions	8,308,351	7,839,793	11,821,718	11,155,020
Finance lease liabilities	359,999	316,800	512,232	450,766
Advances from customers	283,767	68,891	403,764	98,023
Trade accounts payable	5,945,617	5,832,190	8,459,851	8,298,459
Taxes and social security liabilities	399,167	953,928	567,963	1,357,317
Other payables	451,452	356,260	642,360	506,912
Deferred income	565,375	121,537	804,456	172,932
Accrued liabilities	89,692	450,829	127,620	641,472
Total current liabilities	16,403,420	15,940,228	23,339,964	22,680,901
Total liabilities	26,448,850	25,448,441	37,633,323	36,209,869
TOTAL EQUITY AND LIABILITIES	91,603,759	83,980,228	130,340,406	119,493,099

STATEMENTS OF COMPREHENSIVE INCOME

	2011 LVL	2010 LVL	2011 EUR	2010 EUR
Net sales	69,573,161	65,149,068	98,993,690	92,698,772
Cost of goods sold	(28,572,556)	(28,427,882)	(40,655,085)	(40,449,232)
Gross profit	41,000,605	36,721,186	58,338,605	52,249,540
Selling expenses	(19,177,758)	(17,820,659)	(27,287,491)	(25,356,513)
Administrative expenses	(7,711,261)	(7,001,647)	(10,972,136)	(9,962,446)
Other operating income	1,826,786	1,790,190	2,599,282	2,547,211
Other operating expenses	(8,122,014)	(4,744,978)	(11,556,584)	(6,751,496)
Interest income and similar income	137,879	87,029	196,184	123,831
Interest expense and similar expense	(291,757)	(240,241)	(415,133)	(341,832)
Real estate tax	(68,432)	(89,263)	(97,370)	(127,010)
Profit before taxation	7,594,048	8,701,617	10,805,357	12,381,285
Corporate income tax	(925,504)	(1,588,361)	(1,316,874)	(2,260,034)
NET PROFIT FOR THE PERIOD	6,668,544	7,113,256	9,488,483	10,121,251
Other comprehensive income				
Foreign currency revaluation	(45,422)	163,254	(64,630)	232,290
Other comprehensive income total	(45,422)	163,254	(64,630)	232,290
Comprehensive income total	6,623,122	7,276,510	9,423,854	10,353,541
Attributable to:				
Equity holders of the parent	6,667,185	7,112,698	9,486,550	10,120,457
No controlling interest	1,359	558	1,934	794
TOTAL	6,668,544	7,113,256	9,488,483	10,121,251
Comprehensive income attributable of:				
Equity holders of the parent	6,621,763	7,275,952	9,421,920	10,352,747
No controlling interest	1,359	558	1,934	794
Total	6,623,122	7,276,510	9,423,854	10,353,541
Earnings per share attributable equity holders of the parent (LVL per share)				
- Basic earnings per share	0.7	0.74	0.99	1.0
- Diluted earnings per share	0.7	0.74	0.99	1.0

STATEMENT OF CHANGES IN EQUITY

	Share capital	Share premium	Other reserves	Foreign currency translation reserve	Retained profit	Equity attributable to equity holders of the parent	No controlling interest	Total
	LVL	LVL	LVL	LVL	LVL	LVL	LVL	LVL
As at 31 December 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	-	-	-	-	6,667,185	6,667,185	1,359	6,668,544
Foreign currency revaluation	-	-	-	(45,422)	-	(45,422)	-	(45,422)
As at 31 December 2011	9,585,000	15,687,750	464,905	(140)	39,360,015	65,097,530	57,379	65,154,909

	Share capital	Share premium	Other reserves	Foreign currency translation reserve	Retained profit	Equity attributable to equity holders of the parent	No controlling interest	Total
	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR
As at 31 December 2010	13,638,226	22,321,657	661,500	64,430	46,517,706	83,203,520	79,709	83,208,230
Profit for the period	-	-	-	-	9,486,550	9,486,550	1,934	9,488,483
Foreign currency revaluation	-	-	-	(64,630)	-	(64,630)	-	(64,630)
As at 31 December 2011	13,638,226	22,321,657	661,500	(199)	56,004,256	92,625,440	81,643	92,707,083

STATEMENT OF CASH FLOWS

	2011 LVL	2010 LVL	2011 EUR	2010 EUR
OPERATING ACTIVITIES				
Net profit before taxation	7,594,048	8,701,617	10,805,357	12,381,285
<i>Adjustments to reconcile net profit to net cash provided by operating activities:</i>				
Depreciation and amortisation	2,863,504	2,749,194	4,074,399	3,911,751
(Gain) / loss on disposal of fixed assets and intangible assets	7,284	705,325	10,364	1,003,587
Income from EU funding	(441,866)	(330,018)	(628,719)	(469,573)
Interest income	(137,879)	(87,029)	(196,184)	(123,831)
Interest expense	291,757	240,241	415,133	341,832
<i>Changes in operating assets and liabilities:</i>				
Inventory	(853,632)	(181,817)	(1,214,609)	(258,702)
Debtors	(5,723,920)	(5,738,902)	(8,144,404)	(8,165,722)
Creditors	1,709,692	(2,200,322)	2,432,672	(3,130,776)
Gross cash provided by operating activities	5,308,988	3,858,289	7,554,009	5,489,851
Corporate income tax paid	(1,694,196)	475,162	(2,410,624)	676,095
Interest income received	115	40	164	56
Net cash provided by (used in) operating activities	3,614,907	4,333,491	5,143,549	6,166,002
INVESTING ACTIVITIES				
Purchase of fixed assets and intangible assets	(3,769,379)	(7,130,424)	(5,363,343)	(10,145,679)
Proceeds from sale of fixed assets	-	306,935	-	436,729
Purchase of long term financial investments	(773,084)	(267,271)	(1,099,999)	(380,292)
Other loans repaid	-	18,931	-	26,936
Net cash used in investing activities	(4,542,463)	(7,071,829)	(6,463,342)	(10,062,306)
FINANCING ACTIVITIES				
Received loans from credit institutions	8,553,772	3,323,937	12,170,921	4,729,536
Repaid loans to credit institutions	(7,714,037)	(2,362,602)	(10,976,086)	(3,361,680)
EU funding	778,675	2,537,238	1,107,955	3,610,165
Interest paid	(291,757)	(240,241)	(415,133)	(341,832)
Net cash (used in) /provided by financing activities	1,326,653	3,146,432	1,887,657	4,476,969
Net increase / (decrease) in cash and cash equivalents	399,097	408,094	567,864	580,665
Cash and cash equivalents at the beginning of the year	524,506	116,412	746,305	165,639
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	923,603	524,506	1,314,169	746,305

NOTES

OTHER DEBTORS

	31.12.2011.	31.12.2010.	31.12.2011.	31.12.2010.
	LVL	LVL	EUR	EUR
Tax receivables	934,128	259,274	1,329,144	368,914
Other	2,555,232	4,178,264	3,635,768	5,945,134
Total	3,489,360	4,437,538	4,964,912	6,314,048

CASH AND CASH EQUIVALENTS

	31.12.2011.	31.12.2010.	31.12.2011.	31.12.2010.
	LVL	LVL	EUR	EUR
Cash in bank	916,521	519,374	1,304,092	739,003
Cash on hand	7,082	5,132	10,077	7,302
Total	923,603	524,506	1,314,169	746,305

LOANS FROM CREDIT INSTITUTIONS

	31.12.2011.	31.12.2010.	31.12.2011.	31.12.2010.
	LVL	LVL	EUR	EUR
Credit line from Nordea bank, Latvia	3,367,211	-	4,791,110	-
Credit line from JSC "SEB Bank", Latvia	3,304,600	2,569,131	4,702,021	3,655,544
Nordea bank, Latvia	843,365	-	1,200,000	-
Nordea bank, Latvia	468,536	-	666,667	-
JSC "SEB Bank", Latvia	324,639	1,325,611	461,920	1,886,175
Credit line from JSC "Swedbank", Latvia	-	2,309,683	-	3,286,383
JSC "Swedbank", Latvija	-	632,524	-	900,000
JSC "Swedbank", Latvija	-	354,213	-	504,000
JSC "Swedbank", Latvija	-	189,756	-	269,998
JSC "Swedbank", Latvija	-	223,620	-	318,182
JSC "Swedbank", Latvija	-	235,255	-	334,738
Current loans from credit institutions	8,308,351	7,839,793	11,821,718	11,155,020
Nordea bank, Latvia	2,319,253	-	3,300,000	-
JSC "SEB Bank", Latvia	919,812	-	1,308,774	-
Nordea bank, Latvia	819,938	-	1,166,667	-
JSC "Swedbank", Latvija	-	1,740,884	-	2,477,055
JSC "Swedbank", Latvija	-	1,124,179	-	1,599,563
JSC "Swedbank", Latvija	-	474,392	-	674,999
JSC "Swedbank", Latvija	-	215,151	-	306,132
JSC "Swedbank", Latvija	-	133,220	-	189,555
Non-current loans from credit institutions	4,059,003	3,687,826	5,775,441	5,247,304
Total	12,367,354	11,527,619	17,597,159	16,402,324

TAX LIABILITIES

	31.12.2011. LVL	31.12.2010. LVL	31.12.2011. EUR	31.12.2010. EUR
Social security payments	238,774	93,255	339,745	132,690
Personal income tax	136,342	170,196	193,997	242,167
Value added tax	12,402	-	17,646	-
Corporate income tax	-	667,597	-	949,905
Other	11,649	22,880	16,575	32,555
Total	399,167	953,928	567,963	1,357,317

NET SALES

	2011 LVL	2010 LVL	2011 EUR	2010 EUR
Russia	39,545,578	38,275,766	56,268,288	54,461,508
Other CIS countries	20,968,427	21,870,085	29,835,384	31,118,327
Other countries	7,914,702	8,283,274	11,261,606	11,786,037
Latvia	3,907,064	3,501,905	5,559,251	4,982,762
Lithuania	2,342,263	2,023,282	3,332,740	2,878,871
Estonia	1,349,046	1,172,303	1,919,520	1,668,037
Other	115,957	44,131	164,992	62,793
Gross sales	76,143,037	75,170,746	108,341,781	106,958,335
Less discounts				
Russia	(4,249,131)	(7,043,696)	(6,045,969)	(10,022,276)
Other CIS countries	(2,082,350)	(2,751,726)	(2,962,917)	(3,915,353)
Latvia	(98,026)	(91,670)	(139,478)	(130,435)
Other countries	(21,532)	(66,704)	(30,637)	(94,911)
Lithuania	(86,891)	(26,161)	(123,635)	(37,224)
Estonia	(31,946)	(41,721)	(45,455)	(59,364)
Discounts total	(6,569,876)	(10,021,678)	(9,348,091)	(14,259,563)
Total, net	69,573,161	65,149,068	98,993,690	92,698,772

COST OF GOODS SOLD

	2011 LVL	2010 LVL	2011 EUR	2010 EUR
Raw materials and packaging	11,747,410	9,729,967	16,715,059	13,844,496
Direct labour and social security payments	6,529,201	5,462,607	9,290,216	7,772,590
Goods purchased for resale	6,318,515	9,144,972	8,990,437	13,012,123
Depreciation of fixed assets and amortisation of intangible assets	2,202,874	2,021,708	3,134,407	2,876,631
Research costs	1,859,380	2,842,166	2,645,659	4,044,038
Electricity resource expenses	1,137,615	1,036,253	1,618,680	1,474,455
Machinery, buildings and equipment repairs	599,839	564,516	853,494	803,234
Household expenses	195,594	190,832	278,305	271,529
Transport	136,710	109,758	194,521	156,172
Waste disposal	90,288	59,583	128,468	84,779
Rent of work clothing	72,112	65,957	102,606	93,848
Other	1,303,671	941,074	1,854,958	1,339,028
Internal turnover of self-manufactured raw materials	(3,620,653)	(3,741,511)	(5,151,725)	(5,323,691)
Total	28,572,556	28,427,882	40,655,085	40,449,232

SELLING AND DISTRIBUTION COSTS

	2011 LVL	2010 LVL	2011 EUR	2010 EUR
Advertising	11,416,089	10,853,181	16,243,631	15,442,685
Expenses of representative offices	2,371,505	1,932,482	3,374,348	2,749,674
Salaries and social security payments	1,728,958	1,499,439	2,460,086	2,133,509
Distribution expenses for goods	617,243	554,326	878,258	788,735
Patents	424,581	500,533	604,124	712,194
Depreciation of fixed assets and amortisation of intangible assets	359,730	285,976	511,850	406,907
Registration costs for medicine	210,342	226,628	299,290	322,463
Commissions	199,770	194,887	284,247	277,299
Freight insurance	21,127	32,722	30,061	46,559
Other	1,828,413	1,740,485	2,601,596	2,476,488
Total	19,177,758	17,820,659	27,287,491	25,356,513

ADMINISTRATIVE EXPENSIS

	2011 LVL	2010 LVL	2011 EUR	2010 EUR
Administrative salaries and social security payments	4,233,030	3,844,758	6,023,059	5,470,598
Depreciation of fixed assets and amortisation of intangible assets	252,512	352,611	359,292	501,720
Professional and consultancy services	532,247	262,204	757,319	373,083
Security costs	196,142	187,838	279,085	267,269
Employee insurance	161,659	144,466	230,020	205,557
Transport	147,028	147,445	209,202	209,795
Bank charges	137,893	105,126	196,204	149,581
Personnel training and hiring expenses	107,347	144,939	152,741	206,230
Business trips	104,500	76,636	148,690	109,043
Electricity	99,321	81,135	141,321	115,445
Computers maintenance	80,931	95,518	115,154	135,910
Development and implementation of documents management system	50,665	50,665	72,090	72,090
Property and liability insurance	45,722	35,305	65,057	50,234
Communication expense	35,022	28,490	49,832	40,538
Other	1,527,242	1,444,511	2,173,070	2,055,353
Total	7,711,261	7,001,647	10,972,136	9,962,446

Currency exchange for the EUR – 0.702804

JSC “Grindeks” hereby informs that there were no changes made in its accounting policy in 2011. In non-audited financial accounts for the year 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.



The Chairman of the Board of JSC “Grindeks”

Juris Bundulis

24 February, 2012