

Joint Stock Company “Grindeks”

*Non-audited consolidated financial statements
for the periods ended
March 31, 2012
and March 31, 2011
prepared in accordance with International
Financial Reporting Standards*

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ANCILLARY INFORMATION

Name	“GRINDEKS”
Legal status	Joint Stock Company since August 25, 1997
Number, place and date of registration	40003034935, Riga, Republic of Latvia, October 11, 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” Tondi 33 11316, Tallinn, Estonia JSC “Kalceks” (98.67%) 53 Krustpils Street Riga, LV - 1057, Latvia “Namu apsaimniekosanas projekti” Ltd. 53 Krustpils Street Riga, LV - 1057, Latvia “Grindeks Rus” Ltd. 74/3 Warsaw Road 117556, Moscow, Russia
Reporting period	January 1, 2012 – March 31, 2012
Previous reporting period	January 1, 2011 – March 31, 2011

THE BOARD AND THE SUPERVISORY COUNCIL

Board of the Company

(in compliance with the election/dismissal dates)

Since October 13, 2008 to November 24, 2011:

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

*Latvian Central Depository data as of October 31, 2011

Since November 24, 2011 to January 9, 2012:

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

* Latvian Central Depository data as of December 31, 2011

Since January 9, 2012 to May 1, 2012:

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

* Latvian Central Depository data as of December 31, 2011

Since May 1, 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 Rabsha	Board member	0.00

* Latvian Central Depository data as of December 31, 2011

Supervisory Council of the Company

(in compliance with the election/dismissal dates)

Since May 25, 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	Deputy Chairman of the Supervisory Council	16.69
Uldis Osis	Member of the Supervisory Council	0.00
Janis Naglis	Member of the Supervisory Council	0.00
Ivars Kalvins	Member of the Supervisory Council	0.18

* Latvian Central Depository data as of December 31, 2011

MAJOR SHAREHOLDERS

The shareholders as of December 31, 2011 and December 31, 2010 were as follows (Latvian central Depository data):

	Percentage holding (%) 31.12.2011	Percentage holding (%) 31.12.2010
Kirovs Lipmans	33.29	33.29
Anna Lipmane	16.69	16.69
„AB.LV Private equity fund 2010”	11.38	11.38
Skandinaviska Enskilda banken (nominal holder)	10.94	10.62
Swedbank AS Clients Account (nominal holder)	8.28	7.10
Other shareholders	19.42	20.92
Total	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 in the first quarter of 2012 amounted to 15.94 million lats, which is by 1.94 million lats or 13.9% more than in the first quarter of 2011. In its turn, the net profit of the Group, related to the shareholders of the holding company, amounted to 1.64 million lats in the first quarter of 2012, which is by 0.14 million lats or 9.3% more in comparison with the first three months of 2011. The gross profit margin of the Group was 54.1% in the first quarter of 2012, whereas, the net profit margin was 10.3%. The products of the Group, manufactured during the first quarter of 2012, were exported to 42 countries worldwide for the total amount of 15.12 million lats.

Sales of final dosage forms and active pharmaceutical ingredients

The sales volume of the final dosage forms of “Grindeks” was 14.49 million lats in the first quarter of 2012 and was increased by 2.4 million lats or 16.4% in comparison with the first quarter of the previous year. 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 12.3 million lats in the first quarter of 2012, which is by 1.9 million lats or 18.3% more than in the corresponding period of 2011. In its turn, the turnover of the final dosage forms to the Baltic States and other European countries reached 2.19 million lats, which is by 0.14 million lats or 6.8% more than in the first quarter of 2011. The most demanded products of “Grindeks” in the first quarter of 2012 were the brand product Mildronate®, ointments – Capsicam®, Viprosal B®, central nervous system medications – Somnols®, Rispaxol® and the original anti-cancer medication Ftorafur®.

In the first quarter of 2012, the sales of the active pharmaceutical ingredients reached 1.45 million lats, which is by 0.1 million lats or 6.5% less than in the first quarter of 2011. Part of the active pharmaceutical ingredient clients has reviewed the production plan of 2012, moving the deliveries to the second half of the year. The main active pharmaceutical ingredient export markets for “Grindeks” are Germany, the Netherlands, Japan and the U.S. The most demanded active pharmaceutical ingredients of “Grindeks” are: zopiclone, oxytocin, ftorafur (tegafurum), UDCA (ursodeoxycholic acid) as well as the veterinary products – detomidine, medetomidine, atipamezole and xylazine. Overall “Grindeks” produces 22 active pharmaceutical ingredients. Currently, there are 4 new active pharmaceutical ingredients under development.

Investment program

“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 the first quarter of 2012 at “Grindeks” a detailed assessment of company was successfully carried out by the WHO (World Health Organization), in which “Grindeks” as a manufacturer of the final dosage forms (oxytocin injections) was recognized compliant with the requirements of WHO. In the first quarter of 2012 also an audit of the active pharmaceutical ingredients Analytical Scaling-up Laboratory by the Latvian National Accreditation Bureau took place and the recognition of its compliance with “Good Laboratory Practice” was received. “Grindeks” specialists made 5 raw materials and primary packaging manufacturer audits in China and Russia.

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 the first quarter of

2012 was within the limits from 4.28 lats to 5.35 lats. In the first quarter of 2012 the average price of “Grindeks” shares was 4.70 lats. The total quantity of “Grindeks” shares, traded in “NASDAQ OMX Riga”, during the first quarter of 2012 was 279651 shares, reaching the turnover of 1.33 million lats. At the end of the first quarter of 2012 the market capitalization of “Grindeks” shares was 45.05 million lats.



The Group’s earnings per share (EPS ratio) amounted to 0.17 lats the first quarter of 2012 as compared with 0.16 lats in the first quarter of 2011.

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

May 25, 2012

STATEMENT OF BOARD'S RESPONSIBILITIES

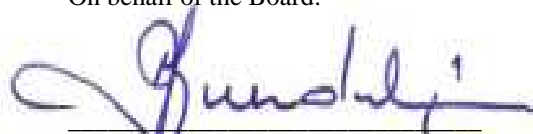
The Board of JSC "Grindex" (hereinafter - the Company) is bearing the responsibility for preparation of the consolidated interim financial statements of the Company and its subsidiaries (hereinafter - the Group). The interim financial statements of the Group are not audited.

The consolidated interim financial statements, enclosed from the page 9 to the page 17, are prepared in accordance with the accounting records and source documents, presenting fairly the financial position of the Group as of 31 March 2012 and the results of its operations and cash flows for the period of three months ended 31 March 2012.

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

May 25, 2012

STATEMENT OF FINANCIAL POSITION

	31.03.2012. LVL	31.03.2011. LVL	31.03.2012. EUR	31.03.2011. EUR
ASSETS				
Non-current assets				
Intangible assets				
Software, patents, licenses, trademarks and other rights	654,801	807,556	931,698	1,149,048
Advance payments for intangible assets	143,858	90,741	204,691	129,113
Total intangible assets	798,659	898,297	1,136,389	1,278,161
Tangible fixed assets				
Land, buildings and constructions	16,861,634	13,942,172	23,991,944	19,837,924
Equipment and machinery	12,218,199	8,834,289	17,384,931	12,570,061
Other fixed assets	745,510	822,196	1,060,765	1,169,880
Advance payments for fixed assets	92,918	4,697,528	132,211	6,683,980
Construction in progress	6,319,332	7,100,065	8,991,599	10,102,481
Total tangible fixed assets	36,237,593	35,396,250	51,561,450	50,364,326
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	1,654,150	1,706,860	2,353,643	2,428,643
Loan for the partner and management	896,075	896,075	1,275,000	1,275,000
Total long term financial investments	2,572,445	2,628,655	3,660,259	3,740,239
Total non current financial assets	44,490,897	43,805,402	63,304,843	62,329,471
Current assets				
Inventories				
Raw materials	2,885,841	3,176,278	4,106,182	4,519,436
Unfinished goods	2,455,261	1,974,538	3,493,522	2,809,514
Finished goods and goods for resale	6,881,151	7,230,161	9,790,995	10,287,593
Total inventories	12,222,253	12,380,977	17,390,699	17,616,543
Debtors				
Trade receivables	28,225,452	23,864,176	40,161,200	33,955,663
Other debtors	5,260,975	3,694,669	7,485,693	5,257,040
Loan for the partner and management	823,188	846,245	1,171,291	1,204,098
Deferred expenses	176,407	142,130	251,005	202,234
Total debtors	34,486,022	28,547,220	49,069,189	40,619,035
Cash and cash equivalents	557,942	573,890	793,880	816,572
Total current assets	47,266,217	41,502,087	67,253,768	59,052,150
TOTAL ASSETS	91,757,114	85,307,489	130,558,611	121,381,621

	31.03.2012.	31.03.2011.	31.03.2012.	31.03.2011.
	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	39,398,904	32,692,830	56,059,590	46,517,706
b) foreign currency revaluation	21,868	3,260	31,115	4,639
c) current year profit	1,643,091	1,499,090	2,337,908	2,133,013
Equity attributable to equity holders of the parent	66,801,518	59,932,835	95,049,996	85,276,741
No controlling interest	58,123	56,852	82,702	80,893
Total equity	66,859,641	59,989,687	95,132,698	85,357,635
LIABILITIES				
Long-term liabilities				
Loans from credit institutions	4,059,003	3,728,933	5,775,441	5,305,794
Finance lease liabilities	460,871	879,664	655,760	1,251,649
Deferred income	3,279,036	3,056,775	4,665,648	4,349,399
Deferred tax liabilities	2,164,155	1,993,312	3,079,315	2,836,227
Total non-current liabilities	9,963,065	9,658,684	14,176,164	13,743,069
Current liabilities				
Loans from credit institutions	8,210,020	9,254,068	11,681,806	13,167,352
Finance lease liabilities	302,385	266,142	430,255	378,686
Advances from customers	123,117	47,571	175,180	67,687
Trade accounts payable	4,842,743	4,197,157	6,890,603	5,972,016
Taxes and social security liabilities	604,641	1,001,604	860,327	1,425,154
Other payables	266,010	324,801	378,498	462,151
Deferred income	495,800	446,238	705,460	634,939
Accrued liabilities	89,692	121,537	127,620	172,932
Total current liabilities	14,934,408	15,659,118	21,249,749	22,280,917
Total liabilities	24,897,473	25,317,802	35,425,913	36,023,986
TOTAL EQUITY AND LIABILITIES	91,757,114	85,307,489	130,558,611	121,381,621

STATEMENT OF COMPREHENSIVE INCOME

	2012 January- March LVL	2011 January- March LVL	2012 January- March EUR	2011 January- March EUR
Net sales	15,944,155	14,022,076	22,686,489	19,951,617
Cost of goods sold	(7,315,196)	(5,955,046)	(10,408,586)	(8,473,267)
Gross profit	8,628,959	8,067,030	12,277,903	11,478,350
Selling expenses	(4,433,002)	(4,879,038)	(6,307,594)	(6,942,246)
Administrative expenses	(1,929,573)	(1,261,679)	(2,745,535)	(1,795,207)
Other operating income	893,575	502,851	1,271,443	715,492
Other operating expenses	(1,175,422)	(680,782)	(1,672,475)	(968,666)
Interest income and similar income	22,781	23,593	32,414	33,570
Interest expense and similar expense	(79,537)	(61,081)	(113,171)	(86,910)
Real estate tax	(18,232)	(20,405)	(25,942)	(29,034)
Profit before taxation	1,909,549	1,690,489	2,717,043	2,405,349
Corporate income tax	(265,776)	(190,568)	(378,165)	(271,154)
NET PROFIT FOR THE PERIOD	1,643,773	1,499,921	2,338,878	2,134,195
Other comprehensive income				
Foreign currency revaluation	(9,756)	(42,022)	(13,882)	(59,792)
Other comprehensive income total	(9,756)	(42,022)	(13,882)	(59,792)
Comprehensive income total	1,634,017	1,457,899	2,324,997	2,074,403
Attributable to:				
Equity holders of the parent	1,643,091	1,499,090	2,337,908	2,133,013
No controlling interest	682	832	970	1,184
TOTAL	1,643,773	1,499,921	2,338,878	2,134,197
Comprehensive income attributable of:				
Equity holders of the parent	1,633,335	1,457,067	2,324,026	2,073,219
No controlling interest	682	832	970	1,184
Total	1,634,017	1,457,899	2,324,997	2,074,403
Earnings per share attributable equity holders of the parent				
(LVL per share)				
- Basic earnings per share	0.17	0.16	0.24	0.22
- Diluted earnings per share	0.17	0.16	0.24	0.22

STATEMENT OF CHANGES IN EQUITY

	Share capital	Share premium	Other reserves	Foreign currency translation reserve	Accumulated profit	Equity attributable to equity holders of the parent	No Controlling Interest	Total
	LVL	LVL	LVL	LVL	LVL	LVL	LVL	LVL
As of 31.12.2011	9,585,000	15,687,750	464,905	31,624	39,398,904	65,168,183	57,441	65,225,624
Profit for the period	-	-	-	-	1,643,091	1,643,091	682	1,643,773
Foreign currency revaluation	-	-	-	(9,756)	-	(9,756)	-	(9,756)
As of 31.03.2012	9,585,000	15,687,750	464,905	21,868	41,041,995	66,801,518	58,123	66,859,641

	Share capital	Share premium	Other reserves	Foreign currency translation reserve	Accumulated profit	Equity attributable to equity holders of the parent	No Controlling Interest	Total
	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR
As of 31.12.2011	13,638,226	22,321,657	661,500	44,997	56,059,590	92,725,971	81,731	92,807,702
Profit for the period	-	-	-	-	2,337,908	2,337,908	970	2,338,878
Foreign currency revaluation	-	-	-	(13,882)	-	(13,882)	-	(13,882)
As of 31.03.2012	13,638,226	22,321,657	661,500	31,115	58,397,498	95,049,997	82,702	95,132,698

STATEMENT OF CASH FLOWS

	2012 January-March LVL	2011 January-March LVL	2012 January-March EUR	2011 January-March EUR
OPERATING ACTIVITIES				
Net profit before taxation	1,909,549	1,690,489	2,717,043	2,405,349
<i>Adjustments to reconcile net profit to net cash provided by operating activities:</i>				
Depreciation and amortisation	781,666	717,730	1,112,211	1,021,238
Loss / (gain) on disposal of fixed assets and intangible assets		-		-
Income from EU funding	(77,958)	(31,076)	(110,924)	(44,217)
Interest income	(22,781)	(23,593)	(32,414)	(33,570)
Interest expense	79,537	61,081	113,171	86,910
<i>Changes in operating assets and liabilities:</i>				
Inventory	(583,713)	(1,635,311)	(830,549)	(2,326,838)
Debtors	471,548	(17,918)	670,952	(25,495)
Creditors	(1,595,133)	(838,914)	(2,269,670)	(1,193,667)
Gross cash provided by operating activities	962,715	(77,512)	1,369,820	(110,290)
Corporate income tax paid	(335,812)	(252,631)	(477,817)	(359,461)
Net cash provided by (used in) operating activities	626,903	(330,143)	892,003	(469,751)
INVESTING ACTIVITIES				
Purchase of fixed assets and intangible assets	(875,788)	(1,041,259)	(1,246,134)	(1,481,578)
Repaid loans	52,710	-	75,000	-
Net cash used in investing activities	(823,078)	(1,041,259)	(1,171,134)	(1,481,578)
FINANCING ACTIVITIES				
Received loans from credit institutions	310,803	1,749,505	442,233	2,489,320
Repaid loans to credit institutions	(409,134)	(294,123)	(582,145)	(418,499)
Income from EU funding	8,382	26,485	11,927	37,685
Interest expense	(79,537)	(61,081)	(113,171)	(86,910)
Net cash provided by financing activities	(169,486)	1,420,786	(241,157)	2,021,596
Net (decrease)/ increase in cash and cash equivalents	(365,661)	49,384	(520,289)	70,267
Cash and cash equivalents at the beginning of the year	923,603	524,506	1,314,169	746,305
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	557,942	573,890	793,880	816,572

NOTES

OTHER DEBTORS

	31.03.2012.	31.03.2011.	31.03.2012.	31.03.2011.
	LVL	LVL	EUR	EUR
Tax receivables	1,224,809	1,174,248	1,742,746	1,670,804
Other	4,036,166	2,520,421	5,742,947	3,586,236
Total	5,260,975	3,694,669	7,485,693	5,257,040

CASH AND CASH EQUIVALENTS

	31.03.2012.	31.03.2011.	31.03.2012.	31.03.2011.
	LVL	LVL	EUR	EUR
Cash in bank	552,713	568,275	786,440	808,583
Cash on hand	5,229	5,615	7,440	7,989
Total	557,942	573,890	793,880	816,572

LOANS FROM CREDIT INSTITUTIONS

	31.03.2012.	31.03.2011.	31.03.2012.	31.03.2011.
	LVL	LVL	EUR	EUR
Credit line from JSC "SEB Bank", Latvia	3,513,723	3,226,231	4,999,577	4,590,513
Credit line from Nordea Bank Finland Plc.	3,468,891	-	4,935,787	-
Nordea Bank Finland Plc.	632,524	-	900,000	-
Nordea Bank Finland Plc.	351,402	-	500,000	-
JSC "SEB Bank", Latvia	243,480	1,325,611	346,442	1,886,175
Credit line from JSC "Swedbank", Latvia	-	3,360,981	-	4,782,245
JSC "Swedbank", Latvia	-	474,393	-	675,000
JSC "Swedbank", Latvia	-	265,660	-	378,000
JSC "Swedbank", Latvia	-	235,255	-	334,738
JSC "Swedbank", Latvia	-	223,619	-	318,181
JSC "Swedbank", Latvia	-	142,318	-	202,500
Current loans from credit institutions	8,210,020	9,254,068	11,681,806	13,167,352
Nordea Bank Finland Plc.	2,319,253	-	3,300,000	-
JSC "SEB Bank", Latvia	919,812	-	1,308,774	-
Nordea Bank Finland Plc.	819,938	-	1,166,667	-
JSC "Swedbank", Latvia	-	1,781,991	-	2,535,545
JSC "Swedbank", Latvia	-	1,124,179	-	1,599,563
JSC "Swedbank", Latvia	-	474,392	-	674,999
JSC "Swedbank", Latvia	-	215,151	-	306,132
JSC "Swedbank", Latvia	-	133,220	-	189,555
Non-current loans from credit institutions	4,059,003	3,728,933	5,775,441	5,305,794
Total	12,269,023	12,983,001	17,457,247	18,473,146

TAX LIABILITIES

	31.03.2012. LVL	31.03.2011. LVL	31.03.2012. EUR	31.03.2011. EUR
Social security payments	364,676	235,809	518,887	335,526
Personal income tax	140,235	145,290	199,536	206,729
Corporate income tax	60,660	604,145	86,311	859,621
Other	39,070	16,360	55,593	23,278
Total	604,641	1,001,604	860,327	1,425,154

NET SALES

	2012 January- March LVL	2011 January- March LVL	2012 January- March EUR	2011 January- March EUR
Russia	8,654,459	6,937,055	12,314,186	9,870,540
Other CIS countries	5,734,215	5,321,363	8,159,053	7,571,617
Other countries	1,668,195	1,858,835	2,373,628	2,644,884
Latvia	839,692	846,850	1,194,774	1,204,959
Lithuania	688,577	561,114	979,757	798,393
Estonia	361,893	354,754	514,927	504,770
Other income	29,081	5,116	41,379	7,280
Gross sales	17,976,112	15,885,087	25,577,703	22,602,443
Less discounts				
Russia	(1,366,883)	(1,240,028)	(1,944,899)	(1,764,401)
Other CIS countries	(606,214)	(564,895)	(862,565)	(803,773)
Other countries	(359)	(3,204)	(510)	(4,559)
Latvia	(17,366)	(23,051)	(24,710)	(32,799)
Lithuania	(33,076)	(23,083)	(47,063)	(32,844)
Estonia	(8,059)	(8,750)	(11,467)	(12,450)
Discounts total	(2,031,957)	(1,863,011)	(2,891,214)	(2,650,826)
Total, net	15,944,155	14,022,076	22,686,489	19,951,617

COST OF GOODS SOLD

	2012 January- March LVL	2011 January- March LVL	2012 January- March EUR	2011 January- March EUR
Goods purchased for resale and contract manufacturing	2,705,637	1,644,828	3,849,775	2,340,379
Raw materials and packing	2,097,233	1,853,562	2,984,094	2,637,381
Direct labour and social security payments	1,601,619	1,458,567	2,278,899	2,075,354
Depreciation of fixed assets and amortization of intangible assets	622,220	538,049	885,339	765,575
Electricity resource expenses	445,820	359,778	634,345	511,918
Research costs	249,434	357,679	354,913	508,931
Machinery, buildings and equipment repairs	131,922	127,011	187,708	180,720
Household expenses	48,526	49,759	69,046	70,801
Transport	33,943	32,846	48,297	46,736
Rent of work clothing	18,699	17,338	26,606	24,670
Waste disposal	14,752	11,363	20,990	16,168
Other	222,521	345,175	316,618	491,140
Internal turnover of self-manufactured raw materials	(877,130)	(840,909)	(1,248,044)	(1,196,506)
Total	7,315,196	5,955,046	10,408,586	8,473,267

SELLING AND DISTRIBUTION COSTS

	2012 January- March LVL	2011 January- March LVL	2012 January- March EUR	2011 January- March EUR
Advertising	2,560,035	2,994,688	3,642,602	4,261,057
Expenses of representative offices	632,971	620,050	900,637	882,252
Salaries and social security payments	431,948	429,968	614,607	611,789
Distribution expenses for goods	140,511	145,922	199,929	207,628
Patents	98,432	90,363	140,056	128,575
Depreciation of fixed assets and amortisation of intangible assets	97,044	89,602	138,081	127,492
Commissions	52,893	8,952	75,260	12,738
Registration costs for medicine	52,097	101,162	74,127	143,941
Freight insurance	4,211	4,724	5,992	6,722
Other	362,860	393,607	516,303	560,052
Total	4,433,002	4,879,038	6,307,594	6,942,246

ADMINISTRATIVE EXPENSES

	2012 January- March LVL	2011 January- March LVL	2012 January- March EUR	2011 January- March EUR
Salaries and social security payments	657,488	623,888	935,521	887,713
Professional services	572,081	34,263	813,998	48,752
Security costs	58,671	47,266	83,481	67,253
Depreciation of fixed assets and amortisation of intangible assets	51,091	77,842	72,696	110,759
Computers maintenance	42,517	18,939	60,496	26,948
Employee insurance	40,588	36,284	57,752	51,627
Transport	37,224	36,100	52,965	51,366
Bank charges	30,508	21,599	43,409	30,733
Electricity	25,295	34,427	35,992	48,985
Business trips	20,268	13,670	28,839	19,451
Personnel training and hiring expenses	15,741	20,521	22,397	29,199
Property and liability insurance	11,087	12,351	15,775	17,574
Communication expense	8,394	7,332	11,944	10,432
Other	358,620	277,197	510,270	394,415
Total	1,929,573	1,261,679	2,745,535	1,795,207

Currency exchange for the EUR – 0.702804

JSC “Grindex” hereby informs that there were no changes made in its accounting policy in the first quarter of 2012. In non-audited financial accounts for the period of the first three months of 2012 the Group has employed the same Accounting and Consolidation Principles as in the audited consolidated financial statements for the year 2011, released on April 25, 2012.

The Chairman of the Board of JSC “Grindex”

Juris Bundulis

May 25, 2012