



**Joint Stock Company “Grindeks”**

*Non-audited consolidated financial statements  
for the year ended 31 December, 2012  
and 31 December, 2011  
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 2012 – 31 December 2012
Previous reporting period	1 January 2011 – 31 December 2011

## 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 Rabsha	Board member	0.00
Lipmans Zeligmans	Board member	0.00

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

Since 24 November 2011 to 9 January 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 31 December 2011*

Since 9 January 2012 to 1 May 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 11 June 2012*

Since 1 May 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 31 December 2012*

#### • Juris Bundulis – Chairman of the Board

Born in 1953. Obtained the Doctoral degree of Biological Sciences if the University of Latvia, also graduated from the Faculty of Chemistry of the University of Latvia. Previously Juris Bundulis worked at “Grindeks” as the Marketing and Sales Director and the Scientific Research and Development Director. Before his appointment as Chairman of the Board of JSC “Grindeks” J.Bundulis was the Deputy State Secretary of the Health Ministry of Latvia and dealt with the health policy issues. Besides the position at “Grindeks” J.Bundulis is also the Member of the Council of „Pharma and Chemistry Competence Centre of Latvia” Ltd. and the Member of the Board of JSC “Grindeks” Foundation “For the Support of Science and Education”.

#### • Vadims Rabsha - 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 working for the 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.Rabsha also worked at JSC “Latvijas Balzams” as the Chief Finance Officer. Besides the position at “Grindeks” V.Rabsha is the Member of the Council of „HBM Pharma” Ltd. and JSC “Tallinn pharmaceutical plant”, also the Member of the Board of JSC “Grindeks” Foundation “For the Support of Science and Education”.

### **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 31 December 2012*

- **Kirovs Lipmans - Chairman of the Council**

Born in 1940. Kirovs Lipmans has been the Chairman of the Council of “Grindeks” since 2003. 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 JSC “Grindeks” Foundation „For the Support of Science and Education”, the Chairman of the Council of JSC “Kalceks” and JSC “Tallinn pharmaceutical plant”, also the Member of the Council of JSC “Liepajas Metalurģis”. 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 for the Council of “Grindeks” since 2002. Besides the position at “Grindeks”, U.Osis is also the President of “Konsorts” Ltd., the Corresponding Member of the Latvian Academy of Sciences and the Member of „Economist Union 2010”. 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 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 December 2012 and 12 June 2012 were as follows (Latvian central Depository data):

	<b>Percentage holding (%) 31.12.2012</b>	<b>Percentage holding (%) 11.06.2012</b>
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)	10.22	10.53
Swedbank AS Clients Account (nominal holder)	8.71	8.79
Other shareholders	19.71	19.32
<b>Total</b>	<b>100.00</b>	<b>100.00</b>

## MANAGEMENT REPORT

### Business mode

In the reporting period the Group of “Grindeks” consisted of JSC “Grindeks” and its four subsidiaries: JSC “Tallinn Pharmaceutical Plant” in Estonia, JSC “Kalceks” in Latvia, “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.

### The “Grindeks” Group’s activity during reporting period

The Group’s turnover amounted to 82.7 million lats in 2012, which is by 13.1 million lats or 18.8% more than in 2011. In its turn, net profit related to the shareholders of the holding company amounted to 9.6 million lats in 2012, which, in comparison to 2011, has increased by 2.9 million lats or 43.3%. In 2012, gross profit margin of the Group was 61.8%, whereas, net profit margin comprised to 11.6%. Products of the Group, manufactured in 2012, were exported to 55 countries worldwide for the total amount of 78.2 million lats, which is by 12.6 million lats or by 19.2% more than in 2011.

In 2012, ROE was 13.7%; ROA was 12.9%; ROS was 14.9%; liquidity was 3.3.

### Market overview

In comparison to 2011, the market share in CIS countries in 2012 has increased by 5% in terms of sold packages and by 34% monetary wise (euro). In Russia, which is the main final dosage form market for “Grindeks”, the pharmaceutical industry reforms are still ongoing and this market is expecting significant changes in future. The most significant change – starting from 1 January 2014 all of the pharmaceutical manufacturers will have to be certified according to the “Good Manufacturing Practice” standards. The Russian pharmaceutical market has increased in 2012 in comparison to 2011 by 6% in terms of packages, comprising to 5.76 billion packages and by 19% monetary wise (euro), reaching 16.42 billion euros market share. Comparing to the previous year, in 2012, in Russia the most rapid development has been in commercial sector, increasing by 27% monetary wise (euro) and by 5% in terms of sold packages. Commercial sector share is 83% in terms of packages and 66% monetary wise (euro). Comparing to 2011, in 2012 “Grindeks” sales amounts in this sector increased by 13% monetary wise (euro). By the total market volume, Ukrainian pharmaceutical market was second largest in CIS countries in 2012, following Russia. Comparing to 2011, commercial sector in 2012 increased in Ukraine by 5% in terms of packages and 26% monetary wise (euro). Ukraine is a country with relatively low level of medicines consumption per person.

In the main active pharmaceutical markets of “Grindeks” – EU, USA and Japan – fierce competition was ongoing in 2012. Manufacturers from China and India, offered substances to the regulated markets, based on the low price policy. It is expected that the directive 2001/83/EC of the European parliament and of the council “On the community code relating to medicinal products for human use” will change the situation. The directive will come into force in June 2013 and will restrict competition generated by manufacturers from unregulated markets, mainly from China and India. Meantime competition between the active pharmaceutical ingredients manufacturers of EU will increase. Participants of the active pharmaceutical ingredients market are preparing for the upcoming directive coming into force and initiate attraction of alternative raw material suppliers that represent the regulated market. It is expected that the risk of fraud will increase during this period. Acknowledging the possible risks, “Grindeks” takes part in the international project organised by EDQM – “Fingerprinting”, within the framework of the project the main differences and indications of active pharmaceutical ingredients are identified, that prove the quality of a specific manufacturer’s product. “Grindeks” takes part in this project with its four active pharmaceutical ingredients.

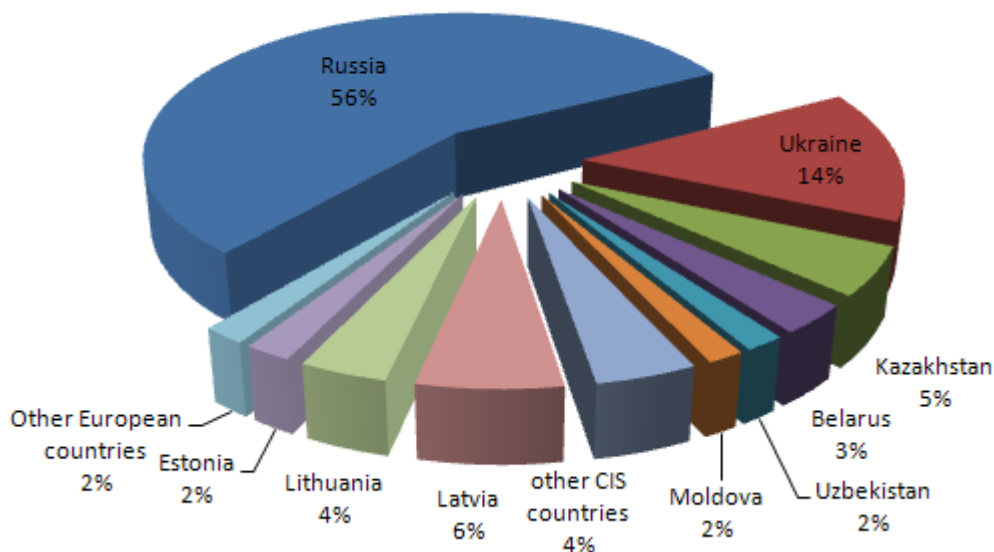
The key competitive advantage of “Grindeks” active pharmaceutical ingredients business, besides the complicated, multi-stage synthesis of API’s, is efficiency and flexibility.

### Sales of final dosage forms and active pharmaceutical ingredients

Sales volume of the final dosage forms of “Grindeks” in 2012 was 69.9 million lats and has increased by 9.6 million lats or 15.9% in comparison to 2011. 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 60.3 million lats in 2012, which is by 8.5 million lats or 16.4% more than in 2011. In its turn, turnover of the final dosage forms in the Baltic States and other European countries reached 9.6 million lats, which is by 1 million lats or 11.6% more than in 2011. The most demanded products of “Grindeks” in 2012 were the brand product Mildronate® (increase by 12.9% in 2012, comparing to 2011), ointments – Capsicam® (increase by 3.8%), Viprosal B® (increase by 21.8%), central nervous system medications – Somnols® (increase by 26%),

Cyclodol® (increase by 20.3%), the original anti-cancer medication Ftorafur® (increase by 17.6%) and natural product Apilak-Grindeks (increase by 26.7%).

## Turnover of the final dosage forms by countries (%)



In 2012, sales of the active pharmaceutical ingredients reached 12.7 million lats, which is by 3.5 million lats or 38% more than in 2011. The main active pharmaceutical ingredient export markets for “Grindex” are Russia, the Netherlands, Japan, Germany and Ireland. The most demanded pharmaceutical ingredients of “Grindex” are: zopiclone, oxytocin, ftorafur (tegafur), UDCA (ursodeoxycholic acid), droperidol as well as the veterinary products – detomidine, medetomidine, atipamezole and pimbendane. Overall “Grindex” produces 22 active pharmaceutical ingredients. In 2012, the zopiclone of “Grindex” share of the world market was 25%, while the oxytocins’ share of the world market was 30%. “Grindex” veterinary substances’ market share in the EU reached 32% of the European Union market.

### Investment program

In 2012, “Grindex” successfully continued to implement its investment program by investing 3.5 million lats. The main investment project of 2012 was development of Ointment and gel manufacturing unit in the territory of “Grindex” in Riga, Krustpils street 53. The project was accomplished within the two year period of time and its total investments amounted to 2.5 million lats, out of which 448.67 thousand lats were co-financed by the EU structural fund. Because of the new manufacturing unit, the company’s product range will be expanded with the ethanol based ointments and gels. The capacity of the manufacturing unit will be up to 20 million tubes per year.

### Quality and environmental protection

In 2012 “Grindex” was successfully audited and received the ISO 9001:2008 and ISO 14001:2004 certificates repeatedly. Last year “Grindex” successfully passed 8 significant client audits on the manufacturing compliance with “Good Manufacturing Practice”, 4 inspections by the Latvian State Agency of Medicines and an inspection by the Kazakhstan State Agency of Medicines were concluded. In its turn, specialists of “Grindex” audited 25 raw material production of the contract partners in Lithuania, Spain, Italy, China, Turkey, Russia and other countries.

In 2012, the “Grindex” Environmental Control Laboratory received the ISO 17025 certificate, which approves the proficiency of the Environmental Control Laboratory of “Grindex” in work environment testing, as well as in selective analysis of volatile compounds and active substances’ dust in the air of work environment.

At the end of the previous year “Grindex” received the International Diamond Prize for excellence in quality.

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

Since 2 January 2006 “Grindex” shares have been listed on the Official List of “NASDAQ OMX Riga”. Fluctuation of “Grindex” share price on “NASDAQ OMX Riga” during 2012 was within the limits from 5.65 euro to 7.61 euro. In 2012, the average price of “Grindex” shares was 6.5 euro. The total quantity of “Grindex” shares, traded in “NASDAQ OMX Riga”, during 2012 was 504 732 shares, reaching the turnover of 3.32 million euro. At the end of 2012, the market capitalization of “Grindex” shares was 62.05million euro.





The Group's earnings per share (EPS ratio) amounted to 1 lat in 2012 as compared with 0.77 lats in 2011.

### Future expectations

The main priority for "Grindeks" in 2013 will be the product range expansion. Continuing the started in previous years, "Grindeks" will introduce new generics in main therapeutic groups – heart and cardiovascular, anti-cancer and the central nervous system medications. The company will also focus on other therapeutic directions – gastrointestinal and antimicrobial medications. To develop high quality, cost-effective vertical integration solutions, "Grindeks" will continue the manufacturing and registration of UDCA final dosage forms. The long-term projects of the brand products are also maintained – development of new combinations of Mildronate®. In 2013, at least 10% of the company's turnover will be invested in research and development.

As previously also in 2013 the companys' positions will be strengthened in both local and export markets, paying a significant attention to the cost efficiency and role of foreign representative offices. The operations of representative offices will be facilitated by consummating client relationships and strengthening their responsibility in local markets. By assessing options, "Grindeks" will also focus its attention to new markets like Scandinavia and China.

In 2013, "Grindeks" will strictly follow its costs, decreasing expenses and increasing the return of them.

In 2013, "Grindeks" is planning a turnover of almost 100 million lats and the profit of 12 million lats.

On behalf of the Group's Management:

Juris Bundulis  
Chairman of the Board

28 February 2013

## STATEMENT OF BOARD'S RESPONSIBILITIES

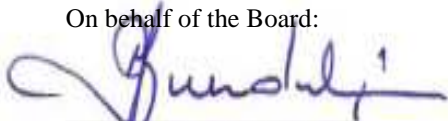
The Board of JSC "Grindex" (hereinafter - the Company) is bearing the responsibility for preparation of the consolidated interim financial statements of the Company and its subsidiaries (hereinafter - the Group). The interim financial statements of the Group are not audited.

The consolidated interim financial statements, enclosed from the page 11 to the page 19, are prepared in accordance with the accounting records and source documents, presenting fairly the financial position of the Group as of 31 December 2012 and the results of its operations and cash flows for the period of twelve-months ended 31 December 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

28 February 2013

## STATEMENT OF FINANCIAL POSITION

	31.12.2012. LVL	31.12.2011 LVL	31.12.2012. EUR	31.12.2011 EUR
<b>ASSETS</b>				
<b>Non-current assets</b>				
<b>Intangible assets</b>				
Software, patents, licenses, trademarks and other rights	649,734	677,801	924,488	964,424
Advance payments for intangible assets	148,311	170,454	211,028	242,534
<b>Total intangible assets</b>	<b>798,045</b>	<b>848,255</b>	<b>1,135,516</b>	<b>1,206,958</b>
<b>Tangible fixed assets</b>				
Land, buildings and constructions	17,999,374	16,917,483	25,610,802	24,071,410
Equipment and machinery	13,466,210	12,442,971	19,160,691	17,704,753
Other fixed assets	742,051	770,100	1,055,843	1,095,754
Construction in progress	3,012,932	5,712,513	4,287,016	8,128,173
Advance payments for fixed assets	736,354	231,390	1,047,737	329,238
<b>Total tangible fixed assets</b>	<b>35,956,921</b>	<b>36,074,457</b>	<b>51,162,089</b>	<b>51,329,328</b>
<b>Investment property</b>	<b>5,022,000</b>	<b>4,882,200</b>	<b>7,145,662</b>	<b>6,946,745</b>
<b>Non current financial investments</b>				
Other Investments	22,220	22,220	31,616	31,616
Other non current assets	-	1,706,860	-	2,428,643
Advance payments for non current financial investments	5,074,245	-	7,220,000	-
Loan for the partner and management	263,552	896,075	375,001	1,275,000
<b>Total long term financial investments</b>	<b>5,360,017</b>	<b>2,625,155</b>	<b>7,626,617</b>	<b>3,735,259</b>
<b>Total non current financial assets</b>	<b>47,136,983</b>	<b>44,430,067</b>	<b>67,069,884</b>	<b>63,218,290</b>
<b>Current assets</b>				
<b>Inventories</b>				
Raw materials	2,631,658	2,468,866	3,744,512	3,512,880
Unfinished goods	2,190,986	2,229,339	3,117,492	3,172,064
Finished goods and goods for resale	2,494,332	6,940,335	3,549,115	9,875,206
<b>Total inventory</b>	<b>7,316,976</b>	<b>11,638,540</b>	<b>10,411,119</b>	<b>16,560,150</b>
<b>Debtors</b>				
Trade receivables	33,058,363	29,126,952	47,037,813	41,443,919
Other debtors	7,933,842	5,197,767	11,288,840	7,395,756
Loan for the partner and management	1,497,011	823,188	2,130,055	1,171,291
Deferred expenses	222,683	125,925	316,849	179,175
<b>Total debtors</b>	<b>42,711,899</b>	<b>35,273,832</b>	<b>60,773,557</b>	<b>50,190,141</b>
<b>Cash and cash equivalents</b>	<b>1,527,469</b>	<b>923,603</b>	<b>2,173,393</b>	<b>1,314,169</b>
<b>Total current assets</b>	<b>51,556,344</b>	<b>47,835,975</b>	<b>73,358,069</b>	<b>68,064,460</b>
<b>TOTAL ASSETS</b>	<b>98,693,327</b>	<b>92,266,042</b>	<b>140,427,953</b>	<b>131,282,750</b>

	31.12.2012. LVL	31.12.2011 LVL	31.12.2012. EUR	31.12.2011 EUR
<b>EQUITY AND LIABILITIES</b>				
<b>EQUITY</b>				
Share capital	9,585,000	9,585,000	13,638,226	13,638,226
Share premium	15,687,750	15,687,750	22,321,657	22,321,657
Other reserves	464,905	464,905	661,500	661,500
(Accumulated loss) / retained profit:				
a) foreign currency revaluation	55,803	31,624	79,401	44,997
b) prior year accumulated profit/loss	39,398,904	32,692,830	56,059,590	46,517,706
c) current year profit	9,559,745	6,706,074	13,602,292	9,541,884
<b>Equity attributable to equity holders of the parent</b>	<b>74,752,107</b>	<b>65,168,183</b>	<b>106,362,666</b>	<b>92,725,971</b>
No controlling interest	59,972	57,441	85,332	81,731
<b>Total equity</b>	<b>74,812,079</b>	<b>65,225,624</b>	<b>106,447,998</b>	<b>92,807,702</b>
<b>LIABILITIES</b>				
<b>Long-term liabilities</b>				
Loans from credit institutions	2,422,463	4,059,002	3,446,854	5,775,440
Finance lease liabilities	-	460,871	-	655,760
Deferred income	3,371,599	3,279,036	4,797,353	4,665,648
Deferred tax liabilities	2,688,836	2,164,155	3,825,869	3,079,315
<b>Total non-current liabilities</b>	<b>8,482,898</b>	<b>9,963,064</b>	<b>12,070,076</b>	<b>14,176,163</b>
<b>Current liabilities</b>				
Loans from credit institutions	8,170,258	8,308,352	11,625,230	11,821,720
Finance lease liabilities	566,759	402,097	806,425	572,132
Advances from customers	142,445	283,767	202,681	403,764
Trade accounts payable	3,922,334	6,547,341	5,580,978	9,316,027
Taxes and social security liabilities	1,456,376	399,167	2,072,236	567,963
Other payables	421,456	481,563	599,679	685,203
Accrued liabilities	364,815	89,692	519,085	127,620
Deferred income	353,907	565,375	503,564	804,456
<b>Total current liabilities</b>	<b>15,398,350</b>	<b>17,077,354</b>	<b>21,909,878</b>	<b>24,298,885</b>
<b>Total liabilities</b>	<b>23,881,248</b>	<b>27,040,418</b>	<b>33,979,955</b>	<b>38,475,048</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>98,693,327</b>	<b>92,266,042</b>	<b>140,427,953</b>	<b>131,282,750</b>

## STATEMENT OF COMPREHENSIVE INCOME

	2012 LVL	2011 LVL	2012 EUR	2011 EUR
Net sales	82,691,061	69,573,161	117,658,780	98,993,690
Cost of goods sold	(31,617,525)	(28,605,556)	(44,987,685)	(40,702,039)
<b>Gross profit</b>	<b>51,073,536</b>	<b>40,967,605</b>	<b>72,671,095</b>	<b>58,291,650</b>
Selling expenses	(20,570,443)	(19,177,758)	(29,269,103)	(27,287,491)
Administrative expenses	(10,255,054)	(7,678,262)	(14,591,627)	(10,925,183)
Other operating income	1,022,720	1,826,755	1,455,198	2,599,239
Other operating expenses	(8,629,294)	(8,121,982)	(12,278,380)	(11,556,539)
Changes in fair value of investments	(360,200)	-	(512,518)	-
Interest income and similar income	126,210	138,132	179,581	196,544
Interest expense and similar expense	(258,256)	(291,757)	(367,465)	(415,133)
Real estate tax	(69,574)	(68,432)	(98,995)	(97,370)
<b>Profit before taxation</b>	<b>12,079,645</b>	<b>7,594,301</b>	<b>17,187,786</b>	<b>10,805,717</b>
Corporate income tax	(2,517,369)	(886,806)	(3,581,893)	(1,261,811)
<b>NET PROFIT FOR THE YEAR</b>	<b>9,562,276</b>	<b>6,707,495</b>	<b>13,605,893</b>	<b>9,543,906</b>
<hr/>				
<b>Other comprehensive income</b>				
Foreign currency revaluation	24,179	(13,658)	34,404	(19,434)
<b>Other comprehensive income total</b>	<b>24,179</b>	<b>(13,658)</b>	<b>34,404</b>	<b>(19,434)</b>
<b>Comprehensive income total</b>	<b>9,586,455</b>	<b>6,693,837</b>	<b>13,640,297</b>	<b>9,524,472</b>
<hr/>				
<b>Attributable to:</b>				
Equity holders of the parent	9,559,745	6,706,074	13,602,292	9,541,884
No controlling interest	2,531	1,421	3,601	2,022
<b>TOTAL</b>	<b>9,562,276</b>	<b>6,707,495</b>	<b>13,605,893</b>	<b>9,543,906</b>
<hr/>				
<b>Comprehensive income attributable of:</b>				
Equity holders of the parent	9,583,924	6,692,416	13,636,696	9,522,450
No controlling interest	2,531	1,421	3,601	2,022
<b>Total</b>	<b>9,586,455</b>	<b>6,693,837</b>	<b>13,640,297</b>	<b>9,524,472</b>
<hr/>				
<b>Earnings per share attributable equity holders of the parent (LVL per share)</b>				
- Basic earnings per share	1.00	0.70	1.42	0.99
- Diluted earnings per share	1.00	0.70	1.42	0.99

## 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
<b>As at 31.12.2010</b>	<b>9,585,000</b>	<b>15,687,750</b>	<b>464,905</b>	<b>45,282</b>	<b>32,692,830</b>	<b>58,475,767</b>	<b>56,020</b>	<b>58,531,787</b>
Foreign currency revaluation	-	-	-	(13,658)	-	(13,658)	-	(13,658)
Profit for the year	-	-	-	-	6,706,074	6,706,074	1,421	6,707,495
<b>As at 31.12.2011</b>	<b>9,585,000</b>	<b>15,687,750</b>	<b>464,905</b>	<b>31,624</b>	<b>39,398,904</b>	<b>65,168,183</b>	<b>57,441</b>	<b>65,225,624</b>
Foreign currency revaluation	-	-	-	24,179	-	24,179	-	24,179
Profit for the year	-	-	-	-	9,559,745	9,559,745	2,531	9,562,276
<b>As at 31.12.2012</b>	<b>9,585,000</b>	<b>15,687,750</b>	<b>464,905</b>	<b>55,803</b>	<b>48,958,649</b>	<b>74,752,107</b>	<b>59,972</b>	<b>74,812,079</b>

	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
<b>As at 31.12.2010</b>	<b>13,638,226</b>	<b>22,321,657</b>	<b>661,500</b>	<b>64,430</b>	<b>46,517,706</b>	<b>83,203,520</b>	<b>79,709</b>	<b>83,283,230</b>
Foreign currency revaluation	-	-	-	(19,434)	-	(19,434)	-	(19,434)
Profit for the year	-	-	-	-	9,541,884	9,541,884	2,022	9,543,906
<b>As at 31.12.2011</b>	<b>13,638,226</b>	<b>22,321,657</b>	<b>661,500</b>	<b>44,997</b>	<b>56,059,590</b>	<b>92,725,971</b>	<b>81,731</b>	<b>92,807,702</b>
Foreign currency revaluation	-	-	-	34,404	-	34,404	-	34,404
Profit for the year	-	-	-	-	13,602,292	13,602,292	3,601	13,605,893
<b>As at 31.12.2012</b>	<b>13,638,226</b>	<b>22,321,657</b>	<b>661,500</b>	<b>79,401</b>	<b>69,661,882</b>	<b>106,362,666</b>	<b>85,332</b>	<b>106,447,998</b>

## STATEMENT OF CASH FLOWS

	2012 LVL	2011 LVL	2012 EUR	2011 EUR
<b>OPERATING ACTIVITIES</b>				
<b>Net profit before taxation</b>	<b>12,079,645</b>	<b>7,594,301</b>	<b>17,187,786</b>	<b>10,805,717</b>
<i>Adjustments to reconcile net profit to net cash provided by operating activities:</i>				
Depreciation and amortisation	3,130,373	2,820,965	4,454,119	4,013,872
(Gain) / loss on disposal of fixed assets and intangible assets	8,331	62,136	11,854	88,412
Changes in fair value of investments	360,200	-	512,518	-
Income from EU funding	(366,126)	(441,866)	(520,950)	(628,719)
Interest expense	258,256	(138,132)	367,465	(196,544)
Interest income	(126,210)	291,757	(179,581)	415,133
<i>Changes in operating assets and liabilities:</i>				
Inventory	4,321,564	(892,874)	6,149,032	(1,270,445)
Debtors	(7,438,067)	(5,263,665)	(10,583,416)	(7,489,521)
Creditors	(2,071,709)	1,350,111	(2,947,776)	1,921,034
<b>Gross cash provided by operating activities</b>	<b>10,156,257</b>	<b>5,382,733</b>	<b>14,451,051</b>	<b>7,658,939</b>
Corporate income tax paid	(629,333)	(1,694,196)	(895,460)	(2,410,624)
Interest income received	28	115	40	164
<b>Net cash provided by (used in) operating activities</b>	<b>9,526,952</b>	<b>3,688,652</b>	<b>13,555,631</b>	<b>5,248,479</b>
<b>INVESTING ACTIVITIES</b>				
Purchase of fixed assets and intangible assets	(3,436,451)	(3,842,124)	(4,889,630)	(5,466,850)
Disposal of fixed assets	20,381	-	29,000	-
Purchase of long term financial investments	(3,774,058)	(773,084)	(5,370,001)	(1,099,999)
Other lokans repaid	52,710	-	75,000	-
<b>Net cash used in investing activities</b>	<b>(7,137,418)</b>	<b>(4,615,208)</b>	<b>(10,155,631)</b>	<b>(6,566,849)</b>
<b>FINANCING ACTIVITIES</b>				
Received loans from credit institutions	-	8,552,772	-	12,169,498
Repaid loans to credit institutions	(1,774,633)	(7,714,037)	(2,525,076)	(10,976,086)
EU funding	247,221	778,675	351,764	1,107,955
Interest paid	(258,256)	(291,757)	(367,465)	(415,133)
<b>Net cash (used in) /provided by financing activities</b>	<b>(1,785,668)</b>	<b>1,325,653</b>	<b>(2,540,777)</b>	<b>1,886,234</b>
<b>Net increase / (decrease) in cash and cash equivalents</b>	<b>603,866</b>	<b>399,097</b>	<b>859,223</b>	<b>567,864</b>
<b>Cash and cash equivalents at the beginning of the year</b>	<b>923,603</b>	<b>524,506</b>	<b>1,314,169</b>	<b>746,305</b>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR</b>	<b>1,527,469</b>	<b>923,603</b>	<b>2,173,393</b>	<b>1,314,169</b>

## NOTES

### OTHER DEBTORS

	31.12.2012. LVL	31.12.2011 LVL	31.12.2012. EUR	31.12.2011 EUR
Other debtors „Grindeks rus” Ltd	5,178,957	1,670,734	7,368,992	2,377,240
Other debtors JSC „Tallinn Pharmaceutical Plant”	1,633,849	-	2,324,758	-
Tax receivables	508,639	932,559	723,728	1,326,912
Other	612,397	2,594,474	871,362	3,691,604
<b>Total</b>	<b>7,933,842</b>	<b>5,197,767</b>	<b>11,288,840</b>	<b>7,395,756</b>

### CASH AND CASH EQUIVALENTS

	31.12.2012. LVL	31.12.2011 LVL	31.12.2012. EUR	31.12.2011 EUR
Cash in bank	1,522,452	916,521	2,166,254	1,304,092
Cash on hand	5,017	7,082	7,139	10,077
<b>Total</b>	<b>1,527,469</b>	<b>923,603</b>	<b>2,173,393</b>	<b>1,314,169</b>

### LOANS FROM CREDIT INSTITUTIONS

	31.12.2012. LVL	31.12.2011 LVL	31.12.2012. EUR	31.12.2011 EUR
Credit line from Nordea bank Finland Plc	3,293,644	3,367,211	4,686,433	4,791,110
Credit line from JSC “SEB Bank”, Latvia	3,240,073	3,304,600	4,610,209	4,702,022
Nordea bank Finland Plc	843,365	843,365	1,200,000	1,200,000
Nordea bank Finland Plc	468,536	468,536	666,667	666,667
JSC “SEB Bank”, Latvia	324,640	324,640	461,921	461,921
<b>Current loans from credit institutions</b>	<b>8,170,258</b>	<b>8,308,352</b>	<b>11,625,230</b>	<b>11,821,720</b>
Nordea bank Finland Plc	1,475,889	2,319,253	2,100,000	3,300,000
JSC “SEB Bank”, Latvia	595,172	919,811	846,854	1,308,773
Nordea bank Finland Plc	351,402	819,938	500,000	1,166,667
<b>Non-current loans from credit institutions</b>	<b>2,422,463</b>	<b>4,059,002</b>	<b>3,446,854</b>	<b>5,775,440</b>
<b>Total</b>	<b>10,592,721</b>	<b>12,367,354</b>	<b>15,072,084</b>	<b>17,597,160</b>



## TAXES AND SOCIAL SECURITY LIABILITIES

	31.12.2012. LVL	31.12.2011 LVL	31.12.2012. EUR	31.12.2011 EUR
Social security payments	258,534	238,744	367,861	339,702
Personal income tax	178,502	136,342	253,985	193,997
Value added tax	11,256	12,402	16,016	17,646
Corporate income tax	1,000,335	2,664	1,423,348	3,791
Other	7,749	9,015	11,026	12,827
<b>Total</b>	<b>1,456,376</b>	<b>399,167</b>	<b>2,072,236</b>	<b>567,963</b>

## NET SALES

	2012 LVL	2011 LVL	2012 EUR	2011 EUR
Russia	54,386,043	39,545,578	77,384,367	56,268,288
Other CIS countries	23,249,893	20,968,427	33,081,617	29,835,384
Other countries	7,139,937	7,914,702	10,159,215	11,261,606
Latvia	4,671,917	3,907,064	6,647,539	5,559,251
Lithuania	2,691,996	2,342,263	3,830,365	3,332,740
Estonia	1,462,245	1,349,046	2,080,587	1,919,520
Other	109,870	115,957	156,333	164,992
<b>Gross sales</b>	<b>93,711,901</b>	<b>76,143,037</b>	<b>133,340,023</b>	<b>108,341,781</b>
<b>Less discounts</b>				
Russia	(8,494,484)	(4,249,131)	(12,086,562)	(6,045,969)
Other CIS countries	(2,105,885)	(2,082,350)	(2,996,404)	(2,962,917)
Latvia	(256,715)	(98,026)	(365,273)	(139,478)
Lithuania	(115,019)	(86,891)	(163,657)	(123,635)
Estonia	(30,946)	(31,946)	(44,032)	(45,455)
Other countries	(17,791)	(21,532)	(25,315)	(30,637)
<b>Discounts total</b>	<b>(11,020,840)</b>	<b>(6,569,876)</b>	<b>(15,681,243)</b>	<b>(9,348,091)</b>
<b>Total, net</b>	<b>82,691,061</b>	<b>69,573,161</b>	<b>117,658,780</b>	<b>98,993,690</b>

## COST OF GOODS SOLD

	2012 LVL	2011 LVL	2012 EUR	2011 EUR
Raw materials and packaging	11,111,891	11,747,409	15,810,796	16,715,057
Goods purchased for resale	9,642,443	6,318,515	13,719,960	8,990,437
Direct labour and social security payments	6,585,498	6,529,201	9,370,319	9,290,216
Depreciation of fixed assets and amortisation of intangible assets	2,496,996	2,202,874	3,552,905	3,134,407
Research costs	1,446,337	1,859,380	2,057,952	2,645,659
Electricity resource expenses	1,314,208	1,157,415	1,869,950	1,646,853
Machinery, buildings and equipment repairs	640,860	599,839	911,862	853,494
Household expenses	205,974	195,594	293,075	278,305
Transport	126,368	136,710	179,805	194,521
Waste disposal	83,804	90,288	119,242	128,468
Rent of work clothing	73,600	72,112	104,723	102,606
Other	1,159,120	1,316,872	1,649,281	1,873,741
Internal turnover of self-manufactured raw materials	(3,269,574)	(3,620,653)	(4,652,185)	(5,151,725)
<b>Total</b>	<b>31,617,525</b>	<b>28,605,556</b>	<b>44,987,685</b>	<b>40,702,039</b>

## SELLING EXPENSES

	2012 LVL	2011 LVL	2012 EUR	2011 EUR
Advertising	11,745,595	11,416,089	16,712,476	16,243,631
Expenses of representative offices	2,666,706	2,371,505	3,794,381	3,374,348
Salaries and social security payments	1,655,581	1,728,958	2,355,680	2,460,086
Distribution expenses for goods	592,199	609,164	842,623	866,762
Patents	437,960	424,581	623,161	604,124
Depreciation of fixed assets and amortisation of intangible assets	373,820	359,730	531,898	511,850
Commissions	370,644	199,770	527,379	284,247
Registration costs for medicine	242,602	217,905	345,192	310,051
Freight insurance	15,851	21,127	22,554	30,061
Other	2,469,485	1,828,929	3,513,759	2,602,331
<b>Total</b>	<b>20,570,443</b>	<b>19,177,758</b>	<b>29,269,103</b>	<b>27,287,491</b>

## ADMINISTRATIVE EXPENSES

	2012 LVL	2011 LVL	2012 EUR	2011 EUR
Administrative salaries and social security payments	4,083,411	4,233,030	5,810,170	6,023,059
Professional and consultancy services	2,571,874	529,867	3,659,447	753,933
Depreciation of fixed assets and amortisation of intangible assets	245,971	252,512	349,985	359,292
Security costs	224,858	182,942	319,944	260,303
Employee insurance	162,558	161,659	231,299	230,020
Transport	145,578	147,028	207,139	209,202
Bank charges	74,534	133,253	106,052	189,602
Personnel training and hiring expenses	95,948	107,347	136,522	152,741
Business trips	112,287	104,500	159,770	148,690
Computers maintenance	161,537	80,931	229,846	115,154
Electricity	105,848	79,361	150,608	112,921
Property and liability insurance	48,239	45,722	68,638	65,057
Communication expense	33,492	35,022	47,655	49,832
Other	2,188,919	1,585,088	3,114,552	2,255,377
<b>Total</b>	<b>10,255,054</b>	<b>7,678,262</b>	<b>14,591,627</b>	<b>10,925,183</b>

Currency exchange for the EUR – 0.702804

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

The Chairman of the Board of JSC “Grindex”

Juris Bundulis

28 February 2013