

Joint Stock Company “Grindeks”

*Separate and Consolidated financial statements,
prepared in accordance with International
Financial Reporting Standards
as adopted by the European Union
for the year 2013
and Independent Auditor’s Report**

** This version of consolidated financial statements is a translation from the original, which was prepared in the Latvian language. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, the original language version of consolidated financial statements takes precedence over this translation.*

JSC “GRINDEKS”

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JSC "GRINDEKS"

ANCILLARY INFORMATION

Name	"GRINDEKS"
Legal status	Joint Stock Company, since 25 August 1997
Registration 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 and postal address	53 Krustpils Street Riga, LV – 1057 Latvia
Subsidiaries	JSC "Tallinn Pharmaceutical Plant" (100 %) Tondi 33, 11316, Tallinn, Estonia JSC "Kalceks" (98.67%) 53 Krustpils str., Riga, LV - 1057, Latvia "Namu apsaimniekosanas projekti" Ltd. (100%) 53 Krustpils str., Riga, LV - 1057, Latvia "Grindeks Rus" Ltd. (100%) 74/3 Warsaw str., 117556, Moscow, Russia
Reporting year	1 January 2013 – 31 December 2013
Previous reporting year	1 January 2012 – 31 December 2012
Independent auditor's name and address	Deloitte Audits Latvia SIA, Gredu 4a, Riga, Latvia, LV - 1019, License No. 43 Jelena Mihejenkova Certified auditor certificate No. 166

JSC "GRINDEKS"

THE BOARD AND THE SUPERVISORY COUNCIL

The Board

(according to the election / dismissal dates)

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 2013

• Juris Bundulis – Chairman of the Board

Born in 1953. Obtained the Doctoral degree of Biological Sciences of 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

Since 25 May 2010 to 25 May 2013:

<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

Since 25 May 2013 to 4 June 2013:

Candidates for the Council of the JSC "Grindeks" were elected during shareholders meeting as of June 4, 2013.

JSC “GRINDEKS”

THE BOARD AND THE SUPERVISORY COUNCIL

Since 4 June 2013 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
Arkadiy Vertkin	Member of the Supervisory Council	0.00

* *Latvian Central Depository data as of 31 December 2013*

• **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 Metalurgs”. Graduated from the Leningrad Institute of Railway and Transport Engineering, also graduated from 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 JSC “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 JSC “Grindeks”.

• **Uldis Osis - Member of the Council**

Born in 1948. Uldis Osis has worked for the Council of JSC “Grindeks” since 2002. Besides the position at JSC “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 abroad, for instance at 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 JSC “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.

• **Arkadiy Vertkin - Member of the Council**

Born in 1951. Professor Arkadiy Vertkin has been the Head of Therapy, Clinical Pharmacology and Ambulance Department at the Moscow State University of Medicine and Dentistry (MSUMD) since 1989, and the Scientific Secretary of the Scientific Council of MSUMD since 2012. Simultaneously, A. Vertkin is the President of Russian National Scientific Practical Society of Ambulance Care and International Society for the Study of Age-related involution, also he is the Member of the numerous Russian and international organizations. Dr. med. A. Vertkin is an Honored Science Worker of Russian Federation, and has received several awards. As a leading researcher A. Vertkin participates in clinical researches of national and international scale. He is the author and co-author of 1051 scientific publications, 86 of which were published in internationally recognized scientific magazines.

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 118.5 million euros in 2013, which is by 0.8 million euros or 1% more than in 2012. In its turn, net profit related to the shareholders of the holding company amounted to 13.4 million euros in 2013. In 2013, gross profit margin of the Group was 60%, whereas, net profit margin comprised to 11.3%. Products of the Group, manufactured in 2013, were exported to 59 countries worldwide for the total amount of 112.4 million euros, which is by 1.2 million euros or by 1.1% more than in 2012.

In 2013, return on equity (ROE) was 11.9%; return on assets (ROA) was 9.3%; return on sales (ROS) was 13.9%; liquidity was 3.6.

According to preliminary estimations for 2013, several projects, unfortunately, have not been realized and have not achieved the expected results. Fierce competition in generic business in the CIS countries also influenced company’s performance. Therefore the turnover and profit are less than originally planned.

In 2012 the Company has signed purchase agreement with Dashdirect Limited regarding purchase of the controlling interest in the equity of HBM Pharma (Slovakia). As of the date of signing these financial statements the agreement is partly completed. It is planned that this deal is finalized in 2014.

Market overview

According to “IMS Health”, in comparison to previous year, the CIS countries, which are the main final dosage form markets for “Grindeks”, continued to grow and develop (+4%) in value and volume, while the growth in Russian pharmaceuticals market was observed only in value (+2%). Russian pharmaceuticals market size reached 16.1 billion euros in 2013. The most rapid increase was observed in Kazakhstan, Belarus and Azerbaijan (+14%). The growth dynamics in these countries are the same for both retail (pharmacy) and hospital sector. However, in Russia, the most rapid development has been in both commercial and reimbursement medications sector (+4%).

Following the market situation and focusing more on the retail sector “Grindeks” has increased its sales in Kazakhstan, Belarus, Azerbaijan, Armenia and Moldova (+15%) in 2013, while the sales in Russia increased by 1%.

In 2014, “Grindeks” will focus on strengthening its position in Russia and other CIS countries.

The main markets for active pharmaceutical ingredients (hereinafter APIs) are the European Union, the U.S. and Japan. In 2013, “Grindeks” increased the market share of APIs in the EU by 12%, reaching 49% and the market share in the U.S. by 2%, reaching 5%. Strong performance was supported by successful product registration and sales in the European Union, as well as successful inspection of the U.S. Food and Drug Administration.

The achievements of “Grindeks” in Japan are significant – the range of products was expanded and 2 new APIs were launched. “Grindeks” is continuing to expand both the range of products and export to Japan.

Despite the fierce competition best-selling APIs of “Grindeks” maintains strong world-market positions. Zopiclone holds a global market share of 19%, while oxytocin holds 30%, but droperidol accounts for 80% share of global market. In 2013, significant rise in demand for zopiclone caused the need to increase production capacity.

In 2013, the company has started sales promotion of animal health products in Japan, Australia, India, Korea and Brazil.

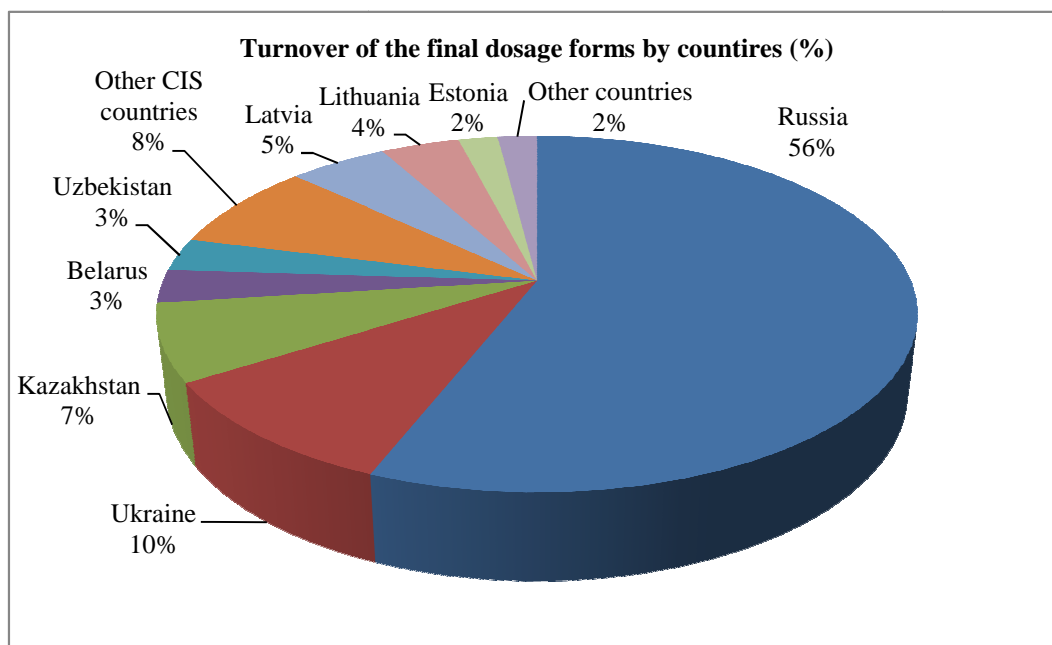
After entry into force of Directive 2001/83/EC of the European parliament and of the council “On the community code relating to medicinal products for human use” no changes came out. However, the interest in “Grindeks” APIs, especially for oxytocin, increased in Vietnam.

In 2013, the co-operation with 16 companies was launched and first deliveries of APIs were carried out.

Sales of final dosage forms and active pharmaceutical ingredients

Sales volume of the final dosage forms of “Grindeks” in 2013 was 100.3 million euros and has increased by 0.8 million euros or 1% in comparison to 2012. The sales amount in Russia, other CIS countries and Georgia reached 86.7 million euros in 2013, which is by 0.9 million euros or 1% more than in 2012. In its turn, turnover of the final dosage forms in the Baltic States and other European countries was 13.6 million euros, which is by 0.1 million euros or 0.4% less than in 2012. The most demanded products of “Grindeks” in 2013 were the brand product Mildronate®, ointments – Capsicam®, Viprosal B®, central nervous system medication – Somnols®, the original anti-cancer medication Ftorafur® and natural product Apilak-Grindeks.

In 2013, sales of the active pharmaceutical ingredients reached 18 million euros, which is by 0.1 million euros or 0.4% more than in 2012. Overall “Grindeks” produces 25 active pharmaceutical ingredients.



Investment program

In 2013, “Grindeks” successfully continued to implement its investment program by investing 5.8 million euros. The major investment project is reconstruction of Microbiology laboratory, which is a unit of Quality control laboratory. In total, 2.3 million euros were invested in the project out of which 1.9 million euros were invested in the construction, but more than 384 thousand euros – in the modern quality control equipment. The project is carried out to increase the capacity of Microbiology laboratory.

Quality and environmental protection

In 2013, “Grindeks” successfully passed a number of important European clients’ audits and inspections by the State Agency of Medicines of Latvia. “Grindeks” compliance with high quality standards and the Good Manufacturing Practice was approved by 4 day long inspection of the Food and Drug Administration’s (FDA), which successful result ensures the cooperation with U.S. companies in the APIs business for at least the next 3 years.

In September 2013 the management system of „Grindeks” has received the Russian FOCT (GOST) certificate of quality ISO 9001-2011. At the end of previous year “Grindeks” passed Ukrainian Pharmaceutical Licensing and Certification Bureau inspection, and at the beginning of 2014 the company received approval for “Good Manufacturing Practice” certificate of Ukraine.

Development of “Grindeks” share price (data of “NASDAQ OMX Riga”) in 2013

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 2013 was within the limits from 6.55 euros to 9.9 euros. In 2013, the average price of “Grindeks” shares was 8.28 euros. The total quantity of “Grindeks” shares, traded in “NASDAQ OMX Riga”, during 2013 was 702 749 shares, reaching the turnover of 5.89 million euros. At the end of 2013, the market capitalization of “Grindeks” shares was 87.28 million euros.



The Group’s earnings per share (EPS ratio) amounted to 1.41 euros in 2013 and 1.43 euros in 2012.

Future expectations

In order to deliver the most appropriate solution to each patient, in 2014 “Grindeks” intends to improve its operating model, previously focused on the best-selling products, to a broader set of products and services. Considering the wide network of representative offices, “Grindeks” will continue to take into account specific needs of each region. To enhance the operational efficiency the organizational structure of “Grindeks” will be changed. The main purpose of structural changes is to make the company more flexible, more capable to react faster to market changes and more competitive. New business model will affect the sales, marketing and logistics, both production and research and development organization and rationalization. In 2014, “Grindeks” will strictly follow its costs over sales, administrative and other costs, decreasing expenses and increasing the return of them. Extension of product range will be continued in the main therapeutic groups – heart and cardiovascular, anti-cancer and the central nervous system medications. The long-term projects of original products will be also developed. As previously also in 2014 the company’s positions will be strengthened in both local and export markets, as well a variety of niche projects will be developed. “Grindeks” strategy will be updated on a regular basis by both evaluating the potential for growth and reducing the risks. JSC “Grindeks” audited consolidated financial statement of 2013 is submitted to JSC “NASDAQ OMX Riga” together with Corporate Governance Report of the year 2013.

On behalf of the Board:

Juris Bundulis
Chairman of the Board

29 April 2014

JSC "GRINDEKS"

STATEMENT OF MANAGEMENT RESPONSIBILITIES


The Board of JSC "Grindeks" (hereinafter - the Company) is bearing the responsibility for preparation of the consolidated financial statements of the Company and its subsidiaries (hereinafter - the Group).

The consolidated financial statements, enclosed from the page 10 to the page 37, are prepared in accordance with the accounting records and source documents, presenting fairly the financial position of the Group as of 31 December 2013 and the results of its operations and cash flows for 2013.

Above mentioned consolidated financial statements are prepared in accordance with the International Financial Reporting Standards, approved by the EU and based on the going concern principle. Appropriate accounting policies have been applied on a consistent basis. In preparation of the consolidated financial statements the management 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

29 April 2014

JSC "GRINDEKS"

COMPANY'S AND GROUP STATEMENT OF FINANCIAL POSITION AS OF 31 DECEMBER 2013

ASSETS	Notes	Group 31.12.2013 LVL	Group 31.12.2012 LVL	Company 31.12.2013 LVL	Company 31.12.2012 LVL
Non-current assets					
Intangible assets					
Software, patents, licenses, trademarks and other rights		570,227	649,734	527,989	583,295
Advance payments for intangible assets		-	148,311	-	148,311
Total intangible assets	2	570,227	798,045	527,989	731,606
Tangible fixed assets					
Land, buildings and constructions		17,294,464	17,759,374	16,590,596	17,119,646
Equipment and machinery		13,668,645	13,466,210	13,566,642	13,364,987
Other fixed assets		820,696	742,051	657,873	645,415
Construction in progress		2,650,861	1,494,589	1,156,272	-
Advance payments for fixed assets		851,461	736,354	851,461	736,354
Total tangible fixed assets	3	35,286,127	34,198,578	32,822,844	31,866,402
Investment property	4	6,381,460	6,224,000	-	-
Non-current financial investments					
Investment in subsidiaries	5	-	-	6,636,758	6,636,582
Other investments		22,220	22,220	22,220	22,220
Advance payments for financial investments	5	8,201,723	3,605,385	8,201,723	3,605,385
Loans provided to management and shareholders	21	-	263,552	-	263,552
Other loans		3,611,458	1,468,860	2,010,019	1,468,860
Total long term financial investments		11,835,401	5,360,017	16,870,720	11,996,599
Total non-current financial assets		54,073,215	46,580,640	50,221,553	44,594,607
Current assets					
Inventories					
Raw materials		2,624,923	2,631,658	2,123,384	1,966,995
Unfinished goods		3,226,257	2,190,986	3,224,087	2,190,986
Finished goods and goods for resale		2,559,722	2,494,332	2,591,368	2,134,346
Total inventory		8,410,902	7,316,976	7,938,839	6,292,327
Debtors					
Trade receivables	6	31,056,416	31,277,045	22,157,892	23,729,111
Due from related parties	21	2,323,490	1,781,318	11,638,059	15,228,543
Other debtors	7	3,093,085	8,078,168	1,160,637	890,241
Loans provided to management and shareholders		1,792,859	1,497,011	1,792,859	1,497,011
Deferred expenses		2,864,080	222,683	2,863,309	108,580
Total debtors		41,129,930	42,856,225	39,612,756	41,453,486
Cash and cash equivalents	8	2,513,244	1,527,469	2,195,102	1,184,305
Total current assets		52,054,076	51,700,670	49,746,697	48,930,118
TOTAL ASSETS		106,127,291	98,281,310	99,968,250	93,524,725

The accompanying notes on pages 15 to 37 are an integral part of these financial statements.

The financial statements were signed on 29 April 2014 by:



Chairman of the Board
Juris Bundulis

COMPANY'S AND GROUP STATEMENT OF FINANCIAL POSITION AS OF 31 DECEMBER 2013

	Notes	Group 31.12.2013 LVL	Group 31.12.2012 LVL	Company 31.12.2013 LVL	Company 31.12.2012 LVL
LIABILITIES					
EQUITY					
Share capital	9	9,585,000	9,585,000	9,585,000	9,585,000
Share premium		15,687,750	15,687,750	15,687,750	15,687,750
Other reserves		464,905	464,905	464,905	464,905
Foreign currency revaluation reserve		(36,482)	55,803	-	-
Retained profit					
a) retained profit		49,033,463	39,398,904	47,988,402	40,398,691
b) current year profit		9,491,550	9,634,559	7,018,238	7,589,711
Equity attributable to equity holders of the parent		84,226,186	74,826,921	80,744,295	73,726,057
Non-controlling interest		62,564	59,778	-	-
Total equity		84,288,750	74,886,699	80,744,295	73,726,057
LIABILITIES					
Non-current liabilities					
Loans from credit institutions	10	1,428,132	2,422,463	1,157,600	1,827,291
Deferred income		3,143,481	3,371,599	3,143,481	3,371,599
Deferred tax liabilities	19 (c)	2,902,776	2,703,461	2,170,795	2,030,448
Total non-current liabilities		7,474,389	8,497,523	6,471,876	7,229,338
Current liabilities					
Loans from credit institutions	10	7,903,984	8,170,258	7,579,344	7,845,618
Finance lease liabilities	11	-	566,759	-	33,902
Advances from customers		268,045	142,445	268,045	137,346
Trade accounts payable		3,863,869	3,922,334	3,298,712	2,782,213
Taxes and social security contributions	13 (b)	1,103,826	1,205,114	539,203	1,019,073
Other payables		811,630	421,456	685,372	313,851
Accrued liabilities		121,786	114,815	90,391	83,420
Deferred income		291,012	353,907	291,012	353,907
Total current liabilities		14,364,152	14,897,088	12,752,079	12,569,330
Total liabilities		21,838,541	23,394,611	19,223,955	19,798,668
TOTAL EQUITY AND LIABILITIES		106,127,291	98,281,310	99,968,250	93,524,725

The accompanying notes on pages 15 to 37 are an integral part of these financial statements.

The financial statements were signed on 29 April 2014 by:

Chairman of the Board
Juris Bundulis

AS "GRINDEKS"

COMPANY'S AND GROUP STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR 2013

	Notes	Group 2013 LVL	Group 2012 LVL	Company 2013 LVL	Company 2012 LVL
Net sales	15	83,254,939	82,691,061	69,493,225	70,142,718
Cost of goods sold	16	(33,293,776)	(31,617,525)	(32,595,761)	(30,768,559)
Gross profit		49,961,163	51,073,536	36,897,464	39,374,159
Selling expenses	17	(17,837,644)	(20,570,443)	(14,418,080)	(17,241,933)
Administrative expenses	18	(8,560,833)	(9,693,748)	(6,479,269)	(8,644,874)
Other operating income		5,818,162	1,022,720	791,482	1,307,729
Other operating expenses		(17,949,261)	(8,629,294)	(8,243,107)	(4,691,868)
Changes in fair value / impairment loss	4	157,460	(916,543)	-	-
Interest income and similar income		103,286	126,210	138,188	120,246
Interest expenses and similar expenses		(179,171)	(258,256)	(179,171)	(258,256)
Real estate tax		(63,447)	(69,574)	(37,919)	(39,373)
Profit before taxation		11,449,715	12,084,608	8,469,588	9,925,830
Corporate income tax	19 (a)	(1,955,379)	(2,447,712)	(1,451,350)	(2,336,119)
NET PROFIT FOR THE YEAR		9,494,336	9,636,896	7,018,238	7,589,711
Other comprehensive income					
Foreign currency revaluation		(92,285)	24,179	-	-
Other comprehensive income total		(92,285)	24,179	-	-
		9,402,051	9,661,075	7,018,238	7,589,711
Attributable to:					
Equity holders of the parent		9,491,550	9,634,559	7,018,238	7,589,711
Non-controlling interest		2,786	2,337	-	-
TOTAL		9,494,336	9,636,896	7,018,238	7,589,711
:					
Comprehensive income attributable to:					
Equity holders of the parent		9,399,265	9,658,738	7,018,238	7,589,711
Non-controlling interest		2,786	2,337	-	-
Total		9,402,051	9,661,075	7,018,238	7,589,711
Earnings per share attributable to the equity holders of the parent (LVL per share)					
- Earnings per share	20	0.99	1.01	0.73	0.79

The accompanying notes on pages 15 to 37 are an integral part of these financial statements.

The financial statements were signed on 29 April 2014 by:



Chairman of the Board
Juris Bundulis

JSC "GRINDEKS"

COMPANY'S AND GROUP STATEMENT OF CHANGES IN EQUITY FOR THE YEAR 2013

The Group


	Share capital	Share premium	Other reserves	Foreign currency re-valuation reserve	Retained profit	Equity attributable to equity holders of the parent	Non-controlling interest	Total
	LVL	LVL	LVL	LVL	LVL	LVL	LVL	LVL
As of 31 December 2011	9,585,000	15,687,750	464,905	31,624	39,398,904	65,168,183	57,441	65,225,624
Foreign currency revaluation	-	-	-	24,179	-	24,179	-	24,179
Profit for the year	-	-	-	-	9,634,559	9,634,559	2,337	9,636,896
As of 31 December 2012	9,585,000	15,687,750	464,905	55,803	49,033,463	74,826,921	59,778	74,886,699
Foreign currency revaluation	-	-	-	(92,285)	-	(92,285)	-	(92,285)
Profit for the year	-	-	-	-	9,491,550	9,491,550	2,786	9,494,336
As of 31 December 2013	9,585,000	15,687,750	464,905	(36,482)	58,525,013	84,226,186	62,564	84,288,750

The Company

	Share capital	Share premium	Other reserves	Retained profit	Total
	LVL	LVL	LVL	LVL	LVL
As of 31 December 2011	9,585,000	15,687,750	464,905	40,398,691	66,136,346
Profit for the year	-	-	-	7,589,711	7,589,711
As of 31 December 2012	9,585,000	15,687,750	464,905	47,988,402	73,726,057
Profit for the year	-	-	-	7,018,238	7,018,238
As of 31 December 2013	9,585,000	15,687,750	464,905	55,006,640	80,744,295

The accompanying notes on pages 15 to 37 are an integral part of these financial statements.

The financial statements were signed on 29 April 2014 by:



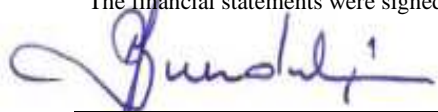
Chairman of the Board
Juris Bundulis

COMPANY'S AND GROUP STATEMENT OF CASH FLOWS FOR THE YEAR 2013

	Notes	Group 2013 LVL	Group 2012 LVL	Company 2013 LVL	Company 2012 LVL
OPERATING ACTIVITIES					
Net profit before taxation		11,449,715	12,084,608	8,469,588	9,925,830
<i>Adjustments to reconcile net profit to net cash provided by operating activities:</i>					
Depreciation and amortization	2; 3	3,294,118	3,117,988	3,188,998	3,025,894
(Gain) / loss on disposal of fixed assets and intangible assets		12,656	7,083	12,445	20,168
Other adjustments		(89,112)	-	-	-
Changes in fair value	3; 4	(112,834)	916,543	569,885	1,406,343
Revenue from the EU funds		(355,008)	(352,473)	(355,008)	(352,473)
Interest expense		179,171	266,574	179,171	266,574
Interest income		(103,286)	(120,246)	(138,191)	(120,246)
<i>Changes in operating assets and liabilities:</i>					
Inventory		(1,093,926)	4,321,564	(1,646,512)	723,632
Debtors	6; 7	812,216	(6,663,233)	2,037,736	(1,564,651)
Creditors		711,074	(3,338,721)	1,431,248	(2,951,414)
Gross cash provided by operating activities		14,704,784	10,239,687	13,749,360	10,379,657
Corporate income tax paid		(2,558,117)	(629,333)	(2,558,117)	(629,333)
Interest income received		217	28	217	28
Net cash provided by operating activities		12,146,884	9,610,382	11,191,460	9,750,352
INVESTING ACTIVITIES					
Purchase of fixed assets and intangible assets	2; 3	(4,027,275)	(2,817,853)	(3,903,728)	(3,089,710)
Proceeds from sale of fixed assets	3	13,877	20,381	13,455	20,381
Purchase of long term financial investments		(4,596,338)	(3,774,058)	(4,596,514)	(3,774,058)
Other loans		(541,159)	-	(541,159)	(464,554)
Net cash used in investing activities		(9,150,895)	(6,571,530)	(9,027,946)	(7,307,941)
FINANCING ACTIVITIES					
Received loans from credit institutions	10	844,686	-	844,686	-
Repaid loans to credit institutions and leasing payments	10	(2,672,050)	(2,176,730)	(1,814,553)	(1,852,091)
Interest paid		(182,850)	(258,256)	(182,850)	(258,256)
Net cash (used in) /provided by financing activities		(2,010,214)	(2,434,986)	(1,152,717)	(2,110,347)
Net increase in cash and cash equivalents		985,775	603,866	1,010,797	332,064
Cash and cash equivalents at the beginning of the year		1,527,469	923,603	1,184,305	852,241
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR		2,513,244	1,527,469	2,195,102	1,184,305

The accompanying notes on pages 15 to 37 are an integral part of these financial statements.

The financial statements were signed on 29 April 2014 by:



Chairman of the Board
Juris Bundulis

1. GENERAL INFORMATION

Joint stock Company “Grindeks” (“the Company”) was incorporated in the Republic of Latvia on 11 October, 1991. The Company’s main activity is production of pharmaceutical, medical and phytochemical medicine.

The accompanying financial statements of the Company and consolidated financial statements of the Group are presented in the national currency of Latvia, the lats (“LVL”).

Accounting principles

Statement of Compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (the EU) and their interpretations. The standards are issued by the International Accounting Standards Board (IASB) and their interpretations by the International Financial Reporting Interpretations Committee (IFRIC).

Basis of preparation

The financial statements are prepared on the historical cost basis of accounting as modified by remeasurement to the fair value of financial assets and financial liabilities which are held at fair value through profit or loss and fair value of investment property.

IFRS as adopted by the EU do not currently differ from IFRS as issued by the International Accounting Standards Board (IASB) and currently effective for the purpose of these financial statements.

Standards and Interpretations effective in the current period.

The following amendments to the existing standards issued by the International Accounting Standards Board and adopted by the EU are effective for the current reporting period:

- **Amendments to IAS 12 “Income Taxes”** - Deferred Tax: Recovery of Underlying Assets, adopted by the EU on 11 December 2012 (effective for annual periods beginning on or after 1 January 2013),
- **Amendments to IAS 19 “Employee Benefits”** - Improvements to the Accounting for Post-employment Benefits, adopted by the EU on 5 June 2012 (effective for annual periods beginning on or after 1 January 2013),
- **IFRS 13 “Fair Value Measurement”**, adopted by the EU on 11 December 2012 (effective for annual periods beginning on or after 1 January 2013),
- **Amendments to IFRS 1 “First-time Adoption of IFRS”** - Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters, adopted by the EU on 11 December 2012 (effective for annual periods beginning on or after 1 January 2013),
- **Amendments to IFRS 7 “Financial Instruments: Disclosures”** - Offsetting Financial Assets and Financial Liabilities, adopted by the EU on 13 December 2012 (effective for annual periods beginning on or after 1 January 2013),
- **IFRIC 20 “Stripping Costs in the Production Phase of a Surface Mine”**, adopted by the EU on 11 December 2012 (effective for annual periods beginning on or after 1 January 2013).

Standards and Interpretations issued by IASB and adopted by the EU but not yet effective

At the date of authorization of these financial statements the following standards, amendments to the existing standards and interpretations issued by IASB and adopted by the EU were in issue but not yet effective:

- **IFRS 10 “Consolidated Financial Statements”**, adopted by the EU on 11 December 2012 (effective for annual periods beginning on or after 1 January 2014),
- **IFRS 11 “Joint Arrangements”**, adopted by the EU on 11 December 2012 (effective for annual periods beginning on or after 1 January 2014),
- **IFRS 12 “Disclosures of Interests in Other Entities”**, adopted by the EU on 11 December 2012 (effective for annual periods beginning on or after 1 January 2014),
- **IAS 27 (revised in 2011) “Separate Financial Statements”**, adopted by the EU on 11 December 2012 (effective for annual periods beginning on or after 1 January 2014),
- **IAS 28 (revised in 2011) “Investments in Associates and Joint Ventures”**, adopted by the EU on 11 December 2012 (effective for annual periods beginning on or after 1 January 2014),
- **Amendments to IFRS 10 “Consolidated Financial Statements”, IFRS 11 “Joint Arrangements” and IFRS 12 “Disclosures of Interests in Other Entities”** – Transition Guidance, adopted by the EU on 4 April 2013 (effective for annual periods beginning on or after 1 January 2014),
- **Amendments to IFRS 10 “Consolidated Financial Statements”, IFRS 12 “Disclosures of Interests in Other Entities” and IAS 27 (revised in 2011) “Separate Financial Statements”** – Investment Entities, adopted by the EU on 20 November 2013 (effective for annual periods beginning on or after 1 January 2014),
- **Amendments to IAS 32 “Financial instruments: presentation”** – Offsetting Financial Assets and Financial Liabilities, adopted by the EU on 20 December 2012 (effective for annual periods beginning on or after 1 January 2014),

COMPANY’S AND GROUP NOTES TO FINANCIAL STATEMENTS FOR THE YEAR 2013

- **Amendments to IAS 36 “Impairment of assets”** - Recoverable Amount Disclosures for Non-Financial Assets, adopted by the EU on 19 December 2013 (effective for annual periods beginning on or after 1 January 2014),
- **Amendments to IAS 39 “Financial Instruments: Recognition and Measurement”** – Novation of Derivatives and Continuation of Hedge Accounting, adopted by the EU on 19 December 2013 (effective for annual periods beginning on or after 1 January 2014).

Standards and Interpretations issued by IASB but not yet adopted by the EU

At present, IFRS as adopted by the EU do not significantly differ from regulations adopted by the International Accounting Standards Board (IASB) except from the following standards, amendments to the existing standards and interpretations, which were not endorsed for use in EU as at date of publication of these financial statements (the effective dates stated below is for IFRS in full):

- **IFRS 9 “Financial Instruments”** and subsequent amendments (effective date 1 January 2018),
- **IFRS 14 “Regulatory Deferral Accounts”** (effective for annual periods beginning on or after 1 January 2016),
- **Amendments to IAS 19 “Employee Benefits”** - Defined Benefit Plans: Employee Contributions (effective for annual periods beginning on or after 1 July 2014),
- **Amendments to various standards “Improvements to IFRSs (cycle 2010-2012)”** resulting from the annual improvement project of IFRS (IFRS 2, IFRS 3, IFRS 8, IFRS 13, IAS 16, IAS 24 and IAS 38) primarily with a view to removing inconsistencies and clarifying wording (amendments are to be applied for annual periods beginning on or after 1 July 2014),
- **Amendments to various standards “Improvements to IFRSs (cycle 2011-2013)”** resulting from the annual improvement project of IFRS (IFRS 1, IFRS 3, IFRS 13 and IAS 40) primarily with a view to removing inconsistencies and clarifying wording (amendments are to be applied for annual periods beginning on or after 1 July 2014),
- **IFRIC 21 “Levies”** (effective for annual periods beginning on or after 1 January 2014).

The Group has elected not to adopt these standards, revisions and interpretations in advance of their effective dates. The Group anticipates that the adoption of all other standards revisions and interpretations will have no material impact on the financial statements of the Group in the period of initial application.

Basis of Consolidation

The consolidated financial statements incorporate the accounting information of JSC “Grindeks”, JSC “Tallinn Pharmaceutical Plant”, JSC “Kalceks”, “Namu apsaimniekosanas projekti” Ltd. and “Grindeks Rus” Ltd. Control is achieved where the Company has the power to govern the financial and operating policies of an investee enterprise so as to obtain benefits from its activities.

On acquisition, the assets and liabilities of the relevant subsidiaries are measured at their fair values at the date of acquisition. The interest of non-controlling shareholders is stated at the minority’s proportion of the fair values of the assets and liabilities recognized. All significant inter-company transactions and statements of financial positions between the Group enterprises are eliminated on consolidation.

On consolidation, the assets and liabilities of the Group’s foreign operations are translated at the exchange rates of Bank of Latvia prevailing on the statements of financial position date. Income and expenses are translated at the average exchange rate for the reporting year. Exchange differences arising on the translation, if any, are recognized in other comprehensive income and accumulated in equity (attributed to non-controlling interests as appropriate).

Foreign currencies

In preparing the consolidated financial statements of each individual group entity, transactions in currencies other than the entity’s functional currencies (foreign currencies) are recognized at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date.

The applicable rates used for the principal currencies of the Group to LVL (functional currency of the parent and the presentation currency) as of 31 December were as follows:

	2013	2012
USD	0.515000	0.531000
EUR	0.702804	0.702804
RUB	0.015600	0.017400

Gains and losses on translation are credited or charged to the Statements of comprehensive income at the Bank of Latvia official exchange rate as of the statements of financial position date and are included in the Statement of comprehensive income statement in position “Other operating expense / income”.

Intangible assets

Intangible assets are initially recognized at cost and are amortized using the straight-line method over a five-year period.

Tangible fixed assets

Tangible fixed assets are stated at historical cost less accumulated depreciation and impairment loss, if any. The cost of an item comprises its purchase price, including import duties and any directly attributable costs of bringing the asset to working condition for intended use. The cost of self-constructed assets is determined using the same principles as for an acquired asset.

Depreciation is calculated on all fixed assets based on historical cost. Depreciation of tangible assets is computed using the straight-line method over the estimated average useful lives:

Buildings and constructions	8 - 25 years
Machinery and equipment	5 - 12 years
Other fixed assets	3 – 10 years

Major repairs and replacements meeting asset recognition criteria are capitalized to the related asset value, for example capital expenditures such as refurbishment of buildings and improvements to structural elements. Repair and maintenance costs (other than major repairs and replacements meeting asset recognition criteria) are expensed when incurred.

Impairment of tangible and intangible assets

At each balance sheet date the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there are any indications that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate recoverable amount of an individual asset, the Group estimates the value of cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs of sale and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognized immediately in profit or loss.

In the case when an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

Investment property

Investment property, which is property held to earn rentals and/or for capital appreciation, is stated at its fair value at the statements of financial position date. In case the fair value cannot be reliably determined, the investment property is valued at cost less accumulated depreciation.

Investments in subsidiaries

Investments in subsidiaries in the Company’s financial statements are recognized at cost less impairment losses. If the recoverable amount of an investment is lower than its carrying amount, due to circumstances not considered to be temporary, the investment value is written down to its recoverable amount.

Inventories

Inventories are stated at the lower of cost and net realizable value. The cost of materials is allocated using the weighted average method. The cost of work in progress and finished goods includes direct manufacturing costs - cost of materials and direct labor costs, costs of conversion and other manufacturing costs incurred in bringing the inventories to their present location and condition - energy, ancillary materials, equipment and maintenance costs, depreciation and general manufacturing costs – service costs related to manufacturing.

Financial assets

Financial assets are classified into the following specified categories: financial assets ‘at fair value through profit or loss’, ‘held-to-maturity’ investments, ‘available for sale’ financial assets and ‘loans and receivables’. This classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables (including trade and other receivables, bank balances and cash and other similar items) are measured at amortized cost using the effective interest method, less any impairment.

Impairment of financial assets

The Group assesses, at each balance sheet date, whether there is objective evidence that a financial asset is impaired.

The Group assesses all financial assets on an individual basis. If there is objective evidence that an impairment loss on loans and receivables carried at amortized cost has been incurred, the amount of the loss is measured as the difference between the asset’s carrying amount and estimated present value of future cash flows.

Financial liabilities

Financial liabilities, represented by borrowings, trade and other payables are subsequently measured at amortized cost using the effective interest method.

The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

Cash and cash equivalents

Cash and cash equivalents include cash on hand and demand deposits with credit institutions with initial term which does not exceed 90 days at inception.

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessee

Assets held under finance leases are initially recognized as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statements of financial position as a finance lease obligation.

Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly to profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalized in accordance with the Group’s general policy on borrowing costs.

Operating lease payments are recognized as an expense on a straight-line basis over the lease term.

Accrual for vacations

Accruals for vacations are calculated by multiplying the average employee salary by the number of unused vacation days at the end of the year, adding related social tax costs

Revenue and expense recognition

Revenues and expenses are recognized on an accrual basis. Revenues are recognized when goods are delivered and ownership is passed to customers. Revenues are shown net of certain discounts and sale related taxes (there are certain discounts that are presented in other operating expenses).

Interest income is recognized on the effective interest rate basis. The effective interest method is a method of calculating the amortized cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period.

Expenses are recognized when incurred. All research and development costs are expensed in the statement of comprehensive income, presented in the item “Cost of goods sold”.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

All other borrowing costs are recognized in profit or loss in the period in which they are incurred.

Corporate income tax

Corporate income tax is assessed based on the taxable income for the period in accordance with Latvian tax legislation applying the rate of 15%.

In accordance with Estonian legislation JSC "Tallinn Pharmaceutical Plant" does not have to pay income tax from profit but have to pay tax from paid dividends.

According to Russian legislation the earned profit of "Grindeks Rus" Ltd. is subject to income tax at rate of 24%.

Deferred income tax

Deferred taxation is provided on all temporary timing differences arising between the accounting and taxation treatment of income and expenses. The deferred taxation liability is calculated based on the tax rates that are expected to apply when temporary differences reverse. The principal temporary differences arise from the differing depreciation rates of fixed assets for accounting and taxation, accrued liabilities, provisions and accumulated losses of taxation. Where an overall deferred taxation asset arises, this is only recognized in the financial statements where its recoverability is foreseen with reasonable certainty.

Provisions

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Government grants

Government grants are not recognized until there is reasonable assurance that the Group will comply with the conditions attached to them and that the grants will be received.

Government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognized as deferred income in the statements of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Other government grants are recognized as income over the periods necessary to match them with the costs for which they are intended to compensate, on a systematic basis. Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognized in profit or loss in the period in which they become receivable.

Use of estimates

The preparation of financial statements requires management to make estimates and assumptions. These estimates and assumptions affect the reported amounts of assets, liabilities and off statements of financial position items, as well as reported revenues and expenses. Actual results could differ from those estimates.

Critical accounting judgments and uncertainties

The following are the critical judgments and key assumptions concerning the future, and other key sources of estimation uncertainty at the statements of financial position date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year:

- the Group reviews the estimated useful lives of property, plant and equipment;
- the Group reviews non-current assets and assesses whenever events or changes in circumstances indicate that the carrying amount may not be recoverable;
- the Group estimates fair value of investment property;
- the Group considers judgments in connection with classifying non-current assets to tangible assets or investment properties;
- the Group considers recoverability of receivables on each balance sheet date.

Segment information

Reportable segments are operating segments or aggregations of operating segments that meet specified criteria. Operating segments are components of an entity about which separate financial information is available that is evaluated regularly by the chief operating decision maker in deciding how to allocate resources and in assessing performance.

Related parties

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions. Related parties are defined as shareholders, high level management, members of the management board and the supervisory council, their close relatives and companies that directly or indirectly through one or more intermediaries, control, or are controlled by, or are under common control with, the reporting entity. See Note 21.

Fair value

Fair value represents the amount at which an asset could be exchanged or liability settled on an arm’s length basis. Where in the opinion of the management, the fair values of financial assets and liabilities differ materially from their book values, such fair values are disclosed in the notes to the financial statements.

2. INTANGIBLE ASSETS – THE GROUP

	Patents, licenses, trademarks and other rights LVL	Computer software LVL	Advance payments for intangible assets LVL	Total LVL
<i>Historical cost</i>				
As of 31 December 2012	1,468,931	1,238,855	148,311	2,856,097
Additions	3,514	9,993	15,695	29,202
Transfers	64,236	99,770	(164,006)	-
Disposals	-	(210,244)	-	(210,244)
As of 31 December 2013	1,536,681	1,138,374	-	2,675,055
<i>Accumulated amortization</i>				
As at 31 December 2012	1,063,886	994,166	-	2,058,052
Depreciation for the year	149,660	107,360	-	257,020
Disposals	-	(210,244)	-	(210,244)
As of 31 December 2013	1,213,546	891,282	-	2,104,828
<i>Carrying value</i>				
As of 31 December 2012	405,045	244,689	148,311	798,045
As of 31 December 2013	323,135	247,092	-	570,227

INTANGIBLE ASSETS – THE COMPANY

	Patents, licenses, trademarks and other rights LVL	Computer software LVL	Advance payments for intangible assets LVL	Total LVL
<i>Historical cost</i>				
As of 31 December 2012	1,646,246	1,194,248	148,311	2,988,805
Additions	3,514	9,993	15,695	29,202
Transfers	64,236	99,770	(164,006)	-
Disposals	-	(210,244)	-	(210,244)
As of 31 December 2013	1,713,996	1,093,767	-	2,807,763
<i>Accumulated depreciation</i>				
As of 31 December 2012	1,288,500	968,699	-	2,257,199
Depreciation for the year	144,599	88,220	-	232,819
Disposals	-	(210,244)	-	(210,244)
As of 31 December 2013	1,433,099	846,675	-	2,279,774
<i>Carrying value</i>				
As of 31 December 2012	357,746	225,549	148,311	731,606
As of 31 December 2013	280,897	247,092	-	527,989

3. TANGIBLE FIXED ASSETS – THE GROUP

	Land, buildings and construc- tions LVL	Equipment and machinery LVL	Other fixed assets LVL	Construc- tion in progress LVL	Advance payments for fixed assets LVL	Total LVL
<i>Historical cost</i>						
As of 31 December 2012	22,074,215	24,870,355	2,618,563	1,494,589	736,354	51,794,076
Additions	41,697	574,928	374,766	1,156,272	1,900,660	4,048,323
Transfers	350,960	1,419,322	15,271	-	-1,785,553	-
Reclassification/ correction	89,112	15,140	6,219	-	-	110,471
Sales and disposals	-	(1,635,452)	(662,934)	-	-	(2,298,386)
As of 31 December 2013	22,555,984	25,244,293	2,351,885	2,650,861	851,461	53,654,484
<i>Accumulated depreciation</i>						
As of 31 December 2012	4,314,841	11,404,145	1,876,512	-	-	17,595,498
Depreciation for the year	946,679	1,779,057	311,362	-	-	3,037,098
Reclassification/ correction	-	6,611	1,003	-	-	7,614
Disposals	-	(1,614,165)	(657,688)	-	-	(2,271,853)
As of 31 December 2013	5,261,520	11,575,648	1,531,189	-	-	18,368,357
<i>Carrying value</i>						
As of 31 December 2012	17,759,374	13,466,210	742,051	1,494,589	736,354	34,198,578
As of 31 December 2013	17,294,464	13,668,645	820,696	2,650,861	851,461	35,286,127

TANGIBLE FIXED ASSETS - COMPANY

	Land, buildings and construc- tions LVL	Equipment and machinery LVL	Other fixed assets LVL	Construc- tion in progress LVL	Advance payments for fixed assets LVL	Total LVL
<i>Historical cost</i>						
As of 31 December 2012	21,356,003	24,178,954	2,380,721	-	736,354	48,652,032
Additions	41,697	543,118	267,267	1,156,272	1,900,660	3,909,014
Transfers	350,960	1,419,322	15,271	-	(1,785,553)	-
Reclassification/ correction	-	15,135	14,372	-	-	29,507
Sales and disposals	-	(1,793,472)	(662,934)	-	-	(2,456,406)
As of 31 December 2013	21,748,660	24,363,057	2,014,697	1,156,272	851,461	50,134,147
<i>Accumulated depreciation</i>						
As at 31 December 2012	4,236,357	10,813,967	1,735,306	-	-	16,785,630
Depreciation for the year	921,707	1,754,633	279,839	-	-	2,956,179
Disposals	-	(1,772,185)	(658,321)	-	-	(2,430,506)
As of 31 December 2013	5,158,064	10,796,415	1,356,824	-	-	17,311,303
<i>Carrying value</i>						
As of 31 December 2012	17,119,646	13,364,987	645,415	-	736,354	31,866,402
As of 31 December 2013	16,590,596	13,566,642	657,873	1,156,272	851,461	32,822,844

The Company has pledged its fixed assets as security for the bank loans (see Note 10).
In 2013 and in 2012 interest expenses were not capitalized .

JSC "GRINDEKS"

COMPANY'S AND GROUP NOTES TO FINANCIAL STATEMENTS FOR THE YEAR 2013

During year 2013 new technological equipment was leased outside of Latvia, lease period is until 2033.

Lease payments are as follows:

	31.12.2013
	LVL
During the first year	64,096
From the second year until fifth year	256,382
From the sixth year until the end of a lease term	961,436
Total	1,281,914

4. INVESTMENT PROPERTY - GROUP

	LVL
As of 31 December 2011	4,882,200
Changes in fair value	139,800
Reclassified from fixed assets to investment properties	1,202,000
As of 31 December 2012	6,224,000
Changes in fair value	157,460
As of 31 December 2013	6,381,460

As of 31 December 2013 Investment properties consists of land and buildings owned by JSC "Kalceks" and "Namu Apsaimniekošanas projekti" Ltd.

"Namu Apsaimniekošanas projekti" Ltd. Investment property

On February 10, 2014 independent certified valuator estimated of the real estate market value. According to the valuation report market value of the real estate at 76 Maskavas Street, Riga is LVL 302,206; and market value of the real estate at 78 Maskavas Street, Riga is LVL 913,645.

JSC "Kalceks" investment property

As of 31 December, 2013 the fair value of land owned by JSC "Kalceks" was estimated by an independent valuator. The market value amounted to LVL 1,897,571 for the land plot at 9 Zala Street, Riga; LVL 2,881,496 - for the land plot at 6/8 Zala Street, Riga, and LVL 386,542 for the real estate at Krustpils 71 b. The valuator applied transaction approach in its valuation. Cost price of the investment properties is LVL 267,000, including fair value of privatization certificates.

The minor part of investment properties are used only within the Group, rent agreement with indefinite maturity date is signed, the annual rent fee amounts to LVL 180,000. The majority part of the real estate is held for capital appreciation, therefore the property is classified as Investment property.

5. INVESTMENTS IN SUBSIDIARIES –THE COMPANY

	31.12.2013		31.12.2012	
	LVL	%	LVL	%
JSC "Kalceks"	3,444,055	98.7 %	3,443,879	98.7 %
JSC "Tallinn Pharmaceutical Plant"	2,411,624	100 %	2,411,624	100 %
"Namu apsaimniekosanas projekti" Ltd.	780,876	100 %	780,876	100 %
Grindeks Rus" Ltd.	203	100 %	203	100 %
	6,636,758		6,636,582	

	Country of incorporation	Principal business activities
JSC "Kalceks"	Latvia	Production and sale of pharmaceuticals
JSC "Tallinn Pharmaceutical Plant"	Estonia	Production and sale of pharmaceuticals
"Namu apsaimniekosanas projekti" Ltd.	Latvia	Real estate management and other activities related to real estate
Grindeks Rus" Ltd.	Russia	Production and sale of pharmaceuticals

Net profit for the year 2013 JSC "Kalceks" was LVL 212,675 (2012: net profit LVL 83,092). As of December 2013 the equity of JSC „Kalceks” was LVL 4,776,502. (2012: LVL 4,563,827).

The net profit of JSC "Tallinn Pharmaceutical Plant" in 2013 was LVL 272,120 (EUR 387,192), (2012: net profit LVL 190,319 or EUR 270,800). As at 31 December the equity of JSC "Tallinn Pharmaceutical Plant" was LVL 3,107,138 or EUR 4,421,059 (2012: LVL 2,835,018 or EUR 4,033,867).

In 2013 "Namu apsaimniekosanas projekti" Ltd. has net loss amounted to LVL 191,496 (2012: loss of LVL 1,213,344). In 2013 the Company provided LVL 525,259 allowance for the loan issued to "Namu apsaimniekosanas projekti".

In 2012 the Company provided LVL 1,056,343 allowance for the loan issued to "Namu apsaimniekosanas projekti" and allowance of LVL 350,000 for the value of investment. Allowance expenses are presented in the Statement of comprehensive income, in line "Other operating expenses".

According to unaudited data the profit of Grindeks Rus" Ltd. in 2013 was LVL 1,028,468 (2012: net loss LVL 764,421).

In 2012 the Company has signed purchase agreement with Dashdirect Limited regarding purchase of the controlling interest in the equity of HBM Pharma (Slovakia). As of the date of signing these financial statements the agreement is partly completed. The main activity of the HBM Pharma is production of the medical substances. As of December 31, 2013 the Company's and Group statement of financial position contains advance payments related to the before mentioned purchase agreement in the amount of LVL 8,201,723. The Group management is certain that this deal is going to be finalized during 2014.

6. TRADE RECEIVABLES

	Group 31.12.2013 LVL	Group 31.12.2012 LVL	Company 31.12.2013 LVL	Company 31.12.2012 LVL
Russia	23,446,175	23,173,957	14,553,204	15,630,367
Other CIS countries	3,994,072	3,878,999	3,994,072	3,878,999
Latvia	485,488	682,047	480,698	677,804
Lithuania	672,118	268,478	672,118	268,478
Estonia	249,911	298,636	249,148	298,535
Other countries	2,814,334	3,004,953	2,814,334	3,004,953
Allowance for doubtful receivables	(605,682)	(30,025)	(605,682)	(30,025)
Total trade receivables	31,056,416	31,277,045	22,157,892	23,729,111

7. OTHER DEBTORS

	Group 31.12.2013 LVL	Group 31.12.2012 LVL	Company 31.12.2013 LVL	Company 31.12.2012 LVL
Grindeks Rus" Ltd. other debtors	1,528,535	5,178,957	-	-
JSC "Tallinn Pharmaceutical Plant" other debtors	34,851	1,633,849	-	-
Tax receivables (see Note 13 (a))	574,430	508,639	538,134	133,777
Other	955,269	756,723	622,503	756,464
Total	3,093,085	8,078,168	1,160,637	890,241

8. CASH AND CASH EQUIVALENTS

	Group 31.12.2013 LVL	Group 31.12.2012 LVL	Company 31.12.2013 LVL	Company 31.12.2012 LVL
Cash in bank	2,507,087	1,522,452	2,189,105	1,179,415
Cash on hand	6,157	5,017	5,997	4,890
Total	2,513,244	1,527,469	2,195,102	1,184,305

9. SHARE CAPITAL

As of 31 December 2013 and 2012 the issued and fully paid share capital of the Company consisted of 9,585,000 ordinary shares with a nominal value of LVL 1 each. The number of publicly listed shares is 9,585,000.

The shareholders as of 31 December 2013 and 31 December 2012 were as follows (Latvian Central Depository data):

	Percentage (%) 31.12.2013	Percentage (%) 31.12.2012
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)	11.28	10.22
Swedbank AS Clients Account (nominal holder)	10.80	8.71
Other shareholders	16.56	19.71
Total	100.00	100.00

10. LOANS FROM CREDIT INSTITUTIONS

	Group 31.12.2013 LVL	Group 31.12.2012 LVL	Company 31.12.2013 LVL	Company 31.12.2012 LVL
Credit line from Nordea Bank Finland Plc.	2,867,636	3,293,644	2,867,636	3,293,644
Credit line from JSC "SEB Bank", Latvia	3,242,990	3,240,073	3,242,990	3,240,073
Nordea Bank Finland Plc.	843,365	843,365	843,365	843,365
Nordea Bank Finland Plc.	351,402	468,536	351,402	468,536
JSC "SEB Bank", Latvia	324,640	324,640	-	-
JSC "SEB Bank", Latvia	273,951	-	273,951	-
Current loans from credit institutions	7,903,984	8,170,258	7,579,344	7,845,618
Nordea Bank Finland Plc.	632,523	1,475,889	632,523	1,475,889
JSC "SEB Bank", Latvia	525,077	-	525,077	-
JSC "SEB Bank", Latvia	270,532	595,172	-	-
Nordea Bank Finland Plc.	-	351,402	-	351,402
Non-current loans from credit institutions	1,428,132	2,422,463	1,157,600	1,827,291
Total	9,332,116	10,592,721	8,736,944	9,672,909
	Group 31.12.2013 LVL	Group 31.12.2012 LVL	Company 31.12.2013 LVL	Company 31.12.2012 LVL
The borrowings are repayable as follows:				
Within one year	7,903,984	8,170,258	7,579,344	7,845,618
During second year	1,177,005	1,636,541	906,474	1,311,901
Third to fifth year inclusive	251,127	785,922	251,126	515,390
Total	9,332,116	10,592,721	8,736,944	9,672,909

JSC “GRINDEKS”

COMPANY’S AND GROUP NOTES TO FINANCIAL STATEMENTS FOR THE YEAR 2013

Loans terms and maturity:	Group 31.12.2013 LVL	Group 31.12.2012 LVL	Company 31.12.2013 LVL	Company 31.12.2012 LVL
On 31 July 2011 the Company received a credit line from Nordea Bank Finland Plc. The credit line limit was increased to EUR 5,000,000, Repayment term is 31 July 2014. Interest rate is EONIA plus 1.1 % fixed rate. The credit line is secured by commercial pledge.	2,867,636	3,293,644	2,867,636	3,293,644
On 24 April 2009 the Company signed a credit line agreement with JSC “SEB Bank” Latvia in amount of EUR 5,000,000. Interest rate is 3 months EURIBOR plus fixed rate 1.8 %. On 10 April 2014 the credit line agreement term was extended to 24 April 2015. The credit line is secured by commercial pledge.	3,242,990	3,240,073	3,242,990	3,240,073
On 31 July 2011 the Company signed a loan agreement with Nordea Bank Finland Plc for total amount of EUR 4,000,000. Repayment term is 9 August 2015. Interest rate is 1 year EURIBOR plus 2 % fixed rate. The loan is secured by commercial pledge.	1,475,888	2,319,254	1,475,888	2,319,254
On 31 July 2011 the Company signed a loan agreement with Nordea Bank Finland Plc for total amount of EUR 2,000,000. Repayment term is 9 August 2014. Interest rate is 3 months EURIBOR plus 1.5 % fixed rate. The loan is secured by commercial pledge.	351,402	819,938	351,402	819,938
On 1 October 2007 “Namu apsaimniekosanas projekti” Ltd. entered into agreement no. KD07204 with JSC “SEB Bank”. In accordance with this agreement “Namu apsaimniekosanas projekti” Ltd. receives loan in amount of EUR 2,500,000 (LVL 1,757,010) with interest rate 1,5% plus 3 months EURIBOR. The loan can be used only for acquisition of real estate at 76 Maskavas Street, Riga. The loan is secured by a mortgage agreement no. KD07204/1. Maturity of the loan is 30 September 2011. On 30 September 2011 the loan agreement term was extended to 15 September 2015. JSC Grindeks” has guaranteed repayment of this loan.	595,172	919,812	-	-
On 2 August 2013 the Company signed a loan agreement with JSC “SEB Bank” Latvia Plc for total amount of EUR 1,201,880. Repayment term is 15 November 2016. Interest rate is 3 months EURIBOR plus 1.7 % fixed rate. The loan is secured by commercial pledge.	799,028	-	799,028	-
Total	9,332,116	10,592,721	8,736,944	9,672,909

COMPANY'S AND GROUP NOTES TO FINANCIAL STATEMENTS FOR THE YEAR 2013**11. FINANCE LEASE LIABILITIES**

	Group 31.12.2013 LVL	Group 31.12.2012 LVL	Company 31.12.2013 LVL	Company 31.12.2012 LVL
Non-current finance lease liabilities	-	566,759	-	33,902
Current finance lease liabilities	-	566,759	-	33,902
Total	-	566,759	-	33,902

Group finance lease liabilities as of 31 December 2012 include the amount of LVL 532,857 (EUR 758,187) related to building lease contract dated 21 November 2006 signed between JSC "Tallinn Pharmaceutical Plant" and AS "Lasnamae Tõöstuspark". These liabilities were fully settled in March 2013.

12. OPERATING LEASE LIABILITIES

The Group and the Company have car leases under operating lease agreements. The operating lease liabilities are as follows:

	Group 31.12.2013 LVL	Group 31.12.2012 LVL	Company 31.12.2013 LVL	Company 31.12.2012 LVL
Within one year	128,785	234,824	76,262	135,543
Second to fifth year inclusive	88,768	165,329	88,768	164,940
Total	217,553	400,153	165,030	300,483

13. TAXES AND SOCIAL SECURITY CONTRIBUTIONS**13 (a) Tax receivables** (see Note 7)

	Group 31.12.2013 LVL	Group 31.12.2012 LVL	Company 31.12.2013 LVL	Company 31.12.2012 LVL
Value added tax	209,065	508,639	172,769	133,777
Corporate income tax	365,365	-	365,365	-
Total	574,430	508,639	538,134	133,777

13 (b) Tax liabilities

	Group 31.12.2013 LVL	Group 31.12.2012 LVL	Company 31.12.2013 LVL	Company 31.12.2012 LVL
Corporate income tax	436,283	749,073	-	673,180
Social security contributions	471,253	258,534	423,057	221,543
Personal income tax	165,688	178,502	112,336	120,994
Value added tax	21,297	11,256	-	-
Other	9,305	7,749	3,810	3,356
Total	1,103,826	1,205,114	539,203	1,019,073

14. BUSINESS SEGMENTS

Based on the type of its products the Group may be divided into two main divisions - final dosage forms and active pharmaceutical ingredients business structure. Those divisions serve as the basis to report the primary segments of the Group – business segments.

2013 LVL

	Final dosage forms	Active pharmaceutical ingredients	Eliminations	Total
Revenue				
External sales	70,512,481	12,742,458	-	83,254,939
Inter-segment sales	-	5,764,387	(5,764,387)	-
Total revenue	70,512,481	18,506,845	(5,764,387)	83,254,939
Result				
Segment result	23,634,059	8,489,460	-	32,123,519
Unallocated expenses				(20,534,472)
Operating profit				11,589,047
Interest income				103,286
Interest expenses				(179,171)
Real estate tax				(63,447)
Profit before taxation				11,449,715
Income tax expense				(1,955,379)
Profit for the year				9,494,336
Attributable to:				
Equity holders of parent				9,491,550
Non-controlling interest				2,786
Total				9,494,336

Other information

	Final dosage forms	Active pharmaceutical ingredients	Other	Total
2013 LVL				
Purchase of fixed assets and intangible assets	1,621,343	689,441	1,766,741	4,077,525
Depreciation and amortization	1,022,005	1,487,753	784,360	3,294,118

Statement of financial position LVL 31.12.2013

	Final dosage forms	Active pharmaceutical ingredients	Total
Assets			
Segment assets	43,576,611	23,357,600	66,934,211
Unallocated assets			39,193,080
Total consolidated assets			106,127,291
Liabilities			
Segment liabilities	2,255,829	1,618,631	3,874,460
Unallocated liabilities			102,252,831
Total consolidated liabilities			106,127,291

2012 LVL

	Final dosage forms	Active pharmaceutical ingredients	Eliminations	Total
Revenue				
External sales	69,915,258	12,775,803	-	82,691,061
Inter-segment sales	-	4,498,098	(4,498,098)	-
Total revenue	69,915,258	17,273,901	(4,498,098)	82,691,061
Result				
Segment result	23,309,662	7,193,431	-	30,503,093
Unallocated expenses				(18,216,865)
Operating profit				12,286,228
Interest income				126,210
Interest expenses				(258,256)
Real estate tax				(69,574)
Profit before taxation				12,084,608
Income tax expense				(2,447,712)
Profit for the year				9,636,896
Attributable to:				
Equity holders of parent				9,634,559
Non-controlling interest				2,337
Total				9,636,896

Other information

2012 LVL	Final dosage forms	Active pharmaceutical ingredients	Other	Total
Purchase of fixed assets and intangible assets	1,621,343	689,441	1,166,922	3,477,706
Depreciation and amortization	1,022,005	1,487,753	608,230	3,117,988

Statement of financial position LVL
31.12.2012

	Final dosage forms	Active pharmaceutical ingredients	Total
Assets			
Segment assets	46,620,316	23,686,787	70,307,103
Unallocated assets			27,974,207
Total consolidated assets			98,281,310
Liabilities			
Segment liabilities	2,737,704	5,962,053	8,699,757
Unallocated liabilities			89,581,553
Total consolidated liabilities			98,281,310

15. NET SALES

	Group 2013 LVL	Group 2012 LVL	Company 2013 LVL	Company 2012 LVL
Russia	50,783,789	54,386,043	37,022,075	41,837,700
Other CIS countries	23,860,208	23,249,893	23,860,208	23,249,893
Other countries	9,170,142	7,139,937	9,170,142	7,139,937
Latvia	4,239,703	4,671,917	4,239,703	4,671,917
Lithuania	2,587,539	2,691,996	2,587,539	2,691,996
Estonia	1,509,230	1,462,245	1,509,230	1,462,245
Other sales	155,798	109,870	155,798	109,870
Gross sales	92,306,409	93,711,901	78,544,695	81,163,558
Less discounts				
Russia	(6,078,120)	(8,494,484)	(6,078,120)	(8,494,484)
Other CIS countries	(2,733,511)	(2,105,885)	(2,733,511)	(2,105,885)
Latvia	(158,097)	(256,715)	(158,097)	(256,715)
Lithuania	(31,213)	(115,019)	(31,213)	(115,019)
Estonia	(40,332)	(30,946)	(40,332)	(30,946)
Other countries	(10,197)	(17,791)	(10,197)	(17,791)
Discounts total	(9,051,470)	(11,020,840)	(9,051,470)	(11,020,840)
Total, net	83,254,939	82,691,061	69,493,225	70,142,718

16. COST OF GOODS SOLD

	Group 2013 LVL	Group 2012 LVL	Company 2013 LVL	Company 2012 LVL
Raw materials and packaging	12,614,969	11,111,891	10,691,841	9,461,880
Goods purchased for resale	10,050,987	9,642,443	12,049,342	11,202,884
Direct labor and social security contributions	6,825,077	6,585,498	6,421,064	6,184,575
Depreciation of fixed assets and amortization of intangible assets	2,625,503	2,496,996	2,576,879	2,457,975
Research costs	1,716,433	1,446,337	1,716,433	1,446,337
Electricity expenses	1,339,654	1,314,208	1,267,944	1,239,305
Machinery, buildings and equipment repairs	680,233	640,860	639,400	601,364
Household expenses	209,198	205,974	205,598	201,271
Transport costs	127,180	126,368	119,732	112,032
Waste disposal	105,100	83,804	105,100	83,804
Rent of work clothing	76,726	73,600	67,872	64,826
Other expenses	1,250,811	1,159,120	1,062,651	981,880
Internal turnover of self-manufactured raw materials	(4,328,095)	(3,269,574)	(4,328,095)	(3,269,574)
Total	33,293,776	31,617,525	32,595,761	30,768,559

17. SELLING AND DISTRIBUTION COSTS

	Group 2013 LVL	Group 2012 LVL	Company 2013 LVL	Company 2012 LVL
Advertising expenses	9,543,104	11,745,595	7,221,280	9,646,737
Expenses of representative offices	2,976,036	2,666,706	2,976,036	2,666,706
Salaries and social security contributions	1,693,526	1,655,581	951,489	923,001
Distribution costs	632,315	592,199	606,908	571,378
Patent costs	106,905	437,960	106,905	437,960
Depreciation of fixed assets and amortization of intangible assets	369,498	373,820	320,866	335,789
Commissions	360,193	370,644	360,193	370,644
Registration costs for medicine	215,557	242,602	189,529	233,101
Freight insurance expenses	12,955	15,851	12,955	15,851
Other expenses	1,927,555	2,469,485	1,671,919	2,040,766
Total	17,837,644	20,570,443	14,418,080	17,241,933

18. ADMINISTRATIVE EXPENSES

	Group 2013 LVL	Group 2012 LVL	Company 2013 LVL	Company 2012 LVL
Administrative salaries and social security contributions	3,518,266	4,083,411	1,961,453	2,566,995
Depreciation of fixed assets and amortization of intangible assets	306,312	245,971	291,255	232,131
Security costs	218,174	224,858	154,727	160,782
Employee insurance expenses	177,151	162,558	176,491	162,558
Computer maintenance and repair	163,467	161,537	157,074	152,526
Professional and consultancy services	159,228	2,571,874	141,484	2,546,563
Electricity costs	155,074	105,848	123,005	79,061
Transport costs	139,411	145,578	115,314	122,824
Personnel training and hiring expenses	97,142	95,948	97,082	94,274
Business trip expenses	89,812	112,287	89,239	106,622
Bank charges	62,262	74,534	42,633	61,489
Property and liability insurance	44,936	48,239	42,493	44,611
Communication expenses	28,532	33,492	22,224	22,730
Other	3,401,066	1,627,613	3,064,795	2,291,708
Total	8,560,833	9,693,748	6,479,269	8,644,874

The Group's major part of line "Other operating expenses" in the statement of comprehensive income comprise of trade bonuses paid by the Company and Grindeks Rus Ltd. to its customers.

The average number of the Group's employees during 2013 and 2012 was 873 and 847.

The average number of the Company's employees during 2013 and 2012 was 739 and 717.

The audit fee of „Deloitte Audits Latvia” Ltd. for the year 2013 amounted to LVL 23,000.

19. CORPORATE INCOME TAX

19 (a) Corporate income tax for the year

	Group 2013 LVL	Group 2012 LVL	Company 2013 LVL	Company 2012 LVL
Corporate income tax for the year	1,756,064	1,908,406	1,311,003	1,811,438
Deferred tax charge for the year	199,315	539,306	140,347	524,681
Total	1,955,379	2,447,712	1,451,350	2,336,119

19 (b) Reconciliation of accounting profit to tax charge

	Group 2013 LVL	Group 2012 LVL	Company 2013 LVL	Company 2012 LVL
Current year profit before corporate income tax	11,449,715	12,084,608	8,469,588	9,925,830
Expected tax charge, applying current tax rate of 15%	1,717,457	1,812,691	1,270,438	1,488,875
Tax allowance for new technological equipment	(148,279)	(159,994)	(148,279)	(159,994)
Permanent differences	470,923	817,929	608,006	1,038,136
Tax discount for donations	(287,003)	(30,898)	(287,003)	(30,898)
Other	-	-	8,188	-
Additional tax "Grindeks Rus" Ltd. (9%)	202,281	7,984	-	-
Corporate income tax charge	1,955,379	2,447,712	1,451,350	2,336,119
Effective corporate income tax rate	17.1%	20.3%	17.1%	23.5%

19 (c) Deferred corporate income tax liabilities

	Group 2013 LVL	Group 2012 LVL	Company 2013 LVL	Company 2012 LVL
Difference related to net book value of fixed assets due to accelerated tax depreciation for tax purposes	19,750,994	18,061,044	14,839,727	13,619,740
Accrued liabilities	(399,154)	(114,815)	(367,761)	(83,420)
Accumulated tax losses	-	91,469	-	-
Non-recognized deferred tax asset	-	(14,625)	-	-
Total temporary difference	19,351,840	18,023,073	14,471,966	13,536,320
Deferred tax liabilities (15 % rate)	2,902,776	2,703,461	2,170,795	2,030,448
Deferred tax liabilities as at the beginning of the reporting year	2,703,461	2,164,155	2,030,448	1,505,767
Increase in deferred tax liabilities charged to the statement of profit and loss	199,315	539,306	140,347	524,681
Deferred tax liabilities as at the end of the reporting year	2,902,776	2,703,461	2,170,795	2,030,448

20. EARNINGS PER SHARE

	Group 2013 LVL	Group 2012 LVL	Company 2013 LVL	Company 2012 LVL
Basic earnings per share				
Average number of shares outstanding	9,585,000	9,585,000	9,585,000	9,585,000
Current year profit attributable to equity holders of the parent	9,491,550	9,634,559	7,018,238	7,589,711
Basic earnings per share	0.99	1.01	0.73	0.79

21. TRANSACTIONS WITH RELATED PARTIES

Salary of the Board and the Council is as follows:

	2013 LVL	2012 LVL
Members of the Council	689,435	1,069,319
Social security contributions	143,129	222,960
Total compensation paid to the members of the Council	832,564	1,292,279
Members of the Board	212,175	316,840
Social security payments	60,029	74,488
Total compensation paid to the members of the Board	272,204	391,328
Total	1,104,768	1,683,607

The Group and the Company have issued loans to the members of the Council with the rate of 1.4% plus 3 month EURIBOR and also 12% a year. The amounts repayable are as follows:

	Group 31.12.2013 LVL	Group 31.12.2012 LVL	Company 31.12.2013 LVL	Company 31.12.2012 LVL
Current loan	-	263,552	-	263,552
Non-current loan	1,760,563	1,497,011	1,760,563	1,497,011
Total	1,760,563	1,760,563	1,760,563	1,760,563

Amounts outstanding for the transactions of the Company with the related parties are as follows:

Assets	31.12.2013 LVL	31.12.2012 LVL
Due from "Grindeks Rus" Ltd. for goods delivered	8,252,195	12,337,950
Loan to JSC "Tallinn Pharmaceutical Plant"	595,996	595,988
Loan to "Namu apsaimniekosanas projekti" Ltd.	1,586,601	1,061,342
Provisions for loan to "Namu apsaimniekosanas projekti" Ltd.	(1,586,601)	(1,056,343)
Advance payment for purchase of shares to "Dashdirect" Ltd.	8,201,723	3,605,385
Loan to HBM Pharma	2,010,019	-
Due from HBM Pharma for goods delivered and services provided	2,323,490	1,781,318
Loan to "Liplats 2000" Ltd.	-	1,468,860
Advanced payment for goods JSC "Tallinn Pharmaceutical Plant"	348,251	396,632
Due from "Grindeks Rus" Ltd. for the rent of the office premises	118,127	111,656
Total assets	21,849,801	20,302,788

Advance payment for purchase of the shares is disclosed in the statement of the financial position as advance payments for financial investments.

Issued loans are reflected in the statement of the financial position as other loans.

During 2013, "Liplats 2000" Ltd. was reorganized and merged with HBM Pharma.

* While preparing financial statements for the year 2013, Group's and Company's comparatives for the year 2012 were reclassified in order to meet classification of the financial statements for the year 2013.

COMPANY'S AND GROUP NOTES TO FINANCIAL STATEMENTS FOR THE YEAR 2013

Based on the fact that in 2013 all conditions in respect of HBM Pharma s.r.o. shares acquisition are complete and advance paid by the Company for the acquisition represents more than 50% from the acquisition price, AS „Grindeks” has rights to require finalisation of the agreement. Based on these facts AS "Grindeks" and HBM Pharma s.r.o. are treated as related parties according to IAS 24.

	31.12.2013	31.12.2012
Liabilities	LVL	LVL
Trade accounts payable JSC "Kalceks"	467,495	272,277
Total liabilities	467,495	272,277

Related parties receivables are not secured.

Dues to the related companies are included in the statement of financial position as trade accounts payable.

The Company's transactions with related companies are as follows:

	2013	2012
	LVL	LVL
Sales to "Grindeks Rus" Ltd.	10,088,461	8,295,665
Goods sold to HBM Pharma	4,399,753	2,161,529
Lease of equipment to HBM Pharma (see Note 3)	5,341	-
Interest income "Namu apsaimniekosanas projekti" Ltd.	84,571	44,246
Provisions for interest income "Namu apsaimniekosanas projekti" Ltd.	(84,571)	-
Interest income JSC "Tallinn Pharmaceutical Plant"	32,629	32,627
Rent of office "Grindeks Rus" Ltd.	19,553	-
Total	14,545,737	10,534,067

	2013	2012
	LVL	LVL
Goods and services received from HBM Pharma	7,073,320	4,946,614
Purchase of goods JSC "Tallinn Pharmaceutical Plant"	4,231,903	3,784,808
Bonuses allocated to Ltd "Grindeks Rus"	4,141,629	4,024,079
Purchase of goods JSC "Kalceks"	667,282	375,615
Rent of warehouse JSC "Kalceks"	180,852	180,852
Deprecation of leased fixed assets	5,030	11,955
Total	16,300,016	13,323,923

22. FINANCIAL RISK MANAGEMENT

Foreign Currency Risk

The Group deals with foreign customers and suppliers and it has borrowings denominated in foreign currencies.

Since 1 January, 2005 the Bank of Latvia has stated a fixed currency exchange rate for Lat against Euro, i.e. 0.702804. Therefore, the Group's profit or loss due to fluctuations of the Euro exchange rate is not material. In order to minimize exposure to foreign currency exchange risk, the Group is arranging transactions in EUR.

Therefore, the Group bears foreign currency exchange risk mainly to RUB exchange rate (sales and other transactions with subsidiary registered in Russia).

The Group's financial assets and financial liabilities denominated in foreign currencies as of 31 December 2013 are as follows:

COMPANY'S AND GROUP NOTES TO FINANCIAL STATEMENTS FOR THE YEAR 2013

	31.12.2013 USD	31.12.2013 RUB
Financial assets in original currency	10,573,394	16,065,590
Financial liabilities in original currency	76,027	1,551,833
Net position in original currency	10,497,367	14,513,757
Net position in lats	5,406,144	226,415
	31.12.2012 USD	31.12.2012 RUB
Financial assets in original currency	15,301,522	1,343,585,805
Financial liabilities in original currency	-	62,556,782
Net position in original currency	15,301,522	1,281,029,023
Net position in lats	8,125,108	22,289,905

The Company does not use derivative financial instruments to hedge foreign exchange risk.

Credit risk

Maximum credit risk as of 31 December 2013 and 2012 is as follows:

	Group 2013 LVL	Group 2012 LVL	Company 2013 LVL	Company 2012 LVL
Trade receivables	31,056,416	31,277,045	22,157,892	23,729,111
Due from related parties	2,323,490	1,781,318	11,638,059	15,228,543
Loans provided to management and shareholders	1,792,859	1,760,563	1,792,859	1,760,563
Other loans	3,611,458	1,468,860	2,010,019	1,468,860
Other investments	22,200	22,220	22,200	22,220
Other debtors	3,093,085	8,078,168	1,160,637	890,241
Cash in bank	2,507,087	1,522,452	2,189,105	1,179,415
Total	44,406,595	45,910,626	40,970,771	44,278,953

The Group has exposure to credit risk as it sells goods and provides services on credit. The Group controls its credit risk by careful evaluation and regular monitoring of its business partners. There is specific credit limit established for each customer.

In determining the recoverability of a trade receivable, the Group considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the reporting date.

Assets past due, not impaired

As of balance sheet date the Group and the Company has assets amounting to LVL 6,546 thousands and LVL 7,951 thousands respectively (2012: LVL 9,823 thousands and LVL 11,344 thousands) that are past due but not impaired. These assets are going to be recovered after several legal and business processes are finalized with third parties. Also it is planned to recover legal expenses in the amount of LVL 2,4 thousands, that are recognized under deferred expenses line as at December 31, 2013. Group management considers ceeding activities and is confident of a successful finalisation of these processes and the recovery of assets in full, thus provisions for these assets were not made. Detailed information is not disclosed in the financial statements for confidentiality reasons.

Interest rate risk

The Group has long-term loans with variable interest rate from credit institutions and it is exposed to any changes in interest rate.

In relation to payables arising from loans, the Group is sensitive to changes in cash flows from interest rates as follows: in the event of a 1.0 percentage point increase, the profit will decrease by LVL 93,321; in the event of a 1.0 percentage point decrease in the interest rate, the profit will increase by LVL 93,321.

Liquidity risk

The Group analyses maturities of its assets and liabilities to ensure that sufficient resources are available to meet the Group’s liabilities. The Group maintains sufficient cash funds in the credit institutions. If necessary the Group uses credit facilities to meet short-term obligations. All financial assets and liabilities are current, except for advance payments for non-current investments, issued loans, loans from credit institutions and leasing liabilities.

Concentration risk

Sales volumes of the Company in relation to the one of subsidiaries, to which final dosage forms and active pharmaceutical ingredients were sold during 2013, contribute to 24% (2012: 24%) from total sales. The Company has no possession over the information that sales volumes would drastically decrease in the coming reporting periods.

23. CONTINGENT LIABILITIES

In 2014 “Grindeks” will assess the Group’s expansion opportunities by the acquisition of pharmaceutical production companies.

If JSC “Tallinn Pharmaceutical Plant” pays in dividends all accumulated profit as at 31 December 2013 in the amount of LVL 2,382,798 (2012: LVL 2,116,027), it would result in income tax liabilities in the amount of LVL 500,387 (2012: LVL 562,488).

The Company has received grants from the EU funds and other institutions. The standard condition of grants receipt is that the related asset acquired should not be disposed in 5 year period from the asset acquisition date. If the Company disposes the asset in the period that is less than 5 years, the Company may have an obligation to repay back part of received grant.

State revenue service has authority to carry out review of the Company’s tax calculations for the last 3 years and 5 years in respect of transfer pricing. The Company’s management believes that the results of the potential tax reviews would not significantly affect the Company’s financial results, operations and financial condition.

24. CONTINGENT ASSETS

In 2013 Cabinet of Ministers decided to support the project “JSC “Grindeks” production modernization and expansion” and to assign it status of supported investment project as well as corporate income tax discount to be determined in the amount of 25% of the total initial amount of the long term investment.

25. EVENTS AFTER THE REPORTING DATE

On 1 January 2014, Latvia joined the Eurozone and the Latvian Lat was replaced by the Euro. Since that date, the Company has converted its accounting to the Euro. The conversion to the Euro was done using the official exchange rate set by the Bank of Latvia – 1 Euro/0.702804 Latvian Lat. The Company’s financial statements for subsequent financial periods will be presented in the Euro.

The Company informs that in 2014 notification was received from East Capital AB regarding substantial disposal of interest in the amount of 1,081,593 shares or 11.28% from JSC “Grindeks” share capital. As well as on February 5, 2014 notification from ABLV Private Equity Fund 2010 was received, regarding substantial acquisition of the interest up to 22.66% from JSC “Grindeks” share capital.

As of the last day of the reporting year until the date of signing these financial statements there have been no other events requiring adjustment of or disclosure in the financial statements or notes thereto.

INDEPENDENT AUDITORS' REPORT

Translation from Latvian

To the Shareholders of "Grindeks" AS:

Report on the Financial Statements

We have audited the accompanying financial statements of "Grindeks" AS (further "the Company") and the consolidated financial statements of "Grindeks" AS and its subsidiaries (further "the Group") set out on pages 10 to 37, which comprise the Company's and the Group's statement of financial position as of 31 December 2013, and the statements of comprehensive income, statements of changes in equity and statements of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards as adopted by the European Union, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above give a true and fair view of the financial position of the Company and the Group as of 31 December 2013, and of their financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

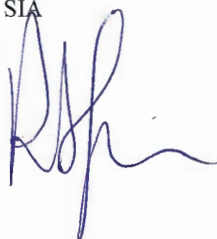
Report on Other Legal and Regulatory Requirements

We have read the management report for 2013 set out on pages 6 to 8 of the accompanying annual report for the year ended 31 December 2013 and have not identified any material inconsistencies between the financial information contained in the management report and the financial statements for 2013.

Deloitte Audits Latvia SIA
Licence No. 43

Roberts Stūģis
Member of the Board

Rīga, Latvia
29 April 2014



Jeļena Mihejenkova
Certified auditor of Latvia
Certificate No. 166

