

Joint Stock Company “Grindeks”

*Non -audited consolidated financial statements,
prepared in accordance with International
Financial Reporting Standards
as adopted by the European Union
for the periods ended 30 June 2013 and
ended 30 June 2012*

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ANCILLARY INFORMATION

| | |
|--|--|
| Name | “GRINDEKS” |
| Legal status | Joint Stock Company since 25 August 1997 |
| Number, place and date of registration | 40003034935, Riga, Republic of Latvia, 11 October 1991 |
| Business activities | Production of pharmaceutical products, medical products and phytochemical medicine |
| Legal address | 53 Krustpils Street Riga, LV – 1057, Latvia |
| Subsidiaries | JSC “Tallinn Pharmaceutical Plant” Tondi 33 11316, Tallinn, Estonia JSC “Kalceks” 53 Krustpils Street Riga, LV - 1057, Latvia “Namu apsaimniekosanas projekti” Ltd. 53 Krustpils Street Riga, LV - 1057, Latvia “Grindeks Rus” Ltd. 74/3 Warsaw Road 117556, Moscow, Russia |
| Reporting period | 1 January 2013 – 30 June 2013 |
| Previous reporting period | 1 January 2012 – 30 June 2012 |

THE BOARD AND THE SUPERVISORY COUNCIL

Board of the Company

(in compliance with 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 27 May 2013*

• Juris Bundulis – Chairman of the Board

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

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

Born in 1976. Graduated from the Stockholm School of Economics in Riga where he studied Economics and Business. Has been working for the JSC “Grindeks” since 2007. Previously was employed at “Exigen Services” Ltd., holding the post of the Chief Finance Officer, as well as the position of the Deputy Chairman of the Board at JSC “DATI Exigen Group”. V.Rabsha also worked at JSC “Latvijas Balzams” as the Chief Finance Officer. Besides the position at “Grindeks” V.Rabsha is the Member of the Council of „HBM Pharma” Ltd. and JSC “Tallinn pharmaceutical plant”, also the Member of the Board of JSC “Grindeks” Foundation “For the Support of Science and Education”.

Supervisory Council of the Company

(in compliance with the election/dismissal dates)

Since 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:

The candidates of the Supervisory Council of JSC “Grindeks” have been nominated at the Annual General Meeting of Shareholders on the 4 June 2013.

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 27 May 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 Executive Committee of the Latvian Olympic Committee, the Chairman of the Board of “Liplats 2000” Ltd., Member of Council of JSC “Liepājas Metalurģs” and the Chairman of the Council of JSC “Kalceks” and JSC “Tallinn Pharmaceutical Plant”, as well as the Chairman of the Board of the JSC “Grindeks” Foundation “For the Support of Science and Education”. Graduated from the Leningrad Institute of Railway and Transport Engineering, also the Faculty of Economics of the University of Latvia, obtaining degree as an Engineer-Economist. K. Lipmans is also the major shareholder of “Grindeks”.

- Anna Lipmane – Deputy Chairman of the Council

Born in 1948. Anna Lipmane has been a member of the Council of “Grindeks” since 2008. A. Lipmane is certified doctor-neurologist and the Member of the Latvian Medical Association, the Latvian Association of Internists, the Latvian Society of Cardiology and the Latvian Association of Neurologists. A. Lipmane is one of the major shareholders of “Grindeks”.

- Uldis Osis – Member of the Council

Born in 1948. Uldis Osis has worked for the Council of “Grindeks” since 2002. Besides the position at “Grindeks”, U. Osis is also the President of “Konsorts” Ltd.. U. Osis is the Corresponding Member of the Latvian Academy of Sciences and a 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.). He has studied also in foreign educational institutions, including the Georgetown University (in 1992, Washington D.C., USA).

- Jānis Naglis – Member of the Council

Born in 1958. Jānis Naglis has been a member of the Council of “Grindeks” since 2002. Simultaneously to the job responsibilities in JSC “Grindeks” J. Naglis is also the Director of „Jānis Naglis” Ltd., the Chairman of the Board of „Purvciema mājas” Ltd., „Imantas mājas” Ltd., „Kembī” Ltd., a member of 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, a member of Board of the Latvian Sports for All Association and a 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 numerously Russian and international organizations. Dr.med. A. Vertkin is an Honoured 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 recognised scientific magazines.

MAJOR SHAREHOLDERS

The shareholders as of 30 April 2013, 31 December 2012 and 31 December 2011 were as follows (Latvian central Depository data):

| | Percentage holding %) 30.04.2013 | Percentage holding %) 31.12.2012 | Percentage holding %) 31.12.2011 |
|--|--|--|--|
| Kirovs Lipmans | 33.29 | 33.29 | 33.29 |
| Anna Lipmane | 16.69 | 16.69 | 16.69 |
| „AB.LV Private equity fund 2010” | 11.38 | 11.38 | 11.38 |
| Skandinaviska Enskilda banken (nominal holder) | 10.02 | 10.22 | 10.94 |
| Swedbank AS Clients Account (nominal holder) | 8.84 | 8.71 | 8.28 |
| Other shareholders | 19.78 | 19.71 | 19.42 |
| Total | 100.00 | 100.00 | 100.00 |

MANAGEMENT REPORT

Mode of activity

In the reporting period the Group of “Grindeks” consisted of JSC “Grindeks” and four subsidiary companies: 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 activities of the Group are research, development, manufacturing and sales of brand products, generics and active pharmaceutical ingredients.

Group’s activity during the reporting period

The Group’s turnover in the first half year of 2013 was 38.4 million lats, which is by 4.2 million lats or 12.3% more than in the first half year of 2012. Whereas, the net profit of the Group, related to the shareholders of the holding company, in the first half year of 2013 was 4.1 million lats that comparing to the first half year of 2012 has increased by 0.4 million lats or 10.8%. The gross profit margin in the first half year of 2013 was 64.3%, whereas, the net profit margin was 10.7%. In the first half year of 2013 the products manufactured by the Group were exported to 50 countries all over the world for the total amount of 36.4 million lats that comparing to the first half year of 2012 has increased by 4.2 million lats or 13%.

The most important market trends

Russia and other CIS countries are continuously implementing various protectionist initiatives in favour of the local pharmaceutical industry producers. State authorities pay particular attention to controlling government procurement prices.

Since 1 July 2013 Russia introduced a demand for prescribing drugs by their international non-proprietary name, increasing the pharmacy responsibility for offering concrete medicine to patients. It is expected that from now on the pharmaceutical companies will divert their marketing activities to this direction.

Active pharmaceutical ingredients business has undergone changes after the EU directive 2001/83/EC “on the Community code relating to medicinal products for human use”, which entered into force on July 2013. The regulation aims to limit competition from manufacturers of non-regulated markets, particularly China and India. At the same time, the competition between the EU’s active pharmaceutical ingredient manufacturers increases. The restrictions of the directive have caused a growing interest in certain “Grindeks” produced active pharmaceutical ingredients.

Sales of final dosage forms and active pharmaceutical ingredients

The sales volume of the final dosage forms of “Grindeks” in the first half year of 2013 was 33.2 million lats and has increased comparing to the same period of the previous year by 1.5 million lats or 4.7%. The main markets of the final dosage forms are Russia, other CIS countries, Georgia and the Baltic States. The sales amount in Russia, other CIS countries and Georgia in the first half year of 2013 was 28.5 million lats, which is by 1.2 million lats or 4.4% more than in the first half year of 2012. Whereas, the sales amount of final dosage forms in the Baltic States and other European countries reached 4.7 million lats, which is by 0.3 million lats or 6.8% more than in the first half year of 2012.

In order to expand its presence in the Central Asia region “Grindeks” has opened new representative offices in the Kyrgyz Republic and the Republic of Tajikistan.

The sales of active pharmaceutical ingredients in the first half year of 2013 reached 5.1 million lats, which is by 2.7 million lats or 112% (2.1 times) more than in the first half year of 2012. The main export markets of the “Grindeks” active pharmaceutical ingredients are the Netherlands, Germany, Canada, Ireland and Japan. The most demanded active pharmaceutical ingredients of “Grindeks” are: zopiclone, oxytocin and ftoxafur (tegapur).

Investments program

In 2013, “Grindeks” successfully continues to implement its investment program and plans to invest 3.5 million lats during the year. The major investment project is the reconstruction of Microbiology Laboratory. During the project one of the most modern laboratories of the kind in the Baltic States will be created. This will allow provide analysis for both “Grindeks” and other companies’ needs.

Quality and environmental protection

In the first half year of 2013, “Grindeks” successfully passed a number of important European clients’ audits. “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 active pharmaceutical ingredients business for at least the next 3 year.

Development of “Grindeks” share price during the first half year of 2013 (data of “NASDAQ OMX Riga”)

Since 2 January 2006 “Grindeks” shares have been listed on the Official List of “NASDAQ OMX Riga”. Fluctuation of “Grindeks” share price on “NASDAQ OMX Riga” during the first half year of 2013 was within the limits from 4.6 lats to 6.5 lats. In the first half year of 2013, the average price of “Grindeks” shares was 5.2 lats. The total quantity of “Grindeks” shares, traded in “NASDAQ OMX Riga”, during the first half year of 2013 was 390 381 shares, reaching the turnover of 2.1 million lats. At the end of the first half year of 2013 the market capitalization of “Grindeks” shares was 60.3 million lats.



The Group’s earnings per share (EPS ratio) amounted to 0.43 lats the first half year of 2013 as compared with 0.39 lats in the first half year of 2012.

Future expectations

In 2013, “Grindeks” is planning to reach nearly 100 million lats turnover and profit of around 12 million lats.

To achieve the business goals “Grindeks” is focusing on development of representative offices and their operation. The company is improving marketing and sales effectiveness, reducing expenses and increasing their return.

On behalf of the Group’s Management:

Juris Bundulis
Chairman of the Board

30 August 2013

STATEMENT OF BOARD'S RESPONSIBILITIES

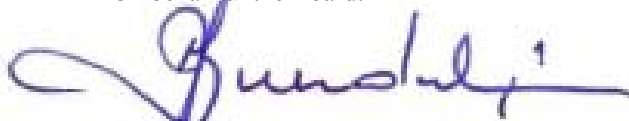
The Board of JSC "Grindex" (hereinafter - the Company) is bearing the responsibility for preparation of the consolidated interim financial statements of the Company and its subsidiaries (hereinafter - the Group). The interim financial statements of the Group are not audited.

The consolidated interim financial statements, enclosed from the page 10 to the page 18, are prepared in accordance with the accounting records and source documents, and presenting fairly the financial position of the Group as of 30 June 2013 and the results of its operations and cash flows for the period of six months ended 30 June 2013.

Above mentioned consolidated interim financial statements are prepared in accordance with the International Financial Reporting Standards, reposing on the principle of business activities continuation. Appropriate accounting policies have been applied on a consistent basis. The management in preparation of the consolidated interim financial statements has made prudent and reasonable judgments and estimates.

The Board of the Company is responsible for providing accounting records, preservation of the Group's assets and the prevention and disclosure of fraud and other irregularities of the Group. The Board is responsible for the compliance with the existing legislation in the countries in which the Group's companies are operating (Latvia, Russia and Estonia).

On behalf of the Board:



Juris Bundulis
Chairman of the Board

30 August 2013

STATEMENT OF FINANCIAL POSITION

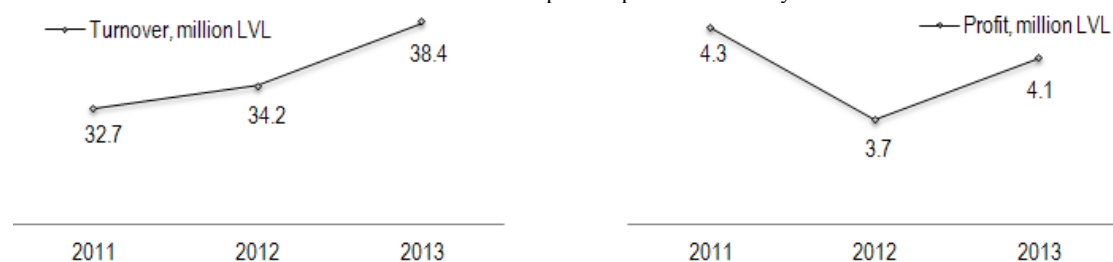
| | 30.06.2013. LVL | 30.06.2012. LVL | 30.06.2013. EUR | 30.06.2012. EUR |
|--|--------------------|--------------------|--------------------|--------------------|
| ASSETS | | | | |
| Non-current assets | | | | |
| Intangible assets | | | | |
| Software, patents, licenses, trademarks and other rights | 394,452 | 784,881 | 561,255 | 1,116,785 |
| Advance payments for intangible assets | 253,671 | 135,764 | 360,941 | 193,175 |
| Total intangible assets | 648,123 | 920,645 | 922,196 | 1,309,960 |
| Tangible fixed assets | | | | |
| Land, buildings and constructions | 17,379,531 | 16,708,212 | 24,728,845 | 23,773,644 |
| Equipment and machinery | 12,906,109 | 11,946,184 | 18,363,739 | 16,997,888 |
| Other fixed assets | 754,736 | 796,266 | 1,073,893 | 1,132,984 |
| Advance payments for fixed assets | 1,103,113 | 290,174 | 1,569,588 | 412,881 |
| Construction in progress | 1,494,589 | 6,877,006 | 2,126,609 | 9,785,098 |
| Total tangible fixed assets | 33,638,078 | 36,617,842 | 47,862,673 | 52,102,495 |
| Investment property | 6,224,000 | 4,882,200 | 8,855,954 | 6,946,745 |
| Non-current financial investments | | | | |
| Other investments | 22,220 | 22,220 | 31,616 | 31,616 |
| Advance payments for financial investments | 3,605,385 | 1,654,150 | 5,130,001 | 2,353,643 |
| Other loan | 1,932,710 | - | 2,749,999 | - |
| Loans provided to management and shareholders | 263,552 | 579,813 | 375,001 | 825,000 |
| Total long term financial investments | 5,823,867 | 2,256,183 | 8,286,616 | 3,210,259 |
| Total non-current financial assets | 46,334,068 | 44,676,870 | 65,927,439 | 63,569,459 |
| Current assets | | | | |
| Inventories | | | | |
| Raw materials | 3,294,923 | 2,904,629 | 4,688,253 | 4,132,915 |
| Unfinished goods | 2,777,019 | 2,427,719 | 3,951,342 | 3,454,333 |
| Finished goods and goods for resale | 5,949,269 | 6,348,896 | 8,465,047 | 9,033,665 |
| Total inventory | 12,021,211 | 11,681,244 | 17,104,642 | 16,620,913 |
| Debtors | | | | |
| Trade receivables | 31,555,703 | 24,726,575 | 44,899,720 | 35,182,747 |
| Other debtors | 9,264,764 | 7,218,340 | 13,182,572 | 10,270,772 |
| Loans provided to management and shareholders | 1,497,011 | 1,139,316 | 2,130,055 | 1,621,101 |
| Deferred expenses | 117,950 | 159,838 | 167,828 | 227,429 |
| Total debtors | 42,435,428 | 33,244,069 | 60,380,174 | 47,302,049 |
| Cash and cash equivalents | 963,619 | 3,028,389 | 1,371,106 | 4,309,009 |
| Total current assets | 55,420,258 | 47,953,702 | 78,855,923 | 68,231,971 |
| TOTAL ASSETS | 101,754,326 | 92,630,572 | 144,783,362 | 131,801,430 |

| | 30.06.2013. LVL | 30.06.2012. LVL | 30.06.2013. EUR | 30.06.2012. EUR |
|--|--------------------|--------------------|--------------------|--------------------|
| LIABILITIES | | | | |
| EQUITY | | | | |
| Share capital | 9,585,000 | 9,585,000 | 13,638,226 | 13,638,226 |
| Share premium | 15,687,750 | 15,687,750 | 22,321,657 | 22,321,657 |
| Other reserves | 464,905 | 464,905 | 661,500 | 661,500 |
| Retained profit | | | | |
| a) retained profit | 49,033,463 | 39,398,904 | 69,768,332 | 56,059,590 |
| b) foreign currency revaluation reserve | 50,494 | 47,063 | 71,846 | 66,965 |
| b) current year profit | 4,134,470 | 3,730,594 | 5,882,821 | 5,308,157 |
| Equity attributable to equity holders of the parent | 78,956,082 | 68,914,216 | 112,344,383 | 98,056,095 |
| No controlling interest | 58,774 | 56,781 | 83,628 | 80,792 |
| Total equity | 79,014,856 | 68,970,997 | 112,428,011 | 98,136,887 |
| LIABILITIES | | | | |
| Non-current liabilities | | | | |
| Loans from credit institutions | 2,422,462 | 4,059,003 | 3,446,853 | 5,775,441 |
| Finance lease liabilities | - | 460,871 | - | 655,760 |
| Deferred income | 3,371,599 | 3,279,036 | 4,797,353 | 4,665,648 |
| Deferred tax liabilities | 2,711,721 | 2,164,155 | 3,858,431 | 3,079,315 |
| Total non-current liabilities | 8,505,782 | 9,963,065 | 12,102,637 | 14,176,164 |
| Current liabilities | | | | |
| Loans from credit institutions | 7,836,535 | 7,631,695 | 11,150,385 | 10,858,924 |
| Finance lease liabilities | - | 201,700 | - | 286,993 |
| Advances from customers | 310,068 | 285,945 | 441,187 | 406,863 |
| Trade accounts payable | 3,127,561 | 4,032,171 | 4,450,118 | 5,737,262 |
| Taxes and social security liabilities | 1,815,513 | 554,100 | 2,583,242 | 788,413 |
| Other payables | 708,850 | 362,815 | 1,008,603 | 516,240 |
| Deferred income | 208,401 | 538,392 | 296,528 | 766,064 |
| Accrued liabilities | 226,760 | 89,692 | 322,650 | 127,620 |
| Total current liabilities | 14,233,688 | 13,696,510 | 20,252,713 | 19,488,379 |
| Total liabilities | 22,739,470 | 23,659,575 | 32,355,351 | 33,664,543 |
| TOTAL EQUITY AND LIABILITIES | 101,754,326 | 92,630,572 | 144,783,362 | 131,801,430 |

STATEMENT OF COMPREHENSIVE INCOME

| | 2013 January- June LVL | 2012 January- June LVL | 2013 January- June EUR | 2012 January- June EUR |
|---|---------------------------------|---------------------------------|---------------------------------|---------------------------------|
| Net sales | 38,355,439 | 34,161,949 | 54,574,873 | 48,608,074 |
| Cost of goods sold | (13,635,256) | (14,764,050) | (19,401,221) | (21,007,351) |
| Gross profit | 24,720,183 | 19,397,899 | 35,173,652 | 27,600,723 |
| Selling expenses | (10,030,070) | (8,858,952) | (14,271,504) | (12,605,153) |
| Administrative expenses | (4,565,241) | (4,011,544) | (6,495,753) | (5,707,913) |
| Other operating income | 550,653 | 1,154,920 | 783,509 | 1,643,303 |
| Other operating expenses | (5,704,528) | (3,243,981) | (8,116,812) | (4,615,768) |
| Interest income and similar income | 50,999 | 65,201 | 72,564 | 92,773 |
| Interest expense and similar expense | (91,583) | (148,874) | (130,311) | (211,829) |
| Real estate tax | (31,514) | (35,687) | (44,840) | (50,778) |
| Profit before taxation | 4,898,899 | 4,318,982 | 6,970,505 | 6,145,358 |
| Corporate income tax | (765,433) | (589,048) | (1,089,113) | (838,140) |
| NET PROFIT FOR THE PERIOD | 4,133,466 | 3,729,934 | 5,881,392 | 5,307,218 |
| Other comprehensive income | (5,309) | 15,439 | (7,554) | 21,968 |
| Foreign currency revaluation | (5,309) | 15,439 | (7,554) | 21,968 |
| Other comprehensive income total | 4,128,157 | 3,745,373 | 5,873,838 | 5,329,186 |
| Attributable to: | | | | |
| Equity holders of the parent | 4,134,470 | 3,730,594 | 5,882,821 | 5,308,157 |
| Non-controlling interest | (1,004) | (660) | (1,429) | (939) |
| TOTAL | 4,133,466 | 3,729,934 | 5,881,392 | 5,307,218 |
| Comprehensive income attributable of: | | | | |
| Equity holders of the parent | 4,129,161 | 3,746,033 | 5,875,267 | 5,330,125 |
| Non-controlling interest | (1,004) | (660) | (1,429) | (939) |
| Total | 4,128,157 | 3,745,373 | 5,873,838 | 5,329,186 |
| Earnings per share attributable equity holders of the parent (LVL per share) | | | | |
| - Basic earnings per share | 0.43 | 0.39 | 0.61 | 0.55 |
| - Diluted earnings per share | 0.43 | 0.39 | 0.61 | 0.55 |

Information on the historical financial results for the respective period for last 3 years:



STATEMENT OF CHANGES IN EQUITY

| | Share capital | Share premium | Other reserves | Foreign currency translation reserve | Accumulated profit | Equity attributable to equity holders of the parent | No Controlling Interest | Total |
|------------------------------|------------------|-------------------|----------------|--------------------------------------|--------------------|---|-------------------------|-------------------|
| | LVL | LVL | LVL | LVL | LVL | LVL | LVL | LVL |
| As of 31.12.2012 | 9,585,000 | 15,687,750 | 464,905 | 55,803 | 49,033,463 | 74,826,921 | 59,778 | 74,886,699 |
| Profit for the period | - | - | - | - | 4,134,470 | 4,134,470 | (1,004) | 4,133,466 |
| Foreign currency revaluation | - | - | - | (5,309) | - | (5,309) | - | (5,309) |
| As of 30.06.2013 | 9,585,000 | 15,687,750 | 464,905 | 50,494 | 53,167,933 | 78,956,082 | 58,774 | 79,014,856 |

| | Share capital | Share premium | Other reserves | Foreign currency translation reserve | Accumulated profit | Equity attributable to equity holders of the parent | No Controlling Interest | Total |
|------------------------------|-------------------|-------------------|----------------|--------------------------------------|--------------------|---|-------------------------|--------------------|
| | EUR | EUR | EUR | EUR | EUR | EUR | EUR | EUR |
| As of 31.12.2012 | 13,638,226 | 22,321,657 | 661,500 | 79,401 | 69,768,332 | 106,469,117 | 85,056 | 106,554,173 |
| Profit for the period | - | - | - | - | 5,882,821 | 5,882,821 | (1,429) | 5,881,392 |
| Foreign currency revaluation | - | - | - | (7,554) | - | (7,554) | - | (7,554) |
| As of 30.06.2013 | 13,638,226 | 22,321,657 | 661,500 | 71,846 | 75,651,153 | 112,344,383 | 83,628 | 112,428,011 |

STATEMENT OF CASH FLOWS

| | 2013 January-June LVL | 2012 January-June LVL | 2013 January-June EUR | 2012 January-June EUR |
|--|-----------------------------|-----------------------------|-----------------------------|-----------------------------|
| OPERATING ACTIVITIES | | | | |
| Net profit before taxation | 4,898,899 | 4,318,982 | 6,970,505 | 6,145,358 |
| <i>Adjustments to reconcile net profit to net cash provided by operating activities:</i> | | | | |
| Depreciation and amortization | 1,650,594 | 1,560,319 | 2,348,584 | 2,220,134 |
| (Revenue from the EU funds) | (208,424) | (176,892) | (296,561) | (251,695) |
| Interest income | (50,999) | (65,201) | (72,565) | (92,773) |
| Interest expense | 91,583 | 148,874 | 130,311 | 211,829 |
| <i>Changes in operating assets and liabilities:</i> | | | | |
| Inventory | (5,704,235) | (42,704) | (8,116,395) | (60,762) |
| Debtors | 420,797 | 2,029,763 | 598,740 | 2,888,093 |
| Creditors | 1,018,669 | (2,346,460) | 1,449,435 | (3,338,713) |
| Gross cash provided by operating activities | 2,116,884 | 5,426,681 | 3,012,054 | 7,721,471 |
| Corporate income tax paid | (357,137) | (595,280) | (508,160) | (847,007) |
| Net cash provided by operating activities | 1,759,747 | 4,831,401 | 2,503,894 | 6,874,464 |
| INVESTING ACTIVITIES | | | | |
| Purchase of fixed assets and intangible assets | (935,718) | (2,103,704) | (1,331,407) | (2,993,302) |
| Other loans | (463,850) | 52,710 | (659,999) | 75,000 |
| Net cash used in investing activities | (1,399,568) | (2,050,994) | (1,991,406) | (2,918,302) |
| FINANCING ACTIVITIES | | | | |
| Received loans from credit institutions | 484,546 | 193,647 | 689,447 | 275,535 |
| Repaid loans to credit institutions | (1,351,125) | (870,303) | (1,922,478) | (1,238,330) |
| The EU funding | 34,133 | 149,909 | 48,567 | 213,302 |
| Interest paid | (91,583) | (148,874) | (130,311) | (211,829) |
| Net cash (used in) /provided by financing activities | (924,029) | (675,621) | (1,314,775) | (961,322) |
| Net increase in cash and cash equivalents | (563,850) | 2,104,786 | (802,287) | 2,994,840 |
| Cash and cash equivalents at the beginning of the year | 1,527,469 | 923,603 | 2,173,393 | 1,314,169 |
| CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD | 963,619 | 3,028,389 | 1,371,106 | 4,309,009 |

NOTES

OTHER DEBTORS

| | 30.06.2013. | 30.06.2012. | 30.06.2013. | 30.06.2012. |
|-----------------|--------------------|--------------------|--------------------|--------------------|
| | LVL | LVL | EUR | EUR |
| Tax receivables | 809,273 | 1,047,624 | 1,151,492 | 1,490,635 |
| Other | 8,455,491 | 6,170,716 | 12,031,080 | 8,780,138 |
| Total | 9,264,764 | 7,218,340 | 13,182,572 | 10,270,773 |

CASH AND CASH EQUIVALENTS

| | 30.06.2013. | 30.06.2012. | 30.06.2013. | 30.06.2012. |
|--------------|--------------------|--------------------|--------------------|--------------------|
| | LVL | LVL | EUR | EUR |
| Cash in bank | 958,830 | 3,023,871 | 1,364,292 | 4,302,580 |
| Cash on hand | 4,789 | 4,518 | 6,814 | 6,429 |
| Total | 963,619 | 3,028,389 | 1,371,106 | 4,309,009 |

LOANS FROM CREDIT INSTITUTIONS

| | 30.06.2013. LVL | 30.06.2012. LVL | 30.06.2013. EUR | 30.06.2012. EUR |
|---|--------------------|--------------------|--------------------|--------------------|
| Credit line from JSC "SEB Bank", Latvia | 3,513,773 | 3,498,247 | 4,999,649 | 4,977,557 |
| Credit line from Nordea Bank Finland Plc. | 3,504,491 | 3,315,177 | 4,986,441 | 4,717,072 |
| Nordea Bank Finland Plc. | 421,683 | 421,683 | 600,001 | 600,001 |
| Nordea Bank Finland Plc. | 234,268 | 234,268 | 333,333 | 333,333 |
| JSC "SEB Bank", Latvia | 162,320 | 162,320 | 230,961 | 230,961 |
| Current loans from credit institutions | 7,836,535 | 7,631,695 | 11,150,385 | 10,858,924 |
| Nordea Bank Finland Plc. | 1,475,888 | 2,319,253 | 2,100,000 | 3,300,000 |
| JSC "SEB Bank", Latvia | 595,172 | 919,812 | 846,853 | 1,308,774 |
| Nordea bank Finland Plc. | 351,402 | 819,938 | 500,000 | 1,166,667 |
| Non-current loans from credit institutions | 2,422,462 | 4,059,003 | 3,446,853 | 5,775,441 |
| Total | 10,258,997 | 11,690,698 | 14,597,238 | 16,634,365 |

TAX LIABILITIES

| | 30.06.2013. LVL | 30.06.2012. LVL | 30.06.2013. EUR | 30.06.2012. EUR |
|--------------------------|--------------------|--------------------|--------------------|--------------------|
| Corporate income tax | 1,319,800 | - | 1,877,906 | - |
| Social security payments | 278,735 | 314,002 | 396,604 | 446,785 |
| Personal income tax | 197,040 | 222,411 | 280,363 | 316,462 |
| Value added tax | 4,440 | 11,549 | 6,318 | 16,433 |
| Other | 15,498 | 6,138 | 22,051 | 8,733 |
| Total | 1,815,513 | 554,100 | 2,583,242 | 788,413 |

NET SALES

| | 2013 January- June LVL | 2012 January- June LVL | 2013 January- June EUR | 2012 January- June EUR |
|------------------------|---------------------------------|---------------------------------|---------------------------------|---------------------------------|
| Russia | 20,325,138 | 18,504,465 | 28,920,066 | 26,329,482 |
| Other CIS countries | 11,940,742 | 12,292,469 | 16,990,145 | 17,490,608 |
| Other countries | 5,430,828 | 2,701,262 | 7,727,372 | 3,843,550 |
| Latvia | 1,985,578 | 1,964,981 | 2,825,223 | 2,795,916 |
| Lithuania | 1,242,569 | 1,348,078 | 1,768,016 | 1,918,142 |
| Estonia | 830,881 | 750,920 | 1,182,237 | 1,068,463 |
| Other income | 92,128 | 50,530 | 131,086 | 71,896 |
| Gross sales | 41,847,864 | 37,612,705 | 59,544,146 | 53,518,057 |
| Less discounts | | | | |
| Russia | (2,024,618) | (2,096,846) | (2,880,772) | (2,983,543) |
| Other CIS countries | (1,318,198) | (1,177,601) | (1,875,627) | (1,675,575) |
| Other countries | (121,489) | (90,413) | (172,863) | (128,646) |
| Latvia | (11,965) | (63,040) | (17,025) | (89,698) |
| Lithuania | (15,899) | (17,301) | (22,622) | (24,617) |
| Estonia | (256) | (5,555) | (364) | (7,904) |
| Discounts total | (3,492,425) | (3,450,756) | (4,969,273) | (4,909,983) |
| Total, net | 38,355,439 | 34,161,949 | 54,574,873 | 48,608,074 |

COST OF GOODS SOLD

| | 2013 January- June LVL | 2012 January- June LVL | 2013 January- June EUR | 2012 January- June EUR |
|--|---------------------------------|---------------------------------|---------------------------------|---------------------------------|
| Raw materials and packing | 6,386,270 | 4,357,914 | 9,086,844 | 6,200,753 |
| Direct labour and social security payments | 3,396,443 | 3,336,175 | 4,832,703 | 4,746,949 |
| Goods purchased for resale and contract manufacturing | 2,558,097 | 5,243,806 | 3,639,844 | 7,461,264 |
| Depreciation of fixed assets and amortization of intangible assets | 1,317,569 | 1,237,048 | 1,874,732 | 1,760,161 |
| Electricity resource expenses | 761,039 | 723,040 | 1,082,861 | 1,028,793 |
| Research costs | 656,316 | 545,310 | 933,854 | 775,906 |
| Machinery, buildings and equipment repairs | 355,665 | 286,717 | 506,066 | 407,962 |
| Household expenses | 102,874 | 99,744 | 146,377 | 141,923 |
| Transport | 63,230 | 67,469 | 89,968 | 96,000 |
| Rent of work clothing | 39,348 | 37,223 | 55,987 | 52,964 |
| Waste disposal | 47,936 | 32,641 | 68,207 | 46,444 |
| Other | 576,214 | 499,424 | 819,877 | 710,616 |
| Internal turnover of self-manufactured raw materials | (2,625,745) | (1,702,461) | (3,736,099) | (2,422,384) |
| Total | 13,635,256 | 14,764,050 | 19,401,221 | 21,007,351 |

SELLING AND DISTRIBUTION COSTS

| | 2013 January- June LVL | 2012 January- June LVL | 2013 January- June EUR | 2012 January- June EUR |
|--|---------------------------------|---------------------------------|---------------------------------|---------------------------------|
| Advertising | 5,959,086 | 4,951,030 | 8,479,015 | 7,044,681 |
| Expenses of representative offices | 1,438,293 | 1,255,926 | 2,046,507 | 1,787,022 |
| Salaries and social security payments | 872,885 | 797,902 | 1,242,003 | 1,135,312 |
| Distribution expenses for goods | 322,761 | 297,915 | 459,248 | 423,895 |
| Depreciation of fixed assets and amortisation of intangible assets | 186,064 | 194,958 | 264,745 | 277,400 |
| Commissions | 169,185 | 175,302 | 240,729 | 249,432 |
| Registration costs for medicine | 121,703 | 120,183 | 173,168 | 171,005 |
| Patents | 106,905 | 209,726 | 152,112 | 298,413 |
| Freight insurance | 6,339 | 7,576 | 9,020 | 10,780 |
| Other | 846,849 | 848,434 | 1,204,957 | 1,207,213 |
| Total | 10,030,070 | 8,858,952 | 14,271,504 | 12,605,153 |

ADMINISTRATIVE EXPENSES

| | 2013 January- June LVL | 2012 January- June LVL | 2013 January- June EUR | 2012 January- June EUR |
|--|---------------------------------|---------------------------------|---------------------------------|---------------------------------|
| Salaries and social security payments | 2,352,235 | 1,815,693 | 3,346,929 | 2,583,498 |
| Professional services | 507,408 | 159,927 | 721,977 | 227,556 |
| Depreciation of fixed assets and amortisation of intangible assets | 146,299 | 105,200 | 208,165 | 149,686 |
| Security costs | 108,034 | 109,219 | 153,719 | 155,405 |
| Employee insurance | 87,065 | 78,967 | 123,882 | 112,360 |
| Electricity costs | 83,295 | 41,985 | 118,518 | 59,739 |
| Computers maintenance | 71,604 | 83,210 | 101,883 | 118,397 |
| Transport | 70,095 | 73,725 | 99,736 | 104,901 |
| Personnel training and hiring expenses | 52,823 | 33,458 | 75,160 | 47,606 |
| Business trip expensis | 32,899 | 30,418 | 46,811 | 43,281 |
| Bank charges | 28,967 | 48,889 | 41,216 | 69,563 |
| Property and liability insurance | 23,337 | 25,261 | 33,206 | 35,943 |
| Communication expense | 14,058 | 16,176 | 20,003 | 23,016 |
| Other | 987,122 | 1,389,416 | 1,404,548 | 1,976,962 |
| Total | 4,565,241 | 4,011,544 | 6,495,753 | 5,707,913 |

Currency exchange for the EUR – 0.702804

JSC “Grindex” hereby informs that there were no changes made in its accounting policy in January-June 2013. In non-audited financial accounts for the period January-June 2013 the Group has employed the same Accounting and Consolidation Principles as in the audited consolidated financial accounts for the year 2012, released on 29 April 2013.

Chairman of the Board



Juris Bundulis

30 August 2013