

**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 31 December 2013 and  
ended 31 December 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 – 31 December 2013
Previous reporting period	1 January 2012 – 31 December 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 31 December 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 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 Executive Committee of the Latvian Olympic Committee, the Chairman of the Board of “Liplats 2000” Ltd., 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 „Purvciena mājas” Ltd., „Imantas mājas” Ltd., „Kembi” 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 numerous 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 31 December 2013 and 31 December 2012 were as follows (Latvian central Depository data):

	<b>Percentage holding %)</b> <b>31.12.2013</b>	<b>Percentage holding %)</b> <b>31.12.2012</b>
Kirovs Lipmans	33.29	33.29
Anna Lipmane	16.69	16.69
„AB.LV Private equity fund 2010”	11.38	11.38
Skandinaviska Enskilda banken (nominal holder)	11.28	10.22
Swedbank AS Clients Account (nominal holder)	10.80	8.71
Other shareholders	16.56	19.71
<b>Total</b>	<b>100.00</b>	<b>100.00</b>

## MANAGEMENT REPORT

### Business mode

In the accounting 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 13.8 million euros in 2013, which, in comparison to 2012, has increased by 0.1 million euros or 1%. In 2013, gross profit margin of the Group was 60%, whereas, net profit margin comprised to 11.6%. 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, ROE was 12.2%; ROA was 11.4%; ROS was 14%; liquidity was 4.1.

According to preliminary estimations for 2013, several projects, unfortunately, have not been realised 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.

### 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.

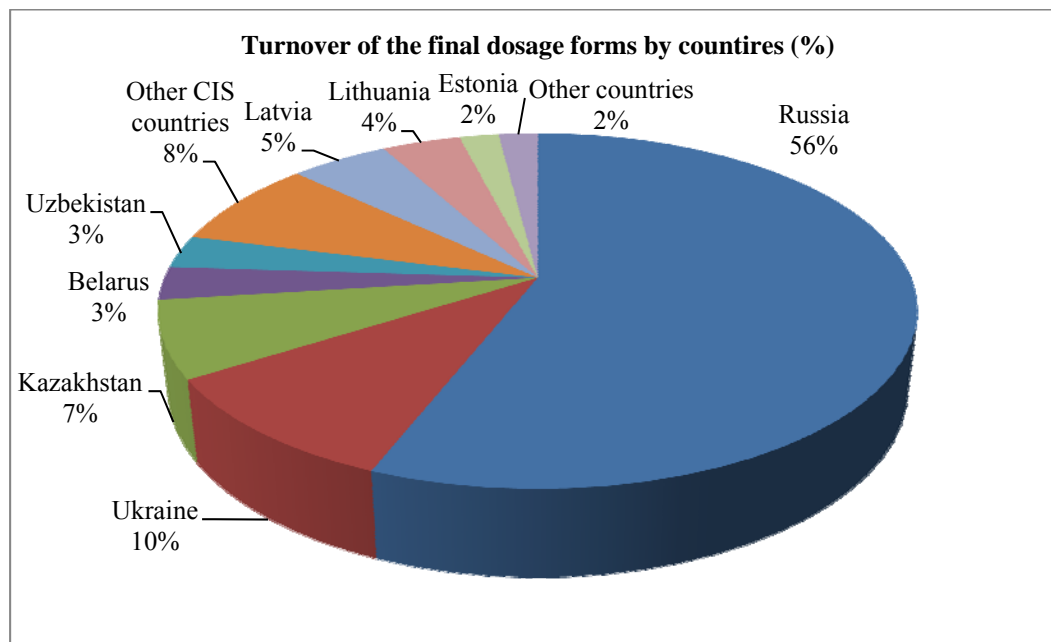
In 2013, the co-operation with 16 companies was launched and first deliveries of APIs were carried out.

### 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 lats 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 will be invested in the project out of which 1.9 million euros will be invested in the construction, but more than 384 thousand euros – in the modern quality control equipment. The project is being 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 year.

In September 2013 the management system of „Grindeks” has received the Russian ГОСТ (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 1.44 euros in 2013 as compared with 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 organisational 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.

On behalf of the Group’s Management:

Juris Bundulis  
Chairman of the Board

28 February 2014

## STATEMENT OF BOARD'S RESPONSIBILITIES

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

The consolidated interim financial statements, enclosed from the page 11 to the page 19, are prepared in accordance with the accounting records and source documents, and presenting fairly the financial position of the Group as of 31 December 2013 and the results of its operations and cash flows for the period ended 31 December 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

28 February 2014

## STATEMENT OF FINANCIAL POSITION

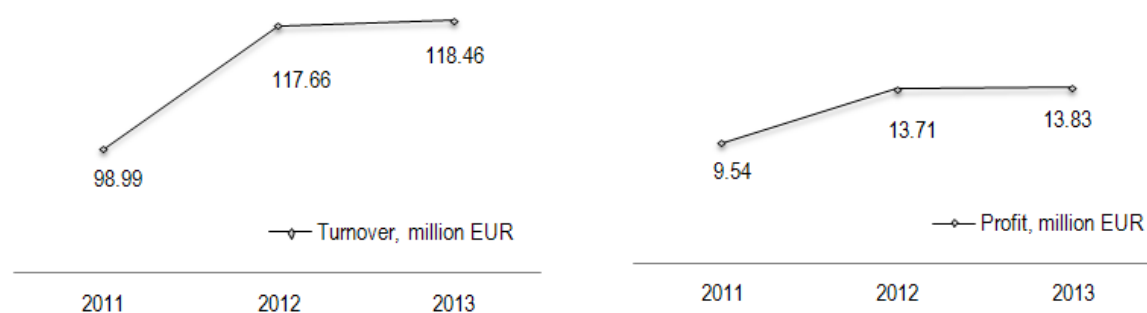
	31.12.2013 LVL	31.12.2012 LVL	31.12.2013 EUR	31.12.2012 EUR
<b>ASSETS</b>				
<b>Non-current assets</b>				
<b>Intangible assets</b>				
Software, patents, licenses, trademarks and other rights	323,135	649,734	459,780	924,488
Advance payments for intangible assets	247,092	148,311	351,580	211,028
<b>Total intangible assets</b>	<b>570,227</b>	<b>798,045</b>	<b>811,360</b>	<b>1,135,516</b>
<b>Tangible fixed assets</b>				
Land, buildings and constructions	17,205,352	17,759,374	24,481,010	25,269,313
Equipment and machinery	13,668,645	13,466,210	19,448,730	19,160,691
Other fixed assets	820,696	742,051	1,167,745	1,055,843
Construction in progress	2,650,861	1,494,589	3,771,835	2,126,609
Advance payments for fixed assets	851,461	736,354	1,211,520	1,047,737
<b>Total tangible fixed assets</b>	<b>35,197,015</b>	<b>34,198,578</b>	<b>50,080,840</b>	<b>48,660,193</b>
<b>Investment property</b>	<b>6,381,460</b>	<b>6,224,000</b>	<b>9,080,000</b>	<b>8,855,954</b>
<b>Non-current financial investments</b>				
Other investments	22,220	22,220	31,616	31,616
Advance payments for financial investments	-	3,605,385	-	5,130,001
Other loan	3,611,458	1,468,860	5,138,642	2,089,999
Loans provided to management and shareholders	-	263,552	-	375,001
<b>Total long term financial investments</b>	<b>3,633,678</b>	<b>5,360,017</b>	<b>5,170,258</b>	<b>7,626,617</b>
<b>Total non-current financial assets</b>	<b>45,782,380</b>	<b>46,580,640</b>	<b>65,142,458</b>	<b>66,278,280</b>
<b>Current assets</b>				
<b>Inventories</b>				
Raw materials	2,625,254	2,631,658	3,735,400	3,744,512
Unfinished goods	3,226,257	2,190,986	4,590,550	3,117,492
Finished goods and goods for resale	2,559,722	2,494,332	3,642,156	3,549,115
<b>Total inventory</b>	<b>8,411,233</b>	<b>7,316,976</b>	<b>11,968,106</b>	<b>10,411,119</b>
<b>Debtors</b>				
Trade receivables	33,379,906	33,058,363	47,495,327	47,037,813
Other debtors	11,662,917	8,078,168	16,594,836	11,494,198
Loans provided to management and shareholders	1,792,859	1,497,011	2,551,009	2,130,055
Deferred expenses	2,864,080	222,683	4,075,219	316,849
<b>Total debtors</b>	<b>49,699,762</b>	<b>42,856,225</b>	<b>70,716,390</b>	<b>60,978,914</b>
<b>Cash and cash equivalents</b>	<b>2,513,244</b>	<b>1,527,469</b>	<b>3,576,024</b>	<b>2,173,393</b>
<b>Total current assets</b>	<b>60,624,239</b>	<b>51,700,670</b>	<b>86,260,521</b>	<b>73,563,426</b>
<b>TOTAL ASSETS</b>	<b>106,406,619</b>	<b>98,281,310</b>	<b>151,402,979</b>	<b>139,841,706</b>

	31.12.2013	31.12.2012	31.12.2013	31.12.2012
	LVL	LVL	EUR	EUR
<b>LIABILITIES</b>				
<b>EQUITY</b>				
Share capital	9,585,000	9,585,000	13,638,226	13,638,226
Share premium	15,687,750	15,687,750	22,321,657	22,321,657
Other reserves	464,905	464,905	661,500	661,500
Foreign currency revaluation reserve	(59,700)	55,803	(84,945)	79,401
Retained profit				
a) retained profit	49,033,463	39,398,904	69,768,332	56,059,590
b) current year profit	9,716,036	9,634,559	13,824,674	13,708,742
<b>Equity attributable to equity holders of the parent</b>	<b>84,427,454</b>	<b>74,826,921</b>	<b>120,129,444</b>	<b>106,469,117</b>
No controlling interest	62,564	59,778	89,021	85,056
<b>Total equity</b>	<b>84,490,018</b>	<b>74,886,699</b>	<b>120,218,465</b>	<b>106,554,173</b>
<b>LIABILITIES</b>				
<b>Non-current liabilities</b>				
Loans from credit institutions	1,428,132	2,422,463	2,032,049	3,446,854
Deferred income	3,143,481	3,371,599	4,472,771	4,797,353
Deferred tax liabilities	2,601,174	2,703,461	3,701,137	3,846,678
<b>Total non-current liabilities</b>	<b>7,172,787</b>	<b>8,497,523</b>	<b>10,205,956</b>	<b>12,090,886</b>
<b>Current liabilities</b>				
Loans from credit institutions	7,903,984	8,170,258	11,246,356	11,625,230
Finance lease liabilities	-	566,759	-	806,425
Advances from customers	268,045	142,445	381,394	202,681
Trade accounts payable	4,157,825	3,922,334	5,916,052	5,580,978
Taxes and social security liabilities	1,189,532	1,205,114	1,692,552	1,714,723
Other payables	811,630	421,456	1,154,845	599,678
Accrued liabilities	121,786	114,815	173,286	163,367
Deferred income	291,012	353,907	414,073	503,564
<b>Total current liabilities</b>	<b>14,743,814</b>	<b>14,897,088</b>	<b>20,978,557</b>	<b>21,196,647</b>
<b>Total liabilities</b>	<b>21,916,601</b>	<b>23,394,611</b>	<b>31,184,514</b>	<b>33,287,533</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>106,406,619</b>	<b>98,281,310</b>	<b>151,402,979</b>	<b>139,841,706</b>

## STATEMENT OF COMPREHENSIVE INCOME

	2013 LVL	2012 LVL	2013 EUR	2012 EUR
Net sales	83,254,939	82,691,061	118,461,106	117,658,780
Cost of goods sold	(33,293,776)	(31,617,525)	(47,372,775)	(44,987,685)
<b>Gross profit</b>	<b>49,961,163</b>	<b>51,073,536</b>	<b>71,088,330</b>	<b>72,671,095</b>
Selling expenses	(17,837,644)	(20,570,443)	(25,380,681)	(29,269,103)
Administrative expenses	(8,560,833)	(9,693,748)	(12,180,968)	(13,792,961)
Other operating income	5,434,674	1,022,720	7,732,844	1,455,199
Other operating expenses	(17,506,996)	(8,629,294)	(24,910,211)	(12,278,379)
Changes in fair value/impairment loss	157,460	(916,543)	224,045	(1,304,123)
Interest income and similar income	103,286	126,210	146,963	179,581
Interest expense and similar expense	(179,171)	(258,256)	(254,937)	(367,465)
Real estate tax	(63,381)	(69,574)	(90,183)	(98,995)
<b>Profit before taxation</b>	<b>11,508,558</b>	<b>12,084,608</b>	<b>16,375,203</b>	<b>17,194,848</b>
Corporate income tax	(1,789,736)	(2,447,712)	(2,546,565)	(3,482,780)
<b>NET PROFIT FOR THE PERIOD</b>	<b>9,718,822</b>	<b>9,636,896</b>	<b>13,828,638</b>	<b>13,712,068</b>
<b>Other comprehensive income</b>				
Foreign currency revaluation	(115,503)	24,179	(164,346)	34,404
<b>Other comprehensive income total</b>	<b>(115,503)</b>	<b>24,179</b>	<b>(164,346)</b>	<b>34,404</b>
<b>Comprehensive income total</b>	<b>9,603,319</b>	<b>9,661,075</b>	<b>13,664,292</b>	<b>13,746,472</b>
<b>Attributable to:</b>				
Equity holders of the parent	9,716,036	9,634,559	13,824,674	13,708,742
Non-controlling interest	2,786	2,337	3,964	3,325
<b>TOTAL</b>	<b>9,718,822</b>	<b>9,636,896</b>	<b>13,828,638</b>	<b>13,712,067</b>
<b>Comprehensive income attributable of:</b>				
Equity holders of the parent	9,600,533	9,658,738	13,660,328	13,743,146
Non-controlling interest	2,786	2,337	3,964	3,325
<b>Total</b>	<b>9,603,319</b>	<b>9,661,075</b>	<b>13,664,292</b>	<b>13,746,471</b>
<b>Earnings per share attributable equity holders of the parent (LVL per share)</b>				
- Basic earnings per share	1.01	1.01	1.44	1.43
- Diluted earnings per share	1.01	1.01	1.44	1.43

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	Non-controlling Interest	Total
	LVL	LVL	LVL	LVL	LVL	LVL	LVL	LVL
<b>As of 31.12.2012</b>	<b>9,585,000</b>	<b>15,687,750</b>	<b>464,905</b>	<b>55,803</b>	<b>49,033,463</b>	<b>74,826,921</b>	<b>59,778</b>	<b>74,886,699</b>
Profit for the year	-	-	-	-	9,716,036	9,716,036	2,786	9,718,822
Foreign currency revaluation	-	-	-	(115,503)	-	(115,503)	-	(115,503)
<b>As of 31.12.2013</b>	<b>9,585,000</b>	<b>15,687,750</b>	<b>464,905</b>	<b>(59,700)</b>	<b>58,749,499</b>	<b>84,427,454</b>	<b>62,564</b>	<b>84,490,018</b>

	Share capital	Share premium	Other reserves	Foreign currency translation reserve	Accumulated profit	Equity attributable to equity holders of the parent	Non-controlling Interest	Total
	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR
<b>As of 31.12.2012</b>	<b>13,638,226</b>	<b>22,321,657</b>	<b>661,500</b>	<b>79,401</b>	<b>69,768,332</b>	<b>106,469,117</b>	<b>85,056</b>	<b>106,554,173</b>
Profit for the year	-	-	-	-	13,824,674	13,824,674	3,964	13,828,638
Foreign currency revaluation	-	-	-	(164,346)	-	(164,346)	-	(164,346)
<b>As of 31.12.2013</b>	<b>13,638,226</b>	<b>22,321,657</b>	<b>661,500</b>	<b>(84,945)</b>	<b>83,593,006</b>	<b>120,129,444</b>	<b>89,021</b>	<b>120,218,465</b>

## STATEMENT OF CASH FLOWS

	2013 LVL	2012 LVL	2013 EUR	2012 EUR
<b>OPERATING ACTIVITIES</b>				
<b>Net profit before taxation</b>	<b>11,508,558</b>	<b>12,084,608</b>	<b>16,375,203</b>	<b>17,194,848</b>
<i>Adjustments to reconcile net profit to net cash provided by operating activities:</i>				
Depreciation and amortization	3,287,145	3,117,988	4,677,186	4,436,497
(Gain)/loss on disposal of fixed assets and intangible assets	16,565	7,083	23,570	10,078
Changes in fair value	(157,460)	916,543	(224,045)	1,304,123
Revenue from the EU funds	(410,614)	(352,473)	(584,251)	(501,524)
Interest income	179,081	266,574	254,809	379,301
Interest expense	(103,289)	(120,246)	(146,967)	(171,095)
<i>Changes in operating assets and liabilities:</i>				
Inventory	(1,094,257)	4,321,564	(1,556,987)	6,149,032
Debtors	(6,843,537)	(6,663,233)	(9,737,476)	(9,480,926)
Creditors	3,717,633	(3,338,721)	5,289,715	(4,750,572)
<b>Gross cash provided by operating activities</b>	<b>10,099,825</b>	<b>10,239,687</b>	<b>14,370,756</b>	<b>14,569,762</b>
Corporate income tax paid	(2,558,117)	(629,333)	(3,639,873)	(895,460)
Interest income	3	28	4	40
<b>Net cash provided by operating activities</b>	<b>7,541,711</b>	<b>9,610,382</b>	<b>10,730,888</b>	<b>13,674,342</b>
<b>INVESTING ACTIVITIES</b>				
Purchase of fixed assets and intangible assets	(4,055,875)	(2,817,853)	(5,770,990)	(4,009,444)
Proceeds from sale of fixed assets	13,640	20,381	19,408	29,000
Purchase of long term financial investments	-	(3,774,058)	-	(5,370,001)
Other loans	(541,159)	-	(770,000)	-
<b>Net cash used in investing activities</b>	<b>(4,583,394)</b>	<b>(6,571,530)</b>	<b>(6,521,582)</b>	<b>(9,350,445)</b>
<b>FINANCING ACTIVITIES</b>				
Received loans from credit institutions	824,774	-	1,173,548	-
Repaid loans to credit institutions	(2,618,235)	(2,176,730)	(3,725,413)	(3,097,208)
Interest paid	(179,081)	(258,256)	(254,809)	(367,465)
<b>Net cash (used in) /provided by financing activities</b>	<b>(1,972,542)</b>	<b>(2,434,986)</b>	<b>(2,806,674)</b>	<b>(3,464,673)</b>
<b>Net increase in cash and cash equivalents</b>	<b>985,775</b>	<b>603,866</b>	<b>1,402,631</b>	<b>859,224</b>
<b>Cash and cash equivalents at the beginning of the year</b>	<b>1,527,469</b>	<b>923,603</b>	<b>2,173,393</b>	<b>1,314,169</b>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD</b>	<b>2,513,244</b>	<b>1,527,469</b>	<b>3,576,024</b>	<b>2,173,393</b>

## NOTES

### OTHER DEBTORS

	31.12.2013 LVL	31.12.2012 LVL	31.12.2013 EUR	31.12.2012 EUR
„Grindeks Rus” Ltd. other debtors	1,944,203	5,178,957	2,766,352	7,368,992
JSC „Tallinn Pharmaceutical Plant” other debtors	34,851	1,633,849	49,589	2,324,758
Tax receivables	966,412	508,639	1,375,080	723,728
Other	8,717,451	756,723	12,403,815	1,076,720
<b>Total</b>	<b>11,662,917</b>	<b>8,078,168</b>	<b>16,594,836</b>	<b>11,494,198</b>

### CASH AND CASH EQUIVALENTS

	31.12.2013 LVL	31.12.2012 LVL	31.12.2013 EUR	31.12.2012 EUR
Cash in bank	2,507,087	1,522,452	3,567,263	2,166,254
Cash on hand	6,157	5,017	8,761	7,139
<b>Total</b>	<b>2,513,244</b>	<b>1,527,469</b>	<b>3,576,024</b>	<b>2,173,393</b>

### LOANS FROM CREDIT INSTITUTIONS

	31.12.2013 LVL	31.12.2012 LVL	31.12.2013 EUR	31.12.2012 EUR
Credit line from Nordea Bank Finland Plc.	2,867,636	3,293,644	4,080,278	4,686,433
Credit line from JSC “SEB Bank”, Latvia	3,242,990	3,240,073	4,614,359	4,610,209
Nordea Bank Finland Plc.	843,365	843,365	1,200,000	1,200,000
Nordea Bank Finland Plc.	351,401	468,536	499,999	666,667
JSC “SEB Bank”, Latvia	324,640	324,640	461,921	461,921
JSC “SEB Bank”, Latvia	273,952	-	389,799	-
<b>Current loans from credit institutions</b>	<b>7,903,984</b>	<b>8,170,258</b>	<b>11,246,356</b>	<b>11,625,230</b>
Nordea Bank Finland Plc.	632,523	1,475,889	899,999	2,100,001
JSC “SEB Bank”, Latvia	270,532	595,172	384,932	846,853
JSC “SEB Bank”, Latvia	525,077	-	747,117	-
Nordea Bank Finland Plc.	-	351,402	-	500,000
<b>Non-current loans from credit institutions</b>	<b>1,428,132</b>	<b>2,422,463</b>	<b>2,032,049</b>	<b>3,446,854</b>
<b>Total</b>	<b>9,332,116</b>	<b>10,592,721</b>	<b>13,278,405</b>	<b>15,072,084</b>



## TAX LIABILITIES

	31.12.2013 LVL	31.12.2012 LVL	31.12.2013 EUR	31.12.2012 EUR
Social security payments	471,253	258,534	670,533	367,861
Personal income tax	165,688	178,502	235,753	253,985
Corporate income tax	524,683	749,073	746,557	1,065,835
Other	27,908	19,005	39,710	27,042
<b>Total</b>	<b>1,189,532</b>	<b>1,205,114</b>	<b>1,692,552</b>	<b>1,714,723</b>

## NET SALES

	2013 LVL	2012 LVL	2013 EUR	2012 EUR
Russia	50,783,789	54,386,043	72,258,822	77,384,367
Other CIS countries	23,860,208	23,249,893	33,950,017	33,081,617
Other countries	9,170,142	7,139,937	13,047,937	10,159,215
Latvia	4,239,703	4,671,917	6,032,554	6,647,539
Lithuania	2,587,539	2,691,996	3,681,736	3,830,365
Estonia	1,509,230	1,462,245	2,147,441	2,080,587
Other income	155,798	109,870	221,681	156,331
<b>Gross sales</b>	<b>92,306,409</b>	<b>93,711,901</b>	<b>131,340,187</b>	<b>133,340,022</b>
<b>Less discounts</b>				
Russia	(6,078,120)	(8,494,484)	(8,648,386)	(12,086,562)
Other CIS countries	(2,733,511)	(2,105,885)	(3,889,436)	(2,996,404)
Latvia	(158,097)	(256,715)	(224,952)	(365,273)
Lithuania	(31,213)	(115,019)	(44,412)	(163,657)
Estonia	(40,332)	(30,946)	(57,387)	(44,032)
Other countries	(10,197)	(17,791)	(14,509)	(25,314)
<b>Discounts total</b>	<b>(9,051,470)</b>	<b>(11,020,840)</b>	<b>(12,879,082)</b>	<b>(15,681,243)</b>
<b>Total, net</b>	<b>83,254,939</b>	<b>82,691,061</b>	<b>118,461,106</b>	<b>117,658,780</b>

## COST OF GOODS SOLD

	2013 LVL	2012 LVL	2013 EUR	2012 EUR
Raw materials and packing	12,614,969	11,111,891	17,949,484	15,810,796
Goods purchased for resale and contract manufacturing	10,050,987	9,642,443	14,301,266	13,719,960
Direct labour and social security payments	6,825,077	6,585,498	9,711,210	9,370,319
Depreciation of fixed assets and amortization of intangible assets	2,625,503	2,496,996	3,735,754	3,552,905
Research costs	1,716,433	1,446,337	2,442,264	2,057,952
Electricity resource expenses	1,339,654	1,314,208	1,906,156	1,869,950
Machinery, buildings and equipment repairs	680,233	640,860	967,884	911,862
Household expenses	209,198	205,974	297,662	293,075
Transport	127,180	126,368	180,961	179,805
Waste disposal	105,100	83,804	149,544	119,242
Rent of work clothing	76,726	73,600	109,171	104,723
Other	1,250,811	1,159,120	1,779,744	1,649,279
Internal turnover of self-manufactured raw materials	(4,328,095)	(3,269,574)	(6,158,324)	(4,652,185)
<b>Total</b>	<b>33,293,776</b>	<b>31,617,525</b>	<b>47,372,775</b>	<b>44,987,685</b>

## SELLING AND DISTRIBUTION COSTS

	2013 LVL	2012 LVL	2013 EUR	2012 EUR
Advertising	9,543,104	11,745,595	13,578,614	16,712,476
Expenses of representative offices	2,976,036	2,666,706	4,234,518	3,794,381
Salaries and social security payments	1,693,526	1,655,581	2,409,670	2,355,680
Distribution expenses for goods	632,315	592,199	899,703	842,623
Depreciation of fixed assets and amortisation of intangible assets	369,498	373,820	525,748	531,898
Commissions	360,193	370,644	512,508	527,379
Registration costs for medicine	215,557	242,602	306,710	345,192
Patents	106,905	437,960	152,112	623,161
Freight insurance	12,955	15,851	18,433	22,554
Other	1,927,555	2,469,485	2,742,664	3,513,761
<b>Total</b>	<b>17,837,644</b>	<b>20,570,443</b>	<b>25,380,681</b>	<b>29,269,103</b>

## ADMINISTRATIVE EXPENSES

	2013 LVL	2012 LVL	2013 EUR	2012 EUR
Salaries and social security payments	3,518,266	4,083,411	5,006,042	5,810,170
Professional services	159,228	2,571,874	226,561	3,659,447
Depreciation of fixed assets and amortisation of intangible assets	306,312	245,971	435,843	349,985
Security costs	218,174	224,858	310,434	319,944
Employee insurance	177,151	162,558	252,063	231,299
Computers maintenance	163,467	161,537	232,593	229,846
Electricity costs	155,074	105,848	220,650	150,608
Transport	139,411	145,578	198,364	207,139
Personnel training and hiring expenses	97,142	95,948	138,221	136,522
Business trip expensis	89,812	112,287	127,791	159,770
Bank charges	62,262	74,534	88,591	106,052
Property and liability insurance	44,936	48,239	63,938	68,638
Communication expense	28,532	33,492	40,597	47,655
Other	3,401,066	1,627,613	4,839,281	2,315,885
<b>Total</b>	<b>8,560,833</b>	<b>9,693,748</b>	<b>12,180,968</b>	<b>13,792,961</b>

Currency exchange for the EUR – 0.702804

JSC “Grindeks” hereby informs that there were no changes made in its accounting policy in 2013. In non-audited financial accounts for the year 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

28 February 2014



Juris Bundulis