

**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 2014 and  
ended 30 June 2013*

## **CONTENTS**

<b>ANCILLARY INFORMATION</b>	<b>3</b>
<b>THE BOARD AND THE SUPERVISORY COUNCIL</b>	<b>4</b>
<b>MAJOR SHAREHOLDERS</b>	<b>6</b>
<b>MANAGEMENT REPORT</b>	<b>7-9</b>
<b>STATEMENT OF BOARD'S RESPONSIBILITIES</b>	<b>10</b>
<b>FINANCIAL STATEMENTS:</b>	
<b>Statements of financial position</b>	<b>11-12</b>
<b>Statements of comprehensive income</b>	<b>13</b>
<b>Statement of changes in equity</b>	<b>14</b>
<b>Statement of cash flows</b>	<b>16</b>
<b>NOTES</b>	<b>16-18</b>

## ANCILLARY INFORMATION

Name	“GRINDEKS”
Legal status	Joint Stock Company since August 25, 1997
Number, place and date of registration	40003034935, Riga, Republic of Latvia, October 11, 1991
Business activities	Production of pharmaceutical products, medical products and phytochemical medicine
Legal address	53 Krustpils Street Riga, LV – 1057, Latvia
Subsidiaries	JSC “Tallinn Pharmaceutical Plant” Tondi 33 11316, Tallinn, Estonia  JSC “Kalceks” (98.67%) 53 Krustpils Street Riga, LV - 1057, Latvia  “Namu apsaimniekosanas projekti” Ltd. 53 Krustpils Street Riga, LV - 1057, Latvia  “Grindeks Rus” Ltd. 74/3 Warsaw Road 117556, Moscow, Russia
Reporting period	1 January 2014 – 30 June 2014
Previous reporting period	1 January 2013 – 30 June 2013

## THE BOARD AND THE SUPERVISORY COUNCIL

### **Board of the Company**

*(in compliance with the election/dismissal dates)*

From 1 May 2012 to 3 July 2014:

<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 30 April 2014*

Since 3 July 2014 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
Sergejs Batalins	Board member	0.00

\* *Latvian Central Depository data as of 30 April 2014*

• **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”.

• **Sergejs Batalins - Member of the Board, Commercial Director**

Born in 1975. Graduated from Moscow Commercial University, where he studied International Economics. He is the Commercial Director for JSC “Grindeks” since December 2013. Previously he worked at “BLRT Masinaehitus”, part of BLRT group as the Executive Director. He also held leading positions in companies, such as “Baltrotors” Ltd., “Nelss Logi” Ltd., “Staburadzes konditoreja” Ltd., “Euro Food” Ltd. and “NP Foods” Ltd.

### **Supervisory Council of the Company**

*(in compliance with the election/dismissal dates )*

From 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*

From 25 May 2013 to 4 June 2013:

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

From 4 June 2013 to 12 June 2014:

<u>Name</u>	<u>Position</u>	Ownership interest (%)*
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
Arkadij Vertkin	Member of the Supervisory Council	0.00

\* *Latvian Central Depository data as of 30 April 2014*

Since 12 June 2014 to the date of issuing the financial statements:

<u>Name</u>	<u>Position</u>	Ownership interest (%)*
Kirovs Lipmans	Chairman of the Supervisory Council	33.29
Anna Lipmane	Deputy Chairman of the Supervisory Council	16.69
Janis Naglis	Member of the Supervisory Council	0.00
Arkadij Vertkin	Member of the Supervisory Council	0.00

\* *Latvian Central Depository data as of 30 April 2014*

• **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 “Liepājas Metalurģs”. 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”.

• **Janis Naglis - Member of the Council**

Born in 1958. Jānis Naglis has been a member of the Council of JSC “Grindeks” since 2002. Simultaneously to the job responsibilities in JSC “Grindeks” J. Naglis is also the Chairman of the Board of ”Purvcieņa 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, member of the Council of the Employers’ Confederation of Latvia and member of the National Economy Council. J. Naglis has graduated from Riga Polytechnic institute with qualification Engineer-Mechanic.

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

Born in 1951. Professor Arkadij 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.

## MAJOR SHAREHOLDERS

The Shareholders of 30 April 2014 and 30 April 2013 were as follows (*Latvian central Depository data*):

	<b>Percentage holding (%) 30.04.2014.</b>	<b>Percentage holding (%) 30.04.2013.</b>
Kirovs Lipmans	33.29	33.29
Anna Lipmane	22.66	11.38
"AB.LV Private equity fund 2010"	16.69	16.69
Swedbank AS Clients Account (nominal holder)	10.47	8.84
Skandinaviska Enskilda banken (nominal holder)	-	10.02
Other shareholders	16.89	19.78
<b>Total</b>	<b>100.00</b>	<b>100.00</b>

## MANAGEMENT REPORT

### Business activity

During the reporting period the Group of “Grindeks” consists of JSC “Grindeks” and its four subsidiaries: JSC “Tallinn Pharmaceutical Plant” in Estonia, JSC “Kalceks” in Latvia, “Namu Apsaimniekošanas projekti” Ltd. in Latvia and “Grindeks Rus” Ltd. in Russia (together hereinafter - the Group). Core business activity of the Group - research, development, manufacturing and sales of original products, generics and active pharmaceutical ingredients.

### Business activity of the “Grindeks” Group during the reporting period

Turnover of the Group in the first half-year of 2014 was 40.7 million euros and has decreased by 13.9 million euros or 25.5% in comparison to the first half-year of 2013. While the Group’s net profit, attributable to shareholders of the parent company, was 2.8 million euros in the first half-year of 2014 and has decreased by 3.1 million euros or 52.5% in comparison to the first half-year of 2013. Gross profit margin in the first half-year of 2014 was 57% while net profit margin was 6.9%. In the first half-year of 2014 the Group’s production was exported to 56 countries worldwide, a total of 38.6 million euros which is 13 million euros or 25.2% less than in the first half-year of 2013.

Wholesale warehouse balance optimisation and national currency devaluation risk management turns out to be a significant tendency in the main final dosage form markets of “Grindeks”. These are the main reasons that affected reduction in turnover in the first half-year of 2014. While the decrease in net profit was due to an increased investment in research and development in two strategic projects. In cooperation with scientists of Latvia the project of inhibitor of cardioprotective agent - GBB hydroxyls with an original structure - chemical and preclinical pharmacological efficiency studies, which is an important step in creating a new medical product. The other project is registration of a drug Mildronate® in China, where the 3rd phase of clinical trial for this medication is now being held.

### The most significant market trends

According to the “IMS Health” market data, in comparison to the first half-year of the last year, only +1% increase in sales of packages is observed in the markets of CIS countries in the first half-year of 2014, but in terms of money (euro) - a drop -7%. This result is affected by the proportion of the biggest market - Russia. The turnover in packages over there remains unchanged, while the turnover in euros dropped by -8%. Russian press reports show a growth of turnover in local currency, but, taking into account the weakening of the Russian ruble against euro, the market size in terms of money (euro) has decreased. In other CIS countries - Armenia, Azerbaijan, Belarus, Kazakhstan, Moldova the turnover of packages sold creates a positive market dynamics (+7% in packages and +4% in terms of money (euro)).

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

Sales volume of the final dosage forms of “Grindeks” in the first half-year of 2014 was 34.5 million euros and has decreased by 12.7 million euros or 26.9% in comparison to the first half-year of 2013. The main final dosage forms markets are Russia, other CIS countries, Georgia and the Baltic States. The sales amount in Russia, other CIS countries and Georgia reached 28.8 million euros in the first half-year of 2014, which is by 11.7 million euros or 28.9% less than in the first half-year of 2013. In its turn, turnover of the final dosage forms in the Baltic States and other European countries was 5.7 million euros, which is by 0.9 million euros or 13.6% less than in the first half-year of 2013.

In the first half-year of 2014 “Grindeks” has begun export of final dosage forms to several new markets - Great Britain, Finland, Slovakia, Spain and the Netherlands. Cooperation with Tunisia that was launched last year is ongoing and shows +78% increase in comparison with the first half-year of the last year, and Vietnam which shows +178% in comparison to the first half-year of the last year. The turnover in the first half-year of 2014 has increased by 35% in markets outside the CIS and the Baltic States in comparison to the first half-year of the last year.

In the first half-year of 2014, sales of active pharmaceutical ingredients reached 6.1 million euros which is by 1.2 million euros or 16.4% less than in the first half-year of 2013. Main markets of “Grindeks” active pharmaceutical ingredients in the first half-year are the Netherlands, Germany, Canada, USA, France and Japan. The most required active pharmaceutical ingredients of “Grindeks” are Zopiclone, Oxytocin, Ftorafur, Droperidol, Xylazine and Ursodeoxycholic acid.

## Investment program

In 2014, “Grindeks” successfully continues to implement its investment program and plans to invest 5.8 million euros during the year. The most significant investment project is the renovation of Quality Control Laboratory that was completed in June of 2014. One of the most advanced laboratories of the Baltic States has been established after the completion of the project. This allows to perform analysis for both “Grindeks” needs and provide analytical services to other companies.

## Quality and environmental protection

In the first half-year of 2014 the following inspections and audits have taken place:

- Inspections of the Latvian State Agency of Medicines on manufacturing process of several active pharmaceutical ingredients being in compliance with the “Good Manufacturing Practice” standard principles, as well as on Pharmacovigilance System in the company;
- Inspection of the Belarusian Health and Test Centre on manufacturing of ointments;
- Inspection of the Japanese Pharmaceuticals and Medical Devices Agency on manufacturing and quality assurance of the active pharmaceutical ingredient Ftorafur;
- audits of clients and cooperation partners - “Orion Corporation” (Finland), “Hikma Pharmaceuticals” (Jordan), “Actavis” (USA), “Sintetica SA” (Italy), “Cipla” (India), “TBD Biodiscovery” (Estonia), “HBM Pharma” (Slovakia) and “LMP” (Latvia).

## “Grindeks” share price development in the first half-year of 2014 (data of “NASDAQ OMX Riga”)

Since 2 January 2006 shares of “Grindeks” are listed in the official list of “NASDAQ OMX Riga”. JSC “Grindeks” share price on “NASDAQ OMX Riga” in the first half-year of 2014 ranged from 6.79 to 10.5 euros. In the first half-year of 2014, the average price of JSC “Grindeks” shares on “NASDAQ OMX Riga” was 8.34 euros. The total of “NASDAQ OMX Riga” traded shares in the first half-year of 2014 was 242 937 shares, reaching 2.04 million euro turnover. At the end of the first half-year of 2014, market capitalisation of “Grindeks” shares was 65.95 million euros.



In the first half-year of 2014, the Group’s earnings per share (EPS factor) was 0.29 euros in comparison to 0.61 euros in the first half-year of 2013.

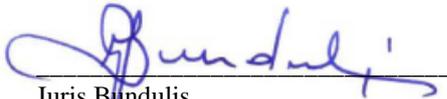
## **Future expectations**

To improve efficiency of “Grindeks” operations, structural changes are carried out in the company. The main objective of these changes is to make the company more flexible, more capable to react faster to market changes and increase competitiveness. The new business model has already improved the sales and marketing function and efficiency. Currently the process of logistics, manufacturing, research and development function rationalisation is taking place.

“Grindeks” forecasts that in the second half-year of 2014 sales amount in Russia will gradually return to its previous volume. Projections are based on strong leadership positions of the main original product Mildronate® as evidenced by the IMS market data: in the first half-year of 2014 market share of Mildronate® in its segment accounted for 83% (packages) and 87% (euro).

In the upcoming half-year, “Grindeks” will continue optimisation of current assets and cost reduction for positions that do not focus on strategic business development projects.

On behalf of the Group’s Management:



Juris Bundulis  
Chairman of the Board

29 August 2014

## STATEMENT OF BOARD'S RESPONSIBILITIES

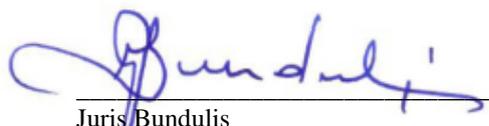
The Board of JSC "Grindeks" (hereinafter - the Company) is bearing the responsibility for preparation of the consolidated interim financial statements of the Company and its subsidiaries (hereinafter - the Group). The interim financial statements of the Group are not audited.

The consolidated interim financial statements, enclosed from the page 11 to the page 18, are prepared in accordance with the accounting records and source documents, presenting fairly the financial position of the Group as of 30 June 2014 and the results of its operations and cash flows for the period of three months ended 30 June 2014.

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

29 August 2014

## STATEMENT OF FINANCIAL POSITION

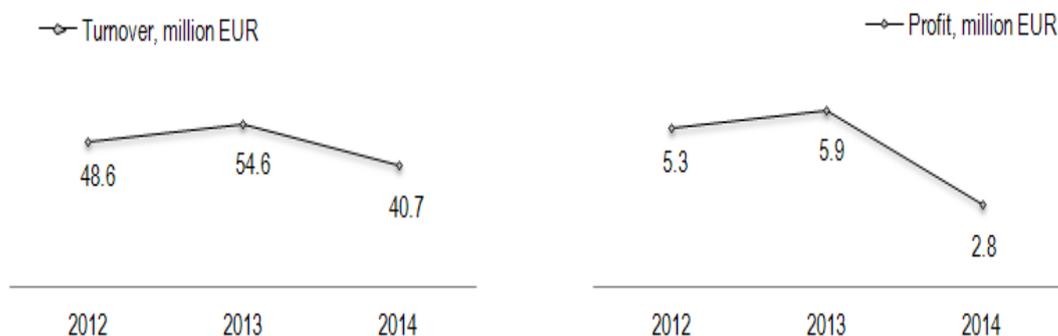
	30.06.2014. EUR	30.06.2013. EUR
<b>ASSETS</b>		
<b>Non-current assets</b>		
<b>Intangible assets</b>		
Software, patents, licenses, trademarks and other rights	817,925	561,255
Advance payments for intangible assets	-	360,941
<b>Total intangible assets</b>	<b>817,925</b>	<b>922,196</b>
<b>Tangible fixed assets</b>		
Land, buildings and constructions	26,364,663	24,728,845
Equipment and machinery	20,197,739	18,363,739
Other fixed assets	1,231,215	1,073,893
Advance payments for fixed assets	285,118	1,569,588
Construction in progress	2,126,609	2,126,609
<b>Total tangible fixed assets</b>	<b>50,205,344</b>	<b>47,862,673</b>
<b>Investment property</b>	<b>9,080,000</b>	<b>8,855,954</b>
<b>Non-current financial investments</b>		
Other investments	31,616	31,616
Advance payments for financial investments	11,770,000	5,130,001
Loans provided to management and shareholders	5,138,643	2,749,999
Other loans	-	375,001
<b>Total long term financial investments</b>	<b>16,940,259</b>	<b>8,286,616</b>
<b>Total non-current financial assets</b>	<b>77,043,528</b>	<b>65,927,439</b>
<b>Current assets</b>		
<b>Inventories</b>		
Raw materials	4,008,799	4,688,253
Unfinished goods	6,430,750	3,951,342
Finished goods and goods for resale	8,091,514	8,465,047
<b>Total inventory</b>	<b>18,531,063</b>	<b>17,104,642</b>
<b>Debtors</b>		
Trade receivables	38,514,690	44,899,720
Due from related parties	2,828,641	-
Other debtors	4,588,581	13,182,572
Loans provided to management and shareholders	2,551,009	2,130,055
Deferred expenses	4,555,579	167,828
<b>Total debtors</b>	<b>53,038,500</b>	<b>60,380,174</b>
<b>Cash and cash equivalents</b>	<b>2,621,310</b>	<b>1,371,106</b>
<b>Total current assets</b>	<b>74,190,873</b>	<b>78,855,923</b>
<b>TOTAL ASSETS</b>	<b>151,234,401</b>	<b>144,783,362</b>

	<b>30.06.2014.</b>	<b>30.06.2013.</b>
	<b>EUR</b>	<b>EUR</b>
<b>LIABILITIES</b>		
<b>EQUITY</b>		
Share capital	13,638,226	13,638,226
Share premium	22,321,657	22,321,657
Other reserves	661,500	661,500
Retained profit		
a) retained profit	83,273,591	69,768,332
b) foreign currency revaluation reserve	67,144	71,846
b) current year profit	2,811,459	5,882,821
<b>Equity attributable to equity holders of the parent</b>	<b>122,773,577</b>	<b>112,344,383</b>
Non-controlling interest	89,963	83,628
<b>Total equity</b>	<b>122,863,540</b>	<b>112,428,011</b>
<b>LIABILITIES</b>		
<b>Non-current liabilities</b>		
Loans from credit institutions	2,032,049	3,446,853
Deferred income	4,472,771	4,797,353
Deferred tax liabilities	4,130,278	3,858,431
<b>Total non-current liabilities</b>	<b>10,635,098</b>	<b>12,102,637</b>
<b>Current liabilities</b>		
Loans from credit institutions	10,754,757	11,150,385
Advances from customers	38,095	441,187
Trade accounts payable	4,687,107	4,450,118
Taxes and social security contributions	632,420	2,583,242
Other payables	1,068,220	1,008,603
Deferred income	381,878	296,528
Accrued liabilities	173,286	322,650
<b>Total current liabilities</b>	<b>17,735,763</b>	<b>20,252,713</b>
<b>Total liabilities</b>	<b>28,370,861</b>	<b>32,355,351</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>151,234,401</b>	<b>144,783,362</b>

## STATEMENT OF COMPREHENSIVE INCOME

	2014 January-June EUR	2013 January-June EUR
Net sales	40,697,107	54,574,873
Cost of goods sold	(17,543,003)	(19,401,221)
<b>Gross profit</b>	<b>23,154,104</b>	<b>35,173,652</b>
Selling expenses	(11,686,126)	(14,271,504)
Administrative expenses	(5,806,767)	(6,495,753)
Other operating income	2,169,320	783,509
Other operating expenses	(4,371,275)	(8,116,812)
Interest income and similar income	73,414	72,564
Interest expenses and similar expenses	(125,144)	(130,311)
Real estate tax	(45,550)	(44,840)
<b>Profit before taxation</b>	<b>3,361,976</b>	<b>6,970,505</b>
Corporate income tax	(549,575)	(1,089,113)
<b>NET PROFIT FOR THE PERIOD</b>	<b>2,812,401</b>	<b>5,881,392</b>
<b>Other comprehensive income</b>		
Foreign currency revaluation	119,053	(7,554)
<b>Other comprehensive income total</b>	<b>119,053</b>	<b>(7,554)</b>
<b>Other comprehensive income</b>	<b>2,931,454</b>	<b>5,873,838</b>
<b>Attributable to:</b>		
<b>Equity holders of the parent</b>	<b>2,811,459</b>	<b>5,882,821</b>
<b>Non-controlling interest</b>	<b>942</b>	<b>(1,429)</b>
<b>TOTAL</b>	<b>2,812,401</b>	<b>5,881,392</b>
<b>Comprehensive income attributable to:</b>		
<b>Equity holders of the parent</b>	<b>2,930,512</b>	<b>5,875,267</b>
<b>Non-controlling interest</b>	<b>942</b>	<b>(1,429)</b>
<b>Total</b>	<b>2,931,454</b>	<b>5,873,838</b>
<b>Earnings per share attributable to the equity holders of the parent , EUR</b>	<b>0.29</b>	<b>0.61</b>

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 re-valuation reserve	Retained profit	Equity attributable to equity holders of the parent	Non-controlling interest	Total
	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR
<b>31.12. 2013.</b>	<b>13,638,226</b>	<b>22,321,657</b>	<b>661,500</b>	<b>(51,909)</b>	<b>83,273,591</b>	<b>119,843,065</b>	<b>89,021</b>	<b>119,932,086</b>
Profit for the period	-	-	-	-	2,811,459	2,811,459	942	2,812,401
Foreign currency revaluation	-	-	-	119,053	-	119,053	-	119,053
<b>30.06. 2014.</b>	<b>13,638,226</b>	<b>22,321,657</b>	<b>661,500</b>	<b>67,144</b>	<b>86,085,050</b>	<b>122,773,577</b>	<b>89,963</b>	<b>122,863,540</b>

## STATEMENT OF CASH FLOWS

	<b>2014</b>	<b>2013</b>
	<b>January-June</b>	<b>January-June</b>
	<b>EUR</b>	<b>EUR</b>
<b>OPERATING ACTIVITIES</b>		
<b>Net profit before taxation</b>	<b>3,361,976</b>	<b>6,970,505</b>
<i>Adjustments to reconcile net profit to net cash provided by operating activities:</i>		
Depreciation and amortization	2,347,787	2,348,584
Revenue from the EU funds	(311,776)	(296,561)
Interest income	(73,414)	(72,565)
Interest expense	125,144	130,311
<i>Changes in operating assets and liabilities:</i>		
Inventory	(6,563,428)	(8,116,395)
Debtors	5,484,118	598,740
Creditors	(1,793,689)	1,449,435
<b>Gross cash provided by operating activities</b>	<b>2,576,718</b>	<b>3,012,054</b>
Corporate income tax paid	(640,846)	(508,160)
<b>Net cash provided by operating activities</b>	<b>1,935,872</b>	<b>2,503,894</b>
<b>INVESTING ACTIVITIES</b>		
Purchase of fixed assets and intangible assets	(2,366,119)	(1,331,407)
Purchase of long term financial investments	(100,000)	-
Other loans	-	(659,999)
<b>Net cash used in investing activities</b>	<b>(2,466,119)</b>	<b>(1,991,406)</b>
<b>FINANCING ACTIVITIES</b>		
Received loans from credit institutions	867,594	689,447
Repaid loans to credit institutions and leasing payments	(1,359,193)	(1,922,478)
Revenue from the EU funds	192,276	48,567
Interest paid	(125,144)	(130,311)
<b>Net cash (used in) /provided by financing activities</b>	<b>(424,467)</b>	<b>(1,314,775)</b>
<b>Net increase in cash and cash equivalents</b>	<b>(954,714)</b>	<b>(802,287)</b>
<b>Cash and cash equivalents at the beginning of the year</b>	<b>3,576,024</b>	<b>2,173,393</b>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD</b>	<b>2,621,310</b>	<b>1,371,106</b>

## NOTES

### OTHER DEBTORS

	<b>30.06.2014.</b>	<b>30.06.2013.</b>
	<b>EUR</b>	<b>EUR</b>
Tax receivables	1,298,432	1,151,492
Other	3,290,149	12,031,080
<b>Total</b>	<b>4,588,581</b>	<b>13,182,572</b>

### CASH AND CASH EQUIVALENTS

	<b>30.06.2014.</b>	<b>30.06.2013.</b>
	<b>EUR</b>	<b>EUR</b>
Cash in bank	2,617,292	1,364,292
Cash on hand	4,018	6,814
<b>Total</b>	<b>2,621,310</b>	<b>1,371,106</b>

### LOANS FROM CREDIT INSTITUTIONS

	<b>30.06.2014.</b>	<b>30.06.2013.</b>
	<b>EUR</b>	<b>EUR</b>
Credit line from Nordea Bank Finland Plc.	4,836,526	4,986,441
Credit line from JSC "SEB Bank", Latvia	4,725,705	4,999,649
Nordea bank Finland Plc.	600,000	600,001
Nordea bank Finland Plc.	166,666	333,333
JSC "SEB Bank", Latvia	230,961	230,961
JSC "SEB Bank", Latvia	194,899	-
<b>Current loans from credit institutions</b>	<b>10,754,757</b>	<b>11,150,385</b>
Nordea bank Finland Plc.	900,000	2,100,000
JSC "SEB Bank", Latvia	747,115	-
JSC "SEB Bank", Latvia	384,934	846,853
Nordea bank Finland Plc.	-	500,000
<b>Non-current loans from credit institutions</b>	<b>2,032,049</b>	<b>3,446,853</b>
<b>Total</b>	<b>12,786,806</b>	<b>14,597,238</b>

### TAXES AND SOCIAL SECURITY CONTRIBUTIONS

	<b>30.06.2014.</b>	<b>30.06.2013.</b>
	<b>EUR</b>	<b>EUR</b>
Social security contributions	363,102	396,604
Personal income tax	245,057	280,363
Value added tax	18,120	6,318
Corporate income tax	-	1,877,906
Other	6,141	22,051
<b>Total</b>	<b>632,420</b>	<b>2,583,242</b>

## NET SALES

	<b>2014</b>	<b>2013</b>
	<b>January-June</b>	<b>January-June</b>
	<b>EUR</b>	<b>EUR</b>
Other CIS countries	20,439,210	16,990,145
Russia	13,800,354	28,920,066
Other countries	6,400,722	7,727,372
Latvia	1,994,130	2,825,223
Lithuania	1,812,241	1,768,016
Estonia	1,029,798	1,182,237
Other sales	122,200	131,086
<b>Gross sales</b>	<b>45,598,655</b>	<b>59,544,146</b>
<b>Less discounts</b>		
Russia	(2,492,522)	(2,880,772)
Other CIS countries	(2,316,390)	(1,875,627)
Other countries	(25,897)	(364)
Latvia	(15,714)	(172,863)
Lithuania	(27,077)	(17,025)
Estonia	(23,948)	(22,622)
<b>Discounts total</b>	<b>(4,901,548)</b>	<b>(4,969,273)</b>
<b>Total, net</b>	<b>40,697,107</b>	<b>54,574,873</b>

## COSTS OF GOODS SOLD

	<b>2014</b>	<b>2013</b>
	<b>January-June</b>	<b>January-June</b>
	<b>EUR</b>	<b>EUR</b>
Raw materials and packaging	5,687,049	9,086,844
Direct labor and social security contributions	4,850,660	4,832,703
Goods purchased for resale	3,598,318	3,639,844
Depreciation of fixed assets and amortization of intangible assets	1,856,131	1,874,732
Research costs	1,083,265	933,854
Electricity expenses	960,549	1,082,861
Machinery, buildings and equipment repairs	463,248	506,066
Household expenses	136,853	146,377
Transport costs	93,138	89,968
Waste disposal	66,399	68,207
Rent of work clothing	55,484	55,987
Other expenses	846,653	819,877
Internal turnover of self-manufactured raw materials	(2,154,744)	(3,736,099)
<b>Total</b>	<b>17,543,003</b>	<b>19,401,221</b>

## SELLING AND DISTRIBUTION COSTS

	<b>2014</b>	<b>2013</b>
	<b>January-June</b>	<b>January-June</b>
	<b>EUR</b>	<b>EUR</b>
Advertising expenses	5,836,559	8,479,015
Expenses of representative offices	2,020,429	2,046,507
Direct labor and social security contributions	1,312,493	1,242,003
Distribution costs	461,149	459,248
Comissions	312,245	240,729
Registration costs for medicine	237,531	173,168
Depreciation of fixed assets and amortization of intangible assets	233,346	264,745
Patent costs	-	152,112
Freight insurance expenses	7,099	9,020
Other expenses	1,265,275	1,204,957
<b>Total</b>	<b>11,686,126</b>	<b>14,271,504</b>

## ADMINISTRATIVE EXPENSES

	<b>2014</b>	<b>2013</b>
	<b>January-June</b>	<b>January-June</b>
	<b>EUR</b>	<b>EUR</b>
Direct labor and social security contributions	2,487,231	3,346,929
Professional and consultancy services	939,109	721,977
Depreciation of fixed assets and amortization of intangible assets	258,061	208,165
Security costs	162,336	153,719
Employee insurance expenses	136,913	123,882
Electricity costs	105,479	118,518
Computer maintenance and repair	103,405	101,883
Transport costs	91,143	99,736
Business trip costs	67,082	46,811
Personnel training and hiring expenses	50,719	75,160
Bank charges	44,096	41,216
Property and liability insurance	36,567	33,206
Communication expenses	30,894	20,003
Other expenses	1,293,732	1,404,548
<b>Total</b>	<b>5,806,767</b>	<b>6,495,753</b>

Currency exchange for the EUR – 0.702804

JSC “Grindeks” hereby informs that there were no changes made in its accounting policy in January-June 2014. In non-audited financial accounts for the period January- June 2014 the Group has employed the same Accounting and Consolidation Principles as in the audited consolidated financial accounts for the year 2013, released on April 29, 2014.

Chairman of the Board

Juris Bundulis