

**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 September 2013  
and ended 30 September 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 September 2013
Previous reporting period	1 January 2012 – 30 September 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., 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 „Purviema 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 and 31 December 2012 were as follows (Latvian central Depository data):

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

## 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 nine months 2013 was 56.5 million lats, which is by 6.4 million lats or 12.8% more than in the first nine months of 2012. Whereas, the net profit of the Group, related to the shareholders of the holding company, in the first nine months of 2013 was 5.4 million lats that comparing of the first nine months of 2012 has increased by 0.4 million lats or 8%. The gross profit margin in the first nine months of 2013 was 59.5%, whereas, the net profit margin was 9.6%. In the first nine months of 2013 the products manufactured by the Group were exported to 55 countries all over the world for the total amount of 53.6 million lats that comparing to the first nine months of 2012 has increased by 6.2 million lats or 13.1%.

In the first nine months of 2013, several projects which, according to preliminary plan, must result, unfortunately, have not achieved the expected results. The results are also influenced by significant competition in generic business. Thus, turnover and profit growth is significant, but less than originally planned.

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

The sales volume of the final dosage forms of “Grindeks” in the first nine months of 2013 was 50.1 million lats and has increased comparing to the same period of the previous year by 3.4 million lats or 7.3%. The main markets of the final dosage form are Russia, other CIS countries, Georgia and the Baltic States. The sales amount in Russia, other CIS countries and Georgia in the first nine months of 2013 was 43 million lats, which is by 2.6 million lats or 6.4% more than in the first nine months of 2012. Whereas, the sales amount of final dosage forms in the Baltic States and other European countries reached 7 million lats, which is by 0.7 million lats or 11.1% more than in the first nine months of 2012.

The sales of active pharmaceutical ingredients in the first nine months of 2013 reached 6.4 million lats, which is by 3 million lats or 88.2% more than in the first nine months 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, ftoxafur (tegafur) and UDCA (ursodeoxycholic acid).

### 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 nine months 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. In September, 2013 the management system of „Grindeks” has received the Russian GOCT (GOST) certificate of quality ISO 9001-2011.

### Development of “Grindeks” share price during the first nine months 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 nine months of 2013 was within the limits from 4.6 lats to 6.96 lats. In the first nine months of 2013, the average price of “Grindeks” shares was 5.7 lats. The total quantity of “Grindeks” shares, traded in “NASDAQ

OMX Riga”, during the first nine months of 2013 was 541 557 shares, reaching the turnover of 3.2 million lats. At the end of the first nine months of 2013 the market capitalization of “Grindeks” shares was 59.04 million lats.



The Group’s earnings per share (EPS ratio) amounted to 0.56 lats in the first nine months of 2013 as compared with 0.52 lats in the first nine months of 2012.

### Future expectations

“Grindeks” is the long-term development-oriented company, so the company will continue to invest in both product portfolio development and new markets projects in China, the Scandinavian countries, as well as the company will realise a number of important niche projects in several western European countries.

The company will focus its attention on:

- Development of generics portfolio
- Research and development of original products
- Effectiveness of cost management
- Effectiveness and development of representative offices

On behalf of the Group’s Management:

Juris Bundulis  
Chairman of the Board

29 November 2013



## STATEMENT OF BOARD'S RESPONSIBILITIES

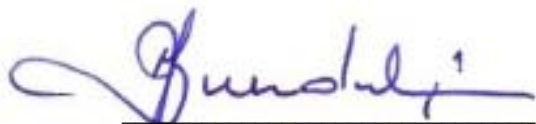
The Board of JSC "Grindeks" (hereinafter - the Company) is bearing the responsibility for preparation of the consolidated interim financial statements of the Company and its subsidiaries (hereinafter - the Group). The interim financial statements of the Group are not audited.

The consolidated interim financial statements, enclosed from the page 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 September 2013 and the results of its operations and cash flows for the period of nine months ended 30 September 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

29 November 2013

## STATEMENT OF FINANCIAL POSITION

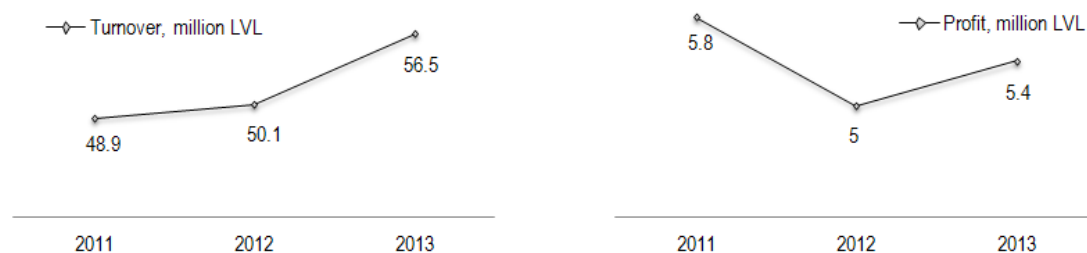
	30.09.2013. LVL	30.09.2012. LVL	30.09.2013. EUR	30.09.2012. EUR
<b>ASSETS</b>				
<b>Non-current assets</b>				
<b>Intangible assets</b>				
Software, patents, licenses, trademarks and other rights	621,713	739,791	884,618	1,052,628
Advance payments for intangible assets	-	127,829	-	181,884
<b>Total intangible assets</b>	<b>621,713</b>	<b>867,620</b>	<b>884,618</b>	<b>1,234,512</b>
<b>Tangible fixed assets</b>				
Land, buildings and constructions	17,247,854	17,957,475	24,541,485	25,551,185
Equipment and machinery	12,648,756	13,698,853	17,997,558	19,491,712
Other fixed assets	784,501	751,916	1,116,244	1,069,880
Construction in progress	3,387,886	3,549,022	4,820,528	5,049,803
Advance payments for fixed assets	770,705	438,382	1,096,615	623,761
<b>Total tangible fixed assets</b>	<b>34,839,702</b>	<b>36,395,648</b>	<b>49,572,430</b>	<b>51,786,342</b>
<b>Investment property</b>	<b>6,224,000</b>	<b>4,882,200</b>	<b>8,855,954</b>	<b>6,946,745</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	1,654,150	5,130,000	2,353,643
Other loan	2,164,634	-	3,079,997	-
Loans provided to management and shareholders	263,552	579,813	375,001	825,000
<b>Total long term financial investments</b>	<b>6,055,791</b>	<b>2,256,183</b>	<b>8,616,614</b>	<b>3,210,259</b>
<b>Total non-current financial assets</b>	<b>47,741,206</b>	<b>44,401,651</b>	<b>67,929,616</b>	<b>63,177,858</b>
<b>Current assets</b>				
<b>Inventories</b>				
Raw materials	2,993,861	3,145,901	4,259,880	4,476,214
Unfinished goods	3,374,756	2,760,597	4,801,845	3,927,976
Finished goods and goods for resale	4,382,117	6,743,463	6,235,191	9,595,083
<b>Total inventory</b>	<b>10,750,734</b>	<b>12,649,961</b>	<b>15,296,916</b>	<b>17,999,273</b>
<b>Debtors</b>				
Trade receivables	29,081,982	25,362,495	41,379,932	36,087,579
Other debtors	10,103,152	9,232,206	14,375,490	13,136,246
Loans provided to management and shareholders	1,497,011	1,139,450	2,130,055	1,621,291
Deferred expenses	146,220	104,528	208,053	148,729
<b>Total debtors</b>	<b>40,828,365</b>	<b>35,838,679</b>	<b>58,093,530</b>	<b>50,993,845</b>
<b>Cash and cash equivalents</b>	<b>1,767,463</b>	<b>1,061,697</b>	<b>2,514,873</b>	<b>1,510,659</b>
<b>Total current assets</b>	<b>53,346,562</b>	<b>49,550,337</b>	<b>75,905,319</b>	<b>70,503,777</b>
<b>TOTAL ASSETS</b>	<b>101,087,768</b>	<b>93,951,988</b>	<b>143,834,935</b>	<b>133,681,635</b>

	30.09.2013. LVL	30.09.2012. LVL	30.09.2013. EUR	30.09.2012. 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
Retained profit				
a) retained profit	49,033,463	39,398,904	69,768,332	56,059,590
b) foreign currency revaluation reserve	52,949	122,293	75,340	174,007
b) current year profit	5,397,600	5,031,307	7,680,093	7,158,905
<b>Equity attributable to equity holders of the parent</b>	<b>80,221,667</b>	<b>70,290,159</b>	<b>114,145,149</b>	<b>100,013,886</b>
No controlling interest	59,425	57,127	84,554	81,284
<b>Total equity</b>	<b>80,281,092</b>	<b>70,347,286</b>	<b>114,229,703</b>	<b>100,095,170</b>
<b>LIABILITIES</b>				
<b>Non-current liabilities</b>				
Loans from credit institutions	3,147,672	4,059,003	4,478,734	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
<b>Total non-current liabilities</b>	<b>9,230,992</b>	<b>9,963,065</b>	<b>13,134,518</b>	<b>14,176,164</b>
<b>Current liabilities</b>				
Loans from credit institutions	7,063,105	7,170,624	10,049,893	10,202,879
Finance lease liabilities	-	101,339	-	144,192
Advances from customers	91,383	89,684	130,026	127,609
Trade accounts payable	2,878,623	4,786,965	4,095,912	6,811,238
Taxes and social security liabilities	793,492	663,202	1,129,037	943,651
Other payables	474,225	201,131	674,761	286,184
Accrued liabilities	114,815	89,692	163,367	127,620
Deferred income	160,041	539,000	227,718	766,928
<b>Total current liabilities</b>	<b>11,575,684</b>	<b>13,641,637</b>	<b>16,470,714</b>	<b>19,410,301</b>
<b>Total liabilities</b>	<b>20,806,676</b>	<b>23,604,702</b>	<b>29,605,232</b>	<b>33,586,465</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>101,087,768</b>	<b>93,951,988</b>	<b>143,834,935</b>	<b>133,681,635</b>

## STATEMENT OF COMPREHENSIVE INCOME

	2013 January- September LVL	2012 January- September LVL	2013 January- September EUR	2012 January- September EUR
Net sales	56,549,500	50,094,650	80,462,689	71,278,265
Cost of goods sold	(22,964,326)	(20,950,875)	(32,675,292)	(29,810,409)
<b>Gross profit</b>	<b>33,585,174</b>	<b>29,143,775</b>	<b>47,787,397</b>	<b>41,467,856</b>
Selling expenses	(13,815,826)	(13,676,428)	(19,658,149)	(19,459,804)
Administrative expenses	(7,915,752)	(5,685,083)	(11,263,100)	(8,089,144)
Other operating income	4,689,051	1,599,766	6,671,918	2,276,262
Other operating expenses	(10,241,805)	(5,419,183)	(14,572,776)	(7,710,803)
Interest income and similar income	70,860	89,276	100,825	127,028
Interest expense and similar expense	(137,221)	(207,753)	(195,248)	(295,606)
Real estate tax	(46,515)	(52,796)	(66,185)	(75,122)
<b>Profit before taxation</b>	<b>6,187,966</b>	<b>5,791,574</b>	<b>8,804,682</b>	<b>8,240,667</b>
Corporate income tax	(790,719)	(760,581)	(1,125,091)	(1,082,209)
<b>NET PROFIT FOR THE PERIOD</b>	<b>5,397,247</b>	<b>5,030,993</b>	<b>7,679,591</b>	<b>7,158,458</b>
<b>Other comprehensive income</b>				
Foreign currency revaluation	(2,854)	90,669	(4,061)	129,010
<b>Other comprehensive income total</b>	<b>(2,854)</b>	<b>90,669</b>	<b>(4,061)</b>	<b>129,010</b>
<b>Comprehensive income total</b>	<b>5,394,393</b>	<b>5,121,662</b>	<b>7,675,530</b>	<b>7,287,468</b>
<b>Attributable to:</b>				
<b>Equity holders of the parent</b>	<b>5,397,600</b>	<b>5,031,307</b>	<b>7,680,093</b>	<b>7,158,905</b>
<b>Non-controlling interest</b>	<b>(353)</b>	<b>(314)</b>	<b>(502)</b>	<b>(447)</b>
<b>TOTAL</b>	<b>5,397,247</b>	<b>5,030,993</b>	<b>7,679,591</b>	<b>7,158,458</b>
<b>Comprehensive income attributable of:</b>				
<b>Equity holders of the parent</b>	<b>5,394,746</b>	<b>5,121,976</b>	<b>7,676,032</b>	<b>7,287,915</b>
<b>Non-controlling interest</b>	<b>(353)</b>	<b>(314)</b>	<b>(502)</b>	<b>(447)</b>
<b>Total</b>	<b>5,394,393</b>	<b>5,121,662</b>	<b>7,675,530</b>	<b>7,287,468</b>
<b>Earnings per share attributable equity holders of the parent (LVL per share)</b>				
- Basic earnings per share	0.56	0.52	0.80	0.75
- Diluted earnings per share	0.56	0.52	0.80	0.75

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 Control ling Interest	Total
	LVL	LVL	LVL	LVL	LVL	LVL	LVL	LVL
<b>As of 31.12.2012</b>	9,585,000	15,687,750	464,905	55,803	49,033,463	74,826,921	59,778	<b>74,886,699</b>
Profit for the period	-	-	-	-	5,397,600	5,397,600	(353)	5,397,247
Foreign currency revaluation	-	-	-	(2,854)	-	(2,854)	-	(2,854)
<b>As of 30.09.2013</b>	<b>9,585,000</b>	<b>15,687,750</b>	<b>464,905</b>	<b>52,949</b>	<b>54,431,063</b>	<b>80,221,667</b>	<b>59,425</b>	<b>80,281,092</b>

	Share capital	Share premium	Other reserves	Foreign currency translation reserve	Accumulated profit	Equity attributable to equity holders of the parent	No Control ling Interest	Total
	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR
<b>As of 31.12.2012</b>	13,638,226	22,321,657	661,500	79,401	69,768,332	106,469,117	85,056	<b>106,554,173</b>
Profit for the period	-	-	-	-	7,680,093	7,680,093	(502)	7,679,591
Foreign currency revaluation	-	-	-	(4,061)	-	(4,061)	-	(4,061)
<b>As of 30.09.2013</b>	<b>13,638,226</b>	<b>22,321,657</b>	<b>661,500</b>	<b>75,340</b>	<b>77,448,425</b>	<b>114,145,149</b>	<b>84,554</b>	<b>114,229,703</b>

## STATEMENT OF CASH FLOWS

	2013 January- September LVL	2012 January- September LVL	2013 January- September EUR	2012 January- September EUR
<b>OPERATING ACTIVITIES</b>				
<b>Net profit before taxation</b>	6,187,966	5,791,574	8,804,682	8,240,667
<i>Adjustments to reconcile net profit to net cash provided by operating activities:</i>				
Depreciation and amortization	2,474,726	2,354,790	3,521,218	3,350,564
Revenue from the EU funds	(292,022)	(246,468)	(415,510)	(350,692)
Interest income	(70,860)	(89,276)	(100,825)	(127,028)
Interest expense	137,221	207,753	195,248	295,606
<i>Changes in operating assets and liabilities:</i>				
Inventory	(3,433,758)	(1,011,421)	(4,885,797)	(1,439,122)
Debtors	2,027,860	(564,847)	2,885,385	(803,705)
Creditors	(235,476)	(1,925,762)	(335,052)	(2,740,112)
<b>Gross cash provided by operating activities</b>	<b>6,795,657</b>	<b>4,516,343</b>	<b>9,669,349</b>	<b>6,426,178</b>
Corporate income tax paid	(2,055,761)	(608,628)	(2,925,084)	(866,000)
Interest income	2	28	3	40
<b>Net cash provided by operating activities</b>	<b>4,739,898</b>	<b>3,907,743</b>	<b>6,744,267</b>	<b>5,560,218</b>
<b>INVESTING ACTIVITIES</b>				
Purchase of fixed assets and intangible assets	(2,929,814)	(2,645,737)	(4,168,750)	(3,764,545)
Other loans	(541,158)	-	(769,998)	-
<b>Net cash used in investing activities</b>	<b>(3,470,972)</b>	<b>(2,645,737)</b>	<b>(4,938,748)</b>	<b>(3,764,545)</b>
<b>FINANCING ACTIVITIES</b>				
Received loans from credit institutions	948,415	89,678	1,349,473	127,600
Repaid loans to credit institutions	(1,897,118)	(1,227,405)	(2,699,356)	(1,746,440)
The EU funding	56,992	221,568	81,092	315,263
Interest paid	(137,221)	(207,753)	(195,248)	(295,606)
<b>Net cash (used in) /provided by financing activities</b>	<b>(1,028,932)</b>	<b>(1,123,912)</b>	<b>(1,464,038)</b>	<b>(1,599,183)</b>
<b>Net increase in cash and cash equivalents</b>	<b>239,994</b>	<b>138,094</b>	<b>341,480</b>	<b>196,490</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>1,767,463</b>	<b>1,061,697</b>	<b>2,514,873</b>	<b>1,510,659</b>

## NOTES

### OTHER DEBTORS

	30.09.2013. LVL	30.09.2012. LVL	30.09.2013. EUR	30.09.2012. EUR
Tax receivables	1,278,568	1,018,977	1,819,238	1,449,874
Other	8,824,584	8,213,229	12,556,252	11,686,372
<b>Total</b>	<b>10,103,152</b>	<b>9,232,206</b>	<b>14,375,490</b>	<b>13,136,246</b>

### CASH AND CASH EQUIVALENTS

	30.09.2013. LVL	30.09.2012. LVL	30.09.2013. EUR	30.09.2012. EUR
Cash in bank	1,751,918	1,057,486	2,492,754	1,504,667
Cash on hand	15,545	4,211	22,119	5,992
<b>Total</b>	<b>1,767,463</b>	<b>1,061,697</b>	<b>2,514,873</b>	<b>1,510,659</b>

### LOANS FROM CREDIT INSTITUTIONS

	30.09.2013. LVL	30.09.2012. LVL	30.09.2013. EUR	30.09.2012. EUR
Credit line from JSC "SEB Bank", Latvia	3,137,120	3,391,550	4,463,720	4,825,741
Credit line from Nordea Bank Finland Plc.	3,516,850	3,369,939	5,004,026	4,794,991
Nordea Bank Finland Plc.	210,841	210,841	300,000	300,000
Nordea Bank Finland Plc.	117,134	117,134	166,667	166,667
JSC "SEB Bank", Latvia	81,160	81,160	115,480	115,480
<b>Current loans from credit institutions</b>	<b>7,063,105</b>	<b>7,170,624</b>	<b>10,049,893</b>	<b>10,202,879</b>
Nordea Bank Finland Plc.	1,475,888	2,319,253	2,100,000	3,300,000
JSC "SEB Bank", Latvia	725,210	-	1,031,881	-
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
<b>Non-current loans from credit institutions</b>	<b>3,147,672</b>	<b>4,059,003</b>	<b>4,478,734</b>	<b>5,775,441</b>
<b>Total</b>	<b>10,210,777</b>	<b>11,229,627</b>	<b>14,528,627</b>	<b>15,978,320</b>

## TAX LIABILITIES

	30.09.2013. LVL	30.09.2012. LVL	30.09.2013. EUR	30.09.2012. EUR
Social security payments	306,506	318,257	436,119	452,839
Personal income tax	214,828	184,517	305,673	262,544
Corporate income tax	258,214	146,357	367,405	208,247
Other	13,944	14,071	19,840	20,021
<b>Total</b>	<b>793,492</b>	<b>663,202</b>	<b>1,129,037</b>	<b>943,651</b>

## NET SALES

	2013 January- September LVL	2012 January- September LVL	2013 January- September EUR	2012 January- September EUR
Russia	31,280,649	27,602,011	44,508,354	39,274,123
Other CIS countries	17,297,066	17,578,031	24,611,508	25,011,285
Other countries	7,137,386	3,864,970	10,155,585	5,499,357
Latvia	2,999,317	2,786,851	4,267,644	3,965,332
Lithuania	1,816,873	1,929,562	2,585,177	2,745,519
Estonia	1,153,141	1,048,903	1,640,772	1,492,455
Other income	98,965	77,137	140,814	109,756
<b>Gross sales</b>	<b>61,783,397</b>	<b>54,887,465</b>	<b>87,909,854</b>	<b>78,097,827</b>
<b>Less discounts</b>				
Russia	(3,130,792)	(2,877,963)	(4,454,716)	(4,094,972)
Other CIS countries	(1,932,416)	(1,666,521)	(2,749,580)	(2,371,246)
Latvia	(125,575)	(120,320)	(178,677)	(171,200)
Lithuania	(15,815)	(86,817)	(22,503)	(123,529)
Estonia	(23,693)	(23,933)	(33,712)	(34,054)
Other countries	(5,606)	(17,261)	(7,977)	(24,561)
<b>Discounts total</b>	<b>(5,233,897)</b>	<b>(4,792,815)</b>	<b>(7,447,165)</b>	<b>(6,819,562)</b>
<b>Total, net</b>	<b>56,549,500</b>	<b>50,094,650</b>	<b>80,462,689</b>	<b>71,278,265</b>



## COST OF GOODS SOLD

	2013 January- September LVL	2012 January- September LVL	2013 January- September EUR	2012 January- September EUR
Raw materials and packing	9,392,235	7,841,726	13,363,946	11,157,771
Goods purchased for resale and contract manufacturing	6,259,356	5,387,076	8,906,261	7,665,119
Direct labour and social security payments	5,115,257	4,956,300	7,278,355	7,052,180
Depreciation of fixed assets and amortization of intangible assets	1,972,473	1,872,728	2,806,576	2,664,652
Research costs	1,154,406	818,652	1,642,572	1,164,837
Electricity resource expenses	993,044	932,875	1,412,974	1,327,362
Machinery, buildings and equipment repairs	549,591	506,527	781,998	720,723
Household expenses	155,051	148,499	220,618	211,295
Transport	94,649	94,932	134,673	135,076
Waste disposal	65,717	50,938	93,507	72,478
Rent of work clothing	56,624	54,487	80,569	77,528
Other	856,895	760,283	1,219,252	1,081,783
Internal turnover of self-manufactured raw materials	(3,700,972)	(2,474,148)	(5,266,009)	(3,520,395)
<b>Total</b>	<b>22,964,326</b>	<b>20,950,875</b>	<b>32,675,292</b>	<b>29,810,409</b>

## SELLING AND DISTRIBUTION COSTS

	2013 January- September LVL	2012 January- September LVL	2013 January- September EUR	2012 January- September EUR
Advertising	7,784,071	7,891,450	11,075,735	11,228,522
Expenses of representative offices	2,185,226	1,857,152	3,109,296	2,642,489
Salaries and social security payments	1,287,806	1,229,105	1,832,383	1,748,859
Distribution expenses for goods	452,771	423,970	644,235	603,255
Depreciation of fixed assets and amortisation of intangible assets	278,171	293,153	395,802	417,119
Commissions	254,580	253,065	362,235	360,079
Registration costs for medicine	160,695	204,225	228,648	290,586
Patents	106,905	299,400	152,112	426,008
Freight insurance	9,022	11,443	12,837	16,282
Other	1,296,579	1,213,465	1,844,866	1,726,605
<b>Total</b>	<b>13,815,826</b>	<b>13,676,428</b>	<b>19,658,149</b>	<b>19,459,804</b>

## ADMINISTRATIVE EXPENSES

	2013 January- September LVL	2012 January- September LVL	2013 January- September EUR	2012 January- September EUR
Salaries and social security payments	2,823,403	3,306,984	4,017,341	4,705,414
Professional services	740,238	187,026	1,053,264	266,114
Depreciation of fixed assets and amortisation of intangible assets	223,292	175,656	317,716	249,936
Security costs	164,032	170,066	233,397	241,982
Employee insurance	128,788	119,765	183,249	170,410
Electricity costs	114,620	71,952	163,090	102,378
Computers maintenance	105,427	118,851	150,009	169,110
Transport	100,725	110,194	143,319	156,792
Personnel training and hiring expenses	86,485	53,729	123,057	76,449
Business trip expensis	59,869	59,644	85,186	84,866
Bank charges	46,840	63,567	66,647	90,448
Property and liability insurance	34,050	36,122	48,449	51,397
Communication expense	20,620	24,627	29,340	35,041
Other	3,267,363	1,186,900	4,649,036	1,688,807
<b>Total</b>	<b>7,915,752</b>	<b>5,685,083</b>	<b>11,263,100</b>	<b>8,089,144</b>

Currency exchange for the EUR – 0.702804

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

29 November 2013