

**Joint Stock Company “Grindeks”**

*Non-audited consolidated financial statements  
for the periods ended  
30 September, 2012  
and 30 September, 2011  
prepared in accordance with International  
Financial Reporting Standards*

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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, medical and phyto-chemical medicines
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 apsaimniekošanas projekti” Ltd. 53 Krustpils Street Riga, LV - 1057, Latvia  “Grindeks Rus” Ltd. 74/3 Warsaw Road 117556, Moscow, Russia
Reporting period	1 January, 2012 – 30 September, 2012
Previous reporting period	1 January, 2011 – 30 September, 2011

## THE BOARD AND THE SUPERVISORY COUNCIL

### **Board of the Company**

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

Since 13 October, 2008 to 24 November, 2011:

<u>Name</u>	<u>Position</u>	<u>Ownership interest(%)*</u>
Janis Romanovskis	Chairman of the Board	0.03
Vadims Rabsha	Board member	0.00
Lipmans Zeligmans	Board member	0.00

*\*Latvian Central Depository data as of 31 October, 2011*

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 31 December, 2011*

Since May 1, 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 October, 2012*

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

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

Since 25 May, 2010 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
Ivars Kalvins	Member of the Supervisory Council	0.18

*\* Latvian Central Depository data as of 31 October, 2012*

## THE SHAREHOLDERS

The shareholders as of 31 October, 2012 and 11 June, 2012 were as follows (Latvian central Depository data):

	<b>Percentage holding (%) 31.10.2012</b>	<b>Percentage holding (%) 11.06.2012</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)	10.22	10.53
Swedbank AS Clients Account (nominal holder)	8.58	8.79
Other shareholders	19.84	19.32
<b>Total</b>	<b>100.00</b>	<b>100.00</b>

## MANAGEMENT REPORT

### Business mode

In the reporting period the Group of “Grindeks” consisted of the JSC “Grindeks” and its four subsidiaries: JSC “Tallinn Pharmaceutical Plant” in Estonia, JSC “Kalceks”, “Namu Apsaimniekošanas 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 brand products, generics and active pharmaceutical ingredients.

### Group’s activity during the reporting period

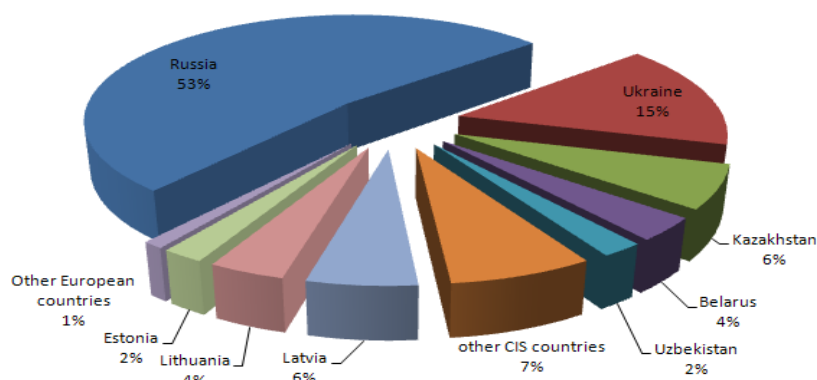
The Group’s turnover in the first nine months of 2012 amounted to 50.1 million lats, which is by 1.2 million lats or 2.5 % more than in the first nine months of 2011. Whereas, the net profit of the Group, related to the shareholders of the holding company, amounted to 5 million lats in the first nine months of 2012, which, in comparison with the first nine months of 2011, has decreased by 0.8 million lats or 13.8%. The indicators of the turnover and profit have been affected by the active pharmaceutical ingredients business, where a part of clients have reviewed the manufacturing plans and postponed the deliveries to the fourth quarter of the year. The gross profit margin of the Group in the first nine months of 2012 was 58.1%, whereas, the net profit margin was 10%. During the first nine months of 2012 the products manufactured by the Group were exported to 50 countries all over the world for the total amount of 47.4 million lats, which is by 1.3 million lats or 2.8 % more than in the first nine months of 2011.

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

The sales volume of the final dosage forms of “Grindeks” was 46.7 million lats in the first nine months of 2012 and has increased comparing to the same period of the previous year by 5 million lats or 12%. The main markets of the final dosage forms are Russia, other CIS countries, Georgia and the Baltic States. The sales amount in Russia, other CIS countries and Georgia reached 40.4 million lats in the first nine months of 2012, which is by 4.9 million lats or 13.8% more than in the respective period of 2011. Whereas, the sales amount of final dosage forms in the Baltic States and other European countries reached 6.3 million lats, which is by 0.2 million lats or 3.3% more than in the first nine months of 2011.

In the first nine months of 2012 the growth in demand of the final dosage forms is explainable by the effective marketing and sales activities. Overall, 20.57 million packages were sold, which compared to the first nine months 2011 is by 1.4 million or 7.3% packages more. The most demanded products of “Grindeks” in the first nine months of 2012 – the brand product Mildronate®, ointments – Capsicam®, Viprosal B®, central nervous system affecting medications – Somnols®, Cyclodol®, the original anti-cancer agent Ftorafur® and the natural product Apilak-Grindeks. In particular, the remarkable sales increase was for product Somnols® by 29.8%.

Turnover of the final dosage forms by countries (%)



In the first nine months of 2012 the sales of the active pharmaceutical ingredients reached 3.4 million lats, which is by 3.8 million lats or 52.8% less than in the first nine months of 2011. Part of the active pharmaceutical ingredient clients has reviewed their manufacturing plans for the year of 2012, postponing the deliveries to the fourth quarter of the year. The main export markets of active pharmaceutical ingredients of “Grindeks” are Germany, the Netherlands, Japan and the U.S. The most demanded pharmaceutical ingredients of “Grindeks” are: zopiclone, oxytocin, ftorafur (tegafurum), UDCA (ursodeoxycholic acid) as well as the veterinary products – detomidine, medetomidine. Overall “Grindeks” produces 22 active pharmaceutical ingredients.

### Market overview

In all the markets of the final dosage forms of “Grindeks” a positive overall market dynamics and moderate growth can be observed. It also promotes competition and low price policy dominance. The market potential in each of the final dosage forms markets is different – the development opportunities depend not only on the

market size, but also on purchasing capacity of inhabitants and public health policy of a particular country. It is important that the CIS countries health policy is increasingly focused on the protection of the interests of domestic producers.

In an environment of intense competition, the demand for final dosage products of “Grindex” grows. Sales growth of final dosage forms comprises 12%, and it is most directly affected by the growing number of the sold packages. A growing demand for medications of “Grindex” is observed in such Asian countries as Kyrgyzstan, Tajikistan and Turkmenistan. Special emphasis has to be placed also on the performance of “Grindex” in the Scandinavian countries, where “Grindex” has launched export of final dosage forms since last year. This is a significant milestone in the company’s market strategy that makes us to use our opportunities in the Northern and Western countries of Europe more intensively.

Also in the markets of active pharmaceutical ingredient of “Grindex” – the European Union, the U.S. and Japan – competition is very fierce, because more and more Chinese and Indian manufacturers offer substances in these regulated markets. With increasing competition, increases the number of counterfeit substances, therefore it is thought about how to make this environment more secure. Since 2011, “Grindex” has been participating in an international project “Fingerprinting” organized by the EDQM, which identifies the main differences and features of active pharmaceutical ingredients that prove the product quality of the particular manufacturer. “Grindex” participates in this project with four produced active pharmaceutical ingredients. The key competitive advantage for “Grindex” in the active pharmaceutical ingredients business are complex active pharmaceutical ingredients, created in the multi-stage synthesis.

### **New product development**

In the first nine months of 2012 the product range of the final dosage forms affecting central nervous systems product group was expanded by introducing Ipigrix® (Ipidacrine hydrochloridum) 2 forms of solution for injections and Neostigmine-Kalceks solution for injections. In the first half year the new analgesic solution for injections Metamizole sodium-Kalceks was also registered. The new six-vitamin product series Gritamin® are now available in all the Baltic States, where, since the autumn, intensive sales promotion has been started. The work on the development of brand products will also continue, including development of new combinations Mildronate®. At present, there are 4 new active pharmaceutical ingredients under development.

### **Investment program**

“Grindex” has established and in November plans to unveil the manufacturing unit for ethanol-based gels and ointments in the territory of the company in Riga, 53 Krustpils Street. The total investment of the project is 2.5 million lats, out of which 448.67 thousand lats is the EU co-financing.

Thanks to the new manufacturing unit, the company’s product range will be extended with ethanol-based gels and ointments. For the establishment of the manufacturing unit, the necessary equipment for smelting, manufacture, packaging and cartooning is purchased that will ensure output up to 20 million packages (tubes) per year.

### **Quality and environmental protection**

In the first nine months of 2012 “Grindex” successfully passed several supervisory institution inspections and audits – the detailed assessment of company by WHO (World Health Organization), the audit of the Analytical Scale-Up Laboratory’s compliance with the “Good Laboratory Practice” by Latvian National Accreditation Bureau, inspection by the Drug Regulatory Agency of Kazakhstan.

Also three inspections by the State Agency of Medicines of Latvia were concluded, during which “Grindex” as wholesaler was evaluated and its relevance to “Good Distribution Practice” was recognized. Together with the foreign inspectors, the final and researchable medication manufacturing and quality departments were inspected. The new manufacturing unit for ointments and gels was evaluated and the licence that allows the company in addition to the existing business activities also produce ointments, gels, medicated shampoos and other pharmaceutical forms for external use was issued by the State Agency of Medicines of Latvia. Successfully was passed the recertification of the company’s compliance with ISO 9001 and 14001 standards.

To determine the validity period of medication before its registration in different countries, the company has established a new large-scale stability research room with the exact climatic conditions.

In accordance with the laws and regulations of Europe, which regulate that for the manufacturing of medication can only be used substances that are in compliance with the “Good Manufacturing Practice” standards, “Grindex” specialists have performed 21 substance manufacturer’s audits in China, Russia, Ukraine and several EU countries, as well as audits of the manufacturing units of contract-manufacturers and potential cooperation partners.

Positive conclusions and issued certificates of state institutions open up possibilities for the company of expanding existing and beginning new business activities.

## Development of “Grindeks” share price in the first nine months of 2012 (data of “NASDAQ OMX Riga”)

Since January 2, 2006 “Grindeks” shares are listed on the Official List of “NASDAQ OMX Riga”. The price of “Grindeks” shares on “NASDAQ OMX Riga” in the first nine months of 2012 varied between 4.14 lats to 5.35 lats. In the first nine months of 2012, the average price of “Grindeks” shares on “NASDAQ OMX Riga” was 4.6 lats. The total traded shares on “NASDAQ OMX Riga” in the first nine months of 2012 amounted to 394 311 shares, reaching the turnover of 1.84 million lats. At the end of the period of the first nine months of 2012 the stock market capitalization of “Grindeks” was 44 million lats.



The Group’s earnings per share (EPS coefficient) amounted to 0.52 lats in the first nine months of 2012 as compared with 0.61 lats in the first nine months of 2011.

## Future expectations

Continuing the started activities, the main priority for “Grindeks” remains the product range expansion, thus diversifying the operations and reducing business risks. The main therapeutic groups are heart and cardiovascular, anti-cancer and the central nervous system affecting medications, however the company has also turned to other therapeutic directions – gastrointestinal and anti-bacterial medications. The strategy of “Grindeks” foresees developing and registering of four new generic medications each year.

“Grindeks” is focusing its attention on such solutions that allow using the vertical integration benefits – active pharmaceutical ingredients developed and manufactured by own resources, from which then final dosage form products are manufactured and sold. Thus, solutions in accordance with high quality and cost-efficiency will be established. One of the initiated projects is the UDCA final dosage form development and registration.

To increase sales of “Grindeks” final dosage forms, the company pays special attention to the improvement of marketing and sales capacity. The company’s positions and the role of representative offices in existing markets are being strengthened. The operational and client relationship principles are being improved in all representative offices, thus, promoting accountability of representative offices in local markets and growth of final dosage forms sales.

“Grindeks” continues to follow the costs by reducing expenses and increasing their return.

Basing on the results of the first nine months and the preliminary sales results of the first months of the fourth quarter of 2012, “Grindeks”, as previously reported, plans to reach at least 10% turnover and profit growth over the previous year.

On behalf of the Group’s Management:

Vadims Rabša  
Acting Chairman of the Board

23 November, 2012



## STATEMENT OF THE MANAGEMENT RESPONSIBILITIES

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

The consolidated interim financial statements, enclosed from the page 10 to the page 18, are prepared in accordance with the accounting records and source documents, and presenting fairly the financial position of the Group as of 30 September, 2012 and the results of its operations and cash flows for the period of nine months ended 30 September, 2012.

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:



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Vadims Rabša  
Acting Chairman of the Board

23 November, 2012

## STATEMENT OF FINANCIAL POSITION

	30.09.2012. LVL	30.09.2011. LVL	30.09.2012. EUR	30.09.2011. EUR
<b>ASSETS</b>				
<b>Non-current assets</b>				
<b>Intangible assets</b>				
Software, patents, licenses, trademarks and other rights	739,791	695,336	1,052,628	989,374
Advance payments for intangible assets	127,829	160,339	181,884	228,142
<b>Total intangible assets</b>	<b>867,620</b>	<b>855,675</b>	<b>1,234,512</b>	<b>1,217,516</b>
<b>Tangible fixed assets</b>				
Land, buildings and constructions	17,957,475	17,128,723	25,551,185	24,371,977
Equipment and machinery	13,698,853	12,459,732	19,491,712	17,728,601
Other fixed assets	751,916	770,751	1,069,880	1,096,680
Advance payments for fixed assets	438,382	3,899,320	623,761	5,548,233
Construction in progress	3,549,022	1,486,283	5,049,803	2,114,790
<b>Total tangible fixed assets</b>	<b>36,395,648</b>	<b>35,744,809</b>	<b>51,786,342</b>	<b>50,860,281</b>
<b>Investment property</b>	<b>4,882,200</b>	<b>4,882,200</b>	<b>6,946,745</b>	<b>6,946,745</b>
<b>Non current financial investments</b>				
Other Investments	22,220	22,220	31,616	31,616
Other non current assets	1,654,150	1,706,860	2,353,643	2,428,643
Loan for the partner and management	579,813	896,075	825,000	1,275,000
<b>Total long term financial investments</b>	<b>2,256,183</b>	<b>2,625,155</b>	<b>3,210,259</b>	<b>3,735,259</b>
<b>Total non current financial assets</b>	<b>44,401,651</b>	<b>44,107,839</b>	<b>63,177,858</b>	<b>62,759,801</b>
<b>Current assets</b>				
<b>Inventories</b>				
Raw materials	3,145,901	3,250,062	4,476,214	4,624,422
Unfinished goods	2,760,597	1,990,846	3,927,976	2,832,718
Finished goods and goods for resale	6,743,463	6,995,501	9,595,083	9,953,701
<b>Total inventory</b>	<b>12,649,961</b>	<b>12,236,409</b>	<b>17,999,273</b>	<b>17,410,841</b>
<b>Debtors</b>				
Trade receivables	25,362,495	26,138,099	36,087,579	37,191,164
Other debtors	9,232,206	5,971,175	13,136,246	8,496,217
Other investments	1,139,450	772,824	1,621,291	1,099,629
Deferred expenses	104,528	100,374	148,729	142,820
<b>Total debtors</b>	<b>35,838,679</b>	<b>32,982,472</b>	<b>50,993,845</b>	<b>46,929,830</b>
<b>Cash and cash equivalents</b>	<b>1,061,697</b>	<b>569,760</b>	<b>1,510,659</b>	<b>810,695</b>
<b>Total current assets</b>	<b>49,550,337</b>	<b>45,788,641</b>	<b>70,503,777</b>	<b>65,151,366</b>
<b>TOTAL ASSETS</b>	<b>93,951,988</b>	<b>89,896,480</b>	<b>133,681,635</b>	<b>127,911,167</b>

	30.09.2012. LVL	30.09.2011. LVL	30.09.2012. EUR	30.09.2011. EUR
<b>EQUITY AND 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
(Accumulated loss) / retained profit:				
a) prior year accumulated profit/loss	39,398,904	32,692,830	56,059,590	46,517,706
b) foreign currency revaluation	122,293	35,361	174,007	50,314
c) current year profit	5,031,307	5,848,227	7,158,905	8,321,277
<b>Equity attributable to equity holders of the parent</b>	<b>70,290,159</b>	<b>64,314,073</b>	<b>100,013,886</b>	<b>91,510,681</b>
No controlling interest	57,127	55,825	81,284	79,432
<b>Total equity</b>	<b>70,347,286</b>	<b>64,369,898</b>	<b>100,095,170</b>	<b>91,590,113</b>
<b>LIABILITIES</b>				
<b>Long-term liabilities</b>				
Loans from credit institutions	4,059,003	6,023,518	5,775,441	8,570,694
Finance lease liabilities	460,871	879,664	655,760	1,251,649
Deferred income	3,279,036	3,056,775	4,665,648	4,349,400
Deferred tax liabilities	2,164,155	1,993,312	3,079,315	2,836,227
<b>Total non-current liabilities</b>	<b>9,963,065</b>	<b>11,953,269</b>	<b>14,176,164</b>	<b>17,007,970</b>
<b>Current liabilities</b>				
Loans from credit institutions	7,170,624	6,987,876	10,202,879	9,942,852
Finance lease liabilities	101,339	69,388	144,192	98,730
Advances from customers	89,684	85,544	127,609	121,718
Trade accounts payable	4,786,965	4,494,082	6,811,238	6,394,503
Taxes and social security liabilities	663,202	1,063,975	943,651	1,513,900
Other payables	201,131	399,816	286,184	568,886
Deferred income	539,000	360,958	766,928	513,597
Accrued liabilities	89,692	111,674	127,620	158,898
<b>Total current liabilities</b>	<b>13,641,637</b>	<b>13,573,313</b>	<b>19,410,301</b>	<b>19,313,084</b>
<b>Total liabilities</b>	<b>23,604,702</b>	<b>25,526,582</b>	<b>33,586,465</b>	<b>36,321,054</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>93,951,988</b>	<b>89,896,480</b>	<b>133,681,635</b>	<b>127,911,167</b>

## STATEMENT OF COMPREHENSIVE INCOME

	2012 January- September LVL	2011 January- September LVL	2012 January- September EUR	2011 January- September EUR
Net sales	50,094,650	48,886,199	71,278,265	69,558,794
Cost of goods sold	(20,950,875)	(18,817,383)	(29,810,409)	(26,774,724)
<b>Gross profit</b>	<b>29,143,775</b>	<b>30,068,816</b>	<b>41,467,856</b>	<b>42,784,070</b>
Selling expenses	(13,676,428)	(14,209,707)	(19,459,804)	(20,218,592)
Administrative expenses	(5,685,083)	(5,631,514)	(8,089,144)	(8,012,923)
Other operating income	1,599,766	652,023	2,276,262	927,746
Other operating expenses	(5,419,183)	(3,781,958)	(7,710,803)	(5,381,241)
Interest income and similar income	89,276	84,093	127,028	119,654
Interest expense and similar expense	(207,753)	(214,145)	(295,606)	(304,701)
Real estate tax	(52,796)	(60,053)	(75,122)	(85,448)
<b>Profit before taxation</b>	<b>5,791,574</b>	<b>6,907,555</b>	<b>8,240,667</b>	<b>9,828,565</b>
Corporate income tax	(760,581)	(1,059,523)	(1,082,209)	(1,507,565)
<b>NET PROFIT FOR THE PERIOD</b>	<b>5,030,993</b>	<b>5,848,032</b>	<b>7,158,458</b>	<b>8,321,000</b>
<b>Other comprehensive income</b>				
Foreign currency revaluation	90,669	(9,921)	129,010	(14,116)
<b>Other comprehensive income total</b>	<b>90,669</b>	<b>(9,921)</b>	<b>129,010</b>	<b>(14,116)</b>
<b>Comprehensive income total</b>	<b>5,121,662</b>	<b>5,838,111</b>	<b>7,287,468</b>	<b>8,306,884</b>
<b>Attributable to:</b>				
Equity holders of the parent	5,031,307	5,848,227	7,158,905	8,321,277
No controlling interest	(314)	(195)	(447)	(277)
<b>TOTAL</b>	<b>5,030,993</b>	<b>5,848,032</b>	<b>7,158,458</b>	<b>8,321,000</b>
<b>Comprehensive income attributable of:</b>				
Equity holders of the parent	5,121,976	5,838,306	7,287,915	8,307,161
No controlling interest	(314)	(195)	(447)	(277)
<b>Total</b>	<b>5,121,662</b>	<b>5,838,111</b>	<b>7,287,468</b>	<b>8,306,884</b>
<b>Earnings per share attributable equity holders of the parent (LVL per share)</b>				
– Basic earnings per share	0.52	0.61	0.75	0.87
– Diluted earnings per share	0.52	0.61	0.75	0.87

## STATEMENT OF CHANGES IN EQUITY

	Share capital	Share premium	Other reserves	Foreign currency translation reserve	Retained profit	Equity attributable to equity holders of the parent	No controlling interest	Total
	LVL	LVL	LVL	LVL	LVL	LVL	LVL	LVL
<b>As at 31.12.2011</b>	9,585,000	15,687,750	464,905	31,624	39,398,904	<b>65,168,183</b>	57,441	<b>65,225,624</b>
Profit for the period	-	-	-	-	5,031,307	<b>5,031,307</b>	(314)	<b>5,030,993</b>
Foreign currency revaluation	-	-	-	90,669	-	<b>90,669</b>	-	<b>90,669</b>
<b>As at 30.09.2012</b>	9,585,000	15,687,750	464,905	122,293	44,430,211	<b>70,290,159</b>	57,127	<b>70,347,286</b>

	Share capital	Share premium	Other reserves	Foreign currency translation reserve	Retained profit	Equity attributable to equity holders of the parent	No controlling interest	Total
	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR
<b>As at 31.12.2011</b>	13,638,226	22,321,657	661,500	44,997	56,059,590	<b>92,725,971</b>	81,731	<b>92,807,702</b>
Profit for the period	-	-	-	-	7,158,905	<b>7,158,905</b>	(447)	<b>7,158,458</b>
Foreign currency revaluation	-	-	-	129,010	-	<b>129,010</b>	-	<b>129,010</b>
<b>As at 30.09.2012</b>	13,638,226	22,321,657	661,500	174,007	63,218,495	<b>100,013,886</b>	81,284	<b>100,095,170</b>

## STATEMENT OF CASH FLOWS

	2012 January- September LVL	2011 January- September LVL	2012 January- September EUR	2011 January- September EUR
<b>OPERATING ACTIVITIES</b>				
<b>Net profit before taxation</b>	5,791,574	6,907,555	8,240,667	9,828,565
<i>Adjustments to reconcile net profit to net cash provided by operating activities:</i>				
Depreciation and amortisation	2,354,790	2,117,709	3,350,564	3,013,228
(Gain) / loss on disposal of fixed assets and intangible assets	-	1,057	-	1,504
Income from EU funding	(246,468)	(137,949)	(350,692)	(196,284)
Interest income	(89,276)	(84,093)	(127,028)	(119,654)
Interest expense	207,753	214,145	295,606	304,701
<i>Changes in operating assets and liabilities:</i>				
Inventory	(1,011,421)	(1,490,743)	(1,439,122)	(2,121,136)
Debtors	(564,847)	(3,745,389)	(803,705)	(5,329,208)
Creditors	(1,925,762)	(1,132,991)	(2,740,112)	(1,612,100)
<b>Gross cash provided by operating activities</b>	<b>4,516,343</b>	<b>2,649,301</b>	<b>6,426,178</b>	<b>3,769,616</b>
Corporate income tax paid	(608,628)	113	(866,000)	161
Interest income received	28	(1,186,728)	40	(1,688,562)
<b>Net cash provided by (used in) operating activities</b>	<b>3,907,743</b>	<b>1,462,686</b>	<b>5,560,218</b>	<b>2,081,215</b>
<b>INVESTING ACTIVITIES</b>				
Purchase of fixed assets and intangible assets	(2,645,737)	(2,735,141)	(3,764,545)	(3,891,755)
<b>Net cash used in investing activities</b>	<b>(2,645,737)</b>	<b>(2,735,141)</b>	<b>(3,764,545)</b>	<b>(3,891,755)</b>
<b>FINANCING ACTIVITIES</b>				
Received loans from credit institutions	89,678	9,116,652	127,600	12,971,827
Repaid loans to credit institutions	(1,227,405)	(7,632,877)	(1,746,440)	(10,860,606)
EU funding	221,568	48,079	315,263	68,410
Interest paid	(207,753)	(214,145)	(295,606)	(304,701)
<b>Net cash (used in) /provided by financing activities</b>	<b>(1,123,912)</b>	<b>1,317,709</b>	<b>(1,599,183)</b>	<b>1,874,930</b>
<b>Net increase / (decrease) in cash and cash equivalents</b>	<b>138,094</b>	<b>45,254</b>	<b>196,490</b>	<b>64,390</b>
<b>Cash and cash equivalents at the beginning of the year</b>	<b>923,603</b>	<b>524,506</b>	<b>1,314,169</b>	<b>746,305</b>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR</b>	<b>1,061,697</b>	<b>569,760</b>	<b>1,510,659</b>	<b>810,695</b>

## NOTES

### OTHER DEBTORS

	30.09.2012. LVL	30.09.2011. LVL	30.09.2012. EUR	30.09.2011. EUR
Tax receivables	1,018,977	529,457	1,449,874	753,349
Other	8,213,229	5,441,718	11,686,372	7,742,868
<b>Total</b>	<b>9,232,206</b>	<b>5,971,175</b>	<b>13,136,246</b>	<b>8,496,217</b>

### CASH AND CASH EQUIVALENTS

	30.09.2012. LVL	30.09.2011. LVL	30.09.2012. EUR	30.09.2011. EUR
Cash in bank	1,057,486	566,113	1,504,667	805,506
Cash on hand	4,211	3,647	5,992	5,189
<b>Total</b>	<b>1,061,697</b>	<b>569,760</b>	<b>1,510,659</b>	<b>810,695</b>

### LOANS FROM CREDIT INSTITUTIONS

	30.09.2012. LVL	30.09.2011. LVL	30.09.2012. EUR	30.09.2011. EUR
Credit line from JSC "SEB Bank", Latvia	3,391,550	3,487,506	4,825,741	4,962,274
Credit line from Nordea bank, Latvia	3,369,939	3,419,210	4,794,991	4,865,098
Nordea bank, Latvia	210,841	-	300,000	-
Nordea bank, Latvia	117,134	-	166,667	-
JSC "SEB Bank", Latvia	81,160	81,160	115,480	115,480
<b>Īstermiņa aizņēmumi no kredītiestādēm</b>	<b>7,170,624</b>	<b>6,987,876</b>	<b>10,202,879</b>	<b>9,942,852</b>
Nordea bank, Latvia	2,319,253	3,373,459	3,300,000	4,800,000
JSC "SEB Bank", Latvia	919,812	1,244,451	1,308,774	1,770,694
Nordea bank, Latvia	819,938	1,405,608	1,166,667	2,000,000
<b>Non-current loans from credit institutions</b>	<b>4,059,003</b>	<b>6,023,518</b>	<b>5,775,441</b>	<b>8,570,694</b>
<b>Total</b>	<b>11,229,627</b>	<b>13,011,394</b>	<b>15,978,320</b>	<b>18,513,546</b>

## TAXES AND SOCIAL SECURITY LIABILITIES

	30.09.2012. LVL	30.09.2011. LVL	30.09.2012. EUR	30.09.2011. EUR
Social security payments	318,257	313,512	452,839	446,087
Personal income tax	184,517	210,318	262,544	299,256
Corporate income tax	146,357	522,583	208,247	743,569
Other	14,071	17,562	20,021	24,988
<b>Total</b>	<b>663,202</b>	<b>1,063,975</b>	<b>943,651</b>	<b>1,513,900</b>

## NET SALES

	2012 January- September LVL	2011 January- September LVL	2012 January- September EUR	2011 January- September EUR
Russia	27,602,011	26,973,462	39,274,123	38,379,779
Other CIS countries	17,578,031	16,063,402	25,011,285	22,856,162
Other countries	3,864,970	6,141,594	5,499,357	8,738,701
Latvia	2,786,851	2,819,277	3,965,332	4,011,470
Lithuania	1,929,562	1,748,297	2,745,519	2,487,603
Estonia	1,048,903	1,014,134	1,492,455	1,442,983
Other	77,137	66,775	109,756	95,010
<b>Gross sales</b>	<b>54,887,465</b>	<b>54,826,941</b>	<b>78,097,827</b>	<b>78,011,708</b>
<b>Less discounts</b>				
Russia	(2,877,963)	(4,297,099)	(4,094,972)	(6,114,221)
Other CIS countries	(1,666,521)	(1,470,286)	(2,371,246)	(2,092,029)
Latvia	(120,320)	(70,137)	(171,200)	(99,796)
Lithuania	(86,817)	(62,897)	(123,529)	(89,494)
Estonia	(23,933)	(24,180)	(34,054)	(34,405)
Other countries	(17,261)	(16,143)	(24,561)	(22,969)
<b>Discounts total</b>	<b>(4,792,815)</b>	<b>(5,940,742)</b>	<b>(6,819,562)</b>	<b>(8,452,914)</b>
<b>Total, net</b>	<b>50,094,650</b>	<b>48,886,199</b>	<b>71,278,265</b>	<b>69,558,794</b>



## COST OF GOODS SOLD

	2012 January- September LVL	2011 January- September LVL	2012 January- September EUR	2011 January- September EUR
Raw materials and packaging	7,841,726	8,405,089	11,157,771	11,959,364
Direct labour and social security payments	4,956,300	4,834,033	7,052,180	6,878,209
Goods purchased for resale	5,387,076	2,961,963	7,665,119	4,214,494
Depreciation of fixed assets and amortisation of intangible assets	1,872,728	1,611,204	2,664,652	2,292,537
Electricity resource expenses	932,875	811,368	1,327,362	1,154,473
Research costs	818,652	1,212,060	1,164,837	1,724,606
Machinery, buildings and equipment repairs	506,527	461,234	720,723	656,277
Household expenses	148,499	143,230	211,295	203,798
Transport	94,932	98,750	135,076	140,509
Rent of work clothing	54,487	53,005	77,528	75,419
Waste disposal	50,938	59,951	72,478	85,303
Other	760,283	910,421	1,081,783	1,295,411
Internal turnover of self-manufactured raw materials	(2,474,148)	(2,744,925)	(3,520,395)	(3,905,676)
<b>Total</b>	<b>20,950,875</b>	<b>18,817,383</b>	<b>29,810,409</b>	<b>26,774,724</b>

## SELLING AND DISTRIBUTION COSTS

	2012 January- September LVL	2011 January- September LVL	2012 January- September EUR	2011 January- September EUR
Advertising	7,891,450	8,406,979	11,228,522	11,962,053
Expenses of representative offices	1,857,152	1,795,863	2,642,489	2,555,283
Salaries and social security payments	1,229,105	1,349,579	1,748,859	1,920,278
Distribution expenses for goods	423,970	440,543	603,255	626,836
Patents	299,400	310,259	426,008	441,459
Depreciation of fixed assets and amortisation of intangible assets	293,153	269,467	417,119	383,417
Commissions	253,065	109,262	360,079	155,466
Registration costs for medicine	204,225	174,696	290,586	248,570
Freight insurance	11,443	15,265	16,282	21,720
Other	1,213,465	1,337,794	1,726,605	1,903,510
<b>Total</b>	<b>13,676,428</b>	<b>14,209,707</b>	<b>19,459,804</b>	<b>20,218,592</b>

## ADMINISTRATIVE EXPENSIS

	2012 January- September LVL	2011 January- September LVL	2012 January- September EUR	2011 January- September EUR
Administrative salaries and social security payments	3,306,984	3,244,266	4,705,414	4,616,175
Professional and consultancy services	187,026	332,749	266,114	473,459
Depreciation of fixed assets and amortisation of intangible assets	175,656	200,621	249,936	285,458
Security costs	170,066	143,787	241,982	204,590
Employee insurance	119,765	115,191	170,410	163,902
Computers maintenance	118,851	59,224	169,110	84,268
Transport	110,194	109,737	156,792	156,142
Electricity	71,952	73,484	102,378	104,558
Bank charges	63,567	127,265	90,448	181,082
Business trips	59,644	87,916	84,866	125,093
Personnel training and hiring expenses	53,729	74,026	76,449	105,330
Property and liability insurance	36,122	35,329	51,397	50,269
Communication expense	24,627	25,111	35,041	35,730
Other	1,186,900	1,002,808	1,688,807	1,426,867
<b>Total</b>	<b>5,685,083</b>	<b>5,631,514</b>	<b>8,089,144</b>	<b>8,012,923</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 2012. In non-audited financial accounts for the period January-September 2012 the Group has employed the same Accounting and Consolidation Principles as in the audited consolidated financial accounts for the year 2011, released on 25 April, 2012.

Acting Chairman of the Board

Vadims Rabša

23 November, 2012