

Joint Stock Company “Grindeks”

*Non -audited Consolidated financial statements,
prepared in accordance with International
Financial Reporting Standards
as adopted by the European Union
for the periods ended 31 March 2014 and
ended 31 March 2013*

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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 – 31 March 2014 |
| Previous reporting period | 1 January 2013 – 31 March 2013 |

THE BOARD AND THE SUPERVISORY COUNCIL

Board of the Company

(in compliance with the election/dismissal dates)

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 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”.

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*

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.

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 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 "Liepajas Metalurgs". 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".

- Uldis Osis - Member of the Council

Born in 1948. Uldis Osis has worked for the Council of JSC "Grindeks" since 2002. Besides the position at JSC "Grindeks", U. Osis is also the President of "Konsorts" Ltd., the Corresponding Member of the Latvian Academy of Sciences and the 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.). Has studied abroad, for instance at the Georgetown University (in 1992, Washington D.C., USA).

- Janis Naglis - Member of the Council

Born in 1958. Janis Naglis has been the Member of the Council of JSC "Grindeks" since 2002. Simultaneously to the job responsibilities in JSC "Grindeks" J.Naglis is also the Member of the Board of „Jānis Naglis" Ltd., the Chairman of the Board of „Purvciema mājas" Ltd., „Imantas mājas" Ltd., „Kembi" Ltd., the Member of the 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, the Member of the Board of the Latvian Sports for All Association and the Member of the Council of the Employers' Confederation of Latvia. J. Naglis has graduated from Riga Polytechnic institute with qualification Engineer-Mechanic.

- Arkadiy Vertkin - Member of the Council

Born in 1951. Professor Arkadiy Vertkin has been the Head of Therapy, Clinical Pharmacology and Ambulance Department at the Moscow State University of Medicine and Dentistry (MSUMD) since 1989, and the Scientific Secretary of the Scientific Council of MSUMD since 2012. Simultaneously, A. Vertkin is the President of Russian National Scientific Practical Society of Ambulance Care and International Society for the Study of Age-related involution, also he is the Member of the numerous Russian and international organizations. Dr. med. A. Vertkin is an 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 as of 30 April 2014 and 31 December 2013 were as follows (*Latvian central Depository data*):

| | Percentage holding (%) 30.04.2014 | Percentage holding (%) 31.12.2013 |
|--|--|--|
| Kirovs Lipmans | 33.29 | 33.29 |
| Anna Lipmane | 16.69 | 16.69 |
| „AB.LV Private equity fund 2010” | 22.66 | 11.38 |
| Swedbank AS Clients Account (nominal holder) | 10.47 | 10.80 |
| Skandinaviska Enskilda banken (nominal holder) | - | 11.28 |
| Other shareholders | 16.89 | 16.56 |
| Total | 100.00 | 100.00 |

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 - 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 quarter of 2014 was 18.81 million euros and has decreased by 5.4 million euros or 22% in comparison to the first quarter of 2013. While the Group’s net profit, attributable to shareholders of the parent company, was 0.5 million euros in the first quarter of 2014 and has decreased by 2.6 million euros or 84% in comparison to the first quarter of 2013. Gross profit margin in the first quarter of 2014 was 62% while net profit margin was 3%. In the first quarter of 2014 the Group’s production was exported to 51 countries worldwide, a total of 17.8 million euros which is 4.8 million euros or 21% less than in the first quarter of 2013.

Wholesale warehouse balance optimization and national currency devaluation risk management turns out to being 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 quarter 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.

Sales of final dosage forms and active pharmaceutical ingredients

Sales volume of the final dosage forms of “Grindeks” in the first quarter of 2014 was 16.1 million euros and has decreased by 5.2 million euros or 24% in comparison to the first quarter 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 13.3 million euros in the first quarter of 2014, which is by 4.7 million euros or 26% less than in the first quarter of 2013. In its turn, turnover of the final dosage forms in the Baltic States and other European countries was 2.8 million euros, which is by 0.5 million euros or 15% less than in the first quarter of 2013.

In the first quarter of 2014 significant sales increase has been achieved in Ukraine (+80%), Uzbekistan (+39%), Belarus (+35%), Armenia (+28%) and Turkmenistan (+23%) in comparison to the first quarter of 2013.

In the first quarter of 2014, sales of the active pharmaceutical ingredients reached 2.6 million euros, which is by 0.1 million euros or 4% less than in the first quarter of 2013. Main markets of “Grindeks” active pharmaceutical ingredients are the EU countries, USA and Japan. The most required active pharmaceutical ingredients of “Grindeks” are Zopiclone, Oxytocic, Ftorafur (Tegafur) and Droperidol.

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 will be completed in June of 2014. One of the most advanced laboratories of the Baltic States will be established after the completion of the project. This will allow performing analysis for both “Grindeks” needs and providing analytical services to other companies.

Quality and environmental protection

In the first quarter of 2014, inspection of the Latvian State Agency of Medicines on Pharmacovigilance System was successfully passed in the company, as well as several client audits: “Orion Corporation” (Finland), “Hikma Pharmaceuticals” (Jordan) and “Actavis” (USA).

“Grindeks” share price development in the first quarter 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 quarter of 2014 ranged from 8.05 to 10.50 euros. In the first quarter of 2014, the average price of JSC “Grindeks” shares on “NASDAQ OMX Riga” was 9.29 euros. The total of “NASDAQ OMX Riga” traded shares in the first quarter of 2014 was 147386 shares, reaching 1.35 million euro turnover. At the end of the first quarter of 2014, market capitalization of “Grindeks” shares was 78.79 million euros.

In the first quarter of 2014 the Group’s earnings per share (EPS ratio) was 0.06 euros in comparison to 0.33 euros in the first quarter of 2013.

Future expectations

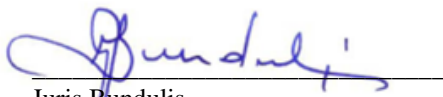
To improve efficiency of “Grindeks” operations, structural changes are carried out in the company. The main objective of these changes is to make the company more flexible, more capable to react faster to market changes and increase competitiveness. The new business model has already improved the sales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

Despite the significant increase in sales in Ukraine (which is one of the main markets of “Grindeks”) in the first quarter of 2014, “Grindeks” is evaluating situation in this country cautiously.

“Grindeks” forecasts that sales 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 quarter of 2014 market share of Mildronate® in its segment accounted for 86% (packages) and 91% (euro).

In the upcoming quarters, “Grindeks” will continue optimization 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

30 May 2014

STATEMENT OF BOARD'S RESPONSIBILITIES

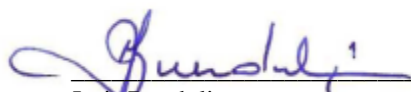
The Board of JSC "Grindex" (hereinafter - the Company) is bearing the responsibility for preparation of the consolidated interim financial statements of the Company and its subsidiaries (hereinafter - the Group). The interim financial statements of the Group are not audited.

The consolidated interim financial statements, enclosed from the page 9 to the page 17, are prepared in accordance with the accounting records and source documents, presenting fairly the financial position of the Group as of 31 March 2014 and the results of its operations and cash flows for the period of three months ended 31 March 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

30 May 2014

STATEMENT OF FINANCIAL POSITION

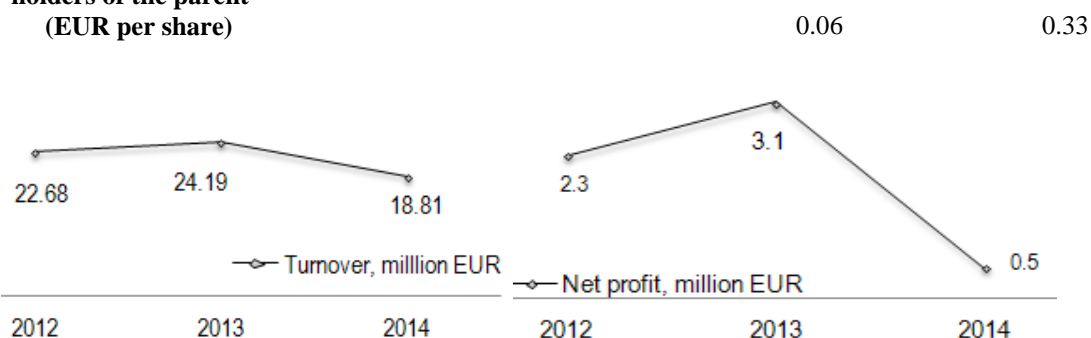
| | 31.03.2014. EUR | 31.03.2013. EUR |
|--|--------------------|--------------------|
| ASSETS | | |
| Non-current assets | | |
| Intangible assets | | |
| Software, patents, licenses, trademarks and other rights | 411,323 | 848,898 |
| Advance payments for intangible assets | 337,231 | 181,028 |
| Total intangible assets | 748,554 | 1,029,926 |
| Tangible fixed assets | | |
| Land, buildings and constructions | 24,465,703 | 25,035,300 |
| Equipment and machinery | 19,504,556 | 18,739,933 |
| Other fixed assets | 1,095,742 | 985,087 |
| Construction in progress | 4,104,512 | 2,126,609 |
| Advance payments for fixed assets | 1,090,833 | 1,211,808 |
| Total tangible fixed assets | 50,261,346 | 48,098,737 |
| Investment property | 9,080,000 | 8,855,954 |
| Non-current financial investments | | |
| Other investments | 31,616 | 31,616 |
| Advance payments for financial investments | 11,670,000 | 5,130,001 |
| Loans provided to management and shareholders | 5,138,643 | 2,419,999 |
| Other loans | - | 375,001 |
| Total long term financial investments | 16,840,259 | 7,956,617 |
| Total non-current financial assets | 76,930,159 | 65,941,234 |
| Current assets | | |
| Inventories | | |
| Raw materials | 3,434,676 | 4,606,856 |
| Unfinished goods | 6,125,893 | 3,810,930 |
| Finished goods and goods for resale | 7,022,816 | 8,276,772 |
| Total inventory | 16,583,385 | 16,694,558 |
| Debtors | | |
| Trade receivables | 37,659,523 | 45,203,671 |
| Due from related parties | 3,869,767 | - |
| Other debtors | 6,635,440 | 9,593,269 |
| Loans provided to management and shareholders | 2,551,009 | 2,130,055 |
| Deferred expenses | 4,418,486 | 192,240 |
| Total debtors | 55,134,225 | 57,119,235 |
| Cash and cash equivalents | 2,037,125 | 1,955,125 |
| Total current assets | 73,754,735 | 75,768,918 |
| TOTAL ASSETS | 150,684,894 | 141,710,152 |

| | 31.03.2014. | 31.03.2013. |
|--|--------------------|--------------------|
| | EUR | EUR |
| LIABILITIES | | |
| EQUITY | | |
| Share capital | 13,638,226 | 13,638,226 |
| Share premium | 22,321,657 | 22,321,657 |
| Other reserves | 661,500 | 661,500 |
| Foreign currency revaluation reserve | (32,437) | 69,679 |
| Retained profit | | |
| a) retained profit | 83,273,591 | 69,768,332 |
| b) current year profit | 511,253 | 3,144,223 |
| Equity attributable to equity holders of the parent | 120,373,790 | 109,603,617 |
| Non-controlling interest | 90,741 | 85,414 |
| Total equity | 120,464,531 | 109,689,031 |
| LIABILITIES | | |
| Non-current liabilities | | |
| Loans from credit institutions | 2,032,049 | 3,446,854 |
| Deferred income | 4,472,771 | 4,797,353 |
| Deferred tax liabilities | 4,130,278 | 3,858,430 |
| Total non-current liabilities | 10,635,098 | 12,102,637 |
| Current liabilities | | |
| Loans from credit institutions | 11,409,496 | 11,729,505 |
| Advances from customers | 126,710 | 199,941 |
| Trade accounts payable | 5,192,345 | 4,417,176 |
| Taxes and social security contributions | 634,564 | 2,508,792 |
| Other payables | 1,572,449 | 499,657 |
| Deferred income | 476,415 | 400,046 |
| Accrued liabilities | 173,286 | 163,367 |
| Total current liabilities | 19,585,265 | 19,918,484 |
| Total liabilities | 30,220,363 | 32,021,121 |
| TOTAL EQUITY AND LIABILITIES | 150,684,894 | 141,710,152 |

STATEMENT OF COMPREHENSIVE INCOME

| | 2014 January-March EUR | 2013 January-March EUR |
|--|------------------------------|------------------------------|
| Net sales | 18,806,598 | 24,180,370 |
| Cost of goods sold | (7,197,076) | (8,998,850) |
| Gross profit | 11,609,522 | 15,181,520 |
| Selling expenses | (6,591,867) | (6,237,002) |
| Administrative expenses | (2,695,819) | (2,701,517) |
| Other operating income | 310,622 | 346,822 |
| Other operating expenses | (1,984,593) | (2,640,089) |
| Interest income and similar income | 27,564 | 31,983 |
| Interest expenses and similar expenses | (62,965) | (66,021) |
| Real estate tax | (20,085) | (21,895) |
| Profit before taxation | 592,379 | 3,893,801 |
| Corporate income tax | (79,406) | (749,222) |
| NET PROFIT FOR THE YEAR | 512,973 | 3,144,579 |
| Other comprehensive income | | |
| Foreign currency revaluation | 19,472 | (9,721) |
| Other comprehensive income total | 19,472 | (9,721) |
| Other comprehensive income | 532,445 | 3,134,858 |
| Attributable to: | | |
| Equity holders of the parent | 511,253 | 3,144,223 |
| Non-controlling interest | 1,720 | 357 |
| TOTAL | 512,973 | 3,144,580 |
| Comprehensive income attributable to: | | |
| Equity holders of the parent | 530,995 | 3,134,501 |
| Non-controlling interest | 1,720 | 357 |
| Total | 532,715 | 3,134,858 |

Earnings per share attributable to the equity holders of the parent
(EUR per share)



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 |
| 31.12. 2013. | 13,638,226 | 22,321,657 | 661,500 | (51,909) | 83,273,591 | 119,843,065 | 89,021 | 119,932,086 |
| Profit for the year | - | - | - | - | 511,253 | 511,253 | 1,720 | 512,973 |
| Foreign currency revaluation | - | - | - | 19,472 | - | 19,472 | - | 19,472 |
| 31.03. 2014. | 13,638,226 | 22,321,657 | 661,500 | (32,437) | 83,784,844 | 120,373,790 | 90,741 | 120,464,531 |

STATEMENT OF CASH FLOWS

| | 2014 | 2013 |
|--|----------------------|----------------------|
| | January-March | January-March |
| | EUR | EUR |
| OPERATING ACTIVITIES | | |
| Net profit before taxation | 592,379 | 3,893,801 |
| <i>Adjustments to reconcile net profit to net cash provided by operating activities:</i> | | |
| Depreciation and amortization | 1,166,639 | 1,183,734 |
| (Gain) / loss on disposal of fixed assets and intangible assets | - | 118 |
| Revenue from the EU funds | (167,474) | (128,396) |
| Interest income | (27,564) | (31,983) |
| Interest expense | 62,965 | 66,021 |
| <i>Changes in operating assets and liabilities:</i> | | |
| Inventory | (4,615,750) | (6,283,439) |
| Debtors | 3,388,393 | 3,859,680 |
| Creditors | (442,089) | (845,193) |
| Gross cash provided by operating activities | (42,501) | 1,714,343 |
| Corporate income tax paid | (571,518) | (336,462) |
| Net cash provided by operating activities | (614,019) | 1,377,881 |
| INVESTING ACTIVITIES | | |
| Purchase of fixed assets and intangible assets | (1,208,445) | (512,884) |
| Other loans | - | (330,000) |
| Net cash used in investing activities | (1,208,445) | (842,884) |
| FINANCING ACTIVITIES | | |
| Received loans from credit institutions | 842,739 | 686,420 |
| Repaid loans to credit institutions and leasing payments | (679,599) | (1,388,571) |
| Revenue from the EU funds | 183,390 | 14,907 |
| Interest paid | (62,965) | (66,021) |
| Net cash (used in) /provided by financing activities | 283,565 | (753,265) |
| Net increase in cash and cash equivalents | (1,538,899) | (218,268) |
| Cash and cash equivalents at the beginning of the year | 3,576,024 | 2,173,393 |
| CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR | 2,037,125 | 1,955,125 |

NOTES

OTHER DEBTORS

| | 31.03.2014. EUR | 31.03.2013. EUR |
|--|--------------------|--------------------|
| „Grindeks rus” Ltd. other debtors | 2,752,063 | 4,285,721 |
| JSC “Tallinn Pharmaceutical Plant” other debtors | 56,842 | 2,501,742 |
| Tax receivables | 2,211,472 | 458,677 |
| Other | 1,615,063 | 2,347,129 |
| Total | 6,635,440 | 9,593,269 |

CASH AND CASH EQUIVALENTS

| | 31.03.2014. EUR | 31.03.2013. EUR |
|--------------|--------------------|--------------------|
| Cash in bank | 2,034,475 | 1,951,820 |
| Cash on hand | 2,650 | 3,305 |
| Total | 2,037,125 | 1,955,125 |

LOANS FROM CREDIT INSTITUTIONS

| | 31.03.2014. EUR | 31.03.2013. EUR |
|---|--------------------|--------------------|
| Credit line from JSC “SEB Bank”, Latvia | 4,681,185 | 4,977,402 |
| Credit line from Nordea Bank Finland Plc. | 4,856,191 | 5,005,662 |
| Nordea Bank Finland Plc. | 900,000 | 899,999 |
| Nordea Bank Finland Plc. | 333,333 | 500,000 |
| JSC “SEB Bank”, Latvia | 346,438 | 346,442 |
| JSC “SEB Bank”, Latvia | 292,349 | - |
| Current loans from credit institutions | 11,409,496 | 11,729,505 |
| | | |
| Nordea Bank Finland Plc. | 900,000 | 2,100,000 |
| JSC “SEB Bank”, Latvia | 747,115 | - |
| JSC “SEB Bank”, Latvia | 384,934 | 846,854 |
| Nordea Bank Finland Plc. | - | 500,000 |
| Non-current loans from credit institutions | 2,032,049 | 3,446,854 |
| Total | 13,441,545 | 15,176,359 |

TAXES AND SOCIAL SECURITY CONTRIBUTIONS

| | 31.03.2014. | 31.03.2013. |
|-------------------------------|--------------------|--------------------|
| | EUR | EUR |
| Social security contributions | 380,238 | 385,984 |
| Personal income tax | 209,712 | 228,977 |
| Corporate income tax | 412 | 1,841,963 |
| Other | 44,202 | 51,868 |
| Total | 634,564 | 2,508,792 |

NET SALES

| | 2014 | 2013 |
|------------------------|----------------------|----------------------|
| | January-March | January-March |
| | EUR | EUR |
| Other CIS countries | 11,398,931 | 8,452,088 |
| Russia | 4,583,318 | 11,931,476 |
| Other countries | 2,559,404 | 3,257,903 |
| Latvia | 997,094 | 1,512,765 |
| Lithuania | 994,048 | 784,209 |
| Estonia | 530,088 | 553,915 |
| Other sales | 60,044 | 92,510 |
| Gross sales | 21,122,927 | 26,584,866 |
| Less discounts | | |
| Russia | (1,012,668) | (1,248,580) |
| Other CIS countries | (1,262,049) | (970,046) |
| Other countries | (13,029) | (882) |
| Latvia | (5,633) | (168,945) |
| Lithuania | (10,579) | (5,303) |
| Estonia | (12,371) | (10,739) |
| Discounts total | (2,316,329) | (2,404,495) |
| Total, net | 18,806,598 | 24,180,370 |

COST OF GOODS SOLD

| | 2014 January-March EUR | 2013 January-March EUR |
|--|------------------------------|------------------------------|
| Direct labor and social security contributions | 2,410,837 | 2,286,603 |
| Raw materials and packaging | 2,407,701 | 4,747,674 |
| Depreciation of fixed assets and amortization of intangible assets | 918,251 | 948,656 |
| Goods purchased for resale | 667,364 | 961,937 |
| Electricity expenses | 575,631 | 634,683 |
| Research costs | 560,764 | 339,423 |
| Machinery, buildings and equipment repairs | 258,584 | 232,011 |
| Household expenses | 71,963 | 72,827 |
| Transport costs | 47,349 | 46,803 |
| Rent of work clothing | 27,813 | 27,691 |
| Waste disposal | 30,504 | 20,114 |
| Other expenses | 408,231 | 392,288 |
| Internal turnover of self-manufactured raw materials | (1,187,916) | (1,711,860) |
| Total | 7,197,076 | 8,998,850 |

SELLING AND DISTRIBUTION COSTS

| | 2014 January-March EUR | 2013 January-March EUR |
|--|------------------------------|------------------------------|
| Advertising expenses | 3,652,343 | 3,654,036 |
| Expenses of representative offices | 1,010,704 | 885,658 |
| Direct labor and social security contributions | 649,489 | 635,107 |
| Distribution costs | 219,617 | 226,030 |
| Comissions | 156,510 | 87,568 |
| Registration costs for medicine | 143,393 | 76,696 |
| Depreciation of fixed assets and amortization of intangible assets | 120,455 | 132,235 |
| Freight insurance expenses | 3,745 | 3,406 |
| Patent costs | - | 49,971 |
| Other expenses | 635,611 | 486,295 |
| Total | 6,591,867 | 6,237,002 |

ADMINISTRĀCIJAS IZMAKSAS

| | 2014 | 2013 |
|--|----------------------|----------------------|
| | January-March | January-March |
| | EUR | EUR |
| Direct labor and social security contributions | 916,838 | 899,860 |
| Professional and consultancy services | 585,503 | 688,317 |
| Depreciation of fixed assets and amortization of intangible assets | 127,804 | 103,155 |
| Security costs | 79,941 | 76,132 |
| Employee insurance expenses | 70,521 | 65,454 |
| Electricity costs | 65,367 | 62,123 |
| Computer maintenance and repair | 49,104 | 49,110 |
| Transport costs | 46,692 | 52,696 |
| Personnel training and hiring expenses | 41,225 | 44,172 |
| Business trip costs | 40,015 | 10,603 |
| Property and liability insurance | 18,874 | 18,154 |
| Communication expenses | 17,074 | 9,466 |
| Bank charges | 15,427 | 12,890 |
| Other expenses | 621,434 | 609,385 |
| Total | 2,695,819 | 2,701,517 |

Currency exchange for the EUR – 0.702804

JSC “Grindex” hereby informs that there were no changes made in its accounting policy in January-March 2014. In non-audited financial accounts for the period January- March 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

30 May 2014