



Joint Stock Company “Grindeks”

*Non-audited consolidated financial statements
for the periods ended 31 December, 2008 and
31 December, 2007
prepared in accordance with International
Financial Reporting Standards*

CONTENTS

ANCILLARY INFORMATION	3
THE BOARD AND THE SUPERVISORY COUNCIL	4
MAJOR SHAREHOLDERS	5
MANAGEMENT REPORT	6-8
STATEMENT OF BOARD'S RESPONSABILITIES	9
ANCILLARY INFORMATION	
Consolidated balance sheets	10-11
Consolidated statements of profit and loss	12
Consolidated statements of changes in shareholders' equity	13
Consolidated statements of cash flows	14
NOTES	15-19

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 str. Riga, LV - 1057, Latvia “Namu apsaimniekosanas projekti” Ltd. 53 Krustpils str. Riga, LV - 1057, Latvia “Grindeks Rus” Ltd. 74/3 Warsaw str. 117556, Moscow, Russia
Reporting period	1 January 2008 – 31 December 2008
Previous reporting period	1 January 2007 – 31 December 2007

THE BOARD AND THE SUPERVISORY COUNCIL

Board of the Company

(In compliance with the election/dismissal dates)

From 2 January 2007 to 13 October 2008:

<u>Name</u>	<u>Position</u>
Janis Romanovskis	Chairman of the Board
Vitalijs Skrivelis	Board member
Lipmans Zeligmans	Board member

From 13 October 2008 to the date of issuing the financial statements:

<u>Name</u>	<u>Position</u>
Janis Romanovskis	Chairman of the Board
Vadims Rabša	Board member
Lipmans Zeligmans	Board member

Supervisory Council of the Company

(In compliance with the election/dismissal dates)

From 20 January 2006 to 22 February 2008:

<u>Name</u>	<u>Position</u>
Kirovs Lipmans	Chairman of the Supervisory Council
Vitalijs Gavrilovs	Vice-Chairman of the Supervisory Council
Uldis Osis	Member of the Supervisory Council
Janis Naglis	Member of the Supervisory Council
Ivars Kalvins	Member of the Supervisory Council

From 22 February 2008 to the date of issuing the financial statements:

<u>Name</u>	<u>Position</u>
Kirovs Lipmans	Chairman of the Supervisory Council
Vitalijs Gavrilovs	Vice-Chairman of the Supervisory Council
Uldis Osis	Member of the Supervisory Council
Janis Naglis	Member of the Supervisory Council
Anna Lipmane	Member of the Supervisory Council

MAJOR SHAREHOLDERS

Shareholders of the Company as of 1 August 2008 and 1 February 2009 (*Latvian Central Depository data*)

	01.08.2008. Investments in percentage (%)	01.02.2009. Investments in percentage (%)
Kirovs Lipmans	33.29	33.29
Anna Lipmane	16.69	16.69
Vitalijs Gavrilovs	11.30	11.30
<i>Hansapank AS Clients Account</i>	14.20	9.40
<i>Skandinaviska Enskilda Banken</i>	8.60	8.48
<i>State Social Security Agency</i>	2.29	2.29
Other shareholders	13.63	18.55
Total	100.00	100.00

MANAGEMENT REPORT

Mode of activity

In the reporting period the “Grindeks” Group consisted of JSC “Grindeks” and its four subsidiaries: JSC “Tallinn Pharmaceutical Plant”, JSC “Kalceks”, “Namu Apsaimniekošanas projekti” Ltd. and “Grindeks RUS” Ltd. (altogether hereinafter referred to as “the Group”).

Main activity of the Group is research, development, manufacturing and sales of original products, generics and active pharmaceutical ingredients.

Group activity during reporting year

In 2008, turnover of the Group grew to 62.1 million lats, an increase of 10.6 million lats, or 20.6% over 2007. Net profit, related to the shareholders of the holding company, in the reporting year was 9 million lats, exceeding the result of 2007 by 1.9 million lats or 26.8%. During the reporting year, gross profit margin of the Group was 55.5%, whereas, net profit margin comprised 14.5%. Products of the Group, manufactured during the last year, were exported to 44 states worldwide for the total amount of 59.3 million lats, in comparison with 10.5 million lats or 21.5% in 2007.

Sales of final dosage medications

The Group’s sales volume of the final dosage medications reached 56.7 million lats in 2008, compared with 9.3 million lats or 19.5% in 2007.

In 2008, the Group concentrated its activity on both, the penetration of new markets and increasing the sales in existing markets. To expand activities in the CIS countries, new representative office was opened in Uzbekistan.

The highest sales volume of final dosage forms was reached in Russia, Ukraine, Kazakhstan and Belarus. Comparing with the last year, sales volume of final dosage forms in Russia increased by 22.1%, in Ukraine – by 22.6%, in Kazakhstan – by 6%, in Belarus – by 20.6%

The registration of several medications was completed in Finland. In the beginning of 2009, the registration of Risipaxol® was completed in Turkey, according to the plan two original products Mildronate® and Ftorafur® will be registered by the end of 2009. Over the course 2007, the Group continued to register medications in China, and began registration of original product Mildronate® in Vietnam.

Sales of active pharmaceutical ingredients

The main export markets for active pharmaceutical ingredients (hereinafter referred to as APIs) produced by the Group are Europe, Japan, the USA, Australia, Pakistan, India. Overall APIs export in 2008 amounted to 5.1 million lats, representing an increase of 1.2 million lats or 30.8% over 2007.

The most demanded APIs are ftorafur, zopiclone, oxytocin, rilmenidine and new veterinary pharmaceutical products – detomidine, medetomidine and atipamezol. Besides, the Group has sustained 35% market share in worldwide markets of zopiclone and oxytocin, but export of new veterinary pharmaceutical products to European Union forms 36% from EU market.

Investment program

Contrary to the external financial and economical circumstances, the Group continued realization of large-scale investment program in 2008, and new final dosage forms production plant was launched in January, 2009. This is the most considerable investment project in the history of the company – within two years totally 9.1 million lats were invested, including 6.4 million lats were invested in construction and 2.7 million lats - in technological devices and equipment.

Within the Investment program, the construction of purification plant was proceeded in Latvian production site. Total amount of investments is 2.5 millions lats. Project is carried out according agreed terms and will be finished in the first half of the year 2009.

The Group continues negotiations with Byelorussian Pharmaceutical Company RUE “Borisov Medical Preparations Plant” (РУП "Борисовский завод медицинских препаратов") regarding possible investment project.

Assessment of the Byelorussian Pharmaceutical Company is continuously carried out and only after the completion of that the Group will confirm its readiness to involve in the investment project.

Research and development is essential for development of the company – during the year simultaneously approximately 20 projects are carried out. Remarkable resources are invested in research and development in 2008, mainly focusing on indications in cardiology, CNS, oncology.

Quality and environment protection

Several aspects of quality and environment protection in the Group plants have been successfully inspected in 2008 by co-operation partners and by pharmaceutical inspectorates from Latvia, the USA, Japan, and Russia. More than 30 audits of raw material suppliers were carried out by “Grindeks” experts during the last year.

The quality requirements in pharmaceutical industry and in the area of “Good manufacturing practice” (“GMP”) are increasing every year. The manufacturing of final dosage forms of the Group has been certified according to “GMP” since year 2000. In 2008, the “GMP” certificate was issued also to Active pharmaceutical ingredients plant.

In 2008, the Group has achieved relevant improvements in the evaluation of risks in the working environment by implementation of total risk reduction system in the company.

In 2008, integrated quality system of the Group was evaluated positively by auditors.

Growth of share price of “Grindeks” during the reporting period (Data of „NASDAQ OMX Riga”)

“Grindeks” shares are quoted in Official list of „NASDAQ OMX Riga” starting from 2nd January, 2006.



Fluctuation of “Grindeks” share price on „NASDAQ OMX Riga” during the reporting year was within limits from 2.81 lats to 6.78 lats per share. Total quantity “Grindeks” shares, traded in „NASDAQ OMX Riga” during the reporting period, was 749.9 thousand shares, whereas turnover amounted to 3.84 million lats. As of 31 December 2008 capitalization of “Grindeks” reached 30.96 million lats. Profit per share for the year ended 31 December 2008 amounted to 0.94 lats as compared to 0.74 lats during the same period in 2007.

Future expectations

The results of the Group will be influenced by strategic development of product portfolio and entrance new markets, as well as economical and financial situation worldwide. The ever-changing environment of the pharmaceutical industry makes the Group adjust flexibly to conditions in the export markets and optimization expenditures.

In 2009, the Group will focus on strengthening its positions in existing market and will continue penetration into new, prospective markets, as well as the registration of medications in Turkey, China and Vietnam.

According to global market requirements and product portfolio strategy of the Group, new cardiology, CNS and oncology products will be introduced in 2009.

On behalf of the Group Management:



Janis Romanovskis
Chairman of the Board

26 February 2009

STATEMENT OF BOARD`S RESPONSIBILITIES

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

The consolidated year financial statements, enclosed from the page 10 to the page 19, are prepared in accordance with the accounting records and source documents, presenting fairly the financial position of the Group as of 31 December 2008 and the results of its operations and cash flows for the twelve-months period ended 31 December 2008.

Above mentioned consolidated year 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 year 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:



Janis Romanovskis
Chairman of the Board

26 February 2009

BALANCE SHEET

	31.12.2008. LVL	31.12.2007. LVL	31.12.2008. EUR	31.12.2007. EUR
ASSETS				
Non-current assets				
Intangible assets				
Software, patents, licenses, trademarks and other rights	369,105	432,823	525,189	615,852
Advance payments for intangible assets	61,495	32,247	87,500	45,883
Total intangible assets	430,600	465,070	612,689	661,735
Tangible fixed assets				
Land, buildings and constructions	7,139,542	6,342,630	10,158,653	9,024,749
Equipment and machinery	8,910,572	7,228,788	12,678,602	10,285,639
Other fixed assets	805,135	619,520	1,145,604	881,498
Advance payments for fixed assets	2,396,672	5,135,383	3,410,157	7,306,992
Construction in progress	11,407,479	2,760,379	16,231,380	3,927,665
Total tangible fixed assets	30,659,400	22,086,700	43,624,396	31,426,543
Investment property	4,761,502	4,667,600	6,775,007	6,641,396
Long-term financial investments				
Investments in associated companies	22,000	22,000	31,303	31,303
Other investments	84,118	105,421	119,689	150,001
Total long-term financial investments	106,118	127,421	150,992	181,304
Total non-current assets	35,957,620	27,346,791	51,163,084	38,910,978
Current assets				
Inventory				
Raw materials	1,830,040	2,025,302	2,603,912	2,881,745
Unfinished goods	1,991,721	2,102,781	2,833,964	2,991,988
Finished goods and goods for resale	3,284,689	2,911,070	4,673,691	4,142,079
Advance payments for goods	450	3,825	641	5,443
Total inventory	7,106,900	7,042,978	10,112,208	10,021,255
Debtors				
Trade receivables	18,026,546	16,786,265	25,649,464	23,884,703
Other debtors	2,236,178	1,091,364	3,181,794	1,552,871
Deferred expenses	88,634	186,409	126,115	265,236
Total debtors	20,351,358	18,064,038	28,957,373	25,702,810
Cash and cash equivalents	868,811	1,804,050	1,236,207	2,566,932
Total current assets	28,327,069	26,911,066	40,305,788	38,290,997
TOTAL ASSETS	64,284,689	54,257,857	91,468,872	77,201,975

	31.12.2008. LVL	31.12.2007. LVL	31.12.2008. EUR	31.12.2007. EUR
EQUITY AND LIABILITIES				
EQUITY				
Share capital	9,585,000	9,585,000	13,638,226	13,638,226
Share premium	15,687,750	15,687,750	22,321,658	22,321,658
Other reserves	464,905	464,905	661,500	661,500
(Accumulated loss) / retained profit:				
a) prior year accumulated profit/loss	12,984,900	5,864,453	18,475,848	8,344,365
b) foreign currency revaluation	(287,791)	(6)	(409,491)	(9)
c) current year profit	9,009,313	7,120,447	12,819,098	10,131,483
Equity attributable to equity holders of the parent	47,444,077	38,722,549	67,506,839	55,097,223
Minority interest	54,155	52,483	77,056	74,677
Total equity	47,498,232	38,775,032	67,583,895	55,171,900
LIABILITIES				
Long-term liabilities				
Loans from credit institutions	4,471,843	2,635,076	6,362,859	3,749,375
Finance lease liabilities	1,307,048	551,109	1,859,762	784,158
Deferred tax liability	1,686,525	1,425,297	2,399,709	2,028,015
Deferred income	1,209,953	1,333,986	1,721,608	1,898,091
Total non-current liabilities	8,675,369	5,945,468	12,343,938	8,459,639
Current liabilities				
Loans from credit institutions	2,123,016	3,940,757	3,020,780	5,607,192
Finance lease liabilities	24,240	26,635	34,490	37,898
Advances from customers	72,416	23,145	103,039	32,932
Trade accounts payable	4,268,153	4,589,020	6,073,035	6,529,587
Taxes and social security liabilities	340,670	288,486	484,730	410,479
Other payables	668,083	267,355	950,596	380,412
Deferred income	124,306	124,922	176,872	177,748
Accrued liabilities	490,204	277,037	697,497	394,188
Total current liabilities	8,111,088	9,537,357	11,541,039	13,570,436
Total liabilities	16,786,457	15,482,825	23,884,977	22,030,075
TOTAL EQUITY AND LIABILITIES	64,284,689	54,257,857	91,468,872	77,201,975

STATEMENTS OF PROFIT AND LOSS

	2008 LVL	2007 LVL	2008 EUR	2007 EUR
Net sales	62,107,484	51,471,152	88,370,988	73,236,851
Cost of goods sold	(27,662,724)	(23,984,596)	(39,360,510)	(34,127,005)
Gross profit	34,444,760	27,486,556	49,010,478	39,109,846
Selling expenses	(14,016,038)	(12,099,268)	(19,943,025)	(17,215,707)
Administrative expenses	(7,783,957)	(6,582,813)	(11,075,573)	(9,366,499)
Other operating income	2,258,425	436,780	3,213,450	621,482
Other operating expenses	(3,897,899)	(400,443)	(5,546,211)	(569,779)
Changes in fair value of investment property	110,000	210,000	156,516	298,803
Interest income and similar income	9,446	47,580	13,440	67,700
Interest expense and similar expense	(232,141)	(361,324)	(330,307)	(514,118)
Real estate tax	(86,907)	(113,038)	(123,658)	(160,839)
Profit before taxation	10,805,689	8,624,030	15,375,110	12,270,889
Corporate income tax	(1,794,704)	(1,501,249)	(2,553,633)	(2,136,085)
NET PROFIT FOR THE YEAR	9,010,985	7,122,781	12,821,477	10,134,804
Attributable to:				
Equity holders of the parent	9,009,313	7,120,447	12,819,098	10,131,483
Minority interest	1,672	2,334	2,379	3,321
TOTAL	9,010,985	7,122,781	12,821,477	10,134,804
Earnings per share attributable equity holders of the parent (LVL per share)				
- Basic earnings per share	0.94	0.74	1.34	1.06
- Diluted earnings per share	0.94	0.74	1.34	1.06

STATEMENTS OF CHANGES IN EQUITY

	Share capital	Share premium	Other reserves	Foreign currency translation reserve	Accumulated profit	Equity attributable to equity holders of the parent	Minority Interest	Total
	LVL	LVL	LVL	LVL	LVL	LVL	LVL	LVL
As of 31.12.2007	9,585,000	15,687,750	464,905	(6)	12,984,900	38,722,549	52,483	38,775,032
Profit for the period	-	-	-	-	9,009,313	9,009,313	1,672	9,010,985
Foreign currency revaluation	-	-	-	(287,785)	-	(287,785)	-	(287,785)
As of 31.12.2008	9,585,000	15,687,750	464,905	(287,791)	21,994,213	47,444,077	54,155	47,498,232

	Share capital	Share premium	Other reserves	Foreign currency translation reserve	Accumulated profit	Equity attributable to equity holders of the parent	Minority Interest	Total
	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR
As of 31.12.2007	13,638,226	22,321,658	661,500	(9)	18,475,848	55,097,223	74,677	55,171,900
Profit for the period	-	-	-	-	12,819,098	12,819,098	2,379	12,821,477
Foreign currency revaluation	-	-	-	(409,482)	-	(409,482)	-	(409,482)
As of 31.12.2008	13,638,226	22,321,658	661,500	(409,491)	31,294,946	67,506,839	77,056	67,583,895

STATEMENTS OF CASH FLOWS

	2008 LVL	2007 LVL	2008 EUR	2007 EUR
OPERATING ACTIVITIES				
Net profit before taxation	10,805,689	8,624,030	15,375,110	12,270,889
<i>Adjustments to reconcile net profit to net cash provided by operating activities:</i>				
Depreciation and amortisation	2,040,698	1,828,829	2,903,652	2,602,189
Loss / (gain) on disposal of fixed assets and intangible assets	21,307	(8,885)	30,317	(12,642)
Changes in fair value of investment property	(110,000)	(210,000)	(156,516)	(298,803)
Income from EU funding	(124,306)	(41,435)	(176,872)	(58,957)
Interest income	(9,446)	(47,580)	(13,440)	(67,700)
Interest expense	232,141	361,324	330,307	514,118
<i>Changes in operating assets and liabilities:</i>				
Inventory	(63,922)	(118,828)	(90,953)	(169,077)
Debtors	(2,287,320)	(2,594,627)	(3,254,563)	(3,691,822)
Creditors	(2,795,373)	(14,239)	(3,977,457)	(20,260)
Gross cash provided by operating activities	7,709,468	7,778,589	10,969,585	11,067,935
Corporate income tax paid	(1,794,704)	(1,375,043)	(2,553,634)	(1,956,510)
Interest income received	9,446	848	13,440	1,207
Net cash provided by (used in) operating activities	5,924,210	6,404,394	8,429,391	9,112,632
INVESTING ACTIVITIES				
Purchase of fixed assets and intangible assets	(6,668,304)	(8,478,876)	(9,488,142)	(12,064,354)
Proceeds from sale of fixed assets	480	3,543	684	5,041
Interest received	-	46,647	-	66,373
Purchase of long term financial investments	-	(524,000)	-	(745,585)
Redemption of short term financial investments	-	5,184,417	-	7,376,761
Other loans repaid	21,303	28,815	30,311	41,000
Net cash used in investing activities	(6,646,521)	(3,739,454)	(9,457,147)	(5,320,764)
FINANCING ACTIVITIES				
Received loans from credit institutions	3,265,892	1,413,539	4,646,946	2,011,285
Repaid loans to credit institutions	(3,246,858)	(3,886,809)	(4,619,863)	(5,530,431)
EU funding received	-	1,500,000	-	2,134,308
Interest paid	(231,962)	(461,766)	(330,052)	(657,034)
Net cash provided by financing activities	(212,928)	(1,435,036)	(302,969)	(2,041,872)
Net (decrease)/ increase in cash and cash equivalents	(935,239)	1,229,904	(1,330,725)	1,749,996
Cash and cash equivalents at the beginning of the year	1,804,050	574,146	2,566,932	816,936
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	868,811	1,804,050	1,236,207	2,566,932

NOTES

FINISHED GOODS AND GOOD FOR RESALE

	31.12.2008.	31.12.2007.	31.12.2008.	31.12.2007.
	LVL	LVL	EUR	EUR
Self – manufactured production	1,333,463	1,742,161	1,897,347	2,478,872
Goods for sale	1,951,226	1,168,909	2,776,344	1,663,207
Total	3,284,689	2,911,070	4,673,691	4,142,079

OTHER DEBTORS

	31.12.2008.	31.12.2007.	31.12.2008.	31.12.2007.
	LVL	LVL	EUR	EUR
Tax receivables	624,702	813,580	888,871	1,157,620
Other	1,611,476	277,784	2,292,923	395,251
Total	2,236,178	1,091,364	3,181,794	1,552,871

CASH

	31.12.2008.	31.12.2007.	31.12.2008.	31.12.2007.
	LVL	LVL	EUR	EUR
Cash in bank	854,401	1,801,352	1,215,703	2,563,093
Cash on hand	14,410	2,698	20,504	3,839
Total	868,811	1,804,050	1,236,207	2,566,932

LOANS FROM CREDIT INSTITUTIONS

	31.12.2008. LVL	31.12.2007. LVL	31.12.2008. EUR	31.12.2007. EUR
Credit line from JSC "Hansabanka", Latvia	718,790	1,949,396	1,022,746	2,773,741
JSC "Hansabanka", Latvia	632,524	151,834	900,001	216,040
JSC "Hansabanka", Latvia	354,213	354,213	504,000	504,000
JSC "Hansabanka", Latvia	240,359	-	342,000	-
Credit line from JSC "UnicreditBank Latvia"	177,130	1,048,647	252,033	1,492,090
JSC "UnicreditBank Latvia"	-	191,163	-	272,000
JSC "Parekss banka", Latvia	-	147,954	-	210,520
JSC "Hansabanka", Latvia	-	97,550	-	138,801
Current loans from credit institutions	2,123,016	3,940,757	3,020,780	5,607,192
JSC "Hansabanka", Latvia	1,739,440	809,862	2,475,000	1,152,330
JSC "SEB Unibanka", Latvia	1,325,611	451,843	1,886,175	642,914
JSC "Hansabanka", Latvia	923,576	1,277,790	1,314,130	1,818,131
JSC "Hansabanka", Latvia	483,216	-	687,554	-
JSC "UnicreditBank Latvia"	-	95,581	-	136,000
Non-current loans from credit institutions	4,471,843	2,635,076	6,362,859	3,749,375
Total	6,594,859	6,575,833	9,383,639	9,356,567

TAX LIABILITIES

	31.12.2008. LVL	31.12.2007. LVL	31.12.2008. EUR	31.12.2007. EUR
Corporate income tax	72,589	96,109	103,285	136,751
Personal income tax	212,625	103,304	302,538	146,988
Social security payments	42,339	80,240	60,243	114,171
Value added tax	10,343	-	14,717	-
Other	2,774	8,833	3,947	12,569
Total	340,670	288,486	484,730	410,479

NET SALES

	2008 LVL	2007 LVL	2008 EUR	2007 EUR
Russia	36,898,557	28,722,741	52,501,917	40,868,778
Other CIS countries	20,352,048	16,863,121	28,958,355	23,994,060
Other countries	5,590,225	4,462,187	7,954,174	6,349,120
Latvia	2,994,939	2,915,379	4,261,414	4,148,211
Lithuania	1,886,468	1,647,855	2,684,202	2,344,686
Estonia	1,020,328	976,541	1,451,796	1,389,493
Other income	44,954	50,852	63,964	72,355
Gross sales	68,787,519	55,638,676	97,875,822	79,166,703
Less discounts				
Russia	(4,583,508)	(2,310,142)	(6,521,744)	(3,287,036)
Other CIS countries	(1,742,707)	(1,479,470)	(2,479,649)	(2,105,096)
Latvia	(190,350)	(239,778)	(270,844)	(341,173)
Lithuania	(73,466)	(46,864)	(104,533)	(66,681)
Estonia	(64,291)	(55,153)	(91,478)	(78,476)
Other countries	(25,713)	(36,117)	(36,586)	(51,390)
Discounts total	(6,680,035)	(4,167,524)	(9,504,834)	(5,929,852)
Total, net	62,107,484	51,471,152	88,370,988	73,236,851

COST OF GOODS SOLD

	2008 LVL	2007 LVL	2008 EUR	2007 EUR
Goods purchased for resale	7,996,674	7,562,072	11,378,242	10,759,859
Raw materials and packing	8,940,572	7,001,386	12,721,288	9,962,075
Direct labour and social security payments	6,892,540	5,461,066	9,807,201	7,770,397
Research costs	2,537,035	2,405,481	3,609,876	3,422,691
Depreciation of fixed assets and amortization of intangible assets	1,418,536	1,208,774	2,018,395	1,719,930
Electricity resource expenses	844,407	631,703	1,201,483	898,832
Machinery, buildings and equipment repairs	739,883	662,452	1,052,759	942,584
Household expenses	222,162	176,441	316,108	251,053
Transport	161,310	100,244	229,523	142,634
Rent of work clothing	90,391	79,959	128,615	113,771
Waste disposal	82,354	137,648	117,179	195,855
Other	1,497,636	1,271,432	2,130,943	1,809,086
Internal turnover of self-manufactured raw materials	(3,760,776)	(2,714,062)	(5,351,102)	(3,861,762)
Total	27,662,724	23,984,596	39,360,510	34,127,005

SELLING AND DISTRIBUTION COSTS

	2008 LVL	2007 LVL	2008 EUR	2007 EUR
Advertising	6,905,716	5,984,287	9,825,949	8,514,873
Expenses of representative offices	2,431,247	2,128,954	3,459,353	3,029,229
Salaries and social security payments	1,064,911	933,110	1,515,232	1,327,696
Distribution expenses for goods	555,560	560,464	790,491	797,468
Patents	537,562	510,827	764,882	726,841
Registration costs for medicine	337,269	255,924	479,891	364,147
Depreciation of fixed assets and amortisation of intangible assets	205,041	177,737	291,747	252,897
Commissions	158,347	563,585	225,307	801,909
Freight insurance	46,450	49,173	66,092	69,967
Other	1,773,935	935,207	2,524,081	1,330,680
Total	14,016,038	12,099,268	19,943,025	17,215,707

ADMINISTRATIVE EXPENSES

	2008	2007	2008	2007
	LVL	LVL	EUR	EUR
Salaries and social security payments	4,154,820	2,702,683	5,911,776	3,845,571
Depreciation of fixed assets and amortisation of intangible assets	400,411	426,220	569,734	606,456
Security costs	270,428	214,312	384,784	304,939
Professional services	209,718	625,582	298,402	890,123
Transport	207,543	184,686	295,307	262,785
Personnel training and hiring expenses	192,106	180,075	273,342	256,224
Employee insurance	175,968	122,287	250,380	173,999
Electricity	168,633	126,330	239,943	179,751
Computers maintenance	138,964	97,076	197,728	138,127
Business trips	87,871	71,390	125,029	101,579
Bank charges	76,455	71,060	108,786	101,109
Property and liability insurance	59,622	40,421	84,834	57,514
Development and implementation of documents management system	56,034	55,255	79,729	78,621
Communication expense	39,046	51,669	55,557	73,518
Other	1,546,338	1,613,767	2,200,242	2,296,183
Total	7,783,957	6,582,813	11,075,573	9,366,499

Currency exchange for the EUR – 0.702804

JSC “Grindex” hereby informs that there were no changes made in its accounting policy in 2008. In non-audited financial accounts for the period January - December 2008 the Group has employed the same Accounting and Consolidation Principles as in the audited consolidated financial accounts for the year 2007, released on April 11, 2008.

Janis Romanovskis
Chairman of the Board

26 February 2009