



Annual Report 2010

Grindex

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Management Report

Group's activity during reporting period

Sales of final dosage forms

Sales of active pharmaceutical ingredients

Investment program

Quality and environmental protection

Main financial data of "Grindeks" during five year period (2006–2010)

Development of "Grindeks" share price (Data of "NASDAQ OMX Riga")

Future expectations



In 2010, "Grindeks" was recognized as the leading exporter of Latvia. Achievements and further growth are impossible without serious investment, therefore every year we invest considerable resources in the development of "Grindeks".

Kirovs Lipmans
Chairman of the Council

Management Report



In the accounting period, the Group of "Grindeks" consisted of JSC "Grindeks" and its four subsidiaries: JSC "Tallinn Pharmaceutical Plant" in Estonia, JSC "Kalceks", "Namu Apsaimniekosanas projekti" Ltd. in Latvia and "Grindeks Rus" Ltd. in Russia (altogether hereinafter referred to as "the Group"). The main activity of the Group is research, development, manufacturing and sales of original products, generics and active pharmaceutical ingredients.

Group's activity during reporting period

The Group's turnover amounted to 65.1 million lats in 2010, which is by 11.5 million lats or 21.5% more than in 2009. In its turn, net profit related to the shareholders of the holding company amounted to 7.1 million lats in the reporting period, which is by 3.5 million lats more in comparison with 2009 and has increased by 97.2%.

In 2010, gross profit margin of the Group was 56.4%, whereas, net profit margin comprised 10.9%. Products of the Group, manufactured during the reporting period, were exported to 50 countries worldwide for the total amount of 61.7 million lats, which is by 10.9 million lats or 21.5% more than in the previous year.

In 2010, ROE was 13 %; ROA was 11.3 %; liquidity was 2.54

The results of "Grindeks" for the year 2010 show a positive sales growth. Stable increases are recorded in realization of both the final dosage forms and the active pharmaceutical ingredients. Results are achieved through marketing activities and sales promotion in the key markets, strengthened strategy for the introduction and promotion of generics, as well as strict cost control.

Sales of final dosage forms

In 2010, the sales volume of the final dosage forms of "Grindeks" amounted to 57.7 million lats, which is by 9.5 million lats or 19.7% more than in 2009. In 2010, amount of "Grindeks" final dosage forms' export to the main markets – Russia, other CIS countries and Georgia – comprised 50.2 million lats, which is by 8.3 million lats or 19.8% more than in 2009. In its turn, turnover of the final dosage forms to the Baltic States and other European countries reached 7.5 million lats, which is by 1.2 million lats or 19% more than in 2009.

The positive results were facilitated by the stabilization of economic processes, as well as by targeted marketing and sales activities of "Grindeks" in existing and especially new markets – Eastern European countries.

In 2010, a number of new generics were introduced, which has also a positive effect on the turnover growth. In addition to the existing dosage forms of Mildronate® – capsules and injections, several markets have been expanded to offer new dosage form of Mildronate® – tablets. The product range is also successfully supplemented by the non-prescription medication Sorbex® and dietary supplement Lactobex®.

Sales of active pharmaceutical ingredients

Sales of active pharmaceutical ingredients produced by the Group amounted to 7.4 million lats in 2010, which is by 2 million lats or 37% more than in 2009. Such an outcome is achieved by the increase in demand of the active pharmaceutical ingredient – ursodeoxycholic acid (UDCA), introduced in the manufacture in 2009. With the increasing market demand, also grew sales of the active pharmaceutical ingredient zopiclone, manufactured by “Grindeks”. Overall “Grindeks” realized 16 active pharmaceutical ingredients. In 2010, the main export markets for active pharmaceutical ingredients of “Grindeks” were Germany and the Netherlands.

Investment program

Investing 1.6 million lats, “Grindeks” finished the clinical trial on the influence of the brand product Mildronate® on the treatment of angina in 2010. Results of the just-finished multinational clinical trial once more approve effectiveness and the high safety of Mildronate® in the treatment of angina in combination with the standard therapy. The results obtained will promote sales and registration of Mildronate® in new markets.

In order to ensure regular development and manufacturing of the active pharmaceutical ingredient UDCA, “Grindeks” started construction of a new manufacturing unit in the middle of 2009, which was finished in June of 2011. In the project 6.34 million lats were invested, and “Grindeks” signed an agreement with Investment and Development Agency of Latvia on co-financing of 2.8 million lats from the European Regional Development Fund for its realization.

Quality and environmental protection

In 2010, “Grindeks” successfully passed 29 significant inspections and audits by state agencies of medicines, supervisory bodies of food supplement manufacturers from Latvia and other countries, clients, institutions of environmental protection. The inspection by the Belarus State Food and Veterinary Service for food supplement production and several audits for the active pharmaceutical ingredients production by clients from several European Union countries and Japan have taken place. In 2010, inspections by the Latvian and Lithuanian State Agencies of Medicines confirmed the new anti-cancer medication manufacturing unit’s conformity with the Good Manufacturing Practice standard. “Grindeks” successfully passed also the Complex Inspection, in which the national supervisory authorities examined observance of the working environment, fire safety and civil protection regulations. The inspections by the Latvian and Estonian State Agencies of Medicines approved the active pharmaceutical ingredients’ (zopiclone, ursodeoxycholic acid, pimobendan and milnacipran) compliance with the Good Manufacturing Practice standard. Successfully is passed also Quality and Environmental Management System surveillance audit in accordance with ISO 9001 and ISO 14001 by the “Bureau Veritas Latvia”. Specialists of “Grindeks” audited and participated in the technology implementation process in Lithuania, Germany and Slovakia.

Main financial data of “Grindeks” during five year period (2006–2010)

Dynamics of “Grindeks” turnover

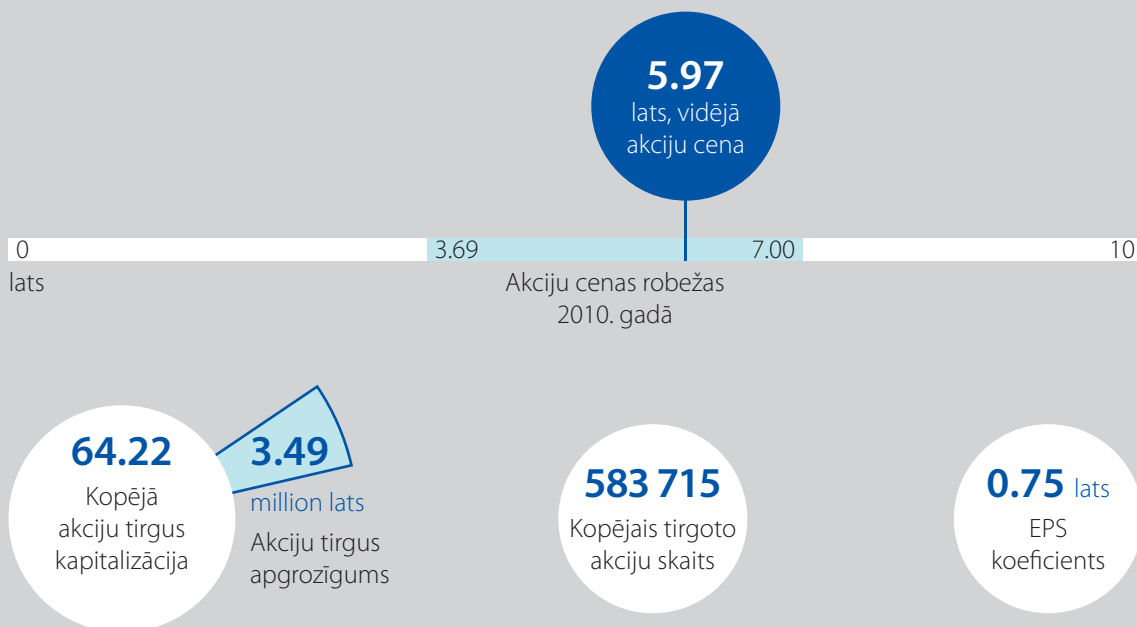
	million LVL
2010	65.1
2009	53.6
2008	62.1
2007	51.5
2006	42.2

Dynamics of “Grindeks” profit

	million LVL
2010	7.1
2009	3.7
2008	9
2007	7.2
2006	6.3

Development of "Grindeks" share price (Data of "NASDAQ OMX Riga")

Since 2 January 2006 "Grindeks" shares are listed in the Official List of "NASDAQ OMX Riga". Fluctuation of "Grindeks" share price on "NASDAQ OMX Riga" during 2010 was within the limits from 3.69 lats to 7.00 lats. In 2010, the average price of "Grindeks" shares was 5.97 lats. The total quantity of "Grindeks" shares, traded in "NASDAQ OMX Riga", during the year 2010 was 583 715 shares, reaching the turnover of 3.49 million lats. At the end of the year 2010 the market capitalization of "Grindeks" shares was 64.22 million lats. The Group's earnings per share (EPS ratio), during 2010 amounted to 0.74 lats as compared with 0.37 lats during 2009.



Future expectations

In 2011, "Grindeks" plans to maintain the current sales growth. A special attention will be put on research and development of new final dosage forms, as well as their successful implementation in the existing and new markets. In 2011, Mildronate® clinical research program in China will be continued. Likewise research and development of new active pharmaceutical ingredients will be continued.

In 2011, "Grindeks" will continue the following tactics:

- flexible approach in the changing market situation;
- cooperation with the secure business partners in every separate market;
- strict control of expenses, as well as optimization of manufacturing and resources;
- determined diversification of business actions:
 - introduction of new products;
 - entrance into new markets;
 - increase of production capacity, offering manufacturing services to other companies;
- investments for future – new business projects, research, development of medications.

Kirovs Lipmans
Chairman of the Council

Janis Romanovskis
Chairman of the Board

About Company

Performance characteristics of "Grindeks"

Factors facilitating development of "Grindeks"

Strategy

Mission

Vision

Values

A professional portrait of Janis Romanovskis, Chairman of the Board. He is a middle-aged man with short hair and glasses, wearing a dark blue suit, white shirt, and light-colored patterned tie. He is seated in a black leather office chair at a dark wood desk, holding a silver pen over a document. The background is a blurred office setting with a flag and a decorative lamp.

In order to achieve even better results, "Grindeks" will continue to carefully analyze important markets for it and thoughtfully realize the marketing and sales strategy.

Janis Romanovskis
Chairman of the Board

About Company



The position of the leading pharmaceutical company in the Baltic States, “Grindeks” has strengthened by its long-term experience in the research, development, manufacture and sales of both original and generics, as well as active pharmaceutical ingredients. One of the priorities of the company is its vertically integrated operation, namely, the company has all the necessary resources to perform the complete product development cycle using its own resources, from research and development of medications to registration and sales of the ready-made product.

The geographical location of “Grindeks” in Latvia is a great advantage. We are a bridge between Europe and the East, which allows us to save on logistics costs by delivering products in both directions. “Grindeks” production is exported to 50 countries worldwide.

The business philosophy of the company is closely related to the values facilitating the development of “Grindeks”, promoting competitiveness and establishing the internal culture of the company.

Performance characteristics of “Grindeks”:

- **Vertical integration** of operational processes to ensure complete development of the product by its own resources;
- **Technological supply** – with regard to technologically advanced equipment, “Grindeks” is among the leading world companies;
- **Brand products** – “Grindeks” manufactures qualitative brand products by using intermediately priced services and intermediately priced raw materials;
- **Relations with science** – close cooperation with the Latvian scientists, as well as traditional ties with the Russian scientists and scientists in other CIS countries whose high level of knowledge is beyond question;
- **Broad specialization, knowledge, practical experience and flexibility.**

Factors facilitating development of “Grindeks”:

- Meeting high international standards;
- Broad knowledge and experience throughout the product life cycle;
- Highly qualified personnel;
- New and modern technologies;
- Quality assurance according to international requirements (GMP, GLP, FDA, TGI, APIC etc.);
- Traditions of close cooperation with scientists and manufacturers in Latvia, Russia and other CIS countries;
- A network of representative offices in the Baltic states and CIS countries, and cooperation partners in Europe and elsewhere in the world.

Strategy



Mission

We are concerned about public health, employee motivation and welfare of our shareholders. We are innovation based and environmentally friendly company.

Vision

We aim to become a significant European company.

Values

- **Employees** – we are professionals using our knowledge and skills to achieve the determined goals.
- **Quality** – we are responsible for the production of safe and effective medicine, ecologically clean environment and work place safety.
- **Innovations** – we are steering development of science and research, as well as implementing latest technologies.
- **Stability** – we are reliable partners, socially responsible and honouring traditions.

Corporate governance

General Meeting of Shareholders

Supervisory Council

Board

Shares

Development of "Grindeks" share price in 2010 (LVL)

Development of "Grindeks" share price in comparison with
"NASDAQ OMX Riga" index in 2008–2010

"Grindeks" shareholders (over 5%)

Independent auditor's report

Statement of financial position as of 31 december 2010

Statement of comprehensive income for the year
ended 31 december 2010

Statement of changes in equity for the year ended 31 december 2010

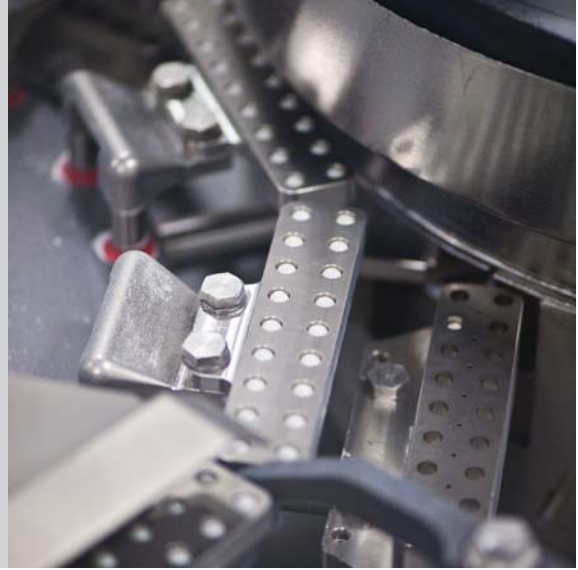
Statement of cash flows for the year ended 31 december 2010



In its activities, "Grindex" observes high standards of corporate governance principles. The selected business model and the transparency turn us into an attractive investment object.

Inese Prodniece
General Accountant

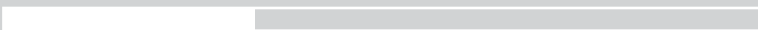




Corporate governance



In its operation JSC "Grindeks" adheres to high standards of corporate governance and ensures that the Company is managed in accordance with the Corporate Governance Principles adopted by "NASDAQ OMX Riga" in 2008. For the last five years, "Grindeks" has submitted Corporate Governance Report to "NASDAQ OMX Riga" simultaneously with the audited consolidated financial statements, which is available at both the Company's and "NASDAQ OMX Riga" homepages.

Management of "Grindeks" is conducted by the General Meeting of Shareholders, the Supervisory Council and the Management Board.

"Grindeks" shareholders (over 5%)*

Name	Ownership interest %
Kirovs Lipmans	33.29 
Anna Lipmane	16.69 
"AB.LV Private Equity Fund 2010"	11.38 
"Skandinaviska Enskilda Banken"	10.62 
"Swedbank" AS Clients Account	7.10 

*"Latvian Central Depository" data as of 31 December 2010

General Meeting of Shareholders

During the reporting period "Grindeks" convened the General Meeting of Shareholders on one occasion – on 25 May 2010 was convened the Annual General Meeting of Shareholders, which approved "Grindeks" Annual Report for the year 2009, decided to leave undistributed the profit for the year 2009 and use it for the development of "Grindeks" to increase its competitiveness, elected JSC "BDO" as auditor of "Grindeks" Annual Reports for the year 2010, as well as reelected "Grindeks" Supervisory Council.

Supervisory Council



Kirovs Lipmans
Chairman
of the Council



Anna Lipmane
Deputy Chairman
of the Council



Uldis Osis
Member
of the Council



Janis Naglis
Member
of the Council



Ivars Kalvins
Member
of the Council

Kirovs Lipmans born in 1940. Kirovs Lipmans has been the Chairman of the Council of "Grindeks" since 2003. From 1996 to 2002 he was the Chairman of the Council of JSC "Liepājas Eļļas rūpnīca" and JSC "Liepājas Metalurģs". 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 the Chairman of the Council of JSC "Kalceks" and JSC "Tallinn pharmaceutical plant". 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 one of the major shareholders of "Grindeks".

Anna Lipmane 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 "Grindeks".

Uldis Osis born in 1948. Uldis Osis has worked in the Council of "Grindeks" since 2002. Besides the position at "Grindeks", U. Osis is also the President of "Konsorts" Ltd.. 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 also in foreign educational institutions, including the Georgetown University (in 1992, Washington D.C., USA).

Janis Naglis born in 1958. Janis Naglis has been the Member of the Council of "Grindeks" since 2002. Simultaneously to the job responsibilities in JSC "Grindeks" J. Naglis is also the General Director of "Islande Hotel" Ltd., the Director 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.

Ivars Kalvins born in 1947. Professor Ivars Kalvins has been the Director, the Head of the Medical Chemistry Department and of the Chemistry Laboratory of Carbofunctional Combinations in the Institute of Organic Synthesis of Latvia (IOS) since 2003. Previously professor I. Kalvins was the Deputy Director of IOS. From 2006 to 2008 he was the Member of the Council of JSC "Grindeks". Professor I. Kalvins is one of the best known scientists in Latvia, Dr. habil. chem., the Member of the Latvian Academy of Science, has received several awards. Professor I. Kalvins is involved in different professional and nongovernmental organizations.

Board

Day-to-day operations management and strategic decision making in "Grindeks" group is carried out by the Board.



Janis Romanovskis
Chairman of the Board



Lipmans Zeligmans
Member of the Board,
Director of Final Dosage
Forms Manufacturing unit



Vadims Rabša
Member of the Board,
Chief Finance and
Administrative Officer

Janis Romanovskis born in 1960. Graduated from the Faculty of Economics of the University of Latvia. Has been employed at JSC "Grindeks" since 2003, having previously performed the duties of the Chief Finance and Administrative Officer, as well as being the Member of the Board. Prior to this he worked as the Chief Finance Officer at "Komerccentrs Dati grupa" Ltd. Simultaneously J. Romanovskis is also the Member of the Council of JSC "Kalceks", JSC "Tallinn pharmaceutical plant" and "Pharma and Chemistry Competence Centre of Latvia".

Lipmans Zeligmans born in 1947. Graduated from the Faculty of Chemistry of the Riga Polytechnic Institute. Has been employed at JSC "Grindeks" since 1992, having previously worked in the experimental factory of the Institute of Organic Synthesis of the Latvian Academy of Sciences. Simultaneously L. Zeligmans is also the Chairman of the Board of JSC "Kalceks" and the Member of the Council of JSC "Tallinn pharmaceutical plant".

Vadims Rabša born in 1976. Graduated from the Stockholm School of Economics in Riga where he studied Economics and Business. Has been employed at 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. Rabša also worked at JSC "Latvijas Balzāms" as the Chief Finance Officer. Besides the position at "Grindeks", V. Rabša is also the Member of the Council of "HBM Pharma" Ltd.

Shares

JSC "Grindeks" shares are listed on "NASDAQ OMX Riga" since 1 June 1998, and since 2 January 2006 JSC "Grindeks" shares are listed in the Official list of "NASDAQ OMX Riga".

ISIN	LV0000100659
Ticker	GRD1R
Nominal value	LVL 1.00
Total number of securities	9 585 000
Number of listed securities	6 245 600
Liquidity providers	None
Indexes	B35GI, B35PI, OMXBBCAPGI, OMXBBCAPPI, OMXBBGI, OMXBBPI, OMXBGI, OMXBPI, OMXRGI

Fluctuation of "Grindeks" share price on "NASDAQ OMX Riga" during 2010 was within the limits from 3.69 lats to 7.00 lats. In 2010, the average price of "Grindeks" shares was 5.97 lats. The total quantity of "Grindeks" shares, traded in "NASDAQ OMX Riga", during the year 2010 was 583 715 shares, reaching the turnover of 3.49 million lats. At the end of the year 2010 the market capitalization of "Grindeks" shares was 64.22 million lats. The Group's earnings per share (EPS ratio), during 2010 amounted to 0.74 lats as compared with 0.37 lats during 2009.

Development of "Grindeks" share price in 2010 (LVL)



Open	LVL 3.74
Max	LVL 7.00
Min	LVL 3.69
Last	LVL 6,70
Change	76.32%
Deals	1 160
No of shares traded	583 715
Turnover	LVL 3 486 586,08
Capitalization on 31.12.2010.	LVL 64 219 500
EPS ratio	LVL 0.74
P/E ratio	LVL 9.05

Development of "Grindeks" share price in comparison with "NASDAQ OMX Riga" index in 2008–2010



Index/Equity	01.01.2008	31.12.2010	+/--%
- OMX Riga	595.30	393.53	-33.89↓
- GRD1R	5.49 LVL	6.70 LVL	22.04↑

INDEPENDENT AUDITOR'S REPORT

To shareholder of JSC "Grindeks"

Report on the financial statement

We have performed the audit of JSC "Grindeks" (hereinafter - Company) financial statements for the year 2010 and the consolidated financial statement of JSC "Grindeks" and its subsidiaries (hereinafter - Group) for the year 2010 incorporated in the consolidated annual report of Company for the year 2010, which is presented on pages from 9 to 37. The audited financial statements comprise the statements of financial position of the Company and the Group as of 31 December 2010, the statements of comprehensive income for the year 2010, the report on the changes in equity and the cash flow statement for the year ended December 31, 2010, as well as a summary on the relevant accounting principles, as well as other explanatory information presented in the Appendix.

Management responsibility on the presentation of the financial statement

The management of JSC "Grindeks" is responsible for drawing up of the financial statements and accuracy of the information contained in the said report presented pursuant to the International Financial Reporting Standards as adopted by the European Union. This responsibility implies establishment, implementation and maintenance of such internal control that is to ensure the drawing up and true and fair presentation of the financial report that is free from material misstatement resulting from fraudulent activity or errors, selection and use of an appropriate accounting policy, as well as preparation of accounting estimates suitable in the particular conditions.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We performed the audit in accordance with the International Standards on Audit recognized in Latvia. These standards stipulate ethical norms to be observed by the auditor and require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free from material misstatement.

The audit includes procedures undertaken to obtain audit evidence on the amounts presented in the financial statements and the information disclosed. The procedures are selected based on the auditor's professional judgement, including assessment of risk of fraudulent misrepresentation or material discrepancies in the financial statement. When performing risk assessment, the auditor takes into account internal control established to ensure the drawing up of the financial statements and accurate presentation of information in the reports aimed at determining the most appropriate procedures in the particular situation, rather than expressing an opinion on the efficiency of control. The audit also includes general evaluation of whether the applied accounting principles and relevant management assumptions, as well as the information presented in the financial statements are reasonably justified.

We believe that the disclosures made in the course of our audit are sufficient and adequate to express our auditor's opinion.

Opinion

In our opinion, the financial statements referred to above in all material aspects present a true and fair view of the financial position of the Company and the Group as of December 31, 2010, and of the results of its financial performance and cash flows for the year 2010 in accordance with the International Financial Reporting Standards as adopted by the European Union.

Report on the conformity of the management report

We have familiarised ourselves with the management report for the year 2010, which is presented on pages from 5 to 7, and have not disclosed any material discrepancies between the financial information presented in the management report and the financial statements for the year 2010.

"BDO" JSC
Certified auditors Commercial Company
Licence No. 112

D.Tunsts
International Liaison Partner



Riga, Latvia
April 27, 2011



A.Putniņš
The responsible certified auditor
Certificate No.123

Statement of financial position as of 31 december 2010

	Group 31.12.2010 LVL	Group 31.12.2009 LVL	Company 31.12.2010 LVL	Company 31.12.2009 LVL
ASSETS				
Non-current assets				
Intangible assets				
Software, patents, licenses, trademarks and other rights	883,491	491,500	875,409	487,163
Advance payments for intangible assets	90,741	295,178	90,741	295,178
Total intangible assets	974,232	786,678	966,150	782,341
Tangible fixed assets				
Land, buildings and constructions	14,106,736	16,358,280	13,250,167	13,360,559
Equipment and machinery	9,119,061	10,204,746	9,028,778	10,110,362
Other fixed assets	787,502	835,899	737,120	824,524
Construction in progress	8,597,711	3,405,717	5,200,697	-
Advance payments for fixed assets	2,377,536	2,386,423	2,361,821	2,367,693
Total tangible fixed assets	34,988,546	33,191,065	30,578,583	26,663,138
Investment property	4,882,200	5,049,220	-	-
Non current financial investments				
Investment in subsidiaries	-	-	6,986,582	6,986,582
Investment in associates	-	22,000	-	22,000
Other investments	25,720	-	25,720	-
Other non current assets	1,706,200	-	-	-
Loan for the partner and management	896,075	710,335	896,075	710,335
Total long term financial investments	2,627,995	732,335	7,908,377	7,718,917
Total non current financial assets	43,472,973	39,759,298	39,453,110	35,164,396
Current assets				
Inventories				
Raw materials	2,828,538	3,147,807	1,683,387	2,028,556
Unfinished goods	1,980,706	1,848,574	1,980,706	1,848,574
Finished goods and goods for resale	5,936,422	5,567,468	2,238,922	1,934,830
Total inventory	10,745,666	10,563,849	5,903,015	5,811,960
Debtors				
Trade receivables	23,846,258	19,148,974	18,395,418	12,464,886
Due from related parties	-	-	14,717,210	12,350,475
Other debtors	4,437,538	3,432,653	2,253,850	2,154,740
Loan for the partner and management	845,096	741,893	845,095	735,543
Deferred expenses	108,191	174,661	68,492	121,646
Total debtors	29,237,083	23,498,181	36,280,065	27,827,290
Cash and cash equivalents	524,506	116,412	224,057	59,536
Total current assets	40,507,255	34,178,442	42,407,137	33,698,786
TOTAL ASSETS	83,980,228	73,937,740	81,860,247	68,863,182

Statement of financial position as of 31 december 2010

	Group 31.12.2010 LVL	Group 31.12.2009 LVL	Company 31.12.2010 LVL	Company 31.12.2009 LVL
EQUITY AND LIABILITIES				
EQUITY				
Share capital	9,585,000	9,585,000	9,585,000	9,585,000
Share premium	15,687,750	15,687,750	15,687,750	15,687,750
Other reserves	464,905	464,905	464,905	464,905
Foreign currency revaluation reserve	45,282	(117,972)	-	-
Retained profit				
a) retained profit	25,580,132	22,012,072	25,497,048	21,983,733
b) current year profit	7,112,698	3,568,060	8,279,316	3,513,315
Equity attributable to equity holders of the parent	58,475,767	51,199,815	59,514,019	51,234,703
No controlling interest	56,020	55,462	-	-
Total equity	58,531,787	51,255,277	59,514,019	51,234,703
LIABILITIES				
Non-current liabilities				
Loans from credit institutions	3,687,826	3,324,869	3,687,826	1,999,258
Finance lease liabilities	770,300	1,230,828	359,912	681,476
Deferred income	3,056,775	1,084,826	3,056,775	1,084,826
Deferred tax liabilities	1,993,312	1,827,506	1,330,282	1,164,476
Total non-current liabilities	9,508,213	7,468,029	8,434,795	4,930,036
Current liabilities				
Loans from credit institutions	7,839,793	7,241,415	6,514,182	7,241,415
Finance lease liabilities	316,800	332,263	316,800	332,263
Advances from customers	68,891	11,922	68,891	11,922
Trade accounts payable	5,832,190	6,435,314	5,315,439	4,118,873
Taxes and social security liabilities	953,928	253,627	876,698	164,549
Other payables	356,260	635,030	278,452	420,953
Accrued liabilities	121,537	88,444	90,142	192,049
Deferred income	450,829	216,419	450,829	216,419
Total Current liabilities	15,940,228	15,214,434	13,911,433	12,698,443
Total liabilities	25,448,441	22,682,463	22,346,228	17,628,479
TOTAL EQUITY AND LIABILITIES	83,980,228	73,937,740	81,860,247	68,863,182

Statement of comprehensive income for the year ended 31 december 2010

	Group 31.12.2010 LVL	Group 31.12.2009 LVL	Company 31.12.2010 LVL	Company 31.12.2009 LVL
Net sales	65,149,068	53,574,211	62,229,323	51,526,669
Cost of goods sold	(28,427,882)	(26,881,534)	(28,372,965)	(26,788,236)
Gross profit	36,721,186	26,692,677	33,856,358	24,738,433
Selling expenses	(17,820,659)	(14,858,102)	(16,790,938)	(13,297,221)
Administrative expenses	(7,001,647)	(6,814,185)	(4,728,138)	(5,218,300)
Other operating income	1,790,190	82,264	1,858,330	196,449
Other operating expenses	(4,744,978)	(1,937,816)	(4,140,838)	(2,159,574)
Changes in fair value	-	1,287,886	-	-
Interest income and similar income	87,029	41,223	104,253	131,005
Interest expense and similar expense	(240,241)	(195,884)	(240,241)	(195,884)
Real estate tax	(89,263)	(83,105)	(59,373)	(51,622)
Profit before taxation	8,701,617	4,214,958	9,859,413	4,143,286
Corporate income tax	(1,588,361)	(645,546)	(1,580,097)	(629,971)
NET PROFIT FOR THE YEAR	7,113,256	3,569,412	8,279,316	3,513,315
Other comprehensive income				
Foreign currency revaluation	163,254	(77,936)	-	-
Other comprehensive income total	163,254	(77,936)	-	-
Comprehensive income total	7,276,510	3,491,476	8,279,316	3,513,315
Attributable to:				
Equity holders of the parent	7,112,698	3,568,060	8,279,316	3,513,315
No controlling interest	558	1,352	-	-
TOTAL	7,113,256	3,569,412	8,279,316	3,513,315
Comprehensive income attributable of:				
Equity holders of the parent	7,275,952	3,490,124	8,279,316	3,513,315
No controlling interest	558	1,352	-	-
Total	7,276,510	3,491,476	8,279,316	3,513,315
Earnings per share attributable equity holders of the parent (LVL per share)				
- Basic earnings per share	0.74	0.37		
- Diluted earnings per share	0.74	0.37		

Statement of changes in equity for the year ended 31 december 2010

Group	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
As at 31 December 2008	9,585,000	15,687,750	464,905	(40,036)	22,012,072	47,709,691	54,110	47,763,801
Foreign currency revaluation	-	-	-	(77,936)	-	(77,936)	-	(77,936)
Profit for the year	-	-	-	-	3,568,060	3,568,060	1,352	3,569,412
As at 31 December 2009	9,585,000	15,687,750	464,905	(117,972)	25,580,132	51,199,815	55,462	51,255,277
Foreign currency revaluation	-	-	-	163,254	-	163,254	-	163,254
Profit for the year	-	-	-	-	7,112,698	7,112,698	558	7,113,256
As at 31 December 2010	9,585,000	15,687,750	464,905	45,282	32,692,830	58,475,767	56,020	58,531,787
 Company								
	Share capital	Share premium	Other reserves	Retained profit	Total			
	LVL	LVL	LVL	LVL	LVL			
As at 31 December 2008	9,585,000	15,687,750	464,905	21,983,733	47,721,388			
Profit for the year	-	-	-	3,513,315	3,513,315			
As at 31 December 2009	9,585,000	15,687,750	464,905	25,497,048	51,234,703			
Profit for the year	-	-	-	8,279,316	8,279,316			
As at 31 December 2010	9,585,000	15,687,750	464,905	33,776,364	59,514,019			

Statement of cash flows for the year ended 31 december 2010

	Group 31.12.2010 LVL	Group 31.12.2009 LVL	Company 31.12.2010 LVL	Company 31.12.2009 LVL
OPERATING ACTIVITIES				
Net profit before taxation	8,701,617	4,214,958	9,859,413	4,143,286
Adjustments to reconcile net profit to net cash provided by operating activities:				
Depreciation and amortisation	2,749,194	2,500,129	2,677,482	2,426,555
(Gain) / loss on disposal of fixed assets and intangible assets	705,325	1,716	1,628	(751)
Changes in fair value	-	(1,287,886)		-
Income from EU funding	(330,018)	(125,629)	(330,018)	(125,629)
Interest income	(87,029)	(41,223)	(104,253)	(131,005)
Interest expense	240,241	195,884	240,241	195,884
Changes in operating assets and liabilities:				
Inventory	(181,817)	(3,406,661)	(91,055)	394,264
Debtors	(5,738,902)	(3,925,246)	(8,452,775)	(3,752,078)
Creditors	(2,200,322)	4,455,759	(330,699)	372,135
Gross cash provided by operating activities	3,858,289	2,581,801	3,469,964	3,522,661
Corporate income tax paid	475,162	(1,345,324)	475,162	(1,345,324)
Interest income received	40	1,391	40	1,391
Net cash provided by (used in) operating activities	4,333,491	1,237,868	3,945,166	2,178,728
INVESTING ACTIVITIES				
Purchase of fixed assets and intangible assets	(7,130,424)	(4,410,220)	(6,807,356)	(3,937,419)
Proceeds from sale of fixed assets	306,935	6,187	13,000	6,187
Purchase of long term financial investments	(267,271)	(1,368,066)	(263,552)	(2,198,942)
Other loans repaid	18,931	6,306	18,931	6,306
Net cash used in investing activities	(7,071,829)	(5,765,793)	(7,038,977)	(6,123,868)
FINANCING ACTIVITIES				
Received loans from credit institutions	3,323,937	5,346,133	3,323,937	5,346,133
Repaid loans to credit institutions	(2,362,602)	(1,374,708)	(2,362,602)	(1,374,708)
EU funding	2,537,238	-	2,537,238	-
Interest paid	(240,241)	(195,884)	(240,241)	(195,884)
Net cash (used in) / provided by financing activities	3,146,432	3,775,541	3,258,332	3,775,541
Net increase / (decrease) in cash and cash equivalents	408,094	(752,384)	164,521	(169,599)
Cash and cash equivalents at the beginning of the year	116,412	868,796	59,536	229,135
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	524,506	116,412	224,057	59,536

Products

Brand products

Mildronate[®] and Mildronate[®] GX

Ftorafur[®]

Generics

Active Pharmaceutical Ingredients



Grindeks

is proud of its original products Mildronate® and Ftorafur® and annually expands the offer of effective generics.

Ingrida Innuse-Malinovska
Manufacturing Pharmacist
of the Peroral Medication Forms
Manufacturing Division

Products



There are more than 100 ready-made medications in the product range of "Grindeks". The company is proud its brand products – Mildronate®, Mildronate® GX, Ftorafur® as well as the unique ointments Capsicam® and Viprosal B®. Important place in the company's product range is also for its active pharmaceutical ingredients. We offer 16 types of intricate, manufactured in the multi-stage synthesis, active pharmaceutical ingredients.

The main therapeutic groups of "Grindeks" are the heart and cardiovascular, central nervous system and anti-cancer medications. Forming around 51% of the total turnover of "Grindeks", Mildronate® continues to maintain the leadership in the total product range, but in recent years the sales amount of other final dosage forms and active pharmaceutical ingredients has substantially increased.

Brand products

MILDRONATE® MILDRONATE® GX

"Grindeks" is proud of its brand product of the cardiovascular group of agents Mildronate®. Thanks to its unique property, this medication is used in such cases:

- heart and cardiovascular diseases – stable load angina, chronic heart failure (NYHA I–III functional class), cardiomyopathy, functional cardiovascular disorders;
- acute and chronic ischemic cerebrovascular disorders;
- physical and mental strain and during rehabilitation periods.

Mildronate® is available in capsules and injections. In 2010 "Grindeks" introduced a new original form – Mildronate® GX 500 mg tablets.



In the beginning of 2010 "Grindeks" successfully finished an international clinical trial on the influence of the brand product Mildronate® on the treatment of angina. The randomized, multinational, multi-center, double blind, placebocontrolled clinical trial on Mildronate® was performed in 37 research centres in Latvia, Lithuania, Russia and Ukraine corresponding with the ICH/ GCP (Good clinical practice) and the EU legislation for the clinical trials of I–IV phases. Results of the international clinical trial once more approved effectiveness and the high safety of Mildronate® in the treatment of angina in combination with the standard therapy.

The stable markets for Mildronate® are Russia and other CIS countries, Latvia and Lithuania. Overall Mildronate® is exported to 15 countries, including also the Balkans starting from 2010. For several years in a row, Mildronate® is the second best selling prescription medication in the Ukraine.

FTORAFUR®

The second most popular "Grindeks" brand product Ftorafur® is an anti cancer medication used for the treatment of gastric and colorectal oncological diseases. In 2010 the turnover of Ftorafur® reached 1.74 million lats, which is by 19% more than the results of 2009. Stable markets for Ftorafur® final dosage form are Russia, Ukraine, Kazakhstan, Hungary and Belorussia. In its turn, active pharmaceutical ingredient ftorafur (tegafur) has been successfully exported to Japan for over 30 years.



Generics

In addition to Mildronate®, for treatment of cardiovascular diseases, "Grindeks" also offers such medications, needed by patients and physicians, as Karvidil®, Simvalimit®, Lizinopryl-Grindeks and Warfarin-Grindeks and others.

The supply of oncological group products of "Grindeks" is also expanding. Currently are being offered – Bicalutamide-Grindeks, Axastrol® (Anastrozole), Fludarabine-Grindeks and Imatinibe-Grindeks. In order to expand the anti-cancer product supply, in 2010 several medication registration processes were continued. In the stage of development, there are two new anti-cancer generics; one of them is in the pre-registration phase.

The most important medications of the group the central nervous system therapeutic group is the sleep medication Somnol® and other effective – Alprozolam-Grindeks, Betamaks® and Venlaxor®. One of the most successful medications in this therapeutic group is Rispaxol® – a qualitative new generation product for the treatment of schizophrenia.

Among the buyers, "Grindeks" over-the-counter products are also popular, in particular, the ointments Capsicam® and Viprosal B®.

Capsicam® ointment contains the substances with vasodilating and irritating effect on the sensitive nerve-endings, resulting in local irritative, hyperemic and analgesic action. The ointment is used for muscle, nerve and joint pain relief in cases of radiculitis, neuralgia, rheumatoid arthritis, myositis and vertebral osteochondrosis, as well as for the treatment of episodic unilateral migraine headache. Capsicam® is analgesic and warmth-producing product for joint and muscular pain, therefore it is often used in sports medicine. In 2010, Capsicam® ointment sales totaled to 4.3 million lats, by 18% above the results of 2009. In 2010, intensive Capsicam® ointment marketing activities in Russia, Kazakhstan, Ukraine, Belarus, Lithuania, Uzbekistan were launched. Capsicam® ointment is marketed not only in the Baltic countries, Russia and other CIS countries but also in Albania and Kosovo.

Viprosal B® ointment is unique, its main active ingredient is viper's venom (Vipera berus), which contains phospholipase, phosphodiesterase, hialuronidase and other active ingredients. The ointment is used as topical analgesic at joint and muscle pain, namely the venom of viper acts as irritant and analgesic, if absorbed, it activates the protective mechanisms of the organism. In addition to the analgesic effect, camphor, salicylic acid and turpentine oil possess antiseptic effect, salicylic acid acts also as keratolytically agent. Viprosal B® ointment preparation is required not only in the Baltic countries, Russia and other CIS countries, but also in Eastern Europe – Hungary, the Czech Republic. It is particularly popular in Poland. In 2010, sales of Viprosal B® ointment totaled to 4.5 million lats, by 28% above the results of 2009.

More and more demanded becomes adsorbent Sorbex®, which is effective for absorption and removal of toxic compounds from the human body. Each year, nonprescription product range is broadened – in 2010, the company introduced in the Baltic market new generation of probiotics Lactobex®.

LACTOBEX®
Vēders pateiks paldies!

LACTOBEX® BABY
Probiotisko kultūru komplekss
Jaundzimušiem bērniem
Satur 8 miljardu veģetāro
probiotisko šūnu kompleksu
Grindeks

LACTOBEX®
Probiotisko kultūru komplekss
Jaundzimušiem bērniem
Satur 8 miljardu veģetāro
probiotisko šūnu kompleksu
Grindeks

JAUNUMS!
Jaunākās paaudzes
probiotisko kultūru komplekss,
lietojams tikai 1 reizi dienā.

Gandarījums palīdzēt!

Grindeks



BICALUTAMIDE GRINDEKS
Bicalutamidum
50 mg N28

Izdari pareizo gājienu!

SORBEX™
granulēts aktivēts sorbents

Tikai 2 kapsulas

Un vēders kārtībā!

Aktīvs palīgs
nepatīkamās
situācijās

SORBEX™
granulēts aktivēts sorbents

Uztura bagātinātājs
20 kapsulas pa 396 mg

Grindeks

RISPAXOL®
2 mg
apvalkotas tabletes / plāvele dengtas tabletes /
dūķešu polimērkatēga tabletes

Risperidonum

20 apvalkotas tabletes
plāvele dengtas tabletes
dūķešu polimērkatēga tabletes

Grindeks

Active Pharmaceutical Ingredients

Active Pharmaceutical Ingredients (APIs) are an integral element of "Grindeks" products. They are manufactured for both further manufacturing of final dosage forms within the company, and for sale to other pharmaceutical companies around the world, mainly in Western countries. The company offers intricate products created as a result of multi-stage synthesis, diversifying and making the portfolio of APIs products more attractive year by year. At present, "Grindeks" manufactures 16 types of active substances. In 2010 the most demanded products were: ursodeoxycholic acid (UDCA), ftorafur (tegafur), zopiclone, oxytocin, rilmenidine and the new veterinary products detomidine, medetomidine and atipamezole.

Registration of zopiclone and oxytocin APIs in accordance with the requirements of European Pharmacopoeia provides export opportunities to the European Union (EU) member states. Both of these substances manufactured by "Grindeks" have been registered in the European Directorate for the Quality of Medicines (EDQM).

Since the beginning of 2009, "Grindeks" has taken part in a joint international project "Oxytocin in Uniject™", conducted by the international non-profit organization PATH and the Argentine pharmaceutical company "Instituto Biológico Argentino S.A.I.C.". Within the scope of the project "Grindeks" is chosen to be a collaboration partner, who produces and supplies oxytocin API. "Oxytocin in Uniject™" is an innovative non-reusable injection device prefilled with a single dose of oxytocin.

In the second half of 2009, "Grindeks" introduced a new active pharmaceutical ingredient – ursodeoxycholic acid (UDCA), which is used for production of final dosage forms in the treatment of hepatic and gallstone diseases. Introduction of the UDCA product will diversify business activity of "Grindeks", extend the product portfolio, as well as the development opportunities within a completely new medical therapeutic group for the company – gastroenterological diseases. In accordance with the concluded agreement, "Grindeks" will have to deliver 30t of UDCA substance in 2011. In general, it will considerably extend and even double the APIs business of "Grindeks".



The high quality of "Grindeks" APIs is confirmed by the Good Manufacturing Practice (GMP) certificate issued by the State Agency of Medicines of Latvia and the opinion of the U.S. Food and Drug Administration on conformity of the standard for the entire APIs' production unit, as well as the opinion of the APIs' Committee of the European Federation for Medicinal Chemistry (APIC) on conformity of production unit of "Grindeks" with the EU guidelines (ICH Q7A). The opinion of the Therapeutic Goods Administration (TGA) is of great importance for the opportunity to export zopiclone API to Australia.

Production

Final Dosage Forms

Active Pharmaceutical Ingredients



One

of the advantages of “Grindeks” is the ability to carry out a full product cycle with its own resources – to develop and manufacture active pharmaceutical ingredients, out of which then ready-made medications are manufactured and marketed.

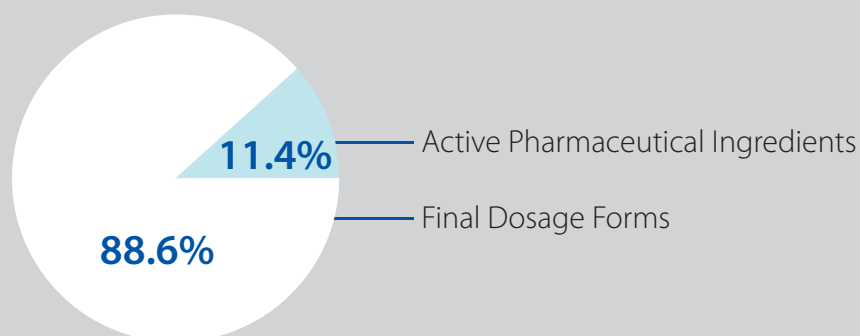
Valters Vilnis
Area Manager of the Active
Pharmaceutical Ingredients
Manufacturing Unit

07-H 04

Production



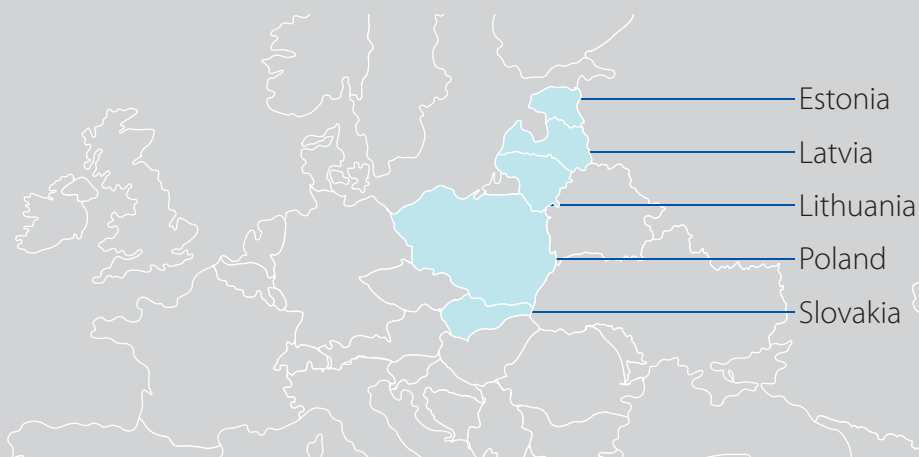
"Grindeks" has great experience in manufacture of full cycle of pharmaceutical products, starting from active pharmaceutical ingredients up to final dosage forms – tablets, capsules, syrups and ointments. The great experience of "Grindeks" in a full cycle of pharmaceutical manufacturing, starting from substances up to final dosage forms, demonstrates the company's ability to organize the multidimensional pharmaceutical business diversely. Striving for the highest international standards, "Grindeks" is constantly investing in industrial infrastructure and technological equipment modernization.



Final Dosage Forms

Production of "Grindeks" final dosage forms – tablets, capsules, injections, ointments and syrups – takes place both in Latvia and abroad. Tablets, capsules and syrups are produced by "Grindeks" in Latvia, while "Grindeks" subsidiary company in Estonia, the "Tallinn Pharmaceutical Plant", has specialized in ointments. Production of injections, in accordance with agreements concluded, is organized in the pharmaceutical companies of "Sanitas" in Lithuania, "Jelfa SA" in Poland and "HBM Pharma" in Slovakia.

Production of "Grindeks"



All the production processes are organized in accordance to the Good Manufacturing Practice and ISO quality standards, which guarantee the overall safety and quality of the produced medications. In the production site, a modern automatic monitoring system has been mounted that checks the microclimate in the premises, operation of the engineering systems, and monitors other production processes and provides significant savings on utilities. In its turn, the modern and high-powered technological equipment of the final dosage forms of "Grindeks" ensures convenient, safe, efficient and environmentally friendly production. "Grindeks" final dosage form production capacity is 1.5 billion tablets and 500 million capsules per year.

In the beginning of 2011, "Grindeks" opened a new anti-cancer final dosage forms' manufacturing unit, in which now a number of oncology medications are already being produced, including our brand product Ftorafur®. The new manufacturing unit will be a significant support "Grindeks" to expand the oncology product range.



Active Pharmaceutical Ingredients (APIs)

The APIs' plant of "Grindeks" is located in an area of approximately 10 000 m². High-quality APIs are produced in reactors of various volumes (from 100 to 4,000 litres) for both the final dosage forms' plant of "Grindeks" and for export to clients abroad.

Due to the targeted investments, the volume of production has doubled over the last five years. The current maximum capacity of the production of APIs is 200 tons a year. In 2010, supplies to the final dosage forms' plant of "Grindeks" amounted to almost 90 tons of APIs, while 15 tons of substances were manufactured for export.

According to the concluded multi-degree and long-term cooperation agreement with the German pharmaceutical company "Marenis Pharma" on the supply of API – ursodeoxycholic acid (UDCA), finished the construction of the new manufacturing unit in June of 2011. UDCA product development and manufacturing process is complex and time consuming. This is related to refining, hydration, replacement, crystallisation and other chemical transformation. 6.34 million lats were invested in the construction of the manufacturing unit and to increase the energy capacity.

"Grindeks" has all the necessary resources to provide contract research and contract production services for APIs.



Markets

Main export markets for "Grindeks"

Markets for Final Dosage Forms

Markets for Active Pharmaceutical Ingredients

New Export Markets



The convenient location of "Grindeks" allows it to be a bridge between the East and the West, and to deliver products in the necessary directions.

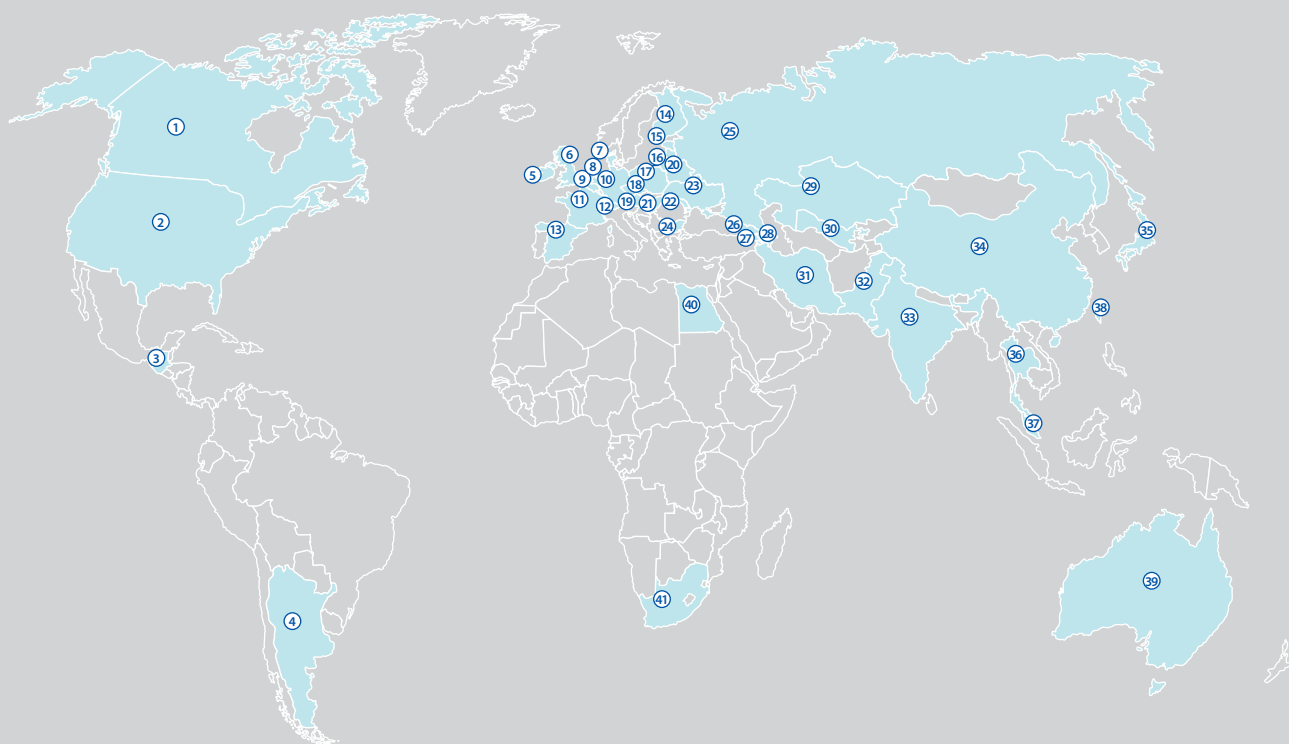
Janis Kalnins
Head of the Procurement Department
of the Logistics Structure

Markets



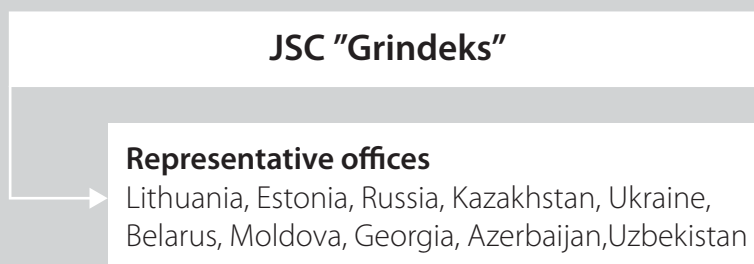
In 2010, "Grindeks" received the prize "Leading Exporter" of the Ministry of Economics of the Republic of Latvia and Investment and Development Agency of Latvia. This title has been awarded deservedly – the company's international activities and export is increasing every year. In 2010, the exports accounted for 95% of overall turnover, products of "Grindeks" are exported to 50 countries.

Main export markets for "Grindeks"



- | | | | | |
|--------------------|-----------------|------------------------|----------------|------------------|
| 1. Canada | 9. Belgium | 17. Poland | 25. Russia | 33. India |
| 2. The USA | 10. Germany | 18. The Czech Republic | 26. Georgia | 34. China |
| 3. Guatemala | 11. France | 19. Austria | 27. Armenia | 35. Japan |
| 4. Argentina | 12. Switzerland | 20. Belarus | 28. Azerbaijan | 36. Thailand |
| 5. Ireland | 13. Spain | 21. Hungary | 29. Kazakhstan | 37. Singapore |
| 6. The UK | 14. Finland | 22. Moldova | 30. Uzbekistan | 38. Taiwan |
| 7. Denmark | 15. Estonia | 23. Ukraine | 31. Iran | 39. Australia |
| 8. The Netherlands | 16. Lithuania | 24. Bulgaria | 32. Pakistan | 40. Egypt |
| | | | | 41. South Africa |

"Grindeks" has opened representatives and representative offices and subsidiaries in 10 countries - Lithuania, Estonia, Russia, Kazakhstan, Ukraine, Belarus, Moldova, Georgia, Azerbaijan and Uzbekistan.



Markets for Final Dosage Forms

The sales volume of "Grindeks" ready made medications amounted to 57.7 million lats in 2010, which is by 9.5 million lats or 19.7% more, comparing to 2009.

In 2010, the export volume of the final dosage forms of "Grindeks" to Russia, other CIS countries and Georgia, amounted to 50.2 million lats, which is by 8.3 million lats or 19.8% more than in 2009. The turnover in the Baltic states and other European countries was 7.5 million lats, which is an increase of 1.2 million or 19% over the previous year.

The positive results were influenced by the economic stabilization process, as well as targeted marketing and sales activities of "Grindeks" in existing and especially emerging markets – Eastern Europe.

Markets for Active Pharmaceutical Ingredients (APIs)

In 2010, sales of APIs reached 7.4 million lats, which is by 2 million or 37% more than in 2009. Such a result was achieved, thanks to the increase in demand after introduction in the manufacture of the active pharmaceutical ingredient ursodeoxycholic acid in 2009. The main markets in 2010 were Germany, the Netherlands, Japan and the United States.

The main cooperation partners are "Marenis Pharma" (Germany), "Eurovet Animal Health" (the Netherlands), "GDL International" (the USA), "Mylan" (France, Ireland).

New Export Markets

The marketing strategy of "Grindeks" has hit its mark, and the company will concentrate on both retaining existing markets, and entering promising new markets.

"Grindeks" has fulfilled all the preconditions to start clinical trials on Mildronate® in China, and soon will begin work with several clinical research centers.

The company continues to purposefully expand its activities in the regions of Eastern Europe, the Balkans, and the Scandinavia. We have started to export final dosage forms to Romania, Slovakia, Albania, Kosovo, Sweden and Bulgaria.

Investment Program



The close cooperation with scientists and research institutes both in Latvia, and foreign countries promote research and development of new and innovative substances.

Dmitrijs Ruskovs
Senior Chemist of the Active Pharmaceutical
Ingredients Research and Development Laboratory

Investment Program



- In the beginning of 2010, "Grindeks" successfully finished an international clinical trial on the influence of the brand product Mildronate® on the treatment of angina. Results of the just-finished multinational clinical trial once more approve effectiveness and the high safety of Mildronate® in the treatment of angina in combination with the standard therapy. Results obtained will promote sales and registration of Mildronate® in new markets. A randomized, multinational, multicenter, double blind, placebo-controlled clinical trial with Mildronate® was performed in 37 research centres in Latvia, Lithuania, Russia and Ukraine. "Grindeks" altogether invested 1.6 million lats in this research.
- In the beginning of 2011, "Grindeks" opened a new anti-cancer final dosage forms' manufacturing unit, in which 400 thousand lats were invested. In the new manufacturing unit, a number of oncology medications, including our original product and one of the most important products of "Grindeks" – Ftorafur® are already being produced.
- In order to ensure regular development and manufacturing of the active pharmaceutical ingredient of ursodeoxycholic acid (UDCA), in the middle of 2009 "Grindeks" started construction of a new manufacturing unit. 6.34 million lats were invested in the project, from which 2.8 million lats is the co-financing from the European Regional Development Fund. The project was finished in June of 2011.



Investments of "Grindeks" during five year period (2006–2010)

Year	Investment (million LVL)
2010	6.633
2009	4.361
2008	8.707
2007	6.953
2006	6.046

Quality

Quality Management System

Technological supply

Inspections, audits and quality certificates



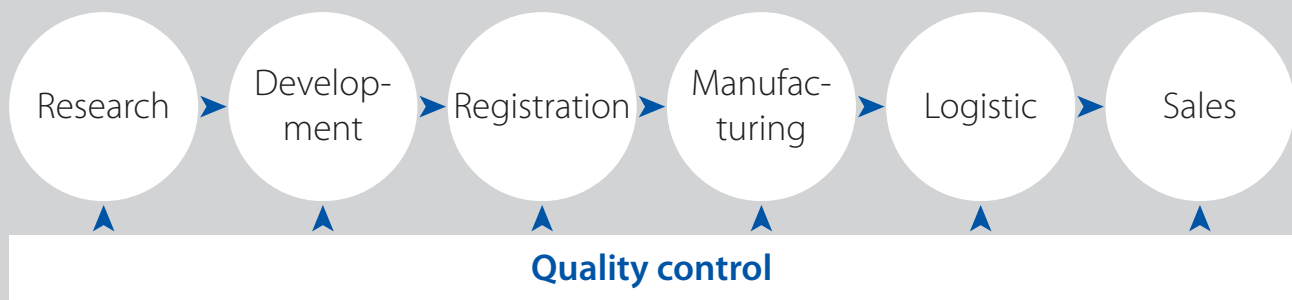
The good manufacturing practice and the work quality of "Grindeks" each year over and over again are confirmed in the successful audits and inspections. Requirements for the pharmaceutical industry grow and stimulate us to be ever better.

Natalja Linkevica
Chemistry Technician-Analyst of the Raw Material Control Group of the Quality Control Laboratory

Quality



Manufacturing processes and the products of "Grindeks" meet global quality standards. "Grindeks" is convinced that observance of the quality principles promote industrial development, as well as provide product promotion in the market, ensuring that new and existing high quality and safe products will satisfy customers. Compliance with the Good Manufacturing Practice and quality standards are in the interests of both manufacturers and consumers.



Taking into account, that quality requirements in the field of pharmacy and in the sphere of Good Manufacturing Practice increase every year, also during 2010, "Grindeks" continued to improve its operations in this field.

Quality Management System

The integrated Quality Management System of "Grindeks" is certified since 2006 and it covers all stages of the product life cycle, starting from research, development, production, quality control, and ending with sales, as well as labour and environmental monitoring. In September 2010 successfully was passed Quality and Environmental Management System surveillance audit by the "Bureau Veritas Latvia".

In the company is implemented computerized Document Management System, which provide effective and operative circulation of documents and information.

In "Grindeks" operates the Business Continuity Management Process, which includes a quick response plan, crisis management and communication plan and recovery strategies.

Moreover, attention is paid to the Business Risk Management, which aims to provide a structured and planned business risk management process and to eliminate the possibility that certain events or

actions, dependent or independent from the company, adversely affects the achievement of the company's goals and implementation of the strategy.

Overall, the Quality Management System has an important role in working efficiency, growth and strengthening of competitiveness of "Grindeks".

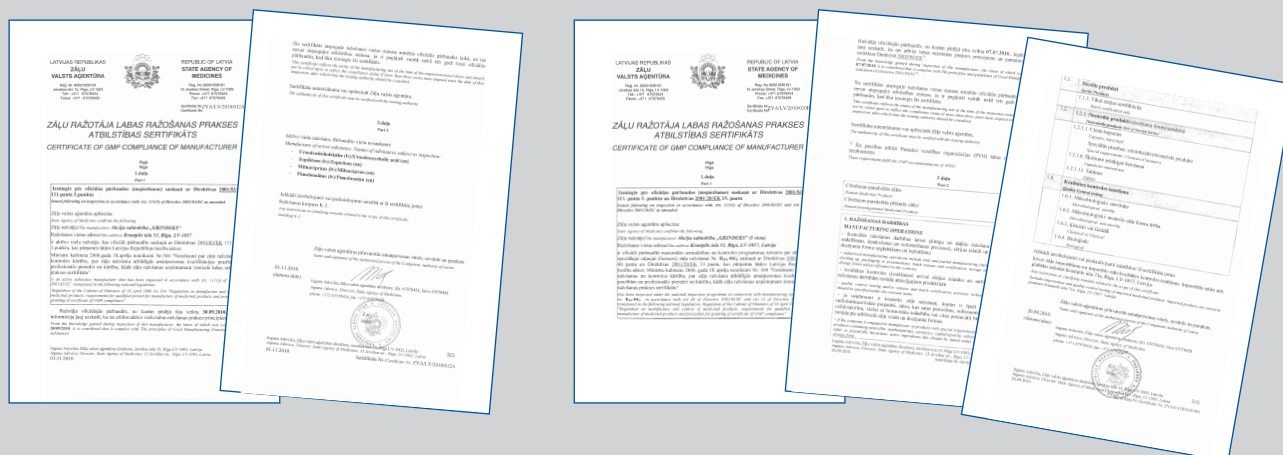
Technological supply

Constantly improving quality control, "Grindeks" invests in new, modern production facilities construction and replace aging equipment with more powerful.

So, in 2010, the company finished construction and certification of the new anti-cancer medication production unit. Production processes in the new unit are organized in accordance with legislation, GMP and ISO quality standards. The unit is equipped with powerful modern production facilities to provide convenient, safe, efficient and environmentally friendly manufacturing process.

Inspections, audits and quality certificates

In 2010, "Grindeks" passed more audits and inspections than in other years. Altogether "Grindeks" successfully passed 22 significant inspections and audits by the Latvian and foreign state agencies of medicine and supervisory bodies of food supplement manufacturers and audits by clients about compliance to the GMP of the entire company and of the manufacturing units. Very successfully held were held audits by the Latvian, Lithuanian and Estonian pharmaceutical inspections in the production units of anti-cancer products, and of four active pharmaceutical ingredients, as well as Belarusian and Latvian dietary supplement industry inspectorate inspections.



In the history of the Latvian pharmaceutical industry and its own, "Grindeks" made important recordings in 2003, becoming the first domestic pharmaceutical company, which received the Good Manufacturing Practice certificate. At that time this certificate covered the production and control of ready made medications and, but with time – virtually all the sphere of activity of the company and the contractual organizations. In 2010, according to the pharmaceutical regulatory requirements, "Grindeks" experts participated in 33 audits in laboratories of raw material producers and partners and companies, including Italy, the Netherlands, India and other countries.

Personnel Policy

Personnel Policy

Production Relations Policy

Working quality evaluation and development planning system

Qualifications Rising and Training Policy

Salary Policy

Social Policy

New Employees



A small staff turnover and the demand for work and practice places confirm the success of the personnel policy and the employer's good reputation. 900 employees work for the company, out of which 72% have a university degree.

Daina Klavina
Personnel Database
Manager of the
Personnel Department

Grindex

Personnel Policy



JSC "Grindeks"	
→	Number of employees – 900
→	Employees with the university degree – 72%
→	Average age – 40 years
→	Average service at the company – 7.6 years

Our professional staff is the main company's value and success factor, so taking care of its employees, "Grindeks" implements such personnel policy that include progressive staff motivation methods.

The decreasing staff turnover, the increasing demand for employment and internships at the company is the proof of the successfully realized Personnel Policy of "Grindeks" and good reputation as an employer.

Personnel Policy

The main principles of the Personnel Policy are as follows:

- Working conditions in line with health and safety regulations and requirements of Good Manufacturing Practice;
- A well-organized work environment, technical supply required for the work (technologies, computer equipment, service cars, communications, etc.);
- Open information concerning development perspectives of the company, career and personal growth opportunities.

Production Relations Policy

The Production Relations Policy also plays a major role in the company, including development of unified procedures and regular updates, optimisation of the work process and work assessment.

"Grindeks" guarantees a clean working environment meeting all health and safety and modern technical requirements, as well as enhancing career and personal growth opportunities for its employees in line with the development prospects of the company.

Working quality evaluation and development planning system

The company performs professional assessment of employees on an annual basis, through assessing work competence in the preceding year and gathering information related to the needs of the employee training.

In 2010 "Grindeks" continued to acquire new competence models that were developed for all 230 positions in the company in 2009. It includes a performance analysis, development planning and the particular job required competencies assessment. This model is a benefit to both managers and workers, because it allows an objectively evaluate the employee's actual competence - how qualitatively the person puts her/his theoretical knowledge into practice. Assessment of competence allows to make the process more effective, accordingly planning the necessary training, further career development and so on.

Competence management and development model helps to:

- Selection of staff;
- Work performance management;
- Career planning;
- Determination of training needs and management of employee development;
- The wage system actualization.

Qualifications Rising and Training Policy

The company has invested almost 100 thousands lats in the employee training and qualification raising in 2010; the number of training hours per employee – 31.5 hours. The priority training topics are: acquisition of new technologies, medication registration, "Good Manufacturing Practice" and total quality management issues, as well as environmental protection and safety requirements.

In 2010 three staff training and qualifications rising projects administered by the Latvian Investment and Development Agency were completed, which were implemented by the European Union co-financing funds. The projects aim was to increase the company's competitiveness by raising workers' skills and providing new knowledge. Training providers were selected from both local and foreign lecturers.

Salary Policy

"Grindeks" offers salaries and a competitive bonus system as well as project bonuses, meeting the requirements of the labour market and corresponding to the assessment of each employee.

Social Policy

The Social Policy for staff is of great importance for "Grindeks". It envisages social guarantees, benefits, employees` health and accident insurance, as well as extras like subsidised meals and lunches in the company's canteen, transportation and salaried holiday benefit.

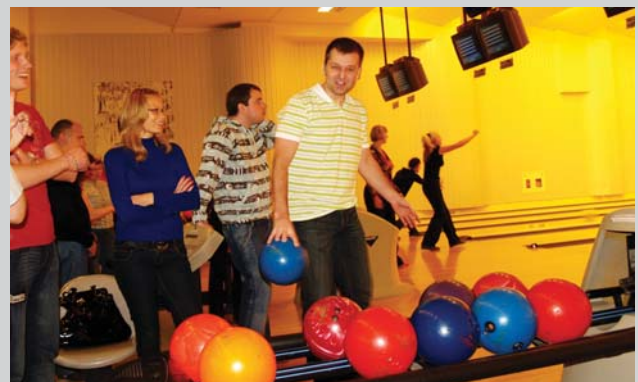
The company also has a sport complex where employees can play basketball, volleyball, attend aerobics classes, use fitness equipment as well as relax in a sauna.

Relaxation from work can also be enjoyed at various events organised by "Grindeks". Singing Ligo songs on the eve of the summer solstice organized by "Grindeks" has become a tradition, while in winter it is possible to strengthen team spirit in the bowling tournament and other events, as well as the joint holiday celebration occasions - on the Christmas ball and the like.

Every year "Grindeks" nominates and congratulates the best employees. In its turn, the employees, who have worked in the company for many years, "Grindeks" awards with the special badges. In 2010, 15 workers for 15 years of work at the company received the silver badges, but the golden badges for 25 years of work at the company received 5 workers of "Grindeks".

Various thorny issues at the company are solved through social dialogue, and the management of "Grindeks" is always open for negotiations with the Employees' Trade Union, which has existed since the company was established. The conclusion of the collective agreement with employees before Christmas has become a tradition, providing staff with social guarantees exceeding those prescribed by the Labour Law, for example:

- leave considered as time at work for studies and examinations for employees of the company who successfully acquire higher education qualifications in specialities necessary for the company;
- three days paid leave (for marriage and for fathers in the event of childbirth);
- a special holiday for each employee.



New Employees

By organising the New Employee Days, "Grindeks" makes it easier for new employees to start work in the company. During the information day the employees are briefed on the operation of the company, the work of structural units, environmental, quality, health and safety and fire safety issues, and are also invited to go on a tour of the company's site and get acquainted with one another.

Communication Policy

To maintain close links with doctors, pharmacists, business partners, investors, employees and the society as a whole, "Grindeks" strategically and operationally implements external and internal communication.

Jevgenija Briede

Public Relations Specialist of the Communication Department



Communication Policy



Communication Policy of "Grindeks" is closely linked to the company's business strategy and objectives. The company implements external and internal communication through a unified communications platform in all countries.

In the company's external communication, a special role is given to the communication and the feedback of the company's important audiences – the pharmaceutical industry specialists, business partners, investors and the public in general. The company regularly provides information on current events to the stock exchange and the media. Comprehensive and up to date information about the company is always found in the company's website www.grindeks.lv, while the Russian speaking doctors and specialists can find the information about the company's Mildronate® in the specially created website www.mildronat.ru. Thanks to the broad and content-rich information, the number of unique visitors of the company's web site www.grindeks.lv amounted to 25,000 per month in 2010. The company regularly issues a newspaper "Гриндекс для здоровья" (Grindeks for Health) and since April 2009 on a quarterly bases – "Grindeks Update" – an electronic issue in English. Since 2010 on "Grindeks" has created its own profile on social networking sites – www.twitter.com, www.draugiem.lv and www.youtube.com.



To maintain close liaison with doctors, specialists and business partners, "Grindeks" participates in various conferences, seminars and exhibitions of the industry. For several consecutive years "Grindeks" participates with its stand in the main event of the industry – the international exhibition "CPhI".

Particularly important is communication with the employees of "Grindeks". The main information medium in the company is the portal for employees "Grindeks life". Information on the company in Latvian and Russian languages is published there. Still an integral form of the communication of the company is also quarterly meetings, annual regional meeting of representatives and videoconferences.

To assess the effectiveness of communication with audiences, "Grindeks" carries out monitoring of publicity, sociological researches, analyzes the web site traffic, and evaluates the benefits and returns at the end of the communication projects.

