

The background of the entire page is a photograph of several test tubes in a rack. The test tubes are filled with liquids of various colors: red, yellow, blue, and green. The focus is sharp on the tubes in the foreground, while the ones in the background are blurred, creating a sense of depth. The lighting is bright, giving the liquids a vibrant appearance.

Grindex

ANNUAL Report **2013**

CONTENTS

1

FACTS
AND
FIGURES

2

INTRODUCTION
SPEECH BY THE
CHAIRMEN OF
THE COUNCIL
AND BOARD

3

ABOUT
THE
COMPANY

4

CORPORATE
GOVERNANCE

5

MANUFACTURING

6

PRODUCTS

7

MARKETS

8

INVESTMENT
PROGRAM

9

QUALITY

10

PERSONNEL
POLICY

11

COMMUNICATION
POLICY





FACTS AND FIGURES

OF 2013

The Group of “Grindeks” – 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

Basic business activities – research, development, manufacturing and sales of original products, generics and active pharmaceutical ingredients

Turnover – 118.5 million euros, which is 0.8 million euros or 1% more than in 2012

Net profit – 13.5 million euros, which is 0.2 million euros or 1.5% less than in 2012

Gross profit margin – 60%

Net profit margin – 11.6%

Revenue generated by export – 112.4 million euros, which is by 1.2 million euros or 1.1% more than in 2012

Export countries: 59

ROE – 11.9%

ROA – 9.3%

ROS – 13.9%

Liquidity – 3.6

1

FACTS
AND
FIGURES



SALES OF FINAL DOSAGE FORMS

Sales of final dosage forms – 100.3 million euros, which is by 0.8 million euros or 1% more than in 2012

The main markets – Russia, other CIS countries, Georgia and the Baltic States

Sales volume in Russia, other CIS countries and Georgia – 86.7 million euros, which is by 0.9 million euros or 1% more than in 2012

Sales volume in the Baltic States and other European countries – 13.6 million euros, which is by 0.1 million euros or 0.4% less than in 2012

TOP products – the brand product Mildronate®, ointments Capsicam®, Viprosal B®, central nervous system affecting medication – Somnols®, the original anti-cancer medication Ftorafur® and the natural product Apilak-Grindeks

SALES OF ACTIVE PHARMACEUTICAL INGREDIENTS (API'S)

Sales of API's – 18 million euros, which is by 0.1 million euros or 0.4% less than in 2012

Main markets – European Union, USA, Japan

Offering 25 active pharmaceutical ingredients

The most demanded APIs are: zopiclone, oxytocin, ftorafur (tegafur)



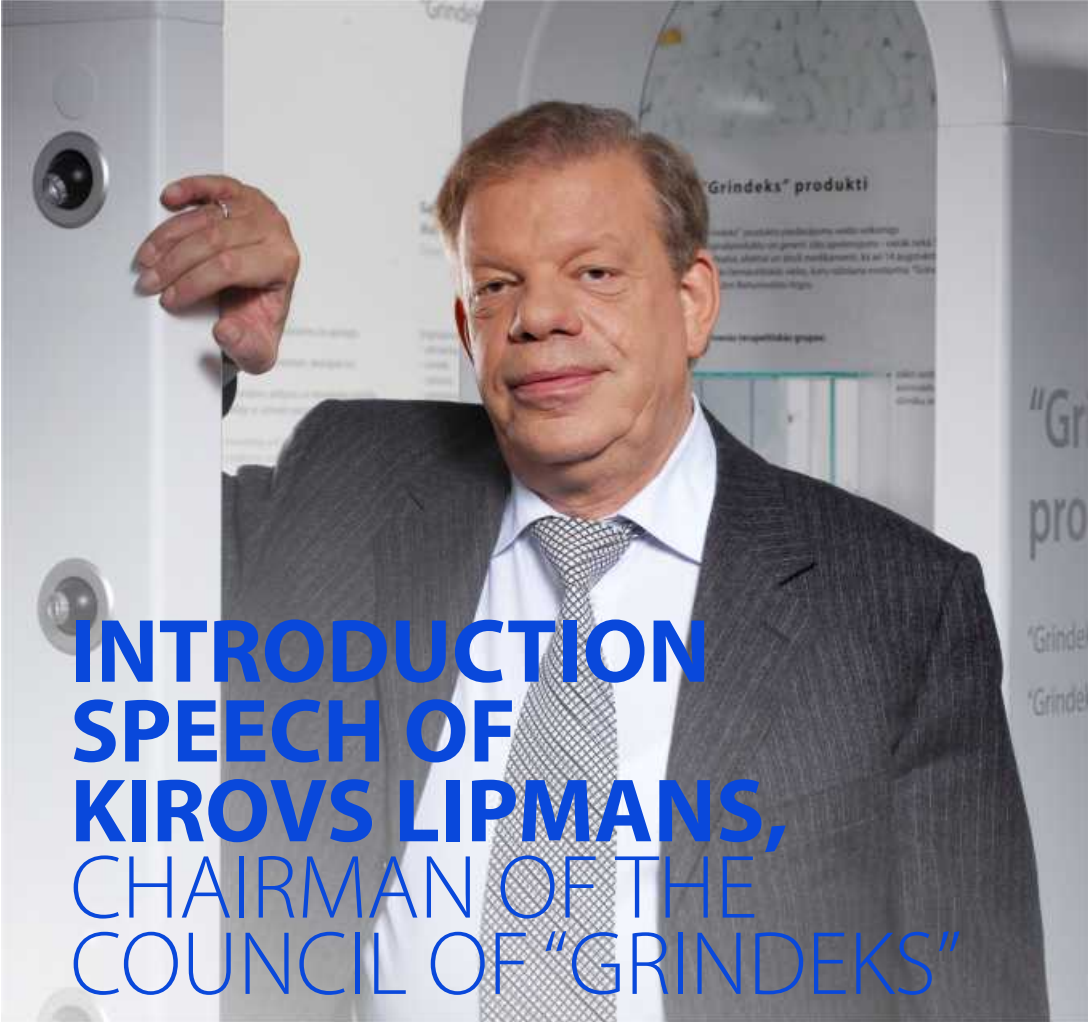
INVESTMENTS

Investments in 2013 – 5.7 million euros

The most significant investment project – reconstruction of the Quality Control Laboratory

QUALITY AND ENVIRONMENTAL PROTECTION

- ISO 9001; ISO 14001; ISO 17025 certificates
- Certificate of Russia ГОСТ ISO 9001-2011
- GMP (Good manufacturing practice) certificate for manufacturing of final dosage forms and active pharmaceutical ingredients
- In 2013 – several significant client audits from Europe, as well as inspections of the Latvian State Agencies of Medicines, US Food and Drug Administration, Ukrainian Pharmaceutical Manufacturing Licensing and Certification Bureau etc.

A portrait of Kirovs Lipmans, Chairman of the Council of Grindeks. He is a middle-aged man with short brown hair, wearing a dark grey suit, a white shirt, and a patterned tie. He is standing in front of a presentation board that has the word "Grindeks" and "produkti" visible. He is holding a pen in his right hand, which is raised slightly. The background is slightly blurred, showing more of the presentation board and some office equipment.

INTRODUCTION SPEECH OF KIROVS LIPMANS, CHAIRMAN OF THE COUNCIL OF "GRINDEKS"

Patient and its health is the main priority for "Grindeks", therefore the core mission of the company is to provide society with qualitative, safe and modern medication. In order to achieve even higher results and caring for health of patients, the company continuously improves its operations and has made significant investments in its development.

Investment policy of "Grindeks" is targeted towards sustainable development and the company's shareholders support that investment program is continued in a rapidly changing world, striving for higher goals.

Each year "Grindeks" is investing in manufacturing, research and quality assurance while walking the path of development. The amount of investments in recent years has been remarkable - we have

invested more than 70 million euros in infrastructure improvement and modern technology since 2002, and over the years that has significantly favoured the operations and results of the company. The most significant investment project of 2013 - expansion and modernisation of the Quality Control Laboratory. This is one of the most significant investment projects of "Grindeks" for quality assurance. The aim of the project was to increase microbiological and other analytical capacities. It is not a secret that requirements of the pharmaceutical industry are increasing each year. By disclosure of the renovated Quality Control Laboratory we are a step ahead of all the requirements. In addition it is an opportunity for us to provide services to other Latvian and foreign companies. Investments increase the competitiveness of "Grindeks" in the European and world markets. It is also an important contribution to the Latvian economy where industrial manufacturing is being developed.

Because of successful operations, "Grindeks" is actively involved and implements a range of Corporate Social Responsibility activities, especially taking care of scientific and educational growth in Latvia. During its activity "Grindeks" Fund "For the support of science and education" has awarded bonuses, scholarships and a variety of education and science enhancing projects. With joy and satisfaction "Grindeks" supports the cultural pearl - the Latvian National Opera. "Grindeks" is strengthening the most popular sport of Latvia - ice-hockey and for several years has been the general sponsor of the Latvian National ice-hockey team.

Council of "Grindeks" expresses gratitude to its patients, clients, partners and employees for the work done together in 2013!

Sincerely yours,

JSC "Grindeks" Chairman of the Council
Kirovs Lipmans





INTRODUCTION SPEECH OF JURIS BUNDULIS, CHAIRMAN OF THE BOARD OF "GRINDEKS"

2

INTRODUCTION
SPEECH BY THE
CHAIRMAN OF
THE BOARD

We help people by taking care of their health and life-quality! Pharmaceutical business is humane and socially responsible from this point of view, because human is in the centre of it. On the other side, pharmacy is complex business, where there is an intense competition. The fact that we can help people, encourages us to work even more efficiently and selflessly.

"Grindeks" concluded the year of 2013 with a turnover of 118.5 million euros and a profit of 13.5 million euros. These achievements are remarkable, given the keen competition in the pharmaceutical market.

Exports are still accounted for 95% of total turnover and medication and active pharmaceutical ingredients were sold in 59 countries worldwide. In 2013 "Grindeks" reaffirmed its export capacity, as

verified by successfully passed inspection of US Food and Drug Administration, which is rated as very rigorous and demanding. This result provides new opportunities for the business development and is strengthening positions of "Grindeks" in the worldwide pharmaceutical market, as a successful inspection and registration of the US Food and Drug Administration is a compelling argument to get any client's loyalty. We are proud for what has been achieved for manufacturing and quality of "Grindeks" and we look forward to new export possibilities!

"Grindeks" believes that the dialogue with society, health care professionals, investors, business partners and employees plays a major part. Therefore we are pleased with the positive feedback when we receive reviews, awards and recognitions. Thus in 2013, "Grindeks" was rated as the 8th best Latvian company by reputation, as well as nominated among the 25 most exportable companies of Latvia.

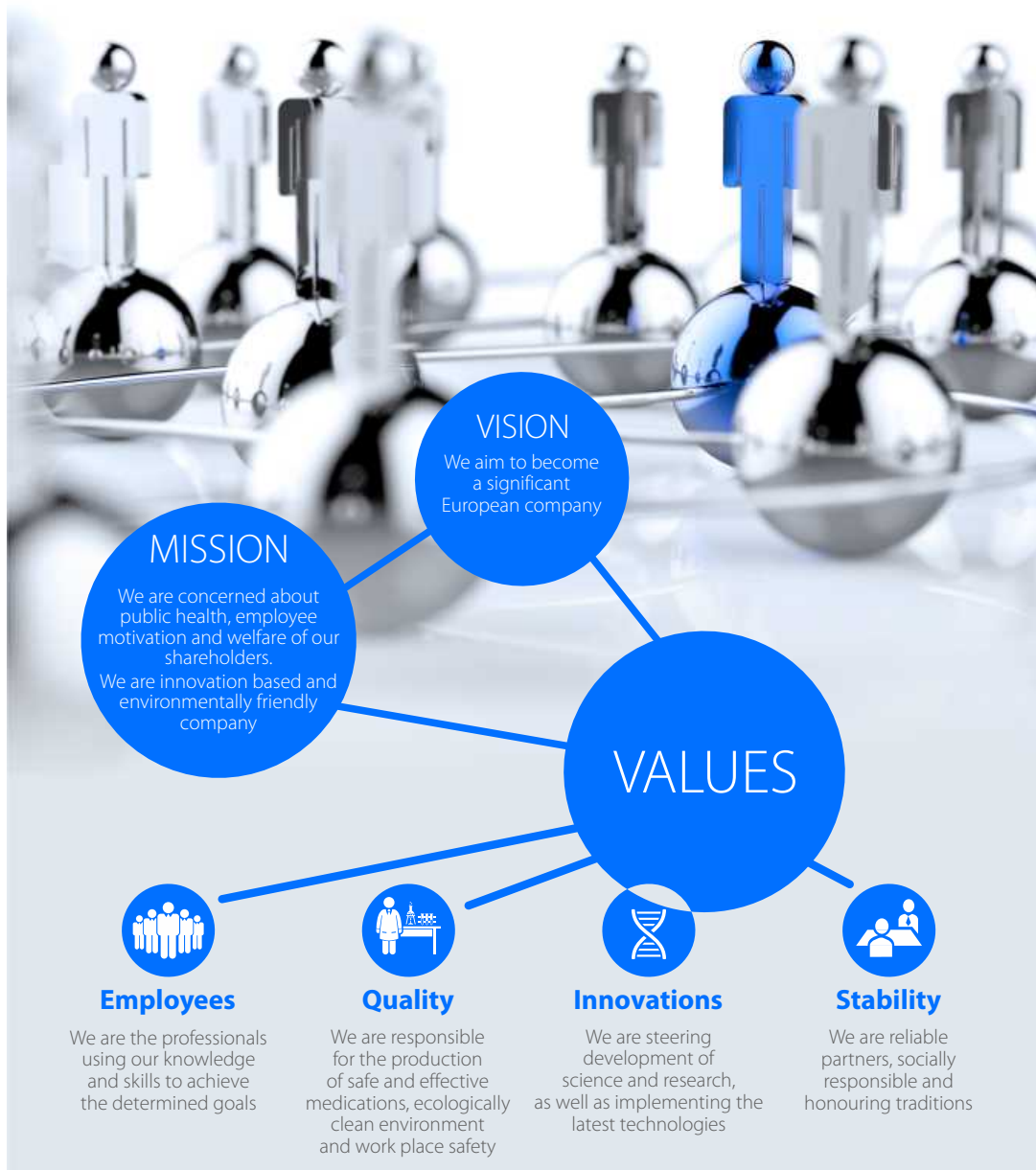
We will continue the ongoing in 2014 and to provide a suitable solution for all patients, "Grindeks" has intended to develop its business model which had previously focused primarily on the best-selling products, and increasingly focus on a broader range of products and services. We have a wide network of representative offices, so we will continue to adjust the specific needs of each region. I am sure that these intentions will increase the efficiency of the company. "Grindeks" has always focused on the sustainable development of the company, therefore we will continue to invest in both product portfolio development and acquisition of new markets.

On behalf of the Board of "Grindeks", I would like to thank the shareholders of the company, as the future of it would not be feasible without the trust of shareholders for the team of "Grindeks" and interest for development of the company. I would like to say thank you to our business partners, clients, employees and loyal patients!

Sincerely yours,
Chairman of the Board of "Grindeks"
Juris Bundulis



ABOUT THE COMPANY



3
ABOUT
THE
COMPANY



CORPORATE GOVERNANCE

In its operation "Grindeks" adheres to high standards of corporate governance and ensures that the company is managed in accordance with the "Principles of corporate governance and recommendations on their implementation" adopted by "NASDAQ OMX Riga" on 1 June 2010. "Grindeks" has submitted Corporate Governance Report to "NASDAQ OMX Riga" simultaneously with the audited consolidated financial statements for the eighth year, which is available at both the Company's and "NASDAQ OMX Riga" websites.

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

GENERAL MEETING OF SHAREHOLDERS

During the reporting period, "Grindeks" shareholders' meeting was held once – on 4 June 2013, when the company's annual report for the year 2012 was approved, it was also decided to use the operating profit of the previous period for the development of "Grindeks" to increase its competitiveness, the decision was made to assign the Board to select an auditor of "Grindeks" annual reports for the year 2013 based on the results of the tender (upon agreement with the Supervisory Council, it has appointed "Deloitte Audits Latvia" Ltd. as auditor of the annual reports for the year 2012), and the Supervisory Council of JSC "Grindeks" was elected.

4

CORPORATE
GOVERNANCE

SUPERVISORY COUNCIL

"Grindeks" Council is a supervisory body that represents the interests of shareholders and, within the set order of the company's statutes, monitors the measures taken and planned by the Board with the interests of the company's future development, combines business expertise with significant experience in international business environment.



Kirovs Lipmans
Chairman of the Council

Born in 1940. Kirovs Lipmans has been the Chairman of the Council of JSC "Grindeks" since 2003. Simultaneously K. Lipmans is also the President of the Latvian Hockey Federation, the Member of Executive Committee of the Latvian Olympic Committee, the Chairman of the Board of "Liplats 2000" Ltd. and the Chairman of the Council of JSC "Kalceks" and JSC "Tallinn Pharmaceutical Plant", as well as the Chairman of the Board of the JSC "Grindeks" Foundation "For the Support of Science and Education". Graduated from the Leningrad Institute of Railway and Transport Engineering, also the Faculty of Economics of the University of Latvia, obtaining degree as an Engineer-Economist. K. Lipmans is also the major shareholder of "Grindeks".



Anna Lipmane
Deputy Chairman of the Council

Born in 1948. Anna Lipmane has been a member of the Council of JSC "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".



Jānis Naglis

Member of the Council

Born in 1958. Jānis Naglis has been a member of the Council of JSC "Grindeks" since 2002. Simultaneously to the job responsibilities in JSC "Grindeks" J. Naglis is also the Chairman of the Board of „Purvciema mājas” Ltd., „Imantas mājas” Ltd., „Kembī” Ltd., a member of Board of „Puzes karjers” Ltd., „JA GRS” Ltd., „Kauguru priedes” Ltd., „Arsan” Ltd., „Nordic bioenergy” Ltd., „Kempings Gauja” Ltd., „Baltic TAXI” Ltd. As well as he is the President of the Association of Hotels and Restaurants of Latvia and the Latvian Auto Federation, a member of Board of the Latvian Sports for All Association, member of the Council of the Employers' Confederation of Latvia and member of the National Economy Council. J. Naglis has graduated from Riga Polytechnic institute with qualification Engineer-Mechanic.



Arkadiy Vertkin

Member of the Council

Born in 1951. Professor Arkadiy Vertkin has been a member of the Council of JSC "Grindeks" since 2013. A. Vertkin is the head of Therapy, Clinical Pharmacology and Ambulance Department at the Moscow State University of Medicine and Dentistry (MSUMD) since 1989, and the Scientific Secretary of the Scientific Council of MSUMD since 2012. Simultaneously, A. Vertkin is the President of Russian National Scientific Practical Society of Ambulance Care and International Society for the Study of Age-related Involution, also he is the Member of the numerous Russian and international organizations. Dr.med. A. Vertkin is an Honoured Science Worker of Russian Federation, and has received several awards. As a leading researcher A. Vertkin participates in clinical researches of national and international scale. He is the author and co-author of 1051 scientific publications, 86 of which were published in internationally recognised scientific magazines.

BOARD

Board of the Group of "Grindeks" – an executive institution, which conducts, represents and manages the company's day-to-day operations, consists of the company's most important business sphere leaders.



Juris Bundulis
Chairman of the Board

Born in 1953. Juris Bundulis has obtained the Doctoral degree in Biological Sciences in the University of Latvia; he has also graduated from the Faculty of Chemistry of the University of Latvia. Previously Juris Bundulis worked at "Grindeks" as the Marketing and Sales director and the Scientific Research and Development Director. Before the election as the Chairman of the Board of JSC "Grindeks", Juris Bundulis was the Deputy State Secretary of the Health Ministry of Latvia and dealt with the health policy issues. Besides the position at "Grindeks", J. Bundulis is also a member of the Council of "Pharma and Chemistry Competence Centre of Latvia" Ltd. and a member of the Board of the JSC "Grindeks"



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

Born in 1976. Graduated from the Stockholm School of Economics in Riga where he studied Economics and Business. He has been working for the JSC "Grindeks" since 2007. Previously was employed at "Exigen Services" Ltd., holding the post of the Chief Finance Officer, as well as the position of the Deputy Chairman of the Board at JSC "DATI Exigen Group". V. Rabša also worked at JSC "Latvijas Balzāms" as the Chief Finance Officer. Besides the position at "Grindeks", V. Rabša is also a member of the Council of "HBM Pharma" Ltd. and JSC "Tallinn Pharmaceutical Plant", as well as a member of the Board of the JSC "Grindeks" Foundation "For the Support of Science and Education".



Sergejs Bataljins
Member of the Board and
Commercial Director

Born in 1975. Graduated from Moscow Commercial University, where he studied International Economics. He is the Commercial Director for JSC «Grindeks» since December 2013. Previously he worked at "BLRT Masinaehitus", part of BLRT group as the Executive Director. He also held leading positions in companies, such as "Baltrotors" Ltd., "Nelss Logi" Ltd., "Staburadzies konditoreja" Ltd., "Euro Food" Ltd. and "NP Foods" Ltd.

SHARES

"Grindeks" stock quotation was launched on 1 June 1998 in the Riga Stock Exchange. Since 2 January 2006 "Grindeks" shares are listed in the Main list of "NASDAQ OMX Riga" (up to 2008 - the Riga Stock Exchange).

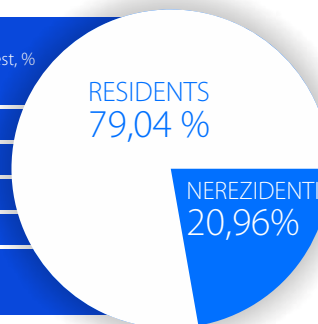
ISIN	LV0000100659
Ticker	GRD1R
Nominal value	LVL 1.00 (EUR 1.42)
Total number of securities	9 585 000
Number of listed securities	9 585 000
Liquidities providers	None
List/segment	BALTIC MAIN LIST
Indexes	B4000GI, B4000PI, B4500GI, B4500PI, OMXBBCAPGI, OMXBBCAPPI, OMXBBGI, OMXBBPI, OMXBGJ, OMXBPI, OMXRGI

"GRINDEKS" MAJOR SHAREHOLDERS

(OVER 5%)*

Shareholder	Ownership interest, %
Kirovs Lipmans	33,29
Anna Lipmane	16,69
„AB.LV Private equity fund 2010“	22,66
„Swedbank AS Clients Account“ (nominal holder)	10,47
Other shareholders	16,89

* "Latvian Central Depository" data as of 30 April 2014



4

CORPORATE
GOVERNANCE

DEVELOPMENT OF A SHARE PRICE

"Grindeks" share price on "NASDAQ OMX Riga" in the year of 2013 ranged from EUR 6.55 to EUR 9.9. Average price of "Grindeks" shares in 2013 was EUR 8.28, the first share price was EUR 6.47, and the last share price was EUR 9.1. The total quantity of "Grindeks" shares, traded in "NASDAQ OMX Riga", during the year 2013 was 702 749 shares (2264 trades), reaching the turnover of 5.89 million euros. At the end of the year 2013, the market capitalization of "Grindeks" shares was 87.28 million euros. The Group's earnings per share (EPS ratio), during 2013 amounted to EUR 1.41 as compared with EUR 1.43 during 2012. In its turn, P/E ratio was 6.46, compared to 4.53 in 2012.

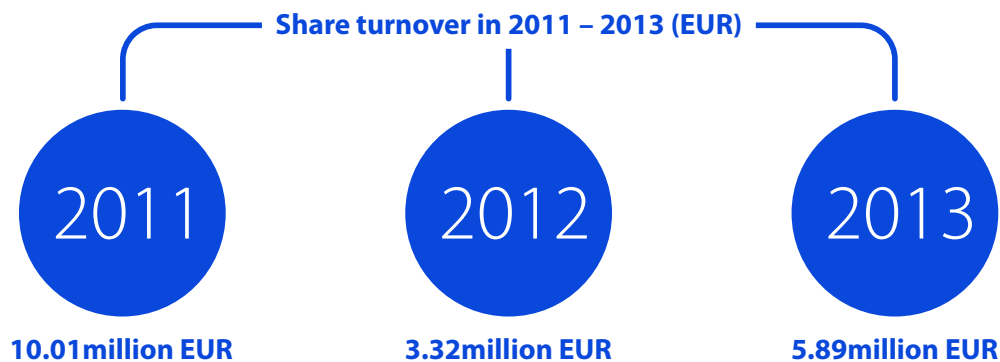
Development of "Grindeks" share price in 2013 (EUR)



Development of "Grindeks" share price in 2013 in comparison with Baltic market indexes



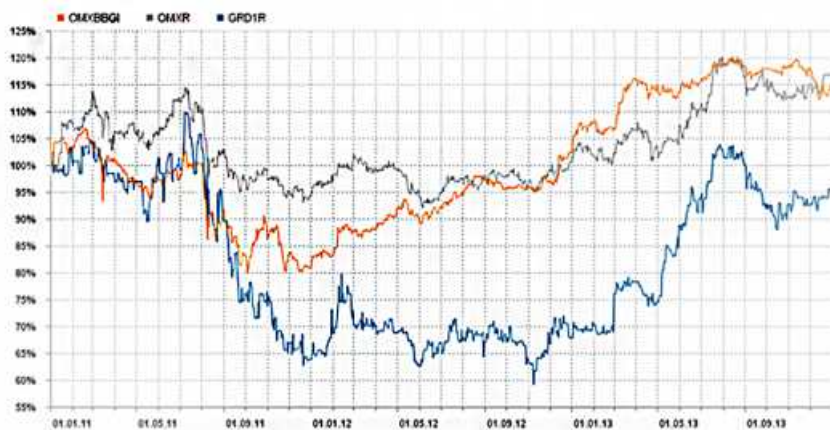
Index/Equity	01.01.2013	31.12.2013	+/-%
OMX Baltic Benchmark GI	546,98	613,50	+12,16
OMX Riga	395,91	460,13	+16,22
GRD1R	EUR 6,47	EUR 9,11	+40,66



Development of “Grindeks” share price in 2011 - 2013 (EUR)



Development of “Grindeks” share price in 2011 – 2013 in comparison with Baltic market indexes



Index/Equity	01.01.2013	31.12.2013	+/-%
OMX Baltic Benchmark GI	533,99	613,50	+14,89
OMX Riga	393,53	460,13	+16,92
GRD1R	EUR 9,53	9,11 EUR	-4,48

TURNOVER AND PROFIT OF "GRINDEKS"

Turnover million, EUR

2013	118.5
2012	117.7
2011	99
2010	92.6
2009	76.3

Profit million, EUR

2013	13.5
2012	13.7
2011	9.5
2010	10.1
2009	5.1

4

CORPORATE
GOVERNANCE



KEY FINANCIAL FIGURES

	2009	2010	2011	2012	2013
Turnover, EUR	76 229 235	92 698 772	98 993 690	117 658 780	118 461 106
Gross profit, EUR	37 980 258	52 249 540	58 291 650	72 671 095	71 088 330
Gross profit margin, %	49,8	56,4	58,9	61,8	60
Profit before taxes, EUR	5 997 345	12 381 286	10 805 717	17 194 848	16 291 477
Profit before taxes margin, %	7,9	13,4	10,9	14,6	13,8
Net profit, EUR	5 076 892	10 120 457	95 41 884	13 708 742	13 505 259
Net profit margin, %	6,7	10,9	9,6	11,7	11,4
Return on equity (ROE), %	7,2	13	10,8	13,8	11,9
Return on assets (ROA), %	6,5	11,3	8,9	10,1	9,3
Liquidity	2,3	2,5	2,9	3,5	3,6

STATEMENT OF FINANCIAL POSITION

	31.12.2013 LVL	31.12.2012 LVL	31.12.2013 EUR	31.12.2012 EUR
ASSETS				
Non-current assets				
Intangible assets				
Software, patents, licenses, trademarks and other rights	323,135	649,734	459,780	924,488
Advance payments for intangible assets	247,092	148,311	351,580	211,028
Total intangible assets	570,227	798,045	811,360	1,135,516
Tangible fixed assets				
Land, buildings and constructions	17,205,352	17,759,374	24,481,010	25,269,313
Equipment and machinery	13,668,645	13,466,210	19,448,730	19,160,691
Other fixed assets	820,696	742,051	1,167,745	1,055,843
Construction in progress	2,650,861	1,494,589	3,771,835	2,126,609
Advance payments for fixed assets	851,461	736,354	1,211,520	1,047,737
Total tangible fixed assets	35,197,015	34,198,578	50,080,840	48,660,193
Investment property	6,381,460	6,224,000	9,080,000	8,855,954
Non-current financial investments				
Other investments	22,220	22,220	31,616	31,616
Advance payments for financial investments	-	3,605,385	-	5,130,001
Other loan	3,611,458	1,468,860	5,138,642	2,089,999
Loans provided to management and shareholders	-	263,552	-	375,001
Total long term financial investments	3,633,678	5,360,017	5,170,258	7,626,617
Total non-current financial assets	45,782,380	46,580,640	65,142,458	66,278,280
Current assets				
Inventories				
Raw materials	2,625,254	2,631,658	3,735,400	3,744,512
Unfinished goods	3,226,257	2,190,986	4,590,550	3,117,492
Finished goods and goods for resale	2,559,722	2,494,332	3,642,156	3,549,115
Total inventory	8,411,233	7,316,976	11,968,106	10,411,119
Debtors				
Trade receivables	33,379,906	33,058,363	47,495,327	47,037,813
Other debtors	11,662,917	8,078,168	16,594,836	11,494,198
Loans provided to management and shareholders	1,792,859	1,497,011	2,551,009	2,130,055
Deferred expenses	2,864,080	222,683	4,075,219	316,849
Total debtors	49,699,762	42,856,225	70,716,390	60,978,914
Cash and cash equivalents	2,513,244	1,527,469	3,576,024	2,173,393
Total current assets	60,624,239	51,700,670	86,260,521	73,563,426
TOTAL ASSETS	106,406,619	98,281,310	151,402,979	139,841,706

STATEMENT OF FINANCIAL POSITION

	31.12.2013 LVL	31.12.2012 LVL	31.12.2013 EUR	31.12.2012 EUR
LIABILITIES				
EQUITY				
Share capital	9,585,000	9,585,000	13,638,226	13,638,226
Share premium	15,687,750	15,687,750	22,321,657	22,321,657
Other reserves	464,905	464,905	661,500	661,500
Foreign currency revaluation reserve	(59,700)	55,803	(84,945)	79,401
Retained profit				
a) retained profit	49,033,463	39,398,904	69,768,332	56,059,590
b) current year profit	9,716,036	9,634,559	13,824,674	13,708,742
Equity attributable to equity holders of the parent	84,427,454	74,826,921	120,129,444	106,469,117
No controlling interest	62,564	59,778	89,021	85,056
Total equity	84,490,018	74,886,699	120,218,465	106,554,173
LIABILITIES				
Non-current liabilities				
Loans from credit institutions	1,428,132	2,422,463	2,032,049	3,446,854
Deferred income	3,143,481	3,371,599	4,472,771	4,797,353
Deferred tax liabilities	2,601,174	2,703,461	3,701,137	3,846,678
Total non-current liabilities	7,172,787	8,497,523	10,205,956	12,090,886
Current liabilities				
Loans from credit institutions	7,903,984	8,170,258	11,246,356	11,625,230
Finance lease liabilities	-	566,759	-	806,425
Advances from customers	268,045	142,445	381,394	202,681
Trade accounts payable	4,157,825	3,922,334	5,916,052	5,580,978
Taxes and social security liabilities	1,189,532	1,205,114	1,692,552	1,714,723
Other payables	811,630	421,456	1,154,845	599,678
Accrued liabilities	121,786	114,815	173,286	163,367
Deferred income	291,012	353,907	414,073	503,564
Total current liabilities	14,743,814	14,897,088	20,978,557	21,196,647
Total liabilities	21,916,601	23,394,611	31,184,514	33,287,533
TOTAL EQUITY AND LIABILITIES	106,406,619	98,281,310	151,402,979	139,841,706

STATEMENT OF COMPREHENSIVE INCOME

	2013 LVL	2012 LVL	2013 EUR	2012 EUR
Net sales	83,254,939	82,691,061	118,461,106	117,658,780
Cost of goods sold	(33,293,776)	(31,617,525)	(47,372,775)	(44,987,685)
Gross profit	49,961,163	51,073,536	71,088,330	72,671,095
Selling expenses	(17,837,644)	(20,570,443)	(25,380,681)	(29,269,103)
Administrative expenses	(8,560,833)	(9,693,748)	(12,180,968)	(13,792,961)
Other operating income	5,434,674	1,022,720	7,732,844	1,455,199
Other operating expenses	(17,506,996)	(8,629,294)	(24,910,211)	(12,278,379)
Changes in fair value/impairment loss	157,460	(916,543)	224,045	(1,304,123)
Interest income and similar income	103,286	126,210	146,963	179,581
Interest expense and similar expense	(179,171)	(258,256)	(254,937)	(367,465)
Real estate tax	(63,381)	(69,574)	(90,183)	(98,995)
Profit before taxation	11,508,558	12,084,608	16,375,203	17,194,848
Corporate income tax	(1,789,736)	(2,447,712)	(2,546,565)	(3,482,780)
NET PROFIT FOR THE PERIOD	9,718,822	9,636,896	13,828,638	13,712,068
Other comprehensive income				
Foreign currency revaluation	(115,503)	24,179	(164,346)	34,404
Other comprehensive income total	(115,503)	24,179	(164,346)	34,404
Comprehensive income total	9,603,319	9,661,075	13,664,292	13,746,472
Attributable to:				
Equity holders of the parent	9,716,036	9,634,559	13,824,674	13,708,742
Non-controlling interest	2,786	2,337	3,964	3,325
TOTAL	9,718,822	9,636,896	13,828,638	13,712,067
Comprehensive income attributable of:				
Equity holders of the parent	9,600,533	9,658,738	13,660,328	13,743,146
Non-controlling interest	2,786	2,337	3,964	3,325
Total	9,603,319	9,661,075	13,664,292	13,746,471
Earnings per share attributable equity holders of the parent (LVL per share)				
— Basic earnings per share	1.01	1.01	1.44	1.43
— Diluted earnings per share	1.01	1.01	1.44	1.43

Information on the historical financial results for the respective period for last 3 years:



STATEMENT OF CHANGES IN EQUITY

	Share capital	Share premium	Other reserves	Foreign currency trans- lation reserve	Accumu- lated profit	Equity attribu- table to equity holders of the parent	Non- controll ing Inter- est	Total
	LVL	LVL	LVL	LVL	LVL	LVL	LVL	LVL
As of 31.12.2012	9,585,000	15,687,750	464,905	55,803	49,033,463	74,826,921	59,778	74,886,699
Profit for the year	-	-	-	-	9,716,036	9,716,036	2,786	9,718,822
Foreign currency revaluation	-	-	-	(115,503)	-	(115,503)	-	(115,503)
As of 31.12.2013	9,585,000	15,687,750	464,905	(59,700)	58,749,499	84,427,454	62,564	84,490,018

	Share capital	Share premium	Other reserves	Foreign currency trans- lation reserve	Accumu- lated profit	Equity attribu- table to equity holders of the parent	Non- controll ing Inter- est	Total
	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR
As of 31.12.2012	13,638,226	22,321,657	661,500	79,401	69,768,332	106,469,117	85,056	106,554,173
Profit for the year	-	-	-	-	13,824,674	13,824,674	3,964	13,828,638
Foreign currency revaluation	-	-	-	(164,346)	-	(164,346)	-	(164,346)
As of 31.12.2013	13,638,226	22,321,657	661,500	(84,945)	83,593,006	120,129,444	89,021	120,218,465

STATEMENT OF CASH FLOWS

	2013 LVL	2012 LVL	2013 EUR	2012 EUR
OPERATING ACTIVITIES				
Net profit before taxation	11,508,558	12,084,608	16,375,203	17,194,848
<i>Adjustments to reconcile net profit to net cash provided by operating activities:</i>				
Depreciation and amortization	3,287,145	3,117,988	4,677,186	4,436,497
(Gain)/loss on disposal of fixed assets and intangible assets	16,565	7,083	23,570	10,078
Changes in fair value	(157,460)	916,543	(224,045)	1,304,123
Revenue from the EU funds	(410,614)	(352,473)	(584,251)	(501,524)
Interest income	179,081	266,574	254,809	379,301
Interest expense	(103,289)	(120,246)	(146,967)	(171,095)
<i>Changes in operating assets and liabilities:</i>				
Inventory	(1,094,257)	4,321,564	(1,556,987)	6,149,032
Debtors	(6,843,537)	(6,663,233)	(9,737,476)	(9,480,926)
Creditors	3,717,633	(3,338,721)	5,289,715	(4,750,572)
Gross cash provided by operating activities	10,099,825	10,239,687	14,370,756	14,569,762
Corporate income tax paid	(2,558,117)	(629,333)	(3,639,873)	(895,460)
Interest income	3	28	4	40
Net cash provided by operating activities	7,541,711	9,610,382	10,730,888	13,674,342
INVESTING ACTIVITIES				
Purchase of fixed assets and intangible assets	(4,055,875)	(2,817,853)	(5,770,990)	(4,009,444)
Proceeds from sale of fixed assets	13,640	20,381	19,408	29,000
Purchase of long term financial investments	-	(3,774,058)	-	(5,370,001)
Other loans	(541,159)	-	(770,000)	-
Net cash used in investing activities	(4,583,394)	(6,571,530)	(6,521,582)	(9,350,445)
FINANCING ACTIVITIES				
Received loans from credit institutions	824,774	-	1,173,548	-
Repaid loans to credit institutions	(2,618,235)	(2,176,730)	(3,725,413)	(3,097,208)
Interest paid	(179,081)	(258,256)	(254,809)	(367,465)
Net cash (used in) /provided by financing activities	(1,972,542)	(2,434,986)	(2,806,674)	(3,464,673)
Net increase in cash and cash equivalents	985,775	603,866	1,402,631	859,224
Cash and cash equivalents at the beginning of the year	1,527,469	923,603	2,173,393	1,314,169
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	2,513,244	1,527,469	3,576,024	2,173,393

INDEPENDENT AUDITORS' REPORT

Translation from Latvian

To the Shareholders of "Grindeks" AS:

Report on the Financial Statements

We have audited the accompanying financial statements of "Grindeks" AS (further "the Company") and the consolidated financial statements of "Grindeks" AS and it's subsidiaries (further "the Group") set out on pages 10 to 37, which comprise the Company's and the Group's statement of financial position as of 31 December 2013, and the statements of comprehensive income, statements of changes in equity and statements of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards as adopted by the European Union, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibilities

Auditors' Responsibility
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Original

Opinion
In our opinion, the financial statements referred to above give a true and fair view of the financial position of the Company and the Group as of 31 December 2013, and of their financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Report on Other Legal and Regulatory Requirements

We have read the management report for 2013 set out on pages 6 to 8 of the accompanying annual report for the year ended 31 December 2013, and have not identified any material inconsistencies between the financial information contained in the management report and the financial statements for 2013.

Deloitte Audits Latvia SIA
Licence No. 43

Roberts Stugis
Member of the Board

Riga, Latvia
29 April 2014

Jeļena Mahejzņkova
Certified auditor of Latvia
Certificate No. 166

Deloitte tagad, ka visi dati ir saņemti no Deloitte Tagaite Tehniskās Līdzības Uzturēšanas un Atbalsta pakalpojumu uzdevumiem, un tas ir saņemts no Deloitte Tagaite Tehniskās Līdzības Uzturēšanas un Atbalsta pakalpojumu uzdevumiem, un tas ir saņemts no Deloitte Tagaite Tehniskās Līdzības Uzturēšanas un Atbalsta pakalpojumu uzdevumiem.

Member of Deloitte Touche Tohmatsu



MANUFACTURING

Manufacturing units of “Grindeks” are modern and equipped with global level manufacturing equipment. The investments in the development of the manufacturing infrastructure, made over the years, give a competitive advantage – the ability to provide vertically integrated pharmaceutical manufacturing – starting from active pharmaceutical ingredients to final dosage forms. Both active pharmaceutical ingredients and final dosage forms manufacturing plants are certified according to “Good Manufacturing Practice” requirements and ISO quality standards, thus guaranteeing patients the safety, efficiency and high quality of produced medication.



Final dosage forms of “Grindeks” include tablets, capsules, injections, syrups, ointments and gels. The company's final dosage form production takes place both in Latvia and abroad. Tablets, capsules, syrups, ointments and gels are produced by “Grindeks” in Latvia. Ointments are also produced in “Grindeks” subsidiary company “Tallinn Pharmaceutical Plant” in Estonia. In accordance to agreements, the manufacturing of injections is delivered by “HBM Pharma” s.r.o. in Slovakia, “Sanitas” in Lithuania, “Jelfa SA” in Poland and JSC “Pharmstandard-Ufavita” in Russia.

The manufacturing plant of “Grindeks” is equipped with modern automatic monitoring system which checks the microclimate in the premises, operation of the engineering systems, as well as provides significant savings on utilities. The advanced technological equipment used for manufacturing of the final dosage forms of “Grindeks” ensures a convenient, safe, efficient and environmentally friendly manufacturing. “Grindeks” final dosage form manufacturing capacity is 1.5 billion tablets, 500 million capsules and 20 million tubes per year.

Active pharmaceutical ingredients manufacturing plant of “Grindeks” is located in an area of approximately 10,000 m². APIs are produced in 11 separate manufacturing units, where in 2013, 25 high-quality active pharmaceutical ingredients were produced in reactors of various volumes (ranging from 10 to 6,000 liters). The APIs are used for both final dosage forms' plant of “Grindeks” and for export purposes to foreign clients. The current maximum capacity of the production of APIs is 200-250 tons per year.



PRODUCTS

The products of “Grindeks” range from original products, generic products to active pharmaceutical ingredients. The company is proud of its original products - Mildronate®, Mildronate® GX, Ftorafur® and its unique ointments Capsicam® and Viprosal B®.

The main therapeutic groups are heart and cardiovascular, anti-cancer and central nervous system affecting medication, but the company has turned also to other therapeutic groups – cough and cold medication, pain relievers, as well as gastrointestinal medication; it is planned to offer medication of latest generation for central nervous system and cardiovascular purposes in the nearest future, as well as the product range of over the counter medication and dietary supplements will be expanded. There are more than 100 final dosage forms and 25 active pharmaceutical ingredients in the product range of “Grindeks”.

FINAL DOSAGE FORMS

Sales of “Grindeks” final dosage forms amounted to 100.3 million euros in 2013 and has increased if compared to previous year by 0.8 million euros or 1%. In Russia, other CIS countries and Georgie sales amount in 2013 reached 86.7 million euros, which is 0.9 million euros or 1% more than in 2012. While the sales amount of final dosage forms in the Baltic States and other European countries reached 13.6 million euros, which is by 0.1 million euros or 0.4% less than in 2012.

The best selling products of “Grindeks” in 2013 were – original product Mildronate®, ointments – Capsicam® and Viprosal B®, central nervous system affecting medication – Somnols®, original product anti-cancer medication Ftorafur® and natural product Apilak-Grindeks.



THE MOST DEMANDED PRODUCTS

Prescription medication

Heart and cardiovascular medication

MILDRONATE®

TOP PRODUCTS

Mildronate® is an original, antiischemic agent of a metabolic action, used for the treatment of angina pectoris, chronic heart failure and brain circulation disorders. It is recommended in cases of reduced work capacity, physical and psycho-emotional overloads

DIGOXIN-GRINDEKS

Cardiac glycoside, used to treat congestive heart failure and supraventricular arrhythmias

KARVIDIL®

Alpha-and-beta-adrenoreceptor blockator for the treatment of essential hypertension, chronic stable angina pectoris and chronic heart failure

WARFARIN-GRINDEKS

Antithrombotic agent for prevention of formation and treatment of thromboembolism (blood clot)

LISINOPRIL -GRINDEKS

Angiotensin converting enzyme (ACE) inhibitor for treatment of hypertension, heart failure, myocardial infarction and diabetic nephropathy

6
PRODUCTS



THE MOST DEMANDED PRODUCTS

Central nervous system affecting medication

SOMNOL®

It is a sleep medication from the group of cyclopyrrolone derivatives for use in patients with recurring insomnia and poor sleeping habits

CYCLODOL®

Antiparkinsonian agent for correcting extrapyramidal disorders

RISPAXOL®

Antipsychotic medication for the treatment of schizophrenia and bipolar affective disorders

BETAMAKS®

Atypical neuroleptic agent of the group of benzamides for the treatment of schizophrenia

ALPRAZOLAM-GRINDEKS

Anxiolytics for the treatment of anxiety and panic disorder

Anti-cancer medication

FTORAFUR®

Cytostatic medication for the treatment of alimentary canal tumours as well as for the treatment of breast cancer

AXASTROL®

Selective aromatase inhibitor for the treatment of breast cancer

BICALUTAMIDE-GRINDEKS

Antiandrogen for the treatment of prostate cancer

6
PRODUCTS



THE MOST DEMANDED PRODUCTS

Over-the-counter medication

Ointments

VIPROSAL B® OINTMENT

packaging of 30g and 50g

Used topically as an analgesic in cases of joint and muscle pain

TOP PRODUCTS

CAPSICAM® OINTMENT

packaging of 30g and 50g

Analgesic and warming remedy for muscle and joint pain relief

SULFARGIN® OINTMENT

packaging of 50g and 500g

Sulfargin® is a topical ointment with antimicrobial activity

Shampoo

SHAMPOO MIKANISAL®

packaging of 60g and 100g

For the treatment of scalp skin infections (dandruff, seborrheic dermatitis of the scalp)

6
PRODUCTS



THE MOST DEMANDED PRODUCTS

Dietary supplements

APILAK-GRINDEKS

10 mg, 25 tablets

TOP PRODUCTS

Natural product

APILAK-GRINDEKS contains lyophilised bee royal jelly. It is a biologically active complex that promotes faster recovery and strengthens immunity after illness, as well as raises the tone. It is widely used for women in the postpartum period for lactation purposes, as well as for appetite promotion for children.

SORBEX®

Pellet activated charcoal
(Carbo activatus)
300mg / 900mg
20 capsules

Product form – capsules – it provides a convenient and safe use. Sorbex® meets all the requirements of modern activated charcoal: high efficiency, fast-acting, safe and easy to use.

LACTOBEX®

Complex of lactic acid and bifidobacteria
10 sachets of 1.0 g

LACTOBEX® BABY

Complex of lactic acid and bifidobacteria
for children with vitamins B1, B2, B6
10 sachets of 1.0 g

Each Lactobex® sachet contains not less than 1.0 billion (1x10⁹) lactic acid and bifidobacteria colonies formed by *L. acidophilus*, *B. longum*, *S. thermophilus* – protected by a unique patented technology Duolac®. Duolac® improves stability of bacterial culture and entrance into the intestinal tract, protecting them from the negative effects of the external environment, as well as the stomach acids.

Latvian Association of Dieticians has assessed Lactobex® products with a sign of Valuable Product.

6
PRODUCTS



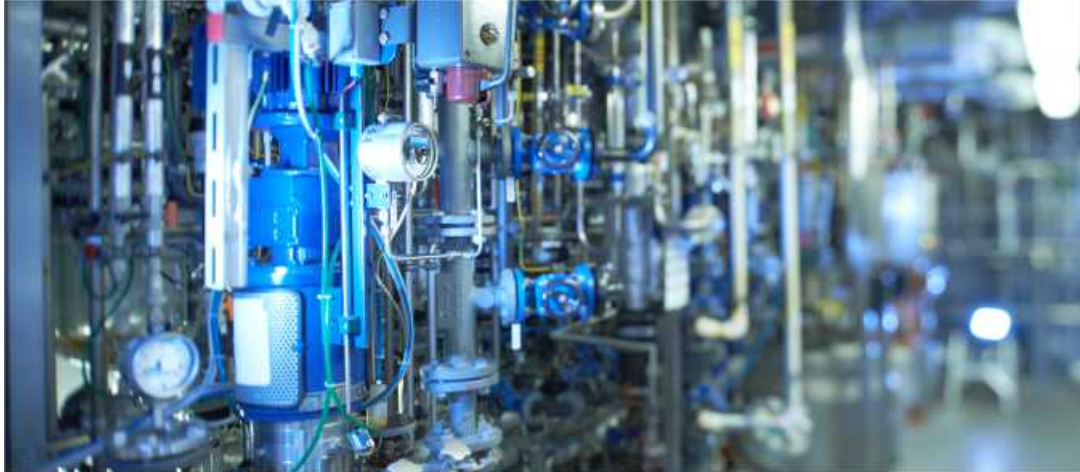
THE MOST DEMANDED PRODUCTS

GRITAMIN® FOR WOMEN
GRITAMIN® FOR MEN
GRITAMIN® FOR ADULTS
GRITAMIN® B complex

30 tablets

Vitamin series for the whole family.
 Gritamin® for Women and Gritamin® for Men is a special vitamin complex of natural products for maintaining health.
 Gritamin® for Adults provides human body with vitamins and minerals essential for functioning of the body, therefore it is particularly recommended in case of a poor daily diet.
 Gritamin® B complex contains all the necessary vitamins of group B.

6
 PRODUCTS



ACTIVE PHARMACEUTICAL INGREDIENTS

"Grindeks" is manufacturing active pharmaceutical ingredients for both the manufacturing of final dosage forms within the company and for export purposes to other pharmaceutical companies. The company offers intricate products created as a result of multi-stage synthesis. "Grindeks" is manufacturing 25 APIs in total. "Grindeks" introduced 2 new APIs in 2013.

Sales amount of "Grindeks" active pharmaceutical ingredients reached 18 million euros in 2013, which is by 0.1 million euros or 0.4% less than in 2012.

The most demanded APIs of "Grindeks" are zopiclone, oxytocin, ftorafur (tegafur), UDCA (ursodeoxycholic acid), droperidol, as well as the veterinary products – detomidine hydrochloride, medetomidine chloride, atipamezole hydrochloride and xylazine hydrochloride.

API'S FOR HUMAN USE:

Desaminooxytocin
 Dexmedetomidine hydrochloride
 Droperidol
 Ftorafur (Tegafur)
 Imatinib mesylate
 Ipadikrine
 Oxytocin
 Tioguanine
 Zopiclone
 Antazoline phosphate
 Milnacipran hydrochloride
 Rilmenidine dihydrogen phosphate
 Ursodeoxycholic acid
 Mildronate
 Meldonium phosphate

API'S FOR VETERINARY USE:

Atipamezole hydrochloride
 Detomidine hydrochloride
 Dexmedetomidine hydrochloride
 Oxytocin
 Medetomidine hydrochloride
 Xylazine
 Xylazine hydrochloride
 Pimobendane



6
 PRODUCTS



SERVICES

Various services offered by “Grindeks” to other pharmaceutical companies have become more common. The best known services of “Grindeks” are contract manufacturing and contract development of generic medication.

Successful cooperation in contract manufacturing has developed with foreign pharmaceutical companies “Pilum” (Sweden), “Pro-farma” (Ukraine) etc.

Contract development of generic medication is conducted in two ways: fulfilling clients order on the product development and offering contract manufacturing of the respective product, as well as cooperating in the development, licensing and sales of generic medication.

Because of the newly established Quality Control Laboratory, the company also offers pharmaceutical product analysis, analytical method development and validation.

“Grindeks” provides a control and release of pharmaceutical product series in EU and CIS markets. Product release in these markets is specific requirement of the “Good Manufacturing Practice” standard, which includes product analysis, control and audit of manufacturing documentation.



7 MARKETS

In 2013, to strengthen its positions, “Grindeks” contributed to raise awareness of its products, loyalty of patients and health care professionals and sales of products both in Latvian and foreign markets.

Subsidiaries and representative offices of “Grindeks” are operating in 13 countries - Lithuania, Estonia, Russia, Kazakhstan, Ukraine, Belarus, Moldova, Georgia, Azerbaijan, Uzbekistan, Armenia, Tajikistan and Kyrgyzstan.

In 2013, “Grindeks” products were exported to 59 countries worldwide for a total of 112.4 million euros, which is by 1.2 million euros or 1.1% more than in 2012.

Sales of “Grindeks” final dosage forms in 2013 amounted to 100.3 million euros and have increased by 0.8 million euros or 1% if compared to previous year. Sales amount in Russia, other CIS countries and Georgia reached 86.7 million euros in 2013, which is by 0.9 million euros or 1% more than in 2012. While final dosage forms sales in the Baltic States and other European countries reached 13.6 million euros, which is by 0.1 million euros or 0.4% less than in 2012.

In accordance with the data from “IMS Health”, comparing to previous year, main final dosage form market of “Grindeks” - CIS countries, continued to grow and develop in 2013 both in amounts of packages sold and by 4% monetary wise, although growth in Russian pharmaceutical market was only monetary wise (+2%). Total market size of Russia reached 16.1 billion euros. Rapid increase was observed in Kazakhstan, Belarus and Azerbaijan (+14%). In

these countries the dynamics of development are the same both for commercial segment (pharmacies) and in the hospital segment. While in Russia better development was observed in commercial segment and segment of State reimbursable medication (+4%). By following market trends and paying more attention to commercial segment, in 2013 sales amount of "Grindeks" increased in Kazakhstan, Belarus, Azerbaijan, Armenia and Moldova (+15%), while sales amount in Russia increased by 1%. In 2014 "Grindeks" will continue to strengthen its positions in Russia and other CIS countries.

The most demanded medication of "Grindeks" in 2013 were - brand product Mildronate®, ointments - Capsicam®, Viprosal B®, central nervous system affecting medication - Somnols®, brand product anti-cancer medication Ftorafur® and natural product Apilak-Grindeks.

Sales of active pharmaceutical ingredients in 2013 reached 18 million euros, which is by 0.1 million euros or 0.4% less than in 2012. "Grindeks" is manufacturing 25 active pharmaceutical ingredients in total.

Main markets of "Grindeks" active pharmaceutical ingredients (APIs) are European Union, USA and Japan. In 2013, "Grindeks" increased its market share in European Union by 12%, reaching 49%, but market share in USA by 2%, reaching 5%. The positive outcome was contributed by successful product registration and sales in the European Union, as well as successful inspection of the US Food and Drug Administration.

"Grindeks" achievements in Japan in 2013 are notable - the company expanded its product range and started an export of 2 new APIs. "Grindeks" is continuing to expand its product range and export amounts to Japan. In spite of tough competition, the most demanded APIs are keeping their strong positions in the worldwide markets. Worldwide market share of Zopiclone is 19%, worldwide market share of Oxytocin is 30%, but worldwide market share of Droperidol is 80%. In 2013, demand for Zopiclone increased significantly, which resulted in the need of increase of manufacturing capacities.

The company has begun promotion of its veterinary products in Japan, Australia, India, Korea and Brazil.

Projected changes after EU directive 2001/83/EC "On the community code relating to medicinal products for human use" entry into force were not observed. But interest in "Grindeks" API products, especially Oxytocin, increased in Vietnam.

In total in 2013, new cooperation begun with 16 companies, to whom first deliveries of APIs were made.

INVESTMENT PROGRAM

8

INVESTMENT PROGRAM

Investment million, EUR



In 2013 "Grindeks" continued to implement its investment program by investing 5.8 million euros.

The most significant investment project of 2013 is the reconstruction of the Quality Control Laboratory. The main aim of the project is to increase the capacity of Microbiology Laboratory, which is a unit of Quality Control Laboratory of "Grindeks".

Total investments of the project were 2.6 million euros of which 2.2 million euros accounted to construction costs, but more than 0.4 million euros were invested in the analytical equipment.

Most significant investment projects of "Grindeks"	Year	million EUR
Quality Control Laboratory	2014	2,6
Ointments and gels manufacturing unit	2012	3,6
UDCA manufacturing unit	2011	8,5
International clinical trial	2009	2,3
Industrial sewage purification plant	2009	3,6
Final dosage forms plant	2009	13
Mildronate® substance crystallization section	2008	3,3
Analytical Scale-up Laboratory of Active pharmaceutical ingredients	2007	4,6



QUALITY MANAGEMENT

Quality is particularly important in manufacturing of medication because it is responsible for patient safety and health. By manufacturing medication, "Grindeks" acknowledges its important mission and is constantly improving its work performance indicators, as well as pays much attention to requirements of "Good Manufacturing Practice" and other quality standards.

Integrated quality management, environmental management, occupational health and safety system of "Grindeks" is designed in accordance with international and Latvian standards LVS EN ISO 9001:2008 and LVS EN ISO 14001:2004.

In 2013 the Occupational Health and Safety Management System was successfully integrated into the joint system of the company and certified according to LVS OHSAS 18001 requirements, which sets out the requirements for occupational health and safety system, allows the company to monitor and manage all risks that can occur during regular daily work and potential emergency situations. It is also a proof of the responsible attitude of the company towards its employees. The benefit of the standard is the overall safety culture improvement and risk monitoring system efficiency enhancement.

In 2013, Management system of "Grindeks" received the Russian ГОСТ ISO 9001-2011 certificate, which is an analogue of LVS EN ISO 9001 standard. The Quality Management audit performed by JSC Russian Research Institute for Certification in accordance to the requirements of ГОСТ ISO 9001-2011 standard took place in two stages. The positive auditors' opinion and received certificate allow the company to speed up the customs declaration process and reduce the cost of the customs declaration for import of "Grindeks" products to Russia.

"Grindeks" accordance to high quality standards and "Good Manufacturing Practice" standards was also approved by a 4-day-long inspection of US Food and Drug Administration, the successful result of the inspection ensures cooperation with the US companies in active pharmaceutical ingredients business for at least the next 3 years.

In 2013 the company passed several significant European client audits, as well as inspections of Latvian and foreign supervisory institutions.



PERSONNEL POLICY

10
PERSONNEL
POLICY

AVERAGE
NUMBER OF
EMPLOYEES
IN THE GROUP



1000

EMPLOYEES
WITH THE
UNIVERSITY
DEGREE



73.5%

AVERAGE
AGE
OF
EMPLOYEES



39 YEARS

AVERAGE
LENGTH OF
SERVICE AT
THE COMPANY



8 YEARS

For a sustainable development of the company "Grindeks" pays particular attention to the Personnel policy, as professional and knowing employees is one of the most significant values of the company. The company ensures work environment that stimulates both career development of employees and achievement of the company's business goals. "Grindeks" Personnel policy includes employment, manufacturing relations, raise of qualification and training, wages, and social policy.

Employment Policy

The main principles of the Employment policy are:

- Working conditions are in line with work safety regulations and the Good Manufacturing Practice standards.
- A well-organised work environment, technical support necessary for work (technologies, computer equipment, service cars, communications, etc.).
- Open information concerning development perspectives of the company, career and personal growth opportunities.

Manufacturing Relations Policy

The Manufacturing Relations Policy includes development of unified procedures and regular updates, optimisation of work processes and work assessments.

“Grindeks” ensures a well-organised work environment that meets all safety and modern technical requirements.

Evaluation of work quality and development planning system

Competence management and development model includes a performance analysis, a development plan and specific job required competencies assessment, thus, allowing an objective evaluation of the employee's actual competence – how well the person puts her/his theoretical knowledge into practice. The assessment of competences allows the improvement of the process, to plan the necessary training more adequately, further career development and so on.

The competence management and development model helps in:

- Selection of employees
- Work performance management
- Career planning
- Determination of training needs and in management of employee development

Qualifications Rising and Training Policy

Given that the professionalism promotes the company's sustainable development, “Grindeks” pays special attention to the training, skills and qualification improvement. Staff training and skills development is planned in accordance with the company's strategic goals, by gathering the information on training needs at the annual professional evaluation.



10 PERSONNEL POLICY

In 2013, for training of employees the company used both its own funds and the EU structural funds co-financing. Several partnership projects were carried out in cooperation with the Latvian Information and Communications Technology Association and the Latvian Chemical and Pharmaceutical Industry Association, continued cooperation with the State Education Development Agency for implementation of the “Leonardo da Vinci” project, under which the employees had practical training in foreign companies.

Salary Policy

“Grindeks” offers appropriate salary according to labor market requirements and employee's assessment, as well as competitive motivation system.

Social Policy

The Social Policy of “Grindeks” staff envisages social guarantees, benefits, employees' health and accident insurance, as well as extras like partly subsidised meals in the company's canteen, transportation for employees to and from the workplace and paid holidays.

The company has its own sport complex where employees can play basketball, volleyball, attend aerobics classes, use fitness equipment as well as relax in a sauna after the sport activities several times a week.

The company has its own mixed choir which in 2013 took part in the XXV Latvian Song and XV Dance Festival, as well as the choir performed in cities, concert halls and churches of Latvia.

For team building purposes, “Grindeks” is organising different events for its employees. Welcoming the Midsummer's Day has become a tradition of “Grindeks”, while team spirit can be strengthened in a bowling tournament or joint skiing in winter. Traditionally at the end of the year children of employees are invited to a joint event and in 2013 that was a children's play,



10

PERSONNEL POLICY

children were also greeted with bags full of treats. At the end of the year yet another tradition of the company is implemented - for a ceremonial meeting are invited these long-standing employees who have already retired. The company has a tradition to conclude each year by a joint event for all employees.

Since the foundation of the company, there has also been an Employees' Trade Union, which helps the management of "Grindeks" to solve various issues through a social dialogue. Traditionally, shortly before Christmas, the collective agreement with employees is concluded. This provides employees with social guarantees excluding those dictated by the Latvian Labour Law, for example:

- leave for studies is considered as time at work, and examinations for employees who successfully acquire university education in specialities necessary for the company,
- three days paid leave (for marriage and for fathers in the event of childbirth etc. cases),
- monetary awards and materialistic support for employees at joyful (work and life anniversaries) and not so joyful life situations (death of a first degree relative),
- a special birthday or name day holiday for each employee.

New employees

To make it easier for the new employees to start their work at the company the New Employee Information Days are regularly organised at the company. During the information day employees are briefed on the work of structural units, environmental, quality, work safety and fire safety issues, they are also invited to go on a tour of the company's production units and laboratories.



COMMUNICATION POLICY

11

COMMUNICATION
POLICY

Image and reputation of the company has an important role in pharmaceutical business, therefore "Grindeks" assigns a strategic importance to its Communication Policy. The Communication Policy of the company is implemented in strict accordance to the business strategy, goals and values of the company. In 2013 the Communication audit was carried out and new Communication guidelines were developed and they are binding on all countries where "Grindeks" is represented.

As a corporate socially responsible company “Grindeks” in its activities adheres to the company's Code of Ethics, principles that are also reflected in communication of the company – public relations, marketing communication, advertising, information for media, informative materials, video, films, web pages, digital solutions, packaging etc.

Corporate communication has an important role in strengthening the company's reputation. In recent years, especially in Latvia, the company formed a close dialogue with different audiences, thereby expressing its personal attitude. “Grindeks” is successfully cooperating with the Latvian Pensioners' Federation, the Latvian Association of Municipalities and other institutions. “Grindeks” as a socially co-responsible company is continuing to actively inform society about health care and health promotion issues, as well as pays attention to patients' understanding and adherence promotion.

Very significant aspect of “Grindeks” reputation is the Corporate Social Responsibility, which is carried out by the company in following directions: Patient, Society, Employee, Business Environment, Quality and Environmental Protection.

Successful outcome is based on clearly defined scope of activities - projects that the company engages in as well as consistent implementation of guidelines in life. Many projects are like traditions that have been taken care of for decades, such as awards of “Golden Owl” and “Silver Owl” that are presented to scientists by “Grindeks” in cooperation with the Latvian Academy of Sciences.

Particularly important is the communication with “Grindeks” employees. The main information media within the company is a web page for employees “Grindeks Life”. Information on the company in Latvian and Russian languages is published there. An integral form of communication of the company is also quarterly meetings, annual regional meetings of representatives and videoconferences. To promote the establishment of positive and friendly atmosphere, a variety of informal activities and competitions are regularly organised.

As in previous years, so this year “Grindeks” will continue to stand up for high principles of business ethics and will try to be an example for other companies.

Performance of “Grindeks” is highly evaluated each year and the company often receives different recognition affirmations. In 2013 “Grindeks” took the 8th place in the Latvian Corporate Reputation Top and was recognised as the company with the best reputation in chemical and pharmaceutical industry. The movement of “The Red Jackets” nominated “Grindeks” as one of the 25 most exportable company's of Latvia.

In order to assess the effectiveness of communication with the audiences, “Grindeks” regularly conducts publicity monitoring, analyses web site traffic, conducts sociological research and evaluates the benefits and rewards at the completion of communication projects.