

Joint Stock Company “Grindeks”

*Non -audited Consolidated financial statements,
prepared in accordance with International
Financial Reporting Standards
as adopted by the European Union
for the periods ended 30 September 2014 and
ended 30 September 2013*

CONTENTS

ANCILLARY INFORMATION	3
THE BOARD AND THE SUPERVISORY COUNCIL	4
MAJOR SHAREHOLDERS	7
MANAGEMENT REPORT	8-10
STATEMENT OF BOARD'S RESPONSIBILITIES	11
FINANCIAL STATEMENTS:	
Statements of financial position	12-13
Statements of comprehensive income	14
Statement of changes in equity	15
Statement of cash flows	16
NOTES	17-20

ANCILLARY INFORMATION

Name	“GRINDEKS”
Legal status	Joint Stock Company since August 25, 1997
Number, place and date of registration	40003034935, Riga, Republic of Latvia, October 11, 1991
Business activities	Production of pharmaceutical products, medical products and phytochemical medicine
Legal address	53 Krustpils Street Riga, LV – 1057, Latvia
Subsidiaries	JSC “Tallinn Pharmaceutical Plant” Tondi 33 11316, Tallinn, Estonia JSC “Kalceks” (98.67%) 53 Krustpils Street Riga, LV - 1057, Latvia “Namu apsaimniekosanas projekti” Ltd. 53 Krustpils Street Riga, LV - 1057, Latvia “Grindeks Rus” Ltd. 74/3 Warsaw Road 117556, Moscow, Russia From 1 September 2014: “HBM Pharma” s.r.o. Sklabinska 30 036 80, Martin, Slovak Republic
Reporting period	1 January 2014 – 30 September 2014
Previous reporting period	1 January 2013 – 30 September 2013

THE BOARD AND THE SUPERVISORY COUNCIL

Board of the Company

(in compliance with the election/dismissal dates)

From 1 May 2012 to 3 July 2014:

<u>Name</u>	<u>Position</u>	<u>Ownership interest(%)*</u>
Juris Bundulis	Chairman of the Board	0.00
Vadims Rabsha	Board member	0.00

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

Since 3 July 2014 to the date of issuing the financial statements:

<u>Name</u>	<u>Position</u>	<u>Ownership interest(%)*</u>
Juris Bundulis	Chairman of the Board	0.00
Vadims Rabsha	Board member	0.00
Sergejs Batalins	Board member	0.00

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

• Juris Bundulis – Chairman of the Board

Born in 1953. Obtained the Doctoral degree of Biological Sciences if the University of Latvia, also graduated from the Faculty of Chemistry of the University of Latvia. Previously Juris Bundulis worked at “Grindeks” as the Marketing and Sales Director and the Scientific Research and Development Director. Before his appointment as Chairman of the Board of JSC “Grindeks” J.Bundulis was the Deputy State Secretary of the Health Ministry of Latvia and dealt with the health policy issues. Besides the position at “Grindeks” J.Bundulis is also the Member of the Council of „Pharma and Chemistry Competence Centre of Latvia” Ltd. and the Member of the Board of JSC “Grindeks” Foundation “For the Support of Science and Education”.

* *Term of office: 08.01.2015.*

• Vadims Rabsha - Member of the Board, Chief Finance and Administrative Officer

Born in 1976. Graduated from the Stockholm School of Economics in Riga where he studied Economics and Business. Has been working for the JSC “Grindeks” since 2007. Previously was employed at “Exigen Services” Ltd., holding the post of the Chief Finance Officer, as well as the position of the Deputy Chairman of the Board at JSC “DATI Exigen Group”. V.Rabsha also worked at JSC “Latvijas Balzams” as the Chief Finance Officer. Besides the position at “Grindeks” V.Rabsha is the Member of the Council of „HBM Pharma” Ltd. and JSC “Tallinn pharmaceutical plant”, also the Member of the Board of JSC “Grindeks” Foundation “For the Support of Science and Education”.

* *Term of Office: 12.10.2017.*

• Sergejs Batalins - Member of the Board, 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., ”Staburadzes konditoreja” Ltd., ”Euro Food” Ltd. and ”NP Foods” Ltd.

* *Term of Office: 03.07.2017.*

Supervisory Council of the Company

(in compliance with the election/dismissal dates)

From 4 June 2013 to 12 June 2014:

<u>Name</u>	<u>Position</u>	Ownership interest (%)*
Kirovs Lipmans	Chairman of the Supervisory Council	33.29
Anna Lipmane	Deputy Chairman of the Supervisory Council	16.69
Uldis Osis	Member of the Supervisory Council	0.00
Janis Naglis	Member of the Supervisory Council	0.00
Arkadij Vertkin	Member of the Supervisory Council	0.00

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

From 12 June 2014 to 11 November 2014:

<u>Name</u>	<u>Position</u>	Ownership interest (%)*
Kirovs Lipmans	Chairman of the Supervisory Council	33.29
Anna Lipmane	Deputy Chairman of the Supervisory Council	16.69
Janis Naglis	Member of the Supervisory Council	0.00
Arkadij Vertkin	Member of the Supervisory Council	0.00

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

Since 11 November 2014 to the date of issuing the financial statements:

<u>Name</u>	<u>Position</u>	Ownership interest (%)*
Kirovs Lipmans	Chairman of the Supervisory Council	33.29
Anna Lipmane	Deputy Chairman of the Supervisory Council	16.69
Uldis Osis	Member of the Supervisory Council	0.00
Janis Naglis	Member of the Supervisory Council	0.00
Arkadij Vertkin	Member of the Supervisory Council	0.00

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

** *The term of Office of Supervisory Council members: 10.11.2017.*

• **Kirovs Lipmans - Chairman of the Council**

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

• **Anna Lipmane - Deputy Chairman of the Council**

Born in 1948. Anna Lipmane has been the Member of the Council of “Grindeks” since 2008. A. Lipmane is certified doctor-neurologist and the Member of the Latvian Medical Association, the Latvian Association of Internists, the Latvian Society of Cardiology and the Latvian Association of Neurologists. A. Lipmane is one of the major shareholders of JSC “Grindeks”.

• **Uldis Osis - Member of the Council**

Born in 1948. Uldis Osis has worked for the Council of JSC “Grindeks” since 2002. Besides the position at JSC “Grindeks”, U. Osis is also the President of “Konsorts” Ltd., the Corresponding Member of the Latvian Academy of Sciences and the Member of „Economist Union 2010”. U. Osis has graduated from the Faculty of Economics of the Leningrad State University, also the post graduate studies of the Construction Economics Research Institute of the USSR Construction Committee, obtaining a diploma of the Candidate of Economics Science (Dr. oec.). Has studied abroad, for instance at the Georgetown University (in 1992, Washington D.C., USA).

• **Janis Naglis - Member of the Council**

Born in 1958. 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., ”Kembi” 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 the Head of Therapy, Clinical Pharmacology and Ambulance Department at the Moscow State University of Medicine and Dentistry (MSUMD) since 1989, and the Scientific Secretary of the Scientific Council of MSUMD since 2012. Simultaneously, A. Vertkin is the President of Russian National Scientific Practical Society of Ambulance Care and International Society for the Study of Age-related involution, also he is the Member of the numerous Russian and international organizations. Dr. med. A. Vertkin is an Honored Science Worker of Russian Federation, and has received several awards. As a leading researcher A. Vertkin participates in clinical researches of national and international scale. He is the author and co-author of 1051 scientific publications, 86 of which were published in internationally recognized scientific magazines.

MAJOR SHAREHOLDERS

The Shareholders of 30 April 2014 and 30 April 2013 were as follows (*Latvian central Depository data*):

	Percentage holding (%) 30.04.2014.	Percentage holding (%) 30.04.2013.
Kirovs Lipmans	33.29	33.29
Anna Lipmane	22.66	11.38
"AB.LV Private equity fund 2010"	16.69	16.69
Swedbank AS Clients Account (nominal holder)	10.47	8.84
Skandinaviska Enskilda banken (nominal holder)	-	10.02
Other shareholders	16.89	19.78
Total	100.00	100.00

MANAGEMENT REPORT

Business activity

During the reporting period the Group of “Grindex” consists of JSC “Grindex” and its subsidiaries: JSC “Tallinn Pharmaceutical Plant” in Estonia, JSC “Kalceks” in Latvia, “Namu Apsaimniekošanas projekti” Ltd. in Latvia, “Grindex Rus” Ltd. in Russia and from 1 September 2014 “HBM Pharma” s.r.o. (Slovakia) (together hereinafter - the Group). Core business activity of the Group is research, development, manufacturing and sales of original products, generics and active pharmaceutical ingredients.

Business activity of the “Grindex” Group during the reporting period

Turnover of the Group in the first nine months of 2014 was 63.1 million euros and has decreased by 17.3 million euros or 21.5% in comparison to nine months of 2013, while the Group’s net profit, attributable to shareholders of the parent company, was 3.7 million euros in the first nine months of 2014 and has decreased by 4 million euros or 52.4% in comparison to nine months of 2013. Gross profit margin in the first nine months of 2014 was 58.3% while net profit margin was 5.8%. In the first nine months of 2014 the Group’s production was exported to 57 countries worldwide, a total of 59.7 million euros which is 16.4 million euros or 21.5% less than in nine months of 2013.

The turnover ratio of nine months of 2014 in comparison to the same period of the last year has been influenced by a number of key factors – geopolitical situation in Russia and Ukraine, which led to the devaluation of the national currency, as well as a wholesale warehouse balance optimization. Because of these factors, the forecast that the performance in Russia will improve in the second half year has not reached the expected result, while the decrease in net profit was due to an increased investment in research and development of two strategic projects. In cooperation with scientists of Latvia, the project of inhibitor of cardio protective agent – GBB hydroxyls with an original structure – chemical and preclinical pharmacological efficiency studies have concluded, which is an important step in creating a new medical product. The other project is registration of a drug Mildronate® in China, where the 3rd phase of clinical trial for this medication is now being held.

The most significant market trends

According to the “IMS Health” market data, in comparison to nine months of the last year, only +0.5% increase in sales of packages is observed in the markets of CIS countries in nine months of 2014, but in terms of money (euro) – a drop -1.6%. This result is affected by the proportion of the biggest market – Russia. The turnover in packages over there has dropped a little -0.6%, while the turnover in euros dropped by -2.9%. Russian press reports show a growth of turnover in local currency, but, taking into account the weakening of the Russian ruble against euro, the market size in terms of money (euro) has decreased. In other CIS countries – Armenia, Azerbaijan, Belarus, Kazakhstan, Moldova the turnover of packages sold creates a positive market dynamics (+5.4% in packages and +7.6% in terms of money (euro)).

Sales of final dosage forms and active pharmaceutical ingredients

Sales volume of the final dosage forms of “Grindex” in nine months of 2014 was 55.6 million euros and has decreased by 15.7 million euros or 22% in comparison to nine months of 2013. The main final dosage forms markets are Russia, other CIS countries, Georgia and the Baltic States. The sales amount in Russia, other CIS countries and Georgia reached 45.2 million euros in nine months of 2014, which is by 16 million euros or 26.2% less than in nine months of 2013. The highest increase, compared to nine months of 2013 is shown in Belarus +51%, Azerbaijan +36%, Armenia +31% and Turkmenistan +29%. In its turn, turnover of the final dosage forms in the Baltic States and other European countries was 10.4 million euros, which is by 0.3 million euros or 3.4% more than in nine months of 2013. In nine months of 2014 “Grindex” has begun export of final dosage forms to several new markets – Great Britain, Finland, Slovakia, Spain, the Netherlands and Portugal. Cooperation with Tunisia that was launched last year is successfully ongoing and shows +78% increase in comparison to nine months of the last year, and Vietnam where sales amount has increased 12.1%. The turnover in nine months of 2014 has increased by 76% in markets outside the CIS and the Baltic States in comparison to nine months of the last year. The highest growth in comparison to nine months of 2013 is in Czech Republic +32%.

In nine months of 2014, sales of active pharmaceutical ingredients reached 7.4 million euros which is by 1.7 million euros or 18.7% less than in nine months of 2013. Main markets of “Grindex” active pharmaceutical ingredients in nine months of 2014 are the Netherlands, Germany, Canada, USA, France, Ireland and Japan. The most required active pharmaceutical ingredients of “Grindex” are Zopiclone, Oxytocin, Ftorafur, Droperidol, Xylazine, Medetomidine, Detomidine and Ursodeoxycholic acid.

Investment program

In 2014, “Grindeks” successfully continues to implement its investment program and plans to invest 5.8 million euros over the year. The most significant investment project is the renovation of Quality Control Laboratory that was completed in June of 2014. One of the most advanced laboratories of the Baltic States is established after the completion of the project. This allows to perform analysis for both – “Grindeks” needs and provide analytical services to other companies.

Quality and environmental protection

In nine months of 2014 the following inspections and audits have taken place in “Grindeks”:

- Inspections of the Latvian State Agency of Medicines on manufacturing process of several active pharmaceutical ingredients being in compliance with the “Good Manufacturing Practice” standard principles, as well as on Pharmacovigilance System in the company;
- Inspection of the Belarusian Health and Test Centre on manufacturing of ointments;
- Inspection of the Japanese Pharmaceuticals and Medical Devices Agency on manufacturing and quality assurance of the active pharmaceutical ingredient Ftorafur;
- audits of clients and cooperation partners – “Orion Corporation” (Finland), “Hikma Pharmaceuticals” (Jordan), “Actavis” (USA), “Sintetica SA” (Italy), “Chemogroup” (Spain), “Biogaran” (France), “Teva Global” (the Netherlands), “Cipla” (India), “TBD Biodiscovery” (Estonia), “HBM Pharma” (Slovakia) and “LMP” (Latvia).

Surveillance audits assured the compliance of quality management, environmental management, and occupational health and safety system standards with the ISO 9001, ISO 14001 and OHSAS 18001.

“Grindeks” share price development in nine months of 2014 (data of “NASDAQ OMX Riga”)

Since 2 January 2006 shares of “Grindeks” are listed in the official list of “NASDAQ OMX Riga”. JSC “Grindeks” share price on “NASDAQ OMX Riga” in nine months of 2014 ranged from 5.86 to 10.5 euros. In nine months of 2014, the average price of JSC “Grindeks” shares on “NASDAQ OMX Riga” was 7.72 euros. The total of “NASDAQ OMX Riga” traded shares in nine months of 2014 was 390 423 shares, reaching 3.01 million euro turnover. At the end of nine months of 2014, market capitalisation of “Grindeks” shares was 58.09 million euros.

In nine months of 2014, the Group’s earnings per share (EPS factor) was 0.38 euros in comparison to 0.80 euros in nine months of 2013.



Future expectations

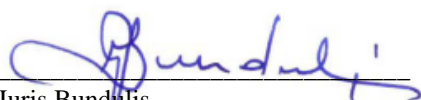
Because of the protracted geopolitical situation in Russia and Ukraine, its impact on the company performance is likely to continue.

Notable positive factors that will improve performance of “Grindex” in future: the firm demand of “Grindex” products (packages) and new product registration both in Russia and other markets.

In the following period “Grindex” will increasingly focus on emerging markets, diversifying its operations and reducing risks.

“Grindex” will continue optimization of current assets and cost reduction on positions that do not focus on strategic business development projects.

On behalf of the Group’s Management:



Juris Bundulis
Chairman of the Board

28 November 2014

STATEMENT OF BOARD'S RESPONSIBILITIES

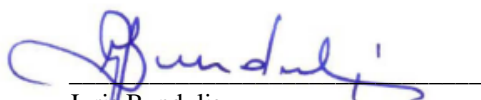
The Board of JSC "Grindex" (hereinafter - the Company) is bearing the responsibility for preparation of the consolidated interim financial statements of the Company and its subsidiaries (hereinafter - the Group). The interim financial statements of the Group are not audited.

The consolidated interim financial statements, enclosed from the page 12 to the page 20, are prepared in accordance with the accounting records and source documents, presenting fairly the financial position of the Group as of 30 June 2014 and the results of its operations and cash flows for the period of three months ended 30 June 2014.

Above mentioned consolidated interim financial statements are prepared in accordance with the International Financial Reporting Standards, reposing on the principle of business activities continuation. Appropriate accounting policies have been applied on a consistent basis. The management in preparation of the consolidated interim financial statements has made prudent and reasonable judgments and estimates.

The Board of the Company is responsible for providing accounting records, preservation of the Group's assets and the prevention and disclosure of fraud and other irregularities of the Group. The Board is responsible for the compliance with the existing legislation in the countries in which the Group's companies are operating (Latvia, Russia and Estonia).

On behalf of the Board:



Juris Bundulis
Chairman of the Board

28 November 2014

STATEMENT OF FINANCIAL POSITION

	30.09.2014. EUR	30.09.2013. EUR
ASSETS		
Non-current assets		
Intangible assets		
Software, patents, licenses, trademarks and other rights	970,287	884,618
Advance payments for intangible assets	65,000	-
Total intangible assets	1,035,287	884,618
Tangible fixed assets		
Land, buildings and constructions	37,361,992	24,541,485
Equipment and machinery	25,259,394	17,997,558
Other fixed assets	1,248,946	1,116,244
Construction in progress	2,396,459	4,820,528
Advance payments for fixed assets	621,930	1,096,615
Total tangible fixed assets	66,888,721	49,572,430
Investment property	9,080,000	8,855,954
Non-current financial investments		
Other investments	31,616	31,616
Advance payments for financial investments	-	5,130,000
Other loans	2,278,643	3,079,997
Loans provided to management and shareholders	-	375,001
Total long term financial investments	2,310,259	8,616,614
Total non-current financial assets	79,314,267	67,929,616
Current assets		
Inventories		
Raw materials	7,691,154	4,259,880
Unfinished goods	7,272,059	4,801,845
Finished goods and goods for resale	9,073,863	6,235,191
Total inventory	24,037,076	15,296,916
Debtors		
Trade receivables	43,538,109	41,379,932
Other debtors	5,232,444	14,375,490
Loans provided to management and shareholders	2,551,009	2,130,055
Deferred expenses	5,066,702	208,053
Total debtors	56,388,264	58,093,530
Cash and cash equivalents	1,626,284	2,514,873
Total current assets	82,051,624	75,905,319
TOTAL ASSETS	161,365,891	143,834,935

	30.09.2014.	30.09.2013.
	EUR	EUR
LIABILITIES		
EQUITY		
Share capital	13,638,226	13,638,226
Share premium	22,321,657	22,321,657
Other reserves	661,500	661,500
Retained profit		
a) retained profit	83,273,591	69,768,332
b) foreign currency revaluation reserve	(64,102)	75,340
b) current year profit	3,657,462	7,680,093
Equity attributable to equity holders of the parent	13,488,334	114,145,149
Non-controlling interest	92,148	84,554
Total equity	123,580,482	114,229,703
LIABILITIES		
Non-current liabilities		
Loans from credit institutions	5,048,121	4,478,734
Deferred income	4,944,149	4,797,353
Deferred tax liabilities	4,426,558	3,858,431
Total non-current liabilities	14,418,828	13,134,518
Current liabilities		
Loans from credit institutions	10,384,850	10,049,893
Finance lease liabilities	824,325	-
Advances from customers	80,588	130,026
Trade accounts payable	8,846,990	4,095,912
Taxes and social security contributions	808,915	1,129,037
Other payables	1,612,141	674,761
Accrued liabilities	387,838	163,367
Deferred income	420,934	227,718
Total current liabilities	23,366,581	16,470,714
Total liabilities	37,785,409	29,605,232
TOTAL EQUITY AND LIABILITIES	161,365,891	143,834,935

STATEMENT OF COMPREHENSIVE INCOME

	2014 January- September EUR	2013 January- September EUR
Net sales	63,126,897	80,462,689
Cost of goods sold	(26,293,846)	(32,675,292)
Gross profit	36,833,051	47,787,397
Selling expenses	(15,539,886)	(19,658,149)
Administrative expenses	(8,726,579)	(11,263,100)
Other operating income	1,760,352	6,671,918
Other operating expenses	(10,188,242)	(14,572,776)
Interest income and similar income	103,403	100,825
Interest expenses and similar expenses	(196,021)	(195,248)
Real estate tax	(73,682)	(66,185)
Profit before taxation	3,972,396	8,804,682
Corporate income tax	(311,807)	(1,125,091)
NET PROFIT FOR THE PERIOD	3,660,589	7,679,591

Other comprehensive income

Foreign currency revaluation	(12,193)	(4,061)
Other comprehensive income total	(12,193)	(4,061)
Other comprehensive income	3,648,396	7,675,530

Attributable to:

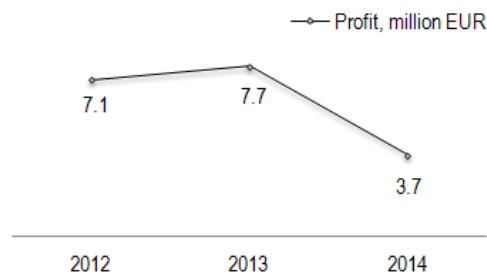
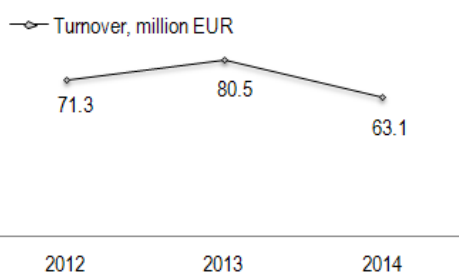
Equity holders of the parent	3,657,462	7,680,093
Non-controlling interest	3,127	(502)
TOTAL	3,660,589	7,679,591

Comprehensive income attributable to:

Equity holders of the parent	3,645,269	7,676,032
Non-controlling interest	3,127	(502)
Total	3,648,396	7,675,530

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

0.38 0.80



STATEMENT OF CHANGES IN EQUITY

	Share capital	Share premium	Other reserves	Foreign currency re-valuation reserve	Retained profit	Equity attributable to equity holders of the parent	Non-controlling interest	Total
	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR
31.12. 2013.	13,638,226	22,321,657	661,500	(51,909)	83,273,591	119,843,065	89,021	119,932,086
Profit for the period	-	-	-	-	3,657,462	3,657,462	3,127	3,660,589
Foreign currency revaluation	-	-	-	(12,193)	-	(12,193)	-	(12,193)
30.09. 2014.	13,638,226	22,321,657	661,500	(64,102)	86,931,053	123,488,334	92,148	123,580,482

STATEMENT OF CASH FLOWS

	2014 January-September EUR	2013 January-September EUR
OPERATING ACTIVITIES		
Net profit before taxation	3,972,396	8,804,682
<i>Adjustments to reconcile net profit to net cash provided by operating activities:</i>		
Depreciation and amortization	3,673,732	3,521,218
Revenue from the EU funds	(457,252)	(415,510)
Interest income	(103,403)	(100,825)
Interest expense	196,021	195,248
<i>Changes in operating assets and liabilities:</i>		
Inventory	(11,042,296)	(4,885,797)
Debtors	3,651,354	2,885,385
Creditors	3,466,993	(335,052)
Gross cash provided by operating activities	3,357,545	9,669,349
Corporate income tax paid	(1,089,161)	(2,925,084)
Net cash provided by operating activities	-	3
Revenue from the EU funds	2,268,384	6,744,267
INVESTING ACTIVITIES		
Purchase of fixed assets and intangible assets	(2,749,590)	(4,168,750)
Other loans	-	(769,998)
Net cash used in investing activities	(2,749,590)	(4,938,748)
FINANCING ACTIVITIES		
Received loans from credit institutions	402,599	1,349,473
Repaid loans to credit institutions and leasing payments	(2,038,787)	(2,699,356)
Revenue from the EU funds	363,675	81,092
Interest paid	(196,021)	(195,248)
Net cash (used in) /provided by financing activities	(1,468,534)	(1,464,038)
Net increase in cash and cash equivalents	(1,949,740)	341,480
Cash and cash equivalents at the beginning of the year	3,576,024	2,173,393
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	1,626,284	2,514,873

NOTES

OTHER DEBTORS

	30.09.2014.	30.09.2013.
	EUR	EUR
Tax receivables	3,505,378	1,819,238
Other	1,727,066	12,556,252
Total	5,232,444	14,375,490

CASH AND CASH EQUIVALENTS

	30.09.2014.	30.09.2013.
	EUR	EUR
Cash in bank	1,616,017	2,492,754
Cash on hand	10,267	22,119
Total	1,626,284	2,514,873

LOANS FROM CREDIT INSTITUTIONS

	30.09.2014.	30.09.2013.
	EUR	EUR
Credit line from JSC „SEB Banka”, Latvia	4,863,013	4,463,720
Credit line from Nordea bank Finland Plc.	4,234,223	5,004,026
Credit line from Tatrabank a.s, Slovakia	774,681	-
Nordea bank Finland Plc.	300,000	300,000
Nordea bank Finland Plc.	-	166,667
JSC „SEB Banka”, Latvia	115,480	115,480
JSC „SEB Banka”, Latvia	97,453	-
Current loans from credit institutions	10,384,850	10,049,893
JSC Aizkraukles banka	1,016,251	-
Nordea bank Finland Plc.	900,000	2,100,000
Tatrabank a.s, Slovakia	875,816	-
Tatrabank a.s., Slovākija	645,000	-
JSC “ SEB Banka”, Latvia	747,115	1,031,881
Tatrabank a.s., Slovakia	369,600	-
JSC“ SEB Banka”, Latvia	384,934	846,853
Tatrabank a.s., Slovakia	109,405	-
Nordea bank Finland Plc.	-	500,000
Non-current loans from credit institutions	5,048,121	4,478,734
Total	15,432,971	14,528,627

TAXES AND SOCIAL SECURITY CONTRIBUTIONS

	30.09.2014.	30.09.2013.
	EUR	EUR
Social security contributions	469,508	436,119
Personal income tax	298,629	305,673
Corporate income tax	-	367,405
Other	40,778	19,840
Total	808,915	1,129,037

NET SALES

	2014	2013
	January-September	January-September
	EUR	EUR
Other CIS countries	27,024,037	24,611,508
Russia	22,628,442	44,508,354
Other countries	9,655,135	10,155,585
Latvia	3,226,350	4,267,644
Lithuania	2,673,917	2,585,177
Estonia	1,495,732	1,640,772
Other sales	215,279	140,814
Gross sales	66,918,892	87,909,854
Less discounts		
Other CIS countries	(3,211,631)	(2,749,580)
Russia	(446,477)	(4,454,716)
Lithuania	(45,782)	(22,503)
Estonia	(36,985)	(33,712)
Other countries	(27,009)	(7,977)
Latvia	(24,111)	(178,677)
Discounts total	(3,791,995)	(7,447,165)
Total, net	63,126,897	80,462,689

COSTS OF GOODS SOLD

	2014	2013
	January- September	January- September
	EUR	EUR
Raw materials and packaging	10,344,965	13,363,946
Direct labor and social security contributions	7,591,815	7,278,355
Goods purchased for resale	3,414,096	8,906,261
Depreciation of fixed assets and amortization of intangible assets	2,920,072	2,806,576
Research costs	1,502,979	1,642,572
Electricity expenses	1,322,773	1,412,974
Machinery, buildings and equipment repairs	705,036	781,998
Household expenses	194,259	220,618
Transport costs	141,598	134,673
Waste disposal	86,969	93,507
Rent of work clothing	80,398	80,569
Other expenses	1,291,407	1,219,252
Internal turnover of self-manufactured raw materials	(3,302,521)	(5,266,009)
Total	26,293,846	32,675,292

SELLING AND DISTRIBUTION COSTS

	2014	2013
	January- September	January- September
	EUR	EUR
Advertising expenses	6,812,658	11,075,735
Expenses of representative offices	2,940,015	3,109,296
Direct labor and social security contributions	1,910,590	1,832,383
Distribution costs	626,852	644,235
Comissions	453,005	362,235
Depreciation of fixed assets and amortization of intangible assets	340,733	395,802
Registration costs for medicine	315,745	228,648
Freight insurance expenses	9,606	12,837
Patent costs	-	152,112
Other expenses	2,130,682	1,844,866
Total	15,539,886	19,658,149

ADMINISTRATIVE EXPENSES

	2014 January- September EUR	2013 January- September EUR
Direct labor and social security contributions	3,818,485	4,017,341
Professional and consultancy services	899,122	1,053,264
Depreciation of fixed assets and amortization of intangible assets	405,282	317,716
Security costs	246,646	233,397
Employee insurance expenses	205,516	183,249
Computer maintenance and repair	155,333	150,009
Electricity expenses	145,856	163,090
Transport costs	136,346	143,319
Business trip costs	83,188	85,186
Bank charges	83,176	66,647
Property and liability insurance	59,171	48,449
Personnel training and hiring expenses	57,701	123,057
Communication expenses	43,450	29,340
Other expenses	2,387,307	4,649,036
Total	8,726,579	11,263,100

JSC "Grindex" hereby informs that there were no changes made in its accounting policy in January-September 2014. In non-audited financial accounts for the period January-September 2014 the Group has employed the same Accounting and Consolidation Principles as in the audited consolidated financial accounts for the year 2013, released on 29 April 2014.

By adopting essential assumptions and decisions Slovakian company "HBM Pharma" s.r.o. has been included into the consolidation of JSC "Grindex" starting from 1 September 2014, due to the fact that JSC "Grindex" has acquired an effective control over "HBM Pharma" s.r.o.

In 2012 JSC "Grindex" concluded share purchase agreement with "Dashdirect Limited". In accordance with the terms of this agreement and following entry of all the requirements set by the agreement, JSC "Grindex" purchases shares of "HBM Pharma" s.r.o. As on 31 October 2014 performance of the purchase agreement between JSC "Grindex" and "Dashdirect Limited" has not yet been completed, thereby JSC "Grindex" does not own shares of "HBM Pharma" s.r.o. It is expected that the Management Board of JSC "Grindex" will arrange all necessary measures in order to complete the acquisition of shares of "HBM Pharma" until 31 December 2014.

Chairman of the Board

Juris Bundulis

28 November 2014