

Grindex

ANNUAL  
REPORT  
2014

A collection of laboratory glassware including a round-bottom flask with red liquid, a graduated cylinder with yellow liquid, a graduated cylinder with pink liquid, and an Erlenmeyer flask with blue liquid. The background is a light blue gradient.



# CONTENTS

<b>1</b> Facts and Figures	<b>2</b> Introduction speech by the Chairmen of the Council and Board	<b>3</b> About the company
<b>4</b> Corporate Governance	<b>5</b> Manufacturing	<b>6</b> Products
	<b>7</b> Markets	<b>8</b> Investment program
<b>9</b> Quality	<b>10</b> Personnel Policy	<b>11</b> Communication Policy

# FACTS AND FIGURES

## of 2014

1  
Facts  
and Figures



**The Group of “Grindeks”** – JSC “Grindeks” and its five subsidiaries: JSC “Tallinn Pharmaceutical Plant” in Estonia, JSC “Kalceks”, “Namu Apsaimniekosanas projekti” Ltd. in Latvia, “Grindeks Rus” Ltd. in Russia and “HBM Pharma” Ltd. in Slovakia (from 1 September, 2014)

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

**Turnover** – 88.5 million euros, which is 30 million euros or 25% less than in 2013

**Net losses** – 2.5 million euros, in comparison – the net profit in 2013 was 13.5 million euros

**Gross profit margin** – 54%

**Net profit margin** – -2,9%

**Revenue generated by export** – 83 million euros, which is 29.3 million euros or 26% less than in 2013

**Export countries** – 60



## SALES OF FINAL DOSAGE FORMS

**Sales of final dosage forms** – 79.45 million euros, which is by 20.9 million euros or 21% less than in 2013

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

**Sales volume in Russia, other CIS countries and Georgia** – 60.5 million euros, which is by 26.2 million euros or 30% less than in 2013

**Sales volume in the Baltic States and other European countries** – 18.5 million euros, which is by 4.9 million euros or 36% more than in 2013

**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** – 9 million euros, which is by 9 million euros or 50% less than in 2013

**Main markets** – European Union, USA, Japan, Canada

**Offering** 20 active pharmaceutical ingredients

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



## INVESTMENTS

**Investments** in 2014 – 3.6 million euros

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

## QUALITY AND ENVIRONMENTAL PROTECTION

- ISO 9001; ISO 14001; LVS OHSAS 18001 certificates
- Certificate of Russia ГOCT ISO 9001-2011
- GMP (Good manufacturing practice) certificates for manufacturing of final dosage forms and active pharmaceutical ingredients
- In 2014 – Inspections of the Latvian State Agencies of Medicines, Inspection of the Japanese Pharmaceuticals and Medical Devices Agency on manufacturing and quality assurance of the active pharmaceutical ingredient Ftorafur, Inspection of the Belarusian Health and Test Centre on manufacturing of ointments and other significant audits made by clients and cooperation partners



*Health is the most important in everyone's life! Health is also a priority for growth of the country, our joint ability to develop our own country depends on how healthy will be the country's citizens. Patient and his health is always in a first place for "Grindeks", thus the company is doing everything that's possible to provide society with high-quality, safe and modern medication.*

*As a sustainable and development oriented company "Grindeks" is pleased to be one of the leading Latvian manufacturers that manufactures products with high added value. When walking its path of development, "Grindeks" has strengthened its vertical integration capability for years, namely, executing a full company cycle with its own resources – research, development, manufacturing of active pharmaceutical ingredients and final dosage forms, registration and sales.*

*Strengthening its position and expanding its international activities, the company annually invests considerable resources in the development of manufacturing and research. Since 2002, the volume of investment has been significant and now accounts for more than 70 million euros. In 2014 "Grindeks" continued to implement its investment program through significant contribution to quality improvement, modernization and expansion of the Quality control laboratory. Pharmacy is an industry where every year the number of quality requirements increases, thus we are one step ahead of all requirements by launching the new Quality control laboratory. The new laboratory is strengthening "Grindeks" positions and increases the competitiveness of the company, moreover, "Grindeks" can provide analytical services to other Latvian as well as foreign companies. It is an investment to both the company and Latvia, as industry develops, it stimulates the country's economy.*

*In 2014, as in previous years, "Grindeks" paid a lot of attention to the implementation of Corporate social responsibility – purposefully supported development of education and science. With a support of "Grindeks" fund "For the support of science and education" monetary awards were given to scientists and teachers, schools were supported and a number of significant projects were carried out.*

*The company successfully and with pleasure continued its cooperation with the jewel of Latvian culture – the Latvian National Opera. As a general sponsor of Latvian National Ice Hockey team, "Grindeks" supported the most popular sport – hockey.*

*On behalf of "Grindeks" council, I would like to thank our clients, cooperation partners and employees for the achievements in 2014.*

Chairman of the "Grindeks" council,  
**Kirovs Limpans**

**2**

Introduction  
speech by  
the Chairmen  
of the Council  
and Board



*Pharmaceutical business is both humane and socially responsible, but it is also a complicated business, which is highly competitive and strictly regulated. The most important mission of this business is helping many people, strengthen their health and improve quality of life!*

*The 2014th was not the modest and easiest year, as "Grindeks" faced many unfavourable external factors in key markets of the final dosage forms - decrease of market volume and purchasing power of society, national currency devaluations, unforeseen circumstances dictated by the geopolitical situation in Russia and Ukraine. This affected the performance of the company as well as its sales and profit indicators - "Grindeks" concluded the year 2014 with 88.5 million euro turnover.*

*But it also served as a serious incentive to make drastic changes in business organisation - with more focus on new markets, expansion of operational capacity, as well as making structural changes to strengthen the marketing and sales functions of both the central office and foreign representative offices.*

*Taking into account the "Grindeks" experience in the business organisation within 60 countries, the company is confident that business diversification and targeted restructuring of business operations will bring a positive result. In 2015, "Grindeks" will focus even more on new markets, diversifying its activities and reducing risks. The company has previously faced various crisis situations and was able to focus its knowledge and resources professionally to overcome such obstacles. To be able to offer its patients even more effective medication, constant priority of "Grindeks" is and will be the identification of patients' needs and the expansion of medication product range.*

*Along with the main therapeutic areas - cardiovascular medication, anti-cancer drugs and central nervous system affecting medication, "Grindeks" purposefully expands its offer in therapeutic group of gastroenteric tract and metabolism medication, as well as uses the advantages of vertical integration - developing and manufacturing active pharmaceutical ingredient with its own resources, from which final dosage forms are manufactured and offered. Thus, the company manufactures high quality and cost-effective solutions.*

*On behalf of the board of "Grindeks", I would like to thank the shareholders of the company for their willingness and openness towards new ideas and confidence in the company's team! I would like to thank our business partners, clients, employees, and especially - the faithful "Grindeks" patients!*

*Chairman of the "Grindeks" board,  
**Juris Bundulis***

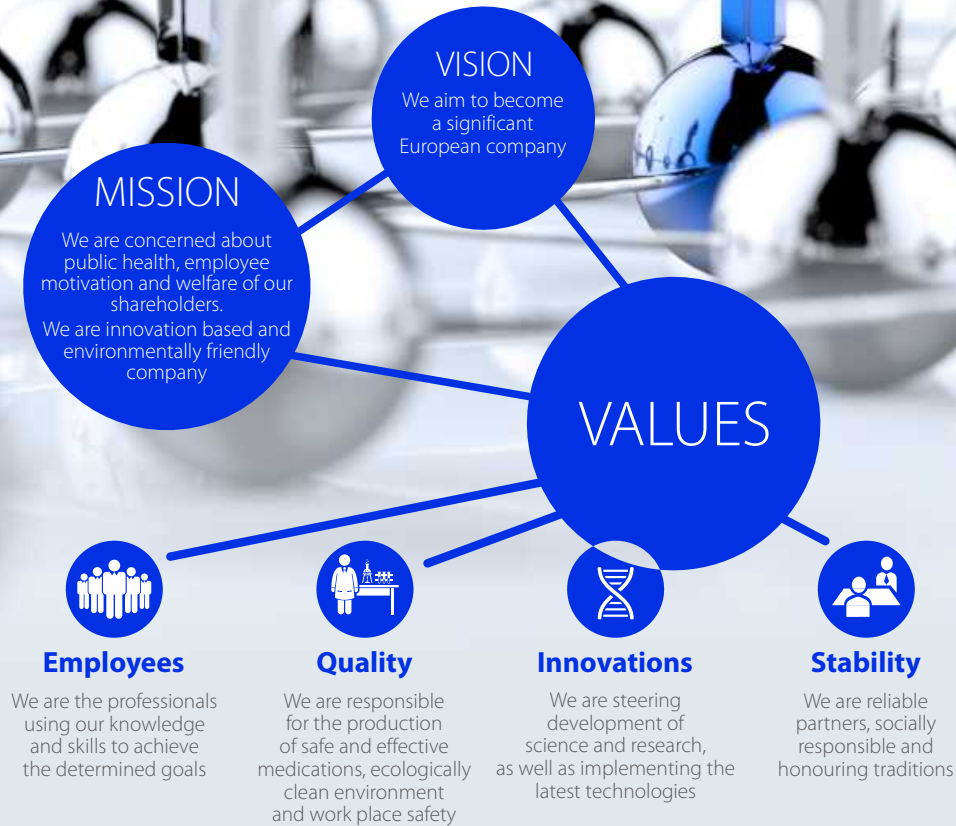
**2**

Introduction  
speech by  
the Chairmen  
of the Council  
and Board

# ABOUT THE COMPANY

3

About the company







## CORPORATE GOVERNANCE

# 4

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" (currently "NASDAQ Riga") on 1 June 2010. For the ninth year "Grindeks" has submitted Corporate Governance Report to "NASDAQ OMX Riga" simultaneously with the audited consolidated financial statements 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 three times.

The Annual General Meeting of Shareholders of joint stock company "Grindeks" was held on 10 June 2014, where reports of the Board, the Supervisory Council, the Audit Committee and the statement of the Sworn auditor of joint stock company "Grindeks" were taken noticed of and the company's annual report for the year 2013 was approved. The shareholders re-elected "Deloitte Audits Latvia" Ltd. as the auditor of the Annual Reports of joint stock company "Grindeks" and determined the remuneration for the auditor.

On 11 November 2014 the Extraordinary General Meeting of Shareholders of joint stock company "Grindeks" was held, electing the Supervisory Council and the Audit Committee of the Company, while in the other Extraordinary General Meeting of Shareholders held on 22 December 2014 it was decided that the most of the profit for the year 2013 will be distributed paying dividends to the shareholders of the company for the first time in the company's history.

## SUPERVISORY COUNCIL

"Grindeks" Supervisory Council, gathering business professionals with significant experience in international business environment, 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:



### **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".

# 4

Corporate  
Governance



### **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 member of the management boards and supervisory councils of many others companies and institutions. J. Naglis has graduated from Riga Polytechnic institute with qualification Engineer-Mechanic.



### **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)



### **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 recognized 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 experienced business and field's experts:



### **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" Foundation "For the Support of Science and Education".



### **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".



### **Sergejs Bataljins**

Member of the Board,  
Commercial Director

Born in 1975. Graduated from Moscow Commercial University, where he studied International Economics. Since December 2013 he is the Commercial Director of JSC "Grindeks". 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.

# 4

Corporate  
Governance

## 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 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, OMXBGI, OMXBPI, OMXRGI

# 4

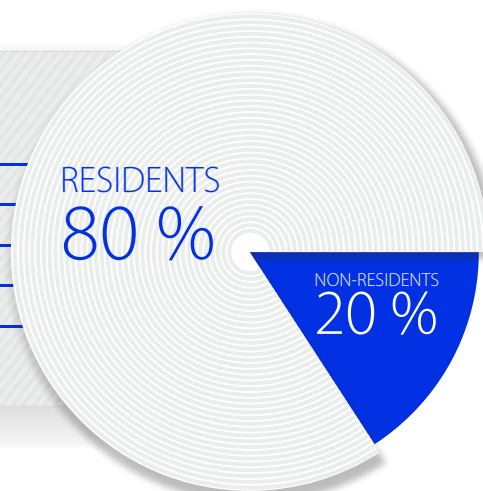
Corporate  
Governance

## "GRINDEKS" MAJOR SHAREHOLDERS

(OVER 5%)\*

Shareholder	Ownership interest, %
Kirovs Lipmans	33,29
"AB.LV Private equity fund 2010"	22,66
Anna Lipmane	16,69
"Swedbank AS Clients Account" (nominal holder)	9,87
Other shareholders	17,49

\* "Latvian Central Depository" data as of 31 December 2014



## DEVELOPMENT OF A SHARE PRICE

Since 2 January 2006 shares of "Grindeks" are listed in the official list of "NASDAQ Riga". JSC "Grindeks" share price on "NASDAQ Riga" in 2014 ranged from 5.3 to 10.5 euros. In 2014, the average price of JSC "Grindeks" shares on "NASDAQ Riga" was 7.28 euros. The total of "NASDAQ Riga" traded shares in 2014 was 683 252 shares, reaching 4.78 million euro turnover. At the end of 2014, market capitalization of "Grindeks" shares was 61.82 million euros.

### Development of "Grindeks" share price in 2014 (EUR)



4

Corporate  
Governance

## Development of "Grindeks" share price in 2014 in comparison with Baltic market indexes



Index/Equity	01.01.2014	31.12.2014	+/-%
OMX Baltic Benchmark GI	613.50	566.56	-7.65↓
OMX Riga	460.13	408.03	-11.32↓
OMX Baltic Benchmark PI	369.35	328.61	-11.03↓
GRD1R	9.106 EUR	6.450 EUR	-29.17↓

## SHARE TURNOVER IN 2012 – 2014 (EUR)



## Development of "Grindeks" share price 2012 - 2014 (EUR)



## Development of "Grindeks" share price in 2012 - 2014 in comparison with Baltic market indexes



Index/Equity	01.01.2012	31.12.2014	+/-%
OMX Baltic Benchmark GI	431.94	566.56	31.17↑
OMX Riga	371.16	408.03	9.93↑
OMX Baltic Benchmark PI	287.07	328.61	14.47↑
GRD1R	6.093 EUR	6.450 EUR	5.86↑



## TURNOVER AND PROFIT OF "GRINDEKS"

**Turnover** million, EUR



**Profit** million, EUR



# 4

Corporate  
Governance



## KEY FINANCIAL FIGURES 2010 – 2014

	2010	2011	2012	2013	2014
Turnover, EUR	92 698 772	98 993 690	117 658 780	118 461 106	88 487 515
Gross profit, EUR	52 249 540	58 291 650	72 671 095	71 088 330	48 025 673
Gross profit margin, %	56.4	58.9	61.8	60	54
Operating profit (losses)	12 726 296	11 121 675	17 481 727	16 489 728	(1 660 051)
Operating profit margin (ROS), %	13.7	11.2	14.9	13.9	-1.9
Profit (losses) before taxes, EUR	12 381 286	10 805 717	17 194 848	16 291 477	(1 901 196)
Profit (losses) before taxes margin, %	13.4	10.9	14.6	13.8	-2.2
Net profit (losses), EUR	10 120 457	95 41 884	13 708 742	13 509 259	(2 536 194)
Net profit margin (losses), %	10.9	9.6	11.7	11.4	-2.9
Return on equity (ROE), %	13	10.8	13.8	11.9	-2.2
Return on assets (ROA), %	11.3	8.9	10.1	9.3	-1.6
Liquidity	2.5	2.9	3.5	3.6	2.0

# STATEMENT OF FINANCIAL POSITION



	Group 31.12.2014 EUR	Group 31.12.2013 EUR
<b>ASSETS</b>		
<b>Non-current assets</b>		
<b>Intangible assets</b>		
Software, patents, licences, trademarks and other rights	914,141	811,360
Advance payments for intangible assets	86,297	-
<b>Total intangible assets</b>	<b>1,000,438</b>	<b>811,360</b>
<b>Goodwill</b>	<b>5,044,761</b>	-
<b>Tangible fixed assets</b>		
Land, buildings and constructions	34,273,191	24,607,805
Equipment and machinery	24,663,091	19,448,730
Other fixed assets	1,148,942	1,167,745
Construction in progress	2,414,694	3,771,835
Advance payments for fixed assets	811,597	1,211,520
<b>Total tangible fixed assets</b>	<b>63,311,515</b>	<b>50,207,635</b>
<b>Investment property</b>	<b>9,080,000</b>	<b>9,080,000</b>
<b>Non-current financial investments</b>		
Investment in subsidiaries	-	-
Other investments	98,450	31,616
Advance payments for financial investments	-	11,670,000
Other loans	2,278,643	5,138,642
Loans to related parties	-	-
<b>Total long term financial investments</b>	<b>2,377,093</b>	<b>16,840,258</b>
<b>Total noncurrent financial assets</b>	<b>80,813,807</b>	<b>76,939,253</b>
<b>Current assets</b>		
<b>Inventories</b>		
Raw materials	5,538,833	3,734,929
Unfinished goods	7,975,781	4,590,550
Finished goods and goods for resale	5,467,566	3,642,156
<b>Total inventory</b>	<b>18,982,180</b>	<b>11,967,635</b>
<b>Debtors</b>		
Trade receivables	43,025,695	44,189,299
Due from related parties	-	3,306,028
Other debtors	5,632,458	4,401,064
management and shareholders	2,597,483	2,551,009
Other loans	1,500,000	-
Deferred expenses	5,263,756	4,075,219
<b>Total debtors</b>	<b>58,019,392</b>	<b>58,522,619</b>
<b>Cash and cash equivalents</b>	<b>2,191,088</b>	<b>3,576,024</b>
<b>Total current assets</b>	<b>79,192,660</b>	<b>74,066,278</b>
<b>TOTAL ASSETS</b>	<b>160,006,467</b>	<b>151,005,531</b>

# STATEMENT OF FINANCIAL POSITION



	Group 31.12.2014 EUR	Group 31.12.2013 EUR
<b>EQUITY AND LIABILITIES</b>		
<b>EQUITY</b>		
Share capital	13,638,226	13,638,226
Share premium	22,321,657	22,321,657
Other reserves	661,500	661,500
Foreign currency revaluation reserve	(60,463)	(51,909)
Retained profit		
a) retained profit	74,273,591	69,768,332
b) current year (loss)/ profit	(2,540,171)	13,505,259
<b>Equity attributable to equity holders of the Parent entity</b>	<b>108,294,340</b>	<b>119,843,065</b>
<b>Non-controlling interest</b>	<b>92,998</b>	<b>89,021</b>
<b>Total equity</b>	<b>108,387,338</b>	<b>119,932,086</b>
<b>LIABILITIES</b>		
<b>Non-current liabilities</b>		
Loans from credit institutions	2,711,715	2,032,049
Finance lease liabilities	118,491	-
Deferred income tax liabilities	5,269,792	4,130,278
Deferred income	4,522,593	4,472,770
<b>Total non-current liabilities</b>	<b>12,622,591</b>	<b>10,635,097</b>
<b>Current liabilities</b>		
Loans from credit institutions	12,906,312	11,246,356
Finance lease liabilities	93,837	-
Advances from customers	421,914	381,394
Trade accounts payable	10,474,159	5,497,790
Taxes and social security contributions	1,093,919	1,570,603
Other payables	3,651,632	1,154,846
Accrued liabilities	276,763	173,286
Deferred income	1,078,002	414,073
Prior periods unpaid dividends	9,000,000	-
<b>Total current liabilities</b>	<b>38,996,538</b>	<b>20,438,348</b>
<b>Total liabilities</b>	<b>51,619,129</b>	<b>31,073,445</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		
	<b>160,006,467</b>	<b>151,005,531</b>

# STATEMENT OF COMPREHENSIVE INCOME



	Group 2014 EUR	Group 2013 EUR
Net sales	88,487,515	118,461,106
Cost of goods sold	(40,461,842)	(47,372,776)
<b>Gross profit</b>	<b>48,025,673</b>	<b>71,088,330</b>
Selling expenses	(23,307,179)	(25,380,681)
Administrative expenses	(12,084,293)	(12,180,968)
Other operating income	2,961,669	8,278,499
Other operating expenses	(17,255,921)	(25,539,497)
Changes in fair value / impairment loss	-	224,045
Interest income and similar income	164,655	146,963
Interest expenses and similar expenses	(299,901)	(254,937)
Real estate tax	(105,899)	(90,277)
<b>(Loss)/ profit before taxation</b>	<b>(1,901,196)</b>	<b>16,291,477</b>
Corporate income tax	(634,998)	(2,782,254)
<b>NET (LOSS)/ PROFIT FOR THE YEAR</b>	<b>(2,536,194)</b>	<b>13,509,223</b>
<b>Other comprehensive (loss)/ income</b>		
Foreign currency revaluation	(8,554)	(131,310)
<b>Total other comprehensive (loss)</b>	<b>(8,554)</b>	<b>(131,310)</b>
<b>Total comprehensive (loss)/ income</b>	<b>(2,544,748)</b>	<b>13,377,913</b>
<b>Attributable to:</b>		
Equity holders of the parent	(2,540,171)	13,505,259
Non-controlling interest	3,977	3,964
<b>TOTAL</b>	<b>(2,536,194)</b>	<b>13,509,223</b>
<b>Comprehensive (loss)/ income attributable to:</b>		
Equity holders of the Parent entity	(2,548,725)	13,373,949
Non-controlling interest	3,977	3,964
<b>TOTAL</b>	<b>(2,544,748)</b>	<b>13,377,913</b>
<b>Earnings per share attributable to the equity holders of the Parent entity (EUR per share)</b>		
- Earnings per share	(0.27)	1.41

# STATEMENT OF CHANGES IN EQUITY



# 4

Corporate  
Governance

Group	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
<b>31.12. 2012.</b>	<b>13,638,226</b>	<b>22,321,657</b>	<b>661,500</b>	<b>79,401</b>	<b>69,768,332</b>	<b>106,469,116</b>	<b>85,057</b>	<b>106,554,173</b>
Foreign currency re-valuation	-	-	-	(131,310)	-	(131,310)	-	(131,310)
Profit for the year	-	-	-	-	13,505,259	13,505,259	3,964	13,509,223
<b>31.12. 2013.</b>	<b>13,638,226</b>	<b>22,321,657</b>	<b>661,500</b>	<b>(51,909)</b>	<b>83,273,591</b>	<b>119,843,065</b>	<b>89,021</b>	<b>119,932,086</b>
Dividends	-	-	-	-	(9,000,000)	(9,000,000)	-	(9,000,000)
Foreign currency re-valuation	-	-	-	(8,554)	-	(8,554)	-	(8,554)
Loss for the year	-	-	-	-	(2,540,171)	(2,540,171)	3,977	(2,536,194)
<b>31.12. 2014.</b>	<b>13,638,226</b>	<b>22,321,657</b>	<b>661,500</b>	<b>(60,463)</b>	<b>71,733,420</b>	<b>108,294,340</b>	<b>92,998</b>	<b>108,387,338</b>

# STATEMENT OF CASH FLOWS

	Group 2014 EUR	Group 2013 EUR
<b>OPERATING ACTIVITIES</b>		
<b>Net (loss)/ profit before taxation</b>	<b>(1,901,196)</b>	<b>16,291,477</b>
<i>Adjustments to reconcile net profit to net cash provided by operating activities:</i>		
Depreciation and amortization	5,177,710	4,687,108
(Gain) / loss on disposal of fixed assets and intangible assets	(26,559)	18,008
Other adjustments	-	(126,795)
Changes in fair value	-	(160,548)
Revenue from the EU funds	(756,484)	(505,131)
Interest expense	299,901	254,937
Interest income	(164,655)	(146,963)
<i>Changes in operating assets and liabilities:</i>		
Inventory	(7,014,645)	(1,556,516)
Debtors	503,227	1,155,679
Creditors	11,215,882	1,011,767
<b>Gross cash provided by operating activities</b>	<b>7,333,181</b>	<b>20,923,023</b>
Corporate income tax paid	(1,527,517)	(3,639,873)
Interest income received	-	309
<b>Net cash provided by operating activities</b>	<b>5,805,664</b>	<b>17,283,459</b>
<b>INVESTING ACTIVITIES</b>		
Purchase of fixed assets and intangible assets	(3,654,919)	(5,730,296)
Proceeds from sale of fixed assets	550	19,745
Purchase of long term financial investments	(116,684)	(6,540,000)
Other loans	(1,500,000)	(770,000)
<b>Net cash used in investing activities</b>	<b>(5,271,053)</b>	<b>(13,020,551)</b>
<b>FINANCING ACTIVITIES</b>		
Received loans from credit institutions	1,785,006	1,201,880
Repaid loans to credit institutions and leasing payments	(3,425,558)	(3,801,985)
Interest paid	(299,901)	(260,172)
<b>Net cash (used in) /provided by financing activities</b>	<b>(1,940,453)</b>	<b>(2,860,277)</b>
<b>Net increase in cash and cash equivalents from acquisition of subsidiary</b>	<b>20,906</b>	<b>-</b>
<b>Net (decrease)/ increase in cash and cash equivalents</b>	<b>(1,384,936)</b>	<b>1,402,631</b>
<b>Cash and cash equivalents at the beginning of the year</b>	<b>3,576,024</b>	<b>2,173,393</b>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR</b>	<b>2,191,088</b>	<b>3,576,024</b>

# INDEPENDENT AUDITORS' REPORT

**Deloitte.**

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## INDEPENDENT AUDITORS' REPORT

Translation from Latvian

To the Shareholders of "Grīndeks" AS:

### Report on the Financial Statements

We have audited the accompanying financial statements of "Grīndeks" AS (further "the Company") and the consolidated financial statements of "Grīndeks" AS and its subsidiaries (further "the Group") set out on pages 10 to 38 of the accompanying annual report for the year ended 31 December 2014, which comprise the Company's and the Group's statement of financial position as of 31 December 2014, and the statement of comprehensive income, statement of changes in equity and statement 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' 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 auditors' 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 auditors consider 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.

### 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 2014, 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 2014 set out on pages 6 to 8 of the accompanying annual report for the year ended 31 December 2014 and have not identified any material inconsistencies between the financial information contained in the management report and the financial statements for 2014.

Deloitte Audits Latvia SIA  
Licence No. 43

Roberts Stujis  
Member of the Board

Rīga, Latvia  
29 April 2015

Jelena Mihajenkova  
Certified auditor of Latvia  
Certificate No. 166

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# MANUFACTURING

# 5

Manufacturing

“Grindeks” investments over many years have ensured the company an opportunity to develop a vertically integrated or full pharmaceutical manufacturing cycle from active pharmaceutical ingredients to final dosage forms in modern manufacturing units that are equipped with world-class manufacturing equipment.

“Grindeks” guarantees safety and excellent quality of its products, as evidenced by the manufacturing units that are certified according to “Good Manufacturing Practice” requirements and ISO quality standards.



# 5

## Manufacturing

Offer of the “Grindeks” final dosage forms includes tablets, capsules, injections, syrups, ointments and gels. The company's final dosage form products are manufactured both in Latvia and abroad. Ointments are also manufactured in “Grindeks” subsidiary company “Tallinn Pharmaceutical Plant” in Estonia. The manufacturing of injections is performed by the “Grindeks” subsidiary company “HBM Pharma” s.r.o. in Slovakia, as well as, in accordance to agreements, by pharmaceutical companies “Sanitas” in Lithuania and JSC “Pharmstandard-Ufavita” in Russia.

The capacity of the “Grindeks” final dosage form manufacturing unit in Latvia is 1.5 billion tablets, 500 million capsules, 20 million tubes and 500 thousand syrup packs per year. There is a modern automatic monitoring system within the final dosage forms manufacturing unit, which checks the microclimate in premises, operation of the engineering systems, as well as provides significant energy savings, yet the advanced technological equipment of the final dosage forms manufacturing unit ensures a convenient, safe, efficient and environmentally friendly manufacturing.

For the manufacturing of oncological products (Ftorafur® 400 mg hard capsules / Imantinib 100 mg capsules) offered by “Grindeks”, a specific cytostatic production station has been created in accordance with Good Manufacturing Practice and environmental requirements.

The capacity of the “Grindeks” Active Pharmaceutical Ingredients manufacturing unit is 200 – 250 tons per year. “Grindeks” APIs are developed and manufactured in 11 manufacturing facilities in an area of approximately 10,000 m<sup>2</sup> in reactors of various volumes ranging from 10 to 8,000 liters.

In 2014, 25 active pharmaceutical ingredients were manufactured for both final dosage forms plant of “Grindeks” and for export purposes to foreign clients.



# PRODUCTS

Within the product range of “Grindeks” there are original products, generic products and active pharmaceutical ingredients. The company is proud of its original products - Mildronate®, Mildronate® GX, Ftorafur® as well as its unique ointments Capsicam® and Viprosal B®.

The main therapeutic groups are heart and cardiovascular, anti-cancer and central nervous system affecting medication, however 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 20 active pharmaceutical ingredients in the product range of “Grindeks”.

## FINAL DOSAGE FORMS

Sales of “Grindeks” final dosage forms amounted to 79.5 million euros in 2014 and have decreased, if compared to previous year, by 20.9 million euros or 21%.

The amount of Russia and other CIS countries reached 60.5 million euros, which is 26.2 million euros or 30% less than in 2013. The main reason for the decrease of indicators was the geopolitical situation in Russia and Ukraine.

Sales amount of final dosage forms in the Baltic States and other European countries reached 18.5 million euros, which is by 4.9 million euros or 36% more than in 2013.

The best selling products of “Grindeks” in 2014 were – original product Mildronate®, ointments – Capsicam®, Viprosal B®, central nervous system affecting medication – Somnols®, original product anti-cancer medication Ftorafur® and natural product Apilak-Grindeks.

# 6

Products

THE MOST DEMANDED PRODUCTS



**Prescription medication**  
**Heart and cardiovascular medication**

**6**  
Products

**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



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



**6**  
Products

## Over-the-counter medication

### Ointments

#### VIPROSAL B® OINTMENT

packaging of 30g and 50g

**TOP PRODUCTS**

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

#### 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)



**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 (1x10<sup>9</sup>) 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



**6**  
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 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.





## 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, 20 of them are manufactured for clients.

Sales amount of “Grindeks” active pharmaceutical ingredients reached 9 million euros in 2014, which is by 9 million euros or 50% less than in 2013, while export sales amount reached 6.7 million euros, which is by 1.3 million euros or 23% more than in 2013.

The most demanded APIs of “Grindeks” in 2014 were zopiclone, oxytocin, ftorafur, droperidol, xylazine, medetomidine, detomidine and UDCA.

# 6

Products

### API'S FOR HUMAN USE:

Desaminoxytocin  
Dexmedetomidine hydrochloride  
Droperidol  
Ftorafur (Tegafur)  
Imatinib mesylate  
Ipadikrine  
Oxytocin  
Tioguanine  
Zopiclone  
Milnacipran hydrochloride  
Rilmenidine dihydrogen phosphate  
Ursodeoxycholic acid

### API'S FOR VETERINARY USE:

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



## SERVICES

The offered services by "Grindeks" to other pharmaceutical companies are growing. The best known services of "Grindeks" are contract manufacturing and contract development of generic medication.

Successful cooperation in contract manufacturing is ongoing with foreign pharmaceutical companies "Alternova" (Sweden), "Actavis" (Canada and France) and others. In 2014, "Grindeks" has started new deliveries to the company "Peckforton" (UK).

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
- cooperating in the development, licensing and sales of generic medication.

Because of the established Quality Control Laboratory in 2014, the company also offers pharmaceutical product analysis, analytical method development and validation for external service needs.

"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.

# MARKETS



In 2014 “Grindeks” continued to contribute to its product awareness, as well as promoted 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.

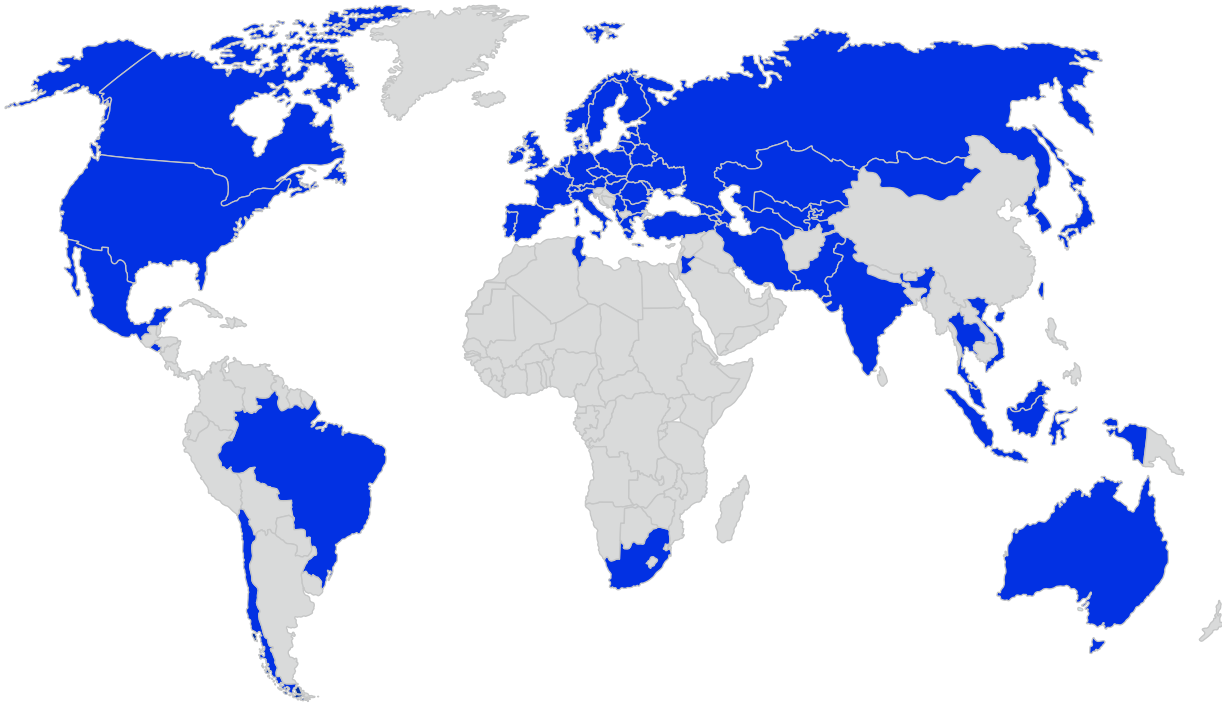
In 2014, “Grindeks” products were exported to 60 countries worldwide for a total of 83 million euros, which is by 29.3 million euros or 26% less than in 2013.

In accordance with the data from “IMS Health”, comparing to previous year, main final dosage form market of “Grindeks” in 2014, namely, CIS countries, maintained the level of 2013 in amounts of packages sold, while monetary wise (EUR) whole market dropped by 5%. This result was influenced by the share of the largest market - Russia. The turnover in amounts of packages sold and local currency showed a positive dynamic there, however turnover in euros decreased by 6% because of the Russian ruble exchange rate weakening against the euro. Similarly, the negative trend continued in the Ukrainian market, where war and fragile political and economic situation affected the market drop by 12% in amounts of packages sold, but monetary wise (EUR) the drop reached 23%. Other markets of CIS countries showed a positive dynamic in both amounts of packages sold (+7%) and monetary wise (+12%). The fastest growing markets monetary wise (EUR) in 2014 were Uzbekistan, Georgia, Armenia, Azerbaijan and Belarus. These were the regions where “Grindeks” sales in 2014 increased by 14% monetary wise (EUR). The situation was stable in the Baltic region and the market showed a positive tendency in all three countries, overall increasing by 4% monetary wise (EUR) in comparison to previous year.

In 2014, business of final dosage forms started export to

# 7

Markets



several new markets: Finland, Great Britain, Portugal, Spain, Norway and the Netherlands. Main markets of “Grindeks” active pharmaceutical ingredients in 2014 were the Netherlands, Germany, Canada, USA, France, Ireland and Japan. In 2014, “Grindeks” maintained the existing market share in all main markets, on average increasing their turnover by 18%. 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 in 2013 and a successful inspection of Japanese Pharmaceuticals Medical Devices Agency (PMDA) in 2014.

Despite the fierce competition in the global APIs market, the most required APIs of “Grindeks” maintain strong positions in it. “Grindeks” Zopiclone accounts for 20% of world market share, Oxytocin – a market share of 33%, and Droperidol global market share accounts for 90%.

In 2014, by developing the export of API, the main emphasis was on stabilising the existing markets by increasingly attracting new clients there, as well as widening a cooperation with existing clients, offering them new products and services.

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

Overall, during 2014, a new collaboration was launched with 23 companies, to whom the first deliveries of active pharmaceutical ingredients were made.

**7**  
Markets



### Investment million, EUR



The "Grindeks" investment program was successfully continued by investing 3.6 million euros, during the 2014.

The most significant investment project of 2014 was the closing of Quality control laboratory reconstruction of two and a half years. The main goal of the project was successfully implemented – capacity expansion of Microbiology laboratories that are a part of "Grindeks" Quality control laboratories. Implementation of the project also made it possible to expand the "Grindeks" quality control opportunities, thus allowing to provide analytical services to other Latvian and foreign companies. A total of 2.6 million euros were invested in the project, of which 2.2 million euros accounted for construction costs, but 0.4 million euros were invested in the analytical equipment.

**8**  
Investment program

Investment project	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

# INVESTMENT PROGRAM



## QUALITY MANAGEMENT

Quality is one of the core values of “Grindeks” – taking responsibility of safe medication manufacturing, the company keeps increasing its quality indicators and is closely following the compliance of its activities with the “Good Manufacturing Practice” standards and other quality requirements.

Integrated “Grindeks” quality management, environmental management, occupational health and safety system is designed and is adequately maintained and improved in accordance with international and Latvian standards LVS EN ISO 9001:2008, LVS EN ISO 14001:2004 and LVS OHSAS 18001:2007.

In 2014, “Grindeks” management system repeatedly received the Russian FOCT ISO 9001:2011 certificate, which by its nature is an analogue of LVS EN ISO 9001 standard.

The positive feedback of quality management system supervisory audit carried out by JSC “Russian Research Institute for Certification” (OAO «ВНИИС») enables the company to continue to speed up the customs declaration processes and to reduce the cost of customs declaration when importing “Grindeks” products to Russia.

The 4 days long inspection and the successful outcome by Japanese government institution – Pharmaceuticals and medical devices agency (PMDA) – allows to continue cooperation with Japanese companies in active pharmaceutical ingredient business and confirms “Grindeks” compliance with high quality standards and “Good Manufacturing Practice” standard.

In 2014 the company passed several significant European client audits, as well as inspections of Latvian and foreign supervisory institutions.

# 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

**10**  
Personnel  
Policy

**Business philosophy of “Grindex” is closely linked to guide values of the successful development of the company, one of them is professional and purposeful employees. To stimulate both career development and achievement of the company's business goals, “Grindex” makes sure to ensure a motivating work environment. Well-considered employment, manufacturing relations, raise of qualification, wages policy, as well as work quality assessment and development planning system implementation is according to strategy of “Grindex” Personnel policy.**

### **Employment Policy**

The main principles of “Grindex” 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.)
- Information concerning development perspectives of the company, career and personal growth opportunities are freely available

### **Manufacturing Relations Policy**

Unified development of procedures, regular updates, optimisation of work processes and work assessments are all forming the Manufacturing relations policy.

The company offers a well-organised work environment that meets all safety and modern technical requirements.

### **Evaluation of work quality and development planning system**

For several years “Grindex” staff performance analysis and development planning is in accordance with Competence management and development model, which allows analysing job performance, evaluate the necessary competences for a specific position and plan the further development. Analysis of the processes according to this model allows to objectively evaluate the application of theoretical knowledge in practice of all staff, to plan the necessary training and further career development more adequately.

The Competence management and development model is applied in:

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



## Qualifications Rising and Training Policy

"Grindeks" is developing in accordance with the idea of professional staff as one of the company's sustainable growth guarantees, therefore a special attention is paid to the training, skills and qualification improvement. Every year during the professional evaluation, further training needs are identified in accordance with the company's strategic goals.

In 2014, 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. Cooperation with the State Education Development Agency was continued for implementation of the "Leonardo da Vinci" projects, which gave employees an opportunity of practical training in foreign companies.

## Salary Policy

"Grindeks" Salary policy is based on labor market requirements and appropriate salary according to employee's assessment, as well as competitive motivation system.

## Social Policy

One of the "Grindeks" additional motivating factors is the implemented company's personnel Social policy, which ensures social guarantees, benefits, employees' health and accident insurance. In addition, the company ensures partly subsidised meals in the company's canteen, free of charge transportation for employees to and from workplace and paid holidays.

At the company's sport complex staff plays basketball several times a week, as well as volleyball, attend aerobics classes, use fitness equipment and relax in sauna after the sports activities.

The mixed choir "Grindeks" provides an opportunity for employees to spend their free time from work musically, as well as delight others. The most conspicuous event in the life of the choir in 2014 was the participation at World Choir Olympiad Concert, besides performances in cities, concert halls and churches of Latvia.

For team building purposes, "Grindeks" is organising different events for its employees. In the cold months of the year a bowling tournament or corporate skiing is organised, while in an early autumn afternoon of 2014 employees of "Grindeks" gathered for an apple picking, where vitamin stocks for Children's Clinical University Hospital were gathered, as well as gifts for clients and cooperation partners. Each year children of employees are delighted with special events - in spring marking the end of a school year, but at the end of a year with a Christmas play where children are also greeted with bags full of treats. At the end of the year the long-standing employees who have already retired are remembered and are greeted with presents.

Each year the best employees at the company are also nominated and greeted, which in 2014 for the first time were nominated not only by their managers, but also colleagues. While employees who have worked

at the company 15 and 25 years, at the end of each year are greeted by the management of the company with silver and gold badges.

Many important issues of employees are dealt with in a social dialogue between “Grindeks” management and Employees' Trade Union, which is there since the foundation of the company. Each year 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 events (work and life anniversaries) and materialistic support in case of death of a first degree relative,
- a special holiday for each employee.

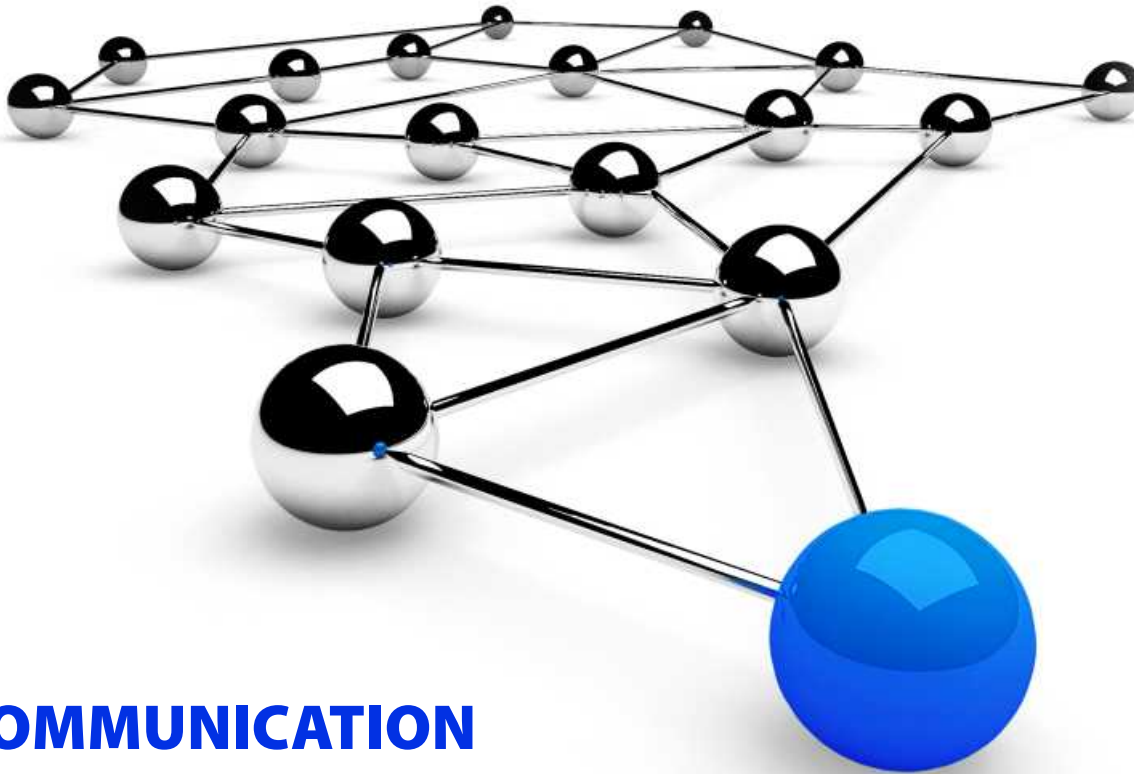


### New employees

The New employee information days are regularly organised at the company, to make it easier for the new employees to start their work at the company. This is an opportunity for employees to find out about the work of structural units, environmental, quality, work safety and fire safety issues, and also to visit the company's manufacturing units and laboratories.

**The company's implemented personnel policy has gained recognition not only among its employees, but also among other residents of Latvia. In 2014 “Grindeks” was among 20 best evaluated companies in a poll “Top Employer” where residents of Latvia took part, while in a manufacturing sector “Grindeks” was recognised as the 2nd most desired employer.**

**10**  
Personnel  
Policy



## COMMUNICATION POLICY

One of the driving forces for “Grindeks” growth is the obtained trust and credibility in the eyes of employees, partners, health professionals, shareholders and overall society, therefore a dialogue with the parties involved is always carried out acknowledging the strategic importance of the image and reputation of strictly regulated pharmaceutical industry. Internal and external “Grindeks” communication strategy is common in all countries where “Grindeks” is represented.

“Grindeks” public relations activities, marketing, social networks and digital communication, advertising, communication with media, design solutions and any other communication activities are performed in accordance with expressed stance of “Grindeks” Code of Ethics, which is based on Corporate social responsibility principles and good business practice.

The company also implements well-considered corporate communications in close dialogue with the different groups of society – for years cooperation projects with the Latvian Pensioners' Federation, the Latvian Association of Municipalities and other organisations are implemented. By acknowledging its co-responsibility in raising awareness of public health and related issues, “Grindeks” continues to inform and educate society about the important issues of these topics.



One of the most important aspects of “Grindeks” reputation is the Corporate social responsibility, which is carried out in following directions: Patient, Society, Employee, Quality and environmental Protection. The company has clearly defined scope of activities, evaluating the engagement or non-involvement in various projects, as well as the continuous follow-up of its own established guidelines. Several projects have become an integral part of the company’s traditions – “Golden Owl” and “Silver Owl” awards of “Grindeks” fund “For the development of science and education” are presented to scientists in cooperation with the Latvian Academy of Sciences since 1998. In 2014 “Golden Owl” and 2,000 euro monetary award for outstanding performance in science was given to scientist Maija Dombava, but “Silver Owls” and 550 euro monetary support awards were given to three young scientists.

As important as external communication for company is the communication with its employees. The staff obtains information about the news of the company through the internal web platform “Grindeks Life”, where information is published in Latvian and Russian. Employees bond and the team spirit is strengthened in various competitions and informal events, but the dialogue between the company’s management and employees is promoted by quarterly meetings, the annual regional meeting of representatives, videoconferences.

By integrating internal and external communication, in 2014, “Grindeks” employees joined in an autumn apple picking. The largest part of the apples picked was diverted to the patients of Children’s Clinical University Hospital, yet part of them were presented as Christmas gifts to “Grindeks” clients and cooperation partners, receiving very positive feedback.

The communication policy of the company each year is approvingly evaluated in Latvia. In 2014 “Grindeks” took the 10th place in the Latvian Corporate Reputation Top and was recognised as the company with the best reputation in industry of processing chemical substances.

“Grindeks” regularly evaluates efficiency of the implemented communication policy by conducting regular monitoring of publicity, web site traffic analysis and social account attendance, as well as evaluating the benefits and rewards at the completion of each project.