

Joint Stock Company “Grindeks”

*Separate and Consolidated financial statements,
prepared in accordance with International
Financial Reporting Standards
as adopted by the European Union
for the year 2015
and Independent Auditors' Report**

** This version of consolidated financial statements is a translation from the original, which was prepared in the Latvian language. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, the original language version of consolidated financial statements takes precedence over this translation.*

JSC “GRINDEKS”

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JSC "GRINDEKS"

ANCILLARY INFORMATION

Name	"GRINDEKS"
Legal status	Joint Stock Company, since 25 August 1997
Registration number, place and date of registration	40003034935, Riga, Republic of Latvia, 11 October 1991
Business activities	Production of pharmaceutical, medical and phyto-chemical medicines
NACE code	21 Production of pharmaceutical, medical and phyto-chemical medicines
Legal and postal address	53 Krustpils Street Riga, LV – 1057 Latvia
Subsidiaries	JSC "Tallinn Pharmaceutical Plant" (100 %) Tondi 33, 11316, Tallinn, Estonia JSC "Kalceks" (98.67%) 53 Krustpils str., Riga, LV - 1057, Latvia "Namu apsaimniekosanas projekti" Ltd. (100%) 53 Krustpils str., Riga, LV - 1057, Latvia "Grindeks Rus" Ltd. (100%) 74/3 Warsaw str., 117556, Moscow, Russia Since 1 September 2014 "HBM Pharma" Ltd. (100%) Sklabinska 30, 036 80, Martin, Slovakia
Reporting year	1 January 2015 – 31 December 2015
Previous reporting year	1 January 2014 – 31 December 2014 BDO Audit SIA 15-3B Kaļķu str., Riga, Latvia, LV - 1050, License No. 176 Gunta Darkevica Certified auditor Certificate No. 165

JSC "GRINDEKS"

THE BOARD AND THE SUPERVISORY COUNCIL

The Board of the Company

(in compliance with the election/dismissal dates)

From May 1, 2012 to July 3, 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 April 30, 2014.

From July 3, 2014 to October 13, 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
Sergejs Batalins	Board member	0.00

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

From October 13, 2014 ** to January 8, 2015:

<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 December 31, 2014

** Considering reelection of the Board member V.Rabsha.

From January 8, 2015** to October 12, 2015:

<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 June 4, 2015

** Considering reelection of Chairman of the Board J.Bundulis.

From October 12, 2015** to January 12, 2016:

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

* Latvian Central Depository data as of October 31, 2015

** Considering election of the Board member I. Muhtshi.

Since January 12, 2016** 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
Janis Romanovskis	Board member	0.00
Ibrahim Muhtshi	Board member	0.00

* Latvian Central Depository data as of October 31, 2015

** Considering election of the Board member J.Romanovskis.

• 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"*.

* The Term of office - 08.01.2018.

THE BOARD AND THE SUPERVISORY COUNCIL

• Janis Romanovskis - Member of the Board, Chief Finance and Administrative Officer
 Born in 1960. Graduated from Riga Secondary School No.1, Faculty of Economics of University of Latvia and Riga International School of Economics and Business Administration. Janis Romanovskis had also previously worked at „Grindeks” as the Chairman of the Board and Chief Finance and Administrative Officer. During his career Romanovskis has been the Chairman of the Board of pharmaceutical companies „Recipe plus” and „Sentor Farm aptiekas”, as well as the Finance Director of the IT company „Komercentrs DATI Grupa” and the Head of the Financial Management Unit of JSC „Dati”. *
 * *The Term of office - 11.01.2019.*

• Ibraim Muhtshi – Member of the Board, Commercial Director
 Born in 1956. Graduated from the University of Tartu in Estonia, obtaining a Doctor’s diploma in Anaesthesia and Intensive Care specialty. During a career I.Muhtshi had also worked as a medical practitioner, as well as he run the department of Anaesthesiology and Intensive Care at the Viru Central Hospital (Estonia). Previously, Muhtshi had also worked at JSC “Grindeks” as the Director of Sales. Before his appointment as Member of the Board of JSC “Grindeks” I.Muhtshi was the Chairman of the Board of a subsidiary of JSC “Grindeks” – JSC “Tallinn Pharmaceutical Plant”*.
 * *The Term of office - 11.10.2018.*

Supervisory Council of the Company

(in compliance with the election/dismissal dates)

From June 4, 2013 to June 12, 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
Arkadiy Vertkin	Member of the Supervisory Council	0.00

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

From June 12, 2014 to November 11, 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
Arkadiy Vertkin	Member of the Supervisory Council	0.00

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

Since November 11, 2014 to June 4, 2015:

<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	16.65
Uldis Osis	Member of the Supervisory Council	0.00
Janis Naglis	Member of the Supervisory Council	0.00
Arkadiy Vertkin	Member of the Supervisory Council	0.00

* *Latvian Central Depository data as of June 4, 2015*

Since June 4, 2015 to January 12, 2016:

<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	16.65
Uldis Osis	Member of the Supervisory Council	0.00
Janis Naglis	Member of the Supervisory Council	0.00
Arkadiy Vertkin	Member of the Supervisory Council	0.00

* *Latvian Central Depository data as of October 31, 2015*

JSC “GRINDEKS”

THE BOARD AND THE SUPERVISORY COUNCIL

Since January 12, 2016 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	16.65
Janis Naglis	Member of the Supervisory Council	0.00
Arkadiy Vertkin	Member of the Supervisory Council	0.00

* *Latvian Central Depository data as of October 31, 2015*

** *The term of Office of Supervisory Council members till 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 JSC “Grindeks” Foundation „For the Support of Science and Education”, the Chairman of the Council of JSC “Kalcēks” and JSC “Tallinn pharmaceutical plant”, also the Member of the Council of JSC “Liepājas Metalurģs”. 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” and member of the Council of JSC “Tallinn pharmaceutical plant”.

• **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 “Kembī” Ltd., a member of Board of “Baltijas taksometrs” 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.

MANAGEMENT REPORT

Business activity

During the reporting period the Group of "Grindeks" consists of JSC "Grindeks" and its subsidiaries: JSC "Tallinn Pharmaceutical Plant" in Estonia, JSC "Kalceks" in Latvia, "Namu Apsaimniekošanas projekti" Ltd. in Latvia, "Grindeks Rus" Ltd. in Russia and "HBM Pharma" Ltd. In 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 Group of "Grindeks" during the reporting period

Turnover of the Group in 2015 was 82.7 million euros and has decreased by 5.8 million euros or 6.6% in comparison to 2014. In 2015, the Group's net profit, attributable to shareholders of the parent company, was 1.0 million euro in comparison to a net loss of 2.5 million euros in 2014. Gross profit margin in 2015 was 44.3% while net profit margin was 1.3%. In 2015, the Group's production was exported to 70 countries worldwide, a total of 74.2 million euros which is 8.7 million euros or 10.5% less than in 2014.

In the end of the reporting period the amount of accounts receivable (debtors) was 58.5 million euros, which is by 10.6 million euros more than accounts payable (liabilities) that were 47.9 million euros. The amount of current assets in the end of reporting period was 79.0 million euros, which is by 44.0 million euros more than amount of current liabilities which was 35.0 million euros. "Grindeks" assesses the overall financial situation as stable.

Situation in the key markets

The complex situation in Russia and Ukraine is still the major factor affecting Group's performance indicators. The unstable economical situation in the CIS countries – Russia, Ukraine, Kazakhstan, Belarus, Kirgizia, Uzbekistan, Tadjikistan, Azerbaijan and Georgia – is characterized by substantial decreases of the value of national currencies, purchasing power decrease and reduced activity of business operations. Pharmaceutical companies, including "Grindeks" cooperation partners, reduce the volumes of import and optimize their warehouse stocks.

Sales of final dosage forms and active pharmaceutical ingredients

Sales volume of the final dosage forms of "Grindeks" in 2015 was 74.7 million euros and has decreased by 4.3 million euros or 5.4% in comparison to 2014. In 2015, the sales amount in Russia, other CIS countries and Georgia reached 41.3 million euros, which is by 19.2 million euros or 31.8% less than in 2014. In comparison to the previous year the biggest increase in sales volumes has been reached in Georgia (25%) and Turkmenistan (37%).

Due to the business diversification strategy and the development of Company's activities in new markets, the sales volume in the Baltic States and other countries reached 33.4 million euros which is by 14.9 million euros or 1.8 times more than in 2014. The sales volume in the Netherlands comparing with 2014 has increased by 14.1 times, in Norway – 3.3 times, while in Vietnam – 2.2 times and in Poland 1.8 times. In 2015, "Grindeks" started the export of the final dosage forms to France where the sales volume reached 0.5 million euros, and Canada where the sales reached 0.3 million euros. In 2015, the sales volume in Latvia reached 6.6 million euros and has increased by 1.9 million euros or 41.6% in comparison with the previous year.

In 2015, "Grindeks" complemented its range of products and introduced the final dosage form (capsule) of UDCA (Ursodeoxycholic acid) and started its export to Russia and Georgia. Thereby "Grindeks" widened its offer in the gastrointestinal tract and metabolism drug therapeutic group. "Grindeks" has also widened its range of food supplements and introduced two new products – the latest generation lactic acid bacteria and bifidobacteria complex Lactobex® Strong and Herbastress® night. Both products are distributed in the Baltics.

In 2015, sales of the active pharmaceutical ingredients reached 7.2 million euros, which is by 1.8 million euros or 20.3% less than in 2014. The main markets of "Grindeks" active pharmaceutical ingredients are the EU countries, U.S., Canada and Japan. The most required active pharmaceutical ingredients of "Grindeks" in 2015 were oxytocin, zopiclone, fitorafur (tegafur), detomidine and xylazine.

Investment program

In 2015, "Grindeks" invested 3.8 million euros and successfully continued its most important research and development projects. In cooperation with Latvian scientists the project of inhibitor of cardioprotective agent – GBB hydroxyls with an original structure – chemical and preclinical pharmacological efficiency studies, which is an important step in creating a new medical product, was successfully finished. 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.

Quality and environmental protection

In 2015, the inspection of the State Agency of Medicines of Latvia was successfully held and certificates approving accordance to "Good Manufacturing Practice" standards of manufacturing, quality control and providing of final dosage form for human use, including ointments and investigational medicinal products as well as secondary packaging of pharmaceuticals were received.

Various audits by the clients and cooperation partners were also successfully held – "Dechra" (Netherlands), "Ever Pharma" (Germany), "Bayer Healthcare" (Germany), "Telstar" (Portugal), "Hospira" (Germany), "Andenex"

MANAGEMENT REPORT

(Germany), “Chanelle Medical” (Ireland), “Apotex” (Australia), “Ecopharm” (Bulgaria), “PolyPeptide / SHP” (Denmark) and “Orifarm” (Denmark).

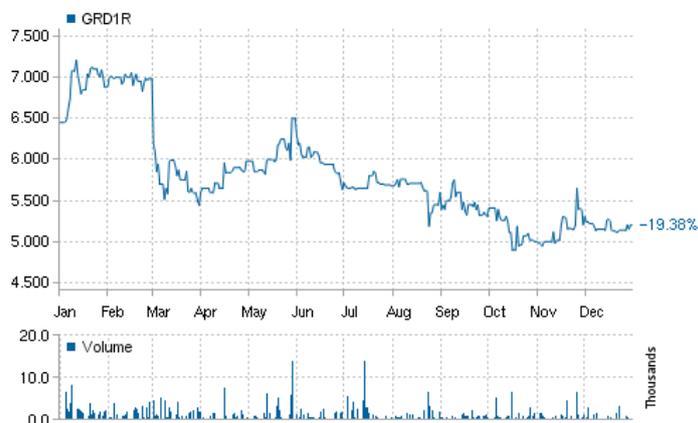
In 2015, specialists from “Grindeks” audited 45 active pharmaceutical ingredients manufacturers, raw material suppliers, wholesalers and contractual partners in Latvia (9) and abroad (36) – Estonia, Lithuania, Belgium, Germany, Slovakia, Ireland, Israel, China, India, Spain, Italy and Singapore. In 2015, recertification audit approving conformity to ISO 9001:2001 and ISO 14001:2001 standards, as well as supervisory audit in compliance with OHSAS 18001:2007 requirements were held.

For the first time the “Grindeks” Energy management system was audited and it received the certification approving the adequacy to the requirements of LVS EN ISO 50001:2012 standard.

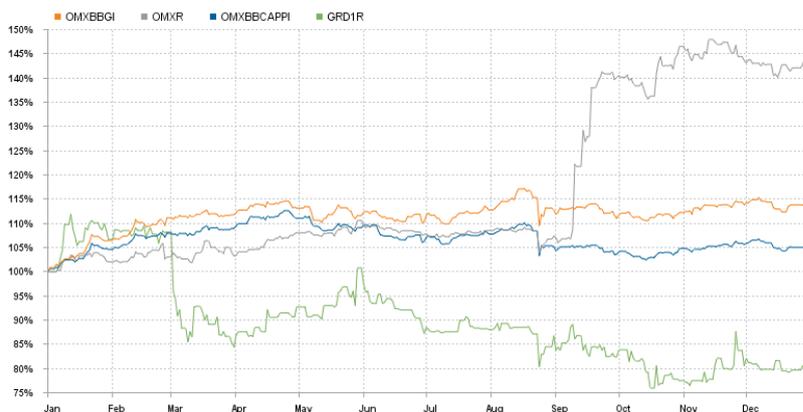
“Grindeks” share price development in 2015 (data of “NASDAQ Riga”)

Since 2 January 2006 shares of “Grindeks” are listed in the official list of “NASDAQ Riga”. JSC “Grindeks” share price on “NASDAQ Riga” in 2015 ranged from 4.9 to 7.23 euros. In 2015, the average price of JSC “Grindeks” shares on “NASDAQ Riga” was 5.38 euros. The total amount of “NASDAQ Riga” traded shares in 2015 was 324 554 shares, reaching 1.93 million euros turnover. At the end of 2015, market capitalization of “Grindeks” shares was 49.84 million euros.

In 2015, the Group’s earnings per share (EPS factor) were 0.10 euros in comparison to losses per share (LPS factor) of 0.27 euros in 2014.



“Grindeks” share price development in 2015 in comparison with Baltic market indexes (data of NASDAQ Riga)



Index/Equity	01.01.2015	31.12.2015	+/- %
—OMX Baltic Benchmark GI	566.56	648.32	14.43
—OMX Riga	408.03	594.35	45.66
—OMX Baltic Benchmark Cap PI	322.29	340.20	5.56
—GRD1R	6.450 EUR	5.200 EUR	-19.38

MANAGEMENT REPORT

Future expectations

In 2016, “Grindeks” will continue to put emphasis on the new markets, thereby diversifying its activities and reducing risks. Company’s experience in organizing business in 70 countries worldwide and strategy developed so far has already significantly promoted increase in sales volume in the Netherlands, Norway, Vietnam, Poland, France and Canada. Gradually, it is expected that also in the other new markets “Grindeks” will reach increasingly higher sales results. The Company’s strategic target markets in 2016 will be the European Union and Southeast Asia countries. It is planned that in these countries the sales volume in comparison with previous year will increase by more than 30%. In 2016, the sales of final dosage forms is about to be started in Australia, Belgium and Nigeria. Despite the diversification of the Company’s activities, one of the most influential business risks is the complex situation in Russia and Ukraine. Decreases of the value of national currencies and devaluation in the CIS countries are factors that negatively affect Company’s performance indicators.

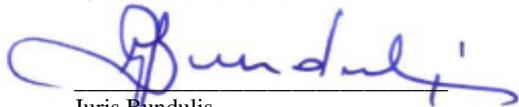
In 2016, “Grindeks” will continue to widen its product range. Currently, under development in different stages are 14 generics, starting from the chemical synthesis of active pharmaceutical ingredient to the clinical trials. In 2016, for 7 of these drugs the registration procedure is about to be started. The final dosage form of UDCA (Ursodeoxycholic acid) is now being registered in 9 EU countries. Simultaneously with the registration of the new products in the historical “Grindeks” markets – Russia, other CIS countries and few particular EU countries – a number of registration procedures have been started in South Asia, Oceania and Persian Gulf countries where “Grindeks” registers its existing products.

In 2016, “Grindeks” will continue its successfully initiated cooperation with the World Health Organisation on oxytocin supplies. It is also expected that the cooperation would extend by starting the supplies of other medicines as well.

“Grindeks” will continue optimization of the current assets and cost reduction in positions which are not related to the strategic Company’s development projects.

JSC “Grindeks” audited consolidated financial statement of the year 2015 is submitted to JSC “NASDAQ Riga” together with Corporate Governance Report of the year 2015.

On behalf of the Board:



Juris Bundulis
Chairman of the Board

29 April, 2016

JSC "GRINDEKS"

STATEMENT OF MANAGEMENT RESPONSIBILITIES

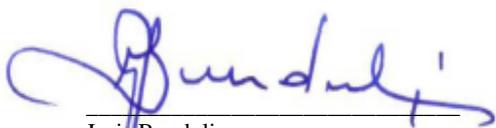
The Board of JSC "Grindeks" (hereinafter - the Company) is bearing the responsibility for preparation of the consolidated financial statements of the Company and its subsidiaries (hereinafter - the Group).

The consolidated financial statements, enclosed from the page 11 to the page 39, are prepared in accordance with the accounting records and source documents, presenting fairly the financial position of the Group as at 31 December 2015 and the results of its operations and cash flows for the period of twelve months ended 31 December 2015.

Above mentioned consolidated financial statements are prepared in accordance with the International Financial Reporting Standards, based on going concern principle. Appropriate accounting policies have been applied on a consistent basis. The management in preparation of the consolidated 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, Estonia and Slovakia).

On behalf of the Board:



Juris Bundulis
Chairman of the Board

29 April, 2016

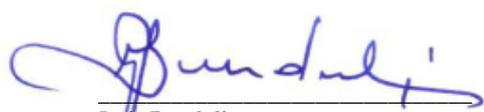
JSC "GRINDEKS"

STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2015

ASSETS	Notes	Group 31.12.2015 EUR	Group 31.12.2014 EUR	Company 31.12.2015 EUR	Company 31.12.2014 EUR
Non-current assets					
Intangible assets					
Software, patents, licences, trademarks and other rights		713,239	914,141	505,960	638,126
Advance payments for intangible assets		110,293	86,297	67,000	83,267
Total intangible assets	2	823,532	1,000,438	572,960	721,393
Goodwill	5	5,044,761	5,044,761	-	-
Tangible fixed assets					
Land, buildings and constructions		32,874,958	34,273,191	23,730,250	24,837,613
Equipment and machinery		23,879,749	24,663,091	17,663,120	19,106,301
Other fixed assets		991,203	1,148,942	791,677	913,830
Construction in progress		2,943,613	2,414,694	-	-
Advance payments for fixed assets		320,381	811,597	73,840	441,997
Total tangible fixed assets	3	61,009,904	63,311,515	42,258,887	45,299,741
Investment property	4	9,080,000	9,080,000	-	-
Non-current financial investments					
Investment in subsidiaries	5	-	-	22,558,256	22,543,256
Other investments		98,450	98,450	98,450	98,450
Other loans		2,200,000	2,278,643	-	-
Loans to related parties	21	-	-	5,180,787	2,860,000
Total long term financial investments		2,298,450	2,377,093	27,837,493	25,501,706
Total non-current financial assets		78,256,647	80,813,807	70,669,340	71,522,840
Current assets					
Inventories					
Raw materials		6,172,459	5,538,833	2,874,495	2,210,321
Unfinished goods		8,680,150	7,975,781	7,876,968	6,926,687
Finished goods and goods for resale		4,926,133	5,467,566	4,854,334	5,036,406
Total inventory		19,778,742	18,982,180	15,605,797	14,173,414
Debtors					
Trade receivables	6	43,490,082	43,025,695	32,818,750	29,837,908
Due from related parties	21	-	-	8,389,734	10,644,414
Other debtors	7	3,796,190	5,632,458	1,399,146	3,512,210
Loans provided to the Company's/the Group's management and shareholders	21	2,640,282	2,597,483	2,640,282	2,597,483
Other loans		1,542,568	1,500,000	-	-
Deferred expenses		7,064,554	5,263,756	6,666,895	5,229,837
Total debtors		58,533,676	58,019,392	51,914,807	51,821,852
Cash and cash equivalents	8	724,498	2,191,088	620,619	1,638,638
Total current assets		79,036,916	79,192,660	68,141,223	67,633,904
TOTAL ASSETS		157,293,563	160,006,467	138,810,563	139,156,744

The accompanying notes on pages 16 to 39 are an integral part of these financial statements.

The financial statements were signed on 29 April 2016 by:


 Juris Bundulis
 Chairman of the Board

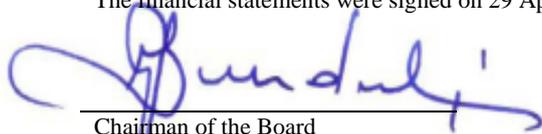
JSC "GRINDEKS"

STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2015

	Notes	Group 31.12.2015 EUR	Group 31.12.2014 EUR	Company 31.12.2015 EUR	Company 31.12.2014 EUR
EQUITY AND LIABILITIES					
EQUITY					
Share capital	9	13,419,000	13,638,226	13,419,000	13,638,226
Share premium		22,321,657	22,321,657	22,321,657	22,321,657
Other reserves		880,726	661,500	880,726	661,500
Foreign currency revaluation reserve		(115,195)	(60,463)	-	-
Retained profit					
a) retained profit		71,733,420	74,273,591	65,899,075	69,267,397
b) current year (loss)/ profit		1,036,734	(2,540,171)	(806,901)	(3,368,322)
Equity attributable to equity holders of the					
Parent entity		109,276,342	108,294,340	101,713,557	102,520,458
Non-controlling interest		103,269	92,998	-	-
Total equity		109,379,611	108,387,338	101,713,557	102,520,458
LIABILITIES					
Non-current liabilities					
Loans from credit institutions	10	2,334,016	2,711,715	-	389,799
Finance lease liabilities	11	174,990	118,491	-	-
Deferred income tax liabilities	19 (c)	5,203,490	5,269,792	3,148,483	3,317,235
Deferred income		5,193,123	4,522,593	4,359,253	4,058,697
Total non-current liabilities		12,905,619	12,622,591	7,507,736	7,765,731
Current liabilities					
Loans from credit institutions	10	20,100,466	12,906,312	17,635,352	9,989,586
Finance lease liabilities	11	101,157	93,837	-	-
Advances from customers		1,908,891	421,914	1,908,891	421,914
Trade accounts payable		5,746,624	10,474,159	6,701,509	5,627,049
Taxes and social security contributions	13 (b)	1,111,185	1,093,919	507,932	437,842
Other payables		5,059,003	3,651,632	2,197,960	2,215,064
Accrued liabilities		477,407	276,763	134,027	134,027
Deferred income		503,599	1,078,002	503,599	1,045,073
Prior period's unpaid dividends		-	9,000,000	-	9,000,000
Total current liabilities		35,008,333	38,996,538	29,589,270	28,870,555
Total liabilities		47,913,952	51,619,129	36,097,006	36,636,286
TOTAL EQUITY AND LIABILITIES		157,293,563	160,006,467	138,810,563	139,156,744

The accompanying notes on pages 16 to 39 are an integral part of these financial statements.

The financial statements were signed on 29 April 2016 by:


 Chairman of the Board
 Juris Bundulis

JSC "GRINDEKS"

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR 2015

	Notes	Group 2015 EUR	Group 2014 EUR	Company 2015 EUR	Company 2014 EUR
Net sales	15	82,662,311	88,487,515	57,965,181	67,888,037
Cost of goods sold	16	(46,081,900)	(40,461,842)	(37,598,370)	(38,482,256)
Gross profit		36,580,411	48,025,673	20,366,811	29,405,781
Selling expenses	17	(18,927,140)	(23,307,179)	(15,024,695)	(18,787,850)
Administrative expenses	18	(11,702,680)	(12,084,293)	(5,558,059)	(8,060,950)
Other operating income		8,809,025	2,961,669	5,432,417	1,945,706
Other operating expenses	18	(12,797,947)	(17,255,921)	(6,218,474)	(7,577,595)
Interest income and similar income		200,986	164,655	357,737	224,908
Interest expenses and similar expenses		(445,354)	(299,901)	(277,235)	(234,955)
Real estate tax		(274,747)	(105,899)	(54,155)	(54,895)
(Loss)/ profit before taxation		1,442,554	(1,901,196)	(975,653)	(3,139,850)
Corporate income tax	19 (a)	(395,549)	(634,998)	168,752	(228,472)
NET (LOSS)/ PROFIT FOR THE YEAR		1,047,005	(2,536,194)	(806,901)	(3,368,322)
Other comprehensive (loss)/ income					
Foreign currency revaluation		(54,732)	(8,554)	-	-
Total other comprehensive (loss)		(54,732)	(8,554)	-	-
Total comprehensive (loss)/ income		992,273	(2,544,748)	(806,901)	(3,368,322)
Attributable to:					
Equity holders of the parent		1,036,734	(2,540,171)	(806,901)	(3,368,322)
Non-controlling interest		10,271	3,977	-	-
TOTAL		1,047,005	(2,536,194)	(806,901)	(3,368,322)
Comprehensive (loss)/ income attributable to:					
Equity holders of the Parent entity		982,000	(2,548,725)	(806,901)	(3,368,322)
Non-controlling interest		10,271	3,977	-	-
TOTAL		992,273	(2,544,748)	(806,901)	(3,368,322)
Earnings per share attributable to the equity holders of the Parent entity (EUR per share)					
- Earnings per share	20	0,10	(0.27)	(0.08)	(0.35)

The accompanying notes on pages 16 to 39 are an integral part of these financial statements.

The financial statements were signed on 29 April 2016 by:


 Chairman of the Board
 Juris Bundulis

JSC "GRINDEKS"

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR 2015

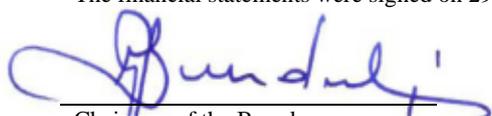
Group	Share capital	Share premium	Other reserves	Foreign currency re-valuation reserve	Retained profit	Equity attributable to equity holders of the parent	Non-controlling interest	Total
	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR
31.12.2013.	13,638,226	22,321,657	661,500	(51,909)	83,273,591	119,843,065	89,021	119,932,086
Dividends	-	-	-	-	(9,000,000)	(9,000,000)	-	(9,000,000)
Foreign currency re-valuation	-	-	-	(8,554)	-	(8,554)	-	(8,554)
Profit for the year	-	-	-	-	(2,540,171)	(2,540,171)	3,977	(2,536,194)
31.12.2014.	13,638,226	22,321,657	661,500	(60,463)	71,733,420	108,294,340	92,998	108,387,338
Foreign currency re-valuation	-	-	-	(54,732)	-	(54,732)	-	(54,732)
Denomination reserve	(219,226)	-	219,226	-	-	-	-	-
Profit for the year	-	-	-	-	1,036,734	1,036,734	10,271	1,047,005
31.12.2015.	13,419,000	22,321,657	880,726	(115,195)	72,770,154	109,276,342	103,269	109,379,611

Company

	Share capital	Share premium	Other reserves	Retained profit	Total
	EUR	EUR	EUR	EUR	EUR
31.12.2013.	13,638,226	22,321,657	661,500	78,267,397	114,888,780
Dividends	-	-	-	(9,000,000)	(9,000,000)
Profit for the year	-	-	-	(3,368,322)	(3,368,322)
31.12.2014.	13,638,226	22,321,657	661,500	65,899,075	102,520,458
Denomination reserve	(219,226)	-	219,226	-	-
Loss for the year	-	-	-	(806,901)	(806,901)
31.12.2015.	13,419,000	22,321,657	880,726	65,092,174	101,713,557

The accompanying notes on pages 16 to 39 are an integral part of these financial statements.

The financial statements were signed on 29 April 2016 by:


 Chairman of the Board
 Juris Bundulis

JSC "GRINDEKS"

STATEMENT OF CASH FLOWS FOR THE YEAR 2015

	Notes	Group 2015 EUR	Group 2014 EUR	Company 2015 EUR	Company 2014 EUR
OPERATING ACTIVITIES					
Net (loss)/ profit before taxation		1,442,554	(1,901,196)	(975,653)	(3,139,850)
<i>Adjustments to reconcile net profit to net cash provided by operating activities:</i>					
Depreciation and amortization	2;3	5,897,562	5,177,710	4,431,902	4,536,708
(Gain) / loss on disposal of fixed assets and intangible assets		(104,601)	(26,559)	(42,175)	(26,559)
Revenue from the EU funds		(859,499)	(756,484)	(859,499)	(756,484)
Interest expense		659,042	299,901	277,235	234,955
Interest income		(295,870)	(164,655)	(249,500)	(224,908)
<i>Changes in operating assets and liabilities:</i>					
Inventory		(796,562)	(7,014,645)	(1,432,383)	(2,877,464)
Debtors	6;7	(471,716)	503,227	(92,955)	4,542,022
Creditors		(3,965,089)	11,215,882	(2,581,245)	3,262,096
Gross cash provided by operating activities		1,505,821	7,333,181	(1,470,119)	5,550,516
Corporate income tax paid		1,758,382	(1,527,517)	1,857,401	(1,527,517)
Net cash provided by operating activities		3,264,203	5,805,664	387,282	4,022,999
INVESTING ACTIVITIES					
Purchase of fixed assets and intangible assets	2;3	(3,612,998)	(3,654,919)	(1,244,624)	(3,103,904)
Proceeds from sale of fixed assets	3	-	550	-	-
Purchase of long term financial investments		(141,829)	(116,684)	(75,150)	(116,684)
Other loans		(42,568)	(1,500,000)	-	-
Net cash used in investing activities		(3,797,395)	(5,271,053)	(3,220,588)	(3,220,588)
FINANCING ACTIVITIES					
Received loans from credit institutions	10	10,206,727	1,785,006	10,206,727	351,723
Repaid loans to credit institutions and leasing payments	10	(1,932,062)	(3,425,558)	(1,289,800)	(2,403,890)
EU financing received		274,781	-	274,781	-
Repaid dividends		(9,000,000)	-	(9,000,000)	-
Interest paid		(482,844)	(299,901)	(277,235)	(234,955)
Net cash (used in) /provided by financing activities		(933,398)	(1,940,453)	(85,527)	(2,287,122)
Net increase in cash and cash equivalents from acquisition of subsidiary		-	20,906	-	-
Net (decrease)/ increase in cash and cash equivalents		(1,466,590)	(1,384,936)	(1,018,019)	(1,484,711)
Cash and cash equivalents at the beginning of the year		2,191,088	3,576,024	1,628,638	3,123,349
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR		724,498	2,191,088	620,619	1,638,638

The accompanying notes on pages 16 to 39 are an integral part of these financial statements.

The financial statements were signed on 29 April 2016 by:


 Chairman of the Board
 Juris Bundulis

1. GENERAL INFORMATION

Joint stock Company “Grindeks” (“the Company”) was incorporated in the Republic of Latvia on 11 October, 1991. The Company’s main activity is production of pharmaceutical, medical and phytochemical medicine.

The accompanying financial statements are presented in the currency of the European Union, the Euro (hereinafter – EUR), which is the Company’s functional and presentation currency.

Accounting principles

Statement of Compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (the EU) and their interpretations. The standards are issued by the International Accounting Standards Board (IASB) and their interpretations by the International Financial Reporting Interpretations Committee (IFRIC).

Basis of preparation

The financial statements are prepared on the historical cost basis of accounting as modified by re-measurement to the fair value of financial assets and financial liabilities which are held at fair value through profit or loss and fair value of investment property.

IFRS as adopted by the EU do not currently differ from IFRS as issued by the International Accounting Standards Board (IASB) and currently effective for the purpose of these financial statements.

Standards and Interpretations effective in the current period

The following new and/or amended International Financial Reporting Standards or interpretations published or revised during the reporting year, which became effective for the reporting period started from 1st of January 2015:

Annual Improvements to IFRSs 2011 – 2013 Cycle is a collection of amendments to the following IFRSs

- IFRS 3 Business Combinations: This improvement clarifies that IFRS 3 excludes from its scope the accounting for the formation of a joint arrangement in the financial statements of the joint arrangement itself.
- IFRS 13 Fair value Measurement: This improvement clarifies that the scope of the portfolio exception defined in paragraph 52 of IFRS 13 includes all contracts accounted for within the scope of IAS 39 Financial Instruments: Recognition and Measurement or IFRS 9 Financial Instruments, regardless of whether they meet the definition of financial assets or financial liabilities as defined in IAS 32 Financial Instruments: Presentation.
- IAS 40 Investment property: This improvement clarifies that determining whether a specific transaction meets the definition of both a business combination as defined in IFRS 3 Business Combinations and investment property as defined in IAS 40 Investment Property requires the separate application of both standards independently of each other.

The adoption of these amendments to the existing standards and interpretations has not led to any changes in the Group’s accounting policies.

Standards and Interpretations issued, but not yet effective

The Group has not applied the following amendments to IAS, IFRS and its amendments that have been issued as of the date of authorisation of these financial statements for issue, but which will become effective for the reporting periods started from 1st of January 2016 or later.

- Amendments to IAS 1 Presentation of financial statements: Disclosure Initiative (effective for financial years beginning on or after 1st of January 2016). The amendments to IAS 1 further encourage companies to apply professional judgment in determining what information to disclose and how to structure it in their financial statements.
- Amendments to IAS 7 Statement of Cash Flows: Disclosure Initiative (effective for financial years beginning on or after 1st of January 2017, once endorsed by the EU). The amendments improve information provided to users of financial statements about an entity’s financing activities. Entities are required to disclose changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes, for example, by providing reconciliation between the opening and closing balances in the statement of financial position for liabilities arising from financing activities.
- Amendments to IAS 12 Income Taxes: Recognition of Deferred Tax Assets for Unrealized Losses (effective for financial years beginning on or after 1st of January 2017, once endorsed by the EU). The amendments clarify how to account for deferred tax assets for unrealized losses on debt instruments measured at fair value.

- Amendments to IAS 16 Property, Plant & Equipment and IAS 38 Intangible assets: Clarification of Acceptable Methods of Depreciation and Amortization (effective for financial years beginning on or after 1st of January 2016). The amendment provides additional guidance on how the depreciation or amortisation of property, plant and equipment and intangible assets should be calculated. It is clarified that a revenue-based method is not considered to be an appropriate manifestation of consumption.
- IFRS 9 “Financial Instruments” (effective for financial years beginning on or after 1st of January 2018, once endorsed by the EU). IFRS 9 replaces IAS 39 and introduces new requirements for classification and measurement, impairment and hedge accounting.
- Amendments to IFRS 10 and IAS 28 – “Sale or Contribution of Assets between an Investor and its Associate or Joint Venture” (endorsement deferred indefinitely). The amendments address an acknowledged inconsistency between the requirements in IFRS 10 and those in IAS 28, in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The main consequence of the amendments is that a full gain or loss is recognised when a transaction involves a business and partial gain or loss is recognised when a transaction involves assets that do not constitute a business.
- IFRS 15 “Revenue from Contracts with Customers” (effective for financial years beginning on or after 1st of January 2018, once endorsed by the EU). IFRS 15 establishes a five-step model that will apply to revenue earned from a contract with a customer, regardless of the type of revenue transaction or the industry. Extensive disclosures will be required, including disaggregation of total revenue; information about performance obligations; changes in contract asset and liability account balances between periods and key judgments and estimates.
- IFRS 16 “Leases” (effective for financial years beginning on or after 1st of January 2019, once endorsed by the EU). IFRS 16 replaces IAS 17 and specifies how to recognise, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessor accounting is substantially unchanged.
- Amendments to IFRS 10, IFRS 12 and IAS 27 – “Investment Entities: Applying the consolidation exception” (effective for financial years beginning on or after 1st of January 2016, once endorsed by the EU). The amendments address issues that have arisen in the context of applying the consolidation exception for investment entities.

The Group has decided not to adopt these standards, revisions and interpretations in advance of their effective dates. The Group anticipates that the adoption of all other standards revisions and interpretations will have no material impact on the financial statements of the Group in the period of initial application.

Improvements to IFRSs

- In December 2013 IASB (International Accounting Standards Board) issued the Annual Improvements to IFRSs 2010 – 2012 Cycle (effective for financial years beginning on or after 1st of February 2015): IFRS 2 Share-based Payment; IFRS 3 Business Combinations; IFRS 8 Operating Segments; IFRS 13 Fair value Measurement; IAS 16 Property, Plant and Equipment; IAS 24 Related Party Disclosures; IAS 38 Intangible Assets.
- In September 2014 IASB issued the Annual Improvements to IFRSs 2012 – 2014 Cycle (effective for financial years beginning on or after 1st of January 2016): IFRS 5 Non-current Assets Held for Sale and Discontinued Operation; IFRS 7 Financial Instruments: Disclosures; IAS 19 Employee Benefits and IAS 34 Interim Financial Reporting.

The adoption of these amendments may result in changes to accounting policies or disclosures but will not have any impact on the financial position or performance of the Group.

Basis of Consolidation

The consolidated financial statements incorporate the accounting information of JSC “Grindeks”, JSC “Tallinn Pharmaceutical Plant”, JSC “Kalceks”, “Namu apsaimniekosanas projekti” Ltd., “Grindeks Rus” Ltd and “HBM Pharma” Ltd. Control is achieved where the Company has the power to govern the financial and operating policies of an investee enterprise so as to obtain benefits from its activities.

On acquisition, the assets and liabilities of the relevant subsidiaries are measured at their fair values at the date of acquisition. The interest of non-controlling shareholders is stated at the minority’s proportion of the fair values of the assets and liabilities recognized. All significant inter-company transactions and statements of financial positions between the Group enterprises are eliminated on consolidation.

On consolidation, the assets and liabilities of the Group’s foreign operations are translated at the exchange rates of European Central Bank prevailing on the statements of financial position date. Income and expenses are translated at the average exchange rate for the reporting year. Exchange differences arising on the translation, if any, are recognized in other comprehensive income and accumulated in equity (attributed to non-controlling interests as appropriate).

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR 2015

On acquisition, the assets and liabilities of the relevant subsidiaries are measured at their fair values at the date of acquisition. Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interest of the acquiree, and the fair value of the acquirer’s previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business less accumulated impairment losses, if any. Impairment test is processed annually. Impairment loss, if any, is recognized in the statement of comprehensive income.

Foreign currencies

In preparing the consolidated financial statements of each individual group entity, transactions in currencies other than the entity’s functional currencies (foreign currencies) are recognized at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date.

For the translation of monetary assets and liabilities from the Group’s major currencies to the EUR, were used the following exchange rates as at 31 December 2015:

	2015	2014
USD	1.0887	1.2141
RUB	80,6736	72.337

Gains and losses on translation are credited or charged to the Statements of comprehensive income at the European Central Bank official exchange rate as at the statements of financial position date and are included in the Statement of comprehensive income statement in position “Other operating expense / income”.

Intangible assets

Intangible assets are initially recognized at cost and are amortized using the straight-line method over a five-year period.

Tangible fixed assets

Tangible fixed assets are stated at historical cost less accumulated depreciation and impairment loss, if any. The cost of an item comprises its purchase price, including import duties and any directly attributable costs of bringing the asset to working condition for intended use. The cost of self-constructed assets is determined using the same principles as for an acquired asset.

Depreciation is calculated on all fixed assets based on historical cost. Depreciation of tangible assets is computed using the straight-line method over the estimated average useful lives:

Buildings and constructions	8 – 25 years
Machinery and equipment	5 – 12 years
Other fixed assets	3 – 10 years

Major repairs and replacements meeting asset recognition criteria are capitalized to the related asset value, for example capital expenditures such as refurbishment of buildings and improvements to structural elements. Repair and maintenance costs (other than major repairs and replacements meeting asset recognition criteria) are expensed when incurred.

Impairment assets

The Group reviews confirm that assets are not impaired and amount of assets are not less than a fair value. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate recoverable amount of an individual asset, the Group estimates the value of cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs of sale and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognized immediately in profit or loss.

In the case when an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in the statement of comprehensive income.

Investment property

Investment property, which is property held to earn rentals and/or for capital appreciation, is stated at its fair value at the statements of financial position date. In case the fair value cannot be reliably determined, the investment property is valued at cost less accumulated depreciation.

Investments in subsidiaries

Investments in subsidiaries in the Company’s financial statements are recognized at cost less impairment losses. If the recoverable amount of an investment is lower than its carrying amount, due to circumstances not considered to be temporary, the investment value is written down to its recoverable amount.

Inventories

Inventories are stated at the lower of cost and net realizable value. The cost of materials is allocated using the weighted average method. The cost of work in progress and finished goods includes direct manufacturing costs - cost of materials and direct labor costs, costs of conversion and other manufacturing costs incurred in bringing the inventories to their present location and condition - energy, ancillary materials, equipment and maintenance costs, depreciation and general manufacturing costs – service costs related to manufacturing.

Financial assets

Financial assets are classified into the following specified categories: financial assets ‘at fair value through profit or loss’, ‘held-to-maturity’ investments, ‘available for sale’ financial assets and ‘loans and receivables’. This classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables (including trade and other receivables, bank balances and cash and other similar items) are measured at amortized cost using the effective interest method, less any impairment.

Impairment of financial assets

The Group assesses, at each balance sheet date, whether there is objective evidence that a financial asset is impaired.

The Group assesses all financial assets on an individual basis. If there is objective evidence that an impairment loss on loans and receivables carried at amortized cost has been incurred, the amount of the loss is measured as the difference between the asset’s carrying amount and estimated present value of future cash flows.

Financial liabilities

Financial liabilities, represented by borrowings, trade and other payables are subsequently measured at amortized cost using the effective interest method.

The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability.

Cash and cash equivalents

Cash and cash equivalents include cash on hand and demand deposits with credit institutions with initial term which does not exceed 90 days at inception.

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessee

Assets held under finance leases are initially recognized as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statements of financial position as a finance lease obligation.

Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly to profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalized in accordance with the Group’s general policy on borrowing costs.

Operating lease payments are recognized as an expense on a straight-line basis over the lease term.

Accrual for vacations

Accruals for vacations are calculated by multiplying the average employee salary by the number of unused vacation days at the end of the year, adding related social tax costs.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR 2015

Revenue and expense recognition

Revenues and expenses are recognized on an accrual basis. Revenues are recognized when goods are delivered and ownership is passed to customers. Revenues are shown net of certain discounts and sale related taxes (there are certain discounts that are presented in other operating expenses).

Interest income is recognized on the effective interest rate basis. The effective interest rate method is a method of calculating the amortized cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period.

Expenses are recognized when incurred. All research and development costs are expensed in the statement of comprehensive income, presented in the item "Cost of goods sold".

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

All other borrowing costs are recognized in profit or loss in the period in which they are incurred.

Corporate income tax

Corporate income tax is assessed based on the taxable income for the period in accordance with Latvian tax legislation applying the rate of 15%.

In accordance with Estonian legislation JSC "Tallinn Pharmaceutical Plant" does not have to pay income tax from profit but have to pay tax from paid dividends.

According to Russian legislation the earned profit of "Grindeks Rus" Ltd. is subject to income tax at rate of 24%.

According to Slovakian legislation the earned profit of "HBM Pharma" Ltd. is subject to income tax at rate of 22%.

Deferred income tax

Deferred taxation is provided on all temporary timing differences arising between the accounting and taxation treatment of income and expenses. The deferred taxation liability is calculated based on the tax rates that are expected to apply when temporary differences reverse. The principal temporary differences arise from the differing depreciation rates of fixed assets for accounting and taxation, accrued liabilities, provisions and accumulated losses of taxation. Where an overall deferred taxation asset arises, this is only recognized in the financial statements where its recoverability is foreseen with reasonable certainty.

Provisions

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Government grants

Government grants are not recognized until there is reasonable assurance that the Group will comply with the conditions attached to them and that the grants will be received.

Government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognized as deferred income in the statements of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Other government grants are recognized as income over the periods necessary to match them with the costs for which they are intended to compensate, on a systematic basis. Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognized in profit or loss in the period in which they become receivable.

Use of estimates

The preparation of financial statements requires management to make estimates and assumptions. These estimates and assumptions affect the reported amounts of assets, liabilities and off statements of financial position items, as well as reported revenues and expenses. Actual results could differ from those estimates.

Critical accounting judgments and uncertainties

The following are the critical judgments and key assumptions concerning the future, and other key sources of estimation uncertainty at the statements of financial position date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year:

- the Group reviews the estimated useful lives of property, plant and equipment;
- the Group reviews non-current assets and assesses whenever events or changes in circumstances indicate that the carrying amount may not be recoverable;
- the Group estimates fair value of investment property;
- the Group considers judgments in connection with classifying non-current assets to tangible assets or investment properties;
- the Group considers recoverability of receivables on each balance sheet date.

Segment information

Reportable segments are operating segments or aggregations of operating segments that meet specified criteria. Operating segments are components of an entity about which separate financial information is available that is evaluated regularly by the chief operating decision maker in deciding how to allocate resources and in assessing performance.

Related parties

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions. Related parties are defined as shareholders, high level management, members of the management board and the supervisory council, their close relatives and companies that directly or indirectly through one or more intermediaries, control, or are controlled by, or are under common control with, the reporting entity. See Note 21.

Fair value

Fair value represents the amount at which an asset could be exchanged or liability settled on an arm's length basis. Where in the opinion of the management, the fair values of financial assets and liabilities differ materially from their book values, such fair values are disclosed in the notes to the financial statements.

2. INTANGIBLE ASSETS – THE GROUP

	Patents, licences, trademarks and other rights EUR	Computer software EUR	Advance payments for intangible assets EUR	Total EUR
<i>Historical cost</i>				
As at 31 December 2014	2,265,590	4,206,981	86,297	6,558,868
Additions	-	75,745	97,387	173,132
Transfers	23,267	47,094	(70,361)	-
Disposals	-	2,947	(3,030)	(83)
As at 31 December 2015	2,288,857	4,332,767	110,293	7,083,843
<i>Accumulated amortization</i>				
As at 31 December 2014	1,993,874	3,564,556	-	5,558,430
Amortization for the year	123,116	226,912	-	350,028
Disposals	-	(73)	-	(73)
As at 31 December 2015	2,116,990	3,791,395	-	5,908,385
<i>Carrying value</i>				
As at 31 December 2014	271,716	642,425	86,297	1,000,438
As at 31 December 2015	171,867	541,372	110,293	823,532

INTANGIBLE ASSETS – THE COMPANY

	Patents, licences, trademarks and other rights EUR	Computer software EUR	Advance payments for intangible assets EUR	Total EUR
<i>Historical cost</i>				
As at 31 December 2014	2,444,797	1,757,060	83,267	4,285,124
Additions	-	42,775	54,094	96,869
Transfers	23,267	47,094	(70,361)	-
Disposals	-	(83)	-	(83)
As at 31 December 2015	2,468,064	1,846,846	67,000	4,381,910
<i>Accumulated amortization</i>				
As at 31 December 2014	2,231,581	1,332,150	-	3,563,731
Amortization for the year	110,816	134,476	-	245,292
Disposals	-	(73)	-	(73)
As at 31 December 2015	2,342,397	1,466,553	-	3,808,950
<i>Carrying value</i>				
As at 31 December 2014	213,216	424,910	83,267	721,393
As at 31 December 2015	125,667	380,293	67,000	572,960

3. TANGIBLE FIXED ASSETS – THE GROUP

	Land, buildings and construc- tions EUR	Equipment and machinery EUR	Other fixed assets EUR	Construc- tion in progress EUR	Advance payments for fixed assets EUR	Total EUR
<i>Historical cost</i>						
As at 31 December 2014	56,854,048	64,845,967	4,179,100	2,414,694	811,597	129,105,406
Additions	83,489	1,374,269	227,996	557,826	1,073,259	3,316,839
Transfers	365,243	1,182,965	45,174	(28,907)	(1,564,475)	-
Disposals	-	(382,576)	(143,481)	-	-	(526,057)
As at 31 December 2015	57,302,780	67,020,625	4,308,789	2,943,613	320,381	131,896,188
<i>Accumulated depreciation</i>						
As at 31 December 2014	22,580,857	40,182,876	3,030,158	-	-	65,793,891
Depreciation for the year	1,846,965	3,286,806	413,206	-	-	5,546,977
Disposals	-	(328,806)	(125,778)	-	-	(454,584)
As at 31 December 2015	24,427,822	43,140,876	3,317,586	-	-	70,886,284
<i>Carrying value</i>						
As at 31 December 2014	34,273,191	24,663,091	1,148,942	2,414,694	811,597	63,311,515
As at 31 December 2015	32,874,958	23,879,749	991,203	2,943,613	320,381	61,009,904

TANGIBLE FIXED ASSETS – THE COMPANY

	Land, buildings and construc- tions EUR	Equipment and machinery EUR	Other fixed assets EUR	Advance payments for fixed assets EUR	Total EUR
<i>Historical cost</i>					
As at 31 December 2014	33,531,644	36,931,022	3,172,062	441,997	74,076,725
Additions	42,641	121,093	157,727	826,717	1,148,178
Transfers	365,243	784,457	45,174	(1,194,874)	-
Disposals	-	(107,038)	(132,205)	-	(239,243)
As at 31 December 2015	33,939,528	37,729,534	3,242,758	73,840	74,985,660
<i>Accumulated depreciation</i>					
As at 31 December 2014	8,694,031	17,824,721	2,258,232	-	28,776,984
Depreciation for the year	1,515,247	2,348,731	323,007	-	4,186,985
Disposals	-	(107,038)	(130,158)	-	(237,196)
As at 31 December 2015	10,209,278	20,066,414	2,451,081	-	32,726,773
<i>Carrying value</i>					
As at 31 December 2014	24,837,613	19,106,301	913,830	441,997	45,299,741
As at 31 December 2015	23,730,250	17,663,120	791,677	73,840	42,258,887

The Company has pledged its fixed assets as security for the bank loans (see Note 10).
In 2015 and in 2014 interest expenses were not capitalized.

Technological equipment purchased in 2013 is leased outside of Latvia, lease period is until 2033.
(The purchase value of ampoule filling line was 1,717,680 EUR, the book value on 31.12.2015 - 1,538,755 EUR)

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR 2015

	31.12.2015	31.12.2014
	EUR	EUR
Lease payments are as follows:		
During the first year	91,200	91,200
From the second year until fifth year	364,800	364,800
From the sixth year until the end of the lease term	1,185,600	1,276,800
Total	1,641,600	1,732,800

4. INVESTMENT PROPERTY - THE GROUP

	31.12.2015
	EUR
As at 31 December 2013	9,080,000
Changes in fair value	
As at 31 December 2014	9,080,000
Changes in fair value	-
As at 31 December 2015	9,080,000

As at 31 December 2015 and 2014 Investment properties consists of land and buildings owned by JSC "Kalceks" and "Namu Apsaimniekosanas projekti" Ltd.

Investment property - "Namu Apsaimniekosanas projekti" Ltd.

An independent certified valuator estimated the fair value of the real estate on 10 February 2014. According to the valuation report the fair value of real estate on 76 Maskavas Street, Riga is EUR 430,000, and the fair value of the real estate on 78 Maskavas Street, Riga is EUR 1,300,000.

Investment property - JSC "Kalceks"

As at 31 December 2015 the fair value was determined based on an independent valuator's assessment carried out on 10 February 2014. The fair value of the real estate on 6/8 Zala Street, Riga amounted to EUR 4,100,000, the fair value of the real estate on 9 Zala Street, Riga amounted to EUR 2,700,000, and the fair value of the real estate (71B Krustpils Street, Riga) amounted to EUR 550,000. Purchase price of these investment properties is EUR 379,907, including the nominal value of the used privatization certificates.

The minor part of the investment properties is used within the Group, a rent agreement with indefinite maturity date is signed, and the annual rent fee amounts to EUR 256,117. The major part of the investment properties is held for capital appreciation, therefore the property is classified as Investment property.

5. INVESTMENTS IN SUBSIDIARIES –THE COMPANY

	31.12.2015		31.12.2014	
	EUR	%	EUR	%
JSC "Kalceks"	4,900,449	98.7 %	4,900,449	98.7 %
JSC "Tallinn Pharmaceutical Plant"	3,431,432	100 %	3,431,432	100 %
"Namu apsaimniekosanas projekti" Ltd.	1,111,086	100 %	1,111,086	100 %
Grindeks Rus" Ltd.	289	100 %	289	100 %
HBM Pharma s.r.o.	13,115,000	100 %	13,100,000	100 %
	22,558,256		22,543,256	

	Country of incorporation	Principal business activities
JSC "Kalceks"	Latvia	Production and sale of pharmaceuticals
JSC "Tallinn Pharmaceutical Plant"	Estonia	Production and sale of pharmaceuticals
"Namu apsaimniekosanas projekti" Ltd.	Latvia	Real estate management and other activities related to real estate
"Grindeks Rus" Ltd.	Russia	Production and sale of pharmaceuticals
"HBM Pharma" Ltd	Slovakia	Production and sale of pharmaceuticals

The net profit for the year 2015 of JSC "Kalceks" was EUR 790,039 (2014: net profit EUR 305,894). As at 31 December 2015 the equity of JSC „Kalceks” was EUR 7,892,282. (2014: EUR 7,102,243).

The net profit of JSC "Tallinn Pharmaceutical Plant" in 2015 was EUR 274,706 (2014: net profit EUR 620,935). As at 31 December 2015 the equity of JSC "Tallinn Pharmaceutical Plant" was EUR 5,316,698 (2014: EUR 5,041,994).

In 2015 "Namu apsaimniekosanas projekti" Ltd. net loss amounted to EUR 347,766 (2014: net loss 304,764). As at 31 December 2015 the equity of „, Namu apsaimniekosanas projekti” was negative and amounted EUR 1,990,378 (2014: EUR 1,642,611).

According to unaudited data the net loss of "Grindeks Rus" Ltd. in 2015 was EUR 600,437 (2014: net profit EUR 90,881). As at 31 December 2015 the unaudited equity of „Grindeks RUS” was EUR 795,243(2014: EUR 1,541,673).

The net profit of "HBM Pharma" s.r.o. in 2015 was EUR 1,422,180 (2014: EUR 1,094,856). The net profit relating to the Group is the net profit from the beginning of the 1 September 2014 in the amount of EUR 318,883. As at 31 December 2015 the equity of „HBM Pharma” was EUR 6,553,965 (2014: EUR 5,202,532).

As at 31 December 2014 the Company's statement of financial position contains investment in "HBM Pharma" in the amount of EUR 13,115,000.

Goodwill

In 2014 the Group has gained 100% shares and effective control over HBM Pharma s.r.o. Date of effective control is 1 September 2014. The acquisition price contained only cash consideration. Main aim of this acquisition is gaining expected synergies on production processes.

	EUR
Consideration paid	13,100,000
Major classes acquired	
Non-current assets (buildings, land, equipment)	12,961,487
Current assets acquired	15,332,997
Current and non-current liabilities acquired	(20,239,245)
Fair value of net assets acquired	8,055,239
Excess of consideration paid over net assets acquired, recognised as goodwill (not tax deductible)	5,044,761

In connection with the acquisition of HBM Pharma s.r.o. the Group has recognised goodwill in the amount of EUR 5,044,761.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR 2015**6. TRADE RECEIVABLES**

	Group 31.12.2015 EUR	Group 31.12.2014 EUR	Company 31.12.2015 EUR	Company 31.12.2014 EUR
Russia*	26,358,570	25,321,320	19,018,013	17,148,216
Other CIS countries	6,811,843	5,711,608	6,811,843	5,711,608
Latvia	623,478	492,700	613,790	484,010
Lithuania	980,189	909,317	980,189	909,317
Estonia	456,712	363,771	418,353	362,683
Other countries	9,019,698	11,344,698	5,736,970	6,339,793
Allowance for doubtful receivables	(760,408)	(1,117,719)	(760,408)	(1,117,719)
Total trade receivables	43,490,082	43,025,695	32,818,750	29,837,908

* Including Pharmstandart PJSC debt in amount of EUR 17,648,572, no provisions were made.

7. OTHER DEBTORS

	Group 31.12.2015 EUR	Group 31.12.2014 EUR	Company 31.12.2015 EUR	Company 31.12.2014 EUR
Tax receivables (see Note 13 (a))	678,751	3,391,089	355,654	2,425,552
Other	3,108,439	2,241,369	1,043,492	1,086,658
Total	3,796,190	5,632,458	1,399,146	3,512,210

8. CASH AND CASH EQUIVALENTS

	Group 31.12.2015 EUR	Group 31.12.2014 EUR	Company 31.12.2015 EUR	Company 31.12.2014 EUR
Cash in bank	712,026	2,181,924	618,928	1,634,104
Cash on hand	12,472	9,164	1,691	4,534
Total	724,498	2,191,088	620,619	1,638,638

9. SHARE CAPITAL

As at 31 December 2015 and 2014 the issued and fully paid share capital of the Company consisted of 9,585,000 ordinary shares with a nominal value of EUR 1.42 (LVL 1) each. The number of publicly listed shares is 9,585,000.

The shareholders as at 31 December 2015 and 31 December 2014 were as follows (Latvian Central Depository data):

	Percentage (%) 31.12.2015	Percentage (%) 31.12.2014
Kirovs Lipmans	33.29	33.29
„AB.LV Private equity fund 2010”	22.66	22.66
Anna Lipmane	16.65	16.69
Swedbank AS Clients Account (nominal holder)	9.56	9.92
Other shareholders	17.84	17.44
Total	100.00	100.00

10. LOANS FROM CREDIT INSTITUTIONS

	Group 31.12.2015 EUR	Group 31.12.2014 EUR	Company 31.12.2015 EUR	Company 31.12.2014 EUR
Credit line from JSC "SEB banka", Latvia	4,939,235	4,966,082	4,939,235	4,966,082
Credit line from Nordea Bank AB Latvia branch	12,338,801	3,766,187	12,338,801	3,766,187
Nordea Bank AB Latvia branch	-	900,000	-	900,000
Credit line from Tatrabank JSC, Slovakia ABLV Bank, JSC	1,614,814	879,908	-	-
Tatrabank JSC, Slovakia	-	714,080	-	-
JSC "SEB banka", Latvia	407,500	407,500	-	-
JSC "SEB banka", Latvia	-	384,932	-	-
Tatrabank JSC, Slovakia	357,316	357,317	357,316	357,317
Tatrabank JSC, Slovakia	232,800	232,800	-	-
Tatrabank JSC, Slovakia	210,000	210,000	-	-
Tatrabank JSC, Slovakia	-	87,506	-	-
Current loans from credit institutions	20,100,466	12,906,312	17,635,352	9,989,586
Tatrabank JSC, Slovakia	1,222,500	1,630,000	-	-
Tatrabank JSC, Slovakia	708,200	613,316	-	-
JSC "SEB banka", Latvia	-	389,799	-	389,799
Tatrabank JSC, Slovakia	403,316	78,600	-	-
Non-current loans from credit institutions	2,334,016	2,711,715	-	389,799
Total	22,434,482	15,618,027	17,635,352	10,379,385

The borrowings are repayable as follows:	Group 31.12.2015 EUR	Group 31.12.2014 EUR	Company 31.12.2015 EUR	Company 31.12.2014 EUR
Within one year	20,100,466	12,906,312	17,635,352	9,989,586
During second year	872,300	1,085,899	-	389,799
Third to fifth year included	1,461,716	1,625,816	-	-
Total	22,434,482	15,618,027	17,635,352	10,379,385

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR 2015

Loans terms and maturity:	Group 31.12.2015 EUR	Group 31.12.2014 EUR	Company 31.12.2015 EUR	Company 31.12.2014 EUR
On 24 April 2009 the Company signed a credit line agreement with JSC "SEB banka". Credit line limit - EUR 5,000,000. Interest rate is 3 months EURIBOR plus fixed rate 1.8 %. On 28 April 2015 the credit line agreement term was extended to 28 April 2016. The credit line is secured by commercial pledge.	4,939,235	4,966,082	4,939,235	4,966,082
On 31 July 2011 the Company received a credit line from Nordea Bank AB Latvia branch. Credit line limit - EUR 5,000,000. Interest rate is EONIA plus 1.1 % fixed rate. The credit line is secured by commercial pledge. On 6 March 2015 credit line limit has been increased to EUR 14,000,000. Repayment term is 31.07.2016.	12,338,801	3,766,187	12,338,801	3,766,187
„HBM Pharma” s.r.o. credit in Tatrabanka a.s. Interest rate is 3 months EURIBOR plus fixed rate 2.65 %. Repayment term is 31.12.2019. Information about pledge is disclosed below.	1,630,000	2,037,500	-	-
On 31 July 2011 the Company signed a loan agreement with Nordea Bank AB Latvia branch for total amount of EUR 4,000,000. Repayment term is 9 August 2015. Interest rate is EURIBOR plus 2 % fixed rate. The loan is secured by commercial pledge.	-	900,000	-	900,000
„HBM Pharma” s.r.o. credit line in Tatrabanka a.s. Interest rate is 1 year EURIBOR plus 2.75 % fixed rate. Repayment term is 28.02.2016. Information about pledge is disclosed below.	1,614,814	879,908	-	-
„HBM Pharma” s.r.o. credit in Tatrabanka a.s. Interest rate is EURIBOR plus 2.80% fixed rate. Repayment term is 31.12.2018. Information about pledge is disclosed below.	613,316	823,316	-	-
On 2 August 2013 the Company signed a loan agreement with JSC "SEB banka" Latvia for total amount of EUR 1,201,880. Repayment term is 15 November 2016. Interest rate is 3 months EURIBOR plus 1.7 % fixed rate. The loan is secured by commercial pledge.	357,316	747,116	357,316	747,116
„HBM Pharma” s.r.o. credit in "ABLV Bank", JSC. Interest rate is 6 months EURIBOR plus 4.5 %. Repayment term is 19.06.2015. Information about pledge is disclosed below.	-	714,080	-	-
On 1 October 2007 "Namu apsaimniekosanas projekti" Ltd. entered into agreement No. KD07204 with JSC "SEB banka". In accordance with this agreement "Namu apsaimniekosanas projekti" Ltd. receives loan in amount of EUR 2,500,000 with interest rate 1,5% plus 3 months EURIBOR. The loan can be used only for acquisition of real estate on 76 Maskavas Street, Riga. The loan is secured by a mortgage agreement no. KD07204/1 signed on 1 October 2007. Maturity of the loan was 30 September 2011. On 30 September 2011 the loan agreement term was extended to 15 September 2015. JSC "Grindeks" has guaranteed repayment of this loan.	-	384,932	-	-

JSC “GRINDEKS”

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR 2015

“HBM Pharma” s.r.o. credit in Tatrabanka a.s. Interest rate is 3 months EURIBOR plus 2.65 %. Repayment term is 28.02.2015. Information about pledge is disclosed below.

- 311,400 - -

“HBM Pharma” s.r.o. credit in Tatrabanka a.s. Interest rate is 1 month EURIBOR plus 2.50 %. Repayment term is 31.12.2015. Information about pledge is disclosed below.

- 87,506 - -

“HBM Pharma” s.r.o. credit in Tatrabanka a.s. Interest rate is 3 month EURIBOR plus 2.60 %. Repayment term is 28.02.2018. Information about pledge is disclosed below.

941,000 - - -

Total

22,434,482 15,618,027 17,635,352 10,379,385

The bank loans provided to “HBM Pharma” s.r.o. by Tatrabanka a.s are secured by pledge. Pledge - “HBM Pharma” s.r.o. fixed assets, stock and trade receivables. The amount of pledge as at 31 December 2015 EUR 4,799,130.

11. FINANCE LEASE LIABILITIES

	Group 31.12.2015 EUR	Group 31.12.2014 EUR	Company 31.12.2015 EUR	Company 31.12.2014 EUR
Current finance lease liabilities	101,157	93,837	-	-
Non-current finance lease liabilities	174,990	118,491	-	-
Total	276,147	212,328	-	-

The Group's finance lease liabilities as at 31 December 2015 include liabilities of "HBM Pharma" s.r.o. in the amount of EUR 276,147.

12. OPERATING LEASE LIABILITIES

The Group and the Company have car leases under operating lease agreements. The operating lease liabilities are as follows:

	Group 31.12.2015 EUR	Group 31.12.2014 EUR	Company 31.12.2015 EUR	Company 31.12.2014 EUR
Within one year	382,112	363,926	183,933	150,590
Second to fifth year included	1,307,096	1,201,176	369,765	256,296
Total	1,689,208	1,565,102	553,698	406,886

13. TAXES AND SOCIAL SECURITY CONTRIBUTIONS**13 (a) Tax receivables** (see Note 7)

	Group 31.12.2015 EUR	Group 31.12.2014 EUR	Company 31.12.2015 EUR	Company 31.12.2014 EUR
Value added tax	355,644	2,726,083	355,654	2,183,725
Corporate income tax	332,107	665,006	-	241,827
Total	687,751	3,391,089	355,654	2,425,552

Tax receivables are shown under „Other debtors” in the statement of financial position (Note 7).

13 (b) Tax liabilities

	Group 31.12.2015 EUR	Group 31.12.2014 EUR	Company 31.12.2015 EUR	Company 31.12.2014 EUR
Social security contributions	470,370	461,907	259,950	257,223
Personal income tax	225,926	393,458	172,800	174,956
Corporate income tax	89,927	204,042	-	-
Value added tax	98,254	-	69,758	-
Other	226,708	34,512	5,424	5,663
Total	1,111,185	1,093,919	507,932	437,842

14. BUSINESS SEGMENTS

Based on the type of its products the Group may be divided into two main divisions - final dosage forms and active pharmaceutical ingredients business structure. Those divisions serve as the basis to report the primary segments of the Group – business segments.

2015 EUR

	Final dosage forms	Active pharmaceutical ingredients	Eliminations	Total
Revenue				
External sales	75,456,044	7,206,267	-	82,662,311
Inter-segment sales	-	4,480,556	(4,480,556)	-
Total revenue	75,456,044	11,686,823	(4,480,556)	82,662,311
Result				
Segment direct attributable result	16,195,601	1,457,670	-	17,653,271
Unallocated expenses				(15,691,602)
Operating (loss)				1,961,669
Interest income				200,986
Interest expenses				(445,354)
Real estate tax				(274,747)
(Loss) before taxation				1,442,554
Income tax expense				(395,549)
(Loss) for the year				1,047,005
Attributable to:				
Equity holders of parent Company				1,036,734
Non-controlling interest				10,271
Total				1,047,005

Other information

2015 EUR	Final dosage forms	Active pharmaceutical ingredients	Other	Total
Purchase of fixed assets and intangible assets	2,521,328	354,771	613,872	3,489,971
Depreciation and amortization	2,627,862	2,063,490	1,205,653	5,897,005

**Statement of financial position EUR
31.12.2015**

	Final dosage forms	Active pharmaceutical ingredients	Total
Assets			
Segment assets	66,965,447	47,434,130	114,399,577
Unallocated assets			52,893,986
Total consolidated assets			157,293,563
Liabilities			
Segment liabilities	4,761,202	424,138	5,185,340
Unallocated liabilities			152,108,223
Total consolidated liabilities			157,293,563

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR 2015

2014 EUR

	Final dosage forms	Active pharmaceutical ingredients	Eliminations	Total
Revenue				
External sales	79,448,685	9,038,830	-	88,487,515
Inter-segment sales	-	10,504,251	(10,504,251)	-
Total revenue	79,448,685	19,543,081	(10,504,251)	88,487,515
Result				
Segment direct attributable result	20,630,601	4,087,894	-	24,718,495
Unallocated expenses				(26,378,546)
Operating (loss)				(1,660,051)
Interest income				164,655
Interest expenses				(299,901)
Real estate tax				(105,899)
(Loss) before taxation				(1,901,196)
Income tax expense				(634,998)
(Loss) for the year				(2,536,194)
Attributable to:				
Equity holders of parent Company				(2,540,171)
Non-controlling interest				3,977
Total				(2,536,194)

Other information

2014 EUR	Final dosage forms	Active pharmaceutical ingredients	Other	Total
Purchase of fixed assets and intangible assets	1,681,891	793,409	1,179,619	3,654,919
Depreciation and amortization	2,072,418	2,120,383	984,909	5,177,710

Statement of financial position EUR
31.12.2014

	Final dosage forms	Active pharmaceutical ingredients	Total
Assets			
Segment assets	84,694,759	33,711,181	118,405,940
Unallocated assets			41,600,527
Total consolidated assets			160,006,467
Liabilities			
Segment liabilities	7,661,593	1,103,117	8,764,710
Unallocated liabilities			151,241,757
Total consolidated liabilities			160,006,467

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR 2015

15. NET SALES

	Group 2015 EUR	Group 2014 EUR	Company 2015 EUR	Company 2014 EUR
Other CIS countries	30,330,746	33,816,988	30,330,746	33,816,988
Russia	15,928,576	32,493,852	12,989,038	22,865,956
Other countries	26,800,918	15,786,107	10,497,158	10,703,936
Latvia	7,508,462	5,051,258	7,508,462	5,081,658
Lithuania	3,943,595	3,758,427	3,943,595	3,758,427
Estonia	2,174,402	2,073,572	2,174,402	2,073,572
Other sales	1,217,367	557,532	798,480	328,921
Gross sales	87,904,066	93,537,736	68,241,881	78,629,458
Less discounts				
Other CIS countries	(4,456,935)	(4,144,327)	(4,456,935)	(4,144,327)
Russia	(244,859)	(663,914)	(5,279,804)	(6,355,114)
Latvia	(276,570)	(77,649)	(276,570)	(77,649)
Lithuania	(185,512)	(82,984)	(185,512)	(82,984)
Estonia	(57,123)	(50,863)	(57,123)	(50,863)
Other countries	(20,756)	(30,484)	(20,756)	(30,484)
Discounts total	(5,241,755)	(5,050,221)	(10,276,700)	(10,741,421)
Total, net	82,662,311	88,487,515	57,965,181	67,888,037

16. COST OF GOODS SOLD

	Group 2015 EUR	Group 2014 EUR	Company 2015 EUR	Company 2014 EUR
Raw materials and packaging	16,118,079	14,232,884	11,280,830	10,341,157
Direct labor and social security contributions	13,763,617	10,954,482	8,754,310	8,917,447
Goods purchased for resale and contract manufacturing costs	7,161,186	8,018,042	11,905,893	13,501,296
Depreciation of fixed assets and amortization of intangible assets	4,813,705	4,094,989	3,628,595	3,640,247
Research costs	1,948,475	2,530,021	1,948,475	2,530,021
Electricity expenses	2,224,456	2,028,934	1,475,983	1,695,112
Machinery, buildings and equipment repairs	1,266,257	983,894	818,134	789,062
Household expenses	239,025	254,639	234,328	250,709
Transport costs	170,851	186,288	164,414	177,422
Waste disposal	134,780	133,996	90,998	119,434
Work clothing rent	128,921	112,988	84,943	90,503
Other expenses	1,801,314	1,654,117	900,233	1,214,301
Internal turnover of self-manufactured raw materials	(3,688,766)	(4,723,432)	(3,688,766)	(4,784,455)
Total	46,081,900	40,461,842	37,598,370	38,482,256

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR 2015

17. SELLING AND DISTRIBUTION COSTS

	Group 2015 EUR	Group 2014 EUR	Company 2015 EUR	Company 2014 EUR
Advertising expenses	6,982,881	11,093,860	4,616,870	8,270,119
Expenses of representative offices	3,826,778	4,040,136	3,826,778	4,040,136
Salaries and social security contributions	2,485,532	2,533,372	1,581,608	1,443,208
Distribution costs	919,675	851,189	801,327	796,894
Commissions	959,584	722,641	813,851	594,584
Registration costs for medicine	416,615	504,904	358,002	447,788
Depreciation of fixed assets and amortization of intangible assets	416,566	461,715	365,372	397,561
Freight insurance expenses	17,119	14,204	14,671	12,363
Other expenses	2,902,390	3,085,158	2,646,216	2,785,197
Total	18,927,140	23,307,179	15,024,695	18,787,850

18. ADMINISTRATIVE EXPENSES

	Group 2015 EUR	Group 2014 EUR	Company 2015 EUR	Company 2014 EUR
Administrative salaries and social security contributions	6,902,266	5,397,241	2,240,517	2,379,254
Depreciation of fixed assets and amortization of intangible assets	607,890	578,373	437,935	498,902
Professional and consultancy services	263,231	347,949	190,862	302,469
Security costs	412,225	343,709	268,727	239,234
Employee insurance expenses	226,760	251,444	226,760	250,634
Computer maintenance and repair	381,567	241,000	215,845	203,580
Electricity costs	251,516	219,808	120,499	138,858
Transport costs	168,742	182,444	147,189	157,730
Bank charges	261,365	117,228	237,120	92,314
Business trip expenses	83,134	113,648	51,684	101,417
Property and liability insurance	136,682	93,002	64,110	66,371
Personnel training and hiring expenses	11,104	62,647	11,104	60,603
Communication expenses	53,625	57,345	28,583	42,508
Other	1,942,573	4,078,455	1,317,124	3,527,076
Total	11,702,680	12,084,293	5,558,059	8,060,950

The Group's major part of line "Other operating expenses" in the statement of comprehensive income consists of trade bonuses paid by the Company and Grindeks Rus Ltd. to its customers.

The average number of the Group's employees during 2015 and 2014, 1327 and 1162, respectively
The average number of the Company's employees during 2015 and 2014 was 883 and 725, respectively.

19. CORPORATE INCOME TAX**19 (a) Corporate income tax for the year**

	Group 2015 EUR	Group 2014 EUR	Company 2015 EUR	Company 2014 EUR
Corporate income tax for the year	461,851	357,603	-	-
Deferred tax charge for the year	(66,302)	277,395	168,752	228,472
Total	395,549	634,998	168,752	228,472

19 (b) Reconciliation of accounting profit to tax charge

	Group 2015 EUR	Group 2014 EUR	Company 2015 EUR	Company 2014 EUR
Current year (loss)/ profit before corporate income tax	1,442,554	(1,901,196)	(975,653)	(3,139,850)
Expected tax charge, applying current tax rate of 15%	216,383	(285,179)	(146,348)	(470,978)
Tax allowance for new technological equipment	(98,634)	(164,389)	(98,634)	(164,389)
Permanent differences	248,366	1,054,065	76,230	863,839
Additional tax "Grindeks Rus" Ltd. (9%)	-	8,179	-	-
Additional tax "HBM Pharma" Ltd (7%)	29,434	22,322	-	-
Corporate income tax charge	395,549	634,998	(168,752)	228,472
Effective corporate income tax	27.40%	33.40%	17.30%	7.30%

19 (c) Deferred corporate income tax liabilities

	Group 2015 EUR	Group 2014 EUR	Company 2015 EUR	Company 2014 EUR
Difference related to net book value of fixed assets due to accelerated tax depreciation for tax purposes	32,343,783	33,252,037	20,742,369	22,179,207
Accrued liabilities and elimination of tax index in net tax value of fixed assets	(2,170,123)	(1,614,704)	247,518	(64,307)
Total temporary difference	30,173,660	31,637,333	20,989,887	22,114,900
Deferred tax liabilities	5,203,490	5,269,792	3,148,483	3,317,235
Deferred tax liabilities as at the beginning of the reporting year	5,269,792	4,130,278	3,317,235	3,088,763
Increase in deferred tax liability due to the Company's acquisition	-	862,119	-	-
Increase in deferred tax liabilities charged to the statement of comprehensive income	(66,302)	277,395	(168,752)	228,472
Deferred tax liabilities as at the end of the reporting year	5,203,490	5,269,792	3,148,483	3,317,235

JSC “GRINDEKS”

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR 2015

20. EARNINGS PER SHARE

	Group 2015 EUR	Group 2014 EUR	Company 2015 EUR	Company 2014 EUR
Basic earnings per share				
Average number of shares outstanding	9,585,000	9,585,000	9,585,000	9,585,000
Current year (loss)/ profit attributable to equity holders of the Parent entity	1,036,734	(2,540,171)	(806,901)	(3,368,322)
Basic earnings per share	0.10	(0.27)	(0.08)	(0.35)

21. TRANSACTIONS WITH RELATED PARTIES

Salary of the Board and the Council is as follows:

	Group 2015 EUR	Group 2014 EUR	Company 2015 EUR	Company 2014 EUR
Members of the Council	3,730,328	4,063,772	682,978	863,671
Social security contributions	276,529	156,744	26,723	29,621
Total compensation paid to the members of the Council	4,006,857	4,220,516	709,701	893,292
Members of the Board	583,818	479,884	276,295	246,272
Social security payments	104,726	43,762	34,394	22,097
Total compensation paid to the members of the Board	688,544	523,646	310,689	268,369
Total	4,695,401	4,744,162	1,020,390	1,161,661

The Group and the Company have issued loans to management and shareholders of the Company/ Group with the rate of 1.4% plus 3 month EURIBOR and also 12% for a year. As of 31 December 2015 loans issued amounts to 2,640,282 EUR (31.12.2014: 2,597,483 EUR).

Amounts outstanding for the transactions of the Company with the related parties are as follows:

Assets	31.12.2015 EUR	31.12.2014 EUR
Loans to related parties		
Loan to HBM Pharma	5,180,787	2,860,000
Total loans	5,180,787	2,860,000
Due from related parties		
Due from “Grindeks Rus” Ltd. for goods delivered	6,944,340	7,585,972
Loan to JSC “Tallinn Pharmaceutical Plant”	452,102	602,803
Loan to “Namu apsaimniekosanas projekti” Ltd.	3,750,256	3,027,059
Provisions for loan to “Namu apsaimniekosanas projekti” Ltd.	(3,027,059)	(3,027,059)
Due from HBM Pharma for goods delivered and services provided	132,783	2,345,588
Due from JSC “Tallinn Pharmaceutical Plant” for goods	35,863	-
Due from “Grindeks Rus” Ltd. for rent of premises	101,449	110,051
Total due from related parties	8,389,734	10,644,414
Total assets	13,570,521	13,504,414

Related parties receivables are not secured.

* Mentioned amount has been eliminated as intragroup balance as of 31 December 2015 (as of 31 December 2015 disclosed under line “Due from related parties”).

Liabilities	31.12.2015	31.12.2014
	EUR	EUR
Trade accounts payable to JSC "Kalceks"	1,522,802	841,709
Trade accounts payable to HBM Pharma s.r.o.	1,946,405	859,689
Trade accounts payable to JSC "Tallinn Pharmaceutical plant"	363,175	204,727
Total	3,832,082	1,906,125

The above balances are included in balance sheet position Trade accounts payable.

The Company's transactions with related companies are as follows:

Income	2015	2014
	EUR	EUR
Sales to "Grindeks Rus" Ltd.	10,466,733	14,793,135
Sales to "HBM Pharma"	5,168,270	2,336,435
Lease of equipment "HBM Pharma" (see Note 3)	91,200	91,200
Interest income "Namu apsaimniekosanas projekti" Ltd.	176,197	139,529
Provisions for interest income "Namu apsaimniekosanas projekti" Ltd.	-	(139,529)
Interest income from JSC "Tallinn Pharmaceutical Plant"	30,245	38,558
Interest income from JSC "HBM Pharma"	108,238	-
"Grindeks Rus" Ltd. Rent premises	15,874	18,764
Total	16,056,757	17,278,092

Expenses	2015	2014
	EUR	EUR
Goods and services received from "HBM Pharma"	4,202,257	6,672,013
Purchase of goods JSC "Tallinn Pharmaceutical Plant"	3,681,402	5,059,664
Trade bonuses to Ltd "Grindeks Rus"	5,034,945	5,691,200
Purchase of goods JSC "Kalceks"	2,658,832	1,277,677
Rent of warehouse JSC "Kalceks"	257,329	257,329
Deprecation of HBM Pharma's leased fixed assets	85,884	85,884
Total	15,920,649	19,043,767

22. FINANCIAL RISK MANAGEMENT**Foreign Currency Risk**

The Group deals with foreign customers and suppliers and it has borrowings denominated in foreign currencies.

The Group bears foreign currency exchange risk mainly to RUB exchange rate (sales and other transactions with clients registered in Russia).

The Company's financial assets and financial liabilities denominated in foreign currencies as at 31 December 2015 are as follows:

	31.12.2015	31.12.2015
	USD	RUB
Financial assets in original currency	21,733,040	110,477,773
Financial liabilities in original currency	-	16,570
Net position in original currency	21,733,040	110,461,203
Net position in euros	19,962,377	1,369,236
	31.12.2014	31.12.2014
	USD	RUB
Financial assets in original currency	21,122,898	93,306,526
Financial liabilities in original currency	155,691	41,478,253
Net position in original currency	20,967,207	51,828,273
Net position in euros	17,269,753	716,483

The Company does not use derivative financial instruments to hedge foreign exchange risk.

Credit risk

Maximum credit risk as at 31 December 2015 and 2014 is as follows:

	Group	Group	Company	Company
	2015	2014	2015	2014
	EUR	EUR	EUR	EUR
Trade receivables	43,490,082	43,025,695	32,818,750	29,837,908
Due from related parties	-	-	8,389,734	10,644,414
Loans provided to management and shareholders	2,640,282	2,597,483	2,640,282	2,597,483
Other loans	5,180,787	3,778,643	5,180,787	2,860,000
Other investments	98,450	98,450	98,450	98,450
Other debtors	3,796,190	5,632,458	1,399,146	3,512,210
Cash in bank	724,498	2,181,924	620,619	1,634,104
Total	55,930,289	57,314,653	51,147,768	51,184,569

The Group has exposure to credit risk as it sells goods and provides services on credit. The Group controls its credit risk by careful evaluation and regular monitoring of its business partners. There is specific credit limit established for each customer.

In determining the recoverability of a trade receivable, the Group considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the reporting date.

Assets past due, not impaired

As at the reporting date the Group and the Company has assets in amount of EUR 6,695 thousand and EUR 11,998 thousand respectively (2013: EUR 9,314 thousand and EUR 11,313 thousand) that are past due but not impaired. These assets are going to be recovered after several legal and business processes are finalized with third parties. Also it is planned to recover legal expenses in the amount of EUR 5,7 thousand, which are recognized under deferred expenses line as at 31 December 2015. In 2016 the Group's management considers assignment of mentioned claims to third party and is confident of a successful finalization of these processes and the recovery of assets in full, thus provisions for these assets were not made. Detailed information is not disclosed in the financial statements for confidentiality reasons.

Interest rate risk

The Group has long-term loans with variable interest rate from credit institutions and it is exposed to the risk any changes in interest rates.

In relation to payables arising from loans, the Group is sensitive to changes in cash flows from interest rates as follows: in the event of a 1.0 percentage point increase, the profit will decrease by EUR 224,345; in the event of a 1.0 percentage point decrease, the profit will increase by EUR 224,345.

Liquidity risk

The Group analyses maturities of its assets and liabilities to ensure that sufficient resources are available to meet the Group's liabilities. The Group maintains sufficient cash funds in the credit institutions. If necessary the Group uses credit facilities to meet short-term obligations. All financial assets and liabilities are current, except for advance payments for non-current investments, issued loans, loans from credit institutions and leasing liabilities.

23. CONTINGENT LIABILITIES

If JSC "Tallinn Pharmaceutical Plant" pays in dividends all accumulated profit as at 31 December 2015 in the amount of EUR 4,286,055 (2014: EUR 4,011,351), it would result in income tax liabilities in the amount of EUR 857,211 (2014: EUR 842,387).

The company has given assurance that it will continue to provide financial funds for the contingent liabilities of Ltd "Namu apsaimniekošanas projekti" and JSC "Tallinnas farmācijas rūpnīca".

The Company has received grants from the EU funds and other institutions. The standard condition of grants receipt is that the related asset acquired should not be disposed in 5 year period from the asset acquisition date. If the Company disposes the asset in the period that is less than 5 years, the Company may have an obligation to repay back part of received grant.

State revenue service has authority to carry out review of the Company's tax calculations for the last 3 years and 5 years in respect of transfer pricing. The Company's management believes that the results of the potential tax reviews would not significantly affect the Company's financial results, operations and financial condition.

24. EVENTS AFTER REPORTING DATE

In accordance with information received from registered legal company representing JSC Grindeks in proceeding against PJSC "Pharmstandart" for debts recover, the ultimate date of claims consideration is estimated as 26 May 2016. JSC Grindeks total claim amounts to RUB 163,024,677 (EUR 2,218,000).



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INDEPENDENT AUDITORS' REPORT

To the Shareholders of AS "Grindeks"

Report on the Financial Statements

We have audited the accompanying financial statements of AS "Grindeks", registration No 40003034935 (hereinafter "the Company") and the consolidated financial statements of AS "Grindeks" and its subsidiaries (hereinafter "the Group"), set out on pages 11 to 39 of the accompanying annual report for the year ended 31 December 2015, which comprise the Company's and the Group's statement of financial position as of 31 December 2015 and the statement of comprehensive income, the 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 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 qualified audit opinion.

Basis for Qualified Opinion

As stated in Note 6 to the financial statements, Company's and Group's assets item "Trade receivables" as of 31 December 2015 includes receivables for which recoverability, due to limited information, we were not able to obtain sufficient and appropriate audit evidence. Accordingly, we were not able to determine whether any adjustments might be necessary to the amounts stated in separate and consolidated financial statements for trade receivables, result for the year and equity.

Qualified Opinion

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph, 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 2015, 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.



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Report on Other Legal and Regulatory Requirements

We have read the management report for 2015 set out on pages 7 to 9 of the accompanying annual report for 2015 and did not identify material inconsistencies between the financial information contained in the management report and that contained in the financial statements for 2015.

BDO Audit SIA
Company of Certified Auditors
Licence No 176

Guntā Darkevica
Member of the Board
Certified auditor of Latvia
Certificate No. 165



29 April 2016
Riga, Latvia