

Grindex

Annual report  
**2015**



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# FACTS AND FIGURES OF 2015



**“Grindeks” Group** – JSC “Grindeks” and five its subsidiary companies – JSC “Tallin 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

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

**Turnover** – 82.7 million euros

**Net profit** – 1.0 million euros

**Investments** – 3.8 million euros

**Gross profit margin** – 44.3%

**Net profit margin** – 1.3%

**Export volume** – 74.2 million euros

**Export countries** – 70

**Main markets** – European Union, Russia and other CIS countries, USA, Canada, Japan and Vietnam



## SALES OF FINAL DOSAGE FORMS

**Final dosage forms sales volume** – 74.7 million euros

**Sales volume in Russia, other CIS countries and Georgia** – 41.3 million euros

**Sales volume in the Baltic States and other countries** – 33.4 million euros

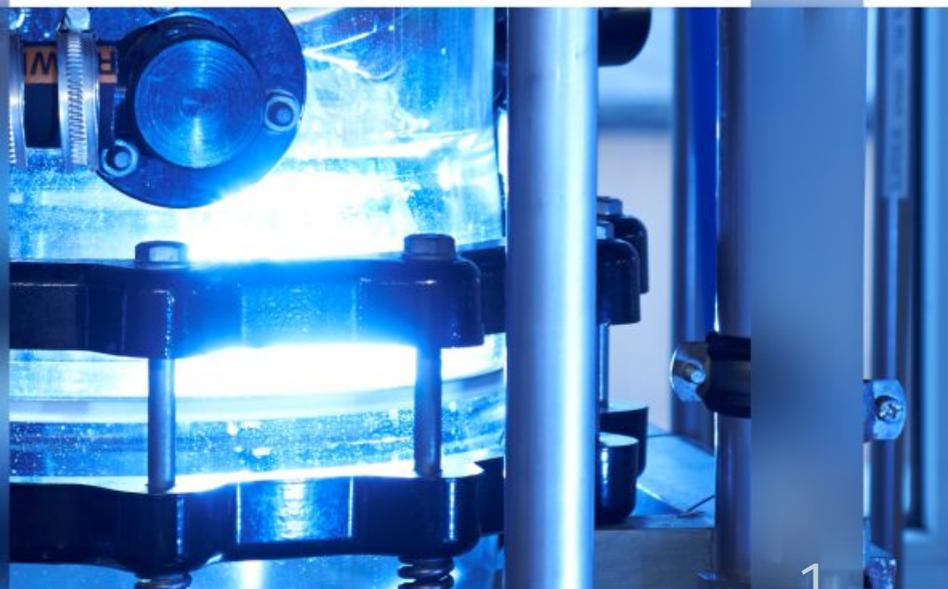
**TOP products** – original product Mildronate®, ointments – Capsicam®, Viprosal B®, central nervous system affecting medication – Somnols®, original anti cancer agent Ftorafur® and natural product Apilak-Grindeks.

## SALES OF ACTIVE PHARMACEUTICAL INGREDIENTS (API'S)

**Sales volume of API's** – 7.2 million euros

**Offered** are 18 API's

**The most demanded API's of "Grindeks"** – oxytocin, zopiclone, ftorafur, detomidine and xylazine





## QUALITY AND ENVIRONMENTAL CONTROL

“Good Manufacturing Practice” certificates for manufacturing of final dosage forms and active pharmaceutical ingredients

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ISO 9001; ISO 14001; LVS OHSAS 18001 certificates

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Russian ГОСТ ISO 9001-2011 certificate

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LVS EN ISO 50001:2012 energy management certificate

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In 2015 – 11 significant client and cooperation partners' audits; inspections of Latvian State Agency of Medicines

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In 2015 – 45 “Grindeks” employee audits – Latvia (9) and abroad (36)



## ALLOCUTION OF KIROVS LIPMANS, CHAIRMAN OF THE JSC "GRINDEKS" COUNCIL

*Health of a society is one of the national priority areas. Being a world-class pharmaceutical company located in the Baltic States and a major player in the Latvian economy, "Grindeks" feels co-responsible for public health and the underlying health care and does what it takes in order to promote its development.*

*In 2015, "Grindeks" continued to strengthen its positions in local – Latvian – market and develop in international markets. Currently products of the company are exported to 70 countries worldwide, strategically focusing on business development in countries of European Union and Southeast Asia and decisively use our potential in other markets. This is in line with the company's desire to reduce business risks in our traditional markets.*

*Pharmacy is an industry whose technology is developing very fast and each year quality standards increase. Expanding its activities, the company annually invests considerable resources in the development of manufacturing, research and quality. The company's development is our pride!*

*As in previous years, also in 2015 "Grindeks" focused its attention to Corporate Social Responsibility projects, where three key areas are in the foreground – the dialogue with health care professionals, patient safety, public health promotion and education. With support of "Grindeks" Fund "For the Support of Science and Education" a number of significant projects were implemented, including, the most outstanding pupils participating in the 47th International Chemistry Olympiad, from which all Latvian pupils returned with medals, support to Technical Innovation days and other projects. Continuing the annual tradition, "Grindeks" is cooperating with the Latvian National Opera and Ballet, which can undoubtedly be called a pride of Latvian culture. For the support of a healthy and sporty lifestyle, "Grindeks" as the general sponsor of the Latvian National ice-hockey team supported the most popular sport in Latvia – hockey.*

*On behalf of the "Grindeks" Council I am expressing gratitude to employees of the company, cooperation partners and our clients for the work done together!*

Best regards,  
Chairman of the "Grindeks" Council  
**Kirovs Lipmans**

A handwritten signature in blue ink, appearing to read 'K. Lipmans', written in a cursive style.

## ALLOCUTION OF JURIS BUNDULIS, CHAIRMAN OF THE JSC "GRINDEKS" BOARD

*We live in a time when the global economic and political situation continues to be variable and often difficult to predict. Nevertheless, the guideline of pharmaceutical business and "Grindeks" – concern for public health is – a constant value. In the current economic circumstances, the mission of helping many people, strengthening their health and improving their quality of life is one of the driving forces behind the company!*

*To be competitive in a global pharmaceutical market, now more than ever one has to use their strengths, know how to switch, to evaluate all the circumstances and adjust their activities to the new conditions. Economic and political situation in many of "Grindeks" export countries has served as a major incentive for business diversification and targeted operational restructuring, which was started back in 2014, but began to show positive results in 2015. The turnover of "Grindeks" in 2015 was 82.7 million euros, while net profit of the Group was 1 million euros.*

*Continuing our strategy and fulfilling the goal of reducing business risks in our traditional markets, "Grindeks" will strategically focus on business development in the European Union and Southeast Asian countries also in 2016, where we plan to grow sales by 30%. New products are under development, several registration procedures in many countries of the world are initiated – it will further strengthen positions of "Grindeks".*

*Caring for patients, "Grindeks" is developing new products as well as registering existing medicines in many countries of the world. Thus in 2015, "Grindeks" supplemented product range of gastrointestinal tract and metabolism therapeutic group and introduced the final dosage forms (capsules) of UDCA (ursodeoxycholic acid) and launched the manufacturing and export of the respective product. The company also extended the range of food supplements and introduced two new products – the latest generation of lactic acid and bifidobacteria complex Lactobex® Strong and Herbastress® for better sleep. Also hereafter "Grindeks" will do what it takes to offer our patients even more effective medicines in main therapeutic groups of the company – cardiovascular, central nervous system and cancer therapy.*

*On behalf of the "Grindeks" Board, I would like to express my gratitude to "Grindeks" team – the company's shareholders' ability to respond to the changing situation, to be welcoming to ideas and responsible in decision-making, and employees for their trust in management of the company and ability to achieve the goals set. I also thank our business partners, clients and patients!*



Best regards,  
Chairman of the "Grindeks" Board  
**Juris Bundulis**

A handwritten signature in blue ink that reads "Juris Bundulis". The signature is fluid and cursive.

## MISSION

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

## VISION

We aim to become a significant European company

## VALUES

### EMPLOYEES

We are the professionals using our knowledge and skills to achieve the determined goals



### QUALITY

We are responsible for the production of safe and effective medications, ecologically clean environment and work place safety



### INNOVATIONS

We are steering development of science and research, as well as implementing the latest technologies



### STABILITY

We are reliable partners, socially responsible and honouring traditions



# CORPORATE GOVERNANCE

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

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

## GENERAL MEETING OF SHAREHOLDERS

During the reporting period, "Grindeks" shareholders' meeting was held once – on 12 June 2015, when reports of the Board, the Supervisory Council, the Audit Committee and the statement of the Sworn auditor of joint stock company "Grindeks" were taken noticed of and the company's annual report for the year 2014 was approved. The shareholders elected "BDO Latvia" Ltd as auditor of the Annual Reports of joint stock company "Grindeks" for the year 2015 and determined the remuneration for the auditor. Also, decision was taken on denomination of the nominal value of shares from lats to euro and referable amendments to the Articles of Association.



## SUPERVISORY COUNCIL

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



**Kirovs Lipmans**  
*Chairman of the Council*

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

*The term of office till 07.06.2019.*



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

Born in 1948. Anna Lipmane has been a member of the Council of JSC "Grindeks" since 2008. A. Lipmane is certified doctor-neurologist and the Member of the Latvian Medical Association, the Latvian Association of Internists, the Latvian Society of Cardiology and the Latvian Association of Neurologists, as well as the Member of the Council of JSC "Tallinn Pharmaceutical Plant". A. Lipmane is one of the major shareholders of "Grindeks".

*The term of office till 07.06.2019.*



**Janis Naglis**  
*Member of the Council*

Born in 1958. Janis Naglis has been a member of the Council of JSC "Grindeks" since 2002. Simultaneously to the responsibilities in JSC "Grindeks" J. Naglis is also the Member of the Council of the Employers' Confederation of Latvia, the President of the the Latvian Auto Federation, the Member of the Council of the Association of Hotels and Restaurants of Latvia and the Latvian Sports for All Association, as well as the Member of management boards and supervisory councils of many others companies and institutions. J. Naglis graduated from Riga Polytechnic institute with qualification Engineer-Mechanic.

*The term of office till 07.06.2019.*



**Arkadiy Vertkin**  
*Member of the Council*

Born in 1951. Professor Arkadiy Vertkin has been a member of the Council of JSC "Grindeks" since 2013. A. Vertkin is the head of Therapy, Clinical Pharmacology and Ambulance Department at the Moscow State University of Medicine and Dentistry (MSUMD) since 1989, and the Scientific Secretary of the Scientific Council of MSUMD since 2012. Simultaneously, A. Vertkin is the President of Russian National Scientific Practical Society of Ambulance Care and International Society for the Study of Age-related Involution, also he is the Member of the numerously Russian and international organizations. Dr.med. A. Vertkin is an Honoured Science Worker of Russian Federation, and has received several awards.

*The term of office till 07.06.2019.*

## BOARD

Board of the Group of "Grindeks" – an executive institution, which conducts, represents and manages the company's day-to-day operations, consists of experienced business professionals and industry experts:



**Juris Bundulis**

*Chairman of the Board*

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

*The term of office till 08.01.2018.*



**Ibraim Muhtsi**

*Member of the Board, Commercial Director*

I. Muhtsi was born in 1956. Graduated from the University of Tartu, Estonia obtaining a Doctor's diploma in Anaesthesia and Intensive Care specialty. I. Muhtsi has worked as a medical practitioner and also run the department of Anaesthesiology and Intensive Care at Viru Central Hospital (Estonia). Previously, Muhtsi had worked at JSC "Grindeks" as the Director of Sales. Until October 2015 he was the Chairman of the Board of a subsidiary of JSC "Grindeks" in Estonia – JSC "Tallinn Pharmaceutical Plant".

*The Term of office till 11.10.2018.*



**Janis Romanovskis**

*Member of the Board, Chief Finance and Administrative Officer*

Born in 1960, Janis Romanovskis 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 „Komerccentrs DATI Grupa” and the Head of the Financial Management Unit of JSC „Dati”.

*The Term of office till 11.01.2019.*



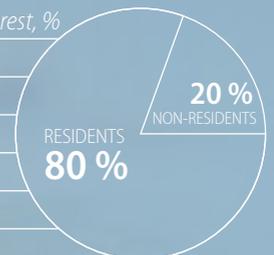
## SHARES

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

ISIN	<b>LV0000100659</b>
Ticker	<b>GRD1R</b>
Nominal value	<b>EUR 1.40</b>
Total number of securities	<b>9 585 000</b>
Number of listed securities	<b>9 585 000</b>
Liquidities providers	<b>NONE</b>
List/segment	<b>BALTIC MAIN LIST</b>
Indexes	<b>B4000GI, B4000PI, B4500GI, B4500PI, OMXBBCAPGI, OMXBBCAPPI, OMXBBGI, OMXBBPI, OMXBGI, OMXBPI, OMXRGI</b>

### "GRINDEKS" MAJOR SHAREHOLDERS (over 5%)\*

Shareholder	Ownership interest, %
<b>Kirovs Lipmans</b>	<b>33.29</b>
<b>AMBERSTONE GROUP, AS</b>	<b>22.66</b>
<b>Anna Lipmane</b>	<b>16.65</b>
<b>„Swedbank AS Clients Account“ (nominal holder)</b>	<b>9.58</b>
<b>Other shareholders</b>	<b>17.82</b>



\*"Latvian Central Depository" data as of 30 May 2016



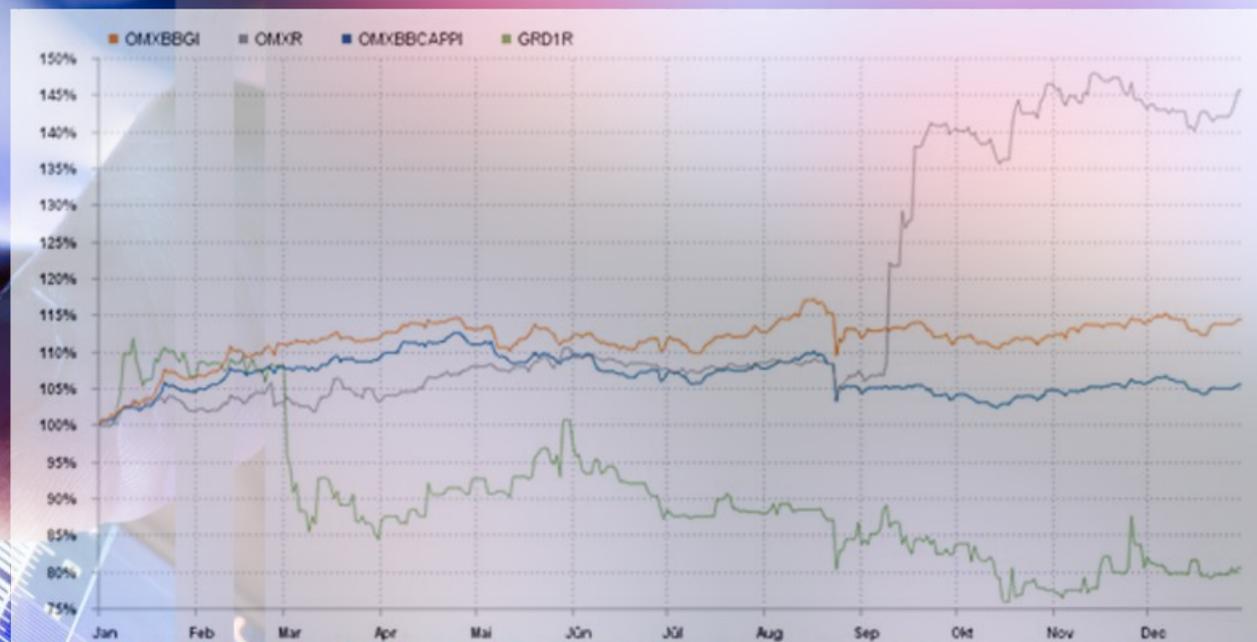
## DEVELOPMENT OF A SHARE PRICE

Since 2 January 2006 shares of "Grindeks" are listed in the official list of "NASDAQ Riga". JSC "Grindeks" share price on "NASDAQ Riga" in 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



### SHARE TURNOVER IN 2013 – 2015 (EUR)



### DEVELOPMENT OF "GRINDEKS" SHARE PRICE 2013 – 2015 (EUR)



## DEVELOPMENT OF "GRINDEKS" SHARE PRICE IN 2013 – 2015 IN COMPARISON WITH BALTIC MARKET INDEXES



Index/Equity	01.01.2013	31.12.2015	+/-%
— OMX Baltic Benchmark GI	546.98	648.32	18.53
— OMX Riga	395.91	594.35	50.12
— OMX Baltic Benchmark PI	345.21	359.03	4.00
— GRD1R	6.474 EUR	5.200 EUR	-19.68

## TURNOVER AND PROFIT OF "GRINDEKS"

Turnover million, EUR



Profit million, EUR





## KEY FINANCIAL FIGURES 2011 – 2015

	2011	2012	2013	2014	2015
Turnover, EUR	98 993 690	117 658 780	118 461 106	88 487 515	82 662 311
Gross profit, EUR	58 291 650	72 671 095	71 088 330	48 025 673	36 580 411
Gross profit margin, %	58.9	61.8	60.0	54.3	44.3
Profit (losses) before taxes, EUR	10 805 717	17 194 848	16 291 477	(1 901 196)	1 442 554
Profit (losses) before taxes margin, %	10.9	14.6	13.8	-2.1	1.7
Net profit (losses), EUR	9 541 884	13 708 742	13 505 259	(2 540 171)	1 036 734
Net profit margin (losses), %	9.6	11.7	11.4	-2.9	1.3
Return on equity (ROE), %	10.8	13.8	11.9	-2.2	1.0
Return on assets (ROA), %	8.9	10.1	9.3	-1.6	0.7
Liquidity	2.9	3.5	3.6	2.0	2.3
Operating profit (losses)	11 121 675	17 481 727	16 489 728	(1 660 051)	1 961 669
Operating profit (losses) margin, %	11.2	14.9	13.9	(1.9)	2.4

## STATEMENT OF FINANCIAL POSITION

<b>ASSETS</b>	<b>Group 31.12.2015 EUR</b>	<b>Group 31.12.2014 EUR</b>
<b>Non-current assets</b>		
<b>Intangible assets</b>		
Software, patents, licences, trademarks and other rights	713,239	914,141
Advance payments for intangible assets	110,293	86,297
<b>Total intangible assets</b>	<b>823,532</b>	<b>1,000,438</b>
<b>Goodwill</b>	<b>5,044,761</b>	<b>5,044,761</b>
<b>Tangible fixed assets</b>		
Land, buildings and constructions	32,874,958	34,273,191
Equipment and machinery	23,879,749	24,663,091
Other fixed assets	991,203	1,148,942
Construction in progress	2,943,613	2,414,694
Advance payments for fixed assets	320,381	811,597
<b>Total tangible fixed assets</b>	<b>61,009,904</b>	<b>63,311,515</b>
<b>Investment property</b>	<b>9,080,000</b>	<b>9,080,000</b>
<b>Non-current financial investments</b>		
Investment in subsidiaries	-	-
Other investments	98,450	98,450
Other loans	2,200,000	2,278,643
Loans to related parties	-	-
<b>Total long term financial investments</b>	<b>2,298,450</b>	<b>2,377,093</b>
<b>Total non-current financial assets</b>	<b>78,256,647</b>	<b>80,813,807</b>
<b>Current assets</b>		
<b>Inventories</b>		
Raw materials	6,172,459	5,538,833
Unfinished goods	8,680,150	7,975,781
Finished goods and goods for resale	4,926,133	5,467,566
<b>Total inventory</b>	<b>19,778,742</b>	<b>18,982,180</b>
<b>Debtors</b>		
Trade receivables	43,490,082	43,025,695
Due from related parties	-	-
Other debtors	3,796,190	5,632,458
Loans provided to the Company's/the Group's management and shareholders	2,640,282	2,597,483
Other loans	1,542,568	1,500,000
Deferred expenses	7,064,554	5,263,756
<b>Total debtors</b>	<b>58,533,676</b>	<b>58,019,392</b>
<b>Cash and cash equivalents</b>	<b>724,498</b>	<b>2,191,088</b>
<b>Total current assets</b>	<b>79,036,916</b>	<b>79,192,660</b>
<b>TOTAL ASSETS</b>	<b>157,293,563</b>	<b>160,006,467</b>

## STATEMENT OF FINANCIAL POSITION

	Group 31.12.2015 EUR	Group 31.12.2014 EUR
<b>EQUITY AND LIABILITIES</b>		
<b>EQUITY</b>		
Share capital	13,419,000	13,638,226
Share premium	22,321,657	22,321,657
Other reserves	880,726	661,500
Foreign currency revaluation reserve	(115,195)	(60,463)
Retained profit		
a) retained profit	71,733,420	74,273,591
b) current year (loss)/ profit	1,036,734	(2,540,171)
<b>Equity attributable to equity holders of the</b>		
<b>Parent entity</b>	<b>109,276,342</b>	<b>108,294,340</b>
<b>Non-controlling interest</b>	<b>103,269</b>	<b>92,998</b>
<b>Total equity</b>	<b>109,379,611</b>	<b>108,387,338</b>
<b>LIABILITIES</b>		
<b>Non-current liabilities</b>		
Loans from credit institutions	2,334,016	2,711,715
Finance lease liabilities	174,990	118,491
Deferred income tax liabilities	5,203,490	5,269,792
Deferred income	5,193,123	4,522,593
<b>Total non-current liabilities</b>	<b>12,905,619</b>	<b>12,622,591</b>
<b>Current liabilities</b>		
Loans from credit institutions	20,100,466	12,906,312
Finance lease liabilities	101,157	93,837
Advances from customers	1,908,891	421,914
Trade accounts payable	5,746,624	10,474,159
Taxes and social security contributions	1,111,185	1,093,919
Other payables	5,059,003	3,651,632
Accrued liabilities	477,407	276,763
Deferred income	503,599	1,078,002
Prior period's unpaid dividends	-	9,000,000
<b>Total current liabilities</b>	<b>35,008,333</b>	<b>38,996,538</b>
<b>Total liabilities</b>	<b>47,913,952</b>	<b>51,619,129</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		
	<b>157,293,563</b>	<b>160,006,467</b>

## STATEMENT OF COMPREHENSIVE INCOME

	Group 2015 EUR	Group 2014 EUR
Net sales	82,662,311	88,487,515
Cost of goods sold	(46,081,900)	(40,461,842)
<b>Gross profit</b>	<b>36,580,411</b>	<b>48,025,673</b>
Selling expenses	(18,927,140)	(23,307,179)
Administrative expenses	(11,702,680)	(12,084,293)
Other operating income	8,809,025	2,961,669
Other operating expenses	(12,797,947)	(17,255,921)
Interest income and similar income	200,986	164,655
Interest expenses and similar expenses	(445,354)	(299,901)
Real estate tax	(274,747)	(105,899)
<b>(Loss)/ profit before taxation</b>	<b>1,442,554</b>	<b>(1,901,196)</b>
Corporate income tax	(395,549)	(634,998)
<b>NET (LOSS)/ PROFIT FOR THE YEAR</b>	<b>1,047,005</b>	<b>(2,536,194)</b>
<b>Other comprehensive (loss)/ income</b>		
Foreign currency revaluation	(54,732)	(8,554)
<b>Total other comprehensive (loss)</b>	<b>(54,732)</b>	<b>(8,554)</b>
<b>Total comprehensive (loss)/ income</b>	<b>992,273</b>	<b>(2,544,748)</b>
<b>Attributable to:</b>		
Equity holders of the parent	1,036,734	(2,540,171)
Non-controlling interest	10,271	3,977
<b>TOTAL</b>	<b>1,047,005</b>	<b>(2,536,194)</b>
<b>Comprehensive (loss)/ income attributable to:</b>		
Equity holders of the Parent entity	982,000	(2,548,725)
Non-controlling interest	10,271	3,977
<b>TOTAL</b>	<b>992,273</b>	<b>(2,544,748)</b>
<b>Earnings per share attributable to the equity holders of the Parent entity (EUR per share)</b>		
– Earnings per share	0,10	(0,27)

## STATEMENT OF CHANGES IN EQUITY

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

## STATEMENT OF CASH FLOWS

	Group 2015 EUR	Group 2014 EUR
<b>OPERATING ACTIVITIES</b>		
<b>Net (loss)/ profit before taxation</b>	<b>1,442,554</b>	<b>(1,901,196)</b>
<i>Adjustments to reconcile net profit to net cash provided by operating activities:</i>		
Depreciation and amortization	5,897,562	5,177,710
(Gain) / loss on disposal of fixed assets and intangible assets	(104,601)	(26,559)
Revenue from the EU funds	(859,499)	(756,484)
Interest expense	659,042	299,901
Interest income	(295,870)	(164,655)
<i>Changes in operating assets and liabilities:</i>		
Inventory	(796,562)	(7,014,645)
Debtors	(471,716)	503,227
Creditors	(3,965,089)	11,215,882
<b>Gross cash provided by operating activities</b>	<b>1,505,821</b>	<b>7,333,181</b>
Corporate income tax paid	1,758,382	(1,527,517)
<b>Net cash provided by operating activities</b>	<b>3,264,203</b>	<b>5,805,664</b>
<b>INVESTING ACTIVITIES</b>		
Purchase of fixed assets and intangible assets	(3,612,998)	(3,654,919)
Proceeds from sale of fixed assets	-	550
Purchase of long term financial investments	(141,829)	(116,684)
Other loans	(42,568)	(1,500,000)
<b>Net cash used in investing activities</b>	<b>(3,797,395)</b>	<b>(5,271,053)</b>
<b>FINANCING ACTIVITIES</b>		
Received loans from credit institutions	10,206,727	1,785,006
Repaid loans to credit institutions and leasing payments	(1,932,062)	(3,425,558)
EU financing received	274,781	-
Repaid dividends	(9,000,000)	-
Interest paid	(482,844)	(299,901)
<b>Net cash (used in) /provided by financing activities</b>	<b>(933,398)</b>	<b>(1,940,453)</b>
<b>Net increase in cash and cash equivalents from acquisition of subsidiary</b>	<b>-</b>	<b>20,906</b>
<b>Net (decrease)/ increase in cash and cash equivalents</b>	<b>(1,466,590)</b>	<b>(1,384,936)</b>
<b>Cash and cash equivalents at the beginning of the year</b>	<b>2,191,088</b>	<b>3,576,024</b>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR</b>	<b>724,498</b>	<b>2,191,088</b>

# INDEPENDENT AUDITORS' REPORT



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Reģ. Nr. 4010388857  
Kaļķu iela 15-3B  
Rīga, LV-1050, Latvija

## NEATKARĪGU REVIDENTU ZIŅOJUMS

### AS "Grindeks" akcionāriem

#### Ziņojums par finanšu pārskatu

Mēs esam veikuši pievienotajā AS "Grindeks", reģ. Nr. 40003034935, (turpmāk tekstā "Sabiedrība") 2015. gada pārskatā ietvertā finanšu pārskata un AS "Grindeks" un tās meitas sabiedrību (turpmāk tekstā "Koncerns") konsolidētā finanšu pārskata, kas atspoguļots no 11. līdz 39. lappusei, revīziju. Revidētais finanšu pārskats ietver Sabiedrības un Koncerna 2015. gada 31. decembra pārskatu par finanšu stāvokli, 2015. gada pārskatu par visaptverošo ienākumu, pašu kapitāla izmaiņu pārskatu un naudas plūsmas pārskatu, kā arī nozīmīgu grāmatvedības uzskaites principu kopsavilkumu un citu paskaidrojošu informāciju pielikumā.

#### Vadības atbildība par finanšu pārskata sagatavošanu

Vadība ir atbildīga par šī finanšu pārskata sagatavošanu un tajā sniegtās informācijas patiesu atspoguļošanu saskaņā ar Eiropas Savienībā pieņemtajiem Starptautiskajiem finanšu pārskatu standartiem, kā arī par tādu iekšējo kontroli, kādu vadība uzskata par nepieciešamu, lai nodrošinātu finanšu pārskata, kas nesatur ne krāpšanas, ne kļūdu izraisītas būtiskas neatbilstības, sagatavošanu.

#### Revidentu atbildība

Mēs esam atbildīgi par atzinumu, ko, pamatojoties uz mūsu veikto revīziju, izsakām par šo finanšu pārskatu. Mēs veicām revīziju saskaņā ar Starptautiskajiem revīzijas standartiem. Šie standarti nosaka, ka mums jāievēro ētikas prasības un jāplāno un jāveic revīzija tā, lai iegūtu pietiekamu pārliecību par to, ka finanšu pārskatā nav būtisku neatbilstību.

Revīzija ietver procedūras, kas tiek veiktas, lai gūtu revīzijas pierādījumus par finanšu pārskatā uzrādītajām summām un atklāto informāciju. Procedūras tiek izvēlētas, pamatojoties uz revidentu profesionālu vērtējumu, ieskaitot krāpšanas vai kļūdu izraisītu būtisku neatbilstību riska novērtējumu finanšu pārskatā. Veicot šo riska novērtējumu, revidenti ņem vērā iekšējo kontroli, kas izveidota, lai nodrošinātu finanšu pārskata sagatavošanu un tajā sniegtās informācijas patiesu atspoguļošanu, ar mērķi noteikt apstākļiem piemērotas revīzijas procedūras, bet nevis lai izteiktu atzinumu par kontroles efektivitāti. Revīzija ietver arī pielietoto grāmatvedības uzskaites principu un vadības veikto grāmatvedības aplēsu pamatotības izvērtējumu, kā arī finanšu pārskata vispārējā izklāsta izvērtējumu.

Uzskatām, ka mūsu iegūtie revīzijas pierādījumi ir pietiekami un atbilstoši mūsu revidentu atzinuma ar iebildi izteikšanai.

#### Pamatojums atzinumam ar iebildi

Kā norādīts finanšu pārskata 6.pielikumā, Sabiedrības un Koncerna aktīvu sastāvā postenī "Pircēju un pasūtītāju parādi" 2015. gada 31. decembrī ir ietverti debitoru parādi, par kuru atgūstamību, ierobežotas informācijas pieejamības dēļ, mēs nevarējām iegūt pietiekamus un atbilstīgus revīzijas pierādījumus. Līdz ar to mēs nevarējām noteikt, vai būtu nepieciešami kādi labojumi summām, kas norādītas atsevišķajos un konsolidētajos finanšu pārskatos attiecībā uz pircēju un pasūtītāju parādiem, peļņu vai zaudējumiem un pašu kapitālu.

#### Atzinums ar iebildi

Mūsaprāt, izņemot šī ziņojuma sadaļā "Pamatojums atzinumam ar iebildi" minētā jautājuma iespējamo ietekmi, iepriekš minētais finanšu pārskats sniedz patiesu un skaidru priekšstatu par Sabiedrības un Koncerna finansliālo stāvokli 2015. gada 31. decembrī, kā arī par to darbības finanšu rezultātiem un naudas plūsmām 2015. gadā saskaņā ar Eiropas Savienībā pieņemtajiem Starptautiskajiem finanšu pārskatu standartiem.

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### Ziņojums par citu Juridisko un regulējošo prasību izpildi

Mēs esam iepazinušies arī ar vadības ziņojumu par 2015. gadu, kas atspoguļots pievienotajā 2015. gada pārskatā no 7. līdz 9. lappusei, un nesam atklājuši būtiskas neatbilstības starp šajā vadības ziņojumā un 2015. gada finanšu pārskatā atspoguļoto finanšu informāciju.

SIA "BDO Audit"  
zvērinātu revidentu komercsabiedrība  
Licence Nr. 176

Guntis Darkeviča  
Valdes locekle  
LR zvērināta revidente  
Sertifikāts Nr. 165

Rīga, Latvija,  
2016. gada 29. aprīlī



BDO Audit SIA ir Apvienotās Karalistes kompānijas BDO International Limited partnerfirma un ietilpst BDO neatkarīgo partnerfirmu starptautiskajā tīklā. BDO ir kopējā BDO tīkla un katras atsevišķas šī tīkla partnerfirmas zīmols.



# MANUFACTURING

Vertically integrated or full pharmaceutical manufacturing cycle – from active pharmaceutical ingredients to final dosage forms, ensured by the manufacturing units of both final dosage forms and active pharmaceutical ingredients, equipped with the latest technologies that conform to standards of “Good Manufacturing Practice”.

## MANUFACTURING OF FINAL DOSAGE FORMS

Final dosage forms – tablets, capsules, injections, ointments, gels, syrups

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Manufacturing units in Latvia, Estonia and Slovakia

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Manufacturing capacity – up to 1.5 billion tablets, 500 million capsules, 70 million ampoules, 20 million tubes and 1 million syrup packages per year

## MANUFACTURING OF ACTIVE PHARMACEUTICAL INGREDIENTS

Manufacturing capacity – 200-250 tons per year

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Reactors in a volume of 10-8000 litres

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11 manufacturing facilities

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24 substances in manufacturing



## PRODUCT

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

The main therapeutic groups are heart and cardiovascular medication, anti-cancer and central nervous system affecting medication, however the company is also working on other therapeutic groups – cough and cold medication, as well as gastrointestinal medication.

Sales volume of “Grindeks” final dosage forms in 2015 was 74.7 million euros and has decreased, if compared to previous year, by 4.3 million euros or 5.4%. The main index decline was due to the decrease of local currency values and the devaluation in many of CIS countries, decrease of the purchasing power and business volume.

## THE MOST DEMANDED PRODUCTS OF "GRINDEKS"

### **Mildronate®**

Anti-ischemic metabolic agent for heart and cardiovascular diseases, for example, angina pectoris, chronic heart failure and ischemic cerebrovascular disorders. It is recommended in case of reduced work capacity, physical and psycho-emotional overload.

### **Ftorafur®**

Cytostatic medication for therapy of bowel and breast cancer.



## PRESCRIPTION MEDICATION

### **Somnol®**

Cyclopyrrolone group sleep medication for treatment of temporary, short-term insomnia and chronic insomnia.

### **Oxytocin-Grindeks**

Hormone that is used as the medicament to facilitate childbirth, reduce postpartum bleeding and to stimulate breast feeding.

### **Rispaxol®**

Antipsychotic medication for the treatment of schizophrenia and bipolar affect disorders.

### **Cyclodol®**

Antiparkinsonian agent for correcting extrapyramidal disorders.



## OVER-THE-COUNTER MEDICATION

### **Viprosal B® ointment**

*packaging of 30g and 50g*

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

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### **Capsicam® ointment**

*packaging of 30g and 50g*

Analgesic and warming remedy for muscle and joint pain relief.

---

### **Sulfargin® ointment**

*packaging of 50g and 500g*

Ointment with antimicrobial activity for infected burn treatment and prevention of infection, as an aid in case of infected trophic ulcers and bedsores, as well as infection prevention for skin donors and patients with an array of skin abrasions.



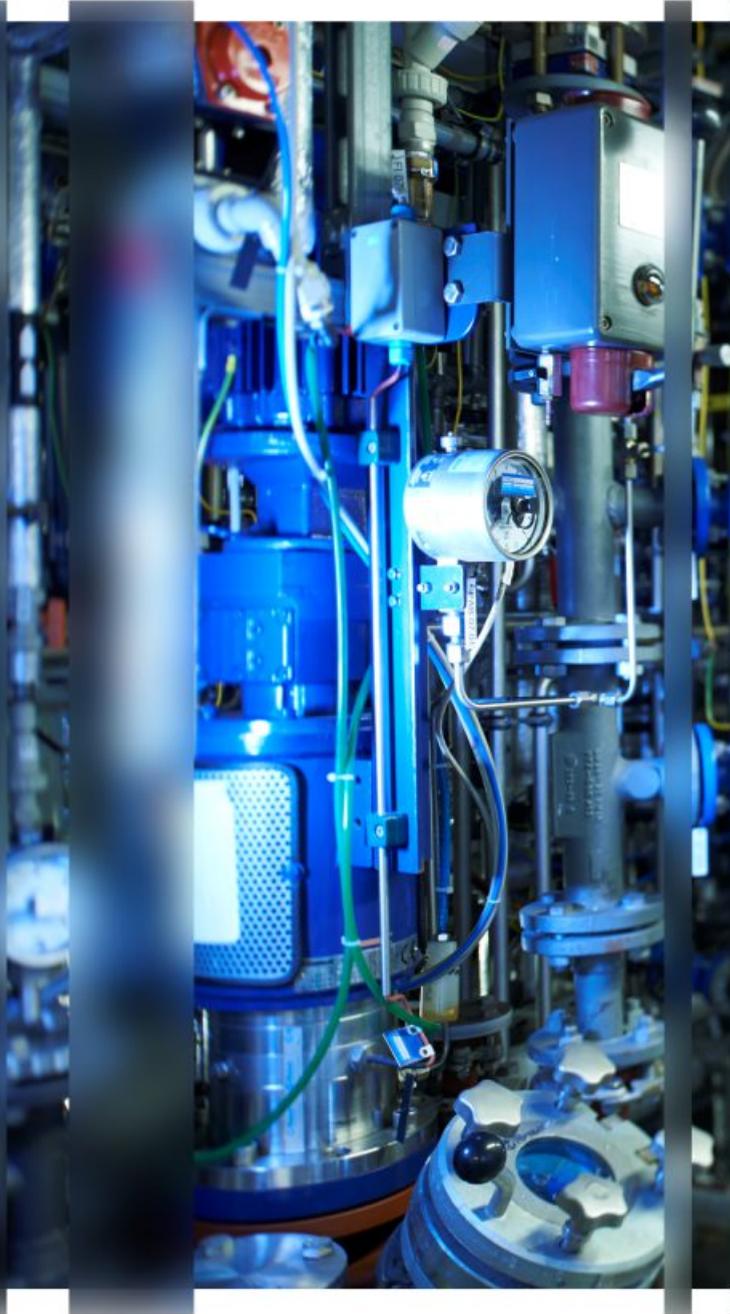


## DIETARY SUPPLEMENTS

### **Apilak-Grindeks**

10 mg, 25 tablets

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



## ACTIVE PHARMACEUTICAL INGREDIENTS

"Grindeks" is manufacturing active pharmaceutical ingredients for both the manufacturing of final dosage forms within the company and for export purposes to other pharmaceutical companies. The company offers intricate products created as a result of multi-stage synthesis. "Grindeks" is manufacturing a total of 24 APIs, 18 of them are manufactured for clients needs.

Sales amount of "Grindeks" active pharmaceutical ingredients reached 7.2 million euros in 2015, which is by 1.8 million euros or 20.3% less than in 2014. The most demanded APIs of "Grindeks" in 2015 were oxytocin, zopiclone, ftorafur, detomidine and xylazine.

### API'S FOR HUMAN USE:

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

### API'S FOR VETERINARY USE:

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

## SERVICES

“Grindeks” opportunities to offer services to other pharmaceutical companies are increasing. The best known services of “Grindeks” are contract manufacturing and contract development of generic medication.

Contract development of generic medication is conducted in two ways:

- | fulfilling clients order on the product development and offering contract manufacturing of the respective product,
- | cooperating in the development, licensing and sales of generic medication.

For quality control “Grindeks” offers pharmaceutical product analysis, analytical method development and validation for external service needs. The company provides a control and release of pharmaceutical product series in EU and CIS markets. Product release in these markets is specific in requirements of the “Good Manufacturing Practice” standard, which includes product analysis, control and audit of manufacturing documentation.





# MARKETS

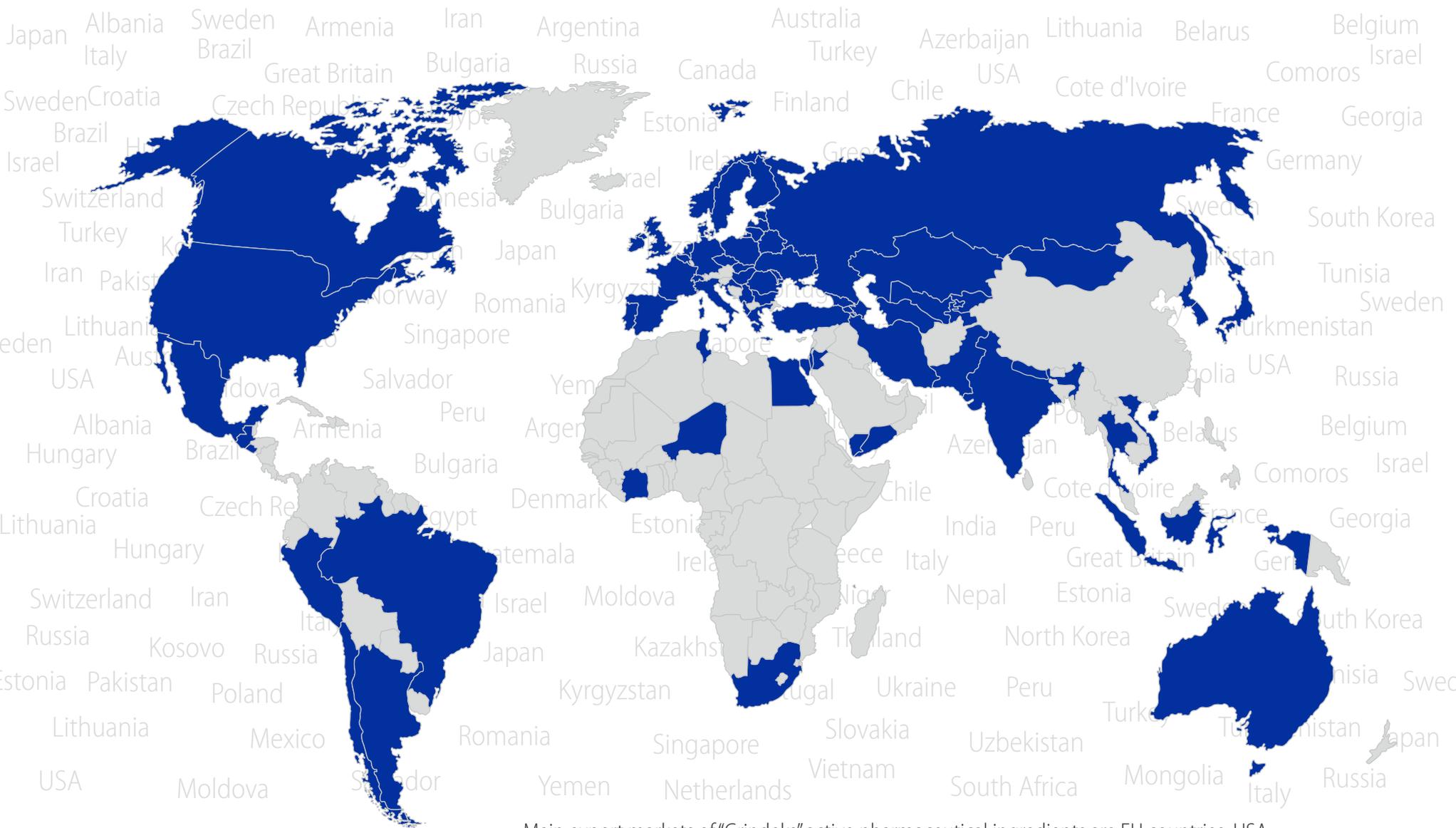
In 2015 “Grindeks” products were exported to 70 countries worldwide for a total of 74.2 million euros, which is by 8.7 million euros or 10.5% less than in 2014.

Despite high business risks – national currency fluctuations and devaluations, CIS countries and Georgia are very significant markets for sales of “Grindeks” products with well developed network of representative offices – Russia, Kazakhstan, Ukraine, Belarus, Moldova, Azerbaijan, Uzbekistan, Armenia, Tajikistan, Kyrgyzstan and Georgia.

The complicated situation in Russia and Ukraine was still the main factor affecting “Grindeks” performance in 2015. Unstable economic situation in Russia, Ukraine, Kazakhstan, Belarus, Kyrgyzstan, Uzbekistan, Tajikistan, Azerbaijan and Georgia were affected by significant value decrease of local currency, decrease of the purchasing power and business volume. Pharmaceutical companies, including “Grindeks” cooperation partners, decreased import volumes, as well as optimized their warehouse stock.

Final dosage forms sales volume in Russia, other CIS countries and Georgia reached 41.3 million euros in 2015, which is by 19.2 million euros or 31.8% less than in 2014. If compared to 2014, the most significant sales volume increase was in Georgia – by 25% and in Turkmenistan by 37%.

To decrease business risks in CIS countries, “Grindeks” launched an ambitious expansion into new markets already back in 2014. Because of the business diversification strategy and business development in new markets, final dosage forms sales volume in the Baltic States and other countries reached 33.4 million euros in 2015, which is by 14.9 million euros or 1.8 times more than in 2014. Sales volume in the Netherlands, if compared to 2014, increased 14.1 times, in Norway – 3.3 times, while in Vietnam increased 2.2 times and in Poland – 1.8 times. In 2015 “Grindeks” began export of final dosage forms to France, reaching sales volume of 0.5 million euros, as well as to Canada, reaching sales volume of 0.3 million euros. Outstanding sales results in 2015 were achieved in a local market – Latvia, where sales volume, if compared to 2014, increased by 41.6%.



Main export markets of “Grindeks” active pharmaceutical ingredients are EU countries, USA, Canada, India and Japan. For a supply of active pharmaceutical ingredients, “Grindeks” is cooperating with globally recognized pharmaceutical companies – “DECHRA Manufacturing” (the Netherlands), “Taiho Pharmaceutical” (Japan), “GDL International” (USA), “Mylan” (France/Ireland), “Bayer Helthcare” (Germany), “Teva” (the Netherlands), “Daiichi-Sankyo” (Japan) and others.

# PERSONNEL POLICY

Average number of employees in the Group **965**

Employees with the university degree **74%**

Average age of employees **40,7** years

Average length of service at the company **7,8** years



## “GRINDEKS” BUSINESS PHILOSOPHY IS CLOSELY LINKED TO FOUR CORE VALUES OF THE COMPANY:



EMPLOYEES



INNOVATION



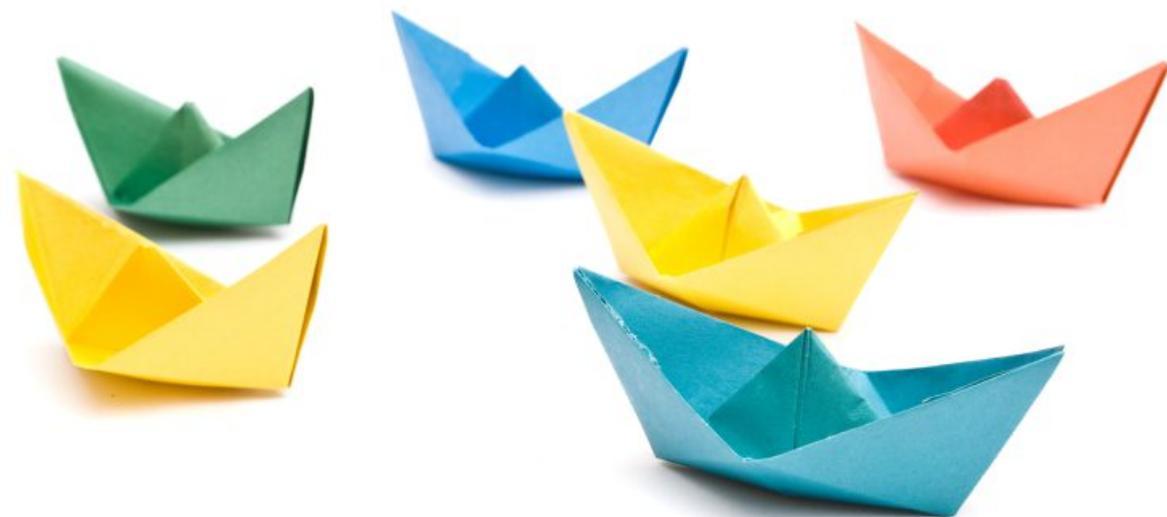
QUALITY



STABILITY

It stimulates the growth of the company, contributing to the competitiveness and forms the company's internal culture. As one of the values are professional and target-minded employees, the Personnel Policy strategy over the years has been based on thought out employment in relation to the pursued business goals, development of professional competences, wage policies, labour quality assessment and career development, focusing on ensuring motivational work environment. In order for “Grindeks” to achieve pursued business goals in future and increase competitiveness, the evaluation process of necessary labour force and evaluation of future competences began in 2015. This enables the company to become more flexible and also cost effective.

One of the company's personnel policy goals is to raise recognition of it, promote interest of exact sciences among youth, as well as career opportunities in the future. In 2015 the company continued the traditional “Grindeks” Profession Days for Pupils. The project had particularly high responsiveness – applications were submitted by 160 pupils from 42 cities and regions of Latvia. Based on motivation letters for the project, 40 pupils from different regions of Latvia were chosen. They got to know professions of “Grindeks” employees and their everyday routine, and how the pharmaceutical company is running; also they were given an opportunity to ask questions about work environment and necessary education directly to employees of the company. Throughout the 2015 a total of 75 trainees from schools and universities in Latvia and abroad were given the opportunity to practice in the company, which gave students the opportunity to develop practical skills in the chosen future profession. To understand the company's operations better and to encourage young people to choose the company as their employer, “Grindeks” provided tours of the company's manufacturing units and laboratories to 316 youngsters from 17 schools and universities.



## SOCIAL POLICY

One of the “Grindeks” additional motivating factors for its employees is the implemented personnel Social Policy of the company, which ensures employees with social guarantees, benefits, employees' health and accident insurance. In addition, the company ensures the catering compensation in canteen of the company, free of charge transportation for employees, paid holidays, educational leave for those who are continuing to work, while successfully acquire higher education in specialities necessary for the company, holiday on a special occasion day of each employee, the company's sports centre is available for various sports enthusiasts, mixed choir “Grindeks” and other possibilities.

Many important issues of employees are dealt with in a social dialogue between “Grindeks” management and Employees' Trade Union, which is present since the foundation of the company.

The company's Personnel Policy has gained recognition not only among employees, but also among other residents of Latvia. In 2015, in the survey “Top employer”, “Grindeks” was recognised as the second most desired employer in manufacturing sector.



# COMMUNICATION POLICY

Communication policy of “Grindeks” is closely linked to business strategy and goals of the company. The company is implementing an integrated communication approach using broad and comprehensive communication with audiences, interaction of different communication channels and methods, as well as feedback.

Unified communication guidelines are binding in all countries where the company is present, as communication plays an important role in both – business goals and in strengthening the company's image and reputation, which is very important in pharmaceutical business.

“Grindeks” performance is annually evaluated by several studies important for society and the company often receives various awards. In 2015 “Grindeks” scored 9th place in Latvian business reputation top.



## THE MOST SIGNIFICANT COMMUNICATION PROJECTS IN 2015

### **“Grindeks” Profession Days for Pupils**

In the project “Profession Days for Pupils” which was organized by “Grindeks” for the sixth year, in 2015, a record number of applicants applied – 160 secondary school pupils from 42 cities and regions of Latvia.

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### **3rd Conference of Independent Latvian pharmacies**

To promote co-operation between manufacturers and pharmacists, and to discuss current events of health care, 70 managers of pharmacies and pharmacists attended the 3<sup>rd</sup> Conference of Independent Latvian pharmacies.

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### **“Grindeks” employees ring in Summer Solstice**

One of the “Grindeks” employees' traditions is a common ringing in of Summer Solstice. This year, employees danced merrily and sang Latvian folk songs along with “Riga dance club” (*Latvian – “Rīgas danču klubs”*).

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### **Pharmacy Museum and “Grindeks” organized “Wondrous World of Chemistry” within the framework of Riga City Festival**

Infotainment event was attended by more than 1 000 visitors. Everyone had the opportunity to watch exciting performances, participate in educational games about safety to be followed when in contact with drugs and household chemicals, as well as to engage in game of a healthy lifestyle.

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### **International scientifically practical conference that gathers leading oncologists from many countries**

The conference, whose main topic was practical aspects of oncologic therapy, was attended by 85 oncologists, radiation therapists and chemotherapists from Latvia, Lithuania, Russia, Ukraine, Kazakhstan, Belarus, Armenia, Azerbaijan, Moldova and Uzbekistan.

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### **Sergei Morozov – Governor of Russia's Ulyanovsk Region – visited “Grindeks”**

During the visit the letter of intent was signed between JSC “Grindeks” and Ulyanovsk region on cooperation in the field of pharmaceuticals.

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### **Satellite-seminar organised by “Grindeks” took place within the framework of the 8<sup>th</sup> International Congress of Neurologists BALCONE 2015**

Satellite-seminar attendees had the opportunity to listen to lecture “Stroke and depression” by associate Dr.med. Evija Miglane and lecture “Depression is present, be ready!” by docent of Riga Stradins University department of Psychiatry and Addiction Medicine Dr.med. Lubova Renemane.

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### **“Grindeks” Fund “For the Support of Science and Education” greets participants of the 47<sup>th</sup> International Chemistry Olympiad**

For several years, “Grindeks” successfully cooperates with the Ministry of Education and Science – with support of “Grindeks” Fund “For the Support of Science and Education” the best chemistry secondary school pupils have been participating in international chemistry Olympiads for several years. In 2015 the Olympiad was held in capital of Azerbaijan – Baku.

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### **“Grindeks” participates in international exhibition “CPhI Worldwide 2015” in Madrid**

During the exhibition, representatives of the company discussed co-operation possibilities with existing partners, whilst presented company's products and services to potential co-operation partners.

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