

## MAJANDUSAASTA ARUANNE 2009

**aruandeaasta algus:** 01. jaanuar 2009

**aruandeaasta lõpp:** 31. detsember 2009

**ärinimi või sihtasutuse****nimi:** PAS Grindeks Eesti filiaal**registrikood:** 11025925

**tänava/talu nimi,**  
**maja ja korteri number:** Tondi 33

**küla/alev/alevik/linn:** Tallinn

**postsihtnumber:** 11316

**maakond:** Harjumaa

**telefon:** 6 120 224

**faks:** 6 120 331

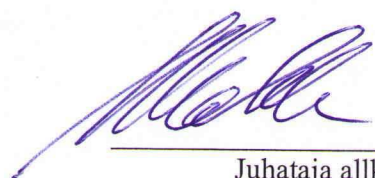
e-posti aadress: [myyk@tft.ee](mailto:myyk@tft.ee)

veebilehe aadress: [www.grindeks.lv](http://www.grindeks.lv)

## Põhitegevusala mujal liigitamata äritegevus

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Juhataja allkiri

## Tegevusaruanne

PAS Grindeks Eesti filiaali põhitegevusalaks on äriühingu toodete müügi edendamine ja koordineerimine Eesti turul. 2009. aastal oli filiaali tegevus finantseeritud Läti äriühingu GRINDEKS AS poolt 4 853 016 krooni väärtuses.

Aruandeaastal töötas filiaalis keskmiselt 7 inimest, kelle töötasude kogusumma moodustas 1 067 296 krooni. Juhatusel liikme tasu moodustas 351 679 krooni.



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Juhataja allkiri

## RAAMATUPIDAMISE AASTAARUANNE

### Juhatus kinnitus raamatupidamise aastaaruandele

Juhatus kinnitab PAS Grindeks Eesti filiaal-i 2009. a. raamatupidamise aastaaruande koostamise õigsust ja täielikkust.

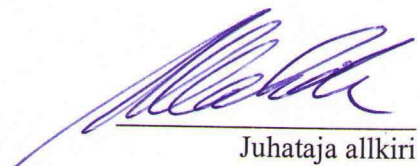
Juhatus kinnitab, et:

1. raamatupidamise aastaaruande koostamisel rakendatud arvestuspõhimõtted on vastavuses Eesti hea raamatupidamistavaga;
2. raamatupidamise aastaaruanne kajastab õigesti ja õiglaselt PAS Grindeks Eesti filiaal-i finantsseisundit, majandustulemust ja rahavoogusid;
3. kõik teadaolevad olulised asjaolud, mis on selgunud aruande valmimise kuupäevani, on raamatupidamise aastaaruandes nõuetekohaselt arvesse võetud ja esitatud;
4. PAS Grindeks Eesti filiaal on jätkuvalt tegutsev.



Juhataja  
(ees- ja perekonnanimi)

Tallinn, 29. juuni 2010

  
Juhataja allkiri

**Bilanss**

(eesti kroonides)

	<b>Lisa nr.</b>	<b>31.12.2009</b>	<b>31.12.2008</b>
<b>AKTIVA (VARAD)</b>			
<b>Käibevara</b>			
Raha		9 626	28 823
Nõuded ja ettemaksud			
Maksude ettemaksed ja tagasinõuded	2	35 386	31 237
Muud ettemaksed		36 433	8 061
Muud lühiajalised nõuded		1 687	325
Kokku		73 506	39 623
<b>Käibevara kokku</b>		<b>83 132</b>	<b>68 446</b>
<b>Põhivara</b>			
Inventar ja muud põhivarad	3	9 551	22 987
<b>Põhivara kokku</b>		<b>9 551</b>	<b>22 987</b>
<b>AKTIVA (VARAD) KOKKU</b>		<b>92 683</b>	<b>91 433</b>
<b>PASSIVA (KOHUSTUSED JA OMAKAPITAL)</b>			
<b>Kohustused</b>			
<b>Lühiajalised kohustused</b>			
Võlad ja ettemaksed			
Võlad tarnijatele		216 940	126 883
Võlad töövõtjatele	4	300 836	285 280
Maksuvõlad	2	73 886	81 667
Muud võlad		6 870	7 380
Kokku		598 532	501 210
<b>Lühiajalised kohustused kokku</b>		<b>598 532</b>	<b>501 210</b>
<b>KOHUSTUSED KOKKU</b>		<b>598 532</b>	<b>501 210</b>
<b>Omakapital</b>			
Eelmiste perioodide kasum/-kahjum		-409 777	-342 038
Aruandeaasta kasum (kahjum)		-96 072	-67 739
<b>OMAKAPITAL KOKKU</b>		<b>-505 849</b>	<b>-409 777</b>
<b>PASSIVA (KOHUSTUSED JA OMAKAPITAL) KOKKU</b>		<b>92 683</b>	<b>91 433</b>



Juhataja allkiri



**Kasumiaruanne**  
 (eesti kroonides)

**SKEEM 1**

	Lisa nr.	2009. a.	2008. a.
Müügitulu			
Muud äritulud *	5	4 853 016	4 309 412
Muud tegevuskulud		-2 370 666	-1 859 514
Tööjõu kulud		-2 335 300	-2 305 427
a) palgakulu		-1 595 307	-1 592 708
b) sotsiaalmaksud		-574 658	-570 032
c) töötuskindlustus		-13 682	-3 723
d) puhkusetasu reserv		-151 653	-138 964
Põhivara kulum	3	-13 436	-11 730
Muud ärikulud		-198 866	-164 828
<b>Ärikasum (-kahjum)</b>		<b>- 65 252</b>	<b>-32 087</b>
Finantstulud ja -kulud			
f) muud finantstulud ja -kulud		-30 820	-35 652
Kokku Finantstulud ja -kulud		<b>-30 820</b>	<b>-35 652</b>
<b>Kasum (kahjum) majandustegevusest</b>		<b>-96 072</b>	<b>-67 739</b>
<b>Kasum (kahjum) enne tulumaksustamist</b>		<b>-96 072</b>	<b>-67 739</b>
<b>Aruandeaasta puhaskasum (-kahjum)</b>		<b>-96 072</b>	<b>-67 739</b>

\*Muud äritulud summas 4 853 016 eesti krooni on Grindeks AS poolt filiaali tegevuse finantseerimine.


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 Juhataja allkiri

**Rahavoogude aruanne**  
(eesti kroonides)

	<b>Lisa nr.</b>	<b>2009. a.</b>	<b>2008. a.</b>
<b>Rahavood äritegevusest</b>			
Ärikasum		-65 252	-32 087
Põhivara kulum	3	13 436	11 730
Äritegevusega seotud nõuete ja ettemaksete muutus		-33 883	34 724
Äritegevusega seotud kohustiste ja ettemaksete muutus		97 322	50 038
<b>Kokku rahavood äritegevusest</b>		<b>11 623</b>	<b>64 405</b>
<b>Rahavood investeerimistegevusest</b>			
Saadud intressid		-30 820	-35 652
<b>Kokku rahavood investeerimistegevusest</b>		<b>-30 820</b>	<b>-35 652</b>
<b>Rahavood kokku</b>		<b>-19 197</b>	<b>28 753</b>
<b>Raha ja raha ekvivalendid perioodi alguses</b>		<b>28 823</b>	<b>70</b>
<b>Raha ja raha ekvivalentide muutus</b>		<b>-19 197</b>	<b>28 753</b>
<b>Raha ja raha ekvivalendid perioodi lõpus</b>		<b>9 626</b>	<b>28 823</b>

  
Juhataja allkiri

## Raamatupidamise aastaaruande lisad

### Lisa 1 Arvestuspõhimõtted

PAS Grindeks filiaal-i 2009. aasta raamatupidamise aastaaruanne on koostatud kooskõlas Eesti hea raamatupidamistavaga, mida täiendavad väljaantavad Raamatupidamise Toimkonna juhendid.

PAS Grindeks Eesti filiaal kasutab kasumiaruande koostamisel kasumiaruande skeemi nr. 1

Raamatupidamise aastaaruanne on koostatud eesti kroonides.

### Raha ja raha ekvivalendid

Raha ja raha ekvivalentidena kajastatakse raha kassas ja pangas, nõudmiseni hoiuseid ja lühiajalisi pangadeposiite. Rahavoogude aruandes kajastatakse rahavoogusid äritegevusest kaudsel meetodil. Investeerimis- ja finantseerimistegevusest tulenevaid rahavoogusid kajastatakse otsemeetodil.

### Rahavoogude aruanne

Rahavoogude aruanne on koostatud kaudsel meetodil – äritegevuse rahavoogude leidmisel on korrigeeritud ärikasumit elimineerides mitterahaliste tehingute mõju ja äritegevusega seotud käibevarade ning lühiajaliste kohustuste saldode muutused.

### Puhkusetasude reserv

Puhkusetasu kulu on kajastatud kohustuse tekkimise perioodil. Puhkusetasu reservi korrigeeritakse üks kord aastas – aruandeaasta lõpul. Väljateenitud puhkusetasu kajastatakse kasumiaruandes kuluna ning bilansis on võetud arvele lühiajalise kohustusena töövõtjate ees.

### Materiaalne põhivara

Materiaalse põhivara kajastamisel bilansis on selle soetusmaksumusest maha arvatud akumuliseeritud kulum ja vara väärtuse langusest tulenevad allahindlused.

Olulisuse printsiibist lähtudes kajastatakse põhivarana need varaobjektid, mille soetusmaksumus ületab 1191 (50 LV) krooni ja mille kasulik eluiga on üle ühe aasta. Madalama soetusmaksumusega või lühema kasuliku elueaga varaobjektid kantakse kasutusse võtmisel kuluks ning nende üle peetakse arvestust bilansiväliselt.

Ettevõtte kasutab materiaalse põhivara amortiseerimisel lineaarset meetodit.



Juhataja allkiri



**Lisa 2 Maksud ja maksuviivised**

(eesti kroonides)

Bilansis näidatud maksude võlgnevus 73 886 krooni ning maksude ettemaks summas 35 386 krooni moodustatud järgmistest maksuliikidest:

Maksuliik	31. detsember 2009		31. detsember 2008	
	ettemaks	võlg	ettemaks	võlg
Ettevõtte tulumaks	0	1 776	0	1 765
Käibemaks	35 386	0	31 237	0
Sotsiaalmaks	0	41 464	0	57 014
Töötuskindlustusmaks	0	5 814	0	1 065
Kogumispensionimaks	0	0	0	1 268
Kinnipeetud tulumaks	0	24 832	0	20 555
Intressid	0	0	0	0
<b>Kokku</b>	<b>35 386</b>	<b>73 886</b>	<b>31 237</b>	<b>81 667</b>

**Lisa 3 Materiaalne põhivara**

(eesti kroonides)

	Muu materiaalne põhivara (inventar)	Kokku
Seisuga 31.12.2008		
-soetusmaksumus	58 311	58 311
-akumuleeritud kulum	-23 594	-23 594
-jääkmaksumus	22 987	22 987
<b>Akumuleeritud kulum</b>		
Majandusaasta kulum	-13 436	-13 436
Saldo 31. detsembril 2009	-13 436	-13 436
Seisuga 31.12.2009		
-sotusmaksumus	22 987	22 987
-akumuleeritud kulum	-13 436	-13 436
-jääkmaksumus	9 551	9 551



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**Lisa 4 Võlad töövõtjatele**

(eesti kroonides)

	<b>2009</b>	<b>2008</b>
Palk	128 343	122 927
Puhkuse kohustus	128 343	121 877
Puhkuse kohustuse sotsiaalmaks	42 353	40 219
Puhkuse kohustuse töötuskindlustus	1 797	257
<b>Kokku</b>	<b>300 836</b>	<b>285 280</b>

**Lisa 5 Muud äritulud**

(eesti kroonides)

	<b>2009</b>	<b>2008</b>
Muud äritulud	4 853 016	4 309 412
<b>Kokku muud äritulud</b>	<b>4 853 016</b>	<b>4 309 412</b>

Muud äritulud summas 4 853 016 eesti krooni on Grindeks AS poolt filiaali tegevuse finantseerimine.

**Lisa 6 Seotud osapooled**

PAS Grindeks Eesti filiaal ei ole tegev- ja kõrgemale juhtkonnale arvestanud tasusid ja muid olulisi soodustusi



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Juhataja allkiri

**Majandusaasta kasumi jaotamise ettepanek**

PAS Grindeks Eesti filiaali juhataja teeb üldkoosolekule ettepaneku jaotada 2009. aasta puhaskahjum summas -96 072 eesti krooni alljärgnevalt:

1. jaotamata kahjum -96 072 eesti krooni
2. Ühtlasi teeb juhatuse ettepaneku maksta osanikele kuni 31. detsembrini 2010 kogunenud jaotamata kasumist dividende summas 0 eesti krooni.

Eelmiste perioodide jaotamata kasumi jääk 31.12.2008	-409 777
Aruande puhaskahjum	-96 072
Reservfondi moodustamiseks	0
Dividendideks	0
Dividendi tulumaks	0
Jaotamata kahjum 31.12.2009	-505 849



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Juhataja allkiri

**Tegevjuhtkonna, juhatuse allkirjad 2009. majandusaasta aruandele**

PAS Grindeks Eesti filiaali 2009. a majandusaasta aruande, mis on kinnitatud juhataja poolt, allkirjastamine 29. juuni 2010:

Karvo Kalde

Juhataja  
(ees- ja perekonnanimi)

Kalde 12  
Juhataja allkiri



**Joint Stock Company “Grindeks”**

*Financial statements,  
prepared in accordance with International  
Financial Reporting Standards  
as adopted by the European Union  
for the year ended 31 December 2009  
and Independent Auditor’s Report*

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## JSC "GRINDEKS"

### ANCILLARY INFORMATION

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Name	"GRINDEKS"
Legal status	Joint Stock Company since 25 August 1997
Number, place and date of registration	40003034935, Riga, Republic of Latvia, 11 October 1991
Business activities	Production of pharmaceutical products, medical products and phytochemical medicine
Legal address	53 Krustpils Street Riga, LV – 1057 Latvia
Subsidiaries	JSC "Tallinn Pharmaceutical Plant" (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
Associate	Biznesa centrs "Zakusala" Ltd. (22%)
Reporting year	1 January 2009 – 31 December 2009
Previous reporting year	1 January 2008 – 31 December 2008
Name and address of the auditors	BDO Invest Riga License No. 112 19/1 Pulkveza Brieza Street Riga, LV-1010 Latvia  Aivars Putnins Certified auditor Certificate No. 123

**THE BOARD AND THE SUPERVISORY COUNCIL**

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**Board of the Company**

*(In compliance with the election/dismissal dates)*

Since 13 October 2008 to the date of issuing the financial statements:

<u>Name</u>	<u>Position</u>	<u>Ownership interest (%)</u> *
Janis Romanovskis	Chairman of the Board	0.03
Vadims Rabša	Board member	0.00
Lipmans Zeligmans	Board member	0.00

*\*Latvian Central Depository data as of 15 April 2010*

**Supervisory Council of the Company**

*(In compliance with the election/dismissal dates)*

Since 22 February 2008 to 13 April 2010

<u>Name</u>	<u>Position</u>	<u>Ownership interest (%)</u> *
Kirovs Lipmans	Chairman of the Supervisory Council	33.29
Vitalijs Gavrilošs	Vice-Chairman of the Supervisory Council	11.30
Uldis Osis	Member of the Supervisory Council	0.00
Janis Naglis	Member of the Supervisory Council	0.00
Anna Lipmane	Member of the Supervisory Council	16.69

*\*Latvian Central Depository data as of 25 May 2009*

Since 13 April 2010 to the date of issuing the financial statements:

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

*\*Latvian Central Depository data as of 15 April 2010*



### **Mode of activity**

In the accounting period the "Grindeks" Group consisted of JSC "Grindeks" and its four subsidiaries: JSC "Tallinn Pharmaceutical Plant" in Estonia, JSC "Kalceks", "Namu Apsaimniekošanas projekti" Ltd. in Latvia and "Grindeks RUS" Ltd. in Russia (altogether hereinafter referred to as "the Group"). Main activity of the Group is research, development, manufacturing and sales of original products, generics and active pharmaceutical ingredients.

### **Group's activity during accounting period**

Group's turnover amounted to 53.6 million lats in 2009, which is by 8.5 million lats or 13.7% less than in 2008. In its turn, net profit related to the shareholders of the holding company, amounted to 3.6 million lats in the accounting period, which is by 60.0% less in comparison with 2008.

During the accounting period, gross profit margin of the Group was 49.8%, whereas, net profit margin comprised 6.7%. Products of the Group, manufactured during the accounting period, were exported to 44 states worldwide for the total amount of 50.8 million lats, which is by 8.5 million lats or 14.3% less than in 2008.

In 2009 ROE was 7.2%; ROA was 6.5%; liquidity was 2.25.

Main factor, which essentially influenced the turnover of the Group and the decrease of the profit, comparing to 2008, was the global economic recession, which stimulated overall decrease of consumer purchasing power and thereby also the decline in demand for both: "Grindeks" final dosage forms and active pharmaceutical ingredients in the veterinary product market. Also the results of the Group were influenced by devaluation of the national currency in Russia and several other CIS countries. Additional load was caused by changing the rules of the pharmaceutical market last year – the tendency of distributors to decrease the medical supplies in storehouses and to postpone the previously agreed purchasing terms.

Summer months of 2009 were the least profitable, however since the fourth quarter of 2009 and in the beginning of 2010 there is a positive increase of the demand of "Grindeks" goods.

### **Sales of final dosage forms**

Group's sales volume of the final dosage forms was 48.2 million lats in 2009, which is by 8.7 million lats or 15.2 % less compared with 2008. In 2009 the sales volume of final dosage forms to the CIS countries, including Russia, which are the main markets of the final dosage forms, comprised 41.9 million lats.

In 2009 the biggest decrease of the sales of final dosage forms was observed in Belarus, Kazakhstan and Russia. Purposefully strengthening the marketing and sales activities, there have been positive changes in Russia and Kazakhstan starting with last October. In its turn, in Belarus, where the foreign currency reserves have decreased significantly and the import of medications is limited essentially, the situation has not changed yet.

In the environment of the tense economic situation the turnover in the Baltic States and in other European countries was 6.3 million lats in 2009, which is by 2.2% more than in 2008.

### **Sales of active pharmaceutical ingredients**

Main export markets for active pharmaceutical ingredients (hereinafter referred to as "APIs") produced by the Group are Europe, Japan, the USA, Australia, Pakistan and India. Overall APIs export amounted to 5.3 million lats in 2009, which is by 3.9% more than in 2008.

"Grindeks" concluded a multi-degree and long-term cooperation agreement with German pharmaceutical company "Marenis Pharma" and introduced in production a new API - ursodeoxycholic acid (UDCA), which is used for manufacturing of final dosage forms in the treatment of hepatic and gallstone diseases.

### **Investment program**

In January of 2009 "Grindeks" opened a new final dosage forms plant, which is the most considerable investment project in the history of the company. Expansion and modernization of the final dosage forms plant was performed within 2 years and 9.1 million lats were invested in total.

In June of 2009, taking care of the protection of environment, "Grindeks" opened a new industrial sewage purification plant, where the principle of biological purification is implemented and the most modern technologies installed. Principle of biological purification is the most modern and environmentally friendly way of sewage purification in chemical industry. In total, 2.5 million lats were invested in the project.

In order to ensure regular development and manufacturing of the UDCA API, "Grindeks" has started construction of a new manufacturing unit. The construction will be completed in 1.5 - 2 years and it is planned to invest almost 6 million lats.

## MANAGEMENT REPORT

In 2009 "Grindeks" continued and in 2010 successfully finished an international clinical trial on the influence of the brand product Mildronate® on the treatment of angina. Results of the just-finished multinational clinical trial once more approve effectiveness and the high safety of Mildronate® in the treatment of angina in combination with the standard therapy. Results obtained will promote sales and registration of Mildronate® in new markets. "Grindeks" altogether invested 1.6 million lats in this research.

### Quality and environment protection

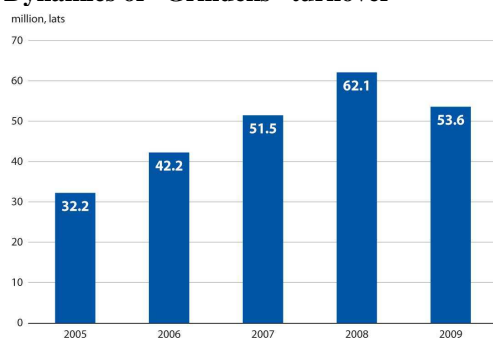
In 2009 "Grindeks" successfully passed 23 significant inspections and audits by Latvian and foreign state agencies of medicine and supervisory bodies of food supplement manufacturers, clients and institutions of environment protection. Audits of ISO9001 and ISO14001 recertification were performed successfully, as well as the Shared Third Party Audit by Certified Auditors of Active Pharmaceutical Ingredient Committee (APIC) on the request of "Grindeks" APIs customers. "Grindeks" is accepted as a supplier for 3 APIs - Droperidol, Oxytocin and Xylazine. In 2009 "Grindeks" implemented the newest requirements of European Union legislation in the field of pharmaceutical manufacturing - yearly product quality reports are issued, several quality agreements with contract manufacturers are concluded, as well as analysis of drug quality are performed by the most modern methods that are 2-4 times more effective than previously.

### Main financial data of "Grindeks" during five year period (2005-2009)

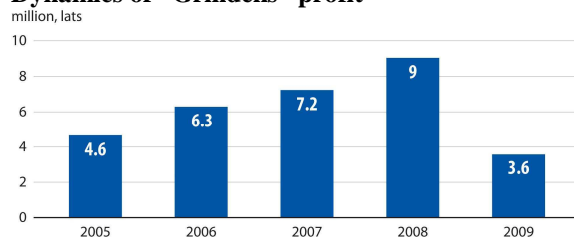
#### Development of "Grindeks" share price (Data of "NASDAQ OMX Riga")



#### Dynamics of "Grindeks" turnover



#### Dynamics of "Grindeks" profit



#### Development of "Grindeks" share price in 2009 (Data of "NASDAQ OMX Riga")

Since 2 January 2006 "Grindeks" shares are listed in the Official list of "NASDAQ OMX Riga". Fluctuation of "Grindeks" share price on "NASDAQ OMX Riga" during the accounting period was within the limits from 1.55 lats to 5.09 lats per share. In 2009 the average price of "Grindeks" shares was 2.80 lats. Total quantity of "Grindeks" shares,

**MANAGEMENT REPORT**

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traded in “NASDAQ OMX Riga” during the accounting period, was 1 059 348 shares, whereas turnover amounted to 2.97 million lats. As of 31 December 2009 the capitalization of “Grindeks” reached 36.42 million lats.



Profit per share for the year ended 31 December 2009 amounted to 0.37 lats as compared to 0.94 lats during the same period in 2008.

**Future expectations**

Overcoming the global economic recession of 2009, in 2010 “Grindeks” plans to regain the increment rate of the previous years. Therefore, to organize effectively the diverse pharmaceutical business and to achieve the business goals, “Grindeks” tactics will be:

- flexible approach in the changing market situation;
- cooperation with the secure business partners in every separate market;
- strict control of expenses, as well as optimization of manufacturing and resources;
- determined diversification of business actions:
  - introduction of new products;
  - entrance into new markets;
  - increase of production capacity, offering manufacturing services to other companies;
- investments for future – new business projects, research, development of medications.

**Corporate Governance Report** of JSC “Grindeks” is submitted to “NASDAQ OMX Riga” together with *Grindeks* audited consolidated financial report of 2009.

On behalf of the Group Management:

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Janis Romanovskis  
Chairman of the Board  
27 April 2010

**STATEMENT OF MANAGEMENT RESPONSIBILITIES**

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The Board of JSC “Grindeks” (hereinafter - the Company) is bearing the responsibility for preparation of the consolidated year financial statements of the Company and its subsidiaries (hereinafter the Group). Independent auditors have not audited year financial statements of the Group.

The consolidated year financial statements, enclosed from the page 9 to the page 37, are prepared in accordance with the accounting records and source documents, presenting fairly the financial position of the Group as of 31 December 2009 and the results of its operations and cash flows for the twelve-months period ended 31 December 2009.

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

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

On behalf of the Group Management:



Janis Romanovskis  
Chairman of the Board  
27 April 2010

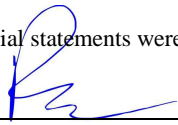


**JSC "GRINDEKS"**
**BALANCE SHEET  
AS OF DECEMBER 2009**

	Notes	Group 31.12.2009 LVL	Group 31.12.2008 LVL	Company 31.12.2009 LVL	Company 31.12.2008 LVL
<b>ASSETS</b>					
<b>Non-current assets</b>					
<b>Intangible assets</b>					
Software, patents, licenses, trademarks and other rights		491,500	369,105	487,163	369,005
Advance payments for intangible assets		295,178	61,495	295,178	61,495
<b>Total intangible assets</b>	2	<b>786,678</b>	<b>430,600</b>	<b>782,341</b>	<b>430,500</b>
<b>Tangible fixed assets</b>					
Land, buildings and constructions		16,358,280	7,139,276	13,360,559	5,716,230
Equipment and machinery		10,204,746	8,910,574	10,110,362	8,797,569
Other fixed assets		835,899	804,418	824,524	785,267
Construction in progress		3,405,717	13,144,030	-	9,560,714
Advance payments for fixed assets		2,386,423	685,242	2,367,693	649,771
<b>Total tangible fixed assets</b>	3	<b>33,191,065</b>	<b>30,683,540</b>	<b>26,663,138</b>	<b>25,509,551</b>
<b>Investment property</b>	4	<b>5,049,220</b>	<b>4,763,966</b>	-	-
<b>Non current financial investments</b>					
Investments in subsidiaries	5	-	-	6,986,582	6,155,706
Investments in associates		22,000	22,000	22,000	22,000
Other investments		710,335	84,118	710,335	84,118
<b>Total long-term financial investments</b>		<b>732,335</b>	<b>106,118</b>	<b>7,718,917</b>	<b>6,261,824</b>
<b>Total non-current assets</b>		<b>39,759,298</b>	<b>35,984,224</b>	<b>35,164,396</b>	<b>32,201,875</b>
<b>Current assets</b>					
<b>Inventories</b>					
Raw materials		3,147,807	1,830,040	2,028,556	1,575,634
Unfinished goods		1,848,574	1,993,927	1,848,574	1,514,033
Finished goods and goods for resale		5,567,468	3,332,771	1,934,830	3,116,557
Advance payments for goods		-	450	-	-
<b>Total inventories</b>		<b>10,563,849</b>	<b>7,157,188</b>	<b>5,811,960</b>	<b>6,206,224</b>
<b>Debtors</b>					
Trade receivables	6	19,148,974	18,026,541	12,464,886	11,003,582
Due from related parties		-	-	12,350,475	9,737,116
Other debtors	7	3,432,653	1,394,270	2,154,740	1,237,140
Other investments		741,893	-	735,543	-
Deferred expenses		174,661	152,124	121,646	46,670
<b>Total debtors</b>		<b>23,498,181</b>	<b>19,572,935</b>	<b>27,827,290</b>	<b>22,024,508</b>
<b>Cash and cash equivalents</b>	8	<b>116,412</b>	<b>868,796</b>	<b>59,536</b>	<b>229,135</b>
<b>Total current assets</b>		<b>34,178,442</b>	<b>27,598,919</b>	<b>33,698,786</b>	<b>28,459,867</b>
<b>TOTAL ASSETS</b>		<b>73,937,740</b>	<b>63,583,143</b>	<b>68,863,182</b>	<b>60,661,742</b>

The accompanying notes on pages 13 to 37 are an integral part of these financial statements.

The financial statements were signed on 27 April 2010 by:

  
Chairman of the Board  
Janis Romanovskis

**JSC "GRINDEKS"**
**BALANCE SHEET  
AS OF 31 DECEMBER 2009**

	Notes	Group 31.12.2009 LVL	Group 31.12.2008 LVL	Company 31.12.2009 LVL	Company 31.12.2008 LVL
<b>EQUITY AND LIABILITIES</b>					
<b>EQUITY</b>					
Share capital	9	9,585,000	9,585,000	9,585,000	9,585,000
Share premium		15,687,750	15,687,750	15,687,750	15,687,750
Other reserves		464,905	464,905	464,905	464,905
Foreign currency revaluation reserve		(117,972)	(40,036)	-	-
Retained profit/(accumulated loss)					
a) retained profit/(loss)		22,012,072	12,984,900	21,983,733	13,088,332
b) current year profit		3,568,060	9,027,172	3,513,315	8,895,401
<b>Equity attributable to equity holders of the parent</b>		<b>51,199,815</b>	<b>47,709,691</b>	<b>51,234,703</b>	<b>47,721,388</b>
<b>Minority interest</b>		<b>55,462</b>	<b>54,110</b>	<b>-</b>	<b>-</b>
<b>Total equity</b>		<b>51,255,277</b>	<b>47,763,801</b>	<b>51,234,703</b>	<b>47,721,388</b>
<b>LIABILITIES</b>					
<b>Non-current liabilities</b>					
Loans from credit institutions	10	3,324,869	4,471,843	1,999,258	3,146,232
Finance lease liabilities	11	1,230,828	1,102,339	681,476	581,627
Deferred income		1,084,826	1,209,953	1,084,826	1,209,953
Deferred tax liabilities	18(c)	1,827,506	1,509,328	1,164,476	861,873
<b>Total non-current liabilities</b>		<b>7,468,029</b>	<b>8,293,463</b>	<b>4,930,036</b>	<b>5,799,685</b>
<b>Current liabilities</b>					
Loans from credit institutions	10	7,241,415	2,123,016	7,241,415	2,123,016
Finance lease liabilities	11	332,263	228,949	332,263	228,949
Advances from customers		11,922	72,416	11,922	72,416
Trade accounts payable		6,435,314	3,811,221	4,118,873	3,738,382
Taxes and social security liabilities	13 (b)	253,627	367,012	164,549	188,574
Other payables		635,030	308,385	420,953	205,847
Accrued liabilities		88,444	490,574	192,049	459,179
Deferred income		216,419	124,306	216,419	124,306
<b>Total Current liabilities</b>		<b>15,214,434</b>	<b>7,525,879</b>	<b>12,698,443</b>	<b>7,140,669</b>
<b>Total liabilities</b>		<b>22,682,463</b>	<b>15,819,342</b>	<b>17,628,479</b>	<b>12,940,354</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>73,937,740</b>	<b>63,583,143</b>	<b>68,863,182</b>	<b>60,661,742</b>

The accompanying notes on pages 13 to 37 are an integral part of these financial statements.

The financial statements were signed on 27 April 2010 by:

Chairman of the Board  
Janis Romanovskis

**JSC "GRINDEKS"**

**STATEMENT OF PROFIT AND LOSS  
FOR THE YEAR ENDED 31 DECEMBER 2009**

	Notes	Group 2009 LVL	Group 2008 LVL	Company 2009 LVL	Company 2008 LVL
Net sales	15	53,574,211	62,107,484	51,526,669	58,391,463
Cost of goods sold	16	(26,881,534)	(27,655,298)	(26,788,236)	(26,608,609)
<b>Gross profit</b>		<b>26,692,677</b>	<b>34,452,186</b>	<b>24,738,433</b>	<b>31,782,854</b>
Selling expenses	17	(14,858,102)	(14,016,038)	(13,297,221)	(14,130,631)
Administrative expenses	18	(6,814,185)	(7,765,585)	(5,218,300)	(6,484,534)
Other operating income		82,264	575,460	196,449	361,333
Other operating expenses		(1,937,816)	(2,403,464)	(2,159,574)	(954,771)
Changes in fair value	4	1,287,886	112,200	-	-
Interest income and similar income		41,223	14,011	131,005	79,678
Interest expense and similar expense		(195,884)	(232,141)	(195,884)	(231,962)
Real estate tax		(83,105)	(86,917)	(51,622)	(55,042)
<b>Profit before taxation</b>		<b>4,214,958</b>	<b>10,649,712</b>	<b>4,143,286</b>	<b>10,366,925</b>
Corporate income tax	19 (a)	(645,546)	(1,620,913)	(629,971)	(1,471,524)
<b>NET PROFIT FOR THE YEAR</b>		<b>3,569,412</b>	<b>9,028,799</b>	<b>3,513,315</b>	<b>8,895,401</b>
<b>Attributable to:</b>					
<b>Equity holders of the parent</b>		<b>3,568,060</b>	<b>9,027,172</b>	<b>3,513,315</b>	<b>8,895,401</b>
<b>Minority interest</b>		<b>1,352</b>	<b>1,627</b>	<b>-</b>	<b>-</b>
<b>TOTAL</b>		<b>3,569,412</b>	<b>9,028,799</b>	<b>3,513,315</b>	<b>8,895,401</b>
<b>Earnings per share attributable equity holders of the parent (LVL per share)</b>	20				
- Basic earnings per share		0.37	0.94		
- Diluted earnings per share		0.37	0.94		

*The accompanying notes on pages 13 to 37 are an integral part of these financial statements.*

The financial statements were signed on 27 April 2010 by:

Chairman of the Board  
Janis Romanovskis

**JSC "GRINDEKS"**

**STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 31 DECEMBER 2009**

**Group**

	Share capital	Share premium	Other reserves	Foreign currency translation reserve	Retained profit	Equity attributable to equity holders of the parent	Minority interest	Total
	LVL	LVL	LVL	LVL	LVL	LVL	LVL	LVL
<b>As at 31 December 2007</b>	<b>9,585,000</b>	<b>15,687,750</b>	<b>464,905</b>	<b>(6)</b>	<b>12,984,900</b>	<b>38,722,549</b>	<b>52,483</b>	<b>38,775,032</b>
Foreign currency revaluation	-	-	-	(40,030)	-	(40,030)	-	(40,030)
Profit for the year	-	-	-	-	9,027,172	9,027,172	1,627	9,028,799
<b>As at 31 December 2008</b>	<b>9,585,000</b>	<b>15,687,750</b>	<b>464,905</b>	<b>(40,036)</b>	<b>22,012,072</b>	<b>47,709,691</b>	<b>54,110</b>	<b>47,763,801</b>
Foreign currency revaluation	-	-	-	(77,936)	-	(77,936)	-	(77,936)
Profit for the year	-	-	-	-	3,568,060	3,568,060	1,352	3,569,412
<b>As at 31 December 2009</b>	<b>9,585,000</b>	<b>15,687,750</b>	<b>464,905</b>	<b>(117,972)</b>	<b>25,580,132</b>	<b>51,199,815</b>	<b>55,462</b>	<b>51,255,277</b>

**Company**

	Share capital	Share premium	Other reserves	Retained profit	Total
	LVL	LVL	LVL	LVL	LVL
<b>As at 31 December 2007</b>	<b>9,585,000</b>	<b>15,687,750</b>	<b>464,905</b>	<b>13,088,332</b>	<b>38,825,987</b>
Profit for the year	-	-	-	8,895,401	8,895,401
<b>As at 31 December 2008</b>	<b>9,585,000</b>	<b>15,687,750</b>	<b>464,905</b>	<b>21,983,733</b>	<b>47,721,388</b>
Profit for the year	-	-	-	3,513,315	3,513,315
<b>As at 31 December 2009</b>	<b>9,585,000</b>	<b>15,687,750</b>	<b>464,905</b>	<b>25,497,048</b>	<b>51,234,703</b>

*The accompanying notes on pages 13 to 37 are an integral part of these financial statements.*

The financial statements were signed on 27 April 2010 by:

Chairman of the Board  
Janis Romanovskis

**JSC "GRINDEKS"**

**STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED 31 DECEMBER 2009**

	<b>Group 2009 LVL</b>	<b>Group 2008 LVL</b>	<b>Company 2009 LVL</b>	<b>Company 2008 LVL</b>
<b>OPERATING ACTIVITIES</b>				
<b>Net profit before taxation</b>	<b>4,214,958</b>	<b>10,649,712</b>	<b>4,143,286</b>	<b>10,366,925</b>
<i>Adjustments to reconcile net profit to net cash provided by operating activities:</i>				
Depreciation and amortisation	2,500,129	2,024,864	2,426,555	2,041,468
(Gain) / loss on disposal of fixed assets and intangible assets	1,716	21,307	(751)	21,307
Changes in fair value	(1,287,886)	(112,200)	-	-
Income from EU funding	(125,629)	(124,306)	(125,629)	(124,306)
Interest income	(41,223)	(14,011)	(131,005)	(79,678)
Interest expense	195,884	232,141	195,884	231,962
<i>Changes in operating assets and liabilities:</i>				
Inventory	(3,406,661)	(114,210)	394,264	507,667
Debtors	(3,925,246)	(1,508,897)	(3,752,078)	(3,727,544)
Creditors	4,455,759	382,775	372,135	644,124
<b>Gross cash provided by operating activities</b>	<b>2,581,801</b>	<b>11,437,175</b>	<b>3,522,661</b>	<b>9,881,925</b>
Corporate income tax paid	(1,345,324)	(1,573,768)	(1,345,324)	(1,573,768)
Interest income received	1,391	9,446	1,391	39,007
<b>Net cash provided by (used in) operating activities</b>	<b>1,237,868</b>	<b>9,872,853</b>	<b>2,178,728</b>	<b>8,347,164</b>
<b>INVESTING ACTIVITIES</b>				
Purchase of fixed assets and intangible assets	(4,410,220)	(10,616,783)	(3,937,419)	(8,616,563)
Proceeds from sale of fixed assets	6,187	480	6,187	480
Purchase of long term financial investments	(1,368,066)	-	(2,198,942)	-
Other loans repaid	6,306	21,303	6,306	21,303
<b>Net cash used in investing activities</b>	<b>(5,765,793)</b>	<b>(10,595,000)</b>	<b>(6,123,868)</b>	<b>(8,594,780)</b>
<b>FINANCING ACTIVITIES</b>				
Received loans from credit institutions	5,346,133	3,265,892	5,346,133	2,392,124
Repaid loans to credit institutions	(1,374,708)	(3,246,858)	(1,374,708)	(3,246,858)
Interest paid	(195,884)	(232,141)	(195,884)	(231,962)
<b>Net cash (used in) /provided by financing activities</b>	<b>3,775,541</b>	<b>(213,107)</b>	<b>3,775,541</b>	<b>(1,086,696)</b>
<b>Net increase / (decrease) in cash and cash equivalents</b>	<b>(752,384)</b>	<b>(935,254)</b>	<b>(169,599)</b>	<b>(1,334,312)</b>
<b>Cash and cash equivalents at the beginning of the year</b>	<b>868,796</b>	<b>1,804,050</b>	<b>229,135</b>	<b>1,563,447</b>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR</b>	<b>116,412</b>	<b>868,796</b>	<b>59,536</b>	<b>229,135</b>

*The accompanying notes on pages 13 to 37 are an integral part of these financial statements.*

The financial statements were signed on 27 April 2010 by:

Chairman of the Board  
Janis Romanovskis

**JSC “GRINDEKS”**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2009**

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**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 of the Company and consolidated financial statements of the Group are presented in the national currency of Latvia, the lats (“LVL”).

**Accounting principles**

**Statement of Compliance**

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) 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 remeasurement 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.

**Basis of Consolidation**

The consolidated financial statements incorporate the accounting information of JSC “Grindeks”, JSC “Tallinn Pharmaceutical Plant”, JSC “Kalceks”, “Namu apsaimniekosanas projekti” Ltd. and “Grindeks Rus” 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 minority shareholders is stated at the minority’s proportion of the fair values of the assets and liabilities recognised. All significant inter-company transactions and balances between 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 Bank of Latvia prevailing on the balance sheet date. Income and expenses are translated at the average exchange rates for the period.

**Foreign currencies**

Transactions denominated in foreign currencies are translated into LVL (functional currency) at the official exchange rate of the Bank of Latvia at the date of transaction. Monetary assets and liabilities are translated at the Bank of Latvia rate of exchange at the balance sheet date. The applicable rates used for the principal currencies as of 31 December were as follows:

	<b>2009</b>	<b>2008</b>
USD	0.489000	0.495000
EUR	0.702804	0.702804
RUB	0.016400	0.017100
EEK	0.044900	0.044900

Gains and losses on translation are credited or charged to the profit and loss statement at the Bank of Latvia official exchange rate as of the balance sheet date.

**Intangible assets**

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

**Tangible fixed assets**

Tangible fixed assets are stated at historical cost less accumulated depreciation. 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.



**JSC “GRINDEKS”**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2009**

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Depreciation is provided 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

Repair and maintenance costs are expensed when incurred. Capital expenditures such as refurbishment of buildings and improvements to structural elements are recognised as an asset if the asset capitalisation criteria are met.

**Impairment of tangible and intangible assets**

At each balance sheet date the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there are any indications that those assets have suffered an impairment loss. 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 recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where 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 recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

**Investment property**

Investment property, which is property held to earn rentals and/or for capital appreciation, is stated at its fair value at the balance sheet date. In case the fair value can not 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 recognised 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.

**Investments in associates**

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

Investments in associates in the Company's financial statements are recognised 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.

The results and assets and liabilities of associates in the Group's financial statements are stated in accordance with the equity method of accounting. Under the equity method, investments in associates are carried in the consolidated balance sheet at cost as adjusted for post-acquisition changes in the Group's share of the net assets of the associate, less any impairment in the value of individual investments.

**Inventories**

Inventories are stated at the lower of cost and net realisable value. The cost of materials is allocated using the weighted average method. Work in progress is valued at the direct cost of materials used. The cost of finished goods is valued at

**JSC “GRINDEKS”**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2009**

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manufacturing costs and includes direct manufacturing costs - cost of materials and direct labour costs, other manufacturing costs - energy, ancillary materials, equipment and maintenance costs, depreciation and general manufacturing costs – service costs related to manufacturing.

**Trade receivables**

Trade receivables represent the gross balance due from customers less allowance for bad debts. The allowance for bad debts represents the estimated amounts of losses incurred at the balance sheet date. Allowance for bad debts are established when there is reasonable doubt that the Group will not be able to collect all amounts due according to the original terms of the receivables.

**Financial assets at fair value through profit and loss**

A financial asset measured at fair value through profit or loss is an asset that is either held for trading purposes or designated at fair value upon initial recognition. Trading securities are defined as securities held by the Group with the intention of reselling them, thereby generating profits on price fluctuations in the short term. The financial assets designated at fair value upon initial recognition are financial assets, which are managed and their performance is evaluated on a fair value basis, in accordance with the Group risk management or investment strategy. Upon initial recognition financial assets designated at fair value are measured at their fair value. Subsequent changes in the fair values of such assets are recognised in the statement of profit and loss.

**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 amortised 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.

**Trade payables and loans**

Trade payables and loans are stated at amortised cost.

**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 recognised 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 balance sheet 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 capitalised in accordance with the Group's general policy on borrowing costs.

Operating lease payments are recognised 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.

**JSC “GRINDEKS”**  
**NOTES TO FINANCIAL STATEMENTS**  
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**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 discounts and sale related taxes. Interest income is recognised on the effective interest rate basis.

The effective interest method is a method of calculating the amortised 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 recognised when incurred.

**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 capitalisation.

All other borrowing costs are recognised 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%.

**Deferred income tax**

Deferred tax is provided in accordance with the liability method whereby deferred tax assets are recognised for deductible temporary differences and deferred tax liabilities are recognised for taxable temporary differences. Temporary differences are the differences between the reported amounts of assets and liabilities and their tax basis. Deferred tax assets are reduced by a valuation allowance when, in the opinion of management, it is more likely than not that some proportion or all deferred tax assets will not be realised.

**Provisions**

Provisions are recognised when the Group has a present obligation as a result of a past event, and it is probable that the Group will be required to settle that obligation. Provisions are measured at the management’s best estimate of the expenditure required to settle the obligation at the balance sheet date.

**Government grants**

Government grants are not recognised 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 recognised as deferred income in the balance sheet and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Other government grants are recognised 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 recognised in profit or loss in the period in which they become receivable.

**Use of estimates**

**JSC “GRINDEKS”**  
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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 balance sheet items, as well as reported revenues and expenses. Actual results could differ from those estimates.

**Critical accounting judgements and uncertainties**

The following are the critical judgments and key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet 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 judgements in connection with classifying non-current assets to tangible assets, investment properties or inventories.

**Segment information**

A business segment is a distinguishable component of an enterprise that is engaged in providing an individual product or service or a group of related products or services and that is subject to risks and returns that are different from those of other business segments.

A geographical segment is a distinguishable component of an enterprise that is engaged in providing products or services within a particular economic environment and that is subject to risks and returns that are different from those components operating in other economic environments.

**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.

**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.

**JSC "GRINDEKS"**  
**NOTES TO FINANCIAL STATEMENTS**  
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**2. INTANGIBLE ASSETS – THE GROUP**

	Computer software	Patents, licenses, trademarks and other rights	Advance payments for intangible assets	Total
	LVL	LVL	LVL	LVL
<i>Historical cost</i>				
As at 31 December 2008	864,669	704,807	61,495	1,630,971
Additions	152,789	130,019	233,683	516,491
As at 31 December 2009	1,017,458	834,826	295,178	2,147,462
<i>Accumulated amortisation</i>				
As at 31 December 2008	525,664	674,707	-	1,200,371
Amortisation for the year	148,479	11,934	-	160,413
As at 31 December 2009	674,143	686,641	-	1,360,784
<i>Carrying value</i>				
As at 31 December 2008	339,005	30,100	61,495	430,600
As at 31 December 2009	343,315	148,185	295,178	786,678

**INTANGIBLE ASSETS – THE COMPANY**

	Computer software	Patents, licenses, trademarks and other rights	Advance payments for intangible assets	Total
	LVL	LVL	LVL	LVL
<i>Historical cost</i>				
As at 31 December 2008	864,669	932,724	61,495	1,858,888
Additions	148,452	130,019	233,683	512,154
As at 31 December 2009	1,013,121	1,062,743	295,178	2,371,042
<i>Accumulated amortisation</i>				
As at 31 December 2008	525,664	902,724	-	1,428,388
Amortisation for the year	148,479	11,834	-	160,313
As at 31 December 2009	674,143	914,558	-	1,588,701
<i>Carrying value</i>				
As at 31 December 2008	339,005	30,000	61,495	430,500
As at 31 December 2009	338,978	148,185	295,178	782,341

**JSC "GRINDEKS"**  
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**3. TANGIBLE FIXED ASSETS –THE GROUP**

	Land, buildings and construc- tions LVL	Equipment and machinery LVL	Other fixed assets LVL	Construc- tion in progress LVL	Advance payments for fixed assets LVL	Total LVL
<i>Historical cost</i>						
<b>As at 31 December 2008</b>	<b>9,256,688</b>	<b>14,809,386</b>	<b>1,694,947</b>	<b>13,144,030</b>	<b>685,242</b>	<b>39,590,293</b>
Additions	334,126	655,250	329,173	382,459	2,192,721	3,893,729
Transfers	8,243,367	2,173,945	-	(9,925,772)	(491,540)	-
Reclassification	-	-	-	(195,000)	-	(195,000)
Changes in fair value	1,182,886	-	-	-	-	1,182,886
Disposals	(36,459)	(56,476)	(28,354)	-	-	(121,289)
<b>As at 31 December 2009</b>	<b>18,980,608</b>	<b>17,582,105</b>	<b>1,995,766</b>	<b>3,405,717</b>	<b>2,386,423</b>	<b>44,350,619</b>
<i>Accumulated depreciation</i>						
<b>As at 31 December 2008</b>	<b>2,117,412</b>	<b>5,898,812</b>	<b>890,529</b>	-	-	<b>8,906,753</b>
Depreciation for the year	541,375	1,511,494	286,847	-	-	2,339,716
Disposals	(36,459)	(32,947)	(17,509)	-	-	(86,915)
<b>As at 31 December 2009</b>	<b>2,622,328</b>	<b>7,377,359</b>	<b>1,159,867</b>	-	-	<b>11,159,554</b>
<i>Carrying value</i>						
<b>As at 31 December 2008</b>	<b>7,139,276</b>	<b>8,910,574</b>	<b>804,418</b>	<b>13,144,030</b>	<b>685,242</b>	<b>30,683,540</b>
<b>As at 31 December 2009</b>	<b>16,358,280</b>	<b>10,204,746</b>	<b>835,899</b>	<b>3,405,717</b>	<b>2,386,423</b>	<b>33,191,065</b>

**TANGIBLE FIXED ASSETS –THE COMPANY**

	Land, buildings and construc- tions LVL	Equipment and machinery LVL	Other fixed assets LVL	Construc- tion in progress LVL	Advance payments for fixed assets LVL	Total LVL
<i>Historical cost</i>						
<b>As at 31 December 2008</b>	<b>7,354,284</b>	<b>14,049,799</b>	<b>1,570,615</b>	<b>9,560,714</b>	<b>649,771</b>	<b>33,185,183</b>
Additions	268,781	650,107	324,021	-	2,182,355	3,425,264
Transfers	7,866,023	2,159,124	-	(9,560,714)	(464,433)	-
Disposals	-	(19,378)	(26,045)	-	-	(45,423)
<b>As at 31 December 2009</b>	<b>15,489,088</b>	<b>16,839,652</b>	<b>1,868,591</b>	-	<b>2,367,693</b>	<b>36,565,024</b>
<i>Accumulated depreciation</i>						
<b>As at 31 December 2008</b>	<b>1,638,054</b>	<b>5,252,230</b>	<b>785,348</b>	-	-	<b>7,675,632</b>
Depreciation for the year	490,475	1,492,396	273,920	-	-	2,256,791
Disposals	-	(15,336)	(15,201)	-	-	(30,537)
<b>As at 31 December 2009</b>	<b>2,128,529</b>	<b>6,729,290</b>	<b>1,044,067</b>	-	-	<b>9,901,886</b>
<i>Carrying value</i>						
<b>As at 31 December 2008</b>	<b>5,716,230</b>	<b>8,797,569</b>	<b>785,267</b>	<b>9,560,714</b>	<b>649,771</b>	<b>25,509,551</b>
<b>As at 31 December 2009</b>	<b>13,360,559</b>	<b>10,110,362</b>	<b>824,524</b>	-	<b>2,367,693</b>	<b>26,663,138</b>

The Company has pledged its fixed assets as security for the bank loans (see Note 10).  
The capitalised interest expenses during 2009 amounted to LVL 49,921 (2008:LVL 175,568).



**JSC "GRINDEKS"**  
**NOTES TO FINANCIAL STATEMENTS**  
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**4. INVESTMENT PROPERTY**

	AS "Kalceks"	JSC "Tallinn pharmaceutical Plant"	Group total
	LVL	LVL	LVL
<i>Historical cost</i>			
<b>As at 31 December 2008</b>	<b>4,582,200</b>	<b>416,818</b>	<b>4,999,018</b>
Reclassification	195,000	-	195,000
Changes in fair value	105,000	-	105,000
<b>As at 31 December 2009</b>	<b>4,882,200</b>	<b>416,818</b>	<b>5,299,018</b>
<i>Accumulated depreciation</i>			
<b>As at 31 December 2008</b>	-	<b>235,052</b>	<b>235,052</b>
<i>Accumulated depreciation</i>	-	14,746	14,746
<b>As at 31 December 2009</b>	-	<b>249,798</b>	<b>249,798</b>
<i>Carrying value</i>			
<b>As at 31 December 2008</b>	<b>4,582,200</b>	<b>181,766</b>	<b>4,763,966</b>
<b>As at 31 December 2009</b>	<b>4,882,200</b>	<b>167,020</b>	<b>5,049,220</b>

Investment property consists of land owned by JSC "Kalceks" and JSC "Tallinn Pharmaceutical Plant" buildings in lease.

As at 31 December 2008 the fair value of land owned by JSC "Kalceks" was estimated based on independent expert assessor's "VCG Ekspertu grupa" Ltd. assessment. The market value of land was determined to be LVL 1,830,800 for the land plot at 9 Zala Street, Riga and LVL 2,751,400 for the land plot at 6/8 Zala Street, Riga.

In 2009 JSC "Kalceks" reclassified the owned real estate in the book value of LVL 195,000, allocated at Krustpils 71 b, to Investment property. As at 31 December 2009 the value of this investment property was determined as the fair value (a specialized property value) based on independent expert assessor's "Eiroeksperts" Ltd. assessment – LVL 300,000.

The building owned by JSC "Tallinn Pharmaceutical Plant" with a carrying value of LVL 167,020 as at 31 December 2009 (2008: LVL 181,766), which stayed idle as a result of the reorganisation of the production, was leased out. The value of this property can not be reliably determined this building is recorded at depreciated cost.

**JSC “GRINDEKS”**  
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**5. INVESTMENTS IN SUBSIDIARIES – THE COMPANY**

	<b>31.12.2009</b>		<b>31.12.2008</b>	
	<b>LVL</b>	<b>%</b>	<b>LVL</b>	<b>%</b>
JSC “Kalceks”	3,443,879	98.67 %	3,443,879	98.67 %
JSC “Tallinn Pharmaceutical Plant”	2,411,624	100 %	2,411,624	100 %
“Namu apsaimniekosanas projekti” Ltd.	1,130,876	100 %	300,000	100 %
“Grindeks Rus” Ltd.	203	100 %	203	100 %
	<b>6,986,582</b>		<b>6,155,706</b>	

	<b>Country of incorporation</b>	<b>Principal business activities</b>
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

The net profit for the year 2009 of JSC “Kalceks” was LVL 45,567 (2008: profit LVL 85,723). The profit mostly relates to the revaluation of investment property. As of 31 December 2009 the equity of JCS “Kalceks” was LVL 4,377,475 . (2008: LVL 4,331,908).

The profit of JSC “Tallinn Pharmaceutical Plant” in 2009 was EEK 19,638,777 or LVL 881,781 (2008: profit EEK 1,362,574 or LVL 61,180). As at 31 December 2008 the equity of JSC “Tallinn Pharmaceutical Plant” was LVL 3,131,104 (2008: LVL 2,249,322). As of 31 December 2008 the Company holds 100% of the share capital of JSC “Tallinn Pharmaceutical Plant”.

The net loss for the year 2009 of “Namu apsaimniekosanas projekti” Ltd. was LVL 130,869 (2008: loss LVL 118,092).

Based on JSC “Grindeks” claim of evaluation for investment in the equity capital of “Namu apsaimniekosanas projekti” Ltd. auditing firm’s “BDO” experts estimated the right to demand as ordinary value of LVL 830,876 and confirmed that the property investment meets the business types. As at 22 December 2009 Company’s equity capital is increased by LVL 830 876, approved by the decision No. 6-12/170529/1 of the Register of Enterprises of the Republic of Latvia, so that the subscribed and paid-up equity capital of the Company is LVL 1,130,876.

The net loss for the year 2009 of “Grindeks Rus” Ltd. was LVL 869,582 (2008: profit LVL 310,744).

**6. TRADE RECEIVABLES**

	<b>Group 31.12.2009 LVL</b>	<b>Group 31.12.2008 LVL</b>	<b>Company 31.12.2009 LVL</b>	<b>Company 31.12.2008 LVL</b>
Russia	11,283,818	11,930,451	4,603,477	4,917,604
Other CIS countries	4,392,859	3,803,136	4,392,859	3,803,136
Latvia	893,340	679,041	889,816	673,885
Lithuania	321,553	198,567	321,553	198,567
Estonia	202,166	130,072	201,944	125,116
Other countries	2,738,244	1,455,274	2,738,243	1,455,274
<b>Total trade receivables</b>	<b>19,831,980</b>	<b>18,196,541</b>	<b>13,147,892</b>	<b>11,173,582</b>
Allowance for doubtful receivables	(683,006)	(170,000)	(683,006)	(170,000)
<b>Total</b>	<b>19,148,974</b>	<b>18,026,541</b>	<b>12,464,886</b>	<b>11,003,582</b>

**JSC "GRINDEKS"**  
**NOTES TO FINANCIAL STATEMENTS**  
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**7. OTHER DEBTORS**

	<b>Group 31.12.2009 LVL</b>	<b>Group 31.12.2008 LVL</b>	<b>Company 31.12.2009 LVL</b>	<b>Company 31.12.2008 LVL</b>
Tax receivables (see Note 13 (a))	1,513,883	621,087	1,463,253	570,065
Other	1,918,770	773,183	691,487	667,075
<b>Total</b>	<b>3,432,653</b>	<b>1,394,270</b>	<b>2,154,740</b>	<b>1,237,140</b>

**8. CASH AND CASH EQUIVALENTS**

	<b>Group 31.12.2009 LVL</b>	<b>Group 31.12.2008 LVL</b>	<b>Company 31.12.2009 LVL</b>	<b>Company 31.12.2008 LVL</b>
Cash in bank	102,737	854,386	46,002	215,350
Cash on hand	13,675	14,410	13,534	13,785
<b>Total</b>	<b>116,412</b>	<b>868,796</b>	<b>59,536</b>	<b>229,135</b>

**9. SHARE CAPITAL**

As of 31 December 2009 and 2008 the issued share capital of the Company consisted of 9,585,000 ordinary shares with a nominal value of LVL 1 each. The number of publicly listed shares is 6,245,600.

The shareholders as of 15 April 2010 and 25 May 2009 were as follows (Latvian central Depository data):

	<b>Percentage holding (%) 15.04.2010</b>	<b>Percentage holding (%) 25.05.2009</b>
Kirovs Lipmans	33.29	33.29
Anna Lipmane	16.69	16.69
JSC Pharmstandart	11.30	-
Skandinaviska Enskilda banken (nominal holder)	10.22	8.90
Swedbank AS Clients Account (nominal holder)	6.22	8.93
Vitalijs Gavrilovs	-	11.30
Other shareholders	22.28	20.89
<b>Total</b>	<b>100.00</b>	<b>100.00</b>

**JSC "GRINDEKS"**  
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**10. LOANS FROM CREDIT INSTITUTIONS**

	<b>Group 31.12.2009 LVL</b>	<b>Group 31.12.2008 LVL</b>	<b>Company 31.12.2009 LVL</b>	<b>Company 31.12.2008 LVL</b>
Credit line from JSC "Swedbank", Latvia	3,261,314	718,790	3,261,314	718,790
Credit line from JSC "SEB Bank", Latvia	2,803,608	-	2,803,608	-
JSC "Swedbank", Latvia	632,524	632,524	632,524	632,524
JSC "Swedbank", Latvia	354,213	354,213	354,213	354,213
JSC "Swedbank", Latvia	189,756	240,359	189,756	240,359
Credit line from JSC "UniCreditBank Latvia"	-	177,130	-	177,130
<b>Current loans from credit institutions</b>	<b>7,241,415</b>	<b>2,123,016</b>	<b>7,241,415</b>	<b>2,123,016</b>
JSC "SEB Bank", Latvia	1,325,611	1,325,611	-	-
JSC "Swedbank", Latvia	1,106,916	1,739,440	1,106,916	1,739,440
JSC "Swedbank", Latvia	569,364	923,576	569,364	923,576
JSC "Swedbank", Latvia	322,978	483,216	322,978	483,216
<b>Non-current loans from credit institutions</b>	<b>3,324,869</b>	<b>4,471,843</b>	<b>1,999,258</b>	<b>3,146,232</b>
<b>Total</b>	<b>10,566,284</b>	<b>6,594,859</b>	<b>9,240,673</b>	<b>5,269,248</b>

	<b>Group 31.12.2009 LVL</b>	<b>Group 31.12.2008 LVL</b>	<b>Company 31.12.2009 LVL</b>	<b>Company 31.12.2008 LVL</b>
The borrowings are repayable as follows:				
Within one year	7,241,415	2,123,016	7,241,415	2,123,016
Second year	1,227,092	1,488,980	1,227,092	1,227,097
Third to fifth year inclusive	2,097,777	2,982,863	772,166	1,919,135
<b>Total</b>	<b>10,566,284</b>	<b>6,594,859</b>	<b>9,240,673</b>	<b>5,269,248</b>
Amount due for settlement within 12 months (shown under current liabilities)	(7,241,415)	(2,123,016)	(7,241,415)	(2,123,016)
<b>Non-current loans from credit institutions</b>	<b>3,324,869</b>	<b>4,471,843</b>	<b>1,999,258</b>	<b>3,146,232</b>

**JSC "GRINDEKS"**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2009**

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**Loans terms and security:**

	<b>Group</b>	<b>Group</b>	<b>Company</b>	<b>Company</b>
	<b>31.12.2009</b>	<b>31.12.2008</b>	<b>31.12.2009</b>	<b>31.12.2008</b>
	<b>LVL</b>	<b>LVL</b>	<b>LVL</b>	<b>LVL</b>
On 20 March 1998, the Company received a credit line from Swedbank. The credit line limit was increased to EUR 4,900,000. On 13 November 2009 the credit line agreement term was extended to 13 November 2010. Interest rate is 3 months EURIBOR plus 2.5% fixed rate.				
The loan is secured by a commercial pledge. According to a agreement dated 20 March 1998 assets pledged – all rights to claim, securities, bonds, participation in the share capital of other companies, deposits and inventory pledging of which is not directly forbidden, as aggregation and at the moment of pledging, as well as forthcoming components of the aggregation.	3,261,314	718,789	3,261,314	718,789
On 24 April 2009 the Company signed a credit line agreement with JSC "SEB Bank", Latvia in amount of 5,000,000 EUR. The maturity date was extended till 28 April 2010. Interest rate is 3 months EURIBOR plus fixed rate 1.8 %.	2,803,608	-	2,803,608	-
On 21 April 2010 the credit line agreement term was extended to 24 April 2011.				
The loan is secured by commercial pledge.				
On 12 September 2007 the Company entered into agreement with JSC Swedbank for financing of the reconstruction of plant of finished medicine. Total loan amounts to EUR 3,600,000. Repayment term is 12 September 2012. Interest amounts to 3 months EURIBOR plus 1.15%.	1,739,440	2,371,964	1,739,440	2,371,964
The loan is secured by commercial pledge.				
On 1 October 2007 "Namu apsaimniekosanas projekti" Ltd. entered into agreement no. KD07204 with JSC "SEB Bank". In accordance with this agreement "Namu apsaimniekosanas projekti" Ltd. receives loan in amount of EUR 2,500,000 (LVL 1,757,010) with interest rate 1.5% plus 3 months EURIBOR. The loan can be used only for acquisition of real estate at 76 Maskavas Street, Riga.	1,325,611	1,325,611	-	-
The loan is secured by a mortgage agreement no. KD07204/1. Maturity of the loan is 30 September 2011. JSC "Grindeks" has guaranteed repayment of this loan.				
On 29 August 2005 the Company signed a loan agreement with Swedbank in total amount of 4,642,830 EUR for purchase of new equipment and creation of a laboratory. The maturity date is 29 August 2012. Interest rate is 6 months EURIBOR plus 1.75% fixed rate.				
In June 2007 the Company received funding from ERAF in amount of LVL 1,500,000. These resources were used to partly reduce loan amount.				
The loan is secured by a commercial pledge (Agreement dated 29 September 2000. Pledged assets - all fixed assets and their appurtenances belonging to the pledger, pledging of which is not directly forbidden, as aggregations of property and at the moment of pledging, as well as forthcoming components of the aggregations of property).	923,577	1,277,790	923,577	1,277,790

**JSC "GRINDEKS"**  
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	<b>Group 31.12.2009 LVL</b>	<b>Group 31.12.2008 LVL</b>	<b>Company 31.12.2009 LVL</b>	<b>Company 31.12.2008 LVL</b>
On 12 September 2007 the Company has received a long term loan from Swedbank for financing the construction of purification plant proceeded in Latvian production site in amount of EUR 1,430,000. The maturity of the loan is 12 September 2012 . Annual interest rate is 3 months EURIBOR plus 1.15%. The loan is secured by commercial pledge.	512,734	723,575	512,734	723,575
On 5 May 2005 the Company signed a credit line agreement with UniCreditBank Latvia in amount of 850,000 LVL. The maturity date was extended till 28 April 2007 and limit increased to 1,500,000 LVL. On 9 November 2007 credit limit were increased to 2,845,700 EUR, repayment term prolonged to 24 April 2009. Interest amounts was 1 month EURIBOR plus fixed rate 1.1 %. The loan has been repaid in 6 May 2009.	-	177,130	-	177,130
<b>Kopā</b>	<b>10,566,284</b>	<b>6,594,859</b>	<b>9,240,673</b>	<b>5,269,248</b>

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**11. FINANCE LEASE LIABILITIES**

	<b>Group 31.12.2009 LVL</b>	<b>Group 31.12.2008 LVL</b>	<b>Company 31.12.2009 LVL</b>	<b>Company 31.12.2008 LVL</b>
Non current finance lease liabilities	1,230,828	1,102,339	681,476	581,627
Current finance lease liabilities	332,263	228,949	332,263	228,949
<b>Total</b>	<b>1,563,091</b>	<b>1,331,288</b>	<b>1,013,739</b>	<b>810,576</b>

AS Grindeks has financial and leasing liabilities with Ltd.Swedbank lizings in the amount of 991,075 LVL for the proceeding of purification plant and 22,664 LVL for the vehicle lease agreements.

Non current finance lease liabilities include the amount of LVL 549,352 (EEK 12,235,000) related to building lease contract dated 21 November 2006 signed between JSC "Tallinn Pharmaceutical Plant" and AS "Lasnamae Tööstuspark".

**12. OPERATIVE LEASE LIABILITIES**

Group and company has resedual lease agreements. The operative lease liabilities are as follows:

	<b>Group 31.12.2009 LVL</b>	<b>Group 31.12.2008 LVL</b>	<b>Company 31.12.2009 LVL</b>	<b>Company 31.12.2008 LVL</b>
Within one year	289,928	193,014	122,176	168,868
Second to fifth year inclusive	352,866	229,708	119,094	202,491
<b>Total</b>	<b>642,794</b>	<b>422,722</b>	<b>241,270</b>	<b>371,359</b>

**13. TAXES AND SOCIAL SECURITY LIABILITIES**

**13 (a) Tax receivables** (see Note 7)

	<b>Group 31.12.2009 LVL</b>	<b>Group 31.12.2008 LVL</b>	<b>Company 31.12.2009 LVL</b>	<b>Company 31.12.2008 LVL</b>
Corporate income tax	1,270,791	239,252	1,270,791	239,252
Value added tax	243,090	334,594	192,462	283,588
Real estate tax	2	6,024	-	6,008
Social security payments	-	41,217	-	41,217
<b>Total</b>	<b>1,513,883</b>	<b>621,087</b>	<b>1,463,253</b>	<b>570,065</b>

**13(b) Tax liabilities**

	<b>Group 31.12.2009 LVL</b>	<b>Group 31.12.2008 LVL</b>	<b>Company 31.12.2009 LVL</b>	<b>Company 31.12.2008 LVL</b>
Personal income tax	150,501	212,625	102,901	187,669
Social security payments	88,153	42,344	58,963	-
Corporate income tax	847	90,267	-	-
Value added tax	-	19,001	-	-
Other	14,126	2,775	2,685	905
<b>Total</b>	<b>253,627</b>	<b>367,012</b>	<b>164,549</b>	<b>188,574</b>

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**14. BUSINESS AND GEOGRAPHICAL 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.

Note 14 provide information on the Group’s turnover based on geographical markets without considering the origin of products.

**2009 LVL**

	<b>Final dosage forms</b>	<b>Active pharmaceut ical ingredients</b>	<b>Eliminations</b>	<b>Total</b>
<b>Revenue</b>				
External sales	48,210,126	5,364,085	-	<b>53,574,211</b>
Inter-segment sales	-	3,034,397	(3,034,397)	-
<b>Total revenue</b>	<b>48,210,126</b>	<b>8,398,482</b>	<b>(3,034,397)</b>	<b>53,574,211</b>
<b>Result</b>				
Segment result	16,680,344	15,281		16,695,625
Unallocated expenses				(13,530,787)
<b>Operating profit</b>				<b>3,164,838</b>
Changes in fair value				1,287,886
Interest expenses				(195,884)
Interest income				41,223
Real estate tax				(83,105)
<b>Profit before taxation</b>				<b>4,214,958</b>
Income tax expense				(645,546)
<b>Profit for the year</b>				<b>3,569,412</b>
<b>Attributable to:</b>				
Equity holders of parent				3,568,060
Minority interest				1,352
<b>Total</b>				<b>3,569,412</b>

**Other information**

	<b>Final dosage forms</b>	<b>Active pharmaceut ical ingredients</b>	<b>Other</b>	<b>Total</b>
<b>2009 LVL</b>				
Purchase of fixed assets and intangible assets	1,026,609	2,738,571	645,040	<b>4,410,220</b>
Depreciation and amortisation	762,791	1,021,614	715,724	<b>2,500,129</b>



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**Balance LVL**  
**2009**

	<b>Final dosage forms</b>	<b>Active pharmaceut ical ingredients</b>	<b>Total</b>
<b>Assets</b>			
Segment assets	38,486,478	19,052,634	<b>57,539,112</b>
Unallocated assets			<u>16,398,628</u>
<b>Total consolidated assets</b>			<u><b>73,937,740</b></u>
<b>Liabilities</b>			
Segment liabilities	3,663,338	6,644,257	<b>10,307,595</b>
Unallocated liabilities			<u>63,630,145</u>
<b>Total consolidated liabilities</b>			<u><b>73,937,740</b></u>

**2008 LVL**

	<b>Final dosage forms</b>	<b>Active pharmaceut ical ingredients</b>	<b>Eliminations</b>	<b>Total</b>
<b>Revenue</b>				
External sales	56,881,795	5,225,689	-	<b>62,107,484</b>
Inter-segment sales	-	3,760,776	(3,760,776)	-
<b>Total revenue</b>	<b>56,881,795</b>	<b>8,986,465</b>	<b>(3,760,776)</b>	<b>62,107,484</b>
<b>Result</b>				
Segment result	23,340,617	816,783		24,157,400
Unallocated expenses				<u>(13,314,841)</u>
<b>Operating profit</b>				<b>10,842,559</b>
Changes in fair value				112,200
Interest expenses				(232,141)
Interest income				14,011
Real estate tax				<u>(86,917)</u>
<b>Profit before taxation</b>				<b>10,649,712</b>
Income tax expense				<u>(1,620,913)</u>
<b>Profit for the year</b>				<u><b>9,028,799</b></u>
<b>Attributable to:</b>				
Equity holders of parent				9,027,172
Minority interest				<u>1,627</u>
<b>Total</b>				<u><b>9,028,799</b></u>

**Other information**

	<b>Final dosage forms</b>	<b>Active pharmaceut ical ingredients</b>	<b>Other</b>	<b>Total</b>
<b>2008 LVL</b>				
Purchase of fixed assets and intangible assets	5,276,931	3,111,776	2,228,076	<b>10,616,783</b>
Depreciation and amortisation	633,760	751,659	639,445	<b>2,024,864</b>

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**Balance LVL**  
**2008**

	<b>Final dosage forms</b>	<b>Active pharmaceut ical ingredients</b>	<b>Total</b>
<b>Assets</b>			
Segment assets	35,656,010	14,706,343	<b>50,362,353</b>
Unallocated assets			13,220,790
<b>Total consolidated assets</b>			<b>63,583,143</b>
<b>Liabilities</b>			
Segment liabilities	4,551,779	3,183,638	<b>7,735,417</b>
Unallocated liabilities			55,847,726
<b>Total consolidated liabilities</b>			<b>63,583,143</b>

**15. NET SALES**

	<b>Group 2009 LVL</b>	<b>Group 2008 LVL</b>	<b>Company 2009 LVL</b>	<b>Company 2008 LVL</b>
Russia	29,415,240	36,898,557	27,374,796	32,172,803
Other CIS countries	19,054,788	20,352,048	19,054,788	20,352,048
Other countries	6,003,004	5,590,225	6,003,004	5,590,225
Latvia	2,902,352	2,994,939	2,902,352	2,994,939
Lithuania	1,823,443	1,886,468	1,823,443	1,886,468
Estonia	1,086,348	1,020,328	1,086,348	1,020,328
Other	10,869	44,954	3,771	30,194
<b>Gross sales</b>	<b>60,296,044</b>	<b>68,787,519</b>	<b>58,248,502</b>	<b>64,047,005</b>
<b>Less discounts</b>				
Russia	(5,154,172)	(4,583,508)	(5,154,172)	(3,559,015)
CIS	(1,322,261)	(1,742,707)	(1,322,261)	(1,742,707)
Latvia	(109,649)	(190,350)	(109,649)	(190,350)
Other countries	(58,124)	(25,713)	(58,124)	(25,713)
Lithuania	(41,696)	(73,466)	(41,696)	(73,466)
Estonia	(35,931)	(64,291)	(35,931)	(64,291)
<b>Discounts total</b>	<b>(6,721,833)</b>	<b>(6,680,035)</b>	<b>(6,721,833)</b>	<b>(5,655,542)</b>
<b>Total, net</b>	<b>53,574,211</b>	<b>62,107,484</b>	<b>51,526,669</b>	<b>58,391,463</b>

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**16. COST OF GOODS SOLD**

	<b>Group 2009 LVL</b>	<b>Group 2008 LVL</b>	<b>Company 2009 LVL</b>	<b>Company 2008 LVL</b>
Goods purchased for resale	6,959,700	7,989,994	8,716,804	9,455,037
Raw materials and packaging	8,395,950	8,940,572	7,104,003	7,664,467
Direct labour and social security payments	6,338,077	6,892,540	5,995,327	6,089,296
Research costs	2,644,094	2,537,035	2,794,047	2,769,696
Depreciation of fixed assets and amortisation of intangible assets	1,870,540	1,418,536	1,838,449	1,379,832
Electricity resource expenses	1,012,019	844,407	915,315	734,953
Machinery, buildings and equipment repairs	627,110	739,883	605,332	712,785
Household expenses	222,762	222,162	210,740	218,594
Transport	113,591	161,310	100,795	99,013
Rent of work clothing	98,904	90,391	90,843	81,871
Waste disposal	56,510	82,354	56,178	82,354
Other	1,094,059	1,496,890	912,185	1,081,487
Internal turnover of self-manufactured raw materials	(2,551,782)	(3,760,776)	(2,551,782)	(3,760,776)
<b>Total</b>	<b>26,881,534</b>	<b>27,655,298</b>	<b>26,788,236</b>	<b>26,608,609</b>

**17. SELLING EXPENSES**

	<b>Group 2009 LVL</b>	<b>Group 2008 LVL</b>	<b>Company 2009 LVL</b>	<b>Company 2008 LVL</b>
Advertising	8,082,765	6,905,716	7,805,252	6,861,444
Expenses of representative offices	1,929,137	2,431,247	1,929,137	2,431,247
Salaries and social security payments	1,685,667	1,064,911	929,476	1,058,598
Distribution expenses for goods	455,187	555,560	441,749	537,321
Patents	441,662	537,562	441,662	537,562
Registration costs for medicine	334,379	337,269	322,553	330,369
Depreciation of fixed assets and amortisation of intangible assets	249,070	205,041	240,792	204,939
Commissions	116,713	158,347	116,713	294,282
Freight insurance	28,768	46,450	28,768	46,450
Other	1,534,754	1,773,935	1,041,119	1,828,419
<b>Total</b>	<b>14,858,102</b>	<b>14,016,038</b>	<b>13,297,221</b>	<b>14,130,631</b>

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**18. ADMINISTRATIVE EXPENSES**

	<b>Group 2009 LVL</b>	<b>Group 2008 LVL</b>	<b>Company 2009 LVL</b>	<b>Company 2008 LVL</b>
Administrative salaries and social security payments	3,407,831	4,154,820	2,377,468	3,354,416
Depreciation of fixed assets and amortisation of intangible assets	381,796	400,411	337,862	456,697
Security costs	234,312	270,428	188,857	218,201
Professional and consultancy services	104,183	209,718	85,056	192,282
Transport	183,137	207,543	150,673	180,214
Personnel training and hiring expenses	320,627	192,106	225,205	189,941
Employee insurance	225,213	175,968	216,687	173,654
Electricity	161,928	168,633	154,579	160,608
Computers maintenance	86,349	138,964	66,036	76,771
Business trips	73,122	87,871	70,050	85,319
Bank charges	69,006	76,455	60,081	67,786
Property and liability insurance	39,768	59,622	36,943	56,656
Development and implementation of documents management system	59,128	56,034	59,128	56,034
Communication expense	40,108	39,046	30,459	31,669
Other	1,427,677	1,527,966	1,159,216	1,184,286
<b>Total</b>	<b>6,814,185</b>	<b>7,765,585</b>	<b>5,218,300</b>	<b>6,484,534</b>

The average number of the Group's employees during 2009 and 2008 was 836 and 776, respectively.

The average number of the Company's employees during 2009 and 2008 was 663 and 660, respectively.

The audit fee attributable to BDO Riga for the year ended 31 December 2008 amounted to LVL 23,350.

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**19. CORPORATE INCOME TAX**

**19 (a) Corporate income tax for the year**

	<b>Group 2009 LVL</b>	<b>Group 2008 LVL</b>	<b>Company 2009 LVL</b>	<b>Company 2008 LVL</b>
Corporate income tax for the year	327,368	1,536,882	327,368	1,404,498
Deferred tax charge for the year	318,178	84,031	302,603	67,026
<b>Total</b>	<b>645,546</b>	<b>1,620,913</b>	<b>629,971</b>	<b>1,471,524</b>

**19 (b) Reconciliation of accounting profit to tax charge**

	<b>Group 2009 LVL</b>	<b>Group 2008 LVL</b>	<b>Company 2009 LVL</b>	<b>Company 2008 LVL</b>
Current year profit before corporate income tax	4,214,958	10,649,712	4,143,286	10,366,925
Expected tax charge, applying current tax rate of 15%	632,244	1,597,457	621,493	1,555,039
Tax allowance for new technological equipment	(72,803)	(35,717)	(72,083)	(35,717)
Non taxable income	(12,466)	(13,038)	(7,743)	(8,256)
Tax adjustments on non-deductible expenses	(144,539)	146,225	(132,457)	103,388
Changes in non-recognized deferred tax asset	6,774	19,272	-	-
Sponsorship	(81,842)	(142,930)	(81,842)	(142,930)
Additional tax SIA "Grindeks Rus" tax (9%)	-	49,644	-	-
<b>Corporate income tax charge</b>	<b>327,368</b>	<b>1,620,913</b>	<b>327,368</b>	<b>1,471,524</b>
<b>Effective interest rate</b>	<b>7.8%</b>	<b>15.2 %</b>	<b>7.9%</b>	<b>14.2 %</b>

**19 (c) Deferred corporate income tax liabilities**

	<b>Group 2009 LVL</b>	<b>Group 2008 LVL</b>	<b>Company 2009 LVL</b>	<b>Company 2008 LVL</b>
Difference related to net book value of fixed assets due to accelerated tax depreciation for tax purposes	12,240,425	10,521,364	7,820,225	6,205,000
Accrued liabilities	(88,450)	(490,575)	(57,055)	(459,180)
Accumulated tax losses	(162,174)	(383,441)	-	-
Non-recognised deferred tax asset	193,569	414,836	-	-
<b>Total temporary difference</b>	<b>12,183,370</b>	<b>10,062,184</b>	<b>7,763,170</b>	<b>5,745,820</b>
<b>Deferred tax liabilities (15 % rate)</b>	<b>1,827,506</b>	<b>1,509,328</b>	<b>1,164,476</b>	<b>861,873</b>
<b>Deferred tax liabilities as at the beginning of the reporting year</b>	<b>1,509,328</b>	<b>1,425,297</b>	<b>861,873</b>	<b>794,847</b>
Increase in deferred tax liabilities charged to the statement of profit and loss	318,178	84,031	302,603	67,026
<b>Deferred tax liabilities as at the end of the reporting year</b>	<b>1,827,506</b>	<b>1,509,328</b>	<b>1,164,476</b>	<b>861,873</b>

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**20. EARNINGS PER SHARE**

	<b>2009</b>	<b>2008</b>
	<b>LVL</b>	<b>LVL</b>
<b>Basic earnings per share</b>		
Average number of shares outstanding	9,585,000	9,585,000
Current year profit	3,568,060	9,027,172
<b>Basic earnings per share</b>	<b>0.37</b>	<b>0.94</b>

**21. TRANSACTIONS WITH RELATED PARTIES**

Salary of the Board and Council is as follows:

	<b>2009</b>	<b>2008</b>
	<b>LVL</b>	<b>LVL</b>
Members of the Council salary	690,208	1,297,153
Social security payments	144,352	24,169
<b>Total compensation paid to the members of the Council</b>	<b>834,560</b>	<b>1,321,322</b>
Members of the Council salary	378,842	740,084
Social security payments	87,717	21,392
<b>Total compensation paid to the members of the Board</b>	<b>466,559</b>	<b>761,476</b>
<b>Total</b>	<b>1,301,119</b>	<b>2,082,798</b>

The Company's balances and transactions with group companies and settlement amounts were as follows:

Amounts in balance sheet are as follows:

<b>Aktīvs</b>	<b>31.12.2009</b>	<b>31.12.2008</b>
	<b>LVL</b>	<b>LVL</b>
Due from Ltd "Grindeks Rus" for goods delivered	10,667,848	8,258,427
Advanced payment for goods JSC "Tallinn Pharmaceutical Plant"	617,128	137,649
Loan to JSC "Tallinn Pharmaceutical Plant"	599,332	621,437
Loan to Ltd „Grindeks Rus”	344,400	-
Loan to Ltd „Namu apsaimniekošanas projekti”	62,764	690,405
Due from Ltd „Grindeks Rus” for interest income	35,672	17,329
Due from Ltd „Grindeks Rus” for therent of the office premises	23,331	11,869
<b>Total assets</b>	<b>12,350,475</b>	<b>9,737,116</b>
<b>Liabilities</b>	<b>31.12.2009</b>	<b>31.12.2008</b>
	<b>LVL</b>	<b>LVL</b>
Trade accounts payable JSC "Kalceks"	232,442	265,139
<b>Total liabilities</b>	<b>232,442</b>	<b>265,139</b>

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**Income are as follows**

	<b>2009 LVL</b>	<b>2008 LVL</b>
Sales to Ltd „Grindeks Rus”	6,556,237	8,294,768
Interest income Ltd „Namu apsaimniekošanas projekti”	40,730	15,055
Interest income JSC “Tallinn Pharmaceutical Plant”	33,028	25,812
Interest income Ltd „Grindeks Rus”	17,790	29,460
Rent of office Ltd „Grindeks Rus”	9,111	11,869
<b>Total</b>	<b>6,656,896</b>	<b>8,376,964</b>

**Expenses ar as follows**

	<b>2009 LVL</b>	<b>2008 LVL</b>
Purchase of goods JSC “Tallinn Pharmaceutical Plant”	2,240,389	2,624,546
Advertising Ltd. „Grindeks Rus”	1,090,677	-
Bonuses allocated Ltd “Grindeks Rus”	915,912	40,610
Purchase of goods JSC “Kalceks”	242,240	303,042
Rent of warehouse JSC “Kalceks”	180,852	154,112
Research expenses JSC “Tallinn Pharmaceutical Plant”	149,953	232,769
Deprecation of fixed assets JSC „Kalceks”	42,542	42,542
Comissions Ltd „Grindeks Rus”	-	135,935
<b>Total</b>	<b>4,862,565</b>	<b>3,533,556</b>

## 22. FINANCIAL RISK MANAGEMENT

### *Foreign Currency Risk*

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

Since 1 January 2005, the Bank of Latvia has stated a fixed currency exchange rate for Lat against Euro, i.e. 0.702804. From this moment the Bank of Latvia will also ensure that the market rate will not differ from the official rate by more than 1%. Therefore, the Group’s profit or loss due to fluctuations of the Euro exchange rate is not material as far as the Bank of Latvia maintains the above mentioned fixed rate. Since significant amount of transactions are carried out in EUR, this arrangement minimises the Group’s exposure to foreign currency exchange risk. Also exchange rate of Estonian croon is fixed against Euro.

Therefore, the Group bears foreign currency exchange risk mainly in RUB.

The Group’s financial assets and financial liabilities denominated in foreign currencies as of 31 December are as follows:

	<b>31.12.2009 EUR</b>	<b>31.12.2009 USD</b>	<b>31.12.2009 EEK</b>	<b>31.12.2009 RUB</b>
Financial assets in original currency	13,097,027	1,465,768	115,033,760	1,037,655,572
Financial liabilities in original currency	19,781,183	-	6,949,777	149,286,624
Net balance sheet position in currency	(6,684,156)	1,465,768	108,083,983	888,368,948
<b>Net balance sheet position in lats</b>	<b>(4,697,651)</b>	<b>716,761</b>	<b>4,852,971</b>	<b>14,569,251</b>

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**FOR THE YEAR ENDED 31 DECEMBER 2009**

	<b>31.12.2008</b> <b>EUR</b>	<b>31.12.2008</b> <b>USD</b>	<b>31.12.2008</b> <b>EEK</b>	<b>31.12.2008</b> <b>RUB</b>
Financial assets in original currency	7,777,139	1,803,618	82,643,786	778,532,489
Financial liabilities in original currency	12,532,838	65,753	15,913,185	13,656,494
Net balance sheet position in currency	(4,755,699)	1,737,865	66,730,601	764,875,995
<b>Net balance sheet position in lats</b>	<b>(3,342,324)</b>	<b>860,243</b>	<b>2,996,204</b>	<b>13,079,380</b>

***Credit risk***

Maximum credit risk as of 31 December 2009 and 2008 is as follows:

	<b>Group</b> <b>2009</b> <b>LVL</b>	<b>Group</b> <b>2008</b> <b>LVL</b>	<b>Company</b> <b>2009</b> <b>LVL</b>	<b>Company</b> <b>2008</b> <b>LVL</b>
Trade receivables	19,148,974	18,026,541	12,464,886	11,003,582
Due from related parties	-	-	12,350,475	9,737,116
Other debtors	3,432,653	1,394,270	2,154,740	1,237,140
Cash in bank	102,737	854,386	46,002	215,350
<b>Total</b>	<b>22,684,364</b>	<b>20,275,197</b>	<b>27,016,103</b>	<b>22,193,188</b>

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.

Movement in the allowance for doubtful debts:

	<b>Group</b> <b>31.12.2009</b> <b>LVL</b>	<b>Company</b> <b>31.12.2008</b> <b>LVL</b>
<b>As at 31 December 2007</b>	<b>45,000</b>	<b>45,000</b>
Impairment losses recognised	125,000	125,000
<b>As at 31 December 2008</b>	<b>170,000</b>	<b>170,000</b>
Impairment losses recognised	513,006	513,006
<b>As at 31 December 2009</b>	<b>683,006</b>	<b>683,006</b>

***Interest rate risk***

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

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 LVL 105,663; in the event of a 1.0 percentage point decrease in the interest rate, the profit will increase by LVL 105,663.

***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 borrowings from credit institutions and finance lease obligations. See notes 10,11 and 12.



### **23. COMMITMENTS AND CONTINGENT LIABILITIES**

In order to ensure regular development and manufacturing of the active pharmaceutical ingredient UDCA "Grindeks" started construction of a new manufacturing unit in 2009. The construction will be completed in 1.5 - 2 years and it is planned to invest almost 6 million lats.

On 29 January 2010 the Company has signed an agreement with JSC "Swedbank" on the construction financing for a total amount of EUR 4,200,000. Loan repayment term is 28 January 2012. The interest rate is made up of Euro 3-month Euribor plus 3.5%. Object construction is pegged the European Union co-financing. A loan is secured by the Pledge.

If JSC Tallinn Pharmaceutical Plant pays in dividends all accumulated profit as at 31 December 2009 in the amount of LVL 2,465,855 (EEK 54,918,834) (2008: LVL 1,584,075), it would result in income tax liabilities in the amount of LVL 655,481 (EEK 14,598,677) (2008: LVL 421,083).

### **24. FAIR VALUES OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES**

As at 31 December 2009 and 2008 there are no material differences between fair values of financial assets and financial liabilities and their book values.

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## INDEPENDENT AUDITOR'S REPORT

To shareholder of JSC "Grindeks"

### Report on the financial statement

We have performed the audit of JSC "Grindeks" (hereinafter - Company) financial statements for the year 2009 and the consolidated financial statement of JSC "Grindeks" and its subsidiaries (hereinafter - Group) for the year 2009 incorporated in the consolidated annual report of Company for the year 2009, which is presented on pages from 9 to 37. The audited financial statements comprise the balance sheet as of 31 December 2009, the profit or loss account for the year 2009, the report on the changes in equity and the cash flow statement for the year ended December 31, 2009, as well as a summary on the relevant accounting principles, as well as other explanatory information presented in the Appendix.

### *Management responsibility on the presentation of the financial statement*

The management of JSC "Grindeks" is responsible for drawing up of the financial statements and accuracy of the information contained in the said report presented pursuant to the International Financial Reporting Standards as adopted by the European Union. This responsibility implies establishment, implementation and maintenance of such internal control that is to ensure the drawing up and true and fair presentation of the financial report that is free from material misstatement resulting from fraudulent activity or errors, selection and use of an appropriate accounting policy, as well as preparation of accounting estimates suitable in the particular conditions.

### *Auditor's responsibility*

Our responsibility is to express an opinion on these financial statements based on our audit. We performed the audit in accordance with the International Standards on Audit recognized in Latvia. These standards stipulate ethical norms to be observed by the auditor and require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free from material misstatement.

The audit includes procedures undertaken to obtain audit evidence on the amounts presented in the financial statements and the information disclosed. The procedures are selected based on the auditor's professional judgement, including assessment of risk of fraudulent misrepresentation or material discrepancies in the financial statement. When performing risk assessment, the auditor takes into account internal control established to ensure the drawing up of the financial statements and accurate presentation of information in the reports aimed at determining the most appropriate procedures in the particular situation, rather than expressing an opinion on the efficiency of control. The audit also includes general evaluation of whether the applied accounting principles and relevant management assumptions, as well as the information presented in the financial statements are reasonably justified.

We believe that the disclosures made in the course of our audit are sufficient and adequate to express our auditor's opinion.

### *Opinion*

In our opinion, the financial statements referred to above in all material aspects present a true and fair view of the financial position of the Company and the Group as of December 31, 2009, and of the results of its financial performance and cash flows for the year 2009 in accordance with the International Financial Reporting Standards as adopted by the European Union.

### **Report on the conformity of the management report**

We have familiarised ourselves with the management report for the year 2009, which is presented on pages from 5 to 7, and have not disclosed any material discrepancies between the financial information presented in the management report and the financial statements for the year 2009.

"BDO" JSC  
Certified auditors-Commercial Company  
Licence No. 112

D.Tunsts  
International Liaison Partner



Riga, Latvia  
April 27, 2010

A.Putniņš  
The responsible certified auditor  
Certificate No.123

## Aruande elektroonilised kinnitused

PAS Grindeks Eesti filiaal (registrikood: 11025925) 01.01.2009 - 31.12.2009 majandusaasta aruande andmete õigsust on elektrooniliselt kinnitanud:

Kinnitaja nimi	Kinnitaja roll	Kinnituse andmise aeg
Marina Giršina	Sisestaja	30.06.2010

## Sidevahendid

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