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COMPANY PROFILE

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"Grindeks" is the leading pharmaceutical company in the Baltic States. Its main fields of action are: research, development, manufacturing and sale of original products, generics and active pharmaceutical ingredients. The Group of "Grindeks" consists of four subsidiary companies in Latvia, Estonia and Russia, as well as representative offices in 11 countries.

"Grindeks" specializes in the heart and cardiovascular, CNS and anti-cancer medication therapeutic groups. A range of products covers a successful combination of original products and generics, with the original products Mildronate® and Ftorafur® and more than 100 forms of effective and safe generics included therein. Currently "Grindeks" produces 24 active pharmaceutical ingredients. Products of the company are exported to 55 countries and its export comprises more than 95% of the total turnover. The main markets are: Russia and other CIS countries, the Baltic States. Germany, the Netherlands, Japan and the U.S. Since January 2, 2006 shares of JSC "Grindeks" are listed on the Official List of "NASDAQ OMX Riga". Major shareholders of JSC "Grindeks" are Kirovs Lipmans – 33.29%, Anna Lipmane – 16.69%, "AB.LV Private Equity fund 2010" -11.38%, "Skandinaviska Enskilda Banken" (nominal holder) - 10.22%, "Swedbank" AS Clients Account (nominal holder) – 8.71%. "Grindeks" products are being manufactured in Latvia, Estonia, Lithuania, Poland, Slovakia and Russia.

• We are concerned about public health, employee motivation and welfare of our shareholders.

We are innovation based and environmentally friendly company

Vision

The company's business philosophy is closely related to the company's values that stimulate development of "Grindeks", promote competitiveness and represent the company's internal culture. "Grindeks" is oriented on constructive cooperation, the company believes that the high level of business ethics principles is important, not only from the side of medication manufacturers, but from all the pharmaceutical market participants.

We aim to become a significant European company

Employees – we are the professionals using our knowledge and skills to achieve the determined goals **Quality** – we are responsible for the production of safe and effective medications, ecologically clean environment and work place safety

Innovations – we are steering development of science and research, as well as implementing the latest technologies.

Stability – we are reliable partners, socially responsible and honouring traditions.

Values

Mission



Structure of the "Grindeks" Group

100%		JSC "Tallinn Pharmaceutical Plant"	- Carrier	3
98.7%	6	JSC "Kalceks"	 	
100%		"Namu apsaimniekosanas projekti" Ltd.		1
100%		"Grindeks Rus" Ltd.		
	Bra	anches and Representative offices		

Lithuania, Estonia, Russia, Belarus, Ukraine, Azerbaijan, Georgia, Uzbekistan, Moldova, Kazakhstan, Armenia

GOVERNANCE AND MANAGEMENT

In its operation "Grindeks" adheres to high standards of corporate governance and ensures that the company is managed in accordance with the "Principles of corporate governance and recommendations on their implementation" adopted by "NASDAQ OMX Riga"

It encourages the transparency of the governance and increases the quality of the company and its appeal from the viewpoint of investors and society as whole.

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More information about the company: **Grindeks.lv**

For the company's financial reports please visit: Grindeks.lv/en/for-investors/financial-reports



HISTORY

The origins of "Grindeks" go back to Year 1946 when the Vitamin and Hormones Plant was transferred to the supervision of the Latvian Academy of Sciences with the goal of gradually re-establishing it as an experimental plant. Throughout the years company experienced a considerable growth, forming into the pharmaceutical company of European significance with the potential of tremendous growth.

"Grindeks" purposefully works on the expansion of the pharmaceutical holding and the development of its operations. "Grindeks" business development is closely bound to the Corporate Social Responsibility, securing manufacturing of high quality products and performing all manufacturing processes in the environmentally friendly manner.

CORPORATE SOCIAL RESPONSIBILITY

One of the important aspects of operations of the leading pharmaceutical company of the Baltic States "Grindeks" is the Corporate Social Responsibility, hearing the public needs, more purposeful involvement in the development of society, as well as the dialogue creation with patients and healthcare professionals. "Grindeks" adheres to the principles of corporate social responsibility by providing quality in the manufacturing of products that is based on innovation and realized in environmentally friendly way.

"Grindeks" as the leader of the pharmaceutical industry in the Baltic States is in favor of high ethical business environment, demonstrating not only its ability to successfully organize the multi-faceted pharmaceutical business, but also setting an example in ability and skills to perform ethically and integrally. We are the first in the industry and our aim is to serve as a perfect model for both our own industry companies and other sectors, not only in Latvia, but in every country and region, where "Grindeks" is represented. Every action of "Grindeks" is subject to the overarching objective – mission to care for public health.

"Grindeks" business philosophy is impossible without a link to the company's vision, mission and values, and one of the corporative core values is the well-being of its employees. Therefore the company acts in a socially responsible way, paying particular attention to employees' health, safety, professional development, and employee interrelations and promotion of a high communication culture, creating a positive and a respectful working environment.

Corporate social responsibility of the leading pharmaceutical company in the Baltic States, "Grindeks", is strictly based on the UN Global Compact's ten principles, which include universal human rights, labor rights, environmental protection and anti-corruption business principles. By joining the UN Global Compact movement, the company commits to develop good governance practices and socially responsible behavior in its own company and to promote higher standards of business practices in its own country or globally, in a such way creating a well-organized and ethical business environment by learning from each other and contributing to society.

"Grindeks" was one of the first companies to join the UN Global Compact after that Latvia joined this movement in 2001.

By joining the Global Compact principles, "Grindeks" is cooperating with the UN agencies, representatives, trade unions and non-governmental organizations that act in the human rights, labor rights and environmental protection issues and anti-corruption issues.

Taking into account the UN Global Compact principles, Corporate Social Responsibility in

"Grindeks" is performed in five main directions:

- _____ PATIENT
- _____ Society
- EMPLOYEE
- BUSINESS ENVIRONMENT
- _____ QUALITY and ENVIRONMENTAL PROTECTION

PATIENT

In the genuine concern for public health, "Grindeks" is actively involved in promoting healthy lifestyle and educating patients on health issues. As a responsible pharmaceutical company, "Grindeks" is aware of its important mission and role in patients' health preservation, at the same time the company believes that the medical and health care are multi-stakeholder processes that involve state policy-makers, pharmaceutical manufacturers, wholesalers, pharmacies, doctors and pharmacists, as well as the patients themselves, who are co-responsible for their health preservation. "Grindeks" as a socially responsible company actively informs public on health care and health promotion issues, as well as pays attention to the promotion of patients' understanding and co-responsibility.

Public Health Promotion and Education

Public health is an essential priority of "Grindeks". The aim of its promotion and education of every resident is to build public awareness on use of safe and qualitative medications, as well as taking prophylactic actions to preserve health and prevent deseases.

Therefore, "Grindeks" actively involves in promoting healthy lifestyle and raising awareness on preserving health, using modern solutions and information technology benefits. Since almost every single member of society faces some kind of health problems, "Grindeks" is working closely with local and international cooperation partners to respond to these challenges in a most efficient way. An essential role in promoting public health and patient education is a dialogue between the patients and representative organizations and health care professionals of all levels, including doctors and pharmacists. In particular, "Grindeks" as a socially responsible company, engages in various health promotion projects, as well as participates in exhibitions, seminars and conferences related to health promotion and health care.



"The Small Academy of Cardiology" (MKA®)

"The Small Academy of Cardiology" (MKA®) was established in 2005. Since then, "Grindeks" regularly gathers industry representatives and experts with an aim to inform and discuss modern and effective treatment methods in cardiology.

"Grindeks" is sincerely content that the Academy participants highly evaluate the opportunity to see its manufacturing processes onsite, which enhances confidence in safety and quality of "Grindeks" medications. These visits make physicians approvingly acknowledge the arranged manufacturing processes of "Grindeks" and their compliance with the international standards – ISO, "Good Manufacturing Practice" and others. "Grindeks" is proud to demonstrate its modern manufacturing facilities and to inform on further development and investment plans.

"Stomach Friends Club"

"Grindeks" supports the "Stomach Friends Club", which gathers nutritionists, gastroenterologists, dietologists and infectologists of Latvia – professionals interested in stomach health issues.

Stress, unhealthy lifestyle and unbalanced diet are just some of the causes that adversely affect human health in general and can result in stomach and digestive tract problems; therefore "Stomach Friends Club" also pays particular attention to diagnostic issues and discussions on actualities. Another task of the club is to promote interdisciplinary cooperation – between nutritionists, gastroenterologists, dietologists, infectologists, physicians and health care professionals of other related areas.

"Health School"

In todays fast-changing information environment it is very important to provide reasonable, timely and relevant information on health preservation and prevention to everybody interested, therefore "Grindeks" has created and is systematically updating a special section named "Health School" on its corporate website Grindeks.lv. The "Health School" offers information on various health topics, medical conditions and symptoms, possible solutions for strengthening health and recovery, as well as helpful tips and experts' advice.

Cooperation with Latvian Pensioners' Federation

In order to facilitate the dialogue between "Grindeks" and the public, in particular, its most vulnerable categories, such as pensioners, the company has started cooperation with the Latvian Pensioners` Federation. Signing the cooperation agreement, "Grindeks" Chairman of the Board Juris Bundulis emphasized the importance of direct communication with the Federation; therefore the company is pleased to participate in various events organized by the Pensioners' Federation and to meet Latvian pensioners. This move has received a very positive feedback from the Pensioners' Federation representatives: in particular, now a former President of the Federation Aina Verze thanked the company for responsiveness and initiative in supporting Latvian pensioners.

In 2012 "Grindeks" participated in a meeting with pensioners in Tukums, Malpils and Riga. Throughout the meetings the company actively promoted the principles of an everyday active life, as well as provided information about correct, safe and effective medication usage principles that are up to date and useful for every senior. "Grindeks" also regularly publishes information on various health issues and proper use of medications in the Latvian Pensioners."



"Go for Red" in Lithuania

In the world, women's heart health is promoted by the "Go for Red" movement, which in 2004 was created by the American Heart Association in the USA.

The project aim is to focus on heart and cardiovascular diseases and to highlight the heart health importance in women's lives. In 2012 "Grindeks" became the sponsor of the project "Go for Red" in Lithuania. As a part of the project, there is being organised a round of educational seminars in the largest Lithuanian bookstore chain "Vaga". At the seminar women can learn the ways of preventing cardiovascular diseases from the leading cardiology experts.

"Grindeks" – supporter of the International Medical Meeting (IMM-Riga 2012)

As a leading pharmaceutical company in the Baltic States "Grindeks" was supporting the International Medical Meeting (IMM-2012) in Riga. The conference covered a spectrum of important medical issues – disease epidemiology, etiopathogenesis, and the latest diagnostic and therapeutic methods.

The speakers' list included the Nobel Prize winner in medicine in 2008 prof. Harald zur Hausen, as well as the leading Latvian medical professionals - prof. Andrejs Erglis, prof. Andris Rubins, prof. Valdis Pirags, dr. med. Vilnis Dzerve and others.

"Grindeks" supports the "Medicine 2012 Annual Awards"

"Grindeks" is one of the main supporters of the brightest event in the medical industry – "Medicine 2012 Annual Awards". Celebration in honor of the health care professionals takes place in order to glorify and thank the medical team for conscientious and selfless work in the healthcare industry. Winners receive prizes in the following nominations: "The Doctor of the Year", "The Physician Assistant of the Year", "The Nurse of the Year", "The Midwife of the Year", "The Pharmacist of the Year" and other categories. "Grindeks" as a national pharmaceutical company is committed to supporting the Latvian conscientiously and selflessly hard-working health care and pharmacey professionals, thus acknowledging its strive for strengthening Latvian pharmaceutical industry.

Pharmacovigilance System

Promoting patient safety, health and highest responsibility for the quality of its products are among the most fundamental and most important priorities of "Grindeks", therefore the company has created and continues to develop its Pharmacovigilance System in all countries where medications of "Grindeks" are offered and distributed.

The purpose of this system is timely preventing potential risks to patients, as well as discovering hitherto unknown effects – both positive and negative.

In Pharmacovigilance "Grindeks" follows strict European Union standards on the Good Pharmacovigilance Practice, as well as national laws of the countries, where the product is being marketed.

Data on the side effects as well as interactions, inefficiency, unusual effects reported by healthcare professionals or the medication users is collected, tested and evaluated. All serious adverse reactions are reported to the competent authorities and the risks are carefully evaluated.

Every member of the public or a medical professional, if necessary, can directly report on adverse reactions or undesirable effects in relation to "Grindeks" produced medications by completing a medication reaction report in the permanent section "Monitoring of Side Effects" on "Grindeks" corporate website – Grindeks.lv.

SOCIETY

The management of the company believes that it is one of the major responsibilities of the big businesses to suport socially-oriented activities. Therefore, this is one of the basic principles of "Grindeks" development. The Corporate Social Responsibility activities of "Grindeks" go beyond sponsorship and charity projects – the company supports and sponsors a wide range of socially important projects, as well as engages in public education and information campaigns on health care, medication safety, etc.

Today, while information and knowledge have become one of the most important resources for sustainable development of a company and society, innovations are very important, which are considered to be a noteworthy tool for increasing the competitiveness, and the ability to create them, implement and put into production – an advantage in the rapidly changing world competition market.

In the framework of Corporate Social Responsibility "Grindeks" is making significant investments not only financially, but also gives practical support for education and scientific progress and advancement. Also, the implemented corporate social responsibility foresses the involvement in activities that promote the creation and development of a healthy, cultural, educated, active lifestyle and green thinking supportive society.







"Grindeks" Foundation "For the Support of Science and Education"

With the aim of unifying the education support projects, previously implemented by the company, and to promote the professional growth and education in engineering, natural sciences and pharmaceutical industry, "Grindeks" set up the Foundation "For the Support of Science and Education" in 2006.

This is one of the biggest private Foundations in Latvia that supports young professionals interested and specialising in natural sciences, awards grants and scholarships not only to students and scientists, but also to educational institutions and training staff. Within the six-year period, "Grindeks" Foundation has awarded grants, scholarships and supported a variety of promoting projects in the amount of half million thousand lats, which is as a significant support for the industry in general.

Having a strong belief in sustanaible development of Latvia, including education and science, "Grindeks" through its Foundation supports schools, higher educational institutions, vocational schools, scientific competitions in schools, as well as scientific activity and scientific institutions, both nationally and internationally.

Scholarships for teachers, higher educational institutions' teaching staff and other educational institutions

In November 2012, "Grindeks" Foundation "For the Support of Science and Education" in cooperation with The Faculty of Applied Chemistry and Materials Science of Riga Technical University and other companies of the industry awarded the best 17 Latvian chemistry and science teachers of the year 2012 in for successful systematic training of future engineering, life sciences, pharmaceutical and medical students.

Support for the Latvian team participation in the 44th International Chemistry Competition

Recognizing the importance of supporting national talents in chemistry, "Grindeks" for several years has been supporting Latvian school students participation in the International Chemistry Competition.

In 2012, the National Centre for Education received the support for four high school students and two mentors' participation in the 44th International Chemistry Competition, which took place in Washington D.C. from July 21-31. Among 72 participating teams Latvian representatives have shown very good results, obtaining one silver, two bronze medals and a recognition.



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w.grindeksfonds.lu

UN Global Compact Communication on

In the aim of "Grindeks" Foundation "For the Support of Science and Education" is to stimulate young people's interest in the filed of technology and desire to study engineering, natural sciences and pharmacy. In the frame of this programme, "Grindeks" Foundation joined the representatives of the Riga Technical University (RTU), visiting young Latvian professionals and encouraging their engagement in technical innovation processes.

With a series of workshops the RTU students and "Grindeks" representatives visited four comprehensive schools – Zakumuiza primary school, Pilsrundales high school, Kalnciems high school and E. Kaulina high school of Lielvarde.

Awarding "Golden Owls" and "Silver Owls" to scientists

On November 8, 2012 in the framework of the World Science Day celebration, JSC "Grindeks" Foundation "For the Support of Science and Education" in cooperation with the Latvian Academy of Sciences held a ceremony of honouring Latvian scientists.

The aim of awarding scientists is creating a successful model of a long-term cooperation between Latvian pharmaceutical industry and science, as we are strongly confident that innovation must go hand in hand with business, in particular, in pharmaceutical industry, as it needs constant research and innovative solutions to better improve quality of life and health of the patients.

Three "Golden Owls" were given for outstanding achievements in science, giving each winner a cash prize of 1200 lats.

In order to encourage young professionals to focus on science, special "Silver Owls" and support bonuses of 400 lats each were awarded to four young scientists.

First "Golden Owls" and "Silver Owls" were awarded in 1998, when "Grindeks" signed a cooperation statement with the Latvian Academy of Sciences. This was the first cooperation agreement on scientific patronage in Latvia signed with a private business company. "Golden Owls" and "Silver Owls" are awarded every two years. Since 1998, 76 meritorious and young scientists have been honoured. For many young specialists in medicine the prize created an opportunity to complete studies, so that a number of them could complete their doctoral degrees and continue successful scientific work.



Number of trainees and interns at "Grindeks" in the period of the last four years:

Student internships at the company

To help talented students gain work experience, each year "Grindeks" provides internship positions at the company, as well as an opportunity to conduct academic research at the enterprise. The company also offers students an opportunity for a part-time employment, in case if they combine works with studies. This allows young scientists to apply their knowledge in practice and develop necessary professional skills. The company has an established and successful cooperation with a number of higher and professional educational institutions, such as Olaine Mechanics and Technology College, Riga State Technical School, Faculty of Chemistry of the University of Latvia, Faculty of Materials Science and Applied Chemistry of Riga Technical University, Faculty of Pharmacy of the Riga Stradins University and other institutions. In 2012, 86 students did their internships at "Grindeks". The company also has a wellestablished good practice of offering its most successful interns full-time employment options.



"Grindeks" tours for school children

"Grindeks" has a well-established cooperation with primary and secondary educational institutions. Only in 2012 "Grindeks" organised excursion tours for 381 pupils. The programme included presentations on the history of Latvian pharmaceutical industry, the role of "Grindeks" in the development of national and international pharmacy, medicine manufacturing processes and also a visit to the production units onsite.

Virtual 3D-tour on "Grindeks" corporate webpage

Since the number of excursion applicants significantly exceeds the capacity to satisfy their interest and some of the interested persons cannot attend "Grindeks" physically for various reasons, the company has created a virtual 3D-tour to the company. Consequently, each and every one interested in visiting "Grindeks" can do it online by visiting a "Virtual tour" section on the corporate website. The tour is constantly being updated, taking into consideration changes and renovations implemented at "Grindeks" production sites, laboratories and other objects.

This is a great opportunity for everybody to visit "Grindeks", regardless of their location on the world map. According to the website statistics analytical overview, the virtual tour is very popular among online visitors and is the second most popular section of the corporate website Grindeks.lv.



Pharmacy and chemistry specialist training and providing vocational guidance

Chemical, pharmaceutical, biotechnology and environmental industry specialists has always been in demand in Latvia. Being sincerely interested in preparing skilled specialists in these fields, "Grindeks" is actively helping to develop the content and improve the quality of vocational education, engaging in revision of existing educational training programmes and elaboration of new programmes.

Thus, "Grindeks" in cooperation with the Olaine Mechanics and Technology College, the Ministry of Education and Science and the State Employment Agency developed a number of retraining programmes for unemployed in chemical technology, biotechnology and pharmaceutical product sales. The new employment programmes focus on preparing skilled and demanded labour force in chemistry and pharmacy. A great number of these programmes' graduates started their work for "Grindeks" and have shown remarkable professionalism and loyalty.

Profession Days for Pupils

In 2010, JSC "Grindeks" launched a new project "Profession Days for Pupils". The aim of the project is to promote youngsters' interest in chemistry and in careers in pharmaceutical sector. Each year dozens of school students from various regions of Latvia get an opportunity to spend a whole day at the enterprise side by side with "Grindeks" chemists, chemical technicians, chemical analysts, chemical process technicians, technicians-analysts, biotechnologists, environmental specialists and pharmaceutical equipment operators, depending on their own preference. This allows young prospective professionals, to get acquainted with the duties of "Grindeks" employees in a real working environment, with an opportunity to ask necessary questions and get advice on further career.

Support of publication of Miervaldis Birze's book "Quid pastes, transit hora!"

In 2012, "Grindeks" sponsored the publication of Miervaldis Birze's book "Quid pastes, transit hora!". This book is a collection of Miervaldis Birze's stories, novels and articles devoted to medicine. At the end of the academic year 2011/2012, these books were presented to the graduates of Riga Stradins University faculties of Medicine, Pharmacy, Nursing, Rehabilitation, Public Health, and Dentistry and to the Latvian University graduates of Medical professional studies, Masters and professional studies in Nursing, Bachelors and Masters studies in Pharmacy and Bachelors in Radiography.

Support of publishing of scientist Janis Polis bibliography

Janis Polis (1938 - 2011) is known as a creator of adamantane chemistry in Latvia and a developer of many original methods of aminoadamantane synthesis. He found new chemical therapeutic antivirals and organized their production, as well as synthesized adapromine, gludantane, adamide, adapirone, midantane (amantadine), but one of his most significant scientific achievements was discovering original agent rimantadine for influenza. To describe Janis Polis's unique personality, his life and work, "Grindeks" in cooperation with the Latvian Institute of Organic Synthesis supported publishing of his bibliography. The book was authored by the Academic Library of the University of Latvia and the Latvian Museum of the History of Chemistry, with contributions from the Patent Office Library providing identifying patents and certificates of authorship.

Support of sports and active lifestyle

"Grindeks" promotes active and healthy lifestyle, its employees take part in local and national sport events and competitions. In addition to numerous diverse activities among its employees, "Grindeks" has become one of the main promoters of the most popular sport in Latvia – hockey. Thus, already for several years, "Grindeks" has been the general sponsor of Latvian National Ice Hockey team. "Grindeks" is proud to have an opportunity to support professional sportsmen, proudly popularising the name of their homeland around the world.

"Grindeks" highly appreciates sports activities and is pleased that its employees involve in them and show a good example to others, participating in numerous sports events in Latvia.

For instance, "Grindeks" employee team for several years has participated in the Nordea Riga Marathon. Our athletes chose 5 and 10 km distances, showing good results.

"Grindeks" employees also traditionally take part in an annual basketball tournament organized by the Latvian Pharmacists Association.

Support of the competition "The European Self-Government of the Year 2012"

In the framework of the competition, a special jury visited local governmental bodies, evaluating their activities on active aging and intergenerational cooperation, as well as detecting in each municipality main contributors to the promotion of healthy lifestyle, active aging and protecting interests of seniors. "Grindeks" awarded two winners in the nomination "The municipality for healthy lifestyle" – municipalities of Liepaja and Dobele, with Gritamin[®] vitamins, aproximately 1, 000 lats worth for each body.

Support of culture

"Grindeks" fully aknowledges the importace of sponsoring culture, therefore supporting significant cultural projects that brings the name of Latvia across the world. "Grindeks" is pleased to be a patron of the Latvian National Opera, one of the jewels in the crown of national and European culture, enhancing national prestige in the world.

"Grindeks" is also truly delighted to be a cooperation partner of the Liepaja Symphoni Orchestra since 2012. That year has become particularily significant for the orchestra, as in May it had an opportunity to travel to China with the concert tour, sponsored by "Grindeks".

EMPLOYEE

Professional and highly qualified staff is one if the main "Grindeks" values. The employees are well-motivated and aware that creating a socially responsible company requires contribution from every employee. In its turn, the company takes care about employees' social well-being, health, safety and professional growth.



Occupational Safety and Health Protection

In order to provide maximum security for its employees, "Grindeks" has developed strict occupational safety and health protection principles. The company has a comprehensive Work Environment Risk Reduction System, involving the management and covering nearly all processes. Occupational safety issues in the company are solved methodically and are integrated into the work process. Employee safety measures, continuous workplace risk assessment and reduction are systematic operational functions at "Grindeks".

Each employee of "Grindeks" is involved in monitoring of occupational safety and has an opportunity to report any improvements or deficiencies in this field. The company organizes the Healthy Work Environment Day, when the Board members, directors and department heads meet with their department staff to discuss work conditions, work environment risk reduction plans and priorities for further work.

In order to avoid impact of dangerous chemicals on workers, the enterprise developed a special documentary procedure of work environment risk evaluation and reduction (both in the offices and at the chemical and pharmaceutical production facilities), including risk tracking and recording, as well as planning occupational safety and health activities, and monitoring the efficiency of these measures.

Carrying out risk assessment at the production units and laboratories, the Environmental Monitoring Laboratory measures the concentration of chemical substances in the workspace. Based on these measurements, consequent measures are being taken: such as reducing emissions, optimising ventilation systems and air-flow in rooms, as well as implementing suitable protective devices.

Planning of a safe technology process is tasked to Environmental Monitoring Laboratory, which has undoubtedly proved its professionalism in numerous interlaboratory testing activities. The Laboratory that in 2011 launched the Laboratory Quality Management System development and accreditation according to ISO/IEC 17025 standard for "General Requirements for the Competence of Testing and Calibration Laboratories", at the end of 2012 received the Latvian National Accreditation Bureau ISO 17025 accreditation certificate. The received accreditation certifies "Grindeks" Environmental Monitoring Laboratory proficiency testing the work environment (lighting, microclimate, noise), including detecting volatile compounds and conducting selective analysis on active substances dust in the workspace air.

The Occupational Safety and Health System efficiency at "Grindeks" is guaranteed by the competence of its management and responsible attitude of each employee, that consitutes continuous workspace security improvement at the enterprise, providing long-term conditions for "Grindeks" development.

Taking care of the health of its employees, the company provides health and life insurance for the staff. There is also a medical office at the territory of the enterprise to provide urgent medical assistance in corresponding



Professional growth and career development

Employees are one of the company's main success factors, as their knowledge and expertise are constantly contributed to achieving the company's goals. "Grindeks" is aware that the skills, creativity and ability to generate ideas and invent new products are the key factors to the business development. Therefore, "Grindeks" pays significant attention to staff training and career development.

The employees of "Grindeks" are regularly provided with necessary professional training opportunities. In 2012, the average training volume per 1 employee was 11.9 hours.

The aim of the training projects is to increase the company's competitiveness by raising the qualification of its employees and providing staff with new knowledge that is converted into innovation and development.

The trainings are conducted by both Latvian and foreign lecturers. In 2012, the priority training topics were: acquisition of new technologies, medication registration, Good Manufacturing Practice and the integrated quality management issues, computer science, as well as environmental protection and work safety requirements.

The company has many "success stories": a number of employees, after getting acquainted with "Grindeks" on a tour or during an internship, later joined the company's team, pursuing successful career within "Grindeks".

BUSINESS ENVIRONMENT

"Grindeks" maintains open and honest relationship with all market actors: patients, clients, business partners, as well as investors and even competitors. As the leading pharmaceutical company in the Baltic States, "Grindeks" is in favor of high business ethics principles and calls on other pharmaceutical market players to engage more actively in creation and promotion of ethical business environment. "Grindeks" sees vast further trust-building opportunities in the local pharmaceutical industry and promotes improvements in this field, actively engaging other industry actors.

"Grindeks" aims to perform its best in the global market, providing gualitative, effective and safe medications, as well as promoting and responsibly distributing them in accordance with highest standards of business ethics. Therefore, the company has strict ethical standards in all areas of its business – from production and research to public relations and marketing.

Ethics

"Grindeks" performance to the fullest extent reflects its core values - innovation, reliability, guality, and employees, which is considered a core corporate value. Every "Grindeks" employee can serve as an ethical behaviour model both for the colleagues in pharmacy and in other fields. In 2012 "Grindeks" restated its high ethical standards in a corporate Code of Ethics, which comprised ethical principles of both Latvian and global pharmaceutical industry, as well as the principles, put together by a specially designated group of "Grindeks" employees. The Code of Ethics was developed in 2012 and introduced in the beginning of 2013. Its aim is to build a common understanding of ethical principles of "Grindeks" and its related companies, representative offices and branches and employees, providing clear guidelines for their daily work in accordance with the company's mission and vision, general ethical standards as well as legislative requirements.

The "Grindeks" Code of Ethics also includes areas such as scientific research and clinical ethics, patient safety and pharmacovigilance, cooperation with health care professionals and health organizations, resolution of conflicts, cooperation with patient organizations and other pharmaceutical industry actors.



Ethical conduct for employees

Cooperation with healthcare specialists and institutions

Positive event-management

Managing conflicts of interests

PREVENTING CORRUPTION

COMMUNICATION / INFORMATION / DOCUMENTATION

Securing confidential information

CONFLICT SITUATIONS

Fair and responsible communication

In accordance with its highest ethical standards "Grindeks" in its operations fully complies with human rights principles. The company supports the principles of openness and transparency; accordingly performing extensive internal and external communication activities. In its communication the company uses integrated methods, including advertising, public relations, event marketing, interactive communications, etc. At the same time, the company fully complies with legislative restrictions for medications promotion activities, such as the ban on advertising prescription medications to a non-specialist audience.

"Grindeks" regularly participates in social events and actively informs the society on the company's news, achievements, performance results, investments and corporate social responsibility support projects. This helps strengthen "Grindeks" brand, raising public awareness of health care issues and desease prophylaxis. Product promotion marketing activities are complemented by informative and educational articles in specialized online and printed media sources, as well as on the company's official website. "Grindeks" also organises special seminars, conferences and other educating events for health care specialists, where "Grindeks" clients and partners can get product news, obtain relevant information on various health issues and exchange experience.

To improve the company's operations, "Grindeks" encourages and receives feedback from different stakeholders, including health care specialists, patients and others. In its turn, to keep all interested parties informed, "Grindeks" regularly publishes its news and other relevant information in a number of corporate issues, both accessible online and in print.

"Grindeks" staff regularly participates in various conferences and seminars. The company also regularly receives visitors from foreign embassies, existing and potential partner delegations, as well as organizes excursion tours to the company for different audiences.



Cooperation and Partnership

To achieve better results in promoting health care issues and raising public awareness on related topics "Grindeks" closely cooperates with various partners: from public authorities, as the Ministry of Health of the Republic of Latvia, the Latvian Ministry of Welfare, the State Agency of Medicines, the Health Inspectorate of Latvia, the Latvian Investment and Development Agency to non-governmental organisations and societies.

"Grindeks" is a member of numerous industry-oriented organizations: Association of Latvian Chemical and Pharmaceutical Industry, Latvian Chamber of Commerce and Industry, Latvian Quality Association and others. "Grindeks" responsively engages in various events organized by the Pharmacists Society of Latvia and Latvian Medical Association.

In order to enhance international cooperation, "Grindeks" maintains close ties with many Latvian embassies abroad, particularly notable is a long-standing cooperation with Latvian Embassies in China, Japan, Russia, Belarus, Ukraine, "Grindeks" also continues strengthening mutual ties with Latvian embassies in the countries of its presence and will continue its efforts in this field. "Grindeks" also highly evaluates mutual relations with the embassies of Russia, Ukraine, China, Japan, Lithuania and Belarus in Latvia.

Another important cooperation direction of "Grindeks" are numerous partnerships with scientific organizations, research centres and educational institutions, both at home and abroad. Among them are the Latvian Academy of Sciences, Latvian Institute of Organic Synthesis, University of Latvia, Riga Technical University, Riga Stradins University, Olaine Mechanics and Technology College.

The company also has a stake in two competence centres funded by the European Union – "Pharmaceutical Chemistry and Competence Centre" and "Environment, bioenergy and biotechnology centre of expertise". In the "Pharmaceutical and Chemical Competence Centre", "Grindeks" participates as one of the founders and authors of one of its research programs. The Centre is engaged in major international research for pharmaceutical and chemical industry.

In cooperation with its suppliers, "Grindeks" highly appreciates their professional performance and good reputation, as well as notable performance quality and their corporate social responsibility.

"Grindeks" and the "Baltic Institute of Research, Technology and Innovation" (BIRTI)

To strenghthen cooperation among the Baltic States and the Baltic Sea region, as well as to promote international competitiveness of Latvia and the Baltic States in pharmaceutical innovation, in 2012 the Baltic leading scientists and fifty innovative companies merged to form the Baltic Institute of Research, Technology and Innovation (BIRTI). It aims to create favorable conditions for innovation processes, scientists, engineers, designers and companies, jointly developing competitive, knowledge-based world-class products and production.

The leading pharmaceutical company in the Baltic States "Grindeks" is actively engaged in BIRTI project. In addition, in 2012 "Grindeks" signed a cooperation agreement with the University of Latvia, which foresses development of new synthesis methods, synthesis and various physico-chemical studies, as well as the active pharmaceutical ingredients and the final dosage form technology development, optimization and research. In the frames of cooperation, there will be developed a platform for increasing the production capacity and promoting innovation in pharmacy.

QUALITY AND ENVIRONMENTAL PROTECTION

The company is constantly improving operations and manufacturing processes to improve production quality and minimize its adverse impacts on the environment. Every year "Grindeks" makes considerable investments in improvement of production technology and infrastructure, high quality assurance of medications and active pharmaceutical ingredients, thus confirming its confidence in the UN Global Compact movement aims.

Observing the UN Global Compact principles, "Grindeks" is particularily committed to quality and safety requirements and standards, notably high in the pharmaceutical industry. "Grindeks" active pharmaceutical ingredient and final dosage form research, development, production and sales are performed to ensure product quality, safety and minimise impact on the environment. "Grindeks" respects international and Latvian manufacturing standards and is responsible for the quality of its products.

Pharmaceutical production is one of the most responsible fields of manufacturing, as it is related to human life and health, therefore it faces with particularly high quality requirements. "Grindeks" is an internationally certified enterprise, that operates according to the Good Manufacturing Practice standards, which also guarantees that "Grindeks" manufacturing processes fully correspond to the quality requirements of the European Union and other countries of its operations.

The manufacturing units of "Grindeks" are subjected to audits several times every year by both international pharmaceutical inspections and cooperation partners, giving their conclusion on compliance with international quality standards.



Quality and Environmental Management

According to the international and Latvian standards LVS EN ISO 9001:2008 and LVS EN ISO 14001:2004, "Grindeks" has introduced an integrated quality and environmental management system that covers its all operational areas. This enhances continuous improvement of "Grindeks" business activities, providing our customers and consumers with high-quality, safe and effective medications, including updating and improving the product portfolio. These updates are being implemented on a basis of a continuous market research, indicating necessary conditions for customer satisfaction and the sales volume increase.

Ensuring the integrated quality and environmental management system and regular reporting on its performance and improvement, in 2012 "Grindeks" passed the recertification audit on correspondance with the requirements of ISO 14001:2004 and ISO 9001:2008, with a high evaluation of its product quality, safety measures and environmental policy.

These principles are aligned with the wishes of shareholders and employees, customer satisfaction and expectations, laws, regulations and other requirements of the pharmaceutical field. Good Manufacturing Practice principles and constant monitoring of their implementation is a necessary precondition for effective quality and environmental management.

Taking into account the changes in the market and the requirements of the standarts for the pharmaceutical manufacturing companies, the Quality, Safety and Environmental Policy issues are addressed on a regular basis. Also, this policy is explained to all employees of the company.

Environmental Protection System

Environmental pollution reduction measures are becoming increasingly important in the world, including Latvia. "Grindeks" is a "green thinking" company with a specially created Environmental Protection System seeking new, innovative solutions for saving environmental resources based on environmental impact assessment and monitoring results, regularily carried out. Taking strategic decisions, "Grindeks" always assesses their potential impact on the environment.

"Grindeks" monitors its production impact on the environment on every stage of the production cycle, including research, development and production and invests notable resources in the development and modernization of the infrastructure, to achieve maximal environmental conservation and prevent pollution.

"Grindeks" long-term Environmental Protection Policy includes the following measures:

- · reduction of energy consumption;
- · waste reduction;
- · reduction of water consumption;
- · reduction of emissions into workplace environment air and the atmosphere;
- · reduction of raw material consumption per product unit;
- \cdot reduction of product impact on the environment, improving product quality and its manufacturing process.

"Grindeks" industrial activity is carried out in accordance with an "A License" for the performed pollution activities for the chemical or biological production.



Environmentally friendly technologies

Therapeutic substances and medications usually cannot be made from environmentally friendly products – complex chemical products can be obtained only from other simplier chemical products. The company tests and evaluates the most environmentally friendly technologies and raw materials, and, if possible, in its production uses environmentally friendly solvents (water, alcohol and others), water-soluble and natural vegetable dyes and their analogues.

Environmentally friendly technologies elaboration at "Grindeks" is based on European Commission's issued recommendations of 2006, which in the extensive volume summarize the most relevant best practices on performing fine organic synthesis processes, at the same time reducing and recycling the resulting effluents and waste. "Grindeks" also takes into account the European Commission's guidelines on best available technologies in pharmaceutical and complementary manufacturing sectors.

Reduction of energy consumption

"Grindeks" is proud for its achievements in reduction of energy consumption. Since 2011, the following actions have been taken: regulation of heat supply; replacement of old steam boilers and of ventilation equipment to more modern and energy saving equipment; heat and thermal insulation of buildings and equipment, as well as different organizational arrangements that allows to operate the equipment more efficiently. "Grindeks", improving the existing and constructing new production units, before starting a design and construction, especially evaluates and chooses the most optimal option of the planned heating, hot water and steam cooling systems. The recuperation is widely used – the released heat is used again for the space and equipment heating system. All ventilation equipment of the company is gradually replaced to less energy-intensive systems. Use of the artesian water and previously used drinking water for cooling the industrial equipment, introduced in 2010, efficiently saves energy for the company.

Waste reduction

Waste reduction measures in "Grindeks" are taken on the basis of the European Union recommendations on the best available techniques, the most significant of which is increasing the reaction outcome, thereby reducing waste.

One of the techniques is the recovery of used solvents and extraction of valid components from the liquid waste. Waste, obtained throughout the production processes, is accordingly sorted; hazardous waste is transferred to licensed disposal organizations for destruction, less hazardous – biologically cleaned in the wastewater treatment plant of "Grindeks" or regenerated as much as possible. "Grindeks" is a partner of the "Green Dot of Latvia", "BAO", "Eko osta" and other waste management organizations.

Efficiency of industrial wastewater chemical oxygen demand removal, %



Industrial wastewater treatment

In 2009 "Grindeks" opened a modern, closed-type biological wastewater treatment plant, where industrial wastewaters are purified in the environmentally friendly way. The concept of the industrial wastewater treatment plant is now one of the most modern and it approves that the pharmaceutical manufacturing and the company's growth is compatible with respectful attitude to the nature. The technologically advanced water treatment equipment is a purposefully planned investment project, so that by increasing production capacity, the company not only ensures the turnover increase, but also effectively takes care for the environment.

In the treatment plant there is also a laboratory, carrying out the analysis of effluents and the monitoring of results, and wastewater research. This creates conditons for continuous optimization of the system, year by year increasing the efficiency of industrial wastewater treatment; in 2012 it reached 94.07%. Given high degree of contamination of the chemical industry wastewater and the complex nature of the manufacturing processes, the achieved results are estimated as very high and are approaching the world best registered technology indicators.

"Grindeks" as a partner in "Environment, Bioenergetics and Biotechnology Competence Centre" successfully continuing research on pharmaceutical industry wastewater biological treatment efficiency improvement using specific microbial communities. The aim of the study is to detect, identify and maintain specific microorganisms and microbial groups most efficient in breaking down difficult biodegradable chemicals in the pharmaceutical and oil-containing wastewater. In the framework of this study a major mathematical model of the pharmaceutical wastewater treatment plant was created, which allows to generate different numerous scenarios for treatment plants. The study also includes isolation and identification of microorganisms with different microbiological techniques, as well as examination their operational efficiency in special bioreactors. The obtained results are applicable for biological wastewater treatment plant optimization measure development that allows to increase efficiency of industrial waste water treatment and purification process, ensuring long-term sustainability.

Reduction of emissions into workplace environment air and atmosphere

"Grindeks" takes regular measures to reduce emissions into the air of the workplace environment, as well as in the atmosphere. A significant reduction of environmentally unfavorable solvents is reached by improving production technologies. Closed equipment prevents release of dust into the atmosphere; on the equipment and possible emission sources, dust filters, receivers of acid gases and solvent vapour are installed. These receivers also prevent odours from spreading.

Reduction raw material consumption per product unit

To minimize consumption of raw material per product unit in the production process, "Grindeks" takes substantial waste reduction measures. Particularly effective is solvent – which has the greatest impact on the environment – multiple use after regeneration. There are production units, where the ratio of the fresh and the regenerated solvent, used in the process, is from 1:5 to 1:20.

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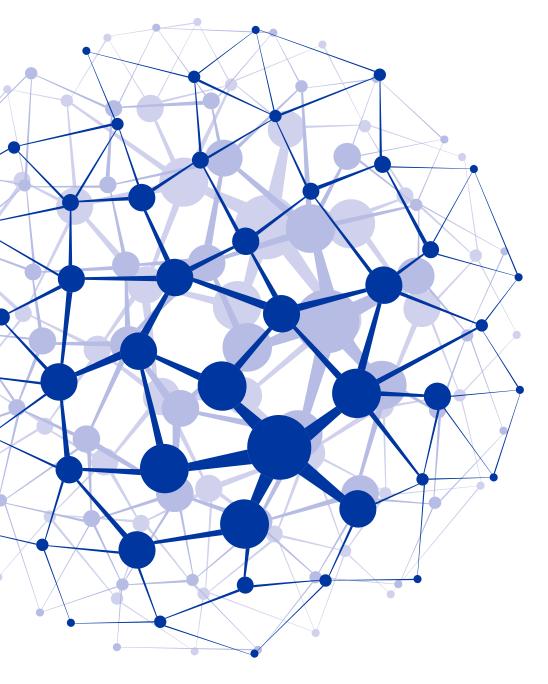
Main target for 2013

The "Grindeks" Code of Ethics was developed in 2012 and introduced in the beginning of 2013. Its aim is to build a common understanding of ethical principles of "Grindeks" and its related companies, representative offices and branches and employees, providing clear guidelines for their daily work in accordance with the company's mission and vision, general ethical standards as well as legislative requirements. Main target for 2013 is to embody principles of ethical behaviour profoundly in the everyday life of the company.

ABOUT THIS COMMUNICATION ON PROGRESS



"Grindeks" joined the United Nations Global Compact in 2002 and this Communication on Progress covers the activities of the leader of the pharmaceutical industry in the Baltic's – JSC "Grindeks" in year 2012. All operations of the company around the world are committed to the Global Compact principles and the company is continuously making further progress as to these commitments.



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