

**TALLINNA
FARMAATSIATEHASE AS**

Unaudited interim statement of 9 months of 2004

<i>Name of company</i>	Tallinna Farmaatsiatehase AS
<i>Commercial registry code</i>	10093221
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<i>Beginning of financial year</i>	1 January 2004
<i>End of financial year</i>	31 December 2004
<i>Main area of activity</i>	manufacture of medicinal products
<i>Auditor</i>	AS Deloitte & Touche Audit

BALANCE SHEET

	Notes	30.09.2004 EEK	31.12.2003 EEK	30.09.2004 EUR	31.12.2003 EUR
ASSETS					
Current assets					
Cash at bank and in hand		592	1 268	38	81
Trade receivables					
Accounts receivable		43	2 250	3	144
Non-trade receivables					
Receivables from other companies in the consolidation group		15	-	1	-
Receivables from parent companies	14	25 267	10 188	1 615	651
Other short-term receivables		31	77	2	5
Total		25 313	10 265	1 618	656
Accrued income					
Interest		1	2	-	-
Prepayments					
Prepaid and deferred taxes	2	514	433	33	28
Prepaid expenses		38	55	2	4
Total		552	488	35	32
Inventories	3				
Raw materials		2 735	2 428	175	155
Work in progress		320	-	20	-
Finished goods		2 007	7 947	128	508
Prepayments to suppliers		-	121	-	8
Total		5 062	10 496	323	671
Total current assets		31 563	24 769	2 017	1 584
Fixed assets					
Long-term investments					
Other long-term receivables	4	115	344	7	22
Tangible assets	5				
Land and buildings		33 935	31 554	2 169	2 016
Machinery and equipment		15 335	14 921	981	954
Other tangible assets		2 962	2 981	189	190
Accumulated depreciation		(23 025)	(20 439)	(1 471)	(1 306)
Prepayments for tangible assets		760	2 155	48	138
Total		29 967	31 172	1 916	1 992
Intangible assets					
Patents, licences, trademarks and other intangible assets	5	383	539	24	34
Prepayments for intangible assets		-	16		1
Total		383	555	24	35
Total fixed assets		30 465	32 071	1 947	2 049
TOTAL ASSETS		62 028	56 840	3 964	3 633

BALANCE SHEET

	Note	30.09.2004 EEK	31.12.2003 EEK	30.09.2004 EUR	31.12.2003 EUR
LIABILITIES AND OWNERS' EQUITY					
Current liabilities					
Debts					
Current financial lease repayments	6	181	741	12	47
Trade creditors		7 141	4 839	456	309
Taxes payable		226	-	14	-
Accrued expenses					
Employee-related liabilities		959	1 157	62	74
Dividends payable		447	447	29	29
Other accrued expenses		1	368	-	24
Total	2	1 407	1 972	91	127
Total current liabilities		8 955	7 552	573	483
Long-term liabilities					
Financial lease liabilities	6	1 304	1 171	83	75
Total long-term liabilities		1 304	1 171	83	75
Total liabilities		10 259	8 723	656	558
Owners' equity					
Share capital (nominal value)		12 500	12 500	799	799
Reserves					
Legal reserve		1 250	1 250	80	80
Other reserves		1 066	1 066	68	68
Retained earnings		33 301	23 073	2 128	1 475
Profit for the financial year		3 652	10 228	233	653
Total owners' equity		51 769	48 117	3 308	3 075
TOTAL LIABILITIES AND OWNERS' EQUITY		62 028	56 840	3 964	3 633

INCOME STATEMENT

		EEK	EEK	EEK	EEK
Revenue					
Sales revenue	7	9 486	17 260	49 608	53 484
Other operating revenue	8	177	411	1 828	2 806
Total revenue		9 663	17 671	51 436	56 290
Expenses					
Materials, consumables and supplies	9	(6 929)	(6 017)	(22 273)	(27 057)
	Note	01.07.04- 30.09.04	01.07.03- 30.09.03	01.01.04- 30.09.04	01.01.03- 30.09.03
Changes in inventories of finished goods and work in progress		2 327	(5 047)	(5 620)	(2 946)
Other operating expenses	10	(2 815)	(2 009)	(7 657)	(5 914)
Staff costs	11	(2 566)	(2 832)	(8 989)	(11 353)
Depreciation and impairment of fixed assets	5	(932)	(1 115)	(2 773)	(3 358)
Other operating charges	12	372	(633)	(398)	(2 782)
Total expenses		(10 543)	(17 653)	(47 710)	(53 410)
Operating profit		(880)	18	3 726	2 880
Financial income and expenses					
Interest expense		(30)	(243)	(99)	(1 642)
Foreign exchange gain		1	-	16	102
Other financial income		1	3	9	(36)
Total financial income and expenses		(28)	(240)	(74)	(1 576)
Profit (loss) for accounting period		(908)	(222)	3 652	1 304
Net profit per share (EEK)	13	(0.73)	(0.18)	2.92	1.04

INCOME STATEMENT

		EUR	EUR	EUR	EUR
Revenue					
Sales revenue	7	606	1 103	3 171	3 418
Other operating revenue	8	12	26	116	179
Total revenue		618	1 129	3 287	3 597
Expenses					
Materials, consumables and supplies	9	(443)	(385)	(1 424)	(1 729)
		01.07.04-	01.07.03-	01.01.04-	01.01.03-
	Note	30.09.04	30.09.03	30.09.04	30.09.03
Changes in inventories of finished goods and work in progress		149	(322)	(359)	(188)
Other operating expenses	10	(180)	(128)	(489)	(378)
Staff costs	11	(164)	(181)	(575)	(725)
Depreciation and impairment of fixed assets	5	(60)	(71)	(176)	(215)
Other operating charges	12	24	(41)	(26)	(178)
Total expenses		(674)	(1 128)	(3 049)	(3 413)
Operating profit		(56)	1	238	184
Financial income and expenses					
Interest expense		(2)	(15)	(6)	(105)
Foreign exchange gain		-	-	1	7
Other financial income		-	-	-	(2)
Total financial income and expenses		(2)	(15)	(5)	(100)
Profit (loss) for accounting period		(58)	(14)	233	84
Net profit per share (EUR)	13	(0.05)	(0.01)	0.19	0.07

CHANGE IN EQUITY STATEMENT

EEK	Share capital	Reserves	Retained earnings	Profit for the financial year	Total
31 December 2002	12 500	2 316	18 078	4 995	37 889
Transfer of the profit for the financial year to the profit for previous periods	-	-	4 995	(4 995)	-
Profit for the accounting period	-	-	-	1 304	1 304
30 September 2003	12 500	2 316	23 073	1 304	39 193
31 December 2003	12 500	2 316	23 073	10 228	48 117
Transfer of the profit for the financial year to the profit for previous periods	-	-	10 228	(10 288)	-
Profit for 9 months of 2004	-	-	-	3 652	3 652
30 September 2004	12 500	2 316	33 301	3 652	51 769
EUR	Share capital	Reserves	Retained earnings	Profit for the financial year	Total
31 December 2002	799	148	1 156	319	2 422
Transfer of the profit for the financial year to the profit for previous periods	-	-	319	(319)	-
Profit for the accounting period	-	-	-	84	84
30 September 2003	799	148	1 475	84	2 506
31 December 2003	799	148	1 475	653	3 075
Transfer of the profit for the financial year to the profit for previous periods	-	-	653	(653)	-
Profit for 9 months of 2004	-	-	-	233	233
30 September 2004	799	148	2 128	233	3 308

CASH FLOW STATEMENT

	Note	01.01.04- 30.09.04 EEK	01.01.03- 30.09.03 EEK	01.01.04- 30.09.04 EUR	01.01.03- 30.09.03 EUR
CASH FLOW FROM OPERATING ACTIVITIES					
Net profit for the accounting period		3 652	1 304	233	84
Adjustment of profit to net cash flow from main operating activities:					
Depreciation of fixed assets	5	2 773	3 358	176	215
Income from sales of fixed assets	5	(2)	(178)	-	(11)
Interest income		(9)	(19)	-	(1)
Interest expense		99	1 642	6	105
Changes in current assets and liabilities:					
Customer receivables		2 207	56	141	3
Other receivables		(15 075)	17 650	(963)	1 128
Prepayments		(64)	1 453	(4)	93
Inventories		5 434	4 010	347	256
Prepayments for goods and services		-	23	-	1
Supplier payables		2 302	(2 025)	147	(129)
Other payables		-	9	-	-
Taxes payables		226	12	14	-
Accrued expenses (except interest payable)		(565)	(518)	(36)	(33)
Total from operating activities		978	26 777	61	1 711
CASH FLOW FROM INVESTING ACTIVITIES					
Acquisition of fixed assets	5	(1 400)	(702)	(90)	(45)
incl. under financial lease terms		308	-	20	-
Sales of fixed assets		6	178	1	11
Repayments of granted loans		256	22	17	2
Interest received		10	20	1	1
Total from investing activities		(1 128)	(482)	(71)	(31)
CASH FLOW FROM FINANCING ACTIVITIES					
Repayments of received loans		-	(23 311)	-	(1 490)
Financial lease repayments	6	(427)	(916)	(27)	(58)
Interest paid		(99)	(1 701)	(6)	(109)
Total from financing activities		(526)	(25 928)	(33)	(1 657)
Total cash flow		(676)	367	(43)	23
CASH AT BEGINNING OF PERIOD		1 268	78	81	5
CASH AT END OF PERIOD		592	445	38	28

NOTE 1. ACCOUNTING POLICIES AND VALUATION METHODS APPLIED

The interim financial statement of Tallinna Farmaatsiatehase AS (hereinafter also “the Company”) has been prepared in accordance with the Accounting Law of the Republic of Estonia and the International Financial Reporting Standards (IFRS). The accounting policies applied upon preparation of the interim financial statement are the same as those used in the Annual Report for the financial year which ended on 31 December 2003.

In the opinion of the Management Board the interim financial statement of 9 months of 2004 gives a true and fair view of the performance of Tallinna Farmaatsiatehase AS based on the going concern principle. This interim financial statement has not been audited.

The interim financial statement has been prepared in thousands of EEK and thousands of EUR.

NOTE 2. PREPAID AND DEFERRED TAXES AND TAXES PAYABLE

The balances of prepaid and deferred taxes and taxes payable are as follows:

	30.09.2004 EEK	31.12.2003 EEK	30.09.2004 EUR	31.12.2003 EUR
Prepaid taxes				
Value added tax	335	414	21	27
Deferred value added tax	63	4	4	-
Social tax	15	15	1	1
Income tax on fringe benefits	101	-	7	-
Total	514	433	33	28
Taxes payable				
Income tax of natural persons	26	-	2	-
Social tax	200	-	12	-
Total	226	-	14	-

NOTE 3. INVENTORIES

	30.09.2004 EEK	31.12.2003 EEK	30.09.2004 EUR	31.12.2003 EUR
Raw materials in warehouses	2 735	2 428	175	155
Work in progress	320	-	20	-
Finished goods in the factory in Estonia	1 040	2 533	66	162
Finished goods in consignment warehouses	-	4 978	-	318
Finished goods undergoing QC	967	436	62	28
Total finished goods	2 007	7 947	128	508
Prepayments to suppliers	-	121	-	8
Total	5 062	10 496	323	671

NOTE 4. GRANTED LONG-TERM LOANS

The Company has granted the following loans:

	30.09.2004 EEK	31.12.2003 EEK	30.09.2004 EUR	31.12.2003 EUR
Long-term unsecured loans with an interest rate of 5.7% per annum granted to private persons	140	395	9	25
including the short-term portion	25	51	2	3
Long-term portion	115	344	7	22

NOTE 5. TANGIBLE AND INTANGIBLE FIXED ASSETS

The report on movements of tangible and intangible fixed assets is as follows:

EEK

	Land and buildings	Machinery and equipment	Other tangible assets	Construction in progress	Pre-payments for fixed assets	Intangible fixed assets	Pre-payments for intangible fixed assets	Total
Acquisition cost								
as of 31 December 2002	34 162	28 899	3 594	-	206	7 178	894	74 933
Purchases	-	201	39	23	2 454	-	217	2 934
Sales and write-offs	(2 647)	(14 668)	(652)	-	-	(6 347)	(576)	(24 890)
Reclassification	39	489	-	(23)	(505)	519	(519)	-
31 December 2003	31 554	14 921	2 981	-	2 155	1 350	16	52 977
Purchases	-	244	-	563	593	-	-	1 400
Sales and write-offs	-	-	(19)	-	-	-	-	(19)
Reclassification	2 381	170	-	197	(2 748)	16	(16)	-
30 September 2004	33 935	15 335	2 962	760	-	1 366	-	54 358
Accumulated depreciation								
31 December 2002	8 288	20 012	2 969	-	-	5 870	-	37 139
Depreciation	3 762	3 174	201	-	-	512	-	7 649
Depreciation of sold and written-off fixed assets	(2 647)	(14 668)	(652)	-	-	(5 571)	-	(23 538)
31 December 2003	9 403	8 518	2 518	-	-	811	-	21 250
Depreciation	1 104	1 365	132	-	-	172	-	2 773
Depreciation of sold and written-off fixed assets	-	-	(15)	-	-	-	-	(15)
30 September 2004	10 507	9 883	2 635	-	-	983	-	24 008
Residual value								
31 December 2003	22 151	6 403	463	-	2 155	539	16	31 727
30 September 2004	23 428	5 452	327	760	-	383	-	30 350

EUR

	Land and buildings	Machinery and equipment	Other tangible assets	Construct- ion in progress	Pre- payments for fixed assets	Intangible fixed assets	Pre- payment s for intangible fixed assets	Total
Acquisition cost								
as of 31 December 2002	2 183	1 847	230	-	13	458	58	4 789
Purchases	-	13	2	1	157	-	14	187
Sales and write-offs	(169)	(937)	(42)	-	-	(406)	(37)	(1 591)
Reclassification	2	31	-	(1)	(32)	34	(34)	-
31 December 2003	2 016	954	190	-	138	86	1	3 385
Purchases	-	16	-	36	38	-	-	90
Sales and write-offs	-	-	(1)	-	-	-	-	(1)
Reclassification	153	11	-	12	(176)	1	(1)	-
30 September 2004	2 169	981	189	48	-	87	-	3 474
Accumulated depreciation								
31 December 2002	530	1 279	190	-	-	375	-	2 374
Depreciation	240	203	13	-	-	33	-	489
Depreciation of sold and written-off fixed assets	(169)	(938)	(42)	-	-	(356)	-	(1 505)
31 December 2003	601	544	161	-	-	52	-	1 358
Depreciation	71	87	8	-	-	11	-	177
Depreciation of sold and written-off fixed assets	-	-	(1)	-	-	-	-	(1)
30 September 2004	672	631	168	-	-	3	-	1 534
Residual value								
31 December 2003	1 415	410	29	-	138	34	1	2 027
30 September 2004	1 497	350	21	48	-	24	-	1 940

NOTE 6. FIXED ASSETS ACQUIRED UNDER FINANCIAL LEASE TERMS

The financial lease liabilities of the Company are as follows:

	EEK	EUR
Financial lease liability as of 31 Dec. 2003	1 912	122
Increase in liability	308	20
Payments of the principal in the accounting period	735	47
Financial lease liability as of 30 Sept. 2004	1 485	95
incl. the short-term portion	181	12
Long-term portion	1 304	83
Interest expense for the accounting period	30	2

NOTE 7. NET SALES

The breakdown of net sales by markets

	01.01.04- 30.09.04 EEK	01.01.03- 30.09.03 EEK	01.01.04- 30.09.04 EUR	01.01.03.- 30.09.03 EUR
Latvia	48 407	40 491	3 094	2 588
Estonia	1 201	12 993	77	830
Total	49 608	53 484	3 171	3 418

and product groups is as follows:

	01.01.04- 30.09.04 EEK	01.01.03- 30.09.03 EEK	01.01.04- 30.09.04 EUR	01.01.03.- 30.09.03 EUR
Ointments	44 790	33 163	2 863	2 119
Pellets	992	5 326	63	340
Ampoules	1 718	9 148	110	585
Other	2 108	5 847	135	374
Total	49 608	53 484	3 171	3 418

NOTE 8. OTHER OPERATING REVENUE

	01.01.04- 30.09.04 EEK	01.01.03- 30.09.03 EEK	01.01.04- 30.09.04 EUR	01.01.03- 30.09.03 EUR
Foreign exchange gain	317	-	20	-
Income from sales of fixed assets	2	178	-	11
Licence fees	-	2 381	-	152
Other operating revenue	1 509	247	96	16
Total	1 828	2 806	116	179

NOTE 9. GOODS, RAW MATERIALS AND SERVICES

	01.01.04- 30.09.04 EEK	01.01.03- 30.09.03 EEK	01.01.04- 30.09.04 EUR	01.01.03- 30.9.03 EUR
Raw materials	20 396	21 470	1 304	1 372
Energy	950	1 122	61	72
Registering of medicinal products and trademarks	400	478	26	30
Carriage of finished goods	349	387	22	25
Fuel, spare parts	44	34	3	2
Goods	35	3 393	2	217
Other materials	99	173	6	11
Total	22 273	27 057	1 424	1 729

NOTE 10. OTHER OPERATING EXPENSES

	01.01.04- 30.09.04 EEK	01.01.03- 30.09.03 EEK	01.01.04- 30.09.04 EUR	01.01.03- 30.09.03 EUR
Training and consultation	3 052	318	195	21
Purchased services	2 050	1 990	131	127
Repairs	536	567	34	36
Marketing	316	675	20	43
Commercial leasing and leasing	307	537	20	34
Agency and commission fees	296	400	19	26
Miscellaneous charges	201	363	13	23
Transportation	177	308	11	20
Business trips	108	81	7	5
Representation expenses	67	199	4	13
Office expenses	67	97	4	6
Other expenses	480	379	31	24
Total	7 657	5 914	489	378

NOTE 11. STAFF COSTS

	Wages EEK		Wages EUR		Average number of employees	
	01.01.04- 30.09.04	01.01.03- 30.09.03	01.01.04- 30.09.04	01.01.03- 30.09.03	01.01.04- 30.09.04	01.01.03- 30.09.03
Staff costs	6 715	8 413	429	537	87	120
incl. workers	1 441	2 389	92	152	42	66
managers, specialists	4 447	5 348	284	342	44	52
Management Board	423	517	27	33	1	2
other costs	404	159	26	10	-	-
Social tax	2 274	2 940	146	188	-	-
Total	8 989	11 353	576	725	87	120

NOTE 12. OTHER OPERATING CHARGES

	01.01.04- 30.09.04 EEK	01.01.03- 30.09.03 EEK	01.01.04- 30.09.04 EUR	01.01.03- 30.09.03 EUR
Foreign exchange loss	-	2 270	-	145
Copyright supervision	12	147	1	10
Fines and precepts	12	50	1	3
Value added tax on expenses	61	62	4	4
Interest on arrears	108	5	7	-
Other operating charges	205	248	13	16
Total	398	2 782	26	178

NOTE 13. NET PROFIT PER SHARE

	01.01.04- 30.09.04 EEK	01.01.03- 30.09.03 EEK	01.01.04- 30.09.04 EUR	01.01.03- 30.09.03 EUR
Net profit	3 652	1 304	233	84
Weighted average number of shares	1 250	1 250	1 250	1 250
Earnings per share (EPS) IN EEK and EUR	2.92	1.04	0.19	0.07

During both of the compared periods, the Company did not have common stock for potential issue and therefore the diluted earning per share equals normal net profit per share.

NOTE 14. TRANSACTIONS WITH ASSOCIATED PARTIES

Transactions with PJSC Grindeks, the parent company, are deemed to be transactions with associated parties. The transactions with associated parties as of 30 September 2004 are reflected as follows:

14.1. Purchases**EEK**

Associated party	Outstanding as of 31 Dec. 2003	Purchased goods and services	Outstanding as of 30 Sept. 2004
PJSC Grindeks	-	Purchased goods and services 213	-
		Paid 213	

EUR

Associated party	Outstanding as of 31 Dec. 2003	Purchased goods and services	Outstanding as of 30 Sept. 2004
PJSC Grindeks	-	Purchased goods and services 14	-
		Paid 14	

14.2. Sales**EEK**

Associated party	Receivables as of 31 Dec. 2003	Sold goods and services	Receivables as of 30 Sept. 2004
PJSC Grindeks	10 188	Sold goods and services 49 600	25 267
		Received 34 521	

EUR

Associated party	Receivables as of 31 Dec. 2003	Sold goods and services	Receivables as of 30 Sept. 2004
PJSC Grindeks	651	Sold goods and services 3 170	1 615
		Received 2 206	