

**TALLINNA
FARMAATSIATEHASE AS**

Unaudited interim statement of 12 months of 2004

<i>Name of company</i>	Tallinna Farmaatsiatehase AS
<i>Commercial registry code</i>	10093221
<i>Address</i>	Tondi 33, 11316 Tallinn
<i>Telephone</i>	6 120 201
<i>Fax</i>	6 120 330
<i>E-mail</i>	farma@tft.ee
<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	31.12.2004 EEK	31.12.2003 EEK	31.12.2004 EUR	31.12.2003 EUR
ASSETS					
Current assets					
Cash at bank and in hand		308	1 268	20	81
Trade receivables					
Accounts receivable		16	2 250	1	144
Non-trade receivables					
Receivables from other companies in the consolidation group		0	-	0	-
Receivables from parent companies	14	26 311	10 188	1 682	651
Other short-term receivables		39	77	2	5
Total		26 350	10 265	1 684	656
Accrued income					
Interest			2	-	-
Prepayments					
Prepaid and deferred taxes	2	354	433	23	28
Prepaid expenses		46	55	3	4
Total		400	488	26	32
Inventories	3				
Raw materials		2 322	2 428	148	155
Work in progress		108	-	7	-
Finished goods		2 224	7 947	142	508
Prepayments to suppliers		-	121	-	8
Total		4 654	10 496	297	671
Total current assets		31 728	24 769	2 028	1 584
Fixed assets					
Long-term investments					
Other long-term receivables	4	105	344	7	22
Tangible assets	5				
Land and buildings		34 004	31 554	2 173	2 016
Machinery and equipment		16 327	14 921	1 043	954
Other tangible assets		2 989	2 981	191	190
Accumulated depreciation		(23 671)	(20 439)	(1 513)	(1 306)
Prepayments for tangible assets			2 155		138
Total		29 649	31 172	1 894	1 992
Intangible assets					
Patents, licences, trademarks and other intangible assets	5	334	539	21	34
Prepayments for intangible assets		58	16	4	1
Total		392	555	25	35
Total fixed assets		30 146	32 071	1 926	2 049
TOTAL ASSETS		61 874	56 840	3 954	3 633

BALANCE SHEET

	Note	31.12.2004 EEK	31.12.2003 EEK	31.12.2004 EUR	31.12.2003 EUR
LIABILITIES AND OWNERS' EQUITY					
Current liabilities					
Debts					
Current financial lease repayments	6	768	741	49	47
Trade creditors		7 317	4 839	467	309
Taxes payable		418	-	27	-
Accrued expenses					
Employee-related liabilities		985	1 157	63	74
Dividends payable		447	447	29	29
Other accrued expenses		180	368	11	24
Total	2	1 611	1 972	103	127
Total current liabilities		10 114	7 552	646	483
Long-term liabilities					
Financial lease liabilities	6	536	1 171	34	75
Total long-term liabilities		536	1 171	34	75
Total liabilities		10 650	8 723	680	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		3 107	10 228	199	653
Total owners' equity		51 224	48 117	3 274	3 075
TOTAL LIABILITIES AND OWNERS' EQUITY		61 874	56 840	3 954	3 633

INCOME STATEMENT

	Note	01.10.04- 31.12.04 EEK	01.10.03- 31.12.03 EEK	01.01.04- 31.12.04 EEK	01.01.03- 31.12.03 EEK
Revenue					
Sales revenue	7	16 347	22 010	65 955	75 494
Other operating revenue	8	12	12 859	1 840	15 664
Total revenue		16 359	34 869	67 795	91 158
Expenses					
Materials, consumables and supplies	9	(9 939)	(11 137)	(32 212)	(38 194)
Changes in inventories of finished goods and work in progress		5	(4 465)	(5 615)	(7 410)
Other operating expenses	10	(2 975)	(3 474)	(10 633)	(9 388)
Staff costs	11	(2 937)	(2 894)	(11 925)	(14 248)
Depreciation and impairment of fixed assets	5	(950)	(4 291)	(3 723)	(7 649)
Other operating charges	12	(80)	(794)	(479)	(3 576)
Total expenses		(16 876)	(27 055)	(64 587)	(80 465)
Operating profit		(517)	7 815	3 208	10 693
Financial income and expenses					
Interest expense		(27)	(265)	(125)	(1 907)
Foreign exchange gain		(3)	1 370	13	1 473
Other financial income		2	5	11	(31)
Total financial income and expenses		(28)	1 110	(101)	(465)
Profit (loss) for accounting period		(545)	8 924	3 107	10 228
Net profit per share (EEK)	13	(0.44)	7.14	2.49	8.18

INCOME STATEMENT

	Note	01.10.04- 31.12.04 EUR	01.10.03- 31.12.03 EUR	01.01.04- 31.12.04 EUR	01.01.03- 31.12.03 EUR
Revenue					
Sales revenue	7	1 045	1 406	4 215	4 825
Other operating revenue	8	1	822	118	1 001
Total revenue		1 046	2 228	4 333	5 826
Expenses					
Materials, consumables and supplies	9	(635)	(712)	(2 059)	(2 441)
Changes in inventories of finished goods and work in progress		-	(285)	(359)	(473)
Other operating expenses	10	(190)	(222)	(680)	(600)
Staff costs	11	(188)	(185)	(762)	(911)
Depreciation and impairment of fixed assets	5	(61)	(274)	(237)	(489)
Other operating charges	12	(5)	(51)	(31)	(229)
Total expenses		(1 079)	(1 729)	(4 128)	(5 143)
Operating profit		(33)	499	205	683
Financial income and expenses					
Interest expense		(2)	(17)	(8)	(122)
Foreign exchange gain		-	88	1	94
Other financial income		-	-	1	(2)
Total financial income and expenses		(2)	71	(6)	(30)
Profit (loss) for accounting period		(35)	570	199	653
Net profit per share (EEK)	13	(0.03)	0.46	0.16	0.52

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	-	-	-	10 228	10 228
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 12 months of 2004	-	-	-	3 107	3 107
30 September 2004	12 500	2 316	33 301	3 107	51 224
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	-	-	-	653	653
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	-	-	-	199	199
30 September 2004	799	148	2 128	199	3 274

CASH FLOW STATEMENT

	Note	01.01.04- 31.12.04 EEK	01.01.03- 31.12.03 EEK	01.01.04- 31.12.04 EUR	01.01.03- 31.12.03 EUR
CASH FLOW FROM OPERATING ACTIVITIES					
Net profit for the accounting period		3 107	10 228	199	653
Adjustment of profit to net cash flow from main operating activities:					
Depreciation of fixed assets	5	3 723	7 649	238	489
Income from sales of fixed assets	5	(17)	(12 100)	(1)	(773)
		-	576	-	37
Interest income		(10)	(24)	(1)	(2)
Interest expense		125	1 907	8	122
Changes in current assets and liabilities:					
Customer receivables		2 234	155	144	10
Other receivables		(16 106)	9 471	(1 030)	605
Prepayments		88	1 011	6	64
Inventories		5 842	9 570	374	612
Supplier payables		2 478	(2 662)	158	(170)
Taxes payables		418	-	27	-
Accrued expenses (except interest payable)		(361)	(67)	(24)	(4)
Total from operating activities		1 521	25 714	98	1 643
CASH FLOW FROM INVESTING ACTIVITIES					
Acquisition of fixed assets	5	(2 041)	(2 934)	(130)	(188)
Sales of fixed assets		21	249	1	16
Repayments of granted loans		260	29	16	2
Interest received		12	26	1	2
Total from investing activities		(227)	(2 630)	(14)	(168)
CASH FLOW FROM FINANCING ACTIVITIES					
Repayments of received loans		-	(18 830)	-	(1 203)
Financial lease repayments	6	(608)	(1 098)	(39)	(70)
Interest paid		(125)	(1 966)	(8)	(126)
Total from financing activities		(733)	(21 894)	(47)	(1 399)
Total cash flow		(960)	1 190	(61)	76
CASH AT BEGINNING OF PERIOD		1 268	78	81	5
CASH AT END OF PERIOD		308	1 268	20	81

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:

	31.12.2004 EEK	31.12.2003 EEK	31.12.2004 EUR	31.12.2003 EUR
Prepaid taxes				
Value added tax	342	414	22	27
Deferred value added tax	2	4	-	-
Social tax	10	15	1	1
Total	354	433	23	28
Taxes payable				
Income tax of natural persons	368	-	24	-
Social tax	50	-	3	-
Total	418	-	27	-

NOTE 3. INVENTORIES

	31.12.2004 EEK	31.12.2003 EEK	31.12.2004 EUR	31.12.2003 EUR
Raw materials in warehouses	2 322	2 428	148	155
Work in progress	108	-	7	-
Finished goods in the factory in Estonia	1 011	2 533	65	162
Finished goods in consignment warehouses	-	4 978	-	318
Finished goods undergoing QC	1 213	436	77	28
Total finished goods	2 224	7 947	142	508
Prepayments to suppliers	-	121	-	8
Total	4 654	10 496	297	671

NOTE 4. GRANTED LONG-TERM LOANS

The Company has granted the following loans:

	31.12.2004 EEK	31.12.2003 EEK	31.12.2004 EUR	31.12.2003 EUR
Long-term unsecured loans with an interest rate of 5.7% per annum granted to private persons	135	395	9	25
including the short-term portion	30	51	2	3
Long-term portion	105	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	29	451	27	806	670	-	58	2 041
Sales and write-offs	-	(255)	(19)	-	-	-	-	(274)
Reclassification	2 421	1 210	-	(806)	(2 825)	16	(16)	-
31 December 2004	34 004	16 327	2 989	-	-	1 366	58	54 744
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	1 473	1 855	174	-	-	221	-	3 723
Depreciation of sold and written-off fixed assets	-	(255)	(15)	-	-	-	-	(270)
31 December 2004	10 876	10 118	2 677	-	-	1 032	-	24 703
Residual value 31 December 2003	22 151	6 403	463	-	2 155	539	16	31 727
31 December 2004	23 128	6 209	312	-	-	334	58	30 041

EUR

	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	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	2	28	2	51	43	-	4	130
Sales and write-offs	-	(16)	(1)	-	-	-	-	(17)
Reclassification	155	77	-	(51)	(181)	1	(1)	-
31 December 2004	2 173	1 043	191	-	-	87	4	3 498
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	94	119	11	-	-	14	-	238
Depreciation of sold and written-off fixed assets	-	(16)	(1)	-	-	-	-	(17)
31 December 2004	695	647	171	-	-	66	-	1 579
Residual value								
31 December 2003	1 415	410	29	-	138	34	1	2 027
31 December 2004	1 478	396	20	-	-	21	4	1 919

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	916	59
Financial lease liability as of 31 Dec. 2004	1 304	83
incl. the short-term portion	768	49
Long-term portion	536	34
Interest expense for the accounting period	125	8

NOTE 7. NET SALES

The breakdown of net sales by markets

	01.01.04- 31.12.04 EEK	01.01.03- 31.12.03 EEK	01.01.04- 31.12.04 EUR	01.01.03- 31.12.03 EUR
Latvia	65 809	57 567	4 206	3 679
Estonia	146	17 927	9	1 146
Total	65 955	75 494	4 215	4 825

and product groups is as follows:

	01.01.04- 31.12.04 EEK	01.01.03- 31.12.03 EEK	01.01.04- 31.12.04 EUR	01.01.03- 31.12.03 EUR
Ointments	61 104	47 528	3 905	3 038
Pellets	1 717	12 303	110	786
Ampoules	992	5 777	63	369
Other	2 142	9 886	137	632
Total	65 955	75 494	4 215	4 825

NOTE 8. OTHER OPERATING REVENUE

	01.01.04- 31.12.04 EEK	01.01.03- 31.12.03 EEK	01.01.04- 31.12.04 EUR	01.01.03- 31.12.03 EUR
Foreign exchange gain	315	-	20	-
Income from sales of fixed assets	17	12 100	1	773
Licence fees	-	3 440	-	220
Other operating revenue	1 508	124	97	8
Total	1 840	15 664	118	1 001

NOTE 9. GOODS, RAW MATERIALS AND SERVICES

	01.01.04- 31.12.04 EEK	01.01.03- 31.12.03 EEK	01.01.04- 31.12.04 EUR	01.01.03- 31.12.03 EUR
Raw materials	29 440	29 479	1 882	1 884
Energy	1 383	1 557	88	100
Registering of medicinal products and trademarks	654	1 066	42	68
Carriage of finished goods	498	533	32	34
Fuel, spare parts	61	48	4	3
Goods	35	5 280	2	337
Other materials	141	231	9	15
Total	32 212	38 194	2 059	2 441

NOTE 10. OTHER OPERATING EXPENSES

	01.01.04- 31.12.04 EEK	01.01.03- 31.12.03 EEK	01.01.04- 31.12.04 EUR	01.01.03- 31.12.03 EUR
Training and consultation	4 060	2 273	260	145
Purchased services	3 475	2 634	222	168
Repairs	692	692	44	44
Marketing	336	466	21	30
Commercial leasing and leasing	316	906	20	58
Agency and commission fees	296	555	19	36
Miscellaneous charges	269	466	17	30
Transportation	244	396	16	25
Business trips	132	109	9	7
Representation expenses	94	134	6	9
Office expenses	89	267	6	17
Other expenses	630	490	40	31
Total	10 633	9 388	680	600

NOTE 11. STAFF COSTS

	Wages EEK		Wages EUR		Average number of employees	
	01.01.04- 31.12.04	01.01.03- 31.12.03	01.01.04- 31.12.04	01.01.03- 31.12.03	01.01.04- 31.12.04	01.01.03- 31.12.03
Staff costs	8 920	10 562	570	675	83	113
incl. workers	1 997	2 850	128	182	40	60
managers, specialists	5 886	6 839	376	437	42	52
Management Board	240	457	15	29	1	1
other costs	797	416	51	27	-	-
Social tax	3 005	3 686	192	236	-	-
Total	11 925	14 248	762	911	83	113

NOTE 12. OTHER OPERATING CHARGES

	01.01.04- 31.12.04 EEK	01.01.03- 31.12.03 EEK	01.01.04- 31.12.04 EUR	01.01.03- 31.12.03 EUR
Foreign exchange loss	110	1	7	-
Copyright supervision	71	74	5	5
Fines and precepts	-	2 799	-	179
Value added tax on expenses	29	249	2	16
Interest on arrears	12	100	1	6
Other operating charges	257	353	16	23
Total	479	3 576	31	229

NOTE 13. NET PROFIT PER SHARE

	01.01.04- 31.12.04 EEK	01.01.03- 31.12.03 EEK	01.01.04- 31.12.04 EUR	01.01.03- 31.12.03 EUR
Net profit	3 107	10 228	199	653
Weighted average number of shares	1 250	1 250	80	80
Earnings per share (EPS) IN EEK and EUR	2.49	8.18	0.16	0.52

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 31 December 2004 are reflected as follows:

14.1. Purchases**EEK**

Associated party	Outstanding as of 31 Dec. 2003	Purchased goods and services	Outstanding as of 31 Dec. 2004
PJSC Grindeks	-	Purchased goods and services 441	-
		Paid 441	

EUR

Associated party	Outstanding as of 31 Dec. 2003	Purchased goods and services	Outstanding as of 31 Dec. 2004
PJSC Grindeks	-	Purchased goods and services 28	-
		Paid 28	

14.2. Sales**EEK**

Associated party	Receivables as of 31 Dec. 2003	Sold goods and services	Receivables as of 31 Dec. 2004
PJSC Grindeks	10 188	Sold goods and services 65 936	26 271
		Received 49 853	

EUR

Associated party	Receivables as of 31 Dec. 2003	Sold goods and services	Receivables as of 31 Dec. 2004
PJSC Grindeks	651	Sold goods and services 4 213	1 678
		Received 3 185	