

**TALLINNA  
FARMAATSIATEHASE AS**

*Unaudited interim statement of 3 months of 2005*

<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>	<a href="mailto:farma@tft.ee">farma@tft.ee</a>
<i>Beginning of financial year</i>	1 January 2005
<i>End of financial year</i>	31 December 2005
<i>Main area of activity</i>	manufacture of medicinal products
<i>Auditor</i>	AS Deloitte & Touche Audit

**BALANCE SHEET**

	Notes	31.03.2005	31.12.2004	31.03.2005	31.12.2004
		EEK	EEK	EUR	EUR
<b>ASSETS</b>					
<b>Current assets</b>					
Cash at bank and in hand	2	464	308	30	20
Trade receivables	3	26 743	26 766	1 709	1 711
Inventories	4	5 384	4 654	344	297
<b>Total current assets</b>		<b>32 591</b>	<b>31 728</b>	<b>2 083</b>	<b>2 028</b>
<b>Fixed assets</b>					
Other long-term receivables	5	105	105	7	7
Tangible assets	6	29 008	29 649	1 853	1 894
Intangible assets		343	392	22	25
<b>Total fixed assets</b>		<b>29 456</b>	<b>30 146</b>	<b>1 882</b>	<b>1 926</b>
<b>TOTAL ASSETS</b>		<b>62 047</b>	<b>61 874</b>	<b>3 965</b>	<b>3 954</b>
<b>LIABILITIES AND OWNERS' EQUITY</b>					
<b>Current liabilities</b>					
Current financial lease repayments	7	582	768	37	49
Trade creditors and others liabilities	8	8 994	9 346	575	597
<b>Total current liabilities</b>		<b>9 576</b>	<b>10 114</b>	<b>612</b>	<b>646</b>
<b>Long-term liabilities</b>					
Financial lease liabilities	7	536	536	34	34
<b>Total long-term liabilities</b>		<b>536</b>	<b>536</b>	<b>34</b>	<b>34</b>
<b>Total liabilities</b>		<b>10 112</b>	<b>10 650</b>	<b>646</b>	<b>680</b>
<b>Owners' equity</b>					
Share capital (nominal value)		12 500	12 500	799	799
Reserves		2 316	2 316	148	148
Retained earnings		36 408	33 301	2 327	2 128
Profit for the financial year		711	3 107	45	199
<b>Total owners' equity</b>		<b>51 935</b>	<b>51 224</b>	<b>3 319</b>	<b>3 274</b>
<b>TOTAL LIABILITIES AND OWNERS' EQUITY</b>		<b>62 047</b>	<b>61 874</b>	<b>3 965</b>	<b>3 954</b>

## INCOME STATEMENT

	Note	01.01.05- 31.03.05	01.01.04- 31.03.04	01.01.05- 31.03.05	01.01.04- 31.03.04
Sales revenue	10	14 509	25 683	927	1 641
Other operating revenue	11	40	775	3	50
Changes in inventories of finished goods and work in progress		(353)	(6 835)	(23)	(437)
Materials, consumables and supplies	12	(8 962)	(8 419)	(573)	(538)
Other operating expenses	13	(1 269)	(2 255)	(81)	(144)
Staff costs	14	(2 359)	(2 769)	(151)	(177)
Depreciation and impairment of fixed assets	6	(772)	(922)	(49)	(59)
Other operating charges		(97)	(231)	(6)	(15)
<b>Operating profit</b>		<b>737</b>	<b>5 027</b>	<b>47</b>	<b>321</b>
<b>Financial income and expenses</b>		<b>(26)</b>	<b>(34)</b>	<b>(2)</b>	<b>(2)</b>
<b>Profit (loss) for accounting period</b>		<b>711</b>	<b>4 993</b>	<b>45</b>	<b>319</b>
<b>Net profit per share</b>	15	<b>(0.57)</b>	<b>(3.99)</b>	<b>0.04</b>	<b>0.26</b>

## CHANGE IN EQUITY STATEMENT

EEK	Share capital	Reserves	Retained earnings	Profit for the financial year	Total
<b>31 December 2003</b>	<b>12 500</b>	<b>2 316</b>	<b>23 073</b>	<b>10 228</b>	<b>48 117</b>
Transfer of the profit for the financial year to the profit for previous periods	-	-	10 228	(10 228)	-
Profit for the accounting period	-	-	-	4 993	<b>4 993</b>
<b>31 March 2004</b>	<b>12 500</b>	<b>2 316</b>	<b>33 301</b>	<b>4 993</b>	<b>53 110</b>
<b>31 December 2004</b>	<b>12 500</b>	<b>2 316</b>	<b>33 301</b>	<b>3 107</b>	<b>51 224</b>
Transfer of the profit for the financial year to the profit for previous periods	-	-	3 107	(3 107)	-
Profit for 3 months of 2005	-	-	-	711	<b>711</b>
<b>31 March 2005</b>	<b>12 500</b>	<b>2 316</b>	<b>36 408</b>	<b>711</b>	<b>51 935</b>
<b>EUR</b>	<b>Share capital</b>	<b>Reserves</b>	<b>Retained earnings</b>	<b>Profit for the financial year</b>	<b>Total</b>
<b>31 December 2003</b>	<b>799</b>	<b>148</b>	<b>1 475</b>	<b>653</b>	<b>3 075</b>
Transfer of the profit for the financial year to the profit for previous periods	-	-	653	(653)	-
Profit for the accounting period	-	-	-	319	<b>319</b>
<b>31 March 2004</b>	<b>799</b>	<b>148</b>	<b>2 128</b>	<b>319</b>	<b>3 394</b>
<b>31 December 2004</b>	<b>799</b>	<b>148</b>	<b>2 128</b>	<b>199</b>	<b>3 274</b>
Transfer of the profit for the financial year to the profit for previous periods	-	-	199	(199)	-
Profit for 3 months of 2005	-	-	-	45	<b>45</b>
<b>31 March 2005</b>	<b>799</b>	<b>148</b>	<b>2 327</b>	<b>45</b>	<b>3 319</b>

## CASH FLOW STATEMENT

	Note	01.01.05- 31.03.05 EEK	01.01.04- 31.03.04 EEK	01.01.05- 31.03.05 EUR	01.01.04- 31.03.04 EUR
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>					
Net profit for the accounting period		711	4 993	45	319
Adjustment of profit to net cash flow from main operating activities:					
Depreciation of fixed assets	6	772	922	49	58
Interest income		(2)	(6)	-	-
Interest expense		28	36	2	2
Changes in current assets and liabilities:					
Customer receivables		8	(14 434)	1	(922)
Inventories		(730)	6 536	(47)	418
Supplier payables and other payables		(352)	1 278	(22)	82
<b>Total from operating activities</b>		<b>435</b>	<b>(675)</b>	<b>28</b>	<b>(43)</b>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>					
Acquisition of fixed assets	6	(82)	(28)	(5)	(2)
Repayments of loans		15	10	1	1
Interest received		2	6	-	-
<b>Total from investing activities</b>		<b>(65)</b>	<b>(12)</b>	<b>(4)</b>	<b>(1)</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>					
Financial lease repayments		(186)	(186)	(12)	(12)
Interest paid		(28)	(36)	(2)	(2)
<b>Total from financing activities</b>		<b>(214)</b>	<b>(222)</b>	<b>(14)</b>	<b>(14)</b>
<b>Total cash flow</b>		<b>156</b>	<b>(909)</b>	<b>10</b>	<b>(58)</b>
<b>CASH AT BEGINNING OF PERIOD</b>		<b>308</b>	<b>1 268</b>	<b>20</b>	<b>81</b>
<b>CASH AT END OF PERIOD</b>		<b>464</b>	<b>359</b>	<b>30</b>	<b>23</b>

**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 2004.

In the opinion of the Management Board the interim financial statement of 3 months of 2005 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. CASH AND BANK ACCOUNTS**

	31.03.2005 EEK	31.12.2004 EEK	31.03.2005 EUR	31.12.2004 EUR
Cash on hand	9	5	1	1
Bank accounts in EEK	92	17	6	1
Bank accounts in foreign currency	358	281	23	18
Other cash equivalents	5	5	-	-
<b>Total</b>	<b>464</b>	<b>308</b>	<b>30</b>	<b>20</b>

**NOTE 3. TRADE AND OTHER CURRENT RECEIVABLES**

	31.03.2005 EEK	31.12.2004 EEK	31.03.2005 EUR	31.12.2004 EUR
Trade receivables	2	16	-	1
Receivables from parent and other group companies (see note 16)	26 320	26 311	1 682	1 682
Other short-term receivables	51	39	3	3
Prepaid taxes	312	354	20	23
Other prepaid expenses	58	46	4	3
<b>Total</b>	<b>26 743</b>	<b>26 766</b>	<b>1 709</b>	<b>1 711</b>

**NOTE 4. INVENTORIES**

	31.03.2005 EEK	31.12.2004 EEK	31.03.2005 EUR	31.12.2004 EUR
<b>Raw materials in warehouses</b>	<b>3 355</b>	<b>2 322</b>	<b>214</b>	<b>148</b>
<b>Work in progress</b>	<b>167</b>	<b>108</b>	<b>11</b>	<b>7</b>
<b>Finished goods</b>				
Finished goods in Estonian plant	1 205	1 011	77	65
Finished goods in quality control	607	1 213	39	77
<b>Total finished goods</b>	<b>1 812</b>	<b>2 224</b>	<b>116</b>	<b>142</b>
<b>Prepayments to suppliers</b>	<b>50</b>	<b>-</b>	<b>3</b>	<b>-</b>
<b>Total</b>	<b>5 384</b>	<b>4 654</b>	<b>344</b>	<b>297</b>

**NOTE 5. GRANTED LONG-TERM LOANS**

The Company has granted the following loans:

	31.03.2005 EEK	31.12.2004 EEK	31.03.2005 EUR	31.12.2004 EUR
Long-term unsecured loans with an interest rate of 5.7% per annum granted to private persons	120	135	8	9
including the short-term portion	15	30	1	2
<b>Long-term portion</b>	<b>105</b>	<b>105</b>	<b>7</b>	<b>7</b>

As of 31 March 2005 a long-term loan has been granted to the Director, Ibraim Muhtši, in the amount of 104 573 EEK.

**NOTE 6. 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	Intangible fixed assets	Pre-payments for fixed and intangible fixed assets	Total
<b>Acquisition cost</b>						
<b>as of 31 December 2004</b>	<b>34 004</b>	<b>16 327</b>	<b>2 989</b>	<b>1 366</b>	<b>58</b>	<b>54 744</b>
Purchases	-	74	8	-	-	82
<b>31 March 2005</b>	<b>34 004</b>	<b>16 401</b>	<b>2 997</b>	<b>1 366</b>	<b>58</b>	<b>54 826</b>
<b>Accumulated depreciation</b>						
<b>31 December 2004</b>	<b>10 876</b>	<b>10 118</b>	<b>2 677</b>	<b>1 032</b>	<b>-</b>	<b>24 703</b>
Depreciation	329	352	42	49	-	772
<b>31 March 2005</b>	<b>11 205</b>	<b>10 470</b>	<b>2 719</b>	<b>1 081</b>	<b>-</b>	<b>25 475</b>
<b>Residual value</b>						
<b>31 December 2004</b>	<b>23 128</b>	<b>6 209</b>	<b>312</b>	<b>334</b>	<b>58</b>	<b>30 041</b>
<b>30 March 2005</b>	<b>22 799</b>	<b>5931</b>	<b>278</b>	<b>285</b>	<b>58</b>	<b>29 351</b>

## EUR

	Land and buildings	Machinery and equipment	Other tangible assets	Intangible fixed assets	Pre- payment s for fixed and intangible fixed assets	Total
<b>Acquisition cost</b>						
as of 31 December 2004	2 173	1 043	191	87	4	3 498
Purchases	-	5	-	-	-	5
<b>31 March 2005</b>	<b>2 173</b>	<b>1 048</b>	<b>191</b>	<b>87</b>	<b>4</b>	<b>3 503</b>
<b>Accumulated depreciation</b>						
31 December 2004	695	647	171	66	-	1 579
Depreciation	21	22	3	3	-	49
<b>31 March 2005</b>	<b>716</b>	<b>669</b>	<b>174</b>	<b>69</b>	<b>-</b>	<b>1 628</b>
<b>Residual value</b>						
31 December 2004	1 478	396	20	21	4	1 919
30 March 2005	1 457	379	17	18	4	1 875

The licenses for sale of pharmaceuticals are recorded as intangible assets. The pharmaceuticals are registered for five years and are amortised respectively.

## NOTE 7. LEASES

*Finance lease – the Company as lessee*

The Company has the following liabilities on financing the acquisition of production equipment:

	31.03.2005 EEK	31.12.2004 EEK	31.03.2005 EUR	31.12.2004 EUR
Long-term finance lease liability to Ühisliisingu AS with annual interest rate 5.6%, maturity date July 2006, contract currency EEK. The liability is secured by asset.	998	1 171	63	75
Long-term finance lease liability to Hansa Liising Eesti AS with annual interest rate 4.9%, maturity date July 2007, contract currency EUR. The liability is secured by asset.	120	133	8	8
<b>Total</b>	<b>1 118</b>	<b>1 304</b>	<b>71</b>	<b>83</b>
Including short-term portion	582	768	37	49
<b>Long-term portion</b>	<b>536</b>	<b>536</b>	<b>34</b>	<b>34</b>



## NOTE 8. TRADE AND OTHER CURRENT PAYABLES

	31.03.2005 EEK	31.12.2004 EEK	31.03.2005 EUR	31.12.2004 EUR
Accounts payable	7 287	7 317	466	468
Taxes payable	382	418	25	27
Accrued expenses	878	1 164	56	74
Dividends payable	447	447	28	28
<b>Total</b>	<b>8 994</b>	<b>9 346</b>	<b>575</b>	<b>597</b>

## NOTE 9. SHARE CAPITAL

As of 31.03.2005 and 31.12.2004 the share capital of the Company is 12 500 000 EEK consisting of 1 250 000 shares with a nominal value of 10 EEK. The shares have been fully paid for. The shares of the Company are listed in the secondary list of Tallinn Stock Exchange.

As of 31.03.2005 and 31.12.2004 the shareholders of the Company are the following:

	31.03.2005	31.12.2004
PJSC Grindeks	93,5%	93,5%
Other minority shareholders	6,5%	6,5%
<b>Total</b>	<b>100,0%</b>	<b>100,0%</b>

## NOTE 10. NET SALES

Net sales are divided by markets as follows:

	01.01.2005- 31.03.2005		01.01.2004- 31.03.2004		01.01.2005- 31.03.2005		01.01.2004- 31.03.2004	
	EEK	%	EEK	%	EUR	%	EUR	%
Latvia	14 482	100	25 670	100	925	100	1 640	100
Estonia	27	-	13	-	2	-	1	-
<b>Total</b>	<b>14 509</b>	<b>100</b>	<b>25 683</b>	<b>100</b>	<b>927</b>	<b>100</b>	<b>1 641</b>	<b>100</b>

Net sales are divided by product groups as follows:

	01.01.2005- 31.03.2005		01.01.2004- 31.03.2004		01.01.2005- 31.03.2005		01.01.2004- 31.03.2004	
	EEK	%	EEK	%	EUR	%	EUR	%
Ointments	14 159	98	22 557	88	905	98	1 441	88
Injection	-	-	622	-	-	-	40	-
Tablet	-	-	1 718	8	-	-	110	8
Other	350	2	786	4	22	2	50	4
<b>Total</b>	<b>14 509</b>	<b>100</b>	<b>25 683</b>	<b>100</b>	<b>927</b>	<b>100</b>	<b>1 641</b>	<b>100</b>

## NOTE 12. OTHER OPERATING REVENUE

	01.01.2005- 31.03.2005	01.01.2004- 31.03.2004	01.01.2005- 31.03.2005	01.01.2004- 31.03.2004
	EEK	EEK	EUR	EUR
Foreign exchange gain	-	220	-	14
Income from sales of fixed assets	-	-	-	-
Licence fees	-	-	-	-
Other operating revenue	40	555	3	36
<b>Total</b>	<b>40</b>	<b>775</b>	<b>3</b>	<b>50</b>

## NOTE 9. GOODS, RAW MATERIALS AND SERVICES

	01.01.2005- 31.03.2005	01.01.2004- 31.03.2004	01.01.2005- 31.03.2005	01.01.2004- 31.03.2004
	EEK	EEK	EUR	EUR
Raw materials	8 037	7 544	514	482
Energy	504	473	32	30
Registering of medicinal products and trademarks	263	166	17	11
Carriage of finished goods	123	150	8	9
Fuel, spare parts and other materials	35	61	2	4
Goods	-	25	-	2
<b>Total</b>	<b>8 962</b>	<b>8 419</b>	<b>573</b>	<b>538</b>

## NOTE 13. OTHER OPERATING EXPENSES

	01.01.2005- 31.03.2005 EEK	01.01.2004- 31.03.2004 EEK	01.01.2005- 31.03.2005 EUR	01.01.2004- 31.03.2004 EUR
Training and consultation	87	982	5	63
Purchased services	366	418	23	27
Repairs	98	107	6	7
Marketing	338	171	22	11
Commercial leasing and leasing	47	87	3	6
Miscellaneous charges	73	52	5	3
Transportation	57	62	4	4
Business trips	2	47	-	3
Representation expenses	11	24	1	1
Office expenses	35	34	2	2
Other expenses	155	276	10	17
<b>Total</b>	<b>1 269</b>	<b>2 255</b>	<b>81</b>	<b>144</b>

## NOTE 14. STAFF COSTS

	Wages EEK		Wages EUR		Average number of employees	
	01.01.05- 31.03.05	01.01.04- 31.03.04	01.01.05- 31.03.05	01.01.04- 31.03.04	01.01.05- 31.03.05	01.01.04- 31.03.04
<b>Staff costs</b>	<b>1 752</b>	<b>2 065</b>	<b>112</b>	<b>132</b>	<b>72</b>	<b>91</b>
incl. workers	392	460	25	29	32	44
managers, specialists	1 187	1 434	76	92	39	46
Management Board	151	60	10	4	1	1
other costs	22	111	1	7	-	-
<b>Social tax</b>	<b>607</b>	<b>704</b>	<b>39</b>	<b>45</b>	<b>-</b>	<b>-</b>
<b>Total</b>	<b>2 359</b>	<b>2 769</b>	<b>151</b>	<b>177</b>	<b>72</b>	<b>91</b>

## NOTE 15. NET PROFIT PER SHARE

	01.01.2005- 31.03.2005 EEK	01.01.2004- 31.03.2004 EEK	01.01.2005- 31.03.2005 EUR	01.01.2004- 31.03.2004 EUR
Net profit	711	4 993	45	319
Weighted average number of shares	1 250	1 250	1 250	1 250
<b>Earnings per share (EPS)</b> <b>IN EEK and EUR</b>	<b>0.52</b>	<b>3.99</b>	<b>0.036</b>	<b>0.26</b>

**NOTE 19. RELATED PARTY TRANSACTIONS**

The transactions with related parties are transactions with the parent PJSC Grindeks, its Estonian branch, director, members of the management and the Supervisory Council, their relatives and the companies in which they hold majority interest.

The transactions with related parties in 2004 and 2005 are the following:

	01.01.2005- 31.03.2005 EEK	01.01.2004- 31.03.2004 EEK	01.01.2005- 31.03.2005 EUR	01.01.2004- 31.03.2004 EUR
<b>Net sales</b>				
PJSC Grindeks	14 482	25 670	925	1 640
<b>Other revenues</b>				
PAS Grindeks Estonian branch	41	-	3	--
<b>Materials, consumables and supplies</b>				
PJSC Grindeks	13	25	1	2

Prices used in transactions with related parties are agreed prices.

Balances with related parties are the following:

	01.01.2005- 31.03.2005 EEK	01.01.2004- 31.03.2004 EEK	01.01.2005- 31.03.2005 EUR	01.01.2004- 31.03.2004 EUR
<b>Accounts receivable</b>				
PJSC Grindeks	26 289	26 271	1 680	1 679
PAS Grindeks Estonian branch	31	40	2	3
<b>Total</b>	<b>26 320</b>	<b>26 311</b>	<b>1 682</b>	<b>1 682</b>

In 2004 salaries and wages paid to the Director 136 000 EEK and members of the Supervisory Council amounted to 81 000 EEK.

**COMMENTS**

## COMMENTS TO INCOME STATEMENT, 3M/2005.

The 03 months 2005 net sales of Tallinna Farmaatsiatehas amounted to 14,165 th. EEK (905 th. EUR). Compared to the same period of previous year the sales were decreased by 11.387 th EEK (728 th. EUR) i.e. 44.6% (net turnover in 03 months 2004 25,553 th. EEK or 1.633 th.EUR). The operating income total decreased (operating income in 2004 19.623 th. EEK (1.254 th.EUR) and in 2005 14,196 th. EEK (907 th.EUR) by 5.427 th. EEK or 346 th EUR (27.7%)

Compared to the same period of previous year the total operating cost decreased by 1.138 th. EEK (73 th EUR) i.e. 7.8% (total operating costs in 2004 14,596 th. EEK (933 th.EUR) and in 2005 13.458 th. EEK (860 th.EUR)), from which the increase of expenses for materials (expenses for materials in 2004 8,419 th. EEK (538 th. EUR) and in 2005 8,961 th. EEK (572 th.EUR)) 542 th.EEK or 34 th EUR (6.4%).

Operating profit decreased in 03 months of 2005 compared (operating profit in 2004 5,027 th. EEK (321 th.EUR) and operating profit in 2005 737 th. EEK (47 th.EUR)) to the same period of 2004 by 4,289 th. EEK (274 th.EUR) , and net profit decreased (net profit in 2004 4,993 th. EEK (319 th.EUR) and net profit in 2005 711 th. EEK (45 th.EUR)) by 4,281 th. EEK (274 th. EUR) (85.8%).

## COMMENTS TO BALANCE SHEET

As of March 31. 2005 the Balance capacity was 62,047 th. EEK (3,965 th EUR). Compared to the net balance, the biggest increase was in raw – materials stock 1,083 th. EEK (69 th. EUR) (46.7%) and biggest decrease in finished goods stock with the sum 411 th. EEK (26 th.EUR) (18.5%). Trading assets increased totally by 863 th. EEK ( 55 th.EUR) (2.7%).

In the liabilities the short-term liabilities decreased 537 th. EEK (34 th.EUR) (5.3%). Compared to the net balance, the biggest decrease was in liabilities – others payables 322 th. EEK (20 th.EUR) (15,9%). The owners' equity increased 711 th. EEK (45 th.EUR)) (1.4%) in the account of 03 months 2005 net profit.