

**TALLINNA
FARMAATSIATEHASE AS**

Unaudited interim statement of 6 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>	farma@tft.ee
<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

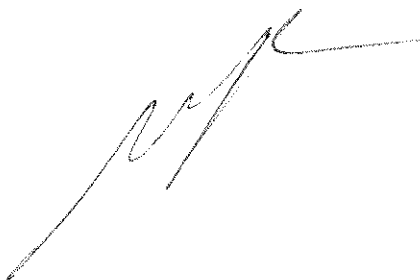
BALANCE SHEET

	Notes	30.06.2005	31.12.2004	30.06.2005	31.12.2004
		EEK	EEK	EUR	EUR
ASSETS					
Current assets					
Cash at bank and in hand	2	405	308	26	20
Trade receivables	3	24 810	26 766	1 586	1 711
Inventories	4	1 590	4 654	102	297
Total current assets		26 805	31 728	1 714	2 028
Fixed assets					
Other long-term receivables		-	105	-	7
Tangible assets	5	28 660	29 649	1 831	1 894
Intangible assets	6	299	392	19	25
Total fixed assets		28 959	30 146	1 850	1 926
TOTAL ASSETS		55 764	61 874	3 564	3 954
LIABILITIES AND OWNERS' EQUITY					
Current liabilities					
Current financial lease repayments	7	393	768	25	49
Trade creditors and others liabilities	8	3 841	9 346	246	597
Total current liabilities		4 234	10 114	271	646
Long-term liabilities					
Financial lease liabilities	7	536	536	34	34
Total long-term liabilities		536	536	34	34
Total liabilities		4 770	10 650	305	680
Owners' equity					
Share capital (nominal value)	9	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		(230)	3 107	(15)	199
Total owners' equity		50 994	51 224	3 259	3 274
TOTAL LIABILITIES AND OWNERS' EQUITY		55 764	61 874	3 564	3 954

INCOME STATEMENT

	Note	01.04.2005- 30.06.2005 EEK	01.04.2004- 30.06.2004 EEK	01.01.2005- 30.06.2005 EEK	01.01.2004- 30.06.2004 EEK
Sales revenue	10	12 496	14 439	27 005	40 122
Other operating revenue	11	71	877	111	1 652
Changes in inventories of finished goods and work in progress		(1 808)	(1 112)	(2 162)	(7 947)
Materials, consumables and supplies	12	(6 059)	(6 925)	(15 020)	(15 344)
Other operating expenses	13	(848)	(2 588)	(2 117)	(4 842)
Staff costs	14	(4 005)	(3 653)	(6 364)	(6 423)
Depreciation and impairment of fixed assets	5,6	(767)	(919)	(1 539)	(1 841)
Other operating charges		(51)	(540)	(147)	(771)
Operating profit		(971)	(421)	(233)	4 606
Financial income and expenses		29	(12)	3	(46)
Profit (loss) for accounting period		(942)	(433)	(230)	4 560
Net profit per share	15	(0.75)	(0.35)	(0.18)	3.65

	Note	01.04.2005- 30.06.2005 EUR	01.04.2004- 30.06.2004 EUR	01.01.2005- 30.06.2005 EUR	01.01.2004- 30.06.2004 EUR
Sales revenue	10	799	923	1 726	2 564
Other operating revenue	11	4	56	7	106
Changes in inventories of finished goods and work in progress		(116)	(71)	(138)	(508)
Materials, consumables and supplies	12	(387)	(443)	(960)	(981)
Other operating expenses	13	(54)	(165)	(135)	(309)
Staff costs	14	(256)	(233)	(407)	(410)
Depreciation and impairment of fixed assets	5,6	(49)	(59)	(98)	(118)
Other operating charges		(3)	(35)	(10)	(49)
Operating profit		(62)	(27)	(15)	295
Financial income and expenses		2	(1)	-	(3)
Profit (loss) for accounting period		(60)	(28)	(15)	292
Net profit per share	15	(0.05)	(0.02)	(0.01)	0.23



CHANGE IN EQUITY STATEMENT

EEK	Share capital	Reserves	Retained earnings	Profit for the financial year	Total
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	(10 228)	-
Profit for the accounting period	-	-	-	4 560	4 560
30 June 2004	12 500	2 316	33 301	4 560	4 560
31 December 2004	12 500	2 316	33 301	3 107	51 224
Transfer of the profit for the financial year to the profit for previous periods	-	-	3 107	(3 107)	-
Profit/loss for 6 months of 2005	-	-	-	(230)	(230)
30 June 2005	12 500	2 316	36 408	(230)	50 994

EUR	Share capital	Reserves	Retained earnings	Profit for the financial year	Total
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 the accounting period	-	-	-	291	291
30 June 2004	799	148	2 128	291	3 366
31 December 2004	799	148	2 128	199	3 274
Transfer of the profit for the financial year to the profit for previous periods	-	-	199	(199)	-
Profit/loss for 6 months of 2005	-	-	-	(15)	(15)
30 June 2005	799	148	2 327	(15)	3 259

CASH FLOW STATEMENT

	Note	01.01.05- 30.06.05 EEK	01.01.04- 30.06.04 EEK	01.01.05- 30.06.05 EUR	01.01.04- 30.06.04 EUR
CASH FLOW FROM OPERATING ACTIVITIES					
Net profit for the accounting period		(230)	4 560	(15)	292
Adjustment of profit to net cash flow from main operating activities:					
Depreciation of fixed assets	5,6	1 539	1 842	98	118
Interest income		(3)	(7)	-	-
Interest expense		43	68	3	4
Changes in current assets and liabilities:					
Customer receivables		1 931	(16 684)	124	(1 067)
Inventories		3 064	9 390	196	600
Supplier payables and other payables		(5 505)	415	(352)	26
Total from operating activities		839	(416)	54	(27)
CASH FLOW FROM INVESTING ACTIVITIES					
Acquisition of fixed assets	5,6	(457)	(74)	(29)	(5)
Repayments of loans		130	252	8	16
Interest received		3	8	-	1
Total from investing activities		(324)	186	(21)	12
CASH FLOW FROM FINANCING ACTIVITIES					
Financial lease repayments		(375)	(377)	(24)	(24)
Interest paid		(43)	(68)	(3)	(4)
Total from financing activities		(418)	(445)	(27)	(28)
Total cash flow		97	(675)	6	(43)
CASH AT BEGINNING OF PERIOD		308	1 268	20	78
CASH AT END OF PERIOD		405	593	26	38



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 6 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

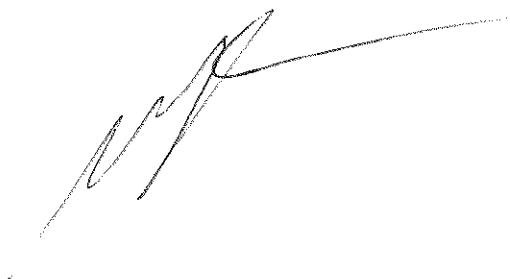
	30.06.2005 EEK	31.12.2004 EEK	30.06.2005 EUR	31.12.2004 EUR
Cash on hand	3	5	-	1
Bank accounts in EEK	397	17	26	1
Bank accounts in foreign currency	-	281	-	18
Other cash equivalents	5	5	-	-
Total	405	308	26	20

NOTE 3. TRADE AND OTHER CURRENT RECEIVABLES

	30.06.2005 EEK	31.12.2004 EEK	30.06.2005 EUR	31.12.2004 EURr
Trade receivables	39	16	3	1
Receivables from parent and other group companies (see note 16)	24 639	26 311	1 575	1 682
Other short-term receivables	1	39	-	3
Prepaid taxes	111	354	7	23
Other prepaid expenses	20	46	1	3
Total	24 810	26 766	1 586	1 711

NOTE 4. INVENTORIES

	30.06.2005 EEK	31.12.2004 EEK	30.06.2005 EUR	31.12.2004 EUR
Raw materials in warehouses	1 419	2 322	91	148
Work in progress	-	108	-	7
Finished goods	171	2 224	11	142
Total	1 590	4 654	102	297



NOTE 5. TANGIBLE FIXED ASSETS

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

EEK

	Land and buildings	Machinery and equipment	Other tangible assets	Prepayment tangible fixed assets	Pre- payment s for fixed and intangible fixed assets	Total
Acquisition cost						
as of 31 December 2004	34 004	16 327	2 989	-	-	53 320
Purchases	-	215	52	95	95	457
Reclassification	-	-	-	23	(23)	-
30 June 2005	34 004	16 542	3 041	118	72	53 777
Accumulated depreciation						
31 December 2004	10 876	10 118	2 677	-	-	23 671
Depreciation	658	717	81	-	-	1 446
30 June 2005	11 534	10 825	2 758	-	-	25 117
Residual value						
31 December 2004	23 128	6 209	312	-	-	29 649
30 June 2005	22 470	5 517	283	118	72	28 660

EUR

	Land and buildings	Machinery and equipment	Other tangible assets	Prepayment tangible fixed assets	Pre- payment s for fixed and intangible fixed assets	Total
Acquisition cost						
as of 31 December 2004	2 173	1 043	191	-	-	3 407
Purchases	-	14	3	6	6	29
Reclassification	-	-	-	2	(2)	-
30 June 2005	2 173	1 057	194	8	4	3 436
Accumulated depreciation						
31 December 2004	695	647	171	-	-	1 513
Depreciation	42	45	5	-	-	92
30 June 2005	737	692	176	-	-	1 605
Residual value						
31 December 2004	1 478	396	20	-	-	1 894
30 June 2005	1 436	365	18	8	4	1 831



NOTE 6. INTANGIBLE FIXED ASSETS

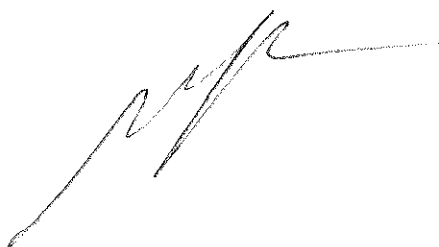
The report on movements of intangible fixed assets is as follows:

EEK

	Patentis and licenses	Prepayment tangible fixed assets	Total
Acquisition cost as of 31 December 2004	<u>1 366</u>	<u>58</u>	<u>1 424</u>
30. June 2005	1 366	58	1 424
Accumulated depreciation 31 December 2004	1 032	-	1 032
Depreciation	<u>93</u>	<u>-</u>	<u>93</u>
30. June 2005	1 125	-	1 125
Residual value 31 December 2004	<u>334</u>	<u>58</u>	<u>392</u>
30 June 2005	<u>241</u>	<u>58</u>	<u>299</u>

EUR

	Patentis and licenses	Prepayment tangible fixed assets	Total
Acquisition cost as of 31 December 2004	<u>87</u>	<u>4</u>	<u>91</u>
30. June 2005	87	4	91
Accumulated depreciation 31 December 2004	66	-	66
Depreciation	<u>6</u>	<u>-</u>	<u>6</u>
30. June 2005	72	-	72
Residual value 31 December 2004	<u>21</u>	<u>4</u>	<u>25</u>
30 June 2005	<u>15</u>	<u>4</u>	<u>19</u>



NOTE 7. LEASES

Finance lease – the Company as lessee

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

	30.06.2005 EEK	31.12.2004 EEK	30.06.2005 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.	821	1 171	52	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.	108	133	7	8
Total	929	1 304	59	83
Including short-term portion	393	768	25	49
Long-term portion	536	536	34	34

NOTE 8. TRADE AND OTHER CURRENT PAYABLES

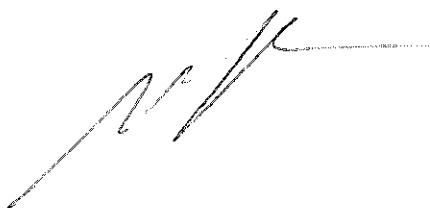
	30.06.2005 EEK	31.12.2004 EEK	30.06.2005 EUR	31.12.2004 EUR
Accounts payable	1 999	7 317	128	468
Taxes payable	553	418	35	27
Accrued expenses	842	1 164	54	74
Dividends payable	447	447	29	28
Total	3 841	9 346	246	597

NOTE 9. SHARE CAPITAL

As of 30.06.2005 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 30.06.2005 and 31.12.2004 the shareholders of the Company are the following:

	30.06.2005	31.12.2004
PJSC Grindeks	95%	93,5%
Other minority shareholders	5%	6,5%
Total	100,0%	100,0%



NOTE 10. NET SALES

Net sales are divided by markets as follows:

	01.01.2005- 30.06.2005		01.01.2004- 30.06.2004		01.01.2005- 30.06.2005		01.01.2004- 30.06.2004	
	EEK	%	EEK	%	EUR	%	EUR	%
Latvia	26 957	100	40 036	100	1 723	100	2 559	100
Estonia	48	-	86	-	3	-	5	-
Total	27 005	100	40 122	100	1 726	100	2 564	100

Net sales are divided by product groups as follows:

	01.01.2005- 30.06.2005		01.01.2004- 30.06.2004		01.01.2005- 30.06.2005		01.01.2004- 30.06.2004	
	EEK	%	EEK	%	EUR	%	EUR	%
Ointments	25 364	94	35 667	89	1 621	94	2 280	89
Injection	-	-	1 718	4	-	-	110	4
Tablet	-	-	992	3	-	-	63	3
Other	1 641	6	1 745	4	105	6	111	4
Total	27 005	100	40 122	100	1 726	100	2 564	100

NOTE 12. OTHER OPERATING REVENUE

	01.01.2005- 30.06.2005	01.01.2004- 30.06.2004	01.01.2005- 30.06.2005	01.01.2004- 30.06.2004
	EEK	EEK	EUR	EUR
Foreign exchange gain	-	323	-	21
Other operating revenue	111	1 329	7	85
Total	111	1 652	7	106

NOTE 9. GOODS, RAW MATERIALS AND SERVICES

	01.01.2005- 30.06.2005	01.01.2004- 30.06.2004	01.01.2005- 30.06.2005	01.01.2004- 30.06.2004
	EEK	EEK	EUR	EUR
Raw materials	13 569	13 841	867	885
Energy	782	736	50	47
Registering of medicinal products and trademarks	383	353	25	23
Carriage of finished goods	224	273	14	17
Fuel, spare parts and other materials	58	112	4	7
Goods	4	29	-	2
Total	15 020	15 344	960	981



NOTE 13. OTHER OPERATING EXPENSES

	01.01.2005- 30.06.2005 EEK	01.01.2004- 30.06.2004 EEK	01.01.2005- 30.06.2005 EUR	01.01.2004- 30.06.2004 EUR
Training and consultation	95	2 042	6	130
Purchased services	774	802	49	51
Repairs	206	222	13	14
Marketing	329	610	21	39
Commercial leasing and leasing	100	246	6	16
Miscellaneous charges	135	122	9	8
Transportation	105	137	7	9
Office expenses	55	49	4	3
Business trips	44	58	3	4
Representation expenses	36	51	2	3
Development expenses	-	144	-	9
Other expenses	238	359	15	23
Total	2 117	4 842	135	309

NOTE 14. STAFF COSTS

	Wages EEK		Wages EUR		Average number of employees	
	01.01.05- 30.06.05	01.01.04- 30.06.04	01.01.05- 30.06.05	01.01.04- 30.06.04	01.01.05- 30.06.05	01.01.04- 30.06.04
Staff costs	1 752	2 065	112	132	72	91
incl. workers	807	1 044	52	67	32	43
managers, specialists	2 452	3 151	157	201	39	46
Management Board	452	120	29	8	1	1
other costs	1 338	456	85	29	-	-
Social tax	1 315	1 652	84	105	-	-
Total	6 364	6 423	407	410	72	90

NOTE 15. NET PROFIT PER SHARE

	01.01.2005- 30.06.2005 EEK	01.01.2004- 30.06.2004 EEK	01.01.2005- 30.06.2005 EUR	01.01.2004- 30.06.2004 EUR
Net profit /loss	(230)	4 993	(15)	319
Weighted average number of shares	1 250	1 250	1 250	1 250
Earnings per share (EPS) IN EEK and EUR	(0.52)	3.99	(0.036)	0.26

NOTE 16. 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:

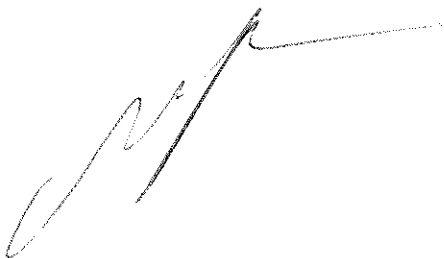
	01.01.2005- 30.06.2005 EEK	01.01.2004- 30.06.2004 EEK	01.01.2005- 30.06.2005 EUR	01.01.2004- 30.06.2004 EUR
Net sales				
PJSC Grindeks	26 957	40 036	1 723	2 559
Other revenues				
PAS Grindeks Estonian branch	80	-	5	-
Materials, consumables and supplies				
PJSC Grindeks	13	196	1	13

Prices used in transactions with related parties are agreed prices.

Balances with related parties are the following:

	30.06.2005 EEK	31.12.2004 EEK	30.06.2005 EUR	31.12.2004 EUR
Accounts receivable				
PJSC Grindeks	24 605	26 271	1 573	1 679
PAS Grindeks Estonian branch	34	40	2	3
Total	24 639	26 311	1 575	1 682

In 2005 6 months salaries and wages paid to the Director 378 000 EEK and members of the Supervisory Council amounted to 1 356 000 EEK.



COMMENTS

COMMENTS TO INCOME STATEMENT, 6M/2005.

The 06 months 2005 net sales of Tallinna Farmaatsiatehas amounted to 27,005 th. EEK (1,726 th. EUR). Compared to the same period of previous year the sales were decreased by 13,1177 th EEK (842 th. EUR) i.e. 32.8% (net turnover in 06 months 2004 40,122 th. EEK or 2.564 th.EUR). The operating income total decreased (operating income in 2004 33.827 th. EEK (2.162 th.EUR) and in 2005 24,955 th. EEK (1,595 th.EUR) by 8,872 th. EEK or 567 th EUR (26.2%).

Compared to the same period of previous year the total operating cost decreased by 4,034 th. EEK (257 th EUR) i.e. 13.8% (total operating costs in 2004 29,221 th. EEK (1.867 th.EUR) and in 2005 25.187 th. EEK (1.610 th.EUR)), from which the decrease of operating expenses (in 2004 4,842 th. EEK (309 th. EUR) and in 2005 2,117 th. EEK (135 th.EUR)) 2,725 th.EEK or 174 th EUR (56.2%).

Operating profit decreased in 06 months of 2005 compared (operating profit in 2004 4,606 th. EEK (295 th.EUR) and operating loss in 2005 233 th. EEK (15 th.EUR)) to the same period of 2004 by 4,839 th. EEK (309 th.EUR) , and net profit decreased (net profit in 2004 4,560 th. EEK (292 th.EUR) and net loss in 2005 230 th. EEK (15 th.EUR)) by 4,790 th. EEK (307 th. EUR).

COMMENTS TO BALANCE SHEET

As of June 30. 2005 the Balance capacity was 55,764 th. EEK (3,564 th EUR). Compared to the net balance, the biggest decrease was in inventories 3,064 th. EEK (195 th. EUR) (65.8%) and receivables from parent company decrease with the sum 1,666 th. EEK (106 th.EUR) (6.3%). Trading assets decreased totally by 1,859 th. EEK (119 th.EUR) (6.9%).

In the liabilities the short-term liabilities decreased 5,879 th. EEK (375 th.EUR) (58.1%). Compared to the net balance, the biggest decrease was in liabilities – accounts payable 5,318 th. EEK (340 th.EUR) (72.7%). The owners' equity decreased 230 th. EEK (15 th.EUR)) (0.4%) in the account of 06 months 2005 net loss.

