

**TALLINNA
FARMAATSIATEHASE AS**

Unaudited interim statement of 9 months of 2005

<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 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	30.09.2005	31.12.2004	30.09.2005	31.12.2004
		EEK	EEK	EUR	EUR
ASSETS					
Current assets					
Cash at bank and in hand	2	1 013	308	65	20
Trade receivables	3	18 981	26 766	1 213	1 711
Inventories	4	5 305	4 654	339	297
Total current assets		25 299	31 728	1 617	2 028
Fixed assets					
Other long-term receivables		-	105	-	7
Tangible assets	5	29 181	29 649	1 865	1 894
Intangible assets	6	327	392	21	25
Total fixed assets		29 508	30 146	1 886	1 926
TOTAL ASSETS		54 807	61 874	3 503	3 954
LIABILITIES AND OWNERS' EQUITY					
Current liabilities					
Current financial lease repayments	7	199	768	13	49
Trade creditors and others liabilities	8	5 056	9 346	323	597
Total current liabilities		5 255	10 114	336	646
Long-term liabilities					
Financial lease liabilities	7	536	536	34	34
Total long-term liabilities		536	536	34	34
Total liabilities		5 791	10 650	370	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		(2 208)	3 107	(141)	199
Total owners' equity		49 016	51 224	3 133	3 274
TOTAL LIABILITIES AND OWNERS' EQUITY		54 807	61 874	3 503	3 954

INCOME STATEMENT

	Note	01.07.2005- 30.09.2005	01.07.2004- 30.09.2004	01.01.2005- 30.09.2005	01.01.2004- 30.09.2004
		EEK	EEK	EEK	EEK
Sales revenue	10	6 937	9 486	33 942	49 608
Other operating revenue	11	119	177	230	1 828
Changes in inventories of finished goods and work in progress		1 271	2 327	(891)	(5 620)
Materials, consumables and supplies	12	(5 314)	(6 929)	(20 335)	(22 273)
Other operating expenses	13	(1 024)	(2 815)	(3 140)	(7 657)
Staff costs	14	(3 156)	(2 566)	(9 520)	(8 989)
Depreciation and impairment of fixed assets	5,6	(760)	(932)	(2 299)	(2 773)
Other operating charges		(35)	372	(182)	(398)
Operating profit		(1 962)	(880)	(2 195)	3 726
Financial income and expenses		(16)	(28)	(13)	(74)
Profit (loss) for accounting period		(1 978)	(908)	(2 208)	3 652
Net profit per share	15	(1.58)	(0.73)	(1.77)	2.92

	Note	01.07.2005- 30.09.2005	01.07.2004- 30.09.2004	01.01.2005- 30.09.2005	01.01.2004- 30.09.2004
		EUR	EUR	EUR	EUR
Sales revenue	10	443	606	2 169	3 171
Other operating revenue	11	8	12	15	116
Changes in inventories of finished goods and work in progress		81	149	(57)	(359)
Materials, consumables and supplies	12	(340)	(443)	(1 299)	(1 424)
Other operating expenses	13	(65)	(180)	(201)	(489)
Staff costs	14	(202)	(164)	(608)	(575)
Depreciation and impairment of fixed assets	5,6	(48)	(60)	(147)	(176)
Other operating charges		(2)	24	(12)	(26)
Operating profit		(125)	(56)	(140)	238
Financial income and expenses		(1)	(2)	(1)	(5)
Profit (loss) for accounting period		(126)	(58)	(141)	233
Net profit per share	15	(0.10)	(0.05)	(0.11)	0.19

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	-	-	-	3 652	3 652
30 September 2004	12 500	2 316	33 301	3 652	51 769
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 9 months of 2005	-	-	-	(2 208)	(2 208)
30 September 2005	12 500	2 316	36 408	(2 208)	49 016

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	-	-	-	233	233
30 September 2004	799	148	2 128	233	3 308
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 9 months of 2005	-	-	-	(141)	(141)
30 September 2005	799	148	2 327	(141)	3 133

CASH FLOW STATEMENT

	Note	01.01.05- 30.09.05 EEK	01.01.04- 30.09.04 EEK	01.01.05- 30.09.05 EUR	01.01.04- 30.09.04 EUR
CASH FLOW FROM OPERATING ACTIVITIES					
Net profit for the accounting period		(2 208)	3 652	(141)	233
Adjustment of profit to net cash flow from main operating activities:					
Depreciation of fixed assets	5,6	2 299	2 773	147	176
Profit for sales tangible fixed	5	-	(2)	-	-
Interest income		(3)	(9)	-	-
Interest expense		59	99	4	6
Changes in current assets and liabilities:					
Customer receivables		7 755	(12 932)	495	(826)
Inventories		(651)	5 434	(42)	347
Supplier payables and other payables		(4 290)	1 963	(274)	125
Total from operating activities		2 961	978	189	61
CASH FLOW FROM INVESTING ACTIVITIES					
Acquisition of fixed assets	5,6	(1 766)	(1 400)	(113)	(90)
Sales of tangible fixed	5	-	6	-	1
Repayments of loans		135	256	9	17
Interest received		3	10	-	1
Total from investing activities		(1 628)	(1 128)	(104)	(71)
CASH FLOW FROM FINANCING ACTIVITIES					
Financial lease repayments		(569)	(427)	(36)	(27)
Interest paid		(59)	(99)	(4)	(6)
Total from financing activities		(628)	(526)	(40)	(33)
Total cash flow		705	(676)	45	(43)
CASH AT BEGINNING OF PERIOD		308	1 268	20	78
CASH AT END OF PERIOD		1 013	592	65	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 9 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

	30.09.2005	31.12.2004	30.09.2005	31.12.2004
	EEK	EEK	EUR	EUR
Cash on hand	5	5	1	1
Bank accounts in EEK	191	17	12	1
Bank accounts in foreign currency	812	281	52	18
Other cash equivalents	5	5	-	-
Total	1 013	308	65	20

NOTE 3. TRADE AND OTHER CURRENT RECEIVABLES

	30.09.2005	31.12.2004	30.09.2005	31.12.2004
	EEK	EEK	EUR	EURr
Trade receivables	46	16	3	1
Receivables from parent and other group companies (see note 16)	18 566	26 311	1 187	1 682
Other short-term receivables	3	39	-	2
Prepaid taxes	342	354	22	23
Other prepaid expenses	24	46	1	3
Total	18 981	26 766	1 213	1 711

NOTE 4. INVENTORIES

	30.09.2005	31.12.2004	30.09.2005	31.12.2004
	EEK	EEK	EUR	EUR
Raw materials in warehouses	3 864	2 322	247	148
Work in progress	260	108	17	7
Finished goods	1 181	2 224	75	142
Total	5 305	4 654	339	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	280	307	52	824	228	1 691
Reclassification	1 019	33	-	(824)	(228)	-
30 September 2005	35 303	16 667	3 041			55 011
Accumulated depreciation						
31 December 2004	10 876	10 118	2 677	-	-	23 671
Depreciation	992	1 058	109	-	-	2 159
30 September 2005	11 868	11 176	2 786			25 830
Residual value						
31 December 2004	23 128	6 209	312	-	-	29 649
30 September 2005	23 435	5 491	255			29 181

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	18	20	4	53	14	113
Reclassification	65	2	-	(53)	(14)	-
			1			
30 September 2005	2 256	1 065	195			3 516
Accumulated depreciation						
31 December 2004	695	647	171	-	-	1 513
Depreciation	63	68	7	-	-	138
30 September 2005	758	715	178			1 651
Residual value						
31 December 2004	1 478	396	20	-	-	1 894
30 September 2005	1 498	350	17			1 865

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	1 366	58	1 424
Purchases	<u>75</u>		<u>75</u>
30. September 2005	1 441	58	1 499
Accumulated depreciation			
31 December 2004	1 032	-	1 032
Depreciation	<u>140</u>	<u>-</u>	<u>140</u>
30. September 2005	1 172	-	1 172
Residual value			
31 December 2004	<u>334</u>	<u>58</u>	<u>392</u>
30 september 2005	<u>269</u>	<u>58</u>	<u>327</u>

EUR

	Patentis and licenses	Prepayment tangible fixed assets	Total
Acquisition cost			
as of 31 December 2004	87	4	91
Purchases	<u>5</u>	<u>-</u>	<u>5</u>
30. September 2005	92	4	96
Accumulated depreciation			
31 December 2004	66	-	66
Depreciation	<u>9</u>	<u>-</u>	<u>9</u>
30. September 2005	75	-	75
Residual value			
31 December 2004	<u>21</u>	<u>4</u>	<u>25</u>
30. September 2005	<u>17</u>	<u>4</u>	<u>21</u>

NOTE 7. LEASES*Finance lease – the Company as lessee*

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

	30.09.2005 EEK	31.12.2004 EEK	30.09.2005 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.	639	1 171	41	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.	96	133	6	8
Total	735	1 304	47	83
Including short-term portion	199	768	13	49
Long-term portion	536	536	34	34

NOTE 8. TRADE AND OTHER CURRENT PAYABLES

	30.09.2005 EEK	31.12.2004 EEK	30.09.2005 EUR	31.12.2004 EUR
Accounts payable	3 135	7 317	200	468
Taxes payable	389	418	25	27
Accrued expenses	1 085	1 164	69	74
Dividends payable	447	447	29	28
Total	5 056	9 346	323	597

NOTE 9. SHARE CAPITAL

As of 30.09.2005 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 30.09.2005 and 31.12.2004 the shareholders of the Company are the following:

	30.09.2005	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- 30.09.2005		01.01.2004- 30.09.2004		01.01.2005- 30.09.2005		01.01.2004- 30.09.2004	
	EEK	%	EEK	%	EUR	%	EUR	%
Latvia	33 862	100	49 496	100	2 164	100	3 164	100
Estonia	80	-	112	-	5	-	7	-
Total	33 942	100	49 608	100	2 169	100	3 171	100

Net sales are divided by product groups as follows:

	01.01.2005- 30.09.2005		01.01.2004- 30.09.2004		01.01.2005- 30.09.2005		01.01.2004- 30.09.2004	
	EEK	%	EEK	%	EUR	%	EUR	%
Ointments	31 506	93	44 790	90	2 014	93	2 863	90
Injection	-	-	1 718	4	-	-	110	4
Tablet	-	-	992	2	-	-	63	2
Other	2 436	7	2 108	4	155	7	135	4
Total	33 942	100	49 608	100	2 169	100	3 171	100

NOTE 11. OTHER OPERATING REVENUE

	01.01.2005- 30.09.2005	01.01.2004- 30.09.2004	01.01.2005- 30.09.2005	01.01.2004- 30.09.2004
	EEK	EEK	EUR	EUR
Foreign exchange gain	-	317	-	20
Profit for sales tangible fixed	-	2	-	-
Other operating revenue	230	1 509	15	96
Total	230	1 828	15	116

NOTE 12. GOODS, RAW MATERIALS AND SERVICES

	01.01.2005- 30.09.2005	01.01.2004- 30.09.2004	01.01.2005- 30.09.2005	01.01.2004- 30.09.2004
	EEK	EEK	EUR	EUR
Raw materials	18 368	20 396	1 174	1 304
Energy	1 013	950	65	61
Registering of medicinal products and trademarks	553	400	35	26
Carriage of finished goods	299	349	19	22
Fuel, spare parts and other materials	92	143	5	9
Goods	10	35	1	2
Total	20 335	22 273	1 299	1 424

NOTE 13. OTHER OPERATING EXPENSES

	01.01.2005- 30.09.2005 EEK	01.01.2004- 30.09.2004 EEK	01.01.2005- 30.09.2005 EUR	01.01.2004- 30.09.2004 EUR
Training and consultation	98	3 052	6	195
Purchased services	1 199	1 195	77	76
Repairs	449	536	29	34
Marketing	329	612	21	39
Commercial leasing and leasing	144	307	9	20
Miscellaneous charges	198	201	13	13
Transportation	174	177	11	11
Office expenses	68	67	4	4
Business trips	62	108	4	7
Representation expenses	40	67	3	4
Development expenses	52	855	3	55
Other expenses	327	480	21	31
Total	3 140	7 657	201	489

NOTE 14. STAFF COSTS

	Wages EEK		Wages EUR		Average number of employees	
	01.01.05- 30.09.05	01.01.04- 30.09.04	01.01.05- 30.09.05	01.01.04- 30.09.04	01.01.05- 30.09.05	01.01.04- 30.09.04
Staff costs	7 606	6 715	486	429	72	87
incl. workers	1 215	1 441	78	92	32	42
managers, specialists	3 571	4 447	228	284	39	44
Management Board	520	423	33	27	1	1
other costs	2 300	404	147	26	-	-
Social tax	1 914	2 274	122	146	-	-
Total	9 520	8 989	608	575	72	87

NOTE 15. NET PROFIT PER SHARE

	01.01.2005- 30.09.2005 EEK	01.01.2004- 30.09.2004 EEK	01.01.2005- 30.09.2005 EUR	01.01.2004- 30.09.2004 EUR
Net profit /loss	(2 208)	3 652	(141)	233
Weighted average number of shares	1 250	1 250	1 250	1 250
Earnings per share (EPS) IN EEK and EUR	(1.77)	2.92	(0.11)	0.19

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- 30.09.2005 EEK	01.01.2004- 30.09.2004 EEK	01.01.2005- 30.09.2005 EUR	01.01.2004- 30.09.2004 EUR
Net sales				
PJSC Grindeks	33 862	49 496	2 164	3 164
Other revenues				
PAS Grindeks Estonian branch	119	141	8	9
Materials, consumables and supplies				
PJSC Grindeks	19	213	1	14

Prices used in transactions with related parties are agreed prices.

Balances with related parties are the following:

	30.09.2005 EEK	31.12.2004 EEK	30.09.2005 EUR	31.12.2004 EUR
Accounts receivable				
PJSC Grindeks	18 528	26 271	1 184	1 679
PAS Grindeks Estonian branch	38	40	3	3
Total	18 566	26 311	1 187	1 682

In 2005 9 months salaries and wages paid to the Director 520 000 EEK and members of the Supervisory Council amounted to 2 202 000 EEK.

COMMENTS TO RESULTS 9 MONTHS 2005

COMMENTS TO INCOME STATEMENT, 9M/2005.

The 09 months 2005 sales revenue of Tallinna Farmaatsiatehas amounted to 33,942 th. EEK (2,169 th. EUR). Compared to the same period of previous year the sales were decreased by 15,666 th EEK (1 001 th. EUR) i.e. 31.5% (net turnover in 09 months 2004 49,608 th. EEK or 3.171 th.EUR).

Compared to the same period of previous year the total operating cost decreased by 6,615 th. EEK (423 th EUR) i.e. 15.7% (total operating costs in 2004 42,091 th. EEK (2.690 th.EUR) and in 2005 35.476 th. EEK (2.267 th.EUR)), from which the decrease of operating expenses (in 2004 7,657 th. EEK (489 th. EUR) and in 2005 3,140 th. EEK (201 th.EUR)) 4,517 th.EEK or 269 th EUR (55.0%).

Operating profit decreased in 09 months of 2005 compared (net profit in 2004 3,726 th. EEK (238 th.EUR) and operating loss in 2005 -2 195 th. EEK (140 th.EUR)) to the same period of 2004 by 5,921 th. EEK (378 th.EUR) , and net profit decreased (net profit in 2004 3,652 th. EEK (233 th.EUR) and net loss in 2005 2 208 th. EEK (141 th.EUR)) by 5,860 th. EEK (374 th. EUR).

COMMENTS TO BALANCE SHEET

As of September 30. 2005 the Balance capacity was 54,807 th. EEK (3,503 th EUR). Compared to the net balance, the biggest decrease was in receivables from parent company 7,743 th. EEK (495 th. EUR) (29.5%) and finished goods decrease with the sum 1,042 th. EEK (67 th.EUR) (46.9%). Trading assets decreased totally by 6,428 th. EEK (410 th.EUR) (20.3%).

In the liabilities the short-term liabilities decreased 4,859 th. EEK (310 th.EUR) (48.0%). Compared to the net balance, the biggest decrease was in liabilities – accounts payable 4,182 th. EEK (267 th.EUR) (57,2%). The owners' equity decreased 2 209 th. EEK (141 th.EUR)) (4.3%) in the account of 09 months 2005 net loss.