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## Riga Stock Exchange

### Information on the Joint Stock Company's *Grindeks* non-audited financial results of the year 2004

Considering the non-audited data, Joint Stock company's *Grindeks* net income of the year 2004 composed Ls 2,4 millions, setting a new income ratio record in the history of *Grindeks*.

Company's turnover has increased to 32% compared with the year 2003, reaching a turnover of Ls 24,72 millions in 2004 and aiming to reach the sales up to Ls 27,7 millions during the year 2005.

The Chairman of the Board of JSC *Grindeks*, Valdis Jākobsons comments the company's activities of year 2004 as being successful: "last year *Grindeks* has continued a sustainable economic upward trend, based on a further development of the holding company, by specializing the plants and searching for profitable cooperation opportunities in other countries."

The last year has been successful for *Grindeks* with the take over of the sales of production of the domestic pharmaceuticals manufacturer *Kalceks* and an agreement of contract manufacture with a company *Jelfa* of Poland has been signed.

*Grindeks* brand product *Mildronate* has seen a continuous growth of sales volume in Russia and CIS countries and extending the sales activities in the present markets. For instance, at the end of the year 2004, *Grindeks* has launched two new products – *Simvalimit*, a cardiological product and *Venlaksor*, a product of the group of psychotropic medicals.

*Grindeks* continues its activities throughout the Europe in the field of registration of active pharmaceutical ingredients, produced by *Grindeks*. This would considerably enhance the competitiveness of the *Grindeks* substances in the worldwide markets.

The successful financial activities would allow *Grindeks* to invest more and more money in development of new products and implementing of new technologies, as well as in promising, to sustainable development driven projects.

In 2004 the JSC's *Grindeks* income composed Ls 0.31 per share. (EPS ratio)

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## JSC GRINDEKS BALANCE SHEETS

	2004 LVL	2003 LVL	2004 EUR	2003 EUR
<b>ASSET</b>				
<b>Intangible assets</b>				
Patents, licenses, trademarks and other rights	519,686	663,593	739,240	990,438
Other intangible assets	76,112	79,875	108,268	119,216
<b>Total intangible assets</b>	<b>595,798</b>	<b>743,468</b>	<b>847,508</b>	<b>1,109,654</b>
<b>Tangible fixed assets</b>				
Land, buildings and constructions	2,936,556	2,437,938	4,177,178	3,638,712
Equipment and machinery	1,577,984	1,385,271	2,244,643	2,067,569
Other fixed assets	337,166	157,579	479,610	235,193
Advance payments for fixed assets	203,024	382,230	288,797	570,493
Construction in progress	36,524	142,955	51,954	213,366
<b>Total tangible fixed assets</b>	<b>5,091,254</b>	<b>4,505,973</b>	<b>7,242,182</b>	<b>6,725,333</b>
<b>Long-term financial investments</b>				
Investments in subsidiaries	2,044,456	1,552,714	2,908,188	2,317,483
Loans to subsidiaries	-	-	-	-
<b>Total long-term financial investments</b>	<b>2,044,456</b>	<b>1,552,714</b>	<b>2,908,188</b>	<b>2,317,483</b>
<b>Total non-current assets</b>	<b>7,731,508</b>	<b>6,802,155</b>	<b>10,997,878</b>	<b>10,152,470</b>
<b>Current assets</b>				
<b>Inventory</b>				
Raw materials	1,108,890	982,337	1,577,369	1,466,174
Unfinished goods	604,320	694,051	859,630	1,035,897
Finished goods and goods for resale	1,953,477	1,346,005	2,778,772	2,008,963
<b>Total inventory</b>	<b>3,666,687</b>	<b>3,022,393</b>	<b>5,215,771</b>	<b>4,511,034</b>
<b>Debtors</b>				
Trade receivables	5,049,532	3,314,468	7,182,833	4,946,968
Other debtors	1,689,017	470,712	2,402,585	702,555
Deferred expenses	129,337	115,058	183,979	171,728
<b>Total debtors</b>	<b>6,867,886</b>	<b>3,900,238</b>	<b>9,769,397</b>	<b>5,821,251</b>
<b>Cash</b>	<b>299,850</b>	<b>101,553</b>	<b>426,529</b>	<b>151,572</b>
<b>Total current assets</b>	<b>10,834,423</b>	<b>7,024,184</b>	<b>15,411,697</b>	<b>10,483,857</b>
<b>TOTAL ASSETS</b>	<b>18,565,931</b>	<b>13,826,339</b>	<b>26,409,575</b>	<b>20,636,327</b>

<b>SHAREHOLDERS' EQUITY</b>	<b>2004 LVL</b>	<b>2003 LVL</b>	<b>2004 EUR</b>	<b>2003 EUR</b>
Share capital	7,735,000	7,735,000	11,002,845	11,544,776
Share premium	5,176,400	5,176,400	7,363,300	7,725,970
Foreign currency translation reserve	-	-	(163,556)	(84,249)
Other reserves	464,905	464,905	661,316	693,888
Accumulated (losses) earnings:				
a) previous years' accumulated losses	(7,140,379)	(8,484,645)	(10,157,011)	(12,663,649)
b) current year profit	2,410,970	1,344,266	3,593,100	2,090,616
<b>Total shareholders' equity</b>	<b>8,646,896</b>	<b>6,235,926</b>	<b>12,299,994</b>	<b>9,307,352</b>
<b>PROVISIONS</b>				
Deferred tax liability	297,489	273,759	423,171	408,596
Provision for vacations	40,000	40,000	56,899	59,701
<b>Total provisions</b>	<b>337,489</b>	<b>313,759</b>	<b>480,070</b>	<b>468,297</b>
<b>LIABILITIES</b>				
<b>Non-current liabilities</b>				
Loans from credit institutions	2,695,072	2,266,183	3,833,673	3,382,363
Long-term portion of finance lease liabilities	63,174	-	89,863	-
<b>Total non-current liabilities</b>	<b>2,758,246</b>	<b>2,266,183</b>	<b>3,923,536</b>	<b>3,382,363</b>
<b>Current liabilities</b>				
Loans from credit institutions	2,285,049	1,853,436	3,250,425	2,766,322
Short-term portion of finance lease liabilities	74,660	12,789	106,202	19,088
Advances from customers	14,270	21,255	20,299	31,724
Trade accounts payable	4,149,248	2,557,755	5,902,202	3,817,545
Taxes and social security liabilities	224,373	314,388	319,165	469,236
Other liabilities	75,700	127,155	107,682	189,784
Deferred income	-	123,693	-	184,616
<b>Total current liabilities</b>	<b>6,823,300</b>	<b>5,010,471</b>	<b>9,705,975</b>	<b>7,478,315</b>
<b>Total liabilities</b>	<b>9,581,546</b>	<b>7,276,654</b>	<b>13,629,511</b>	<b>10,860,678</b>
<b>TOTAL LIABILITIES &amp; SHAREHOLDERS' EQUITY</b>	<b>18,565,931</b>	<b>13,826,339</b>	<b>26,409,575</b>	<b>20,636,327</b>

## JSC GRINDEKS STATEMENTS OF PROFIT AND LOSS

	2004 LVL	2003 LVL	2004 EUR	2003 EUR
Net sales	24,724,742	18,760,509	36,847,604	29,176,530
Cost of goods sold	(15,633,247)	(13,037,848)	(23,298,431)	(20,276,591)
<b>Gross profit</b>	<b>9,091,495</b>	<b>5,722,661</b>	<b>13,549,173</b>	<b>8,899,939</b>
Selling expenses	(3,334,764)	(2,339,666)	(4,969,842)	(3,638,672)
Administrative expenses	(2,724,821)	(2,012,842)	(4,060,836)	(3,130,392)
Other operating income	265,598	500,026	395,824	777,646
Other operating expenses	(325,515)	(406,215)	(485,119)	(631,750)
Gain from investments in subsidiaries and associated companies	119,132	308,032	177,544	479,054
Gain from acquisition of subsidiary's shares	-	33,457	-	52,033
Other interest income and similar income	-	37,888	-	58,924
Interest expense and similar expense	(183,430)	(173,257)	(273,368)	(269,451)
<b>Profit before taxation</b>	<b>2,907,695</b>	<b>1,670,084</b>	<b>4,333,376</b>	<b>2,597,331</b>
Corporate income tax	(461,677)	(291,455)	(688,043)	(453,273)
Other taxes	(35,048)	(34,363)	(52,233)	53,442)
<b>NET PROFIT</b>	<b>2,410,970</b>	<b>1,344,266</b>	<b>3,593,100</b>	<b>2,090,616</b>

**JSC GRINDEKS STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY**

	Share capital	Share premium	Other reserves	Foreign currency translation reserve	Accumulated Losses(profit)	Total
	LVL	LVL	LVL	LVL	LVL	LVL
<b>As at 31 December 2002</b>	<b>7,735,000</b>	<b>5,176,400</b>	<b>464,905</b>	-	<b>(8,484,645)</b>	<b>4,891,660</b>
Profit for the year	-	-	-	-	1,344,266	1,344,266
<b>As at 31 December 2003</b>	<b>7,735,000</b>	<b>5,176,400</b>	<b>464,905</b>	-	<b>(7,140,379)</b>	<b>6,235,926</b>
Profit for the year	-	-	-	-	2,410,970	2,410,970
<b>As at 31 December 2004</b>	<b>7,735,000</b>	<b>5,176,400</b>	<b>464,905</b>	-	<b>(4,729,409)</b>	<b>8,646,896</b>
	EUR	EUR	EUR	EUR	EUR	EUR
<b>As at 31 December 2002</b>	<b>11,544,776</b>	<b>7,725,970</b>	<b>693,888</b>	-	<b>(12,663,649)</b>	<b>7,300,985</b>
Profit for the year	-	-	-	-	2,090,616	2,090,616
Foreign currency revaluation	-	-	-	(84,249)	-	(84,249)
<b>As at 31 December 2003</b>	<b>11,544,776</b>	<b>7,725,970</b>	<b>693,888</b>	<b>(84,249)</b>	<b>(10,573,033)</b>	<b>9,307,352</b>
Profit for the year	-	-	-	-	3,593,100	3,593,100
Foreign currency revaluation	-	-	-	-	252,466	(600,458)
<b>As at 31 December 2004</b>	<b>11,002,845</b>	<b>7,363,300</b>	<b>661,316</b>	-	<b>(6,727,467)</b>	<b>12,299,994</b>

## JSC GRINDEKS STATEMENTS OF CASH FLOWS

	<b>2004</b>	<b>2003</b>	<b>2004</b>	<b>2003</b>
	<b>LVL</b>	<b>LVL</b>	<b>EUR</b>	<b>EUR</b>
<b>OPERATING ACTIVITIES</b>				
Net profit before taxation	2,907,695	1,670,084	4,333,376	2,597,331
Adjustments to reconcile net profit to net cash provided by operating activities:				
Depreciation and amortization	746,654	519,602	1,112,748	808,090
Loss on disposal of fixed assets	(24,520)	9,818	(36,542)	15,269
Provisions for slow moving inventory	(10,071)	-	(15,009)	-
Write off of doubtful debts	42,537	-	63,393	-
Fluctuations in currency exchange rates	209,552	(264,282)	294,711	(417,378)
Gain from acquisition of long term investments	(20,903)	(33,457)	(31,152)	(52,033)
Interest paid	183,430	173,257	273,368	269,451
Gain from long term investments	(119,132)	(308,032)	(177,544)	(479,054)
Changes in operating assets and liabilities:				
(Increase) / decrease in inventory	(644,294)	560,653	(960,200)	871,933
(Increase) / decrease in receivables	(2,111,565)	(1,098,633)	(3,146,893)	(1,708,605)
Increase / (decrease) in liabilities	1,381,216	(109,784)	2,058,444	(170,737)
Real estate and corporate income tax paid	(449,906)	(53,946)	(670,501)	(83,897)
<b>Net cash provided by operating activities</b>	<b>2,092,693</b>	<b>1,065,280</b>	<b>3,098,199</b>	<b>1,650,370</b>
<b>INVESTING ACTIVITIES</b>				
Purchase of tangible and intangible fixed assets	(1,182,231)	(1,238,616)	(1,761,894)	(1,926,308)
Sale of fixed assets	26,374	4,817	39,306	7,491
Acquisition of long term financial investments	(1,502,697)	(133,051)	(2,239,489)	(206,922)
<b>Net cash used in investing activities</b>	<b>(2,658,554)</b>	<b>(1,366,850)</b>	<b>(3,962,077)</b>	<b>(2,125,739)</b>
<b>FINANCING ACTIVITIES</b>				
Interest paid	(145,358)	(176,234)	(216,629)	(274,080)
Loans received from credit institutions	1,817,902	1,028,130	2,709,243	1,598,958
Loans repaid to credit institutions	(908,386)	(697,829)	(1,353,779)	(1,085,271)
<b>Net cash provided by (used in) financing activities</b>	<b>764,158</b>	<b>154,067</b>	<b>1,138,835</b>	<b>239,607</b>
<b>Net (decrease) increase in cash</b>	<b>198,297</b>	<b>(147,503)</b>	<b>274,957</b>	<b>(235,762)</b>
<b>CASH AT THE BEGINNING OF THE YEAR</b>	<b>101,553</b>	<b>249,056</b>	<b>151,572</b>	<b>387,334</b>
<b>CASH AT THE END OF THE YEAR</b>	<b>299,850</b>	<b>101,553</b>	<b>426,529</b>	<b>151,572</b>