

**Joint Stock Company “Grindeks”**

*Not audited consolidated financial statements,*

*for the period ended 30 September 2005 and 30 september2004*

## CONTENTS

	<b>PAGE</b>
<b>ANCILLARY INFORMATION</b>	<b>2</b>
<b>BOARD AND SUPERVISORY COUNCIL</b>	<b>3</b>
<b>CONSOLIDATED FINANCIAL STATEMENTS:</b>	
<b>Consolidated balance sheets</b>	<b>4-5</b>
<b>Consolidated statements of profit and loss</b>	<b>6</b>
<b>Consolidated statements of changes in shareholders' equity</b>	<b>7</b>
<b>Consolidated statements of cash flows</b>	<b>8</b>
<b>APPENDICES</b>	<b>9-12</b>

## JSC GRINDEKS

### ANCILLARY INFORMATION

---

Name	JSC GRINDEKS Joint Stock Company
Legal status	
Number, place and date of registration	No.000303493, Riga, Republic of Latvia, 11 October 1991
Business activities	Production, distribution and sale of pharmaceuticals, diagnostic kits, as well as other types of operations provided by the Statutes of company
Legal address	53 Krustpils Street Riga, LV-1057 Latvia
Subsidiaries	JSC Tallinn Pharmaceutical Plant Registration No. 10093221 Address: 33 Tondi Tallinn 11316 Estonia  JSC Kalceks Registration No.40003059981 Address: 53 Krustpils Street Riga, LV-1057 Latvia
Reporting period	1 January 2005 – 30 September 2005

JSC GRINDEKS

BOARD AND SUPERVISORY COUNCIL

---

**Board of directors**

Since 23 December 2003

Name, Surname

Valdis Jakobsons

Vitalijs Skrivelis

Janis Romanovskis

Position

CEO, Chairman of the Board

Board member

Board member

**Supervisory Council**

Since 23 December 2003

Name, Surname

Kirovs Lipmans

Vitalijs Gavrilovs

Uldis Osis

Janis Naglis

Juris Cilinskis

Position

Chairman of the Supervisory Council

Deputy Chairman of the Supervisory Council

Member of the Supervisory Council

Member of the Supervisory Council

Member of the Supervisory Council

## BALANCE SHEETS

	2005 January- September LVL	2004 January- September LVL	2005 January- September EUR	2004 January- September EUR
<b>ASSETS</b>				
<b>Non-current assets</b>				
<b>Intangible assets</b>				
Patents, licenses, trademarks and other rights	98,078	142,090	139,552	202,176
Goodwill	411,145	-	585,007	-
Other intangible assets	118,729	93,306	168,936	132,762
<b>Total intangible assets</b>	<b>627,952</b>	<b>235,396</b>	<b>893,495</b>	<b>334,938</b>
<b>Tangible fixed assets</b>				
Land, buildings and constructions	7,561,044	3,826,565	10,758,396	5,444,711
Equipment and machinery	2,034,044	1,847,405	2,894,184	2,628,620
Other fixed assets	416,693	285,444	592,901	406,150
Advance payments for fixed assets	655,453	232,712	932,626	331,119
Construction in progress	195,000	142,955	277,460	203,407
<b>Total tangible fixed assets</b>	<b>10,862,234</b>	<b>6,335,081</b>	<b>15,455,567</b>	<b>9,014,007</b>
<b>Long-term financial investments</b>				
Investments in subsidiaries	-	3,960	-	5,635
Other loans	-	5,179	-	7,369
<b>Total long-term financial investments</b>	<b>-</b>	<b>9,139</b>	<b>-</b>	<b>13,004</b>
<b>Total non-current assets</b>	<b>11,490,186</b>	<b>6,579,616</b>	<b>16,349,062</b>	<b>9,361,949</b>
<b>Current assets</b>				
<b>Inventory</b>				
Raw materials	1,163,410	1,199,722	1,655,383	1,707,051
Unfinished goods	686,889	536,495	977,355	763,364
Finished goods and goods for resale	2,537,209	2,257,030	3,610,123	3,211,464
<b>Total inventory</b>	<b>4,387,508</b>	<b>3,993,247</b>	<b>6,242,861</b>	<b>5,681,879</b>
<b>Debtors</b>				
Trade receivables	5,696,573	4,460,160	8,105,492	6,346,235
Other debtors	865,298	1,391,474	1,231,208	1,979,889
Deferred expenses	76,046	76,165	108,204	108,373
<b>Total debtors</b>	<b>6,637,917</b>	<b>5,927,799</b>	<b>9,444,904</b>	<b>8,434,497</b>
<b>Securities and capital participation</b>				
Repurchased own shares and part	-	1,100	-	1,565
<b>Total securities and capital participation</b>	<b>-</b>	<b>1,100</b>	<b>-</b>	<b>1,565</b>
<b>Cash</b>	<b>11,148,408</b>	<b>324,809</b>	<b>15,862,755</b>	<b>462,162</b>
<b>Total current assets</b>	<b>22,173,833</b>	<b>10,246,955</b>	<b>31,550,520</b>	<b>14,580,103</b>
<b>TOTAL ASSETS</b>	<b>33,664,019</b>	<b>16,826,571</b>	<b>47,899,582</b>	<b>23,942,052</b>

	<b>2005</b> <b>January-</b> <b>September</b> <b>LVL</b>	<b>2004</b> <b>January-</b> <b>September</b> <b>LVL</b>	<b>2005</b> <b>January-</b> <b>September</b> <b>EUR</b>	<b>2004</b> <b>January-</b> <b>September</b> <b>EUR</b>
<b>LIABILITIES</b>				
<b>SHAREHOLDERS' EQUITY</b>				
Share capital	9,585,000	7,735,000	13,638,226	11,005,913
Share premium	15,687,750	5,176,400	22,321,657	7,365,354
Other reserves	464,905	464,905	661,500	661,500
Accumulated (losses) / earnings:				
a) prior year accumulated losses	(5,125,436)	(7,618,706)	(7,292,839)	(10,840,442)
b) current year profit	3,475,318	2,304,636	4,944,932	3,279,203
<b>Total shareholders' equity</b>	<b>24,087,537</b>	<b>8,062,235</b>	<b>34,273,476</b>	<b>11,471,528</b>
<b>MINORITY INTEREST</b>	<b>170,664</b>	<b>145,874</b>	<b>242,832</b>	<b>207,560</b>
<b>PROVISIONS</b>				
Deferred tax liability	682,990	273,759	971,807	389,524
Provision for vacations	22,817	40,000	32,466	56,915
<b>Total provisions</b>	<b>705,807</b>	<b>313,759</b>	<b>1,004,273</b>	<b>446,439</b>
<b>LIABILITIES</b>				
<b>Long-term liabilities</b>				
Loans from credit institutions	3,331,556	3,721,515	4,740,377	5,295,239
Long-term portion of finance lease liabilities	87,260	182,560	124,160	259,759
Other non-current liabilities	502,000	-	714,282	-
<b>Total long-term liabilities</b>	<b>3,920,816</b>	<b>3,904,075</b>	<b>5,578,819</b>	<b>5,554,998</b>
<b>Short-term liabilities</b>				
Loans from credit institutions	1,015,167	1,569,677	1,444,453	2,233,449
Short-term portion of finance lease liabilities	31,916	32,149	45,412	45,744
Advances from customers	15,735	10,216	22,389	14,536
Trade accounts payable	2,196,121	2,190,914	3,124,799	3,117,388
Taxes and social security liabilities	369,700	283,200	526,036	402,957
Other current liabilities	845,507	-	1,203,048	-
Other liabilities	297,058	190,779	422,675	271,454
Accrued income	7,991	123,693	11,370	175,999
<b>Total short-term liabilities</b>	<b>4,779,195</b>	<b>4,400,628</b>	<b>6,800,182</b>	<b>6,261,527</b>
<b>Total liabilities</b>	<b>8,700,011</b>	<b>8,304,703</b>	<b>12,379,001</b>	<b>11,816,525</b>
<b>TOTAL LIABILITIES &amp; SHAREHOLDERS' EQUITY</b>	<b>33,664,019</b>	<b>16,826,571</b>	<b>47,899,582</b>	<b>23,942,052</b>

## STATEMENTS OF PROFIT AND LOSS

	<b>2005</b> <b>January- September</b> <b>LVL</b>	<b>2004</b> <b>January- September</b> <b>LVL</b>	<b>2005</b> <b>January- September</b> <b>EUR</b>	<b>2004</b> <b>January- September</b> <b>EUR</b>
Net sales	22,127,648	17,970,816	31,484,807	25,570,168
Cost of goods sold	(10,999,115)	(10,567,928)	(15,650,331)	(15,036,807)
<b>Gross profit</b>	<b>11,128,533</b>	<b>7,402,888</b>	<b>15,834,476</b>	<b>10,533,361</b>
Selling expenses	(3,800,859)	(2,374,724)	(5,408,135)	(3,378,928)
Administrative expenses	(3,097,611)	(2,450,444)	(4,407,504)	(3,486,668)
Other operating income	291,035	638,758	414,105	908,871
Other operating expenses	(238,290)	(387,554)	(339,056)	(551,440)
Interest income and similar income	25,919	1,154	36,879	1,642
Interest expense and similar expense	(179,156)	(134,050)	(254,916)	(190,736)
<b>Profit before taxation and minority interest</b>	<b>4,129,571</b>	<b>2,696,028</b>	<b>5,875,849</b>	<b>3,836,102</b>
Corporate income tax	(618,388)	(350,699)	(879,887)	(499,000)
Real estate tax	(37,163)	(29,888)	(52,878)	(42,525)
<b>Net profit before minority interest</b>	<b>3,474,020</b>	<b>2,315,441</b>	<b>4,943,084</b>	<b>3,294,577</b>
<b>Minority interest</b>	<b>(1,298)</b>	<b>10,805</b>	<b>(1,848)</b>	<b>15,374</b>
<b>NET PROFIT</b>	<b>3,475,318</b>	<b>2,304,636</b>	<b>4,944,932</b>	<b>3,279,203</b>

## STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

	Share capital	Share premium	Other reserves	Foreign currency translation reserve	Accumu- lated losses	Total
	LVL	LVL	LVL	LVL	LVL	LVL
<b>As at 31 December 2003</b>	<b>7,735,000</b>	<b>5,176,400</b>	<b>464,905</b>	<b>20,051</b>	<b>(7,618,706)</b>	<b>5,777,650</b>
Profit for the period	-	-	-	(20,051)	2,304,636	2,284,585
<b>As at 30 September 2004</b>	<b>7,735,000</b>	<b>5,176,400</b>	<b>464,905</b>	-	<b>(5,314,070)</b>	<b>8,062,235</b>
Profit for the period	-	-	-	(983)	188,634	187,651
<b>As at 31 December 2004</b>	<b>7,735,000</b>	<b>5,176,400</b>	<b>464,905</b>	<b>(983)</b>	<b>(5,125,436)</b>	<b>8,249,886</b>
Issue of shares	1,850,000	10,511,350	-	-	-	12,361,350
Profit for the period	-	-	-	983	3,475,318	3,476,301
<b>As at 30 September 2005</b>	<b>9,585,000</b>	<b>15,687,750</b>	<b>464,905</b>	-	<b>(1,650,118)</b>	<b>24,087,537</b>
	EUR	EUR	EUR	EUR	EUR	EUR
<b>As at 31 December 2003</b>	<b>11,005,913</b>	<b>7,365,354</b>	<b>661,500</b>	<b>28,530</b>	<b>(10,840,442)</b>	<b>8,220,855</b>
Profit for the period	-	-	-	(28,530)	3,279,203	3,250,673
<b>As at 30 September 2004</b>	<b>11,005,913</b>	<b>7,365,354</b>	<b>661,500</b>	-	<b>(7,561,239)</b>	<b>11,471,528</b>
Profit for the period	-	-	-	(1,398)	268,400	267,002
<b>As at 31 December 2004</b>	<b>11,005,913</b>	<b>7,365,354</b>	<b>661,500</b>	<b>(1,398)</b>	<b>(7,292,839)</b>	<b>11,738,530</b>
Issue of shares	2,632,313	14,956,303	-	-	-	17,588,616
Profit for the period	-	-	-	1,398	4,944,932	4,946,330
<b>As at 30 September 2005</b>	<b>13,638,226</b>	<b>22,321,657</b>	<b>661,500</b>	-	<b>(2,347,907)</b>	<b>34,273,476</b>



## STATEMENTS OF CASH FLOWS

	2005 January- September LVL	2004 January- September LVL	2005 January- September EUR	2004 January- September EUR
<b>OPERATING ACTIVITIES</b>				
Net profit before taxation and minority interest	4,129,571	2,696,028	5,875,849	3,836,102
<i>Adjustments to reconcile net profit to net cash provided by operating activities:</i>				
Depreciation and amortization	697,572	598,531	992,557	851,633
(Gain) / loss on disposal of fixed assets and intangible assets	1,928	-	2,743	-
Foreign currency revaluation difference	(25,687)	17,650	(36,549)	25,114
Interest expense	179,156	134,050	254,916	190,736
Interest income	(25,919)	(1,154)	(36,879)	(1,642)
Changes in operating assets and liabilities:				
(Increase) / decrease in inventory	(588,923)	(518,481)	(837,962)	(737,732)
(Increase) / decrease in receivables	(1,019,065)	(1,920,384)	(1,449,999)	(2,732,460)
Increase / (decrease) in liabilities	(1,463,258)	687,629	(2,082,222)	978,408
Real estate and corporate income tax paid	(430,496)	(300,311)	(612,541)	(427,304)
<b>Net cash provided by operating activities</b>	<b>1,454,743</b>	<b>1,393,558</b>	<b>2,069,913</b>	<b>1,982,855</b>
<b>INVESTING ACTIVITIES</b>				
Purchase of tangible and intangible fixed assets	(1,705,454)	(947,777)	(2,426,643)	(1,348,565)
Sale of fixed assets	-	1,854	-	2,638
Acquisition of long term financial investments	(921,750)	(1,323,845)	(1,311,532)	(1,883,662)
<b>Net cash used in investing activities</b>	<b>(2,627,204)</b>	<b>(2,269,768)</b>	<b>(3,738,175)</b>	<b>(3,229,589)</b>
<b>FINANCING ACTIVITIES</b>				
Issue of shares	12,361,350	-	17,588,616	-
Interest paid	(145,160)	(126,763)	(206,544)	(180,367)
Interest income	25,919	-	36,879	-
Loans received from credit institutions	1,489,683	1,779,837	2,119,628	2,532,480
Loans repaid to credit institutions	(1,743,002)	(608,264)	(2,480,068)	(865,482)
<b>Net cash provided by (used in) financing activities</b>	<b>11,988,790</b>	<b>1,044,810</b>	<b>17,058,511</b>	<b>1,486,631</b>
<b>Net (decrease) increase in cash</b>	<b>10,816,329</b>	<b>168,600</b>	<b>15,390,249</b>	<b>239,897</b>
<b>CASH AT THE BEGINNING OF THE Year</b>	<b>332,079</b>	<b>156,209</b>	<b>472,506</b>	<b>222,265</b>
<b>CASH AT THE END OF THE PERIOD</b>	<b>11,148,408</b>	<b>324,809</b>	<b>15,862,755</b>	<b>462,162</b>

## APPENDICES

### FINISHED GOODS AND GOOD FOR RESALE

	<b>2005</b>	<b>2004</b>	<b>2005</b>	<b>2004</b>
	<b>January-September</b>	<b>January-September</b>	<b>January-September</b>	<b>January-September</b>
	<b>LVL</b>	<b>LVL</b>	<b>EUR</b>	<b>EUR</b>
Self-manufactured production	893,968	644,573	1,272,002	917,145
Co-manufactured production	90,984	102,704	129,459	146,135
Goods for resale	1,552,257	1,509,753	2,208,662	2,148,184
<b>Total</b>	<b>2,537,209</b>	<b>2,257,030</b>	<b>3,610,123</b>	<b>3,211,464</b>

### OTHER DEBTORS

	<b>2005</b>	<b>2004</b>	<b>2005</b>	<b>2004</b>
	<b>January-September</b>	<b>January-September</b>	<b>January-September</b>	<b>January-September</b>
	<b>LVL</b>	<b>LVL</b>	<b>EUR</b>	<b>EUR</b>
Overpaid taxes	77,827	45,976	110,737	65,418
Advance payments for Long-term financial investments	-	1,019,126	-	1,450,085
Other	787,471	326,372	1,120,471	464,386
<b>Total</b>	<b>865,298</b>	<b>1,391,474</b>	<b>1,231,208</b>	<b>1,979,889</b>

### CASH

	<b>2005</b>	<b>2004</b>	<b>2005</b>	<b>2004</b>
	<b>January-September</b>	<b>January-September</b>	<b>January-September</b>	<b>January-September</b>
	<b>LVL</b>	<b>LVL</b>	<b>EUR</b>	<b>EUR</b>
Cash on hand	11,141,727	316,053	15,853,249	449,703
Cash in bank	6,681	8,756	9,506	12,459
<b>Total</b>	<b>11,148,408</b>	<b>324,809</b>	<b>15,862,755</b>	<b>462,162</b>

## LOANS FROM CREDIT INSTITUTIONS

	2005 January- September LVL	2004 January- September LVL	2005 January- September EUR	2004 January- September EUR
Credit line from Hansabanka, Latvia Ministry of Finance (World Bank loan)	-	1,235,655	-	1,758,179
	-	110,766	-	157,606
Hansabanka, Latvia	41,843	84,496	59,537	59,544
Vereinsbanka, Latvia	900,965	45,628	1,281,959	64,923
Parex banka, Latvia	44,437	51,284	63,228	72,971
Hansabanka, Latvia	27,922	41,848	39,729	120,226
<b>Current loans from credit institutions</b>	<b>1,015,167</b>	<b>1,569,677</b>	<b>1,444,453</b>	<b>2,233,449</b>
Ministry of Finance (World Bank loan)	1,064,769	1,457,182	1,515,030	2,073,383
Vereinsbanka, Latvia	669,256	816,174	952,265	1,161,311
Parex banka, Latvia	503,200	639,158	715,989	909,440
Parex banka, Latvia	636,484	-	905,635	-
Hansabanka, Latvia	432,047	574,561	614,748	817,527
Hansabanka, Latvia	25,800	234,440	36,710	333,578
<b>Non-current loans from credit institutions</b>	<b>3,331,556</b>	<b>3,721,515</b>	<b>4,740,377</b>	<b>5,295,239</b>

## TAX LIABILITIES

	2005 January- September LVL	2004 January- September LVL	2005 January- September EUR	2004 January- September EUR
Corporate income tax	333,914	249,339	475,117	354,778
Personal income tax	738	21,776	1,050	30,984
Social security payments	16,026	-	22,801	-
Other	19,022	12,085	27,068	17,195
<b>Total</b>	<b>369,700</b>	<b>283,200</b>	<b>526,036</b>	<b>402,957</b>

## NET SALES

	<b>2005</b>	<b>2004</b>	<b>2005</b>	<b>2004</b>
	<b>January-September</b>	<b>January-September</b>	<b>January-September</b>	<b>January-September</b>
	<b>LVL</b>	<b>LVL</b>	<b>EUR</b>	<b>EUR</b>
Russia	10,829,003	5,971,706	15,408,283	8,496,972
Commonwealth of Independent States	6,907,417	5,057,948	9,828,369	7,196,812
Japan and other countries	2,322,139	2,541,083	3,304,106	3,615,635
Lithuania	1,640,079	3,497,048	2,333,622	4,975,851
Latvia	1,649,033	1,758,288	2,346,363	2,501,819
Estonia	799,527	846,891	1,137,624	1,205,017
Commissions received for consignment sales	20,774	93,555	29,559	133,117
<b>Gross sales</b>	<b>24,167,972</b>	<b>19,766,519</b>	<b>34,387,926</b>	<b>28,125,223</b>
Less discounts allowed	(2,040,324)	(1,795,703)	(2,903,119)	(2,555,055)
<b>Net sales</b>	<b>22,127,648</b>	<b>17,970,816</b>	<b>31,484,807</b>	<b>25,570,168</b>

## COST OF GOODS SOLD

	<b>2005</b>	<b>2004</b>	<b>2005</b>	<b>2004</b>
	<b>January-September</b>	<b>January-September</b>	<b>January-September</b>	<b>January-September</b>
	<b>LVL</b>	<b>LVL</b>	<b>EUR</b>	<b>EUR</b>
Goods purchased for resale	3,493,130	4,118,260	4,970,276	5,859,756
Raw materials	3,082,529	3,148,355	4,386,044	4,479,705
Direct labour and social security payments	1,850,103	1,507,807	2,632,459	2,145,416
Depreciation and amortisation	482,788	432,194	686,945	614,956
Research costs	474,639	268,511	675,350	382,057
Heating, gas, electricity, water and sewage	289,903	323,710	412,495	460,598
Internal works	94,362	100,968	134,265	143,665
Patents protection expenses	276,452	154,103	393,356	219,269
Machinery, buildings and equipment repairs	127,754	169,009	181,778	240,478
Waste disposal	63,078	61,540	89,752	87,564
Rent of work clothing	42,186	40,863	60,025	58,143
Transport	98,107	44,639	139,594	63,516
Other	624,084	197,969	887,992	281,684
<b>Total</b>	<b>10,999,115</b>	<b>10,567,928</b>	<b>15,650,331</b>	<b>15,036,807</b>

## SELLING EXPENSES

	2005 January- September LVL	2004 January- September LVL	2005 January- September EUR	2004 January- September EUR
Advertising	1,723,860	919,654	2,452,832	1,308,550
Salaries and social security payments	404,117	378,220	575,007	538,159
Expenses of representative offices	597,041	205,067	849,513	291,784
Transportation	191,806	219,937	272,915	312,942
Registration costs of medicine	109,276	106,166	155,486	151,061
Commissions	114,591	48,658	163,048	69,234
Freight insurance	40,282	48,238	57,316	68,636
Communication	15,099	33,986	21,484	48,358
Business trips	27,955	33,836	39,776	48,144
Goods utilized for advertising	19,695	13,058	28,023	18,580
Other	557,137	367,904	792,735	523,480
<b>Total</b>	<b>3,800,859</b>	<b>2,374,724</b>	<b>5,408,135</b>	<b>3,378,928</b>

## ADMINISTRATIVE EXPENSES

	2005 January- September LVL	2004 January- September LVL	2005 January- September EUR	2004 January- September EUR
Administrative salaries and social security	1,307,820	910,246	1,860,860	1,295,163
	178,687	144,419	254,249	205,490
Depreciation and amortisation				
Employee life insurance	99,151	92,950	141,079	132,256
Transport	99,302	99,445	141,294	141,497
Security costs	76,292	103,264	108,554	146,931
Business trips	50,440	48,686	71,770	69,274
Participation in conferences, training	89,877	51,711	127,883	73,578
Communication expense	23,138	42,634	32,922	60,663
Bank charges	43,115	40,142	61,347	57,117
Professional services	143,766	42,476	204,561	60,438
Other	986,023	874,471	1,402,985	1,244,259
<b>Total</b>	<b>3,097,611</b>	<b>2,450,444</b>	<b>4,407,504</b>	<b>3,486,666</b>

Currency exchange for the EUR – 0.702804

JSC “GRINDEKS” Finance director

Janis Romanovskis

I. Janikovska  
7083204