

**Joint Stock Company “Grindeks”**

*Non-audited consolidated financial statements,  
for the periods ended 30 June 2006 and 2005  
prepared in accordance with International  
Financial Reporting Standards*

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## JSC "GRINDEKS"

### ANCILLARY INFORMATION

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|--|--|
| Name                                   | JSC GRINDEKS   |
| Legal status                           | Joint Stock Company  |
| Number, place and date of registration | 000303493,<br>Riga, Republic of Latvia, 11 October 1991  |
| Business activities                    | Production, distribution and sale of active pharmaceutical ingredients, pharmaceutical, phyto-chemical and medical preparations.   |
| Legal address                          | 53 Krustpils Street<br>Riga, LV – 1057<br>Latvia   |
| Subsidiaries                           | JSC Tallinn Pharmaceutical Plant<br>Registration No. 10093221<br>Address:<br>33 Tondi<br>Tallinn 11316<br>Estonia<br><br>JSC Kalceks<br>Registration No. 40003059981<br>Address:<br>53 Krustpils Street<br>Riga, LV – 1057<br>Latvia |
| Reporting period                       | 1 January 2006 – 30 June 2006  |

## JSC GRINDEKS

### BOARD AND THE SUPERVISORY COUNCIL

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#### **Board of the Company**

Since 8 December 2005

| <i><u>Name</u></i> | <i><u>Position</u></i> |
|--------------------|------------------------|
| Valdis Jakobsons   | Chairman of the Board  |
| Vitalijs Skrivelis | Board member           |
| Janis Romanovskis  | Board member           |

#### **Supervisory Council of the Company**

Since 20 January 2006

| <i><u>Name</u></i> | <i><u>Position</u></i>                   |
|--------------------|--|
| Kirovs Lipmans     | Chairman of the Supervisory Council      |
| Vitalijs Gavrilovs | Vice-Chairman of the Supervisory Council |
| Uldis Osis         | Member of the Supervisory Council        |
| Janis Naglis       | Member of the Supervisory Council        |
| Ivars Kalviņš      | Member of the Supervisory Council        |

## JSC GRINDEKS

### SHAREHOLDERS

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Shareholders of the company for the 31th of December, 2004 and 20th June, 2006:

|  | <b>2006</b><br><b>Investments in</b><br><b>percentage</b><br><b>(%)</b> | <b>2005</b><br><b>Investments in</b><br><b>percentage</b><br><b>(%)</b> |
|--|---|---|
| Kirovs Lipmans                             | 28.73   | 27.38   |
| Anna Lipmane                               | 16.69   | 20.70   |
| Vitālijs Gavrilovs                         | 11.30   | 14.00   |
| Jānis Naglis                               | -   | 3.70  |
| VAS "Valsts sociālās apdrošināšanas fonds" | 2.29  | 2.84  |
| Other shareholders                         | 40.99   | 31.38   |
| <b>Total</b>                               | <b>100.00</b>   | <b>100.00</b>   |

Shareholders of JSC *Grindeks* – members of the company Board and Council - on the 20th of June, 2006:

| Shareholders       | Number of shares |
|--------------------|------------------|
| <b>Council:</b>    |                  |
| Kirovs Lipmans     | 2 754 031        |
| Vitālijs Gavrilovs | 1 082 900        |
| Ivars Kalviņš      | 17 094           |
| <b>Board:</b>      |                  |
| Valdis Jākobsons   | 102 924          |
| Jānis Romanovskis  | 2709             |
| Vitālijs Skrīvelis | 1450             |

In the first six months of 2006, JSC *Grindeks* has successfully continued to increase the manufacturing of products and sales volumes according to the company's fast development plans.

The turnover of JSC *Grindeks* in the first six months of year 2006 reached 20, 66 millions of lats, being for 37% more than in the first half of year 2005.

Company's earnings before taxes make 4, 26 millions of lats, seeing 45, 9% growth comparing to a respective period of previous year.

Six months net profit (earnings after taxes) in 2006 reached 3, 57 millions of lats. Comparing to the profit gained during the respective period of the previous year, this year an increase of 45,6% has been demonstrated.

The labor productivity of company has seen a considerable growth. In the first half-year of 2006, the turnover per employee was 36 448 Ls, for its part in respective period of year 2005 it made 29 198 Ls.

The sales volumes of final dosage forms continue to increase- in the first six months of this year company sold final dosage forms for 19, 11 millions of lats, which is for 44% more than in respective period of previous year.

The export of active pharmaceutical ingredients made 1, 55 millions of lats in the first half-year, continuing strengthening *Grindeks* presence in the developed Western markets. In the first half-year *Grindeks* had two new products registered in the European markets - *Rilmnidine* in France and *Detomidine* in Germany. The registration process of one else new substance, in order to sell it afterwards in foreign markets, has been commenced.

The modernization of per oral final dosage forms plant and establishment of the analytical scaling laboratory of active pharmaceutical substances will be continued in the second half-year. The company experts together with scientists are working on new products development and on the realisation of clinical trial programmes of international significance for the *Grindeks* brand products. The production infrastructure and new products development are the most important *Grindeks* priorities for the future period.

In the first half-year of 2006, *Grindeks* profit per share (EPS coefficient) was LVL 0, 37 or EUR 0, 53.

Chairman of the Board of JSC *Grindeks*

Valdis Jākobsons

8 August, 2006.

**JSC GRINDEKS**

**CONSOLIDATED FINANCIAL STATEMENTS**

**BALANCE SHEETS**

|  | <b>2006</b><br><b>January-June</b><br><b>LVL</b> | <b>2005</b><br><b>January-June</b><br><b>LVL</b> | <b>2006</b><br><b>January-June</b><br><b>EUR</b> | <b>2005</b><br><b>January-June</b><br><b>EUR</b> |
|--|--|--|--|--|
| <b>ASSETS</b>                                  |  |  |  |  |
| <b>Non-current assets</b>                      |  |  |  |  |
| <b>Intangible assets</b>                       |  |  |  |  |
| Patents, licenses, trademarks and other rights | 39,675   | 108,438  | 56,452   | 154,293  |
| Goodwill                                       | 411,145  | 411,145  | 585,007  | 585,007  |
| Other intangible assets                        | 333,738  | 106,981  | 474,866  | 152,220  |
| Advance payments for intangible assets         | 42,613   | -  | 60,633   | -  |
| <b>Total intangible assets</b>                 | <b>827,171</b>                                   | <b>626,564</b>                                   | <b>1,176,958</b>                                 | <b>891,520</b>                                   |
| <b>Investment property</b>                     | <b>3,469,796</b>                                 | <b>-</b>   | <b>4,937,075</b>                                 | <b>-</b>   |
| <b>Tangible fixed assets</b>                   |  |  |  |  |
| Land, buildings and constructions              | 4,220,055  | 7,166,899  | 6,004,597  | 10,197,579                                       |
| Equipment and machinery                        | 3,348,196  | 2,048,947  | 4,764,054  | 2,915,389  |
| Other fixed assets                             | 550,963  | 414,965  | 783,950  | 590,442  |
| Advance payments for fixed assets              | 3,432,325  | 525,773  | 4,883,758  | 748,108  |
| Construction in progress                       | 195,000  | 195,000  | 277,460  | 277,460  |
| <b>Total tangible fixed assets</b>             | <b>11,746,539</b>                                | <b>10,351,584</b>                                | <b>16,713,819</b>                                | <b>14,728,978</b>                                |
| <b>Total non-current assets</b>                | <b>16,043,506</b>                                | <b>10,978,148</b>                                | <b>22,827,852</b>                                | <b>15,620,498</b>                                |
| <b>Current assets</b>                          |  |  |  |  |
| <b>Inventory</b>                               |  |  |  |  |
| Raw materials                                  | 1,111,004  | 1,072,668  | 1,580,816  | 1,526,269  |
| Unfinished goods                               | 1,376,669  | 681,173  | 1,958,824  | 969,222  |
| Finished goods and goods for resale            | 2,674,602  | 2,227,766  | 3,805,616  | 3,169,825  |
| <b>Total inventory</b>                         | <b>5,162,275</b>                                 | <b>3,981,607</b>                                 | <b>7,345,256</b>                                 | <b>5,665,316</b>                                 |
| <b>Debtors</b>                                 |  |  |  |  |
| Trade receivables                              | 10,359,658                                       | 6,536,456  | 14,740,465                                       | 9,300,538  |
| Other debtors                                  | 1,261,547  | 818,826  | 1,795,020  | 1,165,084  |
| Deferred expenses                              | 59,386   | 84,540   | 84,499   | 120,290  |
| <b>Total debtors</b>                           | <b>11,680,591</b>                                | <b>7,439,822</b>                                 | <b>16,619,984</b>                                | <b>10,585,912</b>                                |
| <b>Other investments</b>                       | <b>3,066,000</b>                                 | <b>-</b>   | <b>4,362,525</b>                                 | <b>-</b>   |
| <b>Cash</b>                                    | <b>6,168,233</b>                                 | <b>13,153,077</b>                                | <b>8,776,605</b>                                 | <b>18,715,142</b>                                |
| <b>Total current assets</b>                    | <b>26,077,099</b>                                | <b>24,574,506</b>                                | <b>37,104,370</b>                                | <b>34,966,370</b>                                |
| <b>TOTAL ASSETS</b>                            | <b>42,120,605</b>                                | <b>35,552,654</b>                                | <b>59,932,222</b>                                | <b>50,586,868</b>                                |

JSC GRINDEKS

CONSOLIDATED FINANCIAL STATEMENTS

|   | <b>2006</b><br>January-June<br>LVL | <b>2005</b><br>January-June<br>LVL | <b>2006</b><br>January-June<br>EUR | <b>2005</b><br>January-June<br>EUR |
|---|------------------------------------|------------------------------------|------------------------------------|------------------------------------|
| <b>LIABILITIES</b>                                  |                                    |                                    |                                    |                                    |
| <b>SHAREHOLDERS' EQUITY</b>                         |                                    |                                    |                                    |                                    |
| Share capital                                       | 9,585,000                          | 9,585,000                          | 13,638,226                         | 13,638,226                         |
| Share premium                                       | 15,687,750                         | 15,687,750                         | 22,321,657                         | 22,321,657                         |
| Other reserves                                      | 464,905                            | 464,905                            | 661,500                            | 661,500                            |
| Accumulated (losses) / earnings:                    |                                    |                                    |                                    |                                    |
| a) prior year accumulated losses                    | (722,731)                          | (5,125,436)                        | (1,028,354)                        | (7,292,839)                        |
| b) current year profit                              | 3,573,777                          | 2,454,287                          | 5,085,027                          | 3,492,136                          |
| <b>Total shareholders' equity</b>                   | <b>28,588,701</b>                  | <b>23,066,506</b>                  | <b>40,678,056</b>                  | <b>32,820,680</b>                  |
| <b>MINORITY INTEREST</b>                            | <b>157,474</b>                     | <b>171,089</b>                     | <b>224,065</b>                     | <b>243,438</b>                     |
| <b>PROVISIONS</b>                                   |                                    |                                    |                                    |                                    |
| Deferred tax liability                              | 796,651                            | 682,990                            | 1,133,532                          | 971,807                            |
| Provision for vacations                             | 15,540                             | 22,817                             | 22,111                             | 32,466                             |
| <b>Total provisions</b>                             | <b>812,191</b>                     | <b>705,807</b>                     | <b>1,155,643</b>                   | <b>1,004,273</b>                   |
| <b>LIABILITIES</b>                                  |                                    |                                    |                                    |                                    |
| <b>Long-term liabilities</b>                        |                                    |                                    |                                    |                                    |
| Loans from credit institutions                      | 4,997,569                          | 3,057,939                          | 7,110,900                          | 4,351,055                          |
| Long-term portion of finance lease liabilities      | 1,411                              | 87,260                             | 2,008                              | 124,160                            |
| Other non-current liabilities                       | -                                  | 502,000                            | -                                  | 714,282                            |
| <b>Total long-term liabilities</b>                  | <b>4,998,980</b>                   | <b>3,647,199</b>                   | <b>7,112,908</b>                   | <b>5,189,497</b>                   |
| <b>Short-term liabilities</b>                       |                                    |                                    |                                    |                                    |
| Loans from credit institutions                      | 2,819,629                          | 2,906,457                          | 4,011,971                          | 4,135,516                          |
| Short-term portion of finance lease liabilities     | 28,708                             | 57,857                             | 40,848                             | 82,323                             |
| Advances from customers                             | 9,314                              | 14,655                             | 13,253                             | 20,852                             |
| Trade accounts payable                              | 2,697,716                          | 3,356,283                          | 3,838,504                          | 4,775,560                          |
| Taxes and social security liabilities               | 732,805                            | 490,105                            | 1,042,688                          | 697,357                            |
| Other current liabilities                           | 501,665                            | 903,360                            | 713,805                            | 1,285,365                          |
| Other liabilities                                   | 773,422                            | 217,354                            | 1,100,481                          | 309,267                            |
| Accrued income                                      | -                                  | 15,982                             | -                                  | 22,740                             |
| <b>Total short-term liabilities</b>                 | <b>7,563,259</b>                   | <b>7,962,053</b>                   | <b>10,761,550</b>                  | <b>11,328,980</b>                  |
| <b>Total liabilities</b>                            | <b>12,562,239</b>                  | <b>11,609,252</b>                  | <b>17,874,458</b>                  | <b>16,518,477</b>                  |
| <b>TOTAL LIABILITIES &amp; SHAREHOLDERS' EQUITY</b> |                                    |                                    |                                    |                                    |
|   | <b>42,120,605</b>                  | <b>35,552,654</b>                  | <b>59,932,222</b>                  | <b>50,586,868</b>                  |



**JSC GRINDEKS****CONSOLIDATED FINANCIAL STATEMENTS**

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**STATEMENTS OF PROFIT AND LOSS**

|   | <b>2006</b>         | <b>2005</b>         | <b>2006</b>         | <b>2005</b>         |
|---|---------------------|---------------------|---------------------|---------------------|
|   | <b>January-June</b> | <b>January-June</b> | <b>January-June</b> | <b>January-June</b> |
|   | <b>LVL</b>          | <b>LVL</b>          | <b>EUR</b>          | <b>EUR</b>          |
| Net sales   | 20,665,945          | 15,066,274          | 29,404,991          | 21,437,377          |
| Cost of goods sold                                  | (9,183,953)         | (7,297,162)         | (13,067,588)        | (10,382,926)        |
| <b>Gross profit</b>                                 | <b>11,481,992</b>   | <b>7,769,112</b>    | <b>16,337,403</b>   | <b>11,054,451</b>   |
| Selling expenses                                    | (4,115,024)         | (2,609,535)         | (5,855,152)         | (3,713,034)         |
| Administrative expenses                             | (2,804,576)         | (2,112,781)         | (3,990,552)         | (3,006,217)         |
| Other operating income                              | 121,918             | 194,177             | 173,474             | 276,289             |
| Other operating expenses                            | (312,658)           | (204,617)           | (444,872)           | (291,144)           |
| Interest income and similar income                  | 31,870              | 2,603               | 45,347              | 3,704               |
| Interest expense and similar expense                | (147,988)           | (122,012)           | (210,568)           | (173,607)           |
| <b>Profit before taxation and minority interest</b> | <b>4,255,534</b>    | <b>2,916,947</b>    | <b>6,055,080</b>    | <b>4,150,442</b>    |
| Corporate income tax                                | (642,466)           | (439,114)           | (914,147)           | (624,803)           |
| Real estate tax                                     | (33,750)            | (24,419)            | (48,022)            | (34,745)            |
| <b>Net profit before minority interest</b>          | <b>3,579,318</b>    | <b>2,453,414</b>    | <b>5,092,911</b>    | <b>3,490,894</b>    |
| <b>Minority interest</b>                            | <b>5,541</b>        | <b>(873)</b>        | <b>7,885</b>        | <b>(1,242)</b>      |
| <b>NET PROFIT</b>                                   | <b>3,573,777</b>    | <b>2,454,287</b>    | <b>5,085,026</b>    | <b>3,492,136</b>    |

**JSC GRINDEKS****CONSOLIDATED FINANCIAL STATEMENTS**

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**STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY**

|                            | <b>Share<br/>capital</b> | <b>Share<br/>premium</b> | <b>Other<br/>reserves</b> | <b>Accumu-<br/>lated<br/>Losses<br/>(Profit)</b> | <b>Total</b>      |
|----------------------------|--------------------------|--------------------------|---------------------------|--|-------------------|
|                            | <b>LVL</b>               | <b>LVL</b>               | <b>LVL</b>                | <b>LVL</b>                                       | <b>LVL</b>        |
| <i>As at December 2005</i> | <b>9,585,000</b>         | <b>15,687,750</b>        | <b>464,905</b>            | <b>(722,731)</b>                                 | <b>25,014,924</b> |
| Profit for the period      | -                        | -                        | -                         | <b>3,573,777</b>                                 | <b>3,573,777</b>  |
| <b>As at 30 June 2006</b>  | <b>9,585,000</b>         | <b>15,687,750</b>        | <b>464,905</b>            | <b>2,851,046</b>                                 | <b>28,588,701</b> |

|                            | <b>Share<br/>capital</b> | <b>Share<br/>premium</b> | <b>Other<br/>reserves</b> | <b>Accumu-<br/>lated<br/>Losses<br/>(Profit)</b> | <b>Total</b>      |
|----------------------------|--------------------------|--------------------------|---------------------------|--|-------------------|
|                            | <b>EUR</b>               | <b>EUR</b>               | <b>EUR</b>                | <b>EUR</b>                                       | <b>EUR</b>        |
| <i>As at December 2005</i> | <b>13,638,226</b>        | <b>22,321,657</b>        | <b>661,500</b>            | <b>(1,028,354)</b>                               | <b>35,593,029</b> |
| Profit for the period      | -                        | -                        | -                         | <b>5,085,027</b>                                 | <b>5,085,027</b>  |
| <b>As at 30 June 2006</b>  | <b>13,638,226</b>        | <b>22,321,657</b>        | <b>661,500</b>            | <b>4,056,673</b>                                 | <b>40,678,056</b> |

**JSC GRINDEKS**

**CONSOLIDATED FINANCIAL STATEMENTS**

**STATEMENTS OF CASH FLOWS**

|  | <b>2006</b>         | <b>2005</b>         | <b>2006</b>         | <b>2005</b>         |
|--|---------------------|---------------------|---------------------|---------------------|
|  | <b>January-June</b> | <b>January-June</b> | <b>January-June</b> | <b>January-June</b> |
|  | <b>LVL</b>          | <b>LVL</b>          | <b>EUR</b>          | <b>EUR</b>          |
| <b>OPERATING ACTIVITIES</b>  |                     |                     |                     |                     |
| Net profit before taxation and minority interest   | 4,255,534           | 2,916,947           | 6,055,080           | 4,150,442           |
| <i>Adjustments to reconcile net profit to net cash provided by operating activities:</i> |                     |                     |                     |                     |
| Depreciation and amortization  | 675,079             | 510,845             | 960,551             | 726,867             |
| (Gain) / loss on disposal of fixed assets and intangible assets                          | (14,970)            | 2,579               | (21,300)            | 3,670               |
| Foreign currency revaluation difference  | 133,499             | (22,605)            | 189,952             | (32,164)            |
| Interest expense   | 147,988             | 122,012             | 210,568             | 173,607             |
| Interest income  | (31,870)            | (2,603)             | (45,347)            | (3,704)             |
| Changes in operating assets and liabilities:   |                     |                     |                     |                     |
| (Increase) / decrease in inventory   | (841,963)           | (183,022)           | (1,198,006)         | (260,417)           |
| (Increase) / decrease in receivables   | (3,363,468)         | (1,820,970)         | (4,785,784)         | (2,591,008)         |
| Increase / (decrease) in liabilities   | 715,672             | (206,073)           | 1,018,309           | (293,215)           |
| Real estate and corporate income tax paid  | (268,994)           | (227,586)           | (382,744)           | (323,826)           |
| <b>Net cash provided by operating activities</b>   | <b>1,406,507</b>    | <b>1,089,524</b>    | <b>2,001,279</b>    | <b>1,550,252</b>    |
| <b>INVESTING ACTIVITIES</b>  |                     |                     |                     |                     |
| Purchase of tangible and intangible fixed assets   | (4,546,879)         | (1,001,611)         | (6,469,626)         | (1,425,164)         |
| Sale of fixed assets   | 5,215               | -                   | 7,420               | -                   |
| Short term financial investments   | 1,993,000           | -                   | 2,835,784           | -                   |
| Acquisition of long term financial investments   | (868,389)           | (921,750)           | (1,235,606)         | (1,311,532)         |
| <b>Net cash used in investing activities</b>   | <b>(3,417,053)</b>  | <b>(1,923,361)</b>  | <b>(4,862,028)</b>  | <b>(2,736,696)</b>  |
| <b>FINANCING ACTIVITIES</b>  |                     |                     |                     |                     |
| Interest paid  | (163,747)           | (85,403)            | (232,991)           | (121,518)           |
| Interest income  | 31,870              | 2,603               | 45,347              | 3,704               |
| Received loans from credit institutions  | 3,763,838           | 1,578,594           | 5,355,459           | 2,246,137           |
| Repaid loans to credit institutions  | (1,432,538)         | (605,959)           | (2,038,318)         | (862,202)           |
| Share issue  | -                   | 12,765,000          | -                   | 18,162,959          |
| <b>Net cash provided by (used in) financing activities</b>                               | <b>2,199,423</b>    | <b>13,654,835</b>   | <b>3,129,497</b>    | <b>19,429,080</b>   |
| <b>Net (decrease) increase in cash</b>   | <b>188,877</b>      | <b>12,820,998</b>   | <b>268,748</b>      | <b>18,242,636</b>   |
| <b>CASH AT THE BEGINNING OF THE YEAR</b>   | <b>5,979,356</b>    | <b>332,079</b>      | <b>8,507,857</b>    | <b>472,506</b>      |
| <b>CASH AT THE END OF THE YEAR</b>   | <b>6,168,233</b>    | <b>13,153,077</b>   | <b>8,776,605</b>    | <b>18,715,142</b>   |

**JSC GRINDEKS****CONSOLIDATED FINANCIAL STATEMENTS**

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**NOTES****FINISHED GOODS AND GOOD FOR RESALE**

|                              | <b>2006</b>              | <b>2005</b>              | <b>2006</b>              | <b>2005</b>              |
|------------------------------|--------------------------|--------------------------|--------------------------|--------------------------|
|                              | <b>January-<br/>June</b> | <b>January-<br/>June</b> | <b>January-<br/>June</b> | <b>January-<br/>June</b> |
|                              | <b>LVL</b>               | <b>LVL</b>               | <b>EUR</b>               | <b>EUR</b>               |
| Self-manufactured production | 883,881                  | 926,799                  | 1,257,649                | 1,318,715                |
| Co- manufactured produktion  | 62,088                   | 133,259                  | 88,343                   | 189,610                  |
| Goods for sale               | 1,728,633                | 1,167,708                | 2,459,624                | 1,661,500                |
| <b>Total</b>                 | <b>2,674,602</b>         | <b>2,227,766</b>         | <b>3,805,616</b>         | <b>3,169,825</b>         |

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**OTHER DEBTORS**

|                | <b>2006</b>              | <b>2005</b>              | <b>2006</b>              | <b>2005</b>              |
|----------------|--------------------------|--------------------------|--------------------------|--------------------------|
|                | <b>January-<br/>June</b> | <b>January-<br/>June</b> | <b>January-<br/>June</b> | <b>January-<br/>June</b> |
|                | <b>LVL</b>               | <b>LVL</b>               | <b>EUR</b>               | <b>EUR</b>               |
| Overpaid taxes | 254,419                  | 135,076                  | 362,006                  | 192,196                  |
| Other          | 1,007,128                | 683,750                  | 1,433,014                | 972,888                  |
| <b>Total</b>   | <b>1,261,547</b>         | <b>818,826</b>           | <b>1,795,020</b>         | <b>1,165,084</b>         |

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**CASH**

|              | <b>2006</b>              | <b>2005</b>              | <b>2006</b>              | <b>2005</b>              |
|--------------|--------------------------|--------------------------|--------------------------|--------------------------|
|              | <b>January-<br/>June</b> | <b>January-<br/>June</b> | <b>January-<br/>June</b> | <b>January-<br/>June</b> |
|              | <b>LVL</b>               | <b>LVL</b>               | <b>EUR</b>               | <b>EUR</b>               |
| Cash on hand | 13,080                   | 6,748                    | 18,611                   | 9,602                    |
| Cash in bank | 6,155,153                | 13,146,329               | 8,757,994                | 18,705,540               |
| <b>Total</b> | <b>6,168,233</b>         | <b>13,153,077</b>        | <b>8,776,605</b>         | <b>18,715,142</b>        |

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**JSC GRINDEKS****CONSOLIDATED FINANCIAL STATEMENTS****LOANS FROM CREDIT INSTITUTIONS**

|   | <b>2006</b>              | <b>2005</b>              | <b>2006</b>              | <b>2005</b>              |
|---|--------------------------|--------------------------|--------------------------|--------------------------|
|   | <b>January-<br/>June</b> | <b>January-<br/>June</b> | <b>January-<br/>June</b> | <b>January-<br/>June</b> |
|   | <b>LVL</b>               | <b>LVL</b>               | <b>EUR</b>               | <b>EUR</b>               |
| Credit line from HVB, Latvia                      | 1,505,700                | -                        | 2,142,418                |                          |
| Credit line from Hansabank, Latvia                | 855,875                  | 1,524,238                | 1,217,800                | 2,168,795                |
| Ministry of Finance (World Bank loan)             | 190,000                  | 190,000                  | 270,346                  | 270,346                  |
| Parex bank, Latvia                                | 88,879                   | 88,825                   | 126,463                  | 126,387                  |
| HVB Bank, Latvia                                  | 95,581                   | 948,432                  | 136,000                  | 1,349,497                |
| Hansabank, Latvia                                 | 83,594                   | 83,641                   | 118,944                  | 119,010                  |
| Hansabank, Latvia                                 | -                        | 71,321                   | -                        | 101,481                  |
| <b>Current loans from credit institutions</b>     | <b>2,819,629</b>         | <b>2,906,457</b>         | <b>4,011,971</b>         | <b>4,135,516</b>         |
| Hansabank, Latvia                                 | 3,244,646                | -                        | 4,616,715                | -                        |
| Ministry of Finance (World Bank loan)             | 684,769                  | 1,064,769                | 974,339                  | 1,515,030                |
| HVB Bank, Latvia                                  | 477,907                  | 669,256                  | 680,000                  | 952,265                  |
| Parex bank, Latvia                                | 325,509                  | 503,200                  | 463,158                  | 715,989                  |
| Parex bank, Latvia                                | -                        | 362,867                  | -                        | 516,313                  |
| Hansabank, Latvia                                 | 264,738                  | 432,047                  | 376,688                  | 614,748                  |
| Hansabank, Latvia                                 | -                        | 25,800                   | -                        | 36,710                   |
| <b>Non-current loans from credit institutions</b> | <b>4,997,569</b>         | <b>3,057,939</b>         | <b>7,110,900</b>         | <b>4,351,055</b>         |

**TAX LIABILITIES**

|                            | <b>2006</b>              | <b>2005</b>              | <b>2006</b>              | <b>2005</b>              |
|----------------------------|--------------------------|--------------------------|--------------------------|--------------------------|
|                            | <b>January-<br/>June</b> | <b>January-<br/>June</b> | <b>January-<br/>June</b> | <b>January-<br/>June</b> |
|                            | <b>LVL</b>               | <b>LVL</b>               | <b>EUR</b>               | <b>EUR</b>               |
| Corporate income tax       | 604,209                  | 430,750                  | 859,712                  | 612,902                  |
| Personal income tax        | 95,842                   | 46,827                   | 136,371                  | 66,629                   |
| • Social security payments | 29,811                   | 9,608                    | 42,417                   | 13,671                   |
| Other                      | 2,943                    | 2,920                    | 4,188                    | 4,155                    |
| <b>Total</b>               | <b>732,805</b>           | <b>490,105</b>           | <b>1,042,688</b>         | <b>697,357</b>           |

**JSC GRINDEKS**

**CONSOLIDATED FINANCIAL STATEMENTS**

**NET SALES**

|                                    | <b>2006</b>              | <b>2005</b>              | <b>2006</b>              | <b>2005</b>              |
|------------------------------------|--------------------------|--------------------------|--------------------------|--------------------------|
|                                    | <b>January-<br/>June</b> | <b>January-<br/>June</b> | <b>January-<br/>June</b> | <b>January-<br/>June</b> |
|                                    | <b>LVL</b>               | <b>LVL</b>               | <b>EUR</b>               | <b>EUR</b>               |
| Russia                             | 12,150,847               | 7,126,407                | 17,289,098               | 10,139,964               |
| Commonwealth of Independent States | 6,167,567                | 4,981,598                | 8,775,657                | 7,088,175                |
| Other countries                    | 1,777,442                | 1,515,889                | 2,529,072                | 2,156,916                |
| Latvia                             | 1,067,003                | 1,089,331                | 1,518,209                | 1,549,978                |
| Lithuania                          | 673,483                  | 1,241,956                | 958,280                  | 1,767,144                |
| Estonia                            | 531,642                  | 564,154                  | 756,459                  | 802,719                  |
| Services                           | 52,577                   | 13,464                   | 74,810                   | 19,158                   |
| <b>Gross sales</b>                 | <b>22,420,561</b>        | <b>16,532,799</b>        | <b>31,901,585</b>        | <b>23,524,054</b>        |
| Less discounts allowed             | (1,754,616)              | (1,466,525)              | (2,496,594)              | (2,086,677)              |
| <b>Net sales</b>                   | <b>20,665,945</b>        | <b>15,066,274</b>        | <b>29,404,991</b>        | <b>21,437,377</b>        |

**COST OF GOODS SOLD**

|   | <b>2006</b>              | <b>2005</b>              | <b>2006</b>              | <b>2005</b>              |
|---|--------------------------|--------------------------|--------------------------|--------------------------|
|   | <b>January-<br/>June</b> | <b>January-<br/>June</b> | <b>January-<br/>June</b> | <b>January-<br/>June</b> |
|   | <b>LVL</b>               | <b>LVL</b>               | <b>EUR</b>               | <b>EUR</b>               |
| Goods purchased for resale                  | 2,750,886                | 2,419,838                | 3,914,158                | 3,443,119                |
| Raw materials                               | 2,139,063                | 1,878,570                | 3,043,612                | 2,672,964                |
| Direct labour and social security payments  | 1,940,340                | 1,172,881                | 2,760,855                | 1,668,859                |
| Research costs                              | 843,106                  | 474,639                  | 1,199,632                | 675,351                  |
| Depreciation and amortisation               | 428,219                  | 312,734                  | 609,301                  | 444,980                  |
| Heating, gas, electricity, water and sewage | 264,722                  | 224,844                  | 376,666                  | 319,924                  |
| Machinery, buildings and equipment repairs  | 245,641                  | 215,288                  | 349,516                  | 306,327                  |
| Internal works                              | 76,712                   | 65,204                   | 109,151                  | 92,777                   |
| Waste disposal                              | 59,306                   | 46,596                   | 84,385                   | 66,300                   |
| Transport                                   | 50,013                   | 52,189                   | 71,162                   | 74,259                   |
| Rent of work clothing                       | 34,933                   | 29,491                   | 49,705                   | 41,962                   |
| Other                                       | 351,012                  | 404,888                  | 499,445                  | 576,104                  |
| <b>Total</b>                                | <b>9,183,953</b>         | <b>7,297,162</b>         | <b>13,067,588</b>        | <b>10,382,926</b>        |

**JSC GRINDEKS****CONSOLIDATED FINANCIAL STATEMENTS**

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**SELLING AND DISTRIBUTION COSTS**

|                                       | <b>2006</b>              | <b>2005</b>              | <b>2006</b>              | <b>2005</b>              |
|---------------------------------------|--------------------------|--------------------------|--------------------------|--------------------------|
|                                       | <b>January-<br/>June</b> | <b>January-<br/>June</b> | <b>January-<br/>June</b> | <b>January-<br/>June</b> |
|                                       | <b>LVL</b>               | <b>LVL</b>               | <b>EUR</b>               | <b>EUR</b>               |
| Advertising                           | 1,886,857                | 1,246,182                | 2,684,756                | 1,773,158                |
| Expenses of representative offices    | 744,744                  | 385,216                  | 1,059,675                | 548,113                  |
| Salaries and social security payments | 318,936                  | 264,580                  | 453,805                  | 376,463                  |
| Transportation                        | 200,858                  | 135,524                  | 285,795                  | 192,834                  |
| Commissions                           | 149,456                  | 92,943                   | 212,657                  | 132,246                  |
| Registration costs of medicine        | 135,197                  | 48,242                   | 192,368                  | 68,642                   |
| Freight insurance                     | 34,100                   | 28,719                   | 48,520                   | 40,863                   |
| Other                                 | 644,876                  | 408,129                  | 917,576                  | 580,715                  |
| <b>Total</b>                          | <b>4,115,024</b>         | <b>2,609,535</b>         | <b>5,855,152</b>         | <b>3,713,034</b>         |

**ADMINISTRATIVE EXPENSES**

|   | <b>2006</b>              | <b>2005</b>              | <b>2006</b>              | <b>2005</b>              |
|---|--------------------------|--------------------------|--------------------------|--------------------------|
|   | <b>January-<br/>June</b> | <b>January-<br/>June</b> | <b>January-<br/>June</b> | <b>January-<br/>June</b> |
|   | <b>LVL</b>               | <b>LVL</b>               | <b>EUR</b>               | <b>EUR</b>               |
| Administrative salaries and social security | 1,120,195                | 857,478                  | 1,593,894                | 1,220,081                |
| Depreciation and amortisation               | 152,395                  | 115,383                  | 216,839                  | 164,176                  |
| Personell training and hiring expenses      | 81,254                   | 95,010                   | 115,614                  | 135,187                  |
| Security costs                              | 79,159                   | 69,102                   | 112,633                  | 98,323                   |
| Transport                                   | 72,835                   | 61,710                   | 103,635                  | 87,805                   |
| Employee insurance                          | 65,565                   | 65,857                   | 93,291                   | 93,706                   |
| Business trips                              | 43,590                   | 39,398                   | 62,023                   | 56,058                   |
| Professional services                       | 32,710                   | 140,379                  | 46,542                   | 199,742                  |
| Bank charges                                | 31,273                   | 28,278                   | 44,497                   | 40,236                   |
| Communication expense                       | 22,104                   | 19,949                   | 31,451                   | 28,385                   |
| Other                                       | 1,103,496                | 620,237                  | 1,570,133                | 882,518                  |
| <b>Total</b>                                | <b>2,804,576</b>         | <b>2,112,781</b>         | <b>3,990,552</b>         | <b>3,006,217</b>         |

Currency exchange for the EUR – 0.702804

JSC “GRINDEKS” Finance director

Janis Romanovskis

I. Prodniece  
7083204