

Joint Stock Company “Grindeks”

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

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JSC "GRINDEKS"

ANCILLARY INFORMATION

Name	JSC GRINDEKS
Legal status	Joint Stock Company
Number, place and date of registration	000303493, 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 Riga, LV – 1057 Latvia
Subsidiaries	<p>JSC Tallinn Pharmaceutical Plant Registration No. 10093221 Address: 33 Tondi Tallinn 11316 Estonia</p> <p>JSC Kalceks Registration No. 40003059981 Address: 53 Krustpils Street Riga, LV – 1057 Latvia</p> <p>Namu apsaimniekošanas projekti, Ltd. Registration No: 40003845832, Address: 53 Krustpils Street, Riga, LV – 1057 Latvia</p> <p>Grindeks RUS, Ltd. Registration No. 5067746545895, Address: Warshavskaja Shosse 74, corp. 3 Moscow, Russia</p>
Reporting period	1 January 2006 – 30 September 2006

JSC GRINDEKS

BOARD AND THE SUPERVISORY COUNCIL

Board of the Company

Since 8 December 2005

Name

Position

Valdis Jakobsons
Vitalijs Skrivelis
Janis Romanovskis

Chairman of the Board
Board member
Board member

Supervisory Council of the Company

Since 20 January 2006

Name

Position

Kirovs Lipmans
Vitalijs Gavrilovs
Uldis Osis
Janis Naglis
Ivars Kalviņš

Chairman of the Supervisory Council
Vice-Chairman of the Supervisory Council
Member of the Supervisory Council
Member of the Supervisory Council
Member of the Supervisory Council

JSC GRINDEKS

SHAREHOLDERS

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

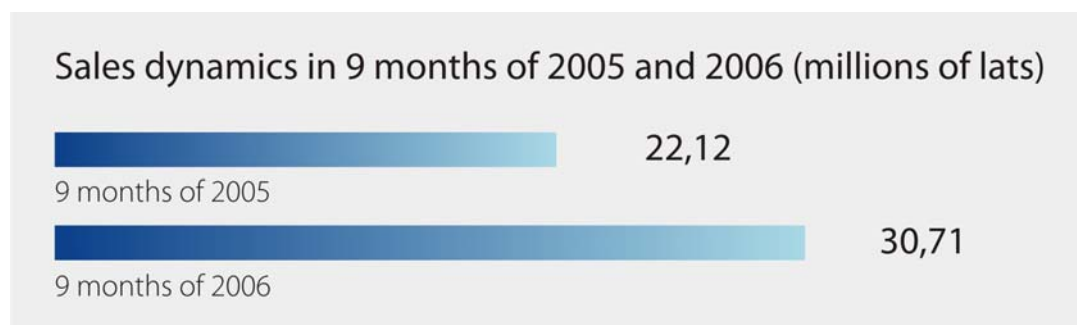
	2006 Investments in percentage (%)	2005 Investments in percentage (%)
Kirovs Lipmans	28.73	27.38
Anna Lipmane	16.69	20.70
Vitālijs Gavrilovs	11.30	14.00
Jānis Naglis	-	3.70
VAS "Valsts sociālās apdrošināšanas fonds"	2.29	2.84
Other shareholders	40.99	31.38
Total	100.00	100.00

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

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

In the first nine months of 2006, JSC *Grindeks* has successfully continued to increase the manufacturing of products and sales volumes in accordance to the companies fast development plans.

Sales of JSC *Grindeks* in the first nine month of 2006 reached 30,71 million lats, being for 39% more than in the related period in 2005.



Company's earnings before taxes in the first nine-month of 2006 reached 5,83 million lats, and in comparison to the respective data in 2005 have grown by 41%.

Amount of net profit in the three quarters of 2006 reached 4,84 million lats. In comparison to the sales in three quarters of 2005, this year an increase of 39% has been demonstrated.

The sales volume of final dosage forms continue to increase – in the first nine month of this year company sold final dosage forms for 28,22 million lats, which is for 45% more than in the respective period of previous year.

The export of active pharmaceutical ingredients in the first three quarters made 2,48 million lats, continuing to strengthen the presence of *Grindeks* products in the developed Western markets. In September *Grindeks* successfully concluded Mutual Recognition Procedure for one of the *Grindeks* new products – active pharmaceutical ingredient *Detomidin* that is currently registered in 19 European countries. Continuous recognition procedure of the second new substance *Medetomodin* that is currently registered in Germany.

Company's specialists together with the scientists are working on the development of new products, continuous realisation of the *Mildronate* clinical trial programme. In June *Grindeks* acquired patent for the combination of brand product *Mildronāts®* with the inhibitor of nucleid reverse transcriptase that is planned for the usage in anti - HIV/AIDS therapy.

In continuing the development of *Grindeks* concern structure during this year's august company established a Limited liability company Ltd. *Namu*

apsaimniekošanas projekti with a goal to strategically manage real estates of the joint stock company.

In September another new *Grindeks* subsidiary company has been created in Russia – Ltd. *Grindeks Rus* with a basic activity to promote wholesales and retail sales of *Grindeks* medications in the biggest sales market of *Grindeks* products – Russia.

On the last quarter of 2006 company will continue modernization of final dosage forms manufacturing plant and construction of the new scaling laboratory for active pharmaceutical ingredients. Main operational priorities for *Grindeks* in 2007 will be manufacturing infrastructure and development of new products.

Development of *Grindeks* share price from 01.01.2006. - 30.09.2006.



In the first nine month of 2006, *Grindeks* profit per share (EPS coefficient) was LVL 0,50 or EUR 0,72.

Chairman of the Board of JSC *Grindeks*

Valdis Jākobsons

7th of November 2006

JSC "GRINDEKS"

CONSOLIDATED FINANCIAL REPORTS

BALANCE SHEETS

	2006 January- September LVL	2005 January- September LVL	2006 January- September EUR	2005 January- September EUR
ASSETS				
Non-current assets				
Intangible assets				
Patents, licenses, trademarks and other rights	52,927	98,078	75,308	139,552
Goodwill	411,145	411,145	585,007	585,007
Other intangible assets	321,760	118,729	457,823	168,936
Advance payments for intangible assets	55,013	-	78,276	-
Total intangible assets	840,845	627,952	1,196,414	893,495
Tangible fixed assets				
Land, buildings and constructions	5,370,745	4,091,248	7,641,882	5,821,321
Equipment and machinery	3,866,538	2,034,044	5,501,588	2,894,184
Other fixed assets	582,332	416,693	828,584	592,901
Advance payments for fixed assets	3,678,301	655,453	5,233,751	932,626
Construction in progress	195,000	195,000	277,460	277,460
Total tangible fixed assets	13,692,916	7,392,438	19,483,265	10,518,492
Investment property	3,709,796	3,469,796	5,278,564	4,937,075
Total non-current assets	18,243,557	11,490,186	25,958,243	16,349,062
Current assets				
Inventory				
Raw materials	1,228,782	1,163,410	1,748,399	1,655,383
Unfinished goods	1,501,782	686,889	2,136,843	977,355
Finished goods and goods for resale	3,072,238	2,537,209	4,371,401	3,610,123
Total inventory	5,802,802	4,387,508	8,256,643	6,242,861
Debtors				
Trade receivables	10,653,597	5,696,573	15,158,703	8,105,492
Other debtors	1,748,237	865,298	2,487,516	1,231,208
Deferred expenses	53,806	76,046	76,559	108,204
Total debtors	12,455,640	6,637,917	17,722,778	9,444,904
Other investments	6,153,488	-	8,755,625	-
Cash	908,798	11,148,408	1,293,103	15,862,755
Total current assets	25,320,728	22,173,833	36,028,149	31,550,520
TOTAL ASSETS	43,564,285	33,664,019	61,986,392	47,899,582

JSC "GRINDEKS"

CONSOLIDATED FINANCIAL REPORTS

	2006 January- September LVL	2005 January- September LVL	2006 January- September EUR	2005 January- September EUR
LIABILITIES				
SHAREHOLDERS' EQUITY				
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	4,836,540	3,475,318	6,881,776	4,944,932
Total shareholders' equity	29,851,464	24,087,537	42,474,805	34,273,476
MINORITY INTEREST	155,042	170,664	220,605	242,832
LIABILITIES				
Long-term liabilities				
Loans from credit institutions	5,015,923	3,331,556	7,137,015	4,740,377
Long-term portion of finance lease liabilities	-	87,260	-	124,160
Deferred tax liability	851,651	682,990	1,211,790	971,807
Other non-current liabilities	1,411	502,000	2,008	714,282
Total long-term liabilities	5,868,985	4,603,806	8,350,813	6,550,626
Short-term liabilities				
Loans from credit institutions	3,238,388	1,015,167	4,607,811	1,444,453
Short-term portion of finance lease liabilities	12,076	31,916	17,183	45,412
Advances from customers	1,278	15,735	1,818	22,389
Trade accounts payable	2,816,182	2,196,121	4,007,067	3,124,799
Taxes and social security liabilities	508,411	369,700	723,404	526,036
Other current liabilities	497,507	845,507	707,889	1,203,048
Other liabilities	599,412	297,058	852,886	422,675
Provision for vacations	15,540	22,817	22,111	32,466
Accrued income	-	7,991	-	11,370
Total short-term liabilities	7,688,794	4,802,012	10,940,169	6,832,648
Total liabilities	13,557,779	9,405,818	19,290,982	13,383,274
TOTAL LIABILITIES & SHAREHOLDERS' EQUITY				
	43,564,285	33,664,019	61,986,392	47,899,582

STATEMENTS OF PROFIT AND LOSS

	2006 January- September LVL	2005 January- September LVL	2006 January- September EUR	2005 January- September EUR
Net sales	30,708,074	22,127,648	43,693,653	31,484,807
Cost of goods sold	(13,834,924)	(10,999,115)	(19,685,323)	(15,650,331)
Gross profit	16,873,150	11,128,533	24,008,330	15,834,476
Selling expenses	(6,549,442)	(3,800,859)	(9,319,016)	(5,408,135)
Administrative expenses	(4,205,260)	(3,097,611)	(5,983,546)	(4,407,504)
Other operating income	239,026	291,035	340,103	414,105
Other operating expenses	(412,891)	(238,290)	(587,491)	(339,056)
Interest income and similar income	161,521	25,919	229,824	36,879
Interest expense and similar expense	(273,187)	(179,156)	(388,710)	(254,916)
Profit before taxation and minority interest	5,832,917	4,129,571	8,299,494	5,875,849
Corporate income tax	(944,748)	(618,388)	(1,344,255)	(879,887)
Real estate tax	(50,139)	(37,163)	(71,342)	(52,878)
Net profit before minority interest	4,838,030	3,474,020	6,883,897	4,943,084
Minority interest	1,490	(1,298)	2,121	(1,848)
NET PROFIT	4,836,540	3,475,318	6,881,776	4,944,932

STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

	Share capital	Share premium	Other reserves	Accumu- lated Losses (Profit)	Total
	LVL	LVL	LVL	LVL	LVL
As at December 2005	9,585,000	15,687,750	464,905	(722,731)	25,014,924
Profit for the period	-	-	-	4,836,540	4,836,540
As at 30 September 2006	9,585,000	15,687,750	464,905	4,113,809	29,851,464

	Share capital	Share premium	Other reserves	Accumu- lated Losses (Profit)	Total
	EUR	EUR	EUR	EUR	EUR
As at December 2005	13,638,226	22,321,657	661,500	(1,028,354)	35,593,029
Profit for the period	-	-	-	6,881,776	6,881,776
As at 30 September 2006	13,638,226	22,321,657	661,500	5,853,422	42,474,805

STATEMENTS OF CASH FLOWS

	2006 January- September LVL	2005 January- September LVL	2006 January- September EUR	2005 January- September EUR
OPERATING ACTIVITIES				
Net profit before taxation and minority interest	5,832,917	4,129,571	8,299,494	5,875,849
<i>Adjustments to reconcile net profit to net cash provided by operating activities:</i>				
Depreciation and amortization	1,058,658	697,572	1,506,335	992,557
(Gain) / loss on disposal of fixed assets and intangible assets	15,623	1,928	22,230	2,743
Foreign currency revaluation difference	207,480	(25,687)	295,217	(36,549)
Interest expense	273,187	179,156	388,710	254,916
Interest income	(161,521)	(25,919)	(229,824)	(36,879)
Changes in operating assets and liabilities:				
(Increase) / decrease in inventory	(1,482,490)	(588,923)	(2,109,393)	(837,962)
(Increase) / decrease in receivables	(4,138,517)	(1,019,065)	(5,888,579)	(1,449,999)
Increase / (decrease) in liabilities	(446,896)	(1,463,394)	(635,877)	(2,082,222)
Real estate and corporate income tax paid	(896,627)	(430,496)	(1,275,785)	(612,541)
Net cash provided by operating activities	261,814	1,454,743	372,528	2,069,913
INVESTING ACTIVITIES				
Purchase of tangible and intangible fixed assets	(6,050,150)	(1,705,454)	(8,608,588)	(2,426,643)
Sale of fixed assets	12,693	-	18,061	-
Short term financial investments	(1,083,376)	-	(1,541,505)	-
Acquisition of long term financial investments	(868,286)	(921,750)	(1,235,460)	(1,311,532)
Net cash used in investing activities	(7,989,119)	(2,627,204)	(11,367,492)	(3,738,175)
FINANCING ACTIVITIES				
Interest paid	(273,187)	(145,160)	(388,710)	(206,544)
Interest income	161,521	25,919	229,824	36,879
Received loans from credit institutions	4,524,928	1,489,683	6,438,392	2,119,628
Repaid loans to credit institutions	(1,756,515)	(1,743,002)	(2,499,296)	(2,480,068)
Share issue	-	12,361,350	-	17,588,616
Net cash provided by (used in) financing activities	2,656,747	11,988,790	3,780,210	17,058,511
Net (decrease) increase in cash	(5,070,558)	10,816,329	(7,214,754)	15,390,249
CASH AT THE BEGINNING OF THE YEAR	5,979,356	332,079	8,507,857	472,506
CASH AT THE END OF THE YEAR	908,798	11,148,408	1,293,103	15,862,755

NOTES

FINISHED GOODS AND GOOD FOR RESALE

	2006	2005	2006	2005
	January-September	January-September	January-September	January-September
	LVL	LVL	EUR	EUR
Self-manufactured production	1,374,749	893,968	1,956,092	1,272,002
Co- manufactured produktion	80,966	90,984	115,204	129,459
Goods for sale	1,616,523	1,552,257	2,300,105	2,208,662
Total	3,072,238	2,537,209	4,371,401	3,610,123

OTHER DEBTORS

	2006	2005	2006	2005
	January-September	January-September	January-September	January-September
	LVL	LVL	EUR	EUR
Overpaid taxes	428,360	77,827	609,501	110,737
Other	1,319,877	787,471	1,878,015	1,120,471
Total	1,748,237	865,298	2,487,516	1,231,208

CASH

	2006	2005	2006	2005
	January-September	January-September	January-September	January-September
	LVL	LVL	EUR	EUR
Cash on hand	10,625	6,681	15,118	9,506
Cash in bank	898,173	11,141,727	1,277,985	15,853,249
Total	908,798	11,148,408	1,293,103	15,862,755

LOANS FROM CREDIT INSTITUTIONS

	2006 January- September LVL	2005 January- September LVL	2006 January- September EUR	2005 January- September EUR
Credit line from HVB, Latvia	1,508,311	900,965	2,146,133	1,281,959
Credit line from Hansabank, Latvia	1,596,001	-	2,270,905	-
Parex bank, Latvia	44,488	44,437	63,301	63,228
HVB Bank, Latvia	47,791	-	68,000	-
Hansabank, Latvia	41,797	41,843	59,472	59,537
Hansabank, Latvia	-	27,922	-	39,729
Current loans from credit institutions	3,238,388	1,015,167	4,607,811	1,444,453
Hansabank, Latvia	3,263,000	-	4,642,831	-
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	-	636,484	-	905,635
Hansabank, Latvia	264,738	432,047	376,687	614,748
Hansabank, Latvia	-	25,800	-	36,710
Non-current loans from credit institutions	5,015,923	3,331,556	7,137,015	4,740,377

TAX LIABILITIES

	2006 January- September LVL	2005 January- September LVL	2006 January- September EUR	2005 January- September EUR
Corporate income tax	323,352	333,914	460,088	475,117
Personal income tax	102,883	738	146,390	1,050
• Social security payments	79,939	16,026	113,743	22,801
Other	2,237	19,022	3,183	27,068
Total	508,411	369,700	723,404	526,036

JSC “GRINDEKS”

CONSOLIDATED FINANCIAL REPORTS

NET SALES

	2006	2005	2006	2005
	January-September	January-September	January-September	January-September
	LVL	LVL	EUR	EUR
Russia	18,195,056	10,829,003	25,889,232	15,408,283
Commonwealth of Independent States	8,960,491	6,907,417	12,749,630	9,828,369
Other countries	2,712,392	2,322,139	3,859,386	3,304,106
Latvia	1,655,670	1,649,033	2,355,806	2,346,363
Lithuania	927,048	1,640,079	1,319,070	2,333,622
Estonia	730,572	799,527	1,039,510	1,137,624
Services	63,656	20,774	90,574	29,559
Gross sales	33,244,885	24,167,972	47,303,208	34,387,926
Less discounts allowed	(2,536,811)	(2,040,324)	(3,609,557)	(2,903,119)
Net sales	30,708,074	22,127,648	43,693,651	31,484,807

COST OF GOODS SOLD

	2006	2005	2006	2005
	January-September	January-September	January-September	January-September
	LVL	LVL	EUR	EUR
Goods purchased for resale	3,871,697	3,493,130	5,508,929	4,970,276
Raw materials	3,193,250	3,082,529	4,543,585	4,386,044
Direct labour and social security payments	3,064,409	1,850,103	4,360,261	2,632,459
Research costs	1,471,737	474,639	2,094,093	675,350
Depreciation and amortisation	669,792	482,788	953,028	686,945
Heating, gas, electricity, water and sewage	358,251	289,903	509,745	412,495
Machinery, buildings and equipment repairs	364,881	127,754	519,179	181,778
Internal works	111,788	94,362	159,060	134,265
Waste disposal	98,574	63,078	140,258	89,752
Transport	77,065	98,107	109,654	139,594
Rent of work clothing	54,011	42,186	76,851	60,025
Other	499,469	900,536	710,680	1,281,348
Total	13,834,924	10,999,115	19,685,323	15,650,331

JSC "GRINDEKS"

CONSOLIDATED FINANCIAL REPORTS

SELLING AND DISTRIBUTION COSTS

	2006 January- September LVL	2005 January- September LVL	2006 January- September EUR	2005 January- September EUR
Advertising	3,219,274	1,723,860	4,580,614	2,452,832
Expenses of representative offices	1,159,560	597,041	1,649,905	849,513
Salaries and social security payments	494,003	404,117	702,903	575,007
Transportation	295,893	191,806	421,018	272,915
Commissions	171,085	114,591	243,432	163,048
Registration costs of medicine	215,919	109,276	307,225	155,486
Freight insurance	48,745	40,282	69,358	57,316
Other	944,963	619,886	1,344,562	882,018
Total	6,549,442	3,800,859	9,319,017	5,408,135

ADMINISTRATIVE EXPENSES

	2006 January- September LVL	2005 January- September LVL	2006 January- September EUR	2005 January- September EUR
Administrative salaries and social security	1,610,256	1,307,820	2,291,188	1,860,860
Depreciation and amortisation	239,658	178,687	341,003	254,249
Personell training and hiring expenses	106,709	89,877	151,833	127,883
Security costs	127,908	76,292	181,997	108,554
Transport	111,757	99,302	159,016	141,294
Employee insurance	90,178	99,151	128,312	141,079
Business trips	70,473	50,440	100,274	71,770
Professional services	74,268	143,766	105,674	204,561
Bank charges	47,437	43,115	67,497	61,347
Communication expense	33,042	23,138	47,015	32,922
Other	1,693,574	986,023	2,409,737	1,402,985
Total	4,205,260	3,097,611	5,983,546	4,407,504

Currency exchange for the EUR – 0.702804

JSC "GRINDEKS" Finance director

Janis Romanovskis

I. Prodniece
7083204