

Joint Stock Company “Grindeks”

*Not audited Consolidated financial statements,
for the period ended 31 March 2007 and
31 March 2006*

CONTENTS

ANCILLARY INFORMATION	2
THE BOARD AND THE SUPERVISORY COUNCIL	3
MAJOR SHAREHOLDERS	4
MANAGEMENT REPORT	5
CONSOLIDATED FINANCIAL STATEMENTS:	
Consolidated balance sheets	7-8
Consolidated statements of profit and loss	9
Consolidated statements of changes in shareholders' equity	10
Consolidated statements of cash flows	11
NOTES	12-15

ANCILLARY INFORMATION

Name	“GRINDEKS”
Legal status	Public Joint Stock Company since 25 August 1997
Number, place and date of registration	40003034935, Riga, Republic of Latvia, 11 October 1991
Business activities	Production of pharmaceutical, medical and phytochemical medicines
Legal address	53 Krustpils Street Riga, LV – 1057 Latvia
Subsidiaries	JSC “Tallinn Pharmaceutical Plant” Tondi 33 11316 Tallinn Estonia JSC “Kalceks” 53 Krustpils Str. Riga, LV - 1057, Latvia “Namu apsaimniekosanas projekti” Ltd. 53 Krustpils Str. Riga, LV - 1057, Latvia “Grindeks Rus” Ltd. 74/3 Warsaw Str. 117556 Moscow Russia

THE BOARD AND SUPERVISORY COUNCIL

Board of the Company

Since 23 December 2003 to 2 January 2007:

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

Since 2 January 2007 to the date of issuing the financial statements:

<u>Name</u>	<u>Position</u>
Janis Romanovskis	Chairman of the Board
Vitalijs Skrivelis	Board member
Lipmans Zeligmans	Board member

Supervisory Council of the Company

Since 23 December 2003 to 20 January 2006:

<u>Name</u>	<u>Position</u>
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
Juris Cilinskis	Member of the Supervisory Council

Since 20 January 2006 to the date of issuing the financial statements:

<u>Name</u>	<u>Position</u>
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 Kalvins	Member of the Supervisory Council

MAJOR SHAREHOLDERS

Shareholders of the company to the 20th of December, (Latvian Central Depository data)

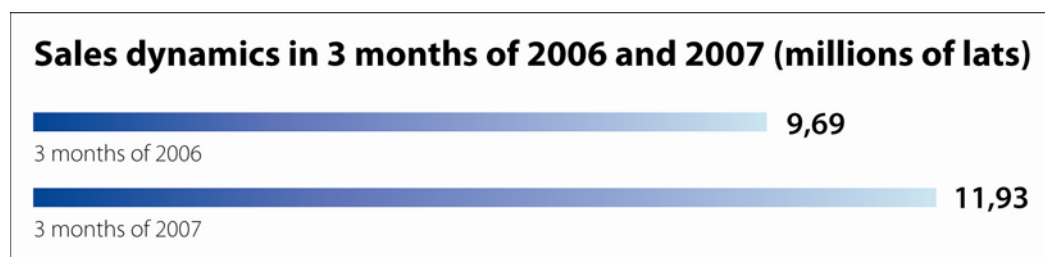
	2006 Investments in percentage (%)	2005 Investments in percentage (%)
Kirovs Lipmans	28.73	27.38
Anna Lipmane	16.69	20.70
Vitālijs Gavrilovs	11.30	14.00
Jānis Naglis	-	3.70
VAS "Valsts sociālās apdrošināšanas fonds"	2.29	2.84
Other shareholders	40.99	31.38
Total	100.00	100.00

MANAGEMENT REPORT

In the first three months of 2007 JSC *Grindeks* has successfully continued to increase product manufacturing and sales volumes in accordance to the companies fast development plans.

Sales of JSC *Grindeks* in the first three-months of 2007 reached 11.93 million lats, being for 23% more than in the related period in 2006.

1. picture



Company's earnings before taxes in the first three-months of 2007 reached 6.36 million lats, and in comparison to the respective data in 2006 have grown by 16%.

Amount of net profit in the three months of 2007 reached 1,73 million lats, with net profit margin - 14.4%.

Sales volumes of final dosage forms in the first quarter of this year comprise 10.56 million lats, increasing for 18% from the respective period in 2006.

Export of active pharmaceutical ingredients in the 1st quarter of this year reached 1.27 million lats that exceeds respective period in 2006 for 71%. Thus *Grindeks* is increasing export of the active pharmaceutical ingredients, while securing presence of the company in the Western markets.

Currently research and development structure of the company continues works on the development of the new products.

In February Joint Stock Company *Grindeks* joined Latvian Association of Biotechnologies that provides the company with the opportunity to follow all the current trends related to the biotechnologies, participate in the promotion and development of the certain field, as well as search for ideas for perspective projects in the field of biotechnologies.

Grindeks share price in the 1st quarter of 2007 in Riga Stock Exchange fluctuated in the broad range, reaching historical maximum Ls 9.05 per share.

2. picture

Development of *Grindeks* share price in the 1st quarter of 2007



(RSE data)

JSC *Grindeks*
Chairman of the Board

Jānis Romanovskis

8 May 2007

BALANCE SHEETS

	2007 January-march LVL	2006 January-march LVL	2007 January-march EUR	2006 January-march EUR
ASSETS				
Non-current assets				
Intangible assets				
Patents, licenses, trademarks and other rights	32,352	98,899	46,033	140,721
Goodwill	-	328,916	-	468,005
Other intangible assets	369,102	169,989	525,185	241,873
Advance payments for intangible assets	-	162,037	-	230,558
Total intangible assets	401,454	759,841	571,218	1,081,157
Tangible fixed assets				
Land, buildings and constructions	5,862,111	4,367,361	8,341,032	6,214,195
Equipment and machinery	4,217,427	2,957,068	6,000,858	4,207,529
Other fixed assets	661,992	513,162	941,930	730,164
Advance payments for fixed assets	6,058,056	2,039,313	8,619,837	2,901,681
Construction in progress	265,389	195,000	377,615	277,460
Total tangible fixed assets	17,064,975	10,071,904	24,281,272	14,331,029
Investment property	4,434,653	3,240,000	6,309,943	4,610,105
Long-term financial investments				
Other investments	134,236	-	191,001	-
Deferred expenses	70,317	-	100,052	-
Total long-term financial investments	204,553	-	291,053	-
Total non-current assets	22,105,635	14,071,745	31,453,486	20,022,291
Current assets				
Inventory				
Raw materials	1,472,724	1,341,623	2,095,497	1,908,958
Unfinished goods	2,039,727	973,468	2,902,270	1,385,120
Finished goods and goods for resale	3,570,582	2,509,343	5,080,480	3,570,473
Total inventory	7,083,033	4,824,434	10,078,247	6,864,551
Debtors				
Trade receivables	16,516,979	9,151,397	23,501,544	13,021,262
Other debtors	1,165,414	1,356,958	1,658,234	1,930,777
Deferred expenses	203,284	117,307	289,248	166,913
Total debtors	17,885,677	10,625,662	25,449,026	15,118,952
Financial investments	2,038,171	5,059,000	2,900,056	7,198,308
Cash	437,743	5,347,293	622,852	7,608,512
Total current assets	27,444,624	25,856,389	39,050,181	36,790,323
TOTAL ASSETS	49,550,259	39,928,134	70,503,667	56,812,614

	2007 January-march LVL	2006 January-march LVL	2007 January-march EUR	2006 January-march 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	5,864,453	(722,731)	8,344,365	(1,028,354)
b) current year profit	1,728,155	1,787,103	2,458,943	2,542,818
Total shareholders' equity	33,330,263	26,802,027	47,424,691	38,135,847
MINORITY INTEREST	53,932	156,359	76,738	222,479
LIABILITIES				
Long-term liabilities				
Loans from credit institutions	2,177,281	4,783,742	3,097,992	6,806,652
Long-term portion of finance lease liabilities	87,934	1,411	125,119	2,007
Deferred tax liability	1,141,225	781,651	1,623,817	1,112,189
Total long-term liabilities	3,406,440	5,566,804	4,846,928	7,920,848
Loans from credit institutions				
Short-term portion of finance lease liabilities	7,019,196	2,416,870	9,987,416	3,438,896
Advances from customers	15,999	59,460	22,765	84,604
Trade accounts payable	30,973	909	44,071	1,293
Taxes and social security liabilities	4,855,304	2,627,736	6,908,474	3,738,931
Loans from credit institutions	296,768	627,579	422,263	892,964
Other current liabilities	-	1,347,507	-	1,917,331
Other liabilities	414,377	307,343	589,606	437,310
Provision for vacations	127,007	15,540	180,715	22,111
Total short-term liabilities	12,759,624	7,402,944	18,155,310	10,533,440
Total liabilities	16,166,064	12,969,748	23,002,238	18,454,288
TOTAL LIABILITIES & SHAREHOLDERS' EQUITY	49,550,259	39,928,134	70,503,667	56,812,614

STATEMENTS OF PROFIT AND LOSS

	2007 January-march LVL	2006 January-march LVL	2007 January-march EUR	2006 January-march EUR
Net sales	11,930,276	9,691,717	16,975,253	13,790,071
Cost of goods sold	(5,574,127)	(4,223,103)	(7,931,268)	(6,008,934)
Gross profit	6,356,149	5,468,614	9,043,985	7,781,137
Selling expenses	(2,628,209)	(1,921,692)	(3,739,604)	(2,734,321)
Administrative expenses	(1,535,194)	(1,205,059)	(2,184,384)	(1,714,644)
Other operating income	44,404	56,264	63,181	80,056
Other operating expenses	(58,558)	(221,313)	(83,321)	(314,900)
Interest income and similar income	7,606	31,728	10,822	45,145
Interest expense and similar expense	(128,708)	(62,678)	(183,135)	(89,183)
Profit before taxation and minority interest	2,057,490	2,145,864	2,927,544	3,053,290
Corporate income tax	(304,843)	(337,359)	(433,753)	(480,019)
Real estate tax	(24,736)	(16,830)	(35,196)	(23,947)
Net profit before minority interest	1,727,911	1,791,675	2,458,595	2,549,324
Minority interest	(244)	4,572	(347)	6,506
NET PROFIT	1,728,155	1,787,103	2,458,942	2,542,818

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 2006	9,585,000	15,687,750	464,905	5,864,453	31,602,108
Profit for the period				1,728,155	1,728,155
As at 31 March 2007	<u>9,585,000</u>	<u>15,687,750</u>	<u>464,905</u>	<u>7,592,608</u>	<u>33,330,263</u>

	Share capital	Share premium	Other reserves	Accumu- lated Losses (Profit)	Total
	EUR	EUR	EUR	EUR	EUR
As at December 2006	13,638,226	22,321,657	661,500	8,344,365	44,965,748
Profit for the period	-	-	-	2,458,943	2,458,943
As at 31 March 2007	<u>13,638,226</u>	<u>22,321,657</u>	<u>661,500</u>	<u>10,803,308</u>	<u>47,424,691</u>

STATEMENTS OF CASH FLOWS

	2007 January-march LVL	2006 January-march LVL	2007 January-march EUR	2006 January-march EUR
OPERATING ACTIVITIES				
Net profit before taxation and minority interest	1,727,911	1,791,675	2,458,595	2,549,324
<i>Adjustments to reconcile net profit to net cash provided by operating activities:</i>				
Depreciation and amortization	451,444	336,621	642,347	478,969
(Gain) / loss on disposal of fixed assets and intangible assets	(2,856)	(30,394)	(4,064)	(43,247)
Interest expense	128,708	62,678	183,135	89,183
Interest income	(7,606)	(31,728)	(10,822)	(45,145)
Changes in operating assets and liabilities:				
(Increase) / decrease in inventory	(158,883)	(504,122)	(226,070)	(717,301)
(Increase) / decrease in receivables	(2,733,732)	(2,308,540)	(3,889,750)	(3,284,756)
Increase / (decrease) in liabilities	479,083	(192,598)	681,675	(274,044)
Real estate and corporate income tax paid	(160,359)	(130,496)	(228,170)	(185,679)
Net cash provided by operating activities	(276,290)	(1,006,904)	(393,124)	(1,432,696)
INVESTING ACTIVITIES				
Purchase of tangible and intangible fixed assets	(2,568,237)	(1,334,666)	(3,654,272)	(1,899,058)
Sale of fixed assets	-	4,047	-	5,758
Short time finance investments	3,192,894	-	4,543,079	-
Acquisition of long term financial investments	(502,000)	(16,629)	(714,282)	(23,661)
Net cash used in investing activities	122,657	(1,347,248)	174,525	(1,916,961)
FINANCING ACTIVITIES				
Interest paid	(137,750)	(62,678)	(196,001)	(89,183)
Interest income	7,606	31,728	10,822	45,145
Loans received from credit institutions	147,374	1,753,039	209,694	2,494,350
Net cash provided by (used in) financing activities	17,230	1,722,089	24,515	2,450,312
Net (decrease) increase in cash	(136,403)	(632,063)	(194,084)	(899,345)
CASH AT THE BEGINNING OF THE YEAR	574,146	5,979,356	816,936	8,507,857
CASH AT THE END OF THE PERIOD	437,743	5,347,293	622,852	7,608,512

NOTES

FINISHED GOODS AND GOOD FOR RESALE

	2007 January- march LVL	2006 January- march LVL	2007 January- march EUR	2006 January- march EUR
Self-manufactured and co-manufactured production	1,355,049	745,546	1,928,061	1,060,816
Goods for sale	2,065,963	1,637,869	2,939,600	2,330,478
Finished goods at TPP	149,570	125,928	212,819	179,179
Total	3,570,582	2,509,343	5,080,480	3,570,473

OTHER DEBTORS

	2007 January- march LVL	2006 January- march LVL	2007 January- march EUR	2006 January- march EUR
Overpaid taxes	237,795	244,210	338,352	347,480
Other	927,619	1,112,748	1,319,882	1,583,297
Total	1,165,414	1,356,958	1,658,234	1,930,777

CASH

	2006 January- march LVL	2006 January- march LVL	2006 January- march EUR	2006 January- march EUR
Cash in bank	429,662	5,337,325	611,354	7,594,329
Cash on hand	8,081	9,968	11,498	14,183
Total	437,743	5,347,293	622,852	7,608,512

LOANS FROM CREDIT INSTITUTIONS

	2007	2006	2007	2006
	January- march	January- march	January- march	January- march
	LVL	LVL	EUR	EUR
Credit line from Hansabanka, Latvia	2,992,643	955,585	4,258,147	1,359,675
Hansabank, Latvia	1,618,071	-	2,302,308	-
Credit line from UniCredit Bank, Latvia	1,511,886	854,083	2,151,220	1,215,250
Ministry of Finance (World Bank loan)	494,769	190,000	703,993	270,346
UniCredit Bank, Latvia	143,373	143,372	204,001	204,000
Pareks bank, Latvia	133,062	148,063	189,330	210,675
Hansabank, Latvia	125,392	125,767	178,417	178,950
Current loans from credit institutions	7,019,196	2,416,870	9,987,416	3,438,896
Hansabank, Latvia	1,644,929	2,100,574	2,340,523	2,988,848
UniCredit Bank, Latvia	286,744	477,907	408,000	680,000
Pareks bank, Latvia	147,959	310,714	210,527	442,106
Hansabank, Latvia	97,549	264,738	138,800	376,688
Pareks bank, Latvia	-	945,040	-	1,344,671
Ministry of Finance (World Bank loan)	-	684,769	-	974,339
Non-current loans from credit institutions	2,177,181	4,783,742	3,097,850	6,806,652
Total	9,196,377	7,200,612	13,085,266	10,245,548

TAX LIABILITIES

	2007	2005	2007	2006
	January- march	January- march	January- march	January- march
	LVL	LVL	EUR	EUR
Corporate income tax	134,267	12,193	191,045	17,349
Personal income tax	122,325	586,492	174,053	834,503
Social security payments	40,176	28,894	57,165	41,112
Total	296,768	627,579	422,263	892,964

NET SALES

	2007	2006	2007	2006
	January- march	January- march	January- march	January- march
	LVL	LVL	EUR	EUR
Russia	5,760,558	5,679,879	8,196,536	8,081,740
Commonwealth of Independent States	4,050,778	2,851,211	5,763,738	4,056,908
Other countries	1,470,564	851,684	2,092,423	1,211,837
Latvia	739,606	527,643	1,052,365	750,768
Lithuania	398,496	316,754	567,009	450,700
Estonia	282,314	260,578	401,697	370,769
Services	7,885	21,732	11,218	30,922
Gross sales	12,710,201	10,509,481	18,084,986	14,953,644
Less discounts allowed	(779,925)	(817,764)	(1,109,733)	(1,163,573)
Net sales	11,930,276	9,691,717	16,975,253	13,790,071

COST OF GOODS SOLD

	2007	2006	2007	2006
	January- march	January- march	January- march	January- march
	LVL	LVL	EUR	EUR
Raw materials	1,602,586	1,806,189	2,280,274	2,569,975
Direct labour and social security payments	1,193,268	807,055	1,697,867	1,148,336
Goods purchased for resale	1,278,808	462,240	1,819,580	657,708
Research costs	624,692	439,478	888,857	625,321
Depreciation and amortisation	269,733	203,864	383,795	290,072
Heating, gas, electricity, water and sewage	194,191	161,025	276,309	229,118
Machinery, buildings and equipment repairs	37,074	100,495	52,752	142,992
Internal works	39,582	34,940	56,320	49,715
Transport	25,117	25,724	35,738	36,602
Waste disposal	27,768	25,162	39,510	35,802
Rent of work clothing	20,569	17,102	29,267	24,334
Other	260,739	139,829	370,999	198,959
Total	5,574,127	4,223,103	7,931,268	6,008,934

SELLING AND DISTRIBUTION COSTS

	2007	2006	2007	2006
	January- march	January- march	January- march	January- march
	LVL	LVL	EUR	EUR
Advertising	1,344,443	992,329	1,912,970	1,411,957
Expenses of representative offices	488,768	325,525	695,454	463,180
Salaries and social security payments	204,942	133,467	291,606	189,906
Transportation	112,164	94,619	159,595	134,631
Registration costs of medicine	92,828	43,894	132,082	62,456
Freight insurance	10,825	15,635	15,403	22,247
Commissions	67,372	9,186	95,862	13,071
Other	306,867	307,037	436,632	436,873
Total	2,628,209	1,921,692	3,739,604	2,734,321

ADMINISTRATIVE EXPENSES

	2007	2006	2007	2006
	January- march	January- march	January- march	January- march
	LVL	LVL	EUR	EUR
Administrative salaries and social security	552,112	416,503	785,585	592,630
Depreciation and amortisation	102,766	90,533	146,223	128,817
Training	47,551	40,993	67,659	58,328
Security costs	50,556	38,558	71,949	54,862
Employee insurance	27,443	30,825	39,034	43,860
Transport	48,797	30,115	69,432	42,850
Business trips	8,900	16,786	12,664	23,884
Bank charges	15,448	14,618	21,981	20,800
Communication expense	24,818	11,398	35,313	16,218
Professional services	27,072	10,663	38,520	15,172
Other	629,731	504,067	896,024	717,223
Total	1,535,194	1,205,059	2,184,384	1,714,644

Currency exchange for the EUR – 0.702804

JSC *Grindeks* hereby informs that there were no changes made in its accounting policy in 2006.

In non-audited financial accounts of period January- March 2007 Company has employed the same Accounting and consolidation principles as in the audited consolidated financial accounts for year 2006, released on April 24, 2007.

Chairman of the Board

Jānis Romanovskis

I. Prodniece
7083204