



Joint Stock Company “Grindeks”

Non-audited consolidated financial statements

for the six-month periods ended 30 June 2007 and

30 June 2006

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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 phyto-chemical 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 “Grindex Rus” Ltd. 74/3 Warsaw Str. 117556 Moscow Russia
Reporting period	1 January 2007 – 30 June 2007

BOARD AND SUPERVISORY COUNCIL

Board of the Company

(In compliance with the election/dismissal dates)

From 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

From 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

(In compliance with the election/dismissal dates)

From 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

From 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

7 August 2007

MAJOR SHAREHOLDERS

Shareholders of the company as of June 20, 2006 and May 31, 2007 (*Latvian Central Depository data*)

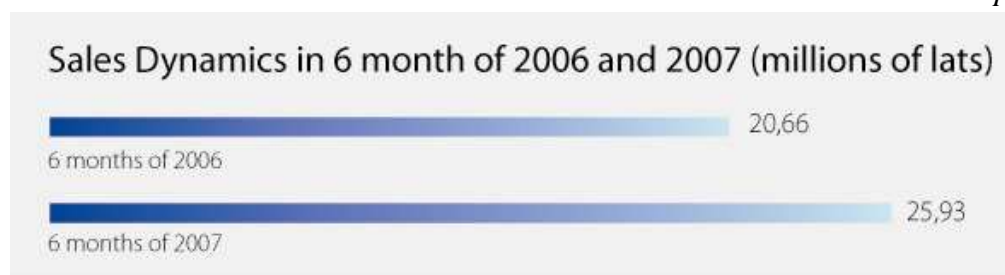
	2007 Investments in percentage (%)	2006 Investments in percentage (%)
Kirovs Lipmans	28.73	28.73
Anna Lipmane	16.69	16.69
Vitalijs Gavrilovs	11.30	11.30
State Social Insurance Agency	2.29	2.29
Other shareholders	40.99	40.99
Total	100.00	100.00

MANAGEMENT REPORT

During first six months of 2007 *Grindex* has successfully continued to increase product manufacturing and revenue in accordance with Company's development plans.

Net turnover of the Company in the first six months of 2007 amounted to 25.93 million lats, which is by 25% more than respective period in 2006.

Picture N°1



Company's **gross profit** for the first half of 2007 reached 13.9 million lats and has increased by 21.4% as compared to the same period in 2006.

Net profit of the Company for the first half of the year 2007 amounted to 3.48 million lats, which is 13.4% net profit margin.

Revenue from final dosage form medicines sales during first six months of the year 2007 comprised 23.44 million lats, growing by 23% as compared with the corresponding period in 2006.

Grindex is actively continuing to search for new markets for its medicines. In May 2007 the Company has concluded agreement on registration of its top brand product *Mildronate* in the People's Republic of China. It is a significant investment in future development of *Grindex*, taking into account market size of pharmaceutical products as well as rapid increase of purchase capacity in China.

Grindex is successfully continuing development of active pharmaceutical ingredient segment of its business selling both in existing and new markets. Export of active pharmaceutical substances during first half of the year 2007 represented increase of 44% as compared with the respective period of 2006. The Mutual Recognition Procedure in Europe of already second active pharmaceutical ingredient *Detomidine* has been accomplished in the first half of this year.

During the reporting period the Company has successfully realized the biggest investment project of ERDF (European Regional Development Fund) in Latvia, creating the new Analytical Scaling Laboratory - the only laboratory of this kind in the Baltic States up to now, certified accordingly to the requirements of *Good Laboratory Practise*. By establishment of the laboratory it is planned to attract new foreign clients, and expedite development of new products and their implementation into manufacturing as well as significantly increase competitiveness of *Grindex* in the European and USA markets.

Grindex is continuing to invest into development of production facilities of peroral medicine unit, which is one of the most significant *Grindex*' investment projects. Agreements for delivery of equipment for total value of more than 1 million lats have been concluded during first six months of the year 2007. It is planned to finalize this project by the end of the year 2008, which will allow increasing production capacity up to 2 billion pills and capsules per year.

In the second half of the year *Grindex* plans to continue realizing its investment plans including, but not limiting, construction of purification plant and multifunctional warehouse for raw materials and finished goods. In the second half of the year it is planned to start contract manufacturing of injection products in Russia and Slovakia. The Company will also proceed with international *Mildronate* clinical

Grindex

research program and work on development of new combinations based on *Grindex's* brand products. For *Grindex's* development of manufacturing infrastructure and increasing of product portfolio are the main priorities of the second half of the year 2007.

Grindex's share price in the first six months of 2007 in Riga Stock Exchange fluctuated in the range from Ls 6.99 to Ls 9.05 per share in February, reaching historical maximum of the share price.

Picture N°2

Development of *Grindex's* share price in the six months of 2007



(RSE data)

Grindex's earnings per share for the first half of the year 2007 were Ls 0.36 or 0.52 euros.

JSC *Grindex's* Chairman of the Board

Janis Romanovskis

7 August 2007

STATEMENT OF BOARD'S RESPONSIBILITIES

The Board of JSC "Grindex" (hereinafter the Company) is bearing the responsibility for preparation of the consolidated interim financial statements of the Company and its subsidiaries (hereinafter the Group). Independent auditors have not audited interim financial statements of the Group.

The consolidated interim financial statements, enclosed from the page 8 to the page 16, are prepared in accordance with the accounting records and source documents, presenting fairly the financial position of the Group as of June 30, 2007 and the results of its operations and cash flows for the six-month period ended June 30, 2007.

Above mentioned consolidated interim financial statements are prepared in accordance with the International Financial Reporting Standards, reposing on the principle of business activities continuation. Appropriate accounting policies have been applied on a consistent basis. The management in preparation of the consolidated interim financial statements has made prudent and reasonable judgements and estimates.

The Board of the Company is responsible for providing accounting records, preservation of the Group's assets and the prevention and disclosure of fraud and other irregularities of the Group. The Board is responsible for the compliance with the existing legislation in the countries in which the Group's companies are operating (Latvia, Russia and Estonia).

On behalf of the Board:

Janis Romanovskis
Chairman of the Board

7 August 2007

BALANCE SHEETS

	30.06.2007. LVL	30.06.2006. LVL	30.06.2007. EUR	30.06.2006. EUR
ASSETS				
Non-current assets				
Intangible assets				
Patents, licenses, trademarks and other rights	22,065	39,675	31,396	56,452
Goodwill	418,722	411,145	595,787	585,007
Other intangible assets	-	333,738	-	474,866
Advance payments for intangible assets	25,000	42,613	35,572	60,633
Total intangible assets	465,787	827,171	662,755	1,176,958
Investment property	4,413,285	3,469,796	6,279,539	4,937,075
Tangible fixed assets				
Land, buildings and constructions	6,717,578	4,220,055	9,558,252	6,004,597
Equipment and machinery	6,436,151	3,348,196	9,157,818	4,764,054
Other fixed assets	665,786	550,963	947,328	783,950
Advance payments for fixed assets	4,323,887	3,432,325	6,152,337	4,883,758
Construction in progress	195,000	195,000	277,460	277,460
Total tangible fixed assets	18,338,402	11,746,539	26,093,195	16,713,819
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	23,422,027	16,043,506	33,326,542	22,827,852
Current assets				
Inventory				
Raw materials	1,484,599	1,111,004	2,112,394	1,580,816
Unfinished goods	1,967,252	1,376,669	2,799,147	1,958,824
Finished goods and goods for resale	2,843,209	2,674,602	4,045,522	3,805,616
Total inventory	6,295,060	5,162,275	8,957,063	7,345,256
Debtors				
Trade receivables	19,078,591	10,359,658	27,146,389	14,740,465
Other debtors	1,539,031	1,261,547	2,189,844	1,795,020
Deferred expenses	131,589	59,386	187,234	84,499
Total debtors	20,749,211	11,680,591	29,523,467	16,619,984
Financial investments	738,171	3,066,000	1,050,323	4,362,525
Cash	1,809,300	6,168,233	2,574,402	8,776,605
Total current assets	29,591,742	26,077,099	42,105,255	37,104,370
TOTAL ASSETS	53,013,769	42,120,605	75,431,797	59,932,222

	30.06.2007. LVL	30.06.2006. LVL	30.06.2007. EUR	30.06.2006. 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	3,485,123	3,573,777	4,958,883	5,085,027
Total shareholders' equity	35,087,231	28,588,701	49,924,631	40,678,056
MINORITY INTEREST	49,809	157,474	70,872	224,065
LIABILITIES				
Long-term liabilities				
Loans from credit institutions	2,177,181	4,997,569	3,097,849	7,110,900
Long-term portion of finance lease liabilities	87,934	1,411	125,119	2,008
Deferred tax liability	1,181,225	796,651	1,680,732	1,133,532
Total long-term liabilities	3,446,340	5,795,631	4,903,700	8,246,440
Current liabilities				
Loans from credit institutions	6,975,313	2,819,629	9,924,976	4,011,971
Finance lease liabilities	9,176	28,708	13,056	40,848
Advances from customers	74,847	9,314	106,498	13,253
Trade accounts payable	4,899,041	2,697,716	6,970,707	3,838,504
Taxes and social security liabilities	425,461	732,805	605,376	1,042,688
Other current liabilities	-	501,665	-	713,805
Other payables	439,020	773,422	624,670	1,100,481
Deferred income	1,500,000	-	2,134,308	-
Accrued liabilities	107,531	15,540	153,003	22,111
Total current liabilities	14,430,389	7,578,799	20,532,594	10,783,661
Total liabilities	17,876,729	13,374,430	25,436,294	19,030,101
TOTAL LIABILITIES & SHAREHOLDERS' EQUITY	53,013,769	42,120,605	75,431,797	59,932,222

PROFIT AND LOSS STATEMENTS

	2007 January- June LVL	2006 January- June LVL	2007 January- June EUR	2006 January- June EUR
Net sales	25,930,601	20,665,945	36,895,921	29,404,991
Cost of goods sold	(11,993,443)	(9,183,953)	(17,065,132)	(13,067,588)
Gross profit	13,937,158	11,481,992	19,830,789	16,337,403
Selling expenses	(5,707,428)	(4,115,024)	(8,120,938)	(5,855,152)
Administrative expenses	(3,813,862)	(2,804,576)	(5,426,637)	(3,990,552)
Other operating income	70,182	121,918	99,860	173,474
Other operating expenses	(127,134)	(312,658)	(180,895)	(444,872)
Interest income and similar income	7,826	31,870	11,135	45,347
Interest expense and similar expense	(163,542)	(147,988)	(232,699)	(210,568)
Profit before taxation and minority interest	4,203,200	4,255,534	5,980,615	6,055,080
Corporate income tax	(666,369)	(642,466)	(948,158)	(914,147)
Real estate tax	(52,048)	(33,750)	(74,058)	(48,022)
Net profit before minority interest	3,484,783	3,579,318	4,958,399	5,092,911
Minority interest	(340)	5,541	(484)	7,885
NET PROFIT	3,485,123	3,573,777	4,958,883	5,085,026

STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

	Share capital LVL	Share premium LVL	Other reserves LVL	Accumulated Profit LVL	Total LVL
As of December 31, 2006	9,585,000	15,687,750	464,905	5,864,453	31,602,108
Profit for the period	-	-	-	3,485,123	3,485,123
As of June30, 2007	9,585,000	15,687,750	464,905	9,349,576	35,087,231

	Share capital EUR	Share premium EUR	Other reserves EUR	Accumulated Profit EUR	Total EUR
As of December 31, 2006	13,638,226	22,321,657	661,500	8,344,365	44,965,748
Profit for the period	-	-	-	4,958,883	4,958,883
As of June 30, 2007	13,638,226	22,321,657	661,500	13,303,248	49,924,631

STATEMENTS OF CASH FLOWS

	2007 January-June LVL	2006 January-June LVL	2007 January-June EUR	2006 January-June EUR
OPERATING ACTIVITIES				
Net profit before taxation and minority interest	4,203,200	4,255,534	5,980,615	6,055,080
<i>Adjustments to reconcile net profit to net cash provided by operating activities:</i>				
Depreciation and amortization	913,847	675,079	1,300,287	960,551
(Gain) / loss on disposal of fixed assets and intangible assets	(1,590)	(14,970)	(2,262)	(21,300)
Interest expense	163,542	147,988	232,699	210,568
Interest income	(7,826)	(31,870)	(11,135)	(45,347)
Changes in operating assets and liabilities:				
(Increase) / decrease in inventory	629,090	(841,963)	895,114	(1,198,006)
(Increase) / decrease in receivables	(5,597,266)	(3,363,468)	(7,964,192)	(4,785,784)
Increase / (decrease) in liabilities	215,545	849,191	306,693	1,208,290
Real estate and corporate income tax paid	(420,366)	(268,994)	(598,127)	(382,744)
Net cash provided by operating activities	98,176	1,406,507	139,692	2,001,279
INVESTING ACTIVITIES				
Purchase of tangible and intangible fixed assets	(4,283,862)	(4,546,879)	(6,095,387)	(6,469,626)
Sale of fixed assets	-	5,215	-	7,420
Interest income	6,877	-	9,785	-
Short time finance investments	4,492,894	1,993,000	6,392,812	2,835,784
Acquisition of long term financial investments	(502,000)	(868,389)	(714,281)	(1,235,606)
Net cash used in investing activities	(286,091)	(3,417,053)	(407,071)	(4,862,028)
FINANCING ACTIVITIES				
Interest paid	(181,471)	(163,747)	(258,210)	(232,991)
Interest income	949	31,870	1,350	45,347
Additional financial resources	1,500,000	-	2,134,308	-
Received loans from credit institutions	561,087	3,763,838	798,355	5,355,459
Repaid loans to credit institutions	(457,496)	(1,432,538)	(650,958)	(2,038,318)
Share issue	-	-	-	-
Net cash provided by (used in) financing activities	1,423,069	2,199,423	2,024,845	3,129,497
Net (decrease) increase in cash	1,235,154	188,877	1,757,466	268,748
CASH AT THE BEGINNING OF THE YEAR	574,146	5,979,356	816,936	8,507,857
CASH AT THE END OF THE PERIOD	1,809,300	6,168,233	2,574,402	8,776,605

NOTES

FINISHED GOODS AND GOOD FOR RESALE

	30.06.2007.	30.06.2006.	30.06.2007.	30.06.2006.
	LVL	LVL	EUR	EUR
Self-manufactured production	1,013,134	883,881	1,441,560	1,257,649
Co-manufactured production	66,765	62,088	94,998	88,343
Goods for sale	1,763,310	1,728,633	2,508,964	2,459,624
Total	2,843,209	2,674,602	4,045,522	3,805,616

OTHER DEBTORS

	30.06.2007.	30.06.2006.	30.06.2007.	30.06.2006.
	LVL	LVL	EUR	EUR
Overpaid taxes	189,236	254,419	269,259	362,006
Other	1,349,795	1,007,128	1,920,585	1,433,014
Total	1,539,031	1,261,547	2,189,844	1,795,020

CASH

	30.06.2007.	30.06.2006.	30.06.2007.	30.06.2006.
	LVL	LVL	EUR	EUR
Cash on hand	10,271	13,080	14,613	18,611
Cash in bank	1,799,029	6,155,153	2,559,789	8,757,994
Total	1,809,300	6,168,233	2,574,402	8,776,605

LOANS FROM CREDIT INSTITUTIONS

	30.06.2007.	30.06.2006.	30.06.2007.	30.06.2006.
	LVL	LVL	EUR	EUR
Credit line from Hansabanka, Latvia	3,079,937	855,875	4,382,356	1,217,800
Hansabank, Latvia	1,618,071	83,594	2,302,307	118,944
Credit line from UniCredit Bank, Latvia	1,514,230	1,505,700	2,154,554	2,142,418
Ministry of Finance (World Bank loan)	494,769	190,000	703,993	270,346
Pareks bank, Latvia	88,674	88,879	126,172	126,463
UniCredit Bank, Latvia	95,581	95,581	136,000	136,000
Hansabank, Latvia	84,051	-	119,594	-
Short-term loans from credit institutions	6,975,313	2,819,629	9,924,976	4,011,971
Hansabank, Latvia	1,644,929	3,244,646	2,340,523	4,616,715
Ministry of Finance (World Bank loan)	-	684,769	-	974,339
UniCredit Bank, Latvia	286,744	477,907	408,000	680,000
Pareks bank, Latvia	147,959	325,509	210,526	463,158
Hansabank, Latvia	97,549	264,738	138,800	376,688
Long-term loans from credit institutions	2,177,181	4,997,569	3,097,849	7,110,900
Total	9,152,494	7,817,198	13,022,825	11,122,871

TAX LIABILITIES

	30.06.2007.	30.06.2006.	30.06.2007.	30.06.2006.
	LVL	LVL	EUR	EUR
Corporate income tax	172,343	604,209	245,222	859,712
Personal income tax	83,882	95,842	119,353	136,371
Social security payments	151,918	29,811	216,160	42,417
Other	17,318	2,943	24,641	4,188
Total	425,461	732,805	605,376	1,042,688

NET SALES

	2007	2006	2007	2006
	January- June	January- June	January- June	January- June
	LVL	LVL	EUR	EUR
Russia	13,092,646	12,150,847	18,629,157	17,289,098
Commonwealth of Independent States	9,337,691	6,167,567	13,286,337	8,775,657
Other countries	2,681,003	1,777,442	3,814,724	2,529,072
Latvia	1,318,424	1,067,003	1,875,948	1,518,209
Lithuania	803,404	673,483	1,143,141	958,280
Estonia	502,391	531,642	714,838	756,459
Services	29,747	52,577	42,326	74,810
Gross sales	27,765,306	22,420,561	39,506,471	31,901,585
Less discounts allowed	(1,834,705)	(1,754,616)	(2,610,550)	(2,496,594)
Net sales	25,930,601	20,665,945	36,895,921	29,404,991

COST OF GOODS SOLD

	2007	2006	2007	2006
	January- June	January- June	January- June	January- June
	LVL	LVL	EUR	EUR
Goods purchased for resale	3,931,075	2,750,886	5,593,416	3,914,158
Raw materials and packing	3,792,033	4,083,272	5,395,577	5,809,972
Direct labour and social security payments	2,649,691	1,940,340	3,770,171	2,760,855
Research costs	1,024,719	843,106	1,458,044	1,199,632
Depreciation and amortisation	545,136	428,219	775,659	609,301
Heating, gas, electricity, water and sewage	324,519	264,722	461,749	376,666
Machinery, buildings and equipment repairs	273,339	245,641	388,926	349,516
Household expenses	85,845	76,712	122,146	109,151
Waste disposal	66,370	59,306	94,436	84,385
Transport	53,664	50,013	76,357	71,162
Rent of work clothing	40,943	34,933	58,257	49,705
Other	400,840	351,012	570,343	499,445
Internal turnover of self-manufactured raw materials	(1,194,731)	(1,944,209)	(1,699,949)	(2,766,360)
Total	11,993,443	9,183,953	17,065,132	13,067,588

SELLING AND DISTRIBUTION COSTS

	2007	2006	2007	2006
	January- June	January- June	January- June	January- June
	LVL	LVL	EUR	EUR
Advertising	2,994,071	1,886,857	4,260,179	2,684,756
Expenses of representative offices	981,010	744,744	1,395,851	1,059,675
Salaries and social security payments	447,186	318,936	636,288	453,805
Transportation	255,164	200,858	363,066	285,795
Commissions	200,537	149,456	285,338	212,657
Registration costs of medicine	156,426	135,197	222,574	192,368
Depreciation and amortisation	85,491	38,567	121,643	54,876
Freight insurance	27,423	34,100	39,019	48,520
Other	560,120	606,309	796,980	862,700
Total	5,707,428	4,115,024	8,120,938	5,855,152

ADMINISTRATIVE EXPENSES

	2007	2006	2007	2006
	January- June	January- June	January- June	January- June
	LVL	LVL	EUR	EUR
Salaries and social security payments	1,459,402	1,120,195	2,076,542	1,593,894
Depreciation and amortisation	208,223	152,395	296,275	216,839
Personnel training and hiring expenses	87,034	81,254	123,838	115,614
Security costs	105,584	79,159	150,232	112,633
Transport	90,905	72,835	129,346	103,635
Employee life insurance	55,578	65,565	79,080	93,291
Business trips	38,432	43,590	54,684	62,023
Professional services	38,329	32,710	54,537	46,542
Bank charges	36,708	31,273	52,231	44,497
Communication expense	21,381	22,104	30,422	31,451
Other	1,672,286	1,103,496	2,379,450	1,570,133
Total	3,813,862	2,804,576	5,426,637	3,990,552

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- June 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.

JSC *Grindeks* Chairman of the Board

Janis Romanovskis