

Joint Stock Company “Grindeks”

*Non-audited consolidated financial statements
for the periods ended 31 March, 2008 and
31 March, 2007
prepared in accordance with International
Financial Reporting Standards*

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ANCILLARY INFORMATION

| | |
|--|--|
| Name | “GRINDEKS” |
| Legal status | 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 “Grindeks Rus” Ltd. 74/3 Warsaw str. 117556, Moscow, Russia |
| Reporting period | 1 January 2008 – 31 March 2008 |
| Previous reporting period | 1 January 2007 – 31 March 2007 |

THE BOARD AND THE SUPERVISORY COUNCIL

Board of the Company

(In compliance with the election/dismissal dates)

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 20 January 2006 to 22 February 2008:

| <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 |

From 22 February 2008 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 |
| Anna Lipmane | Member of the Supervisory Council |

8 May 2008

MAJOR SHAREHOLDERS

Shareholders of the Company as of 31 May 2007 and 1 January 2008 (*Latvian Central Depository data*)

| | 31.05.2007 | 01.01.2008 |
|--------------------------------------|-----------------------|-----------------------|
| | Investments in | Investments in |
| | percentage | percentage |
| | (%) | (%) |
| Kirovs Lipmans | 28.73 | 33.29 |
| Anna Lipmane | 16.69 | 16.69 |
| <i>Hansapank AS</i> Clients Account | - | 15.89 |
| Vitalijs Gavrilovs | 11.30 | 11.30 |
| <i>Skandinaviska Enskilda Banken</i> | - | 9.23 |
| <i>State Social Insurance Agency</i> | 2.29 | 2.29 |
| Other shareholders | 40.99 | 11.31 |
| Total | 100.00 | 100.00 |

MANAGEMENT REPORT

Mode of activity

In the reporting period the Group of “Grindeks” consisted of JSC “Grindeks” and its four subsidiaries: JSC „Tallinn Pharmaceutical Plant”, JSC „Kalceks”, „Namu Apsaimniekošanas projekti” Ltd. and „Grindeks RUS” Ltd. (altogether hereinafter referred to as “the Group”). Main activity of the Group is research, development, production and sales of original products, generics and active pharmaceutical ingredients.

Group activity during accounting period

In the first quarter of 2008 turnover of the Group amounted to 17 million lats, which is by 5.1 million lats or 43% more than during the first three months of 2007. Net profit, related to the shareholders of the holding company, in the accounting period amounted to 3.5 million lats, twice exceeding the results of the first quarter of 2007. In the first three months of 2008 gross profit margin of the Group was 60%, whereas, net profit margin comprised 21%. Products of the Group, manufactured during the accounting period, were exported to 44 states worldwide for the total amount of 16.4 million lats, which is by 5.2 million lats or 46% more than in the preceding accounting period.

Sales of ready-made medications

In the first quarter of 2008 sales volume of ready-made medications of “Grindeks” amounted to 15.8 million lats, exceeding the results of the preceding accounting period by 5.1 million lats or 48%.

In January of 2008 “Grindeks” concluded a collaboration agreement with “Pharmstandard”, one of the leading pharmaceutical companies in Russia. According to the agreement, “Pharmstandard” has obtained exclusive rights to distribute and promote “Grindeks” original product Mildronate® in the Russian Federation since 1 February 2008. Considerable increase of sales during first three months of 2008, as compared to the same period of 2007, is mainly explained by the fact that “Pharmstandard” purchased from “Grindeks” a remarkable amount of products to ensure safety stocks and to cope with the initial demand of the Russian pharmaceutical distribution network. Accordingly, it is expected that during the rest of the year sales increase will not preserve the same high pace as during first quarter of the year.

Sales of active pharmaceutical ingredients

The main export markets for active pharmaceutical ingredients (API) of “Grindeks” are Europe, Japan, the USA, Australia, Pakistan and India. In the first quarter of 2008 export of API reached 1.2 million lats, similar to the first three months of 2007.

Ftorafur, *zopiclone*, *oxytocin* and *rilmenidine* and the new veterinary product *detomidine* are the most marketable products among the active pharmaceutical ingredients of “Grindeks” at the moment. Besides, “Grindeks” has gained 35% of the world market by exporting *zopiclone* and *oxytocin*, but the sales of veterinary substance *detomidine* in the EU countries already make 49% of the EU market.

In March JSC “Grindeks” has concluded a contract with one of America’s most distinguished Research Centers - Wake Forest University School of Medicine - on supply of active pharmaceutical ingredient *oxytocin* for the project of new anaesthetic scientific research. It is a big recognition to “Grindeks” product quality, because the USA is one of the world’s most particular countries about quality demands.

Investment program

The Group continues realization of large scope investment program, in which framework the main projects are expansion of the Final Dosage Form Production Unit, construction of Mildronate® Substance Crystallization Unit and of Waste Water Purification Systems in Latvia.

Quality and environment protection

In the first three months of 2008 JSC “Grindeks” successfully passed a number of important inspection and audits by Environment protection institutions, ISO, clients; for example, the audit about *ftorafur* production unit’s compliance with the requirements of ICH Q7 guidelines by the long-term cooperation partner “Taiho Pharmaceutical”.

Growth of “Grindeks” share price during accounting period (data of *Riga Stock Exchange*)

“Grindeks” share price fluctuated within limits from Ls 5.05 to Ls 6.78 in *Riga Stock Exchange* during the first quarter of 2008. Total quantity of company’s shares, traded in *Riga Stock Exchange*, was 309 thousand shares, reaching the turnover in the amount of 1.8 million lats. At the end of the first quarter market capitalization of “Grindeks” was 52.6 million lats.



The Group’s profit from one share (EPS coefficient) was 0.37 lats in the first quarter of 2008 in comparison with 0.18 lats in the same accounting period of 2007.

Further expectations

In 2008 “Grindeks” will continue to work at the increase of its shareholders’ value, at the expansion of its product sales volume in the existing markets and at acquiring attractive new markets by improving company’s productivity and effectiveness.

On behalf of the Group Management:

 Janis Romanovskis
 Chairman of the Board

8 May 2008

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 non-audited interim financial statements of the Group.

The consolidated interim financial statements, enclosed from the page 9 to the page 18, are prepared in accordance with the accounting records and source documents, presenting fairly the financial position of the Group as of 31 March 2008 and the results of its operations and cash flows for the three-month period ended 31 March 2008.

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 judgments 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

8 May 2008

BALANCE SHEET

| | 31.03.2008 LVL | 31.03.2007 LVL | 31.03.2008 EUR | 31.03.2007 EUR |
|---|-------------------|-------------------|-------------------|-------------------|
| ASSETS | | | | |
| Non-current assets | | | | |
| Intangible assets | | | | |
| Software, patents, licenses, trademarks and other rights | 400,950 | 32,352 | 570,500 | 46,033 |
| Advance payments for intangible assets | 25,000 | 369,102 | 35,572 | 525,185 |
| Total intangible assets | 425,950 | 401,454 | 606,072 | 571,218 |
| Tangible fixed assets | | | | |
| Land, buildings and constructions | 6,284,609 | 5,862,111 | 8,942,193 | 8,341,032 |
| Equipment and machinery | 7,064,021 | 4,217,427 | 10,051,196 | 6,000,858 |
| Other fixed assets | 600,092 | 661,992 | 853,854 | 941,930 |
| Advance payments for fixed assets | 4,291,449 | 6,058,056 | 6,106,182 | 8,619,837 |
| Construction in progress | 5,778,640 | 265,389 | 8,222,264 | 377,615 |
| Total tangible fixed assets | 24,018,811 | 17,064,975 | 34,175,689 | 24,281,272 |
| Investment property | 4,667,600 | 4,434,653 | 6,641,396 | 6,309,943 |
| Long-term financial investments | | | | |
| Investments in associated companies | 22,000 | - | 31,303 | - |
| Other investments | 105,421 | 134,236 | 150,002 | 191,001 |
| Deferred expenses | - | 70,317 | - | 100,052 |
| Total long-term financial investments | 127,421 | 204,553 | 181,305 | 291,053 |
| Total non-current assets | 29,239,782 | 22,105,635 | 41,604,462 | 31,453,486 |
| Current assets | | | | |
| Inventory | | | | |
| Raw materials | 1,717,528 | 1,472,724 | 2,443,822 | 2,095,497 |
| Unfinished goods | 1,838,888 | 2,039,727 | 2,616,502 | 2,902,270 |
| Finished goods and goods for resale | 3,364,152 | 3,570,582 | 4,786,757 | 5,080,480 |
| Advance payments for goods | 843 | - | 1,200 | - |
| Total inventory | 6,921,411 | 7,083,033 | 9,848,281 | 10,078,247 |
| Debtors | | | | |
| Trade receivables | 21,339,746 | 16,516,979 | 30,363,723 | 23,501,544 |
| Other debtors | 1,576,316 | 1,165,414 | 2,242,896 | 1,658,234 |
| Deferred expenses | 143,343 | 203,284 | 203,958 | 289,248 |
| Total debtors | 23,059,405 | 17,885,677 | 32,810,577 | 25,449,026 |
| Financial assets at fair value through profit and loss | - | 2,038,171 | - | 2,900,056 |
| Cash and cash equivalents | 2,160,218 | 437,743 | 3,073,713 | 622,852 |
| Total current assets | 32,141,034 | 27,444,624 | 45,732,571 | 39,050,181 |
| TOTAL ASSETS | 61,380,816 | 49,550,259 | 87,337,033 | 70,503,667 |

| | 31.03.2008 | 31.03.2007 | 31.03.2008 | 31.03.2007 |
|--|-------------------|-------------------|-------------------|-------------------|
| | LVL | LVL | EUR | EUR |
| EQUITY AND LIABILITIES | | | | |
| 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 loss) / retained profit: | | | | |
| a) prior year accumulated profit/loss | 12,984,900 | 5,864,453 | 18,475,848 | 8,344,366 |
| b) foreign currency revaluation | (13,249) | - | (18,850) | - |
| c) current year profit | 3,523,409 | 1,728,155 | 5,013,359 | 2,458,943 |
| Equity attributable to equity holders of the parent | 42,232,715 | 33,330,263 | 60,091,740 | 47,424,692 |
| Minority interest | 52,554 | 53,932 | 74,777 | 76,737 |
| Total equity | 42,285,269 | 33,384,195 | 60,166,517 | 47,501,429 |
| LIABILITIES | | | | |
| Long-term liabilities | | | | |
| Loans from credit institutions | 3,827,239 | 2,177,281 | 5,445,670 | 3,097,992 |
| Finance lease liabilities | 689,147 | 87,934 | 980,568 | 125,119 |
| Deferred tax liability | 1,333,986 | - | 1,898,091 | - |
| Deferred income | 1,625,297 | 1,141,225 | 2,312,590 | 1,623,817 |
| Total non-current liabilities | 7,475,669 | 3,406,440 | 10,636,919 | 4,846,928 |
| Current liabilities | | | | |
| Loans from credit institutions | 3,728,275 | 7,019,196 | 5,304,857 | 9,987,416 |
| Finance lease liabilities | 20,124 | 15,999 | 28,634 | 22,765 |
| Advances from customers | 115,181 | 30,973 | 163,888 | 44,071 |
| Trade accounts payable | 6,113,752 | 4,855,304 | 8,699,085 | 6,908,474 |
| Taxes and social security liabilities | 307,411 | 296,768 | 437,406 | 422,263 |
| Other payables | 964,510 | 414,377 | 1,372,374 | 589,606 |
| Accrued liabilities | 93,588 | - | 133,165 | - |
| Deferred income | 277,037 | 127,007 | 394,188 | 180,715 |
| Total current liabilities | 11,619,878 | 12,759,624 | 16,533,597 | 18,155,310 |
| Total liabilities | 19,095,547 | 16,166,064 | 27,170,516 | 23,002,238 |
| TOTAL EQUITY AND LIABILITIES | 61,380,816 | 49,550,259 | 87,337,033 | 70,503,667 |

STATEMENTS OF PROFIT AND LOSS

| | 2008 | 2007 | 2008 | 2007 |
|---|---------------------------|---------------------------|---------------------------|---------------------------|
| | January- March | January- March | January- March | January- March |
| | LVL | LVL | EUR | EUR |
| Net sales | 16,967,799 | 11,930,276 | 24,143,003 | 16,975,253 |
| Cost of goods sold | (6,767,000) | (5,574,127) | (9,628,574) | (7,931,268) |
| Gross profit | 10,200,799 | 6,356,149 | 14,514,429 | 9,043,985 |
| Selling expenses | (3,697,323) | (2,628,209) | (5,260,817) | (3,739,604) |
| Administrative expenses | (1,522,510) | (1,535,194) | (2,166,337) | (2,184,384) |
| Other operating income | 114,706 | 44,404 | 163,213 | 63,181 |
| Other operating expenses | (559,070) | (58,558) | (795,485) | (83,321) |
| Interest income and similar income | 102 | 7,606 | 145 | 10,822 |
| Interest expense and similar expense | (74,921) | (128,708) | (106,603) | (183,135) |
| Real estate tax | (22,891) | (24,736) | (32,571) | (35,196) |
| Profit before taxation | 4,438,892 | 2,032,754 | 6,315,974 | 2,892,348 |
| Corporate income tax | (915,412) | (304,843) | (1,302,514) | (433,753) |
| NET PROFIT FOR THE YEAR | 3,523,480 | 1,727,911 | 5,013,460 | 2,458,595 |
| Attributable to: | | | | |
| Equity holders of the parent | 3,523,409 | 1,728,155 | 5,013,359 | 2,458,943 |
| Minority interest | 71 | (244) | 101 | (348) |
| TOTAL | 3,523,480 | 1,727,911 | 5,013,460 | 2,458,595 |
| Earnings per share attributable equity holders of the parent (LVL per share) | | | | |
| - Basic earnings per share | 0.37 | 0.18 | 0.52 | 0.26 |
| - Diluted earnings per share | 0.37 | 0.18 | 0.52 | 0.26 |

STATEMENTS OF CHANGES IN EQUITY

| | Share capital | Share premium | Other reserves | Accumulated (loss)/ profit | Foreign currency translation reserve | Equity attributable to equity holders of the parent | Minority interest | Total |
|------------------------------|------------------|-------------------|----------------|----------------------------|--------------------------------------|---|-------------------|-------------------|
| | LVL | LVL | LVL | LVL | LVL | LVL | LVL | LVL |
| As of 31.12.2007 | 9,585,000 | 15,687,750 | 464,905 | 12,984,900 | (6) | 38,722,549 | 52,483 | 38,775,032 |
| Profit for the period | - | - | - | 3,523,409 | - | 3,523,409 | 71 | 3,523,480 |
| Foreign currency revaluation | - | - | - | - | (13,243) | (13,243) | - | (13,243) |
| As of 31.03.2008 | 9,585,000 | 15,687,750 | 464,905 | 16,508,309 | (13,249) | 42,232,715 | 52,554 | 42,285,269 |

| | Share capital | Share premium | Other reserves | Accumulated (loss)/ profit | Foreign currency translation reserve | Equity attributable to equity holders of the parent | Minority interest | Total |
|------------------------------|-------------------|-------------------|----------------|----------------------------|--------------------------------------|---|-------------------|-------------------|
| | EUR | EUR | EUR | EUR | EUR | EUR | EUR | EUR |
| As of 31.12.2007 | 13,638,226 | 22,321,657 | 661,500 | 18,475,848 | (9) | 55,097,222 | 74,676 | 55,171,898 |
| Profit for the period | - | - | - | 5,013,359 | - | 5,013,359 | 101 | 5,013,460 |
| Foreign currency revaluation | - | - | - | - | (18,841) | (18,841) | - | (18,841) |
| As of 31.03.2008 | 13,638,226 | 22,321,657 | 661,500 | 23,489,207 | (18,850) | 60,091,740 | 74,777 | 60,166,517 |

STATEMENTS OF CASH FLOWS

| | 2008 January-March LVL | 2007 January-March LVL | 2008 January-March EUR | 2007 January-March EUR |
|--|------------------------------|------------------------------|------------------------------|------------------------------|
| OPERATING ACTIVITIES | | | | |
| Net profit before taxation | 4,438,892 | 2,032,754 | 6,315,974 | 2,892,348 |
| <i>Adjustments to reconcile net profit to net cash provided by operating activities:</i> | | | | |
| Depreciation and amortisation | 508,112 | 451,444 | 722,978 | 642,347 |
| Loss / (gain) on disposal of fixed assets and intangible assets | 6,365 | (2,856) | 9,057 | (4,064) |
| Interest expense | (102) | (7,606) | (145) | (10,822) |
| Interest income | 74,921 | 128,708 | 106,603 | 183,135 |
| <i>Changes in operating assets and liabilities:</i> | | | | |
| Inventory | 121,567 | (158,883) | 172,974 | (226,070) |
| Debtors | (4,995,367) | (2,733,732) | (7,107,767) | (3,889,750) |
| Creditors | 2,009,206 | 149,504 | 2,858,842 | 212,726 |
| Gross cash provided by operating activities | 2,163,594 | (140,667) | 3,078,516 | (200,150) |
| Corporate income tax paid | (304,998) | (135,623) | (433,973) | (192,974) |
| Net cash provided by (used in) operating activities | 1,858,596 | (276,290) | 2,644,543 | (393,124) |
| INVESTING ACTIVITIES | | | | |
| Purchase of fixed assets and intangible assets | (2,407,468) | (2,568,237) | (3,425,518) | (3,654,272) |
| Proceeds from sale of fixed assets | 178 | - | 253 | - |
| Purchase of long term financial investments | - | (502,000) | - | (714,282) |
| Redemption of short term financial investments | - | 3,192,894 | - | 4,543,079 |
| Net cash used in investing activities | (2,407,290) | 122,657 | (3,425,265) | 174,525 |
| FINANCING ACTIVITIES | | | | |
| Received loans from credit institutions | 1,305,777 | 147,374 | 1,857,954 | 209,694 |
| Repaid loans to credit institutions | (326,096) | - | (463,993) | - |
| Interest income | 102 | 7,606 | 145 | 10,822 |
| Interest paid | (74,921) | (137,750) | (106,603) | (196,001) |
| Net cash provided by financing activities | 904,862 | 17,230 | 1,287,503 | 24,515 |
| Net (decrease)/ increase in cash and cash equivalents | 356,168 | (136,403) | 506,781 | (194,084) |
| Cash and cash equivalents at the beginning of the year | 1,804,050 | 574,146 | 2,566,932 | 816,936 |
| CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD | 2,160,218 | 437,743 | 3,073,713 | 622,852 |

NOTES

FINISHED GOODS AND GOOD FOR RESALE

| | 31.03.2008 | 31.03.2007 | 31.03.2008 | 31.03.2007 |
|--|-------------------|-------------------|-------------------|-------------------|
| | LVL | LVL | EUR | EUR |
| Goods for sale | 2,324,285 | 2,215,533 | 3,307,160 | 3,152,419 |
| Self-manufactured and co-manufactured production | 1,039,867 | 1,355,049 | 1,479,597 | 1,928,061 |
| Total | 3,364,152 | 3,570,582 | 4,786,757 | 5,080,480 |

OTHER DEBTORS

| | 31.03.2008 | 31.03.2007 | 31.03.2008 | 31.03.2007 |
|-----------------|-------------------|-------------------|-------------------|-------------------|
| | LVL | LVL | EUR | EUR |
| Tax receivables | 476,569 | 237,795 | 678,097 | 338,352 |
| Other | 1,099,747 | 927,619 | 1,564,799 | 1,319,882 |
| Total | 1,576,316 | 1,165,414 | 2,242,896 | 1,658,234 |

CASH AND CASH EQUIVALENTS

| | 31.03.2008 | 31.03.2007 | 31.03.2008 | 31.03.2007 |
|--------------|-------------------|-------------------|-------------------|-------------------|
| | LVL | LVL | EUR | EUR |
| Cash in bank | 2,157,555 | 429,662 | 3,069,924 | 611,354 |
| Cash on hand | 2,663 | 8,081 | 3,789 | 11,498 |
| Total | 2,160,218 | 437,743 | 3,073,713 | 622,852 |

LOANS FROM CREDIT INSTITUTIONS

| | 31.03.2008 LVL | 31.03.2007 LVL | 31.03.2008 EUR | 31.03.2007 EUR |
|---|-------------------|-------------------|-------------------|-------------------|
| Credit line from JSC "Hansabanka", Latvia | 1,996,248 | 2,992,643 | 2,840,405 | 4,258,147 |
| Credit line from JSC "UniCredit Bank", Latvia | 1,115,409 | 1,511,886 | 1,587,084 | 2,151,220 |
| JSC "Hansabanka", Latvia | 265,660 | 1,618,071 | 378,000 | 2,302,308 |
| JSC "UnicreditBank Latvia" | 143,372 | 143,373 | 204,000 | 204,001 |
| JSC "Hansabanka", Latvia | 151,834 | - | 216,040 | - |
| JSC "Hansabanka", Latvia | 55,752 | 125,392 | 79,328 | 178,417 |
| JSC "Parekss banka", Latvia | - | 133,062 | - | 189,330 |
| Ministry of Finance (World Bank credit) | - | 494,769 | - | 703,993 |
| Current loans from credit institutions | 3,728,275 | 7,019,196 | 5,304,857 | 9,987,416 |
| JSC "Hansabanka", Latvia | 1,277,790 | 1,644,929 | 1,818,131 | 2,340,523 |
| JSC "Hansabanka", Latvia | 1,614,358 | - | 2,297,024 | - |
| JSC "SEB Unibanka", Latvia | 839,510 | - | 1,194,515 | - |
| JSC "UnicreditBank Latvia" | 95,581 | 286,744 | 136,000 | 408,000 |
| JSC "Parekss banka", Latvia | - | 148,059 | - | 210,669 |
| JSC "Hansabanka", Latvia | - | 97,549 | - | 138,800 |
| Non-current loans from credit institutions | 3,827,239 | 2,177,281 | 5,445,670 | 3,097,992 |
| Total | 7,555,514 | 9,196,477 | 10,750,527 | 13,085,408 |

TAX LIABILITIES

| | 31.03.2008 LVL | 31.03.2007 LVL | 31.03.2008 EUR | 31.03.2007 EUR |
|--------------------------|-------------------|-------------------|-------------------|-------------------|
| Corporate income tax | 143,303 | 122,325 | 203,902 | 174,053 |
| Personal income tax | 121,891 | 40,176 | 173,435 | 57,165 |
| Social security payments | 21,193 | 134,267 | 30,155 | 191,045 |
| Other | 21,024 | - | 29,914 | - |
| Total | 307,411 | 296,768 | 437,406 | 422,263 |

NET SALES

| | 2008 January- March LVL | 2007 January- March LVL | 2008 January- March EUR | 2007 January- March EUR |
|------------------------|--|--|--|--|
| Russia | | | | 8,196,536 |
| Other CIS countries | 11,315,239 | 5,760,558 | 16,100,135 | 5,763,738 |
| Other countries | 4,977,513 | 4,050,778 | 7,082,363 | 2,092,423 |
| Latvia | 1,210,725 | 1,470,564 | 1,722,706 | 1,052,365 |
| Lithuania | 557,628 | 739,606 | 793,433 | 567,009 |
| Estonia | 499,688 | 398,496 | 710,992 | 401,697 |
| Other income | 271,039 | 282,314 | 385,654 | 11,218 |
| Gross sales | 70,816 | 7,885 | 100,762 | 18,084,986 |
| Less discounts | 18,902,648 | 12,710,201 | 26,896,045 | 86 |
| Russia | | | | (463,923) |
| Other CIS countries | (1,434,319) | (326,047) | (2,040,852) | (514,207) |
| Other countries | (412,624) | (361,387) | (587,111) | (27,168) |
| Latvia | (7,343) | (19,094) | (10,448) | (65,075) |
| Lithuania | (43,073) | (45,735) | (61,287) | (16,178) |
| Estonia | (21,045) | (11,370) | (29,944) | (23,182) |
| Discounts total | (16,445) | (16,292) | (23,400) | (1,109,733) |
| Total, net | (1,934,849) | (779,925) | (2,753,042) | 16,975,253 |
| | 16,967,799 | 11,930,276 | 24,143,003 | 253 |

COST OF GOODS SOLD

| | 2008 | 2007 | 2008 | 2007 |
|--|---------------------------|---------------------------|---------------------------|---------------------------|
| | January- March | January- March | January- March | January- March |
| | LVL | LVL | EUR | EUR |
| Goods purchased for resale | 2,471,355 | 1,278,808 | 3,516,421 | 1,819,580 |
| Raw materials and packing | 2,285,427 | 2,321,236 | 3,251,870 | 3,302,821 |
| Direct labour and social security payments | 1,427,514 | 1,193,268 | 2,031,169 | 1,697,867 |
| Research costs | 621,843 | 624,692 | 884,803 | 888,857 |
| Depreciation of fixed assets and amortization of intangible assets | 353,613 | 269,733 | 503,146 | 383,795 |
| Electricity resource expenses | 215,664 | 194,191 | 306,862 | 276,309 |
| Machinery, buildings and equipment repairs | 149,287 | 37,074 | 212,416 | 52,752 |
| Household expenses | 53,317 | 39,582 | 75,863 | 56,320 |
| Transport | 27,816 | 27,768 | 39,579 | 39,510 |
| Rent of work clothing | 21,309 | 20,569 | 30,320 | 29,267 |
| Waste disposal | 13,580 | 25,117 | 19,323 | 35,738 |
| Other | 292,241 | 260,739 | 415,822 | 370,999 |
| Internal turnover of self-manufactured raw materials | (1,165,966) | (718,650) | (1,659,020) | (1,022,547) |
| Total | 6,767,000 | 5,574,127 | 9,628,574 | 7,931,268 |

SELLING AND DISTRIBUTION COSTS

| | 2008 | 2007 | 2008 | 2007 |
|--|---------------------------|---------------------------|---------------------------|---------------------------|
| | January- March | January- March | January- March | January- March |
| | LVL | LVL | EUR | EUR |
| Advertising | 1,518,674 | 1,344,443 | 2,160,878 | 1,912,970 |
| Expenses of representative offices | 641,432 | 488,768 | 912,676 | 695,454 |
| Salaries and social security payments | 260,432 | 204,942 | 370,561 | 291,606 |
| Patents | 184,935 | 115,028 | 263,139 | 163,670 |
| Distribution expenses for goods | 138,874 | 112,164 | 197,600 | 159,595 |
| Commissions | 132,959 | 67,372 | 189,184 | 95,862 |
| Registration costs for medicine | 48,820 | 92,828 | 69,465 | 132,082 |
| Depreciation of fixed assets and amortisation of intangible assets | 47,960 | 41,906 | 68,241 | 59,627 |
| Freight insurance | 14,434 | 10,825 | 20,538 | 15,403 |
| Other | 708,803 | 149,933 | 1,008,535 | 213,335 |
| Total | 3,697,323 | 2,628,209 | 5,260,817 | 3,739,604 |

ADMINISTRATIVE EXPENSES

| | 2008 | 2007 | 2008 | 2007 |
|--|---------------------------|---------------------------|---------------------------|---------------------------|
| | January- March | January- March | January- March | January- March |
| | LVL | LVL | EUR | EUR |
| Salaries and social security payments | 629,791 | 552,112 | 896,112 | 785,585 |
| Depreciation of fixed assets and amortisation of intangible assets | 106,539 | 102,766 | 151,591 | 146,223 |
| Security costs | 67,442 | 50,556 | 95,961 | 71,935 |
| Transport | 48,338 | 48,797 | 68,779 | 69,432 |
| Personnel training and hiring expenses | 30,172 | 47,551 | 42,931 | 67,659 |
| Employee insurance | 43,020 | 27,443 | 61,212 | 39,048 |
| Electricity | 49,382 | 17,739 | 70,264 | 25,240 |
| Computers maintenance | 33,340 | 13,296 | 47,439 | 18,919 |
| Professional services | 20,129 | 27,072 | 28,641 | 38,520 |
| Bank charges | 16,809 | 15,448 | 23,917 | 21,981 |
| Business trips | 15,696 | 8,900 | 22,333 | 12,664 |
| Property and liability insurance | 11,373 | 5,006 | 16,182 | 7,123 |
| Communication expense | 8,249 | 24,818 | 11,737 | 35,313 |
| Other | 442,230 | 593,690 | 629,238 | 844,742 |
| Total | 1,522,510 | 1,535,194 | 2,166,337 | 2,184,384 |

Currency exchange for the EUR – 0.702804

JSC “Grindex” hereby informs that there were no changes made in its accounting policy in 2008. In non-audited financial accounts for the period January - March 2008 the Group has employed the same Accounting and Consolidation Principles as in the audited consolidated financial accounts for the year 2007, released on 11 April 2008.

Chairman of the Board

Janis Romanovskis