

Approved at the
Annual General Meeting
of AS Grindeks
on May 18, 2005

AS "Grindeks"
registration No. 40003034935
address: Krustpils iela 53
Riga, LV-1057

Terms of Share Capital Increase **(hereinafter the "Terms")**

1. PURPOSE OF SHARE CAPITAL INCREASE

1.1. The purpose of issue of new shares is to increase the share capital of the joint stock company Grindeks (hereafter the "Company") in order to enhance the development and competitiveness of the Company from the proceeds received from the said issue of shares.

2. EXISTING SHARE CAPITAL, CATEGORIES, NUMBER AND TYPES OF SHARES, PAR VALUE

2.1. The existing share capital of the Company on the date of approval of the Terms is LVL 7'735'000 (seven million seven hundred thirty five thousand lats).

2.2. The share capital of the Company consists of 7'735'000 (seven million seven hundred thirty five thousand) dematerialized presenter shares with the par value of LVL 1.00 (one lat) per share. All 7'735'000 (seven million seven hundred thirty five thousand) shares are of single type and category without preferences, and having unrestricted voting rights.

2.3. The existing share capital of the Company is fully paid up.

3. INCREASE OF SHARE CAPITAL

3.1. The share capital shall be increased by the issuance of single category 1'850'000 (one million eight hundred fifty thousand) dematerialized presenter shares with unrestricted voting rights, having the par value of LVL 1.00 (one lat) per share.

3.2. The share capital of the Company shall be increased up to LVL 9'585'000 (nine million five hundred eighty-five thousand lats) (declared share capital).

3.3. The new shares of the Company are envisaged to be listed at the regulated securities market through a/s Rīgas Fondu birža immediately after the completion of settlement.

3.4. The newly issued shares shall secure to the shareholder all rights of shares of a joint stock company, including the right to participate in management of the Company, to receive dividend, and in case of liquidation of the Company - to receive the termination quota, as well as to have other rights provided for by the Charter of the Company and the Commercial Law.

3.5. Acquirers of the new issue of shares shall be entitled to participate in the right to receive dividend as of the date of paying up the respective shares.

3.6. On the date of approval of these Terms on May 18, 2005, a/s "Latvijas Centrālais depozitārijs" prepares the list of all shareholders of the Company (hereafter the "Report Date") which are entitled to use preemptive rights to the newly issued shares. For determination of the preemptive right of shareholders, only the list of shareholders prepared at the Report Date shall be used.

3.7. The existing shareholders of the Company shall have preemptive right to purchase the new issue of shares in proportion to their total par value of shareholding as of the Report Date.

3.8. The new issue shares shall not be subject to public offering based on the exemption of Paragraph 1 and 2 of Section 2 of Article 14 of the Law On the Markets of Financial Instruments.

3.9. The placement responsibility of the new shares of the Company shall be assigned to companies a/s "Suprema" in Latvia (address: Vaļņu iela 1, Rīga), and to a/s "Suprema Securities" (Estonia) - in the international market (hereafter the "Managers").

4. PAR VALUE OF NEW SHARES AND PURCHASE PRICE

4.1. The par value of each new share issued shall be LVL 1.00 (one lat).

4.2. The purchase price of shares shall consist of the par value and the share premium.

4.3. The share premium is determined to be in the range of LVL 5.90 (five lats and ninety santimes) to LVL 6.90 (six lats and ninety santimes). The share premium shall be set by the Management Board of the Company only within the range stated in these Terms. The share purchase price shall therefore be within the range of LVL 6.90 (six lats and ninety santimes) to LVL 7.90 (seven lats and ninety santimes).

4.4. The purchase price of shares shall be determined by the Management Board of the Company during the Third Phase in accordance with the procedure stated in Article 4.5 of these Terms.

4.5. The purchase price of shares shall be calculated by the Managers and approved by the Management Board of the Company in accordance with the result of demand among professional investors within the Third Phase of subscription by using the book-building method. The subscription forms shall be submitted by the professional investors to the Managers within the period of the Third Phase. The purchase price of shares shall be determined based on the submitted applications during the Third Phase, and by taking into account the following information gathered in the subscription ledger:

- (a) the total amount of demand;
- (b) the total price elasticity of demand;
- (c) the quality of total demand structure, i.e. by observing the information available to the Managers on the demand from short term investors and the long term investors.

5. SUBSCRIPTION TO SHARES

5.1. Subscription to the shares of new issue shall be organized in three phases as stated in these Terms:

5.1.1. in the **First Phase** the existing shareholders of the Company determined on the Report Date shall pursuant to the preemptive right based on Article 251 of the Commercial Law have the right to subscribe to all shares of the new issue pro rata to their total par value of shareholding on the Report Date.

5.1.2. in the **Second Phase** the existing shareholders of the Company which have used their preemptive right and subscribed for the new shares of the Company shall have the right in proportion to division of shares among the subscribed shareholders, to subscribe for the remaining shares not subscribed for by the other shareholders. The application expressing willingness to subscribe for the additional new shares shall be submitted simultaneously with the subscription form for the First Phase by indicating the total purchase price of the shares to be purchased by the respective shareholder.

5.1.3. in the **Third Phase** all new shares which have not been subscribed by the existing shareholders of the Company as determined on the Report Date, shall be offered for subscription to professional investors in accordance with the definition set forth by Article 1 Paragraph 4 of the Law On the Market of Financial Instruments.

5.2. The subscription form attached as Appendix 1 to these Terms shall be used for subscription during the First and Second Phases, except if the banks and broker companies servicing the accounts of financial instruments of the existing shareholders enforce another form of applications in order to submit an order to a/s "Rīgas Fondu birža" to subscribe for the new shares.

5.3. The procedure of subscription by the professional investors for the Third Phase shall be further specified in the offering memorandum approved by the Management Board of the Company.

5.4. Subscription to the new shares shall take place with the members of a/s "Rīgas Fondu birža" through its trading system and within the trading hours in accordance with the regulations of a/s "Rīgas Fondu birža". The Managers hereby reserve the right to reject any application which is not prepared in accordance with the subscription procedure.

6. TERM OF SUBSCRIPTION

The subscription to the new shares shall be organized in accordance with the following time schedule:

6.1. First Phase:

6.1.1. The term of First Phase shall commence on the date when the announcement to the existing shareholders of the Company to use the preemptive rights is published in the official newspaper "Latvijas Vēstnesis".

6.1.2. The term of subscription for the First Phase is 1 (one) month. In the event that the last day of the subscription term is an official holiday, the submission term shall terminate on the next business day by 12:00.

6.2. Second Phase:

6.2.1. Subscription during the Second Phase shall be based on the submitted applications of the existing shareholders, on the next business day after the expiry of the subscription term of First Phase. The term of Second Phase is 1 (one) business day (hereafter the "Subscription Completion Date").

6.2.2. To subscribe during the Second Phase, the existing shareholders are not obliged to submit an additional application after the termination of First Phase, provided that a preemptive right application has been submitted during the First Phase through a member of a/s "Rīgas Fondu birža" for the total purchase price of shares which exceeds the amount of purchase price for shares that would vest to such shareholder in proportion to its total par value of shareholding on the Report Date. The shareholders who had not subscribed within the term of First Phase shall have no right to submit a repeated application for subscription within the Second Phase.

6.3. Third Phase:

6.3.1. The Third Phase of subscription shall commence together with the Second Phase on the Subscription Completion Date, and its term is 1 (one) business day. The Managers shall have the right to distribute information on the new issue shares to professional investors before the Subscription Completion Date and to collect subscription orders to be effective on the Subscription Completion Date.

6.3.2. The new shares of the Company shall be considered allocated successfully as of the moment when the Third Phase of subscription has expired and all of the new shares have been subscribed for.

6.4. The Management Board of the Company shall adopt a decision on the successful result of subscription process. If the Management Board of the Company considers that insufficient number of applications has been received during the Third Phase, the Management Board shall have the right to suspend any further issue of shares and shall consider advising the General Meeting of shareholders to cancel the entire share issue of the Company.

7. PROCEDURE AND TERM OF PAYMENT

7.1. All new issue shares of the Company shall be payable in money. During the First and Second Phase the existing shareholders of the Company shall block the required maximum purchase price of total of shares to be purchased with the cash account of a bank or broker company where the securities account of the shareholder is opened and maintained in order to effect subscription.

7.2. The blocked amounts of money which exceed the proportionate right of existing shareholders to purchase the new issue shares shall be released immediately after the Subscription Completion Date pursuant to instructions of a/s "Rīgas Fondu birža". Concurrently, the blocked amounts exceeding the purchase price for the new issue shares

to be purchased by the fraction of less than the purchase price of one share, shall be released.

7.3. The settlement shall be effected in accordance with the regulations of a/s "Rīgas Fondu birža" for all of the newly issued shares of the Company. The settlement shall be carried out by a/s "Latvijas Centrālais depozitārijs" (LCD) settlement system "Delivery-Versus-Payment" (DVP). The shares shall be considered paid when the purchase price for the shares is irrevocably blocked on the current account of shareholder with the LCD member for performance of DVP transaction.

7.4. The subscription applications of professional investors shall be satisfied only after the allocation of shares to the existing shareholders of the Company, and only to the extent of any shares remaining following such preferential allocation.

7.5. The Management Board of the Company shall have the right to decide that in case of default on payment for the shares purchased by the shareholder, the number of shares corresponding to the amount of payment in the settlement shall be allocated to the shareholder, subject to the right of the Managers to subscribe to and to purchase the new issue shares not paid up.

7.6. In the event that during the subscription term not all of the newly issued shares are subscribed for, the Management Board of the Company shall after consultation with the Managers have the right to adopt a decision that either the share issue is completed to the extent of already subscribed shares, or that an extraordinary General Meeting of shareholders is to be announced for cancellation of the entire share issue.

7.7. If the share issue is declared cancelled, the amount of funds required for subscription and blocked with the current account shall be released subject to instructions of a/s "Rīgas Fondu birža".

8. ADDITIONAL INFORMATION

8.1. A/S "Rīgas Fondu birža" shall inform its members on the procedure of submitting of subscription forms (orders) and the procedures of exchange of information.

8.2. All public announcements on the share issue of the Company under these Terms and the subscription thereof shall be published via the information system of a/s "Rīgas Fondu birža".

8.3. Additional information on the application of these Terms may be received with the Managers, address: A/S "Suprema", Vaļņu iela 1, Rīga. from 9:30 to 16:00 each business day.

8.4. If any article of these Terms becomes impossible or against the applicable legal norms or the regulations of the Financial and Capital Market Commission, the Management Board of the Company shall have the right to correct the Terms insofar as to maintain the effect of these Terms to the extent possible.

AS "Grindeks"
Chairman of the Management Board

Valdis Jākobsons