

**Joint Stock Company “Grindeks”**

*Non-audited consolidated financial statements  
for the periods ended 31 December, 2007 and  
31 December, 2006  
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 year	1 January 2007 – 30 June 2007
Previous reporting year	1 January 2006 – 31 December 2006
Auditor’s and their addresses	Deloitte Audits Latvia Ltd. 4a Grēdu str. Riga, LV-1019 Latvia  Inguna Staša Sworn Auditor Certificate No. 145

## THE BOARD AND THE 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 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 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

27 February, 2008

## MAJOR SHAREHOLDERS

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

	<b>01.01.2008</b>	<b>31.05.2007</b>
	<b>Investments in</b>	<b>Investments in</b>
	<b>percentage</b>	<b>percentage</b>
	<b>(%)</b>	<b>(%)</b>
Kirovs Lipmans	33.29	28.73
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	11.31	40.99
<b>Total</b>	<b>100.00</b>	<b>100.00</b>

## MANAGEMENT REPORT

### Mode of activity

In the reporting year 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 year

In 2007 turnover of the Group amounted to 51.5 million lats, which is by 9.3 million lats or 22% more than during the same period in 2006. At the same time, net profit, related to the shareholders of the holding company, in 2007 amounted to 7.2 million lats, which is by 8.8% more than in 2006. In 2007 gross profit margin of the Group was 53%, whereas, net profit margin comprised 14%. Products of the Group, manufactured during the accounting period, were exported to 44 states worldwide for the total amount of 48.8 million lats that exceeds the results of the preceding accounting period by 8.9 million lats or 22%.

### Sales of ready-made medications

The Group sales volume of ready-made medications in 2007 amounted to 47.7 million lats, which is by 8.7 million lats or 22% more than during 2006. Sales of ready-made medications in main export markets, Russia and CIS countries, amounted to 41.7 million lats. During the accounting period, 73% of the total sales volume of the ready-made medications was formed by sales of original product *Mildronate*®, what exceeded the result of 2006 by 6.2 million lats or 22%.

In 2007 the Group continued successful co-operation, in the field of contractual production of injections, with Lithuanian pharmaceutical enterprise „Sanitas” and Polish pharmaceutical producer „Jelfa”.

### Sales of active pharmaceutical ingredients

The main export markets for active pharmaceutical ingredients (API) produced by *Grindeks* are Europe, Japan, the USA, Australia, Pakistan, India. In 2007 export of API reached 3.8 million lats, which is by 0.7 million lats or 22% more than during 2006.

In the beginning of 2007 the Group started co-operation with the worldwide organization *PATH* (*Program for Appropriate Technology in Health*) in the project „Oxytocin in Uniject” for delivery of *oxytocin*. „Oxytocin in Uniject” is disposable syringe with already filled dose of *oxytocin* – it is the technology solution, worked out in the context of global programme for health care with the aim to significantly reduce the maternity mortality during bearing, mainly in newly developing countries.

In 2007 various inspections and audits were successfully carried out, that provides basis to expect growth of API export to such markets as the USA, Russia, Japan, the UK.

### Investment programme

The Group continues realization of large scope investment programme and during 2007 total amount of investments reached 8.7 million lat, which is by 1.2 million lats or 16% more than in 2006.

In 2007 the first Analytical and Scale-up Laboratory in Latvia and the Baltic States, corresponding to the requirements of CGMP (Current Good Manufacturing Practice), was opened, which will accelerate the introduction of new active pharmaceutical ingredients and creation of new substances for needs of clinical studies.

With the aim to increase the production volume, the Group continues building of new production unit for final dosage forms, started in the end of 2006. Production capacity of the new unit is expected to be 2 milliards of tablets and capsules per year.

In 2007 construction of the *Mildronate*® substance crystallization unit was started. Its production capacity is expected to be 250 tons per year.

Caring about environment protection, in 2007 the Group has started construction of waste water purification plant which is expected to be completed in 2008.

Being aware of the risk of one product prevalence, the Group successfully continued elaboration of new products in the Group's product portfolio. Program of clinical studies of original products is executed in international scale that will make it possible for the Group to register the original products in many countries of the world in the future.

### Quality and environment protection

JSC "Grindeks" already for the third time in a row received *Good Manufacturing Practice (GMP)* certificate, which is valid up to 2010.

In 2007 the new Analytical and Scale-up Laboratory got the positive statement about conformity with the standards of *Good Laboratory Practice*.

In 2007 "Grindeks" got authorization on category A for the current activity related to environment pollution (equipment, producing pharmaceutical ingredients, and using chemical or biological processes).

In 2007 "Grindeks" got approval, given by agency of consumers' rights protection in the USA (*U.S. Food and Drug Administration*), about conformity of production and control of *xylazine* and *detomidine* with the USA rules.

In 2007 "Grindeks" obtained Quality Management Certificate, which approves the conformity of enterprise's quality management system with international standards ISO 9001:2000.

### Growth of "Grindeks" shares prices during accounting period (data of Riga Stock Exchange)

"Grindeks" shares are quoted in Official list of *Riga Stock Exchange* starting from 2 January, 2006.



Fluctuation of "Grindeks" shares price in *Riga Stock Exchange* was within limits from Ls 5.00 to Ls 9.05 during 2007. Total quantity of Company's shares, traded in *Riga Stock Exchange*, was 1 988 thousand shares, thus yearly turnover of 15.42 millions lats were achieved. At the end of 2007 market capitalization of "Grindeks" was 52.62 million lats. The Group's profit from one share (EPS coefficient) was 0.75 lats in 2007 in comparison with 0.69 lats in 2006.

### Further expectations

The Group will continue to work at the increase of its shareholders' value, by increasing sales volumes in the existing and new attractive markets, as well as improving effectiveness of operations.

In the beginning of 2008 “Grindex” concluded agreement with the Russian pharmaceutical company „Pharmstandart” for long-term collaboration, which foresees, that „Pharmstandart” will accomplish exclusive distribution and promotion of “Grindex” original medication *Mildronate*® in Russian Federation. Grant for exclusive rights will make the organization of product’s expansion and promotion sufficiently easier as well as will increase *Mildronate*® sales volume in the Russian market.

Registration of original product *Mildronate*® in capsules and injection forms will be continued in People’s Republic of China in 2008. Besides, three products - *Mildronate*®, *Ftorafur*® and *Rispaxol*® are in the process of registration in Turkey.

In 2008 “Grindex” intends to significantly improve product portfolio and offer four new *generics*. Development of new original products will be also continued.

In 2008 the Group will continue the development of chain of representative offices.

On behalf of the Group Management:

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Janis Romanovskis  
Chairman of the Board

27 February, 2008



## **STATEMENT OF BOARD`S RESPONSIBILITIES**

The Board of JSC "Grindeks" (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 year financial statements of the Group.

The consolidated year financial statements, enclosed from the page 10 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 December 31, 2007 and the results of its operations and cash flows for the twelve-month period ended December 31, 2007.

Above mentioned consolidated year 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 year 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:

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Janis Romanovskis  
Chairman of the Board

27 February, 2008

## BALANCE SHEET

	31.12.2007 LVL	31.12.2006 LVL	31.12.2007 EUR	31.12.2006 EUR
<b>ASSETS</b>				
<b>Non-current assets</b>				
<b>Intangible assets</b>				
Software, patents, licenses, trademarks and other rights	432,821	410,043	615,849	583,439
Advance payments for intangible assets	25,000	25,000	35,572	35,571
<b>Total intangible assets</b>	<b>457,821</b>	<b>435,043</b>	<b>651,421</b>	<b>619,010</b>
<b>Tangible fixed assets</b>				
Land, buildings and constructions	6,681,582	5,846,737	9,507,035	8,319,157
Equipment and machinery	6,515,639	4,187,126	9,270,919	5,957,744
Other fixed assets	618,005	665,531	879,342	946,965
Advance payments for fixed assets	6,919,077	223,039	9,844,960	5,645,748
Construction in progress	1,056,430	3,967,854	1,503,163	317,356
<b>Total tangible fixed assets</b>	<b>21,790,733</b>	<b>14,890,287</b>	<b>31,005,419</b>	<b>21,186,970</b>
<b>Investment property</b>	<b>4,470,000</b>	<b>4,434,653</b>	<b>6,360,237</b>	<b>6,309,942</b>
<b>Long-term financial investments</b>				
Investments in associated companies	22,000	-	31,303	-
Other investments	105,421	134,236	150,001	191,001
Deferred expenses	-	70,317	-	100,052
<b>Total long-term financial investments</b>	<b>127,421</b>	<b>204,553</b>	<b>181,304</b>	<b>291,053</b>
<b>Total non-current assets</b>	<b>26,845,975</b>	<b>19,964,536</b>	<b>38,198,381</b>	<b>28,406,975</b>
<b>Current assets</b>				
<b>Inventory</b>				
Raw materials	2,025,301	1,430,959	2,881,744	2,036,071
Unfinished goods	2,102,781	2,254,342	2,991,988	3,207,640
Finished goods and goods for resale	2,911,828	3,238,849	4,143,158	4,608,467
Advance payments for goods	3,825	-	5,442	-
<b>Total inventory</b>	<b>7,043,735</b>	<b>6,924,150</b>	<b>10,022,332</b>	<b>9,852,178</b>
<b>Debtors</b>				
Trade receivables	16,831,265	13,991,384	23,948,733	19,907,946
Other debtors	1,130,261	990,714	1,608,216	1,409,658
Deferred expenses	186,409	169,847	265,236	241,671
<b>Total debtors</b>	<b>18,147,935</b>	<b>15,151,945</b>	<b>25,822,185</b>	<b>21,559,275</b>
<b>Financial assets at fair value through profit and loss</b>	<b>-</b>	<b>5,231,064</b>	<b>-</b>	<b>7,443,134</b>
<b>Cash and cash equivalents</b>	<b>1,804,050</b>	<b>574,146</b>	<b>2,566,932</b>	<b>816,936</b>
<b>Total current assets</b>	<b>26,995,720</b>	<b>27,881,305</b>	<b>38,411,449</b>	<b>39,671,523</b>
<b>TOTAL ASSETS</b>	<b>53,841,695</b>	<b>47,845,841</b>	<b>76,609,830</b>	<b>68,078,498</b>

	31.12.2007 LVL	31.12.2006 LVL	31.12.2007 EUR	31.12.2006 EUR
<b>EQUITY AND LIABILITIES</b>				
<b>EQUITY</b>				
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	5,864,453	(722,731)	8,344,366	(1,028,352)
b) foreign currency revaluation	(6)	-	(9)	-
c) current year profit	7,168,404	6,587,184	10,199,720	9,372,718
<b>Equity attributable to equity holders of the parent</b>	<b>38,770,506</b>	<b>31,602,108</b>	<b>55,165,460</b>	<b>44,965,749</b>
<b>Minority interest</b>	<b>52,965</b>	<b>50,149</b>	<b>75,362</b>	<b>71,355</b>
<b>Total equity</b>	<b>38,823,471</b>	<b>31,652,257</b>	<b>55,240,822</b>	<b>45,037,104</b>
<b>LIABILITIES</b>				
<b>Long-term liabilities</b>				
Loans from credit institutions	2,635,076	2,177,181	3,749,375	3,097,849
Finance lease liabilities	57,543	87,934	81,877	125,119
Deferred tax liability				
	1,311,123	1,141,225	1,865,560	1,623,817
<b>Total non-current liabilities</b>	<b>4,003,742</b>	<b>3,406,340</b>	<b>5,696,812</b>	<b>4,846,785</b>
<b>Current liabilities</b>				
Loans from credit institutions	3,940,757	6,871,922	5,607,192	9,777,864
Finance lease liabilities	26,635	22,735	37,898	32,349
Advances from customers	23,145	4,749	32,932	6,757
Trade accounts payable	4,628,391	4,736,511	6,585,607	6,739,448
Taxes and social security liabilities	281,414	259,513	400,416	369,254
Other current liabilities	-	502,000	-	714,282
Other payables	239,220	262,807	340,380	373,940
Accrued liabilities	416,012	127,007	591,932	180,715
<b>Total current liabilities</b>	<b>9,555,574</b>	<b>12,787,244</b>	<b>13,596,357</b>	<b>18,194,609</b>
<b>Deferred income</b>	<b>1,458,908</b>	<b>-</b>	<b>2,075,839</b>	<b>-</b>
<b>Total liabilities</b>	<b>15,018,224</b>	<b>16,193,584</b>	<b>21,369,008</b>	<b>23,041,394</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>53,841,695</b>	<b>47,845,841</b>	<b>76,609,830</b>	<b>68,078,498</b>

## STATEMENTS OF PROFIT AND LOSS

	2007 LVL	2006 LVL	2007 EUR	2006 EUR
Net sales	51,493,491	42,230,247	73,268,637	60,088,228
Cost of goods sold	(23,980,471)	(19,408,216)	(34,121,136)	(27,615,403)
<b>Gross profit</b>	<b>27,513,020</b>	<b>22,822,031</b>	<b>39,147,501</b>	<b>32,472,825</b>
Selling expenses	(12,040,754)	(9,295,902)	(17,132,449)	(13,226,877)
Administrative expenses	(6,776,015)	(5,592,110)	(9,641,401)	(7,956,856)
Other operating income	473,080	409,089	673,131	582,081
Other operating expenses	(405,804)	(581,621)	(577,407)	(827,571)
Changes in fair value of investment property	210,000	1,020,000	298,803	1,451,329
Decrease in goodwill and other expenses related to long-term investments	-	(498,761)	-	(709,673)
Interest income and similar income	47,579	219,138	67,699	311,805
Interest expense and similar expense	(361,276)	(380,949)	(514,049)	(542,042)
Real estate tax	(113,003)	(64,230)	(160,789)	(91,391)
<b>Profit before taxation</b>	<b>8,546,827</b>	<b>8,056,685</b>	<b>12,161,039</b>	<b>11,463,630</b>
Corporate income tax	(1,375,607)	(1,437,375)	(1,957,312)	(2,045,200)
<b>NET PROFIT FOR THE YEAR</b>	<b>7,171,220</b>	<b>6,619,310</b>	<b>10,203,727</b>	<b>9,418,430</b>
Attributable to:				
Equity holders of the parent	7,168,404	6,587,184	10,199,720	9,372,719
Minority interest	2,816	32,126	4,007	45,711
<b>TOTAL</b>	<b>7,171,220</b>	<b>6,619,310</b>	<b>10,203,727</b>	<b>9,418,430</b>
<b>Earnings per share attributable equity holders of the parent (LVL per share)</b>				
- Basic earnings per share	0.75	0.69	1.06	0.98
- Diluted earnings per share	0.75	0.69	1.06	0.98

## 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
<b>As of 31.12.2006</b>	<b>9,585,000</b>	<b>15,687,750</b>	<b>464,905</b>	<b>5,864,453</b>	-	<b>31,602,108</b>	<b>50,149</b>	<b>31,652,257</b>
Profit for the year	-	-	-	7,168,404	-	<b>7,168,404</b>	<b>2,816</b>	<b>7,171,220</b>
Foreign currency revaluation	-	-	-	-	(6)	(6)	-	(6)
<b>As of 31.12.2007</b>	<b>9,585,000</b>	<b>15,687,750</b>	<b>464,905</b>	<b>13,032,857</b>	<b>(6)</b>	<b>38,770,506</b>	<b>52,965</b>	<b>38,823,471</b>

	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
<b>As of 31.12.2006</b>	<b>13,638,226</b>	<b>22,321,657</b>	<b>661,500</b>	<b>8,344,366</b>	-	<b>44,965,749</b>	<b>71,355</b>	<b>45,037,104</b>
Profit for the year	-	-	-	10,199,720	-	<b>10,199,720</b>	<b>4,007</b>	<b>10,203,727</b>
Foreign currency revaluation	-	-	-	-	(9)	(9)	-	(9)
<b>As of 31.12.2007</b>	<b>13,638,226</b>	<b>22,321,657</b>	<b>661,500</b>	<b>18,544,086</b>	<b>(9)</b>	<b>55,165,460</b>	<b>75,362</b>	<b>55,240,822</b>

## STATEMENTS OF CASH FLOWS

	31.12.2007 LVL	31.12.2006 LVL	31.12.2007 EUR	31.12.2006 EUR
<b>OPERATING ACTIVITIES</b>				
<b>Net profit before taxation</b>	<b>8,546,827</b>	<b>8,056,685</b>	<b>12,161,039</b>	<b>11,463,630</b>
<i>Adjustments to reconcile net profit to net cash provided by operating activities:</i>				
Depreciation and amortisation	1,817,319	1,337,621	2,585,812	1,903,263
Loss / (gain) on disposal of fixed assets and intangible assets	51,455	20,759	73,214	29,537
Impairment of goodwill and other (income) expenses from long term investments	-	498,761	-	709,673
Changes in fair value of investment property	(210,000)	(1,020,000)	(298,803)	(1,451,329)
Interest expense	(47,579)	(219,138)	(67,699)	(311,805)
Interest income	361,276	380,949	514,049	542,042
<i>Changes in operating assets and liabilities:</i>				
Inventory	(119,585)	(2,603,838)	(170,154)	(3,704,928)
Debtors	(2,995,990)	(6,843,638)	(4,262,910)	(9,737,620)
Creditors	418,263	1,414,091	595,135	2,012,072
<b>Gross cash provided by operating activities</b>	<b>7,821,986</b>	<b>1,022,252</b>	<b>11,129,683</b>	<b>1,454,535</b>
Corporate income tax paid	(1,219,991)	(1,097,207)	(1,735,890)	(1,561,186)
<b>Net cash provided by (used in) operating activities</b>	<b>6,601,995</b>	<b>(74,955)</b>	<b>9,393,793</b>	<b>(106,651)</b>
<b>INVESTING ACTIVITIES</b>				
Purchase of fixed assets and intangible assets	(8,749,063)	(7,533,950)	(12,448,795)	(10,719,845)
Proceeds from sale of fixed assets	3,522	34,063	5,011	48,466
Interest received	46,647	32,625	66,373	46,421
Purchase of long term financial investments	(524,000)	(1,088,119)	(745,585)	(1,548,253)
Purchase of short term financial investments	5,184,417	14,549	7,376,761	20,701
<b>Net cash used in investing activities</b>	<b>(4,038,477)</b>	<b>(8,540,832)</b>	<b>(5,746,235)</b>	<b>(12,152,510)</b>
<b>FINANCING ACTIVITIES</b>				
Received loans from credit institutions	1,413,539	5,489,744	2,011,285	7,811,202
Repaid loans to credit institutions	(3,886,809)	(1,890,592)	(5,530,432)	(2,690,070)
Additional financial resources	1,500,000	-	2,134,308	-
Interest income	932	-	1,326	-
Interest paid	(361,276)	(388,575)	(514,049)	(552,892)
<b>Net cash provided by financing activities</b>	<b>(1,333,614)</b>	<b>3,210,577</b>	<b>(1,897,562)</b>	<b>4,568,240</b>
<b>Net (decrease)/ increase in cash and cash equivalents</b>	<b>1,229,904</b>	<b>(5,405,210)</b>	<b>1,749,996</b>	<b>(7,690,921)</b>
<b>Cash and cash equivalents at the beginning of the year</b>	<b>574,146</b>	<b>5,979,356</b>	<b>816,936</b>	<b>8,507,857</b>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD</b>	<b>1,804,050</b>	<b>574,146</b>	<b>2,566,932</b>	<b>816,936</b>

## NOTES

### FINISHED GOODS AND GOOD FOR RESALE

	<b>31.12.2007</b>	<b>31.12.2006</b>	<b>31.12.2007</b>	<b>31.12.2006</b>
	<b>LVL</b>	<b>LVL</b>	<b>EUR</b>	<b>EUR</b>
Goods for sale	1,742,919	1,889,043	2,479,950	2,687,866
Self-manufactured and co-manufactured production	1,168,909	1,349,806	1,663,208	1,920,601
<b>Total</b>	<b>2,911,828</b>	<b>3,238,849</b>	<b>4,143,158</b>	<b>4,608,467</b>

### OTHER DEBTORS

	<b>31.12.2007</b>	<b>31.12.2006</b>	<b>31.12.2007</b>	<b>31.12.2006</b>
	<b>LVL</b>	<b>LVL</b>	<b>EUR</b>	<b>EUR</b>
Tax receivables	829,432	311,830	1,180,175	443,694
Other	300,829	678,884	428,041	965,964
<b>Total</b>	<b>1,130,261</b>	<b>990,714</b>	<b>1,608,216</b>	<b>1,409,658</b>

### CASH AND CASH EQUIVALENTS

	<b>31.12.2007</b>	<b>31.12.2006</b>	<b>31.12.2007</b>	<b>31.12.2006</b>
	<b>LVL</b>	<b>LVL</b>	<b>EUR</b>	<b>EUR</b>
Cash in bank	1,801,352	565,253	2,563,093	804,282
Cash on hand	2,698	8,893	3,839	12,654
<b>Total</b>	<b>1,804,050</b>	<b>574,146</b>	<b>2,566,932</b>	<b>816,936</b>

## LOANS FROM CREDIT INSTITUTIONS

	31.12.2007 LVL	31.12.2006 LVL	31.12.2007 EUR	31.12.2006 EUR
Credit line from JSC "Hansabanka", Latvia	1,949,396	2,525,857	2,773,741	3,593,971
Credit line from JSC "UniCredit Bank", Latvia	1,048,648	1,507,323	1,492,091	2,144,727
JSC "Hansabanka", Latvia	354,213	1,618,071	504,000	2,302,308
JSC "UnicreditBank Latvia"	191,163	191,163	272,000	272,000
JSC "Hansabanka", Latvia	151,834	-	216,040	-
JSC "Parekss banka", Latvia	147,954	177,550	210,520	252,631
JSC "Hansabanka", Latvia	97,549	167,189	138,800	237,888
Ministry of Finance (World Bank credit)	-	684,769	-	974,339
<b>Current loans from credit institutions</b>	<b>3,940,757</b>	<b>6,871,922</b>	<b>5,607,192</b>	<b>9,777,864</b>
JSC "Hansabanka", Latvia	1,277,790	1,644,929	1,818,130	2,340,522
JSC "Hansabanka", Latvia	809,862	-	1,152,330	-
JSC "SEB Unibanka", Latvia	451,843	-	642,915	-
JSC "UnicreditBank Latvia"	95,581	286,744	136,000	408,000
JSC "Parekss banka", Latvia	-	147,959	-	210,527
JSC "Hansabanka", Latvia	-	97,549	-	138,800
<b>Non-current loans from credit institutions</b>	<b>2,635,076</b>	<b>2,177,181</b>	<b>3,749,375</b>	<b>3,097,849</b>
<b>Total</b>	<b>6,575,833</b>	<b>9,049,103</b>	<b>9,356,567</b>	<b>12,875,713</b>

## TAX LIABILITIES

	31.12.2007 LVL	31.12.2006 LVL	31.12.2007 EUR	31.12.2006 EUR
Corporate income tax	87,771	62,763	124,887	89,304
Personal income tax	103,304	48,457	146,988	68,948
Social security payments	81,506	145,026	115,973	206,353
Other	8,833	3,267	12,568	4,649
<b>Total</b>	<b>281,414</b>	<b>259,513</b>	<b>400,416</b>	<b>369,254</b>

## NET SALES

	2007 LVL	2006 LVL	2007 EUR	2006 EUR
Russia	28,745,080	24,630,977	40,900,564	35,046,723
Other CIS countries	16,863,121	12,732,297	23,994,060	18,116,426
Other countries	4,462,187	3,605,774	6,349,120	5,130,554
Latvia	2,915,379	2,404,687	4,148,211	3,421,561
Lithuania	1,647,855	1,357,500	2,344,686	1,931,548
Estonia	976,541	965,480	1,389,493	1,373,755
Other income	50,852	82,245	72,355	117,025
<b>Gross sales</b>	<b>55,661,015</b>	<b>45,778,960</b>	<b>79,198,489</b>	<b>65,137,592</b>
<b>Less discounts</b>				
Russia	(2,310,142)	(2,051,966)	(3,287,036)	(2,919,685)
Other CIS countries	(1,479,470)	(1,300,189)	(2,105,096)	(1,850,002)
Other countries	(36,117)	(16,711)	(51,390)	(23,778)
Latvia	(239,778)	(112,657)	(341,173)	(160,296)
Lithuania	(46,864)	(23,721)	(66,681)	(33,752)
Estonia	(55,153)	(43,469)	(78,476)	(61,851)
<b>Discounts total</b>	<b>(4,167,524)</b>	<b>(3,548,713)</b>	<b>(5,929,852)</b>	<b>(5,049,364)</b>
<b>Total, net</b>	<b>51,493,491</b>	<b>42,230,247</b>	<b>73,268,637</b>	<b>60,088,228</b>



## COST OF GOODS SOLD

	<b>2007</b>	<b>2006</b>	<b>2007</b>	<b>2006</b>
	<b>LVL</b>	<b>LVL</b>	<b>EUR</b>	<b>EUR</b>
Goods purchased for resale	7,561,383	7,645,144	10,758,879	10,878,060
Raw materials and packing	7,001,387	5,782,411	9,962,076	8,227,630
Direct labour and social security payments	5,461,051	4,221,945	7,770,376	6,007,287
Research costs	2,388,629	2,447,477	3,398,713	3,482,446
Depreciation of fixed assets and amortization of intangible assets	1,208,774	908,978	1,719,930	1,293,359
Electricity resource expenses	631,703	521,233	898,832	741,648
Machinery, buildings and equipment repairs	662,452	452,649	942,584	644,062
Household expenses	176,441	152,436	251,053	216,897
Waste disposal	137,648	141,172	195,855	200,870
Transport	193,955	103,730	275,973	147,594
Rent of work clothing	79,959	74,362	113,771	105,808
Other	1,191,151	797,624	1,694,856	1,134,914
Internal turnover of self-manufactured raw materials	(2,714,062)	(3,840,945)	(3,861,762)	(5,465,172)
<b>Total</b>	<b>23,980,471</b>	<b>19,408,216</b>	<b>34,121,136</b>	<b>27,615,403</b>

## SELLING AND DISTRIBUTION COSTS

	<b>2007</b>	<b>2006</b>	<b>2007</b>	<b>2006</b>
	<b>LVL</b>	<b>LVL</b>	<b>EUR</b>	<b>EUR</b>
Advertising	5,888,620	4,607,953	8,378,751	6,556,526
Expenses of representative offices	2,128,954	1,671,591	3,029,229	2,378,460
Salaries and social security payments	933,110	685,037	1,327,696	974,720
Patents	510,827	477,477	726,841	679,389
Distribution expenses for goods	560,464	456,282	797,468	649,231
Registration costs for medicine	255,881	263,646	364,086	375,134
Commissions	563,585	200,421	801,909	285,173
Depreciation of fixed assets and amortisation of intangible assets	177,737	118,477	252,897	168,578
Freight insurance	49,173	61,300	69,967	87,222
Other	972,403	753,718	1,383,605	1,072,444
<b>Total</b>	<b>12,040,754</b>	<b>9,295,902</b>	<b>17,132,449</b>	<b>13,226,877</b>

## ADMINISTRATIVE EXPENSES

	<b>2007</b>	<b>2006</b>	<b>2007</b>	<b>2006</b>
	<b>LVL</b>	<b>LVL</b>	<b>EUR</b>	<b>EUR</b>
Salaries and social security payments	2,697,924	2,150,441	3,838,800	3,059,802
Depreciation of fixed assets and amortisation of intangible assets	430,808	326,267	612,985	464,236
Security costs	214,312	174,177	304,939	247,832
Transport	184,686	148,405	262,785	211,161
Personnel training and hiring expenses	132,148	185,814	188,030	264,390
Employee insurance	122,287	117,207	173,999	166,771
Electricity	126,330	107,004	179,751	152,253
Professional services	116,414	229,349	165,642	326,334
Communication expense	99,033	55,141	140,911	78,459
Computers maintenance	83,897	78,296	119,375	111,405
Business trips	71,390	113,671	101,579	161,739
Bank charges	70,986	73,877	101,004	105,118
Property and liability insurance	40,421	24,982	57,514	35,546
Other	2,385,379	1,807,479	3,394,087	2,571,810
<b>Total</b>	<b>6,776,015</b>	<b>5,592,110</b>	<b>9,641,401</b>	<b>7,956,856</b>

Currency exchange for the EUR – 0.702804

JSC “Grindeks” hereby informs that there were no changes made in its accounting policy in 2007. In non-audited financial accounts for the period January - December 2007 the Group has employed the same Accounting and Consolidation Principles as in the audited consolidated financial accounts for the year 2006, released on April 24, 2007.

Chairman of the Board

Janis Romanovskis