



Joint Stock Company “Grindeks”

*Not audit consolidated financial statements,
for the period ended 30 September 2007 and
30 September 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

6 November, 2007

MAJOR SHAREHOLDERS

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

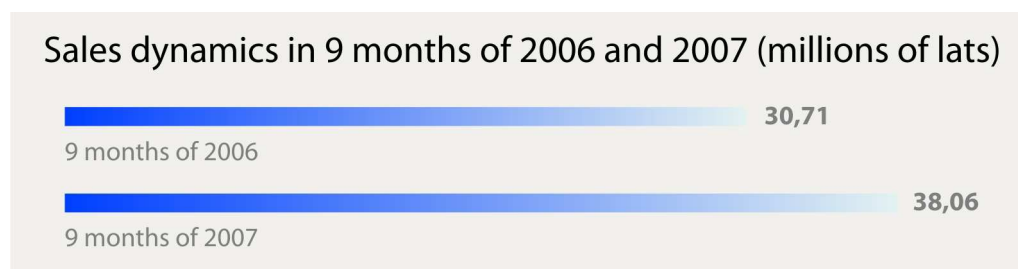
	01.10.2007 Investments in percentage (%)	31.05.2007. Investments in percentage (%)
Kirovs Lipmans	30.26	28.73
Anna Lipmane	16.69	16.69
JSC "Hansapank"	15.54	-
Vitalijs Gavrilovs	11.30	11.30
"Skandinaviska Enskilda Banken"	9.23	-
State Social Insurance Agency	2.29	2.29
Other shareholders	14.69	40.99
Total	100.00	100.00

MANAGEMENT REPORT

The results of business activities of *Grindex* Concern for 9 months of 2007 are positive – production and sales values have been increasing in pursuance of development plans accepted by the company.

Grindex's **turnover** has reached 38.06 million lats after 9 months of 2007, this means that the turnover has increased by 23.9% in comparison with the analogous period of 2006.

Figure 1



Gross income of the company is 20.01 million lats for 9 months of 2007, and it is by 18.6% more than for the analogous period of 2006. **Net income** of the company for the period under review has kept its tendency of growth reaching 4.9 million lats within the period under review in comparison with 4.8 million lats in 9 months of 2006.

Within the period under review, *Grindex's* investments in products research and development have been increased by 26%. Products research and development is very important for *Grindex's* competitive power to be ensured and strengthened successfully in the future. Investments in *Grindex's* products promotion, also investments in promotion of company's ability to be recognized on strategically important markets, as well as investments in expansion of regional representative offices had been made by 32% more within 9 months of 2007 than within the analogous accounting period of the last year. The above mentioned investments increase has affected the profitability of net income which is 12.9 % for 9 months of 2007 in comparison with 15.7 % for the analogous accounting period of the last year.

Ready-made forms of medicines have been sold more than for 34.65 million lats within three quarters of 2007, sales increased by 22.9 % as compared to the analogous period of 2006. The best part of income has been traditionally coming from medicines' sales on the markets of Russia and Commonwealth of Independent States, through continuously developed network of representative offices in that region, as well as owing to high professional skills and experience of stable cooperation partners selected by the company.

Search for new markets for *Grindex* production to be sold on was being carried out successfully – the contract on five medical products registration in Turkey has been signed in September. It is being proceeded on registration process of Mildronate capsules and solution for injection, the prime original medical product of the company, started in May in People's Republic of China. Both above mentioned potential markets are dynamically developing and promising to open great opportunities for a volume of *Grindex* products exports to be increased.

It is being proceeded also on *Grindex's* active pharmaceutical substances promotion on all the markets, both existing and new, resulting the volume of active pharmaceutical substances exports to be increased by 27.4 % after 9 months of 2007 in comparison with the analogous period of 2006.

We have certificated the Active Pharmaceutical Substances Analytical Scaling Laboratory, for the time being the only such kind laboratory in the Baltic States, and this laboratory will give us wide opportunities to attract new foreign customers, accelerate new products to be created and started to

produce, allowing significantly to increase competitive strength of *Grindex's* production on the markets of Europe and USA.

It is being proceeded also on the implementation of *Grindex's* large scale investment program aimed to finish a new oral medicines production plant with annual productive capacity of 2 milliard tablets and capsules, at the end of the next year. The projects for new sewage purification works and multifunctional warehouses have been started to elaborate.

Increased turnover, extended production infrastructure and new products development are the main priorities for the next period of *Grindex's* business activities.

Within 9 months of 2007, at *Riga Stock Exchange* the shares of *Grindex's* were being ranged in price from Ls 6.99, reaching the historical peak of price Ls 9.05 per share in February.

Development of the price of *Grindex's* share within 9 months of 2007

Figure 2



(Data by *Riga Stock Exchange*)

Grindex's earnings per share (EPS) in the 9 months of 2007 has grown to the amount of Ls 0.51 or 0.73 euro in comparison with after 9 months of 2006 – Ls 0.50 or euro 0.73.

Chairman of the Managing Board of *Grindex JSC*

Jānis Romanovskis

6 November, 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 September 30, 2007 and the results of its operations and cash flows for the six-month period ended September 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

6 November, 2007

BALANCE SHEETS

	2007 January- September LVL	2006 January- September LVL	2007 January- September EUR	2006 January- September EUR
ASSETS				
Non-current assets				
Intangible assets				
Patents, licenses, trademarks and other rights	11,798	52,927	16,787	75,308
Goodwill	-	411,145	-	585,007
Other intangible assets	397,703	321,760	565,880	457,823
Advance payments for intangible assets	30,689	55,013	43,667	78,276
Total intangible assets	440,190	840,845	626,334	1,196,414
Investment property	4,449,817	3,709,796	6,331,519	5,278,564
Tangible fixed assets				
Land, buildings and constructions	6,598,793	5,370,745	9,389,237	7,641,882
Equipment and machinery	6,681,571	3,866,538	9,507,019	5,501,588
Other fixed assets	640,107	582,332	910,790	828,584
Advance payments for fixed assets	5,388,622	3,678,301	7,667,318	5,233,751
Construction in progress	195,000	195,000	277,460	277,460
Total tangible fixed assets	19,504,093	13,692,916	27,751,824	19,483,265
Long-term financial investments				
Other investments	134,236	-	191,001	-
Total long-term financial investments	134,236		191,001	
Total non-current assets	24,528,336	18,243,557	34,900,678	25,958,243
Current assets				
Inventory				
Raw materials	1,824,848	1,228,782	2,596,525	1,748,399
Unfinished goods	1,768,630	1,501,782	2,516,533	2,136,843
Finished goods and goods for resale	2,410,626	3,072,238	3,430,012	4,371,401
Total inventory	6,004,104	5,802,802	8,543,070	8,256,643
Debtors				
Trade receivables	18,080,547	10,653,597	25,726,300	15,158,703
Other debtors	1,354,717	1,748,237	1,927,589	2,487,516
Deferred expenses	103,704	53,806	147,557	76,559
Total debtors	19,538,968	12,455,640	27,801,446	17,722,778
Financial assets at fair value through profit and loss	-	6,153,488	-	8,755,625
Cash and cash equivalents	381,812	908,798	543,270	1,293,103
Total current assets	25,924,884	25,320,728	36,887,786	36,028,149
TOTAL ASSETS	50,453,220	43,564,285	71,788,464	61,986,392

Grindex

	2007 January- September LVL	2006 January- September LVL	2007 January- September EUR	2006 January- September 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	5,864,453	(722,731)	8,344,365	(1,028,354)
b) current year profit	4,902,025	4,836,540	6,974,953	6,881,776
Equity attributable to equity holders of the parent	36,504,133	29,851,464	51,940,701	42,474,805
Minority interest	49,471	155,042	70,391	220,605
Total equity	36,553,604	30,006,506	52,011,092	42,695,410
LIABILITIES				
Long-term liabilities				
Loans from credit institutions	2,177,181	5,015,923	3,097,849	7,137,015
Finance lease liabilities	87,934	1,411	125,119	2,008
Deferred tax liability	1,221,225	851,651	1,737,647	1,211,790
Total non-current liabilities	3,486,340	5,868,985	4,960,615	8,350,813
Current liabilities				
Loans from credit institutions	3,790,356	3,238,388	5,393,191	4,607,811
Finance lease liabilities	3,101	12,076	4,412	17,183
Advances from customers	89,844	1,278	127,836	1,818
Trade accounts payable	4,229,449	2,816,182	6,017,964	4,007,067
Taxes and social security liabilities	244,467	508,411	347,845	723,404
Other current liabilities	-	497,507	-	707,889
Other payables	456,887	599,412	650,092	852,886
Accrued liabilities	109,531	15,540	155,849	22,111
Deferred income	1,489,641	-	2,119,568	-
Total current liabilities	10,413,276	7,688,794	14,816,757	10,940,169
Total liabilities	13,899,616	13,557,779	19,777,372	19,290,982
TOTAL EQUITY AND LIABILITIES	50,453,220	43,564,285	71,788,464	61,986,392

PROFIT AND LOSS STATEMENTS

	2007 January- September LVL	2006 January- September LVL	2007 January- September EUR	2006 January- September EUR
Net sales	38,056,150	30,708,074	54,149,023	43,693,653
Cost of goods sold	(18,042,459)	(13,834,924)	(25,672,106)	(19,685,323)
Gross profit	20,013,691	16,873,150	28,476,917	24,008,330
Selling expenses	(8,635,359)	(6,549,442)	(12,287,009)	(9,319,016)
Administrative expenses	(5,121,215)	(4,205,260)	(7,286,832)	(5,983,546)
Other operating income	122,304	239,026	174,022	340,103
Other operating expenses	(200,754)	(412,891)	(285,648)	(587,491)
Interest income and similar income	47,496	161,521	67,581	229,824
Interest expense and similar expense	(236,098)	(273,187)	(335,937)	(388,710)
Real estate tax	(81,493)	(50,139)	(115,954)	(71,342)
Profit before taxation	5,908,572	5,782,778	8,407,140	8,228,152
Corporate income tax	(1,007,225)	(944,748)	(1,433,152)	(1,344,255)
NET PROFIT FOR THE PERIOD	4,901,347	4,838,030	6,973,988	6,883,897
Attributable to:				
Equity holders of the parent	4,902,025	4,836,540	6,974,953	6,881,776
Minority interest	(678)	1,490	(965)	2,121
TOTAL	4,901,347	4,838,030	6,973,988	6,883,897
Earnings per share attributable equity holders of the parent (LVL per share)				
- Basic earnings per share	0.51	0.50	0.73	0.72
- Diluted earnings per share	0.51	0.50	0.73	0.72

STATEMENTS OF CHANGES IN EQUITY

	Share capital	Share premium	Other reserves	Accumulated (loss)/profit	Equity attributable to equity holders of the parent	Minority interest	Total
	LVL	LVL	LVL	LVL	LVL	LVL	LVL
As at 31 December 2006	9,585,000	15,687,750	464,905	5,864,453	31,602,108	50,149	31,652,257
Profit for the period	-	-	-	4,902,025	4,902,025	(678)	4,901,347
As at 30 September 2007	9,585,000	15,687,750	464,905	10,766,478	36,504,133	49,471	36,553,604

	Share capital	Share premium	Other reserves	Accumulated (loss)/profit	Equity attributable to equity holders of the parent	Minority interest	Total
	EUR	EUR	EUR	EUR	LVL	LVL	LVL
As at 31 December 2006	13,638,226	22,321,657	661,500	8,344,365	44,965,748	71,356	45,037,104
Profit for the period	-	-	-	6,974,953	6,974,953	(965)	6,973,988
As at 30 September 2007	13,638,226	22,321,657	661,500	15,319,318	51,940,701	70,391	52,011,092

STATEMENTS OF CASH FLOWS

	2007 January- September LVL	2006 January- September LVL	2007 January- September EUR	2006 January- September EUR
OPERATING ACTIVITIES				
Net profit before taxation	5,908,572	5,782,778	8,407,140	8,228,152
<i>Adjustments to reconcile net profit to net cash provided by operating activities:</i>				
Depreciation and amortisation	1,300,901	1,058,658	1,851,015	1,506,335
Loss / (gain) on disposal of fixed assets and intangible assets	(2,620)	15,623	(3,728)	22,230
Interest expense	236,098	273,187	335,937	388,710
Interest income	(47,496)	(161,521)	(67,581)	(229,824)
<i>Changes in operating assets and liabilities:</i>				
Inventory	920,046	(1,482,490)	1,309,108	(2,109,393)
Debtors	(4,387,023)	(4,138,517)	(6,242,171)	(5,888,579)
Creditors	(93,807)	(189,277)	(133,475)	(269,318)
Corporate income tax paid	(1,020,158)	(896,627)	(1,451,554)	(1,275,785)
Net cash provided by (used in) operating activities	2,814,513	261,814	4,004,691	372,528
INVESTING ACTIVITIES				
Purchase of fixed assets and intangible assets	(5,926,146)	(6,050,150)	(8,432,146)	(8,608,588)
Proceeds from sale of fixed assets	3,150	12,693	4,482	18,061
Interest received	46,647	-	66,373	-
Purchase of short term financial investments	5,184,417	(1,083,376)	7,376,761	(1,541,505)
Purchase of long term financial investments	(502,100)	(868,286)	(714,424)	(1,235,460)
Net cash used in investing activities	(1,194,032)	(7,989,119)	(1,698,954)	(11,367,492)
FINANCING ACTIVITIES				
Interest paid	(232,098)	(273,187)	(330,246)	(388,710)
Interest income	849	161,521	1,208	229,824
Additional financial resources	1,500,000	-	2,134,308	-
Received loans from credit institutions	590,631	4,524,928	840,392	6,438,392
Repaid loans to credit institutions	(3,672,197)	(1,756,515)	(5,225,065)	(2,499,296)
Net cash provided by financing activities	(1,812,815)	2,656,747	(2,579,403)	3,780,210
Net (decrease)/ increase in cash and cash equivalents	(192,334)	(5,070,558)	(273,666)	(7,214,754)
Cash and cash equivalents at the beginning of the year	574,146	5,979,356	816,936	8,507,857
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	381,812	908,798	543,270	1,293,103

NOTES

FINISHED GOODS AND GOOD FOR RESALE

	2007	2006	2007	2006
	January- September LVL	January- September LVL	January- September EUR	January- September EUR
Goods for sale	1,529,215	1,616,523	2,175,877	2,300,105
Self-manufactured and co-manufactured production	881,411	1,455,715	1,254,135	2,071,296
Total	2,410,626	3,072,238	3,430,012	4,371,401

OTHER DEBTORS

	2007	2006	2007	2006
	January- September LVL	January- September LVL	January- September EUR	January- September EUR
Tax receivables	219,100	428,360	311,751	609,501
Other	1,135,617	1,319,877	1,615,838	1,878,015
Total	1,354,717	1,748,237	1,927,589	2,487,516

CASH AND CASH EQUIVALENTS

	2007	2006	2007	2006
	January- September LVL	January- September LVL	January- September EUR	January- September EUR
Cash on hand	11,318	10,625	16,104	15,118
Cash in bank	370,494	898,173	527,166	1,277,985
Total	381,812	908,798	543,270	1,293,103

LOANS FROM CREDIT INSTITUTIONS

	2007 January- September LVL	2006 January- September LVL	2007 January- September EUR	2006 January- September EUR
Credit line from JSC "Hansabanka", Latvia	3,116,488	1,596,001	4,434,363	2,270,905
Credit line from JSC "UniCredit Bank", Latvia	498,709	1,508,311	709,599	2,146,133
JSC "Parekss banka", Latvia	44,384	44,488	63,153	63,301
JSC "UniCredit Bank", Latvia	47,791	47,791	68,000	68,000
JSC "Hansabanka", Latvia	6,996	41,797	9,954	59,472
JSC "Hansabanka", Latvia	75,988	-	108,122	-
Current loans from credit institutions	3,790,356	3,238,388	5,393,191	4,607,811
JSC "Hansabanka", Latvia	1,644,929	3,263,000	2,340,523	4,642,831
JSC "UniCredit Bank", Latvia	286,744	477,907	408,000	680,000
JSC "Parekss banka", Latvia	147,959	325,509	210,526	463,158
JSC "Hansabanka", Latvia	97,549	264,738	138,800	376,687
Ministry of Finance (World Bank credit)	-	684,769	-	974,339
Non-current loans from credit institutions	2,177,181	5,015,923	3,097,849	7,137,015
Total	5,967,537	8,254,311	8,491,040	11,744,826

TAX LIABILITIES

	2007 January- September LVL	2006 January- September LVL	2007 January- September EUR	2006 January- September EUR
Social security payments	118,612	79,939	168,770	113,743
Personal income tax	117,743	102,883	167,533	146,390
Corporate income tax	-	323,352	-	460,088
Other	8,112	2,237	11,542	3,183
Total	244,467	508,411	347,845	723,404

NET SALES

	2007 January- September LVL	2006 January- September LVL	2007 January- September EUR	2006 January- September EUR
Russia	20,545,026	18,195,056	29,232,938	25,889,232
Other CIS countries	12,595,703	8,960,491	17,922,071	12,749,630
Other countries	3,465,608	2,712,392	4,931,116	3,859,386
Latvia	1,855,306	1,655,670	2,639,863	2,355,806
Lithuania	1,125,049	927,048	1,600,801	1,319,070
Estonia	760,634	730,572	1,082,285	1,039,510
Other income	328,745	63,656	467,761	90,576
Gross sales	40,676,071	33,244,885	57,876,835	47,303,210
Discounts total	(2,619,921)	(2,536,811)	(3,727,812)	(3,609,557)
Total, net	38,056,150	30,708,074	54,149,023	43,693,653

COST OF GOODS SOLD

	2007 January- September LVL	2006 January- September LVL	2007 January- September EUR	2006 January- September EUR
Goods purchased for resale	5,727,563	4,558,566	8,149,588	6,486,255
Raw materials and packing	5,575,423	5,554,030	7,933,112	7,902,673
Direct labour and social security payments	4,040,467	3,064,409	5,749,067	4,360,261
Research costs	1,912,637	1,471,737	2,721,437	2,094,093
Depreciation of fixed assets and amortisation of intangible assets	849,250	669,792	1,208,374	953,028
Electricity resource expences	416,642	358,251	592,828	509,745
Machinery, buildings and equipment repairs	439,408	364,881	625,221	519,179
Household expenses	124,258	111,788	176,803	159,060
Waste disposal	97,206	98,574	138,312	140,258
Transport	77,621	77,065	110,445	109,654
Rent of work clothing	59,223	54,011	84,267	76,851
Other	575,678	499,469	819,115	710,680
Internal turnover of self-manufactured raw materials	(1,852,917)	(3,047,649)	(2,636,463)	(4,336,414)
Total	18,042,459	13,834,924	25,672,106	19,685,323

SELLING AND DISTRIBUTION COSTS

	2007 January- September LVL	2006 January- September LVL	2007 January- September EUR	2006 January- September EUR
Advertising	4,348,171	3,219,274	6,186,890	4,580,614
Expenses of representative offices	1,522,282	1,159,560	2,166,012	1,649,905
Salaries and social security payments	690,203	494,003	982,070	702,903
Distribution expenses for goods	394,471	295,893	561,282	421,018
Patents	387,213	365,375	550,954	519,882
Commissions	375,843	171,085	534,776	243,432
Registration costs for medicine	229,196	215,919	326,117	307,225
Depreciation of fixed assets and amortisation of intangible assets	130,790	67,166	186,097	95,569
Freight insurance	38,599	48,745	54,921	69,358
Other	518,591	512,422	737,890	729,110
Total	8,635,359	6,549,442	12,287,009	9,319,016

ADMINISTRATIVE EXPENSES

	2007 January- September LVL	2006 January- September LVL	2007 January- September EUR	2006 January- September EUR
Salaries and social security payments	2,011,603	1,610,256	2,862,253	2,291,188
Depreciation of fixed assets and amortisation of intangible assets	320,861	239,658	456,544	341,003
Security costs	159,810	127,908	227,389	181,997
Transport	136,811	111,757	194,665	159,016
Personnel training and hiring expensis	96,246	106,709	136,946	151,833
Employee insurance	87,535	90,178	124,551	128,312
Professional services	56,143	74,268	79,884	105,674
Business trips	51,243	70,473	72,912	100,274
Bank charges	51,265	47,437	72,944	67,497
Communication expense	31,080	33,042	44,223	47,015
Other	2,118,618	1,693,574	3,014,521	2,409,737
Total	5,121,215	4,205,260	7,286,832	5,983,546

Currency exchange for the EUR – 0.702804

JSC *Grindex* hereby informs that there were no changes made in its accounting policy in 2006. In non-audited financial accounts of period January-September 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

Janis Romanovskis