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Raivo Unt
Chairman of the Board
Tallinna Farmaatsiatehase AS

SISSE TULNUD

29. 09. 2006 1129

TFT AS

Riga, 28 September 2006

No. 1940

Application for takeover of the shares of AS Tallinna Farmaatsiatehase

As of today JSC "Grindex" (hereinafter referred to as Grindex) owns 1,187,577 shares of AS Tallinna Farmaatsiatehase (hereinafter referred to as TFT), which represents 95.0062 per cent of the share capital of TFT.

According to the Estonian Commercial Code (Article 363.1) a shareholder who owns at least 90 per cent of the shares of a company (majority shareholder) can make an application to the general meeting of the shareholders to adopt a decision to acquire the shares of the minority shareholders for a fair monetary compensation.

Grindex has decided to take over the shares belonging to minority shareholders of TFT and, thus requires the management board of TFT to call a special general meeting on **1 November 2006**. The agenda of the special general meeting shall be as follows:

Takeover of shares for monetary compensation.

Enclosures: Takeover Report, Auditor's Report, and Draft Resolution of the Proposed General Meeting.

On behalf of JSC "Grindex":

Valdis Jākobsons
Chairman of the Board



TAKEOVER REPORT

28 September 2006

Company:	Tallinna Farmaatsiatehase AS
Registry code:	10093221
Address:	Tondi 33, Tallinn
Share capital:	EEK 12,500,000
Number of shares:	1,250,000
Nominal value of share:	EEK 10
Majority shareholder:	JSC Grindeks
Registry code:	0003034935
Address:	Krustpils street 53, Riga, Latvia

The current report is prepared by JSC Grindeks (hereinafter referred to as Grindeks), which is the majority shareholder of Tallinna Farmaatsiatehase AS (hereinafter referred to as TFT). The report explains and substantiates the conditions applicable to the takeover of the minority shareholders' shares and the basis for determining the amount of compensation payable for the shares.

Background

As of 28 September 2006 Grindeks owns 1,187,577 shares of TFT, which represents 95.0062% of the share capital of TFT.

Following reorganisation within the Grindeks group of companies, at present TFT operations have been limited to production, while majority of all other functions are performed by other group companies. After de-listing from the Tallinn Stock Exchange, TFT will continue to operate as a production unit and will provide manufacturing services to Grindeks.

According to the Commercial Code article 363¹ section 1 a shareholder who owns at least 90% of the shares of a company (majority shareholder) can make an application to the general meeting of the shareholders to adopt a decision to acquire the shares of the minority shareholders for a fair monetary compensation. According to the Commercial Code article 363² section 1 the amount of compensation payable to minority shareholders will be determined by the majority shareholder.

According to the Commercial Code article 363⁴ section 1 the majority shareholder has to present a written report (takeover report) to the general meeting explaining and justifying the conditions on which the shares belonging to the minority shareholders will be taken over by the majority shareholder and the basis for determining the amount of compensation payable for the shares.

The report has to be audited by an auditor. The auditor has to issue a written report stating in particular whether the compensation determined by the majority shareholder is in accordance with the Commercial Code article 363².

According to the Commercial Code article 363⁵ section 1 the takeover report and the auditor's report together with other required documents shall be submitted to the shareholders at least one month before the date of the general meeting deciding on the takeover of shares. Copies of the said documents shall be promptly given to a shareholder on the demand of the shareholder.

Based on the fact that Grindeks wants to acquire 100% of the shares issued by TFT, Grindeks shall present an application in accordance with the Commercial Code article 363¹ sections 1 and 3 to the management board of TFT to take over the shares owned by the minority shareholders in exchange for monetary compensation.

According to the Commercial Code article 363² section 1 the amount of compensation shall be determined on the basis of the value of the shares to be taken over that these shares had 10 days prior to the date on which the notice calling the general meeting was sent out. However, exact method of calculation of this value is not determined in this section.

TFT Value Assessment

1) The last transaction, when Grindeks acquired TFT shares was conducted in April 2005, when EEK 43.50 were paid for each share.

2) Grindeks has asked Rimess MRI to conduct an independent estimation of the fair value of 100% TFT's equity. Report was issued in April 2006 and the main conclusions arising from Rimess MRI value analysis were as follows:

- Based on TFT management forecasts, the value of discounted cash flows are estimated to be around EEK 10.5 million assuming annual investment into fixed assets are between EEK 2.3 and 2.7 million and discount rate is 12%;
- This value is significantly lower than the fair value of TFT's net assets (mainly real estate owned by TFT), which was estimated to be around EEK 111.6 million;
- Therefore value estimate is based on the fair value of TFT's net assets and has been determined as EEK 89.24 per share.

Grindeks believes that two additional factors, which were not included in the value analysis prepared by Rimess MRI should be taken into account as described below.

Relocation of operations

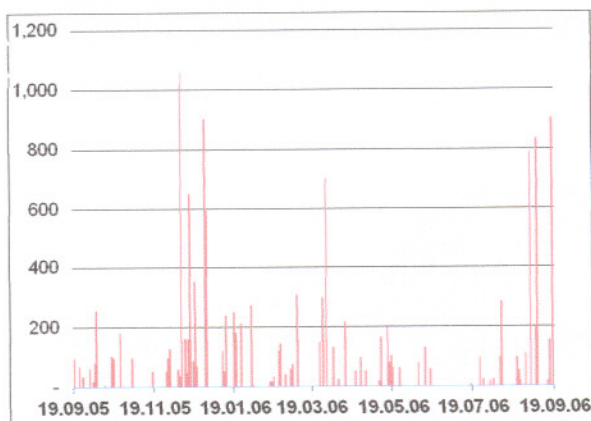
- Realisation of the real estate value (which forms 80% of the total net assets value) will only be possible if current manufacturing operations are moved to a different location;
- TFT has started preparations for the relocation and has initiated negotiations with Lasnamäe Tööstuspark rent a land plot for its production facilities;
- Relocation will require significant investments to prepare a new site and move equipment. Value assessment has included an estimate for costs to remove existing buildings, but does not include an estimate of costs related to relocation of operation.

Marketability of shares

Market analysis conducted by Rimess MRI does not include considerations regarding the marketability of TFT shares.

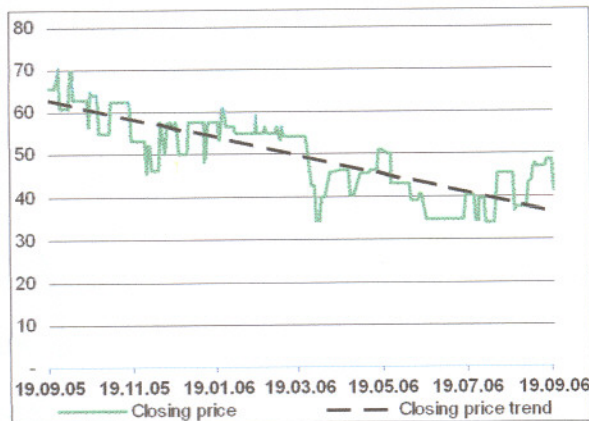
Although TFT is a publicly traded company, there have been comparatively small volumes of trade with its shares (see the graph below) and therefore Grindeks believes that value of shares should be decreased to reflect the lack of several marketability elements, which would be in line with generally accepted valuation approaches.

Fluctuations of the number of TFT shares sold, thousands shares per trading day, 19 September 2005 – 19 September 2006



Source: Tallinn Stock Exchange

Fluctuations of the TFT closing share price, EEK per share, 19 September 2005 – 19 September 2006



Source: Tallinn Stock Exchange

Total volume of shares traded during the last twelve months is 14,610 shares from total of 62,423 shares owned by minority shareholders, in 20 March – 19 September 2006 there were transactions with 6,548 shares only.

3) The average closing price of one TFT share quoted on Tallinn Stock Exchange during the last 10 trading days has been EEK 47.00, during the last six months it was EEK 41.70 and during the last twelve months it was EEK 49.50 taking 19 September 2006 as the end of the calculation period.

4) According to the unaudited financial statements as of 30 June 2006, the book value of one TFT share was 41.54 EEK.

Monetary Compensation

Based on value assessment as described above, Grindeks management proposes to acquire shares for **EEK 80 per each share**.

As a result, the monetary compensation offered by Grindeks is significantly higher than the average share price of TFT on the Tallinn Stock Exchange.

Conclusion

The notice calling the general meeting at which a decision is to be made regarding the takeover of shares belonging to minority shareholders shall be sent out on 29 September 2006.

An auditor's report shall be attached to this takeover report to certify that the monetary compensation determined by Grindeks is in accordance with the Commercial Code article 363².

According to the Commercial Code article 363⁷ section 1, the shareholders' resolution for taking over the shares belonging to the minority shareholders is adopted if at least 95% of the votes represented by shares are in favour of this decision. As Grindeks currently owns 95.0062% of the shares of TFT, it is sufficient to adopt the shareholders resolution at the general meeting.

Within one month from the adoption of the resolution at the general meeting, the management board of TFT shall submit an application to the Estonian Central Register of Securities for the shares of minority shareholders to be transferred to Grindeks. The Estonian Central Register of Securities shall arrange for the transfer of the shares to the account of Grindeks in return for the payment the size of which corresponds to the compensation payable for the shares.

On behalf of JSC Grindeks
Valdis Jākobsons
Chairman of the Board

