

**REGULATIONS
OF THE SUPERVISORY BOARD
OF JOINT STOCK COMPANY “GRINDEKS”**

Approved at the Supervisory Board meeting
on 9 November, 2004, decision No.-1-Minutes No. 11

RIGA, 2004

I. General rules

1. Supervisory Board of the Public joint stock company "Grindeks" (hereinafter - Company) (hereinafter – "Supervisory Board") is the Company's supervisory authority, which represents the interests of shareholders between shareholders' meetings and in accordance with the Commercial Law of the Republic of Latvia and the Articles of Association of the Company supervises the activities of the Management Board of the Company (hereinafter – Management Board).
2. Regulations of the Supervisory Board (hereinafter - Regulations) are prepared on the basis of the Commercial Law of the Republic of Latvia and the Articles of Association, and establish procedure for convening and conducting meetings of the Company's Supervisory Board, hereinafter in the text – Supervisory Board, making decisions, their presenting and enforcement.
3. Supervisory Board is entitled to decide for itself on issues related to the convening, holding of the meetings of Supervisory Board and decision-making that are not reflected in these Regulations.
4. Secretary of the Supervisory Board is appointed by the Supervisory Board from amongst themselves or other persons.
5. Member of the Supervisory Board is not entitled to delegate his/her duties to another person.

II. Convocation of the Supervisory Board meetings

1. Supervisory Board meetings are convened as necessary, but at least quarterly.
2. Supervisory Board meetings are convened by the Chairman of the Supervisory Board, in his absence - by the deputy chairman of the Supervisory Board. Each member of the Supervisory Board and the Management Board is entitled to request convocation of the Supervisory Board meetings upon written motivation of the necessity and purpose of it.
3. The venue and time of the Supervisory Board meeting is determined by the convener of the meeting.
4. If circumstances require an immediate decision of the Supervisory Board and the attendance of the members of the Supervisory Board at the meeting is not possible, at the initiative of the convener of the Supervisory Board, decision may be adopted without holding Supervisory Board meeting and collecting votes in a form of survey by telefax, telex or other acceptable electronic means.
5. If the request to convene Supervisory Board meeting is not satisfied within two weeks thereafter upon receipt, the initiator of the convocation is entitled to convene the Supervisory Board meeting himself, explaining the circumstances of the matter.
6. Convener of the Supervisory Board meeting informs in written each member of the Supervisory Board and secretary of the Supervisory Board, who thereafter informs the members of the Management Board, on the venue, date, time and agenda of the Supervisory Board meeting at least two weeks before the Supervisory Board meeting. In urgent cases this period may be reduced to two days.
7. Convener of the Supervisory Board meeting prepares the agenda of the Supervisory Board meeting and determines those responsible for preparing the specific issues for the meeting. All materials related to the issues, including the recommended draft Supervisory Board Decision, must be submitted to the Secretary of the Supervisory Board not later than two weeks before the Supervisory Board meeting. These materials are submitted to the Secretary of the Supervisory Board by the Management Board.

8. Secretary of the Supervisory Board forwards the materials connected with the issues on the agenda of the Supervisory Board meeting immediately, but in any case not later than 5 (five) business days before the Supervisory Board meeting, but in urgent cases, - not later than one day before the meeting, to all members of the Supervisory Board, as well as to all members of the Management Board.

III. Procedure of the Supervisory Board meeting and decision making process

1. Supervisory Board has a quorum if more than half of the number of members specified in the Articles of Association is present at its meeting.
2. If the Supervisory Board lacks quorum, the meeting must be convened again, by sending a written notice to all members of the Supervisory Board.
3. Members of the Management Board are entitled to participate in all Supervisory Board meetings. Other persons may also attend Supervisory Board meeting upon invitation of the Supervisory Board.
4. Supervisory Board meetings are opened and chaired by the Chairman of the Supervisory Board, in his absence or on his behalf – deputy chairman of the Supervisory Board.
5. Supervisory Board approves the agenda at the beginning of the Supervisory Board meeting. Supervisory Board hears the report on each issue to be considered. Members of the Supervisory Board are entitled to ask questions to the reporters, the Management Board and the persons invited to the Supervisory Board meeting, as well as freely, without any time restrictions, express their views on the issues under consideration. Proposals and opinions can be expressed both orally and in writing. Proposals and opinions that are submitted in written must be presented to all members of the Supervisory Board.
6. If the public interest on any of the issues on the agenda of the Supervisory Board conflicts with the interests of any member of the Supervisory Board, his or her spouse, relative or in-laws, including kinship up to the second degree or the affinity to the first degree, the member of the Supervisory Board interested in deciding such an issue has no voting rights and it must be recorded in the minutes of the Supervisory Board meeting. Member of the Supervisory Board must inform on such interests before the beginning of the Supervisory Board meeting.
7. Each member of the Supervisory Board has one vote. Supervisory Board makes its decisions by simple majority of those present.
8. Member of the Supervisory Board who is not present at the Supervisory Board meeting may cast his vote in writing (including facsimile) by submitting it to another member of the Supervisory Board. In this case, it is considered that the member of the Supervisory Board has participated in the consideration of the respective issue.
9. Where a Supervisory Board meeting is held by telephone conference or similar electronic means, which allow all participants of the meeting to participate in the discussion of the issue or adoption of the decision simultaneously, the member of the Supervisory Board may cast his vote by telephone or other electronic means.
10. Upon the Supervisory Board not holding a Supervisory Board meeting and taking decision in a form of survey, the information and materials necessary for adoption of the decision are sent to the members of the Supervisory Board by electronic mail, telefax, telex or any other acceptable electronic form. Materials are accompanied by a voting sheet completed by each member of the Supervisory Board, indicating his/her vote in favour or against. Member of the Supervisory Board forwards his/her voting by facsimile to the Secretary of the Supervisory Board, who compiles results of the votes. Decision in a form of survey is considered adopted at the time when the

majority of the number of members of the Supervisory Board as laid down in the Articles of Association has submitted their votes in favour of the proposed decision. Secretary of the Supervisory Board informs in written all members of the Supervisory Board on results of the written voting post, telefax or telex, and such decision shall be included in the minutes of the Supervisory Board.

11. The working language of the Supervisory Board meetings is Latvian.
12. If a member of the Supervisory Board disagrees with the decision of the Supervisory Board and votes against it, the dissenting opinion of this member of the Supervisory Board must be, at his/her request, recorded in the minutes of the Supervisory Board meeting.

IV. Minutes of the Supervisory Board meetings

1. The minutes of the Supervisory Board meeting must be prepared in Latvian.
2. Secretary of the Supervisory Board is responsible for precise recording of the meetings in the minutes and timely execution of the minutes.
3. The minutes of the Supervisory Board meeting must be prepared for signing not later than within 10 (ten) days following the relevant Supervisory Board meeting. Chairman of the Supervisory Board/ chairman of the meeting is entitled to extend the above term.
4. The minutes of the Supervisory Board meetings are signed by all members of the Supervisory Board, who have participated in the Supervisory Board meeting and the secretary of the Supervisory Board.
5. The minutes indicate:
 - 5.1. number of the minutes;
 - 5.2. venue and time of the Supervisory Board meeting;
 - 5.3. participants of the meeting;
 - 5.4. agenda of the meeting;
 - 5.5. discussion procedure and content of the issues of the agenda (if necessary);
 - 5.6. voting results, indicating the vote of each member of the Supervisory Board in favour or against each decision;
 - 5.7. decisions taken;
 - 5.8. Members of the Supervisory Board who are not authorized to take part in consideration of the respective issue pursuant to the Article 6 of the part III of the Regulations.
6. The original minutes of the Supervisory Board meetings and their annexes are kept by chairman of the Supervisory Board and handed over to the Management Board for further storage at the end of each year, and for submission to the archives in accordance with the procedures prescribed by law.
7. After signing the minutes of the Supervisory Board meeting, the secretary of the Supervisory Board forwards the copies of the minutes of the Supervisory Board to the Management Board.

V. Control over the implementation of the Supervisory Board's decisions

1. Management Board organizes and ensures the implementation of the decisions of the Supervisory Board.

VI. Confidentiality

1. All information and documents received by the members of the Supervisory Board prior to the meeting, as well as during the meeting or in the course of the execution of the decisions taken, are considered as confidential. Members of the Supervisory

Board are responsible for disclosure of this information and the information contained in the documents.

2. Upon vacating the post the member of the Supervisory Board is obliged to submit all materials in his/her possession and which he/she has received as member of the Supervisory Board to the chairman of the Supervisory Board. Upon vacating the post the chairman of the Supervisory Board is obliged to submit all materials in his/her possession and which he/she has received as chairman of the Supervisory Board to the deputy chairman of the Supervisory Board or the newly elected chairman of the Supervisory Board or deputy, but if it is not possible – to the Management Board.

9 November, 2004

Chairman of the Supervisory Board of Joint stock Company “Grindeks”
Kirovs Lipmans