

Statement of the Supervisory Council of JSC „Olainfarm” to the shareholders’ meeting

Olaine, April 13, 2007

Supervisory Council of Joint – Stock Company „Olainfarm” (hereinafter referred to as the Company) has reviewed the Annual Report for 2006 and the consolidated financial statements, prepared by the Management Board, the opinion of the sworn auditors about these statements as well as the proposals of the Management Board regarding the distribution of profit of 2006. Also, the Council has assessed the financial situation of the Company and work of the Board during the last financial year and has prepared this statement.

During 2006 the Management Board of the Company has successfully worked at further stabilisation of Company’s market positions and financial situation. According to the Annual Report for 2006 and the Auditors’ opinion and the Management report attached thereto, all main financial indicators of the Company, including Net Profit, Net Sales, turnover of different items and profitability have stabilised and are continuing to improve, despite the fact that significant resources of the Company are being targeted at further modernisation of production and introduction of new products.

The Supervisory Council would like to specifically emphasize the success of the work of Management Board at introduction of new products, including the original ones with as high value added as possible. Such work has been started and intensified to a large extent because of initiatives of the Council. Although still significant effort has to be invested before these products will reach the markets, all forecasts about financial justification of such approach show that such products will most likely be the main force behind even faster growth of the Company.

The Supervisory Council would also like to mark the work of the Board at the development of cooperation with big multinational corporations and at entering the markets that have been previously regarded as untraditional for the Company. Taking into consideration the consequences of Russian crisis of 1998 and general risk management principles, development of such cooperation will allow to further significantly reduce the dependency of the Company on one particular market and product.

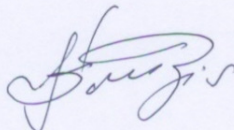
The Supervisory Council has assessed the proposals of the Management Board of the Company regarding the distribution of profit of 2006 and fully supports them. The Supervisory Council shares the opinion about the necessity to proceed with Company’s investment programme and agrees with the proposal of the Management Board to create the ampoule production unit and therefore is of opinion that it is premature at this stage yet to consider payment of considerable dividends and recommends to the Management Board that in nearest years to come shareholders’ benefit should more be ensured through increased company’s value, thus through higher share price, and less through payment of dividends.

During 2006 the Supervisory Council has fulfilled its duties and has supervised operations of the Company according to the effective legislation, decisions of the Shareholders’ Meetings; it has been reviewing the financial reports and has monitored the work of the Management Board. During the reporting period a total of 7 Council meetings took place at which reports and statements of the Board were reviewed, as well as planned and actual budget figures and draft decisions for shareholders’ meetings. The Supervisory Council has not found any significant deficiencies in operations of the Management Board in 2006 and wants to emphasize that the

Board has considered all the recommendations of the Supervisory Council regarding the improvement of Company's performance.

The Supervisory Council would like to take an opportunity to thank the Management Board of the Company as well as all its employees for successful work during the last financial year.

Chairman of the Supervisory Council

A handwritten signature in blue ink, appearing to read "Juris Savickis", written in a cursive style.

Juris Savickis