JOINT STOCK COMPANY OLAINFARM

(UNIFIED REGISTRATION NUMBER 40003007246)

NON-AUDITED FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 31 MARCH 2008

Prepared in accordance with International Financial Reporting Standards (IFRS), as adopted by the European Union (EU)

Olaine, 2008

CONTENTS

General information

Name of the company	Olainfarm
Legal status of the company	Joint stock company
Unified registration number, place and date of registration	40003007246 Riga, 10 June 1991 (re-registered on 27 March 1997)
Registered office	Rūpnīcu iela 5 Olaine, Latvia, LV-2114
Major shareholders	SIA Olmafarm (49.51 %) A. Čaka iela 87 Riga, Latvia, LV-1011 Juris Savickis (31.23 %)
Board	Valērijs Maligins, Chairman of the Board (President) Positions held in other companies: SIA New Classic – Board Member, SIA Aroma – Chairman of the Board, SIA Olmafarm – Managing Director Participation in other companies: Latvian Academic Library Foundation (SO Latvijas Akadēmiskās bibliotēkas Atbalsta fonds), SO Vītkupe, Nature Restoration Foundation, SIA Remeks Serviss (33.3%), SIA Olfa Press (45%), SIA Carbochem (50%), SIA Aroma (100%), SIA Olmafarm (100%), SIA New Classic (100%) Jeļena Borcova, Deputy Chairman of the Board Positions held in other companies: SIA Carbochem – Chairperson of the Board Participation in other companies: none Jurijs Kaplinovs Participation in other companies: none Andris Jegorovs Participation in other companies: none Inga Liščika Participation in other companies: none

Council	Juris Savickis, Chairman of the Council Positions held in other companies: Latvian Tennis Union (unregistered office), AS Sibur Itera - Chairman of the Council, AS Latvijas Gāze - Deputy Chairman of the Council, AS VEF banka - Deputy Chairman of the Council, SIA Itera Latvija - Chairman of the Board, AS Nordeka - Chairman of the Council, SIA Islande Hotel – Board Member, Tennis club Altitūde - Chairman of the Board Participation in other companies: SIA Islande Hotel (75.31%), SIA Daugmala (100%), SIA Energo SG (50%), SIA Nordeka Serviss (100%), SIA Palasta nami (100%), SIA Elssa-SIA (55%), Company of apartment owners Četri pluss (20%) SIA SMS Elektro (34%), AS Latvijas Krājbanka (1.02%), SIA Bobrova nams (21.25%), AS Nordeka (48.09%), Tennis club Altitūde, Tennis club Prezidents, SIA Blūza klubs (50%), SIA Ajura (50%), SIA SWH Sets (22.22%) Ivars Kalviņš, Deputy Chairman of the Council (resigned on 24/01/2008) Positions held in other companies: AS Latvijas zoovetapgāde - Chairman of the Council, National research institution, non-profit organization Latvian Institute of Organic Synthesis - Director, AS Grindeks - Council Member, Latvian Academic Library Foundation (SO Latvijas Akadēmiskās bibliotēkas Atbalsta fonds) – Chairman of the Board Participation in other companies: SIA OSI Laboratorijas (16%), SIA Tetra (50%), Latvian Academic Library Foundation (SO Latvijas Akadēmiskās bibliotēkas Atbalsta fonds), Society of Quality Tests Eļena Dudko Positions held and participation in other companies: none Rolands Klincis (appointed on 13/04/2007) Positions held in other companies: none Participation in other companies: Association of Latvian Securities Market Professionals

Aleksandrs Raicis (appointed on 20/07/2007)
Positions held in other companies:
Latvian Association of Medical Wholesalers
Participation in other companies:
SIA VIP Pharma (50%),
SIA Recesus (30%)

Guntis Belēvičs (resigned on 13/04/2007)
Positions held in other companies:
SIA Blakenfeldes muiža - Board Member,
SIA Divezeri - Board Member,
SIA Centrālā laboratorija - Board Member,
SIA Baltic Pharma Service - Board Member,
SIA Juglas medicīnas centrs - Board Member,
SIA Genera - Council Member,
SIA Belēviču nekustāmie īpašumi - Board Member,
SIA Aptieku serviss - Board Member,
SIA Uniaptieka - Liquidator,
SIA Dolli 91 - Liquidator,
Zemitāni farm in the Irši district - owner,
SIA Saules aptieka - Board Member
Participation in other companies:
Zemitāni farm in the Irši district - owner,
SIA Blakenfeldes muiža (100%),
SIA Divezeri (100%),
SIA Genera (0.75%),
SIA Maltas aptieka,
SIA Aptieku serviss (50%),
SIA Belēviču nekustāmie īpašumi (20%),
SIA Centrālā laboratorija (51.74%),
SIA AA Active (25%),
SIA Baltic Pharma Service (40%)
University of Agriculture Hunting Club,
Society Grindeļa brālība,
Society Friends of Latvians in Brasil (SO Brazīlijas Latviešu draugu biedrība),
Koknesei,
Open public foundation LTVF,
Riga Hansa Rotary Club

Tatjana Lukina (resigned on 20/07/2007)
Positions held in other companies:
Association of Medicine Traders (SO Zāļu ražotāju asociācija) - Chairperson of the Board,
The People's Harmony Party - Board Member
Participation in other companies: none

Movements in the Board during the period 1 January 2008 through 31 March 2008	None
Movements in the Council during the period 1 January 2008 through 31 March 2008	Ivars Kalviņš, resigned on 24/01/2008

Subsidiary	OOO Baltfarm Cheremushkinskaya 13/17 Moscow, Russia (100%)	
Core business activity	Manufacturing and distribution of chemical and pharmaceutical products	
Financial period	1 January – 31 March 2008	
Auditors	Diāna Krišjāne Latvian Sworn Auditor Certificate No. 124	SIA Ernst & Young Baltic Kronvalda bulvāris 3-5, Riga Latvia, LV – 1010 Licence No. 17

Report on the Management Board's responsibility To non-audited JSC „Olainfarm" statement for the period ended 31 March 2008

Management Board of JSC „Olainfarm" (hereinafter – the Company) is responsible for preparation of interim financial statements of the Company. Interim financial statements are not audited.

Interim financial statements are prepared based on justifying documents and represent true and clear overview on the Company's Assets and Equity and Liabilities, its financial standing and results of activity as wells as cash flow within the reporting period ended on March 31st, 2008.

Interim financial statements are prepared according to International standards of financial reports approved by the EU and observing principle of continuing business activity. Accounting principles used in preparation of interim financial statements have not been changed comparing to previous reporting period. During preparation of interim financial statements decisions taken by the management board and estimations made have been cautious and well-founded. The information included in the interim management's report is true.

The management board of the Company is responsible for ensuring the corresponding accounting system, securing the assets of the Company, as well as for prevention and exposure of fraud and other violations within the Company.

Chairman of the Management board

Valērijs Maligins

AKCIJU SABIEDRĪBA «OLAINFARM»
Olainfarm
LATVIJAS REPUBLIKA

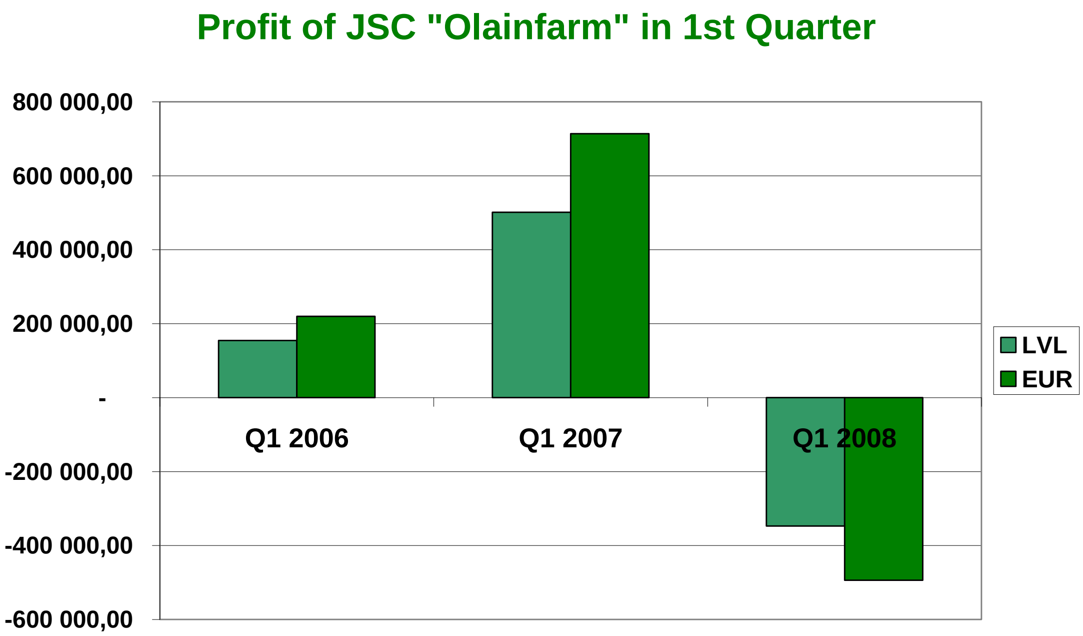
Management report

General information

JSC Olainfarm is one of the biggest companies in the Baltic States with 35 years of experience in production of medicines and chemical and pharmaceutical products. The basic principle of Company's operations is to produce reliable and effective top quality products for Latvia and the rest of the world. Currently the products of JSC Olainfarm are being exported to more than 30 countries worldwide, including the Baltics, Russia, CIS, Scandinavian and other Western European countries, Asia and the USA.

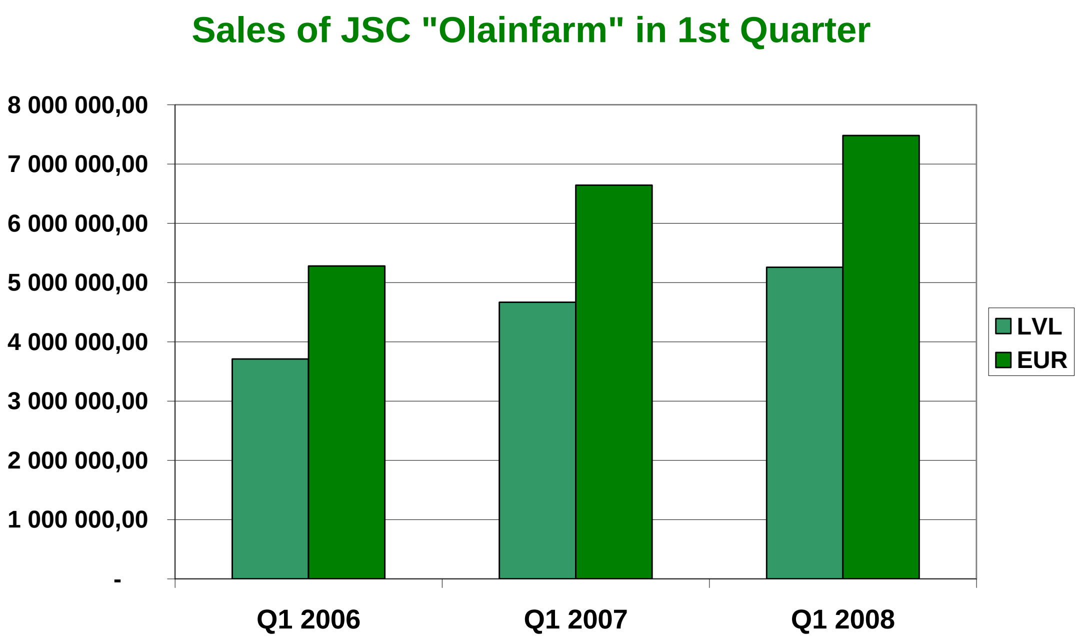
Financial performance

Net loss of JSC "Olainfarm" during three months of 2008 was 347 325 lats (494 199 Euro), which is for 848 728 lats (1 207 631 Euro) less than the figure of the first quarter of 2007 when the profit of 501 403 lats (713 432 Euro) was made. Although one can see certain worsening of the financial indicators, especially when compared to 1st quarter of 2007, it derives from conscious and well considered decision taken by the management of JSC „Olainfarm" to significantly strengthen its marketing and sales promotion effort in Russia, Belarus and the Ukraine. The amount of marketing costs during the first quarter of 2008 compared to the respective period of 2007 has nearly tripled to more than 960 000 lats (1 367 000 Euro). Management of JSC "Olainfarm" is fully aware that in the short period of time such additional investments will make the company loss making, however by the end of 2008 considerable sales increase is expected, thus allowing the Company to end this year with the planned profit of 325 000 lats (462 433 Euro). Besides, such additional marketing and sales promotion efforts will be of considerable help when preparing the sales mechanisms for the launch of new products expected in 2008 and 2009.



The above mentioned decisions taken by the management have also influenced the EBIT and EBITDA levels. In the first quarter of 2008 the EBIT was – 200 000 lats (-285 000 Euro), while in the first quarter of 2007 it was positive: 644 000 lats (916 000 Euro). EBITDA has also experienced a significant decrease in the first quarter of 2008: by 65% to 412 000 lats (586 000 Euro).

Total sales of JSC"Olainfarm" during the first three months of 2008 has grown to 5 257 000 lats (7 480 000 Euro), i.e. by nearly 13% compared to the first quarter of 2007, which, taking into consideration the fact, that during the first quarter of 2007, significant deliveries were made to Kazakhstan's national reserves and to Novartis Grimsby Limited, shall be regarded as rather good sales increase.

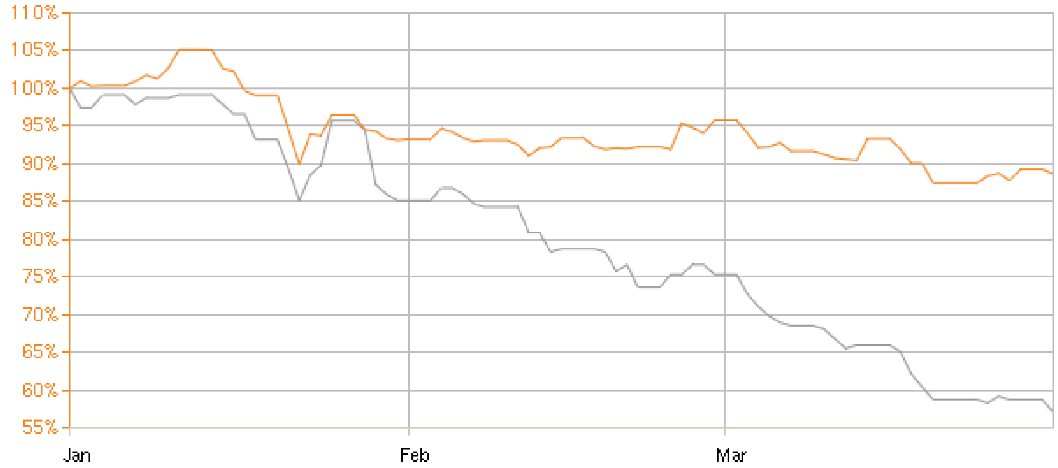


Selected financial indicators

Indicators	31.03.2008.	31.03.2007.	% to the previous period
Sales (LVL)	5 257 168,00	4 667 699,00	113%
Net profit (LVL)	-347 325,00	501 403,00	NA
EBITDA (LVL)	411 993,00	1 175 950,00	35%
EBIT (LVL)	-200 701,00	643 520,00	NA
Sales (EUR)	7 480 276,00	6 641 537,00	113%
Net profit (EUR)	-494 199,00	713 432,00	NA
EBITDA (EUR)	586 213,00	1 673 226,00	35%
EBIT (EUR)	-285 572,00	915 646,00	NA
EBITDA margin, %	8%	25%	
Net margin, %	-7%	11%	
EBIT margin, %	-4%	14%	
ROA, %	-1,2%	1,95%	
ROE, %	-2,19%	3,56%	
EPS, LVL	-0,02	0,04	NA
EPS, EUR	-0,04	0,05	NA

Although the financial indicators of the 1st quarter can not be regarded as satisfactory, the further increase of sales shows that at the end of this year, not only can the Company expect the profit, but the sales promotion mechanisms will be fully in place and ready for launching of the new products.

Rebased share price of *Olainfarm* shares vs. rebased OMX Riga index (1st quarter 2008)



-- OMR Riga
-- Olainfarm

Environment

JSC „Olainfarm"together with 40 other big Latvian companies is participating in UNDP/GEF project „Collection and environmentally friendly utilization of equipment and waste containing PHB". Tripartite agreement has been signed between the Ministry of Environment, UN and „Olainfarm" providing that Olainfarm will dismantle and de-commission for destruction the condensers containing polychloride biphenyls (PHB).

During the 1st quarter of 2008 rehabilitation project of hazardous waste site „Ekolauks" managed by „Olainfarm" was continuing. This rehabilitation project, initiated by the Ministry for Environment and financed by Olainfarm and EU Cohesion Fund was started in autumn of 2007. In autumn of 2008 packaging and transportation of solid waste to the site of destruction will start. The project provides for full closure of the hazardous waste depositing site, dismantling of old concrete pools, and cleaning of the water table.

Future development plans

Development strategy of JSC "Olainfarm" provides for optimisation of the product portfolio, adding new final dosage forms to it; for development of the chemical production and for sales promotion in existing and new sales markets. As a part of this strategy during the 1st quarter of 2008 several contracts have been signed on buying marketing services to promote the sales of „Olainfarm" products. In addition, clinical trials of selected products have started, which will result in launching of those products in selected CIS countries in a relatively near future. The work at generics program for the Baltic countries is also continuing and the MRP (mutual recognition procedures) and DCP –decentralised registration procedures for faster and easier registration of these products in the Baltic countries are under way

Financial reports are approved by the Company's Management Board, on behalf of which they are signed by

Valērijs Maligins
Chairman of the Board
(President)

27 May 2008

Income statement

	Notes	31.03.2008. LVL	31.03.2008. EUR	31.03.2007. LVL	31.03.2007. EUR
Net turnover	3	5 257 168	7 480 276	4 667 699	6 641 537
Changes in stock of finished goods and work in progress		(103 817)	(147 718)	729 974	1 038 659
Other operating income	4	118 587	168 734	128 508	182 850
Cost of materials:					
Raw materials and consumables		(822 275)	(1 169 991)	(953 019)	(1 356 024)
Other external costs		(497 082)	(707 284)	(578 877)	(823 668)
		(1 319 357)	(1 877 275)	(1 531 896)	(2 179 692)
Staff costs:					
Wages and salaries		(1 722 918)	(2 451 492)	(1 467 634)	(2 088 255)
Statutory social insurance contributions		(395 709)	(563 043)	(337 006)	(479 516)
	8	(2 118 627)	(3 014 535)	(1 804 640)	(2 567 771)
Depreciation/ amortisation and write-offs:					
Depreciation and amortisation expense	9. 10.	(612 694)	(871 785)	(532 430)	(757 580)
		(612 694)	(871 785)	(532 430)	(757 580)
Other operating expense	5	(1 421 961)	(2 023 271)	(1 013 695)	(1 442 358)
Interest receivable and similar income	6	20 480	29 140	5 874	8 358
Interest payable and similar expense	7	(167 102)	(237 765)	(135 989)	(193 495)
Profit before taxes		**(347 325)**	**(494 199)**	**513 405**	**730 510**
Corporate income tax			-	(12 002)	(17 077)
Net profit for the year		**(347 325)**	**(494 199)**	**501 403**	**713 432**

The accompanying notes form an integral part of these financial statements.

For the Board:

Valērijs Maligins
Chairman of the Board
(President)

27 May 2008

Balance sheet

ASSETS

NON-CURRENT ASSETS	Notes	31.03.2008. LVL	31.03.2008. EUR	31.03.2007. LVL	31.03.2007. EUR
Intangible assets					
Other intangible assets	9	3 459 792	4 922 840	1 141 809	1 624 648
Prepayments for intangible assets	9	226 111	321 727	3 074 155	4 374 128
TOTAL		**3 685 903**	**5 244 567**	**4 215 964**	**5 998 776**
Tangible assets					
Land, buildings and constructions	10	4 682 341	6 662 371	3 424 819	4 873 078
Equipment and machinery	10	4 333 733	6 166 346	4 504 441	6 409 242
Other fixtures and fittings, tools and equipment	10	290 462	413 290	178 605	254 132
Construction in progress	10	1 807 300	2 571 556	1 096 407	1 560 047
Prepayments for tangible assets		624 037	887 925	643 464	915 567
TOTAL		**11 737 872**	**16 701 487**	**9 847 736**	**14 012 066**
Financial assets					
Prepayments for investments	12	540 950	769 703	-	-
Other securities and investments		386	549	386	549
TOTAL		**541 336**	**770 252**	**386**	**549**
TOTAL NON-CURRENT ASSETS		**15 965 111**	**22 716 306**	**14 064 086**	**20 011 392**
CURRENT ASSETS					
Inventories					
Raw materials		1 054 748	1 500 771	1 122 868	1 597 697
Work in progress		3 052 779	4 343 714	2 108 540	3 000 182
Finished goods and goods for resale		2 162 183	3 076 509	1 923 812	2 737 338
Prepayments for goods		94 517	134 486	140 096	199 339
TOTAL	13	**6 364 227**	**9 055 480**	**5 295 316**	**7 534 556**
Receivables					
Trade receivables	14	5 207 707	7 409 899	5 387 852	7 666 223
Receivables from related companies	15	211 205	300 517	579 322	824 301
Other receivables	16	492 189	700 322	231 081	328 799
Current loans to management and employees	17	239 385	340 614	56 863	80 909
Prepaid expense	18	35 744	50 860	45 099	64 170
TOTAL		**6 186 230**	**8 802 212**	**6 300 217**	**8 964 401**
Cash	19	**422 027**	**600 491**	**57 678**	**82 068**
TOTAL CURRENT ASSETS		**12 972 484**	**18 458 183**	**11 653 211**	**16 581 025**
TOTAL ASSETS		**28 937 595**	**41 174 489**	**25 717 298**	**36 592 418**

The accompanying notes form an integral part of these financial statements.

For the Board:

Valērijs Maļigins
Chairman of the Board
(President)

27 May 2008

EQUITY AND LIABILITIES

EQUITY	Notes	31.03.2008. LVL	31.03.2008. EUR	31.03.2007. LVL	31.03.2007. EUR
Share capital	20	14 085 078	20 041 260	13 209 055	18 794 792
Share premium		1 759 708	2 503 839	213 769	304 166
Retained earnings/ (accumulated deficit):					
brought forward		341 720	486 223	171 373	243 842
for the period		(347 325)	(494 199)	501 403	713 432
TOTAL EQUITY		**15 839 181**	**22 537 124**	**14 095 600**	**20 056 232**
LIABILITIES					
Non-current liabilities					
Deferred income tax liability		309 800	440 806	252 932	359 890
Loans from credit institutions	21	5 776 258	8 218 874	5 284 011	7 518 470
Other loans	22	309 861	440 892	348 319	495 613
Taxes payable	23	592 478	843 020	740 588	1 053 762
TOTAL		**6 988 397**	**9 943 593**	**6 625 850**	**9 427 735**
Current liabilities					
Loans from credit institutions	21	2 515 202	3 578 811	1 375 105	1 956 598
Other loans	22	221 952	315 810	200 456	285 223
Prepayments received from customers		280 368	398 927	463 578	659 612
Trade payables	25	1 650 484	2 348 428	1 787 374	2 543 204
Payables to related companies	27	151 136	215 047	220 953	314 388
Taxes payable	23	662 434	942 559	505 379	719 090
Accrued liabilities	24	628 440	894 190	443 003	630 336
TOTAL		**6 110 017**	**8 693 772**	**4 995 848**	**7 108 451**
TOTAL LIABILITIES		**13 098 414**	**18 637 365**	**11 621 698**	**16 536 186**
TOTAL EQUITY AND LIABILITIES		**28 937 595**	**41 174 489**	**25 717 298**	**36 592 418**

The accompanying notes form an integral part of these financial statements.

Off-balance sheet liabilities: see Note 26.

For the Board:

Valērijs Maligins
Chairman of the Board
(President)

27 May 2008

Cash flow statement

	31.03.2008. LVL	31.03.2008. EUR	31.03.2007. LVL	31.03.2007. EUR
Cash flows to/ from operating activities				
Profit before taxes	(347 330)	(494206)	513 405	730 510
Adjustments for:				
Amortisation and depreciation	613 936	873552	533 419	758 987
Disposal of tangible non-current assets and investments	12 776	18179	12 408	17 655
Increase/(decrease) in provisions	(7 112)	(10119)	(42 621)	(60 644)
Increase in vacation reserve	-	-	(6 950)	(9 889)
Impairment of tangible non-curent assets	-	-	-	-
Interest expenses	130 012	184990	127 273	181 093
Interest income	(20 480)	(29140)	(1 956)	(2 783)
Unrealised (gain)/loss from fluctuations of currency exchange rate	13 980	19892	4 798	6 827
Operating cash flows before working capital changes	**395 782**	**563147**	**1 139 776**	**1 621 755**
(Increase) in inventories	80 067	113925	(804 424)	(1 144 592)
(Increase)/ decrease in receivables and prepaid expense	(346 073)	(492418)	1 629 100	2 318 000
(Decrease)/ increase in payables	211 259	300594	(881 935)	(1 254 880)
Cash generated from operations	**341 035**	**485249**	**1 082 517**	**1 540 283**
Interest paid	(130 012)	(184990)	(135 989)	(193 495)
Corporate income tax paid	-	-	(12 002)	(17 077)
Real estate tax paid	(13 791)	(19623)	(20 090)	(28 585)
Net cash flows to/ from operating activities	**197 232**	**280636**	**914 436**	**1 301 125**
Cash flows to/ from investing activities				
Purchase of non-current assets	(1 149 963)	(1636250)	(1 503 309)	(2 139 016)
Proceeds from sale of non-current assets	70	100	-	-
Interest received	20 480	29140	5 874	8 358
Loans granted	(106 891)	(152092)	(55 892)	(79 527)
Loans repaid	9 266	13184	526 584	749 262
Net cash flows to/ from investing activities	**(1 227 038)**	**(1745918)**	**(1 026 743)**	**(1 460 924)**
Cash flows to/ from financing activities				
Proceeds from issue of shares	-	-	-	-
Proceeds from borrowings	5 952 642	8469847	7 720 415	10 985 161
Borrowings repaid	(5 565 574)	(7919098)	(7 619 967)	(10 842 236)
Net cash flows to/ from financing activities	**387 068**	**550749**	**100 448**	**142 925**
Change in cash	**(642 738)**	**(914534)**	**(11 859)**	**(16 874)**
Cash at the beginning of the year	**1 064 765**	**1515024**	**69 537**	**98 942**
Cash at the end of the year	**422 027**	**600491**	**57 678**	**82 068**

The accompanying notes form an integral part of these financial statements.

Statement of changes in equity

	Share capital	Share capital	Share premium	Share premium	Retained earnings/ (accumulated deficit)	Retained earnings/ (accumulated deficit)	Total equity	Total equity
	LVL	EUR	LVL	EUR	LVL	EUR	LVL	EUR
Balance as at 31 December 2006	**13 209 055**	**18 794 792**	**213 769**	**304 166**	**171 369**	**243 836**	**13 594 193**	**19 342 794**
Issue of share capital*	876 023	1 246 468	1 545 939	2 199 673	-	-	2 421 962	3 446 141
Profit for the reporting year	-	-	-	-	170 351	242 388	170 351	242 388
Balance as at 31 December 2007	**14 085 078**	**20 041 260**	**1 759 708**	**2 503 839**	**341 720**	**486 224**	**16 186 506**	**23 031 323**
Profit for the reporting year	-	-	-	-	(347 325)	(494 199)	(347 325)	(494 199)
Balance as at 31 March 2008	**14 085 078**	**20 041 260**	**1 759 708**	**2 503 839**	**(5 605)**	**(7 975)**	**15 839 181**	**22 537 124**

* See Note 20.

The accompanying notes form an integral part of these financial statements.

Notes to the financial statements

1. Corporate information

Joint stock company Olainfarm (hereinafter, the Company) was registered with the Republic of Latvia Enterprise Register on 10 June 1991 (re-registered on 27 March 1997) and with the Republic of Latvia Commercial Register on 4 August 2004. The Company is engaged in manufacturing and distribution of chemical and pharmaceutical products.
The shares of the Company are listed on Riga Stock Exchange, Latvia.
The financial statements were approved by the Board on 27 May 2008.

2. Summary of significant accounting policies

Basis of preparation

The financial statements present only the financial position of AS Olainfarm as a stand-alone entity; the financial position of companies belonging to the Olainfarm Group (i.e. AS Olainfarm and its subsidiaries) is presented in a separate set of consolidated financial statements.

The financial statements are prepared on a historical cost basis.

The financial statements cover the period 1 January 2008 through 31 March 2008.

The financial statements have been prepared in accordance with International Financial Reporting Standarts (IFRS), as adopted by the EU.

Changes in accounting policies

During the reporting period, the following new and amended IFRS and IFRIC have come into effect:

- IFRS 7 Financial Instruments: Disclosures;
- Amendments to IAS: Capital Disclosures;
- IFRIC 7, IFRIC 8, IFRIC 9 and IFRIC 10.

New interpretations adopted:

During the reporting period, the Company has adopted the following interpretations:

IFRS 7 Financial Instruments: Disclosures (effective for annual periods beginning on or after 1 January 2007)

IFRS 7 requires disclosures that enable users to evaluate the significance of the Company's financial instruments and the nature and extent of risks arising from those financial instruments. The new disclosures are included throughout the financial statements. Adoption of IFRS 7 had no effect on the financial position or results of the Company.

Amendments to IAS 1 ("Capital Disclosures") (effective for annual periods beginning on or after 1 January 2007)

The amendment requires the Company to make new disclosures to enable users of the financial statements to evaluate the Company's objectives, policies and processes for managing capital. These new disclosures are shown in Note 29.

IFRIC 7 Applying the Restatement Approach under IAS 29 "Financial Reporting in Hyperinflationary Economies" (effective for annual periods beginning on or after 1 March 2006)

The interpretation provides guidance on how to apply the requirements of IAS 29 in a reporting period in which an entity identifies the existence of hyperinflation in the economy of its functional currency, when that economy was not hyperinflationary in the prior period. This interpretation is not relevant to the Company.

IFRIC 8 Scope of IFRS 2 (effective for annual periods beginning on or after 1 May 2006)

This interpretation requires IFRS 2 to be applied to any arrangements in which the entity cannot identify specifically some or all of the goods received, in particular where equity instruments are issued for consideration which appears to be less than fair value. This interpretation is not relevant to the Company.

2. Summary of significant accounting policies (cont'd)

Changes in accounting policy and disclosures (cont'd)

IFRIC 9 Reassessment of Embedded Derivatives (effective for annual periods beginning on or after 1 June 2006)

IFRIC 9 states that the date to assess the existence of an embedded derivative is the date that an entity first becomes a party to the contract, with reassessment only if there is a change to the contract that significantly modifies the cash flows. This interpretation is not relevant to the Company.

IFRIC 10 Interim Financial Reporting and Impairment (effective for annual periods beginning on or after 1 November 2006)

This interpretation establishes that entity shall reverse an impairment loss recognized in a previous interim period in respect of goodwill or an investment in either an equity instrument or a financial instrument carried at cost. As the Company had no impairment losses previously reversed, the interpretation had no impact on the financial position or performance of the Company.

IFRS 8 Operating Segments

This standard requires disclosure of information about the Company's operating segments and replaced the requirement to determine primary (business) and secondary (geographical) reporting segments of the Company. The Company determined that the operating segments were the same as the business segments previously identified under IAS 14 Segment Reporting. Additional disclosures about each of these segments are shown in Note 28, including revised comparative information.

The Company has not applied the following IFRSs and IFRIC interpretations that have been issued but are not yet effective:

IAS 23 Borrowing costs (revised, effective for annual periods beginning 1 January 2009, earlier application permitted)

Revised IAS 23 requires that all borrowing costs must be capitalized if they are directly attributable to the acquisition, construction or production of a qualifying asset. The choice to immediately recognize such costs as an expense is eliminated. The revised standard applies to borrowing costs relating to qualifying assets for which the commencement date for capitalization is on or after 1 January 2009. The Company is still estimating the impact of adoption of this revised standard on the financial statements.

IFRIC 12 Service Concession Agreements (effective for annual periods beginning on or after 1 January 2008)

The interpretation addresses how service concession operators should apply existing International Financial Reporting Standards (IFRSs) to account for the obligations they undertake and rights they receive in service concession arrangements. This interpretation is not relevant to the Company.

IFRIC 13 Customer Loyalty Programmes

IFRIC Interpretation 13 was issued in June 2007 and becomes effective for annual periods beginning on or after 1 July 2008. This Interpretation requires customer loyalty award credits to be accounted for as a separate component of the sales transaction in which they are granted and therefore part of the fair value of the consideration received is allocated to the award credits and deferred over the period that the award credits are fulfilled. This interpretation is not relevant to the Company.

IFRIC 14 IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interactions

IFRIC Interpretation 14 was issued in July 2007 and becomes effective for annual periods beginning on or after 1 January 2008. This Interpretation provides guidance on how to assess the limit on the amount of surplus in a defined scheme that can be recognized as an asset under IAS 19 Employment Benefits. This interpretation is not relevant to the Company.

IFRS 2 Share-based payments – Vesting Conditions and Cancellations

This amendment to IFRS 2 Share-based payments was published in January 2008 and becomes effective for financial years beginning on or after 1 January 2009. The standard restricts the definition of "vesting condition" to a condition that includes an explicit or implicit requirement to provide services. Any other conditions are non-vesting conditions, which have to be taken into account to determine the fair value of the equity instruments granted. In the case that the award does not vest as the result of a failure to meet a non-vesting condition that is within the control of either the entity or the counterparty, this must be accounted for as a cancellation. This standard is not relevant to the Company.

IFRS 3R Business Combinations and IAS 27R Consolidated and Separate Financial Statements

The revised standards were issued in January 2008 and become effective for financial years beginning on or after 1 July 2009. IFRS 3R introduces a number of changes in the accounting for business combinations that will impact the amount of goodwill recognized, the reported results in the period that an acquisition occurs, and future reported results. IAS 27R requires that a change in the ownership interest of a subsidiary is accounted for as an equity transaction. Therefore, such a change will have no impact on goodwill, nor will it give raise to a gain or loss. Furthermore, the amended standard changes the accounting for losses

2. Summary of significant accounting policies (cont'd)

Changes in accounting policy and disclosures (cont'd)

incurred by the subsidiary as well as the loss of control of a subsidiary. The changes introduced by IFRS 3R and IAS 27R must be applied prospectively and will affect future acquisitions and transactions with minority interests.

IAS 1 Revised Presentation of Financial Statements

The revised IAS 1 Presentation of Financial Statements was issued in September 2007 and becomes effective for financial years beginning on or after 1 January 2009. The Standard separates owner and non-owner changes in equity. The statement of changes in equity will include only details of transactions with owners, with all non-owner changes in equity presented as a single line. In addition, the Standard introduces the statement of comprehensive income: it presents all items of income and expense recognized in profit or loss, together with all other items of recognized income and expense, either in one single statement, or in two linked statements. The Company is still evaluating whether it will have one or two statements.

Amendments to IAS 32 and IAS 1 Puttable Financial Instruments

Amendments to IAS 32 and IAS 1 were issued in February 2008 and become effective for annual periods beginning on or after 1 January 2009. The amendment to IAS 32 requires certain puttable financial instruments and obligations arising on liquidation to be classified as equity if certain criteria are met. The amendment to IAS 1 requires disclosure of certain information relating to puttable instruments classified as equity. The Company does not expect these amendments to impact the financial statements of the Company.

Estimates and assumptions

The preparation of financial statements in conformity with IFRS requires the management to make estimates and assumptions that affect the reported amounts of assets, liabilities, income and expenses, and disclosure of contingencies. The significant areas of estimation used in the preparation of the accompanying financial statements relate to capitalization of development costs, depreciation, allowances for doubtful receivables and inventories, and impairment evaluation. Although these estimates are based on the management's best knowledge of current events and actions, the actual results may ultimately differ from those estimates.

Development costs

Development costs are capitalized in accordance with the accounting policy described below. Initial capitalization of costs is based on management's judgment that technological and economical feasibility is confirmed, usually when a product development project has reached a defined milestone according to an established project management model. In determining amounts to be capitalized management makes assumptions regarding the expected future cash generation of the assets, discount rates to be applied and the expected period of benefits.

Impairment of non-financial assets

The Company assesses whether there are any indicators of impairment for all non-financial assets at each reporting date. Non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable.

Significant estimates and assumptions made by the management are disclosed in the following notes to the financial statements - Development costs and Impairment of non financial assets – see Note 9; for depreciation – see Note 10; for allowances for doubtful receivables – see Note 14; for allowances for doubtful inventories – see Note 13.

Foreign currency translation

The functional and reporting currency of companies of the Company is the Lat (LVL). All transactions denominated in foreign currencies are converted into Lats at the Bank of Latvia rate of exchange prevailing on the day the transaction took place. Gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies are recognized in the income statement. At the end of period foreign currency financial assets and liabilities are translated at the Bank of Latvia rate of exchange, and all associated exchange differences are dealt with through the income statement.

2. Summary of significant accounting policies (cont'd)

Foreign currency translation (cont' d)

Exchange rates against the USD and EUR in the last two years have been:

	31/03/2008	*31/03/2007*
EUR	*0.702804*	*0.702804*
USD	*0.445*	*0.528*

As at the reporting date, the assets and liabilities, both monetary and non-monetary, of the foreign subsidiary are translated into the presentation currency of the Company at the rate of exchange ruling at the balance sheet date and the income statements are translated at the weighted average exchange rates for the year. Resulting exchange differences are classified as separate component of equity.

Research and development costs

Research costs are expensed as incurred. Development expenditure incurred on an individual project is carried forward when its future recoverability can reasonably be regarded as assured and all other criteria of IAS 38 Intangible assets are met. Any expenditure carried forward is amortised over the period of expected future sales from the related project.

The carrying value of development costs is reviewed for impairment annually when the asset is not yet in use, and otherwise when events or changes in circumstances indicate that the carrying value may not be recoverable.

Patents

Patents have been granted for a particular period by the relevant government agency. Accordingly, patents have been assigned finite period of useful life and are depreciated on straight line basis over the period of the patent. Please see Note 9 for details on acquired patents.

Other intangible non-current assets

Other intangible assets basically consist of the costs of acquisition of preparation production technologies, medicine registration fee and software. Other intangible assets are stated at cost and amortised over their estimated useful lives on a straight-line basis. The amortisation rate for other intangible assets is fixed as follows: 20% for production technologies and 20-25% for other intangible non-current assets.

The carrying values of intangible non-current assets are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable, except for goodwill which is not amortised but its impairment is being carried out annually. Losses from impairment are recognised where the carrying value of intangible non-current assets exceeds their recoverable amount.

Intangible assets with indefinite useful lives and intangible assets not in use are tested for impairment annually either individually or at the cash generating unit level.

Impairment of non-financial assets

The Company assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, the Company estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used.

2. Summary of significant accounting policies (cont'd)

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment in value. Land is not depreciated. Depreciation is calculated on a straight-line basis over the estimated useful life of the asset:

	% per annum
Buildings and constructions	*5*
Equipment and machinery	*10-15*
Computers and software	*25*
Other tangible assets	*20*

Depreciation is calculated starting with the following month after the tangible non-current asset is put into operation or engaged in commercial activity. Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately. To the extent that the Company depreciates separately some parts of plant, property and equipment, it also depreciates separately the remainder of the item. The remainder consists of the parts that are individually insignificant. The depreciation for the remainder is determined using approximation techniques to faithfully represent its useful life.

When tangible non-current assets are sold or disposed of, their cost and accumulated depreciation are eliminated from the accounts and any gain or loss resulting from their disposal is included in the income statement.

The cost of property, plant and equipment comprises its purchase price, including import duties and non-refundable purchase taxes and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenses incurred after the non-current assets have been put into operation, such as repair and maintenance and overhaul costs, are normally charged to the income statement in the period when incurred.

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets are written down to their recoverable amount.

Construction in progress represents property, plant and equipment under construction and is stated at historical cost. This includes the cost of construction and other direct expenses. Construction in progress is not depreciated as long as the respective assets are not completed and put into operation.

Investments and other financial assets

Financial assets within the scope of IAS 39 are classified as financial assets at fair value through profit and loss, loans and receivables, held-to-maturity investments, or available-for-sale financial assets, as appropriate. When financial assets are recognized initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

The Company assesses at each balance sheet date whether a financial asset of a group of financial assets is impaired.

The Company determines the classification of its financial assets on initial recognition and, where allowed and appropriate, re-evaluates the designation at each financial year end.

All regular way purchases and sales of financial assets are recognized on the trade date, which is the date when the Company commits to purchase the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

Inventories

Inventories are valued at the lower of net realisable value and cost.

Costs incurred in bringing each product to its present location and condition are accounted for as follows:

Raw materials – purchase cost on an average weighed cost basis;

Finished goods and work in progress – cost of direct materials and labour plus indirect costs related to production. Indirect production costs consist of labour, energy, depreciation, and other production-related expense calculated based on the ordinary production output.

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

2. Summary of significant accounting policies (cont'd)

Inventories (cont'd)

An allowance for obsolete inventories is established based on the review and analysis of individual items. Impairment of inventories caused by obsolescence and physical damage is assessed by the Company on a regular basis, and the respective losses are charged to the income statement as cost of sales. Where damaged inventories are physically destroyed, the value of inventories and the respective allowances are written off.

Trade and other receivables

Trade and other receivables are carried at original invoice amount less an allowance for any non-collectable amounts. An estimate for doubtful debts is made when collection of the full amount is no longer probable, evaluating each receivable separately. Bad debts are written off when recovery is deemed impossible.

Cash

Cash comprises cash at bank and on hand, and short-term deposits with an original maturity of three months or less.

Accruals and deferrals

Accruals and deferrals are recorded to recognise revenues and costs as they are earned or incurred.

Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Company expects some or all of provisions to be reimbursed, for example, under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the income statement net of any reimbursement. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as a borrowing cost.

Loans and borrowings

All loans and borrowings are initially recognized at fair value, net of transaction costs incurred. After initial recognition, loans and borrowings are subsequently stated at amortized cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognized in the income statement over the period of the borrowings using the effective interest rate method.

Gains and losses are recognised in the income statement as interest income/ expense when the liabilities are derecognised as well as through the amortisation process.

Derecognition of financial assets and liabilities

A financial asset (or, where applicable a part of a financial asset) is derecognized when:

- the rights to receive cash flows from the asset have expired;
- the Company retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass through' arrangement; or
- the Company has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Company has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of Company's continuing involvement in the asset.

2. Summary of significant accounting policies (cont'd)

Leases

Finance leases, which transfer to the Company substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the principal lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly against income.

If there is reasonable certainty that the lessee will obtain ownership by the end of the lease term, the period of expected use is the useful life of the asset; otherwise capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset or the lease term on a straight-line basis.

Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease payments are recognised as an expense in the income statement on a straight-line basis over the lease term.

Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

Sale of goods

Revenue is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer and the amount of revenue can be measured reliably.

Rendering of services

The value of services rendered basically comprises revenue from water treatment services. Revenue is recognised in the period when the services are rendered.

Interest

Revenue is recognised on an accrual basis.

Corporate income tax

Corporate income tax includes current and deferred taxes. Current corporate income tax is applied at the rate of 15% on taxable income generated by the Company during the taxation period.

Deferred corporate income tax arising from temporary differences in the timing of the recognition of items in the tax returns and these financial statements is calculated using the liability method. The deferred corporate income tax asset and liability are determined on the basis of the tax rates that are expected to apply when the timing differences reverse. The principal temporary timing differences arise from differing rates of accounting and tax amortisation and depreciation on the Company's non-current assets, the treatment of temporary non-taxable provisions and reserves, as well as tax losses carried forward for the subsequent five years.

Related parties

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the party in making financial and operating decisions. The related parties in this report consist of the Company's management, shareholders, and the entities belonging to the Group.

The pricing policy for the related parties does not differ materially from the usual pricing policy of the Company.

Contingencies

Contingent liabilities are not recognised in the financial statements. They are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. A contingent asset is not recognised in the financial statements but disclosed when an inflow of economic benefits is probable.

Subsequent events

Post-year-end events that provide additional information about the Company's position at the balance sheet date (adjusting events) are reflected in the financial statements. Post-year-end events that are not adjusting events are disclosed in the notes when material.

3. Net turnover

	31.03.2008.		31.03.2007.	
By business segments	**LVL**	**EUR**	**LVL**	**EUR**
Finished form medicines	4 639 386	6 601 251	4 176 420	5 942 510
Chemicals	617 782	879 025	491 279	699 027
TOTAL:	**5 257 168**	**7 480 276**	**4 667 699**	**6 641 537**

	31.03.2008.		31.03.2007.	
By geographical segments	**LVL**	**EUR**	**LVL**	**EUR**
CIS	3 349 137	4 765 392	2 865 676	4 077 489
Latvia	742 427	1 056 378	1 111 565	1 581 615
Europe	977 086	1 390 267	540 508	769 073
Baltic states (Lithuania and Estonia)	117 258	166 843	69 121	98 351
Other	71 261	101 396	80 829	115 009
TOTAL:	**5 257 169**	**7 480 276**	**4 667 699**	**6 641 537**

4. Other operating income

	31.03.2008.		31.03.2007.	
	LVL	**EUR**	**LVL**	**EUR**
Treatment of waste water	46 370	65 978	38 676	55 030
Sale of current assets	17 496	24 895	35 950	51 153
Catering services	8 734	12 427	12 422	17 674
Lease of premises	12 117	17 241	5 495	7 819
Other operating income	33 870	48 192	35 965	51 174
TOTAL:	**118 587**	**168 734**	**128 508**	**182 850**

5. Other operating expense

	31.03.2008.		31.03.2007.	
	LVL	**EUR**	**LVL**	**EUR**
Marketing expense	960 686	1 366 932	391 184	556 605
Transportation expense	32 855	46 748	33 918	48 261
Sales commissions	28 516	40 574	-	-
Other distribution costs	13 902	19 780	88 988	126 619
Expert analysis of medicines	1 185	1 686	3 068	4 365
Total distribution costs:	*1 037 143*	1 475 722	*517 158*	*735 850*
Insurance	50 668	72 094	27 526	39 166
Business trips	40 710	57 925	29 824	42 436
Information and business consulting	25 243	35 917	18 678	26 576
Car fleet maintenance	20 246	28 807	10 547	15 007
Representation expense	19 895	28 309	10 793	15 357
Communication expense	19 156	27 257	18 495	26 316
Legal and audit fees	18 603	26 470	16 866	23 998
Social infrastructure expense	17 844	25 389	11 311	16 094
New product research costs	16 073	22 870	61 734	87 840
Write-offs of current assets	15 131	21 529	40 690	57 897
Allowances to employees	14 367	20 443	3 190	4 539
Flowers and gifts expense	14 106	20 070	4 646	6 611
Other taxes	13 791	19 623	20 090	28 585
Write-offs and disposal of tangible assets	12 595	17 921	11 919	16 959
Other operating expense	11 280	16 050	137 593	195 777
Office expense	9 877	14 053	9 707	13 812
Bank charges	8 404	11 958	3 954	5 626
Security expense	7 802	11 101	6 275	8 929
Medicine import and export permits	7 362	10 475	-	-
Education expense	6 826	9 713	8 388	11 935
Current repairs	6 716	9 555	23 327	33 191
Donations	6 319	8 991	7 266	10 339
Membership fees	6 063	8 627	5 952	8 469
Hosting expense	4 390	6 246	24	34
Waste removal	4 089	5 818	2 363	3 362
Administrative office maintenance	1 704	2 425	1 725	2 454
Visas, invitation	1 583	2 253	1 629	2 318
Laboratory tests	1 528	2 174	1 119	1 592
Humanitarian aid	1 023	1 455	145	206
Unemployment risk duty	835	1 188	761	1 083
Land lease for eco-field	591	841	-	-
TOTAL:	**1 421 961**	**2 023 271**	**1 013 695**	**1 442 358**

6. Interest receivable and similar income

	31.03.2008.		31.03.2007.	
	LVL	EUR	LVL	EUR
Interest accrued on bank account balances	16 794	23 895	1 956	2 783
Interest income on loans	3 686	5 245	-	-
Currency exchange gain, net	-	-	3 918	5 575
TOTAL:	**20 480**	**29 140**	**5 874**	**8 358**

7. Interest payable and similar expense

	31.03.2008.		31.03.2007.	
	LVL	EUR	LVL	EUR
Loan interest payments	123 334	175 489	105 382	149 945
Currency exchange loss, net	13 981	19 892	-	-
Penalties paid	6 678	9 502	21 891	31 148
Currency exchange commission	23 109	32 882	8 716	12 402
TOTAL:	**167 102**	**237 765**	**135 989**	**193 495**

8. Staff costs and number of employees

	31.03.2008.		31.03.2007.	
	LVL	EUR	LVL	EUR
Wages and salaries	1 722 918	2 451 492	1 467 634	2 088 255
Statutory social insurance contributions	395 709	563 043	337 006	479 516
TOTAL:	**2 118 627**	**3 014 535**	**1 804 640**	**2 567 771**

Including remuneration to the management:

	31.03.2008.		31.03.2007.	
	LVL	EUR	LVL	EUR
Management of the Company				
Wages and salaries	140 303	199 634	132 630	188 716
Statutory social insurance contributions	33 578	47 777	30 516	43 420
Board Members				
Wages and salaries	95 343	135 661	110 552	157 302
Statutory social insurance contributions	17 509	24 913	20 087	28 581
Council Members				
Wages and salaries	36 191	51 495	40 200	57 199
Statutory social insurance contributions	8 718	12 405	9 684	13 779
TOTAL:	**331 642**	**471 885**	**343 669**	**488 997**

	31/03/2008	31/03/2007
Average number of employees during the reporting year	997	983

9. Intangible assets

		Production tehnologies* and patents**		Other intangible		Total	
		LVL	EUR	LVL	EUR	LVL	EUR
Acquisition value as at 31/12/2006		**2 201 088**	**3 131 866**	**374 713**	**533 169**	**2 575 801**	**3 665 035**
2007 I quarter	Addition	-	-	8 057	11 464	8 057	11 464
	Reclassification	-	-	426	606	426	606
	Write-off	-	-	(17 001)	(24 190)	(17 001)	(24 190)
Acquisition value as at 31/03/2007		**2 201 088**	**3 131 866**	**366 195**	**521 049**	**2 567 283**	**3 652 915**
Accumulated amortization as at 31/12/2006		**1 144 220**	**1 628 078**	**171 256**	**243 675**	**1 315 476**	**1 871 754**
2007 I quarter	Addition	109 416	155 685	17 530	24 943	126 946	180 628
	Reclassification	-	-	-	-	-	-
	Write-off	-	-	(16 948)	(24 115)	(16 948)	(24 115)
Accumulated amortization as at 31/03/2007		**1 253 636**	**1 783 763**	**171 838**	**244 503**	**1 425 474**	**2 028 267**
Net carrying amount as at 31/12/2006		**1 056 868**	**1 503 788**	**203 457**	**289 493**	**1 260 325**	**1 793 281**
Net carrying amount as at 31/03/2007		**947 452**	**1 348 103**	**194 357**	**276 545**	**1 141 809**	**1 624 648**

		Production tehnologies* and patents**		Other intangible		Total	
		LVL	EUR	LVL	EUR	LVL	EUR
Acquisition value as at 31/12/2007		**2 660 896**	**3 786 114**	**375 478**	**534 257**	**3 036 374**	**4 320 371**
2008 I quarter	Addition	1 900 000	2 703 456	11 741	16 706	1 911 741	2 720 162
	Reclassification	-	-	-	-	-	-
	Write-off	-	-	(16 880)	(24 018)	(16 880)	(24 018)
Acquisition value as at 31/03/2008		**4 560 896**	**6 489 570**	**370 339**	**526 945**	**4 931 235**	**7 016 515**
Accumulated amortization as at 31/12/2007		**1 170 438**	**1 665 383**	**185 147**	**263 440**	**1 355 585**	**1 928 824**
2008 I quarter	Addition	115 282	164 032	17 456	24 838	132 738	188 869
	Reclassification	-	-	-	-	-	-
	Write-off	-	-	(16 880)	(24 018)	(16 880)	(24 018)
Accumulated amortization as at 31/03/2008		**1 285 720**	**1 829 415**	**185 723**	**264 260**	**1 471 443**	**2 093 675**
Net carrying amount as at 31/12/2007		**1 490 458**	**2 120 731**	**190 331**	**270 817**	**1 680 789**	**2 391 548**
Net carrying amount as at 31/03/2008		**3 275 176**	**4 660 156**	**184 616**	**262 685**	**3 459 792**	**4 922 840**

* Production technologies comprise chemical and pharmaceutical product technologies acquired by the Company. Despite introduction of those technologies being behind the initial schedule due to objective reasons and the fact that so far only one product has been delivered, the Company's management believes that implementation of those projects and economic benefits to result from them are likely.

** The patent has been received by the Company for derivation and use of a chemical molecule. Currently, the Company is working on optimisation of the production technology for the product to prepare all the necessary documentation for the product registration, which is to be submitted at the beginning of the year 2009. As the product is a derivative from the existing product, the Company's management believes that there are no impediments for the product registration. It is planned to commence the production of the new product from the year 2010.

As at 31 December 2007, the Company had made prepayments for two other patents in the total amount of LVL 1 900 000. Patents were transferred to intangible assets in January 2008. The Company plans to begin production and sale of the respective products from the year 2010. The Company's management believes that the production of the said products will begin in due time. According to the estimates by the management, full return on investments into one of the products is expected within the period of three years, and full return on investments into the other product is likely within five years from commencement of the production.

Impairment test has been performed for the patents based on a value in use calculation using cash flow projections from financial budgets. The pre-tax discount rate applied to cash flow projections is 15%. As the outcome of the testing, no impairment has been recognised for the patents.

10. Tangible assets

LVL

		Land	Buildings and constructions	Equipment and machinery	Other tangible assets	Construction in progress	Total
Acquisition value as at 31/12/2006		**55 928**	**9 127 464**	**10 064 770**	**396 789**	**639956**	**20 284 907**
2007 I quarter	Additions	-	24 238	431 843	12 495	456452	925 028
	Disposals	-	(7 239)	(28 159)	(708)	-	(36 106)
	Reclassification	-	-	(1 651)	1 225	-	(426)
Acquisition value as at 31/03/2007		**55 928**	**9 144 463**	**10 466 803**	**409 801**	**1096408**	**21 173 403**
Accumulated amortization as at 31/12/2006		**-**	**5 707 257**	**5 660 259**	**218 893**	**-**	**11 586 409**
2007	Depreciation	-	70 663	322 812	12 998	-	406 473
I quarter	Depreciation of disposals	-	(2 348)	(20 709)	(694)	-	(23 751)
Accumulated amortization as at 31/03/2007		**-**	**5 775 572**	**5 962 362**	**231 197**	**-**	**11 969 131**
Net carrying amount as at 31/12/2006		**55 928**	**3 420 207**	**4 404 511**	**177 896**	**639956**	**8 698 498**
Net carrying amount as at 31/03/2007		**55 928**	**3 368 891**	**4 504 441**	**178 605**	**1096407**	**9 204 272**

		Land	Buildings and constructions	Equipment and machinery	Other tangible assets	Construction in progress	Total
Acquisition value as at 31/12/2007		**55 928**	**10 562124**	**11 453 430**	**541 041**	**1187132**	**23 799 655**
2008	Additions	-	28045	236 812	40 588	648379	953 824
I quarter	Disposals	-	(26288)	(106 383)	(1 946)	(28211)	(162 828)
Acquisition value as at 31/03/2008		**55 928**	**10 563881**	**11 583 859**	**579 683**	**1807300**	**24 590 651**
Accumulated amortization as at 31/12/2007		**-**	**5 857446**	**6 934 602**	**271 229**	**-**	**13 063 277**
2008	Depreciation	-	93810	367 449	19 938	-	481 197
I quarter	Depreciation of disposals	-	(13788)	(106 037)	(1 946)	-	(121 771)
Accumulated amortization as at 31/03/2008		**-**	**5 937468**	**7 196 014**	**289 222**	**-**	**13 422 704**
Net carrying amount as at 31/12/2007		**55 928**	**4 704678**	**4 518 828**	**269 812**	**1187132**	**10 736 378**
Net carrying amount as at 31/03/2008		**55 928**	**4 626413**	**4 387 844**	**290 462**	**1807300**	**11 167 946**

EUR

		Land	Buildings and constructions	Equipment and machinery	Other tangible assets	Construction in progress	Total
Acquisition value as at 31/12/2006		**79 578**	**12 987 211**	**14 320 878**	**564 580**	**910 575**	**28 862 822**
2007 I quarter	Additions	-	34 488	614 457	17 779	649 473	1 316 196
	Disposals	-	(10 300)	(40 067)	(1 007)	-	(51 374)
	Reclassification	-	-	(2 349)	1 743	-	(606)
Acquisition value as at 31/03/2007		**79 578**	**13 011 399**	**14 892 919**	**583 094**	**1 560 048**	**30 127 038**
Accumulated amortization as at 31/12/2006		**-**	**8 120 695**	**8 053 823**	**311 457**	**-**	**16 485 975**
2007	Depreciation	-	100 544	459 320	18 494	-	578 359
I quarter	Depreciation of disposals	-	(3 341)	(29 466)	(987)	-	(33 795)
Accumulated amortization as at 31/03/2007		**-**	**8 217 899**	**8 483 677**	**328 964**	**-**	**17 030 539**
Net carrying amount as at 31/12/2006		**79 578**	**4 866 516**	**6 267 055**	**253 123**	**910 575**	**12 376 848**
Net carrying amount as at 31/03/2007		**79 578**	**4 793 500**	**6 409 242**	**254 132**	**1 560 047**	**13 096 499**

10. Tangible assets (cont'd)

EUR

		Land	Buildings and constructions	Equipment and machinery	Other tangible assets	Construction in progress	Total
Acquisition value as at 31/12/2007		**79 578**	**15 028 549**	**16 296 763**	**769 832**	**1 689 137**	**33 863 858**
2008	Additions	-	39 904	336 953	57 752	922 560	1 357 169
I quarter	Disposals	-	(37 404)	(151 369)	(2 769)	(40 141)	(231 683)
Acquisition value as at 31/03/2008		**79 578**	**15 031 048**	**16 482 346**	**824 815**	**2 571 556**	**34 989 344**
Accumulated amortization as at 31/12/2007		**-**	**8 334 395**	**9 867 050**	**385 924**	**-**	**18 587 369**
2008	Depreciation	-	133 480	522 833	28 369	-	684 682
I quarter	Depreciation of disposals	-	(19 619)	(150 877)	(2 769)	-	(173 265)
Accumulated amortization as at 31/03/2008		**-**	**8 448 256**	**10 239 005**	**411 524**	**-**	**19 098 786**
Net carrying amount as at 31/12/2007		**79 578**	**6 694 154**	**6 429 713**	**383 908**	**1 689 137**	**15 276 490**
Net carrying amount as at 31/03/2008		**79 578**	**6 582 793**	**6 243 340**	**413 290**	**2 571 556**	**15 890 557**

As depreciation of the property, plant and equipment in the cafe and the canteen was disclosed in the income statement as other operating expense, there is a difference of LVL 1 241 (31/03/2007 – LVL 1 041) between the total depreciation and amortisation under the income statement and the total depreciation and amortisation stated in Notes 9 and 10.

Because of the provisions for the amount of 54 111 LVL on the fixed assets stored in the warehouse, the amount stated in the balance sheet is exceeding the one given in the note 10 by 54 111 LVL

As at 31 March 2008, tangible non-current assets included assets with the total original cost value of LVL 3 401 949 (31/03/2007: LVL 3 377 899) that were fully depreciated but still remained in active use by the Company.

As at 31 March 2008, the cadastral value of the land was LVL 567 062 (31/03/2007: LVL 567 062). The cadastral value of the buildings owned by the Company as at 31 March 2008 was LVL 4 712 867 (31/03/2007: N/A).

As at 31 March 2008, the net carrying amount of the tangible non-current assets held under finance lease was LVL 684 193 (31/03/2007: LVL 662 279) (see Note 22 for finance lease liabilities).

As at 31 March 2008, all the non-current and current assets owned by the Company were pledged as a security for the loan and credit lines received (see Note 21). The pledge agreements were registered with the Commercial Pledge Register. In addition, major shareholders guaranteed repayment of the loan by their shares in the Company, and the Company's president pledged all his shares in SIA Olmafarm.

11. Investments in related companies

			31.03.2008.		**31.03.2007.**	
Company	Line of business	%	**LVL**	**EUR**	**LVL**	**EUR**
OOO Baltfarm, Cheremushkinskaya 13/17, Moscow, Russia	Distribution	100	102 660	146 072	102 660	146 072
Impairment of goodwill related to subsidiaries			(102 660)	(146 072)	(102 660)	(146 072)
TOTAL:			**-**	**-**	**-**	**-**

12. Prepayments for investments

In 2007, the Company made an advance payment in the amount of LVL 540 950 for the purchase of SIA Reinolds. SIA Reinolds holds intellectual property which is to be used for manufacturing of a new product.

13. Inventories

	31.03.2008.		31.03.2007.	
	LVL	EUR	LVL	EUR
Raw materials	1 166 257	1 659 434	1 196 617	1 702 633
Work in progress	3 194 453	4 545 297	2 266 646	3 225 147
Finished goods and goods for resale*	2 220 198	3 159 057	2 012 331	2 863 288
Prepayments for goods	94 517	134 486	140 096	199 339
TOTAL:	6 675 425	9 498 274	5 615 690	7 990 406
Provisions for raw materials	(111 509)	(158 662)	(73 749)	(104 936)
Provisions for work in progress	(141 674)	(201 584)	(158 106)	(224 965)
Provisions for finished goods and goods for resale	(58 015)	(82 548)	(88 519)	(125 951)
TOTAL:	(311 198)	(442 794)	(320 374)	(455 851)
TOTAL:	**6 364 227**	**9 055 480**	**5 295 316**	**7 534 556**

* As at 31 March 2008, the Company's inventories comprised goods on consignment in the amount of LVL 256 156 (31/03/2007: LVL 173 663).

14. Trade receivables

	31.03.2008.		31.03.2007.	
	LVL	EUR	LVL	EUR
Trade receivables	5 214 007	7 418 863	5 433 076	7 730 571
Provisions for doubtful trade receivables	(6 300)	(8 964)	(45 224)	(64 348)
TOTAL:	**5 207 707**	**7 409 899**	**5 387 852**	**7 666 223**

The analysis of trade receivables that was past due but not impaired is as follows:

	Total	Neither past due not impaired	Past due but not impaired				
			< 30 days	30-60 days	60-90 days	90-180 days	> 180 days
31.03.2008.	5 498 586	4 507 031	757 694	94 785	29 642	42 784	66 650
31.03.2007.	5 976 028	4 608 131	924 208	199 451	40 362	112 535	91 341

15. Receivables from related companies

	31.03.2008.		31.03.2007.	
Company	LVL	EUR	LVL	EUR
OOO Baltfarm	205 586	292 522	549 950	782 508
SIA Carbochem	69 423	98 780	-	-
SIA Olmafarm	27 989	39 824	31 835	45 297
SIA Olfa Pres	6 048		-	
SIA Vega MS	2 159	3 072	-	-
Provisions for doubtful receivables	(100 000)	(142 285)	(2 463)	(3 505)
TOTAL:	**211 205**	**300 517**	**579 322**	**824 300**

16. Other receivables

	31.03.2008.		31.03.2007.	
	LVL	EUR	LVL	EUR
VAT receivable	186 710	265 664	108 913	154 969
Payment to bailiff*	104 187	148 245	-	-
Representation office expense	145 656	207 250	34 985	49 779
Advances to employees	8 506	12 104	20 669	29 411
Other receivables	10 433	14 845	8 447	12 019
Overpayment of corporate income tax	-	-	36 758	52 302
Receivables from employees for prepaid health insurance	-	-	24 948	35 498
Prepayment for services	36 697	52 214	-	-
Provisions for advances to employees and other receivables	-	-	(3 639)	(5 178)
TOTAL:	492 189	700 322	231 081	328 799

* In January 2007, the Company complied with the judgment of the Republic of Latvia Supreme Court Department of Civil Cases in the case I. Maligina against AS Olainfarm and paid LVL 104 187 to the bailiff's account. The cassation appeal by AS Olainfarm was heard by the Supreme Court Senate on 28 March 2007, which ruled to annul the judgment made by the Supreme Court Department of Civil Cases. As a result, the Company reversed previously booked expenses and recorded the claim against the bailiff for the amount previously paid.

17. Current loans o management and employees

	31.03.2008.		31.03.2007.	
	LVL	EUR	LVL	EUR
Valērijs Maligins (Board Chairman)	218 378	310 724	33 349	47 452
Other loans	21 006	29 889	3 514	5 000
TOTAL:	239 385	340 614	56 863	80 909

18. Prepaid expense

	31.03.2008.		31.03.2007.	
	LVL	EUR	LVL	EUR
Insurance payments	33 530	47 708	14 333	20 394
Subscription to the printed media	962	1 369	480	683
Selling expense	1 143	1 627	-	-
Expenses related to the share issue	-	-	30 000	42 686
Other prepaid expense	109	156	286	407
TOTAL:	35 744	50 860	45 099	64 170

19. Cash

		31/03/2008		31/03/2007
Cash by currency profile:	**Foreign currency**	**LVL**	**Foreign currency**	**LVL**
Ls	-	380 991	-	31 582
EUR	41 900	29 447	36 262	25 485
USD	26 044	11 589	1156	611
TOTAL:		422 027		57 678

Cash remainder or the bank account bears the interest of 0.25% p.a. based upon the account service agreement.

Deposit expires on January 28, 2008 and bears the interest of 6%.

20. Share capital

The share capital of the Company is LVL 14 085 078 (2007: LVL 13 209 055) and consists of 14 085 078 (2007: 13 209 055) shares. The par value of each share is LVL 1.

All 14 085 078 shares are ordinary publicly traded dematerialised voting shares to bearer.

The regular meeting of shareholders held on 13 April 2007 resolved to increase the share capital by issue of 4 million dematerialised voting shares to bearer. Subscription for the share issue was closed on 12 June 2007. The share issue was subscribed for only partially – applications for 876 023 shares were received and paid. As a result, the share capital was increased by LVL 876 023.

21. Loans from credit institutions

Non-current:			*Interest rate (%) as at 31/03/2008*	*Maturity*	**31.03.2008. LVL**	**31.03.2008. EUR**	**31.03.2007. LVL**	**31.03.2007. EUR**
Loan from AS SEB Banka	6 950 000	EUR	EUR LIBOR (3m.)+1.3%	08.12.2011.*	2 523 066	3 590 000	3 063 723	4 359 285
Loan from AS SEB Banka	4 000 000	EUR	EUR LIBOR (3m.)+1,3%	23.05.2013.	1 979 730	2 816 901	2 220 288	3 159 185
Loan from AS SEB Banka	2 000 000	EUR	EUR LIBOR (3m.)+1,3%	10.10.2012.	1 006 951	1 432 762	-	-
Loan from AS SEB Banka	1 500 000	EUR	EUR LIBOR (3m.)+1,3%	30.01.2015.	266 511	379 211	-	-
				TOTAL:	**5 776 258**	**8 218 874**	**5 284 011**	**7 518 470**

Current:			*Interest rate (%) as at 31/03/2008*	*Maturity*	**31.03.2008. LVL**	**31.03.2008. EUR**	**31.03.2007. LVL**	**31.03.2007. EUR**
Loan from AS SEB Banka	6 950 000	EUR	EUR LIBOR (3m.)+1.3%	08.12.2011.	540 657	769 286	540 657	769 286
Loan from AS SEB Banka	4 000 000	EUR	EUR LIBOR (3m.)+1,3%	23.05.2013.	475 135	676 056	356 351	507 042
Loan from AS SEB Banka	2 000 000	EUR	LVL LIBOR (3m.)+1,3%	10.10.2012.	137 805	196 078	180 860	257 340
Loan from AS SEB Banka	1 500 000	EUR	EUR LIBOR (3m.)+1,3%	30.01.2015.	46 237	65 789	-	-
Credit line from AS SEB Banka	200 000	LVL	LVL RIGIBOR (3m.)+1,3%	05.12.2007	-	-	33 928	48 275
Credit line from AS SEB Banka	2 000 000	EUR	EUR LIBOR (3m.)+1,3%	10.10.2008.	1 315 368	1 871 601	-	-
Credit line from AS SEB Banka	500 000	USD	USD LIBOR (3m.)+1,3%	05.12.2007.	-	-	263 310	374 655
				TOTAL:	**2 515 202**	**3 578 811**	**1 375 105**	**1 956 598**

Interest payable is normally settled quarterly throughout the financial year.

On 11 October 2007, the Company signed a new non-current loan agreement for EUR 2 000 000 in relation with renovation of production facilities. The principal amount has to be used by 11 August 2008. As at 31 March 2008, the loan amount of LVL 1 144 755 had been used.

In 2003, the Company concluded several credit line agreements with AS SEB Latvijas Unibanka with the maturity fixed on 5 December 2005. In 2005 and 2006, the aforementioned credit line agreements were extended to mature on 5 December 2006 and

5 December 2007 respectively. During the reporting year, two of the credit lines were fully repaid, with the maturity of one remaining credit line extended until 5 December 2008 under the same terms.

As at 31 March 2008, all the non-current and current assets owned by the Company were pledged as a security for the loan and credit lines received (see Note 10). The pledge agreements were registered with the Commercial Pledge Register. In addition, major shareholders of the Company guaranteed repayment of the loan by their shares in the Company, and the Chairman of the Board of the Company pledged all his shares in SIA Olmafarm.

22. Other loans

	31.03.2008. LVL		**31.03.2008. EUR**		**31.03.2007. LVL**		**31.03.2007. EUR**	
	Non-current	Current	Non-current	Current	Non-current	Current	Non-current	Current
Finance lease liabilities to SIA SEB Unilīzings, EUR	304 705	191 520	433 557	272 509	312 732	171 677	444 978	244 274
Finance lease liabilities to SIA Hanza Līzings, EUR	2 707	15 763	3 852	22 429	18 470	14 974	26 280	21 306
Finance lease liabilities to SIA SEB Unilīzings, LVL	1 351	1 911	1 922	2 719	3 262	1 780	4 641	2 533
Finance lease liabilities to SIA Parex Līzings, EUR	1 098	12 758	1 562	18 153	13 855	12 025	19 714	17 110
TOTAL:	**309 861**	**221 952**	**440 893**	**315 810**	**348 319**	**200 456**	**495 613**	**285 223**

The interest rate on the finance leases ranges from 6.3% to 10.95%. Interest payable is normally settled quarterly throughout the financial year. The net carrying amount of the tangible non-current assets held under finance lease is disclosed in Note 10.

Future minimum lease payments for the above finance leases can be specified as follows:

	31.03.2008.		**31.03.2008.**		**31.03.2007.**		**31.03.2007.**	
	Minimum Payments	Present value of payments	Minimum Payments	Present value of payments	Minimum Payments	Present value of payments	Minimum Payments	Present value of payments
	LVL	LVL	EUR	EUR	LVL	LVL	EUR	EUR
Within one year	240 538	221 952	342 255	315 809	224 063	200 456	318 813	285 223
Between one and five years	326 618	309 861	464 736	440 892	369 722	348 319	526 067	495 613
Total minimum lease payments	567 156	531 813	806 990	756 702	593 785	548 775	844 880	780 836
Less amounts representing finance charges	(35 343)	-	(50 289)	-	(45 010)	-	(64 043)	-
Present value of minimum lease payments	**531 813**	**531 813**	**756 702**	**756 702**	**548 775**	**548 775**	**780 836**	**780 836**

23. Taxes payable

According to Cabinet Order No. 127 of 25 February 2005, the Company was granted extension of the payment term of delayed statutory social insurance contributions, personal income tax, and real estate tax (accrued till **1 November 2003**), without late payment penalties being charged as defined in the Law on Taxes and Duties and applicable tax laws.

Tax liabilities by maturity profile as at 31 March 2008 can be specified as follows:

23. Taxes payable (cont'd)

	31.03.2008. LVL		31.03.2008. EUR		31.03.2007. LVL		31.03.2007. EUR	
	Non-current	Current	Non-current	Current	Non-current	Current	Non-current	Current
Personal income tax	312 985	204 834	445 338	291 453	391 222	218 811	556 659	311 340
Statutory social insurance contributions	233 512	358 962	332 258	510 757	291 890	246 696	415 322	351 017
Real estate tax	45 981	23 798	65 424	33 861	57 476	34 815	81 781	49 537
Corporate income tax	-	72 587	-	103 282	-	-	-	-
Natural resource tax	-	2 253	-	3 206	-	5 057	-	7 196
TOTAL:	**592 478**	**662 434**	**843 020**	**942 559**	**740 588**	**505 379**	**1 053 762**	**719 090**

In 2005, the previously charged late payment penalty of LVL 560 160 was annulled. The aforementioned amount comprised late payment penalty for outstanding statutory social insurance contributions, personal income tax, and real estate tax in the amount of LVL 191 688, LVL 298 830, and LVL 70 142 respectively. The charging of late payment penalties shall be renewed in the event of the Company failing to observe the schedule of the principal debt repayment whereby payments are to be commenced starting from January 2006 and finished in December 2011. As at 31 March 2008, the accruals for the above expected late payment penalties were reduced by LVL 4 986, due to payment of the respective penalties to the state budget.

Repayment schedule of the principal amount of delayed tax payments (accrued till 1 November 2003) can be specified as follows:

Year	Amount
2008	148 117
2009	197 490
2010	197 490
2011	197 491
Total	**740 588**

24. Accrued liabilities

	31.03.2008.		31.03.2007.	
	LVL	EUR	LVL	EUR
Vacation pay reserve	402 499	572 705	347 602	494 593
Accruals for penalties related to taxes	75 456	107 364	95 401	135 743
Other accrued liabilities	150 485	214 121	-	-
TOTAL:	**628 440**	**894 190**	**443 003**	**630 336**

25. Trade and other payables

	31.03.2008.		31.03.2007.	
	LVL	EUR	LVL	EUR
Trade payables	1 307 619	1 860 574	1 601 231	2 278 347
Wages and salaries	429 602	611 268	373 370	531 258
Other liabilities	64 399	91 632	33 726	47 988
TOTAL	1 801 620	2 563 474	2 008 327	2 857 592

Terms and conditions of the above liabilities:

- Trade payables are non-interest bearing and are normally settled on 67 day terms;
- Wages and salaries are non-interest bearing and have an average term of one month;
- Other payables are non-interest bearing and have an average term of one month.

26. Commitments and contingencies

Tax late payment penalties

The charging of tax late payment penalties on taxes shall be renewed in the event of the Parent Company failing to observe the schedule of the principal tax debt repayment whereby payments are to be commenced starting from January 2006 and finished in December 2011 (see also Note 23).

Operating lease

The Company concluded several agreements on operating lease of vehicles. Future minimum lease commitments can be presented as follows:

	31.03.2008.		31.03.2007.	
	LVL	EUR	LVL	EUR
Payable within 1 year, LVL	12 008	17 086	4 951	7 044
Payable within 1-5 years, LVL	24 439	34 774	8 664	12 328
TOTAL:	36 447	51 860	13 615	19 372

Capital investment commitments

At 31 March 2008 the Company had no capital investment commitments.

27. Related party disclosures

Related parties are defined as subsidiaries and associates of the Company as well as shareholders that have the ability to control the Company or exercise significant influence over the Company in making financial and operating decisions, members of the key management personnel of the Company or its parent company, and close members of the families of any individual referred to previously, and entities over which these persons exercise significant influence or control.

Related party	Type of services		Sales to related parties, LVL	Sales to related parties, EUR	Purchases from related parties	Purchases from related parties	Amounts owed by related parties, LVL	Amounts owed by related parties, EUR	Amounts owed to related parties, LVL	Amounts owed to related parties, EUR
SIA "Olmafarm "	Loan and debt assignment	31/12/06	49 322	70 179	1 719 331	2 446 388	2 219 300	3 157 779	-	-
		31/03/07	2 187 465	3 112 482	-	-	31 835	45 298	-	-
		31/12/07	2 192 885	3 120 194	3 535	5 029	29 950	42 615	-	-
		31/03/08	2 173	3 092	212	302	27 989	39 825		
OOO "Baltfarm"	Sale of finished goods and chemicals	31/12/06	1 180 922	1 680 301	1 043 513	1 484 785	537 453	764 727	-	-
		31/03/07	185 986	264 635	198 483	282 416	549 950	782 508	-	-
		31/12/07	1 895 978	2 697 734	1 714 740	2 439 855	369 610	525 908	13 396	19 061
		31/03/08	424 140	603 497	246 710	351 036	205 586	292 522	26 802	38 136
V.Maligins	Loan	31/12/06	76 551	108 922	153 358	218 209	425 024	604 755	-	-
		31/03/07	437 215	622 101	45 540	64 798	33 349	47 451	-	-
		31/12/07	451 191	641 987	147 927	210 482	121 760	173 249	-	-
		31/03/08	9 266	13 185	106 891	152 092	219385	312 157	-	-
SIA "Carbochem"	Intermediation in sale of chemical products	31/12/06	8 992	12 794	59 363	84 466	-	-	12 280	17 473
		31/03/07	3 589	5 107	7 761	11 043	-	-	8 108	11 537
		31/12/07	16 359	23 277	186 673	265 612	158 033	224 861	-	-
		31/03/08					69 423			
SIA "Remeks"	Construction services	31/12/06	22 379	31 842	21 046	29 946	-	-	1 333	1 896
		31/03/07	50 917	72 448	1 333	1 896	-	-	50 917	72 448
		31/12/07	402 677	572 958	404 010	574 854	-	-	-	-
		31/03/08	-	-	-	-	-	-	-	-
SIA "Olfa Press"	Printing services	31/12/06	592 243	842 686	556 221	791 431	-	-	222 068	315 974
		31/03/07	162 190	230 775	310 056	441 169	-	-	74 202	105 580
		31/12/07	540 902	769 635	678 154	964 926	1 452	2 066	85 360	121 456
		31/03/08	183 804	261 530	149 426	212 614	6 048	8 606	124 335	176 912
SIA "Vega MS"	Security services, production of windows	31/12/06	82 024	116 710	82 024	116 710	-	-	-	-
		31/03/07	33 030	46 998	32 666	46 479	-	-	364	518
		31/12/07	102 600	145 987	101 184	143 972	1 416	2 015	-	-
		31/03/08	40 033	56 961	39 289	55 903	2 159	3 073	-	-
	Total:	**31/12/06**	**2 012 433**	**2 863 434**	**3 634 856**	**5 171 934**	**3 181 777**	**4 527 261**	**235 681**	**335 344**
		31/03/07	**3 060 392**	**4 354 546**	**595 839**	**847 802**	**615 134**	**875 257**	**133 592**	**190 084**
		31/12/07	**5 602 593**	**7 971 772**	**3 236 223**	**4 604 730**	**682 222**	**970 714**	**98 756**	**140 517**
		31/03/08	**659 416**	**938 264**	**542 528**	**771 948**	**530 590**	**656 182**	**151 136**	**215 048**

28. Segment information

For management purposes Company is organized into business units based on its products, and has two reportable operating segments as follows:

The finished form medicine segment represents tablets, capsules, ampoules and sachets, namely the products ready for final consumption by end users.

The chemicals segment is sales of chemicals to the clients of the Company for further processing, eventually into finished form medicines. Production of both segments is separated.

Under the segment „Chemicals" the Company has stated revenues from sale of chemical and pharmaceutical substances only to customers outside the company. However, most of the chemicals are used to produce the final dosage forms within the company and revenues generated by them do cover the resources invested into fixed assets used for chemical production. The Company does not keep separate books by segments.

LVL

	Finished form medicine		Chemicals		Unallocated		Total	
	31.03.2008.	31.03.2007.	31.03.2008.	31.03.2007.	31.03.2008.	31.03.2007.	31.03.2008.	31.03.2007.
Assets								
Intangible assets	2 965 933	2743749	719 970	1 472 215	-	-	3 685 903	4 215 964
Tangible assets	8 076 750	5994564	2 982 746	3 216 505	678 376	636667	11 737 872	9 847 736
Financial assets	540 950	-	-	-	386	386	541 336	386
Inventories	4 578 769	3355017	1 690 941	1 800 203	94 517	140096	6 364 227	5 295 316
Receivables	4 315 169	5212666	892 325	682 638	978 736	404914	6 186 230	6 300 218
Cash	-	-	-	-	422 027	57678	422 027	57 678
Total assets	**20 477 571**	**17305996**	**6 285 982**	**7 171 561**	**2 174 042**	**1239741**	**28 937 595**	**25 717 298**
Equity and liabilities						-	-	-
Total equity	-	-		-	15 839 181	14095601	15 839 181	14 095 601
Deffered income tax liability	-	-		-	309 800	252932	309 800	252 932
Loans from credit institution	6 055 253	4333753	2 236 207	2 325 362		-	8 291 460	6 659 115
Other loans	388 383	357143	143 430	191 632	-	-	531 813	548 775
Taxes payable	916 462	810875	338 450	435 092	-	-	1 254 912	1 245 967
Prepayments received from customers	275 096	463578	5 271	-	-	-	280 368	463 578
Trade payables	1 205 348	1250164	445 136	670 801	-	-	1 650 484	1 920 965
Payables to related companies		-		-	151 136	87361	151 136	87 361
Accrued liabilities		-	-	-	628 440	443004	628 440	443 004
Total equity and liabilities	**8 840 543**	**7215513**	**3 168 493**	**3 622 887**	**16 928 557**	**14878898**	**28 937 595**	**25 717 298**
Income statement								
Net turnover	4 639 386	4176420	617 782	491 279	-	-	5 257 168	4 667 699
Changes in stock of finished goods and work in progress	(75 818)	475067	(27 999)	254 907	-	-	(103 817)	729 974
Other operating income	-	-	-	-	118 587	128508	118 587	128 508
Cost of materials	(963 526)	(996958)	(355 831)	(534 938)	-	-	(1 319 357)	(1 531 896)
Staff costs	(1 547 233)	(1174460)	(571 394)	(630 180)	-	-	(2 118 627)	(1 804 640)
Depreciation/ amortisation and write-offs	(447 450)	(363668)	(165 244)	(195 134)	-	-	(612 694)	(558 801)
Other operating expense	(1 038 458)	(654552)	(383 503)	(344 774)	-	-	(1 421 961)	(999 326)
Interest receivable and similar income	-	-		-	20 480	1956	20 480	1 956
Interest payable and similar expense	-	-		-	(167 102)	(132071)	(167 102)	(132 071)
Taxes	-	-	-	-			-	-
Net profit for the year	**566 900**	**1461849**	**(886 188)**	**(958 840)**	**(28 035)**	**(1607)**	**(347 325)**	**501 403**

EUR

	Finished form medicine		Chemicals		Unallocated		Total	
	31.03.2008.	**31.03.2007.**	**31.03.2008.**	**31.03.2007.**	**31.03.2008.**	**31.03.2007.**	**31.03.2008.**	**31.03.2007.**
Assets								
Intangible assets	4 220 142	3 904 003	1 024 426	2 094 773	-	-	5 244 568	5 998 776
Tangible assets	11 492 180	8 529 496	4 244 065	4 576 674	965 243	905 896	16 701 488	14 012 066
Financial assets	769 703	-	-	-	549	549	770 252	549
Inventories	6 515 002	4 773 759	2 405 992	2 561 458	134 486	199 339	9 055 479	7 534 556
Receivables	6 139 933	7 416 956	1 269 663	971 306	1 392 616	576 140	8 802 212	8 964 402
Cash	-	-	-	-	600 490	82 068	600 490	82 068
Total assets	**29 136 958**	**24 624 214**	**8 944 146**	**10 204 212**	**3 093 384**	**1 763 992**	**41 174 489**	**36 592 418**
Equity and liabilities						-	-	-
Total equity	-	-	-	-	22 537 124	20 056 233	22 537 124	20 056 233
Deffered income tax liability	-	-	-	-	440 806	359 890	440 806	359 890
Loans from credit institution	8 615 849	6 166 375	3 181 836	3 308 692	-	-	11 797 685	9 475 067
Other loans	552 619	508 169	204 082	272 668	-	-	756 702	780 836
Taxes payable	1 304 008	1 153 771	481 571	619 080	-	-	1 785 579	1 772 851
Prepayments received from customers	391 427	659 612	7 500	-	-	-	398 927	659 612
Trade payables	1 715 056	1 778 823	633 371	954 464	-	-	2 348 428	2 733 287
Payables to related companies	-	-	-	-	215 049	124 305	215 049	124 305
Accrued liabilities	-	-	-	-	894 190	630 336	894 190	630 336
Total equity and liabilities	**12 578 960**	**10 266 750**	**4 508 359**	**5 154 904**	**24 087 169**	**21 170 764**	**41 174 489**	**36 592 418**
Income statement								
Net turnover	6 601 251	5 942 510	879 025	699 027	-	-	7 480 276	6 641 537
Changes in stock of finished goods and work in progress	(107 879)	675 959	(39 840)	362 700	-	-	(147 718)	1 038 659
Other operating income	-	-	-	-	168 734	182 850	168 734	182 850
Cost of materials	(1 370 974)	(1 418 543)	(506 301)	(761 148)	-	-	(1 877 275)	(2 179 692)
Staff costs	(2 201 515)	(1 671 106)	(813 020)	(896 665)	-	-	(3 014 535)	(2 567 771)
Depreciation/ amortisation and write-offs	(636 665)	(517 453)	(235 120)	(277 651)	-	-	(871 785)	(795 104)
Other operating expense	(1 477 593)	(931 344)	(545 678)	(490 569)	-	-	(2 023 271)	(1 421 913)
Interest receivable and similar income	-	-	-	-	29 140	2 783	29 140	2 783
Interest payable and similar expense	-	-	-	-	(237 765)	(187 920)	(237 765)	(187 920)
Taxes	-	-	-	-	-	-	-	-
Net profit for the year	**806 626**	**2 080 024**	**(1 260 935)**	**(1 364 306)**	**(39 890)**	**(2 287)**	**(494 199)**	**713 432**

29. Financial risk management

The Company's principal financial liabilities comprise bank loans and credit lines, finance leases and trade payables. The main purpose of these financial liabilities is to ensure financing for the Company's operations. The Company has various financial assets such as trade receivables and cash and short term deposits, which arise directly from its operations. The Company might also issue loans to shareholders and management on a short-term basis.

Financial risks

The main financial risks arising from the Company's financial instruments are foreign currency risk, interest rate risk, liquidity risk and credit risk.

Foreign currency risk

The Company's financial assets and liabilities, which are exposed to foreign currency risk, comprise cash, trade receivables, trade payables, as well as current and non-current loans and borrowings. The Company is mainly exposed to foreign currency risk of US dollar.

The Company's currency risk as at 31 March 2008 may be specified as follows:

	LVL	USD	EUR	Other	Total LVL
Trade receivables	556 378	142 902	4 514 727		5 214 006
Receivables from related companies	80 821	24 799	205 586		311 205
Prepayments for intangible assets	90 408	37510,45	98 192		226 111
Prepayments for tangible assets	129 144		494 893		624 037
Prepayments for investments	540 950				540 950
Prepayments for goods	11 105	4 025	79 388		94 517
Other receivables	346 533		145 656		492 189
Current loans to management and employees	32 163	129 913	77 308		239 385
Prepaid expense	34 315		1 429		35 744
Cash	380 991	11 589	29 447		422 027
Total assets, LVL	2 202 807	350 738	5 646 627	-	8 200 173
Loans from credit institutions			8 291 460		8 291 460
Other loans	3 262		528 551		531 813
Taxes payable	1 254 912				1 254 912
Prepayments received from customers	274 947		5 420		280 367
Trade payables	1 192 713	111 732	340 548	5 492	1 650 484
Payables to related companies	124 334		26 802		151 136
Accrued liabilities	628 440				628 440
Total financial liabilities	3 478 608	111 732	9 192 781	5 492	12 788 613
Neto, LVL	(1 275 801)	239 007	(3 546 154)	(5 492)	(4 588 441)

A significant part of the Company's revenues is derived in Latvian lats and euros; the major part of expenses is in Latvian lats.

The Company has no officially approved policy of foreign currency risk management.

Since 1 January 2005, the Bank of Latvia has stated a fixed currency exchange rate for Latvian lat against euro, i.e. 0.702804. From this moment the Bank of Latvia will also ensure that the market rate will not differ from the official rate by more than 1%. Therefore, the Company's future profit or loss due to fluctuations of the euro exchange rate will not be material as far as the Bank of Latvia maintains the above mentioned fixed rate.

Increase or decrease in the exchange rate USD/ LVL below 10% points would not make material impact on the profit of the Company.

Interest rate risk

The Company is exposed to interest rate risk mainly through its current and non-current borrowings. The average interest rate payable on the Company's borrowings is disclosed in Notes 21 and 22.

The Company does not have any policies for managing interest rate risks.

29. Financial risk management (cont'd)

Financial risks (cont'd)

Liquidity risk

The Company manages its liquidity risk by arranging an adequate amount of committed credit facilities with banks, planning of terms of payment of trade payables, developing and analyzing future cash flows comprising both the existing and planned loans and interest on such loans.

The table below summarises the maturity profile of the Company's financial liabilities at 31 March 2008 based on contractual undiscounted payments.

Period ended 31 March 2008		On demand	< 3 months	3 to 12 months	1 to 5 years	> 5 years	Total
Interest bearing loans	('000 LVL)	-	254	2 092	5 946	-	8 291
Finance lease liabilities	('000 LVL)	-	60	162	310	-	532
Lease %	('000 LVL)	-	6	13	17	-	35
Trade accounts payable	('000 LVL)		960	303	58	-	1 321
Interest bearing loans	('000 EUR)	-	361	2 977	8 460	-	11 798
Finance lease liabilities	('000 EUR)	-	86	230	441	-	757
Lease %	('000 EUR)	-	8	18	24	-	50
Trade accounts payable	('000 EUR)		1 366	432	82	-	1 879

Period ended 31 March 2007		On demand	< 3 months	3 to 12 months	1 to 5 years	> 5 years	Total
Interest bearing loans	('000 LVL)	-	45	1 211	4 018	1 385	6 659
Finance lease liabilities	('000 LVL)	-	51	149	348	-	549
Lease %	('000 LVL)		7	17	21	-	45
Trade accounts payable	('000 LVL)	-	1 198	350	53	-	1 601
Interest bearing loans	('000 EUR)	-	64	1 724	5 717	-	9 475
Finance lease liabilities	('000 EUR)	-	73	212	496	-	781
Lease %	('000 EUR)		10	24	30	-	64
Trade accounts payable	('000 EUR)	-	1 705	498	75	-	2 278

Credit risk

The Company is exposed to credit risk through its trade receivables, issued loans, as well as cash. The Company manages its credit risk by continuously assessing the credit history of customers and assigning credit terms on individual basis. In addition, receivable balances are monitored on an ongoing basis to ensure that the Company's exposure to bad debts is minimised.

Capital management

The primary objective of the Company's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximise shareholder value. The Company manages its capital structure and makes adjustments to it, in light of changes in economic conditions.

The Company does not have a policy for monitoring capital. From time to time, the management monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt. The Company includes within net debt, interest bearing loans and borrowings, trade and other payables, less cash and cash equivalents, excluding discontinued operations. Capital includes equity attributable to the equity holders of the parent less the net unrealised gains reserve.

	31.03.2008.		31.03.2007.	
	LVL	EUR	LVL	EUR
Interest bearing loans and borrowings	8 823 273	12 554 386	7 207 891	10 255 905
Trade and other payables	1 801 620	2 563 474	2 008 327	2 857 592
Less cash and cash equivavelnts	(422 027)	(600 490)	(57 678)	(82 068)
Net debt	10 202 866	14 517 370	9 158 540	13 031 428
Equity	14 085 078	20 041 260	13 209 055	18 794 792
Total capital	24 287 944	34 558 631	22 367 595	31 826 220
Gearing ratio (%)	42	60	41	58

30. Financial instruments

Fair value

Set out below is a comparison by category of carrying amounts and fair values of all of the Company's financial instruments, that are carried in the financial statements:

	Carrying amount		Fair value		Carrying amount		Fair value	
	31.03.2008. ('000 LVL)	31.03.2007. ('000 LVL)	31.03.2008. ('000 LVL)	31.03.2007. ('000 LVL)	31.03.2008. ('000 EUR)	31.03.2007. ('000 EUR)	31.03.2008. ('000 EUR)	31.03.2007. ('000 EUR)
Financial assets								
Cash	422	58	422	58	600	82	600	82
Loans and trade receivables	6151	6255	6151	6255	8751	8900	8751	8900
Finanšu saistības								
Interest bearing loans (floating rate)	8292	6659	8292	6659	11798	9475	11798	9475
Finance lease liabilities	532	549	532	549	757	781	757	781

The fair value of borrowings has been calculated by discounting the expected future cash flows at prevailing interest rates.

31. Events after the balance sheet date

In January 2008 decision has been made to sell subsidiary OOO Baltfarm in Moscow.

On 3 November 2006, the Republic of Latvia Supreme Court Chamber of Civil Cases heard the appeal lodged by I. Maligina against the Riga Regional Court judgment of 24 March 2005 rejecting her claim against AS Olainfarm for collection of a debt in the amount of LVL 99 820. The Supreme Court Chamber of Civil Cases ruled that the claim by I. Maligina should be satisfied in full. AS Olainfarm filed a cassation appeal against the judgment of the Supreme Court Chamber of Civil Cases. The Supreme Court Senate activity meeting on 26 January 2007 resolved to accept the cassation appeal and sent it for hearing at the Senate meeting under the cassation procedure, suspending the execution of the judgment in the given case. As the judgment of the court of second instance took effect upon its declaration and the claimant started collection activities already on 15 November 2006, but the Senate activity meeting took place only at the end of January 2007, AS Olainfarm had to comply with the court judgment. The Parent Company complied with the court judgment in full at the beginning of 2007 as confirmed by calculation No. 18-797-2006/07 issued by a sworn bailiff on 15 January 2007. The cassation appeal by AS Olainfarm was heard by the Supreme Court Senate at the meeting on 28 March 2007, which ruled to annul the judgment of the Supreme Court Chamber of Civil Cases. At 31 December 2006, the Company had made no accruals regarding the above claim. The case was repeatedly heard on 28 February 2008, while the abridged version of the judgment was announced on 13 March 2008.
During the repeated hearing, the appeal instance satisfied I. Maligina's claim and provided that the debt of LVL 102 014 should be collected from AS Olainfarm notwithstanding the fact that AS Olainfarm had received from the USA and submitted to the court new evidence confirming that the assignee was still acting as a legal entity and had not been deleted from the Enterprise Registry, and therefore I.Maligina had a realistic chance to collect the said debt form the assignee according to the assignment agreement. Having read the full text of the judgement, its reasoning and ruling parts, AS Olainfarm will contest the ruling of the appeal instance under the cassation procedure.

As the amount of LVL102 014 had already been collected from AS Olainfarm after the first hearing of the case by the appeal instance, no provisions for the execution of the judgment were required.

During the period of time between the last day of the reporting period and the date when the report is signed, no other events have taken place, requiring the corrections or explanations to this financial report.