JOINT STOCK COMPANY OLAINFARM
(UNIFIED REGISTRATION NUMBER 40003007246)

NON-AUDITED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 JUNE 2007

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

Olaine, 2007

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), Nature Restoration Foundation, SO Vītkupe, SIA Remeks Serviss (33.3%), SIA Aroma (100%), SIA Olmafarm (100%), SIA Olfa Press (45%), SIA Carbochem (50%), SIA New Classic (100%) Jeļena Borcova (appointed on 30 July 2006) Deputy Chairman of the Board *Positions held in other companies*: SIA Carbochem – Chairperson of the Board *Participation in other companies:* none Jurijs Kaplinovs *Positions held and participation in other companies*: none Aleksandrs Černobrovijs *Positions held in other companies*: SIA Carbochem – Board Member, *Participation in other companies*: none Andris Jegorovs *Positions held in other companies*: none *Participation in other companies*: none

Viktorija Žuka-Ņikuļina
Positions held in other companies:
SIA V.E.D. – Chairperson of the Board,
public non-governmental organisation Baltijas Juristu perspektīvas – Board Member
Participation in other companies:
SIA V.E.D. (100%),
public non-governmental organisation Baltijas Juristu perspektīvas

Inga Liščika
Positions held in other companies: none
Participation in other companies: none

Council

Juris Savickis, Chairman of the Council
Positions held in other companies:
Latvian Tennis Union (the position is not registered),
a/s Sibur Itera - Chairman of the Council,
a/s Latvijas Gāze – Deputy Chairman of the Council,
a/s VEF banka - Deputy Chairman of the Council,
SIA Itera Latvija - Chairman of the Board,
a/s 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 *Positions held in other companies*: A/s Latvijas zoovetapgāde – Chairman of the Council, public scientific establishment – non-profit organisation 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 com*panies: none
	Rolands Klincis *Positions held in other companies*: none *Participation in other companies*: none *Association of Latvian Securities Market Proffessionals*
	Tatjana Lukina *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 2007 through 30 June 2007	none
Movements in the Council during the period 1 January 2007 through 30 June 2007	Guntis Belēvičs, dismissed 13.04.2007. Rolands Klincis, elected 13.04.2007.
Subsidiaries	OOO Baltfarm Cheremushkinskaya 13/17 Moscow, Russia (100%)
Core business activity	Manufacturing and distribution of chemical and pharmaceutical products
Financial year	1 January – 30 June 2007
Auditors	Diāna Krišjāne 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 6 months of 2007

Management Board of JSC „Olainfarm" (hereinafter – the Company) is responsible for preparation of consolidated 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 June 30th, 2007.

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
Valerijs Maligins

AKCIJU SABIEDRĪBA „OLAINFARM" * OlainFarm * LATVIJAS REPUBLIKA

Management report

JSC „ Olainfarm" has summarized its unconsolidated results of 1st half of 2007 and has compiled financial reports for this period.

Operations of Olainfarm during the first six months of 2007 shall be regarded as very positive. Company's net profit during the reporting period was 768 656 lats (1 093 698 EUR), which is an increase of 101% compared to the net profit of first six months of 2006 when it was 382 439 lats (544 161 EUR). Sales of JSC „Olainfarm" during six months of 2007 were 9.01 million Lats (12, 82 million EUR), which is an increase of by 24% compared to the sales of 7.24 million lats (10.3 million EUR) a year earlier. Financial growth is based on several successes of JSC „Olainfarm", where dedicated and fruitful work towards the development of sales markets and marketing structures could be named as one of the cornerstones.

During the first half of 2007 a new share issue took place at Olainfarm. 876 023 shares were subscribed for, providing more than 2.5 million lats (3.7 million EUR) for company's long term development needs. Goal of the share issue was mainly to raise resources, that over the period until 2012 would be invested into creation of the new ampoule production facility, research and development of new products as well as into extension of warehousing capacities for packaging materials and finished products. The obtained resources will be used to finance the first items of a longer development program. Discussions and decisions regarding the funding for the remaining items will be held and made by the management and shareholders before the end of this year.

During the first half of 2007 Olainfarm has implemented several successful cooperation projects. In cooperation with Swedish partners from Jucker Pharma the company was commissioned to produce a chemical intermediate for British company „Novartis Grimsby Limited", an affiliate of „Novartis" of Switzerland. Also, in cooperation with international pharmaceutical company, we have started to work at the production of new generation product „Memantine" and we have also won a Kazakhstan's government tender for supplying PASA Sodium Salt to the national reserves of Kazakhstan.

During the reporting period contracts on use of intellectual property have been signed, allowing Olainfarm to launch five newly developed and particularly promising products to the market, they are Meldonium, Olvazol, R-Fenibut, R-Fenotropil and already mentioned Memantine. In addition to them the Parent company of the concern has created a new program of generic medicine for the Baltic countries, within which before the end of this year 5 new equivalents of so far original products will be brought to the market for more affordable prices.

Financial situation

Earnings per share during the first half of 2007 were Ls 0,056 (0,08 EUR), which is an increase by 93% over the first six months of 2006, when the EPS was Ls 0,029 (0,042 EUR)

Financial stability indicators of the Company are improving as well. Quick ratio has improved and now has reached 2.83, which for this business is a very good level. Equity is 1.47 times the debt, which is yet another notable improvement.

Environment

During he reporting period Olainfarm received an environmental management certificate ISO 14001:2004, certifying that the Company is able to guarantee safe, efficient and at the same time environmentally secure and harmless production of final dosage medications and chemical products.

Events and conditions after the end of the reporting period

In June 2007 the Company repeatedly was approved to correspond to the requirements of Good Manufacturing Practice standards. The certificate was awarded in August 2007.

Further development of JSC „Olainfarm“

Further development strategy of the Company is to continue increasing the sales volumes and improving the product portfolio with new products. Both, final dosage forms and chemical product sales are planned to increase in 2007, with total sales target remaining 20.66 million lats (29,4 million EUR).

On behalf of the Company’s Management Board:

Valērijs Maligins
Chairman of the Board

Income statement

	Notes	30.06.2007. LVL	30.06.2007. EUR	30.06.2006. LVL	30.06.2006. EUR
Net turnover	3	9 006 811	12 815 538	7 240 318	10 302 044
Changes in stock of finished goods and work in progress		1 674 749	2 382 953	1 041 236	1 481 545
Other operating income	4	253 176	360 237	148 964	211 957
Cost of materials:					
raw materials and consumables		(1 946 167)	(2 769 146)	(1 720 658)	(2 448 276)
other external costs		(967 422)	(1 376 517)	(586 700)	(834 799)
		(2 913 589)	(4 145 664)	(2 307 358)	(3 283 075)
Staff costs:					
Wages and salaries	8	(3 067 406)	(4 364 526)	(2 396 417)	(3 409 794)
Statutory social insurance contributions	8	(675 603)	(961 296)	(532 143)	(757 171)
		(3 743 009)	(5 325 822)	(2 928 560)	(4 166 965)
Depreciation/ amortisation and write-offs:					
depreciation and amortisation expense	9.10.	(1 069 780)	(1 522 160)	(966 255)	(1 374 857)
Other operating expense	5	(2 156 400)	(3 068 281)	(1 710 262)	(2 433 484)
Interest receivable and similar income	6	3 073	4 372	56	80
Interest payable and similar expense	7	(272 370)	(387 548)	(217 576)	(309 583)
Profit before taxes		**782 661**	**1 113 626**	**300 563**	**427 663**
Corporate income tax		(14 005)	(19 927)	-	-
Profit for the reporting year		**768 656**	**1 093 699**	**300 563**	**427 663**

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

On behalf of the Board:

AKCIJU SABIEDRĪBA «OLAINFARM» OlainFarm LATVIJAS REPUBLIKA

Valērijs Maligins
Chairman of the Board
(President)

30 August, 2007

Balance sheet

ASSETS

NON-CURRENT ASSETS	Notes	2007.06.30 LVL	2007.06.30 EUR	2006.06.30 LVL	2006.06.30 EUR
Intangible assets					
Other intangible assets	9	976 537	1 389 487	1 463 719	2 082 685
Prepayments for intangible assets		3 442 513	4 898 255	63 726	90 674
TOTAL		**4 419 050**	**6 287 742**	**1 527 445**	**2 173 358**
Property, plant and equipment					
Land, buildings and constructions	10	3 353 740	4 771 942	3 420 607	4 867 085
Equipment and machinery	10	4 333 875	6 166 549	3 570 410	5 080 236
Other fixtures and fittings, tools and equipment	10	263 890	375 482	183 561	261 184
Construction in progress	10	1 722 689	2 451 166	271 496	386 304
Prepayments for property, plant and equipment		654 482	931 244	544 413	774 630
TOTAL		**10 328 676**	**14 696 382**	**7 990 487**	**11 369 439**
Financial assets					
Investments in related companies	11	-	-	-	-
Other securities and investments		386	549	386	549
TOTAL		**386**	**549**	**386**	**549**
TOTAL NON-CURRENT ASSETS		**14 748 112**	**20 984 673**	**9 518 318**	**13 543 346**

CURRENT ASSETS	Notes	2007.06.30 LVL	2007.06.30 EUR	2006.06.30 LVL	2006.06.30 EUR
Inventories					
Raw materials		1 096 661	1 560 408	844 067	1 200 999
Work in progress		2 438 798	3 470 097	1 664 586	2 368 492
Finished goods and goods for resale		2 508 997	3 569 981	1 953 933	2 780 196
Goods in transit		-	-	-	-
Prepayments for goods		102 597	145 982	25 422	36 172
TOTAL	12	**6 147 053**	**8 746 468**	**4 488 008**	**6 385 860**
Receivables					
Trade receivables	13	4 362 726	6 207 600	3 154 621	4 488 622
Receivables from related companies	14	587 684	836 199	1 259 863	1 792 624
Other receivables	15	197 829	281 485	1 372 298	1 952 604
Current loans to management	16	97 966	139 393	332 448	473 031
Prepaid expense	17	8 064	11 474	20 622	29 342
TOTAL		**5 254 269**	**7 476 151**	**6 139 852**	**8 736 223**
Cash	18	**2 061 155**	**2 932 759**	**62 375**	**88 752**
TOTAL CURRENT ASSETS		**13 462 477**	**19 155 379**	**10 690 235**	**15 210 835**
TOTAL ASSETS		**28 210 589**	**40 140 052**	**20 208 553**	**28 754 180**

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

On behalf of the Board:

Valērijs Maligins
Chairman of the Board
(President)

30 August, 2007

EQUITY AND LIABILITIES

EQUITY	Notes	2007.06.30 LVL	2007.06.30 EUR	2006.06.30 LVL	2006.06.30 EUR
Share capital	19	14 085 078	20 041 260	10 252 365	14 587 801
Share premium		1 759 708	2 503 839	65 934	93 816
Retained earnings/ (accumulated deficit):					
brought forward		171 374	243 843	(814 275)	(1 158 609)
for the period		768 656	1 093 699	300 563	427 663
TOTAL EQUITY		**16 784 816**	**23 882 642**	**9 804 587**	**13 950 670**
LIABILITIES					
Non-current liabilities					
Provisions for expected taxes		252 932	359 890	208 535	296 719
Loans from credit institutions	20	5 383 424	7 659 922	4 131 813	5 879 040
Other loans	21	342 995	488 038	347 209	494 034
Taxes payable	23	691 216	983 512	888 706	1 264 515
TOTAL		**6 670 567**	**9 491 362**	**5 576 263**	**7 934 307**
Current liabilities					
Prepayment received for shares		-	-	894 339	1 272 530
Loans from credit institutions	20	1 158 008	1 647 697	878 617	1 250 159
Other loans	21	207 946	295 881	162 443	231 136
Prepayments received from customers	22	93 421	132 926	379 093	539 401
Trade payables	25	2 087 481	2 970 218	1 456 433	2 072 317
Payables to related companies		315 189	448 474	244 116	347 346
Taxes payable	23	503 985	717 106	530 006	754 131
Accrued liabilities	24	389 176	553 748	282 656	402 183
TOTAL		**4 755 206**	**6 766 049**	**4 827 703**	**6 869 203**
TOTAL LIABILITIES		**11 425 773**	**16 257 410**	**10 403 966**	**14 803 511**
TOTAL EQUITY AND LIABILITIES		**28 210 589**	**40 140 052**	**20 208 553**	**28 754 180**

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

Commitments and contingencies: see Note 26.

On behalf of the Board:

Valērijs Maligins
Chairman of the Board
(President)

AKCIJU SABIEDRĪBA «OLAINFARM» LATVIJAS REPUBLIKA OlainFarm

30 August, 2007

Cash flow statement

	2007.06.30 LVL	2007.06.30 EUR	2006.06.30 LVL	2006.06.30 EUR
Cash flows to/from operating activities				
Profit before taxes	782 661	1 113 626	300 563	427 663
Adjustments for:				
Amortisation and depreciation	1 071 810	1 525 048	967 843	1 377 117
Disposal of tangible non-current assets and investments	73 842	105 068	14 657	20 855
(Decrease)/increase in allowances	(50 069)	(71 242)	-	-
Increase in vacation reserve	(55 791)	(79 383)	-	-
Interest expenses	251 169	357 381	170 401	242 459
Interest income	(3 072)	(4 371)	(56)	(80)
Unrealised loss/ (profit) from fluctuations of currency exchange rates	21 201	30 166	47 175	67 124
Operating cash flows before working capital changes	**2 091 751**	**2 976 293**	**1 500 583**	**2 135 137**
(Increase) in inventories	(1 656 161)	(2 356 505)	(989 655)	(1 408 152)
(Increase)/ decrease in receivables and prepaid expense	2 677 513	3 809 758	(73 550)	(104 652)
Increase in payables	(809 005)	(1 151 110)	537 177	764 334
Cash generated from operations	**2 304 098**	**3 278 436**	**974 555**	**1 386 667**
Interest paid	(269 298)	(383 177)	(217 520)	(309 503)
Corporate income tax paid	(14 005)	(19 927)	-	-
Real estate tax paid	(39 895)	(56 765)	(22 423)	(31 905)
Naudas plūsma pirms ārkārtas posteņiem	**1 980 900**	**2 818 567**	**734 612**	**1 045 259**
Net cash flows to/from operating activities	**1 980 900**	**2 818 567**	**734 612**	**1 045 259**
Cash flows to/from investing activities				
Purchase of non-current assets	(2 763 689)	(3 932 375)	(1 033 386)	(1 470 376)
Loans granted	429 439	611 037	(235 440)	(335 001)
Net cash flows to/from investing activities	**(2 334 250)**	**(3 321 339)**	**(1 268 826)**	**(1 805 377)**
Cash flows to/from financing activities				
Increase of Share Capital	876 023	1 246 468	-	-
Proceeds from issue of shares	1 545 939	2 199 673	-	-
Borrowings repaid	15 446 415	21 978 268	617 793	879 040
Proceeds from borrowings	(15 523 409)	(22 087 821)	(98 417)	(140 035)
Net cash flows to/from financing activities	**2 344 968**	**3 336 589**	**519 376**	**739 005**
Change in cash	**1 991 618**	**2 833 817**	**(14 838)**	**(21 113)**
Cash at the beginning of the reporting year	**69 537**	**98 942**	**77 213**	**109 864**
Cash at the end of the reporting year	**2 061 155**	**2 932 759**	**62 375**	**88 752**

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

Statement of changes in equity

	Share capital	Share capital	Share premium	Share premium	Profit/ (Accumulated loss)	Profit/ (Accumulated loss)	Total share capital	Total share capital
	LVL	EUR	LVL	EUR	LVL	EUR	LVL	EUR
Balance as at 31 December 2004	**10 252 365**	**14 587 801**	**65 934**	**93 816**	**(1 160 699)**	**(1 651 526)**	**9 157 600**	**13 030 091**
Profit for the reporting year	-	-	-	-	346 424	492 917	346 424	492 917
Balance as at 31 December 2005	**10 252 365**	**14 587 801**	**65 934**	**93 816**	**(814 275)**	**(1 158 609)**	**9 504 024**	**13 523 008**
Share premium	2 956 690	4 206 991	147 835	210 350	-	-	3 104 525	4 417 341
Profit for the reporting year	-	-	-	-	985 648	1 402 451	985 648	1 402 451
Balance as at 31 December 2006	**13 209 055**	**18 794 792**	**213 769**	**304 166**	**171 374**	**243 843**	**13 594 196**	**19 342 798**
Share premium	876 023	1 246 468	1 545 939	2 199 673	-	-	2 421 962	3 446 141
Profit for the reporting year		-			768656	1 093 699	768 656	1 093 699
Balance as at 30 June 2007	**14 085 078**	**20 041 260**	**1 759 708**	**2 503 839**	**940 030**	**1 337 542**	**16 784 816**	**23 882 642**

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

Notes to the financial statements

1. Corporate information

The principal activities of Olainfarm (hereinafter, the Company) are manufacturing and distribution of chemical and pharmaceutical products.

Joint stock company Olainfarm 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.

Company's shares are listed on Riga Stock Exchange

These financial statements were approved by the Board on 2007.

The Company's shareholders have the power to amend the consolidated financial statements after the issue.

2. Summary of significant accounting policies

Basis of preparation

The financial statements represent only the financial position of AS Olainfarm as a separate 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.

For all periods up to and including the year ended 31 December 2005, the Company prepared its financial statements in accordance with local generally accepted accounting practice (Local GAAP). Starting with year 2006 the Company has prepared financial statements in accordance with International Financial Reporting Standards (IFRS), as adopted by the European Union (EU).

IASB has issued IFRS No. 1 First-time Adoption of International Financial Reporting Standards ("IFRS 1"). IFRS 1 requires that an entity's first IFRS financial statements are the first annual financial statements in which the entity adopts all IFRSs, by an explicit and unreserved statement in those financial statements of compliance with IFRS.

IFRS 1 requires that the Company recognize all assets and liabilities that meet the recognitions criteria of IFRS and measure these assets in accordance with each IFRS, with the prior period financial information recognized based on the same criteria.

The Company has prepared financial statements which comply with IFRS applicable for period beginning on or after 1 January 2006 as described in the accounting policies. In preparing these financial statements, the Company opening balance sheet was prepared as at 1 January 2005, the Company's date of transition to IFRS. There are no principal adjustments made by the Company in restating its Local GAAP balance sheet as at 1 January 2005 and its previously published Local GAAP financial statements for the year ended 31 December 2005.

The Company has not applied the following IFRS and Interpretations that have become effective but are not yet mandatory: IFRS 7 *Financial Instruments: Disclosures* , IFRS 8 *Operating Segments* , Amendment to IAS 1 *Presentation of Financial Statements – Capital Disclosures* , IFRIC 7 *Applying the Restatement Approach under IAS 29 Financial Reporting in Hyperinflationary Economies* , IFRIC 8 *Scope of IFRS 2* , IFRIC 9 *Reassessment of Embedded Derivatives* , IFRIC 11 *IFRS 2 – Group and Treasury Share Transactions* , IFRIC 10 Interim Financial Reporting and Impairment , IFRIC 12 *Service Concession Arrangements* , the amendments of IAS 23 *Borrowing costs* .

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

Basis of preparation (cont'd)

The Company expects that the adoption of the pronouncements listed above will have no significant impact on the Company's financial statements in the period of initial application, except for IFRS 7 Financial Instruments: Disclosures; IAS 1 amendment Capital Disclosures, IFRS 8 Operating Segments and the amendments of IAS 23 Borrowing costs. The Group is still estimating the impact of adoption of these pronouncements on the financial statements.

The consolidated financial statements are prepared under the historical cost convention as modified by the revaluation of available-for-sale investments. Balances disclosed as at 30 June 2007 reflect the position as at the close of business on that date.

Estimates and assumptions

The preparation of consolidated 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 consolidated financial statements relate to 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.

Foreign currency translation

The functional and reporting currency 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 set for 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 reflected in the income statement. At the year end foreign currency financial assets and liabilities are translated at the Bank of Latvia rate of exchange effective as of 31 December, and all associated exchange differences are dealt with through the income statement.

Currency exchange rates set by the Bank of Latvia:

	30/06/2007 LVL	30/06/2006 LVL
1 USD	0.5220	0.5600
1 RUB	0.0202	0.0207
1 EUR	0.7028	0.7028

Intangible non-current assets

Intangible assets basically consist of the costs of acquisition of preparation production technologies, medicine registration fee and software. Intangible assets are stated at cost and depreciated over their estimated useful lives on a straight-line basis. The amortisation rate for intangible non-current 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 the impairment of goodwill that is being carried out annually. Losses from impairment are recognized where the carrying value of intangible non-current assets exceeds their recoverable amount

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 amortized 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.

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. 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 following depreciation rates were established and applied:

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

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 tangible non-current assets under construction and is stated at historical cost or as appropriate. 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 in subsidiaries

Investments in subsidiaries (i.e. where the Company holds more than 50% interest of the share capital or otherwise controls the company) are stated in accordance with the cost method. Following initial recognition, investments in subsidiaries are carried at cost less any accumulated impairment losses. The carrying values of investments in subsidiaries are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable. The Company recognises income from the investment only to the extent that the Company receives distributions from accumulated profits of the investee arising after the date of acquisition. Distributions received in excess of such profits are regarded as a recovery of investment and are recognised as a reduction of the cost of the investment.

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 – acquisition cost on an average weighed cost basis;

Finished goods and work-in-progress – cost of direct materials and labor plus indirect costs related to production. Indirect production costs consist of labor, 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.

A provision 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 provision are written off.

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

Trade and other receivables

Trade and other receivables are recognised and 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.

Provisions

Provisions are recognised when the Group 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 Group 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 recognised at fair value, net of transaction costs incurred. After initial recognition, loans and borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised 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.

Leases

Finance leases, which transfer to the Group 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, by respective charge to current and non-current liabilities. 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. The commitments undertaken by the Group with respect to operating lease contracts are recorded as off-balance sheet liabilities.

Factoring

Proceeds received in accordance with factoring agreements are recognised as advances from the factoring company when the Group remains exposed to the credit risk associated with the respective debtor. When the derecognizing criteria from IAS 39 are not met, the proceeds are directly netted against the respective debtor balance.

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

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

Related parties shall be deemed shareholders that have the ability to exercise significant influence over the Company's operations, subsidiaries, Council and Board members, their close members of the families, and entities over which these persons exercise significant influence or control.

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.

Earnings per share

Earnings per share are calculated by dividing the net profit after taxation for the year by the average number of ordinary shares in issue during the year. The average number of shares in issue during the year is weighted to take into account the timing of the issue of new shares.

3. Net turnover

	2007.06.30		2006.06.30	
By business segments	**LVL**	**EUR**	**LVL**	**EUR**
Finished forms	8 067 445	11 478 941	6 494 968	9 241 507
Chemistry	939 365	1 336 596	745 350	1 060 538
TOTAL:	**9 006 811**	**12 815 538**	**7 240 318**	**10 302 044**

	2007.06.30		2006.06.30	
By geographical segments	**LVL**	**EUR**	**LVL**	**EUR**
CIS	5 729 930	8 152 956	4 603 295	6 549 899
Latvia	1 881 742	2 677 478	1 322 545	1 881 812
Europe	1 067 232	1 518 534	695 080	989 010
Baltic states (Lithuania and Estonia)	195 406	278 038	411 981	586 196
Other	132 500	188 531	207 417	295 128
TOTAL:	**9 006 811**	**12 815 538**	**7 240 318**	**10 302 044**

4. Other operating income

	2007.06.30		2006.06.30	
	LVL	**EUR**	**LVL**	**EUR**
Sale of current assets	68 636	97 661	24 503	34 865
Treatment of waste water	73 319	104 323	50 908	72 436
Catering services	25 001	35 573	17 038	24 242
Lease of premises	9 976	14 195	9 621	13 689
Other operating income	76 245	108 486	46 894	66 724
TOTAL:	**253 176**	**360 237**	**148 964**	**211 957**

5. Other operating expense

	30.06.2007		30.06.2006	
	LVL	EUR	LVL	EUR
Marketing expense	1 056 475	1 503 228	748 876	1 065 554
Transportation expense	71 546	101 800	79 996	113 825
Sales commissions	10 442	14 858	17 354	24 692
Exhibition expense	-	-	2 674	3 804
Expert analysis of medicines	8 721	12 409	8 821	12 552
Other distribution costs	43 913	62 483	141 823	201 796
Total distribution costs:	***1 191 097***	**1 694 778**	***999 544***	**1 422 223**
Business trips	66 180	94 166	68 064	96 846
Write-offs of current assets	112 755	160 437	36 040	51 280
Current repairs	35 524	50 546	53 475	76 088
New product research and development costs	76 691	109 121	11 073	15 756
Insurance	71 468	101 689	34 940	49 715
Legal and audit expense	32 261	45 903	43 047	61 251
Write-offs and disposal of tangible assets	72 983	103 845	25 192	35 845
Communications expense	36 388	51 776	40 454	57 560
Audit of suppliers	34 450	49 018	18 693	26 598
Other taxes	39 895	56 765	22 423	31 906
Car fleet maintenance	28 177	40 092	26 933	38 323
Information and business consulting	2 497	3 553	43 840	62 379
Representation expense	24 890	35 415	24 265	34 526
Education	17 272	24 576	19 164	27 268
Social infrastructure	24 605	35 010	18 428	26 220
Allowances to staff	15 713	22 358	14 815	21 080
Flowers and gifts	9 596	13 654	16 162	22 996
Bank charges	8 408	11 964	18 097	25 750
Security	13 466	19 160	12 522	17 817
Hosting expense	633	901	15 847	22 549
Permits for import and export of medicines	25 939	36 908	2 518	3 582
Land lease for eco-field	591	841	493	701
Donations	17 239	24 529	10 775	15 331
Humanitarian aid	249	355	672	956
Office expense	13 114	18 659	12 265	17 451
Waste removal	5 368	7 638	5 623	8 000
Administrative offices maintenance	4 306	6 128	3 910	5 564
Inventorying of buildings	-	-	10 000	14 229
Laboratory tests	2 915	4 148	5 123	7 289
Visas, invitations	3 582	5 097	3 762	5 353
Membership fees	12 390	17 629	10 691	15 212
Unemployment risk duty	1 540	2 191	1 468	2 088
Other operating expense	154 218	219 432	79 945	113 752
TOTAL:	**2 156 400**	**3 068 280**	**1 710 262**	**2 433 484**

6. Interest receivable and similar income

	2007.06.30		2006.06.30	
	LVL	EUR	LVL	EUR
Interest accrued on bank account balances	3 073	4 372	56	80
Currency exchange gain, net	8 200	11 667	28 691	40 824
TOTAL:	**11 272**	**16 039**	**28 747**	**40 903**

7. Interest payable and similar expense

	30.06.2007		30.06.2006	
	LVL	EUR	LVL	EUR
Currency exchange loss, net	-	-	32 332	46 004
Loan interest payments	219 644	312 525	142 171	202 291
Penalties paid	31 525	44 857	28 231	40 169
Currency exchange commission	29 401	41 834	43 534	61 943
TOTAL:	**280 570**	**399 215**	**246 267**	**350 407**

8. Staff costs and number of employees

	2007.06.30		2006.06 30	
	LVL	EUR	LVL	EUR
Wages and salaries	2 826 644	4 021 952	2 396 417	3 409 794
Vacation pay reserve	298 761	425 099	-	-
Statutory social insurance contributions	617 603	878 770	532 143	757 171
KOPĀ:	**3 743 009**	**5 325 822**	**2 928 560**	**4 166 965**

Including remuneration to key management personnel:

	30.06.2007		30.06.2006	
	LVL	EUR	LVL	EUR
Management of the Company				
Wages and salaries	243 213	346 062	245 727	349 638
Vacation pay reserve	31 943	45 450	-	-
Statutory social insurance contributions	57 770	82 199	52 450	74 630
Board Members				
Wages and salaries	184 017	261 832	234 943	334 294
Vacation pay reserve	63 231	89 970	-	-
Statutory social insurance contributions	20 767	29 548	33 042	47 015
Council Members				
Wages and salaries	80 463	114 489	43 800	62 322
Statutory social insurance contributions	14 421	20 519	9 611	13 675
TOTAL:	**695 825**	**990 070**	**619 573**	**881 574**

	30.06.2007.	30.06.2006.
Average number of employees during the reporting year	982	937

9. Intangible non-current assets

		Production technologies		Other intangible assets		TOTAL	
		LVL	EUR	LVL	EUR	LVL	EUR
Acquisition value as at 31/12/2006		**2 201 088**	**3 131 866**	**374 714**	**533 170**	**2 575 802**	**3 665 036**
2007 I quarter	Additions	-	-	21 339	30 363	21 339	30 363
	Reclassification	-	-	426	606	426	606
	Write-offs of values	(252 900)	(359 844)	(49 616)	(70 597)	(302 516)	(430 441)
Acquisition value as at 30/0362007		**1 948 188**	**2 772 022**	**346 864**	**493 543**	**2 295 051**	**3 265 563**
Accumulated amortisation as at 31/12/2006		**1 144 218**	**1 628 076**	**171 259**	**243 680**	**1 315 477**	**1 871 755**
2007 I quarter	Amortisation	210 403	299 376	34 337	48 857	244 740	348 234
	Reclassification	-	-	-	-	-	-
	Liquidation	(194 555)	(276 827)	(47 147)	(67 084)	(241 702)	(343 911)
Accumulated amortisation as at 30/06/2007		**1 160 065**	**1 650 624**	**158 449**	**225 453**	**1 318 515**	**1 876 078**
Net carrying amount as at 31/12/2006		**1 056 870**	**1 503 791**	**203 455**	**289 490**	**1 260 325**	**1 793 281**
Net carrying amount as at 30/06/2007		**788 122**	**1 121 397**	**188 415**	**268 090**	**976 537**	**1 389 487**

		LVL	EUR	LVL	EUR	LVL	EUR
Acquisition value as at 31/12/2005		**2 201 088**	**3 131 866**	**304 601**	**433 408**	**2 505 689**	**3 565 274**
2006 I quarter	Additions	-	-	64 073	91 168	64 073	91 168
	Reclassification	-	-	-	-	-	-
	Write-offs of values	-	-	(18 514)	(26 343)	(18 514)	(26 343)
Acquisition value as at 30/06/2006		**2 201 088**	**3 131 866**	**350 160**	**498 233**	**2 551 248**	**3 630 099**
Accumulated amortisation as at 31/12/2006		**704 003**	**1 001 706**	**150 396**	**213 994**	**854 399**	**1 215 700**
2006 I quarter	Amortisation	220 109	313 187	31 535	44 870	251 644	358 057
	Liquidation	-	-	(18 514)	(26 343)	(18 514)	(26 343)
Accumulated amortisation as at 30/06/2006		**924 112**	**1 314 893**	**163 417**	**232 521**	**1 087 529**	**1 547 414**
Net carrying amount as at 31/12/2005		**1 497 085**	**2 130 160**	**154 205**	**219 414**	**1 651 290**	**2 349 574**
Net carrying amount as at 30/06/2006		**1 276 976**	**1 816 973**	**186 743**	**265 711**	**1 463 719**	**2 082 685**

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

Prepayments for intangible assets as at 30 June 2007, amounting to LVL 3 442 513 (30,06,2006: LVL 63 726), mostly represent payments for patent applications for two new products and registration of medicines abroad. The Parent Company expects to receive patents in autumn 2007 and plans to begin production and sale of the respective products from 2010. The Company's management is certain that there are no obstacles to obtaining the patents and 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.

10. Property, plant and equipment

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**	**639 956**	**20 284 907**
2007 II quarter	Additions	-	24 238	597 709	111 539	1 082 733	1 816 219
	Liquidation	-	(7 239)	(53 169)	(1 146)	-	(61 554)
	Reclassification	-	-	(1 652)	1 226	-	(426)
Acquisition value as at 30/06/2007		**55 928**	**9 144 463**	**10 607 658**	**508 408**	**1 722 689**	**22 039 147**
Accumulated depreciation as at 31/12/2006		**-**	**5 707 257**	**5 660 259**	**218 893**	**-**	**11 586 410**
2007 I quarter	Depreciation	-	141 742	658 707	26 674	-	827 122
	Depreciation of disposals	-	(2 348)	(45 183)	(1 048)	-	(48 579)
Accumulated depreciation as at 30/06/2007		**-**	**5 846 651**	**6 273 783**	**244 519**	**-**	**12 364 953**
Net carrying amount as at 31/12/2006		**55 928**	**3 420 207**	**4 404 511**	**177 896**	**639 956**	**8 698 498**
Net carrying amount as at 30/06/2007		**55 928**	**3 297 812**	**4 333 875**	**263 890**	**1 722 689**	**9 674 194**

		Land	Buildings and constructions	Equipment and machinery	Other tangible assets	Construction in progress	TOTAL
Acquisition value as at 31/12/2005		**55 928**	**9 249 135**	**8 536 194**	**362 775**	**247 026**	**18 451 058**
2006 I quarter	Additions	-	246 779	188 750	17 603	25 031	478 163
	Reclassification	-	(500 030)	(45 240)	(1 275)	(560)	(547 105)
Acquisition value as at 31/03/2006		**55 928**	**8 995 884**	**8 679 704**	**379 103**	**271 496**	**18 382 115**
Accumulated depreciation as at 31/12/2005		**-**	**5 968 229**	**4 610 326**	**173 735**	**-**	**10 752 290**
2006 I quarter	Depreciation	-	149 091	544 101	23 007	-	716 199
	Depreciation of disposals	-	(486 116)	(45 132)	(1 200)	-	(532 448)
Accumulated depreciation as at 31/03/2006		**-**	**5 631 204**	**5 109 295**	**195 542**	**-**	**10 936 041**
Net carrying amount as at 31/12/2005		**55 928**	**3 280 906**	**3 925 868**	**189 040**	**247 026**	**7 698 768**
Net carrying amount as at 31/03/2006		**55 928**	**3 364 679**	**3 570 410**	**183 561**	**271 496**	**7 446 074**

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 II quarter	Additions	-	34 488	850 463	158 706	1 540 590	2 584 247
	Liquidation	-	(10 300)	(75 653)	(1 631)	-	(87 583)
	Reclassification	-	-	(2 351)	1 744	-	(606)
Acquisition value as at 30/06/2007		**79 578**	**13 011 399**	**15 093 338**	**723 399**	**2 451 166**	**31 358 880**
Accumulated depreciation as at 31/12/2006		**-**	**8 120 695**	**8 053 823**	**311 457**	**-**	**16 485 975**
2007 II quarter	Depreciation	-	201 681	937 256	37 954	-	1 176 890
	Depreciation of disposals	-	(3 341)	(64 290)	(1 491)	-	(69 122)
Accumulated depreciation as at 30/06/2007		**-**	**8 319 035**	**8 926 789**	**347 919**	**-**	**17 593 743**
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 30/06/2007		**79 578**	**4 692 364**	**6 166 549**	**375 482**	**2 451 166**	**13 765 139**

10. Property, plant and equipment (cont'd)

		Land	Buildings and constructions	Equipment and machinery	Other tangible assets	Construction in progress	TOTAL
Acquisition value as at 31/12/2005		**79 578**	**13 160 333**	**12 145 910**	**516 182**	**351 486**	**26 253 490**
2006 II quarter	Additions	-	351 135	268 567	25 047	35 616	680 365
	Reclassification	-	(711 479)	(64 371)	(1 814)	(797)	(778 460)
Acquisition value as at 30/06/2006		**79 578**	**12 799 990**	**12 350 106**	**539 415**	**386 304**	**26 155 393**
Accumulated depreciation as at 31/12/2005		**-**	**8 492 025**	**6 559 903**	**247 203**	**-**	**15 299 130**
2006 II quarter	Depreciation	-	212 137	774 186	32 736	-	1 019 059
	Depreciation of disposals	-	(691 681)	(64 217)	(1 707)	-	(757 605)
Accumulated depreciation as at 30/06/2006		**-**	**8 012 481**	**7 269 872**	**278 231**	**-**	**15 560 584**
Net carrying amount as at 31/12/2005		**79 578**	**4 668 309**	**5 586 007**	**268 980**	**351 486**	**10 954 359**
Net carrying amount as at 30/06/2006		**79 578**	**4 787 507**	**5 080 236**	**261 184**	**386 304**	**10 594 810**

** 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 2082 between total depreciation and amortisation under the income statement (LVL 1 127 897) and the total depreciation and amortisation stated in Notes 9 and 10.

** In 2006, the management of the Company reviewed the property, plant and equipment included in the Equipment and machinery caption and resolved to recognise impairment of the assets that were not in use by the Company.

As at 30 June 2007, tangible non-current assets included assets with the total acquisition value of LVL 3 432 189 (at 30 June 2006: LVL 3 150 902) that were fully depreciated but still remained in active use by the Company.

The book value of the land owned by the Group is LVL 55 928, whereas the total cadastral value of land owned by the Group as at 30 June 2007 is LVL 567 062 (30 June 2006: LVL 581 517). The cadastral value of buildings owned by the Group companies as at 30 June 2007 had not been determined.

As at 30 June 2007, the net carrying amount of the other tangible assets held under finance lease was LVL 679 442 (30 June 2006: LVL 589 621) (see Note 21).

As at 30 June 2007, 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 20). The pledge agreements were registered with the Commercial Pledge Register on 16 December 2003 and renewed on 29 June 2004 and 6 June 2006. In addition, major shareholders guaranteed repayment of the loan by their shares in the Company, and the Company's Chairman pledged all his shares in SIA Olmafarm.

Prepayments for property, plant and equipment as at 30 June 2007, amounting to LVL 654 482 (30 June 2006: LVL 544 413), refer to payments made for property, plant and equipment intended to be used in the Group's operations.

11. Investments in subsidiaries

			2007.06.30		2006.06.30	
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. Inventories

	2007.06.30		2006.06.30	
	LVL	**EUR**	**LVL**	**EUR**
Raw materials (at cost)	1 170 410	1 665 344	974 786	1 386 995
Work in progress (at cost)	2 596 904	3 695 062	1 752 657	2 493 806
Finished goods and goods for resale (at cost)*	2 597 516	3 695 932	2 016 045	2 868 573
Prepayments for goods	102 597	145 982	25 422	36 172
TOTAL:	6 467 427	9 202 319	4 768 910	6 785 548
Allowances for raw materials	(73 749)	(104 936)	(130 719)	(185 996)
Allowances for work in progress	(158 106)	(224 965)	(88 071)	(125 314)
Allowances for finished goods and goods for resale	(88 519)	(125 951)	(62 112)	(88 377)
TOTAL:	(320 374)	(455 851)	(280 902)	(399 688)
TOTAL:	**6 147 053**	**8 746 468**	**4 488 008**	**6 385 860**

*As at 30 June 2007, the Company's inventories comprised goods on consignment in the amount of LVL 172 699 (30 June 2006: LVL 224 397).

13. Trade receivables

	30.06.2007		30.06.2006	
	LVL	**EUR**	**LVL**	**EUR**
Trade receivables	4 400 953	6 261 993	3 193 880	4 544 482
Allowances for doubtful trade receivables	(38 227)	(54 392)	(39 259)	(55 861)
TOTAL:	**4 362 726**	**6 207 600**	**3 154 621**	**4 488 622**

The trade receivables are non-interest bearing and from foreign companies are generally on 200 days' terms, while for local companies - on 87 days' terms.

As of 30 June 2007, the analysis of trade receivables that was past due but not impaired is as follows:

	Total	Neither past due nor impaired	Past due but not impaire				
			< 30 days	30-60 days	60-90 days	90-120 days	> 120 days
31.06.2007.	4 362 726	3 337 697	565 885	165 317	39 856	46 129	207 842

Most of the trade receivables overdue for more than 90 days are originating from sales of products under the Russian Federal Program for Procurement of Medicines. Despite the fact that the payments are overdue, the settlement is guaranteed by the Russian Government and therefore there is no doubt that the receivables will be recovered. Main part of past due receivables were paid subsequent to the year end.

14. Receivables from related companies

			30.06.2007.		30.06.2006.	
Company			**LVL**	**EUR**	**LVL**	**EUR**
SIA Olmafarm*			31 252	44 468	547 452	778 954
OOO Baltfarm	791 731	EUR	556 432	791 731	703 412	1 000 865
Stimfarm Ltd.			-	-	28 643	40 755
SIA "Aroma"			-	-	9 000	12 806
Allowances for doubtful receivables				-	(28 643)	(40 755)
TOTAL:			**587 684**	**836 199**	**1 259 863**	**1 792 624**

*The debt is composed of remainder no-interest loan which has been issued by the Company to its biggest shareholder SIA „Olmafarm".

15. Other receivables

	30.06.2007.		30.06.2006.	
	LVL	EUR	LVL	EUR
Receivables from the sale of technologies and equipment	-	-	1 658 063	2 359 211
VAT receivable (see also Note 23)	82 112	116 834	129 893	184 821
Overpayment CIT	36 950	52 575	77 845	110 763
Representation office expense	36 420	51 821	18 671	26 566
Advances to employees	18 553	26 399	39 366	56 013
Employees insurance	24 186	34 414	5 982	8 512
Other receivables	3 248	4 621	187 155	266 298
Provisions for advances to employees and other receivables	(3 639)	(5 178)	(744 676)	(1 059 579)
TOTAL:	**197 829**	**281 485**	**1 372 298**	**1 952 604**

16. Current loans to management and staff

Current loans to the Company management comprise the loan and accumulated interest to Board Chairman Valērijs Maligins in the amount of LVL 73 702(30 June 2006: LVL 313 896) and loans to other employees in the amount of LVL 24 264 (30 June 2006: LVL 18 552). The maturity dates are 30 June 2007 for the loan to Valērijs Maligins, and 31 December 2007 for other loans. The loan interest rate is 5% per annum. Subsequent to the year-end, Valērijs Maligins has repaid the loans and accumulated interest in full.

17. Prepaid expense

	30.06.2007.		30.06.2006.	
	LVL	EUR	LVL	EUR
Insurance payments	6 862	9 763	19 293	27 451
Expenses related to the share issue	-	-	-	-
Membership fee to Riga Stock Exchange	-	-	1 250	1 779
Subscription to the printed media	831	1 182	12	17
Other prepaid expense	372	529	67	95
TOTAL:	**8 064**	**11 474**	**20 622**	**29 342**

18. Cash in foreign currency and lats according to the exchange rate established by the Bank of Latvia

		30/06/2007		30/06/2006
Cash by currency profile:	**Foreign currency**	**LVL**	**Foreign currency**	**LVL**
LVL	-	1 954 413	-	11 821
EUR	151 242	106 293	1 775	994
USD	861	449	70 517	49 560
		2 061 155		**62 375**

Cash at banks earns interest at average 0, 25% based on bank account service agreement.

In July the amount of LVL 1 million was put on a short term deposit bearing an interest rate of 5.8% p.a.

19. Share capital

On April 13, 2007 the General Meeting of Shareholders decided to increase the share capital by issuing 4 milion ordinary shares. Subscription for shares ended on June 11, 2007 and the issue was only partially subscribed. Total number of shares subscribed was 876 023. Face value of one shares is 1 LVL. Total share capital of the company is 14 085 078 Lats and it consists of 14 085 078 shares. All shares of the Company are dematerialized ordinary voting shares in public cirsulation. The relevant amendments to the Articles, providing for changes to the Company's share capital as well as for conversion or personalized shares into ordinary bearers shares are registered with the Company Register of the Republic of Latvia after the end of the reporting period.

20. Loans from credit institutions

Non-current:	Amount		Effective interest rate (%)	Maturity	30.06.2007. LVL	31.06.2007. EUR	30.06.2006. LVL	30.06.2006. EUR
Loan from AS SEB Unibanka	6950000	EUR	EUR LIBOR (3 mēn.)+1.95%	08.12.2011.	2 928 559	4 166 964	3 514 020	5 000 000
Loan from AS SEB Unibanka	4000000	EUR	EUR LIBOR (3 mēn.)+1,95%	23.05.2013.	2 454 865	3 492 958	617 793	879 040
				KOPĀ:	5 383 424	7 659 922	4 131 813	5 879 040

Current:	Amount		Effective interest rate (%)	Maturity	30.06.2007. LVL	30.06.2007. EUR	30.06.2006. LVL	30.06.2006. EUR
Loan from AS SEB Unibanka **	6 950 000	EUR	EUR LIBOR (3 mēn.)+1.95%	08.12.2007.	540 657	769 286	463 851	660 000
Credit line from AS SEB Unibanka	200 000	LVL	LVL Unibor (3 mēn.)+1,95%	05.12.2007.	-	-	143 321	203 927
Credit line from AS SEB Unibanka	200 000	EUR	EUR LIBOR (3 mēn.)+1,95%	05.12.2007.	-	-	-	-
Credit line from AS SEB Unibanka	500 000	USD	USD LIBOR (3 mēn.)+1,95%	05.12.2007.	261 000	371 370	271 445	386 231
Loan from AS SEB Unibanka	4 000 000	EUR	EUR LIBOR (3 mēn.)+1,95%	23.05.2013.	356 351	507 042	-	-
				KOPĀ:	1 158 008	1 647 697	878 617	1 250 159

* According to the terms of the loan agreement, the maturity of the loan shall be extended until 9 December 2013 provided the Company complies with the terms of the agreement.

** Average interest rate for the year 2005 was EUR LIBOR + 3 %. On 23 March 2006, the amendments to the loan agreement were signed whereby the fixed portion of the interest rate was reduced from 3% to 1.95% per annum, but since May 16, 2007 the fixed part of the interest rate is again reduced to 1.3%. Fluctuating part of the interest rate is reviewed once in a quarter.

Due to the necessity to implement the standards of Good Manufacturing Practice (GMP), the Company obtained a non-current loan from a/s SEB Unibanka in the end of 2003. On 22 June 2004, the loan agreement was amended, with the total amount of the loan available being increased to EUR 6 950 000. During the time period of the loan agreement, the Company has to ensure that its equity is positive, and the ratio of equity to total assets should not be less than 35%. As at the end of the reporting year, the Company complied with these requirements.

On 25 May 2006 the Company signed a new non-current loan agreement for EUR 4 000 000 in relation to purchase of production equipment, renovation of production facilities and acquisition of intangible assets.
For the duration of the loan agreement, the Company shall meet the following financial terms:

- Its equity must be positive;
- Adjusted ratio of equity to total assets should be no less than 35% (thirty-five per cent). Adjusted equity is calculated as equity less loans issued to shareholders, management, other related parties, intangible assets and goodwill, non-current assets revaluation reserve and plus subordinated loans for which subordination agreements have been signed with AS SEB Unibanka;

20. Loans from credit institutions (cont'd)

- The ratio of net liabilities to EBITDA should not exceed 2, where net liabilities are all interest-bearing liabilities (loans+financial leases+guarantees) less short-term deposits and EBITDA is earnings before interest, taxes, depreciation and mortization. This ratio is calculated on a quarterly basis for the preceding 12-month period, starting with the third quarter of 2006;
- DSCR of at least 2, calculated as EBITDA dividend by all interest and loan principal payments that the Borrower must make under the agreements (loans+financial leases+guarantees).This ratio is calculated on a quarterly basis for the preceding 12-month period, starting with the third quarter of 2006.

In 2003, the Company concluded several credit line agreements with AS SEB Unibanka with the maturity fixed on 5 December 2005. In 2005 the aforementioned credit line agreements were extended until 5 December 2006 under the same terms (except for that defining the fixed portion of the interest rate which was reduced from 4.5% to 1.95% per annum). On May 16, 2007 the fixed part of the interest rate is again reduced to 1.3%. During the reporting year the due time of those credit lines were prolonged until 5 December 2007 under the same terms.

As at 30 June 2007, 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 11). The pledge agreements were registered with the Commercial Pledge Register on 16 December 2003 and renewed on 29 June 2004 and 6 June 2006. In addition, major shareholders of the Company guaranteed repayment of the loan by their shares in the Parent Company, and the Chairman of the Board of the Company pledged all his shares in SIA Olmafarm.

21. Other loans

	30.06.2007 LVL		**30.06.2007 EUR**		**30.06.2006 LVL**		**30.06.2006 EUR**	
	Non-current	Current	Non-current	Current	Non-current	Current	Non-current	Current
Finance lease liabilities to SIA ''Parex Līzings'', EUR	10 736	12 203	15 277	17 363	-	-	-	-
Finance lease liabilities to SIA Hanza Līzings, LVL	-	-	-	-	-	2 854	-	4 061
Finance lease liabilities to SIA Hanza Līzings, EUR	14 605	15 168	20 781	21 582	29 772	14 408	42 362	20 501
Finance lease liabilities to SIA SEB Unilīzings, LVL	2 797	1 812	3 980	2 578	-	-	-	-
Finance lease liabilities to SIA SEB Unilīzings, EUR	314 857	178 763	448 001	254 357	317 436	145 180	451 671	206 573
TOTAL:	**342 995**	**207 946**	**488 038**	**295 881**	**347 209**	**162 443**	**494 034**	**231 136**

The interest rate on the finance leases ranges from 5.92% to 11.22%. Fluctuating part of the interest rate is reviewed once in a quarter. The finance lease liabilities are repayable till June 2010. The net carrying amount of the property, plant and equipment held under finance lease is disclosed in Note 10.

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

	30.06.2007.		30.06.2007.		30.06.2006.		30.06.2006.	
	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	231 833	207 946	329 869	295 881	184 768	162 443	262 901	231 136
Between one and five years	365 518	342 995	520 085	488 038	368 938	347 208	524 951	494 032
Total minimum lease payments	597 351	550 941	849 954	783 918	553 706	509 652	787 853	725 170
Less amounts representing finance charges	(46 410)	-	(66 035)	-	(44 055)	-	(62 685)	-
Present value of minimum lease payments	550 941	550 941	783 918	783 918	509 652	509 652	725 170	725 170

22. Prepayments received from customers

For the most part, prepayments received from customers which as at 30 June 2007 LVL 93 421 (30 June 2006: LVL 379 093) represent advances received from third parties under the factoring agreements at 30 June 2007 amounted to LVL 91 193 (30 June 2006: LVL 232 860). The effective interest rate on advances received from third parties under the factoring agreements is RIGIBOR (3-mon)+3.00%.

23. Taxes payable/ receivable

LVL

	30.06.2007.	Calculated	Paid/ refunded	Transfer of VAT overpaid	31.12.2006.
Personal income tax	(592 781)	(698 904)	732 075	-	(625 951)
Statutory social insurance contributions	(529 913)	(1 026 950)	420 088	601 343	(524 395)
Real estate tax	(68 972)	(39 600)	57 792	-	(87 164)
Real estate tax	11	-	11	-	-
Natural resource tax	(3 536)	(8 592)	9 307	-	(4 250)
Corporate income tax	36 949	(14 005)	2 195	-	48 760
Value added tax	82 111	620 796	42	(601 343)	62 618
TOTAL:	(1 076 130)				(1 130 382)
Total liabilities*:	(1 195 201)				(1 241 760)
Total assets:	119 071				111 378

EUR

	30.06.2007.	Calculated	Paid/ refunded	Transfer of VAT overpaid	31.12.2006.
Personal income tax	(843 451)	(994 451)	1 041 650		(890 648)
Statutory social insurance contributions	(753 999)	(1 461 218)	597 731	855 635	(746 146)
Real estate tax	(98 138)	(56 345)	82 231	-	(124 023)
Real estate tax	16	-	16	-	-
Natural resource tax	(5 031)	(12 226)	13 242	-	(6 047)
Corporate income tax	52 575	(19 928)	3 124	-	69 379
Value added tax	116 834	883 313	60	(855 635)	89 097
TOTAL:	(1 531 193)				(1 608 388)
Total liabilities*:	(1 700 618)				(1 766 865)
Total assets:	169 425				158 477

* According to Cabinet of Ministers 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 30June 2007 can be specified as follows:

	30.06.2007 LVL		**30.06.2007 EUR**		**30.06.2006 LVL**		**30.06.2006 EUR**	
	Non-current	Current	Non-current	Current	Non-current	Current	Non-current	Current
Personal income tax	365 141	227 640	519 549	323 901	469 467	222 783	667 991	316 992
Statutory social insurance contributions	272 431	257 482	387 634	366 364	350 268	285 840	498 386	406 714
Real estate tax	53 644	15 328	76 328	21 810	68 971	17 257	98 137	24 554
Natural resource tax	-	3 536	-	5 031	-	4 126	-	5 871
TOTAL:	**691 216**	**503 985**	**983 512**	**717 106**	**888 706**	**530 006**	**1 264 515**	**754 131**

23. Taxes payable/ receivable (cont'd)

In 2005, the previously charged late payment penalty of LVL 560 160 was annulled after the year-end. 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 December 2004, the Company had established provisions for the aforementioned late payment penalty in the amount of LVL 120 970. .

24. Accrued liabilities

	30.06.2007.		30.06.2006.	
	LVL	EUR	LVL	EUR
Provisions for penalties related to taxes	90 414	128 648	110 359	157 027
Vacation pay reserve	298 761	425 099	172 297	245 157
TOTAL:	**389 176**	**553 748**	**282 656**	**402 183**

25. Trade and other payables

	30.06.2007.		30.06.2006.	
	LVL	EUR	LVL	EUR
Trade payables	1 664 743	2 368 715	1 066 334	1 517 257
Wages and salaries	391 841	557 540	365 378	519 886
Other liabilities	30 897	43 962	24 720	35 174
TOTAL:	**2 087 481**	**2 970 218**	**1 456 433**	**2 072 317**

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 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 has entered into commercial leases on certain motor vehicles. These leases have an average life of between 3 and 5 years with no renewal option included in the contracts.

Future minimum rentals payable under non-cancellable operating leases as at 30 June 2007 are as follows:

	30.06.2007.		31.03.2006.	
	LVL	EUR	LVL	EUR
Within one year	9 420	13 403	6 064	8 628
After one year but not more than five years	15 992	22 754	12 377	17 611
TOTAL:	**25 411**	**36 157**	**18 441**	**26 239**

Capital investment commitments

Legal claims

On 3 November 2006, the Republic of Latvia Supreme Court Chamber of Civil Cases heard the appellate claim by I. Maligina against the Riga Regional Court judgment dated 24 March 2005 rejecting her claim against a/s Olainfarm for collection of a debt in the amount of LVL 99 820.18. 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 this judgment by the Supreme Court Chamber of Civil Cases. The Supreme Court Senate activity meeting on 26 January 2007 resolved to accept the cassation appeal and send 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 Company complied with the court judgment in full at the beginning of 2007 as confirmed by the calculation No. 18-797-2006/07 issued by worn 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 made by the Supreme Court Chamber of Civil Cases. At 31 March 2007, the Company has not made accruals regarding the above claim. Retrial of the case is scheduled for February 28,2008.

Related party disclosures

Related party	Type of services		Purchases from related parties, LVL	Purchases from related parties, EUR	Sales to related parties, LVL	Sales to related parties, EUR	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 (shareholder)	Loan and debt assignment	31.12.06	49 322	70 179	1 719 331	2 446 388	2 219 300	3 157 779	-	-
		30.06.07	2 190 600	3 116 943	2 552	3 632	31 252	44 467	-	-
OOO Baltfarm (subsidiary)	Sale of finished goods and chemistry	31.12.06	1 180 922	1 680 301	1 043 513	1 484 785	537 452	764 725	-	-
		30.06.07	411 183	585 060	430 162	612 065	556 431	791 730	-	-
Stimfarm Ltd. (subsidiary)	Sale of finished goods and chemistry	31.12.06	2 753	3 917	-	-	25 890	36 838	-	-
		31.06.07	25 890	36 838	-	-	-	-	-	-
A/O Aroma-Peterburg	Gatavās produkcijas un ķīmijas pārdošana	31.12.06	-	-	-	-	-	-	-	-
		31.03.07	-	-	-	-	-	-	-	-
V. Maligins ** (shareholder of SIA Olmafarm)	Loan	31.12.06	76 551	108 922	153 358	218 209	425 024	604 755	-	-
		30.06.07	438 714	624 233	87 393	124 348	73 703	104 870	-	-
I. Liscika ** (Board member)	Loan	31.12.06	-	-	-	-	88 868	126 448	-	-
		30.06.07	88 868	126 448	-	-	-	-	-	-
SIA Carbochem (V. Maligins share 50%)	Intermediation in sale of chemical products	31.12.06	8 992	12 794	59 363	84 466	-	-	12 280	17 473
		30.06.07	7 316	10 410	8 027	11 421	-	-	11 569	16 462
SIA Remeks (V. Maligins share 33%)	Construction services	31.12.06	22 379	31 842	21 046	29 946	-	-	1 333	1 897
		30.06.07	292 973	416 863	124 205	176 728	-	-	170 101	242 032
SIA OLFA Press (V. Maligins share 45%)	Printing services	31.12.06	592 243	842 686	556 221	791 431	-	-	222 068	315 974
		30.06.07	315 288	448 615	408 459	581 185	-	-	128 897	183 404
SIA Vega MS (SIA Aroma share 60%, V. Maligins share in Aroma 100%)	Security services, production of windows	31.12.06	82 024	116 710	82 024	116 710	-	-	-	-
		30.06.07	61 618	87 674	56 997	81 100	-	-	4 621	6 575
	TOTAL:	**2006.12.31**	2 015 186	2 867 351	3 634 856	5 171 934	3 296 534	4 690 545	235 681	335 344
	TOTAL:	**2007.06.30**	3 832 450	5 453 085	1 117 794	1 590 479	661 386	941 067	315 188	448 473

* The major shareholder of the Company is SIA Olmafarm (49.51 %). The shareholder of SIA Olmafarm (100%) is Valērijs Maligins. The second major shareholder of the Company is Juris Savickis (31.23%).

27. Related party disclosures (cont'd)

Terms and conditions of transactions with related parties

Outstanding balances at the end of reporting period are unsecured and interest free (except for loan to Valērijs Maligins) and settlement occurs in cash (except for loan to Valērijs Maligins). There have been no guarantees provided or received for any related party receivables or payables and the Company has not recorded any impairment of receivables relating to amounts owed by related parties. This assessment is undertaken each financial year through examining the financial position of the related party and the market in which the related party operates.

28.Segment information

The primary segment reporting format is determined to be business segments as the Company's risks and rates of return are affected by differences in the product produced. The finished form medicine segment represents tablets, capsules, ampoules and sachets, namely the products ready for final consumption by end users. The second is chemicals segment which is sold 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 they do cover the resources invested into fixed assets used for chemical production. The Company does not keep separate books by segments.

Secondary information is reported geographically. The geographical segments, based on location of the Company's assets, are not presented, as all of the Company assets are located in Latvia. Sales to external customers disclosed in geographical segments are based on the geographical location of its customers; see Note 3 (Net turnover).

27. Segment information (cont'd) LVL

	Finished form medicine		Chemicals		Unallocated		Total	
	30.06.2007.	30.06.2006.	30.06.2007.	30.06.2006.	30.06.2007.	30.06.2006.	30.06.2007.	30.06.2006.
Assets								
Intangible assets	2835217	988891	1521293	537882	62540	672	4419050	1527445
Property, plant and equipment	6295965	4822822	3378229	2623252	654482	544413	10328676	7990487
Financial assets	-	-	-	-	386	386	386	386
Inventories	3933732	2890417	2110724	1572169	102597	25422	6147053	4488008
Receivables	4224955	3387874	641255	457460	388059	2294518	5254269	6139852
Cash	-	-	-	-	2061155	62375	2061155	62375
Total assets	**17289869**	**12090004**	**7651501**	**5190763**	**3269219**	**2927786**	**28210589**	**20208553**
Liabilities								
Equity	-	-	-	-	16784816	9804587	16784816	9804587
Provisions for expected taxes	-	-	-	-	252932	208535	252932	208535
Loans from credit institutions	4257164	3245256	2284267	1765174	-	-	6541432	5010430
Prepayments received for shares	-	-	-	-	-	894339	-	894339
Other loans	358552	330102	192389	179550	-	-	550941	509652
Taxes payable	777837	918900	417364	499812	-	-	1195201	1418712
Prepayments received from customers	91193	379093	2228		-	-	93421	379093
Trade payables and other payables	1358533	943332	728948	513101	-	-	2087481	1456433
Payables to related	205125	158114	110064	86002	-	-	315189	244116
Accrued liabilities	-		-	-	389176	282656	389176	282656
Total liabilities	**7048404**	**5974795**	**3735260**	**3043641**	**17426924**	**11190117**	**28210589**	**20208553**
Income Statement								
Net sales	8 067 446	6 494 968	939 365	745 350	-	-	9 006 811	7 240 318
Changes in stock of finished goods and work in progress	1 089 927	674 409	584 822	366 827	-	-	1 674 749	1 041 236
Other operating income	-	-	-	-	253 176	148 964	253 176	148 964
Cost of materials	(1 896 163)	(1 494 476)	(1 017 425)	(812 882)	-	-	(2 913 589)	(2 307 358)
Staff costs	(2 435 950)	(1 896 828)	(1 307 059)	(1 031 732)	-	-	(3 743 009)	(2 928 560)
Depreciation/ amortization	(696 213)	(625 843)	(373 567)	(340 412)	-	-	(1 069 780)	(966 255)
Other operating expense	(1 403 385)	(1 107 737)	(753 015)	(602 525)	-	-	(2 156 400)	(1 710 262)
Financial income	-	-	-	-	3 073	56	3 073	56
Financial expense	-	-	-	-	(272 370)	(217 576)	(272 370)	(217 576)
Corporate income tax	-	-	-	-	(14 005)	-	(14 005)	-
Profit for the reporting year	**2 725 661**	**2 044 492**	**(1 926 878)**	**(1 675 373)**	**(30 126)**	**(68 556)**	**768 656**	**300 563**

28. Segment information (cont'd) EUR

	Finished form medicine		Chemicals		Unallocated		Total	
	30.06.2007.	30.06.2006.	30.06.2007.	30.06.2006.	30.06.2007.	30.06.2006.	30.06.2007.	30.06.2006.
Assets								
Intangible assets	4034150	1407065	2164605	765337	88986	956	6287742	2173358
Property, plant and equipment	8958352	6862258	4806786	3732551	931244	774630	14696382	11369439
Financial assets	-	-	-	-	549	549	549	549
Inventories	5597196	4112693	3003290	2236995	145982	36172	8746468	6385860
Receivables	6011570	4820511	912424	650908	552158	3264805	7476151	8736223
Cash	-	-	-	-	2932759	88752	2932759	88752
Total assets	**24601268**	**17202526**	**10887105**	**7385791**	**4651680**	**4165864**	**40140052**	**28754180**
Liabilities								
Equity	-	-	-	-	23882642	13950670	23882642	13950670
Provisions for expected taxes	-	-	-	-	359890	296719	359890	296719
Loans from credit institutions	6057399	4617583	3250219	2511617	-	-	9307619	7129199
Prepayments received for shares	-	-	-	-	-	1272530	-	1272530
Other loans	510174	469692	273744	255477	-	-	783919	725170
Taxes payable companies	1106762	1307477	593856	711169	-	-	1700618	2018646
Prepayments received from customers	132926	539401	-		-	-	132926	539401
Trade payables and other payables	1933018	1342240	1037200	730077	-	-	2970218	2072317
Payables to related	-	-	-	-	448474	347346	448474	347346
Accrued liabilities	-	-	-	-	553748	402183	553748	402183
Total liabilities	**9740279**	**8276392**	**5155019**	**4208340**	**25244752**	**16269448**	**40140052**	**28754180**
Income Statement								
Net sales	11 478 941	9 241 507	1 336 596	1 060 538	-	-	12 815 538	10 302 044
Changes in stock of finished goods and work in progress	1 550 826	959 597	832 127	521 948	-	-	2 382 953	1 481 545
Other operating income	-	-	-	-	360 237	211 957	360 237	211 957
Cost of materials	(2 697 998)	(2 126 447)	(1 447 666)	(1 156 627)	-	-	(4 145 664)	(3 283 075)
Staff costs	(3 466 045)	(2 698 944)	(1 859 777)	(1 468 022)	-	-	(5 325 822)	(4 166 965)
Depreciation/ amortization	(990 622)	(890 495)	(531 538)	(484 362)	-	-	(1 522 160)	(1 374 857)
Other operating expense	(1 996 837)	(1 576 167)	(1 071 444)	(857 316)	-	-	(3 068 281)	(2 433 484)
Financial income	-	-	-	-	4 372	80	4 372	80
Financial expense	-	-	-	-	(387 548)	(309 583)	(387 548)	(309 583)
Corporate income tax	-	-	-	-	(19 927)	-	(19 927)	-
Profit for the reporting year	**3 878 266**	**2 909 051**	**(2 741 702)**	**(2 383 842)**	**(42 865)**	**(97 546)**	**1 093 699**	**427 663**

29. Financial risk management

The Company's principal financial instruments comprise loans from credit institutions, finance leases, factoring of receivables, and cash. The main purpose of these financial instruments is to ensure financing for the Company's operations. The Company has various other financial instruments such as trade and other receivables and trade and other payables, which arise directly from its operations. The Company might also issue loans to shareholders and management on a short-term basis. In 2006, the Company received a short-term loan from the staff.

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 and euro. The Company's currency risk as at 30 June 2007 may be specified as follows:

	LVL	USD	EUR	Total LVL
Trade receivables	496 742	153 867	3 712 117	4 362 726
Receivables from related companies	2 552	28 700	556 432	587 684
Other receivables	160 509	900	36 420	197 829
Current loans to management	24 687	69 765	3 514	97 966
Prepaid expense	2 830		5 234	8 064
Cash	1 954 413	449	106 293	2 061 155
Total financial assets in LVL	2 641 733	253 681	4 420 011	7 315 424
Loans from credit institutions		261 000	6 280 432	6 541 432
Other loans	4 609	-	546 331	550 941
Taxes payable	1 195 201	-	-	1 195 201
Prepayments received from customers	91 193	-	2 228	93 421
Trade payables and other payables	1 407 228	225 104	455 150	2 087 481
Payables to related companies	315 189			315 189
Accrued liabilities	389 176	-	-	389 176
Total financial liabilities in LVL	3 402 595	486 104	7 284 141	11 172 840
Net, LVL	(760 862)	(232 422)	(2 864 131)	(3 857 416)

A significant part of the Company's revenues is derived in lats and euros, whilst 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.

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 20 and 21.

Liquidity risk

The Company manages its liquidity risk by arranging an adequate amount of committed credit facilities with banks.

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 minimized.

29. Financial risk management (cont'd)

The Company has no significant concentration of credit risk with any single customer or group of customers having similar characteristics, except for related companies. Attention should be paid to credit risk concentration with the Russian business partners, together representing 39% of all trade receivables as at 31 December 2006, but on June 30st, 2007, increased up to 42%.

30. Events after balance sheet date

Amendments to the Company's Article relating to the increase of the share capital to 14 085 078 Lats as well as to the conversion of shares became effective on August 21, 2007.