JOINT STOCK COMPANY OLAINFARM

(UNIFIED REGISTRATION NUMBER 40003007246)

CONSOLIDATED 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 Parent Company	AS Olainfarm
Legal status of the Parent 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%), SIA Olfa Press (45%), SIA Carbochem (50%), SIA Aroma (100%), SIA Olmafarm (100%), SIA New Classic (100%) Jeļena Borcova (appointed 30/07/2006) *Positions held in other companies:* SIA Carbochem – Chairperson of the Board *Participation in other companies:* none Jurijs Kaplinovs, Deputy Chairman of the Board *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 and 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 Baltic Lawyers Perspectives – Board Member
Participation in other companies:
SIA V.E.D. (100%),
public non-governmental organisation Baltijc Lawyers Perspectives– Board Member

Inga Liščika
Positions held and participation in other companies: none

Council

Juris Savickis, Chairman of the Council
Positions held in other companies:
The 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, Deputy Chairman of the Council,
SIA Islande Hotel, Member of the Board,
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:* AS Latvijas zoovetapgāde, Chairman of the Council, National research institution, non-profit organization the Latvian Institute of Organic Synthesis, Director, AS Grindeks, Member of the Council, Non-governmental organization the Foundation for Support to the latvian Academic Library, Chairman of the Board *Participation in other companies:* SIA OSI Laboratorijas (16%), SIA Tetra (50%), Non-governmental organization the Foundation for Support to the Latvian Academic Library, Society of Quality Tests
	Eļena Dudko *Positions held and participation in other companies:* none
	Rolands Klincis *Positions held and participation in other companies:* none
	Tatjana Lukina *Positions held in other companies:* Non-goverment organization Pharmaceutical Association, Chairperson of the Board, The People's Harmony Party, Member of the Board, *Shares in other companies: none*
Movements in the Board during the period 1 March 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

JSC „Olainfarm" report on the Management Board's responsibility to non-audited consolidated statement for 6 months of 2007

Management Board of JSC „Olainfarm" (hereinafter – the Company) is responsible for preparation of consolidated middle-term financial statements of the Company and its subsidiaries (hereinafter – the Group). Middle-term financial statements are not audited.

Middle-term financial statements are prepared based on justifying documents and represent true and clear overview on the Group'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.

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

The management board of the Company is responsible for ensuring the corresponding accounting system, securing the assets of the Group, as well as for prevention and exposure of fraud and other violation within the Group. The management board of the Company is responsible for observing legal requirements of the states were the Groups companies operate (Latvia and Russia).

Chairman of the Management board
Valerijs Maligins

AKCIJU SABIEDRĪBA „OLAINFARM"
OlainFarm
LATVIJAS REPUBLIKA

Consolidated Management Report

JSC „ Olainfarm" has summarized the results of operations of Concern of 1st half of 2007 and has compiled consolidated financial reports for this period.

During the reporting period no changes have been made to the composition of the concern and it consisted from the Parent company JSC „Olainfarm" and its daughter company OOO „Baltfarm" (all hereinafter referred to as the concern). Main area of activity of the daughter company is the distribution of medicines produced by JSC „Olainfarm"

Concern's net profit during the reporting period was 0.73 million lats (1.04 million EUR), which is an increase of 0.49 million lats (0.7 million EUR) or by 207 % compared to the net profit of first six months of 2006. Concern's Parent 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.

Based on the above, Concern's earnings per share during the first six months of 2007 was 0.055 lats (0.074 EUR), which is nearly 2.5 times the EPS of the similar period in 2006, when it was 0.023 lats (0.033 EUR).

Total net sales of the Concern in six months of 2007 were 9.6 million lats (13.5 million EUR) which is 123% of sales during similar period of 2006. During the first half of this year 44% of the annual sales target for this year were achieved, which, adjusted for seasonality factors in pharmaceutical sector corresponds to the planned annual volumes. It is also confirmed by the growth compared to similar period of previous years.

Increase in sales was mainly facilitated by the successful operations and policies of the Parent company in sales promotion in its traditional and new markets.

During the first half of 2007 a new share issue took place at Concern's parent company. 876 023 shares were subscribed for, providing more than 2.5 million lats (3.6 million EUR) for company's long term development needs. Goal of the share issue was mainly to raise resources, which 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 the Parent Company 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 by the Parent company 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.

Trading of Concern's shares on the Stock Exchange

Share price for shares of JSC „Olainfarm"on the Riga Stock Exchange during the first six months pf 2007 was fluctuating between 2.44 and 3.14 lats (3.47 to 4.47 Euros).

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.

Foreign representative offices

During the reporting period the Concern has not opened any new representative offices abroad.

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 Concern is to continue increasing the sales volumes of products of JSC „Olainfarm" and improving the product portfolio with new products. The Concern intends to continue its work in both directions and to achieve the consolidated sales target of 21.8 million lats (31 million EUR) and consolidated net profit target of 1.37 million lats (1.95 million EUR)

Financial reports are approved by the Management Board of the Parent Company of the Concern and on its behalf they are signed by:

Valērijs Maligins
Chairman of the Board

Consolidated income statement

	Notes	30.06.2007. LVL	30.06.2007. EUR	30.06.2006. LVL	30.06.2006. EUR
Net turnover	3	9 491 073	13 504 580	7 741 601	11 015 306
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	265 801	378 201	174 381	248 122
Cost of materials:					
raw materials and consumables		(2 308 174)	(3 284 236)	(2 134 748)	(3 037 473)
other external costs		(971 019)	(1 381 635)	(591 247)	(841 269)
		(3 279 193)	(4 665 870)	(2 725 995)	(3 878 741)
Staff costs:					
Wages and salaries	8	(3 140 244)	(4 468 164)	(2 465 255)	(3 507 742)
Statutory social insurance contributions	8	(690 746)	(982 843)	(548 451)	(780 375)
		(3 830 990)	(5 451 008)	(3 013 706)	(4 288 117)
Depreciation/ amortisation and write-offs:					
depreciation and amortisation expense	10.11.	(1 073 393)	(1 527 300)	(971 972)	(1 382 992)
Other operating expense	5	(2 225 694)	(3 166 877)	(1 782 196)	(2 535 836)
Interest receivable and similar income	6	13 075	18 604	56	80
Interest payable and similar expense	7	(281 819)	(400 991)	(215 094)	(306 051)
Profit before taxes		**753 609**	**1 072 289**	**248 311**	**353 315**
Corporate income tax		(22 101)	(31 446)	(10 063)	(14 318)
Profit for the reporting year		**731 508**	**1 040 844**	**238 247**	**338 995**
Basic and diluted earnings per share	9	0,055	0,074	0,023	0,033

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

For the Board of the Group:

Valērijs Maligins
Chairman of the Board
(President)

August 30, 2007

Consolidated 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					
Intangible value		-	-	-	-
Other intangible assets	10	976 537	1 389 488	1 463 719	2 082 685
Prepayments for intangible assets		3 442 513	4 898 254	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	11	3 353 740	4 771 942	3 420 607	4 867 085
Equipment and machinery	11	4 333 875	6 166 549	3 570 410	5 080 236
Other fixtures and fittings, tools and equipment	11	315 630	449 101	221 557	315 247
Construction in progress	11	1 722 689	2 451 165	271 496	386 304
Prepayments for property, plant and equipment		654 482	931 244	544 413	774 630
TOTAL		**10 380 416**	**14 770 001**	**8 028 483**	**11 423 502**
Financial assets					
Other securities and investments		386	549	386	549
TOTAL		**386**	**549**	**386**	**549**
TOTAL NON-CURRENT ASSETS		**14 799 852**	**21 058 292**	**9 556 314**	**13 597 410**
CURRENT ASSETS					
Inventories					
Raw materials		1 098 224	1 562 632	844 236	1 201 240
Work in progress		2 438 798	3 470 097	1 664 586	2 368 492
Finished goods and goods for resale		2 602 257	3 702 678	2 043 195	2 907 205
Prepayments for goods		102 597	145 982	25 422	36 172
TOTAL	12	**6 241 876**	**8 881 390**	**4 577 439**	**6 513 109**
Receivables					
Trade receivables	13	4 757 009	6 768 614	3 629 039	5 163 657
Receivables from related companies	14	31 252	44 468	556 452	791 760
Other receivables	15	204 935	291 596	1 358 433	1 932 876
Current loans to management	16	105 082	149 518	332 448	473 031
Prepaid expense	17	12 380	17 615	24 190	34 419
TOTAL		**5 110 658**	**7 271 811**	**5 900 562**	**8 395 744**
Cash	18	**2 064 089**	**2 936 934**	**72 979**	**103 840**
TOTAL CURRENT ASSETS		**13 416 623**	**19 090 135**	**10 550 980**	**15 012 692**
TOTAL ASSETS		**28 216 475**	**40 148 428**	**20 107 294**	**28 610 102**

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

For the Board of the Group:

Valērijs Maligins
Chairman of the Board
(President)

August 30, 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		14 399	20 487	(763 298)	(1 086 075)
for the period		731 508	1 040 843	238 247	338 995
TOTAL EQUITY		**16 590 693**	**23 606 429**	**9 793 248**	**13 934 537**
LIABILITIES					
Non-current liabilities					
Deferred corporate income tax liabilities		259 668	369 474	214 633	305 395
Loans from credit institutions	20	5 383 424	7 659 922	4 131 812	5 879 039
Other loans	21	342 995	488 037	347 209	494 034
Taxes payable	23	691 216	983 511	888 706	1 264 515
TOTAL		**6 677 302**	**9 500 945**	**5 582 360**	**7 942 983**
Current liabilities					
Prepayment received for shares of the Parent Company		-	-	894 339	1 272 530
Loans from credit institutions	20	1 177 460	1 675 374	878 617	1 250 159
Other loans	21	207 946	295 880	162 443	231 136
Prepayments received from customers	22	109 670	156 046	379 335	539 745
Trade and other payables	25	2 171 096	3 089 190	1 347 478	1 917 288
Payables to related companies		315 189	448 474	244 116	347 347
Taxes payable	23	577 943	822 339	542 702	772 195
Accrued liabilities	24	389 176	553 747	282 656	402 183
TOTAL		**4 948 480**	**7 041 051**	**4 731 686**	**6 732 583**
TOTAL LIABILITIES		**11 625 782**	**16 541 996**	**10 314 046**	**14 675 565**
TOTAL EQUITY AND LIABILITIES		**28 216 475**	**40 148 428**	**20 107 294**	**28 610 102**

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

Commitments and contingencies: see Note 27.

For the Board of the Group:

Valērijs Maligins
Chairman of the Board
(President)

AKCIJU SABIEDRĪBA «OLAINFARM» OlainFarm LATVIJAS REPUBLIKA

August 30, 2007

Address: Rūpnīcu iela 5, Olaine, LV-2114
Unified registration number: 40003007246

Consolidated cash flow statement

	30.06.2007. LVL	30.06.2007. EUR	30.06.2006. LVL	30.06.2006. EUR
Cash flows to/from operating activities				
Profit before taxes	753 609	1 072 289	248 311	353 315
Adjustments for:				
Amortisation and depreciation	1 079 578	1 536 102	974 184	1 386 139
Disposal of tangible non-current assets and investments	73 842	105 068	15 646	22 262
(Decrease)/ increase in allowances	(37 787)	(53 767)	-	-
Increase in vacation reserve	(55 791)	(79 383)	-	-
Interest expenses	252 418	359 158	171 053	243 386
Interest income	(3 073)	(4 372)	(56)	(80)
Unrealised loss/ (profit) from fluctuations of currency exchange rates	19 398	27 601	44 041	62 665
Operating cash flows before working capital changes	**2 082 194**	**2 962 696**	**1 453 179**	**2 067 687**
(Increase) in inventories	(1 697 137)	(2 414 808)	(931 725)	(1 325 725)
(Increase)/ decrease in receivables and prepaid expense	2 724 403	3 876 476	121 060	172 253
Increase in payables	(777 730)	(1 106 610)	326 203	464 145
Cash generated from operations	**2 331 730**	**3 317 753**	**968 717**	**1 378 360**
Interest paid	(268 744)	(382 388)	(215 038)	(305 972)
Corporate income tax paid	(22 101)	(31 447)	(10 063)	(14 318)
Real estate tax paid	(40 269)	(57 298)	(22 884)	(32 561)
Naudas plūsma pirms ārkārtas posteņiem	**2 000 616**	**2 846 620**	**720 732**	**1 025 509**
Net cash flows to/ from operating activities	**2 000 616**	**2 846 620**	**720 732**	**1 025 509**
Cash flows to/from investing activities				
Purchase of non-current assets	(2 791 654)	(3 972 166)	(1 036 492)	(1 474 795)
Income from non-current assets sales	-	-	-	-
Loans granted	422 324	600 913	(235 440)	(335 001)
Net cash flows to/ from investing activities	**(2 369 330)**	**(3 371 253)**	**(1 271 932)**	**(1 809 796)**
Cash flows to/from financing activities				
Increase of the share capital	876 023	1 246 468	-	-
Proceeds from issue of shares	1 545 939	2 199 673	-	
Borrowings repaid	16 012 507	22 783 745	617 793	879 040
Proceeds from borrowings	(16 087 415)	(22 890 329)	(98 417)	(140 035)
Net cash flows to/ from financing activities	**2 347 055**	**3 339 558**	**519 376**	**739 005**
Change in cash	**1 978 340**	**2 814 925**	**(31 824)**	**(45 281)**
Cash at the beginning of the reporting year	**85 747**	**122 007**	**104 803**	**149 121**
Cash at the end of the reporting year	**2 064 089**	**2 936 934**	**72 979**	**103 840**

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

Consolidated 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 2005	**10 252 365**	**14 587 801**	**65 934**	**93 816**	**(763 298)**	**(1 086 075)**	**9 555 001**	**13 595 542**
Share premium	2 956 690	4 206 991	147 835	210 350	-	-	3 104 525	4 417 341
Profit for the reporting year	-	-	-	-	777 697	1 106 563	777 697	1 106 563
Balance as at 31 December 2006	**13 209 055**	**18 794 792**	**213 769**	**304 166**	**14 399**	**20 487**	**13 437 222**	**19 119 444**
Share premium	876 023	1 246 468	1 545 939	2 199 673	-	-	2 421 962	3 446 141
Profit for the reporting year		-			731 508	1 040 843	731 508	1 040 843
Balance as at 30 June 2007	**14 085 078**	**20 041 260**	**1 759 708**	**2 503 839**	**745 907**	**1 061 330**	**16 590 693**	**23 606 429**

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

Notes to the consolidated financial statements

1. Corporate information

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

The Parent Company of the Group, AS Olainfarm (hereinafter, the Parent 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 shares of the Parent Company are listed on the Main List of Riga Stock Exchange.

These consolidated financial statements were approved by the Board on August 30, 2007.

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

2. Summary of significant accounting policies

Basis of preparation

For all periods up to and including the year ended 31 December 2005, the Group prepared its consolidated financial statements in accordance with local generally accepted accounting practice (Local GAAP)..Starting with year 2006 the Group 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 Group 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 recognised based on the same criteria.

The Group has prepared consolidated 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 consolidated financial statements, the Group opening balance sheet was prepared as at 1 January 2005, the Group's date of transition to IFRS. There are no principal adjustments made by the Group in restating its Local GAAP balance sheet as at 1 January 2005 and its previously published Local GAAP consolidated financial statements for the year ended 31 December 2005.

IFRS 1 allows first-time adopters certain exemptions from the general requirements to apply IFRS as effective for December 2006 year end retrospectively. The Group has applied the following exemptions: IFRS 3 Business Combinations has not been applied to acquisitions of subsidiaries that occurred before 1 January 2005; Cumulative currency translation differences for all foreign operations are deemed to be zero as at 1 January 2005.

The Group 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* (mandatory for financial years beginning on or after 1 January 2009).

The Group expects that the adoption of the pronouncements listed above will have no significant impact on the Group'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.

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

Reporting currency and units of measurement

The monetary unit used in the consolidated financial statements is lat (LVL), the monetary unit of the Republic of Latvia.

Basis of consolidation

As at 30 June 2007, the Parent Company had investments in the following subsidiaries:

Name	Country	Business	Date of acquisition	Group's equity interest (%):
OOO Baltfarm	Russia	Distribution of products	2 January 2001	100

The financial statements are consolidated in the Group's financial statements on a line by line basis by adding together like items of assets and liabilities as well as income and expenses. The consolidated financial statements include subsidiaries that are controlled by the Parent Company. Control is presumed to exist where more than a half of the subsidiary's voting rights are controlled by the Parent Company or it otherwise has the power to exercise control over the operations. Subsidiaries are consolidated from the date on which control is transferred to the Group and are no longer consolidated from the date that control ceases. The financial statements of the subsidiaries are prepared for the same reporting year as the Parent Company, using consistent accounting policies.

Purchase method of accounting is used to account for the acquisition of subsidiaries. The cost of acquisition is measured as the fair value of assets given, equity instruments issued and liabilities incurred or assumed at the acquisition date, plus any costs directly attributable to the acquisition. The acquisition date is the date on which the acquirer effectively obtains control of the acquiree. The excess of the cost over the fair value of the assets, liabilities and contingent liabilities acquired is recorded as goodwill (see Note 10).

For the purposes of consolidation, unrealised internal profits, intra-group balances, intra-group shareholdings, dividends and other intra-group transactions are eliminated from the Group's financial statements. Minority interest is calculated with regard to those entities that are fully consolidated while not being fully owned by AS Olainfarm.

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 companies of the Group 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 recognised in the income statement. At the year end foreign currency financial assets and liabilities are translated at the Bank of Latvia rate of exchange ruling at 31 December, and all associated exchange differences are dealt with through the income statement.

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

	30/06/2007	*30/06/2006*
	LVL	
1EUR	*0.702804*	*0.702804*
1USD	*0,522000*	*0,560000*
1RUB	*0,020200*	*0,020700*

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 Group at the rate of exchange rulling at the balance sheet date and the income statements are translated at the weighte average exchange rates for the year. Resulting exchange differences are classified as separate component of equity.

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

Intangible non-current assets

Intangible assets consist of goodwill recognised on the acquisition of Group subsidiaries and other intangible assets.

Positive goodwill resulting from acquisition of subsidiaries represents the excess of the cost of the acquisition over the total value of the assets, liabilities and contingent liabilities acquired.

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 the impairment of goodwill that is being carried out annually. Losses from impairment are recognised 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 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.

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 Group 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 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.

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

Inventories

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

Costs incurred in bringing each product to its present location and conditions 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.

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 Group 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 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.

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

Leases (cont'd)

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.

Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group 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 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 Group'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 Group.

Contingencies

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

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

Subsequent events

Post-year-end events that provide additional information about the Group'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 sales

	30.06.2007		30.06.2006	
By business segments	**LVL**	**EUR**	**LVL**	**EUR**
Finished forms	8 551 707	12 167 983	6 996 251	9 954 768
Chemistry	939 365	1 336 596	745 350	1 060 538
TOTAL:	**9 491 073**	**13 504 580**	**7 741 601**	**11 015 306**

	2007.06.30		2006.06.30	
By geographical segments	**LVL**	**EUR**	**LVL**	**EUR**
CIS	6 214 192	8 841 999	5 104 578	7 263 160
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:	**9 491 073**	**13 504 580**	**7 741 601**	**11 015 306**

4. Other operating income

	30.06.2007		30.06.2006	
	LVL	**EUR**	**LVL**	**EUR**
Sale of current assets	68 636	97 661	50 908	72 436
Treatment of waste water	73 319	104 323	24 503	34 865
Catering services	25 001	35 573	-	-
Lease of premises	9 976	14 195	9 621	13 689
Other operating income	88 870	126 450	89 349	127 132
TOTAL:	**265 801**	**378 201**	**174 381**	**248 122**

5. Other operating expense

	2007.06.30		2006.06.30	
	LVL	**EUR**	**LVL**	**EUR**
Marketing expense	1 057 101	1 504 119	784 959	1 116 897
Transportation expense	74 818	106 457	81 269	115 635
Sales commissions	11 002	15 654	18 215	25 917
Exhibition expense	-	-	2 674	3 804
Expert analysis of medicines	13 004	18 503	16 390	23 320
Other distribution costs	54 947	78 183	145 010	206 331
Total distribution costs:	*1 210 871*	1 722 915	*1 048 516*	1 491 904
Business trips	70 382	100 144	75 376	107 250
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	34 410	48 962	43 882	62 439
Write-offs and disposal of tangible assets	72 983	103 845	25 192	35 845
Communications expense	39 603	56 350	43 969	62 562
Audit of suppliers	34 450	49 018	18 693	26 598
Other taxes	40 269	57 298	22 884	32 562
Car fleet maintenance	28 969	41 219	28 793	40 969
Information and business consulting	2 675	3 806	44 096	62 743
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	10 859	15 451	21 814	31 039
Security	15 139	21 541	14 834	21 106
Hosting expense	633	901	15 847	22 549
Permits for import and export of medicines	26 101	37 139	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	188 541	268 269	82 639	117 584
TOTAL:	**2 225 694**	**3 166 877**	**1 782 196**	**2 535 836**

6. Financial income

	30.06.2007		30.06.2006	
	LVL	EUR	LVL	EUR
Interest accrued on bank account balances	3 073	4 372	56	80
Currency exchange gain, net	10 003	14 233	-	-
TOTAL:	**13 075**	**18 604**	**56**	**80**

7. Financial expense

	2007.06.30		2006.06.30	
	LVL	EUR	LVL	EUR
Currency exchange loss, net	-	-	640	911
Loan interest payments	220 879	314 282	142 694	203 035
Penalties paid	31 539	44 876	28 359	40 351
Currency exchange commission	29 401	41 834	43 401	61 754
TOTAL:	**281 819**	**400 991**	**215 094**	**306 051**

8. Staff costs and number of employees

	2007.06.30		2006.06 30	
	LVL	EUR	LVL	EUR
Wages and salaries	2 899 482	4 125 591	2 465 255	3 507 742
Vacation pay reserve	298 761	425 099	-	-
Statutory social insurance contributions	632 746	900 317	548 451	780 375
TOTAL:	**3 830 990**	**5 451 008**	**3 013 706**	**4 288 117**

	30.06.2007		30.06.2006	
	LVL	EUR	LVL	EUR
Management of the Company				
Wages and salaries	315 528	448 955	281 156	400 048
Vacation pay reserve	31 943	45 450	-	-
Statutory social insurance contributions	72 811	103 601	60 767	86 464
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:	**783 181**	**1 114 366**	**663 319**	**943 818**

	30.06.2007.	30.06.2006.
Average number of employees during the reporting year	1 075	1 015

9. Basic and diluted earnings per share

	2007.06.30		2006.06.30	
	LVL	EUR	LVL	EUR
Net result attributable to shareholders	731 508	1 040 843	238 247	338 995
Weighted average number of ordinary shares	13 209 055	18 794 792	10 252 365	14 587 801
Earnings per share	**0,055**	**0,079**	**0,023**	**0,033**

The Parent Company has no potential dilutive ordinary shares and therefore diluted earnings per share are the same as the basic earnings per share.

10. Intangible assets

		Goodwill		Production technologies		TOTAL	
		LVL	EUR	LVL	EUR	LVL	EUR
Acquisition value as at 31/12/2006		**2201088**	**3 131 866**	**374 713**	**533 169**	**2575801**	**3 665 035**
2007 II quarter	Additions	-	-	21 339	30 363	21339	30 363
	Reclassification	-	-	426	606	426	606
	Write-offs of values	(252900)	(359 844)	(49 616)	(70 597)	(302516)	(430 441)
Acquisition value as at 30/06/2007		**1948188**	**2 772 022**	**346 862**	**493 540**	**2295050**	**3 265 562**
Accumulated amortisation as at 31/12/2006		**1144220**	**1 628 078**	**171 256**	**243 675**	**1315476**	**1 871 754**
2007 II quarter	Amortisation	210403	299 376	34 284	48 782	244687	348 158
	Reclassification	-	-	-	-	-	-
	Liquidation	(194555)	(276 827)	(47 094)	(67 009)	(241649)	(343 836)
Accumulated amortisation as at 30/06/2007		**1160068**	**1 650 628**	**158 446**	**225 448**	**1318514**	**1 876 076**
Net carrying amount as at 31/12/2006		**1056868**	**1 503 788**	**203 457**	**289 493**	**1260325**	**1 793 281**
Net carrying amount as at 30/06/2007		**788120**	**1 121 394**	**188 416**	**268 092**	**976537**	**1 389 488**

		Goodwill		Production technologies		TOTAL	
		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 II 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 31/12/2005		704 003	1 001 706	150 396	213 994	854 399	1 215 700
2006	Amortisation	220 109	313 187	31 535	44 870	251 644	358 057
II quarter	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 Parent 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 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 June 2006: LVL 63 726), mostly represent payments for patent applications for two new products and registration of medicines abroad. The Parent Company expects to be issued patents in autumn 2007 and plans to begin production and sale of the respective products from 2010. The Group'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.

11. 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**	**20284907**
2007 II quarter	Additions	-	24 238	597 709	192 147	1 082 733	1896827
	Reclassification	-	(7 239)	(53 169)	(1 146)	-	(61554)
	Liquidation	-	-	(1 652)	1 226	-	(426)
Acquisition value as at 30/06/2007		**55 928**	**9 144 463**	**10 607 658**	**589 016**	**1 722 689**	**22119754**
Accumulated depreciation as at 31/12/2006		**-**	**5 707 257**	**5 660 259**	**218 893**	**-**	**11586409**
2007	Depreciation	-	141 742	658 707	55 542	-	855991
II quarter	Depreciation of disposals	-	(2 348)	(45 183)	(1 048)	-	(48579)
Accumulated depreciation as at 30/06/2007		**-**	**5 846 651**	**6 273 783**	**273 387**	**-**	**12393821**
Net carrying amount as at 31/12/2006		**55 928**	**3 420 207**	**4 404 511**	**177 896**	**639 956**	**8698498**
Net carrying amount as at 30/06/2007		**55 928**	**3 297 812**	**4 333 875**	**315 630**	**1 722 689**	**9725934**

		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**	**415 844**	**247 026**	**18 504 127**
2006	Additions	-	246 779	188 750	20 913	25 031	481 473
II quarter	Reclassification	-	(500 030)	(45 240)	(1 275)	(560)	(547 105)
Acquisition value as at 30/06/2006		**55 928**	**8 995 884**	**8 679 704**	**434 493**	**271 496**	**18 437 505**
Accumulated depreciation as at 31/12/2005		**-**	**5 968 229**	**4 610 326**	**184 788**	**-**	**10 763 343**
2006	Depreciation	-	149 091	544 101	30 337	-	723 529
II quarter	Depreciation of disposals	-	(486 116)	(45 132)	(1 200)	-	(532 448)
Accumulated depreciation as at 30/06/2006		**-**	**5 631 204**	**5 109 295**	**212 936**	**-**	**10 953 435**
Net carrying amount as at 31/12/2005		**55 928**	**3 280 906**	**3 925 868**	**231 056**	**247 026**	**7 740 784**
Net carrying amount as at 30/06/2006		**55 928**	**3 364 679**	**3 570 410**	**221 557**	**271 496**	**7 484 070**

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**	**28 862 823**
2007 II quarter	Additions	-	34 488	850 463	273 401	1 540 590	2 698 942
	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**	**838 094**	**2 451 166**	**31 473 575**
Accumulated depreciation as at 31/12/2006		**-**	**8 120 695**	**8 053 823**	**311 457**	**-**	**16 485 975**
2007	Depreciation	-	201 681	937 256	79 029	-	1 217 965
II quarter	Depreciation of disposals	-	(3 341)	(64 290)	(1 491)	-	(69 122)
Accumulated depreciation as at 30/06/2007		**-**	**8 319 035**	**8 926 789**	**388 995**	**-**	**17 634 819**
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**	**449 101**	**2 451 165**	**13 838 757**

		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**	**591 693**	**351 486**	**26 329 000**
2006	Additions	-	351 135	268 567	29 757	35 616	685 074
II quarter	Reclassification	-	(711 479)	(64 371)	(1 814)	(797)	(778 460)
Acquisition value as at 301/06/2006		**79 578**	**12 799 990**	**12 350 106**	**618 228**	**386 304**	**26 234 206**
Accumulated depreciation as at 31/12/2005		**-**	**8 492 025**	**6 559 903**	**262 930**	**-**	**15 314 857**
2006	Depreciation	-	212 137	774 186	43 166	-	1 029 489
II quarter	Depreciation of disposals	-	(691 681)	(64 217)	(1 707)	-	(757 605)
Accumulated depreciation as at 30/06/2006		**-**	**8 012 481**	**7 269 872**	**302 981**	**-**	**15 585 334**
Net carrying amount as at 31/12/2005		**79 578**	**4 668 309**	**5 586 007**	**328 763**	**351 486**	**11 014 143**
Net carrying amount as at 30/06/2006		**79 578**	**4 787 506**	**5 080 236**	**315 247**	**386 304**	**10 648 872**

** 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 between total depreciation and amortisation under the income statement (LVL 1 073 393) and the total depreciation and amortisation stated in Notes 10 and 11.

A number of property, plant and equipment items that have been fully depreciated are still used in operations. The total original cost value of this property and equipment at the end of the period was LVL 3 377 899 (30 June 2006: LVL 4 108 207).

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 (301 June 2006: LVL 581 467). The cadastral value of buildings owned by the Group companies as at 31 March 2007 had not been determined.

As at 30 June 2007, the net carrying amount of other tangible assets held under finance lease was LVL 550 941 (30 June 2006: LVL 509 652) (see Note 21).

As at 30 June 2007, all the non-current and current assets owned by the Parent 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 of the Parent Company guaranteed repayment of the loan by their shares in the Parent Company, and the president of the Parent Company 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.

12. Inventories

	2007.06.30		2006.06.30	
	LVL	**EUR**	**LVL**	**EUR**
Raw materials (at cost)	1 171 973	1 667 567	974 955	1 387 236
Work in progress (at cost)	2 596 904	3 695 061	1 752 657	2 493 806
Finished goods and goods for resale (at cost)*	2 690 776	3 828 629	2 105 307	2 995 582
Prepayments for goods	102 597	145 982	25 422	36 172
TOTAL:	6 562 250	9 337 241	4 858 341	6 912 796
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)	(125 952)	(62 112)	(88 377)
TOTAL:	(320 374)	(455 850)	(280 902)	(399 688)
TOTAL:	**6 241 876**	**8 881 390**	**4 577 439**	**6 513 109**

* As at 30 June 2007, the Group'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	4 795 236	6 823 007	3 700 933	5 265 953
Allowances for doubtful trade receivables	(38 227)	(54 392)	(71 894)	(102 296)
TOTAL:	**4 757 009**	**6 768 614**	**3 629 039**	**5 163 657**

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 at 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 impaired				
			< 30 days	30-60 days	60-90 days	90-120 days	> 120 days
30.06.2007.	4 757 009	3 516 011	623 315	189 723	45 096	48 039	334 825

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

	2007.06.30		2006.06.30	
Company	**LVL**	**EUR**	**LVL**	**EUR**
SIA Olmafarm*	31 252	44 468	547 452	778 954
Stimfarm Ltd.	-	-	28 643	40 755
SIA "Aroma"	-	-	9 000	12 806
Allowances for doubtful receivables		-	(28 643)	(40 755)
TOTAL:	**31 252**	**44 468**	**556 452**	**791 760**

*The debt are composed of remainder no-interest loan which has been issued by the Parent Company of the Group 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)	87 838	124 982	108 544	154 444
Overpayment CIT	37 888	53 909	78 364	111 502
Representation office expense	36 420	51 821	18 671	26 566
Advances to employees	18 995	27 027	-	-
Employees insurance	24 186	34 414	-	-
Other receivables	3 248	4 621	232 504	330 823
Provisions for advances to employees and other receivables	(3 639)	(5 178)	(3 639)	(5 178)
TOTAL:	**204 935**	**291 596**	**1 358 433**	**1 932 876**

Current loans to management

Current loans to the 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 31 380 (30 June 2006: LVL 18 552). The average interest on these loans is 5 % per annum. The maturity dates for the loans to other employees are 31 December 2007.

16. Prepaid expense

	30.06.2007.		30.06.2006.	
	LVL	**EUR**	**LVL**	**EUR**
Insurance payments	6 862	9 763	19 293	27 451
Membership fee to Riga Stock Exchange	-	-	1 250	1 779
Subscription to the printed media	831	1 182	12	17
Other prepaid expense	4 688	6 670	3 635	5 172
TOTAL:	**12 380**	**17 615**	**24 190**	**34 419**

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

	30/06/2007		30/03/20066	
Cash by currency profile:	Foreign currency	LVL	Foreign currency	LVL
RUR	145 243	2 934	512 300	10 605
LVL	-	1 954 413	-	11 821
EUR	151 242	106 293	1 775	994
USD	861	449	70 517	49 560
TOTAL:		**2 064 089**		**72 979**

Cash at banks earns interest at average 0, 25% based on bank account service agreement. In July 2007 1 million LVL were put on the deposit earning 5.8% per annum

18. 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.

19. Loans from credit institutions

Non-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	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
				TOTAL:	**5 383 424**	**7 659 922**	**4 131 812**	**5 879 039**

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	-	-
Ohter credit lines "Baltfarm"	1 000 000	RUB	22%	31.07.2007.	19 451	27 676	-	-
				TOTAL:	**1 177 460**	**1 675 374**	**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 Parent Company complies with the terms of the agreement (see below).

** 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. 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 Parent Company obtained a non-current loan from AS 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. 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 on May 16, 2007 the fixed part of the interest rate was again reduced down to 1.3% ..For the duration of the loan agreement, the Parent Company has to ensure that its equity is positive, and the ratio of equity to total assets should not be less than 35%.

On 25 May 2006 the Parent 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 Parent 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 agreement have been signed with AS SEB Unibanka;
- 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 amortisation. 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.

19. Loans from credit institutions (cont'd)

In 2003, the Parent 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 was again reduced down to 1.3%. During the reporting year those credit lines were extended until 5 December 2007 under the same terms.

As at 30 June 2007, all the non-current and current assets owned by the Parent 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 Parent Company guaranteed repayment of the loan by their shares in the Parent Company, and the chairman of the Board of the Parent Company (President) pledged all his shares in SIA Olmafarm.

20. 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	29 773	14 409	42 363	20 502
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 11.

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	783 917	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

21. Prepayments received from customers

For the most part, prepayments received from customers which as at 30 June 2007 amounted to LVL 106 670 (30 June 2006: LVL 379 335) represent advances received from third parties under the factoring agreements. The effective interest rate on advances received from third parties under the factoring agreements is RIGIBOR (3-mon)+3.00%.

22. Taxes payable/ receivable

	30.06.2007. LVL	30.06.2007. EUR	30.06.2006. LVL	30.06.2006. EUR
Personal income tax*	(602 946)	(857 914)	(695 995)	(990 312)
Statutory social insurance contributions	(540 405)	(768 927)	(643 171)	(915 150)
Real estate tax	(69 178)	(98 431)	(86 422)	(122 967)
Natural resource tax	(3 536)	(5 031)	(4 126)	(5 871)
VAT	37 887	53 908	(1 694)	(2 410)
Corporate income tax	(53 095)	(75 547)	-	-
Value added tax	87 837	124 981	-	-
TOTAL:	(1 143 435)	(1 626 962)	(1 431 408)	(2 036 710)
Total liabilities*:	(1 269 159)	(1 805 850)	(1 431 408)	(2 036 710)
Total assets:	125 724	178 889	-	-

* According to Cabinet Order No. 127 of 25 February 2005, the Parent 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 30 June 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	237 805	519 549	338 365	469 467	226 528	667 991	322 320
Statutory social insurance contributions	272 431	267 974	387 634	381 293	350 268	292 903	498 386	416 763
Real estate tax	53 644	15 327	76 328	21 808	68 971	17 257	98 137	24 554
VAT	-	53 302	-	75 842	-	1 888	-	2 686
Natural resource tax	-	3 536	-	5 031	-	4 126	-	5 871
TOTAL:	**691 216**	**577 943**	**983 511**	**822 339**	**888 706**	**542 702**	**1 264 515**	**772 195**

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..

23. 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**	**553 747**	**282 656**	**402 183**

24. Trade and other payables

	30.06.2007.		30.06.2006.	
	LVL	**EUR**	**LVL**	**EUR**
Trade payables	1 645 358	2 341 132	892 076	1 269 310
Wages and salaries	445 547	633 957	396 902	564 741
Other liabilities	80 191	114 102	58 500	83 238
TOTAL:	**2 171 096**	**3 089 190**	**1 347 478**	**1 917 288**

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. 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	44 468	-	-
Stimfarm Ltd. (subsidiary)	Sale of finished goods and chemistry	2006.12.31	2 753	3 917	-	-	25 890	36 838	-	-
		30.06.07	25 890	36 838	-	-	-	-	-	-
V. Maligins ** (shareholder of SIA Olmafarm)	Loan	2006.12.31	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
	KOPA:	**2006.12.31**	834 264	1 187 051	2 591 343	3 687 149	2 759 082	3 925 820	235 681	335 344
	KOPA:	**2007.06.30**	3 421 267	4 868 025	687 633	978 414	104 955	149 338	315 189	448 474

* The major shareholder of the Parent Company is SIA Olmafarm (49.51 %). The shareholder of SIA Olmafarm (100%) is Valērijs Maligins.

The second major shareholder of the Parent Company is Juris Savickis (31.23%).

26. Related party disclosures

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.

27. Commitments and contingencies

Tax late payment panalties

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 24).

Operating lease

The Group 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 31 March 2007 are as follows:

	30.06.2007.		30.06.2006.	
	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**

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 Parent 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 sace is scheduled for February 28, 2008.

28. Segment information

The primary segment reporting format is determined to be business segments as the Group'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 Group 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 Group's assets, are not presented, as major part of the Group assets (approx. 99.6%) 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).

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	2875918	989326	1543132	538119	-	-	4419050	1527445
Property, plant and equipment	6295965	4822822	3378229	2623252	706222	582409	10380416	8028483
Financial assets	-	-	-	-	386	386	386	386
Inventories	3995443	2948341	2143836	1603676	102597	25422	6241876	4577439
Receivables	4081344	3148584	641255	457460	388059	2294518	5110658	5900562
Cash	-	-	-	-	2064089	72979	2064089	72979
Total assets	**17248670**	**11909073**	**7706452**	**5222507**	**3261353**	**2975714**	**28216475**	**20107294**
Liabilities								
Equity	-	-	-	-	16590693	9793248	16590693	9793248
Provisions for expected taxes	-	-	-	-	259668	214633	259668	214633
Loans from credit institutions	4269823	3245255	2291060	1765174	-	-	6560884	5010429
Prepayments received for shares of the Parent Company	-	-	-	-	-	894339	-	894339
Other loans	358552	330102	192389	179550	-	-	550941	509652
Taxes payable	825969	927123	443190	504285	-	-	1269159	1431408
Prepayments received from customers	107442	379332	2228		-	3	109670	379335
Trade payables and other payables	1412949	872762	758147	474716	-	-	2171096	1347478
Payables to related	-	-	-	-	315189	244116	315189	244116
Accrued liabilities	-	-	-	-	389176	282656	389176	282656
Total liabilities	**6974736**	**5754573**	**3687013**	**2923726**	**17554726**	**11428995**	**28216475**	**20107294**
Income Statement								
Net sales	8 551 707	6 996 251	939 365	745 350	-	-	9 491 073	7 741 601
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	-	-	-	-	265 801	174 381	265 801	174 381
Cost of materials								
Staff costs	(2 134 099)	(1 765 627)	(1 145 094)	(960 368)	-	-	(3 279 193)	(2 725 995)
Depreciation/ amortization	(2 493 208)	(1 951 977)	(1 337 782)	(1 061 729)	-	-	(3 830 990)	(3 013 706)
Other operating expense	(698 564)	(629 546)	(374 829)	(342 426)	-	-	(1 073 393)	(971 972)
Financial income	(1 448 482)	(1 154 328)	(777 212)	(627 868)	-	-	(2 225 694)	(1 782 196)
Financial expense	-	-	-	-	13 075	56	13 075	56
Corporate income tax	-	-	-	-	(281 819)	(215 094)	(281 819)	(215 094)
Profit for the reporting	-	-	-	-	(22 101)	(10 063)	(22 101)	(10 063)
	2 867 281	**2 169 181**	**(2 110 730)**	**(1 880 213)**	**(25 044)**	**(50 720)**	**731 508**	**238 247**

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	4092063	1407684	2195679	765674	-	-	6287742	2173358
Property, plant and equipment	8958351	6862257	4806787	3732551	1004863	828693	14770001	11423502
Financial assets	-	-	-	-	549	549	549	549
Inventories	5685003	4195111	3050404	2281825	145982	36172	8881390	6513109
Receivables	5807229	4480031	912424	650907	552158	3264805	7271811	8395743
Cash	-	-	-	-	2936934	103840	2936934	103840
Total assets	**24542647**	**16945084**	**10965294**	**7430958**	**4640487**	**4234060**	**40148428**	**28610102**
Liabilities								
Equity	-	-	-	-	23606429	13934537	23606429	13934537
Provisions for expected taxes	-	-	-	-	369474	305395	369474	305395
Loans from credit institutions	6075411	4617582	3259886	2511616	-	-	9335296	7129198
Prepayments received for shares of the Parent Company	-	-	-	-	-	1272530	-	1272530
Other loans	510174	469693	273745	255477	-	-	783917	725170
Taxes payable	1175248	1319177	630603	717533	-	-	1805850	2036710
Prepayments received from customers	152876	539741	3170		-	4	156046	539745
Trade payables and other payables	2010445	1241828	1078746	675460	-	-	3089190	1917288
Payables to related	-	-	-	-	448474	347346	448474	347347
Accrued liabilities	-	-	-	-	553748	402183	553747	402183
Total liabilities	**9924154**	**8188021**	**5246149**	**4160086**	**24978125**	**16261995**	**40148428**	**28610102**
Income Statement								
Net sales	12 167 984	9 954 768	1 336 596	1 060 538	-	-	13 504 580	11 015 306
Changes in stock of finished goods and work in progress	1 550 826	959 598	832 127	521 948	-	-	2 382 953	1 481 545
Other operating income	-	-	-	-	378 201	248 122	378 201	248 122
Cost of materials								
Staff costs	(3 036 548)	(2 512 261)	(1 629 322)	(1 366 481)	-	-	(4 665 870)	(3 878 741)
Depreciation/ amortization	(3 547 515)	(2 777 413)	(1 903 492)	(1 510 704)	-	-	(5 451 008)	(4 288 117)
Other operating expense	(993 966)	(895 763)	(533 334)	(487 228)	-	-	(1 527 300)	(1 382 992)
Financial income	(2 061 004)	(1 642 461)	(1 105 873)	(893 376)	-	-	(3 166 877)	(2 535 836)
Financial expense	-	-	-	-	18 604	80	18 604	80
Corporate income tax	-	-	-	-	(400 991)	(306 051)	(400 991)	(306 051)
Profit for the reporting year	-	-	-	-	(31 446)	(14 318)	(31 446)	(14 318)
	4 079 776	**3 086 468**	**(3 003 298)**	**(2 675 303)**	**(35 632)**	**(72 168)**	**1 040 844**	**338 995**

29. Financial risk management

The Group'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 Group's operations. The Group has various other financial instruments such as trade and other receivables and trade and other payables, which arise directly from its operations. The Group might also issue loans to shareholders and management on a short-term basis.

Financial risks

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

Foreign currency risk

The Group'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 Group is mainly exposed to foreign currency risk of US dollar and Euro.

The Group's currency risk as at 30 June 2007 may be specified as follows:

	LVL	USD	EUR	Citi	Kopā Ls
Trade receivables	496 742	153 867	3 712 117	394 283	4 757 009
Receivables from related companies	2 552	28 700	-	-	31 252
Other receivables	160 509	900	36 420	7 106	204 935
Current loans to management	24 687	69 765	3 514	7 116	105 082
Prepaid expense	2 830	-	5 234	4 316	12 380
Cash	1 954 413	449	106 293	2 934	2 064 089
Total financial assets in LVL	2 641 733	253 681	3 863 578	415 755	7 174 747
Loans from credit institutions		261 000	6 280 432	19 452	6 560 884
Other loans	4 609	-	546 332		550 941
Taxes payable	1 195 201	-	-	73 958	1 269 159
Prepayments received from customers	91 193	-	2 228	16 249	109 670
Trade payables and other payables	1 407 228	225 104	455 150	83 614	2 171 096
Payables to related companies	315 189	-	-	-	315 189
Accrued liabilities	389 176	-	-	-	389 176
Total financial liabilities in LVL	3 402 596	486 104	7 284 142	193 273	11 366 115
Net, LVL	(760 863)	(232 423)	(3 420 564)	222 482	(4 191 367)

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

The Group 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 Group'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 Group is exposed to interest rate risk mainly through its current and non-current borrowings. The average interest rate payable on the Group's borrowings is disclosed in Notes 20 and 21.

Liquidity risk

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

Credit risk

The Group is exposed to credit risk through its trade receivables, issued loans, as well as cash. The Group 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 Group's exposure to bad debts is minimised.

The Company does not have any material cocentration of credit risks on one specific partner or group of similar partners, except for related companies. However, it has to be noted that total liabilities of Russian based partners towards the Company has increased from 39% as of December 31, 2006 to 42% as of June 30, 2007

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.