

JOINT STOCK COMPANY OLAINFARM
(UNIFIED REGISTRATION NUMBER 40003007246)

UNAUDITED ANNUAL REPORT
(01.01.2006.-31.12.2006)

PREPARED IN ACCORDANCE WITH
INTERNATIONAL ACCOUNTING STANDARDS

Olaine, 2007

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General information

Name of the Company	JSC "Olainfarm"
Legal status	Joint Stock Company
Unified registration number, Place and date of registration	40003007246 Rīga, June 10 th , 1991 (re-registered on March 27 th , 1997, registered in Commercial register on August 4 th , 2004)
Registered office	5 Rūpnīcu street Olaine, Latvia, LV-2114
Major shareholders	SIA "Olmafarm" (49,84 %) 87 A.Čaka street Rīga, Latvia, LV-1011 Juris Savickis (26,19 %)
Board	Valerijs Maligins, Chairman of the Board (president), appointed on 04/08/2004 Jeļena Borcova, Deputy Chairperson of the Board, appointed on 30/07/2006 Jurijs Kaplinovs, appointed on 04/08/2004 Aleksandrs Černobrovijs, appointed on 04/08/2004 Inga Liščika, appointed on 19/08/2005 Andris Jegorovs, appointed on 04/08/2004 Viktorija Žuka-Nikuļina, appointed on 04/08/2004
Changes to the composition of the Board of Parent company	Armands Lapiņš, appointed 04/08/2004.,dismissed 30/07/2006
Council	Juris Savickis, Chairman of the Council, appointed on 04/08/2004 Ivars Kalviņš, Deputy Chairman of the Council, appointed on 04/08/2004, Eļena Dudko, appointed on 04/08/2004 Guntis Belēvičs, appointed on 04/08/2004 Tatjana Lukina, appointed on 06/08/2003
Changes to the composition of Council of the Parent company	Zigurds Jeromanovs, appointed 04/08/2004, dismissed 30/07/2006
Related companies and ownership share:	OOO Baltfarm Cheryomushkinskaya 13/17 Moscow, Russia (100%) Stimfarm Ltd. Kadaka 86a-205 Tallinn, Estonia (51%)
Core business activity	Manufacturing and distribution of chemical and pharmaceutical products
Period	1 January – 31 December 2006

Responsible for preparation of the information

Director of Financial department
Inga Liščika

Phone. 7013 706
Fax 7013 777
jlishchika@olainfarm.lv

Contact Person

Head of Legal department
Viktorija Žuka-Nikuļina

Phone. 7013 871
Fax 7013 777
vzuk@olainfarm.lv

Management Report

JSC „Olainfarm” has combined its unaudited results of 2006 and had prepared financial statements for this period.

Performance of JSC „Olainfarm” of 2006 should be regarded as very successful one. Net profit for the reporting period was 1.06 million lats (1.5 million Euro), which exceeds the forecast profit by 11.6%. Company's sales in 2006 were 15.56 million lats (22.14 million Euros) which is 3% below the forecast. Despite some deviations from the forecasts, sales in 2006 exceed those of 2005 by 28% while the net profit of 2006 is three times that of 2005.

Data of IMS Health shows that Olainfarm's sales in Latvian market in 2006 were tenth biggest among all pharmaceutical companies represented in Latvia and the biggest among Latvian producers. In 2006 JSC „Olainfarm” sales in Latvia were 3.02 million lats (4.3 million Euro), which is an 8% increase compared to 2005. Company's market share in total Latvian pharmaceutical market was 2.46%. Olainfarm's sales to Russian, Belarusian, Ukrainian, Lithuanian, Norwegian and British markets also grew significantly. Along with the increase in sales volumes, the production volumes also experienced considerable growth.

The company continued its reconstruction effort, made significant investments in scientific developments, obtained a wholesale licence and strengthened its marketing and sales forces in different countries. The key characteristic of the year 2006 is that the very considerable tangible and intangible investments made in previous years have started to produce significant returns, thus leaving bigger impact on a bottom line of financial statements.

Financial situation

Earnings per share in 2006 were 0.09 lats (0.13 Euro), which is three times the figure of 2005, when earnings per share were 0.03 Lats (0.048 Euro).

Financial stability indicators of the company generally shall be regarded as very positive. Total liquidity indicator for instance is 2.47, which is less than in previous periods. Total solvency indicator has grown to 1.16. Compared to 2005, the turnover of receivables has improved from 179 days to 136 days

Representatives abroad

In 2006, in addition to already existing representative offices in Russia, Kazakhstan, Belarus, and Lithuania, as well as cooperation partners of the Company in Poland, USA, and CIS countries, the representative office of the Company in Ukraine was also established. The mentioned representatives, offices and partners operate according to the developed marketing programs, ensuring the stability and growth of Olainfarm's market shares in the respective countries

Conditions and events after the end of reporting period.

As a very important event one should mention that after a serious analysis made over a longer period of time the decision was made about the necessity to start the production of totally new finished form of medicine – the ampoules. This goes along with considerable investments in warehousing capacities, energy capacities and research and development efforts. When looking at the possibilities to finance these investments, the Board has recommended to the shareholders to issue 4 million shares in 2007 and to offer the issued shares to local and foreign investors.

Distribution of the profit

Company's Board plans to propose to the shareholders to use 814 275 lats (1 18 609 Euro) from the profits of 2006 to cover the uncovered loss of previous years, but the remaining 240 783 lats (342 783 euro) to be reinvested in company's development.

Further development of JSC "Olainfarm"

Further development strategy of the Company provides for increase in sales of company's products, further improvements in Company's product portfolio and adding new products to the product list. It is planned that in 2007 not only the finished form sales, but also sales and production volumes of chemical products will be increased and the total sales will reach 20.66 million lats (29.4 million Euros).

Already in 2007 contracts have been signed about using the intellectual property on new original products, which again will ensure the wider possibilities for growth of JSC "Olainfarm".

In 2007 the active cooperation with multinational pharmaceutical companies will continue. This cooperation takes a form of not only production and sale of chemical products (e.g. order of "Novartis Grimsby Limited", a subsidiary of Swiss pharmaceutical company "Novartis"), but also as development and production of finished form medications (e.g. the contract on memantine for treatment of Alzheimer's).

In 2007 the Company will continue to participate in government organized tenders for supply of medication both in Latvia and abroad.

Taking into account both, the operating and financial results of JSC "Olainfarm" in 2006 and the development plans for 2007, one can see yet another proof that JSC "Olainfarm" remains a stable chemical and pharmaceutical company with good future perspectives.

Olainfarm, February 28, 2007

J.Borcova
Deputy Chairperson of the Board
JSC "Olainfarm"

Income statement

	Notes	2006 LVL	2006 EUR	2005 LVL	2005 EUR
Net turnover	3	15 562 704	22 143 733	12 186 581	17 339 943
Changes in stock of finished goods and work in progress		948 049	1 348 952	739 661	1 052 443
Other operating income	4	429 663	611 355	267 602	380 763
Cost of materials:					
<i>raw materials and consumables</i>		(3 282 648)	(4 670 787)	(2 697 475)	(3 838 161)
<i>other external costs</i>		(1 021 496)	(1 453 458)	(771 037)	(1 097 087)
		(4 304 144)	(6 124 245)	(3 468 512)	(4 935 248)
Staff costs:					
<i>salaries</i>		(4 986 203)	(7 094 728)	(3 492 624)	(4 969 556)
<i>other social security payments</i>		(1 060 247)	(1 508 596)	(720 919)	(1 025 775)
	9	(6 046 450)	(8 603 323)	(4 213 543)	(5 995 332)
Write-offs of means and values:					
<i>Non-current assets depreciation and write-offs</i>	10,11	(1 945 123)	(2 767 661)	(1 761 299)	(2 506 103)
<i>write-offs of the value of current assets</i>		(84 431)	(120 134)	(67 349)	(95 829)
		(2 029 554)	(2 887 795)	(1 828 648)	(2 601 932)
Other operating expense	5	(2 787 056)	(3 965 623)	(2 979 134)	(4 238 926)
Interest receivable and similar income	6	7 497	10 667	362 563	515 881
Interest payable and similar payments	7	(587 057)	(835 307)	(454 004)	(645 989)
Profit/(Loss) before taxes and minority interest		1 193 652	1 698 414	612 566	871 603
Corporate income tax for the reporting year		(83 862)	(119 325)	(221 845)	(315 657)
Other taxes	8	(54 732)	(77 877)	(44 297)	(63 029)
Profit/(Loss) before minority interest		1 055 058	1 501 212	346 424	492 917
Profit/(Loss) for the reporting year		1 055 058	1 501 212	346 424	492 917
Earning/(loss) per share		0,094	0,134	0,034	0,048

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

For the Board:

Jelena Borcova
Deputy Chairperson of the Board

Balance sheet

	Notes	ASSETS			
		2006 LVL	2006 EUR	2005 LVL	2005 EUR
NON-CURRENT ASSETS					
Intangible assets					
Intangible value		-	-	-	-
Other intangible assets	10	1 260 325	1 793 281	1 651 290	2 349 574
Prepayments for intangible assets		2 356 660	3 353 225	52 061	74 076
TOTAL		3 616 985	5 146 506	1 703 351	2 423 650
Tangible assets					
Land, buildings and constructions	11	3 476 135	4 946 095	3 336 834	4 747 887
Equipment and machinery	11	4 442 705	6 321 400	3 925 868	5 586 007
Other fixed assets	11	177 896	253 123	189 040	268 980
Construction in progress	11	639 956	910 575	247 026	351 486
Prepayments for tangible assets		585 581	833 207	7 562	10 760
TOTAL		9 322 273	13 264 399	7 706 330	10 965 120
Financial assets					
Investments in related companies	12	-	-	-	-
Other securities and investments		386	549	386	549
TOTAL		386	549	386	549
TOTAL NON-CURRENT ASSETS		12 939 644	18 411 455	9 410 067	13 389 319
CURRENT ASSETS					
Inventories					
Raw materials		970 354	1 380 689	767 250	1 091 698
Work in progress		1 992 539	2 835 128	1 508 849	2 146 899
Finished goods and goods for resale		1 421 268	2 022 282	1 112 335	1 582 710
Goods in transit		-	-	-	-
Prepayments for goods		176 766	251 515	109 919	156 401
TOTAL	13	4 560 926	6 489 614	3 498 353	4 977 707
Receivables					
Trade receivables	14	4 368 972	6 216 487	3 122 975	4 443 594
Receivables from related companies	15	2 762 999	3 931 393	1 233 151	1 754 616
Other receivables	16	134 783	191 779	1 281 881	1 823 952
Current loans to management		510 122	725 838	391 638	557 251
Prepaid expense	17	50 651	72 070	36 657	52 158
TOTAL		7 827 527	11 137 568	6 066 302	8 631 571
Cash	18	69 537	98 942	77 213	109 864
TOTAL CURRENT ASSETS		12 457 990	17 726 124	9 641 868	13 719 143
TOTAL ASSETS		25 397 635	36 137 579	19 051 935	27 108 461

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

For the Board:

Jelena Borcova
Deputy Chairperson of the Board

		EQUITY AND LIABILITIES				
		Notes	2006	2006	2005	2005
EQUITY			LVL	EUR	LVL	EUR
Share capital			13 209 055	18 794 792	10 252 365	14 587 801
Share premium			213 769	304 166	65 934	93 816
Accumulated profit						
losses brought forward			(814 275)	(1 158 609)	(1 160 699)	(1 651 526)
profit (losses) for the period			1 055 058	1 501 212	346 424	492 917
	TOTAL EQUITY		13 663 607	19 441 561	9 504 024	13 523 008
LIABILITIES						
Non-current liabilities						
Provisions for expected taxes			244 391	347 737	208 535	296 719
Loans from credit institutions	20		5 268 726	7 496 722	3 745 945	5 330 000
Other loans	21		380 620	541 573	405 365	576 782
Taxes and social security payments	23		789 961	1 124 013	987 450	1 405 015
	TOTAL		6 683 698	9 510 045	5 347 295	7 608 515
Current liabilities						
Prepayment received for Shares of the Holdings mother company			-	-	510 000	725 665
Loans from credit institutions	20		1 238 569	1 762 325	854 385	1 215 680
Other loans	21		189 806	270 070	161 900	230 363
Prepayments received from customers	22		481 885	685 661	353 114	502 436
Trade payables			1 842 811	2 622 084	1 299 283	1 848 713
Taxes and social security payments	23		451 796	642 848	375 236	533 913
Accrued liabilities	24		454 939	647 320	379 346	539 761
Other liabilities	25		390 525	555 667	267 351	380 406
	TOTAL		5 050 331	7 185 974	4 200 615	5 976 937
	TOTAL LIABILITIES		11 734 029	16 696 019	9 547 910	13 585 452
TOTAL EQUITY AND LIABILITIES			25 397 635	36 137 579	19 051 935	27 108 461

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

For the Board:

Jelena Borcova
Deputy Chairperson of the Board

Cash flow statement

	2006 LVL	2006 EUR	2005 LVL	2005 EUR
Operating activity cash flow				
Profit/(Loss) before taxes in the reporting year	1 193 652	1 698 414	612 566	871 603
Adjustments for:				
Amortisation and depreciation	1 948 792	2 772 881	1 761 299	2 506 103
Disposal of tangible non-current assets and investments	33 619	47 836	55 369	78 783
Provisions increase	-	-	-	-
Provisions Increase/(decrease)	(654 188)	(930 826)	623 345	886 940
Provisions for impairment of tangible non-current assets	-	-	(17 103)	(24 335)
Investment losses	-	-	108 139	153 868
Interest paid	385 099	547 947	351 522	500 171
Unrealised loss from fluctuations of currency exchange rates	194 461	276 693	(158 752)	(225 884)
Operating cash flows before changes of working capital	3 101 435	4 412 944	3 336 385	4 747 248
(Increase) in inventories	(1 032 010)	(1 468 418)	(796 207)	(1 132 900)
(Increase) in receivables and prepaid expense	(1 026 153)	(1 460 084)	738 881	1 051 333
Increase in liabilities	361 418	514 251	131 133	186 585
Operating cash flow	1 404 690	1 998 694	3 410 192	4 852 266
Interest paid	(579 560)	(824 640)	(348 008)	(495 171)
Corporate income tax paid	(83 862)	(119 325)	(45 602)	(64 886)
Real estate tax paid	(54 732)	(77 877)	(129 925)	(184 867)
Cash flow before extraordinary positions	686 536	976 853	2 886 657	4 107 343
Net cash flows to/ from operating activities	686 536	976 853	2 886 657	4 107 343
Cash flows to/ from investing activities				
Purchase of non-current assets	(5 537 431)	(7 879 054)	(1 913 802)	(2 723 095)
Incomes of sale of non-current assets	129 899	184 830	-	-
Loans repaid/(received)	42 212	60 062	(49 176)	(69 971)
Share capital increase	2 956 690	4 206 991	-	-
Share premium	147 835	210 350	-	-
Net cash flows to/ from investing activities	(2 260 795)	(3 216 821)	(1 962 978)	(2 793 066)
Cash flows to/ from financing activities				
Received/(repaid) loans, net	1 833 639	2 609 033	(797 505)	(1 134 747)
Payments of financial lease liabilities	(267 056)	(379 986)	(55 747)	(79 321)
Net cash flows to/ from financing activities	1 566 583	2 229 047	(853 252)	(1 214 068)
Cash increase/(decrease)	(7 676)	(10 922)	70 427	100 209
Cash and equivalents at the beginning of the reporting year	77 213	109 864	6 786	9 656
Cash and equivalents at the end of the reporting year	69 537	98 942	77 213	109 864

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

Statement of changes in equity

	Share capital		Share premium		Accumulated	Accumulated	Total share	Total share
	LVL	EUR	LVL	EUR	Profit/(deficit)	Profit/(deficit)	capital	capital
At 31 September 2003	10 252 365	14 587 801	65 934	93 816	(566 716)	(806 364)	9 751 583	13 875 253
(Loss) for the reporting year	-	-	-	-	(593 983)	(845 162)	(593 983)	(845 162)
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
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
Profit for the reporting year	2956690	4206991	147835	210 350	1 055 058	1 501 212	4 159 583	5 918 553
At 31 December 2006	13 209 055	18 794 792	213 769	304 166	240 783	342 603	13 663 607	19 441 561

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

Notes to the financial statements

1. Corporate information

Joint stock company Olainfarm (hereinafter, the Company) was registered with the Republic of Latvia Enterprise Register on 10 June 1991 (re-registered on 27 March 1997) and with the Republic of Latvia Commercial Register on 4 August 2004. The Company is engaged in manufacturing and distribution of chemical and pharmaceutical products.

2. Summary of significant accounting policies

Principles of preparation of financial report

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

The financial statements of a/s Olainfarm have been prepared in accordance with international accounting standards.

The financial statements are prepared on a historical cost basis. The monetary unit used in the financial statements is lat (LVL), the monetary unit of the Republic of Latvia. The financial statements cover the period 1 January 2006 through 31 December 2006.

Change in estimates

As of 1 January 2005, the Company has changed the basis for calculating depreciation for specific tangible assets that are significant for the Company's operations. During 2005 the Company reassessed the useful life of tangible non-current assets for each individually significant part of assets.

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

Use of estimates

The preparation of financial statements in conformity with the Law of the Republic of Latvia on Financial Statements of Companies requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, income and expenses and disclosure of contingencies. The significant areas of estimation used in the preparation of the accompanying financial statements relate to provisions for doubtful receivables and inventories, depreciation, etc. Future events occur which cause the assumptions used in arriving at the estimates to change. The effect of any changes in estimates will be recorded in the financial statements when determinable.

Foreign currency translation

Monetary assets and liabilities denominated in foreign currencies are translated into Latvian lats applying the official exchange rate established by the Bank of Latvia at the last day of the reporting year. The differences arising on settlements of transactions or on reporting foreign currency transactions at rates different from those at which these transactions have originally been recorded are netted and presented in the income statement accounts.

Currency exchange rates established by the Bank of Latvia:

	31/12/2006 LVL	31/12/2005 LVL
1 USD	0.536000	0.593000
1 RUB	0.020300	0.020600
1 EUR	0.702804	0.702804

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 amortised 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.

Tangible non-current assets

Tangible non-current assets 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
<i>Buildings and constructions</i>	5
<i>Equipment and machinery</i>	10-15
<i>Computers and software</i>	25
<i>Other tangible assets</i>	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. In situations where it can be clearly demonstrated that the expenses have resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property, plant and equipment beyond its originally assessed standard of performance, such expenses are capitalised as an additional cost of property, plant and equipment.

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

Tangible non-current assets (cont'd)

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.

Research and development costs

Research costs are expensed as incurred. Project development costs are recognised as intangible assets where the project feasibility is demonstrated and the assets developed are reasonably expected to generate future economic benefits. Capitalised development costs are amortised over their estimated useful lives on a straight-line basis.

Should the respective asset be not yet in use, the carrying value of development costs is reviewed for impairment at the end of each reporting year and otherwise when events or changes in circumstances indicate that the carrying value may not be recoverable.

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 labour plus indirect costs related to production. Indirect production costs consist of labour, energy, depreciation and other production-related expense calculated based on the ordinary production output.

Finished goods are stated at the lower of net realisable value and cost. 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.

Trade and other receivables

Trade 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.

The cash flow statement has been prepared according to the indirect method by making adjustments to reconcile operating profit with cash flows from operating, investing and financing activities.

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

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Loans and borrowings

All loans and borrowings are initially recognised at cost, being the fair value of the consideration received net of issue costs associated with the borrowing.

Leases

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

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

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

Factoring

Proceeds received in accordance with factoring agreements are recognised as advances from the factoring company when the Company remains exposed to the credit risk associated with the respective debtor. When the credit risk remains with the contracting party, 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 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.

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

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.

3. Net turnover**By business segments**

	2006		2005	
	LVL	EUR	LVL	EUR
Finished forms	14 023 010	19 952 946	11 150 203	15 865 310
Chemistry	1 539 693	2 190 786	1 036 378	1 474 633
TOTAL:	15 562 704	22 143 733	12 186 581	17 339 943

By geographical segments

	2006		2005	
	LVL	EUR	LVL	EUR
CIS	9 503 854	13 522 766	7 166 238	10 196 638
Latvia	3 024 131	4 302 950	2 844 393	4 047 207
Europe	1 526 288	2 171 712	976 417	1 389 316
Baltic states (Lithuania and Estonia)	609 271	866 914	481 344	684 891
Other	899 161	1 279 390	718 189	1 021 891
TOTAL:	15 562 704	22 143 733	12 186 581	17 339 943

4. Other operating income

	2006		2005	
	LVL	EUR	LVL	EUR
Sale of current assets	194 170	276 279	110 395	157 078
Treatment of waste water	108 665	154 616	88 869	126 449
Recovery of written-off debts	-	-	10 436	14 849
Lease of premises	18 632	26 512	9 841	14 002
Catering services	34 452	49 021	-	-
Other operating income*	73 744	104 928	48 061	68 385
TOTAL:	429 663	611 355	267 602	380 763

5. Other operating expense

	2006		2005	
	LVL	EUR	LVL	EUR
Distribution costs*	2 008 113	2 857 287	1 019 215	1 450 212
Provisions for bad debts**	(732 549)	(1 042 323)	741 935	1 055 678
Administrative expense	279 139	397 179	145 387	206 867
Business trips	146 189	208 008	96 370	137 122
Impairment of goodwill related to subsidiaries	-	-	102 660	146 072
Seminars and gifts expense	34 253	48 738	64 662	92 006
Insurance	93 510	133 053	61 211	87 095
New product research and development costs	104 000	147 978	57 815	82 263
Write-offs of fixed assets	50 794	72 274	55 312	78 702
Write-offs of current assets	139 841	198 975	50 455	71 791
Transportation expense	50 038	71 198	45 066	64 123
Representation expense	45 761	65 112	39 870	56 730
Audit expense	20 525	29 204	33 541	47 725
Security expense	24 401	34 720	24 332	34 621
Education	37 543	53 419	31 366	44 630
Humanitarian aid	14 329	20 388	23 089	32 853
Donations	17 019	24 216	22 083	31 421
Write-offs of bad debts	37 528	53 398	5 310	7 555
Provisions for impairment of tangible assets	-	-	(17 103)	(24 335)
Provisions for slow-mowing items (see Note 15)	(30 564)	(43 489)	(22 746)	(32 365)
The tax to risk of enterprise activity	2 970	4 226	3 789	5 391
Other operating expense	444 217	632 064	395 515	562 767
TOTAL:	2 787 056	3 965 623	2 979 134	4 238 926

6. Interest receivable and similar income

	2006		2005	
	LVL	EUR	LVL	EUR
Interest accrued on bank account balances	7 497	10 667	40	57
Currency exchange income, net	-	-	362 523	515 824
TOTAL:	7 497	10 667	362 563	515 881

7. Interest payable and similar expense

	2006		2005	
	LVL	EUR	LVL	EUR
Currency exchange loss, net	107 641	153 160	-	-
Loan interest payments	325 404	463 008	351 522	500 171
Penalties paid	67 192	95 605	52 987	75 394
Currency exchange commission	86 820	123 533	49 495	70 425
TOTAL:	587 057	835 307	454 004	645 989

8. **Other taxes** comprise real estate tax expense.

9. **Staff costs and number of employees**

	2006		2005	
	LVL	EUR	LVL	EUR
Wages and salaries	4 700 482	6 688 183	3 310 418	4 710 300
Vacation pay reserve	354 552	504 483	182 206	259 256
Statutory social insurance contributions	991 416	1 410 658	720 919	1 025 775
TOTAL:	6 046 450	8 603 323	4 213 543	5 995 332

	2006		2005	
	LVL	EUR	LVL	EUR
<i>Management of the Company</i>				
Wages and salaries	483 644	688 164	302 013	429 726
Vacation pay reserve	35 452	50 443	19 874	28 278
Statutory social insurance contributions	87 252	124 148	64 015	91 085
<i>Board members</i>				
Wages and salaries	462 713	658 381	292 816	416 640
Vacation pay reserve	53 581	76 240	33 796	48 087
Statutory social insurance contributions	17 971	25 571	33 557	47 747
<i>Council members</i>				
Wages and salaries	118 100	168 041	87 600	124 644
Statutory social insurance contributions	37 931	53 971	18 718	26 633
TOTAL:	1 296 645	1 844 959	852 389	1 212 841

	31,12,2006	31,12,2005
Average number of employees during the reporting year	958	879

10. Intangible non-current assets

	Manufacturing		Other intangible assets		TOTAL	
	LVL	EUR	LVL	EUR	LVL	EUR
Acquisition value as at 31/12/2004	1 897 074	2 699 293	321 228	457 066	2 218 302	3 156 359
Additions	304 014	432 573	95 624	136 061	399 638	568 634
2005 Reclassification	-	-	-	-	-	-
Write-offs of values	-	-	(112 251)	(159 719)	(112 251)	(159 719)
Acquisition value as at 31/12/2005	2 201 088	3 131 866	304 601	433 408	2 505 689	3 565 274
2006 Additions	-	-	116 242	165 397	116 242	165 397
Liquidation	-	-	(46 130)	(65 637)	(46 130)	(65 637)
Acquisition value as at 31/12/2006	2 201 088	3 131 866	374 713	533 169	2 575 801	3 665 035
Accumulated amortisation as at 31/12/2004	316 157	449 851	209 092	297 511	525 249	747 362
Amortisation	387 846	551 855	53 557	76 205	441 403	628 060
2005 Reclassification	-	-	-	-	-	-
Liquidation	-	-	(112 253)	(159 722)	(112 253)	(159 722)
Accumulated depreciation as at 31/12/2005	704 003	1 001 706	150 396	213 994	854 399	1 215 700
2006 Amortisation	440 217	626 372	66 990	95 318	507 207	721 691
Write-offs of values	-	-	(46 130)	(65 637)	(46 130)	(65 637)
Accumulated depreciation as at 31/12/2006	1 144 220	1 628 078	171 256	243 675	1 315 476	1 871 754
Remaining value 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 31/12/2006	1 056 868	1 503 788	203 457	289 493	1 260 325	1 793 281

Manufacturing technologies comprise chemical and pharmaceutical products technologies acquired by the Company.

Prepayments for intangible assets amounting to LVL 2 356 660 as at 31 December 2006 (2005: LVL 52 061) are attributable to fees prepaid for medicine registration abroad and purchase of patents for new products.

11. Tangible non-current assets LVL

	Land	Equipment			Construction in progress	TOTAL
		Buildings and constructions	and machinery	Other tangible assets		
Acquisition value as at 31/12/2004	55 928	8 623 815	7 959 393	240 558	193 124	17 072 818
Additions	-	556 195	778 280	125 787	53 902	1 514 164
2005 Liquidation and sale	-	(38 013)	(113 338)	(1 676)	-	(153 027)
Reclassification*	-	107 138	(105 244)	(1 894)	-	-
Reduction of value**	-	-	17 103	-	-	17 103
Acquisition value as at 31/12/2005	55 928	9 249 135	8 536 194	362 775	247 026	18 451 058
Additions	-	541 536	1 671 614	36 946	392 930	2 643 026
2006 Liquidation and sale	-	(663 207)	(104 700)	(3 076)	-	(770 983)
Reclassification*	-	-	(144)	144	-	-
Acquisition value as at 31/12/2006	55 928	9 127 464	10 102 964	396 789	639 956	20 323 101
Accumulated depreciation as at 31/12/2004	-	5 719 712	3 669 992	140 346	-	9 530 050
Depreciation	-	277 797	1 007 742	34 357	-	1 319 896
2005 Depreciation of disposals	-	(30 942)	(65 771)	(943)	-	(97 656)
Reclassification*	-	1 662	(1 637)	(25)	-	-
Accumulated depreciation as at 31/12/2005	-	5 968 229	4 610 326	173 735	-	10 752 290
2006 Depreciation	-	275 811	1 117 615	48 159	-	1 441 585
Depreciation of disposals	-	(536 783)	(67 682)	(3 001)	-	(607 466)
Accumulated depreciation as at 31/12/2006	-	5 707 257	5 660 259	218 893	-	11 586 409
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 31/12/2006	55 928	3 420 207	4 442 705	177 896	639 956	8 736 692

Prepayments for non-current tangible assets on December 31st, 2006, have amounted to 585 581 lats (on December 31st, 2005, amounted to 7 562).

As at 31 December 2006, 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. In addition, major shareholders guaranteed repayment of the loan by their shares in the Company, and the president pledged all his shares in SIA Olmafarm.

EUR

	Land	Buildings and constructions	Equipment and machinery	Other tangible assets	Construction in progress	TOTAL
Acquisition value as at 31/12/2004	79 578	12 270 583	11 325 196	342 283	274 791	24 292 431
2005 Additions	-	791 394	1 107 393	178 979	76 696	2 154 461
Liquidation and sales	-	(54 088)	(161 265)	(2 385)	-	(217 738)
Reclassification*	-	152 444	(149 749)	(2 695)	-	0
Reduction of value**	-	-	24 335	-	-	24 335
Acquisition value as at 31/12/2005	79 578	13 160 333	12 145 910	516 182	351 486	26 253 490
2006 Additions	-	770 536	2 378 492	52 569	559 089	3 760 686
Liquidation and sales	-	(943 659)	(148 975)	(4 377)	-	(1 097 010)
Reclassification*	-	-	(205)	205	-	-
Acquisition value as at 31/12/2006	79 578	12 987 211	14 375 222	564 579	910 575	28 917 166
Accumulated depreciation as at 31/12/2004	-	8 138 417	5 221 928	199 694	-	13 560 039
2005 Depreciation	-	395 270	1 433 888	48 886	-	1 878 043
Depreciation of disposals	-	(44 026)	(93 584)	(1 342)	-	(138 952)
Reclassification*	-	2 365	(2 329)	(36)	-	0
Accumulated depreciation as at 31/12/2005	-	8 492 025	6 559 903	247 202	-	15 299 130
2006 Depreciation	-	392 444	1 590 223	68 524	-	2 051 191
Depreciation of disposals	-	(763 773)	(96 303)	(4 270)	-	(864 346)
Accumulated depreciation as at 31/12/2006	-	8 120 695	8 053 823	311 456	-	16 485 975
Net carrying amount as at 31/12/2005	79 578	4 668 309	5 586 007	268 980	351 486	10 954 360
Net carrying amount as at 31/12/2006	79 578	4 866 516	6 321 400	253 123	910 575	12 431 193

12. Investments in related companies

Company	Line of business	%	2006		2005	
			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:			-	-	-	-

13. Inventories

	2006		2005	
	LVL	EUR	LVL	EUR
Raw materials	1 044 103	1 485 625	870 395	1 238 461
Work in progress	2 080 610	2 960 441	1 596 920	2 272 212
Finished goods and goods for resale*	1 509 787	2 148 232	1 174 447	1 671 088
Goods in transit	-	-	27 574	39 234
Prepayments for goods	176 766	251 515	109 919	156 401
TOTAL:	4 811 266	6 845 814	3 779 255	5 377 395
Provisions for raw materials	(73 749)	(104 936)	(130 719)	(185 996)
Provisions for work in progress	(88 071)	(125 314)	(88 071)	(125 314)
Provisions for finished goods and goods for resale	(88 519)	(125 951)	(62 112)	(88 377)
TOTAL:	(250 339)	(356 200)	(280 902)	(399 688)
TOTAL:	4 560 926	6 489 614	3 498 353	4 977 707

14. Trade receivables

	2006		2005	
	LVL	EUR	LVL	EUR
Trade receivables	4 414 196	6 280 835	3 162 234	4 499 454
Provisions for doubtful trade receivables	(45 224)	(64 348)	(39 259)	(55 861)
TOTAL:	4 368 972	6 216 487	3 122 975	4 443 594

15. Receivables from related companies

Company	2006		2005	
	LVL	EUR	LVL	EUR
SIA "Olmafarm"	2 219 300	3 157 779	549 290	781 569
OOO Baltfarm	764 725	EUR 764 725	674 861	960 241
Stimfarm Ltd.	48 302	USD 36 838	28 643	40 755
SIA Aroma	9 000	12 806	9 000	12 806
Provisions for doubtful receivables	(28 643)	(40 755)	(28 643)	(40 755)
TOTAL:	2 762 999	3 931 393	1 233 151	1 754 616

16. Other receivables

	2006		2005	
	LVL	EUR	LVL	EUR
Receivables from the sale of technologies and equipment	-	-	1 825 786	2 597 859
Provisions for the sale of technologies and equipment	-	-	(732 458)	(1 042 194)
VAT receivable	76 054	108 215	81 883	116 509
Overpayment of corporate income tax	17 619	25 070	77 846	110 765
Representation office expense	27 673	39 375	7 925	11 276
Deferred VAT	-	-	6 502	9 252
Overpayment of real estate tax	11	16	4 754	6 764
Advances to suppliers	11 392	16 209	-	-
Other receivables	5 673	8 072	13 282	18 899
Provisions for advances to employees and other receivables	(3 639)	(5 178)	(3 639)	(5 178)
TOTAL:	134 783	191 779	1 281 881	1 823 952

17. Prepaid expense

	2006		2005	
	LVL	EUR	LVL	EUR
Insurance payments	48 216	68 605	32 559	46 327
Participation fee of the Riga Stock Exchange	-	-	2 500	3 557
Subscription to the media	656	934	877	1 248
Privatization agency	887	1 262	-	-
Other prepaid expense	892	1 269	721	1 026
TOTAL:	50 651	72 070	36 657	52 158

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

Cash by currency profile:	31/12/2006		31/12/2005	
	Foreign currency	LVL	Foreign currency	LVL
LVL	-	12 322	-	13 557
EUR	81 029	56 947	90 508	63 610
USD	501	268	78	46
TOTAL:		69 537		77 213

19. Share capital

The share capital of the Company is LVL 13 209 055 and consists of 13 209 055 shares. The par value of each share is LVL 1. The shares are divided by classes follows: 10 214 155 shares are ordinary registered dematerialised voting shares, and 2 994 900 shares are ordinary publicly traded dematerialised voting shares to bearer.

20. Loans from credit institutions

Non-current:		Amount	Effective interest rate (%)	Maturity	2006 LVL	2006 EUR	2005 LVL	2005 EUR
Loan from a/s "SEB Unibanka" (1)	6 950 000	EUR	EUR LIBOR (3 mēn.)+1,95%	08.12.2011.	3 198 888	4 551 607	3 745 945	5 330 000
Loan from a/s "SEB Unibanka" (5)	4 000 000	EUR	EUR LIBOR (3 mēn.)+1,95%	23.05.2013.	2 069 838	2 945 114	-	-
TOTAL:					5 268 726	7 496 722	3 745 945	5 330 000

Current:		Amount	Effective interest rate (%)	Maturity	2006 LVL	2006 EUR	2005 LVL	2005 EUR
Loan from a/s "SEB Unibanka" (1)	6 950 000	EUR	EUR LIBOR (3 mēn.)+1,95%	08.12.2007.	540 657	769 286	463 851	660 001
Credit line from a/s "SEB Unibanka" (2)	200 000	LVL	LVL Unibor (3 mēn.)+1,95%	05.12.2007.	192 345	273 682	150 228	213 755
Credit line from a/s "SEB Unibanka" (3)	200 000	EUR	EUR LIBOR (3 mēn.)+1,95%	05.12.2007.	-	-	13 688	19 476
Credit line from a/s "SEB Unibanka" (4)	500 000	USD	USD LIBOR (3 mēn.)+1,95%	05.12.2007.	268 000	381 330	223 104	317 448
Loan from a/s "SEB Unibanka" (5)	4 000 000	EUR	EUR LIBOR (3 mēn.)+1,95%	23.05.2007.	237 568	338 028	-	-
Accumulated interest expenses					-	-	3 514	5 000
TOTAL:					1 238 569	1 762 325	854 385	1 215 680

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. Until the moment of signing this annual report, the Company has complied with the above terms. Therefore, there is no doubt as to the extension of the loan maturity.

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. On 23 March 2006, the amendments to the loan agreement were signed whereby the fixed interest rate was reduced to 1.95% per annum. 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 per cent. As at the end of the reporting year, the Company complied with these requirements.

In 2003, the Company concluded several credit line agreements with a/s SEB Unibanka with the maturity fixed on 5 December 2005. In the reporting year, 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) and on November 30th, 2006, extended again to December 5th, 2007.

As at 31 December 2006, all the non-current and current assets owned by the Company were pledged as a security for the loan and credit lines received.. The pledge agreements were registered with the Commercial Pledge Register on 16 December 2003 and renewed on 29 June 2004 and 15 December 2005. In addition, major shareholders guaranteed repayment of the loan by their shares in the Company, and the chairman of the Board pledged all his shares in SIA Olmafarm.

21. Other loans

	31.12.2006		31.12.2006		31.12.2005		31.12.2005	
	LVL		EUR		LVL		EUR	
	Current	Non-current	Current	Non-current	Current	Non-current	Current	Non-current
Finance lease liabilities to SIA Hanza Līzings, Ls	-	-	-	-	-	10 316	-	14 678
Finance lease liabilities to SIA Hanza Līzings, EUR	22 286	14 783	31 710	21 035	37 069	14 022	52 744	19 952
Finance lease liabilities to SIA Unilīzings, LVL	3 719	1 750	5 292	2 490	-	-	-	-
Finance lease liabilities to SIA Unilīzings, EUR	354 615	173 272	504 572	246 544	368 296	137 562	524 038	195 733
TOTAL:	380 620	189 806	541 573	270 070	405 365	161 900	576 782	230 363

The interest rate on the finance leases ranges from 5.45 % to 6.97 %. The finance lease liabilities are repayable till September 2011. The net carrying amount of the tangible non-current assets held under finance lease is disclosed in Note 11.

22. Prepayments received from customers

For the most part, prepayments received from customers which as at 31 December 2006 amounted to LVL 265 843 (2005: LVL 246 203) represent advances received from third parties under the factoring agreements.

23. Taxes payable

	31.12.2006	Calculated	Paid/ refunded	Transfer of overpaid	31.12.2005.
Personal income tax	(625 949)	(1 112 259)	1 188 044	-	(701 734)
Statutory social insurance contributions	(524 395)	(1 519 804)	652 068	906 973	(563 632)
Real estate tax	(87 152)	(59 080)	65 819	-	(93 891)
Natural resource tax	(4 250)	(15 154)	14 305	28	(3 429)
Corporate income tax	17 619	(48 006)	48 006	(60 227)	77 846
Value added tax	62 618	887 753	(43)	(906 973)	81 883
TOTAL:	(1 161 509)				(1 202 957)
Total liabilities**:	(1 241 757)				(1 362 686)
Total assets:	80 248				159 729

** According to Cabinet Order No. 127 of 25 February 2005, the Company was granted extension of the payment term of delayed statutory social insurance contributions, personal income tax and real estate tax (accrued till 1 November 2003), without late payment penalties being charged as defined in the Law on Taxes and Duties and applicable tax laws. Tax liabilities by maturity profile as at 31 December 2006 can be specified as follows:

	31.12.2006		31.12.2006		31.12.2005		31.12.2005	
	LVL		EUR		LVL		EUR	
	Current	Non-current	Current	Non-current	Current	Non-current	Current	Non-current
Personal income tax	(417 304)	(208 645)	(593 770)	(296 876)	(521 630)	(180 104)	(742 213)	(256 265)
Statutory social insurance contributions	(311 349)	(213 046)	(443 010)	(303 136)	(389 186)	(174 446)	(553 762)	(248 214)
Real estate tax	(61 307)	(25 856)	(87 233)	(36 790)	(76 634)	(17 256)	(109 040)	(24 553)
VAT	-	(96)	-	(136)	-	-	-	-
Natural resource tax	-	(4 154)	-	(5 911)	-	(3 430)	-	(4 880)
TOTAL:	(789 961)	(451 796)	(1 124 013)	(642 848)	(987 450)	(375 236)	(1 405 015)	(533 913)

24. Accrued liabilities

	2006		2005	
	LVL	EUR	LVL	EUR
Provisions for penalties related to taxes	100 387	142 838	120 970	172 125
Vacation pay reserve	354 552	504 482	248 376	353 407
Provisions for audit services	-	-	10 000	14 229
TOTAL:	454 939	647 320	379 346	539 761

25. Other liabilities

	2006		2005	
	LVL	EUR	LVL	EUR
Wages and salaries	348 054	495 236	255 829	364 012
Other liabilities	42 471	60 431	11 522	16 394
TOTAL:	390 525	555 667	267 351	380 406

26. Off-balance sheet liabilities

In 2005, the Company concluded several agreements with SIA Unilizings on operating lease of vehicles. Future minimum lease commitments can be presented as follows:

	2006		2005	
	LVL	EUR	LVL	EUR
Payable within 1 year	4 951	7 044	10 608	15 094
Payable within 1-5 years	9 902	14 089	14 852	21 132
KOPA:	14 853	21 133	25 460	36 226

On November 3rd, 2006, Civilcases chamber of the Highest Court of Republic of Latvia has reviewed appeal of I.Maligina concerning decision made by Riga Regional court on March 24th, 2005, by which I.Maligina's claim against JSC „Olainfarm” concerning recovery of debt in amount of Ls 99'820,18. By decision of Civilcases chamber of the Highest Court of Republic of Latvia I.Maligina's claim has been satisfied in the full amount. JSC „Olainfarm” has filed a cassation claim concerning decision of Civilcases chamber of the Highest Court of Republic of Latvia. By decision of action meeting of the Senated of the Highest Court as of January 26th, 2007, cassation claim has been accepted and submitted for review by Senate meeting in order of cassation, but execution of decision has been suspended. Due to the fact decision of thesecond instance has taken force on the moment of declaration and claimant has initiated execution actions already at November 16th, 2006, but Senate's action meeting has taken place only in the end of January 2007, JSC „Olainfarm” has been forced to fulfill the decision. JSC „Olainfarm” has fulfilled the

decision of the court in full amount already in the beginning of year 2007, which is confirmed by calculation No.18-797-2006/07 of the sworn enforcement officer.

27. Related party disclosures

Related party	Type of services		Receivables from related parties, LVL	Receivables from related parties, EUR	Payments to related persons, LVL	Payments to related persons, EUR	Debts of related persons, LVL	Debts of related persons, EUR	Debts to related persons, LVL	Debts to related persons, EUR
SIA Olmafarm	Loan and sale of finished goods	2005	584 557	831 750	-	-	549 290	781 569	-	-
		2006	49 322	70 179	1 719 331	2 446 388	2 219 299	3 157 778	-	-
SIA Baltfarm	Sale of finished goods and chemistry	2005	925 871	1 317 396	461 124	656 120	674 861	960 241	-	-
		2006	1 180 922	1 680 301	1 043 513	1 484 785	537 452	764 725	-	-
Stimfarm Ltd.	Sale of finished goods and chemistry	2005	-	-	3 719	5 292	28 643	40 755	-	-
		2006	2 753	3 917	-	-	25 890	36 838	-	-
A/O "Aroma-Peterburg"	Sale of finished goods and chemistry	2005	1 478	2 103	-	-	-	-	-	-
		2006	-	-	-	-	-	-	-	-
V. Maligins	Loan	2005	99 941	142 203	105 693	150 388	348 217	495 468	-	-
		2006	76 551	108 922	137 681	195 902	409 347	582 448	-	-
KOPA:		2005	1 611 847	2 293 452	570 536	811 800	1 601 011	2 278 033	-	-
KOPĀ:		2006	1 309 548	1 863 319	2 900 525	4 127 075	3 191 988	4 541 790	-	-

28. Fluctuation of share price of JSC „Olainfarm” at Riga stock exchange from January 1st, 2006, to December 31st, comparing to OMX Riga index

