JOINT STOCK COMPANY OLAINFARM

(UNIFIED REGISTRATION NUMBER 40003007246)

NON-AUDITED FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 30 JUNE 2008

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

Olaine, 2008

CONTENTS

General information

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

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

	Aleksandrs Raicis (appointed on 20/07/2007) Positions held in other companies: Latvian Association of Medical Wholesalers Participation in other companies: SIA VIP Pharma (50%), SIA Recesus (30%) Guntis Belēvičs (resigned on 13/04/2007) Positions held in other companies: SIA Blakenfeldes muiža - Board Member, SIA Divezeri - Board Member, SIA Centrālā laboratorija - Board Member, SIA Baltic Pharma Service - Board Member, SIA Juglas medicīnas centrs - Board Member, SIA Genera - Council Member, SIA Belēviču nekustāmie īpašumi - Board Member, SIA Aptieku serviss - Board Member, SIA Uniaptieka - Liquidator, SIA Dolli 91 - Liquidator, Zemitāni farm in the Irši district - owner, SIA Saules aptieka - Board Member Participation in other companies: Zemitāni farm in the Irši district - owner, SIA Blakenfeldes muiža (100%), SIA Divezeri (100%), SIA Genera (0.75%), SIA Maltas aptieka, SIA Aptieku serviss (50%), SIA Belēviču nekustāmie īpašumi (20%), SIA Centrālā laboratorija (51.74%), SIA AA Active (25%), SIA Baltic Pharma Service (40%) University of Agriculture Hunting Club, Society Grindeļa brālība, Society Friends of Latvians in Brasil (SO Brazīlijas Latviešu draugu biedrība), Koknesei, Open public foundation LTVF, Riga Hansa Rotary Club Tatjana Lukina (resigned on 20/07/2007) Positions held in other companies: Association of Medicine Traders (SO Zāļu ražotāju asociācija) - Chairperson of the Board, The People's Harmony Party - Board Member Participation in other companies: none
Movements in the Board during the period 1 January 2008 through 30 June 2008	None
Movements in the Council during the period 1 January 2008 through 30 June 2008	Ivars Kalviņš, resigned on 24/01/2008

Subsidiary	OOO Baltfarm Cheremushkinskaya 13/17 Moscow, Russia (100%)	
Core business activity	Manufacturing and distribution of chemical and pharmaceutical products	
Financial period	1 January – 30 June 2008	
Auditors	Diāna Krišjāne Latvian Sworn Auditor Certificate No. 124	SIA Ernst & Young Baltic Muitas iela 1, Riga Latvia, LV – 1010 Licence No. 17

Report on the Management Board's responsibility
To non-audited JSC „Olainfarm" statement for the period ended 30 June 2008

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

Interim financial statements are prepared based on justifying documents and represent true and clear overview on the Company's Assets and Equity and Liabilities, its financial standing and results of activity as wells as cash flow within the reporting period ended on June 30, 2008.

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

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

Chairman of the Management board

Valērijs Maligins

AKCIJU SABIEDRĪBA «OLAINFARM»
Olainfarm
LATVIJAS REPUBLIKA

MANAGEMENT REPORT

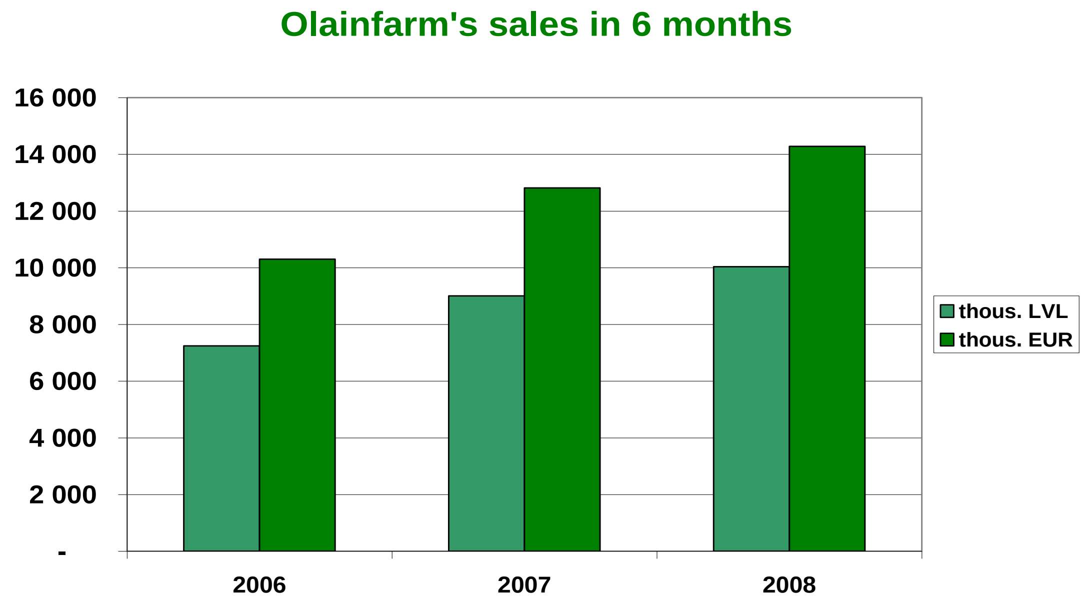
General information

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

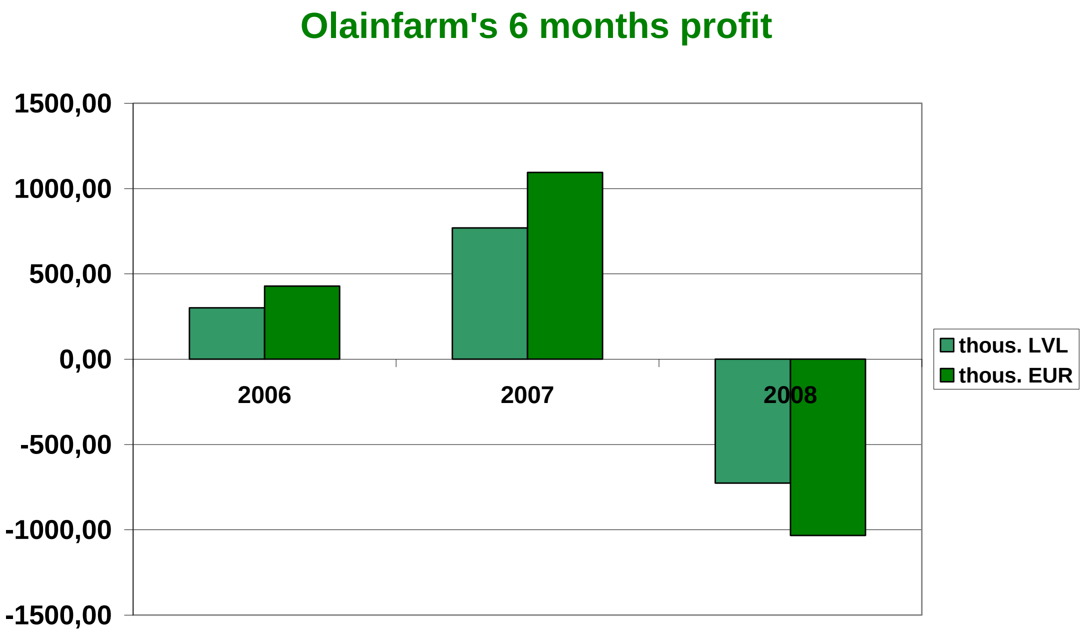
Financial performance

Net sales of OJSC Olainfarm in six months of 2008 reached 10 034 058 lats (14 277 178 Euro), i.e., an increase of more than 11% compared to the first half of 2007. Taking into consideration that there were several deals extraordinary by their nature concluded during the first half of 2007 (e.g. supply of an anti-tuberculosis medicine PASA Sodium salt to the national reserves of Kazakhstan), the actual increase of ongoing sales is 27,8%, which shall be regarded as rather good sales increase. Since most of those extraordinary transactions of 2007 were concluded during the first six months of that period we expect that the speed of sales increase during the second half of 2008 will be even higher.

Marketing costs have continued to increase during the 2nd quarter of 2008 and therefore throughout the first half of this year. Compared to the first half of 2007 they have nearly doubled to 2.03 million lats (2.89 million Euros), which is one of the main loss making items. It has resulted in Olainfarm making a net loss of 726 450 lats (1 033 645 Euro) during the first six months, which is by nearly 1.5 million lats (2.1 million Euro) worse figure than that of first half of 2007 when the company worked with the net profit of 768 656 lats (1 093 699 Euro). Similar to the figures of the first quarter, the semi-annual figures have worsened too compared to 2007. Such figures derive from the well considered decision taken by the management of Olainfarm to significantly strengthen marketing and sales promotion effort in Russia, Ukraine and Belarus. The increase of overall sales and the increase of sales of promotable products in particular in the markets where the additional marketing effort is taken is a very positive one. Overall sales in Belarus have increased by 25%, in Russia by 30% and in Ukraine by 70% compared to the first half of 2007. Sales of some promotable products are up even by 67%. Latvia, Great Britain and Kazakhstan are the only markets where the sales volume of the previous year were not achieved, but that is related not to the failures in 2008 but to some successful deals of 2007 mentioned above and to discontinuation of production of some less profitable products as a part of product optimisation effort. Decrease of sales volumes in these markets prevented the company from demonstrating even more impressive sales overall sales increase.



Although the company is still loss making, the sales increase trend in the respective markets is a positive one and although sales increase is yet too small to allow profit, it is considerable enough to cover for marketing cost increases, therefore the management of Olainfarm maintains its profit forecast for 2008 of 325 000 lats (462 433 Euro).



The above mentioned decisions of the management and the related cost and sales developments have also influenced EBIT and EBITDA levels. During the first six months of 2008 the EBIT was -337 419 lats (-480 104 Euro), while during the similar period of 2007 it was positive, namely 1 051 958 lats (1 496 801 Euro). EBITDA has also decreased in 6 months of 2008 by 55% to 954 577 lats (1 358 240 Euro).

Main financial indicators	30.06.2008.	30.06.2007.	% to the previous period
Net sales (LVL)	10 034 058	9 006 811	111%
Net profit (LVL)	-726 450	768 656	NA
EBITDA (LVL)	954 577	2 121 738	45%
EBIT (LVL)	-337 419	1 051 958	NA
Net sales (EUR)	14277178	12815537	111%
Net profit (EUR)	-1 033 645	1 093 698	NA
EBITDA (EUR)	1 358 240	3 018 961	45%
EBIT (EUR)	-480 104	1 496 801	NA
EBITDA margin, %	10%	24%	
Net margin, %	-10%	12%	
EBIT margin, %	-3%	12%	
ROA, % (semi-annual)	-2,52%	2,72%	
ROE, % (semi-annual)	-4,70%	4,58%	
EPS, LVL (semi-annual)	-0,05	0,05	NA
EPS, EUR (semi-annual)	-0,07	0,08	NA

Rebased price of Olainfarm's shares on Riga Stock Exchange compared to rebased OMX Riga Index (6 months of 2008)

-- OMR Riga
-- Olainfarm

The above chart shows that the stock market has reacted to the worsening of Olainfarm's figures and price of Olainfarm's share has dropped by nearly 50% compared to the drop of approximately 13% of OMX Riga index. While appreciating that it has been loss made by the company that has to a large degree caused such drop, the management of the company expects that as the financial indicators of Olainfarm will stabilize in the very near future, the share price will increase respectively.

Taking into account the solutions found by the Company for facilitating the sales of its products and for reasons of optimisation of distribution channels on June 4, 2008 the agreement was signed about selling the shares of OOO "Baltfarm" previously owned by Olainfarm. Since the cooperation with this company was reduced and discontinued the sales to other wholesalers (Apteka Holding ZAO, Katren ZAO NPK, OOO Moron) have increased significantly and cooperation with new wholesalers (Rosta ZAO) has been launched. The said activities not only left a positive impact on overall sales to Russia, but also allowed to widen the distribution network, thus covering the larger territory of Russia. The marketing services previously provided by OOO Baltfarm are now transferred to "Trade Technologies Limited", a company with many years of experience in promotion of pharmaceutical products and the expertise of this company is confirmed by successful introduction of many products into Russian and Ukrainian markets. As it has been mentioned before, the cooperation with this company is already providing positive results, therefore management of Olainfarm shares the opinion that selling of shares in OOO Baltfarm will leave a positive impact on performance and development of Olainfarm.

Future development plans

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

Events after the end of the reporting period

On July 25, 2008 the agreement was signed whereby Olainfarm purchased the shares in company Reinolds, SIA. The said company owns several patents related to the new products of Olainfarm, which are very soon expected on the market. With signing of the said agreement Olainfarm implicitly obtains the rights on these patents and on application of technologies and chemical combinations provided therein.

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

Chairman of the Management board

Valērijs Maligins

29 August 2008

Income statement

	Notes	30.06.2008. LVL	30.06.2008. EUR	30.06.2007. LVL	30.06.2007. EUR
Net turnover	3	10 034 058	14 277 178	9 006 811	12 815 538
Changes in stock of finished goods and work in progress		564 068	802 596	1 674 749	2 382 953
Other operating income	4	248 400	353 441	253 176	360 237
Cost of materials:					
Raw materials and consumables		(1 592 243)	(2 265 558)	(1 946 167)	(2 769 146)
Other external costs		(1 027 154)	(1 461 508)	(967 422)	(1 376 517)
		(2 619 397)	(3 727 066)	(2 913 589)	(4 145 664)
Staff costs:					
Wages and salaries		(3 540 287)	(5 037 375)	(3 067 406)	(4 364 526)
Statutory social insurance contributions		(782 905)	(1 113 973)	(675 603)	(961 296)
	8	(4 323 192)	(6 151 348)	(3 743 009)	(5 325 822)
Depreciation/ amortisation and write-offs:					
Depreciation and amortisation expense	9. 10.	(1 258 347)	(1 790 466)	(1 069 780)	(1 522 160)
		(1 258 347)	(1 790 466)	(1 069 780)	(1 522 160)
Other operating expense	5	(3 010 221)	(4 283 159)	(2 156 400)	(3 068 281)
Interest receivable and similar income	6	23 688	33 705	11 272	16 039
Interest payable and similar expense	7	(345 763)	(491 976)	(280 570)	(399 215)
Profit before taxes		**(686 706)**	**(977 095)**	**782 661**	**1 113 626**
Corporate income tax		(39 744)	(56 551)	(14 005)	(19 927)
Net profit for the year		**(726 450)**	**(1 033 646)**	**768 656**	**1 093 699**

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

For the Board:

Valērijs Maligins
Chairman of the Board
(President)

29 August 2008

Balance sheet

ASSETS

NON-CURRENT ASSETS	Notes	30.06.2008. LVL	30.06.2008. EUR	30.06.2007. LVL	30.06.2007. EUR
Intangible assets					
Other intangible assets	9	3 343 701	4 757 658	976 537	1 389 487
Prepayments for intangible assets	9	268 791	382 455	3 442 513	4 898 255
TOTAL		**3 612 492**	**5 140 113**	**4 419 050**	**6 287 742**
Tangible assets					
Land, buildings and constructions	10	5 250 590	7 470 917	3 353 740	4 771 942
Equipment and machinery	10	4 508 854	6 415 521	4 333 875	6 166 549
Other fixtures and fittings, tools and equipment	10	283 380	403 213	263 890	375 482
Construction in progress	10	1 565 707	2 227 800	1 722 689	2 451 166
Prepayments for tangible assets		388 185	552 337	654 482	931 244
TOTAL		**11 996 716**	**17 069 789**	**10 328 676**	**14 696 382**
Financial assets					
Prepayments for investments	12	540 950	769 703	-	-
Other securities and investments		386	549	386	549
TOTAL		**541 336**	**770 252**	**386**	**549**
TOTAL NON-CURRENT ASSETS		**16 150 544**	**22 980 154**	**14 748 112**	**20 984 673**
CURRENT ASSETS					
Inventories					
Raw materials		1 219 824	1 735 653	1 096 661	1 560 408
Work in progress		3 172 155	4 513 570	2 438 798	3 470 097
Finished goods and goods for resale		2 729 262	3 883 390	2 508 997	3 569 981
Prepayments for goods		78 576	111 804	102 597	145 982
TOTAL	13	**7 199 817**	**10 244 418**	**6 147 053**	**8 746 468**
Receivables					
Trade receivables	14	4 588 105	6 528 285	4 362 726	6 207 600
Receivables from related companies	15	87 227	124 113	587 684	836 199
Other receivables	16	429 904	611 699	160 879	228 910
Corporate income tax		10 067	14 324	36 950	52 575
Current loans to management and employees	17	263 071	374 316	97 966	139 393
Prepaid expense	18	24 945	35 494	8 064	11 474
TOTAL		**5 403 319**	**7 688 230**	**5 254 269**	**7 476 151**
Cash	19	**81 068**	**115 349**	**2 061 155**	**2 932 759**
TOTAL CURRENT ASSETS		**12 684 204**	**18 047 997**	**13 462 477**	**19 155 379**
TOTAL ASSETS		**28 834 748**	**41 028 150**	**28 210 589**	**40 140 052**

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

For the Board:

29 August 2008

Valērijs Maligins
Chairman of the Board
(President)

EQUITY AND LIABILITIES

EQUITY	Notes	30.06.2008. LVL	30.06.2008. EUR	30.06.2007. LVL	30.06.2007. EUR
Share capital	20	14 085 078	20 041 260	14 085 078	20 041 260
Share premium		1 759 708	2 503 839	1 759 708	2 503 839
Retained earnings/ (accumulated deficit):					
brought forward		341 724	486 229	171 374	243 843
for the period		(726 450)	(1 033 646)	768 656	1 093 699
TOTAL EQUITY		**15 460 060**	**21 997 683**	**16 784 816**	**23 882 642**
LIABILITIES					
Non-current liabilities					
Deferred income tax liability		309 800	440 806	252 932	359 890
Loans from credit institutions	21	5 783 162	8 228 698	5 383 424	7 659 922
Other loans	22	276 932	394 039	342 995	488 038
Taxes payable	23	493 726	702 509	691 216	983 512
TOTAL		**6 863 620**	**9 766 051**	**6 670 567**	**9 491 362**
Current liabilities					
Loans from credit institutions	21	2 997 182	4 264 606	1 158 008	1 647 697
Other loans	22	205 686	292 665	207 946	295 881
Prepayments received from customers		214 445	305 128	93 421	132 926
Trade payables	25	1 839 520	2 617 402	2 087 481	2 970 218
Payables to related companies	27	140 116	199 367	315 189	448 474
Taxes payable	23	544 852	775 255	503 985	717 106
Accrued liabilities	24	569 267	809 994	389 176	553 748
TOTAL		6 511 068	9 264 417	4 755 206	6 766 049
TOTAL LIABILITIES		13 374 688	19 030 468	11 425 773	16 257 410
TOTAL EQUITY AND LIABILITIES		**28 834 748**	**41 028 151**	**28 210 589**	**40 140 052**

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

Off-balance sheet liabilities: see Note 26.

For the Board:

Valērijs Maligins
Valdes priekšsēdētājs
(prezidents)

AKCIJU SABIEDRĪBA «OLAINFARM» Olainfarm LATVIJAS REPUBLIKA

29 August 2008

Cash flow statement

	30.06.2008. LVL	30.06.2008. EUR	30.06.2007. LVL	30.06.2007. EUR
Cash flows to/ from operating activities				
Profit before taxes	(686 706)	(977 095)	782 661	1 113 626
Adjustments for:				
Amortisation and depreciation	1 260 831	1 794 001	1 071 810	1 525 048
Disposal of tangible non-current assets and investments	17 126	24 368	73 842	105 068
Increase/(decrease) in provisions	(7 112)	(10 119)	(50 069)	(71 242)
Increase in vacation reserve	-	-	(55 791)	(79 383)
Impairment of tangible non-curent assets	-	-	-	-
Interest expenses	287 957	409 726	251 169	357 381
Interest income	(3 073)	(4 372)	(3 072)	(4 371)
Unrealised (gain)/loss from fluctuations of currency exchange rate	8 200	11 668	21 201	30 166
Operating cash flows before working capital changes	**877 223**	**1 248 176**	**2 091 751**	**2 976 294**
(Increase) in inventories	(755 523)	(1 075 012)	(1 656 161)	(2 356 505)
(Increase)/ decrease in receivables and prepaid expense	484 031	688 714	2 677 513	3 809 758
(Decrease)/ increase in payables	(93 832)	(133 511)	(809 005)	(1 151 110)
Cash generated from operations	**511 899**	**728 367**	**2 304 098**	**3 278 436**
Interest paid	(287 957)	(409 726)	(269 298)	(383 177)
Corporate income tax paid	(122 399)	(174 158)	(14 005)	(19 927)
Real estate tax paid	(27 212)	(38 719)	(39 895)	(56 765)
Net cash flows to/ from operating activities	**74 331**	**105 763**	**1 980 900**	**2 818 567**
Cash flows to/ from investing activities				
Purchase of non-current assets	(1 731 195)	(2 463 269)	(2 763 689)	(3 932 375)
Proceeds from sale of non-current assets	1 780	2 533	-	-
Loans granted	(152 215)	(216 582)	(98 081)	(139 557)
Loans repaid	10 470	14 897	527 520	750 593
Net cash flows to/ from investing activities	**(1 871 160)**	**(2 662 421)**	**(2 334 250)**	**(3 321 339)**
Cash flows to/ from financing activities				
Increase of Share Capital	-		876 023	1 246 468
Proceeds from issue of shares	-	-	1 545 939	2 199 673
Proceeds from borrowings (neto)	813 132	1 156 983	(76 994)	(109 553)
Net cash flows to/ from financing activities	**813 132**	**1 156 983**	**2 344 968**	**3 336 589**
Change in cash	**(983 697)**	**(1 399 675)**	**1 991 618**	**2 833 817**
Cash at the beginning of the year	**1 064 765**	**1 515 024**	**69 537**	**98 942**
Cash at the end of the year	**81 068**	**115 350**	**2 061 155**	**2 932 759**

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

Statement of changes in equity

	Share capital	Share capital	Share premium	Share premium	Retained earnings/ (accumulated deficit)	Retained earnings/ (accumulated deficit)	Total equity	Total equity
	LVL	EUR	LVL	EUR	LVL	EUR	LVL	EUR
Balance as at 31 December 2006	**13 209 055**	**18 794 792**	**213 769**	**304 166**	**171 373**	**243 842**	**13 594 197**	**19 342 800**
Issue of share capital*	876 023	1 246 468	1 545 939	2 199 673	-	-	2 421 962	3 446 141
Profit for the reporting year	-	-	-	-	170 351	242 388	170 351	242 388
Balance as at 31 December 2007	**14 085 078**	**20 041 260**	**1 759 708**	**2 503 839**	**341 724**	**486 229**	**16 186 510**	**23 031 329**
Profit for the reporting year	-	-	-	-	(726 450)	(1 033 646)	(726 450)	(1 033 646)
Balance as at 30 June 2008	**14 085 078**	**20 041 260**	**1 759 708**	**2 503 839**	**(384 726)**	**(547 416)**	**15 460 060**	**21 997 683**

* See Note 20.

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

Notes to the financial statements

1. Corporate information

Joint stock company Olainfarm (hereinafter, the Company) was registered with the Republic of Latvia Enterprise Register on 10 June 1991 (re-registered on 27 March 1997) and with the Republic of Latvia Commercial Register on 4 August 2004. The Company is engaged in manufacturing and distribution of chemical and pharmaceutical products.
The shares of the Company are listed on Riga Stock Exchange, Latvia.
The financial statements were approved by the Board on 29 August 2008.

2. Summary of significant accounting policies

Basis of preparation

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

The financial statements are prepared on a historical cost basis.

The financial statements cover the period 1 January 2008 through 30 June 2008.

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

Changes in accounting policies

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

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

New interpretations adopted:

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

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

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

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

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

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

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

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

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

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

Changes in accounting policy and disclosures (cont'd)

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

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

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

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

IFRS 8 Operating Segments

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

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

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

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

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

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

IFRIC 13 Customer Loyalty Programmes

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

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

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

IFRS 2 Share-based payments – Vesting Conditions and Cancellations

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

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

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

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

Changes in accounting policy and disclosures (cont'd)

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

IAS 1 Revised Presentation of Financial Statements

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

Amendments to IAS 32 and IAS 1 Puttable Financial Instruments

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

Estimates and assumptions

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

Development costs

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

Impairment of non-financial assets

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

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

Foreign currency translation

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

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

Foreign currency translation (cont' d)

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

	30/06/2008	30/06/2007
EUR	0.702804	0.702804
USD	0.447	0.522

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

Research and development costs

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

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

Patents

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

Other intangible non-current assets

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

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

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

Impairment of non-financial assets

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

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

Property, plant and equipment

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

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

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

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

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

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

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

Investments and other financial assets

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

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

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

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

Inventories

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

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

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

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

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

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

Inventories (cont'd)

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

Trade and other receivables

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

Cash

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

Accruals and deferrals

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

Provisions

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

Loans and borrowings

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

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

Derecognition of financial assets and liabilities

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

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

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

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

Leases

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

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

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

Revenue

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

Sale of goods

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

Rendering of services

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

Interest

Revenue is recognised on an accrual basis.

Corporate income tax

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

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

Related parties

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

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

Contingencies

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

Subsequent events

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

3. Net turnover

	30.06.2008.		30.06.2007.	
By business segments	**LVL**	**EUR**	**LVL**	**EUR**
Finished form medicines	9 271 440	13 192 070	8 067 446	11 478 941
Chemicals	762 618	1 085 108	939 365	1 336 596
TOTAL:	**10 034 058**	**14 277 178**	**9 006 811**	**12 815 538**

	30.06.2008.		30.06.2007.	
By geographical segments	**LVL**	**EUR**	**LVL**	**EUR**
CIS	6 960 527	9 903 937	5 729 931	8 152 957
Latvia	1 563 397	2 224 513	1 881 742	2 677 478
Europe	1 021 991	1 454 162	1 067 232	1 518 534
Baltic states (Lithuania and Estonia)	336 795	479 217	195 406	278 038
Other	151 348	215 349	132 500	188 531
TOTAL:	**10 034 058**	**14 277 178**	**9 006 811**	**12 815 538**

4. Other operating income

	30.06.2008.		30.06.2007.	
	LVL	**EUR**	**LVL**	**EUR**
Treatment of waste water	85 369	121 470	73 319	104 324
Sale of current assets	35 716	50 819	43 624	62 071
Catering services	24 825	35 322	25 001	35 573
Sale of tangible assets	1 780	2 532	25 012	35 589
Lease of premises	24 673	35 107	9 976	14 195
Other operating income	76 037	108 191	76 244	108 485
TOTAL:	**248 400**	**353 441**	**253 176**	**360 237**

5. Other operating expense

	30.06.2008.		30.06.2007.	
	LVL	EUR	LVL	EUR
Marketing expense	2 030 233	2 888 761	1 056 475	1 503 228
Transportation expense	66 469	94 577	71 546	101 801
Sales commissions	62 127	88 399	10 442	14 858
Other distribution costs	25 589	36 410	43 913	62 483
Expert analysis of medicines	4 085	5 812	8 721	12 409
Total distribution costs:	*2 188 503*	3 113 959	*1 191 097*	1 694 778
Insurance	103 980	147 950	71 468	101 690
Business trips	72 766	103 537	66 180	94 166
Representation expense	61 156	87 017	24 890	35 415
Information and business consulting	59 794	85 079	2 497	3 553
Write-offs of current assets	47 517	67 611	112 755	160 436
Other operating expense	44 702	63 605	154 218	219 432
Car fleet maintenance	40 914	58 215	28 177	40 092
Communication expense	38 620	54 951	36 388	51 775
Flowers and gifts expense	31 376	44 644	9 596	13 654
Allowances to employees	29 841	42 460	15 713	22 358
Other taxes	27 212	38 719	39 895	56 765
Current repairs	26 821	38 163	35 524	50 546
Social infrastructure expense	26 061	37 081	24 605	35 010
Legal and audit fees	24 253	34 509	32 261	45 903
New product research costs	21 070	29 980	76 691	109 121
Medicine import and export permits	20 279	28 854	25 939	36 908
Write-offs and disposal of tangible assets	18 261	25 983	72 983	103 845
Donations	17 065	24 281	17 239	24 529
Bank charges	16 654	23 697	8 408	11 964
Audit of suppliers	-	-	34 450	49 018
Office expense	15 717	22 363	13 114	18 660
Security expense	15 610	22 211	13 466	19 160
Waste removal	12 250	17 430	5 368	7 638
Education expense	11 532	16 409	17 272	24 576
Membership fees	11 308	16 090	12 390	17 629
Hosting expense	10 882	15 484	633	901
Administrative office maintenance	6 443	9 168	4 306	6 127
Laboratory tests	3 842	5 467	2 915	4 148
Visas, invitation	2 472	3 517	3 582	5 097
Unemployment risk duty	1 648	2 345	1 540	2 191
Humanitarian aid	1 081	1 538	249	354
Land lease for eco-field	591	841	591	841
TOTAL:	**3 010 221**	**4 283 159**	**2 156 400**	**3 068 281**

6. Interest receivable and similar income

	30.06.2008.		30.06.2007.	
	LVL	EUR	LVL	EUR
Interest accrued on bank account balances	19 370	27 561	3 073	4 372
Interest income on loans	4 318	6 144	-	-
Currency exchange gain, net	-	-	8 199	11 666
TOTAL:	**23 688**	**33 705**	**11 272**	**16 039**

7. Interest payable and similar expense

	30.06.2008.		30.06.2007.	
	LVL	EUR	LVL	EUR
Loan interest payments	260 461	370 602	219 644	312 525
Currency exchange loss, net	14 694	20 908	-	-
Penalties paid	26 872	38 235	31 525	44 856
Currency exchange commission	43 736	62 231	29 401	41 834
TOTAL:	**345 763**	**491 976**	**280 570**	**399 215**

8. Staff costs and number of employees

	30.06.2008.		30.06.2007.	
	LVL	EUR	LVL	EUR
Wages and salaries	3 299 149	4 694 266	2 826 644	4 021 952
Vacation pay reserve	299 229	425 764	298 761	425 099
Statutory social insurance contributions	724 814	1 031 318	617 603	878 770
TOTAL:	**4 323 192**	**6 151 348**	**3 743 009**	**5 325 822**

Including remuneration to the management:

	30.06.2008.		30.06.2007.	
	LVL	EUR	LVL	EUR
Management of the Company				
Wages and salaries	250 045	355 782	243 213	346 061
Statutory social insurance contributions	59 678	84 914	31 943	45 451
Vacation pay reserve	37 439	53 271	57 770	82 199
Board Members				
Wages and salaries	173 492	246 857	184 017	261 833
Statutory social insurance contributions	22 581	32 130	63 231	89 970
Vacation pay reserve	37 401	53 217	20 767	29 549
Council Members				
Wages and salaries	74 755	106 366	80 463	114 489
Statutory social insurance contributions	14 393	20 479	14 421	20 519
TOTAL:	**669 784**	**953 016**	**695 825**	**990 070**

	30/06/2008	30/06/2007
Average number of employees during the reporting year	994	982

9. Intangible assets

		Production tehnologies* and patents**		Other intangible		Total	
		LVL	EUR	LVL	EUR	LVL	EUR
Acquisition value as at 31/12/2006		**2 201 088**	**3 131 866**	**374 713**	**533 169**	**2 575 801**	**3 665 035**
2007 I half	Addition	-	-	21 339	30 363	21 339	30 363
	Reclassification	-	-	426	606	426	606
	Write-off	(252 900)	(359 844)	(49 616)	(70 597)	(302 516)	(430 441)
Acquisition value as at 30/06/2007		**1 948 188**	**2 772 022**	**346 862**	**493 540**	**2 295 050**	**3 265 562**
Accumulated amortization as at 31/12/2006		**1 144 220**	**1 628 078**	**171 256**	**243 675**	**1 315 476**	**1 871 754**
2007 I half	Amortisation	210 403	299 376	34 337	48 857	244 740	348 234
	Write-off	(194 555)	(276 827)	(47 147)	(67 084)	(241 702)	(343 911)
Accumulated amortization as at 30/06/2007		**1 160 068**	**1 650 628**	**158 446**	**225 448**	**1 318 514**	**1 876 076**
Net carrying amount as at 31/12/2006		**1 056 868**	**1 503 788**	**203 457**	**289 493**	**1 260 325**	**1 793 281**
Net carrying amount as at 30/06/2007		**788 120**	**1 121 394**	**188 416**	**268 092**	**976 536**	**1 389 486**

		Production tehnologies*		Patents**		Other intangible		Total	
		LVL	EUR	LVL	EUR	LVL	EUR	LVL	EUR
Acquisition value as at 31/12/2007		**1 710 896**	**2 434 386**	**950 000**	**1 351 728**	**375 480**	**534 260**	**3 036 376**	**4 320 374**
2008 I half	Addition	-	-	1 900 000	2 703 456	36 425	51 828	1 936 425	2 755 285
	Reclassification	-	-	-	-	-	-	-	-
	Write-off	-	-	-	-	(27 950)	(39 769)	(27 950)	(39 769)
Acquisition value as at 30/06/2008		**1 710 896**	**2 434 386**	**2 850 000**	**4 055 185**	**383 955**	**546 319**	**4 944 851**	**7 035 889**
Accumulated amortization as at 31/12/2007		**1 170 439**	**1 665 385**	**-**	**-**	**185 150**	**263 445**	**1 355 589**	**1 928 829**
2008 I half	Addition	168 909	240 336	69 643	99 093	34 961	49 745	273 513	389 174
	Reclassification	-	-	-	-	-	-	-	-
	Write-off	-	-	-	-	(27 950)	(39 769)	(27 950)	(39 769)
Accumulated amortization as at 30/06/2008		**1 339 348**	**1 905 721**	**69 643**	**99 093**	**192 161**	**273 420**	**1 601 152**	**2 278 234**
Net carrying amount as at 31/12/2007		**540 457**	**769 001**	**950 000**	**1 351 728**	**190 330**	**270 815**	**1 680 787**	**2 391 545**
Net carrying amount as at 30/06/2008		**371 548**	**528 665**	**2 780 357**	**3 956 092**	**191 794**	**272 898**	**3 343 701**	**4 757 658**

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

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

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

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

10. Tangible assets

LVL

		Land	Buildings and constructions	Equipment and machinery	Other tangible assets	Construction in progress	Total
Acquisition value as at 31/12/2006		**55 928**	**9 127 464**	**10 064 770**	**396 789**	**639 956**	**20 284 907**
2007 I half	Additions	-	24 238	597 709	111 539	1 082 733	1 816 219
	Disposals	-	(7 239)	(53 169)	(1 146)	-	(61 554)
	Reclassification	-	-	(1 652)	1 226	-	(426)
Acquisition value as at 30/06/2007		**55 928**	**9 144 463**	**10 607 658**	**508 408**	**1 722 689**	**22 039 146**
Accumulated amortization as at 31/12/2006		**-**	**5 707 257**	**5 660 259**	**218 893**	**-**	**11 586 409**
2007 I half	Depreciation	-	141 742	658 707	26 674	-	827 123
	Depreciation of disposals	-	(2 348)	(45 183)	(1 048)	-	(48 579)
Accumulated amortization as at 30/06/2007		**-**	**5 846 651**	**6 273 783**	**244 519**	**-**	**12 364 953**
Net carrying amount as at 31/12/2006		**55 928**	**3 420 207**	**4 404 511**	**177 896**	**639 956**	**8 698 498**
Net carrying amount as at 30/06/2007		**55 928**	**3 297 812**	**4 333 875**	**263 890**	**1 722 689**	**9 674 194**

		Land	Buildings and constructions	Equipment and machinery	Other tangible assets	Construction in progress	Total
Acquisition value as at 31/12/2007		**55 928**	**10 562 122**	**11 286 226**	**652 428**	**1 187 133**	**23 743 837**
2008 I half	Additions	-	695 745	802 991	55 180	378 574	1 932 490
	Disposals	-	(41 708)	(233 883)	(6 319)	-	(281 910)
	Reclassification	-	-	111 387	(111 387)	-	-
Acquisition value as at 30/06/2008		**55 928**	**11 216 159**	**11 966 721**	**589 902**	**1 565 707**	**25 394 417**
Accumulated amortization as at 31/12/2007		**-**	**5 857 445**	**6 926 328**	**277 799**	**-**	**13 061 572**
2008 I half	Depreciation	-	187 749	758 075	41 494	-	987 318
	Depreciation of disposals	-	(23 697)	(233 104)	(6 203)	-	(263 004)
	Reclassification	-	-	6 568	(6 568)	-	-
Accumulated amortization as at 30/06/2008		**-**	**6 021 497**	**7 457 867**	**306 523**	**-**	**13 785 887**
Net carrying amount as at 31/12/2007		**55 928**	**4 704 677**	**4 359 898**	**374 630**	**1 187 133**	**10 682 266**
Net carrying amount as at 30/06/2008		**55 928**	**5 194 662**	**4 508 854**	**283 380**	**1 565 707**	**11 608 531**

EUR

		Land	Buildings and constructions	Equipment and machinery	Other tangible assets	Construction in progress	Total
Acquisition value as at 31/12/2006		**79 578**	**12 987 211**	**14 320 878**	**564 580**	**910 575**	**28 862 822**
2007 I half	Additions	-	34 488	850 463	158 706	1 540 590	2 584 247
	Disposals	-	(10 300)	(75 653)	(1 631)	-	(87 583)
	Reclassification	-	-	(2 351)	1 744	-	(606)
Acquisition value as at 30/06/2007		**79 578**	**13 011 399**	**15 093 338**	**723 399**	**2 451 166**	**31 358 880**
Accumulated amortization as at 31/12/2006		**-**	**8 120 695**	**8 053 823**	**311 457**	**-**	**16 485 975**
2007 I half	Depreciation	-	201 681	937 256	37 954	-	1 176 890
	Depreciation of disposals	-	(3 341)	(64 290)	(1 491)	-	(69 122)
Accumulated amortization as at 30/06/2007		**-**	**8 319 035**	**8 926 789**	**347 919**	**-**	**17 593 743**
Net carrying amount as at 31/12/2006		**79 578**	**4 866 516**	**6 267 055**	**253 123**	**910 575**	**12 376 848**
Net carrying amount as at 30/06/2007		**79 578**	**4 692 364**	**6 166 549**	**375 482**	**2 451 165**	**13 765 138**

10. Tangible assets (cont'd)

EUR

		Land	Buildings and constructions	Equipment and machinery	Other tangible assets	Construction in progress	Total
Acquisition value as at 31/12/2007		**79 578**	**15 028 546**	**16 058 853**	**928 321**	**1 689 138**	**33 784 436**
2008 I half	Additions	-	989 956	1 142 553	78 514	538 662	2 749 686
	Disposals	-	(59 345)	(332 786)	(8 991)	-	(401 122)
	Reclassification	-	-	158 489	(158 489)	-	-
Acquisition value as at 30/06/2008		**79 578**	**15 959 156**	**17 027 110**	**839 355**	**2 227 800**	**36 133 000**
Accumulated amortization as at 31/12/2007		**-**	**8 334 393**	**9 855 277**	**395 272**	**-**	**18 584 943**
2008 I half	Depreciation	-	267 143	1 078 644	59 041	-	1 404 827
	Depreciation of disposals	-	(33 718)	(331 677)	(8 826)	-	(374 221)
	Reclassification	-	-	9 345	(9 345)	-	-
Accumulated amortization as at 30/06/2008		**-**	**8 567 818**	**10 611 589**	**436 142**	**-**	**19 615 549**
Net carrying amount as at 31/12/2007		**79 578**	**6 694 152**	**6 203 576**	**533 049**	**1 689 138**	**15 199 494**
Net carrying amount as at 30/06/2008		**79 578**	**7 391 338**	**6 415 521**	**403 213**	**2 227 800**	**16 517 452**

As depreciation of the property, plant and equipment in the cafe and the canteen was disclosed in the income statement as other operating expense, there is a difference of LVL 2 482 (30/06/2007 – LVL 2 182) between the total depreciation and amortisation under the income statement and the total depreciation and amortisation stated in Notes 9 and 10.

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

As at 30 June 2008, tangible non-current assets included assets with the total original cost value of LVL 3 629 579 (30/06/2007: LVL 3 432 149) that were fully depreciated but still remained in active use by the Company.

As at 30 June 2008, the cadastral value of the land was LVL 567 062 (30/06/2007: LVL 567 062). The cadastral value of the buildings owned by the Company as at 30 June 2008 was LVL 4 712 867 (30/06/2007: N/A).

As at 30 June 2008, the net carrying amount of the tangible non-current assets held under finance lease was LVL 642 438 (30/06/2007: LVL 679 442) (see Note 22 for finance lease liabilities).

As at 30 June 2008, all the non-current and current assets owned by the Company were pledged as a security for the loan and credit lines received (see Note 21). The pledge agreements were registered with the Commercial Pledge Register. In addition, major shareholders guaranteed repayment of the loan by their shares in the Company, and the Company's president pledged all his shares in SIA Olmafarm.

11. Investments in related companies

			30.06.2008.		30.06.2007.	
Company	Line of business	%	LVL	EUR	LVL	EUR
OOO Baltfarm, Cheremushkinskaya 13/17, Moscow, Russia	Distribution	100	-	-	102 660	146 072
Impairment of goodwill related to subsidiaries			-	-	(102 660)	(146 072)
TOTAL:			**-**	**-**	**-**	**-**

Because of the underperformance by OOO Baltfarm the shares were sold for the total of 1604,4 Lats (2282,9 Euro). The transaction was concluded on June 4, 2008.

12. Prepayments for investments

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

13. Inventories

	30.06.2008. LVL	30.06.2008. EUR	30.06.2007. LVL	30.06.2007. EUR
Raw materials	1 331 333	1 894 316	1 170 410	1 665 343
Work in progress	3 313 834	4 715 161	2 596 904	3 695 061
Finished goods and goods for resale*	2 787 279	3 965 941	2 597 516	3 695 931
Prepayments for goods	78 576	111 804	102 597	145 982
TOTAL:	7 511 022	10 687 221	6 467 427	9 202 319
Provisions for raw materials	(111 509)	(158 662)	(73 749)	(104 935)
Provisions for work in progress	(141 679)	(201 591)	(158 106)	(224 965)
Provisions for finished goods and goods for resale	(58 017)	(82 551)	(88 519)	(125 951)
TOTAL:	(311 205)	(442 804)	(320 374)	(455 851)
TOTAL:	**7 199 817**	**10 244 418**	**6 147 053**	**8 746 468**

* As at 30 June 2008, the Company's inventories comprised goods on consignment in the amount of LVL 266 452 (30/06/2007: LVL 172 699).

14. Trade receivables

	30.06.2008. LVL	30.06.2008. EUR	30.06.2007. LVL	30.06.2007. EUR
Trade receivables	4 594 405	6 537 249	4 400 953	6 261 992
Provisions for doubtful trade receivables	(6 300)	(8 964)	(38 227)	(54 392)
TOTAL:	**4 588 105**	**6 528 285**	**4 362 726**	**6 207 600**

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

	Total	**Neither past due not impaired**	**Past due but not impaired**				
			< 30 days	30-60 days	60-90 days	90-180 days	> 180 days
30.06.2008.	4 588 105	3 977 775	284 274	131 362	87 299	27 756	79 639
30.06.2007.	4 362 726	3 337 697	565 885	165 317	39 856	46 129	207 842

15. Receivables from related companies

Company	30.06.2008. LVL	30.06.2008. EUR	30.06.2007. LVL	30.06.2007. EUR
OOO Baltfarm	-	-	556 432	791 731
SIA Carbochem	61 423	87 397	-	-
SIA Olmafarm	28 312	40 285	31 252	44 468
SIA Olfa Pres	9 218	13 116	-	-
SIA Vega MS	1 487	2 116	-	-
Provisions for doubtful receivables	(13 213)	(18 800)	-	-
TOTAL:	**87 227**	**124 113**	**587 684**	**836 199**

16. Other receivables

	30.06.2008.		30.06.2007.	
	LVL	EUR	LVL	EUR
VAT receivable	82 022	116 707	82 112	116 835
Payment to bailiff*	104 187	148 245	-	-
Representation office expense	57 046	81 169	36 420	51 821
Advances to employees	11 907	16 942	18 553	26 399
Other receivables	22 242	31 648	3 248	4 621
Receivables from employees for prepaid health insurance	12 145	17 280	24 186	34 414
Prepayment for services	130 288	185 384	-	-
Provisions for advances to employees and other receivables	-	-	(3 639)	(5 178)
TOTAL:	**429 904**	**611 699**	**160 879**	**228 910**

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

17. Current loans o management and employees

	30.06.2008.		30.06.2007.	
	LVL	EUR	LVL	EUR
Valērijs Maligins (Board Chairman)	263 071	374 316	73 702	104 868
Other loans	-	-	24 264	34 525
TOTAL:	**263 071**	**374 316**	**97 966**	**139 393**

18. Prepaid expense

	30.06.2008.		30.06.2007.	
	LVL	EUR	LVL	EUR
Insurance payments	23 454	33 372	6 862	9 764
Subscription to the printed media	664	944	830	1 181
Selling expense	734	1 044	-	-
Other prepaid expense	93	134	372	529
TOTAL:	**24 945**	**35 494**	**8 064**	**11 474**

19. Cash

Cash by currency profile:	**Foreign currency**	30/06/2008 **LVL**	**Foreign currency**	30/06/2007 **LVL**
Ls		28 177		1 954 413
EUR	56 880	39 975	151 242	106 293
USD	28 895	12 916	861	449
TOTAL:		**81 068**		**2 061 155**

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

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

20. Share capital

The share capital of the Company is LVL 14 085 078 (2006: LVL 13 209 055) and consists of 14 085 078 (2006: 13 209 055) shares. The par value of each share is LVL 1.

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

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

21. Loans from credit institutions

Non-current:			*Interest rate (%) as at 30/06/2008*	*Maturity*	**30.06.2008. LVL**	**30.06.2008. EUR**	**30.06.2007. LVL**	**30.06.2007. EUR**
Loan from AS SEB Banka	6 950 000	EUR	EUR LIBOR (3m.)+1.3%	08.12.2011.*	2 387 902	3 397 679	2 928 559	4 166 964
Loan from AS SEB Banka	4 000 000	EUR	EUR LIBOR (3m.)+1,3%	23.05.2013.	1 860 946	2 647 887	2 454 865	3 492 958
Loan from AS SEB Banka	2 000 000	EUR	EUR LIBOR (3m.)+1,3%	10.10.2012.	1 267 803	1 803 922	-	-
Loan from AS SEB Banka	1 500 000	EUR	EUR LIBOR (3m.)+1,3%	30.01.2015.	266 511	379 211	-	-
				TOTAL:	**5 783 162**	**8 228 698**	**5 383 424**	**7 659 922**

Current:			*Interest rate (%) as at 30/06/2008*	*Maturity*	**30.06.2008. LVL**	**30.06.2008. EUR**	**30.06.2007. LVL**	**30.06.2007. EUR**
Loan from AS SEB Banka	6 950 000	EUR	EUR LIBOR (3m.)+1.3%	08.12.2011.	540 657	769 286	540 657	769 286
Loan from AS SEB Banka	4 000 000	EUR	EUR LIBOR (3m.)+1,3%	23.05.2013.	475 135	676 056	356 351	507 042
Loan from AS SEB Banka	2 000 000	EUR	LVL LIBOR (3m.)+1,3%	10.10.2012.	137 805	196 078	-	-
Loan from AS SEB Banka	1 500 000	EUR	EUR LIBOR (3m.)+1,3%	30.01.2015.	46 237	65 789	-	-
Credit line from AS SEB Banka	2 000 000	EUR	EUR LIBOR (3m.)+1,3%	10.10.2008.	1 797 348	2 557 395	-	-
Credit line from AS SEB Banka	500 000	USD	USD LIBOR (3m.)+1,3%	05.12.2007.		-	261 000	371 370
				TOTAL:	**2 997 182**	**4 264 606**	**1 158 008**	**1 647 697**

Interest payable is normally settled quarterly throughout the financial year.

On 11 October 2007, the Company signed a new non-current loan agreement for EUR 2 000 000 in relation with renovation of production facilities. The principal amount has to be used by 11 August 2008.

In 2003, the Company concluded several credit line agreements with AS SEB Latvijas Unibanka with the maturity fixed on 5 December 2005. In 2005 and 2006, the aforementioned credit line agreements were extended to mature on 5 December 2006 and 5 December 2007 respectively. During the reporting year, two of the credit lines were fully repaid, with the maturity of one remaining credit line extended until 5 December 2008 under the same terms.

As at 30 June 2008, all the non-current and current assets owned by the Company were pledged as a security for the loan and credit lines received (see Note 10). The pledge agreements were registered with the Commercial Pledge Register. In addition, major shareholders of the Company guaranteed repayment of the loan by their shares in the Company, and the Chairman of the Board of the Company pledged all his shares in SIA Olmafarm.

22. Other loans

	30.06.2008. LVL		30.06.2008. EUR		30.06.2007. LVL		30.06.2007. EUR	
	Non-current	Current	Non-current	Current	Non-current	Current	Non-current	Current
Finance lease liabilities to SIA SEB Unilīzings, EUR	276 080	178 400	392 826	253 840	314 857	178 763	448 001	254 357
Finance lease liabilities to SIA Hanza Līzings, EUR	-	14 605	-	20 781	14 605	15 168	20 781	21 582
Finance lease liabilities to SIA SEB Unilīzings, LVL	852	1 945	1 212	2 767	2 797	1 812	3 980	2 578
Finance lease liabilities to SIA Parex Līzings, EUR	-	10 736	-	15 276	10 736	12 203	15 276	17 363
TOTAL:	**276 932**	**205 686**	**394 039**	**292 665**	**342 995**	**207 946**	**488 038**	**295 881**

The interest rate on the finance leases ranges from 6.5% to 7.78%. Interest payable is normally settled quarterly throughout the financial year. The net carrying amount of the tangible non-current assets held under finance lease is disclosed in Note 10.

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

	30.06.2008.		30.06.2008.		30.06.2007.		30.06.2007.	
	Minimum Payments	Present value of payments	Minimum Payments	Present value of payments	Minimum Payments	Present value of payments	Minimum Payments	Present value of payments
	LVL	LVL	EUR	EUR	LVL	LVL	EUR	EUR
Within one year	222 495	205 686	316 582	292 665	231 833	207 946	329 869	295 881
Between one and five years	292 190	276 932	415 749	394 039	365 518	342 995	520 085	488 038
Total minimum lease payments	514 685	482 618	732 331	686 704	597 351	550 941	849 954	783 918
Less amounts representing finance charges	(32 067)	-	(45 627)	-	(46 410)	-	(66 035)	-
Present value of minimum lease payments	**482 618**	**482 618**	**686 704**	**686 704**	**550 941**	**550 941**	**783 918**	**783 918**

23. Taxes payable

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

Tax liabilities by maturity profile as at 30 June 2008 can be specified as follows:

	30.06.2008. LVL		30.06.2008. EUR		30.06.2007. LVL		30.06.2007. EUR	
	Non-current	Current	Non-current	Current	Non-current	Current	Non-current	Current
Personal income tax	260 815	244 558	371 106	347 975	365 141	227 640	519 549	323 903
Statutory social insurance contributions	194 594	280 693	276 882	399 390	272 431	257 482	387 634	366 364
Real estate tax	38 317	15 327	54 520	21 808	53 644	15 328	76 329	21 810
Natural resource tax	-	4 274	-	6 081	-	3 535	-	5 030
TOTAL:	**493 726**	**544 852**	**702 509**	**775 255**	**691 216**	**503 985**	**983 512**	**717 106**

23. Taxes payable (cont'd)

In 2005, the previously charged late payment penalty of LVL 560 160 was annulled. The aforementioned amount comprised late payment penalty for outstanding statutory social insurance contributions, personal income tax, and real estate tax in the amount of LVL 191 688, LVL 298 830, and LVL 70 142 respectively. The charging of late payment penalties shall be renewed in the event of the Company failing to observe the schedule of the principal debt repayment whereby payments are to be commenced starting from January 2006 and finished in December 2011. As at 30 June 2008, the accruals for the above expected late payment penalties were reduced by LVL 9 972, due to payment of the respective penalties to the state budget.

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

Year	Amount
2008	98 745
2009	197 490
2010	197 490
2011	197 491
Total	**691 216**

24. Accrued liabilities

	30.06.2008.		30.06.2007.	
	LVL	EUR	LVL	EUR
Vacation pay reserve	402 500	572 705	298 762	425 100
Accruals for penalties related to taxes	70 470	100 269	90 414	128 648
Other accrued liabilities	96 298	137 020	-	-
TOTAL:	**569 267**	**809 994**	**389 176**	**553 748**

25. Trade and other payables

	30.06.2008.		30.06.2007.	
	LVL	EUR	LVL	EUR
Trade payables	1 390 659	1 978 730	1 664 743	2 368 716
Wages and salaries	436 971	621 753	391 841	557 540
Other liabilities	11 890	16 918	30 897	43 962
TOTAL	**1 839 520**	**2 617 401**	**2 087 481**	**2 970 218**

Terms and conditions of the above liabilities:

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

26. Commitments and contingencies

Tax late payment penalties

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

Operating lease

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

26. Commitments and contingencies (cont'd)

	30.06.2008.		30.06.2007.	
	LVL	EUR	LVL	EUR
Payable within 1 year, LVL	12 008	17 086	9 420	13 403
Payable within 1-5 years, LVL	21 437	30 502	15 991	22 753
TOTAL:	**33 445**	**47 588**	**25 411**	**36 157**

Capital investment commitments

At 30 June 2008 the Company had no capital investment commitments.

27. Related party disclosures

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

Related party	Type of services		Sales to related parties, LVL	Sales to related parties, EUR	Purchases from related parties LVL	Purchases from 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	Loan and assignet rights to claim	30.06.2007.	2 190 600	3 116 943	2 552	3 631	31 252	44 468	-	-
		30.06.2008.	2 173	3 092	536	763	28 312	40 285	-	-
OOO Baltfarm	Sale of finished goods	30.06.2007.	411 183	585 061	430 162	612 065	556 432	791 731	-	-
		30.06.2008.	-	-	-	-	-	-	-	-
V. Maligins	Loan	30.06.2007.	438 714	624 234	87 393	124 349	73 703	104 870	-	-
		30.06.2008.	9 116	12 971	151 577	215 675	263 071	374 316	-	-
SIA "Carbochem"	Intermediation in sale of chemicals	30.06.2007.	7 316	10 410	8 027	11 421	-	-	11 569	16 462
		30.06.2008.	214 641	305 407	118 031	167 943	61 423	87 397	-	-
SIA "Olfa Press"	Printing services	30.06.2007.	315 288	448 614	408 459	581 185	-	-	128 897	183 404
		30.06.2008.	347 366	494 257	301 013	428 303	9 218	13 116	139 479	198 460
SIA "Vega MS"	Security services, window production	30.06.2007.	61 618	87 675	56 997	81 099	-	-	4 621	6 575
		30.06.2008.	57 624	81 992	57 057	81 185	1 487	2 116	638	908
	Total:	**30.06.2007.**	**3 424 719**	**4 872 936**	**993 590**	**1 413 751**	**661 387**	**941 069**	**145 087**	**206 441**
	Total:	**30.06.2008.**	**630 920**	**897 719**	**628 214**	**893 868**	**363 511**	**517 230**	**140 117**	**199 368**

28. Segment information

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

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

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

28. Segment information (cont'd)

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

LVL

	Finished form medicine		Chemicals		Unallocated		Total	
	30.06.2008.	30.06.2007.	30.06.2008.	30.06.2007.	30.06.2008.	30.06.2007.	30.06.2008.	30.06.2007.
Assets								
Intangible assets	2 764 673	2 835 217	758 686	1 521 293	89 133	62 540	3 612 492	4 419 050
Tangible assets	8 479 826	6 295 965	2 488 776	3 378 229	1 028 114	654 482	11 996 716	10 328 676
Financial assets	540 950	-	-	-	386	386	541 336	386
Inventories	5 505 431	3 933 732	1 615 810	2 110 724	78 576	102 597	7 199 817	6 147 053
Receivables	4 515 727	4 224 955	68 126	641 255	819 466	388 059	5 403 319	5 254 269
Cash	-	-	-	-	81 068	2 061 155	81 068	2 061 155
Total assets	**21 806 607**	**17 289 869**	**4 931 398**	**7 651 501**	**2 096 743**	**3 269 219**	**28 834 748**	**28 210 589**
Equity and liabilities								
Total equity	-	-	-	-	15 460 060	16 784 816	15 460 060	16 784 816
Deffered income tax liability	-	-	-	-	309 800	252 932	309 800	252 932
Loans from credit institution	6 788 084	4 257 164	1 992 260	2 284 267	-	-	8 780 344	6 541 432
Other loans	373 112	358 552	109 506	192 389	-	-	482 618	550 941
Taxes payable	802 925	777 837	235 653	417 364	-	-	1 038 578	1 195 201
Prepayments received from customers	185 156	91 193	29 289	2 228	-	-	214 445	93 421
Trade payables	1 192 397	1 358 533	647 123	728 948	-	-	1 839 520	2 087 481
Payables to related companies	140 116	205 125	-	110 064	-	-	140 116	315 189
Accrued liabilities	-	-	-	-	569 267	389 176	569 267	389 176
Total equity and liabilities	**9 481 790**	**7 048 404**	**3 013 831**	**3 735 260**	**16 339 127**	**17 426 924**	**28 834 748**	**28 210 589**
Income statement								
Net turnover	9 271 440	8 067 446	762 618	939 365	-	-	10 034 058	9 006 811
Changes in stock of finished goods and work in progress	436 081	1 089 927	127 987	584 822	-	-	564 068	1 674 749
Other operating income	-	-	-	-	248 400	253 176	248 400	253 176
Cost of materials	(2 025 056)	(1 896 163)	(594 341)	(1 017 425)	-	-	(2 619 397)	(2 913 589)
Staff costs	(3 342 260)	(2 435 950)	(980 932)	(1 307 059)	-	-	(4 323 192)	(3 743 009)
Depreciation/ amortisation and write-offs	(940 146)	(696 213)	(275 927)	(373 567)	(42 274)	-	(1 258 347)	(1 069 780)
Other operating expense	(2 327 202)	(1 403 385)	(683 019)	(753 015)	-	-	(3 010 221)	(2 156 400)
Interest receivable and similar income	-	-	-	-	23 688	11 272	23 688	11 272
Interest payable and similar expense	-	-	-	-	(345 763)	(280 570)	(345 763)	(280 570)
Taxes	-	-	-	-	(39 744)	(14 005)	(39 744)	(14 005)
Net profit for the year	**1 072 857**	**2 725 662**	**(1 643 614)**	**(1 926 879)**	**(155 693)**	**(30 127)**	**(726 450)**	**768 655**

EUR

	Finished form medicine		Chemicals		Unallocated		Total	
	30.06.2008.	**30.06.2007.**	**30.06.2008.**	**30.06.2007.**	**30.06.2008.**	**30.06.2007.**	**30.06.2008.**	**30.06.2007.**
Assets								
Intangible assets	3 933 775	4 034 150	1 079 513	2 164 605	126 825	88 986	5 140 113	6 287 742
Tangible assets	12 065 705	8 958 351	3 541 209	4 806 787	1 462 874	931 244	17 069 789	14 696 382
Financial assets	769 703	-	-	-	549	549	770 252	549
Inventories	7 833 523	5 597 196	2 299 091	3 003 290	111 804	145 982	10 244 417	8 746 468
Receivables	6 425 301	6 011 569	96 934	912 424	1 165 995	552 158	7 688 230	7 476 151
Cash	-	-	-	-	115 349	2 932 759	115 349	2 932 759
Total assets	**31 028 007**	**24 601 267**	**7 016 747**	**10 887 105**	**2 983 397**	**4 651 680**	**41 028 150**	**40 140 052**
Equity and liabilities								
Total equity	-	-	-	-	21 997 684	23 882 642	21 997 684	23 882 642
Deffered income tax liability	-	-	-	-	440 806	359 890	440 806	359 890
Loans from credit institution	9 658 573	6 057 399	2 834 731	3 250 219	-	-	12 493 304	9 307 619
Other loans	530 891	510 174	155 813	273 745	-	-	686 704	783 918
Taxes payable	1 142 459	1 106 762	335 304	593 855	-	-	1 477 763	1 700 618
Prepayments received from customers	263 453	129 756	41 674	3 170	-	-	305 128	132 926
Trade payables	1 696 628	1 933 018	920 773	1 037 200	-	-	2 617 402	2 970 218
Payables to related companies	199 367	291 867	-	156 607	-	-	199 367	448 474
Accrued liabilities	-	-	-	-	809 994	553 748	809 994	553 748
Total equity and liabilities	**13 491 372**	**10 028 975**	**4 288 296**	**5 314 796**	**23 248 483**	**24 796 279**	**41 028 150**	**40 140 053**
Income statement								
Net turnover	13 192 070	11 478 941	1 085 108	1 336 596	-	-	14 277 178	12 815 537
Changes in stock of finished goods and work in progress	620 487	1 550 826	182 109	832 127	-	-	802 596	2 382 953
Other operating income	-	-	-	-	353 441	360 237	353 441	360 237
Cost of materials	(2 881 395)	(2 697 997)	(845 671)	(1 447 665)	-	-	(3 727 066)	(4 145 664)
Staff costs	(4 755 607)	(3 466 045)	(1 395 741)	(1 859 777)	-	-	(6 151 348)	(5 325 822)
Depreciation/ amortisation and write-offs	(1 337 707)	(990 622)	(392 609)	(531 538)	(60 150)	-	(1 790 466)	(1 522 160)
Other operating expense	(3 311 310)	(1 996 837)	(971 849)	(1 071 444)	-	-	(4 283 159)	(3 068 281)
Interest receivable and similar income	-	-	-	-	33 705	16 039	33 705	16 039
Interest payable and similar expense	-	-	-	-	(491 976)	(399 215)	(491 976)	(399 215)
Taxes	-	-	-	-	(56 551)	(19 927)	(56 551)	(19 927)
Net profit for the year	**1 526 539**	**3 878 268**	**(2 338 653)**	**(2 741 702)**	**(221 531)**	**(42 867)**	**(1 033 646)**	**1 093 698**

29. Financial risk management

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

Financial risks

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

29. Financial risk management (cont'd)

Financial risks (cont'd)

Foreign currency risk

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

The Company's currency risk as at 30 June 2008 may be specified as follows:

	LVL	USD	EUR	Other	Total LVL
Trade receivables	612 245	240 111	3 742 049		4 594 405
Receivables from related companies	87 227				87 227
Prepayments for intangible assets	102 482	114 251	52 058		268 791
Prepayments for tangible assets	168 328		219 857		388 185
Prepayments for investments	540 950				540 950
Prepayments for goods	24 485	3 484	50 607		78 576
Other receivables	398 774	28 670	2 460		429 904
Current loans to management and employees	11 756	174 006	77 309		263 071
Prepaid expense	24 945				24 945
Cash	28 177	12 916	39 975		81 068
Total assets, LVL	1 999 369	573 438	4 184 315	-	6 757 121
Loans from credit institutions			8 780 344		8 780 344
Other loans	2 797		479 821		482 618
Taxes payable	1 038 578				1 038 578
Prepayments received from customers	185 008		29 437		214 445
Trade payables	821 660	186 647	831 213		1 839 520
Payables to related companies	140 116				140 116
Accrued liabilities	569 267				569 267
Total financial liabilities	2 757 425	186 647	10 120 815	-	13 064 887
Neto, LVL	(758 056)	386 791	(5 936 501)	-	(6 307 766)

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

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

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

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

Interest rate risk

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

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

Liquidity risk

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

The table below summarises the maturity profile of the Company's financial liabilities at 30 June 2008 based on contractual undiscounted payments.

29. Financial risk management (cont'd)

Financial risks (cont'd)

Period ended 30 June 2008		On demand	< 3 months	3 to 12 months	1 to 5 years	> 5 years	Total
Interest bearing loans	('000 LVL)	-	254	2 743	5 783	-	8 780
Finance lease liabilities	('000 LVL)	-	61	145	277	-	483
Lease %	('000 LVL)	-	5	12	15	-	32
Trade accounts payable	('000 LVL)	-	1 182	230	120	-	1 532
Interest bearing loans	('000 EUR)	-	361	3 903	8 228	-	12 493
Finance lease liabilities	('000 EUR)	-	87	206	394	-	687
Lease %	('000 EUR)	-	7	17	21	-	46
Trade accounts payable	('000 EUR)	-	1 682	327	171	-	2 180

Period ended 30 June 2007		On demand	< 3 months	3 to 12 months	1 to 5 years	> 5 years	Total
Interest bearing loans	('000 LVL)	-	254	904	4 018	1 365	6 541
Finance lease liabilities	('000 LVL)	-	54	154	343	-	551
Lease %	('000 LVL)	-	8	16	23	-	47
Trade accounts payable	('000 LVL)	-	1 536	326	118	-	1 980
Interest bearing loans	('000 EUR)	-	361	1 286	5 717	1 942	9 307
Finance lease liabilities	('000 EUR)	-	77	219	488	-	784
Lease %	('000 EUR)	-	11	23	33	-	67
Trade accounts payable	('000 EUR)	-	2 186	464	168	-	2 817

Credit risk

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

Capital management

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

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

	30.06.2008.		30.06.2007.	
	LVL	**EUR**	**LVL**	**EUR**
Interest bearing loans and borrowings	9 262 962	13 180 008	7 092 373	10 091 538
Trade and other payables	1 979 636	2 816 768	2 402 670	3 418 691
Less cash and cash equivavelnts	(81 068)	(115 349)	(2 061 155)	(2 932 759)
Net debt	11 161 530	15 881 426	7 433 888	10 577 470
Equity	14 085 078	20 041 260	14 085 078	20 041 260
Total capital	25 246 608	35 922 687	21 518 966	30 618 730
Gearing ratio (%)	44	44	35	35

30. Financial instruments

Fair value

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

	Carrying amount		Fair value		Carrying amount		Fair value	
	30.06.2008. ('000 LVL)	30.06.2007. ('000 LVL)	30.06.2008. ('000 LVL)	30.06.2007. ('000 LVL)	30.06.2008. ('000 EUR)	30.06.2007. ('000 EUR)	30.06.2008. ('000 EUR)	30.06.2007. ('000 EUR)
Financial assets								
Cash	81	2061	81	2061	115	2933	115	2933
Loans and trade receivables	5378	5246	5378	5246	7652	7464	7652	7464
Finanšu saistības								
Interest bearing loans (floating rate)	8780	6541	8780	6541	12493	9307	12493	9307
Finance lease liabilities	483	551	483	551	687	784	687	784

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

31. Events after the balance sheet date

On 3 November 2006, the Republic of Latvia Supreme Court Chamber of Civil Cases heard the appeal lodged by I. Maligina against the Riga Regional Court judgment of 24 March 2005 rejecting her claim against AS Olainfarm for collection of a debt in the amount of LVL 99 820. The Supreme Court Chamber of Civil Cases ruled that the claim by I. Maligina should be satisfied in full. AS Olainfarm filed a cassation appeal against the judgment of the Supreme Court Chamber of Civil Cases. The Supreme Court Senate activity meeting on 26 January 2007 resolved to accept the cassation appeal and sent it for hearing at the Senate meeting under the cassation procedure, suspending the execution of the judgment in the given case. As the judgment of the court of second instance took effect upon its declaration and the claimant started collection activities already on 15 November 2006, but the Senate activity meeting took place only at the end of January 2007, AS Olainfarm had to comply with the court judgment. The Parent Company complied with the court judgment in full at the beginning of 2007 as confirmed by calculation No. 18-797-2006/07 issued by a sworn bailiff on 15 January 2007. The cassation appeal by AS Olainfarm was heard by the Supreme Court Senate at the meeting on 28 March 2007, which ruled to annul the judgment of the Supreme Court Chamber of Civil Cases. At 31 December 2006, the Company had made no accruals regarding the above claim. The case was repeatedly heard on 28 February 2008, while the abridged version of the judgment was announced on 13 March 2008.

During the repeated hearing, the appeal instance satisfied I. Maligina's claim and provided that the debt of LVL 102 014 should be collected from AS Olainfarm notwithstanding the fact that AS Olainfarm had received from the USA and submitted to the court new evidence confirming that the assignee was still acting as a legal entity and had not been deleted from the Enterprise Registry, and therefore I.Maligina had a realistic chance to collect the said debt form the assignee according to the assignment agreement. Having read the full text of the judgement, its reasoning and ruling parts, AS Olainfarm will contest the ruling of the appeal instance under the cassation procedure.

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

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