Name of tye company:	**JSC “Olaines kūdra”**
Legal address	**Rīgas 21,Olaine,LV-2114**
Unified registration number	**40003006999**

ANNUAL REPORT
Fot the Year 2008

(reporting period: 01.01.2008.-31.12.2008.)

Date of producing of the document	
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Currency of the Report:	**LVL/EUR**

Name of the Company **JSC “Olaines kūdra”**

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INFORMATION ABOUT THE COMPANY

1	The full name of the Company:	**JSC "Olaines kūdra"**
2	Legal status of the Company:	Joint Stock Company
3	Registration No. In the CR, place and date:	40003006999 Rīga, 02.07.2004
4	Tax payer's registration number.:	40003006999 Rīga, 03.08.2004
5	VAT registration number:	LV 40003006999
5	The Company's legal address and telephone:	Rīgas 21,Olaine,LV-2114 Tel.: 67964254 Fax: 67964203
6	Offive address and telephone:	Rīgas 21,Olaine,LV-2114 Tel.: 67964254 Fax: 67964203
7	Type of business:	Extraction and processing of peat
8	Reporting year:	January 1, 2008 – December 31, 2008
9	Members of Board	
	Chairman of Board	Sergejs Šakuns Director
	Members of Board	Brigita Kraule economical director
		Mihails Zeņkovs engineer-mechanic
10	Council	Biomins Kajems
		Oļegs Krasiļņikovs
		Sergejs Lukašins
		Andžs Krastiņš
		Vilnis Nollendorfs
11	the Chief accountant:	Jeļena Luseviča
12	Auditor, licence no., address, telephone:	LLC "FINANSIST", Address: Rīga, Kurzemes prosp.3-412, Latvija, LV-106 40002046180 Licence no. 102
13	Average number of employees:	112

14 The owners/shareholders of the Company

Total share capital Ls 1 800 000

LLC "MONO"
Address Katlakalna 1,Rīga
The proportion of shares (%) 30% 40003004625

SIA "LEMF"
Address: Katlakalna 10,Rīga
The proportion of shares (%) 4% 40003004235

State social insurance agency
The proportion of shares (%) 3% .000337393

Viktors Karbanovs
The proportion of shares (%) 38% 160258-10728

15 Information about the related companies:

LLC "MONO"
Address Katlakalna 1,Rīga
The proportion of shares (%) 30% 40003004625

LLC "LEMF"
Address: Katlakalna 10,Rīga
The proportion of shares (%) 4% 40003004235

16 Structural units of the Company

"Gaismas" - unit of peat extraction
Address, tel..: "Gaismas",Olaine civil parish, Riga region
Tel.27931228

JSC (A/S) "OLAINES KŪDRA"

MANAGEMENT REPORT ON ACTIVITIES IN 2008.

The main types of activity of JSC (A/S) "Olaines kūdra" in 2008:

1. Extraction of milled peat.
2. Production of moss peat, neutralized peat and peat substrate.
3. Packing of peat.
4. Sales of peat in Latvia and outside Latvia.

Comparison of Company's activities with the activities in 2007, factors influencing the work.

Economic status and turnover.

The winter of 2008 was characterized by the temperature increase resulting in the situation that the marsh did not freeze and it was impossible to drive into the marsh with wheel tractors. In order to remove the peat to the peat processing shop it was necessary to move the peat to loading places nearby mud roads using caterpillar tractors. At the beginning of 2008 resources of peat in the European Union were insufficient, as a result the Company was able to sell at the increased price and to achieve the gain of production amount by 11,8%. The increase in price of export products and products for local market in the reporting year was 10%.

In 2008 25,9 % of production was sold in local market and 74,1 % of production was brought out to EU and exported. The amount of production of packed peat was on the level of the previous year.

Meteorological conditions in May - June of 2008 were favourable for extraction of peat. In June and July 15999 tons of milled peat was extracted constituting 38% of the planned amount. However the rainy weather conditions in July had a negative impact on extraction of peat and the actual extraction within the season was only 24514 tons or 61,2% of the planned amount. As a result the prime cost of extracted peat increased that, of course, has a negative influence on the profitability of the Company both in the reporting year and in the following year. In the reporting year a great attention was paid to the improvement of condition of peat extract fields. By means of financial leasing the Company purchased a hydraulic excavator thus procuring the repairs of drainage system in the peat extraction fields that has not been performed in previous years.

The increase of costs in 2008 mainly was composed of wages and State obligatory social insurance contributions, the average salary has increased from

256,25 LVL in 2007 to 347,2 LVL this year, or the increase is 35,5%. In 2008 137 new employees were engaged and at the same time 132 employees were dismissed.

The employees are provided with work protection means, special work clothes, and qualitative potable water.

The Company pursuant to the requirements of peat extraction licences has performed the inventory of peat stocks and peat fields.

The Company has procured timely payments of employees' wages, the Company has no tax debts and debts of other payments to state and local government budget. 177 137 lats have been paid into State and local government budgets.

The year 2008 JSC (AS) "Olaines kūdra" is closing with losses in the amount of 59768 LVL, the profit of the previous year is 7113 LVL. For provision of financial activities the Company uses mainly its own means without involvement of bank credits. The main financial risk related to the financial instruments of the Company is the currency risk. Within the financial assets and liabilities of the Company the cash means, the debts of customers and clients, the debts to suppliers are subjected to the foreign currency risks.

78% of the Company's income is in euro and the Company's costs are 86% in lats. As long as the Bank of Latvia retains the defined fixed rate of lat against euro, the Company's profit or loss from the fluctuation of the currency rate will not be influenced.

In 2008 the losses per one share were 0,033 LVL, but in 2007 the profit per one share was 0,02 LVL.

Circulation of Company's securities.

The Company's shares are quoted in JSC (AS) "NASDAQ OMX Riga". In 2008 the market price of one share in stock Exchange ranged from 0,30 LVL to 0,11 LVL. In 2008 no big transactions have been registered with the shares of AS "Olaines kūdra".

The profit margin of the Company.

The gross profit return of the Company is 11,76 %. The reporting year after taxes is closed with the losses in the amount of 59768 LVL.

Circumstances which can influence on economic position of society in 2009 and planned policy in 2009.

In 2009 A/S "Olaines Kūdra" must conclude a treaty about the lease of earth with SIA "Rīgas meži" about areas which society uses for the booty of peat, the work

of agreement conclusion was began in 2008, but unfortunately it was not concluded from the delay of earthen proprietor, agreement is being in force prolonged up to 31-th March, 2009.

In 2009 from VAS "Privatizācijas aģentūra" was gotten suggestion about signing of rental of earth payments in Olaine, Rīgas ielā 21, as a result rental of earth payments for maintenance of ownness of the real estate on this territory grew in 3 times.

A global economic crisis also influences work of enterprise, the orders of export diminished, for the clients of peat deliveries in the European union there are problems with the shortage of the imported loads both to Latvia and to Russia. Taking into account the expected increase of rent for the areas of earth and bogs, we forecast, that losses in 2009 can attain 7 % from the actions capital.

Circumstances which can cause the correction of report 2008 after drafting of annual report.

After the date of drafting of annual report events did not happen, which necessity would be as a result to complement or correct an annual report.

Chairman of Board	S.ŠAKUNS
Member of Board	B.KRAULE
Member of Board	M.ZEŅKOVS

THE REPUBLIC OF LATVIA

JOINT STOCK COMPANY

“OLAINES KŪDRA”

A n n e x

to Joint stock company “Olaines kūdra”
Annual report of the year 2008

COPORATE MANAGEMENT REPORT FOR THE YEAR 2008

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I. **INTRODUCTION**

This is a Joint Stock Company's "Olaines kūdra" Corporate Management Report for the year 2008 (hereinafter referred to as the Report) is prepared basing upon the rules of JSC "Rīgas Fondu birža" "The Principles of corporative management and recommendations in their implementation", edition of 2005. The Report is prepared and reviewed by the Board of JSC "Olaines kūdra".

This Report is submitted along with the audited report of JSC "Olaines kūdra" for the year 2008 and is published on the website of JSC " NASDAQ OMX Riga" .

II. HAREHOLDERS' MEETING

The shareholders exercise their rights to participate in the management of the Issuer through their participation in the shareholders' meeting. Pursuant to the provisions of the legal acts the Issuer shall call a shareholders' meeting at least once in a year. The extraordinary shareholders' meetings are to be summoned as necessary.

2.1 Provision of shareholders' rights and participation in the Shareholders' meetings.

The Issuer shall ensure the equal attitude to all shareholders - the owners of one category type of shares. All shareholders shall enjoy equal rights to participate in the management of the Issuer – to participate in the shareholders' meetings and to receive information that is necessary for shareholders to make a decision.

2.1.1 It is important to ensure that all owners of one category shares shall have equal rights, inter alia, to receive a part of the Issuer's profit in a way of dividends or in any other way in proportion to the number of shares they own provided the owned shares foresee such rights.

JSC (AS) "Olaines kūdra" observes such principle of corporate management. In accordance with the Articles the JSC (AS) "Olaines kūdra" has issued one category shares providing the voting rights in the shareholders' meeting, as well as equal rights to receive dividends and liquidation quotas.

2.1.2 The Issuer shall develop the profit distribution policy. During the development of this policy it is advisable to take into account not only the provision of immediate benefit to the Issuers' shareholders by paying them dividends, but also the expediency of profit reinvestment in future. It is desirable to discuss the profit distribution policy in the shareholders' meeting in order to ensure that as many as possible shareholders are informed and to provide the chance for the shareholders to express their opinion. The information regarding the distribution of the Issuer's profit shall be included in the Report, as well as placed into the Issuer's website over the Internet.

JSC (AS) "Olaines kūdra" has not developed an official profit distribution policy. Pursuant to the Commercial Law of the Republic of Latvia the decision about the profit distribution shall be adopted by the shareholders' meeting and the company's board and council when preparing their proposals regarding the distribution of profit shall observe this principle.

2.1.3 In order to efficiently enough protect the interests of the Issuer's shareholders not only the Issuers but also any other person that calls, summons and organizes the shareholders' meeting are welcome in their activities consider all issues mentioned in such proposals regarding the summoning of shareholders' meetings and provision of shareholders of all necessary information.

Until now the shareholders' meetings of JSC (AS) "Olaines kūdra" have been called by the Board of JSC (AS) "Olaines kūdra" that also has ensured the conformity of convocation, summoning and organization of shareholders' meeting to the Law.

2.1.4 The Issuer's shareholders shall be provided by the possibility to receive duly and regularly all necessary information about the Issuer, to participate in meetings and to vote regarding the issues of the agenda. The Issuer shall perform all necessary actions to provide that as many as possible shareholders could participate in the meeting hence the place and the time of the meeting should not restrict the shareholders ability to appear at the meeting. Also the change of place and time of the summoned shareholders' meeting shortly before the meeting shall not be permitted because that would encumber or make impossible the shareholders arrival at the meeting.

JSC (AS) "Olaines kūdra" observes this principle.

2.1.5 The Issuers inform the shareholders about the convocation of the general meeting of shareholders by summoning it in the procedure and terms stated in the

normative acts. The Issuers are asked to summon the shareholders' meeting promptly after making the decision of convocation of the meeting and particularly it refers to the extraordinary shareholders' meetings. The information about the convocation of the meeting shall be placed at the website of the Insurer over the Internet where it should be provided at least in one foreign language, preferably the English language so that this website can be used by foreign investors. When publishing the information about the shareholders' meeting the initiator of the meeting also.

JSC (AS) "Olaines kūdra" partially complies with this principle since in the website of JSC (AS) "Olaines kūdra" the section „Investors relationships" is not yet developed.

2.1.6 The Issuer ensures that before the meeting the shareholders have been duly provided with the overall information related to the procedure of meeting, its place and voting regarding the decisions to be adopted, as well as information about agenda and draft decisions that shall be voted at the meeting. Likewise the Issuer shall inform the shareholders about the contact persons to get answers to any questions regarding the shareholders' meeting und issues of agenda and ensures the provision of additional information to the shareholders.

JSC (AS) "Olaines kūdra" follows this principle.

2.1.7 The Issuer provides that at least 14 (fourteen) days before the meeting the shareholders would have chance to get acquainted with the drafts of decisions that shall be adopted at the meeting, including also those issues that have been submitted already after the convocation of the meeting. The Issuer ensures the feasibility to familiarize with the full text of the drafts of resolutions, particularly it refers to the voting regarding the amendments of the Issuer's Articles, elections of officials of the Issuer, the assignment of their remuneration, distribution of the Issuer's profit and other issues.

JSC (AS) "Olaines kūdra" follows this principle.

2.1.8. The Issuer cannot in any way to restrict the representatives of shareholders. The candidates of council's members and other officials shall be duly nominated so that the shareholders at least 14 (fourteen) days before the shareholders meeting shall have information about the mentioned persons at least within the scope indicated in sub article 1.9 of this section.

JSC (AS) "Olaines kūdra" ensures the compliance of this principle considering the provisions of the Commercial Law regarding the procedure of nomination of the Council's members.

2.1.9 Particular attention shall be paid to the fact that shareholders shall have chance 14 (fourteen) days before the meeting to familiarize themselves with the information related to the candidates of members of Council the approval of which is planned during the shareholders' meeting. When publishing the information about the members of Council the brief biography of such persons shall be disclosed. The nomination of the members of Issuer's Council shall be performed with very careful consideration, it is advisable that the Issuer discloses such information as early as possible.

JSC (AS) "Olaines kūdra" shall be able to implement this principle in future when the Council will be re-elected.

2.1.10 The Issuer is not entitled to restrict the rights of shareholders during the meeting to consult among each other if it is necessary for decision making or for clarifying the issue.

JSC (AS) "Olaines kūdra" follows this principle.

2.1.1 In order to provide the shareholders with overall information regarding the procedure of the shareholders' meeting the Issuer develops the regulations of procedure of shareholders' meeting in which the procedure of the meeting and resolving of any organizational issues regarding the meeting are defined (for example, registration of participants of the meeting, procedure of adoption of decisions regarding the issues dealt in the meeting, the action of the Issuer in case any item of agenda is not taken up, or if the decision cannot be adopted, etc.). The procedures adopted by the Issuer regarding the participation in voting shall be easily enforceable.

JSC (AS) "Olaines kūdra" ensures the observance of this principle. The regulations of the shareholders' meeting have been developed.

2.1.12 The Issuer shall ensure that during the shareholders' meeting there will be possibility to ask questions to the nominees of officials to be elected and to other those present representatives of the Issuer. The Issuer is entitled to define reasonable provisions of the procedure of asking questions, for example, to exclude the possibility for one shareholder to use all time envisaged for questions and to state the maximum time limit for the speech of one person..

JSC (AS) "Olaines kūdra" ensures the observance of this principle.

2.1.13 Since by appointing of longer meeting break for unplanned long time the rights of shareholders to dispose freely of their shares are encumbered, it is not advisable to announce the discontinuance of the meeting. Circumstances under which such discontinuation can be announced shall be envisaged in the regulations of the meeting procedures. The meeting break can be for lunch, brief intermediate pauses (no longer than 30 minutes), etc.

JSC (AS) "Olaines kūdra" ensures the observance of this principle.

2.1.14. By reflecting in the minutes of the shareholders' meeting the course and contents of all issues of agenda discussed at the meeting, the chairman of the meeting shall ensure that in the event if any participant of the meeting requests so, the protocol shall reflect particular debates or the shareholder's proposals or questions shall be attached to the protocol in writing.

JSC (AS) "Olaines kūdra" ensures the observance of this principle.

2.2 **Participation of the issuer's management institutions and their candidates at the Shareholders' meeting** .

The members of the Issuer's Board, the auditor, as well as many as possible members of the Issuer's Council shall participate at the shareholders' meeting.

2.2.1 The participation of members of the Issuer's management institutions and the auditor at the meeting is necessary in order to ensure the exchange of information between the shareholders of the Issuer and the members of management institutions, as well as in order to provide the shareholders' rights to receive the answers of competent persons to their questions. At the shareholders meeting where the financial side of the Issuer is not discussed, the presence of the Issuer's auditor is not mandatory. By exercising the rights to ask questions the shareholders can obtain detailed information regarding conditions that could influence the evaluation of financial report and the Issuer's financial status.

JSC (AS) "Olaines kūdra" ensures the observance of this principle.

2.2.2 The candidates of officials the election of which is planned shall participate at the meeting. Particularly it refers to the members of Council. In case the candidate of the post of member of Council or the post of auditor cannot take part in the shareholders' meeting due to important reason it is allowable for the respective official not to participate at the shareholders' meeting. In this case all essential information regarding the candidate shall be disclosed before the meeting.

JSC (AS) "Olaines kūdra" does not apply this principle since the shareholders or shareholders' groups nominate the candidates of Council members directly at the shareholders' meeting.

2. During the shareholders' meeting the participants of the meeting shall have opportunity to obtain information related to the officials or candidates of officials that have not arrived at the meeting, as well as regarding reasons of such non-arrival. The reasons of non-arrival of the Issuer's officials at the shareholders' meeting should be fixed in the meeting minutes of the shareholders' meeting.

Until now JSC (AS) "Olaines kūdra" indicated in the minutes which of officials have arrived at the meeting, henceforth it is necessary to state in the minutes which officials or their candidates have not turned up at the meeting.

III. BOARD

The Board is the Issuer's executive institution that manages and represents the Issuer in its daily routines, accordingly the Issuer shall ensure that the Board should be efficient, eligible and able to make decision and profit gaining oriented, clearly defining its obligations and responsibilities.

3.1 Obligations and responsibilities of the Board.

The Issuer shall clearly and unambiguously define the obligations and responsibilities of the Board, its powers and responsibilities of its members, thus providing successful work of the Board and the increase of the Issuer's values.

3.1.1 The obligation of the Board is to manage the activities of the Issuer, including also the responsibility for the realization of goals and strategies set by the Issuer and also the responsibility for the results obtained. About the mentioned afore the Board is liable to the Council, as well as to the shareholders' meeting. By fulfilling its obligations the Board shall adopt resolutions apart from their personal interests or interests of the shareholders controlling the Issuer and it shall be governed by the internets of all shareholders considering the common interests of the Issuer or its related companies (or branches).

JSC (AS) "Olaines kūdra" observes this principle of corporate management.

3.1.2 The powers of the Board shall be defined in the bylaws of the Board or by the similar equivalent document that shall be published at the Issuer's website over the Internet. This document shall be also available at the Issuer's office.

JSC (AS) "Olaines kūdra" follows this principle partially, the Bylaws of the Board have been developed and it is available at the Issuer's office. The section of AS "Olaines kūdra" website „Investors relationships" has not been developed for the time being.

3.1.3 The Board is responsible also for the observation of all binding normative acts, for the management of risks, as well as for the financial operations of the Issuer.

JSC (AS) "Olaines kūdra" ensures the observance of this principle.

3.1.4 The Board shall fulfil defined obligations, namely:

1) Evaluation and advancement of corporate strategy, defined plans of actions, procedure of risk controlling, annual budget and business plans, ensuring the control over the fulfilment of plans and reaching the scheduled results;
2) Selection of top employees of the Issuer, fixing of their remuneration, controlling of their work and in case of necessity – their replacement following the staff policy of the Issuer.
3) Duly and qualitative submission of reports providing also the internal auditing and the control of information disclosure.

JSC (AS) "Olaines kūdra" ensures the observance of this principle.

3.1.5. In the annual report the Board acknowledges that the control procedures of internal risks are efficient and that the risk management and internal control within the whole year have been performed according the afore mentioned procedures.

JSC (AS) "Olaines kūdra" ensures the observance of this principle.

3.1.6. It is advisable that the Board should submit to the Issuer's Council for approval those decisions that are defining the Issuer's goals and strategies for achieving such

goals (participation in other companies, acquisition of properties or their alienation, expanding of activities by opening new agencies or branches or by expanding the field of activities, etc.).

JSC (AS) "Olaines kūdra" ensures the observance of this principle.

3.2 Structure of Board and requirements to be put forward on members of Board

_ The structure of Board approved by the Issuer shall have the ability to ensure sufficiently scathing and independent attitude in the decision making and resolution adoption process.

3.2.1 By formation of the Board it should be taken into account that each member of Board has appropriate education and work experience. The Issuer establishes the summary of requirements for the members of Board in which the necessary skills, education and previous work experience or other selection criteria are defined for each member of Board.

JSC (AS) "Olaines kūdra" observes this principle.

3.2.2.At the website of the Issuer the following information regarding each member of Board shall be placed: name, surname, year of birth, obtained education, the term of election, his/her position, description of his/her Professional experience over the last three years, the number of shares of the Issuer or its daughter/parent company owned by the respective member of Board, information related to other positions in other capital companies.

JSC (AS) "Olaines kūdra" has not observed this principle since in the website of JSC (AS) "Olaines kūdra" the section „Investors relationships" is not yet developed.

3.2.3 In order to successfully fulfil their duties the members of Board need to have duly and precise information regarding the activities of the Issuer. The Board shall have opportunity to provide objective evaluation about the Issuer's activities. The members of board shall have sufficient time for performance of their duties.

JSC (AS) "Olaines kūdra" observes this principle of corporate management.

3.2.4 It is not recommended one and the same member of Board to elect for more than four terms in turn. The Issuer shall evaluate whether in this way the development of the Issuer will be encouraged and whether it will be possible to avoid a situation when in one or in several persons' hands, considering their long-term working with the Issuer, the greater power is being concentrated. If such election has been allowed it would be advisable to reconsider the necessity to change the field of activities granted to the respective member of Board.

JSC (AS) "Olaines kūdra" partially observes this principle of corporate management because the commercial activity of the Issuer is production and professionals with great experience each in their own field are working in the Board.

3.3. Payment for work of members of Board

Each member of Board for his/her performed work shall receive fair and commensurate remuneration, the principles of assignment of remuneration shall be clear and outright.

3.3.1 The remuneration assigned to the members of Board shall be clearly defined and transparent. The Issuer's Council performs regular revision of the defined remuneration in accordance with the remuneration policy of the Issuer.

3.3.2 By defining the remuneration of the members of Board and by envisaging the 'variable part in this remuneration, it is recommended to link this remuneration with certain short-term and long-term goals. The adjustment of the variable part of

remuneration only to the results of short-term goals will not facilitate the interest of members of Board in the long-term development of the Issuer and in the improvement of results. It is recommended that the scope of remuneration and its structure shall depend upon the results of the company's operation, the price of shares and other events related to the Issuer.

3.3.3 The Issuer's Council by defining the remuneration of the members of Board shall follow the remuneration policy adopted by the Issuer. When evaluation the work performed by the members of Board the Council shall consider duties defined for each member of Board, the economical situation of the Issuer and other parameters being important for the evaluation of the work of the member of Board.

3.3.4 If for the remuneration the share options are granted to the member of Board giving him/her the rights to obtain the shares of the Issuer, the Issuer shall observe the provisions of assignment of share options stipulated in the Stock Exchange rules.

3.3.5 By disclosing the information regarding the total remuneration amount paid to members of the Issuer's Board, the Issuer, if possible, is welcomed to disclose also the information regarding the previous years so that investors can evaluate the remuneration policy applied to the members of the Issuer's for a long-time period, as well as the bond of the Issuer's development indices with the changes of the remuneration system.

JSC (AS) "Olaines kūdra" does not apply the corporate management principles defined in the section 3.3 " Payment for work of members of Board". The Council of JSC (AS) "Olaines kūdra " has not defined the remuneration for the members of Board since for their performed work the members of Board receive the payment as the specialists of the respective field.

3.4. **Identification of conflict of interests in the activities of members of Board**.

Each member of Board in his/her work shall avoid any conflict of interests and shall be to the utmost independent from any external conditions, with a desire to undertake responsibility for the adopted decisions and when making decisions related to the activities of the Issuer shall observe the generally accepted principles of ethics.

3.4.1 The duty of each member of Board in his/her activities is to eliminate any, even imaginary, conflict of interests. By making decisions the member of Board shall consider the interests of the Issuer and shall not use the cooperation proposals offered to the Issuer for gaining his/her own personal benefit. .

JSC (AS) "Olaines kūdra" ensures the observance of this principle.

3.4.2 About the arising of each and any of such interest conflicts or its possibility the member of Board shall promptly inform other members of Board. The member of Board shall notify about any transaction or agreement that the Issuer is planning to enter with the person who has close relationships with the member of Board or with the person who is related to the member of Board, as well as shall inform about the arising of interest conflicts within the term of concluded agreements.

The persons who have close relationships with the member of Board within the understanding of these recommendations are deemed to be: the spouse of the member of Board, his/her relative or brother-in-law, including the kindred till the second degree and the first degree affinity, or persons with whom the member of Board has a common household for at least one year. The persons related to the member of Board within the understanding of these recommendations are deemed to be legal persons in which the member of board or persons having close relationships with the member of Board has the position of the member of board or member of council or holding

another top office position where he/she can define or influence the operational strategy of the respective legal person.

JSC (AS) "Olaines kūdra" ensures the observance of this principle.

3.4.3 It is not advisable for the member of Board to take part in the decision making if such decision could create the interest conflicts.

JSC (AS) "Olaines kūdra" ensures the observance of this principle.

IV.COUNCIL

Pursuant to the legal acts the Council is the supervisory institution of the Issuer representing the interests of shareholders in between the shareholders' meetings and in cases stipulated in the Issuer's Articles supervising the activities of the Board.

4.1 Obligations and responsibility of Council.

The goal of activities of the Issuer's Council is to act in the interests of all shareholders, ensuring the increase of the Issuer's value. The Issuer shall clearly define the duties of the Council and responsibilities of its members, as well as shall provide that separate members of Council or the group of members cannot get the dominating position in decision making process.

4.1.1 The functions of the Council shall be defined in the by-laws of the Council or in similar equivalent document regulating the activities of the Council. These by-laws shall be placed at the website of the Issuer and shall be available also at the Issuer's office.

The Council of JSC (AS) "Olaines kūdra" performs its functions pursuant to the requirements stipulated in the Commercial Law. The section „Investors relationships" at the website of JSC (AS) "Olaines kūdra" is not yet developed.

4.1.2 In the Council Report annexed to the Annual Report of the Issuer the Council provides general information about its activities in the respective reporting year, the information regarding the observance of corporate management principles in the activities of the Issuer, as well as provides other necessary information upon its own discretion.

The Council of JSC (AS) "Olaines kūdra" provides the Report at the general meeting of shareholders starting from the Report of 2008 the „Corporate management report" has been annexed to the Annual report.

4.1.3 The supervision performed by the Council over the activities of the Board includes the supervision of achievement of the Issuer's goals, management of corporate strategy and risks, the process of financial reporting, the proposals of the Board regarding the utilisation of the Issuer's profit and the activities of the Issuer in compliance with the requirements of normative acts. Each of the mentioned issues the Council should discuss at least once a year by providing its own opinion considering the regularity of Council's meetings set in the normative acts. The results of meetings shall be reflected in the Council's report.

JSC (AS) "Olaines kūdra" observes this principle of management.

4.1.4 The Council and each of its member are responsible for obtaining all information necessary for fulfilment of their duties. Such information shall be obtained from the members of Board ad internal auditors or, if necessary, from the employees of the Issuer or external consultants. To ensure the exchange of information the chairman of the Council shall have regular contacts with the Issuer's Board, including the chairman of Board and shall discuss all most important issues regarding the Issuer's activities and development strategy, business operations or risk management.

JSC (AS) "Olaines kūdra" ensures the observance of this principle.

4.1.5 By defining the functions of the Council the duty of each member of Council shall be envisaged to provide explanations to the Issuer in cases when he/she cannot participate in the Council's meetings. It is recommended to disclose the information about those members of Council who has not attended more than half of the Council's meetings within the reporting year, indicating the reasons for such absence.

JSC (AS) "Olaines kūdra" has not implemented such regulations, the members of the Council are fulfilling their duties in good faith and only in separate occasions due to objective reasons they are absent at the Council's meetings.

4.1.6 The supervision provided by the Council is especially important in the fields where it is the great possibility of arising of interest conflicts: appointment of Board, fixing of remuneration for members of Board and auditing of the Issuer's operational activities. In order to ensure more efficient operation and distribution of responsibilities among the members the Council can establish individual commissions (auditing, nomination (regarding appointments), remuneration and other commissions).

4.1.7 Before the adoption of decision regarding the formation of the commission the Council shall consider the eventual benefits and the forecast the cost of work of such commissions, if such costs are envisaged. The structure and number of such commissions to be established upon the discretion of the Council in order to improve its work shall be defined by the Council itself. The Council shall inform the shareholders of the Issuer about the establishment of such commissions, shall include this information in the Report and shall disclose it at the Issuer's website. Over the Internet.

4.1.8 If resolution is adopted for formation of one or several commissions, the financing of work of commissions can be allowed only within the scope of the Council's budget approved at the shareholders' meeting. The hand over of particular issues under the charge of the commissions cannot be deemed as the hand over of the functions of the Council. The commissions of the Council do not substitute the Council and decisions of such commissions have only 'permissive character. The task of the commissions is to prepare proposals for the Council's decision making but the final decision is made by the Council itself.

JSC (AS)"Olaines kūdra" does not apply the principles defined in articles 4.1.6, 4.1.7, 4.1.8. JSC (AS) "Olaines kūdra" is a small company and the Professional work experience of members of its Council permits to organize the work of the Council without formation of commissions.

4.2. Structure of Council and requirements to be imposed on members of Council .

The structure of Council defined by the Issuer shall be transparent and comprehensive and shall ensure sufficiently scathing and independent attitude in the decision making and resolution adoption process.

4.2.1 The issuer shall request from each member of Council, as well as from the candidates of the member of Council that are planned to be elected at the shareholders' meeting to submit to the Issuer the following information: name, surname, year of birth, obtained education, the date of election, his/her position, description of his/her professional experience over the last three years, the number of shares of the Issuer or its daughter/parent company owned by the respective member of Council, information related to other positions in other capital companies. The information mentioned above shall be placed at the website of the Issuer in addition providing the term of election, his/her position, including other additional positions and duties, if any.

After the commencement of quotation of shares of JSC (AS) "Olaines kūdra" at the Stock Exchange such information was included in the Brochure, about the new elected members of Board the information was provided by using the information systems of Company News Service and ORICGS..

4.2.2 By defining the requirements for the members of Council and their candidates regarding their allowable additional number, the attention shall be brought to the fact that the member of Council should have sufficient time for performance of his/her duties so that they can successfully fulfil their work tasks and can fully dedicate themselves for working in the interests of the Issuer.

JSC (AS) "Olaines kūdra" ensures the observance of this principle.

4.2.3. By forming the Issuer's Council one should take into account the qualification of its members and it shall be revised periodically. The structure of the Council shall be formed by the members having as a whole different knowledge, opinions and experience so that the Council could successfully cope with its tasks.

JSC (AS) "Olaines kūdra" ensures the observance of this principle.

4.2.4 Each member of Council shall be to the utmost independent from any external conditions, with a desire to undertake responsibility for the adopted decisions and when making decisions related to the activities of the Issuer shall observe the generally accepted principles of ethics.

JSC (AS) "Olaines kūdra" ensures the observance of this principle.

4.2.5 When evaluation the particular person's eligibility of the independent member's status, it is not possible to set up a list where all conditions are defined that could interfere with the independence of the members of Council or in which such independence can be used. Hence the Issuer when evaluating the independence of the member of Council shall follow the independence criteria stipulated in the Annex.

4.2.6. It is advisable that at least half of all members of Council are independent pursuant to the independence criteria of members of Council stated in the Annex. If the number of members of Council forms the odd number then the independent members of Council can be one number less that those who do not satisfy the independence criteria defined in the Annex.

4.2.7 The independent person is deemed to be the person satisfying the independence criteria of the member of Council stated in the Annex. If the member of Council does not satisfy any of independence criteria of the members of Council mentioned in the Annex and the Issuer still deems such member to be independent, then the Issuer shall provide more detailed explanation of the tolerated deviations.

4.2.8 The person's conformity with the independence criteria given in the Annex shall be evaluated at the early stage of nomination of respective candidates for the members of Council. Each year the Issuer in its Report shall disclose the information about the member of Council that are deemed to be independent.

JSC (AS) "Olaines kūdra" these principles (4.2.5, 4.2.6,4.2.7, 4.2.8) observes partially since the members of Council are nominated for election according to the requirements of the Commercial Law. According to the Commercial Law the members of Council during the adoption of decisions are independent are responsible before the company for the losses incurred by the company.

4.3 Payment for work of members of Council

The principles of assignment of remuneration for the work performed by the members of Council shall be clear and outright and the commensurability principle shall be observed.

4.3.1 If the member of Council is assigned a remuneration for fulfilment of his/her duties, it shall be envisaged in the remuneration policy of the Issuer.
4.3.2 When hearing the Report of the Council at the ordinary shareholders' meeting it is advisable to provide the evaluation of the Council's work. The shareholders shall evaluate the Report of the Council and other information provided by the Council to the shareholders and that allows evaluating the quality and expedience of tasks performed by the Council. If such evaluation of Council's work is performed then it shall include also the evaluation of the structure of the Council, its work organization and ability to act as a whole, as well as the evaluation of competence of each member of Council.
4.3.3 The total amount of remuneration assigned to the members of Council the Issuer shall disclose in the Report. The Issuer shall disclose the total amount of remuneration as well as it shall separately state the variable part of remuneration, if any. The variable part of remuneration is deemed to be any payments assigned to the members of Council that are not a salary, for example: remuneration paid depending upon the financial results of the Issuer (bonuses), share options giving the rights to the Issuer' shares, participation in pension funds, etc.).
4.3.4 By fixing the remuneration of the members of Council and envisaging the variable part of the remuneration structure it is usually tied up with the previously defined short-term and long-term goals.
4.3.5 By disclosing the information regarding the amount of remuneration paid to the members of the Issuer's Council, if possible, the Issuer is welcomed to disclose the information regarding also the previous reporting years, if it was not disclosed before. Such disclosure of information regarding the previous reporting years is important since in this way the investors can evaluate the remuneration policy applied to the members of the Issuer's for a long-time period, as well as the link of the Issuer's development indices to the changes of the remuneration system.
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JSC (AS) "Olaines kūdra" does not apply the corporate management principles defined in articles 4.3.1, 4.3.2, 4.3.3,4.3.4,4.3.5, because the shareholders meetings of JSC (AS) AS "Olaines kūdra" does not provide for the remuneration to the members of Council.

4.4. Identification of conflict of interests in the activities of members of Council.

Each member of Council in his/her work shall avoid any conflict of interests and shall be to the utmost independent from any external conditions, with a desire to undertake responsibility for the adopted decisions and when making decisions related to the activities of the Issuer shall observe the generally accepted principles of ethics.

4.4.1 The duty of each member of Board in his/her activities is to eliminate any, even imaginary, conflict of interests. By making decisions the member of Council shall consider the interests of the Issuer and shall not use the cooperation proposals offered to the Issuer for gaining his/her own personal benefit.
.4.4.2 About the arising of each and any of such interest conflicts or its possibility the member of Council shall promptly inform other members of Council. The member of Council shall notify about any transaction or agreement that the Issuer is planning to enter with the person who has close relationships with the member of Council or with the person who is related to the member of Council, as well as shall inform about the arising of interest conflicts within the term of concluded agreements.

The persons who have close relationships with the member of Council within the understanding of these recommendations are deemed to be: the spouse of the member of Council, his/her relative or brother-in-law, including the kindred till the second degree and the first degree affinity, or persons with whom the member of Council has a common household for at least one year. The persons related to the member of Council within the understanding of these recommendations are deemed to be legal persons in which the member of Council or

persons having close relationships with the member of Council has the position of the member of board or member of council or providing auditor's services or holding any other top office position where he/she can define or influence the operational strategy of the respective legal person.

4.4.3 The member of Council being in the interest conflict situation is not recommended to participate in the adoption of decisions that can be related to the creation of such conflict of interests.

JSC (AS) "Olaines kūdra" observes the corporate management principles mentioned in articles 4.4.1, 4.4.2, 4.4.3.

V. DISCLOSURE OF INFORMATION.

The good praxis of corporate management for the Issuer whose shares are included in the regulated market of Stock Exchange is deemed to be that the information disclosed by the Issuer shall provide the conception about the economic activities of the Issuer and their financial results. It facilitates the defining of reasonable price of financial instruments being in public circulation, as well as increases trust to the financial and capital markets. The disclosure of information is closely related to the investors relationships (hereinafter – IR), that can be defined as the process of formation of the Issuer's relations with its potential and existing investors and other parties interested in the activities of the Issuer.

5.1. Transparency of activities of the Issuer.

The information published by the Issuer shall be well timed and it shall allow the shareholders to evaluate the management of the Issuer. Such information shall provide the concept regarding the operation of the company and its financial results, as well as it shall permit to adopt well-grounded decisions regarding the shares owned by the Issuer's shareholders.

5.1.1 The structure of corporate management shall be formed in such a way that it ensures timely and exhaustive information regarding the essential issues related to the Issuer, including its financial situation, results of its operations and structure of owners.

5.1.2 The information to be disclosed shall be checked, precise, unambiguous and prepared in accordance with the high quality standards.

5.1.3 The Issuer should appoint a person who on behalf of the Issuer is entitled to contact with the press and other mass media thus ensuring the unique distribution of information, avoiding the publication of contradicting and false information and who in case of necessity can be reached by both the Stock Exchange and the investors.

5.1.4 The Issuer shall provide timely preparation and disclosure of financial reports and annual reports of the Issuer, meeting the respective requirements for such reports. Preparation procedure of such reports should be envisaged in the internal procedures of the Issuer..

JSC (AS) "Olaines kūdra ensures the observation of corporate management principles provided in articles 5.1.1,5.1.2,5.1.3,5.1.4.

5.2 Relationships of investors.

Considering the fact that the shares of the Issuer are offered at the regulated market, such field of activity as the relationships of investors are important as well (hereinafter – IR) especially paying attention to the development and maintenance of such relations, particularly considering the fact that all shareholders are duly provided by equal, timely and sufficient information.

5.2.1 The main goal of IR is the provision of precise and true information related to the Issuer's activities to the participants of the financial market, as well as ensuring of feed-back, namely receipt of references from existing and potential investors and other persons. By implementing the IR process it should be taken into account that institutional investors and financial market analysts are not the only participants of the target audience. Ever bigger

accent shall be put on individual investors, to other interested parties: to the provision of information to employees, creditors and transaction partners.

JSC (AS) "Olaines kūdra" provides regular information, submission of reports, as well as their publishing using the systems of Company News service (Stock Exchange) and ORICGS (Financial and capital market commission)..

5.2.2 For IR circulation several channels can be used. The strategy of the Issuer's IR shall be planned by using the facilities of Technologies (website at the Internet), by communicating with mass media, by establishing relations with participants of the financial market. Considering the stage of development and availability of technologies for IR the Internet is used in any contemporary company.

5.2.3 Main principles that should be observed by the Issuer when developing the section IR of its website:

1) The IR section of the website shall be considered not only as the storage place of information or facts but also as one of the primary communication means that helps to inform existing and potential investors.
2) All visitors of the IR section of the Internet website shall have convenient opportunity to reach all published information. The information shall be reflected in all foreign languages that the Issuer generally uses for spreading of information so that the foreign investors shall not be discriminated. But it shall be observed that the information shall be disclosed at least in the Latvian and in the English language.
3) It is advisable to consider the solutions allowing the existing and potential investors to maintain the contact with the Issuer by using the IR section of the website – to ask questions and receive response, to order the recent information, to Express their opinion, etc.
4) The information provided at the website shall be updated regularly and the most important news regarding the activities of the Issuer shall be promptly placed on the website. The old and outworn information that can mislead the users is not acceptable.
5) After the development of the website its developers are welcome to evaluate the IR section from the user's standpoint – can the information the user need is easily found, can this placed information provide the answers to most essential questions, etc.

5.2.4 The Issuer shall ensure that the IR section of the website shall provide at least the following information:

1) General information about the Issuer – the history of its establishment and activities, registration details, description of the field of industry, main types of activities;
2) The Issuer's Report (notice and explain) regarding the implementation of corporate management principles;
3) Number of issued and paid up financial instruments, indicating the number of those included in the regulated market;
4) Information regarding the organization of shareholders' meetings, the drafts of resolutions to be reviewed, the adopted decisions –at least for the last reporting year;
5) The Issuer's Articles of Association;
6) By-laws of the Issuer, the Board, the Council or similar equal document regulating their activities, the remuneration policy of the Issuer and the

regulations of course of shareholders' meeting if such regulations have been adopted;

7) The description of duties of commissions if such have been established, description of work duties, as well as the information related to issues solved by the commission;
8) Information regarding the existing members of Board and Council of the Issuer (about each separately), Professional work experience, education, the Issuer's shares presently owned (status at the beginning of the year, the information shall be updated as necessary but at least once a year), positions in other companies, as well as terms of powers of members of Board and Council;
9) The Issuer's shareholders who owns at least 5% of the Issuer's shares and information regarding the change of shareholders;
10) Financial statements and Annual report of the Issuer prepared in accordance with the order stipulated in the normative acts and Stock Exchange rules;
11) Any other information that the issuer shall disclose, for example, information regarding essential events, the press releases prepared by the Issuer, the archival information about the financial statements and Annual reports of the Issuer for the previous periods, etc.

JSC (AS) "Olaines kūdra" has not ensured the application of corporate management principles stated in articles 5.2.2, 5.2.3, 5.2.4, namely, due to insufficient financial resources the IR (Investors relationship) section of the website has not been developed.

VI. INTERNAL CONTROL AND RISK MANAGEMENT

The purpose of internal control and risk management is to provide the successful and efficient operation of the Issuer, the fairness of provided information and compliance with respective normative acts and operational principles. The internal control assists the Board to identify shortages in the management system of the Issuer and potential risks, as well as facilitates the efficient execution of the Council's duty – to supervise the activities of the Board.

6.1 The principles of operation of the Issuer's external and internal control.

To ensure the successful operation of the Issuer it is necessary to envisage its control and to specify the order for execution of internal and external control (auditing).

6.1.1 In order to secure successful operation the Issuer shall constantly control its activities – including the definition of the internal control order.

6.1.2 The purpose of risk management is to ensure the exploration and supervision of risks related to the commercial activity of the Issuer. In order to provide efficient risk management, it is necessary to specify the general principles of risk management. It is advisable to characterize the most essential potential and existing risks related to the activities of the Issuer.

JSC (AS) "Olaines kūdra" the principles of sub-articles 6.1.1 and 6.1.2 observes partially. By restoring the quotation of shares at the Stock Exchange JSC (AS) "Olaines kūdra" has studied and defined the business related risk, the impact of risks is evaluated in the Management (Board) Report appended to the Annual report of JSC (AS) "Olaines kūdra". The order of inner control is not defined.

6.1.3 The auditor shall be provided with information necessary for performance of his duties, as well as with opportunity to participate in the Council and Board meetings, where the financial results or other issues are discussed..
6.1.4 In his/her work the auditor shall be independent and his/her task is to provide the Issuer with independent, objective an consultative auditing services in order to facilitate the work efficiency of the Issuer and to support the management of the Issuer in reaching of the highlighted goals by offering systematic approach in evaluation and improvement of risk management and control processes..
6.1.5 At least once a year it is recommended to perform an independent internal check-up thus evaluating the activities of the Issuer including compliance of activities with the procedures approved by the Issuer.
6.1.6 By approving the auditor it would be advisable that the term of powers of one auditor does not coincide with the term of the Board powers.
JSC (AS) "Olaines kūdra" has not applied the principles of sub-articles 6.1.3, 6.1.4,6.1.5,6.1.6. JSC (AS) "Olaines kūdra" doe snot have its own internal auditor due to the fact that JSC (AS) "Olaines kūdra" is a comparatively small business and the costs of its own internal auditor would influence the cost-efficiency of the company.

VII. REMUNERATION POLICY

7.1 Issuer's remuneration policy

The remuneration policy for members of Board and Council is the remuneration form, structure and scope. It is one of the fields where the persons involved have potentially greater risk to get into the situation of conflict of interests In order to avoid this the Issuer is recommended to specify clear remuneration policy.

7.1.1 The Issuer is welcome to develop the remuneration policy where the main principles of remuneration, eventual remuneration schemes and other related essential issues shall be set forth. The development of remuneration policy shall be assigned to the Council of the Issuer that during the development of such policy shall consult with the Issuer's Board. Remuneration policy or its most significant constituent parts are to be published as any other essential information related to the Issuer's activities.
7.1.2 Schemes of variable remuneration in which as a remuneration the shares or options of shares are envisaged, as well as any essential amendments to such schemes shall be discussed at the shareholders' meeting and in case of necessity the respective decisions shall be adopted. Considering the mentioned above the shareholders before the meeting shall be provided with all necessary information.
7.1.3 The remuneration schemes where as a remuneration the Issuer's shares are envisaged theoretically can cause losses to the Issuer's shareholders since due to the emission of new shares the decrease of value of shares is possible. Hence before the development and approval of any such remuneration scheme it is necessary to consider and evaluate all benefits or losses.
7.1.4 by developing the remuneration policy the Issuer shall obligatory disclose the information how the Issuer is planning to ensure the number of shares that shall be assigned in accordance with the approved remuneration schemes, shall they be purchased on regulated market or it is planned to issue new shares.
JSC (AS) "Olaines kūdra" does not observe the principles of corporate management of remuneration defined in article 7.1, because neither for the

Council of JSC (AS) "Olaines kūdra" nor for its Board the remuneration is envisaged; also any other payment for work is not provided, including the Issuer's shares in a form of remuneration.

VIII Annex.

Independence criteria of the members of Issuer's Council.

The independent member of Council of the Issuer is deemed to be the member of Council which:

1) has not been the member of board or council of the Issuer or its related company or the shareholder controlling the Issuer for previous last three years and also does not hold such office also at the time period when he is a member of the Council. The companies related to the Issuer are deemed to be companies that are included in the consolidated financial report of the Issuer or the companies that include in their consolidated financial reports the Issuer;
2) is not an employee of the Issuer or its related companies or the shareholder controlling the Issuer, except the cases when the respective candidate of member of Council is nominated for election to the Council directly as a representative of the Issuer;
3) in addition to the remuneration received by him/her as being the member of Council he/she does not receive or has not received an outstanding additional remuneration from the Issuer, from its related companies or from the shareholder controlling the Issuer;
4) neither directly nor indirectly represents the shareholders controlling the Issuer;
5) neither at the moment of approval nor during the last year before the person's approval as the member of Council, neither directly nor indirectly has been in significant transaction relations with the Issuer, with its related companies or the shareholder of the issuer, neither directly nor as a partner, shareholder or top manager;
6) during the last three years has not been the internal auditor, controller or employee in the company that is performing the functions of external auditor at the Issuer's, at its related companies or in the company that is a controlling shareholder of the Issuer;.
7) is not a member of board or other leading employee in other company where the member of board of the Issuer performs the functions of the member of council, and he/she has no other significant relations with the member of Board of the Issuer when acting together in other companies or organizational units (mutually bound control relations);
8) has not been the member of Council of the Issuer more than 10 (ten) years in turn;
9) is not a family member of the members of Board or persons to whom the criteria mentioned in the sub-points (1) till (8)of this Annex shall apply (the family member in the understanding of this article is deemed to be a spouse, parents or children).

In accordance with
the Chapter 12 of the Law "On Annual Reports"

Name of the Company **JSC "Olaines kūdra"** by UUK

Registration No. 40003006999

Address Rīgas 21,Olaine,LV-2114 by ATK

Telefphone 67964254 Fax 67964203

Management institution by VPIIK

SRS Riga regional institution, Riga distric department

Type of business Extraction and processing of peat by ISIC

Measurement unit LVL/EUR

PROFIT OR LOSS STATEMENT

(ACCORDING TO THE TURN-OVER METHOD)

(reporting period: 01.01.2008.-31.12.2008.)

Name of indices	Number of Notes	2008		2007	
1	2	LVL	EUR	LVL	EUR
Net turn-over	15	1318263	1875730	1178539	1676919
Cost of production of sold products	16	-1163133	-1654999	-961616	-1368264
Gross profit or losses		**155130**	**220731**	**216923**	**308655**
Sales costs	17	-143416	-204064	-126853	-180497
Administrative costs	18	-85216	-121252	-66476	-94587
Other income from economic activity	19	36393	51783	20444	29089
Other expenses of economic activity	19	-10055	-14307	-10260	-14599
Other interest income and similar income	20	492	700	1381	1965
Interest payments and similar expenses	21	-1628	-2316		
Profit or loss before extraordinary items and taxes		**-48300**	**-68725**	**35159**	**50027**
Profit or loss before taxes		**-48300**	**-68725**	**35159**	**50027**
Company's income tax in the reporting year		0		-6309	-8977
Income and expenses related to deferred tax liabilities and assets		3153	4486	-4243	-6037
Other taxes		-14621	-20804	-17494	-24892
Profit or loss of the reporting year	22	**-59768**	**-85043**	**7113**	**10121**

The Law of the Republic of Latvia
"On Annual Reports",
Sectiojn 2, chapter 10

Name of the Company	**JSC "Olaines kūdra"**
Registration No. In Commercial Register	40003006999
Tax payer's registration number	40003006999
Address	Rīgas 21,Olaine,LV-2114
Telephone	67964254 Fakss 67964203
Management institution	
Tax authority	
the main type of business	Extraction and processing of peat
Measurement unit	LVL/EUR

BALANCE SHEET

(reporting period: 01.01.2008.-31.12.2008.)

Submission date	
Receiving date:	

ASSETS	Number of Note	At the end of the Reporting period		At the beginning of the year	
1	2	LVL	EUR	LVL	EUR
LONG-TERM INVESTMENTS					
Intangible assets					
Concessions, patents, licenses, trade marks and similar rights		126	179	562	800
I. TOTAL:	1	126	179	562	800
Fixed assets					
Land plots, buildings and structures annd perennial plants		524711	746601	567740	807826
Equipment and machinery		265920	378372	228145	324623
Other fixed assets and inventory		10500	14940	9509	13530
Formation of fixed assets and costs of unaccomplished construction objects		8974	12769	8974	12769
II. TOTAL:		810105	1152682	814368	1158748
GRAND TOTAL OF THE FIRST SECTION		810231	1152861	814930	1159548
CURRENT ASSETS					
Stocks					
Raw material, basic materials and auxiliary materials	2	190828	271525	210742	299861
Unfinished produce		53	75	53	75
Finished produce and goods for sale		391479	557028	303929	432454
Advance payments for goods	3	2745	3906	10225	14549
I. TOTAL:		585105	832534	524949	746939
Debtors					
Debts of customers and clients	4	203501	289557	170108	242043
Other debtors	5	64642	91978	46313	65897
Deferred expenses	6	5606	7977	3116	4434
III.TOTAL:		273749	389512	219537	312374
Short-term financial investments					
Own shares	7	6000	8537	6000	8537
IV. TOTAL:		6000	8537	6000	8537
Cash (total)	8	318372	453005	415308	590933
GRAND TOTAL OF THE SECOND SECTION		1183226	1683588	1165794	1658783
BALANCE		**1993457**	**2836450**	**1980724**	**2818331**

LIABILITIES	Piezīmes numurs	Pārskata beigās	perioda	Pārskata beigās	perioda
1	2	LVL	EUR	LVL	EUR
Shareholders' funds					
Share capital (equity capital)	9	1800000	2561184	1800000	2561184
Reserves:					
other reserves	10	37850	53856	37850	53856
I. TOTAL:		1837850	2615040	1837850	2615040
Retained earnings					
retained earnings from the previous years		44847	63812	44847	63810
retained earnings of the reporting year		-59768	-85043		
GRAND TOTAL OF THE SECTION		1822929	2593809	1882697	2678850
ACCRUALS					
Other accruals	11	23692	33711	18068	25709
GRAND TOTAL OF THE SECOND SECTION		23692	33711	18068	25709
3.CREDITORS					
I. LONG-TERM CREDITORS					
Debts to suppliers and contractors	12	33769	48049		
Deferred tax liabilities		53750	76480	56903	80966
I.TOTAL:		87519	124529	56903	80966
SHORT-TERM CREDITORS					
Advances from customers		9400	13375	7089	10087
Debts to suppliers and contractors	12	15083	21461	4128	5874
Taxes and state obligatory social insurance contributions	13	16540	23534	92	130
Other creditors	14	18294	26030	11747	16715
II. TOTAL:		59317	84401	23056	32806
GRAND TOTAL OF THIS SECTION		146836	208930	79959	113772
BALANCE		**1993457**	**2836450**	**1980724**	**2818331**

In accordamce with the Latvian accounting standard No.2 "Cash flow statement"

Name of the company **JSC "Olaines kūdra"**

Registration No. In ER 40003006999

Tax payer's reg.No.: 40003006999

Address: Rīgas 21,Olaine,LV-2114 Tel. 7964254

Fax 7964203

SRS Riga regional institution, Riga District department

Measurement unit LVL/EUR

CASH FLOW STATEMENT FOR THE YEAR 2008
(reporting period: 01.01.2008.-31.12.2008.)
(with a direct method)

		Annexes	01.01.-31.12. 2008		01.01.-31.12. 2007	
			LVL	EUR	LVL	EUR
	I. Cash flow from basic activity					
1	Income from sales of goods and provided services		1440394	2049508	1267128	1802971
2	Payments to suppliers, employees and other operating expenses		-1461317	-2079279	-1205990	-1715979
3	*Gross basic acrivity cash flow*		*-20923*	*-29771*	*61138*	86992
4	Expenses on interest payment		-715	-1017		0
5	Expenses on company's income tax payments		-4142	-5894	-9080	-12920
6	*Cash flow before extraordinary items*		*-25780*	*-36682*	*52058*	74072
	I. Operation net cash flow		**-25780**	**-36682**	**52058**	**74072**
	II. Investment operation cash flow					
1	Procurement of fixed assets and intangible assets	23	-79587	-113243	-68839	-97950
2	Income from selling of fixed assets and intangible assets		300	427	550	783
3	Granted loans		-353020	-502305	-610228	-868281
4	Income from repaid loans		351121	499603	608748	866175
5	Income from interest payment		11658	16588	7388	10512
	II. Investment operation net cash flow		**-69528**	**-98930**	**-62381**	**-88761**

SUMMARY OF CASH INCOME AND EXPENSES

I	**Result of basic activity**		**-25780**	**-36682**	**52058**	**74072**
II	**Result of investment operation**		**-69528**	**-98930**	**-62381**	**-88761**
III	**Result of fluctuation of foreign currency rates**		**-1628**	**-2316**	**-584**	**-831**
IV	**Net increase or decrease of cash and its equivalents**		**-96936**	**-137928**	**-10907**	**-15520**
V	**Residual of cash and its equivalents at the beginning of the reporting period**		**415308**	**590933**	**426215**	**606453**
VI	**Residual of cash and its equivalents at the end of the reporting period**		**318372**	**453005**	**415308**	**590933**

Name of the Company **JSC "Olaines kūdra"** In accordance with the Latvian accounting standard No.2

STATEMENT OF OWN CAPITAL CHANGES FOR THE YEAR 2008

(reporting period: 01.01.2008.-31.12.2008.)

(WITH A HORIZONTAL METHOD)

	Equity capital		**Other reserves**		**Retained earnings**		**Own capital (total)**	
	LVL	EUR	LVL	EUR	LVL	EUR	LVL	EUR
Residual according to balance sheet as of the beginning of the previous reporting period 01.01.2007	1800000	2561184	37850	53856	37734	53 691	1875584	2668731
Retained earning of the reporting year					7 113	10 121	7113	10121
Residual according to the balance sheet as of the beginning of the reporting period 01.01.2008	1 800 000	2 561 184	37 850	53 856	44 847	63 812	1882697	2678852
Retained earnings of the reporting year					-59 768	-85 043	-59 768	-85 043
Residual according to the balance sheet as of the end of the reporting period 31.12.2008	1 800 000	2 561 184	37 850	53 856	-14 921	-21 231	1822929	2593809

Name of the company **JSC "Olaines kūdra"**

STATEMENT OF LONG-TERM INVESTMENT MOVEMENT FOR 2008

(reporting period: 01.01.2008.-31.12.2008.)

LVL

N.p.k.	Type of Lomg-Term invesntments	Initial value				Depreciation (write-off of value)				Residual value	
		On 01.01. 2008.g.	purchase and manufacturing (+)	movement and exemption from operation (+,-)	On 31.12. 2008.g.	On 01.01. 2008.g.	calculated in the reporting year (+,-)	exzcluded due to the exemption from operation (-)	On 31.12. 2008.g.	On 01.01. 2008.g.	On 31.12. 2008.g.
	I. Intangible investments total)	**5 056**	**-**	**-**	**5 056**	**4 494**	**436**	**-**	**4 930**	**562**	**126**
	incl.:										
1	Licences	1 063			1 063	871	66		937	192	126
2	Trademarks	143			143	143			143	-	-
3	Peat amount determine	2 000			2 000	2 000			2 000	-	-
4	Accounting software	1 850			1 850	1 480	370		1 850	370	-
	II. Fixed assets (total)	**2 043 993**	**104 816**	**-1 660**	**2 147 149**	**1 229 625**	**109 079**	**-1 660**	**1 337 044**	**814 368**	**810 105**
	incl.:										
1	Land plots, buildings, structures and perennial plants	1 028 058			1 028 058	460 318	43029		503 347	567 740	524 711
2	Equipment and machinery	967 067	100 638	-1317	1 066 388	738 922	62 863	-1317	800 468	228 145	265 920
3	Other fixed assets and inventory	39 894	4 178	-343	43 729	30 385	3 187	-343	33 229	9 509	10 500
4	Placement of fixed assets and costs of incomplete construction objects	8 974			8 974				-	8 974	8 974
	Total long-term investments	**2 049 049**	**104 816**	**-1 660**	**2 152 205**	**1 234 119**	**109 515**	**-1 660**	**1 341 974**	**814 930**	**810 231**

EUR

N.p.k.	Type of Lomg-Term invesntments	On 01.01. 2008.g.	purchase and manufacturing (+)	movement and exemption from operation (+,-)	On 31.12. 2008.g.	On 01.01. 2008.g.	calculated in the reporting year (+,-)	exzcluded due to the exemption from operation (-)	On 31.12. 2008.g.	On 01.01. 2008.g.	On 31.12. 2008.g.
	I. Intangible investments total)	**7 194**	**-**		**7 194**	**6 394**	**621**		**7 015**	**800**	**179**
	incl.:										
1	Licences	1 513			1 513	1 240	94		1 334	273	179
2	Trademarks	203			203	203			203	-	-
3	Peat amount determine	2 846			2 846	2 846			2 846	-	-
4	Accounting software	2 632			2 632	2 105	527		2 632	527	-
	II. Fixed assets (total)	**2 908 357**	**149 141**	**-2 362**	**3 055 136**	**1 749 609**	**155 206**	**-2 362**	**1 902 453**	**1 158 748**	**1 152 682**
	incl.:										
1	Land plots, buildings, structures and perennial plants	1 462 804			1 462 804	654 977	61225		716 202	807 827	746 601
2	Equipment and machinery	1 376 020	143 196	-1874	1 517 342	1 051 398	89 446	-1874	1 138 970	324 622	378 372
3	Other fixed assets and inventory	56 764	5 945	-488	62 221	43 234	4 535	-488	47 281	13 530	14 940
4	Placement of fixed assets and costs of incomplete construction objects	12 769			12 769				-	12 769	12 769
	Total long-term investments	**2 915 551**	**149 141**	**-2 362**	**3 062 330**	**1 756 003**	**155 827**	**-2 362**	**1 909 468**	**1 159 548**	**1 152 861**

Addition: including basic facilities without a remaining cost – amount is 254 th., initial cost – LVL 501856 / EUR 714094.

ANNEX TO THE ANNUAL REPORT
OF JSC "OLAINES KŪDRA"

MAIN PRINCIPLES OF DRAFTING OF THE ANNUAL REPORT.

The Annual Report has been prepared in accordance with the Laws of the Republic of Latvia „On accounting/Bookkeeping", „On Annual Reporting" and Latvian Accounting Standards (LGS) LGS No.1; LGS No.2 LGS No.3; LGS No.4; LGS No.5;LGS No.6;LGS No7,LGS No8; issued by The Ministry of Finance of the Republic of Latvia, that shall be applied in the Reporting year.

Profit or Loss Statement has been prepared in accordance with the method of turn-over of expenses.

The Financial Report provides true and clear view on the financial means of the company, its liabilities, financial standing and profit.

The accounting ensures that the Financial Report provides substantial information for the users of e financial reports to adopt the resolution:

- It is reliable.
- Reports truly reflect the results of the Company's activities and its financial standing, specifying not only the legal form of transactions but also their economical contents.

THE ITEMS OF THE ANNUAL REPORT HAVE BEEN EVALUATED IN ACCORDANCE WITH THE FOLLOWING ACCOUNTING PRINCIPLES:

- Assuming that the Company will continue its activities;
- By using the same evaluation methods that have been used in previous years even n case if they are established in the period between the balance date and the date of drafting the Annual Report;
- Evaluation has been performed with adequate caution, taking into account the following provisions:
- The profit gained only till the balance date has been included into the Report;
- All forecast risk sums and the losses incurred in the reporting year or in previous years have been taken into account, even in case, they have been established in the period between the balance date and the date of drafting the Annual Report;
- All sums of value decrease and depreciation have been calculated and taken into account irrespectively of profit or loss at the end of the reporting year.
- Expenses and income related to the reporting year have been included in the Profit or Loss Statement irrespectively of the date of payment and the date of receiving or issuing of the invoice. Expenses have been tuned with income in respective reporting periods;
- The Assets and the Liabilities have been evaluated separately;
- The balance at the beginning of the Reporting year coincides with the closing balance of the previous year;
- All items are specified that essentially influence the evaluation or decision making by the users of the Annual Report;
- The economic transactions of the Company have been booked and reflected, taking into account their economical contents and essence instead of only the legal form.

CURRENCY UNIT AND RE-EVALUATION OF FOREIGN CURRENCY.

In the Annual Report and in the accounting the Latvian currency unit – a lat has been used as a currency unit and a unit of value.

All Assets and Liabilities cash items have been recalculated in lats according to the currency rate established by the Bank of Latvia at the last day of the reporting year:

	2008	2007
EUR	0,7028	0,7028
USD	0.495	0,484

The profit or loss due to the fluctuations of the rate of foreign currencies has been reflected in the Profit or Loss Statement of the respective period.

LONG-TERM AND SHORT-TERM POSITIONS.

Sums of Assets have been specified in short-term assets:

- The sums envisaged for distribution or consumption within the ordinary cycle of the Company's activity.
- The sums kept for short term and are envisaged to distribute within 12 months after the rafting of the balance sheet.
- These are monies or its equivalent that have unrestricted utilisation potential.

Other assets have been classified as long-term ones.

The liability sums have been specified in Liabilities:

- The sums due within the ordinary cycle of the Company's activity.
- The sums to be paid no later than within 12 months after the balance date.

Other liabilities are classified as long-term ones.

INTANGIBLE ASSETS

Intangible assets mainly consist of different licenses, accounting softwares. Intangible assets have been accounted for at their initial value that is depreciated during the expedient usage time of assets by applying the linear method. For intangible assets the depreciation rate is established in the amount of 20%.

FIXED ASSETS

Fixed assets have been accounted at their initial value deducting accumulated depreciation and decrease of value. The depreciation of land has not been calculated. Depreciation has been calculated in the expedient usage time of assets by applying the linear method. Depreciation is calculated starting from the next month following the assets' putting into operation or involvement of assets in the economic activity. In the event if the fixed assets are sold or written-off, their initial value and accumulated depreciation are excluded from accounting, and the profit or loss from the sales or writing-off of assets are reflected in the calculation of profit or loss. The following depreciation rates have been applied for the fixed assets:

-buildings and structures from 1 to 5% per year;
-narrow-gauge railway 6,7% per year;
-peat extraction equipment and machinery, tractors, small trailers from 10 to 33% per year;
-wagons for peat removal and diesel engines 10% per year;
-computers from 20% to 33% per year.

EVALUATION OF STOCKS.

- Stocks – procured materials, spare parts, small/low value inventory and fuel have been evaluated by FIFO method.
- Completed products in production costs.
- Residuals of stocks have been checked during auditing.

DEBTS OF CUSTOMERS AND CLIENTS AND OTHER DEBTORS.

Residuals of debtors' debts have been reflected in the balance sheet in their net value calculated from the accounting value of these debts in accordance with book-keeping data by deducting the residuals of reserves formed for unsecured debts. For dubious debtors' debts, the reserves are formed in the amount of doubted sums.

UTILISATION OF ESTIMATION.

By preparing the Annual Report the management has to rely upon certain estimations and assumptions that influence the residuals of positions of the balance sheet and the profit and loss statement of the annual report. The estimates/calculations are used in relation to reserves, doubtful/bad debts and stocks, as well as to the determination of depreciation. Future events can influence the assumptions, basing on which the respective estimations/calculations have been made.

RESERVES/ACCRUALS

The accruals have been acknowledged if the Company has liabilities due to some vent in past and the possibility exists that for settling these liabilities the Company will need the outflow of economically beneficial resources and the scope of liabilities can be sufficiently reliably calculated. Within other reserves the employers' unused vacation reserve has been included in the Annual Report.

CASH.
Cash means the cash in bank and in cash-box.

ACKNOWLEDGEMENT OF INCOME
The income is acknowledged in accordance with the confidence about the potentiality to obtain economical benefit and in the amount we can justifiably determine. By acknowledging of income it is taken into consideration that the sale of goods has taken place when the Company has transferred its ownership rights to the goods and remuneration to the customer and the amount of income can be justifiably evaluated.

COMPANY'S INCOME TAX.
The income tax is calculated by applying to the taxable income in the respective taxation period the tax rate 15%.

The deferred company's income tax arising from short-term discrepancies resulting from inclusion of several positions in the tax declaration and in these financial reports, has been calculated by the liability method. The liabilities of the deferred company's income tax are determined basing upon the tax rates that are to be applied at the moment when the short-time discrepancies will disappear. The main short-term discrepancies in the terms of time are arising from different depreciation rates of assets applied for accounting and taxation needs.

Annexes to the balance-sheet

1 **Concessions, patents, licenses, trademarks and similar rights**

No	Name	Residual on 31.12.2008		Residual on 01.01.2008.	
		LVL	EUR	LVL	EUR
1	Road transport licenses	36	51	72	102
2	Peat recovery licences	90	128	120	171
3	Accounting software	0		372	527
Residual value		**126**	**179**	**564**	**800**

2 **Raw materials, basic materials and auxiliary materialsi**

No	Name	Residual on 31.12.08		Residual on 01.01.08	
		LVL	EUR	LVL	EUR
1	Materials	108975	155058	145636	207223
2	Spare parts	4853	6905	3722	5296
3	Fuel	76408	108719	61079	86908
4	Low-value inventory	592	842	305	434
Residual value		**190828**	**271525**	**210742**	**299861**

3 **Advance payments for goods**

No	Name	Residual on 31.12.08		Residual on 01.01.08	
		LVL	EUR	LVL	EUR
1	Advance payments for materials	2745	3906	8771	12480
2	Advance payments for services			1454	2069
Residual value		**2745**	**3906**	**10225**	**14549**

4 **Debts of clients and customers**

No.	Name	Residual on 31.12.08		Residual on 01.01.08	
		LVL	EUR	LVL	EUR
1	Debts of Latvian companies	62631	89116	51975	73954
2	Debts of foreign companies	140870	200441	118133	168089
Residual value		**203501**	**289557**	**170108**	**242043**

Dividing the debts of buyers and customers in a report for 2008, it is established that one of buyers belonging to the state is wrong certain,together with it indexes are shanged also at the beginning of year.

5 **Other debtors**

No.	Name	Residual on 31.12.08		Residual on 01.01.08	
		LVL	EUR	LVL	EUR
1	Overpayment of the company's income tax	14407	20499	10265	14605
2	Overpayment of residents'income tax			1689	2403
3	Overpayment of VAT	28435	40460	6972	9920
4	Overpayment of State social insurance obligatory conributions			6705	9540
5	Other	21800	31019	20682	29429
Residual value		**64642**	**91978**	**46313**	**65897**

6 **Expenses of next periods**

No	Name	Residual on 31.12.08		Residual on 01.01.08	
		LVL	EUR	LVL	EUR
1	Insurance costs	1440	2049	763	1086
2	Newspapers	209	297	305	434
3	Services	3957	5630	2048	2914
Residual value		**5606**	**7977**	**3116**	**4434**

7 **Own action and shares.**

Rules of privatization of VAS “Olaines kūdra” are approved by the decision of Board of Agency of Privatization Nr.17/221 from February 4-th, 1997- recerve sharesof board of the company – 6 000 pieces with a face-value in 1 Ls,that makes 0,033% of the Share capital.

8 **Cash funds (TOTAL)**

No	Type of cash deposition	Cash unit	Residuals in currency	Rate of the Banl of Latvia	Residual at the end of the year	
					LVL	**EUR**
1	Latvian banks 01.01.08	LVL	266303	1	266303	378917
2	Latvian banks 31.12.08	LVL	13508	1	13508	19220
3	Latvian banks 01.01.08	EUR	208763	,7028	146719	208763
4	Latvijan banks 31.12.08	EUR	315505	,7028	221737	315505
5	Latvian banks 01.01.08	USD	2570	0,484	1244	1770
6	Latvian banks 31.12.08	USD	159428	0,495	78917	112289
7	The company's cash box 01.01.08	LVL	960	1	960	1366
8	The company's cash box 31.12.08	LVL	4128	1	4128	5874
9	The company's cash box 01.01.08	EUR	117	,7028	82	117
10	The company's cash box 31.12.08	EUR	117	,7028	82	117
			Total on	31.12.08	**318372**	**453005**
			Total on	01.01.08	**415308**	**590933**

9 **Share capoital (equity capital)**

No	Name of a shareholder	Number of shares	Value of a share	Total value		The total proportion in the equity capital
				LVL	EUR	
1	LLC “MONO”	536096	1	536096	762800	30%
2	LLC “LEMF”	63904	1	63904	90927	4%
3	Viktors Karbanovs	678173	1	678173	964959	38%
4	VSAA (State Social Insurance Agency)	60000	1	60000	85373	3%
5	Other	461827	1	461827	657125	26%
		1800000		**1800000**	**2561184**	**100**

10 **Other reserves**

No.	Name	Residual on 31.12.2008		Residual on 01.01.2008.	
		LVL	EUR	LVL	EUR
1	Equipment for restoration	37850	53856	37850	53856
Residual value		**37850**	**53856**	**37850**	**53856**

11 **Accruals**

No	Name	Residual on 31.12.2008		Residual on 01.01.2008.	
		LVL	EUR	LVL	EUR
1	Accruals for unused vacations	23692	33711	18068	25709
Residual value		**23692**	**33711**	**18068**	**25709**

In off-balance lines in 2006 there are accruals for doubtful debts in the amount of 28962,82 Ls./41210,61 EUR

12 **Debts to suppliers and contractors**

No	Name	Residual on 31.12.08		Residual on 01.01.08	
		LVL	EUR	LVL	EUR
1	Debts to Latvian companies	6590	9377	4128	5874
2	Debts to foreign companies	42262	60133		
	inc.long terms	33769	48049		
Residual value		**48852**	**69510**	**4128**	**5874**

13 **Taxes and social security payments**

No	Name	Residual on 31.12.08		Residual on 01.01.08	
		LVL	EUR	LVL	EUR
1	Residents'income tax	5840	8310		
2	Nature resources' tax	70	99	68	96
3	State risk duty	26	37	24	34
4	State social insurance obligatory conributions	10604	15088		
Residual value		**16540**	**23534**	**68**	**96**

14 **Other creditors**

No	Name	Residual on 31.12.08		Residual on 01.01.08	
		LVL	EUR	LVL	EUR
1	Unpaid salary	17905	25476	11513	16382
2	Other	389	554	234	333
Residual value		**18294**	**26030**	**11747**	**16715**

Annexes to Profit and Loss Statement

15 **Net turn-over**

No	Name	Amount for 2008		Amount for 2007	
		LVL	EUR	LVL	EUR
1	Transactions with Latvian companies	341225	485522	304177	432807
2	Transactions with foreign companies.	977038	1390208	874362	1244112
Total		**1318263**	**1875730**	**1178539**	**1676919**

16 **Production costs of sold products**

No	Name	Amount for 2008		Amount for 2007	
		LVL	EUR	LVL	EUR
1	Material costs	561214	798540	466360	663574
2	Staff costs (salary and State obligatory social payments)	509290	724659	356116	506710
3	Depreciation of fixed assets	101556	144502	82283	117079
4	Other operational costs	86978	123759	71348	101520
5	Changes of tailings of the prepared products	-95905	-136461	-14491	-20619
Total		**1163133**	**1654999**	**961616**	**1368264**

17 **Sales costs**

No	Name	Amount for 2008		Amount for 2007	
		LVL	EUR	LVL	EUR
1	Staff costs (salary and State obligatory social payments)	16743	23823	13149	18709
2	Depreciation of fixed assets	2713	3860	2828	4024
3	Transportation costs	109432	155709	98895	140716
4	Other expenses	14528	20672	11981	17048
Total		**143416**	**204064**	**126853**	**180497**

18 **Administrative expenses**

No	Name	Amount for 2008		Amount for 2007	
		LVL	EUR	LVL	EUR
1	Staff costs (salary and State obligatory social payments)	51397	73132	36872	52464
2	Depreciation of fixed assets	4392	6249	3603	5127
3	Transportation and business trip costs	5887	8376	4806	6838
4	Other administrative expenses	23540	33495	21195	30158
Total		**85216**	**121252**	**66476**	**94587**

19 **Other operational income and expenses**

No	Name	Income for 2008	Expenses for 2008	Income for 2007	Expenses for 2007
		LVL	LVL	LVL	LVL
1	Sales of purchased goods and services	11631		7555	
2	Lease of fixed assets	7954		4865	
3	Sales of fixed assets	254		198	
4	Differences in currency rates				585
5	Currency exchange	660			2803
6	Penalties paid		188		6
7	Supports and social targets		8492		5934
8	Other income /expenses	189		1819	
9	Written-off debtors' debts		1375		932
10	Income from interest payment	15705		6007	
Total		**36393**	**10055**	**20444**	**10260**
		EUR	EUR	EUR	EUR
1	Sales of purchased goods and services	16550		10750	
2	Lease of fixed assets	11318		6922	
3	Sales of fixed assets	361		282	
4	Differences in currency rates				832
5	Currency exchange	939			3988
6	Penalties paid		268		9
7	Supports and social targets		12083		8443
8	Other income /expenses	269		2588	
9	Written-off debtors' debts		1956		1326
10	Income from interest payment	22346		8547	
Total		**51783**	**14307**	**29089**	**14599**

Position of “calculation of profits and losses”,other profits and charges of economic activity,in the report of 2008 is shown as balance profits -charges, together with it the indexes of report are relatively changed similarly for 2007.

20 **Other interest income and similar income**

No	Name	Amount for 2008		Amount for 2007	
		LVL	EUR	LVL	EUR
1	Bank interest calculated for the residual of a current account	492	700	1381	1965
Summa kopā		**492**	**700,06**	**1381**	**1965**

21 **Interest payments and similar expenses**

No	Name	Amount for 2008		Amount for 2007	
		LVL	EUR	LVL	EUR
1	Differences in currency rates	1628	2316	0	0
Total		**1628**	**2 316**	**0**	**0**

22 **Profit or Loss after taxes in the reporting period**

No	Name	Amount for 2008		Amount for 2007	
		LVL	EUR	LVL	EUR
1	Profit after taxation in the reporting period	-59768	-85043	7113	10121
Summa kopā		**-59768**	**-85043**	**7113**	**10121**

Annexes to Cash Flow Statement

23 **Procurement of fixed assets and intangible investments**

No	Name	Amount for 2008		Amount for 2007	
		LVL	EUR	LVL	EUR
1	Industrial structures and buildings			41958	59701
2	Technical equipment	57354	81608	23814	33884
3	Production inventory	3267	4649	2678	3810
4	Computers, computing equipment	500	711	239	340
5	Peat recovery licences			150	213
6	Motor coach	18466	26275		
Total		**79587**	**113243**	**68839**	**97950**

General information

1. Taxes

Type of taxes	Residual on01.01.08		Calculated		Paid or moved		On 31.12.08	
	LVL	EUR	LVL	EUR	LVL	EUR	LVL	EUR
Company's income tax*	-10265	-14605			4142	5894	-14407	-20499
State social obligatory contributions	-6705	-9540	149532	212766	132223	188138	10604	15088
VAT	-6972	-9920	-76463	-108798	-55000	-78258	-28435	-40460
Residents' income tax	-1689	-2403	85718	121966	78189	111254	5840	8310
Nature resource tax	68	96	3357	4777	3355	4774	70	99
Real Estate tax	0	0	14621	20804	14621	20804	0	0
Risk duty	24	34	372	529	370	526	26	37
Total	**-25539**	**-36338**	**177137**	**252044**	**177900**	**253131**	**-26302**	**-37425**

2. The average number of employees

	2008	2007
The average number of employees per year	112	108
Fund of labour payment LVL	577430	405185
(salary +SSO contributions) EUR	821614	576530

3. Information about the off-balance liabilities

There were no off-balance liabilities and mortgages, no guarantees and pledges issued.

4. Cadastre value

Name of the object	LVL	EUR
Buildings,Olaine,Rīgas ielā 21	765638	1089411
Buiding and Land ,Olaine,Veselības 2a	2917	4151
Buildings and land in Olaine civil parish "Gaisma"	177307	252287
Total:	**945862**	**1345848**

5.Sigificant lease agreements:

For facilitation of the company's operation the following lease agreements are significant and in force:

1. With Riga Municipal Agency "Rīgas meža aģentūra" dated December 19, 2003 on the lease of land and peat fields, No. RPA-RMA-1.5.4.-245 for the lease of 1391,7 ha, the term of the agreement – 5 years, prolonged up to 31-st of March

2. SJSC "Privatizācijas aģentūra", dated August 6, 2003, the agreement on land lease No.4759-Z about the lease of 24,4332 ha in Olaine, Rīgas ielā 21, the term of the agreement - 10 years, suggestion is gotten about the increase of rent.

3. WITH SJSC "Latvijas valsts meži" dated Juli 4, 2007, the land lease agreement No.5.7-9.1./0006/150/07.06/about the lease of 169,5 ha The terms of the agreement-5 years.

6. Payment to members of advice and management.

Members of advice and board have not received a payment.

7. Information about a compensation to the commercial society of inspectors of oaths

For verification of report 2008 it is paid to the auditing company "Finansists": LVL-1800,00

8. ADDITIONAL INFORMATION ABOUT SHAREHOLDERS

The Share capital of JSC “Olaines kūdra” is 1 800 000 LVL. Company’s share capital consists from 1 800 000 shares. All shares are paid. The face value of 1 share is 1 LVL. All shares have the equal rights on dividend receiving, receiving of liquidate quota and blocking right on a shareholders meeting. All 1 800 000 shares of company are dematerialized.

Information about securities

	Share quantity, item	**Share capital, LVL**	**% correlation to share capital**
Total share quantity	1 800 000	1 800 000	
incl. bearer shares	**1 200 000**	**1 200 000**	**66.7 %**
included in regulated market	1 194 000	1 194 000	66.35 %
JSC “Olaines kūdra” own shares (before board’s shares)	6 000	6 000	0.35 %
ordinary (inscribed) shares	**600 000**	**600 000**	**33.3 %**
included in regulated market	-	-	-

Rights of shares

Dividends

The decision on the order and terms of payment of dividends accepts at shareholders meeting. After financial statement’s approval, the shareholders meeting makes a decision on use of profit of joint-stock company and, accordingly, about the amount which will be paid to shareholders as dividends and defines value of dividends. The shareholders meeting defines time and a place of dividend’s payment and informs about it Company’s shareholders according to valid rules of Latvian Central Depository which adjusts the order of dividend’s payment. All shares of JSC “Olaines kūdra” give the identical rights on dividend’s receiving proportionally face-value (nominal) of the shares belonging shareholders. Payment of dividends of JSC “Olaines kūdra” is performed according to the statutes of JSC “Olaines kūdra”, requirements of Commercial law and valid rules of Latvian Central Depository.

According to LR Commercial law’s article 161, is not allowed to calculate and to pay dividends, if from financial statements proceeds that Company’s equity is less than the paid capital. As a result the shareholder’s decision that dividends remain at the Company’s disposal is not valid, as also the company does not have right to demand back paid dividends to shareholders, except for the specified cases in LR Commercial law’s article 162.

If dividends are not taken out within 10 years, then it becomes the JSC “Olaines kūdra” ownership. For in time the dividends not taken out - % are not paid.

Shares with the blocking rights

Shareholders of JSC “Olaines kūdra” have all the rights stipulated by the legislation of the Latvian Republic, including blocking rights. One share has one blocking right at shareholders meeting. The quantity of blocking right corresponds with the belonging quantity of shares. Shareholders can participate in shareholders meeting and personally, and with the mediation of the representatives. The power of attorney draw’s up in written form and accompanying the protocol of meeting. The power of attorney must be submitted prior to the beginning of meeting.

Other rights of shares

1. Shareholders have the right, during shareholder's meeting, to receive the approved extract of balance sheet, income statement, and auditor's report about JSC "Olaines kūdra", and information about an economic condition of JSC "Olaines kūdra" in that volume in what it is necessary for consideration of corresponding item of the agenda.
2. If the shareholder at least 7 days prior to shareholder's meeting submits to board the letter of enquiry, the board should give him all necessary information on all questions included in the agenda.
3. A shareholder within one month from the date of decision-making on increase in the share capital has the right to receive new shares proportionally to belonging him quantity of shares. Term of use of the right of the first hand is one month from the date when the notice on sale is submitted to board. The shareholder can refuse in writing from the right of the first hand before the termination of the certain term.
4. Depending on quantity of shares of JSC "Olaines kūdra" which belong the shareholder, the shareholder has rights:

   - to offer his representatives on elections in Supervisory Council of JSC "Olaines kūdra". The shareholder or group of shareholders can offer so many representatives, that at division of the represented capital with a blocking right of this shareholder or group of shareholders on quantity of offered representatives, each representative would represent at least five percent of the represented capital with a blocking right of JSC "Olaines kūdra" . On election of the members of Supervisory Council, each shareholder with the blocking right has the right to transfer all belonging him blocking rights for one or several representatives included in the list, in any proportion, in integers.
   - shareholders, who together represent not less than the one tenth part of the paid capital of JSC "Olaines kūdra", have the right to demand from board in written form convocation of extraordinary shareholder's meeting, in the requirement having specified the reason of convocation of meeting and the desirable agenda.
   - shareholders, who represent not less than the one tenth part of the paid capital of JSC "Olaines kūdra", have the right within 7 days of the announcement of convocation of shareholder's meeting and publication of its agenda or within 5 days after reception of the invitation, to demand from an institution which convokes meeting, to include any question in the agenda of meeting.
   - shareholders, who represent not less than the one tenth part of the paid capital of JSC "Olaines kūdra", have the right in written form, having specified the reason to demand, that Company's Supervisory Council check up work of Board. If Company's Supervisory Council will not perform such check within a month or does not give the answer, the shareholders have a right to transfer consideration of the given question to a shareholder's meeting.
   - shareholders, who represent not less than the one tenth part of the paid capital of JSC "Olaines kūdra", at shareholder's meeting or not later than two months after shareholder's meeting can lift motivated objections against the elected auditor.
   - shareholders, who represent not less than the one tenth part of the paid capital of JSC "Olaines kūdra", or their participation in share capital of Company is not less than 50 000 LVL, can submit the Company's claim against members of Board or Supervisory Council, or the auditor of JSC "Olaines kūdra". The claim brings an action within 3 months from the date when the requirement shareholder's minority is received. For losses which have arisen at the Company as a result of the unreasonable claim solidary answers shareholder's minority, in which action the court ascertained malicious intention and negligence.
   - shareholders, who represent not less than the one tenth part of the paid capital of JSC "Olaines kūdra", have the right to postpone the approval of financial statements, if correctness of separate item of the financial statements is challenged.

Shareholders also have other rights stipulated in Commercial law and in other statutory acts of the Latvian Republic.

The rights of shareholders in case of insolvency and liquidation.

According to LR Commercial law's article 137, the JSC "Olaines kūdra" is responsible for it's obligations with all it's property. The JSC "Olaines kūdra" is not responsible for the obligations of the shareholders. The shareholders are not responsible for the obligation of JSC "Olaines kūdra".

According to Commercial law's article 328, after satisfaction of requirements of creditors or deposition of appropriate money to them and covering of liquidating expenses, the liquidator makes final balance and the plan of separating of the remained property of the Company.

According to Commercial law's article 330, the remained property of the Company is separated among shareholders according to the made plan of property's section by liquidator, proportionally to each shareholder's share in the share capital.

To shares no privileges are appropriated.

Limitations of share's rights, which proceed from obligation to inform and making share's repurchase proposal.

According to the Law's on the Financial Instruments Market articles 61, 64, 68, 81, 83 – shareholders have such obligations:

1) The investor who directly or indirectly receives a share of JSC "Olaines kūdra" in that volume, which provides not less than one tenth part, one twentieth, one quarter, half, three quarters or ninety five percent from quantity of shares with the blocking right have to inform the JSC "Riga Stock Exchange" and the JSC "Olaines kūdra" about it not later than within five working days after purchase of shares. Person specifies in the notice quantity of the received and remained shares (quantitatively, and also percentage from the share capital and percentage from quantity of shares with the blocking right), and mentions information on shares, which are let out in a public turn, and about shares which are not let out in a public turn. If participation in capital is in an indirect way, the person in the notice specifies an indirect way by which the share is received, specifies persons by means of which the share, mentions information concerning each person by means of whom the share is received in an indirect way.

2) If the investor sells shares or looses the blocking right of shares which are got by indirect way, and belonging blocking rights does not reach any more volume of invested, it is necessary for investor within 5 working days inform about it the JSC "Riga Stock Exchange" and the JSC "Olaines kūdra".

3) If the investor does not inform the JSC "Riga Stock Exchange" and the JSC "Olaines kūdra" about cases and in terms specified in 1 item, he cannot use the blocking right which proceeds from belonging him shares and indirectly received blocking rights. Decisions of shareholder's meeting, which are made, not legally using blocking rights - are not valid and on the basis of these decisions, it is allowed to ask to make records in any public registers.

4) According to the Law's on the Financial Instruments Market article 66 requirements, the person who directly or indirectly receives blocking rights from shares of JSC "Olaines kūdra" in such volume when blocking right of this shareholder at shareholder's meeting reach or exceeds half from quantity of blocking rights, has to state the offer about obligatory repurchase of shares to other shareholders of JSC "Olaines kūdra". The offer on a repurchase of shares to other shareholders it is obliged to state also that person who at shareholder's meeting on question about exception of shares of the regulated market has voted "pro". If this requirement is not executed, decisions which are accepted using these blocking rights are not valid.

Persons, who have an essential share in the company, by direct or indirect way.

Total shares with the blocking right - 1 800 000 item.

No.	Shareholder's name	Share quantity	% correlation to common quantity of shares with the blocking right
1	Karbanovs Viktors	678 173	37.7 %
2	SIA MONO	536 096	29.8 %
3	SIA "LEMF"	63 904	3.6 %

SIA "LEMF" – is SIA "MONO" daughter enterprise.

There are no restrictions on alienation of shares.
There are not defined the special control rights to definite shareholders.
Joint-stock company doesn't know about agreements of shareholders, which would create restrictions (limitation) on transfer to shareholders belonging shares and blocking rights.
The board of the Company consists of 3 members. Chairman of Board represents the company separately. Other members of board represent the Company separately as well. Members of the board are elected for 3 years. Restrictions to members of Board of the company are not defined. Members of board are elected, and also changes in structure of Board and the statutes are done according to valid requirements of the Commercial law.

No essential agreements and contracts which became valid in case of change of the control are concluded.

Agreements between the Company and its members of Board for indemnifications in case of leaving of position are not concluded.

The annual report is confirmed and signed from 1-st till 44-th page.

Chairman of Board Sergejs Šakuns

Members of Board Brigita Kraule

Mihails Zeņkovs