



AB SANITAS
INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE FIRST HALF OF 2008
(NOT AUDITED)



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INCOME STATEMENTS

| | Notes | Group | | Company | |
|---|-------|--------------------------------------|---|--------------------------------------|--------------------------------------|
| | | January- June 2008 (unaudited) | January- June 2007 (restated, unaudited) | January- June 2008 (unaudited) | January- June 2007 (unaudited) |
| Revenue | 4 | 193.629 | 166.799 | 16.637 | 19.233 |
| Cost of sales | | (86.163) | (83.236) | (8.497) | (8.897) |
| Gross profit | | 107.466 | 83.505 | 8.140 | 10.336 |
| Other income | | 1.639 | 5.442 | 258 | 1.837 |
| Selling and distribution expenses | | (51.466) | (29.695) | (1.936) | (947) |
| Administrative expenses | | (20.877) | (16.986) | (7.345) | (4.530) |
| Other expenses | | (98) | (2.864) | (265) | (3) |
| Operating profit | | 36.664 | 39.460 | (1.148) | 6.693 |
| Dividends | | | | | 2.665 |
| Finance revenue | 6 | 1.407 | 250 | 55 | 4.864 |
| Finance costs | 6 | (16.603) | (11.110) | (1.056) | (973) |
| Financial activity | | (15.196) | (10.860) | (1.001) | 3.891 |
| Profit (loss) before taxes | | 21.468 | 28.600 | (2.149) | 13.249 |
| Income tax expense | 5 | (788) | (6.562) | 199 | (1.886) |
| Net profit (loss) | | 20.680 | 22.038 | (1.950) | 11.363 |
| Basic and diluted earnings (loss) per share (in LTL) | | 0,66 | 0,71 | | |

BALANCE SHEETS

| ASSETS | Notes | Group | | Company | |
|--|-------|---------------------------|----------------|---------------------------|----------------|
| | | 30.06.2008 (unaudited) | 31.12.2007 | 30.06.2008 (unaudited) | 31.12.2007 |
| NON-CURRENT ASSETS | 8 | | | | |
| Property, plant and equipment | | 317.248 | 280.807 | 59.229 | 30.129 |
| Intangible assets | | 355.687 | 334.357 | 287 | 331 |
| Investments in subsidiaries | | - | - | 334.395 | 334.698 |
| Other financial assets | 9 | 39 | 37 | 3 | 3 |
| Deferred tax assets | | 22.463 | 20.088 | 72 | 81 |
| TOTAL NON-CURRENT ASSETS | | 695.437 | 635.289 | 393.986 | 365.241 |
| CURRENT ASSETS | | | | | |
| Inventories | | 54.505 | 46.032 | 5.363 | 5.938 |
| Prepaid income tax | | 1.534 | 3.111 | 762 | - |
| Trade receivables | | 78.291 | 59.454 | 3.290 | 2.512 |
| Other receivables | | 8.252 | 6.763 | 2.930 | 8.618 |
| Deferred charges | | 3.177 | 4.822 | 417 | 143 |
| Cash and cash equivalents | | 9.236 | 13.683 | 3.592 | 248 |
| TOTAL CURRENT ASSETS | | 154.995 | 133.865 | 16.354 | 17.459 |
| Non-current assets classified as held for sale | | 653 | | | |
| TOTAL ASSETS | | 851.085 | 769.154 | 410.340 | 382.700 |
| EQUITY AND LIABILITIES | | | | | |
| | | | | | |
| | | | | | |
| | | | | | |
| EQUITY | 10 | | | | |
| Share capital | | 31.106 | 31.106 | 31.106 | 31.106 |
| Share premium | | 248.086 | 248.086 | 248.086 | 248.086 |
| Legal reserves | | 3.111 | 3.111 | 3.111 | 3.111 |
| Other reserves | | 62.374 | 32.380 | - | - |
| Retained earnings | | 54.483 | 52.466 | 30.826 | 51.439 |
| TOTAL EQUITY | | 399.160 | 367.149 | 313.129 | 333.742 |
| NON CURRENT LIABILITIES | | | | | |
| Non-current loans | 12 | 255.586 | 250.846 | 37.262 | 24.173 |
| Financial lease obligations | | 5.117 | 5.593 | 1.061 | 1.372 |
| Deferred tax liability | | 20.000 | 17.875 | - | - |
| Deferred income from subsidies | | 11.265 | 6.188 | 11.265 | 6.188 |
| Provisions | 11 | 5.553 | 6.338 | - | - |
| TOTAL NON CURRENT LIABILITIES | | 297.521 | 286.840 | 49.588 | 31.733 |
| CURRENT LIABILITIES | | | | | |
| Current portion of non-current loans | | 56.369 | 54.338 | 7.730 | 7.481 |
| Current portion of non-current financial lease obligations | | 3.655 | 3.270 | 1.172 | 1.027 |
| Current loans | 12 | 33.248 | 11.177 | 8.315 | 333 |
| Trade and other payables | | 28.006 | 34.987 | 11.162 | 5.588 |
| Advances received | | 33 | - | 33 | 595 |
| Corporate income tax payable | | 198 | 1.136 | 90 | 298 |
| Other creditors | | 14.396 | 9.188 | 2.956 | 1.903 |
| Dividends payable | | 16.165 | - | 16.165 | - |
| Provisions | 11 | 2.334 | 1.069 | - | - |
| TOTAL CURRENT LIABILITIES | | 154.404 | 115.165 | 47.623 | 17.225 |
| TOTAL LIABILITIES | | 451.925 | 402.005 | 97.211 | 48.958 |
| TOTAL EQUITY AND LIABILITY | | 851.085 | 769.154 | 410.340 | 382.700 |



STATEMENTS OF CHANGES IN EQUITY

| GROUP | SHARE CAPITAL | SHARE PREMIUM | LEGAL RESERVE | TRANSLATION RESERVE | RETAINED EARNINGS | TOTAL |
|--|--------------------------|--------------------------|--------------------------|--------------------------------|------------------------------|----------------|
| CAPITAL AND RESERVES AS AT 31.12.2006 | 31.106 | 248.086 | 3.111 | 13.419 | 15.176 | 310.898 |
| Net profit | | | | | 22.037 | 22.037 |
| Change in translation reserve | | | | 3.483 | | 3.483 |
| CAPITAL AND RESERVES AS AT 30.06.2007 | 31.106 | 248.086 | 3.111 | 16.902 | 37.213 | 336.418 |
| Net profit | | | | | 15.253 | 15.253 |
| Change in translation reserve | | | | 15.478 | | 15.478 |
| CAPITAL AND RESERVES AS AT 31.12.2007 | 31.106 | 248.086 | 3.111 | 32.380 | 52.466 | 367.149 |
| Dividends | | | | | (18.663) | (18.663) |
| Net profit | | | | | 20.680 | 20.680 |
| Change in translation reserve | | | | 29.994 | | 29.994 |
| CAPITAL AND RESERVES AS AT 30.06.2008 | 31.106 | 248.086 | 3.111 | 62.374 | 54.483 | 399.160 |

| COMPANY | SHARE CAPITAL | SHARE PREMIUM | LEGAL RESERVE | TRANSLATION RESERVE | RETAINED EARNINGS | TOTAL |
|--|--------------------------|--------------------------|--------------------------|--------------------------------|------------------------------|----------------|
| CAPITAL AND RESERVES AS AT 31.12.2006 | 31.106 | 248.086 | 3.111 | - | 34.910 | 317.213 |
| Net profit | | | | | 11.363 | 11.363 |
| CAPITAL AND RESERVES AS AT 30.06.2007 | 31.106 | 248.086 | 3.111 | - | 46.273 | 328.576 |
| Net profit | | | | | 5.166 | 5.166 |
| CAPITAL AND RESERVES AS AT 31.12.2007 | 31.106 | 248.086 | 3.111 | - | 51.439 | 333.742 |
| Dividends | | | | | (18.663) | (18.663) |
| Net profit | | | | | (1.950) | (1.950) |
| CAPITAL AND RESERVES AS AT 30.06.2008 | 31.106 | 248.086 | 3.111 | - | 30.826 | 313.129 |

CASH FLOW STATEMENTS

| | Group | | Company | |
|---|--------------------------------------|--------------------------------------|--------------------------------------|--------------------------------------|
| | January- June 2008 (unaudited) | January- June 2007 (unaudited) | January- June 2008 (unaudited) | January- June 2007 (unaudited) |
| Cash flows from (to) operating activities | | | | |
| Profit (loss) before tax | 21.468 | 22.037 | (2.149) | 11.363 |
| Adjustments of non-cash items: | | | | |
| Depreciation and amortisation | 20.758 | 19.951 | 856 | 803 |
| Loss (gain) from disposal or write-off of non-current assets | 34 | 260 | 30 | 311 |
| Loss (gain) from disposal of subsidiary | 3 | - | 3 | - |
| Allowance for receivables | - | (206) | - | - |
| Allowance for inventories | 2.285 | (886) | 20 | (147) |
| Unrealised foreign currency exchange loss | 313 | 685 | - | - |
| Dividends | - | - | 292 | - |
| Interest expenses | 11.336 | 11.111 | 732 | 962 |
| Interest (income) | (106) | (250) | (1) | (4.859) |
| Provisions, deferred charges movement | 2.127 | - | (274) | - |
| | 58.218 | 52.702 | (491) | 8.433 |
| Change in working capital | | | | |
| Decrease (increase) in inventories | (6.909) | (4.513) | 555 | 849 |
| Decrease (increase) in trade and other receivables and deferred charges receivables | (15.376) | (13.729) | 4.910 | (6.080) |
| Increase (decrease) in trade and other and advances received payables | (3.091) | 3.502 | 5.966 | (167) |
| Decrease in provisions | - | 287 | - | - |
| Income tax paid | 1.806 | (1.886) | (762) | (1.886) |
| Net cash flows from (to) operating activities | 34.648 | 36.363 | 10.178 | 1.149 |
| Cash flows from (to) investing activities | | | | |
| (Acquisition) of non-current tangible assets | (34.372) | (7.118) | (29.534) | (1.306) |
| (Acquisition) of non-current intangible assets | (1.272) | (1.738) | (25) | (57) |
| Proceeds from assets held for sale | - | 1.783 | - | 1.783 |
| Proceeds from sale of non-current assets (except investments) | 112 | 81 | - | - |
| Proceeds from sale of subsidiary | 8 | - | 8 | - |
| Acquisition of other equity securities | - | - | - | - |
| (Acquisition) of assets held for sale | - | 8.200 | - | 8.200 |
| Interest received | 106 | 4 | 1 | - |
| Dividends received | - | - | - | 2.665 |
| Dividends paid | (2.498) | - | (2.498) | - |
| Net cash flows (to) investing activities | (37.916) | 1.212 | (32.048) | 11.285 |
| Cash flows from (to) financing activities | | | | |
| Issue of shares | - | - | - | - |
| Proceeds from loans | 33.779 | 4.176 | 24.172 | 3.021 |
| Repayments of loans | (25.574) | (35.406) | (2.852) | (14.146) |
| Payment of finance lease liabilities | (1.905) | (889) | (549) | (889) |
| Interest paid | (12.556) | (10.374) | (634) | (453) |
| Proceeds from grants | 5.077 | 171 | 5.077 | 171 |
| Net cash flows from financial activities | (1.179) | (42.322) | 25.214 | (12.296) |
| Net increase (decrease) in cash and cash equivalents | (4.447) | (4.747) | 3.344 | 138 |
| Cash and cash equivalents as of January 1 | 13.683 | 11.506 | 248 | 98 |
| Cash and cash equivalents as of June 30 | 9.236 | 6.759 | 3.592 | 236 |



NOTES TO THE FINANCIAL ACCOUNTS

1. GENERAL INFORMATION

AB Sanitas (hereinafter “the Company”) is a public limited liability company registered in the Republic of Lithuania on 30 June 1994.

The principal activities of the Company and its subsidiaries (hereinafter “the Group”) are production and trade of generic medicines, namely injection preparations, tablets, capsules, galenic solutions and ointments.

The Company’s shares are listed in the Baltic Main List on the Vilnius Stock Exchange.

The consolidated financial statements include the financial statements of AB Sanitas and the subsidiaries listed in the following table:

| NAME | MAIN ACTIVITIES | COUNTRY OF INCORPORATION | % OF EQUITY INTEREST | |
|------------------------|-----------------------------------|--------------------------|----------------------|------------|
| | | | 30.06.2008 | 31.12.2007 |
| Jelfa S.A. | Production and trade of medicines | Poland | 100 | 100 |
| Hoechst-Biotika s.r.o. | Production and trade of medicines | Slovakia | 100 | 100 |

2. BASIS OF PREPARATION AND ACCOUNTING PRINCIPLES

The principal accounting policies adopted in preparing the Group’s and the Company’s financial statements as of 30 June 2008 are as follows:

STATEMENT OF COMPLIANCE

The financial statements of the Group and the Company have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (further “the EU”).

BASIS OF PREPARATION

The interim condensed consolidated financial statements for the six months ended 30 June 2008 have been prepared in accordance with IAS 34 Interim Financial Reporting.

The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group’s and the Company’s annual financial statements as at 31 December 2007.

SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group’s and the Company’s annual financial statements for the year ended 31 December 2007, except for the adoption of the new standards and interpretations, noted below:

IFRIC 11 IFRS 2 – GROUP AND TREASURY SHARE TRANSACTIONS

The interpretation provides guidance on classification of transactions as equity-settled or as cash-settled and also gives guidance on how to account for share-based payment arrangements that involve two or more entities within the same group in the individual financial statements of each group entity. This adoption of the pronouncements have no impact on the Group’s financial statements.

IFRIC 14 IAS 19 – THE LIMIT ON A DEFINED BENEFIT ASSET, MINIMUM FUNDING REQUIREMENTS AND THEIR INTERACTION

This interpretation specifies the conditions for recognising a net asset for a defined benefit pension plan. This adoption of the pronouncements have no impact on the Group’s financial statements.

3. RESTATEMENT

Portion of sales discounts were accounted as "Selling and distribution" expenses in the first half of 2007. In the financial statements for the year 2007 and for the periods following after 1 January 2008 discounts are deducted directly from sales. For comparison purposes historical figures of the first half of 2007 were restated by reclassifying discounts from selling and distribution expenses to sales. Due to this correction both Selling and distribution expenses and also Sales for the six months of 2007 were reduced by LTL 3.546 thousand.

4. SEGMENT INFORMATION

The primary segment reporting format is determined to be business segments as the Group's risk and rates of return are effected predominantly by differences in the products produced. The Group produces and distributes medicines, mainly injection preparation, tablets, eye drops, ointments and galenic solutions.

REVENUE STRUCTURE OF THE GROUP BY BUSINESS SEGMENTS (UNAUDITED)

| | Injection preparations | | Tablets | | Eye drops, ointments and galenic solutions | | Other | | Total | |
|----------------|--------------------------|--------------------------|--------------------------|--------------------------|--|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|
| | January- June 2008 | January- June 2007 | January- June 2008 | January- June 2007 | January- June 2008 | January- June 2007 | January- June 2008 | January- June 2007 | January- June 2008 | January- June 2007 |
| Own production | 30.723 | 25.801 | 51.018 | 42.559 | 73.387 | 60.234 | 671 | 613 | 155.799 | 129.207 |
| Contract | 24.759 | 26.258 | 12.186 | 10.675 | 787 | 659 | 98 | - | 37.830 | 37.592 |
| Revenue | 55.482 | 52.059 | 63.204 | 53.234 | 74.174 | 60.893 | 769 | 613 | 193.629 | 166.799 |

REVENUE AND STRUCTURE OF THE COMPANY BY BUSINESS SEGMENTS (UNAUDITED)

| | Injection preparations | | Tablets | | Eye drops, ointments and galenic solutions | | Other | | Total | |
|----------------|--------------------------|--------------------------|--------------------------|--------------------------|--|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|
| | January- June 2008 | January- June 2007 | January- June 2008 | January- June 2007 | January- June 2008 | January- June 2007 | January- June 2008 | January- June 2007 | January- June 2008 | January- June 2007 |
| Own production | 4.369 | 3.459 | 2.917 | 3.776 | 1.283 | 994 | (2) | (4) | 8.567 | 8.225 |
| Contract | 8.070 | 10.993 | - | - | - | 15 | - | - | 8.070 | 11.008 |
| Revenue | 12.439 | 14.452 | 2.917 | 3.776 | 1.283 | 1.009 | (2) | (4) | 16.637 | 19.233 |

Segment information is presented in respect of the Group's geographical segments by location of customers as a secondary reporting format. The Group's sales are performed mainly in Poland, Russia, Latvia, Slovakia, Germany, Lithuania and other countries.

REVENUE STRUCTURE BY GEOGRAPHICAL SEGMENTS (UNAUDITED)

| | GROUP | | | | | | COMPANY | | | | | |
|------------------|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|
| | Own production | | Contract | | Total | | Own production | | Contract | | Total | |
| | January -June 2008 | January -June 2007 | January -June 2008 | January -June 2007 | January -June 2008 | January -June 2007 | January -June 2008 | January -June 2007 | January -June 2008 | January -June 2007 | January -June 2008 | January -June 2007 |
| Poland | 100.871 | 88.859 | 1.410 | 552 | 102.281 | 89.411 | 110 | 791 | - | - | 110 | 791 |
| Russia | 27.828 | 18.909 | - | - | 27.828 | 18.909 | - | - | - | - | - | - |
| Ukraine | 3.954 | 3.327 | - | - | 3.954 | 3.327 | - | - | - | - | - | - |
| Lithuania | 8.123 | 7.265 | - | - | 8.123 | 7.265 | 8.122 | 7.265 | - | - | 8.122 | 7.265 |
| Latvia | 335 | 100 | 17.125 | 17.423 | 17.460 | 17.523 | 335 | 35 | 8.070 | 10.993 | 8.405 | 11.028 |
| Slovakia | 1.006 | 83 | 5.906 | 7.556 | 6.912 | 7.639 | - | - | - | - | - | - |
| Czech | 2.125 | 346 | 754 | 10 | 2.879 | 356 | - | - | - | - | - | - |
| Hungary | 2.452 | 2.303 | 1.776 | 2.497 | 4.228 | 4.800 | - | - | - | - | - | - |
| Bulgaria | 1.374 | 1.198 | - | - | 1.374 | 1.198 | - | - | - | - | - | - |
| Armenia | - | 13 | - | - | - | 13 | - | 13 | - | - | - | 13 |
| Belarus | 1.213 | 849 | - | - | 1.213 | 849 | - | - | - | - | - | - |
| Georgia | 3.356 | 785 | - | - | 3.356 | 785 | - | - | - | - | - | - |
| Kazakhstan | 1.248 | 2.636 | - | - | 1.248 | 2.636 | - | 121 | - | - | - | 121 |
| Kyrgyzstan | 100 | 144 | - | - | 100 | 144 | - | - | - | - | - | - |
| Moldova | 330 | 140 | - | - | 330 | 140 | - | - | - | - | - | - |
| Mongolia | - | 109 | - | - | - | 109 | - | - | - | - | - | - |
| Tajikistan | - | 38 | - | - | - | 38 | - | - | - | - | - | - |
| Turkmenista n | 29 | 271 | - | - | 29 | 271 | - | - | - | - | - | - |
| Uzbekistan | 83 | 297 | - | - | 83 | 297 | - | - | - | - | - | - |
| Vietnam | 700 | 948 | - | - | 700 | 948 | - | - | - | - | - | - |
| Finland | - | - | - | 15 | - | 15 | - | - | - | 15 | - | 15 |
| Germany | - | - | 10.442 | 9.218 | 10.442 | 9.218 | - | - | - | - | - | - |
| Great Britain | - | - | 128 | 194 | 128 | 194 | - | - | - | - | - | - |
| Switzerland | - | - | 252 | 45 | 252 | 45 | - | - | - | - | - | - |
| USA | - | - | - | 52 | - | 52 | - | - | - | - | - | - |
| Austria | - | - | 37 | 30 | 37 | 30 | - | - | - | - | - | - |
| Other | 672 | 587 | - | - | 672 | 587 | - | - | - | - | - | - |
| | 155.799 | 129.207 | 37.830 | 37.592 | 193.629 | 166.799 | 8.567 | 8.225 | 8.070 | 11.008 | 16.637 | 19.233 |

5. INCOME TAX

| | GROUP | | COMPANY | |
|--|--------------------------------------|--------------------------------------|--------------------------------------|--------------------------------------|
| | January- June 2008 (unaudited) | January- June 2007 (unaudited) | January- June 2008 (unaudited) | January- June 2007 (unaudited) |
| Income tax expenses | | | | |
| Current year income tax | - | 3.097 | - | 1.886 |
| Prior year current income tax correction | (42) | (34) | - | - |
| Deferred tax expenses | 830 | 3.499 | (199) | - |
| Income tax expenses charged to the income statement | 788 | 6.562 | (199) | 1.886 |

6. FINANCIAL INCOME AND EXPENSES

| | GROUP | | COMPANY | |
|---------------------------------|--------------------------------------|--------------------------------------|--------------------------------------|-------------------------------------|
| | January- June 2008 (unaudited) | January- June 2007 (unaudited) | January- June 2008 (unaudited) | January-June 2007 (unaudited) |
| Financial revenue: | | | | |
| Interest income | 106 | 182 | 1 | 4.858 |
| Foreign exchange gain | 1.202 | - | 54 | 6 |
| Other financial income | 99 | 68 | - | - |
| TOTAL FINANCIAL INCOME | 1.407 | 250 | 55 | 4.864 |
| Financial expenses: | | | | |
| Interest expenses | 11.336 | 8.049 | 732 | 961 |
| Foreign currency exchange loss | 4.589 | 2.702 | 286 | - |
| Other financial expenses | 678 | 359 | 38 | 12 |
| TOTAL FINANCIAL EXPENSES | 16.603 | 11.110 | 1.056 | 973 |

7. EARNINGS PER SHARE

Basic earning per share amounts are calculated by dividing net profit for the year attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year.

The following reflects the income and share data used in basic and diluted earnings per share computations for the Group:

| | GROUP | |
|--|-------------------------------------|-------------------------------------|
| | January-June 2008 (unaudited) | January-June 2007 (unaudited) |
| Net profit | 20.680 | 22.038 |
| Weighted average number of ordinary shares | 31.106 | 31.106 |
| Earnings per share (in LTL) | 0,66 | 0,71 |

8. PROPERTY, PLANT AND EQUIPMENT

ACQUISITIONS AND DISPOSALS

During the six-month period ended 30 June 2008, the Group acquired assets with a cost value of LTL 34.372 thousand (2007: LTL 8.902 thousand).

During the six-month period ended 30 June 2008, the Company acquired assets with a cost value of LTL 29.534 thousand (2007: LTL 1.363 thousand).

Assets with a net book value of LTL 145 thousand were disposed and written off by the Group during the six-month period ended 30 June 2008 (2007: LTL 1.864 thousand), resulting in a net loss on disposal of LTL 34 thousand (2007: loss LTL 260 thousand).

Assets with a net book value of LTL 30 thousand were disposed and written off by the Company during the six-month period ended 30 June 2008 (2007: LTL 1.783 thousand), resulting in a net loss on disposal of LTL 30 thousand (2007: loss LTL 311 thousand).



9. OTHER FINANCIAL ASSETS

AB Sanitas sold 100% of shares of the subsidiary UAB Altisana on April 17, 2008 for LTL 8 thousand. Loss on sale of this transaction amounted to LTL 3 thousand. UAB Altisana has not performed any activity since the beginning of 2006.

10. SHARE CAPITAL

The Company's share capital comprised of 31.105.920 ordinary shares with par value of LTL 1 each as at 30 June 2008 and 31 December 2007.

The share capital of the Company was fully paid as at 30 June 2008 and as at 31 December 2007. Subsidiaries did not hold any shares of the Company as at 30 June 2008 and as at 31 December 2007. The Company did not hold its own shares as at 30 June 2008 and as at 31 December 2007.

On 17 April in shareholders meeting was made resolution to pay dividends for 2007 in the amount of LTL 0,6 per share. Until 30 June 2008 company paid 2.498 thousand dividends. Not paid dividends on 30 June 2008 are LTL 16.165 thousand.

11. PROVISIONS

| | EMPLOYEE BENEFITS | PROVISION FOR PRODUCT RELATED RISKS | TOTAL |
|--------------------------------|----------------------|--|--------------|
| As at 1 January 2008 | 7.035 | 372 | 7.407 |
| Charge during the period | 790 | 160 | 950 |
| Used / Restored | (655) | (386) | (1.041) |
| Foreign exchange difference | 552 | 19 | 571 |
| As at 30 June 2008 | 7.722 | 165 | 7.887 |
| Non-current 2008 | 5.553 | - | 5.553 |
| Current 2008 | 2.169 | 165 | 2.334 |
| Non-current 2007 | 6.338 | - | 6.338 |
| Current 2007 | 697 | 372 | 1.069 |

Provisions for product related risks are formed to create a reserve for potential recalls of some products from the market or to create reserve for losses that might be caused by products that were sold earlier.

12. INTEREST BEARING LOANS AND BORROWINGS

On 29 May 2008, the Group borrowed PLN 10.000 thousand from Pekao S.A. and PLN 10.000 thousand from BZWBK. bank. Loan is repayable after one year on 29 May 2009. The loan bears interests of 1M WIBOR +0,75%.

On 04 June 2008 the Company borrowed 3,5 mln. PLN from its subsidiary Jelfa S.A. with 7,01% fixed interest rate. Loan is repayable on 30 September 2008.

13. RELATED PARTY TRANSACTIONS (UNAUDITED)

The parties are considered related when one party has a possibility to control another one or to have significant influence over the another party in making financial and operating decisions.

In January-June of 2008, the Company's transactions with related parties, which had significant influence on financial statements, and related balances were as follows:

| | NOTES | PURCHASES FROM RELATED PARTIES | SALES TO RELATED PARTIES | AMOUNTS OWED BY RELATED PARTIES | AMOUNTS OWED TO RELATED PARTIES |
|---|-------|---|--------------------------------|--|--|
| AB Finansų maklerio įmonė Finasta | a) | 7 | - | 24 | - |
| AB Finasta įmonių finansai | b) | 36 | - | - | - |
| HOECHST- BIOTIKA, spol.s.r.o. | c) | 3.962 | 40 | 6.946 | - |
| Jelfa S.A. | d) | 588 | 653 | 4.128 | - |
| UAB Acena | e) | 65 | - | - | - |
| UAB Finansų spektro investicija | f) | - | 8 | - | - |
| UAB Inred | g) | 162 | - | 15 | - |
| UAB Laikinosios sostinės projektai | h) | 540 | - | - | - |
| AB "INVALDA" | i) | - | - | 7.978 | - |
| Citigroup Venture Capital International Jersey Limited | i) | - | - | 3.187 | - |
| "FINASTA RIZIKOS VALDYMAS" UAB | i) | - | - | 4 | - |
| Firebird Republics Fund Ltd. | i) | - | - | 427 | - |
| Hansabank clients | i) | - | - | 2.719 | - |

In January-June of 2008, the Group's transactions with related parties, which had significant influence on financial statements, and related balances were as follows:

| | NOTES | PURCHASES FROM RELATED PARTIES | SALES TO RELATED PARTIES | AMOUNTS OWED BY RELATED PARTIES | AMOUNTS OWED TO RELATED PARTIES |
|---|-------|---|--------------------------------|--|--|
| AB Finansų maklerio įmonė Finasta | a) | 7 | - | 24 | - |
| AB Finasta įmonių finansai | b) | 36 | - | - | - |
| UAB Acena | d) | 65 | - | - | - |
| UAB Finansų spektro investicija | f) | - | 8 | - | - |
| UAB Inred | g) | 162 | - | 15 | - |
| UAB Laikinosios sostinės projektai | h) | 540 | - | - | - |
| AB "INVALDA" | i) | - | - | 7.978 | - |
| Citigroup Venture Capital International Jersey Limited | i) | - | - | 3.187 | - |
| "FINASTA RIZIKOS VALDYMAS" UAB | i) | - | - | 4 | - |
| Firebird Republics Fund Ltd. | i) | - | - | 427 | - |
| Hansabank clients | i) | - | - | 2.719 | - |

- Company purchased shares' administration and accounting services for LTL 7 thousand during the first half of 2008. Unpaid dividends to AB FMĮ Finasta as at 30 June 2008 was LTL 24 thousand.
- Purchase of advice services from AB Finasta įmonių finansai was related with the disposal of subsidiary.
- In October 2005, Hoechst-Biotika s.r.o provided a loan to the Company amounting to LTL 17.264 thousand. The outstanding amount of this loan is LTL 4.877 thousand as at 30 June 2008. Trade payables to Hoechst-Biotika s.r.o as at June 30, 2008 are LTL 2.003 thousand and payable interest is LTL 66 thousand as at June 30. Hoechst-Biotika s.r.o produces products for the Company. During the six

months of 2008 the Company purchased products for LTL 3.191 thousand and other services for LTL 621 thousand. The interest calculated for the six months of 2008 was LTL 150 thousand. Also Company invoiced insurance amounted for LTL 40 thousand during first half of 2008.

- d) During the first half of 2008, the Company purchased products from Jelfa S.A. for LTL 588 thousand, invoiced insurance amounted for LTL 281 thousand and sold raw materials for LTL 372 thousand. Trade payables to Jelfa S.A. are LTL 523 thousand as at June 30, 2008. In June 2008, Jelfa S.A. provided a loan with 7,01% fixed interest rate to the Company amounting to PLN 3.500 thousand; accumulated interest was LTL 18 thousand LTL as at 30 June, 2008.
- e) Company purchased accessories for computers from UAB "Acena" during the first half of 2008.
- f) AB Sanitas sold 100% of shares of the subsidiary UAB Altisana to UAB Finansų spektro investicija for 8 thousand LTL on April 17, 2008.
- g) UAB Inred provided resale of electrical energy services to the Company. During January-June 2008 the Company purchased services for LTL 162 thousand.
- h) The Company rented part of the real estate from UAB Laikinosios sostinės projektai for the operating activities. The rent fee was LTL 540 thousand LTL in January-June 2008.
- i) Unpaid dividends to related parties as at 30 June 2008.

14. SUBSEQUENT EVENTS

Extraordinary General Shareholders meeting held on 2 July 2008 decided to amend the Stock Option Plan and to issue 750 000 Company's shares to the Employees of the Group thus increasing authorised capital of Sanitas AB up to LTL 31 855 920. The sale price was set to LTL 16 per one share. The list of the employees having the right to acquire these shares will be approved by the Sanitas Management Board.

On July, 14 2008 AB Bankas Hansabankas increased investment loan to the Company by EUR 1.303.290. The amount of EUR 1.303.290 is repayable on November, 30 2008.

The Company did not withdraw all investment loan as it was foreseen in original schedule and therefore the Bank extended term of withdrawal until 31 December 2008 with the first principal installment falling due on December, 31 2008. Other conditions of the contract did not change.