AKCINĖ BENDROVĖ „SANITAS“

AB SANITAS
INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE TWELVE MONTHS PERIOD ENDED 31 DECEMBER 2007
(NOT AUDITED)

CONFIRMATION OF RESPONSIBLE PERSONS

Following the Rules on Preparation and Submission of Periodic and Additional Information of the Lithuanian Securities Commission and the Law on Securities of the Republic of Lithuania, we Saulius Jurgelėnas, General Manager of AB „Sanitas“, and Nerijus Drobavičius, Chief Financial Officer of AB „Sanitas“, hereby confirm that, to the best of our knowledge, the attached interim consolidated financial statements of AB „Sanitas“ for the twelve months period ended 31 December 2007, prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union, give a true and fair view of the assets, liabilities, financial position and profit or loss of AB „Sanitas“ and the Consolidated Group.

ENCLOSURE: Interim consolidated financial statements of AB „Sanitas“ for the twelve months period ended 31 December 2007.

AB „Sanitas“ General Manager Saulius Jurgelėnas

AB „Sanitas“ Chief Financial Officer N. Drobavičius Nerijus Drobavičius

AB Sanitas

CONSOLIDATED AND PARENT COMPANY'S INTERIM FINANCIAL STATEMENTS FOR THE 12 MONTHS PERIOD ENDED 31 DECEMBER 2007 PREPARED ACCORDING TO INTERNATIONAL FINANCIAL REPORTING STANDARDS AS ADOPTED BY THE EUROPEAN UNION

GENERAL INFORMATION

Board of Directors

Mr. Darius Šulnis (Chairman of the Board)
Mr. Vytautas Bučas
Mr. Darius Žaromskis
Mr. Ashwin Roy
Mr. Martynas Česnavičius

Management

Mr. Saulius Jurgelėnas (General manager)
Mr. Nerijus Drobavičius

Registered office and company code

Vytauto Ave. 3,
Kaunas,
Lithuania
Company code 1341 36296

Bankers

AB Bankas Hansabankas
AB SEB Bankas
AB Sampo Bankas
Nordea Bank Finland Plc Lithuanian branch
Tatra Bank a.s.
Tatra Leasing
Všeobecna uverova banka a.s.
Slovenska sporitelna a.s.
Bank PEKAO SA
Bank Zachodni WBK SA
OAO Vneshtorgbank
Unikredit Bank Sp. z o.o.
Orszagos Takarekpenztar es Kereskedelmi Bank

Management:

Mr. Saulius Jurgelėnas General manager	N. Drobavičius Mr. Nerijus Drobavičius Chief financial officer

(all amounts are in thousand LTL unless otherwise stated)

Income statements

	Group		Company	
	2007	**2006**	**2007**	**2006**
Sales	335,404	161,721	35,947	32,347
Cost of sales	(165,623)	(85,639)	(17,332)	(15,789)
Gross profit	**169,781**	**76,082**	**18,615**	**16,558**
Other income	15,238	15,740	2,447	413
Selling and distribution expenses	(83,394)	(54,067)	(2,908)	(2,559)
Administrative expenses	(30,315)	(34,249)	(10,331)	(8,513)
Other expenses	(7,455)	(1,031)	(519)	(9)
Operating profit	**63,855**	**2,475**	**7,304**	**5,890**
Finance revenue	2,590	4,500	15,892	8,960
Finance costs	(27,709)	(18,353)	(3,861)	(2,222)
Profit (loss) before tax	**38,736**	**(11,378)**	**19,335**	**12,628**
Income tax expense	(1,446)	4,043	(2,806)	(1,987)
Net profit (loss)	**37,290**	**(7,335)**	**16,529**	**10,641**
Basic and diluted earnings (loss) per share (in LTL)	1.20	(0.31)		

(all amounts are in thousand LTL unless otherwise stated)

Balance sheets

	Group		Company	
	As at 31 December 2007	**As at 31 December 2006**	**As at 31 December 2007**	**As at 31 December 2006**
ASSETS				
Non-current assets				
Property, plant and equipment	280,807	273,349	30,131	17,949
Intangible assets	334,357	312,242	331	210
Investments in subsidiaries	-	-	334,698	107,694
Other financial assets	37	33	3	227,871
Deferred tax asset	20,088	18,100	80	518
Total non-current assets	**635,289**	**603,724**	**365,243**	**354,242**
Current assets				
Inventories	46,032	42,081	5,938	7,012
Prepaid income tax	3,111	307	-	122
Trade receivables	59,454	55,328	2,513	3,738
Other receivables	6,763	3,182	8,618	7,718
Deferred charges	4,822	598	143	62
Cash and cash equivalents	13,683	11,506	247	98
Total current assets	**133,865**	**113,002**	**17,459**	**18,750**
Non-current assets classified as held for sale	**-**	**8,727**	**-**	**8,200**
Total assets	**769,154**	**725,453**	**382,702**	**381,192**

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(all amounts are in thousand LTL unless otherwise stated)

Balance sheets (cont'd)

	Notes	Group		Company	
		As at 31 December 2007	As at 31 December 2006	As at 31 December 2007	As at 31 December 2006
EQUITY AND LIABILITIES					
Equity					
Share capital	1, 3	31,106	31,106	31,106	31,106
Share premium		248,086	248,086	248,086	248,086
Legal reserve		3,111	3,111	3,111	3,111
Other reserves		32,380	13,419	-	-
Retained earnings		52,466	15,176	51,439	34,910
Total equity		**367,149**	**310,898**	**333,742**	**317,213**
Non-current liabilities					
Non-current loans		250,846	37,198	24,173	16,218
Financial lease obligations		5,593	3,271	1,372	1,120
Deferred tax liability		17,875	15,193	-	-
Deferred income from subsidies		6,188	3,687	6,188	3,687
Provisions		6,338	6,202	-	-
Total non-current liabilities		**286,840**	**65,551**	**31,733**	**21,025**
Current liabilities					
Current portion of non-current loans		52,671	305,339	7,510	2,618
Current portion of non-current financial lease obligations		3,270	2,483	1,027	885
Current loans		11,177	2,252	303	23,172
Trade and other payables		34,987	25,113	5,587	8,674
Advances received		-	800	596	4,709
Income tax payable		1,136	1,472	302	933
Other current liabilities		10,855	9,849	1,902	1,909
Provisions		1,069	1,696	-	54
Total current liabilities		**115,165**	**349,004**	**17,227**	**42,954**
Total equity and liabilities		**769,154**	**725,453**	**382,702**	**381,192**

(all amounts are in thousand LTL unless otherwise stated)

Statements of changes in equity

Group	Share capital	Share premium	Legal reserve	Fair value reserve	Translation reserve	Retained earnings	Total
Balance as at 31 December 2005	**11,000**	**17,554**	**1,801**	**(3,042)**	**1,556**	**23,821**	**52,690**
Issue of shares (Note 3)	20,106	230,532	-	-	-	-	250,638
Transferred to reserve	-	-	1,310	-	-	(1,310)	-
Reversal of fair value reserve	-	-	-	3,042	-	-	3,042
Change in translation reserve	-	-	-	-	11,863	-	11,863
Net profit for the year	-	-	-	-	-	(7,335)	(7,335)
Total income and expense for the year	**-**	**-**	**-**	**-**	**11,863**	**(7,335)**	**4,528**
Balance as at 31 December 2006	**31,106**	**248,086**	**3,111**	**-**	**13,419**	**15,176**	**310,898**
Change in translation reserve	-	-	-	-	18,961	-	18,961
Net profit for the year	-	-	-	-	-	37,290	37,290
Total income and expense for the year	**-**	**-**	**-**	**-**	**18,961**	**37,290**	**56,251**
Balance as at 31 December 2007	**31,106**	**248,086**	**3,111**	**-**	**32,380**	**52,466**	**367,149**

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(all amounts are in thousand LTL unless otherwise stated)

Statements of changes in equity (cont'd)

Company	Share capital	Share premium	Legal reserve	Fair value reserve	Retained earnings	Total
Balance as at 31 December 2005	**11,000**	**17,554**	**1,801**	**(3,042)**	**25,579**	**52,892**
Issue of share capital (Note 3)	20,106	230,532	-	-	-	250,638
Transfer from/to legal reserve	-	-	1,310	-	(1,310)	-
Reversal of fair value reserve	-	-	-	3,042	-	3,042
Net profit for the year	-	-	-	-	10,641	10,641
Total income and expense for the year	**-**	**-**	**-**	**3,042**	**10,641**	**13,683**
Balance as at 31 December 2006	**31,106**	**248,086**	**3,111**	**-**	**34,910**	**317,213**
Net profit for the year	-	-	-	-	16,529	16,529
Total income and expense for the year	**-**	**-**	**-**	**-**	**16,529**	**16,529**
Balance as at 31 December 2007	**31,106**	**248,086**	**3,111**	**-**	**51,439**	**333,742**

Notes to the financial statements

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 Company is involved in 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.

As at 31 December 2007 and 2006 the shareholders of the Company were:

	2007		2006	
	Number of shares held (thousand)	**Percentage**	**Number of shares held (thousand)**	**Percentage**
AB Bankas Snoras	1,561	5.02%	-	-
AB Invalda	7,870	25.30%	8,816	28.34%
AB Invalda related companies and private persons	1,889	6.07%	4,997	16.06%
Citigroup Venture Capital International Jersey Limited	5,312	17.08%	5,312	17.08%
Hansabanke (Estonia) investment funds	5,107	16.42%	4,878	15.68%
Other	9,367	30.11%	7,103	22.84%
Total	31,106	100.00%	31,106	100.00%

The consolidated financial statements include the financial statements of AB Sanitas and the subsidiaries listed in the following table (hereinafter – the Group):

			% of equity interest	
Name	Main activities	Country of incorporation	2007	2006
Jelfa S.A.	Production and trade of medicines	Poland	100	100
Hoechst-Biotika s.r.o.	Production and trade of medicines	Slovakia	100	100
UAB Altisana	Real estate	Lithuania	100	100

As at 31 December 2007 the number of employees of the Group was 1,460 (as at 31 December 2006 – 1,461). As at 31 December 2007 the number of employees of the Company was 192 (as at 31 December 2006 – 201).

2 Accounting principles

The principal accounting policies adopted in preparing the Group's and the Company's financial statements for the year ended 31 December 2007 are as follows:

2.1. Basis of preparation

These financial statements have been prepared on a historical cost basis.

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 (hereinafter the EU).

Basis of consolidation

The consolidated financial statements comprise the financial statements of AB Sanitas and its subsidiaries as at 31 December each year. The financial statements of the subsidiaries are prepared for the same reporting year as the parent company, using consistent accounting policies.

All intra-group balances, transactions, income and expenses and profits and losses resulting from intra-group transactions that are recognised in assets, are eliminated in full.

Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Foreign currency translation

The Company's and Group's financial statements are presented in local currency of the Republic of Lithuania, Litas (LTL), which is the Company's functional and the Company's and Group's presentation currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Transactions in foreign currencies are initially recorded at the functional currency ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the balance sheet date. All differences are taken to profit or loss. Non monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition are treated as assets and liabilities of the foreign operation and translated at the closing rate.

The functional currency of the foreign operations, Jelfa S.A. and Hoechst-Biotika s.r.o., is Polish Zloty (PLZ) and Slovak Crown (SKK) respectively. As at the reporting date, the assets and liabilities of these subsidiaries are translated into the presentation currency of AB Sanitas (LTL) at the rate of exchange ruling at the balance sheet date and their income statements are translated at the weighted average exchange rates for the year. The exchange differences arising on the translation are taken directly to a separate component of equity. On disposal of a foreign entity, the deferred cumulative amount recognised in equity relating to that particular foreign operation is recognised in the income statement.

Lithuanian Litas is pegged to EUR at the rate of 3.4528 Litas for 1 EUR, and the exchange rates in relation to other currencies are set daily by the Bank of Lithuania.

2 Accounting principles (cont'd)

2.1. Basis of preparation (cont'd)

The Group has adopted the following new and amended IFRS and IFRIC interpretations during the year. Adoption of these revised standards and interpretations did not have any effect on the financial performance or position of the Group. They did however give rise to additional disclosures:

- IFRS 7 Financial Instruments: Disclosures.
- Amendments to IAS 1 Capital Disclosures.
- IFRIC 7 Applying the Restatement Approach under IAS 29 "Financial Reporting in Hyperinflationary Economies"
- IFRIC 8 Scope of IFRS 2.
- IFRIC 9 Reassessment of Embedded Derivatives.
- IFRIC 10 Interim Financial Reporting and Impairment.
- IAS 23 Amendment-Borrowing cost (adopted before its effectiveness day).

The principal effects of these changes are as follows:

IFRS 7 *Financial Instruments: Disclosures.* This standard requires disclosures that enable users of the financial statements to evaluate the significance of the Group's financial instruments and the nature and extent of risks arising from those financial instruments. The new disclosures are included throughout the financial statements. While there has been no effect on the financial position or results, comparative information has been revised where needed.

IFRIC 7 *Applying the Restatement Approach under IAS 29 "Financial Reporting in Hyperinflationary Economies".* This interpretation provides guidance on how to apply the requirements of IAS 29 in a reporting period in which an entity identifies the existence of hyperinflation in the economy of its functional currency, when that economy was not hyperinflationary in the prior period. The interpretation had no impact on the financial position or performance of the Group.

IAS 1 *Presentation of Financial Statements.* This amendment requires the Group to make new disclosures to enable users of the financial statements to evaluate the Group's objectives, policies and processes for managing capital.

IFRIC 8 *Scope of IFRS 2.* This interpretation requires IFRS 2 to be applied to any arrangements in which the entity cannot identify specifically some or all of the goods received, in particular where equity instruments are issued for consideration which appears to be less than fair value. As equity instruments are not issued to employees, the interpretation had no impact on the financial position or performance of the Group.

IFRIC 9 *Reassessment of Embedded Derivatives.* IFRIC 9 states that the date to assess the existence of an embedded derivative is the date that an entity first becomes a party to the contract, with reassessment only if there is a change to the contract that significantly modifies the cash flows. The interpretation had no impact on the financial position or performance of the Group.

IFRIC 10 *Interim Financial Reporting and Impairment.* The Group adopted IFRIC Interpretation 10 as of 1 January 2007, which requires that an entity must not reverse an impairment loss recognised in a previous interim period in respect of goodwill or an investment in either an equity instrument or a financial asset carried at cost. As the Group had no impairment losses previously reversed, the interpretation had no impact on the financial position or performance of the Group.

IAS 23 *Borrowing Costs*. The revised standard eliminates the option of expensing all borrowing costs and requires borrowing costs to be capitalised if they are directly attributable to the acquisition, construction or production of a qualifying asset.

2 Accounting principles (cont'd)

2.2. Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits associated with the transaction will flow to the Company and the Group and the amount of the revenue can be measured reliably. Revenue is measured at the fair value of the consideration received, excluding discounts, rebates, and other sales taxes or duty.

Sale of goods

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer, usually on dispatch of the goods.

Interest income

Revenue is recognised as interest accrues (using the effective interest method that is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial asset).

Dividends

Revenue is recognised when the Group's right to receive the payment is established.

2.3. Borrowing costs

Borrowing costs are capitalised if they are directly attributable to the acquisition, construction or production of a qualifying asset. Capitalisation of borrowing costs commences when the activities to prepare the asset are in progress and expenditures and borrowing costs are incurred. Borrowing costs are capitalised until the assets are substantially ready for their intended use. If the resulting carrying amount of the asset exceeds its recoverable amount, an impairment loss is recorded.

2.4. Use of estimates in the preparation of financial statements

Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the 'value in use' of the cash-generating units to which the goodwill is allocated. Estimating a value in use amount requires management to make an estimate of the expected future cash flows from the cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of goodwill as at 31 December 2007 was LTL 287,794 thousand (as at 31 December 2006 - LTL 270,279 thousand).

2 Accounting principles (cont'd)

2.4. Use of estimates in the preparation of financial statements (cont'd)

Uncertainties relating to estimates

The preparation of the financial statements requires to a certain extent assumptions and estimates to be made which have an effect on the carrying amounts of recognised assets and liabilities, income and expenses and contingent liabilities. The assumptions and estimates are based on parameters which are derived from the current knowledge at the time. In particular, the circumstances prevailing at the time of preparing the financial statements and the realistic future development of the global and industry environment were used to estimate cash flows. Where these conditions develop differently than assumed, and beyond the sphere of influence of management, the actual figures may differ from those anticipated. If there are deviations between actual and anticipated development, the assumptions, and where necessary, the carrying amounts of the relevant assets and liabilities, are adjusted accordingly.

At the date of preparing the financial statements, the underlying assumptions and estimates were not subject to any significant risk such that from today's point of view, it is not likely that the carrying amounts of assets and liabilities will have to be adjusted significantly in the subsequent fiscal year.

2.5. Contingencies

Contingent liabilities are not recognised in the financial statements. They are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote.

A contingent asset is not recognised in the financial statements.

3 Share capital

On 15 May 2006 20,105,920 additional shares with a par value of LTL 1 each were issued. The Company sold these shares for LTL 13.00 for each. Proceeds from the share capital increase were LTL 250,638 thousand, including the share premium amounting to LTL 230,532 thousand (net of expenses related to the transaction). As at 31 December 2006 the share capital of the Company was comprised of 31,105,920 ordinary shares with the par value of LTL 1 each.

On 26 April 2007 the Shareholders meeting of the Company has approved the Stock option plan for the Group employees. According to this plan, Group's employees may be entitled to purchase up to 150,000 Company's shares each year for the 5 years period at the defined exercise price if determined Group financial target is met. No option should be granted after 30 September 2011. No options were granted till the end of year 2007.

The share capital of the Company was fully paid as at 31 December 2007 and 2006. Subsidiaries did not hold any shares of the Company as at 31 December 2007 and 2006. The Company did not hold its own shares.

4 Reserves

Legal reserve

A legal reserve is a compulsory reserve under Lithuanian legislation. Annual transfers of not less than 5% of net profit, calculated in accordance with IFRS, are compulsory until the reserve reaches 10% of the share capital. The reserve can be used only to cover the accumulated losses of the Company. As at 31 December 2007 and 2006 the legal reserve of the Company was fully formed.

Foreign currency translation reserve

The foreign currency translation reserve is used for translation differences arising on consolidation of financial statements of foreign subsidiaries.

Exchange differences are classified as equity in the consolidated financial statements until disposal of the investment. Upon disposal of the corresponding investment, the cumulative revaluation of translation reserves is recognised as income or expenses in the same period when the gain or loss on disposal is recognised.