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**AB SANITAS**

**INTERIM CONSOLIDATED FINANCIAL STATEMENTS AND INTERIM CONSOLIDATED REPORT OF ACTIVITY  
FOR THE FIRST HALF OF 2008**

(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 Sanitas AB, Nerijus Drobavičius, Chief Financial Officer of Sanitas AB and Ruta Milkuviene, Director of Legal and Corporate affairs of Sanitas AB, hereby confirm that, to the best of our knowledge, the attached interim condensed consolidated financial statements and interim consolidated report of activity of Sanitas AB for the first half of 2008, are 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 Sanitas AB and Sanitas Group.

Sanitas AB General Manager

Handwritten signature of Saulius Jurgelėnas in blue ink.

Saulius Jurgelėnas

Sanitas AB Chief Financial Officer

Handwritten signature of Nerijus Drobavičius in blue ink.

Nerijus Drobavičius

Sanitas AB Director of Legal and Corporate affairs

Handwritten signature of Ruta Milkuviene in blue ink.

Ruta Milkuviene

***SANTAS AB***  
***SIX MONTHS CONSOLIDATED INTERIM REPORT FOR THE***  
***FIRST HALF OF 2008***



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## I. REPORTING PERIOD FOR WHICH SIX MONTHS' CONSOLIDATED INTERIM REPORT FOR 2008 IS PREPARED

### 1. Reporting period

The six months' consolidated interim report is prepared for the first half of 2008.

## II. SHORT PRESENTATION OF SANITAS AB GROUP

### 2. Main data about Sanitas AB (hereinafter – “Company” or “Sanitas”)

<b>Sanitas</b>	
Legal form	Joint stock company
Registration date	30 June, 1994
Registration place	Kaunas Municipality Board
Register, in which data about the company are stored	Register of legal entities of Republic of Lithuania
Code	1341 36296
Registered office	Vytauto ave. 3, LT-44354, Kaunas, Lithuania
Phone number	+370 37 22 67 25
Fax number	+370 37 22 36 96
E-mail	sanitas@sanitas.lt
Website	www.sanitas.lt

### 3. Contacts of other enterprises comprising Sanitas group

<b>Hoechst – Biotika spol. s. r. o. (hereinafter “Hoechst – Biotika”)</b>	
Legal form	Limited liability company
Registration date	2 March, 1992
Register, in which data about the company are stored	District court in Zilina, Slovakia
Code	31 560 784
Registered office	Sklabinska 30, 036 80 Martin, Slovakiya
Phone number	+42143402111
Fax number	+421434221004
E-mail	hb@hoechst-biotika.sk
Website	www.hoechst-biotika.sk
<b>Jelfa SA (hereinafter “Jelfa”)</b>	
Legal form	Limited liability company
Registration date	2 December, 1991
Register, in which data about the company are stored	National court register, Wroclow branch
Code	66687
Registered office	Wincentego Pola 21, 58 800 Jelenia Gora, Poland
Phone number	+48756433240
Fax number	+48757524455
E-mail	jelfa@jelfa.com.pl
Website	www.jelfa.com.pl

#### 4. Part of statutory capital owned by the Company in other enterprises of Sanitas group



#### 5. Affiliates/representative offices of enterprises comprising Sanitas group

##### Jelfa's representative offices:

**1.** Prospectus Mira 74/1/ 92

Moscow, Russia

Tel. +70959741551.

**2.** Wasilkowskaja 1/207

Kiev, Ukraine

Tel. +380444619196.

**3.** Nagy Lajos Kiraly ter 1-5

Debrecen, Hungary

Tel. +36303495954.

**4.** Nikolay Kopernik str. 21/10

Sofia, Bulgaria

Tel. +35929799410.

##### Hoechst – Biotika's affiliate:

**1.** Modřany, Mezi vodami 27

Prague, Czech Republic

Tel. +420241090817.

#### 6. The main activity of Sanitas group

Main activities of Sanitas group are:

- manufacture and sale of various generic medicine
- development of new products
- contract manufacturing.

#### 7. Short history of Sanitas group

History of Sanitas group reaches as early as 1922, when pharmaceutical laboratory “Sanitas” was established in Kaunas city (Lithuania) and used to manufacture cosmetics. In the course of time, the laboratory was intensely developed, its owners were changing.

History of the present Sanitas started in 1994, after privatization of the Company. Manufacture was reformed according to the requirements of Good Manufacturing Practice (hereinafter “GMP”) and developed further.

In May, 2004 Sanitas acquired shares of another Lithuanian manufacturer of pharmaceutical preparations Endokrininiai preparatai AB. In spring, 2005, in the territory of this company, at Veiverių str. 134, Kaunas, according to project “Modernization of manufacture of AB “Sanitas”, which is partially financed



by Structural Funds of the European Union, building of new modern factory of medicine manufacture was started. Project is intended to end in 2008.

In July, 2005 Sanitas acquired manufacturer of generic medicines, limited liability company Hoechst – Biotika, established in Martin city, Slovakia. Pharmaceutical factory operating at the foot of the Tatra Mountain was established in 1992 and has modern equipment. Acquisition of Hoechst-Biotika was the first step to creation of Sanitas group and at the same time strong step into markets of the Central Europe. At the end of 2006 Hoechst-Biotika established office in Prague, the Czech Republic, which later was re-registered to affiliate.

In 2006, Sanitas acquired shares of Polish generic pharmaceutical company Jelfa and at present own 100 % of authorized capital of this company. During acquisition process, in order to attract new assets, emission of shares was issued. Invalda AB, the main shareholder of Sanitas together with several natural persons purchased shares, also, such world-famous investment funds as Amber Trust II SCA and Citigroup Venture Capital International Jersey Limited, became its shareholders.

Acquisition of Jelfa was very important for developing of Sanitas group and for entering markets of Central Europe. Portfolio of Sanitas group's products was supplemented by more than 100 products. The most part of Jelfa's products are sold in Poland, other part - in Russia, the Ukraine, the Baltic States, the Czech Republic, Hungary and Slovakia. Jelfa has its representative offices in Russia, Ukraine, Hungary and Bulgaria.

### **8. Mission. Values**

The mission of Sanitas group is to be fast growing international pharmaceutical company with strategic focus on the markets of Central and Eastern Europe and to be one of the best companies in this field in terms of efficiency and customer confidence.

The values of Sanitas group are:

- Transparency
- Team spirit
- Urgency
- Ownership
- Proactiveness.

## **III. INFORMATION ON SANITAS AUTHORISED CAPITAL AND SECURITIES**

### **9. Composition of Sanitas authorised capital, rights provided by shares**

Type of shares	Number of shares	Nominal value, LTL	Total nominal value, LTL	Portion of the authorised capital, %
Ordinary registered shares	31 105 920	1	3 105 920	100

Sanitas shareholders have the following property and non-property rights:

1. to receive a part of the Company's profit - dividend;
2. to receive a part of assets of the Company in liquidation;
3. to receive shares without payment if authorised capital is increased out of the Company funds;
4. to have pre-emption right in acquiring shares or convertible debentures issued by the Company, except in cases when the General Shareholders Meeting decides to withdraw the pre-emption right for all the shareholders, according to the Law of Companies of the Republic of Lithuania;



5. to lend to the Company in the manner prescribed by law;
6. to leave all or part of the shares for the other persons by will;
7. to sell or otherwise transfer the shares to the proprietorship of other persons;
8. to attend the General Shareholders Meetings;
9. to vote at the General Shareholders Meetings (one fully paid share of the one-litas nominal value grants one vote);
10. to receive the information concerning economic activity of the Company;
11. to file a claim with the court for reparation of damage resulting from nonfeasance or malfeasance by the Company manager and Management Board members of their obligations prescribed by the laws and the Articles of Association as well as in other cases laid down by laws.

The shareholders may have other legal property and non-property rights.

### 10. Sanitas shareholders

Total number of the shareholders on June 30, 2008 was 1 309.

Shareholders acting jointly, who held more than 5 % of the Company's authorised capital or votes on June 30, 2008:

Name of the shareholder (legal form, address of registered office and code of the enterprise)	Number of ordinary registered shares owned by the right of ownership	Share of the authorised capital, %	Share of votes, %		
			Share of votes given by the shares owned by the right of ownership, %	Indirectly owned votes, %	Share of votes of shareholders that are acting jointly, %
Invalda AB, Šeimyniškių g. 3, Vilnius, i.c. 121304349	7 818 422	25.13	25.13	11.65	65.45
Darius Sulnis	870	0.003	0.003	-	
Dailius Juozapas Miseikis	215 265	0.69	0.69	-	
Finasta rizikos valdymas UAB, Konstitucijos ave. 23, Vilnius, i.c. 300045450	85 915	0.28	0.28	-	
FMI Finasta AB, Konstitucijos ave. 23, Vilnius, i.c. 122570630	403 879	1.30	1.30	-	
Bank Finasta AB, Konstitucijos ave. 23, Vilnius, i.c. 301502699	124 538	0.40	0.40	-	
Jonas Bielinis	330 965	1.06	1.06	-	
Nerijus Nauseda	248 805	0.80	0.80	-	
Tomas Nauseda	333 220	1.07	1.07	-	
Alvydas Dirvonas	516 707	1.66	1.66	-	
Arunas Tuma, i.c	516 727	1.66	1.66	-	
Darius Zaromskis	516 702	1.66	1.66	-	
Donatas Jazukevicius	311 702	1.00	1.00	-	
Citigroup Venture Capital International Jersey Limited, 90207	5 312 000	17.08	17.08	-	
Hansabank Clients, Liivalaia 8, 15040 Tallinn, Estonia, 10060701	5 952 459	19.14	19.14	-	-
Bank Snoras AB Vivulskio str. 7, Vilnius, i.c. 112025973	1 569 014	5.04	0.03	-	-





### **11. All limitations of Sanitas securities transferring**

On February 24, 2006 Shareholders agreement between Amber Trust II SCA, Citigroup Venture Capital International Jersey Limited, Invalda AB, Nenuorama UAB, Aikstentis UAB, Finasta investiciju valdymas UAB, natural persons Darius Sulnis, Tomas Nauseda, Jonas Bielinis, Nerijus Nauseda, Arunas Tuma, Alvydas Dirvonas, Darius Zaromskis, Donatas Jazukevicius and the Company (hereinafter referred to as „Shareholders agreement“) was signed. In this Shareholders agreement the restrictions to transfer the Company's shares, other than as expressly required or permitted under Shareholders agreement, as well as restrictions to establish any encumbrances on the shares are prescribed.

### **12. Special rights of control possessed by the Sanitas shareholders and description of these rights**

It is agreed in the Shareholders agreement that:

- each shareholder - Amber trust II SCA and Citigroup Venture Capital International Jersey Limited - has a right to nominate 1 representative to the Company's managing body – Management Board.
- the Management Board will be composed from 5 members and, unless otherwise agreed, neither of them will initiate and/or vote in favor of any amendments of or supplements of Articles of Association which would result in any change of number of the members of the Board.
- the Company shall permit the shareholders Amber trust II SCA and Citigroup Venture Capital International Jersey Limited to visit and inspect the Company's and each of its subsidiaries' properties, to examine its books of accounts and records. Also The Company shall provide the said shareholders with an operating plan and draft budget of coming year.

### **13. Limitations of Company's shareholders voting rights**

According to the Shareholders agreement, the voting on the important issues (e. g., a material change in the activity of the Company; any merger; the sale, lease or other disposal of the Company or all or substantially all of the Company's assets; any joint ventures between the Company and another entity; the establishment of any new subsidiary of the Company; appointment of some positions in the Company; any transaction with any officer, Management Board member, shareholder or other interested party; and others) at the Shareholders meeting or in the Management Board has to be agreed with shareholders Amber trust II SCA and Citigroup Venture Capital International Jersey Limited.

### **14. Sanitas shareholders agreements known to the Company according to which transferring of the securities and/or voting rights can be limited**

No other agreements, except the Shareholders agreement, are known to the Company.

### **15. Data about securities trading**

Only shares of Sanitas are traded on regulated market. As from November 21, 2005, the ordinary registered shares of the Company were admitted to the Official List of the Vilnius Stock Exchange (hereinafter "VSE"). Before November 21, 2005, the Company's shares were traded on the Current List of the VSE.

Main characteristics of the Company's shares listed in the Official List:

Type of the shares	ISIN code	Ticker	Number of shares	Nominal value, LTL	Total nominal value, LTL
Ordinary registered shares	LT000010617	SANIL	31 105 920	1	31 105 920



### **16. Information about the Sanitas agreements with intermediaries of public trading in securities**

The Company has signed agreements with the financial brokerage company Finasta AB (Konstitucijos ave. 23, Vilnius) concerning management of securities, accounting and drawing up of the periodical reports, also concerning custody and accounting of securities and funds, accepting and executing orders. The Company has an agreement with Dom Maklerski BZ WBK S.A. (Wolności 15, Poznan, Poland) concerning custody and accounting of the subsidiary's Jelfa securities and funds, accepting and executing orders.

### **17. Sanitas own shares**

During the reporting period Sanitas do not acquired and do not had it's own shares.

## **IV. INFORMATION ON SANITAS MANAGEMENT**

### **18. Company's managing bodies**

Company has the General Shareholders Meeting, single person managing body – the Manager (Managing director) and collegial executive body – the Management Board. The Supervisory Board is not formed in the Company.

The Management Board of the Company is formed from 5 members and is elected by the General Shareholders Meeting for the 4 years period.





The Managing director is elected and dismissed by the Management Board which also fixes his salary, approves his job description, provides incentives and imposes penalties.

The competence of the General Shareholders Meeting and the order of its convocation complies with the Law of the Companies of the Republic of Lithuania.

The competence of the Management Board and the Managing Director, the order of their election and cancellation is as set forth by the Law of the Companies of the Republic of Lithuania. The Managing Director has a right to give procurations on behalf of the Company to the employees of the Company or other persons and to carry out legal actions according to the interests of the Company in connection to its activities.

<b>Name, surname</b>	<b>Position held</b>	<b>Portion of the capital and votes held, %</b>
<b>THE MANAGEMENT BOARD</b>		
Darius Sulnis	Chairman	0.003
Darius Zaromskis	Member	1.66
Martynas Cesnavicius	Member	-
Vytautas Bucas	Member	-
Ashwin Roy	Member	-
<b>THE ADMINISTRATION</b>		
Saulius Jurgelenas	Managing Director	-
Nerijus Drobavicius	Chief Financier	-

	<p><u>Education</u> – master degree, Vilnius university, Faculty of Economics.</p> <p><u>Other positions held:</u>          Invalda AB – President and Management Board member;          Invaldos nekilnojamojo turto fondas AB – Management Board member;          Bank Finasta AB – Supervisory Board member;          Finasta imonių finansai AB – Management Board member;          Finasta investicijų valdymas UAB – Chairman of the Management Board          Vilniaus baldai AB – Management Board member;          SIA Dommo grupa (Latvia) – Chairman of the Supervisory Board;          SIA DOMMO (Latvia) – Chairman of the Supervisory Board;          SIA AMMO (Latvia) – Chairman of the Supervisory Board;          SIA Burusala (Latvia) – Chairman of the Supervisory Board;          Umega AB – Management Board member;          Inred UAB – Management Board member;          Tiltra Group AB – Supervisory Board member.</p>
<p>Darius Sulnis (Chairman of the Management Board)</p>	
	<p><u>Education</u> – University education, Vilnius University, Faculty of Economics, July 1991 Wharton Business School, 1994 – 2002 member of the Association of Chartered Certified Accountants, UK.</p> <p><u>Other positions held:</u>          Invalda AB – adviser and Chairman of the Management Board;          Invaldos nekilnojamojo turto fondas AB - Chairman of the Management Board;          FMI Finasta AB – Management Board member;          Finasta imonių finansai AB – Management Board member;          Bank Finasta AB – Chairman of the Supervisory Board;          Finasta investicijų valdymas UAB – Management Board member;          Vilniaus baldai AB – Management Board member;          Girių bizonas UAB – Management Board member;          Kauno tiltai AB – Management Board member;          Inred UAB – Management Board member;          Tiltra Group AB – Supervisory Board member.</p>
<p>Vytautas Bucas (Management Board member)</p>	
	<p><u>Education</u> - University education, Vilnius University, Faculty of Law.</p> <p><u>Other positions held:</u>          Attorney;          Umega AB – Management Board member;          Vilniaus degtinė AB – Chairman of the Management Board;          Kamineros grupė UAB – Management Board member;          Printing house Spindulys AB – Management Board member;          Bagem UAB – Management Board member;          Jungtinis turto centras UAB – Management Board member;          Konstruktus UAB – Management Board member.</p>
<p>Darius Zaromskis (Management Board member)</p>	

	<p><u>Education</u> – master degree in Economics (First Class) from King's College, University of Cambridge, UK; UK qualified Chartered Accountant.</p> <p><u>Other positions held:</u> Citi Venture Capital International - Vice-president; Eurasian Brewery Holdings Limited (Jersey, English islands) – director; Silja Line Oy (Finland) – Supervisory Board member.</p>
<p>Ashwin Roy (Management Board member)</p>	<p><u>Education</u> – University education, Vilnius university, Faculty of Economics.</p> <p><u>Other positions held:</u> Amber Trust I &amp; Amber Trust II – adviser; Laisvas Nepriklausomas Kanalas UAB – Management Board member; Litagros Chemija UAB – Management Board member; Atradimu Studija UAB – Management Board member; Profinance UAB – Chairman of the Management Board; Sidabra AB – Management Board member; Kauno pieno centras AB – Management Board member; Snaige AB – Management Board member; Malsena AB – Management Board member; Meditus UAB – Management Board member.</p>
	<p><u>Education</u> – University education, Vilnius university, Faculty of Economics.</p> <p><u>Other positions held:</u> Altisana – director; Hoechst-Biotika – executive general manager; Jelfa – Chairman of the Supervisory Board.</p>
<p>Martynas Cesnavicius (Management Board member)</p>	<p><u>Education</u> – Vytautas Magnus University, Bachelor degree in business administration; Master degree in banking and finance.</p> <p><u>Other positions held:</u> Jelfa – Management Board member.</p>
	<p><u>Education</u> – Vytautas Magnus University, Bachelor degree in business administration; Master degree in banking and finance.</p> <p><u>Other positions held:</u> Jelfa – Management Board member.</p>
<p>Saulius Jurgelenas (Managing Director)</p>	<p><u>Education</u> – Vytautas Magnus University, Bachelor degree in business administration; Master degree in banking and finance.</p> <p><u>Other positions held:</u> Jelfa – Management Board member.</p>
	<p>Nerijus Drobavicius (Chief Financier)</p>



Data about the beginning and end of the term of tenure of each Management Board member:

Name, surname	Beginning of the term	End of the term
Darius Sulnis	27.04.2006	2010
Darius Zaromskis	27.04.2006	2010
Martynas Cesnavicius	31.07.2006	2010
Vytautas Bucas	26.04.2007	2010
Ashwin Roy	26.04.2007	2010

Data about cash payments, other transferred property and given warranties jointly to all members of the Management Board, members of administration and average extent belonging to each member of the collegial managing body, managing director and chief financier during the reporting cycle made by the Company:

	Remuneration, LTL	Tantiemes, other payments made from profit LTL	Other transferred property
Members of the Board jointly	-	-	-
Each member of the Board (average)	-	-	-
Members of the Administration (Managing Director and Chief Financier) jointly	348360	-	-
Each member of the Administration (average)	29030	-	-

***19. Agreements with Company's employees and members of managing bodies providing compensation in the case of their resignation or dismissal without serious reason or if their employment is terminated because of the change of the control on the Sanitas***

The Company has not signed agreements with its employees regarding payment of the compensations in the case of their resignation or dismissal without serious reason or if their employment terminates because of the change of the control on the Company.

## V. SANITAS GROUP'S ACTIVITY REVIEW

### ***20. Non-financial activity review***

#### 20.1 Manufacturing

In the first half of 2008 Sanitas continued production in current plant situated at Vytauto ave. 3, Kaunas. Ampoules department operated until April, tablets department until June. Both departments produced:

- ampoules 18.2 million
- tablets 58.9 million.

Since April equipment relocation from the current plant to the newly built plant, situated at Veiveriu str. 134 B, Kaunas, has started. Construction works are progressing according to the schedule and delivery of the new equipment is executed in the newly built plant.

During the reporting period Jelfa has faced 2 external audits on ampoules, quality assurance and quality control areas. Plan of corrective actions was sent to the inspection and is subject to inspectors opinion.

Jelfa's production by the end of June, 2008:

- ampoules/vials 38.7 million
- tablets 317 million
- tubes 18.5 million.



Hoechst-Biotika renewed GMP certificate in April of 2008.

Hoechst-Biotika's production by end of June, 2008:

- ampoules 18.8 million
- tablets 154 millions
- tubes 165.9 thousand
- blisters 17.3 million (packaging contracts).

## 20.2. Employees

191 employees were working at Sanitas on 30 June, 2008. Total number of employees has decreased in 1 employee comparing with December 31, 2007 (192 employees were working at Sanitas on December 31, 2007). There was no significant range of employees number during the reporting period – flow was 2.03 %, 9.5 constant employees were hired. Number of employees having university education has increased and number of employees having secondary education has decreased in this period.

Total number of employees of Sanitas group increased in 2.6 % during the reporting period and was 1493 on June 30, 2008 (1455 employees on December 31, 2007). The number of employees in Jelfa changed from 921 to 955. The main reason of the increase was the growth of manufacturing extents. Number of employees increased in Hoechst-Biotika from 341 to 347. The increase was mainly influenced by building of the new sales team for Slovak and Czech markets as well as establishment of the regulatory affairs office.

Employment contracts or collective agreements of the Company do not provide for any extraordinary rights of or obligations to the employees or any part thereof.

Additional 3, 7 and 10 years employment guarantees for a part of employees of Jelfa are foreseen in the agreement with the trade unions. In June, 2008 settlement with trade unions was signed, according which Jelfa took some obligations beneficial to employees.

At the termination of the labor relationship because of structural changes, Hoechst-Biotika provides 4 months severance to the employees. Hoechst-Biotika is also required to pay certain benefits (1 month salary) to employees upon their retirement according by applicable law. In addition, this company is obliged, under the collective bargaining agreement, to pay company and life jubilee benefits to employees who have served a specified number of years of employment.

As of June 30, 2008, the number of employees was as follows:

- Sanitas– 191
- Hoechst-Biotika – 347
- Jelfa – 955.

Average number of employees for the first half of 2008 was as follows:

- Sanitas – 192
- Hoechst-Biotika – 350
- Jelfa – 943.

Breakdown of employees by levels of positions:

Employee group	30.06.2008	
	Sanitas	Sanitas group
Top Managers	9	24
Specialists	76	704
Workers	106	765
<b>Total</b>	191	1493



Breakdown of employees by education:

Employee group	30.06.2008	
	Sanitas	Sanitas group
University education	78	565
College education	39	203
Secondary or vocational education	73	454
Incomplete secondary education	1	271

Average monthly salary:

Employee group	30.06.2008	
	Sanitas	Sanitas group
Top Managers	24784	27168
Specialists	3712	5643
Workers	2211	2740

### 20.3 Environment

Environmental issues were considered in all areas of the activity of the Sanitas group during the reporting period. Water and energy were economized, atmosphere and soil were preserved from the possible pollution, systems designated for the pollution prevention were improved.

Sanitas threw 9.1 tons of pollution from stationary and mobile pollution sources into the atmosphere during the first half of 2008. Sanitas stokehold burnt 18 1887 nm<sup>3</sup> of natural gas, during technologic process 16 units of 79 litres capacity cylinders of thin propane – butane gas mixture were used, i. e. 282.48 m<sup>3</sup>.

Sanitas used 30 cars and 1 mobile stacker. Company exploited more cars using diesel. 8.1 tons of pollution got into the atmosphere from mobile pollution sources.

In the first half of 2008 Sanitas accumulated about 2.1 tons of waste, about 0.5 tons of them were hazardous. Manufacture and daily waste accumulated in the territory of the Company are sorted, recorded and taken out by waste administering companies (Toksika UAB, Super Montes UAB, Kauno svara UAB, Cassida UAB, Korys UAB, EMP recycling UAB) so causing less as possible danger to the environment.

13 000 m<sup>3</sup> of water were used by Sanitas during the first half of 2008. Pollution of surface and faecal outflow are controlled, analysis of the main parameters of pollutants are performed. In order to avoid chemical materials getting into environment they are safely stored in the intended places. During the reporting period 0.24 tons of volatile organic compounds exuded using materials having solvents.

In Jelfa carbon dioxide was started to use in order to neutralize alkaline sewages. It is stated that the use of this gas makes the control of neutralization equipment easier and reduces the risk of corrosion. The use of carbon dioxide is less risky to the personnel and environment.

Technical project concerning cooling aggregates (used as air conditioning and as suppliers of cold water for the production) in Jelfa's ointments department was executed. Differently than previously used air conditioners the new ones uses ecological freon which is more safe to ozone layer.

### 20.4. Sanitas group's research and development activity

During the reporting period 6 dossiers from the areas of urology and injectables were acquired. 2 own developments in the field of dermatology (which were performed in 2007) were progressing according to the schedule. It is planned that they will be ready at the beginning of 2009. It is planned to invest in 4 dossiers in the second half of 2008.

During the reporting period 55 marketing authorization requests were submitted, 24 approvals were received. It is planned to submit 167 marketing authorization requests and to get 55 approvals.

### 20.5. Purchases

Sanitas group's purchases of materials, directly used in production, not including bulk and finished goods, during the first half of 2008:

<b>Enterprise</b>	<b>Purchases, mln. LTL</b>
Jelfa	27.98
Hoechst - Biotika	7.02
Sanitas	1.47
<b>Total:</b>	<b>36.47</b>

Average monthly Sanitas group's purchases were slightly above LTL 6 mln. (average monthly Sanitas group's purchases were LTL 5.7 mln. in 2007). Sanitas purchases were very low due to the fact that activity in old premises was stopped: in April in the department of injectables, in June – in the department of tablets.

Group's raw materials purchases:

	<b>Jelfa, mln. LTL</b>	<b>Hoechst-Biotika, mln. LTL</b>	<b>Sanitas, LTL</b>	<b>mln.</b>	<b>Total, mln. LTL</b>
1. API & excipients:	16.7	2.29	0.46		19.45
2. Packaging total:	11.2	4.74	1.07		17.01
2.1. Ampoules	2.4	1.77	0.38		4.55
2.2. Metal foil	0.23	0.2	0.05		0.48
2.3. Aluminum tubes	4.31	0.07	-		4.38
2.4. PVC foils	0.55	0.59	0.11		1.25
2.5. Printed paper materials ( boxes, leaflets, labels)	2.42	1.92	0.42		4.76

Purchases of API&Excipients constituted 53 % of total purchases. From the packaging materials the biggest group is printed paper materials (LTL 4.76 mln.). The suppliers of the packaging materials are often the same to all the enterprises of the group. Different finished products are produced in each production site for this reason there are only a few common API, Excipients and bulk suppliers.

Jelfa's TOP 10 suppliers:

<b>Supplier</b>	<b>Purchases, mln. LTL</b>
Gerresheimer	3.2
PPH BWG Prober	3.17
Alfred E. Tiefenbacher	1.96
Newchem S.p.A	1.08



CPH Pharma BV	1.04
Drossapharm Ltd	0.95
Tamir	0.76
Aflofarm	0.68
Fischier Chemicals AG	0.66
Loeb Industrie France	0.62

Hoechst-Biotika's TOP 10 suppliers:

<b>Supplier</b>	<b>Purchases, mln. LTL</b>
Medical Glass	1.41
Neografia a.s.	1.28
Obalotova a.s.	0.56
Pharmagen s.r.o.	0.49
Sanofi-Aventis Deutschland	0.38
Merck	0.34
HPI	0.32
Fatra a.s.	0.31
Selectchemie	0.24
Constantia Fromm GmbH	0.24

Sanitas TOP 10 suppliers:

<b>Supplier</b>	<b>Purchases, mln. LTL</b>
Olainfarm	0.5
Miko ir Tado leidyklos spaustuve UAB	0.2
Selectchemie AG	0.17
Ingredia SA Capital	0.15
Forma Vitrum kft	0.14
Aurika UAB	0.1
Lietpack UAB	0.09
Medical Glass spol s.r.o	0.09
Didmena UAB	0.09
Schott France SAS	0.08

## 20.6. Sales and products distribution

The sales of Sanitas group in the first half of 2008 totaled to LTL 193.63 mln. and achieved a growth of 16.1 % compared with the first half of 2007. The growth was mainly driven by Russia and the region of Czech/Slovakia/Hungary. It is possible to get familiar with the split of sales by the region in Company's consolidated financial statements for 6 months.



11 new products were launched during the reporting period, it is planned to launch 23 products in the second half of 2008. Seeking to strengthen positions in the market Jelfa established its representative office in Bulgaria in April of 2008.

## 21. Financial activity review

Sales of Sanitas group during the first half of 2008 increased by LTL 26.8 mln., compared to sales over the same period in 2007. Net profit of Sanitas group decreased by LTL 1.358 mln. In the first half of 2008 in comparison with net profit during the same reporting period in 2007. Opening of the representative office in Bulgaria, significantly growing activities of the Hungarian representative office and Czech affiliate resulted the increase of selling and distribution expenses by 42.3 % or LTL 21.77 mln. Higher interest rates and increased financing from credit institutions have increased financing costs. In the first half 2007 Company sold part of the real estate which additionally contributed to the net profit by LTL 1.78 mln. All the above resulted that the net profit during the first half of 2008 was lower than net profit over the same reporting period in 2007.

Sanitas group's key financial ratios as well as their dynamics in first half of 2008 and 2007:

	<b>2007 1H</b> <b>(restated)</b>	<b>2008 1H</b>
<b>Revenues, th. LTL</b>	166.799	193.629
<i>% Growth</i>	261.3 %	16.1 %
COGS, th. LTL	(83.236)	(86.163)
<b>Gross Profit, th. LTL</b>	83.563	107.466
<i>% Growth</i>	378.5 %	28.6 %
<i>% Margin</i>	50.1 %	55.5 %
Selling and distribution expenses, th. LTL	(29.695)	(51.466)
<i>% of Revenues</i>	17.8 %	26.6 %
Administrative Expenses, th. LTL	(16.986)	(20.877)
<i>% of Revenues</i>	10.2 %	10.8 %
Result of Other Operating Activity , th. LTL	2.578	1.541
<b>EBIT, th. LTL</b>	39.460	36.664
Financing Revenues, th. LTL	250	1.407
Financing Costs, th. LTL	(11.110)	(16.603)
<b>EBT, th. LTL</b>	28.600	21.468
Taxes, th. LTL	(6.562)	(788)
<b>Net profit, th. LTL</b>	22.038	20.680
<i>% Growth</i>	311.9 %	(6.2 %)
<i>% Margin</i>	13.2 %	10.7 %
<b>EBITDA, th. LTL</b>	59.411	57.422
<i>% Growth</i>	293.0 %	(3.3 %)
<i>% Margin</i>	35.6 %	29.7 %

## 22. Main risks and risk management

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

Interest rate risk: Company's and Sanitas group's exposure to the risk of changes in market interest rates relates to debt obligations with floating interest rates. Company and Sanitas group reduces its exposure to fluctuations in interests rates by creating offsetting positions through the use of derivative financial instruments. Floating interest rates risk is managed by using interests rates swaps contracts to hedge debt obligations with floating interest rates.

Liquidity risk: Company's and Sanitas group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank overdrafts, bank loans, debentures, finance leases and hire purchase contracts. Company and Sanitas group monitors its risk to a shortage of funds using a standard report on the cash flows with a liquidity projection for the future periods.



**Foreign exchange risk:** As a result of operations in Lithuania, Poland and Slovakia, Sanitas group's balance sheet can be affected by movements in the reporting currencies' exchange rates. Sanitas group has transactional currency exposures. Such exposure arises from sales or purchases by an operating unit in currencies other than the unit's functional currency. Company and Sanitas group uses natural hedge to the maximum extent possible when mitigating foreign exchange risk. If natural hedge is not possible or not effective Company and Sanitas group reduces its exposure to foreign exchange risk by creating offsetting positions through the use of derivative financial instruments. Forward and options contracts are used to hedge foreign currency denominated receivables. Company and Sanitas group currently does not use derivative financial instruments for trading or speculative purposes.

**Credit risk:** Sanitas group and Company trades only with recognised, creditworthy third parties. It is the Sanitas group's and Company's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on a weekly basis. Factoring without a right to recourse is used as additional security mean for trade accounts receivable in country of operation. Company also uses credit insurance for domestic and export trade protecting its trade accounts receivable.

**Capital management:** The primary objective of the capital management is to ensure that Company and Sanitas group maintains a strong credit health and healthy capital ratios in order to support its business and maximise shareholder value. Company is obligated to upkeep its equity ratio not less than 50 % of its share capital, as imposed by the Law on Companies of Republic of Lithuania. There were no other externally imposed capital requirements on Sanitas group and Company. Sanitas group monitors capital using EBITDA to financial liabilities ratio. Sanitas group kept this ratio at 3.08 on June 30, 2008 (long term, short term loans, leasing liabilities and EBITDA ratio).

### **23. Related parties transactions**

Sanitas had related party transactions with its subsidiaries (Jelfa and Hoechst-Biotika) as well as with the shareholder of the Company Invalda AB and its subsidiaries (FMI Finasta AB, Finasta įmonių finansai AB, Acena UAB, Finansu spektro investicija UAB, Inred UAB, Laikinosios sostinės projektai UAB) during the reporting period. Detailed information about transactions with related parties is provided in the note to financial statements „Related party transactions”.

## **VI. OTHER INFORMATION**

### **24. Order of amendment of the Articles of Association of the Company**

The Articles of Association of the Company may be amended on the basis of the decision adopted by the General Shareholders Meeting with the qualified majority votes of 2/3, with the exception of cases specified in the Law of the Companies of Republic of Lithuania. After the General Shareholders Meeting has adopted the decision to change the Articles of Association, the whole text of the changed Articles of Association is laid out with the signature of the person authorised by the General Shareholders Meeting. The changes of the Company's Articles of Association together with the documents proving the decision to change them must be registered in the Register of Legal Persons according to the terms specified in the law.

### **25. Significant agreements the party of which is Sanitas and which would come into force or terminate in the case of change of control on the Company**

The Company is not a party of significant agreements that would come into force or terminate in case of change of control on the Company.



## ***26. Data about Company's publicly disclosed information***

While executing its duties Company publicly announced all information as it is required by law for listed companies (annual, interim information, transaction (-s) in issuer's securities concluded by the manager of the issuer, material events and etc.). It is possible to get familiar with the publicly disclosed information on VSE and Company's webpages.

## ***27. Compliance with the Governance code for the companies***

Disclosure from the Company concerning the compliance with the Governance Code for the companies listed on the regulated market of Vilnius Stock Exchange was publicly announced and provided to the Lithuanian Securities Commission together with the annual report for 2007. No changes took place in the said information within the first half of 2008.

## ***28. Main events of the first half of 2008***

- On April 1, 2008 Jelfa's representative office in Bulgaria was established.
- On April 17, 2008 Sanitas sold all shares of subsidiary Altisana UAB.
- On April 17, 2008 Company's General Shareholders meeting was held, it resolved questions assigned to the competence of the General Shareholders meeting, approved consolidated and Company's financial statements and annual report for 2007 and accepted decision regarding profit distribution. Resolution to pay dividends for 2007 in the amount of LTL 0.6 per share was made.
- On June 2, 2008 Company's General Shareholders meeting was held, it decided to issue additional emission of Sanitas shares providing the right to employees of Sanitas group to acquire shares of new emission. The Management Board will approve the list of employees having the right to acquire the shares of the new emission.



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**AMENDED SANITAS AB INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE FIRST HALF OF  
2008**

**(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 Sanitas AB, Nerijus Drobavičius, Chief Financial Officer of Sanitas AB and Ruta Milkuviene, Director of Legal and Corporate affairs of Sanitas AB, hereby confirm that, to the best of our knowledge, the attached amended Sanitas AB interim condensed consolidated financial statements for the first half of 2008, are 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 Sanitas AB and Sanitas Group.

Sanitas AB General Manager

A handwritten signature in blue ink, appearing to be "S. Jurgelėnas".

Saulius Jurgelėnas

Sanitas AB Chief Financial Officer

A handwritten signature in blue ink, appearing to be "N. Drobavičius".

Nerijus Drobavičius

Sanitas AB Director of Legal and Corporate affairs

A handwritten signature in blue ink, appearing to be "R. Milkuviene".

Ruta Milkuviene



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



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**INCOME STATEMENTS**

**INCOME STATEMENT FOR THE 1st HALF OF 2008**

	Notes	Group		Company	
		January- June 2008 (unaudited)	January- June 2007 (restated, unaudited)	January- June 2008 (unaudited)	January- June 2007 (unaudited)
<b>Revenue</b>	4	<b>193.629</b>	<b>166.799</b>	<b>16.637</b>	<b>19.233</b>
Cost of sales		(86.163)	(83.236)	(8.497)	(8.897)
<b>Gross profit</b>		<b>107.466</b>	<b>83.563</b>	<b>8.140</b>	<b>10.336</b>
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)
<b>Operating profit</b>		<b>36.664</b>	<b>39.460</b>	<b>(1.148)</b>	<b>6.693</b>
<b>Dividends</b>					<b>2.665</b>
Finance revenue	6	1.407	250	55	4.864
Finance costs	6	(16.603)	(11.110)	(1.056)	(973)
<b>Financial activity</b>		<b>(15.196)</b>	<b>(10.860)</b>	<b>(1.001)</b>	<b>3.891</b>
<b>Profit (loss) before taxes</b>		<b>21.468</b>	<b>28.600</b>	<b>(2.149)</b>	<b>13.249</b>
Income tax expense	5	(788)	(6.562)	199	(1.886)
<b>Net profit (loss)</b>		<b>20.680</b>	<b>22.038</b>	<b>(1.950)</b>	<b>11.363</b>
<b>Basic and diluted earnings (loss) per share (in LTL)</b>		0,66	0,71		





**INCOME STATEMENT FOR THE IInd QUARTER OF 2008**

Notes	Group		Company	
	April- June 2008 (unaudited)	April- June 2007 (restated, unaudited)	April- June 2008 (unaudited)	April- June 2007 (unaudited)
<b>Revenue</b>	<b>96.950</b>	<b>89.845</b>	<b>6.095</b>	<b>8.767</b>
Cost of sales	(43.486)	(41.221)	(3.138)	(4.063)
<b>Gross profit</b>	<b>53.464</b>	<b>48.624</b>	<b>2.957</b>	<b>4.704</b>
Other income	796	5.329	(33)	1.796
Selling and distribution expenses	(25.064)	(19.255)	(943)	(543)
Administrative expenses	(12.446)	(6.844)	(4.570)	(2.497)
Other expenses	110	(2.833)	-	(1)
<b>Operating profit</b>	<b>16.860</b>	<b>25.021</b>	<b>(2.589)</b>	<b>3.459</b>
<b>Dividends</b>	-	-	-	2.665
Finance revenue	791	(721)	3	2.376
Finance costs	(8.062)	(5.282)	(521)	(433)
<b>Financial activity</b>	<b>(7.271)</b>	<b>(6.003)</b>	<b>(518)</b>	<b>1.943</b>
<b>Profit (loss) before taxes</b>	<b>9.589</b>	<b>19.018</b>	<b>(3.107)</b>	<b>8.067</b>
Income tax expense	772	(3.207)	359	(996)
<b>Net profit (loss)</b>	<b>10.361</b>	<b>15.811</b>	<b>(2.748)</b>	<b>7.071</b>
<b>Basic and diluted earnings (loss) per share (in LTL)</b>	0,33	0,51		

**BALANCE SHEETS**

ASSETS	Notes	Group		Company	
		30.06.2008 (unaudited)	31.12.2007	30.06.2008 (unaudited)	31.12.2007
<b>NON-CURRENT ASSETS</b>	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
<b>TOTAL NON-CURRENT ASSETS</b>		<b>695.437</b>	<b>635.289</b>	<b>393.986</b>	<b>365.241</b>
<b>CURRENT ASSETS</b>					
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
<b>TOTAL CURRENT ASSETS</b>		<b>154.995</b>	<b>133.865</b>	<b>16.354</b>	<b>17.459</b>
Non-current assets classified as held for sale		653			
<b>TOTAL ASSETS</b>		<b>851.085</b>	<b>769.154</b>	<b>410.340</b>	<b>382.700</b>
<b>EQUITY AND LIABILITIES</b>					
		Group		Company	
		30.06.2008 (unaudited)	31.12.2007	30.06.2008 (unaudited)	31.12.2007
<b>EQUITY</b>	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
<b>TOTAL EQUITY</b>		<b>399.160</b>	<b>367.149</b>	<b>313.129</b>	<b>333.742</b>
<b>NON CURRENT LIABILITIES</b>					
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	-	-
<b>TOTAL NON CURRENT LIABILITIES</b>		<b>297.521</b>	<b>286.840</b>	<b>49.588</b>	<b>31.733</b>
<b>CURRENT LIABILITIES</b>					
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	-	-
<b>TOTAL CURRENT LIABILITIES</b>		<b>154.404</b>	<b>115.165</b>	<b>47.623</b>	<b>17.225</b>
<b>TOTAL LIABILITIES</b>		<b>451.925</b>	<b>402.005</b>	<b>97.211</b>	<b>48.958</b>
<b>TOTAL EQUITY AND LIABILITY</b>		<b>851.085</b>	<b>769.154</b>	<b>410.340</b>	<b>382.700</b>



**STATEMENTS OF CHANGES IN EQUITY**

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

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

**CASH FLOW STATEMENTS**

	Group		Company	
	January- June 2008 (unaudited)	January- June 2007 (unaudited)	January- June 2008 (unaudited)	January- June 2007 (unaudited)
<b>Cash flows from (to) operating activities</b>				
Profit (loss) before tax	21.468	22.037	(2.149)	11.363
<b>Adjustments of non-cash items:</b>				
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)	-
	<b>58.218</b>	<b>52.702</b>	<b>(491)</b>	<b>8.433</b>
<b>Change in working capital</b>				
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)
<b>Net cash flows from (to) operating activities</b>	<b>34.648</b>	<b>36.363</b>	<b>10.178</b>	<b>1.149</b>
<b>Cash flows from (to) investing activities</b>				
(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)	-
<b>Net cash flows (to) investing activities</b>	<b>(37.916)</b>	<b>1.212</b>	<b>(32.048)</b>	<b>11.285</b>
<b>Cash flows from (to) financing activities</b>				
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
<b>Net cash flows from financial activities</b>	<b>(1.179)</b>	<b>(42.322)</b>	<b>25.214</b>	<b>(12.296)</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>(4.447)</b>	<b>(4.747)</b>	<b>3.344</b>	<b>138</b>
<b>Cash and cash equivalents as of January 1</b>	<b>13.683</b>	<b>11.506</b>	<b>248</b>	<b>98</b>
<b>Cash and cash equivalents as of June 30</b>	<b>9.236</b>	<b>6.759</b>	<b>3.592</b>	<b>236</b>



**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
<b>Revenue</b>	<b>55.482</b>	<b>52.059</b>	<b>63.204</b>	<b>53.234</b>	<b>74.174</b>	<b>60.893</b>	<b>769</b>	<b>613</b>	<b>193.629</b>	<b>166.799</b>

#### 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
<b>Revenue</b>	<b>12.439</b>	<b>14.452</b>	<b>2.917</b>	<b>3.776</b>	<b>1.283</b>	<b>1.009</b>	<b>(2)</b>	<b>(4)</b>	<b>16.637</b>	<b>19.233</b>

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	-	-	-	-	-	-
	<b>155.799</b>	<b>129.207</b>	<b>37.830</b>	<b>37.592</b>	<b>193.629</b>	<b>166.799</b>	<b>8.567</b>	<b>8.225</b>	<b>8.070</b>	<b>11.008</b>	<b>16.637</b>	<b>19.233</b>

**5. INCOME TAX**

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

## 6. FINANCIAL INCOME AND EXPENSES

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

## 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
<b>As at 1 January 2008</b>	<b>7.035</b>	<b>372</b>	<b>7.407</b>
Charge during the period	790	160	950
Used / Restored	(655)	(386)	(1.041)
Foreign exchange difference	552	19	571
<b>As at 30 June 2008</b>	<b>7.722</b>	<b>165</b>	<b>7.887</b>
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.