

**LAVIPHARM S.A.**  
**FINANCIAL STATEMENTS**  
**AS OF JUNE 30, 2007**  
**IN ACCORDANCE WITH IAS 34**

The Financial Statements included herein were approved by the Board of Directors of LAVIPHARM S.A. on July 31<sup>st</sup>, 2007 and have been posted on the company's website ([www.lavipharm.com](http://www.lavipharm.com)).

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Translated from the Greek original

## **Independent Report on Review of Condensed Interim Financial Information**

To the Shareholders'  
Lavipharm S.A.

### **Introduction**

We have reviewed the accompanying condensed balance sheet of Lavipharm S.A. ("the Company") as at 30 June 2007 and the related condensed statements of income, changes in equity and cash flows for the six-month period then ended and the summary of the significant accounting policies and explanatory notes ("Interim Condensed Financial Information"). Management is responsible for the preparation and presentation of this interim condensed financial information in accordance with the International Financial Reporting Standard (IAS 34 Interim Financial Reporting) as they have been adopted by the European Union. Our responsibility is to express a conclusion on this interim condensed financial information based on our review.

### **Scope of view**

We conducted our review in accordance with International Standard on Review Engagements 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity* as provided by the Greek Auditing Standards. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### **Conclusion**

Based on our review, nothing has come to our attention that causes us to believe that the accompanying Interim Condensed Financial Information is not prepared, in all material respects, in accordance with IAS 34 Interim Financial Reporting as adopted by the European Union.

### **Emphasis of matter**

Without qualifying our review report we wish to draw your attention to the fact that the tax obligations of the Company for the year 2006 have not been examined by the tax authorities and consequently its tax obligations relating to this year has not yet been conclusively determined. The outcome of the tax audit can not be determined at this time.

Athens, 1 August 2007  
KPMG Kyriacou Certified Auditors S.A.

Marios T. Kyriacou, Certified Auditor Accountant  
A.M. SOEL 11121

**LAVIPHARM S.A.**  
INTERIM INCOME STATEMENT  
(Amounts in thousands of Euro, unless noted otherwise)

	<u>NOTE</u>	<u>01/01/2007- 30/06/2007</u>	<u>01/04/2007- 30/06/2007</u>	<u>01/01/2006- 30/06/2006</u>	<u>01/04/2006- 30/06/2006</u>
Turnover	5, 17	26,989	13,670	24,455	14,277
Cost of sales	17	(20,509)	(10,581)	(16,896)	(9,517)
<b>Gross Profit</b>		<b>6,480</b>	<b>3,089</b>	<b>7,559</b>	<b>4,760</b>
Other operating income	6.17	1,807	236	5,895	2,599
Administrative expenses	7	(4,596)	(2,202)	(3,922)	(1,808)
Selling expenses	7	(759)	(209)	(519)	(354)
R&D expenses	7	(686)	(360)	(540)	(249)
Other operating expenses	6, 17	(1,086)	(14)	(824)	(328)
<b>Operating income before financial results &amp; taxes</b>		<b>1,160</b>	<b>540</b>	<b>7,649</b>	<b>4,620</b>
Financial income	17	255	199	155	70
Financial expenses		(3,895)	(2,008)	(1,901)	(1,075)
<b>Net financial results</b>		<b>(3,640)</b>	<b>(1,809)</b>	<b>(1,746)</b>	<b>(1,005)</b>
<b>Profits before taxes</b>		<b>(2,480)</b>	<b>(1,269)</b>	<b>5,903</b>	<b>3,615</b>
Income tax	8	(1,380)	(1,633)	(1,447)	(895)
<b>Profits after taxes</b>		<b>(3,860)</b>	<b>(2,902)</b>	<b>4,456</b>	<b>2,720</b>
Profits after taxes per share, adjusted		(0.10)	(0.07)	0.11	0.07

The notes included herein constitute an integral part of these Financial Statements.

**LAVIPHARM S.A.**  
INTERIM BALANCE SHEET  
(Amounts in thousands of Euro, unless noted otherwise)

	<u>NOTE</u>	<u>30/06/2007</u>	<u>31/12/2006</u>
<b>ASSETS</b>			
<b>Non- current assets</b>			
Tangible assets	9	25,699	26,297
Intangible assets	10	30,217	30,579
Investment property		961	961
Holdings in affiliated and subsidiary companies	11	94,321	94,321
Other long-term liabilities	17	12,215	12,215
<b>Total non-current assets</b>		<b>163,413</b>	<b>164,373</b>
<b>Current assets</b>			
Inventory	12	2,308	2,293
Trade and other receivables	13, 17	48,989	43,829
Cash and cash-equivalents	14	3,674	2,484
<b>Total current assets</b>		<b>54,971</b>	<b>48,606</b>
<b>Total assets</b>		<b>218,384</b>	<b>212,979</b>
<b>OWNERS' EQUITY</b>			
Share capital		39,293	39,293
Share premium		59,860	59,860
Reserves		10,865	10,865
Profits brought forward		4,104	10,417
<b>Total Owners' Equity</b>		<b>114,122</b>	<b>120,435</b>
<b>LIABILITIES</b>			
<b>Long term liabilities</b>			
Bank loans	16	932	973
Defferred tax liabilities		2,171	3,801
Provisions for personnel redundancy and retirement compensation		1,290	1,211
Other long-term liabilities		4	1,783
<b>Total long-term liabilities</b>		<b>4,397</b>	<b>7,768</b>
<b>Short0term liabilities</b>			
Suppliers and other liabilities	15, 17	33,605	28,186
Income taxes payable	8	3,602	2,141
Bank loans	16	62,658	54,449
<b>Total short-term liabilities</b>		<b>99,865</b>	<b>84,776</b>
<b>Total liabilities</b>		<b>104,262</b>	<b>92,544</b>
<b>TOTAL OWNERS' EQUITY AND LIABILITIES</b>		<b>218,384</b>	<b>212,979</b>

The notes included herein constitute an integral part of these Financial Statements.

**LAVIPHARM S.A.**  
INTERIM STATEMENT OF CHANGES IN EQUITY  
(Amounts in thousands of Euro, unless noted otherwise)

	Share Capital	Share Premium Reserve	Statutory Reserve	Other Reserves	Profits brought forward	Total
<b>Balance as of 01/01/2006</b>	39,293	59,860	1,576	8,920	3,410	113,059
Profits for the period, after taxes	-	-	-	-	4,456	4,456
<b>Balance as of 30/6/2006</b>	39,293	59,860	1,576	8,920	7,866	117,515
<b>Balance as of 01/07/2006</b>	39,293	59,860	1,576	8,920	7,866	117,515
Profits for the period, after taxes	-	-	-	-	2,920	2,920
Reserves	-	-	369	-	(369)	-
<b>Balance as of 31/12/2006</b>	39,293	59,860	1,945	8,920	10,417	120,435
<b>Balance as of 01/01/2007</b>	39,293	59,860	1,945	8,920	10,417	120,435
Profits for the period, after taxes	-	-	-	-	(3,860)	(3,860)
Dividends	-	-	-	-	(2,453)	(2,453)
<b>Balance as of 30/06/2007</b>	39,293	59,860	1,945	8,920	4,104	114,122

The notes included herein constitute an integral part of these Financial Statements.

**LAVIPHARM S.A.**  
**INTERIM CASH FLOW STATEMENT**  
(Amounts in thousands of Euro, unless noted otherwise)

<b><i>Cash flows from operating activities</i></b>	<b><u>30/06/2007</u></b>	<b><u>30/06/2006</u></b>
Profits before taxes	(2,480)	5,903
Readjustments for:		
Depreciation & deletion of assets	1,395	1,407
Provisions	60	(2,740)
Foreign exchange differences	97	311
Results (profits and losses from investment activities)	(139)	(779)
Financial expenses	3,895	1,901
	<b><u>2,828</u></b>	<b><u>6,003</u></b>
<b>Plus/ Minus adjustments for changes to working capital accounts or that relate to operating activities</b>		
Decrease/ (increase) in inventory	(87)	114
Decrease/ (increase) in trade and other receivables	(5,563)	(3,542)
Decrease/ (increase) in other long-term receivables	-	1,186
(Decrease)/ increase in suppliers and other liabilities	765	(10,475)
Less:		
Financial expenses paid	(3,497)	(1,796)
Personnel compensation paid	-	(39)
Taxes paid	(1,518)	(817)
<b><i>Net cash flows from operating activities</i></b>	<b><u>(7,072)</u></b>	<b><u>(9,366)</u></b>
<b><i>Cash flows from investment activities</i></b>		
Increase in holdings in subsidiary and affiliated companies	-	(1,260)
Purchase of tangible and intangible assets	(438)	(851)
Collections from the sale of tangible and intangible assets	2	30
Interest received	4	4
Dividends received	526	-
<b><i>Net cash flows from investment activities</i></b>	<b><u>94</u></b>	<b><u>(2,077)</u></b>
<b><i>Cash flows from financing activities</i></b>		
Loans collected	8,168	3,012
<b><i>Net cash flows from financing activities</i></b>	<b><u>8,168</u></b>	<b><u>3,012</u></b>
Net increase/ (decrease) in cash and cash equivalents	<b><u>1,190</u></b>	<b><u>(8,431)</u></b>
Cash and cash equivalents at the beginning of the period	<u>2,484</u>	<u>13,526</u>
Cash and cash equivalents at the end of the period	<b><u>3,674</u></b>	<b><u>5,095</u></b>

The notes included herein constitute an integral part of these Financial Statements.



**LAVIPHARM S.A.**  
NOTES TO THE INTERIM FINANCIAL STATEMENTS

**1. General information**

LAVIPHARM S.A. is a société anonyme seated in the Municipality of Peania. The Company is active in the area of pharmaceutical, chemical and cosmetic products and it is listed on the Athens Stock Exchange. As of June 30, 2007, the Company employed 227 persons. The financial statements included herein were approved by the Board of Directors on July 31<sup>st</sup>, 2007.

**2. Notice of compliance**

The financial statements included herein have been prepared in accordance with the IAS 34 and they do not include all the information requested for the preparation of the annual financial statements. Consequently, they should be examined together with the annual financial statements of December 31<sup>st</sup>, 2006.

**3. Basic accounting policies**

The International Accounting Standard Board and the Interpretations Committee have issued a series of new accounting standards and interpretations, as well as amendments of existing standards, the application of which is mandatory for accountings periods that begin from 1 January 2007 and thereafter.

- IFRS 7 *Financial Instruments: Disclosures* and IAS 1 (amendment) *Presentation of Financial Statements – Capital Disclosure* require additional qualitative and quantitative disclosures with regard to the Company's financial instruments and the risks to which it is exposed, as well as additional disclosures with regard to the Company's statement of changes in equity. IFRS 7 and the amendment of IAS 1 are expected to bring about additional disclosures with regard to the Company's financial instruments.
- IFRIC 10 *Interim Financial Statements and Impairment* prohibits the reversal of 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. The application of IFRIC 10 is not expected to affect the Company's financial statements.
- IFRIC 8 *Share-based Payment*, IFRIC 7 *Applying the Restatement Approach under IAS 29 Financial Reporting in Hyperinflationary Economies* and IFRIC 9 *Reassessment of Embedded Derivatives*. The above do not apply to the Company and they are not expected to affect the Company's financial statements.

**4. Significant accounting estimations and management judgements**

The Management's estimations, in application of the Company's accounting policies, that have a significant affect on the financial statements and the assumptions that entail a risk that the book values of assets, liabilities, income and expenses will have to be significantly adjusted in the following fiscal year are as follows:

The competent authority of the United States of America (Food and Drug Administration), by a document dated 4 August 2006, approved the circulation of the first product (medicine) manufactured by Lavipharm Corp. The said subsidiary has already begun manufacturing the first commercial lots of this product in order to meet the orders that have been requested. Consequently, the Company's Management believes that once sales begin, which is expect to take place in Q3 2007, its receivables

from Lavipharm Corp. in the total amount of approximately 14 million Euro, will begin to be gradually collected and the Company's holding therein and intangible assets that have been acquired therefrom will no longer be obsolete.

## 5. Segment reporting

### Primary type of reporting

As of June 30, 2007, the Company was divided into the following six business segments:

1. Drugs
2. Cosmetics
3. Parapharmaceuticals
4. Logistics services
5. Administrative services
6. Outsourcing services

The results of these segments as of June 30, 2007 and June 30, 2006 are noted in the table below.

30/06/2007	Pharmaceuticals	Cosmetics	OTC	Logistics	Administrative	Facon	Total
Sales	18,007	3,523	372	2,740	871	1,476	26,989

30/06/2006	Pharmaceuticals	Cosmetics	OTC	Logistics	Administrative	Facon	Total
Sales	15,896	2,285	1,881	2,694	713	986	24,455

### Secondary type of reporting

The Company's geographic segments operate in three geographic regions. The Company's main country (seat) is Greece. The regions in which the Company operates are the areas in which its products are sold and its services are provided and the areas in which these are produced.

Sales	30/06/2007	30/06/2006
Greece	21,649	16,120
European Union	5,003	5,586
Other countries	337	2,749
	<b>26,989</b>	<b>24,455</b>

Sales are noted in the country in which the Company's customers are seated.

## 6. Other operating income – (expenses)

Other Operating Income	30/06/2007	30/06/2006
Income from rents	182	187
Income from services	47	2,009
Compensation from early termination of logistics agreement	500	-
Other income	37	850
Income from used provision of impairment of inventories	864	-
Income from unused provisions raised for the impairment of receivables (note 13)	91	2,781
Foreing exchange profits	86	68
	<b>1,807</b>	<b>5,895</b>

	<u>30/06/2007</u>	<u>30/06/2006</u>
<b>Other operating expenses</b>		
Other expenses	(33)	(112)
Inventory destruction (note 12)	(864)	-
Foreign exchange losses	(189)	(712)
	<u><b>(1,086)</b></u>	<u><b>(824)</b></u>

## **7. Administrative / selling / research and development expenses**

<b>Administrative/ selling/ research and development expenses</b>	<u>30/06/2007</u>	<u>30/06/2006</u>
Personnel benefits	2,032	1,780
Other third party fees	699	625
Third party benefits	697	536
Taxes and duties	99	42
Other expenses	615	433
Depreciation/ amortization	454	506
	<u><b>4,596</b></u>	<u><b>3,922</b></u>

<b>Selling expenses</b>	<u>30/06/2007</u>	<u>30/06/2006</u>
Personnel benefits	78	72
Other third party fees	384	196
Third party benefits	39	36
Taxes and duties	38	7
Other expenses	140	118
Depreciation/ amortization	80	90
	<u><b>759</b></u>	<u><b>519</b></u>

<b>Έξοδα έρευνας και ανάπτυξης</b>	<u>30/06/2007</u>	<u>30/06/2006</u>
Other expenses	140	45
Depreciation/ amortization	546	495
	<u><b>686</b></u>	<u><b>540</b></u>

## **8. Income tax**

	<u>30/06/2007</u>	<u>30/06/2006</u>
Current income tax	-	151
Other non-incorporated taxes	60	26
Deferred tax	(1,630)	1,270
Tax audit differences	2,950	-
	<u><b>1,380</b></u>	<u><b>1,447</b></u>

Pursuant to the provisions of Hellenic tax legislation, the income tax rate as of 31 December 2006 was 29% for fiscal year 2006 and 25% for fiscal years 2007 and thereafter.

Hellenic tax legislation and all provisions relative thereto are subject to the interpretations of the competent tax authorities. Income tax statements are submitted to the competent tax authorities on an annual basis, but the profits or losses that are declared, for tax purposes, remain temporarily pending until the competent tax authorities audit the entity's income tax statements and books. An entity's tax obligations are finalised based on these audits. Tax losses, to the extent that these are recognised by the competent tax authorities, may be used to offset profits of the next five years that follow the year that they concern.

The Company has been audited by the competent tax authorities for fiscal years 2003 until and including 2005. From the tax audit, a difference of euro 2,950 have been found and which have been recorded in the P&L statement. Until 30/6/2007, the company had paid euro 589. the company has not yet been audited for fiscal year 2006. Consequently, the Company's tax obligations for the fiscal year that have not been audited have not been finalised.

The Company presently continues to regularly pay the instalments that arose from the adjustment of its tax debt of fiscal year 2004 (643 Euro). The total value of the remaining instalments that are due amounts to 403 Euro.

The tax on the Company's profits before taxes differs from the theoretical amount that would had arisen if the domestic tax rates had been applied to the Company's profits. This difference is noted in the table below.

	<u>30/06/2007</u>	<u>30/06/2006</u>
Profits before taxes	<u>(2,480)</u>	<u>5,903</u>
Taxes estimated on the domestic tax rates applied to profits	(620)	1,712
Income not subject to taxation	(1,106)	(227)
Expenses not recognised for tax purposes	96	92
Effect of differences in tax rates	-	(156)
Tax audit differences	2,950	
Other taxes	60	26
Total Income Tax	<u>1,380</u>	<u>1,447</u>

## 9. Tangible assets

	Fields- Lots	Buildings & Technical works	Transportation equipment	Machinery & other equipment	Total
<b>01/01/2006</b>					
Acquisition value	8,355	13,146	299	12,166	33,966
Accumulated depreciation	-	(1,789)	(207)	(5,539)	(7,535)
Net Book Value	<b>8,355</b>	<b>11,357</b>	<b>92</b>	<b>6,627</b>	<b>26,431</b>
<b>01/01/2006</b>					
Net book value as of 01/01/06	8,355	11,357	92	6,627	26,431
Additions	-	2	29	185	216
Sales- Deletions	-	-	(38)	(41)	(79)
Transfer to assets available for sale	1,400	-	-	-	1,400
Sales- Deletions (depreciated)	-	-	9	7	16
Depreciation for the period	-	(817)	(22)	(848)	(1,687)
Net book value as of 31/12/06	<b>9,755</b>	<b>10,542</b>	<b>70</b>	<b>5,930</b>	<b>26,297</b>
<b>31/12/2006</b>					
Acquisition value	9,755	13,148	290	12,310	35,503
Accumulated depreciation	-	(2,606)	(220)	(6,380)	(9,206)
Net Book Value	<b>9,755</b>	<b>10,542</b>	<b>70</b>	<b>5,930</b>	<b>26,297</b>
<b>30/06/2007</b>					
Net book value as of 01/01/07	9,755	10,542	70	5,930	26,297
Additions	-	51	-	164	215
Sales- Deletions	-	-	(30)	(5)	(35)
Sales- Deletions (depreciated)	-	-	30	3	33
Depreciation for the period	-	(407)	(10)	(394)	(811)
Net book value as of 31/12/07	<b>9,755</b>	<b>10,186</b>	<b>60</b>	<b>5,698</b>	<b>25,699</b>
<b>30/06/2007</b>					
Acquisition value	9,755	13,199	260	12,469	35,683
Accumulated depreciation	-	(3,013)	(200)	(6,771)	(9,984)
Net Book Value as of 30/6/2007	<b>9,755</b>	<b>10,186</b>	<b>60</b>	<b>5,698</b>	<b>25,699</b>

10. Intangible assets

	Development expenses	Concessions and industrial property rights	Other tangible assets	Total
<b>01/01/2006</b>				
Acquisition value	2,717	31,540	18	34,275
Accumulated depreciation	(535)	(3,257)	(8)	(3,800)
Net Book Value	<b>2,182</b>	<b>28,283</b>	<b>10</b>	<b>30,475</b>
<b>01/01/2006</b>				
Net book value as of 01/01/06	2,182	28,283	10	30,475
Additions	1,194	43	-	1,237
Deletions (cost)	(28)	-	-	(28)
Deletions (amortization)	13	-	-	13
Amortization	(258)	(859)	(1)	(1,118)
Net book value as of 31/12/06	<b>3,103</b>	<b>27,467</b>	<b>9</b>	<b>30,579</b>
<b>31/12/2006</b>				
Acquisition value	3,883	31,583	18	35,484
Accumulated depreciation	(780)	(4,116)	(9)	(4,905)
Net Book Value	<b>3,103</b>	<b>27,467</b>	<b>9</b>	<b>30,579</b>
<b>31/03/2007</b>				
Net book value as of 01/01/07	3,103	27,467	9	30,579
Additions	195	27	-	222
Amortization for the period	(174)	(410)	-	(584)
Net book value as of 31/12/07	<b>3,124</b>	<b>27,084</b>	<b>9</b>	<b>30,217</b>
<b>30/06/2007</b>				
Acquisition value	4,078	31,610	18	35,706
Accumulated depreciation	(954)	(4,526)	(9)	(5,489)
Net Book Value as of 30/6/2007	<b>3,124</b>	<b>27,084</b>	<b>9</b>	<b>30,217</b>

### 11. Holdings in affiliated and subsidiary companies

	<u>30/06/2007</u>	<u>31/12/2006</u>
Balance at the beginning of the period	94,321	90,389
Increase in the holdings in Pharm Plus	-	1,260
Increase in the holdings in Pharma Logistics	-	2,672
Balance at the end of the period	<u>94,321</u>	<u>94,321</u>

Company name	Holding Percentage		Country of establishment	Holding value	
	30/06/2007	31/12/2006		30/06/2007	31/12/2006
Lavipharm Hellas SA	99.9%	99.9%	Greece	15,217	15,217
Lavipharm Active Services SA	100%	100%	Greece	8,213	8,213
Pharma Logistics SA	96.52%	96.52%	Greece	4,097	4,097
Pharma Plus SA	94.12%	94.12%	Greece	3,210	3,210
Castalia Lab. Dermat. SA	68.5%	68.5%	Greece	42	42
Lavipharm Pharmaceutical Services LTD	40%	40%	Cyprus	260	260
Lavipharm Corp.	61.41%	61.41%	USA	62,570	62,570
Laboratories Lavipharm S.A.	45%	45%	France	712	712
				<u>94,321</u>	<u>94,321</u>

### 12. Inventory

	<u>30/06/2007</u>	<u>31/12/2006</u>
Merchandise	5	6
Finished goods	612	605
Raw and auxiliary materials	2,261	3,044
Impairment of inventory (note 6)	(570)	(1,362)
	<u>2,308</u>	<u>2,293</u>

### 13. Trade and other receivables

	<u>30/06/2007</u>	<u>31/12/2006</u>
Trade receivables	11,716	11,631
Receivables from affiliated entities (note. 17)	14,666	9,432
Receivables from related entities (note. 17)	2,381	1,449
Post-dates checks	11,557	10,385
Checks delayed	115	115
Post-dates notes	134	49
Notes delayed	6	5
Other receivables	304	307
Advance payments for goods purchases	289	612
Advances to supplies	4,094	6,449
Advances to third parties and other receivables	2,054	1,783
Receivables from the Hellenic State	4,497	4,556
Tax receivables	1,300	1,270
Minus: Impairment of receivables (note 6)	(4,124)	(4,215)
	<u>48,989</u>	<u>43,829</u>

#### 14. Cash and cash equivalents

	<u>30/06/2007</u>	<u>31/12/2006</u>
Cash on hand	244	51
Short-term bank deposits	3,430	2,433
	<u>3,674</u>	<u>2,484</u>

#### 15. Accounts payable and other liabilities

	<u>30/06/2007</u>	<u>31/12/2006</u>
Supplies and other creditors	1,561	1,124
Amounts due to affiliated entities (note 19)	19,798	13,629
Amounts due to related entities (note 19)	1,088	222
Post- dated checks	612	5,322
Notes payable	466	902
Insurance organizations	261	465
Advance payments from customers	1,195	1,271
Taxes- duties payable	243	711
Dividends payable	2,479	78
Accrued expenses	1,797	1,262
Other	4,105	3,200
	<u>33,605</u>	<u>28,186</u>

#### 16. Loans

	<u>30/06/2007</u>	<u>31/12/2006</u>
<b>Long-Term</b>		
Long-term liabilities from finance leases	932	973
	<u>932</u>	<u>973</u>
<b>Short-Term</b>		
Short-term loans (for working capital)	62,467	54,264
Short-term liabilities from leasing activities	191	185
	<u>62,658</u>	<u>54,449</u>
<b>Σύνολο δανείων</b>	<u>63,590</u>	<u>55,422</u>

On 27 September 2006, the Company concluded a contract with a bank pursuant to which it received a bond loan (of a fixed maturity) of a total amount of 32.500 Euro (hereinafter the loan). This loan is interest-bearing based on the Euro Interbank Offered Rate (EURIBOR) plus an annual floating margin beginning from 6.75%. The loan will be fully settled, the latest, by 27 September 2007, although it may be settled, in whole or in part, prior thereto. The Company used the said loan to settle a syndicated loan, other short-term loans and liabilities.

The loan contract stipulates specific cases that constitute a failure by the Company to fulfil its contractual obligations. These are indicatively: non-settlement of amounts due according to the loan and relative agreed upon amounts, non-issue of confirmations and guarantees, breach of contracts with third parties, insolvency, suspension of activities, suspension or revocation of the Company's licence and reduction or loss of capital. In addition, the loan contains a financial clause that obligates the Company to maintain a minimum *net borrowing to EBITDA* ratio.

Moreover, the Company has assumed specific commitments with regard to the provision of financial information to the bank, the loan's use, the sale of assets, investments, buy-outs and mergers, maintaining a level of insurance and business activities and its compliance with laws and regulations.



The Company has secured the loan with a mortgage of an amount of 36.017 Euro that it has taken out against its tangible assets and by pledging its shares and the shares of its subsidiary companies.

*Other short-term loans* have been provided by various banks and under specific conditions, while the greater part thereof has been guaranteed with the Company's commercial receivables (customers) of a total amount of 15,082 Euro and is secured with statutory notices of mortgage of an amount of 1.769 Euro that have been obtained on the Company's tangible assets.

The average weighted interest rates as of the balance sheet date are noted in the table below.

	<u>30/06/2007</u>	<u>31/12/2006</u>
Syndicated loan	-	-
Other short-term loans (for working capital)	8.89%	6.50%

### 17. Transactions with affiliated and related entities

The balances of the Company's transactions with its subsidiary and affiliated companies are noted in the tables below.

<b>Receivables from:</b>	<u>30/06/2007</u>	<u>31/12/2006</u>
Lavipharm Hellas SA	6,505	2,619
Castalia Lab. Dermat. SA	4,267	2,815
Pharma Logistics SA	122	631
Pharma Plus SA	446	262
Newpharm SA	14	81
L.A.S. Thessaloniki	117	88
Laboratoires Lavipharm S.A.	1,488	1,482
Lavipharm Corp. (Long-term)	3,542	3,436
Lavipharm Laboratories Inc (Long-term)	8,658	8,764
Lavipharm Laboratories Inc	1,707	1,454
	<u>26,866</u>	<u>21,632</u>

<b>Liabilities to:</b>	<u>30/06/2007</u>	<u>31/12/2006</u>
Lavipharm Hellas SA	4,061	1,361
Castalia Lab. Dermat. SA	4,762	2,804
Pharma Logistics SA	7,077	6,258
Lavipharm Active Services SA	2,994	2,200
Larisa Pharmaceuticals SA.	158	159
L.A.S. Patra SA	119	119
Kavala Pharmaceuticals SA	-	1
Laboratoires Lavipharm S.A.	622	722
Hitex	5	5
	<u>19,798</u>	<u>13,629</u>

The Company's transactions with its affiliated companies for the periods ended on June 30, 2007 and June 30, 2006 are analysed in the tables below.

	30/06/2007				30/06/2006			
	Sale of goods	Services	Other income	Financial income	Sale of goods	Services	Other income	Χρημ/ικά Έσοδα
Lavipharm Hellas SA	12,753	1,502	-	-	7,897	1,264	-	-
Castalia Lab. Dermat. SA	3,651	249	4	137	3,413	219	2	-
Pharma Logistics SA	-	427	63	-	-	354	58	-
Pharma Plus SA	-	50	2	8	-	50	2	20
Lavipharm Active Services SA	-	33	37	-	-	33	37	-
L.A.S. Thessaloniki	-	-	28	-	-	-	24	-
Laboratoires Lavipharm S.A.	34	-	2	-	24	-	2	-
Lavipharm Corp	-	-	-	107	-	-	-	107
Lavipharm Laboratories Inc	330	-	8	-	-	-	2,004	-
	<b>16,768</b>	<b>2,261</b>	<b>144</b>	<b>252</b>	<b>11,334</b>	<b>1,920</b>	<b>2,129</b>	<b>127</b>

	30/06/2007					30/06/2006				
	Purchase of assets	Purchase of merchandise	Purchase of services	Year end inventory	Other	Purchase of assets	Purchase of merchandise	Purchase of services	Year end inventory	Other
Lavipharm Hellas SA	-	10,464	6	-	-	-	7,288	-	-	-
Castalia Lab. Dermat. SA	-	2,603	5	-	-	-	2,226	-	-	-
Pharma Logistics SA	-	-	2,224	-	-	-	-	2,226	-	4
L.A.S. SA	-	-	-	-	8	-	-	-	-	-
Laboratoires Lavipharm S.A.	-	344	-	217	-	-	114	-	76	-
Hitex	-	-	-	-	5	-	-	-	-	-
	-	<b>13,411</b>	<b>2,235</b>	<b>217</b>	<b>13</b>	-	<b>9,628</b>	<b>2,226</b>	<b>76</b>	<b>4</b>

The balances of the Company's transactions with related entities are noted in the tables below.

<b>Receivables from:</b>	<b>30/06/2007</b>	<b>31/12/2006</b>
Lavisoft	1,603	678
Alphasoft	268	254
Atlantis	370	368
Telmar	5	4
Eastern Europe	40	40
Lavico Inc.	23	24
Lavipharm Pharmaceutical Services Ltd	7	7
Lavipharm Group Holding	1	-
Other related entities	64	74
	<b>2,381</b>	<b>1,449</b>

<b>Liabilities to:</b>	<b>30/06/2007</b>	<b>31/12/2006</b>
Lavisoft	1,063	109
Lavico Inc.	7	38
Other related entities	18	75
	<b>1,088</b>	<b>222</b>

	30/06/2007			30/06/2006		
	Sale of goods	Services	Other income	Sale of goods	Services	Other income
Income						
Lavisoft	-	22	10	-	22	-
Alphasoft	-	11	7	-	14	4
	-	33	17	-	36	4

	30/06/2007	30/06/2006
	Purchase of services	Purchase of services
Expenses		
Lavisoft	149	119
Lavico Inc.	16	-
Other related entities	49	26
	214	145

## 18. Contingent liabilities

A. The Company's main pending court and administrative cases as of June 30, 2007 are as follows:

- Two cases that have been brought before the Hellenic Council of the State; one concerning differences with regard to the Company's income taxation of fiscal year 1984 and one concerning the imposition of the fine stipulated by the provisions of article 5 of Hellenic Law 104/80, of a total amount of approximately 205 Euro, against which the Company has filed relative appeals. The delay in the adjudication of these cases is due to continuous postponements by the Hellenic Council of the State due to a large number of cases that it must try prior to these cases. The Company did not raise a provision with regard to the aforementioned amount whereas it believes that the competent Courts will decide in its favour.
- A lawsuit filed by Saranti Bros Manufacturing & Commercial Societe Anonyme against both the Company and L'Oreal, which was tried on 26 November 1997. The Multi-Member Court of First Instance of Athens issued decision No. 625/1998 against this lawsuit, postponing the case's definitive adjudication until the proceedings of the Administrative Courts regarding the appeals that were filed against decisions Nos 4591/96 and 4593/96 of the Administrative Court of First Instance of Athens with regard to the Drainage and Vichy Drainage trade marks are concluded. Relative decisions have been issued on the aforementioned appeals, against which, however, L'Oreal has filed relative appeals before the Hellenic Council of the State. After continuous postponements, the appeals were tried on 12 January 2005, the relative decisions of which have not yet been issued. With its aforementioned lawsuit, Saranti Bros Manufacturing & Commercial Societe Anonyme requests from the defendants, jointly, and with due interest, an amount of approximately 1.500 Euro as compensation on the grounds to loss of profit and an amount of approximately 60 Euro as monetary compensation on the grounds of moral damage. The Company did not raise a provision with regard to the aforementioned amount whereas it believes that the competent Courts will decide in its favour.
- A lawsuit filed by a former employee against the Company. The plaintiff requests from the Company an amount of approximately 1.200 Euro as compensation due to moral damage that he claims he has sustained on the grounds of false allegations and defamation. The lawsuit will be tried on 14 February 2008. The Company did not raise a provision with

regard to the aforementioned amount whereas it believes that the said lawsuit will be rejected.

- B. The Company has not been audited by the competent tax authorities for fiscal years 2003 until and including 2006. Consequently, the Company's tax obligations for the fiscal years that have not been audited have not been finalised.
- C. The Company has contingent liabilities in relation to banks, other guarantees and other matters that arise within the framework of its usual business activities. No significant burdens are expected to arise as a result of these contingent liabilities.

## 19. Contingent commitments

- *Capital commitments*

No capital expenditure that has not been executed as of the balance sheet date has been assumed.

- *Operating leasing commitments*

The Company leases warehouses pursuant to voidable operating leases. These leases stipulate various conditions, readjustment clauses and renewal rights.

## 20. Other significant issues

The Repeat General Shareholders Meeting of May 23<sup>rd</sup>, 2007, has resolved the Capital Increase of the company in cash and pre-emption rights to existing shareholders. The ratio will be 3 new for every 10 shares held. The total new number of shares issues will be 11.787.930 of common stock of a nominal value of 1 euro. And a distribution price of 3.20 euro. Fractions will not be issued and the difference between the nominal value and the distribution price will be recorded at the share premium account. The total funds expected to be raised from the capital increase will be used for:

The immediate decrease of the short term bank loans

The expansion of the production facilities of transdermal systems

The company intends to use the funds of the capital increase in a period of 2 years for the expansion of the production facilities and in a period of 3 months for the decrease of the short-term bank loans.

## 21. Events after the balance sheet date

No event took place after the balance sheet date that needs to be noted.

Peania, July 31<sup>st</sup>, 2007

The Chairman & CEO      The Authorised Director      The CFO      The Chief Accountant

Athanase Lavidas  
Id. No. Σ 280245

Tania Vranopoulou  
Id. No. Ξ 163408

Christodoulos Maniatis  
Id. No. Σ 702906

Panagiotis A. Pavlou  
Id. No. P 021736  
A.O.E.E. Reg. No:  
4981\*  
A' Class

\*Ass. of Cert. Aud. Acc. Reg.