

PUBLIC COMPANY "SANITAS"
Annual Prospectus – Report 2005



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I. GENERAL PROVISIONS

1. Reporting period for which the Annual Prospectus–Report has been prepared

The Annual Prospectus–Report has been prepared for the year 2005.

2. Main data about the Issuer

Name of the company	Public company (AB) “Sanitas”
Code	1341 36296
Authorised capital	LTL 11,000,000 (LTL 31,105,920 as from 11 April 2006)
Address	Vytauto Ave. 3, LT-44354 Kaunas
Telephone	(+370~37) 22 67 25
Fax	(+370~37) 22 36 96
E-mail address	info@sanitas.lt
Internet website	www.sanitas.lt
Legal and organisational form	Public company, legal person with limited liability
Duration of activity	Unlimited
Date and place of registration	30 June 1994, Kaunas Municipality Board
Register, in which data about the company are stored	Register of Legal Entities

3. Type of the Issuer’s main activities

The Company’s main activity is manufacturing of pharmaceutical and medical products, wholesale of pharmaceutical products.

4. Information about where and how one can access the Report, supporting documents and the designation of the means of mass media to make information public

The Report and the supporting documents, on the basis whereof it has been drawn up, may be accessed at the Company’s registered office at Vytauto Ave. 3, Kaunas, and at the financial brokerage firm AB “Finasta”, Vilnius.

The means of mass media for public announcements of AB “Sanitas”: the daily “Verslo žinios” and the Lithuanian News Agency ELTA.

5. Persons responsible for the accuracy of the information in the Report:

5.1. Responsibility for the Report is with the members of the Issuer’s managing bodies, employees and the head of the administration.

Saulius Jurgelėnas, Director General, tel. (+370~37) 22 67 25, fax. (8~37) 22 36 96

Dalia Švelnytė, Chief Financier, tel. (+370~37) 22 03 45, fax. (+370~37) 22 36 96

Rūta Milkuvienė, Head of Legal and General Issues Department, tel. (+370~37) 20 06 62, fax. (+370~37) 22 36 96

5.2. The Annual Prospectus – Report was prepared by Asta Krušnauskaitė, corporate advisor of the financial brokerage firm AB “Finasta” (Konstitucijos Ave. 23, Vilnius, tel. (+370~5) 278 68 44, fax. (+370~5) 210 24 74).



6. Confirmation of the members of the Issuer's managing bodies, employees, the Head of the Administration and the Issuer's consultants that the information contained in the Report is true and there are no suppressed facts which could have an impact on investors' decision concerning purchase, sale or valuation of the Issuer's securities or on the market price of these securities.

AB "Sanitas", represented by Saulius Jurgelėnas, Director General, Dalia Švelnytė, Chief Financier, and Rūta Milkuvienė, Head of Legal and General Issues Department, confirm that the information contained in the Report is true and there are no suppressed facts which could have an impact on investors' decision concerning purchase, sale or valuation of the Issuer's securities or on the market price of these securities.

Saulius Jurgelėnas, Director General of AB "Sanitas"

Dalia Švelnytė, Chief Financier of AB "Sanitas"

Rūta Milkuvienė, Head of Legal and General Issues Department of AB "Sanitas"

The financial brokerage firm AB "Finasta", represented by Asta Krušnauskaitė, corporate advisor, confirm that the Report contains precise information which was submitted to AB "Finasta" by the employees and managers of AB "Sanitas". AB "Finasta" is responsible for the proper disclosure of the submitted facts. AB "Sanitas" is responsible for the correctness of the information.

Asta Krušnauskaitė, corporate advisor, AB "Finasta"

Date of signing of the Report: 25 May 2006.

Place of drawing up of the Report: Finasta AB (Konstitucijos Ave. 23. Vilnius).



II. DATA ABOUT THE ISSUER'S AUTHORISED CAPITAL AND THE ISSUED SECURITIES

7. The Issuer's authorised capital

7.1. The authorised capital registered in the Register of Legal Entities

Table 7.1.1. Composition of the authorised capital as of 31.05.2005

Type of shares	Number of shares	Nominal value, LTL	Total nominal value, LTL	Portion of the authorised capital, %
Ordinary registered shares	11,000,000	1	11,000,000	100.00

Table 7.2. Composition of the authorised capital. (Authorised capital registered on 11 April 2006)

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	31,105,920	100.00

All ordinary registered shares of AB “Sanitas” are fully paid up.

7.2. Information about the projected increase of the authorised capital in connection with conversion or exchange of convertible debt securities or derivative securities into shares

The Company has issued no debt securities or derivatives convertible into shares.

8. Shareholders

The Annual General Meeting (AGM) of AB “Sanitas” shareholders was held on 27 April 2006. The meeting's registration date: 20 April 2006.

Total number of shareholders: 1,031.

Table 8.1. Shareholders who held more than 5 percent of the Issuer's authorised capital or votes on the AGM registration day.

Name of the shareholder (type, 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 given by the shares owned by the right of ownership, %	Share of votes of shareholders that are acting jointly, %
AB “INVALDA” Šeimyniškių St. 3, Vilnius 1213 04349	9,599,015	30.86	30.86	90.53
UAB “NENUORAMA” J. Tumo–Vaižganto St. 9-38, Vilnius 2264922	2,308,323	7.42	7.42	
UAB “AIKSTENTIS” Šeimyniškių St. 1A, Vilnius 1264 12617	768,522	2.47	2.47	
UAB “FINASTA INVESTICIJŲ VALDYMAS” Konstitucijos Ave. 23, Vilnius 1262 63073	84,110	0.27	0.27	



Table 8.1. Continued

Name of the shareholder (type, 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 given by the shares owned by the right of ownership, %	Share of votes of shareholders that are acting jointly, %
FUNDS MANAGED BY UAB "FINASTA INVESTICIJŲ VALDYMAS"	1,224,970	3.94	3.94	90.53
UAB "FINASTA RIZIKOS VALDYMAS" Konstitucijos Ave. 23, Vilnius 300045450	93,273	0.30	0.30	
AB "FINASTA" Konstitucijos Ave. 23, Vilnius 1225 70630	10,775,721 ¹	34.64	34.64 ²	
DAILIUS JUOZAPAS MIŠEIKIS	95,265	0.31	0.31	
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	
ARŪNAS TUMA	516,727	1.66	1.66	
DARIUS ŽAROMSKIS	516,702	1.66	1.66	
DONATAS JAZUKEVIČIUS	441,702	1.42	1.42	

9. Main characteristics of the shares issued for public trading

As of 31 December 2003, the authorised capital of AB "Sanitas" amounted to LTL 27,814,800, divided into 5,562,960 ordinary registered shares of LTL 5 nominal value at par.

In April 2004, the AGM of the Company's shareholders passed a resolution to cancel 3,771,901 of own shares. After the reduction, The Company's authorised capital amounted to LTL 8,955,295. It was divided into 1,791,059 ordinary registered shares of LTL 5 nominal value at par.

During July 2005, a new issue of 408,941 shares was distributed. The issue price of one share of LTL 5 nominal value was LTL 50.50. After the increase in the authorised capital, the value of AB "Sanitas" authorised capital is LTL 11,000,000; it was divided into 2,200,000 ordinary registered shares of LTL 5 nominal value at par.

In November 2005, the nominal value of AB "Sanitas" shares was reduced from LTL 5 to LTL 1, and the total number of the shares was adjusted accordingly from 2,200,000 to 11,000,000, while the value of the Company's authorised capital remained the same, i.e. LTL 11,000,000. The Company's Articles of Association were changed in the Register of Legal Entities on 15 November 2005.

10. Data about the shares offered for private placement

An Extraordinary General Meeting (EGM) of AB "Sanitas" shareholders, held on 29 November 2005, resolved to increase the Company's authorised capital from LTL 11,000,000 to LTL 27,000,000, by issuing 16,000,000 ordinary registered shares of LTL 1 nominal value; the issue price per share being LTL 13.

As this share issue was not sufficient to finance acquisition of the Polish enterprise "Jelfa" SA, the EGM, held on 7 April 2006, resolved to amend the resolution adopted by the EGM of 29 November 2005 and increased the authorised capital from LTL 11,000,000 to LTL 36,000,000, by additionally issuing

¹ The financial brokerage firm "Finasta" holds 10,624,000 of AB "Sanitas" shares under fiduciary right.

² The financial brokerage firm "Finasta" represents 305,410 (0.98 %) of votes by proxy.



25,000,000 ordinary registered shares of LTL 1 nominal value at par. The issue price per share was LTL 13. The General Meeting also resolved to withdraw the pre-emption right of all Company's shareholders to acquire the ordinary registered shares of the additional issue. The exceptional right to acquire all the shares of this issue was granted to the financial brokerage firm AB "Finasta", code 122570630, office address: Konstitucijos Ave. 23, Vilnius.

AB "Finasta" subscribed and fully paid up 20,105,920 ordinary registered shares of AB "Sanitas". The new wording of the Company's Articles of Association was registered with the Register of Legal Entities on 11 April 2006. According to it, the Company's authorised capital amounts to LTL 31,105,920. It is divided into 31,105,920 ordinary registered shares of LTL 1 nominal value.

The registration account for the issue of 20,105,920 ordinary registered shares of AB "Sanitas" was opened with the Central Securities Depository of Lithuania on 13 April 2006. ISIN code of the shares is LT0000127516.

11. Information about depositary receipts representing shares

No depositary receipts representing shares have been issued.

12. Main characteristics of the debt securities issued for public trading

No debt securities have been issued for public trading.

13. Data about the debt securities offered for non-public placement

No debt securities have been offered for non-public placement.

14. Securities not representing capital, the trading whereof is regulated by the Law on Securities Market, except debt securities

There have been no issues of securities not representing capital, the trading whereof is regulated by the Law on Securities Market.



III. DATA ABOUT THE SECONDARY TRADING IN THE ISSUER'S SECURITIES

15. Securities admitted to the trading lists of the stock exchanges

As from 21 November 2005, the ordinary registered shares of AB “Sanitas” were admitted to the Official List of the Vilnius Stock Exchange (hereinafter – the VSE). Before 21 November 2005, the Company’s shares were traded on the Current List of the VSE.

Table 15.1. Main characteristics of AB “Sanitas” shares listed in the Official List

Type of the shares	ISIN code	Number of shares	Nominal value, LTL	Total nominal value, LTL
Ordinary registered shares	LT000010617	11,000,000	1	11,000,000

16. Trading in the issuer’s securities on the VSE and other organised markets

16.1. Trading on the VSE

Table 16.1.1. Trading in the Company’s shares on the VSE, 2004 – 2005

Reporting period	Price, LTL			Turnover, LTL			Date of the last session	Total turnover	
	Highest	Lowest	Last session	Highest	Lowest	Highest		Last session	Highest
2004, 1 st quarter	7.75	6.20	7.75	23,562.00	-	6,293.00	31.03.2004	12,979	87,039.78
2004, 2 nd quarter	16.00	7.80	15.50	43,365.00	-	10,290.50	30.06.2004	22,511	300,483.47
2004, 3 rd quarter	46.94	15.50	40.00	91,554.14	-	1,000.00	30.09.2004	26,924	638,682.65
2004, 4 th quarter	58.00	38.00	53.10	254,428.42	-	531.00	31.12.2004	55,130	2,656,294.44
2005, 1 st quarter	53.93	44.70	52.00	148,983.00	-	4,940.00	31.03.2005	32,918	1,679,371.80
2005, 2 nd quarter	65.00	46.50	58.00	368,482.34	-	25,346.33	30.06.2005	35,053	1,934,037.51
2005, 3 rd quarter	60.00	51.00	60.00	11,054,479.50	-	85,140.00	30.09.2005	290,642	15,387,023.46
2005, 4 th quarter	72.00	13.00	14.00	38,8018.3	-	235,363.55	31.12.2005	178,424	4,331,494.81



Fig. 16.1. Trading in the Company’s shares in the period of 01.01.2004 – 31.12.2005

16.2. Trading on other exchanges

Shares of AB “Sanitas” are not traded on any other exchanges.



16.3. Trading on other organised markets

Shares of AB “Sanitas” are not traded on any other organised markets.

17. Capitalization of securities

Table 17.1. Capitalization of the Company’s shares

Date of the last session	Capitalization (LTL)
31.03.2004	43,112,940.00
30.06.2004	86,225,880.00
30.09.2004	71,642,360.00
31.12.2004	95,105,232.90
31.03.2005	93,135,068.00
30.06.2005	103,881,422.00
30.09.2005	132,000,000.00
31.12.2005	154,000,000.00

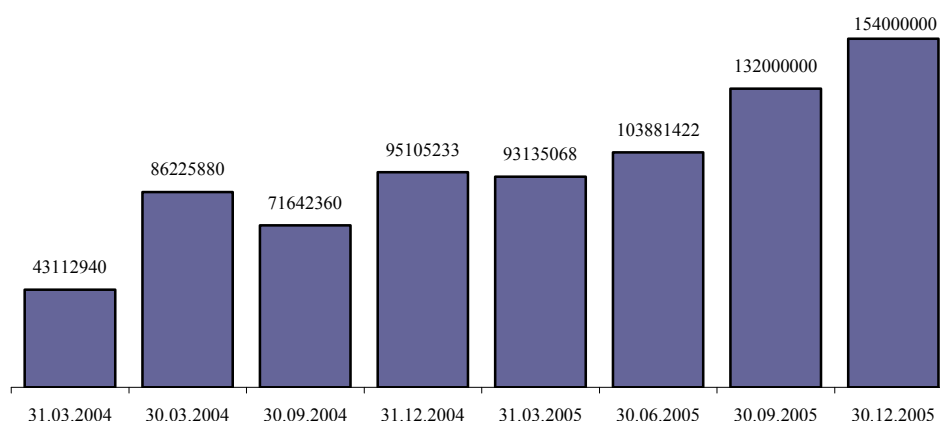


Fig. 17.1. Capitalization of the Company’s shares, LTL

18. Trading in the issuer’s securities on the OTC market

As the ordinary registered shares issued by AB “Sanitas” are listed on the Official List of the VSE (on the Current List before 21 November 2005), share purchase and sale transactions may be only concluded on the VSE. OTC trades may be concluded only in the cases of share donation, inheritance, exchange, settlement of liabilities and REPOs.

Table 18.1. OTC trades in the ordinary registered shares of AB “Sanitas”

Reporting period	Settlement in cash					Settlement in kind	
	Price, LTL		Number of shares	Amount, LTL	Number of trades	Number of shares	Number of trades
	Highest	Lowest					
2004, 1 st quarter	-	-	-	-	-	788,437	11
2004, 2 nd quarter	46.82	-	478,100	1,773,680	5	515	2
2004, 3 rd quarter	4.76	4.76	9,000	42,849	1	559,881	9
2004, 4 th quarter	35.00	4.77	292,164	6,421,768	4	1,184	4



Table 8.1. Continued

Reporting period	Settlement in cash				Settlement in kind		
	Price, LTL		Number of shares	Amount, LTL	Number of trades	Number of shares	Number of trades
2005, 1 st quarter	37.16	33.00	49,660	1,838,593	8	83	3
2005, 2 nd quarter	40.00	30.00	44,337	1,672,094	14	105	2
2005, 3 rd quarter	54.00	27.00	466,819	15,693,659	29	-	-
2005, 4 th quarter	52.83	3.97	907,630	8,139,100	18	110	1

19. Data about the issuer's buying up of own shares

The AGM of the Company's shareholders, held on 24 April 2003, allowed redeeming up to 10 percent of the Company's own shares, in an attempt to keep up and push up the price of the Company's shares as well as optimise the number of the shareholders. In June 2003, the buy up of own shares was completed. In total, 425,543 shares were bought up on the VSE.

At the end of 2003, the number of own shares increased considerably due to the commencement of the reorganisation by way of a merger with AB "Baltijos finansų vystymo grupė". On 12 November 2003, the EGM passed a resolution concerning the reorganisation and approved its plan. Implementation of the reorganisation began on 14 November 2003 by signing the Act of Transfer of the assets, rights and obligations of the merged company. The Company's assets included 4,004,043 shares held by the merged company AB "Baltijos finansų vystymo grupė". As of 31 December 2003, the total number of own shares amounted to 4,560,338. The order of the asset takeover and of the share exchange was stipulated in the reorganisation plan. The share exchange ratio was established at the exchange rate of 31 August 2003, having considered the asset evaluation of AB "Sanitas" and AB "Baltijos finansų vystymo grupė". The exchange rate of 1 to 3.942199244 was set forth (one ordinary registered share of LTL 1 nominal value of AB "Baltijos finansų vystymo grupė" was changed to 3.942199244 ordinary registered shares of LTL 5 nominal value of AB "Sanitas" shares). On 11 February 2004, having considered the share exchange rate, 788 437 shares of AB "Sanitas" were transferred to the shareholders of AB "Baltijos finansų vystymo grupė".

On 23 April 2004, the AGM resolved to reduce the Company's authorised capital by LTL 18,859,505, by annulling 3,771,901 of the Company's owned shares.

20. Announcement of the tender offer

On 30 August 2005, the Lithuanian Securities Commission registered a mandatory non-competing tender offer of the funds, managed by AB "Invalida", AB "Finasta", UAB "Finasta investicijų valdymas", and UAB "Finasta investicijų valdymas", of UAB "Finasta rizikos valdymo", Dailius Juozapas Mišeikis, Alvydas Banys and Algirdas Bučas to acquire 1,207,149 ordinary registered shares of LTL 5 nominal value of AB "Sanitas" shares, i.e. 54.87 percent of the Company's authorised capital and votes. The tender price was LTL 52.50. The duration of the tender offer was 30 days. During the tender offer no shares were offered.

In 2005, the Company announced no tender offer to acquire securities issued by other entities.

21. The Issuer's paying agents

In 2005 AB "Sanitas" did not use the services of paying agents.

22. Agreements with intermediaries of public trading in securities

The company has signed an agreement with the financial brokerage firm AB "Finasta" (Konstitucijos Ave. 23, Vilnius, tel. (+370~5) 278 68 33) concerning management of securities accounting and drawing up of the periodical reports.



IV. DATA ABOUT THE ISSUER'S ACTIVITY

23. Legal basis for the Issuer's activity

AB "Sanitas" is operating in compliance with the provisions of the Law on Companies, the Law on Securities Market, the Law on Pharmaceutical Activities, the Law on Pharmaceuticals, and other legal acts of the Republic of Lithuania as well as its Articles of Association.

24. Membership in associated structures

In 2005, AB "Sanitas" was a member of the National Association of Pharmaceutical Industry and the Association of Industrialists and Employers of Kaunas Area.

National Association of Pharmaceutical Industry. The Association is a non-for-profit organisation. Its objectives include creation of more conducive conditions for the expansion of technical and economical potential and restructuring of the production processes in accordance with the requirements of the Good Manufacturing Practice. The Company participates in the activities of the Association; it pays a membership fee.

Association of Industrialists and Employers of Kaunas County. The Association represents enterprises of Kaunas County, notable for their exceptional potential to participate in creation of the country's domestic product and new jobs as well as increase export volumes. The members of Association are the largest by the number of employees and sales volumes and most profitable enterprises of Kaunas County. The Company participated in the activities of the Association and paid a membership fee until withdrawal from members on 3 January 2006.

25. Brief description of the issuer's history

In 1922, A. Rozenberg, E. Taubman and M. Judasin founded a chemical pharmaceutical laboratory "Sanitas", which was producing cosmetic products. As early as the beginning of the third decade, the enterprise was already producing medicine of 100 patent names. After the Soviet Union had occupied Lithuania in 1940, the enterprise was nationalized and merged with the company "Germapo". In post-war years "Sanitas" was a fast-developing enterprise: the production area was expanded, new equipment installed, and technological processes improved. In 1967, a modern department of ampoules was built. In 1990, after Lithuania restored its independence, "Sanitas" passed back into jurisdiction of the Republic of Lithuania.

After the privatisation in 1994, the Company's history of modern times began. The enterprise started a reorganisation in order to meet the requirements of the Good Manufacturing Practice (GMP). In 1996, renovation of a tablet and capsule packing line was completed and in 1999 a new line of ampoule preparations was launched, meeting the GMP requirements.

In 2000, the Company introduced a quality management system in compliance with the ISO 9000 standard. During the same year, the Lithuanian Standardization Department certified the Company's quality management system with ISO 9002 and with ISO 9001:2001 in 2004.

In 2001, a serial manufacturing of medicine was introduced in the department of injectable preparations. In 2003, reconstruction works of the department of injectables began, in order to comply with the GMP requirements. In 2004, after completion of the reconstruction of the department of injectables, the enterprise was the first in Lithuania to obtain a GMP certificate for aseptically produced and sterilised liquid medicines, and at the end of year a GMP certificate was granted for the manufacturing of solid medicine forms (capsules) and for inner and outer packaging of capsules and tablets. In 2005, the Company received a GMP certificate for manufacturing of the solid medicine forms (tablets).

In 2004, the enterprise was reorganised by merging the public company "Baltijos finansų vystymo grupė", which after the reorganisation had ended its activities as a legal person, with AB "Sanitas", the Company which continues its operations and which is a successor of all assets, rights and obligations of AB "Baltijos finansų vystymo grupė".



In May 2004, AB “Sanitas” acquired 40 percent of AB “Endokrininiai preparatai” shares. This company used to produce pharmaceutical preparations. After Lithuania’s accession into the EU in May 2004, new rules were enforced, stipulating that enterprises producing and trading in medicine had to obtain certificates of Good Manufacturing Practice and Good Distribution Practice during a certain transition period. AB “Endokrininiai preparatai” failed to obtain respective certificates, therefore on 15 April 2005, the Company’s liquidation procedure was launched. On 29 April 2005, AB “Sanitas” increased its participation in the Company to 67 percent. The liquidation procedure was completed before the end of 2005, when the shareholders had been distributed the funds from liquidation. Currently only the formalities of the company’s deregistration have to be completed.

Today the company employs over 230 people; it produces medicines of various forms – ampoules, tablets, capsules, ointments, tinctures and herbal extracts under 63 names. The Company’s annual production capacity is 50 million ampoules, 75 tonnes of ointments and 100 million tablets.

In July 2004, AB “Sanitas” acquired 100 percent of UAB “Altisana” shares. This Company deals in real estate in the town of Kaunas. In 2005, AB “Sanitas” sold the real estate owned by UAB “Altisana” together with manufacturing facilities in the location where a residential complex of new blocks of flats will be built. It was a step to separate ancillary activities from the Company’s main operations of producing medicinal preparations.

In July 2005, AB “Sanitas” purchased a 100 percent stake in the limited liability company, “Hoechst-Biotika s.r.o.”, established in Martin, Slovakia. A modern plant of pharmaceuticals at the foot of the Tatra mountains used to belong to one of the global leaders in pharmaceuticals, “Aventis”. The company was founded in 1992. Almost all equipment in the plant was purchased after its establishment, while an isolator acquired in 1996 houses the state of the art equipment of the type in the world. The production capacity of the plant itself is higher than that of AB “Sanitas”: it allows producing 80 million ampoules, 500 million tablets and about 122 tonnes of ointments annually. Acquisition of this plant is a strong move of AB “Sanitas” into the West European market. Furthermore, it opens an opportunity to expand the market, the Company will be able to produce necessary products until a new plant is completed in Kaunas as well as exploit expertise of the highly qualified staff and enhance AB “Sanitas” image as a quality producer.

In spring 2005, under the project “Streamlining the production of AB “Sanitas”, partially financed from the structural funds of the European Union, and partially by the Ministry of Economy of the Republic of Lithuania, construction of a new modern pharmaceutical plant began in the territory at Veiverių St.134, Kaunas.

On 17 January 2006, AB “Sanitas” founded a special purpose subsidiary in Poland, “Sanitas Polska spol. s. r. o.” (hereinafter – “Sanitas Polska”). This enterprise was founded in the process of acquisition of the participating interest in the Polish company “Jelfa” SA. On 14 April 2006, the procedure of the tender offer announced by “Sanitas Polska” on 27 February 2006 to acquire a 100 percent stake in “Jelfa” SA was over. “Sanitas Polska” acquired 5 750 190 shares, or 84.56 percent of the authorised capital, in “Jelfa” SA. AB “Sanitas” holds 9.99 percent of “Jelfa” SA shares, which, together with the shares held by “Sanitas Polska”, represent 94.55 percent of this company’s authorised capital. This acquisition is an important step in the development of AB “Sanitas” operations and its attempts to access the Central European markets. The acquired technologies and production capacities are expected to facilitate in the development of new medicine and new forms of medicine.

26. Characteristics of the production

The Company focuses on manufacturing of pharmaceutical and medical products. In 2005, the Company produced 46 brands of medicines in all forms, i.e. ampoules, tablets, jell capsules and ointments, including 17 sorts of medicines under contractual agreements. During 2005, 4 new brands of medicine were launched.



Department of tablets and ointments. In 2005, 19 brands of medicine were manufactured:

7 brands of tablets,

5 brands of capsules,

7 brands of ointments (including one brand manufactured under a contractual agreement).

During 2005, the plant produced 35.7 million tablets, 5.8 million capsules and 343.4 thousand tubes of ointments.

In 2005, the Company continued implementation of the GMP requirements in the production process. On 12 May, AB “Sanitas” received a GMP certificate No. LT/003H/2005 for manufacturing of solid medicines (tablets); on 26 September, it was granted a GMP certificate No. LT/006H/2005 for soft forms of medicine (ointments), and on 29 November 2005 the Company was issued a Good Distribution Practice certificate (No. LT 030 H/2004).

Department of injectables. The department’s manufacturing activity is in conformance with the GMP requirements as applicable to injectable pharmaceuticals with final sterile filtration. During 2005, the department manufactured 5 brands of medicines under a contract agreement for the Latvian company “Grindex”, 10 types of medicines for the Latvian company “Calceks”, one drug under a contract with the Latvian company “Olainfarm”, and 11 brands of injectables in 1-2-5-10 ml ampoules. During 2005, we produced 51 million ampoules.

Having purchased the company AB “Endokrininiai preparatai” in 2004, the Company strengthened its position in the market, expanded the range of manufactured products and investment capacities of a joint venture.

In 2005, the Company acquired a Slovak pharmaceutical enterprise “Hoechst-Biotika”, one of the most modern plants of pharmaceuticals in Europe. “Hoechst-Biotika” may manufacture 80 million ampoules, 500 million tablets and about 122 tonnes of ointments per year. The production departments of the plant meet all the international requirements set for the pharmaceutical industry (GMP).

Table 26.1. Production volume of the main products in kind, 2003–2005

	Unit of measurement	2005		2004	2003
		Group	Company		
Medicine in ampoules	Thou amp.	61,282	50,431	65,970	79,552
Various forms of ready-made medicine	Thou units	4,274	1,862	4,148	2,960
Various forms of ready-made medicine	kg	-	-	353	

Table 26.2. Production volume in terms of value in 2003 – 2005, LTL thousand

	2005				2004		2003	
	Group		Company		LTL thou	%	LTL thou	%
	LTL thou	%	LTL thou	%				
Production line of ampoules	-	-	-	-	1,921	4.5	4,636	14.3
Production line of galenicals and ointments	2,172	5.7	1,883	6.1	5,262	12.2	3,124	9.6
Production line of tablets and capsules	6,956	18.34	4,652	14.9	4,330	10.0	3,258	10.0
Production line of injectables	28,793	75.9	24,582	79.0	31,634	73.3	21,437	66.1
Total	37,922	100.0	31,117	100.0	43,146	100.0	32,455	100.0



Table 26.3. Production volume by form of pharmaceuticals in 2003–2005, LTL thousand

	2005				2004		2003	
	Group		Company		LTL thou	%	LTL thou	%
	LTL thou	%	LTL thou	%				
Ampoules	28,793	75.9	24,582	79.0	33,555	77.80	26,073	80.3
Spirituos solutions and oils	989	2.6	989	3.2	2,060	4.8	795	2.4
Ointments and liniments	1,183	3.1	894	2.9	3,202	7.4	2,329	7.2
Tablets	5,327	14.0	3,023	9.7	3,345	7.8	3,059	9.4
Capsules	1,629	4.3	1,629	5.2	962	2.2	191	0.6
Powders	-	-	-	-	11	0.03	-	-
Granules	-	-	-	-	12	0.03	8	0.02
Total	37,922	100.0	31,117	100.0	43,146	100.0	32,455	100.0

Products registered in 2005:

- Medicine (1)
 - Ketolgan (ampoules)
- Special purpose products, capsules of prolonged action (1)
 - Sanivit C+Zink capsules
- Food supplements (10)
 - NoFat capsules
 - NoStress capsules
 - Sanivit Ferrum+C tablets
 - Sanivit Magnesium+B6 tablets
 - Sanivit A+C+E capsules
 - Starting five tablets for men
 - Starting five tablets for women
 - Starting five tablets for children
 - Starting five tablets for the active
 - Starting five tablets for the elderly

Table 26.3. Ratios characterizing the issuer's performance in 2003–2005

	Group		Company		
	2005	2004	2005	2004	2003
Profit margin= net profit / sales * 100	19.43%	10.70%	36.05%	10.70%	1.01%
Return on assets= net profit / (assets at the beg. of period + assets at the end of period) /2 *100	12.22%	10.86%	14.32%	10.86%	0.84%
Debt ratio= liabilities / assets	0.63	0.53	0.58	0.53	0.33
Debt-equity ratio= liabilities / equity	1.73	1.14	1.40	1.14	0.49
Current Ratio= current assets / current liabilities	0.76	1.74	0.50	1.65	2.49
Asset turnover = sales / assets	0.43	0.80	0.28	0.80	1.00
Book value per share= equity / number of shares	LTL 4.89	LTL 14.06	LTL 29.53	LTL 14.06	LTL 3.73
Net profit per share= net profit /weighted average of the number of shares	LTL 1.23	LTL 0.55	LTL 1.30	LTL 0.55	LTL 0.07



27. Sales markets

The Company usually makes long-term agreements with its customers; short-term and one-off agreements are also concluded.

In 2005, the sales in Lithuania were performed through wholesale distributors of pharmaceuticals. The largest amounts of medicine were sold to five wholesale distributors of pharmaceuticals, namely: UAB “Tamro”, UAB “Medikona”, UAB “Limedika”, UAB “Eurofarmacijos vaistinės”, and UAB “Mauda”. LTL 19.99 million-worth of products was sold to the Latvian company “Grindeks” and LTL 1.19 million worth of products was sold to the Latvian company “Kalceks”. Under contracts with “Grindeks” and “Kalceks”, AB “Sanitas” produces medicines under the trade names of these companies.

Table 27.1. Sales revenues of AB “Sanitas” Group by group of medicine, 2003–2005

	2005				2004		2003	
	Group		Company		LTL	%	LTL	%
	LTL	%	LTL	%				
Solutions for injections	35,072,213	55.68	26,187,287	72.91	35,767,392	83.18	25,048,000	81.09
Tablets	15,279,866	24.26	4,957,912	13.80	3,681,798	8.56	2,788,277	9.03
Eye drops, ointments, galenic preparations	5,308,646	8.43	4,769,988	13.28	3,308,208	7.69	2,839,899	9.19
Other products	7,326,788	11.63	3,400	0.01	244,514	0.57	212,586	0.69
	62,987,513	100.00	39,918,587	100.0	43,001,912	100.00	30,888,762	100.00

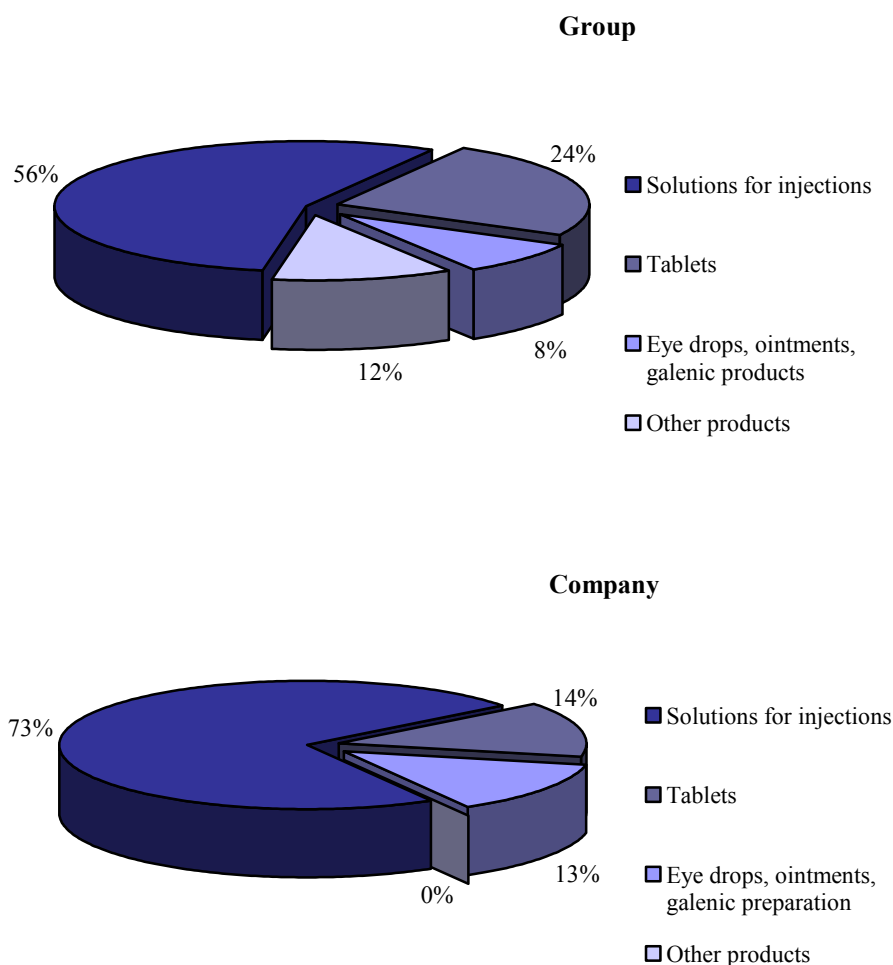


Fig. 27.1. Sales revenues in 2005 by group of medicine, %



In 2005, the sales of nine products exceeded LTL 600 thousand.

Table 27.2. Products, whose sales exceeded LTL 600 thousand in 2005

Product	Amount, LTL
Mildronate 10% sol. for inj. 5ml. N10	17,398,680
Neocitramon tab N100	1,882,461
Oxytocin 5T/V sol.for inj. 1ml. N10	1,028,587
Euphylin 2.4% solution for injections 5ml N10	785,164
Analgin 50% solution for injections 2ml N10 (Lith)	777,934
Heart stimulation drops 30ml	676,009
Sodium chloride 0.9% inj. 5ml N10	643,889
Ascorbic acid 5% 2ml N10 sol. for inj.	611,098
Lidocaine hydrochloride 2% sol. for inj. 5ml N10	608,728

In 2005, the sales of AB “Sanitas” in Lithuania amounted to LTL 13.59 million, including 4.27 million generated from resale of the products manufactured by AB “Endokrininiai preparatai”; sales to foreign companies made up LTL 22.33 million.

Table 27.3. Revenues of AB “Sanitas” Group by country

	2005				2004		2003	
	Group		Company		LTL	%	LTL	%
	LTL	%	LTL	%				
Germany	19,116,828	30.35	-	-	-	-	-	-
Slovakia	6,948,254	11.03	-	-	-	-	-	-
Latvia	21,463,212	34.08	21,407,213	59.60	32,297,594	75.11	19,324,191	62.56
Lithuania	13,714,226	21.77	13,586,113	37.82	8,984,855	20.89	7,767,844	25.15
Other countries	1,744,993	2.77	925,261	2.58	1,719,463	4.00	3,796,727	12.29
	62,987,513	100.00	35,918,587	100.00	43,001,912	100.00	30,888,762	100.00

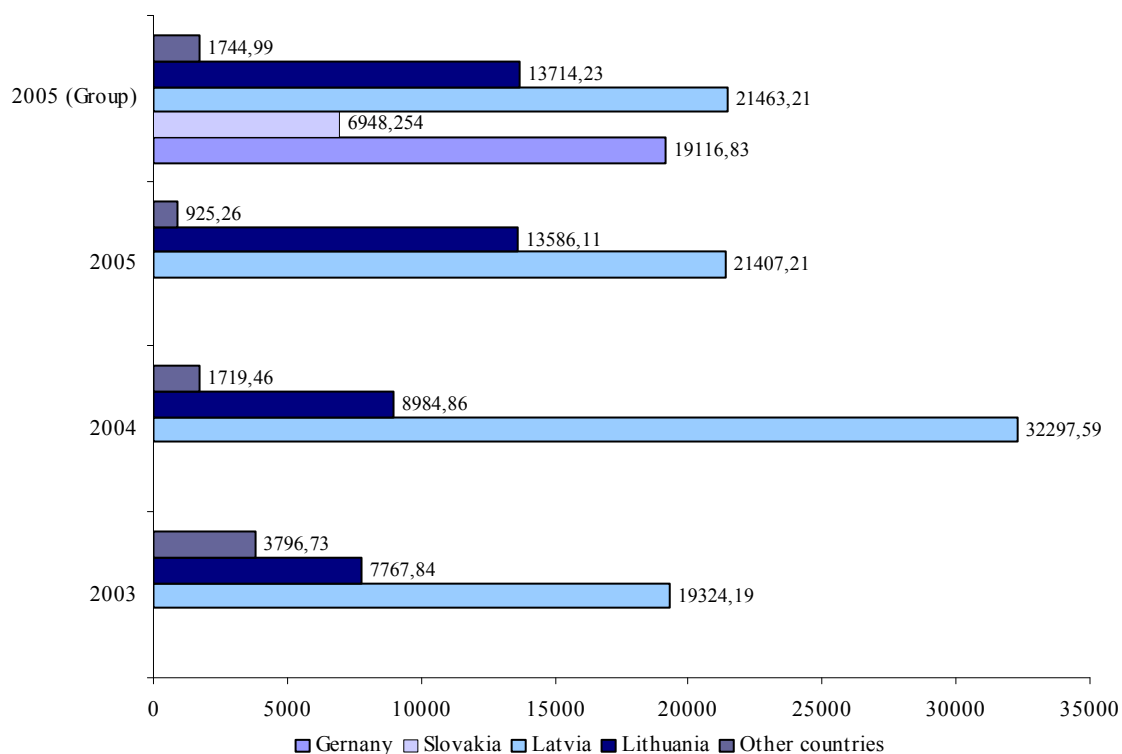


Fig. 27.2. Revenues of AB “Sanitas” Group in 2003 – 2005 by country, LTL thousand



In 2005, compared to 2004, the Company's sales volume in Lithuania rocketed by more than 50 percent. This growth of sales resulted from the expansion of the assortment after a takeover of the sales of AB "Endokrininiai preparatai", a flexible system of discounts for wholesalers, marketing agreements with pharmacy networks, promotional measures for pharmacies and final consumers and advertising.

Major competitors on the local market are the companies UAB "Valentis", UAB "Liuks", and "Actavis".

28. Procurement

The Company has concluded short-term (one-year) contracts with a possibility of extension with its main suppliers.

Table 28.1. Major suppliers in 2005

Supplier	Items supplied	Amount, LTL
PJSC "Grindeks", Latvia	Various substances	4,292,916
Forma Vitrum kft, Hungary	Ampoules	3,063,238
Medical Glass s.r.o.	Ampoules	1,220,101
Romaco Fryma Koruma GmbH	Equipment	588,910
Selectchemie AG, Switzerland	Various substances	522,055
UAB "Aurika"	Packaging and other materials	485,403
Millipore OY	Filter elements	472,940
UAB "MTL spaustuvė", Lithuania	Packaging materials	342,219
Schott France SAS	Ampoules	312,463
UAB "Caris", Lithuania	Packaging materials	270,011

Table 28.2. Supply volumes by country, %

Country	2005	2004	2003
Latvia	31.3	55.5	58.8
Hungary	21.4	3.7	12.5
Lithuania	18.1	16.6	14.4
Slovakia	8.3	9.8	0.0
Germany	5.8	8.3	4.2
Switzerland	3.6	1.8	4.3
Finland	3.2	1.7	1.9
France	3.2	0.6	1.1
China	1.9	0.7	-
Czech Republic	1.0	0.0	0.0
Other	2.2	1.3	2.9
Total	100	100	100

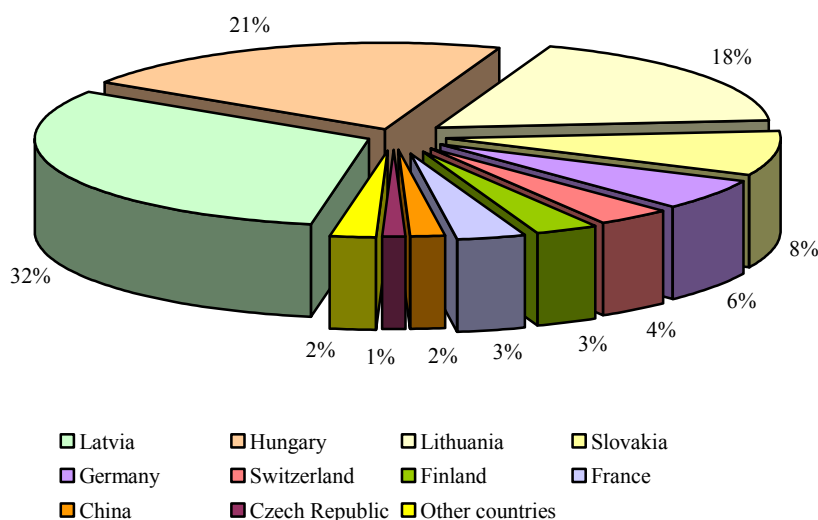


Fig. 28.1. Supply volumes in 2005 by country, %

29. Real estate and other fixed assets

AB “Sanitas” owns a lease title to the land at:

- Vytauto Ave. 3, Kaunas – 1.6074 ha;
- Kaunakiemio St. 4, Kaunas – 1.2680 ha;
- Veiverių St.134, Kaunas – 4.2178 ha.

Table 29.1. Real estate

PROPERTY	ACQUISITION DATE	AREA M ²	BALANCE SHEET VALUE, LTL THOU 31.12.2005	BASIS OF PROPERTY HOLDING, RESTRICTIONS
SKLABINSKA 30, MARTIN, SLOVAK REPUBLIC				
Land	02.03.1993	11,963.00	848,998	Property, pledged to a bank
Total land		11,963.00	848,998	
Energy distribution building	01.07.1989	1,204.14	848,728	
Administration premises	01.04.1990	781.98	2,707,500	
Office building	01.02.1991	236.41	79,348	
Production department	01.10.1990	5,282.11	13,457,526	
Warehouse	01.11.1997	199.48	154,234	
Gas storage site	01.02.1991	57.41	7,345	
Water storage site	01-11-1994	358.48	161,998	
Other structures	-		5,329,962	
Total buildings and structures		8,120.01	22,746,642	



Table 29.1. Continued

PROPERTY	ACQUISITION DATE	AREA M ²	BALANCE SHEET VALUE, LTL THOU 31.12.2005	BASIS OF PROPERTY HOLDING, RESTRICTIONS
VEIVERIŲ ST.134, KAUNAS				
Economy division	14.10.2004	592.32	164,220	Property, pledged to a bank
Acetone spirit pump house	14.10.2004	66.01	27,678	
Warehouse	14.10.2004	1,184.69	292,714	
Warehouse	14.10.2004	1,301.03	321,226	
Vivarium	14.10.2004	826.84	274,657	
Innovation service building	14.10.2004	2,534.32	216,685	
Warehouse	14.10.2004	61.56	5,569	
Gatekeeper's house	14.10.2004	4.41	93	
Gatekeeper's house	14.10.2004	114.27	31,368	
Gatekeeper's house	14.10.2004	3.61	93	
Greenhouse	14.10.2004	118.95	0	
Warehouse	14.10.2004	47	557	
Warehouse	14.10.2004	23	186	
Total buildings and structures		6,878.01	1,335,046	
Total		26,239.68	24,930,686	

Table 29.2. Property for sale

PROPERTY	ACQUISITION DATE	AREA M ²	BALANCE SHEET VALUE, LTL THOU 31.12.2005	BASIS OF PROPERTY HOLDING, RESTRICTIONS
VYTAUTO AVE. 3, KAUNAS				
Galenic department	01.02.1930	2,944.48	231,531	Property, pledged a bank
Experiment department	01.01.1971	3,961.57	38,279	
Department of injective preparations	01.12.1974	2,084.84	5,375,846	
Department of ampoules	01.07.1967	4,756.93	3,848,793	Under reconstruction, pledged to a bank
Administration building and warehouse	01.01.1944	5,310.78	24,304	Property, pledged to a bank
Warehouse with an extension	01.12.1973	690.27	15,814	
Boiler house and garage	28.02.2001	235.84	572,281	
Cardboard warehouse	01.03.1967	825.90	108,420	
Building at Čiurlionio St. 5	01.11.1987	140.12	184,201	Property
Other structures			534,565	
Total		20,950.73	10,934,035	
VEIVERIŲ ST.134, KAUNAS				
Plant	14.10.2004	9,874.90	3,279,782	Property pledged with a bank
Compressor/ refrigerator	14.10.2004	3,258.61	1,863,617	
Energy department	14.10.2004	1,060.59	289,691	
Administration building	14.10.2004	5,006.16	2,121,940	
Boiler house	14.10.2004	161.41	156,839	
Other structures	14.10.2004		488,046	
Total		19,361.70	8,199,915	



Table 29.2. Continued

PROPERTY	ACQUISITION DATE	TERRITORY M ²	BALANCE SHEET VALUE, LTL THOU 31.12.2005	BASIS OF PROPERTY HOLDING, RESTRICTIONS
KAUNAKIEMIO ST.4, KAUNAS				
Administration building		965.0	1,600,000	Construction in progress
Production department		1,478.0		
Warehouse		1,378.0		
Water purification facility		156.0		
Yard buildings				
Total		3,977	1,600,000	
Total			20,733,950	

Construction in progress (LTL 8,970,779 as of 31 December 2005) includes the production unit and administration buildings as well as other premises and warehouses. The estimate value of the construction is over LTL 40.5 million, LTL 16.157 million financed from the EU funds. The projected completion of the construction is by 31 March 2007.

30. Risk factors related to the issuer's activity

New market access, competitive environment. In 2005, one of the main acquisitions of AB Sanitas was the purchase of Slovak plant “Hoechst–Biotika”. This step strengthened the name of AB “Sanitas” outside Lithuania and opened new routes to the markets of Central and Western Europe. The current production capacity of accrued plant, however, is higher than necessary for the number of contracts and clients it has, therefore the total capacities of the plant are not used to the full. The management of the Company is confident that new clients will be acquired in Central and Western European markets, but a failure to achieve this goal can lead to lower than expected bottom line results and a longer period of the pay-off of this investment.

The management of the Company expects to compete successfully in the pharmaceutical markets, even though tighter competition is foreseen in the future. The main competitors of AB “Sanitas” are other generic pharmaceutical companies, working in the Central and Western European markets.

The main competitors of the Company in the tablet market are UAB “Liuks”, “Sopharma”, “Grindeks”, “Actavis”, in the market of injection preparations - “Hexal”, “Hoechst-Biotika” (before the acquisition on 27 July 2005), “Gedeon Richter”. In the tincture and food supplement market the main competitor is “Valentis”. “Grindeks” and “Actavis” are the main competitors in the ointments segment.

“Hoechst-Biotika” engages in manufacturing of contractual medicine and logistics. The company manufactures injectable solutions, tablets (including covered tablets), ointments. Its main competitor is “Zentiva”.

The previous owner of “Hoechst-Biotika” s.r.o. sold the shares it held in the reorganisation procedure of the group, in an attempt to dispose of too high manufacturing capacities in the region. Furthermore, the seller’s goal was to ensure that the company’s employees are not dismissed, therefore, the seller agreed with the price below the fair value of net assets. The previous owner cancelled all product licences and rights to brand names and also terminated major sale and purchase contracts valid before the acquisition. Thus, new contracts had to be negotiated and concluded after the acquisition, while the new medicine this subsidiary is going to manufacture and sell must be registered in Slovakia. Due to the fact, we anticipate a loss in the subsidiary’s activities in 2006, but are planning for a profit starting with the year 2007.

Acquisition of the Polish pharmaceutical company “Jelfa” will have a material effect on the expansion of AB “Sanitas” operations and will strengthen the Company’s position on the Central and East European pharmaceutical markets.



Having purchased this plant, we get a chance to both optimise the production assortment and introduce new products onto the Lithuanian, Polish and Slovak markets. In all the countries concerned a status of a national producer is very important. A creation of a common strategy in one of the largest ATC-groups (non-narcotic analgetics) might ensure stable and gradually increasing sales for both companies. The experience of AB “Sanitas” in the field of patient products (and with hospitals themselves) might enable certain of “Jelfa’s” products to find their place among the best-sold medicine in the Lithuanian market. Moreover, the company’s acquisition will allow optimising costs and produce a synergy effect.

Support from the EU structural funds. In accordance with the agreement signed with the Ministry of Economy of the Republic of Lithuania as of 21 January 2005 concerning a financial aid, the issuer will receive LTL 16.1 million grants from the European Union structural funds to finance construction of a new plant in Kaunas. Currently, the works of Phase I are under completion. The total value of the completed construction works exceeds LTL 8 million.

In the agreement on the financial aid signed on 21 January 2005 (with amendments) the following dates for filing an application were set (total value of the project is LTL 16,157,151):

- LTL 1,415,424 until 31.10.2005;
- LTL 5,863,898 until 31.01.2006;
- LTL 7,227,340 until 30.04.2006;
- LTL 1,650,489 until 30.09.2006.

As of today, the first payment (LTL 1,415,424) had been received and a second application filed for the amount of LTL 1,691,848. The receipt of money may take up to 3 months from filing the application. These funds are crucial in order to ensure a successful production process of the new plant. In the event the financial support from the European Union structural funds were cancelled or reduced, that would result in postponing the construction or even cancelling of the project, which will undoubtedly have an impact on the Company’s financial results.

Dependence on a few main purchasers/ suppliers; agreements with AS “Grindeks”. At the end of 2004, AB “Sanitas” signed long-term agreements with its client, the Latvian pharmaceutical company AS “Grindeks”. AS “Grindeks” is one of the main clients of the Company – in 2005 it purchased 55.6 percent of the Company’s products (75.4 % in 2004). It is expected that in the future sales to this Latvian client will constitute about 30 percent of the total sales of AB “Sanitas”. These agreements are an essential part of the Company’s business. A breach of agreements with this client would have an adverse effect on the Company’s financials.

Ability to fix product prices. Growing health care costs are on the list of main problems in many Central and Eastern European governments. Many of the exported items of AB “Sanitas” reach destinations in markets, where prices of drugs are government controlled. Therefore, it is impossible to control or predict the movements of these prices in the future. If the government policy changes toward less compensation and reimbursement, or a drop in prices, this could have negative effects on the issuer’s sales and profit.

Other risks related to the issuer’s activity. Under the Share Purchase and Sale Agreement concluded with Aventis Pharma Holding GmbH, G.V. Pharma a.s and Pharma Slovakia CV on 27 May 2005 concerning acquisition of a 100 percent stake in “Hoechst-Biotika”, the sellers, Aventis Pharma Holding GmbH, G.V. Pharma a.s. and Pharma Slovakia, provided the issuer with no guarantees concerning proper operation and management of “Hoechst-Biotika” or compliance with legal acts. Under that Agreement, the issuer surrendered its rights to file any claims, if, after the takeover of the control and management of Hoechst-Biotika, spol. s r.o., it finds deficiencies of any kind and/or suffers losses because of the activities of the previous shareholders and/or because of the activities of Hoechst-Biotika, spol. s r.o. before the takeover. Taking these facts into consideration, there is a risk that the issuer may suffer losses due to the activities of the previous shareholders and/or the plant before the takeover, the recovery of which from the persons having inflicted the damage would be complicated.

Tax policy. Essential changes in the business environment are associated with the country’s tax reform. In the coming two years the corporate profit will be subject to an additional social tax. This is provided by the temporary Law on Social Tax of the Republic of Lithuania passed in 2005. Pursuant to this Law,



starting with the year 2006, an additional tax of 4 percent will be imposed on the corporate profit; in the year 2007, this tax will amount to 3 percent. That will have a direct impact on the Company's net profit.

Social risks. Interests of the Company's employees are protected by the professional union of chemists and pharmacists of AB "Sanitas" and the trade union of AB "Sanitas" employees. The Company's managers are convinced that at the moment their cooperation with these trade unions is positive, but there is no guarantee that in the future no labour conflicts will arise and disrupt the operation of the enterprise.

Ecological risks. Production pollutants are from regular sources of pollution and include dust, carbon monoxide, nitrogenous oxides, ethanol vapour, and carbon dioxide. Following a permit to use natural resources that indicates permissible levels of pollution, there is no risk of a hazardous effect on the environment. Neither is there a potential threat that the Company's activities might be restricted or suspended on the ecological grounds. Exposure to ecological risks is also reduced if the Company operates in compliance with the labour safety and fire safety rules.

Exposure to credit, liquidity, interest rate and currency risk arises in the normal course of the Company's operations.

Credit risk. Management has a credit policy in place, and the exposure to a credit risk is monitored on an ongoing basis. Credit evaluations are performed on all customers before extending a payment due.

Currency risk. The Company's foreign currency risk incurred on sales, purchases and borrowings that are denominated in EUR is insignificant, as LTL is pegged to EUR at 3.4528 LTL for 1 EUR. The currency giving rise to foreign exchange risk is primarily US Dollars (other currencies that constitute a potential risk to the issuer's financial results in case of adverse moves in exchange rates are the Latvian Lat, Russian Rouble, Polish Zlot, Slovakian Koruna and Chech Koruna). No financial instruments are used to hedge against the risk, as it is not considered to be significant.

The issuer's products reach clients in many countries of Europe, whose currency is not pegged to the euro. In the future, in an attempt to expand production to other countries, the issuer's currency portfolio will become even more diversified.

Table 30.1. Accounts receivable, payable and cash in foreign currencies

LTL	2005		2004	
	EUR	USD	EUR	USD
Trade debtors	4,046,749	24,326	9,365,826	551,398
Prepayments	66,812	0	668,966	0
Cash	82,762	22,681	371,307	89,787
Loans and borrowings	-19,567,147	0	-13,112,982	0
Suppliers and other creditors	-2,004,360	-196,166	-740,177	-87,519
Net position	-17,375,184	-149,159	-3,447,060	553,667

Liquidity risk. The Company's policy is to maintain sufficient cash and to have available funding through an adequate amount of committed credit facilities. The Company intends to raise additional means through a share issue to be offered in 2006.

Interest risk. Most of the Company's borrowings are subject to variable interest rates, related to EURIBOR. With an increase or decrease in EURIBOR, the Company's net profit will increase or decrease respectively. The Company also has some short-term borrowings from related parties at fixed interest rates. In the future the effect of a change in the interest rate on the net profit may go up due to a significant increase in the Company's liabilities to credit institutions. The Company did not use any financial instruments to hedge its exposure to the cash flows or price risk related to debt instruments.



Repayment of loans is conducted according to the schedule; there are no delayed payments.

Table 30.2. Interest bearing loans and borrowings

	2005	2004
Non-current liabilities		
Sampo Bankas credit facility	0	7,338,863
Sampo Bankas loan	0	5,774,117
SEB Vilniaus Bankas credit facility	4,803,147	0
SEB Vilniaus Bankas loans	16,362,025	0
Finance lease liabilities	244,172	587,232
TOTAL NON-CURRENT LIABILITIES	21,409,344	13,700,212
Current liabilities		
Loan from AB “Endokrininiai Preparatai”		601,340
SEB Vilniaus Bankas credit facility	4,190,722	0
SEB Vilniaus Bankas loans	4,872,940	0
AB FMĮ “Finasta”	15,480,065	0
Loan from the subsidiary “Hoechst – Biotika”	17,264,000	0
Finance lease liabilities	401,988	357,724
TOTAL CURRENT LIABILITIES	42,209,715	959,064
TOTAL INTEREST BEARING LOANS AND BORROWINGS	63,619,059	14,659,276

Table 30.3. Terms and repayment schedule of interest bearing loans and borrowings

	Total	2006	2007	2008	2009
SEB Vilniaus Bankas, loan in LTL bearing variable interest at 6 months’ EURLIBOR + 1.32%, and from 01 04 2006 - EURLIBOR + 1.05%	7,733,300	4,000,200	3,733,100		
SEB Vilniaus Bankas, loan in LTL, bearing variable interest at 6 months’ EURLIBOR + 1.05%	7,200,124	872,740	2,618,220	2,618,220	1,090,944
SEB Vilniaus Bankas, loan in LTL - variable interest at 6 months’ EURLIBOR + 1.32%, having finished the construction of the plant and having pledged it - EURLIBOR + 1.05%	6,301,541		2,094,908	2,285,355	1,921,278
SEB Vilniaus Bankas, credit facility in EUR bearing variable interest at 6 months’ EURLIBOR + 1.05%	8,993,869	4,190,722		4,803,147	
Loand from the subsidiary “Hoechst – Biotika”, with fixed annual interest of 5%, maturing in November 2006.	17,264,000	17,264,000			
AB FMĮ Finasta loan, with fixed interest of 5% p.a., maturing in January 2006	15,480,065	15,480,065			
Sampo Bankas, leasing for acquisition of equipment for testing of tightness of ampoule preparations, variable interest at 6 months’ EURIBOR +1.9%	501,491	330,581	170,910		
Sampo Bankas, finance leasing of 4 cars, variable interest at 6 months’ EURIBOR +1.9%	84,258	43,084	41,174		
Sampo Bankas, finance leasing of a car, variable interest at 6 months’ EURIBOR +1.7%	60,411	28,323	32,088		
Total	63,619,059	42,209,715	8,690,400	9,706,722	3,012,222



According to the loan agreement with SEB Vilniaus Bankas, the Company has not absorbed LTL 22,287 thousand of the loan with variable interest of EURLIBOR plus 1.05% margin, maturing in 2015. The loan is used to finance the construction of a new production plant.

The loan agreements with SEB Vilniaus Bankas provide that the bank's permission is required for guarantees issued to any third party; for sale or lease of the assets of more than LTL 1 000 thousand during one year; for loans of more than LTL 5,000 thousand received from related parties; loans of more than LTL 1,000 thousand received from other parties; for extending a loan. According to the mentioned agreements, the Company is obliged to keep a ratio between financial liabilities and EBITDA not higher than 5.5 during 2005; 5.0 during the 1st half of 2006; 4.0 during the 2nd half of 2006; 3.0 during 2007; 2.5 from 2008 on.

31. Termination or reductions of production that have exercised or are exercising material impact on the results of the issuer during the last two financial years

On 1 May 2004, the operation of the ampoule department was terminated because its production facilities failed to comply with the enacted GMP requirements. To ensure compliance with the GMP requirements heavy investment will be needed, therefore it was decided to close the department and transfer production of the most profitable products to the reconstructed department in operation.

32. Patents, licences, contracts


Patents, licences and contracts held by AB "Sanitas":

- The State Patent Bureau of the Republic of Lithuania registered the Company's name:
Public company "Sanitas" (registration date: 9 June 1994)
- The State Patent Bureau of the Republic of Lithuania registered the trademark:
Sanitas (graphic expression) (registration date: 28 April 1993.)
- On 8 April 1999, AB "Sanitas" obtained a licence (No. 622 G) for research into and production of pharmaceuticals and medicinal components.
- On 19 May 2005, the Company was granted a licence compliant with the EU requirements. It allows to manufacture pharmaceuticals and perform other functions as: acquisition of starting ingredients, acquisition of ready-made products, production, quality control, storage, distribution, control of manufacturing processes. Types of products: sterile preparations, liquid pharmaceutical preparations of little volume, produced under aseptic conditions and sterilized by heat; non-sterile preparations, i.e. soft (ointments) and hard (tablets and capsules) pharmaceuticals. Licence No 0173 is of unlimited validity.
- At the end of 2003, Lithuanian standardisation specialists carried out an audit of the Company's quality management system. As a result, the Company obtained a certificate testifying compliance of its management system to standard LST EN ISO 9001:2001.
- On 24 May 2004, the Company obtained a GMP certificate (Nr.LT/001H/2004) for the production of aseptic and sterilised liquid forms of medicine.
- On 21 October 2004, the company obtained a license (No. 250N) for pharmaceutical activity involving narcotic and psychotropic medicines and pharmaceuticals allowing the Company to manufacture narcotic and psychotropic medicines and pharmaceuticals.
- On 15 December 2004, the Company obtained a GMP certificate (No. LT009H/2004) for the production (filling) of hard capsules, as well as inner and outer packaging of tablets and capsules.
- On 17 February 2005, the Company obtained a licence (No. 0010) for the wholesale distribution of pharmaceuticals. This licence allows distribution of chemical and traditional homeopathic pharmaceuticals stored in the room temperature, cool and cold conditions. Types of activities include acquisition, storage, supply, and export of pharmaceuticals.



- On 17 February 2005, the Company obtained a license (No. 261N) for pharmaceutical activity involving narcotic and psychotropic medicines and pharmaceuticals, allowing the Company to engage in wholesale, import and export of narcotic and psychotropic medicines and pharmaceuticals.
- On 12 May 2005, the Company obtained a GMP certificate (No. LT/003H/2005) for the production of solid forms of medicine (tablets).
- On 26 September 2005, the Company obtained a GMP certificate (No.LT/006H/2005) for the production of soft forms of medicine (ointments).
- On 29 November 2005, the Company obtained a Good Distribution Practice certificate (No. LT/030H/2005).

Table 32.1. Patented brand names

BRAND NAME	REGISTRATION NO.	REGISTRATION DATE	DATE FOR REGISTRATION EXTENSION
Bilosan	47785	09.04.2004	23.10.2012
NEOCITRAMON	30921	04.01.1999	22.03.2006 (15.03.2006 filed for extension)
SANANGIN	41942	05.03.2001	2009-06-28
 Sanitas	7144	28.04.1993	01.12.2003 (filed for extension)
SANIVIT	Application filed No. 1985		
FEMINOPLANT	Application filed No. 0373		
NEOASKOFEN	Application filed No. 2365		
ALKOSTOP	Application filed No. 1617		
KETOLGAN	49287	06.05.2005	26.06.2013
CALCITEN КАЛЦИТЕН	45490	11.06.2002	17.09.2011
CHORGEN	45491	11.06.2002	17.09.2011
ENDOSPAZMIN	Application filed No. 2231		
ENDOLAKRIN	Application filed No. 1324		
Sanitas Martin (Czech Republic, Slovakia)	863666 (international registration)	22.04.2005	22.04.2015

Licences and certificates held by “Hoechst-Biotika”:

- Certificate ISO 9001:2000 issued on 16 December 2003;
- Certificate ISO 14001:1996 issued on 16 December 2003;
- Certificate OHSAS 18001:1999 issued on 16 December 2003;
- Licence for distribution of pharmaceuticals issued on 7 July 2004;
- Licence for storage, import and export of narcotic and psychotropic medicines and pharmaceuticals of Groups II and III, issued on 6 October 2004;
- Licence for production, distribution, import and export, transportation and storage of narcotic and psychotropic medicines and pharmaceuticals of Group I, issued on 3 February 2005;
- An international Good Distribution Practice certificate issued on 28 February 2005 for the production of the sterile forms of medicine and non-sterile forms of medicine (tablets, capsules, ointments and crèmes) and for packaging non-sterile solutions and syrups;
- Licence for production, distribution, import, export and development of narcotic and psychotropic medicines and pharmaceuticals of Groups II and III, issued on 10 November 2005.



33. Court (arbitration) proceedings

No court (arbitration) proceedings likely to have had or to have a material effect on the Company's financial position took place.

34. Staff

As of 31 December 2005, the number of employees was as follows:

- AB "Sanitas" – 208;
- UAB "Altisana" – 2;
- "Hoechst-Biotika" – 296.

Breakdown of employees by type of activities:

- In manufacturing and sale of medicines – 504;
- In purchase, sale, and lease of real estate – 2.

Breakdown of employees by the geographical location:

- Lithuania – 210;
- Slovak Republic – 296.

Table 34.1. Payroll of the employees, 2003–2005

Employee group	Number of employees			
	31.12.2005		31.12.2004	31.12.2003
	Company	Group		
Top Managers	9	12	8	8
Specialists	76	185	64	74
Workers	123	309	120	198
Total	208	506	192	280

Table 34.2. Breakdown of employees by education

	31.12.2005		31.12.2004	31.12.2003
	Company	Group		
University education	72	118	60	68
College education	41	48	38	49
Secondary or vocational education	95	327	93	141
Incomplete secondary education	-	13	1	22

Table 34.3. Average monthly salary

	2005		2004	2003
	Company	Group		
Top Managers	6,400	7,400	4,000	4,800
Specialists	1,850	2,650	1,800	1,600
Workers	1,300	2,000	1,200	1,000

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



35. Investment policy

In 2003, AB “Sanitas” allocated LTL 355 thousand for investment. Most of the investment was channeled to the division of injectable preparations. A reconstruction of the boiler house was also performed and completed at the beginning of 2004; a reconstruction of the department of injectable preparations was started (LTL 37 thousand).

In 2004, investment of AB “Sanitas” amounted to LTL 23,357 thousand, including LTL 16,977 thousand invested into property, plant and equipment; investment into non-current intangible assets accounted for LTL 225 thousand, and to financial assets – LTL 6,155 thousand.

Major investments in 2004:

Acquisition of the real estate at Veiverių St.134	LTL 10,304 thousand
Preparation of the department of injectables and the microbiological lab in accordance with the GMP requirements	LTL 4,749 thousand
Acquisition of AB “Endokrininiai preparatai” shares	LTL 4,742 thousand
Acquisition of UAB “Altisana” shares	LTL 1,413 thousand
Beginning of the new project in Veiverių St.	LTL 1,118 thousand

The investments were financed with the funds of AB “Endokrininiai preparatai”, a loan taken from AB “Sampo bankas”, leasing funds from UAB “Sampo banko lizingas” and own funds.

In 2005, AB “Sanitas” allocated the total sum of LTL 97,324 thousand for investment. LTL 9,102 thousand was invested into property, plant and equipment; LTL 51 thousand into non-current intangible assets, and LTL 88,171 thousand into financial assets.

Major investments in 2005:

Acquisition of the subsidiary “Hoechst-Biotika”	LTL 43,985 thousand
Acquisition of “Jelfa” shares	LTL 42,259 thousand
Implementation of the project in Veiverių St.	LTL 7,786 thousand
Acquisition of AB “Endokrininiai preparatai” shares	LTL 1,926 thousand

In 2005, the Company increased its holding in AB “Endokrininiai preparatai” up to 66.53 percent. At the end of the year, after liquidation of this company, a return on investment into AB “Endokrininiai preparatai” amounted to LTL 4,315,052.

To finance investments in 2005, proceeds from a new share issue, bank loans and loans extended by other legal entities, proceeds from sale of the real estate and from the liquidation of the subsidiary were used. Furthermore, a grant in the amount of LTL 1,415 thousand was received from the European Union structural funds to cover the costs of the project in Veiverių St.

Companies associated with AB “Sanitas” as of 31.12.2005:

- UAB “Altisana”
- Hoechst – Biotika, Spol. Sr.O
- LAB “Endokrininiai preparatai” (deregistered in May 2006)



Table 35.1. Data about the subsidiaries

	UAB “Altisana”	Hoechst – Biotika, Spol. Sr.O
Office address	Kaunas municipality, Vytauto Ave. 3, Kaunas	Sklabinska 30, 036 80 Martin, Slovakia
Type of activity	Purchase, sale and lease of real estate	Production and sale of medicine
Code	1345 44045	31 560 784
Type of the shares	Ordinary registered shares	The authorised capital not divided into shares
Number of the shares	43,372	
Nominal value per share, LTL	100	
Authorised capital, LTL	4,337,200	38,034,649 (416,640,000 Slovak korunas)
Number of shares owned by AB “Sanitas”, units	43,372	-
Portion of the capital and votes held by AB “Sanitas”, %	100.00	100.00
2005		
Reserves	-	6,632,202
Profit (loss) from ordinary activities, LTL	(43,003)	301,511
Net profit (loss), LTL	(5,881)	102,047
Value of the shares in AB “Sanitas” accounts, LTL	1,413,440	43,984,960
Amounts payable for the shares, LTL	-	-
Dividend received, LTL	-	-
Loans extended, LTL	-	17,431,488
Loans received, LTL	-	-
UAB “Endokrininiai preparatai”		
Office address	Kaunas municipality, Veiverių St.134 Kaunas.	
Type of activities	Liquidated (deregistered in May 2006)	
Code	1335 52167	
Type of shares	Ordinary registered shares	
Number of shares, units	2,590,096	
Nominal value per share, LTL	5	
Authorised capital, LTL	12,950,480	
Number of shares owned by AB “Sanitas”, units	1,723,104	
Share of the capital and votes held by AB “Sanitas”, %	66.53	

36. Main competitors

The Company’s main competitors are other pharmaceutical manufacturers supplying generic medicine to Central and West European markets. Main competitors producing tablets are UAB “Liuks”, “Sopharma”, “Grindeks”, “Actavis”; of injective preparations – “Hexal”, “Hoechst-Biotika” (before acquisition on 27 July 2005), “Gedeon Richter”; in the market of tinctures and food supplements – “Valentis”; and in ointments “Grindeks” and “Actavis”. “Hoechst-Biotika” engages in manufacturing and logistics of contractual medicine. The Company produces injectables, tablets (including covered tablets), ointments. Its main competitor is “Zentiva”.

37. Dividends paid

Table 37.1. Dividends paid

	2005	2004	2003	2002	2001
Dividend per ordinary registered share, LTL	-	1.00	0.10	-	-
Total dividend, LTL	-	1,791,059	179,106	-	-



V. FINANCIAL STATUS

38. Financial statements

The consolidated financial statements as of 31 December 2005 consolidate the financials of AB “Sanitas” and its subsidiaries, “Hoechst-Biotika s.r.o.” (Slovakia) and UAB “Altisana”.

According to the requirements of the IAS 27 that came into effect on 1 January 2005, previous exemptions that permitted not to consolidate the financials of the subsidiaries due to their temporary control were removed, and, in accordance with the amended standard, all subsidiaries have to be consolidated.

In the annual financial statements for the year 2004, investment in the subsidiary UAB “Altisana” owned by 100 percent was shown at its fair value, following IAS 27 and IAS 39. In the consolidated financial statements of 2005 each subsidiary is consolidated from the day of its acquisition in 2004. This restatement had no effect on the result of 31 December 2004 or on the shareholders’ equity, as the subsidiary did not perform any activities.

Balance Sheet, LTL

ASSETS	GROUP		COMPANY		
	31.12.2005	31.12.2004	31.12.2005	31.12.2004	31.12.2003
NON-CURRENT ASSETS					
Tangible assets	51,613,145	27,451,086	16,193,985	27,451,086	14,602,773
Intangible assets	915,591	245,036	178,947	245,036	144,932
Investment	38,503,285		83,901,685	1,413,440	1,200
Non-current Receivables	62,624	53,190	62,624	53,190	
Deferred taxes	2,499,575	71,000	835,442	71,000	49,087
TOTAL NON-CURRENT ASSETS	93,594,220	27,820,312	101,172,683	29,233,752	14,797,992
CURRENT ASSETS					
Inventories	11,498,144	4,920,879	6,033,505	4,920,879	5,594,268
Trade debtors	13,806,634	12,012,930	6,570,785	12,012,930	9,145,294
Pre-paid profit tax	700,281				
Other amounts receivable	1,334,848	1,883,331	3,598,991	839,176	464,431
Investment into associated enterprises		4,741,835			
Assets for sale	20,733,950	1,600,000	8,199,916	5,972,550	73,514
Cash and Cash equivalents	4,846,639	779,114	1,559,601	779,114	891,881
TOTAL CURRENT ASSETS	52,920,496	25,938,089	25,962,798	24,524,649	16,169,388
TOTAL ASSETS	146,514,716	53,758,401	127,135,481	53,758,401	30,967,380



Continued

SHAREHOLDERS' EQUITY AND LIABILITIES	GROUP		COMPANY		
	31.12.2005	31.12.2004	31.12.2005	31.12.2004	31.12.2005
EQUITY					
Share capital	11,000,000	8,955,295	11,000,000	8,955,295	27,814,800
Own shares					(22,454,307)
Share premium	17,553,588		17,553,588		
Legal reserve	1,801,104	1,801,104	1,801,104	1,801,104	1,769,872
Other reserves for appropriation	(1,486,214)	4,450,367	(3,042,276)	4,450,367	12,760,417
Accrued profit	24,870,660	9,972,123	25,579,374	9,972,123	864,854
TOTAL EQUITY	53,739,138	25,178,889	52,891,790	25,178,889	20,755,636
NON-CURRENT LIABILITIES					
Loans and other debts bearing interest	21,409,344	13,700,212	21,409,344	13,700,212	3,729,999
Subsidies	1,415,424		1,415,424		
TOTAL NON-CURRENT LIABILITIES	22,824,768	13,700,212	22,824,768	13,700,212	3,729,999
CURRENT LIABILITIES					
Loans and other debts bearing interest	53,821,245	959,064	42,209,715	959,064	4,645,108
Debts to suppliers	10,300,198	2,021,368	5,577,426	2,021,368	1,054,998
Other liabilities	3,716,848	11,088,640	1,519,263	11,017,640	781,639
Profit tax	2,112,519	810,228	2,112,519	881,228	
TOTAL CURRENT LIABILITIES	69,950,810	14,879,300	51,418,923	14,879,300	6,481,745
TOTAL LIABILITIES	92,775,578	28,579,512	74,243,691	28,579,512	10,211,744
TOTAL EQUITY AND LIABILITIES	146,514,716	53,758,401	127,135,481	53,758,401	30,967,380

**Income Statement, LTL**

	GROUP		COMPANY		
	2005	2004	2005	2004	2003
TURNOVER	62,987,513	43,001,912	35,918,587	43,001,912	30,888,762
Cost of sales	(46,543,698)	(29,354,406)	(21,074,836)	(29,354,406)	(22,962,103)
GROSS PROFIT	16,443,815	13,647,506	14,843,751	13,647,506	7,926,659
Distribution costs	(3,129,861)	(1,094,144)	(2,562,734)	(1,094,144)	(555,087)
Administrative costs	(8,464,665)	(5,395,891)	(6,822,500)	(5,395,891)	(5,759,665)
Other operating revenues	2,143,197	665,524	7,183,859	665,524	580,242
Other operating expenditure	(1,254,138)	(1,851,361)	(1,246,868)	(1,851,361)	(905,037)
OPERATING PROFIT BEFORE FINANCIAL ACCOUNTS AND TAXES	5,738,348	5,971,634	11,395,508	5,971,634	1,287,112
Profit after liquidation of the subsidiary	4,315,052		4,315,052		
Surplus of the acquired net profit of the subsidiary compared to acquisition costs	3,999,237				
Financing revenue	1,504,339	59,896	691,558	59,896	273,485
Financing costs	(2,071,046)	(571,943)	(1,181,116)	(571,943)	(935,960)
PROFIT BEFORE TAXES	13,485,930	5,459,587	15,221,002	5,459,587	624,637
Profit tax	(1,246,701)	(857,228)	(2,273,059)	(857,228)	(311,913)
NET PROFIT OF THE YEAR	12,239,229	4,602,359	12,947,943	4,602,359	312,724
PROFIT PER SHARE (LTL)	1.23	0.55	1.30	0.55	0.07



Statement of Changes in Equity, LTL

COMPANY	AUTHORISED CAPITAL	SHARE PREMIUM	OWN SHARES	LEGAL RESERVE	FAIR VALUE RESERVE	OTHER RESERVES	ACCRUED PROFIT	CURRENCY DIFFERENCES	TOTAL
CAPITAL AND RESERVES 01.01.2004	27,814,800		(22,454,307)	1,769,872		12,760,417	864,854		20,755,636
Decrease in authorised capital	(18,859,505)		22,454,307			(3,594,802)			0
Legal reserve made				31,232			(31,232)		0
Transferred from other reserves						(4,715,248)	4,715,248		0
Dividends							(179,106)		(179,106)
Total revenues and costs							4,602,359		4,602,359
CAPITAL AND RESERVES 01.01.2005	8,955,295	0	0	1,801,104	0	4,450,367	9,972,123		25,178,889
New share issue	2,044,705	17,553,588							19,598,293
Transferred from reserves						(4,450,367)	4,450,367		0
Dividends							(1,791,059)		(1,791,059)
Total revenues and costs					(3,042,276)		12,947,953		9,905,677
CAPITAL AND RESERVES 31.12.2005	11,000,000	17,553,588	0	1,801,104	(3,042,276)	0	25,579,384		52,891,800



GROUP	SHARE CAPITAL	SHARE PREMIUM	OWN SHARES	LEGAL RESERVE	FAIR VALUE RESERVE	OTHER RESERVES	PROFIT TO BE APPROPRIATED	CURRENCY DIFFERENCES	TOTAL
CAPITAL AND RESERVES 01.01.2004	27,814,800		(22,454,307)	1,769,872		12,760,417	864,854		20,755,636
Decrease in authorised capital	(18,859,505)		22,454,307			(3,594,802)			0
Legal reserve made				31,232			(31,232)		0
Transferred from other reserves						(4,715,248)	4,715,248		0
Dividends							(179,106)		(179,106)
Net profit 2004							4,602,359		4,602,359
CAPITAL AND RESERVES 01.01.2005	8,955,295	0	0	1,801,104	0	4,450,367	9,972,123	0	25,178,889
New share issue	2,044,705	18,606,816							20,651,521
Transferred from reserves						(4,450,367)	4,450,367		0
Dividends							(1,791,059)		(1,791,059)
Total revenues and costs		(1,053,228)			(3,042,276)		12,239,229	1,556,062	9,699,787
CAPITAL AND RESERVES 31.12.2005	11,000,000	17,553,588	0	1,801,104	(3,042,276)	0	24,870,660	1,556,062	53,739,138



Cash Flow Statement, LTL

	GROUP		COMPANY		
	2005	2004	2005	2004	2003
Profit before taxes	13,485,930	5,459,587	15,221,002	5,459,587	312,724
Adjustments:					
Depreciation and amortisation	7,026,507	3,810,829	4,681,054	3,810,829	2,463,068
Sales (writing off) of non-current assets	25,583	28,046	(5,824,033)	28,046	387,663
Decrease in amounts receivable	(458,751)	280,695	256,122	280,695	
Writing off of the inventories	259,093	328,708	259,093	328,708	100,000
Decrease in the value/ recovery of the decrease in the value of prepayments for non-current assets	(196,613)	393,118	(196,613)	393,118	
Unrealised loss because of changes in exchange rate of foreign currency	336,088				
Interest income	(19,002)	(585)	(21,599)	(585)	(139,982)
Interest expenditure	1,215,029	454,271	1,174,783	454,271	
Profit after liquidation of the subsidiary	(4,315,052)		(4,315,052)		
Surplus of the acquired net profit of the subsidiary compared to acquisition costs					
CASH FLOWS FROM ORDINARY ACTIVITIES BEFORE CHANGES IN WORKING CAPITAL	13,389,575	10,754,669	11,234,757	10,754,669	3,123,473
Changes in trade debtors and amounts receivable	23,273,616	(3,594,076)	2,426,208	(3,594,076)	(515,462)
Changes in inventories	10,786,924	344,681	(1,371,719)	344,681	1,325,317
Changes in trade debts to suppliers and other debts	(19,828,072)	11,269,982	(5,951,753)	11,269,982	1,088,912
Interest received	19,002	585	21,599	585	427
Interest paid	(1,215,029)	(454,271)	(1,174,783)	(454,271)	
Profit tax paid	(1,809,216)		(1,092,590)		
CASH FLOWS FROM OPERATING ACTIVITIES	24,616,800	18,348,570	4,091,719	18,348,570	5,022,667
Acquisition of non-current assets	(9,701,829)	(16,977,416)	(9,102,335)	(16,977,416)	(667,901)
Capitalisation of non-current assets	(732,163)	(224,976)	(51,209)	(224,976)	(66,891)
Sale of non-current assets	179,115	21,982	13,616,410	21,982	1,434,049
Acquisition of subsidiary “Hoechst –Biotika”	(43,027,548)		(43,984,960)		
Acquisition of additional shares in the subsidiary AB “Endokrininiai preparatai”	(5,250,042)	(5,972,550)	(1,926,391)	(5,972,550)	
Acquisition of subsidiary UAB “Altisana”		(1,413,440)		(1,413,440)	
Acquisition of other equity (“Jelfa”)	(42,259,181)		(42,259,181)		
Sale of other securities					1,532,485
Funds received after liquidation of the subsidiary AB “Endokrininiai preparatai”	12,213,993		12,213,993		
CASH FLOWS FROM INVESTMENT ACTIVITIES	(88,577,654)	(24,566,400)	(71,493,673)	(24,566,400)	2,231,742



Continued

	GROUP		COMPANY		
	2005	2004	2005	2004	2003
New share issue	19,598,293		19,598,293		
Acquisition/ disposal of own shares					(21,938,532)
Dividend paid	(1,791,059)	(179,106)	(1,791,059)	(179,106)	
Funds from long term loans	7,709,132	9,970,213	7,709,132	9,970,213	3,729,999
Funds/ payment from current loans	41,096,589	(3,686,044)	41,250,651	(3,686,044)	4,645,108
Subsidies received	1,415,424		1,415,424		
CASH FLOWS FROM FINANCIAL ACTIVITIES, NET VALUE	68,028,379	6,105,063	68,182,441	6,105,063	(13,563,425)
CASH FLOWS FROM OPERATING, INVESTMENT AND FINANCING ACTIVITIES	4,067,525	(112,767)	780,487	(112,767)	(6,309,016)
Cash and cash equivalents as of January 1	779,114	891,881	779,114	891,881	7,200,897
CASH AND CASH EQUIVALENTS ON DECEMBER 31	4,846,639	779,114	1,559,601	779,114	891,881

39. Comments about the financial statements

Explanatory Notes to the financial statements of AB “Sanitas” are attached to the Annual Prospectus – Report (Annex 1 – Annual financial statements of AB “Sanitas” for the year 2005, p. 9 – 42).

Explanatory Notes to the consolidated financial statements are attached to the Annual Prospectus – Report (Annex 2 – Consolidated financial statements of AB “Sanitas”, p. 10 – 53).

40. Activity Report prepared by the issuer’s Board or any other managing body performing its functions

The Activity Report of AB “Sanitas” is attached to the Annual Prospectus – Report (Annex 3 – The Company’s Activity Report and Report on the Review of the Activity Report for the year 2005, p. 2 – 9).

41. Information about the audit

The audit of the financial statements of AB “Sanitas” and of the consolidated financial statements as well as the Company’s Activity Report for the year 2005 was performed by Domantas Dabulis, a certified auditor of the audit firm UAB “KPMG Baltics”.

Information about the audit firm, having performed the audit

Registered office	Vytauto St.12, LT-08118 Vilnius
Code	1114 94971
Telephone	(+370~5) 210 26 00
Fax	(+370~5) 210 26 59
E-mail	vilnius@kpmg.lt
Internet website	www.kpmg.lt

The Auditor’s Report and the Report on the Review of the Activity Report are attached to the Annual Prospectus – Report (Annex 1 – Annual financial statements of AB “Sanitas” for the year 2005, p. 3, Annex 2 – consolidated financial statements of AB “Sanitas”, p. 3 – 4, Annex 3 – The Company’s Activity Report and Report on the Review of the Activity Report for the year 2005, p. 1).



VI. INFORMATION ABOUT THE ISSUER'S MANAGING BODIES

The Company is managed through the general shareholders' meeting; it has a single person managing body, Director General.

Until 15 May 2006, the Company had a collegial supervisory body, the Supervisory Board (of 4 members). A collegial managing body, the Board, was not formed.

On 27 April 2006, the General Meeting of the Company's shareholders approved the amendments to the Company's Articles of Association, which stipulate that the Company will not form the Supervisory Board, but will elect the Board of 5 members instead for a period of 5 years. The following persons were elected into the Company's Board: Dailius Juozapas Mišeikis, Darius Šulnis, Darius Žaromskis, Dalius Kaziūnas and Saulius Jurgelėnas.

The amended Articles of Association were registered with the Register of Legal Entities on 15 May 2006. The Company's Board started work as from the day of registration of the Articles of Association.

42. Members of the managing bodies

42.1. Position held, names and surnames, data about participation in the issuer's authorised capital

Table 42.1.1. Members of the Company's managing bodies

Name, surname	Position held	Portion of the capital/ votes held, %	Portion of votes held, %
THE SUPERVISORY BOARD (before 15 May 2006)			
Darius Šulnis	Chairman	-	-
Dailius Juozapas Mišeikis	Member	0.31	0.31
Darius Žaromskis	Member	1.66	1.66
Jurgis Nausėda	Member	-	-
THE BOARD (elected on 27.04. 2006, STARTED WORKING ON 15.05.2006)			
Darius Šulnis	Chairman	-	-
Dailius Juozapas Mišeikis	Member	0.31	0.31
Darius Žaromskis	Member	1.66	1.66
Dalius Kaziūnas	Member	-	-
Saulius Jurgelėnas	Member	-	-
THE ADMINISTRATION			
Saulius Jurgelėnas	Director General	-	-
Dalia Švelnytė	Chief financier	-	-

42.2. Data about the members of the Company's managing bodies

Darius Šulnis. Educational background: Vilnius University, Faculty of Economics. Professional experience: 1994 – 2002 Director of AB FMĮ “Finasta”; 2002– 2005 Director of UAB “Invalda Real Estate”; from 2006 President of AB “Invalda”.

Dailius Juozapas Mišeikis. Educational background: Vilnius University, Faculty of Economics. Professional experience: from 1992 Real Estate Director of AB “Invalda”; from 1998 its Vice-President, from 2005 – Advisor.

Darius Žaromskis. Educational background: Vilnius University, Faculty of Law. Professional experience: until August 2005 Director of UAB “Kaminera” and UAB “Kamineros grupė”. From November 2003 to July 2005 Director General of AB “Vilniaus degtinė”.

Jurgis Nausėda. Educational background: Kaunas Politechnical Institute Klaipėda Branch. Professional experience: 1998 – 2004 Director General of AB “Klaipėdos vanduo”, from October 2004 until today Consultant on corporate governance with UAB “Naujasis Sirijus”.



Dalius Kaziūnas. Educational background: Vilnius University, Faculty of Economics. He has worked with AB FMĮ “Finasta” since 1996: assistant to the financial broker until 1998; financial broker until 3 October 2002; Director of the Company since then.

Saulius Jurgelėnas. Educational background: Vilnius University, Faculty of Economics. Professional experience: 1994 –1995 financial broker of the USA joint venture “Preliks”, 1995 – 1997 marketing consultant with “Consulta”; 1997 – finance consultant with Pragma Corporation, 1997 – 2000 Director of the Baltic Trade Department with UAB “Narbutas ir Ko”, 2000 – 2001 representative of Laufen CZ, for the Baltic States, 2001 – 2002 Finance and Economy Director; Director General of UAB “Kraitėnė”, 2002 – 2004 Finance and Economy Director; Executive Director of TŪB “Nemuno banga”, 2004 – 2005 consultant with UAB “VRS agentūra”, from 2005 Director General of AB “Sanitas”.

Dalia Švelnytė. Educational background: Vilnius University, Faculty of Economical Cybernetics and Finance. Professional experience: 1992 – 2003 Chief Financier with ABF “Lietuvos tara”, 2002–2003 Chief Financier with UAB “Vūsta”, 2004 – 2005 Chief Financier of AB “Endokrininiai preparatai”, from 2001 Chief Financier with UAB “Lipnios etiketės”, from 2003 Chief Financier of AB “Sanitas”.

42.3. Data about participation in the activities of other companies, enterprises and organizations (name of the company, enterprise, or organization and position held); capital and votes exceeding 5 percent, held in other enterprises (percentage)

Table 42.3.1. Participation in the activities of other companies, enterprises and organizations; capital and votes exceeding 5 percent, held in other enterprises (percentage)

Name, surname	Name of the company, enterprise, organization; position held	Portion of the capital and of votes over 5 % held in other enterprises
Darius Šulnis	AB “Invalda” Member of the Board, President	-
	AB FMĮ “Finasta” Chairman of the Board	-
	UAB “Invalda Construction Management” Chairman of the Board	-
	UAB “Kelio ženklai” Chairman of the Board (until 10.05.2006)	-
	UAB “Hidroprojektas” Chairman of the Board	-
	UAB “Finasta investicijų valdymas” Chairman of the Board	-
	AB “Agrovaldymo grupė” Member of the Board	-
	UAB “Broner” Member of the Board	-
	UAB “Wembley-Neringa” Member of the Board	-
	SIA “Industrial and logistics centre “Lapegles”” (Latvia) Chairman of the Supervisory Board	-
	SIA “DOMMO” (Latvia) Chairman of the Supervisory Board	-
	Real Estate Development Association of Lithuania, Member of the Board	-
	UAB “PVP”	36.7
	AB “Pozityvios investicijos”	25.0
UAB “Golfas”	31.0	
Dailius Juozapas Mišeikis	AB “Invalda” Member of the Board	16.28
	AB FMĮ “Finasta” Member of the Board	-
	UAB “Invalda Construction Management” Member of the Board	-
	UAB “Invalda Real Estate” Chairman of the Board	-
	AB “Klaipėdos konditerija” Member of the Board	-
	AB “Valmeda” Member of the Board	-



Table 42.3.1. Continued

Name, surname	Name of the company, enterprise, organization; position held	Portion of the capital and of votes over 5 % held in other enterprises
Dailius Juozapas Mišeikis	AB “Umega” Member of the Board	-
	UAB “PVP”	36.7
	UAB “Nenuorama”	33.3
	AB “Grigiškės”	5.11
	AB “Vernitas” Member of the Supervisory Board	-
	UAB “Hidroprojektas” Member of the Board	-
	UAB “Invaldos nekilnojamojo turto fondas” Member of the Board	-
	UAB “Broner” Chairman of the Board	-
	UAB “Wembley – Neringa” Chairman of the Board	-
	AB “Minija” Member of the Board	-
	UAB “Aikstentis” Chairman of the Board	-
Darius Žaromskis	UAB “Kamimeros grupė”	50.0
	AB spaustuvė “Spindulys” Member of the Board	8.10
	UAB “Svilita”	100.0
	AB “Biržų agroservisas”	20.0
	UAB “Bagem”	25.0
	AB “Sanitas” Member of the Supervisory Board	-
	AB “Umega” Member of the Board	-
	UAB “Jungtinis turto centras”	25.0
Jurgis Nausėda	UAB “Finansų grupė” Chairman of the Board	34.0
	AB “Umega” Chairman of the Board	7.9 / 8.7
	UAB “Siryjo lines”	23.0
Dalius Kaziūnas	UAB “Apželdinimas” Member of the Board	-
	UAB “Saistas” Member of the Board	-
Saulius Jurgelėnas	UAB “Altisana” Director	-
	Hoechst-Biotika spol.sr.o. Director General	-
Dalia Švelnytė	UAB “Lipnios etiketės”	33.0

42.4. Data about the effective conviction of members of managing bodies for the economic crimes and crimes against property, business procedures and finances

Members of managing bodies are not convicted and have never been convicted for economic crimes and crimes against property, business procedures and finances.

42.5. Data about the beginning and the end of the term of office of each managing body member.

The Annual General Meeting of the Company’s shareholders, held on 27 April 2006, approved amendments to the Company’s Articles of Association, establishing that the Supervisory Board will not be formed, only the Board comprising 5 members will be elected for a period of 4 years. The amended Articles of Association were registered with the Register of Legal Entities on 15 May 2006. The Company’s Board started its activities from the day of the registration of the Articles of Association.

Table 42.5.1. Data about the beginning and end of the term of office of each Supervisory Board member.

Name, surname	Beginning of the term in office	End of the term in office
Darius Šulnis	11.02.2004	15.05.2006
Dailius Juozapas Mišeikis	11.02.2004	15.05.2006
Darius Žaromskis	11.02.2004	15.05.2006
Jurgis Nausėda	23.09.2004	15.05.2006



Table 42.5.2. Data about the beginning and end of the term of office of each Board member

Name, surname	Beginning of the term in office	End of the term in office
Darius Šulnis	27.04.2006	2010
Dailius Juozapas Mišeikis	27.04.2006	2010
Darius Žaromskis	27.04.2006	2010
Dalius Kaziūnas	27.04.2006	2010
Saulius Jurgelėnas	27.04.2006	2010

43. Information about payments and loans extended to the members of managing bodies

Data about total amounts of tantiemes, salaries and other payments made from the Company's profit per person during the reporting period

Table 43.1.1. Data about payments made to the members of the issuer's managing bodies

	Remuneration, LTL	Tantiemes (paid in 2005), LTL	Other payments made from profit (dividend), LTL
Members of the Supervisory Board	-	-	275,030
Each member of the Supervisory Board (average)	-	-	68,758
Members of the Administration (Director General and Chief Financier)	290,367	-	-
Each member of the Administration (average)	145,184	-	-

43.2. Total amounts of tantiemes, salaries and other payments made during the accountable period from profit to members of the Supervisory Board, the Board and the administration, received from enterprises wherein the issuer's part in the authorised capital makes up more than 20 percent

In 2005, the Company's Director received a salary in the amount of LTL 2221.43 for acting as Director of the subsidiary UAB "Altisana"

43.3. Loans granted to members of managing bodies over the accountable period, guarantees and warranties given with respect to fulfilment of their obligations.

There were none.

44. Transactions with related persons

In the Company related persons are its shareholders, who are in a position to exercise control over the Company or to have a material effect on it, AB "Sanitas" subsidiaries UAB "Altisana", "Hoechst-Biotika" and "Endokrininiai preparatai", managers of these companies and their close family members.

Transactions with persons concerned:

LTL		2005	2004
SALES TO SUBSIDIARIES OR ASSOCIATED COMPANIES:			
AB "Endokrininiai preparatai"	Inventories	16,310	216,546
AB "Endokrininiai preparatai"	Lease and services	468,832	236,207
UAB "Altisana"	Services	855	0
UAB "Altisana"	Interest	7,307	0
UAB "Altisana"	Non-current assets	13,548,389	0
"Hoechst – Biotika"	Inventories	100,777	0
"Hoechst – Biotika"	Services	25,475	0



LTL		2005	2004
SALES TO A FIRM CONTROLLED BY AB "SANITAS" SHAREHOLDERS:			
UAB "Invalda Construction Management"	Services	19,680	0
TOTAL SALES		14,187,625	452,753

LTL		2005	2004
ACQUISITIONS FROM SUBSIDIARIES OR ASSOCIATED COMPANIES:			
"Hoechst – Biotika"	Medicine	142,608	0
"Hoechst – Biotika"	Interest	155,855	0
AB "Endokrininiai preparatai"	Inventories	2,666,637	17,545
AB "Endokrininiai preparatai"	Services	2,947	3,730
AB "Endokrininiai preparatai"	Interest	99,693	16,230
AB "Endokrininiai preparatai"	Fixed assets	560,165	10,300,000
ACQUISITIONS FROM FIRMS CONTROLLED BY AB "SANITAS" SHAREHOLDERS:			
AB "Valmeda"	Services	800	0
UAB "Invalda Real Estate"	Services	143,945	60,000
UAB "Invalda Real Estate"	Construction works	3,323,151	0
UAB "Invalda Service"	Services	0	3,389
AB "Umega"	Fixed assets	80,769	0
AB FMĮ "Finasta"	Services	96,640	151,192
AB FMĮ "Finasta"	Commission fee for the share issue	1,053,228	0
AB FMĮ "Finasta"	"Jelfa" shares	40,292,845	0
AB FMĮ "Finasta"	AB "Endokrininiai preparatai" shares	695,676	0
Donatas Jazukevičius (AB "Sanitas" Director General 2004)	Lease	1,190	60,000
TOTAL ACQUISITIONS		49,316,149	10,612,086

LTL		2005	2004
AMOUNTS PAYABLE TO SUBSIDIARIES:			
"Hoechst – Biotika"	Loan payable	17,264,000	0
"Hoechst – Biotika"	Amounts payable for goods/ services	282,877	0
AMOUNTS PAYABLE TO ASSOCIATED COMPANIES:			
AB "Endokrininiai preparatai"	For the purchased assets	0	10,300,000
AB "Endokrininiai preparatai"	Loan	0	601,340
AMOUNTS PAYABLE TO THE COMPANIES CONTROLLED BY AB "SANITAS" SHAREHOLDERS:			
AB FMĮ "Finasta"	Loan payable	15,480,065	0
AB FMĮ "Finasta"	Amounts payable for the services	2,717	1,303
UAB "Invalda Real Estate"	Amounts payable for construction works	2,222,471	0
TOTAL AMOUNTS PAYABLE		35,248,130	10,902,643

LTL		2005	2004
AMOUNTS RECEIVABLE FROM THE SUBSIDIARY:			
UAB "Altisana"	Loans	823,081	207,140
UAB "Altisana"	Amounts receivable for the sold assets	2,295,679	0



LTL		2005	2004
AMOUNTS RECEIVABLE FROM THE COMPANIES CONTROLLED BY AB "SANITAS" SHAREHOLDERS:			
UAB "Invalda Construction Management"	For the services	11,076	0
UAB "Naujoji švara"	Prepayment	220,327	0
TOTAL AMOUNTS RECEIVABLE		3,350,163	207,140



VII. RECENT AND MATERIAL EVENTS IN THE ISSUER'S ACTIVITY AND ITS PROSPECTS

45. Most recent developments in the issuer's activities

On 4 January 2006, the Supervisory Board of AB "Sanitas" approved the performance projections for the year 2006 presented by the Company's managers: the projected sales are LTL 66.79 million and net profit of LTL 11.48 million. EBITDA will amount to LTL 17.82 million.

On 19 January 2006, AB "Sanitas" signed an agreement with the trade union of the Polish company "Jelfa" concerning additional guarantees to the employees and conditions of cooperation with the employee representatives, which will be included into the company's Collective Agreement. It was decided that the Agreement would come into effect after AB "Sanitas" acquires a participating interest in "Jelfa", granting the majority of votes at the General Shareholders' Meeting.

On 24 February 2006, a shareholders' agreement was signed with AB "Invalida", the largest shareholder in AB "Sanitas", together with a few other shareholders, natural persons and investment funds Amber Trust II SCA and Citigroup Venture Capital International Jersey Limited, concerning purchase of a new share issue of AB "Sanitas", issued for the acquisition of the Polish pharmaceutical company "Jelfa".

On 27 February 2006, a subsidiary of AB "Sanitas", "Sanitas Polska spol. z.o.o.", announced a tender offer to acquire 100 percent of the Polish pharmaceutical company "Jelfa" SA share at 93 Polish zlot per share. The minimum number of the shares tendered by "Sanitas Polska" is at least 50 percent plus one share.

In order to implement resolution to sell the real estate, held by AB "Sanitas" Group, in the territory between Vytauto, Čiurlionio and Kaunakiemio streets in Kaunas, a tender was organised, whose winner became UAB "Baltvesta". On 8 March 2006, a preliminary agreement was signed with the subsidiary of this enterprise, UAB "Laikinosios sostinės projektai", specifying the price for the real estate concerned of at least LTL 27 million (excl. VAT). Part of the buildings on sale are currently undergoing reconstruction, therefore the sale price will be finalised before the final Sale and Purchase Agreement is signed. In this territory construction of modern blocks of flats is planned. AB "Sanitas" intends to use the current production and administration facilities under a lease agreement, while in 2007 will move to the new premises being built at Veiverių St.134, Kaunas.

AB "Sanitas", in an attempt to implement the project "Streamlining the production of AB "Sanitas", partially financed from the structural funds of the European Union, and partially by the Ministry of Economy of the Republic of Lithuania, completed Phase II of the work procurement tender. On 14 March 2006, the winner was announced at the procurement commission's meeting, i.e. a consortium of the firm "LSMW sp.z o.o. Oddzial w Polsce" (Poland) and UAB "Ranga" IV (Lithuania), with the proposal for LTL 33,300,466, including VAT.

On 27 March 2006, AB "Sanitas" signed a sub-contractual agreement with the consortium of the firm "LSMW sp.z o.o. Oddzial w Polsce" (Poland) and UAB "Ranga" IV (Lithuania) concerning Phase II of the works procurement for carrying out the project "Streamlining the production of AB "Sanitas", partially financed from the structural funds of the European Union, and partially by the Ministry of Economy of the Republic of Lithuania. The value of the agreement is LTL 31,198,172, including VAT.

On 4 April 2006, AB "Sanitas" subsidiary, Sanitas Polska spol. z.o.o. (hereinafter – "Sanitas Polska") signed a contract with the Ministry of Health of the Republic of Poland concerning continuity in



assortment and pricing of the medicines manufactured by “Jelfa” that are subject to the state compensation.

Under that contract “Sanitas Polska”, having acquired the shares granting the majority of votes at the company’s “Jelfa S.A.” shareholders’ meeting and the Supervisory Board, undertook to ensure that the Polish market would be supplied with the kinds of medicine (49 brands) currently produced by “Jelfa” S.A. subject to the state compensation according to the list approved by the Ministry of Health of the Republic of Poland, at the current prices until the end of 2008.

On 7 April 2006, an Extraordinary General Meeting of AB “Sanitas” shareholders resolved:

1.1. To partially amend the decision of the Extraordinary General Meeting of Shareholders of 29.11.2005 (which increased the authorised capital of Sanitas AB from LTL 11,000,000 to LTL 27,000,000 by additionally issuing 16,000,000 ordinary registered shares with a nominal value of LTL 1 (one) each and to increase the authorised capital of AB “Sanitas” from LTL 11,000,000 to LTL 36,000,000 by additionally issuing 25,000,000 ordinary registered shares with a nominal value of LTL 1 (one) each, following the provisions of Art. 20 sec. 1 subsection 13, Art. 28 sec. 1 subsection 8, Art. 44, Art. 45, Art. 49, Art. 50 of the Law on Companies of the Republic of Lithuania. This decision was taken because the issue of shares became insufficient for financing the acquisition of shares of Polish company “Jelfa” SA.

1.2. To set the issue price of one share at LTL 13 (thirteen).

1.3. To authorize the head of the Company to increase the authorised capital following the resolutions of the Extraordinary General Meeting of Shareholders as of 29 November 2005 and the present resolution, and set the terms for the distribution of the shares, the order of subscription and payment for the shares in accordance with the laws currently in force.

1.4. If within a term of the subscription for the shares set by the head of the company, the issue of shares is not fully underwritten, the authorised capital is increased by the amount of nominal values of shares subscribed for. By this decision, the head of the company is assigned to change the authorised capital and the number of shares accordingly.

2.1. To withdraw the right of pre-emption for the company’s shareholders to acquire 25,000,000 ordinary registered shares of AB “Sanitas” being additionally issued, following Art. 20 sec. 1 subsection 12, Art. 28 sec. 2 and Art. 57 sec. 5 of the Law on Companies of the Republic of Lithuania.

2.2. The reason for the withdrawal of the right of pre-emption: whereas the issue of shares is purposive, being exclusively for purchasing the controlling stake at the Polish Pharmaceutical company “Jelfa” SA, the investor, capable of paying the whole issue of the shares in full within the minimum terms, is chosen. Accordingly, the company will be able to give a more reliable guarantee that it will pay for shares of the Polish company in a due and timely manner.

2.3. To grant the financial brokerage company AB “Finasta” an exclusive right to acquire all 25,000,000 newly issued ordinary registered shares at the nominal value of LTL 1 (one) each.

3.1. To change Articles 4.1. and 5.1. of the Company’s Articles of Association and to read them as follows below, taking into account the decisions adopted at the Extraordinary General Meeting of Shareholders:

“4.1. The authorised capital of the corporation is LTL 36,000,000 (thirty-six million litas). It is divided into ordinary registered shares. The authorised capital of the company may be increased or decreased by the decision adopted at the General Meeting of Shareholders; or in cases provided for in the Law on Companies of the Republic of Lithuania, by the decision of the court.

5.1. The authorised capital of the corporation is divided into 36,000,000 (thirty-six million) ordinary registered shares. The nominal value of one share is LTL 1 (one).”

3.2. To approve the above stated amendments to the Company’s Articles of Association and the new wording of the Articles of Association, drawn up with respect to these amendments.



3.3. To authorize the head of the company, Saulius Jurgelėnas, to sign the amendments made to the Articles of Association of AB “Sanitas” and the amended Articles of Association. In the case the share issue is distributed to the full, the head of the company is authorized to change the authorised capital.

With a view to implementing the resolution of the EGM of AB “Sanitas” as of 7 April 2006, AB “Finasta” subscribed and on 11 April fully paid up (at the issue price of LTL 13 per share) for 20,105,920 ordinary registered shares of AB “Sanitas”.

On 11 April 2006, the new wording of the Articles of Association of AB “Sanitas” was registered with the Register of Legal Entities, stating that the Company’s authorised capital equals LTL 31,105,920.

On 14 April 2006, the procedure of the tender offer for the acquisition of 100 percent of the Polish Pharmaceutical Company “Jelfa” SA shares, which was announced on 27 February 2006 by AB “Sanitas” subsidiary, “Sanitas Polska spol. z.o.o.”, was completed. The final data revealed that “Sanitas Polska” had acquired 5,750,190 “Jelfa” SA shares, which makes up 84.56 percent of the authorised capital of the latter Company.

The AGM of AB “Sanitas” shareholders, held on 27 April 2006, heard the auditor’s report drawn up by the audit firm UAB “KPMG Baltics” concerning the Company’s financial statements and the Activity Report for the 2005 and the Report of the Supervisory Board concerning the Company’s performance in 2005.

The meeting adopted the following resolutions:

- 1) To approve the Company’s Activity Report for the year 2005;
- 2) To approve the Company’s annual financial statements for 2005 and consolidated financial statements for 2005;
- 3) To approve the Company’s profit appropriation for 2005:

Unappropriated result – profit (loss) – at the end of the previous financial year	LTL 12,631,431 (EUR 3,658,315)
The net result of the financial year – profit (loss)	LTL 12,947,943 (EUR 3,749,983)
Result available for appropriation – profit (loss) – at the end of the financial year	LTL 25,579,374 (EUR 7,408,298)
Shareholders’ distributions to cover loss	
Transfers from the reserves	
Profit to be appropriated	LTL 25,579,374 (EURO 7,408,298)
Profit appropriation:	
- to the legal reserve	LTL 1,309,488 (EUR 379,254)
- to other reserves	LTL 3,042,276 (EUR 881,104)
- dividends	
- other	
Unappropriated result – profit (loss) – at the end of the financial year	LTL 21,227,610 (EUR 6,147,940)

- 4) Not to elect an auditor of the Company at the present AGM;
- 5) To approve the amendments of the Articles of Association, by setting that the Supervisory Board will not be formed in the Company, but the Board comprised of 5 (five) members to be elected for the term of 4 years; to approve the new wording of the Article of Association;



6) To elect to the Board for the term of 4 years the following persons: Dailius Juozapas Mišeikis, Darius Šulnis, Darius Žaromskis, Dalius Kaziūnas, and Saulius Jurgelėnas.

A sale transaction of the real estate, situated among the streets of Vytauto, Čiurlionio and Kaunakiemio in Kaunas, owned by UAB “Altisana”, member of AB “Sanitas” Group, was completed on 2 May 2006.

The real estate mentioned above was sold to UAB “Laikinosios sostinės projektai” for the amount of LTL 28,850,680, including VAT of LTL 1,763,341.

On 15 May 2006, the amended Articles of Association of AB “Sanitas” were registered in the Register of Legal Entities of the Republic of Lithuania. The amendments to the Articles of Association are related to the changes in the structure of the management bodies: the formation of the Board and the withdrawal of the Supervisory Board.

Consolidated sales of AB “Sanitas” Group for April 2006 totalled to LTL 4.6 million, a preliminary consolidated performance result of the Group was unaudited net profit of LTL 238.4 thousand.

46. Material events in the Issuer’s activity

On 5 January 2005, the Supervisory Board of AB “Sanitas” accepted resignation of Donatas Jazukevičius, the Company’s Director General, from office. Saulius Jurgelėnas was elected Director General of AB “Sanitas” as from 6 January 2005.

On 21 January 2005, an agreement on allocation of the grant from the EU structural funds for the implementation of the Project “Streamlining the production of AB “Sanitas” was signed between the Ministry of Economy of the Republic of Lithuania, the Lithuanian Business Support Agency and Sanitas AB.

The AGM of AB “Sanitas”, held on 15 April 2005, approved the Annual Report and also the financial statements for 2004. The meeting decided to allocate LTL 1 791 059 from the Company’s profit to be appropriated for payment of dividend. Dividend per share shall amount to LTL 1.00 (one). The meeting also passed a resolution to cancel the resolution adopted by EGM, held on 23 September 2004, regarding the reorganization of AB “Endokrininiai preparatai” and AB “Sanitas” by way of a merger.

During the first quarter of 2005, the sales of AB “Sanitas” totalled LTL 6.738 million; a preliminary unaudited result was a net profit of LTL 579 thousand.

On 27 May 2005, AB "Sanitas" signed an agreement entitling it to acquire a 100 percent stake in the Slovak pharmaceutical company "Hoechst-Biotika".

On 3 June 2005, the Company announced that after signing the agreement to purchase the Slovak pharmaceutical company “Hoechst- Biotika”, it revised its forecasts for sales and profit until 2009. AB “Sanitas” estimates that the acquisition of “Hoechst–Biotika” will positively affect its financial results. In 2006, AB “Sanitas” projects its consolidated sales to reach LTL 81 million and its net profit to reach LTL 6.4 million. Concurrently, the forecasted EBITDA is approximated to be LTL 19 million. In 2007, the company expects to increase sales to LTL 85 million and the net profit – to LTL 3.0 million. A decrease in the net profit in 2007 can be attributed to several important factors. At the end of 2006 and the beginning of 2007, AB “Sanitas” will launch a new plant and contract manufacturing for “Sanofi – Aventis” (in “Hoechst–Biotika”). During the first year in operation, the above mentioned plant in Kaunas, before launching its product lines, will be subject to a validation procedure, obtain the necessary



certificates and will produce a number of test batches of new products. Therefore, at the initial stage higher costs and limited revenues will have a material effect on the forecasts for 2007 and 2008. The Company already has contract manufacturing agreements for “Sanofi – Aventis” in the Slovakian site during the transition period. The expected revenues are included into forecasts for 2005 and 2006. Currently, the parties have no agreements concerning further cooperation.

Forecasted financial figures of AB “Sanitas” (2005-2009) (LTL million):

The forecasted major financial indicators of AB “Sanitas” (LTL million):

Year	2005	2006	2007	2008	2009
Sales and services	49.1	81.9	85.1	98.4	105.2
Net profit	7.2	6.3	3.0	5.3	7.8
EBITDA	10.9	19.7	15.5	17.1	18.5

The General Shareholders’ Meeting of 11 June 2005 resolved not to change the nominal value of the Company’s ordinary registered shares from LTL 5 to LTL 1 by splitting each share of LTL 5 nominal value into five shares of LTL 1 nominal value to all shareholders. The Meeting resolved to revoke the pre-emptive right to acquire shares of the new issue of all Company shareholders and to grant an exclusive right to acquisition and offering of 408,941 ordinary registered shares of LTL 5 (five) nominal value of the new issue to the financial brokerage firm AB “Finasta”. The cause of the revocation of the pre-emptive right is the fact that, acting in accordance with the provisions of paragraph 1 of Article 11 of the Law on Securities Market, the intermediary of public trading in securities, i.e. the financial brokerage firm AB “Finasta”, was granted a right to underwrite the IPO.

The Meeting also resolved to increase the Company’s authorised capital from complementary contributions in the amount of LTL 2,044,705, i.e. from LTL 8,955,295 to LTL 11,000,000, by issuing 408 941 ordinary registered shares of LTL 5 (five) nominal value and fixing the minimum issue price per share at LTL 50 and authorised the Company’s Director General to establish a detailed order of the public offering, price limits of the offer, and the offering price of the new share issue.

After completion of the share issue, the Company’s Articles of Association were to be amended accordingly. The Company’s Director General, Saulius Jurgelėnas, was authorised to sign the amended Articles of Association of AB “Sanitas” and other supporting documents, to register the amended Articles of Association in the manner prescribed by the legal acts and perform other actions related thereto. In the event not all shares were subscribed for within the time period devoted for subscription of the shares, the Company’s Director General was authorised to increase the Company’s authorised capital by the amount which is equal to the aggregate par value of the shares subscribed for, making respective changes in the size of the authorised capital and the number of the shares, and submit the amended Articles of Association to the manager of the Register of Legal Entities. The price limits of the new share issue were set between the lowest price of LTL 50 and highest price of LTL 60 by the decision of the Company’s Director General.

On 8 July 2005, the increased authorised capital of AB “Sanitas” of the nominal value of LTL 11,000,000 divided into 2,200,000 ordinary registered shares with the nominal value of LTL 5 at par was registered in the Register of Legal Entities.

On 13 June 2005 AB “Sanitas” announced that the Company’s Director General decided to file an application with the Vilnius Stock Exchange (VSE) concerning admission of AB “Sanitas” ordinary registered shares of LTL 5 nominal value for listing in the Official List of the VSE.

On 27 June 2005, it was announced that AB “Sanitas” was participating in the negotiations on the acquisition of 47.83 percent interest in Poland’s pharmaceutical company “Jelfa”, which is held by the



Polish State Treasury (3.9 %), Industry Development Agency (26.1 %) and PZU insurance companies (16.7 %).

A preliminary unaudited operating result of AB “Sanitas” during the first half of 2005 was a net profit of LTL 2.476 million.

On 27 July 2005, AB “Sanitas” concluded the purchase transaction of Slovak pharmaceutical manufacturer Hoechst-Biotika and acquired the ownership of 100 % of “Hoechst-Biotika” shares.

AB “Sanitas” sales of nine months in 2005 amounted to LTL 26.365 million. A preliminary unaudited operating result was a net profit of LTL – 4.545 million.

A preliminary consolidated result of the nine months with the subsidiary “Hoechst–Biotika” was a net profit of LTL 7.03 million, consolidated sales accounted for LTL 44.304 million.

According to an adjusted forecast, the Company’s operating result in 2005 was a net profit of LTL 9.438 million, sales constituting LTL 59.6 million.

One of the resolutions adopted during an Extraordinary General Meeting of the shareholders, held on 8 November 2005, was to change the nominal value of the company’s ordinary registered shares from 5 LTL to 1 LTL by swapping each ordinary registered share of the nominal value of 5 LTL to 5 (five) ordinary registered shares of the nominal value of 1 LTL. The amended Articles of Association were registered with the Register of Legal Entities on 15 November 2005. The Company’s authorised capital was divided into 11,000,000 (eleven million) ordinary registered shares of LTL 1 nominal value at par.

The General Meeting of AB “Sanitas” shareholders of 29 November 2005 resolved:

1. To purchase a controlling stake in the Polish company “Jelfa” and to authorize the head of the company to represent the interests of AB “Sanitas” in the process of the “Jelfa” share purchase.

2. Not to issue convertible bonds.

3.1. To increase the authorised capital of the company from LTL 11,000,000 to LTL 27,000,000 with additional monetary contributions of LTL 208,000,000, by issuing 16,000,000 ordinary registered shares of LTL 1 nominal value each.

3.2. To set the issue price of one share at LTL 13.

3.3. To authorize the head of the company to set the underwriting terms of the shares, the order of signing the underwriting agreements of the shares as well as the payment conditions for the shares.

4.1. To revoke the pre-emption right for all the shareholders of the company to purchase the newly issued shares due to the fact that the share issue is exclusively for purchasing the controlling stake of the Polish company “Jelfa” and that the chosen investor is capable of paying the whole price of the share issue within the minimum terms.

4.2. To grant the financial brokerage company AB “Finasta” an exclusive right to purchase all of the company’s 16,000,000 newly issued ordinary registered shares of the nominal value of 1 LTL at par.

5.1. Following the decisions adopted in the General Shareholders Meeting it was resolved to amend items 4.1 and 5.1 of the Articles of Association as follows:

“4.1. The Company’s authorised capital amounts to LTL 27,000,000 (twenty seven million). It is divided into ordinary registered shares.

The Company’s authorised capital may be increased and decreased by resolution of the General Shareholders Meeting, or in the order stipulated in the Law on Companies – by the decision of the court.

“5.1. The Company’s authorised capital is divided into 27,000,000 (twenty seven million) ordinary registered shares. The nominal value of one share is LTL 1 (one) ”.

5.2. To approve the above mentioned amendments to the Company’s Articles of Association as well as the new wording of the Articles of Association drawn up with respect to these amendments.



5.3. To authorize the head of the company, Saulius Jurgelėnas, to sign amendments of the Articles of Association and the amended Articles of Association of AB “Sanitas”.

In the case the share issue is not fully underwritten, to authorize the head of the Company to change the Company’s authorised capital and to register the new wording of the duly changed Articles of Association.

6. To grant the head of the Company no additional authorization.

On 29 December 2005 AB “Sanitas” announced about an intention to sell the real estate owned by the Company and its subsidiary, UAB “Altisana”, in the centre of Kaunas. The territory is located between Vytauto, Čiurlionio and Kaunakiemio streets and covers 2.875 ha. A detailed development plan of the territory had been approved. Construction of new blocks of flats up to 10 storeys is envisaged in the territory, the total area of the construction to be 49 thousand square metres (excluding parking lots). The funds raised from the sale of the real estate will be used to develop the pharmaceutical business of AB “Sanitas”.

47. Strategy of activities and its prospective changes during current and coming financial years

In 2006, AB “Sanitas” purchased a controlling interest in the Polish pharmaceutical company, “Jelfa” S.A. One of the major objectives of the acquisition was to expand the Company’s operations and to enter the Central European market. Furthermore, we anticipate using the technology lines and production capacities of the newly acquired enterprise for the manufacturing of new types of medicine.

In the Slovak company, “Hoechst-Biotika”, volumes of contractual production will be further increased and at least 10 new products will be launched. Through this enterprise AB “Sanitas” intends to enter the Check and Slovak markets.

In 2006, construction of a new plant of pharmaceuticals will continue in Kaunas, implementing the project “Streamlining the production of AB “Sanitas”, partially financed by the European Union and by the Ministry of Economy of the Republic of Lithuania.