AB SANITAS

Report for the First Quarter of 2006

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I. GENERAL PROVISIONS

1. Reporting period for which the report has been prepared

The report has been prepared for the first quarter of 2006.

2. Main data about the Issuer

Name of the Issuer	Public Limited Liability Company AB Sanitas
Code in the Register of Enterprises	1341 36296
Authorised capital	LTL 11,000,000 (from 11 April 2006 m. the authorised capital is LTL 31,105,920 Lt)
Address	Vytauto ave. 3, LT-44354 Kaunas, Lithuania
Telephone	+370 37 22 67 25
Fax	+370 37 22 36 96
E-mail address	info@sanitas.lt
Internet address	www.sanitas.lt
Legal and organisational form	public limited liability company
Company duration period	Not limited
Date and place of registration	30 June 1994, with the Kaunas City Board
Register	Register of Legal Persons

3. Information about where and how it is possible to get acquainted with the report and other documents in accordance with it was prepared and the names of the means of the mass media

The Report and other documents on the basis whereof this report was prepared are available at the company's registered office at Vytauto ave. 3, Kaunas, and at the Financial Brokerage Company AB Finasta AB at Konstitucijos ave. 23, Vilnius.

The means of mass media of AB Sanitas: the daily Verslo žinios, Lithuanian News Agency ELTA.

4. Persons responsible for the accuracy of information in the report

4.1. Members of the managing bodies of the Issuer, employees and the head of the administration responsible for the report

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

Dalia Švelnytė, Chief Finance Officer, 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

4.2. The report was prepared by Asta Krušnauskaitė, the company consultant of FBC AB Finasta (Konstitucijos ave. 23, Vilnius, tel. +370 5 278 68 44, fax +370 5 210 24 74), in accordance with the information provided by the company.

5. Confirmation of the members of the Issuer's managing bodies, its employees, head of administration and the Issuer's consultants responsible for the preparation of this report that information contained in the report is true and there are no suppressed facts which could have an impact on investors' decisions 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 Officer, and Rūta Milkuvienė, Head of Legal and General Issues Department, confirms that information contained in the report is true and there are no suppressed facts which could have an impact on investors' decisions conserning purchase, sale or valuation of the Issuer's securities or on the market price of these securities.

Director General of AB Sanitas **Saulius Jurgelėnas**

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Chief Finance Officer of AB Sanitas **Dalia Švelnytė**

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Head of Legal and General Issues Department of AB Sanitas **Rūta Milkuvienė**

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Hereby, FBC AB Finasta represented by the company consultant Asta Krušnauskaitė confirms that the Report contains precise information which was submitted to FBC AB Finasta by the employees and managers of AB Sanitas. FBC AB Finasta is responsible for the proper formalisation of the information submitted to it. AB Sanitas bears responsibility for the correctness of the information.

Company consultant of FBC AB Finasta **Asta Krušnauskaitė**

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The report was drafted by FBC AB Finasta (Konstitucijos Ave. 23, Vilnius)

The report was signed on 27 April 2006

II. INFORMATION ABOUT THE ISSUER'S LARGEST SHAREHOLDERS AND MEMBERS OF THE MANAGING BODIES

6. Shareholders

The authorised capital of AB Sanitas for the 31 March 2006 was LTL 11,000,000. It was divided into 11,000,000 ordinary registered shares. The nominal value of one share was LTL 1.

On 31 March 2006 d. the total number of AB Sanitas shareholders was 991.

Table 6.1. Shareholders who held more than 5 per cent of the Issuer's authorised capital and / or votes

Name of the shareholder, its type, address of head office, code in the Register of Enterprises	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 Seimyniskiu str. 3, Vilnius, Lihuania 1213 04349	4,313,095	39.21	39.21	51.32
UAB FINASTA INVESTICIJŲ VALDYMAS Konstitucijos ave. 23, Vilnius, Lithuania 1262 63073	84,110	0.76	0.76	
FUNDS MANAGED BY UAB FINASTA INVESTICIJŲ VALDYMAS	601,870	5.47	5.47	
FBC AB FINASTA Konstitucijos ave 23, Vilnius, Lithuania 1225 70630	151,831	1.38	1.38[1]	
UAB FINASTA RIZIKOS VALDYMAS Konstitucijos pr. 23, Vilnius, Lithuania 3000 45450	93,273	0.85	0.85	
DAILIUS JUOZAPAS MIŠEIKIS	95,265	0.87	0.87	

7. Members of the managing bodies

AB Sanitas has the General Meeting, single person management organ – the manager (Director General) and collegial supervisory organ – the Supervisory Board. The Board is not formed in the company.

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

The manager of the company is elected and removed by the Supervisory Board which also fix his salary, approve his job description, provide incentives and impose penalties

[1]FBC AB Finasta by the power of attorney represents 305,410 votes (2,78 %)

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

Table 7.1.1. Members of the managing bodies and their participation in Issuer's authorised capital.

Name, surname	Share of the capital owned by the right of ownership, %	Kadencijos pradžia
THE SUPERVISORY BOARD		
Chairman Darius Šulnis Educational background: Vilnius University, Faculty of Economics Work experience: from 1994 till 2002 worked as a director of FBC AB FMĮ Finasta, between 2002 and 2005 was a director of UAB Invalda Real Estate. From the beginning of 2006 works as a president of AB Invalda.	-	11 February 2004
Dailius Juozapas Mišeikis Educational background: Vilnius University, Faculty of Economics Work experience: from 1992 works in AB Invalda as Director of Real estate, form 1998 as a vice president, from 2005 is the advisor if the company.	0.87	11 February 2004
Darius Žaromskis Educational background: higher education, lawyer Work experience: till August 2005 worked as a director of UAB Kaminera and UAB Kamineros grupė. From November 2003 till July 2005 worked as a Director General of AB Vilniaus degtinė.	4.35	11 February 2004
Jurgis Nausėda Educational background: Klaipėda branch of Kaunas Polytechnic Institute Work experience: from 1998 till 2004 worked as a Director General of AB Klaipėdos vanduo, from October 2004 m. till now works as a consultant for company's management issues of UAB Naujasis Sirijus	-	23 September 2004
ADMINISTRATION		
Director General Saulius Jurgelėnas Educational background: Vilnius University, Faculty of Economics Work experience: from 2000 till 2001worked as representative for Baltic States of Laufen CZ, between 2001 and 2002 worked as finance and economics director and Director General of UAB Kraitenė. From 2002 till 2004 he worked as finance and economics director and managing director of TŪB Nemuno banga, from 2004 till 2005 – consultant of UAB VRS agentūra, from 2005 works as Director General of AB Sanitas	-	6 January 2005
Chief Finance Officer Dalia Švelnytė Educational background: Vilnius University, Faculty of Economics Work experience: from 1992 till 2003 worked as Chief Financier Officer of ABF Lietuvos tara, from 2002 till 2003 – Chief Financier Officer of UAB Vūsta, between 2004 and 2005 worked as Chief Financier Officer of AB Endokrininiai preparatai. From 2001 works as Chief Financier Officer of UAB Lipnios etiketės, from 2003 as Chief Financier Officer of AB Sanitas	-	2 June 2003

7.2. Data about participation in the activities of other companies, enterprises and organisations (name of the company, enterprise, or organisation and position held), over 5 percent of capital and votes held in other enterprises (percentage)

Table 7.2.1. Participation in activities of other companies, enterprises and organisations (for the date 31 March 2006)

Name, surname	Name of the company, enterprise, organisation, position held	Share of capital and votes held in other enterprises by the right of ownership, %
Darius Šulnis	Chairman of the Board of UAB Invalda Construction Management	-
	Chairman of the Board of UAB Kelio ženklai	-
	Chairman of the Board of UAB Hidroprojektas	-
	Chairman of the Board of FBC AB Finasta	-
	Chairman of the Board of UAB Finasta investicijų valdymas	-
	Member of the Board of AB Agrovaldymo grupė	-
	Member of the Board of UAB Broner	-
	Member of the Board of UAB Wembley-Neringa	-
	Chairman of the Supervisory Board of SIA Industrial and logistics centre „Lapegles“ (Latvia)	-
	Chairman of the Supervisory Board of SIA Red Group (Latvia)	-
	Member of the Board of Lithuanian Real Estate Development Association	-
	Member of the Board and president of AB Invalda	-
	UAB PVP	36.7
	AB Pozityvios investicijos	25.0
	UAB Golfas	31.0
Dailius Juozpas Mišeikis	Member of the Board and advisor of AB Invalda	16.28
	Member of the Board FBC AB Finasta	-
	Member of the Board of UAB Invalda Construction Management	-
	Chairman of the Board of UAB Invalda Real Estate	-
	Member of the Board of AB Valmeda	-
	Member of the Board of AB Klaipėdos konditerija	-
	Member of the Board of AB Umega“	-
	UAB PVP	36.7
	UAB Nenuorama	33.3
	AB Grigiškės	5.1
	Member of the Supervisory Board of AB Vernitas	-
	Member of the Board of UAB Hidroprojektas	-
	Chairman of the Board of UAB Broner	-
	Chairman of the Board of UAB Wembley – Neringa	-
	Member of the Board of AB Minija	-
	Member of the Board of AB Vilniaus baldai	-
	Chairman of the Board of UAB Aikstentis	-
Darius Žaromskis	UAB Kamineros grupė	50.0
	Chairman of the Board of AB Vilniaus degtinė	19.99
	Member of the Board of AB Umega	5.7 / 6.3
	Member of the Board of AB Spindulys	8.1
	UAB Svilita	100.0
	AB Biržų agroservisas	20.0
	UAB Bagem	25.0
	UAB Jungtinis turto centras	25.0

continued

Name, surname	Name of the company, enterprise, organisation, position held	Share of capital and votes held in other enterprises by the right of ownership, %
Jurgis Nausėda	Chairman of the Board of UAB Baltijos finansų vystymo grupė	34.0
	Chairman of the Board of AB Umega valdybos pirmininkas	7.9 / 8.7
	UAB Siryjo lines	23.0
Saulius Jurgelėnas	Director of UAB Altisana	-
	Director General of Hoechst-Biotika spol.sr.o. (Slovakia)	-
Dalia Švelnytė	UAB Lipnios etiketės	33.0

III. FINACIAL STATUS

8. Balance sheet

LTL

ASSETS	NOTE	GROUP			COMPANY		
		31 03 2006	31 12 2005	31 03 2005	31 03 2006	31 12 2005	31 03 2005
NON-CURRENT ASSETS							
Property, plant and equipment	11	50,249,713	51,613,145	27,308,921	16,059,869	16,193,985	27,308,921
Intangible assets	12	831,873	915,591	216,498	169,928	178,947	216,498
Investments	13	51,369,258	38,503,285		96,812,833	83,901,685	1,413,440
Long-term receivables		62,624	62,624	53,190	62,624	62,624	53,190
Deferred tax assets	9	1,787,523	2,499,575	71,000	121,822	835,442	71,000
TOTAL NON-CURRENT ASSETS		104,300,991	93,594,220	27,649,609	113,227,076	101,172,683	29,063,049
CURRENT ASSETS							
Inventories	15	12,752,125	11,498,144	5,592,676	5,718,671	6,033,505	5,592,676
Trade receivables	16	13,211,614	13,806,634	10,826,104	6,180,103	6,570,785	10,826,104
Income tax prepaid		870,223	700,281				
Other receivables	17	2,867,076	1,334,848	346,335	2,683,173	3,598,991	1,763,610
Investment in associate	13			5,972,550			4,741,835
Assets held for sale	14	22,465,639	20,733,950	1,600,000	8,199,916	8,199,916	0
Cash and cash equivalents	18	2,109,710	4,846,639	723,572	916,133	1,559,601	723,572
TOTAL CURRENT ASSETS		54,276,387	52,920,496	25,061,237	23,697,996	25,962,798	23,647,797
TOTAL ASSETS		158,577,378	146,514,716	52,710,846	136,925,072	127,135,481	52,710,846

EQUITY AND LIABILITIES	**NOTE**	**GROUP**			**COMPANY**		
		31 03 2006	**31 12 2005**	**31 03 2006**	**31 12 2005**	**31 03 2006**	**31 12 2005**
EQUITY	19						
Share capital		11,000,000	11,000,000	8,955,295	11,000,000	11,000,000	8,955,295
Share premium		17,553,588	17,553,588		17,553,588	17,553,588	
Legal reserves		1,801,104	1,801,104	1,801,104	1,801,104	1,801,104	1,801,104
Other distributable reserves		1,839,083	(1,486,214)	4,450,367		(3,042,276)	4,450,367
Retained earnings		25,774,647	24,870,660	10,550,646	30,876,292	25,579,374	10,550,646
TOTAL EQUITY		57,968,422	53,739,138	25,757,412	61,230,984	52,891,790	25,757,412
NON CURRENT LIABILITIES							
Interest bearing loans and borrowings	21	17,181,776	21,409,344	11,632,196	17,181,776	21,409,344	11,632,196
Deferred grant income	22	1,415,424	1,415,424		1,415,424	1,415,424	
TOTAL NON CURRENT LIABILITIES		18,597,200	22,824,768	11,632,196	18,597,200	22,824,768	11,632,196
CURRENT LIABILITIES							
Interest bearing loans and borrowings	21	40,399,766	53,821,245	1,745,074	49,558,020	42,209,715	1,745,074
Trade creditors		35,649,629	10,300,198	1,555,041	3,712,757	5,577,426	1,555,041
Other creditors	23	3,808,039	3,716,848	11,031,203	1,671,789	1,519,263	11,031,203
Corporate income tax payable	9	2,154,322	2,112,519	989,920	2,154,322	2,112,519	989,920
TOTAL CURRENT LIABILITIES		82,011,756	69,950,810	15,321,238	57,096,888	51,418,923	15,321,238
TOTAL LIABILITIES		100,608,956	92,775,578	26,953,434	75,694,088	74,243,691	26,953,434
TOTAL EQUITY AND LIABILITY		158,577,378	146,514,716	52,710,846	136,925,072	127,135,481	52,710,846

9. Profit and loss account

LTL

	Note	Group		Company	
		I Q 2006	I Q 2005	I Q 2006	I Q 2005
Turnover	4	16,171,030	6,737,504	9,124,414	6,737,504
Cost of sales		(11,256,704)	(4,240,487)	(4,668,249)	(4,240,487)
Gross profit	4	4,914,326	2,497,017	4,456,165	2,497,017
Distribution expenses	5	(843,333)	(546,497)	(530,317)	(546,497)
Administration expenses	6	(2,420,064)	(1,515,799)	(1,565,725)	(1,515,799)
Other operating income	7	982,566	554,602	210,149	554,602
Other operating expense	7	(358,623)	(203,940)	(189,654)	(203,940)
Other operating income and expense, net		623,943	350,662	20,495	350,662
Operating profit before financing activities		2,274,872	785,383	2,380,618	785,383
Dividends	13			3,975,733	
Financial income	8	157,410	2,567	57,944	2,567
Financial expense	8	(1,198,556)	(100,735)	(787,638)	(100,735)
Financing cost, net		(1,041,146)	(98,168)	(729,694)	(98,168)
Profit before taxes		1,233,726	678,215	5,626,657	678,215
Corporate income tax	9	(329,739)	(108,692)	(329,739)	(108,692)
Net profit for the year		903,987	578,523	5,296,918	578,523
Earnings per share (LTL)	20	0.08	0.32	0.48	0.32

10. Statement of changes in equity

Company

LTL

LTL		SHARE CAPITAL	SHARE PREMIUM	TREASURY SHARES	LEGAL RESERVE	FAIR VALUE RESERVE	OTHER RESERVES	RETAINED EARNINGS	TOTAL
CAPITAL AND RESERVES AS AT 1 JANUARY 2005	19	8,955,295	0	0	1,801,104	0	4,450,367	9,972,123	25,178,889
Net profit		0	0	0	0	0	0	578,523	578,523
CAPITAL AND RESERVES AS AT 31 MARCH 2005	19	8,955,295	0	0	1,801,104	0	4,450,367	10,550,646	25,757,412
New emission of shares	19	2,044,705	17,553,588	0	0	0	0	0	19,598,293
Transfer from reserves	19	0	0	0	0	0	(4,450,367)	4,450,367	0
Dividends		0	0	0	0	0	0	(1,791,059)	(1,791,059)
Net profit		0	0	0	0	0	0	12,369,420	12,369,420
Change in fair value of equity	13	0	0	0	0	(3,042,276)	0	0	(3,042,276)
CAPITAL AND RESERVES AS AT 31 DECEMBER 2005	19	11,000,000	17,553,588	0	1,801,104	(3,042,276)	0	25,579,374	52,891,790
Net profit								5,296,918	5,296,918
Change in fair value of equity	13	0	0	0	0	3,042,276	0	0	3,042,276
CAPITAL AND RESERVES AS AT 31 MARCH 2006	19	11,000,000	17,553,588	0	1,801,104	0	0	30,876,292	61,230,984

Group

LTL

LTL		SHARE CAPITAL	SHARE PREMIUM	LEGAL RESERVE	FAIR VALUE RESERVE	TRANSLATION RESERVE	OTHER RESERVES	RETAINED EARNINGS	TOTAL
CAPITAL AND RESERVES AS AT 1 JANUARY 2005	19	8,955,295	0	1,801,104	0	0	4,450,367	9,972,123	25,178,889
Net profit		0	0	0	0	0	0	578,523	578,523
CAPITAL AND RESERVES AS AT 31 MARCH 2005	19	8,955,295	0	1,801,104	0	0	4,450,367	10,550,646	25,757,412
New emission of shares	19	2,044,705	17,553,588	0	0	0	0	0	19,598,293
Transfer from reserves	19	0	0	0	0	0	(4,450,367)	4,450,367	0
Dividends		0	0	0	0	0	0	(1,791,059)	(1,791,059)
Change in fair value of equity	13				(3,042,276)				(3,042,276)
Net profit		0	0	0	0	0	0	11,660,706	11,660,706
Foreign exchange translation differences		0	0	0	0	1,556,062	0	0	1,556,062
CAPITAL AND RESERVES AS AT 31 DECEMBER 2005		11,000,000	17,553,588	1,801,104	(3,042,276)	1,556,062	0	24,870,660,	53,739,138
Net profit		0	0	0	0	0	0	903,987	903,987
Foreign exchange translation differences		0	0	0	0	283,021	0	0	283,021
Change in fair value of equity		0	0	0	3,042,276	0	0	0	3,042,276
CAPITAL AND RESERVES AS AT 31 MARCH 2006		11,000,000	17,553,588	1,801,104	0	1,839,083	0	25,774,647	57,968,422

11. Cash flow statement

LTL

	GROUP'S		COMPANY'S	
	I Q 2006	I Q 2005	I Q 2006	I Q 2005
Profit before taxation	1,233,726	687,215	5,626,657	687,215
Adjustments for:				
Depreciation and amortization	2,317,548	1,142,289	874,293	1,142,289
Gain/ loss on disposal of fixed assets	2,279	(13,800)	2,279	(13,800)
Write down of inventories	31,417	0	31,417	0
Unrealised foreign exchange loss	161,994			
Interest received	(11,807)	(646)	(10,065)	(646)
Interest paid	835,681	127,054	773,500	127,054
Dividends received			(3,975,733)	0
Net cash inflow from ordinary activities before any change in working capital	4,570,838	1,942,112	3,322,348	1,942,112
Change in trade and other receivables	(937,209)	1,493,107	1,444,391	1,493,107
Change in inventories	(1,285,398)	(671,797)	283,417	(671,797)
Change in trade creditors and other creditors	25,440,622	(452,764)	(1,712,143)	(452,764)
Interest received	11,807	646	10,065	646
Interest paid	(835,681)	(127,054)	(773,500)	(127,054)
Profit tax paid/received	(459,446)	0	(425,827)	0
NET CASH INFLOW FROM OPERATING ACTIVITIES	26,505,534	2,184,250	2,148,751	2,184,250
Acquisition of property, plant and equipment	(792,625)	(985,408)	(774,413)	(985,408)
Capitalisation of intangible fixed assets	(14,490)	0	(14,490)	0
Disposal of property, plant and equipment	55,466	27,622	55,466	27,622
Acquisition of subsidiary Sanitas Polska			(45,175)	0
Acquisition of other equity securities (Jelfa)	(9,110,077)		(9,110,077)	0
Change in investment asset	(1,731,689)			
Dividends received			3,975,733	0
NET CASH OUTFLOW FROM INVESTING ACTIVITIES	(11,593,415)	(957,786)	(5,912,956)	(957,786)
Proceeds of long-term borrowings	(4,227,568)	(2,068,016)	(4,227,568)	(2,068,016)
Proceeds/ payments of short-term borrowings	(13,421,480)	786,010	7,348,305	786,010
NET CASH INFLOW/(OUTFLOW) FROM FINANCING, NET	(17,649,048)	(1,282,006)	3,120,737	(1,282,006)
NET CASH INFLOW/OUTFLOW FROM OPERATING ACTIVITIES, INVESTING ACTIVITIES AND FINANCING	(2,736,929)	(55,542)	(643,468)	(55,542)
Cash and cash equivalents at 1 January	4,846,639	779,114	1,559,601	779,114
CASH AND CASH EQUIVALENTS AT 31 MARCH	2,109,710	723,572	916,133	723,572

12. Notes to the financial accounts

NOTES TO THE CONSOLIDATED QUARTERLY ACCOUNTS

1 SIGNIFICANT ACCOUNTING POLICIES

The joint stock company AB Sanitas (the Company) is domiciled in Kaunas, Lithuania. The Company's shares were listed in the Current List on the Vilnius Stock Exchange until 21 November 2005. From 21 November 2005 the shares are listed in the Official List on the Vilnius Stock Exchange.

AB Sanitas is involved in production and trade of generic medicines, namely injection preparations, tablets, capsules, galenic solutions and ointments.

In May 2004, AB Sanitas acquired a 40% interest in a limited liability company Endokrininiai Preparatai domiciled in Kaunas, Lithuania. The associate was engaged in the production of pharmaceutical preparations. From May 2004, after accession to EU, new regulations came into force requiring companies producing and trading medicines to obtain Good Manufacturing Practice and Good Distribution Practice certifications with certain transitory periods allowed. The relevant certifications were not acquired by Endokrininiai Preparatai and, consequently, on 15 April 2005 liquidation procedures of AB Endokrininiai Preparatai started. On 29 April 2005, AB Sanitas increased its holding to 67% of the shares acquiring control over the company. The liquidation was completed by the end of 2005, when final distributions were made to shareholders, with only the formalities of the cancellation of the registration remaining.

In July 2004, AB Sanitas acquired a 100% interest in a limited liability company Altisana UAB, Lithuania. The subsidiary is involved in holding real estate in Kaunas, Lithuania.

In July 2005, AB Sanitas acquired a 100% interest in a limited liability company Hoechst-Biotika s.r.o, Slovakia. The subsidiary is involved in the production and trade of medicines, mainly injection preparations, tablets and ointments.

Sanitas AB established a subsidiary Sanitas Polska Sp. z.o.o in Poland on 18th of January 2006. The purpose of establishing was an acquization of the main block of shares of polish pharmaceutical company Jelfa SA.

Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (EU), further to the IAS Regulation (EC 1606/2002).

Basis of preparation

The financial statements are presented in Litas. They are prepared on the historical cost basis except that financial assets available-for-sale are stated at fair value. Non current assets held for sale are stated at the lower of carrying amount and fair value less costs to sell.

The preparation of financial statements in conformity with IFRSs as adopted by the EU requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgments made by management in the application of IFRSs that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in Note 3.

The accounting policies of the Company as set out below have been applied consistently by Company entities and are consistent with those of the preceding year, except as a result of change in accounting policies resulting from amendments to existing IFRSs and the introduction of new IFRSs applicable as of 1 January 2006 which are described in Note 2.

Basis of consolidation

Subsidiaries

Subsidiaries are entities controlled by the Company. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable or convertible are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Associates

Associates are those entities in which the Group has significant influence, but not control, over the financial and operating policies.

The consolidated financial statements include the Group's share of the total recognised gains and losses of associates on an equity accounted basis, from the date that significant influence commences until the date that significant influence ceases or until the associate is reclassified as held for sale.

When the Group's share of losses exceeds its interest in an associate, the carrying amount of the investment is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of an associate. If an associate is reclassified as held for sale, equity accounting is stopped and the associate is carried at the lower of the carrying amount and the fair value less cost to sell.

Transactions eliminated on consolidation

Intragroup balances and any unrealised gains and losses or income and expenses arising from intragroup transactions, are eliminated in preparing the consolidated financial statements. Unrealised gains arising from transactions with associates are eliminated to the extent of the Group's interest in the entity. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

Foreign currency

Foreign currency transactions

Transactions in foreign currencies are translated at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated to the functional currency at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the income statement. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated to the functional currency at foreign exchange rates ruling at the dates the fair value was determined.

The functional currency of the Group is Litas, except for Hoechst Biotika, the functional currency of which is the Slovak crown.

Derivative financial instruments

The Group does not have derivative financial instruments.

Property, plant and equipment

Owned assets

Items of property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. The cost of self-constructed assets includes the cost of materials, direct labour and an appropriate proportion of production overheads.

Where parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

Leased assets

Leases in terms of which the Group assumes substantially all the risks and rewards of ownership are classified as finance leases. The owner-occupied property acquired by way of finance lease is stated at an amount equal to the lower of its fair value and the present value of the minimum lease payments at inception of the lease, less accumulated depreciation and impairment losses.

Subsequent costs

The Company recognises in the carrying amount of an item of property, plant and equipment the cost of replacing part of such an item or major overhaul when that cost is incurred if it is probable that the future economic benefits embodied with the item will flow to the Company and the cost of the item can be measured reliably. At recognition of replacing part or major overhaul, carrying amount of parts replaced or previous major overhaul are derecognised. All other costs are recognised in the income statement as an expense as incurred.

Depreciation

Depreciation is charged to the income statement on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. Land and construction in progress are not depreciated. The estimated useful lives are as follows:

The estimated useful lives are as follows:

- Buildings and constructions	15 years
- Machinery and equipment	5 - 10 years
- Vehicles	5 years
- Other assets	3 - 10 years

Residual values and depreciation methods are reassessed for each separate.

Intangible assets

Goodwill

Business combinations are accounted for by applying the purchase method. Goodwill represents amounts arising on acquisition of subsidiaries and associates. Goodwill represents the difference between the cost of the acquisition and the fair value of the net identifiable assets, liabilities and contingent liabilities of the acquiree.

Goodwill is stated at cost less any accumulated impairment losses. Goodwill is allocated to cash-generating units and is not amortised but is tested annually for impairment.

The excess of the Group's interest in the net fair value of an acquired company's identifiable assets, liabilities and contingent liabilities over cost arising on an acquisition is recognised directly in profit or loss.

In respect of associates, the carrying amount of goodwill is included in the carrying amount of the investment in the associate.

Other intangible assets

Intangible assets that are acquired by the Group are stated at cost less accumulated amortisation and impairment losses.

Expenditure on internally generated goodwill and brands is recognised in the income statement as an expense as incurred.

Subsequent expenditure

Subsequent expenditure on capitalised intangible assets is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed as incurred.

Amortisation

Amortisation is charged to the income statement on a straight-line basis over the estimated useful lives of intangible assets unless such lives are indefinite. Goodwill and intangible assets with an indefinite useful life are systematically tested for impairment at each balance sheet date. Other intangible assets are amortised from the date they are available for use. The estimated useful lives are as follows:

- Registration of medicines and trade marks - 2-5 years
- Software - 3-4 years.

Financial instruments

Investments in equity securities

Investments in equity securities held by the Group, except for investments in subsidiaries and associates, are classified as being available-for-sale and are initially recognized at fair value plus direct cost. Subsequently, the investments are re-measured to their fair value with any resultant gain or loss being recognised directly in equity, except for impairment losses. They are included in non current assets unless management intends to dispose of the investments within 12 months of the balance sheet date. When these investments are derecognised, the cumulative gain or loss previously recognised directly in equity is recognised in profit or loss.

The fair value of financial instruments classified as available for sale is their quoted bid price at the balance sheet date.

Financial instruments classified as available-for-sale investments are recognised / derecognised by the Group on the date it commits to purchase / sell the investments.

Other financial instruments

Loans and receivables are non derivative financial assets or determinable payments that are not quoted in an active market. They are included in current assets except for maturities greater than 12 months. Trade receivables are initially recognized at fair value. Loans and other receivables are initially recongised at fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset. Subsequently, loans and receivables are measured at amortized cost using the effective interest method, less impairment, if any. Short-term receivables are not discounted.

Borrowings are initially recognized at fair value less direct costs related to occurrence of respective loan and other liabilities. Subsequent to initial recognition, liabilities are stated at amortized cost on an effective interest method basis. Trade payables are initially recognized at fair value and are subsequently measured at amortised cost. Short-term liabilities are not discounted.

Inventories

Inventories produced and/or held for sale sold in the ordinary course of business are stated at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses. Other inventories are stated at the lower of cost and fair value less cost to sell.

The cost of inventories is based on the first-in first-out principle and includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition. In the case of manufactured inventories and work in progress, cost includes an appropriate share of overheads based on normal operating capacity.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

Impairment

The carrying amounts of the Company's assets, other than inventories and deferred tax assets, are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated.

For intangible assets that are not yet available for use, the recoverable amount is estimated at each balance sheet date.

An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in the income statement.

In the case of equity securities classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost is considered an indicator that the securities are impaired. When a decline in the fair value of an available-for-sale financial asset has been recognised directly in equity and there is objective evidence that the asset is impaired, the cumulative loss that had been recognised directly in equity is recognised in profit or loss even though the financial asset has not been derecognised. The amount of the cumulative loss that is recognised in profit or loss is the difference between the acquisition cost and current fair value, less any impairment loss on that financial asset previously recognised in profit or loss.

Calculation of recoverable amount

The recoverable amount of the Groups's receivables carried at amortised cost is calculated as the present value of estimated future cash flows, discounted at the original effective interest rate (i.e., the effective interest rate computed at initial recognition of these financial assets). Receivables with a short duration are not discounted.

The recoverable amount of other assets is the greater of their fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

Reversals of impairment

An impairment loss in respect of receivables carried at amortised cost is reversed if the subsequent increase in recoverable amount can be related objectively to an event occurring after the impairment loss was recognised.

An impairment loss in respect of an investment in an equity instrument classified as available for sale is not reversed through profit or loss. If the fair value of a debt instrument classified as available-for-sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss shall be reversed, with the amount of the reversal recognised in profit or loss.

Impairment loss in respect of other assets is reversed only if there is an indication that the impairment loss may no longer exist and there has been a change in the estimates used to determine the recoverable amount.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Repurchase of share capital

When share capital recognised as equity is repurchased, the amount of the consideration paid, including directly attributable costs, is recognised as a change in equity. Repurchased shares are classified as treasury shares and presented as a deduction from total equity.

Dividends

Dividends are recognised as a liability in the period in which they are declared.

Revenue

Goods sold and services rendered

Revenue from the sale of goods is recognised in the income statement when the significant risks and rewards of ownership have been transferred to the buyer. The revenue recognized is net of discounts provided. Revenue from services rendered is recognised in the income statement in proportion to the stage of completion of the transaction at the balance sheet date. The stage of completion is assessed by reference to surveys of work performed. Rental income is recognised in the income statement on a straight-line basis over the term of the lease.

No revenue is recognised if there are significant uncertainties regarding recovery of the consideration due, associated costs or the possible return of goods also continuing management involvement with the goods.

Government grants

A government grant is recognised in the balance sheet initially as deferred income when there is reasonable assurance that it will be received and that the Company will comply with the conditions attaching to it. Grants that compensate the Company for expenses incurred are recognised as revenue in the income statement on a systematic basis in the same periods in which the expenses are incurred. Grants that compensate the Company for the cost of an asset are recognised in the income statement as other operating income on a systematic basis over the useful life of the asset.

Expenses

Operating lease payments

Payments made under operating leases are recognised in the income statement on a straight-line basis over the term of the lease.

Finance lease payments

Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Net financing costs

Net financing costs comprise interest payable on borrowings calculated using the effective interest rate method, interest receivable on funds invested, dividend income, foreign exchange gains and losses.

Interest income is recognised in the income statement as it accrues, using the effective interest method. Dividend income is recognised in the income statement on the date the entity’s right to receive payments is established. The interest expense component of finance lease payments is recognised in the income statement using the effective interest rate method.

Income tax

Income tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: for initial recognition of assets or liabilities that affect neither accounting nor taxable profit, and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Additional income taxes that arise from the distribution of dividends are recognised at the same time as the liability to pay the related dividend.

Segment reporting

A segment is a distinguishable component of the Company that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

Non-current assets held for sale

A non-current asset is classified as held for sale if its carrying amount will be recovered principally through a sale transaction rather than through continuing use.

For this to be the case, the asset must be available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such assets and its sale must be highly probable.

Impairment losses on initial classification as held for sale are included in profit or loss. The same applies to gains and losses on subsequent re-measurement.

2 CHANGE IN ACCOUNTING POLICIES

Adoption of standards effective from 1 January 2006

– IAS 19 (Amendment), Employee Benefits (effective from 1 January 2006). This amendment introduces the option of an alternative recognition approach for actuarial gains and losses. As the Company does not participate in any defined benefit plans, Management considered this amendment to IAS 19 and concluded that it is not relevant to the Company.

- IAS 39 (Amendment), Cash Flow Hedge Accounting of Forecast Intragroup Transactions (effective from 1 January 2006). Management considered this amendment to IAS 39 and concluded that it is not relevant to the Company.

– IAS 39 (Amendment), The Fair Value Option (effective from 1 January 2006). This amendment changes the definition of financial instruments classified at fair value through profit or loss and restricts the ability to designate financial instruments as part of this category. The Company believes that this amendment should not have a significant impact on the classification of financial instruments, as the Company has not classified any instruments as at fair value through profit and loss.

– IAS 39 and IFRS 4 (Amendment), Financial Guarantee Contracts (effective from 1 January 2006). Management considered this amendment to IAS 39 and IFRS 4 and concluded that it is not relevant to the Company.

– IFRIC 4, Determining whether an Arrangement contains a Lease (effective from 1 January 2006). IFRIC 4 requires the determination of whether an arrangement is or contains a lease to be based on the substance of the arrangement. It requires an assessment of whether: (a) fulfilment of the arrangement is dependent on the use of a specific asset or assets (the asset); and (b) the arrangement conveys a right to use the asset. Management is currently assessing the impact of IFRIC 4 on the Company's operations.

Adoption of standards effective from 1 January 2007

– IFRS 7, Financial Instruments: Disclosures, and a complementary amendment to IAS 1, Presentation of Financial Statements – Capital Disclosures (effective from 1 January 2007). IFRS 7 introduces new disclosures to improve the information about financial instruments. It requires the disclosure of qualitative and quantitative information about exposure to risks arising from financial instruments, including specified minimum disclosures about credit risk, liquidity risk and market risk, including sensitivity analysis to market risk. It replaces disclosure requirements in IAS 32, Financial Instruments: Disclosure and Presentation. The amendment to IAS 1 introduces disclosures about the level of an entity's capital and how it manages capital. Management is currently assessing the impact of IFRS 7 and amendment to IAS 1 on the Company's operations. The Company will apply IFRS 7 and the amendment to IAS 1 from annual periods beginning 1 January 2007.

3 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Critical accounting estimates and assumptions

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Classification of assets held for sale

The Group classified part of real estate as held for sale based on its intentions to sell the property within the next twelve months and active marketing of the property for sale.

Impairment losses on receivables

The Company reviews its receivables to assess impairment at least on a quarterly basis. In determining whether an impairment loss should be recorded in the income statement, the Company makes judgments as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of receivables before the decrease can be identified with an individual receivable in that portfolio. This evidence may include observable data indicating that there has been an adverse change in the payment status of debtors in a group, or national or local economic conditions that correlate with defaults on assets in the group.

Management uses estimates based on historical loss experience for assets with credit risk characteristics and objective evidence of impairment similar to those in the portfolio when scheduling its future cash flows. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

Judgements

During 2005, the Group acquired controlling interest in a subsidiary Hoechst Biotika s.r.o., Slovakia. The fair value of the net assets at acquisition was estimated as follows:

-fair value of land and buildings was estimated based on independent appraisal as at the date of acquisition using comparative values method;

- fair value of plant and equipment was estimated using a depreciated replacement cost method by an independent appraisal, since there was no reliable market-based evidence of market value because of the specialised nature of plant and equipment;

-fair value of inventories was estimated based on existing agreements with the sellers of the shares to acquire the inventories at a price equal to their cost;

-fair value of monetary items was estimated based on the present value of expected cash flows.

No additional intangible assets or contingent liabilities were recognised as a result of the business combination, taking into consideration that all product licenses, trade marks, major sales and supply contracts of the subsidiary in force before the acquisition were cancelled or removed from disposition of the company as part of the transaction.

The Group has recognized deferred tax assets based on the judgement of management that realization of the related tax benefits through future taxable profits are probable.

4 SEGMENT REPORTING

Segment information is presented in respect of the Company's business and geographical segments.

Segment information is presented in respect of the Company's business segments as a primary reporting format. The Company produces and distributes medicines, mainly injection preparation, tablets, eye drops, ointments and galenic solutions.

Segment information is presented in respect of the Company's geographical segments by location of customers as a secondary reporting format. The Company's sales are performed mainly in Latvia and Lithuania.

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

Segment capital expenditure is the total cost incurred during the period to acquire tangible and intangible segment assets that are expected to be used for more than one period.

Segment information is presented in respect of the Company's business segments as a primary reporting format as follows:

LTL	Injection preparations		Tablets		Ointments, eye drops, tinctures		Unallocated		Total	
	I Q 2006	I Q 2005	I Q 2006	I Q 2005	I Q 2006	I Q 2005	I Q 2006	I Q 2005	I Q 2006	I Q 2005
Revenue	9,405,556	5,002,608	5,217,454	943,963	1,525,754	788,233	22,267	2,700	16,171,030	6,737,504
Gross profit	3,002,586	1,614,876	1,236,223	432,878	673,990	447,447	1,527	1,817	4,914,326	2,497,017
Operating expense	-1,938,394	-1,266,869	-515,051	-110,892	-184,255	-333,873	-1,754	0	-2,639,454	-1,711,634
Financing cost							-1,041,146	-98,168	-1,041,146	-98,168
Profit before tax	1,064,192	348,007	721,172	321,986	489,735	113,574	-1,041,373	-96,352	1,233,726	687,215
Income tax							-329,739	-108,692	-329,739	-108,692
Profit	1,064,192	348,007	721,172	321,986	489,735	113,574	-1,371,112	-96,352	903,987	578,523
Total assets	24,930,073	21,921,101	7,645,167	2,495,143	2,380,703	1,815,424	123,621,435	26,479,178	158,577,378	52,710,846
Total liabilities	3,667,326	2,036,341	2,268,141	324,295	540,342	270,795	94,133,147	22,631,431	100,608,956	26,953,434
Capital expenditure	4,296	27,690	2,806	0	4,996	435	795,017	984,905	807,115	1,013,030
Depreciation and amortisation	1,308,880	704,656	216,876	59,364	71,419	6,235	720,373	372,034	2,317,548	1,142,289

Segment information by geographical segments is as follows:

	Germany	**Slovakia**	**Poland**	**Latvia**		**Lithuania**		**Unallocated**		**Total**	
LTL	I Q 2006	I Q 2006	I Q 2006	I Q 2006	I Q 2005	I Q 2006	I Q 2005	I Q 2006	I Q 2005	I Q 2006	I Q 2005
Revenue	4,015,143	2,826,575	0	4,743,365	4,416,942	4,051,641	2,161,611	534,306	158,952	16,171,030	6,737,504
Total assets by location of assets		63,911,640	1,622,636			93,043,102	52,710,846			158,577,378	52,710,846
Capital expenditures		18,212				788,903	1,013,030			807,115	1,013,030

5 DISTRIBUTION EXPENSES

	I Q 2006	I Q 2005
	LTL	LTL
Salaries and social insurance	194,855	90,983
Advertisin	110,831	281,409
Marketing services	147,579	124,971
Amortisation	20,568	22,590
Transportation expenses	17,895	5,416
Depreciation	8,207	7,571
Other	343,398	13,557
	843,333	546,497

6 ADMINISTRATIVE EXPENSES

	I Q 2006	I Q 2005
	LTL	LTL
Salaries and social insurance	609,433	443,312
Depreciation	158,604	340,257
Advisory services	60,960	162,650
Maintenance materials	75,109	70,289
Property taxes	49,970	85,428
Utilities	116,779	40,793
Security services	60,424	48,621
Business trips	54,761	16,317
Repair of premises	0	125,612
Communication expenses	31,471	11,375
Redundancy payments	48,156	0
Amortization	2,940	5945
Rent	156,000	
Other	995,456	165200
	2,420,064	1,515,799

7 OTHER OPERATING INCOME AND EXPENSES

	I Q 2006	I Q 2005
	LTL	LTL
OTHER OPERATING INCOME:		
Proceeds from sales of current assets	55,466	27,623
Rent and utilities income	102,712	400,300
Other services	565,450	0
Proceeds from sales of materials, spare parts	51,971	126,679
Others	206,967	0
Total other operating income	982,566	554,602
OTHER OPERATING EXPENSE:		
Cost of current assets sold	34,576	17,942
Cost of rent and related services rendered	97,306	185,998
Loss on disposal of tangible non current assets	57,772	0
Others	168,969	0
Total other operating expense	358,623	203,940
Profit/ loss from other activities	623,943	350,662

8 FINANCIAL INCOME AND EXPENSES

	I Q 2006	I Q 2005
	LTL	LTL
FINANCIAL INCOME:		
Delays and fines received	11,863	0
Interest income	10,065	646
Foreign exchange gain	106,841	1,921
Other	28,641	0
Total financial income	157,410	2,567
FINANCIAL EXPENSES:		
Interest on borrowings	832,210	127,054
Foreign exchange loss	146,578	-26,319
Other	219,768	0
Total financial expenses	1,198,556	100,735
Result of financial activities	-1,041,146	-98,168

9 CORPORATE INCOME TAX EXPENSES

LTL	I Q 2006	I Q 2005
Current tax expense		
Current tax	329,739	108,692
Deferred tax expense		
Deferred tax income	0	0
Total income tax expense	329,739	108,692

The reconciliation of effective tax rate is as follows:

LTL	I Q 2006		I Q 2005	
Result before tax		5,626,657		678,215
Income tax using effective tax rate	19,00%	1,069,065	15,0%	101,732
Dividends received	-13,43%	-755,389		
Delays and fines received	-0,04%	-2,254		
Disposal of tangible fixed assets	0,02%	1,278	0,31%	2,073
Write down of inventories	0,08%	4,490	0,17%	1,120
Subsidiary's costs	0,13%	7,354		
Other	0,09%	5,195	0,56%	3,767
	5,85%	329,739	16,04%	108,692

The calculation of the deferred tax can be specified as follows:

	I Q 2006		I Q 2005	
LTL	Temporary diff.	Deferred tax (18-19%)	Temporary diff.	Deferred tax (15%)
Impairment of receivables	232,720	43,447	387,335	58,100
Accrued expense	412,501	78,375	86,000	12,900
Loss carried forward	247,181	46,964		
Deductible temporary differences on fixed assets	8,519,668	1,618,737		
Net balance	9,412,070	1,787,523	473,335	71,000

According to the amended tax legislation, during the period from 1 January 2006 to 31 December 2007, companies' profits subject to corporate income tax will be levied by additional social tax at a rate of 4% during 2006 and at a rate of 3% during 2007. The social tax is imposed in addition to the corporate income tax of 15%. The deferred tax as at 31 December 2005 was calculated using the effective rates of 19% and 18% for the temporary differences that will reverse in 2006 and 2007 respectively. The deferred tax of the subsidiary in Slovakia was calculated applying 19% effective tax rate.

10 STAFF COSTS

	I Q 2006	I Q 2005
	LTL	LTL
Wages and social security contributions in production costs	3,976,003	524,039
Salaries and social security costs in selling expenses	194,855	90,983
Salaries and social security costs administrative	609,433	443,312
Redundancy payments in administration expenses	48,156	0
	4,828,447	1,058,334

Staff costs include wages and salaries and emoluments for the management (General Director, Production Director, Sales Director, Procurement Director, Head of Quality Assurance, Chief Engineer, Head of Legal and General Affairs Division, Chief Financial Office, Project Director), of 230,610 litas (I Q 2005 – 163,483 litas).

At the end of I Q 2006, the Group employed 502 employees (I Q 2005 - 199 employees).

11 PROPERTY, PLANT AND EQUIPMENT

LTL	Land	Buildings	Machinery and equipment	Vehicles and other assets	Construc-tion in progress	Total
Cost as at 01 01 2005	0	21,938,984	20,652,893	767,651	1,396,331	44,755,859
Additions	0	0	473,185	100,167	412,056	985,408
Disposals	0	0	-115,174	-27,343	0	-142,517
Cost as at 31 03 2005	0	21,938,984	21,010,904	840,475	1,808,387	45,598,750
Depreciation as at 01 01 2005	0	4,237,466	12,679,356	387,951	0	17,304,773
Depreciation during quarter	0	282,842	817,126	13,786	0	1,113,754
Disposals	0	0	-110,426	-18,272	0	-128,698
Depreciation as at 31 03 2005	0	4,520,308	13,386,056	383,465	0	18,289,829
NET BOOK VALUE AT 31 03 2005	0	17,418,676,	7,624,848	457,010	1,808,387	27,308,921
Cost as at 31 03 2005	0	21,938,984	21,010,904	840,475	1,808,387	45,598,750
Additions	0	235,242	794,608	349,883	7,336,688	8,716,421
Acquisition of subsidiary Hoechst Biotika	821,404	22,768,437	11,043,831	1,298,865	11,997	35,944,534
Disposals	0	-11,634,957	-2,877,451	-252,181	-105,058	-14,869,647
Reclassified to assets held for sale	0	-8,891,475	0	0	0	-8,891,475
Reversal of impairment	0	0	0	0	196,613	196,613
Other reclassifications	0	0	278,019	0	-278,019	0
Effect of movements in foreign exchange rates	27,584	769,082	372,673	43,801	171	1,213,311
Cost as at 31 12 2005	848,988	25,185,313	30,622,584	2,280,843	8,970,779	67,908,507
Depreciation as at 31 03 2005	0	4,520,308	13,386,056	383,465	0	18,289,829
Depreciation during period	0	1,811,485	3,605,118	316,037	0	5,732,640
Disposals	0	-4,555,819	-2,308,130	-210,278	0	-7,074,227
Reclassified to assets for resale	0	-691,559	0	0	0	-691,559
Effect of movements in foreign exchange rates	0	19,210	18,396	1,073	0	38,679
Depreciation as at 31 12 2005	0	1,103,625	14,701,440	490,297	0	16,295,362
NET BOOK VALUE AT 31 12 2005	848,988	24,081,688	15,921,144	1,790,546	8,970,779	51,613,145
Cost as at 01 01 2006	848,988	25,185,313	30,622,584	2,280,843	8,970,779	67,908,507
Additions	0		23,311	4,590	764,724	792,625
Disposals	0	-7,003	-542,997	-6,435		-556,435
Effect of movements in foreign exchange rates	2,632	93,325	72,517	4,447		172,921
Cost as at 31 03 2006	851,620	25,271,635	30,175,415	2,283,445	9,735,503	68,317,618
Depreciation as at 01 01 2006	0	1,103,625	14,701,440	490,297	0	16,295,362
Depreciation during quarter	0	625,055	1,435,995	155,531	0	2,216,581
Disposals	0	-505	-491,797	-6,389	0	-498,691
Effect of movements in foreign exchange rates	0	22,810	31,411	432	0	54,653
Depreciation as at 31 03 2006	0	1,750,985	15,677,049	639,871	0	18,067,905
NET BOOK VALUE AT 31 03 2006	851,620	23,520,650	14,498,366	1,643,574	9,735,503	50,249,713

Leased property, plant and equipment

As at 31 December 2005, the Company has equipment with a carrying amount of Litas 799,554 and vehicles with a carrying amount of Litas 193,806 leased under financial leasing contracts (where the Company is a lessee).

As at 31 December 2005, the Company has no assets leased under operational lease contracts (where the Company is a lessor).

Pledges

As at 31 December 2005, buildings and equipment with a carrying amount of Litas 43 470 405 are pledged for the bank loans (refer to Note 21).

Depreciation

Depreciation of tangible assets has been allocated as follows:

	I Q 2006	I Q 2005
	LTL	LTL
Production costs	2,049,770	765,926
Administrative expenses	158,604	340,257
Distribution expenses	8,207	7,571
Total	2,216,581	1,113,754

12 INTANGIBLE FIXED ASSETS

	Registration certificates, licenses	Software, etc.	Total
Acquisition value as at 01 01 2005	346,397	305,215	651,612
Disposal	-33,040	0	-33,040
Acquisition value as at 31 03 2005	313,357	305,215	618,572
Amortization as at 01 01 2005	168,676	237,900	406,576
Amortization for the period	22,590	5,945	28,535
Disposals	-33,037	0	-33,037
Amortization as at 31 03 2005	158,229	243,845	402,074
NET BOOK VALUE AT 31 03 2005	155,128	61,370	216,498
Acquisition value as at 31 03 2005	313,357	305,215	618,572
Acquisition of subsidiary Hoechst Biotika	0	109,006	109,006
Additions during the period	19,857	712,306	732,163
Disposal	-39,981	-48,603	-88,584
Foreign exchange difference	0	15,901	15,901
Acquisition value as at 31 12 2005	293,233	1,093,825	1,387,058
Amortization as at 31 03 2005	158,229	243,845	402,074
Amortization for the period	67,400	84,177	151,577
Disposal	-39,971	-42,773	-82,744
Foreign exchange difference	0	560	560
Amortization as at 31 12 2005	185,658	285,809	471,467
NET BOOK VALUE AT 31 12 2005	107,575	808,016	915,591

continued

	Registration certificates, licenses	Software, etc.	Total
Acquisition value as at 31 12 2005	293,233	1,093,825	1,387,058
Additions during the period	1,320	13,170	14,490
Foreign exchange difference	0	39,920	39,920
Acquisition value as at 31 03 2006	294,553	1,146,915	1,441,468
Amortization as at 31 12 2005	185,658	285,809	471,467
Amortization for the period	20,568	80,399	100,967
Foreign exchange difference	0	37,161	37,161
Amortization as at 31 03 2006	206,226	403,369	609,595
NET BOOK VALUE AT 31 03 2006	88,327	743,546	831,873

Amortization of intangible assets has been allocated as follows:

	I Q 2006	I Q 2005
	LTL	LTL
Amortisation in production expenses	77,459	0
Distribution expenses	20,568	22,590
Administrative expenses	2,940	5,945
Total	100,967	28,535

13 INVESTMENTS

	31 03 2006	31 12 2005	31 03 2005
	LTL	LTL	LTL
Jelfa shares (9,99% shares)	51,369,258	38,503,285	0
Total investments	51,369,258	38,503,285	0

Jelfa

AB Sanitas participates in a privatisation tender of a pharmaceutical company Jelfa, Poland. The Company, while planning to acquire control over Jelfa, in October – December 2005 acquired 569,875 shares or 8.38% on the Warsaw Stock Exchange.

At initial recognition, the investment in the shares was stated at fair value of Litas 40,292,842 plus direct costs of Litas 1,966,336 (comprising of brokerage commissions and success fees).

The investment was re-measured to fair value using the average transaction price as per the Warsaw Stock Exchange as at 31 December 2005. The quoted price was of 75.40 PLN or 67.57 Litas per share.

The effect of the re-measurement of the investments to their fair value as at 31 December 2005 was as follows:

	LTL
INVESTMENT IN JELFA, POLAND	
Acquired 569,875 shares of Jelfa (8.38%)	40,292,845
Direct costs	1,966,336
Value of the investment at initial recognition	42,259,181
Adjustment at subsequent re-measurement to the market value of the shares	-3,755,896
Carrying amount of the shares as at 31 December 2005	38,503,285

The loss on subsequent re-measurement of Litas 3,042,276 after deduction of deferred tax income of Litas 713,620 was recognized in the equity.

By that date, AB Sanitas increased its holding in Jelfa up to 9.99% of shares.

On 27 February 2006, an official offer was placed on the Warsaw Stock Exchange for acquisition of 90.01% of shares at a price of 93 PLN equivalent to 84.58 LTL as at 27 February 2006.

Whereas it is known that Sanitas AB with it‘s subsidiary Sanitas Polska owns main block of shares (94,56%) of Jelfa SA, all shares which Sanitas AB obtained on 31th of March 2006 were presented on the cost price as all other Sanitas AB investments in it‘s subsidiaries.

14 TURTAS PARDAVIMUI ASSETS HELD FOR SALE

	31 03 2006	31 12 2005	31 03 2005
	LTL	LTL	LTL
Real estate in Veiverių g., Kaunas	8,199,916	8,199,916	0
Real estate in turtas Vytauto pr./Kaunakiemio g. Kaunas	14,265,723	12,534,034	1,600,000
Total	22,465,639	20,733,950	1,600,000

Real estate held for sale

In September 2005, the company concluded a preliminary sale-purchase agreement concerning real estate located in Veiveriu str., Kaunas. In accordance with this agreement the company received a prepayment of Litas 800 thousand. A sale is expected in 2006. The fair value less cost to sell of the real estate held for sale was estimated by reference to an independent appraisal as well as the existing preliminary agreement. The assets' fair value less cost to sell is of Litas 8,688 thousand (after deduction of the cost to sell of Litas 302 thousand), which exceeds the carrying amount of the property as at 31 December 2005 and 31 March 2006. Consequently, the real estate is stated at its carrying amount before the reclassification to the assets held for sale at the end of 2005.

Real estate in Vytauto av./Kaunakiemio str., Kaunas held for sale

At 31 December 2004 the Group was seeking a buyer for real estate in Kaunakiemio str., Kaunas, owned by the subsidiary UAB Altisana. The real estate is located next to the production plant of AB Sanitas in Vytauto av. in Kaunas.

In 2005, the Group took a decision to sell the real estate of UAB Altisana together with production premises of AB Sanitas. The sale is expected to be closed in end April 2006.

The carrying amount of the real estate in Vytauto av./Kaunakiemio str. of Litas 12,354 thousand as at 31 December 2005 is below the fair value less cost to sell of Litas 23,063 thousand (net of estimated cost to sell of Litas 837 thousand). The fair value was estimated by reference to an independent appraisal as of 30 December 2005. The estimated cost to sell comprises estimated notary fees and success fees to real estate agent.

15 INVENTORIES

	31 03 2006	31 12 2005	31 03 2005
	LTL	LTL	LTL
Finished goods	2,809,852	2,660,889	1,768,942
Raw material	7,033,155	6,931,155	3,207,146
Work in progress	2,056,225	1,322,849	584,022
Goods for resale	852,893	583,251	32,566
	12,752,125	11,498,144	5,592,676

As at 31 March 2006, there are no inventories carried at fair value less cost to sell (31 12 2005 and 31 03 2005: Litas 0).

Inventories expensed during the year can be specified as follows:

	31 03 2006	31 03 2005
	LTL	LTL
Cost of produced goods in cost of sales	11,313,171	4,240,487
Write down of inventories in administration expenses	-2,865	-1
Cost of sold materials in other operating expenses	34,576	17,942
	11,344,882	4,258,428

16 TRADE RECEIVABLES

	31 03 2006	31 12 2005	31 03 2005
	LTL	LTL	LTL
Net carrying amount	13,211,614	13,806,634	10,826,104

17 OTHER RECEIVABLES

	31 03 2006	31 12 2005	31 03 2005
	LTL	LTL	LTL
Refundable VAT	609,799	922,428	0
Deferred charges	2,217,931	234,376	82,400
Other receivables	39,346	178,044	263,935
	2,867,076	1,334,848	346,335

18 CASH AND CASH EQUIVALENTS

	31 03 2006	31 12 2005	31 03 2005
	LTL	LTL	LTL
Cash at bank	2,063,345	4,814,385	695,255
Call deposits		27,744	
Cash in hand	46,365	4,510	28,317
Cash and cash equivalents	2,109,710	4,846,639	723,572

19 CAPITAL AND RESERVES

Share capital

As at 31 March January 2005, the Company's share capital comprised of 1,791,059 ordinary shares with a nominal value of 5 Litas each. The nominal value of the capital registered amounted to 8,955,295 Litas.

In July 2005, 408,941 shares with a nominal value of 5 Litas per share were issued at 50.50 Litas per share. The share capital was increased by Litas 19,598,293, including the share premium of Litas 17,553,588 (net of the transaction costs of Litas 1,053,228).

In November 2005, the shares were split at 5 shares with a nominal value of 1 Litas per share for 1 share of 5 Litas in issue.

As at 31 December 2005, the Company's share capital comprised of 11,000,000 ordinary shares with a nominal value of 1 Litas per share. The nominal value of the capital registered amounted to Litas 11,000,000.

The share capital was fully paid as at 31 December 2005 and 31 December 2004.

The holders of the ordinary shares are entitled to one vote per share in the shareholders meeting of the Company and are entitled to receive dividends as declared from time to time and to capital repayment in case of decrease of the share capital.

Legal reserve

The legal reserve in the amount of 1,801,104 Litas is a compulsory reserve under Lithuanian legislation. Annual contributions of 5% of the net profit available for distribution are required until the legal reserve reaches 10% of the authorised capital. The legal reserve can only be used to cover losses.

Fair value reserve

Investments in equity securities held by the Company, except for investments in subsidiaries and associates, are stated at fair value, with any resultant gain or loss on re-measurement to fair value being recognised directly in equity. The fair value reserve represents fair value adjustments of Jelfa shares (see note 13) of Litas 3,755,896 less related deferred tax income of Litas 713,620 (see note 9). The net fair value reserve is a deduction from the equity as at 31 December 2005 and amounts to Litas 3,042,276. The cost price of Jelfa's shares was valuated on 31th of March 2006 and the real loss of shares revaluation was recalculated (look at clarification no. 13).

Other reserves

According to a decision of the shareholders other reserves are allocated for specific purposes. In 2005, as to a decision of the shareholders, other reserve, comprising a reserve of 4,450,367 Litas for acquisition of own shares, was cancelled by adding this amount to the unallocated result. The Company had no other reserves as at 31 December 2005. Before profit allocation, all distributable reserves are transferred to retained earnings and re-distributed by the shareholders' decision each year.

20 EARNINGS PER SHARE

Basic earnings per share are calculated by dividing the net profit attributable to shareholders by the weighted average number of ordinary shares.

LTL	I Q 2006	I Q 2005
Shares issued as at 1 January	11,000,000	1,791,059
Shares issued as at 31 March	11,000,000	1,791,059
Average weighted number of shares in issue	11,000,000	1,791,059
Net profit for the quarter	903,987	578,523
Earnings per share	0.08	0.32

21 INTEREST BEARING LOANS AND BORROWINGS

	31 03 2006	31 12 2005	31 03 2005
	LTL	LTL	LTL
NON-CURRENT LIABILITIES			
Credit line facility from Sampo Bankas		0	5,210,421
Loan from Sampo Bankas		0	5,774,117
SEB Vilniaus Bankas credit facility	4,308,679	4,803,147	0
SEB Vilniaus Bankas loans	12,628,925	16,362,025	0
Financial leasing	244,172	244,172	647,658
TOTAL NON-CURRENT LIABILITIES	17,181,776	21,409,344	11,632,196
CURRENT LIABILITIES			
Loan from associate AB Endokrininiai Preparatai			1,455,168
SEB Vilniaus Bankas credit facility		4,190,722	0
SEB Vilniaus Bankas loans	872,740	16,472,940	0
FBC AB Finasta, UAB Nenuorama loans	24,358,628	15,480,065	0
Loan from Tatra Bank	14,865,247	17,275,530	0
Financial leasing	303,151	401,988	289,906
TOTAL CURRENT LIABILITIES	40,399,766	53,821,245	1,745,074
TOTAL INTEREST BEARING BORROWINGS	57,581,542	75,230,589	13,377,270

Terms and repayment schedule of interest bearing borrowings

	Total	**2006**	**2007**	**2008**	**2009**
SEB Vilniaus Bankas, loan in Litas, 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 Litas - variable interest at 6 months EURLIBOR + 1.32%, having finished the construction of 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 and LTL bearing variable interest at 6 months EURLIBOR + 1.05%	4,308,679			4,308,679	
A credit line of Tatra Bankas of 200,000 000 SKK with 1M BRIBOR+1.20 % interest	14,865,247	14,865,247			
FBC AB Finasta loan, with fixed interest of 5% p.a., maturing in April 2006	119,972	119,972			
UAB Nenuorama loan, with fixed interest of 5.5% p.a., maturing in June 2006.	24,238,656	24,238,656			
Sampo Bankas, leasing for acquisition of equipment for testing of tightness of ampoule preparations, variable interest at 6 months EURIBOR +1.9%	420,225	249,315	170,910		
Sampo Bankas, finance leasing of 4 cars, variable interest at 6 months EURIBOR +1.9%	73,664	32,490	41,174		
Sampo Bankas, finance leasing of a car, variable interest at 6 months EURIBOR +1.7%	53,434	21,346	32,088		
Total	**57,581,542**	**40,399,766**	**4,957,300**	**9,212,254**	**3,012,222**

According to the loan agreement with SEB Vilniaus Bankas, the Company has unutilised Litas 22,287 thousand of a loan in Litas with variable interest of EURLIBOR plus 1.05 per cent margin, maturing in 2015. The purpose of the loan is for the financing of the construction of a new production plant.

In accordance with the loan agreements with SEB Vilniaus Bankas, the bank's permission is required for guarantees issued to any third party; selling or renting assets of more than Litas 1,000 thousand during one year; loans received from related parties of more than Litas 5,000 thousand; loans received of more than Litas 1,000 thousand from other parties; loans issued. According to the mentioned agreements, The Company obliged to keep 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.

22 GRANTS

On 21 January 2005, the Ministry of Economy of the Republic of Lithuania, public institution Lithuanian Business Development Agency and AB Sanitas concluded an agreement on grant for financing of construction of a new production plant of AB Sanitas. The total approved grant amounts to 16,157,151 Litas and is reimbursed after actual expenses on construction are incurred. By 31 December 2005, the Company has received grant of Litas 1,415,424. The expected compensation of construction costs during 2006 -2007 amounts to Litas 14,741,727.

23 OTHER CREDITORS

	31 03 2006	31 12 2005	31 03 2005
	LTL	LTL	LTL
Taxes, salaries and social insurance payable	1,291,929	2,121,250	279,915
Vacation reserve	759,219	533,818	118,934
Accrued volume discounts to customers	675,797	423,192	227,669
Payable for real estate	0	0	10,300,000
Other payables and accrued charges	1,081,094	638,588	104,685
	3,808,039	3,716,848	11,031,203

24 CONTINGENCIES

As at 31 March 2006, buildings and equipment with a carrying amount of 43,470,405 Litas were pledged to secure the bank loans (refer to Note 18). Besides, investments of 43,984,960 Litas in Hoechst – Biotika an as at 31 March 2006 are pledged to secure those loans as well.

24 RELATED PARTY TRANSACTIONS

The Company's related parties are its shareholders holding an interest that gives control or significant influence over the Company (refer to information on major shareholders on page 9), entities under common control with the Company, the Company's subsidiaries Altisana, Hoechst-Biotika and Sanitas Polska, members of the key management personnel of the mentioned companies, as well as close members of the family of the mentioned individuals.

The related party transactions in I quarter 2006 were as follows (LTL):

SALES TO ENTITY UNDER COMMON CONTROL WITH AB SANITAS:		
UAB Invalda Construction Management	Services	21,119
TOTAL		21,119
PURCHASES FROM ENTITIES UNDER COMMON CONTROL WITH AB SANITAS:		
FBC AB Finasta	Services	5,125
FBC AB Finasta	Commission	100,700
FBC AB Finasta	Purchase of Jelfa shares	8,724,850
FBC AB Finasta	Interest	61,037
PURCHASES FROM ENTITIES UNDER COMMON CONTROL WITH SANITAS SHAREHOLDERS		
UAB Nenuorama	Interest	211,334
TOTAL		9,103,046
PAYABLE TO ENTITIES UNDER COMMON CONTROL WITH AB SANITAS:		
FBC AB Finasta	Loan	119,972
FBC AB Finasta	Services	4,827
PAYABLE TO ENTITIES UNDER COMMON CONTROL WITH AB SANITAS SHAREHOLDERS		
UAB Nenuorama	Loan	24,238,656
UAB Nenuorama	Interest	211,334
TOTAL		24,574,789

Amounts paid to the management are disclosed in note 10.

26 FOREIGN CURRENCY

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 credit risk is monitored on an ongoing basis. Credit evaluations are performed on all customers requiring credit over a certain amount. At the balance sheet date, there were no significant concentrations of credit risk.

Foreign exchange risk

The Company’s foreign currency risk incurred on sales, purchases and borrowings that are denominated in EUR is insignificant, as Litas is pegged to EUR at 3.4528 Litas for 1 EUR. The currency giving rise to foreign exchange risk is primarily US Dollars. No financial instruments are used to hedge against the risk, as it is not considered to be significant.

Liquidity risk

The Company's policy is to maintain sufficient cash and cash equivalents and/or have available funding through an adequate amount of committed credit facilities. The Company intends to raise additional equity financing through issue of shares of AB Sanitas in 2006.

Interest rate risk

Most of the Company's borrowings are subject to variable interest rates, related to LIBOR and EURIBOR. The Company also has some short term borrowings from related parties at fixed interest rates, as specified in notes 21 and 25.

The Company did not use any financial instruments to hedge its exposure to the cash flow or price risk related to debt instruments.

27 SUBSEQUENT EVENTS

Company and it‘s subsidiary Sanitas Polska owns 94,56% of shares of polish pharmaceutical company Jelfa SA from 14th of April 2006.

The new emission of Sanitas AB shares was paid up on and the new statute was registered on 11th of April 2006. According to the new statute the authorized capital of Sanitas AB is completed of 31 105 920 shares which par value is 1LTL.

NOTES TO THE QUARTERLY ACCOUNTS

1 SIGNIFICANT ACCOUNTING POLICIES

The joint stock company AB Sanitas (the Company) is domiciled in Kaunas, Lithuania. The Company's shares were listed in the Current List on the Vilnius Stock Exchange until 21 November 2005. From 21 November 2005 the shares are listed in the Official List on the Vilnius Stock Exchange.

Sanitas is involved in production and trade of generic medicines, namely injection preparations, tablets, capsules, galenic solutions and ointments.

In May 2004, AB Sanitas acquired a 40% interest in a limited liability company Endokrininiai Preparatai domiciled in Kaunas, Lithuania. The associate was engaged in the production of pharmaceutical preparations. From May 2004, after accession to EU, new regulations came into force requiring companies producing and trading medicines to obtain Good Manufacturing Practice and Good Distribution Practice certifications with certain transitory periods allowed. Endokrininiai Preparatai did not acquire the relevant certifications and, consequently, on 15 April 2005 liquidation procedures of AB Endokrininiai Preparatai started. On 29 April 2005, AB Sanitas increased its holding to 67% of the shares acquiring control over the company. The liquidation was completed by the end of 2005, when final distributions were made to shareholders, with only the formalities of the cancellation of the registration remaining.

In July 2004, AB Sanitas acquired a 100% interest in a limited liability company Altisana UAB, Lithuania. The subsidiary is involved in holding real estate in Kaunas, Lithuania.

In July 2005, AB Sanitas acquired a 100% interest in a limited liability company Hoechst-Biotika s.r.o, Slovakia. The subsidiary is involved in the production and trade of medicines, mainly injection preparations, tablets and ointments.

Sanitas AB established a subsidiary Sanitas Polska Sp. z.o.o in Poland on 18th of January 2006. The purpose of establishing was an acquisition of the main block of shares of polish pharmaceutical company Jelfa SA.

Statement of compliance

These financial statements are separate financial statements of the parent company AB Sanitas and have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (EU), further to the IAS Regulation (EC 1606/2002).

Basis of preparation

The financial statements are presented in Litas. They are prepared on the historical cost basis except that financial assets available-for-sale are stated at fair value. Non current assets held for sale are stated at the lower of carrying amount and fair value less costs to sell.

The preparation of financial statements in conformity with IFRSs as adopted by the EU requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgments made by management in the application of IFRSs that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in Note 3.

The accounting policies of the Company as set out below have been applied consistently by Company entities and are consistent with those of the preceding year, except as a result of change in accounting policies resulting from amendments to existing IFRSs and the introduction of new IFRSs applicable as of 1 January 2006 which are described in Note 2.

Investments in subsidiaries and associates

In the separate financial statements of the parent company, investments in subsidiaries and associates are stated at cost less impairment, if any.

Foreign currency

Foreign currency transactions

Transactions in foreign currencies are translated at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated to the functional currency at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the income statement. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated to the functional currency at foreign exchange rates ruling at the dates the fair value was determined.

Derivative financial instruments

The Company does not have derivative financial instruments.

Property, plant and equipment

Owned assets

Items of property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. The cost of self-constructed assets includes the cost of materials, direct labour and an appropriate proportion of production overheads.

Where parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

Leased assets

Leases in terms of which the Company assumes substantially all the risks and rewards of ownership are classified as finance leases. The owner-occupied property acquired by way of finance lease is stated at an amount equal to the lower of its fair value and the present value of the minimum lease payments at inception of the lease, less accumulated depreciation and impairment losses.

Subsequent costs

The Company recognises in the carrying amount of an item of property, plant and equipment the cost of replacing part of such an item or major overhaul when that cost is incurred if it is probable that the future economic benefits embodied with the item will flow to the Company and the cost of the item can be measured reliably. At recognition of replacing part or major overhaul, carrying amount of parts replaced or previous major overhaul are derecognised. All other costs are recognised in the income statement as an expense as incurred.

Depreciation

Depreciation is charged to the income statement on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. Land and construction in progress are not depreciated. The estimated useful lives are as follows:

The estimated useful lives are as follows:

- Buildings and constructions 15 years
- Machinery and equipment 5 - 10 years
- Vehicles 5 years
- Other assets 3 - 10 years

Useful lives – 1 litas. Residual values and depreciation methods are reassessed for each separate.

Intangible assets

Intangible assets that are acquired by the Company are stated at cost less accumulated amortisation and impairment losses.

Expenditure on internally generated goodwill and brands is recognised in the income statement as an expense as incurred.

Subsequent expenditure

Subsequent expenditure on capitalised intangible assets is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed as incurred.

Amortisation

Amortisation is charged to the income statement on a straight-line basis over the estimated useful lives of intangible assets unless such lives are indefinite. Goodwill and intangible assets with an indefinite useful life are systematically tested for impairment at each balance sheet date. Other intangible assets are amortised from the date they are available for use. The estimated useful lives are as follows:

- Registration of medicines and trade marks - 2-5 years
- Software - 3-4 years.

Financial instruments

Investments in equity securities

Investments in equity securities held by the Company, except for investments in subsidiaries and associates, are classified as being available-for-sale and are initially recognized at fair value plus direct cost. Subsequently, the investments are re-measured to their fair value with any resultant gain or loss being recognised directly in equity, except for impairment losses. They are included in non current assets unless management intends to dispose of the investments within 12 months of the balance sheet date. When these investments are derecognised, the cumulative gain or loss previously recognised directly in equity is recognised in profit or loss.

The fair value of financial instruments classified as available for sale is their quoted bid price at the balance sheet date.

Financial instruments classified as available-for-sale investments are recognised / derecognised by the Company on the date it commits to purchase / sell the investments.

Other financial instruments

Loans and receivables are non derivative financial assets or determinable payments that are not quoted in an active market. They are included in current assets except for maturities greater than 12 months. Trade receivables are initially recognized at fair value. Loans and other receivables are initially recongised at fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset. Subsequently, loans and receivables are measured at amortized cost using the effective interest method, less impairment, if any. Short-term receivables are not discounted.

Borrowings are initially recognized at fair value less direct costs related to occurrence of respective loan and other liabilities. Subsequent to initial recognition, liabilities are stated at amortized cost on an effective interest method basis. Trade payables are initially recognized at fair value and are subsequently measured at amortised cost. Short-term liabilities are not discounted.

Inventories

Inventories produced and/or held for sale sold in the ordinary course of business are stated at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses. Other inventories are stated at the lower of cost and fair value less cost to sell.

The cost of inventories is based on the first-in first-out principle and includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition. In the case of manufactured inventories and work in progress, cost includes an appropriate share of overheads based on normal operating capacity.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the Company's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

Impairment

The carrying amounts of the Company's assets, other than inventories and deferred tax assets, are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated.

For intangible assets that are not yet available for use, the recoverable amount is estimated at each balance sheet date.

An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in the income statement.

In the case of equity securities classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost is considered an indicator that the securities are impaired. When a decline in the fair value of an available-for-sale financial asset has been recognised directly in equity and there is objective evidence that the asset is impaired, the cumulative loss that had been recognised directly in equity is recognised in profit or loss even though the financial asset has not been derecognised. The amount of the cumulative loss that is recognised in profit or loss is the difference between the acquisition cost and current fair value, less any impairment loss on that financial asset previously recognised in profit or loss.

Calculation of recoverable amount

The recoverable amount of the Company's receivables carried at amortised cost is calculated as the present value of estimated future cash flows, discounted at the original effective interest rate (i.e., the effective interest rate computed at initial recognition of these financial assets). Receivables with a short duration are not discounted.

The recoverable amount of other assets is the greater of their fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

Reversals of impairment

An impairment loss in respect of receivables carried at amortised cost is reversed if the subsequent increase in recoverable amount can be related objectively to an event occurring after the impairment loss was recognised.

An impairment loss in respect of an investment in an equity instrument classified as available for sale is not reversed through profit or loss. If the fair value of a debt instrument classified as available-for-sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss shall be reversed, with the amount of the reversal recognised in profit or loss.

Impairment loss in respect of other assets is reversed only if there is an indication that the impairment loss may no longer exist and there has been a change in the estimates used to determine the recoverable amount.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Repurchase of share capital

When share capital recognised as equity is repurchased, the amount of the consideration paid, including directly attributable costs, is recognised as a change in equity. Repurchased shares are classified as treasury shares and presented as a deduction from total equity.

Dividends

Dividends are recognised as a liability in the period in which they are declared.

Revenue

Goods sold and services rendered

Revenue from the sale of goods is recognised in the income statement when the significant risks and rewards of ownership have been transferred to the buyer. The revenue recognized is net of discounts provided. Revenue from services rendered is recognised in the income statement in proportion to the stage of completion of the transaction at the balance sheet date. The stage of completion is assessed by reference to surveys of work performed. Rental income is recognised in the income statement on a straight-line basis over the term of the lease.

No revenue is recognised if there are significant uncertainties regarding recovery of the consideration due, associated costs or the possible return of goods also continuing management involvement with the goods.

Government grants

A government grant is recognised in the balance sheet initially as deferred income when there is reasonable assurance that it will be received and that the Company will comply with the conditions attaching to it. Grants that compensate the Company for expenses incurred are recognised as revenue in the income statement on a systematic basis in the same periods in which the expenses are incurred. Grants that compensate the Company for the cost of an asset are recognised in the income statement as other operating income on a systematic basis over the useful life of the asset.

Expenses

Operating lease payments

Payments made under operating leases are recognised in the income statement on a straight-line basis over the term of the lease.

Finance lease payments

Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Net financing costs

Net financing costs comprise interest payable on borrowings calculated using the effective interest rate method, interest receivable on funds invested, dividend income, foreign exchange gains and losses.

Interest income is recognised in the income statement as it accrues, using the effective interest method. Dividend income is recognised in the income statement on the date the entity's right to receive payments is established. The interest expense component of finance lease payments is recognised in the income statement using the effective interest rate method.

Income tax

Income tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: for initial recognition of assets or liabilities that affect neither accounting nor taxable profit, and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Additional income taxes that arise from the distribution of dividends are recognised at the same time as the liability to pay the related dividend.

Segment reporting

A segment is a distinguishable component of the Company that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

Non-current assets held for sale

A non-current asset is classified as held for sale if its carrying amount will be recovered principally through a sale transaction rather than through continuing use.

For this to be the case, the asset must be available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such assets and its sale must be highly probable.

Impairment losses on initial classification as held for sale are included in profit or loss. The same applies to gains and losses on subsequent re-measurement.

2 CHANGE IN ACCOUNTING POLICIES

Adoption of standards effective from 1 January 2006

– IAS 19 (Amendment), Employee Benefits (effective from 1 January 2006). This amendment introduces the option of an alternative recognition approach for actuarial gains and losses. As the Company does not participate in any defined benefit plans, Management considered this amendment to IAS 19 and concluded that it is not relevant to the Company.

- IAS 39 (Amendment), Cash Flow Hedge Accounting of Forecast Intragroup Transactions (effective from 1 January 2006). Management considered this amendment to IAS 39 and concluded that it is not relevant to the Company.

– IAS 39 (Amendment), The Fair Value Option (effective from 1 January 2006). This amendment changes the definition of financial instruments classified at fair value through profit or loss and restricts the ability to designate financial instruments as part of this category. The Company believes that this amendment should not have a significant impact on the classification of financial instruments, as the Company has not classified any instruments as at fair value through profit and loss.

– IAS 39 and IFRS 4 (Amendment), Financial Guarantee Contracts (effective from 1 January 2006). Management considered this amendment to IAS 39 and IFRS 4 and concluded that it is not relevant to the Company.

– IFRIC 4, Determining whether an Arrangement contains a Lease (effective from 1 January 2006). IFRIC 4 requires the determination of whether an arrangement is or contains a lease to be based on the substance of the arrangement. It requires an assessment of whether: (a) fulfillment of the arrangement is dependent on the use of a specific asset or assets (the asset); and (b) the arrangement conveys a right to use the asset. Management is currently assessing the impact of IFRIC 4 on the Company's operations.

Adoption of standards effective from 1 January 2007

– IFRS 7, Financial Instruments: Disclosures, and a complementary amendment to IAS 1, Presentation of Financial Statements – Capital Disclosures (effective from 1 January 2007). IFRS 7 introduces new disclosures to improve the information about financial instruments. It requires the disclosure of qualitative and quantitative information about exposure to risks arising from financial instruments, including specified minimum disclosures about credit risk, liquidity risk and market risk, including sensitivity analysis to market risk. It replaces disclosure requirements in IAS 32, Financial Instruments: Disclosure and Presentation. The amendment to IAS 1 introduces disclosures about the level of an entity's capital and how it manages capital. Management is currently assessing the impact of IFRS 7 and amendment to IAS 1 on the Company's operations. The Company will apply IFRS 7 and the amendment to IAS 1 from annual periods beginning 1 January 2007.

3 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Critical accounting estimates and assumptions

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Impairment losses on receivables

The Company reviews its receivables to assess impairment at least on a quarterly basis. In determining whether an impairment loss should be recorded in the income statement, the Company makes judgments as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of receivables before the decrease can be identified with an individual receivable in that portfolio. This evidence may include observable data indicating that there has been an adverse change in the payment status of debtors in a group, or national or local economic conditions that correlate with defaults on assets in the group.

Management uses estimates based on historical loss experience for assets with credit risk characteristics and objective evidence of impairment similar to those in the portfolio when scheduling its future cash flows. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

Judgments

The Company has recognized deferred tax assets based on the judgment of management that realization of the related tax benefits through future taxable profits are probable.

4 SEGMENT REPORTING

Segment information is presented in respect of the Company’s business and geographical segments.

Segment information is presented in respect of the Company's business segments as a primary reporting format. The Company produces and distributes medicines, mainly injection preparation, tablets, eye drops, ointments and galenic solutions.

Segment information is presented in respect of the Company’s geographical segments by location of customers as a secondary reporting format. The Company's sales are performed mainly in Latvia and Lithuania.

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

Segment capital expenditure is the total cost incurred during the period to acquire tangible and intangible segment assets that are expected to be used for more than one period

Segment information is presented in respect of the Company's business segments as a primary reporting format as follows:

LTL	Injection preparations		Tablets		Ointments, eye drops, tinctures		Unallocated		Total	
	I Q 2006	I Q 2005	I Q 2006	I Q 2005	I Q 2006	I Q 2005	I Q 2006	I Q 2005	I Q 2006	I Q 2005
Revenue	6,041,193	5,002,608	1,856,065	943,963	1,227,056	788,233	100	2,700	9,124,414	6,737,504
Gross profit	2,781,380	1,614,876	1,019,916	432,878	654,769	447,447	100	1,817	4,456,165	2,497,017
Operating expense	-1,666,132	-1,266,869	-248,819	-110,892	-160,597	-333,873	0	0	-2,075,547	-1,711,634
Financing cost							-729,694	-98,168	-729,694	-98,168
Dividends							3,975,733	0	3,975,733	0
Profit before tax	1,115,248	348,007	771,097	321,986	494,172	113,574	3,246,140	-96,352	5,626,657	687,215
Income tax							-329,739	-108,692	-329,739	-108,692
Profit	1,115,248	348,007	771,097	321,986	494,172	113,574	2,916,401	-205,044	5,296,918	578,523
Total assets	8,534,644	21,921,101	2,637,711	2,495,143	1,576,491	1,815,424	124,176,227	26,479,178	136,925,072	52,710,846
Total liabilities	1,956,808	2,036,341	595,506	324,295	391,709	270,795	72,750,065	22,631,431	75,694,088	26,953,434
Capital expenditure	0	27,690	241	0	4,718	435	783,944	984,905	788,903	1,013,030
Depreciation and amortisation	634,630	704,656	10,948	59,364	38,346	6,235	190,369	372,034	874,293	1,142,289

Segment information by geographical segments is as follows:

	Latvia		Lithuania		Unallocated		Total	
LTL	I Q 2006	I Q 2005	I Q 2006	I Q 2005	I Q 2006	I Q 2005	I Q 2006	I Q 2005
Revenue	4,743,365	4,416,942	4,042,616	2,161,611	338,433	158,952	9,124,414	6,737,504
Total assets by location of assets			136,925,072	52,710,846			136,925,072	52,710,846
Capital expenditure			788,903	1,013,030			788,903	1,013,030

5 DISTRIBUTION EXPENSES

	I Q 2006	I Q 2005
	LTL	LTL
Salaries and social insurance	194,855	90,983
Advertising	110,831	281,409
Marketing services	147,579	124,971
Amortisation	20,568	22,590
Transportation expenses	17,895	5,416
Depreciation	8,207	7,571
Other	30,382	13,557
	530,317	546,497

6 ADMINISTRATIVE EXPENSES

	I Q 2006	I Q 2005
	LTL	LTL
Salaries and social insurance	609,433	443,312
Depreciation	158,604	340,257
Advisory services	60,960	162,650
Maintenance materials	75,109	70,289
Property taxes	49,970	85,428
Utilities	116,779	40,793
Security services	60,424	48,621
Business trips	54,761	16,317
Repair of premises	0	125,612
Communication expenses	31,471	11,375
Redundancy payments	48,156	0
Amortization	2,941	5,945
Rent	156,000	0
Other	141,117	165,200
	1,565,725	1,515,799

7 OTHER OPERATING INCOME AND EXPENSES

	I Q 2006	I Q 2005
	LTL	LTL
OTHER OPERATING INCOME:		
Proceeds from sales of current assets	55,466	27,622
Rent and utilities income	102,712	400,301
Proceeds from sales of materials, spare parts	51,971	126,679
Total other operating income	210,149	554,602
OTHER OPERATING EXPENSE:		
Cost of current assets sold	34,576	17,942
Cost of rent and related services rendered	97,306	185,998
Loss on disposal of tangible non current assets	57,772	0
Total other operating expense	189,654	203,940
Profit/ loss from other activities	20,495	350,662

8 FINANCIAL INCOME AND EXPENSES

	I Q 2006	I Q 2005
	LTL	LTL
FINANCIAL INCOME:		
Delays and fines received	11,863	0
Interest income	10,065	646
Foreign exchange gain	7,375	1,921
Other	28,641	0
Total financial income	57,944	2,567
FINANCIAL EXPENSES:		
Interest on borrowings	773,500	127,054
Foreign exchange loss	9,970	-26,319
Other	4,168	0
Total financial expenses	787,638	100,735
Result of financial activities	-729,694	-98,168

9 CORPORATE INCOME TAX EXPENSES

LTL	I Q 2006	I Q 2005
Current tax expense		
Current tax	329,739	108,692
Deferred tax expense		
Deferred tax income	0	0
Total income tax expense	329,739	108,692

The reconciliation of effective tax rate is as follows:

LTL	I Q 2006		I Q 2005	
Result before tax		5,626,657		678,215
Income tax using effective tax rate	19,00%	1,069,065	15,0%	101,732
Dividends recieved	-13,43%	-,755,389		
Delays and fines received	-0,04%	-2,254		
Disposal of tangible fixed assets	0,02%	1,278	0,31%	2,073
Write down of inventories	0,08%	4,490	0,17%	1,120
Subsidarie‘s costs	0,13%	7,354		
Other	0,09%	5,195	0,56%	3,767
	5,85%	329,739	16,04%	108,692

The calculation of the deferred tax can be specified as follows:

	I Q 2006		I Q 2005	
LTL	Temporary diff	Deferred tax (18-19%)	Temporary diff.	Deferred tax (15%)
Impairment of receivables	232,720	43,447	387,335	58,100
Accrued expense	412,501	78,375	86,000	12,900
Net balance	645,221	121,822	473,335	71,000

According to the amended tax legislation, during the period from 1 January 2006 to 31 December 2007, companies’ profits subject to corporate income tax will be levied by additional social tax at a rate of 4% during 2006 and at a rate of 3% during 2007. The social tax is imposed in addition to the corporate income tax of 15%. The deferred tax as at 31 December 2005 was calculated using the effective rates of 19% and 18% for the temporary differences that will reverse in 2006 and 2007 respectively.

10 STAFF COSTS

	I Q 2006	I Q 2005
	LTL	LTL
Wages and social security contributions in production costs	700,370	524,039
Salaries and social security costs in selling expenses	194,855	90,983
Salaries and social security costs administrative	609,433	443,312
Redundancy payments in administration expenses	48,156	0
	1,552,814	1,058,334

Staff costs include wages and salaries and emoluments for the management (General Director, Production Director, Sales Director, Procurement Director, Head of Quality Assurance, Chief Engineer, Head of Legal and General Affairs Division, Chief Financial Office, Project Director), of 230 610 litas (I Q 2005 – 163 483 litas).

At the end of I Q 2006, the Company employed 203 employees (I Q 2005 - 199 employees).

11 PROPERTY, PLANT AND EQUIPMENT

LTL	Buildings	Machinery and equipment	Vehicles and other assets	Construc-tion in progress	Total
Cost as at 01 01 2005	21,938,984	20,652,893	767,651	1,396,331	44,755,859
Additions	0	473,185	100,167	412,056	985,408
Disposals	0	-115,174	-27,343	0	-142,517
Cost as at 31 03 2005	21,938,984	21,010,904	840,475	1,808,387	45,598,750
Depreciation as at 01 01 2005	4,237,466	12,679,356	387,951	0	17,304,773
Depreciation during quarter	282,842	817,126	13,786	0	1,113,754
Disposals	0	-110,426	-18,272	0	-128,698
Depreciation as at 31 03 2005	4,520,308	13,386,056	383,465	0	18,289,829
NET BOOK VALUE AT 31 03 2005	17,418,676,	7,624,848	457,010	1,808,387	27,308,921
Cost as at 31 03 2005	21,938,984	21,010,904	840,475	1,808,387	45,598,750
Additions	0	609,870	170,369	7,336,688	8,116,927
Disposals	-11,634,957	-2,787,425	-82,246	-92,890	-14,597,518
Reclassified to assets for resale	-8,891,475	0	0	0	-8,891,475
Reversal of impairment				196,613	196,613
Impairment	0	278,019	0	-278,019	0
Cost as at 31 12 2005	1,412,552	19,111,368	928,598	8,970,779	30,423,297
Depreciation as at 31 03 2005	4,520,308	13,386,056	383,465	0	18,289,829
Depreciation during period	804,577	2,561,299	89,969	0	3,455,845
Disposals	-4,555,819	-2,228,550	-40,434	0	-6,824,803
Reclassified to assets for resale	-691,559	0	0	0	-691,559
Depreciation as at 31 12 2005	77,507	13,718,805	433,000	0	14,229,312
NET BOOK VALUE AT 31 12 2005	1,335,045	5,392,563	495,598	8,970,779	16,193,985
Cost as at 01 01 2006	1,412,552	19,111,368	928,598	8,970,779	30,423,297
Additions		9,448	241	764,724	774,413
Disposals	-7,003	-542,997	-6,435		-556,435
Cost as at 31 03 2006	1,405,549	18,577,819	922,404	9,735,503	30,641,275
Depreciation as at 01 01 2006	77,507	13,718,805	433,000	0	14,229,312
Depreciation during quarter	4,035	818,684	28,066	0	850,785
Disposals	-505	-491,797	-6,389	0	-498,691
Depreciation as at 31 03 2005	81,037	14,045,692	454,677	0	14,581,406
NET BOOK VALUE AT 31 03 2005	1,324,512	4,532,127	467,727	9,735,503	16,059,869

Leased property, plant and equipment

As at 31 March 2006, the Company has equipment with a carrying amount of Litas 799,554 and vehicles with a carrying amount of Litas 193,806 leased under financial leasing contracts (where the Company is a lessee).

As at 31 March 2006, the Company has no assets leased under operational lease contracts (where the Company is a lessor).

Sanitas AB on 31th of March 2006 rented place for industrial, manufacturing, storage and administrative rooms (altogether11,703.95 square metres) from it's subsidiary Altisan UAB

Pledges

As at 31 December 2005, buildings and equipment with a carrying amount of Litas 2 030 379 are pledged for the bank loans (refer to Note 21).

Depreciation

Depreciation of tangible assets has been allocated as follows:

	I Q 2006	I Q 2005
	LTL	LTL
Production costs	683,974	765,926
Administrative expenses	158,604	340,257
Distribution expenses	8,207	7,571
Total	850,785	1,113,754

12 INTANGIBLE FIXED ASSETS

	Registration certificates, licenses	Software, etc.	Total
Acquisition value as at 01 01 2005	346,397	305,215	651,612
Disposal	-33,040	0	-33,040
Acquisition value as at 31 03 2005	313,357	305,215	618,572
Amortization as at 01 01 2005	168,676	237,900	406,576
Amortization for the period	22,590	5,945	28,535
Disposal	-33,037	0	-33,037
Amortization as at 31 03 2005	158,229	243,845	402,074
NET BOOK VALUE AT 31 03 2005	155,128	61,370	216,498
Acquisition value as at 31 03 2005	313,357	305,215	618,572
Additions during the period	19,857	31,352	51,209
Disposal	-39,981	-9,235	-49,216
Acquisition value as at 31 12 2005	293,233	327,332	620,565
Amortization as at 31 03 2005	158,229	243,845	402,074
Amortization for the period	67,400	15,520	82,920
Disposal	-39,971	-3,405	-43,376
Amortization as at 31 12 2005	185,658	255,960	441,618
NET BOOK VALUE AT 31 12 2005	107,575	71,372	178,947
Acquisition value as at 31 12 2005	293,233	327,332	620,565
Additions during the period	1,320	13,170	14,490
Acquisition value as at 31 03 2006	294,553	340,502	635,055
Amortization as at 31 12 2005	185,658	255,960	441,618
Amortization for the period	20,568	2,941	23,509
Amortization as at 31 03 2006	206,226	258,901	465,127
NET BOOK VALUE AT 31 03 2006	88,327	81,601	169,928

Amortization of intangible assets has been allocated as follows:

	I Q 2006	I Q 2005
	LTL	LTL
Distribution expenses	20,568	22,590
Administrative expenses	2,941	5,945
Total	23,509	28,535

13 INVESTMENTS

	31 03 2006	31 12 2005	31 03 2005
	LTL	LTL	LTL
Hoechst – Biotika shares (100% shares)	43,984,960	43,984,960	0
Sanitas Polska skares (100 % shares)	45,175	0	0
Jelfa shares (9,99% shares)	51,369,258	38,503,285	0
UAB Altisana shares (100% shares)	1,413,440	1,413,440	1,413,440
Investments included in non current assets	96,812,833	83,901,685	1,413,440
AB Endokrininiai preparatai" shares (40% of shares) in current assets	0	4,741,835	4,741,835
Total investments	96,812,833	88,643,520	6,155,275

Hoechst-Biotika

On 27 July 2005, the Company acquired all the shares in Hoechst-Biotika s.r.o. for Litas 43,984 thousand, satisfied in cash. The mentioned amount includes legal fees amounting to Litas 135 thousand. The acquired company manufactures and distributes medicines, mainly injection preparations, tablets and ointments. The investment in the subsidiary is stated at cost in the separate financial statements of AB Sanitas.

Altisana

In July 2004, AB Sanitas acquired 100% interest in the limited liability company Altisana UAB, Lithuania. At the time of acquisition the subsidiary had no operating activities other than holding real estate in Kaunakiemio str. in Kaunas, whci is next to the production plant of AB Sanitas in Vytauto av. in Kaunas. It was intended to sell the shares of UAB Altisana in the short - term, consequently, the investment was presented in current assets in the annual accounts for 2004.

In 2005, the Company took a decision to sell the real estate of UAB Altisana together with production premises of AB Sanitas. On 30 December 2005, AB Sanitas sold its production premises to UAB Altisana for Litas 13, 460,000 realising a gain of Litas 5,849,651. The price of the disposal was set as per independent appraisal report as at the end of 2005. The real estate is intended to be sold by UAB Altisana at 02 of May 2006 to third party.

From 30 December 2005, production premises are leased by AB Sanitas from UAB Altisana. After expected disposal of the real estate to third party, the production premises will be leased by AB Sanitas until the new production plant is constructed, which is expected by the end of 2006.

In 2005, the investment in shares of UAB Altisana were reclassified to non-current assets as well as the comparative figures for 2004 were restated correspondingly according to IFRS 5, as the Company has not disposed the shares of the subsidiary within 12 months from classification as held for sale (see accounting policy on assets held for sale).

In the separate financial statements of AB Sanitas the investment in the subsidiary is stated at cost.

Jelfa

AB Sanitas participates in a privatisation tender of a pharmaceutical company Jelfa, Poland. The Company, while planning to acquire control over Jelfa, in October – December 2005 acquired 569,875 shares or 8.38% on the Warsaw Stock Exchange.

At initial recognition, the investment in the shares was stated at fair value of Litas 40,292,842 plus direct costs of Litas 1,966,336 (comprising of brokerage commissions and success fees).

The investment was re-measured to fair value using the average transaction price as per the Warsaw Stock Exchange as at 31 December 2005. The quoted price was of 75.40 PLN or 67.57 Litas per share.

The effect of the re-measurement of the investments to their fair value as at 31 December 2005 was as follows:

	LTL
INVESTMENT IN JELFA, POLAND	
Acquired 569,875 shares of Jelfa (8.38%)	40,292,845
Direct costs	1,966,336
Value of the investment at initial recognition	42,259,181
Adjustment at subsequent re-measurement to the market value of the shares	-3,755,896
Carrying amount of the shares as at 31 December 2005	38,503,285

The loss on subsequent re-measurement of Litas 3,042,276 after deduction of deferred tax income of Litas 713,620 was recognized in the equity.

By that date, AB Sanitas increased its holding in Jelfa up to 9.99% of shares.

On 27 February 2006, an official offer was placed on the Warsaw Stock Exchange for acquisition of 90.01% of shares at a price of 93 PLN equivalent to 84.58 LTL as at 27 February 2006.

Whereas it is known that Sanitas AB with it‘s subsidiary Sanitas Polska owns main block of shares (94,56%) of Jelfa SA, all shares which Sanitas AB obtained on 31th of March 2006 were presented on the cost price as all other Sanitas AB investments in it‘s subsidiaries.

Investment in AB Endokrininiai Preparatai

In May 2004, AB Sanitas acquired 40% interest in the limited liability company Endokrininiai Preparatai domiciled in Kaunas, Lithuania. The associate was engaged in production of pharmaceutical preparations. From May 2004, after accession to the EU, the new regulations came into force requiring companies producing and trading medicines to obtain Good Manufacturing Practice and Good Distribution Practice certifications with certain transitory period allowed. The relevant certifications had not been acquired by the company and, consequently, on 15 April 2005 the liquidation procedures of AB Endokrininiai Preparatai started. On 29 April 2005, AB Sanitas increased its holding up to 67% of the shares acquiring control over the company. The liquidation was finished by the end of 2005, when corresponding distribution to shareholders was paid out, and only formalities of cancellation of the registration were left.

Until liquidation of AB Endokrininiai Preparatai, investment in its shares was recorded at acquisition cost in the separate financial statements of the parent company AB Sanitas.

14. ASSETS HELD FOR SALE

	31 03 2006	31 12 2005	31 03 2005
	LTL	LTL	LTL
Real estate in Veiveriu str., Kaunas	8,199,916	8,199,916	0

Real estate held for sale

In September 2005, the company concluded a preliminary sale-purchase agreement concerning real estate located in Veiveriu str., Kaunas. In accordance with this agreement the company received a prepayment of Litas 800 thousand. A sale is expected in 2006. The fair value less cost to sell of the real estate held for sale was estimated by reference to an independent appraisal as well as the existing preliminary agreement. The assets' fair value less cost to sell is of Litas 8,688 thousand (after deduction of the cost to sell of Litas 302 thousand), which exceeds the carrying amount of the property as at 31 December 2005 and 31 March 2006. Consequently, the real estate is stated at its carrying amount before the reclassification to the assets held for sale at the end of 2005.

15 INVENTORIES

	31 03 2006	31 12 2005	31 03 2005
	LTL	LTL	LTL
Finished goods	1,325,210	1,536,800	1,768,942
Raw material	3,310,850	3,621,088	3,207,146
Work in progress	213,021	249,044	584,022
Goods for resale	869,590	626,573	32,566
	5,718,671	6,033,505	5,592,676

31 March 2006, there are no inventories carried at fair value less cost to sell (31 12 2005 and 31 03 2006: Litas 0).

Inventories expensed during the year can be specified as follows:

	31 03 2006	31 03 2005
	LTL	LTL
Cost of produced goods in cost of sales	4,668,249	4,240,487
Write down of inventories in administration expenses	-2,865	-1
Cost of sold materials in other operating expenses	34,579	17,942
	4,699,960	4,258,428

16 TRADE RECEIVABLES

	31 03 2006	31 12 2005	31 03 2005
	LTL	LTL	LTL
Net carrying amount	6,180,103	6,570,785	10,826,104

17 OTHER RECEIVABLES

	31 03 2006	31 12 2005	31 03 2005
	LTL	LTL	LTL
Loans receivable from subsidiary	1,500,000	823,081	0
Receivable from subsidiary	3,658	2,295,679	209,160
Refundable VAT		349,243	0
Deferred charges	613,863	70,147	82,400
Prepayment for shares of AB Endokrininiai Preparatai	0	0	1,230,715
Other receivables	427,761	60,841	241,335
	2,545,282	3,598,991	1,763,610

Loans receivable from UAB Altisana bear fixed 3 per cent interest p.a. and were repaid in January - March 2006.

The loan of LTL 1 500 000 with interest rate of 4,3% a year, which was given to Sanitas Polska must be returned till March of 2007.

18 CASH AND CASH EQUIVALENTS

	31 03 2006	31 12 2005	31 03 2005
	LTL	LTL	LTL
Cash at bank	905,520	1,555,091	695,255
Cash in hand	10,613	4,510	28,317
Cash and cash equivalents	916,133	1,559,601	723,572

19 CAPITAL AND RESERVES

Share capital

As at 31 March 2005, the Company's share capital comprised of 1,791,059 ordinary shares with a nominal value of 5 Litas each. The nominal value of the capital registered amounted to 8,955,295 Litas.

In July 2005, 408,941 shares with a nominal value of 5 Litas per share were issued at 50.50 Litas per share. The share capital was increased by Litas 19,598,293, including the share premium of Litas 17,553,588 (net of the transaction costs of Litas 1,053,228).

In November 2005, the shares were split at 5 shares with a nominal value of 1 Litas per share for 1 share of 5 Litas in issue.

As at 31 December 2005, the Company's share capital comprised of 11,000,000 ordinary shares with a nominal value of 1 Litas per share. The nominal value of the capital registered amounted to Litas 11,000,000.

The share capital was fully paid as at 31 December 2005 and 31 December 2004.

The holders of the ordinary shares are entitled to one vote per share in the shareholders meeting of the Company and are entitled to receive dividends as declared from time to time and to capital repayment in case of decrease of the share capital.

Legal reserve

The legal reserve in the amount of 1,801,104 Litas is a compulsory reserve under Lithuanian legislation. Annual contributions of 5% of the net profit available for distribution are required until the legal reserve reaches 10% of the authorised capital. The legal reserve can only be used to cover losses.

Fair value reserve

Investments in equity securities held by the Company, except for investments in subsidiaries and associates, are stated at fair value, with any resultant gain or loss on re-measurement to fair value being recognised directly in equity. The fair value reserve represents fair value adjustments of Jelfa shares (see note 13) of Litas 3,755,896 less related deferred tax income of Litas 713,620 (see note 9). The net fair value reserve is a deduction from the equity as at 31 December 2005 and amounts to Litas 3,042,276. The cost price of Jelfa's shares was valuated on 31th of March 2006 and the real loss of shares revaluation was recalculated (look at clarification no. 13)

Other reserves

According to a decision of the shareholders other reserves are allocated for specific purposes. In 2005, as to a decision of the shareholders, other reserve, comprising a reserve of 4,450,367 Litas for acquisition of own shares, was cancelled by adding this amount to the unallocated result. The Company had no other reserves as at 31 December 2005. Before profit allocation, all distributable reserves are transferred to retained earnings and re-distributed by the shareholders' decision each year.

20 EARNINGS PER SHARE

Basic earnings per share are calculated by dividing the net profit attributable to shareholders by the weighted average number of ordinary shares.

LTL	I Q 2006	I Q 2005
Shares issued as at 1 January	11,000,000	1,791,059
Shares issued as at 31 March	11,000,000	1,791,059
Average weighted number of shares in issue	11,000,000	1,791,059
Net profit for the quarter	5,296,918	578,523
Earnings per share	0.48	0.32

21 INTEREST BEARING LOANS AND BORROWINGS

	31 03 2006	31 12 2005	31 03 2005
	LTL	LTL	LTL
NON-CURRENT LIABILITIES			
Credit line facility from Sampo Bankas		0	5,210,421
Loan from Sampo Bankas		0	5,774,117
SEB Vilniaus Bankas credit facility	4,308,679	4,803,147	0
SEB Vilniaus Bankas loans	12,628,925	16,362,025	0
Financial leasing	244,172	244,172	647,658
TOTAL NON-CURRENT LIABILITIES	17,181,776	21,409,344	11,632,196
CURRENT LIABILITIES			
Loan from associate AB Endokrininiai Preparatai			1,455,168
SEB Vilniaus Bankas credit facility		4,190,722	0
SEB Vilniaus Bankas loans	872,740	4,872,940	0
FBC AB Finasta, UAB Nenuorama loans	24,358,628	15,480,065	0
Loan from subsidiary	24,023,501	17,264,000	0
Financial leasing	303,151	401,988	289,906
TOTAL CURRENT LIABILITIES	49,558,020	42,209,715	1,745,074
TOTAL INTEREST BEARING BORROWINGS	66,739,796	63,619,059	13,377,270

Terms and repayment schedule of interest bearing borrowings

	Iš viso	2006	2007	2008	2009
SEB Vilniaus Bankas, loan in Litas, 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 Litas - variable interest at 6 months EURLIBOR + 1.32%, having finished the construction of 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 and LTL bearing variable interest at 6 months EURLIBOR + 1.05%	4,308,679			4,308,679	
Loan from subsidiary Hoechst – Biotika with fixed 5% p.a. maturing in November 2006	13,288,267	13,288,267			
FBC AB Finasta loan, with fixed interest of 5% p.a., maturing in April 2006	119,972	119,972			
UAB Nenuorama loan, with fixed interest of 5.5% p.a., maturing in June 2006	24,238,656	24,238,656			
UAB Altisana loan, with fixed interest of 4% p.a., maturing in March 2006.	10,735,234		10,735,234		
Sampo Bankas, leasing for acquisition of equipment for testing of tightness of ampoule preparations, variable interest at 6 months EURIBOR +1.9%	420,225	249,315	170,910		
Sampo Bankas, finance leasing of 4 cars, variable interest at 6 months EURIBOR +1.9%	73,664	32,490	41,174		
Sampo Bankas, finance leasing of a car, variable interest at 6 months EURIBOR +1.7%	53,434	21,346	32,088		
Total	**66,739,796**	**38,822,786**	**15,692,534**	**9,212,254**	**3,012,222**

According to the loan agreement with SEB Vilniaus Bankas, the Company has unutilised Litas 22,287 thousand of a loan in Litas with variable interest of EURLIBOR plus 1.05 per cent margin, maturing in 2015. The purpose of the loan is for the financing of the construction of a new production plant.

In accordance with the loan agreements with SEB Vilniaus Bankas, the bank’s permission is required for guarantees issued to any third party; selling or renting assets of more than Litas 1,000 thousand during one year; loans received from related parties of more than Litas 5,000 thousand; loans received of more than Litas 1,000 thousand from other parties; loans issued. According to the mentioned agreements, The Company obliged to keep 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.

22 GRANTS

On 21 January 2005, the Ministry of Economy of the Republic of Lithuania, public institution Lithuanian Business Development Agency and AB Sanitas concluded an agreement on grant for financing of construction of a new production plant of AB Sanitas. The total approved grant amounts to 16,157,151 Litas and is reimbursed after actual expenses on construction are incurred. By 31 December 2005, the Company has received grant of Litas 1,415,424. The expected compensation of construction costs during 2006 -2007 amounts to Litas 14,741,727.

23 OTHER CREDITORS

	31 03 2006	31 12 2005	31 03 2005
	LTL	LTL	LTL
Taxes, salaries and social insurance payable	419,962	565,717	279,915
Vacation reserve	408,532	376,606	118,934
Accrued volume discounts to customers	675,797	423,192	227,669
Payable for real estate	0	0	10,300,000
Other payables and accrued charges	167,498	153,748	104,685
	1,671,789	1,519,263	11,031,203

24 CONTINGENCIES

As at 31 March 2006, buildings and equipment with a carrying amount of 2,030,379 Litas were pledged to secure the bank loans (refer to Note 18). Besides, investments of 43,984,960 Litas in Hoechst – Biotika an as at 31 March 2006 are pledged to secure those loans as well.

25 RELATED PARTY TRANSACTIONS

The Company's related parties are its shareholders holding an interest that gives control or significant influence over the Company (refer to information on major shareholders on page 9), entities under common control with the Company, the Company's subsidiaries Altisana, Hoechst-Biotika and Sanitas Polska, members of the key management personnel of the mentioned companies, as well as close members of the family of the mentioned individuals.

The related party transactions in I quarter 2006 were as follows (LTL):

SALES TO SUBSIDIARY AND ASSOCIATE:		
UAB Altisana	Interest	3,964
Sanitas Polska	Interest	3,658
Hoechst – Biotika	Interest	12,242
SALES TO ENTITY UNDER COMMON CONTROL WITH AB SANITAS:		
UAB Invalda Construction Management	Services	21,119
TOTAL		40,983
PURCHASES FROM SUBSIDIARIES:		
Hoechst – Biotika	Medikamentai	73,157
Hoechst – Biotika	Interest	212,123
UAB Altisana	Rent	156,000
PURCHASES FROM ENTITIES UNDER COMMON CONTROL WITH AB SANITAS:		
FBC AB Finasta	Services	5,125
FBC AB Finasta	Commissions	100,700
FBC AB Finasta	Purchase of Jelfa shares	8,724,850
FBC AB Finasta	Interest	61,037
PURCHASES FROM ENTITIES UNDER COMMON CONTROL WITH SANITAS SHAREHOLDERS:		
UAB Nenuorama	Interest	211,334
TOTAL		9,544,326

continued

PAYABLE TO SUBSIDIARY		
Hoechst – Biotika	Loan	13,288,267
Hoechst – Biotika	Services	61,431
UAB Altisana	Loan	10,735,234
PAYABLE TO ENTITIES UNDER COMMON CONTROL WITH AB SANITAS		
FBC AB Finasta	Loan	119,972
FBC AB Finasta	Services	4,827
PAYABLE TO ENTITIES UNDER COMMON CONTROL WITH AB SANITAS SHAREHOLDERS		
UAB Nenuorama	Loan	24,238,656
UAB Nenuorama	Interest	211,334
TOTAL		48,659,721
RECEIVABLE FROM SUBSIDIARY:		
Sanitas Polska	Loan	1,500,000
Sanitas Polska	Interest	3,658
TOTAL		1,503,658

Amounts paid to the management are disclosed in note 10.

26 FOREIGN CURRENCY

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 credit risk is monitored on an ongoing basis. Credit evaluations are performed on all customers requiring credit over a certain amount. At the balance sheet date, there were no significant concentrations of credit risk.

Foreign exchange risk

The Company's foreign currency risk incurred on sales, purchases and borrowings that are denominated in EUR is insignificant, as Litas is pegged to EUR at 3.4528 Litas for 1 EUR. The currency giving rise to foreign exchange risk is primarily US Dollars. No financial instruments are used to hedge against the risk, as it is not considered to be significant.

Accounts receivable, payable and cash in foreign currencies as at 31 March 2006:

LTL	EUR	USD	GBP	DKK	PLN
Exchange rate	3.4528	2.8641	4.9772	0.46263	0.87783
Prepayments	533,458	62,169		409	
Cash	36,810	26,215			
Loans	-15,826,626				
Trade and other creditors	-1,515,401	-91,025	-24,234		-45
Net position	-13,407,409	6,059	-24,234	409	-45

Liquidity risk

The Company's policy is to maintain sufficient cash and cash equivalents and/or have available funding through an adequate amount of committed credit facilities. The Company intends to raise additional equity financing through issue of shares of AB Sanitas in 2006.

Interest rate risk

Most of the Company's borrowings are subject to variable interest rates, related to LIBOR and EURIBOR. The Company also has some short term borrowings from related parties at fixed interest rates, as specified in notes 21 and 25.

The Company did not use any financial instruments to hedge its exposure to the cash flow or price risk related to debt instruments.

27 SUBSEQUENT EVENTS

Company and it‘s subsidiary Sanitas Polska owns 94,56% of shares of polish pharmaceutical company Jelfa SA from 14th of April 2006.

The new emission of Sanitas AB shares was paid up on and the new statute was registered on 11th of April 2006. According to the new statute the authorized capital of Sanitas AB is completed of 31 105 920 shares which par value is 1LTL.

IV. MATERIAL EVENTS IN THE ISSUER'S ACTIVITY AND OTHER INFORMATION

13. Material events in the Issuer's activity

On 4 January 2006 the Supervisory Board approved the forecast of AB Sanitas activity for 2006 presented by the Management of the Company. It is planned that the sales will total LTL 66.79 m. and the net profit will amount to LTL 11.48 m. EBITDA will total LTL 17.82 m.

On 19 January, 2006 AB Sanitas and Polish company's Jelfa Trade unions entered into an agreement which sets additional guarantees to the employees of the company and the conditions for the cooperation with Trade unions. The said terms will be included into Collective Work Contract. The agreement comes into force after Sanitas AB had acquired company's Jelfa shares of stock, entitling it to the majority of votes at the General Shareholders' meeting

On 24 February 2006 shareholders' agreement was signed among AB Invalda, holding the major part of shares of AB Sanitas, with couple of shareholders – natural persons, and investment funds, namely Amber Trust II SCA and Citigroup Venture Capital International Jersey Limited. The agreement relates to the purchase of new issue of AB Sanitas shares, meant for the acquisition of Polish pharmaceutical company Jelfa SA.

On 27 February 2006 Sanitas Polska spol. z.o.o., the subsidiary of AB Sanitas announced Tender Offer to acquire 100 percent of Polish Pharmaceutical company Jelfa SA shares for 93 PLN per each. Minimal number of shares to be acquired is not less than 50 percent plus one share.

Executing a decision to sell real estate, situated among the streets of Vytautas, Ciurlionis and Kaunakiemio in Kaunas, owned by AB Sanitas group, a contest was organized. UAB Balvesta became the winner of the contest. On 8 March 2006 a preliminary agreement was signed with a subsidiary of this Company - UAB Laikinosios sostines projektai. In this preliminary agreement it was agreed upon the sale price of this real estate being not lower than LTL 27 m. (not including VAT). Part of the buildings currently are being reconstructed and that is the reason why the price is going to be revised till the date of the signing of the Sales-Purchase agreement. It is planned to construct a complex of multi-storey buildings on the said territory. AB Sanitas will be using manufacturing – administrative premises according to the Rent contract and in the year 2007 it is planned to move to premises currently under construction at Veiveriu str. 134, Kaunas.

AB Sanitas when implementing the project "The modernization of the production of AB Sanitas", partially financed by EU Structural funds and the Ministry of the Economy of the Republic of Lithuania, completed the second stage of the contest of the procurement of construction works. On 14 March 2006 at the meeting of the Purchase commission a winner was announced. Consortium of „LSMW sp.z o.o. Oddzial w Polsce" (Poland) and UAB Ranga IV (Lithuania) was identified as such after making an offer for the sum of LTL 33,300,466 including VAT.

When implementing the project "The modernization of the production of AB Sanitas", partially financed by EU Structural funds and the Ministry of the Economy of the Republic of Lithuania, on March 27 2006 AB Sanitas signed a contract with Consortium of „LSMW sp.z o.o. Oddzial w Polsce" (Poland) and UAB Ranga IV (Lithuania) regarding the second stage of the purchase of construction works. The contract price - LTL 31,198,172 including VAT.

On April 4 2006 the agreement on the maintenance of medicine – related policy was signed between AB Sanitas daughter company Sanitas Polska spol. s.r.o. and Ministry of Health of the Republic of Poland.

According to the agreement, subject to the condition that Sanitas Polska acquires shares in Jelfa S. A. in the amount allowing control over Jelfa on the level of General Shareholders' Meeting and Supervisory Board, Sanitas Polska is obliged to ensure the production of reimbursable medicines, that are at present time produced by Jelfa S.A, at the level ensuring covering of Polish market and in prices not higher than at the present moment. The list of reimbursable medicines (49 products) with their prices was confimed by the Ministry of Health of the Republic of Poland

The Extraordinary General Shareholders' Meeting of AB Sanitas held on April 7 2006 passed the following resolutions:

1.1. To partially amend the decision of the Extraordinary General Meeting of Shareholders of 29.11.2005 (which increased the statutory capital of AB Sanitas 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 each and setting the issue price of one share at LTL 13), and to increase the statutory 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 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 The issue price of one share is now LTL 13.

1.3. To authorize the head of the company to increase the statutory capital following the decisions of the Extraordinary General Meeting of Shareholders on 29.11.2005 and the present decision, and in accordance with the laws currently in force it is the duty of the head of the company to set the terms for the distribution of shares, the order of subscription, and payment for shares.

1.4. If within a term for the subscription for shares set by the head of the company, the issue of shares is not fully underwritten, the statutory 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 statutory capital and the number of shares accordingly.

2.1. To withdraw the right of pre-emption for the company's shareholders to acquire the 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 public limited financial brokerage company Finasta (company code: 122570630, residential address: Konstitucijos ave. 23, Vilnius, legal form public limited liability company), the exclusive right to acquire all 25,000,000 newly issued ordinary registered shares at the nominal value of LTL 1 each.

3.1. To change the articles 4.1. and 5.1. of the Articles of the Company and to formulate them as below, taking into account the decisions adopted at the extraordinary General Meeting of Shareholders:

"4.1. The statutory capital of the corporation is LTL 36,000,000 (thirty-six million litas). It is divided into ordinary registered shares. The statutory 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 the Companies of the Republic of Lithuania, by the decision of the court.

5.1. The statutory 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 confirm the above stated amendments to the Articles of the Company and the new wording of the Articles of the company, prepared 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 Sanitas AB and the amended Articles of the Company. In case the issue of shares is not fully distributed, the head of the company is authorized to change the statutory capital.

By emplementing of the decision of the Extraordinary General Meeting of Shareholders of 7 April 2006 FBC AB Finasta (company code: 122570630) underwrote and on 11 April 2006 fully paid 20,105,920 ordinary registered shares at the value of LTL 13 per each.

New wording of the Articles of Association of AB Sanitas was registered on April 11 2006. New authorised capital of the company is LTL 31,105,920.

On April 14 2006 the procedure of the Tender offer for the acquisition of 100 percent of Polish Pharmaceutical Company Jelfa SA shares, which was announced on February 27, 2006 by AB Sanitas subsidiary – Sanitas Polska spol. z.o.o., was completed.

The ultimate data confirms that Sanitas Polska spol. z.o.o. has acquired 5,750,190 Jelfa SA shares, which makes up 84.56 % of the statutory capital of the latter Company.

The General Meeting of AB Sanitas shareholders held on April 27,2006 got acquainted with the auditor‘s KPMG Baltics report on the Company‘s financial statement and activity report for 2005 as well as the Supervisory Board‘s report on the company‘s activity in 2005.

The meeting adopted 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 distribution for the 2005:

Undistributed result – profit (loss) – at the end of the previous financial year	LTL 12,631,431
The net result of the financial year – profit (loss)	LTL 12,947,943
Result available for distribution – profit (loss) – at the end of the financial year	LTL 25,579,374
(Shareholders‘ distributions to cover loss	
Transfers from the reserves	
Profit available for distribution	LTL 25,579,374
Distribution of the profit:	
- to the reserves provided by law	LTL 1,309,488
- to other reserves	LTL 3,042,276
- dividends	
- etc	
Undistributed result – profit (loss) – at the end of the financial year	LTL 21,227,610

4) Do not elect an auditor of the Company at present general meeting.

5) To approve the amendments of the Articles of Association, by setting that there is no Supervisory Board in the Company and Management Board comprised of 5 members is elected for the term of 4 years; to approvenew wording of the Article of Association;

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

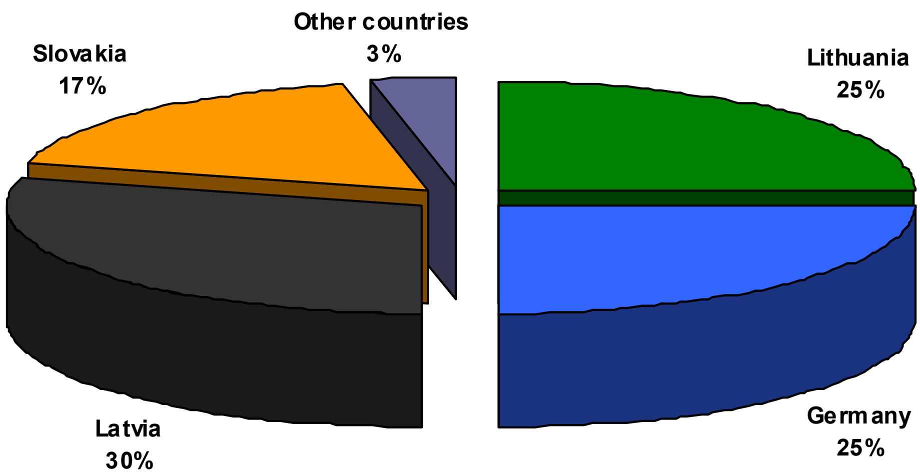
14. Overview of the Issuer's results

During the first quarter of 2006 the sales of AB Sanitas group amounted to LTL 16.17 million, of which LTL 9.12 million were generated only by AB Sanitas. In comparison with the first quarter of 2005, sales increased 2,4 times, only AB Sanitas sales increased by 35,4%. The most influence on the increase of sales was made by the consolidation of Hoechst-Biotika (Slovakia) results. The sales of this plant, purchased in the middle of 2005, amounted to LTL 7.02 million during the cycle.

Table 14.1. Information on sales

	I Q 2005, LTL	I Q 2006, LTL	CHANGE, %
AB Sanitas	6,737,504	9,124,414	35.4
Local sales	2,161,611	4,042,616	87.0
Export	4,575,893	5,081,798	11.1
Hoechst - Biotika	0	7,119,773	0.0
Inter-company transaction elimination	0	-73,157	0.0
TOTAL	**6,737,504**	**16,171,030**	**140.0**

The most sales during the quarter were made to Latvia, Lithuania, and Germany. The sales to these countries amounted to 79.2%.



AB Sanitas sales during the quarter increased by 35,4% to LTL 9.12 million, of which the sales in Lithuania amounted to LTL 4.04 million (44.3%).

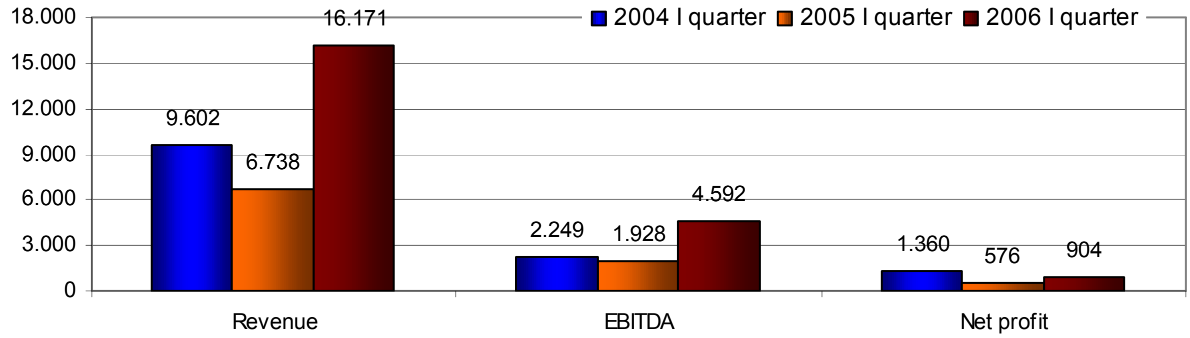
During the first quarter the Company traded 79 names of drugs. Sales of 7 products amounted to more than LTL 200 thousand

	PRODUCT	AMOUNT, LTL
1	Mildronate 10% solution injection 5ml. N10	3,753,200
2	Neocitramonas (Acetylsalicylic acid +Paracetamol +Coffein) tab. N100	574,442
3	PAS Sodium salt 5.52g N25	324,761
4	Lidocaine 2% for inj. 5ml N10	299,530
5	Euphylline 2.4 % injection 5ml N10	279,181
6	Ranitidinas Sanitas (Ranitidin)150 mg tab. N100 (10x10)	256,014
7	Sodium chloride 0,9% for inj.5ml N10	280,920

The main financial ratios and their dynamics are presented in the table and the chart.

Table 14.2. The main financial ratios of the first quarter of 2006

FINANCIAL RESULTS (THOUSAND LTL)	I Q 2005	I Q 2006	CHANGE
Sales and Services	6,738	16,171	+140%
Cost of goods sold	4,241	11,257	+165%
Gross profit	2,497	4,914	+97%
Gross profit margin	30%	37%	+7
Profit before taxation	687	1,237	+80%
Profit before taxation margin	10%	8%	-2
Net profit	576	904	+57%
Net profit margin	9%	6%	-3
EBITDA	1,928	4,592	+64%
EBITDA margin	29%	28%	-1



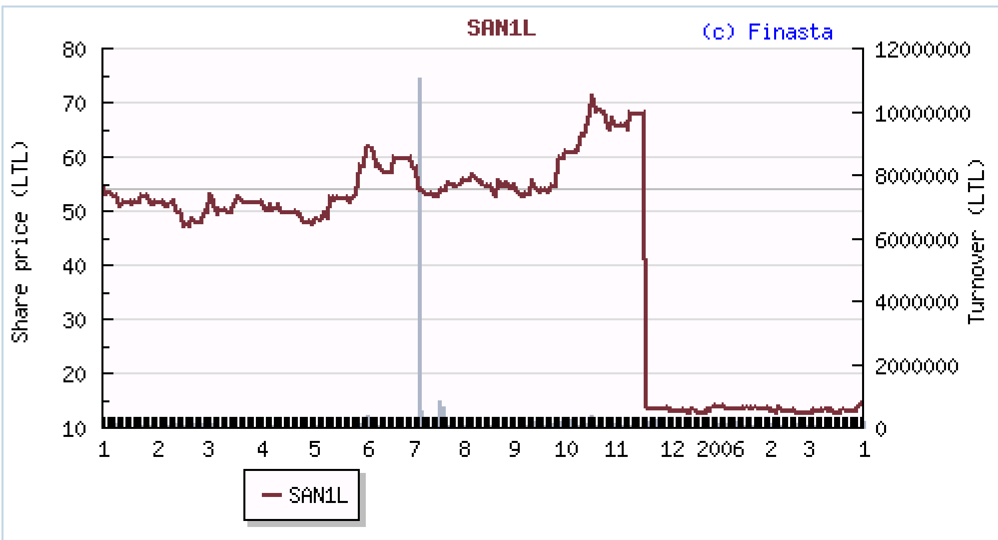
Picture 14.1. Dynamics of financial ratios

15. Trading in the Issuer's securities

The shares of AB Sanitas are admitted into the Main list of the Vilnius Stock Exchange (hereinafter – VSE).

Table 15.1. Main characteristics of the shares of AB Sanitas which are on the Main List of VSE

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



Picture 15.1. Trading in ORS of AB Sanitas in the VSE for the period 1 January 2005 till 31 March 2006

In November 2005, the shares of AB Sanitas were split at 5 shares with a nominal value of LTL 1 per share for 1 share of LTL 5 in issue. The authorised capital of the company remained the same – LTL 11,000,000. New wording of the Articles of Association of AB Sanitas was registered on November 15, 2005.

Table 15.2. Trading in ORS of AB Sanitas in the VSE

Reporting period	Price, LTL			Turnover, LTL			Date of the last session	Total turnover	
	Highest	Lowest	Last session	Highest	Lowest	Last session		units	LTL
1 Q 2005	53.93	44.70	52.00	148,983.00	-	4,940.00	31 03 2005	32,918	1,679,371.80
2 Q 2005	65.00	46.50	58.00	368,482.34	-	25,346.33	30 06 2005	35,053	1,934,037.51
3 Q 2005	60.00	51.00	60.00	11,054,479.50	-	85,140.00	30 09 2005	290,642	15,387,023.46
4 Q 2005	72.00	13.00	14.00	38,8018.30	-	235,363.55	30 12 2005	178,424	4,331,494.81
1 Q 2006	14.70	12.75	14.32	204,856.55	-	194,037.19	31 03 2006	207,808	2,793,427.43