
**MANAGEMENT INCENTIVE SCHEME
(PHANTOM SHARE OPTION PLAN)
OF AB SANITAS**

September 1, 2009, Vilnius

I. Purpose of the Plan

Taking into consideration the worldwide best practice of pharmaceutical companies, a new management incentive scheme – phantom share option plan (the “**Plan**”) is hereby introduced by AB Sanitas, the public company organised under Lithuanian law, company code 134136296, address at Veiverių st. 134B, Kaunas, Lithuania (the “**Company**”).

The proposed Plan is based on phantom share options to be offered to the top and middle management of the Company and its affiliated entities.

This Plan will replace the existing Share Option Plan approved by the Company on 27 April 2007.

II. Implementation Impact

Based on the Plan, certain monetary bonuses linked to the sale of the Company’s shares will be paid to the management. Therefore it is expected that the proposed Plan will attract, retain and reward management members as well as strengthen the alignment of interests between the Company’s shareholders and its management.

As no new shares will be issued and monetary bonuses will be offered instead, the implementation of the Plan will not result in the dilution of the current shareholders of the Company.

III. Description of the Plan

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| 1. Definitions | 1.1. “Affiliated Company” | means any person or entity in which at least 25 percent of the equity and/or voting interest is directly or indirectly owned or controlled by the Company; |
| | 1.2. “Board” | means the management board of the Company; |
| | 1.3. “Business Day” | means a day (other than Saturday or Sunday) on which banks are officially open in Lithuania; |

- 1.4. **“Company”** means AB Sanitas, the public company organised under Lithuanian law, company code 134136296, address at Veiverių st. 134B, Kaunas, Lithuania;
- 1.5. **“General Meeting”** means an ordinary or extraordinary general meeting of shareholders of the Company;
- 1.6. **“EUR”** means euro, the lawful currency of states – members of the Economic and Monetary Union;
- 1.7. **“Exit”** means a change of control of the Company, i.e. an acquisition of more than 50 per cent (i.e. 50 per cent plus one Share and/or vote) of all Shares and/or votes in the General Meeting by the Investor (except for the Company’s current major shareholders Citigroup Venture Capital International Jersey Limited, Amber Trust II SCA and AB Invalda) acting individually or jointly with other persons. For the avoidance of doubt, should any of the Company’s current major shareholders Citigroup Venture Capital International Jersey Limited and/or Amber Trust II SCA and/or AB Invalda acting individually or jointly acquire more than 50 per cent of all Company’s Shares and/or votes in the General Meeting, this will not constitute the Exit;
- 1.8. **“Exit Price”** means the average price in EUR paid by the Investor for the Shares and/or votes to the outgoing shareholders of the Company upon the Exit;
- 1.9. **“Final Consideration”** means the amount to be calculated in accordance with Items 6.3-6.5 below and paid by the Company to the Option Holder upon the exercise of the Option;
- 1.10. **“Investor”** means any person (except for the Company’s current major shareholders Citigroup Venture Capital International Jersey Limited and/or Amber Trust II SCA and/or AB Invalda) who in one or several transactions acquires a title to

- more than 50 per cent of all Shares and/or votes in the General Meeting;
- 1.11. **“LTL”** means Litas, the lawful currency of the Republic of Lithuania;
- 1.12. **“Managing Director”** means the Managing Director (Chief Executive Officer) of the Company;
- 1.13. **“Option”** means an automatic right to receive an amount in cash equal to the Final Consideration (i.e. the difference between the Exit Price and the Option Price);
- 1.14. **“Option Agreement”** means a Phantom Share Option Agreement to be entered between the Company and the Option Holder in accordance with this Plan;
- 1.15. **“Option Date”** means (i) with respect to the Option over the Tranche 1 Option Shares and Tranche 2 Option Shares, the day when the Exit Price is identified in accordance with Item 4 below; and (ii) with respect to the Option over the Tranche 3 Option Shares, the day of the execution of the Option Agreement with respect to such an Option between the Option Holder and the Company;
- 1.16. **“Option Holder”** means a top or middle management member of the Company and/or its Affiliated Companies, which will be designated under the procedure referred to in Item 5.2 below and which will be entitled to receive the Option with respect to a pre-determined amount of the Option Shares;
- 1.17. **“Option Price”** means EUR 5.21 per each Option Share;
- 1.18. **“Option Shares”** has the meaning prescribed to it in Item 3.1 below;
- 1.19. **“Plan”** means this Management Incentive Scheme (Phantom Share Option Plan);
- 1.20. **“Share Capital”** means the aggregate amount of the nominal values of all the Shares of the Company outstanding on the exercise date of the Option; on the date of this

Plan the Share Capital equals to LTL 31,105,920;

1.21. **“Shares”** means all issued, subscribed and registered dematerialised ordinary registered shares of the Company each having a par value of LTL 1;

1.22. **“Taxes”** means any and all taxes of any kind payable or to be paid to the state or municipal budgets or official institutions or organisations, health insurance taxes, social insurance taxes, any other mandatory state, municipal or other taxes, duties or levies;

1.23. **“Tranche 1 Option Shares”** has the meaning prescribed to it in Item 3.1(a) below;

1.24. **“Tranche 2 Option Shares”** has the meaning prescribed to it in Item 3.1(b) below;

1.25. **“Tranche 3 Option Shares”** has the meaning prescribed to it in Item 3.1(c) below.

2. Grant of Options

2.1. Each Option Holder shall be granted the Option in respect of the amount of the Option Shares allocated to him/her in accordance with Item 5.2 below.

2.2. The grant of the Option will be evidenced by an Option Agreement to be executed between the Company and the Option Holder in accordance with the procedure described in Item 5.3 below. The form of the Option Agreement will be approved by the Board.

3. Option Shares

3.1. The Options will be granted with respect to 2,200,000 Shares in total (the **“Option Shares”**). The Option Shares will be split in three tranches:

(a) Tranche 1: 1,120,000 of the Option Shares (the **“Tranche 1 Option Shares”**), the exercise of the Option over which will be subject to the occurrence of the Exit. The Options over the Tranche 1 Option Shares will be allocated to the Option Holders in accordance with the procedure referred to in Item 5.2(a) below;

(b) Tranche 2: 80,000 of the Option Shares (the **“Tranche 2 Option Shares”**), the exercise of the Option over which will be subject to the occurrence of the Exit. The Options over the Tranche 2 Option Shares will be allocated to the Option Holders in accordance with the procedure referred

to in Item 5.2(b) below; and

- (c) Tranche 3: in total 1,000,000 of the Option Shares (the “**Tranche 3 Option Shares**”), the final amount of which will be subject to the amount of the Exit Price as follows:

Exit Price, share/EUR	Amount of the Tranche 3 Option Shares (for Each Exit Price)	Total Amount of the Tranche 3 Option Shares
11.15	150,000	150,000
11.73	150,000	300,000
12.31	300,000	600,000
12.89	200,000	800,000
13.50	200,000	1,000,000

The Options over the Tranche 3 Option Shares will be allocated to the Option Holders in accordance with the procedure referred to in Item 5.2(c) below.

- 4. Identification of Exit Price**
- 4.1. For the purpose of the implementation of this Plan, the Exit Price will be identified as follows:
- (a) if the Managing Director possesses valid evidence, satisfactory to the Board, proving the amount of the Exit Price, he/she will identify the Exit Price and announce it to all the Option Holders not later than within 3 Business Days from the Exit;
 - (b) if the Managing Director does not possess valid evidence, satisfactory to the Board, proving the amount of the Exit Price, then the Exit Price will be deemed to be equal to the price offered by the Investor during the mandatory tender offer announced after the Exit in accordance with applicable laws. In such a case the Exit Price will be identified by the Managing Director and announced to all the Option Holders not later than within 3 Business Days following the announcement of the mandatory tender offer; or
 - (c) if the Exit Price may not be identified using the methods described in sub-clauses (a) and (b) above, then the Exit Price will be identified by any other means available for the Company and/or the Option Holders.
- 4.2. For the avoidance of doubt, if the Exit Price is indentified but the Managing Director fails to announce it to the Option Holders, this will still be regarded as the identification of the Exit Price.
- 5. Allocation of Options**
- 5.1. The Options with respect to the Tranche 1 Option Shares and the Tranche 3 Option Shares may be granted only to the

management members who are employed in the Company or its Affiliated Companies. The Options with respect to the Tranche 2 Option Shares may be granted to the non-employee management members of the Company or its Affiliated Companies.

5.2. The power to decide which management members will be entitled to the Options and the amount of the Option Shares allocated to each of them will be vested in the following bodies of the Company:

- (a) with respect to the Options over the Tranche 1 Option Shares – in the Managing Director subject to the Board's written approval. The Managing Director will prepare the list of the suggested Option Holders with the amount of the Tranche 1 Option Shares allocated to each of them and present such a list for the Board's approval. The Board will approve the list or present its motivated objections without unreasonable delay. The Managing Director may present such a list to the Board immediately after the approval of this Plan and the form of the Option Agreement by the Board. For the avoidance of doubt, only a part of the Tranche 1 Option Shares may be initially allocated in the list prepared by the Managing Director. Afterwards the Managing Director will be entitled to supplement this list and present these supplements for the Board's approval. The list may be so supplemented until the day before the Exit or until the maximum amount of the Tranche 1 Option Shares is reached (whichever comes first);
- (b) with respect to the Options over the Tranche 2 Option Shares – in the Board. The Board will have full discretion to decide which management members will be entitled to acquire the Options as well as the amount of the Tranche 2 Option Shares allocated to each of them. The Board may prepare such a list immediately after the approval of this Plan and the form of the Option Agreement by the Board. For the avoidance of doubt, only a part of the Tranche 2 Option may be allocated in the list prepared by the Board. Afterwards the Board will be entitled to supplement this list. The list may be so supplemented until the day before the Exit or until the maximum amount of the Tranche 2 Option Shares is reached (whichever comes first); and
- (c) with respect to the Options over the Tranche 3 Option Shares – in the Managing Director subject to the Board's written approval. Subject to the amount of the Exit Price, not later than within 3 Business Days from the identification of the Exit Price under Item 4 above, the Managing Director will prepare the complete list of the suggested Option Holders as well as the amount of the

Tranche 3 Option Shares allocated to each of them and present such a list to the Board's approval. For the avoidance of doubt, not only the management members of the Company or its Affiliated Companies which remain employed after the Exit but also the management members who were employed by the Company or its Affiliated Companies the day before the Exit but were laid off thereafter may be included in the list proposed by the Managing Director. The Board will approve the list or present its motivated objections without unreasonable delay.

- 5.3. After a particular management member is designated as the Option Holder in accordance with the procedure in Item 5.2 above, he/she and the Company will enter into the Option Agreement, which will set out all the terms and conditions related to the exercise of the Option. The Option Agreement will be executed within 14 Business Days from the date when the competent body of the Company approves a management member as the Option Holder and allocates to him/her certain amount of the Option Shares.
- 5.4. If in accordance with the procedure indicated in Item 11 below the Option Agreement is terminated before the exercise of the Option, the Option Shares, for which the Option Agreement was made, will be transferred back to the option pool and may be allocated to other persons anew, following the procedure described in Item 5.2 above.

6. Exercise of Options

- 6.1. The exercise of the Options will become effective on the Option Date automatically without any further notice, i.e. the Option Holders will not have an obligation to submit any notice to the Company about their wish to exercise the Option. The Option will be exercised with respect to all Option Shares allocated to the Option Holders.
- 6.2. For the avoidance of doubt, the Option will be exercised not through the acquisition of the Option Shares by the Option Holder but by receiving a monetary compensation (the Final Consideration) from the Company.
- 6.3. Upon the exercise of the Option each Option Holder will be entitled to receive, for each Option Share as to which the Option is exercised, an amount in cash equal to the excess of the Exit Price and the Option Price (the "**Final Consideration**").

*Final Consideration = (Exit Price – Option Price) * Amount of Option Shares of the Option Holder*

- 6.4. The Final Consideration will be inclusive of all Taxes due by

the Option Holder and the Company. If according to the applicable laws the Company will be obliged to pay these Taxes, then the Company will withhold the amount of all the Taxes due by the Option Holder and the Company from the Final Consideration. For the avoidance of doubt, the Final Consideration represents the entire costs to be borne by the Company with respect to the exercise of the Options. Therefore all the Taxes which the Company is obliged to pay above (in addition to) the Final Consideration (if any) are already included in the amount of the Final Consideration and will be paid by the Company not in addition to but be deducted from the Final Consideration.

6.5. The Company will pay the Final Consideration less any applicable Taxes due by the Option Holder and the Company within 5 Business Days from the Option Date by transferring it to the bank account indicated by the Option Holder in writing in advance.

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| 7. | Share Capital | <p>7.1. On the date of this Plan the Share Capital of the Company equals to LTL 31,105,920 and is divided into 31,105,920 Shares.</p> <p>7.2. The implementation of this Plan will not result in the increase of the Share Capital and/or dilution of the current shareholders of the Company.</p> |
| 8. | Change of Share Capital | <p>Should the size of the Share Capital of the Company be increased/reduced or should the nominal value of the Shares be changed between the date of this Plan and the date of the exercise of the Options, then the amount of the Option Shares subject to outstanding Options, the Option Price and the amount of the Option Shares subject to the Options to be awarded thereafter, will be appropriately adjusted consistent with the change in such manner as the Board and the Managing Director may deem reasonable and equitable to prevent any dilution or enlargement of rights granted to the Option Holders. Any adjustments determined by the Board and the Managing Director in good faith will be binding on the Company and the Option Holders.</p> |
| 9. | Transfer of Options | <p>The Option Holders will not be entitled to transfer the Options to any other person until Option date.</p> |
| 10. | Indemnification | <p>Subject to Item 13.3, should (i) this Plan be revoked or amended to the detriment of the Option Holders; or (ii) the Company failed to designate management members as the Option Holders or sign the Option Agreements when due; or (iii) the Company failed to pay the Final Consideration when due; or (iv) the Company otherwise breached its obligations set out in this Plan and/or the Option Agreement, then the Company shall compensate all losses (including lost income) of the Option Holders or the management members intended to be designated as the Option Holders.</p> |

- 11. Validity and Termination of Option Agreement**
- 11.1. The Option Agreement will come into force upon its execution by the Company and the Option Holder.
- 11.2. The Option Agreement will automatically terminate:
- (a) if before the exercise of the Option the Option Holder dies;
 - (b) if for any reasons until the day before the Exit the Option Holder cease to be an employee of the Company or its Affiliated Companies (applied only in the case of the Options over the Tranche 1 Option Shares and Tranche 3 Option Shares).
- 11.3. The Company will not be entitled to terminate the Option Agreement unilaterally.
- 12. Administration**
- This Plan will be implemented and administered by the Board and the Managing Director. If a decision on the particular issue related to the implementation or administration of the Plan is not prescribed to a specific body of the Company, it will be decided by the Board and the Managing Director on a consensus basis.
- 13. Plan Validity**
- 13.1. The Plan will take effect on the date of its approval by the Board and will be effective until implemented in full.
- 13.2. Once approved, the Plan may not be revoked or amended to the detriment of the Option Holders.
- 13.3. Without prejudice to Item 13.2 above, if the Exit does not occur until [31 December 2013], then this Plan and the Option Agreements entered in accordance with it will automatically terminate.
- 14. Costs**
- The Company will bear all the costs and expenses incurred in connection with the implementation and administration of this Plan.
- 15. Governing Law and Dispute Resolution**
- 15.1. This Plan and the Option Agreements will be governed by Lithuanian law.
- 15.2. Any dispute, controversy or claim arising out of or relating to this Plan or the Option Agreements, their breach, termination or validity, shall be settled by competent courts of the Republic of Lithuania.
- 16. Language**
- This Plan is drafted in Lithuanian and English. In case of discrepancies, the English text will prevail.

IV. Approval and Disclosure of this Plan

This Plan is to be approved by the Board of the Company.

Once approved, this Plan is to be disclosed publicly as a material event pursuant to the requirements of applicable laws.

A handwritten signature in black ink, appearing to read 'Ashwin Roy', with a long horizontal stroke extending to the right.

Chairman of the Management Board

Ashwin Roy