

Sanitas, AB

UNAUDITED INTERIM CONDENSED CONSOLIDATED AND
SEPARATE FINANCIAL STATEMENTS FOR THE PERIOD ENDED
30 June 2010 PREPARED ACCORDING TO
INTERNATIONAL FINANCIAL REPORTING STANDARDS,
AS ADOPTED BY THE EUROPEAN UNION
AND SIX MONTHS' INTERIM CONSOLIDATED REPORT
FOR THE PERIOD ENDED 30 JUNE 2010



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SANITAS, AB

UNAUDITED INTERIM CONDENSED CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS AND SIX MONTHS' INTERIM CONSOLIDATED REPORT FOR THE PERIOD ENDED 30 JUNE 2010

Confirmation of Responsible Persons

Following the Article No. 22 of the Law on Securities of the Republic of Lithuania and Rules on Preparation and Submission of Periodic and Additional Information of the Lithuanian Securities Commission, we, Saulius Jurgelenas, General Manager of Sanitas, AB, Nerijus Drobavicius, Chief Financial Officer of Sanitas, AB and Ruta Milkuviene, Director of Corporate and Legal affairs of Sanitas, AB hereby confirm that, to the best of our knowledge, the attached unaudited interim condensed consolidated and separate financial statements for the period ended 30 June 2010, prepared in accordance with International Financial Reporting Standards, as adopted by the European Union, give a true and fair view of the assets, liabilities, financial position and profit or loss of Sanitas, AB group and Sanitas, AB, and that the Six months interim consolidated report for the period ended 30 June 2010 gives a true and fair review about the business development and activity of Sanitas, AB group, together with a description of major risks and uncertainties.

General Manager

Saulius Jurgelenas

Chief Financial Officer

Nerijus Drobavicius

Legal and Corporate Affairs Manager

Ruta Milkuviene

**Unaudited Interim Condensed Consolidated and Separate Financial
Statements**



General Information

Board of Directors

Mr. Ashwin Roy (Chairman of the Board)
Mr. Martynas Cesnavicius
Mr. Tomas Nauseda
Mr. Martin Oxley
Mr. Darius Sulnis

Management

Mr. Saulius Jurgelenas (General Manager)
Mr. Nerijus Drobavicius (Chief Financial Officer)

Registered office and company code

Veiveriu str. 134 B,
Kaunas, Lithuania,
LT – 46352
Company code 1341 36296

Bankers

Bank PEKAO S.A.
Bank Zachodni WBK S.A.
Danske Bank A/S Lithuania Branch
Deutsche Bank PBC S.A.
Dom Maklerski BZWBK
Fortis Bank Polska S.A.
OAO Wniesztorgbank
Orszagos Takarekpenztar es Kereskedelmi Bank
PKO Bank Polski S.A.
Raiffeisenbank Praha
SEB bankas, AB
Swedbank, AB
Unikredit Bank sp. z o.o.

The financial statements were approved and signed by the management on 23 August 2010.

Management:

A blue ink signature of Mr. Saulius Jurgelenas, written over a horizontal line.

Mr. Saulius Jurgelenas
General Manager

A blue ink signature of Mr. Nerijus Drobavicius, written over a horizontal line.

Mr. Nerijus Drobavicius
Chief Financial Officer



(all amounts are in thousand LTL unless otherwise stated)

Statements of Comprehensive Income

	Notes	Group		Company	
		January – June 2010	January – June 2009	January – June 2010	January – June 2009
Revenue	3	177,276	153,320	8,544	7,511
Cost of sales		(81,626)	(73,560)	(5,132)	(6,598)
Gross profit		95,650	79,760	3,412	913
Other income	4	2,238	2,818	2,047	275
Selling and distribution expenses	5	(41,822)	(39,556)	(1,880)	(1,388)
Regulatory affairs expenses		(5,518)	(6,566)	(403)	(550)
Research and development expenses		(1,024)	(758)	(73)	(210)
Administrative expenses	6	(15,438)	(17,201)	(4,483)	(5,138)
Other expenses		(1,396)	(2,234)	(7)	(215)
Operating profit (loss)		32,690	16,263	(1,387)	(6,313)
Finance income	7	2,190	4,201	59	784
Finance costs	7	(14,716)	(23,008)	(1,559)	(2,416)
Profit (loss) before tax		20,164	(2,544)	(2,887)	(7,945)
Income tax benefit (expenses)	8	(2,856)	5,018	356	1,584
Profit (loss) for the period		17,308	2,474	(2,531)	(6,361)
Other comprehensive income (expenses):					
Exchange differences on translating foreign operation		(3,752)	(25,015)	-	-
Cash flow hedges		2,706	(1,519)	-	-
Income tax relating to components of other comprehensive income		(514)	290	-	-
Other comprehensive income (expenses) for the year, net of tax		(1,560)	(26,244)	-	-
Total comprehensive income (expenses) for the year, net of tax		15,748	(23,770)	(2,531)	(6,361)
Basic and diluted earnings per share (in LTL)		0.56	0.08		

(cont'd on the next page)



(all amounts are in thousand LTL unless otherwise stated)

Statements of Comprehensive Income

	Group		Company	
	April – June 2010	April – June 2009	April – June 2010	April – June 2009
Revenue	97,041	89,277	4,608	4,079
Cost of sales	(45,786)	(39,716)	(2,705)	(3,653)
Gross profit	51,255	49,561	1,903	426
Other income	1,101	1,388	1,016	252
Selling and distribution expenses	(22,100)	(22,071)	(1,068)	(666)
Regulatory affairs expenses	(2,925)	(3,864)	(193)	(269)
Research and development expenses	(436)	(240)	(27)	(80)
Administrative expenses	(8,863)	(8,620)	(2,285)	(2,342)
Other expenses	(599)	(1,539)	(1)	(208)
Operating profit (loss)	17,433	14,615	(655)	(2,887)
Finance income	(7,633)	676	(511)	(1,614)
Finance costs	(6,497)			
Profit (loss) before tax	3,303	15,291	(1,166)	(4,501)
Income tax benefit (expense)	(1,243)	196	120	912
Profit (loss) for the year	2,060	15,487	(1,046)	(3,589)
Other comprehensive income (expenses):				
Exchange differences on translating foreign operation	(25,056)	10,402	-	-
Cash flow hedges	1,920	1,650	-	-
Income tax relating to components of other comprehensive income	(365)	(313)	-	-
Other comprehensive income (expenses) for the year, net of tax	(23,501)	11,739	-	-
Total comprehensive income (expenses) for the year, net of tax	(21,441)	27,226	(1,046)	(3,589)
Basic and diluted earnings share (in LTL)	0.07	0.50		

The notes on pages 14 to 23 are an integral part of these financial statements.



(all amounts are in thousand LTL unless otherwise stated)

Balance Sheet

	Notes	Group		Company	
		As at 30 June 2010	As at 31 December 2009	As at 30 June 2010	As at 31 December 2009
ASSETS					
Non-current assets					
Property, plant and equipment	9	212,655	258,290	64,311	66,425
Intangible assets	10	289,397	292,831	1,002	913
Investments in subsidiaries	11	-	-	292,704	334,395
Other non-current financial assets		18	21	-	-
Deferred tax assets		24,832	27,851	2,791	2,435
Total non-current assets		526,902	578,993	360,808	404,168
Current assets					
Inventories		39,191	42,242	5,885	3,359
Prepaid income tax		66	128	-	76
Trade receivables		50,806	61,454	13,122	6,623
Other receivables		2,546	4,689	304	73
Prepayments and deferred expenses		3,462	2,353	165	152
Other current financial assets		1,080	3,285	-	-
Cash and cash equivalents		1,668	3,417	140	177
Total current assets		98,819	117,568	19,616	10,460
Non-current assets and assets of disposal group classified as held for sale	11	55,503	-	41,691	-
Total assets		681,224	696,561	422,115	414,628

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(all amounts are in thousand LTL unless otherwise stated)

Balance Sheets (cont'd)

	Notes	Group		Company	
		As at 30 June 2010	As at 31 December 2009	As at 30 June 2010	As at 31 December 2009
EQUITY AND LIABILITIES					
Equity					
Share capital		31,106	31,106	31,106	31,106
Share premium		248,086	248,086	248,086	248,086
Legal reserve		3,111	3,111	3,111	3,111
Fair value reserve		(6,470)	(8,662)	-	-
Translation reserve		(20,977)	(5,324)	-	-
Retained earnings		67,070	49,762	17,194	19,725
Reserves of disposal group classified as held for sale	11	11,901	-	-	-
Total equity		333,827	318,079	299,497	302,028
Non-current liabilities					
Non-current loans	12	153,721	178,075	26,963	30,265
Finance lease obligations		397	1,787	132	281
Other non-current financial liabilities		1,407	3,562	-	-
Deferred tax liabilities		15,331	16,633	-	-
Deferred income from subsidies		14,686	15,098	14,686	15,098
Employee benefit liability		4,168	4,630	-	-
Total non-current liabilities		189,710	219,785	41,781	45,644
Current liabilities					
Current portion of non-current loans	12	62,324	61,119	20,619	19,479
Current portion of non-current finance lease obligations		907	3,025	406	523
Current loans	12	16,188	36,623	4,222	11,182
Trade payables		21,831	33,047	48,699	29,168
Advances received		-	717	-	97
Income tax payable		1,829	9	741	-
Other current financial liabilities		6,580	7,131	-	-
Other current liabilities		16,811	16,383	6,150	6,507
Employee benefit liability		590	486	-	-
Provisions		-	157	-	-
Total current liabilities		127,060	158,697	80,837	66,956
Liabilities of disposal group classified as held-for-sale	11	30,627	-	-	-
Total equity and liabilities		681,224	696,561	422,115	414,628

The notes on pages 14 to 23 are an integral part of these financial statements.



(all amounts are in thousand LTL unless otherwise stated)

Statements of Changes in Equity

Group	Share capital	Share premium	Legal reserve	Fair value reserve	Translation reserve	Retained earnings	Reserves of disposal group classified as held for sale	Total
Balance as at 31 December 2008	31,106	248,086	3,111	(9,672)	(6,031)	31,918	-	298,518
Other comprehensive (expenses)	-	-	-	(1,229)	(25,015)	-	-	(26,244)
Net profit for the period	-	-	-	-	-	2,474	-	2,474
Total comprehensive income and (expense) for the period	-	-	-	(1,229)	(25,015)	2,474	-	(23,770)
Balance as at 30 June 2009	31,106	248,086	3,111	(10,901)	(31,046)	34,392	-	274,748
Balance as at 31 December 2009	31,106	248,086	3,111	(8,662)	(5,324)	49,762	-	318,079
Other comprehensive income (expenses)	-	-	-	2,192	(3,752)	-	-	(1,560)
Net profit for the period	-	-	-	-	-	17,308	-	17,308
Total comprehensive income and (expense) for the period	-	-	-	2,192	(3,752)	17,308	-	15,748
Disposal group classified as held for sale (Note 11)	-	-	-	-	(11,901)	-	11,901	-
Balance as at 30 June 2009	31,106	248,086	3,111	(6,470)	(20,977)	67,070	11,901	333,827

Company	Share capital	Share premium	Legal reserve	Retained earnings	Total
Balance as at 31 December 2008	31,106	248,086	3,111	20,506	302,809
Net (loss) for the period	-	-	-	(6,361)	(6,361)
Total comprehensive income and (expense) for the period	-	-	-	(6,361)	(6,361)
Balance as at 30 June 2009	31,106	248,086	3,111	14,145	296,448
Balance as at 31 December 2009	31,106	248,086	3,111	19,725	302,028
Net (loss) for the period	-	-	-	(2,531)	(2,531)
Total comprehensive income and (expense) for the period	-	-	-	(2,531)	(2,531)
Balance as at 30 June 2010	31,106	248,086	3,111	17,194	299,497

The notes on pages 14 to 23 are an integral part of these financial statements.



(all amounts are in thousand LTL unless otherwise stated)

Cash Flow Statements

	Group		Company	
	January – June 2010	January – June 2009	January – June 2010	January – June 2009
Cash flows from (to) operating activities				
Profit (loss) before tax	20,164	(2,544)	(2,887)	(7,945)
Adjustments for non-cash items:				
Depreciation and amortisation	17,566	16,470	1,795	1,928
Loss from disposal and write-off of non-current assets	234	307	1	7
Change in value of financial instruments	2,268	(42)	-	-
Change in allowance and write-off of trade and other receivables	(1,736)	175	-	-
Change in allowance and write-off of inventories	1,247	553	(56)	(90)
Unrealised foreign currency exchange loss	1,260	14,142	(58)	(691)
Interest expenses	6,821	7,307	1,452	2,378
Interest (income)	(34)	(48)	-	-
Other non cash items	2,312	(235)	107	-
	50,102	36,085	354	(4,413)
Change in working capital:				
(Increase) decrease in inventories	(8,598)	(6,115)	(2,470)	(204)
(Increase) decrease in trade and other receivables and deferred charges	486	15,178	(11,105)	2,153
Increase (decrease) in trade and other payables and advances received	6,613	6,402	19,868	4,334
(Decrease) in employee benefits	(262)	(250)	-	-
Income tax (paid) received	(327)	297	-	-
Net cash flows from (to) operating activities	48,014	51,597	6,647	1,870
Cash flows from (to) investing activities				
(Acquisition) of non-current tangible assets	(2,641)	(2,936)	(137)	(1,655)
(Acquisition) of non-current intangible assets	(3,079)	(3,358)	(145)	-
Proceeds from sale of non-current assets	21	88	-	10
(Acquisition) of Laboratorium Farmaceutyczne HOMEOFARM sp. z.o.o., net of cash acquired	-	(6,976)	-	-
Settlement of financial instruments	(2,194)	2,270	-	-
Interest received	34	48	-	-
Net cash flows (to) from investing activities	(7,859)	(10,864)	(282)	(1,645)

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(all amounts are in thousand LTL unless otherwise stated)

Cash Flow Statements (cont'd)

	Group		Company	
	January – June 2010	January – June 2009	January – June 2010	January – June 2009
Cash flows from (to) financing activities				
Proceeds from loans	4,137	2,884	5,943	10,714
(Repayments) of loans	(36,656)	(32,906)	(11,225)	(8,671)
(Payment) of finance lease liabilities	(1,640)	(2,081)	(266)	(626)
Interest (paid)	(6,548)	(7,430)	(851)	(1,244)
Dividends (paid)	(3)	(68)	(3)	(68)
Net cash flows (to) from financial activities	(40,710)	(39,601)	(6,402)	105
Net increase (decrease) in cash and cash equivalents	(555)	1,132	(37)	330
Net foreign exchange difference	-	623	-	-
Cash and cash equivalents at the beginning of the period	3,417	1,966	177	31
Cash and cash equivalents at the end of the period	2,862	3,721	140	361
Supplemental information of cash flows:				
Property, plant and equipment acquisition financed by finance lease	-	608	-	139

The notes on pages 14 to 23 are an integral part of these financial statements.



Notes to the Financial Statements

1. General information

Sanitas, AB (hereinafter the Company) is a public limited liability company registered in the Republic of Lithuania on 30 June 1994. The address of its registered office is as follows:

Veiveriu str. 134 B,
Kaunas,
Lithuania.

The Company is involved in production and trade of generic medicines, namely injection preparations, tablets, capsules and ointments. The Company's shares are listed in the Baltic Main List on NASDAQ OMX Vilnius, AB (previously known as Vilnius Stock Exchange).

As at 30 June 2010 and 31 December 2009 the shareholders of the Company were:

	30 June 2010		31 December 2009	
	Number of shares held (thousand)	Percentage	Number of shares held (thousand)	Percentage
Invalda, AB	8,254	26.54%	8,254	26.54%
Baltic Pharma Limited	6,315	20.30%	6,315	20.30%
Citigroup Venture Capital International Jersey Limited	5,461	17.56%	5,312	17.08%
Amber Trust II	3,952	12.70%	3,952	12.70%
Other	7,124	22.90%	7,273	23.38%
Total	31,106	100.00%	31,106	100.00%

The interim condensed consolidated financial statements include the financial statements of Sanitas, AB and the subsidiaries listed in the following table (hereinafter – the Group):

Name	Main activities	Country of incorporation	% of equity interest	
			January – June 2010	January – June 2009
Jelfa S.A.	Production and trade of medicines	Poland	100	100
HBM Pharma s.r.o.	Production and trade of medicines	Slovakia	100	100
Laboratorium Farmaceutyczne Homeofarm sp. z.o.o	Production and trade of medicines	Poland	100	-
Sanitas Pharma a.s.	Marketing, sales and regulatory affairs services	Czech Republic	100	-

On 17 May 2010 HBM Pharma s.r.o established a new subsidiary Sanitas Pharma JSC. Marketing, sales and regulatory affairs activities located in Bratislava and Prague were separated from HBM Pharma s.r.o. and transferred to newly established subsidiary. On 17 June Sanitas Pharma JSC was sold to the other Group company Jelfa S.A. These changes were performed due to the fact, that in July HBM Pharma s.r.o. was sold to Latvian company SIA Liplats 2000 (Note 11).

As at 30 June 2010 the number of employees of the Group was 1,361 (as at 31 December 2009 – 1,372). As at 30 June 2010 the number of employees of the Company was 128 (as at 31 December 2009 – 131).

The interim condensed financial statements were approved and signed by the Management on 23 August 2010.



2. Accounting principles

The principal accounting policies adopted in preparing the Group's and the Company's interim condensed financial statements for the period ended 30 June 2010 are as follows:

Basis of preparation

The interim condensed consolidated and separate financial statements for the period ended 30 June 2010 have been prepared in accordance with IAS 34 Interim Financial Reporting.

The interim condensed consolidated and separate financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's and the Company's annual financial statements as at 31 December 2009.

Significant accounting policies

The accounting policies adopted in the preparation of the interim condensed consolidated and separate financial statements are consistent with those followed in the preparation of the Group's and the Company's annual financial statements for the year ended 31 December 2009, except for the adoption of new Standards and Interpretations as of 1 January 2010, noted below. The adoption of the following revised and amended standards and interpretations resulted in changes to accounting policies but did not have any impact of the financial position or performance of the Group and the Company.

- *IFRS 1 (revised) "First-time Adoption of IFRS"*

The revised IFRS 1 retains the substance of its previous version but within a changed structure in order to make it easier for the reader to understand and to better accommodate future changes.

- *Amendments to IFRS 2 "Share-based Payment"*

The amendments provide a clear basis to determine the classification of share-based payment awards in both consolidated and separate financial statements. The amendments incorporate into the standard the guidance in IFRIC 8 and IFRIC 11, which are withdrawn. The amendments expand on the guidance given in IFRIC 11 to address plans that were previously not considered in the interpretation. The amendments also clarify the defined terms in the Appendix to the standard.

- *Amendments to IFRS 5 "Non-current Assets Held for Sale and Discontinued Operations"*

The amendments provide the clarification that all of a subsidiary's assets and liabilities are classified as held for sale, even when the entity will retain a non-controlling interest in the subsidiary after the sale. Other amendment clarifies that the disclosures required in respect of non-current assets and disposal groups classified as held for sale or discontinued operations are only those set out in IFRS 5. The disclosure requirements of other IFRSs only apply if specifically required for such non-current assets or discontinued operations.

- *Amendments to IFRS 8 "Operating segments"*

The amendments clarify that segment assets and liabilities need only be reported when those assets and liabilities are included in measures that are used by the chief operating decision maker.

- *Amendments to IAS 1 "Presentation of Financial Statements"*

The amendments allows classification of certain liabilities settled by entity's own equity instruments as non-current.

- *Amendments to IAS 7 "Statement of Cash Flows"*

The amendments explicitly states that only the expenditure that results in recognising an asset can be classified as a cash flow from investing activities.

- *Amendments to IAS 17 "Leases"*

The amendments allow the classification of certain long-term land leases as finance leases under IAS 17 even without transfer of ownership of the land at the end of the lease.

- *Amendments to IAS 36 "Impairment of Assets"*

The amendment clarified that the largest unit permitted for allocating goodwill, acquired in a business combination, is the operating segment as defined in IFRS 8 before aggregation for reporting purposes.

- *Amendments to IAS 38 "Intangible Assets"*

The amendment supplements IAS 38 regarding measurement of fair value of intangible assets acquired in a business combination.

- *Amendments to IAS 39 "Financial Instruments: Recognition and Measurement"*

IAS 39 was amended (i) to include in its scope option contracts that could result in business combinations, (ii) to clarify the period of reclassifying gains or losses on cash flow hedging instruments from equity to profit or loss for the year and (iii) to state that a prepayment option is closely related to the host contract if upon exercise the borrower reimburses economic loss of the lender.

- *Amendments to IFRIC 9 "Reassessment of Embedded Derivatives"*

This amendment states that embedded derivatives in contracts acquired in common control transactions and formation of joint ventures are not within its scope.



(all amounts are in thousand LTL unless otherwise stated)

2. Accounting principles (cont'd)

- *Amendments to IFRIC 15 "Agreements for the Construction of Real Estate"*

The interpretation clarifies when and how revenue and related expenses from the sale of a real estate unit should be recognised if an agreement between a developer and a buyer is reached before the construction of the real estate is completed. Furthermore, the interpretation provides guidance on how to determine whether an agreement is within the scope of IAS 11 or IAS 18.

- *Amendments to IFRIC 16 "Hedge of a Net Investment in a Foreign Operation"*

The amendment removes the restriction in IFRIC 16 that hedging instruments may not be held by the foreign operation that itself is being hedged.

- *Amendments to IFRIC 17 "Distributions of Non-cash Assets to Owners"*

The interpretation provides guidance on the appropriate accounting treatment when an entity distributes assets other than cash as dividends to its shareholders. The interpretation clarifies when to recognise a liability, how to measure it and the associated assets, and when to derecognise the asset and liability.

- *Amendments to IFRIC 18 "Transfers of Assets from Customers"*

The Interpretation provides guidance on accounting for agreements in which an entity receives from a customer an item of property, plant and equipment that the entity must then use either to connect the customer to a network or to provide the customer with ongoing access to a supply of goods or services (such as a supply of electricity, gas or water).

3. Segment information

For management purposes, the Group is organised into business units on their products, and has four reportable operating segments: injectables, tablets, ointments and eye drops and pre-filled syringes. Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment.

Operating expenses, which are directly related to the operating segments, are allocated to the particular segments. Other operating expenses, related to the ordinary activities are indirectly allocated to the operating segments – pro rata production volumes in the period. One-off operating expenses are not allocated to the segments. Financial activities and income taxes are managed on a Group level and are not allocated to the operating segments as well. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and assessment of segment performance.

The following tables present revenue and profit information regarding the Group's and Company's operating segments for the period ended 30 June 2010 and 2009, respectively.

Group	Injectables		Tablets		Ointments		Eye drops, syringe		Unallocated		Total	
	1H 2010	1H 2009	1H 2010	1H 2009	1H 2010	1H 2009	1H 2010	1H 2009	1H 2010	1H 2009	1H 2010	1H 2009
	Toll manufacturing sales	21,889	23,757	13,600	13,823	480	940	-	-	7	73	35,976
Own products sales	20,632	20,563	53,046	42,945	64,274	49,212	241	-	3,107	2,007	141,300	114,727
Total revenue	42,521	44,320	66,646	56,768	64,754	50,152	241	-	3,114	2,080	177,276	153,320
Profit (loss) before taxes	5,021	(4,241)	1,102	6,321	29,806	15,300	(715)	(242)	(15,050)	(19,682)	20,164	(2,544)

Company	Injectables		Tablets		Ointments		Eye drops, syringe		Unallocated		Total	
	1H 2010	1H 2009	1H 2010	1H 2009	1H 2010	1H 2009	1H 2010	1H 2009	1H 2010	1H 2009	1H 2010	1H 2009
	Toll manufacturing sales	1,197	1,252	-	-	-	-	-	-	-	-	1,197
Own products sales	3,716	3,807	2,500	1,652	891	916	222	-	18	(116)	7,347	6,259
Total revenue	4,913	5,059	2,500	1,652	891	916	222	-	18	(116)	8,544	7,511
Profit (loss) before taxes	(1,518)	(5,010)	(1,670)	(1,176)	307	449	(522)	(242)	516	(1,966)	(2,887)	(7,945)

* Profit (loss) before taxes include gross profit less operating expenses.

Revenue reported above represents revenue generated from external customers. There were no intersegment sales in the year 2010 and 2009. There are no significant seasonality fluctuations in the Group's and the Company's operational business. Unallocated sales mainly include sales of syrups and suspensions, which can not be attributed to the other segments.

There have been no material changes in operating segments assets allocation since the disclosed in the last annual financial statements.



(all amounts are in thousand LTL unless otherwise stated)

3. Segment information (cont'd)

The Group's and Company's revenue from external customers by geographical location for the period ended 30 June 2010 and 2009 detailed below:

	Group						Company					
	Toll manufacturing sales		Own products sales		Total		Toll manufacturing sales		Own products sales		Total	
	1H	1H	1H	1H	1H	1H	1H	1H	1H	1H	1H	1H
	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009
Poland	635	1,830	87,079	71,880	87,714	73,710	-	-	47	188	47	188
Russia	-	-	25,257	17,227	25,257	17,227	-	-	-	-	-	-
Latvia	15,237	14,109	343	250	15,580	14,359	1,197	1,252	343	250	1,540	1,502
Slovakia	7,341	8,152	2,804	2,510	10,145	10,662	-	-	-	-	-	-
Germany	8,552	12,091	-	-	8,552	12,091	-	-	-	-	-	-
Lithuania	-	-	6,957	5,821	6,957	5,821	-	-	6,957	5,821	6,957	5,821
Ukraine	-	-	4,932	4,199	4,932	4,199	-	-	-	-	-	-
Czech Republic	1,112	680	3,587	3,404	4,699	4,084	-	-	-	-	-	-
Hungary	1,889	860	1,684	1,669	3,573	2,529	-	-	-	-	-	-
Georgia	-	-	3,200	2,416	3,200	2,416	-	-	-	-	-	-
Bulgaria	-	-	1,763	1,056	1,763	1,056	-	-	-	-	-	-
Vietnam	-	-	1,324	1,523	1,324	1,523	-	-	-	-	-	-
Kazakhstan	-	-	1,088	1,460	1,088	1,460	-	-	-	-	-	-
Switzerland	976	558	-	-	976	558	-	-	-	-	-	-
Belarus	-	-	493	726	493	726	-	-	-	-	-	-
Uzbekistan	-	-	428	163	428	163	-	-	-	-	-	-
Great Britain	141	150	-	-	141	150	-	-	-	-	-	-
Moldova	-	-	128	211	128	211	-	-	-	-	-	-
Kyrgyzstan	-	-	96	118	96	118	-	-	-	-	-	-
USA	-	163	-	-	-	163	-	-	-	-	-	-
Unallocated	93	-	137	94	230	94	-	-	-	-	-	-
Total	35,976	38,593	141,300	114,727	177,276	153,320	1,197	1,252	7,347	6,259	8,544	7,511

Own products sales in Poland market

Sales in Poland recovered in 2010 in comparison to 2009. Sales during 6 months of 2010 were 21% higher than one year ago. The highest growth came in the first quarter of 2010, when the Group was enjoying significantly higher demand compared to 2009. Second quarter of 2010 showed slightly lower sales (4%) compared to the same period one year ago, which was resulted by additional decrease of inventory level in distribution channel.

Own products sales in Russia market

Sales in Russian market went up by 47% in the first half of 2010 compared to the same period one year ago. Sales increased by 95% in the second quarter of 2010 compared with 2009. The increase came as a result of higher demand in Russian market and slight increase of level of inventories in the Russian channel (approximately by LTL 2 million).

Own products sales in Lithuania market

Sales in Lithuanian market increased by 34% in the first quarter of 2010 followed by 9 % increase (year-on-year) during the second quarter of 2010. The growth came as a result of full scale operation since very beginning of 2010, which was not the case in 2009, when operation was partially limited due to start up phase of new plant in Kaunas.

Own products sales in other markets

Other countries showed growth of 10% during first 6 months of 2010. Major growth drivers were Ukraine and Georgia (17% and 32% growth respectively). Sales in Ukraine increased as a result of efficiently targeted sales force. Shipments to Georgian market are usually done once per quarter therefore increase was caused by both – higher demand and higher shipment in the second quarter of 2010.



(all amounts are in thousand LTL unless otherwise stated)

4. Other income

The increase in the other income of the Company relates to the management consulting services income accounted for the first half of 2010 in the amount of LTL 2,006 thousand. Respective income for full year 2009 was accounted in the fourth quarter of 2009.

5. Selling and distribution expenses

	Group		Company	
	January – June 2010	January – June 2009	January – June 2010	January – June 2009
Marketing services	(18,886)	(16,476)	(848)	(253)
Wages, salaries and social security	(12,690)	(13,499)	(588)	(700)
Cars maintenance	(2,603)	(2,439)	(79)	(75)
Amortisation	(1,646)	(1,371)	(4)	(4)
Other expenses related to selling and distribution employees	(1,398)	(722)	-	-
Transportation expenses	(1,284)	(1,349)	(2)	-
Depreciation	(706)	(751)	(234)	(216)
Education and meetings	(643)	(727)	-	(10)
Business trips	(494)	(527)	(21)	(34)
IT and telecommunication costs	(437)	(622)	(16)	(20)
Rent	(376)	(463)	-	-
Taxes (except for social security and income tax)	(321)	(324)	-	-
Office supplies	(221)	(185)	(9)	-
Other	(117)	(101)	(79)	(76)
	<u>(41,822)</u>	<u>(39,556)</u>	<u>(1,880)</u>	<u>(1,388)</u>

Selling and distribution expenses increased in comparison to prior year because in the first half of 2010 more marketing campaigns were run.

6. Administrative expenses

	Group		Company	
	January – June 2010	January – June 2009	January – June 2010	January – June 2009
Wages, salaries and social security	(8,391)	(8,289)	(2,645)	(2,839)
Amortisation	(1,186)	(1,147)	(7)	(14)
Consulting and other similar services	(967)	(943)	(157)	(167)
Depreciation	(929)	(988)	(450)	(479)
Change in allowance for inventories	(717)	(148)	57	6
IT services	(646)	(667)	-	-
Write-off of inventories	(530)	(405)	(1)	84
Utilities	(526)	(496)	(229)	(232)
Business trips	(461)	(476)	(223)	(263)
Cars maintenance	(441)	(311)	(51)	(66)
Telecommunication	(240)	(238)	(80)	(90)
Write-off of property, plant and equipment and intangible assets	(235)	(263)	(1)	(1)
Cleaning and waste utilisation	(176)	(208)	(53)	(61)
Office supplies	(173)	(228)	(44)	(43)
Repair and maintenance	(164)	(323)	(53)	(114)
Taxes (except for social security and income tax)	(135)	(116)	(72)	(69)
Rent	(108)	(142)	(53)	(81)
Education and meetings	(90)	(97)	(4)	(12)
Change in Corhydron case related provision	3	-	-	-
Change in impairment of non-current assets	262	(8)	-	-
Change in allowance for trade and other receivables	1,736	(175)	-	-
Write-off of trade and other receivables	-	1	-	1
Other	(1,324)	(1,534)	(417)	(698)
	<u>(15,438)</u>	<u>(17,201)</u>	<u>(4,483)</u>	<u>(5,138)</u>

6. Administrative expenses (cont'd)

LTL 2,011 thousand income of change in allowance for trade and other receivables represents the reversal of the allowance of the receivable of Jelfa S.A. which was recorded before the Company acquired this subsidiary, as Jelfa S.A. recovered the amount.



(all amounts are in thousand LTL unless otherwise stated)

7. Financial activity, net

	Group		Company	
	January – June 2010	January – June 2009	January – June 2010	January – June 2009
Cash income from financial instruments	2,059	4,094	-	-
Interest income	34	48	1	1
Foreign currency exchange gain, net	-	-	58	783
Fair value gain from derivatives	-	42	-	-
Other financial income	97	17	-	-
	<u>2,190</u>	<u>4,201</u>	<u>59</u>	<u>784</u>
Interest (expenses)	(6,821)	(7,307)	(1,452)	(2,378)
Cash outflows for financial instruments	(4,253)	(2,710)	-	-
Fair value (loss) from derivatives	(2,268)	-	-	-
Foreign currency exchange (loss), net	(1,260)	(12,945)	-	-
Other financial (expenses)	(114)	(46)	(107)	(38)
	<u>(14,716)</u>	<u>(23,008)</u>	<u>(1,559)</u>	<u>(2,416)</u>

8. Income tax benefit (expenses)

	Group		Company	
	January – June 2010	January – June 2009	January – June 2010	January – June 2009
Current year income tax	(1,649)	(96)	-	-
Prior year current income tax correction	-	52	-	17
Deferred tax income (expenses)	(1,207)	5,062	356	1,567
Income tax (expenses) benefit charged to the profit and loss	<u>(2,856)</u>	<u>5,018</u>	<u>356</u>	<u>1,584</u>

9. Property, plant and equipment

During the six months ended 30 June 2010, the Group acquired non current fixed assets with a cost of LTL 2,882 thousand (for the period ended 30 June 2009 – LTL 3,209 thousand). Assets with a net book value of LTL 265 thousand were disposed and written off by the Group during the six months ended 30 June 2010 (for the period ended 30 June 2009 – LTL 741 thousand), resulting in a net loss on disposal and write-off of LTL 234 thousand (for the period ended 30 June 2009 net loss of LTL 300 thousand).

During the six months ended 30 June 2010, the Company acquired non current fixed assets with a cost of LTL 38 thousand (for the period ended 30 June 2009 – LTL 343 thousand). Assets with a net book value of LTL 1 thousand were disposed and written off by the Company during the six months ended 30 June 2010 (for the period ended 30 June 2009 – LTL 17 thousand), resulting in a net loss on disposal and write-off of LTL 1 thousand (for the period ended 30 June 2009 – LTL 7 thousand).

10. Intangible assets

During the six months ended 30 June 2010, the Group acquired non current intangible assets with a cost of LTL 2,976 thousand (for the period ended 30 June 2009 – LTL 2,084 thousand). Assets with a net book value of LTL 0 thousand were disposed and written off by the Group during the six months ended 30 June 2010 (for the period ended 30 June 2009 – LTL 7 thousand), resulting in a net loss on disposal and write-off of LTL 0 thousand (for the period ended 30 June 2009 net loss of LTL 7 thousand).

During the six months ended 30 June 2010, the Company acquired non current intangible assets with a cost of LTL 145 thousand (for the period ended 30 June 2009 the Company did not acquire non current intangible assets). Assets with a net book value of LTL 0 thousand were disposed and written off by the Company during the six months ended 30 June 2010 (for the period ended 30 June 2009 the Company did not write-off or dispose any intangible assets), resulting in a net loss on disposal and write-off of LTL 0 thousand.



11. Disposal group classified as held for sale

The assets and liabilities related to the company HBM Pharma s.r.o. have been presented in the consolidated and separate financial statements as held for sale following the agreement between the Company and Latvian company SIA Liplats 2000 dated 27 April 2010 on HBM Pharma s.r.o. sale. The transaction was closed on 8 July 2010 (Note 15).

LTL 41,691 thousand, related to the investment to HBM Pharma s.r.o. cost have been reclassified to the non-current asset held for sale in the separate financial statement as at 30 June 2010. The table below represents the consolidated balance sheet elements, related to the disposal group assets, classified as held for sale as at 30 June 2010.

	<u>As at 30 June 2010</u>
Property, plant and equipment	33,095
Intangible assets	159
Inventories	9,923
Prepaid income tax	38
Trade receivables	9,295
Other receivables	1,053
Prepayments and deferred expenses	746
Cash and cash equivalents	1,194
Assets of disposal group classified as held for sale	<u>55,503</u>
Foreign exchange translation adjustment	11,901
Reserves of disposal group classified as held for sale	<u>11,901</u>
Financial lease obligations	1,875
Employee benefit liability	581
Current loans	11,916
Trade payables	12,820
Other current liabilities	3,435
Liabilities of disposal group classified as held for sale	<u>30,627</u>

12. Loans

In June, the repayment of the Company's loan to Amber Trust II in principal amount of LTL 2,359 was postponed till 31 December 2010.

In June Jelfa S.A. overdrafts from banks Bank Polska Kasa Opieki S.A. and Bank Zachodni WBK S.A. in principal amount of PLN 10,000 thousand each were prolonged till the end of July 2010.

13. Financial risks management objectives and policies

The Group's and the Company's principal financial liabilities, other than derivatives, comprise bank loans and overdrafts, finance leases and trade payables. The main purpose of these financial liabilities is to raise finance for the Group's and the Company's operations. The Group and the Company has various financial assets such as trade and other receivables and cash, which arise directly from its operations. The Group also enters into derivative transactions.

The Group uses foreign currency options and interest rate swaps in order to hedge its foreign currency and interest rate risks. The Group does not use derivative financial instruments for speculative purposes.

The principal financial risks to which the Group and the Company is exposed are those of interest rate, liquidity, foreign exchange and credit. The Group Management reviews and agrees policies for managing each of these risks, which are summarised below.



13. Financial assets and liabilities and risk management (cont'd)

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's and the Company's exposure to the risk of changes in market interest rates relates primarily to the long-term debt obligations with floating interest rates. Current environment is not attractive to target fixed interest rates (fixed interest rate is significantly higher than the float, and due to the volatility in the market fixed interest rate is offered to short period of time only) and therefore the Group and the Company keeps majority of its financial liabilities at floating interest rates.

To manage the interest rate risk the Group company Jelfa S.A. entered into interest rate swaps, in which it agreed to exchange, at specified intervals, the difference between fixed and variable rate interest amounts calculated by reference to an agreed-upon notional principal amounts. These swaps are designated to hedge Jelfa S.A. loan from banks Bank Polska Kasa Opieki S.A. and Bank Zachodni WBK S.A. The Group and the Company is ready to enter other interest rate swap agreements if this allows to further mitigate risk.

Liquidity risk

The Management Board reviews the Group's liquidity risks annually as part of the planning process and on ad hoc basis. The Board considers short-term requirements against available sources of funding taking into account cash flow.

The Group and the Company monitors its risk to a shortage of funds using a standard weekly report on the cash flows with a liquidity projection for the future periods. The report considers projected cash flows from operations and allows for the Group management to effectively plan cash injection if needed.

The Group's and the Company's objective is to maintain a balance between continuity of funding and flexibility through the use of bank overdrafts, bank loans, finance leases and factoring contracts.

Foreign exchange risk

Foreign currency risk is the risk that the fair value of the future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group's and the Company's exposure to the risk of changes in foreign exchange rates relates primarily to the Group and Company operating activities (when revenue or expense are denominated in a different currency from the Group's and the Company's functional currencies).

The Group and the Company seeks to mitigate the effect of its structural currency exposure by keeping the assets and the liabilities denominated in the same currency, which is the functional currency for each individual entity.

In June 2008 Jelfa S.A. PLN loan from banks Bank Polska Kasa Opieki S.A. and Bank Zachodni WBK S.A. amounting to PLN 248,000 thousand (principal amount in original currency PLN 310,000 thousand) were converted to EUR. In order to hedge foreign exchange risk the subsidiary entered into a number of options agreements securing PLN conversion to EUR at 3.8 PLN/EUR exchange rate at loan instalment day for all instalments due until August 2010.

Credit risk

Credit risk is the risk that the counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risk from its operating activities (primarily for trade receivables) and from its financing activities, which include foreign exchange transactions and other financial instruments.

The credit risk related to receivables is managed by each Group company separately trading only with recognised, creditworthy third parties. According to the Group's and the Company's policy all customers wishing to trade on credit terms are subject to credit verification procedures. For transactions that do not occur in the countries, where the Group has affiliates, the Group and the Company does not offer credit terms without the approval of the Head of Commercial operations and Chief Financial Officer. In addition, outstanding receivable balances are monitored on a weekly basis by the Group management. For the justified cases, the sales are stopped or prepayment for deliveries is required. When possible, factoring without a right to recourse is used as additional security mean for trade accounts receivable in country of operation. The Group also uses credit insurance for domestic and export trade protecting its trade accounts receivable. The Group does not hold collateral as security. In the first half of 2010 trade receivables, which are overdue, but not impaired balance decreased from LTL 3,568 thousand, which was as at 31 December 2009 till LTL 2,163 thousand, which was as at 30 June 2010.

5 customers with the greatest outstanding receivable balances represented 59% of total Group receivables as at 30 June 2010 (45% as at 31 December 2009). The maximum exposure to credit risk at the reporting date is the carrying value of the receivables, which is disclosed in the balance sheet.



(all amounts are in thousand LTL unless otherwise stated)

14. Related party transactions

In the first half of 2010 and 2009 the Group and the Company had transactions and balances with the following related parties:

- Amber Trust II (the shareholder of the Company);
- Citigroup Venture Capital International Jersey Limited (the shareholder of the Company);
- Invalda, AB (the shareholder of the Company);
- Natural persons (the shareholders of the Company);
- HBM Pharma s.r.o. (the subsidiary of the Company);
- Jelfa S.A. (the subsidiary of the Company);
- Laboratorium Farmaceutyczne Homeofarm sp. z o.o. (the subsidiary of the Company);
- Sanitas Pharma a.s. (the subsidiary of the Company);
- Acena, UAB (the affiliate of Invalda, AB);
- Baltic Amadeus Infrastrukturos Paslaugos, UAB (the affiliate of Invalda, AB);
- Finasta Imoniu Finansai, AB (the affiliate of Invalda, AB);
- FMI Finasta, AB (the affiliate of Invalda, AB);

The Group's and the Company's transactions with related parties in the period ended 30 June 2010 and related balances as at 30 June 2010 were as follows:

	Sales to related parties	Purchases from related parties	Amounts owed by related parties	Amounts owed to related parties
The Company's transactions				
HBM Pharma s.r.o.	322	7,428	220	20,553
Jelfa S.A.	1,731	9,515	42	30,716
Laboratorium Farmaceutyczne Homeofarm sp. z o.o.	3	19	-	18
Sanitas Pharma a.s.	-	22	-	22
The Company's and the Group's transactions				
Amber Trust II	-	76	-	2,588
Citigroup Venture Capital International Jersey Limited	-	-	-	3,187
Invalda, AB	-	257	-	8,754
Natural persons	-	47	-	1,610
Acena, UAB	-	32	-	-
Baltic Amadeus Infrastrukturos Paslaugos, UAB	-	1	-	1

The Group's and the Company's transactions with related parties in the period ended 30 June 2009 and related balances as at 30 June 2009 were as follows:

	Sales to related parties	Purchases from related parties	Amounts owed by related parties	Amounts owed to related parties
The Company's transactions				
HBM Pharma s.r.o.	220	2,930	-	11,360
Jelfa S.A.	342	1,142	-	30,182
The Company's and the Group's transactions				
Amber Trust II	-	76	-	2,435
Citigroup Venture Capital International Jersey Limited	-	-	-	3,187
Invalda, AB	-	257	-	8,235
Natural persons	-	47	-	1,512
Acena, UAB	-	22	-	-
Baltic Amadeus Infrastrukturos Paslaugos, UAB	-	18	-	-
Finasta Imoniu Finansai, AB	-	1	-	1
FMI Finasta, AB	-	17	-	4



15. Post balance sheet events

On 8 July the Company sold 100% of HBM Pharma s.r.o. shares. The primary selling price amounted to LTL 45,461 thousand. Proceeds from sale were mainly used to reduce financial indebtedness of Sanitas Group and for further development of the business.

In July Jelfa S.A. overdrafts from banks Bank Polska Kasa Opieki S.A. and Bank Zachodni WBK S.A. in principal amount of PLN 10,000 thousand each were prolonged till the end of August 2010.

**SIX MONTHS' INTERIM CONSOLIDATED REPORT FOR THE PERIOD
ENDED 30 JUNE 2010**



I. PERIOD FOR WHICH SIX MONTHS' CONSOLIDATED REPORT IS PREPARED

1. Reporting period

The six months' interim consolidated report is prepared for the first half of 2010.

II. SHORT PRESENTATION OF SANITAS, AB GROUP

2. Main data about Sanitas, AB

Sanitas, AB (hereinafter Sanitas or Company)	
Legal form	Joint stock company
Registration date	June 30, 1994
Registration place	Kaunas Municipality Board
Register, in which data about the company are stored	Register of legal entities of Republic of Lithuania
Code	1341 36296
Registered office	Veiveriu str. 134 B, LT-46352 Kaunas, Lithuania
Phone number	+370 37 22 67 25
Fax number	+370 37 22 36 96
E-mail	sanitas@sanitas.lt
Website	www.sanitas.lt

3. Contacts of other enterprises of Sanitas Group

3.1. Other enterprises of Sanitas Group as at 30 June 2010

HBM Pharma s.r.o (hereinafter HBM)	
Legal form	Limited liability company
Registration date	March 2, 1992
Register, in which data about the company are stored	District court in Zilina, Slovakia
Code	31 560 784
Registered office	Sklabinska 30, 036 80 Martin, Slovakia
Phone number	+421434202111
Fax number	+421434221004
E-mail	hbmpharma@hbmpharma.eu
Website	www.hoechst-biotika.sk

Jelfa SA (hereinafter Jelfa)	
Legal form	Limited liability company
Registration date	December 2, 1991
Register, in which data about the company are stored	National court register, Wroclow branch
Code	66687
Registered office	Wincentego Pola 21, 58 800 Jelenia Gora, Poland
Phone number	+48756433100
Fax number	+48757524455
E-mail	jelfa@jelfa.com.pl
Website	www.jelfa.com.pl

Laboratorium Farmaceutyczne Homeofarm sp. z.o.o (hereinafter Homeofarm)	
Legal form	Limited liability company
Registration date	December 12, 2002
Register, in which data about the company are stored	National court register, Gdansk branch
Code	00001442971
Registered office	Jagielonska 44, 80 366, Gdansk, Poland
Phone number	+48585533303
Fax number	+48585538947
E-mail	homeofarm@homeofarm.pl
Website	www.homeofarm.pl

Sanitas Pharma a.s. (hereinafter Sanitas Pharma)	
Legal form	Limited liability company
Registration date	May 15, 2010
Register, in which data about the company are stored	District court in Zilina, Slovakia
Code	45 563 811
Registered office	Bajkalska 5c, 83104, Bratislava, Slovakia
Phone number	+421917846711
Fax number	-
E-mail	michaela.tahunova@sanitaspharma.sk
Website	-

3. Contacts of other enterprises of Sanitas Group (cont'd)

3.2. Other enterprises of Sanitas Group as at 8 July 2010

Jelfa SA (hereinafter Jelfa)	
Legal form	Limited liability company
Registration date	December 2, 1991
Register, in which data about the company are stored	National court register, Wroclow branch
Code	66687
Registered office	Wincentego Pola 21, 58 800 Jelenia Gora, Poland
Phone number	+48756433100
Fax number	+48757524455
E-mail	jelfa@jelfa.com.pl
Website	www.jelfa.com.pl
Laboratorium Farmaceutyczne Homeofarm sp. z o.o (hereinafter Homeofarm)	
Legal form	Limited liability company
Registration date	December 12, 2002
Register, in which data about the company are stored	National court register, Gdansk branch
Code	00001442971
Registered office	Jagielonska 44, 80 366, Gdansk, Poland
Phone number	+48585533303
Fax number	+48585538947
E-mail	homeofarm@homeofarm.pl
Website	www.homeofarm.pl
Sanitas Pharma a.s. (hereinafter Sanitas Pharma)	
Legal form	Limited liability company
Registration date	May 15, 2010
Register, in which data about the company are stored	District court in Zilina, Slovakia
Code	45 563 811
Registered office	Bajkalska 5c, 83104, Bratislava, Slovakia
Phone number	+421917846711
Fax number	-
E-mail	michaela.tahunova@sanitaspharma.sk
Website	-

On 8 of July, HBM was sold out from Sanitas Group. For more details see Unaudited interim condensed consolidated and separate financial statements for the period ended 30 June 2010 Note 15 Post balance sheet events.

4. Structure of Sanitas Group. Portfolios held

Sanitas Group structure since 8 July, 2010.



5. The main activity of Sanitas Group

The main activities of Sanitas Group are:

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

6. Participation in activity of organizations

Sanitas is a member of Lithuanian Association of manufactures of medicines and Lithuanian Association of trade numbers and barcodes.

7. Short history of Sanitas Group

History of Sanitas Group reaches as early as 1922, when pharmaceutical laboratory Sanitas was established in Kaunas city (Lithuania) and used to manufacture cosmetics. In the course of time, the laboratory was intensely developed, its owners were changing. History of the present Sanitas started in 1994, after privatization of the Company. Manufacture was reformed according to the requirements of Good Manufacturing Practice (hereinafter GMP) and developed further.

In May 2004, Sanitas acquired shares of another Lithuanian manufacturer of pharmaceutical preparations Endokrininiai preparatai, AB. In spring 2005 in the territory of this company, at Veiveriu str. 134, Kaunas, according to project "Modernization of manufacture of Sanitas, AB", which was partially financed by Structural Funds of the European Union, building of new modern factory of medicine manufacture was started. Project was finished in September 2008. The newly installed equipment increased capacities of manufacture and expanded assortment – completely new lines of eye drops and disposable syringes were installed.

In July 2005, Sanitas acquired manufacturer of generic medicines, limited liability company HBM (formerly known as Hoechst-Biotika spol s.r.o), established in Martin city, Slovakia. Pharmaceutical factory operating at the foot of the Tatra Mountain was established in 1992. Acquisition of HBM was the first step to creation of Sanitas Group and at the same time strong step into markets of the Central Europe. At the end of 2006 HBM established office in Prague, Czech Republic, which later was re-registered to affiliate.

In 2006 Sanitas acquired shares of Polish generic pharmaceutical company Jelfa and at present owns 100% of authorised capital of this company. During acquisition process, in order to attract the new assets, emission of shares was issued. The newly issued shares were acquired by Sanitas shareholders Invalda, AB, world-famous investment funds Amber Trust II SCA, Citigroup Venture Capital International Jersey Limited and several natural persons. Jelfa's acquisition was very important for the developing of Sanitas Group and for entering markets of Central Europe. Portfolio of Sanitas Group products was supplemented by more than 100 products. The biggest part of Jelfa products are sold in Poland, other part - in Russia, Ukraine, Baltic States, Czech Republic, Hungary and Slovakia. Jelfa has representative offices in Russia, Ukraine, Hungary and Bulgaria.

On 23 December 2008 Sanitas acquired 100% stock of shares of Polish ointment producer Homeofarm through its subsidiary Jelfa. Transfer of shares of Homeofarm to Jelfa was executed by signing shares purchase-sale agreement between Jelfa and Polish company Hand – Prod sp.z.o.o.

On 27 April 2010 the agreement on sale of HBM was signed between Sanitas and Latvian company SIA Liplats 2000. The parties agreed only on sale of manufacturing site located in Martin. Marketing, sales and regulatory divisions located in Bratislava and Prague were separated from HBM and transferred to newly established HBM subsidiary Sanitas Pharma. On 16 June 2010 Sanitas subsidiary Jelfa acquired 100% of Sanitas Pharma shares. The transaction on sale of HBM between the Company and Latvian company SIA Liplats 2000 was closed on 8 July 2010.



Sanitas manufacturing plant in Kaunas, Lithuania



HBM in Martin, Slovakia



Jelfa in Jelenia Gora, Poland



8. Mission. Values

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

The values of Sanitas Group are:

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

III. INFORMATION ON SANITAS AUTHORISED CAPITAL AND SECURITIES

9. Composition of Sanitas authorised capital, rights granted by shares

Type of shares	Number of shares	Nominal value, LTL	Total nominal value, LTL	Portion of the authorised capital, %	Voting rights granted
Ordinary registered shares	31,105,920	1	31,105,920	100	1 share grants 1 vote

Sanitas shares grants the following property and non-property rights to the shareholders:

1. To receive a part of the Company's profit (dividends);
2. To receive a part of assets of the Company in liquidation;
3. To receive shares without payment if the authorised capital is increased out of the Company funds except in cases provided in the Law on companies of the Republic of Lithuania;
4. To have pre-emption right in acquiring shares or convertible debentures issued by the Company, except in cases when the General Shareholders Meeting decides to withdraw the pre-emption right for all the shareholders, according to the Law of companies of the Republic of Lithuania;
5. To lend to the Company in the manner and procedure prescribed by law;
6. To leave all or part of the shares for the other persons by will;
7. To sell or otherwise transfer the shares to the proprietorship of other persons;
8. To attend the General Shareholders Meetings;
9. To vote at the General Shareholders Meetings (one fully paid share of one Litas nominal value grants one vote);
10. To receive the information concerning economic activity of the Company, following the order set by the Articles of Association;
11. To file a claim with the court for reparation of damage resulting from nonfeasance or malfeasance by the General Manager and Management Board members of their obligations prescribed by the laws and the Articles of Association as well as in other cases laid down by laws;
12. To receive funds of the Company in cases when the authorised capital of the Company is reduced for the purpose of disbursement of funds of the Company to the shareholders;
13. To submit the questions related to the agenda of the General Shareholders Meeting to the Company in advance;
14. To authorize natural or legal person to represent his interests in relations with the Company and other persons;
15. Shareholders may exercise other property and non-property rights.

10. Sanitas own shares

During the reporting period Sanitas did not acquire and did not transfer or hold its own shares. Also Jelfa, Homeofarm, HBM, Sanitas Pharma nor persons acting under authorization of Sanitas subsidiaries did not acquire and did not hold Sanitas shares.

11. Dividends paid to Sanitas shareholders

The General Shareholders Meeting decides upon dividends payments and sets amount of dividends. Persons have a right to get dividends if they are the shareholders of the Company at the end of rights accounting day or have the right to get dividends on other legal grounds at that day. For the financial year 2009 or 2008 the Company did not pay any dividends. For the financial year of 2007 the Company declared LTL 18,664,000 dividends (0.6 LTL per ordinary registered share).



12. Data about securities trading

Only shares of Sanitas are traded on regulated market. Since 21 November 2005, the ordinary registered shares of the Company were admitted to the Baltic Main List of NASDAQ OMX Vilnius AB (hereinafter NASDAQ). Until 21 November 2005 the Company's shares were traded on the Current List of NASDAQ.

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

Type of the shares	ISIN code	Ticker	Number of shares	Nominal value, LTL	Total nominal value, LTL	Voting rights granted
Ordinary registered shares	LT0000106171	SAN1L	31,105,920	1	31,105,920	1 share grants 1 vote

Main information about Company's security trading during last five years is as follows:

	2010	2009	2008	2007	2006
Opening price, LTL	8.5	8.7	29.0	13.6	14.0
Highest price, LTL	17.5	11.5	35.0	36.4	17.0
Lowest price, LTL	9.4	6.1	7.0	13.0	12.3
Last price, LTL	17.3	9.5	8.7	29.9	13.6
Traded volume	554,587	1,477,584	1,267,264	3,204,531	1,461,782
Turnover, million LTL	7.3	12.3	27.7	63.8	20.7
Capitalisation, million LTL	538.1	296.44	270.31	930.07	423.04

13. Sanitas shareholders

Total number of the shareholders as at 30 June 2010 was 1,592.

Shareholders, who held more than 5% of the Company's authorised capital or votes by the right of ownership or acting jointly with other shareholders as at 30 June 2010:

Name of the shareholder (legal form, address of registered office and code of the enterprise)	Number of ordinary registered shares owned by the right of ownership	Share of the authorised capital, %	Share of votes, %		
			Share of votes given by the shares owned by the right of ownership, %	Indirectly owned votes, %	Share of votes directly and indirectly held by shareholders that are acting jointly, %
Invalda, AB, Seimyniskiu str. 1A, Vilnius, c. 121304349	7,254,176	23.42	23.42	3.21	26.63
Citigroup Venture Capital International Jersey Limited, 26 New street, St. Helier JE2, Channel islands, c. 90207	5,461,260	17.56	17.56	-	37.86
Baltic Pharma Limited, Ugland house, South Church street, George town, c. 218089	6,314,502	20.30	20.30	-	-
Amber Trust II S.C.A, 8-10 me Mathias Hardt, L-1717, Luxembourg, c. B103.888	4,003,147	12.87	12.87	-	-

14. Limitations of Sanitas securities transferring

On 12 January 2009 shareholders agreement between Amber Trust II SCA, Citigroup Venture Capital International Jersey Limited, Baltic Pharma Limited, Invalda, AB, Darius Sulnis, Tomas Nauseda, Jonas Bielinis, Nerijus Nauseda, Arunas Tuma, Alvydas Dirvonas, Darius Zaromskis, Donatas Jazukevicius and the Company (hereinafter Shareholders agreement) was signed. It prescribes restrictions to some of Shareholders agreement parties to transfer Sanitas shares, other than as permitted under the Shareholders agreement.

15. Special rights of control possessed by the Sanitas shareholders and description of these rights

In the Shareholders agreement it is agreed that each of the shareholders Amber Trust II SCA, Baltic Pharma Limited and Citigroup Venture Capital International Jersey Limited are entitled to elect 1 representative to the Company's managing body – the Management Board.



16. Limitations of Company's shareholders voting rights

Shareholders agreement establishes a requirement not to initiate and not to vote for the amendments of Articles of Association resulting in change of number of members of the Management Board. There are no other limitations for Sanitas shareholders voting rights known to the Company. Since the signature of Shareholders Agreement group of shareholders acting in concert terminated.

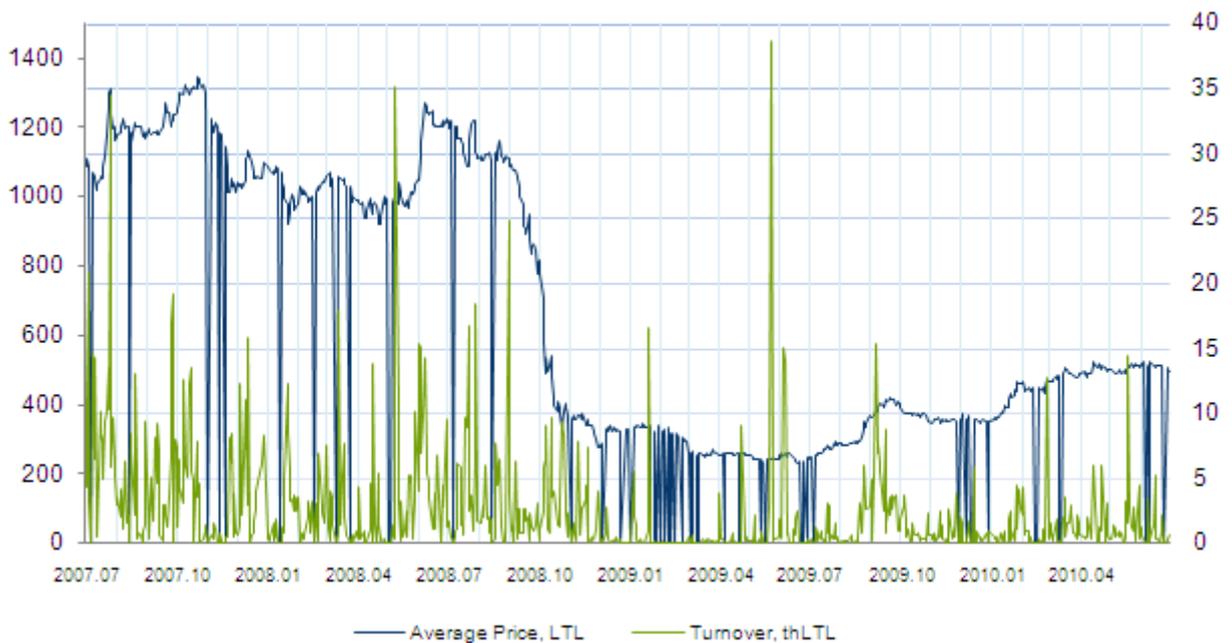
17. Sanitas shareholders agreements known to the Company according to which transferring of the securities and/or voting rights can be limited

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

18. Sanitas agreements with intermediaries of public trading in securities

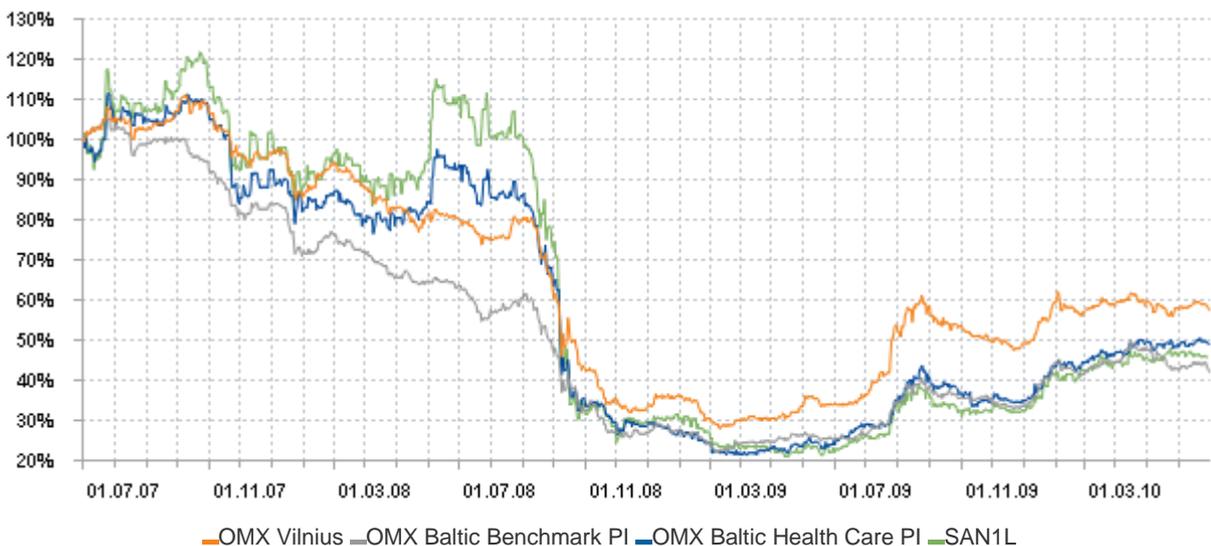
The Company has agreement with FMI Finasta, AB on the management of shares accounting, custody and accounting of securities and funds, accepting and executing orders.

19. The changes of Sanitas share price and turnover



Source: <http://www.nasdaqomxbaltic.com>

20. The changes of Sanitas share price and of NASDAQ indexes



Source: <http://www.nasdaqomxbaltic.com>



IV. INFORMATION ON SANITAS MANAGEMENT

21. Company's managing bodies

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

21.1. The Management Board

The Management Board is formed from 5 members and is elected by the General Shareholders Meeting for the 4 years period. The Management Board has all powers and authority provided under the applicable laws and which are normally appropriate for Management Boards in practice, including the competence to decide on the following issues:

1. A material change in the business of the Company;
2. Any merger, consolidation or acquisition, or sale, lease or other disposal of the Company, or all or substantially all of the Company's assets;
3. The establishment of any new subsidiary of the Company;
4. Any joint ventures between the Company and another entity;
5. Any transaction giving rise to contingent liabilities not provided in the budget in excess of EUR 250,000 (two hundred fifty thousand);
6. A sale of any subsidiaries of the Company or of all or substantially all the assets of any of the Company's subsidiaries;
7. Approval of the Company's annual operating plan and budget and any material deviation there from;
8. Capital expenditure in excess of EUR 250,000 (two hundred fifty thousand) not provided in the budget, in one transaction or a series of transactions during any year;
9. Sale of assets of the Company with a book value in excess of EUR 250,000 (two hundred fifty thousand) not provided in the budget in one transaction or a series of transactions during any year;
10. Borrowings in excess of EUR 250,000 (two hundred fifty thousand) not provided in the budget in one transaction or a series of transactions during any year and the establishment of any mortgage, pledge or lien over any asset of the Company where the book value of the asset exceeds EUR 250,000 (two hundred fifty thousand);
11. Any transaction with any officer, Management Board member or other interested party, or close relatives of any such interested party;
12. Any transaction with a shareholder or close relatives of a shareholder;
13. The constitution of any committee of the Management Board or the Management Board of any subsidiary of the Company;
14. Any transaction not in the ordinary course of business;
15. Any change in the signatory rights on behalf of the Company;
16. Appointment or change of the General Manager and the Chief Financial Officer;
17. Payment to any employee of remuneration in excess of EUR 50,000 (fifty thousand) (after tax) in any one year;
18. Other decisions prescribed to the competence of the Management Board of the Company provided under the applicable laws, resolutions of the General Shareholders Meeting or Articles of Association.

The Management Board elects and removes the Manager of the Company, fixes his remuneration, other terms of employment contract, approves his office regulations, assigns to him incentives and penalties. An employment contract with the Manager of the Company on behalf of the Company is signed by the chairman of the Management Board or other member authorized by the Management Board.

Decisions made by the Management Board is considered as lawful if more than a half of the all elected Management Board members vote in favour of it, except for the matters referred to in clauses 3 – 5, 7 – 9, 10 – 11, 13 – 15, 17 above requiring qualified majority of 3/5 (three fifths) of the Management Board members attending the Management Board meeting and for matters referred to in clauses 1 – 2, 6, 12 and 16 above, requiring more than 4/5 (four fifths) majority vote of the Management Board members attending the Management Board meeting.

Election and revocation order of the Management Board does not differ from the order set in the Law of companies of the Republic of Lithuania. Rules of election and replacement of the members of the Company's Management Board and other issues related to the work of the Management Board are specified in Sanitas Management Board Work Regulations. The latest version of Sanitas Management Board Work Regulations was approved by the Management Board on 28 April, 2009.

21.2. The Manager

The General Manager is elected and dismissed by the Management Board. The competence of the General Manager does not differ from that set in the Law of companies of the Republic of Lithuania. The General Manager has a right to issue an authorisation for the employee of the Company or the third person, following the Lithuanian legal order, to perform the legal actions related to the activity of the Company on its behalf and in its name.



21. Company's managing bodies (cont'd)

21.3 The General Shareholders Meeting

The competence of the General Shareholders Meeting and the order of its convocation do not differ from that set in the Law of the companies of the Republic of Lithuania, except cases specified in Sanitas Articles of Association. The General Shareholders Meeting has an exclusive right to adopt the following resolutions regarding:

1. Amendment to the Articles of Association of the Company;
2. Amendment to the rights associated with any of the shares of the Company;
3. Issuance of bonds and debentures, including convertibles;
4. Issuance of new equity or capital, including shares, rights, options, warrants to purchase shares (or other convertible or quasi-equity securities), provided each shareholder has a pre-emptive right to subscribe for the newly issued shares or rights;
5. De-listing of the shares, new public listing of the shares on any stock exchange;
6. Any reduction, repayment or buyback of the shares of the Company or any shares of its subsidiaries;
7. Declaration and payment of any dividends or other distributions;
8. Liquidation, dissolution or winding up of the Company including appointment of the liquidator;
9. Appointment and change of the audit company for the Company, establishment of payment conditions for audit services;
10. Approval of the set of annual financial accounts and the report on the Company's operation, including the report of the Management Board;
11. Issuance of shares or other securities under the employee stock option plan and its rules and regulations, and any other future stock option or incentive plans as approved by the Management Board;
12. Decisions on the reorganization, transformation or restructuring of the Company;
13. Decision to revoke for all the shareholders the pre-emptive right in acquiring the shares or convertible debentures of the Company of a specific issue;
14. Other decisions prescribed to the competence of the General Shareholders Meeting of the Company provided under the applicable laws.

A decision is deemed to be adopted by the General Shareholders Meeting when more shareholders vote in favour of it than against it except for the following cases: adoption of decisions under clauses 3 – 7 and 9 – 12 above require a 2/3 (two thirds) majority vote, whilst adoption of decisions under clauses 1 – 2, 8 and 13 require a 5/6 (five sixths) majority vote of the shareholders present in the General Shareholders Meeting.

21.4. Sanitas Audit Committee

The Audit Committee consists of 4 members, 1 of them is independent. The term of office of the Audit Committee coincides with the term of office of the Management Board. Members of the Audit Committee are elected by the General Shareholders Meeting at the proposal of the Management Board. The main functions of the Audit Committee are:

1. To provide the Management Board of the Company with recommendations related to selection, repeated appointment and cancellation of an external audit company as well as the terms and conditions of the agreement with the audit company;
2. To observe the process of carrying out an external audit;
3. To observe how the external auditor and audit company follow the principles of independence and objectivity;
4. To observe the process of preparation of sets of financial reports of the Company;
5. To observe the efficiency of systems of internal control, risk management and internal audit, if such functions exist in the Company. Should there be no internal audit authority in the Company, the need for one should be reviewed at least annually;
6. To review efficiency of external audit process and responsiveness of management of the Company to recommendations and remarks made in the external auditor's management letter;
7. To fulfil other functions specified in the legal acts of the Republic of Lithuania and the recommendations of the Code of management of companies listed with NASDAQ.

The Audit Committee is a collegial body, taking decisions during meetings. The Audit Committee may take decisions and its meeting is considered as valid, when at least 3 (three) members of the Audit Committee participate in it. The decision is passed when at least 3 (three) of the participating members of the Audit Committee vote for it.

22. Data about members of the Management Board, members of the Audit Committee, Managing and Finance Directors

Education, work experience and participation in the activity of other companies as at 30 June 2010:

	<p>Education: Master degree in Economics (First Class) from King's College, University of Cambridge, UK; UK qualified Chartered Accountant.</p>																								
<p>Ashwin Roy Member of the Management Board</p>	<p>Work experience: PricewaterhouseCoopers, London, UK – Assistant Manager, Audit and Transaction Support (1996-2000); Societe Generale Asset Management, London & Paris – Fund Manager (2000 – 2001).</p>																								
	<p>Participation in the activity of other companies:</p>																								
	<table border="1"> <thead> <tr> <th data-bbox="646 593 1069 622">Name of organization, position taken</th> <th data-bbox="1276 577 1524 622">Shares held in other companies (more than 5 %)</th> </tr> </thead> <tbody> <tr> <td data-bbox="478 622 949 651">Citi Venture Capital International – Director;</td> <td data-bbox="1508 622 1524 651">-</td> </tr> <tr> <td data-bbox="478 651 1141 703">Eurasian Brewery Holdings Limited (Jersey, English islands) – Director;</td> <td data-bbox="1508 651 1524 680">-</td> </tr> <tr> <td data-bbox="478 703 1109 732">Silja Line Oy (Finland) - Member of the Supervisory Board;</td> <td data-bbox="1508 703 1524 732">-</td> </tr> <tr> <td data-bbox="478 732 1157 761">AS Tallink Grupp (Estonia) - Member of the Supervisory Board.</td> <td data-bbox="1508 732 1524 761">-</td> </tr> </tbody> </table>	Name of organization, position taken	Shares held in other companies (more than 5 %)	Citi Venture Capital International – Director;	-	Eurasian Brewery Holdings Limited (Jersey, English islands) – Director;	-	Silja Line Oy (Finland) - Member of the Supervisory Board;	-	AS Tallink Grupp (Estonia) - Member of the Supervisory Board.	-														
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	<p>Education: Master degree of faculty of Economics, Vilnius University.</p>																								
<p>Darius Sulnis Member of the Management Board</p>	<p>Work experience: FMI Finasta, AB – Director (1994 – 2002); Invalda Real Estate, UAB (current name of the company Invalda Nekilnojamojo Turto Valdymas, UAB) – Director (2002 – 2006).</p>																								
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	<p>Education: Banking and finances, faculty of Economics, Vilnius University.</p>																								
<p>Martynas Cesnavicius Member of the Management Board</p>	<p>Work experience: Pemco Kuras, UAB – Financial Controller (1996 – 1998); Moller Invest – General Manager (1998 – 2003); Vilnius Audi Center – Director (2002 – 2003).</p>																								
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Amilina, AB – Member of the Management Board;	-																								
Premia KPC, AB – Member of the Management Board;;	-																								
Snaige, AB – Chairman of the Management Board;	-																								
Meditus, UAB – Member of the Management Board;	-																								
Malsena Plius, UAB – Chairman of the Management Board;	-																								
TEO, AB – Member of the Management Board, Member of the Audit Committee;	-																								
Amber Trust II S.C.A – Advisor.	-																								

22. Data about members of the Management Board, members of the Audit Committee, Managing and Finance Directors (cont'd)


Tomas Nauseda
Member of the
Management Board

Education: Master degree in Finance, Concordia University, Wisconsin (USA).

Work experience: JSC Guaranty Bank, USA – Loan Manager (1999); Dujasta, UAB – Development Director (2000).

Participation in the activity of other companies:

Name of organization, position taken	Shares held in other companies (more than 5 %)
Baltvesta, UAB;	33.00
Sirijus, UAB;	50.00
Umega, AB	7.93
Lauko Reklamos Tinklas, UAB;	30.00
Aikstentis, UAB;	8.00
Syrjo Lines, UAB;	33.00
Investita, UAB;	34.00
BFVG Nekilnojamas Turtas, UAB;	33.00
TNJ investments, UAB.	100.00



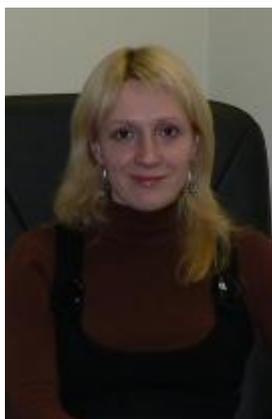
Martin Oxley
Member of the
Management Board

Education: Edinburgh University, M.A (Honors) Modern Languages & Philosophy; Social history; 'A' levels: French, German, History, Business studies.

Work experience: GlaxoSmithKline – Commercial Director; Bristol-Mayers Squibb – Country Manager; Polpharma – President; Pliva Krakow – President.

Participation in the activity of other companies:

Name of organization, position taken	Shares held in other companies (more than 5 %)
British Polish Chamber of Commerce – General Manager;	-
Fundacja FIT – President.	-



Alina Naujokaitiene
Chairman of the Audit
Committee

Education: Master degree in Commercial Law, Vytautas Magnus University.

Work experience: Office of bailiff Lina Ugne Dzikiene – Lawyer, Bailiff's Assistant (2006 – 2007).

Participation in the activity of other companies:

Name of organization, position taken	Shares held in other companies (more than 5 %)
Sanitas – Lawyer.	-

22. Data about members of the Management Board, members of the Audit Committee, Managing and Finance Directors (cont'd)


Algirdas Valancius
Independent member
of the Audit Committee

Education: Bachelor degree in International Business Management, Master degree in Business Administration, with a speciality in Finance Management, Kaunas University of Technology.

Work experience: Arthur Andresen, UAB – Audit assistant, Audit senior, Senior business consultant, (1998 – 2000); Glass factory Aleksotas, AB – Finance Director (2003); Consern SBA, UAB – Finance director, Internal Audit Director (2003 – 2007).

Participation in the activity of other companies:

Name of organization, position taken	Shares held in other companies (more than 5 %)
Aibes Mazmena, UAB – Finance Director;	-
Aibes Logistika, UAB – Member of the Management Board.	-



Kustaa Aima
Member of the Audit
Committee

Education: Master degree in Economics, Helsinki University.

Work experience: Bankers BBL, Finland – Director (1998 – 2003); Danske Capital, Finland – Director (2000 – 2009).

Participation in the activity of other companies:

Name of organization, position taken	Shares held in other companies (more than 5 %)
Amber Trust Management SA (Luxembourg) – Member of the Management Board;	-
Amber Trust II Management SA (Luxembourg) — Member of the Management Board;	-
Kaima Capital OY (Finland) – Managing Director;	100.00
Kaima Capital Eesti Oü (Estonia) – Managing Director;	100.00
DCF Fund II SICAV – SIF (Luxembourg) – Member of the Management Board;	-
Cumulant Capital Fund Management Oy (Finland) – Member of the Management Board;	-
Litagra, UAB – Member of the Management Board;	-
BAN Insurance (Latvia) – Deputy Chairman;	-
SALVA Insurance (Estonia) – Member of the Supervisory Board;	-
Premia Foods (Estonia) – Member of the Supervisory Board;	-
AS Tallink Group (Estonia) – Member of the Supervisory Board;	-
Tallink Silja Oy (Finland) – Member of the Management Board;	-
AS PKL (Estonia) – Member of the Supervisory Board;	-
KJK Capital OY (Finland) – Managing director and Chairman of the Management Board.	-



Saulius Jurgelenas
General Manager

Education: Faculty of Economics, Vilnius University.

Participation in the activity of other companies:

Name of organization, position taken	Shares held in other companies (more than 5 %)
Jelfa – Chairman of the Supervisory Board.	-

22. Data about members of the Management Board, members of the Audit Committee, Managing and Finance Directors (cont'd)


Nerijus Drobavicius
Chief Financial Officer

Education: Bachelor degree in Business Administration; Master degree in Banking and Finance, Vytautas Magnus University.

Participation in the activity of other companies:

Name of organization, position taken

Jelfa – Member of the Management Board.

Shares held in other companies (more than 5 %) -

Participation in Sanitas authorised share capital as at 30 June 2010:

Name, surname	Position held	Portion of the capital and votes held, %
MANAGEMENT BOARD		
Ashwin Roy	Member (Chairman since 27.07.2010)	-
Tomas Nauseda	Member	0.08
Martynas Cesnavicius	Member	-
Martin Oxley	Member	-
Darius Sulnis	Member	0,79*
AUDIT COMMITTEE		
Alina Naujokaitiene	Chairman	-
Algirdas Valancius	Independent member	-
Kustaa Aima	Member	-
Mindaugas Lankas	Member (until 14.06.2010)	0.008
ADMINISTRATION		
Saulius Jurgelenas	General Manager	-
Nerijus Drobavicius	Chief Financial Officer	-

* Management Board member Darius Šulnis held only voting rights, shares were lended out.

Beginning and end of the term of office of members of the Management Board and members of the Audit Committee:

Name, surname	Beginning of the term in office	End of the term in office
MANAGEMENT BOARD		
Darius Sulnis	28.04.2010	2014
Tomas Nauseda	28.04.2010	2014
Martynas Cesnavicius	28.04.2010	2014
Martin Oxley	28.04.2010	2014
Ashwin Roy	28.04.2010	2014
AUDIT COMMITTEE		
Alina Naujokaitiene	28.04.2010	2014
Algirdas Valancius	28.04.2010	2014
Kustaa Aima	28.04.2010	2014
Mindaugas Lankas	28.04.2010	14.06.2010

22. Data about members of the Management Board, members of the Audit Committee, Managing and Finance Directors (cont'd)

Data about cash payments, other transferred property and given warranties jointly to all members of the Management Board, members of the Audit Committee, members of administration and average extent belonging to each member of the collegial bodies and administration during the reporting period:

	Remuneration, LTL	Tantiemes, other payments made from profit, LTL	Other transferred property
Members of the Management Board jointly	-	-	-
Each member of the Management Board (average)	-	-	-
Members of the Audit Committee jointly	22,315*	-	-
Each member of the Audit Committee (average)	11,158*	-	-
Members of Administration (General Manager and Chief Financial Officer) jointly	448,387	-	-
Each member of Administration (average)	224,194	-	-

* Chairman of the Audit Committee Alina Naujokaitiene was paid salary as Sanitas lawyer. Average amount of remuneration for each member of the Audit Committee was paid for one member of the Audit Committee.

V. SANITAS GROUP ACTIVITY REVIEW

23. Non-financial activity review

23.1. Manufacturing

Sanitas Group produces medicines in various drug forms:

- sterile medicine products which are packed in ampoules (solutions in ampoules, suspensions and lyophilised products);
- tablets and capsules (non-coated tablets, film coated tablets, sugar coated tablets and capsules);
- semisolids drug forms which are packed in tubes (ointments, creams, gels, lotions, emulsions).

Kaunas manufacture site is in full operation, during the first half of 2010 ordinary production continued. Implementation of new projects with new contract manufacturing partners are in progress. During the reporting period first production in aseptic filling eye drops line was performed.



Production of Sanitas manufacturing plant:

Product	30.06.2008	30.06.2009	30.06.2010
Sterile medicine products in ampoules	18.1 million	11.4 million	6.7 million
Tablets and capsules	66.8 million	8.6 million	29.2 million
Eye drops	-	-	0.07 million

In the first six months of 2010 Jelfa continued own products manufacturing focusing on cost optimisation and new product launch. Due to changes in GGP requirements modernisation of lyophilisation section was started in June 2010. Jelfa started preparation for taking over of Homeofarm production due to the closing of Homeofarm's operations.

Production of Jelfa:

Product	30.06.2008	30.06.2009	30.06.2010
Sterile medicine products in ampoules	41.9 million	34.3 million	29.6 million
Tablets and capsules	317.0 million	325.3 million	302.0 million
Semisolid drug forms in tubes	17.1 million	9.3 million	13.6 million

HBM continued to implement projects to replace volumes withdrawn by Sanofi entering into new contracts with AET Tiefenbacher, GSK, Ratiopharm and others. During last six months the company also had other audits from potential contract manufacturing partners.

Production of HBM:

Product	30.06.2008	30.06.2009	30.06.2010
Sterile medicine products in ampoules	18.8 million	37.9 million	23.7 million
Tablets and capsules	154.4 million	94.1 million	115.7 million



23. Non-financial activity review (cont'd)

23.2. Employees and human resource policy

23.2.1. Human resources policy

Sanitas Group has unified human resources (hereinafter HR) policy. General rules of this policy are applied in all companies of the Group. HR motivation and management rules applied in Group companies are:

Structural remuneration system, which consists of regularly revised salary, which is set according to data presented by international research company and bonus for individual performance. System assures, that salary paid for the employee correspond with the salary level on the market. Regular evaluation of the targets performance allows measuring each employee contribution to the overall result of the business. The system motivates employees to achieve set targets and stimulates their initiative while solving the problems and presenting the suggestions. This system was applied in Sanitas, HBM and Jelfa during 2009.

Managers motivation, i.e. a new management incentive scheme – Phantom Share Option Plan (hereinafter Plan), which was approved by Sanitas General Shareholders meeting on 9 October, 2009, taking into consideration the worldwide best practice of the pharmaceutical companies. According to the Plan, certain monetary compensation will be paid to the top and middle management of the Company and its subsidiaries after the sale of the Company's shares by certain shareholders of the Company. Therefore it is expected that the proposed Plan will attract, retain and reward managing employees as well as strengthen the alignment of interests between the Company's shareholders and its management.

Communication – cooperation between the Group employees gives them the international experience and allows them to apply this experience in everyday activities. Routine work targets for all the Group companies' employees require teamwork with the colleagues in foreign countries, that is why the employees have to have higher communicational skills and wider professional knowledge. In order to strengthen the formation of general organisational culture and to keep certain communication level in the Group companies, the informational bulletin InSanitas is being issued.

Social guarantees and support for the employees: the trade unions are acting in Sanitas, HBM and Jelfa, collective agreements are also signed. Additional social payments on jubilees and loss of relatives are paid according to Sanitas collective agreement. Jelfa's collective agreement sets some guarantees on keeping employee's working place, i.e. some of Jelfa's employees have additional employment guarantees for 3, 7 or 10 years. Jelfa and HBM are obliged to pay certain payouts for the employees, who have worked for certain number of years according to their collective agreements.

Training policy – the Group's activity specific and GMP requirements obliges the Group to create and improve the internal trainings system, based on transferring the professional experience and skills. The employees in the majority of the positions in manufacturing, technical support, supply chain, regulatory affairs and quality control departments have to have specific professional knowledge, which is not possible to acquire in educational institutions. This knowledge is transferred from one employee to the other through internal trainings and practical work. Group companies organise work safety courses, including knowledge on safe work with equipment, first aid and hygiene skills, etc.

Modern technical base, i.e. new and modern equipment, which are used in the Group companies not only assure easier work performance, but also reduce the number of accidents at work and risk of professional diseases.

23.2.2. Employees' statistics

128 employees worked at Sanitas on 30 June 2010, number of employees decreased by 56 comparing with 30 June 2009 and by 3 comparing with 31 December 2009. Total Sanitas Group headcount decreased by 61 employees in comparison with 30 June 2009 and by 11 in comparison with 31 December 2009.

The most significant change in the headcount of the Company and Sanitas Group appeared during the last quarter of 2009 due to the headcount optimisation process. The headcount changes were planned and controlled. The main target of headcount changes in the Group was activity optimisation, seeking to present to the market high technological level and high quality products and services.

During the reporting period headcount of HBM decreased by 42 employees due to the separation of HBM marketing, sales and regulatory divisions located in Bratislava, Slovakia and Prague, Check Republic from the manufacturing activities, located in Martin, Slovakia. All these employees were transferred to newly established group entity Sanitas Pharma.

During the reporting period headcount of Homeofarm decreased by 7 employees, as Homeofarm manufacturing activities were transferred to Jelfa.

Headcount in the Group companies as at 30 June 2008, 2009 and 2010:

	30.06.2008	30.06.2009	30.06.2010
Sanitas	191	184	128
HBM	347	326	244
Jelfa	955	894	936
Homeofarm	-	18	11
Sanitas Pharma	-	-	42
Total	1,493	1,422	1,361



23. Non-financial activity review (cont'd)

23.2. Employees and human resource policy (cont'd)

Average headcount in the Group companies as at 30 June 2008, 2009 and 2010:

	30.06.2008	30.06.2009	30.06.2010
Sanitas	192	187	129
HBM	350	336	282
Jelfa	943	903	928
Homeofarm	-	18	17
Sanitas Pharma	-	-	42
Total	1,485	1,444	1,398

Summary of employees by levels of positions as at 30 June 2008, 2009 and 2010:

	Sanitas			Sanitas Group		
	30.06.2008	30.06.2009	30.06.2010	30.06.2008	30.06.2009	30.06.2010
Top managers	9	8	9	24	25	28
Specialists	76	82	66	704	691	735
Workers	106	94	53	765	706	598
Total	191	184	128	1,493	1,422	1,361

Summary of employees by education as at at 30 June 2008, 2009 and 2010:

	Sanitas			Sanitas Group		
	30.06.2008	30.06.2009	30.06.2010	30.06.2008	30.06.2009	30.06.2010
University education	78	83	71	565	568	618
College education	39	33	23	203	477	432
Secondary education	73	66	34	454	367	305
Incomplete secondary education	1	2	-	271	10	6
Total	191	184	128	1,493	1,422	1,361

Summary of average monthly salary before taxes at at 30 June 2008, 2009 and 2010:

	Sanitas			Sanitas Group		
	30.06.2008	30.06.2009	30.06.2010	30.06.2008	30.06.2009	30.06.2010
Top managers	24,784	23,442	21,903	27,168	39,338	22,420
Specialists	3,712	3,696	3,730	5,643	4,948	5,114
Workers	2,211	2,064	1,957	2,740	2,559	2,915

23.3. Environment

Environmental issues were considered in all areas of the activity of the Group and the Company during the reporting period: in the processes of medicines production, packaging, quality control, technical service and general activity processes. Water and energy were economised, atmosphere and soil were preserved from the possible pollution, systems for prevention of pollution of environment were improved.

Sanitas stokehold burnt 165,000 nm³ of natural gas during the first half of 2010 (196,284 nm³ during the first half of 2009 and 181,887 nm³ during the first half of 2008).

More efforts were made to lessen the amount of used water during the reporting period. 6,000 m³ of water were used (11,000 m³ during the first half of 2009 and 13,000 m³ during the first half of 2008).

During the first half of 2010 Sanitas accumulated about 4.1 tons of waste (3 tons during the first half of 2009 and 2.1 tons during the first half of 2008), 0.6 tons of them were hazardous (0.6 tons during the first half of 2009 and 0.5 tons during the first half of 2008). Manufacture and daily waste accumulated in the territory of the Company were sorted, recorded and taken out by waste administering companies (Toksika, UAB, Super Montes, UAB, Tekasta, UAB) so causing as little as possible danger to the environment.

During the reporting period Jelfa produced 131.40 tons of industrial waste (113.10 tons during the first half of 2009 and 874 tons during the first half of 2008), 22.70 tons of them were hazardous (38.60 tons during the first half of 2009 and 18.10 tons during the first half of 2008).

By changing barriers in sewage treatment Jelfa improved efficiency of sewage treatment during the first half of 2010. On the packages of products launched into foreign markets Jelfa puts eco – labels in order to identify packaging material and to inform how to deal with packaging waste.

23. Non-financial activity review (cont'd)

23.3. Environment (cont'd)

In HBM 61.9 tons of waste were liquidated (78.3 tons during the first half of 2009 and 63.2 tons during the first half of 2008). 5.2 tons of hazardous waste were burnt (4.5 tons during the first half of 2009 and 5.9 tons during the first half of 2008), 47.2 tons of the other waste were re-cycled or used as secondary raw (51.78 tons during the first half of 2009 and 33.19 tons during the first half of 2008). Remaining 9.1 tons of waste was kept in dump.

Homeofarm is continuously controlling its impact on environment. It has an obligation to register amounts of manufacture waste and to report them to a specialist companies responsible for recycling according to the applicable law. Homeofarm produced 45.1 tons of waste during the first half of 2010 (31.02 tons during the first half of 2009), 10.27 tons of them were hazardous (6.8 tons during the first half of 2009).

23.4. Sanitas Group's research and development activity

The concentration on the therapeutic areas of dermatology, ophthalmology, diabetology, urology and hospital injectables in the first half of 2010 continued. 2 dossiers were acquired in order to strengthen the product portfolio in these therapeutic areas. 12 own developments in the field of dermatology and hospital injectables were progressing. During the second half of 2010 it is planned to invest into 5 new product dossiers in order to ensure constant flow of new product launches in the core countries of Sanitas Group.



Sanitas Group received 47 approvals for marketing authorizations in the first half of 2010, it is planned to file more than 133 new applications in the second half of 2010.

Licensing – out activities coming out of own developments were continued. It is planned to complete few licensing – in deals in the second part of 2010 and continue this new business activity in the future.

23.5. Purchases

Suppliers of Sanitas Group are divided into 2 groups, different purchasing strategies are applied to each of the group.

The first group consists of API, excipients and bulk suppliers. The most common features of this group – large quantity of suppliers and not big amount of items purchased from each of the supplier. During the first half of 2010 only Jelfa purchased API, excipients and bulk from 100 suppliers, the total amount of purchased items is slightly above 200. Number of suppliers is slightly decreasing year by year but it is impossible to decrease number of suppliers significantly, as each Sanitas Group production site produces different finished products, due to this reason different API and excipients are used in production. The small amount of items purchased from each supplier does not give a lot of possibilities to use Sanitas Group purchasing power and to agree on better purchasing and payment terms.

The second group includes packaging suppliers. For this group significantly smaller amount of suppliers (about 78 suppliers in the first half of 2010 and about 80 in 2009 for all Sanitas Group) and the big amount of items purchased from each of the supplier are typical. Especially big amount of items is purchased from printing houses, as for each finished product different boxes and leaflets are used. It was purchased about 3,000 of different packaging items in 2009, during the first half of 2010 this number decreased till 2500. Several packaging suppliers are common for all Sanitas Group – it brings possibility to negotiate better purchasing prices on Group level. Boxes, leaflets and labels are purchased from local printing houses in Lithuania and Poland. As competition level in printing industry is very high it allows getting good purchasing conditions and flexible delivery terms.

Sanitas Group's purchases of raw and packaging materials during the first half of 2008, 2009 and 2010:

	30.06.2008	30.06.2009	30.06.2010
Sanitas	2,039	1,141	1,541
HBM	7,192	7,928	12,793
Jelfa	27,791	21,043	29,563
Total	37,022	30,112	43,897



23. Non-financial activity review (cont'd)

23.6. Competitors

The main competitors of Sanitas Group are other pharmaceutical manufacturers supplying generic medicine to Central and West European markets. Currently raising import from other EU countries increases competition for food supplements produced by Sanitas.

The main Sanitas competitors producing solid forms of medicine are Liuks, UAB, Sopharma, Grindex, Actavis, Zentiva, KRKA, Lannacher, the main competitors producing injective preparations – Sandoz, KRKA, Ranbaxy. In the market of food supplements Sanitas competes with many food supplements producers. As the main competitors having products with the similar composition or indication in this segment could be mentioned Valentis, UAB, Aconitum, UAB, Vitabiotics, Vitabalans. The main Sanitas competitors in ointments market are Grindex, Actavis, Spirig, GlaxoSmithKline, Shering.

HBM produces injectables, tablets and ointments. Its main competitor is Zentiva.

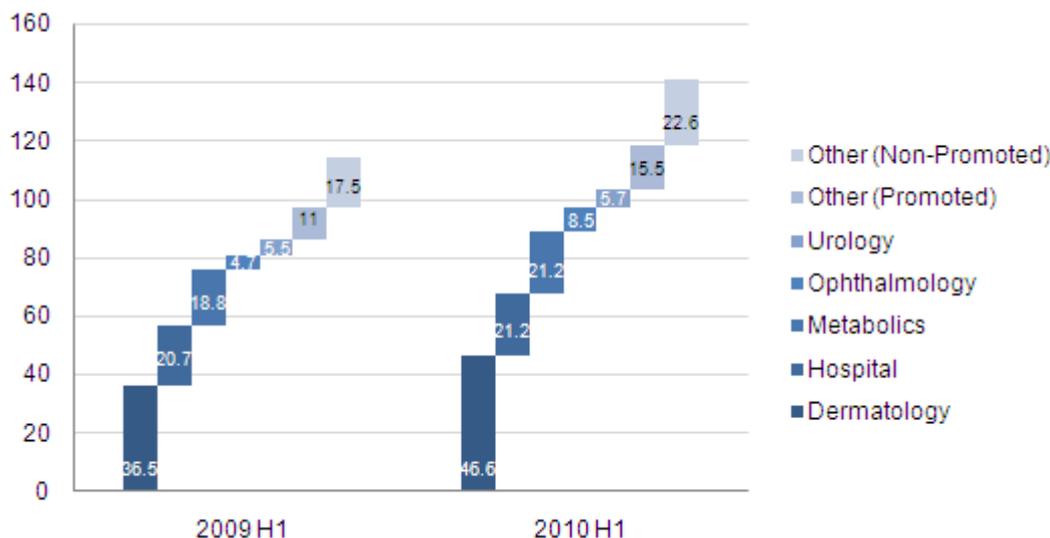
Polpharma, GlaxoSmithKline, Sandoz and other Polish and foreign companies have strong positions in Poland.

23.7. Sales and products distribution

Sanitas Group is focused on the following therapeutic groups:

- Dermatology: dermacosmetics and healthy skin
- Ophthalmology: eye care and healthy vision
- Metabolics: vitamins and blood sugar management
- Urology: prostate and age related disorders
- Hospital: injectables for acute treatments

Sanitas Group own products sales (in LTL millions) by core therapeutic groups in the first half of 2010 and 2009 is presented below:



The Group launched 40 new products during the first half of 2010 (20 new products during the first half of 2009). Products, launched during 2008 – 2010 contributed LTL 17,322 thousand to the total first half of 2010 Group sales. In the first half of 2009, products launched during 2008 – 2009 contributed LTL 9,451 thousand to the total Group sales.

More details about Company and the Group sales are presented in the first half of 2010 are presented in the Interim Condensed Consolidated and the Parent Company's Financial Statements for the period ended 30 June 2010 Note 3 Segment information.



24. Financial activity review

Sanitas Group's key financial ratios as well as their dynamics in the first half of 2008 – 2010:

	1H 2008	1H 2009	1H 2010
Revenues	193,629	153,320	177,276
% Growth	16.1%	-20.8%	15.6%
Cost of sales	(83,299)	(73,560)	(81,626)
Gross profit	110,330	79,760	95,650
% Growth	32.0%	-27.7%	19.9%
% Margin	57.0%	52.0%	54.0%
Selling and distribution expenses	(46,623)	(39,556)	(41,822)
% of Revenues	24.1%	25.8%	23.6%
Regulatory affairs expenses	(8,231)	(6,566)	(5,518)
% of Revenues	4.3%	4.3%	3.1%
Research and development expenses	(1,621)	(758)	(1,024)
% of Revenues	0.8%	0.5%	0.6%
Administrative expenses	(17,570)	(17,201)	(15,438)
% of Revenues	9.1%	11.2%	8.7%
Result of other operating activity	379	584	842
EBIT	36,664	16,263	32,690
% Growth	-7.1%	-55.6%	101.0%
% Margin	18.9%	10.6%	18.4%
Finance activity, net	(16,067)	(18,807)	(12,526)
EBT	20,597	(2,544)	20,164
% Growth	-28.0%	-112.4%	892.6%
% Margin	10.6%	-1.7%	11.4%
Income tax	(622)	5,018	(2,856)
Net profit	19,975	2,474	17,308
% Growth	-9.4%	-87.6%	599.6%
% Margin	10.3%	1.6%	9.8%
<i>Return on Equity</i>	5.9%	0.9%	5.2%
<i>Return on Assets</i>	2.7%	0.4%	2.5%
<i>Liquidity ratio</i>	39.0%	37.9%	97.9%
<i>Quick ratio</i>	25.0%	23.5%	73.0%
Basic and diluted earnings per share (in LTL)	0.64	0.08	0.56
Price to earnings, LTL	40.77	74.75	21.14

25. Main risks and risks management

The Group is exposed to interest rate, liquidity, foreign exchange and credit risks. The detail information about these risks management is presented in the Unaudited interim condensed consolidated and separate financial statements Note 13 Financial risks management objectives and policies.

26. Main features of internal controls and risk management system for consolidated financial reports preparation

The Group management assures that Group accounting and finance departments employees have relevant competence, experience and up-to-date knowledge needed for consolidated financial reports preparation. The control of prepared reports quality is performed by segregation of duties. All consolidated financial reports are prepared by Sanitas accounting or finance departments employees and are reviewed in a detail way and approved by Chief Accountant or Chief Financial Officer. Sanitas has the Audit Committee, which supervises the reporting process and prepares the reports to the general shareholders meeting twice a year.

27. Related party transactions

In the first half of 2010 Sanitas Group had related party transactions with its subsidiaries (Jelfa, HBM, Homeofarm and Sanitas Pharma), the shareholder of the Company Invalida, AB and its associates (Acena, AB, Baltic Amadeus Intrastrukturos Paslaugos, UAB,) the shareholders Amber Trust II, Citigroup Venture Capital International Jersey Limited and other shareholders, who are natural persons. More details of these transactions are presented in the Unaudited interim condensed consolidated and separate financial statements Note 14 Related party transactions.



VI. OTHER INFORMATION

28. Order of amendment of Sanitas Articles of Association

The Articles of Association of the Company may be amended on the basis of the decision adopted by the General Shareholders Meeting with the 5/6 (five sixths) majority votes of the shareholders present in the General Shareholders Meeting. After the General Shareholders Meeting has adopted the decision to change the Articles of Association, the whole text of the changed Articles of Association is laid out with the signature of the person authorised by the General Shareholders Meeting. Amended Articles of Association must be registered in the Register of Legal Entities according to the terms specified in the law.

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

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

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

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

31. Data about Company's publicly disclosed information

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

32. Main events for the first half of 2010

- On 10 February 2010 Letter of intent on sale of 100% of the shareholding of Sanitas in HBM was signed between the Company and Latvian company SIA Liplats 2000.
- On 27 April 2010 agreement on sale of HBM was signed between Sanitas and SIA Liplats 2000.
- On 28 April 2010 Company's Ordinary General Shareholders Meeting was held, it resolved questions assigned to the competence of the General Shareholders Meeting, approved Sanitas Consolidated and Separate Company's financial statements and annual report for 2009. Members of Sanitas Management Board and Audit Committee for the term of office of 2010-2014 were elected.
- On 15 May 2010 HBM established subsidiary Sanitas Pharma.
- On 16 June 2010 share purchase agreement on sale of 100% of shares of Sanitas Pharma was signed between two Sanitas subsidiaries Jelfa and HBM. Thus separation of HBM marketing, sales and regulatory organization located in Bratislava and Prague and its transfer to Sanitas Group related to the sale of HBM was completed.

33. Plans and forecasts

The Group introduced 42 new products in 2009 and plans to launch almost 50 new products by the end of 2010. The Group will keep putting its efforts on developing sales in existing markets.

The Group keeps its expectation on Russian market recovery in 2010, which is supported by half year results. With increased sales force resources the Group plans Russian market to contribute to total own sales by nearly 20% by the end of 2010.

EU-harmonisation procedures were finalised by the end of 2008 thus resulting in lower sales in the beginning of 2009. Expected recovery of sales in Poland was supported by healthy sales in the first half of 2010. Distributors optimised level of inventories in the channel in the second half of 2009 and beginning of 2010. If there are further changes in the level of inventories in the channel, it might partially influence Company's sales to Polish market.

The cost optimisation performed in 2009 is being enjoyed in 2010: back office cost has been decreased thus improving net result of the Group. The management will look for further possibilities to improve the efficiency of the Group operations.

34. Compliance with the Governance code for the companies

Disclosure from the Company concerning the compliance with the Governance Code for the companies listed on the regulated market of NASDAQ was publicly announced and provided to the Lithuanian Securities Commission together with the annual report for 2009. No changes took place in the said information within the first half of 2010.