

SANTAS AB
SIX MONTHS CONSOLIDATED INTERIM REPORT FOR THE
FIRST HALF OF 2008



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I. REPORTING PERIOD FOR WHICH SIX MONTHS' CONSOLIDATED INTERIM REPORT FOR 2008 IS PREPARED

1. Reporting period

The six months' consolidated interim report is prepared for the first half of 2008.

II. SHORT PRESENTATION OF SANITAS AB GROUP

2. Main data about Sanitas AB (hereinafter – “Company” or “Sanitas”)

Sanitas	
Legal form	Joint stock company
Registration date	30 June, 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	Vytauto ave. 3, LT-44354, 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 comprising Sanitas group

Hoechst – Biotika spol. s. r. o. (hereinafter “Hoechst – Biotika”)	
Legal form	Limited liability company
Registration date	2 March, 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, Slovakiya
Phone number	+42143402111
Fax number	+421434221004
E-mail	hb@hoechst-biotika.sk
Website	www.hoechst-biotika.sk
Jelfa SA (hereinafter “Jelfa”)	
Legal form	Limited liability company
Registration date	2 December, 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	+48756433240
Fax number	+48757524455
E-mail	jelfa@jelfa.com.pl
Website	www.jelfa.com.pl

4. Part of statutory capital owned by the Company in other enterprises of Sanitas group



5. Affiliates/representative offices of enterprises comprising Sanitas group

Jelfa's representative offices:

1. Prospectus Mira 74/1/ 92

Moscow, Russia

Tel. +70959741551.

2. Wasilkowskaja 1/207

Kiev, Ukraine

Tel. +380444619196.

3. Nagy Lajos Kiraly ter 1-5

Debrecen, Hungary

Tel. +36303495954.

4. Nikolay Kopernik str. 21/10

Sofia, Bulgaria

Tel. +35929799410.

Hoechst – Biotika's affiliate:

1. Modřany, Mezi vodami 27

Prague, Czech Republic

Tel. +420241090817.

6. The main activity of Sanitas group

Main activities of Sanitas group are:

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

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 Veiverių str. 134, Kaunas, according to project “Modernization of manufacture of AB “Sanitas”, which is partially financed



by Structural Funds of the European Union, building of new modern factory of medicine manufacture was started. Project is intended to end in 2008.

In July, 2005 Sanitas acquired manufacturer of generic medicines, limited liability company Hoechst – Biotika, established in Martin city, Slovakia. Pharmaceutical factory operating at the foot of the Tatra Mountain was established in 1992 and has modern equipment. Acquisition of Hoechst-Biotika 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 Hoechst-Biotika established office in Prague, the Czech Republic, which later was re-registered to affiliate.

In 2006, Sanitas acquired shares of Polish generic pharmaceutical company Jelfa and at present own 100 % of authorized capital of this company. During acquisition process, in order to attract new assets, emission of shares was issued. Invalda AB, the main shareholder of Sanitas together with several natural persons purchased shares, also, such world-famous investment funds as Amber Trust II SCA and Citigroup Venture Capital International Jersey Limited, became its shareholders.

Acquisition of Jelfa was very important for developing of Sanitas group and for entering markets of Central Europe. Portfolio of Sanitas group's products was supplemented by more than 100 products. The most part of Jelfa's products are sold in Poland, other part - in Russia, the Ukraine, the Baltic States, the Czech Republic, Hungary and Slovakia. Jelfa has it's representative offices in Russia, Ukraine, Hungary and Bulgaria.

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 provided by shares

Type of shares	Number of shares	Nominal value, LTL	Total nominal value, LTL	Portion of the authorised capital, %
Ordinary registered shares	31 105 920	1	3 105 920	100

Sanitas shareholders have the following property and non-property rights:

1. to receive a part of the Company's profit - dividend;
2. to receive a part of assets of the Company in liquidation;
3. to receive shares without payment if authorised capital is increased out of the Company funds;
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 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 the one-litas nominal value grants one vote);
10. to receive the information concerning economic activity of the Company;
11. to file a claim with the court for reparation of damage resulting from nonfeasance or malfeasance by the Company 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.

The shareholders may have other legal property and non-property rights.

10. Sanitas shareholders

Total number of the shareholders on June 30, 2008 was 1 309.

Shareholders acting jointly, who held more than 5 % of the Company's authorised capital or votes on June 30, 2008:

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 of shareholders that are acting jointly, %
Invalda AB, Šeimyniškių g. 3, Vilnius, i.c. 121304349	7 818 422	25.13	25.13	11.65	65.45
Darius Sulnis	870	0.003	0.003	-	
Dailius Juozapas Miseikis	215 265	0.69	0.69	-	
Finasta rizikos valdymas UAB, Konstitucijos ave. 23, Vilnius, i.c. 300045450	85 915	0.28	0.28	-	
FMI Finasta AB, Konstitucijos ave. 23, Vilnius, i.c. 122570630	403 879	1.30	1.30	-	
Bank Finasta AB, Konstitucijos ave. 23, Vilnius, i.c. 301502699	124 538	0.40	0.40	-	
Jonas Bielinis	330 965	1.06	1.06	-	
Nerijus Nauseda	248 805	0.80	0.80	-	
Tomas Nauseda	333 220	1.07	1.07	-	
Alvydas Dirvonas	516 707	1.66	1.66	-	
Arunas Tuma, i.c	516 727	1.66	1.66	-	
Darius Zaromskis	516 702	1.66	1.66	-	
Donatas Jazukevicius	311 702	1.00	1.00	-	
Citigroup Venture Capital International Jersey Limited, 90207	5 312 000	17.08	17.08	-	
Hansabank Clients, Liivalaia 8, 15040 Tallinn, Estonia, 10060701	5 952 459	19.14	19.14	-	-
Bank Snoras AB Vivulskio str. 7, Vilnius, i.c. 112025973	1 569 014	5.04	0.03	-	-



11. All limitations of Sanitas securities transferring

On February 24, 2006 Shareholders agreement between Amber Trust II SCA, Citigroup Venture Capital International Jersey Limited, Invalda AB, Nenuorama UAB, Aikstentis UAB, Finasta investiciju valdymas UAB, natural persons Darius Sulnis, Tomas Nauseda, Jonas Bielinis, Nerijus Nauseda, Arunas Tuma, Alvydas Dirvonas, Darius Zaromskis, Donatas Jazukevicius and the Company (hereinafter referred to as „Shareholders agreement“) was signed. In this Shareholders agreement the restrictions to transfer the Company's shares, other than as expressly required or permitted under Shareholders agreement, as well as restrictions to establish any encumbrances on the shares are prescribed.

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

It is agreed in the Shareholders agreement that:

- each shareholder - Amber trust II SCA and Citigroup Venture Capital International Jersey Limited - has a right to nominate 1 representative to the Company's managing body – Management Board.
- the Management Board will be composed from 5 members and, unless otherwise agreed, neither of them will initiate and/or vote in favor of any amendments of or supplements of Articles of Association which would result in any change of number of the members of the Board.
- the Company shall permit the shareholders Amber trust II SCA and Citigroup Venture Capital International Jersey Limited to visit and inspect the Company's and each of its subsidiaries' properties, to examine its books of accounts and records. Also The Company shall provide the said shareholders with an operating plan and draft budget of coming year.

13. Limitations of Company's shareholders voting rights

According to the Shareholders agreement, the voting on the important issues (e. g., a material change in the activity of the Company; any merger; the sale, lease or other disposal of the Company or all or substantially all of the Company's assets; any joint ventures between the Company and another entity; the establishment of any new subsidiary of the Company; appointment of some positions in the Company; any transaction with any officer, Management Board member, shareholder or other interested party; and others) at the Shareholders meeting or in the Management Board has to be agreed with shareholders Amber trust II SCA and Citigroup Venture Capital International Jersey Limited.

14. 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 the Shareholders agreement, are known to the Company.

15. Data about securities trading

Only shares of Sanitas are traded on regulated market. As from November 21, 2005, the ordinary registered shares of the Company were admitted to the Official List of the Vilnius Stock Exchange (hereinafter "VSE"). Before November 21, 2005, the Company's shares were traded on the Current List of the VSE.

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
Ordinary registered shares	LT000010617	SANIL	31 105 920	1	31 105 920



16. Information about the Sanitas agreements with intermediaries of public trading in securities

The Company has signed agreements with the financial brokerage company Finasta AB (Konstitucijos ave. 23, Vilnius) concerning management of securities, accounting and drawing up of the periodical reports, also concerning custody and accounting of securities and funds, accepting and executing orders. The Company has an agreement with Dom Maklerski BZ WBK S.A. (Wolności 15, Poznan, Poland) concerning custody and accounting of the subsidiary's Jelfa securities and funds, accepting and executing orders.

17. Sanitas own shares

During the reporting period Sanitas do not acquired and do not had it's own shares.

IV. INFORMATION ON SANITAS MANAGEMENT

18. Company's managing bodies

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

The Management Board of the Company is formed from 5 members and is elected by the General Shareholders Meeting for the 4 years period.





The Managing director is elected and dismissed by the Management Board which also fixes his salary, approves his job description, provides incentives and imposes penalties.

The competence of the General Shareholders Meeting and the order of its convocation complies with the Law of the Companies of the Republic of Lithuania.

The competence of the Management Board and the Managing Director, the order of their election and cancellation is as set forth by the Law of the Companies of the Republic of Lithuania. The Managing Director has a right to give procurations on behalf of the Company to the employees of the Company or other persons and to carry out legal actions according to the interests of the Company in connection to its activities.

Name, surname	Position held	Portion of the capital and votes held, %
THE MANAGEMENT BOARD		
Darius Sulnis	Chairman	0.003
Darius Zaromskis	Member	1.66
Martynas Cesnavicius	Member	-
Vytautas Bucas	Member	-
Ashwin Roy	Member	-
THE ADMINISTRATION		
Saulius Jurgelenas	Managing Director	-
Nerijus Drobavicius	Chief Financier	-

	<p><u>Education</u> – master degree, Vilnius university, Faculty of Economics.</p> <p><u>Other positions held:</u> Invalda AB – President and Management Board member; Invaldos nekilnojamojo turto fondas AB – Management Board member; Bank Finasta AB – Supervisory Board member; Finasta imonių finansai AB – Management Board member; Finasta investicijų valdymas UAB – Chairman of the Management Board Vilniaus baldai AB – Management Board member; SIA Dommo grupa (Latvia) – Chairman of the Supervisory Board; SIA DOMMO (Latvia) – Chairman of the Supervisory Board; SIA AMMO (Latvia) – Chairman of the Supervisory Board; SIA Burusala (Latvia) – Chairman of the Supervisory Board; Umega AB – Management Board member; Inred UAB – Management Board member; Tiltra Group AB – Supervisory Board member.</p>
<p>Darius Sulnis (Chairman of the Management Board)</p>	<p><u>Education</u> – University education, Vilnius University, Faculty of Economics, July 1991 Wharton Business School, 1994 – 2002 member of the Association of Chartered Certified Accountants, UK.</p> <p><u>Other positions held:</u> Invalda AB – adviser and Chairman of the Management Board; Invaldos nekilnojamojo turto fondas AB - Chairman of the Management Board; FMI Finasta AB – Management Board member; Finasta imonių finansai AB – Management Board member; Bank Finasta AB – Chairman of the Supervisory Board; Finasta investicijų valdymas UAB – Management Board member; Vilniaus baldai AB – Management Board member; Girių bizonas UAB – Management Board member; Kauno tiltai AB – Management Board member; Inred UAB – Management Board member; Tiltra Group AB – Supervisory Board member.</p>
<p>Vytautas Bucas (Management Board member)</p>	<p><u>Education</u> - University education, Vilnius University, Faculty of Law.</p> <p><u>Other positions held:</u> Attorney; Umega AB – Management Board member; Vilniaus degtinė AB – Chairman of the Management Board; Kamineros grupė UAB – Management Board member; Printing house Spindulys AB – Management Board member; Bagem UAB – Management Board member; Jungtinis turto centras UAB – Management Board member; Konstruktus UAB – Management Board member.</p>
<p>Darius Zaromskis (Management Board member)</p>	

	<p><u>Education</u> – master degree in Economics (First Class) from King's College, University of Cambridge, UK; UK qualified Chartered Accountant.</p> <p><u>Other positions held:</u> Citi Venture Capital International - Vice-president; Eurasian Brewery Holdings Limited (Jersey, English islands) – director; Silja Line Oy (Finland) – Supervisory Board member.</p>
<p>Ashwin Roy (Management Board member)</p>	<p><u>Education</u> – University education, Vilnius university, Faculty of Economics.</p> <p><u>Other positions held:</u> Amber Trust I & Amber Trust II – adviser; Laisvas Nepriklausomas Kanalas UAB – Management Board member; Litagros Chemija UAB – Management Board member; Atradimu Studija UAB – Management Board member; Profinance UAB – Chairman of the Management Board; Sidabra AB – Management Board member; Kauno pieno centras AB – Management Board member; Snaige AB – Management Board member; Malsena AB – Management Board member; Meditus UAB – Management Board member.</p>
	<p><u>Education</u> – University education, Vilnius university, Faculty of Economics.</p> <p><u>Other positions held:</u> Altisana – director; Hoechst-Biotika – executive general manager; Jelfa – Chairman of the Supervisory Board.</p>
	<p><u>Education</u> – Vytautas Magnus University, Bachelor degree in business administration; Master degree in banking and finance.</p> <p><u>Other positions held:</u> Jelfa – Management Board member.</p>
<p>Saulius Jurgelenas (Managing Director)</p>	<p><u>Education</u> – Vytautas Magnus University, Bachelor degree in business administration; Master degree in banking and finance.</p> <p><u>Other positions held:</u> Jelfa – Management Board member.</p>
	<p>Nerijus Drobavicius (Chief Financier)</p>



Data about the beginning and end of the term of tenure of each Management Board member:

Name, surname	Beginning of the term	End of the term
Darius Sulnis	27.04.2006	2010
Darius Zaromskis	27.04.2006	2010
Martynas Cesnavicius	31.07.2006	2010
Vytautas Bucas	26.04.2007	2010
Ashwin Roy	26.04.2007	2010

Data about cash payments, other transferred property and given warranties jointly to all members of the Management Board, members of administration and average extent belonging to each member of the collegial managing body, managing director and chief financier during the reporting cycle made by the Company:

	Remuneration, LTL	Tantiemes, other payments made from profit LTL	Other transferred property
Members of the Board jointly	-	-	-
Each member of the Board (average)	-	-	-
Members of the Administration (Managing Director and Chief Financier) jointly	348360	-	-
Each member of the Administration (average)	29030	-	-

19. 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 is terminated 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 terminates because of the change of the control on the Company.

V. SANITAS GROUP'S ACTIVITY REVIEW

20. Non-financial activity review

20.1 Manufacturing

In the first half of 2008 Sanitas continued production in current plant situated at Vytauto ave. 3, Kaunas. Ampoules department operated until April, tablets department until June. Both departments produced:

- ampoules 18.2 million
- tablets 58.9 million.

Since April equipment relocation from the current plant to the newly built plant, situated at Veiveriu str. 134 B, Kaunas, has started. Construction works are progressing according to the schedule and delivery of the new equipment is executed in the newly built plant.

During the reporting period Jelfa has faced 2 external audits on ampoules, quality assurance and quality control areas. Plan of corrective actions was sent to the inspection and is subject to inspectors opinion.

Jelfa's production by the end of June, 2008:

- ampoules/vials 38.7 million
- tablets 317 million
- tubes 18.5 million.

Hoechst-Biotika renewed GMP certificate in April of 2008.

Hoechst-Biotika's production by end of June, 2008:

- ampoules 18.8 million
- tablets 154 millions
- tubes 165.9 thousand
- blisters 17.3 million (packaging contracts).

20.2. Employees

191 employees were working at Sanitas on 30 June, 2008. Total number of employees has decreased in 1 employee comparing with December 31, 2007 (192 employees were working at Sanitas on December 31, 2007). There was no significant range of employees number during the reporting period – flow was 2.03 %, 9.5 constant employees were hired. Number of employees having university education has increased and number of employees having secondary education has decreased in this period.

Total number of employees of Sanitas group increased in 2.6 % during the reporting period and was 1493 on June 30, 2008 (1455 employees on December 31, 2007). The number of employees in Jelfa changed from 921 to 955. The main reason of the increase was the growth of manufacturing extents. Number of employees increased in Hoechst-Biotika from 341 to 347. The increase was mainly influenced by building of the new sales team for Slovak and Czech markets as well as establishment of the regulatory affairs office.

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

Additional 3, 7 and 10 years employment guarantees for a part of employees of Jelfa are foreseen in the agreement with the trade unions. In June, 2008 settlement with trade unions was signed, according which Jelfa took some obligations beneficial to employees.

At the termination of the labor relationship because of structural changes, Hoechst-Biotika provides 4 months severance to the employees. Hoechst-Biotika is also required to pay certain benefits (1 month salary) to employees upon their retirement according by applicable law. In addition, this company is obliged, under the collective bargaining agreement, to pay company and life jubilee benefits to employees who have served a specified number of years of employment.

As of June 30, 2008, the number of employees was as follows:

- Sanitas– 191
- Hoechst-Biotika – 347
- Jelfa – 955.

Average number of employees for the first half of 2008 was as follows:

- Sanitas – 192
- Hoechst-Biotika – 350
- Jelfa – 943.

Breakdown of employees by levels of positions:

Employee group	30.06.2008	
	Sanitas	Sanitas group
Top Managers	9	24
Specialists	76	704
Workers	106	765
Total	191	1493

Breakdown of employees by education:

Employee group	30.06.2008	
	Sanitas	Sanitas group
University education	78	565
College education	39	203
Secondary or vocational education	73	454
Incomplete secondary education	1	271

Average monthly salary:

Employee group	30.06.2008	
	Sanitas	Sanitas group
Top Managers	24784	27168
Specialists	3712	5643
Workers	2211	2740

20.3 Environment

Environmental issues were considered in all areas of the activity of the Sanitas group during the reporting period. Water and energy were economized, atmosphere and soil were preserved from the possible pollution, systems designated for the pollution prevention were improved.

Sanitas threw 9.1 tons of pollution from stationary and mobile pollution sources into the atmosphere during the first half of 2008. Sanitas stokehold burnt 18 1887 nm³ of natural gas, during technologic process 16 units of 79 litres capacity cylinders of thin propane – butane gas mixture were used, i. e. 282.48 m³.

Sanitas used 30 cars and 1 mobile stacker. Company exploited more cars using diesel. 8.1 tons of pollution got into the atmosphere from mobile pollution sources.

In the first half of 2008 Sanitas accumulated about 2.1 tons of waste, about 0.5 tons of them were hazardous. Manufacture and daily waste accumulated in the territory of the Company are sorted, recorded and taken out by waste administering companies (Toksika UAB, Super Montes UAB, Kauno svara UAB, Cassida UAB, Korys UAB, EMP recycling UAB) so causing less as possible danger to the environment.

13 000 m³ of water were used by Sanitas during the first half of 2008. Pollution of surface and faecal outflow are controlled, analysis of the main parameters of pollutants are performed. In order to avoid chemical materials getting into environment they are safely stored in the intended places. During the reporting period 0.24 tons of volatile organic compounds exuded using materials having solvents.

In Jelfa carbon dioxide was started to use in order to neutralize alkaline sewages. It is stated that the use of this gas makes the control of neutralization equipment easier and reduces the risk of corrosion. The use of carbon dioxide is less risky to the personnel and environment.

Technical project concerning cooling aggregates (used as air conditioning and as suppliers of cold water for the production) in Jelfa's ointments department was executed. Differently than previously used air conditioners the new ones uses ecological freon which is more safe to ozone layer.

20.4. Sanitas group's research and development activity

During the reporting period 6 dossiers from the areas of urology and injectables were acquired. 2 own developments in the field of dermatology (which were performed in 2007) were progressing according to the schedule. It is planned that they will be ready at the beginning of 2009. It is planned to invest in 4 dossiers in the second half of 2008.

During the reporting period 55 marketing authorization requests were submitted, 24 approvals were received. It is planned to submit 167 marketing authorization requests and to get 55 approvals.

20.5. Purchases

Sanitas group's purchases of materials, directly used in production, not including bulk and finished goods, during the first half of 2008:

Enterprise	Purchases, mln. LTL
Jelfa	27.98
Hoechst - Biotika	7.02
Sanitas	1.47
Total:	36.47

Average monthly Sanitas group's purchases were slightly above LTL 6 mln. (average monthly Sanitas group's purchases were LTL 5.7 mln. in 2007). Sanitas purchases were very low due to the fact that activity in old premises was stopped: in April in the department of injectables, in June – in the department of tablets.

Group's raw materials purchases:

	Jelfa, mln. LTL	Hoechst-Biotika, mln. LTL	Sanitas, LTL	mln.	Total, mln. LTL
1. API & excipients:	16.7	2.29	0.46		19.45
2. Packaging total:	11.2	4.74	1.07		17.01
2.1. Ampoules	2.4	1.77	0.38		4.55
2.2. Metal foil	0.23	0.2	0.05		0.48
2.3. Aluminum tubes	4.31	0.07	-		4.38
2.4. PVC foils	0.55	0.59	0.11		1.25
2.5. Printed paper materials (boxes, leaflets, labels)	2.42	1.92	0.42		4.76

Purchases of API&Excipients constituted 53 % of total purchases. From the packaging materials the biggest group is printed paper materials (LTL 4.76 mln.). The suppliers of the packaging materials are often the same to all the enterprises of the group. Different finished products are produced in each production site for this reason there are only a few common API, Excipients and bulk suppliers.

Jelfa's TOP 10 suppliers:

Supplier	Purchases, mln. LTL
Gerresheimer	3.2
PPH BWG Prober	3.17
Alfred E. Tiefenbacher	1.96
Newchem S.p.A	1.08

CPH Pharma BV	1.04
Drossapharm Ltd	0.95
Tamir	0.76
Aflofarm	0.68
Fischier Chemicals AG	0.66
Loeb Industrie France	0.62

Hoechst-Biotika's TOP 10 suppliers:

Supplier	Purchases, mln. LTL
Medical Glass	1.41
Neografia a.s.	1.28
Obalotova a.s.	0.56
Pharmagen s.r.o.	0.49
Sanofi-Aventis Deutschland	0.38
Merck	0.34
HPI	0.32
Fatra a.s.	0.31
Selectchemie	0.24
Constantia Fromm GmbH	0.24

Sanitas TOP 10 suppliers:

Supplier	Purchases, mln. LTL
Olainfarm	0.5
Miko ir Tado leidyklos spaustuve UAB	0.2
Selectchemie AG	0.17
Ingredia SA Capital	0.15
Forma Vitrum kft	0.14
Aurika UAB	0.1
Lietpack UAB	0.09
Medical Glass spol s.r.o	0.09
Didmena UAB	0.09
Schott France SAS	0.08

20.6. Sales and products distribution

The sales of Sanitas group in the first half of 2008 totaled to LTL 193.63 mln. and achieved a growth of 16.1 % compared with the first half of 2007. The growth was mainly driven by Russia and the region of Czech/Slovakia/Hungary. It is possible to get familiar with the split of sales by the region in Company's consolidated financial statements for 6 months.



11 new products were launched during the reporting period, it is planned to launch 23 products in the second half of 2008. Seeking to strengthen positions in the market Jelfa established its representative office in Bulgaria in April of 2008.

21. Financial activity review

Sales of Sanitas group during the first half of 2008 increased by LTL 26.8 mln., compared to sales over the same period in 2007. Net profit of Sanitas group decreased by LTL 1.358 mln. In the first half of 2008 in comparison with net profit during the same reporting period in 2007. Opening of the representative office in Bulgaria, significantly growing activities of the Hungarian representative office and Czech affiliate resulted the increase of selling and distribution expenses by 42.3 % or LTL 21.77 mln. Higher interest rates and increased financing from credit institutions have increased financing costs. In the first half 2007 Company sold part of the real estate which additionally contributed to the net profit by LTL 1.78 mln. All the above resulted that the net profit during the first half of 2008 was lower than net profit over the same reporting period in 2007.

Sanitas group's key financial ratios as well as their dynamics in first half of 2008 and 2007:

	2007 1H (restated)	2008 1H
Revenues, th. LTL	166.799	193.629
<i>% Growth</i>	261.3 %	16.1 %
COGS, th. LTL	(83.236)	(86.163)
Gross Profit, th. LTL	83.563	107.466
<i>% Growth</i>	378.5 %	28.6 %
<i>% Margin</i>	50.1 %	55.5 %
Selling and distribution expenses, th. LTL	(29.695)	(51.466)
<i>% of Revenues</i>	17.8 %	26.6 %
Administrative Expenses, th. LTL	(16.986)	(20.877)
<i>% of Revenues</i>	10.2 %	10.8 %
Result of Other Operating Activity , th. LTL	2.578	1.541
EBIT, th. LTL	39.460	36.664
Financing Revenues, th. LTL	250	1.407
Financing Costs, th. LTL	(11.110)	(16.603)
EBT, th. LTL	28.600	21.468
Taxes, th. LTL	(6.562)	(788)
Net profit, th. LTL	22.038	20.680
<i>% Growth</i>	311.9 %	(6.2 %)
<i>% Margin</i>	13.2 %	10.7 %
EBITDA, th. LTL	59.411	57.422
<i>% Growth</i>	293.0 %	(3.3 %)
<i>% Margin</i>	35.6 %	29.7 %

22. Main risks and risk management

The main risks arising from the financial instruments are interest rate risk, liquidity risk, foreign currency risk and credit risk.

Interest rate risk: Company's and Sanitas group's exposure to the risk of changes in market interest rates relates to debt obligations with floating interest rates. Company and Sanitas group reduces its exposure to fluctuations in interests rates by creating offsetting positions through the use of derivative financial instruments. Floating interest rates risk is managed by using interests rates swaps contracts to hedge debt obligations with floating interest rates.

Liquidity risk: Company's and Sanitas group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank overdrafts, bank loans, debentures, finance leases and hire purchase contracts. Company and Sanitas group monitors its risk to a shortage of funds using a standard report on the cash flows with a liquidity projection for the future periods.



Foreign exchange risk: As a result of operations in Lithuania, Poland and Slovakia, Sanitas group's balance sheet can be affected by movements in the reporting currencies' exchange rates. Sanitas group has transactional currency exposures. Such exposure arises from sales or purchases by an operating unit in currencies other than the unit's functional currency. Company and Sanitas group uses natural hedge to the maximum extent possible when mitigating foreign exchange risk. If natural hedge is not possible or not effective Company and Sanitas group reduces its exposure to foreign exchange risk by creating offsetting positions through the use of derivative financial instruments. Forward and options contracts are used to hedge foreign currency denominated receivables. Company and Sanitas group currently does not use derivative financial instruments for trading or speculative purposes.

Credit risk: Sanitas group and Company trades only with recognised, creditworthy third parties. It is the Sanitas group's and Company's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on a weekly basis. Factoring without a right to recourse is used as additional security mean for trade accounts receivable in country of operation. Company also uses credit insurance for domestic and export trade protecting its trade accounts receivable.

Capital management: The primary objective of the capital management is to ensure that Company and Sanitas group maintains a strong credit health and healthy capital ratios in order to support its business and maximise shareholder value. Company is obligated to upkeep its equity ratio not less than 50 % of its share capital, as imposed by the Law on Companies of Republic of Lithuania. There were no other externally imposed capital requirements on Sanitas group and Company. Sanitas group monitors capital using EBITDA to financial liabilities ratio. Sanitas group kept this ratio at 3.08 on June 30, 2008 (long term, short term loans, leasing liabilities and EBITDA ratio).

23. Related parties transactions

Sanitas had related party transactions with its subsidiaries (Jelfa and Hoechst-Biotika) as well as with the shareholder of the Company Invalda AB and its subsidiaries (FMI Finasta AB, Finasta įmonių finansai AB, Acena UAB, Finansu spektro investicija UAB, Inred UAB, Laikinosios sostinės projektai UAB) during the reporting period. Detailed information about transactions with related parties is provided in the note to financial statements „Related party transactions”.

VI. OTHER INFORMATION

24. Order of amendment of the Articles of Association of the Company

The Articles of Association of the Company may be amended on the basis of the decision adopted by the General Shareholders Meeting with the qualified majority votes of 2/3, with the exception of cases specified in the Law of the Companies of Republic of Lithuania. 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. The changes of the Company's Articles of Association together with the documents proving the decision to change them must be registered in the Register of Legal Persons according to the terms specified in the law.

25. 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.



26. Data about Company's publicly disclosed information

While executing its duties Company 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 get familiar with the publicly disclosed information on VSE and Company's webpages.

27. 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 Vilnius Stock Exchange was publicly announced and provided to the Lithuanian Securities Commission together with the annual report for 2007. No changes took place in the said information within the first half of 2008.

28. Main events of the first half of 2008

- On April 1, 2008 Jelfa's representative office in Bulgaria was established.
- On April 17, 2008 Sanitas sold all shares of subsidiary Altisana UAB.
- On April 17, 2008 Company's General Shareholders meeting was held, it resolved questions assigned to the competence of the General Shareholders meeting, approved consolidated and Company's financial statements and annual report for 2007 and accepted decision regarding profit distribution. Resolution to pay dividends for 2007 in the amount of LTL 0.6 per share was made.
- On June 2, 2008 Company's General Shareholders meeting was held, it decided to issue additional emission of Sanitas shares providing the right to employees of Sanitas group to acquire shares of new emission. The Management Board will approve the list of employees having the right to acquire the shares of the new emission.