



AB SANITAS
INTERIM CONDENSED CONSOLIDATED AND COMPANY'S FINANCIAL STATEMENTS
31 DECEMBER 2008
(NOT AUDITED)

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 Jurgelėnas, General Manager of AB Sanitas, and Nerijus Drobavičius, Chief Financial Officer of AB Sanitas, hereby confirm that, to the best of our knowledge, the attached interim condensed not audited consolidated AB Sanitas group and AB Sanitas financial statements for the twelve months of 2008, 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 AB Sanitas and AB Sanitas group.

ENCLOSURE: Interim condensed not audited consolidated AB Sanitas group and AB Sanitas financial statements for the twelve months of 2008.

AB Sanitas General Manager

A handwritten signature in blue ink, appearing to read "S. Jurgelėnas".

Saulius Jurgelėnas

AB Sanitas Chief Financial Officer

A handwritten signature in blue ink, appearing to read "N. Drobavičius".

Nerijus Drobavičius



All amounts are in LTL thousand unless otherwise stated

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All amounts are in LTL thousand unless otherwise stated

INCOME STATEMENTS

GROUP	Notes	January- December 2008	January- December 2007	September- December 2008	September- December 2007
		(unaudited)	(unaudited)	(unaudited)	(unaudited)
Revenue	4	382.512	335.404	99.637	87.270
Cost of sales		(171.947)	(165.623)	(41.615)	(41.100)
Gross profit		210.565	169.781	58.022	46.170
Other income		5.609	10.094	2.899	6.810
Selling and distribution expenses	5	(111.993)	(83.232)	(36.302)	(34.148)
Administrative expenses	6	(51.252)	(25.171)	(14.763)	(1.565)
Other expenses		(3.093)	(7.455)	(2.806)	(6.894)
Operating profit		49.836	64.017	7.050	10.373
Finance revenue	7	13.922	302	12.913	55
Finance costs	7	(73.947)	(25.583)	(44.640)	(8.053)
Profit (loss) before taxes		(10.189)	38.736	(24.677)	2.375
Income tax expense	8	8.096	(1.446)	7.168	5.130
Net profit (loss)		(2.093)	37.290	(17.509)	7.505
Basic and diluted earnings (loss) per share (in LTL)	9	(0,07)	1,20	(0,56)	0,24

COMPANY	Notes	January- December 2008	January- December 2007	September- December 2008	September- December 2007
		(unaudited)	(unaudited)	(unaudited)	(unaudited)
Revenue	4	26.754	35.947	4.996	9.601
Cost of sales		(15.587)	(17.332)	(4.202)	(4.931)
Gross profit		11.167	18.615	794	4.670
Other income		855	2.447	589	491
Selling and distribution expenses		(4.475)	(2.908)	(1.558)	(1.499)
Administrative expenses	6	(19.955)	(10.331)	(4.314)	(3.352)
Other expenses		(789)	(519)	(522)	(399)
Operating profit		(13.197)	7.304	(5.011)	(89)
Finance revenue	7	1.472	15.156	1.700	5.161
Finance costs	7	(2.638)	(3.125)	(1.270)	(1.663)
Profit (loss) before taxes		(14.363)	19.335	(4.581)	3.409
Income tax expense	8	1.878	(2.806)	539	(434)
Net profit (loss)		(12.485)	16.529	(4.042)	2.975



All amounts are in LTL thousand unless otherwise stated

BALANCE SHEETS

ASSETS		GROUP		COMPANY	
		31.12.2008 (unaudited)	31.12.2007	31.12.2008 (unaudited)	31.12.2007
Non-current assets					
Property, plant and equipment	10	282.743	280.807	70.492	30.131
Intangible assets		294.349	334.357	1.051	331
Investments in subsidiaries	1	-	-	334.395	334.698
Other financial assets	11	11.728	37	3	3
Deferred tax assets		30.877	20.088	1.918	80
Total non-current assets		619.697	635.289	407.859	365.243
Current assets					
Inventories		42.651	46.032	4.308	5.938
Prepaid income tax		2.121	3.111	1.643	-
Trade receivables		80.991	59.454	3.939	2.513
Other receivables		1.581	6.763	266	8.618
Deferred charges		3.860	4.822	145	143
Cash and cash equivalents		1.966	13.683	31	247
Total current assets		133.170	133.865	10.332	17.459
TOTAL ASSETS		752.867	769.154	418.191	382.702

EQUITY AND LIABILITIES

Equity					
Share capital	12	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
Other reserves		(15.703)	32.380	-	-
Retained earnings		31.709	52.466	20.290	51.439
Total equity		298.309	367.149	302.593	333.742
Non current liabilities					
Non-current loans	13	43.780	250.846	43.780	24.173
Financial lease obligations		4.428	5.593	718	1.372
Deferred tax liability		19.468	17.875	-	-
Deferred income from subsidies		15.892	6.188	15.892	6.188
Provisions LT		4.567	6.338	-	-
Other non-current financial liabilities	11	12.651	-	-	-
Total non current liabilities		100.786	286.840	60.390	31.733
Current liabilities					
Current portion of non-current loans		256.839	54.338	14.777	7.510
Current portion of non-current financial lease obligations		3.432	3.270	938	1.027
Current loans	13	32.852	11.177	19.868	303
Trade and other payables		31.630	34.987	6.775	5.587
Advances received		-	-	-	596
Income tax payable		107	1.136	-	302
Other liabilities		22.290	9.188	6.706	1.902
Dividends	15	6.144	-	6.144	-
Provisions ST		478	1.069	-	-
Total current liabilities		353.772	115.165	55.208	17.227
Total liabilities		454.558	402.005	115.598	48.960
TOTAL EQUITY AND LIABILITIES		752.867	769.154	418.191	382.702



All amounts are in LTL thousand unless otherwise stated

STATEMENTS OF CHANGES IN EQUITY

GROUP	Share capital	Share premium	Legal reserve	Fair value reserve	Other reserves	Retained earnings	Total
Balance as at 31.12.2006	31.106	248.086	3.111	-	13.419	15.176	310.898
Change in translation reserve	-	-	-	-	18.961	-	18.961
Net profit	-	-	-	-	-	37.290	37.290
Balance as at 31.12.2007	31.106	248.086	3.111	-	32.380	52.466	367.149
Dividends	-	-	-	-	-	(18.664)	(18.664)
Net loss on cash flow hedges	-	-	-	(9.672)	-	-	(9.672)
Change in translation reserve	-	-	-	-	(38.411)	-	(38.411)
Net loss	-	-	-	-	-	(2.093)	(2.093)
Balance as at 31.12.2008	31.106	248.086	3.111	(9.672)	(6.031)	31.709	298.309

COMPANY	Share capital	Share premium	Legal reserve	Retained earnings	Total
Balance as at 31.12.2006	31.106	248.086	3.111	34.910	317.213
Net profit	-	-	-	16.529	16.529
Balance as at 31.12.2007	31.106	248.086	3.111	51.439	333.742
Dividends	-	-	-	(18.664)	(18.664)
Net loss	-	-	-	(12.485)	(12.485)
Balance as at 31.12.2008	31.106	248.086	3.111	20.290	302.593

All amounts are in LTL thousand unless otherwise stated

CASH FLOW STATEMENTS

	Notes	GROUP		COMPANY	
		January- December 2008 (unaudited)	January- December 2007 (unaudited)	January- December 2008 (unaudited)	January- December 2007 (unaudited)
Cash flows from (to) operating activities					
Profit (loss) before tax		(10.189)	38.736	(14.363)	19.335
Adjustments of non-cash items:					
Depreciation and amortisation		40.381	41.419	2.008	1.720
Impairment		-	-	-	1.110
Loss (gain) from disposal or write-off of non-current assets	10	579	(296)	56	(2.127)
Loss from disposal of subsidiary	1	3	-	3	-
(Decrease) in allowance for receivables and other receivables		2.010	(3.311)	1.143	-
Write-offs and change in allowance of inventories		5.165	1.822	235	199
Unrealised foreign currency exchange loss (gain)		32.662	(1.570)	(1.546)	-
Dividends		-	-	-	(6.992)
Interest expenses	7	22.367	21.199	2.537	1.817
Interest (income)	7	(145)	(301)	(2)	(8.164)
Decrease in fair value of financial instruments through profit or loss	7	(12.198)	-	-	-
Provisions, accruals, deferred charges movement		(381)	(5.092)	-	(104)
Other non cash items		(816)	-	-	-
		79.438	92.606	(9.929)	6.794
Change in working capital:					
Decrease (increase) in inventories		(1.784)	(5.773)	1.395	875
Decrease (increase) in trade and other receivables and deferred charges receivables		(15.210)	(4.980)	(1.384)	501
Increase (decrease) in trade and other payables and advances received		8.815	7.390	8.403	(8.230)
Increase in provisions		(688)	-	-	-
Income tax (paid) received		(159)	(3.312)	(1.905)	(2.317)
Net cash flows from (to) operating activities		70.412	85.931	(3.420)	(2.377)
Cash flows from (to) investing activities					
(Acquisition) of non-current tangible assets		(55.373)	(30.173)	(43.502)	(12.138)
(Acquisition) of non-current intangible assets		(5.327)	(10.968)	(890)	(197)
(Acquisition) of HOME OF FARM Sp. z o.o		(1.841)	-	-	-
Proceeds from assets held for sale		-	10.677	-	10.150
Proceeds from sale of non-current assets (except investments)		1.239	10.365	31	92
Proceeds from sale of subsidiary	1	8	-	8	-
Loans (granted) to subsidiary		-	-	-	(246)
Interest received		145	301	5.585	4.731
Dividends (paid) received	15	(6.126)	-	(12.520)	-
Net cash flows (to) investing activities		(67.275)	(19.798)	(51.288)	2.392
Cash flows from (to) financing activities					
Proceeds from other source of financing		-	1.388	-	1.338
Proceeds from loans		53.926	31.467	52.192	31.048
(Repayments) of loans		(54.611)	(74.763)	(4.376)	(31.714)
(Payment) of finance lease liabilities		(3.475)	(5.016)	(1.126)	(1.555)
Interest (paid)		(22.669)	(19.533)	(2.065)	(1.484)
Proceeds from grants		9.704	2.501	9.867	2.501
Net cash flows from financial activities		(17.125)	(63.956)	54.492	134
Net foreign exchange difference		2.271	-	-	-
Net increase (decrease) in cash and cash equivalents		(11.717)	2.177	(216)	149
Cash and cash equivalents as at January 1		13.683	11.506	247	98
Cash and cash equivalents as at December 31		1.966	13.683	31	247



All amounts are in LTL thousand unless otherwise stated

NOTES TO THE FINANCIAL ACCOUNTS

1. GENERAL INFORMATION

AB Sanitas (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:

Veiverių str. 134B,
Kaunas,
Lithuania.

The Company is involved in production and trade of generic medicines, namely injection preparations, tablets, capsules, galenic solutions and ointments. The Company's shares are listed in the Baltic Main List on the Vilnius Stock Exchange.

As at 31 December 2008 the main shareholders of the Company were:

Name of the shareholder, its type, address of head office, code in the Register of Enterprises	Number of ordinary registered shares owned by the right of ownership	Share of the authorised capital, %	Share of votes, %		Share of votes of shareholders that are acting jointly, %
			Share of votes given by the shares owned by the right of ownership, %	Share of votes indirectly given by the shares, %	
AB Invalda, Šeimyniškių Str. 3, Vilnius, 121304349	7.379.871	23,72	23,72	14,58	
Darius Šulnis	870	0,003	0,003	-	
Dailius Juozapas Mišeikis	95.265	0,3	0,3	-	
Jonas Bielinis	138.520	0,45	0,45	-	
Nerijus Nausėda	104.133	0,33	0,33	-	
Tomas Nausėda	139.463	0,45	0,45	-	
Alvydas Dirvonas	516.707	1,66	1,66	-	
Arūnas Tuma	516.727	1,66	1,66	-	
Darius Žaromskis	516.702	1,66	1,66	-	79,76
Donatas Jazukevičius	51.867	0,17	0,17	-	
Citigroup Venture Capital International Jersey Limited, 26 New street, St. Helier JE2 Normandia islands, 90207	5.312.000	17,08	17,08	-	
Baltic Pharma Limited, 26 New street, St. Helier JE2 Normandia islands, 218089	1.555.296	5	5	-	
Amber Trust II S.C.A, 8-10 me Mathias Hardt, L-1717, Liuksemburgas, B103.888	3.952.407	12,07	12,7	-	
Hansabank Clients, Liivalaia 8, 15040 Tallinn, Estonia, 10060701	1.616.075	5,2	5,2	-	-
AB Šiaulių bankas Tilžės str. 149, Šiauliai, 112025254RA, N	1.704.106	5,48	0,93	-	-



All amounts are in LTL thousand unless otherwise stated

1. GENERAL INFORMATION (CONT'D)

As at 31 December 2007 the main shareholders of the Company were:

Name of the shareholder, its type, address of head office, code in the Register of Enterprises	Number of ordinary registered shares owned by the right of ownership	Share of the authorised capital, %	Share of votes, %		
			Share of votes given by the shares owned by the right of ownership, %	Share of votes indirectly given by the shares, %	Share of votes of shareholders that are acting jointly, %
AB Invalda, Šeimyniškių Str. 3, Vilnius, 121304349	7.870.286	25,3	25,3	8,86	
UAB Finasta Rizikos Valdymas, Konstitucijos Ave. 23, Vilnius, 300045450	446.466	1,44	1,44	-	
Darius Šulnis	200.585	0,64	0,64	-	
Dailius Juozapas Mišeikis	95.265	0,31	0,31	-	
Jonas Bielinis	330.965	1,06	1,06	-	
Nerijus Nausėda	248.805	0,8	0,8	-	
Tomas Nausėda	333.220	1,07	1,07	-	
Alvydas Dirvonas	516.707	1,66	1,66	-	64,83
Arūnas Tuma	516.727	1,66	1,66	-	
Darius Žaromskis	516.702	1,66	1,66	-	
Donatas Jazukevičius, 37503150741	311.702	1	1	-	
Citigroup Venture Capital International Jersey Limited, 90207	5.312.000	17,08	17,08	-	
Firebird Republics Fund Ltd., 847 George Town, Grand Cayman	711.808	2,29	2,29	-	
Hansabank Clients, Liivalaia 8, 15040 Tallinn, Estonia, 10060701	5.107.212	16,42	16,42	-	-

The consolidated financial statements include the financial statements of AB Sanitas and the subsidiaries listed in the following table:

Name	Main activities	Country of incorporation	% of equity interest	
			31.12.2008	31.12.2007
Jelfa S.A.	Production and trade of medicines	Poland	100	100
Hoechst-Biotika s.r.o.	Production and trade of medicines	Slovakia	100	100
UAB Altisana	Real estate	Lithuania	-	100
Laboratorium Farmaceutyczne HOMEOFARM Sp. z.o.o	Production and trade of medicines	Poland	100	-

AB Sanitas sold 100% of shares of the subsidiary UAB Altisana on April 17, 2008 for LTL 8 thousand. Loss on sale of this transaction amounted to LTL 3 thousand. UAB Altisana has not performed any activity since the beginning of 2006.

On 23 December 2008 AB Sanitas acquired 100% shares of Polish ointment producer Laboratorium Farmaceutyczne HOMEOFARM Sp. z.o.o through the subsidiary company Jelfa S.A. (Note 3).

2. ACCOUNTING PRINCIPLES

The principal accounting policies adopted in preparing the Group's and the Company's financial statements as at 31 December 2008 are as follows:

STATEMENT OF COMPLIANCE

The financial statements of the Group and the Company have been prepared in accordance with International Financial Reporting Standards (IFRS), as adopted by the European Union (further "the EU").

BASIS OF PREPARATION

The interim condensed consolidated financial statements for the year ended 31 December 2008 have been prepared in accordance with IAS 34 Interim Financial Reporting.

The interim condensed consolidated 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 2007.

SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted in the preparation of the interim condensed consolidated 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 2007, except for the adoption of the new standards and interpretations, noted below:

IFRIC 11 IFRS 2 – GROUP AND TREASURY SHARE TRANSACTIONS

The interpretation provides guidance on classification of transactions as equity-settled or as cash-settled and also gives guidance on how to account for share-based payment arrangements that involve two or more entities within the same group in the individual financial statements of each group entity. This adoption of the pronouncements have no impact on the Group's financial statements.

IFRIC 14 IAS 19 – THE LIMIT ON A DEFINED BENEFIT ASSET, MINIMUM FUNDING REQUIREMENTS AND THEIR INTERACTION

This interpretation specifies the conditions for recognising a net asset for a defined benefit pension plan. This adoption of the pronouncements have no impact on the Group's financial statements.



All amounts are in LTL thousand unless otherwise stated

3. BUSINESS COMBINATION

On 23 December 2008 the Group company Jelfa S.A. acquired 100% shares of Polish ointment producer Laboratorium Farmaceutyczne HOMEOFARM Sp. z.o.o.

The fair value of the identifiable assets and liabilities of Laboratorium Farmaceutyczne HOMEOFARM Sp. z.o.o. as at the date of acquisition and the corresponding carrying amounts immediately before the acquisition date were:

	Carrying value (unaudited)	Fair value recognised on acquisition (unaudited)
Property, plant and equipment	1.413	2.109
Intangible assets	-	1.608
Other non-current assets	79	33
Inventories	1.114	2.067
Trade receivables	1.107	1.107
Other current assets	166	3
Cash and cash equivalents	664	664
Total assets	4.543	7.591
Non-current liabilities	25	657
Trade payables	602	602
Other current liabilities	508	138
Total liabilities	1.135	1.397
Net assets	3.408	6.194
Goodwill arising on acquisition		3.081
Cash paid at acquisition date		1.841
Cash payable in the future		7.434
Total consideration		9.275
Cash acquired		664
Total purchase consideration, net of cash acquired		8.611

The total cost of combination LTL 9.275 thousand includes expenses of LTL 187 thousand paid for legal services and other fees.

The goodwill of LTL 3.081 thousand is attributed to the expected synergies and other benefits from combining the assets and activities of Laboratorium Farmaceutyczne HOMEOFARM Sp. z.o.o. with those of the Group.

If the combination had taken place at the beginning of the year, the profit of the Group in 2008 would have been greater by LTL 1.137 thousand and the revenue of the Group would have been greater by LTL 6.737 thousand.



All amounts are in LTL thousand unless otherwise stated

4. SEGMENT INFORMATION

The primary segment reporting format is determined to be business segments as the Group's risk and rates of return are effected predominantly by differences in the products produced. The Group produces and distributes medicines, mainly injection preparation, tablets, eye drops, ointments and galenic solutions.

Segment information is presented in respect of the Group's geographical segments by location of customers as a secondary reporting format. The Group's sales are performed mainly in Poland, Russia, Latvia, Germany, Slovakia, Lithuania and other countries.

Segment information by business segments for the period ended 31 December 2008 (unaudited) and 31 December 2007 is as follows:

GROUP	Injection preparations		Tablets		Ointments, eye drops and galenic solutions		Other		Total	
	January-December 2008	January-December 2007	January-December 2008	January-December 2007	January-December 2008	January-December 2007	January-December 2008	January-December 2007	January-December 2008	January-December 2007
Own production	55.931	48.056	112.899	92.666	141.232	120.502	164	1.175	310.226	262.399
Toll manufacturing	46.867	46.560	23.907	24.628	1.425	1.817	87	-	72.286	73.005
Revenue	102.798	94.616	136.806	117.294	142.657	122.319	251	1.175	382.512	335.404
Change	9%		17%		17%		(79%)		14%	

COMPANY	Injection preparations		Tablets		Ointments, eye drops and galenic solutions		Other		Total	
	January-December 2008	January-December 2007	January-December 2008	January-December 2007	January-December 2008	January-December 2007	January-December 2008	January-December 2007	January-December 2008	January-December 2007
Own production	8.962	7.210	6.397	6.641	2.550	2.194	(2)	(80)	17.907	15.965
Toll manufacturing	8.847	19.966	-	-	-	-	-	16	8.847	19.982
Revenue	17.809	27.176	6.397	6.641	2.550	2.194	(2)	(64)	26.754	35.947
Change	(34%)		(4%)		16%		(97%)		(26%)	

Segment information by geographical segments for the period ended 31 December 2008 (unaudited) and 31 December 2007 is as follows:

	GROUP						COMPANY					
	Own production		Toll manufacturing		Total		Own production		Toll manufacturing		Total	
	January-December 2008	January-December 2007	January-December 2008	January-December 2007	January-December 2008	January-December 2007	January-December 2008	January-December 2007	January-December 2008	January-December 2007	January-December 2008	January-December 2007
Poland	212.361	180.716	2.304	1.121	214.665	181.837	110	846	-	-	110	846
Russia	44.082	38.589	-	-	44.082	38.589	-	-	-	-	-	-
Ukraine	6.184	6.293	-	-	6.184	6.293	-	-	-	-	-	-
Lithuania	17.186	14.623	-	-	17.186	14.623	17.186	14.623	-	-	17.186	14.623
Latvia	612	428	29.091	32.048	29.703	32.476	612	362	8.847	19.966	9.459	20.328
Slovakia	2.661	337	15.773	13.396	18.434	13.733	-	-	-	-	-	-
Czech Republic	4.232	1.061	1.908	10	6.140	1.071	-	-	-	-	-	-
Hungary	4.528	3.621	3.002	5.925	7.530	9.546	-	-	-	-	-	-
Bulgaria	3.201	2.233	-	-	3.201	2.233	-	-	-	-	-	-
Armenia	-	13	-	-	-	13	-	13	-	-	-	13
Belarus	2.377	1.489	-	-	2.377	1.489	-	-	-	-	-	-
Georgia	5.771	2.852	-	-	5.771	2.852	-	-	-	-	-	-
Kazakhstan	3.193	4.628	-	-	3.193	4.628	-	121	-	-	-	121
Kyrgyzstan	188	243	-	-	188	243	-	-	-	-	-	-
Moldova	886	265	-	-	886	265	-	-	-	-	-	-
Mongolia	-	193	-	-	-	193	-	-	-	-	-	-
Tajikistan	-	118	-	-	-	118	-	-	-	-	-	-
Turkmenistan	-	468	-	-	-	468	-	-	-	-	-	-
Uzbekistan	608	535	-	-	608	535	-	-	-	-	-	-
Vietnam	1.962	2.439	-	-	1.962	2.439	-	-	-	-	-	-
Finland	-	-	-	16	-	16	-	-	-	16	-	16
Germany	-	-	19.355	19.902	19.355	19.902	-	-	-	-	-	-
Great Britain	-	-	204	372	204	372	-	-	-	-	-	-
Switzerland	-	-	572	102	572	102	-	-	-	-	-	-
USA	-	-	-	53	-	53	-	-	-	-	-	-
Austria	-	-	-	60	-	60	-	-	-	-	-	-
Unallocated	194	1.255	77	-	271	1.255	-	-	-	-	-	-
Revenue	310.226	262.399	72.286	73.005	382.512	335.404	17.907	15.965	8.847	19.982	26.754	35.947
Change	18%		(1%)		14%		12%		(56%)		(26%)	



All amounts are in LTL thousand unless otherwise stated

5. SELLING AND DISTRIBUTION EXPENSES

Selling and distribution expenses increased in 2008 due to marketing activities expansion in comparison with the same period of 2007. Number of marketing campaigns were run in order to promote existing and newly launched products in Poland. Moreover, in 2008 three Group representative offices in Sloavakia, Check Republic and Hungary operated for the full year and one additional was opened in Bulgaria, while in 2007 the mentioned three representative offices were launched and had no significant operations.

6. ADMINISTRATIVE EXPENSES

In 2008 the Group and the Company has experienced expenses in amount of LTL 5.602 thousand, which were not related to the ordinary activities of the Group and the Company. The above mentioned expenses mainly were related to financial management and advisory company „Merrill Lynch International“ performed project on strategic options research.

Group asministrative expenses increased due to accounted inventories allowances and write-offs, which were mainly related to not harmonised according to the EU regulations medicines inventories balances. Change in inventories allowances and write-offs of inventories in 2008 amounted to LTL 5.600 thousand (in 2007 – LTL 1.822 thousand).

Moreover, in 2008 Group companies reviewed the recoverability of trade receivables due to worsen situation in the market and recorded allowance for the amounts, which are related to risky markets, especially Russia, Ukrain. In 2008 Group income statement change in trade receivables allowances amounted to LTL 3.100 thousand expenses (in 2007 – LTL 3.331 thousand income).



All amounts are in LTL thousand unless otherwise stated

7. INCOME (EXPENSES) FROM FINANCIAL ACTIVITIES, NET

GROUP	January- December 2008 (unaudited)	January- December 2007	September- December 2008 (unaudited)	September- December 2007 (unaudited)
Financial revenue:				
Interest income	145	301	27	70
Gain on fair value of financial instruments	13.737	-	12.865	-
Other financial income	40	1	21	(15)
Total financial income	13.922	302	12.913	55
Financial expenses:				
Interest expenses	(22.366)	(21.199)	(5.771)	(7.918)
Foreign currency exchange loss, net	(49.941)	(3.960)	(43.389)	(141)
Loss on fair value of financial instruments	(1.539)	-	4.431	-
Other financial expenses	(101)	(424)	89	6
Total financial expenses	(73.947)	(25.583)	(44.640)	(8.053)
Financial activities, net	(60.025)	(25.281)	(31.727)	(7.998)
COMPANY				
	January- December 2008 (unaudited)	January- December 2007	September- December 2008 (unaudited)	September- December 2007 (unaudited)
Financial revenue:				
Dividends from subsidiary	-	6.992	-	4.327
Foreign currency exchange gain net	1.470	-	1.700	-
Interest income	2	8.164	-	834
Total financial income	1.472	15.156	1.700	5.161
Financial expenses:				
Interest expenses	(2.537)	(1.817)	(1.215)	(353)
Foreign currency exchange loss, net	-	(185)	-	(200)
Other financial expenses	(101)	(1.123)	(55)	(1.110)
Total financial expenses	(2.638)	(3.125)	(1.270)	(1.663)
Financial activities, net	(1.166)	12.031	430	3.498

Change in Group foreign activity results in 2008 was mainly caused by loss in foreign currency exchange.

On 3 June 2008 Jelfa S.A. PLN loan from banks Bank Polska Kasa Opieki S.A. and Bank Zachodni WBK S.A. amounting PLN 248.000 thousand were converted to EUR at 3.35 PLN/EUR rate. Loan conversion resulted in lower interest base to be applied on loan, however this conversion exposed the loan balance to EUR/PLN fluctuations. Decreasing PLN rate (4.17 PLN/EUR as at 31 December 2008) resulted in negative Group foreign exchange result amounting to LTL 55.582 thousand in 2008. In terms of cash flows the Group is not exposed to the foreign exchange risk, as cash flow in EUR is sufficient to service the loan and other payables in EUR.



All amounts are in LTL thousand unless otherwise stated

8. INCOME TAX

GROUP	January- December 2008 (unaudited)	January- December 2007	September- December 2008 (unaudited)	September- December 2007 (unaudited)
Income tax expenses				
Current year income tax	(114)	(2.463)	(114)	2.705
Prior year current income tax correction	(7)	34	(90)	-
Deferred tax expenses	8.217	983	7.372	2.425
Income tax (expenses) income charged to the income statement	8.096	(1.446)	7.168	5.130
COMPANY	January- December 2008 (unaudited)	January- December 2007	September- December 2008 (unaudited)	September- December 2007 (unaudited)
Income tax expenses				
Current year income tax	-	(2.368)	-	4
Prior year current income tax correction	40	-	(1)	-
Deferred tax expenses	1.838	(438)	540	(438)
Income tax (expenses) income charged to the income statement	1.878	(2.806)	539	(434)

9. EARNINGS PER SHARE

Basic earning per share amounts are calculated by dividing net profit for the year attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year.

The following reflects the income and share data used in basic and diluted earnings per share computations for the Group:

GROUP	January- December 2008 (unaudited)	January- December 2007	September- December 2008 (unaudited)	September- December 2007
Net (loss) profit	(2.093)	37.290	(17.509)	7.505
Weighted average number of ordinary shares	31.106	31.106	31.106	31.106
Earnings (loss) per share (in LTL)	(0,07)	1,20	(0,56)	0,24

10. PROPERTY, PLANT AND EQUIPMENT

During 2008 the Group acquired assets with a cost value of LTL 55.864 thousand (in the same period of 2007: LTL 37.902 thousand).

During 2008, the Company acquired assets with a cost value of LTL 42.449 thousand (in the same period of 2007: LTL 13.741 thousand).

In September the new plant in Kaunas was opened by AB Sanitas, where the manufacturing and administrative rooms, laboratories and warehouses are arranged. Company invested to the new plant LTL 68.000 thousand. The manufacturing plant and part of the machinery and equipments were started to be depreciated in the last quarter of 2008, therefore the Group and the Company depreciation expenses have increased.

11. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

On 26 June 2008 Jelfa S.A. signed contracts with banks Bank Pekao S.A. and Bank Zachodni WBK S.A. in order to acquire financial instruments to secure its EUR long term loans from foreign exchange rate and interest rate movement risks. Contracts for call and put options will secure payments to the bank in EUR and interest rate swap contract will secure the exposure to changes in interest rates. In these financial statements all fair value movement of financial instruments are shown through financial activities profit and loss (Note 7).

12. SHARE CAPITAL

The Company's share capital comprised of 31.105.920 ordinary shares with a par value of LTL 1 each as at 31 December 2008 and 31 December 2007.

The share capital of the Company was fully paid as at 31 December 2008 and as at 31 December 2007. Subsidiaries did not hold any shares of the Company as at 31 December 2008 and as at 31 December 2007. The Company did not hold its own shares as at 31 December 2008 and as at 31 December 2007.

13. LOANS

On 29 May 2008, the Group borrowed PLN 10.000 thousand from Pekao S.A. and PLN 10.000 thousand from BZWBK bank. The loan is repayable in one year on 29 May 2009. The loan bears interests of 1M WIBOR+0,75%.

On 4 June 2008 the Company borrowed PLN 3.500 thousand (with 7,01% fixed interest rate) and on 13 August 2008 - PLN 4.000 thousand (with 7,1% fixed interest rate) from its subsidiary Jelfa S.A. The loans are repayable on 31 December 2008.

On 14 July 2008 AB Bankas Hansabankas increased investment loan to the Company by EUR 1.303 thousand. This amount is repayable not later than on 31 May 2009.

In October 2008 the Company borrowed EUR 995 thousand (with 5,67% fixed interest rate) from its subsidiary Jelfa S.A, in November – EUR 700 thousand (with 4,67% fixed interest rate), in December – EUR 762 thousand (with 7,02% fixed interest rate) and PLN 2.500 thousand (with 7,20% fixed interest rate).

On 31 December the Company borrowed LTL 7.977 thousand (with 6,50% fixed interest rate) from AB Invalda. The loan is repayable on 31 December 2010.

On 30 December the Company borrowed LTL 1.465 thousand (with 6,50% fixed interest rate) from its shareholders. The loans are repayable on 31 December 2010.



All amounts are in LTL thousand unless otherwise stated

13. LOANS (CONTINUED)

As at 31 December 2008 the Group company Jelfa S.A did not comply with the financial covenants of the loan agreement with Bank Polska Kasa Opieki SA, Bank Zachodni WBK SA: EBITDA to Debt Service (should be not lower than 1.2), financial Indebtedness to EBITDA (should be lowe than 3). Due to this reason the non-current bank loans in the amount of LTL 194,578 thousand were classified as current liabilities in the Group's balance sheet as at 31 December 2006.

14. CONTINGENT LIABILITIES

CORHYDRON MEDICINES

From September to October 2005 6,609 defective packages of Corhydron 250, series 010705, have been sold to the Polish market from subsidiary Jelfa S.A. Till 31 December 2006 25 vials of Corhydron 250 were identified to contain suxamethonium chloride – a substance which is applied in certain surgeries and which, if improperly applied, may represent a danger to life. All the spoiled vials were produced in July 2005 (before the subsidiary acquisition). Till 31 December 2006 "Polish Pharma Supervision" withdrew from sale Corhydron 250 produced until November 2006 and all Corhydron which was retained by Police and public prosecutors. Currently Jelfa S.A. is allowed to produce and sell all amounts of Corhydron.

During the year 2006 Jelfa S.A. management has made a provision related to sold Corhydron collection expenses and expected claims amounting to LTL 695 thousand. During the year 2007 Jelfa S.A management has made an additional provision of LTL 179 thousand for expected Corhydron returns from the market. During the three quarters of 2008 the whole provision for this case has been reversed, as management does not expected to experience any other cost related to this issue.

TRASCOLAN MEDICINES

In March 2008 Jelfa S.A. management has made a provision related for expected Trascolan returns from the market amounting to LTL 154 thousand due to cancelled sales of Trascolan. In the same period Jelfa S.A management has made an additional allowance of LTL 553 thousand for work in progress related to Trascolan. Till 31 December 2008 the whole provision was utilised. Jelfa S.A. management does not expect to experience any other cost related to Transcolan cancellation.

OFFICE OF COMPETITION AND CONSUMER PROTECTION CASE

During the year 2007 Jelfa S.A. increased the price of the Cocarboxylasum medicine. The increase was challenged by the Office of Competition and Consumer protection in Poland. The risk of penalties resulting from such challenges could amount up to the 10% of the Jelfa S.A. turnover for 2007. At the end of 2007 the Company was arguing that there are other medicines on the market which have different ingredients but the same effect and based on such approach Jelfa S.A. would not have the dominating position on the market. On 14 March 2008 the Office of Competition and Consumer Protection terminated the proceeding against Jelfa S.A. The decision dismissed any prior claims through admitting that the position of Jelfa S.A. in the market of Cocarboxylasum cannot be qualified as "dominant".

15. DIVIDENDS PAID AND PROPOSED

The general shareholders meeting of the Company, which took place on April 17, 2008 declared LTL 18.664 thousand (LTL 0,6 per share). Till 31 December 2008 LTL 12.520 thousand has been paid out. The rest amount of LTL 6.144 thousand is accounted as short term liabilities of the Company and the Group. No dividends were approved in year 2007.

All amounts are in LTL thousand unless otherwise stated

16. RELATED PARTY TRANSACTIONS

In 2008, the Company's transactions with related parties, which had significant influence on financial statements, and related balances were as follows:

	Notes	Sales to related parties	Purchases from related parties	Amounts owed by related parties	Amounts owed to related parties	Payable dividends
AB FMĮ Finasta			25		7	
AB Invalda		2			7.978	
AB Finasta įmonių finansai			38		1	
Hoechst-Biotika, spol.s.r.o	a)	91	8.793	35	7.129	
Jelfa S.A.	b)	653	1.840		18.303	
UAB Acena			65		0	
UAB Baltic Amadeus infrastruktūros paslaugos			140		143	
UAB Invalda nekilnojamojo turto valdymas			194		6	
UAB Laikinosios sostinės projektai	c)		853		4	
D. Šulnis	d)				125	
T. Nausėda	d)				169	
J. Bielinis	d)				168	
N. Nausėda	d)				126	
A. Dirvonas	d)				263	
D. Jazukevičius	d)				158	
D. Žaromskis	d)				263	
A. Tuma	d)				193	
Citigroup Venture Capital International Jersey Limited						3.187
Hansabank clients						2.719

In 2008, the Group's transactions with related parties, which had significant influence on financial statements, and related balances were as follows:

	Notes	Sales to related parties	Purchases from related parties	Amounts owed by related parties	Amounts owed to related parties	Payable dividends
AB FMĮ Finasta			25		7	
AB Invalda		2			7.978	
AB Finasta įmonių finansai			38		1	
UAB Acena			65		0	
UAB Baltic Amadeus infrastruktūros paslaugos			210		143	
UAB Invalda nekilnojamojo turto valdymas			194		6	
UAB Laikinosios sostinės projektai	c)		853		4	
TOB Finasta (Ukraina)			23			
D. Šulnis	d)				125	
T. Nausėda	d)				169	
J. Bielinis	d)				168	
N. Nausėda	d)				126	
A. Dirvonas	d)				263	
D. Jazukevičius	d)				158	
D. Žaromskis	d)				263	
A. Tuma	d)				193	
Citigroup Venture Capital International Jersey Limited						3.187
Hansabank clients						2.719

All amounts are in LTL thousand unless otherwise stated

16. RELATED PARTY TRANSACTIONS (CONTINUED)

The Company's and Group's transactions with related parties in 2007, which had significant influence on financial statements, and balances as at 31 December 2007 were as follows:

	Notes	Sales to related parties	Purchases from related parties	Amounts owed by related parties	Amounts owed to related parties
The Company's transactions					
Hoechst-Biotika, spol.s.r.o.	a)	67	4.802	33	8.173
Jelfa S.A.	b)	9.097	1.041	7.235	1.464
UAB Altisana		-	182	-	303
The Company's and the Group's transactions					
AB Invalda		-	145	-	-
AB FMĮ Finasta		-	20	-	4
AB Valmeda		-	4	-	1
UAB Inred		-	710	-	36
UAB Laikinosios sostinės projektai	c)	-	629	-	61

- a) In October 2005, Hoechst-Biotika s.r.o provided a loan to the Company amounting to EUR 5.000 thousand. The outstanding amount of this loan is LTL 4.877 thousand as at 31 December 2008 (the outstanding amount of this loan as at 31 December 2007 was LTL 6.978 thousand). The interest calculated for the year 2008 was LTL 302 thousand (during the year 2007 – LTL 415 thousand). Hoechst-Biotika s.r.o produces products for the Company. During the twelve months of 2008 the Company purchased products for LTL 7.897 thousand (during the twelve months of 2007 – LTL 2.692 thousand)
- b) In 2008 Jelfa S.A. provided loans with fixed interest rate to the Company. The outstanding amount of these loans as at 31 December 2008 was LTL 16.817 thousand. Accumulated interest was LTL 277 thousand as at 31 December, 2008. During 2006 the Company has provided loans to Jelfa S.A., which were treated as net investment into subsidiary. These loans were granted with 4,3% interest rate. The outstanding amount of interest receivable from the subsidiary as at 31 December 2007 was LTL 7.165 thousand.
- c) The Company rented part of the real estate from UAB Laikinosios sostinės projektai for the operating activities. The rent fee was LTL 853 thousand in January-December 2008 (during the January-December 2007 – LTL 629 thousand).
- d) At the December 2008 shareholders provided loans to the Company with the fixed interest rate (Note 13).