Sanitas, AB

UNAUDITED INTERIM CONDENSED CONSOLIDATED AND PARENT COMPANY'S FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2009 PREPARED ACCORDING TO INTERNATIONAL FINANCIAL REPORTING STANDARDS, AS ADOPTED BY THE EUROPEAN UNION

CONTENTS

SANITAS, AB

UNAUDITED INTERIM CONDENSED CONSOLIDATED AND PARENT COMPANY'S FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2009

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 and Nerijus Drobavicius, Chief Financial Officer of Sanitas hereby confirm that, to the best of our knowledge, the attached unaudited interim condensed consolidated and parent company's financial statements for the period ended 31 December 2009, 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 and Sanitas, AB group.

General Manager Saulius Jurgelenas

Chief Financial Officer N. Drobavičius Nerijus Drobavicius

1341 36296 Veiveriu str. 134 B, LT-46352 Kaunas, Lithuania; tel. +370 37 22 67 25, fax +370 37 22 36 96, e-mail sanitas@sanitas.lt

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
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 bank, AB
Slovenska Sporitelna a.s.
Swedbank, AB
Tatra Bank a.s.
Unikredit Bank sp. z o.o.
Vseobecna uverova banka a.s.

The interim condensed financial statements were approved and signed by the management on 25 February 2010.

Management:

N. Drobavičius

Mr. Saulius Jurgelenas	**Mr. Nerijus Drobavicius**
General Manager	**Chief Financial Officer**

(all amounts are in thousand LTL unless otherwise stated)

Statements of Comprehensive Income

	Notes	Group		Company	
		January – December 2009	January – December 2008	January – December 2009	January – December 2008
Sales	3	322,749	382,512	16,117	26,754
Cost of sales		(153,962)	(171,404)	(12,705)	(15,633)
Gross profit		**168,787**	**211,108**	**3,412**	**11,121**
Other income	4	4,981	5,442	15,445	421
Selling and distribution expenses	5	(80,455)	(96,619)	(2,923)	(3,308)
Regulatory affairs expenses	6	(11,106)	(14,607)	(946)	(1,094)
Research and development expenses		(1,901)	(2,726)	(308)	(318)
Administrative expenses	7	(35,954)	(49,703)	(10,383)	(19,531)
Other expenses		(3,729)	(2,921)	(293)	(355)
Operating profit (loss)		**40,623**	**49,974**	**4,004**	**(13,064)**
Financial activity, net	8	(22,870)	(60,037)	(4,443)	(1,166)
Profit (loss) before tax		**17,753**	**(10,063)**	**(439)**	**(14,230)**
Income tax	9	91	8,179	(342)	1,961
Net profit (loss)		**17,844**	**(1,884)**	**(781)**	**(12,269)**
Basic and diluted earnings per share (in LTL)		0.57	(0.06)		
Other comprehensive income (expenses):					
Exchange differences on translating foreign operation		707	(38,411)	-	-
Cash flow hedges	12	1,246	(11,941)	-	-
Income tax relating to components of other comprehensive income	12	(236)	2,269	-	-
Other comprehensive income (expenses) for the year, net of tax		**1,717**	**(48,083)**	**-**	**-**
Total comprehensive income (expenses) for the year, net of tax		**19,561**	**(49,967)**	**(781)**	**(12,269)**

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(all amounts are in thousand LTL unless otherwise stated)

Statements of Comprehensive Income (cont'd)

	Group		Company	
	September – December 2009	**September – December 2008**	**September – December 2009**	**September – December 2008**
Sales	93,054	99,637	4,741	4,996
Cost of sales	(40,763)	(44,023)	(3,172)	(4,248)
Gross profit	**52,291**	**55,614**	**1,569**	**748**
Other income	1,371	3,268	15,070	155
Selling and distribution expenses	(22,099)	(28,001)	(839)	(879)
Regulatory affairs expenses	(1,176)	(3,855)	(195)	(374)
Research and development expenses	(637)	(598)	(50)	(146)
Administrative expenses	(11,288)	(16,840)	(3,053)	(4,294)
Other expenses	(1,040)	(2,400)	(12)	(88)
Operating profit (loss)	**17,422**	**7,188**	**12,490**	**(4,878)**
Financial activity, net	(2,644)	(35,971)	(1,101)	430
Profit (loss) before tax	**14,778**	**(28,783)**	**11,389**	**(4,448)**
Income tax	(4,084)	8,055	(2,726)	622
Net profit (loss)	**10,694**	**(20,728)**	**8,663**	**(3,826)**
Basic and diluted earnings per share (in LTL)	0.34	(0.67)		
Other comprehensive income (expenses):				
Exchange differences on translating foreign operation	4,050	(68,757)	-	-
Cash flow hedges	2,072	(7,623)	-	-
Income tax relating to components of other comprehensive income	(394)	1,448	-	-
Other comprehensive income (expenses) for the year, net of tax	**5,728**	**(74,932)**	**-**	**-**
Total comprehensive income (expenses) for the year, net of tax	**16,422**	**(95,660)**	**8,663**	**(3,826)**

(all amounts are in thousand LTL unless otherwise stated)

Balance Sheets

	Notes	Group		Company	
		As at 31 December 2009	As at 31 December 2008	As at 31 December 2009	As at 31 December 2008
ASSETS					
Non-current assets					
Property, plant and equipment	10	258,290	282,774	66,425	70,530
Intangible assets	11	292,831	294,342	913	1,044
Investments in subsidiaries		-	-	334,395	334,395
Other non-current financial assets	12	21	5,223	-	3
Deferred tax asset		27,851	31,014	2,435	2,055
Total non-current assets		**578,993**	**613,353**	**404,168**	**408,027**
Current assets					
Inventories		42,242	42,753	3,359	4,410
Prepaid income tax		128	2,067	76	1,589
Trade receivables		61,454	80,991	6,623	3,939
Other receivables		4,689	1,581	73	266
Prepayments and deferred expenses		2,353	3,860	152	145
Other current financial assets	12	3,285	5,793	-	-
Cash and cash equivalents		3,417	1,966	177	31
Total current assets		**117,568**	**139,011**	**10,460**	**10,380**
Total assets		**696,561**	**752,364**	**414,628**	**418,407**

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(all amounts are in thousand LTL unless otherwise stated)

Balance Sheets (cont'd)

	Notes	Group		Company	
		As at 31 December 2009	As at 31 December 2008	As at 31 December 2009	As at 31 December 2008
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		(8,662)	(9,672)	-	-
Translation reserve		(5,324)	(6,031)	-	-
Retained earnings		49,762	31,918	19,725	20,506
Total equity		**318,079**	**298,518**	**302,028**	**302,809**
Non-current liabilities					
Non-current loans	13	178,075	43,780	30,265	43,780
Financial lease obligations		1,787	4,428	281	718
Other non-current financial liabilities	12	3,562	7,522	-	-
Deferred tax liability		16,633	19,468	-	-
Deferred income from subsidies		15,098	15,892	15,098	15,892
Employee benefit liability		4,630	4,567	-	-
Total non-current liabilities		**219,785**	**95,657**	**45,644**	**60,390**
Current liabilities					
Current portion of non-current loans	13	61,119	255,704	19,479	13,799
Current portion of non-current financial lease obligations		3,025	3,432	523	938
Current loans	13	36,623	33,987	11,182	20,846
Trade payables		33,047	31,630	29,168	6,775
Advances received		717	-	97	-
Income tax payable		9	107	-	-
Other current financial liabilities	12	7,131	4,417	-	-
Other current liabilities		16,383	28,434	6,507	12,850
Employee benefit liability		486	478	-	-
Provisions		157	-	-	-
Total current liabilities		**158,697**	**358,189**	**66,956**	**55,208**
Total equity and liabilities		**696,561**	**752,364**	**414,628**	**418,407**

(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	Total
Balance as at 31 December 2007	**31,106**	**248,086**	**3,111**	**-**	**32,380**	**52,466**	**367,149**
Change in translation reserve	-	-	-	-	(38,411)	-	(38,411)
Cash flow hedge reserve	-	-	-	(9,672)	-	-	(9,672)
Net income and expense for the year recognised directly in equity	**-**	**-**	**-**	**(9,672)**	**(38,411)**	-	**(48,083)**
Net loss for the year	**-**	**-**	**-**	-	-	(1,884)	(1,884)
Total income and expense for the year	**-**	**-**	**-**	**(9,672)**	**(38,411)**	**(1,884)**	**(49,967)**
Dividends declared	-	-	-	-	-	(18,664)	(18,664)
Balance as at 31 December 2008	**31,106**	**248,086**	**3,111**	**(9,672)**	**(6,031)**	**31,918**	**298,518**
Change in translation reserve	-	-	-	-	707	-	707
Cash flow hedge reserve	-	-	-	1,010	-	-	1,010
Net income and expense for the year recognised directly in equity	**-**	**-**	**-**	**1,010**	**707**	-	**1,717**
Net profit for the year	-	-	-	-	-	17,844	17,844
Total income and expense for the year	**-**	**-**	**-**	**1,010**	**707**	**17,844**	**19,561**
Balance as at 31 December 2009	**31,106**	**248,086**	**3,111**	**(8,662)**	**(5,324)**	**49,762**	**318,079**

Company	Share capital	Share premium	Legal reserve	Retained earnings	Total
Balance as at 31 December 2007	**31,106**	**248,086**	**3,111**	**51,439**	**333,742**
Net loss for the year	-	-	-	(12,269)	(12,269)
Total income and expense for the year	**-**	**-**	**-**	**(12,269)**	**(12,269)**
Dividends declared	-	-	-	(18,664)	(18,664)
Balance as at 31 December 2008	**31,106**	**248,086**	**3,111**	**20,506**	**302,809**
Net loss for the year	-	-	-	(781)	(781)
Total income and expense for the year	**-**	**-**	**-**	**(781)**	**(781)**
Balance as at 31 December 2009	**31,106**	**248,086**	**3,111**	**19,725**	**302,028**

(all amounts are in thousand LTL unless otherwise stated)

Cash Flow Statements

	Group		Company	
	2009	**2008**	**2009**	**2008**
Cash flows from (to) operating activities				
Profit (loss) before tax	17,753	(10,063)	(439)	(14,230)
Adjustments for non-cash items:				
Depreciation and amortisation	33,693	40,375	3,814	2,166
Loss (gain) from disposal and write-off of non-current assets	341	173	11	96
Loss from disposal Altisana, UAB	-	3	-	3
Change in value of financial instruments	7,404	(12,905)	-	-
Change in allowance and write-off of trade and other receivables	180	3,153	(84)	1,143
Change in allowance and write-off of inventories	2,575	5,299	28	369
Unrealised foreign currency exchange loss	(4,884)	41,617	(147)	(1,470)
Interest expenses	14,941	22,366	4,377	2,537
Interest (income)	(42)	(145)	-	(2)
Other non cash items	93	(962)	-	-
	72,054	88,911	7,560	(9,388)
Change in working capital:				
(Increase) decrease in inventories	(1,787)	33	1,028	1,145
(Increase) decrease in trade and other receivables and deferred charges	18,069	(15,611)	(17,432)	(1,384)
Increase (decrease) in trade and other payables and advances received	3,225	9,272	14,725	6,282
(Decrease) in employee benefits	(604)	(851)	-	-
Income tax (paid) received	201	(4,428)	-	(1,905)
Net cash flows from (to) operating activities	**91,158**	**77,326**	**5,881**	**(5,250)**
Cash flows from (to) investing activities				
(Acquisition) of non-current tangible assets	(5,127)	(53,603)	(1,763)	(41,675)
(Acquisition) of non-current intangible assets	(5,012)	(7,050)	-	(887)
Proceeds from sale of non-current assets	432	1,684	19	31
(Acquisition) of Laboratorium Farmaceutyczne HOMEOFARM sp. z.o.o., net of cash acquired	(6,908)	(1,177)	-	-
(Acquisition) of financial instruments	-	(705)	-	-
Settlement of financial instruments	(669)	-	-	-
Proceeds from sale of Altisana, UAB	-	8	-	8
Interest received	42	145	-	5,585
Net cash flows (to) from investing activities	**(17,242)**	**(60,698)**	**(1,744)**	**(36,938)**

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(all amounts are in thousand LTL unless otherwise stated)

Cash Flow Statements (cont'd)

	Group		Company	
	2009	**2008**	**2009**	**2008**
Cash flows from (to) financing activities				
Proceeds from loans	8,845	53,925	15,510	52,192
(Repayments) of loans	(63,530)	(54,305)	(16,241)	(4,376)
(Payment) of finance lease liabilities	(3,884)	(3,473)	(991)	(1,126)
Interest (paid)	(14,493)	(22,828)	(2,193)	(2,065)
Proceeds from grants	-	9,867	-	9,867
Dividends (paid)	(76)	(12,520)	(76)	(12,520)
Net cash flows (to) from financial activities	**(73,138)**	**(29,334)**	**(3,991)**	**41,972**
Net increase (decrease) in cash and cash equivalents	**778**	**(12,706)**	**146**	**(216)**
Net foreign exchange difference	**673**	**989**	**-**	**-**
Cash and cash equivalents at the beginning of the year	**1,966**	**13,683**	**31**	**247**
Cash and cash equivalents at the end of the year	**3,417**	**1,966**	**177**	**31**
Supplemental information of cash flows:				
Property, plant and equipment acquisition financed by finance lease	849	2,272	139	383

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 31 December 2009 and 31 December 2008 the shareholders of the Company were:

	31 December 2009		**31 December 2008**	
	Number of shares held (thousand)	**Percentage**	**Number of shares held (thousand)**	**Percentage**
Invalda, AB	8,254	26.54%	12,529	40.27%
Baltic Pharma Limited	6,315	20.30%	1,555	5.00%
Citigroup Venture Capital International Jersey Limited	5,312	17.08%	5,312	17.08%
Amber Trust II	3,952	12.70%	3,952	12.70%
Other	7,273	23.38%	7,758	24.95%
Total	31,106	100.00%	31,106	100.00%

On January 12, 2009, the shareholder company Invalda, AB completed a transaction whereby it sold 4,759,206 (15.3%) of the Company's shares to Baltic Pharma Limited. Citi Venture Capital International Jersey Limited together with its related party Baltic Pharma Limited became the major shareholder of the Company, owning together 37.38% of the share capital.

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 2009**	**2008**
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	-

***** Previously known as Hoechst-Biotika spol. s.r.o, see Note 15.

The interim condensed financial statements were approved and signed by the Management on 25 February 2010.

2. Accounting principles

The principal accounting policies adopted in preparing the Group's and the Company's interim condensed financial statements for the year ended 31 December 2009 are as follows:

Basis of preparation

The interim condensed consolidated financial statements for the year ended 31 December 2009 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 2008.

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 2008, except for the adoption of new Standards and Interpretations as of 1 January 2009, noted below:

Amendment to IFRS 2 Share-based Payment **–** Vesting Conditions and Cancellations
The amendment clarifies the definition of a vesting condition and prescribes the treatment for an award that is effectively cancelled. The adoption of this amendment did not have any impact on the financial position or performance of the Group, as the Group does not have share-based payments.

Amendments to IFRS 7 Financial Instruments: Disclosures
The amended standard requires additional disclosure about fair value measurement and enhance existing principles for disclosures about liquidity risk associated with financial instruments. The disclosures are not significantly impacted by the amendments.

IFRS 8 Operating Segments
The standard requires disclosure of information about the Group's and the Company's operating segments and replaces the requirements to determine primary (business) and secondary (geographical) reporting segments of the Group and the Company. Adoption of this Standard did not have any effect on the financial position or performance of the Group of the Company. The Group and the Company determined that the operating segments were the same as the business segments previously identified under IAS 14 Segment Reporting. Additional disclosures about each of these segments are shown in Note 3.

IAS 1 Revised Presentation of Financial Statements
The revised Standard separates owner and non-owner changes in equity. The statement of changes in equity includes only details of transactions with the owners, with non-owner changes in equity presented as a single line. In addition, the Standard introduces the statement of comprehensive income: it presents all items of recognized income and expense, either in one single statement, or in two linked statements. The Group and the Company has elected to present one single statement.

IAS 23 Borrowing Costs (Revised)
The revised standard eliminates the option of expensing all borrowing costs and requires borrowing costs to be capitalised if they are directly attributable to the acquisition, construction or production of a qualifying asset. The Group and the Company applied borrowing costs capitalisation option of previously effective IAS 23, therefore there were no impact on the Group's and the Company's financial statements on the adoption of the revised standard.

IAS 32 Financial Instruments: Presentation and IAS 1 Presentation of Financial Statements – Puttable Financial Instruments and Obligations Arising on Liquidation
The standards have been amended to allow a limited scope exception for puttable financial instruments to be classified as equity if they fulfill a number of specified criteria. The adoption of these amendments did not have any impact of the financial position or performance of the Group as the Group has not issued such instruments.

IFRIC 13 Customer Loyalty Programmes
This interpretation requires customer loyalty award credits to be accounted for as a separate component of the sales transaction in which they are granted and therefore part of the fair value of the consideration received is allocated to the award credit and deferred over the period that the award credit is fulfilled. The Group does not maintain customer loyalty programmes, therefore, this interpretation had no impact on the financial position or performance of the Group.

2. Accounting principles (cont'd)

Significant accounting policies (cont'd)

IFRIC 9 Reassessment of Embedded Derivatives and IAS 39 Financial Instruments: Recognition and Measurement
The amendments clarify the accounting treatment of embedded derivatives for entities that make use of the reclassification amendment to IAS 39 and IFRS 7 issued in October 2008. The Group did not have financial instruments caught by these amendments.

IFRIC 16 Hedges of a Net Investment in a Foreign Operation
The interpretation is to be applied prospectively. The interpretation provides guidance on the accounting for a hedge of a net investment in a foreign operation. IFRIC 16 had no any impact on the consolidated financial statements because the Group does not have hedges of net investments.

Improvements to IFRSs

In May 2008 IASB issued its first omnibus of amendments to its standards, primarily with a view to removing inconsistencies and clarifying wording. There are separate transitional provisions for each standard. The adoption of the following amendments resulted in changes to accounting policies but did not have any impact of the financial position or performance of the Group.

- *IAS 1 Presentation of Financial Statements*. Assets and liabilities classified as held for trading in accordance with IAS 39 Financial Instruments: Recognition and Measurement are not automatically classified as current in the balance sheet. The Group amended its accounting policy accordingly and analysed whether Management's expectations of the period of realization of financial assets and liabilities differed from the classification of the instruments. This did not result in any re-classification of financial instruments between current and non-current in the balance sheet.
- *IAS 16 Property, Plant and Equipment.* Items of property, plant and equipment held for rental that are routinely sold in the ordinary course of business after rental, are transferred to inventory when rental ceases and they are held for sale. Also, replaced the term "net selling price" with "fair value less costs to sell". The Group amended its accounting policy accordingly, which did not result in any change in its balance sheet.
- *IAS 23 Borrowing Costs.* The definition of borrowing costs is revised to consolidate the two types of items that are considered components of 'borrowing costs' into one – the interest expense calculated using the effective interest rate method calculated in accordance with IAS 39. The Group amended its accounting policy accordingly, which did not result in any change in its balance sheet.
- IAS 38 *Intangible Assets*. Expenditure on advertising and promotional activities is recognised as an expense when the entity either has the right to access the goods or has received the service. This amendment has not impact on the Group because it does not enter into such promotional activities. The reference to there being rarely, if ever, persuasive evidence to support an amortisation method of intangible assets other than a straight-line method has been removed. The Group reassessed the useful lives of its intangible assets and concluded that the straight-line method was still appropriate.

The amendments to the following standards below did not have any impact on the accounting policies, the balance sheet or performance of the Group:

- *IFRS 5 Non-current Assets Held for Sale and Discontinued Operations.*
- *IFRS 7 Financial Instruments: Disclosures.*
- *IAS 8 Accounting Policies, Change in Accounting Estimates and Errors.*
- *IAS 10 Events after the Reporting Period.*
- *IAS 16 Property, Plant and Equipment.*
- *IAS 18 Revenue.*
- *IAS 19 Employee Benefits.*
- *IAS 20 Accounting for Government Grants and Disclosures of Government Assistance.*
- *IAS 23 Borrowing Costs.*
- *IAS 27 Consolidated and Separate Financial Statements.*
- *IAS 28 Investment in Associates.*
- *IAS 29 Financial Reporting in Hyperinflationary Economies.*
- *IAS 31 Interest in Joint ventures.*
- *IAS 34 Interim Financial Reporting.*
- *IAS 36 Impairment of Assets.*
- *IAS 38 Intangible Assets.*
- *IAS 39 Financial Instruments: Recognition and Measurement.*
- *IAS 40 Investment Property.*
- *IAS 41 Agriculture.*

(all amounts are in thousand LTL unless otherwise stated)

3. Segment information

For management purposes, the Group is organised into business units on their products, and has four reportable 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 (e.g. expenses on the strategic options research in 2008) 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.

The following tables present revenue and profit information regarding the Group's operating segments for the period ended 31 December 2009 and 2008, respectively.

Group	**Injectables**		**Tablets**		**Ointments**		**Eye drops, syringe**		**Unallocated**		**Total**	
	2009	**2008**	**2009**	**2008**	**2009**	**2008**	**2009**	**2008**	**2009**	**2008**	**2009**	**2008**
Own products sales	40,504	55,931	92,909	112,899	113,544	141,232	45	-	4,689	164	251,691	310,226
Toll manufacturing sales	41,494	46,867	27,860	23,907	1,592	1,425	-	-	112	87	71,058	72,286
Total revenue	81,998	102,798	120,769	136,806	115,136	142,657	45	-	4,801	251	322,749	382,512
Profit (loss) before taxes	2,478	18,398	700	7,743	40,844	56,269	(652)	(177)	(25,617)	(92,296)	17,753	(10,063)

Company	**Injectables**		**Tablets**		**Ointments**		**Eye drops, syringe**		**Unallocated**		**Total**	
	2009	**2008**	**2009**	**2008**	**2009**	**2008**	**2009**	**2008**	**2009**	**2008**	**2009**	**2008**
Own products sales	7,771	8,962	4,537	6,397	1,836	2,550	45	-	-	(2)	14,189	17,907
Toll manufacturing sales	1,928	8,847	-	-	-	-	-	-	-	-	1,928	8,847
Total revenue	9,699	17,809	4,537	6,397	1,836	2,550	45	-	-	(2)	16,117	26,754
Profit (loss) before taxes	(7,471)	(3,908)	(3,264)	(2,570)	773	758	(652)	(177)	10,175	(8,333)	(439)	(14,230)

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

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

Unallocated sales mainly include sales of syrups and suspensions, which cat not be attributed to the other segments.

Toll manufacturing sales of the Company decreased significantly during the year 2009 in comparison to the year 2008 as production in old Company's facility was terminated in the second quarter of 2008. Sales at Group level remained at the similar level as the toll manufacturing contracts from the Company were temporary transferred to the other Group entities.

(all amounts are in thousand LTL unless otherwise stated)

3. Segment information (cont'd)

The Group's sales are performed mainly in Poland, Russia, Latvia, Germany, Slovakia, Lithuania and other countries. Information by geographical segments for the period s ended 31 December 2009 and 2008 is as follows:

	Group						Company					
	Own products sales		Toll manufacturing sales		Total		Own products sales		Toll manufacturing sales		Total	
	2009	2008	2009	2008	**2009**	**2008**	2009	2008	2009	2008	**2009**	**2008**
Poland	150,554	212,361	2,864	2,304	153,418	214,665	653	109	-	-	653	109
Russia	47,162	44,082	-	-	47,162	44,082	-	-	-	-	-	-
Latvia	482	612	22,902	29,091	23,384	29,703	482	612	1,928	8,847	2,410	9,459
Slovakia	5,373	2,661	17,530	15,773	22,903	18,434	-	-	-	-	-	-
Germany	-	-	22,332	19,355	22,332	19,355	-	-	-	-	-	-
Lithuania	12,939	17,186	115	-	13,054	17,186	13,054	17,186	-	-	13,054	17,186
Ukraine	7,997	6,184	-	-	7,997	6,184	-	-	-	-	-	-
Czech Republic	6,588	4,232	1,174	1,908	7,762	6,140	-	-	-	-	-	-
Hungary	3,513	4,528	2,179	3,002	5,692	7,530	-	-	-	-	-	-
Georgia	5,443	5,771	-	-	5,443	5,771	-	-	-	-	-	-
Bulgaria	3,184	3,201	-	-	3,184	3,201	-	-	-	-	-	-
Vietnam	2,974	1,962	-	-	2,974	1,962	-	-	-	-	-	-
Kazakhstan	2,682	3,193	-	-	2,682	3,193	-	-	-	-	-	-
Belarus	1,618	2,377	-	-	1,618	2,377	-	-	-	-	-	-
Switzerland	-	-	1,425	572	1,425	572	-	-	-	-	-	-
Moldova	466	886	-	-	466	886	-	-	-	-	-	-
Uzbekistan	406	608	-	-	406	608	-	-	-	-	-	-
Kyrgyzstan	237	188	-	-	237	188	-	-	-	-	-	-
Great Britain	-	-	221	204	221	204	-	-	-	-	-	-
USA	-	-	169	-	169	-	-	-	-	-	-	-
Unallocated	73	194	147	77	220	271	-	-	-	-	-	-
Total	**251,691**	**310,226**	**71,058**	**72,286**	**322,749**	**382,512**	**14,189**	**17,907**	**1,928**	**8,847**	**16,117**	**26,754**

Own products sales in Poland market

During the first quarter of 2009 sales of own products in Poland decreased by 48% in comparison to the same period of 2008 due to following reasons. First of all the Group discontinued sales of non-harmonized products in this market since 1 January 2009. The Group has also changed the packaging materials for some products and re-registration process was finalized in January – February 2009 only, which resulted in lower sales during January – February 2009.

Sales to Poland market recovered in the second quarter and reached LTL 46,592 thousand level in comparison to the first quarter LTL 25,288 thousand. In local currencies sales reached PLN 60,131 thousand in second quarter of 2009 showing 17.4% growth comparing to the same period of 2008 (PLN 51,217 thousand in the second quarter of 2008).

In third quarter the sales to Poland market decreased in comparison to the same period last year (PLN 42,668 thousand vs. PLN 48,133 PLN), as the distributors were reducing their stock level in the distribution channel in order to manage their working capital more effectively, which resulted in lower ex-factory sales of the Group.

No further reduction of stocks in the channel took place during the last quarter of 2009, which resulted in the recovered sales at the year end – sales in the fourth quarter increased by 22.44%, in comparison to the third quarter of 2009, which amounted to LTL 43,305 thousand.

Full year sales are lower than the prior year due to the reasons, mentioned above.

3. Segment information (cont'd)

Own products sales in Russia market

At the beginning of 2009 the Group stopped all shipments to Russian customers that had overdue accounts payable to the Group companies. During the first quarter Group collected most of its overdue accounts receivable from Russian customers.

Shipments were renewed in March only to financially sound customers that fully settled their accounts payable with the Group, therefore the second quarter sales to Russia in local currency were higher than the first quarter sales. Sales of second quarter 2009 were however lower than sales in the same period of 2008, because Russian distributors were reducing level of their inventories in order to better manage their working capital.

Sales to the Russia market recovered in the third quarter 2009 and reached LTL 10,865 thousand, which exceeded the sales in the same period during the prior year (LTL 10,199 thousand) and the sales in the second quarter of 2009 (LTL 7,615 thousand).

During the fourth quarter sales in the Russia market boomed and reached the highest quarter sales during the last 2 years, which amounted to LTL 19,070 thousand, as the inventories level in the distribution channel was normalised and the tense prior year situation with overdue accounts receivable was managed. Due to this, annual sales increased by 6.98% in comparison to 2008 year.

Own products sales in Ukraine market

Sales to Ukrainian customers increased constantly during 2009 year and were 29.32% higher than in 2008, as this market sales were not affected by the above mentioned reasons that were applicable to Russia, because hard cash collection process was started in 2008 and was finalized in December 2008.

Own products sales in Lithuania market

Sales in Lithuanian market decreased comparing to 2008 due to the fact, that medicines manufactured in the new plant of the Company were available for sale only in the second half of 2009, after they passed stability tests and after registration procedures were completed.

Sales in the third quarter of 2009 were lower comparing to the same period of 2008 because of hospital and OTC markets that shrank down comparing to the prior year (about 15%).

During the last quarter sales increased by 31.71%, in comparison to the third quarter of 2009 and amounted to LTL 4,046 thousand. This was influenced by the market increase and the Group market share increase.

Own products sales in Czech and Slovak markets

Rapid sales growth continued in Czech and Slovak markets, where annual growth rates amounted to 55.67% and 101.92%, respectively.

Own products sales in Hungary market

Sales to Hungarian market recovered in the second quarter of 2009 and reached LTL 935 thousand in comparison to LTL 734 thousand in the first quarter of 2009 and LTL 1,124 thousand in the third quarter of 2009. However, the Group decided to discontinue own promotional activities in Hungary in the last quarter of 2009, as the market growth was slower, than expected. At the moment the Group is looking for the different business model in this market.

4. Other income

Increase in the other income of the Company relates to the management consulting services income accounted for 2006 – 2009 years consultation services, provided to the subsidiary companies, which amounted to LTL 15,021 thousand.

(all amounts are in thousand LTL unless otherwise stated)

5. Selling and distribution expenses

Selling and distribution expenses decreased in comparison to prior year because in 2009 fewer marketing campaigns were run.

6. Regulatory affairs expenses

Regulatory affairs expenses in 2009 decreased in comparison to 2008, as production harmonization process was completed at the end of 2008.

7. Administrative expenses

The Group administrative expenses for the period ended 31 December 2009 include LTL 180 thousand expenses of change in allowance and write-offs for trade receivables and other receivables (LTL 3,153 thousand expenses for the period ended 31 December 2008) and LTL 2,575 thousand expenses of inventories change in allowance and write-offs (LTL 5,299 thousand expenses for the period ended 31 December 2008).

The Comapny administrative expenses for the period ended 31 December 2009 include LTL 84 thousand income of change in allowance and write-offs for trade receivables and other receivables (LTL 1,143 thousand expenses for the period ended 31 December 2008) and LTL 28 thousand expenses of inventories change in allowance and write-offs (LTL 369 thousand expenses for the period ended 31 December 2008).

During the last quarter of 2009 the Group and the Company finished headcount optimisation process. As a result, mutual basis agreements for employment termination were signed with some of the employees. Due to the redundancies in 2009, the total amount of LTL 1,370 thousand were accounted in the Group administrative expenses (LTL 667 thousand expenses in the Company administrative expenses) as termination compensations, accruals and related taxes.

During the year 2008 the Group and the Company have experienced expenses in the amount of LTL 5,602 thousand, which were not related to the ordinary activities of the Group and the Company. The above mentioned expenses were mainly related to project on strategic options research. The project involved a number of consulting companies and was led by the financial management and advisory company „Merrill Lynch International".

8. Financial activities, net

	Group		Company	
	2009	**2008**	**2009**	**2008**
Interest income	42	145	1	2
Foreign currency exchange gain, net	1,145	-	147	1,470
Cash income from financial instruments	6,628	12,905	-	-
Other financial income	20	38	-	-
Interest (expenses)	(14,941)	(22,366)	(4,377)	(2,537)
Foreign currency exchange (loss), net	-	(49,953)	-	-
Cash outflows for financial instruments	(7,080)	-	-	-
Fair value (loss) from derivatives	(7,404)	(705)	-	-
Other financial (expenses)	(1,280)	(101)	(214)	(101)
	(22,870)	**(60,037)**	**(4,443)**	**(1,166)**

On 3 June, 2008 Jelfa S.A. PLN loans from banks Bank Polska Kasa Opieki S.A. and Bank Zachodni WBK S.A. amounting to PLN 248,000 thousand were converted to EUR at 3.3515 PLN/EUR rate. Loan conversion resulted in lower interest base to be applied on the loans, however this conversion exposed the loans balance to EUR/PLN fluctuations. Changing PLN rate (4.1082 PLN/EUR as at 31 December 2009, 4.17 PLN/EUR as at 31 December 2008) resulted in fluctuations in Group foreign exchange result amounting to gross LTL 1,458 thousand income for the period ended 31 December 2009 and LTL 55,702 thousand expenses for the period ended 31 December 2008.

In terms of cash flows sufficiency the Group does not consider itself exposed to the foreign exchange risk, as cash flow in EUR is sufficient to service the loan and other payables in EUR. Moreover, after the loan conversion Jelfa S.A. entered into a number of options agreements securing PLN conversion to EUR at 3.8 PLN/EUR exchange rate at loan installment day for all installments due until August 2010 in order to hedge foreign exchange risk (Note 12).

(all amounts are in thousand LTL unless otherwise stated)

9. Income tax

	Group		Company	
	2009	**2008**	**2009**	**2008**
Income tax expenses				
Current year income tax	(204)	(114)	-	-
Prior year current income tax correction	(655)	(61)	(722)	(14)
Deferred tax income (expenses)	950	8,354	380	1,975
Income tax (expenses) income charged to the income statement	**91**	**8,179**	**(342)**	**1,961**

10. Property, plant and equipment

During the period ended 31 December 2009, the Group acquired non current fixed assets with a cost of LTL 4,071 thousand (for the period ended 31 December 2008 – LTL 56,082 thousand). Assets with a net book value of LTL 727 thousand were disposed and written of by the Group during the year 2009 (for the period ended 31 December 2008 – LTL 1,786 thousand), resulting in a net loss on disposal and write-off of LTL 300 thousand (for the period ended 31 December 2008 net loss of LTL 102 thousand). This amount includes LTL 266 thousand construction works from Laboratorium Farmaceutyczne Homeofarm sp. z.o.o write-off to the administrative expenses, as the Group does not intend to continue its manufacturing plant construction.

During the period ended 31 December 2009, the Company acquired non current fixed assets with a cost of LTL 407 thousand (for the period ended 31 December 2008 – LTL 42,667 thousand). Assets with a net book value of LTL 30 thousand were disposed and written of by the Company during the period ended 31 December 2009 (for the period ended 31 December 2008 – LTL 56 thousand), resulting in a net loss on disposal and write-off of LTL 11 thousand (for the period ended 31 December 2008 – LTL 25 thousand).

11. Intangible assets

During the year ended 31 December 2009, the Group acquired non current intangible assets with a cost of LTL 4,721 thousand (for the period ended 31 December 2008 – LTL 5,324 thousand). Assets with a net book value of LTL 48 thousand were disposed and written of by the Group during the period ended 31 December 2009 (for the period ended 31 December 2008 – LTL 71 thousand), resulting in a net loss on disposal and write-off of LTL 41 thousand (for the period ended 31 December 2008 net loss of LTL 71 thousand).

During the year ended 31 December 2009, the Company did not acquire non current intangible assets (for the period ended 31 December 2008 acquisitions amounted to LTL 887 thousand). During the year 2009 the Company written of fully amortised intangible assets. Assets with a net book value of LTL 71 thousand were disposed and written of by the Company during the period ended 31 December resulting in a net loss on disposal and write-off of LTL 71 thousand.

12. Other financial assets and financial liabilities

	Group	
	As at 31 December 2009	**As at 31 December 2008**
Non-current derivative assets	-	5,196
Long term receivables	21	27
Current derivative assets	3,285	5,793
	3,306	**11,016**
Non-current financial liabilities – interest rate swaps (effective hedges)	3,562	7,522
Current financial liabilities – interest rate swaps (effective hedges)	7,131	4,417
	10,693	**11,939**

12. Other financial assets and financial liabilities (cont'd)

Derivatives not designated as hedging instruments

The Group company Jelfa S.A. uses EUR denominated borrowings in Bank Polska Kasa Opieki S.A. and Bank Zachodni WBK S.A. and PLN/EUR option contracts to manage some of its transaction exposures. These currency exchange option contracts are not designated as cash flow, fair value or net investment hedges and are entered into for periods consistent with currency transaction exposures, generally one to 3 months. Such derivatives do not qualify for hedge accounting.

Cash flow hedges

As at 31 December 2009 the Group company Jelfa S.A. had an interest rate swap agreement in place with a notional amount outstanding of EUR 55,498 thousand (LTL 190,459 thousand) (as at 31 December 2008 EUR 67,908 thousand (LTL 236,095 thousand)) whereby the Group receives a variable rate equal to 3-month EURWIBOR and pays a fixed rate of 5.25%. The swap is being used to hedge the exposure to the changes in the variable interest rate of Jelfa S.A. loan to Bank Polska Kasa Opieki S.A. and Bank Zachodni WBK S.A.

The cash flow hedges of the expected loans repayments were assessed to be highly effective and a net unrealised loss of LTL 10,693 thousand with deferred tax assets of LTL 2,031 thousand (as at 31 December 2008 - LTL 11,939 thousand with deferred tax assets of LTL 2,267 thousand) relating to the hedging instruments is included in the Group equity. The fair value loss of LTL 8,662 deferred in equity until 31 December 2009 (LTL10,340 thousand as at 31 December 2008) is expected to be released to the consolidated income statement till August 2011 on a quarterly basis when loans repayments are due.

13. Loans

In 2009 the Company received the LTL 2,359 thousand loan from Amber Trust II with 6.5% annual interest rate, which is repayable on 30 June 2010.

During the period ended 31 December 2009 the Company has received EUR 2,550 thousand (LTL 8,805 thousand) loans from its subsidiary Jelfa S.A. with a fixed 6.01% – 6.5% interest rate and maturity date 31 December 2009.

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 28 May 2010 with the interest rate of 1-month WIBOR+2.5%.

The agreement of the Company's new plant construction loan was amended in September: the interest rate was change to 6 months EURIBOR+3.5% margin and monthly loans repayment for 6 months period decreased from EUR 148 thousand to EUR 30 thousand.

Unexpected and dramatic EUR/PLN exchange rate increase since the second half of 2008 had worsened the Group company Jelfa S.A. financial ratios – financial liabilities, denominated in EUR has increased in nominal value of PLN. Due to this Jelfa S.A. did not comply with the financial covenant of financial indebtedness to EBITDA (should be lower than 3) of the loans agreement with Bank Polska Kasa Opieki S.A. and Bank Zachodni WBK S.A. as at 31 December 2009. The issue was addressed to the financing banks which waived the covenant breach by signing the amendment of the agreement as at 30 July, 2009.

14. Related party transactions

In the year 2009 and 2008 the Group and the Company had transactions and balances with the following related parties:

- Amber Trust II (the shareholder of the Company);
- Invalda, AB (the shareholder of the Company);
- HBM Pharma s.r.o. (the subsidiary of the Company);
- Jelfa S.A. (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);
- Finansu Spektro Investicija, UAB (the affiliate of Invalda, AB)
- FMI Finasta, AB (the affiliate of Invalda, AB);
- Invalda Nekilnojamojo Turto Valdymas, UAB (the affiliate of Invalda, AB);
- Laikinosios Sostines Projektai, UAB (the affiliate of Invalda, AB).

(all amounts are in thousand LTL unless otherwise stated)

14. Related party transactions (cont'd)

The Group's and the Company's transactions with related parties in the period ended 31 December 2009 and related balances as at 31 December 2009 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					
HBM Pharma s.r.o.	a)	2,747	4,654	-	17,204
Jelfa S.A.	b)	13,396	2,580	-	14,846
The Company's and the Group's transactions					
Invalda, AB		-	519	-	8,497
Amber Trust II		-	153	-	2,512
Acena, UAB		-	22	-	-
Finasta imoniu finansai, AB		-	1	-	-
Baltic Amadeus Infrastrukturos Paslaugos, UAB		-	18	-	-
FMI Finasta, AB		-	24	-	4
Natural persons		-	95	-	1,560

The Group's and the Company's transactions with related parties in the period ended 31 December 2008 and related balances as at 31 December 2008 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					
HBM Pharma s.r.o.	a)	91	8,793	35	7,129
Jelfa S.A.	b)	653	1,840	-	18,303
The Company's and the Group's transactions					
Invalda, AB		2	-	-	7,978
Acena, UAB		-	65	-	-
Baltic Amadeus Infrastrukturos Paslaugos, UAB		-	140	-	143
Finansu Spektro Investicija, UAB		8	-	-	-
Finasta Imoniu Finansai, AB		-	38	-	1
FMI Finasta, AB		-	25	-	7
Invalda Nekilnojamojo Turto Valdymas, UAB		-	194	-	6
Laikinosios Sostinės Projektai, UAB	c)	-	853	-	4
Natural persons		-	-	-	1,465
The Group's transactions					
Baltic Amadeus Infrastrukturos Paslaugos, UAB		-	70	-	-
Finasta (Ukraina), TOB		-	23	-	-

a) In October 2005, HBM Pharma s.r.o. provided a loan to the Company amounting to EUR 5,000 thousand. The outstanding amount of this loan was LTL 930 thousand as at 31 December 2009 (as at 31 December 2008 – LTL 4,877 thousand). The interest calculated for the year 2009 was LTL 125 thousand (for the year 2008 – LTL 302 thousand). HBM Pharma s.r.o. produces products for the Company. During the year of 2009 the Company purchased products for LTL 4,154 thousand (during the year of 2008 – LTL 7,897 thousand).

14. Related party transactions (cont'd)

b) In 2008 and 2009 Jelfa S.A. provided loans with fixed interest rate to the Company. The outstanding amount of these loans as at 31 December 2009 was LTL 1,728 thousand (as at 31 December 2008 – LTL 16,817 thousand). The interest calculated for the year 2009 was LTL 1,267 thousand (for the year 2008 – LTL 311 thousand).

c) The Company rented part of the real estate in 2008 from Laikinosios Sostines Projektai, UAB for the operating activities. The rent fee amounted to LTL 853 thousand in the period ended 31 December 2008.

15. Post balance sheet events

On February 1, 2010 the business name Hoechst-Biotika, spol. s r.o. was changed to HBM Pharma s.r.o.