

# Sanitas, AB

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

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**SANITAS, AB**

**UNAUDITED INTERIM CONDENSED CONSOLIDATED AND PARENT COMPANY'S  
FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 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, AB 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 March 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.

Sanitas, AB General Manager

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

Saulius Jurgelenas

Sanitas, AB Chief Financial Officer

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

Nerijus Drobavicius



## General Information

### Board of Directors

Mr. Ashwin Roy (Chairman of the Board)  
Mr. Vytautas Bucas  
Mr. Martynas Cesnavicius  
Mr. Darius Sulnis  
Mr. Darius Zaromskis

### Management

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

### Registered office and company code

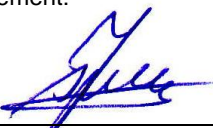
Veiveriu str. 134 B,  
Kaunas,  
Lithuania  
Company code 1341 36296

### Bankers

Bank PEKAO S.A.  
Bank Zachodni WBK S.A.  
Danske Bank A/S Lithuania Branch  
Dom Maklerski BZWBK  
Fortis Bank Polska S.A.  
Nordea Bank Finland Plc Lithuania Branch  
OAO Vneshtorgbank  
Orszagos Takarekpenztar es Kereskedelmi Bank  
PKO BP Oddzial  
SEB Bankas, AB  
Slovenska sporitelna a.s.  
Swedbank, AB  
Tatra Bank a.s.  
Tatra Leasing  
Unikredit Bank sp. z o.o.  
Vseobecna uverova banka a.s.

The interim condensed financial statements were approved and signed by the management on 26 May 2009.

Management:

  
\_\_\_\_\_  
**Mr. Saulius Jurgelenas**  
General Manager

  
\_\_\_\_\_  
**Mr. Nerijus Drobavicius**  
Chief Financial Officer



## Statements of Comprehensive Income

	Notes	Group		Company	
		January – March 2009	January – March 2008 (restated)	January – March 2009	January – March 2008 (restated)
Sales	4	64,043	96,679	3,432	10,542
Cost of sales		(33,844)	(41,195)	(2,945)	(5,359)
<b>Gross profit</b>		<b>30,199</b>	<b>55,484</b>	<b>487</b>	<b>5,183</b>
Other income		1,430	843	23	291
Selling and distribution expenses		(17,485)	(23,899)	(722)	(635)
Regulatory affairs expenses		(2,702)	(3,527)	(281)	(176)
Research and development expenses		(518)	(792)	(130)	(46)
Administrative expenses	5	(8,581)	(8,097)	(2,796)	(2,911)
Other expenses		(695)	(208)	(7)	(265)
<b>Operating profit (loss)</b>		<b>1,648</b>	<b>19,804</b>	<b>(3,426)</b>	<b>1,441</b>
Finance income	6	7,058	176	1,171	1
Finance costs	6	(26,541)	(8,101)	(1,189)	(484)
<b>Profit (loss) before tax</b>		<b>(17,835)</b>	<b>11,879</b>	<b>(3,444)</b>	<b>958</b>
Income tax	7	4,822	(1,560)	672	(160)
<b>Net profit (loss)</b>		<b>(13,013)</b>	<b>10,319</b>	<b>(2,772)</b>	<b>798</b>
Basic and diluted earnings (loss) per share (in LTL)		<b>(0.42)</b>	<b>0.33</b>		
<b>Other comprehensive income (expenses):</b>					
Exchange differences on translating foreign operation		(35,417)	7,688	-	-
Cash flow hedges	10	(3,169)	-	-	-
Income tax relating to components of other comprehensive income	10	603	-	-	-
<b>Other comprehensive income (expenses) for the year, net of tax</b>		<b>(37,983)</b>	<b>7,688</b>	<b>-</b>	<b>-</b>
<b>Total comprehensive income (expenses) for the year, net of tax</b>		<b>(50,996)</b>	<b>18,007</b>	<b>(2,772)</b>	<b>798</b>



## Balance Sheets

	Notes	Group		Company	
		As at 31 March 2009	As at 31 December 2008	As at 31 March 2009	As at 31 December 2008
<b>ASSETS</b>					
<b>Non-current assets</b>					
Property, plant and equipment	8	257,007	282,774	69,690	70,530
Intangible assets	9	259,788	294,342	1,007	1,044
Investments in subsidiaries		-	-	334,395	334,395
Other non-current financial assets	10	7,081	5,223	3	3
Deferred tax asset		33,969	31,014	2,727	2,055
<b>Total non-current assets</b>		<b>557,845</b>	<b>613,353</b>	<b>407,822</b>	<b>408,027</b>
<b>Current assets</b>					
Inventories		43,273	42,753	5,607	4,410
Prepaid income tax		1,642	2,067	1,574	1,589
Trade receivables		61,377	80,991	1,650	3,939
Other receivables		2,987	1,581	156	266
Prepayments and deferred expenses		5,428	3,860	148	145
Other current financial assets	10	7,853	5,793	-	-
Cash and cash equivalents		4,448	1,966	44	31
<b>Total current assets</b>		<b>127,008</b>	<b>139,011</b>	<b>9,179</b>	<b>10,380</b>
<b>Total assets</b>		<b>684,853</b>	<b>752,364</b>	<b>417,001</b>	<b>418,407</b>

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## Balance Sheets (cont'd)

	Notes	Group		Company	
		As at 31 March 2009	As at 31 December 2008	As at 31 March 2009	As at 31 December 2008
<b>EQUITY AND LIABILITIES</b>					
<b>Equity</b>					
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		(12,238)	(9,672)	-	-
Translation reserve		(41,448)	(6,031)	-	-
Retained earnings		18,905	31,918	17,734	20,506
<b>Total equity</b>		<b>247,522</b>	<b>298,518</b>	<b>300,037</b>	<b>302,809</b>
<b>Non-current liabilities</b>					
Non-current loans	11	42,395	43,780	42,395	43,780
Financial lease obligations		3,415	4,428	667	718
Other non-current financial liabilities	10	9,518	7,522	-	-
Deferred tax liability		17,943	19,468	-	-
Deferred income from subsidiaries		15,702	15,892	15,702	15,892
Employee benefit liability		4,132	4,567	-	-
<b>Total non-current liabilities</b>		<b>93,105</b>	<b>95,657</b>	<b>58,764</b>	<b>60,390</b>
<b>Current liabilities</b>					
Current portion of non-current loans	11	238,689	255,704	12,880	13,799
Current portion of non-current financial lease obligations		3,358	3,432	813	938
Current loans	11	34,557	33,987	26,717	20,846
Trade payables		40,457	31,630	8,825	6,775
Income tax payable		-	107	-	-
Other current financial liabilities	10	5,590	4,417	-	-
Other current liabilities		21,151	28,434	8,965	12,850
Employee benefit liability		424	478	-	-
<b>Total current liabilities</b>		<b>344,226</b>	<b>358,189</b>	<b>58,200</b>	<b>55,208</b>
<b>Total equity and liabilities</b>		<b>684,853</b>	<b>752,364</b>	<b>417,001</b>	<b>418,407</b>



## Statements of Changes in Equity

Group	Share capital	Share premium	Legal reserve	Fair value reserve	Translation reserve	Retained earnings	Total
<b>Balance as at 31 December 2007</b>	<b>31,106</b>	<b>248,086</b>	<b>3,111</b>	-	<b>32,380</b>	<b>52,466</b>	<b>367,149</b>
Net profit for the period	-	-	-	-	-	10,319	10,319
Other comprehensive income	-	-	-	-	7,688	-	7,688
<b>Total comprehensive income and expense for the period</b>	-	-	-	-	<b>7,688</b>	<b>10,319</b>	<b>18,007</b>
<b>Balance as at 31 March 2008</b>	<b>31,106</b>	<b>248,086</b>	<b>3,111</b>	-	<b>40,068</b>	<b>62,785</b>	<b>385,156</b>
<b>Balance as at 31 December 2008</b>	<b>31,106</b>	<b>248,086</b>	<b>3,111</b>	<b>(9,672)</b>	<b>(6,031)</b>	<b>31,918</b>	<b>298,518</b>
Net (loss) for the period	-	-	-	-	-	(13,013)	(13,013)
Other comprehensive (loss)	-	-	-	(2,566)	(35,417)	-	(37,983)
<b>Total comprehensive income and expense for the period</b>	-	-	-	<b>(2,566)</b>	<b>(35,417)</b>	<b>(13,013)</b>	<b>(50,996)</b>
<b>Balance as at 31 March 2009</b>	<b>31,106</b>	<b>248,086</b>	<b>3,111</b>	<b>(12,238)</b>	<b>(41,448)</b>	<b>18,905</b>	<b>247,522</b>

Company	Share capital	Share Premium	Legal reserve	Retained earnings	Total
<b>Balance as at 31 December 2007</b>	<b>31,106</b>	<b>248,086</b>	<b>3,111</b>	<b>51,439</b>	<b>333,742</b>
Net profit for the period	-	-	-	798	798
<b>Total comprehensive income and expense for the period</b>	-	-	-	<b>798</b>	<b>798</b>
<b>Balance as at 31 March 2008</b>	<b>31,106</b>	<b>248,086</b>	<b>3,111</b>	<b>52,237</b>	<b>334,540</b>
<b>Balance as at 31 December 2008</b>	<b>31,106</b>	<b>248,086</b>	<b>3,111</b>	<b>20,506</b>	<b>302,809</b>
Net (loss) for the period	-	-	-	(2,772)	(2,772)
<b>Total comprehensive income and expense for the period</b>	-	-	-	<b>(2,772)</b>	<b>(2,772)</b>
<b>Balance as at 31 March 2009</b>	<b>31,106</b>	<b>248,086</b>	<b>3,111</b>	<b>17,734</b>	<b>300,037</b>



## Cash Flow Statements

	Group		Company	
	January – March 2009	January – March 2008	January – March 2009	January – March 2008
<b>Cash flows from (to) operating activities</b>				
Profit (loss) before tax	(17,835)	11,879	(3,444)	958
<b>Adjustments for non-cash items:</b>				
Depreciation and amortisation	8,148	10,216	901	455
Loss (gain) from disposal and write-off of non-current assets	233	1,752	7	8
Change in value of financial instruments	(5,458)	-	-	-
Change in allowance and write-off of trade and other receivables	(167)	(522)	-	-
Change in allowance and write-off of inventories	289	(532)	-	(194)
Unrealised foreign currency exchange loss	24,889	(1,339)	(1,172)	-
Interest expenses	4,049	5,714	1,165	305
Interest (income)	(22)	(80)	-	(1)
Other non cash items	(323)	904	86	(69)
	<u>13,803</u>	<u>27,992</u>	<u>(2,457)</u>	<u>1,462</u>
<b>Change in working capital:</b>				
(Increase) decrease in inventories	(4,428)	(1,595)	(1,283)	886
(Increase ) decrease in trade and other receivables and deferred charges	4,588	(5,079)	2,396	4,927
Increase (decrease) in trade and other payables and advances received	10,125	5,449	(993)	1,104
(Decrease) in employee benefits	(89)	-	-	-
Income tax (paid)	(91)	(490)	-	(385)
<b>Net cash flows from (to) operating activities</b>	<u><b>23,908</b></u>	<u><b>26,277</b></u>	<u><b>(2,337)</b></u>	<u><b>7,994</b></u>
<b>Cash flows from (to) investing activities</b>				
(Acquisition) of non-current tangible assets	(2,501)	(13,003)	(777)	(8,363)
(Acquisition) of non-current intangible assets	(869)	(880)	-	(28)
Proceeds from sale of non-current assets	34	320	10	-
(Acquisition) of Laboratorium Farmaceutyczne HOMEOFARM sp. z.o.o., net of cash acquired	(2,675)	-	-	-
Settlement of financial instruments	2,008	-	-	-
Interest received	53	80	-	1
<b>Net cash flows (to) from investing activities</b>	<u><b>(3,950)</b></u>	<u><b>(13,483)</b></u>	<u><b>(767)</b></u>	<u><b>(8,390)</b></u>

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## Cash flow statements (cont'd)

	Group		Company	
	January – March 2009	January – March 2008	January – March 2009	January – March 2008
<b>Cash flows from (to) financing activities</b>				
Proceeds from loans	29,421	31,300	7,737	3,935
(Repayments) of loans	(42,318)	(40,708)	(3,635)	(1,039)
(Payment) of finance lease liabilities	(1,035)	(1,053)	(315)	(297)
Interest (paid)	(4,271)	(5,593)	(670)	(252)
Proceeds from grants	-	1,330	-	1,330
<b>Net cash flows (to) from financial activities</b>	<b>(18,203)</b>	<b>(14,724)</b>	<b>3,117</b>	<b>3,677</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>1,755</b>	<b>(1,930)</b>	<b>13</b>	<b>3,281</b>
<b>Net foreign exchange difference</b>	<b>727</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Cash and cash equivalents at the beginning of the period</b>	<b>1,966</b>	<b>13,683</b>	<b>31</b>	<b>247</b>
<b>Cash and cash equivalents at the end of the period</b>	<b>4,448</b>	<b>11,753</b>	<b>44</b>	<b>3,528</b>
<b>Supplemental information of cash flows:</b>				
Property, plant and equipment acquisition financed by finance lease	139	-	139	-



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

	31 March 2009		31 December 2008	
	Number of shares held (thousand)	Percentage	Number of shares held (thousand)	Percentage
Invalda, AB	6,394	20.56%	12,529	40.27%
Baltic Pharma Limited	6,315	20.30%	1,555	5.00%
Swedbank, AS Clients (Estonia)	5,560	17.88%	5,568	17.9%
Citigroup Venture Capital International Jersey Limited	5,312	17.08%	5,312	17.08%
Other	7,525	24.18%	6,142	19.75%
<b>Total</b>	<b>31,106</b>	<b>100.00%</b>	<b>31,106</b>	<b>100.00%</b>

On January 12, 2009, the shareholder company Invalda, AB completed a transaction whereby it sold 4,759,206 (15.3%) of 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	
			January – March 2009	January – March 2008
Jelfa S.A.	Production and trade of medicines	Poland	100	100
Hoechst-Biotika spol. 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	-
Altisana, UAB	Real estate	Lithuania	-	100

The interim condensed financial statements were approved and signed by the Management on 26 May 2009.



## 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 March 2009 are as follows:

### Basis of preparation

The interim condensed consolidated financial statements for the 3 months ended 31 March 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 4.

#### *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.*



### 3. Change in presentation

As at 31 December 2008 the Group and the Company changed the presentation of the income statements. Regulatory affairs expenses and Research and development expenses were segregated from Administrative and Selling and distribution expenses and presented separately due to their different function. Also all allocated IT department expenses in the subsidiary Jelfa S.A. were reclassified to Administrative expenses. Mentioned changes in presentation provide more relevant information for the shareholders and the management board to an understanding of the Group's and the Company's financial performance.

Due to these reclassifications the comparative income statement information of the Group and the Company has been adjusted: the Group's cost of sales in period ended 31 March 2008 decreased by LTL 1,482 thousand, Selling and distribution expenses decreased by LTL 2,503 thousand and Administrative expenses decreased by LTL 334 thousand. The Company's Selling and distribution expenses decreased by LTL 358 thousand and Administrative expenses increased LTL 136 thousand.

### 4. 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 ordinary activities are indirectly allocated to operating segments – pro rata production volumes in the period. One off operating expenses (e.g. expenses on strategic options research in 2008) are not allocated to the segments. Group financing (including finance cost and finance revenue) and income taxes are managed on a Group basis and are not allocated to operating segments.

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

Group	Injectables		Tablets		Ointments		Eye drops, syringe		Unallocated		Total	
	Q1	Q1	Q1	Q1	Q1	Q1	Q1	Q1	Q1	Q1	Q1	Q1
	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008
Own products sales	6,781	14,344	19,626	25,206	18,659	36,714	-	-	382	732	45,448	76,996
Toll manufacturing sales	11,219	13,933	6,937	5,446	409	304	-	-	31	-	18,596	19,683
<b>Total revenue</b>	<b>18,000</b>	<b>28,277</b>	<b>26,563</b>	<b>30,652</b>	<b>19,068</b>	<b>37,018</b>	<b>-</b>	<b>-</b>	<b>413</b>	<b>732</b>	<b>64,044</b>	<b>96,679</b>
<b>Profit (loss) before taxes</b>	<b>1,024</b>	<b>6,567</b>	<b>1,481</b>	<b>2,429</b>	<b>4,239</b>	<b>14,120</b>	<b>(196)</b>	<b>-</b>	<b>(24,383)</b>	<b>(11,237)</b>	<b>(17,835)</b>	<b>11,879</b>

Company	Injectables		Tablets		Ointments		Eye drops, syringe		Unallocated		Total	
	Q1	Q1	Q1	Q1	Q1	Q1	Q1	Q1	Q1	Q1	Q1	Q1
	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008
Own products sales	1,617	2,358	667	1,453	464	641	-	-	(127)	(2)	2,621	4,450
Toll manufacturing sales	811	6,092	-	-	-	-	-	-	-	-	811	6,092
<b>Total revenue</b>	<b>2,428</b>	<b>8,450</b>	<b>667</b>	<b>1,453</b>	<b>464</b>	<b>641</b>	<b>-</b>	<b>-</b>	<b>(127)</b>	<b>(2)</b>	<b>3,432</b>	<b>10,542</b>
<b>Profit (loss) before taxes</b>	<b>(2,612)</b>	<b>1,144</b>	<b>(750)</b>	<b>206</b>	<b>448</b>	<b>118</b>	<b>(196)</b>	<b>-</b>	<b>(334)</b>	<b>(510)</b>	<b>(3,444)</b>	<b>958</b>

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

Toll manufacturing sales of the Company decreased significantly during the first quarter of 2009 in comparison to the same period of 2008 as production in old facility of Sanitas in Kaunas was terminated in the second quarter of 2008. Toll manufacturing in the new facility will start in the third quarter of 2009. 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.



#### 4. 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 periods ended 31 March 2009 and 2008 is as follows:

	Group Toll				Total		Company Toll				Total	
	Own products sales		manufacturing sales				Own products sales		manufacturing sales			
	1Q 2009	1Q 2008	1Q 2009	1Q 2008	1Q 2009	1Q 2008	1Q 2009	1Q 2008	1Q 2009	1Q 2008	1Q 2009	1Q 2008
Poland	25,288	49,024	756	519	<b>26,044</b>	<b>49,543</b>	68	-	-	-	<b>68</b>	-
Russia	9,612	16,270	-	-	<b>9,612</b>	<b>16,270</b>	-	-	-	-	-	-
Germany	-	-	6,294	4,762	<b>6,294</b>	<b>4,762</b>	-	-	-	-	-	-
Latvia	61	153	6,139	10,629	<b>6,200</b>	<b>10,782</b>	61	153	811	6,092	<b>872</b>	<b>6,245</b>
Slovakia	1,029	420	4,133	2,645	<b>5,162</b>	<b>3,065</b>	-	-	-	-	-	-
Lithuania	2,493	4,297	131	-	<b>2,624</b>	<b>4,297</b>	2,492	4,297	-	-	<b>2,492</b>	<b>4,297</b>
Czech	1,574	835	459	-	<b>2,033</b>	<b>835</b>	-	-	-	-	-	-
Ukraine	2,033	1,425	-	-	<b>2,033</b>	<b>1,425</b>	-	-	-	-	-	-
Hungary	734	1,409	280	938	<b>1,014</b>	<b>2,347</b>	-	-	-	-	-	-
Georgia	838	1,132	-	-	<b>838</b>	<b>1,132</b>	-	-	-	-	-	-
Vietnam	608	84	-	-	<b>608</b>	<b>84</b>	-	-	-	-	-	-
Kazakhstan	359	101	-	-	<b>359</b>	<b>101</b>	-	-	-	-	-	-
Bulgaria	323	550	-	-	<b>323</b>	<b>550</b>	-	-	-	-	-	-
Belarus	302	332	-	-	<b>302</b>	<b>332</b>	-	-	-	-	-	-
USA	-	-	161	3	<b>161</b>	<b>3</b>	-	-	-	-	-	-
Great Britain	-	-	135	60	<b>135</b>	<b>60</b>	-	-	-	-	-	-
Switzerland	-	-	108	127	<b>108</b>	<b>127</b>	-	-	-	-	-	-
Kyrgyzstan	79	53	-	-	<b>79</b>	<b>53</b>	-	-	-	-	-	-
Moldova	40	96	-	-	<b>40</b>	<b>96</b>	-	-	-	-	-	-
Uzbekistan	-	81	-	-	-	<b>81</b>	-	-	-	-	-	-
Other countries	75	734	-	-	<b>75</b>	<b>734</b>	-	-	-	-	-	-
<b>Total</b>	<b>45,448</b>	<b>76,996</b>	<b>18,596</b>	<b>19,683</b>	<b>64,044</b>	<b>96,679</b>	<b>2,621</b>	<b>4,450</b>	<b>811</b>	<b>6,092</b>	<b>3,432</b>	<b>10,542</b>

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 three main reasons. 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. Third reason for significant decrease of sales in Poland is PLN/ LTL foreign exchange rate. The consolidated financial report is prepared in LTL, while sales in Poland are made in PLN. Average PLN/ LTL foreign exchange that was used for consolidation purposes for the first quarter 2009 decreased by 20.9% comparing to the same period in 2008 (0,7643 PLN/LTL for the first quarter of 2009 and 0.9660 PLN/LTL for the same period in 2008).

In the beginning of 2009 the Group stopped all shipments to Russian customers that had overdue accounts payable to the Group companies. Shipments were renewed in March, but only to customers that fully settled their accounts payable with the Group. During the first quarter Group collected most of its overdue accounts receivable from Russian customers.

Sales to Ukrainian customers increased and 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.

Sales in Lithuanian market decreased comparing to 2008 due to overall slow down in pharmacy market (in January 2009 market shrunked by 15.9% comparing to January 2008, in February it shrunked by 6.8% followed by 8.8% growth in March). Other reason for sales during the first quarter of 2009 being lower compared to the same period as one year ago, is the fact that medicines manufactured in the new plant of the Company will be available for sale in the second half of 2009, after they pass stability tests and after registration procedures are completed.

Rapid sales growth continued in Czech and Slovak markets while Hungarian market was negatively affected by depreciating local currency.

## 5. Administrative expenses

The Group administrative expenses for the period ended 31 March 2009 include LTL 167 thousand income of change in allowance for trade receivables (LTL 522 thousand income for the period ended 31 March 2008) and LTL 289 thousand expenses of inventories change in allowance and write-offs (LTL 532 thousand income for the period ended 31 March 2008).

The Company's administrative expenses for the period ended 31 March 2008 include LTL 194 thousand income of inventories change in allowance.

## 6. Income (expenses) from financial activities, net

	Group		Company	
	January – March 2009	January – March 2008	January – March 2009	January – March 2008
<b>Income from financial activities:</b>				
Interest income	22	80	-	1
Foreign currency exchange gain, net	-	-	1,171	-
Fair value gain from derivatives	5,458	-	-	-
Settlement of financial instruments	1,578	-	-	-
Other financial income	-	96	-	-
	<u>7,058</u>	<u>176</u>	<u>1,171</u>	<u>1</u>
<b>Expenses from financial activities:</b>				
Interest (expenses)	(4,049)	(5,714)	(1,165)	(383)
Foreign currency exchange (loss), net	(22,466)	(2,113)	-	(101)
Other financial (expenses)	(26)	(274)	(24)	-
	<u>(26,541)</u>	<u>(8,101)</u>	<u>(1,189)</u>	<u>(484)</u>
	<b><u>(19,483)</u></b>	<b><u>(7,925)</u></b>	<b><u>(18)</u></b>	<b><u>(483)</u></b>

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. Decreasing PLN rate (4.7013 PLN/EUR as at 31 March 2009) resulted in negative Group foreign exchange result amounting to gross LTL 27,083 thousand in the period ended 31 March 2009. 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 10).

## 7. Income tax

	Group		Company	
	January – March 2009	January – March 2008	January – March 2009	January – March 2008
<b>Income tax expenses</b>				
Current year income tax	(18)	(163)	-	(163)
Prior year current income tax correction	34	41	-	-
Deferred tax income (expenses)	<u>4,806</u>	<u>(1,438)</u>	<u>672</u>	<u>3</u>
Income tax (expenses) income charged to the income statement	<u>4,822</u>	<u>(1,560)</u>	<u>672</u>	<u>(160)</u>



## 8. Property, plant and equipment

During the three months ended 31 March 2009, the Group acquired non current fixed assets with a cost of LTL 1,659 thousand (for the period ended 31 March 2008 – LTL 13,883 thousand). Assets with a net book value of LTL 292 thousand were disposed and written off by the Group during the three months ended 31 March 2009 (for the period ended 31 March 2008 – LTL 2,072 thousand), resulting in a net loss on disposal and write-off of LTL 226 thousand (for the period ended 31 March 2008 net loss of LTL 1,752 thousand). This amount includes LTL 255 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 three months ended 31 March 2009, the Company acquired non current fixed assets with a cost of LTL 231 thousand (for the period ended 31 March 2008 – LTL 8,363 thousand). Assets with a net book value of LTL 17 thousand were disposed and written off by the Company during the three months ended 31 March 2009 (for the period ended 31 March 2008 – LTL 8 thousand), resulting in a net loss on disposal and write-off of LTL 7 thousand (for the period ended 31 March 2008 – LTL 8 thousand).

## 9. Intangible assets

During the three months ended 31 March 2009, the Group acquired non current intangible assets with a cost of LTL 2,134 thousand (for the period ended 31 March 2008 – LTL 869 thousand).

## 10. Other financial assets and financial liabilities

	<b>Group</b>	
	<b>As at 31</b>	<b>As at 31</b>
	<b>March 2009</b>	<b>December 2008</b>
Non-current derivative assets	7,060	5,196
Long term receivables	21	27
Current derivative assets	7,853	5,793
	<u>14,934</u>	<u>11,016</u>
Non-current financial liabilities – interest rate swaps (effective hedges)	9,518	7,522
Current financial liabilities – interest rate swaps (effective hedges)	5,590	4,417
	<u>15,108</u>	<u>11,939</u>

### Derivatives not designated as hedging instruments

The Group company Jelfa S.A. uses EUR denominated borrowings in Bank Polska Kasa Opieki S.A./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 March 2009 the Group company Jelfa S.A. had an interest rate swap agreement in place with a notional amount outstanding of EUR 67,830 thousand (LTL 233,931 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./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 15,108 thousand with deferred tax assets of LTL 2,870 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 12,238 thousand deferred in equity in since 31 March 2009 is expected to be released to the consolidated income statement in period between May 2009 – August 2011 on a quarterly basis when loans repayments are expected to occur.



## 11. Loans

During the period ended 31 March 2009 the Company has received EUR 1,550 thousand loans from its subsidiary Jelfa S.A. with a fixed 6.01% – 6.5% interest rate and maturity date 30 June 2009.

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 March 2009. The issue was addressed to the financing banks that are now in the process of review of financial covenants. The above mentioned long-term loan agreement remains in force, but for financial reporting purposes the non-current bank loans in the amount of LTL 193,765 thousand were reclassified as current liabilities in the Group's balance sheet as at 31 March 2009 following the requirements of IAS 32.94.

## 12. Related party transactions

In the first quarter of 2009 and 2008 the Group and the Company had transactions and balances with the following related parties:

- Invalda, AB (the shareholder of the Company);
- Hoest-Biotika spol. s.r.o. (the subsidiary of the Company);
- Jelfa S.A. (the subsidiary of the Company);
- Laboratorium Farmaceutyczne Homeofarm sp. z.o.o (the subsidiary of the Company);
- Acena, UAB (the affiliate of Invalda, AB);
- Baltic Amadeus Infrastrukturos Paslaugos, UAB (the affiliate of Invalda, AB);
- Finasta Imoniu Finansai, AB (the affiliate of Invalda, AB);
- FMI Finasta, AB (the affiliate of Invalda, AB);
- Invalda Nekilnojamojo Turto Valdymas, UAB (the affiliate of Invalda, AB);
- Laikinosios Sostines Projektai, UAB (the affiliate of Invalda, AB);

The Group's and the Company's transactions with related parties in the period ended 31 March 2009 and related balances as at 31 March 2009 were as follows:

	Notes	Sales to related parties	Purchases from related parties	Amounts owed by related parties	Amounts owed to related parties
<b>The Company's transactions</b>					
Hoechst-Biotika, spol.s.r.o	a)	-	1,878	-	8,892
Jelfa S.A.	b)	68	477	-	22,626
Laboratorium Farmaceutyczne Homeofarm sp. z.o.o		-	-	5	-
<b>The Company's and the Group's transactions</b>					
Invalda, AB		-	128	-	8,106
Acena, UAB		-	22	-	-
Baltic Amadeus Infrastrukturos Paslaugos, UAB		-	18	-	-
FMI Finasta, AB		-	12	-	5
J. Bielinis		-	3	-	171
A. Dirvonas		-	4	-	267
D. Jazukevicius		-	3	-	161
N. Nauseda		-	2	-	128
T. Nauseda		-	3	-	172
D. Sulnis		-	2	-	127
A. Tuma		-	3	-	196
D. Zaromskis		-	4	-	267



## 12. Related party transactions (cont'd)

The Group's and the Company's transactions with related parties in the period ended 31 March 2008 and related balances as at 31 March 2008 were as follows:

	Notes	Sales to related parties	Purchases from related parties	Amounts owed by related parties	Amounts owed to related parties
<b>The Company's transactions</b>					
Hoechst-Biotika, spol.s.r.o	a)	40	1,595	40	6,401
Jelfa S.A.	b)	543	241	543	146
<b>The Company's and the Group's transactions</b>					
Invalda Nekilnojamojo Turto Valdymas, UAB		-	105	-	39
Acena, UAB		-	50	-	-
Laikinosios Sostinės Projektai, UAB	c)	-	270	-	-
FMI Finasta, AB		-	5	-	4

- a) In October 2005, Hoechst-Biotika spol. s.r.o. provided a loan to the Company amounting to EUR 5,000 thousand. The outstanding amount of this loan is LTL 5,034 thousand as at 31 March 2009 (as at 31 March 2008 – LTL 5,913 thousand). The interest calculated for the first quarter of 2009 was LTL 44 thousand (for the first quarter of 2008 – LTL 78 thousand). Hoechst-Biotika spol. s.r.o. produces products for the Company. During the three months of 2009 the Company purchased products for LTL 1,700 thousand (during the three months of 2008 – LTL 1,482 thousand).
- 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 March 2009 was LTL 21,172 thousand (as at 31 March 2008 – nil). The interest calculated for the first quarter of 2009 was LTL 293 thousand (for the first quarter of 2008 – nil).
- 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 270 thousand in the period ended 31 March 2008.