Sanitas, AB

CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2009 PREPARED ACCORDING TO INTERNATIONAL FINANCIAL REPORTING STANDARDS, AS ADOPTED BY THE EUROPEAN UNION, AND CONSOLIDATED ANNUAL REPORT FOR THE YEAR ENDED 31 DECEMBER 2009 PRESENTED TOGETHER WITH INDEPENDENT AUDITOR'S REPORT

CONFIRMATION OF RESPONSIBLE PERSONS ... 4
INDEPENDENT AUDITOR'S REPORT ... 5
CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS ... 7
GENERAL INFORMATION ... 8
Statements of Comprehensive Income ... 9
Balance Sheets ... 10
Statements of Changes in Equity ... 12
Cash Flow Statements ... 13
Notes to the Financial Statements ... 15
1. General information ... 15
2. Adoption of new and revised International Financial Reporting Standards (IFRS's) ... 16
3. Accounting principles ... 18
4. Going concern ... 29
5. Segment information ... 30
6. Business combination ... 32
7. Cost of sales ... 33
8. Other income ... 33
9. Selling and distribution expenses ... 33
10. Regulatory affairs expenses ... 34
11. Research and development expenses ... 34
12. Administrative expenses ... 35
13. Financial activity, net ... 35
14. Income tax ... 36
15. Earnings per share ... 39
16. Dividends ... 39
17. Property, plant and equipment ... 40
18. Intangible assets ... 42
19. Investments ... 43
20. Inventories ... 44
21. Trade receivables ... 44
22. Other receivables ... 45
23. Cash and cash equivalents ... 45
24. Share capital ... 46
25. Reserves ... 46
26. Loans ... 46
27. Finance lease obligations ... 49
28. Other financial assets and financial liabilities ... 49
29. Deferred income from subsidies ... 50
30. Trade payables ... 51
31. Other current liabilities ... 51
32. Employee benefits ... 51
33. Provisions ... 52
34. Financial risk management objectives and policies ... 52
35. Related party transactions ... 56
36. Events after the balance sheet date ... 58
CONSOLIDATED ANNUAL REPORT ... 59
I. PERIOD FOR WHICH CONSOLIDATED ANNUAL REPORT IS PREPARED ... 60
1. Reporting period ... 60
II. SHORT PRESENTATION OF SANITAS, AB GROUP ... 60
2. Main data about Sanitas, AB ... 60
3. Contacts of other enterprises of Sanitas Group ... 60
4. Structure of Sanitas Group. Portfolios held ... 61
5. Affiliates and representative offices of enterprises comprising Sanitas Group ... 61
6. The main activity of Sanitas Group ... 61
7. Participation in activity of organizations ... 61
8. Short history of Sanitas Group ... 62
9. Mission. Values ... 62
III. INFORMATION ON SANITAS AUTHORISED CAPITAL AND SECURITIES ... 63
10. Composition of Sanitas authorised capital, rights granted by shares ... 63
11. Sanitas own shares ... 63
12. Dividends paid to Sanitas shareholders ... 63
13. Data about securities trading ... 63
14. Sanitas shareholders ... 64
15. Limitations of Sanitas securities transferring ... 64
16. Special rights of control possessed by the Sanitas shareholders and description of these rights ... 64
17. Limitations of Company's shareholders voting rights ... 64
18. Sanitas shareholders agreements known to the Company according to which transferring of the securities and/or voting rights can be limited ... 64
19. Sanitas agreements with intermediaries of public trading in securities ... 64
20. The changes of Sanitas share price and turnover ... 65
21. The changes of Sanitas share price and of NASDAQ indexes ... 65

IV. INFORMATION ON SANITAS MANAGEMENT ... 66
22. Company's managing bodies ... 66
23. Data about members of the Management Board, members of the Audit Committee, Managing and Finance Directors 68
V. SANITAS GROUP ACTIVITY REVIEW ... 72
24. Non-financial activity review ... 72
24.1. Manufacturing ... 72
24.2. Employees and human resource policy ... 73
24.3. Environment ... 75
24.4. Sanitas Group's research and development activity ... 75
24.5. Purchases ... 76
24.6. Competitors ... 76
24.7. Sales and products distribution ... 76
25. Financial activity review ... 78
26. Main risks and risk management ... 78
27. Main features of internal controls and risk management system for consolidated financial reports preparation ... 79
28. Related party transactions ... 79
VI. OTHER INFORMATION ... 79
29. Order of amendment of Sanitas Articles of Association ... 79
30. Significant agreements the party of which is Sanitas and which would come into force or terminate in the case of change of control on the Company ... 79
31. Agreements with Company's employees and members of managing bodies providing compensation in the case of their resignation or dismissal without serious reason or if their employment ends because of the change of the control on the Sanitas ... 79
32. Data about Company's publicly disclosed information ... 79
33. Main events of 2009 ... 79
34. Plans and forecasts ... 80
VII. SANITAS DISCLOSURE FORM REGARDING THE COMPLIANCE WITH THE GOVERNANCE CODE FOR THE COMPANIES LISTED ON THE NASDAQ REGULATED MARKET ... 81

SANITAS, AB

CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS AND CONSOLIDATED ANNUAL REPORT FOR THE YEAR 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, Nerijus Drobavicius, Chief Financial Officer of Sanitas, AB and Ruta Milkuviene, Director of Corporate and Legal affairs of Sanitas, AB hereby confirm that, to the best of our knowledge, the attached consolidated and separate financial statements for the year 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 group and Sanitas, AB, and that the consolidated annual report for the year ended 31 December 2009 gives a true and fair review about the business development and activity of Sanitas, AB group, together with a description of major risks and uncertainties.

General Manager	Saulius Jurgelenas
Chief Financial Officer	Nerijus Drobavicius
Legal and Corporate Affairs Manager	Ruta Milkuviene

Deloitte.

UAB „Deloitte Lietuva"
Jogailos g. 4
LT-01116 Vilnius
Lietuva

Įmonės k.: 111525235
PVM mok. k.: LT115252314
Duomenys kaupiami ir saugomi
Juridinių asmenų registre

Tel.: +370 5 255 3000
Faks.: +370 5 212 6844
www.deloitte.lt

INDEPENDENT AUDITOR'S REPORT

To the shareholders of Sanitas, AB:

Report on the Financial Statements

We have audited the accompanying financial statements of Sanitas, AB (thereafter – the Company) and the consolidated financial statements of the Company and its subsidiaries (thereafter – the Group) (pages 7 to 58), which comprise the balance sheet and the consolidated balance sheet as of 31 December 2009, and the statements of comprehensive income, statements of changes in equity and cash flow statements for the year then ended, and a summary of significant accounting policies and other explanatory notes. The financial statements of the Company and the consolidated financial statements of the Group as of 31 December 2008 were audited by another auditor whose report dated 14 April 2009 expressed on those statements a modified opinion with an emphasis of matter paragraph regarding the fact that the current liabilities of the Group and the Company exceeded their current assets.

Management's Responsibility for the Financial Statements
Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards as adopted by the EU. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the financial statements and the consolidated financial statements present fairly, in all material respects, the financial position of the Company and the Group as of 31 December 2009, and their financial performance and their cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU.

Emphasis of Matter
Without qualifying our opinion, we draw attention to Note 4 to the financial statements, disclosing that as of 31 December 2009 the Company's current liabilities exceeded its current assets by LTL'000 56,496. As further described in Note 4 to the financial statements, the Company's ability to continue as a going concern primarily depends on the management's abilities to use Group-wide cash management techniques to settle its short term liabilities as they fall due. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

„Deloitte" yra vadinamos asociacijos (Swiss Verein) „Deloitte Touche Tohmatsu" narės, šiai asociacijai pavaldžios bendrovės ir filialai, kurių kiekviena yra atskiras ir nepriklausomas juridinis asmuo. Daugiau informacijos apie oficialią „Deloitte Touche Tohmatsu" struktūrą rasite www.deloitte.com/lt/apie.

Member of Deloitte Touche Tohmatsu

Report on Other Legal and Regulatory Requirements

Furthermore, we have read the accompanying Consolidated Annual Report for the year ended 31 December 2009 (page 59 to 103) and have not noted any material inconsistencies between the historical financial information included in it and the financial statements for the year ended 31 December 2009.

Tim Mahon
Partner

Certified auditor Simonas Rimašauskas
Auditor's Certificate No. 000466

Deloitte Lietuva UAB
Vilnius, Lithuania
22 March 2010

Consolidated and Separate Financial Statements

General information

Board of Directors

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

Management

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

Registered office and company code

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

Bankers

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

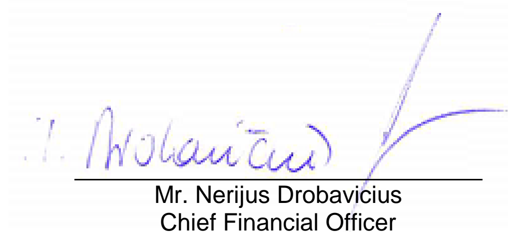
Auditor

Deloitte Lietuva, UAB
Jogailos st. 4,
Vilnius, Lithuania

The financial statements were approved and signed by the Management on 22 March 2010.

Management:

Mr. Saulius Jurgelenas
General Manager



Mr. Nerijus Drobavicius
Chief Financial Officer

According to the Law on Companies of the Republic of Lithuania, the annual financial statements are prepared by the Management and should be approved by the General Shareholders' meeting. The shareholders hold the power not to approve the annual financial statements and the right to request new financial statements to be prepared.

Statements of Comprehensive Income

	Notes	Group		Company	
		2009	2008	2009	2008
Revenue	5	322,749	382,512	16,117	26,754
Cost of sales	7	(153,962)	(171,404)	(12,705)	(15,633)
Gross profit		**168,787**	**211,108**	**3,412**	**11,121**
Other income	8	4,981	5,442	15,445	421
Selling and distribution expenses	9	(80,455)	(96,619)	(2,923)	(3,308)
Regulatory affairs expenses	10	(11,106)	(14,607)	(946)	(1,094)
Research and development expenses	11	(1,901)	(2,726)	(308)	(318)
Administrative expenses	12	(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)**
Finance income	13	7,835	13,088	148	1,472
Finance cost	13	(30,705)	(73,125)	(4,591)	(2,638)
Profit (loss) before tax		**17,753**	**(10,063)**	**(439)**	**(14,230)**
Income tax benefit (expense)	14	91	8,179	(342)	1,961
Profit (loss) for the year		**17,844**	**(1,884)**	**(781)**	**(12,269)**
Other comprehensive income (expense):					
Exchange differences on translating foreign operation		707	(38,411)	-	-
Cash flow hedges	28	1,246	(11,939)	-	-
Income tax (expense) benefit relating to components of other comprehensive income	28	(236)	2,267	-	-
Other comprehensive income (expense) for the year, net of tax		**1,717**	**(48,083)**	-	-
Total comprehensive income (expense) for the year, net of tax		**19,561**	**(49,967)**	**(781)**	**(12,269)**
Basic and diluted earnings (loss) per share (in LTL)	15	0.57	(0.06)		

The notes on pages 15 to 58 are an integral part of these financial statements.

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	17	258,290	282,774	66,425	70,530
Intangible assets	18	292,831	294,342	913	1,044
Investments in subsidiaries	19	-	-	334,395	334,395
Other non-current financial assets	28	21	5,223	-	3
Deferred tax assets	14	27,851	31,014	2,435	2,055
Total non-current assets		**578,993**	**613,353**	**404,168**	**408,027**
Current assets					
Inventories	20	42,242	42,753	3,359	4,410
Prepaid income tax		128	2,067	76	1,589
Trade receivables	21	61,454	80,991	6,623	3,939
Other receivables	22	4,689	1,581	73	266
Prepayments and deferred expenses		2,353	3,860	152	145
Other current financial assets	28	3,285	5,793	-	-
Cash and cash equivalents	23	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**

(cont'd on the next page)

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	1, 24	31,106	31,106	31,106	31,106
Share premium	24	248,086	248,086	248,086	248,086
Legal reserve	25	3,111	3,111	3,111	3,111
Fair value reserve	25	(8,662)	(9,672)	-	-
Translation reserve	25	(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	26	178,075	43,780	30,265	43,780
Finance lease obligations	27	1,787	4,428	281	718
Other non-current financial liabilities	28	3,562	7,522	-	-
Deferred tax liabilities	14	16,633	19,468	-	-
Deferred income from subsidies	29	15,098	15,892	15,098	15,892
Employee benefit liability	32	4,630	4,567	-	-
Total non-current liabilities		**219,785**	**95,657**	**45,644**	**60,390**
Current liabilities					
Current portion of non-current loans	26	61,119	255,704	19,479	13,799
Current portion of non-current finance lease obligations	27	3,025	3,432	523	938
Current loans	26	36,623	33,987	11,182	20,846
Trade payables	30	33,047	31,630	29,168	6,775
Advances received		717	-	97	-
Income tax payable		9	107	-	-
Other current financial liabilities	28	7,131	4,417	-	-
Other current liabilities	31	16,383	28,434	6,507	12,850
Employee benefit liability	32	486	478	-	-
Provisions	33	157	-	-	-
Total current liabilities		**158,697**	**358,189**	**66,956**	**55,208**
Total equity and liabilities		**696,561**	**752,364**	**414,628**	**418,407**

The notes on pages 15 to 58 are an integral part of these financial statements.

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**
Other comprehensive income	-	-	-	(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 (Note 16)	-	-	-	-	-	(18,664)	(18,664)
Balance as at 31 December 2008	**31,106**	**248,086**	**3,111**	**(9,672)**	**(6,031)**	**31,918**	**298,518**
Other comprehensive income	-	-	-	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 (Note 16)	-	-	-	(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**

The notes on pages 15 to 58 are an integral part of these financial statements.

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Cash Flow Statements

	Notes	Group 2009	Group 2008	Company 2009	Company 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	17, 18, 29	33,693	40,375	3,814	2,166
Loss from disposal and write-off of non-current assets		341	173	11	96
Loss from disposal of Altisana, UAB	19	-	3	-	3
Change in value of financial instruments	13, 28	7,404	(12,905)	-	-
Change in allowance and write-off of trade and other receivables	12	180	3,153	(84)	1,143
Change in allowance and write-off of inventories	12	2,575	5,299	28	369
Unrealised foreign currency exchange (gain) loss		(4,884)	41,617	(147)	(1,470)
Interest expense	13	14,941	22,366	4,377	2,537
Interest (income)	13	(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	32	(604)	(851)	-	-
Income tax (paid) received		201	(4,428)	-	(1,905)
Net cash generated by (used in) operating activities		**91,158**	**77,326**	**5,881**	**(5,250)**
Cash flows from (to) investing activities					
(Acquisition) of property, plant and equipment	17	(5,127)	(53,603)	(1,763)	(41,675)
(Acquisition) of non-current intangible assets	18	(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	(6,908)	(1,177)	-	-
(Acquisition) of financial instruments		-	(705)	-	-
Settlement of financial instruments	13	(669)	-	-	-
Proceeds from sale of Altisana, UAB	19	-	8	-	8
Interest received		42	145	-	5,585
Net cash (used in) investing activities		**(17,242)**	**(60,698)**	**(1,744)**	**(36,938)**

(cont'd on the next page)

Cash Flow Statements (cont'd)

	Notes	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	29	-	9,867	-	9,867
Dividends (paid)	16	(76)	(12,520)	(76)	(12,520)
Net cash generated by (used in) financing 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	23	**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

The notes on pages 15 to 58 are an integral part of these financial statements.

Notes to the Financial Statements

1. General information

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

Veiveriu str. 134 B,
Kaunas, Lithuania,
LT – 46352.

The Company is involved in the production and trade of generic medicines. 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 2008 the shareholders of the Company were:

	2009		2008	
	Number of shares held (thousand)	**Percentage**	**Number of shares held (thousand)**	**Percentage**
Invalda, AB	8,254	26.54%	12,529	40.28%
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	24.94%
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. Citigroup 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 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	100

* Previously known as Hoechst-Biotika spol. s.r.o, see Note 36.

As at 31 December 2009 the number of employees of the Group was 1,372 (as at 31 December 2008 – 1,545). As at 31 December 2009 the number of employees of the Company was 131 (as at 31 December 2008 – 189).

The financial statements were approved and signed by the Management on 22 March 2010.

According to the Law on Companies of the Republic of Lithuania, the annual financial statements are prepared by the Management and should be approved by the General Shareholders' meeting. The shareholders hold the power not to approve the annual financial statements and the right to request new financial statements to be prepared.

2. Adoption of new and revised International Financial Reporting Standards (IFRS's)

2.1. Standards and Interpretations affecting amounts reported in the current period (and/or prior periods)

The following new and revised Standards and Interpretations have been adopted in the current period and have affected the amounts reported in these financial statements. Details of other Standards and Interpretations adopted in these financial statements but that have had no effect on the amounts reported are set out in section 2.2.

Standards affecting presentation and disclosure

IAS 1 (revised) "Presentation of Financial Statements" – A revised presentation, adopted by the EU on 17 December 2008 (effective for annual periods beginning on or after 1 January 2009),	IAS 1 (2007) has introduced terminology changes (including revised titles for the financial statements) and changes in the format and content of the financial statements. The Group presented all items of recognised income and expense in one single statement of comprehensive income.

2.2. Standards and Interpretations effective in the current period

The following amendments to the existing standards issued by the International Accounting Standards Board (hereinafter the IASB) and adopted by the EU are effective for the current period:

- *IFRS 8 "Operating Segments"* adopted by the EU on 21 November 2007 (effective for annual periods beginning on or after 1 January 2009),
- *Amendments to IFRS 1 "First-time Adoption of IFRS" and IAS 27 "Consolidated and Separate Financial Statements"* – Cost of investment in a subsidiary, jointly-controlled entity or associate, adopted by the EU on 23 January 2009 (effective for annual periods beginning on or after 1 January 2009),
- *Amendments to IFRS 4 "Insurance contracts" and IFRS 7 "Financial Instruments: Disclosures"* - Improving disclosures about financial instruments, adopted by the EU on 27 November 2009 (effective for annual periods beginning on or after 1 January 2009),
- *Amendments to various standards and interpretations* resulting from the Annual quality improvement project of IFRS published on 22 May 2008 (IAS 1, IFRS 5, IAS 8, IAS 10, IAS 16, IAS 19, IAS 20, IAS 23, IAS 27, IAS 28, IAS 29, IAS 31, IAS 34, IAS 36, IAS 38, IAS 39, IAS 40, IAS 41) primarily with a view to removing inconsistencies and clarifying wording, adopted by the EU on 23 January 2009 (most amendments are to be applied for annual periods beginning on or after 1 January 2009),
- *Amendments to IAS 32 "Financial Instruments: Presentation" and IAS 1 "Presentation of Financial Statements"* – Puttable financial instruments and obligations arising on liquidation, adopted by the EU on 21 January 2009 (effective for annual periods beginning on or after 1 January 2009),
- *Amendments to IAS 39 "Financial Instruments: Recognition and Measurement" and IFRS 7 „Financial Instruments: Disclosures"* – Reclassification of financial assets, effective date and transition, adopted by the EU on 9 September 2009 (effective on or after 1 July 2008),
- *IAS 23 (revised) "Borrowing Costs"* adopted by the EU on 10 December 2008 (effective for annual periods beginning on or after 1 January 2009),
- *Amendments to IFRS 2 "Share-based Payment"* – Vesting conditions and cancellations, adopted by the EU on 16 December 2008 (effective for annual periods beginning on or after 1 January 2009),
- *Amendments to IFRIC 9 "Reassessment of Embedded Derivatives" and IAS 39 "Financial Instruments: Recognition and Measurement"* – Embedded Derivatives, adopted by the EU on 30 November 2009 (effective for annual periods beginning on or after 1 January 2009),
- *IFRIC 11 "IFRS 2 – Group and Treasury Share Transactions"* adopted by the EU on 1 June 2007 (effective for annual periods beginning on or after 1 March 2008),
- *IFRIC 13 "Customer Loyalty Programmes"* adopted by the EU on 16 December 2008 (effective for annual periods beginning on or after 1 January 2009),
- *IFRIC 14 "IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction"* adopted by the EU on 16 December 2008 (effective for annual periods beginning on or after 1 January 2009).

The adoption of these amendments to the existing standards has not led to any changes in the Group's accounting policies.

2.3. Standards and Interpretations issued by the IASB and adopted by the EU but not yet effective

At the date of authorisation of these financial statements the following standards, revisions and interpretations adopted by the EU were in issue but not yet effective and the Group has elected not to adopt these standards, revisions and interpretation in advance of their effective dates:

- *IFRS 1 (revised) "First-time Adoption of IFRS"* adopted by the EU on 25 November 2009 (effective for annual periods beginning on or after 1 January 2010),
- *Amendments to IAS 32 "Financial Instruments: Presentation"* – Accounting for rights issues, adopted by the EU on 23 December 2009 (effective for annual periods beginning on or after 1 January 2011),
- *Amendments to IAS 39 "Financial Instruments: Recognition and Measurement"* – Eligible hedged items, adopted by the EU on 15 September 2009 (effective for annual periods beginning on or after 1 July 2009),
- *IFRIC 12 "Service Concession Arrangements"* adopted by the EU on 25 March 2009 (effective for annual periods beginning on or after 30 March 2009),

2. Adoption of new and revised International Financial Reporting Standards (IFRS's) (cont'd)

2.3. Standards and Interpretations issued by the IASB and adopted by the EU but not yet effective (cont'd)

- *IFRIC 15 "Agreements for the Construction of Real Estate"* adopted by the EU on 22 July 2009 (effective for annual periods beginning on or after 1 January 2010),
- *IFRIC 16 "Hedges of a Net Investment in a Foreign Operation"* adopted by the EU on 4 June 2009 (effective for annual periods beginning on or after 1 July 2009),
- *IFRIC 17 "Distributions of Non-Cash Assets to Owners"* adopted by the EU on 26 November 2009 (effective for annual periods beginning on or after 1 November 2009),
- *IFRIC 18 "Transfers of Assets from Customers"* adopted by the EU on 27 November 2009 (effective for annual periods beginning on or after 1 November 2009).

The Group anticipates that the adoption of these standards, revisions and interpretations will have no material impact on the financial statements of the Group in the period of initial application.

The following standards, revisions and interpretations adopted by the EU were in issue but not yet effective and the entity has elected to adopt these standards, revisions and interpretation in advance of their effective dates:

- *IFRS 3 (revised) "Business Combinations"* adopted by the EU on 3 June 2009 (effective for annual periods beginning on or after 1 July 2009),
- *Amendments to IAS 27 "Consolidated and Separate Financial Statements"* adopted by the EU on 3 June 2009 (effective for annual periods beginning on or after 1 July 2009).

The revisions to IFRS 3 were early adopted by the Group in 2009. The revised standard continues to apply the acquisition method to business combinations, with some significant changes. For example, all payments to purchase a business are recorded at fair value at the acquisition date, with contingent payments classified as liability subsequently re-measured through the income statement. There is a choice on an acquisition-by-acquisition basis to measure the non-controlling interest in the acquire either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets. All acquisition-related costs should be expensed.

There has been no impact of the revised standard on the Group's financial position and operating results, as the Group has no non-controlling interest and all considerations transferred for the acquisition of a subsidiary are recorded at fair value at the date of acquisition.

IAS 27 (Revised) requires the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control and these transactions will no longer result in goodwill or gains and losses. The standard also specifies the accounting when control is lost. Any remaining interest in the entity is re-measured to fair value, and a gain or loss is recognised in income statement. There has been no impact of the revised standard on the Group's current period as there is no non-controlling interests; there have been no transactions whereby an interest in an entity is retained after the loss of control of that entity and there have been no transactions with non-controlling interests.

2.4. Standards and Interpretations issued by the IASB but not yet adopted by the EU

At present, IFRS's as adopted by the EU do not significantly differ from regulations adopted by the International Accounting Standards Board (IASB) except from the following standards, amendments to the existing standards and interpretations, which were not endorsed for use as at 22 March 2010:

- *IFRS 9 "Financial Instruments"* (effective for annual periods beginning on or after 1 January 2013),
- *Amendments to various standards and interpretations resulting* from the Annual quality improvement project of IFRS published on 16 April 2009 (IFRS 2, IFRS 5, IFRS 8, IAS 1, IAS 7, IAS 17, IAS 18, IAS 36, IAS 38, IAS 39, IFRIC 9, IFRIC 16) primarily with a view to removing inconsistencies and clarifying wording, (most amendments are to be applied for annual periods beginning on or after 1 January 2010),
- *Amendments to IAS 24 "Related Party Disclosures"* – Simplifying the disclosure requirements for government-related entities and clarifying the definition of a related party (effective for annual periods beginning on or after 1 January 2011),
- *Amendments to IFRS 1 "First-time Adoption of IFRS"* – Additional Exemptions for First-time Adopters (effective for annual periods beginning on or after 1 January 2010),
- *Amendments to IFRS 2 "Share-based Payment"* – Group cash-settled share-based payment transactions (effective for annual periods beginning on or after 1 January 2010),
- *Amendments to IFRIC 14 "IAS 19 — The Limit on a defined benefit Asset, Minimum Funding Requirements and their Interaction"* – Prepayments of a Minimum Funding Requirement (effective for annual periods beginning on or after 1 January 2011),
- *IFRIC 19 "Extinguishing Liabilities with Equity Instruments"* (effective for annual periods beginning on or after 1 July 2010).

At the same time, hedge accounting regarding the portfolio of financial assets and liabilities, whose principles have not been adopted by EU, is still unregulated. According to the Group's estimates, application of hedge accounting for the portfolio of financial assets or liabilities pursuant to IAS 39" Financial Instruments: Recognitions and Measurement", would not significantly impact the financial statements, if applied as at the balance sheet date.

The Group anticipates that the adoption of these standards, amendments to the existing standards and interpretations will have no material impact on the financial statements of the Group in the period of initial application.

3. Accounting principles

3.1. 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 (hereinafter the EU).

3.2. Basis of preparation

These financial statements have been prepared on a historical cost basis except for derivative financial instruments that have been measured at fair value. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

The principal accounting policies adopted in preparing the Group's and the separate financial statements for the year ended 31 December 2009 are set out below.

3.3. Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the effective date of acquisition and up to the effective date of disposal, as appropriate. Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

When the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. Amounts previously recognised in other comprehensive income in relation to the subsidiary are accounted for (i.e. reclassified to profit or loss or transferred directly to retained earnings) in the same manner as would be required if the relevant assets or liabilities were disposed of. The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IAS 39 Financial Instruments: Recognition and Measurement or, when applicable, the cost on initial recognition of an investment in an associate or jointly controlled entity.

Foreign currency translation

The Group's and Separate financial statements are presented in local currency of the Republic of Lithuania, Litas (LTL), which is the Company's functional and the Group's and the Company's presentation currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Transactions in foreign currencies are initially recorded at the functional currency ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the balance sheet date. All differences are taken to profit or loss. Non monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition are treated as assets and liabilities of the foreign operation and translated at the balance sheet date rate.

The functional currency of the foreign operations in Polish subsidiaries Jelfa S.A. and Laboratorium Farmaceutyczne Homeofarm sp. z.o.o and Slovak subsidiary HBM Pharma s.r.o. are Polish Zloty (PLN) and euro (EUR), respectively. As at the reporting date, the assets and liabilities of these subsidiaries are translated into the presentation currency of Sanitas, AB (LTL) at the rate of exchange ruling at the balance sheet date and their statements of comprehensive income are translated at the weighted average exchange rates for the year. The exchange differences arising on the translation are recognised in other comprehensive income and accumulated in equity. On disposal of a foreign entity, the deferred cumulative amount recognised in equity relating to that particular foreign operation is recognised in the profit or loss.

Lithuanian Litas is pegged to EUR at the rate of 3.4528 Litas for 1 EUR, and the exchange rates in relation to other currencies are set daily by the Bank of Lithuania.

3. Accounting principles (cont'd)

3.4. Business combinations

Acquisitions of subsidiaries and businesses are accounted for using the acquisition method. The consideration for each acquisition is measured at the aggregate of the fair values (at the date of exchange) of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognised in profit or loss as incurred.

Where applicable, the consideration for the acquisition includes any asset or liability resulting from a contingent consideration arrangement, measured at its acquisition-date fair value. Subsequent changes in such fair values are adjusted against the cost of acquisition where they qualify as measurement period adjustments (see below). All other subsequent changes in the fair value of contingent consideration classified as an asset or liability are accounted for in accordance with relevant IFRSs. Changes in the fair value of contingent consideration classified as equity are not recognised.

Where a business combination is achieved in stages, the Group's previously held interests in the acquired entity are remeasured to fair value at the acquisition date (i.e. the date the Group attains control) and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss, where such treatment would be appropriate if that interest were disposed of.

The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3 are recognised at their fair value at the acquisition date, except that:

- deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with IAS 12 Income Taxes and IAS 19 Employee Benefits respectively;
- liabilities or equity instruments related to the replacement by the Group of an acquiree's share-based payment awards are measured in accordance with IFRS 2 Share-based Payment; and
- assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations are measured in accordance with that Standard.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see below), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognised as of that date.

The measurement period is the period from the date of acquisition to the date the Group obtains complete information about facts and circumstances that existed as of the acquisition date – and is subject to a maximum of one year.

3.5. Goodwill

Goodwill arising in a business combination is recognised as an asset at the date that control is acquired (the acquisition date). Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed.

If, after reassessment, the Group's interest in the fair value of the acquiree's identifiable net assets exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held equity interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Goodwill is not amortised but is reviewed for impairment at least annually. For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period.

On disposal of a subsidiary, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

3.6. Investments in subsidiaries

Investments in subsidiaries in the Company's separate financial statements are shown at cost less impairment. An assessment of whether any indication of impairment exists is performed at least annually.

3. Accounting principles (cont'd)

3.7. Property, plant and equipment

Property, plant and equipment is stated at cost, excluding the costs of day-to-day servicing, less accumulated depreciation and accumulated impairment losses, if any. Such cost includes the cost of replacing part of such property, plant and equipment and borrowing costs for long-term construction projects if the recognition criteria are met. Replaced parts are written-off. All other repair and maintenance costs are recognised in profit or loss as incurred.

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the year the asset is derecognised.

Depreciation is calculated on a straight-line basis over the useful life of the assets as follows:

- Buildings 10 – 40 years
- Machinery and equipment 3 – 25 years
- Vehicles and other non-current assets 2 – 10 years

The assets residual values, useful lives and methods of depreciation are reviewed at each financial year end, and adjusted prospectively if appropriate.

Construction in progress is stated at cost. This includes the cost of construction and equipment and other directly attributable costs. Construction in progress is not depreciated until the relevant assets are completed and are available for their intended use.

3.8. Intangible assets other than goodwill

Intangible assets are measured initially at cost. Intangible assets are recognised if it is probable that future economic benefits that are attributable to the asset will flow to the enterprise and the cost of asset can be measured reliably. After initial recognition, intangible assets are measured at cost less accumulated amortisation and any accumulated impairment losses. The useful lives of intangible assets other than goodwill are assessed to be finite. Intangible assets are amortised on a straight-line basis over the best estimate of their useful lives.

Gain or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss when the asset is derecognised.

Research and development costs

Research costs are expensed as incurred. Development expenditure on an individual projects is recognised as an intangible asset when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the asset and the ability to measure reliably the expenditure during development.

Following initial recognition of the development expenditure as an asset, the cost model is applied requiring the asset to be carried at cost less any accumulated amortisation and accumulated impairment losses. Amortisation of the asset begins when development is complete and the asset is available for use. It is amortised in 5 years. During the period of development, the asset is tested for impairment annually.

Software

The costs of acquisition of new software are capitalised and treated as an intangible asset if these costs are not an integral part of the related hardware. Software is amortised during 2 – 15 years.

Costs incurred in order to restore or maintain the future economic benefits that the Group and the Company expect from the originally assessed standard of performance of existing software systems are recognised as an expense when the restoration or maintenance work is carried out.

Licences

The licences have been granted for a period from 2 to 10 years by the relevant government agency with the option of renewal at the end of this period. The licences are amortised on a straight line basis over the period of license. The licences provide the option for renewal based on whether the Group meets the conditions of the licence and may be renewed at little or no cost to the Group. If the license term is prolonged, the amortisation period is revised. The one off cost of registration of Group licences according to the EU directives requirements are capitalised and amortised during the useful life (further details are given in Note 18).

3. Accounting principles (cont'd)

3.9. Impairment of non-financial assets, excluding goodwill

At the end of each reporting period, the Group and the Company reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group and the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

3.10. Investments and other financial assets

Financial assets within the scope of IAS 39 are classified as either financial assets at fair value through profit or loss, loans and receivables, held to maturity investments, available for sale financial assets, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of its financial assets at initial recognition.

Financial assets are recognised initially at fair value plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the marketplace (regular way purchase) are recognised on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

The Group's financial assets include cash, trade and other receivables, loans and other receivables and derivative financial instruments.

The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of selling in the near term. This category includes derivative financial instruments entered into by the Group that do not meet the hedge accounting criteria as defined by IAS 39. Financial assets at fair value through profit or loss are carried in the balance sheet at fair value with the gains or losses recognised in profit or loss.

Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets which carry fixed or determinable payments and fixed maturities and which the Group has the positive intention and ability to hold to maturity. After initial measurement held to maturity investments are measured at amortised cost. This cost is computed as the amount initially recognised minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between the initially recognised amount and the maturity amount, less allowance for impairment. This calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums and discounts. Gains and losses are recognised in profit or loss when the investments are derecognised or impaired, as well as through the amortisation process. The Group and the Company did not have any held-to-maturity investments during the years ended 31 December 2009 and 2008.

3. Accounting principles (cont'd)

3.10. Investments and other financial assets (cont'd)

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial recognition, such financial assets are carried at amortised cost using the effective interest rate method less any allowance for impairment. Amortised cost is calculated taking into account any discount or premium on acquisition and includes fees that are an integral part of the effective interest rate and transaction costs. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

Available-for-sale financial instruments

Available-for-sale financial assets are those non-derivative financial assets that are designated as available-for-sale or are not classified in any of the three preceding categories. After initial measurement, available for sale financial assets are measured at fair value with unrealised gains or losses being recognised in other comprehensive income and accumulated in the investments revaluation reserve. When the investment is disposed of, the cumulative gain or loss previously accumulated in the investments revaluation reserve is reclassified to profit or loss. Interest earned or paid on the investments is reported as interest income or expense using the effective interest rate. Dividends earned on investments are recognised in profit or loss as "Dividends received" when the right of payment has been established. The Group and the Company did not have any available-for-sale investments during the years ended 31 December 2009 and 2008.

3.11. Impairment of financial assets

The Group assesses at each balance sheet date whether there is any objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Assets carried at amortised cost

For amounts due from loans and amounts due from other parties carried at amortised cost, the Group and the Company first assesses individually whether objective evidence of impairment exists for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not been incurred). The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in profit or loss. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is recognised in profit or loss.

The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

Available-for-sale financial investments

If an available-for-sale asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in profit or loss, is transferred from cumulative gains or losses previously recognised in other comprehensive income to profit or loss. Reversals in respect of equity instruments classified as available for sale are not recognised in profit or loss. Any increase in fair value subsequent to an impairment loss is recognised in other comprehensive income. Reversals of impairment losses on debt instruments are reversed through profit or loss; if the increase in fair value of the instrument can be objectively related to an event occurring after the impairment loss was recognised in profit or loss.

3. Accounting principles (cont'd)

3.12. Inventories

Inventories are valued at the lower of cost or net realisable value. Net realisable value is the selling price in the ordinary course of business, less the costs of completion, marketing and distribution. Cost is determined by the first-in, first-out (FIFO) method. The cost of finished goods and work in progress includes the applicable allocation of fixed and variable production costs based on a normal operating capacity. Unrealisable inventories are fully written-off.

3.13. Cash and cash equivalents

Cash includes cash on hand and cash with banks. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash with original maturities of three months or less and that are subject to an insignificant risk of change in value.

For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand and in current bank account as well as deposits in bank with original term of three months or less.

3.14. Financial liabilities

Financial liabilities within the scope of IAS 39 are classified as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of its financial liabilities at initial recognition. Financial liabilities are recognised initially at fair value and in the case of loans and borrowings, plus directly attributable transaction costs.

The Group's financial liabilities include trade and other payables, bank overdraft, loans and borrowings, finance lease liabilities, and derivative financial instruments.

The measurement of financial liabilities depends on their classification as follows:

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss includes financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss. Financial liabilities are classified as held for trading if they are acquired for the purpose of selling in the near term. This category includes derivative financial instruments entered into by the Group that do not meet the hedge accounting criteria as defined by IAS 39. Gains or losses on liabilities held for trading are recognised in profit and loss. The Group has not designated any financial liabilities as at fair value through profit or loss during the years ended 31 December 2009 and 2008.

Loans and borrowings

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the effective interest rate method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the amortisation process. The borrowings are classified as non-current if the financing agreement as at the balance sheet date provides evidence that the substance of the liability at the balance sheet date was long-term.

3.15. Leases

The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement at inception date of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset.

Group as a lessee

Finance leases, which transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are reflected in profit or loss.

Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset and the lease term, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term.

Operating lease payments are recognised as an expense in profit or loss on a straight-line basis over the lease term.

3. Accounting principles (cont'd)

3.16. Derecognition of financial assets and liabilities

Financial assets

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- the rights to receive cash flows from the asset have expired;
- the Group and the Company have transferred their rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) have transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but have transferred control of the asset.

When the Group and the Company have transferred their rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's and the Company's continuing involvement in the asset.

Financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

3.17. Derivative financial instruments and hedge accounting

The Group uses derivative financial instruments such as currency exchange option contracts and interest rate swaps to hedge its foreign market risks and interest rate risks respectively. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

Any gains or losses arising from changes in fair value on derivatives during the year that do not qualify for hedge accounting and the ineffective portion of an effective hedge, are taken directly to profit or loss.

The fair value of currency exchange option contracts is the sum of the difference between the option exchange rate and the contract rate and the time value. The option exchange rate is referenced to current option exchange rates for contracts with similar maturity profiles. The fair value of interest rate swap contracts is determined by reference to market values for similar instruments.

For the purpose of hedge accounting, hedges are classified as:

- fair value hedges when hedging the exposure to changes in the fair value of a recognised asset or liability or an unrecognised firm commitment (except for foreign currency risk); or
- cash flow hedges when hedging exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction or the foreign currency risk in an unrecognised firm commitment; or
- hedges of a net investment in a foreign operation.

At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which the Group wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the entity will assess the hedging instrument's effectiveness in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting changes in fair value or cash flows and are assessed on an ongoing basis to determine that they actually have been highly effective throughout the financial reporting periods for which they were designated.

3. Accounting principles (cont'd)

3.17. Derivative financial instruments and hedge accounting (cont'd)

Hedges which meet the strict criteria for hedge accounting are accounted for as follows:

Cash flow hedges

The effective portion of the gain or loss on the hedging instrument is recognised in other comprehensive income, while any ineffective portion is recognised immediately in profit or loss.

Amounts previously recognised in other comprehensive income and accumulated in equity are transferred to profit or loss when the hedged transaction affects profit or loss, such as when the hedged financial income or financial expense is recognised or when a forecast sale occurs. Where the hedged item is the cost of a non-financial asset or non-financial liability, the amounts taken to equity are transferred to the initial carrying amount of the non-financial asset or liability.

If the forecast transaction is no longer expected to occur, amounts previously accumulated in equity are transferred to profit or loss. If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover, or if its designation as a hedge is revoked, amounts previously accumulated in equity remain in equity until the forecast transaction occurs.

The Group has an interest rate swap that is used as a hedge for the exposure to the changes in the variable interest rate of Jelfa S.A. loans. See Note 28 for more details.

Current versus non-current classification

Derivative instruments that are not a designated and effective hedging instrument are classified as current or non-current or separated into a current and non-current portion based on an assessment of the facts and circumstances (i.e., the underlying contracted cash flows):

- where the Group will hold a derivative as an economic hedge (and does not apply hedge accounting), for a period beyond 12 months after the balance sheet date, the derivative is classified as non-current or separated into current and non-current portions) consistent with the classification of the underlying item.
- embedded derivates that are not closely related to the host contract are classified consistent with the cash flows of the host contract.
- derivative instruments that are designated as, and are effective hedging instruments, are classified consistent with the classification of the underlying hedged item. The derivative instrument is separated into a current portion and non-current portion only if a reliable allocation can be made.

3.18. Grants

Grants are recognised where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income over the period necessary to match the grant on a systematic basis to the costs that it is intended to compensate. Where the grant relates to an asset, it is recognised as deferred income and released to profit or loss in equal amounts over the expected useful life of the related asset. In profit or loss, depreciation expense account is decreased by the amount of grant amortisation.

3.19. Employee benefits

The Group companies HBM Pharma s.r.o. and Jelfa S.A. pay retirement benefits and jubilee bonuses for their employees.

The amount of the liability due to these benefits is equal to the present value of the defined benefit obligation at the balance sheet date, and reflect actuarial gains and losses and the costs of past employment. The value of defined benefit obligations is estimated at the balance sheet date by independent actuaries using the Projected Unit Credit Method. The present value of the defined benefit obligation is determined by discounting estimated future cash outflow using the interest rates on treasury bonds expressed in the currency of future benefit payment, with maturities similar to those of the liabilities due to be paid.

Actuarial gains and losses increase or decrease costs recognised in profit or loss in the period in which they arose. Costs of past employment related to defined benefit plans are accounted for in profit or loss systematically, using the straight-line method, over the period until the benefits become vested.

3. Accounting principles (cont'd)

3.20. Provisions

Provisions are recognised when the Group and the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Group expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in profit or loss net of any reimbursement. If the effect of the time value of money is material, provisions are discounted using a current pre tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

3.21. Contingencies

Contingent liabilities are not recognised in the financial statements. They are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote.

A contingent asset is not recognised in the financial statements.

3.22. Current and deferred income tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the balance sheet date. Current income tax relating to items that are recognised outside profit or loss (whether in other comprehensive income or directly in equity) is also recognised outside profit or loss. Income tax charge is based on profit for the year and considers deferred taxation. Income tax is calculated based on the respective country's tax legislation.

The standard income tax rate in Lithuania was 15% in 2008. After the amendments of Income Tax Law of Republic of Lithuania had come into force, 20% income tax rate has been established for indefinite period starting 1 January 2009. Since 1 January 2010 standard income tax rate in Lithuania again decreased to 15%.

Tax losses can be carried forward for indefinite period, except for the losses incurred as a result of disposal of securities and/or derivative financial instruments in Lithuania. Such carrying forward is disrupted if the Company changes its activities due to which these losses incurred except when the Company does not continue its activities due to reasons which do not depend on Company itself. The losses from disposal of securities and/or derivative financial instruments can be carried forward for 5 consecutive years and only be used to reduce the taxable income earned from the transactions of the same nature.

The standard income tax rate in Poland and in Slovakia is 19%. According to Polish legislation tax losses may be carried forward for 5 consecutive years. Up to half of the original loss may be deducted in any year of the 5 year period. In Slovakia each year's tax loss should be considered separately and can be carried forward over five consecutive tax periods.

Deferred income tax is provided using the liability method on temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognised for all taxable temporary differences, except:

- where the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised except:

- where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries, deferred income tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

3. Accounting principles (cont'd)

3.22. Current and deferred income tax (cont'd)

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Unrecognised deferred income tax assets are reassessed at each balance sheet date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

Deferred income tax relating to items that are recognised outside profit or loss (whether in other comprehensive income or directly in equity), is also recognised outside profit or loss.

Deferred income tax assets and deferred income tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

3.23. Earnings per share

Basic earnings 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.

3.24. Dividends distribution

Dividends distribution to the Company's shareholders is recognised as a liability in the Group's and the separate financial statements at the moment they are declared by the Annual General Shareholders Meeting.

3.25. Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits associated with the transaction will flow to the Group and the Company and the amount of the revenue can be measured reliably. Revenue is measured at the fair value of the consideration received, excluding discounts, rebates, and other sales taxes or duty. The following specific recognition criteria must also be met before the revenue is recognised:

Sale of goods

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer.

Interest income

Revenue is recognised as interest accrues (using the effective interest method). Interest income is included in the finance revenue in profit or loss.

Dividends

Revenue is recognised when the Group's right to receive the payment is established.

3.26. Borrowing costs

Borrowing costs are capitalised if they are directly attributable to the acquisition, construction or production of a qualifying asset. Capitalisation of borrowing costs commences when the activities to prepare the asset are in progress and expenditures and borrowing costs are incurred. Borrowing costs are capitalised until the assets are substantially ready for their intended use. If the resulting carrying amount of the asset exceeds its recoverable amount, an impairment loss is recorded.

3. Accounting principles (cont'd)

3.27. Operating segments

The Group has adopted *IFRS 8 "Operating Segments"* with effect from 1 January 2009. IFRS 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segments and to assess their performance. In contrast, the predecessor Standard (IAS 14 "Segment Reporting") required an entity to identify two sets of segments (business and geographical), using a risks and returns approach, with the entity's 'system of internal financial reporting to key management personnel' serving only as the starting point for the identification of such segments. Following the adoption of IFRS 8, the identification of the Group's reportable segments has not changed significantly.

3.28. Significant accounting judgments, estimates and assumptions

The preparation of the financial statements requires management of the Group and the Company to make judgments, estimates and assumptions that affects the reported amounts of revenues, expenses, assets and liabilities and disclosure of contingent liabilities, at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future. The significant areas of estimation used in the preparation of these financial statements are discussed below.

Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the 'value in use' of the cash-generating units to which the goodwill is allocated. Estimating the value in use amount requires management to make an estimate of the expected future cash flows from the cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of goodwill as at 31 December 2009 was LTL 254,269 thousand (as at 31 December 2008 - LTL 253,629 thousand) (further details are given in Note 18).

Deferred tax assets

Deferred tax assets are recognised for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgment is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. The carrying value of recognised tax losses at 31 December 2009 for the Group was LTL 9,470 thousand (as at 31 December 2008 – LTL 9,530 thousand).

Impairment loss of accounts receivable

The impairment loss of accounts receivable was determined based on management's estimates on recoverability and timing relating to the amounts that will not be collectable according to the original terms of receivables. These accounting estimates require significant judgment. Judgment is exercised based on significant financial difficulties of the debtor, probability that the debtor will enter into bankruptcy or financial reorganisation, and default or delinquency in payments. Current estimates could change significantly as a result of change in situation in the market and the economy as a whole. Recoverability rate also highly depends on success rate and actions employed relating to recovery of significantly overdue accounts receivable. Carrying amounts of receivables are disclosed in Notes 21 and 22.

Property, plant and equipment – useful life

The key assumptions concerning determination of the useful life of property, plant and equipment are as follows: expected usage of the asset, expected physical wear and tear, technical or commercial obsolescence arising from changes or improvements in the services, legal or similar limits on the use of the asset, such as the expiry dates of related leases.

Impairment of non-financial assets

The Group and the Company assesses whether there are any indicators of impairment for all non-financial assets at each reporting date. Non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

4. Going concern

The financial statements for the year ended 31 December 2009 are prepared under the assumption that the Group and the Company will continue as a going concern.

In 2009 the Company incurred net losses of LTL 781 thousand (net losses of LTL 12,269 thousand in 2008) and the Company's liquidity (total current assets/total current liabilities) and quick ratios ((total current assets-inventories)/total current liabilities) as at 31 December 2009 were 0.16 and 0.11 (0.19 and 0.11 as at 31 December 2008, respectively). Low liquidity ratios were mainly caused by the new manufacturing plant construction in Kaunas, which was finalised in September, 2008.

Due to the transfer of production from the old manufacturing plant to the new one, the Company had to temporarily suspend production. From April 2008 to November 2008 the Company did not perform any manufacturing activities and in the period December 2008 – December 2009 the production was limited mainly to stability batches manufacturing, while the registration process of the medicines, produced in the new plant, was finalised. Suspension of the manufacturing negatively impacted the Company's sales in 2009 (Note 5) and working capital.

The construction of the manufacturing plant was financed by bank loans (both – short term and long term), intercompany loans and partially EU funds. Due to the above mentioned reasons the current liabilities of the Company exceeded its current assets by LTL 56,496 thousand as at 31 December 2009 (LTL 44,828 thousand as at 31 December 2008). The majority of the Company's short term liabilities are payables to its subsidiaries (LTL 32,050 thousand as at 31 December 2009 and LTL 25,432 thousand as at 31 December 2008, Note 35).

As at 31 December 2009 the Group's current liabitilies exceeded its current assets by LTL 41,129 thousand (as at 31 December 2008 LTL 219,178 thousand).

At the present moment all the above mentioned preclusions to the Company's normal operations, related to the launch of the new manufacturing plant, are resolved and the Company and its manufacturing plant commenced 2010 year with normal business operations. The management of the Company prepared a forecast of the Company‘s and Group‘s operations for 2010, showing that the forecasted 2010 cash flow from ordinary operations is sufficient to fully service the scheduled non-current and current loans repayments that fall due in 2010 on the Group level. Therefore the repayment of the Company's loans which fall due is also feasible, exercising Group-wide cash management techniques. In March 2010 the Company repaid LTL 5,000 thousand overdraft to Swedbank, AB by using internal financial sources (Note 36).

Finally, cash flow is managed on a Group level (Note 34) and is closely monitored by the Group management. This ensures secure service of all the Group companies‘ liabilities to third parties.

Taking into account the above facts, the management of the Company concludes that the Group and the Company will continue as a going concern through 2010 and the following years.

5. Segment information

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

The accounting policies of the reportable segments are the same as the Group's accounting policies described in Note 3. 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. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and assessment of segment performance.

For the purposes of monitoring segment performance and allocating resources between segments:
- all assets are allocated to reportable segments other than investments in subsidiaries, other financial assets, tax assets and goodwill. Assets used jointly by reportable segments are allocated on the basis of the revenues earned by individual reportable segments;
- all liabilities are allocated to reportable segments other than other financial liabilities, loans, current and deferred tax liabilities, and other liabilities. Liabilities for which reportable segments are jointly liable are allocated in proportion to segment assets.

Group information by operating segments for the years ended 31 December 2009 and 2008 is as follows:

Group	Injectables		Tablets		Ointments		Eye drops, syringes		Unallocated		Total	
	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008
Toll manufacturing sales	41,494	46,867	27,860	23,907	1,592	1,425	-	-	112	87	71,058	72,286
Own products sales	40,504	55,931	92,909	112,899	113,544	141,232	45	-	4,689	164	251,691	310,226
Total revenue	81,998	102,798	120,769	136,806	115,136	142,657	45	-	4,801	251	322,749	382,512
Segment gross profit (loss)	27,840	42,332	58,398	65,621	81,261	103,196	(574)	(177)	1,862	136	168,787	211,108
Other activity, net	-	-	-	-	-	-	-	-	1,252	2,521	1,252	2,521
Operating expenses	(25,486)	(23,934)	(57,698)	(57,878)	(40,417)	(46,927)	(78)	-	(5,737)	(34,916)	(129,416)	(163,655)
Operating profit (loss) before financing costs	2,354	18,398	700	7,743	40,844	56,269	(652)	(177)	(2,623)	(32,259)	40,623	49,974
Financial expenses, net	124	-	-	-	-	-	-	-	(22,994)	(60,037)	(22,870)	(60,037)
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)
Income tax	-	-	-	-	-	-	-	-	91	8,179	91	8,179
Segment profit (loss)	2,478	18,398	700	7,743	40,844	56,269	(652)	(177)	(25,526)	(84,117)	17,844	(1,884)
Segment assets	72,477	104,105	125,674	117,409	66,625	74,312	13,976	14,081	417,809	442,457	696,561	752,364
Segment liabilities	22,183	7,854	26,167	12,136	8,447	9,573	4,872	4,547	316,813	419,736	378,482	453,846
Acquisition of non-current assets	1,587	13,405	2,390	15,134	581	1,824	37	11,242	4,197	19,801	8,792	61,406
Depreciation and amortisation	6,378	6,891	8,644	9,131	3,827	5,077	413	75	15,225	19,364	34,487	40,538
Grant amortisation	(162)	(20)	(152)	(29)	-	-	(107)	(15)	(373)	(99)	(794)	(163)

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

Revenue reported above represents revenue generated from external customers. There were no intersegment sales in the year 2009 and 2008.

5. Segment information (cont'd)

Company information by operating segments for the years ended 31 December 2009 and 2008 is as follows:

Company	Injectables		Tablets		Ointments		Eye drops, syringes		Unallocated		Total	
	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008
Toll manufacturing sales	1,928	8,847	-	-	-	-	-	-	-	-	1,928	8,847
Own products sales	7,771	8,962	4,537	6,397	1,836	2,550	45	-	-	(2)	14,189	17,907
Total revenue	9,699	17,809	4,537	6,397	1,836	2,550	45	-	-	(2)	16,117	26,754
Segment gross profit (loss)	1,680	6,146	1,136	3,611	1,179	1,552	(574)	(177)	(9)	(11)	3,412	11,121
Other activity, net	-	-	-	-	-	-	-	-	15,152	66	15,152	66
Operating expenses	(9,151)	(10,054)	(4,400)	(6,181)	(406)	(794)	(78)	-	(525)	(7,222)	(14,560)	(24,251)
Operating profit (loss) before financing costs	(7,471)	(3,908)	(3,264)	(2,570)	773	758	(652)	(177)	14,618	(7,167)	4,004	(13,064)
Financial expenses, net	-	-	-	-	-	-	-	-	(4,443)	(1,166)	(4,443)	(1,166)
Profit (loss) before taxes	(7,471)	(3,908)	(3,264)	(2,570)	773	758	(652)	(177)	10,175	(8,333)	(439)	(14,230)
Income tax	-	-	-	-	-	-	-	-	(342)	1,961	(342)	1,961
Segment profit (loss)	(7,471)	(3,908)	(3,264)	(2,570)	773	758	(652)	(177)	9,833	(6,372)	(781)	(12,269)
Segment assets	14,971	17,158	20,574	21,800	755	1,202	14,080	14,081	364,248	364,166	414,628	418,407
Segment liabilities	8,258	3,742	4,124	3,302	118	67	4,964	4,547	95,136	103,940	112,600	115,598
Acquisition of non-current assets	26	8,924	11	13,028	-	-	37	11,242	333	10,360	407	43,554
Depreciation and amortisation	1,141	708	1,007	215	-	2	413	75	2,047	1,329	4,608	2,329
Grant amortisation	(162)	(20)	(152)	(29)	-	-	(107)	(15)	(373)	(99)	(794)	(163)

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.

The Group's revenue from external customers and information about its non-current assets by geographical location on 31 December 2009 and 2008 detailed below:

Group	Toll manufacturing sales		Own products sales		Total revenue		Total non-current assets		Acquisition of non-current assets	
	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008
Poland	2,979	2,304	150,439	212,361	153,418	214,665	448,205	501,825	7,163	12,438
Russia	-	-	47,162	44,082	47,162	44,082	-	-	-	-
Latvia	22,902	29,091	482	612	23,384	29,703	-	-	-	-
Slovakia	17,530	15,773	5,373	2,661	22,903	18,434	35,657	40,042	1,222	5,508
Germany	22,332	19,355	-	-	22,332	19,355	-	-	-	-
Lithuania	-	-	13,054	17,186	13,054	17,186	67,259	71,486	407	43,460
Ukraine	-	-	7,997	6,184	7,997	6,184	-	-	-	-
Czech Republic	1,174	1,908	6,588	4,232	7,762	6,140	-	-	-	-
Hungary	2,179	3,002	3,513	4,528	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	147	77	73	194	220	271	-	-	-	-
Total	**71,058**	**72,286**	**251,691**	**310,226**	**322,749**	**382,512**	**551,121**	**613,353**	**8,792**	**61,406**

More details about own products sales are presented in Consolidated Annual Report paragraph 24.7. Sales and products distribution.

5. Segment information (cont'd)

Company	Toll manufacturing sales		Own products sales		Total revenue		Total non-current assets		Acquisition of non-current assets	
	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008
Lithuania	-	-	13,054	17,186	13,054	17,186	67,338	71,574	407	43,554
Latvia	1,928	8,847	482	612	2,410	9,459	-	-	-	-
Poland	-	-	653	109	653	109	-	-	-	-
Total	**1,928**	**8,847**	**14,189**	**17,907**	**16,117**	**26,754**	67,338	71,574	**407**	**43,554**

The Company's toll manufacturing sales comprise the revenues from sales to JSC Grindeks in Latvia.

6. 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 Group has acquired Laboratorium Farmaceutyczne HOMEOFARM sp. z.o.o. due to the products portfolio, owned by this entity.

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	Fair value recognised on acquisition
Property, plant and equipment (Note 17)	1,413	2,108
Intangible assets (Note 18)	25	1,608
Other non-current assets	15	34
Inventories	1,090	2,067
Trade receivables	1,107	1,107
Other current assets	3	3
Cash and cash equivalents	664	664
Total assets	**4,317**	**7,591**
Non-current liabilities	25	657
Trade payables	602	602
Other current liabilities	138	138
Total liabilities	**765**	**1,397**
Net assets	**3,552**	**6,194**
Goodwill arising on acquisition		**3,081**
Cash paid at acquisition date		1,841
Cash payable in the future (Note 31)		7,434
Total consideration		**9,275**
Cash acquired		**(664)**
Total purchase consideration, net of cash acquired		**8,611**

The total cost of the 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 (Note 18).

If the combination had taken place at the beginning of the year, the profit of the Group in 2008 would have been greater approximately by LTL 1,100 thousand and the revenue of the Group would have been greater by LTL 6,700 thousand.

As at 31 December 2009, all Laboratorium Farmaceutyczne HOMEOFARM sp. z.o.o shares were pledged by Jelfa S.A. to the bank as a collateral for the loan (Note 26). As at 31 December 2008, all Laboratorium Farmaceutyczne HOMEOFARM sp. z.o.o shares were pledged by Jelfa S.A. to the seller as collateral for the future payments according to sale agreement.

The difference between the amount payable for Laboratorium Farmaceutyczne HOMEOFARM sp. z.o.o as at 31 December 2008 (LTL 7,434 thousand) and the amount paid during 2009 (LTL 6,908 thousand) relates to the foreign exchange difference.

7. Cost of sales

Employee benefit expenses amounting to LTL 41,359 thousand and LTL 2,093 thousand for the year 2009 (LTL 47,819 thousand and LTL 1,328 thousand for the year 2008) have been included into the cost of sales in the Group's and the Company's statements of comprehensive income, respectively.

8. Other income

	Group		Company	
	2009	2008	2009	2008
Rent and services	4,488	4,466	268	76
Management consulting services	-	-	15,021	-
Income from current assets sales	493	942	156	325
Gain on disposal of property, plant and equipment	-	34	-	20
	4,981	5,442	15,445	421

The increase in the other income of the Company relates to the management consulting services income accounted for in the year related to 2006 – 2009 consultation services, provided to the subsidiary companies.

9. Selling and distribution expenses

	Group		Company	
	2009	2008	2009	2008
Marketing services	(35,892)	(41,772)	(726)	(1,430)
Wages, salaries and social security	(25,095)	(27,319)	(1,345)	(1,192)
Cars maintenance	(4,923)	(1,139)	(140)	(124)
Amortisation	(2,844)	(3,011)	(9)	(6)
Transportation expenses	(2,797)	(3,265)	(1)	-
Other expenses related to selling and distribution employees	(1,825)	(3,722)	-	-
Depreciation	(1,490)	(1,674)	(425)	(149)
Education and meetings	(1,258)	(1,676)	(33)	(27)
Business trips	(1,138)	(919)	(46)	(63)
IT and telecommunication costs	(986)	(1,610)	(37)	(38)
Taxes (except for social security and income tax)	(939)	(3,146)	-	-
Rent	(720)	(1,839)	-	-
Office supplies	(347)	(2,398)	(5)	(14)
Other	(201)	(3,129)	(156)	(265)
	(80,455)	(96,619)	(2,923)	(3,308)

Selling and distribution expenses decreased in comparison to the prior year due to fewer marketing campaigns being run in 2009.

10. Regulatory affairs expenses

	Group		Company	
	2009	2008	2009	2008
Wages, salaries and social security	(4,110)	(4,005)	(349)	(342)
New products registration	(2,121)	(5,567)	-	-
Services	(1,447)	(2,000)	(406)	(147)
Variations and renewals fees	(954)	(66)	(100)	(468)
Amortisation	(630)	(70)	(47)	(65)
Cars maintenance	(583)	(565)	(18)	(19)
Business trips	(281)	(531)	(6)	(27)
Office supplies	(280)	(471)	(5)	(5)
IT and telecommunication costs	(235)	(386)	(6)	(18)
Other expenses related to regulatory affairs employees	(152)	(413)	-	-
Education and meetings	(121)	(321)	-	(1)
Rent	(110)	(129)	-	-
Depreciation	(82)	(83)	(9)	(2)
	(11,106)	(14,607)	(946)	(1,094)

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

11. Research and development expenses

	Group		Company	
	2009	2008	2009	2008
Wages, salaries and social security	(821)	(1,305)	(198)	(198)
Other expenses related to research and development employees	(567)	(190)	2	-
Other direct expenses for research and development work	(236)	(753)	(52)	(56)
Business trips	(87)	(124)	(33)	(41)
Cars maintenance	(83)	(19)	(6)	(6)
IT and telecommunication costs	(47)	(139)	(11)	(9)
Depreciation	(24)	(34)	(10)	(7)
Education and meetings	(12)	(75)	-	-
Office supplies	(14)	(32)	-	(1)
Amortisation	(10)	(55)	-	-
	(1,901)	(2,726)	(308)	(318)

12. Administrative expenses

	Group		Company	
	2009	2008	2009	2008
Wages, salaries and social security	(16,461)	(17,376)	(6,110)	(6,636)
Amortisation	(2,334)	(2,700)	(23)	(27)
Consulting and other similar services	(2,293)	(8,230)	(279)	(6,477)
Depreciation	(1,988)	(2,360)	(985)	(715)
Write-off of inventories	(1,346)	(2,783)	107	(360)
IT services	(1,316)	(841)	-	-
Change in allowance for inventories	(1,229)	(2,516)	(135)	(9)
Utilities	(974)	(968)	(427)	(387)
Business trips	(962)	(1,301)	(499)	(642)
Cars maintenance	(689)	(764)	(121)	(179)
Repair and maintenance	(536)	(294)	(160)	-
Telecommunication	(448)	(573)	(164)	(205)
Cleaning and waste utilisation	(385)	(503)	(109)	(206)
Office supplies	(378)	(548)	(71)	(121)
Write-off of property, plant and equipment and intangible assets	(315)	(366)	(1)	(116)
Rent	(280)	(1,086)	(161)	(1,017)
Change in allowance for trade and other receivables	(261)	(2,010)	-	-
Education and meetings	(247)	(420)	(29)	(31)
Taxes (except for social security and income tax)	(252)	(240)	(144)	(95)
Change in Corhydron case related provision (Note 33)	(150)	380	-	-
Write-off/reversal of previously written off trade and other receivables	81	(1,143)	84	(1,143)
Other	(3,191)	(3,061)	(1,156)	(1,165)
	(35,954)	(49,703)	(10,383)	(19,531)

During the last quarter of 2009 the Group and the Company finished a 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 was accounted in the Group administrative expenses (LTL 667 thousand expenses in the Company's administrative expenses) as termination compensations, accruals and related taxes.

In 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 and are presented together with Consulting and other similar services expenses. The project involved a number of consulting companies and was led by the financial management and advisory company „Merrill Lynch International".

Administrative expenses include the fee paid to the auditors for the financial statements audit, audit related and other non-audit services. Fee for the Group's and the Company's annual financial statements audit in 2009 amounted to LTL 366 thousand and LTL 99 thousand, respectively (in 2008 LTL 425 thousand and LTL 140 thousand, respectively). The Group and the Company did not acquire audit related and other non-audit services in 2009. Audit related services for the Group and the Company in 2008 amounted to LTL 75 thousand and LTL 25 thousand, respectively. In addition, the fee of LTL 1,882 thousand was incurred by the Group and the Company for predecessor auditor work related to project on strategic options research in 2008.

13. Financial activity, net

	Group		Company	
	2009	2008	2009	2008
Interest income	42	145	-	2
Foreign currency exchange gain, net	1,145	-	148	1,470
Cash income from financial instruments	6,628	12,905	-	-
Other financial income	20	38	-	-
Finance income	7,835	13,088	148	1,472
Interest (expense)	(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)
Finance cost	(30,705)	(73,125)	(4,591)	(2,638)

13. Financial activity, net (cont'd)

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 instalment day for all instalments due until August 2010 in order to hedge foreign exchange risk (Note 28).

14. 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	950	8,354	380	1,975
Income tax (expenses) benefit charged to the profit and loss	91	8,179	(342)	1,961

In year 2009 prior year current income tax correction mainly relates to income tax expenses, arising in the Company for the management consulting services income accounted for the year 2006 – 2008 (Note 8).

	Group		Company	
	2009	**2008**	**2009**	**2008**
Deferred tax assets				
Losses available for offset against future taxable income	11,956	16,544	2,830	2,571
Exchange rate differences on loans	6,665	8,816	-	-
Property, plant and equipment	7,222	7,098	-	20
Fair value of derivatives	2,031	2,267	-	-
Accruals	1,007	2,034	25	48
Receivables	601	1,011	306	413
Employee benefits	860	826	-	-
Inventories	359	555	36	28
Corhydron case provision	30	-	-	-
Other	685	590	344	333
Deferred tax asset before valuation allowance	31,416	39,741	3,541	3,413
Less: valuation allowance	(3,565)	(8,727)	(1,106)	(1,358)
Deferred income tax assets, net	27,851	31,014	2,435	2,055
Deferred tax liabilities				
Property, plant and equipment	(12,026)	(12,275)	-	-
Intangible assets	(3,306)	(3,829)	-	-
Fair value of financial instruments through profit and loss	(624)	(2,088)	-	-
Other	(677)	(1,276)	-	-
Deferred income tax liabilities	(16,633)	(19,468)	-	-

The Group and the Company deferred income tax asset and liability were estimated at 19% and 15% in 2009 (19% and 20% in 2008).

14. Income tax (cont'd)

Movements in pre-tax components of temporary differences for the Group in 2009 are as follows:

	Balance as at 31 December 2008	Recognised in income statement	Recognised in other comprehensive income	Exchange difference	Balance as at 31 December 2009
Tax loss carry forward	86,397	8,996	(27,563)	(931)	66,899
Exchange rate differences on loans	46,400	(10,947)	-	(374)	35,079
Property, plant and equipment asset	37,353	474	-	184	38,011
Fair value of derivatives	11,939	-	(1,226)	(20)	10,693
Accruals	10,692	(5,115)	-	(205)	5,372
Receivables	5,212	(1,588)	-	(32)	3,592
Employee benefits	4,347	158	-	21	4,526
Inventories	2,914	(942)	-	(32)	1,940
Corhydron case provision	-	150	-	7	157
Other assets	3,007	1,008	-	26	4,041
Property, plant and equipment liability	(64,605)	1,405	-	(95)	(63,295)
Intangible assets	(20,153)	2,683	-	70	(17,400)
Fair value of financial instruments through profit and loss	(10,989)	7,405	-	299	(3,285)
Other liabilities	(6,716)	3,037	-	121	(3,558)
Temporary differences before valuation allowance	105,798	6,724	(28,789)	(961)	82,772
Less: valuation allowance	(45,575)	2,235	27,563	(4,537)	(20,314)
Total temporary differences	60,223	8,959	(1,226)	(5,498)	62,458
Deferred income tax, net	11,546	950	(236)	(1,042)	11,218

Movements in pre-tax components of temporary differences for the Company in 2009 are as follows:

	Balance as at 31 December 2008	Recognised in income statement	Balance as at 31 December 2009
Tax loss carry forward	12,855	6,012	18,867
Receivables	2,065	(25)	2,040
Accruals	240	(73)	167
Inventories	140	100	240
Property, plant and equipment asset	100	(100)	-
Other assets	1,665	629	2,294
Temporary differences before valuation allowance	17,065	6,543	23,608
Less: valuation allowance	(6,790)	(582)	(7,372)
Total temporary differences	10,275	5,961	16,236
Deferred income tax, net	2,055	380	2,435

As at 31 December 2009 the LTL 18,867 thousand balance of tax loss carried forward of the Company can be carried forward for an indefinite period. The rest balance of the Group tax loss carried forward (LTL 48,032 thousand) can be carried forward until 2011.

14. Income tax (cont'd)

Movements in pre-tax components of temporary differences for the Group in 2008 are as follows:

	Balance as at 31 December 2007	Recognised in income statement	Recognised in other comprehensive income	Acquired subsidiary	Exchange difference	Balance as at 31 December 2008
Tax loss carry forward	119,021	9,849	(40,326)	-	(2,147)	86,397
Exchange rate differences on loans	-	54,479	-	-	(8,079)	46,400
Property, plant and equipment asset	41,545	487	-	68	(4,747)	37,353
Fair value of derivatives	-	-	14,021	-	(2,082)	11,939
Accruals	13,966	(2,063)	-	79	(1,290)	10,692
Receivables	4,313	1,109	-	-	(210)	5,212
Employee benefits	6,021	(1,174)	-	-	(500)	4,347
Inventories	2,426	773	-	26	(311)	2,914
Corhydron case	372	(372)	-	-	-	-
Other assets	4,557	(1,376)	-	-	(174)	3,007
Property, plant and equipment liability	(67,795)	(5,505)	-	(895)	9,590	(64,605)
Intangible assets	(24,274)	3,005	-	(1,584)	2,700	(20,153)
Fair value of financial instruments through profit and loss	-	(12,905)	-	-	1,916	(10,989)
Other liabilities	(2,011)	(4,679)	-	(979)	953	(6,716)
Temporary differences before valuation allowance	98,141	41,628	(26,305)	(3,285)	(4,381)	105,798
Less: valuation allowance	(86,400)	1,688	40,326	-	(1,189)	(45,575)
Total temporary differences	11,741	43,316	14,021	(3,285)	(5,570)	60,223
Deferred income tax, net	2,213	8,354	2,667	(624)	(1,064)	11,546

Movements in pre-tax components of temporary differences for the Company in 2008 are as follows:

	Balance as at 31 December 2007	Recognised in income statement	Balance as at 31 December 2008
Tax loss carry forward	-	12,855	12,855
Receivables	2,613	(548)	2,065
Accruals	113	127	240
Inventories	547	(407)	140
Property, plant and equipment asset	487	(387)	100
Other assets	2,220	(555)	1,665
Temporary differences before valuation allowance	5,980	11,085	17,065
Less: valuation allowance	(5,447)	(1,343)	(6,790)
Total temporary differences	533	9,742	10,275
Deferred income tax, net	80	1,975	2,055

As at 31 December 2008 the LTL 12,855 thousand balance of tax loss carried forward of the Company can be carried forward for an indefinite period. The rest balance of the Group tax loss carried forward (LTL 73,542 thousand) can be carried forward until 2011.

14. Income tax (cont'd)

The reconciliation of the total income tax to the theoretical amount that would arise using the tax rate of the Group and the Company is as follows:

	Group		Company	
	2009	**2008**	**2009**	**2008**
Profit (loss) before income tax	**17,753**	**(10,063)**	**(439)**	**(14,230)**
Tax calculated at statutory tax rate*	3,551	(1,509)	(88)	(2,135)
Tax non-deductible income (expenses)	3,306	(751)	1,918	(380)
Change in allowance for deferred tax	(5,162)	(7,471)	(252)	541
Correction of prior year current income tax	(655)	(61)	(722)	(14)
Differences of tax rates in subsidiaries	(617)	1,586	-	-
Change in tax rate	(514)	27	(514)	27
Income tax expenses (benefit) recorded in the profit and loss	(91)	(8,179)	342	(1,961)

* 20% in 2009 and 15% in 2008.

15. Earnings per share

Diluted earnings per share equal basic earnings per share as there were no potential shares issued as at 31 December 2009 and 2008.

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

	2009	**2008**
Net profit (loss)	17,844	(1,884)
Weighted average number of ordinary shares (thousand)	31,106	31,106
Earnings (loss) per share (in LTL)	0.57	(0.06)

16. Dividends

The General Shareholders Meeting of the Company, which took place on April 17, 2008 declared a dividend of LTL 18,664 thousand for the financial year 2007 (LTL 0.6 per share). Until 31 December 2008, LTL 12,520 thousand has been paid out. The balance of LTL 6,144 thousand was accounted for as short term liabilities of the Company and the Group. As at 31 December 2009, dividends payable amounted to LTL 3,710 thousand (Note 31).

No dividends were approved or declared for the financial year 2008.

17. Property, plant and equipment

Group	Land	Buildings	Machinery and equipment	Vehicles and other assets	Construction in progress	Total
Cost:						
Balance as at 31 December 2007	4,207	146,174	150,766	27,654	27,858	356,659
Acquisition of Laboratorium Farmaceutyczne HOMEOFARM sp. z.o.o. (Note 6)	1,244	-	582	5	277	2,108
Additions	-	18,352	21,772	5,094	10,864	56,082
Transfer to/from inventories	-	-	(586)	-	110	(476)
Disposals and write-offs	(4)	(25)	(3,806)	(4,640)	-	(8,475)
Foreign exchange difference	(336)	(12,365)	(12,673)	(2,841)	17	(28,198)
Reclassifications	181	19,211	6,128	(235)	(25,285)	-
Balance as at 31 December 2008	5,292	171,347	162,183	25,037	13,841	377,700
Additions	-	46	2,339	1,289	397	4,071
Transfer to/from inventories	-	-	(26)	(1)	-	(27)
Disposals and write-offs	-	(56)	(1,344)	(1,525)	(266)	(3,191)
Foreign exchange difference	12	263	294	40	(5)	604
Reclassifications	-	2,789	5,068	45	(7,902)	-
Balance as at 31 December 2009	5,304	174,389	168,514	24,885	6,065	379,157
Accumulated depreciation:						
Balance as at 31 December 2007	-	14,672	50,555	10,625	-	75,852
Charge for the year	-	8,368	19,811	5,363	-	33,542
Transfer to/from inventories	-	-	(490)	-	-	(490)
Disposals and write-offs	-	(3)	(3,556)	(3,130)	-	(6,689)
Foreign exchange difference	-	(889)	(5,118)	(1,282)	-	(7,289)
Balance as at 31 December 2008	-	22,148	61,202	11,576	-	94,926
Charge for the year	-	7,631	16,178	3,757	-	27,566
Transfer to/from inventories	-	-	(21)	(1)	-	(22)
Disposals and write-offs	-	(56)	(1,259)	(1,149)	-	(2,464)
Foreign exchange difference	-	208	533	120	-	861
Balance as at 31 December 2009	-	29,931	76,633	14,303	-	120,867
Net book value as at 31 December 2009	**5,304**	**144,458**	**91,881**	**10,582**	**6,065**	**258,290**
Net book value as at 31 December 2008	**5,292**	**149,199**	**100,981**	**13,461**	**13,841**	**282,774**

17. Property, plant and equipment (cont'd)

Company	Buildings	Machinery and equipment	Vehicles and other assets	Construction in progress	Total
Cost:					
Balance as at 31 December 2007	447	19,643	1,642	26,027	47,759
Additions	17,350	13,986	696	10,635	42,667
Transfer to/from inventories	-	(586)	-	110	(476)
Disposals and write-offs	-	(2,826)	(93)	-	(2,919)
Reclassifications	18,590	4,935	15	(23,540)	-
Balance as at 31 December 2008	36,387	35,152	2,260	13,232	87,031
Additions	11	80	163	153	407
Transfer to/from inventories	-	(22)	(1)	-	(23)
Disposals and write-offs	(56)	(543)	(140)	-	(739)
Reclassifications	2,789	4,970	-	(7,759)	-
Balance as at 31 December 2009	39,131	39,637	2,282	5,626	86,676
Accumulated depreciation:					
Balance as at 31 December 2007	121	16,928	579	-	17,628
Charge for the year	293	1,596	337	-	2,226
Transfer to/from inventories	-	(490)	-	-	(490)
Disposals and write-offs	-	(2,779)	(84)	-	(2,863)
Balance as at 31 December 2008	414	15,255	832	-	16,501
Charge for the year	1,554	2,568	355	-	4,477
Transfer to/from inventories	-	(17)	(1)	-	(18)
Disposals and write-offs	(56)	(541)	(112)	-	(709)
Balance as at 31 December 2009	1,912	17,265	1,074	-	20,251
Net book value as at 31 December 2009	**37,219**	**22,372**	**1,208**	**5,626**	**66,425**
Net book value as at 31 December 2008	**35,973**	**19,897**	**1,428**	**13,232**	**70,530**

In September 2008, the Company opened a new manufacturing plant in Kaunas, where the manufacturing and administrative rooms, laboratories and warehouses are arranged. The Company invested LTL 68,716 thousand into this construction. Depreciation the manufacturing plant, administrative and laboratories building and part of the machinery and equipment commenced in the last quarter of 2008.

The depreciation charge of the Group's and the Company's property, plant and equipment for the year 2009 amounts to LTL 27,566 thousand and LTL 4,477 thousand, respectively (in the year 2008, respectively, LTL 33,542 thousand and LTL 2,226 thousand). Amounts of LTL 3,937 thousand and LTL 1,782 thousand for the year 2009 (LTL 4,240 thousand and LTL 962 thousand for the year 2008) have been included into operating expenses in the Group's and the Company's, respectively. The remaining amounts have been included into production cost for the year.

Property, plant and equipment of the Group and the Company with a net book value of LTL 277,477 thousand and LTL 64,993 thousand, respectively, as at 31 December 2009 (LTL 219,574 thousand and LTL 51,875 thousand as at 31 December 2008) was pledged to banks as a collateral for the loans (Note 26).

Property, plant and equipment of the Group and the Company with an acquisition cost of LTL 66,870 thousand and LTL 6,951 thousand, respectively, were fully depreciated as at 31 December 2009 (as at 31 December 2008, respectively, LTL 68,709 thousand and LTL 12,739 thousand) but were still in active use.

As at 31 December 2009 and 2008, the Group and the Company had no commitment to purchase property, plant and equipment.

During the year 2009, the Group and the Company did not capitalise the borrowing cost, as there were no qualifying assets acquisition. Borrowing cost incurred by the Group and the Company and capitalised to the acquisition, construction or production of a qualifying asset amounted to LTL 1,125 thousand for the year 2008, the capitalisation rate used to determine the amount of borrowing cost eligible for capitalisation by the Group and the Company was 5.83%.

18. Intangible assets

Group	Goodwill	Licenses	Software	Internally generated intangible assets	Intangible assets under development and prepayments	Total
Cost:						
Balance as at 31 December 2007	287,794	40,130	12,437	3,328	786	344,475
Acquisition of Laboratorium Farmaceutyczne HOMEOFARM sp. z.o.o. (Note 6)	3,081	1,583	-	-	25	4,689
Additions	-	2,087	2,137	705	395	5,324
Disposals and write-offs	-	(50)	(26)	-	(64)	(140)
Foreign exchange difference	(37,246)	(5,463)	(1,285)	(535)	(130)	(44,659)
Reclassifications	-	19	-	100	(119)	-
Balance as at 31 December 2008	253,629	38,306	13,263	3,598	893	309,689
Additions	-	2,238	103	-	2,380	4,721
Disposals and write-offs	-	(2)	(18)	-	(41)	(61)
Foreign exchange difference	640	187	28	9	187	1,051
Reclassifications	-	(195)	-	-	195	-
Balance as at 31 December 2009	254,269	40,534	13,376	3,607	3,614	315,400
Accumulated amortisation:						
Balance as at 31 December 2007	-	5,850	4,187	81	-	10,118
Charge for the year	-	4,105	2,765	126	-	6,996
Disposals and write-offs	-	(43)	(26)	-	-	(69)
Foreign exchange difference	-	(1,028)	(644)	(26)	-	(1,698)
Balance as at 31 December 2008	-	8,884	6,282	181	-	15,347
Charge for the year	-	3,762	2,470	689	-	6,921
Disposals and write-offs	-	(2)	(11)	-	-	(13)
Foreign exchange difference	-	189	95	30	-	314
Balance as at 31 December 2009	-	12,833	8,836	900	-	22,569
Net book value as at 31 December 2009	**254,269**	**27,701**	**4,540**	**2,707**	**3,614**	**292,831**
Net book value as at 31 December 2008	**253,629**	**29,422**	**6,981**	**3,417**	**893**	**294,342**

Impairment testing of goodwill

The goodwill acquired through Jelfa S.A. business combination in the amount of LTL 251,180 thousand has been allocated to the cash-generating units for impairment testing according to the reportable segments. The goodwill acquired through Laboratorium Farmaceutyczne HOMEOFARM sp. z.o.o. business combination in the amount of LTL 3,089 thousand has been allocated to one cash-generating unit (ointments reportable segment) for impairment testing. The recoverable amount of Jelfa S.A. and Laboratorium Farmaceutyczne HOMEOFARM sp. z.o.o. units have been determined based on the value in use calculation using cash flow projections based on financial budgets approved by Group management covering a 5-year period. The pre-tax discount rate applied to cash flow projections is 13.3% (13.1% for year 2008) and cash flows beyond the 5-year period are extrapolated using 0% growth rate (0% for year 2008), which reflects the expected average rate of economic growth. As at 31 December 2009 and 2008, there were no indications of goodwill impairment.

The Group management believes that any reasonably possible change in the key assumptions on which recoverable amounts are based would not cause the aggregate carrying amounts to exceed the aggregate recoverable amounts of the cash-generating units.

18. Intangible assets (cont'd)

Company	Licenses	Software	Internally generated intangible assets	Intangible assets under development and prepayments	Total
Cost:					
Balance as at 31 December 2007	335	318	-	183	836
Additions	-	847	-	40	887
Disposals and write-offs	(50)	(10)	-	(64)	(124)
Reclassifications	19	-	100	(119)	-
Balance as at 31 December 2008	304	1,155	100	40	1,599
Disposals and write-offs	(2)	(11)	-	-	(13)
Balance as at 31 December 2009	302	1,144	100	40	1,586
Accumulated amortisation:					
Balance as at 31 December 2007	233	272	-	-	505
Charge for the year	50	38	15	-	103
Disposals and write-off	(43)	(10)	-	-	(53)
Balance as at 31 December 2008	240	300	15	-	555
Charge for the year	25	86	20	-	131
Disposals and write-off	(2)	(11)	-	-	(13)
Balance as at 31 December 2009	263	375	35	-	673
Net book value as at 31 December 2009	**39**	**769**	**65**	**40**	**913**
Net book value as at 31 December 2008	**64**	**855**	**85**	**40**	**1,044**

The Group and the Company have LTL 2,707 thousand and LTL 65 thousand internally generated intangible assets as at 31 December 2009 (LTL 3,417 thousand and LTL 85 thousand as at 31 December 2008).

The amortisation charge of the Group's and the Company's intangible assets for the year 2009 amounts to LTL 6,921 thousand and LTL 131 thousand, respectively (in the year 2008 respectively LTL 6,996 thousand and LTL 103 thousand). Amounts of LTL 5,818 thousand and LTL 79 thousand for the year 2009 (LTL 5,836 thousand and LTL 98 thousand for the year 2008) have been included into operating expenses in the Group's and the Company's statement of comprehensive income, respectively. The remaining amounts have been included into production cost for the year.

Part of the non-current intangible assets of the Group and the Company with the acquisition value of LTL 7,753 thousand and LTL 494 thousand, respectively, as at 31 December 2009, was fully amortised (LTL 6,227 thousand and LTL 415 thousand respectively as at 31 December 2008) but was still in use.

In 2008 the Company acquired the software SCADA (Supervisory Control And Data Acquisition) for LTL 804 thousand, which monitors heating, ventilation, air conditioning and other industrial processes in the new manufacturing plant of the Company. SCADA will be finished to be amortised in November 2023.

19. Investments

	Company	
	2009	**2008**
Shares of Jelfa S.A. (100%)	292,705	292,705
Shares of HBM Pharma s.r.o. (100%)	41,690	41,690
Total investments	334,395	334,395

All Jelfa S.A. shares owned by the Company were pledged to the banks as a collateral for the loans in 2009 and 2008 (Note 26).

The Company sold 100% of shares of its subsidiary Altisana, UAB on April 17, 2008 for LTL 8 thousand. Loss on sale of this transaction amounted to LTL 3 thousand.

20. Inventories

	Group		Company	
	2009	**2008**	**2009**	**2008**
Raw materials	17,227	19,587	1,019	1,305
Work in progress	6,281	7,969	464	574
Finished goods	20,586	17,902	2,009	2,488
Equipment available for sale	109	184	109	184
	44,203	45,642	3,601	4,551
Less: net realisable value allowance	(1,961)	(2,889)	(242)	(141)
	42,242	42,753	3,359	4,410

The acquisition cost of the Group's and the Company's inventories accounted for at net realisable value as at 31 December 2009 amounted to LTL 2,008 thousand and LTL 248 thousand, respectively (LTL 3,501 thousand and LTL 141 thousand as at 31 December 2008).

As disclosed in Note 26, inventories of the Group and the Company with the carrying value of LTL 36,420 thousand and LTL 3,359 thousand, respectively, as at 31 December 2009 were pledged to banks as a collateral for the loans (LTL 30,392 thousand and LTL 4,410 thousand, respectively, as at 31 December 2008).

The inventories of the Group and the Company recognised as expenses during 2009 amounts to LTL 77,878 thousand and LTL 2,323 thousand, respectively (LTL 91,821 thousand and LTL 4,623 thousand, respectively, during 2008).

The inventories write-down of the Group and Company recognised as expenses during 2009 and 2008 are disclosed in Note 12.

In its accounting records the Group does not reflect the cost of third party inventories held in its storage facilities for processing. As at 31 December 2009 the Group and the Company did not hold in its storage facilities the third parties inventories. As at 31 December 2008 the inventories in amount of LTL 59,291 thousand were held in the Group storage facilities and were owned by Sanofi-Aventis Slovakia, s.r.o. The Group had no commitments related to these inventories.

21. Trade receivables

	Group		Company	
	2009	**2008**	**2009**	**2008**
Trade receivables, gross	64,036	84,198	6,780	4,096
Less: allowance for doubtful trade receivables	(2,582)	(3,207)	(157)	(157)
	61,454	80,991	6,623	3,939

Trade receivables of the Group amounting to LTL 49,793 thousand as at 31 December 2009 were pledged to banks as a collateral for the loans (LTL 75,946 thousand of the Group as at 31 December 2008) (Note 26).

Trade receivables are non-interest bearing and are generally on 30 – 150 days terms.

As at 31 December 2009 trade receivables of the Group and the Company with the nominal value of LTL 2,582 thousand and LTL 157 thousand (as at 31 December 2008 – LTL 3,207 thousand and LTL 157 thousand) were impaired and fully provided for.

Movements in the provision for impairment of individually impaired receivables of the Group were as follows:

	Group	
	2009	**2008**
Opening balance	3,207	1,013
Charge for the year	414	2,323
Utilised	(1,054)	(54)
Unused amounts reversed	-	(31)
Foreign exchange difference	15	(44)
Closing balance	2,582	3,207

There were no movements in the Company's provision for impairment of receivables in 2009 and 2008.

Changes in allowance for doubtful trade receivables for the year 2009 and 2008 have been included into administrative expenses.

21. Trade receivables (cont'd)

The ageing analysis of trade receivables of the Group as at 31 December 2009 and 2008 was as follows:

	Trade receivables neither past due nor impaired	Trade receivables past due but not impaired				Total
		Less than 30 days	30 – 90 days	90 – 180 days	More than 180 days	
2009	57,886	3,152	194	148	74	61,454
2008	61,192	10,886	5,897	2,329	687	80,991

The ageing analysis of trade receivables of the Company as at 31 December 2009 and 2008 was as follows:

	Trade receivables neither past due nor impaired	Trade receivables past due but not impaired				Total
		Less than 30 days	30 – 90 days	90 – 180 days	More than 180 days	
2009	4,969	1,654	-	-	-	6,623
2008	3,151	10	778	-	-	3,939

Credit quality of financial assets neither past due nor impaired

With respect to trade receivables that are neither impaired nor past due, there are no indications as at the reporting date that the debtors will not meet their payment obligations since the Group and the Company trades only with recognised, creditworthy third parties.

22. Other receivables

	Group		Company	
	2009	**2008**	**2009**	**2008**
Refundable VAT	4,284	1,288	-	211
Receivables from subsidiaries	-	-	2	35
Other receivables	405	293	71	20
	4,689	1,581	73	266

Other receivables are non-interest bearing and are generally on 14 – 60 days terms. Receivables from subsidiaries are described in Note 35 in more details.

During 2009 the Group company Jelfa S.A. reversed the allowance for other receivables in amount of LTL 153 thousand, which was formed before the acquisition of the subsidiary.

23. Cash and cash equivalents

	Group		Company	
	2009	**2008**	**2009**	**2008**
Cash at bank	3,234	1,910	177	31
Cash on hand	183	56	-	-
	3,417	1,966	177	31

Cash at bank earns interest at floating rates based on daily bank deposit rates. The fair value of cash as at 31 December 2009 of the Group and the Company is LTL 3,417 thousand and LTL 177 thousand, respectively (LTL 1,966 thousand and LTL 31 thousand as at 31 December 2008).

The Group's and the Company's foreign and local currency accounts in banks amounting to LTL 1,624 thousand and LTL 83 thousand, respectively, as at 31 December 2009 (LTL 722 thousand and LTL 12 thousand, respectively, as at 31 December 2008) are pledged to the banks as collateral in relation to the loan (Note 26).

24. Share capital

As at 31 December 2009 and 2008 the share capital of the Company comprised of 31,105,920 ordinary shares with par value of LTL 1 each.

The share capital of the Company was fully paid as at 31 December 2009 and 2008. Subsidiaries did not hold any shares of the Company as at 31 December 2009 and 2008. The Company did not hold its own shares.

The difference of LTL 248,086 thousand between the par value and emission value was accounted for as share premium as at 31 December 2009 and 2008.

Company has valid Phantom Share Option Plan approved by the General Shareholders meeting in 2009 and applied for the top and middle management of the Company and its subsidiaries. According to Phantom Share Option Plan option is exercised not through the acquisition of the option shares but by receiving a monetary compensation after the sale of the Company's shares by certain shareholders of the Company. No phantom share options were granted till the end of year 2009. If Phantom Share Option Plan is not executed until the end of 2013, it will terminate automatically.

25. Reserves

Legal reserve

A legal reserve is a compulsory reserve under Lithuanian legislation. Annual transfers of not less than 5% of net profit, calculated in accordance with IFRS, are compulsory until the reserve reaches 10% of the share capital. The reserve can be used only to cover the accumulated losses of the Company. As at 31 December 2009 and 2008 the legal reserve of the Company was fully formed.

Fair value reserve

This reserve is accounted for according to IAS 39 requirements. Changes in cash flow hedges are presented in this reserve (Note 28).

Foreign currency translation reserve

The foreign currency translation reserve is used for translation differences arising on consolidation of financial statements of foreign subsidiaries.

Exchange differences are recognised in statement of other comprehensive income and accumulated in equity in the consolidated financial statements until disposal of the investment. Upon disposal of the corresponding investment, all the accumulated exchange differences are reclassified to the profit and loss.

26. Loans

	Group		Company	
	2009	2008	2009	2008
Non-current				
Non-current loans	178,075	43,780	30,265	43,780
	178,075	43,780	30,265	43,780
Current				
Current portion of non-current loans	61,119	255,704	19,479	13,799
Current loans	36,623	33,987	11,182	20,846
	97,742	289,691	30,661	34,645
Total borrowings	**275,817**	**333,471**	**60,926**	**78,425**

26. Loans (cont'd)

Non-current and current loans of the Group include:

Lender	Interest rate	Original currency	Principal amount in original currency	Maturity date	As at 31 December 2009	As at 31 December 2008
Bank Polska Kasa Opieki S.A./Bank Zachodni WBK S.A.	3-month EURIBOR+3.6%	EUR	73,997	May 2014	190,650	236,095
Swedbank, AB	6-month EURIBOR+3.5%	EUR	11,874	July 2015	35,974	40,487
Tatra Bank a.s.	1-month BRIBOR+2.4%	EUR	4,979	February 2010	10,904	11,508
Invalda, AB	6.50%	LTL	7,978	December 2010	8,497	7,978
Bank Zachodni WBK S.A.	1-month WIBOR+2.5%	PLN	10,000	May 2010	8,240	8,274
Bank Polska Kasa Opieki S.A.	1-month WIBOR+2.5%	PLN	10,000	May 2010	7,647	5,535
Swedbank, AB	7%	EUR	1,448	February 2010	5,000	2,615
Swedbank, AB *	6-month EURIBOR+4%	EUR	2,000	March 2010	2,882	-
Amber Trust II SCA	6.50%	LTL	2,358	June 2010	2,510	-
Tatra Bank a.s.	1-month BRIBOR+2.4%	EUR	1,413	April 2010	1,771	4,876
Natural persons	6.50%	LTL	1,465	December 2010	1,563	1,465
Deutsche Bank PBC S.A.	3-months WIBOR	PLN	250	November 2010	137	-
Nordea Bank Finland Plc Lithuanian Branch	1-day VILIBOR+1%	EUR	83,400	December 2008	42	43
Tatra Leasing	3-month BRIBOR+3.91%	SKK	472	October 2011	-	38
Bank PEKAO S.A.	3-month WIBOR+0.32%	PLN	44,088	December 2009	-	10,805
Swedbank, AB	6-month LIBOR+4.5%	EUR	1,303	May 2009	-	3,752
					275,817	333,471
Less current portion					(97,742)	(289,691)
Non-current loans, net of current portion					178,075	43,780

Non-current and current loans of the Company include:

Lender	Interest rate	Original currency	Principal amount in original currency	Maturity date	As at 31 December 2009	As at 31 December 2008
Swedbank, AB	6-month EURIBOR+3.5%	EUR	11,874	July 2015	35,974	40,487
Invalda, AB	6.50%	LTL	7,978	December 2010	8,497	7,978
Swedbank, AB	7%	EUR	1,448	February 2010	5,000	2,615
Swedbank, AB*	6-month EURIBOR+4%	EUR	2,000	March 2010	2,882	-
Amber Trust II SCA	6.50%	LTL	2,359	June 2010	2,510	-
Natural persons	6.50%	LTL	1,465	December 2010	1,563	1,465
HBM Pharma s.r.o.	1-month BRIBOR+1.20%	EUR	5,000	December 2009	1,200	5,034
Jelfa S.A.	5.67%	EUR	995	February 2010	203	3,477
Jelfa S.A.	7.10%	PLN	4,000	February 2010	285	3,421
Jelfa S.A.	7.01%	PLN	3,500	February 2010	229	3,034
Jelfa S.A.	7.02%	EUR	762	February 2010	168	2,646
Jelfa S.A.	4.67%	EUR	700	February 2010	105	2,428
Jelfa S.A.	7.20%	PLN	2,500	February 2010	142	2,088
Jelfa S.A.	6.50%	EUR	1,350	December 2009	268	-
Jelfa S.A.	6.01%	EUR	400	December 2009	62	-
Jelfa S.A.	6.03%	EUR	600	December 2009	1,121	-
Jelfa S.A.	6.10%	EUR	200	December 2009	717	-
Swedbank, AB	6-month LIBOR+4.5%	EUR	1,303	May 2009	-	3,752
					60,926	78,425
Less current portion					(30,661)	(34,645)
Non-current loans, net of current portion					30,265	43,780

* The amount relates to liability under factoring with recourse agreement.

26. Loans (cont'd)

The terms of repayments of non-current and current loans are as follows:

	Group		Company	
	2009	**2008**	**2009**	**2008**
Within one year	97,742	289,691	30,661	34,645
From one to five years	174,227	34,042	26,417	34,042
After five years	3,848	9,738	3,848	9,738
	275,817	333,471	60,926	78,425

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 (principal amount in original currency PLN 310,000 thousand) were converted to EUR at 3.3515 PLN/EUR rate to EUR 73,997 thousand. In connection with this conversion Jelfa S.A. concluded the agreement for hedging instruments and derivative instruments (Note 28).

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 and as at 31 December 2008. The issue was addressed to the financing banks, which waived the covenant breach as at 31 December 2009 by signing the amendment of the agreement as at 30 July, 2009. As at 31 December 2008 the non-current bank loans in the amount of LTL 194,578 thousand were classified as current liabilities in the Group's balance sheet.

In July 2009 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%.

On 13 July 2009, the Company's overdraft from bank Swedbank, AB in principal amount of LTL 5,000 thousand was prolonged till 13 September 2009 with the interest rate of 6-months VILIBOR+4.5%. In September this overdraft was converted to EUR in amount of EUR 1,448 thousand with the fixed 7% interest rate and maturity term December 10, 2009. Later on the overdraft was prolonged till 15 February 2010. The overdraft was repaid in March 2010 (Note 36).

Also the agreement of the Company's new plant construction loan was amended in September 2009: the interest rate was changed to 6 months EURIBOR+3.5% margin and monthly loans repayment for 6 months period decreased from EUR 148 thousand to EUR 30 thousand.

As at 25 February 2010 Tatra Bank a.s. sent the letter to the subsidiary company HBM Pharma s.r.o. confirming its intention to extend the overdraft loan agreement with the maturity date as at 28 February 2010 until 28 February 2011. As at 9 March 2010 the agreement for the overdraft prolongation until 28 February 2011 was signed (Note 36).

As at 31 December 2009 the Group and the Company had unused funds in credit lines amounting to LTL 2,132 thousand and LTL 0 thousand, respectively (LTL 11,128 thousand and LTL 2,385 thousand, respectively, as at 31 December 2008 for the Group and the Company).

The assets pledged to the banks are as follows:

	Group		Company	
	2009	**2008**	**2009**	**2008**
Jela S.A. shares (Note 19)	292,705	292,705	292,705	292,705
Property, plant and equipment (Note 17)	277,477	219,574	64,993	51,875
Inventories (Note 20)	36,420	30,392	3,359	4,410
Trade receivables (Note 21)	49,793	75,946	-	-
Cash (Note 23)	1,624	722	83	12

In addition, the shares of Laboratorium Farmaceutyczne Homeofarm sp. z.o.o are pledged to the banks by Jelfa S.A. as a collateral for the loan as at 31 December 2009.

27. Finance lease obligations

The assets leased by the Group and the Company under finance lease contracts consist of buildings, machines, equipment and vehicles. Apart from the lease payments, the most significant liabilities under lease contracts are property maintenance and insurance. The terms of finance lease are from 2 to 5 years. The distribution of the net book value of the assets acquired under finance lease is as follows:

	Group		Company	
	2009	**2008**	**2009**	**2008**
Buildings	31	-	-	-
Machines and equipment	5,100	9,639	536	1,229
Vehicles	1,618	1,793	744	972
	6,749	11,432	1,280	2,201

Principal amounts of finance lease payables at the year-end denominated in national and foreign currencies are as follows:

	Group		Company	
	2009	**2008**	**2009**	**2008**
EUR	3,622	6,154	804	1,656
PLN	1,190	1,706	-	-
	4,812	7,860	804	1,656

As at 31 December 2009 the interest rate on the finance lease obligations in EUR varies depending on the 6-month EURIBOR+0.95% to 3.99%, 6-month LIBOR+1% to 1.1% and 3-month BRIBOR+1.5% (6-month EURIBOR+ 0.95% to 1.4%, 6-month LIBOR+1% to 1.1% and 3-month BRIBOR+1.5% as at 31 December 2008). The interest rate for the remaining portion of the finance lease liability is fixed from 5.76% to 17.16% (5.7% to 30.8% as at 31 December 2008), which also includes the servicing component.

Future minimal lease payments under the above mentioned finance lease contracts as at 31 December 2009 and 2008 are as follows:

	Group		Company	
	2009	**2008**	**2009**	**2008**
Within one year	3,208	3,915	537	1,010
From one to five years	1,898	4,760	285	757
Total finance lease obligations	5,106	8,675	822	1,767
Interest	(294)	(815)	(18)	(111)
Present value of finance lease obligations	4,812	7,860	804	1,656
Finance lease obligations are accounted for as:				
- current	3,025	3,432	523	938
- non-current	1,787	4,428	281	718

28. Other financial assets and financial liabilities

	Group	
	2009	**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

28. 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 EURIBOR 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 (LTL 9,672 thousand as at 31 December 2008) is expected to be released to the consolidated statement of comprehensive income till August 2011 on a quarterly basis when loans repayments are due.

Fair value hierarchy

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:
Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities;
Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly;
Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

As at 31 December 2009 and 2008 the value of derivatives not designated as hedging instruments and cash flow hedges have been calculated using Level 2 valuation technique. During the reporting period ending 31 December 2009, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into and out of Level 3 fair value measurements.

29. Deferred income from subsidies

On 21 January 2005 the Ministry of Economy of the Republic of Lithuania, public institution Lithuanian Development Agency for Small and Medium Sized Enterprises and the Company concluded an agreement to receive grants for the financing of constructions of a new production plant of the Company. The total approved grant according to the amended agreement amounts to LTL 16,061 thousand and is granted as actual expenses on construction are incurred. During the year 2008, the Company received grant in the amount of LTL 9,867 thousand. By 31 December 2008, the total amount of the received grant by the Company amounted to LTL 16,055 thousand.

The Company started to depreciate and amortise majority of the non-current assets, which were financed by the grant in last quarter of 2008, therefore LTL 163 thousand of grant amortisation were released: LTL 89 thousand have been included to the profit and loss of the Company and the Group, the remaining LTL 74 thousand have been included into production cost for the year. During 2009, LTL 794 thousand of grant amortisation were released: LTL 353 thousand t have been included to the profit and loss of the Company and the Group, the remaining LTL 441 thousand have been included into production cost for the year.

There are conditions set in the grant agreement, which if were not fulfilled, the Agency for Small and Medium Sized Enterprises might cancel the grant agreement and ask to return the paid money back. The Company has fulfilled all set conditions in years 2009 and 2008.

30. Trade payables

	Group		Company	
	2009	2008	2009	2008
Trade payables for inventories	16,347	11,198	21,383	3,291
Trade payables for capital expenditure	1,999	4,153	205	1,700
Trade payables for services	14,701	16,279	7,580	1,784
	33,047	31,630	29,168	6,775

Trade payables are non-interest bearing and are normally settled on 30 – 90 days terms. For terms and conditions relating to trade payables to related parties refer to Note 35.

31. Other current liabilities

	Group		Company	
	2009	2008	2009	2008
Taxes, salaries and wages, social security	6,690	6,558	1,617	1,179
Vacation pay accrual	2,013	2,570	631	987
Discounts for customers	2,112	288	345	288
Payable for Laboratorium Farmaceutyczne HOMEOFARM sp. z.o.o. acquisition (Note 6)	-	7,434	-	-
Dividends payable (Note 16)	3,710	6,144	3,710	6,144
Payable for strategic options research (Note 12)	200	3,725	200	3,725
Other payables and accrued liabilities	1,658	1,715	4	527
	16,383	28,434	6,507	12,850

Other payables are non-interest bearing and have an average term of 30 – 50 days.

32. Employee benefits

The Company's subsidiaries HBM Pharma s.r.o.and Jelfa S.A. are required by the law to pay certain one-off benefits to employees upon their retirement. In Jelfa S.A. this payment amounts to 150% monthly salary. In HBM Pharma s.r.o. – 100% monthly salary.

In addition, these subsidiary companies pay additional jubilees benefits to their employees. In Jelfa S.A. jubilees are paid to the employees, who have been working for at least 15 years, whereas at least 5 years in this period have been worked in Jelfa S.A. Such employees are entitled from 100% to 700% monthly salary based on the years of the employment. In HBM Pharma s.r.o. every 10 years employment jubilee was entitled with EUR 332 benefit in 2009 (in 2008 every 10 years employment jubilee was entitled with SKK 10 thousand benefits).

Total amount of employee benefit expenses (income) of the Group amounted to LTL 657 thousand during the year ended 31 December 2009 (LTL (628) thousand during the year ended 31 December 2008) and are included in employee benefits and related social insurance contributions expenses in the Group's statement of comprehensive income.

The following table summarizes the components of net benefit expenses recognized in the Group's profit and loss, the balance sheet and the principal assumptions used in determining employee benefits obligation.

	Group	
	2009	2008
Opening balance	5,045	7,035
Interest cost on benefit obligation	225	423
Current service cost and curtailment	577	(1,051)
Actuarial losses on obligation	(145)	-
Net benefit expenses (recognized in employee benefits and related social insurance contributions expenses)	657	(628)
Benefits paid	(604)	(851)
Exchange differences	18	(511)
Closing balance	5,116	5,045

32. Employee benefits (cont'd)

	Group	
	2009	**2008**
Discount rate	5.1%	5.9%
Employee turnover rate	4.3%	4.3%
Expected average annual salary increases	3.7%	3.8%

33. Provisions

	Group	
	2009	**2008**
Opening balance	-	372
Charge for the year	150	-
Unused amounts reversed	-	(380)
Foreign exchange difference	7	8
Closing balance	157	-

The provision relates to the Corhydron issue, originating in 2006 year, when defective packages of Corhydron 250, which were produced before the acquisition of the subsidiary Jelfa S.A., had been sold in the Polish market. During 2008 the whole provision for this case was reversed, as the Group management did not expect to experience any other cost related to this issue, but the expectations changed during 2009.

The prosecutor's office has been holding a significant part of Corhydron 250 for the investigation purpose and during 2009 has decided that these medicines are no longer necessary for the purpose of the ongoing investigation. The prosecutor's office intends to return the whole remaining volume of Corhydron 250 directly to Jelfa S.A. Provision, formed during 2009 amounts to the value of expected medicines return.

34. Financial risk management objectives and policies

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

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

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

Interest rate risk

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

To manage the interest rate risk the Group company Jelfa S.A. entered into interest rate swaps, in which it agreed to exchange, at specified intervals, the difference between fixed and variable rate interest amounts calculated by reference to an agreed-upon notional principal amounts. These swaps are designated to hedge Jelfa S.A. loan from banks Bank Polska Kasa Opieki S.A. and Bank Zachodni WBK S.A. (Note 28). The Group and the Company is ready to enter other interest rate swap agreements if this allows to further mitigate risk.

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

Interest rate risk (cont'd)

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Group's and the Company's profit before tax (through the impact on floating rate borrowings), which also effects the Group's and the Company's equities and the Group's equity (due to changes in the fair value of interest rate swaps). There is no impact on the Company's equity, other than current year profit impact.

	2009				2008			
	Increase/ decrease in basis points	Effect on equity Group	Effect on profit before tax Group	Effect on profit before tax Company	Increase/ decrease in basis points	Effect on equity Group	Effect on profit before tax Group	Effect on profit before tax Company
EUR	+50	5,555	(1,211)	(200)	+50	2,402	(1,514)	(254)
PLN	+50	-	(80)	-	+100	-	(246)	-
LTL	-	-	-	-	+300	-	(78)	(78)
EUR	-50	(5,555)	1,211	200	-100	(4,804)	3,028	509
PLN	-50	-	80	-	-100	-	246	-
LTL	-	-	-	-	-300	-	78	78

Liquidity risk

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

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

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

The table below summarises the maturity profile of the Group's financial liabilities as at 31 December 2009 and as at 31 December 2008 based on contractual undiscounted payments.

	On demand	Less than 3 months	3 to 12 months	1 to 5 years	More than 5 years	Total
Interest bearing loans	1,673	34,401	72,656	190,951	3,906	303,587
Finance lease obligations	-	557	2,651	1,898	-	5,106
Interest rate swaps	-	1,415	5,758	4,212	-	11,385
Trade payables	16,397	16,319	331	-	-	33,047
Other current liabilities	-	7,684	-	-	-	7,684
Balance as at 31 December 2009	**18,070**	**60,376**	**81,396**	**197,061**	**3,906**	**360,809**
Interest bearing loans	194,620	22,285	85,079	58,235	10,585	370,804
Finance lease obligations	-	1,545	2,370	4,760	-	8,675
Interest rate swaps	-	541	3,954	7,879	-	12,374
Trade payables	10,556	19,788	1,286	-	-	31,630
Other current liabilities	10,855	5,181	3,270	-	-	19,306
Balance as at 31 December 2008	**216,031**	**49,340**	**95,959**	**70,874**	**10,585**	**442,789**

As disclosed in more details in Note 26, the Group company Jelfa S.A. did not comply with the financial covenant of the financial indebtedness to EBITDA, therefore the non-current loans from the banks Bank Polska Kasa Opieki S.A. and Bank Zachodni WBK S.A. amounting to LTL 194,578 thousand were classified as current liabilities as at 31 December 2008 and are showed as liabilities payable on demand in the above table. However, on 9 April, 2009 the banks representatives confirmed, subject to the credit committee approvals, their intention to continue cooperation with Jelfa S.A. and attempt to jointly with Jelfa S.A. work out the solution to cease the negative consequences of specific items of financials as at 31 December 2008.

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

Liquidity risk (cont'd)

The table below summarises the maturity profile of the Company's financial liabilities as at 31 December 2009 and 2008 based on contractual undiscounted payments.

	On demand	Less than 3 months	3 to 12 months	1 to 5 years	More than 5 years	Total
Interest bearing loans	5,270	9,045	19,352	29,605	3,906	67,178
Finance lease obligations	-	96	441	285	-	822
Trade payables for third parties	775	874	-	-	-	1,649
Trade payables for the subsidiaries	24,268	3,108	143			27,519
Other current liabilities	-	4,263	-	-	-	4,263
Balance as at 31 December 2009	**30,313**	**17,386**	**19,936**	**29,890**	**3,906**	**101,431**
Interest bearing loans	22,128	4,646	10,787	41,326	10,286	89,173
Finance lease obligations	-	319	691	757	-	1,767
Trade payables for third parties	2,118	1,372	-	-	-	3,490
Trade payables for the subsidiaries	2,481	787	17			3,285
Other current liabilities	9,866	818	-	-	-	10,684
Balance as at 31 December 2008	**36,593**	**7,942**	**11,495**	**42,083**	**10,286**	**108,399**

Foreign exchange risk

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

As a result of Group operations in Poland (Slovakia introduced EUR since 1 January 2009, which is pegged to LTL), the Group's balance sheet can be affected by movements in PLN/LTL exchange rate. However currency translation risk from the translation of Poland subsidiaries financial statements to the Group reporting currency were not taken into account in further disclosures.

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

In June 2008 Jelfa S.A. PLN loan from banks Bank Polska Kasa Opieki S.A. and Bank Zachodni WBK S.A. amounting to PLN 248,000 thousand (principal amount in original currency PLN 310,000 thousand) were converted to EUR (Note 26). In order to hedge foreign exchange risk the subsidiary entered into a number of options agreements securing PLN conversion to EUR at 3.8 PLN/EUR exchange rate at loan instalment day for all instalments due until August 2010.

Monetary assets and liabilities denominated in foreign currencies as at 31 December 2009 were as follows (in LTL):

	Group		**Company**	
	Assets	**Liabilities**	**Assets**	**Liabilities**
PLN	27,038	32,710	-	1,990
USD	1,398	925	-	67
EUR	34,661	265,766	3,916	74,320
LTL	3,114	17,504	3,114	17,502
Other currencies	1,668	2,339	-	933
Total	67,879	319,244	7,030	94,812

Monetary assets and liabilities denominated in foreign currencies as at 31 December 2008 were as follows (in LTL):

	Group		**Company**	
	Assets	**Liabilities**	**Assets**	**Liabilities**
PLN	45,761	50,488	-	9,748
USD	655	881	19	95
EUR	32,308	297,603	1,060	63,077
SKK	9,001	18,575	-	1,498
LTL	3,103	23,121	3,103	23,121
Other currencies	1,870	1,599	-	1
Total	92,698	392,267	4,182	97,540

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

Foreign exchange risk (cont'd)

The following table demonstrates the sensitivity to a reasonably possible change in the foreign exchange rates, with all other variables held constant, of the Group's and Company's profit before tax (due to changes in the fair value of monetary assets and liabilities), which also effects the Group's and the Company's equities and the Group's equity (due to changes in the fair value of interest rate swaps). There is no impact on the Company's equity, other than current year profit impact.

	2009				2008			
	Increase/ decrease in forex rate	Effect on equity	Effect on profit before tax		Increase/ decrease in forex rate	Effect on equity	Effect on profit before tax	
		Group	Group	Company		Group	Group	Company
LTL/PLN	+10%	-	-	(1,439)	+10%	-	(975)	(975)
PLN/USD	+10%	-	83	-	+25%	-	60	-
PLN/EUR	+10%	(1,069)	(17,824)	-	+25%	(2,985)	(48,460)	-
LTL/PLN	-10%	-	(83)	1,439	-25%	-	2,437	2,437
PLN/USD	-10%	-	17,824	-	-10%	-	(24)	-
PLN/EUR	-10%	1,069	-	-	-10%	1,194	19,384	-

Credit risk

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

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

5 customers with the greatest outstanding receivable balances represented 45% of total Group receivables as at 31 December 2009 (36% as at 31 December 2008). The maximum exposure to credit risk at the reporting date is the carrying value of the receivables, which is disclosed in Note 21.

With respect to credit risk arising from the other financial assets of the Group and the Company, which comprise other financial assets, other receivables and cash and cash equivalents, the Group's and the Company's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments.

Fair value of financial instruments

The Group's and the Company's principal financial instruments not carried at fair value are trade and other receivables, trade and other payables, long-term and short-term borrowings.

Fair value is defined as the amount at which the instrument could be exchanged between knowledgeable willing parties in an arm's length transaction, other than in forced or liquidation sale. Fair values are obtained from quoted market prices, discounted cash flow models and option pricing models as appropriate.

The book value of the financial assets and financial liabilities of the Company and the Group as at 31 December 2009 and 2008 approximated their fair value.

The fair value of borrowings has been calculated by discounting the expected future cash flows at prevailing interest rates. The fair value of loans and other financial assets have been calculated using market interest rates.

The following methods and assumptions are used to estimate the fair value of each class of financial instruments:

(a) The carrying amount of current trade accounts receivable, current trade accounts payable and short-term borrowings approximates fair value.
(b) The fair value of non-current debt is based on the quoted market price for the same or similar issues or on the current rates available for debt with the same maturity profile. The fair value of non-current borrowings with variable and fixed interest rates approximates their carrying amounts.

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

Capital management

Capital includes total equity attributable to the shareholders of the Group and the Company. The primary objective of the capital management is to ensure that the Group and the Company maintains a strong credit health and healthy capital ratios in order to support its business and maximise shareholder value.

The Company and the Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Company may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the year 2009 and the year 2008.

The Group monitors capital using net financial debt to EBITDA ratio, which should not exceed 4. As at 31 December 2009 the ratio was equal to 3.83 (3.77 as at 31 December 2008).

The Company is obligated to upkeep its equity ratio not less than 50% of its share capital, as imposed by the Law on Companies of Republic of Lithuania. There were no other externally imposed capital requirements on the Group and the Company.

35. Related party transactions

The parties are considered related when one party has the possibility to control the other one or have significant influence over the other party in making financial and operating decisions.

In 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);
- 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);
- Finansu Spektro Investicija, UAB (the affiliate of Invalda, AB)
- FMI Finasta, AB (the affiliate of Invalda, AB);
- Finasta (Ukraine), TOB (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 2009 and related year-end balances 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
Laboratorium Farmaceutyczne Homeofarm sp. z.o.o		2	-	2	-
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	c)	-	98	-	1,563

35. Related party transactions (cont'd)

The Group's and the Company's transactions with related parties in 2008 and related year-end balances 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 Sostines Projektai, UAB	d)	-	853	-	4
Natural persons	c)	-	-	-	1,465
The Group's transactions					
Baltic Amadeus Infrastrukturos Paslaugos, UAB		-	70	-	-
Finasta (Ukraine), 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 1,200 thousand as at 31 December 2009 (as at 31 December 2008 – LTL 5,034 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).

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 3,300 thousand (as at 31 December 2008 – LTL 17,094 thousand). The interest calculated for the year 2009 was LTL 1,267 thousand (for the year 2008 – LTL 311 thousand).

c) In December 2008, shareholders provided loans to the Company with the fixed interest rate (Note 26).

d) 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.

Terms and conditions of transactions with related parties

Outstanding balances at the year-end are unsecured, interest free (except for loans) and settlement occurs in cash in 30 – 150 days term. There have been no guarantees provided or received for any related party receivable or payable. For the year ended 31 December 2009 and 2008, the Company has not made any allowance for doubtful debts relating to amounts owed by related parties. This doubtful debts assessment is undertaken each financial year through examining the financial position of the related party and the market in which the related party operates.

Remuneration of the management and other payments

The management remuneration contains only short-term employee benefits. The Group's and the Company's management remuneration amounted to LTL 689 thousand in 2009 (LTL 693 thousand 2008). In 2009 other payments amounting to LTL 360 thousand (LTL 98 thousand in 2008) for the Group's and the Company's management were accrued additionally. In 2009 and 2008, the management of the Group and the Company did not receive any loans or guarantees; no other payments or property transfers were made or accrued.

36. Events after the balance sheet date

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

As at 25 February 2010 Tatra Bank a.s. sent the letter to the subsidiary company HBM Pharma s.r.o. confirming its intention to extend the overdraft loan agreement with the maturity date as at 28 February 2010 until 28 February 2011. As at 5 March 2010 the Tatra Bank a.s. officially approved the extension of the loan agreement, which was signed on 9 March 2010.

In March the Company's repaid the overdraft in the amount of LTL 5,000 thousand to Swedbank, AB.

Consolidated Annual Report

I. PERIOD FOR WHICH CONSOLIDATED ANNUAL REPORT IS PREPARED

1. Reporting period

Consolidated Annual Report is prepared for the year 2009.

II. SHORT PRESENTATION OF SANITAS, AB GROUP

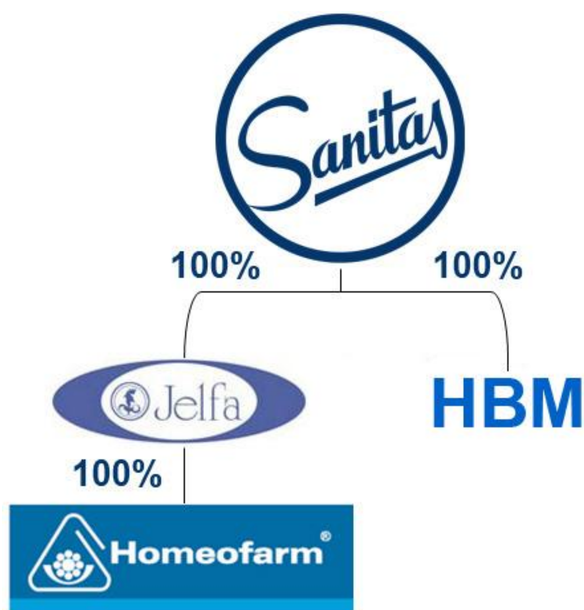
2. Main data about Sanitas, AB

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

3. Contacts of other enterprises of Sanitas Group

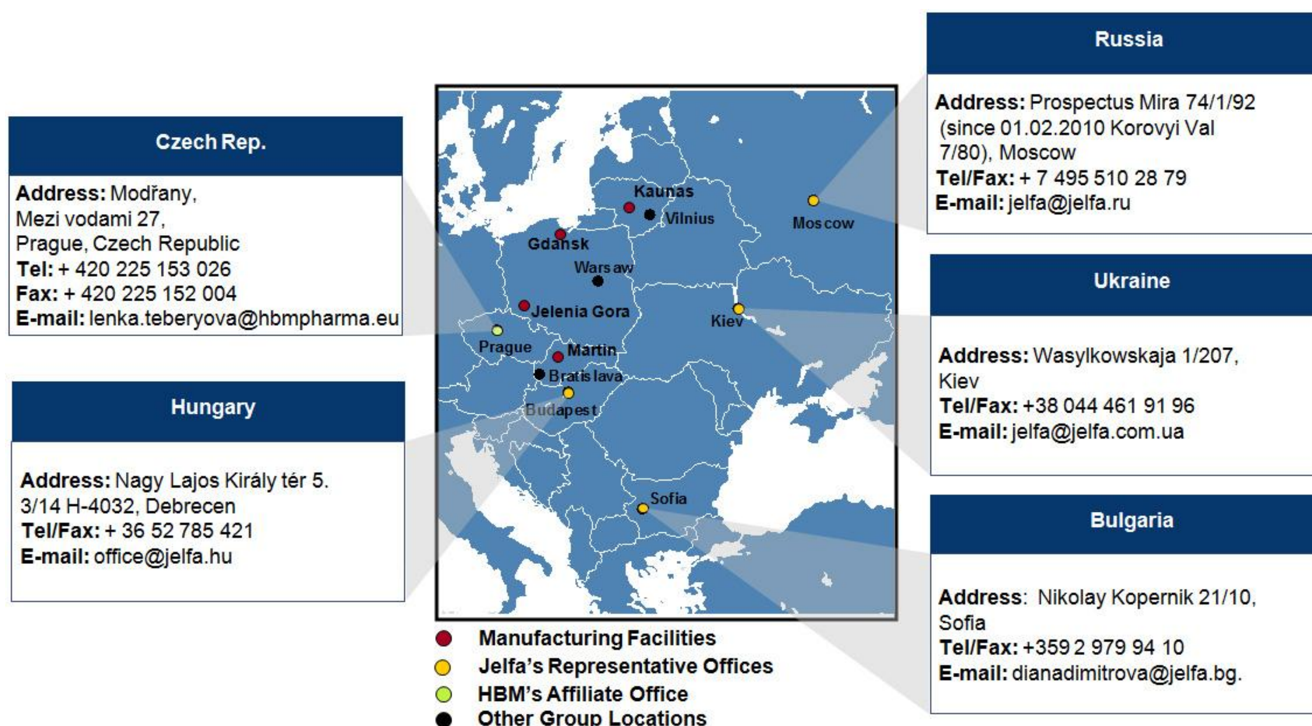
Hoechst – Biotika spol. s.r.o. (HBM Pharma s.r.o since February 1, 2010) (hereinafter HBM)	
Legal form	Limited liability company
Registration date	March 2, 1992
Register, in which data about the company are stored	District court in Zilina, Slovakia
Code	31 560 784
Registered office	Sklabinska 30, 036 80 Martin, Slovakia
Phone number	+421434202111
Fax number	+421434221004
E-mail	hbmpharma@hbmpharma.eu
Website	www.hoechst-biotika.sk
Jelfa S.A. (hereinafter Jelfa)	
Legal form	Limited liability company
Registration date	December 2, 1991
Register, in which data about the company are stored	National court register, Wroclow branch
Code	66687
Registered office	Wincentego Pola 21, 58 800 Jelenia Gora, Poland
Phone number	+48756433100
Fax number	+48757524455
E-mail	jelfa@jelfa.com.pl
Website	www.jelfa.com.pl
Laboratorium Farmaceutyczne Homeofarm sp. z.o.o (hereinafter Homeofarm)	
Legal form	Limited liability company
Registration date	December 12, 2002
Register, in which data about the company are stored	National court register, Gdansk branch
Code	00001442971
Registered office	Jagielonska 44, 80 366, Gdansk, Poland
Phone number	+48585533303
Fax number	+48585538947
E-mail	homeofarm@homeofarm.pl
Website	www.homeofarm.pl

4. Structure of Sanitas Group. Portfolios held



Sanitas is the sole shareholder of Jelfa and HBM, holding full portfolios in these companies. Jelfa is the sole shareholder of Homeofarm.

5. Affiliates and representative offices of enterprises comprising Sanitas Group



Sanitas and Homeofarm have no affiliates or representative offices.

6. The main activity of Sanitas Group

The main activities of Sanitas Group are:

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

7. Participation in activity of organizations

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

8. Short history of Sanitas Group

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

Sanitas in 1922

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

New Sanitas manufacturing plant in Kaunas, Lithuania

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

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

HBM in Martin, Slovakia

On 23 December 2008 Sanitas acquired 100% stock of shares of Polish ointment producer Homeofarm through its subsidiary Jelfa. Transfer of shares of Homeofarm to Jelfa was executed by signing shares purchase-sale agreement between Jelfa and Polish company Hand – Prod sp.z.o.o. Manufacturing plant of Homeofarm is located in Gdansk. About 70% of Homeofarm‘s profit is earned from 8 own products, remaining 30% - from contract manufacturing and other services.

9. Mission. Values

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

The values of Sanitas Group are:

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

Jelfa in Jelenia Gora, Poland

III. INFORMATION ON SANITAS AUTHORISED CAPITAL AND SECURITIES

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

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

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

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

11. Sanitas own shares

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

12. Dividends paid to Sanitas shareholders

The General Shareholders Meeting decides upon dividends payments and sets amount of dividends. Persons have a right to get dividends if they are the shareholders of the Company or have the right to get dividends on other legal grounds at the end of the General Shareholders Meeting day that announces about dividends.

For the financial year 2008 the Company did not pay any dividends. For the financial year of 2007 the Company declared 18,664,000 LTL dividends (0.6 LTL per ordinary registered share).

13. Data about securities trading

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

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

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

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

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

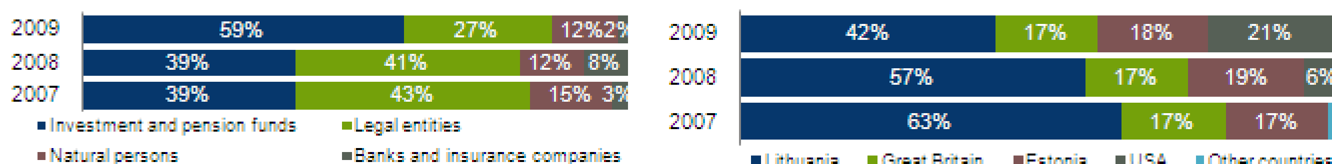
14. Sanitas shareholders

Total number of the shareholders as at 31 December 2009 was 1,586 (as at 31 December 2008 – 1,492).

Shareholders, who held more than 5% of the Company's authorised capital or votes by the right of ownership or acting jointly with other shareholders as at 31 December 2009:

Name of the shareholder (legal form, address of registered office and code of the enterprise)	Number of ordinary registered shares owned by the right of ownership	Share of the authorised capital, %	Share of votes, %		
			Share of votes given by the shares owned by the right of ownership, %	Indirectly owned votes, %	Share of votes directly and indirectly held by shareholders that are acting jointly, %
Invalda, AB, Seimyniskiu str. 1A , Vilnius, c. 121304349	6,916,476	22.24	22.24	3.21	25.45
Citigroup Venture Capital International Jersey Limited, 26 New street, St. Helier JE2, Channel islands, c. 90207	5,312,000	17.08	17.08	-	37.38
Baltic Pharma Limited, 26 New street, St. Helier JE2, Channel islands, c. 218089	6,314,502	20.30	20.30	-	
Amber Trust II S.C.A, 8-10 me Mathias Hardt, L-1717, Luxembourg, c. B103.888	3,952,407	12.70	12.70	-	-

The summary of the shareholders by type and geographical allocation as at 31 December 2009, 2008 and 2007 is as follows:



15. Limitations of Sanitas securities transferring

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

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

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

17. Limitations of Company's shareholders voting rights

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

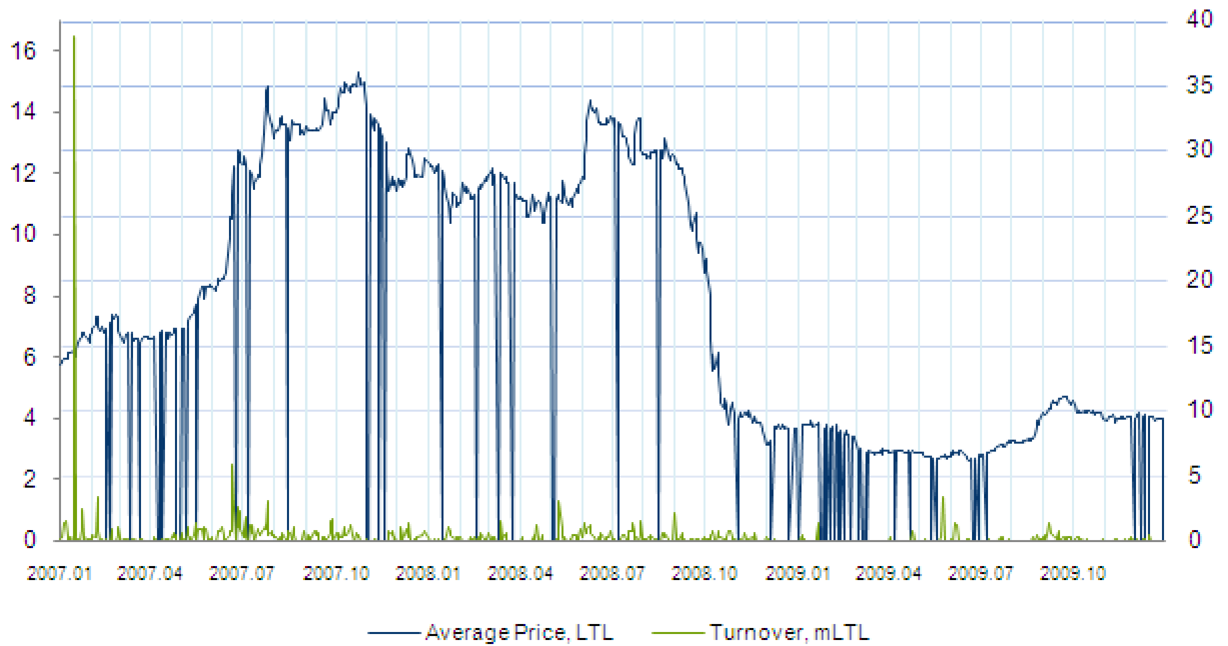
18. Sanitas shareholders agreements known to the Company according to which transferring of the securities and/or voting rights can be limited

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

19. Sanitas agreements with intermediaries of public trading in securities

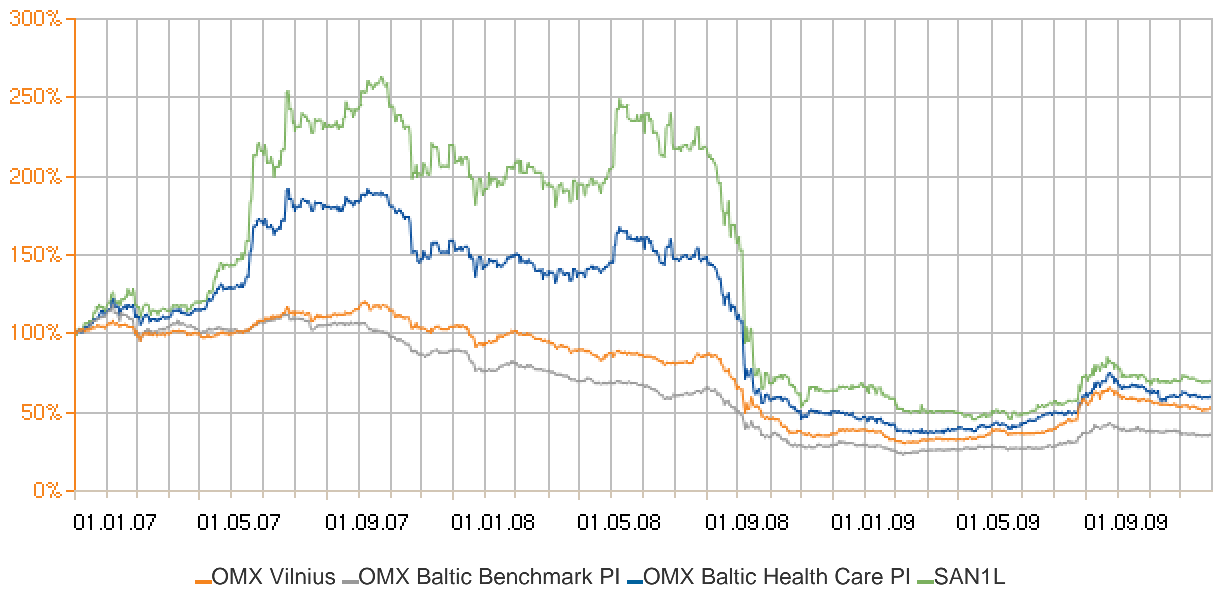
The Company has agreement with FMI Finasta, AB on the management of shares accounting, custody and accounting of securities and funds, accepting and executing orders.

20. The changes of Sanitas share price and turnover



Source: http://www.nasdaqomxbaltic.com

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



Source: http://www.nasdaqomxbaltic.com

IV. INFORMATION ON SANITAS MANAGEMENT

22. Company's managing bodies

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

22.1. The Management Board

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

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

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

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

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

22.2. The Manager

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

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

22.3 The General Shareholders Meeting

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

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

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

22.4. Sanitas Audit Committee

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

1. To provide the Management Board with recommendations related to selection, repeated appointment and cancellation of an external audit company as well as the terms and conditions of the agreement with the audit company;
2. To observe the process of carrying out an external audit;
3. To observe how the external auditor and the audit company follow the principles of independence and objectivity;
4. To observe the process of preparation of financial reports of the Company;
5. To fulfill other functions specified in the legal acts of the Republic of Lithuania and the recommendations of the Code of management of companies listed with NASDAQ.

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

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

Education, work experience and participation in the activity of other companies as at 31 December 2009:

Ashwin Roy
Chairman of the Management Board

Education: Master degree in Economics (First Class) from King's College, University of Cambridge, UK; UK qualified Chartered Accountant.

Work experience: PricewaterhouseCoopers, London, UK – Assistant Manager, Audit and Transaction Support (1996-2000); Societe Generale Asset Management, London & Paris – Fund Manager (2000 – 2001).

Participation in the activity of other companies:

Name of organization, position taken	Shares held in other companies (more than 5 %)
Citi Venture Capital International – Director;	-
Eurasian Brewery Holdings Limited (Jersey, English islands) – Director;	-
Silja Line Oy (Finland) - Member of the Supervisory Board;	-
AS Tallink Grupp (Estonia) - Member of the Supervisory Board.	-

Darius Sulnis
Member of the Management Board

Education: Master degree of faculty of Economics, Vilnius University.

Work experience: FMI Finasta, AB – Director (1994 – 2002); Invalda Real Estate, UAB (current name of the company Invalda Nekilnojamojo Turto Valdymas, UAB) – Director (2002 – 2006).

Participation in the activity of other companies:

Name of organization, position taken	Shares held in other companies (more than 5 %)
Invalda, AB – Member of the Management Board, President;	7.82% of authorized capital, 9.56% of votes
Invaldos Nekilnojamojo Turto Fondas, AB – Member of the Management Board;	-
Vilniaus Baldai, AB – Member of the Management Board;	-
SIA Dommo (Latvia) – Chairman of the Supervisory Board;	-
SIA Dommo Grupa (Latvia) – Chairman of the Supervisory Board;	-
SIA Burusula (Latvia) – Chairman of the Supervisory Board;	-
Umega, AB – Member of the Management Board;	-
Tiltra Group, AB – Member of the Supervisory Board;	-
Golfas, UAB;	31.00
Lucrum Investicija, UAB.	100.00 (all voting rights are transferred)

Martynas Cesnavicius
Member of the Management Board

Education: Banking and finances, faculty of Economics, Vilnius University.

Work experience: Pemco Kuras, UAB – Financial Controller (1996 – 1998); Moller Invest – General Manager (1998 – 2003); Vilnius Audi Center – Director (2002 – 2003).

Participation in the activity of other companies:

Name of organization, position taken	Shares held in other companies (more than 5 %)
Laisvas Nepriklausomas Kanalas, UAB – Member of the Management Board;	-
Litagra, UAB – Member of the Management Board;	-
Atradimu Studija, UAB – Member of the Management Board;	31.00
Profinance, UAB;	50.00
Amilina, AB – Member of the Management Board;	-
Premia KPC, AB – Member of the Management Board;;	-
Snaige, AB – Member of the Management Board;	-
Meditus, UAB – Member of the Management Board;	-
Malsena Plius, UAB – Chairman of the Management Board;	-
TEO, AB – Member of the Management Board, Member of the Audit Committee;	-
Amber Trust II S.C.A – Advisor.	-

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

Tomas Nauseda
Member of the Management Board

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

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

Participation in the activity of other companies:

Name of organization, position taken	Shares held in other companies (more than 5 %)
Baltvesta, UAB – Member of the Management Board;	-
Sirijus, UAB – Member of the Management Board;	-
JSC Georgian Properties – Member of the Management Board.	-

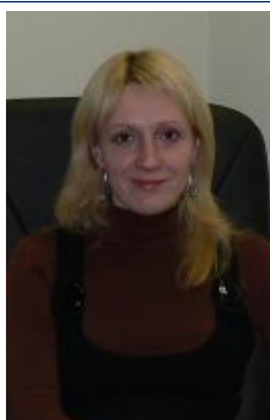
Martin Oxley
Member of the Management Board

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

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

Participation in the activity of other companies:

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


Alina Naujokaitiene
Chairman of the Audit Committee

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

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

Participation in the activity of other companies:

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

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

Arvydas Sarocka
Independent member of the Audit Committee

Education: Bachelor degree in Marketing, Master degree in Business Administration, Kaunas University of Technology.

Work experience: Arthur Andresen, UAB – Consultant, Senior Consultant (1997 – 2000); Philips Lietuva, UAB – Finance and Administration Director (2000).

Participation in the activity of other companies:

Name of organization, position taken	Shares held in other companies (more than 5 %)
Savvin, UAB – Director;	-
AKS kapitalas, UAB – Director.	100.00

Mindaugas Lankas
Member of the Audit Committee

Education: Bachelor degree in Accounting and Audit, Master degree in Production management, Vilnius University.

Work experience: FMI Finasta, AB – Accountant, Manager of Accounting department (2001 – 2006); Finasta Turto Valdymas, UAB – Chief Accountant (2004 – 2006); Finansu Spektras, UAB – Director (2004 – 2007); Finansu Spektro Investicija, UAB – Director (2005 – 2007); Invalda, AB – Financier; Invalda Turto Valdymas, UAB – Head of companies' Supervision Department (2008 – 2009).

Participation in the activity of other companies:

Name of organization, position taken	Shares held in other companies (more than 5 %)
Invalda, AB – Investment Manager;	-
Kelio Ženklai, UAB – Member of the Management Board;	-
Umega, AB – Member of the Management Board.	-

Kustaa Aima
Member of the Audit Committee

Education: Master degree in Economics, Helsinki University.

Work experience: Bankers BBL, Finland – Director (1997 – 2000); Danske Capital, Finland – Director (2000 – 2009).

Participation in the activity of other companies:

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

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

Saulius Jurgelenas
General Manager

Education: Faculty of Economics, Vilnius University.

Participation in the activity of other companies:

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

Nerijus Drobavicius
Chief Financial Officer

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

Participation in the activity of other companies:

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

Participation in Sanitas authorised share capital as at 31 December 2009:

Name, surname	Position held	Portion of the capital and votes held, %
MANAGEMENT BOARD		
Ashwin Roy	Chairman (Member until 28.04.2009)	-
Tomas Nauseda	Member (since 09.10.2009)	0.08
Martynas Cesnavicius	Member	-
Martin Oxley	Member (since 24.04.2009)	-
Darius Sulnis	Member (Chairman until 28.04.2009)	0.44
Vytautas Bucas	Member (until 24.04.2009)	-
Darius Zaromskis	Member (until 09.10.2009)	1.66
AUDIT COMMITTEE		
Alina Naujokaitiene	Chairman	-
Mindaugas Lankas	Member	0.008
Arvydas Sarocka	Independent member	-
Kustaa Aima	Member	-
ADMINISTRATION		
Saulius Jurgelenas	General Manager	-
Nerijus Drobavicius	Chief Financial Officer	-

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

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

Name, surname	Beginning of the term in office	End of the term in office
MANAGEMENT BOARD		
Darius Sulnis	27.04.2006	2010
Tomas Nauseda	09.10.2009	2010
Martynas Cesnavicius	31.07.2006	2010
Martin Oxley	24.04.2009	2010
Ashwin Roy	26.04.2007	2010
Vytautas Bucas	26.04.2007	24.04.2009
Darius Zaromskis	27.04.2006	09.10.2009
AUDIT COMMITTEE		
Alina Naujokaitiene	27.10.2008	2010
Mindaugas Lankas	27.10.2008	2010
Arvydas Sarocka	27.10.2008	2010
Kustaa Aima	27.10.2008	2010

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

	Remuneration, LTL	Tantiemes, other payments made from profit, LTL	Other transferred property
Members of the Management Board jointly	-	-	-
Each member of the Management Board (average)	-	-	-
Members of the Audit Committee jointly	49,575*	-	-
Each member of the Audit Committee (average)	24,788*	-	-
Members of Administration (General Manager and Chief Financial Officer) jointly	688,615	-	-
Each member of Administration (average)	344,308	-	-

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

V. SANITAS GROUP ACTIVITY REVIEW

24. Non-financial activity review

24.1. Manufacturing

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

In the nearest future the Group will start to produce pre-filled syringes and eye drops in the new manufacturing plant in Kaunas, which construction was finished in September, 2008.

Due to the transfer of production from old manufacturing plant to the new one, the Company had to temporarily suspend production. Since April 2008 till November 2008 the Company did not perform manufacturing activities at all, while in the period December 2008 – December 2009 the production was limited mainly to stability batches manufacturing. During the year 2009 Sanitas produced all products batches necessary for stability studies, all data related to them was submitted for further registration process.

In 2009 Sanitas new plant was set for operation and audited by Lithuanian Medicine Control Agency – it was confirmed that Sanitas is in compliance with GMP requirements.

Production of Sanitas manufacturing plant:

Product	2007	2008	2009
Sterile medicine products in ampoules	47.9 million	18.2 million	3.0 million
Tablets and capsules	75.9 million	58.9 million	30.0 million

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

24.1. Manufacturing (cont'd)

In 2009 Jelfa past audits in ointments, ampoules and quality assurance system departments. All audits confirmed Jelfa's compliance with GMP.

Production of Jelfa:

Product	2007	2008	2009
Sterile medicine products in ampoules	53.5 million	70.0 million	56.0 million
Tablets and capsules	481.4 million	644.0 million	574.0 million
Semisolids drug forms in tubes	33.5 million	32.1 million	21.6 million

2009 was the last year of production for Sanofi Aventis in HBM. Manufacture volume is being gradually replaced by volumes from another contract manufacturing partners. In 2009 HBM renewed its GMP certificate on the basis of audit performed by local inspection.

Production of HBM:

Product	2007	2008	2009
Sterile medicine products in ampoules	37.0 million	51.5 million	51.6 million
Tablets and capsules	280.0 million	263.0 million	181.0 million
Semisolids drug forms in tubes	0.25 million	0.25 million	-

24.2. Employees and human resource policy

24.2.1. Human resources policy

Sanitas Group has unified human resources (hereinafter HR) policy. General rules of this policy are applied in all companies of the Group. There were no major changes in HR policy during 2009 – only the works for improving the implemented motivation and management systems were carried on.

HR motivation and management rules applied in Group companies are:

Structural remuneration system, which consists of regularly revised salary, which is set according to data presented by international research company and bonus for individual performance. System assures, that salary paid for the employee correspond with the salary level on the market. Regular evaluation of the targets performance allows measuring each employee contribution of to the overall result of the business. The system motivates the employees to achieve the set targets and stimulates their initiative while solving the problems and presenting the suggestions. This system was applied in Sanitas and HBM in 2009. The system was implemented in Jelfa at the beginning of 2010.

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

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

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

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

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

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

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

24.2.2. Employees' statistics

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. The headcount changes were planned and controlled, they did not influenced the motivation system, which is implemented in the Group companies, that is why the natural turnover of the Group employees in 2009 was low and made 3.4% (3.8% in the Company) from average headcount.

The main target of headcount changes in the Group in 2009 was activity optimisation, seeking to present to the market high technological level and high quality products and services. The qualification requirements for the Group employees increased accordingly. In 2009 the headcount with high education increased up to 44% (in 2008 it was 40%), number of specialists increased till 53% (in 2008 it made 51% of all staff).

Headcount in the Group companies as at 31 December 2007, 2008 and 2009:

	2007	2008	2009
Sanitas	192	189	131
HBM	341	345	287
Jelfa	921	994	936
Homeofarm	-	17	18
Altisana, UAB (hereinafter Altisana)*	1	-	-
Total	1,455	1,545	1,372

* Sanitas subsidiary until 17.04.2008

Average headcount in the Group companies in 2007, 2008 and 2009:

	2007	2008	2009
Sanitas	173	192	160
HBM	318	347	316
Jelfa	937	938	965
Homeofarm	-	-	18
Altisana	1	-	-
Total	1,429	1,477	1,459

Summary of employees by levels of positions as at 31 December 2007, 2008 and 2009 is as follows:

	Sanitas			Sanitas Group		
	2007	2008	2009	2007	2008	2009
Top managers	9	10	8	24	25	23
Specialists	73	82	67	607	791	724
Workers	110	97	56	824	729	625
Total	192	189	131	1,455	1,545	1,372

Summary of employees by education as at 31 December 2007, 2008 and 2009 is as follows:

	Sanitas			Sanitas Group		
	2007	2008	2009	2007	2008	2009
University education	73	77	74	541	621	609
College education	38	39	23	42	525	445
Secondary education	80	72	34	603	389	312
Incomplete secondary education	1	1	-	269	10	6
Total	192	189	131	1,455	1,545	1,372

Summary of average monthly salary before taxes in 2007, 2008 and 2009 is as follows:

	Sanitas			Sanitas Group		
	2007	2008	2009	2007	2008	2009
Top managers	16,727	22,533	22,347	20,300	24,992	23,198
Specialists	2,928	3,890	3,813	4,600	4,940	4,805
Workers	1,873	2,478	2,043	2,700	2,654	2,587

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

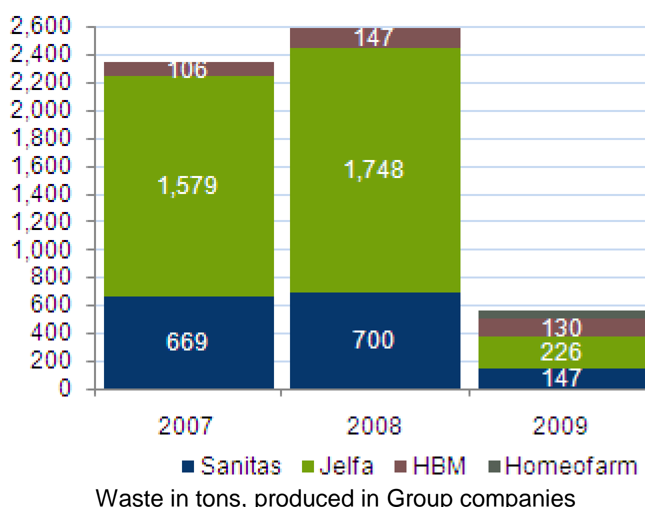
24.3. Environment

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

19.5 tons of pollution got into environment from Sanitas stationary and mobile sources of pollution in 2009 (22.17 tn in 2008 and 22.77 tn in 2007). Sanitas stokehold burnt 345,478 nm^3 of natural gas in 2009 (193,927 nm^3 in 2008 and 437,197 nm^3 in 2007). 632 litres of mixture of thin propane-butane gases were used during the technological process during 2009 (1,501 l during 2008 and 2,231 l during 2007). Sanitas used 29 cars and 1 mobile loader (30 cars in 2008 and 25 cars in 2007). The biggest part of the cars used diesel. Less amount of gas of propane-butane and other chemical substances were used in Sanitas due to decrease in manufacturing operations.

More efforts were made to lessen the amount of used water during the reporting year. 17,000 m^3 of water were used after choosing the most optimal solution: 2,000 m^3 for daily use and 15,000 m^3 for manufacturing needs. The use of underwater (17,000 m^3) in 2009 decreased significantly in comparison to 2008 (50,000 m^3) and 2007 (35,000 m^3).

In 2009 Sanitas accumulated about 147 tons of waste (700 tn in 2008 and 669 tn in 2007), 0.5 tons of them were hazardous (5 tn in 2008 and 1 tn in 2007). More attention was paid for assortment of waste – 16 tons of waste were assorted and given for secondary use during the reporting year. Hazardous waste were given to managers of hazardous waste, daily waste were kept in dump.



Waste in tons, produced in Group companies

Following the world humanitarian and ecological trends condemning use of live animals for medical tests Jelfa resigned from farming and quality research of medicinal products using such animals as rabbits, mice, hamsters, cats and guinea pigs and replaced them by enzymatic and biochemical tests in 2009.

Jelfa reduced the amount of produced waste significantly – the waste amounted to 226.2 tn in 2009, while in 2008 it amounted to 1,748 tn and in 2007 – 1,578.5 tn. It is mainly related to transferring of coal boiler house to the external company and resignation of animals breeding.

In 2009 HBM liquidated 130.03 tons of waste (146.68 tn in 2008 and 105.95 tn in 2007): 11.96 tons of hazardous waste (13.19 tn in 2008 and 11.72 tn in 2007) were given to managers of hazardous waste on the burnt and 82.89 tons of the other waste (81.68 tn in 2008 and 49.76 tn in 2007) were re-cycled or used as secondary row. The other waste was kept in dump.

HBM used 50 cars (9 in Martin, 31 in Prague and 10 in Bratislava). The biggest part of the cars used diesel.

Homeofarm is continuously controlling its impact on environment. It has an obligation to register amounts of manufacture waste and to report them to a specialist companies responsible for recycling according to the applicable law. Homeofarm produced 58.04 tons of waste during 2009, 12.31 tons of them were hazardous.

24.4. Sanitas Group's research and development activity.

The concentration on the therapeutic areas of dermatology, ophthalmology, diabetology, urology and hospital injectables in 2009 continued. 4 dossiers were acquired in order to strengthen the product portfolio in these therapeutic areas. 15 own developments in the field of dermatology and hospital injectables were progressing. 3 out of those 15 were filed till the end of 2009 and 8 will be filed till the end of 2010. It is planned to invest into 10 new product dossiers in order to ensure constant flow of new product launches in the core countries of Sanitas Group in 2010.

Sanitas Group received 108 approvals for marketing authorizations in 2009 (38 approvals in 2008), it is planned to file more than 190 new applications in 2010.

Licensing – out activities were started for products coming out of own developments in 2009, it is planned to continue this new business activity in future.

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

24.5. Purchases

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

The first group consists of API, excipients and bulk suppliers. The most common features of this group – large quantity of suppliers and not big amount of items purchased from each of the supplier. During 2009 Sanitas Group purchased API, excipients and bulk from 193 suppliers (140 suppliers in 2008) (only Jelfa purchased from 106 suppliers), the total amount of purchased items is slightly above 450 (above 600 in 2008). Possibility to decrease number of suppliers is limited, as each production site produces different products, due to this reason different API and excipients are used in production. The small amount of items purchased from each supplier does not give a lot of possibilities to use Sanitas Group purchasing power and to agree on better purchasing and payment terms.

The second group includes packaging suppliers. For this group twice smaller amount of suppliers (about 80 in 2009, about 70 in 2008) and big amount of items purchased from each of the supplier are typical. Especially big amount of items is purchased from printing houses, as for each finished product different boxes and leaflets are used. It was purchased about 3,000 of different packaging items in 2009 (6,000 in 2008). Several packaging suppliers are common for all Sanitas Group – it brings possibility to negotiate on better purchasing prices on Group level. Boxes, leaflets and labels are purchased from local printing houses in Lithuania, Poland and Slovakia. As competition level in printing industry is very high it allows to get good purchasing conditions and flexible delivery terms.

Sanitas Group's purchases of raw and packaging materials during 2007, 2008 and 2009:

	2007	2008	2009
Sanitas	47,500	54,371	43,352
HBM	14,700	13,990	12,996
Jelfa	6,600	2,545	2,443
Total	**68,800**	**70,906**	**58,791**

24.6. Competitors

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

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

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

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

24.7. Sales and products distribution

The Group launched 42 new products during 2009. Products, launched during 2008 – 2009 contributed by LTL 23,982 thousand to the total 2009 sales of the Group.

Own products sales during 2007 – 2009 in the key Group markets are presented below:

	2007	2008	2009
Poland	180,716	212,361	150,439
Russia	38,589	44,082	47,162
Lithuania	14,623	17,186	13,054
Ukraine	6,293	6,184	7,997
Chech Republic	1,061	4,232	6,588
Slovakia	337	2,661	5,373
Hungary	3,621	4,528	3,513
Other	17,159	18,992	17,565
Total	**262,399**	**310,226**	**251,691**

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 the following reasons. First of all the Group discontinued sales of non-harmonized products in this market from 1 January 2009. The Group has also changed the packaging materials for some products and the re-registration process was finalized in January – February 2009 only, which resulted in lower sales during January – February 2009.

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

24.7. Sales and products distribution (cont'd)

Own products sales in Poland market (cont'd)

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 (LTL 46,592 thousand) in second quarter of 2009 showing 17.4% growth comparing to the same period of 2008 (PLN 51,217 thousand (LTL 51,847 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 or LTL 35,369 thousand vs. LTL 50,067 thousand), 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.

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 6.99% 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.

25. Financial activity review

Sanitas Group sales amounted to LTL 322,749 thousand in 2009, compared with LTL 382,512 thousand in 2008. Sales of the Group decreased mainly due to lower sales in Poland and Lithuania. Sales in Poland suffered in 2009 because 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 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.

In 2009 Sanitas Group earned the gross profit of LTL 168,787 thousand (LTL 211,108 thousand million in 2008). Decrease of gross profit in 2009 is directly related to the decrease of sales in the reporting year.

The Group reports it activity in LTL, which makes its statement of comprehensive income dependant on currency foreign exchange fluctuations. Due to weakening Polish Zloty in 2008 the Group incurred LTL 49,953 thousand foreign exchange losses. In 2009 Polish Zloty strengthened thus having positive impact on foreign exchange and net result by LTL 1,145 thousand.

Sanitas Group's key financial ratios as well as their dynamics in 2007 – 2009:

	2007	2008	2009
Revenues	335,404	382,512	322,749
% Growth	*107.4%*	*14.0%*	*-15.6%*
Cost of sales	(163,724)	(171,404)	(153,962)
Gross profit	**171,680**	**211,108**	**168,787**
% Growth	*125.7%*	*23.0%*	*-20.0%*
% Margin	*51.2%*	*55.2%*	*52.3%*
Selling and distribution expenses	(74,449)	(96,619)	(80,455)
% of Revenues	*22.2%*	*25.3%*	*24.9%*
Regulatory affairs expenses	(8,457)	(14,607)	(11,106)
% of Revenues	*2.5%*	*3.8%*	*3.4%*
Research and development expenses	(2,301)	(2,726)	(1,901)
% of Revenues	*0.7%*	*0.7%*	*0.6%*
Administrative expenses	(25,095)	(49,703)	(35,954)
% of Revenues	*7.5%*	*13.0%*	*11.1%*
Result of other operating activity	2,639	2,521	1,252
EBIT	**64,017**	**49,974**	**40,623**
% Growth	*608.4%*	*-21.9%*	*-18.7%*
% Margin	*19.1%*	*13.1%*	*12.6%*
Finance activity, net	(25,281)	(60,037)	(22,870)
EBT	**38,742**	**(10,063)**	**17,753**
% Growth	*608.4%*	*-126.0%*	*276.4%*
% Margin	*11.6%*	*-2.6%*	*5.5%*
Income tax	(1,446)	8,179	91
Net profit (loss)	**37,296**	**(1,884)**	**17,844**
% Growth	*608.4%*	*-105.1%*	*1,047.1%*
% Margin	*11.1%*	*-0.5%*	*5.5%*
Return on Equity	*10.2%*	*-0.6%*	*5.6%*
Return on Assets	*4.8%*	*-0.3%*	*2.6%*
Liquidity ratio	*116.2%*	*38.8%*	*74.1%*
Quick ratio	*76.3%*	*26.9%*	*47.5%*
Basic and diluted earnings (loss) per share (in LTL)	1.2	(0.06)	0.57
Price to earnings, LTL	20.58	(349.58)	15.44

26. Main risks and risk management

The Group is exposed to interest rate, liquidity, foreign exchange and credit risks. The detail information about these risk management is presented in the Consolidated and the separate financial statements Note 34 Financial risk management objectives and policies.

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

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

28. Related party transactions

In 2009 Sanitas Group had related party transactions with its subsidiaries (Jelfa, HBM and Homeofarm), the shareholder of the Company Invalda, AB and its associates (Acena, AB, Finasta Imoniu Finansai, AB, Baltic Amadeus Intrastrukturos Paslaugos, UAB, FMI Finasta, AB) the shareholder Amber Trust II and other shareholders, who are natural persons. More details of these transactions are presented in the Consolidated and the separate financial statements Note 35 Related party transactions.

VI. OTHER INFORMATION

29. Order of amendment of Sanitas Articles of Association

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

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

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

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

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

32. Data about Company's publicly disclosed information

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

33. Main events of 2009

- On 12 January 2009 transaction on sale of part of Sanitas shares held by Invalda, AB to Baltic Pharma Limited was completed.
- On 24 April 2009 Company's General Shareholders Meeting was held, it resolved questions assigned to the competence of the General Shareholders Meeting, approved consolidated and Company's financial statements and annual report for 2008. Resolution to elect Martin Oxley to the Management Board instead of resigned Vytautas Bucas was made.
- On 28 April 2009 Ashwin Roy was elected as the Chairman of the Management Board instead of Darius Sulnis.
- On 9 October 2009 Company's General Shareholders Meeting was held, it elected Company's auditor to perform audit of set of annual financial statements for 2009, approved management incentive scheme Phantom Share Option Plan and amended Sanitas Articles of Association. Resolution to elect Tomas Nauseda to the Management Board instead of resigned Darius Zaromskis was made.

34. Plans and forecasts

The Group introduced 42 new products in 2009 and plans to launch almost 50 new products in 2010. The Group does not plan expansion to the new countries, but wil put its efforts on developing sales in existing markets.

Russian market is expected to recover in 2010 after distributors restructured their working capital and made it more cost effective. With increased sales force resources the Group plans Russian market to contribute to total own sales by nearly 20% in 2010.

EU-harmonisation procedures were finalised by the end of 2008 thus resulting in lower sales in the beginning of 2009. The management of the Group expects sales in Poland to be higher in 2010, as the year will start without negative impact of lost sales of non-harmonised products.

New launches and contract manufacturing will increase capacity utilisation in manufacturing plants. High increase is planned for eye-drops manufacturing line, that is expected to be occupied by production of both – own and contract products. Higher capacity utilisation will help the Group to use its resources more cost-effectively.

In 2009 the Group reviewed it’s support functions and identified areas to be improved. The Group significantly reduced in spending on back office functions by resigning of some services that do not add desired value to the Group’s results. The Group optimised headcount by 10% in 2009 thus making organisation leaner and more cost efficient. All the above implemented changes will let the Group to start 2010 being more efficient than one year ago. The management will look for further possibilities to improve the efficiency of the Group operations.

VII. SANITAS DISCLOSURE FORM REGARDING THE COMPLIANCE WITH THE GOVERNANCE CODE FOR THE COMPANIES LISTED ON THE NASDAQ REGULATED MARKET

PRINCIPLES/ RECOMMENDATIONS	YES/NO/NOT APPLICABLE	COMMENTARY
Principle I: Basic Provisions **The overriding objective of a company should be to operate in common interests of all the shareholders by optimizing over time shareholder value.**		
1.1. A company should adopt and make public the company's development strategy and objectives by clearly declaring how the company intends to meet the interests of its shareholders and optimize shareholder value.	Yes	The development strategy and objectives of Company's activity are disclosed to its shareholders in sets of Company's financial statements, consolidated six months and annual reports, communications to media. Sets of Company's financial statements and reports, in Lithuanian and English, are placed at Company's webpage and for this reason are easily available to the shareholders.
1.2. All management bodies of a company should act in furtherance of the declared strategic objectives in view of the need to optimize shareholder value.	Yes	Company has planned its short-term and long-term strategic objectives. Company's Management Board, top management make every effort to achieve their implementation – new departments belonging to Sanitas Group are being established, the team of qualified specialists is being expanded.
1.3. A company's supervisory and management bodies should act in close co-operation in order to attain maximum benefit for the company and its shareholders.	No	Supervisory body – the Supervisory Board is not formed in the Company. This recommendation is carried out by the Head of the Company and the Management Board. The Management Board approves strategy of Company's activity, annual budget, controls conclusion of contracts and implementation of budget, analyses sets of Company's financial statements and renders them to shareholders. Implementation of decisions is assigned to the Head of the Company and through the latter – to the functional managers.
1.4. A company's supervisory and management bodies should ensure that the rights and interests of persons other than the company's shareholders (e.g. employees, creditors, suppliers, clients, local community), participating in or connected with the company's operation, are duly respected.	Yes	Company's management bodies pursue ensuring interests of all persons related with the Company's activity. Transparent activity, periodical information about activity results and arising problems, communication with media on the part of the management permits interested parties – creditors, clients, suppliers, local community - to receive necessary information on the Company and so makes the possibility to ensure their rights and interests. Company aims at retaining long-lasting relations with its business partners holding that proper and timely fulfilment of contractual obligations and quality assurance of products is the priority. Employees are informed about the ongoing or future changes, meetings of the management of the Company and its employees are organized. Company has periodical newsletter "In Sanitas" available to all employees of the Sanitas Group.
Principle II: The corporate governance framework **The corporate governance framework should ensure the strategic guidance of the company, the effective oversight of the company's management bodies, an appropriate balance and distribution of functions between the company's bodies, protection of the shareholders' interests.**		
2.1. Besides obligatory bodies provided for in the Law on Companies of the Republic of Lithuania – a general shareholders' meeting and the chief executive officer, it is recommended that a company should set up both a collegial supervisory body and a collegial management body. The setting up of collegial bodies for supervision and management facilitates clear separation of management and supervisory functions in the company, accountability and control on the part of the chief executive officer, which, in its turn, facilitate a more efficient and transparent management process.	No	Collegial supervisory management body is not formed in the Company. Company's collegial management body is the Management Board. The Management Board elects Head of the Company – the General Manager who periodically reports to the Management Board on the Company's activity and implementation of the objectives set for him. The Management Board approves results of the previous reporting periods and sets the objectives for the coming reporting periods.

PRINCIPLES/ RECOMMENDATIONS	YES/NO/NOT APPLICABLE	COMMENTARY
2.2. A collegial management body is responsible for the strategic management of the company and performs other key functions of corporate governance. A collegial supervisory body is responsible for the effective supervision of the company's management bodies.	Yes	Collegial management body – the Management Board is responsible for the strategic management of the Company. The Management Board analyses and confirms Company's activity strategy presented by the Head of the Company, analyses and assesses Company's financial state.
2.3. Where a company chooses to form only one collegial body, it is recommended that it should be a supervisory body, i.e. the supervisory board. In such a case, the supervisory board is responsible for the effective monitoring of the functions performed by the company's chief executive officer.	No	Collegial supervisory body is not formed in the Company.
2.4. The collegial supervisory body to be elected by the general shareholders' meeting should be set up and should act in the manner defined in Principles III and IV. Where a company should decide not to set up a collegial supervisory body but rather a collegial management body, i.e. the board, Principles III and IV should apply to the board as long as that does not contradict the essence and purpose of this body.[1]	Yes	Company does not have collegial supervisory body, but it does have collegial management body – the Management Board (5 members) elected by the General Shareholders Meeting. Principles III and IV are applied to the Management Board in so far as it does not contradict the essence and purpose of this body.
2.5. Company's management and supervisory bodies should comprise such number of board (executive directors) and supervisory (non-executive directors) board members that no individual or small group of individuals can dominate decision-making on the part of these bodies.[2]	Yes	The Management Board is comprised of 5 (five) members. Number of members was set and candidates were elected by the General Shareholders Meeting. In Company's view, there is no situation when small group of individuals can dominate decision-making in the Management Board.
2.6. Non-executive directors or members of the supervisory board should be appointed for specified terms subject to individual re-election, at maximum intervals provided for in the Lithuanian legislation with a view to ensuring necessary development of professional experience and sufficiently frequent reconfirmation of their status. A possibility to remove them should also be stipulated however this procedure should not be easier than the removal procedure for an executive director or a member of the management board.	Not applicable	The provision is not applicable whereas Company has only collegial management body – the Management Board.
2.7. Chairman of the collegial body elected by the general shareholders' meeting may be a person whose current or past office constitutes no obstacle to conduct independent and impartial supervision. Where a company should decide not to set up a supervisory board but rather the board, it is recommended that the chairman of the board and chief executive officer of the company should be a different person. Former company's chief executive officer should not be immediately nominated as the chairman of the collegial body elected by the general shareholders' meeting. When a company chooses to departure from these recommendations, it should furnish information on the measures it has taken to ensure impartiality of the supervision.	Yes	The Chairman of the Management Board and Head of the Company is not the same person, the Chairman of the Management Board was not the Head of the Company before.

[1] Provisions of Principles III and IV are more applicable to those instances when the general shareholders' meeting elects the supervisory board, i.e. a body that is essentially formed to ensure oversight of the company's board and the chief executive officer and to represent the company's shareholders. However, in case the company does not form the supervisory board but rather the board, most of the recommendations set out in Principles III and IV become important and applicable to the board as well. Furthermore, it should be noted that certain recommendations, which are in their essence and nature applicable exclusively to the supervisory board (e.g. formation of the committees), should not be applied to the board, as the competence and functions of these bodies according to the Law on Companies of the Republic of Lithuania (*Official Gazette*, 2003, No 123-5574) are different. For instance, item 3.1 of the Code concerning oversight of the management bodies applies to the extent it concerns the oversight of the chief executive officer of the company, but not of the board itself; item 4.1 of the Code concerning recommendations to the management bodies applies to the extent it relates to the provision of recommendations to the company's chief executive officer; item 4.4 of the Code concerning independence of the collegial body elected by the general meeting from the company's management bodies is applied to the extent it concerns independence from the chief executive officer.

[2] Definitions *'executive director'* and *'non-executive director'* are used in cases when a company has only one collegial body.

PRINCIPLES/ RECOMMENDATIONS	YES/NO/NOT APPLICABLE	COMMENTARY
Principle III: The order of the formation of a collegial body to be elected by a general shareholders' meeting **The order of the formation a collegial body to be elected by a general shareholders' meeting should ensure representation of minority shareholders, accountability of this body to the shareholders and objective monitoring of the company's operation and its management bodies.**[3]		
3.1. The mechanism of the formation of a collegial body to be elected by a general shareholders' meeting (hereinafter in this Principle referred to as the 'collegial body') should ensure objective and fair monitoring of the company's management bodies as well as representation of minority shareholders.	Yes	The mechanism of the formation of the Management Board ensures objective and impartial monitoring of Company's management bodies. Information on candidates to the Management Board, their activities, qualification and education are disclosed to the shareholders prior to election in the General Shareholders Meeting. Minority shareholders' rights and ability to have their own representative in the collegial management body is not restricted.
3.2. Names and surnames of the candidates to become members of a collegial body, information about their education, qualification, professional background, positions taken and potential conflicts of interest should be disclosed early enough before the general shareholders' meeting so that the shareholders would have sufficient time to make an informed voting decision. All factors affecting the candidate's independence, the sample list of which is set out in Recommendation 3.7, should be also disclosed. The collegial body should also be informed on any subsequent changes in the provided information. The collegial body should, on yearly basis, collect data provided in this item on its members and disclose this in the company's annual report.	Yes	Names and surnames of candidates offered to the members of the Management Board are announced through NASDAQ system in advance, no less than 21 days before the General Shareholders Meeting together with draft resolutions. It is possible to become familiar with information on candidates' education, qualification, professional experience and positions taken at the Company's seat no less than 21 days before the General Shareholders Meeting. Candidates are likewise introduced during the General Shareholders Meeting. Company collects information on its Management Board members' education, other positions taken and participation in the activity of other companies periodically. Information on the members of the Management Board may be found in the sets of Company's financial statements and reports, in its website.
3.3. Should a person be nominated for members of a collegial body, such nomination should be followed by the disclosure of information on candidate's particular competences relevant to his/her service on the collegial body. In order shareholders and investors are able to ascertain whether member's competence is further relevant, the collegial body should, in its annual report, disclose the information on its composition and particular competences of individual members which are relevant to their service on the collegial body.	Yes	Company's consolidated annual and interim 6 months reports include information on the composition of the collegial body – the Management Board and shortly introduce education and positions taken of its members giving the possibility to shareholders and investors to ascertain whether member's competence is relevant.
3.4 In order to maintain a proper balance in terms of the current qualifications possessed by its members, the desired composition of the collegial body shall be determined with regard to the company's structure and activities, and have this periodically evaluated. The collegial body should ensure that it is composed of members who, as a whole, have the required diversity of knowledge, judgment and experience to complete their tasks properly. The members of the audit committee, collectively, should have a recent knowledge and relevant experience in the fields of finance, accounting and/or audit for the stock exchange listed companies. At least one of the members of the remuneration committee should have knowledge of and experience in the field of remuneration policy.	No	Company only partially complies with this recommendation. There are no practice of evaluation of qualification of the Management Board and the Audit Committee members in the Company, but it is considered that the Management Board and the Audit Committee members have a wide-ranging recent knowledge in the fields of finance, economics, law as well as sufficient experience in order to have their tasks performed properly.

[3] Attention should be drawn to the fact that in the situation where the collegial body elected by the general shareholders' meeting is the board, it is natural that being a management body it should ensure oversight not of all management bodies of the company, but only of the single-person body of management, i.e. the company's chief executive officer. This note shall apply in respect of item 3.1 as well.

PRINCIPLES/ RECOMMENDATIONS	YES/NO/NOT APPLICABLE	COMMENTARY
3.5. All new members of the collegial body should be offered a tailored program focused on introducing a member with his/her duties, corporate organization and activities. The collegial body should conduct an annual review to identify fields where its members need to update their skills and knowledge.	No	Company only partially complies with this provision: new members of the Management Board are familiarized with the Company's internal documentation, business processes, factors having impact on activity results. An annual review of the Management Board members' skills and knowledge is not performed in the Company.
3.6. In order to ensure that all material conflicts of interest related with a member of the collegial body are resolved properly, the collegial body should comprise a sufficient[4] number of independent[5] members.	No	The matter of independent members in the collegial management body and a sufficient number thereof was not yet considered in the Company. As this question will be considered rational decision is aimed in order to ensure the compliance with the recommendations of this Code and interests of the shareholders. Specific criteria for the evaluation of independence are also going to be set.
3.7. A member of the collegial body should be considered to be independent only if he is free of any business, family or other relationship with the company, its controlling shareholder or the management of either, that creates a conflict of interest such as to impair his judgment. Since all cases when member of the collegial body is likely to become dependant are impossible to list, moreover, relationships and circumstances associated with the determination of independence may vary amongst companies and the best practices of solving this problem are yet to evolve in the course of time, assessment of independence of a member of the collegial body should be based on the contents of the relationship and circumstances rather than their form. The key criteria for identifying whether a member of the collegial body can be considered to be independent are the following: 1) He/she is not an executive director or member of the board (if a collegial body elected by the general shareholders' meeting is the supervisory board) of the company or any associated company and has not been such during the last five years; 2) He/she is not an employee of the company or some any company and has not been such during the last three years, except for cases when a member of the collegial body does not belong to the senior management and was elected to the collegial body as a representative of the employees; 3) He/she is not receiving or has been not receiving significant additional remuneration from the company or associated company other than remuneration for the office in the collegial body. Such additional remuneration includes participation in share options or some other performance based pay systems; it does not include compensation payments for the previous office in the company (provided that such payment is no way related with later position) as per pension plans (inclusive of deferred compensations);	No	See comment to the clause 3.6.

[4] The Code does not provide for a concrete number of independent members to comprise a collegial body. Many codes in foreign countries fix a concrete number of independent members (e.g. at least 1/3 or 1/2 of the members of the collegial body) to comprise the collegial body. However, having regard to the novelty of the institution of independent members in Lithuania and potential problems in finding and electing a concrete number of independent members, the Code provides for a more flexible wording and allows the companies themselves to decide what number of independent members is sufficient. Of course, a larger number of independent members in a collegial body is encouraged and will constitute an example of more suitable corporate governance.
[5] It is notable that in some companies all members of the collegial body may, due to a very small number of minority shareholders, be elected by the votes of the majority shareholder or a few major shareholders. But even a member of the collegial body elected by the majority shareholders may be considered independent if he/she meets the independence criteria set out in the Code.

PRINCIPLES/ RECOMMENDATIONS	YES/NO/NOT APPLICABLE	COMMENTARY
4) He/she is not a controlling shareholder or representative of such shareholder (control as defined in the Council Directive 83/349/EEC Article 1 Part 1); 5) He/she does not have and did not have any material business relations with the company or associated company within the past year directly or as a partner, shareholder, director or superior employee of the subject having such relationship. A subject is considered to have business relations when it is a major supplier or service provider (inclusive of financial, legal, counseling and consulting services), major client or organization receiving significant payments from the company or its group; 6) He/she is not and has not been, during the last three years, partner or employee of the current or former external audit company of the company or associated company; 7) He/she is not an executive director or member of the board in some other company where executive director of the company or member of the board (if a collegial body elected by the general shareholders' meeting is the supervisory board) is non-executive director or member of the supervisory board, he/she may not also have any other material relationships with executive directors of the company that arise from their participation in activities of other companies or bodies; 8) He/she has not been in the position of a member of the collegial body for over than 12 years; 9) He/she is not a close relative to an executive director or member of the board (if a collegial body elected by the general shareholders' meeting is the supervisory board) or to any person listed in above items 1 to 8. Close relative is considered to be a spouse (common-law spouse), children and parents.		
3.8. The determination of what constitutes independence is fundamentally an issue for the collegial body itself to determine. The collegial body may decide that, despite a particular member meets all the criteria of independence laid down in this Code, he cannot be considered independent due to special personal or company-related circumstances.	Not appli-cable	The Management Board does not determine key criteria for identifying whether a member of the collegial body can be considered as independent yet. As it starts doing that, the Management Board is not going to be limited of its right to principally determine what constitutes independence. The Management Board shall be entitled to decide that despite a particular member meets all the criteria of independence laid down in this Code, he/she may not be held independent due to special personal or the Company related circumstances.
3.9. Necessary information on conclusions the collegial body has come to in its determination of whether a particular member of the body should be considered to be independent should be disclosed. When a person is nominated to become a member of the collegial body, the company should disclose whether it considers the person to be independent. When a particular member of the collegial body does not meet one or more criteria of independence set out in this Code, the company should disclose its reasons for nevertheless considering the member to be independent. In addition, the company should annually disclose which members of the collegial body it considers to be independent.	No	The Company does not comply with this recommendation, whereas up till now determination of independence of members of the Management Board and announcement thereof has not been applied in practice.

PRINCIPLES/ RECOMMENDATIONS	YES/NO/NOT APPLICABLE	COMMENTARY
3.10. When one or more criteria of independence set out in this Code has not been met throughout the year, the company should disclose its reasons for considering a particular member of the collegial body to be independent. To ensure accuracy of the information disclosed in relation with the independence of the members of the collegial body, the company should require independent members to have their independence periodically re-confirmed.	No	The Company does not comply with this recommendation whereas up till now determination of independence of members of the Management Board and announcement thereof has not been applied in practice. As key criterias for identifying whether a member of the collegial body can be considered as independent will be identified, the Company is going to announce reasons for holding one or another member independent, cases when members of the bodies do not meet the criteria of independence throughout the year and are still considered as independent, independent members of the Management Board shall be asked to confirm their independence.
3.11. In order to remunerate members of a collegial body for their work and participation in the meetings of the collegial body, they may be remunerated from the company's funds.[6] The general shareholders' meeting should approve the amount of such remuneration.	No	Members of the Management Board are not remunerated from the Company's funds.
Principle IV: The duties and liabilities of a collegial body elected by the general shareholders' meeting **The corporate governance framework should ensure proper and effective functioning of the collegial body elected by the general shareholders' meeting, and the powers granted to the collegial body should ensure effective monitoring[7] of the company's management bodies and protection of interests of all the company's shareholders.**		
4.1. The collegial body elected by the general shareholders' meeting (hereinafter in this Principle referred to as the 'collegial body') should ensure integrity and transparency of the company's financial statements and the control system. The collegial body should issue recommendations to the company's management bodies and monitor and control the company's management performance.[8]	Yes	The Management Board of the Company analyses, evaluates materials on the implementation of Company's strategy of activity, activity organization, the Company's financial state that are submitted by the Head of the Company. The Management Board submits to the General Shareholders Meeting reviews and proposals regarding sets of Company's annual financial statements and annual report, distribution of the profit. Regulations of the Audit Committee confirmed by the General Shareholders Meeting state that committee provides the Management Board with recommendations related to selection, repeated appointment and cancellation of an external audit company as well as terms and conditions of agreement with the audit company, observes the process of carrying out an external audit, how the external auditor and audit company follows the principles of independence and objectivity, the process of preparation of set of financial statements of the Company.

[6] It is notable that currently it is not yet completely clear, in what form members of the supervisory board or the board may be remunerated for their work in these bodies. The Law on Companies of the Republic of Lithuania (*Official Gazette*, 2003, No 123-5574) provides that members of the supervisory board or the board may be remunerated for their work in the supervisory board or the board by payment of annual bonuses (tantiems) in the manner prescribed by Article 59 of this Law, i.e. from the company's profit. The current wording, contrary to the wording effective before 1 January 2004, eliminates the exclusive requirement that annual bonuses (tantiems) should be the *only* form of the company's compensation to members of the supervisory board or the board. So it seems that the Law contains no prohibition to remunerate members of the supervisory board or the board for their work in other forms, besides bonuses, although this possibility is not expressly stated either.
[7] See Footnote 3.
[8] See Footnote 3. In the event the collegial body elected by the general shareholders' meeting is the board, it should provide recommendations to the company's single-person body of management, i.e. the company's chief executive officer.

PRINCIPLES/ RECOMMENDATIONS	YES/NO/NOT APPLICABLE	COMMENTARY
4.2. Members of the collegial body should act in good faith, with care and responsibility for the benefit and in the interests of the company and its shareholders with due regard to the interests of employees and public welfare. Independent members of the collegial body should (a) under all circumstances maintain independence of their analysis, decision-making and actions (b) do not seek and accept any unjustified privileges that might compromise their independence, and (c) clearly express their objections should a member consider that decision of the collegial body is against the interests of the company. Should a collegial body have passed decisions independent member has serious doubts about, the member should make adequate conclusions. Should an independent member resign from his office, he should explain the reasons in a letter addressed to the collegial body or audit committee and, if necessary, respective company-not-pertaining body (institution).	Yes	According to the Company's data all members of the Management Board act in good faith, with care and responsibility for the benefit of the Company and shareholders, with regard to the interests of employees and public welfare striving to maintain their independence when making their decisions.
4.3. Each member should devote sufficient time and attention to perform his duties as a member of the collegial body. Each member of the collegial body should limit other professional obligations of his (in particular any directorships held in other companies) in such a manner they do not interfere with proper performance of duties of a member of the collegial body. In the event a member of the collegial body should be present in less than a half[9] of the meetings of the collegial body throughout the financial year of the company, shareholders of the company should be notified.	Yes	The members of the Management Board perform their duties properly: they actively take part in the meetings of the Management Board and devote sufficient time for the performance of their duties as members of collegial body.
4.4. Where decisions of a collegial body may have a different effect on the company's shareholders, the collegial body should treat all shareholders impartially and fairly. It should ensure that shareholders are properly informed on the company's affairs, strategies, risk management and resolution of conflicts of interest. The company should have a clearly established role of members of the collegial body when communicating with and committing to shareholders.	Yes	Collegial body of the Company acts fairly and impartially with regard to all shareholders of the Company. Regulations of work of the Management Board specifies that Management Board reports to the General Shareholders Meeting no less than once a year, or at the General Shareholders Meeting request about Company's and Management Board's activity while performing functions assigned by laws, Articles of Association and General Shareholders Meeting. The Management Board presents audited annual report to the General Shareholders Meeting which is included as separate question into agenda of the meeting. The Management Board separately presents set of annual consolidated financial statements and project of profit distribution for the confirmation of the General Shareholders Meeting.

[9] It is notable that companies can make this requirement more stringent and provide that shareholders should be informed about failure to participate at the meetings of the collegial body if, for instance, a member of the collegial body participated at less than 2/3 or 3/4 of the meetings. Such measures, which ensure active participation in the meetings of the collegial body, are encouraged and will constitute an example of more suitable corporate governance.

PRINCIPLES/ RECOMMENDATIONS	YES/NO/NOT APPLICABLE	COMMENTARY
4.5. It is recommended that transactions (except insignificant ones due to their low value or concluded when carrying out routine operations in the company under usual conditions), concluded between the company and its shareholders, members of the supervisory or managing bodies or other natural or legal persons that exert or may exert influence on the company's management should be subject to approval of the collegial body. The decision concerning approval of such transactions should be deemed adopted only provided the majority of the independent members of the collegial body voted for such a decision.	Yes	Regulation of work of the Management Board and Articles of Association state that Management Board discusses and approves contracts with any member of the administration, employees of the Company, members of the Management Board, shareholders, other interested persons or those closely related to the aforementioned. Decision of the Management Board on contracts with members of the administration, Company's employees, members of the Management Board or those closely related to the aforementioned requires more than 3/5 (three fifths) majority votes of the Management Board members attending the Management Board meeting. Decisions on contracts with shareholders or those closely related to them – 4/5 (four fifths) majority votes of the Management Board members attending the Management Board meeting.
4.6. The collegial body should be independent in passing decisions that are significant for the company's operations and strategy. Taken separately, the collegial body should be independent of the company's management bodies[10]. Members of the collegial body should act and pass decisions without an outside influence from the persons who have elected it. Companies should ensure that the collegial body and its committees are provided with sufficient administrative and financial resources to discharge their duties, including the right to obtain, in particular from employees of the company, all the necessary information or to seek independent legal, accounting or any other advice on issues pertaining to the competence of the collegial body and its committees. When using the services of a consultant with a view to obtaining information on market standards for remuneration systems, the remuneration committee should ensure that the consultant concerned does not at the same time advice the human resources department, executive directors or collegial management organs of the company concerned.	Yes	The Management Board is independent when making decisions having impact on Company's activity and strategy. Members of the Management Board are properly provided with all resources necessary for discharging their duties, including the right to obtain independent legal, accounting or other advice from the external specialists. Company's employees provide members of the Management Board with necessary information in order to make them able to properly discharge their duties and decide on matters pertaining to their competence.

[10] In the event the collegial body elected by the general shareholders' meeting is the board, the recommendation concerning its independence from the company's management bodies applies to the extent it relates to the independence from the company's chief executive officer.

PRINCIPLES/ RECOMMENDATIONS	YES/NO/NOT APPLICABLE	COMMENTARY
4.7. Activities of the collegial body should be organized in a manner that independent members of the collegial body could have major influence in relevant areas where chances of occurrence of conflicts of interest are very high. Such areas to be considered as highly relevant are issues of nomination of company's directors, determination of directors' remuneration and control and assessment of company's audit. Therefore when the mentioned issues are attributable to the competence of the collegial body, it is recommended that the collegial body should establish nomination, remuneration, and audit committees[11]. Companies should ensure that the functions attributable to the nomination, remuneration, and audit committees are carried out. However they may decide to merge these functions and set up less than three committees. In such case a company should explain in detail reasons behind the selection of alternative approach and how the selected approach complies with the objectives set forth for the three different committees. Should the collegial body of the company comprise small number of members, the functions assigned to the three committees may be performed by the collegial body itself, provided that it meets composition requirements advocated for the committees and that adequate information is provided in this respect. In such case provisions of this Code relating to the committees of the collegial body (in particular with respect to their role, operation, and transparency) should apply, where relevant, to the collegial body as a whole.	No	Only the Audit Committee is formed in the Company (4 members, one of them is independent), remuneration and nomination committees are not formed. Members of the Audit Committee are elected by the General Shareholders Meeting. The Audit Committee provides the Management Board with recommendations related to selection, repeated appointment and cancellation of an external audit company as well as terms and conditions of agreement with the audit company, observes the process of carrying out an external audit, how the external auditor and audit company follow the principles of independence and objectivity, the process of preparation of set of financial statements of the Company.
4.8. The key objective of the committees is to increase efficiency of the activities of the collegial body by ensuring that decisions are based on due consideration, and to help organize its work with a view to ensuring that the decisions it takes are free of material conflicts of interest. Committees should exercise independent judgement and integrity when exercising its functions as well as present the collegial body with recommendations concerning the decisions of the collegial body. Nevertheless the final decision shall be adopted by the collegial body. The recommendation on creation of committees is not intended, in principle, to constrict the competence of the collegial body or to remove the matters considered from the purview of the collegial body itself, which remains fully responsible for the decisions taken in its field of competence.	Yes	The Audit Committee exercises independent judgement and integrity, provides the Management Board with recommendations related to selection, repeated appointment and cancellation of an external audit company as well as terms and conditions of agreement with the audit company. The Management Board submits proposals to the General Shareholders Meeting taking into account recommendations of the Audit Committee. Recommendations of the Audit Committee are not obligatory to the Management Board, ultimate decision is made by the Management Board.
4.9. Committees established by the collegial body should normally be composed of at least three members. In companies with small number of members of the collegial body, they could exceptionally be composed of two members. Majority of the members of each committee should be constituted from independent members of the collegial body. In cases when the company chooses not to set up a supervisory board, remuneration and audit committees should be entirely comprised of non-executive directors. Chairmanship and membership of the committees should be decided with due regard to the need to ensure that committee membership is refreshed and that undue reliance is not placed on particular individuals.	No	The Audit Committee is elected by the General Shareholders Meeting, not by the Management Board. The Audit Committee consists of 4 members, one of them is independent. Chairman of the Audit Committee is dependent member.

[11]The Law of the Republic of Lithuania on Audit (*Official Gazette*, 2008, No 82-53233) determines that an Audit Committee shall be formed in each public interest entity (including, but not limited to public companies whose securities are traded in the regulated market of the Republic of Lithuania and/or any other member state).

PRINCIPLES/ RECOMMENDATIONS	YES/NO/NOT APPLICABLE	COMMENTARY
4.10. Authority of each of the committees should be determined by the collegial body. Committees should perform their duties in line with authority delegated to them and inform the collegial body on their activities and performance on regular basis. Authority of every committee stipulating the role and rights and duties of the committee should be made public at least once a year (as part of the information disclosed by the company annually on its corporate governance structures and practices). Companies should also make public annually a statement by existing committees on their composition, number of meetings and attendance over the year, and their main activities. Audit committee should confirm that it is satisfied with the independence of the audit process and describe briefly the actions it has taken to reach this conclusion.	Yes	Powers of the Audit Committee are presented in Regulations of activity and composition of the Audit Committee, approved by the General Shareholders Meeting. Regulations of the Audit Committee state that the Audit Committee informs the Management Board about its activities at least two times a year by submitting written report. Company submits information about functions, composition and members of the Audit Committee in its interim and annual reports.
4.11. In order to ensure independence and impartiality of the committees, members of the collegial body that are not members of the committee should commonly have a right to participate in the meetings of the committee only if invited by the committee. A committee may invite or demand participation in the meeting of particular officers or experts. Chairman of each of the committees should have a possibility to maintain direct communication with the shareholders. Events when such are to be performed should be specified in the regulations for committee activities.	Yes	Regulations of the Audit Committee state that members of the Audit Committee have the right to invite members of the Management Board, Head of the Company, Company's chief financier, employees responsible for finances, accounting and budget issues, external auditors into its meetings.
4.12. Nomination Committee. 4.12.1. Key functions of the nomination committee should be the following: • Identify and recommend, for the approval of the collegial body, candidates to fill board vacancies. The nomination committee should evaluate the balance of skills, knowledge and experience on the management body, prepare a description of the roles and capabilities required to assume a particular office, and assess the time commitment expected. Nomination committee can also consider candidates to members of the collegial body delegated by the shareholders of the company; • Assess on regular basis the structure, size, composition and performance of the supervisory and management bodies, and make recommendations to the collegial body regarding the means of achieving necessary changes; • Assess on regular basis the skills, knowledge and experience of individual directors and report on this to the collegial body; • Properly consider issues related to succession planning; • Review the policy of the management bodies for selection and appointment of senior management. 4.12.2. Nomination committee should consider proposals by other parties, including management and shareholders. When dealing with issues related to executive directors or members of the board (if a collegial body elected by the general shareholders' meeting is the supervisory board) and senior management, chief executive officer of the company should be consulted by, and entitled to submit proposals to the nomination committee.	No	Company has no nomination committee or otherwise called committee in charge of the functions of the former.

PRINCIPLES/ RECOMMENDATIONS	YES/NO/NOT APPLICABLE	COMMENTARY
4.13. Remuneration Committee. 4.13.1. Key functions of the remuneration committee should be the following: • Make proposals, for the approval of the collegial body, on the remuneration policy for members of management bodies and executive directors. Such policy should address all forms of compensation, including the fixed remuneration, performance-based remuneration schemes, pension arrangements, and termination payments. Proposals considering performance-based remuneration schemes should be accompanied with recommendations on the related objectives and evaluation criteria, with a view to properly aligning the pay of executive director and members of the management bodies with the long-term interests of the shareholders and the objectives set by the collegial body; • Make proposals to the collegial body on the individual remuneration for executive directors and member of management bodies in order their remunerations are consistent with company's remuneration policy and the evaluation of the performance of these persons concerned. In doing so, the committee should be properly informed on the total compensation obtained by executive directors and members of the management bodies from the affiliated companies; • Ensure that remuneration of individual executive directors or members of management body is proportionate to the remuneration of other executive directors or members of management body and other staff members of the company; • Periodically review the remuneration policy for executive directors or members of management body, including the policy regarding share-based remuneration, and its implementation; • Make proposals to the collegial body on suitable forms of contracts for executive directors and members of the management bodies; • Assist the collegial body in overseeing how the company complies with applicable provisions regarding the remuneration-related information disclosure (in particular the remuneration policy applied and individual remuneration of directors); • Make general recommendations to the executive directors and members of the management bodies on the level and structure of remuneration for senior management (as defined by the collegial body) with regard to the respective information provided by the executive directors and members of the management bodies. 4.13.2. With respect to stock options and other share-based incentives which may be granted to directors or other employees, the committee should: • Consider general policy regarding the granting of the above mentioned schemes, in particular stock options, and make any related proposals to the collegial body; • Examine the related information that is given in the company's annual report and documents intended for the use during the shareholders meeting; • Make proposals to the collegial body regarding the choice between granting options to subscribe shares or granting options to purchase shares, specifying the reasons for its choice as well as the consequences that this choice has. 4.13.3. Upon resolution of the issues attributable to the competence of the remuneration committee, the committee should at least address the chairman of the	No	There is no remuneration committee or any other committee that would be in charge of carrying out functions of the committee of remuneration.

PRINCIPLES/ RECOMMENDATIONS	YES/NO/NOT APPLICABLE	COMMENTARY
collegial body and/or chief executive officer of the company for their opinion on the remuneration of other executive directors or members of the management bodies. 4.13.4. The remuneration committee should report on the exercise of its functions to the shareholders and be present at the annual general meeting for this purpose.		
4.14. Audit Committee. 4.14.1. Key functions of the audit committee should be the following: • Observe the integrity of the financial information provided by the company, in particular by reviewing the relevance and consistency of the accounting methods used by the company and its group (including the criteria for the consolidation of the accounts of companies in the group); • At least once a year review the systems of internal control and risk management to ensure that the key risks (inclusive of the risks in relation with compliance with existing laws and regulations) are properly identified, managed and reflected in the information provided; • Ensure the efficiency of the internal audit function, among other things, by making recommendations on the selection, appointment, reappointment and removal of the head of the internal audit department and on the budget of the department, and by monitoring the responsiveness of the management to its findings and recommendations. Should there be no internal audit authority in the company, the need for one should be reviewed at least annually; • Make recommendations to the collegial body related with selection, appointment, reappointment and removal of the external auditor (to be done by the general shareholders' meeting) and with the terms and conditions of his engagement. The committee should investigate situations that lead to a resignation of the audit company or auditor and make recommendations on required actions in such situations; • Monitor independence and impartiality of the external auditor, in particular by reviewing the audit company's compliance with applicable guidance relating to the rotation of audit partners, the level of fees paid by the company, and similar issues. In order to prevent occurrence of material conflicts of interest, the committee, based on the auditor's disclosed inter alia data on all remunerations paid by the company to the auditor and network, should at all times monitor nature and extent of the non-audit services. Having regard to the principals and guidelines established in the 16 May 2002 Commission Recommendation 2002/590/EC, the committee should determine and apply a formal policy establishing types of non-audit services that are (a) excluded, (b) permissible only after review by the committee, and (c) permissible without referral to the committee; • Review efficiency of the external audit process and responsiveness of management to recommendations made in the external auditor's management letter. 4.14.2. All members of the committee should be furnished with complete information on particulars of accounting, financial and other operations of the company. Company's management should inform the audit committee of the methods used to account for significant and unusual transactions where the	No	The Audit Committee followed this recommendation partially. The Audit Committee performed functions specified in its activity and composition regulations: provided recommendations on selection of external audit company as well as on the terms and conditions of the agreement with the audit company; observed the process of carrying out an external audit and how the external auditor and audit company followed the principles of independence and objectivity; observed the process of preparation of set of financial statements of the Company. Representative of the audit company, Head of the Company and Chief Financial Officer take part in the meetings of the Audit Committee after receiving invitation of the Audit Committee. Information about members of the Audit Committee and their responsibilities is presented in consolidated interim 6 months and annual reports. Company submits all documentation and reports necessary to perform functions of the Audit Committee after receiving such request. There is no internal audit function in the Company although the Audit Committee recommended to implement this function as such possibility emerges. As there are no internal audit function, the Audit Committee can't perform all recommendations specified in this principle.

PRINCIPLES/ RECOMMENDATIONS	YES/NO/NOT APPLICABLE	COMMENTARY
accounting treatment may be open to different approaches. In such case a special consideration should be given to company's operations in offshore centers and/or activities carried out through special purpose vehicles (organizations) and justification of such operations. 4.14.3. The audit committee should decide whether participation of the chairman of the collegial body, chief executive officer of the company, chief financial officer (or superior employees in charge of finances, treasury and accounting), or internal and external auditors in the meetings of the committee is required (if required, when). The committee should be entitled, when needed, to meet with any relevant person without executive directors and members of the management bodies present. 4.14.4. Internal and external auditors should be secured with not only effective working relationship with management, but also with free access to the collegial body. For this purpose the audit committee should act as the principal contact person for the internal and external auditors. 4.14.5. The audit committee should be informed of the internal auditor's work program, and should be furnished with internal audit's reports or periodic summaries. The audit committee should also be informed of the work program of the external auditor and should be furnished with report disclosing all relationships between the independent auditor and the company and its group. The committee should be timely furnished information on all issues arising from the audit. 4.14.6. The audit committee should examine whether the company is following applicable provisions regarding the possibility for employees to report alleged significant irregularities in the company, by way of complaints or through anonymous submissions (normally to an independent member of the collegial body), and should ensure that there is a procedure established for proportionate and independent investigation of these issues and for appropriate follow-up action. 4.14.7. The audit committee should report on its activities to the collegial body at least once in every six months, at the time the yearly and half-yearly statements are approved.		
4.15. Every year the collegial body should conduct the assessment of its activities. The assessment should include evaluation of collegial body's structure, work organization and ability to act as a group, evaluation of each of the collegial body member's and committee's competence and work efficiency and assessment whether the collegial body has achieved its objectives. The collegial body should, at least once a year, make public (as part of the information the company annually discloses on its management structures and practices) respective information on its internal organization and working procedures, and specify what material changes were made as a result of the assessment of the collegial body of its own activities.	No	The Management Board of the Company doesn't have a practice to perform assessment of its activity. Part of the information about internal organization and activity procedures of the Management Board are presented in the Company's annual and 6 months interim reports.

PRINCIPLES/ RECOMMENDATIONS	YES/NO/NOT APPLICABLE	COMMENTARY
Principle V: The working procedure of the company's collegial bodies **The working procedure of supervisory and management bodies established in the company should ensure efficient operation of these bodies and decision-making and encourage active co-operation between the company's bodies.**		
5.1. The company's supervisory and management bodies (hereinafter in this Principle the concept 'collegial bodies' covers both the collegial bodies of supervision and the collegial bodies of management) should be chaired by chairpersons of these bodies. The chairperson of a collegial body is responsible for proper convocation of the collegial body meetings. The chairperson should ensure that information about the meeting being convened and its agenda are communicated to all members of the body. The chairperson of a collegial body should ensure appropriate conducting of the meetings of the collegial body. The chairperson should ensure order and working atmosphere during the meeting.	Yes	The Management Board is governed by its Chairman. The meetings are presided by Chairman of the Management Board or by the other member of the Management Board, which is elected to preside for the particular meeting. Regulations of work of the Management Board specifies that Chairman has a duty, at his initiative or by the offer of other Management Board member, to convoke Management Board meetings, make their agendas, prepare drafts of the decisions of the Management Board and other related documents or to appoint other responsible persons to prepare them. The Chairman of the Management Board must invite Head of the Company into every Management Board's meeting and give him a possibility to get information about the agenda. The Management Board Chairman has right to demand from the Head of the Company to submit all information about Company's economical and financial state which is essential for the organization of the Management Board's activity and decision making.
5.2. It is recommended that meetings of the company's collegial bodies should be carried out according to the schedule approved in advance at certain intervals of time. Each company is free to decide how often to convene meetings of the collegial bodies, but it is recommended that these meetings should be convened at such intervals, which would guarantee an interrupted resolution of the essential corporate governance issues. Meetings of the company's supervisory board should be convened at least once in a quarter, and the company's board should meet at least once a month[12].	Yes	Regulations of the work of the Management Board state that meetings of the Management Board are convoked not rarer than once in a quarter. The meetings are organized if there is a need. Management Board had 14 meetings in 2009.
5.3. Members of a collegial body should be notified about the meeting being convened in advance in order to allow sufficient time for proper preparation for the issues on the agenda of the meeting and to ensure fruitful discussion and adoption of appropriate decisions. Alongside with the notice about the meeting being convened, all the documents relevant to the issues on the agenda of the meeting should be submitted to the members of the collegial body. The agenda of the meeting should not be changed or supplemented during the meeting, unless all members of the collegial body are present or certain issues of great importance to the company require immediate resolution.	Yes	Regulations of the work of the Management Board specifies that Chairman sends notice about the Management Board meeting to each member of the Management Board not later than 3 working days till the meeting by fax, registered letter or mail or delivers it personally. The notice on the Management Board meeting includes date, time, and location of the meeting as well as proposed agenda. Every member of the Management board and Head of the Company can offer additional questions for the agenda and the Chairman of the Management Board must include these questions into agenda if he gets written suggestion to include these questions not later than 3 days before the meeting. Final agenda and materials for meetings of the Management Board, including detailed description on issues to be discussed in the Management Board meeting and draft resolutions are sent to the members of the Management Board by the Chairman of the Management Board not later than 2 days till the meeting. Members of the Management Board have the right to decide to discuss and vote on issues not included into agenda or make resolutions the drafts whereof were not properly presented, if the meeting is attended by all members of the Management Board and each of them agrees with it.

[12] The frequency of meetings of the collegial body provided for in the recommendation must be applied in those cases when both additional collegial bodies are formed at the company, the board and the supervisory board. In the event only one additional collegial body is formed in the company, the frequency of its meetings may be as established for the supervisory board, i.e. at least once in a quarter.

PRINCIPLES/ RECOMMENDATIONS	YES/NO/NOT APPLICABLE	COMMENTARY
5.4. In order to co-ordinate operation of the company's collegial bodies and ensure effective decision-making process, chairpersons of the company's collegial bodies of supervision and management should closely co-operate by co-coordinating dates of the meetings, their agendas and resolving other issues of corporate governance. Members of the company's board should be free to attend meetings of the company's supervisory board, especially where issues concerning removal of the board members, their liability or remuneration are discussed.	No	The Company can not comply with this recommendation whereas it has only one collegial body – the Management Board.
Principle VI: The equitable treatment of shareholders and shareholder rights **The corporate governance framework should ensure the equitable treatment of all shareholders, including minority and foreign shareholders. The corporate governance framework should protect the rights of the shareholders.**		
6.1. It is recommended that the company's capital should consist only of the shares that grant the same rights to voting, ownership, dividend and other rights to all their holders.	Yes	The Company's statutory capital consists of ordinary registered shares granting the same rights to all their holders.
6.2. It is recommended that investors should have access to the information concerning the rights attached to the shares of the new issue or those issued earlier in advance, i.e. before they purchase shares.	Yes	The Company gives public announcements to investors on the rights that new or previously issued shares confer through NASDAQ system and in its website.
6.3. Transactions that are important to the company and its shareholders, such as transfer, investment, and pledge of the company's assets or any other type of encumbrance should be subject to approval of the general shareholders' meeting.[13] All shareholders should be furnished with equal opportunity to familiarize with and participate in the decision-making process when significant corporate issues, including approval of transactions referred to above, are discussed.	No	Articles of Association of the Company state that the Management Board makes decisions on any merger, consolidation or acquisition, sale, lease or other disposal of the Company, or all or substantially all of the Company's assets.
6.4. Procedures of convening and conducting a general shareholders' meeting should ensure equal opportunities for the shareholders to effectively participate at the meetings and should not prejudice the rights and interests of the shareholders. The venue, date, and time of the shareholders' meeting should not hinder wide attendance of the shareholders.	Yes	Information on the prospective General Shareholders Meetings is announced through informational system of NASDAQ and in the Company's webpage. Meetings are convoked in such a place that all shareholders could have opportunities to attend them. Material for the General Shareholders Meeting is available in the Company's webpage and in the Company itself not later than 21 days before the General Shareholders Meeting, telephone for inquiries is given.

[13] The Law on Companies of the Republic of Lithuania (*Official Gazette*, 2003, No 123-5574) no longer assigns resolutions concerning the investment, transfer, lease, mortgage or acquisition of the long-terms assets accounting for more than 1/20 of the company's authorised capital to the competence of the general shareholders' meeting. However, transactions that are important and material for the company's activity should be considered and approved by the general shareholders' meeting. The Law on Companies contains no prohibition to this effect either. Yet, in order not to encumber the company's activity and escape an unreasonably frequent consideration of transactions at the meetings, companies are free to establish their own criteria of material transactions, which are subject to the approval of the meeting. While establishing these criteria of material transactions, companies may follow the criteria set out in items 3, 4, 5 and 6 of paragraph 4 of Article 34 of the Law on Companies or derogate from them in view of the specific nature of their operation and their attempt to ensure uninterrupted, efficient functioning of the company.

PRINCIPLES/ RECOMMENDATIONS	YES/NO/NOT APPLICABLE	COMMENTARY
6.5. If is possible, in order to ensure shareholders living abroad the right to access to the information, it is recommended that documents on the course of the general shareholders' meeting should be placed on the publicly accessible website of the company not only in Lithuanian language, but in English and /or other foreign languages in advance. It is recommended that the minutes of the general shareholders' meeting after signing them and/or adopted resolutions should be also placed on the publicly accessible website of the company. Seeking to ensure the right of foreigners to familiarize with the information, whenever feasible, documents referred to in this recommendation should be published in Lithuanian, English and/or other foreign languages. Documents referred to in this recommendation may be published on the publicly accessible website of the company to the extent that publishing of these documents is not detrimental to the company or the company's commercial secrets are not revealed.	Yes	Agenda and draft resolutions of the General Shareholders Meeting are announced through informational system of NASDAQ and placed at the Company's website in English and Lithuanian in advance, resolutions of the General Shareholders Meeting are announced after the meeting on the same way.
6.6. Shareholders should be furnished with the opportunity to vote in the general shareholders' meeting in person and in absentia. Shareholders should not be prevented from voting in writing in advance by completing the general voting ballot.	Yes	The Company's shareholders can realize their right to attend the General Shareholders Meeting either personally or through representative, if a person has a duly issued power of attorney or contract on the transfer of voting right concluded. The Company furnishes shareholders with opportunity to vote in advance by filling general voting ballot.
6.7. With a view to increasing the shareholders' opportunities to participate effectively at shareholders' meetings, the companies are recommended to expand use of modern technologies by allowing the shareholders to participate and vote in general meetings via electronic means of communication. In such cases security of transmitted information and a possibility to identify the identity of the participating and voting person should be guaranteed. Moreover, companies could furnish its shareholders, especially shareholders living abroad, with the opportunity to watch shareholder meetings by means of modern technologies.	Not applicable	Up till now the Company had no necessity in complying with this recommendation, because foreign shareholders successfully realize their rights by sending their representatives to attend the General Shareholders Meetings or by casting their vote in advance in the form of general voting ballot.
Principle VII: The avoidance of conflicts of interest and their disclosure **The corporate governance framework should encourage members of the corporate bodies to avoid conflicts of interest and assure transparent and effective mechanism of disclosure of conflicts of interest regarding members of the corporate bodies.**		
7.1. Any member of the company's supervisory and management body should avoid a situation, in which his/her personal interests are in conflict or may be in conflict with the company's interests. In case such a situation did occur, a member of the company's supervisory and management body should, within reasonable time, inform other members of the same collegial body or the company's body that has elected him/her, or to the company's shareholders about a situation of a conflict of interest, indicate the nature of the conflict and value, where possible.	Yes	Members of the Management Board behave according to these recommendations, Company is not aware of any cases when their personal interests contradicted Company's interests. Regulations of work of the Management Board specifies that members of the Management Board have an obligation to avoid situations in which his personal interests are in conflict with the Company's interests, to inform the Management Board about the uprise of such situations and about all transactions concluded between him and the Company. Regulations of work of the Management Board obliges the members of the Management Board do not mix the Company's assets with his personal assets and do not use the information which he learnt by virtue of his position as a member of the Management Board for his personal benefit or for the benefit of third persons otherwise as permitted by the General Shareholders Meeting and the Management Board and also to submit the information about his or closely related persons made transactions on Companies securities by the order and terms specified in legal acts.
7.2. Any member of the company's supervisory and management body may not mix the company's assets, the use of which has not been mutually agreed upon, with his/her personal assets or use them or the information which he/she learns by virtue of his/her position as a member of a corporate body for his/her personal benefit or for the benefit of any third person without a prior agreement of the general shareholders' meeting or any other corporate body authorized by the meeting.	Yes	

PRINCIPLES/ RECOMMENDATIONS	YES/NO/NOT APPLICABLE	COMMENTARY
7.3. Any member of the company's supervisory and management body may conclude a transaction with the company, a member of a corporate body of which he/she is. Such a transaction (except insignificant ones due to their low value or concluded when carrying out routine operations in the company under usual conditions) must be immediately reported in writing or orally, by recording this in the minutes of the meeting, to other members of the same corporate body or to the corporate body that has elected him/her or to the company's shareholders. Transactions specified in this recommendation are also subject to recommendation 4.5.	Yes	
7.4. Any member of the company's supervisory and management body should abstain from voting when decisions concerning transactions or other issues of personal or business interest are voted on.	Yes	Following Regulations of work of the Management Board, member of the Management Board is not entitled to vote when Management Board meeting is making a decision on his liability issues or personal matters relating to his work on the Management Board.
Principle VIII: Company's remuneration policy **Remuneration policy and procedure for approval, revision and disclosure of directors' remuneration established in the company should prevent potential conflicts of interest and abuse in determining remuneration of directors, in addition it should ensure publicity and transparency both of company's remuneration policy and remuneration of directors.**		
8.1. A company should make a public statement of the company's remuneration policy (hereinafter the remuneration statement) which should be clear and easily understandable. This remuneration statement should be published as a part of the company's annual statement as well as posted on the company's website.	No	The Company does not prepare remuneration statement. Brief information on payments made to the members of the Management Board, General Manager and Finance director is presented in interim 6 months and annual reports which are placed at Company's webpage.
8.2. Remuneration statement should mainly focus on directors' remuneration policy for the following year and, if appropriate, the subsequent years. The statement should contain a summary of the implementation of the remuneration policy in the previous financial year. Special attention should be given to any significant changes in company's remuneration policy as compared to the previous financial year.	No	See comment to the clause 8.1.
8.3. Remuneration statement should leastwise include the following information: 1) Explanation of the relative importance of the variable and non-variable components of directors' remuneration; 2) Sufficient information on performance criteria that entitles directors to share options, shares or variable components of remuneration; 3) An explanation how the choice of performance criteria contributes to the long-term interests of the company; 4) An explanation of the methods, applied in order to determine whether performance criteria have been fulfilled; 5) Sufficient information on deferment periods with regard to variable components of remuneration; 6) Sufficient information on the linkage between the remuneration and performance; 7) The main parameters and rationale for any annual bonus scheme and any other non-cash benefits; 8) Sufficient information on the policy regarding termination payments; 9) Sufficient information with regard to vesting periods for share-based remuneration, as referred to in point 8.13 of this Code; 10) Sufficient information on the policy regarding retention of shares after vesting, as referred to in point 8.15 of this Code;	No	See comment to the clause 8.1.

PRINCIPLES/ RECOMMENDATIONS	YES/NO/NOT APPLICABLE	COMMENTARY
11) Sufficient information on the composition of peer groups of companies the remuneration policy of which has been examined in relation to the establishment of the remuneration policy of the company concerned; 12) A description of the main characteristics of supplementary pension or early retirement schemes for directors; 13) Remuneration statement should not include commercially sensitive information.		
8.4. Remuneration statement should also summarize and explain company's policy regarding the terms of the contracts executed with executive directors and members of the management bodies. It should include, inter alia, information on the duration of contracts with executive directors and members of the management bodies, the applicable notice periods and details of provisions for termination payments linked to early termination under contracts for executive directors and members of the management bodies.	No	See comment to the clause 8.1.
8.5. Remuneration statement should also contain detailed information on the entire amount of remuneration, inclusive of other benefits, that was paid to individual directors over the relevant financial year. This document should list at least the information set out in items 8.5.1 to 8.5.4 for each person who has served as a director of the company at any time during the relevant financial year. 8.5.1. The following remuneration and/or emoluments-related information should be disclosed: 1) The total amount of remuneration paid or due to the director for services performed during the relevant financial year, inclusive of, where relevant, attendance fees fixed by the annual general shareholders meeting; 2) The remuneration and advantages received from any undertaking belonging to the same group; 3) The remuneration paid in the form of profit sharing and/or bonus payments and the reasons why such bonus payments and/or profit sharing were granted; 4) If permissible by the law, any significant additional remuneration paid to directors for special services outside the scope of the usual functions of a director; 5) Compensation receivable or paid to each former executive director or member of the management body as a result of his resignation from the office during the previous financial year; 6) Total estimated value of non-cash benefits considered as remuneration, other than the items covered in the above points. 8.5.2. As regards shares and/or rights to acquire share options and/or all other share-incentive schemes, the following information should be disclosed: 1) The number of share options offered or shares granted by the company during the relevant financial year and their conditions of application; 2) The number of shares options exercised during the relevant financial year and, for each of them, the number of shares involved and the exercise price or the value of the interest in the share incentive scheme at the end of the financial year; 3) The number of share options unexercised at the end of the financial year; their exercise price, the exercise date and the main conditions for the exercise of the rights; 4) All changes in the terms and conditions of existing share options occurring during the financial year. 8.5.3. The following supplementary pension schemes-	No	See comment to the clause 8.1.

PRINCIPLES/ RECOMMENDATIONS	YES/NO/NOT APPLICABLE	COMMENTARY
related information should be disclosed: 1) When the pension scheme is a defined-benefit scheme, changes in the directors' accrued benefits under that scheme during the relevant financial year; 2) When the pension scheme is defined-contribution scheme, detailed information on contributions paid or payable by the company in respect of that director during the relevant financial year. 8.5.4. The statement should also state amounts that the company or any subsidiary company or entity included in the consolidated annual financial report of the company has paid to each person who has served as a director in the company at any time during the relevant financial year in the form of loans, advance payments or guarantees, including the amount outstanding and the interest rate.		
8.6. Where the remuneration policy includes variable components of remuneration, companies should set limits on the variable component(s). The non-variable component of remuneration should be sufficient to allow the company to withhold variable components of remuneration when performance criteria are not met.	Not applicable	There are no such director's remuneration policy for having variable components of remuneration in the Company.
8.7. Award of variable components of remuneration should be subject to predetermined and measurable performance criteria.	Not applicable	See comment to the clause 8.6.
8.8. Where a variable component of remuneration is awarded, a major part of the variable component should be deferred for a minimum period of time. The part of the variable component subject to deferment should be determined in relation to the relative weight of the variable component compared to the non-variable component of remuneration.	Not applicable	See comment to the clause 8.6.
8.9. Contractual arrangements with executive or managing directors should include provisions that permit the company to reclaim variable components of remuneration that were awarded on the basis of data which subsequently proved to be manifestly misstated.	Not applicable	See comment to the clause 8.6.
8.10. Termination payments should not exceed a fixed amount or fixed number of years of annual remuneration, which should, in general, not be higher than two years of the non-variable component of remuneration or the equivalent thereof.	Not applicable	Termination payments paid by the Company are fixed by the applicable labour law.
8.11. Termination payments should not be paid if the termination is due to inadequate performance.	Yes	There were no situations when termination payments were paid after termination of employment agreement because of inadequate performance during the reporting period. Situations when the Company pays termination payments are specified by the applicable labour law.
8.12. The information on preparatory and decision-making processes, during which a policy of remuneration of directors is being established, should also be disclosed. Information should include data, if applicable, on authorities and composition of the remuneration committee, names and surnames of external consultants whose services have been used in determination of the remuneration policy as well as the role of shareholders' annual general meeting.	Not applicable	See comments to the clauses 8.1 and 8.6.
8.13. Shares should not vest for at least three years after their award.	Not applicable	There are no remuneration policy supported by share vesting in the Company.
8.14. Share options or any other right to acquire shares or to be remunerated on the basis of share price movements should not be exercisable for at least three years after their award. Vesting of shares and the right to exercise share options or any other right to acquire shares or to be remunerated on the basis of share price movements, should be subject to	Not applicable	There are no share options plans based on the right to acquire shares or to be remunerated on the basis of share price movement in the Company. Company has valid Phantom Share Option Plan approved by the General Shareholders meeting in 2009 and applied for the top and middle management of the Company and its subsidiaries. According to Phantom Share Option Plan

PRINCIPLES/ RECOMMENDATIONS	YES/NO/NOT APPLICABLE	COMMENTARY
predetermined and measurable performance criteria.		option is exercised not through the acquisition of the option shares but by receiving a monetary compensation after the sale of the Company's shares by certain shareholders of the Company. Up till now the list of the option holders hasn't been approved by the Management Board. If Phantom Share Option Plan is not executed until the end of 2013, it will terminate automatically.
8.15. After vesting, directors should retain a number of shares, until the end of their mandate, subject to the need to finance any costs related to acquisition of the shares. The number of shares to be retained should be fixed, for example, twice the value of total annual remuneration (the non-variable plus the variable components).	Not applicable	See comments to the clauses 8.13 and 8.14.
8.16. Remuneration of non-executive or supervisory directors should not include share options.	Yes	See comment to the clause 8.14.
8.17. Shareholders, in particular institutional shareholders, should be encouraged to attend general meetings where appropriate and make considered use of their votes regarding directors' remuneration.	Yes	Shareholders are encouraged to attend the General Shareholders Meetings by informing them about coming General Shareholders Meetings, encouraging to vote in advance by filling general voting ballots.
8.18. Without prejudice to the role and organization of the relevant bodies responsible for setting directors' remunerations, the remuneration policy or any other significant change in remuneration policy should be included into the agenda of the shareholders' annual general meeting. Remuneration statement should be put for voting in shareholders' annual general meeting. The vote may be either mandatory or advisory.	Not applicable	See comments to clauses 8.1 and 8.6. Company's Phantom Share Option Plan was approved by the extraordinary General Shareholders Meeting.
8.19. Schemes anticipating remuneration of directors in shares, share options or any other right to purchase shares or be remunerated on the basis of share price movements should be subject to the prior approval of shareholders' annual general meeting by way of a resolution prior to their adoption. The approval of scheme should be related with the scheme itself and not to the grant of such share-based benefits under that scheme to individual directors. All significant changes in scheme provisions should also be subject to shareholders' approval prior to their adoption; the approval decision should be made in shareholders' annual general meeting. In such case shareholders should be notified on all terms of suggested changes and get an explanation on the impact of the suggested changes.	Not applicable	See comments to clauses 8.1 and 8.6.
8.20. The following issues should be subject to approval by the shareholders' annual general meeting: 1) Grant of share-based schemes, including share options, to directors; 2) Determination of maximum number of shares and main conditions of share granting; 3) The term within which options can be exercised; 4) The conditions for any subsequent change in the exercise of the options, if permissible by law; 5) All other long-term incentive schemes for which directors are eligible and which are not available to other employees of the company under similar terms. Annual general meeting should also set the deadline within which the body responsible for remuneration of directors may award compensations listed in this article to individual directors.		
8.21. Should national law or company's Articles of Association allow, any discounted option arrangement under which any rights are granted to subscribe to shares at a price lower than the market value of the		

PRINCIPLES/ RECOMMENDATIONS	YES/NO/NOT APPLICABLE	COMMENTARY
share prevailing on the day of the price determination, or the average of the market values over a number of days preceding the date when the exercise price is determined, should also be subject to the shareholders' approval.		
8.22. Provisions of Articles 8.19 and 8.20 should not be applicable to schemes allowing for participation under similar conditions to company's employees or employees of any subsidiary company whose employees are eligible to participate in the scheme and which has been approved in the shareholders' annual general meeting.		
8.23. Prior to the annual general meeting that is intended to consider decision stipulated in Article 8.19, the shareholders must be provided an opportunity to familiarize with draft resolution and project-related notice (the documents should be posted on the company's website). The notice should contain the full text of the share-based remuneration schemes or a description of their key terms, as well as full names of the participants in the schemes. Notice should also specify the relationship of the schemes and the overall remuneration policy of the directors. Draft resolution must have a clear reference to the scheme itself or to the summary of its key terms. Shareholders must also be presented with information on how the company intends to provide for the shares required to meet its obligations under incentive schemes. It should be clearly stated whether the company intends to buy shares in the market, hold the shares in reserve or issue new ones. There should also be a summary on scheme-related expenses the company will suffer due to the anticipated application of the scheme. All information given in this article must be posted on the company's website.		
Principle IX: The role of stakeholders in corporate governance **The corporate governance framework should recognize the rights of stakeholders as established by law and encourage active co-operation between companies and stakeholders in creating the company value, jobs and financial sustainability. For the purposes of this Principle, the concept "stakeholders" includes investors, employees, creditors, suppliers, clients, local community and other persons having certain interest in the company concerned.**		
9.1. The corporate governance framework should assure that the rights of stakeholders that are protected by law are respected.	Yes	The Company's management system ensures that the rights of stakeholders are not infringed. Rights of employees are protected by labour law and collective agreement. Company exercises consultations with the representatives of the employees (labour unions) on the material issues. Suppliers, clients and creditors have signed agreements with the Company, appropriate performance of the obligations specified in these agreements is one of the Company's priorities. All material and additional information about the Company is announced publicly and is also provided to representatives of stakeholders at their request.
9.2. The corporate governance framework should create conditions for the stakeholders to participate in corporate governance in the manner prescribed by law. Examples of mechanisms of stakeholder participation in corporate governance include: employee participation in adoption of certain key decisions for the company; consulting the employees on corporate governance and other important issues; employee participation in the company's share capital; creditor involvement in governance in the context of the company's insolvency, etc.		
9.3. Where stakeholders participate in the corporate governance process, they should have access to relevant information.		

PRINCIPLES/ RECOMMENDATIONS	YES/NO/NOT APPLICABLE	COMMENTARY
Principle X: Information disclosure and transparency **The corporate governance framework should ensure that timely and accurate disclosure is made on all material information regarding the company, including the financial situation, performance and governance of the company.**		
10.1. The company should disclose information on: • The financial and operating results of the company; • Company objectives; • Persons holding by the right of ownership or in control of a block of shares in the company; • Members of the company's supervisory and management bodies, chief executive officer of the company and their remuneration; • Material foreseeable risk factors; • Transactions between the company and connected persons, as well as transactions concluded outside the course of the company's regular operations; • Material issues regarding employees and other stakeholders; • Governance structures and strategy. This list should be deemed as a minimum recommendation, while the companies are encouraged not to limit themselves to disclosure of the information specified in this list. 10.2. It is recommended to the company, which is the parent of other companies, that consolidated results of the whole group to which the company belongs should be disclosed when information specified in item 1 of Recommendation 10.1 is under disclosure. 10.3. It is recommended that information on the professional background, qualifications of the members of supervisory and management bodies, chief executive officer of the company should be disclosed as well as potential conflicts of interest that may have an effect on their decisions when information specified in item 4 of Recommendation 10.1 about the members of the company's supervisory and management bodies is under disclosure. It is also recommended that information about the amount of remuneration received from the company and other income should be disclosed with regard to members of the company's supervisory and management bodies and chief executive officer as per Principle VIII. 10.4. It is recommended that information about the links between the company and its stakeholders, including employees, creditors, suppliers, local community, as well as the company's policy with regard to human resources, employee participation schemes in the company's share capital, etc. should be disclosed when information specified in item 7 of Recommendation 10.1 is under disclosure.	Yes	Information on the Company set forth in these recommendations is published in Company's webpage, through NASDAQ informational system, in press releases.
10.5. Information should be disclosed in such a way that neither shareholders nor investors are discriminated with regard to the manner or scope of access to information. Information should be disclosed to all simultaneously. It is recommended that notices about material events should be announced before or after a trading session on the Vilnius Stock Exchange, so that all the company's shareholders and investors should have equal access to the information and make informed investing decisions.	Yes	The Company announces information in Lithuanian and English through information disclosure system of NASDAQ. NASDAQ publishes this information on its webpage and in its market system ensuring simultaneous disclosure of information to everyone. Information prospectively able of influencing price of issued stock is not disclosed by the Company in its comments, interview or by other means as long as this type of information is not publicly announced through informational system.

PRINCIPLES/ RECOMMENDATIONS	YES/NO/NOT APPLICABLE	COMMENTARY
10.6. Channels for disseminating information should provide for fair, timely and cost-efficient or in cases provided by the legal acts free of charge access to relevant information by users. It is recommended that information technologies should be employed for wider dissemination of information, for instance, by placing the information on the company's website. It is recommended that information should be published and placed on the company's website not only in Lithuanian, but also in English, and, whenever possible and necessary, in other languages as well.	Yes	Company ensures fair, timely and free of charge access to information by announcing it on its webpage in Lithuanian and English.
10.7. It is recommended that the company's annual reports and other periodical accounts prepared by the company should be placed on the company's website. It is recommended that the company should announce information about material events and changes in the price of the company's shares on the Stock Exchange on the company's website too.	Yes	The Company complies with this recommendation by announcing all information enumerated in this recommendation on Company's webpage.
Principle XI: The selection of the company's auditor **The mechanism of the selection of the company's auditor should ensure independence of the firm of auditor's conclusion and opinion.**		
11.1. An annual audit of the company's financial reports and interim reports should be conducted by an independent firm of auditors in order to provide an external and objective opinion on the company's financial statements.	No	Audit of sets of interim financial statements is not performed. Audit company performing audit of sets of annual financial statements submits document confirming its independence to the Company.
11.2. It is recommended that the company's supervisory board and, where it is not set up, the company's board should propose a candidate firm of auditors to the general shareholders' meeting.	Yes	Candidate firm of auditors is offered to the General Shareholders Meeting by the Management Board. The Audit Committee presents its recommendations to the Management Board.
11.3. It is recommended that the company should disclose to its shareholders the level of fees paid to the firm of auditors for non-audit services rendered to the company. This information should be also known to the company's supervisory board and, where it is not formed, the company's board upon their consideration which firm of auditors to propose for the general shareholders' meeting.	Yes	Previously to the election, firm of auditors presents the Company with a certificate on fees paid to firm of auditors for audit and non-audit services. The Management Board presents information contained in this certificate to the General Shareholders Meeting electing firm of auditors.