Sanitas, AB

UNAUDITED INTERIM CONDENSED CONSOLIDATED AND PARENT COMPANY'S FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 SEPTEMBER 2009 PREPARED ACCORDING TO INTERNATIONAL FINANCIAL REPORTING STANDARDS, AS ADOPTED BY THE EUROPEAN UNION

CONTENTS

SANITAS, AB

UNAUDITED INTERIM CONDENSED CONSOLIDATED AND PARENT COMPANY'S FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 SEPTEMBER 2009

Confirmation of Responsible Persons

Following the Article No. 22 of the Law on Securities of the Republic of Lithuania and Rules on Preparation and Submission of Periodic and Additional Information of the Lithuanian Securities Commission, we Saulius Jurgelenas, General Manager of Sanitas, AB and Nerijus Drobavicius, Chief Financial Officer of Sanitas hereby confirm that, to the best of our knowledge, the attached unaudited interim condensed consolidated and parent company's financial statements for the period ended 30 September 2009, prepared in accordance with International Financial Reporting Standards, as adopted by the European Union, give a true and fair view of the assets, liabilities, financial position and profit or loss of Sanitas, AB and Sanitas, AB group.

General Manager Saulius Jurgelenas

Chief Financial Officer N. Drobavičius Nerijus Drobavicius

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

General Information

Board of Directors

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

Management

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

Registered office and company code

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

Bankers

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

The interim condensed financial statements were approved and signed by the management on 6 November 2009.

Management:

N. Drobavicius

Mr. Saulius Jurgelenas
General Manager

Mr. Nerijus Drobavicius
Chief Financial Officer

(all amounts are in thousand LTL unless otherwise stated)

Statements of Comprehensive Income

	Notes	Group		Company	
		January – September 2009	**January – September 2008** (restated)	**January – September 2009**	**January – September 2008** (restated)
Sales	4	229,695	282,875	11,376	21,758
Cost of sales		(113,199)	(127,381)	(9,533)	(11,385)
Gross profit		**116,496**	**155,494**	**1,843**	**10,373**
Other income		3,610	2,174	375	266
Selling and distribution expenses	5	(58,356)	(68,618)	(2,084)	(2,429)
Regulatory affairs expenses	6	(9,930)	(10,752)	(751)	(720)
Research and development expenses		(1,264)	(2,128)	(258)	(172)
Administrative expenses	7	(24,666)	(32,863)	(7,330)	(15,237)
Other expenses		(2,689)	(521)	(281)	(267)
Operating profit (loss)		**23,201**	**42,786**	**(8,486)**	**(8,186)**
Financial activity, net	8	(20,226)	(24,066)	(3,342)	(1,596)
Profit (loss) before tax		**2,975**	**18,720**	**(11,828)**	**(9,782)**
Income tax	9	4,175	124	2,384	1,339
Net profit (loss)		**7,150**	**18,844**	**(9,444)**	**(8,443)**
Basic and diluted earnings per share (in LTL)		**0.23**	**0.61**		
Other comprehensive income (expenses):					
Exchange differences on translating foreign operation		(3,343)	30,346	-	-
Cash flow hedges	12	(826)	(4,318)	-	-
Income tax relating to components of other comprehensive income	12	158	821	-	-
Other comprehensive income (expenses) for the year, net of tax		**(4,011)**	**26,849**	**-**	**-**
Total comprehensive income (expenses) for the year, net of tax		**3,139**	**45,693**	**(9,444)**	**(8,443)**

(cont'd on the next page)

(all amounts are in thousand LTL unless otherwise stated)

Statements of Comprehensive Income (cont'd)

	Group		Company	
	July – September 2009	**July – September 2008**	**July – September 2009**	**July – September 2008**
		(restated)		(restated)
Sales	76,375	89,246	3,865	5,121
Cost of sales	(39,639)	(44,082)	(2,935)	(2,888)
Gross profit	**36,736**	**45,164**	**930**	**2,233**
Other income	792	986	100	8
Selling and distribution expenses	(18,800)	(21,995)	(696)	(737)
Regulatory affairs expenses	(3,364)	(2,521)	(201)	(233)
Research and development expenses	(506)	(507)	(48)	(62)
Administrative expenses	(7,465)	(15,293)	(2,192)	(8,245)
Other expenses	(455)	288	(66)	(2)
Operating profit (loss)	**6,938**	**6,122**	**(2,173)**	**(7,038)**
Financial activity, net	(1,419)	(7,999)	(1,710)	(595)
Profit (loss) before tax	**5,519**	**(1,877)**	**(3,883)**	**(7,633)**
Income tax	(843)	746	800	1,140
Net profit (loss)	**4,676**	**(1,131)**	**(3,083)**	**(6,493)**
Basic and diluted earnings per share (in LTL)	**0.15**	**(0.04)**		
Other comprehensive income (expenses):				
Exchange differences on translating foreign operation	21,672	374	-	-
Cash flow hedges	693	(3,653)	-	-
Income tax relating to components of other comprehensive income	(132)	695	-	-
Other comprehensive income (expenses) for the year, net of tax	**22,233**	**(2,584)**	**-**	**-**
Total comprehensive income (expenses) for the year, net of tax	**26,909**	**(3,715)**	**(3,083)**	**(6,493)**

(all amounts are in thousand LTL unless otherwise stated)

Balance Sheets

	Notes	Group		Company	
		As at 30 September 2009	As at 31 December 2008	As at 30 September 2009	As at 31 December 2008
ASSETS					
Non-current assets					
Property, plant and equipment	10	262,751	282,774	67,548	70,530
Intangible assets	11	288,841	294,342	942	1,044
Investments in subsidiaries		-	-	334,395	334,395
Other non-current financial assets	12	20	5,223	-	3
Deferred tax asset		32,087	31,014	4,422	2,055
Total non-current assets		**583,699**	**613,353**	**407,307**	**408,027**
Current assets					
Inventories		47,011	42,753	4,423	4,410
Prepaid income tax		1,461	2,067	1,426	1,589
Trade receivables		53,568	80,991	7,522	3,939
Other receivables		2,803	1,581	254	266
Prepayments and deferred expenses		5,851	3,860	198	145
Other current financial assets	12	5,841	5,793	-	-
Cash and cash equivalents		1,530	1,966	42	31
Total current assets		**118,065**	**139,011**	**13,865**	**10,380**
Total assets		**701,764**	**752,364**	**421,172**	**418,407**

(cont'd on the next page)

(all amounts are in thousand LTL unless otherwise stated)

Balance Sheets (cont'd)

	Notes	Group		Company	
		As at 30 September 2009	As at 31 December 2008	As at 30 September 2009	As at 31 December 2008
EQUITY AND LIABILITIES					
Equity					
Share capital		31,106	31,106	31,106	31,106
Share premium		248,086	248,086	248,086	248,086
Legal reserve		3,111	3,111	3,111	3,111
Fair value reserve		(10,340)	(9,672)	-	-
Translation reserve		(9,374)	(6,031)	-	-
Retained earnings		39,068	31,918	11,062	20,506
Total equity		**301,657**	**298,518**	**293,365**	**302,809**
Non-current liabilities					
Non-current loans	13	202,485	43,780	41,819	43,780
Financial lease obligations		2,297	4,428	410	718
Other non-current financial liabilities	12	4,585	7,522	-	-
Deferred tax liability		17,202	19,468	-	-
Deferred income from subsidies		15,304	15,892	15,304	15,892
Employee benefit liability		4,596	4,567	-	-
Total non-current liabilities		**246,469**	**95,657**	**57,533**	**60,390**
Current liabilities					
Current portion of non-current loans	13	52,250	255,704	9,117	13,799
Current portion of non-current financial lease obligations		3,143	3,432	530	938
Current loans	13	37,701	33,987	33,871	20,846
Trade payables		33,008	31,630	20,695	6,775
Income tax payable		8	107	-	-
Other current financial liabilities	12	8,180	4,417	-	-
Other current liabilities		18,869	28,434	6,061	12,850
Employee benefit liability		479	478	-	-
Total current liabilities		**153,638**	**358,189**	**70,274**	**55,208**
Total equity and liabilities		**701,764**	**752,364**	**421,172**	**418,407**

(all amounts are in thousand LTL unless otherwise stated)

Statements of Changes in Equity

Group	Share capital	Share premium	Legal reserve	Fair value reserve	Translation reserve	Retained earnings	Total
Balance as at 31 December 2007	**31,106**	**248,086**	**3,111**	**-**	**32,380**	**52,466**	**367,149**
Net profit for the period	-	-	-	-	-	18,844	18,844
Other comprehensive income (expenses)	-	-	-	(3,497)	30,346	-	26,849
Total comprehensive income and (expense) for the period (restated)	**-**	**-**	**-**	**(3,497)**	**30,346**	**18,844**	**45,693**
Dividends declared	-	-	-	-	-	(18,664)	(18,664)
Balance as at 30 September 2008 (restated)	**31,106**	**248,086**	**3,111**	**(3,497)**	**62,726**	**52,646**	**394,178**
Balance as at 31 December 2008	**31,106**	**248,086**	**3,111**	**(9,672)**	**(6,031)**	**31,918**	**298,518**
Net profit for the period	-	-	-	-	-	7,150	7,150
Other comprehensive (expenses)	-	-	-	(668)	(3,343)	-	(4,011)
Total comprehensive income and (expense) for the period	**-**	**-**	**-**	**(668)**	**(3,343)**	**7,150**	**3,139**
Balance as at 30 September 2009	**31,106**	**248,086**	**3,111**	**(10,340)**	**(9,374)**	**39,068**	**301,657**

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 period	-	-	-	(8,443)	(8,443)
Total comprehensive income and (expense) for the period	**-**	**-**	**-**	**(8,443)**	**(8,443)**
Dividends declared	-	-	-	(18,664)	(18,664)
Balance as at 30 September 2008	**31,106**	**248,086**	**3,111**	**24,332**	**306,635**
Balance as at 31 December 2008	**31,106**	**248,086**	**3,111**	**20,506**	**302,809**
Net (loss) for the period	-	-	-	(9,444)	(9,444)
Total comprehensive income and (expense) for the period	**-**	**-**	**-**	**(9,444)**	**(9,444)**
Balance as at 30 September 2009	**31,106**	**248,086**	**3,111**	**11,062**	**293,365**

(all amounts are in thousand LTL unless otherwise stated)

Cash Flow Statements

	Group		Company	
	January – September 2009	**January – September 2008**	**January – September 2009**	**January – September 2008**
		(restated)		(restated)
Cash flows from (to) operating activities				
Profit (loss) before tax	2,975	18,720	(11,828)	(9,782)
Adjustments for non-cash items:				
Depreciation and amortisation	25,115	30,947	2,875	1,122
Loss from disposal and write-off of non-current assets	486	37	7	45
Loss from disposal Altisana, UAB	-	3	-	3
Change in value of financial instruments	4,817	336	-	-
Change in allowance and write-off of trade and other receivables	330	(16)	-	-
Change in allowance and write-off of inventories	913	2,091	(103)	(53)
Unrealised foreign currency exchange loss	2,856	(4,204)	(207)	(37)
Interest expenses	11,327	16,595	3,440	342
Interest (income)	(54)	(118)	-	978
Other non cash items	(196)	574	-	-
	48,569	64,965	(5,816)	(7,382)
Change in working capital:				
(Increase) decrease in inventories	(5,173)	(7,082)	94	848
(Increase) decrease in trade and other receivables and deferred charges	22,567	(12,705)	(3,592)	6,014
Increase (decrease) in trade and other payables and advances received	3,995	(3,953)	11,153	5,967
(Decrease) in employee benefits	(356)	(771)	-	-
Income tax (paid) received	438	1,410	-	(1,385)
Net cash flows from (to) operating activities	**70,040**	**41,864**	**1,839**	**4,062**
Cash flows from (to) investing activities				
(Acquisition) of non-current tangible assets	(4,774)	(48,685)	(1,718)	(37,539)
(Acquisition) of non-current intangible assets	(2,720)	(261)	-	(69)
Proceeds from sale of non-current assets	176	1,585	10	26
(Acquisition) of Laboratorium Farmaceutyczne HOMEOFARM sp. z.o.o., net of cash acquired	(6,908)	-	-	-
(Acquisition) of financial instruments	-	(702)	-	-
Settlement of financial instruments	156	-	-	-
Proceeds from sale of Altisana, UAB	-	8	-	8
Interest received	54	118	-	2
Net cash flows (to) from investing activities	**(14,016)**	**(47,937)**	**(1,708)**	**(37,572)**

(cont'd on the next page)

(all amounts are in thousand LTL unless otherwise stated)

Cash Flow Statements (cont'd)

	Group		Company	
	January – September 2009	January – September 2008	January – September 2009	January – September 2008
Cash flows from (to) financing activities				
Proceeds from loans	5,000	44,552	13,106	32,328
(Repayments) of loans	(47,863)	(34,839)	(10,592)	(2,072)
(Payment) of finance lease liabilities	(3,013)	(2,319)	(855)	(835)
Interest (paid)	(10,948)	(16,464)	(1,711)	(1,266)
Proceeds from grants	-	8,043	-	8,043
Dividends (paid)	(68)	(2,580)	(68)	(2,580)
Net cash flows (to) from financial activities	**(56,892)**	**(3,607)**	**(120)**	**33,618**
Net increase (decrease) in cash and cash equivalents	**(868)**	**(9,680)**	**11**	**108**
Net foreign exchange difference	**432**	-	**-**	-
Cash and cash equivalents at the beginning of the period	**1,966**	**13,683**	**31**	**247**
Cash and cash equivalents at the end of the period	**1,530**	**4,003**	**42**	**355**
Supplemental information of cash flows:				
Property, plant and equipment acquisition financed by finance lease	619	781	139	383

Notes to the financial statements

1. General information

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

Veiveriu str. 134 B,
Kaunas,
Lithuania.

The Company is involved in production and trade of generic medicines, namely injection preparations, tablets, capsules and ointments. The Company's shares are listed in the Baltic Main List on NASDAQ OMX Vilnius, AB (previously known as Vilnius Stock Exchange).

As at 30 September 2009 and 31 December 2008 the shareholders of the Company were:

	30 September 2009		31 December 2008	
	Number of shares held (thousand)	Percentage	Number of shares held (thousand)	Percentage
Invalda, AB	6,914	22.23%	12,529	40.27%
Baltic Pharma Limited	6,315	20.30%	1,555	5.00%
Citigroup Venture Capital International Jersey Limited	5,312	17.08%	5,312	17.08%
Amber Trust II	3,952	12.70%	3,952	12.70%
Other	8,613	27.69%	7,758	24.95%
Total	31,106	100.00%	31,106	100.00%

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

The interim condensed consolidated financial statements include the financial statements of Sanitas, AB and the subsidiaries listed in the following table (hereinafter – the Group):

			% of equity interest	
Name	Main activities	Country of incorporation	January – September 2009	January – September 2008
Jelfa S.A.	Production and trade of medicines	Poland	100	100
Hoechst-Biotika spol. s.r.o.	Production and trade of medicines	Slovakia	100	100
Laboratorium Farmaceutyczne Homeofarm sp. z.o.o	Production and trade of medicines	Poland	100	-

The interim condensed financial statements were approved and signed by the Management on 6 November 2009.

2. Accounting principles

The principal accounting policies adopted in preparing the Group's and the Company's interim condensed financial statements for the year ended 30 September 2009 are as follows:

Basis of preparation

The interim condensed consolidated financial statements for the 9 months ended 30 September 2009 have been prepared in accordance with IAS 34 Interim Financial Reporting.

The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's and the Company's annual financial statements as at 31 December 2008.

Significant accounting policies

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's and the Company's annual financial statements for the year ended 31 December 2008, except for the adoption of new Standards and Interpretations as of 1 January 2009, noted below:

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

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

IFRS 8 Operating Segments
The standard requires disclosure of information about the Group's and the Company's operating segments and replaces the requirements to determine primary (business) and secondary (geographical) reporting segments of the Group and the Company. Adoption of this Standard did not have any effect on the financial position or performance of the Group of the Company. The Group and the Company determined that the operating segments were the same as the business segments previously identified under IAS 14 Segment Reporting. Additional disclosures about each of these segments are shown in Note 4.

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

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

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

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

2. Accounting principles (cont'd)

Significant accounting policies (cont'd)

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

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

Improvements to IFRSs

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

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

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

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

3. Retrospective restatement and change in presentation of comparative amounts

Retrospective restatement

In June 2008 the Group company Jelfa S.A. acquired financial instruments – currency exchange options and interest rate swaps. Valuation and presentation of those instruments used as of 30 September 2008 was updated preparing 2008 annual financial statements. Currency exchange options were classified as derivatives not designated as hedging instruments, while interest rate swaps were accounted as cash flow hedges in financial statements as of 31 December 2008. Updated accounting principles were confirmed by the auditors and are applied since that date. The Group management decided to restate the valuation of the financial instruments as of 30 September 2008 in these financial statements in order to present the comparative information correctly. The above mentioned restatement resulted in a increase of Group's 9 months 2008 financial activity result by LTL 4,232 thousand and increase in income tax expenses by LTL 804 thousand, which resulted in total increase of net result by LTL 3,428 thousand as at 30 September 2008.

Due to this retrospective restatement the earning per share of the Group for the 9 months of 2008 increased by LTL 0.11.

Change in presentation

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

Due to these reclassifications the comparative income statement information of the Group and the Company has been adjusted: the Group's cost of sales in the period ended 30 September 2008 decreased by LTL 2,951 thousand, Other income decreased by LTL 536 thousand, Selling and distribution expenses decreased by LTL 7,073 thousand, Administrative expenses decreased by LTL 3,626 thousand and Other expenses increased by LTL 40 thousand. The Company's Selling and distribution expenses decreased by LTL 488 thousand and Administrative expenses decreased by LTL 404 thousand in comparison to what was reported in third quarter financial statement of the year 2008.

4. Segment information

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

(all amounts are in thousand LTL unless otherwise stated)

4. Segment information (cont'd)

The following tables present revenue and profit information regarding the Group's operating segments for the period ended 30 September 2009 and 2008, respectively.

Group	Injectables		Tablets		Ointments		Eye drops, syringe		Unallocated		Total	
	3Q 2009	3Q 2008	3Q 2009	3Q 2008	3Q 2009	3Q 2008	3Q 2009	3Q 2008	3Q 2009	3Q 2008	3Q 2009	3Q 2008
Own products sales	29,355	42,475	62,947	78,537	78,331	106,591	26	-	3,066	885	**173,725**	**228,488**
Toll manufacturing sales	34,493	35,300	20,033	17,746	1,351	1,225	-	-	93	116	**55,970**	**54,387**
Total revenue	**63,848**	**77,775**	**82,980**	**96,283**	**79,682**	**107,816**	**26**	**-**	**3,159**	**1,001**	**229,695**	**282,875**
Profit (loss) before taxes	**3,094**	**16,259**	**564**	**(2,743)**	**22,078**	**41,371**	**(447)**	**(10)**	**(22,314)**	**(36,157)**	**2,975**	**18,720**

Company	Injectables		Tablets		Ointments		Eye drops, syringe		Unallocated		Total	
	3Q 2009	3Q 2008	3Q 2009	3Q 2008	3Q 2009	3Q 2008	3Q 2009	3Q 2008	3Q 2009	3Q 2008	3Q 2009	3Q 2008
Own products sales	5,496	6,369	2,849	4,618	1,384	1,924	9	-	-	-	**9,738**	**12,911**
Toll manufacturing sales	1,638	8,847	-	-	-	-	-	-	-	-	**1,638**	**8,847**
Total revenue	**7,134**	**15,216**	**2,849**	**4,618**	**1,384**	**1,924**	**9**	**-**	**-**	**-**	**11,376**	**21,758**
Profit (loss) before taxes	**(6,919)**	**1,245**	**(1,686)**	**(3,634)**	**590**	**830**	**(447)**	**(10)**	**(3,366)**	**(8,213)**	**(11,828)**	**(9,782)**

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

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

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

Toll manufacturing sales of the Company decreased significantly during the first 9 months of 2009 in comparison to the same period of 2008 as production in old Company's facility was terminated in the second quarter of 2008. Sales at Group level remained at the similar level as the toll manufacturing contracts from the Company were temporary transferred to the other Group entities.

(all amounts are in thousand LTL unless otherwise stated)

4. Segment information (cont'd)

The Group's sales are performed mainly in Poland, Russia, Latvia, Germany, Slovakia, Lithuania and other countries. Information by geographical segments for the period s ended 30 September 2009 and 2008 is as follows:

	Group						Company					
	Own products sales		Toll manufacturing sales		Total		Own products sales		Toll manufacturing sales		Total	
	3Q 2009	3Q 2008	3Q 2009	3Q 2008	**3Q 2009**	**3Q 2008**	3Q 2009	3Q 2008	3Q 2009	3Q 2008	**3Q 2009**	**3Q 2008**
Poland	107,249	150,938	2,343	1,706	**109,592**	**152,644**	474	110	-	-	**474**	**110**
Russia	28,092	38,027	-	-	**28,092**	**38,027**	-	-	-	-	**-**	**-**
Latvia	371	491	20,613	22,866	**20,984**	**23,357**	371	491	1,638	8,847	**2,009**	**9,338**
Germany	-	-	17,395	14,927	**17,395**	**14,927**	-	-	-	-	**-**	**-**
Slovakia	3,674	1,756	11,788	10,559	**15,462**	**12,315**	-	-	-	-	**-**	**-**
Lithuania	8,893	12,310	-	-	**8,893**	**12,310**	8,893	12,310	-	-	**8,893**	**12,310**
Ukraine	6,032	5,633	-	-	**6,032**	**5,633**	-	-	-	-	**-**	**-**
Czech	4,830	3,087	898	1,142	**5,728**	**4,229**	-	-	-	-	**-**	**-**
Hungary	2,793	3,415	1,353	2,376	**4,146**	**5,791**	-	-	-	-	**-**	**-**
Georgia	3,710	4,344	-	-	**3,710**	**4,344**	-	-	-	-	**-**	**-**
Vietnam	2,300	1,275	-	-	**2,300**	**1,275**	-	-	-	-	**-**	**-**
Bulgaria	1,930	1,752	-	-	**1,930**	**1,752**	-	-	-	-	**-**	**-**
Kazakhstan	1,816	2,144	-	-	**1,816**	**2,144**	-	-	-	-	**-**	**-**
Belarus	1,262	1,579	-	-	**1,262**	**1,579**	-	-	-	-	**-**	**-**
Switzerland	-	-	1,154	536	**1,154**	**536**	-	-	-	-	**-**	**-**
Moldova	316	651	-	-	**316**	**651**	-	-	-	-	**-**	**-**
Great Britain	-	-	218	198	**218**	**198**	-	-	-	-	**-**	**-**
Kyrgyzstan	174	148	-	-	**174**	**148**	-	-	-	-	**-**	**-**
Uzbekistan	167	121	-	-	**167**	**121**	-	-	-	-	**-**	**-**
USA	-	-	166	-	**166**	**-**	-	-	-	-	**-**	**-**
Other countries	116	817	42	77	**158**	**894**	-	-	-	-	**-**	**-**
Total	**173,725**	**228,488**	**55,970**	**54,387**	**229,695**	**282,875**	**9,738**	**12,911**	**1,638**	**8,847**	**11,376**	**21,758**

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

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

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

4. Segment information (cont'd)

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 Russian 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).

Sales to Ukrainian customers increased and were not affected by the above mentioned reasons that were applicable to Russia, because hard cash collection process was started in 2008 and was finalized in December 2008.

Sales in Lithuanian market decreased comparing to 2008 due to 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%).

Rapid sales growth continued in Czech and Slovak markets. 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.

5. Selling and distribution expenses

Selling and distribution expenses decreased in comparison to prior year because in 2009 fewer marketing campaigns were run. Selling and distribution expenses in the second quarter of 2009 were higher comparing to the first quarter by LTL 4,586 thousand mainly due to direct promotional expenses, related to the launches of new products. In the third quarter selling and distribution expenses remain similar to the first quarter expenses in the original currencies.

6. Regulatory affairs expenses

Regulatory affairs expenses in 2009 decreased in comparison to the same period in 2008, as production harmonization process was completed at the end of 2008. Regulatory expenses in the second and third quarters of 2009 were higher than in the first quarter due to new products registration costs.

7. Administrative expenses

The Group administrative expenses for the period ended 30 September 2009 include LTL 330 thousand expenses of change in allowance and write-offs for trade receivables and other receivables (LTL 16 thousand income for the period ended 30 September 2008) and LTL 913 thousand expenses of inventories change in allowance and write-offs (LTL 2,091 thousand expenses for the period ended 30 September 2008).

The Company administrative expenses for the period ended 30 September 2009 include LTL 103 thousand income of inventories change in allowance and write-offs (LTL 53 thousand income for the period ended 30 September 2008).

During first three quarters of 2008 the Group and the Company have experienced expenses in the amount of LTL 6,599 thousand, which were not related to the ordinary activities of the Group and the Company. The above mentioned expenses were mainly related to project on strategic options research. The project involved a number of consulting companies and was led by the financial management and advisory company „Merrill Lynch International“.

(all amounts are in thousand LTL unless otherwise stated)

8. Financial activities, net

	Group		Company	
	January – September 2009	January – September 2008	January – September 2009	January – September 2008
Interest income	54	118	1	2
Foreign currency exchange gain, net	-	-	215	-
Cash income from financial instruments	5,297	-	-	-
Other financial income	20	19	-	-
Interest (expenses)	(11,327)	(16,595)	(3,440)	(1,322)
Foreign currency exchange (loss), net	(3,428)	(6,552)	-	(230)
Cash outflows for financial instruments	(4,870)	-	-	-
Fair value (loss) from derivatives	(4,817)	(336)	-	-
Other financial (expenses)	(1,155)	(720)	(118)	(46)
	(20,226)	**(24,066)**	**(3,342)**	**(1,596)**

On 3 June, 2008 Jelfa S.A. PLN loans from banks Bank Polska Kasa Opieki S.A. and Bank Zachodni WBK S.A. amounting to PLN 248,000 thousand were converted to EUR at 3.3515 PLN/EUR rate. Loan conversion resulted in lower interest base to be applied on the loans, however this conversion exposed the loans balance to EUR/PLN fluctuations. Decreasing PLN rate (4.2226 PLN/EUR as at 30 September 2009) resulted in negative Group foreign exchange result amounting to gross LTL 3,741 thousand in the period ended 30 September 2009. In terms of cash flows sufficiency the Group does not consider itself exposed to the foreign exchange risk, as cash flow in EUR is sufficient to service the loan and other payables in EUR. Moreover, after the loan conversion Jelfa S.A. entered into a number of options agreements securing PLN conversion to EUR at 3.8 PLN/EUR exchange rate at loan installment day for all installments due until August 2010 in order to hedge foreign exchange risk (Note 12).

9. Income tax

	Group		Company	
	January – September 2009	January – September 2008	January – September 2009	January – September 2008
Income tax expenses				
Current year income tax	(122)	-	-	-
Prior year current income tax correction	53	83	17	41
Deferred tax income	4,244	41	2,367	1,298
Income tax income charged to the income statement	4,175	124	2,384	1,339

10. Property, plant and equipment

During the 9 months ended 30 September 2009, the Group acquired non current fixed assets with a cost of LTL 3,542 thousand (for the period ended 30 September 2008 – LTL 52,967 thousand). Assets with a net book value of LTL 655 thousand were disposed and written of by the Group during the 9 months ended 30 September 2009 (for the period ended 30 September 2008 – LTL 1,594 thousand), resulting in a net loss on disposal and write-off of LTL 479 thousand (for the period ended 30 September 2008 net loss of LTL 9 thousand). This amount includes LTL 263 thousand construction works from Laboratorium Farmaceutyczne Homeofarm sp. z.o.o write-off to the administrative expenses, as the Group does not intend to continue its manufacturing plant construction.

During the 9 months ended 30 September 2009, the Company acquired non current fixed assets with a cost of LTL 400 thousand (for the period ended 30 September 2008 – LTL 41,423 thousand). Assets with a net book value of LTL 17 thousand were disposed and written of by the Company during the 9 months ended 30 September 2009 (for the period ended 30 September 2008 – LTL 41 thousand), resulting in a net loss on disposal and write-off of LTL 7 thousand (for the period ended 30 September 2008 – LTL 16 thousand).

(all amounts are in thousand LTL unless otherwise stated)

11. Intangible assets

During the 9 months ended 30 September 2009, the Group acquired non current intangible assets with a cost of LTL 2,978 thousand (for the period ended 30 September 2008 – LTL 261 thousand). Assets with a net book value of LTL 7 thousand were disposed and written of by the Group during the 9 months ended 30 September 2009 (for the period ended 30 September 2008 – LTL 29 thousand), resulting in a net loss on disposal and write-off of LTL 7 thousand (for the period ended 30 September 2008 net loss of LTL 29 thousand).

During the 9 months ended 30 September 2009, the Company did not acquire non current intangible assets (for the period ended 30 September 2008 acquisitions amounted to LTL 69 thousand). The Company did not write-off or dispose any intangible assets in the first 9 months (for the period ended 30 September 2008 intangibles write-offs loss amounted to LTL 29 thousand).

12. Other financial assets and financial liabilities

	Group	
	As at 30 September 2009	As at 31 December 2008
Non-current derivative assets	-	5,196
Long term receivables	20	27
Current derivative assets	5,841	5,793
	5,861	11,016
Non-current financial liabilities – interest rate swaps (effective hedges)	4,585	7,522
Current financial liabilities – interest rate swaps (effective hedges)	8,180	4,417
	12,765	11,939

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 30 September 2009 the Group company Jelfa S.A. had an interest rate swap agreement in place with a notional amount outstanding of EUR 58,581 thousand (LTL 203,984 thousand) (as at 31 December 2008 EUR 67,908 thousand (LTL 236,095 thousand)) whereby the Group receives a variable rate equal to 3-month EURWIBOR and pays a fixed rate of 5.25%. The swap is being used to hedge the exposure to the changes in the variable interest rate of Jelfa S.A. loan to Bank Polska Kasa Opieki S.A. and Bank Zachodni WBK S.A.

The cash flow hedges of the expected loans repayments were assessed to be highly effective and a net unrealised loss of LTL 12,765 thousand with deferred tax assets of LTL 2,425 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 10,340 thousand deferred in equity untill 30 September 2009 is expected to be released to the consolidated income statement in period between November 2009 through August 2011 on a quarterly basis when loans repayments are due.

13. Loans

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

During the period ended 30 September 2009 the Company has received EUR 2,550 thousand (LTL 8,805 thousand) loans from its subsidiary Jelfa S.A. with a fixed 6.01% – 6.5% interest rate and maturity date 31 December 2009.

In July Jelfa S.A. overdrafts from banks Bank Polska Kasa Opieki S.A. and Bank Zachodni WBK S.A. in principal amount of PLN 10,000 thousand each were prolonged till 28 May 2010 with the interest rate of 1-month WIBOR+2.5%.

(all amounts are in thousand LTL unless otherwise stated)

13. Loans (cont'd)

On 13 July, 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.

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

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

14. Related party transactions

In the 9 months of 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);
- Hoechst-Biotika, spol. s.r.o. (the subsidiary of the Company);
- Jelfa S.A. (the subsidiary of the Company);
- Acena, UAB (the affiliate of Invalda, AB);
- Baltic Amadeus Infrastrukturos Paslaugos, UAB (the affiliate of Invalda, AB);
- Finasta Imoniu Finansai, AB (the affiliate of Invalda, AB);
- Finansu Spektro Investicija, UAB (the affiliate of Invalda, AB)
- FMI Finasta, AB (the affiliate of Invalda, AB);
- Invalda Nekilnojamojo Turto Valdymas, UAB (the affiliate of Invalda, AB);
- Laikinosios Sostines Projektai, UAB (the affiliate of Invalda, AB).

The Group's and the Company's transactions with related parties in the period ended 30 September 2009 and related balances as at 30 September 2009 were as follows:

	Notes	Sales to related parties	Purchases from related parties	Amounts owed by related parties	Amounts owed to related parties
The Company's transactions					
Hoechst-Biotika, spol.s.r.o	a)	220	4,028	-	14,187
Jelfa S.A.	b)	721	1,986	-	34,170
The Company's and the Group's transactions					
Invalda, AB		-	388	-	8,366
Amber Trust II		-	115	-	2,473
Acena, UAB		-	22	-	-
Finasta Imoniu Finansai, AB		-	1	-	-
Baltic Amadeus Infrastrukturos Paslaugos, UAB		-	18	-	-
FMI Finasta, AB		-	19	-	-
J. Bielinis		-	8	-	176
A. Dirvonas		-	13	-	276
D. Jazukevicius		-	8	-	166
N. Nauseda		-	6	-	132
T. Nauseda		-	8	-	177
D. Sulnis		-	6	-	131
A. Tuma		-	9	-	202
D. Zaromskis		-	13	-	276

(all amounts are in thousand LTL unless otherwise stated)

14. Related party transactions (cont'd)

The Group's and the Company's transactions with related parties in the period ended 30 September 2008 and related balances as at 30 September 2008 were as follows:

	Notes	Sales to related parties	Purchases from related parties	Amounts owed by related parties	Amounts owed to related parties
The Company's transactions					
Hoechst-Biotika, spol.s.r.o	a)	40	5,771	-	9,056
Jelfa S.A.	b)	653	1,075	-	8,676
The Company's and the Group's transactions					
FMI Finasta, AB		-	18	-	4
Finasta Imoniu Finansai, AB		-	37	-	-
Acena, UAB		-	65	-	-
Finansu Spektro Investicija, UAB		8		-	-
Baltic Amadeus Infrastrukturos Paslaugos, UAB		-	87	-	80
Invalda Nekilnojamojo Turto Valdymas, UAB		-	185	-	6
Laikinosios Sostines Projektai, UAB	c)	-	810	-	-
The Group's transactions					
Baltic Amadeus Infrastrukturos Paslaugos, UAB		-	77	-	-

a) In October 2005, Hoechst-Biotika spol. s.r.o. provided a loan to the Company amounting to EUR 5,000 thousand. The outstanding amount of this loan was LTL 4,491 thousand as at 30 September 2009 (as at 30 September 2008 – LTL 4,877 thousand). The interest calculated for the 9 months of 2009 was LTL 112 thousand (for the 9 months of 2008 – LTL 225 thousand). Hoechst-Biotika spol. s.r.o. produces products for the Company. During the 9 months of 2009 the Company purchased products for LTL 3,652 thousand (during the 9 months of 2008 – LTL 5,197 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 30 September 2009 was LTL 23,144 thousand (as at 30 September 2008 – LTL 7,695 thousand). The interest calculated for the 9 months of 2009 was LTL 1,040 thousand (for the 9 months of 2008 – LTL 117 thousand).

c) The Company rented part of the real estate in 2008 from Laikinosios Sostines Projektai, UAB for the operating activities. The rent fee amounted to LTL 810 thousand in the period ended 30 September 2008.

15. Post balance sheet events

37 employees left the Company on the mutual basis agreements in October. The Company signed mutual basis agreements with 19 more employees that will leave the Company until the end of 2009. The amount of LTL 669 thousand was accounted in October 2009 the Company's administrative expenses as compensation for terminated contracts, accruals and related taxes.