Sanitas, AB

UNAUDITED INTERIM CONDENSED CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2010 PREPARED ACCORDING TO INTERNATIONAL FINANCIAL REPORTING STANDARDS, AS ADOPTED BY THE EUROPEAN UNION

CONTENTS

SANITAS, AB

UNAUDITED INTERIM CONDENSED CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2010

Confirmation of Responsible Persons

Following the Article No. 22 of the Law on Securities of the Republic of Lithuania and Rules on Preparation and Submission of Periodic and Additional Information of the Lithuanian Securities Commission, we Saulius Jurgelenas, General Manager of Sanitas, AB and Nerijus Drobavicius, Chief Financial Officer of Sanitas, AB hereby confirm that, to the best of our knowledge, the attached unaudited interim condensed consolidated and separate financial statements for the period ended 31 March 2010, prepared in accordance with IAS 34 Interim Financial Reporting, give a true and fair view of the assets, liabilities, financial position and profit or loss of Sanitas, AB group and Sanitas, AB.

General Manager	Saulius Jurgelenas
Chief Financial Officer	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,
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.

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

Management:

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 - March 2010	January - March 2009	January - March 2010	January - March 2009
Revenue	3	80,235	64,043	3,936	3,432
Cost of sales		(35,840)	(33,844)	(2,427)	(2,945)
Gross profit		**44,395**	**30,199**	**1,509**	**487**
Other income	4	1,137	1,430	1,031	23
Selling and distribution expenses		(19,722)	(17,485)	(812)	(722)
Regulatory affairs expenses		(2,593)	(2,702)	(210)	(281)
Research and development expenses		(588)	(518)	(46)	(130)
Administrative expenses	5	(6,575)	(8,581)	(2,198)	(2,796)
Other expenses		(797)	(695)	(6)	(7)
Operating profit (loss)		**15,257**	**1,648**	**(732)**	**(3,426)**
Finance income	6	9,823	7,058	-	1,171
Finance cost	6	(8,219)	(26,541)	(989)	(1,189)
Profit (loss) before tax		**16,861**	**(17,835)**	**(1,721)**	**(3,444)**
Income tax benefit (expense)	7	(1,613)	4,822	236	672
Net profit (loss)		**15,248**	**(13,013)**	**(1,485)**	**(2,772)**
Other comprehensive income (expenses):					
Exchange differences on translating foreign operation		21,304	(35,417)	-	-
Cash flow hedges		786	(3,169)	-	-
Income tax (expense) relating to components of other comprehensive income		(149)	603	-	-
Other comprehensive income (expenses) for the period, net of tax		**21,941**	**(37,983)**	**-**	**-**
Total comprehensive income (expenses) for the period, net of tax		**37,189**	**(50,996)**	**(1,485)**	**(2,772)**
Basic and diluted earnings (loss) per share (in LTL)		0.49	(0.42)		

The notes on pages 9 to 15 are an integral part of these financial statements.

(all amounts are in thousand LTL unless otherwise stated)

Balance Sheets

	Notes	Group		Company	
		As at 31 March 2010	As at 31 December 2009	As at 31 March 2010	As at 31 December 2009
ASSETS					
Non-current assets					
Property, plant and equipment	8	262,020	258,290	65,336	66,425
Intangible assets	9	311,239	292,831	918	913
Investments in subsidiaries		-	-	334,395	334,395
Other non-current financial assets		22	21	-	-
Deferred tax asset		26,569	27,851	2,671	2,435
Total non-current assets		**599,850**	**578,993**	**403,320**	**404,168**
Current assets					
Inventories		51,924	42,242	7,021	3,359
Prepaid income tax		55	128	-	76
Trade receivables		53,209	61,454	6,786	6,623
Other receivables		3,218	4,689	123	73
Prepayments and deferred expenses		4,348	2,353	369	152
Other current financial assets		809	3,285	-	-
Cash and cash equivalents		6,014	3,417	945	177
Total current assets		**119,577**	**117,568**	**15,244**	**10,460**
Total assets		**719,427**	**696,561**	**418,564**	**414,628**
EQUITY AND LIABILITIES					
Equity					
Share capital		31,106	31,106	31,106	31,106
Share premium		248,086	248,086	248,086	248,086
Legal reserve		3,111	3,111	3,111	3,111
Fair value reserve		(8,025)	(8,662)	-	-
Translation reserve		15,980	(5,324)	-	-
Retained earnings		65,010	49,762	18,240	19,725
Total equity		**355,268**	**318,079**	**300,543**	**302,028**
Non-current liabilities					
Non-current loans	10	166,094	178,075	28,614	30,265
Financial lease obligations		1,366	1,787	175	281
Other non-current financial liabilities		3,388	3,562	-	-
Deferred tax liability		16,568	16,633	-	-
Deferred income from subsidies		14,892	15,098	14,892	15,098
Employee benefit liability		5,033	4,630	-	-
Total non-current liabilities		**207,341**	**219,785**	**43,681**	**45,644**
Current liabilities					
Current portion of non-current loans	10	62,272	61,119	20,434	19,479
Current portion of non-current financial lease obligations		2,692	3,025	491	523
Current loans	10	32,472	36,623	8,466	11,182
Trade payables		31,330	33,047	37,510	29,168
Advances received		526	717	428	97
Income tax payable		802	9	741	-
Other current financial liabilities		6,519	7,131	-	-
Other current liabilities		19,541	16,383	6,270	6,507
Employee benefit liability		499	486	-	-
Provisions		165	157	-	-
Total current liabilities		**156,818**	**158,697**	**74,340**	**66,956**
Total equity and liabilities		**719,427**	**696,561**	**418,564**	**414,628**

The notes on pages 9 to 15 are an integral part of these financial statements.

(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 2008	**31,106**	**248,086**	**3,111**	**(9,672)**	**(6,031)**	**31,918**	**298,518**
Other comprehensive (expenses)	-	-	-	(2,566)	(35,417)	-	(37,983)
Net (loss) for the period	-	-	-	-	-	(13,013)	(13,013)
Total income and expense for the period	**-**	**-**	**-**	**(2,566)**	**(35,417)**	**(13,013)**	**(50,996)**
Balance as at 31 March 2009	**31,106**	**248,086**	**3,111**	**(12,238)**	**(41,448)**	**18,905**	**247,522**
Balance as at 31 December 2009	**31,106**	**248,086**	**3,111**	**(8,662)**	**(5,324)**	**49,762**	**318,079**
Other comprehensive income	-	-	-	637	21,304	-	21,941
Net profit for the period	-	-	-	-	-	15,248	15,248
Total income and expense for the period	**-**	**-**	**-**	**637**	**21,304**	**15,248**	**37,189**
Balance as at 31 March 2010	**31,106**	**248,086**	**3,111**	**(8,025)**	**15,980**	**65,010**	**355,268**

Company	Share capital	Share premium	Legal reserve	Retained earnings	Total
Balance as at 31 December 2008	**31,106**	**248,086**	**3,111**	**20,506**	**302,809**
Net (loss) for the period	-	-	-	(2,772)	(2,772)
Total income and expense for the period	**-**	**-**	**-**	**(2,772)**	**(2,772)**
Balance as at 31 March 2009	**31,106**	**248,086**	**3,111**	**17,734**	**300,037**
Balance as at 31 December 2009	**31,106**	**248,086**	**3,111**	**19,725**	**302,028**
Net (loss) for the year	-	-	-	(1,485)	(1,485)
Total income and expense for the period	**-**	**-**	**-**	**(1,485)**	**(1,485)**
Balance as at 31 March 2010	**31,106**	**248,086**	**3,111**	**18,240**	**300,543**

The notes on pages 9 to 15 are an integral part of these financial statements.

(all amounts are in thousand LTL unless otherwise stated)

Cash Flow Statements

	Group		Company	
	January - March 2010	January - March 2009	January - March 2010	January - March 2009
Cash flows from (to) operating activities				
Profit (loss) before tax	16,861	(17,835)	(1,721)	(3,444)
Adjustments for non-cash items:				
Depreciation and amortisation	8,820	8,148	909	901
Loss from disposal and write-off of non-current assets	198	233	1	7
Change in value of financial instruments	2,617	(5,458)	-	-
Change in allowance and write-off of trade and other receivables	(1,842)	(167)	-	-
Change in allowance and write-off of inventories	566	445	(108)	86
Unrealised foreign currency exchange (gain) loss	(11,294)	24,889	180	(1,172)
Interest expenses	3,391	4,049	705	1,165
Interest (income)	(27)	(22)	-	-
Other non cash items	230	(479)	-	-
	19,520	13,803	(34)	(2,457)
Change in working capital:				
(Increase) in inventories	(7,983)	(4,428)	(3,554)	(1,283)
(Increase) decrease in trade and other receivables and deferred charges	15,738	4,588	(1,359)	2,396
Increase (decrease) in trade and other payables and advances received	(498)	10,125	9,076	(993)
(Decrease) in employee benefits	(111)	(89)	-	-
Income tax (paid)	(90)	(91)	-	-
Net cash generated by (used in) operating activities	**26,576**	**23,908**	**4,129**	**(2,337)**
Cash flows from (to) investing activities				
(Acquisition) of non-current tangible assets	(715)	(2,501)	(67)	(777)
(Acquisition) of non-current intangible assets	(1,205)	(869)	(32)	-
Proceeds from sale of non-current assets	3	34	-	10
(Acquisition) of Laboratorium Farmaceutyczne HOMEOFARM sp. z.o.o., net of cash acquired	-	(2,675)	-	-
Settlement of financial instruments	(1,249)	2,008	-	-
Interest received	27	53	-	-
Net cash (used in) investing activities	**(3,139)**	**(3,950)**	**(99)**	**(767)**
Cash flows from (to) financing activities				
Proceeds from loans	4,172	29,421	5,943	7,737
(Repayments) of loans	(20,955)	(42,318)	(8,639)	(3,635)
(Payment) of finance lease liabilities	(825)	(1,035)	(138)	(315)
Interest (paid)	(3,231)	(4,271)	(427)	(670)
Dividends (paid)	(1)	-	(1)	-
Net cash flows generated by (used in) financing activities	**(20,840)**	**(18,203)**	**(3,262)**	**3,117**
Net increase (decrease) in cash and cash equivalents	**2,597**	**1,755**	**768**	**13**
Net foreign exchange difference	**-**	**727**	**-**	**-**
Cash and cash equivalents at the beginning of the period	**3,417**	**1,966**	**177**	**31**
Cash and cash equivalents at the end of the period	**6,014**	**4,448**	**945**	**44**
Supplemental information of cash flows:				
Property, plant and equipment acquisition financed by finance lease	-	139	-	139

The notes on pages 9 to 15 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 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 March 2010 and 31 December 2009 the shareholders of the Company were:

	31 March 2010		31 December 2009	
	Number of shares held (thousand)	Percentage	Number of shares held (thousand)	Percentage
Invalda, AB	8,254	26.54%	8,254	26.54%
Baltic Pharma Limited	6,315	20.30%	6,315	20.30%
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%	7,273	23.38%
Total	31,106	100.00%	31,106	100.00%

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-March 2010	January-March 2009
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

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

As at 31 March 2010 the number of employees of the Group was 1,351 (as at 31 December 2009 – 1,372). As at 31 March 2010 the number of employees of the Company was 124 (as at 31 December 2009 – 131).

The interim condensed financial statements were approved and signed by the Management on 22 April 2010.

2. Accounting principles

The principal accounting policies adopted in preparing the Group's and the Company's interim condensed financial statements for the period ended 31 March 2010 are as follows:

Basis of preparation

The interim condensed consolidated and separate financial statements for the period ended 31 March 2010 have been prepared in accordance with IAS 34 Interim Financial Reporting.

The interim condensed consolidated and separate 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 2009.

Significant accounting policies

The accounting policies adopted in the preparation of the interim condensed consolidated and separate 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 2009, except for the adoption of new Standards and Interpretations as of 1 January 2010, noted below. The adoption of the following revised and amended standards and interpretations resulted in changes to accounting policies but did not have any impact of the financial position or performance of the Group and the Company.

- *IFRS 1 (revised) "First-time Adoption of IFRS"*

The revised IFRS 1 retains the substance of its previous version but within a changed structure in order to make it easier for the reader to understand and to better accommodate future changes.

- *Amendments to IFRS 2 "Share-based Payment"*

The amendments provide a clear basis to determine the classification of share-based payment awards in both consolidated and separate financial statements. The amendments incorporate into the standard the guidance in IFRIC 8 and IFRIC 11, which are withdrawn. The amendments expand on the guidance given in IFRIC 11 to address plans that were previously not considered in the interpretation. The amendments also clarify the defined terms in the Appendix to the standard.

- *Amendments to IFRS 5 "Non-current Assets Held for Sale and Discontinued Operations"*

The amendments provide the clarification that all of a subsidiary's assets and liabilities are classified as held for sale, even when the entity will retain a non-controlling interest in the subsidiary after the sale. Other amendment clarifies that the disclosures required in respect of non-current assets and disposal groups classified as held for sale or discontinued operations are only those set out in IFRS 5. The disclosure requirements of other IFRSs only apply if specifically required for such non-current assets or discontinued operations.

- *Amendments to IFRS 8 "Operating segments"*

The amendments clarify that segment assets and liabilities need only be reported when those assets and liabilities are included in measures that are used by the chief operating decision maker.

- *Amendments to IAS 1 "Presentation of Financial Statements"*

The amendments allows classification of certain liabilities settled by entity's own equity instruments as non-current.

- *Amendments to IAS 7 "Statement of Cash Flows"*

The amendments explicitly states that only the expenditure that results in recognising an asset can be classified as a cash flow from investing activities.

- *Amendments to IAS 17 "Leases"*

The amendments allow the classification of certain long-term land leases as finance leases under IAS 17 even without transfer of ownership of the land at the end of the lease.

- *Amendments to IAS 36 "Impairment of Assets"*

The amendment clarified that the largest unit permitted for allocating goodwill, acquired in a business combination, is the operating segment as defined in IFRS 8 before aggregation for reporting purposes.

- *Amendments to IAS 38 "Intangible Assets"*

The amendment supplements IAS 38 regarding measurement of fair value of intangible assets acquired in a business combination.

- *Amendments to IAS 39 "Financial Instruments: Recognition and Measurement"*

IAS 39 was amended (i) to include in its scope option contractsthat could result in business combinations, (ii) to clarify the period of reclassifying gains or losses on cash flow hedging instruments from equity to profit or loss for the year and (iii) to state that a prepayment option is closely related to the host contract if upon exercise the borrower reimburses economic loss of the lender.

(all amounts are in thousand LTL unless otherwise stated)

2. Accounting principles (cont'd)

- *Amendments to IFRIC 9 "Reassessment of Embedded Derivatives"*

This amendment states that embedded derivatives in contracts acquired in common control transactions and formation of joint ventures are not within its scope.

- *Amendments to IFRIC 15 "Agreements for the Construction of Real Estate"*

The interpretation clarifies when and how revenue and related expenses from the sale of a real estate unit should be recognised if an agreement between a developer and a buyer is reached before the construction of the real estate is completed. Furthermore, the interpretation provides guidance on how to determine whether an agreement is within the scope of IAS 11 or IAS 18.

- *Amendments to IFRIC 16 "Hedge of a Net Investment in a Foreign Operation"*

The amendment removes the restriction in IFRIC 16 that hedging instruments may not be held by the foreign operation that itself is being hedged.

- *Amendments to IFRIC 17 "Distributions of Non-cash Assets to Owners"*

The interpretation provides guidance on the appropriate accounting treatment when an entity distributes assets other than cash as dividends to its shareholders. The interpretation clarifies when to recognise a liability, how to measure it and the associated assets, and when to derecognise the asset and liability.

- *Amendments to IFRIC 18 "Transfers of Assets from Customers"*

The Interpretation provides guidance on accounting for agreements in which an entity receives from a customer an item of property, plant and equipment that the entity must then use either to connect the customer to a network or to provide the customer with ongoing access to a supply of goods or services (such as a supply of electricity, gas or water).

3. 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.

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 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.

The following tables present revenue and profit information regarding the Group's and Company's operating segments for the period ended 31 March 2010 and 2009, respectively.

Group	**Injectables**		**Tablets**		**Ointments**		**Eye drops, syringe**		**Unallocated**		**Total**	
	1Q 2010	**1Q 2009**	**1Q 2010**	**1Q 2009**	**1Q 2010**	**1Q 2009**	**1Q 2010**	**1Q 2009**	**1Q 2010**	**1Q 2009**	**1Q 2010**	**1Q 2009**
Toll manufacturing sales	7,908	11,219	6,645	6,937	399	409	-	-	6	30	14,958	18,595
Own products sales	8,674	6,781	26,530	19,626	28,724	18,659	78	-	1,271	382	65,277	45,448
Total revenue	16,582	18,000	33,175	26,563	29,123	19,068	78	-	1,277	412	80,235	64,043
Profit (loss) before taxes	5,760	1,024	16,370	1,481	22,064	4,239	(155)	(196)	356	(24,383)	44,395	(17,835)

Company	**Injectables**		**Tablets**		**Ointments**		**Eye drops, syringe**		**Unallocated**		**Total**	
	1Q 2010	**1Q 2009**	**1Q 2010**	**1Q 2009**	**1Q 2010**	**1Q 2009**	**1Q 2010**	**1Q 2009**	**1Q 2010**	**1Q 2009**	**1Q 2010**	**1Q 2009**
Toll manufacturing sales	398	811	-	-	-	-	-	-	-	-	398	811
Own products sales	1,897	1,617	1,109	540	435	464	97	-	-	-	3,538	2,621
Total revenue	2,295	2,428	1,109	540	435	464	97	-	-	-	3,936	3,432
Profit (loss) before taxes	1,173	(2,612)	225	(750)	281	448	(146)	(196)	(23)	(334)	1,510	(3,444)

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

(all amounts are in thousand LTL unless otherwise stated)

3. Segment information (cont'd)

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

There are no significant seasonality fluctuations in the Group's and the Company's operational business.

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 2010 and 2009.

The Group's and Company's revenue from external customers by geographical location for the period ended 31 March 2010 and 2009 detailed below:

	Group						Company					
	Toll manufacturing sales		Own products sales		Total		Toll manufacturing sales		Own products sales		Total	
	1Q 2010	1Q 2009	1Q 2010	1Q 2009	1Q 2010	1Q 2009	1Q 2010	1Q 2009	1Q 2010	1Q 2009	1Q 2010	1Q 2009
Poland	469	756	42,454	25,288	42,923	26,044	-	-	47	68	47	68
Russia	-	-	10,382	9,612	10,382	9,612	-	-	-	-	-	-
Latvia	4,512	6,138	149	61	4,661	6,199	398	811	149	61	547	872
Slovakia	3,418	4,133	1,219	1,029	4,637	5,162	-	-	-	-	-	-
Germany	4,448	6,294	-	-	4,448	6,294	-	-	-	-	-	-
Lithuania	-	131	3,342	2,493	3,342	2,624	-	-	3,342	2,492	3,342	2,492
Ukraine	-	-	2,257	2,033	2,257	2,033	-	-	-	-	-	-
Czech Republic	439	459	1,775	1,574	2,214	2,033	-	-	-	-	-	-
Hungary	1,063	280	861	734	1,924	1,014	-	-	-	-	-	-
Bulgaria	-	-	911	323	911	323	-	-	-	-	-	-
Vietnam	-	-	765	608	765	608	-	-	-	-	-	-
Switzerland	463	108	-	-	463	108	-	-	-	-	-	-
Kazakhstan	-	-	440	359	440	359	-	-	-	-	-	-
Georgia	-	-	336	838	336	838	-	-	-	-	-	-
Belarus	-	-	203	302	203	302	-	-	-	-	-	-
Great Britain	73	135	-	-	73	135	-	-	-	-	-	-
Moldova	-	-	61	40	61	40	-	-	-	-	-	-
Kyrgyzstan	-	-	9	79	9	79	-	-	-	-	-	-
USA	-	161	-	-	-	161	-	-	-	-	-	-
Unallocated	73	-	113	75	186	75	-	-	-	-	-	-
Total	**14,958**	**18,595**	**65,277**	**45,448**	**80,235**	**64,043**	**398**	**811**	**3,538**	**2,621**	**3,936**	**3,432**

<u>Own products sales in Poland market</u>

Sales in Poland recovered in 2010 in comparison to 2009. The Group finished the year 2009 having significantly lower level of inventories in distribution channel compared to the end of 2008. This resulted in natural demand being higher than one year ago and respectively higher sales since the beginning of 2010.

<u>Own products sales in Russia market</u>

Sales in Russian market slightly improved in 2010. The Group was collecting doubtful accounts receivables in the first quarter of 2009, which negatively effected the sales of the first quarter in 2009. As the above mentioned issue was solved in 2009, it had no negative impact on the Group sales in the first quarter of 2010.

<u>Own products sales in Lithuania market</u>

Sales in Lithuania market increased due to greater promotional activities and launches of new products.

4. Other income

The increase in the other income of the Company relates to the management consulting services income accounted for the first quarter of 2010 in the amount of LTL 1,005 thousand. Respective income for full year 2009 was accounted in the fourth quarter of 2009.

(all amounts are in thousand LTL unless otherwise stated)

5. Administrative expenses

The Group's administrative expenses for the period ended 31 March 2010 include LTL 1,842 thousand income of change in allowance and write-offs for trade receivables and other receivables (LTL 167 thousand income for the period ended 31 March 2009) and LTL 566 thousand expenses of inventories change in allowance and write-offs (LTL 445 thousand expenses for the period ended 31 March 2009). LTL 2,017 thousand income of change in allowance of other receivables represents the reversal of the allowance of the receivable of Jelfa S.A. which was recorded before the Company acquired this subsidiary, as Jelfa S.A. recovered the amount. This influenced the significant decrease in the Groups administrative expenses in comparison to the same period last year.

The Company's administrative expenses for the period ended 31 March 2010 include LTL 108 thousand income of inventories change in allowance and write-offs (LTL 86 thousand expenses for the period ended 31 March 2009).

6. Financial activity, net

	Group		Company	
	January - March 2010	January - March 2009	January - March 2010	January - March 2009
Interest income	27	22	-	-
Foreign currency exchange gain, net	8,908	-	-	1,171
Cash income from financial instruments	888	1,578	-	-
Fair value gain from derivatives	-	5,458	-	-
Finance income	9,823	7,058	-	1,171
Interest (expenses)	(3,391)	(4,049)	(705)	(1,165)
Foreign currency exchange (loss), net	-	(22,466)	(180)	-
Fair value (loss) from derivatives	(2,617)	-	-	-
Cash (outflow) for financial instruments	(2,107)	-	-	-
Other financial (expenses)	(104)	(26)	(104)	(24)
Finance cost	(8,219)	(26,541)	(989)	(1,189)

Jelfa S.A. has the loan, denominated in EUR (LTL 180,389 thousand as at 31 March 2010 and LTL 190,650 thousand as at 31 December 2009), which expose the loan balance to PLN/EUR fluctuations. Changing PLN rate (3.8622 PLN/EUR as at 31 March 2010, 4.1082 PLN/EUR as at 31 December 2009, 4.7013 PLN/EUR as at 31 March 2009, 4.17 PLN/EUR as at 31 December 2008) resulted in fluctuations in Group foreign exchange result amounting to gross LTL 11,358 thousand income for the period ended 31 March 2010 and gross LTL 27,083 thousand expenses for the period ended 31 March 2009.

7. Income tax expenses

	Group		Company	
	January - March 2010	January - March 2009	January - March 2010	January - March 2009
Current year income tax	(152)	(18)	-	-
Prior year current income tax correction	-	34	-	-
Deferred tax income (expenses)	(1,461)	4,806	236	672
Income tax (expenses) income charged to the income statement	(1,613)	4,822	236	672

8. Property, plant and equipment

During the period ended 31 March 2010, the Group acquired non-current fixed assets with a cost of LTL 854 thousand (for the period ended 31 March 2009 – LTL 1,659 thousand). Assets with a net book value of LTL 211 thousand were disposed and written off by the Group during the first quarter of 2010 (for the period ended 31 March 2009 – LTL 292 thousand), resulting in a net loss on disposal and write-off of LTL 198 thousand (for the period ended 31 March 2009 net loss of LTL 226 thousand).

During the period ended 31 March 2010, the Company did not acquire non-current fixed assets (for the period ended 31 March 2009 the value of non-current fixed assets additions amounted to LTL 231 thousand). Assets with a net book value of LTL 1 thousand were disposed and written off by the Company during the period ended 31 March 2010 (for the period ended 31 March 2009 – LTL 17 thousand), resulting in a net loss on disposal and write-off of LTL 1 thousand (for the period ended 31 March 2009 – LTL 7 thousand).

(all amounts are in thousand LTL unless otherwise stated)

9. Intangible assets

During the period ended 31 March 2010, the Group acquired non-current intangible assets with a cost of LTL 1,336 thousand (for the period ended 31 March 2009 – LTL 2,134 thousand). Assets with a net book value of LTL 0 thousand were disposed and written of by the Group during the period ended 31 March 2010 (for the period ended 31 March 2009 – LTL 7 thousand), resulting in a net loss on disposal and write-off of LTL 0 thousand (for the period ended 31 March 2009 net loss of LTL 7 thousand).

During the period ended 31 March 2010, the Company acquired non-current intangible assets with a cost of LTL 32 thousand (the Company did not acquire non-current intangible assets for the period ended 31 March 2009). In the first quarter of 2010 the Company written off fully amortised intangible assets (no write offs during the first quarter of 2009).

10. Loans

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.

11. Related party transactions

In the period ended 31 March 2010 and 2009 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);
- Natural persons (the shareholders 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);
- FMI Finasta, AB (the affiliate of Invalda, AB).

The Group's and the Company's transactions with related parties in the period ended 31 March 2010 and related balances as at 31 March 2010 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)	185	610	16	18,591
Jelfa S.A.	b)	917	4,617	94	26,461
Laboratorium Farmaceutyczne Homeofarm sp. z o.o.		-	20	-	20
The Company's and the Group's transactions					
Invalda, AB		-	128	-	8,624
Amber Trust II		-	38	-	2,550
Acena, UAB		-	26	-	-
FMI Finasta, AB		-	12	-	4
Natural persons		-	24	-	1,584

(all amounts are in thousand LTL unless otherwise stated)

11. Related party transactions (cont'd)

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

	Notes	Sales to related parties	Purchases from related parties	Amounts owed by related parties	Amounts owed to related parties
The Company's transactions					
HBM Pharma s.r.o.	a)	-	1,878	-	8,892
Jelfa S.A.	b)	68	477	-	22,626
Laboratorium Farmaceutyczne Homeofarm sp. z o.o.		-	-	5	-
The Company's and the Group's transactions					
Invalda, AB		-	128	-	8,106
Acena, UAB		-	22	-	-
Baltic Amadeus Infrastrukturos Paslaugos, UAB		-	18	-	-
FMI Finasta, AB		-	12	-	5
Natural persons		-	24	-	1,489

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 1,072 thousand as at 31 March 2010 (as at 31 March 2009 – LTL 5,034 thousand). The interest calculated for the first quarter of 2010 was LTL 7 thousand (for the first quarter of 2009 – LTL 44 thousand). HBM Pharma s.r.o. produces products for the Company. During the three months of 2010 the Company purchased products for LTL 529 thousand (during the three months of 2009 – LTL 1,700 thousand).

b) In 2008, 2009 and 2010 Jelfa S.A. provided loans with fixed interest rate to the Company. The outstanding amount of these loans as at 31 March 2010 was LTL 8,466 thousand (as at 31 March 2009 – LTL 21,172 thousand). The interest calculated for the three months of 2010 was LTL 50 thousand (for the three months of 2009 – LTL 293 thousand).