

Sanitas, AB

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



CONTENTS

CONFIRMATION OF RESPONSIBLE PERSONS	4
GENERAL INFORMATION	4
Statements of Comprehensive Income	5
Balance Sheets	7
Statements of Changes in Equity	8
Cash Flow Statements	9
Notes to the Financial Statements	11
1. General information.....	11
2. Accounting principles	12
3. Segment information	13
4. Other income.....	15
5. Selling and distribution expenses.....	15
6. Administrative expenses	15
7. Financial activity, net.....	16
8. Income tax benefit (expenses)	16
9. Property, plant and equipment	16
10. Intangible assets	17
11. Loans	17
12. Related party transactions.....	17



SANITAS, AB

**UNAUDITED INTERIM CONDENSED CONSOLIDATED AND SEPARATE FINANCIAL
STATEMENTS FOR THE PERIOD ENDED 30 SEPTEMBER 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 30 September 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

A blue ink signature of Saulius Jurgelenas.

Saulius Jurgelenas

Chief Financial Officer

A blue ink signature of Nerijus Drobavicius.

Nerijus Drobavicius



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,
LT-46352 Kaunas, Lithuania
Company code 1341 36296

Bankers

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

The financial statements were approved and signed by the management on 27 October 2010.

Management:

A blue ink signature of Mr. Saulius Jurgelenas, written in a cursive style.

Mr. Saulius Jurgelenas
General Manager

A blue ink signature of Mr. Nerijus Drobavicius, written in a cursive style.

Mr. Nerijus Drobavicius
Chief Financial Officer



Statements of Comprehensive Income

	Notes	Group		Company	
		January – September 2010	January – September 2009	January – September 2010	January – September 2009
Revenue	3	256,855	229,695	13,132	11,376
Cost of sales		(115,640)	(113,199)	(7,778)	(9,533)
Gross profit		141,215	116,496	5,354	1,843
Other income	4	2,590	3,610	2,437	375
Selling and distribution expenses	5	(59,165)	(58,356)	(2,629)	(2,084)
Regulatory affairs expenses		(8,154)	(9,930)	(603)	(751)
Research and development expenses		(1,467)	(1,264)	(100)	(258)
Administrative expenses	6	(21,431)	(24,666)	(6,777)	(7,330)
Other expenses		(1,683)	(2,689)	(37)	(281)
Operating profit (loss)		51,905	23,201	(2,355)	(8,486)
Finance income	7	20,754	5,371	3,771	216
Finance costs	7	(19,700)	(25,597)	(2,423)	(3,558)
Profit (loss) before tax		52,959	2,975	(1,007)	(11,828)
Income tax benefit (expense)	8	(6,872)	4,175	445	2,384
Profit (loss) for the period		46,087	7,150	(562)	(9,444)
Other comprehensive income (expense):					
Exchange differences on translating foreign operation		1,888	(3,343)	-	-
Cash flow hedges		4,621	(826)	-	-
Income tax benefit (expense) relating to components of other comprehensive income		(877)	158	-	-
Other comprehensive income (expense) for the period, net of tax		5,632	(4,011)	-	-
Total comprehensive income (expense) for the period, net of tax		51,719	3,139	(562)	(9,444)
Basic and diluted earnings per share (in LTL)		1.48	0.23		

The notes on pages 11 to 18 are an integral part of these financial statements.



Statements of Comprehensive Income (cont'd)

	Group		Company	
	July – September 2010	July – September 2009	July – September 2010	July – September 2009
Revenue	79,579	76,375	4,588	3,865
Cost of sales	(34,014)	(39,639)	(2,646)	(2,935)
Gross profit	45,565	36,736	1,942	930
Other income	352	792	390	100
Selling and distribution expenses	(17,343)	(18,800)	(749)	(696)
Regulatory affairs expenses	(2,636)	(3,364)	(200)	(201)
Research and development expenses	(443)	(506)	(27)	(48)
Administrative expenses	(5,993)	(7,465)	(2,294)	(2,192)
Other expenses	(287)	(455)	(30)	(66)
Operating profit (loss)	19,215	6,938	(968)	(2,173)
Finance income	18,564	1,170	3,712	(568)
Finance costs	(4,984)	(2,589)	(864)	(1,142)
Profit (loss) before tax	32,795	5,519	1,880	(3,883)
Income tax benefit (expense)	(4,016)	(843)	89	800
Profit (loss) for the period	28,779	4,676	1,969	(3,083)
Other comprehensive income (expense):				
Exchange differences on translating foreign operation	5,640	21,672	-	-
Cash flow hedges	1,915	693	-	-
Income tax (expense) relating to components of other comprehensive income	(363)	(132)	-	-
Other comprehensive income for the period, net of tax	7,192	22,233	-	-
Total comprehensive income (expense) for the period, net of tax	35,971	26,909	1,969	(3,083)
Basic and diluted earnings share (in LTL)	0.92	0.15		

The notes on pages 11 to 18 are an integral part of these financial statements.



(all amounts are in thousand LTL unless otherwise stated)

Balance Sheets

	Notes	Group		Company	
		As at 30 September 2010	As at 31 December 2009	As at 30 September 2010	As at 31 December 2009
ASSETS					
Non-current assets					
Property, plant and equipment	9	219,281	258,290	63,489	66,425
Intangible assets	10	303,867	292,831	1,010	913
Investments in subsidiaries		-	-	292,704	334,395
Other non-current financial assets		18	21	-	-
Deferred tax asset		24,237	27,851	2,866	2,435
Total non-current assets		547,403	578,993	360,069	404,168
Current assets					
Inventories		39,300	42,242	4,497	3,359
Prepaid income tax		24	128	-	76
Trade receivables		53,424	61,454	10,758	6,623
Other receivables		3,494	4,689	2,507	73
Prepayments and deferred expenses		4,287	2,353	236	152
Other current financial assets		-	3,285	-	-
Cash and cash equivalents		5,633	3,417	3,651	177
Total current assets		106,162	117,568	21,649	10,460
Total assets		653,565	696,561	381,718	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		(4,918)	(8,662)	-	-
Translation reserve		(3,436)	(5,324)	-	-
Retained earnings		95,849	49,762	19,163	19,725
Total equity		369,798	318,079	301,466	302,028
Non-current liabilities					
Non-current loans	11	134,886	178,075	17,321	30,265
Financial lease obligations		1,942	1,787	94	281
Other non-current financial liabilities		-	3,562	-	-
Deferred tax liability		15,171	16,633	-	-
Deferred income from subsidies		14,480	15,098	14,480	15,098
Employee benefit liability		4,513	4,630	-	-
Total non-current liabilities		170,992	219,785	31,895	45,644
Current liabilities					
Current portion of non-current loans	11	53,783	61,119	10,532	19,479
Current portion of non-current financial lease obligations		1,329	3,025	316	523
Current loans	11	16,297	36,623	-	11,182
Trade payables		17,487	33,047	30,702	29,168
Advances received		138	717	-	97
Income tax payable		1,935	9	676	-
Other current financial liabilities		6,072	7,131	-	-
Other current liabilities		15,086	16,383	6,131	6,507
Employee benefit liability		487	486	-	-
Provisions		161	157	-	-
Total current liabilities		112,775	158,697	48,357	66,956
Total equity and liabilities		653,565	696,561	381,718	414,628

The notes on pages 11 to 18 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)	-	-	-	(668)	(3,343)	-	(4,011)
Net profit for the period	-	-	-	-	-	7,150	7,150
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
Balance as at 31 December 2009	31,106	248,086	3,111	(8,662)	(5,324)	49,762	318,079
Other comprehensive income	-	-	-	3,744	1,888	-	5,632
Net profit for the period	-	-	-	-	-	46,087	46,087
Total comprehensive income for the period	-	-	-	3,744	1,888	46,087	51,719
Balance as at 30 September 2010	31,106	248,086	3,111	(4,918)	(3,436)	95,849	369,798

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	-	-	-	(9,444)	(9,444)
Total comprehensive (expense) for the period	-	-	-	(9,444)	(9,444)
Balance as at 30 September 2009	31,106	248,086	3,111	11,062	293,365
Balance as at 31 December 2009	31,106	248,086	3,111	19,725	302,028
Net (loss) for the period	-	-	-	(562)	(562)
Total comprehensive (expense) for the period	-	-	-	(562)	(562)
Balance as at 30 September 2010	31,106	248,086	3,111	19,163	301,466

The notes on pages 11 to 18 are an integral part of these financial statements.



(all amounts are in thousand LTL unless otherwise stated)

Cash Flow Statements

	Group		Company	
	January – September 2010	January – September 2009	January – September 2010	January – September 2009
Cash flows from (to) operating activities				
Profit (loss) before tax	52,959	2,975	(1,007)	(11,828)
Adjustments for non-cash items:				
Depreciation and amortisation	24,931	25,115	2,670	2,875
Loss (gain) from disposal, write-off and impairment of non-current assets	(59)	486	1	7
(Gain) on HBM Pharma s.r.o. disposal	(14,487)		(3,770)	
Change in value of financial instruments	3,394	4,817	-	-
Change in allowance and write-off of trade and other receivables	(1,716)	330	-	-
Change in allowance and write-off of inventories	1,669	913	112	(103)
Unrealised foreign currency exchange (gain) loss	(3,140)	2,856	109	(207)
Interest expenses	9,653	11,327	1,867	3,440
Interest (income)	(48)	(54)	-	-
Settlement of financial instruments	3,256	-	-	-
Other non cash items	780	(196)	447	-
	77,192	48,569	429	(5,816)
Change in working capital:				
(Increase) decrease in inventories	(7,227)	(5,173)	(1,250)	94
(Increase) decrease in trade and other receivables and deferred charges	133	22,567	(10,975)	(3,592)
Increase in trade and other payables and advances received	4,009	3,995	24,380	11,153
(Decrease) in employee benefits	(459)	(356)	-	-
Income tax (paid) received	(3,900)	438	-	-
Net cash flows from operating activities	69,748	70,040	12,584	1,839
Cash flows from (to) investing activities				
(Acquisition) of non-current tangible assets	(4,711)	(4,774)	(217)	(1,718)
(Acquisition) of non-current intangible assets	(5,033)	(2,720)	(181)	-
Proceeds from sale of non-current assets	123	176	-	10
(Acquisition) of Laboratorium Farmaceutyczne HOMEOFARM sp. z.o.o., net of cash acquired	-	(6,908)	-	-
Settlement of financial instruments	(3,256)	156	-	-
Proceeds from sale of HBM Pharma s.r.o., net of cash disposed	21,812	54	23,007	-
Interest received	48	-	-	-
Net cash flows (to) from investing activities	8,983	(14,016)	22,609	(1,708)

(cont'd on the next page)



(all amounts are in thousand LTL unless otherwise stated)

Cash Flow Statements (cont'd)

	Group		Company	
	January – September 2010	January – September 2009	January – September 2010	January – September 2009
Cash flows from (to) financing activities				
Proceeds from loans	4,335	5,000	5,943	13,106
(Repayments) of loans	(66,889)	(47,863)	(32,171)	(10,592)
(Payment) of finance lease liabilities	(2,332)	(3,013)	(394)	(855)
Interest (paid)	(9,350)	(10,948)	(2,818)	(1,711)
Dividends (paid)	(2,279)	(68)	(2,279)	(68)
Net cash flows (to) financial activities	(76,515)	(56,892)	(31,719)	(120)
Net increase (decrease) in cash and cash equivalents	2,216	(868)	3,474	11
Net foreign exchange difference	-	432	-	-
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	5,633	1,530	3,651	42
Supplemental information of cash flows:				
Property, plant and equipment acquisition financed by finance lease	2,602	619	-	139

The notes on pages 11 to 18 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,
LT-46352 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 2010 and 31 December 2009 the shareholders of the Company were:

	30 September 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	5,461	17.56%	5,312	17.08%
Amber Trust II	4,679	15.04%	3,952	12.70%
Other	6,397	20.56%	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):

Name	Main activities	Country of incorporation	% of equity interest	
			January – September 2010	January – September 2009
Jelfa S.A.	Production and trade of medicines	Poland	100	100
HBM Pharma s.r.o.	Production and trade of medicines	Slovakia	-	100
Laboratorium Farmaceutyczne Homeofarm sp. z.o.o	Production and trade of medicines	Poland	100	-
Sanitas Pharma a.s.	Marketing, sales and regulatory affairs services	Check Republic	100	-

On 17 May 2010 HBM Pharma s.r.o established a new subsidiary Sanitas Pharma a.s. Marketing, sales and regulatory affairs activities located in Bratislava and Prague were separated from HBM Pharma s.r.o. and transferred to newly established subsidiary. On 17 June Sanitas Pharma a.s. was sold to the other Group company Jelfa S.A. These changes were performed due to the fact, that in July HBM Pharma s.r.o. was sold to Latvian company SIA Liplats 2000 (Note 7).

As at 30 September 2010 the number of employees of the Group was 1,095 (as at 31 December 2009 – 1,372). As at 30 September 2010 the number of employees of the Company was 123 (as at 31 December 2009 – 131).

The interim condensed financial statements were approved and signed by the Management on 27 October 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 30 September 2010 are as follows:

Basis of preparation

The interim condensed consolidated and separate financial statements for the period ended 30 September 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 contracts that 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.

- *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.



(all amounts are in thousand LTL unless otherwise stated)

2. Accounting principles (cont'd)

- *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 30 September 2010 and 2009, respectively.

Group	Injectables		Tablets		Ointments		Eye drops, syringe		Unallocated		Total	
	3Q	3Q	3Q	3Q	3Q	3Q	3Q	3Q	3Q	3Q	3Q	3Q
	2010	2009	2010	2009	2010	2009	2010	3Q 2009	2010	2009	2010	2009
Toll manufacturing sales	27,461	34,493	15,059	20,033	564	1,351	-	-	7	93	43,091	55,970
Own products sales	29,755	29,355	80,010	62,947	99,716	78,331	326	26	3,957	3,066	213,764	173,725
Total revenue	57,216	63,848	95,069	82,980	100,280	79,682	326	26	3,964	3,159	256,855	229,695
Profit (loss) before taxes*	397	3,094	6,048	564	46,790	22,078	(1,066)	(447)	790	(22,314)	52,959	2,975
Segment assets	55,435	72,477	111,352	125,674	67,052	66,625	14,003	13,976	405,723	417,809	653,565	696,561
Segment liability	7,315	22,183	10,787	26,167	5,769	8,447	4,970	4,872	254,926	316,813	283,767	378,482

Company	Injectables		Tablets		Ointments		Eye drops, syringe		Unallocated		Total	
	3Q	3Q	3Q	3Q	3Q	3Q	3Q	3Q	3Q	3Q	3Q	3Q
	2010	2009	2010	2009	3Q 2010	2009	2010	2009	2010	2009	2010	2009
Toll manufacturing sales	1,869	1,638	-	-	-	-	-	-	-	-	1,869	1,638
Own products sales	5,501	5,496	4,031	2,849	1,375	1,384	409	9	(53)	-	11,263	9,738
Total revenue	7,370	7,134	4,031	2,849	1,375	1,384	409	9	(53)	-	13,132	11,376
Profit (loss) before taxes*	(2,417)	(3,908)	(1,981)	(2,570)	581	758	(801)	(177)	3,844	(8,333)	(774)	(14,230)
Segment assets	21,506	14,971	20,146	20,574	1,026	755	14,232	14,080	324,808	364,248	381,718	414,628
Segment liability	22,368	8,258	4,823	4,124	1,464	118	5,032	4,964	46,565	95,136	80,252	112,600

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

Revenue reported above represents revenue generated from external customers. There were no intersegment sales in the year 2010 and 2009. 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.



(all amounts are in thousand LTL unless otherwise stated)

3. Segment information (cont'd)

The Group's and Company's revenue from external customers by geographical location for the period ended 30 September 2010 and 2009 detailed below:

	Group						Company					
	Toll manufacturing sales		Own products sales		Total		Toll manufacturing sales		Own products sales		Total	
	3Q 2010	3Q 2009	3Q 2010	3Q 2009	3Q 2010	3Q 2009	3Q 2010	3Q 2009	3Q 2010	3Q 2009	3Q 2010	3Q 2009
Poland	789	2,343	130,108	107,249	130,897	109,592	-	-	149	474	149	474
Russia	-	-	40,040	28,092	40,040	28,092	-	-	-	-	-	-
Latvia	20,808	20,613	533	371	21,341	20,984	1,869	1,638	533	371	2,402	2,009
Slovakia	7,341	11,788	4,014	3,674	11,355	15,462	-	-	-	-	-	-
Lithuania	-	-	10,581	8,893	10,581	8,893	-	-	-	-	-	-
Germany	9,560	17,395	-	-	9,560	17,395	-	-	10,581	8,893	10,581	8,893
Ukraine	-	-	6,999	6,032	6,999	6,032	-	-	-	-	-	-
Czech Republic	1,112	898	5,271	4,830	6,383	5,728	-	-	-	-	-	-
Hungary	1,889	1,353	2,265	2,793	4,154	4,146	-	-	-	-	-	-
Georgia	-	-	4,099	3,710	4,099	3,710	-	-	-	-	-	-
Bulgaria	-	-	2,730	1,930	2,730	1,930	-	-	-	-	-	-
Kazakhstan	-	-	2,135	1,816	2,135	1,816	-	-	-	-	-	-
Vietnam	-	-	2,073	2,300	2,073	2,300	-	-	-	-	-	-
Switzerland	1,177	1,154	-	-	1,177	1,154	-	-	-	-	-	-
Belarus	-	-	1,081	1,262	1,081	1,262	-	-	-	-	-	-
Uzbekistan	-	-	654	167	654	167	-	-	-	-	-	-
Moldova	-	-	426	316	426	316	-	-	-	-	-	-
Great Britain	210	218	-	-	210	218	-	-	-	-	-	-
Kyrgyzstan	-	-	171	174	171	174	-	-	-	-	-	-
USA	-	166	-	-	-	166	-	-	-	-	-	-
Unallocated	205	42	584	116	789	158	-	-	-	-	-	-
Total	43,091	55,970	213,764	173,725	256,855	229,695	1,869	1,638	11,263	9,738	13,132	11,376

Own products sales in Poland market

Sales in Poland continued to grow in 2010 compared to 2009. During 9 months of 2010 sales in this market were 22% higher than one year ago. The same growth rate was reported for 2010 3rd quarter sales compared to same period one year ago. Reduced level of inventories in the distribution channel resulted in decrease of quarterly ex-factory sales fluctuation during 2010.

Own products sales in Russia market

Sales in Russian market went up by 40% during 9 months period in 2010 compared to the same period one year ago. Sales in the 3rd quarter of 2010 grew by 34% compared to the same period one year ago. The growth partially came as a result of changed legislation in Russian market, which introduced new regulations on marking and labelling medicines. The regulation imposed, that medicines corresponding to old requirements had to be imported to Russia before 1st September 2010 in order to be allowed for further distribution. This resulted that distributors were doing some pre-stocking in order to have medicines available after 1st September 2010.

Own products sales in Lithuania market

Lithuania continued to show stable growth in sales and ended 9 month period with 19% year-on-year growth. Third quarter stand-alone showed growth of 18%, representing positive effect of sales force reallocation done earlier this year.

Own products sales in other markets

Other countries showed growth of 12% during 9 month period of 2010. Major growth drivers (ranked by value impact) were Ukraine (1.0 mLTL, 16%), Bulgaria (0.8 mLTL, 41%), Uzbekistan (0.5 mLTL, 199%), Czech Republic (0.4 mLTL, 8%), Georgia (0.4 mLTL, 11%), Kazakhstan (0.4 mLTL 19%). Compared to 3rd quarter 2009 sales grew in all markets except Hungary, Georgia and Vietnam. The Group does not directly promote its sales in the above mentioned countries. In Hungary sales depend on distributors' decision when to stock up. Shipments to Georgia are also usually performed once per quarter. Sales in this market during 3rd quarter 2010 were lower than one year ago, but for 9 months period 2010 were higher than same period one year ago. Sales to Vietnam are coming based on market demand and are not directly influenced by the Group.



(all amounts are in thousand LTL unless otherwise stated)

4. Other income

The increase in the other income of the Company relates to the management consulting services income accounted for the period ended 30 September 2010 in the amount of LTL 2,353 thousand. Respective income for full year 2009 was accounted in the fourth quarter of 2009.

5. Selling and distribution expenses

	Group		Company	
	January – September 2010	January – September 2009	January – September 2010	January – September 2009
Marketing services	(25,630)	(24,361)	(1,108)	(422)
Wages, salaries and social security	(18,360)	(19,793)	(863)	(1,016)
Cars maintenance	(3,872)	(3,694)	(113)	(106)
Amortisation	(2,472)	(2,107)	(6)	(6)
Other expenses related to selling and distribution employees	(1,920)	(1,134)	-	-
Transportation expenses	(1,853)	(2,074)	(3)	(1)
Depreciation	(1,076)	(1,143)	(347)	(320)
Education and meetings	(997)	(1,031)	(4)	(28)
Business trips	(706)	(807)	(26)	(40)
IT and telecommunication costs	(706)	(812)	(24)	(30)
Rent	(561)	(510)	-	-
Taxes (except for social security and income tax)	(489)	(469)	-	-
Office supplies	(355)	(264)	(21)	(1)
Other	(168)	(157)	(114)	(114)
	<u>(59,165)</u>	<u>(58,356)</u>	<u>(2,629)</u>	<u>(2,084)</u>

Selling and distribution expenses increased in comparison to prior year because in 2010 more marketing campaigns were run.

6. Administrative expenses

	Group		Company	
	January – September 2010	January – September 2009	January – September 2010	January – September 2009
Wages, salaries and social security	(11,193)	(11,667)	(3,872)	(4,126)
Amortisation	(1,668)	(1,747)	(11)	(19)
Depreciation	(1,318)	(1,532)	(664)	(735)
Consulting and other similar services	(1,284)	(1,330)	(219)	(197)
Write-off of inventories	(902)	(723)	(2)	82
IT services	(868)	(975)	-	-
Change in allowance for inventories	(767)	(190)	(110)	21
Business trips	(676)	(713)	(328)	(380)
Utilities	(660)	(705)	(311)	(303)
Cars maintenance	(563)	(485)	(84)	(95)
Telecommunication	(310)	(340)	(117)	(130)
Write-off of property, plant and equipment and intangible assets	(244)	(269)	(1)	(1)
Cleaning and waste utilisation	(233)	(298)	(80)	(89)
Office supplies	(231)	(303)	(67)	(56)
Repair and maintenance	(217)	(421)	(77)	(136)
Taxes (except for social security and income tax)	(193)	(184)	(104)	(108)
Rent	(183)	(209)	(76)	(121)
Education and meetings	(112)	(138)	(5)	(23)
Change in Corhydron case related provision	3	-	-	-
Change in impairment of non-current assets	281	(8)	-	-
Change in allowance for trade and other receivables	1,716	(220)	-	-
Write-off of trade and other receivables	-	1	-	1
Other	(1,809)	(2,210)	(649)	(915)
	<u>(21,431)</u>	<u>(24,666)</u>	<u>(6,777)</u>	<u>(7,330)</u>

**6. Administrative expenses (cont'd)**

LTL 2,011 thousand income of change in allowance for trade and 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.

7. Financial activity, net

	Group		Company	
	January – September 2010	January – September 2009	January – September 2010	January – September 2009
Cash income from financial instruments	2,943	5,297	-	-
Interest income	48	54	1	1
Foreign currency exchange gain, net	3,140	-	-	215
Gain on HBM Pharma s.r.o. disposal	14,487	-	3,770	-
Other financial income	136	20	-	-
	<u>20,754</u>	<u>5,371</u>	<u>3,771</u>	<u>216</u>
Interest (expenses)	(9,653)	(11,327)	(1,867)	(3,440)
Cash outflows for financial instruments	(6,199)	(4,870)	-	-
Fair value (loss) from derivatives	(3,394)	(4,817)	-	-
Foreign currency exchange (loss), net	-	(3,428)	(109)	-
Other financial (expenses)	(454)	(1,155)	(447)	(118)
	<u>(19,700)</u>	<u>(25,597)</u>	<u>(2,423)</u>	<u>(3,558)</u>

On 8 July the Company sold 100% of HBM Pharma s.r.o. shares. Gain on the subsidiary disposal amounted to LTL 14,487 thousand in the Group and LTL 3,770 thousand in the Company.

8. Income tax benefit (expenses)

	Group		Company	
	January – September 2010	January – September 2009	January – September 2010	January – September 2009
Current year income tax	(5,342)	(122)	-	-
Prior year current income tax correction	14	53	14	17
Deferred tax income (expenses)	(1,544)	4,244	431	2,367
Income tax (expenses) benefit charged to the profit and loss	<u>(6,872)</u>	<u>4,175</u>	<u>445</u>	<u>2,384</u>

9. Property, plant and equipment

During the nine months ended 30 September 2010, the Group acquired non current fixed assets with a cost of LTL 7,526 thousand (for the period ended 30 September 2009 – LTL 3,542 thousand). Assets with a net book value of LTL 348 thousand were disposed and written off by the Group during the nine months ended 30 September 2010 (for the period ended 30 September 2009 – LTL 655 thousand), resulting in a net loss on disposal and write-off of LTL 222 thousand (for the period ended 30 September 2009 net loss of LTL 479 thousand).

During the nine months ended 30 September 2010, the Company acquired non current fixed assets with a cost of LTL 268 thousand (for the period ended 30 September 2009 – LTL 400 thousand). Assets with a net book value of LTL 0 thousand were disposed and written off by the Company during the nine months ended 30 September 2010 (for the period ended 30 September 2009 – LTL 17 thousand), resulting in a net loss on disposal and write-off of LTL 0 thousand (for the period ended 30 September 2009 – LTL 7 thousand).



10. Intangible assets

During the nine months ended 30 September 2010, the Group acquired non current intangible assets with a cost of LTL 4,352 thousand (for the period ended 30 September 2009 – LTL 2,978 thousand). Assets with a net book value of LTL 0 thousand were disposed and written off by the Group during the nine months ended 30 September 2010 (for the period ended 30 September 2009 – LTL 7 thousand), resulting in a net loss on disposal and write-off of LTL 0 thousand (for the period ended 30 September 2009 net loss of LTL 7 thousand).

During the nine months ended 30 September 2010, the Company acquired non current intangible assets with a cost of LTL 181 thousand (for the period ended 30 September 2009 the Company did not acquire non current intangible assets). Assets with a net book value of LTL 0 thousand were disposed and written off by the Company during the nine months ended 30 September 2010 (for the period ended 30 September 2009 the Company did not write-off or dispose any intangible assets), resulting in a net loss on disposal and write-off of LTL 0 thousand.

11. Loans

In June, the repayment of the Company's loan to Amber Trust II in principal amount of LTL 2,359 was postponed till 31 December 2010.

The Company used proceeds from sale of its subsidiary HBM Pharma s.r.o. to advance repayment of long term loan granted by "Swedbank", AB. Advanced repayment amounted to LTL 10,358 thousand. After the repayment, monthly instalments decreased from EUR 159 thousand to EUR 110 thousand for the remaining loan period.

In September Jelfa S.A. overdrafts from banks Bank Polska Kasa Opieki S.A. and Bank Zachodni WBK S.A. in total amount of PLN 20,000 thousand (PLN 10,000 thousand in each banks) were prolonged till the end of May 2011.

12. Related party transactions

In the first three quarters of 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);
- Citigroup Venture Capital International Jersey Limited (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 ex-subsiary of the Company);
- Jelfa S.A. (the subsidiary of the Company);
- Laboratorium Farmaceutyczne Homeofarm sp. z o.o. (the subsidiary of the Company);
- Sanitas Pharma a.s. (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 ex-affiliate of Invalda, AB);
- FMI Finasta, AB (the ex-affiliate of Invalda, AB);

The Group's and the Company's transactions with related parties in the period ended 30 September 2010 and related balances as at 30 September 2010 were as follows:

	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.	322	1,000	-	-
Jelfa S.A.	2,180	2,307	945	28,245
Laboratorium Farmaceutyczne Homeofarm sp. z o.o.	-	19	-	17
Sanitas Pharma a.s.	-	32	104	32
The Company's and the Group's transactions				
Amber Trust II	-	97	-	1,193
Citigroup Venture Capital International Jersey Limited	-	340	-	1,613
Invalda, AB	-	318	-	4,086
Natural persons	-	59	-	678
Acena, UAB	-	32	-	-
Baltic Amadeus Infrastrukturos Paslaugos, UAB	-	1	-	-

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

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:

	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.	220	4,028	-	14,187
Jelfa S.A.	721	1,986	-	34,170
The Company's and the Group's transactions				
Amber Trust II	-	115	-	2,473
Citigroup Venture Capital International Jersey Limited	-	-	-	3,187
Invalda, AB	-	388	-	8,366
Natural persons	-	71	-	1,536
Acena, UAB	-	22	-	-
Baltic Amadeus Infrastrukturos Paslaugos, UAB	-	18	-	-
Finasta Imoniu Finansai, AB	-	1	-	1
FMI Finasta, AB	-	19	-	-