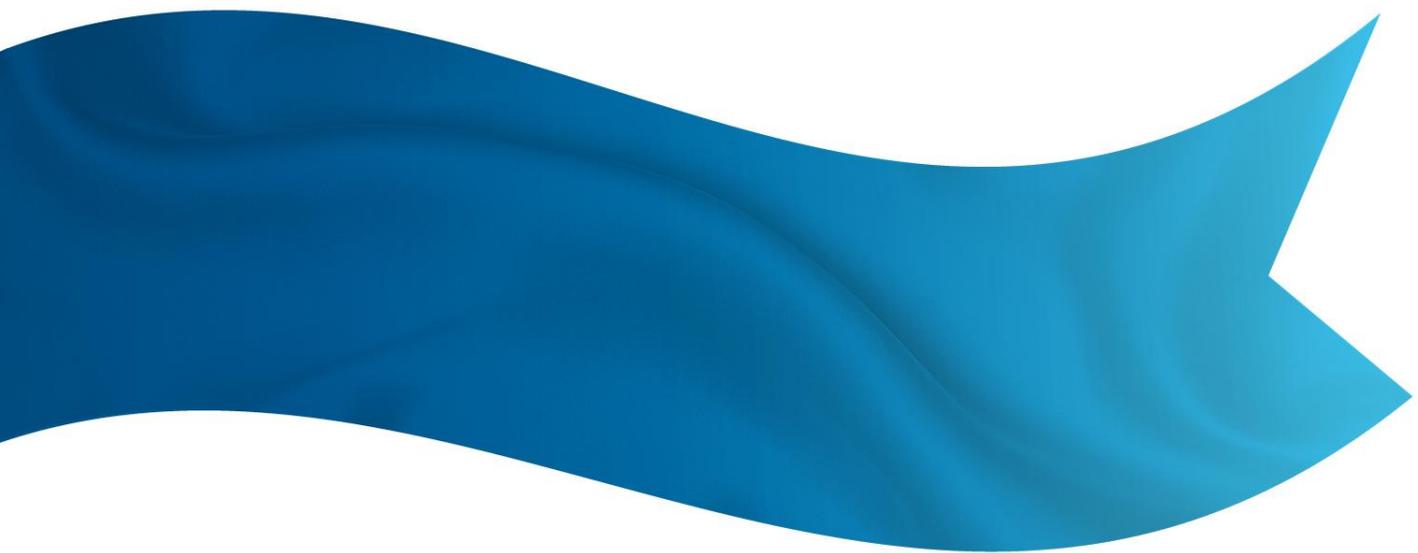


SANITAS GROUP

PUBLIC LIMITED LIABILITY COMPANY „SANITAS“

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



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Public limited liability company „SANITAS“
UNAUDITED INTERIM CONDENSED CONSOLIDATED AND SEPARATE
FINANCIAL STATEMENT FOR THE PERIOD ENDED 31 DECEMBER 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 public limited liability company „SANITAS“ (hereinafter SANITAS) and Nerijus Drobavicius, Chief Financial Officer of SANITAS hereby confirm that, to the best of our knowledge, the attached unaudited interim condensed consolidated and separate financial statements for the period ended 31 December 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 group and SANITAS.

General Manager

Saulius Jurgelenas

Chief Financial Officer

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 Takarekpenzta 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 1 February 2011.

Management:



Mr. Saulius Jurgelenas
General Manager



Mr. Nerijus Drobavicius
Chief Financial Officer

Statements of Comprehensive Income

	Notes	Group		Company	
		January – December 2010	January – December 2009	January – December 2010	January – December 2009
Revenue	3	339,372	322,749	18,791	16,117
Cost of sales		(149,425)	(153,962)	(11,308)	(12,705)
Gross profit		189,947	168,787	7,483	3,412
Other income	4	3,603	4,981	3,619	15,445
Selling and distribution expenses	5	(82,310)	(80,455)	(3,541)	(2,923)
Regulatory affairs expenses		(11,227)	(11,106)	(851)	(946)
Research and development expenses		(1,958)	(1,901)	(126)	(308)
Administrative expenses	6	(29,292)	(35,954)	(9,408)	(10,383)
Other expenses		(2,459)	(3,729)	(55)	(293)
Operating profit (loss)		66,304	40,623	(2,879)	4,004
Finance income	7	20,984	7,835	3,771	148
Finance costs	7	(24,289)	(30,705)	(2,777)	(4,591)
Profit (loss) before tax		62,999	17,753	(1,885)	(439)
Income tax benefit (expense)	8	(9,685)	91	44	(342)
Profit (loss) for the period		53,314	17,844	(1,841)	(781)
Other comprehensive income (expense):					
Exchange differences on translating foreign operation		1,954	707	-	-
Cash flow hedges		6,302	1,246	-	-
Income tax (expense) relating to components of other comprehensive income		(1,197)	(236)	-	-
Other comprehensive income for the period, net of tax		7,059	1,717	-	-
Total comprehensive income (expense) for the period, net of tax		60,373	19,561	(1,841)	(781)
Basic and diluted earnings per share (in LTL)		1.71	0.57	-	-

The notes on pages 12 to 21 are an integral part of these financial statements.

Statements of Comprehensive Income (cont'd)

	Group		Company	
	September – December 2010	September – December 2009	September – December 2010	September – December 2009
Revenue	82,517	93,054	5,659	4,741
Cost of sales	(33,785)	(40,763)	(3,530)	(3,172)
Gross profit	48,732	52,291	2,129	1,569
Other income	1,013	1,371	1,182	15,070
Selling and distribution expenses	(23,145)	(22,099)	(912)	(839)
Regulatory affairs expenses	(3,073)	(1,176)	(248)	(195)
Research and development expenses	(491)	(637)	(26)	(50)
Administrative expenses	(7,861)	(11,288)	(2,631)	(3,053)
Other expenses	(776)	(1,040)	(18)	(12)
Operating profit (loss)	14,399	17,422	(524)	12,490
Finance income	230	2,464	-	(68)
Finance costs	(4,589)	(5,108)	(354)	(1,033)
Profit (loss) before tax	10,040	14,778	(878)	11,389
Income tax (expense)	(2,813)	(4,084)	(401)	(2,726)
Profit (loss) for the period	7,227	10,694	(1,279)	8,663
Other comprehensive income (expense):				
Exchange differences on translating foreign operation	66	4,050	-	-
Cash flow hedges	1,681	2,072	-	-
Income tax (expense) relating to components of other comprehensive income	(320)	(394)	-	-
Other comprehensive income for the period, net of tax	1,427	5,728	-	-
Total comprehensive income (expense) for the period, net of tax	8,654	16,422	(1,279)	8,663
Basic and diluted earnings share (in LTL)	0.23	0.34	-	-

The notes on pages 12 to 21 are an integral part of these financial statements.

Balance Sheets

	Notes	Group		Company	
		As at 31 December 2010	As at 31 December 2009	As at 31 December 2010	As at 31 December 2009
ASSETS					
Non-current assets					
Property, plant and equipment	9	215,249	258,290	62,434	66,425
Intangible assets	10	304,199	292,831	1,425	913
Investments in subsidiaries		-	-	292,704	334,395
Other non-current financial assets		17	21	-	-
Deferred tax asset		23,548	27,851	2,726	2,435
Total non-current assets		543,013	578,993	359,289	404,168
Current assets					
Inventories		35,609	42,242	5,149	3,359
Prepaid income tax		170	128	-	76
Trade receivables		55,372	61,454	9,613	6,623
Other receivables		2,492	4,689	2,219	73
Prepayments and deferred expenses		2,230	2,353	226	152
Other current financial assets		-	3,285	-	-
Cash and cash equivalents		2,475	3,417	119	177
Total current assets		98,348	117,568	17,326	10,460
Total assets		641,361	696,561	376,615	414,628

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Balance Sheets (cont'd)

	Notes	Group		Company	
		As at 31 December 2010	As at 31 December 2009	As at 31 December 2010	As at 31 December 2009
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		(3,557)	(8,662)	-	-
Translation reserve		(3,370)	(5,324)	-	-
Retained earnings		103,076	49,762	17,884	19,725
Total equity		378,452	318,079	300,187	302,028
Non-current liabilities					
Non-current loans	11	106,252	178,075	-	30,265
Financial lease obligations		2,119	1,787	57	281
Other non-current financial liabilities		-	3,562	-	-
Deferred tax liability		15,339	16,633	258	-
Deferred income from subsidies		14,274	15,098	14,274	15,098
Employee benefit liability		4,139	4,630	-	-
Total non-current liabilities		142,123	219,785	14,589	45,644
Current liabilities					
Current portion of non-current loans	11	65,049	61,119	22,029	19,479
Current portion of non-current financial lease obligations		1,254	3,025	223	523
Current loans	11	17,171	36,623	-	11,182
Trade payables		18,441	33,047	36,288	29,168
Advances received		255	717	2	97
Income tax payable		742	9	-	-
Other current financial liabilities		4,391	7,131	-	-
Other current liabilities		12,830	16,383	3,297	6,507
Employee benefit liability		467	486	-	-
Provisions		186	157	-	-
Total current liabilities		120,786	158,697	61,839	66,956
Total equity and liabilities		641,361	696,561	376,615	414,628

The notes on pages 12 to 21 are an integral part of these financial statements.

Statements of Changes in Equity

Group	Share capital	Share premium	Legal reserve	Fair value reserve	Translation reserve	Retained earnings	Total
Balance as at 31 December 2008	31,106	248,086	3,111	(9,672)	(6,031)	31,918	298,518
Other comprehensive income	-	-	-	1,010	707	-	1,717
Net profit for the period	-	-	-	-	-	17,844	17,844
Total comprehensive income for the period	-	-	-	1,010	707	17,844	19,561
Balance as at 31 December 2009	31,106	248,086	3,111	(8,662)	(5,324)	49,762	318,079
Other comprehensive income	-	-	-	5,105	1,954	-	7,059
Net profit for the period	-	-	-	-	-	53,314	53,314
Total comprehensive income for the period	-	-	-	5,105	1,954	53,314	60,373
Balance as at 31 December 2010	31,106	248,086	3,111	(3,557)	(3,370)	103,076	378,452

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	-	-	-	(781)	(781)
Total comprehensive (expense) for the period	-	-	-	(781)	(781)
Balance as at 31 December 2009	31,106	248,086	3,111	19,725	302,028
Net (loss) for the period	-	-	-	(1,841)	(1,841)
Total comprehensive (expense) for the period	-	-	-	(1,841)	(1,841)
Balance as at 31 December 2010	31,106	248,086	3,111	17,884	300,187

The notes on pages 12 to 21 are an integral part of these financial statements.

Cash Flow Statements

	Group		Company	
	January – December 2010	January – December 2009	January – December 2010	January – December 2009
Cash flows from (to) operating activities				
Profit (loss) before tax	62,999	17,753	(1,885)	(439)
Adjustments for non-cash items:				
Depreciation and amortisation	32,417	33,693	3,555	3,814
Loss (gain) from disposal, write-off and impairment of non-current assets	(65)	341	3	11
(Gain) on HBM Pharma s.r.o. disposal	(14,487)	-	(3,770)	-
Change in value of financial instruments	3,402	7,404	-	-
Change in allowance and write-off of trade and other receivables	(1,738)	180	-	(84)
Change in allowance and write-off of inventories	2,573	2,575	35	28
Unrealised foreign currency exchange (gain) loss	(3,392)	(4,884)	91	(147)
Interest expenses	12,809	14,941	2,518	4,377
Interest (income)	(19)	(42)	-	-
Settlement of financial instruments	4,950	-	-	-
Other non cash items	504	93	168	-
	99,953	72,054	715	7,560
Change in working capital:				
(Increase) decrease in inventories	(4,452)	(1,787)	(1,825)	1,028
(Increase) decrease in trade and other receivables and deferred charges	695	18,069	(9,532)	(17,432)
Increase in trade and other payables and advances received	4,399	3,225	28,589	14,725
(Decrease) in employee benefits	(634)	(604)	-	-
Income tax (paid) received	(7,404)	201	(728)	-
Net cash flows from operating activities	92,557	91,158	17,219	5,881
Cash flows from (to) investing activities				
(Acquisition) of non-current tangible assets	(6,251)	(5,127)	(459)	(1,763)
(Acquisition) of non-current intangible assets	(7,063)	(5,012)	(573)	-
Proceeds from sale of non-current assets	140	432	-	19
(Acquisition) of Laboratorium Farmaceutyczne HOMEOFARM sp. z.o.o., net of cash acquired	-	(6,908)	-	-
(Settlement) of financial instruments	(4,950)	(669)	-	-
Proceeds from sale of HBM Pharma s.r.o., net of cash disposed	21,812	-	23,007	-
Interest received	19	42	-	-
Net cash flows (to) from investing activities	3,707	(17,242)	21,975	(1,744)

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Cash Flow Statements (cont'd)

	Group		Company	
	January – December 2010	January – December 2009	January – December 2010	January – December 2009
Cash flows from (to) financing activities				
Proceeds from loans	4,417	8,845	5,943	15,510
(Repayments) of loans	(82,799)	(63,530)	(38,043)	(16,241)
(Payment) of finance lease liabilities	(2,824)	(3,884)	(524)	(991)
Interest (paid)	(12,448)	(14,493)	(3,076)	(2,193)
Dividends (paid)	(3,552)	(76)	(3,552)	(76)
Net cash flows (to) financial activities	(97,206)	(73,138)	(39,252)	(3,991)
Net increase (decrease) in cash and cash equivalents	(942)	778	(58)	146
Net foreign exchange difference	-	673	-	-
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	2,475	3,417	119	177
Supplemental information of cash flows:				
Property, plant and equipment acquisition financed by finance lease	3,196	849	-	139

The notes on pages 12 to 21 are an integral part of these financial statements.

Notes to the Financial Statements

1. General information

Public limited liability company „SANITAS” (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 AB NASDAQ OMX Vilnius.

As at 31 December 2010 and 31 December 2009 the shareholders of the Company were:

	31 December 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	4,003	12.87%	3,952	12.70%
Other	7,073	22.73%	7,273	23.38%
Total	31,106	100.00%	31,106	100.00%

The interim condensed consolidated financial statements include the financial statements of public limited liability company „SANITAS” and the subsidiaries listed in the following table (hereinafter – the Group):

Name	Main activities	Country of incorporation	% of equity interest	
			2010	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	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 31 December 2010 the number of employees of the Group was 1,062 (as at 31 December 2009 – 1,372). As at 31 December 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 1 February 2011.

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 December 2010 are as follows:

Basis of preparation

The interim condensed consolidated and separate financial statements for the period ended 31 December 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.

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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.

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.

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The table below present revenue and profit information regarding the Group's operating segments for the period ended 31 December 2010 and 2009, respectively:

Group	Injectables		Tablets		Ointments		Eye drops, syringe		Unallocated		Total	
	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009
Toll manufacturing sales	32,388	41,494	17,991	27,860	565	1,592	110	-	-	112	51,054	71,058
Own products sales	39,431	40,504	107,799	92,909	133,839	113,544	2,248	45	5,001	4,689	288,318	251,691
Total revenue	71,819	81,998	125,790	120,769	134,404	115,136	2,358	45	5,001	4,801	339,372	322,749
Profit (loss) before taxes*	300	2,478	11,273	700	58,993	40,844	(1,242)	(652)	(6,325)	(25,617)	62,999	17,753
Segment assets	94,094	72,477	195,803	125,674	218,265	66,625	1,152	13,976	132,047	417,809	641,361	696,561
Segment liability	29,577	22,183	10,938	26,167	11,689	8,447	1,609	4,872	209,096	316,813	262,909	378,482

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

The table below present revenue and profit information regarding the Company's operating segments for the period ended 31 December 2010 and 2009, respectively:

Company	Injectables		Tablets		Ointments		Eye drops, syringe		Unallocated		Total	
	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009
Toll manufacturing sales	2,639	1,928	501	-	-	-	110	-	-	-	3,250	1,928
Own products sales	7,492	7,771	5,553	4,537	1,771	1,836	708	45	17	-	15,541	14,189
Total revenue	10,131	9,699	6,054	4,537	1,771	1,836	818	45	17	-	18,791	16,117
Profit (loss) before taxes*	(3,452)	(7,471)	(2,289)	(3,264)	422	773	(1,024)	(652)	4,458	10,175	(1,885)	(439)
Segment assets	19,688	14,971	20,926	20,574	14,194	755	1,403	14,080	320,404	364,248	376,615	414,628
Segment liability	26,639	8,258	5,355	4,124	5,070	118	1,609	4,964	37,755	95,136	76,428	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.

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

	Group					
	Toll manufacturing sales		Own products sales		Total	
	2010	2009	2010	2009	2010	2009
Poland	860	2,979	173,200	150,439	174,060	153,418
Russia	-	-	54,061	47,162	54,061	47,162
Latvia	25,728	22,902	702	482	26,430	23,384
Lithuania	-	-	14,612	13,054	14,612	13,054
Slovakia	7,341	17,530	6,125	5,373	13,466	22,903
Germany	11,743	22,332	-	-	11,743	22,332
Ukraine	-	-	9,973	7,997	9,973	7,997
Czech Republic	1,112	1,174	7,532	6,588	8,644	7,762
Georgia	-	-	5,109	5,443	5,109	5,443
Hungary	1,889	2,179	3,157	3,513	5,046	5,692
Bulgaria	-	-	3,589	3,184	3,589	3,184
Kazakhstan	-	-	3,540	2,682	3,540	2,682
Vietnam	-	-	2,408	2,974	2,408	2,974
Belarus	-	-	1,992	1,618	1,992	1,618
Switzerland	1,737	1,425	-	-	1,737	1,425
Uzbekistan	-	-	917	406	917	406
Moldova	-	-	460	466	460	466
Kyrgyzstan	-	-	314	237	314	237
Great Britain	210	221	-	-	210	221
USA	-	169	-	-	-	169
Unallocated	434	147	627	73	1,061	220
	51,054	71,058	288,318	251,691	339,372	322,749

	Company					
	Toll manufacturing sales		Own products sales		Total	
	2010	2009	2010	2009	2010	2009
Poland	-	-	227	653	227	653
Russia	-	-	-	-	-	-
Latvia	2,639	1,928	702	482	3,341	2,410
Lithuania	-	-	14,612	13,054	14,612	13,054
Germany	611	-	-	-	611	-
	3,250	1,928	15,541	14,189	18,791	16,117

Own products sales in Poland market

Sales in the last quarter of 2010 in Poland remained at similar level to third quarter (LTL 43,092 thousand), while the whole year sales amounted to LTL 173,200 thousand and exceeded the last year sales by LTL 22,761 thousand. Sales increase was influenced by both better stock structure which ensured timely products supply to the market, and new products sales. Sales increased in all categories, but most distinguished were CNS, dermatology and ophthalmology medicines sales increases (by LTL 5,032 thousand, LTL 4,903 thousand and LTL 3,666 thousand respectively). Sales fluctuation between the quarters decreased also due to lower inventories level in distribution channel and thus better inventories turnover.

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Own products sales in Russia market

The Group managed to equalize sales to Russia between the quarters in 2010. The fourth quarter sales reached LTL 14,021 thousand, and full year sales amounted to LTL 54,061 thousand, exceeding the previous year's sales by LTL 6,899 thousand. The fourth quarter sales were slightly lower than the corresponding 2009 quarter due to legislation changes in Russia, as in August 2010 the Group has sold the products which import was not possible after September 1, 2010. Dermatological medicines for hospitals products sales contributed to the 2010 sales growth the most, as their sales increased by LTL 1,899 thousand and LTL 2,886 thousand, respectively.

Own products sales in Lithuania market

The fourth quarter sales in the Lithuanian market increased by 12% compared to the previous quarter, while full year sales amounted to LTL 14,612 thousand, exceeding the previous year's sales by LTL 1,558 thousand. The new products, which were launched in the last 3 years contributed most to the sales growth. Ophthalmology and OTC products sales were increasing the most.

Own products sales in other markets

Sales in the other markets in 2010 amounted to LTL 46,445 thousand and exceeded the previous year's sales by 13%, or LTL 5,409 thousand. The most significant sales growth was in Ukraine (LTL 1,976 thousand) Czech Republic (LTL 944 thousand) and Slovakia (LTL 752 thousand). Dermatological and ophthalmological drug sales showed the fastest growth.

4. Other income

The decrease in the other income of the Company relates to the management consulting services income accounted for the period 2006-2009 in year 2009 in amount of LTL 15,021 thousand, while in 2010 the management consulting services amounted to LTL 3,445 thousand.

5. Selling and distribution expenses

	Group		Company	
	2010	2009	2010	2009
Marketing services	(37,443)	(35,892)	(1,459)	(726)
Wages, salaries and social security	(24,574)	(25,095)	(1,206)	(1,345)
Cars maintenance	(5,142)	(4,923)	(154)	(140)
Amortisation	(3,289)	(2,844)	(7)	(9)
Other expenses related to selling and distribution employees	(2,548)	(1,825)	-	-
Transportation expenses	(2,428)	(2,797)	(5)	(1)
Depreciation	(1,455)	(1,490)	(466)	(425)
Education and meetings	(1,331)	(1,258)	(6)	(33)
Business trips	(1,055)	(1,138)	(39)	(46)
IT and telecommunication costs	(961)	(986)	(32)	(37)
Rent	(765)	(720)	-	-
Taxes (except for social security and income tax)	(666)	(939)	-	-
Office supplies	(477)	(347)	(24)	(5)
Other	(176)	(201)	(143)	(156)
	(82,310)	(80,455)	(3,541)	(2,923)

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

6. Administrative expenses

	Group		Company	
	2010	2009	2010	2009
Wages, salaries and social security	(14,514)	(16,461)	(5,397)	(6,110)
Consulting and other similar services	(2,336)	(2,293)	(340)	(279)
Amortisation	(2,156)	(2,334)	(14)	(23)
Depreciation	(1,658)	(1,988)	(882)	(985)
Write-off of inventories	(1,385)	(1,346)	(11)	107
Change in allowance for inventories	(1,188)	(1,229)	(24)	(135)
IT services	(1,061)	(1,316)	-	-
Business trips	(960)	(962)	(493)	(499)
Utilities	(835)	(974)	(412)	(427)
Cars maintenance	(664)	(689)	(112)	(121)
Telecommunication	(403)	(448)	(165)	(164)
Office supplies	(340)	(378)	(91)	(71)
Repair and maintenance	(306)	(536)	(111)	(160)
Cleaning and waste utilisation	(301)	(385)	(106)	(109)
Taxes (except for social security and income tax)	(258)	(252)	(136)	(144)
Write-off of property, plant and equipment and intangible assets	(247)	(315)	(3)	(1)
Rent	(241)	(280)	(100)	(161)
Education and meetings	(168)	(247)	(21)	(29)
Change in other provision	(24)	-	-	-
Change in Corhydrion case related provision	3	(150)	-	-
Change in impairment of non-current assets	285	(10)	-	-
Change in allowance for trade and other receivables	1,738	(261)	-	-
Write-off of trade and other receivables	-	81	-	84
Other	(2,273)	(3,181)	(990)	(1,156)
	(29,292)	(35,954)	(9,408)	(10,383)

LTL 2,015 thousand income of change in allowance for trade and other receivables in the Group administrative expenses 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	
	2010	2009	2010	2009
Gain on HBM Pharma s.r.o. disposal	14,487	-	3,770	-
Foreign currency exchange gain, net	3,392	1,145	-	147
Cash income from financial instruments	2,950	6,628	-	-
Interest income	19	42	1	1
Other financial income	136	20	-	-
	20,984	7,835	3,771	148

Interest (expenses)	(12,809)	(14,941)	(2,518)	(4,377)
Cash outflows for financial instruments	(7,900)	(7,080)	-	-
Fair value (loss) from derivatives	(3,402)	(7,404)	-	-
Foreign currency exchange (loss), net	-	-	(91)	-
Other financial (expenses)	(178)	(1,280)	(168)	(214)
	(24,289)	(30,705)	(2,777)	(4,591)

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	
	2010	2009	2010	2009
Current year income tax	(7,606)	(204)	-	-
Prior year current income tax correction	11	(655)	11	(722)
Deferred tax income (expenses)	(2,090)	950	33	380
Income tax (expenses) benefit charged to the profit and loss	(9,685)	91	44	(342)

9. Property, plant and equipment

During the period ended 31 December 2010, the Group acquired non-current fixed assets with a cost of LTL 9,125 thousand (for the period ended 31 December 2009 – LTL 4,071 thousand). Assets with a net book value of LTL 360 thousand were disposed and written off by the Group during the year 2010 (for the period ended 31 December 2009 – LTL 727 thousand), resulting in a net loss on disposal and write-off of LTL 218 thousand (for the period ended 31 December 2009 net loss of LTL 300 thousand).

During the period ended 31 December 2010, the Company acquired non-current fixed assets with a cost of LTL 276 thousand (for the period ended 31 December 2009 – LTL 407 thousand). Assets with a net book value of LTL 1 thousand were disposed and written off by the Company during the period ended 31 December 2010 (for the period ended 31 December 2009 – LTL 30 thousand), resulting in a net loss on disposal and write-off of LTL 1 thousand (for the period ended 31 December 2009 – LTL 11 thousand).

10. Intangible assets

During the period ended 31 December 2010, the Group acquired non-current intangible assets with a cost of LTL 6,405 thousand (for the period ended 31 December 2009 – LTL 4,721 thousand). Assets with a net book value of LTL 2 thousand were disposed and written off by the Group during the period ended 31 December 2010 (for the period ended 31 December 2009 – LTL 48 thousand), resulting in a net loss on disposal and write-off of LTL 2 thousand (for the period ended 31 December 2009 net loss of LTL 41 thousand).

During the period ended 31 December 2010, the Company acquired non-current intangible assets with a cost of LTL 627 thousand (in 2009 the Company did not acquire non-current intangible assets). Assets with a net book value of LTL 2 thousand were written off by the Company during the period ended 31 December 2010 (for the period ended 31 December 2009 the Company has written-off fully amortised intangible assets), resulting in a net loss on write-off of LTL 2 thousand.

11. Loans

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.

As at 31 December 2010 the Company did not comply with the financial indebtedness to EBITDA and interest service coverage ratio covenants set in the loan agreement with „Swedbank”, AB, which should be not higher than 4.5 and not be lower than 2.5., respectively. Due to this reason the non-current bank loan in the amount of LTL 16,177 has been presented as current liabilities in the Group's and Company's balance sheet as at 31 December 2010.

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 year 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);
- Informatikos Pasaulis, 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);

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The Group's and the Company's transactions with related parties in the period ended 31 December 2010 and related balances as at 31 December 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	-	-
Jelfa S.A.	3,351	3,842	2,166	33,941
Laboratorium Farmaceutyczne Homeofarm sp. z o.o.	-	19	-	17
Sanitas Pharma a.s.	-	140	-	54
The Company's and the Group's transactions				
Amber Trust II	-	107	-	260
Citigroup Venture Capital International Jersey Limited	-	345	-	345
Invalda, AB	-	351	-	870
Natural persons	-	64	-	126
Acena, UAB	-	32	-	-
Baltic Amadeus Infrastrukturos Paslaugos, UAB	-	1	-	-
Informatikos Pasaulis, UAB	-	1	-	-

The Group's and the Company's transactions with related parties in the period ended 31 December 2009 and related balances as at 31 December 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.	2,747	4,654	-	17,204
Jelfa S.A.	13,396	2,580	-	14,846
Laboratorium Farmaceutyczne Homeofarm sp. Z.o.o	2	-	2	-
The Company's and the Group's transactions				
Amber Trust II	-	153	-	2,512
Citigroup Venture Capital International Jersey Limited	-	-	-	3,187
Invalda, AB	-	519	-	8,497
Natural persons	-	98	-	1,563
Acena, UAB	-	22	-	-
Baltic Amadeus Infrastrukturos Paslaugos, UAB	-	18	-	-
Finasta Imoniu Finansai, AB	-	1	-	-
FMI Finasta, AB	-	24	-	4