ANNUAL REPORT 2009

A&D Pharma

FULLY DEDICATED TO LIFE AND HEALTH

CONTENTS

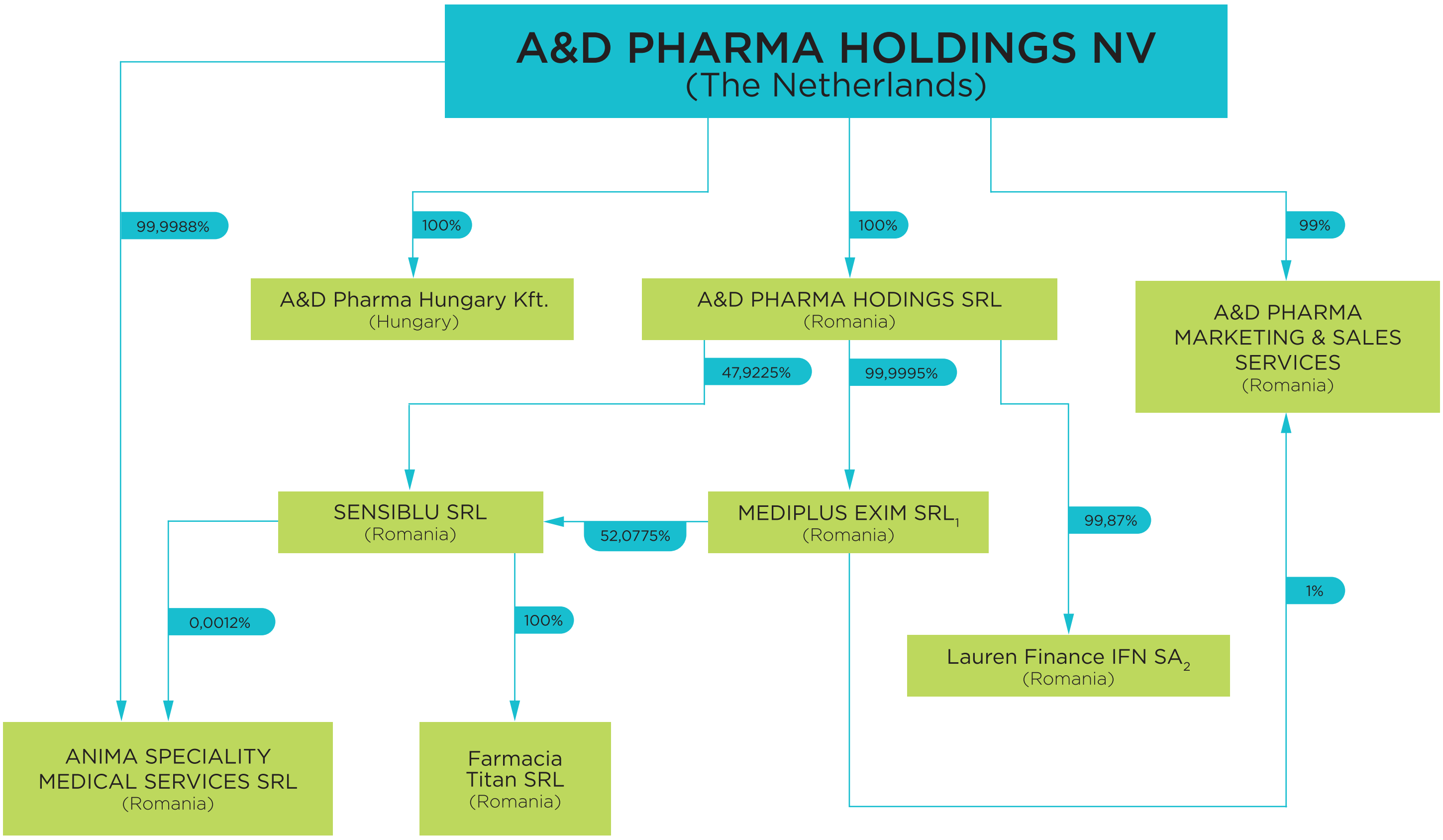
To be a premier pharmaceutical and consumer healthcare service provider in Central & Eastern Europe.

A&D Pharma Holdings N.V. ("A&D Pharma") is the Dutch holding company of A&D Pharma Holdings S.R.L., the largest integrated healthcare and pharmaceutical wholesale and retail business in Romania aiming to offer a complete range of services to strategic partners and pharmaceutical producers across Central & Eastern Europe.

Founded in 1994, A&D Pharma owns Romania's leading pharmaceutical wholesale distributor "Mediplus", and Romania's largest branded chain of pharmacies "Sensiblu". In addition, the Group's "Marketing & Sales" division provides value added services to global healthcare producers across Central & Eastern Europe. The division is in the early stages of expanding its geographic footprint through multiple acquisitions, that were announced on December 18th 2009 and are subject to completion, in Bulgaria, Poland, Hungary, Slovakia and the Czech Republic gaining access to a market with a population exceeding 100 million. Upon completion, it shall act as a "one stop shop" for strategic partners looking to register and commercialize their pharmaceutical and medical products across the region. In 2010, A&D Pharma launched its healthcare division under the brand "Anima Specialty Medical Services", dedicated to providing top medical services and cover for private individual and corporate customers in Romania.

A&D Pharma's shares have been traded in the form of Global Depositary Receipts ("GDRs") on the regulated market of the London Stock Exchange since October 2006 under the symbol "ADPH".

A&D Pharma Group structure chart



[1] The Group founders own the remaining shares
[2] The Group founders own the remaining shares to comply with the requirement under Romanian law that a joint stock company must have at least five shareholders.

1994

- 1st OTC division – Plurifarm

1997

- Full-line wholesaler – Mediplus
- 1st pharmacy – Sensiblu

2000

- Launch of B2B Services

2002

- Sensiblu Foundation

2003

- 50 Sensiblu Pharmacies

2004

- Mediplus – 20% retail market share
- Sensiblu – 100 pharmacies
- Sensiblu Loyalty Card

2005

- First M&A Step for Sensiblu (33 Pharmacies Acquired)

2006

- Sensiblu – More than 200 Outlets
- Wholesale Business established in Republic of Moldova

2007

- Mediplus – National Logistics Centre established in Mogosoaia

2008

- Restructuring of Corporate Structure and decision taken to separate Marketing & Sales into a distinct business line

2009

- Sustained focus on profitability

2010

- Expansion into neighbouring countries initiated through the acquisition of regional Marketing and Sales operations that are currently subject to completion. Upon completion, A&D Pharma will offer value added services in six CEE countries reaching a market with a population exceeding 100 million
- Launch of Anima Specialty Medical Services in Romania

- The leading pharmaceutical wholesale, retail and healthcare business in Romania
- A unique marketing and sales partner for global pharmaceutical producers
- Clear market leader with a successful track record & coherent development strategy
- Achieving higher profitability through a refined and vertically integrated business model and efficient logistical infrastructure
- Strongly positioned to embrace the growth potential in the Central & Eastern European pharmaceutical markets

A&D Pharma

Revenue growth
+18% in RON / +3% in EUR
2008 € 501.5m
2009 € 514.3m

Operating Profit growth
+206% in RON / +166% in EUR
2008 € 13.2m
2009 € 35.1m

Wholesale	Marketing & Sales	Retail
Mediplus	A&D Pharma Marketing&Sales	SENSIblu
Revenue Growth y-o-y	Revenue Growth y-o-y	Revenue Growth y-o-y
+ 16%	**- 57%**	**+ 23%**
2008 € 326.4m*	2008 € 98.6m*	2008 € 154.8m
2009 € 380.0m*	2009 € 42.4m*	2009 € 190.8m
Operating Growth y-o-y	Operating Growth y-o-y	Operating Growth y-o-y
> 100%	**- 66%**	**> 100%**
2008 € 7.1m	2008 € 20.5m	2008 € (4.4)m
2009 € 28.3m	2009 € 6.9m	2009 € 6.9m

* Unconsolidated divisional sales figures include inter-company sales from Mediplus to Sensiblu.

Dear Shareholders,

On behalf of A&D Pharma Holdings NV and its Board of Directors, I would like to take this opportunity to thank you for the support you have given us during 2009. In spite of a difficult operating and regulatory environment last year, A&D Pharma has consolidated its leading position in all segments of the Romanian pharmaceutical market, increased its profitability and has made significant strides towards establishing itself as a premier pharmaceutical and consumer healthcare solution provider in Central and Eastern Europe.

2009 was a tough year for Romania in terms of the impact of the broader global economy on consumer purchasing power and the impact of the regulatory environment on the pharmaceutical industry. However, thanks to the management team's financial discipline and the Company's resilient business model, A&D Pharma has offset the impact of the adverse operating climate on its financial position and results. The Company is in very good shape, in terms of its liquidity, its profitability and in terms of the strength of its balance sheet. From a regulatory perspective, the industry has faced significant hurdles and there are very few signs of that easing in 2010. Late in 2009 the Government introduced new emergency measures designed to increase funds for the Romanian healthcare system, which is running a substantial deficit due to higher than expected sales of prescribed drugs. We therefore expect the regulatory environment to remain extremely challenging for pharmacies and distributors in 2010, but given A&D Pharma's strong position in the market, the Board is confident that this difficult environment will also present new opportunities for market consolidation in Romania, particularly in the wholesale and retail business.

Decisions taken to streamline the Company's Board and Management team facilitated decisive action on growth opportunities in other Central & Eastern Europe regions during 2009 and the Board is very pleased with progress made thus far in the expansion of A&D Pharma's geographic footprint.The announced acquisitions relate to 5 new countries, that are still subject to completion, are expected to transform A&D Pharma into a major Marketing & Sales player in Central and Eastern Europe, and create a perfect platform from which A&D Pharma can act as an efficient one-stop shop for local and international producers who require support in these territories.

Another major step in the process of diversifying A&D Pharma's income stream and creating a true integrated leader is through the creation of Anima, a new healthcare division that provides medical services and cover for private individual and corporate customers. Over time, this division will become a positive contributor to our business and the management team will keep stakeholders appraised of its progress.

I would like to thank all of our directors and senior management team for their efforts and commitment during 2009. Their immense contribution has ensured the execution of our Group strategy and the preservation of the Company's successful track record and sound financial position under very difficult market conditions. We are fully committed to further reinforcing our market leadership during 2010 for the benefit of all our partners, customers, employees, and stakeholders.

Mr. Walid Abboud
Chairman

Dear Shareholders,

2009 was a very significant year for A&D Pharma, particularly in terms of meeting key strategic goals. The Global financial crisis did of course dominate headlines, with the Romanian economy suffering acutely, but broader economic events did not hamper A&D Pharma's pursuit of three key strategic goals: to strengthen A&D Pharma's leading market position in Romania, to optimize the Company's operating profitability and to continue the expansion of our business to other countries outside of Romania.

The Management team is pleased to report that A&D Pharma delivered on all three strategic objectives during 2009. The Company's consolidated sales in RON increased by 18%, our operating profit was up 166% in EUR and, subject to completion, we initiated the expansion of our regional footprint by acquiring pharmaceutical Companies in 5 countries for our Marketing and Sales operation. Our Marketing and Sales business is an important focal point for our expansion strategy as it enables us to introduce our full service offering to pharma producers who are seeking a one-stop shop solution in the region. There are significant opportunities for growth in the Central & Eastern European pharmaceutical markets and A&D Pharma is very strongly positioned to capture this growth potential, thanks to our low level of debt, our access to flexible sources of financing and our coherent development strategy.

Our financial performance during 2009 was therefore excellent and our improved bottom line performance was delivered in spite of unprecedented macro economic and regulatory headwinds. On top of the restructuring measures announced in 2008, the Company has sought to cut costs wherever possible and we have aimed to defend our margins by focusing on profitability. A&D Pharma's wholesale business, Mediplus, saw a 16% increase in revenues to €380.0 million and a very significant increase in operating profit to €28.3 million. The increase in sales was driven by a strong uptake in active clients while margins were increased thanks to the unit's decision to focus on profitability as opposed to fighting for market share.

The Company's Marketing & Sales unit, which also operates under Mediplus, saw a decrease in revenues and operating profit, but this was because the unit's sales and collection activities was transferred to Mediplus's wholesale division. Moving forward, the Marketing & Sales unit will focus on higher margin products and value added services such as merchandising and more sales will be generated by building loyalty and repeat orders from pharmacies. The redevelopment of this business line under Jean-Michel Lespinasse is showing positive signs, existing partnerships with international manufacturers have been consolidated and exciting new partnerships are being introduced with major international manufacturers.

Sensiblu, our retail business, remains focused on growing the sales and profitability of each outlet by offering very high quality services and products and relocating some stores to better locations. Sales revenue for Sensiblu increased by 23% to €190.8 million and the unit has seen a significant shift to profitability by generating an operating profit of €6.9 million. Sensiblu has benefited from a change in pharmacy law which previously imposed a ceiling of pharmaceutical sales per pharmacy.

Anima, our new integrated private healthcare division, will develop over time into another strong business for A&D Pharma. The division will employ some of Romania's leading doctors and healthcare professionals and is being developed to respond to the increasing demand for private medical services and cover in Romania. Expanding into the healthcare arena is a natural step for A&D Pharma, the division will also further diversify our income stream and there will be plenty of opportunities to create significant synergies and cross selling with our other operations.

The Romanian healthcare industry has faced the perfect storm over the past two years and the outlook for the market remains highly uncertain. Broader economic problems in Romania have compounded the State's healthcare budget problems, which is a result of a significant uptake in prescriptions following the elimination of budgetary ceilings imposed at the pharmacy level. This has led to a severe lack of liquidity in the Romanian pharmaceutical market as pharmacies continued to sell prescribed drugs while suffering reimbursement delays. This is having a severe knock-on effect on all wholesalers, distributors and pharmacies. Fortunately, A&D Pharma does have the financial strength to deal with the problem, but the outlook for other players is far less certain. We hope that early stages of growth, post a recessionary environment in the euro zone, will start stimulating Romania's export industries and if this is supported by an increase in consumer and commercial lending by Romanian banks, then we will hopefully start seeing improvements in the Romanian economy during the second half of 2010.

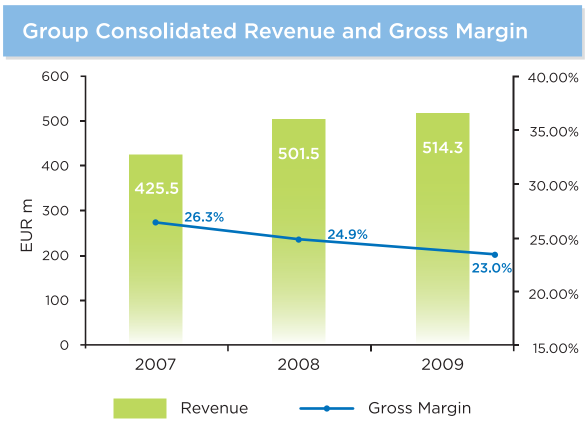
There is strong potential for growth in Romania as the country continues to lag behind other EU countries in several areas. However, we still believe it is possible for Companies such as A&D Pharma to maintain a stable level of financial performance, though at much more conservative projections, by optimising resources and restructuring its operations efficiently. A&D Pharma has proved it is possible to cut costs without compromising plans for growth and the Company is well positioned to benefit from any stress in the market by participating in potential consolidation.

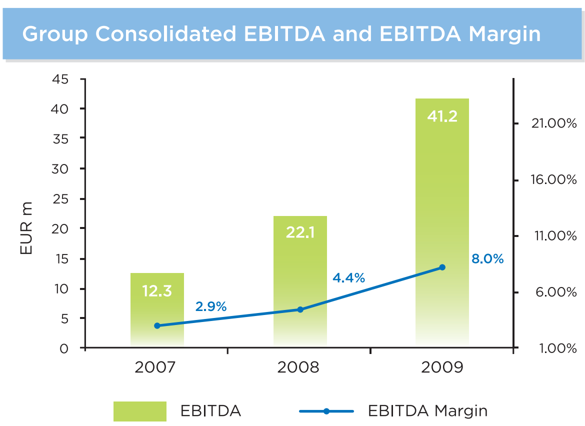
A&D Pharma's diversified offering has contributed significantly to the Company's strong performance in 2009 and while we must remain cautious in the current environment, we are excited about our long term growth prospects. A&D Pharma wishes to be at the forefront of the healthcare industry in Romania and the CEE region, and through innovation we intend to help the region meet its aspiration for the higher quality healthcare its people deserve.

I would like to take this opportunity to express the Management team's deep gratitude to all of our employees for their dedication and support during 2009. It has been an extremely difficult but exciting year, one that we hope to eclipse in 2010.

Robert Popescu
Chief Executive Officer

- RON* denominated consolidated sales up 18% year-on-year to RON 2,179.1 million (2008: RON 1,847.0 million)
- EUR* denominated consolidated sales up 3% year-on-year to €514.3 million (2008: €501.5 million)
- Slight decrease in consolidated gross margin to 23%
- Operating profit up 166% to €35.1 million (2008: €13.2 million)
- Net profit up to €19.0 million, from a negative result of €2.3 million in 2008
- EBITDA[1] up 86% to €41.2 million (€22.1 million in 2008)
- Net Debt[2] position to €61.8 million (2008: €35.4 million)

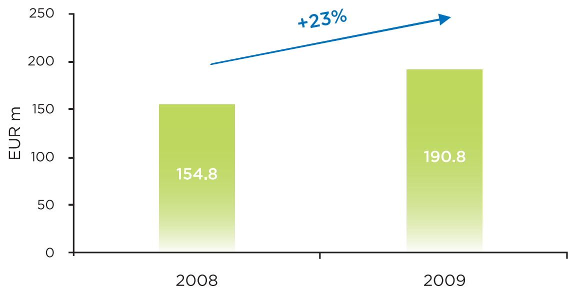




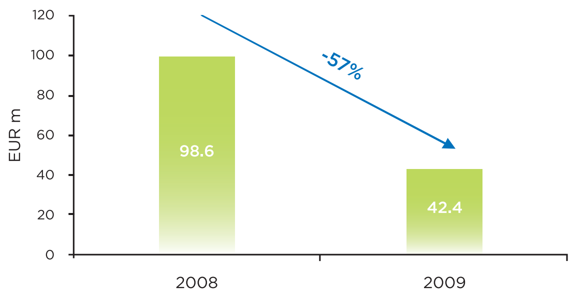
[1] EBITDA is computed as the Result from operating activities to which depreciation and amortization are added back.
[2] Net Debt is composed of long/short term borrowings and finance lease minus cash.

* In order to align the reporting currency with the predominant functional currency of the Group and simplify comparative performance analysis, the Group is reporting consolidated sales both in Romanian Ron and in Euro. The average EUR/RON exchange rate for the full year 2009 was 4.2373 compared to 3.6827 for the full year 2008.

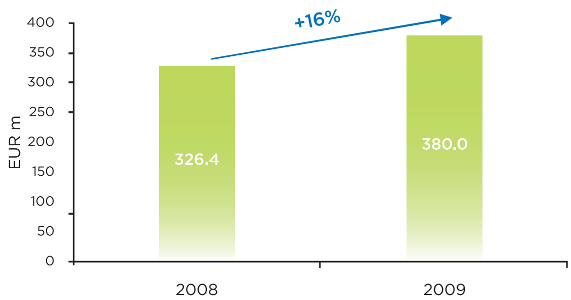
Retail Revenue



Marketing & Sales Revenue



Wholesale Revenue



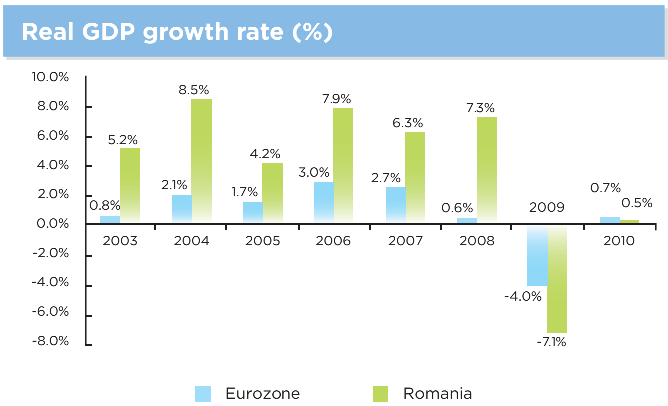
Romanian Market

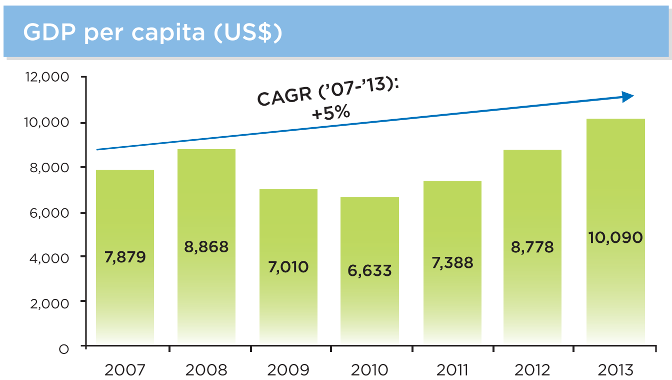
- Romania has been hard hit by the global economic downturn
- GDP down 7.1% year-on-year in 2009 (source: National Institute of Statistics)
- The International Monetary Fund approved a 24-month Stand-By Arrangement of € 12.95 Billion in May 2009 to offset the State deficit
- The political environment remained stable following President Basescu's re-election victory
- 1.5% year-on-year decrease in the pharmaceutical market in EUR PPP (Pharmacy Purchase Prices) to € 1.92 billion in 2009 from € 1.95 billion in 2008 (source: Cegedim)
- Within the European Union, Romania has the 2nd lowest allocation of GDP to healthcare (3.2% for 2010). This explains the double digit growth in the market over the last 5 years, a trend that is expected to continue in the long term
- Main regulatory developments in Romania in 2009:

  - The Ministry of Health decreased prescription prices from April 1, 2009, to keep the carriage and insurance paid (CIP) price at a minimum level. In addition to this, the Romanian Government also imposed a system of fixed exchange rates for medicines imported into Romania in an attempt to stabilise prices amid the currency volatility associated with the financial crisis. This was fixed at 4 Ron to the Euro, lower than the current Ron/Euro exchange rate, therefore transfering the currency exposure to pharmaceutical producers, resulting in price increases for distributors, retailers and end consumers;

- The elimination of budgetary ceilings imposed at the pharmacy level resulted in a significant uptake in prescriptions in 2009 which has created a lack of liquidity in the pharmaceutical market as pharmacies continued to sell reimbursed drugs while suffering delays in reimbursement from the health budget;

- In September 2009, the Government extended the prescription drug reimbursement period from 90 to 180 days (180 days instead of 90 for partially reimbursed prescription drugs and to 90 days instead of 60 for fully reimbursed medicines covered by the national programmes of AIDS, diabetes or cancer combat) to ease the Romanian National Health System's growing deficit problems.

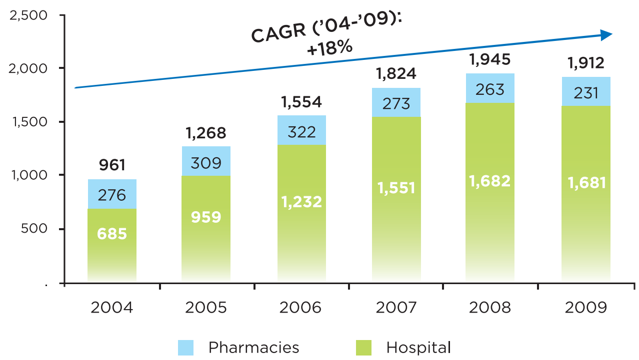




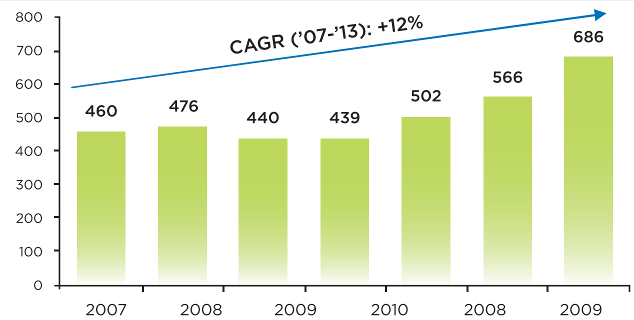
Source: ING, Eurostat Statistical Office of the European Communities, NIS, CEGEDIM, World Healh Organization, BMI

KEY MARKET GROWTH IN ROMANIA AND NEIGHBOURING COUNTRIES

Pharmaceutical market - PPP* price (EURm)



Romanian healthcare spending per capita (US$)



Source: ING, Eurostat Statistical Office of the European Communities, NIS, CEGEDIM, World Healh Organization, BMI
*PPP - Pharmacy purchased price

- Robust financial position thanks to low gearing and growing profitability
- Strong focus on profitable growth, operating synergies and flexibility to take advantage of opportunities available in a competitive and fast changing marketplace
- Reshaped Company leadership to execute and deliver more efficiently
- Initiated acquisition of operations in 5 new countries in Central and Eastern Europe that are subject to completion
- Diversified offering through new strategic partnerships and services
- Creation of new fully integrated healthcare division to provide medical services and cover for private individual and corporate customers

Central & Eastern Europe's premier "one-stop shop" for pharmaceutical manufacturers

- Operated by Mediplus as a separate reporting line, the Marketing & sales business is A&D Pharma's platform for international development and plays a significant role in strengthening A&D Pharma's strategic partnerships with international manufacturers
- A "one-stop shop", the M&S division is focused on providing high-margin, value added services to A&D Pharma's key strategic partners
- Services include marketing, regulatory, public affairs and pharmacovigilence advice and assistance for a wide portfolio of healthcare products for an anticipated 100 million potential customers across Central and Eastern Europe
- In 2009, the division was selected by Bristol-Myers Squibb' OTC division UPSA as its partner of choice in the region to provide value-added services alongside Mediplus's broader distribution services

2009 Developments:

A new business model:

- Appointment of Jean-Michel Lespinasse as the Marketing & Sales' Chief Operating Officer
- Transferred sales and collection to Mediplus's wholesale division
- Focusing on higher margin products and value added services such as merchandising and promotion
- Focusing on generating sales from pharmacies rather than sales to pharmacies to build loyalty and repeat orders
- Extended portfolio of products to prescription drugs, new dermo-cosmetics, niche over-the-counter medicines and non-pharmaceuticals
- Consolidated existing partnerships with international pharmaceutical manufacturers
- Developed new partnerships on regional basis, such as Bristol-Myers Squibb' OTC division UPSA from January 2010
- Preparing to become the Group's platform for international growth and development

Plans for 2010:

- Complete acquisition of companies that expand the A&D Pharma's footprint into 5 new countries (Bulgaria, Poland, Hungary, the Czech Republic and Slovakia), creating a platform for international development and growth with access to a wider consumer
- Roll out existing accounts across newly gained CEE markets
- Develop new relationships on international basis
- Diversify into new areas such as medical devices

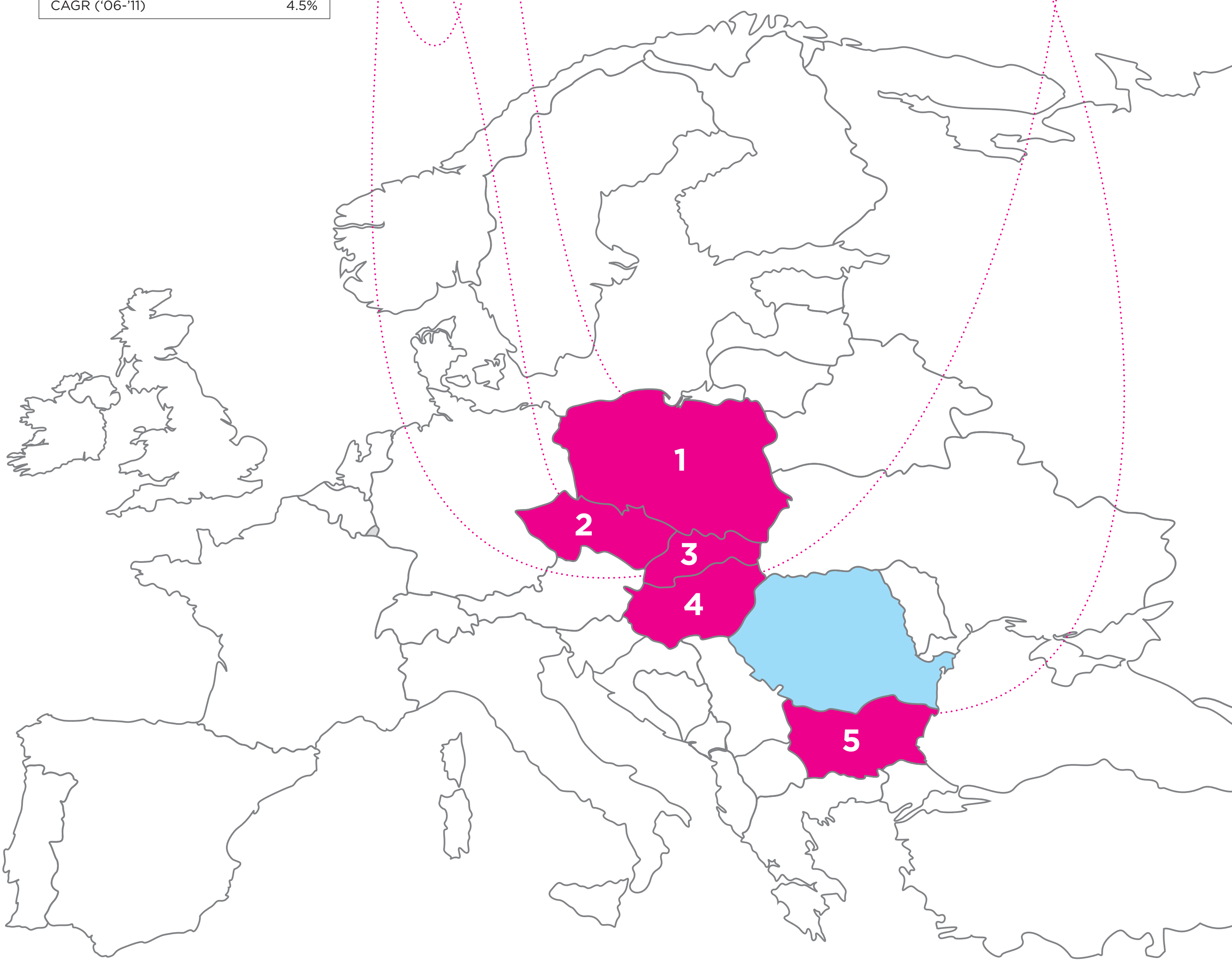
Poland:	1
Population (mn)	38
Market Size (€ bn)	7.4
Per cap spending (€)	194
CAGR ('06-'11)	4.5%

Czech Republic:	2
Population (mn)	10
Market Size (€ bn)	3.0
Per cap spending (€)	256
CAGR ('06-'11)	5.3%

Slovakia:	3
Population (mn)	5
Market Size (€ bn)	1.6
Per cap spending (€)	294
CAGR ('06-'11)	4.5%

Hungary:	4
Population (mn)	10
Market Size (€ bn)	2.5
Per cap spending (€)	220
CAGR ('06-'11)	4.1%

Bulgaria:	5
Population (mn)	8
Market Size (€ bn)	0.8
Per cap spending (€)	129
CAGR ('06-'11)	8.5%



Pharmaceutical market indicators: Per capita spending - drug expanditure
Sources: IMS, UIMB estimates, EPISCOM, Margermarket, Market Intelligence (all figures from 2008)

Romania's number one pharmaceutical distributor

Mediplus is Romania's leading pharmaceutical wholesaler, distributing prescription medicines to pharmacies and hospitals across the country.

- 11 warehouses and a state-of-the-art national logistics centre with a capacity of 18,500 pallets over 28,000 square meters
- Fleet of 170 vehicles
- Portfolio of 8,500 products
- Warehouse in Bucharest with a capacity of 5,400 pallets from wich storage for custody of 4,400 pallets
- Standard delivery times of 3 hours from receipt of orders within warehouse areas
- 24 hour delivery objective achieved on most deliveries
- Up to 3 deliveries per day to all warehouses
- Up to 2 trips per day to all other delivery points
- ISO 9001 standards in force since 2008 with adequate equipment, technology and software to support personnel, including cold chain, transport and storage equipment specific for medical products, SQL platform for order processing and management

2009 Developments:

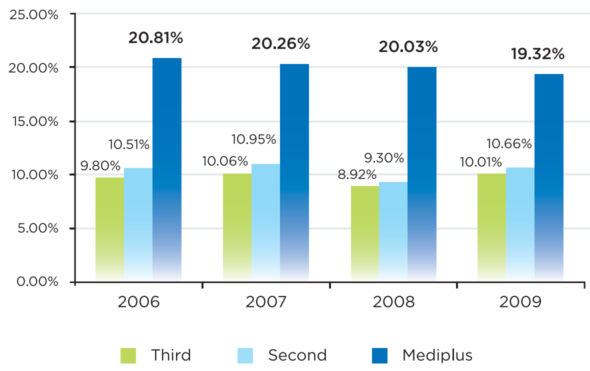
- Defended margins by focusing on profitability before market share in a competitive environment: EBITDA margin of 8.0% in 2009 compared to 3.2% in 2008
- Streamlined logistics processes to maintain same quality of service with less resources
- Increased synergies with retail
- New control systems implemented for sales force to increase productivity (sales force automation)
- Consolidated number of active clients served (including pharmacies, hospitals and other clients) to 4,510 (2008: 4,554)
- 18.9% stable average market share of the total pharmaceutical market (including sales to hospitals) in 2009, compared to 18.8% in 2008 *(Source: Cegedim)*
- Significant increase in average market share of the hospital market from 10.4% in 2008 to 14.7% in 2009
- Expanded Mediplus's product offering in the non-pharmaceutical segment through new partnerships with Abbott, Bioderma and Teva

Plans for 2010:

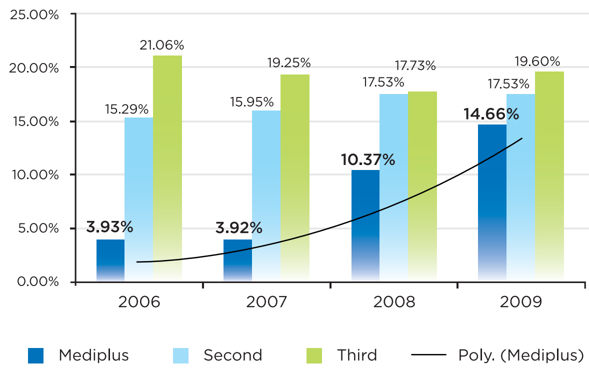
- Continue to improve and widen range of value-added services provided to third party pharmacies
- Consolidate leading position by continually pursuing operational efficiency and improving the Good Distribution Practice
- Capitalising on new market opportunities:
  - by taking on new products, no longer served by other distributors affected by the tough economic conditions
  - by providing good value to new customers in a difficult environment
  - by increasing synergies with other Group divisions

Mediplus Turnover Analysis / Average market share

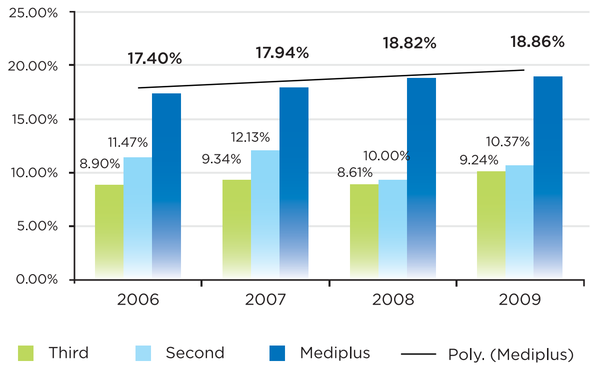
Market share evolution - Retail



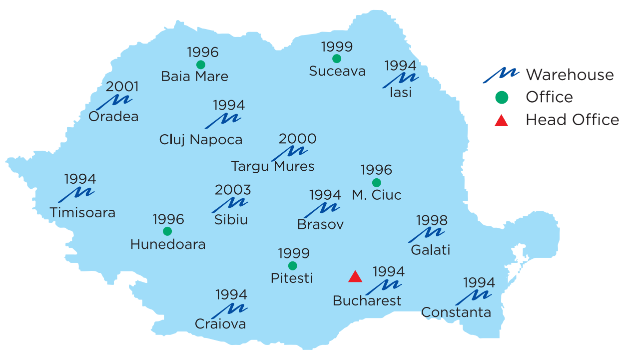
Market share evolution - Hospital



Market share evolution



Nationwide warehouse network



Source: CEGEDIM, Management accounts

Romania's Largest Branded National Pharmacy Chain

- Romania's largest branded pharmacy chain with a total of 225 outlets as of 31 December 2009
- 22% increase in average monthly turnover per location to € 71,000 for 2009 compared to € 58,000 for 2008
- Offering customers an attractive loyalty card discount (5%) and other rewards and services
- Representing high margin generating ranges such as L'Occitane (11 corners, 7 locations), Boots (169 locations) and Oxyance (225 locations)

2009 Developments:

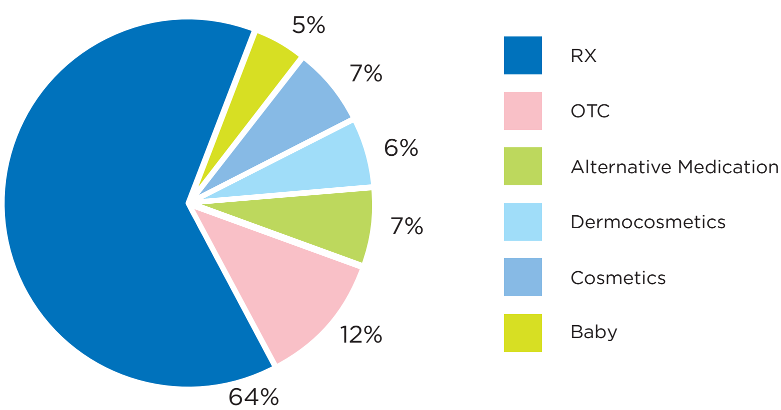
- Focused on growing sales per outlet by offering high quality services and adapting its product portfolio to suit clients' evolving profiles
- Consolidated the existing network and relocated some of its pharmacies into commercial centres and hospitals
- Benefited from the abolition of the pharmacy law which previously imposed a ceiling of pharmaceutical sales per pharmacy
- Experienced increase in prices from suppliers due to the exchange rate imposed by the government on imported medicines
- Continued to develop and promote its own brands
- Optimised operating costs through positive foreign exchange effect and restructuring plan initiated in 2008
- Generated a 6% increase in total number of transactions from 15.2 million transactions in 2008 to 16.1 million transactions for the year ended 31 December 2009
- Average value of non-card transaction increased by 39% year-on-year to € 11.4 in 2009 from € 8.2 in 2008; average value of card transaction decreased by 5% year-on-year to € 12.6 in 2009 from € 13.2 on average in 2008

Plans for 2010:

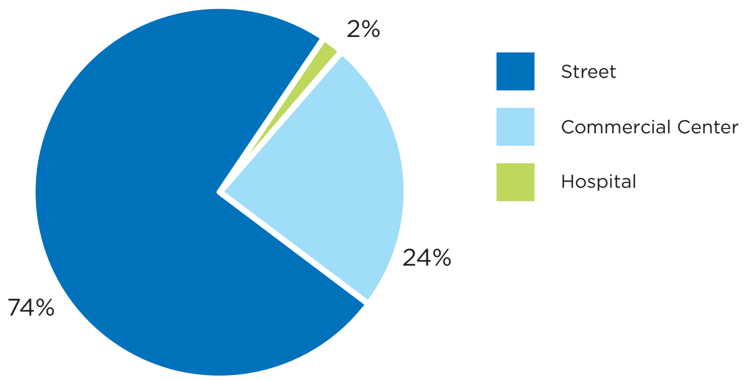
- Maintain focus on profitability per store
- Expand network as opportunities arise
- Continue to improve product portfolio by focusing on non-pharmaceutical sales rather than prescription that are reimbursed by the Government
- Extract benefits of vertical integration and market opportunities seized by Mediplus

Sensiblu Turnover Analysis

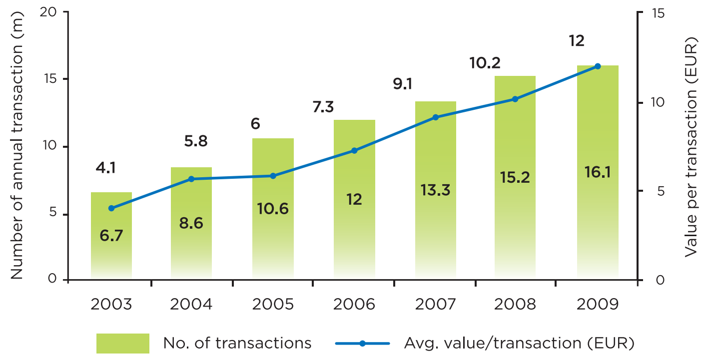
Revenue analysis by product categories



Revenue analysis by type of pharmacy



Growth in number and value of transaction[1]



[1] Based on all transactions, i.e. both card and non-card; Source: A&D Pharma

A new fully integrated healthcare division providing top private medical cover and services in Romania

- Founded in 2010, Anima was launched in partnership with a selected team of leading doctors and healthcare professionals in response to increasing demand for private medical services and cover in Romania
- Anima comes as a natural development to A&D Pharma's established operations: Mediplus, Marketing & Sales and Sensiblu creating an opportunity for strong and complex synergies
- The Group plans to develop a professional network of healthcare services and facilities throughout Romania in the next three years in order to successfully build:
  - Brand recognition
  - Proximity and accessibility
  - Medical expertise
  - State of the art equipment
  - integrated approach and managed care

- The Romanian private medical services market was estimated to be worth around € 700 million in 2009

Macroeconomic outlook in Romania:

- The improvement in the global economic outlook and strong efforts to implement the International Monetary Fund's Stand-By programme in Romania have strengthened confidence and led to a reduction in financial market risks: pressures on the exchange rate have subsided, reserves have grown, CDS spreads have come down and domestic interest rates have steadily fallen (IMF Staff Report for the Second and Third Reviews Under the Stand-By Arrangement, Request for Rephasing and Waiver of Nonobservance of Performance Criterion, February 5, 2010).

- Prospects for economic recovery have therefore improved in 2010 with GDP expected to recover by 1.3% in 2010.

- However, the 2010 budget continues to target a deficit of 5.9% of GDP. As most State arrears are in the health sector, it is expected that the Government will institute a new patient participation fee system with a view to using the revenues to help clear arrears in this sector.

- The recovery is expected to be slow with the combined impact of rising unemployment, deleveraging by households and corporates, and tight credit conditions likely to weigh on domestic demand and on drug consumption (at best at the same level as 2009)

Regulatory outlook in Romania:

- The Romanian Government has not increased the healthcare budget for 2010, despite the strong increase in drug consumption observed in 2009.

- The Romanian regulatory environment will therefore remain very difficult for pharmacies in 2010 and is likely to have a negative knock-on effect on drug consumption as the entire pharmaceutical industry is experiencing long delays in payments from the State.

- The Government is planning to introduce new emergency measures to increase funds for Romania's healthcare system. Among the measures is a claw-back system, whereby pharmaceutical companies whose drugs are reimbursed under the Romanian healthcare system must hold back between 5% and 11% of the revenue they earn from the reimbursement of their drugs for the benefit of the Romanian healthcare system. The size of each producer's contribution is calculated according to how much revenue is derived from the reimbursement of a producer's drugs in Romania. The lower the revenue, the lower that producer will have to pay in claw-back. This applies to prescription medicines sold in pharmacies and hospital medicines. However, at the current date Health Ministry has not released the application norms to the law introducing claw-back system.

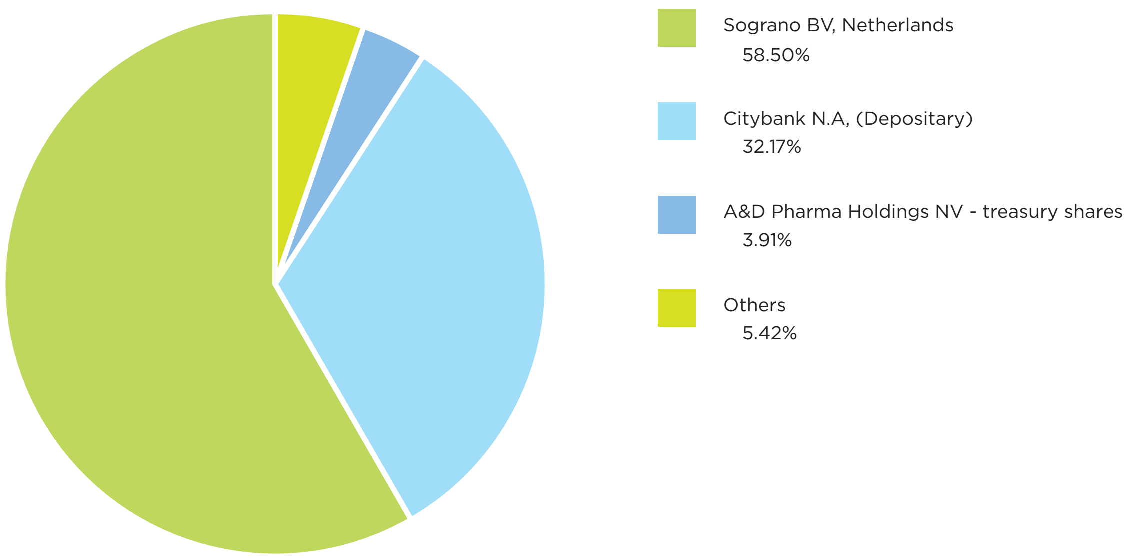
Company Priorities:

- Maintain focus on quality and high margin products and services
- Consolidate leading market position in Romania in retail and wholesale thanks to strong competitive advantages and sound financial position
- Integrate newly acquired operations into Marketing & Sales to build Central & Eastern Europe's premier "one-stop shop" for pharmaceutical manufacturers
- Develop Anima's professional network of healthcare services and facilities throughout Romania

At the Company's Annual General Meeting ("AGM") of 21 June 2007, the shareholders adopted a resolution regarding the reservation and the Group's dividend policy. According to the adopted resolution, the Board of Directors was mandated to submit a reservation proposal to the AGM each year and to determine that in principle and barring unforeseen circumstances where the net profit of the Group decreased with the amount of such reservation will be available for distribution of a dividend to the shareholders in order to make a meaningful part of the annual net operating results of the activities of the Group available to the shareholders each year.

In light of the profit of EUR 19,012 thousand resulting to an accumulated profit of EUR 13,492 thousand and in conjunction and conformity with the reservation and dividend policy of the Group, the Board of Directors proposes that the profit for the year 2009 is to be added to the general reserves ("overige reserves") and that no dividend be declared and allocated for the current reporting period ended 31 December 2009.

	Number of shares	Shareholding %
Sograno BV, Netherlands	117,000,000	58.5000
Mantin Ltd	4,454,600	2.2273
Defrin Investment Ltd	4,334,600	2.1673
Wartfield Investments Ltd	1,272,600	0.6363
Neelix Services Ltd	537,590	0.2688
Dream Catcher Ltd	245,228	0.1226
A&D Pharma Holdings NV – treasury shares	7,822,782	3.9114
Citibank N.A. (Depositary)	64,332,600	32.1663
	200,000,000	**100**



The Company applies the principles and best practices as set out by the Dutch Corporate Governance Code of the Corporate Governance Committee, dated 10 December 2008 ("the Dutch Code"). In addition, the Company complies, as far it is practicable to do so, with the principles of the United Kindom Combined Code on Corporate Governance of the Financial Reporting Council, published in June 2008 ("the UK Code").

This section contains the Company's reporting disclosures on corporate governance required by the Dutch Code, including the required statement of compliance. The UK Code principles and provisions are also considered when disclosing the Company's corporate governance practices.

The Company has adopted a one tier board consisting of both executive directors and, in majority, non-executive directors. As far as is possible, the Company aims to comply with the Dutch Code, which is for the most part based on the two-tier structure as is common in the Netherlands. Due to its organisational structure, the Company applies certain elements of the Dutch Code best practice provisions relating to the management board to the executive directors of the Company, and certain elements of the Dutch Code best practice provisions relating to the supervisory board to the non-executive directors of the Company.

Governance and Policy

The Board is committed to ensuring that high standards of corporate governance are maintained by the Company and the Board is accountable for this at the general meeting. We believe that transparency and high standards of corporate governance result in increased shareholder value and satisfaction.

Relations with Shareholders

The Company attaches importance to the effectiveness of its communications with shareholders. Apart from the annual general meeting, the Company publishes an annual report along with annual and semi-annual financial statements and other financial information as required by law, which is available on the Company's website. Significant matters relating to trading or development of the business are disseminated to the market by way of stock exchange announcements and press releases which also appear on the Company's website. The Company maintains a regular dialogue with institutional shareholders including meetings with major shareholders.

The annual general meeting takes place in Amsterdam. Formal notification is sent to shareholders approximately 15 days before the meeting. Other general meetings may also be convened from time to time on at least 15 day's notice. The annual general meeting gives shareholders the opportunity to hear about the business and its development and to ask questions of the Chairman, the chairmen of each Committee and the other directors. All shareholder resolutions are voted on by way of poll: shareholders attending the meeting are advised of the number of votes for and against each resolution and the results are separately announced to the market and posted on the Company's website.

Board Membership

The Board is a one-tier board, comprising a chief executive officer (the "Executive Director") and five non-executive directors (the "Non-Executive Directors"). The members of the Board (the "Directors") are appointed by the General Meeting.

The Board has ultimate responsibility for the management, general affairs, direction and performance of the Company's business as a whole. The responsibility of the Directors is collective, taking into account their respective roles as Executive Director and Non-Executive Directors.

The Executive Director is responsible for the day-to-day management of the Company's operations, for achieving the Company's aims and strategy and for implementing the Company's policies, each under the supervision of the Non-Executive Directors. The Executive Director is required to keep the Non-Executive Directors informed, to seek the approval of the Board on certain matters (as described below), and to consult with the Non-Executive Directors on all important matters.

In performing his executive duties, the Executive Director is supported by the Company's senior management team. Robert Popescu is responsible for the Company's wholesale and retail businesses and Jean Michele Lespinasse, the Chief Operating Officer for Marketing and Sales, is responsible for the marketing & sales business line. Dimitris Sophocleous is the Chief Financial Officer and Florina Tanase is the Legal Vice-President, also serving as the Company Secretary as of December 2009.

The Non-Executive Directors' responsibilities are essentially supervisory. The key roles and responsibilities of the Non-Executive Directors are the supervision of policy and of the fulfillment of duties by the Executive Director and advising the Executive Director. The Non-Executive Directors shall also have due regard for corporate social responsibility issues that are relevant to the Company.

The Non-Executive Directors are all experienced and influential individuals whose blend of skills and business experience contributes to the proper functioning of the Board, ensuring that matters are fully debated and that no individual or group dominates the Board's decision making processes. The biographies of the Non-Executive Directors demonstrate a combined detailed knowledge of the pharmaceutical industry.

The composition of the Company's Board during 2009 was as follows:

Walid Abboud, *Chairman*	Non-Executive Director
Ludovic Robert, *Deputy Chairman, Member*	Non-Executive Director
Robert Popescu, *Chief Executive Officer*	Executive Director
Roberto Musneci, *Member*	Non-Executive Director
Michael Tétreault Schilling, *Member*	Non-Executive Director
Roger Akoury, *Member*	Non-Executive Director

The Directors' biographical details are listed below:

Executive Director

Robert Popescu
Chief Executive Officer

Robert Popescu, of Romanian-Canadian nationality, was born in 1965 and has a Control Engineering and Computer Science degree from Polytechnic University, Bucharest, Romania. He has been the Chief Operating Officer of the Wholesale business since March 2008, an Executive Director since June 2008, Interim Chief Executive Officer of the Group since September 2008 and permanent Chief Executive Officer since April 2009. Mr. Popescu brought more than 15 years of corporate board level experience to A&D Pharma's Wholesale business line, having served on the management team of many companies in the pharmaceutical, IT, international trade and energy sectors. He has strong knowledge of the pharmaceutical sector having served as CEO of Relad, another pharmaceutical wholesale and retailer. The term of his directorship expires in June 2011.

Non-Executive Directors

Walid Abboud
Chairman

Walid Abboud, of English nationality, was born in 1969 and holds a Management Studies degree from ESSEC, France. He is a founding shareholder of the Company and was actively involved in its management from 1994 to 2002. He has been a Non-Executive Director of the Company since October 2006 and the term of his directorship expires in April 2012. He has no other material significant commitments.

Ludovic Robert
Deputy-Chairman

Ludovic Robert, of French nationality, was born in 1971 and holds a Management Studies degree from ESSEC, France. He is a founding shareholder of the Company and was actively involved in its management from 1994 to 2002. He has been a Non-Executive Director of the Company since October 2006 and the term of his directorship expires in April 2012.

Roberto Musneci
Senior Independent Director

Roberto Musneci, of Italian nationality, was born in 1963 and holds a degree in Applied Economics from International University of Social Studies LUISS, Rome, Italy. He has extensive experience of corporate affairs and institutional relations. He is currently Senior Partner with Serban Musneci & Associates SRL, providing corporate affairs consultancy to large companies operating on Romanian market. From 1991 to 2006, Dr. Musneci held various positions with GlaxoSmithKline, most recently as Vice President & Area Director Eastern Europe and South President Europharm Group based in Bucharest since 2001. In addition, Dr. Musneci has been an active member of various international associations and institutions, including the International Pharma Association (ARPIM, part of EFPIA) of which he was Vice President for Romania and the American Chamber of Commerce in Romania. Dr. Musneci is also the Vice President of Aspen Institute Romania and member of the Board of Unimpresa Romania, the association of Italian Industries in Romania. He has been a Non-Executive Director of the Company since September 2008 and the term of his directorship expires in September 2011.

Michael Tétreault Schilling
Independent Non-Executive Director

Michael Tétreault Schilling, of Canadian nationality, was born in 1963 and holds several degrees from McGill University, Montreal, Canada. Mr. Schilling is a lawyer with extensive experience of mergers & acquisitions, private equity and project finance. Between 2000 and 2007, Mr. Schilling was Managing Partner of the Bucharest office of Linklaters and worked extensively throughout Central and Eastern Europe and the CIS. Between 2006 and 2007 he also served as a member of the International Board of Linklaters. Mr. Schilling studied at McGill University in Montreal, Canada, as well as the University of Geneva in Switzerland, with degrees in both common and civil law. He has been a Non-Executive Director of the Company since September 2008 and the term of his directorship expires in October 2011.

Roger Akoury
Non-Executive Director

Roger Akoury, of Lebanese nationality, was born in 1968 and has a degree in Economics from the St Joseph Faculty, Beirut, Lebanon. He is a founding shareholder of the Company and was actively involved in its management from 1994 to 2002. He previously worked in the sales department for Emirates Airlines Beirut from 1992 to 1994. He has been a Non-Executive Director of the Company since October 2006 and the term of his directorship expires in April 2012.

Terms of Reference

The Terms of Reference of the Board and of the Audit & Nomination Committee and the Remuneration & Corporate Governance Committee deal with such matters as their internal organisation, the manner in which decisions are taken and their composition and duties.

Board Balance and Independence

The Chairman and each of Roger Akoury and Ludovic Robert are not independent, due to their prior involvement in the management of the Company and their interests in the share capital of the Company.

In December 2009 the Company signed an agreement to acquire from companies controlled by Walid Abboud, Roger Akoury and Ludovic Robert a number of pharmaceutical sales and marketing businesses in Bulgaria, Poland, Hungary, Slovakia and the Czech Republic. The transactions were approved by the independent directors at a Board Meeting on 18th of December 2009. Please see the section entitled "Conflicts of Interest" for further information.

The Board considers that the remaining Non-Executive Directors are independent in both judgment and character and that they carry out their duties in an independent manner. The independent Non-Executive Directors provide constructive challenge to decisions. They continue to:

- rigorously analyze management reports;
- robustly defend their own points of view; and
- critically evaluate the pharmaceutical industry and the Company itself.

Serban Musneci & Associates SRL, a company related to Roberto Musneci, (owning 1/3 of the registered capital) advised the Company on corporate affairs matters and strategic communication services during 2009. This engagement is to be terminated in June 2010. The scope of work performed by Serban Musneci & Associates SRL was limited and, in the view of the Board, not material in the context of the Company's overall business. Notwithstanding this engagement, the Board continues to regard Roberto Musneci as independent in the meaning of the Dutch Code and the English Code.

The Role of the Board

Certain decisions of the Executive Director are required to be submitted for approval of the entire Board. Such decisions are adopted with a simple majority of the votes cast; the Chairman does not have a casting vote.
Such decisions include:

- specification of risk management policies, including insurance, hedging, borrowing limits and corporate security;
- approval of annual operating and capital expenditure budgets and any material changes thereto;
- extension of the Group's activities into new business areas (where new business means activities outside the healthcare and pharmaceutical market) or into new geographic areas;
- changes to the Group's capital structure, including any reduction of capital, share issuances (except under employee share plans) and share buy-backs;

- approval of annual and semi-annual accounts and results announcements;
- proposals for any dividend or distribution, including any interim dividend;
- changes to the structure, size, composition and profile of the Board;
- changes to the structure, size and composition of any committee of the Board;
- succession planning for Executive Directors and senior managers;
- corporate strategy;
- investor relations strategy;
- corporate governance;
- the entering into by the Company or any of its subsidiaries of agreements with the majority shareholder or affiliates of the majority shareholder;
- the application for listing or cancellation of a listing of securities of the Company;
- the acquisition or disposal by the Company or any of its subsidiaries of a participating interest in the capital of another company with a value of at least one-third of the amount of its assets according to the Company's most recent annual audited consolidated balance sheet, as well as a substantial increase or decrease of such an participating interest;
- investments which require an amount equal to at least a quarter of the amount of the Company's issued capital and reserves according to the Company's most recent annual audited consolidated balance sheet;
- any proposal to amend the Articles;
- any proposal to conclude a legal merger (juridische fusie) or a demerger (juridische splitsing);
- any proposal to dissolve (ontbinden) the Company;
- any petition for liquidation or an application for a suspension of payments (surséance van betaling) or bankruptcy (faillissement);
- any proposal to reduce the Company's issued share capital;
- the adoption, amendment or termination of internal rules regulating the decision making process and working methods of the Board;
- the internal allocation of duties within the Board;
- the restriction or exclusion of pre-emption rights in respect of share issues

The Board may from time to time decide that other matters must be submitted for the approval of the entire Board. The Board is considering whether to include in this list decisions relating to any corporate social responsibility issues that are relevant to the Company.

Certain resolutions of the Board require the prior approval of the General Meeting. These resolutions, which are specified in the Articles of Association, are:

- the entry into of or termination by the Company or any of its subsidiaries of a long-term cooperation with another legal person or a partnership, if such cooperation or partnership is of a far-reaching significance for the Company;
- resolutions to limit or exclude Shareholder's pre-emption rights on issuances of shares or the granting of rights to subscribe for shares;
- investments which require an amount equal to at least a quarter of the amount of the Company's issued capital and reserves according to the Company's most recent annual audited consolidated balance sheet;
- the application for listing or cancellation of a listing of securities of the Company.

Following the restructuring of the Board in September 2008, Walid Abboud, Ludovic Robert and Roger Akoury started meeting with the Executive Director and senior management on a periodic basis and in an advisory capacity. During 2009 these meetings became more regularised and, should they continue, the Board will consider formalizing them. Notwithstanding each Non-Executive's participation in the Management Committee, each of Walid Abboud, Ludovic Robert and Roger Akoury remain Non-Executive Directors of the Company.

Conflict of Interests

The Directors have a duty to avoid situations in which they have, or can have, direct or indirect conflicts or possible conflicts of interest with the Company. The Company has put in place procedures to manage any such conflicts. Directors are required to inform the Company and the other Board members of any actual or potential conflicts and no Director can attend or participate in Board discussions or decisions where he has an actual or potential conflict of interest.

During the year under review, whenever the Company dealt with matters which involved a conflict of interest between the Company and members of the Board, the conflicting Directors did not participate in the decision-making process. On 18th of December 2009, the Company signed an agreement to acquire Arishop Pharma AD and its subsidiary in Bulgaria, Ozone Laboratories Polska and Ozone Laboratories Polska Services in Poland, Ozone Laboratories Magyarorszag Kft. in Hungary, Ozone Laboratories Slovakia s.r.o. in Slovakia and Ozone Laboratories Czech Republic s.r.o. in the Czech Republic. The target companies are related parties with the Company: the ultimate controlling shareholders of the Company, Messrs. Ludovic Robert, Walid Abboud and Roger Akoury, are also the ultimate controlling shareholders of the target companies. The acquisition was agreed for a total consideration of Euro 23,150,000 (Euro twenty three million one hundred and fifty thousand).

Messrs. Ludovic Robert, Walid Abboud and Roger Akoury, being members of the Board of the Company, informed the Board of their conflict as soon as the transaction contemplated was discussed and were not involved the Company's decision-making regarding the transaction.

A&D Pharma's independent Directors (Messrs. R. Musneci, R.C.G. Popescu and M.T. Schilling), conducted a review of the business case, including the terms and conditions of the acquisitions. The Independent Directors received received financial advice from N.M. Rothschild & Sons Limited (who examined and produced a fairness opinion on the transaction) and legal advice from RTPR/Allen & Overy (Radu Taracila Padurari Retevoescu SPRL in association with Allen & Overy LLP) working from its offices in Bucharest, Warsaw, Prague, Budapest, London and Amsterdam, and, on Bulgarian matters with the Bulgarian law firm Borislav Boyanov Co. In view of the transactions, the legal due diligence has been performed with the support of Linklaters, Warsaw and Kinstellar s.r.o and financial and tax due diligence has been performed with the support of KPMG offices in Bulgaria, Romania, Poland, Slovakia, Czech and Hungary. Having regard to the financial and legal advice received, the Company's independent Directors concluded that the terms of the proposed transaction were fair and reasonable insofar as the holders of shares and GDRs were concerned. The Company's independent Directors therefore approved the acquisition.

During the year under review, the Company continued some ongoing transactions that are listed in Note 21. These transactions, which mostly relate to the purchase by the Company and its subsidiaries of pharmaceutical goods and services from companies related to Messrs. Ludovic Robert, Walid Abboud and Roger Akoury, did not fully comply with the best practice provisions of the Dutch Code. This is because no separate approval was obtained from the independent Non-Executive Directors on continuation of these ongoing transactions. All of these transactions are included in the review by the Remuneration and Corporate Governance Committee of all on-going transactions with related parties which is currently underway and scheduled to be completed by the end of the second quarter of 2010.

Board Meetings

The Board meets formally at least four times a year and on an ad hoc basis as and when required.

In 2009 Board meetings were held on 14 occasions on the following dates: 9 January 2009, 2 February 2009, 4 March 2009, 14 April 2009, 24 April 2009, 29 April 2009, 4 May 2009, 18 May 2009, 3 June 2009, 3 September 2009, 26 November 2009, 18 December 2009 and 23 December 2009.

The Directors' attendance at the Board meetings during 2009 was as follows:

Name	Position	Number of Meetings attended during 2009	Percentage Attendance at Meetings
Walid Abboud	Chairman	7	50%
Ludovic Robert	Deputy Chairman	8	57%
Roberto Musneci	Senior Independent Non-Executive Director	14	100%
Michael Tétreault Schilling	Independent Non-Executive Director	14	100%
Roger Akoury	Non-Executive Director	4	29%
Robert Popescu	Executive Director	14	100%

Independent Professional Advice

The Directors have unlimited access to the Company's advisers whenever they wish to seek legal or financial advice in furtherance of their duties. The Company does not intend to restrict or discourage this practice in any way.

Insurance and Indemnification

The Company maintains directors' and officers' insurance cover, up to a limit of EUR 15 million, in respect of any legal actions taken against the Directors in connection with their duties.

Role of Chairman and Chief Executive Officer

The roles of Chairman and Chief Executive Officer are distinct and are held by different people to ensure a clear division of responsibility.

The Chairman, Mr Walid Abboud, is responsible for running the Board including, monitoring the proper functioning of the Board and its committees, ensuring the timely flow of information to Board members and overseeing their development. The Chairman also oversees the development and maintenance of key relationships with current and potential corporate suppliers and customers, investor and public relations activities, and is responsible for ensuing compliance with all corporate governance and legal regulations across the Group, including the auditing and risk management processes.

The Chief Executive Officer, Mr Robert Popescu, is responsible for the day-to-day running of the Company and for the implementation of the Group's strategy as defined by the Board. He has been acting as Interim Chief Executive Officer since September 2008 and was confirmed as permanent Chief Executive Officer in April 2009.

Deputy Chairman

The Deputy Chairman, Mr Ludovic Robert, is responsible for exercising the Chairman's duties in the absence of the Chairman.

Senior Independent Director

On 4 March 2009, the Board appointed Mr. Roberto Musneci as Senior Independent Director to:

i) deal with the Chairman's annual performance evaluation
ii) meet shareholders if they have concerns which contact through the normal channels of Chairman, Chief Executive Officer or finance director has failed to resolve or is inappropriate

Professional Development

The Directors receive regular updates on changes and developments in the business, on legislation and on the regulatory environment.

Board Evaluation

As part of its ongoing commitment to improve corporate governance, the Company is in the process of carrying out an internal evaluation of its performance. This review occurs on annual basis. Each Director has completed a detailed questionnaire covering areas such as board and committee processes, their interaction and their effectiveness, knowledge of the business, and where improvements could be made. The results are being analyzed and the key findings will be presented to the Board for discussion. The Board will consider any recommendations for actions to improve the Board's activity and performance.

Retirement schedule

The Board maintains a retirement schedule in order to avoid the situation in which too many Board members retire at the same time and to ensure that Directors submit themselves for re-election at regular intervals, and at least once every three years. The performance of each Director is considered as part of the Board evaluation before recommending a Director for re-election.

Board Committees

The Board has an Audit and Nomination Committee and a Remuneration and Corporate Governance Committee.

In 2009, the Remuneration and Corporate Governance Committee met on five occasions, on the following dates: 4 March 2009, 24 April 2009, 10 June 2009, 26 November 2009, 17 December 2009.

In 2009 The Nomination and Audit Committee meetings met on three occasions, on the following dates: 22 November 2009, 24 April 2009, and 26 November 2009.

The Directors who were members of the Committees during 2009, and their attendance at Committee meetings are listed below:

Audit and Nomination Committee

Name	Position	Number of Meetings attended during 2009	Percentage Attendance at Meetings
Roberto Musneci	Chairman	3	100%
Michael Schilling	Member	3	100%
Ludovic Robert	Member	1	33%

Remuneration and Corporate Governance Committee

Name	Position	Number of Meetings attended	Percentage Attendance at Meetings
Michael Schilling	Chairman	5	100%
Roberto Musneci	Member	5	100%
Roger Akoury	Member	5	100%
Walid Abboud	Member	3	60%

The Audit and Nomination Committee is formally constituted with written Terms of Reference, a copy of which is available to Shareholders on the Company's website.

On audit matters, the Audit and Nomination Committee supervises the following activities:

a) the operation of the internal risk management and control systems, including enforcement of the relevant legislation and regulations, and the operation of codes of conduct
b) the provision of financial information by the Company (choice of accounting policies, application and assessment of the effects of new rules, information about the handling of estimated items in the annual accounts, forecasts, work of internal and external auditors, etc.)
c) compliance with recommendations and observations of the Company's internal and external auditors

d) the role and functioning of the Company's internal audit function
e) the Company's tax planning policy
f) relations with the external auditors, including, in particular, their independence, remuneration and the provision of any non-audit services by the external auditors to the Company
g) the financing of the Company
h) the applications of information and communication technology

In fulfilling its duties, the Audit and Nomination Committee reviewed the audited financial statements for 2009 with senior management, including the quality and not just the acceptability of accounting principles. It satisfied itself with the reasonableness of judgments made and the clarity of the disclosures in the financial statements.

The Audit and Nomination Committee reviewed, with the independent external auditors, who are responsible for expressing an opinion on the conformity of those financial statements with IFRS, the adopted accounting principles and such other matters as required to be discussed and reviewed with the Committee as defined by the Terms of Reference of the Committee approved by the Board. In addition, the Committee discussed with the independent external auditors the auditors' independence from management and the Company, and considered the compatibility of any non-audit services with the auditors' independence.

The Audit and Nomination Committee discussed with the Company's independent external auditors the overall scope and plans for their audits. The Committee meets with internal and independent auditors, with and without management present, as needed to discuss the result of their examinations, their evaluations of the Company's risk management and internal control system and the framework and the overall quality of the Company's financial reporting. In particular, it also discussed the findings of the internal risk assessment and approved the plan of internal audits for the 2010 financial year.

In reliance on the reviews and discussions referred to above, the Committee recommended to the Board and the Board has approved, that the audited financial statements be included in the Annual Report for the year ended December 31, 2009 for filing with the respective regulatory authorities.

The Audit and Nomination Committee supervised the Company's relation with KPMG Accountants NV, as statutory external auditor of the Company's financial statements, and KPMG Romania SRL, the non-statutory auditor of A&D Pharma. The Committee is currently in the process of making the recommendation to the Board of Directors for the appointment of the statutory external auditor of the 2010 Company's financial statements.

On the nomination matters, the Audit and Nomination Committee is responsible for:

a) deciding upon the selection criteria and appointment procedures for Executive Directors and Non-Executive Directors;
b) assessing the size and composition of the Board and making proposals in connection therewith;
c) assessing the functioning of individual Executive Directors and Non-Executive Directors;
d) making proposals for appointments and reappointments to the Board;
e) succession planning for Executive Directors, Non-Executive Directors and, in particular, the Chairman of the Board and the Chief Executive Officer; and
f) supervising the policy of the Executive Directors on the selection criteria and appointment procedures for senior management.

The Remuneration and Corporate Governance Committee is formally constituted with written Terms of Reference, a copy of which is available to Shareholders on the Company's website.

On remuneration matters, the Remuneration and Corporate Governance Committee is responsible for:

a) making proposals to the Board for the Remuneration Policy to be determined by the General Meeting;
b) assessing the remuneration of the Executive Director and senior management;
c) making proposals for the remuneration of the Executive Director and senior management, for adoption by the Board, including how the remuneration should be structured, the amount of the fixed remuneration, the shares and/or options to be granted and/or other variable remuneration components, pension rights, redundancy pay and other forms of compensation to be awarded, as well as the performance criteria and their application.
d) making proposals for the remuneration of the Non-Executive Directors; and
e) preparing the remuneration report.

On corporate governance aspects, the Remuneration and Corporate Governance Committee is responsible for:

a) reviewing and challenging, where necessary, the actions and judgments of the Company's management in relation to the corporate governance matters, paying particular attention to:

    (i) the clarity of corporate governance related disclosures and the context in which such statements are made;
    (ii) compliance with stock exchange and other legal and regulatory requirements;

b) reviewing the "independence" status of the independent Non-Executive Directors to ensure these members of the Board continue to be able to act critically and independently of one another, management and any particular interests;
c) reviewing the composition of the Board to ensure the Company complies with the best practice provisions and principles provided by the Dutch Code and the UK Code according to which the majority of the members of the Board shall be non-executive directors;
d) monitoring and reviewing the effectiveness of the Company's rules on insider information and insider trading;
e) monitoring and reviewing the Board's performance evaluation process, to be conducted annually; and
f) advising the Board on all compliance and notification issues, if and when required.

The Remuneration and Corporate Governance Committee also aims to assure equality of treatment of all Shareholders through:

a) the avoidance of a dominant influence of one group of Shareholders over others;
b) identifying, analysing and recommending ways to deal with related party transactions;
c) identifying, analyzing and recommending ways to deal with conflicts of interest; and
d) overseeing and controlling the process share sales by Directors and certain of their immediate family members.

Policy on Other Appointments

An Executive Director may not be a member or chairman of the supervisory board nor be a non-executive director of more than two listed companies. An Executive Director may not be the chairman of a board which includes non-executive directors of a listed company. Membership of the supervisory board or a board which includes non-executive directors of other companies within the Group does not count for this purpose. The acceptance by an Executive Director of membership of the supervisory board or the function of non-executive director of a listed company requires the approval of the Non-Executive Directors of the Company. Other important positions held by an Executive Director shall be notified to the Non-Executive Directors.

The number of supervisory boards of Dutch listed companies of which an individual may be a member shall be limited to such an extent that the proper performance of his duties is assured and as long as no conflict of interests arises.
Details of any other relevant appointments held by each Non-Executive Director are listed below.

Name of Director	Name of relevant Company	Position held in 2009
Roberto Musneci	Unirea Shopping Center SA	Non-Executive Director (until 28 April 2009)

Ethics

All Group employees are required to adhere to specified codes of conduct, policies and procedures, including, but not limited to:

- Code of Conduct;
- Whistle blowing Policy;
- Insider Code;
- Related Party Policy (adopted in March 2010).

Statement of Directors' Responsibility in Relation to the Accounts

The Board is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards as endorsed by the European Union and with Part 9 of Book 2 of the Netherlands Civil Code. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatements, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

The responsibilities of the auditors in relation to the financial statements are set out in the auditors' report.

Going concern

The Company's financial statements are prepared on the assumption that the entity is a going concern, meaning it will continue in operation for the foreseeable future and will be able to realize assets and discharge liabilities in the normal course of operations.

Internal Accountability (Internal Control)

A&D Pharma recognises that it has a duty to act responsibly towards its shareholders and to protect the Company's assets. The Board is responsible for reviewing and approving the adequacy and effectiveness of the Company's internal controls and for ensuring compliance with relevant laws and regulations. The aim of our internal controls is to provide reasonable assurance that the Company's operational and financial objectives are achieved and that significant risks are identified.

The internal risk management and control systems, which are in line with an acceptable risk management framework, provide a reasonable assurance that the financial reporting does not contain any errors of material importance and that the risk management and control systems worked properly in the year under review. It should be noted that this reasonable level of assurance does not provide certainty as to the realization of operational and financial business objectives, nor can they prevent all misstatements, inaccuracies, errors, fraud and non-compliance with applicable rules and regulations.

The company has established clear processes for monitoring the system of internal control and reporting any significant control failings or weaknesses together with details of corrective action. The Board has reviewed on an ongoing basis the effectiveness of the system of internal control for the accounting period under review. The key features of the internal control system are:

(a) Organisation structure
The structure of the organisation is designed to minimise, as far as possible, the complexity of the reporting arrangements commensurate with the commercial demands made on the Group. The structure focuses on the core businesses of the Group and stringent reporting procedures are applied to ensure that performance is closely monitored so that effective and prompt action can be taken if the need arises. Certain of the Group's key functions including company secretarial, legal, taxation, internal audit, treasury and financial reporting are undertaken centrally.

(b) Financial control and reporting
The Group operates a comprehensive financial control system with each operating division's performance being closely monitored against budget, forecast and prior year performance. Monthly management accounts are prepared for consideration by the Board as a whole, and are issued in a timely manner to ensure proper consideration can be given to the information.

(c) Internal control procedures
As of April 2009, a set of procedures implementing in full the ISO 9001:2008, certified by TUV RHEINLAND have been put in place at the Group level. These procedures, which are subject to regular review, provide an ongoing process for identifying, evaluating and managing the significant risks faced by the Group.

(d) Audit and Nomination Committee
The Audit Committee and Nomination Committee has the duties as set out by its Terms of Reference and summarised above. The Audit and Nomination Committee is designed to help the Non-Executive Directors to perform their supervisory role. Meetings are held at least three times a year with the external and internal auditors to consider any reporting or control issues raised by the external and internal auditors.

(e) Group Internal Audit
The internal control systems are comprehensively supported by the Group Internal Audit Department. Group Internal Audit is responsible for advising all levels of management, and the Board through the Audit and Nomination Committee, on the quality of the operational systems of control for all parts of the Group. This review and appraisal function does not relieve line management of its responsibility for effective control.

The Group Internal Audit functions by conducting independent appraisals in a professional manner leading to reports detailing findings and agreed actions; the Head of Group Internal Audit reports directly to the Audit and Nomination Committee. The Group Internal Audit has access to the External Auditor. On a regular basis, the Internal Audit Department reports its findings, risks and recommendation to the Audit and Nomination Committee, to the CEO, to the CFO and to the senior management.

(f) External Auditors
For the financial year 2009, KPMG Accountants NV was the statutory external auditor of the Company's financial statements. KPMG Romania SRL was the non-statutory auditor of A&D Pharma. KPMG Accountants NV will submit for adoption the audit opinion on the Company's financial statements comprising of the consolidated and company financial statements to the General Meeting. KPMG Accountants NV and KPMG Romania SRL also informed representatives of the Board of their findings and observations.

The Group issues to its external stakeholders financial statements prepared in accordance with the International Financial Reporting Standards as endorsed for use in the European Union ("IFRS") and Part 9 of Book 2 of the Netherlands Civil Code. Internal financial reports are prepared on the basis of IFRS as well.

Risk Management

The Board is responsible for identifying and managing the major business and financial risks faced by the Group. At the end of 2009, Group Internal Audit performed a limited follow-up of high risks identified within the audit missions performed during the year. The risk assessment was embedded in a "top down Business Process" approach and all significant risks have been documented in a risk report. The various risks identified have been prioritised in order to identify an appropriate audit strategy.

The Company's management is responsible for continually updating this risk assessment and implementing action plans to mitigate those risks. The Group Internal Audit reviews the risk assessment and operation of the risk management and control systems on an ongoing basis to take into account the changes in risk profile and the implications of audit findings.

The following section contains a selection of important risks that have been identified and which process of setting strategies, controls and mitigating measures to manage these risks has been initiated. They nevertheless involve uncertainty that may lead to the actual results differing from those projected. There may also be current risks that the Company has not yet fully assessed but that could have a material impact on the Company's performance at a later stage.

The Company's risk management and internal control system has been designed to identify and respond to these developments in a timely manner, but 100% assurance can never be achieved.

Operating environment

On 1 January 2007 Romania became a member of the European Union and therefore national laws have been adapted to comply with the detailed and complex rules on the basis of the EU Treaties, Regulations and Directives.

Although a member of the European Union, the economy of Romania continues to display certain macroeconomic imbalances, such as a high current account deficit, a relatively uncomplex financial market and fluctuations in the foreign currency exchange rates.

In addition to this, the global economy is undergoing arguably the worst financial crisis in the last 70 years. From mid 2007 through to recent months, the international financial markets have experienced a number of effects that can be traced back to the concerns over the US sub-prime mortgage market. These range from specific concerns over the underlying value of certain asset classes to the broader impact of widening credit spreads and market illiquidity on asset values, and the ability of organisations to meet their financing requirements in an orderly and low cost manner.

The effects of this on the Romanian financial markets has been seen in the form of a fall in the capital markets and a forecasted increase in financing interest rates in the medium term due to worldwide liquidity conditions.

Macroeconomic risks

The success and growth of the business depends on continued macroeconomic growth and the growth of the pharmaceutical market. The success and growth of the Company's business has been linked to and will, to a larger extent, depend on continued expected improvements in the Romanian macroeconomic environment and on the forecast growth of the local consumer spending and the pharmaceutical market. The continued economic slowdown in Romania could materially adversely affect the business, financial and operational results of the Company. The Company has implemented a large structural and variable cost savings programme to protect margin and profit levels.

The Romanian public health sector regulations

The pharmaceutical industry in Romania heavily relies on Government policies relating to the public health system, defining the health insurance system and regulating the institutions responsible for monitoring and implementing such policies.

In Romania, there is predominately one insurance body, namely the National House for Health Insurance (NHHI); NHHI has a monopoly in the Romanian pharmaceutical market which is different to other European countries that have several insurance houses which create a competitive market.

Regulatory compliance
The Romanian authorities may conduct audits (controls) of companies operating in Romania which may extend to tax, legal and regulatory matters. Some practices which are common in the Romanian pharmaceutical market if investigated and proved, may result in either the re-classification of certain transactions from a tax standpoint or fines and other sanctions.

Drug re-imbursement

The Governmental health spending policy and level of state budget allocation towards drug re-imbursements is an important element of the Romanian pharmaceutical retail sector. Reduction of state budget funds allocated to timely re-imbursement of pharmaceuticals purchased in the retail system would have a significant direct impact on revenues of all pharmacies in the market, including Sensiblu.

Demographical Restrictions

The number of pharmacies to be opened in Romania is currently restricted by law according to demographical restrictions which are sometimes applied in a non-transparent and potentially arbitrary manner. Sensiblu benefits from high entry barriers set by the regulations. If the restrictions are lifted or lessened, large international pharmacy chains may enter the Romanian pharmaceutical market through acquisition of Romanian pharmaceutical chains and by organic growth which would lead to further competition in the retail market which may have a material adverse effect on the Company and its subsidiaries.

Pricing and cost pressure on margins

The Ministry of Health is continuing with the progressive system to reduce margins which, corroborated with the weakening of the Romanian currency, was responsible for the Group getting into the position that its operating costs were no longer covered. The Company has started to reduce costs in order to mitigate this risk.

Foreign currency developments and unexpected measures adopted by the former Ministry of Health adversely affected the Company in the past two years (e.g. the capping of prices at a fixed exchange rate, lower than the actual exchange rate between Euro and the local currency and reducing the wholesalers allowable mark-up from an average of 13% to approx 10%).

Systems failures and delays could harm the Group's business

The Company and the Company's subsidiaries manage their warehousing, logistical and point-of-sale operations through a variety of electronic mediums, including the intranet, networked personal computers and automated inventory management systems. These operations are heavily dependent on the integrity of the electronic systems supporting them. Mediplus' and Sensiblu's systems and operations are vulnerable to damage or interruption from human error, natural disasters, power loss, computer viruses, intentional acts of vandalism and similar events. In order to mitigate those risks, the Company has invested in and created a robust, centrally supported technology for significant parts of the business

Human resource risks

The Company's ability to retain highly skilled, committed and talented staff working in sales, marketing, finance, general management and human resources is critical to the Company's future success. Within the limits of its strategic direction, the Company is making ongoing efforts to manage the required processes. During 2009 the Company implemented cost initiatives which consisted of a restructuring of the labour costs. The future cost saving plans may require forced employee lay-offs which may damage the Company's employee relations and reputation in the employment market.

Risks associated with the ability to hire and retain qualified pharmacists
The retail pharmaceutical business in Romania is significantly dependent on the availability of licensed pharmacists. Sensiblu believes that its benefits and training programmes should enable it to attract, hire and retain qualified personnel. However, it may not be able to attract, hire and retain enough qualified pharmacists as the number of eligible candidates is limited to the pharmacist license holders in Romania.

Taxation risks

On 1 January 2007 Romania became a member of the European Union and therefore has to apply detailed and complex rules on the basis of the EU Treaties, Regulations and Directives. The Group has to conform to EU legislation from 1 January 2007 and, therefore, it has prepared to apply the changes arising from the EU legislation. These changes have been implemented, however the tax authorities have up to 5 years to audit the way these changes were implemented.

Interpretation of the text and practical implementation procedures of the newly enforced EU tax regulations could vary, and there is a risk that certain transactions, for example, could be viewed differently by the tax authorities as compared to the Group's treatment.
Furthermore, the Romanian Government has a number of agencies that are authorised to conduct audits (controls) of companies operating in Romania. These controls are similar in nature to tax audits performed by tax authorities in many countries, but may extend not only to tax matters but to other legal and regulatory matters in which the applicable agency may be interested. It is likely that the Group will continue to be subject to regular controls as new laws and regulations are issued.

Even if the current Romanian Fiscal Code is intended to create a stable tax framework, tax legislation can be subject to significant changes and contradictory interpretations, which may apply retroactively. Moreover, in practice, the tax authorities can take a strong approach and assess additional tax liabilities and related late payment penalties (2009: 0.1% per day) based on their individual interpretations of the tax legislation. As a result, penalties and delay payment interest could result in a significant amount payable to the Romanian State.

Contingent liabilities may arise in relation to additional tax assessments that may be imposed by the tax authorities as a result of reviews performed. Corporate tax returns can be subject to review by tax authorities within a 5-year period.

Pharmaceutical industry and competition

The pharmaceutical industry in Romania is fragmented and price-competitive. The potential entry of major international industry players and consequent consolidation may lead to further erosion of margins in the market which could negatively affect the financial performance of the Group. Even though market is fragmented, the small players (especially from retail) might organise themselves into purchasing groups in order to increase the negotiation power based on larger volumes

Group expansion

The Group plans to grow its business through organic growth and also through domestic and international mergers and acquisitions. The Group is currently looking forward for its expansion in Bulgaria, Hungary, Poland, Slovakia and Czech Republic, subject to completion of the transaction described in "Conflict of Interests" section. As all of these countries are emerging markets, the Group's business may be subject to greater risks than in more developed countries.

Legal proceedings risks

During the period under review, the Group was involved in a number of court proceedings (both as a plaintiff and a defendant) arising in the ordinary course of business. In the opinion of Management, as at 31 December 2009, based on external legal assessment, there are no current legal proceedings or other claims outstanding which could have a material effect on the result of operations or financial position of the Group and which have not been accrued or disclosed in the Financial Statements.

Competition laws risks

Competition laws regulate transactions between all the players in the market, including authorities acting as undertaking. At a national level, the Competition Council is the competent authority to apply and enforce competition regulations. Any Prohibited Practices found to exist may be subject to an Anti-Trust Fine for each offence. The fine may be up to 10% of the annual turnover of the financial year prior to the decision being made.

Insurance risks

The Group holds insurance policies covering its office building, warehouses and inventory balances as well as insurance policies covering its losses resulting from malpractice for the retail business. The Group holds no other insurance policies in relation to its assets, operations, product liability, or in respect of public liability or other insurable risks.

Statement of compliance

The Dutch and UK Codes became applicable to the Company as of the date of its listing on the London Stock Exchange, in October 2006. Since then, the Company has successfully implemented an important number of the Dutch Code and UK Code principles, with the exception of the deviations described below.

On 10 December 2008, the Dutch Corporate Governance Code Compliance Committee published a revised version of the Dutch Code. This revised Dutch Code is applicable to annual reporting over 2009. In the year under review, the Company complied with the majority of the principles set out by the Dutch Code and the UK Code, provided that they were applicable having regard to the Company's organisational structure, business profile, and level of corporate governance development, with the exception of the following principles and relevant best practice provisions of the Dutch Code and main principles and relevant supporting principles and provisions of the UK Code:

► **UK Code, provision A.1.3 "The chairman should hold meetings with the non-executive directors, without the executives present."**

The Chairman did not feel that such meetings were necessary given the current Board structure.

▶ UK Code, provision A.2.2: "The chairman should on appointment meet the independence criteria set out in A.3.1."

▶ Dutch Code, Best practice provisions III.8.1: "The chairman of the management board may not also be or have been an executive director.

At the time of his appointment as Chairman on 18 September 2008, Mr. Walid Abboud did not meet the requirement of independence due to his previous involvement in the management of the Company and his interest in shares of the Company. At the time of his appointment, the Board assessed that it was in the best interest of the Company to make such appointment.

▶ UK Code, provision A.3 "The board should include a balance of executive and non-executive directors (and in particular independent non-executive directors) such that no individual or small group of individuals can dominate the board's decision taking."

As stated above, the Board composition consists of one Executive Director and five Non-Executive Directors. Until a significant change of the current structure occurs, the Company will not be able to comply with the above provision.

▶ Dutch Code, Best practice provisions III.8.4 and UK Code, provisions A.3.2

▶ III.8.4 Dutch Code: "The majority of the members of the management board shall be non-executive directors and are independent within the meaning of best practice provision III.2.2"

▶ A.3.2. UK Code: "...At least half the board, excluding the chairman, should comprise non-executive directors determined by the board to be independent."

As at 31 December 2009 the Board composition consisted of one Executive Director and five Non-Executive Directors out of which only two are independent. The Chairman and two Non-Executive Directors (Roger Akoury, Ludovic Robert) are not independent due to their significant interests in the Company. Until a significant change of the current structure occurs, the Company will not be able to comply with the above provisions.

▶ Dutch Code, principle III.5: "If the supervisory board consists of more than five members, it shall appoint from among its members an audit committee, a remuneration committee and a selection and appointment committee."

▶ Dutch Code, Best practice provision III.5.1 (with respect to the Remuneration and Nomination Committee) and UK Code, provisions A.4.1, B.2.1 and C.3.1 (with respect to the Nomination, Remuneration and Audit Committees)

▶ III.5.1 Dutch Code: "... a maximum of one member of each committee need not be independent within the meaning of best practice provision III.2.2."
▶ A.4.1 UK Code: "A majority of members of the nomination committee should be independent non-executive directors."

▶ B.2.1 UK Code: "The Board should establish a remuneration committee of at least three, or in the case of smaller companies two, independent non-executive directors."

▶ C.3.1. UK Code: "The Board should establish an audit committee of at least three, or in the case of smaller companies two, members, who should all be independent non-executive directors."

Having regard to the composition of the committees during 2009, the Company does not meet the Dutch and UK Codes requirements with respect to the independent non-executive directors composition of the Committees. Furthermore, the Company has established a Remuneration and Corporate Governance Committee and a combined Audit and Nomination Committee in stead of three separate committees.

▶ Dutch Code and UK Code: Information inclusion on the website

Not all the relevant information as provided by the Dutch and UK Codes, has been included yet on the Company's website. The Company understands the necessity of improving the information available on its website, and undertakes to comply with these requirements, as soon as is reasonably practicable.

▶ UK Code, provision D.1.1 " The chairman should discuss governance and strategy with major shareholders. Non-executive directors should be offered the opportunity to attend meetings with major shareholders and should expect to attend them if requested by major shareholders."

Although specific meetings have not taken place between the Chairman, the Non-Executive Directors and the major shareholders, the Chairman and the Non-Executive Directors are available to answer questions of shareholders at the AGM. In addition, the Company has appointed a Senior Independent Director to provide an additional channel of communication with major shareholders.

▶ UK Code, provision D.2.4 "The company should arrange for the Notice to the AGM and related papers to be sent to shareholders at least 20 working days before the meeting."
The Company has applied the Dutch law and its Articles of Association provisions, according to which "The convocation shall take place no later than on the 15th day prior to the date of meeting."

The Company has applied the Dutch law and its Articles of Association provisions, according to which "The convocation shall take place no later than on the 15th day prior to the date of meeting."

The Company endeavors to also comply with the UK Code requirement.

▶ Dutch Code, provision IV.3.11:"The management board shall provide a survey of all existing or potential anti-takeover measures in the annual report and shall also indicate in what circumstances it is expected that these measures may be used."
The Company has not prepared any policy relating to anti-takeover measures meant to prevent or discourage an unwanted takeover of the Company.

▶ UK Code, provision D.2.3 "The chairman should arrange for the chairmen of the audit, remuneration and nomination committees to be available to answer questions at the AGM and for all directors to attend."
At the 2009 AGM one Director, Ludovic Robert, was unable to attend. All the other Directors, including the Chairman and the chairmen of the committees were however in attendance and available to answer shareholder questions.

▶ UK Code, provision D.2.2 "The company should ensure that all valid proxy appointments received for general meetings are properly recorded and counted. For each resolution, after a vote has been taken, except where taken on a poll, the company should ensure that the following information is given at the meeting and made available as soon as reasonably practicable on a website which is maintained by or on behalf of the company:

- **the number of shares in respect of which proxy appointments have been validly made;**
- **the number of votes for the resolution;**
- **the number of votes against the resolution; and**
- **the number of shares in respect of which the vote was directed to be withheld."**

As of 31 December 2009 the Company was not in compliance with these requirements. As stated above, the Company understands the necessity of improving the information available to investors and undertakes to comply with these requirements as soon as is reasonable practicable.

Disclosures required pursuant to the Decree implementing Article 10 of the EU Takeover Directive

Share capital structure

The Company's authorised share capital amounts to EUR 220,000,000, consisting of 220,000,000 ordinary shares, with a nominal value of EUR 1 per share, of which 200,000,000 shares have been issued and have been fully paid up. Shares can be issued in registered form only. No share certificates may be issued for shares.

As of 24 October 2006, 68,096,304 shares (representing 34.05% of the issued share capital) were publicly traded on the London Stock Exchange, in the form of Regulation S GDRs. Each GDR represents six ordinary shares, with a nominal value of EUR 1 each.

The Company and Citibank, N.A., who is acting in its capacity as depositary, have established a depositary receipt facility for the issuance of Rule 144A GDRs, although no Rule 144A GDRs were issued.

Transfer restrictions

Due to the following restrictions, holders of GDRs are advised to consult legal counsel prior to making any offer, resale, pledge or other transfer of the Regulations S GDRs, the Rule 144A GDRs or the shares represented thereby.

- **Regulation S GDRs**

The Regulation S GDRs and the shares represented thereby have not been, and will not be, registered under the Securities Act or with any securities regulatory authority of any state in the United States or other jurisdiction, and may not be offered or sold within the United States. The Regulation S GDRs and the shares represented thereby may only be offered, sold or delivered outside the United States in offshore transactions in reliance on Regulation S, and in each case in accordance with any other applicable law.

- **Rule 144A GDRs**

To the extent any Rule 144A GDRs (including those issued in exchange for Regulation S GDRs) are issued in the future and for so long as such Rule 144A GDRs are "restricted securities" within the meaning of Rule 144(a)(3) under the Securities Act, such Rule 144A GDRs and the shares represented thereby may only be offered, sold or delivered within the United States to qualified institutional buyers (as defined in Rule 144A) ("QIBs") in reliance on the exemption from the registration requirements of the Securities Act provided by Rule 144A.

Notwithstanding anything to the contrary in the foregoing, the GDRs may not be deposited into any unrestricted depositary receipt facility in respect of GDRs established or maintained by a depositary bank.

The Rule 144A GDRs offered in reliance on Rule 144A will be evidenced by the Master Rule 144A GDR.

Before any interest in the Master Rule 144A GDR may be offered, sold, pledged or otherwise transferred to a person who takes delivery in the form of an interest in the Master GDR, the Depositary must be provided with a written certification (in the form provided in the Rule 144A Deposit Agreement) as to compliance with applicable securities laws. To the extent (if any) that Rule 144A GDRs may be offered and sold, holders may rely on the exemption from the provisions of Section 5 of the Securities Act followed by Rule 144A.

- **General**

Any resale or other transfer, or attempted resale or other transfer, made otherwise than in compliance with the above-stated restrictions shall not be recognised by the Company or the Depositary in respect of the Regulation S GDRs, the Rule 144A GDRs or the shares represented thereby.

Disclosure of major shareholdings and capital interests

According to the provisions in the Financial Supervision Act (Wet op het financieel toezicht), certain shareholders and the executive and non-executive directors holding interests in the issuing company have the obligation to disclose to the Dutch Authority for Financial Markets (AFM) their holdings in the Company, in order to increase transparency regarding major shareholdings and capital interests in securities-issuing institutions.

The information regarding the major shareholdings and capital interests is made available to AFM by way of notifications filed by the shareholders and directors concerned, and is published on the AFM's website, at www.afm.nl.

As at the date of this Report, according to the AFM's website, the following major holdings were posted:

Active Pharma Invest Ltd controlled by the founders of the Company, which holds 58.95% capital interests in the Company, and which directly (for 58.5% capital interests) and potentially (for 0.45% capital interests) exercises its voting rights in the Company, through its subsidiary Sograno B.V.

Date of disclosure: 1 November 2006.

JP Morgan Chase & Co, which holds 4.89%. capital interests in the Company, and which can potentially exercises its voting rights in the Company, through its subsidiaries JP Morgan Investment Management Inc., JF Asset Management Ltd., JPMorgan Asset Management (Japan) Ltd., JPMorgan Asset Management (United Kingdom) Limited.

Date of disclosure: 30 July 2009

The Company has been informed that Kairos Investment Management acting as agent for Kairos Eurasian Fund Ltd, as of 22nd of March 2010, holds 5.23% capital interests in the Company – this information is not yet apparent from the AFM's website.

As at 31 December 2009 and as at the date of this Report, there were no Directors' holdings in the Company posted on AFM's website, other than the founders through Active Pharma Invest Ltd.

Voting rights

GDR holders have no direct voting rights with respect to the shares represented by the GDRs. They are able to exercise voting rights with respect to the shares represented by GDRs only in accordance with the provisions of the relevant Deposit Agreement relating to the GDRs and the relevant requirements of the Company's Articles of Association and Dutch law, which provide for a proxy being granted to the holder upon request by such holder, provided the proxy is submitted to the Board five (5) days prior to the General Meeting. There are, therefore, certain practical limitations on the ability of GDR holders to exercise their voting rights due to the additional procedural steps involved in communicating with them. Under the Company's Articles of Association, the Board can set a registration date for determining which shareholders or GDR holders have the right to attend and vote at the meeting of shareholders.

Rules governing the appointment and dismissal of Executive Directors and Non-Executive Directors and amendment of the Articles of Association

According to the Company's Articles of Association, the Executive Directors and Non-Executive Directors are appointed by the General Meeting, for a period of up to four years. Re-appointment is possible, but each time for a period of up to four years.

Any suspension or dismissal of Directors can only be made by the General Meeting, based on a resolution that is well-motivated. Any suspension may be extended one or more times, but may not last longer than three months in the aggregate. If at the end of that period no decision has been taken on termination of the suspension, or on dismissal, the suspension shall cease.
When a proposal of the Board to amend the Articles of Association of the Company is made to the General Meeting, this must be mentioned in the notification of the General Meeting and, at the same time, a copy of the proposal including the text of the proposed amendment must be deposited and made available at the Company's office for inspection by the shareholders and the GDRs holders until the end of the meeting. Such a copy will also be available for inspection at the General Meeting.

Resolutions on the appointment and dismissal of Directors and on the amendment of the Articles of Association can be adopted by simple majority.

The powers of the Board, in particular the power to issue or repurchase shares of the Company

In the Articles of Association, the power to decide on any further issuance of shares or rights for shares and on the terms and conditions thereof, has been delegated to the Board. This delegation prevents the General Meeting from deciding on the issue of shares or the granting of rights to subscribe for shares and is valid for a period of five years, ending on 19 June 2011. The delegation is limited to the Company's authorised share capital from time to time. Therefore, under the current Articles of Association, the Board has the right to issue an additional 20,000,000 shares without the need to amend the Articles of Association. The delegation to the Board may be extended for periods of up to five years by a resolution of the General Meeting. In the absence of a resolution extending the delegation the General Meeting shall have the authority to issue shares and grant the right to subscribe for shares.

Shares may not be issued at less than their nominal value. The nominal value of shares and share premium (if any) must be fully paid up upon issue. Each holder of shares has pre-emption rights to subscribe for any shares or rights to subscribe for shares. Pre-emption rights are in proportion to the percentage of outstanding shares that the holder owns. Pre-emption rights do not apply to shares (or rights to subscribe for shares) issued for a non-cash consideration, to shares (or rights to subscribe for shares) issued to employees of the Company or its affiliates or to shares issued to a person who exercises a previously acquired right to subscribe for shares. The Board has been delegated the authority to exclude or limit pre-emption rights of holders of shares, which delegation is valid for a period of five years, ending on 19 June 2011, and may at any time be extended for periods of up to five years by a resolution of the General Meeting.

A resolution of the Board to limit or exclude pre-emption rights in the event of the issuance of shares or the granting of rights to subscribe for shares requires the prior approval of the General Meeting. It should be noted, however, that the absence of approval of the General Meeting does not affect the ability of the Executive Directors to exclude or limit pre-emption rights. The Board shall apply the Statement of Principles of the United Kingdom Pre-Emption Group when deciding on the exclusion or limitation of pre-emption rights.

Acquisition by the Company of its own shares

The Company may acquire fully paid-up shares in its own capital for no consideration or if the following conditions are met:

a) the General Meeting has authorised the Board to make the acquisition (which authorisation can be valid for no more than 18 months), specifying the maximum number of shares that may be acquired, the manner in which such shares may be acquired and the limits within which the price must be set;
b) the Company's equity, after deduction of the acquisition price, is not less than the amount of the paid-up and called portion of share capital plus the reserves that the Company has to maintain under Dutch law or the Articles of Association; and
c) the Company and its subsidiaries would as a result of such acquisition not hold, or hold as pledgee, shares with an aggregate nominal value exceeding half of the Company's issued share capital.

The Articles of Association provide that the Company shall be able to acquire shares in order to transfer these shares under employee stock option or stock purchase plans, without an authorisation of the General Meeting being required.
Shares held by the Company or its subsidiaries cannot be voted on or counted for quorum purposes at shareholders' meetings.
Further to the announcement made on 30th of September 2009:

a. the Company has repurchased global depositary receipts ("GDRs") of the Company (each representing six shares in the capital of the Company) - 797,900 GDRs at a maximum price of 3.5 EUR per GDR at a total value of EUR 2.8 million. The Programme was executed by ING Bank NV, London branch, on behalf of Company (as publicly announced on 2nd of October 2009).;
b. the Company has repurchased 3,035,382 ordinary shares, of which 1,516,140 shares were repurchased at a price of 0,315 Euro/share and 1,519,242 shares were repurchased at a price of 0,581883 Euro/share. The transactions were completed out of market for a total value of 1.36 million Euros (as publicly announced on 10th of November 2009).

For the period under review the Board was authorised by the General Meeting to buy-back in total 20% of the issued and outstanding share capital of the Company.

Significant agreements affected by a change of control clause

Club Loan Agreement

In July 2009, A&D Pharma Holdings NV and its subsidiaries entered into a EUR 100 million loan agreement as follows: A&D Pharma Holdings NV, Mediplus Exim SRL, Sensiblu SRL - as Original Borrowers; A&D Pharma Holdings NV, Mediplus Exim SRL, Sensiblu SRL and A&D Pharma Holdings SRL - as Original Guarantors; Banca Comerciala Romana SA (Arranger), BRD - Groupe Societe Generale SA (the Agent, the Security Agent), Citibank Europe plc, RBS Bank (Romania) SA) and UniCredit Bank Austria AG - as Original Lenders. The Club Loan Agreement contains specific provisions should a change of control take place.

Rental agreements

There are a small number of rental agreements for pharmacy activity to which Sensiblu is party, which could be affected as result of the exercise by the landlords of the right to terminate the agreements in case of a change of control. The premises concerned are: Jupiter City (Pitesti), Carrefour (Braila); Lake Park, Teiul Doamnei, Pantelimon, Mall Plaza, Kogalniceanu, Delfinului, Baneasa Carrefour Feeria, Brancoveanu (Bucharest), Garii (Brasov).

Supply agreements

There are a certain number of supply agreements to which Mediplus and Sensiblu are parties, which could be affected as result of the exercise by the suppliers of the right to terminate the agreements in case of a change of control. Mediplus' concerned suppliers are: Abbott Gmbh& Co. KG Germany, Abbott Diagnostics, Amgen Europe GmbH, Aventis Pasteur SA France, Alfa Wasserman S.p.A. Iitaly, Aliud Pharma GmbH&Co. KG Germany, AstraZeneca UK Limited, Bayer SRL Romania, CSC Pharmaceuticals SA Switzerland, Eli Lilly Export SA Switzerland, Laboratoires Fournier SA France, GlaxoSmithKline Medicine and Healthcare Hungary, Johnson&Johnson d.o.o. Slovenia, Johnson&Johnson Consumer Zug, Division of Cilag GmbH International Switzerland, Merck Sharp & Dohme BV Netherlands, Millet Innovation SA France, Dr. Reddy's Laboratories Limited India, Roche Romania SRL, Krka tovarna zdravil d.d. Novo Mesto Slovenia, Reckitt Benckiser Healthcare spol. s.r.a. Czech Republic, UCB SA Belgium, Ferring International Center SA Switzerland, Laboratoires Arkopharma France, L'Occitane International Lumembourg, Sanofi Aventis Hungary Commercial and Servicing Private Co.Ltd.

The Sensiblu's supplier concerned is: Boots Beauty International Limited, United Kingdom.

Remuneration Report

This Report is prepared in accordance with the disclosure requirements of the Dutch Code and the UK Code regarding the remuneration of Executive and Non-Executive Directors.

The responsibility for the establishment of a remuneration policy and its cost is a matter for the full Board, on the advice of the Remuneration and Corporate Governance Committee.

The Remuneration and Corporate Governance Committee is responsible for developing policy on remuneration for Executive Directors and senior management and for determining specific remuneration packages for each of the Executive Directors and senior management. The Committee also deals with the remuneration of the Chairman of the Board.

During the period under review, the Remuneration and Corporate Governance Committee sought the assistance of the Chief Executive Officer and Chief Financial Officer on matters relating to Executive Directors' performance and remuneration. No Executive Director takes part in discussions relating to his own remuneration and benefits.

The Remuneration Committee is formally constituted with written Terms of Reference with the full remit of the committee role described. A copy of the Terms of Reference is available on the Company's website, www.adpharma.com.

Principles of Remuneration Policy

The policy is designed to encourage, reward and retain the services of Executive Directors and senior management based on the following principles:

- Shareholders interests are best served by remuneration packages which have a large emphasis on performance related pay;
- emphasis on performance will encourage the Executive Directors and senior management to focus on delivering the business strategy;
- the structure of the package will ensure fair reward for performance such that exceptional remuneration will only be justified where performance is exceptional;
- Executive Directors will be encouraged to build substantial personal holdings in the Company to further align their interests with those of Shareholders;
- remuneration policy and practice will be as transparent as possible.

Group, business line and individual performance indicators are set for Executive Directors, whose total remuneration is based on annual evaluation of their competencies, responsibilities and performance indicators.

The group of companies whose remuneration policy is taken into consideration when part of the level and composition of remuneration of the Executive Directors and senior management is determined can be drawn from the following sectors:

- pharmaceuticals;
- wholesale pharmaceuticals
- retail.

In the year under review, the Company followed and applied these principles, and the potential total compensation varies for executives and senior management.

The same principles are expected to be applied in the future, taking into account the following factors:

- market conditions affecting the Company;
- the recruitment market in the Company's sector;
- changing market practice;
- the performance of individuals; and
- individuals' experience and responsibilities.

Executive Director Remuneration

The Executive Director's remuneration is described below. In addition to this, he is entitled to benefits in kind, according to the market practice and Company's policy: a company car and private medical services. No shares, option or pension rights have been awarded.

The gross fixed remuneration on annual basis is 406.000 Euro. Following annual performance evaluation, the Executive Director may receive a variable remuneration element. Should the performance be satisfactory, the annual variable remuneration shall be determined by pro-rating the annual fixed remuneration beginning with 70% achievement of performance targets, ending with 130% achievement of performance targets. Between 90% and 110% achievement of the performance targets, the variable remuneration shall be pro-rated with the degree of achievement. For achievement between 70% and 90%, and between 110% and 130% the 100% corresponding annual variable remuneration shall be decreased or increased, as the case may be, by double the deviation from the 100% performance target.

The agreement between the Company and the Executive Director may be terminated by any of the parties with 3 months' notice, or, in case of breach of the contractual provisions, with 1 month's notice.

Following the termination of the agreement, the Executive Director is entitled to compensation of 60% of the compensation received by the Executive Director and paid by the Company during the last 12 contractual months for agreeing not to work with a competitor of the Company for 1 year. For a period of 15 business days following the termination notice provided by any party, the Company, at its sole discretion, has the right to unilaterally extend the above mentioned non-compete obligation for a further 12 months following the initial 12 months, by undertaking to make the same payments. The limited pool of experienced executive directors in the Company's market makes the employment of its Executive Directors very attractive to current or potential competitors. The Company felt that it was essential that these provisions were included in the service agreements to protect the Company's commercial interests.

Non-Executive Director Compensation Policy

The nature of the Company's business is international, requiring the Non-Executive Directors to travel. The Board is, therefore, made up of Non-Executive Directors with a wide range of experience both in the United Kingdom and internationally.

Chairman

According to the current remuneration policy, the Chairman is entitled to EUR 50,000 gross per annum for an estimated of 40 days of service. For each full day worked in excess of 40 days in the year he is entitled to an additional fee of EUR 3,000 per day. No shares, option or pension rights have been awarded.

Independent Non-Executive Directors

The Company's current compensation program for Non-Executive Directors consists of a basic fee of EUR 60,000 gross per annum for 25 days commitment with a daily rate of EUR 2,000 for any days in excess of this commitment (reviewed annually). No shares, option or pension rights have been awarded.

The remuneration costs incurred with the Non-Executive Directors are presented below:

Member of the Board	2009 Salary Euro
Walid Abboud, Chairman	50,000
Ludovic Robert, Deputy Chairman	40,000
Roberto Musneci, Senior Independent Non-Executive Director	60,000
Michael Tétreault Schilling, Independent Non-Executive Director	60,000
Roger Akoury, Non-Executive Director	40,000
Total Non-Executive Directors Remuneration	**250,000**

United Kingdom Tax Considerations

The following comments are of a general nature and are based on current United Kingdom ("UK") law and Her Majesty's Revenue and Customs ("HMRC") published practice as at the date of this document, both of which are subject to change at any time and possibly with retrospective effect. They do not necessarily apply to all categories of investors. Unless specified otherwise, the statements apply only to investors who are resident (and, in the case of individual investors only, ordinarily resident and domiciled) solely in the UK for UK tax purposes. It is assumed that an investor is beneficially entitled to the underlying shares and to the dividends on those shares and that the depositary is a body corporate not incorporated in the UK and that there is no register, and there will continue to be no register, in the UK in respect of the underlying shares and the GDRs. Prospective investors are urged to consult their own tax advisers prior to investing with respect to their own particular circumstances.

In particular, these comments do not apply to the following:

- investors who are not the beneficial owners of GDRs;
- investors who do not hold their GDRs as capital assets;
- special classes of investor such as dealers, broker dealers, insurance companies and investment companies;
- investors who own (or are deemed to own) 10 per cent. or more of the Company's voting rights or GDRs;
- investors who own the GDRs as part of hedging or conversions transactions; or
- investors who have (or are deemed to have) acquired their GDRs by virtue of an office or employment.

Withholding Tax

Dividend payments in respect of GDRs may be made without withholding or deduction for or on account of UK income tax.

Taxation of Dividends

Dividends received by investors who are resident or, in the case of individual investors, ordinarily resident, in the UK for UK tax purposes or who are carrying on a trade, profession or vocation in the UK through a branch or agency (in the case of individual investors) or a permanent establishment (in the case of corporate investors) in connection with which the GDRs are used, held or acquired will generally be subject to UK income tax or corporation tax, as the case may be, on the gross amount of any dividend paid (subject to any available exemptions or reliefs).

Individuals

An individual investor who is resident in the UK for UK tax purposes and who (together with certain connected persons) owns less than 10 per cent. of the issued share capital in the Company, will be entitled to a tax credit equal to one-ninth of the dividend received from the Company. Such an individual will be taxable on the total of the dividend before deduction of Dutch tax withheld (if any) and related tax credit (the "gross dividend") which will be regarded as the top slice of the individual's income. Provided that the relevant individual investor is not claiming the remittance basis of taxation, the tax credit will be treated as discharging the individual's liability to UK income tax in respect of the gross dividend, unless and except to the extent the gross dividend falls above the threshold for the higher rate of income tax, in which case the individual will, to that extent, pay UK income tax on the gross dividend of 32.5 per cent. of the gross dividend less the related tax credit. From 6 April 2010, there will be an additional higher rate of UK income tax for individuals with a taxable income for a tax year in excess of £150,000. To the extent the gross dividend falls above the additional higher rate threshold, the individual will pay UK income tax on the gross dividend of 42.5 percent. of the gross dividend less the related tax credit.

An individual investor who is resident in the UK for UK tax purposes and who (together with certain connected persons) owns 10 per cent. or more of the issued share capital in the Company, on the basis that the income tax treaty currently in force between the UK and the Netherlands contains a non-discrimination article, may also be entitled to a tax credit in respect of dividends received from the Company. Generally, an individual investor who is resident in the UK for UK tax purposes and who is not liable to income tax in respect of the gross dividend will not be entitled to repayment of any tax credit described above.

Companies

A corporate investor within the charge to UK corporation tax will be subject to corporation tax on the gross amount of any dividend received from the Company (before deduction of Dutch tax withheld if any) unless (subject to special rules for companies that are small companies) the dividend falls within an exempt class and certain other conditions are met. Whether a dividend falls within an exempt class and the other conditions are met will depend on the particular circumstances. Generally, a dividend may be exempt in a number of situations, including certain cases in which the corporate investor (together with certain connected persons) owns less than 10 per cent. of the issued share capital in the Company.

Dutch withholding tax

A non-payable tax credit may be given for Dutch tax withheld (and not recoverable from the Dutch tax authorities) in respect of dividends paid by the Company subject to the UK taxation rules regarding calculation and availability of such credit including taking all reasonable steps to minimise the amount of Dutch tax on the dividends.

Information requirements

Where dividends are paid by or through a UK paying agent or collected by a UK collecting agent, such agent may be required to supply details of the payment and certain details relating to the investor (including the investor's name and address) to HMRC. Any information obtained may, in certain circumstances, be provided by HMRC to the tax authorities of other jurisdictions.

Taxation of Disposals

For the purposes of UK taxation on chargeable gains, a disposal of GDRs in the case of an individual investor being resident or ordinarily resident in the UK or carrying on a trade, profession or vocation in the UK through a branch or agency in connection with which the GDRs are used, held or acquired may give rise to a chargeable gain or an allowable loss which may, depending on the investor's circumstances, be reduced or offset by any available exemptions or reliefs.

For the purposes of UK taxation on chargeable gains, in the case of an individual investor being neither resident nor ordinarily resident in the UK for tax purposes for a period of less than five years and who disposes of GDRs during that period, such an individual may also be liable on his return to the UK to tax on any capital gain realised (subject to any available exemption or relief). This rule also applies to individual investors who have not ceased to be resident or ordinarily resident in the UK but who, on or after 16 March 2005, have become non-UK resident pursuant to the application of a double taxation treaty.

For the purposes of UK taxation on chargeable gains, a disposal of GDRs in the case of a corporate investor being resident in the UK or carrying on a trade through a permanent establishment in connection with which the GDRs are used, held or acquired may give rise to a chargeable gain or an allowable loss.

Stamp Duty

No liability to UK stamp duty or UK stamp duty reserve tax ("SDRT") should arise on the issue of GDRs to investors.

No UK SDRT should be payable in respect of any agreement to transfer GDRs, provided that the GDR register and the register of the underlying shares is not held in the UK by, or on behalf of, the Company and neither the GDRs nor the underlying shares are paired with UK shares. UK stamp duty should in practice not be payable in connection with a transfer of GDRs provided that the instrument of transfer is executed and retained outside the UK and such instrument of transfer does not relate to any property situated, or any matter or thing done, in the UK.

The Sensiblu Foundation – The CSR Division of A&D Pharma

What is a corporate foundation?

- A non-profit entity with a separate juridical personality, having its own board, employees and projects, observing the same rules and regulations as any other non-governmental organisation.

Programmes developed in 2009

A. The '**Casa Blu**' programme is designed to be the complete answer to the needs faced by women and children, victims of domestic violence. The program deals with social problems, as well as with the psychological and juridical matters that these problems bring. The specialists working in the 'Casa Blu' program help women to understand the abusive situation they have escaped, adapt to the "outside" world, regain self-respect and improve the relationship with their children and extended family.

The '**Casa Blu**' programme supports the victims of domestic violence by providing them social, psychological and juridical counseling, court representation, financial support, shelter, help in finding a job, and most important of all, offers them the emotional support necessary for a new start.

Casa Blu has a counseling centre, with a public address, that offers services for women and children who get there directly, or directed by a program partner or other similar NGOs, as well as a shelter, with a confidential address, where women and children can find a safe home for up to 6 months.

In the counseling centre, the Foundation specialists – social workers, psychologists, law experts and attorneys – offer immediate support for the victims to overcome the crisis situation, and in the long-term, assistance to build a new life, safe from violence.

People who ask for help benefit from the following services at the centre:

- Social counseling
- Individual psychological counseling
- Advice for both mother and child
- Group of socialisation for children
- Support group for women
- Group therapy for women
- Legal Advice
- Representation in court
- Hosting in a shelter

B. V-Days Campaign – 16 Days of Activism against Gender Violence

The Sensiblu Foundation launched the website www.nuepoveste.ro as part of the *16 International Days of Activism against Gender Violence Campaign*.

The Sensiblu Foundation launched on November 25th, 2009 a call for action under the slogan "Tell everyone that's not the story!" The campaign highlighted the direct and indirect effects of domestic violence on children. In many cases, children are the main reason why a mother decides to stay with a violent partner. The message released by the campaign "Tell everyone that's not a story" highlighted the reality of domestic violence. Experts confirm that such experiences produce long-term trauma for children involved.

During the campaign, visitors of the site www.nuepoveste.ro were able to change the stories of children exposed to domestic violence, and condemn this social occurence.

In the 16 days of campaign:

- Over 45,000 people entered and changed the story's scenario on www.nuepoveste.ro
- Over 27,000 internet pages were linked to the campaign website
- Over 2,000 people downloaded materials from the Research Section and the banners of support were viewed over 35,000 times
- The campaign avatar was used by no less than 300 people
- The campaign message was supported by social networks: a Facebook group attracted over 500 supporters and more than 1,000 people clicked on links on Twitter.
- Many events were registered on the forum www.nuepoveste.ro and a higher number of calls were received at the Casa Blu centre asking for advice on domestic violence situations

C. Fundraising campaigns
"Open your heart to children"

In May 2009, Sensiblu and the Sensiblu Foundation launched a fundraising campaign called "Open your heart to children" aimed at opening an infant cardiac surgery unit at the Marie Curie Hospital in Bucharest.

During the campaign, which ran from May 7 to August 30, 2009, Sensiblu customers were able to buy heart-shaped stressballs from Sensiblu pharmacies at 4.9 RON each. The campaign raised 50,000 Euros from the sale of these hearts, which was a positive contribution to purchase medical equipment for the medical unit. In addition, Sensiblu and the Sensiblu Foundation donated 58 pieces of medical equipment necessary for the establishment of a pediatric surgery unit at the Marie Curie Hospital in Bucharest.

The Strategy & Development Director at Sensiblu said: "This amount is the result of our customers' direct involvement in the campaign. They are the ones who made the donation of medical equipment to the hospital possible. We are glad that we were able to facilitate the fundraising and that the pediatric surgery unit is very close to becoming reality."

The medical equipement donated by the Sensiblu foundation included:

1) Multi-filtering System for acute dialysis treatments
2) Pulsoximeter Avant 7500 for magnetic resonance
3) Kit of three pulsoximetres and forty-eight oxysensors with memory chip
4) System nitric oxide INOSYS
5) Central station monitors Nihon Kohden
6) Set for pediatric intubation

"Be close to children with your heart"

This fundraising campaign was initiated by Sensiblu at the national level as a continuation of the first initiative "Open your heart to children". The campaign is not yet completed.

The aim of the campaign is to sell 100,000 trinkets with plastic coins for supermarket carts and donate all profits to six social projects across Romania. In addition, Sensiblu donated 1 RON for each Christmas gift package sold in pharmacies from the six regions involved in the campaign.
When the campaign is complete, Sensiblu will donate the funds raised to the following NGOs and institutions that care for children with serious medical conditions in Bucharest, Transylvania, Oltenia, Muntenia and Dobrogea, Moldova and Banat Crisana-Maramures:

- **PAVEL Association, Bucharest**, which aims to improve the lives of children and young people with cancer, leukemia, and serious anemia
- **Clinic of Pediatric Nephrology, Cluj Napoca**, whose purpose is to provide dialysis for children and to improve quality of services in order to reduce infant mortality;
- **Langdon-Down Association, Dolj**, works to educate and integrate the children with intellectual disabilities in general and with Down syndrome in particular
- **Pro Vita Association for unborn babies** that needs financial and logistic support for the Association's centers, which assist over 200 abandoned children
- **Betania Association, Bacau**, whose actions consist in support, rehabilitation, education, and training of autistic children
- **University Clinic of Obstetrics and Gynecology "Bega", Timisoara**, whose main activity is to medically assist and care of women during pregnancy and to provide specific neonatal services for premature babies.

D. Zoom on Romania

On December 21st 2009, the Sensiblu Foundation and Mediplus launched a joint humanitarian campaign called "Zoom on Romania", initiated by BGS Security Division, in collaboration with BGS Medical Division.

Every year, on the eve of the two major Christian holidays, Christmas and Easter, the BGS group organises a charity event designed to bring aid and support to people in need from isolated regions of Romania.

The "Zoom on Romania" campaign is a continuation of the previous "Caravan BGS" campaign by BGS Security Division and Medical Division. The aim of the project was to distribute clothing, food and other products to the isolated communities in Romania. Mediplus and the Sensiblu Foundation donated baby and personal care products, including 440 boxes of Hipp children biscuits, 10,000 antibacterial Clearasil soaps and 2,000 Strepsil boxes. The rapid intervention teams of BGS and the mobilisation of the sponsors were the key elements that contributed to the success of the campaign. Food and hygiene supplies worth over 75,000 RON reached 300 elderly and children in need. The humanitarian caravan had 15 Hummers, equipped to handle winter conditions and rough terrain, that reached the hamlets of the small villages of Chiliile area - Buzau County and shared 300 food-aid bags.

Mr. Robert Popescu, Chief Operating Officer of Mediplus, declared: "As a distributor of pharmaceuticals, we know how important it is for people to have access to medicines and healthcare products. That's why we joined this initiative, demonstrating again that Mediplus is a responsible company that all Romanians can count on."

At the end of the campaign, Mediplus and the Sensiblu Foundation received certificates of recognition for their involvement. In 2010, they will continue working on the campaign, aimed at fostering a spirit of civic responsibility throughout Romanian communities.

Achievements and awards received in 2009

In 2009, a total number of 166 abused women and 210 children have received direct help from the Sensiblu Foundation.

The 2008 campaign "Home is not your prison. Leave before is too late" received the Silver Award for Excellence at the 2009 PR Award Gala.

Management hereby presents to the shareholders consolidated and company financial statements of A&D Pharma Holdings N.V. (the 'Company') for the year ended 31 December 2009.

General information

A&D Pharma Holdings N.V. ("A&D Pharma") is the Dutch holding company of A&D Pharma Holdings S.R.L., the largest integrated healthcare and pharmaceutical wholesale and retail business in Romania aiming to offer a complete range of services to strategic partners and pharmaceutical producers across Central & Eastern Europe.

Financial review

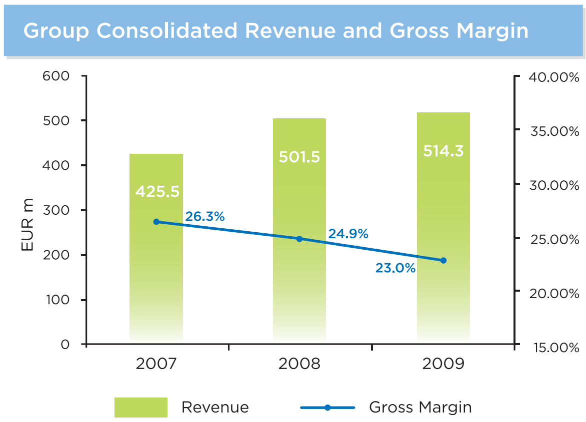
The year 2009 was a year of consolidation for A&D Pharma. The Group benefitted from restructuring efforts that started in October 2008 and continued throughout 2009 in order to make our operations more efficient. Particular emphasis was put on making all of our departments and processes more efficient while controlling capital expenditure. This financial discipline combined with a reduced cost base made our pursuit of profitable growth not only possible but very successful as demonstrated by our results.

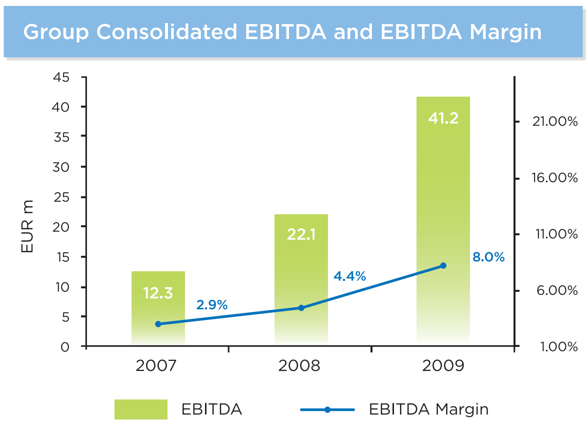
For the full year 2009, the Group's operating profit was up by 166% to EUR 35.1 million in spite of the tough economic environment. Our RON consolidated sales grew by 18% year-on-year while our Euro-denominated consolidated sales grew 3% year-on-year to EUR 514.3 million, which was still an achievement given the currency fluctuation and tough economic environment in the period. Our financial discipline has ensured that A&D Pharma is today reporting strong growth in EBITDA which grew an impressive 86% year-on-year to EUR 41.2 million (22.1 million 2008) practically doubling. Significantly, and in spite of the economic environment, we reported a substantial swing to net profitability of EUR 19 million from a net loss of EUR 2.3 million in 2008. Our total debt position remains stable at EUR 77.8 million versus EUR 79.5 in 2008. Our balance sheet is very strong and we still have a great deal of flexible financing available to us as and when required.

These successful results demonstrate our ability to grow and to create value for our shareholders in spite of the crisis and we can now look at further expanding our business not only outside of Romania but in new areas that will provide future sources of growth. However, we will remain cautious during 2010, as the global economic downturn and the Romanian environment for our industry continues to be under intense pressure.

Sales

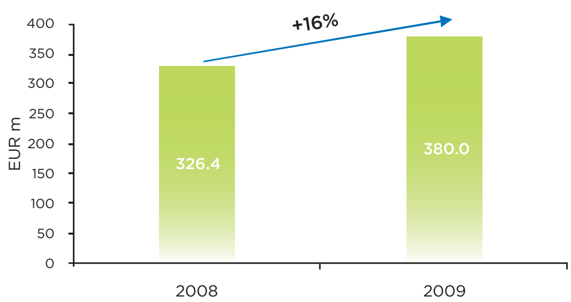
A&D Pharma's consolidated sales for the twelve months ended 31 December 2009 were RON 2,179.1 million, an increase of 18% from the full year 2008 (RON 1,847.0 million). In EUR denominated terms, A&D Pharma's consolidated sales were up 3% in 2009 to EUR 514.3 million, compared to EUR 501.5 million in 2008.
This growth in sales was achieved despite the challenging market conditions and the 1.5% decline in the pharmaceutical market in Romania in 2009.



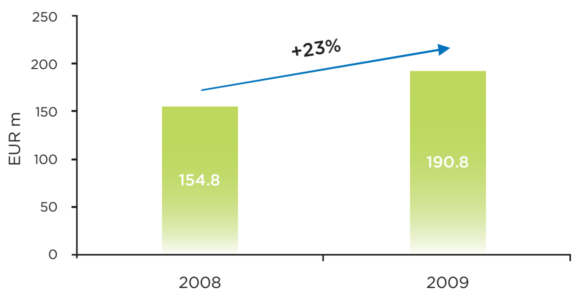


Sales for the Wholesale division reached EUR 380.0 million for the twelve months ended 31 December 2009, a year-on-year increase of 16% from EUR 326.4 million in 2008. The Marketing & Sales business line reported a decrease in sales revenue to EUR 42.4 million from EUR 98.6 million in 2008 as a result of the restructuring of the supplier portfolio and reclassification of products between the Wholesale and Marketing & Sales divisions. Sensiblu recorded a robust 23% year-on-year increase in sales for 2009 to EUR 190.8 million from EUR 154.8 million in 2008. These unconsolidated divisional sales figures include inter-company sales from Mediplus to Sensiblu. Eliminations arising from inter-company sales amounted to EUR 98.9 million in 2009.

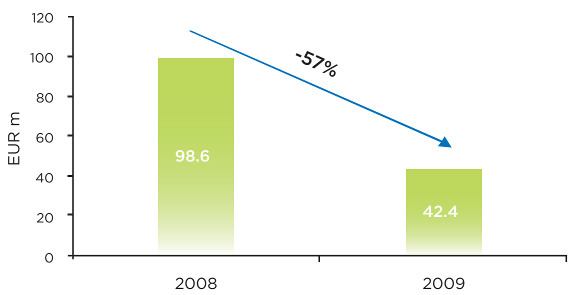
Wholesale Revenue



Retail Revenue



Marketing & Sales Revenue



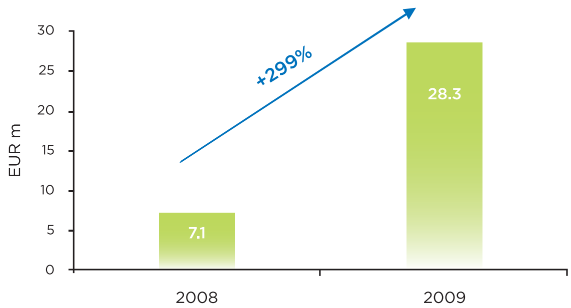
Operating costs

Total operating costs for the twelve months ended 31 December 2009 were EUR 479.1 million, down from EUR 488.3 in 2008. As a percentage of sales, operating costs decreased to 93% in 2009 compared to 97% in 2008.

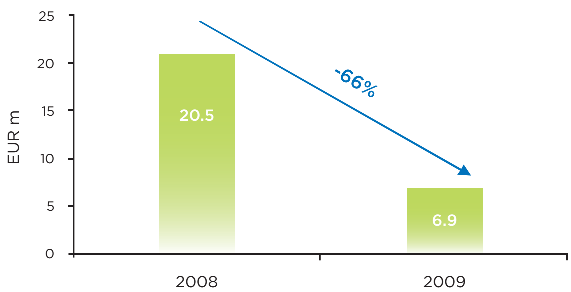
Cost of goods sold for 2009 amounted to EUR 396.1 million from EUR 376.8 million in 2008. Gross margin for the twelve months ended 31 December 2009 was 23.0% compared to 24.9% for the year ended 31 December 2008 due to the price erosion the entire industry has endured in 2009.

Other operating costs (mainly including staff costs, rent and administrative expenses and third party services, excluding depreciation and amortisation) decreased by 25% in 2009 to EUR 83.1 million from EUR 111.5 million in the previous year.

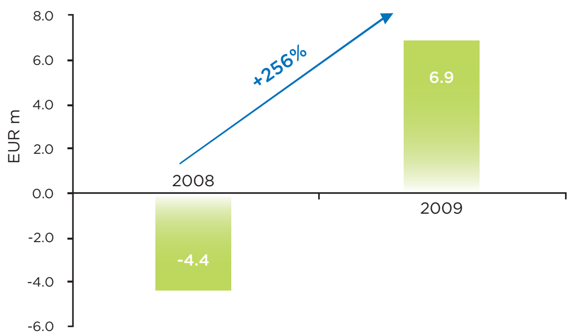
Wholesale Operating Profit



Marketing & Sales Operating Profit



Retail Operating Profit

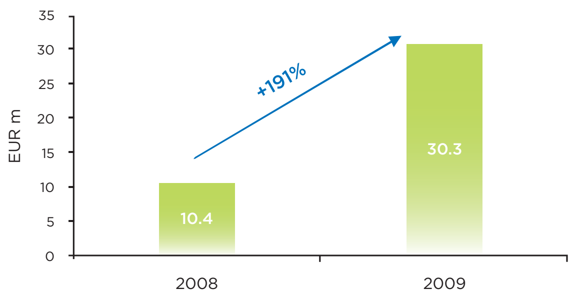


EBITDA and Net Profit

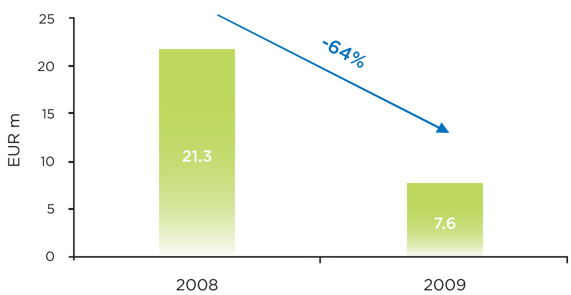
A&D Pharma Romania's consolidated EBITDA for 2009 was EUR 41.2 million, up 86% from EUR 22.1 million in 2008. This sharp increase is mainly attributable to cost reductions realized during the course of the year. The Wholesale division's EBITDA for the twelve months to 31 December 2009 reached EUR 30.3 million, up from EUR 10.4 million in 2008. EBITDA at the Marketing & Sales business line was down to EUR 7.6 million from EUR 21.3 million in 2008. Sensiblu achieved a significantly improved EBITDA of EUR 10.2 million, its first meaningful EBITDA, following the implementation of the division's store relocation program and focus on profitability per store, from an EBITDA of EUR 0.2 million in 2008.

A&D Pharma recorded a significantly improved net result of EUR 19.0 million compared to a net loss of EUR 2.3 million for 2008.

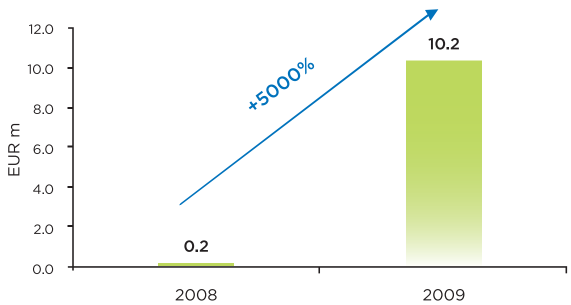
Wholesale EBITDA



Marketing & Sales EBITDA



Retail EBITDA



Outlook

The improvement in the global economic outlook and strong efforts to implement the International Monetary Fund's Stand-By programme in Romania have strengthened confidence and led to a reduction in financial market risks: pressures on the exchange rate have subsided, reserves have grown, CDS spreads have come down and domestic interest rates have steadily fallen (IMF Staff Report for the Second and Third Reviews Under the Stand-By Arrangement, Request for Rephasing and Waiver of Nonobservance of Performance Criterion, February 5, 2010). Prospects for economic recovery have therefore improved in 2010 with GDP expected to recover by 1.3% in 2010. However, the 2010 budget continues to target a deficit of 5.9% of GDP. As most State arrears are in the health sector, it is expected that the Government will institute a new patient participation fee system with a view to using the revenues to help clear arrears in this sector.

The recovery is expected to be slow with the combined impact of rising unemployment, deleveraging by households and corporates, and tight credit conditions likely to weigh on domestic demand and on drug consumption (at best at the same level as 2009). The cost base reductions have been achieved throughout 2009 and are intended to result in further efficiencies in the years to come.

The Company's priorities are:

- Maintain focus on quality and high margin products and services
- Consolidate leading market position in Romania in retail and wholesale thanks to strong competitive advantages and sound financial position
- Integrate newly acquired operations into Marketing & Sales to build Central & Eastern Europe's premier "one-stop shop" for pharmaceutical manufacturers
- Develop Anima's professional network of healthcare services and facilities throughout Romania

Finance structure

A&D Pharma remains in strong financial health in spite of the current economic downturn. In 2009, particular emphasis was placed on maintaining cash flow, reducing capital expenditure and stabilising the debt of the Group.

As at 31 December 2009, A&D Pharma had a positive net cash position of EUR 15.9 million compared to a positive cash position of EUR 44.1 million as at 31 December 2008. Management has refinanced the syndicated loan with a five bank club loan on 30 July 2009. The Club Loan Agreement contains certain affirmative covenants, including, without limitation, certain financial ratio covenants to be observed and, in some cases, restrictions on dividend payments. As at 31 December 2009 the Group is in compliance with all the covenants.

The balance sheet structure remains flexible enough to support the Company's future expansion plans (net debt was EUR 61.8 million as of 31 December 2009, compared to EUR 35.4 million in 2008) while the Company's shareholders' equity stood at EUR 223.2 million.

The trade receivables account has dramatically increased from EUR 118.6 million to EUR 197.1 million in 2009, due to state budgetary restrictions. As a consequence, trade payables have increased from EUR 202.1 million to EUR 245.3 million.

Investments

To maintain current levels of cash flows, the Company reduced its capital expenditure, but as the 2009 results have proved, this has not been done at the detriment of providing sufficient levels of growth.

The Company recorded a decrease in capital expenditure to EUR 5.8 million in 2009 compared to EUR 12.7 million in 2008, mainly due to tighter financial discipline.

In December 2009, the Company signed the Sale Purchase Agreements for the acquisition of Arishop Pharma AD and its subsidiary in Bulgaria, Ozpharma Polska Sp.z.o.o. and Ozpharma Polska Services Sp.z.o.o in Poland, Ozpharma Hungary Kft. in Hungary, Ozpharma Slovakia s.r.o. in Slovakia and Ozpharma s.r.o. in the Czech Republic ("the Target Companies"). The Target Companies are related parties of the Group (Note 21), having the same ultimate controlling shareholders. The acquisition was agreed for a total consideration of EUR 23.2 million.

Part of the total consideration is financed in exchange for the cancellation of an outstanding receivable of EUR 17.5 million from a related party to the Group (trade receivables of Mediplus Exim SRL against Ozpharma Logistics SRL). A cash consideration of EUR 4 million will be payable and is conditional upon the acquisition by the Group of an additional company located in one of the target markets. The remaining amount of EUR 1.7 million is payable in cash in two equal installments at a deferred date (no later than 31 August 2010 for the first installment and no later than 28 February 2011 for the second installment) based on the 2010 EBITDA performance of the companies acquired in Poland, Hungary, Slovakia and the Czech Republic.

Completion of the acquisition is conditioned upon the approval by the consortium of banks which granted a EUR 100 million Club Loan facility to the Company in July 2009.

Employees

During the year 2009 the Company and its subsidiaries employed an average of 3,254 employees (2008: 3,453). The Company expects to improve the productivity per employee in the future, following its aim to increase the efficiency of its operations.

Risk management and financial instruments

The Group's principal financial instruments, other than derivatives, comprise bank loans and overdrafts, finance leases, trade payables and leasing contracts. The main purpose of these financial instruments is to raise finance for the Group's operations.

The Group has various financial assets such as trade receivables, cash, restricted cash and short-term deposits, which arise directly from its operations. The most significant risks that the Group is exposed to are foreign exchange risks on purchases in foreign currencies and interest rate risks tied to all variable interest rates.

The Company has policies in place to ensure adequate credit management, liquidity, market, currency and interest rate risks. See note 27 of the consolidated financial statements.

Remuneration of the Board

The members of the Board received EUR 656 thousand for their services in the year 2009 (2008: EUR 4,062 thousand). Total amounts paid to other key officers as salaries in 2009 amount to EUR 1,784 thousand (2008: EUR 150 thousand). The amounts correspond to values recorded in the books of the Company for the year 2009, including accruals. Please see also the Remuneration Report of the 2009 Annual Report of the Company.

Other

Please see also the Corporate Governance and Shareholder Information sections of the 2009 Annual Report, which includes information required by the Takeover Directive.

CONSOLIDATED INCOME STATEMENT

	2009	2008
Sales	514,273	501,537
Operating costs	(479,142)	(488,349)
Result from operating activities	**35,131**	**13,188**
Finance income	1,522	1,092
Finance costs	(12,227)	(16,283)
Net finance income / (cost)	**(10,705)**	**(15,191)**
Profit/(Loss) before income tax	**24,426**	**(2,003)**
Income tax expense	(5,414)	(291)
Profit/(Loss) for the period	**19,012**	**(2,294)**
Profit / (Loss) attributable to:		
Owners of the Company	**19,012**	**(2,294)**
Non-controlling interest	**-**	**-**
Profit/(Loss) for the period	**19,012**	**(2,294)**
Basic and diluted earnings / (loss) per share	**EUR 0.10**	**EUR (0.01)**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	31 December 2009	31 December 2008
Assets		
Property, plant and equipment	32,414	35,310
Goodwill and other intangible assets	230,347	244,301
Financial investments	71	68
Advances for future acquisitions	19,759	-
Long term receivables	4,812	4,880
Deferred tax asset	1,307	2,331
Total non-current assets	**288,710**	**286,890**
Inventories	63,321	66,513
Trade receivables	197,146	118,672
Prepayments and other receivables	3,724	8,460
Current tax asset	-	588
Restricted cash	360	1,194
Cash and cash equivalents	15,965	44,111
Total current assets	**280,516**	**239,538**
Total assets	**569,226**	**526,428**
Equity		
Share capital	200,000	200,000
Share premium	54,933	59,075
Reserves	(45,232)	(31,148)
Retained earnings / (Accumulated losses)	13,492	(5,520)
Total equity attributable to equity holders of the Company	**223,193**	**222,407**
Non-controlling interest	**-**	**-**
Total equity	**223,193**	**222,407**
Liabilities		
Long term payables	-	615
Long term borrowings	74,850	-
Deferred tax liability	4,370	5,035
Finance lease	1,106	1,615
Total non-current liabilities	**80,326**	**7,265**
Short term borrowings	-	75,578
Accounts payable, accruals and other liabilities	245,256	202,148
Provisions	16,610	16,677
Current tax liability	2,006	45
Finance lease	1,835	2,308
Total current liabilities	**265,707**	**296,756**
Total liabilities	**346,033**	**304,021**
Total equity and liabilities	**569,226**	**526,428**

CONSOLIDATED STATEMENT OF CASH FLOWS

	2009	2008
Cash flows from operating activities		
Profit / (Loss) before income tax	24,426	(2,003)
Adjustments for:		
Depreciation and amortization	6,303	8,389
(Gain) / Loss on disposal of tangible and intangible assets	-	(98)
(Reversal of) / Impairment losses on property, plant and equipment	(203)	486
Provision charge	894	1,833
Interest income	(1,522)	(1,092)
Interest expense	6,639	1,700
Unrealized foreign exchange loss/(gain)	(759)	9,199
Operating cash flows before working capital changes	**35,778**	**18,414**
(Increase) / Decrease in receivables and prepayments	(80,392)	24,414
Decrease/(increase) in inventories	3,192	(15,147)
Increase in trade and other payables	39,682	29,674
Changes in working capital	**(37,518)**	**38,941**
Income tax paid	(2,296)	(4,414)
Net cash (used)/generated from operating activities	**(4,036)**	**52,941**
Cash flows from investing activities		
Acquisition of property, plant and equipment	(2,793)	(2,938)
Acquisition of intangible assets	(1,317)	(3,231)
Acquisition of Titan pharmacy, net of cash acquired	-	(1,462)
Advances for future acquisitions	(11,695)	-
Proceeds from sale of tangible and intangible assets	562	1,108
Interest received	1,602	1,012
Net cash used in investing activities	**(13,641)**	**(5,511)**
Cash flow from financing activities		
Repayment of borrowings	(75,947)	-
Drawdown of borrowings	79,000	2,865
Payment of transaction costs related to loans and borrowings	(4,169)	-
Lease payments	(2,746)	(3,515)
Repurchase of own shares	(4,142)	-
Interest paid	(3,946)	(6,097)
Net cash used in financing activities	**(11,950)**	**(6,747)**
Translation effect	1,481	(10,496)
Net (decrease)/increase in cash and cash equivalents	**(28,146)**	**30,187**
Cash and cash equivalents at 1 January	**44,111**	**13,924**
Cash and cash equivalents at 31 December	**15,965**	**44,111**

A&D PHARMA HOLDINGS NV

FINANCIAL STATEMENTS

PREPARED IN ACCORDANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS

AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2009

GENERAL INFORMATION

Description of the business

A&D Pharma Holdings NV and its subsidiaries' (together "the Group") principal activities include the import, wholesale, sales and marketing and retail distribution of pharmaceutical products. The Group's operational facilities are mainly based in Romania. The parent company, A&D Pharma Holdings NV ("ADP NV" or "the Company") was incorporated as a limited liability company in Delft, the Netherlands, on 24 May 2006 by means of an in-kind contribution to its share capital made by Sograno BV, consisting of the shares held in A&D Pharma Holdings SRL, Mediplus Exim SRL and Sensiblu SRL. ADP NV provides management and consultancy services to all its subsidiaries in Eastern Europe. By means of amendment of the articles of association dated 19 June 2006, the legal form of the incorporated limited liability company was changed into a public company. The principal subsidiaries are disclosed in Note 22.

As at 31 December 2009 the Group have 3,160 employees (3,347 employees as at 31 December 2008). ADP NV has its registered office at Martinus Nijhofflaan 2, 2624 ES Delft, the Netherlands.

Shareholders structure

The shareholders of the Company as at 31 December 2009 were:

	Number of shares	Shareholding %
Sograno BV, Netherlands	117,000,000	60.8813
Defrin Investment Ltd	4,334,600	2.2555
Wartfield Investments Ltd	1,272,600	0.6622
Mantin Ltd	4,454,600	2.3180
Dream Catcher Ltd	245,228	0.1276
Neelix Services Ltd	537,590	0.2797
Citibank N.A. (Depositary)	64,332,600	33.4757
	192,177,218	**100**
Treasury shares (Note 12)	7,822,782	**-**
	200,000,000	**-**

The shareholders of the Company as at 31 December 2008 were:

	Number of shares	Shareholding %
Sograno BV, Netherlands	117,000,000	58.5000
Defrin Investment Ltd	3,614,600	1.8073
Nezik Trading Ltd	3,818,200	1.9091
Wartfield Investments Ltd	1,272,600	0.6363
Mantin Ltd	4,454,600	2.2273
Citibank N.A. (Depositary)	69,840,000	34.9200
	200,000,000	**100**

The ultimate parent company of Sograno BV is Active Pharma Invest Limited, Cyprus. The shareholders of Active Pharma Invest Limited are Charles Michel Eid, Ludovic Charles Simon Robert, Roger Akoury and Walid Abboud.

Change in management

Robert Popescu has been appointed as Chief Executive Officer on 24 April 2009 from the position of Interim Chief Executive Officer.

Board of Directors:

The Board of Directors as at 31 December 2009 and as at 31 December 2008 comprised:

Name	Position	Appointed on
Walid Abboud	Chairman of the Board, Non-Executive Director (non-independent)	On 18 September 2008 became Chairman of the Board
Robert Popescu	Chief Executive Officer	On 1 August 2008 became Executive Director. On 18 September 2008 became Interim Chief Executive Officer and from 24 April 2009 Chief Executive Officer
Roberto Musneci	Non-Executive Director and Chairman of Audit and Nomination Committees	18 September 2008
Michael Schilling	Non-Executive Director and Chairman of Remuneration and Corporate Governance Committee	1 November 2008
Ludovic Charles Simon Robert	Non-Executive Director and Vice-Chairman of the Board (non-independent)	On 18 September 2008 became Vice-Chairman of the Board
Roger Akoury	Non-Executive Director (non-independent)	

(All amounts are expressed in EUR '000, unless otherwise stated)

	Note	31 December 2009	31 December 2008
Assets			
Property, plant and equipment	4	32,414	35,310
Goodwill and other intangible assets	5	230,347	244,301
Financial investments		71	68
Advances for future acquisitions	6	19,759	-
Long term receivables	7	4,812	4,880
Deferred tax asset	13	1,307	2,331
Total non-current assets		**288,710**	**286,890**
Inventories	8	63,321	66,513
Trade receivables	9	197,146	118,672
Prepayments and other receivables	10	3,724	8,460
Current tax asset		-	588
Restricted cash	11	360	1,194
Cash and cash equivalents	11	15,965	44,111
Total current assets		**280,516**	**239,538**
Total assets		**569,226**	**526,428**
Equity			
Share capital	12	200,000	200,000
Share premium	12	54,933	59,075
Reserves	12	(45,232)	(31,148)
Retained earnings / (Accumulated losses)		13,492	(5,520)
Total equity attributable to equity holders of the Company		**223,193**	**222,407**
Non-controlling interest		**-**	**-**
Total equity		**223,193**	**222,407**
Liabilities			
Long term payables		-	615
Long term borrowings	15	74,850	-
Deferred tax liability	13	4,370	5,035
Finance lease	14	1,106	1,615
Total non-current liabilities		**80,326**	**7,265**
Short term borrowings	15	-	75,578
Accounts payable, accruals and other liabilities	17	245,256	202,148
Provisions	16	16,610	16,677
Current tax liability		2,006	45
Finance lease	14	1,835	2,308
Total current liabilities		**265,707**	**296,756**
Total liabilities		**346,033**	**304,021**
Total equity and liabilities		**569,226**	**526,428**

(All amounts are expressed in EUR '000, unless otherwise stated)

	Note	2009	2008
Sales	**18**	514,273	501,537
Operating costs	**19**	(479,142)	(488,349)
Result from operating activities		**35,131**	**13,188**
Finance income		1,522	1,092
Finance costs		(12,227)	(16,283)
Net finance income / (cost)	**20**	**(10,705)**	**(15,191)**
Profit/(Loss) before income tax		**24,426**	**(2,003)**
Income tax expense	**13**	(5,414)	(291)
Profit/(Loss) for the period		**19,012**	**(2,294)**
Profit / (Loss) attributable to:			
Owners of the Company		**19,012**	**(2,294)**
Non-controlling interest		**-**	**-**
Profit/(Loss) for the period		**19,012**	**(2,294)**
Basic and diluted earnings / (loss) per share	**24**	**€0.10**	**€(0.01)**

(All amounts are expressed in EUR '000, unless otherwise stated)

	Note	2009	2008
Profit/(Loss) for the period		**19,012**	**(2,294)**
Other comprehensive income/(loss)			
Foreign currency translation differences for foreign operations		(14,084)	(24,983)
Other comprehensive income/(loss) for the period, net of income tax		**(14,084)**	**(24,983)**
Total comprehensive income/(loss) for the period		**4,928**	**(27,277)**
Attributable to:			
Owners of the Company		4,928	(27,277)
Non-controlling interest		-	-
Total comprehensive income/(loss) for the period		**4,928**	**(27,277)**

There is no income tax effect relating to the components of other comprehensive income/(loss) disclosed above.

(All amounts are expressed in EUR '000, unless otherwise stated)

	Attributable to equity holders of the Company					Non-controlling interest	Total equity
	Share capital	Share premium	Translation reserve	Retained earnings/ (Accumulated losses)	Total		
Balance as at 1 January 2008	**200,000**	**59,075**	**(6,165)**	**(3,226)**	**249,684**	-	**249,684**
Loss for the period	-	-	-	**(2,294)**	(2,294)	-	(2,294)
Other comprehensive income/(loss)							
Foreign currency translation differences	-	-	(24,983)	**-**	(24,983)	-	(24,983)
Total comprehensive loss for the period	**-**	**-**	**(24,983)**	**(2,294)**	**(27,277)**	**-**	**(27,277)**
Balance as at 31 December 2008	**200,000**	**59,075**	**(31,148)**	**(5,520)**	**222,407**	**-**	**222,407**
Profit for the period	-	-	-	19,012	19,012	-	19,012
Other comprehensive income/(loss)							
Foreign currency translation differences	-	-	(14,084)	**-**	(14,084)	-	(14,084)
Total comprehensive income/(loss) for the period	**-**	**-**	**(14,084)**	**19,012**	**4,928**	**-**	**4,928**
Own shares acquired	**-**	(4,142)	-	-	(4,142)	-	(4,142)
Total transactions with owners	**-**	**(4,142)**	**-**	**-**	**(4,142)**	**-**	**(4,142)**
Balance as at 31 December 2009	**200,000**	**54,933**	**(45,232)**	**13,492**	**223,193**	**-**	**223,193**

The Group is not allowed to declare and pay dividends without prior consent of Club Loan banks (see Note 15).

(All amounts are expressed in EUR '000, unless otherwise stated)

	2009	2008
Cash flows from operating activities		
Profit / (Loss) before income tax	24,426	(2,003)
Adjustments for:		
Depreciation and amortization	6,303	8,389
(Gain) / Loss on disposal of tangible and intangible assets	-	(98)
(Reversal of) / Impairment losses on property, plant and equipment	(203)	486
Provision charge	894	1,833
Interest income	(1,522)	(1,092)
Interest expense	6,639	1,700
Unrealized foreign exchange loss/(gain)	(759)	9,199
Operating cash flows before working capital changes	**35,778**	**18,414**
(Increase) / Decrease in receivables and prepayments	(80,392)	24,414
Decrease/(increase) in inventories	3,192	(15,147)
Increase in trade and other payables	39,682	29,674
Changes in working capital	**(37,518)**	**38,941**
Income tax paid	(2,296)	(4,414)
Net cash (used)/generated from operating activities	**(4,036)**	**52,941**
Cash flows from investing activities		
Acquisition of property, plant and equipment	(2,793)	(2,938)
Acquisition of intangible assets	(1,317)	(3,231)
Acquisition of Titan pharmacy, net of cash acquired	-	(1,462)
Advances for future acquisitions	(11,695)	-
Proceeds from sale of tangible and intangible assets	562	1,108
Interest received	1,602	1,012
Net cash used in investing activities	**(13,641)**	**(5,511)**
Cash flow from financing activities		
Repayment of borrowings	(75,947)	-
Drawdown of borrowings	79,000	2,865
Payment of transaction costs related to loans and borrowings	(4,169)	-
Lease payments	(2,746)	(3,515)
Repurchase of own shares	(4,142)	-
Interest paid	(3,946)	(6,097)
Net cash used in financing activities	**(11,950)**	**(6,747)**
Translation effect	1,481	(10,496)
Net (decrease)/increase in cash and cash equivalents	**(28,146)**	**30,187**
Cash and cash equivalents at 1 January	**44,111**	**13,924**
Cash and cash equivalents at 31 December (Note 11)	**15,965**	**44,111**

(All amounts are expressed in EUR '000, unless otherwise stated)

1 REPORTING ENTITY

These consolidated financial statements (alternatively referred to hereinafter as the "financial statements") are presented by A&D Pharma Holdings NV ("ADP NV" or the "Company") and they incorporate the results of the Company and its subsidiaries (together the "Group" or separately the "Entity" or "Entities"), as detailed in Note 22.

The financial statements were authorised for issue by the Board of Directors on 1 April 2010, authorised on their behalf by Mr. Robert Popescu (Chief Executive Officer), also signed by Mr. Dimitris Sophocleous (Chief Financial Officer).

2 BASIS OF PRESENTATION OF THE FINANCIAL STATEMENTS

2.1 Basis of preparation

These consolidated financial statements have been prepared in accordance with, and comply with, International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") as endorsed by the European Union ("EU").

The consolidated financial statements are prepared based on the statutory records of the Entities, which are maintained on a going concern basis under the historical cost convention except for derivative financial instruments and available for sale financial assets which are measured at fair value. All financial information presented in EUR has been rounded to the nearest thousand.

The preparation of consolidated financial statements in conformity with IFRS requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods. Although these estimates are based on Management's best knowledge of current events and actions, actual results may differ from these estimates (Note 25).

2.2 Functional currency and foreign currency transactions

In accordance with IAS 21 "The effects of changes in foreign exchange rates", the functional currency for the Romanian subsidiaries was determined to be Romanian Leu ("RON") and for the other entities, it is the currency of the primary economic environment in which they operate. The functional currency of ADP NV was determined to be the Euro ("EUR").

The Management of the Company has decided to adopt EUR as presentation currency for the purpose of the consolidated financial statements.
The results and financial position of all the Group entities (none of which has the currency of a hyper-inflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(a) Assets and liabilities are translated into EUR at the official exchange rates at each reporting date, as set out below;

	31 December 2009	31 December 2008
RON / 1 EUR	4.2282	3.9852
HUF / 1 EUR	270.84	264.78

(b) Income and expenses are translated at exchange rates at the dates of the transactions. For practical reasons an average monthly rate has been used, which is a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates; and

(c) All resulting exchange differences form a translation reserve as defined in Note 3.9 and are recognised as a separate component of equity and of other comprehensive income.

(d) Cash flows are translated using appropriate average exchange rates.
On consolidation, exchange differences arising from monetary items receivable by ADP NV from its foreign subsidiaries, for which settlement is neither planned nor likely to occur in the foreseeable, is recognised initially in equity and reclassified from equity to income statement on disposal of the net investment in the respective subsidiary.
Such computations and presentation of amounts in EUR should not be construed as a representation that the RON and HUF amounts have been or could be converted into EUR at these rates or any other rates.

Transactions in foreign currencies are translated to the respective functional currencies of individual Group entities at exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at reporting date exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of income.

2.3 Changes in accounting policies

Presentation of financial statements

Starting 1 January 2009, the Group applies revised IAS 1 Presentation of Financial Statements (2007), which became effective as of 1 January 2009. As a result, the Group presents in the consolidated statement of changes in equity all owner changes in equity, whereas all non-owner changes in equity are presented in the consolidated statement of comprehensive income. Comparative information has been re-presented so that it also is in conformity with the revised standard. Since the change in accounting policy only impacts presentation aspects, there is no impact on earnings per share.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 Basis of consolidation

a) Subsidiaries

Subsidiaries are entities controlled by the Group. Control is the power to govern the financial and operating policies of an entity, generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. The financial statements of significant subsidiaries are included in the consolidated Financial Statements from the date that control commences until the date that control ceases. The accounting policies of subsidiaries have been changed when necessary to align them with the policies adopted by the Group.

The purchase method of accounting (under IFRS 3 “Business Combinations” 2004) is used to account for the acquisition of subsidiaries by the Group.

The cost of an acquisition is measured by the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of acquisition, plus costs directly attributable to the acquisition. The excess of the cost of acquisition over the fair value of the Group’s share of the identifiable net assets acquired is recorded as goodwill.

b) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised gains arising from transactions with equity accounted investees are eliminated against the investment to the extent of the Group’s interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

3.2 Segment reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group’s other components. Inter-segment pricing is determined on an arm’s length basis.
All operating segments’ operating results are reviewed regularly by the Board of Directors in order to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available. Segment results that are reported to the Board of Directors include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Performance is measured based on segmental earnings before interest, tax, depreciation and amortization as included in the internal management reports that are reviewed by the Board of Directors.

Segment capital expenditure is the total cost incurred during the period to acquire property, plant and equipment, and intangible assets other than goodwill.

The Group comprises the following main business segments:

- Classic Wholesale
- Sales & Marketing
- Retail
- Corporate

Starting 1 January 2008 the Group has decided to split the Wholesale business segment into Classic Wholesale and Sales and Marketing segments, for the improvement and effectiveness of the operational structure.

The Classic Wholesale business line is involved in the distribution of medicines, over-the-counter, parapharmaceutical and cosmetic products, as well as medical devices to pharmacies and hospitals. It also provides various services to suppliers (such as logistics, customs warehousing).

The Sales and Marketing business line offers a full spectrum of integrated services provided to suppliers from registration to commercialization, pharma covigilance and market access.

The Retail segment sells medicines, over-the-counter, para pharmaceutical and cosmetic products direct to customers through its country-wide network of pharmacies.

Corporate segment cumulates the group costs incurred at the level of both A&D Pharma Holdings SRL and ADP NV, representing mainly Group support and consultancy costs.

The majority of the Group's operational activities are in Romania and accordingly no geographical segment is presented.

3.3 Property, plant and equipment

Property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the asset.
When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Depreciation is calculated on the amounts of property, plant and equipment on a straight-line basis down to the assets' estimated residual values. The depreciation periods, which approximate the estimated useful economic lives of the respective assets, are as follows:

Type	**Useful life (years)**
Buildings	30-50
Leasehold improvements	3-10
Computers and electronic equipment	3-5
Motor vehicles and trucks	3-5
Fixtures and fittings	3-10

Land is not depreciated.
Repairs and maintenance are charged to the statement of income during the financial period in which they are incurred. The cost of major renovations is included in the carrying amount of the asset when it is probable that future economic benefits in excess of the originally assessed standard of performance of the existing asset will flow to the Group. Major renovations are depreciated over the remaining useful life of the related asset. Gains and losses arising from the retirement of property, plant and equipment are included in the statement of income as incurred.

3.4 Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is its fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses.

Internally generated intangible assets, excluding capitalised development costs, are not capitalised and expenditure is reflected in the income statement in the year in which the expenditure is incurred. The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life is reviewed at least at each financial year end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the income statement in the expense category consistent with the function of the intangible asset.

Intangible assets with indefinite useful life are tested for impairment annually, irrespective of whether there is any indication of impairment (Note 3.8 ii).

a) Goodwill

Goodwill represents amounts arising on acquisition of subsidiaries. Goodwill represents the difference between the cost of the acquisition and the fair value of the net identifiable assets and contingent liabilities acquired. Goodwill is measured at cost less any accumulated impairment losses. Goodwill is allocated to cash generating units and is tested for impairment at each reporting date.

b) Brands

The Group recognises brands acquired in business combinations as an intangible assets. These brands are valued on acquisition by an independent valuator, using a discounted cash flow methodology (income approach) based on Management assumptions and estimates regarding future revenue growth, prices, costs and economic factors in valuing a brand. These assumptions reflect Management's best estimates but these estimates involve inherent uncertainties, which may not be controlled by Management.

No amortisation is charged on brand intangibles as the Group believes that the useful life of these assets is indefinite. The factors that result in the durability of brands capitalised are that there are no material legal, regulatory, contractual, competitive, economic or other factors that limit the useful life of these intangibles.

Furthermore:

- The Group expects to acquire, hold and support brands for an indefinite period. The Group supports these brands through spending on consumer marketing across the business and through significant investment in promotional support. The brands capitalised are expected to be in longstanding and profitable market sectors.

- The likelihood that market based factors could truncate a brand's life is relatively remote because the size and market share of the brands in question.

The brands are tested for impairment at each reporting date, irrespective of whether there is an indication that the related assets may be impaired, as well as whenever there is any indication that they may be impaired.

Management estimates the recoverable amount which is determined as the higher of net selling price and the value in use of the cash generating units it is allocated to. The carrying amount is reduced to the recoverable amount and the difference is recognised as expense (impairment loss) in the statement of income.

c) Pharmacies licenses

Expenditure to acquire operating licences for pharmacies are capitalised at cost.

During 2008, due to changes in regulatory environment, the Group reassessed the useful life of pharmacy licenses from indefinite to finite. The change in the useful life assessment from indefinite to finite was accounted for as a change in accounting estimate in accordance with IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors. Pharmacy licenses are therefore amortised using the straight-line method over the 3-year period from 1 January 2008 until 31 December 2010 (Note 5).

Licenses are stated at cost less any accumulated amortisation expenses and any accumulated impairment losses.

d) Computer licences and software

The cost of acquiring licences and computer software is capitalised and amortised using the straight-line method over their useful lives, normally 1 to 5 years.

3.5 Financial investments

Financial investments intended to be held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in interest rates, are classified as available-for-sale and are included in non-current assets unless Management has expressed its intention of holding the investment for less than 12 months from the reporting date or unless they will need to be sold to raise operating capital, in which case they are included in current assets.
Purchases of financial investments are recognized on the trade date, at fair value plus transaction costs. Realized and unrealized gains and losses arising from changes in the fair value of available for sale investments are included in the income statement of the period to which they relate.

3.6 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined by the first-in, first-out (FIFO) method. Net realisable value is the estimated selling price in the ordinary course of business, less any selling expenses. When necessary, provision is made for obsolete, slow moving and defective inventories.

The costs of purchase of inventories comprise the purchase price, import duties and other taxes (other than those subsequently recoverable by the entity from the taxing authorities). Trade discounts, rebates and other similar items are deducted in determining the costs of purchase.

3.7 Financial instruments

(i) Non-derivative financial assets

The Group initially recognises loans and receivables and deposits on the date that they are originated. All other financial assets are recognised initially on the trade date at which the Group becomes a party to the contractual provisions of the instrument. The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Group is recognised as a separate asset or liability. Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously. The Group has the following non-derivative financial assets: loans and receivables and available-for sale financial assets.

Trade receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the collection terms of receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the trade receivable is impaired. The amount of the provision is determined based on Management risk assessment of the trade receivables collectability.

Amortised cost is computed based on an expected maturity analysis made by management. Estimated collection dates are determined on historical turnovers.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits with original maturities of three months or less.
Cash and cash equivalents are carried in the statement of financial position at cost. For the purposes of the statement of cash flows, cash and cash equivalents comprise cash on hand, cash held at call with banks, other short-term highly liquid investments with original maturities of three months or less.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are designated as available-for-sale. The Group's investments in equity securities and certain debt securities are classified as available-for-sale financial assets. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses and foreign currency differences on available-for-sale equity instruments, are recognised in other comprehensive income and presented within equity in the fair value reserve. When an investment is derecognised, the cumulative gain or loss in other comprehensive income is transferred to profit or loss.

(ii) Non-derivative financial liabilities

The Group initially recognises debt securities issued and subordinated liabilities on the date that they are originated. All other financial liabilities are recognised initially on the trade date at which the Group becomes a party to the contractual provisions of the instrument. The Group derecognises a financial liability when its contractual obligations are discharged or cancelled or expire. Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously. The Group has the following non-derivative financial liabilities: loans and borrowings and trade and other payables.

Loans and borrowings

All loans and borrowings are initially recognised at the fair value of the consideration received less directly attributable transaction costs. The transaction costs incurred in issuing the liability are amortized over the life of the loan.

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method; any difference between fair value of the proceeds (net of transaction costs) and the redemption amount is recognised as interest expense over the period of the borrowings.

Trade and other payables

Liabilities for trade and other payables are carried at cost, which is the fair value of the consideration to be paid in the future for goods and services received, whether or not billed to the Group. After initial recognition, the Group measures trade payable at amortised cost using effective interest method.

Amortised cost is computed based on an expected maturity analysis made by management. Estimated payment dates are determined on historical turnovers.

3.8 Impairment

(i) Financial assets (including receivables)

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably. Objective evidence that financial assets are impaired can include default or delinquency by a debtor, restructuring of an amount due to the Group on terms that the Group would not consider otherwise, indications that a debtor or issuer will enter bankruptcy, the disappearance of an active market for a security. The Group considers evidence of impairment for receivables on a specific analysis basis. In assessing specific impairment the Group considers all customers against which the Group took legal action, upon suspicion of bankruptcy, insolvability or bad payment behaviour.

Impairment losses on available-for-sale investment securities are recognised by transferring the cumulative loss that has been recognised in other comprehensive income, and presented in the fair value reserve in equity, to profit or loss. The cumulative loss that is removed from other comprehensive income and recognised in profit or loss is the difference between the acquisition cost, net of any principal repayment and amortisation, and the current fair value, less any impairment loss previously recognised in profit or loss. Changes in impairment provisions attributable to time value are reflected as a component of interest income.

When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

(ii) Non-financial assets

The carrying amounts of the Group's non-financial assets, other than inventories and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For goodwill, and intangible assets that have indefinite useful lives or that are not yet available for use, the recoverable amount is estimated each year at the same time. The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future post-tax cash flows are discounted to their present value using an after-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For disclosure purposes, pre-tax discount rates are presented in Note 25 (viii). For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit, or CGU"). Subject to an operating segment ceiling test, for the purposes of goodwill impairment testing, CGUs to which goodwill has been allocated are aggregated so that the level at which impairment is tested reflects the lowest level at which goodwill is monitored for internal reporting purposes. Goodwill acquired in a business combination is allocated to groups of CGUs that are expected to benefit from the synergies of the combination. The Group's corporate assets do not generate separate cash inflows.

If there is an indication that a corporate asset may be impaired, then the recoverable amount is determined for the CGU to which the corporate asset belongs. An impairment loss is recognised if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the units, and then to reduce the carrying amounts of the other assets in the unit (group of units) on a *pro rata* basis. An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

3.9 Shareholders' equity

Share capital and Share Premium

Ordinary shares are classified as equity. Any excess of the fair value of consideration received over the par value of shares issued is recognised as a share premium and any deficit is deducted from share premium and retained earnings, if available.

Repurchase of share capital (treasury shares)

When share capital recognised as equity is repurchased, the amount of the consideration paid, which includes directly attributable costs, net of any tax effects, is recognised as a deduction from equity. Repurchased shares are classified as treasury shares and are presented as a deduction from total equity. When treasury shares are sold or reissued subsequently, the amount received is recognised as an increase in equity, and the resulting surplus or deficit on the transaction is transferred to / from retained earnings.

Translation reserve

In presenting the financial statements into EUR, all resulting exchange differences from translating operations that do not have the EUR as the functional currency are classified as equity. The main differences arise on the translation of income and expense items at exchange rates in force at transaction dates and assets and liabilities at the closing rate of each reporting date.

Dividends

Dividends are recognised as a liability and deducted from equity at the reporting date only if declared before or on the reporting date.

3.10 Income tax

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognised in profit or loss except to the extent that it relates to a business combination, or items recognised directly in equity or in other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss, and differences relating to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future. In addition, deferred tax is not recognised for taxable temporary differences arising on the initial recognition of goodwill. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

3.11 Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, and it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made. Provisions are discounted if the effect of discounting is material.
Where the Group expects a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain.

A provision for restructuring is recognized when the Group has approved a detailed and formal restructuring plan and the restructuring either has commenced or has been announced publicly. A restructuring provision includes only direct expenditure arising from the restructuring which are both necessarily entailed by the restructuring and not associated with the ongoing activity of the entity. Future operating costs are not provided for.

3.12 Leases

Leases of property, plant and equipment, where the Group has substantially all the risks and rewards of ownership, are classified as finance leases. Finance leases are capitalised at the inception of the lease at the lower of the fair value of the leased property or the present value of the minimum lease payments. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The corresponding rental obligations, net of finance charges, are included in other long-term payables. The interest element of the finance costs is charged to the income statement over the lease period. The property, plant and equipment acquired under finance leases is depreciated over the shorter of the useful life of the asset or the lease term.
Leases where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

3.13 Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Group's activities. Revenue is shown net of value added tax, returns, rebates and discounts.

Revenue from the sale of goods to customers is recognised when persuasive evidence exists that the significant risks and rewards of ownership of the goods have been transferred to the buyer, recovery of consideration is probable, the associated costs and possible return of the goods can be estimated reliably and the amount of revenue can be measured reliably. If it is probable that discounts will be granted and the amount can be measured reliably, than the discount is recognized as a reduction of revenue as the sales are recognized.

Sales of logistic, distribution and promotion services are recognised in the accounting period in which the services are rendered, by reference to completion of the specific transaction assessed on the basis of the actual service provided as a proportion of the total services to be provided.

The Group maintains a customer loyalty program, within its retail segment, which allows customers to accumulate fidelity points on loyalty cards when they purchase products in the Group's pharmacies. The points can then be redeemed for free goods. The fair value of the fidelity points is estimated taking into account the expected redemption rate and the timing of such expected redemptions. Such amount is deferred and revenue is recognised only when the fidelity points are redeemed and the Group has fulfilled its obligations to supply the free goods. The amount of revenue recognised in those circumstances is based on the number of fidelity points that have been redeemed in exchange for free goods, relative to the total number of fidelity points that is expected to be redeemed.

3.14 Deferred income

In accordance with IFRIC 13 "Customer Loyalty Programme", the fair value of the points issued under the customer loyalty program is deferred and recognised as revenue in the income statements when the points are redeemed.

3.15 Employee benefits

The Group, in the normal course of business, makes payments to the Romanian State on behalf of its employees. All employees of the Group are associated to the Romanian State pension plan. All such contributions to the mandatory government pension scheme are expensed when incurred. The Group does not operate other pension scheme or post retirement benefit plan and, consequently, has no additional pension obligations, other than the Romanian State pension plan. In addition, the Group is not obliged to provide further (post-retirement) benefits to current and former employees.

Termination benefits

Termination benefits are recognised as an expense when the Group is demonstrably committed without realistic possibility of withdrawal, to a formal detailed plan, to either terminate employment before the normal retirement date, or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. Termination benefits for voluntary redundancies are recognised as an expense if the Group has made an offer of voluntary redundancy, it is probable that the offer will be accepted, and a number of acceptances can be estimated reliably.

3.16 Finance income and finance costs

Finance income comprises interest income on funds invested, gains on the disposal of available-for-sale financial assets, and gains on forward foreign exchange contracts that are recognised in profit or loss. Interest income is recognised as it accrues in profit or loss, using the effective interest method.

Finance costs comprise interest expense on borrowings, impairment losses recognised on financial assets, and losses on hedging instruments that are recognised in profit or loss.

Foreign currency gains and losses are reported on a net basis.

3.17 Determination of fair values

A number of the Group's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and / or disclosure purposes based on the following methods. Where applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

Intangible assets

The fair value of other intangible assets acquired in a business combination is based on the discounted cash flows expected to be derived from the use and eventual sale of the assets as detailed in Note 5.

Derivatives

The fair value of forward foreign exchange contracts is based on their listed market price, if available. If a listed market price is not available, then fair value is estimated by discounting the difference between the contractual forward price and the current forward price for the residual maturity of the contract using a risk-free interest rate.

Non-derivative financial liabilities and assets

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market interest rate at the reporting date. For finance leases the market interest rate is determined by reference to similar lease agreements.

Customer loyalty programs

The Group maintains a customer loyalty program, within its retail segment, which allows customers to accumulate fidelity points on loyalty cards when they purchase products in the Group's pharmacies. The points can then be redeemed for free goods. The fidelity points are measured at fair value, representing the amount for which they can be sold separately. The fair value of the fidelity points is estimated taking into account the expected redemption rate and the timing of such expected redemptions.

3.18 Earnings per share

Pursuant to IAS 33, earnings per share ("EPS") are calculated by dividing the profit or loss allocated to the shareholders of the Group by the weighted average number of shares outstanding during the fiscal period.
The weighted average number of ordinary shares outstanding during the period is the number of ordinary shares outstanding at the beginning of the period, adjusted by the number of ordinary shares issued/ redeemed/own shares held during the period multiplied by a time – weighting factor.

Dilution is a reduction in earnings per share or an increase in loss per share resulting from the assumption that convertible instruments are converted, that options or warrants are exercised, or that ordinary shares are issued upon the satisfaction of specified conditions. The objective of diluted earnings per share is consistent with that of basic earnings per share, namely to provide a measure of the interest of each ordinary share in the performance of an entity.

3.19 New standards and interpretations not yet adopted

Certain new standards, amendments and interpretations to existing standards that have been published are not yet effective for the year ended 31 December 2009 and have not been applied in preparing these consolidated financial statements. None of these will have an effect on the consolidated financial statements of the Group, except for the following:

- IFRS 3 Business Combinations (effective for annual periods beginning on or after 1 July 2009). The scope of the revised standard has been amended and the definition of a business has been expanded. The revised Standard is expected to have no impact on the financial statements with respect of business combinations that occur before the date of adoption of the revised Standard.

- Amended IAS 27 Consolidated and Separate Financial Statements (effective from 1 July 2009). The amendments remove the definition of "cost method" and instead require all dividends form a subsidiary, jointly controlled entity or associate to be recognised as income in the separate financial statements of the investor when the right to receive the dividend is established. In the revised Standard the term minority interest has been replaced by the non-controlling interest, and is defined as "equity in a subsidiary not attributable directly or indirectly, to a parent". The revised standard also amends the accounting for non-controlling interest, the loss of control of a subsidiary, and the allocation of profit or loss and other comprehensive income between the controlling and non-controlling interest. The amendments to IAS 27 are not expected to have significant impact on the Group's consolidated financial statements.

- Amended IAS 24 Related party disclosures (effective for annual periods beginning on or after 1 January 2011) adds new relationships to the definition of a related party and addresses disclosure exemptions for the government-related entities.

- IFRS 9 "Financial Instruments" (effective for annual periods beginning on or after 1 January 2013) retains but simplifies the mixed measurement model and establishes two primary measurement categories of financial assets: amortised cost and fair value.

- Improvements to IFRSs 2009. Effective dates, early application and transitional requirements are addressed on a standard – by – standard basis. The majority of the amendments are effective from 1 January 2010.

(All amounts are expressed in EUR '000, unless otherwise stated)

4 PROPERTY, PLANT AND EQUIPMENT

	Land & buildings	Leasehold improvements	Computers & electronic equipment	Motor vehicles	Fixtures & fittings	Assets in course of construction	Total
Net book amount as of 1 January 2008	21,885	4,756	1,902	7,853	2,212	767	39,375
Additions	347	28	647	1,801	645	2,411	5,879
Additions through business combination	1,018	57	1	-	-	-	1,076
Transfers	35	1,041	47	830	422	(2,375)	-
Disposals	(95)	(279)	(14)	(480)	(33)	(17)	(918)
Depreciation charge	(495)	(1,522)	(1,115)	(2,276)	(729)	-	(6,137)
Impairment (charge) / reversal	(265)	116	25	-	41	(403)	(486)
Translation differences	(2,091)	(404)	(131)	(570)	(229)	(54)	(3,479)
Closing net book amount as of 31 December 2008	**20,339**	**3,793**	**1,362**	**7,158**	**2,329**	**329**	**35,310**
Cost	21,546	8,760	4,806	11,353	4,223	701	51,389
Accumulated depreciation	(962)	(4,730)	(3,367)	(4,195)	(1,780)	-	(15,034)
Impairment provision	(245)	(237)	(77)	-	(114)	(372)	(1,045)
Closing net book amount as of 31 December 2008	**20,339**	**3,793**	**1,362**	**7,158**	**2,329**	**329**	**35,310**

(All amounts are expressed in EUR '000, unless otherwise stated)

	Land & buildings	Leasehold improvements	Computers & electronic equipment	Motor vehicles	Fixtures & fittings	Assets in course of construction	Total
Net book amount as of 1 January 2009	**20,339**	**3,793**	**1,362**	**7,158**	**2,329**	**329**	**35,310**
Additions	-	81	841	23	455	3,157	4,557
Transfers	-	1,082	182	1,507	203	(2,974)	-
Disposals	-	(90)	(2)	(428)	(12)	-	(532)
Depreciation charge	(429)	(1,294)	(809)	(1,729)	(828)	-	(5,089)
Impairment (charge) / reversal	-	99	57	-	47	-	203
Translation differences	(1,169)	(218)	(78)	(417)	(135)	(18)	(2,035)
Closing net book amount as of 31 December 2009	**18,741**	**3,453**	**1,553**	**6,114**	**2,059**	**494**	**32,414**
Cost	20,308	9,211	5,532	10,436	4,602	845	50,934
Accumulated depreciation	(1,336)	(5,633)	(3,964)	(4,322)	(2,483)	-	(17,738)
Impairment provision	(231)	(125)	(15)	-	(60)	(351)	(782)
Closing net book amount as of 31 December 2009	**18,741**	**3,453**	**1,553**	**6,114**	**2,059**	**494**	**32,414**

(All amounts are expressed in EUR '000, unless otherwise stated)

Transfers from assets in course of construction refer mainly to leasehold improvements made to pharmacies opened or relocated during the period and to motor vehicles, acquired for renewing the distribution car fleet.

Total property plant and equipment acquired from related party during 2009 is EUR 12 thousand (2008: EUR 622 thousand) (see Note 21).

The reversal of impairment on leasehold improvements and fixtures and fittings relates to pharmacies that had been in course of relocation or refurbishment as at 31 December 2008 and were then reopened during 2009.

Impairment charge for 2008 mainly resulted from the decrease in market value of the land owned in Brasov county.

Included above are leased assets (mainly electronic equipment, motor vehicles and trucks), where the Group is a lessee under a finance lease as follows:

	31 December 2009	31 December 2008
Cost – capitalised finance leases	9,159	10,431
Accumulated depreciation	(4,043)	(4,205)
Net book value	**5,116**	**6,226**

(All amounts are expressed in EUR '000, unless otherwise stated)

5 GOODWILL AND OTHER INTANGIBLE ASSETS

	Goodwill	Brand Sensiblu	Pharmacy licences	Software and other	Intangibles in progress	Total
Net book amount as of 1 January 2008	**215,677**	**45,834**	**1,618**	**2,216**	**666**	**266,011**
Translation reserve	(20,298)	(4,313)	(125)	(185)	(195)	(25,116)
Additions	-	-	-	787	4,024	4,811
Additions through business combinations	689	-	250	-	-	939
Transfers	-	-	12	1,154	(1,166)	-
Disposals	-	-	(88)	(4)	-	(92)
Amortisation charge	-	-	(578)	(1,674)	-	(2,252)
Closing net book amount as of 31 December 2008	**196,068**	**41,521**	**1,089**	**2,294**	**3,329**	**244,301**
Cost	196,068	41,521	1,994	5,247	3,329	248,159
Accumulated amortisation	-	-	(905)	(2,953)	-	(3,858)
Closing net book amount as of 31 December 2008	**196,068**	**41,521**	**1,089**	**2,294**	**3,329**	**244,301**

(All amounts are expressed in EUR '000, unless otherwise stated)

	Goodwill	Brand Sensiblu	Pharmacy licences	Software and other	Intangibles in progress	Total
Net book amount as of 1 January 2009	**196,068**	**41,521**	**1,089**	**2,294**	**3,329**	**244,301**
Translation reserve	(11,269)	(2,386)	(64)	(125)	(183)	(14,027)
Additions	-	-	-	232	1,085	1,317
Additions through business combinations	-	-	-	-	-	-
Transfers	-	-	14	930	(944)	-
Disposals	-	-	(30)	-	-	(30)
Amortisation charge	-	-	(492)	(722)	-	(1,214)
Closing net book amount as of 31 December 2009	**184,799**	**39,135**	**517**	**2,609**	**3,287**	**230,347**
Cost	184,799	39,135	1,836	6,116	3,287	235,173
Accumulated amortisation	-	-	(1,319)	(3,507)	-	(4,826)
Closing net book amount as of 31 December 2009	**184,799**	**39,135**	**517**	**2,609**	**3,287**	**230,347**

(All amounts are expressed in EUR '000, unless otherwise stated)

Increase of goodwill from the acquisition of Farmacia Titan SRL pharmacy

The addition to goodwill in 2008 in amount of EUR 689 thousand represents the goodwill arising from the acquisition of Farmacia Titan SRL pharmacy on 1 January 2008.

Goodwill for 2008 was computed as follows:

Consideration paid in 2008	1,810
Less: Fair value of net assets acquired (see table below)	(1,049)
Goodwill arising from the acquisition of Titan pharmacy at acquisition date	**761**
Translation reserve	(72)
Goodwill arising from the acquisition of Titan pharmacy as at 31 December 2008	**689**

The fair value of the net assets of Farmacia Titan pharmacy at acquisition date is as follows:

	Pre-acquisition carrying amounts	**Fair value adjustments**	**Recognised values on acquisition**
Property, plant and equipment	58	1,018	1,076
Intangibles	-	250	250
Inventories	207	(93)	114
Trade and other receivables	72	-	72
Cash and cash equivalents	348	-	348
Liabilities	(600)	-	(600)
Payroll liabilities	(39)	12	(27)
Deferred tax liability	-	(184)	(184)
Net identifiable assets and liabilities	**46**	**1,003**	**1,049**

For the purpose of the cash flow statement, the net cash outflow from the acquisition of Farmacia Titan is:

	Recognised values on acquisition
Consideration paid	1,810
Cash acquired	(348)
Net cash outflow	**1,462**

The goodwill recognised on the acquisition of Farmacia Titan is attributable mainly to good positioning on the pharmaceutical retail market, customer base and important contracts concluded with the Health Insurance Houses.

As at 31 December 2009, for impairment purposes, management has allocated goodwill to the Group's three main cash generating units, Wholesale (Mediplus Exim SRL) EUR 128,522 thousand, Sales and Marketing SRL EUR 27,395 thousand, and Retail (Sensiblu SRL) EUR 28,882.

As at 31 December 2009, management tested goodwill and brands, as well as non-current property, plant and equipment for impairment (see Note 25 (viii)).

During 2009, the Group has changed the useful life for licences and software from 3 to 5 years. The impact for the period ended 31 December 2009 in the Consolidated Statement of Income on depreciation charge is a decrease of EUR 810 thousand.

Additions to intangibles in progress during 2008, which are included in the closing balance as at 31 December 2009, consist mainly of licenses and external consultancy provided for ERP (Enterprise Resource Planning) system implementation, in amount of EUR 3,002 thousand. The project is planned to be finalised in three stages, up to year 2012.

(All amounts are expressed in EUR '000, unless otherwise stated)

Pharmacy licences represent mainly the cost of the legal entities acquired by Sensiblu SRL during the years, in order to obtain their existing operating licences to open new pharmacies.

According to the new Pharmacy Law no. 266 dated 13 November 2008, starting as from 1 January 2011 there will be no demographical restrictions in obtaining the operating licenses to open a new pharmacy. Therefore, the management has decided to reassess the indefinite useful life of licenses and to amortize them over the remaining period of three years starting as from 2008. The effect of the change in accounting estimate is an increase of EUR 492 thousand in amortisation expense for the year ended 31 December 2009 (2008: EUR 578 thousand).

6 ADVANCES FOR FUTURE ACQUISITIONS

In December 2009, the Company signed the Sale Purchase Agreements for the acquisition of Arishop Pharma AD and its subsidiary in Bulgaria, Ozpharma Polska Sp.z.o.o. and Ozpharma Polska Services Sp.z.o.o in Poland, Ozpharma Hungary Kft. in Hungary, Ozpharma Slovakia s.r.o. in Slovakia and Ozpharma s.r.o. in the Czech Republic ("the Target Companies"). The Target Companies are related parties of the Group (Note 21), having the same ultimate controlling shareholders.

The acquisition was agreed for a total consideration of EUR 23.15 million.

Part of the total consideration is financed in exchange for the cancellation of an outstanding receivable of EUR 17.45 million from a related party to the Group (trade receivables of Mediplus Exim SRL against Ozpharma Logistics SRL). A cash consideration of EUR 4 million will be payable and is conditional upon the acquisition by the Group of an additional company located in one of the target markets. The remaining amount of EUR 1.7 million is payable in cash in two equal installments at a deferred date (no later than 31 August 2010 for the first installment and no later than 28 February 2011 for the second installment) based on the 2010 EBITDA performance of the companies acquired in Poland, Hungary, Slovakia and the Czech Republic.

Completion of the acquisition is conditioned upon the approval by the consortium of banks which granted the EUR 100 million Club Loan to the Group in July 2009 (Note 15).

As of 31 December 2009, the Group has incurred a total amount of EUR 19.76 million relating to the acquisition of the Target Companies, as follows:

- EUR 17.45 million, representing receivable from related party to be set off against the acquisition
- EUR 2.31 million, representing other costs directly attributable to the acquisition

These amounts are presented as advances for future acquisitions in the statement of financial position at the reporting date.

7 LONG TERM RECEIVABLES

	31 December 2009	31 December 2008
Long term trade receivables	4,806	4,829
Other	6	51
	4,812	**4,880**

Based on historical trend, management assessed that 10% of trade receivable balances not older than 60 days should be classified as long term, as they are expected to be collected after more than one year period.

As at 31 December 2009, the fair value of long term receivables is EUR 5,024 thousand (31 December 2008: EUR 4,844 thousand), computed based on an effective weighted average interest rate of 9.44% for the year 2009 (2008: 13.59%). Amortised cost was computed based on an effective weighted average interest rate of 14.06% for the year 2009 (2008: 13.85%).

(All amounts are expressed in EUR '000, unless otherwise stated)

As at 31 December 2009, pledged long term receivables that meet the definition as per Club Loan agreement are in amount of EUR 2,832 thousand. However, the Club Loan agreement stipulates a maximum limit of EUR 150,000 thousand for cumulated pledges on cash, receivables and inventories (Note 15).

As at 31 December 2008 bank borrowings (Note 15) are secured over EUR 4,829 thousand of the above long term trade receivables balance.

The Group's exposure to interest and credit risk related to long term trade receivables is disclosed in Note 27.

8 INVENTORIES

	31 December 2009	31 December 2008
Goods held for sale	65,146	68,198
Provision for slow moving and obsolete inventory	(1,825)	(1,685)
	63,321	**66,513**

As at 31 December 2009, pledged inventories that meet the definition as per Club Loan agreement are in amount of EUR 63,321 thousand. However, the Club Loan agreement stipulates a maximum limit of EUR 150,000 thousand for cumulated pledges on cash, receivables and inventories (Note 15).

As at 31 December 2008 bank borrowings were secured over EUR 64,158 thousand of inventories balances.

9 TRADE RECEIVABLES

	31 December 2009	31 December 2008
Trade receivables	202,872	116,375
Trade receivables from related parties (Note 21)	685	6,634
Impairment of trade receivables	(6,411)	(4,337)
	197,146	**118,672**

Amortised cost of trade receivables was computed based on an effective weighted average interest rate of 5.52% for the year 2009 (2008: 7.51%).

As at 31 December 2009, pledged trade receivable that meet the definition as per Club Loan agreement are in amount of EUR 113,888 thousand. However, the Club Loan agreement stipulates a maximum limit of EUR 150,000 thousand for cumulated pledges on cash, receivables and inventories (Note 15).

As at 31 December 2008 bank borrowings were secured over EUR 118,672 thousand of trade receivable balances.

The fair value of trade receivables (including related parties) as at 31 December 2009 is EUR 201,644 thousand (31 December 2008: EUR 129,015 thousand), computed based on an effective weighted average interest rate of 3.67% for the year 2009 (2008: 4.17%).

The Group's exposure to interest and credit risk related to accounts receivable is disclosed in Note 27.

10 PREPAYMENTS AND OTHER RECEIVABLES

	31 December 2009	31 December 2008
Advances to suppliers	1,072	157
Other receivables from related parties (Note 21)	1,586	189
Other receivables from shareholders (Note 21)	114	219
Prepayments	617	756
Sundry debtors, net	277	1,195
VAT recoverable	58	157
Loans receivable from customers	-	111
Fair value of foreign currency contracts	-	5,676
	3,724	**8,460**

In prepayments, the Group has included various types of merchandising services to be rendered to Mediplus Exim SRL by its retail customers.

The Group's exposure to foreign currency risk related to other receivables is disclosed in Note 27.

Fair value of foreign currency contracts

During 2008, the Group entered into a number of forward foreign exchange contracts to mitigate its foreign currency exposure with trade payables. All gains and losses on foreign currency contracts are recognised in the income statement.

The forward foreign exchange transactions initiated during 2008 were completed at various dates until April 2009. Afterwards, the Group no longer entered in such contracts, as they proved to be ineffective in mitigating the Group's exposure to foreign currency risks, in respect of trade payables. There are no forward contracts at 31 December 2009.

The fair value of forward foreign exchange contracts was in amount of EUR 5,676 thousand as at 31 December 2008.

The table below summarizes, by major currency, the contractual amounts of the Group forward foreign exchange contracts as at 31 December 2008, with details of the contracted exchange rates versus the RON. Foreign currency amounts are translated at market rates ruling at the reporting date.

	Forward exchange rates	Spot exchange rates	Notional amount in EUR thousand
Buy Euro	3.8517	3.9852	7,353
Buy Euro	3.7018	3.9852	29,773
Buy US Dollars	2.5892	2.8342	12,822
Buy US Dollars	2.5225	2.8342	7,960
Buy CHF	2.4806	2.6717	3,172

The "Forward exchange rate" represents the rate at which the Group buys the notional amounts in foreign currency at the forward due date. The spot exchange rates are the official market rates issued by National Bank of Romania ruling at the reporting date.

(All amounts are expressed in EUR '000, unless otherwise stated)

11 CASH, CASH EQUIVALENTS AND RESTRICTED CASH

	31 December 2009	31 December 2008
Cash and bank in RON	14,714	43,729
Cash and bank in foreign currency	1,251	382
Total cash and cash equivalents	**15,965**	**44,111**
Restricted cash	360	1,194
	16,325	**45,305**

As at 31 December 2009 the value of short-term deposits included within cash and bank in RON was of EUR 13,265 thousand (31 December 2008: EUR 39,088 thousand), and the weighted average effective interest rate on short-term bank deposits was 7.66% p.a. (2008: 12.24% p.a.).

As at 31 December 2009, pledged cash that meet the definition as per Club Loan agreement are in amount of EUR 13,974 thousand. However, the Club Loan agreement stipulates a maximum limit of EUR 150,000 thousand for cumulated pledges on cash, receivables and inventories (Note 15).

As at 31 December 2008 bank borrowings were secured over EUR 3,190 thousand of the above cash balances.

Restricted cash includes guarantees in favour of suppliers in amount of EUR 95 thousand (31 December 2008: EUR 725 thousand) (Note 26 iii) and other restricted accounts which are expected to be used to settle a liability within twelve months from the reporting period.

The Group's exposure to interest rate risk and a sensitivity analysis for financial assets and liabilities is disclosed in Note 27.

12 CAPITAL AND RESERVES

Share capital and share premium

As at 31 December 2009 and 31 December 2008 the authorised share capital comprised 200 million ordinary shares, which had been fully issued and paid. Shares have a nominal value of EUR 1 each.

The holders of ordinary shares are entitled to receive dividends as declared from time to time, and are entitled to one vote per share at meetings of the Company. In respect of the Company's shares that are held by the Group (see below), all rights are suspended until those shares are reissued or cancelled.
In October and November 2009, the Group repurchased 7,822,782 of its own shares, at the market value prevailing at the date of the transactions. Total consideration paid was in amount of EUR 4,142 thousand.

As at 31 December 2009, the Group had not yet cancelled the treasury shares acquired, therefore the amount redeemed was deducted from share premium reserve.

In 2008 there were no changes in the share capital and share premium of the Group.

Reserves

Translation reserve

The translation reserve comprises all foreign currency differences arising from the translation of the financial statements of foreign operations (Note 3.9).

(All amounts are expressed in EUR '000, unless otherwise stated)

13 TAXATION

	2009	2008
Income tax expense – current	4,257	1,656
Deferred tax expense / (income) and tax provision	1,157	(1,365)
Income tax expense	**5,414**	**291**

The Romanian subsidiaries accrue income tax at the rate of 16% on profits as at 31 December 2009 and 31 December 2008 computed in accordance with the Romanian tax legislation.

The profit before taxation for financial reporting purposes is reconciled to the total tax expense as follows:

	2009	2008
Profit / (Loss) before tax charge	24,426	(2,003)
Theoretical tax rate	19.15%	32.45%
Tax calculated at domestic tax rates applicable to profits in the respective countries	4,677	(650)
Tax effect of items which are not deductible or assessable for taxation purposes		
Non-deductible expenses	2,524	1,108
Other non-temporary adjustments	(1,787)	(167)
Income tax	**5,414**	**291**

Deferred tax

Deferred tax liabilities arise from the Romanian subsidiaries and deferred tax assets arise from ADP NV operations.

The Romanian subsidiaries are subject to the statutory tax rate of 16% on taxable profits. Deferred tax assets/liabilities are measured at the enacted statutory effective tax rate of 16%.

ADP NV is subject to the statutory tax rate of 25.5% on taxable profits. Deferred tax assets/liabilities are measured at the enacted statutory effective tax rate of 25.5%.

The net effect of the change on deferred tax balances recognised as at 31 December 2009, respectively 31 December 2008 is reflected in the statement of income for the period then ended.

(All amounts are expressed in EUR '000, unless otherwise stated)

a. Deferred tax asset

	31 December 2009		31 December 2008	
	Cumulative temporary differences	**Deferred tax asset/(liability)**	**Cumulative temporary differences**	**Deferred tax asset/(liability)**
Property, plant and equipment	(184)	(47)	(184)	(47)
Payables and other accruals	(2,759)	(704)	1,688	431
Deferred tax asset for statutory unused loss relief	8,069	2,058	7,636	1,947
Deferred tax asset	**5,126**	**1,307**	**9,140**	**2,331**

The movement in deferred tax asset balance is as follows:

	Deferred tax asset
1 January 2008	**1,446**
Deferred tax income	885
31 December 2008	**2,331**
Deferred tax expense	(1,024)
31 December 2009	**1,307**

Deferred tax asset position in amount of EUR 1,307 thousand (31 December 2008: EUR 2,331 thousand) is the result of the tax relief for the Company, which, according to management, is expected to be recovered through future taxable profits. ADP NV's cumulative net operating losses are EUR 5,126 thousand (2008: EUR 9,140 thousand).

b. Deferred tax liability

	31 December 2009		31 December 2008	
	Cumulative temporary differences	**Deferred tax asset/(liability)**	**Cumulative temporary differences**	**Deferred tax asset/(liability)**
Property, plant and equipment	1,727	276	(531)	(85)
Inventories	7,974	1,276	8,198	1,312
Receivables	(3,406)	(545)	(1,591)	(254)
Investments	(352)	(56)	(375)	(60)
Payables and other accruals	3,804	609	(9,322)	(1,492)
Deferred tax asset for statutory unused loss relief	3,158	505	14,820	2,371
Brand	(39,135)	(6,262)	(41,521)	(6,643)
Financial assets at fair value acquired through business combinations	(1,083)	(173)	(1,149)	(184)
Deferred tax liability	**(27,313)**	**(4,370)**	**(31,471)**	**(5,035)**

(All amounts are expressed in EUR '000, unless otherwise stated)

The movement in deferred tax liability balance is as follows:

	Deferred tax liability
1 January 2008	**(5,543)**
Deferred tax income	182
Acquired through business combinations	(184)
Translation reserve – recognized in equity	510
31 December 2008	**(5,035)**
Deferred tax income	373
Translation reserve – recognized in equity	292
31 December 2009	**(4,370)**

In the context of the Group's current structure, tax losses and current tax assets of the different entities may not be set off against current tax liabilities and taxable profits of other entities and, accordingly, taxes may accrue even when there is a net consolidated tax loss. Therefore, a deferred tax asset of one entity is not offset against the deferred tax liability of another entity in the Group.

14 FINANCE LEASE

Finance lease liabilities – minimum lease payments:

	31 December 2009	31 December 2008
Gross obligations under finance leases		
Less than 1 year	1,954	2,505
Between 1 year and 5 years	1,161	1,681
	3,115	**4,186**
Future finance charges	(174)	(263)
Present value of finance lease liabilities	**2,941**	**3,923**

The present value of finance lease liabilities is as follows:

	31 December 2009	31 December 2008
Less than 1 year	1,835	2,308
Between 1 year and 5 years	1,106	1,615
Present value of finance lease liabilities	**2,941**	**3,923**

The carrying amounts of lease obligations approximate their fair value.

The Group's exposure to interest, currency and liquidity risk related to lease liabilities is disclosed in Note 27.

(All amounts are expressed in EUR '000, unless otherwise stated)

15 BORROWINGS

a) Short-term borrowings

As at 31 December 2009 and as at 31 December 2008 respectively, short term borrowings are presented as follows:

Lender	Maturity	Interest	31 December 2009	31 December 2008
CITIBANK Facility A, Mediplus Exim SRL (EUR) (Syndicated Loan)	31-Jul-11	EURIBOR 6m + 2.65% p.a.	-	9,429
CITIBANK Facility B1, Mediplus Exim SRL (EUR) (Syndicated Loan)	31-Jul-09	EURIBOR 1m + 2.4% p.a.	-	47,080
CITIBANK Facility B1, Sensiblu SRL (EUR) (Syndicated Loan)	31-Jul-09	EURIBOR 1m + 2.4% p.a.	-	19,438
Prepaid fees – less than 1 year			-	(369)
			-	**75,578**

As at 13 July 2006, the Group had contracted a EUR 100 million Syndicated Loan with Citibank, falling due in July 2009 and extended until 12 August 2009.

The loan was refinanced by a long term Club Loan, as presented at point b) below.

b) Long-term borrowings

As of 30 July 2009 the Group signed a new Revolving Credit Facility Agreement ("Club Loan") for a maximum of EUR 100 million. The Club Loan agreement came into effect on 12 August 2009, upon the maturity date of the old Syndicated Loan agreement concluded on 13 July 2006.

The Club Loan has been granted to A&D Pharma Holdings NV and its Romanian subsidiaries: Mediplus Exim SRL and Sensiblu SRL, in order to refinance the previous Syndicated Loan, and for general corporate purposes.

The lending banks have an equal participating share: BRD - Groupe Société Générale SA (acting also as Agent); Banca Comerciala Romana SA; Citibank Europe Plc; RBS Bank (Romania) S.A. and Unicredit Bank Austria AG.

As at 31 December 2009 and as at 31 December 2008 respectively, long term borrowings are presented as follows:

Lender	Maturity	Interest	31 December 2009	31 December 2008
BRD-A&D Pharma Holdings NV (EUR) (Club Loan)	30-Jul-12	EURIBOR 1M/2M/3M or 6M +4.95% p.a.	79,000	-
Prepaid fees			(4,150)	-
			74,850	**-**

Limitations and utilisations:

- Facility to be used as revolving loans with draw downs at 1m, 2m, 3m or 6m or any other period agreed by between the Agent and borrower, not to exceed the availability period;
- The maximum amount that can be borrowed by Sensiblu SRL is EUR 20 million at any time.

(All amounts are expressed in EUR '000, unless otherwise stated)

As at 31 December 2009 pledged assets that meet the definition as per Club Loan agreement are in amount of EUR 194,015 thousand, as follows:

	31 December 2009
Cash accounts (Note 11)	13,974
Long term receivables (Note 7)	2,832
Trade receivables (Note 9)	113,888
Inventories (Note 8)	63,321
	194,015

However, the Club Loan Agreement stipulates a maximum limit of EUR 150,000 thousand for pledges on these assets.

As at 31 December 2008, bank borrowings were secured over EUR 190,849 thousand.

The Club Loan Agreement contains certain affirmative covenants, including, without limitation, certain financial ratio covenants to be observed and, in some cases, restrictions on dividend payments. As at 31 December 2009 the Group is in compliance with all the covenants.

The Group's exposure to currency, interest and liquidity risks related to borrowings is disclosed in Note 27.

16 PROVISIONS

The Group provides for tax, restructuring costs and other regulatory matters.

The movement in provisions for the period ended 31 December 2009 and 31 December 2008 is detailed below:

	Restructuring provision	**Other provision**	**Total**
Balance as at 31 December 2007	**-**	**16,770**	**16,770**
Provisions made during the period	2,490	5,255	**7,745**
Provisions reversed during the period	-	(6,070)	**(6,070)**
Translation difference	**(190)**	**(1,578)**	**(1,768)**
Balance as at 31 December 2008	**2,300**	**14,377**	**16,677**
Provisions made during the period	-	2,016	**2,016**
Provisions used during the period	(865)	-	**(865)**
Provisions reversed during the period	-	(257)	**(257)**
Translation difference	(134)	(827)	**(961)**
Balance as at 31 December 2009	**1,301**	**15,309**	**16,610**

Restructuring provisions

During the year ended 31 December 2008 the Group committed to a plan to restructure its business, therefore a provision of EUR 2,300 thousand was recognised for expected restructuring costs, including contract termination costs. An amount of EUR 865 thousand was used from the provision in 2009. The restructuring will be completed in 2010.

Other provisions

The reversal during the period for an amount of EUR 257 thousand refers to the reassessment of covered risks. As at 31 December 2009, the management has reassessed the general risk, according to the new regulations in place for the pharmaceutical market and Romanian business environment.

The legal and fiscal environment in Romania and its implementation into practice can change and is subject to different interpretation by various Ministries of the Government and their agencies that are authorised to conduct audits ("controls") of Romanian companies. Management has therefore made provision for tax or other liabilities in the financial statements where they consider that tax or other authorities could take differing positions with regard to the interpretation of these issues.

(All amounts are expressed in EUR '000, unless otherwise stated)

In the case of Competition Council litigation, on 11 July 2008, Bucharest Court of Appeal has ruled in favour of the suspension of the Romanian Competition Council's decision to impose a fine on Mediplus Exim SRL. Since that date, the litigation is ongoing. Management will continue the legal proceedings in order to obtain the cancellation of the Competition Council's decision. Management estimates that the risk is unchanged compared to the previous year.

17 ACCOUNTS PAYABLE, ACCRUALS AND OTHER LIABILITIES

	31 December 2009	31 December 2008
Trade payables	237,678	192,786
Amounts owing to related parties (Note 21)	324	936
VAT and other tax payables	2,049	2,258
Accrued labour costs	2,714	3,842
Interest payable	191	277
Other payables	2,300	2,049
	245,256	**202,148**

Amortised cost of short term trade payables was computed based on an effective weighted average interest rate of 6.48% as at 31 December 2009 (31 December 2008: 9.36%).

The fair value of trade payables (including related parties) as at 31 December 2009 is EUR 240,188 thousand (31 December 2008 is EUR 199,967 thousand), computed based on an effective weighted average interest rate of 4.02% for the year 2009 (2008: 5.37%).

In the above balance of other payables, the Group included deferred income from loyalty programmes in amount of EUR 1,701 thousand (31 December 2008: EUR 1,525 thousand). In 2008, the Group has adopted IFRIC 13 "Customer Loyalty Programmes" addressing the accounting entries that grant loyalty awards credits to customers for goods purchased at the pharmacies level. Under the new adopted accounting policy, the loyalty points accumulated by the customers are to be no longer treated as an accrual of discounts expense, but as deferred income being charged into the Consolidated Statement of Income proportionately with the usage of loyalty points.

The Group's exposure to currency and liquidity risks related to accounts payable is disclosed in Note 27.

18 SALES

	2009	2008
Revenues from goods sold	506,373	495,636
Revenues from services	7,183	5,146
Other income	717	755
	514,273	**501,537**

(All amounts are expressed in EUR '000, unless otherwise stated)

19 OPERATING COSTS

	2009	2008
Cost of goods sold	396,050	376,811
Labour costs	38,366	49,995
Rent and administrative expenses	16,855	19,063
Other third party services	11,287	16,759
Depreciation and amortization	6,303	8,389
Advertising and promotion	3,270	5,222
Inventory write off	1,674	1,679
Other taxes and penalties	1,362	2,312
Net movement in provisions	277	1,833
Receivables write off	2,298	3,232
Provision charge for inventories	237	606
Impairment charge / (release) for property, plant and equipment	(203)	486
Other expenses	1,366	1,962
	479,142	**488,349**

Restructuring cost for 2008 in amount of EUR 6,178 thousand comprises labour cost of EUR 3,688 thousand, and a provision expense of EUR 2,490 thousand, included in net movement in provisions (Note 16). All these represent termination benefits for Board members, executives, and employees of the Group.

20 FINANCIAL RESULT

	2009	2008
Foreign currency exchange expense, net	(3,991)	(13,852)
Interest income	1,522	1,092
Interest expense	(4,748)	(6,350)
Interest income / (expense) financial instruments	(1,891)	4,650
Other financial expense	(1,597)	(731)
	(10,705)	**(15,191)**

21 RELATED PARTY TRANSACTIONS

For the purposes of these financial statements, parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions as defined by IAS 24 "Related Party Disclosure". In considering each possible related party relationship, attention is directed to the substance of the relationship, not merely to the legal form.

The nature of the related party relationships for those related parties with whom the Group entered into significant transactions during the years 2009 and 2008 or had significant balances outstanding at 31 December 2009 and 31 December 2008 are detailed below. Transactions were entered into with related parties during the ordinary course of business on both normal and preferential commercial terms.

Controlled by the same ultimate shareholders	Activity	Country of incorporation
Loyalty Insurance Broker SRL[1]	Insurance broker	Romania
Ozpharma Logistics Ltd (former Ozone Laboratories Ltd)	Holding company of Ozpharma Logistic SRL	United Kingdom
Ozpharma Logistics SRL (former Ozone Laboratories SRL)	Pharmaceutical manufacturer	Romania
Ozmedical Logistics Ltd	Holding company of Ozpharma subsidiaries in progress (see below)	United Kingdom
Fleet Management Services SRL	Car fleet maintenance	Romania
Oxigen Plus SRL	Oxygen products distributor	Romania
Iris Diagnostic SRL (former Sensiblu Optica)	Medical services	Romania
Miniblu SRL	Baby clothing and toys	Romania
Optical Network SRL	Optical products	Romania
Gemisa Investments Ltd	Investment fund	Cyprus
Gemisa SRL	Services	Romania
Grup 3 Contracting SRL	Construction	Romania
Centrul Medical Diagnosis	Laboratory tests	Romania
Wave Pharma	Food supplements distribution	Cyprus
Fabiol SA	Pharmaceutical manufacturer	Romania
Greenvile BV	Holding company of Arishop (see below subsidiaries in progress)	Netherlands
SolaciumPharma SRL[2]	Pharmaceutical manufacturer	Romania

[1] Owned by Mr. Michel Eid only
[2] Owned by Mr. Ludovic Robert only

Controlled by the same ultimate shareholders	**Activity**	**Country of incorporation**
Fresh'n Tasty[3]	Food distribution	Romania
Consumer Product Network SRL[4] (liquidation started 2009)	Importer and distributor of para pharmaceutical products	Romania

Other related parties	**Activity**	**Country of incorporation**
Serban & Musneci Associates SRL	Consultancy	Romania
Avia Travel & Tour SRL (no longer in 2009)	Tourism agency	Romania
Puls Media Network SRL (no longer in 2009)	Media promotion	Romania
Elantis Farm SRL	Importer and distributor of pharmaceutical products	Moldova

Subsidiaries in progress	**Activity**	**Country of incorporation**
Arishop Pharma AD	Importer and distributor of pharmaceutical products	Bulgaria
Trade Consult EOOD (subsidiary of Arishop Pharma AD)	Importer and distributor of pharmaceutical products	Bulgaria
Ozpharma Hungary Kft (former Ozone Laboratories Magyarorsza Kft.)	Pharmaceutical manufacturer	Hungary
Ozpharma Polska Sp.z.o.o. (former Ozone Laboratories Polska Sp. Z.o.o.)	Pharmaceutical manufacturer	Poland
Ozpharma Polska Services Sp.z.o.o. (former Ozone Laboratories Polska Services Sp. Z.o.o.)	Services	Poland
Ozpharma s.r.o (former Ozone Laboratories Czech s.r.o.)	Pharmaceutical manufacturer	Czech Republic
Ozpharma Slovakia s.r.o (former Ozone Laboratories Slovakia s.r.o.)	Pharmaceutical manufacturer	Slovakia

[3] Owned by Mr. Walid Abboud only
[4] Owned by Mr. Michel Eid only

(All amounts are expressed in EUR '000, unless otherwise stated)

During the period, the following transactions were carried out with related parties:

Sales of goods and services	**2009**	**2008**
Ozpharma Polska Sp.z.o.o.	258	-
Ozpharma Logistics SRL	185	2,207
Miniblu SRL	124	156
Arishop Pharma AD	107	-
Optical Network SRL	82	105
Wave Pharma LTD	27	-
Elantis Farm SRL	-	336
Consumer Product Network SRL	-	71
Others	18	11
	801	**2,886**

Mediplus Exim SRL and Ozpharma Logistic SRL (former Ozone Laboratories SRL) have entered into an agreement dated 1 January 2006, based on which the former undertook to provide the latter storage and distribution services, as well as logistic services related to the transport and management of Ozpharma Logistic SRL products, up to a yearly limit set out by the parties in the agreement. The agreement remained in force until 31 December 2008.

On 2 August 2006 Sensiblu SRL and Ozpharma Logistic SRL entered into a service agreement according to which the former undertook to provide to the latter certain services for the merchandising of Ozpharma Logistic SRL products in Sensiblu SRL pharmacies. The agreement was entered into for a 12 month period, namely from 1 July 2006 to 1 July 2007, and was subsequently extended until 1 July 2009. The tariffs to be paid by Ozpharma Logistic SRL are set out for each type of services provided.

Purchases of goods and services	**2009**	**2008**
Ozpharma Logistics SRL	4,436	19,332
Fleet Manangement Services SRL	889	919
Loyalty Insurance Broker SRL	431	388
Miniblu SRL	208	140
Centrul Medical Diagnosis SA	205	185
Optical Network SRL	182	89
Avia Travel &Tour SRL	-	2,285
Consumer Product Network SRL	-	369
Iris Diagnostic SRL	-	12
Others	40	53
	6,391	**23,772**

The goods and services purchased are presented net of discounts received from Ozpharma Logistic SRL during the period ended 31 December 2009. The value of discounts received by the Group in the period is of EUR 1,997 thousand (2008: EUR 5,373 thousand).

(All amounts are expressed in EUR '000, unless otherwise stated)

Sales of property plant and equipment	**2009**	**2008**
Oxigen Plus SRL	-	4
Ozpharma Logistics SRL	-	1
Founding shareholders	-	147
	-	**152**

Purchases of property plant and equipment	**2009**	**2008**
Gemisa SRL	12	-
Grup 3 Contracting SRL	-	614
Fleet Management Services SRL	-	8
	12	**622**

The following balances were outstanding with related parties:

Trade receivables from related parties	**31 December 2009**	**31 December 2008**
Ozpharma Polska Sp.z.o.o.	236	-
Miniblu SRL	198	79
Optical Network SRL	137	211
Arishop Pharma AD	99	-
Centrul Medical Diagnosis SA	15	-
Ozpharma Logistics SRL	-	5,270
Employees	-	409
Ozpharma Logistics LTD	-	384
Elantis Farm SRL	-	137
Consumer Product Network SRL	-	51
Others	-	93
	685	**6,634**

Other receivables from related parties	**31 December 2009**	**31 December 2008**
Arishop Pharma AD	800	-
Ozpharma Logistics SRL	390	63
Solacium Pharma SRL	298	-
Optical Network SRL	43	46
Miniblu SRL	29	30
Oxigen Plus SRL	26	36
Others	-	14
	1,586	**189**

Other receivables from Ozpharma Logistics SRL in amount EUR 360 thousand will be offset against future payables to Ozpharma entities not acquired by the Company.

(All amounts are expressed in EUR '000, unless otherwise stated)

Trade and other payables to related parties	**31 December 2009**	**31 December 2008**
Fleet Management Services SRL	146	78
Optical Network SRL	87	110
Centrul Medical Diagnosis SA	40	13
Miniblu SRL	38	37
Fabiol SA	12	-
Ozpharma Logistics SRL	-	333
Avia Travel & Tour SRL	-	292
Puls Media Network SRL	-	34
Loyalty Insurance Broker SRL	-	23
Others	1	16
	324	**936**

Balances from/(due) to shareholders

	31 December 2009	**31 December 2008**
To recover from founding shareholders	114	219

As at 31 December 2009 former Executive Directors of the Company control 5.24% (31 December 2008: 4.77%) of the voting shares of the Group's parent company, while the 4 founding shareholders, out of which 3 are currently Non-Executive Directors, control 61.29% (31 December 2008: 58.95%) of the voting shares of the Group's parent company through Sograno BV, Neelix Services Ltd and Dream Catcher Ltd.

The **Board of Directors** remuneration costs incurred are presented below:

	2009			**2008**		
	Remuneration	Termination benefits	**Total**	Remuneration	Termination benefits	**Total**
Board of Directors						
Walid Abboud	50	-	50	15	-	15
Ludovic Robert	40	-	40	12	-	12
Roger Akoury	40	-	40	12	-	12
Roberto Musneci	60	-	60	18	-	18
Michael Schilling	60	-	60	10	-	10
Robert Popescu	406	-	406	190	-	190
Dragos Dinu	-	-	-	265	615	880
Roger de Bazelaire	-	-	-	555	714	1,269
Vivian Diaconescu	-	-	-	325	488	813
Claudiu Opran	-	-	-	119	-	119
David Ebsworth	-	-	-	421	-	421
Urs Kamber	-	-	-	86	-	86
Eric ter Hark	-	-	-	96	-	96
John Michael Wemms	-	-	-	75	-	75
William Wells	-	-	-	46	-	46
Total	656	-	**656**	2,245	1,817	**4,062**

Total amounts paid to other key officers as salaries in 2009 amount to EUR 1,784 thousand (2008: EUR 150 thousand).

(All amounts are expressed in EUR '000, unless otherwise stated)

22 SIGNIFICANT SUBSIDIARIES

The financial statements of significant subsidiaries are included in these consolidated Financial Statements of the Group. The degree of control exercised by A&D Pharma Holdings N.V. over significant subsidiaries is as follows:

Entity	Country of incorporation	Activity	% share 31 Dec 2009	% share 31 Dec 2008
A&D Pharma Holdings SRL	Romania	Romanian holding company of Mediplus and Sensiblu	100	100
Mediplus Exim SRL	Romania	Import and wholesale distribution of pharmaceutical products in Romania	100	100
Sensiblu SRL	Romania	Retail distribution of pharmaceutical products in Romania	100	100
Lauren Finance SRL	Romania	Financial activities in Romania	100	100
Farmacia Titan SRL	Romania	Retail distribution of pharmaceutical products in Romania	100	100
A&D Pharma Holdings Kft	Hungary	Import and wholesale distribution of pharmaceutical products in Hungary	100	100
A&D Pharma Marketing & Sales	Romania	Wholesale distribution of pharmaceutical products in Romania	100	100

(All amounts are expressed in EUR '000, unless otherwise stated)

23 SEGMENT INFORMATION

Income statement 2009	**Classic wholesale**	**Sales & Marketing**	**Total wholesale business**	**Retail**	**Corporate**	**Eliminations**	**Group**
Sales	380,021	42,405	422,426	190,754	-	(98,907)	514,273
Operating costs	(351,755)	(35,478)	(387,233)	(183,891)	(6,926)	98,907	(479,143)
Operating profit/(loss)	**28,266**	**6,927**	**35,193**	**6,863**	**(6,926)**	**-**	**35,130**
Finance costs, net	-	-	(4,176)	(4,982)	(1,546)	-	(10,704)
Profit/(loss) before taxation	**-**	**-**	**31,017**	**1,881**	**(8,472)**	**-**	**24,426**
Income tax expense	-	-	(3,726)	(272)	(1,416)	-	(5,414)
Net profit/(loss) for the period	**-**	**-**	**27,291**	**1,609**	**(9,888)**	**-**	**19,012**
Depreciation, amortisation and impairment charges	(2,019)	(641)	(2,660)	(3,373)	(67)	-	(6,100)
EBITDA	**30,285**	**7,568**	**37,853**	**10,236**	**(6,859)**	**-**	**41,230**

(All amounts are expressed in EUR ‘000, unless otherwise stated)

Financial Position

As at 31 December 2009	Classic wholesale	Sales & Marketing	Total wholesale business	Retail	Corporate	Eliminations	Group
Segment assets	315,652	15,072	330,724	89,624	279,611	(130,733)	569,226
Unallocated assets	-	-	-	-	-	-	-
Total assets	**315,652**	**15,072**	**330,724**	**89,624**	**279,611**	**(130,733)**	**569,226**
Segment liabilities	268,608	8,428	277,036	90,675	111,060	(132,738)	346,033
Unallocated liabilities	-	-	-	-	-	-	-
Total liabilities	**268,608**	**8,428**	**277,036**	**90,675**	**111,060**	**(132,738)**	**346,033**
Capital expenditure	-	-	2,969	2,802	42	-	5,813

(All amounts are expressed in EUR '000, unless otherwise stated)

Income statement 2008	**Classic Wholesale**	**Sales & Marketing**	**Total wholesale business**	**Retail**	**Corporate**	**Eliminations**	**Group**
Sales	326,445	98,625	425,070	154,809	-	(78,342)	501,537
Operating costs	(319,339)	(78,076)	(397,415)	(159,223)	(10,053)	78,342	(488,349)
Operating profit/(loss)	**7,106**	**20,549**	**27,655**	**(4,414)**	**(10,053)**	**-**	**13,188**
Finance costs, net	-	-	(13,545)	(488)	(1,158)	-	(15,191)
Profit/(loss) before taxation	**-**	**-**	**14,110**	**(4,902)**	**(11,211)**	**-**	**(2,003)**
Income tax expense			(1,788)	887	(610)	-	(291)
Net profit/(loss) for the period	**-**	**-**	**12,322**	**(4,015)**	**(10,601)**	**-**	**(2,294)**
Depreciation, amortisation and impairment charge	(3,340)	(795)	(4,135)	(4,623)	(117)	-	(8,875)
EBITDA	**10,446**	**21,344**	**31,790**	**209**	**(9,936)**		**22,063**

(All amounts are expressed in EUR '000, unless otherwise stated)

Financial Position

As at 31 December 2008	**Classic wholesale**	**Sales & Marketing**	**Total wholesale business**	**Retail**	**Corporate**	**Eliminations**	**Group**
Segment assets	243,099	36,256	279,355	61,452	233,318	(47,697)	526,428
Unallocated assets		-	-	-	-	-	-
Total assets	**243,099**	**36,256**	**279,355**	**61,452**	**233,318**	**(47,697)**	**526,428**
Segment liabilities	219,278	20,996	240,274	81,936	17,148	(35,337)	304,021
Unallocated liabilities	-	-	-	-	-	-	-
Total liabilities	**219,278**	**20,996**	**240,274**	**81,936**	**17,148**	**(35,337)**	**304,021**
Capital expenditure	-	-	3,813	7,530	1,362	-	12,705

(All amounts are expressed in EUR '000, unless otherwise stated)

There are material sales and other transactions between the business segments. Segment assets consist primarily of property, plant and equipment, intangible assets, inventories, receivables and operating cash and investments. Segment liabilities comprise operating liabilities, lease liabilities and borrowings. Eliminations comprise mainly intra-group commercial and service transactions.

Capital expenditure comprises additions to property, plant and equipment and intangibles.

24 EARNINGS PER SHARE

Basic earnings per share (EPS) amounts are calculated by dividing net profit for the year attributable to ordinary equity holders of the parent by the weighted average number of shares outstanding during the year, adjusted for own shares held.

Diluted earnings per share amounts are calculated by dividing the net profit attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares.

A capitalisation which has the effect of increasing the number of shares in issue without any inflow of resources and further ordinary shares are issued to existing shareholders for no consideration - the additional shares should be treated as having been in issue for the whole period as also included in the EPS calculation of all earlier periods.

Weighted average number of ordinary shares for the years ended 31 December 2009 and 31 December 2008 respectively is calculated as follows:

	2009	2008
Number of issued ordinary shares as at 1 January	200,000,000	200,000,000
Effect of own shares held	(1,626,009)	-
Weighted average number of ordinary shares as at 31 December	**198,373,991**	**200,000,000**

For the years ended 31 December 2009 and 31 December 2008 basic and diluted earnings per share values are as follows:

	2009	2008
Net profit / (loss)	19,012	(2,294)
Weighted average number of ordinary shares	198,373,991	200,000,000
Basic and diluted earnings / (loss) per share (EUR)	0.10	(0.01)

25 USE OF ESTIMATES AND JUDGEMENTS

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(i) Interest income and expenses

Interest income and expenses for financial instruments is recognised in the income statement following the computation of amortised cost using the effective interest rate method for financial assets and liabilities.

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period.

The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to the net carrying amount of the financial asset or financial liability.

(ii) Impairment losses on receivables

In accordance with the internal impairment assessment methodology, the Group reviews its receivable portfolios to assess impairment on a yearly basis. In determining whether an impairment loss should be recorded in the income statement, the Group makes judgments as to whether there is any observable data indicating that there is objective evidence of impairment that has an impact on the estimated future cash flows from an individual or from entire portfolio of receivables. Management uses estimates based on historical loss experience; in the same time the calculation of the present value of future cash flows requires judgement by the Management. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

(iii) Carrying value of inventories

The Group assesses at each balance-sheet date the requirement for a provision against its inventories. The Group uses its judgement, based on the expiry date of goods in order to estimate the level of the provision required.

(iv) Discounts accrued

Management accrues discounts from suppliers/customers based on the volumes of goods acquired/sold over the entire year 2009.

(All amounts are expressed in EUR '000, unless otherwise stated)

(v) Realisation of deferred tax assets

Management assesses at each reporting date whether it is probable that taxable profits will be available against which the deferred tax assets can be utilised. The Group recognizes a deferred tax asset only to the extent that it has sufficient taxable temporary differences or there is reliable evidence that sufficient taxable profit will be available in the future to allow the benefit of the loss to be realised.

(vi) Provisions

At the end of each reporting period, the Group establishes provisions, based on reasonable estimates of the expenditure required to settle the present obligation.

(vii) Revenue recognition –loyalty program

The Group estimates the fair value of fidelity points awarded under the loyalty program by taking into account the expected redemption rate and the timing of such redemptions.

(viii) Impairment of non-financial assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

Identification of cash generating units requires judgment and is based on ability to generate independent cash inflows. The wholesale, sales and marketing and retail segments are treated by the Management as separate cash generating units as their operations are interdependent and there are no smaller units that have the ability to generate revenues largely independent from others within the group.

Goodwill is allocated at the acquisition date before the end of the first annual reporting period. As at 31 December 2009 Management tested goodwill, brands, licenses and long lived tangible assets for impairment. Goodwill acquired through business combination, indefinite lived intangibles and net book value of property, plant and equipment have been allocated to cash generating units as follows:

Cash-generating unit	Carrying amount of goodwill	Carrying amount of indefinite lived brand	Carrying amount of pharmacy licences	Carrying amount of tangible assets	**Total Carrying value**	**Value in Use**	**Excess of recoverable amount over carrying amount**
Wholesale	128,522	-	-	24,369	**152,891**	**250,554**	**97,663**
Sales and Marketing	27,395			994	**28,389**	**53,406**	**25,017**
Retail	28,882	39,135	517	6,748	**75,282**	**120,574**	**45,292**
	184,799	**39,135**	**517**	**32,111**	**256,562**	**424,534**	**167,972**

In determining the values in use, the Management uses five-year detailed post-tax free cash flow forecasts (for period 2010-2014) discounted at an after-tax rate of 11.2% (2008: 10.2%) and then simplified post-tax free cash flow forecasts in perpetuity with an after-tax discount rate of 10.1% (2008: 10.2%), using data for 2014. Pre-tax discount rate is 12.2% (2008: 11.2%).
The value in use of the cash generating units was based on a growth factor of 1% (2008: 2%) for all cash flows beyond the detailed projections, which reflects the minimum expected long-term growth rate for the market.
The key assumptions in the value in use calculations determining recoverable amounts for the specific cash-generating units noted above are:

Classic Wholesale and Sales and Marketing segments

For the wholesale and sales and marketing business, the Group projects sales and gross margins by product group based on estimated market growth dynamics and expected market shares. Management believes the assumed improvements and margins are reasonably achievable, due to the following factors:

- the current gap between neighbour emerging pharmaceutical markets' healthcare cost per capita and the Romanian one, which proves high development potential of the Romanian pharmaceutical market over the fore-coming years;
- the health budget expenditure is expected to increase by 6.6% in 2010 as compared to 2009, reaching a level of around EUR 1 billion;
- the purchase power of Romanian consumers is expected to increase;
- in 2010, the Romanian Ministry of Health amended the selling prices for imported regulated drugs at more favourable levels, taking into account a fixed exchange rate of 4.25 RON/EUR, as compared to 4 RON/EUR in 2009 (Note 28).

The projected EBITDA percentage in revenue is in line with Central and Eastern European pharmaceutical markets between 2010 and 2014.

The sensitivity analysis of value in use to changes in discount rate reveals a breakeven point for Wholesale segment at 16.5% and for Sales and Marketing segment at a level of 19%, which would imply an increase in borrowing cost by 400%. Management considers that it is not reasonably possible for the borrowing costs to increase that much.

Retail segment

For the retail business, the Group based its forecasts on the projected future number of pharmacies, and how sales per pharmacy are expected to evolve. Management believes the assumed improvements and margins are reasonably achievable, due to the following factors:

- the current gap between neighbouring emerging pharmaceutical markets' healthcare cost per capita and the Romanian one, which proves high development potential of the Romanian pharmaceutical market over the fore-coming years;
- the health budget expenditure is expected to increase by 6.6% in 2010 as compared to 2009, reaching a level of around EUR 1 billion ;
- the purchase power of Romanian consumers is expected to increase;
- starting 1 October 2008, Government Decision no. 1225/2008 abrogated the ceilings for compensated and free of charge drugs sold at pharmacy level, which is expected to have full impact until 2011;
- past experience in respect of growth rates for retail segment has proven that Sensiblu exceeds the market trends.

The projected EBITDA percentage in revenue is in line with Central and Eastern European pharmaceutical markets between 2010 and 2014.
The sensitivity analysis of value in use to changes in discount rate reveals a breakeven point for Retail segment at a level of 15%, which would imply an increase in borrowing cost by 400%. Management considers that it is not reasonably possible for the borrowing costs to increase that much.

Pre-acquisition carrying amounts were determined based on applicable IFRSs immediately before the acquisition. The value of assets, liabilities and contingent liabilities recognised on acquisition are their estimated fair values.

Following these tests, Management has reached the conclusion that the above-mentioned assets are not impaired as at 31 December 2009.

Management is confident that the projections are reasonable in the context of consolidating the leadership position on the local market.

26 CONTINGENCIES, COMMITMENTS AND OPERATING RISKS

(i) Contingencies

a) ***Taxation***

On 1 January 2007 Romania became a member of the European Union and therefore has to apply detailed and complex rules on the basis of the EU Treaties, Regulations and Directives. The Group has to conform to EU legislation from 1 January 2007 and, therefore, it has prepared to apply the changes arising from the EU legislation. These changes have been implemented; however, tax authorities may conduct audits on the implementation of these changes over a period up to 5 years.

Interpretation of the text and practical implementation procedures of the newly enforced EU tax regulations could vary, and there is a risk that certain transactions could be viewed differently by the tax authorities as compared to the Group's treatment.

Furthermore, the Romanian Government has a number of agencies that are authorized to conduct audits (controls) of companies operating in Romania. These controls are similar in nature to tax audits performed by tax authorities in many countries, but may extend not only to tax matters but to other legal and regulatory matters in which the applicable agency may be interested. It is likely that the Group will continue to be subject to regular controls as new laws and regulations are issued.

Even if the current Romanian Fiscal Code is intended to create a stable tax framework, tax legislation can be subject to significant changes and contradictory interpretations, which may apply retroactively.

Moreover, in practice, the tax authorities can take a strong approach and assess additional tax liabilities and related late payment penalties at 0.1% per day based on their individual interpretations of the tax legislation. As a result, penalties and delay payment interest could result in a significant amount payable to the Romanian State.

Contingent liabilities may arise in relation to additional tax assessments that may be imposed by the tax authorities as a result of reviews performed. Corporate tax returns can be subject to review by tax authorities within a 5-year period.

b) ***Legal proceedings***

During the period, the Group was involved in a number of court proceedings (both as a plaintiff and a defendant) arising in the ordinary course of business. In the opinion of Management, based on legal advice, there are no current legal proceedings or other claims outstanding which could have a material effect on the result of operations or financial position of the Group and which have not been accrued or disclosed in these consolidated Financial Statements.

c) ***Transfer pricing***

The Romanian Fiscal legislation includes detailed regulations regarding transfer pricing between related parties and includes specific methods for determining transfer prices between related prices at arm's length. The Company entered into various transactions with entities within the Group, as well as other transactions with related parties.

Transfer pricing documentation requirements have been introduced in the Romanian Fiscal Procedure Code in 2006 so that taxpayers who carry out transactions with affiliated parties are required to prepare a transfer pricing file that needs to be presented to the tax authorities upon request. In practice, the Romanian tax authorities may request additional specific documentation on a case-to-case basis.

In light of this, if observance of arm's length principle cannot be proved, a future tax control could challenge the values of transactions between related parties and adjust the fiscal result with additional taxable revenues/non-deductible expenses (i.e. assess additional profit tax liability and related penalties).

d) Competition laws

Competition laws regulate transactions between all companies and are administered by the Competition Council. Any Prohibited Practices found to exist may be subject to an Anti-Trust Fine for each offence. The fine may be up to 10% of the annual turnover for the financial year prior to the decision being made.

For the risks from a) to d) above, management has assessed and recorded in the attached consolidated financial statements a provision for a total amount of EUR 16,610 thousand (31 December 2008: EUR 16,677 thousand). (Note 16) *e) Insurance policies*

The Group holds insurance policies covering its office building, warehouses and inventory balances as well as insurance policies covering its losses resulting from malpractice for the retail business. The Group holds no other insurance policies in relation to its assets, operations, product liability, or in respect of public liability or other insurable risks.

f) Operating environment

The process of risk repricing during last years in the international financial markets severely affected the performance of those markets, including in Romania, and fostered heightened uncertainty with regard to economic developments going forward.

The ongoing global credit and liquidity crisis which commenced during 2007 has resulted in, among other things, lower liquidity levels across the Romanian pharmaceutical sector, and higher lending rates.

Deteriorating operating conditions for customers may also have an impact on the management cash flow forecasts and assessment of the impairment of financial and non-financial assets. To the extent that information is available, management has reflected revised estimates of expected future cash flows in its impairment assessment.

Management is unable to predict all developments which could have an impact on the Romanian pharmaceutical sector and consequently what effect, if any, they could have on these financial statements.

Management is unable to reliably estimate the effects on the Group's financial statements of any further deterioration in the liquidity of the pharmaceutical market and the increased volatility in the currency and equity markets.

Management believes it is taking all the necessary measures to support the sustainability and growth of the Group's business in the current circumstances by:

- constantly monitoring its liquidity position and dependence on specific customers;
- forecasting on short-term basis its net liquidity position and monitoring incoming and outgoing cash flows on a daily basis;
- examining terms and conditions of financing agreements and considering the implications of obligations imposed and risks identified such as approaching maturity dates or the implications of any terms or covenants which may be breached in the foreseeable future.

g) Contingent liabilities from joint promotion agreement

The Group has concluded in 2007 a joint promotion agreement with a financing partner for the distribution of credit cards through the Sensiblu Pharmacy network for which the Group has received an upfront payment of EUR 500 thousand, recognized as deferred income. The contract agreement stipulates a minimum target of credit cards to be released in a two year period. In the event the target is not achieved the Group will become liable to reimburse an equal amount with the value of the unrealized target.

Management is confident that repayment of the initial upfront payment is unlikely, but liabilities may arise in relation to the under achievement of the initial contractual commitments.

(ii) Contractual commitments

a) Operating lease contracts for pharmacies

The Group has operating lease contracts for pharmacies location, and warehouses in total amount of EUR 26.7 million, for a period from 1 to 10 years, with future minimum lease payments as follows:

i) less than 1 year - EUR 9.7 million;
ii) between 1 and 5 years - EUR 14.5 million;
iii) more than 5 years - EUR 2.5 million.

(All amounts are expressed in EUR '000, unless otherwise stated)

The Group incurred EUR 8.5 million as expenses in 2009 related to operating lease contracts (2008: EUR 8.6 million).

b) Intangibles

The Group intends to implement the ERP system until 2012. The necessary software licenses had been fully acquired until 31 December 2009.

(iii) Guarantees

As at 31 December 2009, the Group has the given guarantee amounting to EUR 13,242 thousand to third parties:

Bank	**Off Balance Sheet**	**Recorded in Balance Sheet (Note 11)**
BRD – GSG	9,063	-
BCR	4,084	-
RBS Bank Romania	-	95
	13,147	**95**

The following agreements with banks had been concluded as at 31 December 2009 for issuing of letters of guarantee:

- BRD for the amount of EUR 10,000 thousand. The Group used EUR 9,063 thousand from this facility for the purpose of issuing of letters of guarantee. The unused facility available to the Group as at 31 December 2009 is EUR 937 thousand;

- BCR for the amount of EUR 10,000 thousand. The Group used EUR 4,084 thousand from this facility for the purpose of issuing of letters of guarantee. The unused facility available to the Group as at 31 December 2009 is EUR 5,916 thousand.

(All amounts are expressed in EUR '000, unless otherwise stated)

As at 31 December 2008, the Group has given guarantees amounting to EUR 6.1 million to third parties.

Bank	Off Balance Sheet	Recorded in Balance Sheet (Note 11)
Unicredit Tiriac Bank	-	725
Citibank (Note 15)	256	-
RBS Bank Romania	5,083	-
Total	**5,339**	**725**

The following agreements with banks had been concluded as at 31 December 2008 for issuing of letters of guarantee:

- Unicredit Bank Romania for the amount of EUR 725 thousand. Letters of guarantee are issued based on restricted cash;
- Citibank for a credit line (Facility B3 – Note 15). The Group used EUR 256 thousand from this facility for the purpose of issuing of letters of guarantee. The unused facility available to the Group as at 31 December 2008 is EUR 9,744 thousand;
- RBS Bank Romania for the amount of EUR 6,000 thousand. The Group used EUR 5,083 thousand from this facility for the purpose of issuing of letters of guarantee. The unused facility available to the Group as at 31 December 2008 is EUR 917 thousand.

27 FINANCIAL RISK MANAGEMENT

The Group has exposure to the following risks from its use of financial instruments:
- credit risk
- market risk
- liquidity risk
- operational risk

(i) Credit risk

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

	Carrying amount	
	31 December 2009	**31 December 2008**
Available for sale financial assets	71	68
Long term receivables	4,812	4,880
Trade receivables	197,146	118,672
Cash and cash equivalents (including restricted cash)	16,325	45,305
Forward exchange contracts (Note 10)	-	5,676
	218,354	**174,601**

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's trade receivables from customers (both current and long term).

The Group has no significant concentrations of credit risk, other than the case the amounts due from the Health Insurance Houses ("HIH") (for the retail business) and the amounts due from hospitals (for the wholesale business). Credit risk with respect to these receivables is limited, since these amounts are primarily due from the Romanian State and hence are considered to be ultimately recoverable. Accordingly, Management believe that the Group has no significant net credit risk with regards to such balances.

For the wholesale business, for customers other than hospitals, the Group has established credit policies under which each new customer is analysed individually for creditworthiness before the Group's payment and delivery terms and conditions are offered. In monitoring customer credit risk, customers are grouped according to their credit characteristics, including aging profile, maturity and existence of previous financial difficulties. Sales limits are established for each customer. Customers that are graded as "high risk" are blocked and monitored by the Credit Control department and future sales are made only upon collection of outstanding trade receivables.

(All amounts are expressed in EUR '000, unless otherwise stated)

The Group establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade receivables. The carrying amount of trade receivable, net of impairment adjustment, represents the maximum exposure to credit risk for trade receivables at the reporting date:

	Carrying amount	
	31 December 2009	**31 December 2008**
Long term trade receivables (Note 7)	4,806	4,829
Trade receivables (Note 9)	197,146	118,672
Total trade receivables	**201,952**	**123,501**

The maximum exposure to credit risk for trade receivables (both current and long term) at the reporting date by type of customer was:

	Carrying amount	
	31 December 2009	**31 December 2008**
Wholesale customers (other than hospitals)	131,963	100,195
Receivables from the State (HIH and hospitals)	68,797	16,029
Retail customers (other than HIH)	507	643
Related parties	685	6,634
Total	**201,952**	**123,501**

The Group does not rely extensively on major customers.

(All amounts are expressed in EUR '000, unless otherwise stated)

The ageing of trade receivables at the reporting date was:

	Gross 2009	Impairment 2009	Gross 2008	Impairment 2008
Between 0 – 30 days	37,793	-	29,857	-
Between 30 – 120 days	104,047	-	60,978	-
Between 120 – 180 days	37,204	-	16,662	-
Between 180 – 210 days	8,529	-	3,997	-
Between 210 – up to one year	11,317	-	7,114	-
More than one year	9,474	6,412	9,230	4,337
Total	**208,364**	**6,412**	**127,838**	**4,337**

The Group presents the ageing of trade receivables based on origination date. Due dates depend on the type of goods sold and are usually up to 180 - 210 days for prescription drugs and around 150 days for over the counter products.

The movement in the allowance for impairment in respect of trade receivables during 2009 and 2008 was as follows:

	2009	2008
Balance as at 1 January	**(4,337)**	**(2,031)**
Impairment loss	(2,335)	(2,701)
Translation effect	260	395
Balance as at 31 December	**(6,412)**	**(4,337)**

The impairment provision at the end of 2009 is in line with the specific provision policy (see Note 3.8). The provision calculation takes into consideration only the overdue customers against which the Group took legal action.

The allowance of EUR 6,412 thousand recorded in 2009 is based on 361 legal files where the Group had a suspicion of bankruptcy, insolvability or bad payment behaviour. Based on past experience, about 50% of these receivables are collected in maximum one year from the opening of a legal case and management expects to collect up to 30% more in 2010.

The Group believes that no impairment is necessary in respect of trade receivables from hospitals and Health Insurance Houses, because they are considered as being effectively risk free due to state ownership.

(ii) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

(All amounts are expressed in EUR '000, unless otherwise stated)

a) Foreign currency risk

The Group is exposed to foreign currency risk on purchases and borrowings that are denominated in a currency other than the respective functional currencies of Group entities. The currencies giving rise to this risk are primarily EUR and U.S. Dollar (USD).

In 2009, the Group's exposure to foreign currency risk was reduced, due to the new methodology enforced by the Romanian Ministry of Health starting 1 April 2009, according to which producers of prescription drugs are bound to issue invoices in RON. The exposure to foreign currency risk remains only for imports of over-the-counter products.

The Group's exposure to foreign currency risk was as follows based on notional amounts:

	RON	EURO	USD	GBP	CHF	HUF
31 December 2009						
Monetary assets						
Trade receivables	201,514	364	-	-	-	74
Other receivables	2,541	948	59	-	-	176
Monetary liabilities						
Accounts payable	(211,051)	(19,891)	(3,989)	-	(4,657)	(115)
Borrowings	-	(74,850)		-	-	-
Leases	-	(2,941)	-	-	-	-
Gross financial position	**(6,996)**	**(96,370)**	**(3,930)**	**-**	**(4,657)**	**(135)**
Forward exchange contracts	-	-	-	-	-	-
Net financial position	**(6,996)**	**(96,370)**	**(3,930)**	**-**	**(4,657)**	**(135)**

	RON	EURO	USD	GBP	CHF	DKK
31 December 2008						
Monetary assets						
Trade receivables	123,451	50	-	-	-	-
Other receivables	2,040	3,627	2,511	-	282	-
Monetary liabilities						
Accounts payable	(78,033)	(69,672)	(36,016)	(302)	(7,579)	(3,645)
Borrowings		(75,578)	-	-	-	-
Leases	-	(3,923)	-	-	-	-
Gross financial position	**47,458**	**(145,496)**	**(33,505)**	**(302)**	**(7,297)**	**(3,645)**
Forward exchange contracts	-	37,126	20,782	-	3,172	-
Net financial position	**47,458**	**(108,370)**	**(12,723)**	**(302)**	**(4,125)**	**(3,645)**

(All amounts are expressed in EUR '000, unless otherwise stated)

The following significant exchange rates applied during the year:

	Average rate		Reporting date spot rate	
	2009	**2008**	**31 December 2009**	**31 December 2008**
RON/ EURO	4.2373	3.6827	4.2282	3.9852
RON/ USD	3.0473	2.5189	2.9361	2.8342
RON/ GBP	4.7571	4.6276	4.7393	4.1169
RON/ CHF	2.8060	2.3238	2.8496	2.6717
RON/ DKK	0.5690	0.4939	0.5682	0.5348
RON/HUF	0.0151	0.0147	0.0156	0.0150

Sensitivity analysis

A 10 percent strengthening of the RON against the following currencies at 31 December 2009 and 2008 would have increased / (decreased) profit or loss and equity by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant and includes the hedging effect.

	Equity 2009	Equity 2008	Profit / (loss) 2009	Profit / (loss) 2008
EUR	13	10,837	13	10,837
USD	393	1,272	393	1,272
CHF	466	412	466	412
GBP	-	30	-	30
DKK	-	365	-	365

A 10 percent weakening of the RON against the above currencies at 31 December 2009 and 2008 would have had the equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remain constant and includes the hedging effect.

	Equity 2009	Equity 2008	Profit / (loss) 2009	Profit / (loss) 2008
EUR	(13)	(10,837)	(13)	(10,837)
USD	(393)	(1,272)	(393)	(1,272)
CHF	(466)	(412)	(466)	(412)
GBP	-	(30)	-	(30)
DKK	-	(365)	-	(365)

b) Interest rate risk

The Group's income and operating cash flows are impacted by changes in market interest rates since the majority of interest rates on financial instruments are variable.

(All amounts are expressed in EUR '000, unless otherwise stated)

At the reporting date the interest rate profile of the Group's interest-bearing financial instruments was:

	Carrying amount	
	31 December 2009	**31 December 2008**
Financial assets		
Trade receivables	201,952	123,501
Financial liabilities		
Accounts payable	(239,703)	(195,247)
Borrowings	(74,850)	(75,578)
Leases	(2,941)	(3,923)
Total	**(115,542)**	**(151,247)**

Accounts payable comprises the following:

	31 December 2009	**31 December 2008**
Trade payables	237,678	192,786
Amounts owing to related parties (Note 21)	324	936
Deferred income arising from IFRIC 13 (included in other payables – Note 17)	1,701	1,525
	239,703	**195,247**

The Group analyses its interest rate exposure on a dynamic basis. Various scenarios are simulated taking into consideration refinancing, renewal of existing positions, alternative financing and hedging. Based on these scenarios, the group calculates the impact on profit and loss of a defined interest rate shift. For each simulation, the same interest rate shift is used for all currencies.

Sensitivity analysis for variable rate instruments

A change by 100 basis points in interest rates at the reporting date would have increased (decreased) profit or loss and equity by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis for 2008.

	Profit / (loss)	
	Increase by 100 basis points	**Decrease by 100 basis points**
31 December 2009		
Borrowings	416	(416)
Leases	18	(18)
Financial liabilities interest sensitivity, net	**434**	**(434)**

	Profit / (loss)	
	Increase by 100 basis points	**Decrease by 100 basis points**
31 December 2008		
Borrowings	(411)	411
Leases	(30)	30
Financial liabilities interest sensitivity, net	**(441)**	**441**

A change by 100 basis points in interest rates would have increased or decreased equity by EUR 434 thousand (2008: EUR 441 thousand).

(All amounts are expressed in EUR '000, unless otherwise stated)

Interest rates used for determining fair values and amortised costs

The interest rates used to discount estimated cash flows were as follows:

	2009	2008
Trade receivables and trade payables	9% - 14.7%	7.9% - 18.2%
Borrowings	5.4% - 5.6%	5.1% - 7.8%
Leases	5% - 10%	9% - 12.7%

(iii) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, without incurring unacceptable losses or risking damage to the Group's reputation.

	31 December 2009	31 December 2008
Assets		
Monetary assets in RON	204,055	171,282
Monetary assets in foreign currency	1,620	6,623
	205,675	**177,905**
Liabilities		
Monetary liabilities in RON	(211,051)	(95,145)
Monetary liabilities in foreign currency	(106,442)	(187,164)
	(317,493)	**(282,309)**
Net monetary position in RON	**(6,996)**	**76,137**
Net monetary position in foreign currency	**(104,822)**	**(180,541)**

The following are the contractual maturities of financial liabilities, including interest payments and excluding the impact of netting agreements:

	Carrying amount	Contractual amount	12 months or less	1 - 2 years	2 - 5 years
31 December 2009					
Financial liabilities					
Trade payables	(239,703)	(257,624)	(257,624)	-	-
Borrowings	(74,850)	(89,694)	(9,087)	(4,087)	(76,520)
Leases	(2,941)	(3,114)	(1,953)	(799)	(361)
Total	**(317,494)**	**(350,432)**	**(268,664)**	**(4,886)**	**(76,881)**
31 December 2008					
Financial liabilities					
Trade payables	(195,247)	(210,172)	(209,151)	(1,021)	-
Borrowings	(75,578)	(77,527)	(77,527)	-	-
Leases	(3,923)	(4,164)	(2,489)	(1,415)	(260)
Total	**(274,748)**	**(291,863)**	**(289,167)**	**(2,436)**	**(260)**

(All amounts are expressed in EUR '000, unless otherwise stated)

Capital management

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, redeem own shares or issue new shares.

The Group monitors capital using a gearing ratio, which is net debt divided by total capital.

The Group's debt to capital ratio at the end of the reporting period was as follows:

	31 December 2009	**31 December 2008**
Total liabilities	346,033	304,021
Less: cash and cash equivalents	(15,965)	(44,111)
Net debt	330,068	259,910
Total equity	223,193	222,407
Debt to adjusted capital ratio	**1.48**	**1.17**

From time to time the Group purchases its own shares on the market; the timing of these purchases depends on market prices. Buy and sell decisions are made on a specific transaction basis by the Board of Directors; the Group does not have a defined share buy-back plan.

(iv) Operational risk

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Group's processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks, such as those arising from legal and regulatory requirements and generally accepted standards of corporate behaviour. Operational risks arise from all of the Group's operations. The Group's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the Group's reputation with overall cost effectiveness and to avoid control procedures that restrict initiative and creativity. The primary responsibility for the development and implementation of controls to address operational risk is assigned to senior management within each business unit.

This responsibility is supported by the development of overall Group standards for the management of operational risk in the following areas:

- requirements for appropriate segregation of duties, including the independent authorisation of transactions;
- requirements for the reconciliation and monitoring of transactions;
- compliance with regulatory and other legal requirements;
- documentation of controls and procedures;
- requirements for the periodic assessment of operational risks faced, and the adequacy of controls and procedures to address the risks identified;
- training and professional development;
- ethical and business standards.

Compliance with Group standards is supported by periodic reviews undertaken by Internal Audit. The results of Internal Audit reviews are discussed with the management of the business unit to which they relate, with summaries submitted to the Audit Committee and senior management of the Group.

28 EVENTS AFTER THE REPORTING PERIOD

Health regulatory changes

On 4 January 2010, as per Official Journal number 2, the Romanian Ministry of Health has published the new methodology of drug price computation that will be enforced starting with 1 April 2010. Among the main changes brought by the new drug price methodology is the fixing of the imported drug price into RON to a fix rate of RON/EUR 4.25, RON/USD 3.06, RON/CHF 2.8, as well as maintaining the carriage and insurance paid ("CIP") price to a minimum level from a list of 12 countries selected by government.

The financial statements were authorised for issue by the Board of Directors on 1 April 2010, authorised on their behalf by Mr. Robert Popescu (Chief Executive Officer), also signed by Mr. Dimitris Sophocleous (Chief Financial Officer).

Robert Popescu	Dimitris Sophocleous
Chief Executive Officer	Chief Financial Officer

COMPANY FINANCIAL STATEMENTS

COMPANY STATEMENT OF FINANCIAL POSITION

	Note	31 December 2009	31 December 2008
		EUR'000	EUR'000
ASSETS			
Non-current assets			
Intangible assets	2	184	184
Financial fixed assets	3	313,727	237,050
		313,911	**237,234**
Current assets			
Trade and other receivables	4	4,219	50
Cash and cash equivalents	5	860	46
		5,079	**96**
Current liabilities			
Accounts payable, accruals and other liabilities	7	4,347	1,804
Current assets minus current Liabilities		**732**	**(1,708)**
Total assets minus current Liabilities		**314,643**	**235,526**
Non-current liabilities			
Long term borrowings	8	74,850	-
Payable to group companies	9	16,600	13,119
Total non-current liablilities		**91,450**	**13,119**
Shareholders' equity			
Issued capital	6	200,000	200,000
Share premium	6	54,933	59,075
Translation reserve		(45,232)	(31,148)
Retained earnings		(5,520)	(3,226)
Profit for the year		19,012	(2,294)
Total shareholders' equity		**223,193**	**222,407**

COMPANY INCOME STATEMENT

	31 December 2009	31 December 2008
	EUR' 000	EUR' 000
Profit of participation interests after taxation	11,940	291
Other income and expenses after taxation	7,072	(2,585)
Profit/ (loss) for the year	**19,012**	**(2,294)**

NOTES TO THE COMPANY FINANCIAL STATEMENTS

1. GENERAL

The company financial statements are prepared in accordance with Title 9 of Book 2 of the Netherlands Civil Code. The Company uses the option provided in section 2:362 (8) of the Netherlands Civil Code in that the principles for the recognition and measurement of assets and liabilities and determination of result (hereinafter referred to as principles for recognition and measurement) as applied in the consolidated financial statements are also applied in the company financial statements. Reference is made to the notes to the statutory consolidated financial statements for a description of the principles for recognition and measurement.

The Company's parent-only income statement has been prepared in accordance with section 2:402 of the Dutch Civil Code.

For the information on group companies of A&D Pharma Holdings N.V. please refer to note 22 of the consolidated financial statements.

2. INTANGIBLE ASSETS

Movement in Intangible assets was as follows:

	Intangibles in progress
Net book amount as of 1 January 2008	**165**
Additions	19
Closing net book amount as of 31 December 2008	**184**
Cost	184
Accumulated amortisation	-
Closing net book amount as of 31 December 2008	**184**
Net book amount as of 1 January 2009	**184**
Additions	-
Closing net book amount as of 31 December 2009	**184**
Cost	184
Accumulated amortisation	-
Closing net book amount as of 31 December 2009	**184**

3. FINANCIAL FIXED ASSETS

The financial fixed assets consist solely of participating interests in group companies, loans to group companies and deferred tax assets, as follows:

	31 December 2009	**31 December 2008**
	EUR' 000	EUR' 000
Participating interest in group companies	234,694	234,719
Loans to group companies	77,726	-
Deferred tax asset	1,307	2,331
	313,727	237,050

The degree of control exercised by A&D Pharma Holdings N.V. over significant subsidiaries is as follows:

Entity	**Country of incorporation**	**Activity**	**% share 31 Dec 2009**	**% share 31 Dec 2008**
A&D Pharma Holdings SRL	Romania	Romanian holding company of Mediplus and Sensiblu	100	100
Mediplus Exim SRL	Romania	Import and wholesale distribution of pharmaceutical products in Romania	100	100
Sensiblu SRL	Romania	Retail distribution of pharmaceutical products in Romania	100	100
Lauren Finance SRL	Romania	Financial activities in Romania	100	100
Farmacia Titan SRL	Romania	Retail distribution of pharmaceutical products in Romania	100	100
A&D Pharma Holdings Kft	Hungary	Import and wholesale distribution of pharmaceutical products in Hungary	100	100
A&D Pharma Marketing & Sales	Romania	Wholesale distribution of pharmaceutical products in Romania	100	100

Movements for participating interest in group companies were as follows:

	2009	2008
	EUR' 000	EUR' 000
Balance at 1 January	234,719	259,367
Additions	2,119	45
Shares of profit of participating interests	11,940	291
Translation differences	(14,084)	(24,984)
Dividend paid	-	-
Balance at 31 December	234,694	234,719

Investments in group companies are carried at equity value, calculated according to the group accounting policies. Non-consolidated participating interests where the company has got no significant influence are carried at cost less any impairment losses.

The addition of EUR 2,119 thousand relates to business combinations that have not yet been completed as per 31 December 2009. The addition of EUR 45 thousand in 2008 consists of 50% participating interests in acquisition of Elantis Farm SRL from Mediplus Exim SRL.

Movements for loans to Group Companies were as follows:

	2009	2008
	EUR' 000	EUR' 000
Balance at 1 January	-	-
Additions	77,726	-
Repayments	-	-
Balance at 31 December	77,726	-

The long term receivables as at 31 December 2009 represent loans to group companies in the amount of EUR 77,726 thousand. The rate of interest is EURIBOR 1M/2M/3M or 6M +5.075% p.a. The Group Companies must repay the loans on such dates as the Company and its subsidiaries may agree. The settlement of the loan is not planned in the foreseeable future.

Movements in deferred tax assets were as follows:

	2009	2008
	EUR' 000	EUR' 000
Balance at 1 January	2,331	1,446
Additions	-	885
Reversal	(1,024)	-
Balance at 31 December	1,307	2,331

Deferred tax asset position in amount of EUR 1,307 thousand (31 December 2008: EUR 2,331 thousand) is the result of the tax relief for the Company, which, according to management, is expected to be recovered through future taxable profits.

4. TRADE AND OTHER RECEIVABLES

	31 December 2009	31 December 2008
	EUR' 000	EUR' 000
Trade receivables from group companies	4,209	-
Other receivables	10	50
	4,219	50

5. CASH AND CASH EQUIVALENTS

The Company's cash balances are available upon demand.

6. ISSUED CAPITAL

The authorized share capital amounts to Euro 200,000,000 divided into 200,000,000 ordinary shares of Euro 1.00 nominal value each. The issued and fully paid up capital is Euro 200,000,000.

For the movement schedule of issued capital, share premium, other reserves and profit for the year please refer to the specification of the consolidate statements of changes in equity included in the consolidated financial statements.

7. ACCOUNTS PAYABLE, ACCRUALS AND OTHER LIABILITIES

The current liabilities can be broken down as follows:

	31 December 2009	31 December 2008
	EUR' 000	EUR' 000
Accounts payable	2,181	638
Interest payable to group companies	1,891	-
Interest payable to Banks	191	-
Salary payable	71	1,126
Taxation	13	40
	4,347	1,804

Accounts payable include audit fees, fees for assistance to management in cascading objectives to organization, insurance premiums, and other professional fees.
Salary payable consists of termination payments in respect of top management that are to be paid during 2009.

8. BORROWINGS

The long term borrowings are presented as follows:

Lender	Maturity	Interest	31 December 2009	31 December 2008
BRD-A&D Pharma Holdings NV (EUR) (Club Loan)	30-Jul-12	EURIBOR 1M/2M/3M or 6M +4.95% p.a.	79,000	-
Prepaid fees			(4,150)	-
			74,850	-

As of 30 July 2009 the Group signed a new Revolving Credit Facility Agreement ("Club Loan") for a maximum of EUR 100 million.
The lending banks have an equal participating share: BRD - Groupe Société Générale SA (acting also as Agent); Banca Comerciala Romana SA; Citibank Europe Plc; RBS Bank (Romania) S.A. and Unicredit Bank Austria AG.

For more information on Club Loan please refer to the specification of long term borrowings included in the consolidated financial statements.

9. PAYABLE TO GROUP COMPANIES

All amounts payable to group companies are interest bearing and are subordinated to the Club Loan and no repayment will be made to the Group Companies until the expiry of the Club Loan. Interest rate applied in 2009 and 2008 is 7% p.a.

10. EMPLOYEES

The Company has no employees other than directors. As at 31 December 2009 the Group has 3,160 employees (3,347 as at 31 December 2008).

11. DIRECTORS

The Company is managed by the Board of Directors which consists of six members (2008: six members): one Executive Director and five Non-Executive directors.

The composition of the Board of Directors is as follows:

Name	Position	Appointed on
Walid Abboud	Chairman of the Board, Non-Executive Director (non-independent)	On 18 September 2008 became Chairman of the Board
Robert Popescu	Chief Executive Officer	On 1 August 2008 became Executive Director. On 18 September 2008 became Interim Chief Executive Officer and from 24 April 2009 Chief Executive Officer
Roberto Musneci	Non-Executive Director and Chairman of Audit and Nomination Committees	18 September 2008
Michael Schilling	Non-Executive Director and Chairman of Remuneration and Corporate Governance Committee	1 November 2008
Ludovic Charles Simon Robert	Non-Executive Director and Vice-Chairman of the Board (non-independent)	On 18 September 2008 became Vice-Chairman of the Board
Roger Akoury	Non-Executive Director (non-independent)	

During 2009, there were no changes in the rules governing appointment or dismissal of members of the Board of Directors. Pursuant to the Dutch regulation "Disclosure of Remuneration of Board Members Act", the total remuneration paid to executive and non-executive Board members is EUR 290 thousand.

12. AUDIT FEE

Fees paid to the Group's auditor for 2009 and 2008 can be broken down into the following.

	31 December 2009	31 December 2008
	EUR' 000	EUR' 000
KPMG Accountants N.V.:		
Audit of financial statements	75,000	-
Other KPMG firms:		
Audit and review of financial statements	329,000	318,000
Other (due diligence)	550,000	-
Total	**879,000**	**318,000**
Predecessor auditor:		
Audit fees	-	55,000

Audit fees of financial statements include the fees for professional services rendered by KPMG Accountants N.V. and KPMG Romania SRL and relate to the audit and review of the Company's consolidated and company financial statements and its subsidiaries for the relevant year.

OTHER INFORMATION

1. AUDITOR'S REPORT

To: The Board of Directors and the Annual General Meeting of Shareholders of A&D Pharma Holdings N.V.

Auditor's report

Report on the financial statements
We have audited the accompanying 2009 financial statements of A&D Pharma Holdings N.V., Delft as set out on pages A(1) to A(76). The financial statements consist of the consolidated financial statements and the company financial statements. The consolidated financial statements comprise the consolidated statement of financial position as at 31 December 2009, the consolidated income statement, statements of comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory notes. The company financial statements comprise the company statement of financial position as at 31 December 2009, the company income statement for the year then ended and the notes.

Management's responsibility
Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards as adopted by the European Union and with Part 9 of Book 2 of the Netherlands Civil Code, and for the preparation of the Director's report in accordance with Part 9 of Book 2 of the Netherlands Civil Code. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility
Our responsibility is to express an opinion on the financial statements based on our audit. We conducted our audit in accordance with Dutch law. This law requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.
An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion with respect to the consolidated financial statements
In our opinion, the consolidated financial statements give a true and fair view of the financial position of A&D Pharma Holdings N.V. as at 31 December 2009, and of its result and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and with Part 9 of Book 2 of the Netherlands Civil Code.

Opinion with respect to the company financial statements
In our opinion, the company financial statements give a true and fair view of the financial position of A&D Pharma Holdings N.V. as at 31 December 2009, and of its result for the year then ended in accordance with Part 9 of Book 2 of the Netherlands Civil Code.

Report on other legal and regulatory requirements
Pursuant to the legal requirement under 2:393 sub 5 part f of the Netherlands Civil Code, we report, to the extent of our competence, that the Director's report set out on pages 69-80 is consistent with the financial statements as required by 2:391 sub 4 of the Netherlands Civil Code.

Amstelveen, 1 April 2010

KPMG ACCOUNTANTS N.V.

P. Mizrachy RA

2. ARTICLES OF ASSOCIATION PROVISIONS GOVERNING THE APPROPRIATION OF PROFIT

The salient points of Article 22 of the Articles of Association governing the appropriation of profit are:

The General Meeting shall determine which part of the profits earned in a financial year shall be added to the reserves and the allocation of the remaining profits.

Distributions can only take place up to the amount of the distributable part of the net assets.

Distribution of profits shall take place after the adoption of the Annual Accounts from which it appears it is approved.

3. PROPOSAL FOR DISTRIBUTION OF PROFIT

At the Company's Annual General Meeting ("AGM") of 21 June 2007, the shareholders have adopted a resolution regarding the reservation and dividend policy of the Group. According to the adopted resolution, the Board of Directors was mandated to submit a reservation proposal to the AGM each year and to determine that in principle and barring unforeseen circumstances the net profit of the Group decreased with the amount of such reservation will be available for distribution of a dividend to the shareholders in order to make a meaningful part of the annual net operating results of the activities of the Group available to the shareholders each year.

In light of the profit of EUR 19,012 thousand resulting to an accumulated profit of EUR 13,492 thousand and in conjunction and conformity with the reservation and dividend policy of the Group, the Board of Directors proposes that the profit for the year 2009 is to be added to the general reserves ("overige reserves") and that no dividend be declared and allocated for the current reporting period ended 31 December 2009.

Executive Board Responsibility Statement
According to Section 5:25c(2)(c) of the Dutch Financial Supervision Act ("Wft")

The company's executive director hereby declares that, to the best of his knowledge:

1. the annual financial statements for the financial year 2009 give a true and fair view of the assets, liabilities, financial position and the results of the company and its consolidated entities;

2. the director's report gives a true and fair view of the position of the company and its related entities whose financial information has been consolidated in the annual financial statements as at the balance sheet date 31 December 2009 and of their state of affairs during the financial year 2009;

3. the annual report describes the principal risks that the Company faces.

Robert Popescu
Chief Executive Officer

A&D Pharma