ANNUAL REPORT 2008

A&D Pharma

FULLY DEDICATED TO LIFE AND HEALTH

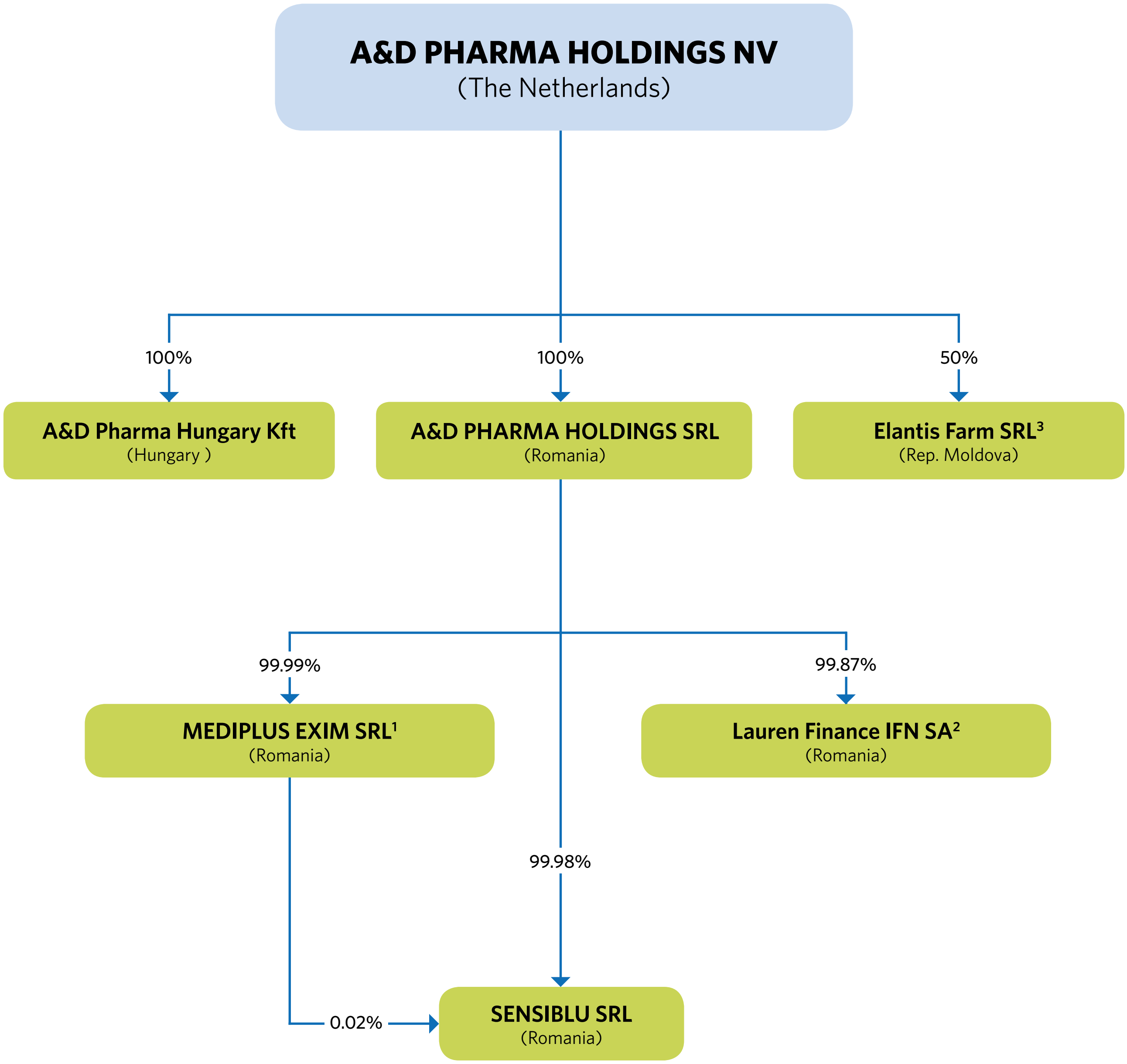
CONTENTS

To become the **partner of choice** in the **Central and Eastern European pharmaceutical markets** by offering a **unique** and **comprehensive** range of **pharmaceutical** wholesale, marketing & sales and retail **services** in the region.

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 pharmaceutical wholesale, sales and marketing services and retail business in Romania.

Founded in 1994, A&D Pharma owns Romania’s leading pharmaceutical wholesale, sales and marketing service provider “Mediplus”, and Romania’s largest branded chain of pharmacies “Sensiblu”.

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”.



(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.
(3) The remaining 50% is owned by two individuals who are not related to the group.

Sustained focus on profitability and expansion into neighbouring countries

2009

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

2008

Mediplus – National Logistics Centre established in Mogosoaia

2007

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

2006

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

2005

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

2004

50 Sensiblu Pharmacies

2003

Sensiblu Foundation

2002

2001

Launch of B2B Services

2000

1999

1998

Full-line wholesaler – Mediplus
1st pharmacy – Sensiblu

1997

1996

1995

1st OTC division – Plurifarm

1994

- The leading pharmaceutical marketing & sales, wholesale and retail business in Romania
- Clear market leader with a successful track record & coherent development strategy
- Poised for expansion and higher profitability through a refined and vertically integrated business model and a new national logistical infrastructure
- Strongly positioned to embrace the growth potential in the Central & Eastern European pharmaceutical markets

A&D Pharma

Revenue growth
+ 18%
2007 € 425.5mil
2008 € 501.5mil

Contribution Profit growth
+ 21%
2007 € 52.7mil
2008 € 63.7mil

Wholesale

Mediplus

Revenue Growth y-o-y
+ 20%
2007 € 271.7mil*
2008 € 326.4mil*

Contribution Profit Growth y-o-y
+ 24%
2007 € 21.7mil
2008 € 26.9mil

Marketing & Sales

A&D Pharma Marketing&Sales

Marketing & Sales
+ 7%
2007 € 91.8mil*
2008 € 98.6mil*

Contribution Profit Growth y-o-y
+ 9%
2007 € 24.2mil
2008 € 26.3mil

Retail

SENSIblu

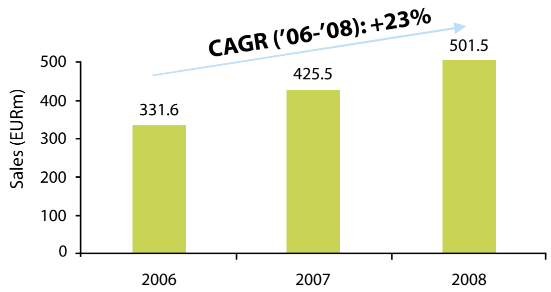
Retail
+ 27% in EUR
2007 € 121.6mil*
2008 € 154.8mil*

Contribution Profit Growth y-o-y
+ 53% in EUR
2007 € 6.8mil
2008 € 10.4mil

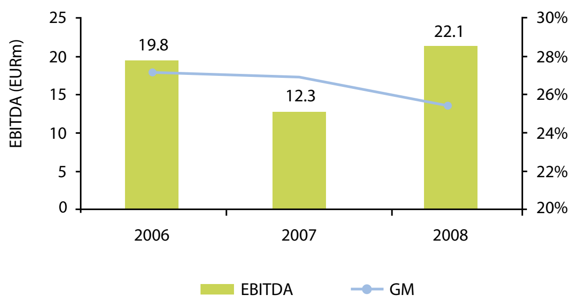
* Unconsolidated divisional sales figures include inter-company sales from Mediplus to Sensiblu.

- Consolidated sales up 18% year-on-year to €501.5 million (€425.5 million)
- Slight decrease in consolidated gross margin to 25%
- Contribution profit up 21% to €63.7 million (€52.7 million)
- EBITDA up 80% to €22.1 million (€12.3[1] million in 2007) in spite of adverse impact of one-off restructuring cost[2]
- Significant improvement in Net Debt[3] position to €35.4 million (€63.3 million)

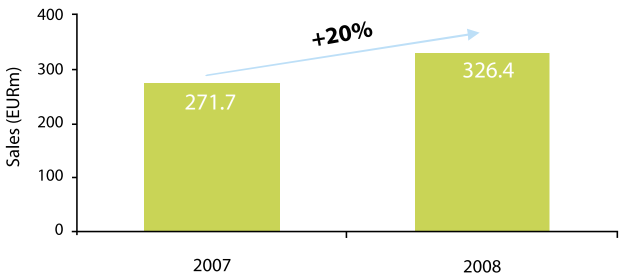
Group Consolidated Revenue



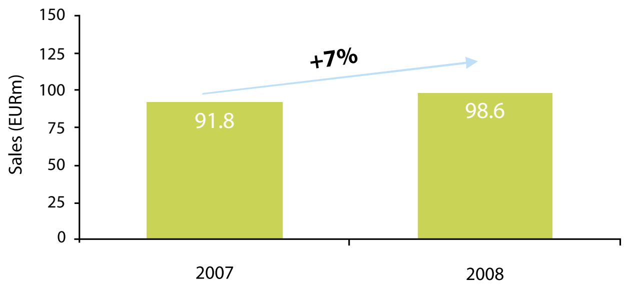
Group Consolidated EBITDA and Gross Margin



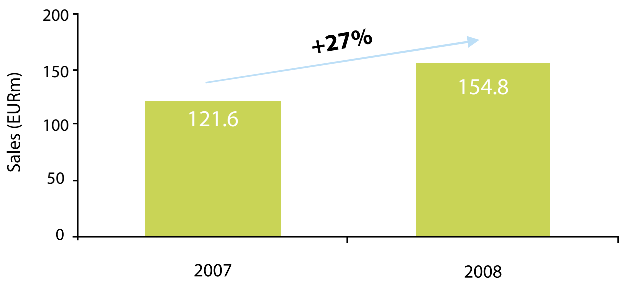
Wholesale Revenue



Marketing & Sales Revenue



Retail Revenue



1) In 2008 the Group has changed its income statement's classification of suppliers' foreign exchange differences together with hedging cost from its operating result into its financial results to provide a more informative presentation on the effect of changes in foreign exchange rates on the Group's performance.

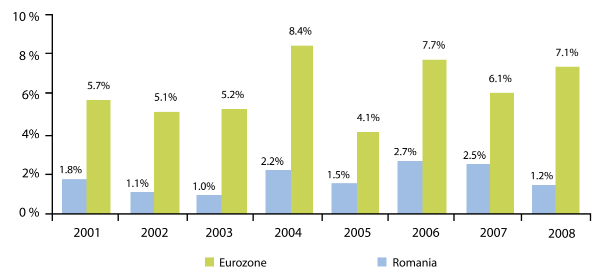
2) One-off restructuring costs amounted to €6.2 million.

3) Net Debt is composed of long/short term borrowings and finance lease minus cash.

Romanian Market

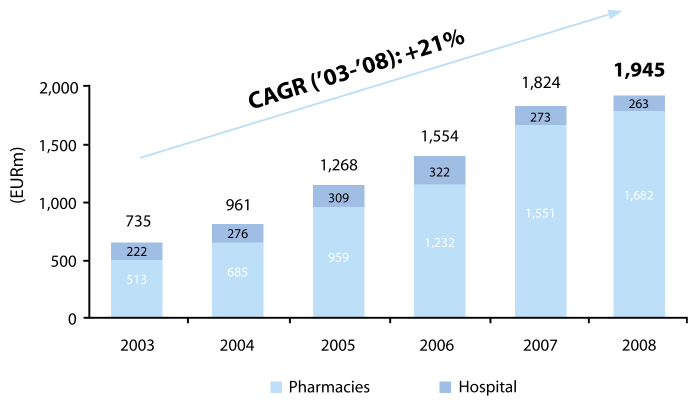
- GDP is estimated to have grown 7.1% year-on-year for 2008 (source: National Institute for Statistics)
- 7% year-on-year growth in the pharmaceutical market in EUR PPP (Pharmacy Purchase Prices) to €1.95 billion in 2008 from €1.82 billion in 2007 (source: Cegedim)
- Main regulatory developments:
  - Elimination of budgetary ceilings imposed at the pharmacy level
  - Dispensing of HIV medicine introduced in hospital pharmacies and other retail chains
  - Implementation of GDP (Good Distribution Practice) compliance expected to result in increased quality of drug distribution and a further reduction in the number of local wholesalers
  - Decentralising of National Health tenders in hospitals – each hospital now organises its own tenders

Real GDP growth rate (%)

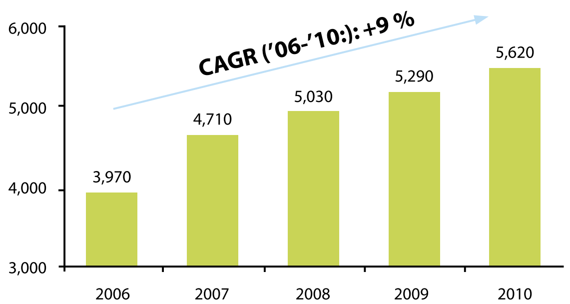


Source: ING, Eurostat Statistical Office of the European Communities, NIS

Pharmaceutical market - PPP (Pharmacy Purchase Prices) (EURm)

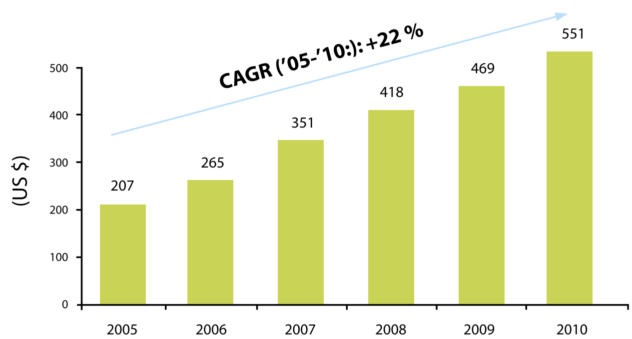


Private consumption per capita (US $)



Source: Economist Intelligence Unit

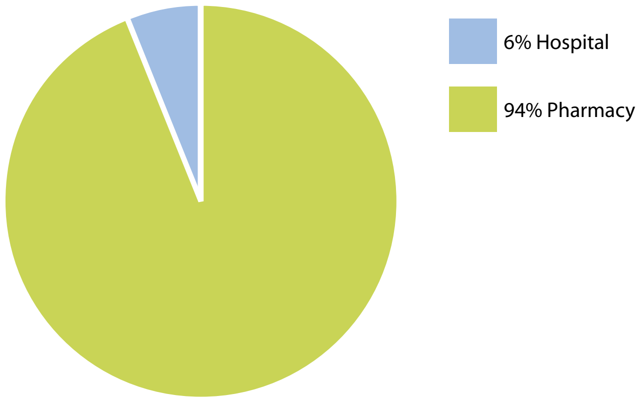
Romanian healthcare spending per capita (US $)



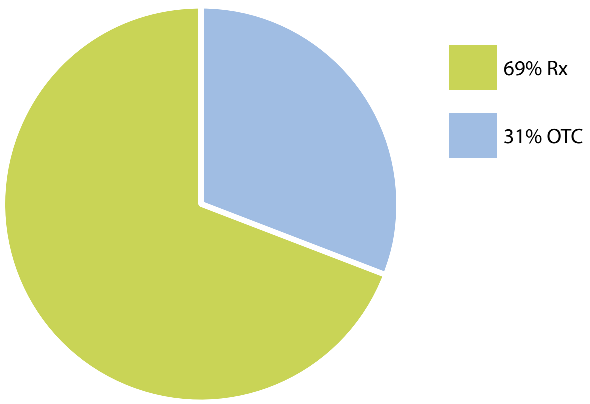
- Operated by Mediplus but broken out into a separate reporting line, the **Marketing & Sales** business offers a full range of sales, marketing, regulatory, public affairs and pharmavigilence services for a wide portfolio of healthcare products in Romania, Hungary and Moldova
- Focused on providing high-margin, value added services to A&D Pharma's key suppliers
- Selected by leading biotech company Amgen as its partner of choice in the region to provide value-added services alongside Mediplus's broader distribution services
- Plays a significant role in strengthening A&D Pharma's strategic partnerships with international manufacturers as more and more clients request its services.

- Romania's leading pharmaceutical **wholesaler** and marketing & sales services provider
- 11 warehouses and a state-of-the-art national logistics centre with a capacity of 18,500 pallets over 28,000 square meters
- 18.8% average market share of the total pharmaceutical market (including sales to hospitals) in 2008, compared to 17.9% in 2007 (source: Cegedim), reflecting higher sales of oncology treatments as well as the opening up of the hospital market.
- Significant increase in average market share of the hospital market from 3.9% in 2007 to 10.4% in 2008.
- Gained access to HIV treatment segment for the first time in the first half of 2008
- Expanded Mediplus's product offering in the non-pharmaceutical segment through new partnerships with Unilever and Colgate Palmolive

Mediplus Turnover Analysis

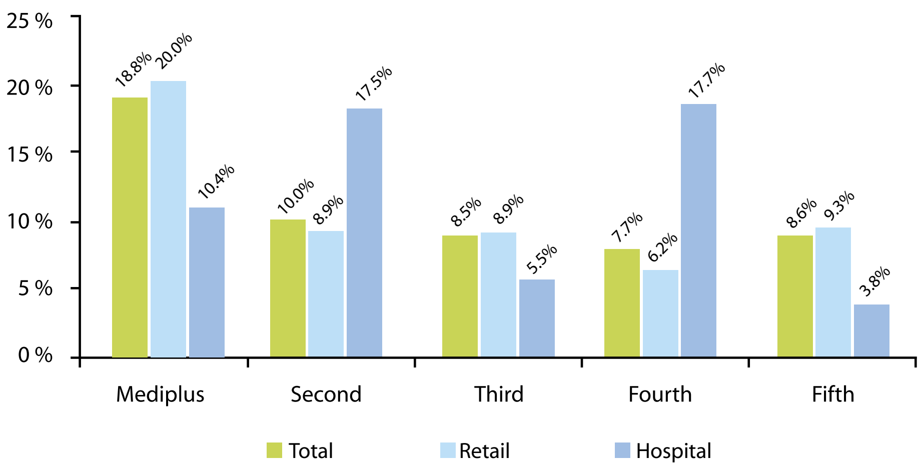


Distribution Channel



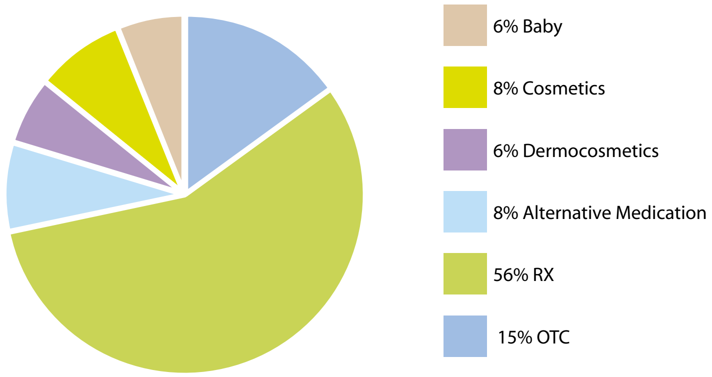
Portofolio Mix

Average market share 2008

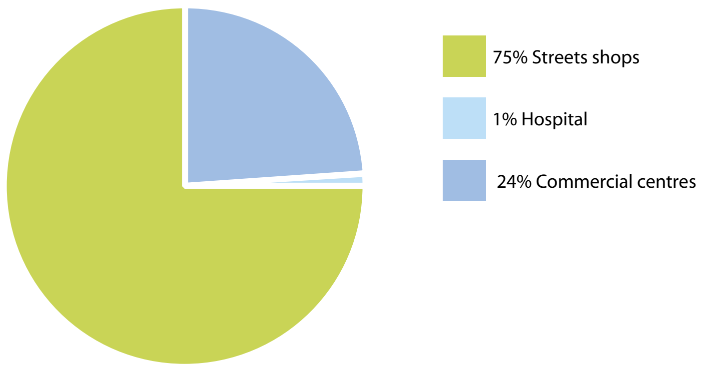


- Romania's largest branded **pharmacy chain** with a total of 221 outlets as of 31 December 2008
- Restructuring of Sensiblu's outlet network lead to the opening of 12 new stores, the relocation of 5 stores and the closure of 13 stores to consolidate Sensiblu's position as Romania's leading branded pharmacy chain
- 27% increase in average monthly turnover per location to €66,000 as of 31 December 2008 compared to €52,000 at 31 December 2007
- 14% increase in total number of transactions from 13.3 million transactions in 2007 to 15.2 million transactions for the year ended 31 December 2008
- Loyalty card holders helped to generate a y-o-y increase in average value per card transaction of 14% to €13.7 (€12) in the fourth quarter of 2008, compared to a y-o-y increase of 15% in average value per non-card transaction to €8.2 (€7.1) for the same period of 2008

Sensiblu Turnover Analysis

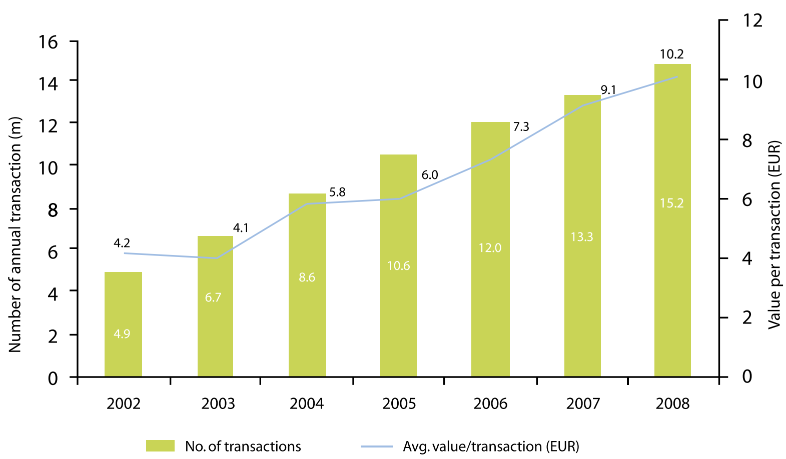


Sensiblu Turnover Analysis



Turnover by type of pharmacy

Growth in number and value of transactions (EUR)[1]



"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 your support over the past 12 months. 2008 has been a tremendously important year for A&D Pharma. I am pleased to report on a strengthening of our leading market position as the largest integrated pharmaceutical Wholesale, Marketing & Sales and Retail business in Romania.

A&D Pharma faced many challenges during 2008 including the effects of the global economic downturn, a harsh operating climate and a rigorous regulatory environment. However, thanks to effective financial management exhibited by the Company throughout the year we are pleased with the performance of our underlying business and believe that we are well positioned to deliver further growth and profitability during 2009.

A&D Pharma has become an essential partner for many global pharmaceutical manufacturers and distributors throughout many Central and Eastern European countries. During 2008, the Company changed the structure of its Board of Directors in order to be more responsive to the rapid changes occurring in the Central & Eastern European region. The Board was downsized to enable it to make decisions more swiftly and a higher proportion of Directors now have a background that is more deeply rooted in the jurisdictions in which the Company operates. We appreciate the faith and support that shareholders have given us to carry out these changes, in supporting the appointments of Dr. Roberto Musneci and Michael Tétreault Schilling as Non-Executive Directors and in giving me the honour of becoming the Chairman of the Board of Directors.

Important changes to the management team also occurred during 2008. After 13 years of exemplary service, Dragos Dinu stepped down from his position as CEO of A&D Pharma and has been replaced on an interim basis by Robert Popescu, COO of the Wholesale Business division. A&D Pharma also appointed Dimitris Sophocleous as CFO. Dimitris was previously CFO of Romtelecom, Romania's incumbent fixed telephony operator, and has the right credentials to assist with the next stage of A&D Pharma's development as we strive to deliver profitable growth and create value for all our consumers, shareholders, investors, business partners, employees as well as the wider community.

The Company takes this responsibility very seriously. We pride ourselves on maintaining the highest standards of transparency and corporate governance. The Board therefore welcomes dialogue with shareholders and I would like to extend this commitment by encouraging shareholders to contact me with any questions that they may have.

2009 is also expected to be very challenging. Therefore, the board and management are carefully looking at optimizing the organization, developing strategic relationships with our business partners and also developing projects with high added value for the near future. Last but not least, we are developing within the company an entrepreneurial spirit that should allow us to proactively respond to the numerous opportunities in the market, including possible acquisitions.

Finally, I would like to thank all of our directors, our executive management team and all of our employees for their efforts and commitment during 2008. I also reserve a special thanks to all of our shareholders for their support. We look forward to sharing our success with everybody during 2009."

Mr. Walid Abboud
Chairman

"Dear Shareholders,

We are pleased to report that plans initiated during 2008 to take A&D Pharma to the next stage of its strategic development are already yielding excellent results. Our strategy has been focused on achieving three main goals:

1. To optimize our operating profitability;
2. To strengthen our leading market position in Romania;
3. To continue the expansion of our business to other countries outside of Romania.

We are strengthening our leading position in all segments of the Romanian pharmaceutical market and are pleased with the continued sales growth recorded by our Wholesale, Marketing & Sales and Retail businesses, which once again beat industry trends. During 2008, group revenues grew by 18% year on year to EUR 501.5 million. This level of growth is being driven by the Company's efforts to optimize the efficiency of its operations and by the growth potential of the Romanian pharmaceutical market. Romania is the second largest consumer market in Central and Eastern Europe and the current low level of drug consumption per capita supports high growth potential in the healthcare industry.

Economic and regulatory conditions have been incredibly tough in 2008, however our net result has improved significantly from 2007 and we have not been distracted from our focus to grow A&D Pharma's bottom line further by reducing operating costs and developing higher margin business areas such as our Marketing & Sales division. A series of restructuring measures have been taken to strengthen the Company's underlying business fundamentals which include a reduction in staffing levels. In spite of the cost of these measures, which resulted in total one off restructuring charges of €6.2 million, we have still reported an 80% increase in EBITDA to €22.1 million and are well positioned to deliver a strong net result for 2009.

Performance at Mediplus, our wholesale business, has been boosted by the introduction of a wider product range and on-going improvements to its logistical infrastructure, including the modernization of the logistics fleet, improvements made at our warehouses and benefits gained from our new state-of-the-art national logistics centre. At Sensiblu, our retail business, we remain focused on maximizing the profitability of each store, while our new generation stores with their modern layout and richer product offering has generated higher transaction rates per customer which reinforces our leadership in the Romanian retail pharmaceutical market. Sensiblu's performance has played a significant role in reducing the combined impact that competitive pressure and forex have had on prices and overall Group profitability.

The Marketing & Sales unit, which operates under Mediplus, outperformed the market during 2008 and we are focused on extending its portfolio of brands. This unit is dedicated to providing sales and marketing support as well as advice on regulatory matters to international pharmaceutical manufacturers looking to enter Romania and central Europe. This new business line has emerged as a fast growing and high margin business which is enabling A&D Pharma to forge strategic partnerships with major international producers.

On the whole, the regulatory environment has also been challenging in 2008 but it is improving. The main regulatory development for 2008, which is excellent news for A&D Pharma, patients and the industry as a whole, was the elimination of pharmacy ceilings, or quotas that prevented pharmacies from selling more than a certain quantity of medicines. Another major obstacle during 2008 was the retail price list of regulated medicines which was not being updated to fairly reflect the rapidly deteriorating EUR/RON foreign exchange. Fortunately, after a great deal of campaigning, the price list is going to be updated from April 1st, 2009, which will ease our currency exposure. Furthermore, in March, 2008, the Romanian Competition Council announced that A&D Pharma's wholesale, sales and marketing operation was to be fined by the Competition Council due to an alleged breaching of competition laws relating to the distribution of insulin products in Romania. We were, however, pleased that an appeal made by the Company at the Bucharest Court of Appeal was successful and the Romanian Competition Council's decision to impose a fine on Mediplus for the alleged breaching of competition laws has been suspended. We deemed the Competition Council's findings as completely unfounded and we are continuing with ongoing legal proceedings in order to obtain the cancellation of the Competition Council's decision.

We look forward to updating you on more successful developments at A&D Pharma during the course of 2009. In spite of the current economic and operating climate, Romania and its neighbouring countries continue to offer A&D Pharma tremendous opportunities for growth. We are always looking at different means of entering other markets and the flexibility of our business model is enabling us to expand our business into new territories by business line.

2009 is going to be a very exciting year for A&D Pharma and I would like to take this opportunity to thank all of our employees for their dedication and innovation, which is at the core of creating value for A&D Pharma and its shareholders."

Robert Popescu
Chief Executive Officer

During 2008, A&D Pharma successfully strengthened its position as the leading pharmaceutical wholesale, marketing & sales and retail company in Romania. This was achieved by modernizing and reorganizing the Group's services and infrastructure, and by offering enhanced services that reflect the sensitivities of its local community and environment.

In 2009, A&D Pharma's strategic focus is geared towards boosting profitability and optimizing cost control. As global economic conditions have become more uncertain, A&D Pharma is taking the following steps to ensure the Company continues to meet its growth and profitability objectives:

- Reduce operating costs and increase efficiency across all business lines;
- Restructure the workforce particularly in the wholesale and support functions;
- Optimize internal processes to increase workforce output;
- Continue to focus on the profitability of all Sensiblu stores, as well as strengthening and consolidating its existing network;
- Maintain stable working capital through the efficient management of our portfolio of suppliers and customers.

As well as enhancing profit margins from the Company's existing wholesale and retail operations, A&D Pharma intends to put more emphasis on the development of its highly profitable Marketing & Sales business line. This is expected to strengthen A&D Pharma's bottom line and provide the Company with a more balanced business portfolio.

The Marketing & Sales business line is at the heart of the Company's corporate identity and the Company intends to use the business line to build on its key strengths. This includes extending current initiatives being undertaken to understand all key audiences in the medical chain, from patients to doctors to pharmacists and the regulatory authorities, so that every individual associated with A&D Pharma benefits from an improved experience. The face-to-face exposure that the Marketing & Sales business line brings to clients and partners is invaluable to the Company's desire to gain a close understanding of clients' and partners' needs.

Thanks to its broad spectrum of integrated services, A&D Pharma is uniquely positioned in Romania, Central & Eastern Europe to capitalize on the high growth potential that prevails in the sector and in these markets in spite of the current economic slow down.

A&D Pharma's first step towards International Partnerships and Enhanced Profitability

The Marketing & Sales business line, continues to outperform the market, and we are focused on extending its portfolio of brands.

A&D Pharma's high margin Marketing & Sales division recorded a 7% year-on-year increase in revenues, supported by the strong performance of its Amgen and OTC franchises that significantly outperformed the market.

This business segment continues to focus its efforts on developing its higher margin product portfolios, containing prescription drugs for primary care and chronic diseases, OTC products, cosmetics, dermo-cosmetics, and medical devices. The Company intends to capitalize on the strength of its sales force and its in-depth knowledge of the pharmaceutical regulatory, sales and marketing areas, to forge other strategic partnerships that will enhance its growing portfolio of cosmetic and non-pharmaceutical products and further boost growth in the Marketing & sales segment.

The Marketing & Sales business line is an important part of A&D Pharma's strategy to expand into neighbouring countries by business line. This was clearly demonstrated during 2008, through the establishment of operations in Hungary.

Taking Advantage of New Market Opportunities

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 163 vehicles
- Portfolio of 8,500 products
- Warehouse in Bucharest with a capacity of 1,100 pallets and 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 softwares to support personnel, including cold chain, transport and storage equipment specific for medical products, SQL platform for order processing and management

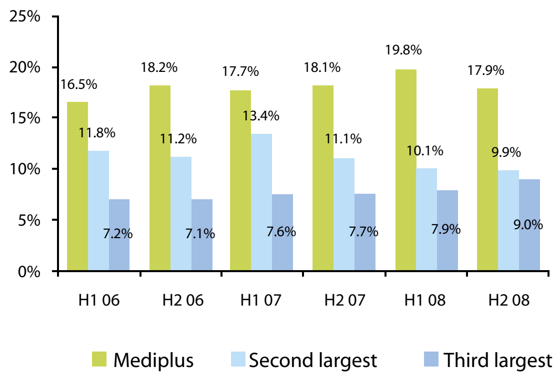
2008 Developments:

- Increased number of active clients (including pharmacies, hospitals and other clients) served from 4,287 as of December 31st, 2007 to 4,554 at the end of 2008.
- 18.8% average market share of the total pharmaceutical market (including sales to hospitals) in 2008, compared to 17.9% in 2007 (source: Cegedim) 2008, reflecting higher sales of oncology treatments as well as the opening up of the hospital market.
- Significant increase in average market share of the hospital market from 3.9% in 2007 to 10.4% in 2008.
- Benefited from the transfer of insulin, oral oncology drugs and post transplant medicines from hospitals to retail pharmacies that was initiated late on in 2007.
- Gained access to the HIV treatment market segment for the first time.
- New partnerships in the non-pharma segment with Unilever, Colgate and Palmolive.
- Recertification of ISO 9001 Quality Management Systems standard by TÜV Rheinland, a highly respected global certification body.

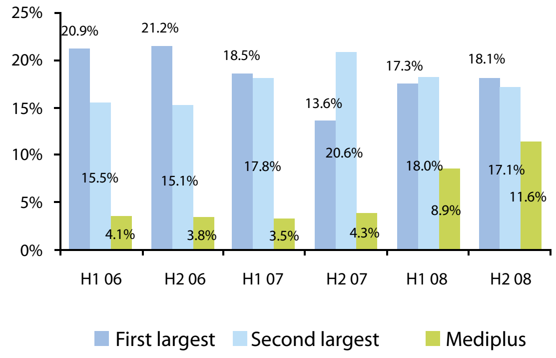
Plans for 2009:

- Continue optimization of processes in order to further improve quality and productivity.
- Drive further revenue growth from custody storage and direct channel services.

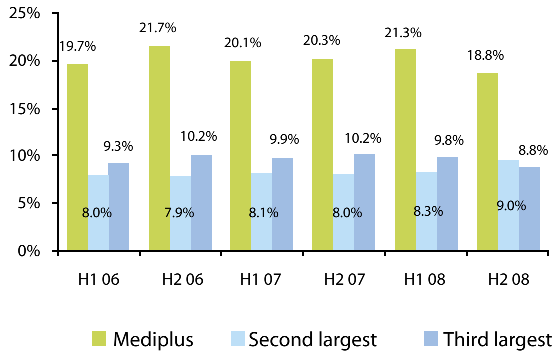
Mediplus market share vs. competition Total market



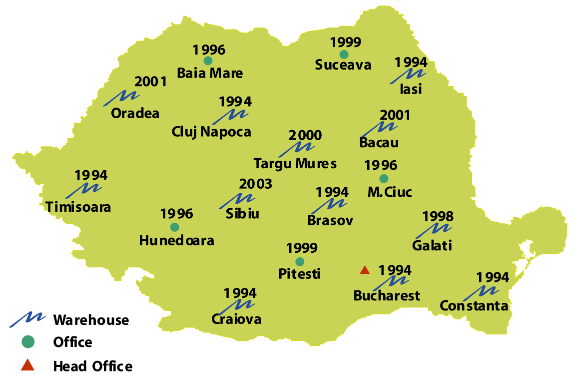
Mediplus market share vs. competition Hospital market



Mediplus market share vs. competition Retail market



Nationwide warehouse network



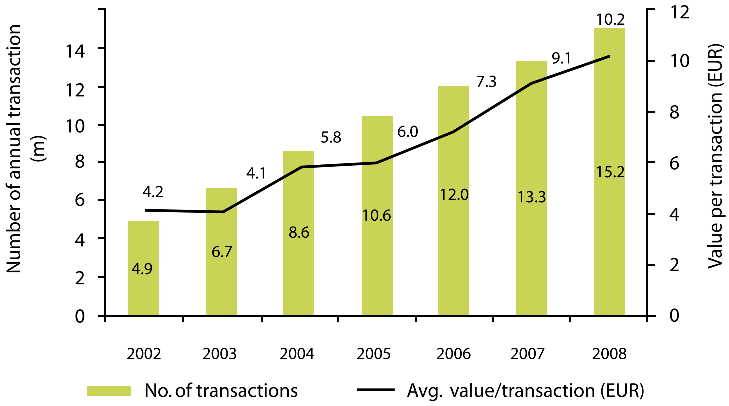
Romania's Largest Branded National Pharmacy Chain

During the third quarter of 2008, A&D Pharma continued to focus on the vertical growth of Sensiblu's pharmacy chain by developing its existing pharmacy base and focusing on the development and profitability of existing outlets. This resulted in a 27% increase in turnover during 2008 even though the total number of stores remained constant at 221 outlets. This growth was the result of the restructuring of Sensiblu's outlet network which focused on relocating stores to follow new patterns of consumer traffic, increasing basket size, redesigning the customer experience and improving operational effectiveness. This effort resulted in the opening of 12 new stores, the relocation of 5 stores and the closure of 13 stores and it consolidated Sensiblu's position as Romania's leading branded pharmacy chain

Sensiblu intends to further strengthen its market position by:

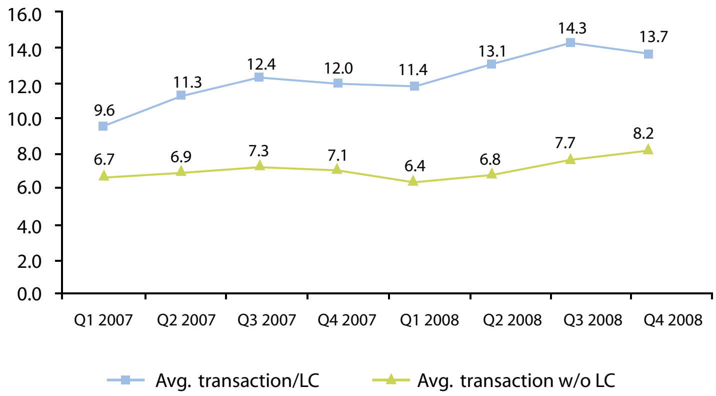
- Focusing on growing sales per outlet by offering high quality services and adapting its product portfolio to suit clients' evolving profiles.
- Continue steady revenue growth by maintaining an attractive loyalty card discount (5%) and other rewards and services.
- Expand presence of high margin generating ranges such as L'Occitane (9 corners, 6 locations), Boots (151 locations), Oxyance (220 locations)

Growth in number and value of transactions[1]

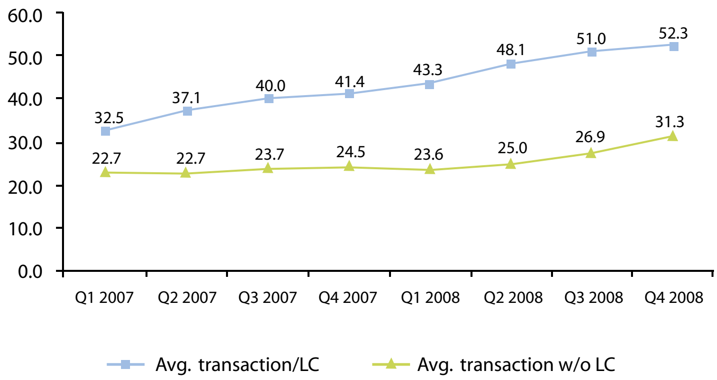


[1] *Based on all transactions, i.e. both card and non-card Source: A&D Pharma*

Monthly average transaction with and without loyalty card (2007-2008) - EUR



Monthly average transaction with and without loyalty card (2007-2008) - RON



Group

During 2009, A&D Pharma's total sales will continue to outgrow the Romanian pharmaceutical market, which is in itself expected to record a single digit growth rate.

As the Romanian market becomes more and more dynamic, A&D Pharma is focused on consolidating its leading market position on all fronts, on optimizing operating profitability and executing on its plans for international expansion.

The high margins generated by the Marketing & Sales business will help to improve profitability at the Group level and A&D Pharma's overall financial performance will be boosted by the following initiatives during 2009.

Marketing & Sales

Higher margins than in wholesale business to be supported by:

- Extending Marketing & Sales services to Rx products (initiated last year with Amgen)
- New OTC suppliers of niche medicines
- Extend strategic portfolios at regional medicines
- Extension of dermo-cosmetics portfolios and new suppliers
- New portfolios of cosmetic and non-pharmaceuticals leveraging on Company increased logistics capacities

Wholesale

Expects to compensate anticipated increase in competitive pressure on margins by:

- Further improving and widening range of value-added services provided to third party pharmacies
- Consolidanting competitive position by leveraging on the increased logistics capacities and extending portfolios of pharmaceutical and non-pharmaceutical products
- Increasing synergies with the retail division

Retail

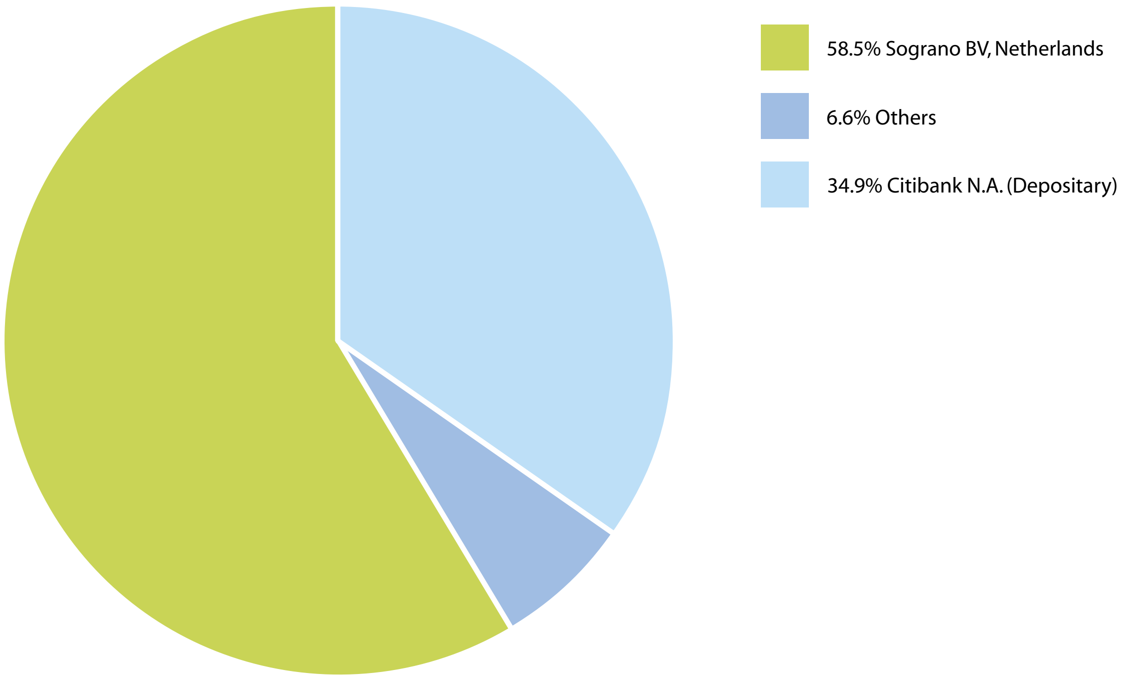
Expected to improve performance by:

- Extending new outlet model
- Increasing turnover generated by loyalty card holders through the provision of new services
- Focusing on profitability of existing outlets
- Continue relocations and open new pharmacies mainly in commercial centres and hospitals
- Opening new l'Occitane outlets
- Extending the portfolio of own brands

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 the light of the loss of EUR 2,294 thousand resulting to an accumulated deficit of EUR 5,520 thousand and in conjunction and conformity with the reservation and dividend policy of the Group, the Board of Directors proposes that the accumulated deficit be charged to the general reserves ("overige reserves") and that no dividend be declared and allocated for the current reporting period ended 31 December 2008.

	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 Company applies the principles and best practices as set out by the Dutch Corporate Governance Code of the Corporate Governance Committee, dated 9 December 2003 ("the Dutch Code"). In addition, the Company decided to comply, as far it is able to, with the principles of the UK Combined Code on Corporate Governance of the Financial Reporting Council, published in June 2006 ("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 in place in 2008 or proposed for 2009 and the following financial years.

The Company has adopted a single tier board. Therefore, due to its organizational structure, certain elements of the Dutch Code best practice provisions applicable to the supervisory board will apply to the Non-Executive Directors.

Governance and Policy

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

The Board considers that during 2008 the Company made further progress in terms of compliance with the principles and provisions outlined in the Dutch and UK Codes and the Board will continue to make further progress in the following financial years.

Board Membership

The Board is a one-tier board, comprising managing directors with the title "Executive members of the Board" (the "Executive Directors") and non executive directors with the title "Non-Executive members of the Board" (the Non-Executive Directors), in the majority. The members of the Board (the "Directors") are appointed by the General Meeting of Shareholders.

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 Directors and Non-Executive Directors.

The Executive Directors are responsible for the day-to-day management of the Company's operations, for achieving the Company's aims, strategy and policy, and results, under the supervision of the Non-Executive Directors. The Executive Directors are required to keep the Non-Executive Directors informed and to consult with the Non-Executive Directors on important matters.

The Non-Executive Directors share responsibility for the execution of the Board's duties, taking into account their specific responsibilities, which are essentially supervisory. The key element of the role and responsibilities of the Non-Executive Directors is the supervision of policy and of the fulfillment of duties by the Executive Directors and of the general affairs of the Company and advising the Executive Directors.

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 composition of the Company's Board at the end of 2008 was as follows:

Walid Abboud, *Chairman*	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
Ludovic Robert, *Member*	Non-Executive Director

2008 Board of Directors changes

Directors	**Appointment Date**	**Departure Date**
Walid Abboud	Non-Executive Director from 9 October 2006 Chairman from 18 September 2008	-
Roger Akoury	Non-Executive Director from 9 October 2006	-
Roger de Bazelaire	Executive Director from 8 October 2007 Chief Financial Officer	28 August 2008
Vivian Diaconescu	Executive Director from 9 October 2006	18 September 2008
Dragos Dinu	Executive Director from 9 October 2006 Chief Executive Officer	28 August 2008
David Ebsworth	Non-Executive Director from 9 October 2006 Chairman	18 September 2008
Michel Eid	Non-Executive Director from 9 October 2006	20 June 2008
Eric ter Hark	Non-Executive Director from 21 June 2007	18 September 2008
Urs Kamber	Non-Executive Director from 9 October 2006	18 September 2008
Roberto Musneci	Non-Executive Director from 18 September 2008	-
Claudiu Opran	Executive Director from 9 October 2006	18 September 2008
Robert Popescu	Executive Director from 1 August 2008 Chief Executive Officer from 18 September 2008	-
Ludovic Robert	Non-Executive Director from 9 October 2006	-
Michael Tétreault Schil- ling	Non-Executive Director from 1 November 2008	-
William Wells	Non-Executive Director from 21 June 2007	18 September 2008
Michael Wemms	Non-Executive Director from 9 October 2006	18 September 2008

By the Extraordinary General Meeting of Shareholders held on 18 September 2008, the shareholders amended the Articles of Association and adopted a resolution by which the Board consists of maximum three Executive Directors and five Non-Executive Directors. Following adoption of this resolution, a Board consisting of one Executive Director and five Non-Executive Directors was appointed.

It is expected that a smaller board should be able to be nimbler, more responsive and more entrepreneurial. Having a higher proportion of directors whose background is deeply rooted in the jurisdictions in which the Company does business should also provide an advantage. In addition a smaller board will be able to make decisions more swiftly in a rapidly changing environment. The Board still retains a balance of executive directors, non-executive directors and independent non-executive directors. At the date of their offices termination, the Executive and Non-Executive Directors are subject to re-election by shareholders in accordance with the Articles of Association, each time for a period of up to four years, considering the independence criteria for the Non-Executive Directors, as set out by the Dutch and UK Codes.

The Board is periodically reviewing the composition of the Board, and the balance of skills, knowledge and experience of its members, to ensure that the Board is of the appropriate size and balance for the Company, and should it conclude that amendments are needed, the Board will be seeking approval for these amendments at the General Meeting of Shareholders.

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 August 2008 and Chief Executive Officer of the Group since September 2008. 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 wholesale pharmaceutical sector having served as CEO of Relad, another pharmaceutical wholesale and retailer. He has been an Executive Director of the Company since August 2008 and the term of his directorship expires in August 2011.

Non-Executive Directors

Walid Abboud
Chairman, Non-Executive Director

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 October 2009.

Roberto Musneci
Non-Executive 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

Michael Tétreault Schilling, of Canadian nationality, was born in 1963 and holds a Law degree 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 November 2008 and the term of his directorship expires in November 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 October 2009.

Ludovic Robert
Non-Executive Director

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 October 2009.

Terms of Reference

The Board adopted on 13 April 2007 the Terms of Reference of the Board and of the Audit, Nomination and Remuneration Committees to deal with such matters as their internal organization, the manner in which decisions are taken and the composition and duties of each Committee. A copy of these terms is available to shareholders on request by writing to the Company Secretary.
On 4 February 2008, the Board established the Corporate Governance Committee, to advise the Board on all decisions relating to corporate governance. Its terms of reference were also adopted by the Board on 4 February 2008.
On 12 November 2008, the Board resolved to install an Audit and Nomination Committee, and a Remuneration and Corporate Governance Committee, to reorganize and replace the previous established four committees. Accordingly, the Board revised its Terms of Reference of the Board and of the Committees on 11 December 2008.

Board Balance and Independence

The Chairman is not independent, due to his interests in the Company.
The following Non-Executive Directors are not independent, due to their interests in the Company:

- Roger Akoury
- Ludovic Robert

In addition, the above mentioned Non-Executive Directors have links with different related parties, with whom the Company's subsidiaries had transactions in 2008, as detailed in Note 20 of the consolidated financial statements of the Company.

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 Chairman and the independent Non-Executive Directors provide constructive challenge to decisions. This is due to their ability to:

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

The Role of the Board

Certain decisions of the executive members of the Board must be submitted for approval of the entire Board and shall be adopted with a simple majority of the votes cast; the Chairman shall 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, where new business means performance of activities outside the healthcare and pharmaceutical market, or into new geographic areas;
- changes relating to the group's capital structure including reduction of capital, issues of shares (except under employee share plans), share buy-backs;
- approval of annual and semi-annual accounts and announcements relating to results;
- proposals for any distribution or payment including an interim dividend;
- changes to the structure, size, composition and profile of the Board of Directors;
- changes to the structure, size and composition of committees 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 a subsidiary, of agreements of any kind with the person (legal entity or individual) who holds the majority of the Company's issued and outstanding share capital or of the voting powers at the General Meeting or otherwise directs its activities, or any person affiliated with such person;
- the application for listing or cancellation of a listing of securities of the Company;
- the acquisition or disposal by the Company or a dependant company of a participating interest in the capital of another company with a value of at least one-third of the amount of the issued capital with the reserves according to the Company's balance sheet with explanatory notes, or, if the Company prepares a consolidated balance sheet, according to its consolidated balance sheet and explanatory notes in the last adopted annual accounts of the company, as well as the substantial increase or decrease of such a participating interest;
- investments which require an amount equal to at least a quarter of the amount of the Company's issued capital with the reserves according to the balance sheet with explanatory notes;
- a proposal to amend the Articles;
- a proposal to conclude a legal merger (juridische fusie) or a demerger (juridische splitsing);
- a proposal to dissolve (ontbinden) the Company;

- a petition for liquidation or an application for a suspension of payments (surséance van betaling) or bankruptcy (faillissement);
- a 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 of Directors;
- the internal allocation of duties within the Board;
- the restriction or exclusion of pre-emptive rights in respect of share issues;

The Board will decide which other decisions must be submitted to the approval of the entire Board and will include the full list in its board rules.

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

- the entry into or termination of a long-term cooperation of the Company or a subsidiary with another legal person or partnership or as a fully liable partner in a limited partnership or general partnership, if such cooperation or termination is of a far-reaching significance for the Company;
- resolutions to limit or exclude pre-emption rights in the event of issuance 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 with the reserves according to the balance sheet with explanatory notes or, if the Company prepares a consolidated balance sheet, according to its consolidated balance sheet and explanatory notes in the last adopted annual accounts of the Company;
- the application for listing or cancellation of a listing of securities of the Company.

Besides the Board meetings, starting with 2008, on a periodical basis, the Non-Executive Directors, founders of the group, meet the Executive Director and senior managers to closely monitor the activities performed by the operational entities. The founders involvement in the group's activity is also intended to provide them with the opportunity to more intensively supervise, advise and more regularly consult with the senior managers. This is aimed to ensure the achievement of the Company's strategic objectives on short and medium term.

Conflict of Interests

Any conflict of interest or apparent conflict of interest between the Company and a member of the Board of Directors shall be avoided. Decisions to enter into transactions under which a member of the Board of Directors would have conflicts of interest that are of material significance to the Company and/or to the relevant member of the Board of Directors require the approval of the Non-Executive Directors.

No director can attend meetings where he could have a conflict of interest. During the year under review, the Company dealt with matters which involved conflict of interests between the Company and different members of the Board. In such cases, the conflicting Directors did not participate the discussions and decision making process.

Board Meetings

The Board meets formally at least four times a year and ad hoc as required.
In 2008 nine Board meetings were held:

- 4 January 2008
- 4 February 2008
- 25 June 2008
- 25 July 2008
- 15 August 2008
- 28 August 2008
- 18 September 2008
- 12 November 2008
- 11 December 2008

The Board and the committees were supplied with information by Mihaela Ciobanescu, the Company Secretary.

Independent Professional Advice

When Directors have to seek legal or financial advice in furtherance of their duties, they are always able to consult the Company's advisers and it is not intended to restrict or discourage this practise in any way.

Insurance and Indemnification

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

Role of Chairman and Chief Executive

The roles of Chairman and Chief Executive are distinct and are held by different people to ensure a clear division of responsibility. The Chairman 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. He also oversees the development and maintenance of key relationships with current and potential corporate suppliers and customers, investor and public relations activities and will also ensure compliance with all corporate governance and legal regulations across the Group, including the auditing and risk management processes. The Chief Executive is responsible for the day-to-day running of the Company, for the implementation of the Group's strategy as defined by the Board of Directors, with the ambition to expand into other countries within Central and Eastern Europe, using the Group's successful experience in building up the leading pharmaceutical wholesale, sales and marketing services for CHC and Rx products and retail business in Romania.

Deputy Chairman

On 12 November 2008 the Board of Directors appointed, among its members, Mr. Ludovic Robert as Deputy Chairman to exercise the Chairman's duties in his absence.

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 or finance director has failed to resolve or is inappropriate.

Induction Programme

In the year under review, all newly appointed Directors received induction with respect to the Company's business and organizational structure. Directors also received regular updates on changes and developments in the business, on legislation and on the regulatory environment.

Board Evaluation

As part of its commitment to best practice corporate governance, at the beginning of 2008 the Company carried out a Board performance evaluation for the activity performed from the Company's listing on the London Stock Exchange, in October 2006, up to the end of 2007.

The evaluation was conducted internally and comprised of four sections; one questionnaire was presented for each section. The purpose of the questionnaire was to assess the performance of Board as-a-whole, of its committees, of the Chairman and of individual directors. Feedback on collective performance was presented to the Board together with recommendation for actions to improve the Board activity and performance.

Due to the significant Board changes in 2008, a new Board performance evaluation will only be relevant at the end of 2009, for the period between September 2008 and September 2009.

Retirement schedule

The reason of drawing up by the Board of a retirement schedule is to avoid the situation in which many supervisory Board members retire at the same time.

This corporate governance requirement is addressed by the Company as the office term of current directors expires on different time: 9 October 2009 for three non-executive directors (there is a proposal for reappointment for another three year term at the AGM on 24 April 2009), 18 September 2011 for one non-executive director and 1 November 2011 for one non-executive director.

Board Committees

On 12 November 2008, the Board resolved to install an Audit and Nomination Committee, and a Remuneration and Corporate Governance Committee, to reorganize and replace the previous established four committees (Audit, Remuneration, Nomination and Corporate Governance). The Board appointed from its Non-Executive Directors members to the newly established committees, consisting of 3 or 4 members each.

The directors who were members of the Committees at the end of 2008, are listed below:

Audit and Nomination Committee

Name	Position	Date of Appointment
Roberto Musneci	Chairman	12 November 2008
Michael Tétreault Schilling	Member	12 November 2008
Ludovic Robert	Member	12 November 2008

Remuneration and Corporate Governance Committee

Name	Position	Date of Appointment
Michael Tétreault Schilling	Chairman	12 November 2008
Roberto Musneci	Member	12 November 2008
Walid Abboud	Member	12 November 2008
Roger Akoury	Member	12 November 2008

2008 Committees changes

Directors	Appointment Date	Departure Date
Walid Abboud	13 April 2007, Audit Committee, Member 12 November 2008, Corporate Governance and Remuneration Committee, Member	12 November 2008 -
David Ebsworth	13 April 2007, Nomination Committee, Chairman 13 April 2007, Remuneration Committee, Member	18 September 2008 18 September 2008
Michel Eid	13 April 2007, Audit Committee, Member	20 June 2008
Eric ter Hark	21 June 2008, Audit Committee, Member 4 February 2008, Corporate Governance Committee, Chairman	18 September 2008 18 September 2008
Urs Kamber	3 April 2008, Audit Committee, Chairman 4 February 2008, Corporate Governance Committee, Member	18 September 2008 18 September 2008
Roberto Musneci	12 November 2008, Audit and Nomination Committee, Chairman Remuneration and Corporate Governance Committee, Member	- -
Ludovic Robert	13 April 2007, Nomination Committee, Member 12 November 2008, Audit and Nomination Committee, Member	12 November 2008 -
Michael Tétreault Schilling	12 November 2008, Remuneration and Corporate Governance Committee, Chairman Audit and Nomination Committee, Member	- -
Michael Wemms	13 April 2007, Nomination Committee, Member 13 April 2007, Remuneration Committee, Chairman	18 September 2008 18 September 2008
William Wells	13 April 2007 Remuneration Committee, Member 4 February 2008, Corporate Governance Committee, Member	18 September 2008 18 September 2008

The *Audit and Nomination 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 to shareholders on request by writing to the Company Secretary.

On audit matters, The Audit and Nomination Committee supervises the activities of the Executive Director with respect to:

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 internal and external auditors;

d) the role and functioning of the internal audit department;

e) the policy of the company on tax planning;

f) relations with the external auditors, including, in particular, their independence, remuneration and any non-audit services for the company;

g) the financing of the company;

h) the applications of information and communication technology (ICT).

In fulfilling its duties, the Audit and Nomination Committee reviewed the audited financial statements for 2008 with 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 Committee reviewed with the independent external auditors, who are responsible for expressing an opinion on the conformity of those financial statements with IFRS. It reviewed with the independent auditors 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 of Directors. In addition, the Committee discussed with the independent auditors the auditors' independence from management and the Company, and considered the compatibility of non-audit services with the auditors' independence.

The Committee discussed with the company's independent auditors the overall scope and plans for their respective 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 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 year 2008.

In reliance on the reviews and discussions referred to above, the Committee recommended to the Board of Directors and the Board has approved, that the audited financial statements be included in the Annual Report for the year ended December 31, 2008 for filing with the respective regulatory authorities.

The Audit and Nomination Committee supervised the Company's relation with BDO CampsObers Audit & Assurance B.V., the Netherlands, as statutory external auditor of the statutory consolidated and company financial statements, and KPMG Romania SRL, the non-statutory auditor of A&D Pharma Romania's IFRS and the Company's non statutory financial statements. The Committee decided to propose to the General Meeting to authorize the Board of Directors to appoint the external auditors for the financial year 2009.

On the nomination matters, the *Audit and Nomination Committee* has the following responsibilities:

a) draw up the selection criteria and appointment procedures for Executive and Non-Executive directors;

b) assess the size and composition of the board and make a proposal for a composition profile of the Non-Executive board members;

c) assess the functioning of individual Executive and Non-Executive Directors;

d) make proposals for appointments and reappointments;

e) succession planning for Executive Directors, Non-Executive Directors and, in particular, the Chairman of the Board of Directors and the chief executive officer;

f) supervise the policy of the executive management on the selection criteria and appointment procedures for senior management.

During 2008, the Nomination Committee dealt with the research and selection of Mr. Robert Popescu as Chief Operating Officer of the Wholesale business, and of Mr. Roberto Musneci and Mr. Michael Schilling as Non – Executive Directors. The Committee's proposals were dully passed by shareholders.

The *Remuneration and Corporate Governance 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 to shareholders on request by writing to the Company Secretary.
On the remuneration matters, the Committee has the following responsibilities:

a) makes proposals to the board for the Remuneration Policy to be determined by the General Meeting;

b) assess the current remuneration scheme of the Executive Directors;

c) makes proposals for the remuneration of the Executive Directors, for adoption by the Board:

(i) the remuneration structure and

(ii) 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) makes proposals for the remuneration of the non-executive directors;

e) prepares the remuneration report.

On remuneration matters, the Board was advised by Halliwell Consulting, a UK independent executive remuneration and share schemes consultant, which provided no other services to the Company.

On the corporate governance aspects, the Committee has the following responsibilities:

1. review and challenge 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 disclosures and the context in which statements are made;

    (ii)compliance with stock exchange and other legal and regulatory requirements;

2. review the "independence" status of the Non-Executive Directors to ensure these members of the Board of Directors are able to act critically and independently of one another and of the executive members and any particular interests;

3. review the composition of the Board of Directors to ensure the Company complies with the best practice provisions and principles provided by the Code and the UK Combined Code on Corporate Governance according to which the majority of the members of the Board of Directors shall be non-executive directors;

4. monitor and review the effectiveness of the Company's rules on insider information and insider trading;

5. monitor and review the Board performance evaluation process, to be conducted once a year;

6. advise the Board of Directors on all compliance and notification issues, if and when required. The Committee shall assure equality of treatment of all shareholders through:

   a) avoidance of 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

   d) oversee and control the process of insider trading and/or share sales by managing and supervisory directors and certain of their immediate family members.

Policy on Other Appointments

An Executive Director may not be a member 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 the supervisory board or 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 of the Company 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 2008 (relevant until 18 September 2008)
David Ebsworth	Atani Ltd, UK	Chairman, Director
	Intercell AG, Austria	Member of the Supervisory Board
	Renovo Group Plc, UK	Non-Executive Director
	Wilex AG, Germany	Chairman, Member of the Supervisory Boar
	Xention Ltd, UK	Chairman

Name of Director	Name of relevant company	Position held in 2008 (relevant until 18 September 2008)
Eric ter Hark	Hans Anders Retail Groep, The Netherlands	Chairman
	BioTech Tools, Belgium	Member of the Board
	Duff & Phelps LLC, The Netherlands	Advisor
	EMC BV, The Netherlands	Non E Managing Director xecutive Director
Michael Wemms	Money Supermarket.Com Group Plc, UK	Senior Non Executive Director, Chairman of the Remuneration Committee, Member of the Audit and Nomination Committees (since July 2007)
	Inchcape Plc, UK	Non Executive Director, Chairman of the Remuneration Committee, Member of the Audit and Nomination Committees
	Galiform Plc, UK	Senior Non Executive Director, Chairman of the Remuneration Committee, Member of the Audit and Nomination Committees
	Majid Al Futtaim Group, United Arab Emirates	Non Executive Director, Chairman of the Remuneration Committee, Member of the Nomination Committee
Urs Kamber	China Enterprise Capital Ltd., Hong Kong	Non Executive Director
	Zentiva N.V., Czech Republic	Non Executive Director, Chairman of the Audit Committee
	Stirling Systems AG, Schaffhausen, Switzerland	Non Executive Director (ended June 2008)
	Adax S.A., Bevaix, Switzerland	Non Executive Director
	Adax Holding AG, Herbligen, Switzerland	Non Executive Director
	FS Kamber AG, Herbligen, Switzerland	Member of the Board
	Bogar AG, Wallisellen, Switzerland	Non Executive Director (ended June 2008)
William Wells	N M Rothschild & Sons	Managing Director
Roberto Musneci	Unirea Shopping Center SA	Non-Executive Director
	Inox SA	Non-Executive Director (until 3 December 2008)

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.

In the year under review, the Whistle Blowing Policy and the Insider Code have been adopted by the Board of Directors and have been made available to employees. These policies will be reviewed periodically.

Statement of Directors' Responsibility in Relation to the Accounts

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards. 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 recognizes 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 local 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. 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 rules and regulations.

The Board has reviewed the effectiveness on an ongoing basis 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 so 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, 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

A process of documentation of procedures and authority levels in the Company's procedures manual has started beginning with 2007. Although certain procedures were documented by the Company, those procedures were not entirely integrated in a policy and procedures manual which is regularly updated.

(d) Audit Committee

Following the EGM from September 18th, 2008, the number of Board Directors was reduced from 13 to 6 members and the Board committees have been reorganized. An Audit and Nomination Committee was established in November 2008, replacing the previously installed Audit Committee and Nomination Committee. It has the duties as set out by its Terms of Reference and summarized 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 of Directors through the Audit 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 Committee. In the 4th quarter of 2008, the Internal Audit Department reported its findings, risks and recommendation only to affected managers, appropriate Executive Officers and CFO.

(f) External Auditors

For the financial year 2008, BDO CampsObers Audit & Assurance B.V. was the statutory external auditor of the statutory consolidated and company financial statements. KPMG Romania SRL was the non-statutory auditor of A&D Pharma Romania's IFRS and the Company's non statutory financial statements. BDO CampsObers Audit & Assurance B.V. will submit for adoption the audit opinion on the Company's statutory consolidated and company financial statements to the General Meeting. The audit opinion of KPMG Romania SRL on ADP Romania's and the Company's IFRS consolidated financial statements will also be presented. BDO CampsObers Audit & Assurance B.V. and KPMG Romania SRL also informed representatives of the Board of Directors 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"). Internal financial reports are prepared on the basis of IFRS as well.

(g) Risk management

The Board is responsible for identifying and managing the major business and financial risks faced by the Group. At the end of 2008, Internal Audit Department 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 prioritized in order to identify an appropriate audit strategy.

During the second half of 2007 and first half of 2008, Ernst & Young performed a review covering major corporate taxes issues arising from the business operations undertaken by the company and its subsidiaries between 1 January 2005 and 30 June 2008. For the period July 2008 - December 2008 the review was conducted by the company's Financial Department and audited by KPMG. For prudence purposes, based on this preliminary risk assessment and the estimation of possible tax consequences performed by financial department, management has included a provision in the financial statements, which represents the company's estimation of the amounts possible to be paid, if any tax or other authorities would have a differing position with regards to the interpretation of these issues. The information regarding the amount of the provision is disclosed in Financial Statements.

Company's management is responsible for continually updating this risk assessment and implementing action plans to mitigate those risks. The Internal Audit Department 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 implication of audit findings.

The most important risks identified, as well as the structure of the aforesaid risk management system and aspects of its further development are presented below in the section on risk management in the Annual Report.

Risk Management

The following section contains a selection of important risks that have been identified and for the management of which a process of setting strategies, controls and mitigating measures 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 timely identify and respond to these developments, but 100% assurance can never be achieved.

Generic risks

Risks Related to the Company and the Group

The success and growth of the business depends on the continued macroeconomic and pharma market growth.

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. An economic slowdown in Romania could materially adversely affect the business, financial and operational results of the Company.

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 mainly 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 that 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.

Pricing and cost pressure on margins

The Ministry of Health continues the progressive system to reduce the margins which corroborated with the Romanian currency weakening got the Group in the position that the operating costs are not anymore covered. The company started reducing the costs in order to mitigate this risk.
Foreign currency development and irrational, unexpected measures adopted by the former Ministry of Health adversely affected the company in the past two years. The situation appears to continue in 2009 as well as the new Ministry of Health announce measures to cap the prices at a fix exchange rate, lower than the actual exchange rate between Euro and the local currency, and also to reduce the wholeselers allowable mark-up from an average of 13% to aprox 10%.

However, there is a positive side to the Ministry of Health's 2009 proposed price regulation, as it would practically eliminate the foreign exchange devaluation costs on RX drugs sales from the wholesalers' profits, if it will be applied as proposed starting April 1st, 2009. It is to be noted though that even if the new regulation will become effective as initially contemplated, its effect of seriously reducing the devaluation cost on RX drug sales will benefit gradually towards the end of the year, as the current payment balances in foreign currency due to suppliers will be cleared only towards the end of Q4 2009.

Pharmaceutical industry and competition

The pharmaceutical industry in Romania is fragmented and price-competitive. Potential entry of major international industry players and consequent consolidation may lead to further erosion of margins in the market. Even though market is fragmented, the small players (especially from retail) might organize themselves into purchasing groups in order to increase the negotiation power based on bigger 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 into a possible expansion of the Group's business into neighbouring countries. As all of these countries are emerging markets, the Group's business may be subject to greater risks than in more developed countries.

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.

Human resource risks

Company's ability to retain highly skilled, committed as well 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. The Company may have to adjust the timing of its growth path due to constraints or opportunities in this field.

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 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 (2008: 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.

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 2008, 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 the consolidated Financial Statements.

Competition laws risks

Competition laws regulate transactions between all the players in the market, including authorities acting as undertaking. At national level, 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 also holds other types of insurance policies, like general liability and tenants liability for rented pharmacies, some assets, cars and life insurance for drivers. The Group holds no other insurance policies in relation to operations, product liability, or in respect of public liability or other insurable risks.

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 onwards 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 organizations to meet their financing requirements in an orderly and low cost manner.

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

Risks Related to Sensiblu

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 programs 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.

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.

Risks Related to Mediplus

Exchange rate fluctuations may affect Mediplus' business

More than 70 per cent, on average, of Mediplus' products are imported. Since its transition to a market economy, Romania has experienced several periods of material fluctuation in the value of its currency. Despite the current strength of the Romanian economy, the risk of further currency fluctuation and devaluation continues. Depreciation of the RON against the Euro and the US dollar could increase the cost of acquiring key products from Mediplus' main suppliers, which could lead to reduced profits denominated in RON. Any significant fluctuation in exchange rates may affect the Company's subsidiaries' profitability. Company's aim is to mitigate its currency exposure by hedging its open currency positions in order to protect the operating result against effects of currency fluctuations.

Pharmaceutical industry and competition

The pharmaceutical wholesale industry in Romania is fragmented and price-competitive. Potential entry of major international industry players and consequent consolidation may lead to further erosion of margins in the market which would negatively affect the financial performance of the Group.

Statement of compliance

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

The Board is committed to report further progress on these matters to the General Meeting of Shareholders to be held after 2009.

In the year under review, the Company complied with the majority of the principles set out by the Dutch and UK Code, provided that they were applicable considering the Company's organizational structure, business profile, level of corporate governance development and the period when the Company was active as public company, 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:

> Dutch Code, Principle II.2: *"[..] The amount of compensation which a management board member may receive on termination of his employment may not exceed one year's salary, unless this would be manifestly unreasonable in the circumstances."*

As more detailed in the Remuneration Report, this principle is not followed in case of the Executive Directors' compensation, due to the compensation for the non-compete clause.

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

The Chairman appointed on 18 September 2008, Mr. Walid Abboud, did not meet this requirement on his appointment. He was not an independent non-executive director. When made this proposal, the Board assessed it was in the best interest of the company.

> UK Code, provision A.3.3: appointment of the senior independent director

The Board installed on 18 September 2008 failed to comply with this requirement by the end of 2008. This was scheduled and resolved by the Board in the meeting on 4 March 2009. Mr. Roberto Musneci was appointed as Senior Independent Director.

> Dutch Code, Best practice provisions II.2.3 *"Shares granted to management board members shall be retained for a period of at least five years [...]"*

Although not in place for the Group employees as at 31 December 2008, the long term incentive plan dated 21 June 2007 provides for a holding period of 3 years. The Board considered this duration more suitable for the Company's organizational structure and business profile. However, the Company is considering redesigning the incentive plan.

> 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 2008 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 significant change of the current structure will occur, the Company will not be able to comply with the above provisions.

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."

Considering the composition of the committees as at 31 December 2008, the Company does not meet the Dutch and UK requirements with respect to the independent non-executive directors composition of the Committees. The Chairman and two non-executive directors (Roger Akoury, Ludovic Robert) out of five, are not independent.

Dutch Code, Principle III.7: *"[...] The remuneration of a supervisory board member is not dependent on the results of the company."*

The non-executive members of the board in office until 18 September 2008 benefited of an incentive plan (variable part of remuneration) which had been dependent of the company's results. The board had concluded that, for the non-executive directors excepting the Chairman, the variable part does not affect their independence in judgment and character and that they carry out their duties in an independent manner. However, the compensation package of non-executive directors in office as of 18 September 2008 does not provide for any incentive plan.

Dutch Code and UK Code: Information inclusion on the website

The relevant information, as provided by the Dutch and UK Codes, has not 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 reasonable possible.

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 endeavors to also comply with the UK Code requirement.

Dutch Code, Provision IV.3.9 regarding Anti-takeover measures

The Company has not prepared any policy relating to anti-takeover measures meant to prevent or discourage an unwanted takeover of the Company.

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

Share capital structure

The Company's authorized 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 a number of 68,096,304 shares (representing 34.05% of the issued share capital) are 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, it will be required to provide the Depositary 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 be relying 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 recognized 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 Act on the Disclosure of Major Shareholdings and Capital Interests in Securities-Issuing Institutions, 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 31 December 2008 and as at the date of this Report, according to the AFM's website, two major holdings were posted:

Active Pharma Invest Ltd, 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 5% 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 (UK) Limited.

Date of disclosure: 1 November 2006.

In relation to the directors' holdings in the Company, the following notifications were posted on AFM's website, and they were relevant for the periods when directors held this position:

Dragos Dinu

Member of the Board until 28 August 2008
Number of shares held: 4,454,600 shares, representing 2.2273% capital interests

Date of disclosure: 1 November 2006.

Vivian Diaconescu
Member of the Board until 18 September 2008
Number of shares held: 3,818,200 shares, representing 1.9091% capital interests

Date of disclosure: 1 November 2006.

Claudiu Opran,
Member of the Board until 18 September 2008
Number of shares held:1272600 shares, representing 0.6363% capital interests

Date of disclosure: 1 November 2006.

David Ebsworth
Member of the Board until 18 September 2008
Number of shares held :3,000 GDRs, representing 0.0015% capital interests

Date of disclosure: 1 November 2006.

As at 31 December 2008 and as at the date of this Report, there were no notifications regarding directors' holdings in the Company posted on AFM's website.

Voting rights

GDR holders will have no direct voting rights with respect to the shares represented by the GDRs. They will be 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 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 of Directors 5 days prior to the meeting of shareholders. 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 of Directors 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 managing directors and supervisory 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 (Executive and Non-Executive) 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 of Directors 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 of Shareholders and a copy of the proposal including the text of the proposed amendment must at the same time 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 of Shareholders.

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 managing board, in particular the power to issue or repurchase shares of the company

In the Articles, 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 of Directors. 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 authorized share capital from time to time. Therefore, under the current Articles, the Board of Directors has the right to issue an additional 20,000,000 shares without the need to amend the Articles. The delegation to the Board of Directors 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-emptive rights to subscribe for any shares or rights to subscribe for shares. Pre-emptive rights are in proportion to the percentage of outstanding shares that the holder owns. Pre-emptive 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 of Directors has been delegated the authority to exclude or limit pre-emptive 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 of Directors 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 Management Board to exclude or limit pre-emptive rights. The Board of Directors shall apply the Statement of Principles of the UK Pre-Emption Group when deciding on the exclusion or limitation of pre-emptive 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 authorized the Board of Directors to make the acquisition (which authorization 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; 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 one-tenth of the Company's issued share capital.

The Articles 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 authorization 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.

On 18 September 2008 the Extraordinary General Meeting of Shareholders authorized the Board of Directors to acquire fully paid up shares in the capital of the Company and/or GDRs each representing six shares in the capital of the Company, provided that:

1. the maximum aggregate number of shares (whether individually or as represented by GDRs) that may be purchased may not exceed 10% of the Company's issued share capital;

2. the maximum price payable (excluding expenses) for:

(a) each GDR is the higher of:

(i) an amount equal to 5% above the average closing price of such GDR for the five business days on the London Stock Exchange prior to the date of purchase; and

(ii) an amount equal to the higher of the last independent trade and the highest current independent bid on the London Stock Exchange; and

(b) each share is one sixth of the maximum price payable for a GDR.

The authority conferred by the resolution of General Meeting shall expire eighteen months from the date of resolution, on 18 March 2010, save that the Company may, before the expiry of the authority granted by this resolution, enter into a contract to purchase shares or GDRs which will or may be executed wholly or partly after the expiry of such authority.

Significant agreements affected by the change of control clause

Citibank Loan Agreement

On 13 July 2006, the Company's subsidiaries (A&D Pharma Holdings SA, Ideapharm, Mediplus and Sensiblu), as borrowers, entered into a EUR 100 million syndicated loan agreement with Citibank N.A., London as arranger, Citibank International Plc as agent, HVB Bank Romanian S.A. as issuing bank and Citibank Romanian S.A. as security agent (the ''Citibank Loan Agreement''). The lenders under the Citibank Loan Agreement are: Bank Austria Creditanstalt AG; Piraeus Bank S.A. (London Branch), Alpha Bank AE, BRD Groupe Société Genérale SA, EFG Private Bank (Luxembourg), ING Bank N.V, Dublin Branch, Investkredit Bank AG, Raiffeisen Bank SA, Citibank Romania SA, MKB Bank Rt, Budapest and Banca Romaneasca S.A.

The Citibank Loan Agreement contains certain customary events of default (which, in case of occurrence, will generate an accelerated loan repayment) including, inter alia, change of control, but subject to certain exceptions.

Citibank Credit Facility Agreement

On 24 December 2007 the Company as borrower entered into a EUR 3.6 mil loan agreement with Citibank Romania SA as lender. This Agreement contains certain customary events of default (which, in case of occurrence, will generate an accelerated loan repayment) including, inter alia,change of control.

Rental agreements

There is 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 agreement in case of change of control.

The premises concerned are: Jupiter City, Pitesti; Lake Park, Bucuresti; Carrefour, Braila.

Supply agreements

There is 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 agreement in case of change of control.

The Mediplus' suppliers concerned are: Abbott GmbH & Co.KG Germany, Aventis Pasteur France, Alfa Wasemann Spa Italy, Aliud Pharma Germany, Astrazeneca Limited UK, Bayer SRL Romania, CSC Pharmaceuticals SA Switzerland, Eli Lilly Export SA Switzerland, Laboratoires fournier SA France, GSK Healthcare Hungary, Johnson & Johnson Switzerland & Slovenia, Merck Sharp & Dohme Netherlands, Millet Innovation France, Dr Reddy`s India, Roche Romania Srl, Krka d.d., Novo mesto, Slovenia, Reckit Benckiser Healthcare Eastern Europe Czech Republic,. UCB SA Belgium, Ferring International Center S.A. Switzerland, Laboratoires Arkopharma France, Ferring International Center S.A. Switzerland, Laboratoires Arkopharma France, L`Occitane France.
The Sensiblu's supplier concerned is: Boots Beauty International Limited, UK.

Remuneration Report

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

Remuneration Committee

The Directors who were members of the Remuneration Committee during 2008:

Name	Position	Date of Appointment to Committee	Date of Departure from Committee	Number of Meetings during 2008	Percentage Attendance at Meetings
Michael Wemms	Chairman	13 April 2007	18 September 2008	4	100%
David Ebsworth	Member	13 April 2007	18 September 2008	2	50%
Roger Akoury	Member	13 April 2007	-	3	75%
William Wells	Member	21 June 2007	18 September 2008	4	100%
Michael Schilling	Chairman	12 November 2008	-	-	-
Roberto Musneci	Member	12 November 2008	-	-	-
Walid Abboud	Member	12 November 2008	-	-	-

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 Committee.

The Remuneration 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 Committee sought the assistance of the Chief Executive and Group HR Director on matters relating to directors' performance and remuneration. No director takes part in discussions relating to his own remuneration and benefits. The Board and the Remuneration Committee appointed and received wholly independent advice on executive and chairman remuneration from Halliwell Consulting. No other services were provided to the Company by Halliwell Consulting during the year.

The Remuneration Committee is formally constituted with written terms of reference with the full remit of the committee role described. On 12 November 2008 the Board resolved to install a Corporate Governance and Remuneration Committee, with its terms of reference being adopted on 11 December 2008. A copy of the terms of reference is available to shareholders on request by writing to the Company Secretary and it will be posted on the Company's website, www.adpharma.ro.

Principles of Remuneration Policy

The policy is designed to encourage, reward and retain the services of executives 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 Executives 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;
- executives will be encouraged to build substantial personal holdings in the Company to further align their interests with those of shareholders; and
- remuneration policy and practice will be as transparent as possible.

Group, business line and individual performance indicators are set for executives, 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 executives and senior management is determined can be drawn from the following sectors:

- pharmaceuticals;
- wholesale pharmaceuticals; and
- 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.

As at the date of this Report, the Committee is considering redesigning the Long Term Incentive Plan, especially in relation to the performance criteria to be used and it aims to amend the current program approved by shareholders at the Annual General Meeting of the Company on 21 June 2007, which hasn't effectively been applied yet.

The Executive Directors are entitled to receive payment into a defined contribution pension arrangement equal to 10% of net base salary.

The Executive Directors are also entitled to benefits in kind, according to the market practice and Company's policy: company cars, healthcare, life insurance and health insurance.

The Executive Directors hold shares in the company, as part of a previous incentive plan, as follows:

Name	Position	No. of shares
Dragos Dinu	CEO (position held until 28 August 2008)	4,454,600 shares
Vivian Diaconescu	COO (position held until 18 September 2008)	3,818,200 shares
Claudiu Opran	COO (position held until 18 September 2008)	1,272,600 shares

Details of the service contracts of the Executive Directors of the Company are as follows:

Name	Company Notice Period	Contract date	Normal Contract Lapse Date	Date of Appointment	Date of Termination
Dragos Dinu Chief Executive Officer	12 months	01.10.06	31.12.08	09.10.2006	28.08.2008
Roger de Bazelaire Chief Financial Officer	12 months	17.09.07	Rolling Contract	17.09.07	28.08.2008
Robert Popescu COO Wholesale CEO	3 months	10.04.2008	Rolling Contract	01.08.2008	
Vivian Diaconescu COO Marketing & sales	12 months	01.10.06	31.12.08	09.10.2006	18.09.2008
Claudiu Opran COO Retail	12 months	01.10.06	31.12.08	09.10.2006	18.09.2008

Appointments as Executive Directors of the Company are made for 3 year term, with the possibility for the General Meeting to reappoint them for a period of maximum 4 years.

Following termination of the agreement with the Company, the Executives are entitled to compensation of 75% of the annual salary (net base annual salary in case of R. Popescu, and total salary in case of D. Dinu, V. Diaconescu, C. Opran) for agreeing not to work with a competitor of the Company during 24 month period after termination of the agreement. The limited pool of experienced Executives in the Company's market makes the employment of its Executives 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 and in this case these interests take precedence over UK and Dutch corporate governance best practice that stated notice payments should not exceed 12 months salary. However, the amount does not exceed twice the annual salary.

The arrangements for the termination of agreements with Dragos Dinu (in 2008) and for Vivian Diaconescu (in 2009), were in line with the above mentioned elements of their services agreements.

Following termination of Roger de Bazelaire's contract in 2008, the Executive Director received a compensation for his loss of employment and also compensation for agreeing not to work with a competitor of the Company during 12 month period after termination of the agreement.

The Remuneration Committee ensured that there have been no unjustified payments for failure on the Executives' termination of employment.

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 UK and internationally.

Chairman

According to the current policy approved by shareholders at the Annual General Meeting of Shareholders on 21 June 2007, the Chairman is entitled to an annual fee of €120,000. For each full day worked in excess of 40 days in the year he is entitled to an additional fee of €3,000 per day.

After 18 September 2008, when the Extraordinary General Meeting of Shareholders appointed a new Chairman, within the limits of the same remuneration policy, the Chairman is being paid €50,000 per annum. For each full day worked in excess of 40 days in the year he is entitled to an additional fee of €3,000 per day.

Non-Executive Directors

The Company's current compensation programme for Non-Executive Directors consists of the following elements:

- a basic fee of €60,000 p.a. for 25 days commitment with a daily rate of up to €2,000 for any days in excess of this commitment (reviewed annually);
- additional fees of up to €20,000 p.a. (reviewed annually) for membership of Board Committees such as Audit and Remuneration (with higher levels of fees paid to the Chair of the Committee).

This policy was applied until 18 September 2008, when the Extraordinary General Meeting of Shareholders appointed new members of the Board. After 18 September 2008, within the limits of the same remuneration policy, the Non-Executive Directors are paid up to €60,000 per annum. For each full day worked in excess of 25 days in the year they are entitled to an additional fee of €2,000 per day.

At the Annual General Meeting of Shareholders to be held on 24 April 2009 the Company proposes to shareholders to reconfirm the compensation policy for Non-Executive Directors, as described above.

Non-Executive Directors do not participate in any bonus plan or share incentive programme operated by the Company and are not entitled to pension contributions or other benefits provided by the Company. The Non-Executive Directors appointments are for fixed terms of three years. The terms and conditions of appointment of the Non-Executive Directors are available for inspection.

The A&D Pharma 2007 Non-Executive Incentive Plan hasn't been applied, and the Company is considering redesigning or postponing its applicability.

Termination

David Ebsworth

Upon termination of the agreement, effective as of 18 September 2008, the Company undertook to fulfil its contractual obligations towards the Chairman which were due under the various arrangements concluded with Mr. David Ebsworth. As part of the payment obligation owed by the Company, Mr. David Ebsworth received 37,104 GDRs on 31 December 2008.

The salary costs incurred with the Board members are presented below:

	2008	2008	2008	2007
	Salary	Termination benefits	Total	Total
Board of Directors Salaries	**2,395**	**1,817**	**4,339**	**3,663**

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") 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.

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.

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 is not currently entitled to a tax credit in respect of dividends received from the Company. However, the UK Government has announced proposals, to take effect from 6 April 2009, to extend the availability of a tax credit to individuals who own 10 per cent. or more of the issued share capital in distributing non-UK companies if the company paying the dividend satisfies certain conditions.

The UK Government has published draft legislation which would, if passed in its current form, significantly change the tax treatment of dividends received by investors within the charge to UK corporation tax. It should be noted that the draft legislation is likely to change before being passed. Investors who are within the charge to UK corporation tax are advised to consult their independent professional tax adviser in relation to the implications of the legislation, once finally enacted.

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. 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, a disposal of GDRs in the case of an individual investor being neither resident nor ordinarily resident in the UK and who does not return to the UK within five years of such disposal will not be liable unless, at the time of the disposal, such investor carries 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.

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.

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, the GDR register and the register of the underlying shares is not held in the UK and no other action is taken in the UK by the transferor or transferee.

No UK SDRT should be payable in respect of any agreement to transfer GDRs.

Since its inception, A&D Pharma has continually been involved in Corporate Social Responsibility (CSR) campaigns and actions, focusing on health, education and the fight against domestic violence.

In 2008 alone, A&D Pharma donated about €301,000 to several organizations including the Sensiblu Foundation, a non-profit entity focused on the fight against domestic violence, as well as pharmacy and medical student organisations, Children's Non-Governmental organisations (NGOs) such as UNESCO, and Sensiblu's Social Scholarship program. In parallel, A&D Pharma donated €264,000 worth of medical and baby care products to various NGOs actively involved in offering care and assistance to disadvantaged people such as children and senior citizens living in poverty, people with disabilities, victims of natural disasters, and those affected by domestic violence.

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

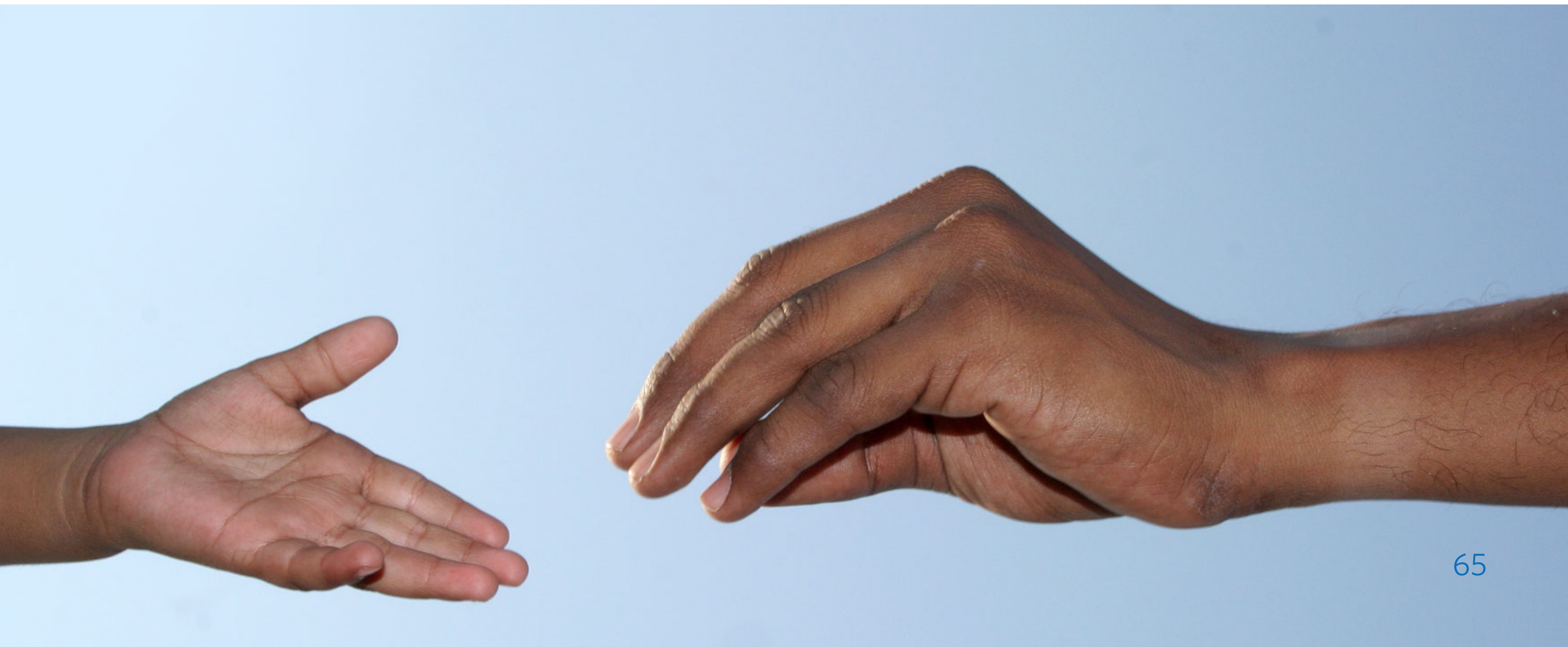
2.1. What is a corporate foundation?

- 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 organization.

2.2. Programs developed in 2008

A. The 'Casa Blu' program is an exhaustive answer to the needs faced by women and children, victims of domestic violence. The program deals with social problems, as well as the psychological and juridical matters that these problems bring. The specialists teams 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** program helps victims of domestic violence, providing them social, psychological and juridical counselling, 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.



In Casa Blu, there is a counselling center, having a public address, offering services for women and children who get there direct, or directed by a program partner or other similar NGOs, as well as a shelter, having a confidential address, where women and children can find a safe home for up to 6 months.
In the **counselling center**, foundation specialists - sociologists, psychologists, law experts and attorneys – offer immediate support for the victims to overcome the crisis situation, and in the long term, to be able to live a new life, safe from violence.

People who call the counselling center benefit of the following services:

- **Social counselling:** help to find a job, help to find a rented house, registration to a family doctor, obtaining identity cards, having a good relation with other institutions with intervention abilities such as: Police, National Institute of Legal Medicine, Children Protection Authority, National Agency for Employment and other non-governmental institutions with similar programs;
- **Individual and group psychological counselling:** within the support group, women interact with other women facing similar problems, share experiences and solutions, help each other. Women can choose individual counselling and they are helped to regain self esteem and to discover new psychological resources to face domestic violence;
- Interactive group for children: children from families dealing with domestic violence interact and improve their social abilities and creativity;
- **Juridical counselling:** a law specialist helps victims of domestic violence to understand their situation from a legal point of view, help them make a penal complaint against the violent individual, preparing divorce papers, obtaining medico-legal certificates, etc. The attorney assists the victim to the court, together with a bodyguard;
- **Assistance in Court of Justice:** victims of domestic violence can choose to be represented by the organisation's attorney in the Court of Justice, the costs being entirely or partial paid by the Sensiblu Foundation.

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

Between November 25 and December 10, 2008, the Sensiblu Foundation organized the Vth edition of "V-Days Campaign – 16 International Days of Activism against Gender Violence", with the slogan "Home is not a prison. Run before it's too late!".

In the 16 days of campaign, public attention was drawn on the various possible effects of violence: women who got to prison because they could not stand the years of violence and ended up killing their violent partner. To draw public attention, the Sensiblu Foundation has built in a public place a prison cell with different stories of those women in jail. At the end of the campaign the cell was transformed in a welcoming home, symbol of a home full of love and without violence.

During the campaign, volunteers from the Sensiblu Foundation distributed 30,000 informative flyers and invited the public to wear a white ribbon, symbol of the collective fight against gender violence.

3. Achievements and awards received in 2008

Between January and November 2008, a total number of 153 women and 166 children received direct assistance from the Sensiblu Foundation.

For its public awareness campaigns, the Sensiblu Foundation's V-days, developed together with GMP PR, received two major awards: the Gold Award in the Public Education category at the international SABRE Awards competition (Superior Achievement in Branding and Reputation) and the Golden Award for Excellence at the Romanian PR Awards 2008 ceremony.

Introduction by Dimitris Sophocleous, Chief Financial Officer

We are very pleased to report another strong set of results, particularly in light of the challenging economic environment. We are focused on maintaining strong financial discipline and also ensuring that we position ourselves in the best way possible to maintain our leading position in the Romanian market across all of our business lines. With this in mind, measures were taken in 2008 to adapt our cost base to the current environment. Such measures included cost reductions across our operations and some staff headcount reductions. These measures lead to a one-off restructuring charge of €6.2 million in 2008, but there is now scope for further financial improvement in 2009 as a result of the Company's increased financial discipline and reduced cost base.

During 2008, A&D Pharma generated consolidated group revenues of EUR 501.5 million, representing 18% year-on-year growth. Thanks to an improvement in our cash position we significantly improved our net debt position to 35.4million (63.3 million). A&D Pharma also reported significant improvements in the Company's bottom line items. Our EBITDA grew by 80% to EUR 22.1 million versus a restated and like-for-like EUR 12.3 million in 2007. Our gross margins also remained relatively stable at 25% during the period, which helped us to report a group profit of €63.7 million, up 21% year-on-year, and a significantly improved net result of €2.9 million (prior to restructuring costs) compared to a restated net loss of €8.4 million for 2007.

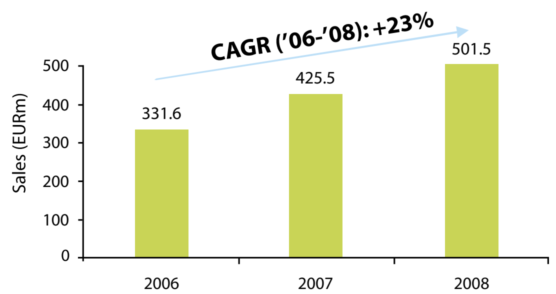
A&D Pharma intends to strengthen its financial position by improving its cash flows and closely monitoring its working capital position into 2009. The Company's focus on these items in 2008, alongside a reduction in CAPEX, helped to mitigate the effects of negative macro economic events such as the continuing weakness of the Romanian Leu versus the Euro. Such measures will leave the Company well positioned to cope with the effects of the current global economic downturn in the long run, and enable the company to respond quickly to opportunities for further growth and expansion.

It is important to note that A&D Pharma has changed the way it classifies suppliers' foreign exchange differences together with hedging costs from our operating results to our income statement to provide a more informative presentation on the effect of changes in foreign exchange rates on the Group's performance. The 2007 results have been restated to reflect this change, the impact of which amounts to a €4.35 million increase in operating costs and the equivalent decrease in financial expense. This has been done to reflect the impact foreign exchange rates are having on our financial results in the most transparent fashion possible.

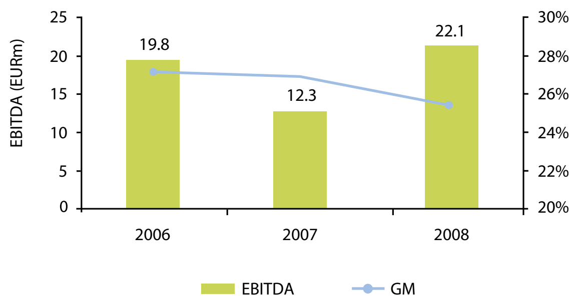
Sales

A&D Pharma's consolidated sales for the twelve months ended 31 December 2008 were €501.5 million, an increase of 18% from €425.5 million for the twelve months ended 31 December 2007. This growth in sales was the combined result of the underlying growth of the pharmaceutical market in Romania, which grew by 7% in Euro terms in 2008, and A&D Pharma's stronger performance compared to its competitors.

Group Consolidated Revenue

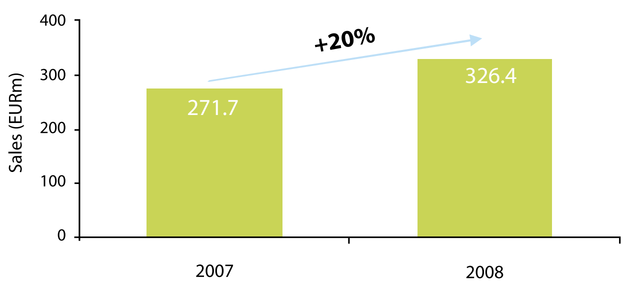


Group Consolidated EBITDA and Gross Margin

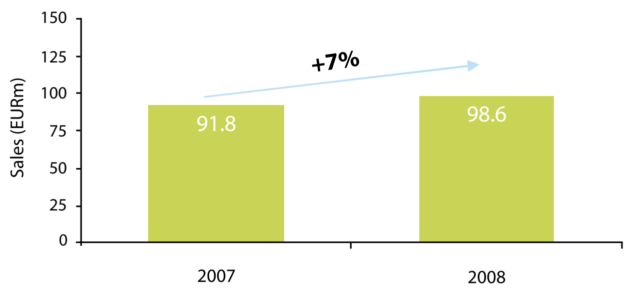


Sales for the Wholesale division reached €326.4 million for the twelve months ended 31 December 2008, a year-on-year increase of 20% from €271.7 million in 2007. The Marketing & Sales business line reported a 7% year-on-year growth in sales revenue to €98.6 million from €91.8 in 2007. Sensiblu recorded a robust 27% year-on-year increase in sales for 2008 to €154.8 million. These unconsolidated divisional sales figures include inter-company sales from Mediplus to Sensiblu. Eliminations arising from inter-company sales which amounted to €78.3 million in 2008.

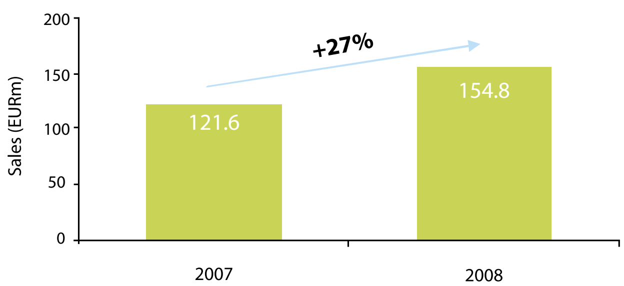
Wholesale Revenue



Marketing & Sales Revenue



Retail Revenue



Operating costs

Total operating costs for the twelve months ended 31 December 2008 were €488.3million, an increase of 14.6% from €420.9 million for the twelve months ended 31 December 2007. As a percentage of sales, operating costs decreased to 97% in 2008 compared to 99% in 2007.

Cost of sales for 2008 amounted to €376.8 million from €313.5 million in 2007, which represents a 20.2% increase. Gross margin for the twelve months ended 31 December 2008 was 24.9% compared to 26.3% for the year ended 31 December 2007. The stable gross margin reported in 2008 was achieved despite the depreciation of the Romanian currency against the Euro and other foreign currencies, which adversely impacted our operational cost base due to the purchasing of imported products, and by the fact that the local market regulator had not updated the prices of prescription medicines in line with the changes in currency exchange rates.

Other operating costs (mainly including staff costs, rent and administrative expenses and third party services, excluding depreciation and amortisation) increased by 3.8% in 2008 to €111.5 million from €107.4 million in the previous year.

EBITDA margin

A&D Pharma Romania's consolidated EBITDA for 2008 was €22.1 million, up 80% from €12.3 million in 2007. 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 2008 reached €10.4 million, up 135% from €4.4 million in 2007. EBITDA at the Marketing & Sales business line grew by 16% to reach €21.3 million from 18.3 million in 2007. Sensiblu achieved a significantly improved EBITDA of €0.2 million, its first positive EBITDA, following the implementation of the division's store relocation program, from a negative EBITDA of €2.6 million in 2007.

Contribution Profit

Group contribution profit grew by 21% to 63.7 million in 2008, with an increase in profitability in Sensiblu contributing heavily to this number. Sensiblu achieved a 53% growth in contribution profit to €10.4 million, while the Wholesale division recorded a 24% increase in contribution profit to EUR 26.9 million. The Marketing & Sales business line generated a 9% increase in contribution profit to EUR 26.3 million. The significant increases in contribution profit across all of A&D Pharma's business lines are mainly due to the development of sales in RX and OTC products as a result of the access the Group has gained to the HIV treatment segment for the first time in 2008 and due to the expansion of Mediplus's product offering in the non-pharmaceutical segment through new partnerships with Unilever and Colgate Palmolive.

Net profit margin

A&D Pharma recorded a significantly improved net result (prior to restructuring costs) of €2.9 million compared to a restated net loss of €8.4 million for 2007. Including a one-off restructuring cost of €6.2 million, A&D Pharma recorded a net loss of €2.29 million in 2009. Fluctuations in exchange rate had a significant negative impact on the Group's bottom line and could contribute to the high levels of volatility in the Company's earnings over the next few years.

BALANCE SHEET

Total assets remain stable despite the sharp depreciation of RON versus EUR (3.9852 at the end of 2008 compared to 3.6827 at the end of 2007).

The Company recorded a decrease in capital expenditure of €12.7 million in 2008 compared to EUR 16 million in 2007, this was mainly linked to investments made in our main warehouse in 2007.

The Balance sheet structure remains flexible enough to support financing future company expansion (net debt was €35.4 million as of 31.12.2008, a significant improvement over the Company's debt position of €63.3 million in 2007) while book value of equity stood at €222.4 million).

CASH FLOW STATEMENT

To ensure that A&D Pharma remains in the strongest of financial health during the course of the current downturn, and also to enhance the company's profitable growth, measures have been taken to improve cash flow, reduce CAPEX and keep the Group's debt stable.

As at 31 December 2008, A&D Pharma had a significantly improved positive net cash position of €44.1 million compared to a positive cash position of €13.9 million as at 31 December 2007. Management has started negotiations with a number of six reputable banks for the refinancing the Company's current syndicated loan. Three major banks have already re-expressed their official non-binding interest in joining the future club loan.

As a result of the continued weakening of the Romanian Leu (RON) versus the Euro, a significantly higher currency expense was booked in 2008 of EUR 13 million. To maintain current levels of cash flows, the Company reduced its Capital expenditure, but as the 2008 results have proved, this has not been done to the detriment of providing sufficient levels of growth.

The reduction in costs realized following the Group's reorganization should result in further efficiencies during 2009.

CONSOLIDATED INCOME STATEMENT

	2008 prior to restructuring	Restructuring costs	2008 after restructuring	2007(*)
Sales	501,537	-	501,537	425,519
Operating costs	(482,171)	(6,178)	(488,349)	(420,933)
Operating profit/(loss)	**19,366**	**(6,178)**	**13,188**	**4,586**
Financial income	1,092	-	1,092	422
Financial expense	(16,283)	-	(16,283)	(10,659)
Financial result	**(15,191)**	**-**	**(15,191)**	**(10,237)**
Profit/(Loss) before taxation	**4,175**	**(6,178)**	**(2,003)**	**(5,651)**
Taxation	(1,279)	988	(291)	(2,792)
Profit/(Loss) for the period	**2,896**	**(5,190)**	**(2,294)**	**(8,443)**
Basic loss per share			**€(0.01)**	**€(0.04)**
Diluted loss per share			**€ (0.01)**	**€(0.04)**

CONSOLIDATED BALANCE SHEET

	31 December 2008	31 December 2007(*)
Assets		
Non-current assets		
Property, plant and equipment	35,310	39,375
Intangible assets	244,301	266,011
Financial investments	68	53
Long term receivables	4,880	5,384
Deferred tax asset	2,331	1,446
Total non-current assets	**286,890**	**312,269**
Current assets		
Inventories	66,513	51,366
Accounts receivable	118,672	131,282
Other current assets	9,048	15,559
Restricted cash	1,194	2,441
Cash and cash equivalents	44,111	13,924
Total current assets	**239,538**	**214,572**
Total assets	**526,428**	**526,841**
Shareholders' equity and liabilities		
Shareholders' equity		
Share capital	200,000	200,000
Share premium	59,075	59,075
Translation reserve	(31,148)	(6,165)
Accumulated losses	(5,520)	(3,226)
Total shareholders' equity	**222,407**	**249,684**
Non-current liabilities		
Long term provisions	14,377	16,770
Long term payables	615	1,128
Long term borrowings	-	69,113
Deferred tax liability	5,035	5,543
Finance lease	1,615	2,071
Total non-current liabilities	**21,642**	**94,625**
Current liabilities		
Short term borrowings	75,578	3,600
Accounts payable, accruals and other liabilities	202,148	174,292
Restructuring provision	2,300	-
Current tax liability	45	2,214
Finance lease	2,308	2,426
Total current liabilities	**282,379**	**182,532**
Total liabilities	**304,021**	**277,157**
Total shareholders' equity and liabilities	**526,428**	**526,841**

CONSOLIDATED CASH FLOW STATEMENT

	2008	2007
Cash flows from operating activities		
Loss before taxation	(2,003)	(5,651)
Adjustments for:		
Depreciation and amortization	8,389	7,079
(Gain)/loss on disposal of tangible and intangible assets	(98)	68
Impairment losses on property, plant and equipment	486	222
Goodwill impairment	-	379
Provision charge/(release)	1,833	(732)
Interest income	(1,092)	(422)
Interest expense	1,700	7,354
Unrealised foreign exchange loss	9,199	2,265
Operating profit before working capital changes	**18,414**	**10,562**
Decrease/(increase) in receivables and prepayments	24,414	(5,514)
Decrease/(increase) in inventories	(15,147)	12,089
Increase in trade and other payables	29,674	10,952
Changes in working capital	**38,941**	**17,527**
Tax paid	(4,414)	(2,881)
Net cash generated from operating activities	**52,941**	**25,208**
Cash flows from investing activities		
Purchase of property, plant and equipment	(2,938)	(10,271)
Purchase of intangible assets	(3,231)	(2,292)
Acquisition of Titan pharmacy, net of cash acquired	(1,462)	-
Proceeds from sale of tangible and intangible assets	1,108	1,595
Interest received	1,012	422
Net cash used in investing activities	**(5,511)**	**(10,546)**
Cash flow from financing activities		
Repayment of long term borrowings	-	(680)
Drawdown of short term borrowings	2,865	3,600
Lease payments	(3,515)	(3,243)
Dividends paid	-	(3,566)
Interest paid	(6,097)	(6,554)
Net cash used in financing activities	**(6,747)**	**(10,443)**
Translation effect	(10,496)	(7,489)
Net increase/(decrease) in cash and cash equivalents	**30,187**	**(3,270)**
Cash and cash equivalents at the beginning of the period	**13,924**	**17,194**
Cash and cash equivalents at the end of the period (Note 10)	**44,111**	**13,924**

This Annual Report contains the following financial statements:

A. Independent Auditors' Report and A&D PHARMA HOLDINGS N.V. ("A&D Pharma NV") Consolidated Financial Statements prepared in accordance with International Financial Reporting Standards as at and for the year ended 31 December 2008.

B. Independent Auditors' Report and A&D PHARMA HOLDINGS N.V. ("A&D Pharma NV") Statutory Consolidated Financial Statements prepared in accordance with International Financial Reporting Standards as at and for the year ended 31 December 2008.

A&D PHARMA HOLDINGS NV

CONSOLIDATED FINANCIAL STATEMENTS

PREPARED IN ACCORDANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS

AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2008

CONTENTS **PAGE**

Independent Auditors' Report

The Board of Directors of A&D Pharma Holdings NV

Report on the consolidated financial statements

We have audited the accompanying consolidated financial statements of A&D Pharma Holdings NV (and its subsidiaries) (the "Group"), which comprise the consolidated balance sheet as at 31 December 2008 and the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes. The consolidated financial statements are not statutory financial statements of the Group, nor are the financial statements intended for statutory filing purposes.

Management's responsibility for the consolidated financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards as endorsed by the European Union. 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.

Auditors' responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with relevant ethical requirements and plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free of 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 our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider 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 principles used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2008, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as endorsed by the European Union.

Other Matters

This report is made solely to the Board of Directors of A&D Pharma Holdings NV, as a body. The consolidated financial statements are not statutory financial statements of the Group, nor are the financial statements intended for statutory filing purposes. Our audit work has been undertaken so that we might state to the Board of Directors of A&D Pharma Holdings NV those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Board of Directors of A&D Pharma Holdings NV, for our audit work, for this report, or for the opinions we have formed.

KPMG Romania SRL
Bucharest, Romania

4 March 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 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 21.

As at 31 December 2008 the Group have 3,347 employees (3,558 employees as at 31 December 2007). ADP NV has its registered office at 2 Martinus Nijhofflaan, 2624 ES Delft, Netherlands.

Shareholders structure

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 shareholders of the Company as at 31 December 2007 were:

	Number of shares	Shareholding %
Sograno BV, Netherlands	117,000,000	58.5000
Defrin Investment Ltd	4,454,600	2.2273
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)	69,000,000	34.5000
	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

Roger de Bazelaire concluded his mandate as Chief Financial Officer on 31 August 2008 and Dimitris Sophocleous was appointed to this position on 1 September 2008.

Dragos Dinu concluded his mandate as Chief Executive Officer on 28 August 2008, but continued to act as consultant to the Group until 31 December 2008.

Vivian Diaconescu continued to act as Chief Operating Officer Sales & Marketing to the Group until 15 January 2009. He continues to act as consultant to the Group until 31 December 2010.

Board of Directors:

The Board of Directors 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	Interim Chief Executive Officer	On 1 August 2008 became Executive Director and on 18 September became Interim 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)	

Claudiu Opran continues to be employed as Chief Operating Officer for the retail business of the Group, but has left the Board in September 2008.

The Board of Directors as at 31 December 2007 comprised:

Name	**Position**	**Retired on**
David Raymond Ebsworth	Chairman of the Board, Non-Executive Director and Chairman of Nomination Committee	18 September 2008
Urs Kamber	Vice-Chairman of the Board, Non-Executive and Chairman of Audit Committee	18 September 2008
Dragos Dinu	Chief Executive Officer	28 August 2008
Roger de	Chief Financial Officer	31 August 2008

Bazelaire		
Vivian Diaconescu	Chief Operating Officer Wholesale	18 September 2008
Claudiu Opran	Chief Operating Officer Retail	18 September 2008
Charles Michel Eid	Non-Executive Director	20 June 2008
Eric ter Hark	Non-Executive Director and Chairman of Corporate Governance Committee	18 September 2008
John Michael Wemms	Non-Executive Director, and Chairman of Remuneration Committee	18 September 2008
Ludovic Charles Simon Robert	Non-Executive Director	
Roger Akoury	Non-Executive Director	
Walid Abboud	Non-Executive Director	
William Wells	Non-Executive Director	18 September 2008

A&D PHARMA HOLDINGS N.V.

Consolidated Balance Sheet as at 31 December 2008

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

	Note	31 December 2008	31 December 2007(*)
Assets			
Non-current assets			
Property, plant and equipment	**4**	35,310	39,375
Intangible assets	**5**	244,301	266,011
Financial investments		68	53
Long term receivables	**6**	4,880	5,384
Deferred tax asset	**12**	2,331	1,446
Total non-current assets		**286,890**	**312,269**
Current assets			
Inventories	**7**	66,513	51,366
Accounts receivable	**8**	118,672	131,282
Other current assets	**9**	9,048	15,559
Restricted cash	**10**	1,194	2,441
Cash and cash equivalents	**10**	44,111	13,924
Total current assets		**239,538**	**214,572**
Total assets		**526,428**	**526,841**
Shareholders' equity and liabilities			
Shareholders' equity			
Share capital	**11**	200,000	200,000
Share premium	**11**	59,075	59,075
Translation reserve		(31,148)	(6,165)
Accumulated losses		(5,520)	(3,226)
Total shareholders' equity		**222,407**	**249,684**
Non-current liabilities			
Long term provisions	**15**	14,377	16,770
Long term payables		615	1,128
Long term borrowings	**14**	-	69,113
Deferred tax liability	**12**	5,035	5,543
Finance lease	**13**	1,615	2,071
Total non-current liabilities		**21,642**	**94,625**
Current liabilities			
Short term borrowings	**14**	75,578	3,600
Accounts payable, accruals and other liabilities	**16**	202,148	174,292
Restructuring provision	**15**	2,300	-
Current tax liability		45	2,214
Finance lease	**13**	2,308	2,426
Total current liabilities		**282,379**	**182,532**
Total liabilities		**304,021**	**277,157**
Total shareholders' equity and liabilities		**526,428**	**526,841**

Authorised for issue by the Board of Directors on 4 March 2009 and authorised for signature on their behalf by:

Robert Popescu
Interim Chief Executive Officer

Dimitris Sophocleous
Chief Financial Officer

(*) See Note 3.21

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

	Note	2008 prior to restructuring	Restructuring costs	2008 after restructuring	2007(*)
Sales	**17**	501,537	-	501,537	425,519
Operating costs	**18**	(482,171)	(6,178)	(488,349)	(420,933)
Operating profit/(loss)		**19,366**	**(6,178)**	**13,188**	**4,586**
Financial income		1,092	-	1,092	422
Financial expense		(16,283)	-	(16,283)	(10,659)
Financial result	**19**	**(15,191)**	**-**	**(15,191)**	**(10,237)**
Profit/(Loss) before taxation		**4,175**	**(6,178)**	**(2,003)**	**(5,651)**
Taxation	**12**	(1,279)	988	(291)	(2,792)
Profit/(Loss) for the period		**2,896**	**(5,190)**	**(2,294)**	**(8,443)**
Basic loss per share	**23**			**€(0.01)**	**€(0.04)**
Diluted loss per share	**23**			**€(0.01)**	**€(0.04)**

Authorised for issue by the Board of Directors on 4 March 2009 and authorised for signature on their behalf by:

Robert Popescu
Interim Chief Executive Officer

Dimitris Sophocleous
Chief Financial Officer

(*) See Note 3.21

A&D PHARMA HOLDINGS N.V.
Consolidated Statement of Cash Flows for the period ended 31 December 2008
(All amounts are expressed in EUR '000, unless otherwise stated)

	2008	**2007**
Cash flows from operating activities		
Loss before taxation	(2,003)	(5,651)
Adjustments for:		
Depreciation and amortization	8,389	7,079
(Gain)/loss on disposal of tangible and intangible assets	(98)	68
Impairment losses on property, plant and equipment	486	222
Goodwill impairment	-	379
Provision charge/(release)	1,833	(732)
Interest income	(1,092)	(422)
Interest expense	1,700	7,354
Unrealised foreign exchange loss	9,199	2,265
Operating profit before working capital changes	**18,414**	**10,562**
Decrease/(increase) in receivables and prepayments	24,414	(5,514)
Decrease/(increase) in inventories	(15,147)	12,089
Increase in trade and other payables	29,674	10,952
Changes in working capital	**38,941**	**17,527**
Tax paid	(4,414)	(2,881)
Net cash generated from operating activities	**52,941**	**25,208**
Cash flows from investing activities		
Purchase of property, plant and equipment	(2,938)	(10,271)
Purchase of intangible assets	(3,231)	(2,292)
Acquisition of Titan pharmacy, net of cash acquired	(1,462)	-
Proceeds from sale of tangible and intangible assets	1,108	1,595
Interest received	1,012	422
Net cash used in investing activities	**(5,511)**	**(10,546)**
Cash flow from financing activities		
Repayment of long term borrowings	-	(680)
Drawdown of short term borrowings	2,865	3,600
Lease payments	(3,515)	(3,243)
Dividends paid	-	(3,566)
Interest paid	(6,097)	(6,554)
Net cash used in financing activities	**(6,747)**	**(10,443)**
Translation effect	(10,496)	(7,489)
Net increase/(decrease) in cash and cash equivalents	**30,187**	**(3,270)**
Cash and cash equivalents at the beginning of the period	**13,924**	**17,194**
Cash and cash equivalents at the end of the period (Note 10)	**44,111**	**13,924**

A&D PHARMA HOLDINGS N.V.

Consolidated Statement of Changes in Shareholders' Equity for the period ended 31 December 2008

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

	Share capital	**Share premium**	**Translation reserve**	**Retained earnings/ (Accumulated losses)**	**Total**
Balance as at 31 December 2006	**200,000**	**59,075**	**12,178**	**8,783**	**280,036**
Dividend distribution	-	-	-	(3,566)	(3,566)
Loss for the period	-	-	-	(8,443)	(8,443)
Translation reserve	-	-	(18,343)	-	(18,343)
Balance as at 31 December 2007	**200,000**	**59,075**	**(6,165)**	**(3,226)**	**249,684**
Loss for the period	-	-	-	(2,294)	(2,294)
Translation reserve	-	-	(24,983)	-	(24,983)
Balance as at 31 December 2008	**200,000**	**59,075**	**(31,148)**	**(5,520)**	**222,407**

The Group is not allowed to declare and pay dividends without prior consent of Citibank (see Note 14).

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 21.

1 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").These are not the statutory accounts of the Group, nor are the financial statements intended for the statutory filing purposes.

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 the items disclosed in Note 3.19.

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 24).

2.2 Functional currency

Based on the primary economic environment in which the Group entities operate and taking into account the other factors as described in IAS 21 "The effects of changes in foreign exchange rates", the functional currencies of individual consolidated Group entities were determined as follows:

- ADP NV – EUR
- A&D Pharma Holdings SRL – Romanian Leu ("RON")
- Mediplus Exim SRL – Romanian Leu ("RON")
- Sensiblu SRL – Romanian Leu ("RON")
- Lauren Finance IFN SA – Romanian Leu ("RON")
- Farmacia Titan SRL – Romanian Leu ("RON")

The RON is not convertible outside Romania. The Management of the Company has decided to adopt EUR as presentation currency for the purpose of consolidated financial statements..

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

The balance sheet items that have the RON as the functional currency have been translated into EUR by dividing the RON amounts at the National Bank of Romania ("NBR") official exchange rates as at the date of each balance sheet, as set out below:

	31 December 2008	31 December 2007
RON / 1 EUR	3.9852	3.6102

The statement of income items for the period ended 31 December 2008 were translated using the RON/EUR monthly average exchange rates. The translation of the balance sheet and statement of income items into the presentation currency gave rise to a translation reserve as defined in Note 3.9. Cash flows are translated using appropriate average exchange rates. Components of equity are not retranslated.

Such computations and presentation of amounts in EUR should not be construed as a representation that the RON amounts have been or could be converted into EUR at these rates or any other rates.

2.3 Going concern

Management is satisfied that it is appropriate to prepare these Financial Statements on a going concern basis.

The Management position is based on the following facts:

a) The underlying business performance has recorded a positive net result in an amount of EUR 2,896 thousand, while the actual net loss for the period, in an amount of EUR 2,294 thousand, has been the result of the negative impact of restructuring cost and provisions as non recurring events amounting to EUR 5,190 thousand, as follows:

Net of tax	**31 December 2008**
Restructuring costs (Note 18)	3,688
Deferred tax related to restructuring cost (16%)	(590)
Provisions for restructuring costs (Note 18)	2,490
Deferred tax related to provisions for restructuring cost (16%)	(398)
	5,190

b) As at 31 December 2008, the current liabilities exceed the current assets by EUR 42,841 thousand because of the loan facility falling due in July 2009.

Management has started negotiation with a number of six reputable banks for refinancing the current syndicated loan. Three major banks have already re-expressed their official non-binding interest in joining the future club loan.

At the balance sheet date, the ability to continue the Group's operations as a going concern is dependent on the continued financial support from financial institutions.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 Group accounting

a) Subsidiaries

Subsidiaries, which are those Entities in which the Group has an interest of more than one half of the voting rights or otherwise has power to govern the financial and operating policies, are consolidated. The existence and effect of potential voting rights that are presently exercisable or presently convertible are considered when assessing whether the Group controls another entity.

Subsidiaries are consolidated from the date on which control is transferred to the Group and are no longer consolidated from the date when control ceases. The purchase method of accounting is used to account for the acquisition of subsidiaries.

The cost of an acquisition is measured by the fair value of the assets given up, shares issued or liabilities undertaken 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 net assets and contingent liabilities of the subsidiary acquired is recorded as goodwill.

b) Associates and joint ventures

Associates are entities over which the Group generally has between 20% and 50% of the voting rights, or over which the Group has significant influence, but which it does not control.

Joint ventures are those entities over whose activities the Group has joint control, established by contractual agreement and requiring unanimous consent for strategic financial and operating decisions. Associates and joint ventures are accounted for using the equity method (equity accounted investees). The consolidated financial statements include the Group's share of the income and expenses of equity accounted investees, after adjustments to align the accounting policies with those of the Group, from the date that significant influence or joint control commences until the date that significant influence or joint control ceases.

c) Transactions eliminated on consolidation

Intra-group balances, 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

Segment information is presented in respect of the Group's business segments, based on the Group's Management and internal structure. Inter-segment pricing is determined on an arm's length basis.

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

Segment capital expenditure is the total cost incurred during the period to acquire segment assets that are expected to be used for more than one period.

Primary reporting format – business segments

The Group comprises the following main business segments:

- Wholesale
- Retail
- Sales & Marketing
- Corporate

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

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

Secondary reporting format – geographical segments

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

3.3 Property, plant and equipment

Property, plant and equipment is recorded at purchase or construction cost.

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.

Impairment

At each reporting date the Management assess as to whether there is any indication of impairment of property, plant end equipment. If any such indication exists, the Management estimates the recoverable amount which is determined as the higher of an asset's net selling price and its value in use. In assessing value in use, the estimated cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. The carrying amount is reduced to the recoverable amount and the difference is recognised as expense (impairment loss) in the statement of income. An impairment loss recognised for an asset in prior years is reversed if there has been a change in the circumstances leading to the impairment.

3.4 Intangible assets

a) Goodwill

Goodwill represents amounts arising on acquisition of subsidiaries, associates and joint ventures. 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 stated at cost less any accumulated impairment losses. Goodwill is allocated to cash generating units and is tested for impairment at each reporting date.

Impairment

At each reporting date the Management assess whether there is any indication of impairment of goodwill. If any such indication exists, the Management estimates the recoverable amount which is determined as the higher of net selling price and its value in use of cash generating units it is allocated to. In assessing value in use, the estimated cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. The carrying amount is reduced to the recoverable amount and the difference is recognised as expense (impairment loss) in the statement of income. An impairment loss in respect of goodwill is not reversed.

b) Brands

Acquired brands are capitalized on the balance sheet. These brands are valued on acquisition by an independent valuer, using a discounted cash flow methodology 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 value of these brands is maintained indefinitely. 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. Pharmacy licenses started being amortised using the straight-line method over the 3-year period until 31 December 2010 (Note 5).

Licenses are stated at cost less any accumulated amortisation expenses.

d) *Computer licences and software*

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

e) *Impairment of intangible assets*

Where an indication of impairment exists, the carrying amount of any intangible asset is assessed and, when impaired, the asset is written down immediately to its recoverable amount.

3.5 Investments

The Group classified its investments in debt and equity securities into the following categories: trading, held-to-maturity and available-for-sale. The classification is dependent on the purpose for which the investments were acquired. Management determines the classification of its investments at the time of the purchase and re-evaluates such designation on a regular basis. Investments that are acquired principally for the purpose of generating a profit from short-term fluctuations in price are classified as trading investments and included in current assets; for the purpose of these financial statements short term is defined as 3 months. Investments with a fixed maturity that Management has the intent and ability to hold to maturity are classified as held-to-maturity and are included in non-current assets, except for maturities within 12 months from the balance sheet date which are classified as current assets. 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 the express intention of holding the investment for less than 12 months from the balance sheet date or unless they will need to be sold to raise operating capital, in which case they are included in current assets.

Purchases and sales of investments are recognized on the trade date, which is the date that the Group commits to purchase or sell the asset. Cost of purchase includes transaction costs. Trading and available-for-sale investments are subsequently carried at fair value. Held-to-maturity investments are carried at amortized cost using the effective yield method. Realized and unrealized gains and losses arising from changes in the fair value of trading and available-for-sale investments are included in the statement of income in the period in which they arise. The fair value of investments is based on quoted bid prices or amounts derived from cash flow models. Fair values for unlisted equity securities are estimated using applicable price/earnings or price/cash flow ratios refined to reflect the specific circumstances of the issuer. Equity securities for which fair values cannot be measured reliably are recognized at cost less impairment. When securities classified as available-for-sale are sold or impaired the accumulated fair value adjustments are included in the statement of income as gains and losses from investment securities.

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.

3.7 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.

3.8 Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet 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, and bank overdrafts. In the balance sheet, bank overdrafts are included with borrowings in current liabilities.

3.9 Shareholders' equity

Share capital and Share Premium

Ordinary and preferred 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.

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 the monthly average exchange rates and assets and liabilities at the date of each balance sheet closing rate. Components of equity are not retranslated.

Dividends

The Company can only pay dividends from its entities' statutory retained earnings and share premium, based upon financial statements prepared in accordance with local accounting regulations.

Dividends are recognised as a liability and deducted from equity at the balance sheet date only if they are declared before or on the balance sheet date. Dividends are disclosed when they are proposed before the balance sheet date or proposed or declared after the balance sheet date, but before the financial statements are authorised for issue.

3.10 Deferred income taxes

Deferred tax assets and liabilities are calculated in respect of temporary differences using the balance sheet liability method. Deferred income taxes are provided for all temporary differences arising between the tax basis of assets and liabilities and their carrying values for financial reporting purposes. A deferred tax asset is recorded only to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilised.

Deferred tax assets and liabilities are measured at tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantively enacted at the balance sheet date.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not be reversed in the foreseeable future.

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. 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 shall include 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 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.

3.14 Accounts payable

Liabilities for trade 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.

3.15 Foreign currency transactions

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 balance sheet date exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of income.

3.16 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 is recognised when the significant risks and rewards of ownership of the goods are transferred to the buyer and when collection is reasonably assured.

Sales of 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.

Interest income is recognised on a time-proportion basis using the effective interest method.

When a receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loans is recognised using the original effective interest rate.

3.17 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 obligation in respect of pensions. In addition, the Group is not obliged to provide further 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.

3.18 Financial instruments

Non-derivative financial instruments comprise investments in equity and debt securities, trade and other receivables, cash and cash equivalents, loans and borrowings, and trade and other payables.

Non-derivative financial instruments are initially recognised at fair value plus, for instruments not at fair value through profit or loss, any directly attributable transaction cost, except as described below. Subsequent to initial recognition non-derivative financial instruments are measured as described in the notes.

Fair value is the amount for which a financial instrument could be exchanged between knowledgeable and willing parties in an arm's length transaction. The amounts disclosed in the Financial Statements approximate their fair value.

The Group uses financial instruments that are subject to fluctuations in foreign currency exchanges (Note 26(ii)) for the financial risks faced by the Group.

Changes in the fair value of a derivative hedging instrument designated as a fair value hedge are recognised in profit or loss. The hedged item also is stated at fair value in respect of the risk being hedged, with any gain or loss being recognised in profit or loss.

3.19 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 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 exchange contracts is based on their listed market price, if available. If a listed market price is not available, then fair value is estimated as the difference between the contractual forward price and the current forward price for the residual maturity of the contract.

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.

3.20 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 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.

3.21 Comparative figures

The financial statements for the year ended 31 December 2008 are comparable to the financial statements for the year ended 31 December 2007. Where necessary, comparative figures have been reclassified in order to match the changes in the presentation of the current year financial statements.

a) *Reclassification in income statement of the foreign exchange difference*

In 2008, the Group has changed in the income statement the classification of the suppliers' foreign exchange differences together with hedging cost from operating result into financial result, in order to provide a more informative presentation on the effect of changes in foreign exchange rates on the Group's performance.

The new presentation into the financial result was entailed by the fact that starting with 2008, increasing foreign exchange losses could not be covered by operations through corresponding increases in sales. The Ministry of Health has blocked the actualization of selling price with the foreign exchange modifications. Moreover in 2009, the Ministry of Health has decided that the purchase prices will be computed based on a fixed exchange rate.

In conclusion, management considered that these costs should not affect anymore the operational result, being out of the control of the operational management.

As a consequence, the impact on the prior year income statement is an increase of operating costs by EUR 4,353 thousand and an equivalent decrease of financial expense.

b) Initial adoption of IFRIC 13 "Customer loyalty programmes"

As an effect of IFRIC 13 early adoption, the Group has reclassified the balance sheet position representing the awards granted to customers as loyalty points from accrual for discounts allowed into deferred income charged into income statement proportionate with the usage of loyalty points.

As a consequence, the impact on the prior year accounts payable is a decrease of trade payables by EUR 921 thousand and an increase of deferred income (included in other payables) by the same amount.

The change of the accounting policy has no effect on the profit and loss account for the period ended 2007.

3.22 Recent accounting pronouncements

(a) Adoption of standards and interpretations effective from 1 January 2008

As at 1 January 2008, the Group adopted the IFRSs below. The financial statements have been amended in accordance with the relevant requirements.

- IFRIC 12 Service Concession Arrangements. The Interpretation provides guidance to private sector entities on certain recognition and measurement issues that arise in accounting for public-to-private service concession arrangements. IFRIC 12 is not relevant for the Group's operations.

- IFRIC 13 Customer Loyalty Programmes addresses accounting by entities that grant loyalty award credits to customers who buy other goods or services. It explains how an entity should account for their obligations to provide free or discounted goods or services ('awards') to customers who redeem award credits. Such entities are required to allocate some of the proceeds of the initial sale to the award credits and recognise these proceeds as revenue only when they fulfilled their obligations. The Group decided the early adoption of the IFRIC 13 amendments in preparing these financial statements, for the period beginning 1 January 2008.The change in accounting policy has been accounted for in accordance with IAS 8 (Note 16).

- IFRIC 14 The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction. In many countries, laws or contractual terms require employers to make minimum funding payments for their pension or other employee benefit plans. This enhances the security of the retirement benefit promise made to members of an employee benefit plan. The interpretation is not relevant for the Group's operations.

- IFRIC 16 Hedges of a Net Investment in a Foreign Operation. The interpretation provides guidance on the type of exposure that may be hedged, where in the group the hedged item may be held, whether the method of consolidation affects hedge effectiveness, the form of the hedged instrument may take and which amounts are reclassified from equity to profit and loss on disposal of the foreign operation. The interpretation is not relevant for the Group's operations.

(b) Standards issued before, but effective after 1 January 2009

Certain new standards, amendments and interpretations to existing standards that have been published are mandatory for the Group's accounting periods beginning on or after 1 January 2008 or later periods but have not been early adopted, as follows:

- IFRS 8 Operating Segments (effective from 1 January 2009). The Standard requires segment disclosure based on the components of the entity that Management monitors in making decisions about operating matters. Operating segments are components of an entity about which separate financial information is available that is evaluated regularly by the chief operating decision maker in deciding how to allocate resources and in assessing performance. This standard which becomes mandatory for the Group's 2009 Financial Statements is not expected to have any impact on the Financial Statements, as the Group already discloses segment information, in accordance with IFRS 8 (Note 22).

- Revised IAS 23 Borrowing Costs (effective from 1 January 2009). Revised IAS 23 removes the option to expense borrowing costs and requires that an entity capitalises borrowing costs directly attributable to the acquisition or production of a qualifying asset as part of the costs of that asset. The Group already applies the capitalisation of borrowing cost.

- IFRS 2 Share-based Payment (effective from 1 January 2009). The amendments to the Standard clarify the definition of vesting conditions and introduce the concept of non-vesting conditions. Non-vesting conditions are to be reflected in grant-date fair value and failure and failure to meet non-vesting conditions will generally result in treatment as cancellation. The amendments to IFRS 2 are not relevant to the Group's operations.

- IFRS 3 Business Combinations (effective from 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.

- IAS 1 Presentation of Financial Statements (effective form 1 January 2009). The revised Standard required information in the financial statements to be aggregated on the basis of shared characteristics and introduces the statement of comprehensive income. Total comprehensive income may be presented either in a single statement effectively combining both the income statement and all owner changes in equity or in an income statement and a separate statement of comprehensive income. The Group intends to provide total comprehensive income statement in a single statement for its 2009 consolidated financial statements.

- IAS 27 Consolidated and Separate Financial Statements (effective 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.

- IAS 32 Financial Instruments: Presentation and IAS 1 Presentation of Financial Statements (effective 1 January 2009). The amendments of the Standard allow certain puttable instruments issued by an entity that would normally be classified as liabilities to be classified as equity if they met certain conditions. The interpretation is not relevant for the Group's operations as none of the Group entities have in the past issued puttable instruments that would be affected by the amendments.

- IAS 39 Financial Instruments: Recognitions and measurement (effective 1 July 2009). The amended Standard addresses the application of existing principles that determine whether specific risks or portions of cash flows are eligible for designation in a hedging relationship. In designating a hedging relationship the risks or portions must be separately identifiable and reliably measurable. The interpretation is not relevant for the Group's operations.

(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 2007	7,130	5,397	1,960	5,484	2,038	13,583	35,592
Additions	1,490	1	1,267	4,170	620	6,187	13,735
Transfers	14,278	2,014	50	1,088	577	(18,007)	-
Disposals	(200)	(426)	(126)	(521)	(169)	(161)	(1,603)
Depreciation charge	(410)	(1,858)	(1,102)	(2,166)	(666)	-	(6,202)
Impairment charge	-	(55)	(72)	-	(95)	-	(222)
Translation differences	(403)	(317)	(75)	(202)	(93)	(835)	(1,925)
Closing net book amount as of 31 December 2007	**21,885**	**4,756**	**1,902**	**7,853**	**2,212**	**767**	**39,375**
Cost	22,442	9,232	4,633	11,441	3,690	767	52,205
Accumulated depreciation	(557)	(4,096)	(2,621)	(3,588)	(1,311)	-	(12,173)
Impairment provision	-	(380)	(110)	-	(167)	-	(657)
Closing net book amount as of 31 December 2007	**21,885**	**4,756**	**1,902**	**7,853**	**2,212**	**767**	**39,375**

(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 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)

Additions through business combinations represent fixed assets obtained through acquisition of FarmaciaTitan SRL pharmacy.

Additions to assets under construction represent mostly improvements made for pharmacies and developments of new warehouses located in Bacau, Brasov, Galati, Sibiu. In the third quarter of year 2008, management decided to cease the developments for these warehouses, therefore the related capitalised expenditure was fully impaired as at 31 December 2008.

Additions to motor vehicles comprise the renewal cost of the distribution car fleet. During 2008, the Group has changed the useful life for motor vehicles from 4 to 5 years. The impact for the period ended 31 December 2008 in the Consolidated Statement of Income on depreciation charge is a decrease of EUR 464 thousand.

Leasehold improvements include refurbishments from related parties capitalised in amount of EUR 92 thousand (2007: EUR 306 thousand). Total property plant and equipment acquired from related party during 2008 is EUR 622 thousand (2007: EUR 4,434 thousand) (see Note 20).

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

The reversal of impairment on leasehold improvements relates to pharmacies that had been in course of relocation or refurbishment as at 31 December 2007 and were then reopened during 2008.

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 2008	**31 December 2007**
Cost – capitalised finance leases	10,431	11,185
Accumulated depreciation	(4,205)	(4,048)
Net book value	**6,226**	**7,137**

Bank borrowings (Note 14) are secured over buildings and land with a net book value of EUR 17,333 thousand as at 31 December 2008 (31 December 2007: EUR 19,723 thousand).

(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 2007	**230,651**	**48,931**	**1,719**	**1,659**	**-**	**282,960**
Translation reserve	(14,595)	(3,097)	(110)	(100)	(23)	**(17,925)**
Additions	-	-	-	984	1,308	**2,292**
Transfers	-	-	9	563	(572)	**-**
Disposals	-	-	-	(13)	(47)	**(60)**
Amortisation charge	-	-	-	(877)	-	**(877)**
Impairment charge	(379)	**-**	**-**	**-**	**-**	**(379)**
Closing net book amount as of 31 December 2007	**215,677**	**45,834**	**1,618**	**2,216**	**666**	**266,011**
Cost	216,056	45,834	2,039	3,762	666	268,357
Accumulated amortisation	-	-	(421)	(1,546)	-	(1,967)
Impairment provision	(379)	-	-	-	-	(379)
Closing net book amount as of 31 December 2007	**215,677**	**45,834**	**1,618**	**2,216**	**666**	**266,011**

(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 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)

Increase of goodwill from the acquisition of Farmacia Titan SRL pharmacy

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

Goodwill was computed as follows:

Consideration paid	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 2008, for impairment purposes, management has allocated goodwill to the Group's two main cash generating units, Mediplus Exim SRL EUR 165,425 thousand (31 December 2007: EUR 182,611 thousand) and Sensiblu SRL EUR 30,643 thousand (31 December 2007: EUR 33,066 thousand).

As at 31 December 2008, management tested goodwill and brands, as well as non-current fixed assets for impairment (see Note 24 (v)).

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

Additions to intangibles in progress 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.

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 with 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 with 2008. The effect of the change in accounting estimate is an increase of EUR 578 thousand in depreciation expense for the year ended 31 December 2008.

6 LONG TERM RECEIVABLES

	31 December 2008	31 December 2007
Long term trade receivables	4,829	5,347
Other	51	37
	4,880	**5,384**

Based on historical trend, management assessed that 10% of trade receivable balances 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 2008, the fair value of long term receivables is EUR 4,844 thousand (31 December 2007: EUR 5,347 thousand). Amortised cost was computed based on an effective weighted average interest rate of 13.85% for the year 2008 (2007: 7.73%).

As at 31 December 2008 bank borrowings (Note 14) are secured over EUR 4,829 thousand from the above long term trade receivables balance (31 December 2007: EUR 5,347 thousand).

7 INVENTORIES

	31 December 2008	31 December 2007
Goods held for sale	68,198	52,607
Provision for slow moving and obsolete inventory	(1,685)	(1,241)
	66,513	**51,366**

As at 31 December 2008 bank borrowings (Note 14) are secured over EUR 64,158 thousand from the above inventories (31 December 2007: EUR 49,993 thousand).

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

8 ACCOUNTS RECEIVABLE

	31 December 2008	31 December 2007
Trade receivables	116,375	126,771
Trade receivables from related parties (Note 20)	6,634	6,543
Impairment of trade receivables	(4,337)	(2,032)
	118,672	**131,282**

Amortised cost of trade receivables was computed based on an effective weighted average interest rate of 7.51% for the year 2008 (2007: 3.73%).

As at 31 December 2008 bank borrowings (Note 14) are secured over EUR 118,672 thousand from the above trade receivables balance (31 December 2007: EUR 131,282 thousand).

The fair value of trade receivables (including related parties) as at 31 December 2008 is EUR 129,015 thousand (31 December 2007: EUR 132,567 thousand).

9 OTHER CURRENT ASSETS

	31 December 2008	31 December 2007
Hedging receivables	5,676	3,523
Sundry debtors, net	1,195	709
Prepayments	756	5,949
Current tax assets	588	-
Other receivables from shareholders (Note 20)	219	90
Other receivables from related parties (Note 20)	189	232
VAT recoverable	157	4,552
Advances to suppliers	157	230
Loans receivable from customers	111	274
	9,048	**15,559**

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

Hedging receivables at fair value through profit or loss

The Group entered into a number of deliverable 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 unrealised gains for the year 2008 from deliverable forward contracts are EUR 5,676 thousand (2007: EUR 3,523 thousand).

The table below summarizes, by major currency, the contractual amounts of the Group deliverable 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 balance sheet 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

As at 31 December 2007 the contractual amounts of the Group deliverable forward foreign exchange contracts were:

	Forward exchange rates	**Spot exchange rates**	**Notional amount in EUR thousand**
Buy US Dollars	2.4242	2.4564	15,517
Buy US Dollars	2.3866	2.4564	15,385
Buy Euro	3.4360	3.6102	46,479
Buy CHF	2.1058	2.1744	8,581

The "Forward 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 balance sheet date.

10 CASH AND CASH EQUIVALENTS

	31 December 2008	**31 December 2007**
Cash and bank in RON	43,729	13,809
Cash and bank in foreign currency	382	115
Total cash and cash equivalents	**44,111**	**13,924**
Restricted cash	1,194	2,441
	45,305	**16,365**

As at 31 December 2008 the value of short-term deposits included within cash and bank in RON was of EUR 39,088 thousand (31 December 2007: EUR 2,240 thousand), and the weighted average effective interest rate on short-term bank deposits was 12.24% p.a. (2007: 5.37% p.a.).

As at 31 December 2008 bank borrowings (Note 14) are secured over EUR 3,190 thousand (31 December 2007: EUR 9,313 thousand) from the above cash balance.

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

Restricted cash includes guarantees in favour of suppliers in amount of EUR 725 thousand (Note 25).

For the purpose of the cash flow statement, the cash and cash equivalents comprise the following:

	31 December 2008	31 December 2007
Cash and bank balances	45,305	16,365
Less restricted cash	(1,194)	(2,441)
	44,111	**13,924**

11 SHARE CAPITAL AND SHARE PREMIUM

As at 31 December 2008 and 31 December 2007 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 and all have equal voting rights.

In 2008 and 2007 there were no changes in the share capital and in the share premium of the Group.

12 TAXATION

	2008	2007
Income tax expense – current	1,656	2,515
Deferred tax income and tax provision	(1,365)	277
Income tax	**291**	**2,792**

The Romanian subsidiaries accrue income tax at the rate of 16% on profits as at 31 December 2008 and 31 December 2007 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:

	2008	2007
Loss before tax charge	(2,003)	(5,651)
Theoretical tax rate	32.45%	25.54%
Tax calculated at domestic tax rates applicable to profits in the respective countries	(650)	(1,443)
Tax effect of items which are not deductible or assessable for taxation purposes		
Non-deductible expenses	1,108	2,593
Other non-temporary adjustments	(167)	1,642
Income tax	**291**	**2,792**

Deferred tax

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

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 2008, respectively 31 December 2007 is reflected in the statement of income for the period then ended.

a. Deferred tax asset

	31 December 2008		**31 December 2007**	
	Cumulative temporary differences	**Deferred tax asset/ (liability)**	**Cumulative temporary differences**	**Deferred tax asset/ (liability)**
Property, plant and equipment	(184)	(47)	(165)	(42)
Payables and other accruals	1,688	431	1,568	400
Deferred tax asset for statutory unused loss relief	7,636	1,947	4,268	1,088
Deferred tax asset	**9,140**	**2,331**	**5,671**	**1,446**

The movement in deferred tax asset balance is as follows:

	Deferred tax asset
31 December 2006	**-**
Deferred tax income	1,446
31 December 2007	**1,446**
Deferred tax income	885
31 December 2008	**2,331**

Deferred tax asset position in amount of 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.

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

b. Deferred tax liability

	31 December 2008		31 December 2007	
	Cumulative temporary differences	**Deferred tax asset/ (liability)**	**Cumulative temporary differences**	**Deferred tax asset/ (liability)**
Property, plant and equipment	(531)	(85)	(712)	(114)
Inventories	8,198	1,312	8,586	1,374
Receivables	(1,591)	(254)	1,240	198
Investments	(375)	(60)	(414)	(66)
Payables and other accruals	(9,322)	(1,492)	(7,896)	(1,263)
Deferred tax asset for statutory unused loss relief	14,820	2,371	10,383	1,661
Brand	(41,521)	(6,643)	(45,834)	(7,333)
Financial assets at fair value acquired through business combinations	(1,149)	(184)		
Deferred tax liability	**(31,471)**	**(5,035)**	**(34,647)**	**(5,543)**

The movement in deferred tax liability balance is as follows:

	Deferred tax (liability)/asset
31 December 2006	**(6,704)**
Deferred tax income	2,241
Translation reserve – recognized in equity	(1,080)
31 December 2007	**(5,543)**
Deferred tax income	182
Acquired through business combinations	(184)
Translation reserve – recognized in equity	510
31 December 2008	**(5,035)**

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.

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

13 FINANCE LEASE

Finance lease liabilities – minimum lease payments:

	31 December 2008	31 December 2007
Gross obligations under finance leases		
Less than 1 year	2,505	2,654
Between 1 year and 5 years	1,681	2,183
	4,186	**4,837**
Future finance charges	(263)	(340)
Present value of finance lease liabilities	**3,923**	**4,497**

The present value of finance lease liabilities is as follows:

	31 December 2008	31 December 2007
Less than 1 year	2,308	2,426
Between 1 year and 5 years	1,615	2,071
Present value of finance lease liabilities	**3,923**	**4,497**

The carrying amounts of lease obligations approximate their fair value.

14 BORROWINGS

Short term borrowings are presented as follows:

Lender	Maturity	Interest	31 December 2008	31 December 2007
CITIBANK Romania – EUR A&D Pharma Holdings NV	20-Jun-08	EURIBOR 3m + 1.45% p.a.	-	3,600
CITIBANK - EUR (Syndicated Loan)			75,947	-
Prepaid fees – less than 1 year			(369)	-
			75,578	**3,600**

The balances for long term borrowings as at 31 December 2008 and 31 December 2007 respectively are as follows:

	31 December 2008	31 December 2007
CITIBANK - EUR (Syndicated Loan)	-	70,218
Prepaid fees – less than 1 year	-	(698)
Prepaid fees – between 1 year and 5 years	-	(407)
	-	**69,113**

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

As at 13 July 2006, the Group has contracted a syndicated loan with Citibank, presented as follows:

Lender	**Maturity**	**Interest**	**31 December 2008**	**31 December 2007**
CITIBANK– Facility A – Mediplus Exim SRL	31 July 2011	EURIBOR 6m + 2.65% p.a. (2007: EURIBOR 6m + 1.7% p.a.)	9,429	4,000
CITIBANK – Facility B1 - Mediplus Exim SRL	31 July 2009	EURIBOR 1m + 2.4% p.a. (2007: EURIBOR 1m + 1.45% p.a.)	47,080	52,480
CITIBANK – Facility B1 – Sensiblu SRL	31 July 2009	EURIBOR 1m + 2.4% p.a. (2007: EURIBOR 1m + 1.45% p.a.)	19,438	13,738
			75,947	**70,218**

As at 31 December 2008, the Group has issued letters of guarantee to third parties, as presented below:

Lender	**Maturity**	**Bank Commission**	**31 December 2008**	**31 December 2007**
CITIBANK – Facility B3 – Mediplus Exim SRL	19 March 2009	1.7% p.a.	256	256
CITIBANK – Facility B3 – Mediplus Exim SRL	19 May 2009	1.7% p.a.	-	280
			256	**536**

At the date when the contract was concluded, the bank agreed to split the total facility as follows:

- Facility A - capital expenditure requirements and/or repayment of existing indebtedness of any member of the Group, over a period of 5 years;
- Facility B1 - working capital requirements and/or repayment of existing indebtedness of any member of the Group (revolving), over a period of 3 years;
- Facility B2 - capital expenditure requirements and/or repayment of existing indebtedness of any member of the Group, over a period of 3 years;
- Facility B3 - issuance of letters of guarantee to the extent required in the ordinary course of the business of any member of the Group, over a period of 3 years;

Limitations and utilisations:

- The maximum amount that can be utilised for facility A is EUR 10 million at the date of the agreement;
- The maximum amount that can be utilised for facilities B1 and B2 is EUR 80 million;

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

- The maximum amount of all letters of guarantee issued under facility B3 shall not exceed EUR 10 million.

The Citibank Loan Agreement contains certain affirmative covenants, including, without limitation, certain financial ratio covenants to be observed and, in some cases, restrictions on dividend payments, unless a certain debt/EBITDA ratio is met.

As at 31 December 2008, due to the reclassification of the loan from long term to short term, the Group is currently in default regarding the liquidity position (current assets to current liabilities ratio), required by Citibank.

The financial ratios not complied with as at 31 December 2008 are:

Ratio	**The value of the ratio according to contractual clauses**	**Realized value**
Liquidity ratio (current assets to current liabilities)	1	0.9

15 PROVISIONS

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

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

	31 Dec 2007	Translation difference	Expense during the period	Release during the period	**31 Dec 2008**
Long term provision	16,770	(1,578)	5,255	(6,070)	14,377
Short term - restructuring provision	-	(190)	2,490	-	2,300
	16,770	**(1,768)**	**7,745**	**(6,070)**	**16,677**

Short term provisions

The increase in short term provision for 2008 of EUR 2,490 thousand represents restructuring cost charged into income statement (Note 18).

During the year ended 31 December 2008 a provision of EUR 2,490 thousand was made to cover the costs associated with restructuring. Estimated restructuring costs include employee termination benefits and are based on a detailed plan agreed by the Group's management. The restructuring is expected to be concluded by end of June 2009.

Long term provisions

The release during the period in an amount of EUR 6,070 thousand is composed of EUR 5,814 thousand, representing reversal following the reassessment of covered risks, and the balance of EUR 256 thousand represent amounts used to cover risks materialised in the period.

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

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.

As at 31 December 2008, the management has reassessed the general risk, according to the new regulations in place for the pharma market and Romanian business environment.

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.

16 ACCOUNTS PAYABLE, ACCRUALS AND OTHER LIABILITIES

	31 December 2008	31 December 2007 (see Note 3.21)
Trade payables	192,786	155,355
Amounts owing to related parties (Note 20)	936	8,636
VAT and other tax payables	2,258	5,733
Accrued labour costs	3,842	2,675
Interest payable	277	163
Other payables	2,049	1,730
	202,148	**174,292**

Amortised cost of short term trade payables was computed based on an effective weighted average interest rate of 9.36% as at 31 December 2008 (31 December 2007: 4.38%).

The fair value of trade payables (including related parties) as at 31 December 2008 is EUR 199,967 thousand (2007 is EUR 167,383 thousand).

In the above balance of other payables, the Group included deferred income from loyalty programmes in amount of EUR 1,525 thousand (31 December 2007: EUR 921 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.

17 SALES

	2008	2007
Revenues from goods sold	495,636	415,970
Revenues from services	5,146	8,306
Other revenues	755	1,243
	501,537	**425,519**

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

18 OPERATING COSTS

	2008	2007 (see Note 3.21)
Cost of sales	376,811	313,509
Labour costs	49,995	43,089
Rent and administrative expenses	19,063	16,841
Other third party services	16,759	20,074
Depreciation and amortization	8,389	7,079
Advertising and promotion	5,222	12,134
Receivables write off, (gain)/loss	3,232	(243)
Other taxes and penalties	2,312	4,565
Net movement in general provisions, (gain)/loss	1,833	(732)
Inventory write off	1,679	2,437
Provision charge / (release) for inventories	606	(48)
Impairment charge for fixed assets	486	601
Other expenses	1,962	1,627
	488,349	**420,933**

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 general provisions (Note 15). All these represent termination benefits for Board members, executives, and employees of the Group.

19 FINANCIAL RESULT

	2008	2007 (see Note 3.21)
Foreign exchange (expense)/ income, net	(13,852)	(2,290)
Interest income	1,092	422
Interest expense	(6,350)	(7,250)
Interest (expense)/income financial instruments	4,650	(104)
Other financial expense	(731)	(1,015)
	(15,191)	**(10,237)**

20 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.

Related parties may enter into transactions which unrelated parties might not, and transactions between related parties may not be effected on the same terms, conditions and amounts as transactions between unrelated parties.

The nature of the related party relationships for those related parties with whom the Group entered into significant transactions during the period ended 31 December 2008 or had significant balances outstanding at 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
Consumer Product Network SRL (formerly Farmactiv SRL)	Importer and distributor of parapharmaceutical products	Romania
Loyalty Insurance Broker SRL	Insurance broker	Romania
Ozone Laboratories Ltd	Holding company of Ozone Laboratories SRL	United Kingdom
Ozone Laboratories SRL	Pharmaceutical manufacturer	Romania
Fleet Management Services SRL	Car fleet maintenance	Romania
Puls Media Network SRL (formerly Press Pro International SRL)	Media promotion	Romania
Arishop Pharma AD	Importer and distributor of pharmaceutical products	Bulgaria
Oxigen Plus SRL	Oxigen products distributor	Romania
Sensident SRL	Dental equipments	Romania
Sensiblu Optica SRL	Optical products	Romania
Miniblu SRL	Baby clothing and toys	Romania
Optical Network SRL	Optical products	Romania
Gemisa Investments Ltd	Investment fund	Cyprus
Gemisa Servicii SRL	Services	Romania
Adkit Serv SRL	Management services	Romania
Grup 3 Contracting SRL	Construction	Romania
Cristal Diagnostic SRL	Laboratory tests	Romania
Sograno BV	Holding company	The Netherlands

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

Other related parties	**Activity**	**Country of incorporation**
Avia Travel&Tour SRL	Tourism agency	Romania

Non consolidated subsidiaries	**Activity**	**Country of incorporation**
Elantis Farm SRL	Importer and distributor of pharmaceutical products	Moldova
A&D Pharma Hungary Kft	Importer and distributor of pharmaceutical products	Hungary

Subsidiaries not consolidated as at 31 December 2008 were considered to be immaterial for the financial position and performance of the Group:

	A&D Pharma Hungary Kft	**Elantis Farm SRL (Joint Venture)**	**Total**
% share owned	100%	50%	
Assets	245	214	459
Liabilities	(552)	(106)	(658)
Equity	307	(108)	199
Net liabilities / (assets)	307	(108)	199
Loss/(profit) for the year	**309**	**(30)**	**279**

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

Sales of goods and services	**2008**	**2007**
Ozone Laboratories SRL	2,207	4,353
Elantis Farm SRL	336	356
Miniblu SRL	156	150
Optical Network SRL	105	164
Consumer Product Network SRL	71	148
A&D Pharma Hungary Kft	55	-
Others	11	-
	2,941	**5,171**

Mediplus Exim SRL and 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 Ozone Laboratories SRL products, up to a yearly limit set out by the parties in the agreement. The agreement remains in force until 31 December 2008. The fees that Ozone Laboratories SRL must pay to Mediplus Exim SRL are calculated by applying certain percentages to the value of the Ozone Laboratories SRL finished products acquired by Mediplus Exim SRL from Ozone Laboratories SRL.

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

On 2 August 2006 Sensiblu SRL and Ozone Laboratories SRL entered into a service agreement according to which the former undertook to provide to the latter certain services for the merchandising of Ozone Laboratories SRL products in 159 of Sensiblu SRL's pharmacies. The number of the pharmacies where these services are provided is 214 at the end of 2008 (end of 2007: 214 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 Ozone Laboratories SRL are set out for each type of services provided.

Purchases of goods and services	**2008**	**2007**
Ozone Laboratories SRL	19,332	28,098
Avia Travel&Tour SRL	2,285	2,138
Fleet Management Services SRL	919	841
Loyalty Insurance Broker SRL	388	271
Consumer Product Network SRL	369	1,702
Cristal Diagnostic SRL	185	78
Miniblu SRL	140	3
Optical Network SRL	89	109
Adkit Serv SRL	79	71
Sensiblu Optica SRL	12	12
Others	53	117
	23,851	**33,440**

The goods and services purchased are presented net of discounts received from Ozone Laboratories SRL during the period ended 31 December 2008. The value of discounts received by the Group in the period is of EUR 5,373 thousand.

Sales of property plant and equipment	**2008**	**2007**
Oxigen Plus SRL	4	-
Ozone Laboratories SRL	1	11
Optical Network SRL	-	15
Founding shareholders	147	59
	152	**85**

Purchases of property plant and equipment	**2008**	**2007**
Grup 3 Contracting SRL	614	4,434
Fleet Management Services SRL	8	-
	622	**4,434**

The following balances were outstanding with related parties:

Trade receivables from related parties	**31 December 2008**	**31 December 2007**
Ozone Laboratories SRL	5,270	4,961
Employees	409	657
Ozone Laboratories Ltd	384	374
Optical Network SRL	211	195
Elantis Farm SRL	137	115
Miniblu SRL	79	204
A&D Pharma Hungary KFT	51	-

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

Consumer Product Network SRL	51	37
Others	42	-
	6,634	**6,543**

The trade receivables from employees in amount of EUR 409 thousand have been fully provided for.

Other receivables from related parties	**31 December 2008**	**31 December 2007**
Ozone Laboratories SRL	63	70
Miniblu SRL	30	34
Oxigen Plus SRL	36	56
Optical Network SRL	46	51
Gemisa Servicii SRL	-	12
Others	14	9
	189	**232**

A&D Pharma Hungary has been set up as a wholesale business greenfield investment in 2008 and started to operate in May 2008.

Trade and other payables to related parties	**31 December 2008**	**31 December 2007**
Ozone Laboratories SRL	333	6,985
Avia Travel&Tour SRL	292	372
Optical Network SRL	110	116
Fleet Management Services SRL	78	60
Miniblu SRL	37	27
Puls Media Network SRL	34	1
Loyalty Insurance Broker SRL	23	-
Cristal Diagnostic SRL	13	-
Consumer Product Network SRL	3	542
Grup 3 Contracting SRL	1	530
Others	12	3
	936	**8,636**

As at 1 July 2008 a new distribution contract was signed between Mediplus Exim SRL and Ozone Laboratories SRL, according to which Mediplus Exim will transfer to Ozone Laboratories SRLits outstanding receivables from the market older than 180 days (210 days according to the previous agreement), originated from sales of Ozone products done by Mediplus Exim towards its customers .

Balances from/(due) to shareholders

	31 December 2008	**31 December 2007**
To recover from founding shareholders	219	90

Loans granted to related parties

Loans to A&D Pharma Hungary	**31 December 2008**	**31 December 2007**
Loan	452	-
Interest income	13	-
	465	**-**

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

Other transactions with key Management personnel

As at 31 December 2008 former Executive Directors of the Company control 4.77% (31 December 2007: 7%) 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 58.95% (31 December 2007: 58.5%) of the voting shares of the Group's parent company through Sograno BV.

The salary costs incurred with the Board members are presented below:

	2008	**2008**	**2008**	**2007**
	Salary	Termination benefits	Total	Total
Board of Directors Salaries	**2,395**	**1,817**	**4,212**	**3,663**

Charles Michel Eid has retired from Non-Executive Director position starting 20 June 2008.

21 MAIN SUBSIDIARIES

The consolidated subsidiaries included within the Group and the degree of control exercised by A&D Pharma Holdings N.V. are as follows:

Entity	**Country of incorporation**	**Activity**	**% share 31 Dec 2008**	**% share 31 Dec 2007**
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	100	100
Farmacia Titan SRL	Romania	Retail distribution of pharmaceutical products in Romania	100	-

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

22 SEGMENT INFORMATION

Statement of income

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
Direct cost	(299,507)	(72,298)	(371,805)	(144,394)	-	78,342	(437,857)
Contribution profit	**26,938**	**26,327**	**53,265**	**10,415**	**-**	**-**	**63,680**
Indirect costs	(19,832)	(5,778)	(25,610)	(14,829)	(10,053)	-	(50,492)
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 charges	(3,340)	(795)	(4,135)	(4,623)	(117)	-	(8,875)

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

Balance sheet

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	233,319	(47,698)	526,428
Unallocated assets	-	-	-	-	-	-	-
Total assets	**243,099**	**36,256**	**279,355**	**61,452**	**233,319**	**(47,698)**	**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)

Statement of income

2007	**Classic Wholesale**	**Sales & Marketing**	**Total wholesale business**	**Retail**	**Corporate**	**Eliminations**	**Group**
Sales	271,742	91,838	363,580	121,633	-	(59,694)	425,519
Direct cost	(250,029)	(67,673)	(317,702)	(114,815)	-	59,694	(372,823)
Contribution profit	**21,713**	**24,165**	**45,878**	**6,818**	**-**	**-**	**52,696**
Indirect costs	(19,884)	(6,459)	(26,343)	(13,368)	(8,400)	-	(48,111)
Operating profit/(loss)	**1,829**	**17,706**	**19,535**	**(6,550)**	**(8,400)**	**-**	**4,585**
Finance costs, net	-	-	(6,390)	(2,269)	(1,577)	-	(10,236)
Profit/(loss) before taxation	**-**	**-**	**13,145**	**(8,819)**	**(9,977)**	**-**	(5,651)
Income tax expense			(2,576)	882	(1,098)	-	(2,792)
Net profit/(loss) for the period	**-**	**-**	**10,569**	**(7,937)**	**(11,075)**	**-**	(8,443)
Depreciation, amortisation and impairment charge	(2,615)	(623)	(3,238)	(3,996)	(446)	-	(7,680)

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

Balance sheet

As at 31 December 2007	**Classic wholesale**	**Sales & Marketing**	**Total wholesale business**	**Retail**	**Corporate**	**Eliminations**	**Group**
Segment assets	218,698	37,157	255,855	44,802	255,418	(29,234)	526,841
Unallocated assets		-	-	-	-	-	-
Total assets	**218,698**	**37,157**	**255,855**	**44,802**	**255,418**	**(29,234)**	**526,841**
Segment liabilities	190,495	27,057	217,552	60,910	14,616	(15,921)	277,157
Unallocated liabilities		-	-	-	-	-	-
Total liabilities	**190,495**	**27,057**	**217,552**	**60,910**	**14,616**	**(15,921)**	**277,157**
Capital expenditure	-	-	10,844	4,375	808	-	16,027

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

Primary reporting format - business segments

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 inter-company commercial and service transactions.

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

The secondary segmental information based on geographical area is not material to be disclosed as almost all the activity is carried out in Romania.

23 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.

Diluted earnings per share amounts are calculated by dividing the net profit attributable to ordinary equity holders of the parent (after deducting interest on the convertible preference shares) 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.

For 2008, basic loss per share values are as follows**:**

	2008
Net loss	(2,294)
Number of shares	200,000,000
Basic loss per share (€)	(0.01)

Also, in accordance with the Group's accounting policies, as at period end, diluted loss per share value are as follows:

	2008
Net loss	(2,294)
Number of shares	200,000,000
Diluted loss per share (€)	(0.01)

There have been no transactions involving ordinary shares or potential ordinary shares between the reporting date and the date of completion of these financial statements.

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

For 2007, basic loss per share values are as follows**:**

	2007
Net loss	(8,443)
Number of shares	200,000,000
Basic loss per share (€)	(0.04)

Also, in accordance with Group's accounting policies, as at period end, diluted earnings per share value were as follows:

	2007
Net loss	(8,443)
Number of shares	200,000,000
Diluted loss per share (€)	(0.04)

24 USE OF ESTIMATES

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.

Except as described below, in preparing these financial statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements as at and for the period ended 31 December 2007.

(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.

The linear amortisation method used to determine the amortised cost for both receivable and payables represents the Management's best estimate for the value of the corresponding amortisation.

(ii) Impairment losses on receivable

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 2008.

(v) 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 two 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 2008 Management tested goodwill, brands and licenses for impairment. Goodwill acquired through business combination, indefinite lived intangibles and net book value of fixed assets have been allocated to cash generating units as follows:

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

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 and Sales and Marketing	165,425	-	-	27,305	**192,730**	**215,077**	**22,347**
Retail	30,643	41,521	1,088	7,658	**80,910**	**109,863**	**28,953**
	196,068	**41,521**	**1,088**	**34,963**	**273,640**	**324,940**	**51,300**

In determining the values in use, the Management uses five-year detailed free cash flow forecasts (for period 2009-2013) and then simplified free cash flow forecasts in perpetuity with a discount rate of 10.2% (2007: 9.5%), using data for 2013. The value in use of the cash generating units was based on a growth factor of 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 segment

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 has been increased for 2009;
- the purchase power of Romanian consumers is expected to increase;
- in 2009, the Romanian Ministry of Health amended the selling prices for imported regulated drugs at more favourable levels (Note 27)

The projected EBITDA percent in revenue is in line with Central and Eastern European pharmaceutical markets between 2009 and 2013.

The sensitivity analysis of value in use to changes in discount rate reveals a breakeven point for Wholesale and Sales and Marketing segment at a level of 11.14%, which would imply an increase in borrowing cost by 100%.
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 has been increased for 2009;
- 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;
- past experience in respect of growth rates for retail segment has proven that Sensiblu exceeds the market trends.

The projected EBITDA percent in revenue is in line with Central and Eastern European pharmaceutical markets between 2009 and 2013.

The sensitivity analysis of value in use to changes in discount rate reveals a breakeven point for Retail segment at a level of 12.53%, which would imply an increase in borrowing cost by 200%.

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 2008.

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

25 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, 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 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.

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.

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 16,677 thousand. (Note 15)

f) Operating environment

Although Romania is a member of the European Union starting with 1 January 2007, the Romanian economy has some characteristics of an emergent market, such as a high current account deficit, a financial market relatively undeveloped and fluctuations in the foreign currency exchange rates.

Currently, the international financial markets feel the effects of the mortgage market decline from the United States and elsewhere. Those effects were felt by the Romania financial market in the form of fall in prices and liquidity on the capital markets and through an increase in the medium term financing interest rates due to the global crisis of liquidity.

The ongoing fears that the deteriorating financial conditions could contribute, at a later stage to a further retrenchment in confidence, prompted a coordinated effort of governments and Central Banks to adopt special measures aimed at countering a vicious circle of growing risk aversion and to helping restoring normal market functioning.

The identification and valuation of investments influenced by the illiquid credit market conditions, the determination of compliance with debt agreement and other executory contract covenants, and the evaluation of significant uncertainties, including uncertainties associated with an entity's ability to continue as a going concern for a reasonable period of time, bring their own challenges.

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. 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.

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

(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 25.5 million, for a period from 1 to 10 years, with future minimum lease payments as follows:

- i) less than 1 year EUR 9.2 million;
- ii) between 1 and 5 years EUR 11.8 million;
- iii) more than 5 years EUR 4.5 million.

b) Intangibles

The Group is engaged in a contract regarding the acquisition of ERP licenses of EUR 813 thousand.

(iii) Guarantees

- 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 10)
Unicredit Tiriac Bank	-	725
Citibank (Note 14)	256	-
RBS Bank Romania	5,083	-
	5,339	**725**

- As at 31 December 2008 the Group has an agreement with Unicredit Bank Romania for issuing letters of guarantee, in amount of EUR 725 thousand. Letters of guarantee are issued based on restricted cash.

- As at 31 December 2008 the Group has an agreement with Citibank for a credit line (Facility B3 – Note 14). 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.

- As at 31 December 2008 the Group has an agreement with RBS Bank Romania for the purpose of issuing of letters of guarantee in amount of EUR 6,000 thousand. The unused facility available to the Group as at 31 December 2008 is EUR 917 thousand.

26 FINANCIAL RISKS

(i) Credit risk

Financial assets, which potentially subject this Group to credit risk, consist principally of trade receivables. The Group has policies in place to ensure that sales of products and services are made to customers with an appropriate credit history. The carrying amount of accounts receivable, net of impairment adjustment, represents the maximum amount exposed to credit risk.

The Group has no significant concentrations of credit risk, other than the case of Sensiblu SRL (retail business) with the amounts due from the Health Insurance Houses.

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

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. Cash is placed in financial institutions, which are considered at the time of deposit to have minimal risk of default.

The maximum exposure to credit risk at the reporting date was:

	Carrying amount	
	31 December 2008	**31 December 2007**
Financial assets		
Trade receivables	123,501	136,629

The maximum exposure to credit risk for trade receivables at the reporting date by type of customer was:

	Carrying amount	
	31 December 2008	**31 December 2007**
Wholesale trade receivables	116,833	130,818
Retail trade receivables	6,668	5,811
Total	**123,501**	**136,629**

The ageing of trade receivables at the reporting date was:

	Gross 2008	**Impairment 2008**	**Gross 2007**	**Impairment 2007**
Between 0 – 30 days	29,857	-	29,714	-
Between 30 – 120 days	60,978	-	74,359	-
Between 120 -180 days	16,662	-	18,479	-
Between 180 -210 days	3,997	-	4,899	-
Between 210 – up to one year	7,114	-	6,128	-
More than one year	9,230	4,337	5,081	2,031
Total	**127,838**	**4,337**	**138,660**	**2,031**

The movement in the allowance for impairment in respect of trade receivables during 2008 and 2007 was as follows:

	2008	**2007**
Balance as at 1 January	**(2,031)**	**(2,541)**
		377
Impairment loss (recognised) / reversed	(2,701)	
Translation effect	395	133
		(2.031)
Balance as at 31 December	**(4,337)**	

The impairment provision at the end of 2008 is in line with the specific provision policy (see Note 3.7). The provision calculation takes into consideration only the customers against which the Group took legal action.

The provision of EUR 2,701 thousand recorded in 2008 is based on 242 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 2009.

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

The Group believes that no impairment is necessary in respect of trade receivables from hospitals (even if 11% of these receivables are older than one year) and from a related party – Ozone Laboratories SRL. The trade relation with hospitals is considered as being effectively risk free due to state ownership.

(ii) Foreign currency risk

The Group imports supplies from other European countries through its Romanian subsidiaries, which also attract significant foreign currency denominated borrowings. This exposes the Group to foreign exchange 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, U.S. Dollar (USD), Swiss Franc (CHF).

The Group uses forward exchange contracts to hedge its foreign currency risk. The forward exchange contracts have maturities of less than one year after the reporting date. Where necessary, the forward exchange contracts are rolled over at maturity.

The Group has hedged 100% of all monthly payments to suppliers denominated in EUR and USD until the end of September 2008. Due to the increase of hedging costs on last three months of 2008, the Group has decided to stop concluding new forward contracts.

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

	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 balance sheet exposure	**47,458**	**(145,496)**	**(33,505)**	**(302)**	**(7,297)**	**(3,645)**
Forward exchange contracts	-	37,126	20,782	-	3,172	-
Net balance sheet exposure	**47,458**	**(108,370)**	**(12,723)**	**(302)**	**(4,125)**	**(3,645)**

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

	RON	EURO	USD	GBP	CHF	DKK
31 December 2007						
Monetary assets						
Receivables	136,552	77	-	-	-	-
Other receivables	15,396	200	-	-	-	-
Monetary liabilities						
Payables	(98,695)	(42,482)	(26,620)	(393)	(7,201)	(2,243)
Borrowings		(72,713)	-	-	-	-
Leases	-	(4,488)	(9)	-	-	-
Gross balance sheet exposure	**53,253**	**(119,406)**	**(26,629)**	**(393)**	**(7,201)**	**(2,243)**
Forward exchange contracts	-	46,479	30,902	-	8,581	-
Net balance sheet exposure	**53,253**	**(72,927)**	**4,273**	**(393)**	**1,380**	**(2,243)**

The following significant exchange rates applied during the year:

	Average rate		Reporting date spot rate	
	2008	**2007**	**31 December 2008**	**31 December 2007**
RON/ EURO	3.6827	3.3337	3.9852	3.6102
RON/ USD	2.5189	2.4361	2.8342	2.4564
RON/ GBP	4.6276	4.8736	4.1169	4.9095
RON/ CHF	2.3238	2.0297	2.6717	2.1744
RON/ DKK	0.4939	0.4479	0.5348	0.4841

Sensitivity analysis

A 10 percent strengthening of the RON against the following currencies at 31 December 2008 and 2007 would have increased (decreased) profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant and includes the hedging effect.

	Profit / (loss) 2008	Profit / (loss) 2007
EUR	10,837	7,075
USD	1,272	(427)
CHF	412	(233)
GBP	30	39
DKK	365	224

A 10 percent weakening of the RON against the above currencies at 31 December 2008 and 2007 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.

	Profit / (loss)	Profit / (loss)

	2008	**2007**
EUR	(10,837)	(7,075)
USD	(1,272)	427
CHF	(412)	233
GBP	(30)	(39)
DKK	(365)	(224)

(iii) 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.

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

	Carrying amount	
	31 December 2008	**31 December 2007**
Financial assets		
Trade receivables	123,501	136,629
Financial liabilities		
Accounts payable	(195,247)	(164,909)
Borrowings	(75,578)	(72,713)
Leases	(3,923)	(4,497)
Total	**(151,247)**	**(105,490)**

Accounts payable comprises the following:

	31 December 2008	**31 December 2007**
Trade payables	192,786	155,352
Amounts owing to related parties (Note 20)	936	8,636
Deferred income arising from IFRIC 13 (included in other payables – Note 16)	1,525	921
	195,247	**164,909**

Sensitivity analysis for variable rate instruments

A change of 10% in interest rates at the reporting date would have increased (decreased) profit or loss 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 2007.

	Profit / (loss)	
Profit / (loss)	**10% increase**	**10% decrease**
<u>31 December 2008</u>		
Trade receivables	(985)	995
Financial assets interest sensitivity, net	**(985)**	**995**

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

	Profit / (loss)	
	10% increase	**10% decrease**
Trade payables	1,559	(1,574)
Borrowings	(411)	411
Leases	(30)	30
Financial liabilities interest sensitivity, net	**1,118**	**(1,133)**
31 December 2007		
Trade receivables	(603)	607
Financial assets interest sensitivity, net	**(603)**	**607**
Trade payables	781	(786)
Borrowings	(421)	421
Leases	(34)	34
Financial liabilities interest sensitivity, net	**326**	**(331)**

Interest rates used for determining fair value

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

	2008	**2007**
Trade receivables and trade payables	7.9% - 18.2%	6% - 7.8%
Borrowings	5.1% - 7.8%	5% - 6.8%
Leases	9% - 12.7%	9% - 12.7%

(iv) Liquidity risk

	31 December 2008	**31 December 2007**
Assets		
Monetary assets in RON	171,282	164,913
Monetary assets in foreign currency	6,623	3,677
	177,905	**168,590**
Liabilities		
Monetary liabilities in RON	(95,145)	(115,883)
Monetary liabilities in foreign currency	(187,164)	(155,731)
	(282,309)	**(271,614)**
Net monetary position in RON	**76,137**	**49,030**
Net monetary position in foreign currency	**(180,541)**	**(152,054)**

Management considers that the liquidity risk will be mitigated once the Club Loan will replace the current syndicated loan.

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

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 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)**
31 December 2007 Financial liabilities					
Trade payables	(164,909)	(168,823)	(168,823)	-	-
Borrowings	(72,713)	(73,818)	(3,600)	(66,218)	(4,000)
Leases	(4,497)	(4,837)	(2,654)	(1,519)	(664)
Total	**(242,119)**	**(247,478)**	**(175,077)**	**(67,737)**	**(4,664)**

27 POST BALANCE SHEET EVENTS

Health regulatory changes

On 2 February 2009, as per Official Journal number 62, the Romanian Ministry of Health has published the new methodology of drug price computation that will be enforced starting with 1 April 2009. 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, RON/USD 2.90, RON/CHF 2.52, as well as maintaining the carriage and insurance paid ("CIP") price to a minimum level from a list of 12 countries selected by government.

Also, maximum margins are established as follows:

- retail: between 12% and 24%, depending on the levels of wholesale selling prices;
- wholesale: between 10% and 14%, depending on the levels of producer selling prices.

Acquisition of Pharma Medical Promoter

On 2 February 2009, Mediplus Exim SRL has acquired 100% of Pharma Medical Promoter SRL (PMP) for a consideration of EUR 300 thousand. Pharma Medical Promoter SRL was incorporated in 2006, and its object of activity is trading of medical devices, prosthesis and other medical equipments.

At acquisition date, net assets were in amount of EUR 30 thousand. Net sales for the year 2008 were in amount of EUR 30 thousand, whereas net losses were of EUR 260 thousand.

Reimbursement of loan

During the first two months of 2009, the Group has repaid from Facility A of the Citibank syndicated loan an amount of EUR 1,571 thousand.

Changes in foreign exchange rates

Since the balance sheet date and up to the date of these financial statements, the RON weakened by approximately 8% compared to EUR.

A&D PHARMA HOLDINGS NV

STATUTORY CONSOLIDATED FINANCIAL STATEMENTS

PREPARED IN ACCORDANCE WITH
INTERNATIONAL FINANCIAL REPORTING STANDARDS

AS AT AND FOR THE YEAR ENDED
31 DECEMBER 2008

CONTENTS	**PAGE**

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 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 21.

As at 31 December 2008 the Group have 3,347 employees (3,558 employees as at 31 December 2007). ADP NV has its registered office at 2 Martinus Nijhofflaan, 2624 ES Delft, Netherlands.

Shareholders structure

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 shareholders of the Company as at 31 December 2007 were:

	Number of shares	Shareholding %
Sograno BV, Netherlands	117,000,000	58.5000
Defrin Investment Ltd	4,454,600	2.2273
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)	69,000,000	34.5000
	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

Roger de Bazelaire concluded his mandate as Chief Financial Officer on 31 August 2008 and Dimitris Sophocleous was appointed to this position on 1 September 2008.

Dragos Dinu concluded his mandate as Chief Executive Officer on 28 August 2008, but continued to act as consultant to the Group until 31 December 2008.

Vivian Diaconescu continued to act as Chief Operating Officer Sales & Marketing to the Group until 15 January 2009. He continues to act as consultant to the Group until 31 December 2010.

Board of Directors:

The Board of Directors 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	Interim Chief Executive Officer	On 1 August 2008 became Executive Director and on 18 September became Interim 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)	

Claudiu Opran continues to be employed as Chief Operating Officer for the retail business of the Group, but has left the Board in September 2008.

The Board of Directors as at 31 December 2007 comprised:

Name	Position	Retired on
David Raymond Ebsworth	Chairman of the Board, Non-Executive Director and Chairman of Nomination Committee	18 September 2008
Urs Kamber	Vice-Chairman of the Board, Non-Executive and Chairman of Audit Committee	18 September 2008
Dragos Dinu	Chief Executive Officer	28 August 2008
Roger de Bazelaire	Chief Financial Officer	31 August 2008
Vivian Diaconescu	Chief Operating Officer Wholesale	18 September 2008

Claudiu Opran	Chief Operating Officer Retail	18 September 2008
Charles Michel Eid	Non-Executive Director	20 June 2008
Eric ter Hark	Non-Executive Director and Chairman of Corporate Governance Committee	18 September 2008
John Michael Wemms	Non-Executive Director, and Chairman of Remuneration Committee	18 September 2008
Ludovic Charles Simon Robert	Non-Executive Director	
Roger Akoury	Non-Executive Director	
Walid Abboud	Non-Executive Director	
William Wells	Non-Executive Director	18 September 2008

STATUTORY COMPANY FINANCIAL STATEMENTS

BALANCE SHEET

	Note	31 December 2008	31 December 2007
		EUR'000	EUR'000
ASSETS			
Non-current assets			
Property , plant and equipment		184	165
Deferred tax asset		2,331	1,446
Financial assets	**2**	234,719	259,367
		237,234	260,978
Current receivables			
Trade and other receivables		50	200
Cash and cash equivalents		46	70
		96	270
Current liabilities			
Short term borrowings		-	3,600
Group loan		13,119	950
Accounts payable, accruals and other liabilities	**5**	1,804	5,886
		14,923	10,436
Current assets minus current liabilities		(14,827)	(10,166)
Long term liabilities	**4**	-	1,128
Shareholders' equity			
Issued capital	**3**	200,000	200,000
Share premium	**3**	59,075	59,075
Translation reserve		(31,148)	(6,165)
Retained earnings		(3,226)	5,217
Profit for the year		(2,294)	(8,443)
Total shareholders' equity		222,407	249,684

PROFIT AND LOSS ACCOUNT

	31 December 2008	**31 December 2007**
	EUR' 000	EUR' 000
Profit of participation interests after taxation	291	(4,219)
Other income and expenses after taxation	(2,585)	(4,224)
Profit for the year	(2,294)	(8,443)

NOTES TO THE STATUTORY 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 21 of the consolidated financial statements.

2. FINANCIAL ASSETS

Investments in group companies are carried at net asset 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 financial assets consist solely of participating interests in group companies.

Movement in the net asset value was as follows:

	2008	**2007**
	EUR' 000	EUR' 000
Balance at 1 January	259,367	281,926
Additions	45	-
Shares of profit of participating interests	291	(4,219)
Translation differences	(24,984)	(14,775)
Dividend paid	-	(3,566)
Balance at 31 December	234,719	259,367

The addition of EUR 45 thousand consists of 50% participating interests in acquisition of Elantis Farm SRL from Mediplus Exim SRL.

3. ISSUED CAPITAL

The authorized share capital amounts to Euro 220,000,000 divided into 220,000,000 ordinary shares of Euro 1.00 nominal value each. The issue 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.

4. LONG TERM LIABILITIES

The long term liabilities as at 31 December 2007 represent salary rights to be paid to David Raymond Ebsworth in the amount of EUR 1,128 thousand.

5. CURRENT LIABILITIES

The current liabilities can be broken down as follows:

	31 December 2008	31 December 2007
	EUR' 000	EUR' 000
Salary payable	1,126	-
Payables to Group Companies	-	4,636
Accounts payable	638	1,173
Taxation	40	27
Other liabilities	-	50
	1,804	5,886

Salary payables consists of termination payments in respect of top management that are to be paid during 2009.
Accounts payables include audit fees, fees for assistance to management in cascading objectives to organization, insurance premiums, and other professional fees.

6. EMPLOYEES

During 2008 the company employed eight employees (2007: six employees).

As at 31 December 2008 the Group has 3,347 employees (3,558 as at 31 December 2007).

7. BORROWINGS

The short term borrowings are presented as follows:

Lender	Maturity	Interest	31 December 2008	31 December 2007
CITIBANK Romania – EUR A&D Pharma Holdings NV	20 June 2008	EURIBOR 3m + 1.45% p.a.	-	3,600

The short term borrowing has been paid on 20 June 2008.

External auditor's fees

The table below presents the aggregate fees for audit services and other services rendered by BDO:

	31 December 2008	31 December 2007
	EUR' 000	EUR' 000
Audit services	48.5	39.5

Change in management

Roger de Bazelaire concluded his mandate as Chief Financial Officer on 31 August 2008 and Dimitris Sophocleous was appointed to this position on 1 September 2008.

Dragos Dinu concluded his mandate as Chief Executive Officer on 28 August 2008, but continued to act as consultant to the Group until 31 December 2008.

Vivian Diaconescu continued to act as Chief Operating Officer Sales & Marketing to the Group until 15 January 2009. He continues to act as consultant to the Group until 31 December 2010.

Board of Directors:

The Board of Directors 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
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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)	

Claudiu Opran continues to be employed as Chief Operating Officer for the retail business of the Group, but has left the Board in September 2008.

The Board of Directors as at 31 December 2007 comprised:

Name	Position	Retired on
David Raymond Ebsworth	Chairman of the Board, Non-Executive Director and Chairman of Nomination Committee	18 September 2008
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Eric ter Hark	Non-Executive Director and Chairman of Corporate Governance Committee	18 September 2008
John Michael Wemms	Non-Executive Director, and Chairman of Remuneration Committee	18 September 2008
Ludovic Charles Simon Robert	Non-Executive Director	
Roger Akoury	Non-Executive Director	
Walid Abboud	Non-Executive Director	
William Wells	Non-Executive Director	18 September 2008

A&D PHARMA HOLDINGS N.V.

Statutory Consolidated Balance Sheet as at 31 December 2008

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

	Note	31 December 2008	31 December 2007(*)
Assets			
Non-current assets			
Property, plant and equipment	**4**	35,310	39,375
Intangible assets	**5**	244,301	266,011
Financial investments		68	53
Long term receivables	**6**	4,880	5,384
Deferred tax asset	**12**	2,331	1,446
Total non-current assets		**286,890**	**312,269**
Current assets			
Inventories	**7**	66,513	51,366
Accounts receivable	**8**	118,672	131,282
Other current assets	**9**	9,048	15,559
Restricted cash	**10**	1,194	2,441
Cash and cash equivalents	**10**	44,111	13,924
Total current assets		**239,538**	**214,572**
Total assets		**526,428**	**526,841**
Shareholders' equity and liabilities			
Shareholders' equity			
Share capital	**11**	200,000	200,000
Share premium	**11**	59,075	59,075
Translation reserve		(31,148)	(6,165)
Accumulated losses		(5,520)	(3,226)
Total shareholders' equity		**222,407**	**249,684**
Non-current liabilities			
Long term provisions	**15**	14,377	16,770
Long term payables		615	1,128
Long term borrowings	**14**	-	69,113
Deferred tax liability	**12**	5,035	5,543
Finance lease	**13**	1,615	2,071
Total non-current liabilities		**21,642**	**94,625**
Current liabilities			
Short term borrowings	**14**	75,578	3,600
Accounts payable, accruals and other liabilities	**16**	202,148	174,292
Restructuring provision	**15**	2,300	-
Current tax liability		45	2,214
Finance lease	**13**	2,308	2,426
Total current liabilities		**282,379**	**182,532**
Total liabilities		**304,021**	**277,157**
Total shareholders' equity and liabilities		**526,428**	**526,841**

Authorised for issue by the Board of Directors on 4 March 2009 and authorised for signature on their behalf by:

Robert Popescu — Interim Chief Executive Officer

Dimitris Sophocleous — Chief Financial Officer

(*) See Note 3.21

A&D PHARMA HOLDINGS N.V.
Statutory Consolidated Statement of Income for the period ended 31 December 2008
(All amounts are expressed in EUR '000, unless otherwise stated)

	Note	2008 prior to restructuring	Restructuring costs	2008 after restructuring	2007(*)
Sales	**17**	501,537	-	501,537	425,519
Operating costs	**18**	(482,171)	(6,178)	(488,349)	(420,933)
Operating profit/(loss)		**19,366**	**(6,178)**	**13,188**	**4,586**
Financial income		1,092	-	1,092	422
Financial expense		(16,283)	-	(16,283)	(10,659)
Financial result	**19**	**(15,191)**	**-**	**(15,191)**	**(10,237)**
Profit/(Loss) before taxation		**4,175**	**(6,178)**	**(2,003)**	**(5,651)**
Taxation	**12**	(1,279)	988	(291)	(2,792)
Profit/(Loss) for the period		**2,896**	**(5,190)**	**(2,294)**	**(8,443)**
Basic loss per share	**23**			**€(0.01)**	**€(0.04)**
Diluted loss per share	**23**			**€(0.01)**	**€(0.04)**

Authorised for issue by the Board of Directors on 4 March 2009 and authorised for signature on their behalf by:

Robert Popescu
Interim Chief Executive Officer

Dimitris Sophocleous
Chief Financial Officer

(*) See Note 3.21

The notes 1 to 27 form an integral part of these Statutory Consolidated Financial Statements.

A&D PHARMA HOLDINGS N.V.

Statutory Consolidated Statement of Cash Flows for the period ended 31 December 2008

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

	2008	2007
Cash flows from operating activities		
Loss before taxation	(2,003)	(5,651)
Adjustments for:		
Depreciation and amortization	8,389	7,079
(Gain)/loss on disposal of tangible and intangible assets	(98)	68
Impairment losses on property, plant and equipment	486	222
Goodwill impairment	-	379
Provision charge/(release)	1,833	(732)
Interest income	(1,092)	(422)
Interest expense	1,700	7,354
Unrealised foreign exchange loss	9,199	2,265
Operating profit before working capital changes	**18,414**	**10,562**
Decrease/(increase) in receivables and prepayments	24,414	(5,514)
Decrease/(increase) in inventories	(15,147)	12,089
Increase in trade and other payables	29,674	10,952
Changes in working capital	**38,941**	**17,527**
Tax paid	(4,414)	(2,881)
Net cash generated from operating activities	**52,941**	**25,208**
Cash flows from investing activities		
Purchase of property, plant and equipment	(2,938)	(10,271)
Purchase of intangible assets	(3,231)	(2,292)
Acquisition of Titan pharmacy, net of cash acquired	(1,462)	-
Proceeds from sale of tangible and intangible assets	1,108	1,595
Interest received	1,012	422
Net cash used in investing activities	**(5,511)**	**(10,546)**
Cash flow from financing activities		
Repayment of long term borrowings	-	(680)
Drawdown of short term borrowings	2,865	3,600
Lease payments	(3,515)	(3,243)
Dividends paid	-	(3,566)
Interest paid	(6,097)	(6,554)
Net cash used in financing activities	**(6,747)**	**(10,443)**
Translation effect	(10,496)	(7,489)
Net increase/(decrease) in cash and cash equivalents	**30,187**	**(3,270)**

The notes 1 to 27 form an integral part of these Statutory Consolidated Financial Statements.

Cash and cash equivalents at the beginning of the period	**13,924**	**17,194**
Cash and cash equivalents at the end of the period (Note 10)	**44,111**	**13,924**

The notes 1 to 27 form an integral part of these Statutory Consolidated Financial Statements.

A&D PHARMA HOLDINGS N.V.

Statutory Consolidated Statement of Changes in Shareholders' Equity for the period ended 31 December 2008

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

	Share capital	Share premium	Translation reserve	Retained earnings/ (Accumulated losses)	Total
Balance as at 31 December 2006	**200,000**	**59,075**	**12,178**	**8,783**	**280,036**
Dividend distribution	-	-	-	(3,566)	(3,566)
Loss for the period	-	-	-	(8,443)	(8,443)
Translation reserve	-	-	(18,343)	-	(18,343)
Balance as at 31 December 2007	**200,000**	**59,075**	**(6,165)**	**(3,226)**	**249,684**
Loss for the period	-	-	-	(2,294)	(2,294)
Translation reserve	-	-	(24,983)	-	(24,983)
Balance as at 31 December 2008	**200,000**	**59,075**	**(31,148)**	**(5,520)**	**222,407**

The Group is not allowed to declare and pay dividends without prior consent of Citibank (see Note 14).

The notes 1 to 27 form an integral part of these Statutory Consolidated Financial Statements.

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 21.

1 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 the items disclosed in Note 3.19.

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 24).

2.2 Functional currency

Based on the primary economic environment in which the Group entities operate and taking into account the other factors as described in IAS 21 "The effects of changes in foreign exchange rates", the functional currencies of individual consolidated Group entities were determined as follows:

- ADP NV – EUR
- A&D Pharma Holdings SRL – Romanian Leu ("RON")
- Mediplus Exim SRL – Romanian Leu ("RON")
- Sensiblu SRL – Romanian Leu ("RON")
- Lauren Finance IFN SA – Romanian Leu ("RON")
- Farmacia Titan SRL – Romanian Leu ("RON")

The RON is not convertible outside Romania. The Management of the Company has decided to adopt EUR as presentation currency for the purpose of consolidated financial statements..

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

The balance sheet items that have the RON as the functional currency have been translated into EUR by dividing the RON amounts at the National Bank of Romania ("NBR") official exchange rates as at the date of each balance sheet, as set out below:

	31 December 2008	**31 December 2007**
RON / 1 EUR	3.9852	3.6102

The statement of income items for the period ended 31 December 2008 were translated using the RON/EUR monthly average exchange rates. The translation of the balance sheet and statement of income items into the presentation currency gave rise to a translation reserve as defined in Note 3.9. Cash flows are translated using appropriate average exchange rates. Components of equity are not retranslated.

Such computations and presentation of amounts in EUR should not be construed as a representation that the RON amounts have been or could be converted into EUR at these rates or any other rates.

2.3 Going concern

Management is satisfied that it is appropriate to prepare these Financial Statements on a going concern basis.

The Management position is based on the following facts:

a) The underlying business performance has recorded a positive net result in an amount of EUR 2,896 thousand, while the actual net loss for the period, in an amount of EUR 2,294 thousand, has been the result of the negative impact of restructuring cost and provisions as non recurring events amounting to EUR 5,190 thousand, as follows:

Net of tax	**31 December 2008**
Restructuring costs (Note 18)	3,688
Deferred tax related to restructuring cost (16%)	(590)
Provisions for restructuring costs (Note 18)	2,490
Deferred tax related to provisions for restructuring cost (16%)	(398)
	5,190

b) As at 31 December 2008, the current liabilities exceed the current assets by EUR 42,841 thousand because of the loan facility falling due in July 2009.

Management has started negotiation with a number of six reputable banks for refinancing the current syndicated loan. Three major banks have already re-expressed their official non-binding interest in joining the future club loan.

At the balance sheet date, the ability to continue the Group's operations as a going concern is dependent on the continued financial support from financial institutions.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 Group accounting

a) Subsidiaries

Subsidiaries, which are those Entities in which the Group has an interest of more than one half of the voting rights or otherwise has power to govern the financial and operating policies, are consolidated. The existence and effect of potential voting rights that are presently exercisable or presently convertible are considered when assessing whether the Group controls another entity.

Subsidiaries are consolidated from the date on which control is transferred to the Group and are no longer consolidated from the date when control ceases. The purchase method of accounting is used to account for the acquisition of subsidiaries.

The cost of an acquisition is measured by the fair value of the assets given up, shares issued or liabilities undertaken 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 net assets and contingent liabilities of the subsidiary acquired is recorded as goodwill.

b) Associates and joint ventures

Associates are entities over which the Group generally has between 20% and 50% of the voting rights, or over which the Group has significant influence, but which it does not control.

Joint ventures are those entities over whose activities the Group has joint control, established by contractual agreement and requiring unanimous consent for strategic financial and operating decisions. Associates and joint ventures are accounted for using the equity method (equity accounted investees). The consolidated financial statements include the Group's share of the income and expenses of equity accounted investees, after adjustments to align the accounting policies with those of the Group, from the date that significant influence or joint control commences until the date that significant influence or joint control ceases.

c) Transactions eliminated on consolidation

Intra-group balances, 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

Segment information is presented in respect of the Group's business segments, based on the Group's Management and internal structure. Inter-segment pricing is determined on an arm's length basis.

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

Segment capital expenditure is the total cost incurred during the period to acquire segment assets that are expected to be used for more than one period.

Primary reporting format – business segments

The Group comprises the following main business segments:

- Wholesale
- Retail
- Sales & Marketing
- Corporate

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

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

Secondary reporting format – geographical segments

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

3.3 Property, plant and equipment

Property, plant and equipment is recorded at purchase or construction cost.

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.

Impairment

At each reporting date the Management assess as to whether there is any indication of impairment of property, plant end equipment. If any such indication exists, the Management estimates the recoverable amount which is determined as the higher of an asset's net selling price and its value in use. In assessing value in use, the estimated cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. The carrying amount is reduced to the recoverable amount and the difference is recognised as expense (impairment loss) in the statement of income. An impairment loss recognised for an asset in prior years is reversed if there has been a change in the circumstances leading to the impairment.

3.4 Intangible assets

a) Goodwill

Goodwill represents amounts arising on acquisition of subsidiaries, associates and joint ventures. 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 stated at cost less any accumulated impairment losses. Goodwill is allocated to cash generating units and is tested for impairment at each reporting date.

Impairment

At each reporting date the Management assess whether there is any indication of impairment of goodwill. If any such indication exists, the Management estimates the recoverable amount which is determined as the higher of net selling price and its value in use of cash generating units it is allocated to. In assessing value in use, the estimated cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. The carrying amount is reduced to the recoverable amount and the difference is recognised as expense (impairment loss) in the statement of income. An impairment loss in respect of goodwill is not reversed.

b) Brands

Acquired brands are capitalized on the balance sheet. These brands are valued on acquisition by an independent valuer, using a discounted cash flow methodology 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 value of these brands is maintained indefinitely. 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. Pharmacy licenses started being amortised using the straight-line method over the 3-year period until 31 December 2010 (Note 5).

Licenses are stated at cost less any accumulated amortisation expenses.

d) *Computer licences and software*

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

e) *Impairment of intangible assets*

Where an indication of impairment exists, the carrying amount of any intangible asset is assessed and, when impaired, the asset is written down immediately to its recoverable amount.

3.5 Investments

The Group classified its investments in debt and equity securities into the following categories: trading, held-to-maturity and available-for-sale. The classification is dependent on the purpose for which the investments were acquired. Management determines the classification of its investments at the time of the purchase and re-evaluates such designation on a regular basis. Investments that are acquired principally for the purpose of generating a profit from short-term fluctuations in price are classified as trading investments and included in current assets; for the purpose of these financial statements short term is defined as 3 months. Investments with a fixed maturity that Management has the intent and ability to hold to maturity are classified as held-to-maturity and are included in non-current assets, except for maturities within 12 months from the balance sheet date which are classified as current assets. 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 the express intention of holding the investment for less than 12 months from the balance sheet date or unless they will need to be sold to raise operating capital, in which case they are included in current assets.

Purchases and sales of investments are recognized on the trade date, which is the date that the Group commits to purchase or sell the asset. Cost of purchase includes transaction costs. Trading and available-for-sale investments are subsequently carried at fair value. Held-to-maturity investments are carried at amortized cost using the effective yield method. Realized and unrealized gains and losses arising from changes in the fair value of trading and available-for-sale investments are included in the statement of income in the period in which they arise. The fair value of investments is based on quoted bid prices or amounts derived from cash flow models. Fair values for unlisted equity securities are estimated using applicable price/earnings or price/cash flow ratios refined to reflect the specific circumstances of the issuer. Equity securities for which fair values cannot be measured reliably are recognized at cost less impairment. When securities classified as available-for-sale are sold or impaired the accumulated fair value adjustments are included in the statement of income as gains and losses from investment securities.

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.

3.7 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.

3.8 Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet 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, and bank overdrafts. In the balance sheet, bank overdrafts are included with borrowings in current liabilities.

3.9 Shareholders' equity

Share capital and Share Premium

Ordinary and preferred 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.

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 the monthly average exchange rates and assets and liabilities at the date of each balance sheet closing rate. Components of equity are not retranslated.

Dividends

The Company can only pay dividends from its entities' statutory retained earnings and share premium, based upon financial statements prepared in accordance with local accounting regulations.

Dividends are recognised as a liability and deducted from equity at the balance sheet date only if they are declared before or on the balance sheet date. Dividends are disclosed when they are proposed before the balance sheet date or proposed or declared after the balance sheet date, but before the financial statements are authorised for issue.

3.10 Deferred income taxes

Deferred tax assets and liabilities are calculated in respect of temporary differences using the balance sheet liability method. Deferred income taxes are provided for all temporary differences arising between the tax basis of assets and liabilities and their carrying values for financial reporting purposes. A deferred tax asset is recorded only to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilised.

Deferred tax assets and liabilities are measured at tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantively enacted at the balance sheet date.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not be reversed in the foreseeable future.

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. 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 shall include 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 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.

3.14 Accounts payable

Liabilities for trade 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.

3.15 Foreign currency transactions

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 balance sheet date exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of income.

3.16 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 is recognised when the significant risks and rewards of ownership of the goods are transferred to the buyer and when collection is reasonably assured.

Sales of 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.

Interest income is recognised on a time-proportion basis using the effective interest method.

When a receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loans is recognised using the original effective interest rate.

3.17 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 obligation in respect of pensions. In addition, the Group is not obliged to provide further 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.

3.18 Financial instruments

Non-derivative financial instruments comprise investments in equity and debt securities, trade and other receivables, cash and cash equivalents, loans and borrowings, and trade and other payables.

Non-derivative financial instruments are initially recognised at fair value plus, for instruments not at fair value through profit or loss, any directly attributable transaction cost, except as described below. Subsequent to initial recognition non-derivative financial instruments are measured as described in the notes.

Fair value is the amount for which a financial instrument could be exchanged between knowledgeable and willing parties in an arm's length transaction. The amounts disclosed in the Financial Statements approximate their fair value.

The Group uses financial instruments that are subject to fluctuations in foreign currency exchanges (Note 26(ii)) for the financial risks faced by the Group.

Changes in the fair value of a derivative hedging instrument designated as a fair value hedge are recognised in profit or loss. The hedged item also is stated at fair value in respect of the risk being hedged, with any gain or loss being recognised in profit or loss.

3.19 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 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 exchange contracts is based on their listed market price, if available. If a listed market price is not available, then fair value is estimated as the difference between the contractual forward price and the current forward price for the residual maturity of the contract.

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.

3.20 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 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.

3.21 Comparative figures

The financial statements for the year ended 31 December 2008 are comparable to the financial statements for the year ended 31 December 2007. Where necessary, comparative figures have been reclassified in order to match the changes in the presentation of the current year financial statements.

a) *Reclassification in income statement of the foreign exchange difference*

In 2008, the Group has changed in the income statement the classification of the suppliers' foreign exchange differences together with hedging cost from operating result into financial result, in order to provide a more informative presentation on the effect of changes in foreign exchange rates on the Group's performance.

The new presentation into the financial result was entailed by the fact that starting with 2008, increasing foreign exchange losses could not be covered by operations through corresponding increases in sales. The Ministry of Health has blocked the actualization of selling price with the foreign exchange modifications. Moreover in 2009, the Ministry of Health has decided that the purchase prices will be computed based on a fixed exchange rate.

In conclusion, management considered that these costs should not affect anymore the operational result, being out of the control of the operational management.

As a consequence, the impact on the prior year income statement is an increase of operating costs by EUR 4,353 thousand and an equivalent decrease of financial expense.

b) Initial adoption of IFRIC 13 "Customer loyalty programmes"

As an effect of IFRIC 13 early adoption, the Group has reclassified the balance sheet position representing the awards granted to customers as loyalty points from accrual for discounts allowed into deferred income charged into income statement proportionate with the usage of loyalty points.

As a consequence, the impact on the prior year accounts payable is a decrease of trade payables by EUR 921 thousand and an increase of deferred income (included in other payables) by the same amount.

The change of the accounting policy has no effect on the profit and loss account for the period ended 2007.

3.22 Recent accounting pronouncements

(a) Adoption of standards and interpretations effective from 1 January 2008

As at 1 January 2008, the Group adopted the IFRSs below. The financial statements have been amended in accordance with the relevant requirements.

- IFRIC 12 Service Concession Arrangements. The Interpretation provides guidance to private sector entities on certain recognition and measurement issues that arise in accounting for public-to-private service concession arrangements. IFRIC 12 is not relevant for the Group's operations.

- IFRIC 13 Customer Loyalty Programmes addresses accounting by entities that grant loyalty award credits to customers who buy other goods or services. It explains how an entity should account for their obligations to provide free or discounted goods or services ('awards') to customers who redeem award credits. Such entities are required to allocate some of the proceeds of the initial sale to the award credits and recognise these proceeds as revenue only when they fulfilled their obligations. The Group decided the early adoption of the IFRIC 13 amendments in preparing these financial statements, for the period beginning 1 January 2008.The change in accounting policy has been accounted for in accordance with IAS 8 (Note 16).

- IFRIC 14 The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction. In many countries, laws or contractual terms require employers to make minimum funding payments for their pension or other employee benefit plans. This enhances the security of the retirement benefit promise made to members of an employee benefit plan. The interpretation is not relevant for the Group's operations.

- IFRIC 16 Hedges of a Net Investment in a Foreign Operation. The interpretation provides guidance on the type of exposure that may be hedged, where in the group the hedged item may be held, whether the method of consolidation affects hedge effectiveness, the form of the hedged instrument may take and which amounts are reclassified from equity to profit and loss on disposal of the foreign operation. The interpretation is not relevant for the Group's operations.

(b) Standards issued before, but effective after 1 January 2009

Certain new standards, amendments and interpretations to existing standards that have been published are mandatory for the Group's accounting periods beginning on or after 1 January 2008 or later periods but have not been early adopted, as follows:

- IFRS 8 Operating Segments (effective from 1 January 2009). The Standard requires segment disclosure based on the components of the entity that Management monitors in making decisions about operating matters. Operating segments are components of an entity about which separate financial information is available that is evaluated regularly by the chief operating decision maker in deciding how to allocate resources and in assessing performance. This standard which becomes mandatory for the Group's 2009 Financial Statements is not expected to have any impact on the Financial Statements, as the Group already discloses segment information, in accordance with IFRS 8 (Note 22).

- Revised IAS 23 Borrowing Costs (effective from 1 January 2009). Revised IAS 23 removes the option to expense borrowing costs and requires that an entity capitalises borrowing costs directly attributable to the acquisition or production of a qualifying asset as part of the costs of that asset. The Group already applies the capitalisation of borrowing cost.

- IFRS 2 Share-based Payment (effective from 1 January 2009). The amendments to the Standard clarify the definition of vesting conditions and introduce the concept of non-vesting conditions. Non-vesting conditions are to be reflected in grant-date fair value and failure and failure to meet non-vesting conditions will generally result in treatment as cancellation. The amendments to IFRS 2 are not relevant to the Group's operations.

- IFRS 3 Business Combinations (effective from 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.

- IAS 1 Presentation of Financial Statements (effective form 1 January 2009). The revised Standard required information in the financial statements to be aggregated on the basis of shared characteristics and introduces the statement of comprehensive income. Total comprehensive income may be presented either in a single statement effectively combining both the income statement and all owner changes in equity or in an income statement and a separate statement of comprehensive income. The Group intends to provide total comprehensive income statement in a single statement for its 2009 consolidated financial statements.

- IAS 27 Consolidated and Separate Financial Statements (effective 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.

- IAS 32 Financial Instruments: Presentation and IAS 1 Presentation of Financial Statements (effective 1 January 2009). The amendments of the Standard allow certain puttable instruments issued by an entity that would normally be classified as liabilities to be classified as equity if they met certain conditions. The interpretation is not relevant for the Group's operations as none of the Group entities have in the past issued puttable instruments that would be affected by the amendments.

- IAS 39 Financial Instruments: Recognitions and measurement (effective 1 July 2009). The amended Standard addresses the application of existing principles that determine whether specific risks or portions of cash flows are eligible for designation in a hedging relationship. In designating a hedging relationship the risks or portions must be separately identifiable and reliably measurable. The interpretation is not relevant for the Group's operations.

(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 2007	7,130	5,397	1,960	5,484	2,038	13,583	35,592
Additions	1,490	1	1,267	4,170	620	6,187	13,735
Transfers	14,278	2,014	50	1,088	577	(18,007)	-
Disposals	(200)	(426)	(126)	(521)	(169)	(161)	(1,603)
Depreciation charge	(410)	(1,858)	(1,102)	(2,166)	(666)	-	(6,202)
Impairment charge	-	(55)	(72)	-	(95)	-	(222)
Translation differences	(403)	(317)	(75)	(202)	(93)	(835)	(1,925)
Closing net book amount as of 31 December 2007	**21,885**	**4,756**	**1,902**	**7,853**	**2,212**	**767**	**39,375**
Cost	22,442	9,232	4,633	11,441	3,690	767	52,205
Accumulated depreciation	(557)	(4,096)	(2,621)	(3,588)	(1,311)	-	(12,173)
Impairment provision	-	(380)	(110)	-	(167)	-	(657)
Closing net book amount as of 31 December 2007	**21,885**	**4,756**	**1,902**	**7,853**	**2,212**	**767**	**39,375**

(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 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)

Additions through business combinations represent fixed assets obtained through acquisition of FarmaciaTitan SRL pharmacy.

Additions to assets under construction represent mostly improvements made for pharmacies and developments of new warehouses located in Bacau, Brasov, Galati, Sibiu. In the third quarter of year 2008, management decided to cease the developments for these warehouses, therefore the related capitalised expenditure was fully impaired as at 31 December 2008.

Additions to motor vehicles comprise the renewal cost of the distribution car fleet. During 2008, the Group has changed the useful life for motor vehicles from 4 to 5 years. The impact for the period ended 31 December 2008 in the Consolidated Statement of Income on depreciation charge is a decrease of EUR 464 thousand.

Leasehold improvements include refurbishments from related parties capitalised in amount of EUR 92 thousand (2007: EUR 306 thousand). Total property plant and equipment acquired from related party during 2008 is EUR 622 thousand (2007: EUR 4,434 thousand) (see Note 20).

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

The reversal of impairment on leasehold improvements relates to pharmacies that had been in course of relocation or refurbishment as at 31 December 2007 and were then reopened during 2008.

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 2008	**31 December 2007**
Cost – capitalised finance leases	10,431	11,185
Accumulated depreciation	(4,205)	(4,048)
Net book value	**6,226**	**7,137**

Bank borrowings (Note 14) are secured over buildings and land with a net book value of EUR 17,333 thousand as at 31 December 2008 (31 December 2007: EUR 19,723 thousand).

(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 2007	**230,651**	**48,931**	**1,719**	**1,659**	**-**	**282,960**
Translation reserve	(14,595)	(3,097)	(110)	(100)	(23)	**(17,925)**
Additions	-	-	-	984	1,308	**2,292**
Transfers	-	-	9	563	(572)	**-**
Disposals	-	-	-	(13)	(47)	**(60)**
Amortisation charge	-	-	-	(877)	-	**(877)**
Impairment charge	(379)	**-**	**-**	**-**	**-**	**(379)**
Closing net book amount as of 31 December 2007	**215,677**	**45,834**	**1,618**	**2,216**	**666**	**266,011**
Cost	216,056	45,834	2,039	3,762	666	268,357
Accumulated amortisation	-	-	(421)	(1,546)	-	(1,967)
Impairment provision	(379)	-	-	-	-	(379)
Closing net book amount as of 31 December 2007	**215,677**	**45,834**	**1,618**	**2,216**	**666**	**266,011**

(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 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)

Increase of goodwill from the acquisition of Farmacia Titan SRL pharmacy

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

Goodwill was computed as follows:

Consideration paid	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 2008, for impairment purposes, management has allocated goodwill to the Group's two main cash generating units, Mediplus Exim SRL EUR 165,425 thousand (31 December 2007: EUR 182,611 thousand) and Sensiblu SRL EUR 30,643 thousand (31 December 2007: EUR 33,066 thousand).

As at 31 December 2008, management tested goodwill and brands, as well as non-current fixed assets for impairment (see Note 24 (v)).

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

Additions to intangibles in progress 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.

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 with 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 with 2008. The effect of the change in accounting estimate is an increase of EUR 578 thousand in depreciation expense for the year ended 31 December 2008.

6 LONG TERM RECEIVABLES

	31 December 2008	31 December 2007
Long term trade receivables	4,829	5,347
Other	51	37
	4,880	**5,384**

Based on historical trend, management assessed that 10% of trade receivable balances 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 2008, the fair value of long term receivables is EUR 4,844 thousand (31 December 2007: EUR 5,347 thousand). Amortised cost was computed based on an effective weighted average interest rate of 13.85% for the year 2008 (2007: 7.73%).

As at 31 December 2008 bank borrowings (Note 14) are secured over EUR 4,829 thousand from the above long term trade receivables balance (31 December 2007: EUR 5,347 thousand).

7 INVENTORIES

	31 December 2008	31 December 2007
Goods held for sale	68,198	52,607
Provision for slow moving and obsolete inventory	(1,685)	(1,241)
	66,513	**51,366**

As at 31 December 2008 bank borrowings (Note 14) are secured over EUR 64,158 thousand from the above inventories (31 December 2007: EUR 49,993 thousand).

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

8 ACCOUNTS RECEIVABLE

	31 December 2008	31 December 2007
Trade receivables	116,375	126,771
Trade receivables from related parties (Note 20)	6,634	6,543
Impairment of trade receivables	(4,337)	(2,032)
	118,672	**131,282**

Amortised cost of trade receivables was computed based on an effective weighted average interest rate of 7.51% for the year 2008 (2007: 3.73%).

As at 31 December 2008 bank borrowings (Note 14) are secured over EUR 118,672 thousand from the above trade receivables balance (31 December 2007: EUR 131,282 thousand).

The fair value of trade receivables (including related parties) as at 31 December 2008 is EUR 129,015 thousand (31 December 2007: EUR 132,567 thousand).

9 OTHER CURRENT ASSETS

	31 December 2008	31 December 2007
Hedging receivables	5,676	3,523
Sundry debtors, net	1,195	709
Prepayments	756	5,949
Current tax assets	588	-
Other receivables from shareholders (Note 20)	219	90
Other receivables from related parties (Note 20)	189	232
VAT recoverable	157	4,552
Advances to suppliers	157	230
Loans receivable from customers	111	274
	9,048	**15,559**

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

Hedging receivables at fair value through profit or loss

The Group entered into a number of deliverable 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 unrealised gains for the year 2008 from deliverable forward contracts are EUR 5,676 thousand
(2007: EUR 3,523 thousand).

The table below summarizes, by major currency, the contractual amounts of the Group deliverable 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 balance sheet 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

As at 31 December 2007 the contractual amounts of the Group deliverable forward foreign exchange contracts were:

	Forward exchange rates	**Spot exchange rates**	**Notional amount in EUR thousand**
Buy US Dollars	2.4242	2.4564	15,517
Buy US Dollars	2.3866	2.4564	15,385
Buy Euro	3.4360	3.6102	46,479
Buy CHF	2.1058	2.1744	8,581

The "Forward 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 balance sheet date.

10 CASH AND CASH EQUIVALENTS

	31 December 2008	**31 December 2007**
Cash and bank in RON	43,729	13,809
Cash and bank in foreign currency	382	115
Total cash and cash equivalents	**44,111**	**13,924**
Restricted cash	1,194	2,441
	45,305	**16,365**

As at 31 December 2008 the value of short-term deposits included within cash and bank in RON was of EUR 39,088 thousand (31 December 2007: EUR 2,240 thousand), and the weighted average effective interest rate on short-term bank deposits was 12.24% p.a. (2007: 5.37% p.a.).

As at 31 December 2008 bank borrowings (Note 14) are secured over EUR 3,190 thousand (31 December 2007: EUR 9,313 thousand) from the above cash balance.

Restricted cash includes guarantees in favour of suppliers in amount of EUR 725 thousand (Note 25).

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

For the purpose of the cash flow statement, the cash and cash equivalents comprise the following:

	31 December 2008	31 December 2007
Cash and bank balances	45,305	16,365
Less restricted cash	(1,194)	(2,441)
	44,111	**13,924**

11 SHARE CAPITAL AND SHARE PREMIUM

As at 31 December 2008 and 31 December 2007 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 and all have equal voting rights.

In 2008 and 2007 there were no changes in the share capital and in the share premium of the Group.

12 TAXATION

	2008	2007
Income tax expense – current	1,656	2,515
Deferred tax income and tax provision	(1,365)	277
Income tax	**291**	**2,792**

The Romanian subsidiaries accrue income tax at the rate of 16% on profits as at 31 December 2008 and 31 December 2007 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:

	2008	2007
Loss before tax charge	(2,003)	(5,651)
Theoretical tax rate	32.45%	25.54%
Tax calculated at domestic tax rates applicable to profits in the respective countries	(650)	(1,443)
Tax effect of items which are not deductible or assessable for taxation purposes		
Non-deductible expenses	1,108	2,593
Other non-temporary adjustments	(167)	1,642
Income tax	**291**	**2,792**

Deferred tax

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

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

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 2008, respectively 31 December 2007 is reflected in the statement of income for the period then ended.

a. Deferred tax asset

	31 December 2008		**31 December 2007**	
	Cumulative temporary differences	**Deferred tax asset/ (liability)**	**Cumulative temporary differences**	**Deferred tax asset/ (liability)**
Property, plant and equipment	(184)	(47)	(165)	(42)
Payables and other accruals	1,688	431	1,568	400
Deferred tax asset for statutory unused loss relief	7,636	1,947	4,268	1,088
Deferred tax asset	**9,140**	**2,331**	**5,671**	**1,446**

The movement in deferred tax asset balance is as follows:

	Deferred tax asset
31 December 2006	**-**
Deferred tax income	1,446
31 December 2007	**1,446**
Deferred tax income	885
31 December 2008	**2,331**

Deferred tax asset position in amount of 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.

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

b. Deferred tax liability

	31 December 2008		31 December 2007	
	Cumulative temporary differences	**Deferred tax asset/ (liability)**	**Cumulative temporary differences**	**Deferred tax asset/ (liability)**
Property, plant and equipment	(531)	(85)	(712)	(114)
Inventories	8,198	1,312	8,586	1,374
Receivables	(1,591)	(254)	1,240	198
Investments	(375)	(60)	(414)	(66)
Payables and other accruals	(9,322)	(1,492)	(7,896)	(1,263)
Deferred tax asset for statutory unused loss relief	14,820	2,371	10,383	1,661
Brand	(41,521)	(6,643)	(45,834)	(7,333)
Financial assets at fair value acquired through business combinations	(1,149)	(184)		
Deferred tax liability	**(31,471)**	**(5,035)**	**(34,647)**	**(5,543)**

The movement in deferred tax liability balance is as follows:

	Deferred tax (liability)/asset
31 December 2006	**(6,704)**
Deferred tax income	2,241
Translation reserve – recognized in equity	(1,080)
31 December 2007	**(5,543)**
Deferred tax income	182
Acquired through business combinations	(184)
Translation reserve – recognized in equity	510
31 December 2008	**(5,035)**

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.

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

13 FINANCE LEASE

Finance lease liabilities – minimum lease payments:

	31 December 2008	31 December 2007
Gross obligations under finance leases		
Less than 1 year	2,505	2,654
Between 1 year and 5 years	1,681	2,183
	4,186	**4,837**
Future finance charges	(263)	(340)
Present value of finance lease liabilities	**3,923**	**4,497**

The present value of finance lease liabilities is as follows:

	31 December 2008	31 December 2007
Less than 1 year	2,308	2,426
Between 1 year and 5 years	1,615	2,071
Present value of finance lease liabilities	**3,923**	**4,497**

The carrying amounts of lease obligations approximate their fair value.

14 BORROWINGS

Short term borrowings are presented as follows:

Lender	Maturity	Interest	31 December 2008	31 December 2007
CITIBANK Romania – EUR A&D Pharma Holdings NV	20-Jun-08	EURIBOR 3m + 1.45% p.a.	-	3,600
CITIBANK - EUR (Syndicated Loan)			75,947	-
Prepaid fees – less than 1 year			(369)	-
			75,578	**3,600**

The balances for long term borrowings as at 31 December 2008 and 31 December 2007 respectively are as follows:

	31 December 2008	31 December 2007
CITIBANK - EUR (Syndicated Loan)	-	70,218
Prepaid fees – less than 1 year	-	(698)
Prepaid fees – between 1 year and 5 years	-	(407)
	-	**69,113**

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

As at 13 July 2006, the Group has contracted a syndicated loan with Citibank, presented as follows:

Lender	Maturity	Interest	31 December 2008	31 December 2007
CITIBANK– Facility A – Mediplus Exim SRL	31 July 2011	EURIBOR 6m + 2.65% p.a. (2007: EURIBOR 6m + 1.7% p.a.)	9,429	4,000
CITIBANK – Facility B1 - Mediplus Exim SRL	31 July 2009	EURIBOR 1m + 2.4% p.a. (2007: EURIBOR 1m + 1.45% p.a.)	47,080	52,480
CITIBANK – Facility B1 – Sensiblu SRL	31 July 2009	EURIBOR 1m + 2.4% p.a. (2007: EURIBOR 1m + 1.45% p.a.)	19,438	13,738
			75,947	**70,218**

As at 31 December 2008, the Group has issued letters of guarantee to third parties, as presented below:

Lender	Maturity	Bank Commission	31 December 2008	31 December 2007
CITIBANK – Facility B3 – Mediplus Exim SRL	19 March 2009	1.7% p.a.	256	256
CITIBANK – Facility B3 – Mediplus Exim SRL	19 May 2009	1.7% p.a.	-	280
			256	**536**

At the date when the contract was concluded, the bank agreed to split the total facility as follows:

- Facility A - capital expenditure requirements and/or repayment of existing indebtedness of any member of the Group, over a period of 5 years;
- Facility B1 - working capital requirements and/or repayment of existing indebtedness of any member of the Group (revolving), over a period of 3 years;
- Facility B2 - capital expenditure requirements and/or repayment of existing indebtedness of any member of the Group, over a period of 3 years;
- Facility B3 - issuance of letters of guarantee to the extent required in the ordinary course of the business of any member of the Group, over a period of 3 years;

Limitations and utilisations:

- The maximum amount that can be utilised for facility A is EUR 10 million at the date of the agreement;
- The maximum amount that can be utilised for facilities B1 and B2 is EUR 80 million;

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

- The maximum amount of all letters of guarantee issued under facility B3 shall not exceed
  EUR 10 million.

The Citibank Loan Agreement contains certain affirmative covenants, including, without limitation, certain financial ratio covenants to be observed and, in some cases, restrictions on dividend payments, unless a certain debt/EBITDA ratio is met.

As at 31 December 2008, due to the reclassification of the loan from long term to short term, the Group is currently in default regarding the liquidity ratio (current assets to current liabilities ratio), required by Citibank.

The financial ratios not complied with as at 31 December 2008 are:

Ratio	**The value of the ratio according to contractual clauses**	**Realized value**
Liquidity ratio (current assets to current liabilities)	1	0.9

15 PROVISIONS

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

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

	31 Dec 2007	Translation difference	Expense during the period	Release during the period	**31 Dec 2008**
Long term provision	16,770	(1,578)	5,255	(6,070)	14,377
Short term - restructuring provision	-	(190)	2,490	-	2,300
	16,770	**(1,768)**	**7,745**	**(6,070)**	**16,677**

Short term provisions

The increase in short term provision for 2008 of EUR 2,490 thousand represents restructuring cost charged into income statement (Note 18).

During the year ended 31 December 2008 a provision of EUR 2,490 thousand was made to cover the costs associated with restructuring. Estimated restructuring costs include employee termination benefits and are based on a detailed plan agreed by the Group's management. The restructuring is expected to be concluded by end of June 2009.

Long term provisions

The release during the period in an amount of EUR 6,070 thousand is composed of EUR 5,814 thousand, representing reversal following the reassessment of covered risks, and the balance of EUR 256 thousand represent amounts used to cover risks materialised in the period.

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

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.

As at 31 December 2008, the management has reassessed the general risk, according to the new regulations in place for the pharma market and Romanian business environment.

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.

16 ACCOUNTS PAYABLE, ACCRUALS AND OTHER LIABILITIES

	31 December 2008	**31 December 2007 (see Note 3.21)**
Trade payables	192,786	155,355
Amounts owing to related parties (Note 20)	936	8,636
VAT and other tax payables	2,258	5,733
Accrued labour costs	3,842	2,675
Interest payable	277	163
Other payables	2,049	1,730
	202,148	**174,292**

Amortised cost of short term trade payables was computed based on an effective weighted average interest rate of 9.36% as at 31 December 2008 (31 December 2007: 4.38%).

The fair value of trade payables (including related parties) as at 31 December 2008 is EUR 199,967 thousand (2007 is EUR 167,383 thousand).

In the above balance of other payables, the Group included deferred income from loyalty programmes in amount of EUR 1,525 thousand (31 December 2007: EUR 921 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.

17 SALES

	2008	**2007**
Revenues from goods sold	495,636	415,970
Revenues from services	5,146	8,306
Other revenues	755	1,243
	501,537	**425,519**

18 OPERATING COSTS

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

	2008	**2007 (see Note 3.21)**
Cost of sales	376,811	313,509
Labour costs	49,995	43,089
Rent and administrative expenses	19,063	16,841
Other third party services	16,759	20,074
Depreciation and amortization	8,389	7,079
Advertising and promotion	5,222	12,134
Receivables write off, (gain)/loss	3,232	(243)
Other taxes and penalties	2,312	4,565
Net movement in general provisions, (gain)/loss	1,833	(732)
Inventory write off	1,679	2,437
Provision charge / (release) for inventories	606	(48)
Impairment charge for fixed assets	486	601
Other expenses	1,962	1,627
	488,349	**420,933**

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 general provisions (Note 15). All these represent termination benefits for Board members, executives, and employees of the Group.

19 FINANCIAL RESULT

	2008	**2007 (see Note 3.21)**
Foreign exchange (expense)/ income, net	(13,852)	(2,290)
Interest income	1,092	422
Interest expense	(6,350)	(7,250)
Interest (expense)/income financial instruments	4,650	(104)
Other financial expense	(731)	(1,015)
	(15,191)	**(10,237)**

20 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.

Related parties may enter into transactions which unrelated parties might not, and transactions between related parties may not be effected on the same terms, conditions and amounts as transactions between unrelated parties.

The nature of the related party relationships for those related parties with whom the Group entered into significant transactions during the period ended 31 December 2008 or had significant balances outstanding at 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
Consumer Product Network SRL (formerly Farmactiv SRL)	Importer and distributor of parapharmaceutical products	Romania
Loyalty Insurance Broker SRL	Insurance broker	Romania
Ozone Laboratories Ltd	Holding company of Ozone Laboratories SRL	United Kingdom
Ozone Laboratories SRL	Pharmaceutical manufacturer	Romania
Fleet Management Services SRL	Car fleet maintenance	Romania
Puls Media Network SRL (formerly Press Pro International SRL)	Media promotion	Romania
Arishop Pharma AD	Importer and distributor of pharmaceutical products	Bulgaria
Oxigen Plus SRL	Oxigen products distributor	Romania
Sensident SRL	Dental equipments	Romania
Sensiblu Optica SRL	Optical products	Romania
Miniblu SRL	Baby clothing and toys	Romania
Optical Network SRL	Optical products	Romania
Gemisa Investments Ltd	Investment fund	Cyprus
Gemisa Servicii SRL	Services	Romania
Adkit Serv SRL	Management services	Romania
Grup 3 Contracting SRL	Construction	Romania
Cristal Diagnostic SRL	Laboratory tests	Romania
Sograno BV	Holding company	The Netherlands

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

Other related parties	**Activity**	**Country of incorporation**
Avia Travel&Tour SRL	Tourism agency	Romania

Non consolidated subsidiaries	**Activity**	**Country of incorporation**
Elantis Farm SRL	Importer and distributor of pharmaceutical products	Moldova
A&D Pharma Hungary Kft	Importer and distributor of pharmaceutical products	Hungary

Subsidiaries not consolidated as at 31 December 2008 were considered to be immaterial for the financial position and performance of the Group:

	A&D Pharma Hungary Kft	**Elantis Farm SRL (Joint Venture)**	**Total**
% share owned	100%	50%	
Assets	245	214	459
Liabilities	(552)	(106)	(658)
Equity	307	(108)	199
Net liabilities / (assets)	307	(108)	199
Loss/(profit) for the year	**309**	**(30)**	**279**

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

Sales of goods and services	**2008**	**2007**
Ozone Laboratories SRL	2,207	4,353
Elantis Farm SRL	336	356
Miniblu SRL	156	150
Optical Network SRL	105	164
Consumer Product Network SRL	71	148
A&D Pharma Hungary Kft	55	-
Others	11	-
	2,941	**5,171**

Mediplus Exim SRL and 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 Ozone Laboratories SRL products, up to a yearly limit set out by the parties in the agreement. The agreement remains in force until 31 December 2008. The fees that Ozone Laboratories SRL must pay to Mediplus Exim SRL are calculated by applying certain percentages to the value of the Ozone Laboratories SRL finished products acquired by Mediplus Exim SRL from Ozone Laboratories SRL.

On 2 August 2006 Sensiblu SRL and Ozone Laboratories SRL entered into a service agreement according to which the former undertook to provide to the latter certain services for the merchandising of Ozone Laboratories SRL products in 159 of Sensiblu SRL's pharmacies. The number of the pharmacies where these services are provided is 214 at the end of 2008 (end of 2007: 214 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 Ozone Laboratories SRL are set out for each type of services provided.

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

Purchases of goods and services	**2008**	**2007**
Ozone Laboratories SRL	19,332	28,098
Avia Travel&Tour SRL	2,285	2,138
Fleet Management Services SRL	919	841
Loyalty Insurance Broker SRL	388	271
Consumer Product Network SRL	369	1,702
Cristal Diagnostic SRL	185	78
Miniblu SRL	140	3
Optical Network SRL	89	109
Adkit Serv SRL	79	71
Sensiblu Optica SRL	12	12
Others	53	117
	23,851	**33,440**

The goods and services purchased are presented net of discounts received from Ozone Laboratories SRL during the period ended 31 December 2008. The value of discounts received by the Group in the period is of EUR 5,373 thousand.

Sales of property plant and equipment	**2008**	**2007**
Oxigen Plus SRL	4	-
Ozone Laboratories SRL	1	11
Optical Network SRL	-	15
Founding shareholders	147	59
	152	**85**

Purchases of property plant and equipment	**2008**	**2007**
Grup 3 Contracting SRL	614	4,434
Fleet Management Services SRL	8	-
	622	**4,434**

The following balances were outstanding with related parties:

Trade receivables from related parties	**31 December 2008**	**31 December 2007**
Ozone Laboratories SRL	5,270	4,961
Employees	409	657
Ozone Laboratories Ltd	384	374
Optical Network SRL	211	195
Elantis Farm SRL	137	115
Miniblu SRL	79	204
A&D Pharma Hungary KFT	51	-
Consumer Product Network SRL	51	37
Others	42	-
	6,634	**6,543**

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

The trade receivables from employees in amount of EUR 409 thousand have been fully provided for.

Other receivables from related parties	**31 December 2008**	**31 December 2007**
Ozone Laboratories SRL	63	70
Miniblu SRL	30	34
Oxigen Plus SRL	36	56
Optical Network SRL	46	51
Gemisa Servicii SRL	-	12
Others	14	9
	189	**232**

A&D Pharma Hungary has been set up as a wholesale business greenfield investment in 2008 and started to operate in May 2008.

Trade and other payables to related parties	**31 December 2008**	**31 December 2007**
Ozone Laboratories SRL	333	6,985
Avia Travel&Tour SRL	292	372
Optical Network SRL	110	116
Fleet Management Services SRL	78	60
Miniblu SRL	37	27
Puls Media Network SRL	34	1
Loyalty Insurance Broker SRL	23	-
Cristal Diagnostic SRL	13	-
Consumer Product Network SRL	3	542
Grup 3 Contracting SRL	1	530
Others	12	3
	936	**8,636**

As at 1 July 2008 a new distribution contract was signed between Mediplus Exim SRL and Ozone Laboratories SRL, according to which Mediplus Exim will transfer to Ozone Laboratories SRLits outstanding receivables from the market older than 180 days (210 days according to the previous agreement), originated from sales of Ozone products done by Mediplus Exim towards its customers .

Balances from/(due) to shareholders

	31 December 2008	**31 December 2007**
To recover from founding shareholders	219	90

Loans granted to related parties

Loans to A&D Pharma Hungary	**31 December 2008**	**31 December 2007**
Loan	452	-
Interest income	13	-
	465	**-**

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

Other transactions with key Management personnel

As at 31 December 2008 former Executive Directors of the Company control 4.77% (31 December 2007: 7%) 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 58.95% (31 December 2007: 58.5%) of the voting shares of the Group's parent company through Sograno BV.

The salary costs incurred with the Board members are presented below:

	2008	**2008**	**2008**	**2007**
	Salary	Termination benefits	Total	Total
Board of Directors Salaries	**2,395**	**1,817**	**4,212**	**3,663**

Charles Michel Eid has retired from Non-Executive Director position starting 20 June 2008.

21 MAIN SUBSIDIARIES

The consolidated subsidiaries included within the Group and the degree of control exercised by A&D Pharma Holdings N.V. are as follows:

Entity	**Country of incorporation**	**Activity**	**% share 31 Dec 2008**	**% share 31 Dec 2007**
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	100	100
Farmacia Titan SRL	Romania	Retail distribution of pharmaceutical products in Romania	100	-

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

22 SEGMENT INFORMATION

Statement of income

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
Direct cost	(299,507)	(72,298)	(371,805)	(144,394)	-	78,342	(437,857)
Contribution profit	**26,938**	**26,327**	**53,265**	**10,415**	**-**	**-**	**63,680**
Indirect costs	(19,832)	(5,778)	(25,610)	(14,829)	(10,053)	-	(50,492)
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 charges	(3,340)	(795)	(4,135)	(4,623)	(117)	-	(8,875)

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

Balance sheet 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	233,319	(47,698)	526,428
Unallocated assets	-	-	-	-	-	-	-
Total assets	**243,099**	**36,256**	**279,355**	**61,452**	**233,319**	**(47,698)**	**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	-	12,750

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

Statement of income

2007	**Classic Wholesale**	**Sales & Marketing**	**Total wholesale business**	**Retail**	**Corporate**	**Eliminations**	**Group**
Sales	271,742	91,838	363,580	121,633	-	(59,694)	425,519
Direct cost	(250,029)	(67,673)	(317,702)	(114,815)	-	59,694	(372,823)
Contribution profit	**21,713**	**24,165**	**45,878**	**6,818**	**-**	**-**	**52,696**
Indirect costs	(19,884)	(6,459)	(26,343)	(13,368)	(8,400)	-	(48,111)
Operating profit/(loss)	**1,829**	**17,706**	**19,535**	**(6,550)**	**(8,400)**	**-**	**4,585**
Finance costs, net	-	-	(6,390)	(2,269)	(1,577)	-	(10,236)
Profit/(loss) before taxation	**-**	**-**	**13,145**	**(8,819)**	**(9,977)**	**-**	(5,651)
Income tax expense			(2,576)	882	(1,098)	-	(2,792)
Net profit/(loss) for the period	**-**	**-**	**10,569**	**(7,937)**	**(11,075)**	**-**	(8,443)
Depreciation, amortisation and impairment charge	(2,615)	(623)	(3,238)	(3,996)	(446)	-	(7,680)

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

Balance sheet

As at 31 December 2007	Classic wholesale	Sales & Marketing	Total wholesale business	Retail	Corporate	Eliminations	Group
Segment assets	218,698	37,157	255,855	44,802	255,418	(29,234)	526,841
Unallocated assets		-	-	-	-	-	-
Total assets	**218,698**	**37,157**	**255,855**	**44,802**	**255,418**	**(29,234)**	**526,841**
Segment liabilities	190,495	27,057	217,552	60,910	14,616	(15,921)	277,157
Unallocated liabilities		-	-	-	-	-	-
Total liabilities	**190,495**	**27,057**	**217,552**	**60,910**	**14,616**	**(15,921)**	**277,157**
Capital expenditure	-	-	10,844	4,375	808	-	16,027

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

Primary reporting format - business segments

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 inter-company commercial and service transactions.

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

The secondary segmental information based on geographical area is not material to be disclosed as almost all the activity is carried out in Romania.

23 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.

Diluted earnings per share amounts are calculated by dividing the net profit attributable to ordinary equity holders of the parent (after deducting interest on the convertible preference shares) 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.

For 2008, basic loss per share values are as follows**:**

	2008
Net loss	(2,294)
Number of shares	200,000,000
Basic loss per share (€)	(0.01)

Also, in accordance with the Group's accounting policies, as at period end, diluted loss per share value are as follows:

	2008
Net loss	(2,294)
Number of shares	200,000,000
Diluted loss per share (€)	(0.01)

There have been no transactions involving ordinary shares or potential ordinary shares between the reporting date and the date of completion of these financial statements.

For 2007, basic loss per share values are as follows**:**

	2007
Net loss	(8,443)

Number of shares	200,000,000
Basic loss per share (€)	(0.04)

Also, in accordance with Group's accounting policies, as at period end, diluted earnings per share value were as follows:

	2007
Net loss	(8,443)
Number of shares	200,000,000
Diluted loss per share (€)	(0.04)

24 USE OF ESTIMATES

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.

Except as described below, in preparing these financial statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements as at and for the period ended 31 December 2007.

(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.

The linear amortisation method used to determine the amortised cost for both receivable and payables represents the Management's best estimate for the value of the corresponding amortisation.

(ii) Impairment losses on receivable

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 2008.

(v) 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 two 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 2008 Management tested goodwill, brands and licenses for impairment. Goodwill acquired through business combination, indefinite lived intangibles and net book value of fixed assets have been allocated to cash generating units as follows:

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

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 and Sales and Marketing	165,425	-	-	27,305	**192,730**	**215,077**	**22,347**
Retail	30,643	41,521	1,088	7,658	**80,910**	**109,863**	**28,953**
	196,068	**41,521**	**1,088**	**34,963**	**273,640**	**324,940**	**51,300**

In determining the values in use, the Management uses five-year detailed free cash flow forecasts (for period 2009-2013) and then simplified free cash flow forecasts in perpetuity with a discount rate of 10.2% (2007: 9.5%), using data for 2013. The value in use of the cash generating units was based on a growth factor of 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 segment

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 has been increased for 2009;
- the purchase power of Romanian consumers is expected to increase;
- in 2009, the Romanian Ministry of Health amended the selling prices for imported regulated drugs at more favourable levels (Note 27)

The projected EBITDA percent in revenue is in line with Central and Eastern European pharmaceutical markets between 2009 and 2013.

The sensitivity analysis of value in use to changes in discount rate reveals a breakeven point for Wholesale and Sales and Marketing segment at a level of 11.14%, which would imply an increase in borrowing cost by 100%.
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 has been increased for 2009;
- 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;
- past experience in respect of growth rates for retail segment has proven that Sensiblu exceeds the market trends.

The projected EBITDA percent in revenue is in line with Central and Eastern European pharmaceutical markets between 2009 and 2013.

The sensitivity analysis of value in use to changes in discount rate reveals a breakeven point for Retail segment at a level of 12.53%, which would imply an increase in borrowing cost by 200%.

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 2008.

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

25 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, 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 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.

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.

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 16,677 thousand. (Note 15) *f) Operating environment*

Although Romania is a member of the European Union starting with 1 January 2007, the Romanian economy has some characteristics of an emergent market, such as a high current account deficit, a financial market relatively undeveloped and fluctuations in the foreign currency exchange rates.

Currently, the international financial markets feel the effects of the mortgage market decline from the United States and elsewhere. Those effects were felt by the Romania financial market in the form of fall in prices and liquidity on the capital markets and through an increase in the medium term financing interest rates due to the global crisis of liquidity.

The ongoing fears that the deteriorating financial conditions could contribute, at a later stage to a further retrenchment in confidence, prompted a coordinated effort of governments and Central Banks to adopt special measures aimed at countering a vicious circle of growing risk aversion and to helping restoring normal market functioning.

The identification and valuation of investments influenced by the illiquid credit market conditions, the determination of compliance with debt agreement and other executory contract covenants, and the evaluation of significant uncertainties, including uncertainties associated with an entity's ability to continue as a going concern for a reasonable period of time, bring their own challenges.

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. 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.

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

(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 25.5 million, for a period from 1 to 10 years, with future minimum lease payments as follows:

- i) less than 1 year EUR 9.2 million;
- ii) between 1 and 5 years EUR 11.8 million;
- iii) more than 5 years EUR 4.5 million.

b) Intangibles

The Group is engaged in a contract regarding the acquisition of ERP licenses of EUR 813 thousand.

(iii) Guarantees

- 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 10)**
Unicredit Tiriac Bank	-	725
Citibank (Note 14)	256	-
RBS Bank Romania	5,083	-
	5,339	**725**

- As at 31 December 2008 the Group has an agreement with Unicredit Bank Romania for issuing letters of guarantee, in amount of EUR 725 thousand. Letters of guarantee are issued based on restricted cash.

- As at 31 December 2008 the Group has an agreement with Citibank for a credit line (Facility B3 – Note 14). 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.

- As at 31 December 2008 the Group has an agreement with RBS Bank Romania for the purpose of issuing of letters of guarantee in amount of EUR 6,000 thousand. The unused facility available to the Group as at 31 December 2008 is EUR 917 thousand.

26 FINANCIAL RISKS

(i) Credit risk

Financial assets, which potentially subject this Group to credit risk, consist principally of trade receivables. The Group has policies in place to ensure that sales of products and services are made to customers with an appropriate credit history. The carrying amount of accounts receivable, net of impairment adjustment, represents the maximum amount exposed to credit risk.

The Group has no significant concentrations of credit risk, other than the case of Sensiblu SRL (retail business) with the amounts due from the Health Insurance Houses. 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. Cash is placed in financial institutions, which are considered at the time of deposit to have minimal risk of default.

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

The maximum exposure to credit risk at the reporting date was:

	Carrying amount	
	31 December 2008	**31 December 2007**
Financial assets		
Trade receivables	123,501	136,629

The maximum exposure to credit risk for trade receivables at the reporting date by type of customer was:

	Carrying amount	
	31 December 2008	**31 December 2007**
Wholesale trade receivables	116,833	130,818
Retail trade receivables	6,668	5,811
Total	**123,501**	**136,629**

The ageing of trade receivables at the reporting date was:

	Gross 2008	**Impairment 2008**	**Gross 2007**	**Impairment 2007**
Between 0 – 30 days	29,857	-	29,714	-
Between 30 – 120 days	60,978	-	74,359	-
Between 120 -180 days	16,662	-	18,479	-
Between 180 -210 days	3,997	-	4,899	-
Between 210 – up to one year	7,114	-	6,128	-
More than one year	9,230	4,337	5,081	2,031
Total	**127,838**	**4,337**	**138,660**	**2,031**

The movement in the allowance for impairment in respect of trade receivables during 2008 and 2007 was as follows:

	2008	**2007**
Balance as at 1 January	**(2,031)**	**(2,541)**
Impairment loss (recognised) / reversed	(2,701)	377
Translation effect	395	133
Balance as at 31 December	**(4,337)**	**(2.031)**

The impairment provision at the end of 2008 is in line with the specific provision policy (see Note 3.7). The provision calculation takes into consideration only the customers against which the Group took legal action.

The provision of EUR 2,701 thousand recorded in 2008 is based on 242 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 2009.

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

The Group believes that no impairment is necessary in respect of trade receivables from hospitals (even if 11% of these receivables are older than one year) and from a related party – Ozone Laboratories SRL. The trade relation with hospitals is considered as being effectively risk free due to state ownership.

(ii) Foreign currency risk

The Group imports supplies from other European countries through its Romanian subsidiaries, which also attract significant foreign currency denominated borrowings. This exposes the Group to foreign exchange 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, U.S. Dollar (USD), Swiss Franc (CHF).

The Group uses forward exchange contracts to hedge its foreign currency risk. The forward exchange contracts have maturities of less than one year after the reporting date. Where necessary, the forward exchange contracts are rolled over at maturity.

The Group has hedged 100% of all monthly payments to suppliers denominated in EUR and USD until the end of September 2008. Due to the increase of hedging costs on last three months of 2008, the Group has decided to stop concluding new forward contracts.

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

	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 balance sheet exposure	**47,458**	**(145,496)**	**(33,505)**	**(302)**	**(7,297)**	**(3,645)**
Forward exchange contracts	-	37,126	20,782	-	3,172	-
Net balance sheet exposure	**47,458**	**(108,370)**	**(12,723)**	**(302)**	**(4,125)**	**(3,645)**

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

	RON	**EURO**	**USD**	**GBP**	**CHF**	**DKK**
31 December 2007						
Monetary assets						
Receivables	136,552	77	-	-	-	-
Other receivables	15,396	200	-	-	-	-
Monetary liabilities						
Payables	(98,695)	(42,482)	(26,620)	(393)	(7,201)	(2,243)
Borrowings		(72,713)	-	-	-	-
Leases	-	(4,488)	(9)	-	-	-
Gross balance sheet exposure	**53,253**	**(119,406)**	**(26,629)**	**(393)**	**(7,201)**	**(2,243)**
Forward exchange contracts	-	46,479	30,902	-	8,581	-
Net balance sheet exposure	**53,253**	**(72,927)**	**4,273**	**(393)**	**1,380**	**(2,243)**

The following significant exchange rates applied during the year:

	Average rate		**Reporting date spot rate**	
	2008	**2007**	**31 December 2008**	**31 December 2007**
RON/ EURO	3.6827	3.3337	3.9852	3.6102
RON/ USD	2.5189	2.4361	2.8342	2.4564
RON/ GBP	4.6276	4.8736	4.1169	4.9095
RON/ CHF	2.3238	2.0297	2.6717	2.1744
RON/ DKK	0.4939	0.4479	0.5348	0.4841

Sensitivity analysis

A 10 percent strengthening of the RON against the following currencies at 31 December 2008 and 2007 would have increased (decreased) profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant and includes the hedging effect.

	Profit / (loss) 2008	**Profit / (loss) 2007**
EUR	10,837	7,075
USD	1,272	(427)
CHF	412	(233)
GBP	30	39
DKK	365	224

A 10 percent weakening of the RON against the above currencies at 31 December 2008 and 2007 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.

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

	Profit / (loss) 2008	**Profit / (loss) 2007**
EUR	(10,837)	(7,075)
USD	(1,272)	427
CHF	(412)	233
GBP	(30)	(39)
DKK	(365)	(224)

(iii) 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.

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

	Carrying amount	
	31 December 2008	**31 December 2007**
Financial assets		
Trade receivables	123,501	136,629
Financial liabilities		
Accounts payable	(195,247)	(164,909)
Borrowings	(75,578)	(72,713)
Leases	(3,923)	(4,497)
Total	**(151,247)**	**(105,490)**

Accounts payable comprises the following:

	31 December 2008	**31 December 2007**
Trade payables	192,786	155,352
Amounts owing to related parties (Note 20)	936	8,636
Deferred income arising from IFRIC 13 (included in other payables – Note 16)	1,525	921
	195,247	**164,909**

Sensitivity analysis for variable rate instruments

A change of 10% in interest rates at the reporting date would have increased (decreased) profit or loss 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 2007.

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

Profit / (loss)	**Profit / (loss) 10% increase**	**Profit / (loss) 10% decrease**
31 December 2008		
Trade receivables	(985)	995
Financial assets interest sensitivity, net	**(985)**	**995**

	Profit / (loss) 10% increase	**Profit / (loss) 10% decrease**
Trade payables	1,559	(1,574)
Borrowings	(411)	411
Leases	(30)	30
Financial liabilities interest sensitivity, net	**1,118**	**(1,133)**
31 December 2007		
Trade receivables	(603)	607
Financial assets interest sensitivity, net	**(603)**	**607**
Trade payables	781	(786)
Borrowings	(421)	421
Leases	(34)	34
Financial liabilities interest sensitivity, net	**326**	**(331)**

Interest rates used for determining fair value

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

	2008	**2007**
Trade receivables and trade payables	7.9% - 18.2%	6% - 7.8%
Borrowings	5.1% - 7.8%	5% - 6.8%
Leases	9% - 12.7%	9% - 12.7%

(iv) Liquidity risk

	31 December 2008	**31 December 2007**
Assets		
Monetary assets in RON	171,282	164,913
Monetary assets in foreign currency	6,623	3,677
	177,905	**168,590**
Liabilities		
Monetary liabilities in RON	(95,145)	(115,883)
Monetary liabilities in foreign currency	(187,164)	(155,731)
	(282,309)	**(271,614)**
Net monetary position in RON	**76,137**	**49,030**
Net monetary position in foreign currency	**(180,541)**	**(152,054)**

Management considers that the liquidity risk will be mitigated once the Club Loan will replace the current syndicated loan.

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

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 - 5years
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)**
31 December 2007 Financial liabilities					
Trade payables	(164,909)	(168,823)	(168,823)	-	-
Borrowings	(72,713)	(73,818)	(3,600)	(66,218)	(4,000)
Leases	(4,497)	(4,837)	(2,654)	(1,519)	(664)
Total	**(242,119)**	**(247,478)**	**(175,077)**	**(67,737)**	**(4,664)**

27 POST BALANCE SHEET EVENTS

Health regulatory changes

On 2 February 2009, as per Official Journal number 62, the Romanian Ministry of Health has published the new methodology of drug price computation that will be enforced starting with 1 April 2009. 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, RON/USD 2.90, RON/CHF 2.52, as well as maintaining the carriage and insurance paid ("CIP") price to a minimum level from a list of 12 countries selected by government.

Also, maximum margins are established as follows:
- retail: between 12% and 24%, depending on the levels of wholesale selling prices;
- wholesale: between 10% and 14%, depending on the levels of producer selling prices.

Acquisition of Pharma Medical Promoter

On 2 February 2009, Mediplus Exim SRL has acquired 100% of Pharma Medical Promoter SRL (PMP) for a consideration of EUR 300 thousand. Pharma Medical Promoter SRL was incorporated in 2006, and its object of activity is trading of medical devices, prosthesis and other medical equipments.

At acquisition date, net assets were in amount of EUR 30 thousand. Net sales for the year 2008 were in amount of EUR 30 thousand, whereas net losses were of EUR 260 thousand.

Reimbursement of loan

During the first two months of 2009, the Group has repaid from Facility A of the Citibank syndicated loan an amount of EUR 1,571 thousand.

Changes in foreign exchange rates

Since the balance sheet date and up to the date of these financial statements, the RON weakened by approximately 8% compared to EUR.

OTHER INFORMATION

1. AUDITOR'S REPORT

To: A&D Pharma Holdings N.V.

Report on the financial statements

We have audited the accompanying statutory financial statements 2008 of A&D Pharma Holdings N.V., Delft, included in Section C (page C1 to C45) of this annual report and accounts 2008. The statutory financial statements consist of the consolidated financial statements and the company financial statements. The consolidated financial statements comprise the consolidated balance sheet as at 31 December 2008, the statement of income, statement of changes in equity and cash flow statement for the year ended 31 December 2008, and a summary of significant accounting policies and other explanatory notes. The company financial statements comprise the company balance sheet as at 31 December 2008, the company statement of income for the year ended 31 December 2008 and the notes.

Management's responsibility
Management is responsible for the preparation and fair presentation of the statutory 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 management board 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 statutory 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 statutory 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 statutory 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 statutory consolidated financial statements
In our opinion, the statutory consolidated financial statements give a true and fair view of the financial position of A&D Pharma Holdings N.V. as at 31 December 2008, and of its result and its cash flows for the year ended 31 December 2008 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 statutory company financial statements
In our opinion, the company statutory financial statements give a true and fair view of the financial position of A&D Pharma Holdings N.V. as at 31 December 2008, and of its result for the year ended 31 December 2008 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 management board report from page 1 to 72 is consistent with the financial statements as required by 2:391 sub 4 of the Netherlands Civil Code.

Utrecht, March 18, 2009

(for and on behalf of)
BDO CampsObers Audit & Assurance B.V.

w.s. H. Kroeze 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 the light of the loss of EUR 2,294,000 resulting to an accumulated deficit of EUR 5,520,000 and in conjunction and conformity with the reservation and dividend policy of the Group, the Board of Directors proposes that the accumulated deficit be charged to the general reserves ("overige reserves") and that no dividend be declared and allocated for the current reporting period ended 31 December 2008.

Executive Board Responsibility Statement According to Section 5:25c (2) (c) of the Dutch Financial Supervision Act ("Wft")

The company's executive directors/members of the Executive Board hereby declare that, to the best of their knowledge:

1. the annual financial statements for the financial year 2008 give a true and fair view of the assets, liabilities, financial position and the loss of the company and its consolidated entities;

2. the directors' 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 2008 and of their state of affairs during the financial year 2008;

3. the annual report describes the principal risks that the Company faces.

Robert Popescu
Interim Chief Executive Officer

Dimitris Sophocleous
Chief Financial Officer

A&D Pharma