

SANITAS GROUP

PUBLIC LIMITED LIABILITY COMPANY „SANITAS“

**UNAUDITED INTERIM CONDENSED CONSOLIDATED
AND SEPARATE FINANCIAL STATEMENTS FOR THE
PERIOD ENDED 31 DECEMBER 2011**

PREPARED ACCORDING TO INTERNATIONAL FINANCIAL
REPORTING STANDARDS, AS ADOPTED BY THE
EUROPEAN UNION



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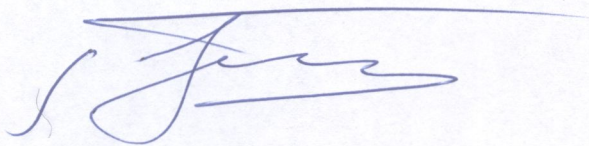
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Public limited liability company „SANITAS“
UNAUDITED INTERIM CONDENSED CONSOLIDATED AND SEPARATE
FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER
2011

Confirmation of Responsible Persons

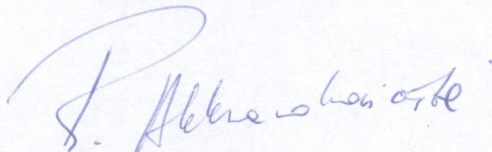
Following the Article No. 22 of the Law on Securities of the Republic of Lithuania and Rules on Preparation and Submission of Periodic and Additional Information of the Lithuanian Securities Commission, we, Saulius Mecislovas Zemaitis, General Manager of public limited liability company „SANITAS“ (hereinafter SANITAS) and Rasa Aleksandraviciute, Financial Manager of SANITAS hereby confirm that, to the best of our knowledge, the attached unaudited interim condensed consolidated and separate financial statements for the period ended 31 December 2011, prepared in accordance with International Financial Reporting Standards, as adopted by the European Union, give a true and fair view of the assets, liabilities, financial position and profit or loss of SANITAS group and SANITAS.

General Manager



Saulius Mecislovas Zemaitis

Financial Manager



Rasa Aleksandraviciute

UNAUDITED INTERIM CONDENSED CONSOLIDATED AND SEPARATE
FINANCIAL STATEMENTS

General Information

Board of Directors

Mr. Robert Roswell Chai-Onn (Chairman of the Board)
Ms. Seana-Lyn Carson
Mr. Marcin Jedrzejuk
Mr. Tadeusz Pietrasz
Mr. Leszek Wojtowicz

Management

Mr. Saulius Mecislovas Zemaitis (General Manager)
Ms. Rasa Aleksandraviciute (Financial Manager)

Registered office and company code

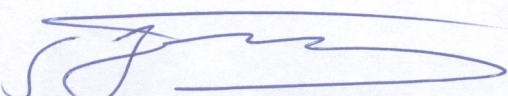
Veiveriu str. 134 B,
LT-46352 Kaunas, Lithuania
Company code 1341 36296

Banks

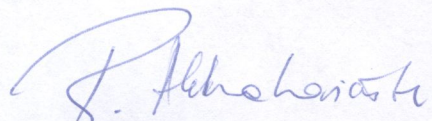
Bank PEKAO S.A.
Bank Zachodni WBK S.A.
Danske Bank A/S Lithuanian Branch
Deutsche Bank PBC S.A.
Dom Maklerski BZWBK
Fortis Bank Polska S.A.
Orszagos Takarekpenztar es Kereskedelmi Bank
PKO Bank Polski S.A.
Raiffeisenbank a.s.
SEB bankas, AB
„Swedbank”, AB
Tatra banka a.s.
Unikredit Bank sp. z o.o.
Unikredit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

The financial statements were approved and signed by the management on 24 February 2012.

Management:



Mr. Saulius Mecislovas Zemaitis
General Manager



Ms. Rasa Aleksandraviciute
Financial Manager

Statements of Comprehensive Income

	Notes	Group		Company	
		2011	2010	2011	2010
Revenue	3	333,433	339,372	20,464	18,791
Cost of sales		(121,302)	(149,425)	(11,661)	(11,308)
Gross profit		212,131	189,947	8,803	7,483
Other income		2,141	3,603	3,069	3,619
Selling and distribution expenses	4	(89,646)	(82,310)	(3,958)	(3,541)
Regulatory affairs expenses		(12,741)	(11,227)	(1,146)	(851)
Research and development expenses		(1,996)	(1,958)	(116)	(126)
Administrative expenses	5	(84,985)	(29,292)	(34,051)	(9,408)
Other expenses		(1,517)	(2,459)	(11)	(55)
Operating profit (loss)		23,387	66,304	(27,410)	(2,879)
Finance income	6	124	20,984	39,480	3,771
Finance costs	6	(33,622)	(24,289)	(6,951)	(2,777)
Negative goodwill on associate entity acquisition	1	467,383	-	-	-
Profit (loss) before tax		457,272	62,999	5,119	(1,885)
Income tax benefit (expense)	7	(8,351)	(9,685)	1,558	44
Profit (loss) for the period		448,921	53,314	6,677	(1,841)
Other comprehensive income (expense):					
Exchange differences on translating foreign operation		(35,892)	1,954	-	-
Cash flow hedges		4,391	6,302	-	-
Income tax (expense) relating to components of other comprehensive income		(834)	(1,197)	-	-
Other comprehensive income (expense) for the period, net of tax		(32,335)	7,059	-	-
Total comprehensive income (expense) for the period, net of tax		416,586	60,373	6,677	(1,841)
Basic and diluted earnings per share (in LTL)		14.43	1.71	-	-

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Statements of Comprehensive Income (cont'd)

	Group		The Company	
	October – December 2011	October – December 2010	October – December 2011	October – December 2010
Revenue	83,334	82,517	5,477	5,659
Cost of sales	(27,892)	(33,785)	(2,908)	(3,530)
Gross profit	55,442	48,732	2,569	2,129
Other income	705	1,013	(20)	1,182
Selling and distribution expenses	(21,683)	(23,145)	(873)	(912)
Regulatory affairs expenses	(1,974)	(3,073)	(238)	(248)
Research and development expenses	(371)	(491)	(28)	(26)
Administrative expenses	(15,198)	(7,861)	10,905	(2,631)
Other expenses	(485)	(776)	(9)	(18)
Operating profit (loss)	16,436	14,399	12,306	(524)
Finance income	114	230	-	-
Finance costs	(7,622)	(4,589)	(3,328)	(354)
Negative goodwill on associate entity acquisition	467,383	-	-	-
Profit (loss) before tax	476,311	10,040	8,978	(878)
Income tax benefit (expense)	(3,017)	(2,813)	780	(401)
Profit (loss) for the period	473,294	7,227	9,758	(1,279)
Other comprehensive income (expense):				
Exchange differences on translating foreign operation	2,571	66	-	-
Cash flow hedges	-	1,681	-	-
Income tax (expense) relating to components of other comprehensive income	-	(320)	-	-
Other comprehensive income for the period, net of tax	2,571	1,427	-	-
Total comprehensive income (expense) for the period, net of tax	475,865	8,654	9,758	(1,279)
Basic and diluted earnings per share (in LTL)	15.21	0.23	-	-

The notes on pages 13 to 22 are an integral part of these financial statements.

Balance Sheets

	Notes	Group		The Company	
		As at 31 December 2011	As at 31 December 2010	As at 31 December 2011	As at 31 December 2010
ASSETS					
Non-current assets					
Property, plant and equipment	8	184,912	215,249	58,127	62,434
Intangible assets	1, 9	253,824	304,199	1,493	1,425
Investment in subsidiary	10	-	-	308,068	292,704
Investment in associate	1	487,105	-	-	-
Other non-current financial assets		11	17	4	-
Deferred tax asset		16,534	23,548	4,271	2,726
Total non-current assets		942,386	543,013	371,963	359,289
Current assets					
Inventories		42,096	35,609	5,170	5,149
Prepaid income tax		4,364	170	-	-
Trade receivables		67,627	55,372	6,762	9,613
Other receivables	11	2,657	2,492	20,002	2,219
Prepayments and deferred expenses		1,638	2,230	161	226
Cash and cash equivalents		24,310	2,475	1,964	119
Total current assets		142,692	98,348	34,059	17,326
Total assets		1,085,078	641,361	406,022	376,615

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Balance Sheets (cont'd)

	Notes	Group		The Company	
		As at 31 December 2011	As at 31 December 2010	As at 31 December 2011	As at 31 December 2010
EQUITY AND LIABILITIES					
Equity					
Share capital		31,106	31,106	31,106	31,106
Share premium		248,086	248,086	248,086	248,086
Legal reserve		3,111	3,111	3,111	3,111
Fair value reserve		-	(3,557)	-	-
Translation reserve		(39,262)	(3,370)	-	-
Retained earnings		551,997	103,076	24,561	17,884
Total equity		795,038	378,452	306,864	300,187
Non-current liabilities					
Non-current loans	12	35,831	106,252	35,831	-
Financial lease obligations		1,256	2,119	45	57
Deferred tax liability		12,753	15,339	245	258
Deferred income from subsidies		13,450	14,274	13,450	14,274
Employee benefit liability		3,707	4,139	-	-
Total non-current liabilities		66,997	142,123	49,571	14,589
Current liabilities					
Current portion of non-current loans	12	-	65,049	-	22,029
Current portion of non-current financial lease obligations		1,085	1,254	30	223
Current loans	12	184,380	17,171	44,295	-
Trade payables	13	17,060	18,441	1,668	36,288
Advances received		185	255	2	2
Income tax payable		-	742	-	-
Other current financial liabilities		-	4,391	-	-
Other current liabilities	14	19,270	12,830	3,074	3,297
Employee benefit liability		400	467	-	-
Provisions	15	663	186	518	-
Total current liabilities		223,043	120,786	49,587	61,839
Total equity and liabilities		1,085,078	641,361	406,022	376,615

The notes on pages 13 to 22 are an integral part of these financial statements.

Statements of Changes in Equity

							Group
	Share capital	Share premium	Legal reserve	Fair value reserve	Translation reserve	Retained earnings	Total
Balance as at 31 December 2009	31,106	248,086	3,111	(8,662)	(5,324)	49,762	318,079
Other comprehensive income	-	-	-	5,105	1,954	-	7,059
Net profit for the period	-	-	-	-	-	53,314	53,314
Total comprehensive income for the period	-	-	-	5,105	1,954	53,314	60,373
Balance as at 31 December 2010	31,106	248,086	3,111	(3,557)	(3,370)	103,076	378,452
Other comprehensive income (expense)	-	-	-	3,557	(35,892)	-	(32,335)
Net profit for the period	-	-	-	-	-	448,921	448,921
Total comprehensive income (expense) for the period	-	-	-	3,557	(35,892)	448,921	416,586
Balance as at 31 December 2011	31,106	248,086	3,111	-	(39,262)	551,997	795,038

						The Company
	Share capital	Share premium	Legal reserve	Retained earnings	Total	
Balance as at 31 December 2009	31,106	248,086	3,111	19,725	302,028	
Net (loss) for the period	-	-	-	(1,841)	(1,841)	
Total comprehensive (expense) for the period	-	-	-	(1,841)	(1,841)	
Balance as at 31 December 2010	31,106	248,086	3,111	17,884	300,187	
Net profit for the period	-	-	-	6,677	6,677	
Total comprehensive income for the period	-	-	-	6,677	6,677	
Balance as at 31 December 2011	31,106	248,086	3,111	24,561	306,864	

The notes on pages 13 to 22 are an integral part of these financial statements.

Cash Flow Statements

	Group		The Company	
	January – December 2011	January – December 2010	January – December 2011	January – December 2010
Cash flows from (to) operating activities				
Profit (loss) before tax	457,272	62,999	5,119	(1,885)
Adjustments for non-cash items:				
Depreciation and amortisation	25,430	32,417	3,461	3,555
(Gain) loss from disposal, write-off and impairment of non-current assets	(60)	(65)	(41)	3
Negative goodwill on Valeant IPM sp. z o.o. acquisition (Note 1)	(467,383)	-	-	-
(Gain) on HBM Pharma s.r.o. disposal	-	(14,487)	-	(3,770)
Change in value of financial instruments	-	3,402	-	-
Change in allowance and write-off of trade and other receivables	(23)	(1,738)	-	-
Change in allowance and write-off of inventories	5,634	2,573	416	35
Unrealised foreign currency exchange (gain) loss	19,120	(3,392)	4,389	91
Interest expenses	10,376	12,809	2,526	2,518
Interest (income)	(124)	(19)	-	-
Financial instruments settlement	4,066	4,950	-	-
Dividends (income) (Note 6)	-	-	(39,480)	-
Other non cash items	4,810	504	1,314	168
	59,118	99,953	(22,296)	715
Change in working capital:				
(Increase) in inventories	(15,999)	(4,452)	(437)	(1,825)
(Increase) decrease in trade and other receivables and deferred charges	(21,006)	4,712	1,279	(7,467)
Increase (decrease) in trade and other payables and advances received	4,218	3,979	(29,618)	30,568
(Decrease) in employee benefits	(535)	(634)	-	-
Income tax (paid)	(10,390)	(7,404)	-	(728)
Net cash flows from (to) operating activities	15,406	96,154	(51,072)	21,263
Cash flows from (to) investing activities				
(Acquisition) of non-current tangible assets	(3,618)	(5,831)	(135)	(459)
(Acquisition) of non-current intangible assets	(6,252)	(7,063)	(246)	(573)
Proceeds from sale of non-current assets	707	140	409	-
(Settlement) of financial instruments	(4,066)	(4,950)	-	-
(Acquisition) of Valeant IPM sp. z o.o. (Note 1)	(210)	-	-	-
Proceeds from sale of HBM Pharma s.r.o., net of cash disposed	-	17,795	-	18,990
Interest received	124	19	-	-
Net cash flows (to) from investing activities	(13,315)	110	28	17,958

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Cash Flow Statements (cont'd)

	Group		The Company	
	January – December 2011	January – December 2010	January – December 2011	January – December 2010
Cash flows from (to) financing activities				
Proceeds from loans (Note 12)	236,220	4,335	86,656	5,943
(Repayments) of loans (Note 12)	(205,839)	(66,889)	(31,456)	(38,043)
(Payment) of finance lease liabilities	(1,383)	(2,332)	(296)	(524)
Interest (paid)	(9,218)	(9,350)	(1,979)	(3,103)
Dividends (paid)	(36)	(2,279)	(36)	(3,552)
Net cash flows (to) from financial activities	19,744	(76,515)	52,889	(39,279)
Net increase in cash and cash equivalents	21,835	2,216	1,845	(58)
Cash and cash equivalents at the beginning of the period	2,475	3,417	119	177
Cash and cash equivalents at the end of the period	24,310	5,633	1,964	119
Supplemental information of cash flows:				
Property, plant and equipment acquisition financed by finance lease	692	2,602	160	-

The notes on pages 13 to 22 are an integral part of these financial statements.

Notes to the Financial Statements

1. General information

Public limited liability company „SANITAS” (hereinafter the Company) is a public limited liability company registered in the Republic of Lithuania on 30 June 1994. The address of its registered office is as follows:

Veiveriu str. 134 B,
LT-46352 Kaunas, Lithuania.

The Company is involved in production and trade of generic medicines, namely injection preparations, tablets, capsules and ointments. The Company's shares are listed in the Baltic Main List on AB NASDAQ OMX Vilnius.

As at 31 December 2011 and 31 December 2010 the shareholders of the Company were:

	31 December 2011		31 December 2010	
	Number of shares held (thousand)	Percentage	Number of shares held (thousand)	Percentage
Valeant Pharmaceuticals International, Inc.	30,921	99.4%	-	-
Invalda, AB	-	-	8,254	26.54%
Baltic Pharma Limited	-	-	6,315	20.30%
Citigroup Venture Capital International Jersey Limited	-	-	5,461	17.56%
Amber Trust II	-	-	4,003	12.87%
Other	185	0.6%	7,073	22.73%
Total	31,106	100.00%	31,106	100.00%

On 19 August 2011 the Company shareholders (Invalda, AB, Baltic Pharma Limited, Citi Venture Capital International Jersey Limited, Amber Trust II and certain other persons) sold 87.2% Company shares to Valeant Pharmaceuticals International, Inc. (NYSE/TSX: VRX) for EUR 10.06 for each share held. At the same date Valeant Pharmaceuticals International, Inc. announced, that it already owns 92.02% shares of the Company and that it will launch a mandatory tender offer to buy up the remaining Company shares from the minority shareholders.

Following the transaction with Valeant Pharmaceuticals International, Inc. the Company members of the Management Board Ashwin Roy, Darius Sulnis, Martynas Cesnavicius, Martin Oxley and Tomas Nauseda, and the members of the Audit Committee Edgaras Kateiva, Kustaa Aima and Raimondas Rajeckas resigned on 19 August 2011. On 7 September Extraordinary General Shareholders Meeting elected new Board members (Marcin Jedrzejuk, Seana-Lyn Carson, Tadeusz Pietrasz, Robert Roswell Chai-Onn and Leszek Wojtowicz) and new Audit Committee (Marcin Jedrzejuk, Seana-Lyn Carson and Aidas Galubickas (independent member)) for the term of office of 2011 – 2015.

On 22 September 2011 the Company received a notification regarding the mandatory sale of shares (squeeze-out) from its shareholder Valeant Pharmaceuticals International, Inc.

On December 28 2011 the Management Board of the Company recalled Saulius Jurgelenas from the position of CEO and elected Saulius Mecislovas Zemaitis as a new CEO of the Company, who started his duties from December 31 2011.

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

Name	Main activities	Country of incorporation	% of equity interest	
			2011	2010
Subsidiary companies				
Jelfa S.A.	Production and trade of medicines	Poland	100	100
HBM Pharma s.r.o.	Production and trade of medicines	Slovakia	-	100
Laboratorium Farmaceutyczne Homeofarm sp. z o.o.	Research and development activities	Poland	100	100
Sanitas Pharma a.s.	Marketing, sales and regulatory affairs services	Slovakia	100	100
Associate company				
Valeant IPM sp. z o.o.	Intellectual property management	Poland	36.56	-

HBM Pharma s.r.o. was sold on 8 July 2010. At the end of 2011 year Laboratorium Farmaceutyczne Homeofarm sp. z o.o. and Sanitas Pharma a.s. were dormant.

As at 30 December 2011 Jelfa S.A. transferred all its intangible assets, related to the medicines licenses, which in total amounted to LTL 20,042 thousand as contribution in kind to 36.56% of the associate company Valeant IPM sp. z o.o. The Group value of the transferred intangible assets is equal to LTL 19,576 thousand (Note 9). In addition to this, Jelfa S.A. transferred cash in amount of LTL 210 thousand, LTL 59 thousand of trade receivables and LTL 124 thousand of trade payables. Total Group cost to this associate company amounts to LTL 19,721 thousand.

As at 31 December 2011, 100% of Valeant IPM sp. z o.o. total assets fair value amounted to LTL 1,337,105 thousand, total liabilities fair value amounted to LTL 4,763 thousand, while 2011 revenues were LTL 65,115 thousand and 2011 profit was equal to LTL 948 thousand.

The fair value of Valeant IPM sp. z o.o. net assets, attributable for the Group, amounted to LTL 487,104 thousand and exceeded the cost of the Group to this associated entity by LTL 467,383 thousand, which was recognized in the Group profit or loss as negative goodwill on the associate entity acquisition, respectively.

As at 31 December 2011 the number of employees of the Group was 989 (as at 31 December 2010 – 1,108). As at 31 December 2011 the number of employees of the Company was 108 (as at 31 December 2010 – 130).

The interim condensed financial statements were approved and signed by the Management on 24 February 2012.

2. Accounting principles

The principal accounting policies adopted in preparing the Group's and the Company's interim condensed financial statements for the period ended 31 December 2011 are as follows:

Basis of preparation

The interim condensed consolidated and separate financial statements for the period ended 31 December 2011 have been prepared in accordance with IAS 34 Interim Financial Reporting.

The interim condensed consolidated and separate financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's and the Company's annual financial statements as at 31 December 2010.

Significant accounting policies

The accounting policies adopted in the preparation of the interim condensed consolidated and separate financial statements are consistent with those followed in the preparation of the Group's and the Company's annual financial statements for the year ended 31 December 2010, except for the adoption of new Standards and Interpretations as of 1 January 2011, noted below. The adoption of the following revised and amended standards and interpretations resulted in changes to accounting policies but did not have any impact of the financial position or performance of the Group and the Company.

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Public limited liability company „SANITAS“

UNAUDITED INTERIM CONDENSED CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 December 2011

all amounts are in thousand LTL unless otherwise stated

- IAS 24 „Related party disclosures” (revised in 2009) – modifies the definition of a related party and simplifies disclosures for government-related entities (effective for annual periods beginning on or after 1 January 2011).
- Amendments to IAS 32 „Financial Instruments: Presentation” – Classification of Rights Issues (effective for annual periods beginning on or after 1 February 2010) address the classification of certain rights issues denominated in a foreign currency as either an equity instrument or as a financial liability.
- Amendments to IFRS 1 „First-time Adoption of IFRS”- Limited Exemption from Comparative IFRS 7 Disclosures for First-time Adopters (effective for annual periods beginning on or after 1 July 2010).
- Amendments to IFRIC 14 „Prepayments of a Minimum Funding Requirement” – provides guidance on assessing the recoverable amount of a net pension asset (effective for annual periods beginning on or after 1 January 2011). The amendment permits an entity to treat the prepayment of a minimum funding requirement as an asset.
- IFRIC 19 „Extinguishing Financial Liabilities with Equity Instruments” – provides guidance regarding the accounting for the extinguishment of a financial liability by the issue of equity instruments (effective for annual periods beginning on or after 1 July 2010).

3. Segment information

For management purposes, the Group is organised into business units on their products, and has four reportable operating segments: injectable, tablets, ointments and eye drops and pre-filled syringes. Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment.

Operating expenses, which are directly related to the operating segments, are allocated to the particular segments. Other operating expenses, related to the ordinary activities are indirectly allocated to the operating segments – pro rata production volumes in the period. One-off operating expenses are not allocated to the segments (e.g. transaction costs in 2011). Financial activities and income taxes are managed on a Group level and are not allocated to the operating segments as well. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and assessment of segment performance.

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The table below present revenue and profit information regarding the Group's operating segments for the period ended 31 December 2011 and 2010, respectively:

	Group											
	Injectables		Tablets		Ointments		Eye drops, syringe		Unallocated		Total	
	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010
Toll manufacturing sales	9,843	32,388	7,896	17,991	608	565	57	110	-	-	18,404	51,054
Own products sales	47,412	39,431	107,501	107,799	155,735	133,839	1,192	2,248	3,189	5,001	315,029	288,318
Total revenue	57,255	71,819	115,397	125,790	156,343	134,404	1,249	2,358	3,189	5,001	333,433	339,372
Profit (loss) before taxes*	3,969	300	13,408	11,273	56,394	58,993	(544)	(1,242)	384,045	(6,325)	457,272	62,999

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

The table below present revenue and profit information regarding the Company's operating segments for the period ended 31 December 2011 and 2010, respectively:

	Company											
	Injectables		Tablets		Ointments		Eye drops, syringe		Unallocated		Total	
	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010
Toll manufacturing sales	2,590	2,639	358	501	-	-	57	110	-	-	3,005	3,250
Own products sales	7,707	7,492	5,896	5,553	1,828	1,771	1,837	708	191	17	17,459	15,541
Total revenue	10,297	10,131	6,254	6,054	1,828	1,771	1,894	818	191	17	20,464	18,791
Profit (loss) before taxes*	(4,174)	(3,452)	(1,210)	(2,289)	151	422	(769)	(1,024)	11,121	4,458	5,119	(1,885)

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

Revenue reported above represents revenue generated from external customers. There were no intersegment sales in the year 2011 and 2010. There are no significant seasonality fluctuations in the Group's and the Company's operational business. Unallocated sales mainly include sales of syrups and suspensions, which cannot be attributed to the other segments.

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The Group's and Company's revenue from external customers by geographical location for the period ended 31 December 2011 and 2010 detailed below:

Group						
	Toll manufacturing sales		Own products sales		Total	
	2011	2010	2011	2010	2011	2010
Poland	511	860	191,050	173,200	191,561	174,060
Russia	-	-	62,891	54,061	62,891	54,061
Lithuania	-	-	15,948	14,612	15,948	14,612
Ukraine	-	-	11,782	9,973	11,782	9,973
Latvia	9,459	25,728	865	702	10,324	26,430
Slovakia	-	7,341	6,557	6,126	6,557	13,467
Czech Republic	-	1,112	5,921	7,532	5,921	8,644
Germany	5,914	11,743	-	-	5,914	11,743
Georgia	-	-	5,144	5,109	5,144	5,109
Bulgaria	-	-	4,554	3,589	4,554	3,589
Kazakhstan	-	-	2,835	3,540	2,835	3,540
Hungary	-	1,889	2,520	3,156	2,520	5,045
Vietnam	-	-	2,373	2,408	2,373	2,408
Belarus	-	-	1,300	1,992	1,300	1,992
Switzerland	1,270	1,737	-	-	1,270	1,737
Uzbekistan	-	-	719	917	719	917
Great Britain	571	210	-	-	571	210
Moldova	-	-	265	460	265	460
USA	226	-	-	-	226	-
Kyrgyzstan	-	-	70	314	70	314
Unallocated	453	434	235	627	688	1,061
	18,404	51,054	315,029	288,318	333,433	339,372

The Company						
	Toll manufacturing sales		Own products sales		Total	
	2011	2010	2011	2010	2011	2010
Lithuania	-	-	15,948	14,612	15,948	14,612
Latvia	2,590	2,639	865	702	3,455	3,341
Poland	-	-	646	227	646	227
Germany	415	611	-	-	415	611
	3,005	3,250	17,459	15,541	20,464	18,791

Own products sales in Poland market

Sales to Polish market made 61% of all own products sales in 2011 (62% during the last quarter in 2011). Net sales in 2011 grew 10% compared to the same period one year ago (+11% year on year for the fourth quarter). Growth came as a result of newly launched products, revised marketing strategy for existing products and new pricing that was consistently introduced during the period.

Own products sales in Russian market

Russia remained second most important country in terms of revenue – 20% of all own products revenue in 2011 (19% during the last quarter in 2011). Sales to Russia recovered in third quarter 2011 compared to the second quarter and in the fourth quarter remain at similar level as prior year last quarter, as additional sales made in the first quarter of 2011 were fading out in the second quarter 2011. Total sales for 2011 to this market grew 16% compared to the prior year (+3% year on year for the last quarter).

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Public limited liability company „SANITAS“

UNAUDITED INTERIM CONDENSED CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 December 2011

all amounts are in thousand LTL unless otherwise stated

Own products sales in Lithuanian market

Sales to Lithuanian market made 5% of all own products revenue in 2011 (same for the fourth quarter of 2011). Annual sales in 2011 grew by 9% compared to the same period in 2010 (+5% year on year for the last quarter).

Own products sales in other markets

All other strategic countries except for Czech Republic and Hungary demonstrated growth in 2011. Greatest growth was in Bulgaria, Latvia and Ukraine markets (+27%, +23% and +18% annual growth, respectively). Sales to Czech market declined mainly due to price erosion that was not compensated by volume growth of existing products and newly launched products. Sales to Hungarian market declined, as the Group decided to discontinue promotion of its products in this market before 2011. Total 2011 sales to all other strategic countries made 12% of own product sales and showed 3% growth compared to the same period in 2010. Sales to non-strategic countries made 4% of all own product sales in 2011 and declined by 16% compared to the same period one year ago.

4. Selling and distribution expenses

The Group selling and distribution expenses increased mainly due to 25% higher salary expenses, which amounted to LTL 30,662 thousand in 2011 (LTL 24,574 thousand in 2010).

5. Administrative expenses

In 2011 the Group and the Company administrative expenses increased by LTL 56,331 thousand and LTL 23,902 thousand, respectively, due to one-off expenses related to company shares sale (Note 1), mainly transaction consulting services, compensation to the Group and the Company management and Valeant Group integration related costs. In addition to this, in 2011 the Company accrued LTL 518 thousand provision for „Citramon” trademark usage litigation (Note 15). Eliminating these mentioned one-off expenses in 2011, the Group and the Company administrative expenses remained in similar level as in 2010.

6. Financial activity, net

	Group		The Company	
	2011	2010	2011	2010
Interest income	124	19	-	1
Cash income from financial instruments	-	2,950	-	-
Foreign currency exchange gain, net	-	3,392	-	-
Dividends	-	-	39,480	-
Gain on HBM Pharma s.r.o. disposal	-	14,487	-	3,770
Other financial income	-	136	-	-
	124	20,984	39,480	3,771
Interest (expenses)	(10,376)	(12,809)	(2,526)	(2,518)
Cash outflows for financial instruments	(4,066)	(7,900)	-	-
Foreign currency exchange (loss), net	(19,120)	-	(4,389)	(91)
Fair value (loss) from derivatives	-	(3,402)	-	-
Other financial (expenses)	(60)	(178)	(36)	(168)
	(33,622)	(24,289)	(6,951)	(2,777)

As at 15 June 2011 the General shareholders meeting of the Company subsidiary Jelfa S.A. declared PLN 45,003 thousand (LTL 39,480 thousand) dividends. LTL thousand 21,698 thousand were settled with the Company payables to the subsidiary. The remaining LTL 17,782 thousand amount payment term was postponed till 1 January 2012, but based on the agreement with Jelfa S.A., dated on 28 December 2011, since 1 January 2012 the amount receivable was transferred to the short term loan granted with the maturity term 31 December 2012 and annual interest rate of 3-month WIBOR+3%.

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In the second half of the year, the Company experienced quite significant foreign currency exchange loss on this receivable amount revaluation due to decreasing PLN/LTL exchange rate. Moreover, increasing LTL/USD rate negatively affected the Company profit or loss due to the loan received from the parent company revaluation, which is denominated in USD (Note 12).

Additionally, the Group experienced LTL 14,903 thousand foreign currency exchange loss due to PLN depreciation against EUR on the Jelfa S.A. loans, denominated in EUR, until they were fully repaid in November (Note 12).

7. Income tax

	Group		The Company	
	2011	2010	2011	2010
Current year income tax	(5,630)	(7,606)	-	-
Prior year current income tax correction	701	11	-	11
Deferred tax income (expenses)	(3,422)	(2,090)	1,558	33
Income tax (expenses) benefit charged to the profit and loss	(8,351)	(9,685)	1,558	44

8. Property, plant and equipment

During the period ended 31 December 2011, the Group acquired non-current fixed assets with a cost of LTL 4,659 thousand (for the period ended 31 December 2010 – LTL 8,705 thousand). Assets with a net book value of LTL 702 thousand were disposed and written off by the Group during 2011 (for the period ended 31 December 2010 – LTL 360 thousand), resulting in a net gain on disposal and write-off of LTL 75 thousand (for the period ended 31 December 2010 net loss of LTL 247 thousand).

During the period ended 31 December 2011, the Company acquired non-current fixed assets with a cost of LTL 291 thousand (for the period ended 31 December 2010 – LTL 276 thousand). Assets with a net book value of LTL 427 thousand were disposed and written off by the Company during the period ended 31 December 2011 (for the period ended 31 December 2010 – LTL 1 thousand), resulting in a net gain on disposal and write-off of LTL 51 thousand (for the period ended 31 December 2010 the loss of LTL 1 thousand).

9. Intangible assets

During the period ended 31 December 2011 the Group acquired non-current intangible assets with a cost of LTL 5,684 thousand (for the period ended 31 December 2010 – LTL 6,405 thousand). Assets with a net book value of LTL 15 thousand were disposed and written off by the Group during the period ended 31 December 2011 (for the period ended 31 December – LTL 2 thousand), resulting in a net loss on disposal and write-off of LTL 15 thousand (LTL 312 thousand gain in 2010, including reversal of the impairment).

Moreover, as mentioned in Note 1, as at 30 December the Group transferred intangible assets, which included licenses, internally generated intangible assets and intangible assets under development and prepayments, in total amount of LTL 19,576 thousand in exchange to 36.56% investment in the associate company Valeant IPM sp. z o.o.

During the period ended 31 December 2011 the Company acquired non-current intangible assets with a cost of LTL 192 thousand (for the period ended 31 December 2010 – LTL 627 thousand). Assets with a net book value of LTL 10 thousand were written off by the Company during the period ended 31 December 2011 (for the period ended 31 December 2010 – LTL 2 thousand), resulting in a net loss on write-off of LTL 10 thousand (for the period ended 31 December 2010 – net loss of LTL 2 thousand).

10. Investment in subsidiary

In 2011 the Company value to the subsidiary Jelfa S.A. was increased by LTL 15,364 thousand. This increase relates to capitalised compensation, which was paid to the Group and the Company management according to the Phantom Option scheme. This portion of paid compensation relates to the Company subsidiaries, not the Company activities, therefore should be capitalised to the investment in the subsidiary value following IFRIC 11 requirements.

11. Other receivables

Significant increase in the other Company receivables relates to the Company receivable from Jelfa S.A. for not paid dividends, which were declared on 15 June 2011 (Note 6).

12. Loans

On August 19 the Company received USD 17,311 thousand (LTL 41,460 thousand) loan from the parent company Valeant Pharmaceuticals International, Inc. for the 3 years period with 5.3% fixed annual interest rate. Part of this loan, i.e. USD 4,150 thousand (LTL 10,704 thousand) was repaid in September 2011.

In August and September the Company also received loans from Valeant group companies: 2 loans in total amount of PLN 30,000 thousand (LTL 24,460 thousand) from ICN Polfa Rzeszow S.A. and one loan from Valeant IPM sp. z o.o. in amount of PLN 25,000 thousand (LTL 20,736 thousand). All loans are repayable in the sixtieth day after the lender notice and bear 3-months WIBOR+3% annual interest rate.

The above mentioned loans were used to finance the transaction costs, mentioned in Note 5 and also to repay the Company's remaining LTL 17,702 thousand loan to „Swedbank”, AB which was fully covered on September 23.

In November Jelfa S.A. received PLN 152,507 thousand (LTL 127,866 thousand) loan from related party ICN Polfa Rzeszow S.A. and PLN 24,500 thousand (LTL 20,542 thousand) loan from related party Valeant IPM sp. z o.o. Both loans are repayable in the sixtieth day after the lender notice and bear 3-months WIBOR+3% annual interest rate. These loans were used to fully repay Jelfa S.A. facility loans and overdrafts in Bank Polska Kasa Opieki S.A. and Bank Zachodni WBK S.A.

13. Trade payables

Significant decrease in the Company trade payables relates mainly to the partial settlement of the Company receivable from Jelfa S.A. for the dividends, declared on 15 June 2011 (Note 6), against the Company payable to this subsidiary.

14. Other current liabilities

Increase in the Group other current liabilities relates to LTL 6,316 accrual for the costs, related to the integration to Valeant Group.

15. Provisions

In 2011 the Company had made LTL 518 thousand provision for possible costs on compensation related with litigation process on confusing similar usage of „Citramon” trademark. The Company and entities Liuks, UAB, Stiolbiofarm Baltikum, SIA and Pharmstandart-Leksredstva, PSCK are seeking to stop litigation process between the parties and to reach a comprehensive settlement.

16. Related party transactions

In the period ended 31 December 2011 and 2010 the Group and the Company had transactions and balances with the following related parties:

Valeant Pharmaceuticals International, Inc. (the shareholder of the Company);
 Jelfa S.A. (the subsidiary of the Company);
 Laboratorium Farmaceutyczne Homeofarm sp. z o.o. (the subsidiary of the Company);
 Sanitas Pharma a.s. (the subsidiary of the Company);
 Valeant IPM sp. z o.o. (the associate of the Company);
 HBM Pharma s.r.o. (the ex-subsiidiary of the Company);
 ICN Polfa Rzeszow S.A. (the affiliate of Valeant Pharmaceuticals International, Inc.);
 PharmaSwiss, UAB (the affiliate of Valeant Pharmaceuticals International, Inc.);
 PharmaSwiss EOOD (the affiliate of Valeant Pharmaceuticals International, Inc.);
 Amber Trust II (the ex-shareholder of the Company);
 Citigroup Venture Capital International Jersey Limited (the ex-shareholder of the Company);
 Invalda, AB (the ex-shareholder of the Company);
 Natural persons (the ex-shareholders of the Company);
 Acena, UAB (the affiliate of Invalda, AB);
 Baltic Amadeus Infrastrukturos Paslaugos, UAB (the affiliate of Invalda, AB);
 Informatikos Pasaulis, UAB (the affiliate of Invalda, AB).

The Group's and the Company's transactions with related parties in the period ended 31 December 2011 and related balances as at 31 December 2011 were as follows:

	Sales to related parties	Purchases from related parties	Amounts owed by related parties	Amounts owed to related parties
The Company's transactions				
Jelfa S.A.	3,202	2,144	20,611	-
Sanitas Pharma a.s.	-	566	-	472
The Company's and the Group's transactions				
Valeant Pharmaceuticals International, Inc.	-	714	-	35,831
ICN Polfa Rzeszow S.A.	-	580	-	24,138
PharmaSwiss, UAB	166	432	-	261
Valeant IPM sp. z o.o.	-	530	-	20,159
Acena, UAB	-	28	-	-
Invalda, AB	-	3	-	-
The Group's transactions				
ICN Polfa Rzeszow S.A.	13	1,035	-	120,719
PharmaSwiss, UAB	2	-	1	-
PharmaSwiss EOOD	15	-	-	144
Valeant IPM sp. z o.o.	-	186	-	19,389

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The Group's and the Company's transactions with related parties in 2010 and related year-end balances were as follows:

	Sales to related parties	Purchases from related parties	Amounts owed by related parties	Amounts owed to related parties
The Company's transactions				
HBM Pharma s.r.o.	322	964	-	-
Jelfa SA	3,351	3,842	2,166	33,941
Laboratorium Farmaceutyczne Homeofarm sp. z o.o.	-	19	-	17
Sanitas Pharma a.s.	-	140	-	54
The Company's and the Group's transactions				
Amber Trust II	-	107	-	260
Citigroup Venture Capital International Jersey Limited	-	345	-	345
Invalda, AB	-	351	-	870
Natural persons	-	64	-	147
Acena, UAB	-	32	-	-
Baltic Amadeus Infrastrukturos Paslaugos, UAB	-	1	-	-
Informatikos Pasaulis, UAB	-	1	-	-