

# SANITAS GROUP

PUBLIC LIMITED LIABILITY COMPANY „SANITAS“

**UNAUDITED INTERIM CONDENSED CONSOLIDATED  
AND SEPARATE FINANCIAL STATEMENTS FOR THE  
PERIOD ENDED 31 DECEMBER 2012**

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



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Public limited liability company SANITAS  
UNAUDITED INTERIM CONDENSED CONSOLIDATED AND SEPARATE  
FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER  
2012

## 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, I, Saulius Mecislovas Zemaitis, General Manager of public limited liability company SANITAS (hereinafter – 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 2012, 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

UNAUDITED INTERIM CONDENSED CONSOLIDATED AND SEPARATE  
FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER  
2012

## 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)

### Registered office and company code

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

### Banks

Bank Millennium S.A.  
Bank PEKAO S.A.  
Bank Zachodni WBK S.A.  
CITI Bank Handlowy 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.  
Swedbank, AB  
Tatra banka a.s.  
Unikredit Bank sp. z o.o.  
Unikredit Bulbank  
AS UniCredit Bank Lithuania Branch  
Wniesztorgbank, OAO

The financial statements were approved and signed by the management on 28 February 2013.

Mr. Saulius Mecislovas Zemaitis  
General Manager



Public limited liability company „SANITAS“

UNAUDITED INTERIM CONDENSED CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2012

all amounts are in thousand LTL unless otherwise stated

## Statements of Comprehensive Income

	Notes	Group		Company	
		2012	2011	2012	2011
Revenue	3	336,471	333,433	20,337	20,464
Cost of sales		(122,540)	(121,302)	(11,745)	(11,661)
<b>Gross profit</b>		<b>213,931</b>	<b>212,131</b>	<b>8,592</b>	<b>8,803</b>
Other income		5,014	2,141	804	3,069
Selling and distribution expenses		(108,927)	(89,646)	(4,321)	(3,958)
Regulatory affairs expenses		(7,612)	(12,741)	(758)	(1,146)
Research and development expenses		(745)	(1,996)	(18)	(116)
Administrative expenses	4	(38,539)	(84,985)	(4,919)	(34,051)
Other expenses		(6,284)	(1,517)	(221)	(11)
Gain on disposal of assets by contribution in investment in associate		-	332,882	-	-
<b>Operating profit (loss)</b>		<b>56,838</b>	<b>356,269</b>	<b>(841)</b>	<b>(27,410)</b>
Finance income	5	1,493	124	526	39,480
Finance costs	5	(28,543)	(33,622)	(10,670)	(6,951)
Share of income from associate		1,700	-	-	-
<b>Profit (loss) before tax</b>		<b>31,488</b>	<b>322,771</b>	<b>(10,985)</b>	<b>5,119</b>
Income tax benefit (expense)	6	(10,790)	(8,351)	(4,236)	1,558
<b>Profit (loss) for the period</b>		<b>20,698</b>	<b>314,420</b>	<b>(15,221)</b>	<b>6,677</b>
<b>Other comprehensive income (expense):</b>					
Exchange differences on translating foreign operation		17,068	(22,606)	-	-
Cash flow hedges		-	4,391	-	-
Income tax (expense) relating to components of other comprehensive income		-	(834)	-	-
Acquisition of Emo-Farm sp. z o.o.		8,305	-	-	-
<b>Other comprehensive income for the period, net of tax</b>		<b>25,373</b>	<b>(19,049)</b>	<b>-</b>	<b>-</b>
<b>Total comprehensive income (expense) for the period, net of tax</b>		<b>46,071</b>	<b>295,371</b>	<b>(15,221)</b>	<b>6,677</b>
<b>Basic and diluted earnings per share (in LTL)</b>		<b>0.67</b>	<b>10.11</b>	<b>-</b>	<b>-</b>

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## Statements of Comprehensive Income (cont'd)

	Notes	Group		The Company	
		October – December 2012	October – December 2011	October – December 2012	October – December 2011
Revenue	3	90,252	83,334	5,701	5,477
Cost of sales		(34,769)	(27,892)	(3,299)	(2,908)
<b>Gross profit</b>		<b>55,483</b>	<b>55,442</b>	<b>2,402</b>	<b>2,569</b>
Other income		1,629	705	180	(20)
Selling and distribution expenses		(33,121)	(21,683)	(776)	(873)
Regulatory affairs expenses		(1,689)	(1,974)	(102)	(238)
Research and development expenses		(291)	(371)	-	(28)
Administrative expenses	4	(7,954)	(15,198)	(1,618)	10,905
Other expenses		(3,225)	(485)	(103)	(9)
Gain on disposal of assets by contribution in investment in associate		-	332,882	-	-
<b>Operating profit (loss)</b>		<b>10,832</b>	<b>349,318</b>	<b>(17)</b>	<b>12,306</b>
Finance income	5	261	114	(144)	-
Finance costs	5	(7,457)	(7,622)	(2,440)	(3,328)
Share of income from associate		(6,703)	-	-	-
<b>Profit (loss) before tax</b>		<b>(3,067)</b>	<b>341,810</b>	<b>(2,601)</b>	<b>8,978</b>
Income tax benefit (expense)	6	(4,416)	(3,017)	(5,507)	780
<b>Profit (loss) for the period</b>		<b>(7,483)</b>	<b>338,793</b>	<b>(8,108)</b>	<b>9,758</b>
<b>Other comprehensive income (expense):</b>					
Exchange differences on translating foreign operation		4,413	15,857	-	-
Acquisition of Emo-Farm sp. z o.o.		8,305	-	-	-
<b>Other comprehensive income for the period, net of tax</b>		<b>12,718</b>	<b>15,857</b>	<b>-</b>	<b>-</b>
<b>Total comprehensive income (expense) for the period, net of tax</b>		<b>5,235</b>	<b>354,650</b>	<b>(8,108)</b>	<b>9,758</b>
<b>Basic and diluted earnings per share (in LTL)</b>		<b>(0.24)</b>	<b>10.89</b>		

The notes on pages 13 to 20 are an integral part of these financial statements.

## Balance Sheets

	Notes	Group		The Company	
		As at 31 December 2012	As at 31 December 2011	As at 31 December 2012	As at 31 December 2011
<b>ASSETS</b>					
<b>Non-current assets</b>					
Property, plant and equipment	7	208,598	184,912	54,665	58,127
Intangible assets	8	139,616	130,693	987	1,493
Investments in subsidiary		-	-	308,068	308,068
Investment in associate		488,805	487,105	-	-
Other non-current financial assets		4	11	3	4
Deferred tax asset		15,647	16,534	20	4,271
<b>Total non-current assets</b>		<b>852,670</b>	<b>819,255</b>	<b>363,743</b>	<b>371,963</b>
<b>Current assets</b>					
Inventories		58,140	42,096	4,331	5,170
Prepaid income tax		-	4,364	-	-
Trade receivables		58,347	67,627	4,462	6,762
Other receivables		6,266	2,657	1	20,002
Prepayments and deferred expenses		2,245	1,638	148	161
Cash and cash equivalents		47,341	24,310	3,031	1,964
<b>Total current assets</b>		<b>172,339</b>	<b>142,692</b>	<b>11,973</b>	<b>34,059</b>
<b>Total assets</b>		<b>1,025,009</b>	<b>961,947</b>	<b>375,716</b>	<b>406,022</b>

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## Balance Sheets (cont'd)

	Notes	Group		The Company	
		As at 31 December 2012	As at 31 December 2011	As at 31 December 2012	As at 31 December 2011
<b>EQUITY AND LIABILITIES</b>					
<b>Equity</b>					
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
Translation reserve		(8,908)	(25,976)	-	-
Retained earnings		446,499	417,496	9,340	24,561
<b>Total equity</b>		<b>719,894</b>	<b>673,823</b>	<b>291,643</b>	<b>306,864</b>
<b>Non-current liabilities</b>					
Non-current loans	9	-	35,831	-	35,831
Financial lease obligations		407	1,256	-	45
Deferred tax liability		10,793	10,837	231	245
Deferred income from subsidies		12,612	13,450	12,612	13,450
Employee benefit liability		4,198	3,707	-	-
<b>Total non-current liabilities</b>		<b>28,010</b>	<b>65,081</b>	<b>12,843</b>	<b>49,571</b>
<b>Current liabilities</b>					
Current portion of non-current financial lease obligations		900	1,085	-	30
Current loans	9	204,612	184,380	67,764	44,295
Trade payables		26,328	17,060	1,679	1,668
Advances received		167	185	-	2
Income tax payable		1,000	-	-	-
Other current liabilities		40,807	19,270	1,787	3,074
Employee benefit liability		372	400	-	-
Provisions		2,919	663	-	518
<b>Total current liabilities</b>		<b>277,105</b>	<b>223,043</b>	<b>71,230</b>	<b>49,587</b>
<b>Total equity and liabilities</b>		<b>1,025,009</b>	<b>961,947</b>	<b>375,716</b>	<b>406,022</b>

The notes on pages 13 to 20 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
<b>Balance as at 31 December 2010</b>	<b>31,106</b>	<b>248,086</b>	<b>3,111</b>	<b>(3,557)</b>	<b>(3,370)</b>	<b>103,076</b>	<b>378,452</b>
Other comprehensive income	-	-	-	3,557	(22,606)	-	(19,049)
Net (loss) for the period	-	-	-	-	-	314,420	314,420
<b>Total comprehensive income for the period</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>3,557</b>	<b>(22,606)</b>	<b>314,420</b>	<b>295,371</b>
<b>Balance as at 31 December 2011</b>	<b>31,106</b>	<b>248,086</b>	<b>3,111</b>	<b>-</b>	<b>(25,976)</b>	<b>417,496</b>	<b>673,823</b>
Other comprehensive income (expense)	-	-	-	-	17,068	-	17,068
Acquisition of Emo-Farm sp. z o.o.	-	-	-	-	-	8,305	8,305
Net profit for the period	-	-	-	-	-	20,698	20,698
<b>Total comprehensive income for the period</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>17,068</b>	<b>29,003</b>	<b>46,071</b>
<b>Balance as at 31 December 2012</b>	<b>31,106</b>	<b>248,086</b>	<b>3,111</b>	<b>-</b>	<b>(8,908)</b>	<b>446,499</b>	<b>719,894</b>

The Company					
	Share capital	Share premium	Legal reserve	Retained earnings	Total
<b>Balance as at 31 December 2010</b>	<b>31,106</b>	<b>248,086</b>	<b>3,111</b>	<b>17,884</b>	<b>300,187</b>
Net (loss) for the period	-	-	-	6,677	6,677
<b>Total comprehensive (expense) for the period</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>6,677</b>	<b>6,677</b>
<b>Balance as at 31 December 2011</b>	<b>31,106</b>	<b>248,086</b>	<b>3,111</b>	<b>24,561</b>	<b>306,864</b>
Net (loss) for the period	-	-	-	(15,221)	(15,221)
<b>Total comprehensive income for the period</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(15,221)</b>	<b>(15,221)</b>
<b>Balance as at 31 December 2012</b>	<b>31,106</b>	<b>248,086</b>	<b>3,111</b>	<b>9,340</b>	<b>291,643</b>

The notes on pages 13 to 20 are an integral part of these financial statements.

## Cash Flow Statements

	Group		The Company	
	2012	2011	2012	2011
<b>Cash flows from (to) operating activities</b>				
Profit (loss) before tax	31,488	322,771	(10,985)	5,119
<b>Adjustments for non-cash items:</b>				
Depreciation and amortization	19,948	25,430	3,086	3,461
Loss (gain) from disposal, write-off and impairment of non-current assets	449	(60)	379	(41)
Gain on disposal of assets by contribution in investment in associate	-	(332,882)	-	-
Change in equity method of investment to associate	(1,700)	-	-	-
Change in allowance and write-off of trade and other receivables	(3,479)	(19)	-	4
Change in allowance and write-off of inventories	6,667	5,634	212	416
Unrealised foreign currency exchange loss	10,579	19,120	5,395	4,389
Interest expenses	16,659	10,376	5,272	2,526
Interest (income)	(1,366)	(124)	(526)	-
Financial instruments settlement	1,305	4,066	-	-
Dividends (income) (Note 5)	-	-	-	(39,480)
Other non cash items	(1,025)	6,868	(515)	1,314
	<b>79,525</b>	<b>61,180</b>	<b>2,318</b>	<b>(22,292)</b>
<b>Change in working capital:</b>				
(Increase) decrease in inventories	(15,095)	(15,999)	627	(437)
(Increase) decrease in trade and other receivables and deferred charges	10,355	(22,108)	22,047	1,275
Increase (decrease) in trade and other payables and advances received	(1,159)	3,716	(1,270)	(14,254)
(Decrease) in employee benefits	(406)	(535)	-	-
Income tax (paid)	(4,161)	(10,390)	-	-
<b>Net cash flows from operating activities</b>	<b>69,059</b>	<b>15,864</b>	<b>23,722</b>	<b>(35,708)</b>
<b>Cash flows from (to) investing activities</b>				
(Acquisition) of non-current tangible assets	(13,994)	(3,618)	(387)	(135)
(Acquisition) of non-current intangible assets	(342)	(6,252)	(20)	(246)
(Acquisition) of Valeant IPM sp. z o.o.	-	(210)	-	-
Cash in acquired subsidiary Emo-Farm sp. z o.o.	10,283	-	-	-
(Investment) in subsidiary	-	-	-	(15,364)
Proceeds from sale of non-current assets	552	707	73	409
Interest received	1,366	124	526	-
<b>Net cash flows (to) from investing activities</b>	<b>(2,135)</b>	<b>(9,249)</b>	<b>192</b>	<b>(15,336)</b>

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## Cash Flow Statements (cont'd)

	Group		The Company	
	2012	2011	2012	2011
<b>Cash flows from (to) financing activities</b>				
Proceeds from loans	34,183	236,220	34,183	86,656
(Repayments) of loans	(69,861)	(205,839)	(56,940)	(31,456)
(Payment) of finance lease liabilities	(1,185)	(1,383)	(75)	(296)
Interest (paid)	(12,392)	(9,218)	(2)	(1,979)
(Settlement) of financial instruments	-	(4,066)	-	-
Dividends (paid)	(13)	(36)	(13)	(36)
<b>Net cash flows from (to) financial activities</b>	<b>(49,268)</b>	<b>15,678</b>	<b>(22,847)</b>	<b>52,889</b>
<b>Net increase in cash and cash equivalents</b>	<b>17,656</b>	<b>22,293</b>	<b>1,067</b>	<b>1,845</b>
Net foreign exchange difference	5,375	(458)	-	-
<b>Cash and cash equivalents at the beginning of the period</b>	<b>24,310</b>	<b>2,475</b>	<b>1,964</b>	<b>119</b>
<b>Cash and cash equivalents at the end of the period</b>	<b>47,341</b>	<b>24,310</b>	<b>3,031</b>	<b>1,964</b>
<b>Supplemental information of cash flows:</b>				
Property, plant and equipment acquisition financed by finance lease	-	692	-	160

The notes on pages 13 to 20 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 2012 and 31 December 2011 the shareholders of the Company were:

	31 December 2012		31 December 2011	
	Number of shares held (thousand)	Percentage	Number of shares held (thousand)	Percentage
Valeant Pharmaceuticals International, Inc	30,921	99.4%	30,921	99.4%
Other	185	0.6%	185	0.6%
<b>Total</b>	<b>31,106</b>	<b>100.00%</b>	<b>31,106</b>	<b>100.00%</b>

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

Name	Main activities	Country of incorporation	% of equity interest	
			2012	2011
Jelfa S.A.	Production and trade of medicines	Poland	100	100
Laboratorium Farmaceutyczne Homeofarm sp. z o.o	Production and trade of medicines	Poland	100	100
Sanitas Pharma a.s.	Marketing, sales and regulatory affairs services	Slovakia	100	100
Emo-Farm sp. z o.o.	Production and trade of medicines	Poland	100	-
<b>Associate company</b>				
Valeant IPM sp. z o.o.	Intellectual property management	Poland	36.56	-

As at 30 December 2011 Jelfa S.A. transferred all its intangible assets, related to the medicines licenses, which constituted intellectual property business, as contribution in kind to 36.56% of the associate company Valeant IPM sp. z o.o.

As at 31 December 2011, 100% of Valeant IPM sp. z o.o. total assets fair value amounted to LTL 1,337,107 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 487,105 thousand and exceeded the cost of the Group to this associated entity by LTL 332,882 thousand, which was recognized in the Group profit or loss as gain on disposal of assets by contribution in investment in associate, respectively.

On 30th October 2012 Jelfa S.A. acquired a 100% interest in Emo-Farm sp.z o.o., Poland, from Valeant Pharmaceuticals International Inc. Group company ICN Polfa Rzeszow SA. The consideration for the shares acquires amounted to PLN 31,310 thousand (LTL 26,088 thousand). Consideration paid includes transaction fees amounting to PLN 310 thousand (LTL 258 thousand). The bargain gain, amounting to LTL 8,305 thousand, which resulted as difference between subsidiary's net value of the assets acquired and consideration paid, was recognized under the Retained Earnings of the Group.

Public limited liability company „SANITAS”

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all amounts are in thousand LTL unless otherwise stated

As at 31 December 2012 the number of employees of the Group was 968 (as at 31 December 2011 – 1,077). As at 31 December 2012 the number of employees of the Company was 107 (as at 31 December 2011 – 108).

The interim condensed financial statements were approved and signed by the Management on 28 February 2013.

## 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 2012 are as follows:

### **Basis of preparation**

The interim condensed consolidated and separate financial statements for the period ended 31 December 2012 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 2011.

### **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 2011.

## 3. Segment information

For management purposes, the Group is organized 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 the first half of 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 2012 and 2011, respectively:

	Group											
	Injectables		Tablets		Ointments		Eye drops, syringe		Unallocated		Total	
	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011
Toll manufacturing sales	3,523	9,843	7,470	7,896	557	608	475	57	1	-	12,026	18,404
Own products sales	45,106	47,412	111,833	107,501	162,013	149,356	1,450	7,571	4,043	3,189	324,445	315,029
<b>Total revenue</b>	<b>48,629</b>	<b>57,255</b>	<b>119,303</b>	<b>115,397</b>	<b>162,570</b>	<b>149,964</b>	<b>1,925</b>	<b>7,628</b>	<b>4,044</b>	<b>3,189</b>	<b>336,471</b>	<b>333,433</b>
<b>Profit (loss) before taxes*</b>	<b>(1,498)</b>	<b>3,969</b>	<b>29,845</b>	<b>13,408</b>	<b>29,166</b>	<b>55,249</b>	<b>594</b>	<b>601</b>	<b>(26,619)</b>	<b>249,544</b>	<b>31,488</b>	<b>322,771</b>

\* 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 2012 and 2011, respectively:

	Company											
	Injectables		Tablets		Ointments		Eye drops, syringe		Unallocated		Total	
	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011
Toll manufacturing sales	1,445	2,590	1,307	358	-	-	475	57	-	-	3,227	3,005
Own products sales	7,099	7,707	6,281	5,896	1,741	1,828	2,017	1,837	(28)	191	17,110	17,459
<b>Total revenue</b>	<b>8,544</b>	<b>10,297</b>	<b>7,588</b>	<b>6,254</b>	<b>1,741</b>	<b>1,828</b>	<b>2,492</b>	<b>1,894</b>	<b>(28)</b>	<b>191</b>	<b>20,337</b>	<b>20,464</b>
<b>Profit (loss) before taxes*</b>	<b>(3,155)</b>	<b>(4,174)</b>	<b>806</b>	<b>(1,210)</b>	<b>793</b>	<b>151</b>	<b>176</b>	<b>(769)</b>	<b>(9,605)</b>	<b>11,121</b>	<b>(10,985)</b>	<b>5,119</b>

\* 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 2012 and 2011. There are no significant seasonality fluctuations in the Group's and the Company's operational business. Unallocated sales mainly include sales of syrups, cosmetic products 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 2012 and 2011 detailed below:

Group						
	Toll manufacturing sales		Own products sales		Total	
	2012	2011	2012	2011	2012	2011
Poland	624	511	154,745	191,050	155,369	191,561
Russia	-	-	102,298	62,891	102,298	62,891
Ukraine	-	-	15,836	11,782	15,836	11,782
Lithuania	-	-	15,731	15,948	15,731	15,948
Czech Republic	-	-	6,954	5,921	6,954	5,921
Slovakia	-	-	5,624	6,557	5,624	6,557
Bulgaria	-	-	4,997	4,554	4,997	4,554
Germany	4,672	5,914	-	-	4,672	5,914
Kazakhstan	-	-	3,639	2,835	3,639	2,835
Latvia	2,714	9,459	798	865	3,512	10,324
Hungary	-	-	2,264	2,520	2,264	2,520
Vietnam	-	-	2,540	2,373	2,540	2,373
Georgia	-	-	1,999	5,144	1,999	5,144
Switzerland	1,505	1,270	-	-	1,505	1,270
Uzbekistan	-	-	1,762	719	1,762	719
Belarus	-	-	685	1,300	685	1,300
Kyrgyzstan	-	-	528	70	528	70
Great Britain	556	571	-	-	556	571
USA	807	226	-	-	807	226
Moldova	-	-	179	265	179	265
Unallocated	1,148	453	3,866	235	5,014	688
	<b>12,026</b>	<b>18,404</b>	<b>324,445</b>	<b>315,029</b>	<b>336,471</b>	<b>333,433</b>

The Company						
	Toll manufacturing sales		Own products sales		Total	
	2012	2011	2012	2011	2012	2011
Lithuania	-	-	15,622	15,948	15,622	15,948
Latvia	1,444	2,590	798	865	2,242	3,455
Germany	1,651	415	-	-	1,651	415
Poland	-	-	690	646	690	646
Netherlands	132	-	-	-	132	-
	<b>3,227</b>	<b>3,005</b>	<b>17,110</b>	<b>17,459</b>	<b>20,337</b>	<b>20,464</b>

## 4. Administrative expenses

The Group and the Company administrative expenses increased in the second and third quarter in 2011 due to one-off expenses related to company shares sale, mainly transaction consulting services, compensation to the Group and the Company management and Valeant Group integration related costs.

## 5. Financial activity, net

	Group		The Company	
	2012	2011	2012	2011
Interest income	1,366	124	399	-
Fines and overdue interests	127	-	127	-
Dividends	-	-	-	39,480
	<b>1,493</b>	<b>124</b>	<b>526</b>	<b>39,480</b>
Interest (expenses)	(16,659)	(10,376)	(5,272)	(2,526)
Foreign currency exchange (loss), net	(10,579)	(19,120)	(5,395)	(4,389)
(Expenses) for financial instruments, net	-	(4,066)	-	-
Other financial (expenses)	(1,305)	(60)	(3)	(36)
	<b>(28,543)</b>	<b>(33,622)</b>	<b>(10,670)</b>	<b>(6,951)</b>

As at 15 June 2011 the General shareholders meeting of the Company subsidiary Jelfa SA 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 became due as at 1 January 2012. The outstanding amount was paid till 31<sup>st</sup> December 2012.

## 6. Income tax

	Group		The Company	
	2012	2011	2012	2011
Current year income tax	(9,628)	(5,630)	-	-
Prior year current income tax correction	(102)	701	-	-
Deferred tax income (expenses)	(1,060)	(3,422)	(4,236)	1,558
<b>Income tax (expenses) benefit charged to the profit and loss</b>	<b>(10,790)</b>	<b>(8,351)</b>	<b>(4,236)</b>	<b>1,558</b>

## 7. Property, plant and equipment

During the year 2012 the Group acquired non-current fixed assets with a cost of LTL 14,316 thousand (during the year 2011 – LTL 4,659 thousand). Assets with a net book value of LTL 606 thousand were disposed and written off by the Group during the year 2012 (during the year 2011 – LTL 702 thousand), resulting in a net loss on disposal and write-off of LTL 81 thousand (for the period ended 31 December 2011 net gain of LTL 75 thousand).

During the year 2012, the Company acquired non-current fixed assets with a cost of LTL 387 thousand (during the year 2011 – LTL 291 thousand). Assets with a net book value of LTL 101 thousand were disposed and written off by the Company during the year 2012 (during the year 2011 – LTL 427 thousand), resulting in a net loss on disposal and write-off of LTL 29 thousand (during the year 2011 – net profit of LTL 51 thousand).

## 8. Intangible assets

During the year 2012 the Group acquired non-current intangible assets with a cost of LTL 519 thousand (for the period year 2011 – LTL 5,684 thousand). Assets with a net book value of LTL 368 thousand were written off by the Group during the year 2012 (for the year 2011 the Group has written off non-current intangible assets with a net book value of LTL 15 thousand), resulting in a net loss on write-off of LTL 368 thousand (for the period ended 31 December 2011 – LTL 15 thousand).

During the period ended 31 December 2012 the Company acquired non-current intangible assets with a cost of LTL 20 thousand (for the period ended 31 December 2011 – LTL 192 thousand). Assets with a net book value of LTL 350 thousand were written off by the Company during the period ended 31 December 2012 (for the period ended 31 December 2011 the Company has written-off intangible assets with a net book value of LTL 10 thousand), resulting in a net loss on write-off of LTL 350 thousand (for the period ended 31 December 2011 – LTL 10 thousand).

## 9. Loans

As at 19 August 2011 the Company received the loan from parent company Valeant Pharmaceuticals International, Inc. which was denominated in US dollars (USD 17,311 thousand). Though the maturity date of this loan was 19 August, 2014, the loan was covered fully on May 17, 2012, as the Company received the loan denominated in Polish zloty (PLN 42,000 thousand) from associate company Valeant IPM sp. z o.o. with maturity date 60 days after the Notice from the lender.

In August and September in 2011 the Company also received loans from Valeant group companies: 2 loans in amount of PLN 15,000 thousand each (in total 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). The mentioned loans were used to finance the transaction costs, related to the sale of Company shares and also to repay the Company's remaining LTL 17,702 thousand loan to „Swedbank”, which was fully covered on September 23. One of the loans received from ICN Polfa Rzeszow S.A. was repaid on 23<sup>rd</sup> April, 2012, after Jelfa S.A. paid its loan to the Company.

All the loans held by the Company as at 31 December 2012 were repayable in the sixtieth day after the lender notice and bear 3 months WIBOR + 3% annual interest rate.

## 10. Related party transactions

In the period ended 31 December 2012 and 2011 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-subsidiary 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 SA (the affiliate of Valeant Pharmaceuticals International, Inc.);  
 Invalda, AB (the ex-shareholder of the Company);  
 Acena, UAB (the affiliate of Invalda, AB);  
 PharmaSwiss d.o.o. (the affiliate of Valeant Pharmaceuticals International, Inc.);  
 Valeant Polska Sp. z. o.o. (the affiliate of Valeant Pharmaceuticals International, Inc.);  
 PharmaSwiss EOOD (the affiliate of Valeant Pharmaceuticals International, Inc.).

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The Group's and the Company's transactions with related parties during the year 2012 and related balances as at 31 December 2012 were as follows:

	Sales to related parties	Purchases from related parties	Amounts owed by related parties	Amounts owed to related parties
<b>The Company's transactions</b>				
Jelfa S.A.	1,644	1,919	-	407
Sanitas Pharma a.s.	-	41	-	-
<b>The Company's and the Group's transactions</b>				
Valeant Pharmaceuticals International, Inc.	-	720	-	-
ICN Polfa Rzeszow S.A.	-	1,029	-	6,782
PharmaSwiss, UAB	-	4,573	-	469
Valeant IPM sp. z o.o.	-	3,549	-	60,982
<b>The Group's transactions</b>				
ICN Polfa Rzeszow S.A.	167,767	10,157	19,690	154,360
PharmaSwiss, SA	5,259	134	1,339	5,302
PharmaSwiss, UAB	9	-	-	-
PharmaSwiss d.o.o	3	-	-	-
Valeant Pharmaceuticals International, Inc.	3	288	-	406
Valeant IPM sp, z o,o	1,488	66,791	371	19,639
Valeant Polska S.A.	721	-	633	3

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
<b>The Company's transactions</b>				
Jelfa S.A.	3,202	2,144	20,611	-
Sanitas Pharma a.s.	-	566	-	472
<b>The Company's and the Group's transactions</b>				
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	-	20,160
Acena, UAB	-	28	-	-
Invalda, AB	-	3	-	-
<b>The Group's transactions</b>				
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