

SANITAS GROUP

PUBLIC LIMITED LIABILITY COMPANY „SANITAS“

**UNAUDITED INTERIM CONDENSED CONSOLIDATED
AND SEPARATE FINANCIAL STATEMENTS FOR THE
PERIOD ENDED 30 SEPTEMBER 2011**

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 30 SEPTEMBER
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 Jurgelenas, General Manager of public limited liability company „SANITAS“ (hereinafter SANITAS) and Nerijus Drobavicius, Chief Financial Officer of SANITAS hereby confirm that, to the best of our knowledge, the attached unaudited interim condensed consolidated and separate financial statements for the period ended 30 September 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 Jurgelenas

Chief Financial Officer

Nerijus Drobavicius

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 Jurgelenas (General Manager)
Mr. Nerijus Drobavicius (Chief Financial Officer)

Registered office and company code

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

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 29 November 2011.

Management:



Mr. Saulius Jurgelenas
General Manager



Mr. Nerijus Drobavicius
Chief Financial Officer

Statements of Comprehensive Income

	Notes	Group		Company	
		January – September 2011	January – September 2010	January – September 2011	January – September 2010
Revenue	3	250,099	256,855	14,987	13,132
Cost of sales		(93,410)	(115,640)	(8,753)	(7,778)
Gross profit		156,689	141,215	6,234	5,354
Other income		1,436	2,590	3,089	2,437
Selling and distribution expenses	4	(67,963)	(59,165)	(3,085)	(2,629)
Regulatory affairs expenses		(10,767)	(8,154)	(908)	(603)
Research and development expenses		(1,625)	(1,467)	(88)	(100)
Administrative expenses	5	(69,787)	(21,431)	(44,956)	(6,777)
Other expenses		(1,032)	(1,683)	(2)	(37)
Operating profit (loss)		6,951	51,905	(39,716)	(2,355)
Finance income	6	10	20,754	39,480	3,771
Finance costs	6	(26,000)	(19,700)	(3,623)	(2,423)
Profit (loss) before tax		(19,039)	52,959	(3,859)	(1,007)
Income tax benefit (expense)	7	(5,334)	(6,872)	778	445
Profit (loss) for the period		(24,373)	46,087	(3,081)	(562)
Other comprehensive income (expense):					
Exchange differences on translating foreign operation		(38,463)	1,888	-	-
Cash flow hedges		4,391	4,621	-	-
Income tax (expense) relating to components of other comprehensive income		(834)	(877)	-	-
Other comprehensive (expense) for the period, net of tax		(34,906)	5,632	-	-
Total comprehensive income (expense) for the period, net of tax		(59,279)	51,719	(3,081)	(562)
Basic and diluted earnings (loss) per share (in LTL)		(0.78)	1.48	-	-

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Statements of Comprehensive Income (cont'd)

	Group		The Company	
	July – September 2011	July – September 2010	July – September 2011	July – September 2010
Revenue	80,944	79,579	4,743	4,588
Cost of sales	(31,444)	(34,014)	(2,847)	(2,646)
Gross profit	49,500	45,565	1,896	1,942
Other income	548	352	1,112	390
Selling and distribution expenses	(22,902)	(17,343)	(1,123)	(749)
Regulatory affairs expenses	(3,642)	(2,636)	(347)	(200)
Research and development expenses	(509)	(443)	(25)	(27)
Administrative expenses	(37,394)	(5,993)	(24,346)	(2,294)
Other expenses	(385)	(287)	-	(30)
Operating profit (loss)	(14,784)	19,215	(22,833)	(968)
Finance income	4	18,564	-	3,712
Finance costs	(17,002)	(4,984)	(2,722)	(864)
Profit (loss) before tax	(31,782)	32,795	(25,555)	1,880
Income tax benefit (expense)	1,311	(4,016)	604	89
Profit (loss) for the period	(30,471)	28,779	(24,951)	1,969
Other comprehensive income (expense):				
Exchange differences on translating foreign operation	(34,840)	5,640	-	-
Cash flow hedges	1,238	1,915	-	-
Income tax (expense) relating to components of other comprehensive income	(235)	(363)	-	-
Other comprehensive income (expense) for the period, net of tax	(33,837)	7,192	-	-
Total comprehensive income (expense) for the period, net of tax	(64,308)	35,971	(24,951)	1,969
Basic and diluted earnings (loss) per share (in LTL)	(0.98)	0.92	-	-

The notes on pages 13 to 19 are an integral part of these financial statements.

Balance Sheets

	Notes	Group		The Company	
		As at 30 September 2011	As at 31 December 2010	As at 30 September 2011	As at 31 December 2010
ASSETS					
Non-current assets					
Property, plant and equipment	8	187,795	215,249	59,558	62,434
Intangible assets	9	271,146	304,199	1,550	1,425
Investments in subsidiaries		-	-	292,704	292,704
Other non-current financial assets		11	17	4	-
Deferred tax asset		21,366	23,548	3,499	2,726
Total non-current assets		480,318	543,013	357,315	359,289
Current assets					
Inventories		37,910	35,609	5,215	5,149
Prepaid income tax		17	170	-	-
Trade receivables		62,612	55,372	6,187	9,613
Other receivables		1,596	2,492	22,971	2,219
Prepayments and deferred expenses		2,899	2,230	153	226
Cash and cash equivalents		5,429	2,475	2,068	119
Total current assets		110,463	98,348	36,594	17,326
Total assets		590,781	641,361	393,909	376,615

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Balance Sheets (cont'd)

	Notes	Group		The Company	
		As at 30 September 2011	As at 31 December 2010	As at 30 September 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		(41,833)	(3,370)	-	-
Retained earnings		78,703	103,076	14,802	17,884
Total equity		319,173	378,452	297,105	300,187
Non-current liabilities					
Non-current loans	10	107,590	106,252	33,614	-
Financial lease obligations		1,551	2,119	84	57
Deferred tax liability		13,053	15,339	253	258
Deferred income from subsidies		13,656	14,274	13,656	14,274
Employee benefit liability		3,809	4,139	-	-
Total non-current liabilities		139,659	142,123	47,607	14,589
Current liabilities					
Current portion of non-current loans	10	85,643	65,049	43,027	22,029
Current portion of non-current financial lease obligations		1,157	1,254	125	223
Current loans	10	12,738	17,171	-	-
Trade payables		14,016	18,441	2,982	36,288
Advances received		246	255	2	2
Income tax payable		1,884	742	-	-
Other current financial liabilities		-	4,391	-	-
Other current liabilities		15,724	12,830	3,061	3,297
Employee benefit liability		395	467	-	-
Provisions		146	186	-	-
Total current liabilities		131,949	120,786	49,197	61,839
Total equity and liabilities		590,781	641,361	393,909	376,615

The notes on pages 13 to 19 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	-	-	-	3,744	1,888	-	5,632
Net profit for the period	-	-	-	-	-	46,087	46,087
Total comprehensive income for the period	-	-	-	3,744	1,888	46,087	51,719
Balance as at 30 September 2010	31,106	248,086	3,111	(4,918)	(3,436)	95,849	369,798
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	(38,463)	-	(34,906)
Net (loss) for the period	-	-	-	-	-	(24,373)	(24,373)
Total comprehensive income (expense) for the period	-	-	-	3,557	(38,463)	(24,373)	(59,279)
Balance as at 30 September 2011	31,106	248,086	3,111	-	(41,833)	78,703	319,173

						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	-	-	-	(562)	(562)	
Total comprehensive (expense) for the period	-	-	-	(562)	(562)	
Balance as at 30 September 2010	31,106	248,086	3,111	19,163	301,466	
Balance as at 31 December 2010	31,106	248,086	3,111	17,883	300,186	
Net (loss) for the period	-	-	-	(3,081)	(3,081)	
Total comprehensive income for the period	-	-	-	(3,081)	(3,081)	
Balance as at 30 September 2011	31,106	248,086	3,111	14,802	297,105	

The notes on pages 13 to 19 are an integral part of these financial statements.

Cash Flow Statements

	Group		The Company	
	January – September 2011	January – September 2010	January – September 2011	January – September 2010
Cash flows from (to) operating activities				
Profit (loss) before tax	(19,039)	52,959	(3,859)	(1,007)
Adjustments for non-cash items:				
Depreciation and amortisation	19,615	24,931	2,619	2,670
(Gain) from disposal, write-off and impairment of non-current assets	(1)	(59)	-	1
(Gain) on HBM Pharma s.r.o. disposal	-	(14,487)	-	(3,770)
Change in value of financial instruments	-	3,394	-	-
Change in allowance and write-off of trade and other receivables	(4)	(1,716)	-	-
Change in allowance and write-off of inventories	4,969	1,669	459	112
Unrealised foreign currency exchange (gain) loss	15,113	(3,140)	2,392	109
Interest expenses	6,659	9,653	1,196	1,867
Interest (income)	(10)	(48)	-	-
Financial instruments settlement	4,168	3,256	-	-
Dividends (income) (Note 6)	-	-	(39,480)	-
Other non cash items	21	780	35	447
	31,491	77,192	(36,638)	429
Change in working capital:				
(Increase) in inventories	(11,328)	(7,227)	(525)	(1,250)
(Increase) decrease in trade and other receivables and deferred charges	(15,082)	133	(1,674)	(10,975)
Increase (decrease) in trade and other payables and advances received	3,906	4,009	(11,790)	24,380
(Decrease) in employee benefits	(393)	(459)	-	-
Income tax (paid)	(6,529)	(3,900)	-	-
Net cash flows from (to) operating activities	2,065	69,748	(50,627)	12,584
Cash flows from (to) investing activities				
(Acquisition) of non-current tangible assets	(2,516)	(4,711)	(145)	(217)
(Acquisition) of non-current intangible assets	(4,754)	(5,033)	(274)	(181)
Proceeds from sale of non-current assets	52	123	17	-
(Settlement) of financial instruments	(4,168)	(3,256)	-	-
Proceeds from sale of HBM Pharma s.r.o., net of cash disposed	-	21,812	-	23,007
Interest received	10	48	-	-
Net cash flows (to) from investing activities	(11,376)	8,983	(402)	22,609

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Cash Flow Statements (cont'd)

	Group		The Company	
	January – September 2011	January – September 2010	January – September 2011	January – September 2010
Cash flows from (to) financing activities				
Proceeds from loans	86,691	4,335	86,656	5,943
(Repayments) of loans	(65,751)	(66,889)	(31,456)	(32,171)
(Payment) of finance lease liabilities	(1,065)	(2,332)	(231)	(394)
Interest (paid)	(7,597)	(9,350)	(1,978)	(2,818)
Dividends (paid)	(13)	(2,279)	(13)	(2,279)
Net cash flows (to) from financial activities	12,265	(76,515)	52,978	(31,719)
Net increase in cash and cash equivalents	2,954	2,216	1,949	3,474
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	5,429	5,633	2,068	3,651
Supplemental information of cash flows:				
Property, plant and equipment acquisition financed by finance lease	705	2,602	160	-

The notes on pages 13 to 19 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 September 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 30 September 2011 and 31 December 2010 the shareholders of the Company were:

	30 September 2011		31 December 2010	
	Number of shares held (thousand)	Percentage	Number of shares held (thousand)	Percentage
Valeant Pharmaceuticals International, Inc.	30,669	98.59%	-	-
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	437	1.41%	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.

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	
			January – September 2011	January – September 2010
Jelfa S.A.	Production and trade of medicines	Poland	100	100
HBM Pharma s.r.o.*	Production and trade of medicines	Slovakia	-	100
Laboratorium Farmaceutyczne Homeofarm sp. z.o.o	Production and trade of medicines	Poland	100	100
Sanitas Pharma a.s.	Marketing, sales and regulatory affairs services	Slovakia	100	100

* HBM Pharma s.r.o. was sold on 8 July 2010.

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Public limited liability company „SANITAS”

UNAUDITED INTERIM CONDENSED CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 SEPTEMBER 2011

all amounts are in thousand LTL unless otherwise stated

As at 30 September 2011 the number of employees of the Group was 1,105 (as at 31 December 2010 – 1,108). As at 30 September 2011 the number of employees of the Company was 126 (as at 31 December 2010 – 130).

The interim condensed financial statements were approved and signed by the Management on 29 November 2011.

2. Accounting principles

The principal accounting policies adopted in preparing the Group's and the Company's interim condensed financial statements for the period ended 30 September 2011 are as follows:

Basis of preparation

The interim condensed consolidated and separate financial statements for the period ended 30 September 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.

- 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 30 September 2011 and 2010, respectively:

	Group											
	Injectables		Tablets		Ointments		Eye drops, syringe		Unallocated		Total	
	3Q 2011	3Q 2010	3Q 2011	3Q 2010	3Q 2011	3Q 2010	3Q 2011	3Q 2010	3Q 2011	3Q 2010	3Q 2011	3Q 2010
Toll manufacturing sales	6,987	27,461	5,188	15,059	290	564	57	-	-	7	12,522	43,091
Own products sales	35,342	29,755	83,302	80,010	115,113	99,716	902	326	2,918	3,957	237,577	213,764
Total revenue	42,329	57,216	88,490	95,069	115,403	100,280	959	326	2,918	3,964	250,099	256,855
Profit (loss) before taxes*	1,436	397	8,382	6,048	41,268	46,790	(1,078)	(1,066)	(69,047)	790	(19,039)	52,959

* 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 30 September 2011 and 2010, respectively:

	Company											
	Injectables		Tablets		Ointments		Eye drops, syringe		Unallocated		Total	
	3Q 2011	3Q 2010	3Q 2011	3Q 2010	3Q 2011	3Q 2010	3Q 2011	3Q 2010	3Q 2011	3Q 2010	3Q 2011	3Q 2010
Toll manufacturing sales	1,860	1,869	298	-	-	-	57	-	-	-	2,215	1,869
Own products sales	5,545	5,501	4,336	4,031	1,400	1,375	1,308	409	183	(53)	12,772	11,263
Total revenue	7,405	7,370	4,634	4,031	1,400	1,375	1,365	409	183	(53)	14,987	13,132
Profit (loss) before taxes*	(3,447)	(2,417)	(1,087)	(1,981)	(34)	581	(1,038)	(801)	1,747	3,611	(3,859)	(1,007)

* 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 30 September 2011 and 2010 detailed below:

Group						
	Toll manufacturing sales		Own products sales		Total	
	3Q 2011	3Q 2010	3Q 2011	3Q 2010	3Q 2011	3Q 2010
Poland	482	789	143,381	130,108	143,863	130,897
Russia	-	-	48,494	40,040	48,494	40,040
Lithuania	-	-	11,718	10,581	11,718	10,581
Ukraine	-	-	8,502	6,999	8,502	6,999
Latvia	6,665	20,808	648	533	7,313	21,341
Czech Republic	-	1,112	4,798	5,271	4,798	6,383
Slovakia	-	7,341	4,620	4,014	4,620	11,355
Georgia	-	-	4,581	4,099	4,581	4,099
Germany	3,806	9,560	-	-	3,806	9,560
Bulgaria	-	-	3,578	2,730	3,578	2,730
Hungary	-	1,889	1,960	2,265	1,960	4,154
Vietnam	-	-	1,647	2,073	1,647	2,073
Kazakhstan	-	-	1,580	2,135	1,580	2,135
Belarus	-	-	1,042	1,081	1,042	1,081
Switzerland	912	1,177	-	-	912	1,177
Uzbekistan	-	-	508	654	508	654
Great Britain	273	210	-	-	273	210
Moldova	-	-	214	426	214	426
USA	158	-	-	-	158	-
Kyrgyzstan	-	-	72	171	72	171
Unallocated	226	205	234	584	460	789
	12,522	43,091	237,577	213,764	250,099	256,855

The Company						
	Toll manufacturing sales		Own products sales		Total	
	3Q 2011	3Q 2010	3Q 2011	3Q 2010	3Q 2011	3Q 2010
Lithuania	-	-	11,718	10,581	11,718	10,581
Latvia	1,860	1,869	648	533	2,508	2,402
Poland	-	-	406	149	406	149
Germany	355	-	-	-	355	-
	2,215	1,869	12,772	11,263	14,987	13,132

Own products sales in Poland market

Sales to Polish market made 60% of all own products sales in 2011 (59% during the third quarter 2011). Net sales for the nine month period in 2011 grew 10% compared to the same period one year ago (8% year on year for the third 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 (23% during the third quarter 2011). Sales to Russia recovered in third quarter 2011 compared to the second quarter, as additional sales made in the first quarter of 2011 were fading out in the second quarter 2011. Total sales for the nine month period 2011 to this market grew 21% compared to the same period one year ago (20% year on year for the third quarter).

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Public limited liability company „SANITAS“

UNAUDITED INTERIM CONDENSED CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 SEPTEMBER 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 third quarter of 2011). Nine month sales in 2011 grew 11% compared to the same period in 2010 (4% year on year for the third quarter).

Own products sales in other markets

All other strategic countries except for Czech Republic and Hungary demonstrated growth in 2011. 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 nine month sales in 2011 to other strategic countries made 10% of all own product sales and showed 11% growth compared to the same period in 2010. Sales to non-strategic countries made 4% of all own product sales for the nine month period in 2011 and declined 12% compared to the same period one year ago.

4. Selling and distribution expenses

The Group selling and distribution expenses increased mainly due to higher salary expenses, which amounted to LTL 24,692 thousand during the three quarters of 2011 (LTL 18,360 thousand in the same period in 2010). The Company selling and distribution expenses increase mainly due to higher marketing services cost (LTL 1,620 thousand in 2011, while in the same period in 2010 – LTL 1,108 thousand).

5. Administrative expenses

The Group and the Company administrative expenses increased by LTL 47,567 thousand and LTL 37,658 thousand, respectively, in the second and third quarter, 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.

6. Financial activity, net

	Group		The Company	
	January – September 2011	January – September 2010	January – September 2011	January – September 2010
Interest income	10	48	-	1
Cash income from financial instruments	-	2,943	-	-
Foreign currency exchange gain, net	-	3,140	-	-
Dividends	-	-	39,480	-
Gain on HBM Pharma s.r.o. disposal	-	14,487	-	3,770
Other financial income		136	-	-
	10	20,754	39,480	3,771

Interest (expenses)	(6,659)	(9,653)	(1,196)	(1,867)
Cash outflows for financial instruments	(4,168)	(6,199)	-	-
Foreign currency exchange (loss), net	(15,113)	-	(2,392)	(109)
Fair value (loss) from derivatives	-	(3,394)	-	-
Other financial (expenses)	(60)	(454)	(35)	(447)
	(26,000)	(19,700)	(3,623)	(2,423)

As at 15 September 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 will become due as at 1 January 2012. In the third quarter the Company experienced quite significant foreign currency exchange loss on this receivable amount due to decreasing PLN/LTL exchange rate.

Additionally, the Group experienced LTL 13,183 thousand foreign currency exchange loss due to PLN depreciation against EUR on the Jelfa S.A. loans, denominated in EUR.

7. Income tax

	Group		The Company	
	January – September 2011	January – September 2010	January – September 2011	January – September 2010
Current year income tax	(7,592)	(5,342)	-	-
Prior year current income tax correction	718	14	-	14
Deferred tax income (expenses)	1,540	(1,544)	778	431
Income tax (expenses) benefit charged to the profit and loss	(5,334)	(6,872)	778	445

8. Property, plant and equipment

During the period ended 30 September 2011, the Group acquired non-current fixed assets with a cost of LTL 3,449 thousand (for the period ended 30 September 2010 – LTL 7,526 thousand). Assets with a net book value of LTL 34 thousand were disposed and written off by the Group during the first nine months of the year 2011 (for the period ended 30 September 2010 – LTL 348 thousand), resulting in a net gain on disposal and write-off of LTL 17 thousand (for the period ended 30 September 2010 net loss of LTL 222 thousand).

During the period ended 30 September 2011, the Company acquired non-current fixed assets with a cost of LTL 283 thousand (for the period ended 30 September 2010 – LTL 268 thousand). Assets with a net book value of LTL 1 thousand were disposed and written off by the Company during the period ended 30 September 2011 (for the period ended 30 September 2010 – LTL 0 thousand), resulting in a net gain on disposal and write-off of LTL 16 thousand (for the period ended 30 September 2010 – LTL 0 thousand).

9. Intangible assets

During the period ended 30 September 2011 the Group acquired non-current intangible assets with a cost of LTL 4,465 thousand (for the period ended 30 September 2010 – LTL 4,352 thousand). Assets with a net book value of LTL 16 thousand were written off by the Group during the period ended 30 September 2011 (for the period ended 30 September 2010 – LTL 0 thousand), resulting in a net loss on write-off of LTL 16 thousand (LTL 0 thousand in 2010).

During the period ended 30 September 2011 the Company acquired non-current intangible assets with a cost of LTL 220 thousand (for the period ended 30 September 2010 – LTL 181 thousand). Assets with a net book value of LTL 16 thousand were written off by the Company during the period ended 30 September 2011 (for the period ended 30 September 2010 – LTL 0 thousand), resulting in a net loss on disposal and write-off of LTL 16 thousand (for the period ended 30 September 2010 – net loss of LTL 0 thousand).

10. 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% 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”, which was fully covered on September 23.

11. Related party transactions

In the period ended 30 September 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);
 HBM Pharma s.r.o. (the ex-subsidiary of the Company);
 ICN Polfa Rzeszow S.A. (the affiliate of Valeant Pharmaceuticals International, Inc.);
 Valeant IPM sp. z o.o. (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).

The Group's and the Company's transactions with related parties in the period ended 30 September 2011 and related balances as at 30 September 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.	4,024	6,917	23,530	1,837
Sanitas Pharma a.s.	11	432	-	294
The Company's and the Group's transactions				
Valeant Pharmaceuticals International, Inc.	-	251	-	33,614
ICN Polfa Rzeszow S.A.	-	109	-	23,445
Valeant IPM sp. z o.o.	-	136	-	19,583
Acena, UAB	-	28	-	-
Invalda, AB	-	3	-	-
The Group's transactions				
ICN Polfa Rzeszow S.A.	-	44	-	-

The Group's and the Company's transactions with related parties in the period ended 30 September 2010 and related balances as at 30 September 2010 were as follows:

	Sales to related parties	Purchases from related parties	Amounts owed by related parties	Amounts owed to related parties
The Company's transactions				
HBM Pharma s.r.o.	322	1,000	-	-
Jelfa S.A.	2,180	2,307	945	28,245
Laboratorium Farmaceutyczne Homeofarm sp. Z.o.o	-	19	-	17
Sanitas Pharma a.s.	-	32	104	32
The Company's and the Group's transactions				
Amber Trust II	-	97	-	1,193
Citigroup Venture Capital International Jersey Limited	-	340	-	1,613
Invalda, AB	-	318	-	4,086
Natural persons	-	59	-	678
Acena, UAB	-	32	-	-