

SANITAS GROUP

PUBLIC LIMITED LIABILITY COMPANY „SANITAS“

**UNAUDITED INTERIM CONDENSED CONSOLIDATED
AND SEPARATE FINANCIAL STATEMENTS FOR THE
PERIOD ENDED 30 JUNE 2012**

PREPARED ACCORDING TO INTERNATIONAL FINANCIAL
REPORTING STANDARDS, AS ADOPTED BY THE
EUROPEAN UNION **AND SIX MONTHS' INTERIM
CONSOLIDATED REPORT FOR THE PERIOD
ENDED 30 JUNE 2012**



Contents

Confirmation of Responsible Persons	4
UNAUDITED INTERIM CONDENSED CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2012	5
General Information	6
Statements of Comprehensive Income	7
Balance Sheets	9
Statements of Changes in Equity	11
Cash Flow Statements	12
Notes to the Financial Statements	14
1. General information	14
2. Accounting principles	15
3. Segment information	15
4. Administrative expenses	18
5. Financial activity, net	18
6. Income tax	19
7. Property, plant and equipment	19
8. Intangible assets	19
9. Loans	19
10. Financial risks management objectives and policies	20
11. Related party transactions	21
12. Post balance sheet events	22
SIX MONTHS' INTERIM CONSOLIDATED REPORT FOR THE PERIOD ENED 30 JUNE 2012	23
Period for which Six Months' Consolidated Report is prepared	24
1. Reporting period	24
Short presentation of Public limited liability company SANITAS and its enterprises (hereinafter SANITAS Group)	24
2. Main data about Public limited liability company SANITAS	24
3. Contacts of other enterprises of SANITAS Group	24
4. Structure of SANITAS Group. Portfolios held	25
5. Representative offices of enterprises comprising SANITAS Group	25
6. The main activity of SANITAS Group	25
7. Participation in activity of organizations	25
8. Short history of SANITAS Group	25
9. Aims. Values	28
Information on SANITAS Authorised Capital and Securities	28
10. Composition of SANITAS authorised capital, rights granted by shares	28
11. SANITAS own shares	28
12. Dividends paid to SANITAS shareholders	28
13. Data about securities trading	29
14. SANITAS shareholders	29
15. Limitations of SANITAS securities transferring	29
16. Special rights of control possessed by SANITAS shareholders and description of these rights	30
17. Limitations of the Company's shareholders voting rights	30
18. SANITAS shareholders agreements known to the Company according to which transferring of the securities and/or voting rights can be limited	30
19. SANITAS agreements with intermediaries of public trading in securities	30
20. The changes of SANITAS share price and turnover	30
21. The changes of SANITAS share price and of NASDAQ indexes	30
Information on SANITAS Management	31
22. The Company's managing bodies	31
22.1. The Management Board	31
22.2. The General Manager	32
22.3. The General Shareholders Meeting	32
22.4. The Audit Committee	32
23. Data about members of the Management Board, members of the Audit Committee, Managing and Finance Directors	33
SANITAS group activity review	39
24. Non-financial activity review	39
24.1. Manufacturing	39
24.2. Employees and human resources policy	40
24.3. Environment	41

24.4. Research and development activity	42
24.5. Purchases	42
24.6. Competitors	42
24.7. Sales and products distribution	43
25. Financial activity review	43
26. Plans and forecasts	44
27. Main risks and risk management	44
28. Main features of internal controls and risk management system for consolidated financial reports preparation	44
29. Related party transactions	44
Other information	44
30. Order of amendment of SANITAS Articles of Association	44
31. Significant agreements the party to which SANITAS is and which would come into force, be amended or terminated in the case of change of control of the Company	44
32. Information about the prejudicial transaction, which had or will likely have a negative impact on the Company's operating results	44
33. Agreements with the Company's employees and members of managing bodies providing compensation in the case of their resignation or dismissal without serious reason or if their employment ends because of the change of the control of SANITAS	45
34. Data about the Company's publicly disclosed information	45
35. Main events of the first half of 2012	45
36. Authorities of SANITAS managing bodies to issue or acquire shares	45
37. Compliance with the Governance code for the companies	45

Public limited liability company SANITAS
UNAUDITED INTERIM CONDENSED CONSOLIDATED AND SEPARATE
FINANCIAL STATEMENTS AND SIX MONTHS' INTERIM CONSOLIDATED
REPORT FOR THE PERIOD ENDED 30 JUNE 2012

Confirmation of Responsible Persons

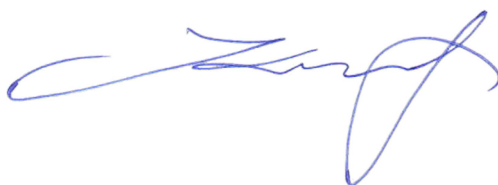
Following the Article No. 22 of the Law on Securities of the Republic of Lithuania and Rules on Preparation and Submission of Periodic and Additional Information of the Lithuanian Securities Commission, we, Saulius Mecislovas Zemaitis, General Manager of public limited liability company SANITAS (hereinafter – SANITAS) and Kristina Montvilaite, Chief Accountant 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 June 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, and that the Six months' interim consolidated report for the period ended 30 June 2012 gives a true and fair view about the business development and activity of SANITAS group, together with a description of major risks and uncertainties.

General Manager



Saulius Mecislovas Zemaitis

Chief Accountant



Kristina Montvilaite

UNAUDITED INTERIM CONDENSED CONSOLIDATED AND SEPARATE
FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 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 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 Takarekpenzta 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
Wniesztorgbank, OAO

The financial statements were approved and signed by the management on 29 August 2012.

Mr. Saulius Mecislovas Zemaitis
General Manager



Ms. Kristina Montvilaite
Chief Accountant



Statements of Comprehensive Income

	Notes	Group		Company	
		January – June 2012	January – June 2011	January – June 2012	January – June 2011
Revenue	3	179,138	169,155	10,439	10,244
Cost of sales		(58,671)	(61,966)	(5,679)	(5,906)
Gross profit		120,467	107,189	4,760	4,338
Other income		2,968	888	584	1,977
Selling and distribution expenses		(50,530)	(45,061)	(2,389)	(1,962)
Regulatory affairs expenses		(3,333)	(7,125)	(427)	(561)
Research and development expenses		(394)	(1,116)	(18)	(63)
Administrative expenses	4	(20,859)	(32,393)	(2,533)	(20,610)
Other expenses		(2,325)	(647)	(118)	(2)
Operating profit (loss)		45,994	21,735	(141)	(16,883)
Finance income	5	920	6	646	39,480
Finance costs	5	(13,467)	(8,998)	(5,170)	(901)
Share of income from associate		7,325	-	-	-
Profit (loss) before tax		40,772	12,743	(4,665)	21,696
Income tax benefit (expense)	6	(7,576)	(6,645)	649	174
Profit (loss) for the period		33,196	6,098	(4,016)	21,870
Other comprehensive income (expense):					
Exchange differences on translating foreign operation		6,350	(3,623)	-	-
Cash flow hedges		-	3,153	-	-
Income tax (expense) relating to components of other comprehensive income		-	(599)	-	-
Other comprehensive income for the period, net of tax		6,350	(1,069)	-	-
Total comprehensive income (expense) for the period, net of tax		39,546	5,029	(4,016)	21,870
Basic and diluted earnings per share (in LTL)		1.07	0.20	-	-

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Statements of Comprehensive Income (cont'd)

	Notes	Group		The Company	
		April – June 2012	April – June 2011	April – June 2012	April – June 2011
Revenue	3	82,239	79,441	5,270	5,416
Cost of sales		(21,662)	(29,781)	(2,849)	(3,085)
Gross profit		60,577	49,660	2,421	2,331
Other income		1,864	504	470	1,085
Selling and distribution expenses		(24,240)	(24,989)	(1,046)	(1,121)
Regulatory affairs expenses		(1,818)	(3,976)	(372)	(314)
Research and development expenses		(74)	147	-	(32)
Administrative expenses	4	(14,195)	(25,161)	(952)	(17,612)
Other expenses		(1,463)	(387)	(95)	-
Operating profit (loss)		20,651	(4,202)	426	(15,663)
Finance income	5	319	(53)	77	39,430
Finance costs	5	(6,896)	(3,484)	(3,195)	(659)
Share of income from associate		7,325	-	-	-
Profit (loss) before tax		21,470	(7,739)	(2,692)	23,108
Income tax benefit (expense)	6	21	(1,878)	366	65
Profit (loss) for the period		21,491	(9,617)	(2,326)	23,173
Other comprehensive income (expense):					
Exchange differences on translating foreign operation		(5,435)	(801)	-	-
Cash flow hedges		-	1,469	-	-
Income tax (expense) relating to components of other comprehensive income		-	(279)	-	-
Other comprehensive income for the period, net of tax		(5,435)	389	-	-
Total comprehensive income (expense) for the period, net of tax		16,056	(9,228)	(2,326)	23,173
Basic and diluted earnings per share (in LTL)		0.69	-0.31	-	-

The notes on pages 14 to 22 are an integral part of these financial statements.

Balance Sheets

	Notes	Group		The Company	
		As at 30 June 2012	As at 31 December 2011	As at 30 June 2012	As at 31 December 2011
ASSETS					
Non-current assets					
Property, plant and equipment	7	185,603	184,912	56,455	58,127
Intangible assets	8	134,312	130,693	1,095	1,493
Investments in subsidiaries		-	-	308,067	308,068
Investment in associate		494,430	487,105	-	-
Other non-current financial assets		12	11	4	4
Deferred tax asset		16,460	16,534	4,912	4,271
Total non-current assets		830,817	819,255	370,533	371,963
Current assets					
Inventories		51,793	42,096	5,496	5,170
Prepaid income tax		-	4,364	-	-
Trade receivables		58,651	67,627	4,494	6,762
Other receivables		4,319	2,657	152	20,002
Prepayments and deferred expenses		2,646	1,638	99	161
Cash and cash equivalents		30,637	24,310	1,820	1,964
Total current assets		148,046	142,692	12,061	34,059
Total assets		978,863	961,947	382,594	406,022

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Balance Sheets (cont'd)

	Notes	Group		The Company	
		As at 30 June 2012	As at 31 December 2011	As at 30 June 2012	As at 31 December 2011
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
Translation reserve		(19,626)	(25,976)	-	-
Retained earnings		450,692	417,496	20,545	24,561
Total equity		713,369	673,823	302,848	306,864
Non-current liabilities					
Non-current loans	9	-	35,831	-	35,831
Financial lease obligations		687	1,256	-	45
Deferred tax liability		10,558	10,837	237	245
Deferred income from subsidies		13,031	13,450	13,031	13,450
Employee benefit liability		3,700	3,707	-	-
Total non-current liabilities		27,976	65,081	13,268	49,571
Current liabilities					
Current portion of non-current financial lease obligations		1,116	1,085	-	30
Current loans	9	196,812	184,380	62,260	44,295
Trade payables		27,403	17,060	1,831	1,668
Advances received		133	185	-	2
Income tax payable		1,161	-	-	-
Other current liabilities		10,364	19,270	2,387	3,074
Employee benefit liability		379	400	-	-
Provisions		150	663	-	518
Total current liabilities		237,518	223,043	66,478	49,587
Total equity and liabilities		978,863	961,947	382,594	406,022

The notes on pages 14 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 2010	31,106	248,086	3,111	(3,557)	(3,370)	103,076	378,452
Other comprehensive income	-	-	-	2,554	(3,623)	-	(1,069)
Net profit for the period	-	-	-	-	-	6,098	6,098
Total comprehensive income for the period	-	-	-	2,554	(3,623)	6,098	5,029
Balance as at 30 June 2011	31,106	248,086	3,111	(1,003)	(6,993)	109,174	383,481
Balance as at 31 December 2011	31,106	248,086	3,111	-	(25,976)	417,496	673,823
Other comprehensive income (expense)	-	-	-	-	6,350	-	6,350
Net profit for the period	-	-	-	-	-	33,196	33,196
Total comprehensive income for the period	-	-	-	-	6,350	33,196	39,546
Balance as at 30 June 2012	31,106	248,086	3,111	-	(19,626)	450,692	713,369

					The Company
	Share capital	Share premium	Legal reserve	Retained earnings	Total
Balance as at 31 December 2010	31,106	248,086	3,111	17,883	300,186
Net (loss) for the period	-	-	-	21,870	21,870
Total comprehensive (expense) for the period	-	-	-	21,870	21,870
Balance as at 30 June 2011	31,106	248,086	3,111	39,753	322,056
Balance as at 31 December 2011	31,106	248,086	3,111	24,561	306,864
Net profit for the period	-	-	-	(4,016)	(4,016)
Total comprehensive income for the period	-	-	-	(4,016)	(4,016)
Balance as at 30 June 2012	31,106	248,086	3,111	20,545	302,848

The notes on pages 14 to 22 are an integral part of these financial statements.

Cash Flow Statements

	Group		The Company	
	January – June 2012	January – June 2011	January – June 2012	January – June 2011
Cash flows from (to) operating activities				
Profit (loss) before tax	40,772	12,743	(4,665)	21,696
Adjustments for non-cash items:				
Depreciation and amortization	10,796	13,313	1,542	1,747
Loss (gain) from disposal, write-off and impairment of non-current assets	235	(2)	351	(1)
Change in equity method of investment to associate	(7,325)	-	-	-
Change in allowance and write-off of trade and other receivables	(69)	(3)	-	-
Change in allowance and write-off of inventories	2,107	3,406	(48)	212
Accrual for Phantom option plan (Note 4)	-	13,481	-	13,481
Unrealised foreign currency exchange loss	4,989	1,765	2,493	412
Interest expenses	8,470	4,268	2,671	488
Interest (income)	(673)	(6)	(399)	-
Financial instruments settlement	-	2,960	-	-
Dividends (income) (Note 5)	-	-	-	(39,480)
Other non cash items	(1,229)	638	(514)	1,002
	58,073	52,563	1,431	(443)
Change in working capital:				
(Increase) in inventories	(10,620)	(8,808)	(278)	(688)
(Increase) decrease in trade and other receivables and deferred charges	7,519	(13,532)	21,883	387
Increase (decrease) in trade and other payables and advances received	(5,014)	9,443	(521)	4,186
(Decrease) in employee benefits	(154)	(204)	-	-
Income tax (paid)	(2,033)	(3,991)	-	-
Net cash flows from operating activities	47,771	35,471	22,515	3,442
Cash flows from (to) investing activities				
(Acquisition) of non-current tangible assets	(6,364)	(1,559)	(301)	(65)
(Acquisition) of non-current intangible assets	(534)	(3,343)	(13)	(215)
Proceeds from sale of non-current assets	472	52	73	17
(Settlement) of financial instruments	-	(2,960)	-	-
Interest received	673	6	399	-
Net cash flows (to) from investing activities	(5,753)	(7,804)	158	(263)

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Cash Flow Statements (cont'd)

	Group		The Company	
	January – June 2012	January – June 2011	January – June 2012	January – June 2011
Cash flows from (to) financing activities				
Proceeds from loans	50,387	270	34,183	-
(Repayments) of loans	(84,534)	(23,310)	(56,915)	(2,287)
(Payment) of finance lease liabilities	(613)	(758)	(75)	(188)
Interest (paid)	(134)	(4,446)	-	(488)
Dividends (paid)	(10)	-	(10)	-
Net cash flows (to) financial activities	(34,904)	(28,244)	(22,817)	(2,963)
Net increase (decrease) in cash and cash equivalents	7,114	(577)	(144)	216
Net foreign exchange difference	(787)	-	-	-
Cash and cash equivalents at the beginning of the period	24,310	2,475	1,964	119
Cash and cash equivalents at the end of the period	30,637	1,898	1,820	335
Supplemental information of cash flows:				
Property, plant and equipment acquisition financed by finance lease	-	558	-	160

The notes on pages 14 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 30 June 2012 and 31 December 2011 the shareholders of the Company were:

	30 June 2011		31 December 2010	
	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%
Total	31,106	100.00%	31,106	100.00%

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 – June 2012	January – June 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
Associate company				
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.

As at 30 June, 2012 the number of employees of the Group was 859 (as at 31 December 2011 – 1,077). As at 30 June 2012 the number of employees of the Company was 109 (as at 31 December 2011 – 108).

The interim condensed financial statements were approved and signed by the Management on 29 August 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 30 June 2012 are as follows:

Basis of preparation

The interim condensed consolidated and separate financial statements for the period ended 30 June 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 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 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 30 June 2012 and 2011, respectively:

	Group											
	Injectables		Tablets		Ointments		Eye drops, syringe		Unallocated		Total	
	1H 2012	1H 2011	1H 2012	1H 2011	1H 2012	1H 2011	1H 2012	1H 2011	1H 2012	1H 2011	1H 2012	1H 2011
Toll manufacturing sales	2,200	5,493	4,582	4,117	139	221	112	57	-	-	7,033	9,888
Own products sales	24,326	24,384	60,467	53,981	86,569	78,162	710	567	33	2,173	172,105	159,267
Total revenue	26,526	29,877	65,049	58,098	86,708	78,383	822	624	33	2,173	179,138	169,155
Profit (loss) before taxes*	3,343	2,215	24,163	7,492	27,249	30,733	56	(747)	(14,039)	(26,950)	40,772	12,743

* 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 June 2012 and 2011, respectively:

	Company											
	Injectables		Tablets		Ointments		Eye drops, syringe		Unallocated		Total	
	1H 2012	1H 2011	1H 2012	1H 2011	1H 2012	1H 2011	1H 2012	1H 2011	1H 2012	1H 2011	1H 2012	1H 2011
Toll manufacturing sales	743	1,196	864	238	-	-	112	57	-	-	1,719	1,491
Own products sales	3,602	4,040	3,113	2,733	953	944	1,051	910	1	126	8,720	8,753
Total revenue	4,345	5,236	3,977	2,971	953	944	1,163	967	1	126	10,439	10,244
Profit (loss) before taxes*	(1,928)	(3,488)	822	(1,145)	449	75	64	(731)	(4,072)	26,985	(4,665)	21,696

* 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 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 June 2012 and 2011 detailed below:

Group						
	Toll manufacturing sales		Own products sales		Total	
	1H 2012	1H 2011	1H 2012	1H 2011	1H 2012	1H 2011
Poland	120	490	86,223	97,078	86,343	97,568
Russia	-	-	49,481	30,773	49,481	30,773
Ukraine	-	-	9,360	5,866	9,360	5,866
Lithuania	-	-	7,889	7,952	7,889	7,952
Czech Republic	-	-	3,936	3,148	3,936	3,148
Slovakia	-	-	3,677	3,037	3,677	3,037
Bulgaria	-	-	2,998	2,702	2,998	2,702
Germany	2,954	3,323	-	-	2,954	3,323
Latvia	1,996	5,166	457	458	2,453	5,624
Kazakhstan	-	-	2,082	1,004	2,082	1,004
Hungary	-	-	1,562	1,401	1,562	1,401
Georgia	-	-	1,351	2,990	1,351	2,990
Vietnam	-	-	1,106	1,307	1,106	1,307
Switzerland	694	545	-	-	694	545
Belarus	-	-	344	928	344	928
Uzbekistan	-	-	297	283	297	283
Kyrgyzstan	-	-	258	62	258	62
USA	204	161	-	-	204	161
Great Britain	139	203	-	-	139	203
Moldova	-	-	136	165	136	165
Unallocated	926	-	948	113	1,874	113
	7,033	9,888	172,105	159,267	179,138	169,155

The Company						
	Toll manufacturing sales		Own products sales		Total	
	1H 2012	1H 2011	1H 2012	1H 2011	1H 2012	1H 2011
Lithuania	-	-	7,889	7,952	7,889	7,952
Latvia	742	1,197	457	458	1,199	1,655
Poland	846	294	-	-	846	294
Germany	-	-	374	343	374	343
Netherlands	131	-	-	-	131	-
	1,719	1,491	8,720	8,753	10,439	10,244

4. Administrative expenses

The Group and the Company administrative expenses increased significantly in the second quarter of 2011, as the Group and the Company accounted LTL 3,535 thousand and LTL 2,339 thousand costs, respectively, related to the Company shares sale process.

Moreover, as on 19 August 2011 the majority of the Company shares have been sold for EUR 10.06 each and the liability for the approved 805,000 phantom share options could be reasonably measured, the Company accounted LTL 13,481 thousand accrual for phantom option holders.

5. Financial activity, net

	Group		The Company	
	January – June 2012	January – June 2011	January – June 2012	January – June 2011
Interest income	673	6	399	-
Fines and overdue interests	247	-	247	-
Other financial income	-	-	-	39,480
	920	6	646	39,480
Interest (expenses)	(8,470)	(4,268)	(2,673)	(485)
Foreign currency exchange (loss), net	(4,989)	(1,765)	(2,493)	(412)
Cash outflows for financial instruments	-	(2,960)	-	-
Other financial (expenses)	(8)	(5)	(4)	(4)
	(13,467)	(8,998)	(5,170)	(901)

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.

6. Income tax

	Group		The Company	
	January – June 2012	January – June 2011	January – June 2012	January – June 2011
Current year income tax	(7,625)	(5,240)	-	-
Prior year current income tax correction	(101)	729	-	-
Deferred tax income (expenses)	150	(2,134)	649	174
Income tax (expenses) benefit charged to the profit and loss	(7,576)	(6,645)	649	174

7. Property, plant and equipment

During the period ended 30 June 2012, the Group acquired non-current fixed assets with a cost of LTL 6,364 thousand (for the period ended 30 June 2011 – LTL 2,451 thousand). Assets with a net book value of LTL 381 thousand were disposed and written off by the Group during the first six months of the year 2012 (for the period ended 30 June 2011 – LTL 34 thousand), resulting in a net gain on disposal and write-off of LTL 91 thousand (for the period ended 30 June 2011 net gain of LTL 17 thousand).

During the period ended 30 June 2012, the Company acquired non-current fixed assets with a cost of LTL 301 thousand (for the period ended 30 June 2011 – LTL 227 thousand). Assets with a net book value of LTL 100 thousand were disposed and written off by the Company during the period ended 30 June 2012 (for the period ended 30 June 2011 – LTL 0 thousand), resulting in a net loss on disposal and write-off of LTL 28 thousand (for the period ended 30 June 2011 – net gain of LTL 17 thousand).

8. Intangible assets

During the period ended 30 June 2012 the Group acquired non-current intangible assets with a cost of LTL 534 thousand (for the period ended 30 June 2011 – LTL 2,854 thousand). Assets with a net book value of LTL 326 thousand were written off by the Group during the period ended 30 June 2012 (for the period ended 30 June 2011 the Group has written off non-current intangible assets with a net book value of LTL 16 thousand), resulting in a net loss on write-off of LTL 326 thousand (for the period ended 30 June 2011 – LTL 16 thousand).

During the period ended 30 June 2012 the Company acquired non-current intangible assets with a cost of LTL 13 thousand (for the period ended 30 June 2011 – LTL 191 thousand). Assets with a net book value of LTL 323 thousand were written off by the Company during the period ended 30 June 2012 (for the period ended 30 June 2011 the Company has written-off intangible assets with a net book value of LTL 16 thousand), resulting in a net loss on write-off of LTL 323 thousand (for the period ended 30 June 2011 – LTL 16 thousand).

9. Loans

As at 23 September 2011 the Company received the loan from parent company Valeant Pharmaceuticals International, Inc. which was denominated in US dollars. Though the maturity date of this loan was 23 September, 2014, the loan was covered fully on September 23, 2014, as the Company received the loan from associate company Valeant IPM sp. z o.o. with maturity date – 16 days after Notice.

10. Financial risks management objectives and policies

The Group's and the Company's principal financial liabilities comprise loans from related parties, finance leases and trade payables. The main purpose of these financial liabilities is to raise finance for the Group's and the Company's operations. The Group and the Company has various financial assets such as trade and other receivables and cash, which arise directly from its operations.

The Group used interest rate swaps (till 2011 August) in order to hedge its interest rate risks. The Group does not use derivative financial instruments for speculative purposes.

The principal financial risks to which the Group and the Company is exposed are those of interest rate, liquidity, foreign exchange and credit. The Group Management reviews and agrees policies for managing each of these risks, which are summarized below.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's and the Company's exposure to the risk of changes in market interest rates relates primarily to the long-term debt obligations with floating interest rates. Current environment is not attractive to target fixed interest rates (fixed interest rate is significantly higher than the float, and due to the volatility in the market fixed interest rate is offered to short period of time only) and therefore the Group and the Company keeps majority of its financial liabilities at floating interest rates.

To manage the interest rate risk the Group company Jelfa S.A. in the past entered into interest rate swaps, in which it agreed to exchange, at specified intervals, the difference between fixed and variable rate interest amounts calculated by reference to an agreed-upon notional principal amounts. These swaps were designated to hedge Jelfa S.A. loan from banks Bank Polska Kasa Opieki S.A. and Bank Zachodni WBK S.A. The Group and the Company is ready to enter other interest rate swap agreements if this allows to further mitigating risk.

Liquidity risk

The Management Board reviews the Group's liquidity risks annually as part of the planning process and on ad hoc basis. The Board considers short-term requirements against available sources of funding taking into account cash flow.

The Group and the Company monitors its risk to a shortage of funds using a standard weekly report on the cash flows with a liquidity projection for the future periods. The report considers projected cash flows from operations and allows for the Group management to effectively plan cash injection if needed.

The Group's and the Company's objective is to maintain a balance between continuity of funding and flexibility through the use of Valeant group financing sources and bank overdrafts, bank loans, finance leases and factoring contracts, if needed.

Foreign exchange risk

Foreign currency risk is the risk that the fair value of the future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group's and the Company's exposure to the risk of changes in foreign exchange rates relates primarily to the Group and Company operating activities (when revenue or expense are denominated in a different currency from the Group's and the Company's functional currencies).

As a result of Group operations in Poland, the Group's balance sheet can be affected by movements in PLN/LTL exchange rate. The Group and the Company seeks to mitigate the effect of its structural currency exposure by keeping the assets and the liabilities denominated in the same currency, which is the functional currency for each individual entity.

Credit risk

Credit risk is the risk that the counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risk from its operating activities (primarily for trade receivables) and from its financing activities, which include foreign exchange transactions and other financial instruments.

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The credit risk related to receivables is managed by each Group company separately trading only with recognised, creditworthy third parties. According to the Group's and the Company's policy all customers wishing to trade on credit terms are subject to credit verification procedures. For transactions that do not occur in the countries, where the Group has affiliates, the Group and the Company does not offer credit terms without the approval of the Head of Commercial operations and Chief Financial Officer. In addition, outstanding receivable balances are monitored on a weekly basis by the Group management. For the justified cases, the sales are stopped or prepayment for deliveries is required. When possible, factoring without a right to recourse is used as additional security mean for trade accounts receivable in country of operation. The Group also uses credit insurance for domestic and export trade protecting its trade accounts receivable. The Group does not hold collateral as security.

5 customers with the greatest outstanding receivable balances represented 55% of total Group receivables as at 30 June 2012 (54% as at 31 December 2011). The maximum exposure to credit risk at the reporting date is the carrying value of the trade receivables, which is disclosed in the balance sheet.

11. Related party transactions

In the period ended 30 June 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.);
 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).

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The Group's and the Company's transactions with related parties in the period ended 30 June 2012 and related balances as at 30 June 2012 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.	1,402	691	20	-
Sanitas Pharma a.s.	-	50	-	-
The Company's and the Group's transactions				
Valeant Pharmaceuticals International, Inc.	-	720	-	-
ICN Polfa Rzeszow S.A.	-	762	-	6,238
PharmaSwiss, UAB	-	2,181	-	1,000
Valeant IPM sp. z o.o.	-	1,210	-	56,029
The Group's transactions				
ICN Polfa Rzeszow S,A,	94,043	5,025	18,965	126,094
PharmaSwiss, SA	2,617	-	2,604	-
PharmaSwiss, UAB	5	-	-	-
Valeant IPM sp, z o,o	698	32,643	89	22,874

The Group's and the Company's transactions with related parties in the period ended 30 June 2011 and related balances as at 30 June 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,	2,816	5,225	21,849	16,586
Sanitas Pharma a,s,	7	254	3	148
The Company's and the Group's transactions				
Amber Trust II	-	-	-	260
Citigroup Venture Capital International Jersey Limited	-	-	-	345
Invalda, AB	-	-	-	870
Natural persons	-	-	-	147
Acena, UAB	-	28	-	-

12. Post balance sheet events

There were no significant post balance sheet events.

SIX MONTHS' INTERIM CONSOLIDATED REPORT FOR THE PERIOD
ENDED 30 JUNE 2012

Period for which Six Months' Consolidated Report is prepared

1. Reporting period

The six months' interim consolidated report is prepared for the first half of 2012.

Short presentation of Public limited liability company SANITAS and its enterprises (hereinafter SANITAS Group)

2. Main data about Public limited liability company SANITAS

Public limited liability company SANITAS (hereinafter SANITAS or the Company)	
Legal form	Public limited liability company
Registration date	June 30, 1994
Registration place	Kaunas Municipality Board
Register, in which data about the company are stored	Register of legal entities of Republic of Lithuania
Code	1341 36296
Registered office	Veiveriu str. 134 B, LT-46352 Kaunas, Lithuania
Phone number	+37037226725
Fax number	+37037223696
E-mail	sanitas@sanitasgroup.com
Website	www.sanitasgroup.com

3. Contacts of other enterprises of SANITAS Group

Jelfa SA (hereinafter Jelfa)	
Legal form	Limited liability company
Registration date	December 2, 1991
Register, in which data about the company are stored	National court register, Wroclaw branch
Code	66687
Registered office	Wincentego Pola str. 21, 58-800 Jelenia Gora, Poland
Phone number	+48756433100
Fax number	+48757524455
E-mail	jelfa@sanitasgroup.com
Website	www.sanitasgroup.com

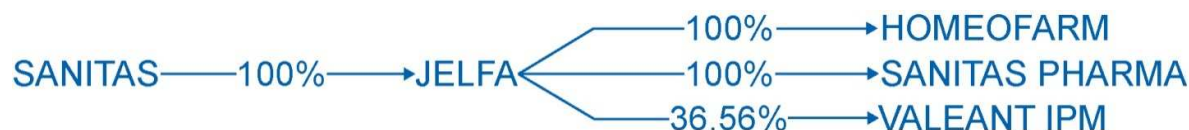
Pharmaceutical Laboratory HOME OF FARM Sp. z o.o. (hereinafter Homeofarm)	
Legal form	Limited liability company
Registration date	December 12, 2002
Register, in which data about the company are stored	National court register, Gdansk branch
Code	00001442971
Registered office	Janka Wisniewskiego str. 13, 81-335 Gdynia, Poland
Phone number	+48585533303
Fax number	+48585538947
E-mail	homeofarm@sanitasgroup.com
Website	www.sanitasgroup.com

Sanitas Pharma a.s. (hereinafter Sanitas Pharma)	
Legal form	Limited liability company
Registration date	May 15, 2010
Register, in which data about the company are stored	District court in Zilina, Slovakia
Code	45 563 811
Registered office	Bajkalska str. 5, 83104 Bratislava, Slovakia
Phone number	+421244631899
Fax number	+421244631899
E-mail	sanitaspharma@sanitasgroup.com
Website	www.sanitasgroup.com

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Valeant IPM sp. z o.o. (hereinafter - Valeant IPM)	
Legal form	Limited liability company
Registration date	August 25, 2010
Register, in which data about the company are stored	National court register, Rzeszow branch, Poland
Code	0000363692
Registered office	Przemyslowa str. 2, 35-959 Rzeszow, Poland
Phone number	+48178655100
Fax number	+48178624618
E-mail	Biuro.Spolki@valeant.com
Website	-

4. Structure of SANITAS Group. Portfolios held



SANITAS is the sole shareholder of Jelfa. Jelfa is the sole shareholder of Homeofarm and Sanitas Pharma holding full portfolios in these companies. Jelfa also owns 36.56% shares of Valeant IPM.

5. Representative offices of enterprises comprising SANITAS Group

SANITAS Group has representative offices as follows:

- in Ukraine – address: Vasylykivska str. 1, building 2, office 207, 03040 Kiev; tel / fax: +38 044 461 91 96; email: office.ua@sanitasgroup.com;
- in Russia – address: Korovy Val 7 of. 80, 119049 Moscow; tel / fax: +7 495 510 28 79; email: office.ru@sanitasgroup.com.

6. The main activity of SANITAS Group

The main activities of SANITAS Group are:

- manufacture and sale of various generic medicine;
- development of new products;
- toll manufacturing.

7. Participation in activity of organizations

SANITAS is a member of Lithuanian Association of manufactures of medicines and Lithuanian Association of trade numbers and barcodes. Jelfa is a member of Klub Eksportera - Polish Association of foreign trade.

8. Short history of SANITAS Group

History of SANITAS Group reaches as early as 1922, when pharmaceutical laboratory Sanitas was established in Kaunas city (Lithuania) and used to manufacture cosmetics. In the course of time, the laboratory was intensely developed, its owners were changing. History of the present SANITAS started in 1994, after privatization of the Company. Manufacture was reformed according to the requirements of Good Manufacturing Practice (hereinafter GMP) and developed further.

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In May 2004, SANITAS acquired shares of another Lithuanian manufacturer of pharmaceutical preparations Endokrininiai preparatai, AB. In spring 2005 in the territory of this company, at Veiveriu str. 134, Kaunas, according to project "Modernization of manufacture of public limited liability company „SANITAS”, which was partially financed by Structural Funds of the European Union, building of new modern factory of medicine manufacture was started. Project was finished in September 2008. The newly installed equipment increased capacities of manufacture and expanded assortment – completely new lines of eye drops and disposable syringes were installed.



In July 2005, SANITAS acquired manufacturer of generic medicines, limited liability company HBM Pharma s.r.o (previously known as Hoechst- Biotika s.r.o) (hereinafter HBM), established in Martin city, Slovakia. Acquisition of HBM was the first step to creation of SANITAS Group and at the same time strong step into markets of the Central Europe. At the end of 2006 HBM established office in Prague, Czech Republic, which later was re-registered to affiliate.

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In 2006, SANITAS went through a life-transforming transaction when it acquired Jelfa in Poland, a company several times larger than SANITAS was at the time. Jelfa was well established in Poland, had world class production facilities, including one of the largest ointment plants in Europe but was in need of modernisation, particularly in terms of its product portfolio and culture. Over the subsequent few years, Jelfa has been integrated into SANITAS Group and been transformed from a production-oriented company to a modern market-oriented pharmaceutical company focused on improving the health and well being of patients. The acquisition of Jelfa added over 100 formulations to SANITAS products offering as well as giving the Group a significant presence in Poland, Russia, Ukraine and the wider region.

The acquisition of Jelfa was partly financed by an issuance of new shares by SANITAS, which led to international private equity funds CVCI (Citigroup's private equity unit focusing on developing markets) and Amber Trust (Baltic-focused private equity fund managed by Danske Capital and Firebird LLC) becoming shareholders of the company.

Over the last few years, SANITAS Group has been expanding its footprint in Central and Eastern Europe. The Group established its own presence in Hungary and Bulgaria in 2005, and Czech and Slovakia in 2007.



On 23 December 2008 Jelfa acquired 100% stock of shares of Homeofarm, a niche dermatology / dermacosmetics company based in Gdansk, northern Poland. This acquisition has complemented the Group assortment and pipeline in this segment, consolidating the Group position as one of the leading dermatology players in Poland and the region.

On 27 April 2010 the agreement on sale of HBM was signed between SANITAS and Latvian company SIA Liplats 2000. The parties agreed only on sale of manufacturing site located in Martin. Marketing, sales and regulatory divisions located in Bratislava and Prague were separated from HBM and transferred to newly established HBM subsidiary Sanitas Pharma. On 16 June 2010 SANITAS subsidiary Jelfa acquired 100% of Sanitas Pharma shares. The transaction on sale of HBM between the Company and Latvian company SIA Liplats 2000 was closed on 8 July 2010.

On 23 May, 2011 funds advised by Citi Venture Capital International ("CVCI", through the legal entities Citigroup Venture Capital International Jersey Limited and Baltic Pharma Limited), Invalda AB, Amber Trust II S.C.A. and certain other persons (together the "Controlling Shareholders") signed a definitive share sale and purchase agreement for the sale of their entire shareholding in the company to Valeant Pharmaceuticals International, Inc. ("Valeant"). On 19th August 2011, the parties completed the transaction of acquisition of shares of the company according to Share Sale and Purchase Agreement, whereby Valeant acquired 87.2% shares of Sanitas. After executing of the squeeze-out of Company's shares, on 30 December, 2011 Valeant applied to the Court regarding transfer of title to the Company's shares. The process with regards to transfer of title to the Company's shares is still incomplete.

Today SANITAS Group, acquired by Valeant, is a fully modernised, patient and doctor-oriented organisation based in the European Union, which develops registers, manufactures and sells a comprehensive portfolio of branded generic and specialty pharmaceuticals. In its core therapy areas SANITAS Group services specialists in Poland, Russia and the wider Central and Eastern European region with its own field force of over 250 experienced medical representatives.

9. Aims. Values

SANITAS Group aims to be a leading player in its strategic therapeutic areas by offering a comprehensive portfolio of treatments and formulations.

Key values are:

- Quality;
- Integrity;
- Innovation;
- Local knowledge;
- Customer focus;
- Value.

Information on SANITAS Authorised Capital and Securities

10. Composition of SANITAS authorised capital, rights granted by shares

Type of shares	Number of shares	Nominal value, LTL	Total nominal value, LTL	Portion of the authorised capital, %	Voting rights granted
Ordinary registered shares	31,105,920	1	31,105,920	100	1 share grants 1 vote

SANITAS shares grants the following property and non-property rights to the shareholders:

1. To receive a part of the Company's profit (dividends);
2. To receive a part of assets of the Company in liquidation;
3. To receive shares without payment if the authorised capital is increased out of the Company funds except in cases provided in the Law on companies of the Republic of Lithuania;
4. To have pre-emption right in acquiring shares or convertible debentures issued by the Company, except in cases when the General Shareholders Meeting decides to withdraw the pre-emption right for all the shareholders, according to the Law of companies of the Republic of Lithuania;
5. To lend to the Company in the manner and procedure prescribed by law;
6. To leave all or part of the shares for the other persons by will;
7. To sell or otherwise transfer the shares to the proprietorship of other persons;
8. To attend the General Shareholders Meetings;
9. To vote at the General Shareholders Meetings (1 fully paid share of one Litas nominal value grants 1 vote);
10. To receive the information concerning economic activity of the Company, following the order set by the Articles of Association;
11. To file a claim with the court for reparation of damage resulting from nonfeasance or malfeasance by the General Manager and Management Board members of their obligations prescribed by the laws and the Articles of Association as well as in other cases laid down by laws;
12. To receive funds of the Company in cases when the authorised capital of the Company is reduced for the purpose of disbursement of funds of the Company to the shareholders;
13. To submit the questions related to the agenda of the General Shareholders Meeting to the Company in advance;
14. To authorize natural or legal person to represent his interests in relations with the Company and other persons;
15. Shareholders may exercise other property and non-property rights.

The obligations of SANITAS shareholders do not differ from the one set in the Law on companies of the Republic of Lithuania, except cases specified in the Articles of Association of the Company.

11. SANITAS own shares

During the reporting period SANITAS did not acquire and did not transfer or held its own shares. Jelfa, Homeofarm, Sanitas Pharma and Valeant IPM nor other persons acting under authorization of SANITAS subsidiaries did not acquire and did not hold SANITAS shares.

12. Dividends paid to SANITAS shareholders

The General Shareholders Meeting decides upon dividends payments and sets amount of dividends. Persons have a right to get dividends if they are the shareholders of the Company at the end of rights accounting day or have the right to get dividends on other legal grounds at that day. For the financial year 2011, 2010 or 2009 the Company did not pay any dividends.

13. Data about securities trading

Only shares of SANITAS are traded on regulated market. Since 21 November 2005, the ordinary registered shares of the Company were admitted to the Baltic Main List of NASDAQ OMX Vilnius AB (hereinafter NASDAQ) i.e. previously known as Vilnius Stock Exchange. Until 21 November 2005 the Company's shares were traded on the Current List of NASDAQ.

Main characteristics of the Company's shares listed in the Baltic Main List:

Type of shares	ISIN code	Ticker	Number of shares	Nominal value, LTL	Total nominal value, LTL	Voting rights granted
Ordinary registered shares	LT0000106171	SAN1L	31,105,920	1	31,105,920	1 share grants 1 vote

Main information about Company's security trading during last five years is as follows:

	2012	2011	2010	2009	2008
Opening price, EUR	9.000	5.500	2.760	2.517	8.399
Highest price, EUR	10.060	9.920	6.024	3.331	10.122
Lowest price, EUR	8.590	4.810	2.731	1.767	2.027
Last price, EUR	9.650	9.555	5.496	2.760	2.517
Average price, EUR	-	8.922	4.212	2.418	6.329
Traded volume	7,574	1,914,877	861,185	1,477,584	1,267,264
Turnover, million EUR	0.07	17.09	3.75	3.57	8.02
Capitalisation, million EUR	300.17	297.22	170.96	85.85	78.29

14. SANITAS shareholders

Total number of the shareholders as at 30 June 2012 was about 222 (as at 30 June 2011 -1,537; as at 30 June 2009 – 1,592).

Shareholders, who held more than 5% of the Company's authorised capital or votes by the right of ownership or acting jointly with other shareholders as at 30 June 2012:

Name of the shareholder (legal form, address of registered office and code of the enterprise)	Number of ordinary registered shares owned by the right of ownership	Share of the authorised capital, %	Share of votes, %		
			Share of votes given by the shares owned by the right of ownership, %	Indirectly owned votes, %	Share of votes directly and indirectly held by shareholders that are acting jointly, %
Valeant Pharmaceuticals International, Inc., company's code 430861-1, 7150 Mississauga Road, Mississauga, Ontario, Canada L5N 8M5,	30,920,705	99.40	99.40	-	99,40

15. Limitations of SANITAS securities transferring

There are no limitations for SANITAS securities transferring known to the Company.

16. Special rights of control possessed by SANITAS shareholders and description of these rights

There are no special rights of control possessed by Sanitas shareholders and description of these rights known to the Company.

17. Limitations of the Company's shareholders voting rights

There are no limitations for SANITAS shareholders voting rights known to the Company.

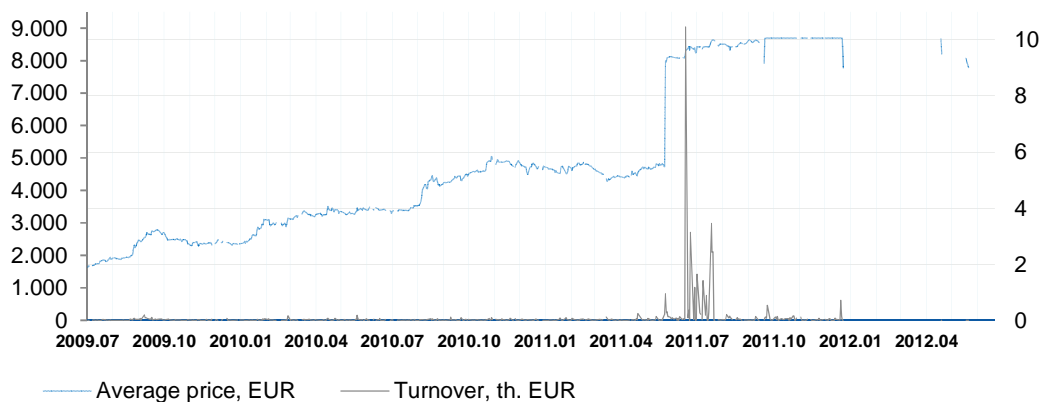
18. SANITAS shareholders agreements known to the Company according to which transferring of the securities and/or voting rights can be limited

There are no SANITAS shareholders agreements known to the Company whereby transferring of the securities and/or voting rights can be limited.

19. SANITAS agreements with intermediaries of public trading in securities

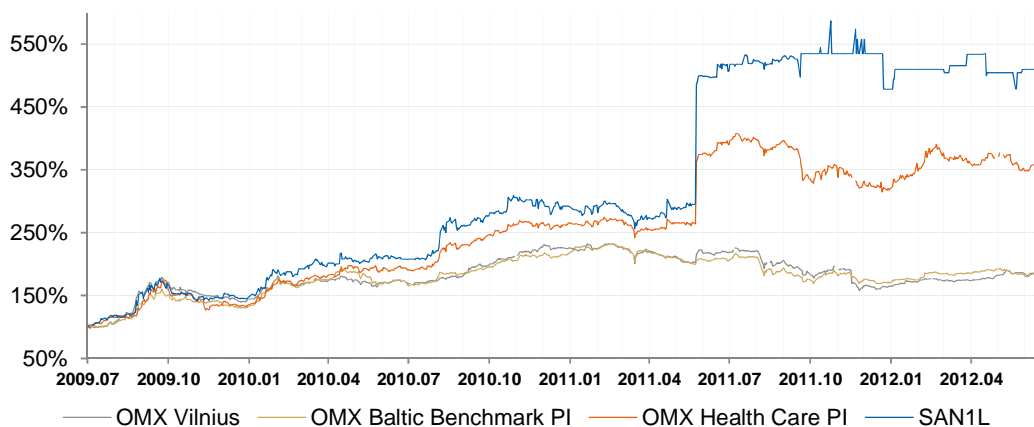
The Company has an agreement with FMI Finasta, AB on the management of shares accounting, custody and accounting of securities and funds, accepting and executing orders.

20. The changes of SANITAS share price and turnover



Source: <http://www.nasdaqomxbaltic.com>

21. The changes of SANITAS share price and of NASDAQ indexes



Source: <http://www.nasdaqomxbaltic.com>

Information on SANITAS Management

22. The Company's managing bodies

The Company has the General Shareholders Meeting, single person managing body –the General Manager and collegial executive body – the Management Board. The Supervisory Board is not formed in the Company.

22.1. The Management Board

The Management Board is formed from 5 members and is elected by the General Shareholders Meeting for the 4 years period. The Management Board has all powers and authority provided under the applicable laws and which are normally appropriate for the Management Boards in practice, including the competence to decide on the following issues:

1. A material change in the business of the Company;
2. Any merger, consolidation or acquisition, or sale, lease or other disposal of the Company, or all or substantially all of the Company's assets;
3. The establishment of any new subsidiary of the Company;
4. Any joint ventures between the Company and another entity;
5. Any transaction giving rise to contingent liabilities not provided in the budget in excess of EUR 250,000 (two hundred fifty thousand);
6. A sale of any subsidiaries of the Company or of all or substantially all the assets of any of the Company's subsidiaries;
7. Approval of the Company's annual operating plan and budget and any material deviation there from;
8. Capital expenditure in excess of EUR 250,000 (two hundred fifty thousand) not provided in the budget, in one transaction or a series of transactions during any year;
9. Sale of assets of the Company with a book value in excess of EUR 250,000 (two hundred fifty thousand) not provided in the budget in one transaction or a series of transactions during any year;
10. Borrowings in excess of EUR 250,000 (two hundred fifty thousand) not provided in the budget in one transaction or a series of transactions during any year and the establishment of any mortgage, pledge or lien over any asset of the Company where the book value of the asset exceeds EUR 250,000 (two hundred fifty thousand);
11. Any transaction with any officer, Management Board member or other interested party, or close relatives of any such interested party;
12. Any transaction with a shareholder or close relatives of a shareholder;
13. The constitution of any committee of the Management Board or the Management Board of any subsidiary of the Company;
14. Any transaction not in the ordinary course of business;
15. Any change in the signatory rights on behalf of the Company;
16. Appointment or change of the General Manager and the Chief Financial Officer;
17. Payment to any employee of remuneration in excess of EUR 50,000 (fifty thousand) (after tax) in any one year;
18. Other decisions prescribed to the competence of the Management Board of the Company provided under the applicable laws, resolutions of the General Shareholders Meeting or Articles of Association.

The Management Board elects and removes the Manager of the Company, fixes his remuneration, other terms of employment contract, approves his office regulations, assigns to him incentives and penalties. An employment contract with the Manager of the Company on behalf of the Company is signed by the chairman of the Management Board or other member authorized by the Management Board.

Decisions made by the Management Board is considered as lawful if more than a half of the all elected Management Board members vote in favour of it, except for the matters referred to in clauses 3 – 5, 7 – 9, 10 – 11, 13 – 15, 17 above requiring qualified majority of 3/5 (three fifths) of the Management Board members attending the Management Board meeting and for matters referred to in clauses 1 – 2, 6, 12 and 16 above, requiring more than 4/5 (four fifths) majority vote of the Management Board members attending the Management Board meeting.

Election and revocation order of the Management Board does not differ from the order set in the Law on companies of the Republic of Lithuania. Rules of election and replacement of the members of the Company's Management Board and other issues related to the work of the Management Board are specified in SANITAS Management Board Work Regulations. The latest version of SANITAS Management Board Work Regulations was approved by the Management Board on 28 April, 2009.

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22.2. The General Manager

The General Manager is elected and dismissed by the Management Board. The competence of the General Manager does not differ from that set in the Law on companies of the Republic of Lithuania. The General Manager has a right to issue an authorisation for the employee of the Company or the third person, following the Lithuanian legal order, to perform the legal actions related to the activity of the Company on its behalf and in its name.

22.3. The General Shareholders Meeting

The competence of the General Shareholders Meeting and the order of its convocation do not differ from that set in the Law on companies of the Republic of Lithuania, except cases specified in SANITAS Articles of Association, The General Shareholders Meeting has an exclusive right to adopt the following resolutions regarding:

1. Amendment to the Articles of Association of the Company;
2. Amendment to the rights associated with any of the shares of the Company;
3. Issuance of bonds and debentures, including convertibles;
4. Issuance of new equity or capital, including shares, rights, options, warrants to purchase shares (or other convertible or quasi-equity securities), provided each shareholder has a pre-emptive right to subscribe for the newly issued shares or rights;
5. De-listing of the shares, new public listing of the shares on any stock exchange;
6. Any reduction, repayment or buyback of the shares of the Company or any shares of its subsidiaries;
7. Declaration and payment of any dividends or other distributions;
8. Liquidation, dissolution or winding up of the Company including appointment of the liquidator;
9. Appointment and change of the audit company for the Company, establishment of payment conditions for audit services;
10. Approval of the set of annual financial accounts and the report on the Company's operation, including the report of the Management Board;
11. Issuance of shares or other securities under the employee stock option plan and its rules and regulations, and any other future stock option or incentive plans as approved by the Management Board;
12. Decisions on the reorganization, transformation or restructuring of the Company;
13. Decision to revoke for all the shareholders the pre-emptive right in acquiring the shares or convertible debentures of the Company of a specific issue;
14. Other decisions prescribed to the competence of the General Shareholders Meeting of the Company provided under the applicable laws.

A decision is deemed to be adopted by the General Shareholders Meeting when more shareholders vote in favour of it than against it except for the following cases: adoption of decisions under clauses 3 – 7 and 9 – 12 above require a 2/3 (two thirds) majority vote, whilst adoption of decisions under clauses 1 – 2, 8 and 13 require a 5/6 (five sixths) majority vote of the shareholders present in the General Shareholders Meeting.

22.4. The Audit Committee

The Audit Committee consists of 3 members, 1 of them is independent. The term of office of the Audit Committee coincides with the term of office of the Management Board. Members of the Audit Committee are elected by the General Shareholders Meeting at the proposal of the Management Board. The main functions of the Audit Committee are:

1. To provide the Management Board of the Company with recommendations related to selection, repeated appointment and cancellation of an external audit company as well as the terms and conditions of the agreement with the audit company;
2. To observe the process of carrying out an external audit;
3. To observe how the external auditor and audit company follow the principles of independence and objectivity;
4. To observe the process of preparation of financial reports of the Company;
5. To observe the efficiency of systems of internal control, risk management and internal audit, if such functions exist in the Company. Should there be no internal audit authority in the Company, the need for one should be reviewed at least annually;
6. To review efficiency of external audit process and responsiveness of management of the Company to recommendations and remarks made in the external auditor's management letter;
7. To fulfill other functions specified in the legal acts of the Republic of Lithuania and the recommendations of the Code of management of companies listed with NASDAQ.

The Audit Committee is a collegial body, taking decisions during meetings. The Audit Committee may take decisions and its meeting is considered as valid, when at least 2 (two) members of the Audit Committee participate in it. The decision is passed when at least 2 (two) of the participating members of the Audit Committee vote for it.

23. Data about members of the Management Board, members of the Audit Committee, Managing and Finance Directors



Robert Roswell Chai-Onn
Chairman of the Management Board

Education: Bachelor Degree in Arts, Yale University (USA), M. Phil, University of Cambridge (UK); J.D., Columbia University School of Law (USA).

Work experience: Gibson, Dunn & Crutcher, LLP– Associate, (1997-2000; 2001-2004); Valeant Pharmaceuticals International – Vice President, Assistant General Counsel & Assistant Corporate Secretary (2004 – 2010); Valeant Pharmaceuticals International, Inc., - Executive Vice President, General Counsel & Corporate Secretary (09/2010 - present).

Participation in the activity of other companies:

Name of organization, position taken	Shares held in other companies (more than 5 %)
Amarin Pharmaceuticals Inc. – Director;	-
ICN Polfa Rzeszow SA – Director;	-
ICN Southeast, Inc - Director;	-
Laboratorios Grossman, S.A. - Director;	-
Logistica Valeant, S.A. de C.V. – Director;	-
Nysco de Mexico S.A. de C.V. – Director;	-
Oceanside Pharmaceuticals, Inc. – Director;	-
Valeant Biomedicals, Inc. – Director;	-
Valeant Canada, Ltd. – Director;	-
Valeant Farmaceutica Panama S.A. – Director;	-
Valeant Farmaceutica S.A. de CV – Director;	-
Valeant Pharmaceuticals Australasia Pty. Ltd. – Director;	-
Valeant Pharmaceuticals International – Director;	-
Coria Laboratories, Ltd. – Director;	-
DermaTech Pty. Ltd. – Director;	-
Dow Pharmaceutical Sciences, Inc. – Director;	-
Tecnofarma, S.A. de C.V. – Director;	-
Private Formula International Holdings Pty. Ltd. – Director;	-
Private Formula International Pty. Ltd. – Director;	-
Valeant Pharmaceuticals New Zealand Limited – Director;	-
Private Formula Corp. – Director;	-
Dr. LeWinn's Private Formula International, Inc. – Director;	-
Dr. LeWinn's International Limited – Director;	-
Laboratoire Dr Renaud Inc. – Director;	-
Renaud Skin Care Laboratories, Inc. – Director;	-
Vital Science Corp. – Director;	-
Aton Pharma, Inc. – Director;	-

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Name of organization, position taken	Shares held in other companies (more than 5 %)
Biovail Americas Corp. – Director;	-
Biovail NTI Inc. – Director;	-
Prestwick Pharmaceuticals, Inc. – Director;	-
Biovail International Holdings Limited – Director;	-
Biovail Technologies (Ireland) Limited – Director;	-
V-BAC Holding Corp. – Director;	-
Valeant Canada GP Limited – Director;	-
Vax Holdings, Inc. – Director;	-
Ganehill Pty. Ltd. – Director;	-
Ganehill North America Pty. Ltd. – Director;	-
Hawkeye Spectrum Corp. – Director;	-
Valeant Holdco 2 Pty Ltd. – Director;	-
Valeant Holdco 3 Pty Ltd – Director;	-
Wirra International Holdings Pte Limited - Director;	-
Wirra International Bidco Pte Limited – Director;	-
iNova Pharmaceuticals (Singapore) Pte Limited – Director;	-
iNova Pharmaceuticals (Hong Kong) Limited – Director;	-
iNova Pharmaceuticals (Pty) Limited – Director;	-
iNova Pharmaceuticals (Thailand) Ltd – Director;	-
iNova Pharmaceuticals (New Zealand) Ltd – Director;	-
Wirra Holdings Pty Limited – Director;	-
Wirra Operations Pty Limited – Director;	-
Wirra IP Pty Limited (Australia) – Director;	-
iNova Pharmaceuticals (Australia) Pty Limited– Director;	-
iNova Sub Pty Limited – Director;	-
Hissyfit International Pty Ltd – Director;	-
Valeant Development Company Pte. Ltd. – Director;	-
Valeant Global Pte. Ltd. – Director;	-
Valeant Singapore Pte. Ltd. – Director;	-
Azeo Processing, Inc. – Director;	-
Flow Laboratories, Inc. – Director;	-
ICN Biomedicals California, Inc. – Director;	-
Rapid Diagnostics, Inc. – Director;	-
Faraday Laboratories, Inc. – Director;	-
Faraday Urban Renewal Corp. – Director;	-
ICN Realty (CA), Inc. – Director.	-
ICN Global Ltd. – Director;	-
COLD-FX Pharmaceuticals (USA), Inc. – Director;	-
Eyetech Inc. – Director;	-
Pedinol Pharmacal, Inc. – Director;	-
OraPharma TopCo Holdings, Inc. – Director;	-
OraPharma, Inc. – Director.	-

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Tadeusz Pietrasz

Member of the Management Board

Education: Master Degree in Engineer of Chemistry, Rzeszów Technical University (Poland); Post graduate studies of Management, Maria Curie-Skłodowska University (Poland).

Work experience: ICN Polfa Rzeszów SA – Production Director (1995 – 1996); ICN Polfa Rzeszów SA – General Manager (1996 – 2000); ICN Polfa Rzeszów SA – Plant Director (2000 – 31/12/2011); ICN Polfa Rzeszów SA – General Manager (01/2012 - present).

Participation in the activity of other companies:

Name of organization, position taken	Shares held in other companies (more than 5 %)
ICN Polfa Rzeszów SA - President of the Management Board;	-
Emo – Farm Ltd - President of the Management;	-
Jelfa SA - President of the Supervisory Board.	-



Leszek Wojtowicz

Member of the Management Board

Education: Master Degree, Medical University of Silesia (Poland) and Master of Business Administration, University of Minnesota (USA); Master of Business Administration, Warsaw School of Economics (Poland).

Work experience: Silesian Medical Academy – Physician (1992-1993); N.V. Upjohn, Pharmacia & Upjohn, Pharmacia and Pfizer - Sales and Marketing positions (1993-2003); ICN Polfa Rzeszow SA - Sales and Marketing Director (6/2003-8/2011); Valeant Polska Sp. z o.o – General Manager (9/2011 - present).

Participation in the activity of other companies:

Name of organization, position taken	Shares held in other companies (more than 5 %)
Valeant Polska Sp. z. o.o. - The Chairman of the Management Board.	-

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Seana-Lyn Carson

Member of the Management Board; Member of the Audit Committee

Education: Honour Bachelor of Arts, the University of Western Ontario (Canada); Bachelor Degree in Law, the Queens University (Canada).

Work experience: Norton Rose LLP – Associate Lawyer (2000-2006); Biovail Corporation – Director (Litigation) (2006 – 2009); Valeant Pharmaceuticals International, Inc. – Vice President, Chief Compliance Officer (2009 – present).

Participation in the activity of other companies:

Name of organization, position taken	Shares held in other companies (more than 5 %)
Valeant Canada Limited – Director and Officer;	-
Valeant Canada Holdings, Ltd,- Director and Officer;	-
Valeant Canada GP Limited - Director and Officer;	-
V-BAC Holding Corp,- Director and Officer.	-



Marcin Jedrzejuk

Member of the Management Board; Member of the Audit Committee

Education: Master Degree in Business Administration, Warsaw University (Poland).

Work experience: PricewaterhouseCoopers – Senior As. (1996 – 1998); Danfoss – Finance Controller (1998 – 1999); Danfoss – Finance Manager (1999 – 2000); ICN Polfa Rzeszow SA – Finance Director (2000 – 2011); ICN Polfa Rzeszow SA – CFO Europe (2011 – present).

Participation in the activity of other companies:

Name of organization, position taken	Shares held in other companies (more than 5 %)
ICN Polfa Rzeszow SA– Member of the Management Board;	-
EMO Farm sp. z. o. o. – Member of the Management Board;	-
Valeant IPM sp. z. o. o. – President of the Management Board;	-
Biovail Technologies Limited – Member of the Management Board;	-
Biovail International Holdings Limited – Member of the Management Board;	-
PharmaSwiss SA – Member of the Management Board;	-
Valeant Pharmaceuticals Luxembourg - Member of the Management Board;	-
Valeant Pharmaceuticals Ireland - Member of the Management Board.	-

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Aidas Galubickas

Independent member of the Audit Committee

Education: Bachelor degree in Economics and Business Administration, Vilnius university; Additional programme in Finance, Norwegian School of Management.

Work experience: Suprema / EVLI Securities – Founding Partner, Managing Director of Suprema Lithuania, (1993 – 2007); EVLI Securities AS – Managing Director, Partner (EVLI Bank Plc) (2007 – 02/2012); UAB Porta Finance – Partner (02/2012 - present).

Participation in the activity of other companies:

Name of organization, position taken	Shares held in other companies (more than 5 %)
-	-



Saulius Mecislovas Zemaitis

General Manager

Education: Kaunas Medical Academy Medical Doctor

Work experience: UAB Pharmacon – Pharmaceutical Sales Manager (1996 – 1997); Bristol-Myers Squibb Company – Sales Representative for Hospital anti-infective Pharmaceuticals (1997 – 1998); Bayer AG Pharmaceutical Division/Consumer Care for Lithuania – Sales & Marketing Manager (1998 – 2000); Manager Bristol-Myers Squibb Company for Lithuania – Senior Sales/Operations Effectiveness Manager (2000 – 2002); Bristol-Myers Squibb Company for Lithuania – Country Manager (2003 – 2006); UAB PharmaSwiss – General Manager (2006 – 2011); UAB PharmaSwiss – General Manager Baltics countries (2011 – present).

Participation in the activity of other companies:

Name of organization, position taken	Shares held in other companies (more than 5 %)
SIA PharmaSwiss Latvia – Member of the Management Board;	-
PharmaSwiss Eesti OU – Member of the Management Board.	-

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Participation in SANITAS authorised share capital as at 30 June 2012:

Name, surname	Position held	Portion of the capital and votes held, %
Management Board		
Robert Roswell Chai-Onn	Chairman	-
Tadeusz Pietrasz	Member	-
Leszek Wojtowicz	Member	-
Seana-Lyn Carson	Member	-
Marcin Jedrzejuk	Member	-
Audit Committee		
Marcin Jedrzejuk	Member (since 07.09.2011)	-
Aidas Galubickas	Independent member (since 07.09.2011)	-
Seana-Lyn Carson	Member (since 07.09.2011)	-
Administration		
Saulius Mecislovas Zemaitis	General Manager (since 31.12.2011)	-

Beginning and end of the term of office of members of the Management Board and members of the Audit Committee:

Name, surname	Beginning of the term in office	End of the term in office
Management Board		
Robert Roswell Chai-Onn	07.09.2011	2015
Tadeusz Pietrasz	07.09.2011	2015
Leszek Wojtowicz	07.09.2011	2015
Seana-Lyn Carson	07.09.2011	2015
Marcin Jedrzejuk	07.09.2011	2015
Audit Committee		
Marcin Jedrzejuk	07.09.2011	2015
Seana-Lyn Carson	07.09.2011	2015
Aidas Galubickas	07.09.2011	2015

Data about cash payments, other transferred property and given warranties jointly to all members of the Management Board, members of the Audit Committee, member of administration and average extent belonging to each member of the collegial bodies and administration during the reporting period:

	Remuneration, LTL	Tantiemes, other payments made from profit, LTL	Other transferred property
Members of the Management Board jointly	-	-	-
Each member of the Management Board (average)	-	-	-
Members of the Audit Committee jointly	-	-	-
Each member of the Audit Committee (average)	-	-	-
Members of Administration (General Manager)	4,800	-	-
Each member of Administration (average)	4,800	-	-

SANITAS group activity review

24. Non-financial activity review

24.1. Manufacturing

SANITAS Group produces medicines in various drug forms:

- Sterile medicine products which are packed in ampoules (solutions in ampoules, suspensions and lyophilised products);
- Tablets and capsules (non-coated tablets, film coated tablets, sugar coated tablets and capsules);
- Semisolids drug forms which are packed in tubes (ointments, creams, gels, lotions, emulsions);
- Eye drops.

SANITAS Group annual production capacities:

- Injectables (ampoules, vials, syringes) – 150 million;
- Solid forms – 1,350 million units;
- Ointments (tubes) – 50 million;
- Eye drops – 15 million.



In the first half of 2012 Kaunas manufacturing site is in full operation, manufacturing all transferred product, starting new projects with new contractors.

Production of SANITAS manufacturing site:

Product			
	2010-06-30	2011-06-30	2012-06-30
Sterile medicine products in ampoules	6.7 million	8.1 million	6.6 million
Tablets and capsules	29.2 million	34.1 million	33.3 million
Eye drops	0.07 million	0.4 million	0.5 million

In the first half of 2012 Jelfa continued production and focused on gathering new potential projects.

Production of Jelfa:

Product			
	2010-06-30	2011-06-30	2012-06-30
Sterile medicine products in ampoules	29.6 million	22.3 million	10.0 million
Tablets and capsules	302.0 million	299.6 million	264.8 million
Semisolid drug forms in tubes	13.6 million	13.8 million	11.8 million

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On 8 July 2010 transaction on sale of SANITAS subsidiary HBM was closed. By this transaction manufacturing site located in Martin, Slovakia was divested.

Production of HBM:

Product			
	2009-06-30	2010-06-30	2011-06-30
Sterile medicine products in ampoules	37.9 million	23.7 million	-
Tablets and capsules	94.1 million	115.7 million	-

24.2. Employees and human resources policy

24.2.1. Human resources policy

SANITAS Group has unified human resources policy. General rules of this policy are applied in all companies of SANITAS Group.

HR motivation and management rules applied in SANITAS Group companies are:

On the basis of the existing remuneration system an internal motivation principals of SANITAS Group and taking into account the latest salary survey data, the base salary of the employees of SANITAS Group was revised during the reported period.

Social guarantees and benefits are foreseen in local acts of SANITAS Group companies. According to the bargaining agreement of Jelfa some its employees have additional employment guarantees. The bargaining agreements of SANITAS Group companies foresee jubilee payments and other payments. Any new important decisions in the area of social guarantees have not been taken within the reported period.

Trainings policy remains an important part of Human Resources policy of SANITAS Group. Due to the very specific activity of the Group companies and high requirements of pharmaceutical industry, the knowledge of SANITAS Group employees has to be constantly updated. Participation in various international exhibitions allows to the employees to observe the progress of industry and get familiar with experience of other companies. According to the annual training plan, within the reported period Group employees participated in various courses and conferences. During the internal trainings employees shared their job experience with their colleagues from other SANITAS Group companies.

24.2.2. Employees' statistics

109 employees worked at SANITAS on 30 June 2012, number of employees decreased by 26 comparing with 30 June 2011 and by 19 comparing with 30 June 2010. The total headcount in SANITAS Group decreased by 282 employees in comparison with 30 June 2011 and by 497 in comparison with 30 June 2010.

Reduction of SANITAS Group headcount in 2012 was basically influenced by completed transaction of acquisition of shares of the SANITAS Group on 19 August, 2011. Sales, Marketing and Regulatory divisions of SANITAS were transferred to the other Valeant's subsidiary - UAB PharmaSwiss. Reduction of SANITAS Group and the Company headcount in 2011 was influenced by work re-organization and structural changes in SANITAS Group. As a result, mutual basis agreements for employment termination were signed with some of the employees. The headcount changes were planned and controlled.

Headcount in SANITAS Group companies as at 30 June 2010, 2011 and 2012:

	2010	2011	2012
SANITAS	128	135	109
HBM*	244	-	-
Jelfa	936	959	753
Homeofarm	11	8	2
Sanitas Pharma	42	44	-
Total	1,361	1,146	864

* SANITAS subsidiary until 08.07.2010

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Average headcount in SANITAS Group companies as at 30 June 2010, 2011 and 2012:

	2010	2011	2012
SANITAS	129	133	109
HBM	282	-	-
Jelfa	928	950	749
Homeofarm	17	8	2
Sanitas Pharma	42	44	-
Total	1,398	1,135	860

Summary of employees by levels of positions as at 30 June 2010, 2011 and 2012 is as follows:

	SANITAS			SANITAS Group		
	2010	2011	2012	2010	2011	2012
Top managers	8	8	5	28	26	13
Specialists	66	74	51	735	656	423
Workers	53	53	53	598	464	428
Total	128	135	109	1,361	1,146	864

Summary of employees by education as at 30 June 2010, 2011 and 2012 is as follows:

	SANITAS			SANITAS Group		
	2010	2011	2012	2010	2011	2012
University education	71	76	55	618	602	372
College education	23	24	22	432	299	297
Secondary education	34	35	32	305	205	192
Incomplete secondary education	-	-	-	6	40	3
Total	128	135	109	1,361	1,146	864

Summary of average monthly salary before taxes as at 30 June 2010, 2011 and 2012 is as follows:

	SANITAS			SANITAS Group		
	2010	2011	2012	2010	2011	2012
Top managers	21,903	19,705	6,312	22,420	24,198	20,948
Specialists	3,730	4,148	3,471	5,114	5,571	4,755
Workers	1,957	2,110	2,219	2,915	3,293	3,364

24.3. Environment

Environmental issues were considered in all areas of the activity of SANITAS Group during the reporting period: in the processes of medicines production, quality control, technical service and general activity. In particular water and energy were economized, atmosphere and soil were preserved from the possible pollution.

SANITAS stokehold burnt 160.521 nm³ of natural gas during the first half of 2012 (160.650 nm³ during the first half of 2011 and 165,000 nm³ during the first half of 2010). During the reporting period SANITAS used water 10,000 m³ (9,000 m³ during the first half of 2011 and 6,000 m³ during the first half of 2010).

Manufacture and daily waste accumulated in the territory of SANITAS sorted, recorded and taken out by waste administering companies (UAB Toksika, UAB Super Montes, UAB Tekasta) so minimizing a possible danger to the environment. During the first half of 2012 SANITAS accumulated about 15.5 tons of waste (except of mixed municipal waste), 47.91 tons during the first half of 2011 and 41 tons during the first half of 2010. 1.9 tons of them were hazardous (0.7 tons during the first half of 2011 and 0.6 tons during the first half of 2010).

SANITAS repaired the rain water and oil traps bowl, the result – less index of rain water pollution. The Company was also controlling the surface, the domestic wastewater pollution and performing a basic analysis of pollution parameters.

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Jelfa's industrial waste amounted 107.5 tons during the first half of 2012, while in 2011 it amounted to 120.11 tons and in 2010 – 131.40 tons. On the packages of products launched into foreign markets Jelfa puts eco – labels in order to identify packaging material and inform how to deal with packaging waste. In the first half of 2012 Jelfa finished to exchange chillers on the Ampoules Department in connection with the liquidation of harmful refrigerant (chlorofluorocarbon), which is dangerous for the ozone layer of atmosphere.

24.4. Research and development activity

The concentration on the therapeutic areas of dermatology, ophthalmology and hospital injectables in the first half of 2012 in SANITAS Group was continued.

In the first half of 2012 2 own developments in the field of dermatology, 2 own developments in the field of ophthalmology and 1 dietary supplement were finished.

During the second half of 2012 it is planned to develop 3 new dietary supplements and development of at least 2 new dossiers for medicinal products shall be started.

SANITAS Group received in the first half of 2012 9 new approvals for marketing authorizations, 63 registration procedures are pending and about 30 of them should be finished till the end of 2012. It is planned to file 7 new applications in the second half of 2012

24.5. Purchases

Suppliers of SANITAS Group are divided into 2 groups; different purchasing strategies are applied to each of the group.

The first group consists of API, excipients and bulk suppliers. The most common features of this group – large quantity of suppliers and not big amount of items purchased from each of the supplier. During 6 months of 2012 API, excipients and bulk were purchased from 163 suppliers; the total amount of purchased items was 310. By the end of 2011 SANITAS Group purchased API, excipients and bulk from 163 suppliers (157 suppliers in 2010, 193 suppliers in 2009), the total amount of purchased items is almost 346 (almost 400 items in 2010 and 450 items in 2009). Despite the fact possibility to decrease number of suppliers is limited, as each production site produces different products, procurement department constantly works on decreasing as small amount of items purchased from each supplier does not give a lot of possibilities to use SANITAS Group purchasing power.

For this group twice smaller amount of suppliers - 76 in 6 months of 2012 (69 suppliers in 6 months of 2011) and large amount of items purchased from each of the supplier are typical. Especially big amount of items is purchased from printing houses, as for each finished product different boxes and leaflets are used. It was purchased about 1158 of different packaging items in 6 months of 2012 and 1200 in 6 months of 2011.

Especially big amount of items is purchased from printing houses, as for each finished product different boxes and leaflets are used. Several packaging suppliers are common for all SANITAS Group – it brings possibility to negotiate better purchasing prices on Group level. Boxes, leaflets and labels are purchased from local printing houses in Lithuania and Poland. As competition level in printing industry is very high it allows getting good purchasing conditions and flexible delivery terms.

SANITAS Group's purchases of raw and packaging materials in the first half of 2010, 2011 and 2012:

	2010	2011	2012
SANITAS	1,541	2,226	2,030
HBM	12,793	-	-
Jelfa	29,563	29,083	29,581
Total	43,897	31,309	31,611

24.6. Competitors

The main competitors of SANITAS Group are other pharmaceutical manufacturers supplying generic medicine to Central and Western European markets. Raising import from other EU countries increases competition for food supplements produced by SANITAS.

The main SANITAS competitors on Lithuanian market producing solid forms of medicinal products are Liuks, UAB, Sopharma, Grindex, Actavis, Zentiva, KRKA, Lannacher, the main competitors producing injective preparations – Sandoz, KRKA, Ranbaxy. In the market of food supplements SANITAS competes with many food supplements producers. As the main competitors having products with the similar composition or indication in this segment could be mentioned Valentis, UAB, Aconitum, UAB, Vitabiotics, Vitabalans. The main SANITAS competitors in ointments market are Grindex, Actavis, Spirig, GlaxoSmithKline, Shering.

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24.7. Sales and products distribution

Information about the first half Group sales is presented in the unaudited interim condensed consolidated and the separate financial statements Note 3 Segment information.

25. Financial activity review

SANITAS Group's key financial ratios as well as their dynamics in the first half of 2009 – 2012:

	2009	2010	2011	2012
Revenues	153,320	177,276	169,155	179,138
% Growth	-20.8%	15.6%	-4.6%	5.9%
Cost of sales	(73,560)	(81,626)	(61,966)	(58,671)
Gross profit	79,760	95,650	107,189	120,467
% Growth	-27.7%	19.9%	12.1%	12.4%
% Margin	52.0%	54.0%	63.4%	67.2%
Selling and distribution expenses	(39,556)	(41,822)	(45,061)	(50,530)
% of Revenues	25.8%	23.6%	26.6%	28.2%
Regulatory affairs expenses	(6,566)	(5,518)	(7,125)	(3,333)
% of Revenues	4.3%	3.1%	4.2%	1.9%
Research and development expenses	(758)	(1,024)	(1,116)	(394)
% of Revenues	0.5%	0.6%	0.7%	0.2%
Administrative expenses	(17,201)	(15,438)	(32,393)	(20,859)
% of Revenues	11.2%	8.7%	19.1%	11.6%
Result of other operating activity	584	842	241	643
EBIT	16,263	32,690	21,735	45,994
% Growth	-55.6%	101.0%	-33.5%	111.6%
% Margin	10.6%	18.4%	12.8%	25.7%
Finance activity, net	(18,807)	(12,526)	(8,992)	(5,222)
EBT	(2,544)	20,164	12,743	40,772
% Growth	-112.4%	892.6%	36.8%	220%
% Margin	-1.7%	11.4%	7.5%	22.8%
Income tax	5,018	(2,856)	(6,645)	(7,576)
Net profit (loss)	2,474	17,308	6,098	33,196
% Growth	-87.6%	599.6%	-64.8%	444.4%
% Margin	1.6%	9.8%	3.6%	18.5%

	2009	2010	2011	2012
Return on Equity	0.9%	5.2%	1.6%	4.7%
Return on Assets	0.4%	2.5%	1.0%	3.4%
Liquidity ratio	37.9%	97.9%	82.9%	62.3%
Quick ratio	23.5%	73.0%	53.2%	40.5%
Basic and diluted earnings (loss) per share (in LTL)	0.08	0.56	0.2	1.07
Price to earnings, LTL	74.75	21.14	154.05	30.98

Details about the Group investments to property plant and equipment and intangible assets during the first half of 2012 is disclosed in the Unaudited interim condensed consolidated and the separate financial statements Note 7 Property plant and equipment and Note 8 Intangible assets.

26. Plans and forecasts

On 19th August 2011 the Company shares were sold to Valeant. The Company reviews its plans in order to achieve the best strategic fit with the new shareholder.

27. Main risks and risk management

Main operational risks of the Group includes the changes in the legal regulations and regulatory procedures, competition with other pharmaceutical companies in the markets of operations, development of new products, reliability of raw material suppliers and other contractual partners, production capacity management and experienced and skilled employees attraction and retentions. Top management of the Group monitors the implementation of the processes and the procedures, which mitigates these risks.

Main financial risks to which SANITAS Group is exposed are interest rate, liquidity, foreign exchange and credit risks. The detail information about these risk management is presented in the Unaudited interim condensed consolidated and the separate financial statements Note 10 Financial risk management objectives and policies.

28. Main features of internal controls and risk management system for consolidated financial reports preparation

SANITAS Group management assures that Group accounting and finance departments employees have relevant competence, experience and up-to-date knowledge needed for consolidated financial reports preparation. The control of prepared reports quality is performed by segregation of duties. All consolidated financial reports are prepared by SANITAS accounting or finance departments employees and are reviewed in a detail way and approved by Head of Group Accounting and Chief Financial Officer. SANITAS has the Audit Committee, which supervises the reporting process and prepares the reports to the General Shareholders Meeting twice a year.

29. Related party transactions

In the first half of 2012 SANITAS Group had related party transactions with its subsidiaries (Jelfa and Sanitas Pharma), the shareholder of the Company Valeant Pharmaceuticals International, Inc. and its related parties (ICN Polfa Rzeszow S.A., PharmaSwiss, UAB, Valeant IPM sp. z o.o., PharmaSwiss EOOD). More details of these transactions are presented in the Unaudited interim condensed consolidated and the separate financial statements Note 11 Related party transactions.

Other information

30. Order of amendment of SANITAS Articles of Association

The Articles of Association of the Company may be amended on the basis of the decision adopted by the General Shareholders Meeting with the 5/6 (five sixths) majority votes of the shareholders present in the General Shareholders Meeting. After the General Shareholders Meeting has adopted the decision to change the Articles of Association, the whole text of the changed Articles of Association is laid out with the signature of the person authorized by the General Shareholders Meeting. Amended Articles of Association must be registered in the Register of Legal Entities according to the terms specified in the law.

31. Significant agreements the party to which SANITAS is and which would come into force, be amended or terminated in the case of change of control of the Company

The Company is not a party of significant agreements that would come into force, be amended or terminated in case of change of control of the Company.

32. Information about the prejudicial transaction, which had or will likely have a negative impact on the Company's operating results

The Company is not a party of the prejudicial transaction that had or will likely have a negative impact on the Company's operating results.

33. Agreements with the Company's employees and members of managing bodies providing compensation in the case of their resignation or dismissal without serious reason or if their employment ends because of the change of the control of SANITAS

The Company has not signed agreements with its employees or members of managing bodies regarding payment of the compensations in the case of their resignation or dismissal without serious reason or if their employment ends because of the change of the control of the Company.

34. Data about the Company's publicly disclosed information

SANITAS publicly announced all information as it is required by law for listed companies (annual, interim information, transaction (-s) in issuer's securities concluded by the manager of the issuer, material events and etc.). It is possible to become familiar with the publicly disclosed information on NASDAQ and the Company's webpages.

35. Main events of the first half of 2012

- On 30 April 2012 the Company's Ordinary General Shareholders Meeting was held, it resolved questions assigned to the competence of the General Shareholders Meeting, became familiar with the Company's auditors report and consolidated annual report for 2011, approved the Company's Consolidated and Separate financial statements for 2011 and profit distribution for 2011.

36. Authorities of SANITAS managing bodies to issue or acquire shares

According to the Articles of Association of the Company, SANITAS General Shareholders Meeting has an exclusive right to adopt resolutions regarding:

1. Issuance of new equity or capital, including shares, rights, options, warrants to purchase shares (or other convertible or quasi-equity securities), provided each shareholder has a pre-emptive right to subscribe for the newly issued shares or rights;
2. Any reduction, repayment or buyback of the shares of the Company or any shares of its subsidiaries;
3. Issuance of shares or other securities under the employee stock option plan and its rules and regulations, and any other future stock option or incentive plans as approved by the Management Board;
4. Decision to revoke for all the shareholders the pre-emptive right in acquiring the shares or convertible debentures of the Company of a specific issue.

SANITAS shareholders have the following rights:

1. To receive shares without payment if the authorized capital is increased out of the Company funds except in cases provided in the Law on companies of the Republic of Lithuania;
2. To have pre-emption right in acquiring shares or convertible debentures issued by the Company, except in cases when the General Shareholders Meeting decides to withdraw the pre-emption right for all the shareholders, according to the Law on companies of the Republic of Lithuania;
3. To sell or otherwise transfer the shares to the proprietorship of other persons.

37. Compliance with the Governance code for the companies

Disclosure from the Company concerning the compliance with the Governance Code for the companies listed on the regulated market of NASDAQ was publicly announced and provided to the Lithuanian Securities Commission together with the annual report for 2011. No changes took place in the said information within the first half of 2012