EGIS PHARMACEUTICALS
PUBLIC LIMITED COMPANY

ANNUAL REPORT
2008/2009

Budapest, January 27, 2010 EGIS Pharmaceuticals PLC

EGIS Pharmaceuticals PLC

ANNUAL REPORT 2008/2009
IN ACCORDANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)

1. AUDITOR'S REPORT

Budapest, January 27, 2010

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This is a translation of the Hungarian Report

Independent Auditor's Report

To the Shareholders of EGIS Gyógyszergyár Nyrt.

1.) We have audited the financial statements of EGIS Gyógyszergyár Nyrt. ("the Company"), which comprise the balance sheet as at 30 September 2009 and the income statement, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

2.) Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards ass adopted by EU. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility and Basis of Audit Opinion

3.) Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

4.) An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate for the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

6.) In our opinion the financial statements give a true and fair view of the financial position of EGIS Gyógyszergyár Nyrt. as of 30 September 2009, and of the results of its operations and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Ernst & Young Kft.
Budapest, 15 December 2009

EGIS Pharmaceuticals PLC

ANNUAL REPORT 2008/2009
IN ACCORDANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)

2. FINANCIAL ACCOUNTS

Budapest, January 27, 2010

EGIS Gyógyszergyár Nyrt.

Separate financial statements
for the year ended 30 September 2009
prepared in accordance with International Financial Reporting Standards
together with the Independent Auditor's report

EGIS GYÓGYSZERGYÁR NYRT.

SEPARATE BALANCE SHEET AS AT 30 SEPTEMBER 2009
IN ACCORDANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS
(All amounts in HUF million)

ASSETS	Notes	30 September 2009	30 September 2008
Current assets			
Cash and cash equivalents	4	20,215	3,137
Net trade receivables and other current assets	5	24,660	22,390
Income tax receivable		665	405
Inventories	6	34,371	32,430
Held-to-maturity investments	7	2,700	13,550
Held-for-trading investments	8	194	179
		82,805	72,091
Non-current assets held-for-sale	11	30	0
		82,835	72,091
Non-current assets			
Intangible assets	9	4,220	3,785
Property, plant and equipment	10	52,505	46,793
Investments	11	7,686	7,324
Loans given		135	128
Deferred tax asset	21	115	209
		64,661	58,239
TOTAL ASSETS		147,496	130,330
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities			
Trade and other payables	12	17,791	13,393
Provisions	13	1,051	752
		18,842	14,145
Non-current liabilities			
Provisions	13	1,044	771
		1,044	771
Shareholders' equity			
Share capital	14	7,786	7,786
Share premium	15	2,239	2,239
Retained earnings	16	117,585	105,389
		127,610	115,414
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		147,496	130,330

Budapest, 15 December 2009

Representative of the Company

The accompanying notes are an integral part of this separate balance sheet.

EGIS GYÓGYSZERGYÁR NYRT.

SEPARATE INCOME STATEMENT
FOR THE YEAR ENDED 30 SEPTEMBER 2009
IN ACCORDANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS
(All amounts in HUF million)

	Notes	Year ended 30 September 2009	Year ended 30 September 2008
Sales	17	106,302	96,008
Cost of sales	18	(42,105)	(41,512)
Gross profit		64,197	54,496
Operating items			
Administrative and distribution expenses	18	(48,385)	(43,214)
Other operating expenses	18	(3,944)	(3,752)
Other operating income		1,204	944
Operating profit		13,072	8,474
Non-operating items			
Interest and other financial income	19	3,395	7,447
Interest and other financial expenses	20	(3,266)	(1,986)
Dividends received	11	441	551
Profit before tax		13,642	14,486
Income tax expense	21	(512)	(527)
Net profit for the year		13,130	13,959
Average number of shares outstanding		7,785,715	7,785,715
Basic and diluted earnings per share (HUF)	22	1,686	1,793

Budapest, 15 December 2009

Representative of the Company

The accompanying notes are an integral part of this separate income statement.

SEPARATE CASH FLOW STATEMENT
FOR THE YEAR ENDED 30 SEPTEMBER 2009
IN ACCORDANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS
(All amounts in HUF million)

	Notes	Year ended 30 September 2009	Year ended 30 September 2008
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		13,642	14,486
Adjustments for:			
Depreciation and amortization	18	7,231	7,544
Impairment		76	89
Write down of investments		1,462	1,367
Net interest income		(1,669)	(933)
Dividends received		(441)	(551)
Profit on disposal of fixed assets		(115)	(61)
Profit on disposal of investments		0	(4,829)
Unrealised foreign exchange loss / (gain)		57	(129)
Fair valuation of financial instruments		9	138
Increase / (decrease) in provisions	13	572	(169)
Changes in long-term employee loans		8	(14)
Operating cash flows before working capital changes		20,832	16,938
Increase in inventories		(1,942)	(3,826)
Increase in net trade receivables and other current assets		(2,554)	(470)
Increase in trade and other payables		4,398	2,327
Net cash used in working capital changes		(98)	(1,969)
Net tax paid	21	(418)	(459)
Net cash flows from operating activities		20,316	14,510

The accompanying notes are an integral part of this separate cash flow statement.

SEPARATE CASH FLOW STATEMENT
FOR THE YEAR ENDED 30 SEPTEMBER 2009
IN ACCORDANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS
(All amounts in HUF million)

	Notes	Year ended 30 September 2009	Year ended 30 September 2008
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of intangibles, property, plant and equipment		(13,499)	(11,110)
Purchase of investments		(1,910)	(1,288)
Purchase of securities		(3,930)	(13,135)
Proceeds from sale of intangibles, property, plant and equipment		160	92
Proceeds from sale of investments		0	3,193
Proceeds from sale of securities		14,780	3,768
Interest received	19	1,671	933
Dividends received		441	551
(Increase) / decrease in loans given		(15)	164
Net cash used in investing activities		(2,302)	(16,832)
CASH FLOWS FROM FINANCING ACTIVITIES			
Interests paid		(2)	0
Dividends paid		(934)	(934)
Net cash used in financing activities		(936)	(934)
Net increase / (decrease) in cash and cash equivalents		17,078	(3,256)
Cash and cash equivalents at the beginning of the year	4	3,137	6,393
Cash and cash equivalents at the end of the year	4	20,215	3,137

Budapest, 15 December 2009

Representative of the Company

The accompanying notes are an integral part of this separate cash flow statement.

EGIS GYÓGYSZERGYÁR NYRT.

SEPARATE STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE YEAR ENDED 30 SEPTEMBER 2009
IN ACCORDANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS
(All amounts in HUF million)

	Share capital	Share premium	Retained earnings	Total
Note	14	15	16	
As at 30 September 2007	7,786	2,239	92,364	102,389
Net profit for the year	0	0	13,959	13,959
Total income and expense for the year	0	0	13,959	13,959
Dividends paid	0	0	(934)	(934)
As at 30 September 2008	7,786	2,239	105,389	115,414
Net profit for the year	0	0	13,130	13,130
Total income and expense for the year	0	0	13,130	13,130
Dividends paid	0	0	(934)	(934)
As at 30 September 2009	7,786	2,239	117,585	127,610

Budapest, 15 December 2009

Representative of the Company

The accompanying notes are an integral part of this separate statement of changes in shareholders' equity.

(All amounts in HUF million, unless otherwise stated)

1. BACKGROUND AND BASIS OF PRESENTATION

a. Basis of presentation

The accompanying separate financial statements for the years ended 30 September 2009 and 2008 are the separate financial statements of EGIS Gyógyszergyár Nyrt. (the "Company" or "EGIS") and have been prepared from the statutory accounting records. The accompanying separate financial statements are presented in accordance with International Financial Reporting Standards ("IFRS") with respect to the preparation of a parent's separate financial statements. Reconciliation between statutory net profit, shareholders' equity and net profit and shareholders' equity in accordance with IFRS is shown in Note 26. Subsidiaries have not been consolidated and are measured at cost in the accompanying separate financial statements. The accompanying separate financial statements are presented in addition to the consolidated financial statements in order to enhance the understanding of the stakeholders of EGIS about the operations of the Company. The consolidated financial statements prepared for the same period in accordance with IFRS are disclosed together with these accompanying separate financial statements.

b. Background of the Company

The predecessor of EGIS called Dr. Wander Gyógyszer- és Tápszergyár Rt. was founded in 1913. After World War II the Company became a state-owned company. The Company was transformed into a joint stock company as of December 31, 1991.

The Company is incorporated in Hungary. Its principal activity is the production of basic pharmaceutical materials ("active ingredients") and finished medicines (in the form of tablets, syrups and injections, etc) for sale both in the domestic and export market. The operations are located primarily in Budapest and Körmend, Hungary.

The legal address of the Company is the following:

1106 Budapest, Keresztúri út 30-38., Hungary

The principal shareholders of the Company according to the Company's share register are:

	30 September 2009	30 September 2008
ATP (Servier)	50.91%	50.91%
Others	49.09%	49.09%
Total	100.00%	100.00%

The average number of employees of the Company was 2,598 during 2009 and 2,626 during 2008.

2. CHANGES IN ACCOUNTING POLICY

The accounting policies adopted are consistent with those of the previous financial year, except as follows.

- IFRIC 12 – Service Concession Arrangements
- IFRIC 13 – Customer Loyalty Programmes
- IFRIC 14 IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction
- IFRIC 16 – Hedges of a Net Investment in a Foreign Operation

Summary of the interpretations to published standards listed above are as follows:

IFRIC 12 Service Concession Arrangements (effective from 1 January 2008)
The interpretation was issued in November 2006. This Interpretation applies to service concession operators and explains how to account for the obligations undertaken and rights received in service concession arrangements. This new interpretation has no effect on the Company's financial statements.

IFRIC 13 Customer Loyalty Programs (effective from 1 July 2008)
The interpretation addresses the accounting by entities that operate, or otherwise participate in, customer loyalty programs under which the customer can redeem credits for awards such as free of discounted goods or services. This new interpretation is not expected to affect the Company's financial statements.

IFRIC 14 IAS 19 The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction (effective from 1 January 2008)
This Interpretation provides guidance on how to assess the limit on the amount of surplus in a defined benefit scheme that can be recognised as an asset under IAS 19 Employee Benefits. This new interpretation is not expected to affect the Company's financial statements.

IFRIC 16 Hedges of a Net Investment in a Foreign Operation (effective from 1 October 2008)
IFRIC 16 was issued in July 2008. The interpretation is to be applied prospectively. IFRIC 16 provides guidance on the accounting for a hedge of a net investment. As such it provides guidance on identifying the foreign currency risks that qualify for hedge accounting in the hedge of a net investment, where within the Company the hedging instruments can be held in the hedge of a net investment and how an entity should determine the amount of foreign currency gain or loss, relating to both the net investment and the hedging instrument, to be recycled on disposal of the net investment. This new interpretation is not expected to affect the Company's financial statements.

The Company has not early adopted any IFRS standards, where adoption is not mandatory at the balance sheet date. Those standards are as follows:

- IFRS 2 (Revised) – Share-based Payment
- IFRS 3 (Revised) – Business Combination
- IAS 27 (Revised) – Consolidated and Separate Financial Statements
- IFRS 7 Financial Instruments
- IFRS 8 Operating Segments
- IAS 1 (Revised) – Presentation of Financial Statement
- IAS 23 (Revised) – Borrowing Costs
- IAS 32 Amendment – Financial Instruments
- IAS 39 Financial Instruments: Recognition and Measurement
- IFRIC 9 Remeasurement of Embedded Derivatives and IAS 39 Financial Instruments: Recognition and Measurement
- IFRIC 15 Agreement for the Construction of Real Estate
- IFRIC 17 Distributions of Non-cash Assets to Owners
- IFRIC 18 Transfers of Assets from Customers

Summary of the standards, interpretations and amendments to published standards listed above are as follows:

IFRS 2 (Revised) Share-based Payment – Vesting Conditions and Cancellations (effective from 1 January 2009)
The standard relates to vesting conditions and cancellations of share based payments. The Company does not operate share-based payment schemes, therefore IFRS 2 and its amendment is not relevant to the Company.

IFRS 3 (Revised) Business Combinations (effective from 1 July 2009)
The amendment of IFRS 3 relates to the consolidated financial statements, therefore it is not relevant to the present separate financial statement.

IAS 27 (Revised) Consolidated and Separate Financial Statements (effective from 1 January 2009)
The amendment of IAS 27 relates to the consolidated financial statements, therefore it is not relevant to the present separate financial statement.

IFRS 7 Financial Instruments: Disclosures (effective from 1 January 2009)
The amended standard requires additional disclosures about fair value measurement and liquidity risk. Fair value measurements related to items recorded at fair value are to be disclosed by source of inputs using a three level fair value hierarchy:
Level 1 – quoted prices
Level 2 – directly or indirectly observable inputs
Level 3 – inputs that are not based on observable market data.
The Company is assessing the impact of IFRS 7 and will apply this amendment from the annual periods beginning 1 October 2009.

IFRS 8 Operating Segments (effective from 1 January 2009)
IFRS 8 replaces IAS 14 Segment Reporting and requires additional disclosures. The Company is assessing the impact of IFRS 8 and will apply this amendment from annual periods beginning 1 October 2009.

IAS 1 (Revised) Presentation of Financial Statement (effective from 1 January 2009)
The standard introduces the term total comprehensive income, which represents changes in equity during a period other than those changes resulting from transactions with owners in their capacity as owners. Total comprehensive income may be presented in either a single statement of comprehensive income (effectively combining both the income statement and all non-owner changes in equity in a single statement), or in an income statement and a separate statement of comprehensive income. The Company is assessing the impact of the amendment of IAS 1 and will apply this amendment from the annual periods beginning 1 October 2009.

IAS 23 (Revised) Borrowing Costs (effective from 1 January 2009)
The amendment removes the option to expense borrowing costs and requires that an entity capitalize borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset. The Company is assessing the impact of the amendment of IAS 23 and will apply this amendment from annual periods beginning 1 October 2009.

IAS 32 (amendment) Financial Instruments: Presentation and IAS 1 Presentation of Financial Statements – Puttable Financial Instruments and Obligations Arising on Liquidation (effective from 1 January 2009)
The standard requires puttable instruments, and instruments that impose on the entity an obligation to deliver to another party a pro rata share of the net assets of the entity only on liquidation, to be classified as equity if certain conditions are met. This new interpretation is not expected to affect the Company's financial statements.

IAS 39 Financial Instruments: Recognition and Measurement – Eligible Hedged Items (effective from 1 July 2009)
The amendment clarifies that an entity is permitted to designate a portion of the fair value changes or cash flow variability of a financial instrument as a hedged item. This also covers the designation of inflation as a hedged risk or portion in particular situations. The Company is assessing the impact of the amendment of IAS 39 and will apply this amendment from annual periods beginning 1 October 2009.

IFRIC 9 Remeasurement of Embedded Derivatives and IAS 39 Financial Instruments: Recognition and Measurement (effective from 30 June 2009)
This amendment to IFRIC 9 requires an entity to assess whether an embedded derivative must be separated from a host contract when the entity reclassifies a hybrid financial asset out of the fair value through profit or loss category. When the fair value of an embedded derivative that would not be separated cannot be measured reliably, the reclassification of the hybrid financial asset out of the fair value through profit and loss category is permitted. This new interpretation is not expected to affect the Company's financial statements.

IFRIC 15 Agreement for the Construction of Real Estate (effective from 1 January 2009)
The interpretation is to be applied retrospectively. It clarifies when and how revenue and related expenses from the sale of a real estate unit should be recognised if an agreement between a developer and a buyer is reached before the construction of the real estate is completed. Furthermore, the interpretation provides guidance on how to determine whether an agreement is within the scope of IAS 11 or IAS 18. IFRIC 15 will not have an impact on the financial statement because the Company does not conduct such activity.

IFRIC 17 Distributions of Non-cash Assets to Owners (effective from 1 July 2009)
The interpretation provides guidance on how to account for non-cash distributions to owners. The interpretation clarifies when to recognise a liability, how to measure it and the associated assets, and when to derecognise the asset and liability. This new interpretation is not expected to affect the Company's financial statements.

IFRIC 18 Transfers of assets from customers (effective from 1 July 2009)
The guidance clarifies the conditions under which the revenue from the transfer of an asset by a customer under a commercial contract will be recognized. This new interpretation is not expected to affect the Company's financial statements.

In May 2008 the IASB issued omnibus of amendments to its standards, primarily with a view to removing inconsistencies and clarifying wording. There are separate transitional provisions for each standard. The standards and interpretations amended were as follows:

- IAS 1 – Presentation of Financial Statements
- IAS 16 – Property, Plant and Equipment
- IAS 23 – Borrowing Costs
- IAS 28 – Investment in Associates
- IAS 31 – Interest in Joint Ventures
- IAS 36 – Impairment of Assets
- IAS 38 – Intangible Assets
- IFRIC 11 and IFRS 2 – Share-based Payments - Group and Treasury Share Transactions
- IFRIC 12 – Service Concession Agreements

Summary of the amendments to published standards and interpretations listed above are as follows:

IAS 1 – Presentation of Financial Statements
Assets and liabilities classified as held for trading in accordance with IAS 39 Financial Instruments: Recognition and Measurement are not automatically classified as current in the Balance Sheet. This amendment is not expected to affect the Company's financial statements.

IAS 16 – Property, Plant and Equipment
The amendment replaces the term "net selling price" with "fair value less costs to sell". This improvement did not result in any changes in the valuation of the Property, Plant and Equipment.

IAS 23 – Borrowing Costs
The definition of borrowing cost changed. This amendment is not expected to affect the Company's financial statements.
IAS 28 – Investment in Associates
The improvement relates to the fair valuation of an associate. The amendment of IAS 28 relates to the consolidated financial statements, therefore it is not relevant to the present separate financial statement.

IAS 31 – Interest in Joint Ventures
The improvement relates to the fair valuation of a joint venture. The amendment of IAS 31 relates to the consolidated financial statements, therefore it is not relevant to the present separate financial statement.

IAS 36 – Impairment of Assets
Additional disclosures are required by the amendments in the case when the discounted cash flow method is used to determine the fair value less cost to sell. This amendment has no immediate impact on the Company's financial statements.

IAS 38 – Intangible Assets
The amendment clarifies that the cost of the advertising and promotional activities should be expensed when the services were received or when it has the right to access the goods. This amendment has no immediate impact on the Company's financial statements.

IFRIC 11 and IFRS 2 – Group and Treasury Share Transactions
The interpretation provides guidance on the classification of share-based payment transactions in which equity instruments of the parent or another group entity are transferred in the financial statements of the entity receiving the equity instruments. As the Company has no employee who is granted rights to an equity instrument this amendment is not expected to affect the Company's financial statements.

IFRIC 12 – Service Concession Agreements
The interpretation provides guidance the private sector entities on certain recognition and measurement issues that arise in accounting for public-to-private services concession arrangements. The interpretation is related to service concession operators and therefore it is not expected to affect the Company's financial statements.

3. ACCOUNTING POLICIES

Significant accounting policies used in the preparation of the accompanying separate financial statements:

a. Presentation and functional currency

The accompanying separate financial statements are presented in millions of Hungarian Forint.

b. Cash and cash equivalents

Cash includes cash on hand and cash with banks. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash with original maturity of three months or less and that are subject to an insignificant risk of change in value. For the purpose of the separate cash-flow statement, cash and cash equivalents consist of cash and cash equivalents as defined above.

c. Trade receivables

Trade receivables are shown net of allowance for doubtful debts. Trade debtors are assessed individually; gains and losses are recognized in profit or loss, when receivables are impaired.

d. Inventories

Inventories are stated at the lower of cost and net realizable value. Net realizable value is based on the normal selling price, less further costs expected to be incurred to complete and sell the inventory. Write-down is recognised for obsolete, slow-moving or defective items where appropriate. Valuation of inventories is based on:

Raw materials

- purchase cost on moving average price

Work-in-progress and finished goods

- cost of direct materials and labour, plus manufacturing overheads based on normal levels of activity

e. Intangible assets

Intangible assets are measured at historical cost less accumulated amortization. Amortization is provided using the straight-line method over the estimated useful life of the asset. The following amortization rates have been applied:

	Annual rate in %
Software, patents, licences	20

Amortization is accounted for in the separate income statement as cost of sales and administrative and distribution expenses.

Intellectual property rights purchased from Anpharm is amortised over seven years using degressive method.

f. Property, plant and equipment

Property, plant and equipment are measured at historical cost less accumulated depreciation.

Depreciation is provided using the straight-line method over the estimated useful life of the asset. The following depreciation rates have been applied:

	Annual rate in %
Buildings	2-6
Wires and cables	6-10
Plant, machinery and equipment	8-33
Vehicles	20

Depreciation is accounted for in the separate income statement as cost of sales and administrative and distribution expenses.

g. Impairment

At each balance sheet date the Company assesses whether there is any indication that an asset may be impaired. If such indication exists, the Company estimates the recoverable amount of the asset. The recoverable amount of an asset or a cash-generating unit is the higher of its fair value less costs to sell and its value in use. If the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount debiting the income statement.

h. Investments

Upon acquisition, investments are classified into the following three categories: held-to-maturity, held-for-trading and available-for-sale. Investments with fixed or determinable payments and fixed maturity that the Company has the positive intent and ability to hold to maturity are classified as held-to-maturity investments. Investments acquired principally for the purpose of generating a profit from short-term fluctuations in price are classified as held-for-trading. All other investments, other than loans and receivables originated by the Company, are classified as available-for-sale.

Held-to-maturity investments are included in non-current assets unless they mature within 12 months of the balance sheet date. Held-to-maturity investments are carried at amortized cost using the effective interest rate method.

Available-for-sale investments are classified as non-current assets unless management intends to realize them within 12 months of the balance sheet date. These investments are initially measured at cost, which is the fair value of the consideration given for them, including transaction costs.

Available-for-sale investments are subsequently carried at fair value. Gains or losses on available-for-sale investments are recognised as a separate component of equity, in fair value reserve for available-for-sale financial assets until the investment is sold, collected or otherwise disposed of, or until the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in equity is included in the statement of income.

Held-for-trading investments are measured at fair value and the related gains or losses are recognized in the statement of income.

Purchases and sales of investments are recognized on settlement date, which is the date when the asset is delivered to the counterparty.

i. Investment properties

Investment property is property held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes.

Initially, investment properties are measured at cost including transaction costs. Subsequent to initial recognition, investment properties are stated at cost and depreciated systematically over their useful life.

Investment properties are derecognized when they have either been disposed of or when the investment property is permanently withdrawn from use and no further benefit is expected from its disposal. Any gains or losses on the derecognition of an investment property are recorded in the income statement in the year of derecognition.

j. Financial risk management and financial instruments

The Company's activities expose it to a variety of financial risks: market risk (mainly currency risk and price risk), liquidity risk and credit risk.

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and prices will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

Currency risk

The Company operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the US dollar and the Euro. In order to mitigate the foreign exchange risk, the Company enters into forward USD sale and option contracts altogether up to 70 % of budgeted annual sales and for maximum six months ahead. These instruments do not meet all of the criteria of IAS 39 for classification as a hedge. Therefore these instruments are presented at their fair values in the financial instruments and movements in fair values are posted to the Income Statement.

(All amounts in HUF million, unless otherwise stated)

Price risk

With the aim of restraining rapid growth of the drug market and consumption shift to more expensive products, as from January 2007, the Hungarian government effected substantial changes in the regulation, as part of the comprehensive budget reform.

New 'drug thrift law' came into effect to liberalize retail trade of pharmaceuticals on the one hand, and to set stricter limits to the producers' marketing activity on the other hand, and also shifted major part of reimbursement costs to drug manufacturers. As part thereof, producers were obliged to pay back 12 per cent of subsidy provided by social insurance to their drugs. In addition, manufacturers were liable to pay the difference if the actual value of total subsidy exceeds the level allocated in the state budget.
There has also been introduced a registration fee of HUF 5 million per medical representative employed by drug manufacturers.

Parallel with the enactment of law, as from January 16, 2007 the government effected general reduction and austerity for drug reimbursements. At the same time, in order to enhance price competition, the government carried out a quarterly price review and fixed the reimbursements at the price level of cheaper pharmaceuticals.

As a result of new regulations and growing competition, drop in drug consumption and trend towards cheaper products have begun.

This regulation was in force also in the 2008/2009 business year with the exception that the registration fee of medical representatives, having earlier been abolished with effect from June 18, 2008 by the Court of Constitution, was re-introduced with modified wording and with the amount of HUF 416 thousand/medical representative/month as from February 15, 2009.

At the same time a new element occured: the Parliament confirmed by law that drug manufacturers can reclaim 20% of the 12% extra payment and the registration fee of medical representatives relating to 2009 in 2010, even 100% of payments relating to 2010 in 2011, provided that their R&D expenses will come up to this amount. EGIS Nyrt. complied with the conditions set up for 2009.

In 2008/09, EGIS Nyrt. had an aggregate payment obligation of HUF 1,841 million (in 2007/08 HUF 2,018 million) detailed as follows:

12% extra payment	HUF 1,649 million
Registration fee of medical representatives	HUF 382 million
+ 1 additional monthly 12% extra payment relating to the stock held by pharmacies	HUF 137 million
- subtracted 20% value of the January–September 2009 payment	HUF (327) million

For further information relating to contribution paid to the National Health Insurance Fund please refer to Note 18.

Credit risk

The Company's financial instruments that are exposed to credit risk consist primarily of short-term investments and trade receivables.

Short-term investments consist of bonds, treasury bills issued and guaranteed by the Hungarian government. The Company's trade receivables include balances from a number of customers that are across different geographic areas. There are no significant credit concentrations and the maximum credit risk corresponds to the carrying amount of the financial assets.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its obligations as they fall due. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

Capital management

The Company's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business.

Financial instruments

Financial assets and liabilities carried on the accompanying separate balance sheet include cash and cash equivalents, marketable securities, trade and other accounts receivable and payable, long-term receivables, loans, borrowings, investments, and bonds receivable and payable. The accounting policies on recognition and measurement of these items are disclosed in the respective accounting policies found in this Note.

The carrying amounts reported in the accompanying separate balance sheet for cash and cash equivalents, long-term and short-term investments, outstanding borrowings under bank lines of credit, and other current liabilities and loans approximate fair value.

Financial instruments are classified as liabilities or equity in accordance with the substance of the contractual arrangement. Interest, dividends, gains, and losses relating to a financial instrument classified as a liability, are reported as expense or income. Distributions to holders of financial instruments classified as equity are charged directly to equity. Financial instruments are offset when the Company has a legally enforceable right to offset and intends to settle either on a net basis or to realise the asset and settle the liability simultaneously.

Fair values

The carrying amounts of cash, accounts receivable, short term borrowings, accounts payable and accrued expenses approximated their fair values due to the short-term maturities of these assets and liabilities. Receivables are stated after making allowance for doubtful debts. The fair value of available-for-sale debt instruments such as government bonds is determined based on market prices provided by financial institutions.
The fair values of equity instruments available-for-sale and long-term borrowings are not materially

different from the carrying amounts.

k. Foreign currency transactions

Transactions arising in foreign currencies are translated into HUF at the rate of exchange at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated into HUF at the rates of exchange prevailing at the balance sheet dates. Any gain or loss arising from a change in exchange rates subsequent to the date of the transaction is included in the separate income statement as an exchange gain or loss.

l. Borrowing costs

Borrowing costs are generally recognised as an expense in the period in which they are incurred. Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised and included in the cost of the asset.

m. Provisions for environmental liabilities

Environmental expenditures that relate to current or future revenues are expensed or capitalised as appropriate. Immediate provision is made for expenditures that relate to an existing condition caused by past operations and that do not contribute to current or future earnings in order to recognise the cost in the year when they are identified. Measurement of liabilities is based on current legal requirements and existing technology. Provision for environmental contingency is established when it becomes probable or certain that a liability has been incurred and the amount can be reasonably estimated.

n. Provision for employee benefits

EGIS Nyrt. operates a defined long-term employee benefit program, according to which, at retirement, the Company pays 10 or 12 months salary as a long-service benefit to its employees having a period of service at least 30 or 40 years, respectively. This program was introduced in February 2002, however, the Company made a provision for this item in accordance with IAS 19 first time in 2004. The impact of this provision related to prior years is shown in Note 23.

Additional service award is provided with the employees for achieving distinct period of service. This service award kicks in after 10 years of service with an amount of HUF 24 thousand per employee and increases to one-month salary after reaching 45 years of service.

The benefit scheme does not require contribution to be made to separately administered funds. The costs of providing benefits under the program are determined using the projected unit credit actuarial valuation method. Actuarial gains and losses are recognized in full as income or expense immediately. Past service costs, resulting from the introduction of, or changes to the defined benefit scheme are recognized as an expense on a straight-line basis over the average period until the benefits become vested.

o. Reserves

Reserves shown in the accompanying separate financial statements do not represent the distributable reserves for dividend purposes. Reserves for dividend purposes are determined based on the statutory earnings of the Company.

p. Dividends

Dividends are recorded in the year in which they are approved by the shareholders.

q. Earnings per share (EPS)

The calculation of basic earnings per shares is based on the profit attributable to ordinary shareholders using the weighted average number of shares outstanding during the year after deduction of treasury shares. There were not any items in the years ended 30 September 2009 and 2008 that would dilute the earnings per share.

r. Sales

Sales are recognized upon shipment of goods or upon the sale becoming unconditional, the amount of revenue can be measured reliably and it is probable that the economic benefits associated with the transaction will flow to the enterprise. Net sales comprise the value of sales (excluding value added tax and trade discounts) of goods and services in the normal course of business.

s. Research and development

Costs of research and development are expensed in the period when incurred. EGIS Nyrt. considers that the regulatory and other uncertainties inherent in the development of its key new products preclude it from capitalizing development costs. Cost of purchasing patents and licences are capitalized as intangible assets. Patent and registration fees for internally developed products are considered as part of development expense and expensed as incurred.

t. Operating profit

Operating profit is defined as profit before financial results and taxes and represents profit from the business operations. Financial results consist of interest income, dividends income, interest expense, other financial expense, fair value losses and gains on financial instruments and realized and unrealized exchange rate differences.

u. Government grants

Government grants are recognised where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income over the period necessary to match the grant on a systematic basis to the costs that it is intended to compensate. Where the grant relates to an asset, it is recognised as deferred income and released to income in equal annual amounts over the expected useful life of the related asset.

v. Income taxes

The income tax charge consists of current and deferred taxes, while local municipal tax is recognised as other operating expenses. Deferred taxes are calculated using the balance sheet liability method. Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Deferred tax assets and liabilities are measured using the tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The measurement of deferred tax liabilities and deferred tax assets reflects the tax consequences that would follow from the manner in which the enterprise expects, at the balance sheet date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets are recognized when it is probable that sufficient taxable profits will be available against which the deferred tax assets can be utilized. At each balance sheet date, the Company reassesses unrecognized deferred tax assets and the carrying amount of deferred tax assets. The enterprise recognizes a previously unrecognized deferred tax asset to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered. The Company conversely reduces the carrying amount of a deferred tax asset to the extent that it is no longer probable that sufficient taxable profit will be available to allow the benefit of part or all of that deferred tax asset to be utilised.

Current tax and deferred tax are charged or credited directly to equity if the tax relates to items that are credited or charged, in the same or a different period, directly to equity, including an adjustment to the opening balance of reserves resulting from a change in accounting policy that is applied retrospectively.

Deferred tax assets or liabilities are recognized for all taxable temporary differences.

w. Segment information

The Company does not report segment information as it basically provides one type of service and most of its assets are located in one geographical area, Central-Eastern Europe. Breakdown of sales by geographical area is presented in Note 17.

x. Non-current assets (disposal groups) held-for sale

Non-current assets and disposal groups are classified as held-for-sale if their carrying amounts will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset or disposal group is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of the classification.

Non-current assets and disposal groups classified as held-for-sale are measured at the lower of carrying amount and fair value less costs to sell.

Property, plant and equipment and intangible assets once classified as held-for-sale are not depreciated.

y. Contingencies

Contingent liabilities are not recognised in the accompanying separate financial statements. They are disclosed in the Notes unless the possibility of an outflow of resources embodying economic benefits is remote. A contingent asset is not recognised in the accompanying separate financial statements but disclosed when an inflow of economic benefits is probable.

z. Subsequent events

Post-period-end events that provide additional information about the Company's position at the balance sheet date (adjusting events), are reflected in the financial statements. Post-period-end events that are not adjusting events are disclosed in the notes when material.

aa. Emission rights

The Company has been subject to the European Emissions Trading Scheme since 1 January 2005. IFRIC 3, Emission rights was withdrawn by the IASB in June 2005, and has not yet been replaced by definitive guidance. The Company has adopted an accounting policy, which recognises granted emission allowances received for free at zero value and CO_2 emissions liabilities are recognised when the level of emissions exceeds the level of allowances granted by the Government in the period.

bb. Estimates

The preparation of financial statements in conformity with IFRS requires the use of estimates and assumptions that affect the amounts reported in the financial statements and notes thereto. Although these estimates are based on management's best knowledge of current event and actions, actual results may differ from those estimates. Estimates, which have the most significant effect on the amounts recognised in the separate financial statements are the following:

- Employee benefits, Note 3n, 23
- Deferred tax assets, Note 3v, 21
- Impairment of non-current assets, Note 3g
- Outcome of litigations, Note 13
- Quantification and timing of environmental provisions, Note 3m, 13.

(All amounts in HUF million, unless otherwise stated)

4. CASH AND CASH EQUIVALENTS

Cash and cash equivalents as at 30 September 2009 and 2008 are the following:

	30 September 2009	30 September 2008
Cash in bank	20,152	3,078
Restricted cash	60	56
Cash on hand	3	3
Total	20,215	3,137

Restricted cash consists of amounts due to shareholders as a result of dematerialisation of shares.

5. NET TRADE RECEIVABLES AND OTHER CURRENT ASSETS

Net trade receivables and other current assets as at 30 September 2009 and 2008 are the following:

	30 September 2009	30 September 2008
Trade receivables	19,454	20,487
Allowance for doubtful debtors	(854)	(497)
Trade receivables, net	18,600	19,990
Taxes receivable	1,270	791
Advance payments to suppliers	864	779
Other receivables and prepayments	3,926	830
Total	24,660	22,390

The ageing analysis of trade receivables is as follows:

	Total	Neither past due nor impaired	Past due but not impaired			
			<90 days	91-180 days	181-360 days	> 360 days
30 Sept. 2009	18,600	15,686	2,171	341	248	154
30 Sept. 2008	19,990	15,539	3,344	855	61	191

Movements in the provision for impairment of receivables were as follows:

(All amounts in HUF million, unless otherwise stated)

	30 September 2009	30 September 2008
Opening amount of provision for impairment	497	446
Charge for the year	506	141
Utilized	(69)	(69)
Unused amounts reversed	(174)	0
Foreign exchange difference	94	(21)
Closing amount of provision for impairment	854	497

6. INVENTORIES

Inventories as at 30 September 2009 and 2008 are the following:

	30 September 2009	30 September 2008
Work-in-progress and semi-finished products	16,797	12,994
Finished goods	7,759	10,823
Raw materials	6,980	6,322
Goods for resale	2,835	2,291
Total	34,371	32,430

The amount of write-down of inventories for the years ended 30 September 2009 and 2008 are HUF 1,184 million and HUF 934 million, respectively.

7. HELD-TO-MATURITY INVESTMENTS

Held-to-maturity investments as at 30 September 2009 and 2008 are the following:

	30 September 2009	30 September 2008
Discount treasury bills	2,180	9,725
Government bonds	520	3,825
Total	2,700	13,550

Held-to-maturity investments consist of treasury bills and government bonds issued and guaranteed by the Hungarian government and therefore credit risk is considered to be low. Held-to-maturity investments initially were recognised at cost and amounted to HUF 2,531 million as at 30 September 2009 and HUF 13,135 million as at 30 September 2008. The investments are subsequently carried at amortized cost. The difference between the initial cost and the notional amount as at 30 September 2009 and 2008 was HUF 169 million and HUF 415 million, respectively.

8. HELD-FOR-TRADING INVESTMENTS

Held-for-trading investments consist of long-term bonds issued and guaranteed by the Hungarian government. Interest rate risk embodying fair valuation of these securities is reflected in the income statement. Carrying amount of held-for-trading investments as at 30 September 2009 and 2008 was HUF 194 million and HUF 179 million, respectively.

(All amounts in HUF million, unless otherwise stated)

9. INTANGIBLE ASSETS

The movements in intangible assets for the years ended 30 September 2009 and 2008 were the following:

NET CARRYING AMOUNT	Software	Patents, licences	Intellectual property rights	Total
At 1 October 2007	525	75	0	600
Additions	450	72	3,964	4,486
Disposals	0	0	0	0
Impairment (Note 18)	(1)	0	0	(1)
Amortisation charge for the year	(241)	(58)	(1,001)	(1,300)
Transfers	0	0	0	0
At 30 September 2008	733	89	2,963	3,785
Additions	920	293	0	1,213
Disposals	0	0	0	0
Impairment (Note 18)	0	0	0	0
Amortisation charge for the year	(306)	(120)	(847)	(1,273)
Transfers	(6)	0	501	495
At 30 September 2009	1,341	262	2,617	4,220

At 30 September 2008	Software	Patents, licences	Intellectual property rights	Total
Cost	2,710	269	3,964	6,943
Accumulated amortisation	(1,977)	(180)	(1,001)	(3,158)
Net carrying amount	733	89	2,963	3,785

At 30 September 2009	Software	Patents, licences	Intellectual property rights	Total
Cost	3,609	562	4,468	8,639
Accumulated amortisation	(2,268)	(300)	(1,851)	(4,419)
Net carrying amount	1,341	262	2,617	4,220

Intellectual property rights contain rights connected to the product portfolio purchased from Anpharm. Those rights are amortised over seven years using degressive method.

The gross carrying amounts of certain software, patent and licence items of HUF 1,833 million and HUF 1,119 million are fully amortized as at 30 September 2009 and 2008, respectively, but these items are still in active use.

(All amounts in HUF million, unless otherwise stated)

10. PROPERTY, PLANT AND EQUIPMENT

The movements in property, plant and equipment in the years ended 30 September 2009 and 2008 were the following:

NET CARRYING AMOUNT	Land and buildings	Plant, machinery and equipment	Vehicles	Construction in progress	Total
At 1 October 2007	21,206	14,817	1,974	4,585	42,582
Additions	4,404	7,762	573	(2,165)	10,574
Disposals	0	0	(31)	0	(31)
Impairment (Note 18)	(32)	(2)	(12)	(42)	(88)
Depreciation charge for the year	(887)	(4,693)	(664)	0	(6,244)
Transfers	0	1	0	(1)	0
At 30 September 2008	24,691	17,885	1,840	2,377	46,793
Additions	2,225	5,779	713	3,569	12,286
Disposals	0	(2)	(43)	0	(45)
Impairment (Note 18)	(6)	(38)	(9)	(23)	(76)
Depreciation charge for the year	(1,050)	(4,224)	(684)	0	(5,958)
Transfers	(823)	328	0	0	(495)
At 30 September 2009	25,037	19,728	1,817	5,923	52,505

At 30 September 2008	Land and buildings	Plant, machinery and equipment	Vehicles	Construction in progress	Total
Cost	30,530	48,508	3,836	2,377	85,251
Accumulated depreciation	(5,839)	(30,623)	(1,996)	0	(38,458)
Net carrying amount	24,691	17,885	1,840	2,377	46,793

At 30 September 2009	Land and buildings	Plant, machinery and equipment	Vehicles	Construction in progress	Total
Cost	31,866	53,559	3,968	5,923	95,316
Accumulated depreciation	(6,829)	(33,831)	(2,151)	0	(42,811)
Net carrying amount	25,037	19,728	1,817	5,923	52,505

The gross carrying amounts of certain property, plant and equipment items of HUF 13,360 million and 11,606 HUF million are fully depreciated as at 30 September 2009 and 2008 respectively, but these items are still in active use.

Impairment is disclosed as the net amount of the impairment and the reversal of impairment.

(All amounts in HUF million, unless otherwise stated)

11. INVESTMENTS AND NON-CURRENT ASSETS HELD-FOR-SALE

Investments as at 30 September 2009 and 2008 are the following:

	30 September 2009	30 September 2008
Investments in subsidiaries	4,390	3,279
Investments in jointly controlled entities	303	334
Investments in associates	2,610	2,610
Investments in other companies	383	1,101
Total	7,686	7,324

Equity interests and the percentage of share capital held as at 30 September 2009 and 2008 are the following:

	30 September 2009		30 September 2008	
Company	Ownership %	Net book value	Ownership %	Net book value
Medimpex Kereskedelmi Zrt.	100.0	733	100.0	733
EGIS Slovakia spol. s r.o.	100.0	817	100.0	656
EGIS Praha spol. s r.o.	100.0	312	100.0	276
EGIS UK Ltd.	100.0	0	100.0	0
EGIS Polska Sp. z o.o.	100.0	1,119	100.0	1,146
EGIS Polska Dystrybucja Sp. z o.o.	100.0	640	100.0	21
EGIS Rompharma S.R.L.	100.0	0	100.0	1
EGIS Bulgaria EOOD	100.0	1	100.0	1
OOO EGIS-RUS	100.0	15	100.0	17
EGIS Ilaclari Limited Sirketi	100.0	753	100.0	428
Medimpex Irodaház Ingatlankezelő Kft.	50.0	303	50.0	303
Medimpex UK Ltd.	50.0	0	50.0	31
Medimpex Jamaica Ltd.	40.0	0	40.0	0
Medimpex West-Indies Ltd.	40.0	9	38.0	9
Gyógyszeripari Ellenőrző és Fejl. Lab. Kft.	34.0	42	34.0	42
Hungaropharma Zrt.	30.7	2,549	30.7	2,549
Recyclomed Kht.	20.0	10	20.0	10
OOO Serdix	18.3	357	18.3	1,076
Gyógynövény Kutató Intézet Zrt.	14.4	6	14.4	6
Medimpex Italia S.R.L.	7.0	1	7.0	1
Medimpex Japan Co. Ltd.	5.6	4	5.6	3
Magyar Gyógyszer Zrt.	2.6	15	2.6	15
Total		7,686		7,324

The changes in the value of investments as at 30 September 2009 and 2008 are the following:

(All amounts in HUF million, unless otherwise stated)

EGIS Polska Dystrybucja share capital increase	622
EGIS Polska Dystrybucja year-end FX revaluation	(3)
OOO Serdix year-end FX revaluation	(29)
OOO Serdix impairment	(690)
EGIS Ilaclari Limited Sirketi share capital increase	1,289
EGIS Ilaclari Limited Sirketi year-end FX revaluation	(8)
EGIS Ilaclari Limited Sirketi impairment	(956)
EGIS Slovakia year-end FX revaluation	82
EGIS Slovakia reversal of impairment	79
EGIS Praha year-end FX revaluation	26
EGIS Praha reversal of impairment	10
EGIS Polska year-end FX revaluation	(129)
EGIS Polska reversal of impairment	102
EGIS-RUS year-end FX revaluation	(2)
EGIS Rompharma impairment	(1)
Medimpex UK year-end FX revaluation	(1)
Medimpex UK– reclassification to non-current assets held-for-sale	(30)
Medimpex Japan year-end FX revaluation	1
Total	362

On 30 September 2009 EGIS Nyrt. signed an agreement to sell its 50 per cent stake in Medimpex UK to Richter Gedeon Nyrt. The company was sold on 5 October 2009. As at 30 September 2009 the investment in Medimpex UK was disclosed separately as non-current assets held for sale in the amount of HUF 30 million.

In the year ended 30 September 2009 and 2008 the following dividends were paid to EGIS Nyrt.:

	Year ended 30 September 2009	Year ended 30 September 2008
Hungaropharma Zrt.	307	411
Medimpex Irodaház Ingatlankezelő Kft.	65	75
Medimpex Kereskedelmi Zrt.	58	44
Gyógyszeripari Ellenőrző és Fejl. Lab. Kft.	3	15
Medimpex West Indies Ltd.	6	3
Other companies	2	3
Total	441	551

(All amounts in HUF million, unless otherwise stated)

12. TRADE AND OTHER PAYABLES

Trade and other payables as at 30 September 2009 and 2008 are the following:

	30 September 2009	30 September 2008
Trade payables	11,452	8,876
Salaries payable	705	590
Taxes and duties payable	1,515	1,437
Other short term liabilities	4,119	2,490
Total	17,791	13,393

The table below summarizes the maturity profile of the Company's trade payables based on contractual undiscounted payments:

	Total	On demand	Less than 3 months	Over 3 months
30 September 2009	11,452	408	10,948	96
30 September 2008	8,876	808	6,249	1,819

13. PROVISIONS

As at 30 September 2009 and 2008 provisions are the following:

	Environ-mental	Litigations	Employee benefits	Payable to NHIF	Other	Total
Balance as at 30 September 2007	51	333	827	0	481	1,692
Provision made during the period	100	0	170	0	0	270
Provision used during the period	(51)	(20)	(155)	0	(213)	(439)
Increase / (decrease) in provision	49	(20)	15	0	(213)	(169)
Balance as at 30 September 2008	100	313	842	0	268	1,523
Provision made during the period	40	30	472	137	240	919
Provision used during the period	(63)	(11)	(145)	0	(128)	(347)
Increase / (decrease) in provision	(23)	19	327	137	112	572
Balance as at 30 September 2009	77	332	1,169	137	380	2,095

(All amounts in HUF million, unless otherwise stated)

Provisions as at 30 September 2009 and 2008 classified as current liability (to be used or reversed within one year) and as non-current liability are as follows:

	Environ-mental	Litigations	Employee benefits	Payable to NHIF	Other	Total
Current provisions	60	274	150	0	268	752
Non-current provisions	40	39	692	0	0	771
Balance as at 30 September 2008	100	313	842	0	268	1,523
Current provisions	37	300	190	137	380	1,044
Non-current provisions	40	32	979	0	0	1,051
Balance as at 30 September 2009	77	332	1,169	137	380	2,095

Provision for environmental liabilities relates to the contamination of land at plants in Bökényföldi út and Mogyoród. The "Közép-Dunavölgyi Környezetvédelmi Felügyelőség" (Environmental Protection Agency 'EPA') has obliged the Company to clean-up the land. The amount of the provision is based on the assumption that the contamination would be eliminated within three years. There have been no other decisions from environmental agencies requiring the Company to clean-up other sites.

A legal proceeding was commenced against EGIS in 2007 on the ground of EGIS breaching a Supply Agreement. Damages claimed by the plaintiff are fully provided for.

Calculations for provisions for long-term employee benefits are shown in Note 23.

The Company has made a provision for amounts payable to NHIF on reimbursed products which had already been sold to wholesalers or pharmacies but not to the ultimate customers.

Other provisions contain the fees payable to the agents after the customers paid the related invoices in the amount of HUF 187 million and HUF 131 million as at 30 September 2009 and 2008, respectively.

(All amounts in HUF million, unless otherwise stated)

14. SHARE CAPITAL

Share capital as at 30 September 2009 and 2008 consists of 7,785,715 authorized, issued and fully paid dematerialized shares of registered value of 1 thousand HUF per share carrying equal ranking as at 30 September 2009 and 2008.

15. SHARE PREMIUM

Share premium disclosed as at 30 September 2009 and 2008 represents the difference between the consideration of USD 45,000 thousand received for additional 2,335,715 shares issued on 22 December 1993 from EBRD and the registered value of 1 thousand HUF per share calculated using the exchange rate at the date of the receipt of the funds.

16. RETAINED EARNINGS

The distributable part of retained earnings of the Company in accordance with statutory financial statements as at 30 September 2009 and 2008 were HUF 112,257 million and HUF 99,353 million (out of the total retained earnings of HUF 117,585 million and HUF 105,389 million), respectively. The management proposed a total dividend of HUF 934 million to be distributed from the profit of the year ended 30 September 2009. Both paid and proposed dividend per share as at 30 September 2009 and 2008 were HUF 120.

17. SALES

Sales by geographical areas for the years ended 30 September 2009 and 2008 are the following:

	Year ended 30 September 2009	Year ended 30 September 2008
Hungary	29,769	29,352
European Union	39,802	36,211
Other European countries	33,840	27,726
North-America and Japan	794	987
Others	2,097	1,732
Total	106,302	96,008

The Company operates in one industrial segment and most of its assets are located in Hungary.

(All amounts in HUF million, unless otherwise stated)

18. COSTS AND EXPENSES

Costs and expenses for the years ended 30 September 2009 and 2008 are as follows:

	Year ended 30 September 2009	Year ended 30 September 2008
Cost of sales	42,105	41,512
Administrative and distribution expenses	48,385	43,214
Other operating expenses	3,944	3,752
Total	94,434	88,478

Cost of sales for the years ended 30 September 2009 and 2008 includes direct material and labour costs as well as certain directly attributable production overheads.

Administrative and distribution expenses for the years ended 30 September 2009 and 2008 are the following:

	Year ended 30 September 2009	Year ended 30 September 2008
General selling costs	24,795	22,503
Research and Developments expenses	9,957	8,962
Central administrative costs	5,700	4,654
Quality control	2,108	2,096
Procurement, transportation and warehousing costs	980	1,065
Plant administrative costs	1,184	1,090
Welfare costs	596	618
Impairment (Note 9 and Note 10)	76	89
Allowance for doubtful debtors (Note 5)	437	72
Net provision expenses / (income)	572	(169)
Other	1,980	2,234
Total	48,385	43,214

(All amounts in HUF million, unless otherwise stated)

Other operating expenses for the years ended 30 September 2009 and 2008 are as follows:

	Year ended 30 September 2009	Year ended 30 September 2008
Contribution to National Health Insurance Fund	1,841	2,018
Local municipal tax	1,476	1,290
Others	627	444
Total	3,944	3,752

The contribution payable to the National Health Insurance Fund (NHIF) is prescribed by Act XCVIII of 2006 (the so-called drug thrift law). As per law, authorized distributors of reimbursed pharmaceuticals shall pay 12% of subsidy granted by social insurance for their drugs to NHIF depending on their sales of reimbursed drugs in pharmacies (based on prescription turnover).

The calculation is based on the turnover statistics provided by NHIF before the 10th of the second following calendar month. This contains the pharmacy turnover in the relative month, the reimbursement requirement and the reimbursement in proportion to the producer's price.

Major titles to reimbursement:

- normative reimbursement (general title to reimbursement: 80, 55, 25%)
- augmented reimbursement (subject to health regulation, regularly higher than the normative reimbursement - "eü" 90, 70, 50% assigned to the points of indications published in the ministerial order)
- promoted reimbursement (100% reimbursement for a certain disease, subject to health regulation according to the prescribed limitations, higher than the normative one)

Data supplied by NHIF are checked by the Company, detected mistakes are corrected. Payment obligation is reduced by allowances offered in recognition of price reductions. Based on this, the company submits a declaration on the tax authority's form to the tax authority until 20th of the third calendar month following the given month and fulfils simultaneously its payment obligation (makes the declaration within 90 days following the relative month and settles payment).

12% payment obligation figuring in the statement of September 30, 2009 was calculated according to the following:

- actual payment obligation for the period October 2008 - June 2009
- preliminary obligation calculated for July and August 2009 by the company on the basis of NHI data supply
- the company's estimation for September 2009
- monthly average of the twelve-month payment obligation for the thirteenth month
- 20% retention which is the 20% of the 12% payment accounted for the January-September 2009 period and of the registration fee of medical representatives for the same period.

(All amounts in HUF million, unless otherwise stated)

Calculation of local municipal tax is based on local statutory accounts as follows:

	Year ended 30 September 2009	Year ended 30 September 2008
Net sales	107,591	96,860
less: income from royalties	(807)	(211)
less: material cost (adjusted)	(29,347)	(29,889)
less: cost of sales	(3,160)	(1,921)
less: mediated services	(470)	(356)
Tax base	73,807	64,483
Tax at applicable rate of 2 %	1,476	1,290

The following costs and expenses are included in cost of sales, administrative and distribution and other operating expenses for the years ended 30 September 2009 and 2008:

	Year ended 30 September 2009	Year ended 30 September 2008
Material type costs	30,335	28,746
Payroll and related costs	21,095	20,219
Material type services	10,487	10,028
Representative offices	8,004	7,070
Depreciation and amortization	7,231	7,544
Hired labour	3,969	4,402
Other taxes	3,840	3,501
Licence fees	1,930	1,484
Commission	355	499
Marketing	1,039	758
Patent and registration fees	1,744	1,117
Environment protection expenses	675	708
Subcontracted R&D services	525	552
Impairment (Note 9 and Note 10)	76	98
Net provision expenses / (income)	572	(169)
Other	2,557	1,921
Total	94,434	88,478

(All amounts in HUF million, unless otherwise stated)

Expenses incurred at representative offices can be further analysed as follows:

	Year ended 30 September 2009	Year ended 30 September 2008
Material type costs	628	656
Payroll and related costs	4,118	3,760
Material type services	3,258	2,654
Total	8,004	7,070

19. INTEREST AND OTHER FINANCIAL INCOME

Interest and other financial income for the years ended 30 September 2009 and 2008 are the following:

	Year ended 30 September 2009	Year ended 30 September 2008
Foreign exchange gains, net	850	37
Gain on derivative transactions	561	1,481
Interest income	1,671	933
Gain on sale of investments	109	4,829
Other financial income	204	167
Total	3,395	7,447

On 27 March 2008 the Company sold its stake in Anpharm, the Polish subsidiary of EGIS and Servier for HUF 5,592 million. The shares were carried at HUF 1,070 million, thus a gain of HUF 4,522 million was realised on the transaction during the financial year ended 30 September, 2008.

(All amounts in HUF million, unless otherwise stated)

20. INTEREST AND OTHER FINANCIAL EXPENSES

Interest and other financial expenses for the years ended 30 September 2009 and 2008 are the following:

	Year ended 30 September 2009	Year ended 30 September 2008
Loss on derivative transactions	1,580	439
Interest expense	2	0
Loss on sale of investments	10	0
Impairment of investments	1,646	1,514
Other financial expense	28	33
Total	3,266	1,986

21. INCOME TAX EXPENSE AND DEFERRED TAX

Income tax expense for the years ended 30 September 2009 and 2008 are as follows:

	Year ended 30 September 2009	Year ended 30 September 2008
Current tax expense	418	459
Deferred tax expense	94	68
Total	512	527

(All amounts in HUF million, unless otherwise stated)

Deferred tax assets and (liabilities) as at 30 September 2009 and 2008 are the following:

	Separate balance sheet		Separate income statement	
	30 September 2009	30 September 2008	Year ended 30 September 2009	Year ended 30 September 2008
Depreciation and amortization	(11)	128	(139)	63
Fair valuation of assets	(3)	(3)	0	10
Provision and accruals	99	66	33	(134)
Allowance for doubtful receivables	27	16	11	(1)
Other	3	2	1	(6)
Total	115	209	(94)	(68)

While calculating the deferred tax we took into account that the corporate tax rate will increase from 16% to 19% and the 4% solidarity tax will cease to exist in Hungary from 1 January 2010. These changes caused an additional decrease in deferred tax assets while increased deferred tax expenses in the amount of HUF 85 million as at 30 September, 2009.

A numerical reconciliation between tax expense and the accounting profit multiplied by the tax rate applicable as at the financial year started on 1 October 2009 and 1 October 2008 (20 %) was as follows:

	Year ended 30 September 2009	Year ended 30 September 2008
Income before tax per accompanying income statement	13,642	14,486
Tax at the applicable tax rate of 20 %	2,728	2,897
Research and development expenses not taxable	(869)	(757)
Local tax expenses not taxable	(240)	(208)
Other differences not expected to reverse	(119)	(911)
Tax allowance	(1,073)	(494)
Effect of changes of tax rates in Hungary	85	0
Total income tax expense	512	527

As of 1 October 2006 the Company is obliged to pay 4% of pre-tax profit as solidarity tax. At the same time the Company earned a tax allowance due to the development of its production facilities.

The tax allowance amounts to HUF 2.2 billion in total, out of which the following amounts were utilized in the past years:

2008/2009	2007/2008	2006/2007	Total
914	421	357	1,692

The Company was entitled to further tax allowances based on the wages paid to employees in pharmaceutical and software development. The effect of the aforementioned factors has been taken into consideration in the calculation of deferred tax assets.

The Company has paid HUF 1,476 million and HUF 1,290 million local business taxes in the years ended 30 September 2009 and 2008, respectively. The amount is presented in Other operating expenses (see Note 18).

22. BASIC AND DILUTED EARNINGS PER SHARE (EPS)

Basic earnings per share are calculated by dividing the net profit for the period attributable to ordinary shareholders (net profit for the period less dividends on preference shares classified as equity) by the weighted average number of ordinary shares outstanding the period. There were not any items in the years ended 30 September 2009 and 2008 that would dilute the earnings per share.

	Net profit for the year (HUF million)	Weighted average number of shares	Earnings per share (HUF)
Basic and diluted Earnings per share 2008	13,959	7,785,715	1,793
Basic and diluted Earnings per share 2009	13,130	7,785,715	1,686

23. EMPLOYEE BENEFITS

At the time of retirement the Company pays 10 or 12 months salary as a long-service benefit to its employees having a period of service at least 30 or 40 years, respectively.

Movements in the provision for employee benefits in the year ended 30 September 2009 and 2008 are the following:

	Year ended 30 September 2009	Year ended 30 September 2008
Opening balance as at 1 October	842	827
Current service cost	66	62
Interest cost	108	111
Recognised actuarial gains	(157)	(58)
Past service cost – non vested benefits	55	55
Benefits paid	(145)	(155)

(All amounts in HUF million, unless otherwise stated)

Closing balance as at 30 September	769	842

Reconciliation of the present value of the obligation to the liability recognised in the balance sheet as at 30 September 2009 and 2008 is as follows:

	Year ended 30 September 2009	Year ended 30 September 2008
Provision recognised in the balance sheet (Note 13)	769	842
Past service cost not recognised in the balance sheet	650	705
Present value of the obligation	1,419	1,547

Amounts charged to administration and distribution expenses for the years ended 30 September 2009 and 2008 are the following:

	Year ended 30 September 2009	Year ended 30 September 2008
Current service cost	66	62
Interest cost	108	111
Recognised actuarial gains	(157)	(58)
Past service cost – non vested benefits	55	55
Total expense	72	170

Assumptions applied in the calculation of provision for employee benefits for the years ended 30 September 2009 and 2008 are the following:

Future service years	12.8	13.8
Discount rate	7.0%	7.0%
Fluctuation rate	5.3%	5.3%
Expected average wage increase	6.0%	6.0%

The cumulative amount of recognised actuarial losses as at 30 September 2009 and 2008 was HUF 207 million and HUF 50 million, respectively.

Additional service award is provided with the employees for achieving distinct period of service in the amount of HUF 400 million. This service award kicks in after 10 years of service with an amount of HUF 24 thousand per employee and increases to one-month salary after reaching 45 years of service.

(All amounts in HUF million, unless otherwise stated)

24. RELATED PARTY TRANSACTIONS

The Company has entered into transactions with its related parties in the normal course of business on an arm's length basis. Pricing policy applied for related party transactions is same as for other parties.

Income from related parties for the years ended 30 September 2009 and 2008 are the following:

	Year ended 30 September 2009	Year ended 30 September 2008
Servier	16,718	15,034
Hungaropharma Zrt.	10,686	9,775
EGIS Polska Dystrybucja Sp. z o.o.	8,394	7,997
EGIS Slovakia spol. s r.o.	3,846	3,032
EGIS Rompharma S.R.L.	2,987	3,223
Medimpex Gyógyszer-nagykereskedelmi Zrt.*	0	619
Medimpex UK Ltd.	319	506
EGIS Bulgaria EOOD	1,283	1,161
EGIS Ilaclari Limited Sirketi	819	214
Medimpex West Indies Ltd.	318	292
Anpharm Sp. Akc.	3,793	1,323
Total	49,163	43,176

* Sold on 27 February 2008

The Company invoiced finished products and active pharmaceutical ingredients, marketing services and rental fee to related parties.

(All amounts in HUF million, unless otherwise stated)

Related party costs for the years ended 30 September 2009 and 2008 are the following:

	Year ended 30 September 2009	Year ended 30 September 2008
EGIS Polska Sp. z o.o.	3,659	2,974
EGIS Praha spol. s r.o.	1,348	1,136
EGIS Slovakia spol. s r.o	1,140	900
EGIS Polska Dystrybucja Sp. z o.o.	0	306
Servier	224	212
Gyógyszeripari Ellenőrző és Fejl. Lab. Kft.	73	86
EGIS Ilaclari Limited Sirketi	5	510
Recyclomed Kht.	27	29
EGIS UK Ltd.	37	7
Medimpex Kereskedelmi Zrt.	342	167
Hungaropharma Zrt.	1	5
Anpharm Sp. Akc.	9	11
Medimpex Gyógyszer-nagykereskedelmi Zrt.*	0	1
Medimpex West Indies Ltd.	2	1
Total	6,867	6,345

* Sold on 27 February 2008

Related party costs are typically fees for marketing, distribution, licensing and registration services.

Purchases of inventories from related parties for the years ended as at 30 September 2009 and 2008 are the following

	Year ended 30 September 2009	Year ended 30 September 2008
Servier and its subsidiaries	8,047	6,477
EGIS Slovakia spol. s r.o	110	77
Medimpex UK Ltd.	5	22
Hungaropharma Zrt.	6	18
Anpharm	0	1
Medimpex Kereskedelmi Zrt.	1	3
Total	8,169	6,598

(All amounts in HUF million, unless otherwise stated)

Related party receivables and payables as at 30 September 2009 and 2008 are the following:

	Trade receivables		Trade payables	
	30 Sept 2009	30 Sept 2008	30 Sept 2009	30 Sept 2008
EGIS Polska Dystrybucja	1,563	1,933	0	41
Servier	933	2,178	1,458	707
EGIS Rompharma S.R.L.	2,298	2,192	0	0
Hungaropharma Zrt.	1,679	1,130	0	18
EGIS Slovakia spol. s r.o.	1,182	389	0	57
EGIS Polska Sp. z o.o.	0	0	3	1,019
EGIS Ilaclari Limited Sirketi	422	105	5	0
Medimpex UK Ltd.	138	101	0	1
Medimpex West Indies Ltd.	187	69	2	1
EGIS Bulgaria EOOD	159	165	0	0
EGIS Praha spol. s r.o	0	0	15	25
Anpharm Sp. Akc.	194	1,267	1	0
EGIS UK Ltd.	19	24	0	0
Gyógyszeripari Ell. és Fejl. Lab.	0	0	13	5
Medimpex Kereskedelmi Zrt.	2	1	2	0
Recyclomed Kht.	0	0	1	2
Total	8,776	9,554	1,500	1,876

Emoluments of and shares held by the members of the Board of Directors, Supervisory Board and Audit Committee as at 30 September 2009 and 2008 are the following:

	30 September 2009		30 September 2008	
	Emoluments	Number of shares	Emoluments	Number of shares
Board of Directors	22.8	2,010	21.7	2,010
Supervisory Board	30.4	260	28.9	260
Audit Committee	11.4	-	10.9	-
Total	64.6	2,270	61.5	2,270

No further benefits except emoluments disclosed in the table above were granted for the activity carried out by the members of the Board of Directors, the Supervisory Board and the Audit Committee.

(All amounts in HUF million, unless otherwise stated)

25. SERVICES PROVIDED BY ERNST & YOUNG COMPANIES

Services provided to EGIS Nyrt. by Ernst & Young companies for the years ended as at 30 September 2009 and 2008 are the following:

	Year ended 30 September 2009	Year ended 30 September 2008
Audit fees (Statutory, IFRS separate and IFRS consolidated Financial Statements)	24	22
Transfer price review	1	0
Corporate tax allowance review	6	0
IFRS training	6	0
Total	37	22

(All amounts in HUF million, unless otherwise stated)

26. EFFECT OF ADJUSTMENTS ON NET INCOME AND ON SHAREHOLDERS' EQUITY

The effect of adjustments on net profit for the years ended 30 September 2009 and 2008 are as follows:

	Year ended 30 September 2009	Year ended 30 September 2008
Net profit for the year under statutory Accounting Standards	12,904	13,328
Dividends	934	934
Fair valuation of open derivative transactions	(24)	(119)
Expensing of research and development	(504)	(94)
Deferred tax	(94)	(68)
Fair valuation of investments	15	(19)
Provisions	(55)	(55)
Other	(46)	52
Net profit for the year under International Financial Reporting Standards	13,130	13,959

The effect of adjustments on shareholders' equity as at 30 September 2009 and 2008 are as follows:

	Year ended 30 September 2009	Year ended 30 September 2008
Shareholders' equity under statutory Accounting Standards	129,460	116,556
Expensing of research and development	(2,981)	(2,477)
Revaluation of property, plant and equipment	(568)	(568)
Dividends	934	934
Provisions	652	707
Fair valuation of open derivative transactions	35	59
Deferred tax	115	209
Fair valuation of investments held-for-trading	(1)	(16)
Other	(36)	10
Shareholders' equity under International Financial Reporting Standards	127,610	115,414

(All amounts in HUF million, unless otherwise stated)

27. COMMITMENTS AND CONTINGENT LIABILITIES

Guarantee

Guarantees granted and received by the Company for the years ended 30 September 2009 and 2008 are the following:

	Year ended 30 September 2009	Year ended 30 September 2008
Guarantees granted	564	366
Guarantees received	3,666	2,381

Guarantees are mainly granted to the Customs Authority, while guarantees received represent payment guarantees and good-performance guarantees.

Capital commitments

Capital commitments of the Company as at 30 September 2009 and 2008 are HUF 3,315 million and HUF 1,320 million, respectively.

(All amounts in HUF million, unless otherwise stated)

28. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Company's principal financial liability comprises trade payables. The main purpose of financial liabilities is to raise finance for the Company's operations. The Company has various financial assets such as trade receivables and cash and short-term securities, which arise directly from its operations.

The Company also enters into derivative transactions such as forward currency contracts. The purpose is to manage the currency risk arising from the Company's operations.

The main risks arising from the Company's financial instruments are liquidity risk, foreign currency risk and credit risk. The Board of Directors reviews and agrees policies for managing each of these risks, which are summarized below.

Foreign currency risk

The following table demonstrates the sensitivity to a reasonably negative change in the HUF/USD exchange rate, with all other variables held constant, of the Company's operating profit.

	Decrease in US dollar rate	Operating Profit decreased by
2008	1%	170-200
2009	1%	210-230

Revaluation of foreign currency monetary balances into Hungarian Forints at year end were conducted using the following rates:

	30 September 2009	30 September 2008
BGN	138.23	124.32
CHF	179.16	154.01
CZK	10.73	9.83
DKK	36.32	32.59
EUR	270.36	243.17
GBP	297.29	305.94
JPY (100 unit)	206.49	160.99
NOK	31.81	29.31
PLN	64.04	71.42
RON	64.46	65.06
RUB	6.16	6.66
SEK	26.45	24.85
SKK	n/a	8.02
TRY	124.49	133.48
USD	184.79	169.15

(All amounts in HUF million, unless otherwise stated)

Credit risk

The Company's financial instruments that are exposed to credit risk consist primarily of short-term investments and trade receivables.

The Company has a very strict credit verification procedure and furthermore, receivable balances are monitored on a monthly basis with the result that the Company's exposure to bad debts is not significant. Debtors are assessed individually, the allowance provided for bad debts is disclosed under Note 5.

With respect to credit risk arising from other financial assets of the Company, which comprise cash and cash equivalents, held-to-maturity and held-for-sale investments, the maximum exposure equal to the carrying amount of these instruments.

For ageing analysis of trade receivables and trade payables please refer to Notes 5 and 12, respectively.

Liquidity risk

The Group's essential objective of liquidity risk management is to have ready access to cash resources sufficient to meet all its cash payment obligations as they fall due, allowing some flexibility. The cash resources consist of cash instruments, marketable securities and available committed credit facilities.

The Group is particularly focusing on the liquidity profile within the time horizon of the next 12 months considering projected cash flow from operations and maturity structure of both debt obligations and financial investments. The balance between funding continuity and flexibility is managed through maintaining the possible use of bank overdrafts or bilateral credit lines.

Capital management

The primary objective of the Company's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximise shareholder value.

	30 September 2009	30 September 2008
Trade and other payables	17,791	13,393
Less Cash and cash equivalents	(20,215)	(3,137)
Net debts	(2,424)	10,256
Equity	127,610	115,414
Equity and net debt	125,186	125,670
Gearing ratio	**(1.94%)**	**8.16%**

(All amounts in HUF million, unless otherwise stated)

29. OTHER FINANCIAL INSTRUMENTS

EGIS Nyrt. is heavily exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the US dollar. In order to mitigate the foreign exchange risk, the Company entered into forward USD sale and option contracts.

The following contract was valid as at 30 September 2009:

Maturity date of 30 October 2009

USD	1,000 thousand	collar option	Lower strike price:	222.00 HUF
			Higher strike price:	235.00 HUF

Unrealised profit/(loss) on open contracts as at 30 September 2009 and 2008 was HUF 36 million and HUF (234) million, respectively and was recorded in the income statement for the year then ended.

30. APPROVAL OF THE FINANCIAL STATEMENTS

The accompanying separate financial statements were approved by the Board of Directors of EGIS on 15 December 2009. The Annual General Meeting has the ultimate power to change this approval.

Budapest, 15 December 2009

Representative of the Company

EGIS Pharmaceuticals PLC

ANNUAL REPORT 2008/2009
IN ACCORDANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)

3. BUSINESS REPORT

Budapest, January 27, 2010

I. SUMMARY

MAIN FEATURES OF EGIS PLC'S OPERATIONS IN 2008/2009

The strategic goal of EGIS PLC is to strengthen the Company's competitiveness continuously, to achieve steady rise in sales revenue, to increase profit and to enhance efficiency of operation.

In the 2008/09 financial year, the Company has progressed in reaching the targets despite the overall developing economic crisis.
The sales revenue has dynamically moved up, primarily in the strategic markets. Costs were rising in harmony with the growth of sales revenue, at the same time, ensuring sufficient resources for further renewal of product assortment and of operation. Also in 2008/09, the Company's operating profit has significantly grown, its strength in equity has further expanded.

In the 2008/2009 business year, the Company had net sales of HUF 106,302 million, 11% more than a year ago. 72% of sales revenue derived from international turnover while 28% from domestic sales.

Domestic sales revenue totalled HUF 29,769 million October 1, 2008 through September 30, 2009. This performance indicates a 1% development y/y. The Company has stabilized its turnover following a two-year downward trend caused by the modification of the Hungarian drug reimbursement regulation. This was promoted by the successful introduction of new products.

The Company was the fifth largest supplier in the Hungarian pharmaceutical market also in the reported financial year with a market share of 5.3% in value. Regarding the quantity of pharmaceuticals sold, EGIS PLC was the third biggest supplier in Hungary with a market share of 9.8%.

HUF value of total international sales added up to HUF 76,533 million. This indicates an increase of 15% on the previous year.
There has been an aggregate boost of 24% in Russia and other CIS countries, 13% in Eastern Europe. The western sales of finished products went up 63% while API turnover fell 28%.

In USD terms, sales outside Hungary came to USD 371.3 million lagging behind the y/y value by 8%. Calculated at a constant USD rate, international sales grew 1%.

Gross margin accounted for 60.4%, improving 3.6 percentage points compared to 2007/08. General operating costs, debited also by loss in value of trade receivables due to the crisis, grew 12%.

The Company's operating profit rose to HUF 13,072 million. This exceeded the y/y figure by 54%. Operating profit accounted for 12.3% of sales revenue.

The Company generated HUF 570 million profit from financial activities.

Thus, pretax profit as at September 30, 2009 totalled HUF 13,642 million, 6% lower than a year ago. 2008/09 pretax profit corrected by the one-off 2007/08 financial profit related to the ANPHARM deal in 2007/08 demonstrates a 31% expansion.

As at September 30, 2009, EGIS's equity totalled HUF 127,610 million, 11% higher than the year before. Equity per share value rose to HUF 16,390.

Similarly to the previous years, the Company paid strong attention to better resource management too. As a result of this, the headcount decreased 1%, savings on investments were realized, and there was a decrease in the working capital need.

Financial position of the Company has further been firmed, value of held-to-maturity, held-for-trading investments as well as cash and cash equivalents available on September 30, 2009 rose to HUF 23,109 million.

EGIS PLC continued the programs for further modernization of the operation and for the long-term improvement of its efficiency.

Also in the 2008/09 business year, the strategic co-operation between SERVIER and EGIS PLC has substantially contributed to boost the Company's results.

Table 1

Key Figures of EGIS PLC's Performance

			Oct 1, 2007 – Sept 30, 2008 12 months	Oct 1, 2008 - Sept 30, 2009 12 months	Index %
Net sales		HUFm	96 008	106 302	111
Of which					
	domestic	HUFm	29 352	29 769	101
	export	HUFm	66 656	76 533	115
		USDm	402.3	371.3	92
Profit					
	basic activities	HUFm	8 474	13 072	154
	before tax	HUFm	14 486	13 642	94
	after tax	HUFm	13 959	13 130	94
Full-time staff at the end of the period		person	2 579	2 543	99
Capital expenditure and purchase of intangibles		HUFm	15 060	13 499	90
R and D expenditure		HUFm	8 962	9 957	111
Invested assets at the end of the period		HUFm	58 239	64 661	111
Equity at the end of the period		HUFm	115 414	127 610	111

Annex 1

Strategic Co-operation between SERVIER and EGIS

Also in the 2008/2009 business year, the strategic alliance between SERVIER and EGIS, forming a solid basis for the Company's development since 1996, contributed substantially to the good results of the Company.

In 2008/2009, the turnover realized by EGIS PLC in the framework of this collaboration amounted to HUF 28.2 billion. This performance reflects a 10% development compared to past year's figure. The cooperation reaches 27% of the Company's total sales revenue.

Domestic sales of SERVIER products (*Coverex-AS 5 mg* and *10 mg, Coverex-AS Komb, Covercard 5/5 mg, 5/10 mg, 10/5 mg* and *10/10 mg, Adexor MR, Tenaxum, Apadex retard* and *Bioparox*) distributed by EGIS PLC under licence from SERVIER totalled HUF 8.7 billion. These products represented 29% of total domestic sales of EGIS PLC. SERVIER remains by far the most important licence partner of EGIS.

Over the 2008/2009 business year, sales revenue of the antibiotic product *Bioparox* aerosol developed and marketed by SERVIER in Eastern Europe and produced by EGIS, moved up 4%, with a turnover of USD 22.6 million. EGIS PLC sold additional SERVIER products in these markets at a value of USD 3.1 million.

Good cooperation between ANPHARM, belonging to the SERVIER Group, and EGIS guaranteed the hitch-free distribution of the Polish product portfolio taken over in 2007/08.

The sale of EGIS finished products in France was realized in co-operation with SERVIER's local generic company BIOGARAN. Annual sales revenue generated by EGIS in this market made up USD 14.0 million. This reflects a 56% expansion. In the frame of production co-operation, EGIS PLC manufactured finished products of USD 14.9 million for SERVIER for sale in other western markets.

Following the prominently high 2007/08 requirement, the supply of bulk chemicals produced by EGIS for SERVIER temporarily reduced to USD 27.5 million. (USD 8.9 million in 2005/06, USD 32.7 million in 2006/07 and USD 49.7 million in 2007/08.)

Fruitful harmonized co-operation was realized in the area of discovery research.

II. SHARES AND SHAREHOLDERS OF EGIS PLC

At the end of the 2008/2009 fiscal year, the share capital of EGIS PLC was invariably composed of 7,785,715 registered ordinary shares, with a nominal value of HUF 1,000 each. The shares are listed on the Budapest Stock Exchange in the 'A' listed category and exist in dematerialized form.

Since December 1995, the French company SERVIER, as the majority shareholder and strategic partner of EGIS PLC, has owned 50.91% of EGIS shares. The fourteen-year tight collaboration ensures a stable proprietary and management background for the Company's successful business activity.

International financial institutions and private investors represent an other large group of shareholders holding 36.95% of all shares. This moved up 0.35 percentage points compared to the past year. Ratio of Hungarian investors decreased in similar proportion, possessing 12.14% of all shares at the end of the financial year.

Out of the individual holdings, FTIF Templeton Eastern Europe Fund and Capital Group possess stakes surpassing 5% and other major investors hold 1 to 3% of all shares.

Table 2 summarizes the changes in shareholders' structure of EGIS PLC.

Table 2

Shareholders of EGIS PLC

Shareholder	Number of shares Sept 30, 2008	%	Number of shares Sept 30, 2009	%
ATP (Servier)	3 963 922	50.91	3 963 922	50.91
Foreign institutions and private investors	2 849 101	36.60	2 876 410	36,.95
Hungarian institutions and private investors	972 692	12.49	945 383	12.14
Total	**7 785 715**	**100.00**	**7 785 715**	**100.00**

The turnover of shares on the stock exchange, regarding the number of transactions, the number of shares sold and the total value traded went up compared to 2007/2008.

The number of traded shares was 4,286,000, 46% more than in the previous year. On average, the free float changed hands once during the fiscal year. In total, the value of turnover achieved HUF 61 billion, exceeding 2007/2008 value by 15%.

EGIS share price started on the first day of the business year at the value of HUF 11,300. Then, continuing the general downward trend, fell to HUF 8,630 up to October 27, 2008. This was the yearly minimum value in the 2008/09 financial year. After this, also following the general tendency, but to a slightly more favourable extent, the share price showed continuous upward trend. The yearly maximum value was recorded on August 4, 2009 at HUF 21,800. Following a minor correction, the share price closed at HUF 19,600 by the end of the financial year.

The yearly average price amounted to HUF 14,985 which reflects a decline of 14%.

Between October 2008 and September 2009, the index of Budapest Stock Exchange (BUX) showed similar trend, starting with 19,055 points, sank near to 9,400 points in March 2009, then showed nearly uninterrupted upward trend. The closing value came to 20,226 points at the end of September, 2009.

Main indices of stock exchange turnover can be seen in Table 3.

Table 3

Turnover of EGIS Shares on the Budapest Stock Exchange

		Oct 1, 2006 – Sept 30, 2007 12 months	**Oct 1, 2007 – Sept 30, 2008 12 months**	**Oct 1, 2008 – Sept 30, 2009 12 months**
Number of transactions		73 230	41 512	71 085
Volume traded	thousand units	6 469	2 941	4 286
Value traded	HUFm	154 464	52 466	60 556
Annual average price	HUF	23 877	17 461	14 985

Similarly to the previous years, also in 2008/2009, EGIS PLC provided investors and analysts with up-to-date and correct information.

Annex 2

Impact of Economic Crisis on EGIS PLC's Operation

The Company was affected by the general financial and economic crisis occurring over the world primarily in the strategic markets through the governments' financing problems, credit and payment difficulties of the wholesale partners and through wilder-than-earlier fluctuations in the exchange rate.

With shorter income, the governments, at the same time, being forced to face higher expenses to mitigate crisis effects, continued to tighten drug reimbursement and amended regulations of product marketing and promotion for the sake of price reduction.
This caused fall in prices and volumes principally in the Eastern European markets and in Hungary. In certain CIS markets, limitation of former state orders reduced the turnover.

As a consequence of the crisis, the currencies have substantially weakened in Eastern Europe, Russia and in certain other CIS countries. Thus, the value of Eastern European sales moving up in local currency, has declined in terms of USD or EUR.

Weakening of the local currency in Russia and Ukraine resulted in the considerable rise in local drug prices which were paid in total by drug consumers.
At the same time, rapidly and wildly changing exchange rates brought about loss to wholesalers, consequently some partners were not in the position to pay causing financial loss also to the Company. Other partners reacted by limiting their purchases and claimed subsequent loss compensation from the Company.
The Company agreed relatively fast with the partners on the mode and degree of compensation, in this way ensuring continuous turnover, but the amount of compensation reduced the net sales revenue.

At the same time, the Company's profit was positively affected by the weaker exchange rate of HUF in 2008/09 which significantly improved the HUF value of international sales.

Free cash and cash equivalents enabled the Company to be untouched by narrowing credits, whilst higher-than-earlier interest level in Hungary raised the profit.

III. MARKET ACTIVITY

In 2008/09, the Company achieved net sales revenue of HUF 106,302 million which exceeds the 2007/08 turnover by HUF 10,294 million or 11%. 96.9% of net sales, HUF 103,009 million came from the sale of products produced and distributed by EGIS PLC (drugs and active ingredients) while other sales revenue (licences, intellectual properties, services) added up to HUF 3,293 million.

Sales Profile

The Company's strategy keeps focusing on the sale of finished forms of pharmaceuticals which came to 87% of the Company's sales revenue in the 2008/2009 business year.

Active ingredient sales, considerably expandig over the previous two years, have declined in the reported financial year due to the lower demand.

Table 4

Sales Profile of EGIS PLC
(Sales in HUF million)

	Oct 1, 2006 – Sept 30, 2007 12 months	%	Oct 1, 2007 – Sept 30, 2008 12 months	%	Oct 1, 2008 – Sept 30, 2009 12 months	%
Human pharmaceuticals	80 720	87.3	80 059	83.4	92 286	86.8
Other human drugs	1 208	1.3	1 446	1.5	1 615	1.5
Active ingredients	9 682	10.5	12 467	13.0	8 995	8.5
Other products	70	0.1	164	0.2	113	0.1
Other sales	809	0.9	1 872	1.9	3 293	3.1
Total	**92 489**	**100.0**	**96 008**	**100.0**	**106 302**	**100.0**

In 2008/2009, EGIS PLC sold products of 118 product lines made from 91 different active ingredients. The product portfolio, including different strengths and packaging forms, consisted of 362 products. At the end of the financial year, the Company owned 262 registrations in Hungary and 1,960 abroad.

In line with the profile of the Company, major part of sales revenue was generated also in 2008/09 by generic products and active ingredients accounting together for 61% of product sales revenue (with a 3% rise in turnover). In 2008/09, turnover of licensed products moved up 22% while their share reached 36% of sales revenue. 47% of sales revenue of licensed products derived from SERVIER's original products.

Also in the 2008/2009 financial year, the turnover of original EGIS products represented 3% of the Company's product sales revenue.

Development and sales activity of the Company cover a wide area of therapy, however, concentrate on products acting on cardiovascular, central nervous and respiratory systems. 2008/2009 aggregate sales revenue of these three groups accounted for 79% of human pharmaceuticals sales. The Company keeps broadening its profile, as a part thereof, sales and share of oncology products have tripled in year-on-year comparison.

Sales figures by different therapeutic areas are shown in Table 5.

Table 5

Sales of Human Pharmaceuticals by Main Therapeutic Areas
(Sales in HUF million)

Category	Oct 1, 2006 – Sept 30, 2007 12 months	%	Oct 1, 2007 – Sept 30, 2008 12 months	%	Oct 1, 2008 – Sept 30, 2009 12 months	%
Cardiovascular system	34 837	43.2	33 117	41.4	38 033	41.2
Central nervous system	16 850	20.9	18 160	22.7	20 205	21.9
Respiratory system	13 041	16.2	11 951	14.9	14 278	15.5
Blood forming organs	4 134	5.1	4 384	5.4	4 992	5.4
Alimentary tract and metabolism	3 962	4.9	3 908	4.9	4 879	5.3
Musculo-skelatal system	2 959	3.7	3 362	4.2	3 645	3.9
Genito-urinary system and sex hormones	2 417	3.0	2 395	3.0	2 577	2.8
Dermatologicals	1 124	1.4	1 406	1.8	1 358	1.5
Gen.antiinfectives for systematic use	1 119	1.4	1 058	1.3	1 193	1.3
Antineoplastic and immunomodulating agents	265	0.3	337	0.4	1 126	1.2
Sensory organs	12	0.0	17	0.0	0	0.0
Total	**80 720**	**100.0**	**80 095**	**100.0**	**92 286**	**100.0**

Over the 2008/09 fiscal year, 29 product lines of EGIS products achieved sales figures over HUF 1,000 million (1% of sales revenue or some USD 5 million). Their aggregate turnover represented 76% of the Company's total sales revenue. In the reported year, turnover of 3 product lines exceeded HUF 6 billion, sales revenue of 1 product line came to over HUF 4 billion and 6 additional product lines had a turnover over HUF 3 billion.

Table 6

Leading Product Lines of EGIS PLC

(Sales in HUF million)

	Product line	Category	Oct 1, 2008 – Sept 30, 2009 12 months
1.	Coverex/Covercard (perindopril)	ACE inhibitors	8 119
2.	Egilok (metoprolol)	beta blockers	6 616
3.	Suprastin (chloropyramine)	antihistamines	6 245
4.	Bioparox (fusafungine)	antibiotics	4 954
5.	Sorbifer Durules (ferrous sulphate)	iron preparations	3 972
6.	Nitromint (nitroglycerine)	anti-anginals	3 853
7.	Lucetam (piracetam)	nootropics	3 760
8.	Milurit (allopurinol)	antigout preparations	3 726
9.	Velaxin (venlafaxin)	antidepressants	3 577
10.	Betadine (iodine)	topical anti-infectives	3 296
11.	Thiofestermet	API	2 987
12.	Frontin (alprazolam)	anxiolytics	2 349
13.	Methyldopa / Dopegyt	antihypertensives	2 284
14.	Cardilopin (amlodipine)	antihypertensives	2 220
15	Ketilept (quetiapin)	anxiolytics	2 106
16.	Kaldyum (kalium)	potassium preparations	2 106
17.	Adexor (trimetazidine)	anti-anginals	2 063
18.	Grandaxin (tofisopam)	anxiolytics	1 982
19.	Talliton (carvedilol)	beta blockers	1 966
20.	Tenaxum (rilmenidine)	antihypertensives	1 620
21.	Tisercin (levomepromazine)	neuroleptics	1 429
22.	Hartil (ramipril)	ACE inhibitors	1 404
23.	Cordaflex (nifedipine)	antihypertensives	1 368
24.	Halidor (bencyclan)	peripherial vasodilators	1 245
25.	Auronal (felodipine)	antihypertensives	1 109
26.	Ripedon (risperidon)	antidepressants	1 093
27.	Noacid	proton pump inhibitors	1 092
28.	Vasilip (simvastatine)	cholesterol lowering agents	1 073
29.	Pipolphen (promethazine)	antihistamines	1 000

The product line generating the highest turnover in 2008/09 were products with active ingredient perindopril (*Coverex, Covercard*) licensed from SERVIER. Regarding international sales, the products *Egilok* (metoprolol) and *Suprastin* (chloropyramine) had the highest sales revenue.

The most dynamic turnover growth was achieved by product lines *Coverex/Covercard* (perindopril), *Velaxin* (venlafaxin) and *Egilok* (metoprolol).

Main Markets

In 2008/2009, the Company's products were sold in 64 countries. 94% of the annual sales revenue was generated in the top 15 countries. 82% of turnover was realized in the strategic markets (Hungary, Russia and other CIS states, Central and Eastern European countries).

Breakdown of sales by main markets is shown in Table 7.

Table 7

Breakdown of Sales by Regions
(Sales in HUF million)

	Oct 1, 2006 – Sept 30, 2007 12 months	**%**	**Oct 1, 2007 – Sept 30, 2008 12 months**	**%**	**Oct 1, 2008 – Sept 30, 2009 12 months**	**%**
Hungary	31 470	34.0	28 984	30.2	29 278	27.6
Russia and other CIS markets	26 922	29.1	26 364	27.5	32 640	30.7
Central and Eastern Europe	19 217	20.8	21 843	22.8	24 783	23.3
Western Europe	10 694	11.6	14 247	14 8	14 253	13.4
North America and Japan	1 602	1.7	961	1.0	755	0.7
Other countries	1 775	1.9	1 737	1.8	1 300	1.2
Total product sales	91 680	99.1	94 136	98.1	103 009	96.9
Other sales	809	0.9	1 872	1.9	3 293	3.1
Net sales	**92 489**	**100.0**	**96 008**	**100.0**	**106 302**	**100.0**

Hungary

In 2008/2009, the conditions of operation in the domestic pharmaceutical market were driven by the expansion of drug market on the one hand, and on the other hand, by the measures aiming at the reduction of state drug expenses, primarily by a continuous, strong price cutting force accelerated also by state regulation (see Annex 3).

Annex 3

Regulation of the Hungarian Drug Market

With the aim of restraining rapid growth of the drug market and in order to slacken consumption shift to more expensive products, as from January 2007, the Hungarian government effected substantial changes in the regulation, as part of the comprehensive budget reform.

New ’drug thrift law’ came into effect to set stricter limits to the producers’ marketing activity, and also shifted major part of reimbursement costs to drug manufacturers. As part thereof, producers were obliged to pay back 12 per cent of subsidy provided by social insurance to their drugs. In addition, manufacturers were liable to pay partially or in total the difference if the actual value of total subsidy exceeds the level allocated in the state budget.
There was also introduced a registration fee of HUF 5 million per medical representative employed by drug manufacturers. Albeit this was abolished by the Constitutional Court as from June 18, 2008, the government re-introduced the med rep fee, with slightly modified regulation, amounting to HUF 416,000/month, as from February 15, 2009.

Parallel with the enactment of the ’drug thrift law’, as from January 16, 2007 the government effected general reduction and austerity for drug reimbursements. This continued also in 2009. At the same time, in order to enhance price competition, the government has quarterly fixed the reimbursements at the price level of cheaper pharmaceuticals.
As a result of new regulations and growing competition, drop in drug consumption and trend towards cheaper products have begun.

However, a positive change in 2009 that the Parliament, to bolster pharmaceutical innovation, confirmed in a law that in 2010 drug producers may claim back not more than 20% of the 12% extra charge and of the registration payments on medical representatives, imposed in 2009, provided that their R&D expenses will come up to this amount. In 2011, this recovery may come to 100% of their 2010 payments, the upper limit being again the amount of their R&D expenses.

In the reported financial year EGIS PLC had payment obligation of HUF 1,842 million in total, out of which HUF 382 million was paid as registration med rep fee.

2008/2009 domestic sales revenue accounted for HUF 29,769 million which exceeds the comparative value by 1%. Following the downward tendency of the previous two years, the Company has stabilized and slightly improved its sales, primarily through the introduction of new products.

9 new products have been introduced on the domestic market (see details in Annex 4) which form also the basis for the development over the coming years.

The new products introduced in the recent two years, have achieved relatively good performance also in 2008/2009 with a continuous increase in volume, whilst their price kept falling owing to the sharp generic competition.

Taking individual products into account, over the past year the highest turnover was generated by product lines *Covercard*, *Noacid* and *Decholest*.

Over the 2008/2009 business year, EGIS PLC's market share represented 5.3% in the whole Hungarian pharmaceutical market. Thus, EGIS took the fifth place among the leading suppliers. With respect to the number of boxes sold, the Company was the third supplier with a market share of 9.8%.

Russia and other CIS countries

On grounds of the 2008/09 sales revenue, this region represented the Company's largest market. Exports rose to USD 156.6 million, lagging behind the 2007/08 figure by USD 3.6 million or 2%. In HUF terms, sales grew 24%.

Russia kept being the largest market in the region with sales of USD 114.8 million, reflecting a rise of 1%. Out of the turnover, USD 6.5 million revenue (USD 2.3 million more than in 2007/2008) derived from drugs included in the reimbursement list of a social welfare program (DLO program).

In USD terms, sales declined in Ukraine by 31% while in other CIS markets turnover improved 7%.

Table 8

Exports to the CIS
(Sales in USD thousand)

Country	Oct 1, 2006 – Sept 30, 2007 12 months	Oct 1, 2007 – Sept 30, 2008 12 months	Oct 1, 2008 – Sept 30, 2009 12 months	Index %
Russia	102 966	113 410	114 839	101
Ukraine	17 913	21 691	14 941	69
Belarus	6 462	6 821	8 145	119
Kazakhstan	7 662	8 119	7 007	86
Armenia	703	947	1 212	128
Azeribaijan	1 218	1 906	2 089	110
Georgia	2 341	2 417	2 437	101
Moldavia	1 703	2 331	2 727	117
Uzbekistan	1 814	2 530	3 222	127
Total	**142 782**	**160 172**	**156 619**	**98**

Central and Eastern Europe

In the 2008/09 financial year, EGIS PLC realized sales in its second largest international market at a value of USD 122.3 million. This turnover represents a decrease of USD 9.8 million or 7% y/y.
Calculating at a constant rate, there was a 9% increase in turnover whilst HUF value of sales rose 13%.
The growth, as earlier, was facilitated by launch of new valuable products and continuous development of commercial network.

Table 9

Sales to the Countries of Central and Eastern Europe
(Sales in USD thousand)

Country	Oct 1, 2006 – Sept 30, 2007 12 months	Oct 1, 2007 – Sept 30, 2008 12 months	Oct 1, 2008 – Sept 30, 2009 12 months	Index %
Poland	40 650	51 828	47 734	92
Czech Republic	17 230	24 106	22 387	93
Slovakia	12 862	18 379	18 501	101
Latvia, Lithuania	2 836	3 312	3 352	101
Romania	17 293	21 893	15 953	73
Bulgaria	6 642	7 704	6 508	84
Turkey		1 248	3 998	320
Vietnam	3 608	3 670	3 875	106
Total	**101 121**	**132 140**	**122 308**	**93**

Western Europe

In 2008/09, the Company's turnover accounted for USD 68.7 million. This value is lower by 19% than a year ago.
Out of the turnover, bulk chemical sales amounted to USD 36.4 million, which demonstrates a USD 26.2 million drop compared to 2007/08.
Value of drug sales totalled USD 32.3 million, 45% more in y/y comparison. Major part of the increase is attributable to the SERVIER-EGIS co-operation.

Table 10

Sales to the Countries of Western Europe
(Sales in USD thousand)

Country	Oct 1, 2006 – Sept 30, 2007 12 months	Oct 1, 2007 – Sept 30, 2008 12 months	Oct 1, 2008 – Sept 30, 2009 12 months	Index %
France	39 479	59 221	42 251	71
Great Britain	10 332	2 619	1 449	55
Netherlands	3 789	9 572	5 999	63
Ireland	214	8 932	16 417	184
Norway	1 495	3 182	1 563	49
Germany	748	610	652	107
Other countries	152	654	369	56
Total	**56 209**	**84 790**	**68 700**	**81**

North America and Japan

During the business year, EGIS PLC exported bulk chemicals to this region at a value of USD 3.7 million, USD 2.1 million less than in the previous year.

Other Countries

Other countries involve mainly developing countries. In the 2008/09 fiscal year, sales in these markets totalled USD 6.4 million, out of which finished product sales amounted to USD 3.2 million while export of bulk chemicals came to USD 3.2 million. Turnover in total is lower by USD 4.1 million (or 39%) than a year ago.

Marketing Network

In Hungary, in Russia, in other CIS countries as well as in Eastern Europe EGIS PLC has promoted the dynamic increase in turnover by its well-established independent marketing and commercial network.

In the western and developing markets, the Company performs operations in collaboration with local partners.

Over the year, 1,448 employees worked at EGIS's marketing divisions in Hungary and abroad, 37 persons more than in 2007/2008.
Regarding all markets, EGIS PLC spent 23.3% of its total sales revenue on marketing, sales and distribution in 2008/09.

Main features of the marketing network operating in the most important markets are shown in Table 11.

Table 11
Marketing Network

Country	2008 Sept 30	2009 Sept 30
Hungary		
Staff of marketing and distribution	77	75
Sales force	137	136
Poland		
Staff of marketing and distribution	43	50
Sales force	140	163
Czech Republic		
Staff of marketing and distribution	17	16
Sales force	49	50
Number of consignment stores	3	3
Slovakia		
Staff of marketing and distribution	16	16
Sales force	34	45
Number of consignment stores	1	1
Romania		
Staff of marketing and distribution	14	21
Sales force	30	29
Bulgaria		
Staff of marketing and distribution	13	11
Sales force	19	18
Russia		
Staff of marketing and distribution	61	61
Sales force	282	276
Number of consignment stores	1	1
Other CIS markets		
Staff of marketing and distribution	63	61
Sales force	200	194
Number of consignment stores	7	7
Latvia and Lithuania		
Staff of marketing and distribution	6	5
Sales force	12	14
Turkey		
Staff of marketing and distribution	11	13
Sales force	47	48

IV. PRODUCT DEVELOPMENT AND INVESTMENTS

1. Research and Development

Also in 2008/2009, as outlined in the Company's strategy, EGIS PLC continued its activity in developing generic pharmaceuticals, takeover of licensed products as well as in discovery research in co-operation with SERVIER.

In the 2008/2009 business year, 9.4% of sales revenue, HUF 9,957 million were spent on research and development.

In Hungary, 9 new products with 20 different strengths have been launched. Among them, EGITROMB® (clopidogrel) and JOVITAL®-C (vitamin C) are own developed drugs, while COVERCARD® (perindopril/amlodipin), DECHOLEST® (atorvastatin), ETRUZIL® (letrozol), DERCIN® (gemcitabin), CRALEX® (carbo activatus), XELEVIA® (sitagliptin) as well as VELMETIA® (sitagliptin/metformin) derive from licence co-operation.
In foreign markets 6 additional new produts, TENSART/BLESSIN (valsartan), TENSART HCT/BLESSIN HCT (valsartan+hidroklorotiazid), EGILITAX (paclitaxel), GRANEGIS (granisetron), ALZEPIL (donepezil), GRIMODIN (gabapentin) have been launched.

The new products launched in Hungary and abroad are listed in Annex 4.

In total, the number of the Company's registrations amounts to 2,222, out of which international registrations total 1,960 and domestic registrations come to 262.
In the framework of the co-operation with SERVIER's subsidiary, BIOGARAN, in addition to 33 existing registered EGIS products, three additional market authorizations were approved in 2008/2009.

From October 1, 2008 to September 30, 2009, EGIS PLC filed 17 Hungarian patent applications, 4 of them having a so-called internal priority (in other words: being supplements of earlier applications) and relating to a chemical pharmaceutical composition, new polymorphs and salts of known active ingredients and the process for the preparation thereof. From the other applications 2 are related to new compounds, 2 to the preparation of new salts of known active ingredients, 5 to pharmaceutical compositions and 1 to a process for the preparation of a new medicine. 2 patent applications refer to processes that improve earlier technologies. A previous Hungarian application has been d ivided, resulting in a parent application and a new patent application.

The discovery pharmaceutical research, carried out at EGIS PLC, is regulated by the General Research Agreement concluded with SERVIER on October 1, 2006. This co-operation has facilitated the drastic change in operation of and attitude to the discovery research as well as the introduction of new analytical methods and techniques.

The R&D competition (*"Development of new drug candidate for psychiatric and accompanying cognitive disorders")* of the Company submitted to the National Office for Research and Technology in the frame of the National Technology Programme, won a subsidy, jointly with the University of Szeged, at a value of HUF 800 million. The cost of the 4-year project is assessed at HUF 1,400 million. The first phase of the research has successfully been closed and documented.

Annex 4

New products launched in 2008/2009

Covercard® (perindopril-arginin/amlodipin)
5 mg/5 mg, 5 mg/10 mg, 10 mg/5 mg, 10 mg/10 mg tablets
This product is distributed by Egis PLC on the basis of a licence agreement concluded with Servier. Covercard is a fix combination of perindopril which belongs to a group of ACE inhibitor and of amlodipin belonging to a class of calcium channel blockers. Both active ingredients decrease the blood pressure, and there is synergistic effect of the two drugs in blood pressure control.

Decholest® (atorvastatin)
10 mg, 20 mg, 40 mg film-coated tablets
This license product belongs to a group of medicines known as statins, which are lipid (fat) decreasing medicines.
Atorvastatin is used to lower lipids known as cholesterol and triglycerid in the blood when response to other measures (e.g. low fat diet, physical exercise) is inadequate. The three different strengths allow the flexible treatment and improve the patient's compliance.

Xelevia® (sitagliptin) 25 mg, 50 mg, 100 mg film-coated tablets
This product belongs to the class of medicines called DPP-4 inhibitors (dipeptidyl peptidase-4 inhibitors). It can be taken by mouth. It lowers blood sugar in patients with type 2 diabetes mellitus. Type 2 diabetes mellitus is also called non-insulin dependent diabetes mellitus (NIDDM). This product helps to improve the levels of insulin after meal and decreases the amount of sugar made by body.
This original product is distributed by EGIS PLC in the frame of marketing co-operation.

Velmetia® (sitagliptin/metformin-hydrochloride)
50 mg/850 mg, 50 mg/1000 mg film-coated tablets
These film-coated tablets contain two different medicines called sitagliptin and metformin. The sitagliptin belongs to a class of medicines called DPP-4 inhibitors (dipeptidyl peptidase-4 inhibitors). Metformin belongs to a class of medicines called biguanides. They work together to control blood sugar levels in patients with „type 2 diabetes mellitus". This product helps to improve the levels of insulin after meal and lowers the amount of sugar made by body.
This original product is distributed by EGIS PLC in the frame of marketing co-operation.

Dercin® (gemcitabine)
200 mg and 1000 mg Powder for Solution for Infusion
This medicine belongs to a group of medicines called „cytotoxics", kills dividing cells, including cancer cells.
Gemcitabine may be given alone or in combination with other anticancer medicines, depending on the type of cancer (bladder cancer, breast cancer, ovarian cancer, non-small cell lung cancer, pancreatic cancer).

Etruzil® (letrozole) 2.5 mg film-coated tablets
The active ingredient of this product is one of a group of medicines called aromatase inhibitors. Some types of breast cancer need hormone oestrogen, which stimulates the growing of breast cancer. The letrozole helps to stop tumor growth and the tumor spreading to other part of the body, by decreasing oestrogen levels with inhibiting of the aromatase enzyme. This medicine is used to treat breast cancer in post-menopauzal women. It can help to prevent the tumour returning.

Cralex® (carbo activatus) hard capsule
This hard capsule contains 200 mg activated (medicinal) charcoal. This medicine is used to treat certain types of diarrhoeas. Charcoal has a very large specific surface and thus deactivates toxins and bacterias in the intestinal tract.

Egitromb® (clopidogrel) 75 mg film-coated tablets
Clopidogrel belongs to a group of medicines called antiplatelet medicinal products. Platelets are very small structures, which clump together during blood clotting. Clopidogrel is taken to prevent this clumping. Once a day you should take by mouth to prevent blood clots (thrombi) forming in hardened vessels (arteries).

Jovital®-C 100 mg, 200 mg, 500 mg chewing tablets
The chewing tablets contain a water-soluble vitamin C (ascorbic acid), which is an essential nutrient for human. Humans do not have the ability to make their own vitamin C, so we must obtain it through our diet. Vitamin C is a highly effective antioxidant, increases the resistivity of the body. This product does not contain glucose and lactose, therefore it can be recommended for patients suffering from diabetes mellitus.

Tensart/Blessin (valsartan)
40 mg, 80 mg, 160 mg film-coated tablets
The active substance belongs to a class of medicine known as angiotensin II receptor antagonist. Angiotensin II hormone plays role in increasing of blood pressure. Valsartan works by blocking the effect of angiotensin II hormone. As a result, blood vessels relax and blood pressure is lowered.

Tensart-HCT/Blessin-HCT (valsartan és hydrochlorothiazide) 80 mg/12.5 mg, 160 mg/12.5 mg, 160 mg/25 mg film-coated tablets
These products are fix-combination of valsartan and hydrochlorothiazide. Valsartan belongs to a group of angiotensin II receptor antagonist and hydrochlorothiazide belongs to a group of medicine called thiazide diuretics. Both active ingredients decrease the high blood pressure. The valsartan works by blocking the effect of angiotensin II hormone which plays role in increasing blood pressure. As a result, blood vessels relax and blood pressure is lowered. "Hydrochlorothiazide increases urine output, which also lowers blood pressure and in a long term run helps to control high blood pressure. Hydrochlorothiazide increases urine output, which also lowers blood pressure and in a long term run helps to control high blood pressure.

Egilitax (paclitaxel)
6 mg/ml concentrate for solution for infusion
This medicine belongs to a group of medicines called „cytotoxics", kills dividing cells, including cancer cells. It is used to treat different cancers: e.g. breast cancer, ovarian cancer, non-small cell lung cancer, and advanced AIDS-related Kaposi's sarcoma.

Granegis (granisetron) 1 mg, 2 mg film-coated tablets
This product belongs to the group of medicines called anti-emetics. After treatment with anticancer chemotherapy or with radiotherapy may occur nausea and vomiting. Granisetron film-coated tablets are used to prevent these adverse events.

Alzepil (donepezil-hydrochloride) 5 mg, 10 mg film-coated tablets
The active ingredient of the products belongs to the group of medicines called acetylcholinesterase inhibitors. Alzepil is used to treat the symptoms of dementia in people diagnosed as having mild to moderate severe Alzheimer's disease. Memory and thinking can be improved by this drug.

Grimodin (gabapentin) 100 mg, 300 mg, 400 mg hard capsules
This drug belongs to a group of medicines used to treat of epilepsy and peripheral neuropathic pain. It is used to treat various forms of epilepsy alone or in combination with other products.

2. Capital Expenditure

During the business year, the Company's capital expenditure amounted to HUF 13,206 million, 20% more than a year ago.

In 2007/2008, following the comprehensive modernization programme completed in 2006/2007 (expansion of manufacturing and packing capacities for finished products at Körmend as well as renewal of injection production in Budapest), a new tablet producing plant was built and authorized in Budapest. As scheduled, the whole resettlement of the production was completed in 2009. Hereby, within three years all drug producing capacities of the Company have been renewed.

In 2008/2009, development of equipment for producing active ingredients and of capacities for research and quality assurance was highlighted.
Establishment of a state-of-the-art pharmaceutical pilot plant has been started which will considerably accelerate and expand the introduction of new generic products.
Also significant amounts have been spent on IT developments.

As from the 2006/2007 business year, the large-scale production investments have entitled EGIS PLC to corporation tax allowance of HUF 2.2 billion in total, while EGIS PLC will be qualified for further corporation tax allowance of HUF 2.0 billion due to completition of the current investments.

In the field of bulk chemical production, supplementary investments have been employed to meet better the demand for production capacity.

Table 12

Capital Expenditure by Main Groups
(HUF million)

Activity	**Oct 1, 2006 – Sept 30, 2007 12 months**	**Oct 1, 2007 – Sept 30, 2008 12 months**	**Oct 1, 2008 – Sept 30, 2009 12 months**
Bulk chemical production	2 127	2 518	4 218
Drug manufacturing equipment	4 972	3 883	1 761
Production-related infrastructure	501	575	1 388
Research and quality assurance	979	1 615	2 813
Environmental protection	492	397	535
Marketing and sales	1 039	1 366	600
Other developments	583	669	1 891
Total capital expenditures	**10 693**	**11 023**	**13 206**

In addition to the investments, the Company capitalized intangible assets at the value of HUF 293 million.

V. HUMAN RESOURCES

Headcount of EGIS PLC was 2,543 as at September 30, 2009, 36 persons less than a year ago. Out of these employees, 3 persons worked in the foreign commercial offices of EGIS PLC.

The number of employees in production has decreased by 54 persons, in servicing processes by 10 persons. However, over the reported year, sales staff was higher by 11 employees, the number of employees working in research increased by 6 persons and working in other fields by 15 persons.

Breakdown of employees by different functional areas at the end of business year can be found in Table 13.

Table 13

Breakdown of Staff by Function
(person)

Field of Activity	Sept 30, 2007	Sept 30, 2008	Sept 30, 2009
Production	1 356	1 301	1 247
Research and development	407	424	430
Sales and marketing	306	311	322
Administration and finance	254	277	275
Internal services	169	161	151
Other areas	127	105	118
Total	**2 619**	**2 579**	**2 543**

(The table includes full-time employees and pensioners working full-time.)

In addition to the staff employed in Hungary, 409 people worked at EGIS's foreign trading companies and 717 foreign experts were employed in the foreign commercial offices. In total, the staff of the two groups expanded by 26 persons.

As earlier, high qualification level is characteristic of the Company's staff. To fulfil the growing professional requirements, the number of white collar workers is constantly growing, and among them, the ratio of those with college or university degree.

Similar trends are characteristic of the group of blue collar workers. The dominance of skilled workmen among blue collar workforce continues to prevail.

Table 14

Breakdown of Staff by Education

Education	**Proportion (%)**		
	Sept 30, 2007	**Sept 30, 2008**	**Sept 30, 2009**
Blue collar workers	48	47	45
Skilled workers	39	41	40
Other workers	9	6	5
White collar workers	52	53	55
College, university graduate	37	39	43
Secondary and primary school	15	14	12

Between October 2008 and September 2009 the Company spent HUF 14,210 million on wages and HUF 6,882 million on other personnel expenses.

Average full-time employee income in the financial year was HUF 5,463 thousand.

Also in 2008/2009, EGIS PLC further raised the budget allocation for incentive and training of employees.

VI. INCOME AND PROFITABILITY

In the 2008/2009 financial year, EGIS PLC achieved operating profit of HUF 13,072 million, 54% more than a year ago.

This increase resulted from the growth of sales revenue and from the decreasing ratio of direct production costs. Both facts were considerably supported by the change in foreign exhange rates, being favourable for the Company.

Profit on financial transactions amounted to HUF 570 million, lagging behind the last year's figure (which contained a one-off profit of HUF 4,522 million). Accordingly, pre-tax profit came to HUF 13,642 million, representing a decrease of 6% in y/y comparison. Stripping out the one-off impact of 2007/2008, the 2008/2009 pre-tax profit reflects a 31% improvement.

Main income and cost items are presented in the following table:

Table 15

Income Statement of EGIS PLC
(HUF million)

Item	Oct 1, 2007 – Sept 30, 2008 12 months	Oct 1, 2008 – Sept 30, 2009 12 months	Index %
Net sales	96 008	106 302	111
Cost of sales	41 512	42 105	101
Gross profit	54 496	64 197	118
Direct costs			
Material and wage costs	30 404	30 402	100
Other direct costs	11 108	11 703	105
Indirect costs			
Marketing and sales	22 503	24 795	110
Research and development	8 962	9 957	111
Other indirect costs	11 749	13 633	116
Other income	944	1 204	128
Other expenditures	3 752	3 944	105
Operating profit	8 474	13 072	154
Profit on financial transactions	6 012	570	10
Profit before tax	14 486	13 642	94

In 2008/2009, the Company's cash resources were again higher by HUF 6,243 million (by HUF 6,088 milion in 2007/2008) than the cash expenditures. Within this, (following the change in investment conditions) held-to-maturity investments decreased HUF 10,850 million while held-for-trading investments increased HUF 15 million and money stock was more by HUF 17,078 million.

Table 16

Cash Flow
(HUF million)

Item	Oct 1, 2008 – Sept 30, 2009 12 months
CASH FLOW FROM OPERATING ACTIVITIES	
Profit before taxation	13 642
Depreciation and amortisation	7 231
Increase in inventories	-1 942
Increase in net trade receivables and other current assets	-2 554
Increase in trade payables and other short-term liabilities	4 398
Net tax paid	-418
Change in other items	-41
Net cash flow from operating activities	**20 316**
CASH FLOW FROM INVESTING ACTIVITIES	
Purchase of intangibles and property, plant and equipment	-13 499
Decrease in securities	10 850
Change in other items	347
Net cash used in investing activities	**-2 302**
CASH FLOW FROM FINANCING ACTIVITIES	
Change in short-term loans	-2
Dividends paid	-934
Net cash used in financing activities	**-936**
NET CHANGE IN CASH AND CASH EQUIVALENTS	**17 078**
Net cash and cash equivalents at the beginning of the period	3 137
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	**20 215**

As at September 30, 2009, EGIS's equity totalled HUF 127,610 million, an 11% higher value than a year ago.

Equity per share value rose to HUF 16,390.

Table 17

Balance Sheet as at September 30, 2009
(HUF million)

Item	Sept 30, 2008	Sept 30, 2009
ASSETS		
Intangible assets	3 785	4 220
Property, plant and equipment	46 793	52 505
Equity investments	7 324	7 686
Loans given	128	135
Deferred tax asset	209	115
Non-current assets held-for-sale		30
Inventories	32 430	34 371
Net trade receivables and other current assets	22 795	25 325
Held-to-maturity investments	13 550	2 700
Held-for-trading investments	179	194
Cash and cash equivalents	3 137	20 215
TOTAL ASSETS	**130 330**	**147 496**
EQUITY AND LIABILITIES		
Equity	115 414	127 610
Share capital	7 786	7 786
Share premium	2 239	2 239
Retained earnings	105 389	117 585
Non-current liabilities	771	1 044
Current liabilities	14 145	18 842
TOTAL EQUITY AND LIABILITIES	**130 330**	**147 496**

Business efficiency indices of the Company improved, indices following the pre-tax profit slightly declined while liquidity indices continued to show a very strong level.

The main financial indices figure in Table 18.

Table 18

Main Financial Indices

Item		Oct 1, 2007 – Sept 30, 2008 12 months	Oct 1, 2008 – Sept 30, 2009 12 months
Operating profit / Net sales	%	8.8	12.3
Pre-tax profit / Net sales	%	15.1	12.8
Return on assets	%	10.7	8.9
Return on equity	%	12.1	10.3
Results per share			
Net profit	HUF	1 793	1 686
Cash earnings	HUF	2 830	2 681
Net book value	HUF	14 824	16 390
Liquid assets / Short-term liabilities	%	119	123
Liquidity ratio	%	510	440
Inventory turnover	HUF	123	118
Debtors collection period	HUF	76	64
Debt ratio	%	0	0
Ratio of external resources	%	11.4	13.5

VII. SIGNIFICANT EVENTS AFTER THE CLOSING DATE

Closing date of the Business Report, the Balance Sheet and the Profit and Loss Statement of EGIS PLC, presented herein, was September 30, 2009 while the accounting processes were closed on October 29, 2009.

Since the closing date no significant event and no significant new factor have occurred having a material effect on the information appearing in the Business Report.

2009/2010 Business Plan of EGIS PLC

In July 2009, the Board of Directors of EGIS PLC accepted the business plan for the October 1, 2009 – September 30, 2010 financial year. Further growth is targeted in the strategic markets of the Company, i.e. in Hungary, in Eastern Europe, in Russia and in the other CIS states. In the western markets, temporary setback of sale is predicted.

Also in the new business year, the plan earmarks noticeable resources for the development of new products and for the extension of commercial activity.

Construction of the new pharmaceutical pilot plant will be continued and considerable investments for modernization and for capacity enlargement will be realized both in bulk chemical and pharmaceutical production.

Regulation of the Hungarian pharmaceutical market

According to currently available information, the strict regulation of the pharmaceutical market, which is effective from 2007, will remain.

Drug manufacturers remain obliged to perform a payment amounting to 12% of subsidy on their products, and additionally, producers will be liable to compensate the final annual deficit of reimbursement fund. Registration fee of HUF 416 thousand/month per medical representative is to be paid.
At the same time, in 2010, the Company can recover 20% of its payments effected between October and December 2009 and in 2011, 100% of its payments performed between January and September 2010.

It is expected that also during the next business year a sharp price competition will prevail in the Hungarian market, triggering ongoing responses to be provided also by the Company.

Sale of Medimpex UK

The Company sold its 50% stake in Medimpex UK with the effect from October 5, 2009.

EGIS Pharmaceuticals PLC

ANNUAL CONSOLIDATED REPORT 2008/2009
IN ACCORDANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)

1. AUDITOR'S REPORT

Budapest, January 27, 2010

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Cg. 01-09-267553

This is a translation of the Hungarian Report

Independent Auditors' Report

To the Shareholders of EGIS Gyógyszergyár Nyrt.

1.) We have audited the accompanying 2009 consolidated annual financial statements of EGIS Gyógyszergyár Nyrt. ("the Company"), which comprises the balance sheet as at 30 September 2009 - showing a balance sheet total of HUF 157,259 millions and a profit for the year of HUF 14,000 millions -, the related consolidated profit and loss account for the year then ended, changes in shareholder's equity, consolidated cash flows for the year then ended and the summary of significant accounting policies and other explanatory notes.

2.) We issued an unqualified opinion on the Company's consolidated annual financial statements prepared in accordance with the International Financial Reporting Standards as adopted by EU as at 2008 on 17 December 2008.

Management's Responsibility for the Consolidated Financial Statements

3.) Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with the International Financial Reporting Standards as adopted by EU. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

4.) Our responsibility is to express an opinion on these consolidated financial statements based on the audit and to assess whether the consolidated business report is consistent with the consolidated financial statements. We conducted our audit in accordance with Hungarian National Auditing Standards and with applicable laws and regulations in Hungary. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

5.) An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. Our work regarding the consolidated business report is restricted to assessing whether the consolidated business report is consistent with the consolidated financial statements and does not include reviewing other information originated from non-audited financial records.

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

Opinion

7.) We have audited the elements of and disclosures in the consolidated annual financial statements, along with underlying records and supporting documentation, of EGIS Gyógyszergyár Nyrt. in accordance with Hungarian National Auditing Standards and have gained sufficient and appropriate evidence that the consolidated annual financial statements have been prepared in accordance with the International Financial Reporting Standards as adopted by EU. In our opinion the consolidated annual financial statements give a true and fair view of the equity and financial position of EGIS Gyógyszergyár Nyrt. as at 30 September 2009 and of the results of its operations for the year then ended. The consolidated business report corresponds to the disclosures in the consolidated financial statements.

Budapest, 15 December 2009

Bartha Zsuzsanna

Ernst & Young Kft.
Registration No. 001165

Registered Auditor
Chamber membership No.: 005268

EGIS Pharmaceuticals PLC

ANNUAL CONSOLIDATED REPORT 2008/2009
IN ACCORDANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)

2. FINANCIAL ACCOUNTS

Budapest, January 27, 2010

EGIS Gyógyszergyár Nyrt. and its subsidiaries and jointly controlled enterprises ("EGIS Group")

Consolidated financial statements
for the year ended 30 September 2009
prepared in accordance with International Financial Reporting Standards
together with the Independent Auditor's report

EGIS GYÓGYSZERGYÁR NYRT.

CONSOLIDATED BALANCE SHEET AS AT 30 SEPTEMBER 2009
IN ACCORDANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS
(All amounts in HUF million)

ASSETS	Notes	30 September 2009	30 September 2008 restated*	
Current assets				
Cash and cash equivalents	4	23,072	4,738	
Net trade receivables and other current assets	5	22,884	23,564	
Income tax receivable		679	405	
Inventories	6	38,312	33,790	
Held-to-maturity investments	7	2,700	13,550	
Held-for-trading investments	8	194	179	
		87,841	76,226	
Assets of disposal group held-for-sale	9	470	0	
		88,311	76,226	
Non-current assets				
Intangible assets	10	4,286	3,865	
Property, plant and equipment	11	57,189	51,513	
Investment properties	12	256	349	
Investments accounted for using the equity method	13	6,115	6,114	
Available-for-sale financial assets	14	383	1,101	*
Loans given		136	129	
Deferred tax asset	24	583	629	
		68,948	63,700	*
TOTAL ASSETS		157,259	139,926	*
LIABILITIES AND SHAREHOLDERS' EQUITY				
Current liabilities				
Trade and other payables	15	19,649	16,244	
Financial liability	17	111	95	
Provisions	16	1,051	752	
		20,811	17,091	
Liabilities directly associated with assets of disposal group held-for-sale	9	255	0	
		21,066	17,091	
Non-current liabilities				
Loans and borrowings	17	3,029	2,825	
Provisions	16	1,052	781	
		4,081	3,606	
Shareholders' equity				
Share capital	18	7,786	7,786	
Share premium	19	2,239	2,239	
Translation difference		531	681	
Retained earnings	20	121,556	108,523	*
		132,112	119,229	*
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		157,259	139,926	*

Budapest, 15 December 2009 — Representative of the Company

The accompanying notes are an integral part of this consolidated balance sheet.

EGIS GYÓGYSZERGYÁR NYRT.

CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 30 SEPTEMBER 2009
IN ACCORDANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS
(All amounts in HUF million)

	Notes	Year ended 30 September 2009	Year ended 30 September 2008 restated*	
Sales		115,311	109,192	
Cost of sales	21	(47,322)	(51,638)	
Gross profit		67,989	57,554	
Operating items				
Administrative and distribution expenses	21	(50,965)	(46,218)	
Other operating expenses	21	(4,132)	(3,881)	
Other operating income		1,397	1,142	
Operating profit		14,289	8,597	
Non-operating items				
Interest and other financial income	22	2,567	4,128	
Interest and other financial expenses	23	(2,435)	(1,093)	*
Dividends received		35	38	
Share of results of associated companies		318	1,066	
Profit before tax		14,774	12,736	*
Income tax expense	24	(774)	(692)	
Net profit for the year		14,000	12,044	*
Average number of shares outstanding		7,785,715	7,785,715	
Basic and diluted earnings per share (HUF)	25	1,798	1,547	*

Budapest, 15 December 2009

Representative of the Company

The accompanying notes are an integral part of this consolidated statement of income.

EGIS GYÓGYSZERGYÁR NYRT.

CONSOLIDATED CASH FLOW STATEMENT
FOR THE YEAR ENDED 30 SEPTEMBER 2009
IN ACCORDANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS
(All amounts in HUF million)

	Notes	Year ended 30 September 2009	Year ended 30 September 2008 restated*	
CASH FLOWS FROM OPERATING ACTIVITIES:				
Profit before tax		14,774	12,736	*
Adjustments for:				
Depreciation and amortization	21	7,811	8,099	
Impairment	21	94	91	
Write-down of investments		690	319	*
Net interest income		(1,581)	(991)	
Dividends received		(35)	(38)	
Profit on disposal of fixed assets		(130)	(93)	
Profit on disposal of investment		0	(1,430)	
Unrealised foreign exchange loss / (gain)		238	(7)	
Fair valuation of financial instruments		9	138	
Increase / (decrease) in provisions	16	570	(161)	
Discounting long-term employee loans		8	(14)	
Share of results of associated companies		(1)	(634)	
Operating cash flows before working capital changes		22,447	18,015	
Increase in inventories		(4,527)	(3,925)	
Decrease /(increase) in net trade receivables and other current assets		152	(1,992)	
Increase in trade and other payables		3,770	3,012	
Net cash used in working capital changes		(605)	(2,905)	
Net tax paid	24	(729)	(831)	
Net cash flows from operating activities		21,113	14,279	

The accompanying notes are an integral part of this consolidated statement of cash flows.

EGIS GYÓGYSZERGYÁR NYRT.

CONSOLIDATED CASH FLOW STATEMENT
FOR THE YEAR ENDED 30 SEPTEMBER 2009
IN ACCORDANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS
(All amounts in HUF million)

	Notes	Year ended 30 September 2009	Year ended 30 September 2008 restated*
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of intangibles, property, plant and equipment		(14,070)	(13,680)
Purchase of investments		0	(32)
Purchase of securities		(3,930)	(13,135)
Proceeds from sale of intangibles, property plant and equipment		193	214
Proceeds from sale of investments		0	3,194
Proceeds from sale of securities		14,780	3,768
Interest received	22	1,718	1,041
Dividends received		35	38
(Increase) / decrease in loans given		(15)	29
Net cash used in investing activities		(1,289)	(18,563)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from borrowings		0	1,757
Repayment of borrowings		(220)	0
Interest paid	23	(137)	(50)
Dividends paid		(967)	(972)
Net cash (used in) / from financing activities		(1,324)	735
Net increase / (decrease) in cash and cash equivalents		18,500	(3,549)
Cash and cash equivalents at the beginning of period	4	4,738	8,287
Cash and cash equivalents at the end of period	4	23,238	4,738

Budapest, 15 December 2009

Representative of the Company

The accompanying notes are an integral part of this consolidated statement of cash flows.

EGIS GYÓGYSZERGYÁR NYRT.

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE YEAR ENDED 30 SEPTEMBER 2009
IN ACCORDANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS
(All amounts in HUF million)

	Share capital	Share premium	Translation difference	Retained earnings restated*	Total
Note	18	19		20	
As at 30 September 2007	7,786	2,239	573	97,451	108,049
Translation difference	0	0	108	0	108
Net income recognised directly in equity	0	0	108	0	108
Net profit for the year, restated*	0	0	0	12,044	12,044
Total income and expense for the year	0	0	108	12,044	12,152
Dividends paid	0	0	0	(972)	(972)
As at 30 September 2008, restated*	7,786	2,239	681	108,523	119,229
Translation difference	0	0	(150)	0	(150)
Net income recognised directly in equity	0	0	(150)	0	(150)
Net profit for the year	0	0	0	14,000	14,000
Total income and expense for the year	0	0	(150)	14,000	13,850
Dividends paid	0	0	0	(967)	(967)
As at 30 September 2009	7,786	2,239	531	121,556	132,112

Budapest, 15 December 2009

Representative of the Company

The accompanying notes are an integral part of this consolidated statement of changes in shareholders' equity.

(All amounts in HUF million, unless otherwise stated)

1. BACKGROUND AND BASIS OF PRESENTATION

a. Basis of presentation

The accompanying consolidated financial statements of EGIS Gyógyszergyár Nyrt. ("EGIS Group" or "the Group") for the years ended 30 September 2009 and 2008 have been prepared in accordance with International Financial Reporting Standards ("IFRS") as endorsed by EU and include the accounts of EGIS Gyógyszergyár Nyrt. ("the Company") consolidated with its subsidiaries and jointly controlled enterprises listed below:

Subsidiary/jointly controlled enterprise	Country	% held	
		30 Sept. 2009	30 Sept. 2008
Medimpex Kereskedelmi Zrt.	Hungary	100 %	100 %
EGIS Polska Sp. z o.o.	Poland	100 %	100 %
EGIS Slovakia spol. s r.o.	Slovakia	100 %	100 %
EGIS Praha spol. s r.o.	Czech Republic	100 %	100 %
EGIS Polska Dystrybucja Sp. z o.o.	Poland	100 %	100 %
EGIS Rompharma S.R.L.	Romania	100 %	100 %
EGIS Bulgaria EOOD	Bulgaria	100 %	100 %
EGIS Ilaclari Limited Sirketi	Turkey	100 %	100 %
Medimpex Irodaház Ingatlankezelő Kft.	Hungary	50 %	50 %
Medimpex UK Ltd.	Great Britain	50 %	50 %

Ownership rights equal to voting rights in all cases.

(All amounts in HUF million, unless otherwise stated)

The selected financial data of jointly controlled enterprises, which represents the portion consolidated in the accompanying consolidated financial statements for the years ended 30 September 2009 and 2008 are the following:

	Medimpex Gyógyszer-nagykereskedelmi Zrt.		Medimpex Irodaház Ingatlankezelő Kft.		Medimpex UK Ltd.	
	30 Sept. 2009	30 Sept. 2008	30 Sept. 2009	30 Sept. 2008	30 Sept. 2009	30 Sept. 2008
Current assets	0	0	84	69	408	449
Non-current assets	0	0	255	238	66	73
Current liabilities	0	0	13	8	324	361
Non-current liabilities	0	0	0	0	0	0
Sales and incomes	0	3,904	182	171	1,333	1,413
Expenses	0	3,905	90	73	1,339	1,405

On 27 February 2008 the Company has sold its 50 per cent stake in Medimpex Gyógyszer-nagykereskedelmi Zrt. to Hungaropharma Zrt.

Equity method was applied to account for associated companies listed below:

Associated companies	Country	% held	
		30 Sept. 2009	30 Sept. 2008
Medimpex Jamaica Ltd.	Jamaica	40.0 %	40.0 %
Medimpex West Indies Ltd.	Jamaica	40.0 %	38.0 %
Gyógyszeripari Ellenőrző és Fejlesztő Laboratórium Kft.	Hungary	34.0 %	34.0 %
Hungaropharma Gyógyszerkereskedelmi Zrt.	Hungary	30.7 %	30.7 %
Recyclomed Kht.	Hungary	36.0 %	36.0 %

(All amounts in HUF million, unless otherwise stated)

Most recent available summarised financial information of associated companies is the following:

		Assets	Liabilities	Sales and incomes	Net profit
Medimpex Jamaica Ltd.	31 Dec. 2008	535	514	1,660	2
	31 Dec. 2007	455	437	1,508	3
Medimpex West Indies Ltd.	31 Dec. 2008	1,193	413	1,655	103
	31 Dec. 2007	1,019	401	1,262	103
Gyógyszeripari Ellenőrző és	31 Dec. 2008	459	49	406	10
Fejlesztő Laboratórium Kft.	31 Dec. 2007	476	77	451	52
Hungaropharma	30 Sept. 2009	69,468	49,063	186,217	1,685
Gyógyszerkereskedelmi Zrt. *	30 Sept. 2008	60,302	40,523	170,329	2,154
Recyclomed Kht. *	30 Sept. 2009	60	5	137	0
	30 Sept. 2008	64	7	117	1

*Sales and incomes and net profit are disclosed for the nine months ended 30 September 2009 and 2008.

b. Background of the Group

The predecessor of EGIS Gyógyszergyár Nyrt. (the "Company" or "EGIS") called Dr. Wander Gyógyszer- és Tápszergyár Rt. was founded in 1913. After World War II the Company became a state-owned company. The Company was transformed into a joint stock company as of December 31, 1991.

The Company is incorporated in Hungary. Its principal activity is the production of basic pharmaceutical materials ("active ingredients") and finished medicines (in the form of tablets, syrups and injections, etc) for sale both in the domestic and export market. The operations are located primarily in Budapest and Körmend, Hungary.

Medimpex Kereskedelmi Zrt. ("Medimpex") is engaged in export of pharmaceuticals, import of raw materials and domestic marketing to the pharmaceutical, chemical, cosmetic and food industry, consignment export and import for pharmaceutical companies and other related services.

EGIS Nyrt. established EGIS Polska Sp. z o.o. ("EGIS Polska") in 1995. The company supervises and supports the sales and marketing activities of EGIS in Poland.

EGIS Slovakia spol. s r.o. ("EGIS Slovakia") was established in 1996 for marketing activity (product marketing and visits to physicians by medical representatives) in order to promote EGIS exports to Slovakia as well as for distribution activity.

EGIS Praha spol. s r.o. ("EGIS Praha") was established in 1995 with the aim of performing marketing activity (product marketing and visits to physicians by medical representatives) to support EGIS exports to the Czech Republic, as well as of developing market positions.

EGIS Nyrt. established EGIS Polska Dystrybucja Sp. z o.o. ("EGIS Polska Dystrybucja") in September 2005. The company took over the distribution of EGIS products from EGIS Polska in the financial year 2005/2006.

EGIS Ilaclari Limited Sirketi (EGIS Ilaclari) was established in 2005 for marketing and distribution activity in Turkey.

EGIS Rompharma ("EGIS Rompharma") was founded in 2006 to manage the distribution activity of the Group in Romania.

EGIS Nyrt. established EGIS Bulgaria EOOD ("EGIS Bulgaria") in 2006 to distribute its products in Bulgaria.

Medimpex Irodaház Ingatlankezelő Kft. ("Medimpex Irodaház"), formerly a part of Medimpex, became a separate company for managing an office building. EGIS Nyrt. took over 50% of the company shares from Medimpex in 2001. Medimpex Irodaház is jointly managed with Richter Gedeon Nyrt.

(All amounts in HUF million, unless otherwise stated)

Medimpex UK Ltd. ("Medimpex UK") is covering local sale of bulk chemicals and finished pharmaceuticals produced in Hungary. The company has played an important role for a long time in introduction of EGIS products to the UK market. EGIS Nyrt. acquired 50% of its shares from Medimpex Ltd. in September 2001. Medimpex UK is jointly managed with Richter Gedeon Nyrt.

On 30 September 2009 EGIS Nyrt. signed an agreement to sell its 50 per cent stake in Medimpex UK to Richter Gedeon Nyrt. The company was sold on 5 October 2009.

The legal address of the Company is the following:

1106 Budapest, Keresztúri út 30-38., Hungary

The principal shareholders of the Company according to the Company's share register are:

	30 September 2009	30 September 2008
ATP (Servier)	50.91%	50.91%
Others	49.09%	49.09%
Total	100%	100%

The average number of employees of the Group for the years ended on 30 September 2009 and 2008 was 2,989 and 3,038, respectively.

c. Restatement of prior year

On 7 August 2007 as a result of a capital increase by ATP, the majority shareholder in Serdix, EGIS Nyrt. reclassified its stake in the company from investments accounted for using the equity method to available-for-sale financial assets. The prevailing carrying amount of the investment valued according to the equity method was considered to be the cost of the available-for sale financial asset. Consequently, the carrying amount of the investment in the consolidated financial statements for the year ended 30 September 2007 was disclosed HUF 364 million less than the respective amount in the separate financial statements.
However, in 2008, an impairment of HUF 660 million was calculated for the investment in the separate financial statements and the same amount of impairment was accounted for in the consolidated financial statements, disregarding the fact that the carrying amount of those investments differed. Line items primarily affected by the restatement in the financial statement of 2008 are as follows:

	As disclosed	Restatement	Restated
Available-for-sale financial assets	737	364	1,101
Retained earnings	108,159	364	108,523
Interests and other financial expenses	(1,457)	364	(1,093)

Throughout the current consolidated financial statements we mark the restated items with *.

2. CHANGES IN ACCOUNTING POLICY

The accounting policies adopted are consistent with those of the previous financial year, except as follows.

- IFRIC 12 – Service Concession Arrangements
- IFRIC 13 – Customer Loyalty Programmes
- IFRIC 14 IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction
- IFRIC 16 – Hedges of a Net Investment in a Foreign Operation

Summary of the interpretations to published standards listed above are as follows:

IFRIC 12 Service Concession Arrangements (effective from 1 January 2008)
The interpretation was issued in November 2006. This Interpretation applies to service concession operators and explains how to account for the obligations undertaken and rights received in service concession arrangements. This new interpretation has no effect on the Group's consolidated financial statements.

IFRIC 13 Customer Loyalty Programs (effective from 1 July 2008)
The interpretation addresses the accounting by entities that operate, or otherwise participate in, customer loyalty programs under which the customer can redeem credits for awards such as free of discounted goods or services. This new interpretation is not expected to affect the Group's consolidated financial statements.

IFRIC 14 IAS 19 The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction (effective from 1 January 2008)
This Interpretation provides guidance on how to assess the limit on the amount of surplus in a defined benefit scheme that can be recognised as an asset under IAS 19 Employee Benefits. This new interpretation is not expected to affect the Group's consolidated financial statements.

IFRIC 16 Hedges of a Net Investment in a Foreign Operation (effective from 1 October 2008)
IFRIC 16 was issued in July 2008. The interpretation is to be applied prospectively. IFRIC 16 provides guidance on the accounting for a hedge of a net investment. As such it provides guidance on identifying the foreign currency risks that qualify for hedge accounting in the hedge of a net investment, where within the Group the hedging instruments can be held in the hedge of a net investment and how an entity should determine the amount of foreign currency gain or loss, relating to both the net investment and the hedging instrument, to be recycled on disposal of the net investment. This new interpretation is not expected to affect the Group's consolidated financial statements.

The Group has not early adopted any IFRS standards, where adoption is not mandatory at the balance sheet date. Those standards are as follows:

- IFRS 2 (Revised) – Share-based Payment
- IFRS 3 (Revised) – Business Combination
- IAS 27 (Revised) – Consolidated and Separate Financial Statements
- IFRS 7 Financial Instruments
- IFRS 8 Operating Segments
- IAS 1 (Revised) – Presentation of Financial Statement
- IAS 23 (Revised) – Borrowing Costs
- IAS 32 Amendment – Financial Instruments
- IAS 39 Financial Instruments: Recognition and Measurement
- IFRIC 9 Remeasurement of Embedded Derivatives and IAS 39 Financial Instruments: Recognition and Measurement
- IFRIC 15 – Agreement for the Construction of Real Estate
- IFRIC 17 - Distributions of Non-cash Assets to Owners
- IFRIC 18 – Transfers of Assets from Customers

Summary of the standards, interpretations and amendments to published standards listed above are as follows:

IFRS 2 (Revised) Share-based Payment – Vesting Conditions and Cancellations (effective from 1 January 2009)
The standard relates to vesting conditions and cancellations of share based payments. The Group does not operate share-based payment schemes, therefore IFRS 2 and its amendment is not relevant to the Group.

IFRS 3 (Revised) Business Combinations (effective from 1 July 2009)
The amendment incorporates the following changes that are likely to be relevant to the Group's operations:

- The definition of a business has been broadened, which is likely to result in more acquisitions being treated as business combinations.
- Contingent consideration will be measured at fair value, with subsequent changes therein recognized in profit or loss.
- Transaction costs, other than share and debt issue costs will be expensed as incurred.
- Any pre-existing interest in the acquiree will be measured at fair value with the gain or loss recognized in profit or loss.
- Any non-controlling (minority) interest will be measured at either fair value, or at its proportionate interest in the identifiable assets and liabilities of the acquiree, on a transaction-by-transaction basis.

Revised IFRS 3 will be applied prospectively and therefore there will be no impact on prior periods in the Group's consolidated financial statements for the year started 1 October 2010.

IAS 27 (Revised) Consolidated and Separate Financial Statements (effective from 1 January 2009)
The standard requires accounting for changes in ownership interests by the Group in a subsidiary, while maintaining control, to be recognized as an equity transaction. When the Group looses control of a subsidiary, any interest retained in the former subsidiary will be measured at fair value with the gain or loss recognized in profit or loss. The Group is assessing the impact of the amendment of IAS 27 and will apply this amendment from the annual periods beginning 1 October 2009.

IFRS 7 Financial Instruments: Disclosures (effective from 1 January 2009)
The amended standard requires additional disclosures about fair value measurement and liquidity risk. Fair value measurements related to items recorded at fair value are to be disclosed by source of inputs using a three level fair value hierarchy:
Level 1 – quoted prices
Level 2 – directly or indirectly observable inputs
Level 3 – inputs that are not based on observable market data.
The Group is assessing the impact of IFRS 7 and will apply this amendment from the annual periods beginning 1 October 2009.

IFRS 8 Operating Segments (effective from 1 January 2009).
IFRS 8 replaces IAS 14 Segment Reporting and requires additional disclosures. The Group is assessing the impact of IFRS 8 and will apply this amendment from annual periods beginning 1 October 2009.

IAS 1 (Revised) Presentation of Financial Statement (effective from 1 January 2009)
The standard introduces the term total comprehensive income, which represents changes in equity during a period other than those changes resulting from transactions with owners in their capacity as owners. Total comprehensive income may be presented in either a single statement of comprehensive income (effectively combining both the income statement and all non-owner changes in equity in a single statement), or in an income statement and a separate statement of comprehensive income. The Group is assessing the impact of the amendment of IAS 1 and will apply this amendment from the annual periods beginning 1 October 2009.

IAS 23 (Revised) Borrowing Costs (effective from 1 January 2009)
The amendment removes the option to expense borrowing costs and requires that an entity capitalize borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset. The Group is assessing the impact of the amendment of IAS 23 and will apply this amendment from annual periods beginning 1 October 2009.

IAS 32 (amendment) Financial Instruments: Presentation and IAS 1 Presentation of Financial Statements – Puttable Financial Instruments and Obligations Arising on Liquidation (effective from 1 January 2009)
The standard requires puttable instruments, and instruments that impose on the entity an obligation to deliver to another party a pro rata share of the net assets of the entity only on liquidation, to be classified as equity if certain conditions are met. This new interpretation is not expected to affect the Group's consolidated financial statements.

IAS 39 Financial Instruments: Recognition and Measurement – Eligible Hedged Items (effective from 1 July 2009)

The amendment clarifies that an entity is permitted to designate a portion of the fair value changes or cash flow variability of a financial instrument as a hedged item. This also covers the designation of inflation as a hedged risk or portion in particular situations. The Group is assessing the impact of the amendment of IAS 39 and will apply this amendment from annual periods beginning 1 October 2009.

IFRIC 9 Remeasurement of Embedded Derivatives and IAS 39 Financial Instruments: Recognition and Measurement (effective from 30 June 2009)
This amendment to IFRIC 9 requires an entity to assess whether an embedded derivative must be separated from a host contract when the entity reclassifies a hybrid financial asset out of the fair value through profit or loss category. When the fair value of an embedded derivative that would not be separated cannot be measured reliably, the reclassification of the hybrid financial asset out of the fair value through profit and loss category is permitted. This new interpretation is not expected to affect the Group's consolidated financial statements.

IFRIC 15 Agreement for the Construction of Real Estate (effective from 1 January 2009)
The interpretation is to be applied retrospectively. It clarifies when and how revenue and related expenses from the sale of a real estate unit should be recognised if an agreement between a developer and a buyer is reached before the construction of the real estate is completed. Furthermore, the interpretation provides guidance on how to determine whether an agreement is within the scope of IAS 11 or IAS 18. IFRIC 15 will not have an impact on the consolidated financial statement because the Group does not conduct such activity.

IFRIC 17 Distributions of Non-cash Assets to Owners (effective from 1 July 2009)
The interpretation provides guidance on how to account for non-cash distributions to owners. The interpretation clarifies when to recognise a liability, how to measure it and the associated assets, and when to derecognise the asset and liability. This new interpretation is not expected to affect the Group's consolidated financial statements.

IFRIC 18 Transfers of assets from customers (effective from 1 July 2009)
The guidance clarifies the conditions under which the revenue from the transfer of an asset by a customer under a commercial contract will be recognized. This new interpretation is not expected to affect the Group's consolidated financial statements.

In May 2008 the IASB issued omnibus of amendments to its standards, primarily with a view to removing inconsistencies and clarifying wording. There are separate transitional provisions for each standard. The standards and interpretations amended were as follows:

- IAS 1 – Presentation of Financial Statements
- IAS 16 – Property, Plant and Equipment
- IAS 23 – Borrowing Costs
- IAS 28 – Investment in Associates
- IAS 31 – Interest in Joint Ventures
- IAS 36 – Impairment of Assets
- IAS 38 – Intangible Assets
- IFRIC 11 and IFRS 2 – Share-based Payments - Group and Treasury Share Transactions
- IFRIC 12 – Service Concession Agreements

Summary of the amendments to published standards and interpretations listed above are as follows:

IAS 1 – Presentation of Financial Statements
Assets and liabilities classified as held for trading in accordance with IAS 39 Financial Instruments: Recognition and Measurement are not automatically classified as current in the Balance Sheet. This amendment is not expected to affect the Group's consolidated financial statements.

IAS 16 – Property, Plant and Equipment
The amendment replaces the term "net selling price" with "fair value less costs to sell". This improvement did not result in any changes in the valuation of the Property, Plant and Equipment.

IAS 23 – Borrowing Costs
The definition of borrowing cost changed. This amendment is not expected to affect the Group's consolidated financial statements.

IAS 28 – Investment in Associates
The improvement relates to the fair valuation of an associate. This amendment is not expected to affect the Group's consolidated financial statements as the associates have been accounted for by using the equity method whereby the investment is initially recognised at cost and adjusted thereafter for the post-acquisition change in the Group's share of net assets in the investee.

IAS 31 – Interest in Joint Ventures
The improvement relates to the fair valuation of a joint venture. This amendment is not expected to affect the Group's consolidated financial statements as the joint ventures have been accounted for by using the proportionate consolidation method.

IAS 36 – Impairment of Assets
Additional disclosures are required by the amendments in the case when the discounted cash flow method is used to determine the fair value less cost to sell. This amendment has no immediate impact on the Group's consolidated financial statements.

IAS 38 – Intangible Assets
The amendment clarifies that the cost of the advertising and promotional activities should be expensed when the services were received or when it has the right to access the goods. This amendment has no immediate impact on the Group's consolidated financial statements.

IFRIC 11 and IFRS 2 – Group and Treasury Share Transactions
The interpretation provides guidance on the classification of share-based payment transactions in which equity instruments of the parent or another group entity are transferred in the financial statements of the entity receiving the equity instruments. As the Group has no employee who is granted rights to an equity instrument this amendment is not expected to affect the Group's consolidated financial statements.

IFRIC 12 – Service Concession Agreements
The interpretation provides guidance the private sector entities on certain recognition and measurement issues that arise in accounting for public-to-private services concession arrangements. The interpretation is related to service concession operators and therefore it is not expected to affect the Group's consolidated financial statements.

3. ACCOUNTING POLICIES

Significant accounting policies used in the preparation of the accompanying consolidated financial statements:

a. Presentation and functional currency

The accompanying consolidated financial statements are presented in millions of Hungarian Forint.

Functional currency is determined for each subsidiary separately. The functional currency of EGIS Gyógyszergyár Nyrt. has been determined to be the Hungarian Forint ("HUF").

b. Basis of consolidation

Subsidiaries, defined as enterprises under the control of the Group, have been consolidated in the accompanying financial statements. Control is normally evidenced when the Group owns, either directly or indirectly, more than 50% of the voting rights of a Company's share capital and is able to govern the financial and operating policies of an enterprise so as to benefit from its activities.

Jointly controlled entities have been consolidated using proportionate consolidation.

Associates, defined as enterprises in which the Group has significant influence and which are not subsidiaries (generally investments of between 20-50% in a company's equity), have been accounted for using the equity method whereby the investment is initially recognised at cost and adjusted thereafter for the post-acquisition change in the Group's share of net assets in the investee. An assessment of investments in associates is performed when there is an indication that the asset has been impaired or the impairment losses recognized in prior years no longer exist.

The purchase method of accounting is used for acquired business by measuring assets and liabilities at their fair value upon acquisition, the date of which is determined with reference to the settlement date. Companies acquired or disposed of during the year are included in the consolidated financial statements from the date of acquisition or to the date of disposal.

The excess of the cost of an acquisition over the Company's interest in the fair value of the net identifiable assets of subsidiaries acquired as at the date of the exchange transaction is recorded as goodwill and recognized as an asset in the accompanying consolidated balance sheet.

Inter-company balances and transactions with subsidiaries, jointly controlled entities, and associates including inter-company profits and unrealised profits and losses are eliminated. The accompanying consolidated financial statements are prepared using uniform accounting policies of like transactions and other events in similar circumstances.

c. Cash and cash equivalents

Cash includes cash on hand and cash with banks. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash with original maturity of three months or less and that are subject to an insignificant risk of change in value. For the purpose of the consolidated cash-flow statement, cash and cash equivalents consist of cash and cash equivalents as defined above.

d. Trade receivables

Trade receivables are shown net of allowance for doubtful debts. Trade debtors are assessed individually, gains and losses are recognized in profit or loss, when receivables are impaired.

e. Inventories

Inventories are stated at the lower of cost and net realizable value. Net realizable value is based on the normal selling price, less further costs expected to be incurred to complete and sell the inventory. Write-down is recognised for obsolete, slow-moving or defective items where appropriate. Valuation of inventories is based on:

Raw materials
- purchase cost on moving average price

Work-in-progress and finished goods
- cost of direct materials and labour, plus manufacturing overheads based on normal levels of activity

f. Intangible assets

Intangible assets are measured at historical cost less accumulated amortization. Amortization is provided using the straight-line method over the estimated useful life of the asset. The following amortization rates have been applied:

	Annual rate in %
Software, patents, licences	20

Amortization is accounted for in the consolidated income statement as cost of sales and administrative and distribution expenses.

Intellectual property rights purchased from Anpharm is amortised over seven years using degressive method.

g. Property, plant and equipment

Property, plant and equipment are measured at historical cost less accumulated depreciation.

Depreciation is provided using the straight-line method over the estimated useful life of the asset. The following depreciation rates have been applied:

	Annual rate in %
Buildings	2-6
Wires and cables	6-10
Plant, machinery and equipment	8-33
Vehicles	20

Depreciation is accounted for in the consolidated income statement as cost of sales and administrative and distribution expenses.

h. Impairment

At each balance sheet date the Group assesses whether there is any indication that an asset may be impaired. If such indication exists, the Group estimates the recoverable amount of the asset. The recoverable amount of an asset or a cash-generating unit is the higher of its fair value less costs to sell and its value in use. If the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount debiting the income statement.

i. Investments

Upon acquisition, investments are classified into the following three categories: held-to-maturity, held-for-trading and available-for-sale. Investments with fixed or determinable payments and fixed maturity that the Group has the positive intent and ability to hold to maturity are classified as held-to-maturity investments. Investments acquired principally for the purpose of generating a profit from short-term fluctuations in price are classified as held-for-trading. All other investments, other than loans and receivables originated by the Group, are classified as available-for-sale.

Held-to-maturity investments are included in non-current assets unless they mature within 12 months of the balance sheet date. Held-to-maturity investments are carried at amortized cost using the effective interest rate method.

Available-for-sale investments are classified as non-current assets unless management intends to realize them within 12 months of the balance sheet date. These investments are initially measured at cost, which is the fair value of the consideration given for them, including transaction costs. Available-for-sale investments are subsequently carried at fair value. Gains or losses on available-for-sale investments are recognised as a separate component of equity, in fair value reserve for available-for-sale financial assets until the investment is sold, collected or otherwise disposed of, or until the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in equity is included in the statement of income.

Held-for-trading investments are measured at fair value and the related gains or losses are recognized in the statement of income.

Purchases and sales of investments are recognized on settlement date, which is the date when the asset is delivered to the counterparty.

j. Investment properties

Investment property is property held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes.

Initially, investment properties are measured at cost including transaction costs. Subsequent to initial recognition, investment properties are stated at cost and depreciated systematically over their useful life.

Investment properties are derecognized when they have either been disposed of or when the investment property is permanently withdrawn from use and no further benefit is expected from its disposal. Any gains or losses on the derecognition of an investment property are recorded in the income statement in the year of derecognition.

k. Financial risk management and financial instruments

The Group's activities expose it to a variety of financial risks: market risk (mainly currency risk and price risk), liquidity risk and credit risk.

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and prices will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

Currency risk

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the US dollar and the Euro. In order to mitigate the foreign exchange risk, the Group enters into forward USD sale and option contracts altogether up to 70 % of budgeted annual sales and for maximum six months ahead. These instruments do not meet all of the criteria of IAS 39 for classification as a hedge. Therefore these instruments are presented at their fair values in the financial instruments and movements in fair values are posted to the income statement.

(All amounts in HUF million, unless otherwise stated)

Price risk

With the aim of restraining rapid growth of the drug market and consumption shift to more expensive products, as from January 2007, the Hungarian government effected substantial changes in the regulation, as part of the comprehensive budget reform.

New 'drug thrift law' came into effect to liberalize retail trade of pharmaceuticals on the one hand, and to set stricter limits to the producers' marketing activity on the other hand, and also shifted major part of reimbursement costs to drug manufacturers. As part thereof, producers were obliged to pay back 12 per cent of subsidy provided by social insurance to their drugs. In addition, manufacturers were liable to pay the difference if the actual value of total subsidy exceeds the level allocated in the state budget.
There has also been introduced a registration fee of HUF 5 million per medical representative employed by drug manufacturers.

Parallel with the enactment of law, as from January 16, 2007 the government effected general reduction and austerity for drug reimbursements. At the same time, in order to enhance price competition, the government carried out a quarterly price review and fixed the reimbursements at the price level of cheaper pharmaceuticals.

As a result of new regulations and growing competition, drop in drug consumption and trend towards cheaper products have begun.

This regulation was in force also in the 2008/2009 business year with the exception that the registration fee of medical representatives, having earlier been abolished with effect from June 18, 2008 by the Court of Constitution, was re-introduced with modified wording and with the amount of HUF 416 thousand/medical representative/month as from February 15, 2009.

At the same time a new element occured: the Parliament confirmed by law that drug manufacturers can reclaim 20% of the 12% extra payment and the registration fee of medical representatives relating to 2009 in 2010, even 100% of payments relating to 2010 in 2011, provided that their R&D expenses will come up to this amount. EGIS Nyrt. complied with the conditions set up for 2009.

In 2008/09, EGIS Nyrt. had an aggregate payment obligation of HUF 1,841 million (in 2007/08 HUF 2,018 million) detailed as follows:

12% extra payment	HUF 1,649 million
Registration fee of medical representatives	HUF 382 million
+ 1 additional monthly 12% extra payment relating to the stock held by pharmacies	HUF 137 million
- subtracted 20% value of the January–September 2009 payment	HUF (327) million

For further information relating to contribution paid to the National Health Insurance Fund please refer to Note 21.

Credit risk

The Group's financial instruments that are exposed to credit risk consist primarily of short-term investments and trade receivables.

Short-term investments consist of bonds, treasury bills issued and guaranteed by the Hungarian government. The Group's trade receivables include balances from a number of customers that are across different geographic areas. There are no significant credit concentrations and the maximum credit risk corresponds to the carrying amount of the financial assets.

Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

Capital management

The Group's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business.

Financial instruments

Financial assets and liabilities carried on the accompanying consolidated balance sheet include cash and cash equivalents, marketable securities, trade and other accounts receivable and payable, long-term receivables, loans, borrowings, investments, and bonds receivable and payable. The accounting policies on recognition and measurement of these items are disclosed in the respective accounting policies found in this Note.

The carrying amounts reported in the accompanying consolidated balance sheet for cash and cash equivalents, long-term and short-term investments, outstanding borrowings under bank lines of credit, and other current liabilities and loans approximate fair value.

Financial instruments are classified as liabilities or equity in accordance with the substance of the contractual arrangement. Interest, dividends, gains, and losses relating to a financial instrument classified as a liability, are reported as expense or income. Distributions to holders of financial instruments classified as equity are charged directly to equity. Financial instruments are offset when the Company has a legally enforceable right to offset and intends to settle either on a net basis or to realise the asset and settle the liability simultaneously.

Fair values

The carrying amounts of cash, accounts receivable, short term borrowings, accounts payable and accrued expenses approximated their fair values due to the short-term maturities of these assets and liabilities. Receivables are stated after making allowance for doubtful debts. The fair value of available-for-sale debt instruments such as government bonds is determined based on market prices provided by financial institutions.
The fair values of equity instruments available-for-sale and long-term borrowings are not materially

different from the carrying amounts.

l. <u>Foreign currency transactions</u>

Transactions arising in foreign currencies are translated into HUF at the rate of exchange at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated into HUF at the rates of exchange prevailing at the balance sheet dates. Any gain or loss arising from a change in exchange rates subsequent to the date of the transaction is included in the consolidated income statement as an exchange gain or loss.

The functional currency of each of the Group's operating entities is the local currency of the jurisdiction in which the entity operates. The consolidated financial statements of the Group are prepared using HUF as a reporting currency. Income statement is translated using the average exchange rate of the period. Balance sheet items are translated using the exchange rates as of the balance sheet date. Effects of the foreign currency translation are included as a component of shareholders' equity.

m. <u>Borrowing costs</u>

Borrowing costs are generally recognised as an expense in the period in which they are incurred. Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised and included in the cost of the asset.

n. <u>Provisions for environmental liabilities</u>

Environmental expenditures that relate to current or future revenues are expensed or capitalised as appropriate. Immediate provision is made for expenditures that relate to an existing condition caused by past operations and that do not contribute to current or future earnings in order to recognise the cost in the year when they are identified. Measurement of liabilities is based on current legal requirements and existing technology. Provision for environmental contingency is established when it becomes probable or certain that a liability has been incurred and the amount can be reasonably estimated.

o. <u>Provision for employee benefits</u>

EGIS Nyrt. operates a defined long-term employee benefit program, according to which, at retirement, the Company pays 10 or 12 months salary as a long-service benefit to its employees having a period of service at least 30 or 40 years, respectively. This program was introduced in February 2002, however, the Company made a provision for this item in accordance with IAS 19 first time in 2004. The impact of this provision related to prior years is shown in Note 27.

Additional service award is provided with the employees for achieving distinct period of service. This service award kicks in after 10 years of service with an amount of HUF 24 thousand per employee and increases to one-month salary after reaching 45 years of service.

These benefit schemes do not require contribution to be made to separately administered funds. The costs of providing benefits under the programs are determined using the projected unit credit actuarial valuation method. Actuarial gains and losses are recognized in full as income or expense immediately. Past service costs, resulting from the introduction of, or changes to the defined benefit scheme are recognized as an expense on a straight-line basis over the average period until the benefits become vested.

p. Reserves

Reserves shown in the accompanying consolidated financial statements do not represent the distributable reserves for dividend purposes. Reserves for dividend purposes are determined based on the statutory earnings of the Company.

q. Dividends

Dividends are recorded in the year in which they are approved by the shareholders.

r. Earnings per share (EPS)

The calculation of basic earnings per shares is based on the profit attributable to ordinary shareholders using the weighted average number of shares outstanding during the year after deduction of treasury shares. There were not any items in the years ended 30 September 2009 and 2008 that would dilute the earnings per share.

s. Sales

Sales are recognized upon shipment of goods or upon the sale becoming unconditional, the amount of revenue can be measured reliably and it is probable that the economic benefits associated with the transaction will flow to the enterprise. Net sales comprise the value of sales (excluding value added tax and trade discounts) of goods and services in the normal course of business.

t. Research and development

Costs of research and development are expensed in the period when incurred. EGIS Nyrt. considers that the regulatory and other uncertainties inherent in the development of its key new products preclude it from capitalizing development costs. Cost of purchasing patents and licences are capitalized as intangible assets. Patent and registration fees for internally developed products are considered as part of development expense and expensed as incurred.

u. Operating profit

Operating profit is defined as profit before financial results and taxes and represents profit from the business operations. Financial results consist of interest income, dividends income, interest expense, other financial expense, fair value losses and gains on financial instruments and realized and unrealized exchange rate differences.

v. Government grants

Government grants are recognised where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income over the period necessary to match the grant on a systematic basis to the costs that it is intended to compensate. Where the grant relates to an asset, it is recognised as deferred income and released to income in equal annual amounts over the expected useful life of the related asset.

w. Income taxes

The income tax charge consists of current and deferred taxes, while local municipal tax is recognised as other operating expense. Deferred taxes are calculated using the balance sheet liability method. Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Deferred tax assets and liabilities are measured using the tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The measurement of deferred tax liabilities and deferred tax assets reflects the tax consequences that would follow from the manner in which the enterprise expects, at the balance sheet date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets are recognized when it is probable that sufficient taxable profits will be available against which the deferred tax assets can be utilized. At each balance sheet date, the Company reassesses unrecognized deferred tax assets and the carrying amount of deferred tax assets. The enterprise recognizes a previously unrecognized deferred tax asset to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered. The Company conversely reduces the carrying amount of a deferred tax asset to the extent that it is no longer probable that sufficient taxable profit will be available to allow the benefit of part or all of that deferred tax asset to be utilised.

Current tax and deferred tax are charged or credited directly to equity if the tax relates to items that are credited or charged, in the same or a different period, directly to equity, including an adjustment to the opening balance of reserves resulting from a change in accounting policy that is applied retrospectively.

Deferred tax assets or liabilities are recognized for all taxable temporary differences.

x. Segment information

The Group's primary reporting format is business segments and its secondary format is geographical segments. Breakdown of sales by geographical area is presented in Note 26.

y. Non-current assets (disposal groups) held-for sale

Non-current assets and disposal groups are classified as held-for-sale if their carrying amounts will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset or disposal group is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of the classification.

Non-current assets and disposal groups classified as held-for-sale are measured at the lower of carrying amount and fair value less costs to sell.

Property, plant and equipment and intangible assets once classified as held-for-sale are not depreciated.

z. Contingencies

Contingent liabilities are not recognised in the accompanying consolidated financial statements. They are disclosed in the Notes unless the possibility of an outflow of resources embodying economic benefits is remote. A contingent asset is not recognised in the accompanying consolidated financial statements but disclosed when an inflow of economic benefits is probable.

aa. Subsequent events

Post-period-end events that provide additional information about the Group's position at the balance sheet date (adjusting events), are reflected in the financial statements. Post-period-end events that are not adjusting events are disclosed in the notes when material.

bb. Emission rights

The Group has been subject to the European Emissions Trading Scheme since 1 January 2005. IFRIC 3, Emission rights was withdrawn by the IASB in June 2005, and has not yet been replaced by definitive guidance. The Group has adopted an accounting policy, which recognises granted emission allowances received for free at zero value and CO_2 emissions liabilities are recognised when the level of emissions exceeds the level of allowances granted by the Government in the period.

cc. Estimates

The preparation of financial statements in conformity with IFRS requires the use of estimates and assumptions that affect the amounts reported in the financial statements and notes thereto. Although these estimates are based on management's best knowledge of current event and actions, actual results may differ from those estimates. Estimates, which have the most significant effect on the amounts recognised in the consolidated financial statements are the following:

- Employee benefits, Note 3o, 27.
- Deferred tax assets, Note 3w, 24
- Impairment of non-current assets, Note 3h
- Outcome of litigations, Note 16
- Quantification and timing of environmental provisions, Note 3n, 16.

(All amounts in HUF million, unless otherwise stated)

4. CASH AND CASH EQUIVALENTS

Cash and cash equivalents as at 30 September 2009 and 2008 are the following:

	30 September 2009	30 September 2008
Cash in bank	22,437	4,548
Restricted cash	352	183
Cheques	278	0
Cash on hand	5	7
Cash and cash equivalents in the Balance Sheet	23,072	4,738
Cash of enterprise classified as held for sale	166	0
Total cash and cash equivalents of EGIS Group	23,238	4,738

Restricted cash consists of collateral for investment credit and amounts due to shareholders as a result of dematerialisation of shares.

5. NET TRADE RECEIVABLES AND OTHER CURRENT ASSETS

Net trade receivables and other current assets as at 30 September 2009 and 2008 are the following:

	30 September 2009	30 September 2008
Trade receivables	18,804	20,570
Allowance for doubtful debtors	(971)	(605)
Trade receivables, net	17,833	19,965
Taxes receivable	1,519	1,189
Advance payments to suppliers	1,026	1,039
Other receivables and prepayments	2,506	1,371
Total	22,884	23,564

The ageing analysis of trade receivables is as follows:

	Total	Neither past due nor impaired	Past due but not impaired			
			<90 days	91-180 days	181-360 days	> 360 days
30 Sept. 2009	17,833	14,094	2,813	502	260	164
30 Sept. 2008	19,965	15,252	3,538	923	61	191

(All amounts in HUF million, unless otherwise stated)

Movements in the provision for impairment of receivables were as follows:

	30 September 2009	30 September 2008
Opening amount of provision for impairment	605	543
Charge for the year	521	141
Unused amounts reversed	(69)	(80)
Utilized	(174)	0
Foreign exchange difference	88	1
Closing amount of provision for impairment	971	605

6. INVENTORIES

Inventories as at 30 September 2009 and 2008 are the following:

	30 September 2009	30 September 2008
Work-in-progress and semi-finished products	16,797	12,994
Finished goods	8,684	11,348
Raw materials	6,983	6,331
Goods for resale	5,848	3,117
Total	38,312	33,790

The amount of write-down of inventories for the years ended 30 September 2009 and 2008 are HUF 1,188 million and HUF 1,023 million, respectively.

7. HELD-TO-MATURITY INVESTMENTS

Held-to-maturity investments as at 30 September 2009 and 2008 are the following:

	30 September 2009	30 September 2008
Discount treasury bills	2,180	9,725
Government bonds	520	3,825
Total	2,700	13,550

(All amounts in HUF million, unless otherwise stated)

Held-to-maturity investments consist of treasury bills and government bonds issued and guaranteed by the Hungarian government and therefore credit risk is considered to be low. Held-to-maturity investments initially were recognised at cost and amounted to HUF 2,531 million as at 30 September 2009 and HUF 13,135 million as at 30 September 2008. The investments are subsequently carried at amortized cost. The difference between the initial cost and the notional amount as at 30 September 2009 and 2008 was HUF 169 million and HUF 415 million, respectively.

8. HELD-FOR-TRADING INVESTMENTS

Held-for-trading investments consist of long-term bonds issued and guaranteed by the Hungarian government. Interest rate risk embodying fair valuation of these securities is reflected in the income statement. Carrying amount of held-for-trading investments as at 30 September 2009 and 2008 was HUF 194 million and HUF 179 million, respectively.

9. DISPOSAL GROUP HELD FOR SALE

On 30 September 2009 EGIS Nyrt. signed an agreement to sell its 50 per cent stake in Medimpex UK to Richter Gedeon Nyrt. The company was sold on 5 October 2009. As at 30 September 2009 the assets and liabilities of Medimpex UK were disclosed separately as assets of disposal group held for sale and liabilities directly associated with assets of disposal group held for sale. Those assets and liabilities consist of the following major items as at 30 September 2009:

	30 September 2009	30 September 2008
Cash and cash equivalents	166	0
Net trade receivables and other current assets	230	0
Inventories	7	0
Property, plant and equipment	39	0
Investment properties	26	0
Deferred tax asset	2	0
Assets of disposal group held-for-sale	470	0

	30 September 2009	30 September 2008
Trade and other payables	255	0
Liabilities directly associated with assets of disposal group held-for-sale	255	0

(All amounts in HUF million, unless otherwise stated)

10. INTANGIBLE ASSETS

The movements in intangible assets for the years ended 30 September 2009 and 2008 were the following:

NET CARRYING AMOUNT	Software	Patents, licences	Intellectual property rights	Total
At 1 October 2007	621	75	0	696
Additions	496	72	3,964	4,532
Disposals	0	0	0	0
Impairment (Note 21)	(1)	0	0	(1)
Amortisation charge for the year	(313)	(58)	(1,001)	(1,372)
Exchange adjustment	4	0	0	4
Transfers	6	0	0	6
At 30 September 2008	813	89	2,963	3,865
Additions	978	293	0	1,271
Disposals	(2)	0	0	(2)
Impairment (Note 21)	0	0	0	0
Amortisation charge for the year	(368)	(120)	(847)	(1,335)
Exchange adjustment	(1)	0	0	(1)
Transfers	(13)	0	501	488
At 30 September 2009	1,407	262	2,617	4,286

At 30 September 2008	Software	Patents, licences	Intellectual property rights	Total
Cost	3,235	269	3,964	7,468
Accumulated amortisation	(2,422)	(180)	(1,001)	(3,603)
Net carrying amount	813	89	2,963	3,865

At 30 September 2009	Software	Patents, licences	Intellectual property rights	Total
Cost	4,069	559	4,468	9,096
Accumulated amortisation	(2,662)	(297)	(1,851)	(4,810)
Net carrying amount	1,407	262	2,617	4,286

Intellectual property rights contain rights connected to the product portfolio purchased from Anpharm. Those rights are amortised over seven years using degressive method.
The gross carrying amounts of certain software, patent and license items of HUF 1,833 million and HUF 1,119 million are fully amortized as at 30 September 2009 and 2008, respectively, but these items are still in active use.

11. PROPERTY, PLANT AND EQUIPMENT

The movements in property, plant and equipments in the years ended 30 September 2009 and 2008 were the following:

NET CARRYING AMOUNT	Land and buildings	Plant, machinery and equipment	Vehicles	Construction In progress	Total
At 30 September 2007	21,878	15,048	2,918	5,431	45,275
Additions	7,240	7,996	815	(2,960)	13,091
Disposals	0	(1)	(120)	0	(121)
Impairment (Note 21)	(32)	(2)	(14)	(42)	(90)
Depreciation charge for the year	(929)	(4,806)	(979)	0	(6,714)
Exchange adjustment	(6)	8	70	0	72
Transfers	0	1	0	(1)	0
At 30 September 2008	28,151	18,244	2,690	2,428	51,513
Additions	2,327	5,912	976	3,572	12,787
Disposals	0	(2)	(96)	0	(98)
Impairment (Note 21)	(6)	(38)	(27)	(23)	(94)
Depreciation charge for the year	(1,129)	(4,368)	(971)	0	(6,468)
Exchange adjustment	(3)	(4)	(17)	(2)	(26)
Reclassified to assets in disposal group held for sale	(35)	0	(4)	0	(39)
Transfers	(710)	324	0	0	(386)
At 30 September 2009	28,595	20,068	2,551	5,975	57,189

At 30 September 2008	Land and buildings	Plant, machinery and equipment	Vehicles	Construction in progress	Total
Cost	34,219	49,597	5,263	2,428	91,507
Accumulated depreciation	(6,068)	(31,353)	(2,573)	0	(39,994)
Net carrying amount	28,151	18,244	2,690	2,428	51,513

At 30 September 2009	Land and buildings	Plant, machinery and equipment	Vehicles	Construction in progress	Total
Cost	35,698	54,527	5,483	5,975	101,683
Accumulated depreciation	(7,103)	(34,459)	(2,932)	0	(44,494)
Net carrying amount	28,595	20,068	2,551	5,975	57,189

The gross carrying amounts of certain property, plant and equipment items of HUF 13,360 million and 11,606 HUF million are fully depreciated as at 30 September 2009 and 2008 respectively, but these items are still in active use.

Impairment is disclosed net of reversal of impairment expenses accounted for as other income.

The properties located at Lehel út 11-15 are fully pledged as security for the investment credit received by Medimpex to finance the construction of an office building on the site.

(All amounts in HUF million, unless otherwise stated)

12. INVESTMENT PROPERTIES

Investment properties represent an office building in Budapest at Vörösmarty Square owned by Medimpex Irodaház Ingatlankezelő Kft. The net carrying amount of a building located in London and possessed by Medimpex UK Ltd is reclassified to assets of disposal groups held-for-sale. Both companies are 50 % joint ventures of EGIS Nyrt. and therefore recognised using the proportionate consolidation.
The investment property is carried at cost less accumulated depreciation. Depreciation is provided using the straight-line method over 50 years.

Reconciliation of the carrying amount of investment property in the years ended 30 September 2009 and 2008 is the following:

NET CARRYING AMOUNT	
At 1 October 2007	364
Additions	0
Disposals	0
Impairment	0
Depreciation charge for the year	(13)
Exchange adjustment	(5)
Transfers	3
At 30 September 2008	349
Additions	53
Disposals	0
Impairment	0
Depreciation charge for the year	(8)
Exchange adjustment	0
Reclassified to assets in disposal group held for sale	(26)
Transfers	(112)
At 30 September 2009	256

At 30 September 2008	
Cost	474
Accumulated depreciation	(125)
Net carrying amount	349

At 30 September 2009	
Cost	405
Accumulated depreciation	(149)
Net carrying amount	256

(All amounts in HUF million, unless otherwise stated)

A fair valuation of the investment property in Budapest was carried out by the Company's professionals using discounted cash flow method. The timeframe of the calculation was ten years, the discount rate as at 30 September 2009 and 2008 was 7.08 % and 6.58 %, respectively.
As a result of the calculations the proportional share of the fair value of the building amounted to HUF 850 million as at 30 September 2009 and HUF 1,012 million as at 30 September 2008. The decrease in the fair value reflects the changes in the investment market.

Rental income and operating expenses of the investment property for the years ended 30 September 2009 and 2008 are the following:

	30 September 2009	30 September 2008
Rental income	174	164
Operating expenses	77	65

13. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

Investments accounted for using the equity method as at 30 September 2009 and 2008 are the following:

	30 September 2009	30 September 2008
Investments in associates	6,099	6,097
Other investments	16	17
Total	6,115	6,114

(All amounts in HUF million, unless otherwise stated)

Equity interests and the percentage of share capital held in associates and subsidiaries as at 30 September 2009 and 2008 are the following:

	30 September 2009		30 September 2008	
Company	Ownership %	Net book value	Ownership %	Net book value
Recyclomed Kht.	36.0	20	36.0	20
Medimpex Jamaica Ltd.	40.0	7	40.0	8
Medimpex West Indies Ltd.	40.0	307	38.0	244
Gyógyszeripari Ellenőrző és Fejlesztő Laboratórium Kft.	34.0	138	34.0	148
Hungaropharma Zrt.	30.7	5,627	30.7	5,677
Other investments		16		17
Total		6,115		6,114

In the year ended 30 September 2009 and 2008 the associated companies paid the following dividends to EGIS Nyrt.:

	Year ended 30 September 2009	Year ended 30 September 2008
Gyógyszeripari Ellenőrző és Fejlesztő Laboratórium Kft.	3	15
Hungaropharma Zrt.	307	411
Medimpex West Indies Ltd.	6	3
Total	316	429

(All amounts in HUF million, unless otherwise stated)

14. AVAILABLE-FOR-SALE FINANCIAL ASSETS

Available-for-sale financial assets consist of minority (below 20% of voting rights) investments of the Company.

Minority investments as at 30 September 2009 and 2008 are the following:

Company	30 September 2009 Ownership %	30 September 2009 Net book value	30 September 2008 Ownership %	30 September 2008 Net book value restated*	
OOO Serdix (restated)	18.3	357	18.3	1,076	*
Gyógynövény Kutató Intézet Zrt.	14.4	6	14.4	6	
Medimpex Italia S.R.L.	7.0	1	7.0	1	
Medimpex Japan Co. Ltd.	5.6	4	5.6	3	
Magyar Gyógyszer Zrt.	2.6	15	2.6	15	
Total		383		1,101	*

In 2009 and 2008 the investment in OOO Serdix was written down by HUF 690 million and HUF 296 million*, respectively.

15. TRADE AND OTHER PAYABLES

Trade and other payables as at 30 September 2009 and 2008 are the following:

	30 September 2009	30 September 2008
Trade payables	12,124	10,137
Salaries payable	867	750
Taxes and duties payable	2,058	1,719
Other short term liabilities	4,600	3,638
Total	19,649	16,244

The table below summarizes the maturity profile of the Group's trade payables based on contractual undiscounted payments:

	Total	On demand	Less than 3 months	Over 3 months
30 September 2009	12,124	586	11,274	264
30 September 2008	10,137	1,688	6,556	1,893

(All amounts in HUF million, unless otherwise stated)

16. PROVISIONS

As at 30 September 2009 and 2008 provisions are the following:

	Environ-mental	Litigations	Employee benefits	Payable to NHIF	Other	Total
Balance as at 30 September 2007	51	336	827	0	481	1,695
Provision made during the period	100	0	170	0	0	270
Provision used during the period	(51)	(13)	(155)	0	(213)	(432)
Increase / (decrease) in provision	49	(13)	15	0	(213)	(162)
Balance as at 30 September 2008	100	323	842	0	268	1,533
Provision made during the period	40	20	472	137	248	917
Provision used during the period	(63)	(11)	(145)	0	(128)	(347)
Increase / (decrease) in provision	(23)	9	327	137	120	570
Balance as at 30 September 2009	77	332	1,169	137	388	2,103

Provisions as at 30 September 2009 and 2008 classified as current liability (to be used or reversed within one year) and as non-current liability are as follows:

	Environ-mental	Litigations	Employee benefits	Payable to NHIF	Other	Total
Current provisions	60	274	150	0	268	752
Non-current provisions	40	49	692	0	0	781
Balance as at 30 September 2008	100	323	842	0	268	1,533
Current provisions	37	300	190	137	387	1,051
Non-current provisions	40	32	979	0	1	1,052
Balance as at 30 September 2009	77	332	1,169	137	388	2,103

Provision for environmental liabilities relates to the contamination of land at plants in Bökényföldi út and Mogyoród. The “Közép-Dunavölgyi Környezetvédelmi Felügyelőség” (Environmental Protection Agency ’EPA’) has obliged the Company to clean-up the land. The amount of the provision is based on the assumption that the contamination would be eliminated within three years. There have been no other decisions from environmental agencies requiring the Company to clean-up other sites.

A legal proceeding was commenced against EGIS Nyrt. in 2007 on the ground of EGIS breaching a Supply Agreement. Damages claimed by the plaintiff are fully provided for.

Calculations for provisions for long-term employee benefits are shown in Note 27.

(All amounts in HUF million, unless otherwise stated)

The Group has made a provision for amounts payable to NHIF on reimbursed products which had already been sold to wholesalers or pharmacies but not to the ultimate customers.

Other provisions contain the fees payable to the agents after the customers paid the related invoices in the amount of HUF 187 million and HUF 131 million as at 30 September 2009 and 2008, respectively.

17. LOANS AND BORROWINGS

Loans and borrowings represent an investment credit received by Medimpex to finance the construction of an office building in Budapest. The amount of the total credit facility as at 30 September 2009 and 2008 was EUR 12 million and the duration was 20 years. The interest rate was EURIBOR + 1.2% for both financial years. Short-term part of the loan is reported as financial liability amounting to HUF 111 million and HUF 95 million as at 30 September 2009 and 2008, respectively. Long-term part of the loan was HUF 3,029 million as at 30 September 2009 and was HUF 2,825 million as at 30 September 2008.

Borrowing cost was capitalised in 2008 as part of the cost of the office building in an amount of HUF 108 million.

The properties located at Lehel Street 11-15, Budapest are fully pledged as security for the investment credit.

The table below summarizes the maturity profile of the Group's trade payables based on contractual undiscounted payments:

	Total	Less than 1 year	2-5 years	Over 5 years
30 September 2009	3,140	111	476	2,553
30 September 2008	2,920	95	427	2,398

18. SHARE CAPITAL

Share capital as at 30 September 2009 and 2008 consists of 7,785,715 authorized, issued and fully paid dematerialized shares of registered value of 1 thousand HUF per share carrying equal ranking as at 30 September 2009 and 2008.

19. SHARE PREMIUM

Share premium disclosed as at 30 September 2009 and 2008 represents the difference between the consideration of USD 45,000 thousand received for additional 2,335,715 shares issued on 22 December 1993 from EBRD and the registered value of 1 thousand HUF per share calculated using the exchange rate at the date of the receipt of the funds.

(All amounts in HUF million, unless otherwise stated)

20. RETAINED EARNINGS

The distributable part of retained earnings of the Company in accordance with statutory financial statements as at 30 September 2009 and 2008 were HUF 112,257 million and HUF 99,353 million (out of the total retained earnings of HUF 121,556 million and HUF 108,523 million*), respectively. The management proposed a total dividend of HUF 934 million to be distributed from the profit of the year ended 30 September 2009. Both paid and proposed dividend per share as at 30 September 2009 and 2008 were HUF 120.

21. COSTS AND EXPENSES

Costs and expenses for the years ended 30 September 2009 and 2008 are as follows:

	Year ended 30 September 2009	Year ended 30 September 2008
Cost of sales	47,322	51,638
Administrative and distribution expenses	50,965	46,218
Other operating expenses	4,132	3,881
Total	102,419	101,737

Cost of sales for the years ended 30 September 2009 and 2008 includes direct material and labour costs as well as certain directly attributable production overheads.

Administrative and distribution expenses for the years ended 30 September 2009 and 2008 are the following:

	Year ended 30 September 2009	Year ended 30 September 2008
General selling costs	25,216	23,663
Research and developments expenses	10,060	8,960
Central administrative costs	7,322	6,004
Quality control	2,130	2,115
Plant administrative costs	1,182	1,090
Welfare costs	602	624
Environmental protection expenses	552	571
Impairment (Note10 and Note11)	94	106
Allowance for doubtful debtors (Note 5)	452	61
Net provision expenses / (income)	433	(144)
Other	2,922	3,168
Total	50,965	46,218

(All amounts in HUF million, unless otherwise stated)

Other operating expenses for the years ended 30 September 2009 and 2008 are as follows:

	Year ended 30 September 2009	Year ended 30 September 2008
Contribution to National Health Insurance Fund (incl. provision thereof)	1,841	2,018
Local municipal tax	1,499	1,301
Others	792	562
Total	4,132	3,881

The contribution payable to the National Health Insurance Fund (NHIF) is prescribed by Act XCVIII of 2006 (the so-called drug thrift law). As per law, authorized distributors of reimbursed pharmaceuticals shall pay 12% of subsidy granted by social insurance for their drugs to NHIF depending on their sales of reimbursed drugs in pharmacies (based on prescription turnover).

The calculation is based on the turnover statistics provided by NHIF before the 10th of the second following calendar month. This contains the pharmacy turnover in the relative month, the reimbursement requirement and the reimbursement in proportion to the producer's price.

Major titles to reimbursement:

- normative reimbursement (general title to reimbursement: 80, 55, 25%)
- augmented reimbursement (subject to health regulation, regularly higher than the normative reimbursement – "eü" 90, 70, 50% assigned to the points of indications published in the ministerial order)
- promoted reimbursement (100% reimbursement for a certain disease, subject to health regulation according to the prescribed limitations, higher than the normative one)

Data supplied by NHIF are checked by the Company, detected mistakes are corrected. Payment obligation is reduced by allowances offered in recognition of price reductions. Based on this, the company submits a declaration on the tax authority's form to the tax authority until 20th of the third calendar month following the given month and fulfils simultaneously its payment obligation (makes the declaration within 90 days following the relative month and settles payment).

12% payment obligation figuring in the statement of September 30, 2009 was calculated according to the following:

- actual payment obligation for the period October 2008 - June 2009
- preliminary obligation calculated for July and August 2009 by the company on the basis of NHI data supply
- the company's estimation for September 2009
- monthly average of the twelve-month payment obligation for the thirteenth month
- 20% retention which is the 20% of the 12% payment accounted for the January-September 2009 period and of the registration fee of medical representatives for the same period.

Calculation of local municipal tax is based on local statutory accounts as follows:

(All amounts in HUF million, unless otherwise stated)

	Year ended 30 September 2009	Year ended 30 September 2008
Net sales	110,080	98,846
less: income from royalties	(807)	(211)
less: material cost (adjusted)	(29,436)	(29,936)
less: cost of sales	(4,388)	(3,292)
less: mediated services	(516)	(356)
Tax base	74,933	65,051
Tax at applicable rate of 2 %	1,499	1,301

(All amounts in HUF million, unless otherwise stated)

The following costs and expenses are included in cost of sales, administrative and distribution and other operating expenses for the years ended 30 September 2009 and 2008:

	Year ended 30 September 2009	Year ended 30 September 2008
Material type costs	37,175	40,160
Payroll and related costs	25,207	24,020
Material type services	7,393	7,632
Representative offices	8,004	7,070
Depreciation and amortization	7,811	8,099
Hired labour	4,155	4,609
Other taxes	3,704	3,549
Licence fees	1,701	1,396
Commissions	355	499
Environment protection expenses	675	708
Patent and registration fees	1,774	1,173
Marketing	2,472	1,737
Net provision expenses / (income)	433	(144)
Subcontracted R&D services	525	552
Impairment (Note10 and Note11)	94	91
Allowance for doubtful debtors	452	61
Other	489	525
Total	102,419	101,737

Expenses incurred at representative offices can be further analysed as follows:

	Year ended 30 September 2009	Year ended 30 September 2008
Material type costs	628	656
Payroll and related costs	4,118	3,760
Material type services	3,258	2,654
Total	8,004	7,070

(All amounts in HUF million, unless otherwise stated)

22. INTEREST AND OTHER FINANCIAL INCOME

Interest and other financial income for the years ended 30 September 2009 and 2008 are the following:

	Year ended 30 September 2009	Year ended 30 September 2008
Foreign exchange gain, net	148	0
Interest income	1,718	1,041
Gain on derivative transactions	561	1,481
Gain on sale of investments	109	1,558
Other financial income	31	48
Total	2,567	4,128

23. INTEREST AND OTHER FINANCIAL EXPENSES

Interest and other financial expenses for the years ended 30 September 2009 and 2008 are the following:

	Year ended 30 September 2009	Year ended 30 September 2008 restated*	
Foreign exchange losses, net	0	265	
Loss on derivative transactions	1,580	439	
Interest expense	137	50	
Loss on sale of investments	10	0	
Other financial expense	708	339	*
Total	2,435	1,093	

(All amounts in HUF million, unless otherwise stated)

24. INCOME TAX EXPENSE AND DEFERRED TAX

Income tax expense for the years ended 30 September 2009 and 2008 are as follows:

	Year ended 30 September 2009	Year ended 30 September 2008
Current tax expense	728	831
Deferred tax expense / (income)	46	(139)
Total	774	692

Deferred tax assets and (liabilities) as of 30 September 2009 and 2008 are the following:

	Consolidated balance sheet		Consolidated income statement	
	Year ended 30 September 2009	Year ended 30 September 2008	2009	2008
Depreciation and amortization	(24)	128	(152)	63
Fair valuation of assets	(3)	(3)	0	10
Provision and accruals	333	245	88	(134)
Inventory provision	255	129	126	0
Allowance for doubtful receivables	30	16	14	(1)
Other	(8)	114	(122)	201
Total	583	629	(46)	139

While calculating the deferred tax we took into account that the corporate tax rate will increase from 16% to 19% and the 4% solidarity tax will cease to exist in Hungary from 1 January 2010. These changes caused an additional decrease in deferred tax assets while increased deferred tax expenses in the amount of HUF 85 million as at 30 September, 2009.

(All amounts in HUF million, unless otherwise stated)

A numerical reconciliation between tax expense and the accounting profit multiplied by the tax rate applicable as of the financial year started on 1 October 2009 and 1 October 2008 (20 %) was as follows:

	Year ended 30 September 2009	Year ended 30 September 2008 restated*	
Profit before tax per accompanying consolidated income statement	14,774	12,736	*
Tax at the applicable tax rate	2,955	2,547	*
Research and development expenses not taxable	(869)	(757)	
Local tax expenses not taxable	(240)	(208)	
Other differences not expected to reverse	(84)	(396)	*
Tax allowance	(1,073)	(494)	
Effect of changes of tax rates in Hungary	85	0	
Total income tax expense	774	692	

As of 1 October 2006 the Company is obliged to pay 4% of pre-tax profit as solidarity tax. At the same time the Company earned a tax allowance due to the development of its production facilities. The tax allowance amounts to HUF 2.2 billion in total, out of which the following amounts were utilized in the past years:

2008/2009	2007/2008	2006/2007	Total
914	421	357	1,692

The Company was entitled to further tax allowances based on the wages paid to employees in pharmaceutical and software development. The effect of the aforementioned factors has been taken into consideration in the calculation of deferred tax assets.

The Group has paid HUF 1,499 million and HUF 1,301 million local business taxes in the years ended 30 September 2009 and 2008, respectively. The amount is presented in Other operating expenses (Note 21).

25. BASIC AND DILUTED EARNINGS PER SHARE (EPS)

Basic earnings per share are calculated by dividing the net profit for the period attributable to ordinary shareholders (net profit for the period less dividends on preference shares classified as equity) by the weighted average number of ordinary shares outstanding the period. There were not any items in the years ended 30 September 2009 and 2008 that would dilute the earnings per share.

	Net profit for the year (HUF million)	Weighted average number of shares	Earnings per share (HUF)
Basic and diluted Earnings per share 2008, restated*	12,044	7,785,715	1,547
Basic and diluted Earnings per share 2009	14,000	7,785,715	1,798

(All amounts in HUF million, unless otherwise stated)

26. SEGMENT INFORMATION

Breakdown by business segments for the years ended 30 September 2009 and 2008 is as follows:

	Pharmaceutical manufacturing and sales		Pharmaceutical wholesale and retail		Eliminations		Consolidated	
	Year ended 30 September 2009	Year ended 30 September 2008	Year ended 30 September 2009	Year ended 30 September 2008	Year ended 30 September 2009	Year ended 30 September 2008	Year ended 30 September 2009	Year ended 30 September 2008
SALES								
External sales	88,533	79,558	26,778	29,634	0	0	115,311	109,192
Inter-segment sales	17,643	16,450	6,608	5,744	(24,251)	(22,194)	0	0
Total sales	106,176	96,008	33,386	35,378	(24,251)	(22,194)	115,311	109,192
RESULT								
Operating profit	13,073	8,474	1,148	563	68	(440)	14,289	8,597
Financial result	-	-	-	-	-	-	167	3,073*
Share of results of associated companies	0	0	318	1,066	0	0	318	1,066
Income tax expense	-	-	-	-	-	-	(774)	(692)
Net profit	-	-	-	-	-	-	14,000	12,044*
OTHER INFORMATION								
Investments accounted for using the equity method	6,107	6,106	8	8	0	0	6,115	6,114
Other segment assets	141,389	124,588*	20,415	16,630	(10,660)	(7,406)	151,144	133,812*
Total assets	147,496	130,694*	20,423	16,638	(10,660)	(7,406)	157,259	139,926*
Liabilities	19,886	14,916	13,523	11,938	(8,262)	(6,157)	25,147	20,697
Purchase of intangibles, property plant and equipment	13,499	11,110	571	2,270	0	0	14,070	13,680
Impairment	76	98	18	8	0	0	94	106
Depreciation and amortization	7,233	7,544	578	554	0	0	7,811	8,099

(All amounts in HUF million, unless otherwise stated)

Breakdown by geographical segments for the years ended 30 September 2009 and 2008 is as follows:

	Sales		Total assets		Purchase of intangibles, property plant and equipment	
	Year ended 30 September 2009	Year ended 30 September 2008	Year ended 30 September 2009	Year ended 30 September 2008	Year ended 30 September 2009	Year ended 30 September 2008
Hungary	31,666	34,756	142,225	128,551*	13,307	12,569
European Union	46,686	43,388	13,864	9,312	499	439
Other European countries	34,067	27,490	1,170	2,063	264	672
North-America and Japan	794	1,013	0	0	0	0
Others	2,098	2,545	0	0	0	0
Total	115,311	109,192	157,259	139,926*	14,070	13,680

27. EMPLOYEE BENEFITS

At the time of retirement the Company pays 10 or 12 months salary as a long-service benefit to its employees having a period of service at least 30 or 40 years, respectively.

Movements in the provision for employee benefits in the year ended 30 September 2009 and 2008 are the following:

	Year ended 30 September 2009	Year ended 30 September 2008
Opening balance as at 1 October	842	827
Current service cost	66	62
Interest cost	108	111
Recognised actuarial gains	(157)	(58)
Past service cost – non vested benefits	55	55
Benefits paid	(145)	(155)
Closing balance as at 30 September	769	842

Reconciliation of the present value of the obligation to the liability recognised in the balance sheet as at 30 September 2009 and 2008 is as follows:

	Year ended 30 September 2009	Year ended 30 September 2008
Provision recognised in the balance sheet	769	842
Past service cost not recognised in the balance sheet	650	705
Present value of the obligation	1,419	1,547

(All amounts in HUF million, unless otherwise stated)

Amounts charged to administration and distribution expenses for the years ended 30 September 2009 and 2008 are the following:

	Year ended 30 September 2009	Year ended 30 September 2008
Current service cost	66	62
Interest cost	108	111
Recognised actuarial gains	(157)	(58)
Past service cost – non vested benefits	55	55
Total expense	72	170

Assumptions applied in the calculation of provision for employee benefits for the years ended 30 September 2009 and 2008 are the following:

	30 September 2009	30 September 2008
Future service years	12.8	13.8
Discount rate	7.0%	7.0%
Fluctuation rate	5.3%	5.3%
Expected average wage increase	6.0%	6.0%

The cumulative amount of recognised actuarial losses as at 30 September 2009 and 2008 was HUF 207 million and HUF 50 million, respectively.

Additional service award is provided with the employees for achieving distinct period of service in the amount of HUF 400 million. This service award kicks in after 10 years of service with an amount of HUF 24 thousand per employee and increases to one-month salary after reaching 45 years of service.

(All amounts in HUF million, unless otherwise stated)

28. RELATED PARTY TRANSACTIONS

The Company has entered into transactions with its associates in the normal course of business on an arm's length basis. Pricing policy applied for related party transactions is same as for other parties.

Income from related parties for the years ended 30 September 2009 and 2008 are the following:

	Year ended 30 September 2009	Year ended 30 September 2008
Servier	16,718	15,034
Hungaropharma Zrt.	10,803	9,775
Anpharm	3,793	2,127
Medimpex West Indies	318	292
Total	31,632	27,228

The Company invoiced finished products and active pharmaceutical ingredients, marketing services and rental fee to related parties.

Related party costs for the years ended 30 September 2009 and 2008 are the following:

	Year ended 30 September 2009	Year ended 30 September 2008
Servier	295	315
Gyógyszeripari Ellenőrző és Fejlesztő Labor. Kft.	72	86
Recyclomed Kht.	47	29
EGIS UK	44	7
Anpharm	13	117
Medimpex West Indies	2	1
Total	473	555

Related party costs are typically fees for marketing, distribution, licensing and registration services.

(All amounts in HUF million, unless otherwise stated)

Purchases of inventories from related parties for the years ended as at 30 September 2009 and 2008 are the following:

	Year ended 30 September 2009	Year ended 30 September 2008
Servier and its subsidiaries	8,047	6,477
Hungaropharma Zrt.	6	18
Anpharm	5,855	4,824
Total	13,908	11,319

Related party receivables and payables as at 30 September 2009 and 2008 are the following:

	Receivables		Payables	
	30 Sept 2009	30 Sept 2008	30 Sept 2009	30 Sept 2008
Hungaropharma Zrt.	1,694	1,130	0	18
Servier	933	2,178	1,458	718
Anpharm	194	1,267	347	1,656
Medimpex West Indies	187	69	2	1
EGIS UK	0	24	0	0
Recyclomed Kht.	2	0	1	2
Gyógyszeripari Ell. és Fejl. Lab. Kft.	0	0	13	5
Total	3,010	4,668	1,821	2,400

Emoluments of and shares held by the members of the Board of Directors, Supervisory Board and Audit Committee as at 30 September 2009 and 2008 are the following:

	30 September 2009		30 September 2008	
	Emoluments	Number of shares	Emoluments	Number of shares
Board of Directors	22.8	2,010	21.7	2,010
Supervisory Board	30.4	260	28.9	260
Audit Committee	11.4	-	10.9	-
Total	64.6	2,270	61.5	2,270

No further benefits except emoluments disclosed in the table above were granted for the activity carried out by the members of the Board of Directors, the Supervisory Board and the Audit Committee.

(All amounts in HUF million, unless otherwise stated)

29. SERVICES PROVIDED BY ERNST & YOUNG COMPANIES

Services provided to the Group by Ernst & Young companies for the years ended as at 30 September 2009 and 2008 are the following:

	Year ended 30 September 2009	Year ended 30 September 2008
Audit fees (Statutory, IFRS separate and IFRS consolidated Financial Statements)	24	22
Transfer price review	1	0
Corporate tax allowance review	6	0
IFRS training	6	0
Total	37	22

30. COMMITMENTS AND CONTINGENT LIABILITIES

Guarantee

Guarantees granted and received by the Group as at 30 September 2009 and 2008 are the following:

	Year ended 30 September 2009	Year ended 30 September 2008
Guarantees granted	564	366
Guarantees received	3,666	2,381

Guarantees are mainly granted to the Customs Authority, while guarantees received represent payment guarantees and good-performance guarantees.

Capital commitments

Capital commitments of the Company as at 30 September 2009 and 2008 are HUF 3,315 million and HUF 1,320 million, respectively.

Mortgages

The properties located at Lehel út 11-15 are fully pledged as security for the investment credit received by Medimpex to finance the construction of an office building on the site.

(All amounts in HUF million, unless otherwise stated)

31. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial liabilities comprise bank loans and trade payables. The main purpose of financial liabilities is to raise finance for the Group's operations. The Group has various financial assets such as trade receivables and cash and short-term deposits, which arise directly from its operations.

The Group also enters into derivative transactions such as forward currency contracts. The purpose is to manage the currency risk arising from the Group's operations and its sources of finance.

The main risks arising from the Group's financial instruments are liquidity risk, foreign currency risk and credit risk. The Board of Directors reviews and agrees policies for managing each of these risks, which are summarized below.

Foreign currency risk

The following table demonstrates the sensitivity to a reasonably possible change in the HUF/USD exchange rate, with all other variables held constant, of the Group's operating profit.

	Decrease in US dollar rate	Operating Profit decreased by
2008	1%	170-200
2009	1%	210-230

Revaluation of foreign currency monetary balances into Hungarian Forints at year end were conducted using the following rates:

	30 September 2009	30 September 2008
BGN	138.23	124.32
CHF	179.16	154.01
CZK	10.73	9.83
DKK	36.32	32.59
EUR	270.36	243.17
GBP	297.29	305.94
JPY (100 unit)	206.49	160.99
NOK	31.81	29.31
PLN	64.04	71.42
RON	64.46	65.06
RUB	6.16	6.66
SEK	26.45	24.85
SKK	n/a	8.02
TRY	124.49	133.48
USD	184.79	169.15

Credit risk

The Group's financial instruments that are exposed to credit risk consist primarily of short-term investments and trade receivables.

The Group has a very strict credit verification procedure and furthermore, receivable balances are monitored on a monthly basis with the result that the Group's exposure to bad debts is not significant. Debtors are assessed individually, the maximum exposure is disclosed in Note 5.

With respect to credit risk arising from other financial assets of the Group, which comprise cash and cash equivalents, held-for-trading and available for sale financial investments, the Group exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments.

For ageing analysis of trade receivables and trade payables please refer to Notes 5 and 15, respectively.

Liquidity risk

The Group's essential objective of liquidity risk management is to have ready access to cash resources sufficient to meet all its cash payment obligations as they fall due, allowing some flexibility. The cash resources consist of cash instruments, marketable securities and available committed credit facilities.

The Group is particularly focusing on the liquidity profile within the time horizon of the next 12 months considering projected cash flow from operations and maturity structure of both debt obligations and financial investments. The balance between funding continuity and flexibility is managed through maintaining the possible use of bank overdrafts or bilateral credit lines.

(All amounts in HUF million, unless otherwise stated)

Capital management

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximise shareholder value.

	30 September 2009	30 September 2008
Financial liability and borrowings	3,140	2,920
Trade and other payables	19,649	16,244
Less Cash and cash equivalents	(23,072)	(4,738)
Net debts	(283)	14,426
Equity	132,112	119,229*
Equity and net debt	131,829	133,655*
Gearing ratio	**(0.21%)**	**10.79%***

(All amounts in HUF million, unless otherwise stated)

32. OTHER FINANCIAL INSTRUMENTS

EGIS Nyrt. is heavily exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the US dollar. In order to mitigate the foreign exchange risk, the Group entered into a forward USD sale and option contract.

The following contract was valid as at 30 September 2009:

Maturity date of 30 October 2009

USD	1,000 thousand	collar option	Lower strike price:	222.00 HUF
			Higher strike price:	235.00 HUF

Unrealised profit/(loss) on open contracts as at 30 September 2009 and 2008 was HUF 36 million and HUF (234) million, respectively and was recorded in the consolidated income for the year then ended.

33. APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

The accompanying consolidated financial statements were approved by the Board of Directors of EGIS Nyrt. on 15 December 2009. The Annual General Meeting has the ultimate power to change this approval.

Budapest, 15 December 2009

Representative of the Company

EGIS Pharmaceuticals PLC

ANNUAL CONSOLIDATED REPORT 2008/2009
IN ACCORDANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)

3. BUSINESS REPORT

Budapest, January 27, 2010

CONSOLIDATED BUSINESS REPORT

on the performance of EGIS PLC in 2008/2009 according to International Financial Reporting Standards (IFRS)

1. Subsidiaries of EGIS PLC

Subsidiaries of EGIS PLC figuring in the consolidated report form two groups. One of the groups comprises the trading companies located in Eastern Europe. The basic task of these subsidiaries is to support marketing of EGIS products as well as to organize their local distribution.

The main features of the activity of these subsidiaries are as follows:

EGIS Praha spol. s r.o., Czech Republic

The trading company was established in 1995 with the aim of carrying out marketing activity (product marketing and visits to physicians by medical representatives) to support EGIS sales in the Czech Republic, as well as of developing market positions.

EGIS Slovakia spol. s r.o., Slovakia

The trading company was established in 1996 for marketing activity (product marketing and visits to physicians by medical representatives) in order to assist EGIS sales in Slovakia as well as for distribution activity.

EGIS Polska Sp. z o.o., Poland

EGIS established the company in 1995 to perform the promotion of EGIS products and the products taken over from ANPHARM.

EGIS Polska Dystrybucja Sp. z o.o., Poland

The company was established in September 2005 for the local distribution of EGIS products and the products taken over from ANPHARM.

EGIS Rompharma S.R.L., Romania

EGIS established the company in 2006 to perform the local distribution of EGIS products.

EGIS Bulgaria EOOD, Bulgaria

The company was founded in 2006 for the distribution of EGIS products in Bulgaria.

EGIS Ilaclari Limited Sirketi, Turkey

Established in 2005, the company serves for marketing and distribution of EGIS products. The business activity began in 2007/2008.

The above trading subsidiaries have completed their 2008/2009 tasks and they have been managed in compliance with the targets.

Medimpex Pte. Ltd. and other firms formerly related thereto in Hungary and abroad comprise the other group of consolidated subsidiaries. These carry out independent business activity including certain services rendered to EGIS PLC.

Medimpex Trading Pte. Co. Ltd., Hungary

The former foreign trading company, specialized in the exports of Hungarian pharmaceutical products, was acquired by EGIS in 1996.

The business activity of the company was entirely separated from EGIS in 2000, and focused on its own exports and imports. Its turnover and profit practically appear as pure surplus in the consolidated results.

Medimpex UK, Great Britain

The company is covering the local sale of bulk chemicals and finished pharmaceuticals which are produced in Hungary.
The company has played an important role for a long time in the introduction of EGIS products to the UK market.
50% of its shares were taken over by EGIS from Medimpex Pte. Ltd. in September 2001.

Its 50% stake was sold by EGIS PLC with the effect from October 5, 2009, so next year the company no longer belongs to the Group.

Medimpex Real Estate Managing LLC, Hungary

The company seceded from Medimpex Pte. Ltd., and its function is to manage the utilization of an office building.
50% stake in the company was taken over by EGIS from Medimpex Pte. Ltd. in September 2001.

2008/2009 activity of the subsidiaries belonging to this group is also considered by EGIS PLC as successful.

Key Figures of the Consolidated Companies as at September 30, 2009 (HUF mn)

	EGIS PLC	EGIS Polska	EGIS Polska Dystrybuc.	EGIS Praha	EGIS Slovakia	EGIS Rom-pharma	EGIS Bulgaria	EGIS Ilaclari Limited	Medimpex Pte. Ltd..	Medimpex Real Estate	Medimpex UK Ltd.
Domestic sales	29 769	0	0	0	0	0	0	0	1 875	348	0
Export sales	76 533	3 698	13 507	1 332	5 312	3 527	1 315	1 054	263	0	2 653
Sales	106 302	3 698	13 507	1 332	5 312	3 527	1 315	1 054	2 138	348	2 653
Cost of sales	42 105	0	11 489	0	3 992	3 101	1 275	570	1 227	47	2 448
Gross profit	64 197	3 698	2 018	1 332	1 320	426	40	484	911	301	205
General selling costs	24 795	2 695	746	1 099	1 020	90	38	1 119	472	2	231
Research and development expenses	9 957	103	0	0	0	0	0	0	0	0	0
Administrative costs	13 633	797	0	239	210	0	0	315	117	90	0
Other operating expenses	3 944	14	75	16	8	5	1	0	63	16	0
Other operating income	1 204	30	-1	23	16	0	0	4	3	2	0
Operating profit	13 072	119	1 196	1	98	331	1	-946	262	195	-26
Profit from financing activities	570	18	-79	3	2	-342	1	33	-445	15	13
Profit before taxation	13 642	137	1 117	4	100	-11	2	-913	-183	210	-13
Taxation	512	36	220	0	37	0	0	-10	15	26	0
Net profit	13 130	101	897	4	63	-11	2	-903	-198	184	-13
Share capital	7 786	1 226	642	797	705	1	1	2 536	598	606	81
EGIS ownership %		100%	100%	100%	100%	100%	100%	100%	100%	50%	50%
Equity	127 610	1 119	2 157	312	817	-7	9	753	1 252	652	301

Figures represent the total results of the companies.

2. Consolidated Sales Revenue and Profit of EGIS PLC

Similarly to the business report of EGIS PLC, in compliance with the Company's financial year, this consolidated business report covers the period from October 1, 2008 to September 30, 2009. Figures are compared to the results of the period between October 1, 2007 and September 30, 2008.

Due to the small size of satellite firms compared to the parent company and owing to the type of activities, EGIS PLC's performance continued to have a dominant role in the consolidated results also in 2008/2009.

Net Sales

Consolidated sales of EGIS Group as at September 30, 2009 amounted to HUF 115,311mn. This is higher by 6% y/y. Within this, domestic sales totalled HUF 31,403mn with a decrease of 10%, primarily due to the fact that in 2007/08, still HUF 3,709mn derived from the turnover of Medimpex Pharmaceuticals Wholesale Trading Pte. Co. Ltd. sold since then. Sales outside Hungary grew to HUF 83,908mn, 13% higher compared to the year-earlier base figure.

92% of 2008/2009 consolidated sales revenue (88% in 2007/08) was directly generated by EGIS PLC, while the rest came from dealings of consolidated companies with partners outside the Group.

In addition to EGIS PLC, considerable independent sales were achieved by Medimpex Pte. Ltd., Medimpex UK, and among the subsidiaries in Eastern Europe by EGIS Polska Dystrybucja and EGIS Ilaclari Sirketi.

Expenditures

Cost of sales went down 8%, highly affected, like sales revenue, by the fact that three-month turnover of Medimpex Pharmaceuticals Wholesale Trading Pte. Co. Ltd. (representing high cost ratio) was taken into account. In total, prime cost composed 41% of sales revenue. Cost ratio moved down 6 percentage points compared to the 2007/2008 figure.
There was an aggregate increase of 10% in administration and selling costs, their ratio to sales revenue showed 44%.
General selling costs grew 7%, research and development expenses expanded 12% while there was a 15% rise in administration costs.

Other Operating Income and Other Operating Expenses

Consolidated other operating income totalled HUF 1,397mn, going up 22% y/y. Other operating expenses moved up 7% and came to HUF 4,132 mn. Thus aggregate balance of such items (HUF -2,735mn) is almost equal to the comparative figure.

Operating Profit

Operating profit of EGIS PLC and the consolidated companies as at September 30, 2009 accounted for HUF 14,289mn reflecting a 66% rise y/y. The proportion of operating profit to net sales revenue was 12% which is better than the 2007/2008 figure by 4 percentage points.
Increase in profit is mainly attributable to the development of international sales and to the improving cost ratio.

Pretax Profit

Aggregate consolidated profit on financial transactions shows a gain of HUF 167mn in 2008/2009.
Share of results from associated companies of significant holding amounted to HUF 318mn profit.

The highest contribution to this profit was performed by the Hungarian medicine wholesaler Hungaropharma Pte. Co. Ltd.

In total, the consolidated pretax profit of the EGIS Group as at September 30, 2009 accounted for HUF 14,774mn, 16% higher than the year-earlier base figure.

(EGIS reached individually a pretax profit of HUF 13,642mn, lagging behind the comparative profit by 6%.)

Profit after Tax

The companies of EGIS Group pay corporate tax according to the general regulations in force in the individual countries. Owing to its considerable investments, EGIS PLC has been qualified for corporate tax allowance.
In total, the corporate tax and deferred tax of the Group came to HUF 774mn in 2008/2009.

Thus, in 2008/09, consolidated profit after tax of EGIS Group totalled HUF 14,000mn, with a rise of 16% y/y.

3. Consolidated Balance Sheet of EGIS PLC

Assets

Total consolidated assets of EGIS PLC and its subsidiaries as at September 30, 2009 amounted to HUF 157,259mn. This exceeds the 2007/08 value by 12%. Out of the total assets, EGIS represents 93.8% while the remaining 6.2% come from the assets of the consolidated subsidiaries.

Among the main items of assets, intangible assets were up 11%. Value of tangible assets rose also 11%. At the same time, value of equity investments went down 10% (due to the temporary equity loss of the Russian subsidiary SERDIX). Assets of disposal groups held-for-sale are associated mainly with Medimpex UK.
Value of inventories rose 13%, value of receivables moderated 2% while aggregate value of liquid assets and short-term financial investments moved up 41% compared to the previous business year.

Equity and Liabilities

Equity of EGIS PLC and its consolidated subsidiaries as at September 30, 2009 totalled HUF 132,112mn. This figure exceeds the previous year's value by HUF 12,883mn or 11%. The consolidated value is higher by HUF 4,502mn than the equity appearing in EGIS's stand-alone balance sheet.

Non-current loans occurred at MEDIMPEX Trading Pte. Co. Ltd. for financing the construction of an office building.
Provisions figuring among non-current liabilities amounted to HUF 1,052mn at the end of the business year, 35% more than a year ago.

Current liabilities total HUF 20,811mn with a rise of 22% over the financial year.

Financial position of the EGIS Group continues to be very strong. Equity as at September 30, 2009 covered 84% of the total amount of equity and liabilities of the consolidated Group.

Changes in the main financial indices are indicated in the following table:

Main Financial Indices of the EGIS Group in the Period between October 1, 2008 and September 30, 2009

I n d e x		**Oct 1, 2007 – Sept 30, 2008**	**Oct 1, 2008 – Sept 30, 2009**
Operating profit / Net sales	%	7.9	12.4
Pretax profit / Net sales	%	11.7 *	12.8
Cash / Current liabilities	%	108.1	123.3
Liquidity ratio	%	446.0	419.2
Debt ratio	%	2.1 *	2.0
Ratio of liabilities	%	14.8 *	16.0

* restated