



Egis Pharmaceuticals Public Limited Company

ANNUAL REPORT 2011/2012

Budapest, January 30, 2013

Egis Pharmaceuticals PLC

Egis Pharmaceuticals PLC
H-1106 Budapest, Keresztúri út 30-38.
Postal address: H-1475 Budapest 10 P.O. Box 100
Phone: +36-1-803-5555, Fax: +36-1-803-5529
Metropolitan Court of Budapest: 01-10-041762



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I.

Flash report



CONSOLIDATED REPORT

on the performance of the Egis Group in 2011/2012
according to International Financial Reporting Standards (IFRS)

SUMMARY

Key Financial Figures of Egis Group		2010/2011 business year	2011/2012 business year	Index %
Net sales	HUFm	128 939	132 825	103
out of which				
domestic	HUFm	34 871	31 357	90
export	HUFm	94 068	101 468	108
	EURm	345.5	345.6	100
Operating profit	HUFm	16 302	20 436	125
Net profit	HUFm	13 585	18 531	136
Earnings per share	HUF	1 745	2 380	136
Capital expenditure	HUFm	15 366	15 263	99
R&D expenditure	HUFm	11 614	12 115	104
Staff*	person	3 915	3 977	102
Invested assets*	HUFm	78 503	82 248	105
Cash and cas equivalents*	HUFm	35 557	45 929	129
Equity*	HUFm	161 639	179 490	111

*Closing figure at the end of the period

The strategic goal of the Egis Group is to persistently strengthen competitiveness, to continuously increase sales revenue, to achieve high profit and to enhance efficiency of operation.

The results of the 2011/2012 financial year were pleasing. The targets set for the financial year 2011/2012 have been achieved by the Group despite the adverse business conditions and the negative government measures continuing to prevail.



The domestic turnover reflecting a decline due to the introduction of the new six-month cycle price and reimbursement system at the beginning of the business year (the so called blind bidding process) could be offset by the rise in the forint value of exports, amounting to three quarters of sales revenue. Gross profit improved significantly, the margin improved. Rise in operating expenditures remained moderate. The Group's profits grew significantly, the strong equity position kept expanding. The Company continued to provide sufficient resources to engage in the renewal of the product portfolio and in the development of the operation.

In the business year 2011/2012, the Egis Group achieved net sales of HUF 132,825 million, 3% more than a year ago. 76% of sales revenue derived from exports while 24% from domestic sales. The Company launched 7 new products in its markets.

Domestic sales revenue totalled HUF 31,357 million during the business year. This fell short by 10% of last year's figure.

In FY 2011/2012, amidst the forced price reductions of generic drugs owing to the blind bidding processes, the Company ranked the seventh largest supplier in the domestic drug market. Its value market share moved down 0.5% point y/y amounting to 4.9%. Among the generic medicine producers the Company kept its No. 3 ranking. Regarding the quantity of pharmaceuticals sold, Egis Pharmaceuticals PLC was the third biggest supplier in Hungary with a market share of 9.5%.

By their surtax payments, drug producers continued to take significant part in covering Hungarian drug-reimbursement. At the same time, it was advantageous for the Company to have the possibility to make deductions from the payment obligations on the basis of its domestic R&D spending in the FY 2011/2012.

Forint value of total international sales exceeded HUF 100 billion for the first time in the Group's history, adding up to HUF 101,468 million. This indicates an increase of 8% on the previous year.

There has been an aggregate boost of sales revenue amounting to 7% in Russia and other CIS countries, while in Eastern Europe sales revenue saw a moderation of 9% in total, mostly as a consequence of the turnover relapse in Poland and owing to the weakening of Eastern-European local currencies vs euro. Sales realised in the rest of the world moved up 2.5% y/y.

Exports came to EUR 345.6 million, the same value in EUR terms as the year before.

Gross margin accounted for 57.0%, moving up 1.1 percentage points compared to 2010/2011.

General operating costs grew 3%.



The Group's operating profit accounted for HUF 20,436 million, exceeding the comparative figure by 25%. Operating profit accounted for 15.4% of sales revenue, this ratio means a development of 2.7 percentage points y/y.

The financial result came to HUF 976 million while the share of results of associated companies showed a value of minus HUF 1,124 million over the year.

Thus, pre-tax profit of the Egis Group in the 2011/2012 business year totalled HUF 20,288 million, 29% more than a year ago.

The Group's equity amounted to HUF 179,490 million at the end of the fiscal year, 11% higher than the year before. Equity per share value rose to HUF 23,054.

The Group continued to pay high attention to strict resource management also in 2011/2012.

Financial position of the Group further strengthened, aggregated value of cash and cash equivalents available at the end of the business year amounted to HUF 45,929 million. This shows a 29% growth compared to preceding year's closing reserve.

The Egis Group continued the programs promoting the development of the operation and the long-term improvement of its efficiency.

In February 2010, the Company has concluded a contract of great business importance with Celltrion (South Korea) for marketing 8 biosimilar products in the strategic markets of Egis. Under the general contract also the product supply agreements have been signed for the first two products. In the 2011/2012 business year the Company effected advance payments at a value of USD 3.2 million which will be deducted on delivery of the products.

The strategic co-operation of Servier and Egis substantially contributed also in this business year to boost the Group's results, realising 20% of Egis Group's sales revenue as value of this cooperation.

II.

Annual consolidated report 2011/2012
in accordance with International Financial Reporting Standards (IFRS)

1. Auditor's report

This is a translation of the Hungarian Report

Independent Auditors' Report

To the Shareholders of Egis Pharmaceuticals Public Limited Company

Report on consolidated financial statements

1.) We have audited the accompanying 2012 consolidated financial statements of Egis Pharmaceuticals Public Limited Company ("the Company"), which comprise the consolidated balance sheet as at 30 September 2012 - showing a balance sheet total of HUF 208,238 million and a profit for the year of HUF 18,531 million -, the related consolidated statement of comprehensive income, consolidated statement of changes in equity, consolidated statement of cash flows for the year then ended and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements

2.) Management is responsible for the preparation and presentation of consolidated financial statements that give a true and fair view in accordance with the International Financial Reporting Standards as adopted by EU, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

3.) Our responsibility is to express an opinion on these consolidated financial statements based on our audit. 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 about whether the consolidated financial statements are free from material misstatement.

4.) 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 of consolidated financial statements that give a true and fair view 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.

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

Opinion

6.) We have audited the elements of and disclosures in the consolidated financial statements, along with underlying records and supporting documentation, of Egis Pharmaceuticals Public Limited Company in accordance with Hungarian National Auditing Standards and have gained sufficient and appropriate evidence that the consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards as adopted by EU. In our opinion the consolidated financial statements give a true and fair view of the equity and financial position of Egis Pharmaceuticals Public Limited Company as at 30 September 2012 and of the results of its operations for the year then ended.

Other reporting requirement - The consolidated business report

7.) We have reviewed the consolidated business report of Egis Pharmaceuticals Public Limited Company for 2012. Management is responsible for the preparation of the consolidated business report in accordance with the Hungarian legal requirements. Our responsibility is to assess whether the consolidated business report is consistent with the consolidated financial statements for the same financial year. Our work regarding the consolidated business report has been restricted to assessing whether the consolidated business report is consistent with the consolidated financial statements and did not include reviewing other information originated from non-audited financial records. In our opinion, the consolidated business report of Egis Pharmaceuticals Public Limited Company for 2012 corresponds to the disclosures in the 2012 consolidated financial statements of Egis Pharmaceuticals Public Limited Company.

Budapest, 4 December 2012

(The original Hungarian language version has been signed.)

Bartha Zsuzsanna
Ernst & Young Kft.
Registration No. 001165

Bartha Zsuzsanna
Registered auditor
Chamber membership No.: 005268

II.

Annual consolidated report 2011/2012
in accordance with International Financial Reporting Standards (IFRS)

2. Financial statements and notes



Egis Pharmaceuticals PLC and its subsidiaries and jointly controlled enterprise ("Egis Group")

Consolidated financial statements for the year ended 30 September 2012 prepared in accordance with International Financial Reporting Standards adopted by EU together with the Independent Auditor's report

Egis Pharmaceuticals PLC
Consolidated balance sheet
as at 30 September 2012
in accordance with International Financial Reporting Standards
(All amounts in HUF million)

	Notes	30 September 2012	30 September 2011 Reclassified
ASSETS			
<i>Current assets</i>			
Cash and cash equivalents	4	45,929	35,557 *
Net trade receivables and other current assets	5	45,849	40,393
Income tax receivable		176	158
Inventories	6	33,788	35,836
Other current financial assets	7	248	273 *
		125,990	112,217
<i>Non-current assets</i>			
Intangible assets	8	4,136	4,101
Property, plant and equipment	9	73,931	69,347
Investment properties	10	642	314
Investments in associates	11	2,569	3,719
Other non-current financial assets	7	585	570
Deferred tax asset	20	385	452
		82,248	78,503
TOTAL ASSETS		208,238	190,720
LIABILITIES AND SHAREHOLDERS' EQUITY			
<i>Current liabilities</i>			
Trade and other payables	12	23,092	22,523
Income tax payables		40	78
Other current financial liabilities	7	349	159
Provisions	13	1,497	2,060
		24,978	24,820
<i>Non-current liabilities</i>			
Other non-current financial liabilities	7	2,559	3,017
Provisions	13	1,208	1,244
Deferred tax liability	20	3	0
		3,770	4,261
<i>Shareholders' equity</i>			
Share capital	14	7,786	7,786
Share premium	15	2,239	2,239
Fair valuation reserve		20	15
Translation difference		1,147	898
Retained earnings	16	168,298	150,701
		179,490	161,639
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		208,238	190,720

Budapest, 4 December 2012

Representative of the Company

*Certain numbers shown here do not correspond to the 2011 financial statements and reflect adjustments made as detailed in Note 2.2.

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

Egis Pharmaceuticals PLC
Consolidated statement of comprehensive income
for the year ended 30 September 2012
in accordance with International Financial Reporting Standards
(All amounts in HUF million)

	Notes	Year ended 30 September 2012	Year ended 30 September 2011 Reclassified
Domestic sales		31,357	34,871
Export sales		101,468	94,068
Sales		132,825	128,939
Cost of sales	17	(57,157)	(56,833)
Gross profit		75,668	72,106
General selling costs		(32,293)	(30,583) *
Research and development expenses		(12,115)	(11,614)
Administrative costs		(10,022)	(10,825)
Administrative and distribution expenses	17	(54,430)	(53,022) *
Other operating expenses	17	(1,993)	(4,027) *
Other operating income		1,191	1,245
Operating profit		20,436	16,302
Finance income	18	2,158	1,783
Finance costs	19	(1,182)	(208)
Dividends received		0	37
Profit from financial activities		976	1,612
Share of results of associated companies	11	(1,124)	(2,238)
Profit before tax		20,288	15,676
Income tax expense	20	(1,757)	(2,091)
Profit for the year		18,531	13,585
Exchange differences on translation of foreign operations		249	(123)
Change in the fair value of available-for-sale financial assets	7	5	(12)
Income tax effect	20	0	1
Other comprehensive income for the year		254	(134)
Total comprehensive income for the year		18,785	13,451
Average number of shares outstanding		7,785,715	7,785,715
Basic and diluted earnings per share (HUF)	21	2,380	1,745

Budapest, 4 December 2012

Representative of the Company

*Certain numbers shown here do not correspond to the 2011 financial statements and reflect adjustments made as detailed in Note 2.2.

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

Egis Pharmaceuticals PLC
Consolidated statement of cash flows
for the year ended 30 September 2012
in accordance with International Financial Reporting Standards
(All amounts in HUF million)

	Notes	Year ended 30 September 2012	Year ended 30 September 2011 Reclassified
OPERATING ACTIVITIES			
Profit before tax		20,288	15,676
Non-cash adjustment to reconcile profit before tax to net cash flows			
Depreciation and amortization	17	10,100	9,307
Impairment	17	132	58
Net interest income		(1,929)	(1,463)
Dividends income		0	(37)
Profit on disposal of fixed assets		(253)	(179)
Unrealised foreign exchange loss		150	45
Fair valuation of financial instruments		(41)	270
(Decrease) / increase in provisions	13	(599)	850
Discounting long-term employee loans		(3)	5
Share of results of associated companies		1,150	2,270
		28,995	26,802
Working capital adjustments			
Decrease in inventories		2,048	2,932
Increase in net trade receivables and other current assets		(5,473)	(5,581)
Increase in trade and other payables		531	2,845
		(2,894)	196
Net tax paid		(1,688)	(1,971)
Net cash flows from operating activities		24,413	25,027

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

Egis Pharmaceuticals PLC
Consolidated statement of cash flows
for the year ended 30 September 2012
in accordance with International Financial Reporting Standards
(All amounts in HUF million)

	Notes	Year ended 30 September 2012	Year ended 30 September 2011 Reclassified
INVESTING ACTIVITIES			
Purchase of intangibles, property, plant and equipment		(15,263)	(15,366)
Proceeds from sale of intangibles, property plant and equipment		352	295
Interest received	18	1,975	1,546
Dividends received		0	37
Proceeds from sale of securities		0	55
Loans given		(44)	(82)
Repayment of loans given		59	46
Net cash used in investing activities		(12,921)	(13,469)
FINANCING ACTIVITIES			
Repayment of borrowings		(159)	(224)
Proceeds from borrowings		19	35
Interest paid	19	(46)	(83)
Dividends paid		(934)	(934)
Net cash used in financing activities		(1,120)	(1,206)
Net change in cash and cash equivalents		10,372	10,352
Cash and cash equivalents at the beginning of period	4	35,557	25,205
Cash and cash equivalents at the end of period	4	45,929	35,557

Budapest, 4 December 2012

Representative of the Company

*Certain numbers shown here do not correspond to the 2011 financial statements and reflect adjustments made as detailed in Note 2.2.

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

Egis Pharmaceuticals PLC
Consolidated statement of changes in equity
for the year ended 30 September 2012
in accordance with International Financial Reporting Standards
 (All amounts in HUF million)

	Share capital	Share premium	Translation difference	Fair value reserve	Retained earnings	Total
Note	14	15			16	
As at 30 September 2010	7,786	2,239	1,021	26	138,050	149,122
Net profit for the year	0	0	0	0	13,585	13,585
Other comprehensive income	0	0	(123)	(11)	0	(134)
Dividends	0	0	0	0	(934)	(934)
As at 30 September 2011	7,786	2,239	898	15	150,701	161,639
Net profit for the year	0	0	0	0	18,531	18,531
Other comprehensive income	0	0	249	5	0	254
Dividends	0	0	0	0	(934)	(934)
As at 30 September 2012	7,786	2,239	1,147	20	168,298	179,490

Budapest, 4 December 2012

 Representative of the Company

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

Egis Pharmaceuticals PLC
Notes to the consolidated financial statements
for the year ended 30 September 2012
in accordance with International Financial Reporting Standards
(All amounts in HUF million, unless otherwise stated)

1. BACKGROUND AND BASIS OF PRESENTATION

1.1. Basis of presentation

The accompanying consolidated financial statements of Egis Pharmaceuticals PLC (“Egis Group” or “the Group”) for the years ended 30 September 2012 and 2011 have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as endorsed by EU and include the accounts of Egis Pharmaceuticals PLC (“the Company”) consolidated with its subsidiaries and jointly controlled enterprise listed below:

	Country	% held	
		30 Sept. 2012	30 Sept. 2011
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 %
Egis UK Ltd.	Great Britain	100 %	100 %
OOO Egis RUS	Russia	100 %	100 %
Medimpex Irodaház Ingatlankezelő Kft.	Hungary	50 %	50 %

Ownership rights equal to voting rights in all cases.

The selected financial data of jointly controlled enterprise, which represents the portion consolidated in the accompanying consolidated financial statements for the years ended 30 September 2012 and 2011 are the following:

	30 September 2012	30 September 2011
Current assets	7	20
Non-current assets	746	668
Current liabilities	33	66
Non-current liabilities	37	0
Sales and income	153	201
Expenses	93	69

Egis Pharmaceuticals PLC
Notes to the consolidated financial statements
for the year ended 30 September 2012
in accordance with International Financial Reporting Standards
(All amounts in HUF million, unless otherwise stated)

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

	Country	% held	
		30 Sept. 2012	30 Sept. 2011
Medimpex Jamaica Ltd.	Jamaica	40.0 %	40.0 %
Medimpex West Indies Ltd.	Jamaica	40.0 %	40.0 %
Recyclomed Nonprofit Közhasznú Kft.	Hungary	36.0 %	36.0 %
Gyógyszeripari Ellenőrző és Fejlesztő Laboratórium Kft.	Hungary	34.0 %	34.0 %
Hungaropharma Gyógyszerkereskedelmi Zrt.	Hungary	30.7 %	30.7 %

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

		Assets	Liabilities	Sales and income (*)	Net profit (*)
Medimpex Jamaica Ltd.	30 Sept. 2012	961	852	2,863	42
	30 Sept. 2011	822	750	2,313	18
Medimpex West Indies Ltd.	30 Sept. 2012	2,108	308	2,487	337
	30 Sept. 2011	1,775	285	1,835	249
Recyclomed Nonprofit Közhasznú Kft.	30 Sept. 2012	64	4	203	5
	30 Sept. 2011	68	13	205	0
Gyógyszeripari Ellenőrző és Fejlesztő Laboratórium Kft.	30 Sept. 2012	498	30	516	53
	30 Sept. 2011	497	24	493	53
Hungaropharma Gyógyszerkereskedelmi Zrt.	30 Sept. 2012	58,580	49,973	238,345	(6,448)
	30 Sept. 2011	67,092	51,522	260,012	(805)

(*) Sales and income and net profit are disclosed for twelve months ended 30 September 2012 and 2011.

1.2. Background of the Group

The predecessor of Egis Pharmaceuticals PLC (the “Company”) 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.

Egis Pharmaceuticals PLC
Notes to the consolidated financial statements
for the year ended 30 September 2012
in accordance with International Financial Reporting Standards
(All amounts in HUF million, unless otherwise stated)

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 Pharmaceuticals PLC 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 Pharmaceuticals PLC 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 Pharmaceuticals PLC established Egis Bulgaria EOOD ("Egis Bulgaria") in 2006 to distribute its products in Bulgaria.

Egis UK Ltd. ("Egis UK") is a wholly-owned subsidiary of Egis PLC, established in 1999. The principal activity of Egis UK is to promote the registration of Egis' pharmaceuticals on the UK market.

OOO Egis RUS ("Egis RUS") is a company founded in 2007 to ensure the presence of the Group in the Russian market. Egis RUS is a dormant company without any business activity.

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

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 2012	30 September 2011
ATP (Servier)	50.91%	50.91%
Others	49.09%	49.09%
Total	100.00%	100.00%

2. CHANGES IN ACCOUNTING POLICY

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

2.1. New and amended IFRS and IFRIC interpretations

The Group has adopted the following new and amended IFRS and IFRIC interpretations as of 1 October 2011:

- IAS 24 Related party disclosures (Amendment)
- IFRS 7 Financial Instruments: Disclosures — Enhanced Derecognition Disclosure Requirements
- IFRIC 14 Prepayments of Minimum Funding Requirements (Amendments)

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

IAS 24 Related party disclosures (Amendment) (effective from 1 January 2011)

The amendment to IAS 24 is clarified the definition of a related party, however, without changing the fundamental approach to related party disclosures. It emphasises a symmetrical view on related party relationships and clarifies how a person or key management personnel impacts related party relationships of an entity. Furthermore, the amendment provides for an exemption to related party disclosures for government-related entities. The adaptation of the amendment does not have any impact on the financial position or performance of the Group.

IFRS 7 Financial Instruments: Disclosures — Enhanced Derecognition Disclosure Requirements (effective from 1 July 2011)

The amendment requires additional disclosure about financial assets that have been transferred but not derecognised to enable the user of the Group's financial statements to understand the relationship with those assets that have not been derecognised and their associated liabilities. In addition, the amendment requires disclosures about continuing involvement in derecognised assets to enable the user to evaluate the nature of, and risks associated with, the entity's continuing involvement in those derecognised assets. The amendment has had no effect on the financial position or performance of the Group because the Group does not have these types of instruments.

IFRIC 14 Prepayments of Minimum Funding Requirements (Amendments) (effective from 1 January 2011)

The amendment removes an unintended consequence when an entity is subject to minimum funding requirements and makes an early payment of contributions to cover such requirements. The amendment permits a prepayment of future service cost by the entity to be recognised as a pension asset. The Group is not subject to minimum funding requirements therefore the amendment of the interpretation has no effect on the financial position or performance of the Group.

Egis Pharmaceuticals PLC
Notes to the consolidated financial statements
for the year ended 30 September 2012
in accordance with International Financial Reporting Standards
(All amounts in HUF million, unless otherwise stated)

Standards issued but not yet effective up to the date of issuance of the Group's financial statements are listed below. This listing of standards and interpretations issued are those that the Group reasonably expects to have an impact on disclosures, financial position or performance when applied at a future date. The Group intends to adopt these standards when they become effective.

IAS 1 Presentation of Financial Statements – Presentation of Items of Other Comprehensive Income (effective from 1 July 2012)

The amendments to IAS 1 change the grouping of items presented in OCI. Items that could be reclassified (or 'recycled') to profit or loss at a future point in time (for example, upon de-recognition or settlement) would be presented separately from items that will never be reclassified. The amendment affects presentation only and has no impact on the Group's financial position or performance.

IAS 12 Income Taxes – Recovery of Underlying Assets (effective from 1 January 2012)

The amendment clarified the determination of deferred tax on investment property measured at fair value. The amendment introduces a rebuttable presumption that deferred tax on investment property measured using the fair value model in IAS 40 should be determined on the basis that its carrying amount will be recovered through sale. Furthermore, it introduces the requirement that deferred tax on non-depreciable assets that are measured using the revaluation model in IAS 16 always be measured on a sale basis of the asset. The amendment has had no effect on the financial position or performance of the Group.

IAS 19 Employee Benefits (Amendment) (effective from 1 January 2013)

The IASB has issued numerous amendments to IAS 19. These range from fundamental changes such as removing the corridor mechanism and the concept of expected returns on plan assets to simple clarifications and re-wording. The amendment might have an impact on the Group's financial position or performance when adopted. The Group is currently assessing the impact of the amendments.

IAS 28 Investments in Associates and Joint Ventures (as revised in 2011) (effective from 1 January 2013)

As a consequence of the new IFRS 11 and IFRS 12 IAS 28 has been renamed IAS 28 Investments in Associates and Joint Ventures, and describes the application of the equity method to investments in joint ventures in addition to associates. The Group is currently assessing the impact of these amendments.

IFRS 9 Financial Instruments: Classification and Measurement (effective from 1 January 2013)

This standard introduces new requirements for the classification and measurement of financial assets and financial liabilities. In subsequent phases, the IASB will address hedge accounting and impairment of financial assets. The adoption of the first phase of IFRS 9 will have an effect on the classification and measurement of the Group's financial assets, but will potentially have no impact on classification and measurements of financial liabilities. The Group will quantify the effect in conjunction with the other phases, when issued, to present a comprehensive picture.

IFRS 10 Consolidated Financial Statements (effective from 1 January 2013)

IFRS 10 replaces the portion of IAS 27 Consolidated and Separate Financial Statements that addresses the accounting for consolidated financial statements. It also includes the issues raised in SIC-12 Consolidation — Special Purpose Entities.

Egis Pharmaceuticals PLC
Notes to the consolidated financial statements
for the year ended 30 September 2012
in accordance with International Financial Reporting Standards
(All amounts in HUF million, unless otherwise stated)

IFRS 10 establishes a single control model that applies to all entities including special purpose entities. The changes introduced by IFRS 10 will require management to exercise significant judgement to determine which entities are controlled, and therefore, are required to be consolidated by a parent, compared with the requirements that were in IAS 27.

IFRS 11 Joint Arrangements (effective from 1 January 2013)

IFRS 11 replaces IAS 31 Interests in Joint Ventures and SIC-13 Jointly-controlled Entities — Non-monetary Contributions by Ventures. IFRS 11 removes the option to account for jointly controlled entities (JCEs) using proportionate consolidation. Instead, JCEs that meet the definition of a joint venture must be accounted for using the equity method. The application of this new standard will impact the financial position of the Group. This is due to the cessation of proportionate consolidating the joint venture in Medimpex Irodaház (see note 1.1) to equity accounting for this investment.

IFRS 12 Disclosure of Interests in Other Entities (effective from 1 January 2013)

The standard applies to entities that have an interest in a subsidiary, a joint arrangement, an associate or an unconsolidated structured entity. The IFRS requires an entity to disclose information that enables users of financial statements to evaluate:

- a. the nature of, and risks associated with, its interests in other entities; and
- b. the effects of those interests on its financial position, financial performance and cash flows.

IFRS 13 Fair Value Measurement (effective from 1 January 2013)

IFRS 13 establishes a single source of guidance under IFRS for all fair value measurements. IFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under IFRS when fair value is required or permitted. The Group is currently assessing the impact that this standard will have on the financial position and performance.

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2.2. Other modifications in the accounting policy

The Group has made other modifications in its accounting policy as follows:

Classification of registration fee of medical representatives

In line with industry practice, the registration fee of medical representatives, levied in Hungary, hereinafter will be presented in the Group's reports not among other operating expenses but as item of the general selling costs.

The following adjustments were made in the financial statements ended 30 September 2011:

	As previously disclosed	Reclassification	Reclassified
General selling costs	(29,686)	(897)	(30,583)
Administrative and distribution expenses	(52,125)	(897)	(53,022)
Other operating expenses	(4,924)	897	(4,027)

Classification of short term securities

The Group has also amended classification of securities with maturity not exceeding one year, guaranteed by any state within the European Union, thus representing minimal credit risk. In order to better reflect the Group's cash management practice, in line with the International Financial Reporting Standards (IAS 7.6 and IAS 7.7.) and with the Group's short-term financial investment policies, the value of such securities are no longer presented among other current financial assets but as item of cash and cash equivalents.

The following adjustments were made in the financial statements ended 30 September 2011:

	As previously disclosed	Reclassification	Reclassified
Cash and cash equivalents	25,260	10,297	35,557
Other current financial assets	10,570	(10,297)	273
Purchase of securities	(10,633)	10,633	0
Proceeds from sale of securities	7,623	(7,568)	55
Net cash used in investing activities	(16,534)	3,065	(13,469)
Net change in cash and cash equivalents	7,287	3,065	10,352
Cash and cash equivalents at the beginning of period	17,973	7,232	25,205
Cash and cash equivalents at the end of period	25,260	10,297	35,557

3. ACCOUNTING POLICIES

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

3.1. Presentation and functional currency

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

Functional currency is determined for each foreign operation separately. The functional currency of Egis Pharmaceuticals PLC has been determined to be the Hungarian Forint ("HUF").

3.2. 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.

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the Group measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition costs incurred are expensed.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value as at the acquisition date through profit and loss.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability will be recognised in accordance with IAS 39 either in profit or loss or as change to other comprehensive income. If the contingent consideration is classified as equity, it shall not be remeasured until it is finally settled within equity.

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Goodwill is initially measured at cost being the excess of the consideration transferred over the Group's net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognised in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses.

Inter-company balances and transactions with subsidiaries including inter-company profits and unrealized profits and losses are eliminated. Adjustments are made in the Group's consolidated financial statements to eliminate the Group's share of intragroup balances, transactions and unrealized gains and losses on such transactions between the Group and its jointly controlled entity. Unrealized gains and losses resulting from transactions between the Group and its associate are eliminated to the extent of the interest in the associate.

The accompanying consolidated financial statements are prepared using uniform accounting policies of like transactions and other events in similar circumstances.

3.3. Cash and cash equivalents

Cash includes cash on hand and cash at banks. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash 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.

3.4. Trade receivables

Trade receivables are shown net of allowance for doubtful debts. Trade debtors are assessed individually, gains and losses are recognized in the income statement, when receivables are impaired.

3.5. 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

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3.6. Intangible assets

Intangible assets are measured at cost less accumulated amortization and impairment losses. 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.

Internally generated intangible assets are not capitalised and reflected in the income statement in the year in which the expenditure is incurred.

3.7. Property, plant and equipment

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

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.

3.8. Impairment

At the end of each reporting period 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.

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3.9. Financial instruments

Financial assets

Financial assets in the accompanying consolidated balance sheet include cash and cash equivalents, marketable securities, trade and other accounts receivables, loans, investments and derivative financial instruments. The accounting policies on recognition and measurement of these items are disclosed in the respective accounting policies found in this Note.

All financial assets are recognised initially at fair value plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

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

Financial assets within the scope of IAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, available-for-sale financial assets, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of its financial assets at initial recognition.

Financial assets at fair value through profit and loss include financial assets held-for-trading and financial assets designated upon initial recognition at fair value through profit and loss. Investments acquired principally for the purpose of generating a profit from short-term fluctuations in price are classified as held-for-trading. Held-for-trading investments are measured at fair value and the related gains or losses are recognized in the income statement. Derivative financial instruments entered into by the Group that are not designated as hedging instruments are also included in this category.

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. Held-to-maturity investments are included in non-current assets unless they mature within 12 months of the end of the reporting period. Held-to-maturity investments are carried at amortized cost using the effective interest rate method, less impairment. Amortization and losses arising from impairment is included in the income statement in the finance cost.

The Group has also amended the classification of securities with maturity not exceeding one year, guaranteed by any state within the European Union, thus representing minimal credit risk. In order to better reflect the Group's cash management practice, in line with the International Financial Reporting Standards (IAS 7.6 and IAS 7.7.) and with the Group's short-term financial investment policies, the value of such securities are no longer presented among other current financial assets but as item of cash and cash equivalents.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortised cost using the effective interest rate method, less impairment. Amortization and losses arising from impairment is included in the income statement in the finance cost.

All other investments are classified as available-for-sale.

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Available-for-sale investments are classified as non-current assets unless management intends to realize them within 12 months of the end of the reporting period. 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 other comprehensive income in the available-for-sale reserve 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 income statement.

Financial liabilities

Financial liabilities in the accompanying consolidated balance sheet include trade and other accounts payables, borrowings, bank overdrafts and derivative financial instruments. The accounting policies on recognition and measurement of these items are disclosed in the respective accounting policies found in this Note.

All financial liabilities are recognised initially at fair value plus, in the case of borrowings directly attributable transaction costs.

Financial liabilities within the scope of IAS 39 are classified as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of its financial liabilities at initial recognition.

Financial liabilities at fair value through profit and loss include financial liabilities held-for-trading and financial liabilities designated upon initial recognition as at fair value through profit and loss. Financial liabilities are classified as held for trading if they are acquired for the purpose of selling in the near term. This category includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by IAS 39.

Loans and borrowings are subsequently measured at amortised cost using the effective interest rate method. Gains and losses are recognised in the income statement when the liabilities are derecognised as well as through the effective interest rate method amortisation process. The amortisation is included in finance cost in the income statement.

3.10. 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.

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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.

3.11. Foreign currency transactions

Transactions arising in foreign currencies are initially recorded by the Group entities at their respective functional currency rates prevailing at the date of the transaction. The functional currency of each of the Group's operating entities is the local currency of the jurisdiction in which the entity operates. Monetary assets and liabilities denominated in foreign currencies are translated into functional currencies at the rates of exchange prevailing at the end of the reporting period. 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.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined.

The consolidated financial statements of the Group are prepared using HUF as a reporting currency. Income statement is translated by using the average exchange rate of the period. Balance sheet items are translated by using the exchange rates as of the end of the reporting period. Effects of the foreign currency translation are included in other comprehensive income.

3.12. Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the respective assets. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

3.13. Provisions

General

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Group expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the income statement net of any reimbursement. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

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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.

Employee benefits

Egis Pharmaceuticals PLC 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 28 thousand per employee and every five years it 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.

3.14. 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.

3.15. Dividends

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

3.16. 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 2012 and 2011 that would dilute the earnings per share.

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3.17. Revenue recognition

Sale of goods is 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, royalties and services in the normal course of business.

Royalties and service revenues are recognised on a straight-line basis over the specified period unless the relevant agreement refers to milestone payments whereas the revenue recognition is postponed until the milestone is accomplished.

3.18. Research and development

Costs of research and development are expensed in the period when incurred. Egis Pharmaceuticals PLC 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.

3.19. 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.

3.20. 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.

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3.21. Income taxes

The income tax charge consists of current and deferred taxes. Income tax expenses contain the local business tax levied in Hungary. 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 end of the reporting period, 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 the end of each reporting period, the Group 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 Group 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.

3.22. 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.

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3.23. 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.

3.24. Subsequent events

Events after the end of the reporting period that provide additional information about the Group's position at the end of the reporting period (adjusting events), are reflected in the financial statements. Events after the reporting period that are not adjusting events are disclosed in the notes when material.

3.25. 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 CO₂ emissions liabilities are recognised when the level of emissions exceeds the level of allowances granted by the Government in the period.

3.26. 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 3.13., 23.
- Deferred tax assets, Note 3.21., 20.
- Impairment of non-current assets, Note 3.8.
- Outcome of litigations, Note 13.
- Quantification and timing of environmental provisions, Note 3.13., 13.

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4. CASH AND CASH EQUIVALENTS

Cash and cash equivalents as at 30 September 2012 and 2011 are the following:

	30 September 2012	30 September 2011 reclassified
Cash in bank	36,448	24,961
Cheques	156	285
Cash on hand	11	14
Other cash equivalents	9,314	10,297
Total cash and cash equivalents	45,929	35,557

The Group has amended the classification of held-to-maturity (short-term) securities. The value of such securities is no longer presented among the other financial assets but as part of cash and cash equivalents.

Other cash equivalents consist of discounted treasury bills issued and guaranteed by any state within the European Union and therefore credit risk is considered to be low. These investments initially were recognised at cost and amounted to HUF 9,113 million as at 30 September 2012 and HUF 10,132 million as at 30 September 2011.

The investments are subsequently carried at amortized cost. The effective interest rates vary from 6.65%-7.48%. The difference between the initial cost and the amortised cost as at 30 September 2012 and 2011 was HUF 201 million and HUF 165 million, respectively.

5. NET TRADE RECEIVABLES AND OTHER CURRENT ASSETS

Net trade receivables and other current assets as at 30 September 2012 and 2011 are the following:

	30 September 2012	30 September 2011
Trade receivables	33,630	31,018
Allowance for doubtful debtors	(1,016)	(1,023)
Trade receivables, net	32,614	29,995
Taxes receivable	2,278	2,290
Advance payments to suppliers	6,732	5,816
Other receivables and prepayments	4,225	2,292
Total	45,849	40,393

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. 2012	32,614	27,714	4,204	183	465	48
30 Sept. 2011	29,995	24,495	4,643	638	212	7

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

	30 September 2012	30 September 2011
Opening amount of provision for impairment	(1,023)	(930)
Charge for the year	(206)	(365)
Unused amounts reversed	198	176
Net provision charged in the income statement (Note 17)	(8)	(189)
Utilized	11	105
Foreign exchange difference	4	(9)
Closing amount of provision for impairment	(1,016)	(1,023)

6. INVENTORIES

Inventories as at 30 September 2012 and 2011 are the following:

	30 September 2012	30 September 2011
Work-in-progress and semi-finished products	14,826	16,348
Finished goods	7,795	8,000
Raw materials	7,063	7,526
Goods for resale	4,104	3,962
Total	33,788	35,836

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

	30 September 2012	30 September 2011
Opening amount of provision for impairment	(840)	(946)
Charge for the year	(216)	(317)
Unused amounts reversed	40	87
Net provision charged in the income statement (Note 17)	(176)	(230)
Utilized	800	326
Foreign exchange difference	(19)	10
Closing amount of provision for impairment	(235)	(840)

Impairment is disclosed net of reversal of impairment expenses and accounted for as cost of sales and R&D expense.

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7. OTHER FINANCIAL ASSETS AND LIABILITIES

7.1. Other financial assets (including forward rate agreements)

Other financial assets as at 30 September 2012 and 2011 are the following:

	30 September 2012	30 September 2011 reclassified
Held-for-trading investment – government bonds	141	140
Available-for-sale investment – unquoted equity shares	428	423
Loans given	190	205
Forward rate agreements	74	75
Total	833	843
Current	248	273
Non-current	585	570
Total	833	843

The Group has amended the classification of held-to-maturity (short-term) securities. The value of such securities is no longer presented among the other financial assets but as part of cash and cash equivalents.

Held-for-trading investments consist of long-term bonds issued and guaranteed by any state within the European Union. Fair valuation of these securities is reflected in the income statement.

Available-for-sale financial assets consist of unquoted interests representing less than 20% voting rights for the Company.

Available-for-sale investments as at 30 September 2012 and 2011 are the following:

	30 September 2012		30 September 2011	
	Ownership %	Net book value	Ownership %	Net book value
OOO Serdix	5.4	406	5.4	401
GYNK Ingatlanfejlesztő Zrt.	14.4	1	14.4	1
Medimpex Japan Co. Ltd.	5.6	6	5.6	6
Magyar Gyógyszer Zrt.	2.6	15	2.6	15
Total		428		423

OOO Serdix is a state-of-the-art production site in Russia, majorly owned by Servier Group. The company started packaging of pharmaceuticals in the past years and it will take further years to fully utilise its capacity. The major asset of Serdix is the production facility itself, and thus the fair value calculation was based on the historical value of land and PPE.

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The fair value adjustment was recorded in other comprehensive income. The carrying amount contains HUF 256 million impairment expenses.

GYNK Ingatlanfejlesztő Zrt. is a company without any actual activity and having revenue only from interest from banks.

Medimpex Japan Co. Ltd. and Magyar Gyógyszer Zrt. have immaterial free cash flows and their initial cost approximates fair value.

Non-interest bearing housing loans granted to employees are discounted to its present value and disclosed as loans given.

The Group enters into RUB forward rate agreements up to 70 % of budgeted annual sales in RUB 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 statements and movements in fair values are posted to the income statement.

The summary of the valid contracts as at 30 September 2012 is as follows:

Maturity	Currency	Amount	Type	Average forward rate
30.10.2012	RUB	120,000,000	forward rate agreement	7.3751
28.11.2012	RUB	150,000,000	forward rate agreement	7.2019
20.12.2012	RUB	90,000,000	forward rate agreement	7.0973
30.01.2013	RUB	90,000,000	forward rate agreement	7.1554
26.02.2013	RUB	30,000,000	forward rate agreement	7.0673
26.03.2013	RUB	30,000,000	forward rate agreement	7.0444

The summary of the valid contracts as at 30 September 2011 is as follows:

Maturity	Currency	Amount	Type	Average forward rate
26.10.2011	RUB	210,000,000	forward rate agreement	6.7196
28.11.2011	RUB	180,000,000	forward rate agreement	6.7634
21.12.2011	RUB	150,000,000	forward rate agreement	6.8111
29.01.2012	RUB	150,000,000	forward rate agreement	6.8412
27.02.2012	RUB	90,000,000	forward rate agreement	6.8500
28.03.2012	RUB	60,000,000	forward rate agreement	6.8780

Unrealised profit on open contracts as at 30 September 2012 and 2011 was HUF 74 million and HUF 75 million, respectively and was recorded in the consolidated income statement for the year then ended.

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7.2. Other financial liabilities

	30 September 2012	30 September 2011
Loans and borrowings	2,804	3,175
Interest swap contracts	86	0
Loans from other parties	18	0
Bank overdraft	0	1
Total	2,908	3,176
Current	349	159
Non-current	2,559	3,017
Total	2,908	3,176

Loans and borrowings represent an investment credit received by Medimpex Kereskedelmi Zrt. to finance the construction of an office building in Budapest in 2008 for 20 years. The amount of the total credit facility as at 30 September 2012 and 2011 was EUR 12 million. The interest rate was 3 months EURIBOR + 1.2% for both financial years. The interest expense related to the loan amounted to HUF 46 million and HUF 83 million in the years ended 30 September 2012 and 2011, respectively.

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

The tables below summarize the maturity profile of the Group's loans and borrowings based on contractual undiscounted payments:

30 September 2012	Total	Less than 1 year	2-5 years	Over 5 years
Principal liability	2,908	349	546	2,013
Interest liability	320	36	126	158
Total liability	3,228	385	672	2,171

30 September 2011	Total	Less than 1 year	2-5 years	Over 5 years
Principal liability	3,176	159	584	2,433
Interest liability	1,420	90	361	969
Total liability	4,596	249	945	3,402

Medimpex Kereskedelmi Zrt. entered into an interest rate swap agreement. The original interest rate of 3 months EURIBOR + 1.2% was swapped to a fixed interest rate of 1.36% between June 2012 and June 2017.

The Group has not entered into any financial lease contracts.

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7.3. Fair values

Financial assets	30 September 2012		30 September 2011	
	Carrying amount	Fair value	Carrying amount	Fair value
Cash in bank, cheques and cash on hand	36,615	36,615	25,260	25,260
Other cash equivalents	9,314	9,334	10,297	10,279
Net trade receivables and other current assets	45,849	45,849	40,393	40,393
Income tax receivable	176	176	158	158
Held-for-trading investments	141	141	140	140
Available-for-sale financial assets	428	428	423	423
Loans given	190	190	205	205
Forward rate agreements	74	74	75	75
Total	92,787	92,807	76,951	76,933

Financial liabilities	30 September 2012		30 September 2011	
	Carrying amount	Fair Value	Carrying amount	Fair value
Trade and other payables	(23,092)	(23,092)	(22,523)	(22,523)
Income tax payables	(40)	(40)	(78)	(78)
Loans and borrowings	(2,804)	(2,804)	(3,175)	(3,175)
Interest swap contracts	(86)	(86)	0	0
Loans from other parties	(18)	(18)	0	0
Bank overdraft	0	0	(1)	(1)
Total	(26,040)	(26,040)	(25,777)	(25,777)

The following methods and assumptions were used to estimate the fair values:

- Fair value of cash in bank, cheques, cash on hand, net trade receivables and other current assets, trade and other payables and bank overdrafts approximate their carrying amounts largely due to the short-term maturities of these instruments.
- Fair value of other cash equivalents represent quoted market price
- Fair value calculation for held-for-trading investments was received from independent financial institutions.
- Fair value of unquoted available-for-sale financial assets is estimated by using appropriate valuation techniques.
- Non-interest bearing long-term housing loans were discounted to reflect the time-value of money.
- Forward rate agreements and interest swap agreements were valued by independent financial institutions using appropriate pricing models.

Fair value hierarchy as at 30 September 2012 is as follows:

	30 September 2012	Level 1	Level 2	Level 3
Other cash equivalents	9,334	9,334	-	-
Held-for-trading investments	141	141	-	-
Available-for-sale financial assets	428	-	-	428
Forward rate agreements	74	-	74	-
Interest swap	(86)	-	(86)	-

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Fair value hierarchy as at 30 September 2011 is as follows:

	30 September 2011	Level 1	Level 2	Level 3
Other cash equivalents	10,279	10,279	-	-
Held-for-trading investments	140	140	-	-
Available-for-sale financial assets	423	-	-	423
Forward rate agreements	75	-	75	-

- Level 1 represents quoted prices in active markets for identical assets or liabilities;
Level 2 consists of inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices);
Level 3 contains inputs for the asset or liability that are not based on observable market data.

The movements in the fair value of the available-for-sale financial assets between 30 September 2011 and 30 September 2012 are as follows:

	30 September 2012	30 September 2011
Opening amount of available-for-sale financial	423	434
Gains for the period recognized in the income statement as finance income	0	1
Fair value gain and (loss) recognized in other comprehensive income	5	(12)
Closing amount of available-for-sale financial assets	428	423

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8. INTANGIBLE ASSETS

The movements in intangible assets for the years ended 30 September 2012 and 2011 were the following:

NET CARRYING AMOUNT	Software	Patents, licences	Intellectual property rights	Total
At 30 September 2010	1,882	290	1,917	4,089
Additions	912	200	276	1,388
Disposals	0	0	0	0
Impairment (Note 17)	(1)	(1)	0	(2)
Amortisation charge for the year (Note 17)	(595)	(209)	(564)	(1,368)
Exchange adjustment	0	0	0	0
Transfers	0	0	(6)	(6)
At 30 September 2011	2,198	280	1,623	4,101
Additions	1,092	258	0	1,350
Disposals	0	0	0	0
Impairment (Note 17)	(6)	0	0	(6)
Amortisation charge for the year (Note 17)	(745)	(143)	(423)	(1,311)
Exchange adjustment	1	1	0	2
Transfers	0	0	0	0
At 30 September 2012	2,540	396	1,200	4,136

At 30 September 2011	Software	Patents, licences	Intellectual property rights	Total
Cost	5,725	1,003	4,730	11,458
Accumulated amortisation	(3,527)	(723)	(3,107)	(7,357)
Net carrying amount	2,198	280	1,623	4,101

At 30 September 2012	Software	Patents, licences	Intellectual property rights	Total
Cost	6,740	1,261	4,730	12,731
Accumulated amortisation	(4,200)	(865)	(3,530)	(8,595)
Net carrying amount	2,540	396	1,200	4,136

Intellectual property rights mostly contain rights related 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 2,630 million and HUF 2,265 million are fully amortized as at 30 September 2012 and 2011, respectively, but these items are still in active use.

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9. PROPERTY, PLANT AND EQUIPMENT

The movements in property, plant and equipment in the years ended 30 September 2012 and 2011 were the following:

NET CARRYING AMOUNT	Land and buildings	Plant, machinery and equipment	Vehicles	Construction in progress	Total
At 30 September 2010	30,494	23,693	2,536	6,785	63,508
Additions	5,180	7,362	1,971	(565)	13,948
Disposals	0	(4)	(88)	(24)	(116)
Impairment (Note 17)	2	(50)	(8)	0	(56)
Depreciation charge for the year (Note 17)	(1,384)	(5,470)	(1,076)	0	(7,930)
Exchange adjustment	0	(7)	(8)	2	(13)
Transfers	48	(42)	0	0	6
At 30 September 2011	34,340	25,482	3,327	6,198	69,347
Additions	4,961	8,040	1,555	(998)	13,558
Disposals	0	(2)	(95)	(2)	(99)
Impairment and reversal of impairment, net (Note 17)	(50)	(45)	(31)	0	(126)
Depreciation charge for the year (Note 17)	(1,537)	(6,056)	(1,169)	0	(8,762)
Exchange adjustment	0	0	14	(1)	13
Transfers	0	0	1	(1)	0
At 30 September 2012	37,714	27,419	3,602	5,196	73,931

At 30 September 2011	Land and buildings	Plant, machinery and equipment	Vehicles	Construction in progress	Total
Cost	43,988	68,286	6,646	6,198	125,118
Accumulated depreciation	(9,648)	(42,804)	(3,319)	0	(55,771)
Net carrying amount	34,340	25,482	3,327	6,198	69,347

At 30 September 2012	Land and buildings	Plant, machinery and equipment	Vehicles	Construction in progress	Total
Cost	48,858	75,382	6,786	5,196	136,222
Accumulated depreciation	(11,144)	(47,963)	(3,184)	0	(62,291)
Net carrying amount	37,714	27,419	3,602	5,196	73,931

The gross carrying amounts of certain property, plant and equipment items of HUF 19,398 million and HUF 16,742 million are fully depreciated as at 30 September 2012 and 2011 respectively, but these items are still in active use.

Impairment is disclosed net of reversal of impairment expenses and accounted for as administrative and distribution expenses.

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

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10. INVESTMENT PROPERTIES

Investment properties represent an office building in Budapest at Vörösmarty Square owned by Medimpex Irodaház Ingatlankezelő Kft. The company is a 50 % joint venture of Egis Pharmaceuticals PLC 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 2012 and 2011 is the following:

	30 September 2012	30 September 2011
Opening net amount of investment properties	314	293
Additions	355	30
Depreciation charge for the year (Note 17)	(27)	(9)
Closing net amount of investment properties	642	314
Cost	836	481
Accumulated depreciation	(194)	(167)
Net carrying amount	642	314

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 2012 and 2011 was 7.85 % and 8.50 %, respectively. As a result of the calculations the proportional share of the fair value of the building amounted to HUF 1,079 million as at 30 September 2012 and HUF 1,034 million as at 30 September 2011.

Rental income and operating expenses of the investment property for the years ended 30 September 2012 and 2011 are the following:

	30 September 2012	30 September 2011
Rental income	153	171
Operating expenses	68	70

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11. INVESTMENTS IN ASSOCIATES

Equity interests and the percentage of share capital held in associates as at 30 September 2012 and 2011 are the following:

	30 September 2012		30 September 2011	
	Ownership %	Net book value	Ownership %	Net book value
Recyclomed Nonprofit Közhasznú Kft.	36.0	22	36.0	20
Medimpex Jamaica Ltd.	40.0	43	40.0	28
Medimpex West Indies Ltd.	40.0	727	40.0	596
Gyógyszeripari Ellenőrző és Fejlesztő Laboratórium Kft.	34.0	159	34.0	161
Hungaropharma Zrt.	30.7	1,618	30.7	2,914
Total		2,569		3,719

In the year ended 30 September 2012 and 2011 the associated companies paid the following dividends to Egis Pharmaceuticals PLC:

	Year ended 30 September 2012	Year ended 30 September 2011
Gyógyszeripari Ellenőrző és Fejlesztő Laboratórium Kft.	19	26
Medimpex West Indies Ltd.	7	6
Total	26	32

The movements in the value of investments in associates between 30 September 2011 and 30 September 2012 are as follows:

	Year ended 30 September 2012	Year ended 30 September 2011
Opening amount of investments in associates	3,719	5,989
Closing amount of investments in associates	2,569	3,719
Net change in the amount of investments in associates	(1,150)	(2,270)
Dividends received from associates	26	32
Share of results from associates recognized in the income statement	(1,124)	(2,238)

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12. TRADE AND OTHER PAYABLES

Trade and other payables as at 30 September 2012 and 2011 are the following:

	30 September 2012	30 September 2011
Trade payables	15,420	14,253
Salaries payable	1,098	988
Taxes and duties payable	659	1,477
Other short term liabilities	5,915	5,805
Total	23,092	22,523

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 2012	15,420	673	14,732	15
30 September 2011	14,253	271	13,928	54

13. PROVISIONS

As at 30 September 2012 and 2011 provisions are the following:

	Environ- mental	Litigations	Employee benefits	Other	Payable to NHIF	Total
Balance as at 30 September 2010	280	457	1,322	192	203	2,454
Provision made during the period	88	33	375	254	561	1,311
Provision used during the period	(51)	(20)	(285)	(122)	0	(478)
Increase / (decrease) in provision	37	13	90	132	561	833
FX difference	0	0	0	0	17	17
Balance as at 30 September 2011	317	470	1,412	324	781	3,304

	Environ- mental	Litigations	Employee benefits	Other	Payable to NHIF	Total
Balance as at 30 September 2011	317	470	1,412	324	781	3,304
Provision made during the period	50	38	137	172	388	785
Provision used during the period	(172)	(435)	(215)	(253)	(250)	(1,325)
Increase / (decrease) in provision	(122)	(397)	(78)	(81)	138	(540)
FX difference	0	0	0	2	(61)	(59)
Balance as at 30 September 2012	195	73	1,334	245	858	2,705

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Provisions as at 30 September 2012 and 2011 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	Other	Payable to NHIF	Total
Current provisions	272	435	285	287	781	2,060
Non-current provisions	45	35	1,127	37	0	1,244
Balance as at 30 September 2011	317	470	1,412	324	781	3,304

	Environ- mental	Litigations	Employee benefits	Other	Payable to NHIF	Total
Current provisions	170	40	215	214	858	1,497
Non-current provisions	25	33	1 119	31	0	1,208
Balance as at 30 September 2012	195	73	1,334	245	858	2,705

Provision is disclosed net of reversal and accounted for as administrative and distribution expenses except for the provision payable to NHIF which is accounted for as other operating expenses.

Provision for environmental liabilities relates to the contamination of land at plants in Budapest and possible sewage fine payable on the emission of waste-water exceeding the accepted limits. The provision is based on currently available facts; technology expected to be available at the time of the clean-up, laws and regulations presently or virtually certain to be enacted and prior experience in remediation of contaminated sites. Environmental liabilities are recorded at the estimated amount at which the liability could be settled at the balance sheet date.

Provision for remediation of contaminated land is based on the estimated expenditures of the next three years. Although we believe the contamination can be eliminated over the next three years, we cannot fully exclude that further obligation may arise as a result of ongoing inspections.

The legal proceeding commenced against Egis Pharmaceuticals PLC in 2007 on the ground of Egis breaching a Supply Agreement was settled.

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 domestic wholesalers or pharmacies but not to the ultimate customers. Also, contribution probably payable on products sold on the Romanian market is provided for.

Other provisions contain the fees payable to the agents after the customers paid the related invoices in the amount of HUF 204 million and HUF 280 million as at 30 September 2012 and 2011, respectively.

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14. SHARE CAPITAL

Share capital 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 2012 and 2011.

15. SHARE PREMIUM

Share premium disclosed as at 30 September 2012 and 2011 represents the difference between the consideration of USD 45,000 thousand received from EBRD for additional 2,335,715 shares issued on 22 December 1993 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 2012 and 2011 were 164,666 and HUF 145,209 million (out of the total retained earnings of HUF 168,298 million and HUF 150,701 million), respectively. The management proposed a total dividend of HUF 1,869 million (HUF 240 per shares) to be distributed from the profit of the year ended 30 September 2012. Both paid and proposed dividend as at 30 September 2011 were HUF 934 million (HUF 120 per shares).

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17. COSTS AND EXPENSES

Costs and expenses for the years ended 30 September 2012 and 2011 are as follows:

	Year ended 30 September 2012	Year ended 30 September 2011 reclassified
Cost of sales	57,157	56,833
Administrative and distribution expenses	54,430	53,022
Other operating expenses	1,993	4,027
Total	113,580	113,882

The Group has amended the classification of registration fee of medical representatives. In line with industry practice, the registration fee of medical representatives, levied in Hungary, will be presented in the Group's reports not among other operating expenses but as item of administrative and distribution expenses.

Cost of sales for the years ended 30 September 2012 and 2011 includes direct material and labour costs as well as certain directly attributable production overheads.

Administrative and distribution expenses for the years ended 30 September 2012 and 2011 are the following:

	Year ended 30 September 2012	Year ended 30 September 2011 reclassified
General selling costs	32,293	30,583
Research and developments expenses	12,115	11,614
Central administrative costs	10,560	10,306
Net provision expenses	(678)	272
Allowance for doubtful debtors (Note 5)	8	189
Impairment (Note 8 and Note 9)	132	58
Total	54,430	53,022

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Other operating expenses for the years ended 30 September 2012 and 2011 are as follows:

	Year ended 30 September 2012	Year ended 30 September 2011 reclassified
Contribution to Hungarian National Health Insurance Fund (incl. provision thereof)	161	3,016
Contribution to Romanian National Health Insurance Fund (incl. provision thereof)	527	311
Others	1,305	700
Total	1,993	4,027

Payment obligation of drug producers on grounds of the reimbursements allocated to their drugs was raised to 20% from 12% as from July 1, 2011. As from July 1, 2011 the rate of registration fee on medical representatives is HUF 10mn/medrep/annum instead of HUF 5 million.

In December 2011, the Parliament restored for a definite period of time the R&D spending related deductibility option for payment obligations which had in June 2011 been ceased with retroactive effect. Resulting from the December 2011 enactment of modification, 90% of the payment obligation debiting the 2011 calendar year accounts may again be deducted, provided that the Company's R&D expenses exceed 25% of reimbursement (proportionate to manufacturer's price) paid on their products and that, within R&D spending, personnel expenses remain above 3% of the same reimbursement amount. Pursuant to the rules of law lower rates of R&D expenses allowed lower deductions.

Entitlement to the deductibility option for the Company is judged on the basis of the R&D expenses incurring in the 2011/2012 financial year, consequently, the deduction allowance is accounted in the given business year while the financial settlement can be performed subsequently, in 2013. Taking into account the R&D expenses incurred in 2011/2012, 90% of the payment obligation, involving also the registration fee of medical representatives and surtax proportionate to reimbursement, were accounted as allowance.

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.

In 2010 a similar regulation was introduced in Romania, whereas approximately 8% of sales of reimbursed products are payable to the Health Authority.

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The following costs and expenses are included in cost of sales, administrative and distribution and other operating expenses for the years ended 30 September 2012 and 2011:

	Year ended 30 September 2012	Year ended 30 September 2011
Material type costs	41,582	42,006
Payroll and related costs	34,098	32,443
Material type services	13,712	12,335
Depreciation and amortization (Note 8, Note 9 and Note 10)	10,100	9,307
Marketing	4,144	4,091
Hired labour	3,430	3,752
Patent and registration fees	1,546	1,764
Other taxes	1,225	3,749
Subcontracted R&D services	1,071	791
Licence fees	864	838
Environment protection expenses	664	556
Commissions	504	326
Indemnities	273	3
Registration fee of medical representatives	234	897
Provision for impairment of inventories (Note 6)	176	230
Impairment (Note 8 and Note 9)	132	58
Allowance for doubtful debtors (Note 5)	8	189
Net provision expenses	(678)	272
Other	495	275
Total	113,580	113,882

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18. FINANCE INCOME

Interest and other financial income for the years ended 30 September 2012 and 2011 are the following:

	Year ended 30 September 2012	Year ended 30 September 2011
Interest income on bank accounts	1,344	1,157
Interest income on other financial assets	631	389
Default interest	171	9
Gain on derivative transactions, net	0	215
Foreign exchange gain, net	0	7
Other financial income	12	6
Total	2,158	1,783

19. FINANCE COSTS

Interest and other financial expenses for the years ended 30 September 2012 and 2011 are the following:

	Year ended 30 September 2012	Year ended 30 September 2011
Foreign exchange losses, net	721	0
Loss on derivative transactions	269	0
Interest expense	46	83
Fair value loss on financial assets and liabilities	0	3
Loss on sale of investments	0	1
Other financial expense	146	121
Total	1,182	208

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20. INCOME TAX EXPENSE

Income tax expense for the years ended 30 September 2012 and 2011 are as follows:

	Year ended 30 September 2012	Year ended 30 September 2011
Local business tax expense	1,384	1,625
Corporate income tax expense	305	358
Deferred tax expense	68	108
Total	1,757	2,091

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

	Year ended 30 September 2012	Year ended 30 September 2011
Net sales	133,767	128,968
less income from royalties	(275)	(307)
less material cost	(30,109)	(30,808)
less cost of sales	(8,988)	(7,587)
less direct R&D expenses	(8,968)	(8,658)
less: mediated services	(98)	(361)
Tax base	85,329	81,247
Tax base with tax rate of 0%	16,105	0
Tax base with tax rate of 2%	69,224	81,247
Tax at applicable rate of 2 %	1,384	1,625

Tax base attributable to foreign representative offices is not taxable.

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Deferred tax assets as of 30 September 2012 and 2011 are the following:

	Consolidated Balance Sheet		Consolidated Net Income		Consolidated Comprehensive Income	
	30 September 2012	30 September 2011	Year ended 30 September 2012	Year ended 30 September 2011	Year ended 30 September 2012	Year ended 30 September 2011
Depreciation and amortization	(116)	(85)	(31)	(34)	0	(5)
Fair valuation of assets	(2)	(2)	0	2	0	(3)
Provision and accruals	356	370	(9)	(39)	(5)	(3)
Unrealized profit on inventories	90	80	8	(59)	2	(5)
Allowance for doubtful receivables	12	28	(16)	(3)	0	(1)
Other	42	61	(20)	25	1	4
Total	382	452	(68)	(108)	(2)	(13)

Current and prospective tax rates for Egis, taking into consideration that the Company's financial year differs from the calendar year, are as follows:

	As of 1 Oct 2010	As of 1 Oct 2011	As of 1 Oct 2012
Corporate tax: tax base up to HUF 500 million	10%	10%	10%
Corporate tax: tax base over HUF 500 million	19%	19%	19%

Since majority of tax payable is expected to be calculated applying 19% corporate tax rate, this rate was used in the deferred tax calculation.

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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 2011 and 1 October 2010 was as follows:

	Year ended 30 September 2012	Year ended 30 September 2011
Profit before tax per accompanying consolidated income statement	20,288	15,676
Local business tax expense	(1,384)	(1,625)
Modified profit before tax	18,904	14,051
Tax at the applicable tax rate (19%)	3,592	2,670
Research and development expenses not taxable	(1,704)	(1,645)
Dividends received not taxable	(5)	(14)
Royalty income not taxable	(26)	(29)
Representation expenses not tax deductible	80	108
Other differences not expected to reverse	193	530
Unrecognized tax loss	84	143
Tax allowance	(1,802)	(1,274)
Differences between Hungarian tax rate and foreign tax rates	(39)	(23)
Local business tax presented as income tax	1,384	1,625
Total income tax expense	1,757	2,091

The Company earned a tax allowance due to the development of its production facilities. The currently available tax allowance amounts to HUF 4.1 billion in total, out of which HUF 1.8 billion has been utilized over the past years.

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

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21. BASIC AND DILUTED EARNINGS PER SHARE (EPS)

Basic earnings per share is 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 2012 and 2011 that would dilute the earnings per share.

Basic and diluted earnings per share	Net profit for the year (HUF million)	Weighted average number of shares	Earnings per share (HUF)
Year ended 30 September 2012	18,531	7,785,715	2,380
Year ended 30 September 2011	13,585	7,785,715	1,745

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22. SEGMENT INFORMATION

Breakdown by operating segments for the years ended 30 September 2012 and 2011 is as follows:

	Pharmaceutical manufacturing and sales		Pharmaceutical wholesale and retail		Eliminations		Consolidated	
	Year ended 30 September 2012	Year ended 30 September 2011	Year ended 30 September 2012	Year ended 30 September 2011	Year ended 30 September 2012	Year ended 30 September 2011	Year ended 30 September 2012	Year ended 30 September 2011
SALES								
External sales	102,930	98,988	29,895	29,951	0	0	132,825	128,939
Inter-segment sales	24,610	23,331	7,777	8,124	(32,387)	(31,455)	0	0
Total sales	127,540	122,319	37,672	38,075	(32,387)	(31,455)	132,825	128,939
RESULT								
Operating profit	20,143	14,845	381	836	(88)	621	20,436	16,302
Financial result	1,375	2,498	201	(398)	(600)	(488)	976	1,612
Share of results of associated companies	0	0	(1,124)	(2,238)	0	0	(1,124)	(2,238)
Income tax expense	(1,536)	(1,783)	(226)	(284)	5	(24)	(1,757)	(2,091)
Profit for the year	19,982	15,560	(768)	(2,084)	(683)	109	18,531	13,585
OTHER INFORMATION								
Purchase of intangibles, property plant and equipment	14,510	14,335	753	1,031	0	0	15,263	15,366
Impairment and reversal of impairment, net	561	(804)	1	6	(430)	856	132	58
Depreciation and amortization	9,474	8,691	626	616	0	0	10,100	9,307
Investments in associates	2,561	3,711	8	8	0	0	2,569	3,719
Other segment assets	199,641	179,428	27,201	26,312	(21,173)	(18,739)	205,669	187,001
Total assets	202,202	183,139	27,209	26,320	(21,173)	(18,739)	208,238	190,720
Liabilities	24,781	24,771	18,179	17,712	(14,212)	(13,402)	28,748	29,081

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Entity wide disclosures based on geography for the years ended 30 September 2012 and 2011 is as follows:

	Sales		Intangible assets, property, plant and equipment, investment properties		Purchase of intangibles, property plant and equipment	
	Year ended 30 September 2012	Year ended 30 September 2011	Year ended 30 September 2012	Year ended 30 September 2011	Year ended 30 September 2012	Year ended 30 September 2011
Hungary	31,357	34,871	75,039	70,648	13,451	13,502
Russia and other CIS countries	47,597	40,933	2,080	1,663	1,050	1,014
Eastern Europe	35,751	36,677	1,590	1,451	762	850
Others	18,120	16,458	0	0	0	0
Total	132,825	128,939	78,709	73,762	15,263	15,366

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.

Besides, long-service benefit is payable to employees depending on service years spent at Egis. The maximum benefit payable to employees is one month salary.

The calculation disclosed also includes the amount of severance payment due on retirement.

Movements in the provision for employee benefits in the year ended 30 September 2012 and 2011 are the following:

	Year ended 30 September 2012	Year ended 30 September 2011
Opening balance as at 1 October	1,412	1,322
Current service cost	84	86
Interest cost	137	134
Recognised actuarial (gains) / losses	(139)	101
Past service cost – non vested benefits	55	55
Benefits paid	(215)	(286)
Closing balance as at 30 September	1,334	1,412

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Reconciliation of the present value of the obligation to the liability recognised in the balance sheet as at 30 September 2012 and 2011 is as follows:

	Year ended 30 September 2012	Year ended 30 September 2011
Provision recognised in the balance sheet	1,334	1,412
Past service cost not recognised in the balance sheet	485	540
Present value of the obligation	1,819	1,952

Amounts charged to administration and distribution expenses for the years ended 30 September 2012 and 2011 are the following:

	Year ended 30 September 2012	Year ended 30 September 2011
Current service cost	84	86
Interest cost	137	134
Recognised actuarial (gains) / losses	(139)	101
Past service cost – non vested benefits	55	55
Total expense	137	376

Assumptions applied in the calculation of provision for employee benefits for the years ended 30 September 2012 and 2011 are the following:

	30 September 2012	30 September 2011
Future service years	9.8	10.8
Discount rate	7.0%	7.0%
Fluctuation rate	5.9%	5.3%
Expected average wage increase	4.5%	4.5%

The cumulative amount of recognised actuarial losses as at 30 September 2012 and 2011 was HUF 202 million and HUF 340 million, respectively.

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24. RELATED PARTY TRANSACTIONS

The Group 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 2012 and 2011 are the following:

	Year ended 30 September 2012	Year ended 30 September 2011
Servier and its subsidiaries (*)	16,035	16,162
Hungaropharma Zrt.	10,374	12,041
Medimpex West Indies Ltd.	420	254
Recyclomed Nonprofit Közhasznú Kft.	20	20
Total	26,849	28,477

(*) as of this year related party transactions with Anpharm Sp. Akc. are reported as part of Servier and its subsidiaries.

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

Related party costs for the years ended 30 September 2012 and 2011 are the following:

	Year ended 30 September 2012	Year ended 30 September 2011
Servier and its subsidiaries (*)	170	198
Gyógyszeripari Ellenőrző és Fejlesztő Laboratórium Kft.	128	158
Recyclomed Nonprofit Közhasznú Kft.	28	44
Hungaropharma Zrt.	0	10
Medimpex West Indies Ltd.	7	3
Total	333	413

(*) as of this year related party transactions with Anpharm Sp. Akc. are reported as part of Servier and its subsidiaries.

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

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Purchases of inventories from related parties for the years ended as at 30 September 2012 and 2011 are the following:

	Year ended 30 September 2012	Year ended 30 September 2011
Servier and its subsidiaries (*)	7,238	8,091
Hungaropharma Zrt.	25	2
Total	7,263	8,093

(*) as of this year related party transactions with Anpharm Sp. Akc. are reported as part of Servier and its subsidiaries.

Related party receivables and payables as at 30 September 2012 and 2011 are the following:

	Receivables		Payables	
	30 Sept 2012	30 Sept 2011	30 Sept 2012	30 Sept 2011
Hungaropharma Zrt.	2,876	3,072	8	1
Servier and its subsidiaries (*)	2,848	2,646	1,556	1,698
Medimpex West Indies Ltd.	277	163	7	3
Recyclomed Nonprofit Közhasznú Kft.	0	9	0	1
Gyógyszeripari Ellenőrző és Fejlesztő Laboratórium Kft.	0	0	16	16
Total	6,001	5,890	1,587	1,719

(*) as of this year related party transactions with Anpharm Sp. Akc. are reported as part of Servier and its subsidiaries.

Emoluments of and shares held by the members of the Board of Directors, Supervisory Board and Audit Committee as at 30 September 2012 and 2011 are the following:

	30 September 2012		30 September 2011	
	Emoluments	Number of shares	Emoluments	Number of shares
Board of Directors	24.7	0	24.7	0
Supervisory Board	29.3	500	29.3	400
Audit Committee	12.2	0	12.2	0
Total	66.2	500	66.2	400

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.

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25. SERVICES PROVIDED BY ERNST & YOUNG COMPANIES

Services provided to the Group by Ernst & Young companies for the years ended as at 30 September 2012 and 2011 are the following:

	Year ended 30 September 2012	Year ended 30 September 2011
Audit fees (Statutory, IFRS separate and IFRS consolidated Financial Statements) including out of pocket expenses	22.4	22.4
Advisory services	30.9	17.1
Total	53.3	39.5

26. COMMITMENTS AND CONTINGENCIES

Guarantees

Guarantees granted and received by the Group as at 30 September 2012 and 2011 are the following:

	Year ended 30 September 2012	Year ended 30 September 2011
Guarantees granted	425	574
Guarantees received	9,086	7,918

Guarantees are mainly granted to Medimpex West-Indies Ltd., the Hungarian Tax Authority and Ministry for National Economy in both years, while guarantees received represent payment guarantees and good-performance guarantees.

Capital commitments

Capital commitments of the Group as at 30 September 2012 and 2011 are HUF 1,804 million and HUF 3,371 million, respectively.

Other financial commitment

Egis and Celltrion Healthcare Co. Ltd. have entered into a collaboration agreement for the distribution of biopharmaceutical products developed and manufactured by Celltrion. With this agreement, Egis will have the opportunity to enter the biopharmaceutical markets of oncology, autoimmune and inflammatory diseases along with very first biosimilar players. The size of the market Egis is aiming at in total is actually more than EUR 600 million with double digit growth. The launches are planned over the period between year 2012 and 2018. Commercial launch of the first biosimilar product is expected in 2013, and is expected to generate about EUR 30 million revenue during the following year.

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Mortgages

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

27. EVENTS AFTER THE REPORTING PERIOD

Closing date of the Financial Statements of Egis Pharmaceuticals PLC, presented herein, was September 30, 2012. Since the closing date no significant event and no significant new factor have occurred having a material effect on the information appearing in the Financial Statements.

28. FINANCIAL RISK MANAGEMENT

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 Russian rouble, as the sales in Russia, the predominant foreign market of the Group, are invoiced in rouble. In order to mitigate the foreign exchange risk, the Group enters into RUB forward rate agreements 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 statements and movements in fair values are posted to the income statement.

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The following table demonstrates the sensitivity of the Group's operating profit in HUF million to 1% devaluation of HUF against various currencies, with all other variables held constant.

Currency	30 September 2012	30 September 2011
EUR	17	12
USD	67	127
RUB	208	92
PLN	93	81
CZK	33	31
RON	26	(9)
TRY	(1)	(2)
CHF	(14)	(14)

The following table demonstrates the sensitivity (%) of the Group's financial assets and liabilities in (%) to 1% devaluation of HUF against all foreign currencies, with all other variables held constant:

Financial assets	30 September 2012	30 September 2011
Cash in bank, cheques and cash on hand	0.4878%	0.2418%
Other cash equivalents	0.0000%	0.0000%
Net trade receivables and other current assets	0.6154%	0.6269%
Income tax receivables	0.1184%	0.4002%
Held-for-trading investments	0.0000%	0.0000%
Available-for-sale financial assets	0.9622%	0.9619%
Loans given	0.0000%	0.0087%
Forward rate agreements	1.0000%	1.0000%

Financial liabilities	30 September 2012	30 September 2011
Trade and other payables	0.3185%	0.3906%
Income tax payables	0.9794%	0.9930%
Loans and borrowings	1.0000%	0.9913%
Interest swap contracts	1.0000%	n/a
Loans from other parties	0.0000%	n/a
Bank overdraft	1.0000%	1.0000%

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

	30 September 2012	30 September 2011
BGN	145.06	149.35
CHF	234.51	239.40
CZK	11.27	11.86
DKK	38.06	39.25
EUR	283.71	292.12
GBP	355.63	336.52
JPY (100 unit)	282.44	280.61
NOK	38.56	37.00
PLN	68.95	66.18
RON	62.58	67.16
RUB	7.09	6.72
SEK	33.65	31.53
TRY	122.27	116.12
USD	219.17	215.65

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 any state within the European Union. The Group's trade receivables include balances from a number of customers that are across different geographic areas.

Analyses of most significant trade debtors are as follows:

	30 September 2012			30 September 2011		
	Value	Percentage of total	Number of debtors	Value	Percentage of total	Number of debtors
Over HUF 1,000 million	13,793	42%	8	8,623	29%	4
Between HUF 200 and 1,000 million	12,089	37%	28	14,154	47%	31
Over HUF 200 million	25,882	79%	36	22,777	76%	35

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. Besides, receivables exposed to significant credit risk are secured mostly with bank guaranties and letter of credits in an amount of HUF 9,243 million and HUF 8,160 million as at 30 September 2012 and 2011, respectively.

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

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.

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 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.

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 rate agreements. The purpose is to manage the currency risk arising from the Group's operations and its sources of finance.

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 2012	30 September 2011
Financial liability, loans and borrowings	2,908	3,176
Trade and other payables	23,132	22,601
Less cash and cash equivalents	(45,929)	(35,557)
Net debts	(19,889)	(9,780)
Equity	179,490	161,639
Equity and net debt	159,601	151,859
Gearing ratio	(12.46%)	(6.44)%

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29. APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

The accompanying consolidated financial statements were approved by the Board of Directors of Egis Pharmaceuticals PLC on 4 December 2012. The Annual General Meeting has the ultimate power to change this approval.

Budapest, 4 December 2012

Representative of the Company

II.

Annual consolidated report 2011/2012
in accordance with International Financial Reporting Standards (IFRS)

3. Business report

CONSOLIDATED BUSINESS REPORT

on the performance of the Egis Group in 2011/2012 according to International Financial Reporting Standards (IFRS)

SUMMARY

Key Financial Figures of Egis Group		2010/2011 business year	2011/2012 business year	Index %
Net sales	HUFm	128 939	132 825	103
out of which				
domestic	HUFm	34 871	31 357	90
export	HUFm	94 068	101 468	108
	EURm	345.5	345.6	100
Operating profit	HUFm	16 302	20 436	125
Net profit	HUFm	13 585	18 531	136
Earnings per share	HUF	1 745	2 380	136
Capital expenditure	HUFm	15 366	15 263	99
R&D expenditure	HUFm	11 614	12 115	104
Staff*	person	3 915	3 977	102
Invested assets*	HUFm	78 503	82 248	105
Cash and cas equivalents*	HUFm	35 557	45 929	129
Equity*	HUFm	161 639	179 490	111

*Closing figure at the end of the period

The strategic goal of the Egis Group is to persistently strengthen competitiveness, to continuously increase sales revenue, to achieve high profit and to enhance efficiency of operation.

The results of the 2011/2012 financial year were pleasing. The targets set for the financial year 2011/2012 have been achieved by the Group despite the adverse business conditions and the negative government measures continuing to prevail.

The domestic turnover reflecting a decline due to the introduction of the new six-month cycle price and reimbursement system at the beginning of the business year (the so called blind bidding process) could be offset by the rise in the forint value of exports, amounting to three quarters of sales revenue. Gross profit improved significantly, the margin improved. Rise in operating expenditures remained moderate. The Group's profits grew significantly, the strong equity position kept expanding. The Company continued to provide sufficient resources to engage in the renewal of the product portfolio and in the development of the operation.

In the business year 2011/2012, the Egis Group achieved net sales of HUF 132,825 million, 3% more than a year ago. 76% of sales revenue derived from exports while 24% from domestic sales. The Company launched 7 new products in its markets.

Domestic sales revenue totalled HUF 31,357 million during the business year. This fell short by 10% of last year's figure.

In FY 2011/2012, amidst the forced price reductions of generic drugs owing to the blind bidding processes, the Company ranked the seventh largest supplier in the domestic drug market. Its value market share moved down 0.5% point y/y amounting to 4.9%. Among the generic medicine producers the Company kept its No. 3 ranking. Regarding the quantity of pharmaceuticals sold, Egis Pharmaceuticals PLC was the third biggest supplier in Hungary with a market share of 9.5%.

By their surtax payments, drug producers continued to take significant part in covering Hungarian drug-reimbursement. At the same time, it was advantageous for the Company to have the possibility to make deductions from the payment obligations on the basis of its domestic R&D spending in the FY 2011/2012.

Forint value of total international sales exceeded HUF 100 billion for the first time in the Group's history, adding up to HUF 101,468 million. This indicates an increase of 8% on the previous year.

There has been an aggregate boost of sales revenue amounting to 7% in Russia and other CIS countries, while in Eastern Europe sales revenue saw a moderation of 9% in total, mostly as a consequence of the turnover relapse in Poland and owing to the weakening of Eastern-European local currencies vs euro. Sales realised in the rest of the world moved up 2.5% y/y.

Exports came to EUR 345.6 million, the same value in EUR terms as the year before.

Gross margin accounted for 57.0%, moving up 1.1 percentage points compared to 2010/2011.

General operating costs grew 3%.

The Group's operating profit accounted for HUF 20,436 million, exceeding the comparative figure by 25%. Operating profit accounted for 15.4% of sales revenue, this ratio means a development of 2.7 percentage points y/y.

The financial result came to HUF 976 million while the share of results of associated companies showed a value of minus HUF 1,124 million over the year.

Thus, pre-tax profit of the Egis Group in the 2011/2012 business year totalled HUF 20,288 million, 29% more than a year ago.

The Group's equity amounted to HUF 179,490 million at the end of the fiscal year, 11% higher than the year before. Equity per share value rose to HUF 23,054.

The Group continued to pay high attention to strict resource management also in 2011/2012.

Financial position of the Group further strengthened, aggregated value of cash and cash equivalents available at the end of the business year amounted to HUF 45,929 million. This shows a 29% growth compared to preceding year's closing reserve.

The Egis Group continued the programs promoting the development of the operation and the long-term improvement of its efficiency.

In February 2010, the Company has concluded a contract of great business importance with Celltrion (South Korea) for marketing 8 biosimilar products in the strategic markets of Egis. Under the general contract also the product supply agreements have been signed for the first two products. In the 2011/2012 business year the Company effected advance payments at a value of USD 3.2 million which will be deducted on delivery of the products.

The strategic co-operation of Servier and Egis substantially contributed also in this business year to boost the Group's results, realising 20% of Egis Group's sales revenue as value of this cooperation.

Information

Two changes have been introduced in the accounting policies of the Company in the reported financial year. The modifications reflect changes in classification and they affect neither the Company's net profit nor the total value of assets and equity and liabilities.

1. Classification of medical representatives' registration fee

In line with industry practice, the registration fee of medical representatives, levied in Hungary, hereinafter will be presented in the Company's reports not among other operating expenses but as item of the general selling costs.

2. Classification of held-to-maturity (short-term) securities

The Company has also amended classification of held-to-maturity (short-term) securities. The value of such securities are no longer presented among other financial assets but as item of cash and cash equivalents.

1. Subsidiaries of Egis Pharmaceuticals PLC

Subsidiaries of Egis Pharmaceuticals PLC figuring in the consolidated report form two groups. One of the groups comprises the trading companies. The basic function of these subsidiaries is to support marketing of Egis products as well as to organise 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 visiting 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 Pharmaceuticals PLC established the company in 1995. It is designated to perform the promotion of Egis products.

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

The company was established in 2005 for the local distribution of Egis products and of the products taken over from Anpharm.

Egis Rompharma S.R.L., Romania

Egis Pharmaceuticals PLC 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. Its actual business activity was commenced in 2007/2008.

OOO Egis RUS

The company was established in 2007. It performs no business activity.

EGIS UK Ltd

It was established in 2000 for carrying out tasks of registration of Egis products in Great Britain.

The above trading subsidiaries have completed their 2011/2012 tasks and their business activity was in compliance with the targets.

Another group of consolidated subsidiaries comprise Medimpex Pte. Ltd. and other firms formerly related thereto. These carry out independent business activity including certain services rendered also to Egis Pharmaceuticals PLC.

Medimpex Trading Pte. Co. Ltd., Hungary

The former foreign trading company, specialised in the exports of Hungarian pharmaceutical products, was acquired by Egis Pharmaceuticals in 1996.

The business activity of the company was entirely separated from Egis in 2000, and focused on its own exports and imports. Major part of its turnover and profit, except the value of services provided within the Egis Group, increases Egis Pharmaceuticals PLC's results through consolidation.

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 Pharmaceuticals PLC from Medimpex Pte. Ltd. in September 2001.

2011/2012 activity of the subsidiaries belonging to this group is also considered by Egis Pharmaceuticals as successful.

Key figures of the consolidated companies as at September 30, 2012 are shown in Table 2. They represent the total results of the companies.

Table 2

**Key Figures of Consolidated Companies
(HUF million)**

Consolidated companies Individual figures	Egis Pharma- ceuticals PLC	Egis Polska	Egis Polska Dystrybucja	Egis Praha	Egis Slovakia	Egis Rompharma	Egis Bulgaria	Egis Ilaclari	Medimpex Pte.Co.Ltd.	Medimpex Real Estate LLC	Egis UK	Egis Rus
Domestic sales	29 883	0	0	0	0	0	0	0	1 855	306	0	0
Exports	97 657	4 313	15 754	1 663	4 919	4 859	1 840	1 838	478		7	0
Sales	127 540	4 313	15 754	1 663	4 919	4 859	1 840	1 838	2 333	306	7	0
Cost of sales	55 157	19	14 588	14	3 698	4 291	1 794	927	1 214	25	0	0
Gross profit	72 383	4 294	1 166	1 649	1 221	568	46	911	1 119	281	7	0
General selling costs	30 805	3 777	725	1 514	1 063	104	63	1 293	579	136	0	0
R&D expenses	12 028	0	0	0	0	0	0	87	0	0	7	0
Administrative costs	9 167	393	0	84	114	43	0	86	148	0	0	0
Other operating expenses	1 311	1	101	2	0	529	3	15	54	12	0	0
Other operating income	1 071	84	9	6	14	3	3	1	0	0	0	0
Operating profit	20 143	207	349	55	58	-105	-17	-569	338	133	0	0
Profit from financial activities	1 375	4	108	2	4	8	0	69	32	0	0	0
Pretax profit	21 518	211	457	57	62	-97	-17	-500	370	133	0	0
Corporate income tax	1 536	55	102	23	20	-34	-1	-15	69	13	0	0
Net profit	19 982	156	355	34	42	-63	-16	-485	301	120	0	0
Share capital Owned by Egis	7 786	1 226	1 329	797	705	1	1	3 275	598	606	0	17
Pharmaceuticals PLC %			100%	100%	100%	100%	100%	100%	100%	50%	100%	100%
Equity	177 421	1 477	3 116	385	946	-376	62	1 099	1 620	1 365	0	17

2. SHARES AND SHAREHOLDERS OF EGIS PHARMACEUTICALS PLC

At the end of the 2011/2012 business year, the share capital of Egis Pharmaceuticals PLC was invariably composed of 7,785,715 registered ordinary shares, with a nominal value of HUF 1,000 each. The shares exist in dematerialized form and are listed on the Budapest Stock Exchange in the 'A' listed category.

Since December 1995, the French company Servier, as at the same time also the strategic partner of Egis Pharmaceuticals PLC, has been owning 50.91% of Egis shares. The seventeen-year close collaboration ensures a stable proprietary and conducting background for the successful business activity of the Egis Group.

International financial institutions and private investors represent another major group of shareholders, holding 34.04% of all shares. This ratio dropped 345 basis points from the level of the last end-of-the-year ratio. Accordingly, the scale of Hungarian investors expanded in similar proportion, possessing 15.05% of all shares at the end of the business year.

Out of the individual holdings only the above-mentioned strategic partner, Servier (Arts et Techniques du Progrès) has a shareholding that exceeds 5% (possessing 50.91% of Egis shares as mentioned above). Considering even the most significant holdings, other investors own as much as 1 to 3% total share capital for the most part, and state shareholding, which occurred after the takeover of pension fund assets, remained on a stagnating level of 4.74% since November 2011.

Table 3 summarizes the changes in shareholders' structure of Egis Pharmaceuticals PLC

Table 3

Shareholders of Egis Pharmaceuticals PLC

Shareholder	Number of shares Sept. 30, 2011	%	Number of shares Sept. 30, 2012	%
ATP (Servier)	3 963 922	50.91	3 963 922	50.91
Foreign institutions and private investors	2 918 771	37.49	2 650 038	34.04
Hungarian institutions and private investors	903 022	11.60	1 171 755	15.05
Total	7 785 715	100.00	7 785 715	100.00

In the 2011/2012 business year, though the turnover of shares moved up on the stock exchange, both the number of transactions and the number of traded shares increased, the total value of turnover fell.

Egis share price started at the value of HUF 14,880 on the first day of the business year. The first quarter of the 2011/2012 year experienced a rapid growth followed by a setback. As regards the whole 12-month period, the yearly maximum price was recorded on October 24, 2011 at HUF 18,895. Following the general market trend and the continuous selling pressure coming from one investor institution (Tradewinds Global LLC with a stake of over 10% for a time) Egis share price showed a downward trend. The yearly minimum value was represented by a transaction realised on June 4, 2012 at HUF 13,550. The nadir in June was followed by an upward trend until the end of the fiscal year. Egis share price closed at HUF 17,600 at the end of the business year. The yearly average price changed to HUF 15,870 with a drop of 17,58%.

Between October 2011 and September 2012, the index of Budapest Stock Exchange (BUX), lifted then fell, following the first month's fluctuation, and again showed an increasing path, starting with 15,432.45 points and closing the period by 18,588.65 points. The minimum value, 15,137.66 points was recorded on October 4 and its absolute peak of 19,996.26 points was reached on February 7.

In the business year 2011/2012, the traded value of Egis shares was HUF 44.4 billion. The 14% decline was attributable to the drop in the average share price.

The number of traded shares was 2,797 thousand, demonstrating a 73% circulation of the free float during the fiscal year. The yearly average market capitalization of Egis shares came to HUF 125.9 billion, with a reduction of 17% y/y.

Main indices of stock exchange turnover can be seen in Table 4.

Table 4

Turnover of Egis Shares on Budapest Stock Exchange

Turnover of Egis shares		2009/2010 business year	2010/2011 business year	2011/2012 business year
Number of transactions		58 249	48 535	48 960
Volume traded	thousand units	3 204	2 637	2 797
Value traded	HUFm	64 070	51 647	44 392
Annual average price	HUF	19 939	19 256	15 870

Similarly to the previous years, also in 2011/2012, Egis Pharmaceuticals PLC provided open access for investors and analysts to up-to-date and correct information in order to support their understanding and decisions.

3. MARKET ACTIVITY OF THE EGIS GROUP

In 2011/2012, the Group achieved net sales revenue of HUF 132,825 million which exceeds last business year's turnover by HUF 3,886 million or 3%. 99% of net sales, HUF 131,479 million came from the sale of products manufactured and distributed by the Egis Group (drugs and active substances) while other activities (licences, intellectual properties, services) generated sales revenue of HUF 1,346 million.

96% of consolidated sales revenue (95% in 2010/2011) was generated directly by Egis Pharmaceuticals PLC, while the rest came from dealings of consolidated companies with partners outside the Group. In addition to Egis Pharmaceuticals PLC, considerable independent sales were achieved by Medimpex Pte. Ltd. and among the subsidiaries in Eastern Europe by the Polish Egis Polska Dystrybucja and the Turkish Egis Ilaclari Sirketi.

The Structure of Sales

Egis Group's strategy keeps focusing on the sale of finished forms of pharmaceuticals. 87% of the Group's sales revenue in the 2011/2012 business year was generated by pharmaceuticals used in human therapies.

Active substance sales further expanded in this financial year due to the growing demand primarily from Servier.

The structure of sales is displayed in Table 5.

Table 5

Structure of sales of the Egis Group (Sales in HUF million)

Structure of Sales by product types	2009/2010 business year	%	2010/2011 business year	%	2011/2012 business year	%
Human drugs	104 850	88.2	111 830	86.7	115 316	86.8
Other human drugs	2 012	1.7	2 184	1.7	2 808	2.1
Active substance	8 418	7.1	11 980	9.3	13 178	9.9
Other product	304	0.2	214	0.2	177	0.2
Other sales	3 331	2.8	2 731	2.1	1 346	1.0
Total	118 915	100.0	128 939	100.0	132 825	100.0

In 2011/2012, the Egis Group sold products of 137 product lines based on 119 different active substances. The product portfolio, including different strengths and packaging forms, consisted of 531 products. At the end of the business year, the Company owned 321 registrations in Hungary and 2,501 abroad.

Annex 1

Strategic Co-operation between Servier and Egis

The strategic alliance between Servier and Egis, forming a solid basis for the Company's operation since 1996, contributed substantially to the good results of the Company also in the 2011/2012 business year.

In 2011/2012, the turnover realised by the Egis Group in the framework of this collaboration amounted to HUF 26.8 billion. This level is 5% lower than a year ago – mainly due to the forced price reductions in Hungary. Purchases of active substances by Servier were on the increase. The cooperation amounted to 20% of the Group's total sales revenue.

Domestic sales of Servier products (*Coverex-AS® 5 mg and 10 mg, Coverex-AS Komb®, Coverex-AS KombForte®, Covercard® 5/5 mg, 5/10 mg, 10/5 mg and 10/10 mg, Adexor MR®, Tenaxum®, Apadex retard® and Bioparox®*) marketed by Egis Pharmaceuticals PLC under licence from Servier totalled HUF 10.0 billion. These products represented 33% of total domestic sales of Egis Pharmaceuticals PLC. Servier remains by far the most important licence partner of Egis.

Over the 2011/2012 business year, sales revenue of the antibiotic product *Bioparox* aerosol developed by Servier and produced for Eastern European markets by Egis Pharmaceuticals PLC, amounted to EUR 12.9 million. The Egis Group sold additional Servier products in these markets at a value of EUR 1.9 million.

Good cooperation between Egis and Anpharm, a company within the Servier Group, guaranteed also in the business year concerned, the hitch-free distribution of the Polish product portfolio taken over four years ago.

The sale of Egis finished products in France was realised in co-operation with Servier's local generic company Biogaran. Annual sales revenue reached by Egis in this market through the co-operation totalled EUR 7.9 million. Additionally, Servier products manufactured by Egis in the frame of production co-operation were supplied to the Western European companies of the Servier Group at a value of EUR 3.2 million.

The supply of active substances produced by Egis for Servier expanded to EUR 29.8 million in the reported business year.

Successful, coordinated actions have been carried out by Egis and Servier in the area of discovery research.

In line with the profile of the Group, major part of sales revenue was generated also in 2011/2012 by generic products and generic active substances developed by Egis, accounting together for 62% of product sales revenue (with a 5% rise in turnover). In 2011/2012, the licensed products had a stagnating turnover while their share reached 34% of sales revenue. 34% of in-licensed product sales was achieved by Servier's original products. In the 2011/2012 business year, the turnover of original products developed by Egis represented 4% of the Group's product sales revenue.

Development and commercial activity of the Group is ranging across a wide area of therapies, however, the focus remains on products acting on cardiovascular, central nervous and respiratory systems. 2011/2012 aggregate sales revenue of these three groups accounted for 75% of human pharmaceuticals sales of the Egis Group. The Company keeps extending its profile, as a part thereof, sales of oncology products grew 14.5% in year-on-year comparison. Sales figures by different therapeutic areas are shown in Table 6.

Table 6

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

Sales revenue by main therapeutic areas	2009/2010 business year	%	2010/2011 business year	%	2011/2012 business year	%
Cardiovascular system	40 017	38.2	42 647	38.1	43 300	37.6
Central nervous system	24 783	23.6	24 563	22.0	25 925	22.5
Respiratory system	14 899	14.2	15 444	13.8	16 666	14.5
Blood forming organs	6 724	6.4	7 799	7.0	7 428	6.4
Alimentary tract and metabolism	6 056	5.8	7 150	6.4	6 515	5.6
Musculo-skeletal system	4 199	4.0	4 715	4.2	5 081	4.4
Genito-urinary system and sex hormones	2 945	2.8	3 981	3.6	4 286	3.7
Antineoplastic and immunomodulating agents	1 980	1.9	2 350	2.1	2 672	2.3
Dermatologicals	1 536	1.5	1 879	1.7	2 142	1.9
Gen. antiinfectives for systematic use	1 314	1.2	1 302	1.1	1 301	1.1
Sensory organs	397	0.4	0	0.0	0	0.0
Total	104 850	100.0	111 830	100.0	115 316	100.0

Over the 2011/2012 fiscal year, 29 product lines of Egis products achieved sales figuring over HUF 1,000 million. Their aggregate turnover represented 75% of the Group's total sales revenue. In the reported year, turnover of 4 product lines exceeded HUF 6 billion, sales revenue of 2 product lines came to over HUF 5 billion, 2 product lines had a turnover between HUF 4 and 5 billion while sales revenue of 5 additional product lines exceeded HUF 3 billion.

Table 7

Leading Product Lines of the Egis Group
(Sales in HUF million)

Product line/Active substance	Category	2011/2012 business year
1. Suprastin® – chloropyramine	antihistamines	9 509
2. Coverex® line perindopril, indapamid, amlodipin	antihypertensives	8 126
3. Thiofestermet®	active substance	6 965
4. Egilok® – metoprolol	beta blockers	6 826
5. Sorbifer durules® – ferrous sulphate	iron preparations	5 801
6. Milurit® – allopurinol	antigout preparations	5 278
7. Betadine® - iodine	topical anti-infectives	4 829
8. Nitromint® – nitroglycerin	anti-anginals	4 079
9. Bioparox® – fusafungin	antibiotics	3 996
10. Lucetam® – piracetam	nootropics	3 856
11. Frontin® – alprazolam	anxiolytics	3 672
12. Talliton® – carvedilol	beta blockers	3 261
13. Grandaxin® – tofisopam	anxiolytics	3 215
14. Kaldyum® – kálium	potassium preparations	2 933
15. Velaxin® – venlafaxine	antidepressants	2 867
16. Hartil® család – ramipril HCTZ	antihypertensives	2 668
17. Ketilept® – quetiapine	antipsychotics	2 493
18. Tensart® család- valsartan, HCTZ	antihypertensives	2 422
19. Cardilopin® – amlodipin	antihypertensives	2 167
20. Tisercin® – levomepromazin	neuroleptics	1 957
21. Dopegyt® – methyldopa	antihypertensives	1 849
22. Halidor® – bencyclane	peripheral vasodilators	1 837
23. Tenaxum® – rilmenidine	antihypertensives	1 715
24. Cordaflex® – nifedipine	antihypertensives	1 385
25. Egitromb® – clopidogrel	antithrombotics	1 354
26. Zalain® – sertaconazol	antimycotic	1 280
27. Clostilbegyt® – clomiphene citrate	synthetic ovulation stimulants	1 141
28. Adexor® – trimetazidine	anti-anginals	1 121
29. Lidocain® – lidocaine	local anesthetic	1 022

In 2011/2012, the highest sales revenue was generated by the product line *Suprastin®* based on active substance chloropyramine. It is followed by the group of pharmaceuticals with active substance perindopril (*Coverex®*, *Covercard®*) licensed from Servier, by the active substance Thiofestermet® as well as by the products belonging to the *Egilok®* line marketed for in export markets.

Main Markets of the Egis Group

In 2011/2012, the Group's products were sold in 59 countries. 94% of the annual sales revenue was generated in the first 15 countries. 86% of turnover was realised 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 8.

Table 8

Breakdown of Egis Group Sales by Regions (Sales in HUF million)

Sales by regions	2009/2010 business year	%	2010/2011 business year	%	2011/2012 business year	%
Hungary	32 687	27.5	34 871	27.0	31 357	23.6
Russia and other CIS markets	38 042	32.0	40 933	31.8	47 597	35.8
Central and Eastern Europe	35 696	30.0	36 663	28.4	35 750	26.9
Western Europe	9 337	7.9	13 113	10.2	14 794	11.2
North America and Japan	1 594	1.3	1 709	1.3	1 547	1.2
Other countries	1 559	1.3	1 650	1.3	1 780	1.3
Net sales	118 915	100.0	128 939	100.0	132 825	100.0

Hungary

In 2011/2012, the conditions of operation were driven by the measures aiming at the reduction of state drug expenses, primarily by continuous, strong price cuts accelerated by state regulation (see Annex 2).

Annex 2

Regulation of the Hungarian Drug Market

With the aim of restraining the growth of the pharmaceutical budget the Hungarian government effected substantial changes in the regulation as from January 2007. As part thereof, stricter limits have been set to the producers' marketing activity, and major part of reimbursement costs charged to drug manufacturers. Producers were obliged to cash in 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 exceeded the level established in the state budget. There was also a registration fee introduced, HUF 5 million per year 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 medrep fee, with slightly modified regulation, amounting to HUF 416,000/ month, as from February 15, 2009. The payment obligation was raised from 12% to 20%, and registration fees on medical representatives duplicated from July 1, 2011.

Parallel with the enactment of these measures the government effected general reduction for drug reimbursements. In order to enhance price competition, the government has quarterly fixed the reimbursement keys of medicines falling into the same INN category at the price level of the cheapest pharmaceuticals (so-called fixing). In autumn 2011 besides fixation a new six-month cycle price and reimbursement system has been introduced (so-called blind bidding process) that caused further robust fall in prices. Due to the introduction of blind bidding system in October 2011 the domestic sale prices of the Egis products decreased 6,9% on average, and further 6,8% in April 2012.

In December 2011, the Parliament restored for a definite period of time the R&D spending related deductibility option for payment obligations which had in June 2011 been ceased with retroactive effect. Through a modification of enactment, 90% of the payment obligation debiting the 2011 calendar year accounts may again be deducted, provided that the Company's R&D expenses exceed 25% of reimbursement (proportionate to manufacturer's price) paid on their products and that, within R&D spending, personnel expenses remain above 3% of the same reimbursement amount.

Entitlement to the deductibility option for the Company is judged on the basis of the R&D expenses incurring in the 2011/2012 financial year. Consequently, the deduction allowance is also accounted in the business year concerned. Taking into account the R&D expenses incurred in 2011/2012 business year, 90% of the payment obligation occurring in 2011 calendar year, including also medrep fee and surtax proportionate to reimbursement, HUF 2,855 million were accounted as allowance. The financial settlement of deductions on payment obligations made in the 2011 calendar year will be possible after the closing of 2011/2012 business year (from the beginning of 2013 calendar year).

2011/2012 domestic sales revenue accounted for HUF 31,357 million which is 10% less than the comparative value. Even the expanding turnover of new products was not enough to offset the effect of decline in prices due to the blind bidding process and the increasing amount of products disqualified from the reimbursement system.

After introducing 4 new products in the previous business year, further 4 new products were introduced by the Group on the domestic market in 2011/2012. (The new products are listed in detail in Annex 4.) Turnover of the new products introduced in the recent two years, kept on growing in 2011/2012.

Over the 2011/2012 business year, Egis Pharmaceuticals PLC's market share represented 4.9% in the whole Hungarian pharmaceutical market, decreasing 0.5 percentage point y/y. Thus, Egis Pharmaceuticals PLC took the seventh place among the leading suppliers besides the forced price reductions of generic drug producers. The Company still took the third place among generic drug manufacturers.

With respect to the number of boxes sold, the Company was the third supplier with a market share of 9.5%.

Russia and other CIS markets

As the 2011/2012 sales revenue indicates, this region represented the Group's largest market. Related exports amounted to EUR 162.0 million, exceeding the 2010/2011 figure by EUR 11.1 million or 7%. In HUF terms, sales increased 16%.

Russia kept on being the largest market in the region with sales of EUR 116.0 million, reflecting a rise of 5%. Russia had the highest turnover – even higher than Hungary – among Egis Group's countries in 2011/2012 business year.

In EUR terms, sales increased in Ukraine by 6% while turnover in other CIS region increased 18%.

Table 9

Exports of Egis Group to the CIS

(Sales in EUR thousand)

Export sales CIS countries	2009/2010 business year	2010/2011 business year	2011/2012 business year	Index %
Russia	98 378	110 244	116 027	105
Ukraine	14 499	15 582	16 500	106
Kazakhstan	7 637	8 021	9 563	119
Belarus	6 618	6 207	6 943	112
Uzbekistan	2 878	2 749	3 111	113
Moldavia	2 694	2 459	2 871	117
Georgia	2 285	2 251	2 636	117
Azerbaijan	2 074	2 091	2 662	127
Armenia	1 191	1 289	1 674	130
Total	138 254	150 893	161 987	107

Central and Eastern Europe

In the 2011/2012 business year, Egis Group realised EUR 121.7 million sales in its second largest international market. This turnover represents a decrease of EUR 12.5 million that is 9% y/y. The same 2.5% drop is measured in HUF terms.

The fall is mainly due to the relapse of turnover in Poland. Several changes has been introduced in the Polish pharmaceutical market in price and reimbursement regulation in autumn 2011. Wholesale margins decreased, two-month cycle price and reimbursement review was introduced. This created uncertain and worsening conditions. Wholesalers and retailers reacted to that with temporary notably decrease of their purchases. Despite the price changes occurring every two months, Egis market turnover has stopped falling towards the end of the business year.

Table 10

Sales of the Egis Group to the Countries of Central and Eastern Europe

(Sales in EUR thousand)

Export sales Central and Eastern Europe	2009/2010 business year	2010/2011 business year	2011/2012 business year	Index %
Poland	63 969	65 518	53 859	82
Czech Republic	16 462	18 405	17 791	97
Slovakia	15 236	15 131	12 566	83
Romania	15 448	16 804	17 812	106
Bulgaria	6 069	6 160	6 762	110
Turkey	6 404	5 534	6 274	113
Baltic States	2 619	2 872	3 128	109
Vietnam	3 760	3 709	3 474	94
Serbia	53	66	32	48
Total	130 020	134 199	121 698	91

Western Europe

In 2011/2012, the Group's turnover accounted for EUR 50.5 million in this region, 5% more than a year ago.

Out of this turnover, bulk chemical sales amounted to EUR 33.5 million, which demonstrates a EUR 2,7 million growth compared to 2010/2011.

Value of drug sales totalled EUR 15.1 million, 8.5% less in y/y comparison, following the upward tendency of the previous year. Additionally, EUR 1,9 million resulted from other sales revenues.

Table 11

Sales of the Egis Group to the Countries of Western Europe

(Sales in EUR thousand)

Export sales Western Europe	2009/2010 business year	2010/2011 business year	2011/2012 business year	Index %
France	25 404	37 249	38 790	104
Great Britain	2 617	2 332	2 349	101
Netherlands	370	0	11	-
Ireland	2 825	6 034	6 066	101
Norway	532	777	265	34
Germany	1 602	887	1 370	154
Other countries	688	913	1 656	181
Total	34 038	48 192	50 507	105

North America and Japan

During the business year, Egis Group exported bulk chemicals to this region at a value of EUR 5.2 million, EUR 0.9 million less than in the previous year. Additionally, EUR 0.2 million resulted from sales revenues of other activities.

Other Countries

Other countries involve mainly developing countries. In the 2011/2012 business year, sales of the Group in these markets totalled EUR 6.1 million. Out of which finished product sales amounted to EUR 3.5 million while export of bulk chemicals came to EUR 2.4 million. Furthermore, other sales revenues amounted to EUR 0.2 million at these markets. Turnover in total is higher by EUR 0.1 million (or 1%) than a year ago.

Marketing Network

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

In the rest of the world, Egis performs operations in collaboration with local partners.

At the end of the business year 1,543 employees worked at the Group's marketing divisions in Hungary and abroad, 86 persons more than in 2010/2011.

Regarding all markets, Egis Group spent 24% of its total sales revenue on marketing, sales and distribution in 2011/2012.

Main features of the marketing network operating in the most important markets are shown in Table 12.

Table 12

Marketing Network of Egis Group (person)

Marketing network headcount by regions	Sept. 30, 2010	Sept. 30, 2011	Sept. 30, 2012
Hungary	208	207	192
Russia and other CIS regions	623	675	760
Central and Eastern Europe	566	575	591
Total	1397	1457	1543

Annex 3

**Egis Pharmaceuticals PLC enters the biosimilar market,
the agreement with Celltrion**

Egis Pharmaceuticals PLC entered into a collaboration agreement with Celltrion Inc. (Celltrion) and Celltrion Healthcare Co. Ltd. (South Korea, together with Celltrion as "Celltrion Group") on February 5, 2010 for the distribution of biopharmaceutical products developed and manufactured by Celltrion based on EMA guidelines.

The cooperation will provide physicians and patients with multiple biosimilar drugs for the state-of-the-art biological treatment.

Celltrion Group is one of the world's leading biopharmaceutical companies specializing in the production of monoclonal antibodies. Celltrion Group has strategic cooperation with various global pharmaceutical companies, based on its proprietary technology development platform, its US FDA approved state-of-the-art production facilities and distinguished scientists. Celltrion is in the possession of advanced biologic capacities, capabilities and know-hows. It was founded in 2002 as a contract manufacturer of protein-based therapeutics, and is currently developing an attractive portfolio of 8 biosimilar products. The application for European Union marketing authorization of the first product - biosimilar infliximab - has been accepted for review by EMA in March 2012.

The deal will benefit both parties to enter the biosimilar market successfully and increase the corporate development potential of the companies. Egis will expand its product portfolio with 8 biosimilar products as the right of exclusive distributor has been obtained for the 5 biggest CIS countries including Russia. The Celltrion Group stands to benefit from the extensive distribution network of Egis in additional 12 countries within Central and Eastern Europe, and CIS Region.

With this agreement, an opportunity will open up for Egis to enter the biopharmaceutical markets of oncology, autoimmune and inflammatory diseases along with the very first biosimilar producers.

Under the general contract, also the product supply agreements for the first two products have been signed. Value of advance payments effected in the entire business year amounted to USD 3.2 million, payments effected till now – including the current year – amounted to USD 24.8 million which will be deducted on delivery of the products.

4. DEVELOPMENTS AND INVESTMENTS

1. Research and Development

Research and development activity of Egis Pharmaceuticals PLC has focused on continuous renewal of the product assortment, on developing generic pharmaceuticals, takeover of licensed products as well as on discovery research in co-operation with its strategic partner, Servier.

In 2011/2012 HUF 12,115 million, 9.1% of sales revenue, were spent on research and development.

In the reported business year, 7 new products were launched by the Group, 4 of them in Hungary, 3 others in foreign markets. Out of these the combination pharmaceuticals is the result of own development, while the others derive from purchasing of dossiers.

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

In the reported business year, 32 new marketing authorizations were approved in Hungary and 290 abroad. Registration of 5 drugs in Hungary and 26 drugs abroad were deleted due to loss of interest. At the end of the business year, the Egis Group had registrations for 2501 pharmaceutical products abroad and for 321 drugs in Hungary, for 2822 in total.

From October 1, 2011 to September 30, 2012, Egis Pharmaceuticals PLC started to put under patent protection in total 6 new Hungarian inventions, 3 in Hungary, 2 in USA and 1 International (PCT) patent application. Out of these applications two were related to chemicals (they refer to the new polymorphs of recognised active ingredients, its salts and production), three to pharmaceuticals and one of them to diagnostic treatment.

In business year 2011/2012, the Company filed 70 patent applications and gained 15 patents in Hungary and abroad all in one.

The co-operation in discovery research between Egis and Servier is regulated by the General Research Agreement concluded with Servier on October 1, 2006.

The discovery research concentrates on discovering drugs acting on central nervous system. The main therapeutic targets are depression, schizophrenia and treatment of cognitive disorders occurring in the early phase of Alzheimer disease.

In the frame of the National Technology Programme of the Hungarian government, the Company, jointly with the University of Szeged, won a subsidy for "Development of new drug candidate for psychiatric and accompanying cognitive disorders" in 2008. The last phase of the 4-year project, the cost of which is assessed at HUF 1,400 million, has been completed.

Considerable expansion of innovation capacities of the Company has been enabled by putting into operation the new pharmaceutical pilot plant in 2011 and the analytical development laboratory inaugurated in 2012.

Annex 4

New products launched in 2011/2012

Ibandronic acid (50 mg film-coated tablets, 1mg/1ml, 2mg/2ml, 6mg/6ml solution-concentrate for infusion)

Ibandronic acid belongs to the bisphosphonate group of compounds which act specifically on the bone. It is indicated in adults for the prevention of skeletal events (pathological fractures, bone complications requiring radiotherapy or surgery) in patients with breast cancer and bone metastases. It is a licence product.

Irinotecan (20 mg/ml solution-concentrate for infusion)

Irinotecan belongs to the cytostatics (anti-cancer-medicines) and it is used for the treatment of advanced cancer of the colon and rectum in adults, either in a combination with other medicines or alone.

Irinotecan is a semi-synthetic derivative of camptothecin. It is an antineoplastic agent which acts as a specific inhibitor of DNA topoisomerase I.

The following medicines may be used in combination with irinotecan:

- 5-fluorouracil/folinic acid (5-FU/FA) and bevacizumab to treat cancer of the colon or rectum.
- cetuximab to treat cancer of the large intestine that has epidermal growth factor receptors.
- capecitabine with or without bevacizumab to treat cancer of the colon or rectum.

It is a licence product, it fits in the oncological portfolio of EGIS.

Levetiracetam (250 mg, 500 mg, 750 mg film-coated tablets)

This is an antiepileptic drug; it is indicated for the treatment of epileptic seizures. Depending on the type of epilepsy and on the age of the patient it is suitable for the treatment of different types of epilepsy in monotherapy and in combination with other medicines.

It could be administered to both children and adults. Active substance (levetiracetam) may be administered to children aged 1 month and older, film-coated tablets are suitable to dose adjustment to children aged 6 years and older. Licence product.

Memantine (10 mg film-coated tablets)

It belongs to a group of medicines known as anti-dementia medicines, and within this group the so-called NMDA-receptor antagonist medicines. It is used for the treatment of patients with moderate to severe Alzheimer's disease. Licence product.

Nicorandil (10 mg, 20 mg film-coated tablets)

This product is used for the prevention and long-term treatment of chest pain (chronic stable angina pectoris) in adults including elderly patients. Its active substance – nicorandil – relaxes blood vessels, improves blood flow in the narrowed coronary vessels and oxygen supply to the heart. A reduction of coronary heart disease complications with nicorandil has been established in a clinical study involving more than 5000 patients. Recommended daily dose is 20 to 40 mg. It is a licence product.

Pramipexol (0,25 mg, 1,0 mg tablet)

Pramipexole is a drug belonging to the group of dopamine agonists. It is indicated for adults to treat symptoms of idiopathic Parkinson's disease or symptoms of moderate to severe idiopathic Restless Legs Syndrome.

In Parkinson's disease it should be taken three times daily, alone or in combination with levodopa, when the effect of levodopa wears off and motor fluctuations occur.

In Restless Legs Syndrome it should be taken once daily. Licence product.

Ramipril-amlodipin (2,5 mg/2,5 mg, 5 mg/5 mg, 5 mg/10 mg, 10 mg/ 5 mg és 10 mg/10 mg capsule)

Ramipril/amlodipine fixed-dose combination hard capsules are indicated for substitution therapy of high blood pressure in patients whose blood pressure is adequately controlled with separately administered preparations of the same doses as included in the combination. The product has been developed by Egis Pharmaceuticals PLC itself, the five different strengths allow flexible treatment.

Capital Expenditure

During the business year, the Group's capital expenditure amounted to HUF 15,263 million, 1% less than a year ago.

As a result of the comprehensive modernization programme realised between 2006 and 2010, all drug producing capacities of the Company have been renewed. In the previous business year, modernization of API production and development of the facilities for quality assurance and research represented the most considerable items.

In 2011/2012, as an addition to the supplementary investments in production, also expansion of capacities for research and quality assurance played a more important role.

Establishment of a state-of-the-art analytical development laboratory building has been completed.

Also in the reported year, the Company has spent significant amounts on IT developments.

Egis Pharmaceuticals PLC had been qualified for corporate income tax allowance on the basis of considerable investments in production facilities realised between 2005 and 2011. Up to the level of the allowance value, the Company enjoys a tax allowance of 80% out of the 19% corporate income tax of general standard.

Table 13

Capital Expenditure by Main Groups

(HUF million)

Capital expenditure by speciality	2009/2010 business year	2010/2011 business year	2011/2012 business year
Bulk chemical production	2 999	2 844	2 694
Drug manufacturing equipment	2 327	1 763	2 238
Production-related infrastructure	1 117	1 339	926
Research and quality assurance	3 701	4 560	4 259
Environmental protection	116	150	266
Marketing and sales	1 783	2 115	2 120
Other developments	2 465	2 595	2 760
Total capital expenditures	14 508	15 366	15 263

As part of the investments, the Egis Group capitalized intangible assets at the value of HUF 1,350 million.

5. HUMAN RESOURCES

Headcount of Egis Group was 3,977 as at September 30, 2012, 62 persons more than a year ago. The number of employees has increased by 28 persons in administration and finance, by 60 persons in sales and marketing, by 26 persons in production and by 2 persons in research and development, but it has decreased by 1 person in servicing processes.

Breakdown of employees by different functional areas at the end of the business year can be found in Table 14.

Table 14

Breakdown of Staff of the Egis Group by Functions (person)

Headcount by field of activity	Sept. 30, 2010	Sept. 30, 2011	Sept. 30, 2012
Production	1 266	1 292	1 269
Research and development	464	503	501
Sales and marketing	1 441	1 490	1 550
Administration and finance	504	474	502
Internal services	149	156	155
Total	3 824	3 915	3 977

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

The number of employees of Egis Pharmaceuticals PLC at the end of the period was 2,586 in Hungary. In addition to that, 457 people worked at the Group's foreign trading companies, 40 persons at Hungarian commercial companies and 894 foreign experts were employed in the foreign commercial offices.

As earlier, high qualification level is characteristic of the Group's staff. To fulfill 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. The dominance of skilled workmen among blue collar workforce continues to prevail.

Table 15

Breakdown of Staff of the Egis Group by Education

Education in % of the headcount	Sept. 30, 2010	Sept. 30, 2011	Sept. 30, 2012
Blue collar workers	30	29	27
Skilled workers	27	26	25
Other workers	3	3	2
White collar workers	70	71	73
College, university graduate	59	60	64
Secondary and primary school	11	11	9

Between October 2011 and September 2012 the Group spent HUF 25,196 million on wages and HUF 8,902 million on social contributions and other personnel expenses.

In 2011/2012 average annual full-time employee income in Hungary was HUF 6,034 thousand.

Also in 2011/2012 Egis Group allocated substantial budget for incentives and training of employees.

6. INCOME AND PROFITABILITY OF THE EGIS GROUP

In the 2011/2012 business year, Egis Group achieved operating profit of HUF 20,436 million, 25% more than a year ago. 3% increase of sales revenue has been accompanied by lower growth of production cost. Thus the gross profit went up 5%. Consolidated gross profit for the 2011/2012 business year amounted to 57.0% of sales revenue, 1.1 percentage points over the previous year's level. The good evolution of gross margin was assisted both by favourable exchange rate developments and cost efficiency measures, however, adversely affected by price cuts, suffered to the greatest extent in Hungary.

The growing gross profit has been accompanied by 3% growth of operational costs. Due to the moderate cost outflow and the deduction on the payment obligations of pharmaceutical surtaxes on the basis of accountable R&D the operating profit amounted to HUF 20,436 million, which represents 15.4% of the sales revenue.

In 2011/2012 the consolidated profit resulting from financial activities together with the share of results of associated companies showed, in total, a profit of minus HUF 148 million. This figure is more favourable than a year ago with a difference of HUF 478 million. This is caused on the one hand by forex change shaping unfavourably for the Group during the period, on the other hand by the moderation of negative results of associated companies and the balance of high interest rate income. Thus the pre-tax profit came to HUF 20,288 million, 29% higher than a year ago.

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

Table 16

Income Statement of Egis Group (HUF million)

Main numbers of the result	2009/2010 business year	2010/2011 business year	2011/2012 business year	Index %
Net sales	118 915	128 939	132 825	103
Cost of sales	52 206	56 833	57 157	101
Gross profit	66 709	72 106	75 668	105
Indirect costs	49 149	53 022	54 430	103
Marketing and sales	28 263	30 583	32 293	106
Research and development	10 860	11 614	12 115	104
Other indirect costs	10 026	10 825	10 022	93
Other income	1 003	1 245	1 191	96
Other expenditures	1 405	4 027	1 993	49
Operating profit	17 158	16 302	20 436	125
Profit on financial transactions	2 243	-626	-148	24
Profit before tax	19 401	15 676	20 288	129

The Group's export-orientated profitable activity has been accompanied by the moderate growth of working capital. Thus HUF 24,413 million cash flow resulted from the operating activities. Investment activity carried HUF 12,921 million use of funds. Due to the financial activities use of funds amounted to HUF 1,120 million out of which dividend payment represents a high proportion. As a result of the above the Group's **cash and cash equivalents** increased HUF 10,372 million in the 2011/2012 business year compared to the opening value of the business year.

Table 17

Consolidated Cash Flow Statement
(HUF million)

Cash Flow	2010/2011 business year	2011/2012 business year
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	15 676	20 288
Depreciation and amortization	9 307	10 100
Decrease in inventories	2 932	2 048
Increase in net trade receivables and other current assets	-5 581	-5 473
Increase in trade payables and other short-term liabilities	2 845	531
Net tax paid	-1 971	-1 688
Change in other operating items	1 819	-1 393
Net cash flow from operating activities	25 027	24 413
CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of intangibles and property, plant and equipment	-15 366	-15 263
Change in other investing activity items	1 897	2 342
Net cash used in investing activities	-13 469	-12 921
CASH FLOWS FROM FINANCING ACTIVITIES		
Net decrease in loans and borrowings	-189	-140
Interest paid	-83	-46
Dividends paid	-934	-934
Net cash used in financing activities	-1 206	-1 120
Net change in cash and equivalents	10 352	10 372
Cash and cash equivalents at the beginning of the period	25 205	35 557
Cash and cash equivalents at the end of the period	35 557	45 929

Egis Group's consolidated equity totalled HUF 179,490 million at September 30, 2012. This is 11% higher than a year ago.

Equity per share value rose to HUF 23,054.

Table 18

Consolidated Balance Sheet as at September 30, 2012

(HUF million)

Consolidated Balance Sheet	Sept. 30, 2011	Sept. 30, 2012
ASSETS		
Intangible assets	4 101	4 136
Property, plant and equipment	69 347	73 931
Investment properties	314	642
Investments in associates	3 719	2 569
Other non-current financial assets	570	585
Deferred tax asset	452	385
Inventories	35 836	33 788
Net trade receivables and other current assets	40 393	45 849
Income tax receivable	158	176
Other current financial assets	273	248
Cash and cash equivalents	35 557	45 929
TOTAL ASSETS	190 720	208 238
LIABILITIES AND SHAREHOLDERS' EQUITY		
Share capital	7 786	7 786
Share premium	2 239	2 239
Fair valuation reserve	15	20
Translation difference	898	1 147
Retained earnings	150 701	168 298
Other non-current financial liabilities	3 017	2 559
Provisions	1 244	1 208
Deferred tax asset	0	3
Trade and other payables	22 601	23 132
Other current financial liabilities	159	349
Provisions	2 060	1 497
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	190 720	208 238

Business efficiency indices of the Company, indices following the pre-tax profit, as well as liquidity indices continued to show a very strong level.

The main financial indices figure in Table 19.

Table 19

Main Consolidated Financial Indices

Main Financial Indices		2010/2011 business year	2011/2012 business year
Operating profit / Net sales	%	12.64	15.39
Pre-tax profit / Net sales	%	12.16	15.27
Return of assets	%	7.12	8.90
Return of equity	%	8.40	10.32
Results per share			
Net profit	HUF	1 745	2 380
Cash earnings	HUF	3 209	3 903
Net book value	HUF	20 761	23 054
Liquid assets / Short-term liabilities	%	144	185
Liquid ratio	%	452	504
Inventory turnover	day	101	93
Debtors collection period	day	85	90
Debt ratio	%	1.87	1.43
Ratio of external resources	%	15.25	13.81

7. SIGNIFICANT EVENTS AFTER THE CLOSING DATE

Closing date of the Business Report, the Consolidated Balance Sheet and the Profit and Loss Statement of Egis Pharmaceuticals PLC, presented herein, was September 30, 2012 while the accounting processes were closed on October 26, 2012.

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.

Regulation of the Hungarian pharmaceutical market

According to currently available information, increased severity of regulations at the summer of 2011, will continue to remain. Drug manufacturers obliged to perform a payment amounting to 20% of subsidy on their products, and additionally, producers would be liable to compensate the final annual deficit of reimbursement fund, if any. Registration fee of HUF 832 thousand/month per medical representative is to be paid. The Company could deduct as allowance these payment obligations as a function of their R&D spending in 2011/2012 business year. The possibility of enforceable allowances for the next business year is not assured yet.

Additionally to the above arrangements, as a result of certain governmental measures blind bidding system was introduced from October 1, 2011 that caused notable decrease in prices. The decline in prices – still significantly although with a more moderate level than in the 2011/2012 business year – is expected to continue in the business year starting in October 1, 2012. Due to the blind bidding process predictably further Egis products get out of reimbursements.

2012/2013 Business Plan of Egis Group

In July 2012, the Board of Directors of Egis Pharmaceuticals PLC accepted the business plan for the October 1, 2012 – September 30, 2013 financial year.

The plan anticipates the decrease of the domestic turnover due to further fall in drug prices. At the same time further growth is targeted in the strategic export markets of the Group, i.e. in Eastern Europe, in Russia and in the other CIS states.

Further increase of the ratio of Russian and CIS markets is expected as the plan anticipates the most dynamic growth in turnover in these markets. Introduction of further governmental restrictive measures are probable in Eastern Europe that restrain growth. In the rest of the world the plan anticipates increase in sales revenue of finished pharmaceuticals.

Also in the new business year, the plan earmarks noticeable resources for the development of new products of Egis, the Company plans to ensure the same level of resources as in the previous periods for R&D activity.

The extension of the commercial activity continues as well, especially in the rapidly growing Russian and CIS markets. The Company prepares to enter the biosimilar market, probably even distribution can be started in the first markets in the second half of the business year.

The Egis Group continues its efforts to improve the efficiency, to simplify processes in all territories of operation, but especially in production, in quality management and in administration functions.

Investments for modernization will be continued both in API and pharmaceutical production, in total the level of investment activity is expected to be similar to the previous business year.

II.

Annual consolidated report 2011/2012
in accordance with International Financial Reporting Standards (IFRS)

4. Supervisory Board's opinion

SUPERVISORY BOARD'S OPINION

on the consolidated financial statements of Egis Pharmaceuticals PLC October 1, 2011 through September 30, 2012

(in accordance with International Financial Reporting Standards)

The Supervisory Board (SB) discussed the agenda items projected in its working schedule at four meetings. The SB had hearings on company management processes and the quarterly reports issued by the Board of Directors appeared as regular items on the agenda. The SB reviewed the status of the Company's inventory management, its 3-year development and interrelation of stock elements and turnover. The SB paid special attention to the aspects of the Hungarian generic drug market regulation and negative economic effects of state measures in the past period. The SB reviewed the Company's measures already taken and intended to take to offset the negative impact as well as their prospective result. They reviewed the developments targeting security services, the related costs and expenses. The SB investigated on the site the activity of Production Site of Körmen and the developments under realization.

The Supervisory Board discussed the report on Corporate Governance, listened to the findings of the Audit Committee and accepted its opinion to be submitted to the General Meeting on the financial statements. In the 2011/2012 financial year, there was no notification coming from shareholders; no extraordinary event occurred, so the SB did not have to take a stand on such issues. The SB found no objectionable issue in the Egis Group's 2011/2012 business activity in terms of compliance with legal requirements.

The Supervisory Board discussed the consolidated business report reflecting the Egis Group's business performance, listened to the findings of the auditor and of the Audit Committee. The Supervisory Board established that the Group completed a prominently successful 2011/2012 financial year even in comparison with the plans and despite the disadvantageous business conditions. 3% per cent expansion of turnover achieved partly by the increase in the turnover and partly through the improvement of management resulted in a 36% increase in the profit. Adverse conditions prevailed primarily in Hungary. Domestic sales revenue dropped 10%, the first time the ratio fell below 25% of the sales revenue which caused a 0.5 percentage point setback of market share. The 4.9% market share means, in terms of the number of boxes sold, a share approaching 10%. Growing profit has been achieved in parallel with high investment value and increasing development costs. The achievement of the Egis Group can be judged as good also from the owner's perspective, share price moved up and earnings per share went up to HUF 2,380.



On grounds of the report of the Board of Directors, of the auditor's opinion and of investigations on its own, the Supervisory Board proposes the General Meeting to approve the consolidated balance sheet, prepared in accordance with international financial reporting standards, with total assets vs. total liabilities and shareholders' equity of HUF 208,238 million and the income statement with net sales of HUF 132,825 million and with net profit of HUF 18,531 million.

Budapest, December 13, 2012

KOVÁCS Andor
Chairman of the Supervisory Board

II.

Annual consolidated report 2011/2012
in accordance with International Financial Reporting Standards (IFRS)

5. Audit Committee's opinion

AUDIT COMMITTEE'S OPINION

on the consolidated financial statements of Egis Pharmaceuticals PLC October 1, 2011 through September 30, 2012

(in accordance with International Financial Reporting Standards)

The Audit Committee (AC) performed its duties according to the stipulations of its annual working schedule, the Companies Act, the Articles of Association of Egis Pharmaceuticals PLC. In line with its annual working schedule, four AC meetings were held, and the work has been carried out with the participation of invited persons such as the the Chairman of the Supervisory Board, the auditor and several managers of Egis Pharmaceuticals PLC.

The AC has performed its functions as specified: discussed the annual reports of the Company, formed its opinion. The AC accepted the proposals to be submitted to the General Meeting on the election and remuneration of the auditor, additionally, in order to enforce the aspects of incompatibility, reviewed other services provided by the auditor to the Company.

In the frame of its working schedule the Audit Committee listened to reports in field of inventory management, disposition of assets, depreciation, the AC reviewed the followed procedures, the measures taken and its results. With the involvement of the auditor and the management, the AC discussed the auditor's management letter, in relation to that the AC decided to put on agenda as a separate item the development of the records of transfer prices. During the year the Internal Audit function first reported about its annual working schedule, then about the fulfillment. The information about the controlling of the foreign investments, the topic postponed from the previous year was also placed on the agenda. The same way as in previous years the AC dealt with the tax issues in this year, reviewed this year's and long-term effects of the tax changes in 2012, just as the method of compliance to the new requirements induced by the tax system. In order to comply with the principles of the Corporate Governance the AC accepted its Rules of Procedure which is accessible at the Corporate Office. In addition to that the AC reported to the Board of Directors and the Supervisory Board about its activity.

With participation of the auditor the Audit Committee discussed the consolidated financial statements, prepared according to the international financial reporting standards, and the report prepared on basis of these statements. The report submitted to the General Meeting is prepared on the basis of the international standards and of the Company's accounting policy, therefore the Audit Committee proposes that the General Meeting approves the submitted consolidated financial statements. Total assets vs. total liabilities and shareholders' equity amount to HUF 208,238 million, the income statement shows net sales of HUF 132,825 million and net profit of HUF 18,531 million.

Budapest, December 13, 2012

Dr RESZEGI László
Chairman of the Audit Committee

III.

**Corporate governance
report and statement**

Corporate Governance Report 2011/2012

Egis Pharmaceuticals Public Limited Company (the "Company") declares as set forth below and provides the following information regarding corporate governance of the Company:

Description of governing bodies of the Company

Operation of the Managing Body

The Company is managed by the Board of Directors (BoD) consisting of eleven members. The BoD delegates tasks of day-to-day operations to the management. Members of the BoD are elected by the General Meeting of Shareholders (GM) for three-year term. Following the expiration of their mandate members can be reelected.

Members of the BoD on September 30, 2012:

<u>Dr SETA, Jean-Philippe</u>	Chairman
<u>Mr BAZANTAY, Christian</u>	
<u>Mr BOUTS, Nicolas</u>	
<u>Mr DIAZ, Ange</u>	
Mr FEHÉRDI, Zsolt	Technical Director
Mrs GÁL, Péterné	
Dr HODÁSZ, István	CEO (Managing Director)
<u>Mr LANGOURIEUX, Yves</u>	
<u>Mr LAUREAU, Olivier</u>	
Mr POROSZLAI, Csaba	CFO
<u>Dr VERESS, József</u>	

Names of independent members of the BoD are underlined and printed in italics. According to the principles of the Company independent are those members of the BoD who have no legal relations with the Company other than the membership of the BoD, in case of profitable activity of the Company have no right on basis of their BoD membership to receive bonuses or remuneration of any kind from the Company or from the associated companies. Among seven independent members of the BoD six directors are delegated by the main shareholder.

The BoD elects its chairman and the Managing Director (MD) from its members with a simple majority of votes. The BoD exercises the employer's rights over the MD. In case the Managing Director's membership in the BoD is terminated, his or her office of managing director is terminated as well.

The BoD established its own Rules of Procedure.

A meeting of the BoD may be convened by the chairman or a member of the BoD indicating the reason and purpose of the meeting. Minutes are kept of the meetings.

The main activities of the BoD include acceptance of the annual budget and the three-year plan; convening regular and extraordinary GMs; preparation, acceptance and submission to the GM of proposals falling within the scope of authority of the GM; preparation of the report on the management, the financial conditions and business policy of the Company and submission thereof to the regular annual GM; decision on transactions pertaining to loans, guarantees and other financial obligations, acquisitions of interest in another company or any investments, sale of assets of the Company or interest owned in another company including the purchase or sale of any patent, trade mark and licence; definition of the MD's scope of activity, labor contract and remuneration; approval of the Company's Rules of Organization and Operation; approval of the Company's internal rule for signing procedure.

The chairman convenes and conducts the meeting of the BoD, appoints the person keeping the minutes of the meeting, orders voting and announces its results.

The BoD adopts resolutions by a simple majority of votes. In special cases, when there is no possibility to convene a meeting, the chairman of the Board may offer an option for decision making by written votes. The relevant conditions are stated in the Rules of Procedure of the BoD.

In the period October 1, 2011 to September 30, 2012 the BoD convened three times at 90.9%, 72,7% and 90.9% attendance respectively, and made decisions on one occasion via remote voting procedure.

Division of responsibility and duties between the BoD and the Managing Director / Executive Management

The BoD entrusts one of the directors to perform tasks of the managing director. The Managing Director (MD) is entitled to use the title of General Manager.

The operating activities of the Company are directed by the MD. The MD is personally liable for performing his/her duties within the framework defined by the applicable laws, the Articles of Association, and the Rules of Procedure of the BoD as well as by the resolutions of the GM and of the BoD.

The MD may delegate his/her authority to the Company's managers and employees in accordance with the Rules of Organization and Operation with regards to the Company's internal regulations by means of defining job descriptions and with general or limited authorizations, but limitations on his scope of authority as a member of the BoD shall have no effect with respect to third parties.

The MD is entitled to make decisions in all affairs not falling within the scope of authority of the GM or the BoD. The MD concludes a labour contract with the Company, signed by the chairman of the BoD.

Principally, the Managing Director exercises employer's rights with respect to employees of the Company.

In order to carry out the business of the Company, the MD concludes contracts and represents the Company before third parties, authorities and courts.

The Managing Director:

- prepares the agenda of the GM and the meeting of the BoD and submits the proposals for resolutions;
- implements the resolutions and decisions that are adopted and directs the implementation of the tasks falling within the scope of activities of the Company.

With respect to the MD, employer's rights are exercised by the BoD, except for the employer's rights falling within the scope of authority of the GM. The MD may not exercise his/her voting rights as a member of the BoD in the adoption of resolutions relating to such matters and effecting him/her personally.

The BoD may delegate a portion of its authority, with restrictions and conditions determined at its discretion, to the MD, and it may withdraw or change all or any portion of such authority from time to time, but such delegation shall not affect the liability of the BoD.

The MD is entitled to authorize employees to sign for the Company.

Members of the Executive Management on September 30, 2012

Dr HODÁSZ, István	Chief Executive Officer (MD)
Mr BERTA, József	Director of the Production Site of Körmend
Mr FEHÉRDI, Zsolt	Technical Director
Dr MÁZSÁR, Péter	Director of Commercial Operations
Mr POROSZLAI, Csaba	Chief Financial Officer
Dr SZEMERÉDI, Katalin	Director of Human Resources
Dr SZENTPÉTERI, Imre	Director of R&D

Evaluation and remuneration of the management

Assessment and evaluation of the management's activity and achievement are done by the BoD at its meetings, and additionally a more extensive performance evaluation of the CEO, in an indirect way of the management, is done once a year. The remuneration of managers (MD) has an established system at the Company. On top of the base salary, managers are entitled to receive bonus if the development of the Company meets the long term targets and targets of the relevant business year. The bonus is linked with the development of sales revenues, development of profit and with the fulfilment of most important specific tasks set in advance for the business year. The Company does not apply any compensation, or company share allowance which is directly linked with the actual share value of the Company. The BoD is on the view that the long-term successful operation of the Company is reflected in the positive development of its share price. The applied system of remuneration in this way also makes managers interested in long-term improvement of share prices without the potential negative effects of a share option programme.

The Supervisory Board

The Supervisory Board (SB) consists of seven members who are elected by the GM for three-year term. One third of the members of the SB is designated by the Works Council, following a statement of opinion of the trade unions operating at the Company. The GM is obliged to elect these employee members for the period unless statutory grounds for disqualification exist in respect of the nominees.

Members of the SB elect the chairman of the Supervisory Board by a simple majority of votes at their first meeting. The Chairman convenes and conducts the meetings of the SB, appoints the person keeping the minutes, orders the voting and announces its results.

The meeting of the SB may be convened by any member indicating the reason and purpose thereof if his/her request for convening the meeting has not been fulfilled by the chairman within 8 days.

The scope of authority of the SB includes the examination of all important reports submitted to the GM as well as of the annual report and utilization of the profit after taxation, and reporting thereon to the GM. Proposals on dividend payment and corporate governance report need to be approved by the SB before submitted to the GM by the BoD. The SB convenes the GM immediately in the event that the SB becomes aware of any measures violating the provisions of law, the Articles of Association, the resolutions of the GM or of negligence or misconduct violating the interests of the Company and the shareholders. In addition, the SB supervises the management of the Company and fulfils the tasks prescribed by the laws.

The Supervisory Board defines its Rules of Procedure and submits them to the GM for approval. Minutes are kept of the meetings of the SB.

Members of the SB on September 30, 2012 (names of independent members are underlined and printed in italics):

<u>Mr KOVÁCS, Andor</u>	Chairman
<u>Dr BÁLINT, Konrádné</u>	
Mr GUETH, János	
Mr LABRITZ, Béla	
Mr NAGY, Imre	
<u>Mr RADVÁNYI, Georges</u>	
<u>Dr RESZEGI, László</u>	

In the period from October 1, 2011 to September 30, 2012 the Supervisory Board convened four times at 85.7%, 100%, 100% and 85.7% attendance respectively.

Remuneration statement

According to the provisions of Section 312/A. of Act IV of 2006 on Business Associations, all monetary and non-monetary types of compensation¹ provided for the members of the Board of Directors, the Supervisory Board of the Company in 2011/2012, they received in their capacity as such (thousand HUF):

Board of Directors

Dr SETA, Jean-Philippe ² (chairman)	0
BAZANTAY, Christian ²	0
BOUTS, Nicolas ²	0
DIAZ, Ange ²	0
DIETZ, András (until 25.01.2012)	1,564.45
FEHÉRDI, Zsolt (as of 26.01.2012)	3,367.55
GÁL, Péterné	4,932.00
Dr HODÁSZ, István	4,932.00
LANGOURIEUX, Yves ²	0
LAUREAU, Olivier ²	0
Mr POROSZLAI, Csaba	4,932.00
Dr VERESS, József	4,932.00

Supervisory Board

KOVÁCS, Andor (chairman)	7,834.68
BÁLINT, Konrádné dr.	3,571.80
GUETH, János	3,571.80
LABRITZ, Béla	3,571.80
NAGY, Imre	3,571.80
RADVÁNYI, Georges	3,571.80
Dr RESZEGI, László	3,571.80

¹ Only fix membership fee is paid to members of the Board of Directors and of the Supervisory Board in this capacity.

² Waived remuneration in this capacity.

The Audit Committee

The Audit Committee consists of three members, who are elected by the GM from the independent members of the SB. The Audit Committee's scope of authority involves establishing opinion on the report in accordance with the accounting law; making proposal for the person and remuneration of the auditor; performing preparations of the auditor's commissioning contract as well as signing the contract on behalf of the Company; monitoring professional compliance and enforcement of conflict of interest provisions concerning the auditor, fulfilling tasks related to the cooperation with the auditor as well as, if required, submit proposals to the Supervisory Board for necessary actions; evaluating the financial reporting system and making proposals for measures; assisting the SB to carry out adequate checks on the financial reporting system.

Members of the Audit Committee on September 30, 2012 (all members are independent):

Dr RESZEGI, László Chairman
Dr BÁLINT, Konrádné
Mr RADVÁNYI, Georges

In the period from October 1, 2011 to September 30, 2012 the Audit Committee had four meetings with the participation of all members.

The Company has no Nomination Committee and no Remuneration Committee, these functions are carried out by the independent members of the BoD without formal setup as a committee.

The Auditor

The Auditor of the Company is elected through the recommendation of the Audit Committee for one year ending on the date of the consequential regular annual GM. The Auditor has the responsibilities of reviewing the financial statements of the Company; presenting a report to the GM on the Company's annual accounts submitted by the BoD; exercising other rights defined by law.

In addition to the ordinary auditing activities, the Auditor of the Company has been commissioned to perform the following services for extra fees in the course of the business year: (1) audit of the financial settlement of state granted funds, (2) counselling on acquisitions, (3) education on IFRS, (4) review of export business model, (5) tax analysis and audit.

Disclosure policy of the Company

The Company's disclosures are managed in compliance with the applicable laws and the rules of the Budapest Stock Exchange. The Company publishes results in quarterly reports, annual reports, and in form of extraordinary reports makes all information public that are occurring in the operations with direct or indirect relevance to the share price or information that is necessary to the most important investment decisions of market participants. In addition to that the Company organises conferences for investors once every three months, sets up international conference calls for presenting the latest results, demonstrates its commitment to transparency by being involved in various forms of investor communications by way of road-shows, conference attendances. Above all, it fosters continuous disposal, contacts to investors through the Corporate Office of the Company maintaining information service for investors.

The Company guidelines on insider dealings

The scope of insiders and the relevant regulation are stipulated in a state law. In compliance with the law the Company has established its own by-laws, and keeps a record of insiders in compliance with the rules of the law.

Exercising shareholder rights and presentation of rules on the conducting of the general meeting

The share capital of the Company consists of 7,785,715 dematerialized ordinary shares each representing identical rights and having the face value of HUF 1,000 (one thousand Forints).

The BoD of the Company or its proxy assigned according to the rules of the law on capital market keeps a share ledger containing at least the following information:

- shareholder's, nominee's name (company);
- shareholder's, nominee's address (headquarters);
- number of shares, interim shares of shareholder (shareholder's stake) as per type and series of shares.

The share ledger is accessible by anyone for inspection.

Change in ownership is settled by the securities account keeper who simultaneously notifies the BoD, or an entrusted organisation to register the shareholder in the share ledger, unless otherwise provided by the shareholder.

A shareholder whose name does not appear in the share ledger may not exercise shareholder's rights.

The supreme organ of the Company is the GM consisting of all the shareholders.

Meeting Notices to the GM are publicly announced, in the same manner as required for announcements of the Company, 30 days prior to the planned GM by the BoD or other authorized persons. Separate notifications of the GM are sent to the members of the BoD and the SB, as well as to the auditor of the Company.

All meeting notices to and announcements of the GM indicate the name and headquarters of the Company, the venue and date of the General Meeting, its agenda, the conditions of exercising voting rights, the venue and the date of the reconvened meeting if the GM fails to achieve a quorum, method of the holding of the General Meeting, the information on the latest date until which the shareholder needs to have been registered in the share ledger in order to participate in the General Meeting (Section 304 (2) of the Companies Act), information on the consequences of the registration in the share ledger (Section 304 (3) of the Companies Act), the conditions, if any, laid down in the Articles of Association for exercising the right to request information (Section 214 of the Companies Act) and the right to supplement the agenda of the General Meeting (Section 300 of the Companies Act) as well as the date, place and way of accessing the proposals on the agenda and the proposed resolutions (including the website of the Company).

The GM may adopt a resolution on issues not included in the published agenda only if all the shareholders are present and unanimously approve.

The GM has a quorum if more than half of the shareholders, entitled to vote, are either present in person or represented by proxy. Authorization for such representation shall be included in a notarial document or a private document of full force which shall be presented not later than at the beginning of the GM to the person keeping the minutes at the place and date indicated in the invitation to the GM. Authorization for representation is valid for one GM, including the GM reconvened due to failure to achieve a quorum.

In case the GM fails to achieve a quorum within 30 minutes the appointed time, the GM is reconvened with the identical agenda between the 11th and the 21st day from the date of the original GM. Such reconvened GM has a quorum with respect to the issues included in the original agenda, irrespective of the number of shareholders present.

Shareholders whose names appear in the share ledger on the closing date specified by the convening announcement of the GM are entitled to participate and vote at the GM. This date cannot be earlier than the seventh working day preceding the GM. On the basis of the information in the share ledger, the BoD of the Company provides the means for shareholders at the premises of the GM to vote in accordance with their share holding.

The certificate of deposit issued by "Központi Elszámolóház és Értéktár Zrt." (*KELER – Central Clearing House and Depository Ltd.*) as depository or the certificate of deposit issued on the basis of the KELER-certificate is accepted by the Company as evidence of a shareholder's ownership.

The method of voting – open or anonymous – is determined by the GM. In case the General Meeting desires secret ballot, the GM elects a ballot-counting committee following the recommendation of the chairman. The committee consists of 3 members. The committee prepares a report in writing on the results of the voting that is announced by the chairman of the GM and attached to the minutes of the GM.

The Company uses the one share, one vote principle.

On the basis of the joint recommendation of the BoD and the SB, the chairman of the GM is elected by the GM with a simple majority of votes from among those present. Opposing nominations are permitted. In every case, the candidate must declare prior to the voting whether he or she is ready to undertake the office. The same procedure is to be followed in electing the members of the ballot-counting committee and the person authenticating the minutes of the GM, stipulating that only shareholders or their representatives may be elected to authenticate the minutes.

The chairman of the GM appoints the person keeping the minutes of the meeting, conducts the meeting according to the agenda, orders voting and communicates the result, announces the resolutions of the GM.

In accordance with the provisions of the Company Act, minutes are kept of the GM.

In the above description Egis Pharmaceuticals PLC is providing a comprehensive overview of corporate processes and practices. Detailed rules to any function summarized in this report can be found in the Articles of Association, freely available on the company website (www.egis.hu)

Declaration

on the Compliance with the points of Corporate Governance Recommendations published by the Budapest Stock Exchange Ltd.

Level of compliance with the Recommendations

R 1.1.1 The Managing Body ensured that shareholders received access to information in time to enable them to exercise their rights.

Yes (Complies)

R 1.1.2 The company applies the "one share - one vote" principle.

Yes (Complies)

R 1.2.8 The company ensures that shareholders must meet the same requirements in order to attend at the general meeting.

Yes (Complies)

R 1.2.9 Items on the general meeting agenda only include subjects which are correctly detailed and summarized clearly and unambiguously.

Yes (Complies)

The proposals included the suggestions of the Supervisory Board and a detailed explanation of the effects of the decision.

Yes (Complies)

R 1.2.10 Shareholders' comments on and supplements to the items on the agenda were published at least two days prior to the general meeting.

Yes (Complies, without any occurrence)

R 1.3.8 Comments on the items of the agenda were made available to shareholders simultaneously with registration at the latest.

Yes (Complies, without any occurrence)

Written comments made on the items on the agenda were published two working days prior to the general meeting.

Yes (Complies, without any occurrence)

R 1.3.10 The election and dismissal of executives took place individually and by separate resolutions.

Yes (Complies)

R 2.1.1 The responsibilities of the Managing Body include those laid out in 2.1.1.

Yes (Complies)

R 2.3.1 The Managing Body held meetings regularly, at times designated in advance.

Yes (Complies)

The Supervisory Board held meetings regularly, at times designated in advance.

Yes (Complies)

The rules of procedure of the Managing Body provide for unscheduled meetings and decision-making through electronic communications channels.

Yes (Complies)

The rules of procedure of the Supervisory Board provide for unscheduled meetings and decision-making through electronic communications channels.

No

The necessity has never occurred.

R 2.5.1 The Board of Directors / Supervisory Board of the company has a sufficient number of independent members to ensure the impartiality of the board.

Yes (Complies)

Note: There are seven independent members out of eleven. Six of them are representatives of the main shareholder who can be regarded as independent on basis of the principles of the Company.

R 2.5.4 At regular intervals (in connection with the CG Report) the Board of Directors / Supervisory Board requested a confirmation of their independent status from those members considered independent.

Yes (Complies)

- R 2.5.6 The company disclosed on its website the guidelines on the independence of the Board of Directors / Supervisory Board, as well as the criteria applied for assessing independence.
Yes (Complies)
- R 2.6.1 Members of the Managing Body informed the Managing Body (Supervisory Board/Audit Committee) if they (or any other person in a close relationship to them) had a significant personal stake in a transaction of the company (or the company's subsidiary).
Yes (Complies, without any occurrence)
- R 2.6.2 Transactions between board and executive management members (and persons in close relationship to them) and the company (or its subsidiary) were conducted according to general rules of practice of the company, but with stricter transparency rules in place.
Yes (Complies, without any occurrence)
- Transactions which according to 2.6.2, fell outside the normal course of the company's business, and their terms and conditions were approved by the Supervisory Board (Audit Committee).
Yes (Complies, without any occurrence)
- R 2.6.3 Board members informed the Supervisory Board/Audit Committee if they received an offer of Board membership or an offer of an executive management position in a company which is not part of the company group.
Yes (Complies, without any occurrence)
- R 2.6.4 The Managing Body established its guidelines on information flow within the company and the handling of insider information, and monitored compliance with those guidelines.
Yes (Complies)
- The Managing Body established its guidelines regarding insiders' trading in securities and monitored compliance with those guidelines.
Yes (Complies)
- R 2.7.1 The Managing Body formulated remuneration guidelines regarding the evaluation and remuneration of the work of the Managing Body, the Supervisory Board and the executive management.
Yes (Complies)
- The Supervisory Board formed an opinion on the remuneration guidelines.
Yes (Complies)

The guidelines regarding the remuneration for the Managing Body and the Supervisory Board and the changes in those guidelines were approved by the general meeting, as a separate item on the agenda.

Yes (Complies)

R 2.7.2 The Managing Body prepared an evaluation of the work it carried out in the given business year.

Yes (Complies)

R 2.7.2.1 The Supervisory Board prepared an evaluation of the work it carried out in the given business year.

Yes (Complies)

R 2.7.3 It is the responsibility of the Managing Body to monitor the performance of and determine the remuneration for the executive management.

Yes (Complies)

The frameworks of benefits due to members of the executive management that do not represent normal practice, and the changes in those benefits were approved by the general meeting as a separate agenda item.

Yes (Complies, without any occurrence)

R 2.7.4 The structure of share-incentive schemes were approved by the general meeting.

No

The Company has no share-incentive schemes.

Prior to the decision by the general meeting on share-incentive schemes, shareholders received detailed information (at least according to those contained in 2.7.4).

No

The Company has no share-incentive schemes.

R 2.7.7 The Remuneration Statement was prepared by the company and submitted to the general meeting.

Yes (Complies)

The Remuneration Statement includes information about the remuneration of individual members of the Managing Body, the Supervisory Board, and the executive management.

Yes (Complies)

R 2.8.1 The Managing Body or the committee operated by it is responsible for monitoring and controlling the company's entire risk management.

Yes (Complies)

The Managing Body requests information on the efficiency of risk management procedures at regular intervals.

Yes (Complies)

The Managing Body took the necessary steps to identify the major risk areas.

Yes (Complies)

R 2.8.3 The Managing Body formulated the principles regarding the system of internal controls.

Yes (Complies)

The system of internal controls established by the executive management guarantees the management of risks affecting the activities of the company, and the achievement of the company's performance and profit targets.

Yes (Complies)

R 2.8.4 When developing the system of internal controls, the Managing Body took into consideration the viewpoints included in 2.8.4.

Yes (Complies)

R 2.8.5 It is the duty and responsibility of the executive management to develop and maintain the system of internal controls.

Yes (Complies)

R 2.8.6 The company created an independent Internal Audit function which reports to the Audit Committee / Supervisory Board.

No

The Internal Audit function reports to the general manager.

The Internal Audit reported at least once to the Audit Committee / Supervisory Board on the operation of risk management, internal control mechanisms and corporate governance functions.

Yes (Complies)

R 2.8.7 The internal audit activity is carried out by the Internal Audit function based on authorisation from the Audit Committee / Supervisory Board.

Yes (Complies, but the function is based on authorization from the general manager (see 2.8.6).

As an organisation, the Internal Audit function is independent from the executive management.

No

The Internal Audit function reports to the general manager, and in this form effective activity is carried out.

- R 2.8.8 The Internal Audit schedule was approved by the Managing Body (Supervisory Board) based on the recommendation of the Audit Committee.
No
The Internal Audit schedule was approved by the general manager (see 2.8.6).
- R 2.8.9 The Managing Body prepared its report for shareholders on the operation of internal controls.
No
The Managing Body submitted reports, which are specified by the Articles of Association, to the general meeting.
The Managing Body developed its procedures regarding the receipt, processing of reports on the operation of internal controls, and the preparation of its own report.
No
The Managing Body submitted reports, which are specified by the Articles of Association, to the general meeting.
- R 2.8.11 The Managing Body identified the most important deficiencies or flow in the system of internal controls, and reviewed and re-evaluated the relevant activities.
Yes (Complies)
- R 2.9.2 The Managing Body, the Supervisory Board and the Audit Committee were notified in all cases when an assignment given to the auditor may have resulted in significant additional expense, caused a conflict of interest, or affected normal business practices significantly in any other way.
Yes (Complies)
- R 2.9.3 The Managing Body informed the Supervisory Board of any assignment given to the external auditor or an external advisor in connection with any event which held significant bearing on the operations of the company.
Yes (Complies)

The Managing Body pre-determined in a resolution what circumstances constitute "significant bearing".
No
According to the management's position „significant bearing” circumstances are those which can be expressed in material value of USD 10 million or above.
- R 3.1.6 On its website, the company disclosed duties delegated to the Audit Committee, as well as the committees' targets, rules of procedure, composition (indicating the name, brief biography and the date of appointment of members).
Yes (Complies, see Articles of Association)
- R 3.1.6.1 On its website, the company disclosed duties delegated to the Nomination Committee, as well as the committees targets, rules of procedure, composition (indicating the name, brief biography and the date of appointment of members).
No, The Company has no Nomination Committee: see 3.3.1.

R 3.1.6.2 On its website, the company disclosed duties delegated to the Remuneration Committee, as well as the committees targets, rules of procedure, composition (indicating the name, brief biography and the date of appointment of members).

No, The Company has no Remuneration Committee: see 3.3.1.

R 3.2.1 The Audit Committee / Supervisory Board monitored the efficiency of risk management, the operation of internal controls, and the activity of the Internal Audit.

Yes (Complies)

R 3.2.3 The Audit Committee/ Supervisory Board received accurate and detailed information on the work schedule of the Internal Auditor and the independent auditor, and received the auditor's report on problems discovered during the audit.

Yes (Complies)

R 3.2.4 The Audit Committee/ Supervisory Board requested the new candidate for the position of auditor to submit the disclosure statement according to 3.2.4

Yes (Complies)

R 3.3.1 There is a Nomination Committee operating at the company.

No

This function is performed by the independent members of the BoD without formally setting up a committee.

R 3.3.2 The Nomination Committee provided for the preparation of personnel changes.

Yes (Complies)

(The function of the Nomination Committee is performed by the independent members of the BoD without formally setting up a committee: see 3.3.1.).

The Nomination Committee reviewed the procedures regarding the election and appointment of members of the executive management.

Yes (Complies)

(The function of the Nomination Committee is performed by the independent members of the BoD without formally setting up a committee: see 3.3.1.).

The Nomination Committee evaluated the activity of board and executive management members.

Yes (Complies)

(The function of the Nomination Committee is performed by the independent members of the BoD without formally setting up a committee: see 3.3.1.).

The Nomination Committee examined all the proposals regarding the nomination of board members which were submitted by shareholders or the Managing Body.

Yes (Complies)

(The function of the Nomination Committee is performed by the independent members of the BoD without formally setting up a committee: see 3.3.1.).

- R 3.4.1 There is a Remuneration Committee operating at the company.
No
This function is performed by the independent members of the BoD without formally setting up a committee.
- R 3.4.2 The Remuneration Committee made a proposal for the system of remuneration for the boards and the executive management (individual levels and the structure of remuneration), and carries out its monitoring.
Yes (Complies)
(The function of the Remuneration Committee is performed by the independent members of the BoD without formally setting up a committee: see 3.4.1.).
- R 3.4.3 The remuneration of the executive management was approved by the Managing Body based on the recommendation of the Remuneration Committee.
Yes (Complies)
(The function of the Remuneration Committee is performed by the independent members of the BoD without formally setting up a committee: see 3.4.1.).

The remuneration of the Managing Body was approved by the general meeting based on the recommendation of the Remuneration Committee.
Yes (Complies)
(The function of the Remuneration Committee is performed by the independent members of the BoD without formally setting up a committee: see 3.4.1.).

The Remuneration Committee also monitored the share option, cost reimbursement and other benefits in the remuneration system.
No
The Company has no share option and special cost reimbursement benefits.
- R 3.4.4 The Remuneration Committee made proposals regarding remuneration guidelines.
Yes (Complies)
(The function of the Remuneration Committee is performed by the independent members of the BoD without formally setting up a committee: see 3.4.1.).
- R 3.4.4.1 The Remuneration Committee made proposals regarding the remuneration of individual persons.
Yes (Complies)
(The function of the Remuneration Committee is performed by the independent members of the BoD without formally setting up a committee: see 3.4.1. On individual basis proposals are made regarding the remuneration of the CEO).
- R 3.4.4.2 The Remuneration Committee reviewed the terms and conditions of contracts concluded with the members of the executive management.
Yes (Complies)
(The function of the Remuneration Committee is performed by the independent members of the BoD without formally setting up a committee: see 3.4.1.).

- R 3.4.4.3 The Remuneration Committee ascertained whether the company fulfilled its disclosure obligations regarding remuneration issues.
Yes (Complies)
(The function of the Remuneration Committee is performed by the independent members of the BoD without formally setting up a committee: see 3.4.1.).
- R 3.4.7 The majority of the members of the Remuneration Committee are independent.
Yes (Complies)
(The function of the Remuneration Committee is performed by the independent members of the BoD without formally setting up a committee: see 3.4.1.).
- R 3.5.1 The Managing Body disclosed its reasons for combining the Remuneration and Nomination Committees.
No
Both functions are performed by the independent members of the BoD without formally setting up a committee.
- R 3.5.2 The Managing Body carried out the duties of the Remuneration and Nomination Committees.
Yes (Complies)
- R 3.5.2.1 The Managing Body carried out the duties of the Remuneration Committee and disclosed its reasons for doing so.
Yes (Complies)
- R 4.1.1 In its disclosure guidelines, the Managing Body established those principles and procedures which ensure that all relevant information about the operations of the company and circumstances influencing its share price are disclosed and made available accurately, in a timely fashion and in full.
Yes (Complies)
- R 4.1.2 The company ensured in its disclosure activities that all shareholders and market participants were treated equally.
Yes (Complies)
- R 4.1.3 The company's disclosure guidelines include the procedures governing electronic, on-line disclosure.
Yes (Complies)

The company develops its website taking into consideration disclosure guidelines and the provision of information to investors.
Yes (Complies)
- R 4.1.4 The Managing Body assessed the efficiency of disclosure processes.
Yes (Complies)

- R 4.1.5 The company published its corporate events calendar on its website.
Yes (Complies)
- R 4.1.6 In the annual report and on the website of the company, the public was informed about the company's corporate strategy, its main business activities, business ethics and its policies regarding other stakeholders.
Yes (Complies)
- R 4.1.8 In the annual report the Managing Body disclosed the character and size of any other assignments given by the company or its subsidiaries to the auditing firm responsible for auditing the financial statements.
Yes (Complies)
- R 4.1.9 In the annual report and on the website the company discloses information on the professional career of the members of the Managing Body, the Supervisory Board and the executive management.
Yes (Complies)
- R 4.1.10 The company provided information on the internal organisation and operation of the Managing Body and the Supervisory Board.
Yes (Complies)
- R 4.1.10.1 The company provided information on the criteria considered when evaluating the work of the Managing Body, the executive management and the individual members thereof.
Yes (Complies)
- R 4.1.11 In the annual report and in the Remuneration Statement on the company's website, the company informed the public about the applied remuneration guidelines, including the remuneration and fees provided for members of the Managing Body, the Supervisory Board and the executive management.
Yes (Complies)
- R 4.1.12 The Managing Body disclosed its risk management guidelines, including the system of internal controls, the applied risk management principles and basic rules, as well as information about major risks.
Yes (Complies)
- R 4.1.13 In order to provide market participants with information, the company publishes its report on corporate governance at the same time that it publishes its annual report.
Yes (Complies)
- R 4.1.14 The company discloses its guidelines governing insiders' trading in the company's securities on its website.
Yes (Complies)

The company published in the annual report and on its website ownership in the company's securities held by the members of the Managing Body, the Supervisory Board and the executive management, as well as any interests held in share-incentive schemes.

Yes (Complies)

(Remark: the Company has no interest in share-incentive schemes.)

R 4.1.15 In the annual report and on its website, the company disclosed any relationship between members of the Managing Body and the executive management with a third party, which might have an influence on the operations of the company.

Yes (Complies, without any occurrence)

Level of compliance with the Suggestions

The company should indicate whether the relevant suggestion of the CGR is applied or not (Yes / No)

S 1.1.3	The company has an investor relations department.	Yes
S 1.2.1	The company published on its website the summary document regarding the conducting of the general meeting and the exercise of shareholders' rights to vote (including voting via proxy)	Yes
S 1.2.2	The company's articles of association are available on the company's website.	Yes
S 1.2.3	The company disclosed on its website information according to 1.2.3 (on the record date of corporate events).	Yes
S 1.2.4	Information and documents according to 1.2.4 regarding general meetings (invitations, proposals, draft resolutions, resolutions, minutes) were published on the company's website.	Yes
S 1.2.5	The general meeting of the company was held in a way that ensured the greatest possible shareholder participation.	Yes
S 1.2.6	Additions to the agenda were published within 5 days of receipt, in the same manner as the publication of the original invitation for the general meeting.	Yes
S 1.2.7	The voting procedure applied by the company ensured unambiguous, clear and fast decision-making by shareholders.	Yes
S 1.2.11	At the shareholders' request, the company also provided information on the general meeting electronically.	Yes
S 1.3.1	The identity of the chairman of the general meeting was approved by the company's general meeting prior to the discussion of the items on the agenda.	Yes
S 1.3.2	The Managing Body and the Supervisory Board were represented at the general meeting.	Yes
S 1.3.3	The company's articles of association render possible that at the initiation of the chairman of the Managing Body or the shareholders of the company, a third party be invited to the company's general meeting and be granted the right of participation in the discussion of the relevant items on the agenda.	Yes

S 1.3.4	The company did not prevent shareholders attending the general meeting from exercising their rights to request information, make comments and proposals, and did not set any pre-requisites to do so.	Yes
S 1.3.5	The company published on its website within three days its answers to those questions which it was unable to answer satisfactorily at the general meeting. Where the company declined to give an answer it published its reasons for doing so.	Yes
S 1.3.6	The chairman of the general meeting and the company ensured that in answering the questions raised at the general meeting, national laws and regulations of the Stock Exchange pertaining to disclosure were complied with.	Yes
S 1.3.7	The company published a press release and held a press conference on the decisions passed at the general meeting.	Yes
S 1.3.11	The company's general meeting decided on the different amendments of the articles of association in separate resolutions.	Yes
S 1.3.12	The minutes of the general meeting containing the resolutions, the presentation of draft resolutions, as well as the most important questions and answers regarding the draft resolutions were published by the company within 30 days of the general meeting.	Yes
S 1.4.1	The dividend was paid within 10 days to those shareholders who had provided all the necessary information and documentation.	Yes
S 1.4.2	The company disclosed its policy regarding anti-takeover devices.	No
S 2.1.2	The rules of procedure define the composition of the Managing Body and all procedures and protocols for the preparation and holding of meetings, the drafting of resolutions and other related matters.	Yes
S 2.2.1	The rules of procedure and the work schedule of the Supervisory Board gives a detailed description of its operation and duties, as well as procedures and processes which the Supervisory Board followed.	Yes
S 2.3.2	Board members had access to the proposals of a given meeting at least five days prior to the board meeting.	Yes
S 2.3.3	The rules of procedure regulate the regular or occasional participation at board meetings of persons who are not members of the boards.	Yes

S 2.4.1	The election of the members of the Managing Body took place in a transparent way, information on candidates was made public at least five days prior to the general meeting.	Yes
S 2.4.2	The composition of boards and the number of members complies with the principles specified in 2.4.2	Yes
S 2.4.3	Newly elected, non-executive board members were able to familiarize themselves with the structure and operations of the company, as well as their duties as board members through a tailored induction programme.	Yes
S 2.5.2	The separation of the responsibilities of the Chairman of the Managing Body from those of the Chief Executive Officer has been outlined in the basic documents of the company.	Yes
S 2.5.3	The company has published a statement about the means it uses to ensure that the Managing Body gives an objective assessment of the executive management's work where the functions of Chairman and CEO are combined.	n.a.
S 2.5.6	The company's Supervisory Board has no member who held a position in the Managing Body or the executive management of the company in the three years prior to his nomination.	Yes
S 2.7.5	The development of the remuneration system of the Managing Body, the Supervisory Board and the executive management serves the strategic interests of the company and thereby those of the shareholders.	Yes
S 2.7.6	In the case of members of the Supervisory Board, the company applies a fixed amount of remuneration and does not apply a remuneration component related to the share price.	Yes
S 2.8.2	The Managing Body developed its risk management policy and regulations with the cooperation of those executives who are responsible for the design, maintenance and control of risk management procedures and their integration into the company's daily operations.	Yes
S 2.8.10	When evaluating the system of internal controls, the Managing Body took into consideration the aspects mentioned in 2.8.10	Yes
S 2.8.12	The company's auditor assessed and evaluated the company's risk management systems and the risk management activity of the executive management, and submitted its report on the matter to the Audit Committee / Supervisory Board.	Yes

S 2.9.1	The rules of procedure of the Managing Body cover the procedure to be followed when employing an external advisor.	No
S 2.9.1.1	The rules of procedure of the Supervisory Board cover the procedure to be followed when employing an external advisor.	No
S 2.9.1.2	The rules of procedure of the Audit Committee cover the procedure to be followed when employing an external advisor.	No
S 2.9.1.3	The rules of procedure of the Nomination Committee cover the procedure to be followed when employing an external advisor.	No
S 2.9.1.4	The rules of procedure of the Remuneration Committee cover the procedure to be followed when employing an external advisor.	No
S 2.9.4	The Managing Body may invite the company's auditor to participate in those meetings where it debates general meeting agenda items.	Yes
S 2.9.5	The company's Internal Audit function co-operated with the auditor in order to help it successfully carry out the audit.	Yes
S 3.1.2	The chairman of the Audit Committee regularly informs the Managing Body about the meetings of the committee, and the committee prepared at least one report for the Managing Body and the Supervisory Board in the given business year.	Yes
S 3.1.2.1	The chairman of the Nomination Committee regularly informs the Managing Body about the meetings of the committee, and the committee prepared at least one report for the Managing Body and the Supervisory Board in the given business year.	No
S 3.1.2.2	The chairman of the Remuneration Committee regularly informs the Managing Body about the meetings of the committee, and the committee prepared at least one report for the Managing Body and the Supervisory Board in the given business year.	No
S 3.1.4	The company's committees are made up of members who have the capabilities, professional expertise and experience required to perform their duties.	Yes
S 3.1.5	The rules of procedure of committees operating at the company include those aspects detailed in 3.1.5	Yes
S 3.2.2	The members of the Audit Committee / Supervisory Board were fully informed about the accounting, financial and operational peculiarities of the company.	Yes

S 3.3.3	The Nomination Committee prepared at least one evaluation for the chairman of the Managing Body on the operation of the Managing Body and the work and suitability of the members of the Managing Body.	n.a.
S 3.3.4	The majority of the members of the Nomination Committee are independent.	n.a.
S 3.3.5	The rules of procedure of the Nomination Committee includes those details contained in 3.3.5	n.a.
S 3.4.5	The Remuneration Committee prepared the Remuneration Statement.	n.a.
S 3.4.6	The Remuneration Committee exclusively consists of non-executive members of the Managing Body.	n.a.
S 4.1.4	The disclosure guidelines of the company at least extend to those details contained in 4.1.4	No
	The Managing Body informed shareholders in the annual report on the findings of the investigation into the efficiency of disclosure procedures.	Yes
S 4.1.7	The company's financial reports followed IFRS guidelines.	Yes
S 4.1.16	The company also prepares and releases its disclosures in English.	Yes

IV.

Annual report 2011/2012

in accordance with Hungarian Accounting Law (HAL)

1. Auditor's report

This is a translation of the Hungarian Report
Independent Auditors' Report

To the Shareholders of Egis Pharmaceuticals Public Limited Company

Report on financial statements

1.) We have audited the accompanying 2012 financial statements of Egis Pharmaceuticals Public Limited Company ("the Company"), which comprise the balance sheet as at 30 September 2012 - showing a balance sheet total of HUF 210,722 million and a profit for the year of HUF 18,522 million -, the related profit and loss account for the year then ended and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

2.) Management is responsible for the preparation and presentation of financial statements that give a true and fair view in accordance with the Hungarian Accounting Law and generally accepted accounting principles in Hungary, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

3.) Our responsibility is to express an opinion on these financial statements based on our audit. 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 about 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 auditor's 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 of financial statements that give a true and fair view 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 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.) We have audited the elements of and disclosures in the financial statements, along with underlying records and supporting documentation, of Egis Pharmaceuticals Public Limited Company in accordance with Hungarian National Auditing Standards and have gained sufficient and appropriate evidence that the financial statements have been prepared in accordance with the Hungarian Accounting Law and with generally accepted accounting principles in Hungary. In our opinion the financial statements give a true and fair view of the equity and financial position of Egis Pharmaceuticals Public Limited Company as at 30 September 2012 and of the results of its operations for the year then ended.

Other reporting requirement- The business report

7.) We have reviewed the business report of Egis Pharmaceuticals Public Limited Company for 2012. Management is responsible for the preparation of the business report in accordance with the Hungarian Accounting Law and generally accepted accounting principles in Hungary. Our responsibility is to assess whether the business report is consistent with the financial statements for the same financial year. Our work regarding the business report has been restricted to assessing whether the business report is consistent with the financial statements and did not include reviewing other information originated from non-audited financial records. In our opinion, the business report of Egis Pharmaceuticals Public Limited Company for 2012 corresponds to the disclosures in the 2012 financial statements of Egis Pharmaceuticals Public Limited Company.

Budapest, 4 December 2012

(The original Hungarian language version has been signed.)

Bartha Zsuzsanna
Ernst & Young Kft.
Registration No. 001165

Bartha Zsuzsanna
Registered auditor
Chamber membership No.: 005268

IV.

Annual report 2011/2012

in accordance with Hungarian Accounting Law (HAL)

2. Financial statements and notes



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Statistical code

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Registration number

Egis Pharmaceuticals PLC

2011/2012

Annual Financial Statement in accordance with the Hungarian Accounting Law

Date: Budapest, 4 December 2012

Representative of the
Company

Approved without any change
by the Annual General Meeting of Shareholders on 30 January 2013.

Egis Pharmaceuticals PLC
H-1106 Budapest, Keresztúri út 30-38.
Postal address: H-1475 Budapest 10 P.O. Box 100
Phone: +36-1-803-5555, Fax: +36-1-803-5529
Metropolitan Court of Budapest: 01-10-041762

Egis Pharmaceuticals PLC
Annual Financial Statement
as at 30 September 2012
in accordance with the Hungarian Accounting Law
(All amounts in HUF million)

BALANCE SHEET - Assets

	Previous year 30 September 2011	Actual year 30 September 2012
Fixed assets	82 692	87 938
Intangible assets	8 539	8 626
Capitalized value of original contribution and restructuring	0	0
Capitalized value of R&D	0	0
Property rights	3 219	3 167
Trade-marks, patents, software	5 320	5 459
Goodwill	0	0
Advance payments	0	0
Value correction of intangible assets	0	0
Tangible assets	64 709	69 465
Land and buildings	31 116	34 449
Technical equipment, machinery, vehicles	23 320	24 683
Other equipment, fittings, vehicles	4 382	5 228
Animals	0	0
Construction in progress	5 822	5 048
Advance payments	69	57
Value correction of tangible assets	0	0
Financial assets	9 444	9 847
Long-term holding in related companies	7 612	7 978
Long-term loans to related companies	1 195	1 216
Other long-term holdings	462	486
Long-term loans to other shared company	0	0
Other long-term loans	175	167
Long-term debt securities	0	0
Value correction of financial assets	0	0
Valuation difference of invested financial assets	0	0

Date: Budapest, 4 December 2012

Representative of the Company

Approved without any change by the Annual General Meeting of Shareholders on 30 January 2013.

Egis Pharmaceuticals PLC
Annual Financial Statement
as at 30 September 2012
in accordance with the Hungarian Accounting Law
 (All amounts in HUF million)

	Previous year 30 September 2011	Actual year 30 September 2012
Current assets	106 785	118 492
Inventories	38 599	37 866
Materials	7 510	7 016
Work in progress	16 348	14 826
Animals	13	8
Finished products	6 793	7 102
Goods	3 285	3 478
Advance payments	4 650	5 436
Receivables	36 561	40 552
Trade debtors	16 942	19 808
Receivables from related companies	16 260	17 011
Receivables from other shared companies	0	0
Bills receivable	0	0
Other receivables	3 359	3 733
Valuation difference of receivables	0	0
Valuation difference of derivative instruments	0	0
Securities	10 264	9 244
Shares in related companies	0	0
Other shares	0	0
Own shares, own business participations	0	0
Marketable debt securities	10 264	9 244
Valuation difference of securities	0	0
Liquid assets	21 361	30 830
Cash, cheques	11	8
Bank deposits	21 350	30 822
Prepaid expenses and accrued income	2 307	4 292
Accrued income	1 758	3 578
Prepaid expenses	549	714
Deferred expenses	0	0
Total assets	191 784	210 722

Date: Budapest, 4 December 2012

 Representative of the Company

Approved without any change by the Annual General Meeting of Shareholders on 30 January 2013.

Egis Pharmaceuticals PLC
Annual Financial Statement
as at 30 September 2012
in accordance with the Hungarian Accounting Law
 (All amounts in HUF million)

BALANCE SHEET - Equity and Liabilities

	Previous year 30 September 2011	Actual year 30 September 2012
Equity	162 412	180 934
Share capital	7 786	7 786
<i>of which: repurchased shares at nominal value</i>	0	0
Unpaid share capital (-)	0	0
Capital reserve	9 851	9 851
Accumulated profit reserve	128 531	144 275
Tied-up reserve	500	500
Revaluation reserve	0	0
<i>of which: Valuation reserve for adjustments</i>	0	0
<i>of which: Fair value reserve</i>	0	0
Net profit	15 744	18 522
Provision	3 954	3 117
Provisions for expected liabilities	3 954	3 117
Provisions for expected costs	0	0
Other provisions	0	0
Liabilities	20 734	21 373
Subordinated liabilities	0	0
Subordinated liabilities against related companies	0	0
Subordinated liabilities against other shared companies	0	0
Subordinated liabilities against other companies	0	0

Date: Budapest, 4 December 2012

 Representative of the Company

Approved without any change by the Annual General Meeting of Shareholders on 30 January 2013.

Egis Pharmaceuticals PLC
Annual Financial Statement
as at 30 September 2012
in accordance with the Hungarian Accounting Law
(All amounts in HUF million)

	Previous year 30 September 2011	Actual year 30 September 2012
Long-term liabilities	0	0
Long-term loans	0	0
Convertible bonds	0	0
Debts from the issue of bonds	0	0
Investment and development credits	0	0
Other long-term credits	0	0
Long-term liabilities against related companies	0	0
Long-term liabilities against other shared companies	0	0
Other long-term liabilities	0	0
Short-term liabilities	20 734	21 373
Short-term loans	0	0
<i>of which: convertible bonds</i>	0	0
Short-term credits	0	0
Advances received from customers	0	0
Trade creditors	12 175	13 401
Bills payable	0	0
Short-term liabilities against related companies	3 137	3 160
Short-term liabilities against other shared companies	0	0
Other short-term liabilities	5 422	4 812
Valuation difference of liabilities	0	0
Valuation difference of derivative instruments	0	0
Accrued expenses and deferred income	4 684	5 298
Income of future periods	0	0
Accrued expenses	4 624	5 219
Deferred income	60	79
Total equity and liabilities	191 784	210 722

Date: Budapest, 4 December 2012

Representative of the Company

Approved without any change by the Annual General Meeting of Shareholders on 30 January 2013.

Egis Pharmaceuticals PLC
Annual Financial Statement
as at 30 September 2012
in accordance with the Hungarian Accounting Law
 (All amounts in HUF million)

PROFIT AND LOSS ACCOUNT "B" (function of expense method)

	Previous year 30 September 2011	Actual year 30 September 2012
Net domestic sales	33 701	30 473
Net export sales	92 745	100 705
Net sales	126 446	131 178
Direct prime costs of sale charged	46 173	46 067
Purchase price of goods sold	6 359	7 781
Value of services sold (mediated)	330	80
Direct costs of sales	52 862	53 928
Gross sales profit	73 584	77 250
Marketing and distribution costs	28 640	29 749
Administration costs	8 164	9 834
Research and development costs	10 297	10 626
Other general costs	0	0
Indirect sales costs	47 101	50 209
Other income	4 877	5 744
<i>of which: reversal of loss in value</i>	<i>87</i>	<i>49</i>
Other expenses	17 339	13 783
<i>of which: loss in value</i>	<i>1 602</i>	<i>1 836</i>
Profit on basic activities	14 021	19 002

Date: Budapest, 4 December 2012

 Representative of the Company

Approved without any change by the Annual General Meeting of Shareholders on 30 January 2013.

Egis Pharmaceuticals PLC
Annual Financial Statement
as at 30 September 2012
in accordance with the Hungarian Accounting Law
 (All amounts in HUF million)

	Previous year 30 September 2011	Actual year 30 September 2012
Dividends received	661	975
<i>of which: realised in related company transactions</i>	624	975
Foreign exchange gain on shares sold	0	0
<i>of which: realised in related company transactions</i>	0	0
Interests, foreign exchange gain on financial assets	78	68
<i>of which: realised in related company transactions</i>	78	68
Other interest received and interest-related payments	1 433	1 782
<i>of which: realised in related company transactions</i>	0	0
Other revenues from financial transactions	3 453	4 472
Financial income	5 625	7 297
Foreign exchange loss on financial assets	0	0
<i>of which: realised in related company transactions</i>	0	0
Paid interests and interest-related payments	0	0
<i>of which: realised in related company transactions</i>	0	0
Value loss of shares, securities, bank deposits	(906)	430
Other expenditures on financial transactions	2 919	5 415
Financial expenses	2 013	5 845
Profit on financial transactions	3 612	1 452
Profit on ordinary activities	17 633	20 454
Extraordinary income	17	116
Extraordinary expenses	918	81
Extraordinary profit	(901)	35
Profit before taxation	16 732	20 489
Tax payable	54	98
Profit after taxation	16 678	20 391
Use of accumulated profit reserve	0	0
Dividends payable	934	1 869
Net profit	15 744	18 522

Date: Budapest, 4 December 2012

 Representative of the Company

Approved without any change by the Annual General Meeting of Shareholders on 30 January 2013.

IV.

Annual report 2011/2012

in accordance with Hungarian Accounting Law (HAL)

3. Business report

1. SUMMARY

MAIN FEATURES OF EGIS PHARMACEUTICALS PLC'S OPERATIONS IN 2011/2012

The strategic goal of Egis Pharmaceuticals 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 2011/2012 financial year, despite the protracting general economic crisis, the Company made progress in the achievement of above targets.

The domestic turnover reflecting a decline due to the introduction of blind bidding process could be offset by the rise in the forint value of exports, amounting to three quarters of sales revenue. Gross profit moved up significantly, gross margin improved. Rise in the operating expenditures remained moderate. The Company's operating profit grew significantly, its financial strength kept expanding. The Company kept ensuring sufficient resources for the renewal of the product portfolio and for the modernization of the operation.

In the 2011/2012 business year, the Company had net sales of HUF 131,178 million, 4% more than a year ago. 77% of sales revenue derived from international turnover while 23% from domestic sales.

Domestic sales revenue totalled HUF 30,473 million over the period October 1, 2011 through September 30, 2012. This performance indicates a 10% reduction y/y.

The Company was the seventh largest supplier in the Hungarian pharmaceutical market in 2011/2012 with a market share of 4.9% moving down 0.5 percentage point compared to the previous year. Regarding the quantity of pharmaceuticals sold, Egis Pharmaceuticals PLC ranked the third biggest supplier in Hungary with a market share of 9.5%.

In forint terms, total international sales added up to HUF 100,705 million. This indicates an increase of 8.6% on the previous year.

Russia and other CIS countries saw an aggregate 13% boost of sales revenue, 1.7% in Eastern Europe. The western sales of finished products moved up 1.4% while export of active substances expanded 12%.

Export revenue came to EUR 343mn, 1% more than the year before.

Gross margin accounted for 58.9%, increasing 0.7 percentage point compared to 2010/2011. General operating costs rose 7%.

The Company's operating profit reached HUF 19,002 million, 36% boom y/y. Operating profit accounted for 14.5% of sales revenue.

In the reported year, profit from financial activities amounted to HUF 1,452 million.

Thus, 2011/2012 pretax profit totalled HUF 20,489 million, 22% more than a year ago.

At the end of the reported period, Egis Pharmaceuticals PLC's equity came to HUF 180,934 million, 11% higher than the year before. Equity per share value rose to HUF 23,239.

Financial position of the Company has further strengthened, the value of cash and cash equivalents available at the end of the business year rose to HUF 40,074 million.

Also in the 2011/2012 business year, the strategic cooperation between Servier and Egis Pharmaceuticals PLC has substantially contributed to the rise in the Company's results. Indices of the Company's business activity, development and performance are contained in Table 2.

Egis Pharmaceuticals PLC continued the programs for further modernization of the operation and for the long-term improvement of its efficiency. The Company's major activities are carried out primarily on the sites in Hungary. R&D and the production are performed entirely on the Hungarian sites. Table 1 summarises these parameters.

Table 1

The Company's Sites and Activities

Denomination	Address	Field of activity
Headquarters	1106 Budapest, Keresztúri út 30-38.	R&D Production of active ingredients Drug production Central administration Logistics
Site	1165 Budapest, Bökényföldi út 116-120.	R&D Drug production Logistics
Branch	9900 Körmend, Mátyás király út 65.	R&D Drug production Logistics

Table 2

Key Figures of Egis Pharmaceuticals PLC's Performance

		Oct 1, 2010 - Sept. 30, 2011 12 months	Oct 1, 2011 - Sept. 30, 2012 12 months	Index %
Net sales	HUFm	126 446	131 178	104
of which				
Domestic	HUFm	33 701	30 473	90
Export	HUFm	92 745	100 705	109
	EURm	340.0	342,9	101
Profit				
Operating	HUFm	14 021	19 002	136
Before tax	HUFm	16 732	20 489	122
After tax	HUFm	16 678	20 391	122
Full-time staff at the end of the period	persons	2 627	2 588	99
Capital expenditure	HUFm	16 337	16 392	100
R & D expenditure	HUFm	10 297	10 626	103
Invested assets at the end of the period	HUFm	82 692	87 938	106
Equity at the end of the period	HUFm	162 412	180 934	111

Indices of the Company's profitability, pretax profit as well as the liquidity indices continue to represent a very strong level.

The main financial indices figure in Table 3

Table 3

Egis Pharmaceuticals PLC's Main Financial Indices

Item		Oct 1, 2010 - Sept. 30, 2011 12 months	Oct 1, 2011 - Sept. 30, 2012 12 months
Operating profit / Net sales	%	11.09	14.49
Pre-tax profit / Net sales	%	13.23	15.62
Return on assets	%	7.40	9.21
Return on equity	%	10.27	11.27
Results per share			
Net profit	HUF	2 142	2 619
Cash earnings	HUF	3 399	3 970
Net book value	HUF	20 860	23 239
Liquid assets / Short-term liabilities	%	153	188
Liquidity ratio	%	515	554
Inventory turnover	days	111	105
Debtors collection period	days	96	102
Debt ratio	%	0	0
Ratio of external resources	%	10.81	10.14

2. SHARES AND SHAREHOLDERS OF EGIS PHARMACEUTICALS PLC

At the end of the 2011/2012 business year, the share capital of Egis Pharmaceuticals PLC was invariably composed of 7,785,715 registered ordinary shares, with a nominal value of HUF 1,000 each. The shares exist in dematerialized form and are listed on the Budapest Stock Exchange in the 'A' listed category.

Since December 1995, the French company Servier has owned 50.91% of Egis shares, thus appearing as the majority shareholder and strategic partner of Egis Pharmaceuticals PLC. The seventeen-year tight collaboration ensures a stable proprietary and conducting background for Egis Pharmaceuticals PLC's successful business activity.

International financial institutions and private investors represent another large group of shareholders, holding 34.04% of all shares. This fell 345 basis points compared to the past year. Accordingly, ratio of Hungarian investors grew in similar proportion, possessing 15.05% of all shares at the end of the business year.

Out of the individual holdings only the above-mentioned strategic partner, Servier (Arts et Techniques du Progrès) has stakes over 5% (being in the possession of 50.91% of Egis shares). Other investors hold 1 to 3% of all Egis shares, for the most part, considering the major investors too. In the rest of the year, state shareholding remained on a stagnating level of 4.74% as from November 2011, following the take-over of the pension fund assets.

Table 4 summarizes the changes in shareholders' structure of Egis PLC.

Table 4

Shareholders of Egis Pharmaceuticals PLC

Shareholder	Number of shares Sept. 30, 2011		Number of shares Sept. 30, 2012	
		%		%
ATP (Servier)	3 963 922	50.91	3 963 922	50.91
Foreign institutions and private investors	2 918 771	37.49	2 650 038	34.04
Hungarian institutions and private investors	903 022	11.60	1 171 755	15.05
Total	7 785 715	100.00	7 785 715	100.00

In the 2011/2012 business year, though the turnover of shares increased on the stock exchange as for the number of transactions and for the shares sold, the total traded value decreased.

Egis share price started on the first day of the business year at the value of HUF 14,880. The first quarter of the 2011/2012 year experienced a rapid share price growth which was followed by a setback. As regards the whole 12-month period, the yearly maximum was recorded on October 24, 2011 at HUF 18,895. Following the general market tendency, Egis share price reduced too. The yearly minimum value was represented by a transaction realised at HUF 13,550 on June 4, 2012. The nadir in June was followed by a practically unbroken upward trend until the end of the fiscal year. The Egis share price closed at HUF 17,600 at the end of the year. The yearly average price changed to HUF 15,870 with a drop of 17.58%.

Between October 2011 and September 2012, the index of Budapest Stock Exchange (BUX), after the first month's fluctuation, lifted then fell, and again showed a going up path, starting with 15,432.45 points and closing the period with 18,588.65 points. The minimum value, 15,137.66 points was recorded on October 4 and its absolute peak of 19,996.26 points was reached on February 7.

In the 2011/2012 business year, the trading value of Egis shares was HUF 44.4 billion. The 14% decline was attributable to the turnover drop on the Hungarian stock exchange reflecting the general market tendency.

The number of traded Egis shares was 2,797,000, meaning that 73% of the free float was actively traded during the fiscal year. The yearly average market capitalization of Egis shares came to HUF 125.9 billion, with a drop of 17% y/y.

Main indices of stock exchange turnover can be seen in Table 5.

Table 5

Turnover of Egis Shares on Budapest Stock Exchange

		2009/2010 business year	2010/2011 business year	2011/2012 business year
Number of transactions		58 249	48 535	48 960
Volume traded	thousand units	3 204	2 637	2 797
Value traded	HUFm	64 070	51 647	44 392
Annual average price	HUF	19 939	19 256	15 870

Similarly to the previous years, also in 2011/2012, Egis Pharmaceuticals PLC provided open access for investors and analysts to up-to-date and correct information in order to support their understanding and decisions.

3. MARKET ACTIVITY OF EGIS PHARMACEUTICALS PLC

In 2011/2012, the Company achieved net sales revenue of HUF 131,178 million which exceeds the 2010/2011 turnover by HUF 4,732 million or 4%. 99.3% of net sales, HUF 130,206 million came from the sale of products produced and distributed by Egis Pharmaceuticals PLC (drugs and active substances) while other activities (licenses, intellectual properties, services) generated sales revenue at the value of HUF 971 million.

Structure of Sales

The Company's strategy keeps focusing on the sale of finished forms of pharmaceuticals which came to 87.8% of the Company's sales revenue in the 2011/2012 business year.

Active substance sales improved in the reported financial year due to the growing demand primarily on Servier's side.

Table 6

Sales Profile of Egis Pharmaceuticals PLC (Sales in HUF million)

	2009/2010 business year		2010/2011 business year		2011/2012 business year	
		%		%		%
Human pharmaceuticals	102 453	89.1	110 885	87.7	115 153	87.8
Other human drugs	2 002	1.7	2 233	1.8	2 815	2.2
Active ingredients	7 220	6.3	10 806	8.5	12 062	9.2
Other products	303	0.3	205	0.2	177	0.1
Other sales	3 028	2.6	2 317	1.8	971	0.7
Total	115 006	100	126 446	100	131 178	100

Main Markets of Egis Pharmaceuticals PLC

In 2011/2012, the Company's products were sold in 59 countries. 94% of the annual sales revenue was generated in the first 15 countries. 86.2% of turnover was realised 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 Egis Pharmaceuticals PLC Sales by Regions (Sales in HUF million)

	2009/2010 business year	%	2010/2011 business year	%	2011/2012 business year	%
Hungary	31 515	27.4	33 701	26.7	30 473	23.2
Russia and other CIS markets	41 418	36.0	44 104	34.9	49 822	38.0
Central and Eastern Europe	29 677	25.8	32 283	25.5	32 852	25.0
Western Europe	9 287	8.1	13 061	10.3	14 590	11.1
North America and Japan	1 571	1.4	1 691	1.3	1 532	1.2
Other countries	1 538	1.3	1 606	1.3	1 909	1.5
Net sales	115 006	100.0	126 446	100.0	131 178	100.0

3. DEVELOPMENTS AND INVESTMENTS

1. Research and Development

In line with its strategy Egis Pharmaceuticals PLC has continued developing generic pharmaceuticals, takeover of licensed products, as well as discovery research in co-operation with Servier in 2011/2012 business year.

In 2011/2012, HUF 10,626 million, 8.1% of sales revenue, were spent on research and development.

From October 1, 2011 to September 30, 2012, Egis Pharmaceuticals PLC started to put under patent protection in total 6 new Hungarian inventions, 3 in Hungary, 2 in USA and 1 International (PCT) patent application. Out of these applications two were related to chemicals (they refer to the new polymorphs of recognised active ingredients, its salts and production), three to pharmaceuticals and one of them to diagnostic treatment.

In business year 2011/2012, the Company filed 70 patent applications and gained 15 patents in Hungary and abroad all in one.

The co-operation in discovery research between Egis and SERVER is regulated by the General Research Agreement concluded with SERVIER on October 1, 2006.

The discovery research concentrates on discovering drugs acting on central nervous system. The main therapeutic targets are depression, schizophrenia and treatment of cognitive disorders occurring in the early phase of Alzheimer disease.

In the frame of the National Technology Programme of the Hungarian government, the Company, jointly with the University of Szeged, won a subsidy for "Development of new drug candidate for psychiatric and accompanying cognitive disorders" in 2008. The last phase of the 4-year project, the cost of which is assessed at HUF 1,400 million, has been completed.

Considerable expansion of innovation capacities of the Company has been enabled by putting into operation the new pharmaceutical pilot plant in 2011 and the analytical development laboratory inaugurated in 2012.

2. Capital Expenditure

During the business year, the Company's capital expenditure amounted to HUF 16,392 million, almost the same amount as in the previous year.

As a result of the comprehensive modernization programme realised between 2006 and 2010, all drug production capacities of the Company have been renewed. In the 2010/2011 business year, modernization of API production and development of the facilities for quality assurance and research represented the most considerable items.

In 2011/2012, as an addition to the supplementary investments in production, also expansion of capacities for research and quality assurance played a more important role.

Establishment of the analytical development laboratory building has been completed.

Also in the reported year, the Company has spent significant amounts on IT developments.

Egis Pharmaceuticals PLC had been qualified for corporate income tax allowance on the basis of considerable investments in production facilities realised between 2005 and 2011. Up to the level of the allowance value, the Company enjoys a tax allowance of 80% out of the 19% corporate income tax of general standard.

Table 8

Capital Expenditure by Main Groups
(HUF million)

Capital expenditure by speciality	2009/2010 business year	2010/2011 business year	2011/2012 business year
Bulk chemical production	2 999	2 844	2 694
Drug manufacturing equipment	2 327	1 763	2 238
Production-related infrastructure	1 117	1 339	926
Research and quality assurance	3 701	4 560	4 259
Environmental protection	116	150	266
Marketing and sales	230	252	309
Other developments	1 859	2 119	2 272
Capital expenditures	12 349	13 027	12 964
R&D activation	2 146	1 963	1 895
Dossier&Brand	223	196	253
Foreign offices	550	1 151	1 280
	2 919	3 310	3 428
Total capital expenditures	15 268	16 337	16 392

5. HUMAN RESOURCES

Headcount of Egis Pharmaceuticals PLC was 2,588 as at September 30, 2012, 39 persons less than a year ago. Among these employees, 2 persons worked in the foreign commercial offices of Egis Pharmaceuticals PLC.

The number of employees has increased in production by 23 persons, in sales by 10 persons, in administration and finance by 3 persons, in research by 2 persons while it has decreased in services by 1 person.

Breakdown of employees by different functional areas at the end of the business year can be found in Table 9.

Table 9

Breakdown of Staff of the Egis Pharmaceuticals PLC by Functions (person)

Activity	Sept. 30, 2010	Sept. 30, 2011	Sept. 30, 2012
Production	1 266	1 292	1 269
Research and development	464	503	501
Sales and marketing	359	362	352
Administration and finance	362	314	311
Internal services	149	156	155
Total	2 600	2 627	2 588

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

The number of employees of Egis Pharmaceuticals PLC at the end of the business year was 2,586 in Hungary. In addition to that, 457 people worked at the Company's foreign trading companies, 40 persons at Hungarian commercial companies and 894 foreign experts were employed in the foreign commercial offices.

As earlier, high qualification level is characteristic of the Company's staff. To fulfill 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. The dominance of skilled workmen among blue collar workforce continues to prevail.

Table 10

Breakdown of Staff of the Egis Pharmaceuticals PLC by Education

E d u c a t i o n	Sept. 30, 2010	Sept. 30, 2011	Sept. 30, 2012
Blue collar workers	44	43	42
Skilled workers	39	39	38
Other workers	5	4	4
White collar workers	56	57	58
College, university graduate	43	45	47
Secondary and primary school	13	12	11
Total Egis Pharmaceuticals PLC	100	100	100

Between October 2011 and September 2012 the Company spent HUF 21,298 million on wages and HUF 7,925 million on social contributions and other personnel expenses. In 2011/2012 Egis employee's average annual full-time employee income was HUF 6,034 thousand.

Also in 2011/2012 Egis Pharmaceuticals PLC allocated substantial budget for incentives and training of employees.

6. FINANCIAL INSTRUMENTS AND FINANCIAL RISKS

1. Financial instruments

The Company records cash and cash equivalents, securities, receivables and liabilities based on contractual agreements and derivative transactions among financial instruments and does not apply the possibility of valuation at fair value of certain financial instruments. The Company's financial instruments have been classified among the current assets and other current liabilities, with the exception of the investments representing proprietary share serving the Company's interest beyond one year.

Non-realised loss on forex hedge positions taken by the Company to reduce forex risks is listed as derivative liability among accrued liabilities of costs and expenditures.

Financial position of the Company further strengthened, value of held-to-maturity, held-for-trading investments as well as cash and cash equivalents available at the end of the business year amounted to HUF 40,074 million. Held-for-trading investments contain discount treasury bills held-to-maturity and state bonds held-for-trading.

2. Financial risks

Financial risk is the risk that market processes, like changes of exchange rates, interest rates and prices can have effect on the return of the Company and the value of financial instruments. The purpose of risk management beside the yield optimization is to keep the market risks within the range of the risk appetite of the Company.

Exchange rate risk

As the Company has operations across national borders, it is liable to numerous currency risks due to the change in the exchange rates, especially of RUB, EUR, USD, PLN, CZK. In order to decrease the risk coming from the exposure, the Company makes derivative transactions maximum up to 70% of yearly sales revenue and maximum six months in advance. Open derivative transactions at the end of the business year grouped by contract maturity are shown in Table 11.

Table 11

On September 30, 2012, open derivative transactions of Egis Pharmaceuticals PLC

Maturity	Currency	Amount	Type	Average forward rate
30.10.2012	RUB	120,000,000	FRA	7.3751
28.11.2012	RUB	150,000,000	FRA	7.2019
20.12.2012	RUB	90,000,000	FRA	7.0973
30.01.2013	RUB	90,000,000	FRA	7.1554
26.02.2013	RUB	30,000,000	FRA	7.0673
26.03.2013	RUB	30,000,000	FRA	7.0444

Credit risk

Financial instruments of the Company that are subject to credit risk first of all include short-term securities and trade receivables.

Short-term financial assets of the Company consist of treasury bills and government securities issued and guaranteed by the Hungarian State.

Value of trade receivables of the Company includes customers from many different geographical areas. As a result of the Company's strict credit assessment process and monthly reviewed trade receivables, value of overdue receivables is not significant. The Company accounts impairment on the value of receivables considered uncertain. In 2011/2012 HUF 78 million net (reduced by reversal) depreciation has been accounted on customers, 47% less than a year ago. Value of net depreciation accounted by the Company comes to 0.6 per thousand of sales revenue.

Receivables which are liable to considerable credit risk are insured by bank guarantees and L/C-s. On September 30, 2012, the sum of these was HUF 9,297 million.

Liquidity risk

Liquidity risk is the risk that the Company is not able to fulfill its liabilities on due-date. In order to avoid the unacceptable losses and the damage of the Company's good name, the Company strives to ensure that adequate source of funds will be available at all times on expiration date both in normal and special conditions.

Primary goal of the Company's liquidity management is to ensure sufficient resources for the fulfillment of all payment obligations in due time with appropriate flexibility.

Sources of funds contain cash, cash in bank, negotiable securities and appropriation fixed in contract. On September 30, 2012, the value of cash, deposit in bank, negotiable (short-term) securities together amounted to HUF 40,074 million.

Besides the optimization of maturity structure of financial investments the Company ensures the balance between continuous financing and flexibility by the opportunity of bank loans and credit lines.

7. SIGNIFICANT EVENTS AFTER THE CLOSING DATE

Closing date of the Business Report, the Balance Sheet and the Profit and Loss Statement of Egis Pharmaceuticals PLC, presented herein, was September 30, 2012 while the accounting processes were closed on October 25, 2012.

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

Regulation of the Hungarian pharmaceutical market

According to currently available information, increased severity of regulations at the summer of 2011, will continue to remain. Drug manufacturers obliged to perform a payment amounting to 20% of subsidy on their products, and additionally, producers would be liable to compensate the final annual deficit of reimbursement fund, if any. Registration fee of HUF 832 thousand/month per medical representative is to be paid. The Company could deduct as allowance these payment obligations as a function of its R&D spending in 2011/2012 business year. The possibility of enforceable allowances for the next business year is not assured yet.

Additionally to the above arrangements, as a result of certain governmental measures blind bidding system was introduced from October 1, 2011 that caused notable decrease in prices. The decline in prices – still significantly although with a more moderate level than in the 2011/2012 business year – is expected to continue in the business year starting in October 1, 2012. Due to the blind bidding process predictably further Egis products get out of reimbursements.

2012/2013 Business Plan of Egis Pharmaceuticals PLC,

In July 2012, the Board of Directors of Egis Pharmaceuticals PLC accepted the business plan for the October 1, 2012 – September 30, 2013 financial year.

The plan anticipates the decrease of the domestic turnover due to further fall in prices of drugs. At the same time further growth is targeted in the strategic export markets of the Company, i.e. in Eastern Europe, in Russia and in the other CIS states.

Further increase of the ratio of Russian and CIS markets is expected as the plan anticipates the most dynamic growth in turnover in these markets. Introduction of further governmental measures is probable in Eastern Europe that restrain growth. In the rest of the world the plan anticipates increase in sales revenue of finished pharmaceuticals.

Also in the new business year, the plan earmarks noticeable resources for the development of new products of Egis, the Company plans to ensure the same level of resources as in the previous periods for R&D activity.



The extension of the commercial activity continues as well, especially in the rapidly growing Russian and CIS markets. The Company prepares to enter the biosimilar market, probably even distribution can be started in the first markets in the second half of the business year.

The Company continues its efforts to improve the efficiency, to simplify processes in all territories of operation, but especially in production, in quality management and in administration functions.

Investments for modernization will be continued both in API and pharmaceutical production, in total the level of investment activity is expected to be similar to the previous business year.

Budapest, December 4, 2012.

Head of Company
(representative)

V.

Annual report 2011/2012

in accordance with International Financial Reporting Standards (IFRS)

1. Auditor's report

Independent Auditor's Report

To the Shareholders of Egis Pharmaceuticals Public Limited Company

1.) We have audited the financial statements of Egis Pharmaceuticals Public Limited Company ("the Company"), which comprise the statement of financial position as at 30 September 2012 and the income statement, statement of changes in equity and statement of cash flow for the year then ended, and a summary of significant accounting policies and other explanatory information.

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 as adopted by EU, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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 Pharmaceuticals Public Limited Company as at 30 September 2012, and of its financial performance and cash flows for the year then ended in accordance International Financial Reporting Standards as adopted by EU.

(The original Hungarian language version has been signed.)

Ernst & Young Kft.
Budapest, 4 December 2012

V.

Annual report 2011/2012

in accordance with International Financial Reporting Standards (IFRS)

2. Financial statements and notes



Egis Pharmaceuticals PLC

Separate financial statements for the year ended 30 September 2012 prepared in accordance with International Financial Reporting Standards adopted by EU together with the Independent Auditor's report

Egis Pharmaceuticals PLC
H-1106 Budapest, Keresztúri út 30-38.
Postal address: H-1475 Budapest 10 P.O. Box 100
Phone: +36-1-803-5555, Fax: +36-1-803-5529
Metropolitan Court of Budapest: 01-10-041762

Egis Pharmaceuticals PLC
Separate balance sheet
as at 30 September 2012
in accordance with International Financial Reporting Standards
(All amounts in HUF million)

	Notes	30 September 2012	30 September 2011 Reclassified
ASSETS			
<i>Current assets</i>			
Cash and cash equivalents	4	40,144	31,658 *
Net trade receivables and other current assets	5	47,066	40,054
Income tax receivable		152	155
Inventories	6	32,430	33,949
Other current financial assets	7	248	300 *
		120,040	106,116
<i>Non-current assets</i>			
Intangible assets	8	4,061	4,003
Property, plant and equipment	9	68,341	63,572
Investments	10	7,978	7,612
Other non-current financial assets	7	1,782	1,763
Deferred tax asset	20	0	73
		82,162	77,023
TOTAL ASSETS		202,202	183,139
LIABILITIES AND SHAREHOLDERS' EQUITY			
<i>Current liabilities</i>			
Trade and other payables	11	22,231	21,510
Other current financial liabilities	7	0	1
Provisions	12	1,367	2,053
		23,598	23,564
<i>Non-current liabilities</i>			
Provisions	12	1,177	1,207
Deferred tax liability		6	0
		1,183	1,207
<i>Shareholders' equity</i>			
Share capital	13	7,786	7,786
Share premium	14	2,239	2,239
Fair valuation reserve		20	15
Retained earnings	15	167,376	148,328
		177,421	158,368
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		202,202	183,139

Budapest, 4 December 2012

Representative of the Company

* Certain numbers shown here do not correspond to the 2011 financial statements and reflect adjustments made as detailed in Note 2.2.

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

Egis Pharmaceuticals PLC
Separate statement of comprehensive income
for the year ended 30 September 2012
in accordance with International Financial Reporting Standards
 (All amounts in HUF million)

	Notes	Year ended 30 September 2012	Year ended 30 September 2011 Reclassified
Domestic sales		29,883	33,333
Export sales		97,657	88,986
Sales	16	127,540	122,319
Cost of sales	17	(55,157)	(53,925)
Gross profit		72,383	68,394
General selling costs		(30,805)	(30,293) *
Research and development expenses		(12,028)	(11,614)
Administrative costs		(9,167)	(8,795)
Administrative and distribution expenses	17	(52,000)	(50,702) *
Other operating expenses	17	(1,311)	(3,920) *
Other operating income		1,071	1,073
Operating profit		20,143	14,845
Finance income	18	2,062	2,743
Finance costs	19	(1,662)	(906)
Dividends received	10	975	661
Profit from financial activities		1,375	2,498
Profit before tax		21,518	17,343
Income tax expense	20	(1,536)	(1,783)
Profit for the year		19,982	15,560
Change in the fair value of available-for-sale financial assets	7	5	(12)
Income tax effect	20	0	1
Other comprehensive income for the year		5	(11)
Total comprehensive income for the year		19,987	15,549
Average number of shares outstanding		7,785,715	7,785,715
Basic and diluted earnings per share (HUF)	21	2,566	1,999

Budapest, 4 December 2012

 Representative of the Company

* Certain numbers shown here do not correspond to the 2011 financial statements and reflect adjustments made as detailed in Note 2.2.

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

Egis Pharmaceuticals PLC
Separate statement of cash flows
for the year ended 30 September 2012
in accordance with International Financial Reporting Standards
(All amounts in HUF million)

	Notes	Year ended 30 September 2012	Year ended 30 September 2011 Reclassified
OPERATING ACTIVITIES			
Profit before tax		21,518	17,343
Non-cash adjustment to reconcile profit before tax to net cash flows			
Depreciation and amortization	17	9,474	8,691
Impairment of intangible assets and property, plant and equipment, net	17	131	52
Impairment of investments / (reversal of impairment), net		430	(856)
Intercompany loans forgiven	19	0	758
Net interest income		(1,849)	(1,509)
Dividends income		(975)	(661)
Profit on disposal of fixed assets		(145)	(110)
Unrealised foreign exchange (gain) / loss		(39)	181
Fair valuation of financial instruments (Decrease) /increase in provision for liabilities	12	(716)	816
Discounting long-term employee loans		(3)	5
		27,825	24,979
Working capital adjustments			
Decrease in inventories		1,519	1,839
Increase in net trade receivables and other current assets		(7,009)	(5,892)
Increase in trade and other payables		721	3,494
		(4,769)	(559)
Net tax paid		(1,457)	(1,655)
Net cash flows from operating activities		21,599	22,765

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

Egis Pharmaceuticals PLC
Separate statement of cash flows
for the year ended 30 September 2012
in accordance with International Financial Reporting Standards
 (All amounts in HUF million)

	Notes	Year ended 30 September 2012	Year ended 30 September 2011 Reclassified
INVESTING ACTIVITIES			
Purchase of intangibles, property, plant and equipment		(14,510)	(14,335)
Purchase of investments		(739)	0
Proceeds from sale of intangibles, property, plant and equipment		223	195
Interest received	18	1,849	1,509
Dividends received		975	661
Proceeds from sale of securities		0	55 *
Loans given		(62)	(263)
Repayment of loans given		85	63
Funds given to subsidiaries	23	0	(583)
Net cash used in investing activities		(12,179)	(12,698) *
FINANCING ACTIVITIES			
Increase in short term borrowings		0	1
Dividends paid		(934)	(934)
Net cash used in financing activities		(934)	(933)
Net change in cash and cash equivalents		8,486	9,134 *
Cash and cash equivalents at the beginning of the period	4	31,658	22,524 *
Cash and cash equivalents at the end of the period	4	40,144	31,658 *

Budapest, 4 December 2012

 Representative of the Company

* Certain numbers shown here do not correspond to the 2011 financial statements and reflect adjustments made as detailed in Note 2.2.

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

Egis Pharmaceuticals PLC
Separate statement of changes in equity
for the year ended 30 September 2012
in accordance with International Financial Reporting Standards
 (All amounts in HUF million)

	Share capital	Share premium	Fair valuation reserve	Retained earnings	Total
Note	13	14		15	
As at 30 September 2010	7,786	2,239	26	134,285	144,336
Net profit for the year	0	0	0	15,560	15,560
Other comprehensive income	0	0	(11)	0	(11)
Funds given to subsidiaries	0	0	0	(583)	(583)
Dividends	0	0	0	(934)	(934)
As at 30 September 2011	7,786	2,239	15	148,328	158,368
Net profit for the year	0	0	0	19,982	19,982
Other comprehensive income	0	0	5	0	5
Dividends	0	0	0	(934)	(934)
As at 30 September 2012	7,786	2,239	20	167,376	177,421

Budapest, 4 December 2012

 Representative of the Company

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

Egis Pharmaceuticals PLC
Notes to the separate financial statements
for the year ended 30 September 2012
in accordance with International Financial Reporting Standards
(All amounts in HUF million, unless otherwise stated)

1. BACKGROUND AND BASIS OF PRESENTATION

1.1. Basis of presentation

The accompanying separate financial statements for the years ended 30 September 2012 and 2011 are the separate financial statements of Egis Pharmaceuticals PLC (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 25. 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.

1.2. 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 2012	30 September 2011
ATP (Servier)	50.91%	50.91%
Others	49.09%	49.09%
Total	100.00%	100.00%

2. CHANGES IN ACCOUNTING POLICY

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

2.1. New and amended IFRS and IFRIC interpretations

The Company has adopted the following new and amended IFRS and IFRIC interpretations as of 1 October 2011:

- IAS 24 Related party disclosures (Amendment)
- IFRS 7 Financial Instruments: Disclosures — Enhanced Derecognition Disclosure Requirements
- IFRIC 14 Prepayments of Minimum Funding Requirements (Amendments)

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

IAS 24 Related party disclosures (Amendment) (effective from 1 January 2011)

The amendment to IAS 24 is clarified the definition of a related party, however, without changing the fundamental approach to related party disclosures. It emphasises a symmetrical view on related party relationships and clarifies how a person or key management personnel impacts related party relationships of an entity. Furthermore, the amendment provides for an exemption to related party disclosures for government-related entities. The adaptation of the amendment does not have any impact on the financial position or performance of the Company.

IFRS 7 Financial Instruments: Disclosures — Enhanced Derecognition Disclosure Requirements (effective from 1 July 2011)

The amendment requires additional disclosure about financial assets that have been transferred but not derecognised to enable the user of the Company's financial statements to understand the relationship with those assets that have not been derecognised and their associated liabilities. In addition, the amendment requires disclosures about continuing involvement in derecognised assets to enable the user to evaluate the nature of, and risks associated with, the entity's continuing involvement in those derecognised assets. The adaptation of the amendment does not have any impact on the financial position or performance of the Company because the Company does not have these types of instruments.

IFRIC 14 Prepayments of Minimum Funding Requirements (Amendments) (effective from 1 January 2011)

The amendment removes an unintended consequence when an entity is subject to minimum funding requirements and makes an early payment of contributions to cover such requirements. The amendment permits a prepayment of future service cost by the entity to be recognised as a pension asset. The Company is not subject to minimum funding requirements therefore the amendment of the interpretation has no effect on the financial position or performance of the Company.

Standards issued but not yet effective up to the date of issuance of the Company's financial statements are listed below. This listing of standards and interpretations issued are those that the Company reasonably expects to have an impact on disclosures, financial position or performance when applied at a future date. The Company intends to adopt these standards when they become effective.

Egis Pharmaceuticals PLC
Notes to the separate financial statements
for the year ended 30 September 2012
in accordance with International Financial Reporting Standards
(All amounts in HUF million, unless otherwise stated)

IAS 1 Presentation of Financial Statements – Presentation of Items of Other Comprehensive Income (effective from 1 July 2012)

The amendments to IAS 1 change the grouping of items presented in OCI. Items that could be reclassified (or ‘recycled’) to profit or loss at a future point in time (for example, upon de-recognition or settlement) would be presented separately from items that will never be reclassified. The amendment affects presentation only and has there no impact on the Company’s financial position or performance.

IAS 12 Income Taxes – Recovery of Underlying Assets (effective from 1 January 2012)

The amendment clarified the determination of deferred tax on investment property measured at fair value. The amendment introduces a rebuttable presumption that deferred tax on investment property measured using the fair value model in IAS 40 should be determined on the basis that its carrying amount will be recovered through sale. Furthermore, it introduces the requirement that deferred tax on non-depreciable assets that are measured using the revaluation model in IAS 16 always be measured on a sale basis of the asset. The amendment has had no effect on the financial position or performance of the Company.

IAS 19 Employee Benefits (Amendment) (effective from 1 January 2013)

The IASB has issued numerous amendments to IAS 19. These range from fundamental changes such as removing the corridor mechanism and the concept of expected returns on plan assets to simple clarifications and re-wording. The amendment might have an impact on the Company’s financial position or performance when adopted. The Company is currently assessing the impact of the amendments.

IAS 28 Investments in Associates and Joint Ventures (as revised in 2011) (effective from 1 January 2013)

As a consequence of the new IFRS 11 and IFRS 12 IAS 28 has been renamed IAS 28 Investments in Associates and Joint Ventures, and describes the application of the equity method to investments in joint ventures in addition to associates. The Company is currently assessing the impact of the amendments.

IFRS 9 Financial Instruments: Classification and Measurement (effective from 1 January 2013)

This standard introduces new requirements for the classification and measurement of financial assets and financial liabilities. In subsequent phases, the IASB will address hedge accounting and impairment of financial assets. The adoption of the first phase of IFRS 9 will have an effect on the classification and measurement of the Company’s financial assets, but will potentially have no impact on classification and measurements of financial liabilities. The Company will quantify the effect in conjunction with the other phases, when issued, to present a comprehensive picture.

IFRS 10 Consolidated Financial Statements (effective from 1 January 2013)

IFRS 10 replaces the portion of IAS 27 Consolidated and Separate Financial Statements that addresses the accounting for consolidated financial statements. It also includes the issues raised in SIC-12 Consolidation — Special Purpose Entities.

IFRS 10 establishes a single control model that applies to all entities including special purpose entities. The changes introduced by IFRS 10 will require management to exercise significant judgement to determine which entities are controlled, and therefore, are required to be consolidated by a parent, compared with the requirements that were in IAS 27.

Egis Pharmaceuticals PLC
Notes to the separate financial statements
for the year ended 30 September 2012
in accordance with International Financial Reporting Standards
(All amounts in HUF million, unless otherwise stated)

IFRS 11 Joint Arrangements (effective from 1 January 2013)

IFRS 11 replaces IAS 31 Interests in Joint Ventures and SIC-13 Jointly-controlled Entities — Non-monetary Contributions by Ventures. IFRS 11 removes the option to account for jointly controlled entities (JCEs) using proportionate consolidation. Instead, JCEs that meet the definition of a joint venture must be accounted for using the equity method.

IFRS 12 Disclosure of Interests in Other Entities (effective from 1 January 2013)

The standard applies to entities that have an interest in a subsidiary, a joint arrangement, an associate or an unconsolidated structured entity. The IFRS requires an entity to disclose information that enables users of financial statements to evaluate:

- a. the nature of, and risks associated with, its interests in other entities; and
- b. the effects of those interests on its financial position, financial performance and cash flows.

IFRS 13 Fair Value Measurement (effective from 1 January 2013)

IFRS 13 establishes a single source of guidance under IFRS for all fair value measurements. IFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under IFRS when fair value is required or permitted. The Company is currently assessing the impact that this standard will have on the financial position and performance.

Egis Pharmaceuticals PLC
Notes to the separate financial statements
for the year ended 30 September 2012
in accordance with International Financial Reporting Standards
(All amounts in HUF million, unless otherwise stated)

2.2. Other modifications in the accounting policy

The Company has made other modifications in its accounting policy as follows:

Classification of registration fee of medical representatives

In line with industry practice, the registration fee of medical representatives, levied in Hungary, hereinafter will be presented in the Company's reports not among other operating expenses but as item of the general selling costs.

The following adjustments were made in the financial statements ended 30 September 2011:

	As previously disclosed	Reclassification	Reclassified
General selling costs	(29,396)	(897)	(30,293)
Administrative and distribution expenses	(49,805)	(897)	(50,702)
Other operating expenses	(4,817)	897	(3,920)

Classification of short term securities

The Company has also amended classification of securities with maturity not exceeding one year, guaranteed by any state within the European Union, thus representing minimal credit risk. In order to better reflect the Company's cash management practice, in line with the International Financial Reporting Standards (IAS 7.6 and IAS 7.7.) and with the Company's short-term financial investment policies, the value of such securities are no longer presented among other current financial assets but as item of cash and cash equivalents.

The following adjustments were made in the financial statements ended 30 September 2011:

	As previously disclosed	Reclassification	Reclassified
Cash and cash equivalents	21,361	10,297	31,658
Other current financial assets	10,597	(10,297)	300
Purchase of securities	(10,633)	10,633	0
Proceeds from sale of securities	7,623	(7,568)	55
Net cash used in investing activities	(15,763)	3,065	(12,698)
Net change in cash and cash equivalents	6,069	3,065	9,134
Cash and cash equivalents at the beginning of period	15,292	7,232	22,524
Cash and cash equivalents at the end of period	21,361	10,297	31,658

Egis Pharmaceuticals PLC
Notes to the separate financial statements
for the year ended 30 September 2012
in accordance with International Financial Reporting Standards
(All amounts in HUF million, unless otherwise stated)

3. ACCOUNTING POLICIES

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

3.1. Presentation and functional currency

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

3.2. Cash and cash equivalents

Cash includes cash on hand and cash at banks. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash 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.

3.3. Trade receivables

Trade receivables are shown net of allowance for doubtful debts. Trade debtors are assessed individually; gains and losses are recognized in the income statement, when receivables are impaired.

3.4. 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

3.5. Intangible assets

Intangible assets are measured at cost less accumulated amortization and impairment losses. 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

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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.

Internally generated intangible assets are not capitalised and reflected in the income statement in the year in which the expenditure is incurred.

3.6. Property, plant and equipment

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

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.

3.7. Impairment

At the end of each reporting period 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.

3.8. Financial instruments

Financial assets

Financial assets in the accompanying separate balance sheet include cash and cash equivalents, marketable securities, trade and other accounts receivables, loans, investments and derivative financial instruments. The accounting policies on recognition and measurement of these items are disclosed in the respective accounting policies found in this Note.

All financial assets are recognised initially at fair value plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

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

Financial assets within the scope of IAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, available-for-sale financial assets, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Company determines the classification of its financial assets at initial recognition.

Financial assets at fair value through profit and loss include financial assets held-for-trading and financial assets designated upon initial recognition at fair value through profit and loss. Investments acquired principally for the purpose of generating a profit from short-term fluctuations in price are classified as held-for-trading. Held-for-trading investments are measured at fair value and the related gains or losses are recognized in the income statement. Derivative financial instruments entered into by the Company that are not designated as hedging instruments are also included in this category.

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. Held-to-maturity investments are included in non-current assets unless they mature within 12 months of the end of the reporting period. Held-to-maturity investments are carried at amortized cost using the effective interest rate method, less impairment. Amortization and losses arising from impairment is included in the income statement in the finance cost.

The Company has also amended classification of securities with maturity not exceeding one year, guaranteed by any state within the European Union, thus representing minimal credit risk. In order to better reflect the Company's cash management practice, in line with the International Financial Reporting Standards (IAS 7.6 and IAS 7.7.) and with the Company's short-term financial investment policies, the value of such securities are no longer presented among other current financial assets but as item of cash and cash equivalents.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortised cost using the effective interest rate method, less impairment. Amortization and losses arising from impairment is included in the income statement in the finance cost.

All other investments are classified as available-for-sale.

Available-for-sale investments are classified as non-current assets unless management intends to realize them within 12 months of the end of the reporting period. 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 other comprehensive income in the available-for-sale reserve 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 income statement.

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Financial liabilities

Financial liabilities in the accompanying separate balance sheet include trade and other accounts payable, borrowings, bank overdraft and derivative financial instruments. The accounting policies on recognition and measurement of these items are disclosed in the respective accounting policies found in this Note.

All financial liabilities are recognised initially at fair value plus, in the case of borrowings directly attributable transaction costs.

Financial liabilities within the scope of IAS 39 are classified as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Company determines the classification of its financial liabilities at initial recognition.

Financial liabilities at fair value through profit and loss include financial liabilities held-for-trading and financial liabilities designated upon initial recognition as at fair value through profit and loss. Financial liabilities are classified as held for trading if they are acquired for the purpose of selling in the near term. This category includes derivative financial instruments entered into by the Company that are not designated as hedging instruments in hedge relationships as defined by IAS 39.

Loans and borrowings are subsequently measured at amortised cost using the effective interest rate method. Gains and losses are recognised in the income statement when the liabilities are derecognised as well as through the effective interest rate method amortisation process. The amortisation is included in finance cost in the income statement.

3.9. 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.

3.10. 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 end of the reporting period. 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.

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Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined.

3.11. Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the respective assets. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

3.12. Provisions

General

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Company expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the income statement net of any reimbursement. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

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.

Employee benefits

Egis Pharmaceuticals PLC operates a defined long-term employee benefit program, according to which, at retirement, the Company pays 10 or 12 month 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 22.

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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 28 thousand per employee and every five years it 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.

3.13. 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.

3.14. Dividends

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

3.15. 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 2012 and 2011 that would dilute the earnings per share.

3.16. Revenue recognition

Sale of goods is 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, royalties and services in the normal course of business.

Royalties and service revenues are recognised on a straight-line basis over the specified period unless the relevant agreement refers to milestone payments whereas the revenue recognition is postponed until the milestone is accomplished.

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3.17. Research and development

Costs of research and development are expensed in the period when incurred. Egis Pharmaceuticals PLC 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.

3.18. 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.

3.19. 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.

3.20. Income taxes

The income tax charge consists of current and deferred taxes. Income tax expenses contain the local business tax levied in Hungary. 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 end of the reporting period, 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 the end of each reporting period 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.

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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.

3.21. 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 16.

3.22. 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.

3.23. 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.

3.24. Subsequent events

Events after the end of the reporting period that provide additional information about the Company's position at the end of the reporting period (adjusting events), are reflected in the financial statements. Events after the reporting period that are not adjusting events are disclosed in the notes when material.

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3.25. 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 CO₂ emissions liabilities are recognised when the level of emissions exceeds the level of allowances granted by the Government in the period.

3.26. 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 3.12, 22
- Deferred tax assets, Note 3.20, 20
- Impairment of non-current assets, Note 3.7
- Outcome of litigations, Note 12
- Quantification and timing of environmental provisions, Note 3.12, 12.

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4. CASH AND CASH EQUIVALENTS

Cash and cash equivalents as at 30 September 2012 and 2011 are the following:

	30 September 2012	30 September 2011 reclassified
Cash in bank	30,823	21,350
Cash on hand	7	11
Other cash equivalents	9,314	10,297
Total	40,144	31,658

The Company has amended the classification of held-to-maturity (short-term) securities. The value of such securities is no longer presented among the other financial assets but as part of cash and cash equivalents.

Other cash equivalents consist of discounted treasury bills issued and guaranteed by any state within the European Union and therefore credit risk is considered to be low. These investments initially were recognised at cost and amounted to HUF 9,113 million as at 30 September 2012 and HUF 10,132 million as at 30 September 2011.

The investments are subsequently carried at amortized cost. The effective interest rates vary from 6.65%-7.48%. The difference between the initial cost and the amortised cost as at 30 September 2012 and 2011 was HUF 201 million and HUF 165 million, respectively.

5. NET TRADE RECEIVABLES AND OTHER CURRENT ASSETS

Net trade receivables and other current assets as at 30 September 2012 and 2011 are the following:

	30 September 2012	30 September 2011
Trade receivables	34,010	30,886
Allowance for doubtful debtors	(686)	(745)
Trade receivables, net	33,324	30,141
Taxes receivable	1,999	1,967
Advance payments to suppliers	6,583	5,680
Other receivables and prepayments	5,160	2,266
Total	47,066	40,054

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
30 Sept. 2012	33,324	26,842	5,868	112	455	47
30 Sept. 2011	30,141	24,388	4,836	528	384	5

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

	30 September 2012	30 September 2011
Opening amount of provision for impairment	(745)	(834)
Charge for the year	(87)	(164)
Unused amounts reversed	154	168
Net provision charged in the income statement (Note 17)	67	4
Utilized	0	94
Foreign exchange difference	(8)	(9)
Closing amount of provision for impairment	(686)	(745)

6. INVENTORIES

Inventories as at 30 September 2012 and 2011 are the following:

	30 September 2012	30 September 2011
Work-in-progress and semi-finished products	14,826	16,348
Finished goods	7,102	6,794
Raw materials	7,024	7,523
Goods for resale	3,478	3,284
Total	32,430	33,949

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

	30 September 2012	30 September 2011
Opening amount of provision for impairment	(487)	(654)
Charge for the year	(172)	(174)
Unused amounts reversed	40	69
Net provision charged in the income statement (Note 17)	(132)	(105)
Utilized	433	272
Closing amount of provision for impairment	(186)	(487)

Impairment is disclosed net of reversal of impairment expenses and accounted for as cost of sales and R&D expense.

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7. OTHER FINANCIAL ASSETS AND LIABILITIES

7.1. Other financial assets (including forward rate agreements)

Other financial assets as at 30 September 2012 and 2011 are the following:

	30 September 2012	30 September 2011 reclassified
Held-for-trading investment – government bonds	141	140
Available-for-sale investment – unquoted equity shares	428	423
Loans given	1,387	1,425
Forward rate agreements	74	75
Total	2,030	2,063
Current	248	300
Non-current	1,782	1,763
Total	2,030	2,063

The Company has amended the classification of held-to-maturity (short-term) securities. The value of such securities is no longer presented among the other financial assets but as part of cash and cash equivalents.

Held-for-trading investments consist of long-term bonds issued and guaranteed by any state within the European Union. Fair valuation of these securities is reflected in the income statement.

Available-for-sale financial assets consist of unquoted interests representing less than 20% voting rights for the Company.

Available-for-sale investments as at 30 September 2012 and 2011 are the following:

Company	30 September 2012		30 September 2011	
	Ownership %	Net book value	Ownership %	Net book value
OOO Serdix	5.4	406	5.4	401
GYNK Ingatlanfejlesztő Zrt.	14.4	1	14.4	1
Medimpex Japan Co. Ltd.	5.6	6	5.6	6
Magyar Gyógyszer Zrt.	2.6	15	2.6	15
Total		428		423

OOO Serdix is a state-of-the-art production site in Russia, majorly owned by Servier Group. The company started packaging of pharmaceuticals in the past years and it will take further years to fully utilise its capacity. The major asset of Serdix is the production facility itself, and thus the fair value calculation was based on the historical value of land and PPE.

The fair value adjustment was recorded in other comprehensive income. The carrying amount contains HUF 256 million impairment expenses.

GYNK Ingatlanfejlesztő Zrt. is a company without any actual activity and having revenue only from interest from banks.

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Medimpex Japan Co. Ltd. and Magyar Gyógyszer Zrt. have immaterial free cash flows and their initial cost approximates fair value.

Loans given consist of intercompany loans and non-interest bearing housing loans. The amount of intercompany loans given to subsidiaries for the years ended 30 September 2012 and 2011 are HUF 1,216 million and HUF 1,250 million, respectively. The amounts of housing loans granted to employees are HUF 171 and 175 million as at 30 September 2012 and 2011.

The Company enters into RUB forward rate agreements up to 70 % of budgeted annual sales in RUB 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 statements and movements in fair values are posted to the income statement.

The summary of the valid contracts as at 30 September 2012 is as follows:

Maturity	Currency	Amount	Type	Average forward rate
30.10.2012	RUB	120,000,000	forward rate agreement	7.3751
28.11.2012	RUB	150,000,000	forward rate agreement	7.2019
20.12.2012	RUB	90,000,000	forward rate agreement	7.0973
30.01.2013	RUB	90,000,000	forward rate agreement	7.1554
26.02.2013	RUB	30,000,000	forward rate agreement	7.0673
26.03.2013	RUB	30,000,000	forward rate agreement	7.0444

The summary of the valid contracts as at 30 September 2011 is as follows:

Maturity	Currency	Amount	Type	Average forward rate
26.10.2011	RUB	210,000,000	forward rate agreement	6.7196
28.11.2011	RUB	180,000,000	forward rate agreement	6.7634
21.12.2011	RUB	150,000,000	forward rate agreement	6.8111
29.01.2012	RUB	150,000,000	forward rate agreement	6.8412
27.02.2012	RUB	90,000,000	forward rate agreement	6.8500
28.03.2012	RUB	60,000,000	forward rate agreement	6.8780

Unrealised profit on open contracts as at 30 September 2012 and 2011 was HUF 74 million and HUF 75 million, respectively and was recorded in the income statement for the year then ended.

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7.2. Other financial liabilities

The Company has not entered into any financial lease contracts.

Other financial liabilities as at 30 September 2012 and 2011 are the following:

	30 September 2012	30 September 2011
Bank overdraft	0	1

7.3. Fair values

Financial assets	30 September 2012		30 September 2011	
	Carrying amount	Fair value	Carrying amount	Fair value
Cash in bank and cash on hand	30,830	30,830	21,361	21,361
Other cash equivalents	9,314	9,334	10,297	10,279
Net trade receivables and other current assets	47,066	47,066	40,054	40,054
Income tax receivables	152	152	155	155
Held-for-trading investments	141	141	140	140
Available-for-sale financial assets	428	428	423	423
Loans given	1,387	1,387	1,425	1,425
Forward rate agreements	74	74	75	75
Total	89,392	89,412	73,930	73,912

Financial liabilities	30 September 2012		30 September 2011	
	Carrying amount	Fair value	Carrying amount	Fair value
Trade and other payables	(22,231)	(22,231)	(21,510)	(21,510)
Bank overdraft	0	0	(1)	(1)
Total	(22,231)	(22,231)	(21,511)	(21,511)

The following methods and assumptions were used to estimate the fair values:

- Fair value of cash in bank, cash on hand, net trade receivables and other current assets, trade and other payables and bank overdrafts approximate their carrying amounts largely due to the short-term maturities of these instruments.
- Fair value of other cash equivalents represent quoted market price
- Fair value calculation for held-for-trading investments was received from independent financial institutions.
- Fair value of unquoted available-for-sale financial assets is estimated using appropriate valuation techniques.
- Non-interest bearing long-term housing loans were discounted to reflect the time-value of money.
- Forward rate agreements were valued by independent financial institutions using appropriate pricing models.

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Fair value hierarchy as at 30 September 2012 is as follows:

	30 Sept 2012	Level 1	Level 2	Level 3
Other cash equivalents	9,334	9,334	-	-
Held-for-trading investments	141	141	-	-
Available-for-sale financial assets	428	-	-	428
Forward rate agreements	74	-	74	-

Fair value hierarchy as at 30 September 2011 is as follows:

	30 Sept 2011	Level 1	Level 2	Level 3
Other cash equivalents	10,279	10,279	-	-
Held-for-trading investments	140	140	-	-
Available-for-sale financial assets	423	-	-	423
Forward rate agreements	75	-	75	-

- Level 1 represents quoted prices in active markets for identical assets or liabilities;
Level 2 consists of inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices);
Level 3 contains inputs for the asset or liability that are not based on observable market data.

The movements in the fair value of the available-for-sale financial assets between 30 September 2011 and 30 September 2012 are as follows:

	30 September 2012	30 September 2011
Opening amount of available-for-sale financial	423	434
Gains for the period recognized in the income statement as financial income	0	1
Fair value gain and (loss) recognized in other comprehensive income	5	(12)
Closing amount of available-for-sale financial assets	428	423

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8. INTANGIBLE ASSETS

The movements in intangible assets for the years ended 30 September 2012 and 2011 were the following:

NET CARRYING AMOUNT	Software	Patents, licences	Intellectual property rights	Total
At 30 September 2010	1,819	288	1,911	4,018
Additions	832	196	276	1,304
Disposals	0	0	0	0
Impairment (Note 17)	0	0	0	0
Amortisation charge for the year (Note 17)	(549)	(206)	(564)	(1,319)
Transfers	0	0	0	0
At 30 September 2011	2,102	278	1,623	4,003
Additions	1,060	253	0	1,313
Disposals	0	0	0	0
Impairment (Note 17)	(6)	0	0	(6)
Amortisation charge for the year (Note 17)	(685)	(141)	(423)	(1249)
Transfers	0	0	0	0
At 30 September 2012	2,471	390	1,200	4,061

At 30 September 2011	Software	Patents, licences	Intellectual property rights	Total
Cost	5,294	991	4,730	11,015
Accumulated amortisation	(3,192)	(713)	(3,107)	(7,012)
Net carrying amount	2,102	278	1,623	4,003

At 30 September 2012	Software	Patents, licences	Intellectual property rights	Total
Cost	6,331	1,244	4,730	12,305
Accumulated amortisation	(3,860)	(854)	(3,530)	(8,244)
Net carrying amount	2,471	390	1,200	4,061

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 2,630 million and HUF 2,265 million are fully amortized as at 30 September 2012 and 2011, respectively, but these items are still in active use.

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9. PROPERTY, PLANT AND EQUIPMENT

The movements in property, plant and equipment in the years ended 30 September 2012 and 2011 were the following:

NET CARRYING AMOUNT	Land and buildings	Plant, machinery and equipment	Vehicles	Construction in progress	Total
At 30 September 2010	26,856	23,397	1,863	5,934	58,050
Additions	4,466	7,274	1,379	(88)	13,031
Disposals	0	(3)	(58)	(24)	(85)
Impairment (Note 17)	5	(49)	(8)	0	(52)
Depreciation charge for the year (Note 17)	(1,284)	(5,342)	(746)	0	(7,372)
Transfers	42	(42)	0	0	0
At 30 September 2011	30,085	25,235	2,430	5,822	63,572
Additions	4,821	7,918	1,230	(772)	13,197
Disposals	0	(1)	(75)	(2)	(78)
Impairment (Note 17)	(50)	(44)	(31)	0	(125)
Depreciation charge for the year (Note 17)	(1,437)	(5,943)	(845)	0	(8,225)
Transfers	0	0	0	0	0
At 30 September 2012	33,419	27,165	2,709	5,048	68,341

At 30 September 2011	Land and buildings	Plant, machinery and equipment	Vehicles	Construction in progress	Total
Cost	39,257	67,251	4,807	5,822	117,137
Accumulated depreciation	(9,172)	(42,016)	(2,377)	0	(53,565)
Net carrying amount	30,085	25,235	2,430	5,822	63,572

At 30 September 2012	Land and buildings	Plant, machinery and equipment	Vehicles	Construction in progress	Total
Cost	44,004	74,418	5,089	5,048	128,559
Accumulated depreciation	(10,585)	(47,253)	(2,380)	0	(60,218)
Net carrying amount	33,419	27,165	2,709	5,048	68,341

The gross carrying amounts of certain property, plant and equipment items of HUF 19,398 million and HUF 16,742 million are fully depreciated as at 30 September 2012 and 2011 respectively, but these items are still in active use.

Impairment is disclosed net of reversal of impairment expenses accounted for as administrative and distribution expenses.

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10. INVESTMENTS

Investments as at 30 September 2012 and 2011 are the following:

	30 September 2012	30 September 2011
Investments in subsidiaries	5,065	4,699
Investments in jointly controlled entities	303	303
Investments in associates	2,610	2,610
Total	7,978	7,612

Equity interests and the percentage of share capital held as at 30 September 2012 and 2011 are the following:

Company	30 September 2012		30 September 2011	
	Ownership %	Net book value	Ownership %	Net book value
Egis Polska Sp. z o.o.	100.0	1232	100.0	1,182
Egis Slovakia spol. s r.o.	100.0	907	100.0	934
Egis Ilaclari Limited Sirketi	100.0	1,099	100.0	799
Medimpex Kereskedelmi Zrt.	100.0	733	100.0	733
Egis Polska Dystrybucja Sp. z o.o.	100.0	690	100.0	662
Egis Praha spol. s r.o.	100.0	385	100.0	371
OOO Egis-RUS	100.0	18	100.0	17
Egis Bulgaria EOOD	100.0	1	100.0	1
Egis Rompharma S.R.L.	100.0	0	100.0	0
Egis UK Ltd.	100.0	0	100.0	0
Medimpex Irodaház Ingatlankezelő Kft.	50.0	303	50.0	303
Medimpex West-Indies Ltd.	40.0	9	40.0	9
Medimpex Jamaica Ltd.	40.0	0	40.0	0
Gyógyszeripari Ellenőrző és Fejlesztő Laboratórium Kft.	34.0	42	34.0	42
Hungaropharma Zrt.	30.7	2,549	30.7	2,549
Recyclomed Nonprofit Közhasznú Kft.	20.0	10	20.0	10
Total		7,978		7,612

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The changes in the value of investments as at 30 September 2012 and 2011 are the following:

	30 September 2012	30 September 2011
Opening amount of investments	7,612	6,948
Egis Polska Dystrybucja Sp. z o.o. year-end FX revaluation	28	(34)
Egis Ilaclari Limited Sirketi year-end FX revaluation	25	(165)
Egis Ilaclari Limited Sirketi capital increase	739	0
Egis Ilaclari Limited Sirketi (impairment) / reversal of impairment	(464)	775
Egis Slovakia spol. s r.o. year-end FX revaluation	(27)	47
Egis Slovakia spol. s r.o. reversal of impairment	0	49
Egis Praha spol. s r.o. year-end FX revaluation	(20)	20
Egis Praha spol. s r.o. reversal of impairment	34	32
Egis Polska Sp. z o.o. year-end FX revaluation	50	(60)
OOO Egis RUS year-end FX revaluation	1	0
Total change	366	664
Closing amount of investments	7,978	7,612

In the year ended 30 September 2012 and 2011 the following dividends were paid to Egis Pharmaceuticals PLC:

	Year ended 30 September 2012	Year ended 30 September 2011
Egis Polska Dystrybucja Sp. z o.o	720	553
Egis Polska Sp. z o.o.	182	0
Medimpex Kereskedelmi Zrt.	47	39
Gyógyszeripari Ellenőrző és Fejlesztő Laboratórium Kft.	19	26
Medimpex West Indies Ltd.	7	6
Other investments	0	37
Total	975	661

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11. TRADE AND OTHER PAYABLES

Trade and other payables as at 30 September 2012 and 2011 are the following:

	30 September 2012	30 September 2011
Trade payables	15,459	14,580
Salaries payable	1,026	912
Taxes and duties payable	237	1,045
Other short term liabilities	5,509	4,973
Total	22,231	21,510

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 2012	15,459	520	14,929	10
30 September 2011	14,580	71	14,455	54

12. PROVISIONS

As at 30 September 2012 and 2011 provisions are the following:

	Environ- mental	Litigations	Employee benefits	Other	Payable to NHIF	Total
Balance as at 30 September 2010	280	457	1,322	385	0	2,444
Provision made during the period	88	33	375	547	250	1,293
Provision used during the period	(51)	(20)	(285)	(121)	0	(477)
Increase / (decrease) in provision	37	13	90	426	250	816
Balance as at 30 September 2011	317	470	1,412	811	250	3,260

	Environ- mental	Litigations	Employee benefits	Other	Payable to NHIF	Total
Balance as at 30 September 2011	317	470	1,412	811	250	3,260
Provision made during the period	50	32	137	219	200	638
Provision used during the period	(172)	(435)	(215)	(282)	(250)	(1,354)
Increase / (decrease) in provision	(122)	(403)	(78)	(63)	(50)	(716)
Balance as at 30 September 2012	195	67	1,334	748	200	2,544

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Provisions as at 30 September 2012 and 2011 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	Other	Payable to NHIF	Total
Current provisions	272	435	285	811	250	2,053
Non-current provisions	45	35	1,127	0	0	1,207
Balance as at 30 September 2011	317	470	1,412	811	250	3,260

	Environ- mental	Litigations	Employee benefits	Other	Payable to NHIF	Total
Current provisions	170	34	215	748	200	1,367
Non-current provisions	25	33	1,119	0	0	1,177
Balance as at 30 September 2012	195	67	1,334	748	200	2,544

Provision is disclosed net of reversal and accounted for as administrative and distribution expenses except for the provision payable to NHIF which is accounted for as other operating expenses.

Provision for environmental liabilities relates to the contamination of land at plants in Budapest and possible sewage fine payable on the emission of waste-water exceeding the accepted limits. The provision is based on currently available facts; technology expected to be available at the time of the clean-up, laws and regulations presently or virtually certain to be enacted and prior experience in remediation of contaminated sites. Environmental liabilities are recorded at the estimated amount at which the liability could be settled at the balance sheet date.

Provision for remediation of contaminated land is based on the estimated expenditures of the next three years. Although we believe the contamination can be eliminated over the next three years, we cannot fully exclude that further obligation may arise as a result of on-going inspections.

The legal proceeding commenced against Egis Pharmaceuticals PLC in 2007 on the ground of Egis breaching a Supply Agreement was settled.

Calculations for provisions for long-term employee benefits are shown in Note 22.

The Company has made a provision for amounts payable to NHIF on reimbursed products which had already been sold to domestic 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 204 million and HUF 280 million as at 30 September 2012 and 2011, respectively.

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13. SHARE CAPITAL

Share capital 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 2012 and 2011.

14. SHARE PREMIUM

Share premium disclosed as at 30 September 2012 and 2011 represents the difference between the consideration of USD 45,000 thousand received from EBRD for additional 2,335,715 shares issued on 22 December 1993 and the registered value of 1 thousand HUF per share calculated using the exchange rate at the date of the receipt of the funds.

15. RETAINED EARNINGS

The distributable part of retained earnings of the Company in accordance with statutory financial statements as at 30 September 2012 and 2011 were HUF 164,666 million and HUF 145,209 million (out of the total retained earnings of HUF 167,376 million and HUF 148,328 million), respectively. The management proposed a total dividend of HUF 1,869 million (HUF 240 per shares) to be distributed from the profit of the year ended 30 September 2012. Both paid and proposed dividend as at 30 September 2011 were HUF 934 million (HUF 120 per shares).

16. SALES

Sales by geographical areas for the years ended 30 September 2012 and 2011 are the following:

	Year ended 30 September 2012	Year ended 30 September 2011
Hungary	29,883	33,333
Russia and other CIS countries	47,138	40,494
Eastern Europe	32,363	32,033
Others	18,156	16,459
Total	127,540	122,319

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

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17. COSTS AND EXPENSES

Costs and expenses for the years ended 30 September 2012 and 2011 are as follows:

	Year ended 30 September 2012	Year ended 30 September 2011 reclassified
Cost of sales	55,157	53,925
Administrative and distribution expenses	52,000	50,702
Other operating expenses	1,311	3,920
Total	108,468	108,547

The Company has amended the classification of registration fee of medical representatives. In line with industry practice, the registration fee of medical representatives, levied in Hungary, will be presented in the Company's reports not among other operating expenses but as item of administrative and distribution expenses.

Cost of sales for the years ended 30 September 2012 and 2011 includes direct material and labour costs as well as certain directly attributable production overheads.

Administrative and distribution expenses for the years ended 30 September 2012 and 2011 are the following:

	Year ended 30 September 2012	Year ended 30 September 2011 reclassified
General selling costs	30,805	30,293
Research and Developments expenses	12,028	11,614
Central administrative costs	9,769	8,181
Impairment (Note 8 and Note 9)	131	52
Allowance for doubtful debtors (Note 5)	(67)	(4)
Net provision expenses (Note 12)	(666)	566
Total	52,000	50,702

Other operating expenses for the years ended 30 September 2012 and 2011 are as follows:

	Year ended 30 September 2012	Year ended 30 September 2011 reclassified
Contribution to National Health Insurance Fund	161	3,016
Others	1,150	904
Total	1,311	3,920

Payment obligation of drug producers on grounds of the reimbursements allocated to their drugs was raised to 20% from 12% as from July 1, 2011. As from July 1, 2011 the rate of registration fee on medical representatives is HUF 10mn/medrep/annum instead of HUF 5 million.

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In December 2011, the Parliament restored for a definite period of time the R&D spending related deductibility option for payment obligations which had in June 2011 been ceased with retroactive effect. Resulting from the December 2011 enactment of modification, 90% of the payment obligation debiting the 2011 calendar year accounts may again be deducted, provided that the Company's R&D expenses exceed 25% of reimbursement (proportionate to manufacturer's price) paid on their products and that, within R&D spending, personnel expenses remain above 3% of the same reimbursement amount. Pursuant to the rules of law lower rates of R&D expenses allowed lower deductions.

Entitlement to the deductibility option for the Company is judged on the basis of the R&D expenses incurring in the 2011/2012 financial year, consequently, the deduction allowance is accounted in the given business year while the financial settlement can be performed subsequently, in 2013. Taking into account the R&D expenses incurred in 2011/2012, 90% of the payment obligation, involving also the registration fee of medical representatives and surtax proportionate to reimbursement, were accounted as allowance.

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.

The following costs and expenses are included in cost of sales, administrative and distribution and other operating expenses for the years ended 30 September 2012 and 2011:

	Year ended 30 September 2012	Year ended 30 September 2011
Material type costs	38,822	38,279
Payroll and related costs	29,158	27,964
Material type services	19,481	17,781
Depreciation and amortization (Note 8 and Note 9)	9,474	8,691
Hired labour	3,415	3,729
Marketing	2,604	2,357
Patent and registration fees	1,459	1,710
Subcontracted R&D services	972	790
Licence fees	864	838
Environment protection expenses	663	556
Other taxes	636	3,387
Commission	480	316
Indemnities	273	3
Registration fee of medical representatives	234	897
Provision for impairment of inventories (Note 6)	132	105
Impairment (Note 8 and Note 9)	131	52
Allowance for doubtful debtors (Note 5)	(67)	(4)
Net provision expenses (Note 12)	(666)	566
Other	403	530
Total	108,468	108,547

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18. FINANCE INCOME

Interest and other financial income for the years ended 30 September 2012 and 2011 are the following:

	Year ended 30 September 2012	Year ended 30 September 2011
Interest income on bank accounts	1,218	1,120
Interest income on other financial assets	631	389
Default interest	171	9
Impairment reversal of investments	34	856
Gain on derivative transactions	0	215
Foreign exchange gains, net	0	149
Other financial income	8	5
Total	2,062	2,743

19. FINANCE COSTS

Interest and other financial expenses for the years ended 30 September 2012 and 2011 are the following:

	Year ended 30 September 2012	Year ended 30 September 2011
Foreign exchange losses, net	772	0
Loss on derivative transactions	269	0
Impairment of investments	464	0
Interest expense	0	1
Loss on sale of investments	0	1
Intercompany loans forgiven	0	758
Interest of intercompany loans forgiven	0	10
Other financial expense	157	136
Total	1,662	906

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20. INCOME TAX EXPENSE

Income tax expense for the years ended 30 September 2012 and 2011 are as follows:

	Year ended 30 September 2012	Year ended 30 September 2011
Corporate income tax expense	98	54
Local business tax expense	1,359	1,601
Deferred tax expense / (income)	79	128
Total	1,536	1,783

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

	Year ended 30 September 2012	Year ended 30 September 2011
Net sales	131,178	126,446
less: income from royalties	(275)	(307)
less: material cost	(30,021)	(30,732)
less direct R&D expenses	(8,968)	(8,658)
less: cost of sales	(7,781)	(6,359)
less: mediated services	(80)	(330)
Tax base	84,053	80,060
Tax base with tax rate of 0%	16,105	0
Tax base with tax rate of 2%	67,948	80,060
Tax at applicable rate of 2 %	1,359	1,601

Tax base attributable to foreign representative offices is not taxable.

Deferred tax assets and (liabilities) as at 30 September 2012 and 2011 are the following:

	Balance Sheet		Income statement		Comprehensive income	
	30 September 2012	30 September 2011	Year ended 30 September 2012	Year ended 30 September 2011	Year ended 30 September 2012	Year ended 30 September 2011
Depreciation and amortization	(124)	(85)	(39)	(40)	0	0
Fair valuation of assets	(2)	0	(2)	14	0	1
Provision and accruals	100	130	(30)	(98)	0	0
Allowance for doubtful receivables	12	28	(16)	(4)	0	0
Other	8	0	8	0	0	0
Total	(6)	73	(79)	(128)	0	1

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Current and prospective tax rates for Egis, taking into consideration that the Company's financial year differs from the calendar year, are as follows:

	As of 1 Oct 2010	As of 1 Oct 2011	As of 1 Oct 2012
Corporate tax: tax base up to HUF 500 million	10%	10%	10%
Corporate tax: tax base over HUF 500 million	19%	19%	19%

Since majority of tax payable is expected to be calculated applying 19% corporate tax rate, this rate was used in the deferred tax calculation.

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 2011 and 1 October 2010 was as follows:

	Year ended 30 September 2012	Year ended 30 September 2011
Profit before tax per accompanying income statement	21,518	17,343
Local business tax expense	(1,359)	(1,601)
Modified profit before tax	20,159	15,742
Tax at the applicable tax rate (19%)	3,830	2,991
Research and development expenses not taxable	(1,704)	(1,645)
Dividends received not taxable	(185)	(126)
Royalty income not taxable	(26)	(29)
Representation expenses not tax deductible	80	108
Other differences not expected to reverse	(16)	111
Tax allowance	(1,802)	(1,228)
Local business tax presented as income tax	1,359	1,601
Total income tax expense	1,536	1,783

The Company earned a tax allowance due to the development of its production facilities. The currently available tax allowance amounts to HUF 4.1 billion in total, out of which HUF 1.8 billion has been utilized over the past years.

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

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21. 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 2012 and 2011 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 2012	19,982	7,785,715	2,566
Basic and diluted Earnings per share 2011	15,560	7,785,715	1,999

22. EMPLOYEE BENEFITS

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

Besides, long-service benefit is payable to employees depending on service years spent at Egis. The maximum benefit payable to employees is one month salary.

The calculation disclosed also includes the amount of severance payment due on retirement.

Movements in the provision for employee benefits in the year ended 30 September 2012 and 2011 are the following:

	Year ended 30 September 2012	Year ended 30 September 2011
Opening balance as at 1 October	1,412	1,322
Current service cost	84	68
Interest cost	137	134
Recognised actuarial (gains) / losses	(139)	119
Past service cost – non vested benefits	55	55
Benefits paid	(215)	(286)
Closing balance as at 30 September	1,334	1,412

Reconciliation of the present value of the obligation to the liability recognised in the balance sheet as at 30 September 2012 and 2011 is as follows:

	Year ended 30 September 2012	Year ended 30 September 2011
Provision recognised in the balance sheet	1,334	1,412
Past service cost not recognised in the balance sheet	485	540
Present value of the obligation	1,819	1,952

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Amounts charged to administration and distribution expenses for the years ended 30 September 2012 and 2011 are the following:

	Year ended 30 September 2012	Year ended 30 September 2011
Current service cost	84	68
Interest cost	137	134
Recognised actuarial (gains) / losses	(139)	119
Past service cost – non vested benefits	55	55
Total expense	137	376

Assumptions applied in the calculation of provision for employee benefits for the years ended 30 September 2012 and 2011 are the following:

	30 September 2012	30 September 2011
Future service years	9.8	10.8
Discount rate	7.0%	7.0%
Fluctuation rate	5.9%	5.3%
Expected average wage increase	4.5%	4.5%

The cumulative amount of recognised actuarial losses as at 30 September 2012 and 2011 was HUF 202 million and HUF 340 million, respectively.

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23. 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.

Revenue from related parties for the years ended 30 September 2012 and 2011 are the following:

	Year ended 30 September 2012	Year ended 30 September 2011
Servier and its subsidiaries (*)	16,035	16,986
Egis Polska Dystrybucja Sp. z o.o.	14,121	13,021
Hungaropharma Zrt.	10,365	12,002
Egis Slovakia spol. s r.o.	3,687	4,130
Egis Rompharma S.R.L.	4,224	4,101
Egis Bulgaria EOOD	1,699	1,457
Egis Ilaclari Limited Sirketi	843	620
Medimpex West Indies Ltd.	420	254
Egis Polska Sp. z o.o.	0	1
Egis Praha spol. s r.o.	0	1
Total	51,934	52,573

(*) as of this year related party transactions with Anpharm Sp. Akc. are reported as part of Servier and its subsidiaries.

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

Interest income from related parties for the years ended 30 September 2012 and 2011 are the following:

	Year ended 30 September 2012	Year ended 30 September 2011
Medimpex Kereskedelmi Zrt.	45	38
Egis Ilaclari Limited Sirketi	22	38
Medimpex Irodaház Ingatlankezelő Kft.	1	2
Total	68	78

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Related party costs for the years ended 30 September 2012 and 2011 are the following:

	Year ended 30 September 2012	Year ended 30 September 2011
Egis Polska Sp. z o.o.	4,262	4,326
Egis Praha spol. s r.o.	1,658	1,541
Egis Slovakia spol. s r.o.	1,235	1,325
Medimpex Kereskedelmi Zrt.	521	497
Servier and its subsidiaries (*)	170	196
Gyógyszeripari Ellenőrző és Fejlesztő Laboratórium Kft.	128	158
Egis Polska Dystrybucja Sp. z o.o.	44	354
Recyclomed Nonprofit Közhasznú Kft.	28	44
Egis UK Ltd.	7	12
Medimpex West Indies Ltd.	7	3
Hungaropharma Zrt.	0	10
Total	8,060	8,466

(*) as of this year related party transactions with Anpharm Sp. Akc. are reported as part of Servier and its subsidiaries.

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 2012 and 2011 are the following:

	Year ended 30 September 2012	Year ended 30 September 2011
Servier and its subsidiaries (*)	7,207	7,250
Hungaropharma Zrt.	25	2
Medimpex Kereskedelmi Zrt.	4	4
Egis Polska Dystrybucja Sp. z o.o.	0	16
Total	7,236	7,272

(*) as of this year related party transactions with Anpharm Sp. Akc. are reported as part of Servier and its subsidiaries.

Intercompany loans forgiven and the interest related to the intercompany loans for the years ended as at 30 September 2012 and 2011 are the following:

	Loans forgiven		Interest forgiven	
	Year ended 30 Sept 2012	Year ended 30 Sept 2011	Year ended 30 Sept 2012	Year ended 30 Sept 2011
Egis Ilaclari Limited Sirketi	0	758	0	10
Total	0	758	0	10

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Funds given to subsidiaries as at 30 September for the years ended as at 30 September 2012 and 2011 are the following:

	Year ended 30 Sept 2012	Year ended 30 Sept 2011
Egis Ilaclari Limited Sirketi	0	583
Total	0	583

Related party receivables and payables as at 30 September 2012 and 2011 are the following:

	Receivables		Payables	
	30 Sept 2012	30 Sept 2011	30 Sept 2012	30 Sept 2011
Egis Polska Dystrybucja Sp. z o.o.	4,995	4,063	4	355
Egis Rompharma S.R.L.	4,374	4,448	0	0
Hungaropharma Zrt.	2,862	3,072	8	1
Servier and its subsidiaries (*)	2,848	2,646	1,556	1,376
Egis Slovakia spol. s r.o.	849	1,144	229	176
Egis Ilaclari Limited Sirketi	391	204	0	0
Medimpex West Indies Ltd.	277	163	7	3
Egis Polska Sp. z o.o.	191	0	1,129	860
Medimpex Kereskedelmi Zrt.	142	133	7	5
Egis Bulgaria EOOD	130	203	0	0
Egis Praha spol. s r.o.	11	0	3	45
Egis UK Ltd.	5	8	0	0
Gyógyszeripari Ellenőrző és Fejlesztő Laboratórium Kft.	0	0	16	16
Recyclomed Nonprofit Közhasznú Kft.	0	0	0	1
Total	17,075	16,084	2,959	2,838

(*) as of this year related party transactions with Anpharm Sp. Akc. are reported as part of Servier and its subsidiaries.

	Loans given	
	30 Sept 2012	30 Sept 2011
Egis Ilaclari Limited Sirketi	539	555
Medimpex Kereskedelmi Zrt.	640	640
Medimpex Irodaház Ingatlankezelő Kft.	37	55
Total	1,216	1,250

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Emoluments of and shares held by the members of the Board of Directors, Supervisory Board and Audit Committee as at 30 September 2012 and 2011 are the following:

	30 September 2012		30 September 2011	
	Emoluments	Number of shares	Emoluments	Number of shares
Board of Directors	24.7	0	24.7	0
Supervisory Board	29.3	500	29.3	400
Audit Committee	12.2	0	12.2	0
Total	66.2	500	66.2	400

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.

24. SERVICES PROVIDED BY ERNST & YOUNG COMPANIES

Services provided to Egis Pharmaceuticals PLC by Ernst & Young companies for the years ended as at 30 September 2012 and 2011 are the following:

	Year ended 30 September 2012	Year ended 30 September 2011
Audit fees (Statutory, IFRS separate and IFRS consolidated Financial Statements) including out of pocket expenses	22.4	22.4
Advisory services	11.3	17.1
Total	33.7	39.5

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

The effect of adjustments on net profit for the years ended 30 September 2012 and 2011 are as follows:

	Year ended 30 September 2012	Year ended 30 September 2011
Net profit for the year under statutory Accounting Standards	19,457	15,744
Dividends	934	934
Expensing of research and development	(30)	(583)
Fair valuation of open derivative transactions	(1)	(288)
Deferred tax	(79)	(128)
Provisions	(55)	(55)
Fair valuation of investments	1	(4)
Fair value of available-for-sale financial assets	(24)	(54)
Reversal of year-end fx revaluation on advances given in foreign currencies	(224)	0
Other	3	(6)
Net profit for the year under International Financial Reporting Standards	19,982	15,560

The effect of adjustments on shareholders' equity as at 30 September 2012 and 2011 are as follows:

	Year ended 30 September 2012	Year ended 30 September 2011
Shareholders' equity under statutory Accounting Standards	181,869	162,412
Dividends	934	934
Expensing of research and development	(5,067)	(5,037)
Fair valuation of open derivative transactions	82	83
Deferred tax	(6)	73
Provisions	487	542
Fair valuation of investments	1	0
Fair value of available-for-sale financial assets	(58)	(39)
Revaluation of property, plant and equipment	(568)	(568)
Reversal of year-end fx revaluation on advances given in foreign currencies	(224)	0
Other	(29)	(32)
Shareholders' equity under International Financial Reporting Standards	177,421	158,368

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26. COMMITMENTS AND CONTINGENCIES

Guarantee

Guarantees granted and received by the Company for the years ended 30 September 2012 and 2011 are the following:

	Year ended 30 September 2012	Year ended 30 September 2011
Guarantees granted	575	574
Guarantees received	9,086	7,918

Guarantees are mainly granted to Medimpex West-Indies Ltd., the Hungarian Tax Authority and Ministry for National Economy in both years, while guarantees received represent payment guarantees and good-performance guarantees.

Capital commitments

Capital commitments of the Company as at 30 September 2012 and 2011 are HUF 1,804 million and HUF 3,371 million, respectively.

Other financial commitment

Egis and Celltrion Healthcare Co. Ltd. have entered into a collaboration agreement for the distribution of biopharmaceutical products developed and manufactured by Celltrion. With this agreement, Egis will have the opportunity to enter the biopharmaceutical markets of oncology, autoimmune and inflammatory diseases along with very first biosimilar players. The size of the market Egis is aiming at in total is actually more than EUR 600 million with double digit growth. The launches are planned over the period between year 2012 and 2018. Commercial launch of the first biosimilar product is expected in 2013, and is expected to generate about EUR 30 million revenue as of the following year.

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27. EVENTS AFTER THE REPORTING PERIOD

Closing date of the Financial Statement of Egis Pharmaceuticals PLC, presented herein, was September 30, 2012. Since the closing date no significant event and no significant new factor have occurred having a material effect on the information appearing in the Financial Statement.

28. FINANCIAL RISK MANAGEMENT

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 Russian rouble, as the sales in Russia, the predominant foreign market of the Company, are invoiced in rouble instead of US dollar as from 1 January 2011. In order to mitigate the foreign exchange risk, the Company enters into RUB forward currency 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 statements and movements in fair values are posted to the income statement.

The following table demonstrates the sensitivity of the Company's operating profit in HUF million to 1% devaluation of HUF against various currencies, with all other variables held constant.

Currency	30 September 2012	30 September 2011
EUR	17	12
USD	67	127
RUB	208	92
PLN	93	81
CZK	33	31
RON	26	(9)
TRY	(1)	(2)
CHF	(14)	(14)

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The following table demonstrates the sensitivity (%) of the Company's financial assets and liabilities in (%) to 1% devaluation of HUF against all foreign currencies, with all other variables held constant:

Financial assets	30 September 2012	30 September 2011
Cash in bank, cheques and cash on hand	0.4062%	0.1184%
Other cash equivalents	0.0000%	0.0000%
Net trade receivables and other current assets	0.6348%	0.6409%
Income tax receivables	0.0000%	0.0000%
Held-for-trading investments	0.0000%	0.0000%
Available-for-sale financial assets	0.9624%	0.9618%
Loans given	0.3836%	0.3849%
Forward rate agreements	1.0000%	1.0000%

Financial liabilities	30 September 2012	30 September 2011
Trade and other payables	0.3567%	0.3614%
Bank overdraft	1.0000%	1.0000%

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

Currency	30 September 2012	30 September 2011
BGN	145.06	149.35
CHF	234.51	239.40
CZK	11.27	11.86
DKK	38.06	39.25
EUR	283.71	292.12
GBP	355.63	336.52
JPY (100 unit)	282.44	280.61
NOK	38.56	37.00
PLN	68.95	66.18
RON	62.58	67.16
RUB	7.09	6.72
SEK	33.65	31.53
TRY	122.27	116.12
USD	219.17	215.65

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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 any state within the European Union. The Company's trade receivables include balances from a number of customers that are across different geographic areas.

Analyses of most significant trade debtors are as follows:

	30 September 2012			30 September 2011		
	Value	Percentage of total	Number of debtors	Value	Percentage of total	Number of debtors
Over HUF 1,000 million	22,453	67%	10	17,232	57%	6
Between HUF 200 and 1,000 million	6,905	21%	16	8,661	29%	21
Over HUF 200 million	29,358	88%	26	25,893	86%	27

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. Besides, receivables exposed to significant credit risk are secured mostly with bank guaranties and letter of credits in an amount of HUF 9,243 million and HUF 8,160 million as at 30 September 2012 and 2011, respectively.

For ageing analysis of trade receivables and trade payables please refer to Notes 5 and 11, respectively.

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.

The Company'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 Company 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.

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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.

The Company's principal financial liabilities comprise bank loans and 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 deposits, 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 and its sources of finance.

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 2012	30 September 2011
Trade and other payables	22,231	21,510
Less Cash and cash equivalents	(40,144)	(31,658)
Net debts	(17,913)	(10,148)
Equity	177,421	158,368
Equity and net debt	159,508	148,220
Gearing ratio	(11.23%)	(6.85%)

29. APPROVAL OF THE FINANCIAL STATEMENTS

The accompanying separate financial statements were approved by the Board of Directors of Egis on 4 December 2012. The Annual General Meeting has the ultimate power to change this approval.

Budapest, 4 December 2012

 Representative of the Company

V.

Annual report 2011/2012

in accordance with International Financial Reporting Standards (IFRS)

3. Business report

BUSINESS REPORT on Egis Pharmaceuticals PLC's 2011/2012 non-consolidated Operation according to International Financial Reporting Standards

1. Sales Revenue and Profit of Egis Pharmaceuticals PLC

Table 1

		2010/2011 business year	2011/2012 business year	Index %
Net sales	HUFm	122 319	127 540	104
of which				
Domestic	HUFm	33 333	29 883	90
Export	HUFm	88 986	97 657	110
	EURm	326.9	332.4	102
Profit				
Operating	HUFm	14 845	20 143	136
Before tax	HUFm	17 343	21 518	124
After tax	HUFm	15 560	19 982	128
Full-time staff at the end of the period	people	2 627	2 588	99
Capital expenditure	HUFm	14 335	14 509	101
R & D expenditure	HUFm	11 614	12 028	104
Invested assets at the end of the period	HUFm	77 023	82 162	107
Equity at the end of the period	HUFm	158 368	177 421	112

With regard to the business year of Egis Pharmaceuticals PLC, the present business report covers the period of October 1, 2011 to September 30, 2012. The changes are compared to the results of the period October 1, 2010 through September 30, 2011.

The goal of Egis Pharmaceuticals PLC is to strengthen the Company's competitiveness continuously, to enhance efficiency of operation, to achieve rise in turnover and profitability.

In the 2011/2012 business year, the Company achieved a good performance. Sales revenue moved up in exports, while decreased in the domestic market. The growth of operating costs was under control thus the Company's operating profit and pretax profit reached high levels and the Company's financial strength kept on expanding. Sufficient resources were available for further renewal of the product portfolio and for further modernization of the operation.

Net Sales

Net sales revenue of Egis Pharmaceuticals PLC amounted to HUF 127,540mn in the 2011/2012 financial year, 4.3% more than a year ago. Within this, domestic sales came to HUF 29,883mn with a 10.4% drop. Exports rose to HUF 97,657mn, 9.7% higher y/y.

Expenditures

Cost of sales accounted for HUF 55,157mn. This was 2.3% higher than the comparative level. In total, cost of sales was 43.2% of the sales revenue. There was a 0.9 percentage point decrease in cost ratio vs the previous year.

The aggregate growth of administrative and distribution expenses was 2.6%. Their ratio to sales revenue represented 40.8%.

Within this, general selling costs rose 1.7%, R&D costs expanded 3.6%, and administrative costs moved up 4.2% on a year-earlier basis.

Other operating expenses and income

Total other operating income amounted to HUF 1,071mn, with a 0.2% drop from previous year's level. The sum of other operation expenses reached HUF 1,311mn. Thus, aggregate balance of these items (minus HUF 240mn) shows a more favourable position by HUF 2,607mn compared to the previous year. The positive difference was the consequence of the modifications in the reclaiming of pharmaceutical surtaxes in Hungary.

Operating Profit

In the 2011/2012 business year, Egis Pharmaceuticals PLC's operating profit came to HUF 20,143mn. This shows a 36% rise y/y. Ratio of operating profit to net sales revenue was 16%, representing a 3.7% point increase compared to the basis figure. Favourable difference was due to the growing sales revenue and the decrease in other operating costs.

Profit before taxation

The result from financial activities of Egis Pharmaceuticals PLC's shows a profit of HUF 1,375mn as a balance of interests on invested free cash and cash equivalents, dividends received and unfavourable year-end exchange rates.

In the 2011/2012 fiscal year Egis Pharmaceuticals PLC's pretax profit totalled HUF 21,518mn, with a rise of 24% y/y.

Net Profit

By virtue of its large investments, Egis Pharmaceuticals PLC enjoys tax allowance. As a total, HUF 1,536mn profit tax was accounted in 2011/2012, out of which local business taxes amounted to HUF 1,359mn.

Accordingly, Egis Pharmaceuticals PLC's 2011/2012 net profit can be calculated as HUF 19,982 which was 28% higher on a year-earlier basis.

2. Balance Sheet of Egis Pharmaceuticals PLC

Assets

On September 30, 2012, value of assets of Egis Pharmaceuticals PLC amounted to HUF 202,202mn, representing a 10% rise y/y.

Among the main categories of assets, value of invested assets has increased 6.7%. Within this, value of intangible assets has increased 1.4%. Value of property, plant and equipment rose 7.5%. Value of investments and other invested financial assets has grown 4%.

Value of current assets has increased 13%. Among the main categories of assets, value of inventories was 4.5% lower than a year ago, at the same time value of receivables has grown 17%. Cash and cash equivalents rose 27%, other financial assets decreased 17% compared to the previous business year.

Capital and liabilities

On September 30, 2012, equity of Egis Pharmaceuticals PLC amounted to HUF 177,421mn. This represents an increase of 19,053mn or 12% in y/y comparison.

The value of provisions figured among non-current liabilities was HUF 1,177mn at the end of the period, 2.5% less than the year before.

Current liabilities represented HUF 23,598mn, increasing 0.1% during the 2011/2012 business year.

Financial position of Egis Pharmaceuticals PLC kept being very firm. On September 30, 2012, equity covered 87.7% of equity and liabilities in total.

The main financial indices of the Company are presented in the following table:

Main Financial Indices of Egis Pharmaceuticals PLC between October 1, 2011 and September 30, 2012

Index		2010/2011 business year	2011/2012 business year
Operating profit / Net sales	%	12.1	15.8
Pre-tax profit / Net sales	%	14.2	16.9
Liquid assets / Short-term liabilities	%	136	171
Liquid ratio	%	450	509
Debt ratio	%	0	0
Ratio of external resources	%	13.5	12.3

Budapest, December 4, 2012.

Head of the Company
(representative)