



HUNGAROPHARMA
PHARMACEUTICAL TRADING
PRIVATE COMPANY LIMITED BY SHARES

2014

**CONSOLIDATED
BUSINESS REPORT**

**23 April 2015
Budapest**

Table of content

INTRODUCTION.....	2
I. INTRODUCTION OF HUNGAROPHARMA ZRT.....	4
II. INTRODUCTION OF SUBSIDIARIES OF THE GROUP	7
1. Medimpex Gyógyszer Zrt.....	7
2. Patika Management Kft.	8
3. Egészségügyi Termék Információs Szolgáltató Nonprofit Kft.	9
4. ALMA Gyógyszertár Működtető Kft.....	11
5. Vektrum Kft.	12
6. Szirt Invest Kft.	13
III. CONSOLIDATED FINANCIAL STATEMENTS	15
A.) The presentation of the consolidated balance sheet (equity, assets and liabilities).....	15
B.) Consolidated statement of comprehensive income	17
IV. FINANCIAL RISK FACTORS.....	18
V. ENVIROMENTAL PROTECTION, TOXIC WASTE.....	20
VI. HEADCOUNT AND EMPLOYEE BENEFITS	20
VII. EVENTS AFTER THE REPORTING PERIOD.....	21
VIII. EXPECTED TENDENCIES	22
ANNEXES	23

INTRODUCTION

The purpose of the consolidated annual report is to present business activities and status of the Hungaropharma Group, to represent the main risks in respect of the business activities, and accordingly show a reliable and fair picture of its business.

As per expectations of the owners of the company, Hungaropharma Zrt. prepares its consolidated financial statements according to IFRS since 2005 – since the company has significant influence control in businesses.

IFRS consolidated financial statements cover investments in the following entities:

Subsidiaries:

Pannonmedicina Gyógyszerkereskedelmi Zrt. “v.a” 85.05 %
Medimpex Gyógyszer Zrt. 100 %
Patika Management Kft. 100 %
Hajdú Gyógyszerkereskedelmi Zrt. “v.a” 100 %
Egészségügyi Termék Információs Szolgáltató Nonprofit Kft. 100 %
ALMA Gyógyszertár Működtető Kft. 100 %
Vektrum Kft. 100 %
Szirt Invest Kft. 99.33%, (49%)

Many of the above mentioned subsidiaries have control over other entities that are also consolidated in accordance with regulations of IAS 27. Numbers in brackets represents ownership.

Associates:

László Gyógyszertár Kft. 47%
Press GT Kft. 49 %
Recyclomed Gyógyszeripari Csomagolási Hulladék Hasznosítását
Koordináló Nonprofit Kft. 36 %
Szent András Patika Bt. 33%
Duo-Pharm Bt. 50%

Joint ventures under liquidation process or fully impaired are not consolidated (Pharmadose Kft., Pharmadose Gyógyszertár Kft., Gyógyszerellátó Hálózat Kft.). The two Pharmadoses are joint ventures.

The equity of these companies are not significant, therefore - due to the application of the equity method - their impact on the consolidated financial statement is not significant.

The Gyógyszerellátó Hálózat Kft. is not operating, it does not have a significant impact on the consolidated financial statement.

HUNGAROPHARMA ZRT.
31 DECEMBER 2014
CONSOLIDATED BUSINESS REPORT

Eight subsidiary were removed from the Group, finished their activity by voluntary liquidation or liquidation (Pécs Plaza Gyógyszertár Kft., Endmed Gyógyszerkereskedelmi Bt., H és H Rent Ingatlanhasznosító Kft., Pesur Építőipari Kft., Rol-Ga 2008 Ingatlanhasznosító Kft., Nyír Plaza Gyógyszertár Kft., Kanizsa Plaza Gyógyszertár Kft., Újpest-Dombi Egészségház Kft.)

In 2014 two pharmacies were sold (Fermon Pharma Kft, Dunakeszi Ágnes Gyógyszertár Kft.) for third parties.

The Strázsahegy Patika Bt.become subsidiaries from associates.

The consolidation cycle expanded with a new subsidiary from the fact that Patika Management Kft achieved 100% share in the Praxis Platform Kft.

In the case of Pannonmedicina Zrt and Hajdú Zrt the owner initiated an proceeds of liquidation in 2014, the cessation will be realized in 2015.

I. INTRODUCTION OF HUNGAROPHARMA ZRT.

Hungaropharma Zrt. is a traditional trading company for pharmaceuticals. The Company's most important strategic plan for the years 2011-2013 is to become a cost-effective company covering entire Hungary, and to become an essential partner of manufacturers, help the course of pharmacies' business, and to be able to provide advanced, European level services for his partners.

This goal can be reached in the long run only if a close strategic cooperation can be formed with some pharmacies (Gyöngy Pharmacies), and by obtaining control on other pharmacies. Another continuous purpose of the company is to exploit advantages arising from its business extent, to operate cost-effectively, to maintain financial stability and to react to environmental changes efficiently.

In 1993, the company was reorganized into a state-owned joint stock company, foundation member was ÁPV Zrt. Privatization of the company took place in 2002, its majority share package was bought by an investment consortium. The members of the buying consortium are: Richter Gedeon Vegyészeti Gyár Nyrt., EGIS Gyógyszergyár Zrt., Béres Gyógyszergyár Zrt. and Magyar Gyógyszer Vagyonkezelő Zrt. There was no substantive change in the structure of the owners in 2014.

Owners of the Company as at 31 December 2014:

Consortium:	98.69%
Others (employees, chemists, municipalities):	1.31 %

Commercial houses and pharmaceutical distribution depots owned by the company in 2014:

- Warehouse in Tündérfürt street (Budapest)
- Warehouse in Bogánsvirág street (Budapest)
- Debrecen Commercial House and Depot
- Kaposvár Commercial House and Depot
- Miskolc Commercial House and Depot
- Veszprém Commercial House and Depot
- Pécs Transfer warehouse
- Kiskunhalasi Transfer warehouse
- Szombathelyi Transfer warehouse
- Szegedi Transfer warehouse
- Szolnoki Transfer warehouse
- Mezőberényi Transfer warehouse

SAP R/3 integrated information system covers all of the business procedures of the company since 1998. Current version 6.0 is adequately supported and licensed until 2020. The currently used 6.0 version, with EHP 5.0 completion is supported until 2020, licensed adequately. In 2013 SAP ECC (R/3) business intelligence (BI-BO) and customer relationship management (CRM) extensioned with external system application.

HUNGAROPHARMA ZRT.
31 DECEMBER 2014
CONSOLIDATED BUSINESS REPORT

Hungaropharma Zrt. distributes all kinds of medicines which have been authorized in Hungary and almost the full range of products sold in pharmacies. As per its marketing policy, the company maintained and increased its product range in 2014.

The articles (domestic and import) distributed by the company are as follows:

- Proprietary humane medicines
- Immunobiological products
- Nutritions and medical nutritions
- Diagnostics and disinfectants
- Medical tests
- Bandages
- Medical aids
- Medical raw materials
- Cosmetics, bio-cosmetics, and
- Food products permitted by medical authorities.

Main objectives of business plans of the company for 2014 were the settlement of the financial liabilities of the company, by retaining and improving efficient operation. Major financial related ratios of the business based on local generally accepted accounting principles:

	Amounts in thousands of HUF	2014	2013	Changes	Index %
A.	Non-current assets	11,498,761	10,967,978	530,783	104.8%
B.	Current assets	41,469,704	39,229,734	2,239,970	105.7%
C.	Prepayments	29,096	218,837	(189,741)	13.3%
	TOTAL ASSETS	52,997,561	50,416,549	2,581,012	105.1%
D.	Equity	11,707,033	9,450,939	2,256,094	123.9%
E.	Provisions	600,000	322,810	277,190	185.9%
F.	Liabilities	40,366,527	40,476,943	(110,416)	99.7%
G.	Accrued expenses	324,001	165,857	158,144	195.3%
	TOTAL EQUITY AND LIABILITIES	52,997,561	50,416,549	2,581,012	105.1%

	Amounts in thousands of HUF	2014	2013	Changes	Index %
	Revenue	239,507,070	226,728,388	12,778,682	105.6%
	Operating profit/loss	4,595,721	5,603,648	(1,007,927)	82.0%
	Profit/loss of financial transaction	(491,000)	(1,371,474)	880,474	35.8%
	Extraordinary profit/loss	(1,718,384)	(226,371)	(1,492,013)	759.1%
	Profit/loss before income tax	2,386,337	4,005,803	(1,619,466)	59.6%
	Profit/loss for the year	2,256,094	3,575,140	(1,319,046)	63.1%

HUNGAROPHARMA ZRT.
31 DECEMBER 2014
CONSOLIDATED BUSINESS REPORT

Main ratios	Calculation of the index	2014	2013
Ratio of non-current assets	<u>Non-current assets</u> total assets	21.70%	21.75%
Ratio of current assets	<u>current assets</u> total assets	78.25%	77.81%
Capitalization	<u>total equity</u> total equity and liabilities	22.09%	18.75%
Ratio of liabilities	<u>liabilities</u> total equity	344.81%	428.28%
Return on assets (ROA)	<u>Operating profit</u> total assets	8.67%	11.11%
Operating profit margin	<u>Operating profit</u> Revenue	1.92%	2.47%

Average headcount for 2014: 666 employees

II. INTRODUCTION OF SUBSIDIARIES OF THE GROUP

Changes in pharmaceutical market in prior years inspired Hungaropharma Zrt. to increase its business influence – basically in entities close to its professional profile.

Financial data and activities presented in the consolidated financial statements for fiscal year 2014 (as per local GAAP) are shown in the following chapters.

1. Medimpex Gyógyszer Zrt.

Name of entity:	Medimpex Gyógyszer-nagykereskedelmi Zártkörűen Működő Részvénytársaság
Short name:	Medimpex Gyógyszer Zrt.
Seat:	1158 Budapest, Rákospalotai határút 2.
Main activities:	Import and Wholesale of pharmaceutical products and drugs, veterinary medicines and other products Storage rental and logistic services

Activities of the company can be divided into two areas:

- Commercial activity as principal – distribution of humane medicines and drugs, optical products, veterinary medicines
- Storage rental and relating services

In the previous years, the commercial activity performed as principle broadened with the turnover of diagnostic imaging devices. Successful tender with National Health Insurance Fund Administration covering blood factor. The Zrt. tried developing long term cooperation on ophthalmological market.

The company broadened the scope of services by re-wrapping, labeling and organizing of transports for non drug products.

The most important items of the balance sheet and the income statement, with the calculated ratios are as follows:

	Amounts in thousands of HUF	2014	2013	Changes	Index %
A.	Non-current assets	6,141	7,375	(1,234)	83.3%
B.	Current assets	1,121,247	714,067	407,180	157.0%
C.	Prepayments	1,552	31,984	(30,432)	4.9%
	TOTAL ASSETS	1,128,940	753,426	375,514	149.8%
D.	Equity	188,688	165,927	22,761	113.7%
E.	Provisions	0	0	0	-
F.	Liabilities	940,235	558,442	381,793	168.4%
G.	Accrued expenses	17	29,057	(29,040)	0.1%
	TOTAL EQUITY AND LIABILITIES	1,128,940	753,426	375,514	149.8%

HUNGAROPHARMA ZRT.
31 DECEMBER 2014
CONSOLIDATED BUSINESS REPORT

Amounts in thousands of HUF	2014	2013	Changes	Index %
Revenue	4,023,308	3,631,365	391,943	110.8%
Operating profit/loss	13,063	5,389	7,674	242.4%
Result of financial transaction	11,908	9,834	2,074	121.1%
Extraordinary profit/loss	(891)	(710)	(181)	125.5%
Profit/loss before income tax	24,080	14,513	9,567	165.9%
Profit/loss for the year	22,761	5,780	16,981	393.8%

Main ratios	Calculation of the index	2014	2013
Ratio of non-current assets	$\frac{\text{Non-current assets}}{\text{total assets}}$	0.54%	0.98%
Ratio of current assets	$\frac{\text{current assets}}{\text{total assets}}$	99.32%	94.78%
Capitalization	$\frac{\text{total equity}}{\text{total equity and liabilities}}$	16.71%	22.02%
Ratio of liabilities	$\frac{\text{liabilities}}{\text{total equity}}$	498.30%	336.56%
Return on assets (ROA)	$\frac{\text{Operating profit}}{\text{total assets}}$	1.16%	0.72%
Operating profit margin	$\frac{\text{Operating profit}}{\text{Revenue}}$	0.32%	0.15%

Average headcount for 2014: 11 employees

2. Patika Management Kft.

Name of entity: Patika Management Korlátolt Felelősségű Társaság
Short name: Patika Management Kft.
Seat: 1061 Budapest, Király u. 12.
Main activities: Other business services

Activities of the company are to manage the retail trading portfolio. It coordinates the purchasing of pharmacies, controls their inventory management and accounting for the pharmacies.

The most important items of the balance sheet and the income statement, with the calculated ratios are as follows:

	Amounts in thousands of HUF	2014	2013	Changes	Index %
A.	Non-current assets	134,915	74,232	60,683	181.7%
B.	Current assets	94,159	48,770	45,389	193.1%
C.	Prepayments	96,362	88,776	7,586	108.5%
	TOTAL ASSETS	325,436	211,778	113,658	153.7%
D.	Equity	(22,224)	75,419	(97,643)	-
E.	Provisions	0	0	0	-
F.	Liabilities	290,829	122,855	167,974	236.7%
G.	Accrued expenses	56,831	13,504	43,327	420.8%

HUNGAROPHARMA ZRT.
31 DECEMBER 2014
CONSOLIDATED BUSINESS REPORT

TOTAL EQUITY AND LIABILITIES	325,436	211,778	113,658	153.7%
------------------------------	---------	---------	---------	--------

Amounts in thousands of HUF	2014	2013	Changes	Index %
Revenue	1,042,828	742,783	300,045	140.4%
Operating profit/loss	(94,263)	(57,395)	(36,868)	164.2%
Result of financial transaction	(1,761)	(176)	(1,585)	1000.6%
Extraordinary profit/loss	(200)	(3,110)	2,910	6.4%
Profit/loss before income tax	(96,224)	(60,681)	(35,543)	158.6%
Profit/loss for the year	(97,643)	(61,781)	(35,862)	158.0%

Main ratios	Calculation of the index	2014	2013
Ratio of non-current assets	$\frac{\text{Non-current assets}}{\text{total assets}}$	41.46%	35.05%
Ratio of current assets	$\frac{\text{current assets}}{\text{total assets}}$	28.93%	23.03%
Capitalization	$\frac{\text{total equity}}{\text{total equity and liabilities}}$	(6.83)%	35.61%
Ratio of liabilities	$\frac{\text{liabilities}}{\text{total equity}}$	(1308.63)%	162.90%
Return on assets (ROA)	$\frac{\text{Operating profit}}{\text{total assets}}$	(28.97)%	(27.10)%
Operating profit margin	$\frac{\text{Operating profit}}{\text{Revenue}}$	(9.04)%	(7.72)%

Average headcount for 2014: 56 employees

3. Egészségügyi Termék Információs Szolgáltató Nonprofit Kft.

Name of entity: Egészségügyi Termék Információs Szolgáltató Nonprofit Korlátolt Felelősségű Társaság
Short name: ETI Kft.
Seat: 1061 Budapest, Király u. 12.
Main activities: Other scientific, technical research and development

Operating activities are done based on government regulation issued on 22 November 1991 under no. 145 about adoption of standard product ID code. The legal basis of the activity is the agreement signed by the owner of Hungaropharma Zrt. and the Ministry of Health. The Company is operating as performance assistant of the trustee.

Fiscal year 2014 can be characterized by stable and sustainable operation as a non-profit limited liability company. Expenses relating to core activities were covered by revenues arising from contracts signed with Hungaropharma Zrt.

The voluntary dissolution of ETI Ltd. has been initiated with a balance sheet date of 31 December 2014.

HUNGAROPHARMA ZRT.
31 DECEMBER 2014
CONSOLIDATED BUSINESS REPORT

The most important items of the balance sheet and the income statement are as follows:

	Amounts in thousands of HUF	2014	2013	Changes	Index %
A.	Non-current assets	0	0	0	-
B.	Current assets	8,470	8,580	(110)	98.7%
C.	Prepayments	91	1	90	9100.0%
	TOTAL ASSETS	8,561	8,581	(20)	99.8%
D.	Equity	8,129	8,080	49	100.6%
E.	Provisions	0	0	0	-
F.	Liabilities	279	495	(216)	56.4%
G.	Accrued expenses	153	6	147	2550.0%
	TOTAL EQUITY AND LIABILITIES	8,561	8,581	(20)	99.8%

Amounts in thousands of HUF	2014	2013	Changes	Index %
Revenue	2,070	2,160	(90)	95.8%
Operating profit/loss	54	537	(483)	10.1%
Result of financial transaction	0	0	0	-
Extraordinary profit/loss	0	0	0	-
Profit/loss before income tax	54	537	(483)	10.1%
Profit/loss for the year	49	483	(434)	10.1%

Main ratios	Calculation of the index	2014	2013
Ratio of non-current assets	$\frac{\text{Non-current assets}}{\text{total assets}}$	0.00%	0.00%
Ratio of current assets	$\frac{\text{current assets}}{\text{total assets}}$	98.94%	99.99%
Capitalization	$\frac{\text{total equity}}{\text{total equity and liabilities}}$	94.95%	94.16%
Ratio of liabilities	$\frac{\text{liabilities}}{\text{total equity}}$	3.43%	6.13%
Return on assets (ROA)	$\frac{\text{Operating profit}}{\text{total assets}}$	0.63%	6.26%
Operating profit margin	$\frac{\text{Operating profit}}{\text{Revenue}}$	2.61%	24.86%

4. ALMA Gyógyszertár Működtető Kft.

Name of entity: Alma Gyógyszertár Működtető Korlátolt Felelősségű Társaság
Short name: Alma Gyógyszertár Kft.
Seat: 1061 Budapest, Király utca 12.
Main activities: Retail of pharmaceutical products

From April 2012, the pharmacies belonging to the Alma Gyógyszertár Működtető Kft. were transformed into separate business organisations. The aforementioned step ensures the compliance with § 74 of Act No. XCVIII of 2006 („Gyftv.”), applied with attention to 83/A. § (1) paragraph, came into effect at 1. January 2011, which prescribes that the pharmacist shall hold a share in the pharmacy-running business organisation.

The company finished its main activity in May of the 2013 year, because of its pharmacies transformed into separate business organisations. The Alma Gyógyszertár Kft., as the owner of this organisations act as a holding company.

The most important items of the balance sheet and the income statement of Alma Gyógyszertár Működtető Kft., with the calculated ratios are as follows:

	Amounts in thousands of HUF	2014	2013	Changes	Index %
A.	Non-current assets	1,598,956	1,607,032	(8,076)	99.5%
B.	Current assets	1,596,626	1,506,833	89,793	106.0%
C.	Prepayments	1,115	342	773	326.0%
	TOTAL ASSETS	3,196,697	3,114,207	82,490	102.6%
D.	Equity	1,924,581	1,940,907	(16,326)	99.2%
E.	Provisions	3,000	8,251	(5,251)	36.4%
F.	Liabilities	1,267,412	1,163,524	103,888	108.9%
G.	Accrued expenses	1,704	1,525	179	111.7%
	TOTAL EQUITY AND LIABILITIES	3,196,697	3,114,207	82,490	102.6%

Amounts in thousands of HUF	2014	2013	Changes	Index %
Revenue	6,024	3,526,281	(3,520,257)	0.2%
Operating profit/loss	(3,460)	(161,497)	158,037	2.1%
Result of financial transaction	(6,532)	646,170	(652,702)	-
Extraordinary profit/loss	(6,027)	30	(6,057)	-
Profit/loss before income tax	(16,019)	484,703	(500,722)	-
Profit/loss for the year	(16,326)	450,934	(467,260)	-

HUNGAROPHARMA ZRT.
31 DECEMBER 2014
CONSOLIDATED BUSINESS REPORT

Main ratios	Calculation of the index	2014	2013
Ratio of non-current assets	$\frac{\text{Non-current assets}}{\text{total assets}}$	50.02%	51.60%
Ratio of current assets	$\frac{\text{current assets}}{\text{total assets}}$	49.95%	48.39%
Capitalization	$\frac{\text{total equity}}{\text{total equity and liabilities}}$	60.21%	62.32%
Ratio of liabilities	$\frac{\text{liabilities}}{\text{total equity}}$	65.85%	59.95%
Return on assets (ROA)	$\frac{\text{Operating profit}}{\text{total assets}}$	(0.11)%	(5.19)%
Operating profit margin	$\frac{\text{Operating profit}}{\text{Revenue}}$	(57.44)%	(4.58)%

The list of companies in Alma Goup is in Annex 1.

Average headcount in 2014: 1 employee

The number of subsidiaries: 53

The number of operating pharmacies: 35

5. Vektrum Kft.

Name of entity: Vektrum Kereskedelmi és Szolgáltató Korlátolt Felelősségű Társaság
Short name: Vektrum Kft.
Seat: 1061 Budapest, Király u. 12.
Main activities: Lending and operating owned and rented properties

The main operating activities of Vektrum Kft. are lending and operating owned and rented properties.

Vektrum Kft. had no regular business activities out of its seat, it had no branches in the reporting period. The Kft. is majority owner of pharmacies operating companies.

The most important items of the balance sheet and the income statement, with the calculated ratios are as follows:

	Amounts in thousands of HUF	2014	2013	Changes	Index %
A.	Non-current assets	510,465	533,359	(22,894)	95.7%
B.	Current assets	582,072	560,731	21,341	103.8%
C.	Prepayments	439	398	41	110.3%
	TOTAL ASSETS	1,092,976	1,094,488	(1,512)	99.9%
D.	Equity	1,021,698	937,084	84,614	109.0%
E.	Provisions	0	0	0	-
F.	Liabilities	71,126	157,225	(86,099)	45.2%
G.	Accrued expenses	152	179	(27)	84.9%

HUNGAROPHARMA ZRT.
31 DECEMBER 2014
CONSOLIDATED BUSINESS REPORT

TOTAL EQUITY AND LIABILITIES	1,092,976	1,094,488	(1,512)	99.9%
------------------------------	-----------	-----------	---------	-------

Amounts in thousands of HUF	2014	2013	Changes	Index %
Revenue	27,061	28,135	(1,074)	96.2%
Operating profit/loss	29,724	(63,390)	93,114	-
Result of financial transaction	(23,110)	188,608	(211,718)	-
Extraordinary profit/loss	0	(338)	338	-
Profit/loss before income tax	6,614	124,880	(118,266)	5.3%
Profit/loss for the year	6,614	114,135	(107,521)	5.8%

Main ratios	Calculation of the index	2014	2013
Ratio of non-current assets	$\frac{\text{Non-current assets}}{\text{total assets}}$	46.70%	48.73%
Ratio of current assets	$\frac{\text{current assets}}{\text{total assets}}$	53.26%	51.23%
Capitalization	$\frac{\text{total equity}}{\text{total equity and liabilities}}$	93.48%	85.62%
Ratio of liabilities	$\frac{\text{liabilities}}{\text{total equity}}$	6.96%	16.78%
Return on assets (ROA)	$\frac{\text{Operating profit}}{\text{total assets}}$	2.72%	(5.79)%
Operating profit margin	$\frac{\text{Operating profit}}{\text{Revenue}}$	109.84%	(225.31)%

Average headcount in the Vektrum group for 2014: -
The number of subsidiaries: 19
The number of operating pharmacies: 11
The list of companies in Vektrum Goup is in Annex 2.

6. Szirt Invest Kft.

Name of entity: Szirt Invest Befektető és Vagyonkezelő Korlátolt Felelősségű Társaság
Short name: Szirt Invest Kft.
Seat: 1162 Budapest, Budapesti u. 238.
Main activities: Retail of pharmaceutical products

The main operating activities of Szirt Invest Kft are drug retail trade, the Kft. is majority owner of pharmacies operating companies.

HUNGAROPHARMA ZRT.
31 DECEMBER 2014
CONSOLIDATED BUSINESS REPORT

The most important items of the balance sheet and the income statement, with the calculated ratios are as follows:

	Amounts in thousands of HUF	2014	2013	Changes	Index %
A,	Non-current assets	742,838	907,859	(165,021)	81.8%
B,	Current assets	1,103,406	1,081,934	21,472	102.0%
C,	Prepayments	540,600	966,257	(425,657)	55.9%
	TOTAL ASSETS	2,386,844	2,956,050	(569,206)	80.7%
D,	Equity	1,651,171	(249,542)	1,900,713	-
E,	Provisions	6,134	8,020	(1,886)	76.5%
F,	Liabilities	558,179	3,033,601	(2,475,422)	18.4%
G,	Accrued expenses	171,360	163,971	7,389	104.5%
	TOTAL EQUITY AND LIABILITIES	2,386,844	2,956,050	(569,206)	80.7%

Amounts in thousands of HUF	2014	2013	Changes	Index %
Revenue	611,447	636,967	(25,520)	96.0%
Operating profit/loss	(142,806)	(133,016)	(9,790)	107.4%
Result of financial transaction	(14,959)	209,240	(224,199)	-
Extraordinary profit/loss	(500,011)	95	(500,106)	-
Profit/loss before income tax	(657,776)	76,319	(734,095)	-
Profit/loss for the year	(658,408)	63,964	(722,372)	-

Main ratios	Calculation of the index	2014	2013
Ratio of non-current assets	$\frac{\text{Non-current assets}}{\text{total assets}}$	31.12%	30.71%
Ratio of current assets	$\frac{\text{current assets}}{\text{total assets}}$	46.23%	36.60%
Capitalization	$\frac{\text{total equity}}{\text{total equity and liabilities}}$	69.18%	(8.44)%
Ratio of liabilities	$\frac{\text{liabilities}}{\text{total equity}}$	33.81%	(1.215.67)%
Return on assets (ROA)	$\frac{\text{Operating profit}}{\text{total assets}}$	(5.98)%	(4.50)%
Operating profit margin	$\frac{\text{Operating profit}}{\text{Revenue}}$	(23.36)%	(20.88)%

Average headcount in the Szirt Invest group for 2014: 13 employees

The number of subsidiaries: 51

The number of operating pharmacies: 19

The list of companies in Szirt Group is in Annex 3.

III. CONSOLIDATED FINANCIAL STATEMENTS

These consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union. The consolidated financial statements have been prepared under the historical cost convention.

Subsidiaries are fully consolidated from the date on which control is transferred to the group. They are de-consolidated from the date that control ceases.

Investments in associates are accounted for by the equity method of accounting and are initially recognized at cost.

Hungaropharma Zrt. has no derivative transactions.

In the following we present the consolidated balance sheet and consolidated statement of comprehensive income prepared in accordance with IFRS standards.

A.) The presentation of the consolidated balance sheet (equity, assets and liabilities)

ASSETS

The current, non-current assets in the consolidated financial statement are as follows:

Item	Amounts in thousands of HUF				
	31.12.2014	Ratio (%)	31.12.2013	Ratio (%)	Index %
Non-current assets	8,951,794	16.7%	9,052,532	18.9%	98.9%
Current assets	44,610,556	83.3%	38,817,076	81.1%	114.9%
TOTAL ASSETS	53,562,350	100.0%	47,869,608	100.00%	111.9%

The value of the non-current assets are HUF 8,951,794 thousands, it is 16.7% of the value of the total assets.

The following table represents non-current assets composition and the changes compared to previous year's data:

Item	Amounts in thousands of HUF				
	31.12.2014	Ratio (%)	31.12.2013	Ratio (%)	Index %
Property, plant and equipment	7,371,334	82.3%	7,513,364	83.0%	98.1%
Intangible assets	528,619	5.9%	365,751	4.0%	144.5%
Investment in associates and joint ventures	79,310	0.9%	83,721	0.9%	94.7%
Trade and other receivables	507,803	5.7%	405,172	4.5%	125.3%
Deferred tax assets	464,728	5.2%	684,524	7.6%	67.9%
NON-CURRENT ASSETS	8,951,794	100,0%	9,052,532	100,0%	98,9%

The value of the current assets in the consolidated statement is HUF 44,610,556 thousands it is the 83.3% of the total assets.

HUNGAROPHARMA ZRT.
31 DECEMBER 2014
CONSOLIDATED BUSINESS REPORT

The following table represents the current assets composition and the changes compared to previous year's data:

Amounts in thousands of HUF					
Item	31.12.2014	Ratio (%)	31.12.2013	Ratio (%)	Index %
Available-for-sale financial assets	8,365	0.0%	8,365	0.0%	100,0%
Trade and other receivables	21,701,603	48.7%	20,341,426	52.4%	106,7%
Inventories	17,543,508	39.3%	16,651,908	42.9%	105,4%
Cash and cash equivalents	5,335,876	12.0%	1,815,377	4.7%	293,9%
Assets held for sale	21,204	0,0%	0	0.0%	-
CURRENT ASSETS	44,610,556	100,0%	38,817,076	100,0%	114,9%

Indicators based on assets are as follows:

Main ratios	Calculation of the index	2014	2013
Ratio of non-current assets %	$\frac{\text{non-current assets}}{\text{total assets}}$	16.7%	18.91%
Ratio of current assets %	$\frac{\text{current assets}}{\text{total assets}}$	83.3%	81.09%
Assets turnover (ATO)	$\frac{\text{revenue}}{\text{total assets}}$	4.59	4.84
Return on assets %	$\frac{\text{profit before income tax}}{\text{non-current assets+ inventories}}$	13.6%	11.8%

EQUITY AND LIABILITIES

The equity and liabilities in the consolidated statement are as follow:

Amounts in thousands of HUF					
Item	31.12.2014	Ratio (%)	31.12.2013	Ratio (%)	Index %
Equity	11,666,607	21.8%	8,117,398	17.0%	143.7%
Liabilities	41,895,743	78.2%	39,752,210	83.0%	105.4%
Total equity and liabilities	53,562,350	100,0%	47,869,608	100,0%	111,9%

The total equity presented in the consolidated financial statements for the year increased by HUF 3,549,209 thousands in comparison with the previous year and is lower by HUF 40,426 thousands compared to Hungaropharma Zrt's standalone figure, as result of the loss of pharmacies chains.

In the non-current liabilities HUF 6,817,831 thousands are long term loans, the amount of long term provisions are HUF 63,065 thousands and HUF 4,745 thousands are deferred income tax liabilities at 31 Dec 2014.

HUNGAROPHARMA ZRT.
31 DECEMBER 2014
CONSOLIDATED BUSINESS REPORT

The most significant part of the current liabilities are trade payables, in 2014 HUF 33,247,859 thousands in 2013 HUF 29,915,380 thousands.

Equity related ratios are as follows:

Main ratios	Calculation of the index	2014	2013
Ratio of total equity %	$\frac{\text{total equity}}{\text{total equity and liabilities}} \times 100$	21.8%	16.96%
Ratio of total equity rise %	$\frac{\text{total equity}}{\text{share capital}} \times 100$	193.8%	134.87%
Ratio of liabilities %	$\frac{\text{Liabilities}}{\text{total equity}} \times 100$	359.1%	489.72%

B.) Consolidated statement of comprehensive income

IAS 1 Presentation of Financial Statements amended standard (effective from 1 January 2009) requires entities to choose whether to present every expenses and incomes (including any directly attributable item in equity) in one performance statement (the statement of comprehensive income) or two statements (the income statement and the statement of comprehensive income). The Company applies this amendment from annual periods beginning 1 January 2009, presents every expenses and incomes in one performance statement.

In 2014 sales revenue is HUF 245,649,948 thousands, 6.0% higher than in the base period. The cost of sales is increased by 6.1%, from HUF 221,140,085 thousands to HUF 234,591,122 thousands.

The following table shows the main categories of the statement of comprehensive income:

Amounts in thousands of HUF				
Item	2014 actual	2013 actual	Changes	Index %
Operating profit/loss	4,947,619	4,179,763	767,856	118.3%
Profit/loss of financial transaction	(474,421)	(1,145,021)	670,600	41.4%
Profit/loss before income tax	4,492,502	3,038,181	1,454,321	147.8%
Total comprehensive income for the year	3,636,588	2,165,052	1,471,536	167.9%

The Total comprehensive income for the year increased by HUF 1,471,536 thousand in comparison with the previous year.

IV. FINANCIAL RISK FACTORS

1. Financial risks

The Group's activities are exposed to a variety of financial risks: market risk (including currency risk, cash flow interest-rate risk, fair value interest price risk), credit risk, liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. The Group uses contractual agreements to hedge certain risk exposures.

Risk management is monitored and controlled by the Deputy CEO Economic and Logistics with the assistance of the related functional departments and in line with the guidelines approved by management. The guidelines cover specific areas, such as foreign exchange risk, interest rate risk, credit risk and management of non-derivative financial assets.

(a) Market risk

(i) Foreign exchange risk

The Group operates in Hungary. Sales are made almost exclusively to Hungarian customers and are invoiced in HUF. A large proportion of purchases are from foreign suppliers and a part of it is settled in currencies other than HUF (primarily in EUR). Consequently the Group is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the EUR.

To manage their foreign exchange risk the Group enters into contracts with its suppliers to fix the exchange rates in which the purchases are made and hence there is no significant foreign currency risk exposure. The Group's risk management policy is to hedge almost all transactions in each major currency. The above mentioned transactions do not qualify for hedge accounting.

(ii) Cash flow and fair value interest rate risk

As the Group has no significant interest-bearing assets, the Group's income and operating cash flows are substantially independent of changes in market interest rates.

The Group's interest-rate risk arises from its financing structure. The Group is exposed to changes in interest rates because most external financing is arranged via short term and long-term bank loans.

The Group does not have loans with fixed interest rate, only BUBOR based. The Group's all loans are in HUF to avoid currency fluctuation risks.

(b) Credit risk

The Group has no significant concentrations of credit risk. It has policies in place to ensure that wholesale sales of products are made to customers with an appropriate credit history. The Group is continuously checking the paying attitudes of the customers, controlling their purchasing potential with the adjustments of credit limits. The amount of credit limit is determined by the proposed turnover in the customer contract, the term of payment and the payment patterns in the past.

The Group focuses on the recoverability of the trade receivables, as one of the most important risk factors. The Group is continuously monitoring and rating its customers, evaluation is performed on individual basis. When needed the Group ask for guarantees for payment. If the assets of the customer don't give sufficient guarantee the Group initiates a law proceeding. The Group is monitoring its trade receivables on daily basis. The majority of our customers can purchase in accordance with their predetermined limits. At the end of the year the Group recognises impairment loss for the trade receivables which are not expected to be collectable in the ordinary manner or collection on the judicial route is not possible.

(c) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying businesses, treasury aims to maintain flexibility in funding by keeping committed credit lines available.

2. Capital risk

At 1 June 2012 a contract for HUF 17 billion credit limit was signed by five financing banks (CIB, MKB, FHB, Sberbank, Takarékbank) and Hungaropharma Zrt., that ensure availability of necessary future financial resources of the Company. The facility has two parts, a HUF 10 billion long term refinancing credit with five years maturity, and a HUF 7 billion short term bank loan, can be used only for general corporate financing.

The loans are secured by mortgages on properties and inventories of Hungaropharma Zrt.

HUNGAROPHARMA ZRT.
31 DECEMBER 2014
CONSOLIDATED BUSINESS REPORT

The gearing ratios at 31 December 2014 and 2013 were as follows amounts in thousands of HUF:

	2014	2013
Total short-term loans	1,093,228	1,239,496
Total long-term loans	6,817,831	8,061,524
Cash and cash equivalents	(5,335,876)	(1,815,377)
Net debt	2,575,183	7,485,643
Total equity	11,666,607	8,117,398
Total capital	14,241,790	15,603,041
Gearing ratio	18,08%	47,98 %

V. ENVIROMENTAL PROTECTION, TOXIC WASTE

Based on Government decree 98/2001 (VI.15) about the conditions of activities relating to toxic waste the collected scrapped medicines, polluted lab chemicals and electronics waste are placed in the waste storage on the Bogáncsvirág Street. In 2014 from these waste storages – with adequate timing and preparatory work – the entire inventory is delivered to companies Ecomissió Kft. who has the necessary authorization to destroy it. To transfer the incinerator we have contracted with an authorized delivery company.

Recyclomed Kft., with the assistance of Hungaropharma Zrt., coordinates and supervises collection and disposal of toxic waste for the Group's pharmacies.

VI. HEADCOUNT AND EMPLOYEE BENEFITS

	Amounts in thousands of HUF		
	2014	2013	Index %
Wages, salaries and non-cash benefits	5,078,696	5,019,129	101.2%
Pension contributions	1,358,009	1,344,844	101.0%
Total employee benefit expense	6,436,705	6,363,973	101.1%
Number of employees	1,144	1,207	94.8%

The following table shows the details of average headcount, wages and salaries and non-cash benefits:

	Amounts in thousands of HUF	
	Number of employees (persons)	Wages, salaries and non-cash benefits
Hungaropharma Zrt,	666	3,051,049
Alma Group	201	758,396
Vektrum Group	82	332,067
Szirt group	128	443,522
Others	67	493,662
Total	1,144	5,078,696

VII. EVENTS AFTER THE REPORTING PERIOD

On the Hungarian pharmaceutical market wholesalers and pharmaceutical retailers still bear significant burdens.

According to the governmental measures and ambitions, the strengthening of the 'hospital-line' and the operational role of the governmental institutions is likely to happen. In such a business environment of shortages of financing resources, only the deliveries supported with appropriate securities are to be fulfilled. The majority of the players of the retail-market is seeking the stability of business in joining to pharmaceutical chains and purchasing partnerships.

According to the para 1 of section 83/A of Act No. XCVIII of 2006 on the General Provisions Relating to the Reliable and Economically Feasible Supply of Medicinal Products and Medical Aids and on the Distribution of Medicinal Products applicable as of 1 January 2011, the pharmacists shall hold a specified amount of shares in the pharmacy-running companies. The sale of shares in this respect has been realized in 2013. According to the law, as of 1 January 2017 the pharmacists shall hold at least 50% of the shares of pharmacy-running companies, reducing the (controlling) influence of HUNGAROPHARMA Private Ltd. Co. This may have a significant impact on the scope of consolidation.

Furthermore, according to the law, an authorized manufacturer of medicinal products or a business association authorized for the wholesale distribution of medicinal products may not acquire any share, either directly or indirectly, in a business association that operates a pharmacy contracted to dispense medicinal products with public financing, nor any company or company group that has a share, either directly or indirectly, in a company that operates at least four pharmacies.

Concentration shall not be authorized if it would give, either directly or indirectly, control to a given business association or company group, or the same natural person over more than four pharmacies.

With rationalization in view, in the year of 2013 realignments within the Group went on by ceasing the operation of certain pharmacies and liquidation of certain non-functioning companies, furthermore the shares and ownerships have been restructured due to selling of shares.

After balance sheet date, the voluntary dissolution of PANNONMEDICINA Private Ltd. Co. and HAJDÚ Private Ltd. Co. were closed, the companies were withdrawn from the companies' registry. The voluntary dissolution of ETI Ltd. has been initiated with a balance sheet date of 31 December 2014.

VIII. EXPECTED TENDENCIES

Thanks for the positive effect of the measures carried out in the previous years, the Company gained the award of the Hungarian Company for the Year in 2014.

A moderate market-expansion is expected for the year of 2015, beside preservation our position.

In 2014 was not significant change in the structure, and we do not plan creditable change in 2015.

For 2015, permanently low-level interest rates and the stability of the Group's financial position are expected.

The Company regards as the most important duty for 2015 to follow the policy declared in its strategy by maintaining the safe and reliable service-standards, furthermore warranting the expected profitability to its owners by means of the renewed organizational and logistic structures.”

Dr. Feller Antal
General Manager

ANNEXES

Annex 1

The ALMA Group consists of the following entities

- *Al-Ma Cifra Gyógyszertár Kft.*
- *Al-Ma Corvin Gyógyszertár Kft.*
- *Alma Tulajdonosi Partner Kft.*
- *Aloha Egészségház Kft.*
- *BPBA Alma Gyógyszertár Kft.*
- *BPDU Alma Gyógyszertár Kft.*
- *BPGÖ Alma Gyógyszertár Kft.*
- *BPKO Alma Gyógyszertár Kft.*
- *BPMÁ Alma Gyógyszertár Kft.*
- *BPME Alma Gyógyszertár Kft.*
- *BPMT Alma Gyógyszertár Kft.*
- *BPPÉ Alma Gyógyszertár Kft.*
- *BPÚJ Alma Gyógyszertár Kft.*
- *BPVM Alma Gyógyszertár Kft.*
- *Cool-House Építőipari Kft.*
- *CSRT Alma Gyógyszertár Kft.*
- *D.A.F. Kft.*
- *DUO-PHARM Bt.*
- *EGRT Alma Gyógyszertár Kft.*
- *Encián-Immo Kft.*
- *GDLL Alma Gyógyszertár Kft.*
- *Gödi Egészségház Kft.*
- *Grigalaviciusné és Társai Bt.*
- *HPA. Medik Kft.*
- *Kaposvári Egészségház Kft.*
- *KCST Alma Gyógyszertár Kft.*
- *KKFT Alma Gyógyszertár Kft.*
- *KKHT Alma Gyógyszertár Kft.*
- *KKRT Alma Gyógyszertár Kft.*
- *KRCT Alma Gyógyszertár Kft.*
- *KSBR Alma Gyógyszertár Kft.*
- *KSVM Alma Gyógyszertár Kft.*
- *MARINA IMMO Kft.*
- *MSKB Alma Gyógyszertár Kft.*
- *MSKT Alma Gyógyszertár Kft.*
- *ORST Alma Gyógyszertár Kft.*
- *ÓZDT Alma Gyógyszertár Kft.*
- *Parkvárosi Egészségház Kft.*
- *PKS Alma Gyógyszertár Kft.*

HUNGAROPHARMA ZRT.
31 DECEMBER 2014
CONSOLIDATED BUSINESS REPORT

- *Salgótarjáni Egészségház Kft.*
- *SKLT Alma Gyógyszertár Kft.*
- *SLYM Alma Gyógyszertár Kft.*
- *SZEK Alma Gyógyszertár Kft.*
- *Szentesi Egészségház Kft.*
- *SZGD Alma Gyógyszertár Kft.*
- *Szolnoki Egészségház Kft.*
- *Szt. András Patika Bt.*
- *TATT Alma Gyógyszertár Kft.*
- *Tolnai Egészségház Kft.*
- *Tóth-Art-2005 Kft.*
- *TTBD Alma Gyógyszertár Kft.*
- *TTBT Alma Gyógyszertár Kft.*
- *UNIPHARM 2006 Bt.*

The VEKTRUM Group consists of the following entities

- *Alba Plaza Gyógyszertár Kft.*
- *BPCO Corvin Gyógyszertár Kft.*
- *Brilpil Patika Bt.*
- *DNJV Béke Gyógyszertár Kft.*
- *Endmed Bt. "f.a."*
- *Érdi Egészségház Kft.*
- *József krt. 34. Kft.*
- *Kanizsa Plaza Gyógyszertár Kft. "f.a."*
- *KCSM Cifra Gyógyszertár Kft.*
- *Nyír Plaza Gyógyszertár Kft. "f.a."*
- *Ó Utcai Gyógyszertár Kft.*
- *Officemed Projekt Kft.*
- *Patika Praxis Bt.*
- *Pécs Plaza Gyógyszertár Kft. "f.a."*
- *Pelikán Patika Kft.*
- *SZFV Szupermarket Gyógyszertár Kft.*
- *Tiszafüredi Med-All Bt.*
- *Uránia Patika Gyógyszeripari Bt.*
- *Üdvöztető Patika Kft.*

The Szirt Invest Group consists of the following entities

- *Árpádföldi Egészségház Kft.*
- *Bajai Egészségház Kft. „v.a.”*
- *Bátonyterenyei Egészségház Kft.*
- *Békéscsabai Egészségház Kft.*
- *Beledi Gyógyszertár Kft.*
- *Berettyóújfalui Egészségház Kft.*
- *B.M. Immo Kft. „v.a.”*
- *Damjanich-Pannónia Bt.*
- *Dunaharaszti Egészségház Kft.*
- *Dunakeszi Ágnes Kft.*
- *Dunaparti Gyógyszertár Kft.*
- *Egészségkontroll Kft. „v.a.”*
- *Érdi Gyógyszertár Kft.*
- *Etyeki Egészségház Kft.*
- *Fóti Egészségház Kft.*
- *GSZ Immo Kft. „v.a.”*
- *Halásztelki Egészségház Kft.*
- *H & H Rent Kft. „f.a.”*
- *II. Kerületi Gyógyszertár Kft.*
- *Írottkö Egészségház Kft. „v.a.”*
- *Kaposvári Megváltó Bt.*
- *Kunmadarasi Egészségház Kft.*
- *L.B. Pharma Kft.*
- *László Gyógyszertár Kft.*
- *Lepsényi Turul Kft.*
- *Maglódi Egészségház Kft.*
- *Mátyás-Sansz Kft. „v.a.”*
- *Mezőtúri Egészségház Kft.*
- *Nagykőrösi Ezüst Patika Kft.*
- *Napsugár Office Kft. „v.a.”*
- *Órségi Encián Bt.*
- *Pesur Kft. „f.a.”*
- *Rákóczi Gyógyszertár Kft.*
- *Rol-Ga Kft. „f.a.”*
- *Salgótarjáni Gyógyszertár Kft.*
- *Solti Hársfa Bt. „v.a.”*
- *Solti Tilia Kft.*
- *Sopres Kft. „v.a.”*
- *Strázsahegy Patika Bt.*
- *Szadai Egészségház Kft. „v.a.”*
- *Szent Jakab Gyógyszertár Kft.*

HUNGAROPHARMA ZRT.
31 DECEMBER 2014
CONSOLIDATED BUSINESS REPORT

- *Szigetvári Egészségház Kft.*
- *Szirt Immo Kft.*
- *Tápiószelei Egészségház Kft.*
- *Tiszacsegei Egészségház Kft.*
- *Tünde-Tolna Gyógyszertár Kft.*
- *Újpest Dombi Egészségház Kft. „f.a.”*
- *Újszászi Egészségház Kft.*
- *Uránia Gyógyszertár Kft.*
- *Váci Egészségház Kft.*
- *Viktória Gyógyszertár Kft.*
- *Vizafogó Gyógyszertár Bt.*