

2011 Annual Report

(01/01/2011 - 31/12/2011)



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1. Historical Data

1.1. Establishment of the Company, Shareholding Structure

PHARMOS, a.s., a joint stock company, was founded in April 1991 and since its establishment it has been dealing especially with the wholesale distribution of pharmaceuticals. In 1992, together with its German partner Stumpf AG, it established the subsidiary Pharmos CS, a. s. with a parity representation of both companies. In 1993, Stumpf AG also acquired capital participation also in PHARMOS, a.s. In 1995, the original shareholders of PHARMOS, a. s. established Česká lékárnická, a. s., into which PHARMOS, a.s. shares were transferred, which substantially changed the shareholding structure of PHARMOS.

During its history, PHARMOS, a.s. has gained an important position in the sphere of wholesale distribution of pharmaceuticals to public and hospital pharmacies. The company makes effort to cooperate closely and continuously with customers and create favourable conditions for the development of pharmacies and contribute thus to the further enhancement of the seriousness of the pharmaceutical profession in the CR. Since the moment it came into existence, PHARMOS has been a stable member of a group of companies gathered around Česká lékárnická, a.s.

PHARMOS, a. s. has currently 2 decisive shareholders; Česká lékárnická, a.s., owning 71.7 % of the shares of PHARMOS, a.s., and the German shareholder Phoenix International Beteiligungs GmbH, Mannheim, owning 28 % of the shares (the shares were transferred onto this company by Stumpf AG, the original owner and a member of the Phoenix concern). The remaining 0.43 % of the shares is owned by small Czech shareholders - physical entities.

In 2002, PHARMOS, a.s. increased the registered capital of the company by CZK 37.7 mil. this increase being performed by a sole subscriber, Česká lékárnická, a.s., by means of a monetary deposit of a part of Česká lékárnická, a.s. The deposited part of the company included all the assets and liabilities related to the distribution activity of Česká lékárnická, and the reason for this strategic step was the effort to obtain a majority share in PHARMOS, a.s. for Česká lékárnická, a.s. (in this manner, the share of Česká lékárnická, a.s. increased from 49.2 % to 71.6 %) and also the effort to concentrate all the distribution activity in a single main distribution company, thus creating an efficiently functioning company with a strong capital. In 2004, the registered capital was further increased from retained profit and the share premium, i.e. from CZK 85.7 million to CZK 342.8 million - the ratios among individual shareholders remained unchanged. In 2009, Česká lékárnická, a.s. bought back the shares of individual shareholders and its share was increased from 71.6% to 71.7%.

In 2004, PHARMOS, a.s. sold the shares of THERÁPON 98, a.s. - the entire share held by Česká lékárnická, a.s.

1.2. Activities, Operation of Autonomous Outlets

The main activities of PHARMOS, a.s. are dealing with substances and medicines that are subject to the regime of Act No. 167/1998 Coll. As regards the specific items of its assortment, the company is oriented mostly towards delivering pharmaceuticals and medicinal products to public and hospital pharmacies, as well as towards delivering medical supplies and dental supplies. Besides this basic assortment, PHARMOS, a.s. supplies its customers with a complementary assortment represented by parapharmaceuticals, cosmetic products and dietary supplements.

The registered office of the company is at Ostrava-Radvanice, Těšínská 1349/296. The distribution proper of goods to pharmacies was in 2011 operated from the warehouses in Ostrava, Prostějov, Brno, Hradec Králové, České Budějovice, Brandýsek, Jihlava and Plzeň and from the warehouse for consignment and bonded warehouse Pchery. The operation of the warehouse in Lukášov was terminated in 2009. Towards the end of 2009, the operation of the warehouse in Ústí nad Labem was terminated. The subregion of these two warehouses are now supplied from the warehouses in Hradec Králové and Brandýsek. The warehouse in Plzeň began to carry out distribution as from 2010 and since January 2011, started distribution activities to pharmacies of the warehouse in Jihlava.



Within the framework of its own warehouses, the company operates a series of consignment warehouses used for distribution both within the framework of the individual distribution companies that are members of the Česká lékárnická, a.s. group and to other distributors on the Czech market. Tyto konsignační sklady jsou, kromě výše uvedené lokality v Jihlavě, umístěny v Ostravě, Brně, a ve Pcherách. PHARMOS, a.s. provides some suppliers/manufacturers with a new form of service - a complete package consisting of warehousing services, distribution and supplier's/manufacturers' stock management according to instructions the supplier/manufacturers strictly determines (i.e. in the name of the supplier/manufacturers).

As regards the distribution of the entire assortment, PHARMOS, a.s. is an exclusive supplier for four independent distribution companies with a limited liability, in which Česká lékárnická has at least 50% capital participation (the remaining capital is owned by the individual pharmacists within a given region). The entities in question are regional pharmaceutical distribution entities, in concrete terms Pražská lékárnická, s.r.o., Jihlavská lékárnická, s.r.o., Plzeňská lékárnická s.r.o. and PHARMACY-distribuce léčiv s.r.o. whereas these regional distribution entities already represent an important component part of the distribution strategy of Česká lékárnická, a.s.

1.3. History of Profit and Loss

The 2011 economic results can be evaluated positively. This evaluation does not only relate to the evaluation of the economic results achieved but also to the overall market position of the company.

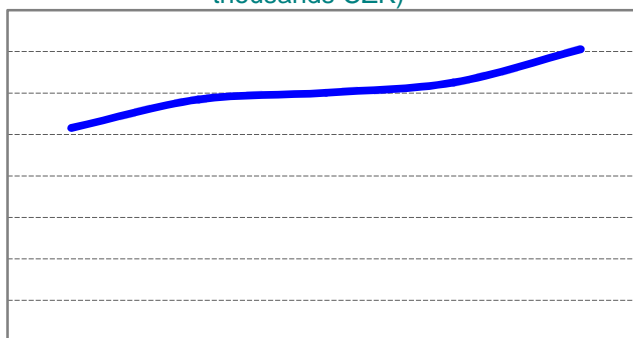
The year of 2011 brought a moderate increase in revenues namely due to development of activities of "My pharmacy" virtual association organised by affiliated Sanovia, a.s. company and due to trade co-operation with Dr. Max chain. As a result, we managed to increase the market share at the historically highest level approx. 26% and raise the margin despite the fact that since 2010 the governmental crisis measures have been projected in development of the financial pharmaceutical market both in price reduction of drugs and payments to health insurance companies. At the same time, the pressure of customers on reduction of margin has increased. During 2011, the margin amounting to CZK 390,388 thousand was achieved and economic result before taxation amounting to CZK 20,579 thousand was achieved.

In 2010, the measures adopted by the company at the beginning of 2010 in connection with increase in total number of employees related to anticipated growth of revenues due to distribution for Česká lékárna a.s. (Dr.Max) resulted in growth of labour costs. However, in the middle of 2010 it was apparent that it was not necessary to boost total number of employees to such an extent that is why measures for optimization of processes and the total number of employees were adopted. These measures were reflected positively in the volume of labour costs paid in 2011. The interim increase in labour costs was then connected only with taking over the logistics of the warehouse in Jihlava within the scope of warehouse operations of Jihlavská lékárnická.

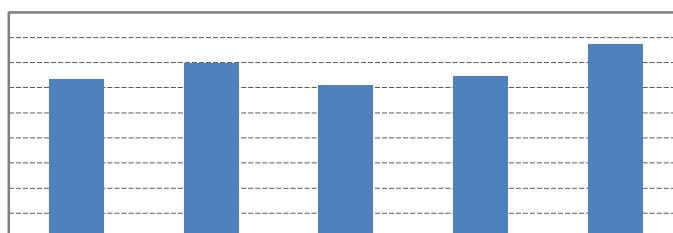
Further, measures to reduce the amount of risk in enforcing claims and to care more strongly for claims were taken. In 2011, consistent categorization of customers in terms of risk of amounts outstanding and measures for securing the amounts outstanding by owner's property were adopted. Despite this, however, just like in 2010, adjusting entries which were reflected in reduction of company's economic result, were established also in 2011.

Indicator	2007	2008	2009	2010	2011
Total revenue from normal operations ('000) CZK)	11,688 840	12,018,677	12,509 620	14,118 682	14,215 412
Total sale of goods ('000) CZK)	11,530 913	11,864,300	12,381 708	14,009 569	14,116 440
Total export of goods ('000) CZK)	81,750	111,676	73,528	57,644	42,356
Share of supplies for export in total sale of goods (%)	0.71%	0.93%	0.59%	0.41%	0.29%
Revenue from services (CZK '000) CZK)	157,927	154,377	127,912	109,113	98,972
Share in % of revenue from total revenue from normal operations	1.35%	1.28%	1.02%	0.77%	0.69%
Gross margin in absolute figures (CZK)	349,526	306,103	323,967	387,044	390,388
Gross margin (%)	2.99%	2.58%	2.62%	2.76%	2.77%
Business surcharge (%)	3.13%	2.65%	2.69%	2.84%	2.85%

Total revenue from normal operations (in thousands CZK)



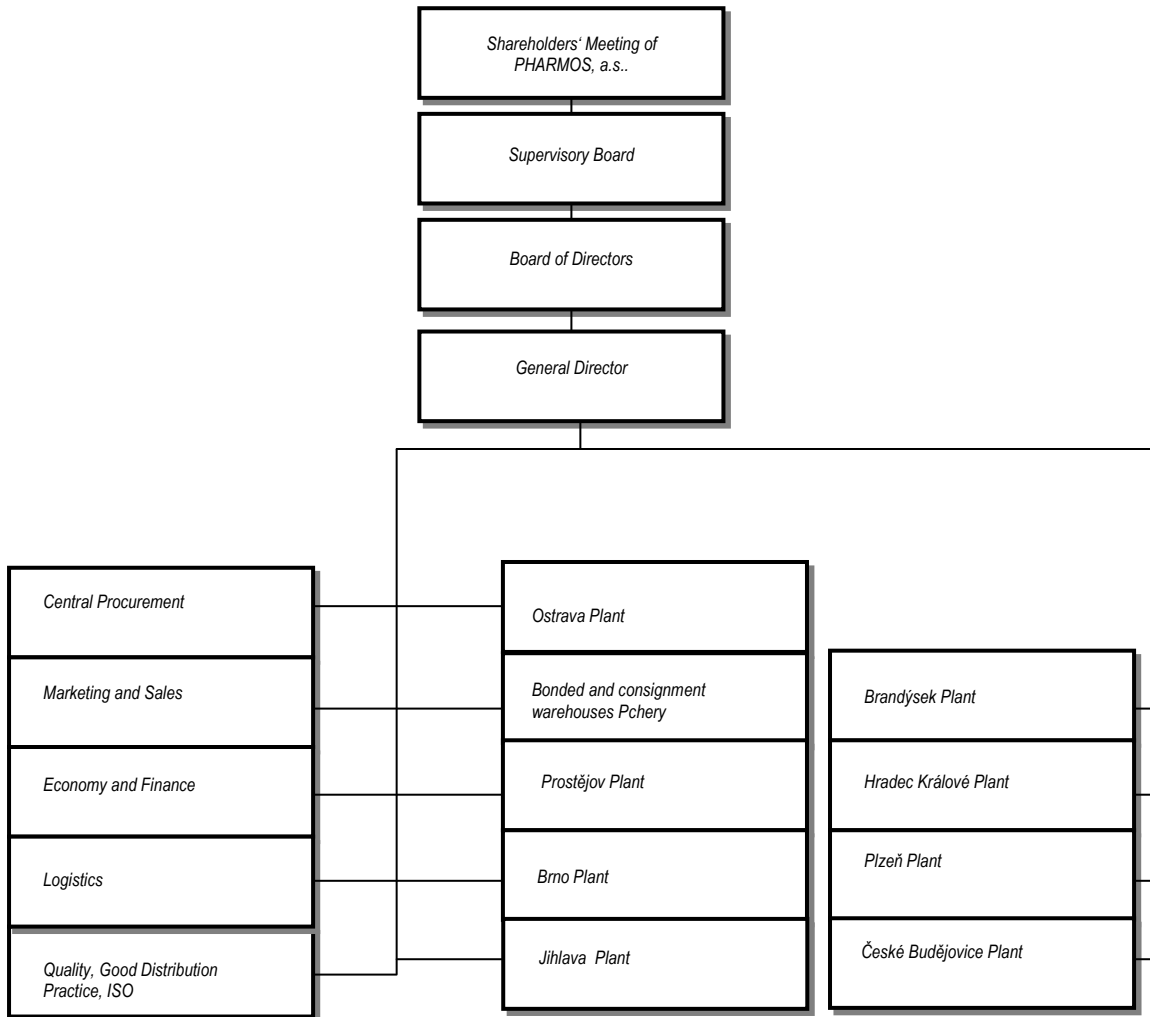
Trade margin generation (in CZK)



2. Company Organisational Structure and Company Bodies

2.1. Company Organisational Structure

The organisational structure of PHARMOS, a.s. did not show any substantial changes in the course of 2011. The diagram provided below represents the situation as of 31/12/2011.



2.2. Company Bodies

Situation on the date 31.12.2011

Supervisory Board:

- Chairman of the Supervisory Board
- Member of the Supervisory Board
- Member of the Supervisory Board
- Member of the Supervisory Board
- Member of the Supervisory Board
- Member of the Supervisory Board

Marko Thorsten Albert Grunewald – started 5.5.2010
PharmDr. Petr Nalevajka
Mgr. Ilona Mravcová
Mgr. Lea Lesáková
Mgr. Radim Fiala
Christoph Nöll

Board of Directors:

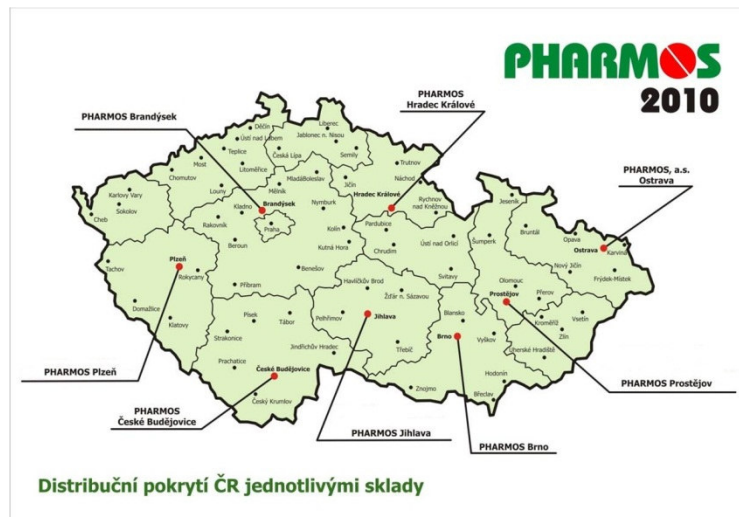
- Chairman of the Board of Directors
- Member of the Board of Directors
- Member of the Board of Directors
13.12.2011
- Member of the Board of Directors

- Member of the Board of Directors

PharmDr. Jiří Korta
PharmDr. Ivan Šácha
Ing. Radovan Mališ – membership 1.12.2011, entry in SL OR

Mgr. Jaroslav Němeček – membership terminated 1.12.2011, deleted from SL OR 13.12.2011
Alena Marynčáková – membership terminated 9.6.2011, deleted from SL OR 9.8.2011

Presentation of the geographic location of the distribution warehouses of the company (PHARMOS, a.s. warehouses and distribution pharmaceutical limited liability companies warehouses).



3. Profit and Loss

The economic result for 2011 was assessed as positive, similarly to the past years.

The total volume of the revenue from goods sold amounted to CZK 14,116,440 thousand, increased by 13.15% in comparison with the same period of the last year. Total implemented level of revenue from normal activities was CZK 14 215 412 thousand and the sale of goods had the most important share in this revenue volume. The decisive part of the revenue from goods was represented by the supplies of pharmaceuticals and other complementary assortment to public and hospital pharmacies. In absolute figures, the sales margin was CZK 390,388 thousand; in relative figures the margin was 2.76 %. In absolute figures, the sales margin was CZK 390,388 thousand; in relative figures the margin was 2.76 %.

In the course of 2011, the revenues from pharmacies engaged in the virtual association "My pharmacy" increased and earnings for Česká lékárna a.s. running a network of Dr. Max pharmacies increased. This came to light in the growth of operating and staff cost items. Namely the costs of transport implemented by affiliated Lektrans s.r.o. and Lektrans Bohemia, s.r.o. companies that took over a greater part of contract transport of goods from co-operating individual carriers to pharmacies in 2011. These changes resulted in significant quality improvement of services furnished to pharmacies. After evaluation of increase in carriage, measures for optimization of processes were adopted in the second half of 2010 Lektrans s.r.o. and Lektrans Bohemia gradually optimized the distribution routes so that stabilization of carriage costs was achieved in the second half of 2011.

The growth of staff costs were primarily connected with taking over the employees of Jihlavská lékárnická, s.r.o. in connection with virtualization of warehouse operations of Jihlavská lékárnická. Logistic operations provided to contracting parties are then invoiced as services.

Within the scope of costs of IT services, the conditions were revised in the second half of 2011 and new conditions were agreed on with an outsourcing company and the decision of the Board of Directors was to use a newly established SoftPharm, s.r.o. for provision of IT services, the company with capital participation of Česká lékárnická, a.s. These measures brought decrease in cost of IT services provided.

As regards financial management, the Company's situation is complicated mostly by the interests expenses which have a significant influence on the financial profit/loss. The interest expenses were CZK 45,594 thousand. In comparison with 2010, these dropped by CZK 22,049 thousand. This drop was caused by termination of interest rate insurance when drawing credits and by stipulating more advantageous conditions for drawing extraneous resources during annual renewal of credit lines.

The reduced other financial costs were reflected very markedly in the area of the financial profit, by reason of optimization and better work with foreign currency payments and securing instruments for rates of such foreign currencies (forwards).

As of the last day of the monitored period, the company's assets reached the total amount of CZK 4,653,352 thousand and in comparison with the balance at the end of the last fiscal year, it increased by CZK 567,797 thousand. The net book value of the tangible and intangible fixed assets, as of 31 December 2011 dropped by CZK 19,214 thousand against the situation on 31 December 2010. However, the current assets of the company posted an annual increase by CZK 579,504 thousand. The inventory level had a great influence on the increase in the current assets that were increased in connection with new business transactions.

The company's equity increased by CZK 13,062 thousand and its total volume reached CZK 604,396 thousand. In 2011, the Company's registered capital was not increased.

4. Investment Construction and Development of Activities

4.1. Investment Construction

In 2011, the company had not performed any investment construction. Only repairs of the existing warehouse complexes were carried out.

4.2. Plans concerning Investment Construction and Development of Activities

The Company intends to install new dispatching lines and extend mechanisation on the existing lines with the aim of increasing the dispatching capacities of these plants and assure further savings of labour forces.

The Company's capital construction plan for the following period of 2011 and 2012 has been approved that takes into account the construction of a new warehouse complex in Pchery, investments in the development of warehouse complexes in Brno and Hradec Králové, with the construction of a warehouse providing logistic services for South Bohemia and Vysočina regions.

Other financial means will be invested in the extension of repairs of the existing warehouse complexes. Especially, the warehouse complex at Brandejsek will undergo modifications aimed at expanding its existing logistic capacity. After extensive changes in the HW equipment, the company will continue to change the SW equipment for logistic, commercial and accounting activities. In 2011, a competitive bidding for a SW solution supplier was realised to support the operation of the entire company in all of its business activities.

5. Selected Data from the Balance Sheet



TEXT (NETT BALANCE) IN CZK '000	2007	2008	2009	2010	2011
Total assets	3,915,180	3,571,284	3,953,924	4,085,555	4,653,352
Stock subscriptions receivable	-	-	-	-	-
Fixed assets	311,645	273,965	269,674	253,693	234,479
Intangible fixed assets	1,121	834	6,856	5,104	3,810
Tangible fixed assets	307,405	270,012	259,699	245,470	227,550
Financial investments	3,119	3,119	3,119	3,119	3,119
Current assets	3,601,343	3,289,650	3,638,491	3,798,311	4,377,815
Zásoby	906,785	777,115	1,116,643	1,118,228	1,303,262
Long-term debtors	66,200	45,414	70,123	32,616	16,667
Short-term debtors	2,563,179	2,384,192	2,304,012	2,449,324	2,984,493
Financial assets	65,179	82,929	147,713	198,143	73,393
Other assets - temporary asset accounts	2,192	7,669	45,759	33,551	41,058
Total liabilities	3,915,180	3,571,284	3,953,924	4,085,555	4,653,352
Equity	565,120	576,858	578,820	591,334	604,396
Registered capital	342,800	342,800	342,800	342,800	342,800
Capital funds	-	-	-	-	-
Funds from profit	176,005	176,005	176,005	176,005	176,005
Retained profit or loss from previous years	32 402	46 314	56,009	58,063	69,378
Profit or loss of current year	13 913	11 739	4,006	14,466	16,213
Liabilities	3,349,836	2,991,855	3,346,674	3,480,849	3,999,109
Reserves	18,638	-	129	1,920	169
Dlouhodobé závazky	16,603	12,421	14,080	12,862	11,142
Short-term payables	1,360,867	1,343,239	1,933,965	1,766,067	2,157,798
Bank loans and overdrafts	1,953,728	1,636,195	1,398,500	1,700,000	1,830,000
Other liabilities - temporary liability accounts	224	2,571	28,430	13,372	49,847

6. Selected Data from Profit and Loss Statement



TEXT (CZK '000) CZK)	2007	2008	2009	2010	2011
Sales of goods purchase for resale	11,530,913	11,864,300	12,381 708	14,009 569	14,116 440
Cost of goods sold	11,181 387	11,558,197	12,057 741	13,622 525	13,726 052
Gross margin	349,526	306,103	323,967	387,044	390,388
Sale of own products and services	157,927	154,377	127,912	109,113	98,972
Consumption of material and energy	25,029	22,008	21,734	19,981	18,713
Services	141,652	145,529	146,114	179,644	187,776
Added value	340,772	292,943	284,031	296,532	282,871
Wages and salaries	117,605	115,611	109,940	116,476	121,052
Social and health insurance	39,071	38,575	32,171	37,814	39,665
Social benefits	8,039	7,978	6,943	7,894	8,220
Taxes and charges	1,522	4,722	2,407	3,469	4,497
Depreciation of intangible and tangible fixed assets	27,749	25,169	21,655	23,778	24,763
Sales of fixed assets and materials	487	63,571	2,182	5,792	1,909
Net book value of sold fixed assets and materials	195	20,409	1,203	3,451	710
Change in the reserves and adjusting entries in the area of operations and complex retained expenses	24,734	4,658	-13,495	13,777	-2,233
Other operating income	11,641	36,153	7,688	7,656	43,510
Other operating expenses	28,719	42,633	43,521	22,789	63,831
Profit / loss from operations	105,266	132,912	89,556	80,532	67,785
Sales from sold securities and shares	-	1,845	5,295	2,088	3,690
Securities and shares sold	-	1,845	5,295	2,579	4,785
Change in the reserves and adjusting entries in the area of finance	-	-	-	-	-
Interest receivable	4,899	3,223	3,700	1,541	106
Interest expenses	77,444	90,523	71,907	67,643	45,594
Other financial income	18,575	13,934	14,534	14,912	11,227
Other financial expenses	33,536	34,623	21,559	9,064	11,850
Profit or loss from financial operations	-87,506	-107,989	- 75 080	-60,745	-47,206
Income tax on ordinary activities - due	11,620	17,367	8,811	6,955	5,941
Income tax on ordinary activities - deferred	-7,773	-4,183	1,659	-1,634	-1,575
Profit or loss from ordinary activities	13,913	11,739	4,006	14,466	16,213
Extraordinary income	-	-	-	-	-
Extraordinary expenses	-	-	-	-	-
Income tax on extraordinary activities - due	-	-	-	-	-
Extraordinary profit or loss	-	-	-	-	-
Profit or loss of current year	13,913	11,739	4,006	14,466	16,213
Profit or loss before taxation	17,760	24,923	14,476	19,787	20,579

7. Selected Data from the Cash Flow Statement



No.	Text (in thousands CZK)	2007	2008	2009	2010	2011
P.	Balance of funds and monetary equivalents at the beg. of the accounting period	44,239	65,179	82,929	147,713	198,143
Z.	Book profit/loss from ordinary activity before taxation	17,760	24,923	14,476	19,781	20,579
A.1.	Adjustments for non-monetary operations	124,736	67,807	75,236	101,316	66,819
A.1.1.	Depreciation of fixed assets (+) except for net book value of fixed assets sold	27,750	25,169	21,655	23,778	24,763
A.1.2.	Variation in adjustments and reserves, and variat. in temp. asset and liab. acc. (+/-)	24,734	-1,840	-13,495	13,777	-2,233
A.1.3.	Profit (loss) from the sale of fixed assets (-/+)	-293	-42,822	-979	-2,341	-1,199
A.1.4.	Revenue from dividend and share of profit (-)	-	-	-152	-	-
A.1.5.	Settled expense interests (+) and settled income interests (-)	72,545	87,300	68,207	66,102	45,488
A*	Net cash flow from oper. act. before tax., changes in work. cap. and extraord. items	142,496	92,730	89,712	121,103	87,398
A.2.	Change in the need of working capital	-11,604	-29,990	75,236	13,019	-150,087
A.2.1.	Variation in operating activity receivables (+/-)	-269,416	177,640	29,472	-103,773	-523,483
A.2.2.	Variation in operating activity short-term liabilities (+/-)	81,140	-337,158	383,647	118,545	558,206
A.2.3.	Variation in stock (+/-)	176,672	129,528	-337,883	-1,753	-184,810
A**	Net cash flow from operating activity before taxation and extraordinary items	130,892	62,740	164,948	134,122	-62,689
A.3.	Expenditure on interests paid except for capitalized interests (-)	-77,444	-90,523	-71,907	-67,643	-45,594
A.4.	Interests received (+)	4,899	3,223	3,700	1,541	106
A.5.	Tax paid on income from ordin. act. and for additional tax assess. for previous years	-12,371	-13,023	-13,680	-10,599	-8,927
A.6.	Receipts and expenditures related to extraordinary accounting cases	-	-	-	-	-
A.7.	Dividends and share of profits received (+)	-	-	152	-	-
A***	Net cash flow from operating activity	45,976	-37,583	83,213	57,421	-117,104
B.1.	Expenditures related to acquisition of fixed assets	-14,879	-7,898	-18,567	-11,248	-6,259
B.2.	Income from sale of fixed assets	488	63,231	2,182	5,792	1,909
B.3.	Loans and credits for related persons	-	-	-	-	-
B***	Net cash flow related to investment activity	-14,391	55,333	-16,385	-5,456	-4,350
C.1.	Variation in long-term or short-term liabilities	-9,000	-	-	416	-145
C.2.	Impact of variation in equity on funds	-1,645	-	-2,044	-1,951	-3,151
C.2.1.	Increase in funds and monet. equiv. due to increased reg. capital, reserve fund (+)	-	-	-	-	-
C.2.2.	Payment of share in equity to associates (-)	-	-	-	-	-
C.2.3.	Monet. don. and allocat. into equity and other ass.s' and shareholders' deposits (+)	-	-	-	-	-
C.2.4.	Settlement of loss by partners (+)	-	-	-	-	-
C.2.5.	Direct payments to the debit of funds (-)	-	-	-	-	-
C.2.6.	Dividends paid including paid withholding tax (-)	-1,645	-	-2,044	-1,951	-3,151
C***	Net cash flow related to financial activity	-10,645	-	-2,044	-1,535	-3,296
F.	Net increase/decrease in the balance of funds	20,940	17,750	64,784	50,430	-124,750
R.	Balance of funds and monetary equivalents at the end of the accounting period	65,179	82,929	147,713	198,143	73,393

8. Company Supervisory Board Report

Company Supervisory Board Report concerning Annual Financial Statements 2011

The Supervisory Board of PHARMOS, a.s. has been duly informed about the development of the company's business activities and has performed all tasks that it has both according to Czech law and in accordance with the company's Articles of Association.

The audit of the annual financial statements and the Annual Report as on 31/12/2011 was carried out by the company's auditor AUDIT PROFESIONAL, spol. s r.o. The Supervisory Board has reviewed the financial statements and approves the findings contained in the Auditor's Report as on 31/12/2011.

The Supervisory Board thanks to all members of the Board of Directors and to all workers of PHARMOS, a.s. who participated in the company's activities.



Supervisory Board

9. Independent Auditors' Report concerning the Annual Report



/AP/ref. No. 40/2012

INDEPENDENT AUDITOR'S REPORT intended for shareholders of PHARMOS, a.s.

Report on the Financial Statements

On the basis of our audit of 30 April 2012 issued on the financial statements included in this Annual Report, as follows:

We audited the enclosed Financial Statement of PHARMOS, a.s., consisting of the Balance Sheet as of 31 Dec.2011, the Profit and Loss Statement for the year ending 31 Dec. 2011, the Summary of Changes in Equity for the year ending 31 Dec. 2011 and the Cash Flow Statement for the year ending 31 Dec.2011 and the Enclosure to this Financial Statement, including descriptions of important accounting methods used and other supporting information. The PHARMOS, a.s. data are presented in the Annex to this Financial Statement.

Responsibility of the accounting unit statutory body for Financial Statement

The statutory body of PHARMOS, a.s., is responsible for compilation of the Financial Statement, giving a true and honest image in compliance with Czech bookkeeping standards and for such an internal control system it considers necessary for the compilation of the Financial Statement so that it cannot contain any significant irregularities caused by a fraud or mistake.

Auditor's responsibilities

Our responsibility is to give our opinion of the Financial Statement pursuant to our audit. We carried out the audit in compliance with the Act on auditors, international auditor standards and related application clauses of the Chamber of Auditors of the Czech Republic. In compliance with these standards, we are bound to follow ethic requirements and plan and carry out auditing so as to obtain adequate assurance that the Financial Statement does not contain any significant inaccuracies.

The audit includes the implementation of auditor procedures to obtain the probative information on amounts and data published in the Financial Statement. The selection of procedures depends on auditor's consideration, covering also evaluation of risks of significant incorrectness of the data presented in the Financial Statement caused by a fraud or mistake. When evaluating these risks, the auditor passes judgement on the internal control system relevant for compilation of the Financial Statement, giving a true and honest picture. The objective of this judgement is to propose suitable auditor procedures, not to give an opinion of the efficiency of internal control system of the accounting unit. The audit also includes the examination of suitability of accounting methods used, adequacy of bookkeeping estimates carried out by the management and the examination of the entire presentation of the Financial Statement.

We are convinced that the probatory information we obtained provides adequate and suitable background for giving our opinion.

Auditor's verdict

In our opinion, the Financial Statement gives a true and honest picture of PHARMOS, a.s. assets and liabilities as of 31.12.2011 and costs, revenues and its income from operations and cash flows in the year ending 31 Dec. 2011 in compliance with Czech accounting standards.

Report on the Annual Report

We also audited the conformity of the Annual Report of **PHARMOS, a.s.** as of 31 December 2011 with the above mentioned Financial Statements included in the Annual Report. The statutory body of **PHARMOS, a.s.** is responsible for the correctness of the Annual Report. Our task is to issue an auditor's opinion on the compliance of the operating results with the Financial Statements based on the audit carried out.

We carried out the audit in compliance with the International Auditor Standards and related application clauses of the Chamber of Auditors of the Czech Republic. Pursuant to these standards, the auditor is required to plan and carry out an audit so as to obtain adequate assurance that the information found in the Annual Report, describing the facts that are also the subject of the image in the Financial Statements, is in compliance with the appropriate Financial Statements in all relevant aspects. We are convinced that the audit we carried out provides adequate data for the auditor's opinion.

In our opinion, the information given in the Annual Report of **PHARMOS, a.s.** as of 31 December 2011 is in compliance with the aforesaid Financial Statements in all relevant aspects.

Report on relations between interconnected persons

We have also examined the objective accuracy of the data submitted in the Report on Relations among interconnected persons of **PHARMOS, a.s.** in the year ending 31 December 2011. The statutory body of **PHARMOS, a.s.** is responsible for correctness of the Report on Relation. Our task is to issue an approach to the Report on Relations on the basis of the screening carried out.

We carried out our screening in compliance with the Auditor Standard No. 56 of the Chamber of Auditors of the Czech Republic. This standard requires us to plan and carry out a screening aimed at getting adequate certainty that the Report on Relations does not have relevant objective inaccuracies. The screening is mostly limited to inquiring the company's staff and analytical procedures and selectively execution of objective accuracy of the data. That is why the screening provides a lower degree of certainty that the audit. We did not audit the Report on Relations and that is why we do not state the auditor's verdict.

Based on our screening, we did not discover any facts that would make us think that the Report on Relations among interconnected persons of **PHARMOS, a.s.**, in the year ending 31 December 2011, has any relevant objective inaccuracies.

Ostrava, 9 May 2011

For **AUDIT PROFESIONAL, spol. s r.o.**

Čujkovova 1736/30, 700 30 Ostrava-Zábřeh

Certificate KAČR No. 64



Ing. Miluše Vašíčková, auditor

certificate KA ČR No. 1294

and company executive head

10. Information about Data Ascertained after 31/12/2011

At the turn of 2011 and 2012, the affiliated Softpharm company took charge of IT in Pharmos and of other companies of the distribution group.

At the end of 2011, competitive bidding regarding software solution supplier for the distribution group organised round Česká lékárnická, a.s. took place. The solution offered by MS Dynamix AX to be implemented by the selected company at the turn of 2012 and 2013 was selected.

Distinctive efforts are aimed at development of "My pharmacy" project: In the first quarter of 2012, the number of co-operating pharmacies has been more than 33. Based on the development of this project, we can expect stabilization of revenues in the Česká lékárnická, a.s. distribution group.

The investment construction projects in Hradec Králové and Pchery localities are in the stage of land-use procedure. In the course of June, we are expecting that the planning permission for implementation of the investment plans will be issued.

A product mix commission specialized assessment of articles of commerce was established at the beginning of the year. They assess launching new goods in product portfolio, elimination of unsalable products and they assess the ideal amount of warehouse stock. From the product mix commission, the company expects savings in financial expenses on warehouse stock keeping, reduction of copying of expiring goods, and last but not least, an increase in incentive bonuses when buying articles of commerce.

11. Anticipated Development of Company

In 2012, the market development will mainly be influenced by the state's interventions in the area of pharmaceuticals price regulation and payment regulation. We expect a slight growth of the overall financial market, with the stagnation of the public pharmacy market. Despite this expectation, the financial market may be significantly influenced primarily by fulfilment of legislative measures enabling the State Institute for Drug Control to conduct competitive biddings aimed at price of drug which will then be fully covered by financial means of health insurance companies. Consistent utilization of competitive biddings at financially expensive ATC groups or individual molecules would lead to a significant decrease of the financial market by more than 15%. Therefore, attention will be paid henceforth to the growth of revenues to pharmacies with intent to the existing pharmacies engaged in the "My pharmacy" project, hospitals and health care outlets all over the Czech Republic, increased attention will be paid to regions of west and south Bohemia and the Vysočina region where the market share of PHARMOS, a.s. is below 20%.

In 2011, another significant competitive bidding took place which will have a significant impact in the following years on the volume of effected revenues to public pharmacies. The competitive bidding is aimed at a contract distributor for Dr. Max company. With the development of this network, we can expect also the growth of revenues in public pharmacies because this association represents almost 20% market share in public pharmacies now.

There will also be the focus on the logistic area, especially on the operations in Bohemia and in the Vysočina area. In 2009, we closed within the rationalizing measures the warehouses in Ústí nad Labem and Lukášov and established a new warehouse in Plzeň. We also moved to the new warehouse premises in České Budějovice. At the turn of 2010 and 2011, the warehouse of the affiliate distribution company Jihlavská lékárnická was virtualized. This was the last warehouse of the distribution regional companies with Česká lékárnická's interest in the estate. Since January 2011 distribution within the ČL group has therefore been carried out from the warehouses of Pharmos only. All these changes had been reflected in the new regionalization of pharmacies that took place continuously in 2009 and was completed in January 2011. These activities were highly demanding both in the commercial and logistic respects; however, we can expect an increase in labour productivity and a reduction in all cost types. In the following period, we are going to lay stress primarily on improvement of quality of logistic service provided. In this respect, a "paperless warehouse" project is being prepared and implementation of other automated warehousing technologies.

12. Activities in Research, Development and the Environment Protection

PHARMOS, a.s. pursues no activities in research or development. This also applies to the area of environment protection, where our long-term effort is to pursue our business to ensure that we do not harm the environment.

In our capital construction and redevelopment projects, we make sure that these projects have no negative impact on the environment.

PHARMOS, a.s. runs no outlets or organizational constituents outside the Czech Republic. All operating premises are situated in the Czech Republic and all activities are carried out in the Czech Republic.

Ostravě 27. April 2012

PharmDr. Jiří Korta
Chairman of the Board of Directors

Ing. Radovan Mališ
Member of the Board of Directors

Financial Statements 2011

Minimum binding account of
information acc. to
Decree 500/2002
Coll.

BALANCE SHEET

unabbreviated
As of 31.12.2011
(rounded to CZK '000)

ID No.

19010290

Trade company of the accounting
unit
PHARMOS, a.s
.....

Registered office of accounting unit
Těšínská 1349/296
Ostrava - Radvanice
716 00

Identification a	ASSETS b	Current fiscal year			Previous fiscal year
		Gross 1	Correction 2	Net 3	Net 4
	TOTAL ASSETS	5 039 188	-385 836	4 653 352	4 085 555
B.	Fixed assets	518 416	-283 937	234 479	253 693
B. I.	Intangible fixed assets	52 057	-48 247	3 810	5 104
3.	Software	25 515	-21 705	3 810	5 104
4.	Valuable rights	26 542	-26 542		
7.	Outstanding long-term intangible assets				
B. II.	Tangible fixed assets	463 138	-235 588	227 550	245 470
B. II. 1.	Lands	14 848		14 848	14 847
2.	Structures	205 676	-62 715	142 961	148 482
3.	Machinery, tools & equipment , vehicles and fixtures	135 737	-102 337	33 400	39 032
7.	Tangible fixed assets not-in-use	813		813	588
8.	Prepayments for tangible fixed assets	261		261	200
9.	Difference in valuation of acquired assets (+/-)	105 803	-70 536	35 267	42 321
B. III.	Long-term investments	3 221	-102	3 119	3 119
3.	Other long-term securities and shares	221	-102	119	119
6.	Acquired long-term investments	3 000		3 000	3 000
C.	Current assets	4 479 714	-101 899	4 377 815	3 798 311
C. I.	Stock	1 303 505	-243	1 303 262	1 118 228
C. I. 1.	Material	295		295	135
5.	Merchandise	1 303 210	-243	1 302 967	1 118 093
6.	Prepayments for inventories				
C. II.	Long-term debtors	16 667		16 667	32 616
C. II. 1.	Receivables from trade relations	16 667		16 667	31 366
2.	Receivables from controlled or controlling entities				1 250
8.	Deferred tax assets				
C. III.	Short-term debtors	3 086 149	-101 656	2 984 493	2 449 324
C. III. 1.	Receivables from trade relations	2 562 593	-101 656	2 460 937	1 891 101
2.	Receivables from controlled or controlling entities	431 559		431 559	475 146
6.	Taxes receivable	6 797		6 797	3 812
7.	Short-term prepayments	3 161		3 161	2 434
8.	Estimated receivables	76 412		76 412	68 462
9.	Other receivables	5 627		5 627	8 369
C. IV.	Short-term investment	73 393		73 393	198 143
C. IV. 1.	Cash	1 444		1 444	951
2.	Bank accounts	71 949		71 949	192 407
3.	Short-term securities and shares				4 785
D.	Accruals and deferrals	41 058		41 058	33 551
D. I. 1.	Deferred expenses	121		121	349
3.	Accrued income	40 937		40 937	33 202

Identification a	LIABILITIES b	Current fiscal year	Prior fiscal year
		5	6
	TOTAL LIABILITIES	4 653 352	4 085 555
A.	Equity	604 396	591 334
A. I.	Registered capital	342 800	342 800
A. I. 1.	Registered capital	342 800	342 800
A. III.	Reserve fund, indivisible fund and other funds from profit	176 005	176 005
A. III. 1.	Statutory reserve fund /indivisible fund	140 000	140 000
2.	Statutory and other funds	36 005	36 005
A. IV.	Retained profit or loss from prior years	69 378	58 063
A. IV. 1.	Retained profit of prior years	69 378	58 063
A. V.	Profit/loss of current year	16 213	14 466
B.	Liabilities	3 999 109	3 480 849
B. I.	Reserves	169	1 920
4.	Reserves according to the relevant legal regulations	169	1 920
B. II.	Long-term payables	11 142	12 862
9.	Other creditors	271	416
10.	Deferred tax liability	10 871	12 446
B. III.	Short-term payables	2 157 798	1 766 067
B. III. 1.	Payables from trade relations	2 079 661	1 689 301
2.	Payables - controlled or controlling entities	40 714	25 480
4.	Payables to partners and consortium members	20	20
5.	Account payable to employees	7 291	6 950
6.	Payables from social security and health insurance	4 206	4 095
7.	Taxes payable and subsidies	4 167	18 397
8.	Short-term advance payments received	557	727
10.	Anticipated liabilities	20 843	20 747
11.	Other creditors	339	350
B. IV.	Bank loans and borrowings	1 830 000	1 700 000
2.	Short-term bank loans	1 830 000	1 700 000
C.	Accruals and deferrals	49 847	13 372
C. I. 1.	Accrued expenses	49 847	9 107
2.	Accrued income		4 265

Compiled on: 19.04.2012	Approved on: 19/04/2012	Signature of the statutory body of the accounting unit
Legal form of the accounting unit: joint stock company		Subject of enterprise: Purchase of goods for sale and resale
Incorporated in the Company Register kept by the Regional Court in Ostrava, Section B, File 188		

Minimum binding
account of information
acc. to
Decree 500/2002 Coll.

PROFIT AND LOSS STATEMENT

unabbreviated

As of 31.12.2011
(rounded to CZK '000)

Trade name
PHARMOS, a.s

Registered office of
accounting unit
Těšínská 1349/296
Ostrava - Radvanice
716 00

ID No.

19010290

Identification a	TEXT b	Figures posted during fiscal year	
		current 1	previous 2
I.	Sales of goods purchase for resale	14 116 440	14 009 569
A.	Cost of goods sold	13 726 052	13 622 525
+	Gross margin	390 388	387 044
II.	Production	98 972	109 113
II. 1.	Sale of own products and services	98 972	109 113
B.	Purchased consumables and services	206 489	199 625
B. 1.	Consumption of material and energy	18 713	19 981
B. 2.	Services	187 776	179 644
+	Added value	282 871	296 532
C.	Staff costs	168 937	162 184
C. 1.	Wages and salaries	121 052	116 476
C. 3.	Social and health insurance	39 665	37 814
C. 4.	Social benefits	8 220	7 894
D.	Taxes and charges	4 497	3 469
E.	Depreciations of tangible and intangible fixed assets	24 763	23 778
III.	Sale of fixed assets and materials	1 909	5 792
III. 1.	Sale of fixed assets	1 909	5 792
F.	Net book value of sold fixed assets and materials	710	3 451
F. 1.	Net book value of sold fixed assets	710	3 451
G.	Change in reserves and adjusting entries in the area of operations and complex retained expenses accrued (+/-)	-2 233	13 777
IV.	Other operating income	43 510	7 656
H.	Other operating expenses	63 831	22 789
*	Profit / loss from operations	67 785	80 532
VI.	Sales from sold securities and shares	3 690	2 088
J.	Securities and shares sold	4 785	2 579
X.	Interest receivable	106	1 541
N.	Interest expenses	45 594	67 643
XI.	Other financial income	11 227	14 912
O.	Other financial expenses	11 850	9 064
*	Financial profit and loss	-47 206	-60 745
Q.	Income tax on ordinary activities	4 366	5 321
Q. 1.	– due	5 941	6 955
Q. 2.	– deferred	-1 575	-1 634
**	Profit and loss from ordinary activities	16 213	14 466
***	Profit and loss of current year (+/-)	16 213	14 466
****	Profit and loss before tax	20 579	19 787

Compiled on: 19/04/2012

Signature of the statutory body of the accounting unit

Legal form of accounting unit Joint-stock company

Subject of enterprise: Purchase of goods for sale and resale

Incorporated in the Company Register kept by the Regional Court in Ostrava, Section B, File 188

The notes are compiled in compliance with the Ministry of Finance Decree No. 500/2002 Coll. as amended by which means some provisions of Act No. 563/1991 Coll., On accounting, subsequently amended are implemented, for the accounting entities that are entrepreneurs subject to double-entry accounting. The data in the Notes are based on the bookkeeping papers of the accounting unit (accounting documents, books and other papers) and on other data available to the accounting unit. The values are expressed in thousands of CZK, unless stated otherwise.

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General data

1. Description of accounting unit

Trade name: **PHARMOS, a.s.**

Registered office: Těšínská 1349/296, 71600 Ostrava-Radvanice, Postcode: 716 00

Legal form: joint stock company

ID No: 19010290

VAT No.: CZ19010290

Subject of enterprise:

- Handling of substances and preparations subject to the mode of Act No. 167/1998 Coll. to the following extent: preparations containing narcotics listed in Annex No. 2 Act No. 167/1998, preparations containing narcotics listed in Annex No. 5 Act No. 167/1998 and preparations containing narcotics listed in Annex No. 6 Act No. 167/1998 and others – pursuant to decision of the Ministry of Health of the Czech Republic No. 44/2002 of 04.07.2002
- Production, sale and services not indicated in Annexes 1 to 3 of the Trade Act
- Activity of auditors, bookkeeping, tax records keeping

Establishment of company:

The company was established by incorporation in the Company Register kept by the Regional Court in Ostrava, Section B, Insert 188 on the 30th April 1991.

Start of operation of the accounting unit: 30/04/1991

BALANCE SHEET DATE 31.12.2011

FINANCIAL STATEMENT COMPILATION DAY 19.04.2012

INFORMATION CONCERNING IMPLEMENTED OR FORESEEN TRANSFORMATION OF THE COMPANY

The accounting unit does not plan any transformation of the company.

INFORMATION CONCERNING CHANGES IN FISCAL YEAR

The accounting unit does not plan to shift to a marketing year

Incorporated registered capital:

Total volume: CZK 342 800 000 (100% paid-up)

Incorporated on 10.9.2004 on the basis of a decision adopted by the Shareholders' Meeting in March 2004

Shares:

- 275 registered shares at a nominal value of CZK 1,000,000
- 5710 bearer shares at a nominal value of CZK 5,000
- 13 registered shares with a nominal value of CZK 50,000
- 386 registered shares with a nominal value of CZK 100,000

On 16.6.2010, the shareholder – Česká lékárnická, a.s., filed a proposal with the District Court in Ostrava for redemption of 2x shares of PHARMOS, a.s. in the nominal value of CZK 1.1 million as the shares were lost or destroyed.

The decision of the District Court in Ostrava to redeem shares became effective on 18.02.2012.

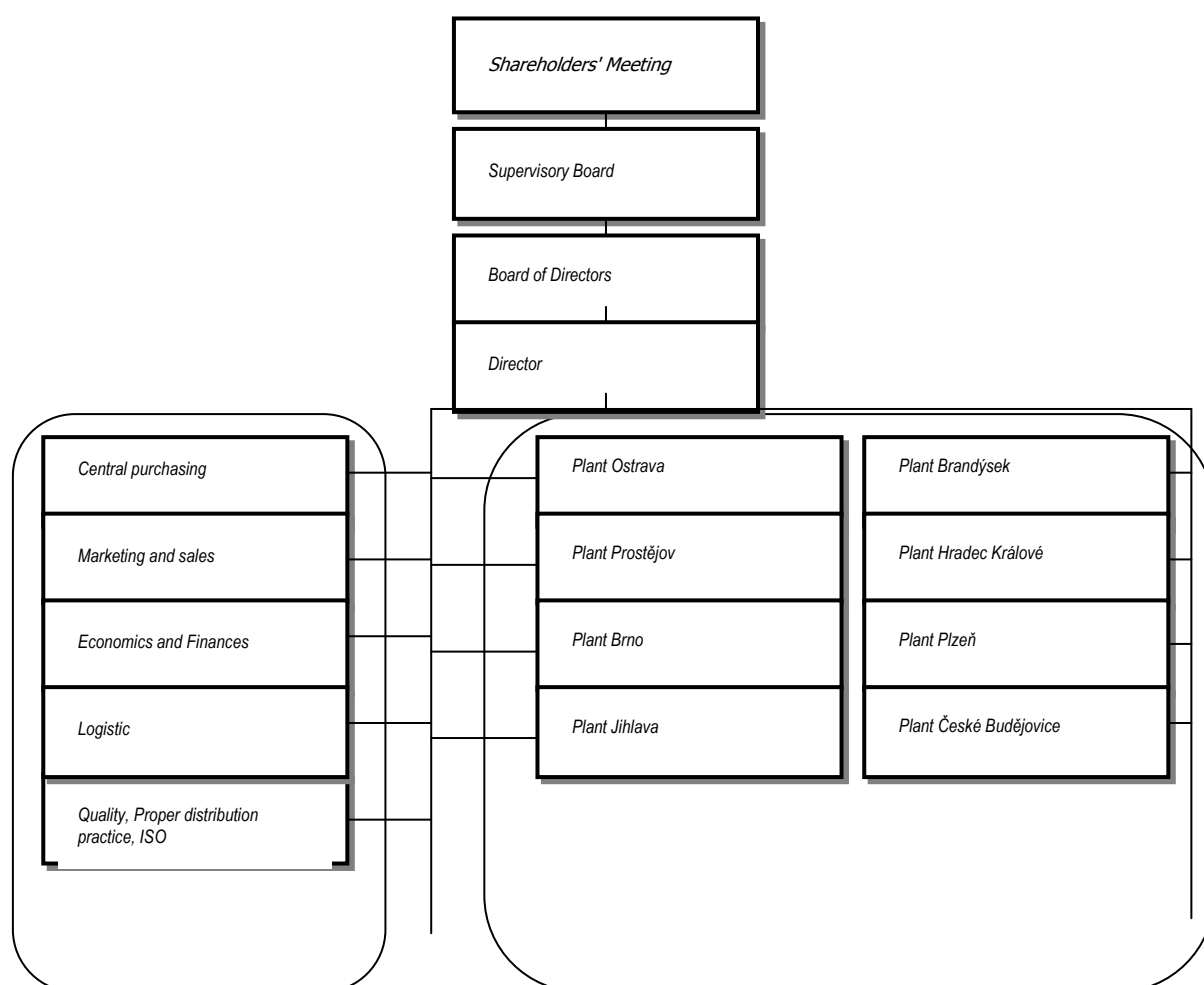
Persons holding shares in the registered capital of the accounting unit exceeding 20%:

Name of individual or trade name of corporation	Residence, registered office	As of 31 Dec. 2010		As of 31 Dec. 2011	
		i.e. %	share	i.e. %	share
PHOENIX International Beteiligungs GmbH	Mannheim, FRG	28.00	96 000	28.00	96 000
Česká lékárnická, a.s.	Těšínská 1349/296, 71600 Ostrava-Radvanice, ČR	71.67	245 685	71.67	245 685

Organizational structure of accounting unit and any significant changes thereof during the previous fiscal year:

There were no significant changes to the organizational structure as compared to the situation during the previous year.

Fig. 2 Organisational structure of PHARMOS, a.s.



Members of statutory and supervisory bodies as of the balance sheet date:

Title	Last name	Name	Degree	Note
Chairman of the Board	Korta	Jiří	PharmDr.	
Member of the Board	Šácha	Ivan	PharmDr.	
Member of the Board	Mališ	Radovan	Ing.	Date of membership 1.12.2011, entry in D CR 13.12.2011
Chairman of the Supervisory Board	Grünewald	Marko Thorsten Albert		
Member of the Supervisory Board	Nalevajka	Petr	PharmDr.	
Member of the Supervisory Board	Mravcová	Ilona	Mgr.	
Member of the Supervisory Board	Lesáková	Lea	Mgr.	
Member of the Supervisory Board	Fiala	Radim	Mgr.	
Member of the Supervisory Board	Nöll	Christoph		

Entries made in the dossier of the Commercial Register

Alena Marynčáková – Member of the Board of Directors – membership terminated on 1.12.2011, removed from D CR 13.12.2011.
Mgr. Jaroslav Němeček – Member of the Board of Directors – membership terminated 9.6.2011, removed from D CR 9.8.2011

2. Property or contractual interests of the accounting unit in other companies

Property participation higher than 20% - none

3. Company employees, staff costs

Item	Employees total		Of this: members of management	
	2010	2011	2010	2011
Average headcount	604	617	60	65
Wages and salaries	116 476	121 052	22 438	25 251
Social security expenses	37 814	39 665	7 434	8 333
Social benefits	7 894	8 220	82	78
Cost of staff, total	162 184	168 937	29 954	33 662

Remuneration to members of statutory and supervisory bodies	2010	2011
Remuneration to members of statutory bodies	450	580
Remuneration to members of supervisory bodies	130	130
Total	580	710

4. Compensations and benefits

Except for remunerations indicated in par. 3, no former or current members of the statutory, management and supervisory bodies were awarded any compensations or benefits during the course of the fiscal year. According to the Statutes, members of the Board of Directors are employees of PHARMOS, a.s.

Applied accounting methods, general accounting principles and methods of evaluation

The presented Financial Statement was processed in accordance with Act 563/1991 Coll., concerning accountancy, and Notice by the Czech Ministry of Finance No. 500/2002 Coll., implementing some provisions of Act 563/1991 Coll., concerning accountancy, as amended by subsequent regulations, for accounting units with double-entry bookkeeping, and the applicable Czech Accounting Standards.

1. Method of asset evaluation

1.1. Stock

Accounting of stock

- - implemented by stock records - method A

Release of stock from warehouse is accounted:

- FIFO method

Evaluation of stock

- Evaluation of stock created at own costs:
 - not applied during the year
- Evaluation of purchased stock:
 - in actual acquisition prices, including:
 - price of acquisition
 - secondary acquisition costs:
 - transport expenses
 - customs

1.2. Evaluation of tangible and intangible fixed assets

Tangible and intangible fixed assets are evaluated on the basis of the acquisition prices, i.e. prices for which such assets were acquired (price of acquisition) and expenses related to the acquisition (secondary acquisition costs).

As regards tangible and intangible fixed assets acquired on the basis of a non-monetary deposit of Česká lékárnická a.s. in PHARMOS, a.s., the successor (i.e. PHARMOS, a.s.) continues in depreciation, in light of taxes, begun by the initial owner, in compliance with § 30 par. 10 the Act On income taxes, i.e. the depreciated value of this property at the depositor is the entry price for the assessment of property in the bookkeeping.

As of 1 Jan. 2002, as a result of implementation of a non-monetary investment of Česká lékárnická, a.s., PHARMOS, a.s. registers a rectifying item to the acquired assets by total of CZK 105 803 thousand whereas this item represents the difference in the appraisal of the non-monetary investment at the depositor taken over to the acquirer's bookkeeping (i.e. PHARMOS, a.s.) and by the appraisal compiled by 2 independent experts appointed by a court for the appraisal of the non-monetary deposit of Česká lékárnická, a.s. The net book value of this valuation difference toward the acquired assets is CZK 35 268 thousand on the date of the Financial Statement.

1.3. Evaluation of securities and ownership interests

During the fiscal year concerned, the company owned securities and ownership interests evaluated on the basis of acquisition prices.

1.4. Evaluation of livestock increments

The company does not have any assets of this category.

2. Determination of reproduction acquisition price

During the current or previous fiscal year, the company did not make use of reproduction acquisition prices.

3. Changes in evaluation, depreciations and accounting proceedings

In the period there were no significant changes.

4. Adjustments to assets

Adjustment	Method of determining	Source of information concerning the determining of adjustment amount
Adjustment to financial investments	% of the value of financial investment (deposit)	Registration of securities and deposits
Adjustment to stock	Stock expiring within 3 months: 100% of the stock value. Stock expiring within 6 months: 50% of the stock value.	Stock records
Adjustment to receivables	Lawful rectifying items are created in compliance with the provision of Act on reserves, the accounting items up to 100% value are created for the claims that are more than 180 days after their maturity.	Accounts receivable ledger, book inventory and recording of legal proceedings

Adjustments to:	Balance as of 1 Jan		Additions		Payments		Balance as of 31. December	
	2010	2011	2010	2011	2010	2011	2010	2011
Tangible and intangible fixed assets	-	-	-	-	-	-	-	-
Stock	299	467	168	-	-	224	467	243
Financial investments	102	102	-	-	-	-	102	102
Receivables	90 096	101 914	15 358	12 854	3 540	13 112	101 914	101 656

5. Depreciations

The depreciation plan concerning intangible fixed assets was prepared by the accounting unit in its internal directives where it started from anticipated depreciation of the assets filed corresponding to ordinary conditions of their utilization; the accounting and tax depreciations are not equal.

The depreciation plan concerning intangible fixed assets was defined during the period concerned with respect to the period during which such assets were used. The accounting and tax depreciations are not equal.

In the depreciation of tangible and intangible fixed assets, there were no changes in 2011 reported compared to the previous years. Depreciation plans are compiled separately for each individual property. The accounting depreciations are defined as an even percentage during the entire service life of such tangible and intangible fixed assets. Tax depreciations of tangible fixed assets are determined according to the pertinent provisions of the Income Tax Act, as linear (i.e. equal) and accelerated depreciations.

Depreciation system of petty intangible and tangible fixed assets

Petty tangible fixed assets are reported at a separate analytical account 022028 - Petty tangible fixed assets. Tangible fixed assets can be classified as petty on condition that they do not fulfil the conditions for being classified as tangible fixed assets and the acquisition price exceeds the amount of CZK 5,000 VAT excluding, and the service life will be longer than 1 year.

Petty tangible assets falling outside the conditions above are reported as company's expenses at account 501 - Consumption of material. These assets are not indicated in the foot of the balance sheet or inventoried.

Petty intangible fixed assets are reported at a separate analytical account 013018 - Petty intangible fixed assets. Intangible fixed assets can be classified as petty on condition that they do not fulfil the conditions for being classified as fixed assets and this concerns intangible assets with the acquisition price exceeding the amount of CZK 10,000 excl. VAT. As of 1 January 2003, petty intangible assets and petty tangible assets are depreciated over a period of 24 months.

Petty intangible assets falling outside the conditions above are reported as company's expenses at account 518 - Other services. *These assets are not indicated in the foot of the balance sheet or inventoried.*

Adjustments to acquired assets are depreciated evenly during a period of 15 years.

6. Conversion of foreign currency to Czech currency

In the conversion of foreign currencies to the Czech currency, the company makes use of:

- current daily exchange rate announced by the Czech National Bank (daily exchange rates are valid for the entire following business day). As of the balancing day, the claims, pecuniary means and liabilities were re-calculated in the books using the Czech National Bank exchange rate valid on the 31st Dec. 2011.

7. Determination of deferred tax

In accordance with the Czech Accounting Standard 3 (hereinafter the CAS), the accounting unit reported deferred tax from previous accounting and tax differences:

Item	Fiscal year	
	2010	2011
RESIDUAL VALUE (ACCOUNTING) > RESIDUAL VALUE (TAX)	-22 358	-24 242
Outstanding default interest - receivable	-2 855	-2 604
ZC to RI towards acquired assets	-42 321	-35 268
Total taxable	-67 534	-62 114
Deferred tax liability (2011-19%)	-12 832	-11 802
RESIDUAL VALUE (ACCOUNTING) < RESIDUAL VALUE (TAX)	-	-
Adjustments to securities	-	-
Adjustments to stock	467	243
ZC to RI towards acquired assets	-	-
Accounting adjustments to receivables	1 011	4 101
Accounting reserves	151	456
Outstanding property transfer tax	174	54
Outstanding penalties	228	46
Unapplied tax loss	-	-
Total deductibles	2 031	4 900
Deferred tax liability (2011-19%)	386	931
Deferred tax, total (+ receivables /	-12 446	-10 871

8. Cash flow

The accounting unit calculates the cash-flow by the indirect method. For the purpose of definition of cash-flow definition the following was considered as finances and equivalents: money in the treasure and in banks, valuables, short-term securities, and shares.

9. Information on deviations from methods according to Par. 7 Sect. 5 of the Act on Accounting

In 2011, the accounting unit did not show deviations from the methods as per Par. 7, Sect. 5 of the Act on accounting.

10. Information on alterations in accounting methods between periods

There were no changes in accounting methods between the individual accounting periods

Additional data to Balance Sheet and Profit and Loss Statement

1. Data critical for the assessment of the property and financial situation of the company

1.1. Back income tax for previous fiscal years

We do not register any retrospective assessments related to income tax for the previous accounting periods.

1.2. Long-term bank loans

The company does not file any long-term bank loan at present.

1.3. Breakdown of subsidies accepted for investment and operating purposes

In March 2010, the Ministry of Labour and Social Affairs decided on provision of a grant for implementation of the "Comprehensive development programme for key employees of PHARMOS, a.s." project in the amount of CZK 7 729 thousand. The date of completion of the project is fixed to 14.03.2012 at the latest. In 2010 the company ran out of funding in the amount of 1,768 thousand in 2011 ran out of funding in the amount of 4,077 thousand CZK. In 2012, we expect the withdrawal in the amount of CZK 1 884 thousand.

1.4. Short-term investment

To the balance sheet date, the shares of Česká lékárnická, a.s. were transferred to the project Moje lékárna and sold.

Due to distribution of risk related to bank interest rate development, the company signed a DOUBLE RATE CORRIDOR SWAP contract, which is a combination of interest swap and digital interest option, with UniCreditBank Czerch Republic, a.s. Date of termination was 1.8.2011.

2. Important events following the Financial Statement date

There were no significant changes in the period prior to compilation of the notes to the Financial Statement.

3. Additional information concerning tangible and intangible fixed assets

3.1. Main categories of tangible fixed assets (DHM)

Category	Acquisition price		Allowances		Net book value		Increase (acquisition price)	Decrease (net book price, depreciations)
	2010	2011	2010	2011	2010	2011	2011	2011
Lands	14 847	14 847	-	-	14 847	14 847	30	30
Buildings, halls, structures	205 059	205 676	56 577	62 715	148 482	142 961	1 471	7 022
Machinery, tools & equipment, vehicles and fixtures	133 215	135 737	94 183	102 337	39 032	33 400	3 498	9 129
-Machinery, devices, equipment,	85 073	86 050	51 221	57 359	33 852	28 691	1 119	6 278
-Motor Vehicles	5 731	5 948	2 292	2 459	3 439	3 489	778	729
-Inventory	6 971	6 971	6 177	6 333	794	638	0	156
-Alternative intangible fixed assets (incl. other intangible fixed assets)	35 440	36 768	34 493	36 186	947	582	1 601	1 966
Tangible fixed assets in progress	588	813	-	-	588	813	5 250	5 025
Adjustments to acquired assets	105 803	105 803	63 482	70 535	42 321	35 268	-	-

Prepayments for tangible fixed assets as of 31/12/2011 were CZK 261 thousand. CZK.

3.2. Intangible fixed assets (DNM)

Category	Acquisition price		Allowances		Net book value		Increase (acquisition price)	Decrease (net book price, depreciations)
	2010	2011	2010	2011	2010	2011	2011	2011
Software	23 210	23 963	18 106	20 153	5 104	3 810	753	2 047
Valuable rights	26 542	26 542	26 542	26 542	-	-	-	-

Other intangible fixed assets (incl. other intangible fixed assets)

1 319	1 552	1 319	1 552	-	-	238	238
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Intangible fixed assets in progress

-	-	-	-	-	-	-	-
---	---	---	---	---	---	---	---

Prepayments for intangible fixed assets as of 31/12/2011 were CZK 0.00.

3.3. Fixed assets – other informations

On December 31, 2011 land and the building listed on the deed No. 7507 in the registration area of Žatec was sold in the amount 1,790,000, - CZK.

3.4. Tangible fixed assets acquired in the form of financial lease

It is a financial leasing with subsequent purchase of the thing leased in summary according to individual groups of assets, the data is presented VAT excluded, except for passenger cars.

Summary of financial leasing		Total value	First instalment (prepayment)	Total instalments	Instalments paid	Instalments to be paid	
						within 1 year	within 1 year
Current fiscal year - 2010	Passenger vehicles, utility vehicles, stock equipment	3 218	603	2 615	1 588	1 027	0
Current fiscal year - 2011	Passenger vehicles, utility vehicles, stock equipment	3 218	603	2 615	1 027	0	0

3.5. Tangible fixed assets acquired in the form of operative lease

No operative lease is used.

3.6. Total amount of off-balance assets

The accounting unit reports the following assets on accounts of balance sheet:

Goods in consignment stock: 298.358 thousand CZK

Goods received to consignment sale: 15.100 thousand CZK

3.7. Breakdown of tangible fixed assets subject to right of lien

Previous fiscal year - 2010

Property	Book value	Security	Purpose	Duration	Liability
Warehouse complex Ostrava-Radvanice (building and land)	47 mill CZK	Entry of right of lien to Certificate of Ownership registered by the Real Estate Registry.	021000-Buildings, halls, structures 031000 - Lands	During the period of the credit contract according to the credit and security agreement	Based on credit contracts entered into with financial institutions.
Warehouse complex Prostějov (building and land)	14 mill CZK				
Warehouse complex Hradec Králové (building and land)	19 mill CZK				
Warehouse complex Brno (building and land)	63 mill CZK				

Warehouse complex Brandýsek (building and land) 54 mill CZK

Current year - 2011

Property	Book value	Security	Purpose	Duration	Liability
Warehouse complex Ostrava-Radvanice (building and land)	47 mill CZK				
Warehouse complex Prostějov (building and land)	14 mill CZK	Entry of right of lien to Certificate of Ownership registered by the Real Estate Registry.	021000- Buildings, halls, structures 031000 - Lands	During the period of the credit contract according to the credit and security agreement	Based on credit contracts entered into with financial institutions.
Warehouse complex Hradec Králové (building and land)	19 mill CZK				
Warehouse complex Brno (building and land)	63 mill CZK				
Warehouse complex Brandýsek (building and land)	54 mill CZK				
Bank Guaranty ČSOB for Medicom	10 million CZK				

3.8. Summary of assets with significant differences between market and book values

Assets	Book value	Market value
Terminated leasing agreements (before 31 Dec 2010 incl. prior years)	24	1 619
Terminated leasing agreements (before 31 Dec 2011 incl. prior years)	518	2 034

In 2011 three lease agreements were terminated, purchase price of the two lease agreements with the market value.

3.9. Long-term investments - securities and ownership interests

Summary of securities and ownership interests in and outside the Czech Republic (subsidiaries and associates).

Previous fiscal year - 2010						
Trade name	Registered office	Acquisition price	Share %	Adjustment	Dividends	Profit/loss of current year
AGB Praha a.s.	Prague, ČR	102		102	-	-
Lekis s.r.o.	Ostrava, ČR	119	17.7 %	-	-	568

Current year - 2011						
Trade name	Registered office	Acquisition price	Share %	Adjustment	Dividends	Profit/loss of current year
AGB Praha a.s.	Prague, ČR	102		102	-	-
Lekis s.r.o.	Ostrava, ČR	119	17.7 %	-	-	464

4. Equity

4.1. Increase or decrease in equity

	As of 31 Dec. 2010	As of 31 Dec. 2011
Registered capital	342 800	342 800
Changes in registered capital	-	-
Statutory reserve fund	140 000	140 000
Capital funds - share premium	-	-
Statutory and other funds	36 005	36 005
Retained profit of prior years	58 063	69 378
Accumulated loss from previous years	-	-
Profit or loss of current year	14 466	16 213
Equity capital, total	591 334	604 396

Pursuant to a decision of the Shareholders' Meeting, the profit generated in 2010 was divided as follows:

Allocation for dividends (gross dividend)	2 571
Allocation to royalties for statutory and supervisory bodies	580
Allocation to reserve fund	-
Allocation to statutory and other funds	-
Transfer to retained profit from previous years	11 315
Allocation to increase in registered capital	-
Profit / loss for 2010, total	14 466

Proposal for the distribution of profit generated during current year:

A proposal for the distribution of profit generated during current year will be presented by the Board of Directors for approval during Shareholders' Meeting.

4.2. Registered capital

Previous fiscal year - 2010

Types of shares	Number of shares	Nominal value	Outstanding shares	Maturity period
Registered shares	275	1.000.000 CZK	-	-
Registered shares	13	50.000 CZK	-	-
Bearer shares	5710	5.000 CZK	-	-
Registered shares	386	100.000 CZK	-	-

Current year - 2011

Types of shares	Number of shares	Nominal value	Outstanding shares	Maturity period
Registered shares	275	1.000.000 CZK	-	-
Registered shares	13	50.000 CZK	-	-
Bearer shares	5710	5.000 CZK	-	-
Registered shares	386	100.000 CZK	-	-

5. Receivables and liabilities

5.1. Overdue receivables

Number of days	As of 31 Dec. 2010		As of 31 Dec. 2011	
	Trade debtors	Other	Trade debtors	Other
Less than 30	229 251	-	202 233	-
31 – 60	55 273	-	73 871	-
61 – 90	27 679	-	26 812	-
91 – 180	18 263	-	38 436	-
181 and more	83 424	-	85 469	-

Rectifying items were created to claims after maturity amounting to 101 656 thousand CZK. The claims under insolvency proceedings are duly filed, the other problem claims are exacted by court or solved in cooperation with our law office.

5.2. Overdue liabilities

Number of days	As of 31 Dec. 2010		As of 31 Dec. 2011	
	Trade debtors	Other	Trade debtors	Other
Less than 30	-10 750	-	1 006	-
31 – 60	-2 439	-	-9 800	-
61 – 90	208	-	1 605	-
91 – 180	513	-	-276	-
181 and more	-1 273	-	-1 281	-

The declared negative amounts are caused by accepted credit notes that were credited in January 2012.

5.3. Receivables and liabilities with regard to group members

Receivables towards enterprises in consolidated aggregate

Debtor	As of 31 Dec. 2010		As of 31 Dec. 2011	
	Total	Overdue	Total	Overdue
Plzeňská lékárnická, s.r.o. (ID:25238213)	78 382	41 739	68 229	41 750
Česká lékárnická, a.s. (ID: 63080877)	-	-	-	-
Pražská lékárnická, s.r.o. (ID No: 25633741)	139 088	27 743	123 276	24 522
Jihlavská lékárnická, s.r.o. (ID No: 25534459)	61 009	19 141	30 777	-
Lekis s.r.o. (ID No: 25356089)	125	-	128	-
PHARMACY-distribuce léčiv s.r.o.(ID No. 65139577)	171 622	62 282	134 382	36 007
THERÁPON 98, a.s. (ID No: 25399195)	7	-	14	-
Galmed, a.s. (ID:47672145)	8 026	-	30 673	15 906
LEKTRANS, s.r.o. (ID:27779271)	69	-	4	-
Pharmos a.s. Sk. (ID:35974559)	3 144	-	1 586	895
Sanovia, a.s. (ID No: 28570481)	1 171	1 171	1 287	-
Lektrans Bohemia s.r.o. (ID No: 28616600)	3	-	3	-

On the date 31.12.2011, we file the following loans provided:

SoftPharm s.r.o. 500 thousand CZK
PHARMOS, a.s. Sk. 40.700 thousand CZK

These loans are in the maturity period.

Liabilities to consortium members

Creditor	As of 31 Dec. 2010		As of 31 Dec. 2011	
	Total	Overdue	Total	Overdue
Plzeňská lékárnická, s.r.o. (ID:25238213)	1 438	-	1 243	-
Česká lékárnická, a.s. (ID: 63080877)	1 502	962	901	394
Pražská lékárnická, s.r.o. (ID No: 25633741)	1 455	-	6 011	-
Jihlavská lékárnická, s.r.o. (ID No: 25534459)	5 684	-	1 814	-
Lekis s.r.o. (ID No: 25356089)	274	-	235	-
PHARMACY-distribuce léčiv s.r.o.(ID No. 65139577)	650	-	18 351	-
THERÁPON 98, a.s. (ID No: 25399195)	5	-	8	-
Galmed, a.s. (ID:47672145)	4 075	605	508	139
LEKTRANS, s.r.o. (ID:27779271)	5 266	-	4 458	-
Pharmos a.s. Sk. (ID No: 35974559)	920	-	976	-
Sanovia, a.s. (ID No: 28570481)	208	-	1 948	1 937
Lektrans Bohemia s.r.o. (ID No: 28616600)	2 775	-	3 261	-

On the date 31.12.2011, we file the following loans accepted:

THERÁPON 98, a.s. 1.000 thousand CZK

The loan are in the maturity period.

5.4. Receivables and liabilities based on application of right of lien and security

The significant part of the receivables is put away in favour of bank institutions to cover the credits accepted.

5.5. Receivables and liabilities not included in books and off-balance liabilities

(guarantees assumed for another enterprise on the basis of a bank loan, letter of credit or law of exchange, unless an accounting reserve has been created)

Provided guarantees

	Subject
Bank guarantee (aval)	LEKTRANS, s.r.o.
Bank guarantee (aval)	Lektrans Bohemia s.r.o.

Accepted collaterals

	CO	RER
Accepted mortgage right to real estate - PharmDr. Petriláková	1446	Mariánské Hory
Accepted mortgage right to real estate - PharmDr. Tamara Tichá	4803	Kuřim
Accepted mortgage right to real estate – RNDr. Lukešová Jiřina	1846	Uherský Ostroh
Accepted mortgage right to real estate - Zitko Miroslav Mgr.	1142	Žatec
Accepted mortgage right to real estate - Zitková Greta PharmDr.	3961	Žatec
Accepted mortgage right to real estate – Group of pharmacy owners	14972	Strašnice

Accepted mortgage right to real estate – MUDr. Runczik + Dagmar Stinga	2423	Smržovka
Accepted mortgage right to real estate – Lékárna u Sv. Vojtěcha s.r.o.	1021	Opava - město
Accepted mortgage right to real estate – PhMr. Marta Třečková	1480	Boskovice
Accepted mortgage right to real estate - PharmDr. Jana Vacková	750	Město Albrechtice
Accepted mortgage right to real estate - PharmDr. Jarmila Chudá	5507	Hlubočepy
Accepted mortgage right to real estate - PharmDr. Jana Vacková	967	Ostrava – Přívoz
Accepted mortgage right to real estate - Rayan spol. s r.o.	6713	Teplice
Accepted mortgage right to real estate – Lékárna 203-02, s.r.o.	922	Pchery
Accepted lien on currency bonds – Lékárna u Rubínu, a.s.		

5.6. Accruing of important groups of other receivables

Interest-bearing loans to customers represent an important group of receivables (trade debtors).

Of the total volume granted in 2011, the most important part is represented by loans for the financing of receivables (a form of an interest-bearing timetable for repayment) and short-term bridging loans for a period of approximately 3-5 months. The remaining part is represented by the financial interest-bearing loans for assistance in the solution of business plans concerning the development of pharmacies. Each appropriate contract is drawn up in the form of a notarial record and is provided with security instruments (bill of exchange, lien on real estate, deed of transfer of receivables, etc.).

	2010				2011			
	Total	Overdue	Payable within 1 year	Payable later than 1 year	Total	Overdue	Payable within 1 year	Payable later than 1 year
Total	143 081	52 178	49 068	41 835	107 357	58 575	33 120	16 662
of this: Financial loans	35 668	28 216	5 826	1 626	33 544	28 635	2 600	3 309
Interest-bearing timetables	107 413	23 962	43 242	40 209	73 813	29 940	30 520	13 353

On the balancing date, repayment schedules for interest-bearing receivables, financial and short-term loans after maturity amounting to CZK 58 575 thousand are filed.

OTHER LIABILITIES

We register an amount of CZK 9 522 thousand on the account 325 - Other liabilities, of which CZK 7 200 thousand represents accepted interest-running loans from individuals. These liabilities have not exceeded the maturity period.

RECEIVABLES WITH TERM OF PAYMENT EXCEEDING FIVE YEARS

The company files a claim payable in 2016 in the amount of CZK 92 thousand by reason of the Acknowledgement of a debt and agreement on settlement of mutual rights and duties (schedule of payments).

LIABILITIES WITH TERM OF PAYMENT EXCEEDING FIVE YEARS

None registered

5.7. Receivables and liabilities in foreign currency

RECEIVABLES IN FOREIGN CURRENCY

	EUR			USD		
	Total in currency	ČNB exchange rate	Total in CZK	Total in currency	ČNB exchange rate	Total in CZK
Amount of receivables in	185 043	25.06	4.637.178	47 260	18.751	886 172

Amount of receivables in currency as of 31.12.2010	155 800	25.80	4.019.640	52 460	19.94	1.046.052
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LIABILITIES IN FOREIGN CURRENCY

	EUR			DKK		
	Total in currency	ČNB exchange rate	Total in CZK	Total in currency	ČNB exchange rate	Total in CZK
Liabilities in currency as of 31.12.2010	7.065.016	25.06	177.049.301	-	-	-
Liabilities in currency as of 31.12.2011	2.157.361	25,80	55.659.914	-	-	-

5.8. Relations towards national institutions

In 2006, PHARMOS, a.s. was imposed a fine by the Economic Competition Protection Office in Brno in the amount of CZK 18 638 000 for termination of deliveries to three teaching hospitals and for cutting the maturity dates for deliveries of pharmaceuticals. The company settled the fine and lodged an appeal against the decision. This judgement was acknowledged by the Regional Court in Brno in 2009 and by the Supreme Administrative Court in 2010 as well. PHARMOS, a.s. spent all procedural means and therefore, a constitutional complaint against the judgement of the Supreme Administrative Court of 31 March 2010 was lodged with the ČR Constitution Court of on 16.7.2010. The result of the proceedings will not decrease or endanger the future operating results and assets of the company.

AMOUNTS PAYABLE ON SOCIAL INSURANCE

- We have no overdue liabilities

AMOUNTS PAYABLE ON PUBLIC HEALTH INSURANCE

- We have no overdue liabilities

TAX ARREARS TOWARDS REVENUE AUTHORITIES

- We have no tax arrears

Important potential loss for which no reserve has been created in the company's books

Description of uncertain circumstances	Affecting factors	Estimated financial impact
None known	-	-

On 13 March 2007, Pharmos, a.s. was delivered a payment demand from Braddock Finance & Capital Ltd., Stoper House, Weber Street 15, London SE1 0RE, represented by Mgr. Marek Vojáček, attorney, with registered office at Týn 1049/3, 110 00 Prague 1 in the amount of CZK 100,000,000, including interests on late payments accruing by 5.5% until the date of payment. Pharmos, a.s. filed an objection against this payment demand on 13 March 2007. In 2009, the legal action was rejected by the District Court in full. Braddock Finance lodged an appeal with the Regional Court in Ostrava. No other act was made from the date of service of the appeal (20.10.2009) until the date of drawing up the Financial Statement. The legal action has not been terminated so far.

6. Reserves

Description of reserve	Previous fiscal year - 2010			Current year - 2011		
	Additions	Withdrawal	Balance	Additions	Withdrawal	Balance
Lawful reserves (accrued taxes)						
Non-tax reserves						
- Reserve for unpaid social and health insurance - unpaid rewards	151	129	151	116	151	116
- Other reserves	1 769	-	1 769	54	1 769	54

Other reserves are created by a reserve for real estate transfer tax in Žatec of 54 thousand CZK

7. Revenues from ordinary activities

	Previous fiscal year - 2010			Current year - 2011		
	Total	Thereof inland	Thereof EU	Total	Thereof inland	Thereof EU
Revenues from ordinary activities	14.118.682	14.036.858	81 824	14.215.412	14.152.484	62 928
Therein revenues from sale of goods	14.009.569	13.951.925	57 644	14.116.440	14.074.084	42 356
Revenues from sale of services	109 113	84 933	24 180	98 972	78 400	20 572
Negotiation interests	12 673	12 673	-	17 604	17 151	453
Exchange rate differences	11 341	10 670	671	12 475	11 355	1 120
Other revenues	7 975	5 523	2 452	30 363	30 363	-
Total	14.150.671	14.065.724	84 947	14.275.854	14.211.353	64 501

8. Expenses incurred during fiscal year on research and development

The Company made no expenses on research and development in 2011.

9. Changes in reporting values in financial statements owing to legislative changes

No changes were effected to the form of reporting.

10. Information on total expenditures on remuneration for auditing company

Year	Mandatory audit	Other verification services	Tax consulting	Other non-auditing services
2010	725	-	-	-
2011	725	-	-	-

Compiled on: 19/04/2012	Signature of the person responsible for compilation:	Signature of a statutory representative:
Approved on: 19/04/2012		

Binding account of information acc. to the ČR Ministry of Finance Regulation No 500/2002 Coll.	Report of Changes in Equity As of 31/12/2011 (rounded to CZK '000)	Trade name PHARMOS, a. s. Registered office Těšinská 1349/296, Ostrava - Radvanice 716 00
ID 190 102 90		

	Registered capital	Other capital funds	Changes in registered capital	Reserve fund	Other funds	Profit _{LY}	Profit _{CY}	Total equity
01	02	03	04	05		06	07	08
Opening balance, as of 1 January 2010	342 800	0	0	140 000	36 005	56 009	4 006	578 820
Subscription of registered capital increase								0
Share premium for registered capital increase								0
Gains or losses from evaluation of assets								0
Allocation to reserve fund from profit								0
Allocation for dividend payment							-1 371	-1 371
Allocation for royalty payment							-580	-580
Allocation to retained profit from previous years						2 054	-2 054	0
Profit/loss of current year							14 466	14 466
Difference from rounding							-1	-1
Closing balance, as of 31 December 2010	342 800	0	0	140 000	36 005	58 063	14 466	591 334

Opening balance, as of 1 January 2011	342 800	0	0	140 000	36 005	58 063	14 466	591 334
Subscription of registered capital increase								0
Share premium for registered capital increase								0
Gains or losses from evaluation of assets								0
Allocation to reserve fund from profit								0
Allocation for dividend payment							-2 571	-2 571
Allocation for royalty payment							-580	-580
Allocation to retained profit from previous years						11 315	-11 315	0
Profit/loss of current year							16 213	16 213
Difference from rounding								0
Closing balance, as of 31 December 2011	342 800	0	0	140 000	36 005	69 378	16 213	604 396

Legal form of the accounting unit : joint stock company	Compiled on: 19/04/2012	Approved on: 19/04/2012
Subject of enterprise : Purchase of goods for sale and resale	Statutory body signature:	
Incorporated in the Company Register administered by the Regional Court in Ostrava, Section B, File 188		

Cash Flow Statement
(cash-flow) (indirect method)

Trade name

PHARMOS, a.s.

Registered office

Těšínská 1349/296

Ostrava-Radvanice

716 00

As of **31.12.2011**

(rounded to CZK '000)

YEAR	Month	ID No.
2011	1 2 1 9 0 1 0 2 9 0	

Identificati on a	T E X T b	Line No.: c	Figures posted during fiscal year	
			current 1	previous 2
P.	Cash and cash equivalents at the beginning of accounting period	01	198 143	147 713
	Cash flows from ordinary activities	02		
Z.	Profit/loss from ordinary activities before tax	03	20 579	19 787
A. 1.	Adjustments for non-monetary operations	04	66 819	101 316
A. 1. 1.	Depreciation of fixed assets (+) excluding book value of fixed assets sold, amortization of	05	24 763	23 778
A. 1. 2.	Changes in adjusting entries and reserves	06	-2 233	13 777
A. 1. 3.	Profit (loss) from the sale of fixed assets (-/+)	07	-1 199	-2 341
A. 1. 4.	Revenue from dividend and share of profit (-)	08		
A. 1. 5.	Posted interest expense (+)excluding capitalised interest and interest income (-)	09	45 488	66 102
A. 1. 6.	Adjustment s other non-monetary operations	10		
A. *	Net cash flow from operating activities before tax, movements in working capital and	11	87 398	121 103
A. II.	Change in non-monetary elements of working capital	12	-150 087	13 019
A. II. 1.	Change in receivables from operating activities (+/-),active accounts of temporary and anticipated	13	-523 483	-103 773
A. II. 2.	Change in short-term liabilities from operating activities (+/-),passive accounts of temporary and	14	558 206	118 545
A. II. 3.	Variation in stock (+/-)	15	-184 810	-1 753
A. II. 4.	Change in short-term investments not falling under cash and cash equivalents	16		
A. **	Net cash flow from operating activities before tax and extraordinary items	17	-62 689	134 122
A. III.	Interests paid except for capitalised interests (-)	19	-45 594	-67 643
A. IV.	Interests received (+)	19	106	1 541
A. V.	Income tax paid except for operating activities, additional tax paid for previous years (-)	20	-8 927	-10 599
A. VI.	Receipts and expenditures related to extraordinary accounting cases, that create extraordinary profit including tax paid on income from extraordinary activities	21		
A. VII.	Accepted dividends and share in profits (+)	22		
A. ***	Net cash flow from operating activity	23	-117 104	57 421
	Cash flow from investment activity	24		
B. I.	Expenditures related to acquisition of fixed assets	25	-6 259	-11 248
B. II.	Receipts from fixed assets sold	26	1 909	5 792
B. III.	Loans and credits for related persons	27		
B. ***	Net cash flow related to investment activity	28	-4 350	-5 456
	Cash flow from financial activities	29		
C. I.	Change in long-term liabilities, or short-term liabilities falling in the area of financial activities to	30	-145	416
C. II.	Impact of variation in equity on cash and cash equivalents	31	-3 151	-1 951
C. II. 1.	Increase of cash or cash equivalents due to change in registered capital, share premium or reserve	32		
C. II. 2.	Payment of share in equity to associates (-)	33		
C. II. 3.	Other monetary deposits by partners and shareholders (+)	34		
C. II. 4.	Settlement of loss by partners (+)	35		
C. II. 5.	Direct payments to the debit of funds (-)	36		
C. II. 6.	Dividends or shares in profits, royalties, including withdrawal of tax relating to such claims	37	-3 151	-1 951
C. ***	Net cash flow related to financial activity	38	-3 296	-1 535
F.	Net increase or decrease of cash and cash equivalents	39	-124 750	50 430
R.	Cash and cash equivalents at the end of the accounting period	40	73 393	198 143

Compiled on: 19.04.2012	Approved on: 19/04/2012	Signature of the statutory body of the accounting unit
Legal form of accounting unit	Subject of enterprise:	
Joint-stock company	Purchase of goods for sale and resale	
Incorporated in the Company Register administered by the Regional Court in Ostrava, Section B, File 188		

Report on the Relations between Controlling and Controlled Entity

issued pursuant to the provisions of Section 66a (par. 9) of the Commercial Code

PHARMOS, a.s., registered office Těšínská 1349/296, Ostrava-Radvanice, Postal code: IČ (ID No.): 19010290, incorporated in the Company Register administered by the Regional Court in Ostrava, Section B, File 188 (hereinafter the "**Submitter**"). As regards the provisions of Section 66a) of Act 513/1991 Coll. - the Commercial Code, as amended, is a member of a business group (trust) in which the following relationships have been established between the Submitter and the entities controlled by the same controlling entities (hereinafter the "**Affiliated Entities**").

This report regarding the relationships among the entities specified below was issued in accordance with the provisions of § 66a Section 9 of Act 513/1991 Coll., the Commercial Code, (hereinafter the ComCode), as amended, during the fiscal year from 1 January.2011 to 31 December 2011 (hereinafter the "**Fiscal Year**").

The following contracts and agreements were entered into between the Submitter and the below-specified entities during this Fiscal Year, and the following legal and other deeds were adopted or effected:

A. CONTROLLING ENTITIES

The vertical relationships between the controlling and controlled entities are specified hereunder. For detailed information, see Annex 1 Group Structure. The Structure is as follows:

Česká lékárnická, a.s. with registered office at Těšínská 1349/296, Ostrava - Radvanice, ID No.: 63080877

Phoenix International Beteiligungs GmbH registered office Mannheim, FRG

Relationship to the Company : the Entity controlling another entity

B. OTHER AFFILIATED ENTITIES

a) Companies controlled by the Submitter

b) Companies controlled by the same controlling entity as the Submitter (affiliated companies) and the companies controlled by them with whom business relationships were established during the evaluated period

Pražská lékárnická s.r.o., registered office Theodor 28, 273 08 Pchery, ID No.: 25633741

Jihlavská lékárnická s.r.o., registered office Pávovská 3136/73, Jihlava-Bedřichov, ID No.: 25534459

Plzeňská lékárnická s.r.o., registered office K Jezu 32, 326 00 Plzeň, ID No.: 25238213

PHARMACY-distribuce léčiv s.r.o., registered office Kojetínská 4219/10, 796 01 Prostějov, ID No.: 65139577

Lekis s.r.o. registered office Těšínská 1349/296, Ostrava - Radvanice, ID No.: 25356089

THERÁPON 98, a.s. registered office 1301, 742 21 Kopřivnice, ID No.: 25399195

GALMED a.s., Těšínská 1349/296, Ostrava - Radvanice, ID No.: 47672145

LEKTRANS s.r.o., Těšínská 1349/296, 716 00 Ostrava - Radvanice, ID No.: 27779271

PHARMOS, a.s. registered office Levická 11, 949 01 Nitra, Slovak Republic, ID No.: 35974559

Sanovia, a.s., registered office Ostrava – Radvanice, Těšínská 1349/296, PSČ 716 00, ID No.: 28570481

Lektrans Bohemia s.r.o., registered office Těšínská 1349/296, Ostrava - Radvanice, ID No.: 28616600

SoftPharm s.r.o., registered office Těšínská 1349/296, Ostrava – Radvanice, ID No.: 28656385

- Other members of the Group with the same top controlling entity which whom the Submitter entered into business relationships during the period concerned:

None.

c) Other companies controlled by the same controlling entity as directly controlling entity with whom business relationships were established during the evaluated period

None.

This Report provides a summary of the business and economic relationships between the controlled entity, the controlling entities above this controlled entity and the companies controlled by the same top entity.

1. Contracts

1.1. Sales

1.1.1. Fixed assets

As regards sales, there were no business relationships established and implemented as of the date of this Report in 2011 within the group with respect to the controlled entity or the affiliated entities within the same Group, regarding the sale of fixed assets, other assets, material and products.

The Submitter does not lease out any assets.

1.2.1. Merchandise

The Submitter entered into the following sales and other contracts during the period specified below, pursuant to which products were sold during the fiscal year.

Title	Party	Description	Detriment (if any)	Advantages / Disadvantages
<i>Separate Contract of Sale - delivery according to an invoice</i>	<i>Jihlavská lékárnická, s.r.o.</i>	<i>Products - pharmaceuticals, parapharmaceuticals, additional assortment</i>	-	-
<i>Separate Contract of Sale - delivery according to an invoice</i>	<i>PHARMACY-distribuce léčiv, s.r.o.</i>	<i>Products - pharmaceuticals, parapharmaceuticals, additional assortment</i>	-	-
<i>Separate Contract of Sale - delivery according</i>	<i>Plzeňská lékárnická, s.r.o.</i>	<i>Products - pharmaceuticals, parapharmaceuticals, additional</i>	-	-

<i>to an invoice</i>		<i>assortment</i>		
<i>Separate Contract of Sale - delivery according to an invoice</i>	<i>PHARMOS, a.s. SR</i>	<i>Products - pharmaceuticals, parapharmaceuticals, additional assortment</i>	-	-
<i>Separate Contract of Sale - delivery according to an invoice</i>	<i>Pražská lékárnická s.r.o.</i>	<i>Products - pharmaceuticals, parapharmaceuticals, additional assortment</i>	-	-

1.1.3. Services

The Submitter entered into contracts during the fiscal year, pursuant to which the Submitter rendered services during the fiscal year with respect to controlling entity or affiliated entities within the same Group.

Name	Party	Description	Detriment (if any)	Advantages / Disadvantages
<i>Software Lease Agreement, according to invoices</i>	<i>Česká lékárnická, a.s.</i>	<i>Lease of accounting IS Helios</i>	-	-
<i>Non-residential Premises Lease Agreement</i>	<i>Česká lékárnická, a.s.</i>	<i>Non-residential premises at Těšínská 1346/296 Ostrava - Radvanice</i>	-	-
<i>Software Lease Agreement, according to invoices</i>	<i>Jihlavská lékárnická, s.r.o.</i>	<i>Lease of accounting IS Helios</i>	-	-
<i>Re-invoicing of services - separate contracts according to invoices</i>	<i>Jihlavská lékárnická, s.r.o.</i>	<i>Re-invoicing of services - promotional campaigns, advertising articles, provision of data services and fire protection</i>	-	-
<i>Software Lease Agreement, according to invoices</i>	<i>PHARMACY-distribuce léčiv, s.r.o.</i>	<i>Lease of accounting IS Helios</i>	-	-
<i>Re-invoicing of services - separate contracts according to invoices</i>	<i>PHARMACY-distribuce léčiv, s.r.o.</i>	<i>Re-invoicing of services - promotional campaigns, advertising articles, provision of data services and fire protection</i>	-	-
<i>Logistics services contract</i>	<i>PHARMACY-distribuce léčiv, s.r.o.</i>	<i>Logistics services</i>	-	-
<i>Technical advice contract</i>	<i>PHARMACY-distribuce léčiv, s.r.o.</i>	<i>Technical advice</i>	-	-
<i>Technical services contract</i>	<i>PHARMACY-distribuce léčiv, s.r.o.</i>	<i>Other technical services</i>	-	-
<i>Software Lease Agreement, according to invoices</i>	<i>Plzeňská lékárnická, s.r.o.</i>	<i>Lease of accounting IS Helios</i>	-	-
<i>Re-invoicing of services - separate contracts according to invoices</i>	<i>Plzeňská lékárnická, s.r.o.</i>	<i>Re-invoicing of services - promotional campaigns, advertising articles, provision of data services and fire protection</i>	-	-
<i>Re-invoicing of services - separate contracts according to invoices</i>	<i>Plzeňská lékárnická, s.r.o.</i>	<i>Re-invoicing of marketing bonuses</i>	-	-
<i>Software Lease Agreement, according to invoices</i>	<i>Pražská lékárnická s.r.o.</i>	<i>Lease of accounting IS Helios</i>	-	-
<i>Re-invoicing of services - separate contracts according to invoices</i>	<i>Sanovia, a.s.</i>	<i>Re-invoicing of services - promotional campaigns, advertising articles, data services</i>	-	-
<i>Re-invoicing of services -</i>	<i>Pražská lékárnická,</i>	<i>Re-invoicing of services -</i>	-	-

<i>separate contracts according to invoices</i>	<i>s.r.o..</i>	<i>promotional campaigns, advertising articles, provision of data services and fire protection</i>		
<i>Contract for transportation of goods</i>	<i>Pražská lékárnická s.r.o.</i>	<i>Remuneration for carriage of goods implemented</i>	-	-
<i>Distribution Services Agreement</i>	<i>Pražská lékárnická, s.r.o..</i>	<i>Remuneration for distribution services</i>	-	-
<i>Lease contract</i>	<i>Pražská lékárnická s.r.o.</i>	<i>Non-residential premises Brandýsek lease</i>	-	-
<i>Distribution Services Agreement</i>	<i>GALMED a.s.</i>	<i>Remuneration for distribution services</i>	-	-
<i>Lease contract, as per invoices</i>	<i>GALMED a.s.</i>	<i>Costs of assets leased and energy</i>	-	-
<i>Re-invoicing of services - separate contracts according to invoices</i>	<i>GALMED a.s.</i>	<i>Re-invoicing of services, fuels, tel. charges, data services, etc.</i>	-	-
<i>Consignation stock keeping agreement</i>	<i>GALMED a.s.</i>	<i>Consignation stock keeping at Hradec Králové branch</i>	-	-
<i>Non-residential Premises Lease Agreement</i>	<i>LEKTRANS s.r.o.</i>	<i>Non-residential premises in Prostějov</i>	-	-
<i>Non-residential Premises Lease Agreement</i>	<i>LEKTRANS s.r.o.</i>	<i>Non-residential premises at Těšínská 1346/296 Ostrava – Radvanice</i>	-	-
<i>Distribution Services Agreement</i>	<i>Sanovia, a.s.</i>	<i>Accounting services</i>	-	-
<i>Distribution Services Agreement</i>	<i>Česká lékárnická, a.s.</i>	<i>Accounting services</i>	-	-
<i>Distribution Services Agreement</i>	<i>GALMED a.s.</i>	<i>Accounting services</i>	-	-
<i>Non-residential Premises Lease Agreement</i>	<i>PHARMACY – distribuce léčiv s.r.o.</i>	<i>Non-residential premises in Prostějov</i>	-	-
<i>Motor Vehicle Lease Agreement</i>	<i>PHARMOS, a.s. SR</i>	<i>Motor vehicle lease</i>	-	-
<i>Re-invoicing of services - separate contracts according to invoices</i>	<i>Plzeňská lékárnická, s.r.o.</i>	<i>Re-invoicing of transport, marketing campaigns, data communication, expenses of Edukafarm</i>	-	-
<i>Motor Vehicle Lease Agreement</i>	<i>GALMED a.s.</i>	<i>Motor vehicle lease</i>	-	-
<i>Non-residential Premises Lease Agreement</i>	<i>Lektrans Bohemia s.r.o.</i>	<i>Non-residential premises at Těšínská 1346/296 Ostrava – Radvanice</i>	-	-
<i>Non-residential Premises Lease Agreement</i>	<i>LEKTRANS s.r.o.</i>	<i>Non-residential premises in Brno</i>	-	-
<i>Software Lease Agreement, according to invoices</i>	<i>LEKTRANS s.r.o.</i>	<i>Lease of accounting IS Helios</i>	-	-
<i>Software Lease Agreement, according to invoices</i>	<i>Lektrans Bohemia s.r.o.</i>	<i>Lease of accounting IS Helios</i>	-	-
<i>Contract for transportation of goods</i>	<i>Plzeňská lékárnická, s.r.o.</i>	<i>Remuneration for carriage of goods implemented</i>	-	-
<i>Distribution Services Agreement</i>	<i>Plzeňská lékárnická, s.r.o.</i>	<i>Remuneration for distribution services</i>	-	-
<i>Contract for transportation of goods</i>	<i>Jihlavská lékárnická, s.r.o.</i>	<i>Remuneration for carriage of goods implemented</i>	-	-
<i>Distribution Services Agreement</i>	<i>Jihlavská lékárnická, s.r.o.</i>	<i>Remuneration for distribution services</i>	-	-
<i>Distribution Services Agreement</i>	<i>Jihlavská lékárnická, s.r.o.</i>	<i>Accounting services</i>	-	-
<i>Distribution Services Agreement</i>	<i>Plzeňská lékárnická, s.r.o.</i>	<i>Accounting services</i>	-	-

<i>Distribution Services Agreement</i>	<i>Plzeňská lékárnická, s.r.o.</i>	<i>Implementation of payment supervision</i>	-	-
<i>Non-residential Premises Lease Agreement</i>	<i>Lekis s.r.o.</i>	<i>Non-residential premises in Ostrava</i>	-	-
<i>Non-residential Premises Lease Agreement</i>	<i>SoftPharm s.r.o.</i>	<i>Non-residential premises in Ostrava</i>	-	-
<i>Lease contract</i>	<i>Sanovia, a.s.</i>	<i>Frontage commercial space lease</i>	-	-
<i>Non-residential Premises Lease Agreement</i>	<i>Sanovia, a.s.</i>	<i>Non-residential premises in Ostrava</i>	-	-
<i>Assignment of claims contract</i>	<i>LEKTRANS s.r.o.</i>	<i>Assignment of Steri—way s.r.o. claims</i>	-	-
<i>Distribution Services Agreement</i>	<i>SoftPharm s.r.o.</i>	<i>Accounting services</i>	-	-
<i>Distribution Services Agreement</i>	<i>Pražská lékárnická s.r.o.</i>	<i>Accounting services</i>	-	-

1.1.4. Other contractual relationships

PHARMOS, a.s. provided the following companies with the following interest-bearing loans (in '000 CZK)

Title	Party	Balance on 31 December 2011	Description	Detriment (if any)	Advantages / Disadvantages
<i>Loan Agreement</i>	<i>Lekis s.r.o.</i>	<i>0</i>	<i>Loan</i>	-	-
<i>Loan Agreement</i>	<i>PHARMOS, a.s. SR</i>	<i>40.700</i>	<i>Loan</i>	-	-
<i>Loan Agreement</i>	<i>Jihlavská lékárnická s.r.o.</i>	<i>0</i>		-	-
<i>Loan Agreement</i>	<i>SoftPharm s.r.o.</i>	<i>500</i>	<i>Loan</i>	-	-

PHARMOS, a.s. concluded PHARMACY – distribuce léčiv s.r.o., Jihlavská lékárnická s.r.o., Pražská lékárnická s.r.o. a Plzeňská lékárnická s.r.o. an Agreement on the Compensation of a Part of Costs Incurred due to SWAP Interest Rate Fixation and Costs of Money (Interest Rate).

1.2. Purchases

As regards purchasing, the following purchase relationships were established and implemented as of the date of this Report in 2011 within the group with respect to the controlled entity or the affiliated entities within the same Group, regarding fixed assets, other assets and material.

1.2.1. Services (except for leasing)

The Submitter concluded contracts on the basis of which it was provided with the following services during the fiscal year:

Title	Party	Description	Detriment (if any)	Advantages / Disadvantages
<i>Separate deliveries, according to invoices</i>	<i>Česká lékárnická, a.s.</i>	<i>Agency activities</i>	-	-
<i>Re-invoicing of services - separate contracts according to invoices</i>	<i>Jihlavská lékárnická, s.r.o.</i>	<i>Re-invoicing of parts of lease for the use of non-residential premises</i>	-	-
<i>Contract for provision of expert consultancy</i>	<i>Galmed, a.s.</i>	<i>Consultancy services regarding tender procedures for the supplies of</i>	-	-

		<i>pharmaceuticals</i>		
<i>General contract for packaging</i>	<i>GALMED a.s.</i>	<i>Medical product secondary packaging</i>	-	-
<i>Re-invoicing of GML Agreement</i>	<i>Česká lékárnická, a.s.</i>	<i>Re-invoicing of expenses related to GML</i>	-	-
<i>Contract for transportation of distributed goods</i>	<i>LEKTRANS s.r.o.</i>	<i>Arrangement for transportation of goods</i>	-	-
<i>Contract for lease of space on commercial vehicles</i>	<i>LEKTRANS s.r.o.</i>	<i>Lease of spaces for the placing of logos</i>	-	-
<i>Contract for cooperation on the project "My Pharmacy"</i>	<i>Sanovia, a.s.</i>	<i>Marketing service</i>	-	-
<i>Motor Vehicle Lease Agreement</i>	<i>LEKTRANS s.r.o.</i>	<i>7T6 9603 motor vehicle lease</i>	-	-
<i>Motor Vehicle Lease Agreement</i>	<i>LEKTRANS s.r.o.</i>	<i>7T5 0795 motor-vehicle lease</i>	-	-
<i>Motor Vehicle Lease Agreement</i>	<i>LEKTRANS s.r.o.</i>	<i>7T5 1079 motor vehicle lease</i>	-	-
<i>Motor Vehicle Lease Agreement</i>	<i>LEKTRANS s.r.o.</i>	<i>7T5 0796 motor vehicle lease</i>	-	-
<i>Motor Vehicle Lease Agreement</i>	<i>LEKTRANS s.r.o.</i>	<i>7T5 0798 motor vehicle lease</i>	-	-
<i>Motor Vehicle Lease Agreement</i>	<i>LEKTRANS s.r.o.</i>	<i>7T5 1078 motor vehicle lease</i>	-	-
<i>Non-residential Premises Lease Agreement</i>	<i>Česká lékárnická, a.s.</i>	<i>Non-residential premises in Plzeň</i>	-	-
<i>Contract for provision of transport services</i>	<i>Lektrans Bohemia s.r.o.</i>	<i>Provision of transport</i>	-	-
<i>Service Agreement</i>	<i>SoftPharm s.r.o.</i>	<i>SW Algis maintenance</i>	-	-
<i>Motor vehicle maintenance and service contract</i>	<i>LEKTRANS s.r.o.</i>	<i>Motor vehicle maintenance and service</i>	-	-
<i>Motor vehicle maintenance and service contract</i>	<i>Lektrans Bohemia s.r.o.</i>	<i>Motor vehicle maintenance and service</i>	-	-
<i>Motor vehicle lease</i>	<i>GALMED a.s.</i>	<i>5T4 9002 motor vehicle lease</i>	-	-
<i>Service contract</i>	<i>Lekis s.r.o.</i>	<i>SW+ HW service</i>	-	-
<i>Repackaging of pharmaceuticals and parapharmaceuticals</i>	<i>GALMED a.s.</i>	<i>Repackaging of supplies</i>	-	-
<i>Sale intermediation contract</i>	<i>GALMED a.s.</i>	<i>Intermediated sales of pharmaceuticals and parapharmaceuticals</i>	-	-

1.2.2. Material Purchases

The Submitter did not purchase any material during the fiscal year from the controlling entity or the affiliated entities within the same Group.

1.2.3 Purchase of goods

The Submitter purchased products during the fiscal year from the controlling entity or the affiliated entities within the same Group.

Title	Party	Description	Detriment (if any)	Advantages / Disadvantages
<i>Separate deliverables - as per invoices</i>	<i>GALMED a.s.</i>	<i>Products - pharmaceuticals, parapharmaceuticals, additional assortment</i>	-	-
<i>Separate deliverables - as per invoices</i>	<i>PHARMOS, a.s. SR</i>	<i>Products - pharmaceuticals, parapharmaceuticals, additional assortment</i>	-	-

1.2.4. Purchase of fixed assets

The Submitter did not enter into agreements during the fiscal year, pursuant to which the Submitter purchased fixed assets from the controlling entity or the affiliated entities within the same Group.

1.2.5. Other contractual relationships

PHARMOS, a.s. provided the following companies with the following interest-bearing loans (in '000 CZK)

Title	Party	Balance on 31 December 2011	Description	Detriment (if any)	Advantages / Disadvantages
<i>Agreement on an Interest-Bearing Deposit</i>	<i>THERAPON 98, a.s.</i>	<i>1.000</i>	<i>Deposit</i>	-	-
<i>Loan Agreement</i>	<i>Česká lékárnická, a.s.</i>	<i>0</i>	<i>Loan</i>	-	-

Other legal operations

None

Other measures

None

Statement

The statutory body hereby declares, pursuant to the provisions of Section 66a) Paragraph 15 of the Commercial Code that the statutory body guarantees jointly and severally the fulfilment of liabilities regarding the indemnification of the company and its partners as a consequence of a failure to specify agreements or other transactions within this Report from which the Company suffered detriment provided that such detriment was not compensated or that no agreement for its compensation has been entered into.

In Ostrava on: 30/03/2012

.....
PharmDr. Jiří Korta, member of the Board of Directors

.....
Ing. Radovan Mališ, member of the Board of Directors

Annex 1 to Report on the Relationships between Controlling and Controlled entities issued pursuant to the provisions of Section § 66a odst. 9 Obchodního zákoníku

