

## 2009 Annual Report (1 January 2009 – 31 December 2009)



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## 1. Historical Data

### 1.1. Establishment of the Company, Shareholding Structure

The joint-stock company PHARMOS was established in April 1991 and since then it has been engaged mainly in trading activity, especially 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 strives to have a continuous close co-operation with its customers and to create favourable conditions for the development of pharmacies, thus contributing to a further increase of the respect towards the pharmaceutical profession in the Czech Republic. Since the moment it came into existence, PHARMOS has been a stable member of a group of companies gathered around Česká lékárnická, a.s.

Currently, Pharmos, a.s. has two major shareholders, Česká lékárnická, a. s., owning approximately 71.67 % of PHARMOS, a.s. shares, and a 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 activity of PHARMOS, a.s. is the purchase of goods for sale and resale. 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 company has its registered office in Ostrava-Radvanice, Těšínská 1349/296. In 2009, the distribution was performed using eight main company warehouses (localities: Ostrava-Radvanice, Prostějov, Brandýsek, Brno, Ústí nad Labem, Hradec Králové, České Budějovice and Lukášov) and one auxiliary warehouse designed as a consignment and customs warehouse (Jihlava locality). Since 2004, distribution under the PHARMOS brand name has been in progress within the localities of Jihlava and Plzeň. In February 2009, we closed the operation of our warehouse at Lukášov. 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. Since January 2010, we have started distributing from the new warehouse in Plzeň.



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. Besides the above-mentioned locality of Jihlava, these consignment warehouses are located in Ostrava, Brno, Hradec Králové, and Brandýsek. PHARMOS, a.s. provides some suppliers/manufacturers with a new form of service – a complete package consisting of warehousing services, distribution and supplier's/manufacture's stock management according to instructions the supplier/manufacturers strictly determines (i.e. in the name of the supplier/manufacture).

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 achieved operating results during 2009 can be evaluated as stable ones. This evaluation does not only apply to evaluation of achieved operating results, but also to the global position of the company on the market.

The year of 2009 was again in token of growing revenues and market share increase. In 2009, the decreasing trend in profit margin was successfully stopped both in percentage and absolute values. In 2009, we reached a gross margin in the amount of CZK 323 967 thousand and an increase in operating results before taxation in the amount of CZK 14 476 thousand.

The measures taken by the company in 2008 began to make themselves felt effectively in 2009. These measures were namely concerned in creating margin, cost reduction, working with customers, and more stringent care of claims. The same way as in 2008, we applied depreciation to a number of claims not only as to taxes but also as to accounts also in 2009. This precaution, on the other hand, had a great impact on tax liability.

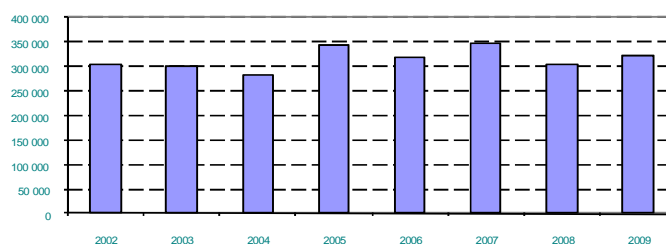
Despite the fact the year of 2009 was not the easiest, we recorded positive operating results and were able to keep our position in the Czech market.

Indicator	2004	2005	2006	2007	2008	2009
Total revenue from normal operations (CZK '000)	9 834 677	10 838 324	10 308 792	11 688 840	12 018 677	12 509 620
Total sale of goods (CZK '000)	9 695 500	10 678 580	10 149 993	11 530 913	11 864 300	12 381 708
Total export of goods (CZK '000)	747	24 912	13 547	81 750	111 676	73 528
Share of supplies for export in total sale of goods (%)	0.01%	0.23%	0.13%	0.71%	0.93%	0.59%
Revenue from services (CZK '000)	139 178	159 744	158 799	157 927	154 377	127 912
Share in % of revenue from total revenue from normal operations	1.42%	1.47%	1.54%	1.35%	1.28%	1.02%
Gross margin in absolute figures (CZK)	282 401	344 912	318 081	349 526	306 103	323 967
Gross margin (%)	2.91%	3.22 %	3.13%	2.99%	2.58%	2.62%
Business surcharge (%)	3.00%	3.34 %	3.24%	3.13%	2.65%	2.69%

Total revenues from current operations (CZK '000)



Gross margin generated (in CZK)

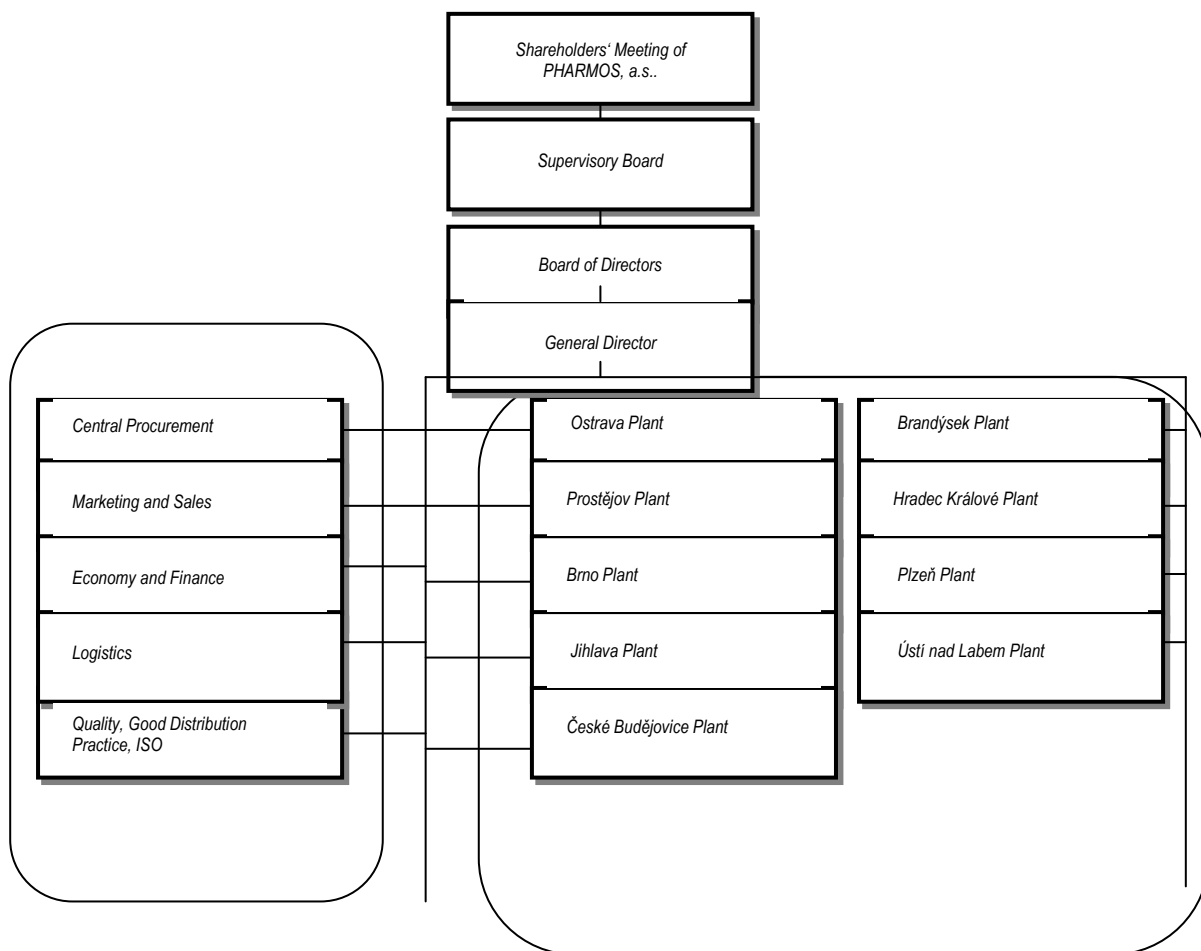


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## 2. Company Organisational Structure and Company Bodies

### 2.1. Company Organizational Structure

The organisational structure of PHARMOS, a.s. did not undergo any substantial changes during the year 2009. The diagram provided below represents the situation as of 31 December 2009.



The Lukášov and Ústí nad Labem plants terminated their activities in 2009, the former in February 2009, the latter in December 2009.

## 2.2 Company Bodies

Situation on the date 31 Dec 2009

### 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

Helmut Kraft – termination 2.12.2009, entry in SL OR 18.3.2010  
PharmDr. Petr Nalevajka  
Mgr. Ilona Mravcová  
Mgr. Lea Lesáková  
Mgr. Radim Fiala – commencement 7.1.2009  
Christoph Nöll

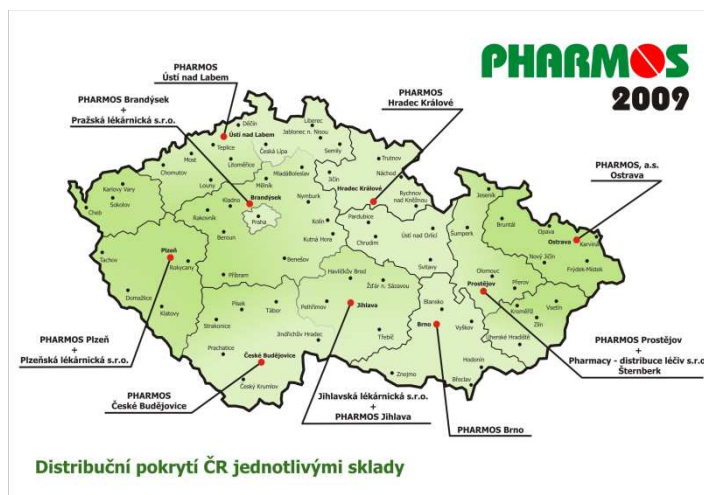
### Board of Directors:

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

PharmDr. Jiří Korta  
PharmDr. Ivan Šácha  
Mgr. Jaroslav Němeček  
Alena Marynčáková

The data in the Notes to Financial Statements reflect the situation entered in the Company Register.

**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 profit and loss for the year 2009 was assessed as positive, similarly to the past years, even though not at the same level as it was in the past years.

The total volume of the revenue from goods sold amounted to CZK 12 381 708 thousand, increased by 4.36% in comparison with the same period of the last year. The total revenue from ordinary activity amounted to CZK 12 509 620 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 323 967 thousand; in relative figures the margin was 2.62%. In comparison with 2008, the relative margin increased by 0.04%.

During 2009, the company succeeded in keeping the development within the framework of operating cost items. The consumption from operation was slightly increased by CZK 311 thousand in comparison with 2008 (by 0.2% in terms of percentage). We restricted material and energy consumption, but the costs of services were slightly increased on the other hand. The costs of services were increased namely due to IT service outsourcing, which brought us significant savings in staff costs.

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The staff costs represent the highest cost item of our company and that is why we pay a particular attention to it. Compared to last year, the staff costs declined by CZK 13 100 thousand to CZK 149 054 thousand. This decline is caused by the above mentioned IT service outsourcing, and primarily, by the measure as to staff reduction that was adopted.

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 expense interests represented CZK 71 907 thousand. They dropped by CZK 18 616 thousand compared to 2008. This decrease was caused by the drop of interest rates in the interbank market, but primarily due to reduction of volume of foreign resources drawn.

As of the last day of the monitored period, the fixed assets of the company reached the total amount of CZK 3 953 924 thousand, and in comparison with the balance at the end of the last fiscal year, it increased by approximately CZK 382 640 thousand. The net book value of the tangible and intangible fixed assets, as of 31 December 2009, increased by CZK 4 291 thousand against the situation on 31.12.2009. However, the current assets of the company posted an annual increase by CZK 348 841 thousand. The great impact on the growth of the current assets was caused by the stock level when we had to prepare for increased demand from the beginning of 2010 v in connection with new business transactions.

The company's equity increased by CZK 1 962 thousand and its total volume reached CZK 578 820 thousand. In 2009, the Company's registered capital was not increased.

## **4. Investment Construction and Development of Activities**

### **4.1. Investment Construction in the Past Year**

The investments made in the course of the past years were focussed especially on the renewal and complementation of the Company's existing fixed assets and an overall improvement of the structure of these fixed assets. In 2009, we accomplished the mechanization of the line for delivery from the storage in Brno. The reconstruction of lighting of the storage area in Brno warehouse was also accomplished.

### **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.

## 5. Selected Data from the Balance Sheet



<b>TEXT (NETT BALANCE) IN CZK '000</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>
Total assets	3 835 757	4 003 788	3 826 678	3 915 180	3 571 284	3 953 924
Stock subscriptions receivable	-	-	-	-	-	-
Fixed assets	348 607	339 755	324 711	311 645	273 965	269 674
Intangible fixed assets	10,300	5,703	3,377	1,121	834	6 856
Tangible fixed assets	315 114	310 859	306 215	307 405	270 012	259 699
Financial investments	23 193	23 193	15 119	3 119	3 119	3 119
Current assets	3 485 296	3 662 702	3 500 013	3 601 343	3 289 650	3 638 491
Stock	974 818	1 096 882	1 081 904	906 785	777 115	1 116 643
Long-term debtors	101 799	48 129	54 797	66 200	45 414	70 123
Short-term debtors	239 210	2 482 531	2 319 073	2 563 179	2 384 192	2 304 012
Financial assets	10 469	35 160	44 239	65 179	82 929	147 713
Other assets – temporary asset accounts	1 854	1 331	1 954	2 192	7 669	45 759
Total liabilities	3 835 757	4 003 788	3 826 678	3 915 180	3 571 284	3 953 924
Equity	530 512	542 762	552 872	565 120	576 858	578 820
Registered capital	342 800	342 800	342 800	342 800	342 800	342 800
Capital funds	-	-	-	-	-	-
Funds from profit	135 005	145 005	176 005	176 005	176 005	176 005
Retained profit or loss from previous years	15 953	12 821	14 387	32 402	46 314	56 009
Profit or loss of current year	36 754	42 136	19 680	13 913	11 739	4 006
Liabilities	3 305 245	3 460 480	3 273 287	3 349 836	2 991 855	3 346 674
Reserves	7 700	-	6 000	18 638	-	129
Long-term liabilities	-	29 558	24 376	16 603	12 421	14 080
Short-term liabilities	1 435 538	1 509 832	1 380 086	1 360 867	1 343 239	1 933 965
Bank loans and overdrafts	1 862 007	1 921 090	1 862 825	1 953 728	1 636 195	1 398 500
Other liabilities - temporary liability accounts	-	546	519	224	2 571	28 430

The inter-annual growth of assets was primarily caused by compensated revaluation of the goods (pharmaceuticals) upon alteration in prices of pharmaceuticals.



## 6. Selected Data from the Profit and Loss Account



TEXT (CZK '000)	2004	2005	2006	2007	2008	2009
Sales of goods purchase for resale	9 695 500	10 678 580	10 149 993	11 530 913	11 864 300	12 381 708
Cost of goods sold	9 413 099	10 333 668	9 831 912	11 181 387	11 558 197	12 057 741
Gross margin	282 401	344 912	318 081	349 526	306 103	323 967
Sale of own products and services	139 178	159 744	158 799	157 927	154 377	127 912
Consumables	21 968	25 301	26 675	25 029	22 008	21 734
Services	139 897	153 765	144 226	141 652	145 529	146 114
Added value	259 714	325 590	305 979	340 772	292 943	284 031
Wages and salaries	104 428	111 314	114 096	117 605	115 611	109 940
Social and health insurance	35 667	37 788	39 514	39 071	38 575	32 171
Social benefits	3 664	5 054	6 985	8 039	7 978	6 943
Taxes and charges	1 186	3 806	-605	1 522	4 722	2 407
Depreciation of intangible and tangible fixed assets	22 973	20 543	20 111	27 749	25 169	21 655
Sales of fixed assets and materials	2 377	5 727	71	487	63 571	2 182
Net book value of sold fixed assets and materials	376	3 825	22	195	20 409	1 203
Change in the reserves and adjusting entries in the area of operations and complex retained expenses	4 116	19 525	3 528	24 734	4 658	-13 495
Other operating income	9 647	6 203	9 386	11 641	36 153	7 688
Other operating expenses	10 474	18 035	26 425	28 719	42 633	43 521
Profit / loss from operations	88 854	117 630	105 360	105 266	132 912	89 556
Sales of securities and shares	21 416	-	-	-	1 845	5 295
Securities and shares sold	21 242	-	-	-	1 845	5 295
Change in the reserves and adjusting entries in the area of finance	-	-	6 000	-	-	-
Interest income	10 495	7 118	4 811	4 899	3 223	3 700
Interest expenses	51 484	61 337	62 245	77 444	90 523	71 907
Other financial income	28 495	22 256	17 797	18 575	13 934	14 534
Other financial expenses	28 217	28 618	21 782	33 536	34 623	21 559
Profit or loss from financial operations	-40 537	-60 581	-67 419	-87 506	-107 989	- 75 080
Income tax on ordinary activities – due	10 066	15 203	13 486	11 620	17 367	8 811
Income tax on ordinary activities – deferred	1 806	292	4 775	-7 773	-4 183	1 659
Profit or loss from ordinary activities	36 445	41 554	19 680	13 913	11 739	4 006
Extraordinary income	400	687	-	-	-	-
Extraordinary expenses	91	105	-	-	-	-
Income tax on extraordinary activities – due	-	-	-	-	-	-
Extraordinary profit or loss	309	582	-	-	-	-
Profit or loss of current year	36 754	42 136	19 680	13 913	11 739	4 006
Profit or loss before taxation	48 626	57 631	37 941	17 760	24 923	14 476

## 7. Selected Data from the Cash Flow Statement



No.	Text (CZK '000)	2006	2007	2008	2009
P.	Balance of funds and monetary equivalents at the beg. of the accounting period	35 160	44 239	65 179	82 929
Z.	Book profit/loss from ordinary activity before taxation	37 941	17 760	24 923	14 476
A.1.	Adjustments with non-monetary operations	87 024	124 736	67 807	75 236
A.1.1.	Depreciation of fixed assets (+) except for net book value of fixed assets sold	27 165	27 750	25 169	21 655
A.1.2.	Variation in adjustments and reserves, and variat. in temp. asset and liab. acc. (+/-)	2 474	24 734	-1 840	-13 495
A.1.3.	Profit (loss) from the sale of fixed assets (-/+)	-49	-293	-42 822	- 979
A.1.4.	Revenue from dividends and share of profit (-)	-	-	-	- 152
A.1.5.	Settled expense interests (+) and settled income interests (-)	57 434	72 545	87 300	68 207
A*	Net cash flow from oper. act. before tax., changes in work. cap. and extraord. items	124 965	142 496	92 730	89 712
A.2.	Change in the need of working capital	-3 266	-11 604	-29 990	75 236
A.2.1.	Variation in operating activity receivables (+/-)	158 887	-269 416	177 640	29 472
A.2.2.	Variation in operating activity short-term liabilities (+/-)	-177 188	81 140	-337 158	383 647
A.2.3.	Variation in stocks (+/-)	15 035	176 672	129 528	- 337 883
A**	Net cash flow from operating activity before taxation and extraordinary items	121 699	130 892	62 740	164 948
A.3.	Expenditure on interests paid except for capitalized interests (-)	-62 245	-77 444	-90 523	- 71 907
A.4.	Interests received (+)	4 811	4 899	3 223	3 700
A.5.	Tax paid on income from ordin. act. and for additional tax assess. for previous years	-11 548	-12 371	-13 023	-13 680
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	52 717	45 976	-37 583	83 213
B.1.	Expenditures related to acquisition of fixed assets	-12 168	-14 879	-7 898	- 18 567
B.2.	Income from sale of fixed assets	71	488	63 231	2 182
B.3.	Loans and credits for related persons	-	-	-	-
B***	Net cash flow related to investment activity	-12 097	-14 391	55 333	-16 385
C.1.	Variation in long-term or short-term liabilities	-21 957	-9 000	-	-
C.2.	Impact of variation in equity on funds	-9 584	-1 645	-	- 2 044
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 (-)	-9 584	-	-	-
C.2.3.	Monet. don. and allocat. into equity and other ass.s' and shareholders' deposits (+)	-	-	-	-
C.2.4.	Settlement of loss on behalf of associates (+)	-	-	-	-
C.2.5.	Direct payments to the debit of funds (-)	-	-	-	-
C.2.6.	Dividends paid including paid withholding tax (-)	-	-1 645	-	- 2 044
C***	Net cash flow related to financial activity	-31 541	-10 645	-	- 2 044
F.	Net increase/decrease in the balance of funds	9 079	20 940	17 750	64 784
R.	Balance of funds and monetary equivalents at the end of the accounting period	44 239	65 179	82 929	147 713

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## 8. Company Supervisory Board Report

### **Company Supervisory Board Report Concerning 2009 Financial Statements**

The Supervisory Board of PHARMOS, a.s. was duly informed about the development of the business activity of the company and fulfilled all the pertinent tasks both according to the Czech system of law and according to the Articles of Association.

The Final Accounts and Annual Report were audited as of 31 December 2009 by AUDIT PROFESIONAL spol. s r.o., the company's auditor. The Supervisory Board has examined the Annual Report and approves of the findings contained in the Auditor's Report as of 31 December 2009.

The Supervisory Board would like to thank all the Members of the Board of Directors of PHARMOS, a.s. participating in the company's activity.

Supervisory Board

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## 9. Independent Auditors' Report concerning the Annual Report

/AP/ref. No. 27/2010

### Independent Auditor's Report on auditing 2009 Annual Report, including the Report on Relations among interconnected persons intended for PHARMOS, a.s. shareholders

#### Financial Statements Report

According to the audit carried out on 28 April 2010, we issued a report to the Financial Statements which is part of this Annual Report of PHARMOS, a.s. stating the following:

"We audited the enclosed Financial Statements of PHARMOS, a.s., i.e. the Balance Sheet as of 31 December 2009 and the Profit and Loss Statement, the Summary of Changes in Equity and the Cash Flow Statement for the period from 01.01.2009 to 31.12.2009 and the Enclosure to this Financial Statements, including the description of applied important accounting methods. The data on PHARMOS, a.s. are presented in the Enclosure to this Financial Statements.

***In our opinion, the Financial statements give a true and honest image of assets and liabilities and financial situation of PHARMOS, a.s. as of 31.12.2009 and of expenses, revenues, operating results and cash flows during the year 2009 in compliance with the Czech Accounting Standards."***

#### Report on the Annual Report

We also audited the conformity of the Annual Report of **PHARMOS, a.s.** with the above mentioned Financial Statements. The statutory body of **PHARMOS, a.s.** is responsible for 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 auditing carried out.

We carried out the auditing in compliance with the International Auditor Standards and related application clauses of the Chamber of Auditors of the Czech Republic. According to these standards, the auditor is required to plan and carry out auditing so as to obtain adequate assurance that the data included in the Annual Report and taken over from the Financial Statements and used are in compliance with the appropriate Financial Statements in all relevant aspects. We are convinced that the auditing 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 2009 is in compliance with the aforesaid Financial Statements in all relevant aspects.***

#### Report on relations among 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.** as of 31 December 2009 which is part of the Annual Report. 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 audit carried out.

We carried out the examination in compliance with the International Auditor Standards related to examination and application clauses of the Chamber of Auditors of the Czech Republic. These standards require us to plan and carry out examination aimed at getting a medium degree of certainty that the Report on Relations does not include relevant inaccuracies. The examination is mostly limited to inquiring the company's staff and to analytical procedures and to selectively executed examination of the objective accuracy of the data. That is why the examination provides a lower degree of certainty than the audit.

We did not audit the Report on Relations and that is why we do not convey the auditor's verdict.

Pursuant to our examination, we did not discover any relevant objective inaccuracies in the data submitted in the Report on Relations among interconnected persons of PHARMOS.a.s. on the date of 31 December 2009.

Ostrava, 3 May 2010

For **AUDIT PROFESIONAL, spol. s r.o.**  
Čujkovova 1736/30,  
700 30 Ostrava-Zábřeh  
**Certificate KAČR No. 64**

Signed *Vašíčková*  
L.S. **AUDIT PROFESSIONAL KA CR No. 064**

*Ing. Miluše Vašíčková, auditor with the certificate KA ČR No. 1294, and company executive head*

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## 10. Information about Data Ascertained after 31 December 2009

In the period before the Appendix to the Annual Report was compiled, a change in the Company Register was made – Dr. Helmut Kraft was deleted from his position as chairman of the Supervisory Board on 18.3.2010.

## 11. Anticipated Development of Company

Attention shall be further devoted to the growth of sales on the supplies to pharmacies, hospitals and medical product outlets throughout the Czech Republic; increased attention shall be given to the regions of West Bohemia and the Vysočina where PHARMOS holds a market share below 20%.

In addition, logistics shall be taken care of namely in the facilities in Bohemia. In 2009, we wound up the warehouses in Ústí nad Labem and Lukášov within the framework of our labour-saving measures and established a new one in Plzeň. We also moved in new storage areas in České Budějovice. All of these changes resulted in new regionalization of pharmacies, which took its course in 2009 and terminated in January 2010. These activities were very demanding as regards business and logistics but we can expect increases in working productivity and saving of all kinds of expenses. In the following period, we are going to lay stress primarily on improvement of quality of logistic service provided.

## 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.

Ostrava, 27 April 2010



PharmDr. Ivan Šácha  
Board of Directors member



Alena Marynčáková  
Member of the Board of Directors

## Balance sheet 2009

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

### BALANCE SHEET

unabbreviated

As of 31.12.2009

(rounded to CZK '000)

ID No.

19010290

Trade name of 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 (line 02 + 03 + 31 + 62) = line 66	4 288 030	-334 106	3 953 924	3 571 284
B.	Fixed assets (line 04 + 13 + 23)	513 385	-243 711	269 674	273 965
B. I.	Intangible fixed assets (line 05 to 12)	51 402	-44 546	6 856	834
3.	Software	18 629	-18 004	625	834
4.	Valuable rights	26 542	-26 542		
7.	Outstanding long-term intangible assets	6 231		6 231	
B. II.	Tangible fixed assets (line 14 to 22)	458 762	-199 063	259 699	270 012
B. II. 1.	Lands	14 328		14 328	14 421
2.	Structures	209 134	-52 632	156 502	160 729
3.	Machinery, tools & equipment, vehicles and fixtures	122 649	-90 003	32 646	37 459
7.	Tangible fixed assets not-in-use	6 340		6 340	177
8.	Prepayments for tangible fixed assets	508		508	798
9.	Difference in valuation of acquired assets (+/-)	105 803	-56 428	49 375	56 428
B. III.	Long-term investments (line 24 to 30)	3 221	-102	3 119	3 119
3.	Other long-term securities and shares	221	-102	119	119
4.	Loans and credits – controlling entity, substantial effect				
6.	Acquired long-term investments	3 000		3 000	3 000
C.	Current assets (line 32 + 39 + 47 + 57)	3 728 886	-90 395	3 638 491	3 289 650
C. I.	Inventories (line 33 to 38)	1 116 942	-299	1 116 643	777 115
5.	Merchandise	1 115 147	-299	1 114 848	775 297
6.	Prepayments for inventories	1 795		1 795	1 818
C. II.	Long-term debtors (line 40 to 46)	70 123		70 123	45 414
C. II. 1.	Receivables from trade relations	45 724		45 724	19 280
2.	Receivables from subsidiaries and controlled undertakings	24 399		24 399	26 134
C. III.	Short-term debtors (line 48 to 56)	2 394 108	-90 096	2 304 012	2 384 192
C. III. 1.	Receivables from trade relations	2 306 266	-90 096	2 216 170	2 304 788
2.	Receivables from controlling entities	22 000		22 000	4 000
6.	Taxes receivable	2 253		2 253	
7.	Short-term prepayments	3 780		3 780	3 743
8.	Estimated receivables	58 930		58 930	69 482
9.	Other receivables	879		879	2 179
C. IV.	Short-term investment (line 58 to 61)	147 713		147 713	82 929
C. IV. 1.	Cash	10 911		10 911	1 580
2.	Bank accounts	129 438		129 438	69 034
3.	Short-term securities and shares	7 364		7 364	12 315
D. I.	Accruals and deferrals (line 63 to 65)	45 759		45 759	7 669
D. I. 1.	Deferred expenses	637		637	879
3.	Accrued income	45 122		45 122	6 790

Identification a	LIABILITIES b		Current fiscal year 5	Prior fiscal year 6
	TOTAL LIABILITIES (line 67 + 84 + 117) = line 001		3 953 924	3 571 284
<b>A.</b>	<b>Equity (line 68 + 72 + 77 + 80 + 83)</b>		<b>578 820</b>	<b>576 858</b>
A. I.	Registered capital (line 69 to 71)		342 800	342 800
A. I. 1.	Capital stock		342 800	342 800
A. III.	Reserve fund, indivisible fund and other funds from profit (line 78 + 79)		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 (line 81 + 82)		56 009	46 314
A. IV. 1.	Retained profit of prior years		56 009	46 314
<b>A. V.</b>	<b>Profit/loss of current year (line 01 - 68 - 72 - 77 - 80 - 84 - 117) = line 60 of Profit and Loss Account, unabbreviated</b>		<b>4 006</b>	<b>11 739</b>
<b>B.</b>	<b>Liabilities (line 85 + 90 + 101 + 113)</b>		<b>3 346 674</b>	<b>2 991 855</b>
B. I.	Reserves (line 86 to 89)		129	
4.	Reserves according to the relevant legal regulations		129	
B. II.	Long-term payables (line 91 to 100)		14 080	12 421
10.	Deferred tax liability		14 080	12 421
B. III.	Short-term payables (line 102 to 112)		1 933 965	1 343 239
B. III. 1.	Payables from trade relations		1 897 899	1 273 491
2.	Payables to controlling entity		9 400	4 000
4.	Payables to partners and consortium members		21	21
5.	Account payable to employees		7 346	6 997
6.	Payables from social security and health insurance		3 517	3 822
7.	Taxes payable and subsidies		671	22 977
8.	Short-term advance payments received		734	6 861
10.	Anticipated liabilities		14 206	24 922
11.	Other creditors		171	148
B. IV.	Bank loans and borrowings (line 114 to 116)		1 398 500	1 636 195
2.	Short-term bank loans		1 398 500	1 636 195
C. I.	Accruals and deferrals (line 118 + 119)		28 430	2 571
C. I. 1.	Accrued expenses		24 165	2 494
2.	Accrued income		4 265	77

Compiled on: 19.04.2010	Approved on: 19.04.2010	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

**PROFIT AND LOSS STATEMENT**

unabbreviated

as of 31.12.2009

(rounded to CZK \*000)

ID No.

19010290

Trade company of the accounting unit  
PHARMOS, a.s

Registered office of the accounting unit

Těšínská 1349/296

Ostrava - Radvanice

716 00

Identification a	TEXT b	Figures posted during fiscal year	
		current 1	previous 2
I.	Sales of goods purchased for resale	12 381 708	11 864 300
A.	Cost of goods sold	12 057 741	11 558 197
+	Gross margin (line 01 - 02)	323 967	306 103
II.	Production (line 05 to 07)	127 912	154 377
II. 1.	Sale of own products and services	127 912	154 377
B.	Purchased consumables and services (line 09 + 10)	167 848	167 537
B. 1.	Consumption of material and energy	21 734	22 008
B. 2.	Services	146 114	145 529
+	Added value (line 03 + 04 - 08)	248 031	292 943
C.	Staff costs (line 13 to 16)	149 054	162 164
C. 1.	Wages and salaries	109 940	115 611
C. 3.	Social security and health insurance	32 171	38 575
C. 4.	Social benefits	6 943	7 978
D.	Taxes and charges	2 407	4 722
E.	Depreciations of tangible and intangible fixed assets	21 655	25 169
III.	Sale of fixed assets and materials (line 20 + 21)	2 182	63 571
III. 1.	Sale of fixed assets	2 182	63 231
III.2.	Sale of materials		340
F.	Net book value of sold fixed assets and materials (line 23 + 24)	1 203	20 409
F. 1.	Net book value of sold fixed assets	1 203	20 409
G.	Change in reserves and adjusting entries in the area of operations and complex retained expenses accrued (+/-)	- 13 495	4 658
IV.	Other operating income	7 688	36 153
H.	Other operating expenses	43 521	42 633
*	Income from operations [line 11 - 12 - 17 - 18 + 19 - 22 - (+/-25) + 26 - 27+ (-28) - (-29)]	89 556	132 912
VI.	Sales from sold securities and shares	5 295	1 845
J.	Securities and shares sold	5 295	1 845
VIII.	Revenues from short-term financial assets	152	
X.	Interest receivable	3 700	3 223
N.	Interest expenses	71 907	90 523
XI.	Other financial income	14 534	13 934
O.	Other financial expenses	21 559	34 623
*	Financial profit and loss [line 31 - 32 + 33 + 37 - 38 + 39 - 40 - (+/-41) + 42 - 43 + 44 - 45 + (-46) - (-47)]	-75 080	-107 989
Q.	Income tax on ordinary activities (line 50 + 51)	10 470	13 184
Q. 1.	— due	8 811	17 367
Q. 2.	— deferred	1 659	-4 183
**	Profit and loss from ordinary activities (line 30 + 48 - 49)	4 006	11 739
***	Profit and loss of current year (+/-) (line 52 + 58 - 59)	4 006	11 739
****	Profit and loss before tax	14 476	24 923

Compiled on: 19.04.2010

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 on file by the Regional Court in Ostrava, Section B, File 188



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## Notes to Financial Statement of PHARMOS a.s., as of 31 December

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The Notes are issued in accordance with the Ministry of Finance Decree 500/2002 Coll. of 6 November 2002, implementing some provisions of Act 563/1991 Coll., concerning accountancy, as amended by subsequent regulations, for accounting units with double-entry bookkeeping. 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, Ostrava-Radvanice, PSČ: 716 00

Legal form: Joint-stock company

ID No: 19010290

VAT No.: CZ19010290

Subject of enterprise:

- Treatment of substances and preparations subject to Act 167/1998 Coll. to the following extent: preparations with contents of narcotics indicated in Annex No. 2 to Act No. 167/1998, preparations containing narcotics indicated in Annex No. 5 to Act No. 167/1998 and preparations containing narcotics indicated in Annex No. 6 to Act No. 167/1998 and others – pursuant to Decision of the Ministry of Health of the Czech Republic No. 44/2002 of 4.7.2002
- Production, sale and services not indicated in Annexes 1 to 3 of the Trade Act

Establishment of company:

The company was established on 30 April 1991 upon its incorporation in the Commercial Register kept by the Regional Court in Ostrava, Section B, File 188.

Start of operation of the accounting unit: 30.4.1991

BALANCE SHEET DATE 31.12.2009

DATE OF FINANCIAL STATEMENT 19.04.2010

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

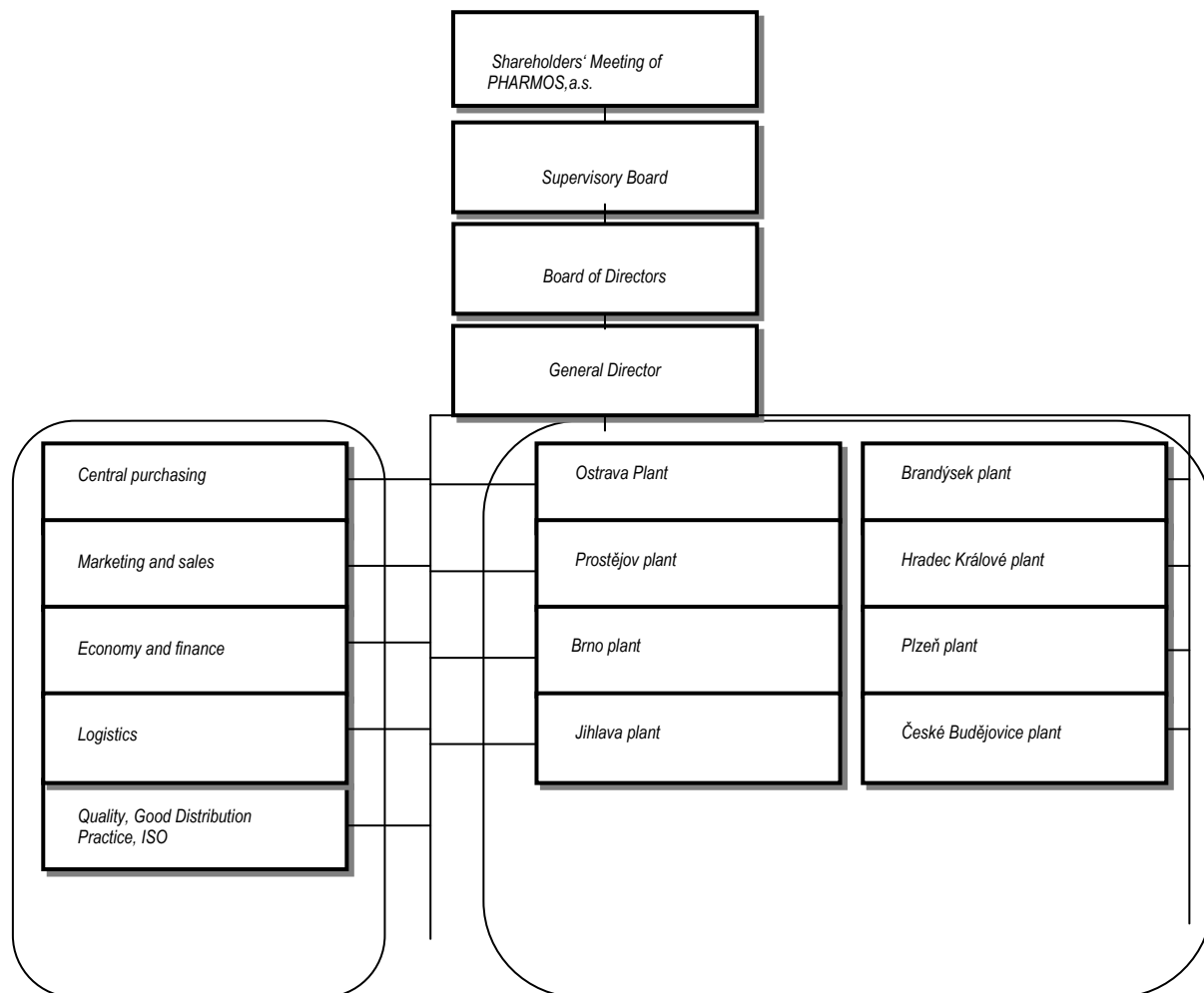
Persons holding shares in the registered capital of the accounting unit exceeding 20%:

Name of individual or trade name of corporation	Residence, registered office	As of 31 Dec. 2008		As of 31 Dec. 2009	
		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, CR	71.55	245 280	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 Organizational structure of PHARMOS, a.s.



The Lukášov and Ústí nad Labem plants terminated their activities in 2009, the former in February 2009, the latter in December 2009.

## 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	Marynčáková	Alena		
Member of the Board	Němeček	Jaroslav	Mgr.	
Chairman of the Supervisory Board	Kraft	Helmut	Dr.	Membership terminated 2.12.2009, entry in SL OR 18.3.2010
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.	Membership commenced 7.1.2009, entry in SL OR 3.3.2009
Member of the Supervisory Board	Nöll	Christoph		

## Entries made in the dossier of the Commercial Register

Mgr. Karel Šlégr – member of the Board of Directors – deleted, membership termination date 18.12.2008 – entry in SL OR 03.03.2009

Ing. Oldřich Fiala – member of the Supervisory Board – membership termination date 7.1.2009 – entry in SL OR 3.3.2009

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

Ownership interests exceeding 20% - none

## 3. Company employees, staff costs

Item	Employees total		Of this: members of management	
	2008	2009	2008	2009
Average headcount	635	603	72	69
Wages and salaries	115 611	109 940	24 932	22 223
Social security expenses	38 575	32 171	7 876	7 116
Social benefits	7 978	6 943	576	90
Cost of staff, total	162 164	149 054	33 384	29 429

Remuneration to members of statutory and supervisory bodies	2008	2009
Remuneration to members of statutory bodies	0	235
Remuneration to members of supervisory bodies	0	95
Total	0	330

## 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.

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## 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

- According to method A of stock recording

Release of stock from warehouse is accounted:

- using the 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 acquirer (i.e. PHARMOS, a.s.) continues – from the tax perspective – in the depreciations commenced by the original owner, in accordance with Section 30, Paragraph 10, Letter b) of the Income Tax Act, i.e. the entry price for the evaluation of assets in the company's books is the net book value of such assets at the depositor.

In connection with the implementation of a non-monetary deposit of Česká lékárnická, a.s., PHARMOS, a.s. also registers, as of 1 January 2002, an adjustment to the acquired assets in a total amount of CZK 105 803 thousand; this adjustment represents the differences in the accounting evaluation of the subject of the non-monetary deposit with the depositor adopted in the accountancy books of the acquirer (i.e. PHARMOS, a.s.) and the evaluation provided by 2 independent experts appointed by the court for the evaluation of the non-monetary deposit of Česká lékárnická, a.s., i.e. Ing. Petr Korč (an expert appointed by the Regional Court in Ostrava on 30 November 1983, ref. No. 4056/83, for the fields of economy, prices and assessment of real property, vehicles, machinery, devices and systems, market evaluation of enterprises; the expert's report is registered under ref. No. 22036) and Mgr. Pavel Procházka (an expert appointed by the Regional Court in Ostrava on 25 October 2001, ref. No. 3476/2001 for the fields of economy, specializing in prices and assessment of enterprises.; the expert's report is registered under ref. No. 07-05/2002). The expert report was made out in order to ascertain the actual status on the basis of the pertinent assessment methodology, as of the assessment record date, i.e. 31 December 2001. The synthesis of the methods used for the calculation of the market value (normal value calculated with the use of the substance method and normal value of the non-monetary deposit calculated with the use of the return method of discounted net flows into the company) was conducted with the use of the method of weighted average. The value of the non-monetary deposit of the depositor (Česká lékárnická, a.s.) while maintaining the going concern assumption was determined at CZK 180 787 thousand.

#### 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

During the fiscal year concerned, the accounting unit reported no changes regarding the accounting methods.

### 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: 30% of the stock value.	Stock records
Adjustment to receivables	Statutory adjustments are created depending on the number of months overdue (i.e. for receivables overdue for a period exceeding 6 months, adjustments are generated at the amount of 20% For receivables for which court proceedings have been initiated, the adjustment is created as follows: overdue for a period exceeding 12 months: 33% overdue for a period exceeding 18 months: 50% overdue for a period exceeding 24 months: 66% overdue for a period exceeding 30 months: 80% overdue for a period exceeding 36 months: 100% An adjusting entry is created to receivables against companies under bankruptcy in the amount of 100%.	Accounts receivable ledger, book inventory and recording of legal proceedings

Adjustments to:	Balance as of 1 Jan		Additions		Payments		Balance as of 31 Dec	
	2008	2009	2008	2009	2008	2009	2008	2009
Tangible and intangible fixed assets	-	-	-	-	-	-	-	-
Stock	1 802	1 944	142	-	-	1 645	1 944	299
Financial investments	102	102	-	-	-	-	102	102
Receivables - statutory	85 419	102 075	23 154	16 404	6 498	28 383	102 075	90 096
Other receivables	-	-	-	-	-	-	-	-

### 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 2009 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. As regards tangible fixed assets, the accounting and tax depreciations are not equal.

#### 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 balance sheet date, receivables, cash and liabilities were recalculated using the CNB exchange rate valid as of 31 December 2009.

## 7. Determination of deferred tax

In accordance with the Czech Accounting Standard No. 3 (hereinafter the CAS), the accounting unit reported deferred tax from previous accounting and tax differences:

Item	Fiscal year	
	2008	2009
RESIDUAL VALUE (ACCOUNTING) > RESIDUAL VALUE (TAX)	-21 508	-22 036
Outstanding default interest - receivable	-14 849	-6 463
Unapplied reinvestment	-	-
Adjustments to acquired assets, by 31 Dec 2004	-56 428	-49 375
Total taxable	-92 785	-77 874
<b>Deferred tax liability (2010-19%)</b>	<b>-17 778</b>	<b>-14 796</b>
RESIDUAL VALUE (ACCOUNTING) < RESIDUAL VALUE (TAX)	-	-
Adjustments to securities	-	-
Adjustments to stock	1 944	299
Adjustments to acquired assets	-	-
Accounting adjustments to receivables	22 252	3 125
Accounting reserves	-	129
Outstanding property transfer tax	1 909	83
Outstanding penalties	681	133
Unapplied reinvestment	-	-
Unapplied tax loss	-	-
Total deductibles	26 786	3 769
<b>Deferred tax liability (2010-19%)</b>	<b>5 357</b>	<b>716</b>
Deferred tax, total (+ receivables / - liabilities)	-12 421	-14 080

## 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 2009, 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

For the prior fiscal year, the company posted a back income tax in the amount of CZK 2 087 thousand pursuant to our notice of appeal.

#### 1.2. Long-term bank loans

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

#### 1.3. Breakdown of subsidies accepted for investment and operating purposes

Reason for subsidy	Provider	2008	2009
No subsidies for investment or operating purposes accepted		-	-
TOTAL		-	-

#### 1.4. Short-term investments

As of the Financial Statement date, the company posts Short-term investments in the amount of CZK 7 364 thousand. These are shares of Česká lékárnická, a.s., purchased from the original share owners under the Moje lékárna (My Pharmacy) project. The aim of the project is to further increase the company's sales. The shares purchased under the Moje lékárna (My Pharmacy) project will be offered to pharmacists on a reciprocal basis for an increase in the volume of sales – in accordance with a resolution of the Shareholders' Meeting of Česká lékárnická, a.s.

### 2. Important events following the Financial Statement date

A change in the Commercial Register was made in the period before the date of compilation of appendix to the final accounts – Dr. Helmut Kraft was deleted from the post of Chairman of the Supervisory Board on 18 March 2010.

### 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)
	2008	2009	2008	2009	2008	2009	2009	2009
Lands	14 421	14 328	-	-	14 421	14 328	354	447
Buildings, halls, structures	207 169	209 134	46 440	52 632	160 729	156 502	2 808	7 035
Machinery, tools & equipment, vehicles and fixtures	<b>121 861</b>	<b>122 649</b>	<b>84 402</b>	<b>90 003</b>	<b>37 459</b>	<b>32 646</b>	<b>3 277</b>	<b>8 090</b>
-Machinery, devices, equipment,	76 663	77 072	42 837	47 132	33 826	29 940	1 474	5 360
-Vehicles	4 496	5 050	3 771	3 905	725	1 145	844	424
-Inventory	6 971	6 971	5 850	6 018	1 121	953	-	168
Other tangible fixed assets	33 731	33 556	31 944	32 948	1 787	608	959	2 138
Tangible fixed assets in progress	177	6 340	-	-	177	6 340	8 175	2 012
Adjustments to acquired assets	105 803	105 803	49 375	56 428	56 428	49 375	-	7 053

Prepayments for tangible fixed assets as of 31 December 2009 were CZK 508 thousand.



### 3.2. Intangible fixed assets (DNM)

Category	Acquisition price		Allowances		Net book value		Increase (acquisition price)	Decrease (net book price, depreciations)
	2008	2009	2008	2009	2008	2009	2009	2009
Software	17 108	17 309	16 351	16 687	757	622	201	336
Valuable rights	26 542	26 542	26 542	26 542	-	-	-	-
Alternative intangible fixed assets (incl. other intangible fixed assets)	1 319	1 319	1 244	1 317	75	2	-	73
Intangible fixed assets in progress	-	6 231	-	-	-	6 231	6 231	-

Prepayments for intangible fixed assets as of 31 December 2009 were CZK 0.00.

### 3.3. Tangible fixed assets acquired in the form of financial lease

(Financial leasing with subsequent purchase of the leased item, together according to individual categories of assets, figures excl. VAT, except for passenger vehicles).

Summary of financial leasing		Total value	First instalment (prepayment)	Total instalments	Instalments paid	Instalments to be paid	
						within 1 year	within 1 year
Previous fiscal year – 2008	Passenger vehicles, utility vehicles, stock equipment	7 415	1 622	5 793	3 101	1 169	1 523
Current fiscal year – 2009	Passenger vehicles, utility vehicles, stock equipment	3 218	603	2 615	1 092	496	1 027

### 3.4. Tangible fixed assets acquired in the form of operative lease

No operative lease is used.

### 3.5. Total amount of off-balance assets

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

Goods in consignment stock:	CZK 355 556 thousand
Goods received to consignment sale:	CZK 8 107 thousand
Goods of the Ministry of Health:	CZK 12 307 thousand

### 3.6. Breakdown of tangible fixed assets subject to right of lien

Previous fiscal year – 2008

Property	Book value	Security	Purpose	Duration	Liability
Warehouse complex Ostrava-Radvanice (building and land)	Buildings - approximately CZK 94 million in acquisition price	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 Brno (building and land)	Land - approximately CZK 7 million in acquisition prices.				

Current fiscal year– 2009

Property	Book value	Security	Purpose	Duration	Liability
Warehouse complex Ostrava-Radvanice (building and land)	CZK 47 million				
Warehouse complex Prostějov (building and land)	CZK 14 million	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)	CZK 19 million				
Warehouse complex Brno (building and land)	CZK 63 million				

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

Assets	Book value	Market value
Terminated leasing agreements (before 31 Dec 2009 incl. prior years)	26	2 220
Terminated leasing agreements (before 31 Dec 2008 incl. prior years)	135	3 211

### 3.8. Long-term investments – securities and ownership interests

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

Trade name	Registered office	Previous year – 2008			Dividends	Profit/loss of current year
		Acquisition price	Share %	Adjustment		
AGB Praha a.s.	Prague, ČR	102		102	-	-
Lekis s.r.o.	Ostrava, ČR	119	17.7 %	-	-	-

Trade name	Registered office	Current year – 2009			Dividends	Profit/loss of current year
		Acquisition price	Share %	Adjustment		
AGB Praha a.s.	Prague, ČR	102		102	-	-
Lekis s.r.o.	Ostrava, ČR	119	17.7 %	-	-	-

### 3.9. Long-term assets – other information

In 2009, the real estate – part of the premises at Lukášov was sold.

## 4. Equity

### 4.1. Increase or decrease in equity

	As of 31 Dec 2008	As of 31 Dec 2009
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	46 314	56 009
Accumulated loss from previous years	-	-
Profit or loss of current year	11 739	4 006
Equity capital, total	576 858	578 820

Pursuant to a decision of the Shareholders' Meeting, the profit generated in 2008 was divided as follows:

Allocation for dividends (gross dividend)	1 714
Allocation to royalties for statutory and supervisory bodies	330
Allocation to reserve fund	-
Allocation to statutory and other funds	-
Transfer to retained profit from previous years	9 695
Allocation to increase in registered capital	-
Profit / loss for 2008, total	11 739

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 year – 2008

Types of shares	Number of shares	Nominal value	Outstanding shares	Maturity period
Registered shares	275	CZK 1 000 000	-	-
Registered shares	13	CZK 50 000	-	-
Bearer shares	5710	CZK 5 000	-	-
Registered shares	386	CZK 100 000	-	-

### Current year – 2009

Types of shares	Number of shares	Nominal value	Outstanding shares	Maturity period
Registered shares	275	CZK 1 000 000	-	-
Registered shares	13	CZK 50 000	-	-
Bearer shares	5710	CZK 5 000	-	-
Registered shares	386	CZK 100 000	-	-

## 5. Receivables and liabilities

### 5.1. Overdue receivables

Number of days	As of 31 Dec 2008		As of 31 Dec 2009	
	Trade debtors	Other debtors	Trade debtors	
Less than 30	347 374	-	277 581	-
31 – 60	108 282	-	67 674	-
61 – 90	17 164	-	20 603	-
91 – 180	12 015	-	12 814	-
181 and more	98 012	-	78 164	-

### 5.2. Overdue liabilities

Number of days	As of 31 Dec 2008		As of 31 Dec 2009	
	Trade debtors	Other debtors	Trade debtors	
Less than 30	81 341	-	158 702	-
31 – 60	-3 136	-	44 685	-
61 – 90	-1 253	-	3 680	-
91 – 180	174	-	2 807	-
181 and more	11 943	-	-843	-

### 5.3. Receivables and liabilities with regard to group members

Debtor	Receivables from consortium members			
	As of 31 Dec 2008		As of 31 Dec 2009	
	Total	Overdue	Total	Overdue
Plzeňská lékárnická s.r.o. (ID No. 25238213)	94 992	57 271	102 365	64 520
Česká lékárnická, a.s. (ID No. 63080877)	-	-	-	-
Pražská lékárnická s.r.o. (ID No. 25633741)	96 323	28 499	118 672	26 859
Jihlavská lékárnická s.r.o. (ID No. 25534459)	90 533	42 869	68 353	31 181
Lekis s.r.o. (IČ: 25356089)	89	-	-	-
PHARMACY-distribuce léčiv s.r.o.(ID No. 65139577)	199 456	93 188	122 861	34 767
THERAPON 98, a.s. (ID No. 25399195)	33	-	42	-
GALMED a.s. (ID No. 47672145)	662	26	7 663	1 799
Lektrans s.r.o. (ID No.27779271)	-	-	1	-
Pharmos, a.s. Sk. (ID No. 35974559)	-	-	11 464	10 023
Sanovia, a.s. (ID No. 28570481)	-	-	2 040	1 353

Up to 31 Dec 2009, we file the undermentioned loans accepted:

GALMED a.s.	CZK 2 000 thousand
THERAPON 98, a.s.	CZK 1 000 thousand
Česká lékárnická, a.s.	CZK 6 400 thousand

Up to 31 Dec 2009, we file the undermentioned loans provided:

Lekis, s.r.o.	CZK 2 000 thousand
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PHARMOS, a.s. Sk. CZK 44 399 thousand

These loans are in the maturity period.

Creditor	Liabilities to consortium members			
	As of 31 Dec 2008		As of 31 Dec 2009	
	Total	Overdue	Total	Overdue
Plzeňská lékárnická s.r.o. (ID No. 25238213)	-	-	1	1
Česká lékárnická a.s. (ID No. 63080877)	710	635	1 319	695
Pražská lékárnická s.r.o. (ID No. 25633741)	-	-	-	-
Jihlavská lékárnická s.r.o. (ID No. 25534459)	330	-	-	-
Lekis s.r.o. (ID No. 25356089)	168	3	502	-
PHARMACY-distribuce léčiv s.r.o.(ID No. 65139577)	745	-	-	-
THERÁPON 98, a.s. (ID No. 25399195)	-	-	6	-
GALMED a.s. (ID No. 47672145)	-274	-	85	421
Lektrans s.r.o. (ID No. 27779271)	2 947	942	2 368	-
Pharmos, a.s. Sk. (ID No. 35974559)	208	208	23 295	21 044
Sanovia, a.s. (ID No. 28570481)	-	-	-	-

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

A significant part of the Company's receivables is covered by a right of lien in favour of the crediting bank institutes.

#### 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)

Type of guarantee	CO	RER
Bank guarantees provided to entities (avalist)– Lektrans s.r.o.		
Bank guarantees accepted from entities – PHARMACY-distribuce léčiv s.r.o. – receivables		
Bank guarantees accepted from entities – THERÁPON 98, a.s. – real estate		
Accepted mortgage right to real estate - PharmDr. Petriláková	1446	Mariánské Hory
Accepted mortgage right to real estate - RNDr. Berek Bohuslav	3991	Poruba-sever
Accepted mortgage right to real estate – KRATEGUS, spol. s r.o.	1971	Rýmařov
Accepted mortgage right to real estate – PharmDr. Bobková	11982	Ústí nad Labem
Accepted mortgage right to real estate – Mgr. Tamara Tichá	4803	Kuřim
Accepted mortgage right to real estate – Lékárna "U parku", spol.	8426	Rakovník
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

#### 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 2009, 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 contract is provided with securing instruments (bills, right of lien on real estates, contract for assignment of claims, etc.).

	2008			2009		
	Total	Payable within 1 year	Payable later than 1 year	Total	Payable within 1 year	Payable later than 1 year
Total	92 447	33 043	15 381	127 925	36 928	43 124
of this: Financial loans	50 204	18 496	6 802	43 588	9 826	4 115
Interest-bearing timetables for	42 243	14 547	8 579	84 337	27 102	39 009
Short-term bridging loans						

As of the Balance Sheet Date, interest-bearing instalment schedules, financial and short-term loans are reported with the maturity date exceeded, in the amount of CZK 47 873 thousand.

#### OTHER LIABILITIES

We register an amount of CZK 9 239 thousand on the account 325 – Other liabilities, of which CZK 8 000 thousand represents accepted interest–running loans from individuals. These liabilities have not exceeded the maturity period.

#### RECEIVABLES WITH TERM OF PAYMENT EXCEEDING FIVE YEARS

None registered

#### LIABILITIES WITH TERM OF PAYMENT EXCEEDING FIVE YEARS

None registered

### 5.7. Receivables and liabilities in foreign currency

#### RECEIVABLES IN FOREIGN CURRENCY

Currency	EUR/CZK 26.465	SKK/CZK 0.89335	USD/CZK 18.368
Receivables in currency <b>as of 31 Dec 2008</b>	21 543/580 160	3 451 972/3 083 820	40 960/792 412
Receivables in currency <b>as of 31 Dec 2009</b>	606 608/16 053 871	0/0	82 440/1 514 258

#### LIABILITIES IN FOREIGN CURRENCY

Currency	EUR/CZK 26.465	DKK/CZK 3.556	SKK/CZK 0.89335
Liabilities in currency <b>as of 31 Dec 2008</b>	2 720 075/73 251 623	72 264/261 234	3 695 851/3 301 689
Liabilities in currency <b>as of 31 Dec 2009</b>	5 565 430/147 289 102	65 484/232 861	0/0

### 5.8. Liabilities to state authorities

#### AMOUNTS PAYABLE ON SOCIAL INSURANCE

- no payable overdue liabilities

#### AMOUNTS PAYABLE ON PUBLIC HEALTH INSURANCE

- no payable overdue liabilities

#### TAX ARREARS TOWARDS REVENUE AUTHORITIES

- 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. Braddock Finance appealed to the Regional Court in Ostrava. In 2009, the petition was fully rejected by the District Court. From the date of delivery of the notice of appeal (20.10.2009) until compilation of the final accounts no action was made. The legal dispute is still pending.

### 6. Reserves

Description of reserve	Previous year – 2008			Current year – 2009		
	Additions	Withdrawal	Balance	Additions	Withdrawal	Balance
<b>Lawful reserves (accrued taxes)</b>						
-Reserves on repairs	-	-	-	-	-	-
-Other reserves	-	-	-	-	-	-
<b>Non-tax reserves</b>						
-Reserves on exchange rate loss	-	-	-	129	-	129
-Reserve on audit	-	-	-	-	-	-
-Reserve on accumulated leave and benefits	-	-	-	-	-	-
- Reserve on fine	-	18 638	-	-	-	-

## 7. Revenues from current activities

	Previous year – 2008			Current year – 2009		
	Total	Thereof inland	Thereof EU	total	Thereof inland	Thereof EU
Revenues from ordinary activities	12 018 677	11 907 001	111 676	12 509 620	12 422 386	87 234
Therein revenues from sale of goods	11 864 300	11 752 624	111 676	12 381 708	12 308 180	73 528
Revenues from sale of services	154 377	154 377	-	127 912	114 206	13 706
Contractual fines	24 512	24 512	-	16 235	16 235	-
Exchange rate differences	9 529	9 529	-	13 040	2 687	10 353
Other revenues	84 685	84 685	-	4 276	2 065	2 211
Total	12 137 403	12 025 727	111 676	12 543 171	12 443 373	99 798

## 8. Expenses incurred during fiscal year on research and development

The Company made no expenses on research and development in 2009.

## 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
2008	670	-	-	-
2009	690	-	-	-

Compiled of the day: 19 March 2010	Signature of the person responsible for compilation:	Signature of a statutory representative:
Approved of the day: 19 March 2010		

Binding account of information acc. to  
the ČR Ministry of Finance Regulation No 500/2002 Coll.

## Report of Changes in Equity

As of 31  
December 2009

(rounded to CZK '000)

ID No. 19 01 02 90

Trade name

**PHARMOS, a. s.**

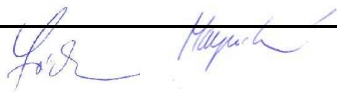
Registered office:

**Těšínská 1349/296, Ostrava - Radvanice**

**716 00**

	Registered capital	Other capital funds	Changes in registered capital	Reserve fund	Other funds	VHMO	VHBO	VK total
01	02	03	04	05		06	07	08
<b>Opening balance, as of 1 January 2008</b>	342 800			140 000	36 005	32 402	13 913	565 120
Subscription of registered capital increase								0
Allocation to statutory and other funds								0
Allocation to reserve fund from 2004 profit								0
Allocation for dividend payment								0
Allocation for royalty payment								0
Allocation to retained profit from previous years						13 913	-13 913	0
Profit/loss of current year							11 739	11 739
Subscription of registered capital increase						-1		-1
<b>Closing balance, as of 31 December 2008</b>	<b>342 800</b>	<b>0</b>	<b>0</b>	<b>140 000</b>	<b>36 005</b>	<b>46 314</b>	<b>11 739</b>	<b>576 858</b>

<b>Opening balance, as of 1 January 2009</b>	342 800	0	0	140 000	36 005	46 314	11 739	576 858
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 2005 profit								0
Allocation for dividend payment							-1 714	-1 714
Allocation for royalty payment							-330	-330
Allocation to retained profit from previous years						9 695	-9 695	0
Profit/loss of current year							4 006	4 006
Difference from rounding								
<b>Closing balance, as of 31 December 2009</b>	<b>342 800</b>	<b>0</b>	<b>0</b>	<b>140 000</b>	<b>36 005</b>	<b>56 009</b>	<b>4 006</b>	<b>578 820</b>

Legal form of the accounting unit : joint stock company	Compiled by: Mainušová (name, signature)	Compiled on: 19.4.2010
Subject of enterprise :	Statutory body signature:  (name, signature)	Approved on: 19.4.2010
Purchase of goods for sale and resale		
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

As of 31 December 2009

**PHARMOS, a.s.**  
Registered office of accounting unit

(rounded to CZK '000)


Těšínská 1349/296

YEAR	Month		ID No.							
2009	1	2	1	9	0	1	0	2	9	0

Ostrava-Radvanice

716 00

Identification a	T E X T b	Line No.: c	Figures posted during fiscal year	
			current 1	previous 2
<b>P.</b>	<b>Cash and cash equivalents at the beginning of accounting period</b>	<b>01</b>	<b>82 929</b>	<b>65 179</b>
<b>Cash flows from ordinary activities</b>			<b>02</b>	
Z.	Profit/loss from ordinary activities before tax	03	14 476	24 923
<b>A. 1.</b>	<b>Adjustments for non-monetary operations</b>	<b>04</b>	<b>75 236</b>	<b>67 807</b>
A. 1. 1.	Depreciation of fixed assets (+) excluding book value of fixed assets sold, amortization of adjustments to acquired assets (+/-)	05	21 655	25 169
A. 1. 2.	Changes in adjusting entries and reserves	06	-13 495	-1 840
A. 1. 3.	Profit (loss) from the sale of fixed assets (-/+)	07	- 979	-42 822
A. 1. 4.	Revenue from dividend and share of profit (-)	08	-152	
A. 1. 5.	Posted interest expense (+)excluding capitalised interest and interest income (-)	09	68 207	87 300
A. 1. 6.	Adjustment s other non-monetary operations	10		
<b>A. *</b>	<b>Net cash flow from operating activities before tax, movements in working capital and extraordinary items</b>	<b>11</b>	<b>89 712</b>	<b>92 730</b>
<b>A. II.</b>	<b>Change in non-monetary elements of working capital</b>	<b>12</b>	<b>75 236</b>	<b>-29 990</b>
A. II. 1.	Change in receivables from operating activities (+/-), active accounts of temporary and anticipated assets	13	29 472	177 640
A. II. 2.	Change in payables from operating activities (+/-), temporary and anticipated liabilities	14	383 647	-337 158
A. II. 3.	Variation in stock (+/-)	15	- 337 883	129 528
A. II. 4.	Change in short-term investments not falling under cash and cash equivalents	16		
<b>A. **</b>	<b>Net cash flow from operating activities before tax and extraordinary items</b>	<b>17</b>	<b>164 948</b>	<b>62 740</b>
A. III.	Interests paid except for capitalised interests (-)	19	-71 907	-90 523
A. IV.	Interests received (+)	19	3 700	3 223
A. V.	Income tax paid except for operating activities, additional tax paid for previous years (-)	20	-13 680	-13 023
A. VII.	Accepted dividends and share in profits (+)	22	152	
<b>A. ***</b>	<b>Net cash flow from operating activity</b>	<b>23</b>	<b>83 213</b>	<b>-37 583</b>
<b>Cash flow from investment activity</b>			<b>24</b>	
B. I.	Expenditures related to acquisition of fixed assets	25	-18 567	-7 898
B. II.	Receipts from fixed assets sold	26	2 182	63 231
B. III.	Loans and credits for related persons	27		
<b>B. ***</b>	<b>Net cash flow related to investment activity</b>	<b>28</b>	<b>- 16 385</b>	<b>55 333</b>
<b>Cash flow from financial activities</b>			<b>29</b>	
C. I.	Change in long-term liabilities, or short-term liabilities falling in the area of financial activities to cash and equivalents	30		
<b>C. II.</b>	<b>Impact of variation in equity on cash and cash equivalents</b>	<b>31</b>	<b>- 2 044</b>	
C. II. 1.	Increase of cash or cash equivalents due to change in registered capital, share premium or reserve fund, including prepayments made for this increase (+)	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	- 2 044	
<b>C. ***</b>	<b>Net cash flow related to financial activity</b>	<b>38</b>	<b>- 2 044</b>	
<b>F.</b>	<b>Net increase or decrease of cash and cash equivalents</b>	<b>39</b>	<b>64 784</b>	<b>17 750</b>
<b>R.</b>	<b>Cash and cash equivalents at the end of the accounting period</b>	<b>40</b>	<b>147 713</b>	<b>82 929</b>

Compiled on: <b>19.04.2010</b>	Approved on: <b>19.04.2010</b>	Signature of the statutory body of the accounting unit 
Legal form of accounting unit <b>Joint-stock company</b>		Subject of enterprise: <b>Purchase of goods for sale and resale</b>
Incorporated in the Company Register administered by the Regional Court in Ostrava, Section B, File 188		



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## Report on the Relationships between Controlling and Controlled Entities issued as per the provisions of Section 66a (9) of the Commercial Code

**PHARMOS, a.s.**, with the registered office at Těšínská 1349/296, Ostrava-Radvanice, Postcode: 71600, IČ (ID No.): 19010290, incorporated in the Companies Register kept on file at the Regional Court in Ostrava, Section B, Insert 188 (hereinafter the "**Submitter**"). As regards the provisions of Section 66a) of Act 513/1991 Coll. - the Commercial Code, as amended, the Company 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 Section 66a Paragraph 9 of Act 513/1991 Coll., the Commercial Code (hereinafter the ComCo), as amended, during the fiscal year from 1 January 2009 to 31 December 2009 (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.**, registered office: Těšínská 1349/296, Ostrava - Radvanice, ID No.: 63080877

**Phoenix International Beteiligungs GmbH**, registered office: Mannheim, FRG

**Relationship to the Company:** controlling entity

### **B. OTHER AFFILIATED ENTITIES**

#### *a) Companies controlled by the Submitter*

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

#### *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., reg. office: Theodor 28, 273 08 Pchery, ID No.: 25633741

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

Plzeňská lékárnická s.r.o., reg. office: Skladová 558/22, 326 00 Plzeň, ID No.: 25238213

PHARMACY-distribuce léčiv s.r.o., reg. office: Dvorská 960/13, 785 01 Šternberk, ID No.: 65139577

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

THERÁPON 98, a.s., reg. office: Štefánikova 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, Ostrava - Radvanice, ID No.: 27779271

Pharmos, a.s., reg. office: Odbojárov 340/29, 955 01 Topolčany, Slovak Republic, ID No.: 35974559

Sanovia, a.s., reg. office: Ostrava – Radvanice, Těšínská 1349/296, post code 716 00, ID No.: 28570481

- 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 2009 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.

#### 1.1.2. 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.

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

### 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 the controlling entity or affiliated entities within the same Group.

<b>Title</b>	<b>Party</b>	<b>Description</b>	<b>Price</b>	<b>Detriment (if any)</b>	<b>Advantages / Disadvantages</b>
Software Lease Agreement, according to invoices	Česká lékárnická, a.s.	Lease of accounting IS NORIS 27	Common	-	-
Non-residential Premises Lease Agreement	Česká lékárnická, a.s.	Non-residential premises at Těšínská 1346/296 Ostrava - Radvanice	Common		
Software Lease Agreement, according to invoices	Jihlavská lékárnická, s.r.o.	Lease of accounting IS NORIS	Common	-	-
Re-invoicing of services – separate contracts according to invoices	Jihlavská lékárnická, s.r.o.	Re-invoicing of services – promotional campaigns, advertising articles, provision of data services and fire protection	Common		
Software Lease Agreement, according to invoices	PHARMACY-distribuce léčiv, s.r.o.	Lease of accounting IS NORIS	Common	-	-
Re-invoicing of services – separate contracts according to invoices	PHARMACY-distribuce léčiv, s.r.o.	Re-invoicing of services – promotional campaigns, advertising articles, provision of data services and fire protection	Common		
Software Lease Agreement, according to invoices	Plzeňská lékárnická, s.r.o.	Lease of accounting IS NORIS	Common	-	-
Re-invoicing of services – separate contracts according to invoices	Plzeňská lékárnická, s.r.o.	Re-invoicing of services – promotional campaigns, advertising articles, provision of data services and fire protection	Common		
Re-invoicing of services – separate contracts according to invoices	Plzeňská lékárnická, s.r.o.	Re-invoicing of marketing bonuses	Common		
Software Lease Agreement, according to invoices	Pražská lékárnická, s.r.o.	Lease of accounting IS NORIS	Common	-	-
Re-invoicing of services – separate contracts according to invoices	Moje lékárna, a.s.	Re-invoicing of services – promotional campaigns, advertising articles, provision of data services and fire protection	Common		
Re-invoicing of services – separate contracts according to invoices	Pražská lékárnická, s.r.o.	Re-invoicing of services – promotional campaigns, advertising articles, provision of data services and fire protection	Common		
Contract for transportation of goods	Pražská lékárnická, s.r.o.	Remuneration for carriage of goods implemented	Common		
Distribution Services Agreement	Pražská lékárnická, s.r.o.	Remuneration for distribution services	Common		
Distribution Services Agreement	Galmed, a.s.	Remuneration for distribution services	Common		
Motor Vehicle Lease Agreement	Pharmacy – distribuce léčiv s.r.o.	Motor vehicle lease	Common		
Motor Vehicle Lease Agreement	Sanovia, a.s.	Motor vehicle lease	Common		
Lease contract, as per	Galmed, a.s.	Costs of assets leased and energy	Common	-	-

<i>invoices</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>Common</i>		
<i>Consignation stock keeping agreement</i>	<i>Galmed, a.s.</i>	<i>Consignation stock keeping at Hradec Králové branch</i>	<i>Common</i>		
<i>Separate deliverables – as per invoices</i>	<i>Lekis s.r.o.</i>	<i>Hire costs, telecommunications, lease services</i>	<i>Common</i>		
<i>Non-residential Premises Lease Agreement</i>	<i>LEKTRANS, s.r.o.</i>	<i>Non-residential premises in Prostějov</i>	<i>Common</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>Common</i>		
<i>Distribution Services Agreement</i>	<i>Sanovia, a.s.</i>	<i>Accounting services</i>	<i>Common</i>		
<i>Distribution Services Agreement</i>	<i>Česká lékárnická, a.s.</i>	<i>Accounting services</i>	<i>Common</i>		
<i>Distribution Services Agreement</i>	<i>Galmed, a.s.</i>	<i>Accounting services</i>	<i>Common</i>		
<i>Non-residential Premises Lease Agreement</i>	<i>Pharmacy – distribuce léčiv s.r.o.</i>	<i>Non-residential premises in Prostějov</i>	<i>Common</i>		
<i>Motor Vehicle Lease Agreement</i>	<i>Pharmos, a.s. SR</i>	<i>Motor vehicle lease</i>	<i>Common</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 connection, Edukafarm company expenses</i>	<i>Common</i>		

#### **1.1.4. Other contractual relationships**

PHARMOS, a.s. provided the following companies with the following interest-bearing loans

<b>Description</b>	<b>Party</b>	<b>Balance as of 31 Dec 2009</b>	<b>Description</b>	<b>Price</b>	<b>Detriment (if any)</b>	<b>Advantages / Disadvantages</b>
<i>Loan Agreement</i>	<i>Lekis, s.r.o.</i>	<i>2 000</i>	<i>Loan</i>	<i>Common</i>	<i>-</i>	<i>-</i>
<i>Loan Agreement</i>	<i>Pharmos, a.s. SR</i>	<i>44 399</i>	<i>Loan</i>	<i>Common</i>	<i>-</i>	<i>-</i>

PHARMOS, a.s. and Lektrans, s.r.o. have signed the Agreement on financial bonus provision, based on which Lektrans, s.r.o. provides PHARMOS, a.s. with a financial bonus – quantity discount.

#### **1.2. Purchases**

As regards purchasing, the following purchase relationships were established and implemented as of the date of this Report in 2009 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 entered into contracts during the fiscal year, pursuant to which the following services were rendered during the fiscal year:

<b>Description</b>	<b>Party</b>	<b>Description</b>	<b>Price</b>	<b>Detriment (if any)</b>	<b>Advantages / Disadvantages</b>
<i>Separate deliveries, according to invoices</i>	<i>Česká lékárnická, a.s.</i>	<i>Intermediation Services</i>	<i>Common</i>	<i>-</i>	<i>-</i>

<i>Service Agreement</i>	<i>Lekis, s.r.o.</i>	<i>Installation of network modems</i>	<i>Negotiated</i>		
<i>Service Agreement</i>	<i>Lekis, s.r.o.</i>	<i>HW, SW service</i>	<i>Negotiated</i>	-	-
<i>Separate deliveries – according to invoices</i>	<i>Lekis, s.r.o.</i>	<i>Repairs of IT equipment, installation</i>	<i>Negotiated</i>	-	-
<i>Re-invoicing of services – separate contract</i>	<i>Jihlavská lékárnická, a.s.</i>	<i>Re-invoicing of parts of lease for the use of non-residential premises</i>	<i>Common</i>	-	-
<i>Contract for provision of expert consultancy</i>	<i>Galmed, a.s.</i>	<i>Consultancy services regarding tender procedures for the supplies of pharmaceuticals</i>	<i>Common</i>		
<i>Packaging Agreement</i>	<i>Galmed, a.s.</i>	<i>Medical product secondary packaging</i>	<i>Common</i>		
<i>Re-invoicing of GML Agreement</i>	<i>Česká lékárnická, a.s.</i>	<i>Re-invoicing of expenses related to GML</i>	<i>Common</i>		
<i>Contract for transportation of distributed goods</i>	<i>LEKTRANS, s.r.o.</i>	<i>Arrangement for transportation of goods</i>	<i>Common</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>Common</i>		

### 1.2.2. Purchase of material

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

<b>Description</b>	<b>Party</b>	<b>Description</b>	<b>Price</b>	<b>Detriment (if any)</b>	<b>Advantages / Disadvantages</b>
<i>Separate deliveries – according to invoices</i>	<i>Lekis, s.r.o.</i>	<i>Consumables – paper, toners, disks..</i>	<i>Common</i>	-	-

### 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.

<b>Description</b>	<b>Party</b>	<b>Description</b>	<b>Price</b>	<b>Detriment (if any)</b>	<b>Advantages / Disadvantages</b>
<i>Separate deliveries – according to invoices</i>	<i>GALMED, a.s.</i>	<i>Products – pharmaceuticals, parapharmaceuticals, additional assortment</i>	<i>Common</i>	-	-
<i>Separate deliveries – according to invoices</i>	<i>Pharmos, a.s. SR</i>	<i>Products – pharmaceuticals, parapharmaceuticals, additional assortment</i>	<i>Common</i>	-	-

### 1.2.4. Purchase of fixed assets

The Submitter entered 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.

<b>Description</b>	<b>Party</b>	<b>Description</b>	<b>Price</b>	<b>Detriment (if any)</b>	<b>Advantages / Disadvantages</b>
<i>Separate deliveries – according to invoices</i>	<i>Lekis, s.r.o.</i>	<i>Hardware – PCs, printers, components</i>	<i>Common</i>	-	-

### 1.2.5. Other contractual relationships

PHARMOS, a.s. signed contracts on interest-bearing deposits from the undermentioned companies (in thousands of CZK)

<i>Description</i>	<i>Party</i>	<i>Balance as of 31 Dec 2009</i>	<i>Description</i>	<i>Price</i>	<i>Detriment (if any)</i>	<i>Advantages / Disadvantages</i>
<i>Interest-bearing Deposit Agreement</i>	<i>THERÁPON 98, a.s.</i>	<i>1 000</i>	<i>Deposit</i>	<i>Common</i>	<i>-</i>	<i>-</i>
<i>Interest-bearing Deposit Agreement</i>	<i>GALMED a.s.</i>	<i>2 000</i>	<i>Deposit</i>	<i>Common</i>	<i>-</i>	<i>-</i>
<i>Loan Agreement</i>	<i>Česká lékárnická, a.s.</i>	<i>6 400</i>	<i>Loan</i>	<i>Common</i>	<i>-</i>	<i>-</i>

### Other legal operations

Bank Guaranty given to Lektrans, s.r.o. (avalist).

Contract on secured assigning the claims from Pharmacy – distribuce léčiv s.r.o. (to secure the loan of Pharmos by assigning the claims from Pharmacy - distribuce léčiv s.r.o.).

Securing the credit of PHARMOS, a.s. by means of THERÁPON 98, a.s. real estate

### 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.*

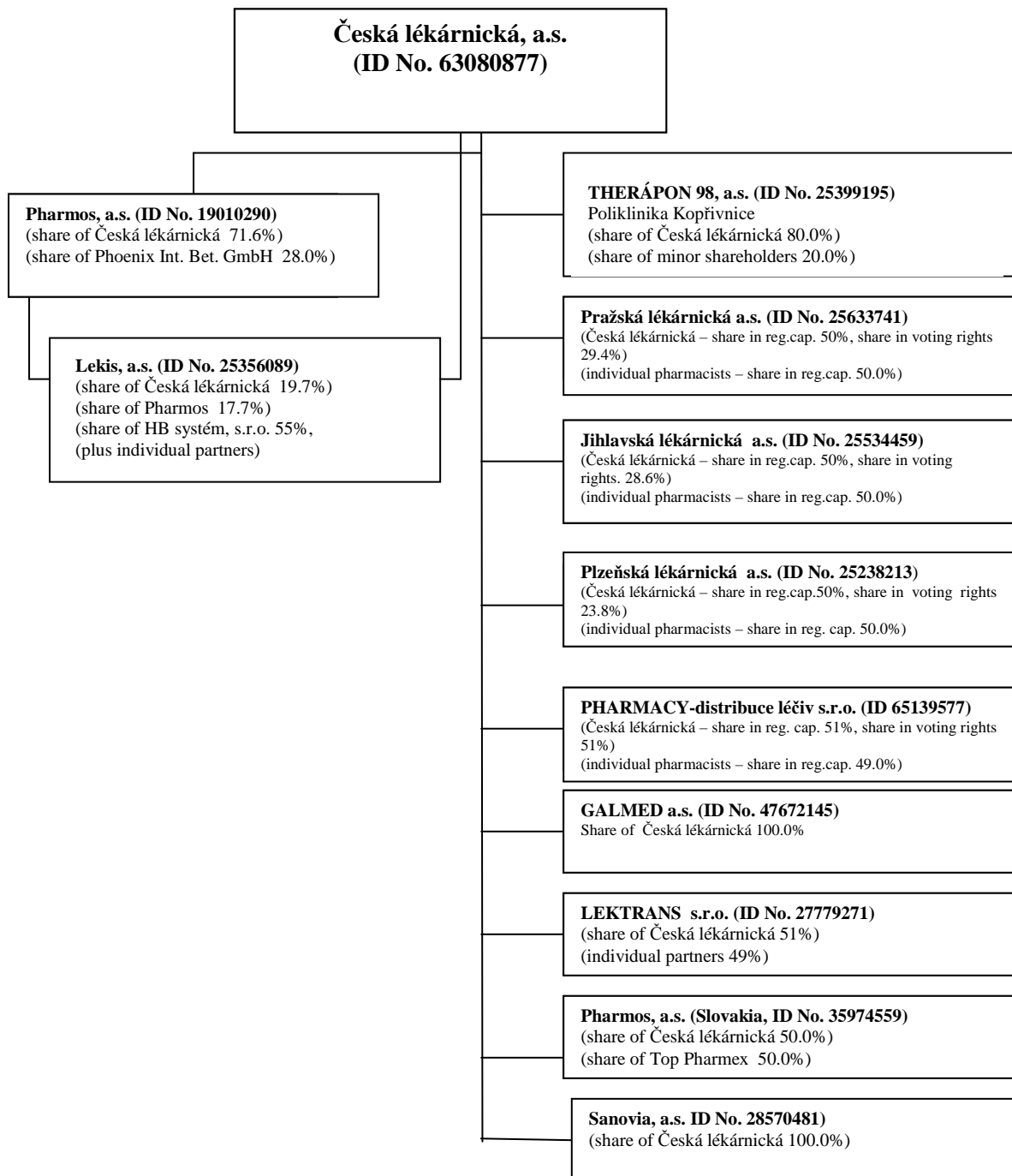
Ostrava, 31 March 2010

.....  
PharmDr. Ivan Šácha, member of the Board of Directors

.....  
Alena Marynčáková, member of the Board of Directors

**Annex 1 to Report on the Relationships between Controlling and Controlled Entity issued pursuant to the provisions of Section 66a (par. 9) of the Commercial Code**

**Organizational structure**  
**(as of 31 Dec 2009)**



**Organizational Structure of Group – Personnel Linkage** (as entered in the Company Register as of 31 December 2009)

