EGIS PHARMACEUTICALS
PUBLIC LIMITED COMPANY

ANNUAL REPORT
2009/2010

Budapest, January 26, 2011 EGIS Pharmaceuticals PLC

EGIS PLC
Address: H-1106 Budapest, Keresztúri út 30–38.
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EGIS Pharmaceuticals PLC

ANNUAL REPORT 2009/2010
IN ACCORDANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)

1. AUDITOR'S REPORT

Budapest, January 26, 2011

EGIS PLC
Address: H-1106 Budapest, Keresztúri út 30—38.
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Independent Auditor's Report

To the Shareholders of EGIS Gyógyszergyár Nyrt.

1.) We have audited the financial statements of EGIS Gyógyszergyár Nyrt. ("the Company"), which comprise the balance sheet as at 30 September 2010 and the income statement, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility and Basis of Audit Opinion

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

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

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

Opinion

6.) In our opinion the financial statements give a true and fair view of the financial position of EGIS Gyógyszergyár with International Nyrt. as of 30 September 2010, and of the results of its operations and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by EU.

Ernst & Young Kft.
Budapest, 7 December 2010

EGIS Pharmaceuticals PLC

ANNUAL REPORT 2009/2010
IN ACCORDANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)

2. FINANCIAL ACCOUNTS

Budapest, January 26, 2011

EGIS PLC
Address: H-1106 Budapest, Keresztúri út 30–38.
Postal Address: H-1475 Budapest 10. P.O. Box 100
Phone number: (36-1) 265 5555, Telefax: (36-1) 265 5529

EGIS Gyógyszergyár Nyrt.

Separate financial statements
for the year ended 30 September 2010
prepared in accordance with International Financial Reporting Standards
together with the Independent Auditor's report

EGIS GYÓGYSZERGYÁR NYRT.

SEPARATE STATEMENT OF FINANCIAL POSITION AS AT 30 SEPTEMBER 2010
IN ACCORDANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS
(All amounts in HUF million)

ASSETS	Notes	30 Sept. 2010	30 Sept. 2009 restated*	1 Oct. 2008 restated*
Current assets				
Cash and cash equivalents	4	15,292	20,215	3,137
Net trade receivables and other current assets	5	33,730	24,624	22,390
Income tax receivable		618	665	405
Inventories	6	35,788	35,016	33,324
Other current financial assets	7	7,771	2,930	13,729
		93,199	83,450	72,985
Non-current assets held-for-sale	10	0	30	0
		93,199	83,480	72,985
Non-current assets				
Intangible assets	8	4,018	4,220	3,785
Property, plant and equipment	9	58,050	52,505	46,793
Investments	10	6,948	7,303	6,224
Other non-current financial assets	7	2,381	518	1,228
Deferred tax asset	20	200	115	209
		71,597	64,661	58,239
TOTAL ASSETS		164,796	148,141	131,224
LIABILITIES AND SHAREHOLDERS' EQUITY				
Current liabilities				
Trade and other payables	11	18,016	17,791	13,159
Other current financial liabilities		0	0	234
Provisions	12	1,238	1,051	752
		19,254	18,842	14,145
Non-current liabilities				
Provisions	12	1,206	1,044	771
		1,206	1,044	771
Shareholders' equity				
Share capital	13	7,786	7,786	7,786
Share premium	14	2,239	2,239	2,239
Fair valuation reserve		26	0	0
Retained earnings	15	134,285	118,230	106,283
		144,336	128,255	116,308
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		164,796	148,141	131,224

Budapest, 7 December 2010

Representative of the Company

*Certain numbers shown here do not correspond to the 2009 financial statements and reflect adjustments made as detailed in Note 2.

EGIS GYÓGYSZERGYÁR NYRT.

SEPARATE INCOME STATEMENT
FOR THE YEAR ENDED 30 SEPTEMBER 2010
IN ACCORDANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS
(All amounts in HUF million)

	Notes	Year ended 30 September 2010	Year ended 30 September 2009 restated*
Sales	16	111,017	107,133
Cost of sales	17	(47,551)	(46,575)
Gross profit		63,466	60,558
Operating items			
Administrative and distribution expenses	17	(46,641)	(44,995)
Other operating expenses	17	(2,642)	(3,944)
Other operating income		890	1,204
Operating profit		15,073	12,823
Non-operating items			
Finance income	18	3,262	2,834
Finance costs	19	(947)	(2,705)
Dividends received	10	53	441
Profit before tax		17,441	13,393
Income tax expense	20	(452)	(512)
Net profit for the year		16,989	12,881
Average number of shares outstanding		7,785,715	7,785,715
Basic and diluted earnings per share (HUF)	21	2,182	1,654

Budapest, 7 December 2010

Representative of the Company

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EGIS GYÓGYSZERGYÁR NYRT.

SEPARATE STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 SEPTEMBER 2010
IN ACCORDANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS
(All amounts in HUF million)

	Notes	Year ended 30 September 2010	Year ended 30 September 2009 restated*
Profit for the year		16,989	12,881
Other comprehensive income			
Net gain on available-for-sale financial assets	7	27	0
Income tax effect	20	(1)	0
		26	0
Other comprehensive income, net of tax		26	0
Total comprehensive income, net of tax		17,015	12,881

Budapest, 7 December 2010

Representative of the Company

*Certain numbers shown here do not correspond to the 2009 financial statements and reflect adjustments made as detailed in Note 2.

EGIS GYÓGYSZERGYÁR NYRT.

SEPARATE CASH FLOW STATEMENT
FOR THE YEAR ENDED 30 SEPTEMBER 2010
IN ACCORDANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS
(All amounts in HUF million)

	Notes	Year ended 30 September 2010	Year ended 30 September 2009 restated*
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		17,441	13,393
Adjustments for:			
Depreciation and amortization	17	7,705	7,231
Impairment		18	76
Write down of investments		566	1,462
Net interest income		(1,507)	(1,669)
Dividends received		(53)	(441)
Profit on disposal of fixed assets		(105)	(115)
Profit on disposal of investments		(259)	0
Unrealised foreign exchange (gain) / loss		(348)	118
Fair valuation of financial instruments		(341)	9
Increase in provisions	12	349	572
Discounting long-term employee loans		(10)	8
Operating cash flows before working capital changes		23,456	20,644
Increase in inventories		(772)	(1,693)
Increase in net trade receivables and other current assets		(10,978)	(633)
Increase in trade and other payables		256	4,398
Net cash (used in) / from working capital changes		(11,494)	2,072
Net tax paid	20	(538)	(418)
Net cash flows from operating activities		11,424	22,298

*Certain numbers shown here do not correspond to the 2009 financial statements and reflect adjustments made as detailed in Note 2.

EGIS GYÓGYSZERGYÁR NYRT.

SEPARATE CASH FLOW STATEMENT
FOR THE YEAR ENDED 30 SEPTEMBER 2010
IN ACCORDANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS
(All amounts in HUF million)

	Notes	Year ended 30 September 2010	Year ended 30 September 2009 restated*
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of intangibles, property, plant and equipment		(13,103)	(13,499)
Purchase of investments		0	(1,910)
Purchase of securities		(8,980)	(3,930)
Proceeds from sale of intangibles, property, plant and equipment		141	160
Proceeds from sale of investments		294	0
Proceeds from sale of securities		4,448	14,780
Interest received	18	1,507	1,671
Dividends received		53	441
Loans given		(1,834)	(3,160)
Repayment of loans given		2,061	1,163
Net cash used in investing activities		(15,413)	(4,284)
CASH FLOWS FROM FINANCING ACTIVITIES			
Interests paid		0	(2)
Dividends paid		(934)	(934)
Net cash used in financing activities		(934)	(936)
Net (decrease) / increase in cash and cash equivalents		(4,923)	17,078
Cash and cash equivalents at the beginning of the year	4	20,215	3,137
Cash and cash equivalents at the end of the year	4	15,292	20,215

Budapest, 7 December 2010

Representative of the Company

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EGIS GYÓGYSZERGYÁR NYRT.

SEPARATE STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 SEPTEMBER 2010
IN ACCORDANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS
(All amounts in HUF million)

	Share capital	Share premium	Fair valuation reserve	Retained earnings Restated (*)	Total
Note	13	14		15	
As at 30 September 2008 (as reported)	7,786	2,239	0	105,389	115,414
Effect of changes in accounting policy	0	0	0	894	894
30 September 2008 (restated)	7,786	2,239	0	106,283	116,308
Net profit for the year (restated)	0	0	0	12,881	12,881
Other comprehensive income	0	0	0	0	0
Total comprehensive income	0	0	0	12,881	12,881
Dividends	0	0	0	(934)	(934)
As at 30 September 2009 (restated)	7,786	2,239	0	118,230	128,255
As at 30 September 2009 (as reported)	7,786	2,239	0	117,585	127,610
Effect of changes in accounting policy	0	0	0	645	645
30 September 2009 (restated)	7,786	2,239	0	118,230	128,255
Net profit for the year	0	0	0	16,989	16,989
Other comprehensive income	0	0	26	0	26
Total comprehensive income	0	0	26	16,989	17,015
Dividends	0	0	0	(934)	(934)
As at 30 September 2010	7,786	2,239	26	134,285	144,336

Budapest, 7 December 2010

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Representative of the Company

*Certain numbers shown here do not correspond to the 2009 financial statements and reflect adjustments made as detailed in Note 2.

(All amounts in HUF million, unless otherwise stated)

1. BACKGROUND AND BASIS OF PRESENTATION

a. Basis of presentation

The accompanying separate financial statements for the years ended 30 September 2010 and 2009 are the separate financial statements of EGIS Gyógyszergyár Nyrt. (the "Company" or "EGIS") and have been prepared from the statutory accounting records. The accompanying separate financial statements are presented in accordance with International Financial Reporting Standards ("IFRS") with respect to the preparation of a parent's separate financial statements. Reconciliation between statutory net profit, shareholders' equity and net profit and shareholders' equity in accordance with IFRS is shown in Note 25. Subsidiaries have not been consolidated and are measured at cost in the accompanying separate financial statements. The accompanying separate financial statements are presented in addition to the consolidated financial statements in order to enhance the understanding of the stakeholders of EGIS about the operations of the Company. The consolidated financial statements prepared for the same period in accordance with IFRS are disclosed together with these accompanying separate financial statements.

b. Background of the Company

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

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

The legal address of the Company is the following:

1106 Budapest, Keresztúri út 30-38., Hungary

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

	30 September 2010	30 September 2009
ATP (Servier)	50.91%	50.91%
Others	49.09%	49.09%
Total	100.00%	100.00%

2. CHANGES IN ACCOUNTING POLICY

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

a. The Company has adopted the following new and amended IFRS and IFRIC interpretations as of 1 October 2009:

- IFRS 2 (Revised) – Share-based Payment
- IFRS 3 (Revised) – Business Combination
- IAS 27 (Revised) – Consolidated and Separate Financial Statements
- IFRS 7 Financial Instruments
- IFRS 8 Operating Segments
- IAS 1 (Revised) – Presentation of Financial Statement
- IAS 23 (Revised) – Borrowing Costs
- IAS 32 Amendment – Financial Instruments
- IAS 39 Financial Instruments: Recognition and Measurement
- IFRIC 9 Remeasurement of Embedded Derivatives and IAS 39 Financial Instruments: Recognition and Measurement

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

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

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

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

IFRS 7 Financial Instruments: Disclosures (effective from 1 January 2009)
The amended standard requires additional disclosures about fair value measurement and liquidity risk. Fair value measurements related to items recorded at fair value are to be disclosed by source of inputs using a three level fair value hierarchy:
Level 1 – quoted prices
Level 2 – directly or indirectly observable inputs
Level 3 – inputs that are not based on observable market data.
The fair value measurements are disclosed in Note 7, the liquidity risk disclosures are presented in Note 28.

IFRS 8 Operating Segments (effective from 1 January 2009)
IFRS 8 replaces IAS 14 Segment Reporting and requires additional disclosures. As the financial report contains both the consolidated financial statements as well as the Company's separate financial statements, the Company has chosen to present segment information only in the consolidated financial statements.

IAS 1 (Revised) Presentation of Financial Statement (effective from 1 January 2009)
The standard introduces the term total comprehensive income, which represents changes in equity during a period other than those changes resulting from transactions with owners in their capacity as owners. Total comprehensive income may be presented in either a single statement of comprehensive income (effectively combining both the income statement and all non-owner changes in equity in a single statement), or in an income statement and a separate statement of comprehensive income. The Company has elected to present two statements.

IAS 23 (Revised) Borrowing Costs (effective from 1 January 2009)
The amendment removes the option to expense borrowing costs and requires that an entity capitalize borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset. The Company's policy was in line with the revised IAS 23 and therefore changes thereof were not required.

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

IAS 39 Financial Instruments: Recognition and Measurement – Eligible Hedged Items (effective from 1 July 2009)
The amendment clarifies that an entity is permitted to designate a portion of the fair value changes or cash flow variability of a financial instrument as a hedged item. This also covers the designation of inflation as a hedged risk or portion in particular situations. The Company has concluded that the amendment will have no impact on the financial position or the performance of the Company, as the Company has not entered into any such hedges.

IFRIC 9 Remeasurement of Embedded Derivatives and IAS 39 Financial Instruments: Recognition and Measurement (effective from 30 June 2009)
This amendment to IFRIC 9 requires an entity to assess whether an embedded derivative must be separated from a host contract when the entity reclassifies a hybrid financial asset out of the fair value through profit or loss category. When the fair value of an embedded derivative that would not be separated cannot be measured reliably, the reclassification of the hybrid financial asset out of the fair value through profit and loss category is permitted. This new interpretation has no impact on the Company's financial statements.

In May 2008 and April 2009 the IASB issued omnibus of amendments to its standards, primarily with a view to removing inconsistencies and clarifying wording. There are separate transitional provisions for each standard.
The adoption of the following amendments resulted in changes to accounting policies but did not have any impact on the financial position or performance of the Company.

IFRS 5 Non-current Assets Held for Sale and Discontinued Operations
It clarifies that the disclosures required in respect of non-current assets and disposal groups classified as held for sale or discontinued operations are only those set out in IFRS 5. The disclosure requirements of other IFRSs only apply if specifically required for such non-current assets or discontinued operations. This clarification has no impact on the Company's consolidated financial statements.

IFRS 8 Operating Segment Information
It clarifies that segment assets and liabilities need only be reported when those assets and liabilities are included in measures that are used by the chief operating decision maker. As the financial report contains both the consolidated financial statements as well as the Company's separate financial statements, the Company has chosen to present segment information only in the consolidated financial statements.

IAS 1 – Presentation of Financial Statements
Assets and liabilities classified as held for trading in accordance with IAS 39 Financial Instruments: Recognition and Measurement are not automatically classified as current in the statement of financial position. The Company analysed whether the expected period of realisation of financial assets and liabilities differed from the classification of the instrument. This did not result in any reclassification of financial instruments between current and non-current in the statement of financial position.

IAS 7 Statement of Cash Flows
It explicitly states that only expenditure that results in recognising an asset can be classified as a cash flow from investing activities. This amendment has no impact on the Company's consolidated financial statements.

IAS 16 – Property, Plant and Equipment
The modification replaces the term "net selling price" with "fair value less costs to sell". The Company amended its accounting policy accordingly, which did not result in any change in the financial position.

IAS 18 Revenue
The Board has added guidance (which accompanies the standard) to determine whether an entity is acting as a principal or as an agent. The features to consider are whether the entity:

- Has primary responsibility for providing the goods or service
- Has inventory risk
- Has discretion in establishing prices
- Bears the credit risk

The Company has assessed its revenue arrangements against these criteria and concluded that it is acting as principal in all arrangements. The revenue recognition accounting policy has been updated accordingly.

IAS 20 Accounting for Government Grants and Disclosures of Government Assistance
Loans granted with no or low interest will not be exempt from the requirement to impute interest. Interest is to be imputed on loans granted with below-market interest rates. This amendment did not impact the Company as the government assistance received are not loans but direct grants.

IAS 23 – Borrowing Costs
The definition of borrowing costs is revised to consolidate the two types of items that are considered components of 'borrowing costs' into one – the interest expense calculated using the effective interest rate method calculated in accordance with IAS 39. The Company has amended its accounting policy accordingly which did not result in any change in its financial position.

IAS 36 – Impairment of Assets
When discounted cash flows are used to estimate 'fair value less cost to sell' additional disclosure is required about the discount rate, consistent with disclosures required when the discounted cash flows are used to estimate 'value in use'. This amendment had no immediate impact on the financial statements of the Company because the recoverable amount of its cash generating units is currently estimated using 'value in use'.
The amendment clarified that the largest unit permitted for allocating goodwill, acquired in a business combination, is the operating segment as defined in IFRS 8 before aggregation for reporting purposes. The amendment has no impact on the Company as the annual impairment test is performed before aggregation.

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

(All amounts in HUF million, unless otherwise stated)

b. The Company has made other modifications in its accounting policy as follows:

Calculation of cost of sales

As from October 1, 2009 a new method for the calculation of the cost of sales has been applied which shows the production costs in more details and more precisely. Accordingly, costs of quality assurance, logistic costs of raw materials and costs of production management, which had been accounted aggregately among administration costs, are now included and analysed in details among direct costs.

The following adjustments were made in the opening balances of the financial statement ended 30 September 2009:

	As disclosed	Restatement	Restated
Work-in-progress and semi-finished products	12,994	784	13,778
Finished products	10,823	110	10,933
Retained earnings	105,389	894	106,283

The following adjustments were made in the financial statement ended 30 September 2009:

	As disclosed	Restatement	Restated
Work-in-progress and semi-finished products	16,797	761	17,558
Finished products	7,759	(116)	7,643
Cost of sales	(42,105)	(4,470)	(46,575)
Quality control	(2,108)	2,108	0
Plant administrative costs	(1,184)	581	(603)
Other administrative expenses	(1,980)	1,532	(448)
Retained earnings	117,585	645	118,230
Earnings per share	1,686	(32)	1,654

Plant administrative costs and other administrative costs are disclosed as central administrative costs in Note 17.

Export sales

The Company has modified the accounting of export sales revenue. Shipping costs incurring outside Hungary had earlier been deducted from the gross export sales revenue, and the reduced value had been reported as net sales revenue. As from October 1, 2009, the sales revenue will appear without shipping cost reduction as sales while shipping costs will figure among general selling costs.

The following adjustments were made in the financial statement ended 30 September 2009:

	As disclosed	Restatement	Restated
Sales	106,302	831	107,133
General selling costs	(24,795)	(831)	(25,626)

(All amounts in HUF million, unless otherwise stated)

Classification of financial instruments

As of this year held-to-maturity and held-for-trading investments are presented as Other current financial assets, available-for-sale financial assets and the long term part of the loans given are presented as Other non-current financial assets in the Statement of Financial Position.

The following adjustments were made in the financial statement ended 30 September 2009:

	As disclosed	Classification	Reclassified
Held-to-maturity investments	2,700	(2,700)	0
Held-for-trading investments	194	(194)	0
Other current financial assets	0	2,894	2,894
Investments	7,686	(383)	7,303
Loans given (long term part)	135	(135)	0
Other non-current financial assets	0	518	518

As of this year, derivative transactions are presented as other current financial assets instead of other current assets.

The following adjustments were made in the financial statement ended 30 September 2009:

	As disclosed	Restatement	Restated
Net trade receivables and other current assets	24,660	(36)	24,624
Other current financial assets	2,894	36	2,930

Netting of derivative transactions

As of this year, gains and losses on derivative transactions are netted of.

The following adjustments were made in the financial statement ended 30 September 2009:

	As disclosed	Restatement	Restated
Finance income	3,395	(561)	2,834
Finance expenses	(3,266)	561	(2,705)

3. ACCOUNTING POLICIES

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

a. Presentation and functional currency

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

b. Cash and cash equivalents

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

c. Trade receivables

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

d. Inventories

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

Raw materials

- purchase cost on moving average price

Work-in-progress and finished goods

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

e. Intangible assets

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

	Annual rate in %
Software, patents, licences	20

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

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

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

f. Property, plant and equipment

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

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

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

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

g. Impairment

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

h. Financial instruments

Financial assets

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

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

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

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

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

Investments with fixed or determinable payments and fixed maturity that the Company has the positive intent and ability to hold to maturity are classified as held-to-maturity investments. Held-to-maturity investments are included in non-current assets unless they mature within 12 months of the end of the reporting period. Held-to-maturity investments are carried at amortized cost using the effective interest rate method, less impairment. Amortization and losses arising from impairment is included in the income statement in the finance cost.

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

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

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

Gains or losses on available-for-sale investments are recognised as other comprehensive income in the available-for-sale reserve until the investment is sold, collected or otherwise disposed of, or until the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in equity is included in the statement of income.

Financial liabilities

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

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

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

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

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

i. Investment properties

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

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

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

j. Foreign currency transactions

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

k. Borrowing costs

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

l. Provisions

General

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

Environmental liabilities

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

Employee benefits

EGIS Nyrt. operates a defined long-term employee benefit program, according to which, at retirement, the Company pays 10 or 12 months salary as a long-service benefit to its employees having a period of service at least 30 or 40 years, respectively. This program was introduced in February 2002, however, the Company made a provision for this item in accordance with IAS 19 first time in 2004. The impact of this provision related to prior years is shown in Note 22.

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

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

m. Reserves

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

n. Dividends

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

o. Earnings per share (EPS)

The calculation of basic earnings per shares is based on the profit attributable to ordinary shareholders using the weighted average number of shares outstanding during the year after deduction of treasury shares. There were not any items in the years ended 30 September 2010 and 2009 that would dilute the earnings per share.

p. Revenue recognition

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

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

q. Research and development

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

r. Operating profit

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

s. Government grants

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

t. Income taxes

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

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

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

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

u. Segment information

The Company does not report segment information as it basically provides one type of service and most of its assets are located in one geographical area, Central-Eastern Europe. Breakdown of sales by geographical area is presented in Note 16.

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

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

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

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

w. Contingencies

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

x. Subsequent events

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

y. Emission rights

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

z. Estimates

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

- Employee benefits, Note 3l, 22
- Deferred tax assets, Note 3t, 20
- Impairment of non-current assets, Note 3g
- Outcome of litigations, Note 12
- Quantification and timing of environmental provisions, Note 3l, 12.

(All amounts in HUF million, unless otherwise stated)

4. CASH AND CASH EQUIVALENTS

Cash and cash equivalents as at 30 September 2010 and 2009 are the following:

	30 September 2010	30 September 2009
Cash in bank	15,290	20,212
Cash on hand	2	3
Total	15,292	20,215

5. NET TRADE RECEIVABLES AND OTHER CURRENT ASSETS

Net trade receivables and other current assets as at 30 September 2010 and 2009 are the following:

	30 September 2010	30 September 2009 Restated
Trade receivables	26,827	19,454
Allowance for doubtful debtors	(834)	(854)
Trade receivables, net	25,993	18,600
Taxes receivable	1,418	1,270
Advance payments to suppliers	3,054	864
Other receivables and prepayments	3,265	3,890
Total	33,730	24,624

The ageing analysis of trade receivables is as follows:

	Total	Neither past due nor impaired	Past due but not impaired			
			<90 days	91-180 days	181-360 days	> 360 days
30 Sept. 2010	25,993	21,146	4,084	628	80	55
30 Sept. 2009	18,600	15,686	2,171	341	248	154

(All amounts in HUF million, unless otherwise stated)

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

	30 September 2010	30 September 2009
Opening amount of provision for impairment	854	497
Charge for the year	263	506
Utilized	(232)	(69)
Unused amounts reversed	(137)	(174)
Foreign exchange difference	86	94
Closing amount of provision for impairment	834	854

6. INVENTORIES

Inventories as at 30 September 2010 and 2009 are the following:

	30 September 2010	30 September 2009 Restated
Work-in-progress and semi-finished products	16,705	17,558
Finished goods	7,626	7,643
Raw materials	7,801	6,980
Goods for resale	3,656	2,835
Total	35,788	35,016

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

	30 September 2010	30 September 2009
Opening amount of provision for impairment	608	622
Charge for the year	279	78
Utilized	(59)	0
Unused amounts reversed	(174)	(92)
Closing amount of provision for impairment	654	608

(All amounts in HUF million, unless otherwise stated)

7. OTHER FINANCIAL ASSETS AND LIABILITIES

a. Other financial assets (including derivatives)

Other financial assets as at 30 September 2010 and 2009 are the following:

	30 September 2010	30 September 2009 Restated
Held-to-maturity investment – discounted treasury bills	7,232	2,180
Held-to-maturity investment – government bonds	0	520
Held-for-trading investment – government bonds	199	194
Available-for-sale investment – unquoted equity shares	434	383
Loans given	1,947	135
Derivatives – foreign exchange collar options	340	36
Total	10,152	3,448
Current	7,771	2,930
Non-current	2,381	518

Held-to-maturity investments consist of discounted treasury bills issued and guaranteed by the Hungarian government and therefore credit risk is considered to be low. Held-to-maturity investments initially were recognised at cost and amounted to HUF 7,160 million as at 30 September 2010 and HUF 2,531 million as at 30 September 2009. The investments are subsequently carried at amortized cost. The effective interest rates vary from 5.35%-5.62%. The difference between the initial cost and the amortised cost as at 30 September 2010 and 2009 was HUF 72 million and HUF 169 million, respectively.

Held-for-trading investments consist of long-term bonds issued and guaranteed by the Hungarian government. Fair valuation of these securities is reflected in the income statement.

Available-for-sale financial assets consist of unquoted non-controlling (below 20% of voting rights) interests of the Company.

(All amounts in HUF million, unless otherwise stated)

Non-controlling interests as at 30 September 2010 and 2009 are the following:

	30 September 2010		30 September 2009	
Company	Ownership %	Net book value	Ownership %	Net book value
OOO Serdix	5.4	413	18.3	357
Gyógynövény Kutató Intézet Zrt.	14.4	1	14.4	6
Medimpex Italia S.R.L.	-	-	7.0	1
Medimpex Japan Co. Ltd.	5.6	5	5.6	4
Magyar Gyógyszer Zrt.	2.6	15	2.6	15
Total		434		383

Gyógynövény Kutató Intézet Zrt. is a company without any actual activity and having revenue only from interest from banks, while Medimpex Italia S.R.L. was wound off in 2010.

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

OOO Serdix is a state-of-the-art production site in Russia, majorly owned by Servier Group. In 2010, after the owners decreasing the share capital with the accumulated loss, Servier increased its investment in Serdix, and as a result, share of EGIS has dropped to 5.4%. The company started packaging of pharmaceuticals in the past year and it will take further years to fully utilise its capacity. The major asset of Serdix is the production facility itself, and thus the fair value calculation was based on the historical value of land and PPE.

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

Loans given consist of intercompany loans and non-interest bearing housing loans. The amount of intercompany loans given to subsidiaries for the years ended 30 September 2010 and 2009 are HUF 1,805 million and 0, respectively. The amounts of housing loans granted to employees are HUF 142 and 135 million as at 30 September 2010 and 2009.

The Company enters into USD option contracts up to 70 % of budgeted annual sales and for maximum six months ahead. These instruments do not meet all of the criteria of IAS 39 for classification as a hedge. Therefore these instruments are presented at their fair values in the financial instruments and movements in fair values are posted to the income statement.

(All amounts in HUF million, unless otherwise stated)

The following contracts were valid as at 30 September 2010:

Opening date	Maturity	Currency	Amount	Type	Lower strike	Upper strike
2010.04.23	2010.10.27	USD	2,000,000	Collar	200.30	208.20
2010.04.29	2010.10.27	USD	1,000,000	Collar	202.30	209.50
2010.05.04	2010.10.27	USD	1,000,000	Collar	207.20	215.00
2010.05.11	2010.10.27	USD	1,000,000	Collar	215.90	222.50
2010.05.18	2010.10.27	USD	1,000,000	Collar	221.00	233.35
2010.06.07	2010.10.27	USD	1,000,000	Collar	241.50	247.00
2010.05.11	2010.11.26	USD	2,000,000	Collar	215.90	223.85
2010.05.18	2010.11.26	USD	1,000,000	Collar	221.00	233.35
2010.06.07	2010.11.26	USD	1,000,000	Collar	241.50	247.00
2010.07.19	2010.11.26	USD	1,000,000	Collar	222.15	228.50
2010.07.29	2010.11.26	USD	1,000,000	Collar	216.65	224.00
2010.06.07	2010.12.29	USD	1,000,000	Collar	241.50	247.00
2010.07.19	2010.12.29	USD	1,000,000	Collar	222.15	229.93
2010.07.29	2010.12.29	USD	1,000,000	Collar	216.65	224.75
2010.08.24	2010.12.29	USD	1,000,000	Collar	225.20	231.00
2010.07.19	2011.01.27	USD	1,000,000	Collar	222.15	231.34
2010.07.29	2011.01.27	USD	1,000,000	Collar	216.65	225.50
2010.08.24	2011.01.27	USD	1,000,000	Collar	225.20	232.50
2010.08.24	2011.02.24	USD	1,000,000	Collar	225.20	234.00

Unrealised profit/(loss) on open contracts as at 30 September 2010 and 2009 was HUF 340 million and HUF 36 million, respectively and was recorded in the consolidated income for the year then ended.

b. Financial liabilities

The Company has not entered into any financial lease contracts.

c. Fair values

Financial assets	30 September 2010 Carrying amount	30 September 2010 Fair value	30 September 2009 Carrying amount	30 September 2009 Fair value
Cash and cash equivalents	15,292	15,292	20,215	20,215
Net trade receivables and other current assets	33,730	33,730	24,624	24,624
Held-to-maturity investments	7,232	7,222	2,700	2,691
Held-for-trading investments	199	199	194	194
Available-for-sale financial assets	434	434	383	383
Loans given	1,947	1,947	135	135
Foreign exchange option contracts	340	340	36	36
Total	59,174	59,164	48,287	48,278

(All amounts in HUF million, unless otherwise stated)

Financial liabilities	30 September 2010 Carrying amount	30 September 2010 Fair value	30 September 2009 Carrying amount	30 September 2009 Fair value
Trade and other payables	(18,016)	(18,016)	(17,791)	(17,791)
Total	(18,016)	(18,016)	(17,791)	(17,791)

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

- Cash and cash equivalents, net trade receivables and other current assets, held-to-maturity investments, trade and other payables approximate their carrying amounts largely due to the short-term maturities of these instruments.
- Fair value calculation for held-for-trading investments was received from independent financial institutions.
- Fair value of unquoted available-for-sale financial assets is estimated using appropriate valuation techniques.
- Non-interest bearing long-term housing loans were discounted to reflect the time-value of money.
- Foreign exchange option contracts were valued by independent financial institutions using appropriate option-pricing models.

Fair value hierarchy as at 30 September 2010 is as follows:

Assets and liabilities measured at fair value	30 Sept 2010	Level 1	Level 2	Level 3
Held-for-trading investments	199	-	199	-
Available-for-sale financial assets	434	-	-	434
Foreign exchange option contracts	340	-	340	-

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

The movements in the fair value of the available-for-sale financial assets between 30 September 2009 and 30 September 2010 are as follows:

Opening amount of available-for-sale financial assets as at 30 September 2009	383
Gains for the period recognized in profit or loss as financial income	29
Losses for the period recognized in profit or loss as other expense	(5)
Fair value gains recognized in other comprehensive income	27
Closing amount of available-for-sale financial assets as at 30 September 2010	434

(All amounts in HUF million, unless otherwise stated)

8. INTANGIBLE ASSETS

The movements in intangible assets for the years ended 30 September 2010 and 2009 were the following:

NET CARRYING AMOUNT	Software	Patents, licences	Intellectual property rights	Total
At 1 October 2008	733	89	2,963	3,785
Additions	920	293	0	1,213
Disposals	0	0	0	0
Impairment (Note 17)	0	0	0	0
Amortisation charge for the year	(306)	(120)	(847)	(1,273)
Transfers	(6)	0	501	495
At 30 September 2009	1,341	262	2,617	4,220
Additions	928	223	0	1,151
Disposals	0	0	0	0
Impairment (Note 17)	(1)	0	0	(1)
Amortisation charge for the year	(449)	(197)	(706)	(1,352)
Transfers	0	0	0	0
At 30 September 2010	1,819	288	1,911	4,018

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

At 30 September 2010	Software	Patents, licences	Intellectual property rights	Total
Cost	4,519	795	4,454	9,768
Accumulated amortisation	(2,700)	(507)	(2,543)	(5,750)
Net carrying amount	1,819	288	1,911	4,018

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

The gross carrying amounts of certain software, patent and license items of HUF 2,073 million and HUF 1,833 million are fully amortized as at 30 September 2010 and 2009, respectively, but these items are still in active use.

(All amounts in HUF million, unless otherwise stated)

9. PROPERTY, PLANT AND EQUIPMENT

The movements in property, plant and equipment in the years ended 30 September 2010 and 2009 were the following:

NET CARRYING AMOUNT	Land and buildings	Plant, machinery and equipment	Vehicles	Construction in progress	Total
At 1 October 2008	24,691	17,885	1,840	2,377	46,793
Additions	2,225	5,779	713	3,569	12,286
Disposals	0	(2)	(43)	0	(45)
Impairment (Note 17)	(6)	(38)	(9)	(23)	(76)
Depreciation charge for the year	(1,050)	(4,224)	(684)	0	(5,958)
Transfers	(823)	328	0	0	(495)
At 30 September 2009	25,037	19,728	1,817	5,923	52,505
Additions	2,913	8,231	794	13	11,951
Disposals	0	0	(36)	0	(36)
Impairment (Note 17)	0	(11)	(4)	(2)	(17)
Depreciation charge for the year	(1,094)	(4,553)	(706)	0	(6,353)
Transfers	0	2	(2)	0	0
At 30 September 2010	26,856	23,397	1,863	5,934	58,050

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

At 30 September 2010	Land and buildings	Plant, machinery and equipment	Vehicles	Construction in progress	Total
Cost	34,779	61,045	4,241	5,934	105,999
Accumulated depreciation	(7,923)	(37,648)	(2,378)	0	(47,949)
Net carrying amount	26,856	23,397	1,863	5,934	58,050

The gross carrying amounts of certain property, plant and equipment items of HUF 15,947 million and HUF 13,360 million are fully depreciated as at 30 September 2010 and 2009 respectively, but these items are still in active use.

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

(All amounts in HUF million, unless otherwise stated)

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

Investments as at 30 September 2010 and 2009 are the following:

	30 September 2010	30 September 2009
		Restated
Investments in subsidiaries	4,035	4,390
Investments in jointly controlled entities	303	303
Investments in associates	2,610	2,610
Total	6,948	7,303

Equity interests and the percentage of share capital held as at 30 September 2010 and 2009 are the following:

	30 September 2010		30 September 2009	
Company	Ownership %	Net book value	Ownership %	Net book value
Medimpex Kereskedelmi Zrt.	100.0	733	100.0	733
EGIS Slovakia spol. s r.o.	100.0	838	100.0	817
EGIS Praha spol. s r.o.	100.0	319	100.0	312
EGIS UK Ltd.	100.0	0	100.0	0
EGIS Polska Sp. z o.o.	100.0	1,242	100.0	1,119
EGIS Polska Dystrybucja Sp. z o.o.	100.0	696	100.0	640
EGIS Rompharma S.R.L.	100.0	0	100.0	0
EGIS Bulgaria EOOD	100.0	1	100.0	1
OOO EGIS-RUS	100.0	17	100.0	15
EGIS Ilaclari Limited Sirketi	100.0	189	100.0	753
Medimpex Irodaház Ingatlankezelő Kft.	50.0	303	50.0	303
Medimpex Jamaica Ltd.	40.0	0	40.0	0
Medimpex West-Indies Ltd.	40.0	9	40.0	9
Gyógyszeripari Ellenőrző és Fejl. Lab. Kft.	34.0	42	34.0	42
Hungaropharma Zrt.	30.7	2,549	30.7	2,549
Recyclomed Kht.	20.0	10	20.0	10
Total		6,948		7,303

(All amounts in HUF million, unless otherwise stated)

The changes in the value of investments as at 30 September 2010 and 2009 are the following:

	30 September 2010	30 September 2009
Opening amount of investments	7,303	6,224
EGIS Polska Dystrybucja Sp. z o.o. share capital increase	0	622
EGIS Polska Dystrybucja Sp. z o.o. year-end FX revaluation	55	(3)
EGIS Ilaclari Limited Sirketi share capital increase	0	1,289
EGIS Ilaclari Limited Sirketi year-end FX revaluation	21	(8)
EGIS Ilaclari Limited Sirketi impairment	(584)	(956)
EGIS Slovakia spol. s r.o. year-end FX revaluation	21	81
EGIS Slovakia spol. s r.o. reversal of impairment	0	79
EGIS Praha spol. s r.o. year-end FX revaluation	14	26
EGIS Praha spol. s r.o. reversal of impairment / impairment	(7)	10
EGIS Polska Sp. z o.o. year-end FX revaluation	98	(129)
EGIS Polska Sp. z o.o. reversal of impairment	25	102
OOO EGIS RUS year-end FX revaluation	2	(2)
EGIS Rompharma S.R.L. impairment	0	(1)
Medimpex UK Ltd. Year-end FX revaluation	0	(1)
Medimpex UK Ltd. reclassification to non-current assets held-for-sale	0	(30)
Total change	(355)	1,079
Closing amount of investments	6,948	7,303

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

In the year ended 30 September 2010 and 2009 the following dividends were paid to EGIS Nyrt.:

	Year ended 30 September 2010	Year ended 30 September 2009
Hungaropharma Zrt.	0	307
Medimpex Irodaház Ingatlankezelő Kft.	0	65
Medimpex Kereskedelmi Zrt.	47	58
Gyógyszeripari Ellenőrző és Fejl. Lab. Kft.	0	3
Medimpex West Indies Ltd.	4	6
Other companies	2	2
Total	53	441

(All amounts in HUF million, unless otherwise stated)

11. TRADE AND OTHER PAYABLES

Trade and other payables as at 30 September 2010 and 2009 are the following:

	30 September 2010	30 September 2009
Trade payables	11,734	11,452
Salaries payable	662	705
Taxes and duties payable	1,126	1,515
Other short term liabilities	4,494	4,119
Total	18,016	17,791

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

	Total	On demand	Less than 3 months	Over 3 months
30 September 2010	11,734	736	10,998	0
30 September 2009	11,452	408	10,948	96

12. PROVISIONS

As at 30 September 2010 and 2009 provisions are the following:

	Environ-mental	Litigations	Employee benefits	Payable to NHIF	Other	Total
Balance as at 30 September 2008	118	313	842	0	250	1,523
Provision made during the period	70	30	472	137	210	919
Provision used during the period	(81)	(11)	(145)	0	(110)	(347)
Increase / (decrease) in provision	(11)	19	327	137	100	572
Balance as at 30 September 2009	107	332	1,169	137	350	2,095
Provision made during the period	247	138	386	0	360	1,131
Provision used during the period	(74)	(13)	(233)	(137)	(325)	(782)
Increase / (decrease) in provision	173	125	153	(137)	35	349
Balance as at 30 September 2010	280	457	1,322	0	385	2,444

(All amounts in HUF million, unless otherwise stated)

Provisions as at 30 September 2010 and 2009 classified as current liability (to be used or reversed within one year) and as non-current liability are as follows:

	Environ-mental	Litigations	Employee benefits	Payable to NHIF	Other	Total
Current provisions	67	300	190	137	350	1,044
Non-current provisions	40	32	979	0	0	1,051
Balance as at 30 September 2009	107	332	1,169	137	350	2,095
Current provisions	190	430	233	0	385	1,238
Non-current provisions	90	27	1,089	0	0	1,206
Balance as at 30 September 2010	280	457	1,322	0	385	2,444

Provision for environmental liabilities relates to the contamination of land at plants in Budapest and possible sewage fine payable on the emission of waste-water exceeding the accepted limits.

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

Calculations for provisions for long-term employee benefits are shown in Note 22.

Earlier the Company has made a provision for amounts payable to NHIF on reimbursed products, which had already been sold to wholesalers or pharmacies but not to the ultimate customers. Due to favourable changes in the legislation (as of 2010 R&D expenses can be deducted from amounts payable to NHIF), no provision was accounted for as at 30 September 2010.

Other provisions contain the fees payable to the agents after the customers paid the related invoices in the amount of HUF 182 million and HUF 187 million as at 30 September 2010 and 2009, respectively.

(All amounts in HUF million, unless otherwise stated)

13. SHARE CAPITAL

Share capital as at 30 September 2010 and 2009 consists of 7,785,715 authorized, issued and fully paid dematerialized shares of registered value of 1 thousand HUF per share carrying equal ranking as at 30 September 2010 and 2009.

14. SHARE PREMIUM

Share premium disclosed as at 30 September 2010 and 2009 represents the difference between the consideration of USD 45,000 thousand received for additional 2,335,715 shares issued on 22 December 1993 from EBRD and the registered value of 1 thousand HUF per share calculated using the exchange rate at the date of the receipt of the funds.

15. RETAINED EARNINGS

The distributable part of retained earnings of the Company in accordance with statutory financial statements as at 30 September 2010 and 2009 were HUF 130,048 million and HUF 112,257 million (out of the total retained earnings of HUF 134,285 million and HUF 118,230 million), respectively. The management proposed a total dividend of HUF 934 million to be distributed from the profit of the year ended 30 September 2010. Both paid and proposed dividend per share as at 30 September 2010 and 2009 were HUF 120.

16. SALES

Sales by geographical areas for the years ended 30 September 2010 and 2009 are the following:

	Year ended 30 September 2010	Year ended 30 September 2009
		Restated
Hungary	31,213	29,769
European Union	36,817	39,963
Other European countries	39,853	35,264
North-America and Japan	1,594	809
Others	1,540	1,328
Total	111,017	107,133

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

(All amounts in HUF million, unless otherwise stated)

17. COSTS AND EXPENSES

Costs and expenses for the years ended 30 September 2010 and 2009 are as follows:

	Year ended 30 September 2010	Year ended 30 September 2009 Restated
Cost of sales	47,551	46,575
Administrative and distribution expenses	46,641	44,995
Other operating expenses	2,642	3,944
Total	96,834	95,514

Cost of sales for the years ended 30 September 2010 and 2009 includes direct material and labour costs as well as certain directly attributable production overheads.

Administrative and distribution expenses for the years ended 30 September 2010 and 2009 are the following:

	Year ended 30 September 2010	Year ended 30 September 2009 Restated
General selling costs	27,371	25,626
Research and Developments expenses	10,860	9,957
Central administrative costs	8,012	8,327
Impairment (Note 8 and Note 9)	18	76
Allowance for doubtful debtors (Note 5)	31	437
Net provision expenses (Note 12)	349	572
Total	46,641	44,995

(All amounts in HUF million, unless otherwise stated)

Other operating expenses for the years ended 30 September 2010 and 2009 are as follows:

	Year ended 30 September 2010	Year ended 30 September 2009
Contribution to National Health Insurance Fund	477	1,841
Local municipal tax	1,624	1,476
Others	541	627
Total	2,642	3,944

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

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

Major titles to reimbursement:

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

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

12% payment obligation figuring in the statement of September 30, 2010 was calculated according to the following:

- actual payment obligation for the period October 2009 - June 2010
- preliminary obligation calculated for July and August 2010 by the Company on the basis of NHI data supply
- the Company's estimation for September 2010
- 20% retention which is the 20% of the 12% payment accounted for the October-December 2009 period and of the registration fee of medical representatives for the same period.
- 100% retention which is the 100% of the 12% payment accounted for the January-September 2010 period and of the registration fee of medical representatives for the same period.

(All amounts in HUF million, unless otherwise stated)

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

	Year ended 30 September 2010	Year ended 30 September 2009
Net sales	115,005	107,591
less: income from royalties	(340)	(807)
less: material cost (adjusted)	(27,838)	(29,347)
less: cost of sales	(5,216)	(3,160)
less: mediated services	(386)	(470)
Tax base	81,225	73,807
Tax at applicable rate of 2 %	1,624	1,476

The following costs and expenses are included in cost of sales, administrative and distribution and other operating expenses for the years ended 30 September 2010 and 2009:

	Year ended 30 September 2010	Year ended 30 September 2009 Restated
Material type costs	33,510	33,149
Payroll and related costs	25,745	25,213
Material type services	16,860	15,347
Depreciation and amortization	7,705	7,231
Hired labour	3,597	3,969
Other taxes	2,453	3,840
Licence fees	786	1,005
Commission	578	355
Marketing	1,905	1,039
Patent and registration fees	1,685	1,744
Environment protection expenses	530	675
Subcontracted R&D services	893	525
Impairment (Note 8 and Note 9)	18	76
Net provision expenses (Note 12)	349	572
Allowance for doubtful debtors (Note 5)	31	437
Other	189	337
Total	96,834	95,514

(All amounts in HUF million, unless otherwise stated)

18. FINANCE INCOME

Interest and other financial income for the years ended 30 September 2010 and 2009 are the following:

	Year ended 30 September 2010	Year ended 30 September 2009
		Restated
Foreign exchange gains, net	1,427	850
Interest income on bank accounts	1,308	913
Gain on sale of investments	264	0
Interest income on other financial assets	199	758
Impairment reversal of investments	25	184
Discounting long-term employee loans	10	0
Gain on sale of other financial assets	6	109
Fair value gain on financial assets and liabilities	6	15
Other financial income	17	5
Total	3,262	2,834

19. FINANCE COSTS

Interest and other financial expenses for the years ended 30 September 2010 and 2009 are the following:

	Year ended 30 September 2010	Year ended 30 September 2009
		Restated
Loss on derivative transactions	251	1,019
Interest expense	0	2
Loss on sale of investments	1	10
Discounting long-term employee loans	0	8
Impairment of investments	591	1,646
Other financial expense	104	20
Total	947	2,705

(All amounts in HUF million, unless otherwise stated)

20. INCOME TAX EXPENSE AND DEFERRED TAX

Income tax expense for the years ended 30 September 2010 and 2009 are as follows:

	Year ended 30 September 2010	Year ended 30 September 2009
Current tax expense	538	418
Deferred tax expense	(86)	94
Total	452	512

Deferred tax assets and (liabilities) as at 30 September 2010 and 2009 are the following:

	Statement of financial position		Income statement		Comprehensive income	
	Year ended 30 September 2010	Year ended 30 September 2009	Year ended 30 September 2010	Year ended 30 September 2009	Year ended 30 September 2010	Year ended 30 September 2009
Depreciation and amortization	(45)	(11)	34	139	0	0
Fair valuation of assets	(15)	(3)	11	0	1	0
Provision and accruals	228	99	(129)	(33)	0	0
Allowance for doubtful receivables	32	27	(5)	(11)	0	0
Other	0	3	3	(1)	0	0
Total	200	115	(86)	94	1	0

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

	As of 1 Oct 2008	As of 1 Oct 2009	As of 1 Oct 2010
Corporate tax: tax base up to HUF 500 million	16%	16%	10%
Corporate tax: tax base over HUF 500 million	16%	16%	19%
Solidarity tax	4%	4%	-

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

(All amounts in HUF million, unless otherwise stated)

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

	Year ended 30 September 2010	Year ended 30 September 2009 Restated
Income before tax per accompanying income statement	17,441	13,393
Tax at the applicable tax rate of 20 %	3,488	2,679
Research and development expenses not taxable	(1,057)	(869)
Local tax expenses not taxable	(260)	(240)
Development reserve not taxable	(80)	(80)
Other differences not expected to reverse	(126)	10
Tax allowance	(1,513)	(1,073)
Effect of changes of tax rates in Hungary	0	85
Total income tax expense	452	512

The Company earned a tax allowance due to the development of its production facilities. The tax allowance amounts to HUF 5.3 billion in total, out of which the following amounts were utilized in the past years:

2009/2010	2008/2009	2007/2008	2006/2007	Total
1,287	914	421	357	2,979

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

The Company has paid HUF 1,624 million and HUF 1,476 million local business taxes in the years ended 30 September 2010 and 2009, respectively. The amount is presented in other operating expenses (see Note 17).

21. BASIC AND DILUTED EARNINGS PER SHARE (EPS)

Basic earnings per share are calculated by dividing the net profit for the period attributable to ordinary shareholders (net profit for the period less dividends on preference shares classified as equity) by the weighted average number of ordinary shares outstanding the period. There were not any items in the years ended 30 September 2010 and 2009 that would dilute the earnings per share.

	Net profit for the year (HUF million)	Weighted average number of shares	Earnings per share (HUF)
Basic and diluted Earnings per share 2010	16,989	7,785,715	2,182
Basic and diluted Earnings per share 2009 (restated)	12,881	7,785,715	1,654

22. EMPLOYEE BENEFITS

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

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

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

Movements in the provision for employee benefits in the year ended 30 September 2010 and 2009 are the following:

	Year ended 30 September 2010	Year ended 30 September 2009
		Restated *
Opening balance as at 1 October	1,169	842
Current service cost	91	81
Interest cost	127	103
Recognised actuarial losses	57	233
Past service cost – non vested benefits	55	55
Benefits paid	(177)	(145)
Closing balance as at 30 September	1,322	1,169

(All amounts in HUF million, unless otherwise stated)

Reconciliation of the present value of the obligation to the liability recognised in the statement of financial position as at 30 September 2010 and 2009 is as follows:

	Year ended 30 September 2010	Year ended 30 September 2009
		Restated *
Provision recognised in the statement of financial position	1,322	1,169
Past service cost not recognised in the statement of financial position	595	650
Present value of the obligation	1,917	1,819

Amounts charged to administration and distribution expenses for the years ended 30 September 2010 and 2009 are the following:

	Year ended 30 September 2010	Year ended 30 September 2009
		Restated *
Current service cost	91	81
Interest cost	127	103
Recognised actuarial losses	57	233
Past service cost – non vested benefits	55	55
Total expense	330	472

Assumptions applied in the calculation of provision for employee benefits for the years ended 30 September 2010 and 2009 are the following:

Future service years	11.8	12.8
Discount rate	7.0%	7.0%
Fluctuation rate	5.3%	5.3%
Expected average wage increase	4.5%	4.5%

* Additional service awards disclosed separately in the prior year's financial statement are now included in the above tables.

The cumulative amount of recognised actuarial losses as at 30 September 2010 and 2009 was HUF 264 million and HUF 207 million, respectively.

(All amounts in HUF million, unless otherwise stated)

23. RELATED PARTY TRANSACTIONS

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

Revenue from related parties for the years ended 30 September 2010 and 2009 are the following:

	Year ended 30 September 2010	Year ended 30 September 2009
		Restated
Servier and its subsidiaries	10,435	16,845
Hungaropharma Zrt.	10,860	10,686
EGIS Polska Dystrybucja Sp. z o.o.	10,660	8,419
EGIS Slovakia spol. s r.o.	4,096	3,852
EGIS Rompharma S.R.L.	3,700	3,237
Anpharm Sp. Akc.	2,030	3,793
EGIS Bulgaria EOOD	1,540	1,292
EGIS Ilaclari Limited Sirketi	932	825
Medimpex West Indies Ltd.	379	321
EGIS Polska Sp. z o.o.	16	72
EGIS Praha spol. s r.o.	9	34
Medimpex UK Ltd.	0	319
Total	44,657	49,695

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

Interest income from related parties for the years ended 30 September 2010 and 2009 are the following:

	Year ended 30 September 2010	Year ended 30 September 2009
EGIS Polska Dystrybucja Sp. z o.o.	64	94
EGIS Ilaclari Limited Sirketi	15	0
Total	79	94

(All amounts in HUF million, unless otherwise stated)

Related party costs for the years ended 30 September 2010 and 2009 are the following:

	Year ended 30 September 2010	Year ended 30 September 2009
EGIS Polska Sp. z o.o.	4,148	3,659
EGIS Praha spol. s r.o.	1,425	1,348
EGIS Slovakia spol. s r.o	1,204	1,140
Medimpex Kereskedelmi Zrt.	451	342
Servier and its subsidiaries	134	224
Gyógyszeripari Ellenőrző és Fejl. Lab. Kft.	63	72
Recyclomed Kht.	30	27
EGIS UK Ltd.	10	44
Anpharm Sp. Akc.	10	13
Hungaropharma Zrt.	3	0
Medimpex West Indies Ltd.	3	2
EGIS Ilaclari Limited Sirketi	0	5
Total	7,481	6,876

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

Purchases of inventories from related parties for the years ended as at 30 September 2010 and 2009 are the following

	Year ended 30 September 2010	Year ended 30 September 2009
Servier and its subsidiaries	6,063	8,047
Medimpex Kereskedelmi Zrt.	12	1
EGIS Slovakia spol. s r.o	2	110
Hungaropharma Zrt.	4	6
Medimpex UK Ltd.	0	5
Total	6,081	8,169

(All amounts in HUF million, unless otherwise stated)

Related party receivables and payables as at 30 September 2010 and 2009 are the following:

	Receivables		Payables	
	30 Sept 2010	30 Sept 2009	30 Sept 2010	30 Sept 2009
EGIS Rompharma S.R.L.	3,344	2,298	0	0
EGIS Polska Dystrybucja Sp. z o.o.	2,910	1,563	0	0
Hungaropharma Zrt.	2,874	1,679	0	0
Servier	1,757	933	1,318	1,458
EGIS Slovakia spol. s r.o.	1,061	1,182	90	0
EGIS Ilaclari Limited Sirketi	390	422	0	5
Anpharm Sp. Akc.	282	194	4	1
EGIS Bulgaria EOOD	210	159	0	0
Medimpex Kereskedelmi Zrt.	128	2	6	2
Medimpex West Indies Ltd.	101	187	0	2
EGIS Praha spol. s r.o	18	0	1	15
EGIS UK Ltd.	11	19	0	0
EGIS Polska Sp. z o.o.	0	0	763	3
Gyógyszeripari Ell. És Fejl. Lab.	0	0	9	13
Medimpex UK Ltd.	0	138	0	0
Recyclomed Kht.	0	0	2	1
Total	13,086	8,776	2,193	1,500

	Loans given	
	30 Sept 2010	30 Sept 2009
EGIS Ilaclari Limited Sirketi	1,165	0
Medimpex Kereskedelmi Zrt.	640	0
EGIS Polska Dystrybucja Sp. z o.o.	0	1,921
Total	1,805	1,921

Emoluments of and shares held by the members of the Board of Directors, Supervisory Board and Audit Committee as at 30 September 2010 and 2009 are the following:

	30 September 2010		30 September 2009	
	Emoluments	Number of shares	Emoluments	Number of shares
Board of Directors	23.6	2,010	22.8	2,010
Supervisory Board	27.4	400	30.4	260
Audit Committee	11.7	-	11.4	-
Total	62.7	2,410	64.6	2,270

(All amounts in HUF million, unless otherwise stated)

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

24. SERVICES PROVIDED BY ERNST & YOUNG COMPANIES

Services provided to EGIS Nyrt. by Ernst & Young companies for the years ended as at 30 September 2010 and 2009 are the following:

	Year ended 30 September 2010	Year ended 30 September 2009
Audit fees (Statutory, IFRS separate and IFRS consolidated Financial Statements)	23.2	24
Risk management advisory services	7.6	0
Transfer price review	0	1
Corporate tax allowance review	0	6
IFRS training	0	6
Total	30.8	37

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

The effect of adjustments on net profit for the years ended 30 September 2010 and 2009 are as follows:

	Year ended 30 September 2010	Year ended 30 September 2009 Restated
Net profit for the year under statutory Accounting Standards	17,791	12,904
Dividends	934	934
Effect of change in accounting policy	(645)	(249)
Fair valuation of open derivative transactions	336	(24)
Expensing of research and development	(1,473)	(504)
Deferred tax	86	(94)
Fair valuation of investments	5	15
Provisions	(55)	(55)
Other	10	(46)
Net profit for the year under International Financial Reporting Standards	16,989	12,881

(All amounts in HUF million, unless otherwise stated)

The effect of adjustments on shareholders' equity as at 30 September 2010 and 2009 are as follows:

	Year ended 30 September 2010	Year ended 30 September 2009 Restated
Shareholders' equity under statutory Accounting Standards	147,251	129,460
Effect of change in accounting policy	0	645
Expensing of research and development	(4,454)	(2,981)
Revaluation of property, plant and equipment	(568)	(568)
Dividends	934	934
Provisions	597	652
Fair valuation of open derivative transactions	371	35
Deferred tax	201	115
Fair valuation of available-for-sale investment	26	0
Fair valuation of investments held-for-trading	4	(1)
Other	(26)	(36)
Shareholders' equity under International Financial Reporting Standards	144,336	128,255

26. COMMITMENTS AND CONTINGENT LIABILITIES

Guarantee

Guarantees granted and received by the Company for the years ended 30 September 2010 and 2009 are the following:

	Year ended 30 September 2010	Year ended 30 September 2009
Guarantees granted	41	564
Guarantees received	8,310	3,666

Guarantees are mainly granted to the Customs Authority in 2009 and to Medimpex West-Indies Ltd. in 2010, while guarantees received represent payment guarantees and good-performance guarantees.

Capital commitments

Capital commitments of the Company as at 30 September 2010 and 2009 are HUF 3,427 million and HUF 3,315 million, respectively.

Other financial commitment

EGIS and Celltrion Inc. (Celltrion) and Celltrion Healthcare Co. Ltd. (Korea, together with Celltrion as “Celltrion Group”), have entered into a collaboration agreement on February 5th 2010 for the distribution of biopharmaceutical products developed and manufactured by Celltrion. With this agreement, EGIS will have the opportunity to enter the biopharmaceutical markets of oncology, autoimmune and inflammatory diseases along with very first biosimilar players. The size of the market EGIS is aiming at in total is actually more than EUR 600 million with double digit growth. The launches are planned over the period between year 2012 and 2018. Commercial launch of the first biosimilar product is expected in 2012 or early 2013, and is expected to generate about EUR 30 million revenue as of the following year.

27. EVENTS AFTER THE REPORTING PERIOD

Modification of Act XCVIII of 2006 on safety and efficient supply of pharmaceuticals and medical devices as well as on the general rules of pharmaceuticals distribution ("Drug Thrift law") is pending at the end of the reporting period. The Company recognises other receivables in an amount of HUF 2.2 billion in accordance with the above legislation effective at the end of the reporting period. Its calculation is disclosed in Note 17.

28. FINANCIAL RISK MANAGEMENT

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

Market risk

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

Currency risk

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

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

(All amounts in HUF million, unless otherwise stated)

	Decrease in US dollar rate	Operating Profit decreased by
2009	1%	210 - 230
2010	1%	200 - 220

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

	30 September 2010	30 September 2009
BGN	141.78	138.23
CHF	208.2	179.16
CZK	11.24	10.73
DKK	37.21	36.32
EUR	277.33	270.36
GBP	323.15	297.29
JPY (100 unit)	244.3	206.49
NOK	34.68	31.81
PLN	69.54	64.04
RON	64.98	64.46
RUB	6.65	6.16
SEK	30.3	26.45
TRY	140.24	124.49
USD	203.43	184.79

Credit risk

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

Short-term investments consist of bonds, treasury bills issued and guaranteed by the Hungarian government. The Company’s trade receivables include balances from a number of customers that are across different geographic areas. Analyses of most significant trade debtors are as follows:

	30 September 2010			30 September 2009		
	Value	Percentage of total	Number of debtors	Value	Percentage of total	Number of debtors
Over HUF 1,000 million	14,937	57%	6	9,568	51%	6
Between HUF 200 and 1,000 million	5,703	22%	14	4,020	22%	12
Over HUF 200 million	20,640	79%	20	13,588	73%	18

The Company has a very strict credit verification procedure and furthermore, receivable balances are monitored on a monthly basis with the result that the Company's exposure to bad debts is not significant. Besides, receivables exposed to significant credit risk are secured mostly with bank guaranties and letter of credits in an amount of HUF 9,018 million and HUF 3,243 million as at 30 September 2010 and 2009, respectively.

For ageing analysis of trade receivables and trade payables please refer to Notes 5 and 11, respectively.

Liquidity risk

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

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

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

Capital management

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

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

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

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

(All amounts in HUF million, unless otherwise stated)

	30 September 2010	30 September 2009
		Restated
Trade and other payables	18,016	17,791
Less Cash and cash equivalents	(15,292)	(20,215)
Net debts	2,724	(2,424)
Equity	144,336	128,255
Equity and net debt	147,060	125,831
Gearing ratio	**1.85%**	**(1.93%)**

29. APPROVAL OF THE FINANCIAL STATEMENTS

The accompanying separate financial statements were approved by the Board of Directors of EGIS on 7 December 2010. The Annual General Meeting has the ultimate power to change this approval.

Budapest, 7 December 2010

Representative of the Company

EGIS Pharmaceuticals PLC

ANNUAL REPORT 2009/2010
IN ACCORDANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)

3. BUSINESS REPORT

Budapest, January 26, 2011

EGIS PLC
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I. SUMMARY

MAIN FEATURES OF EGIS PLC'S OPERATIONS IN 2009/2010

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

In the 2009/2010 business year, the Company achieved a good performance.
Sales revenue moved up dynamically in the regions being strategically important for the Company. Gross profit improved, operating expenditures rose moderately. The Company ensured sufficient resources for further renewal of the product portfolio and for further modernization of the operation. The Company's operating profit and pre-tax profit grew significantly, its strength in equity kept on expanding.

In the 2009/2010 business year, the Company had net sales of HUF 111,017 million, 4% more than a year ago. 72% of sales revenue derived from international turnover while 28% from domestic sales.

Domestic sales revenue totalled HUF 31,213 million during the business year. This performance indicates a 5% development y/y. 7 new products were launched in Hungary.

The Company was the fifth largest supplier in the Hungarian pharmaceutical market also in 2009/2010 with a market share of 5.3% in value, similarly to the previous year. Regarding the quantity of pharmaceuticals sold, EGIS PLC kept on being the third biggest supplier in Hungary with a market share of 9.7%.

HUF value of total international sales added up to HUF 79,804 million. This indicates an increase of 3% on the previous year.
Sales revenue in the strategic markets grew 12% in total. More specifically, there has been an aggregate boost of 13% in Russia and other CIS countries, 11% in Eastern Europe. In the reported business year, 9 new products were launched in these markets.
Turnover in other regions decreased 26%: the western sales of finished products went down 36% (following the last year's increase of 63%) while export of APIs was lower by 19% than a year ago.

In USD terms, sales outside Hungary came to USD 392.2 million, 4% more than the year before.

Gross margin accounted for 57.2%, improving 0.6 percentage point compared to 2008/09.
General operating costs grew 4%.

The Company's operating profit rose to HUF 15,073 million, exceeding the comparative figure by 18%. Operating profit accounted for 13.6% of sales revenue, this ratio means a 1.6 percentage point improvement y/y.

In the reported year, profit from financial activities amounted to HUF 2,368 million.

Thus, pretax profit as at September 30, 2010 totalled HUF 17,441 million, 30% more than a year ago.

At the end of the reported period, EGIS's equity came to HUF 144,336 million, 13% higher than the year before. Equity per share value rose to HUF 18,539.

Also in 2009/2010, the Company paid strong attention to strict resource management.

Financial position of the Company kept on being firm, value of held-to-maturity, held-for-trading investments as well as cash and cash equivalents available at the end of the business year amounted to HUF 22,723 million.

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

The Company has concluded a long-term contract of great business importance with Celltrion (South Korea) for takeover of biosimilar drugs and for distributing them in the strategic markets.

Also in the 2009/2010 business year, the strategic co-operation between SERVIER and EGIS PLC has substantially contributed to boost the Company's results.

Table 1

Key Figures of EGIS PLC's Performance

			Oct 1, 2008 – Sept 30, 2009 Restated* 12 months	Oct 1, 2009 - Sept 30, 2010 12 months	Index %
Net sales		HUFm	107 113	111 017	104
Of which					
	domestic	HUFm	29 769	31 213	105
	export	HUFm	77 364	79 804	103
		USDm	375.3	392.2	104
Profit					
	basic activities	HUFm	12 823	15 073	118
	before tax	HUFm	13 393	17 441	130
	after tax	HUFm	12 881	16 989	132
Full-time staff at the end of the period		person	2 543	2 600	102
Capital expenditure and purchase of intangibles		HUFm	13 499	13 103	97
R and D expenditure		HUFm	9 957	10 860	109
Invested assets at the end of the period		HUFm	64 661	71 597	111
Equity at the end of the period		HUFm	128 255	144 336	113

Information on restatement of the comparative data

In the 2009/2010 business year, EGIS PLC has introduced two amendments to its accounting policy:

1.
As from October 1, 2009 a new method for the calculation of the cost of sales has been applied which shows the production costs in more details and more precisely. Accordingly, costs of quality assurance, logistic costs of raw materials and costs of production management, which had been accounted aggregately among administration costs, are now included and analysed in details among direct costs.

2.
The Company has modified the accounting of export sales revenue. Shipping costs incurring outside Hungary had earlier been deducted from the gross export sales revenue, in complying with the Hungarian Accounting Law, and the reduced value had been reported as net sales revenue. As from October 1, 2009, according to IFRS, the sales revenue will appear without shipping cost reduction as sales while shipping costs will figure among general selling costs. This change has no effect on net profit.

The amendments practically do not affect the Company's results but there is a significant rearrangement among the lines of financial statements. In order to support a real comparison, the comparative data have been restated.

The modifications were published in the Company's announcement dated January 28, 2010.

Annex 1

Strategic Co-operation between SERVIER and EGIS

Also in the 2009/2010 business year, the strategic alliance between SERVIER and EGIS, forming a solid basis for the Company's development since 1996, contributed substantially to the good results of the Company.

In 2009/2010, the turnover realized by EGIS PLC in the framework of this collaboration amounted to HUF 20.7 billion. This level – mainly due to the lower API demand – is less than a year ago. The cooperation reaches 19% of the Company's total sales revenue.

Domestic sales of SERVIER products (*Coverex-AS 5 mg* and *10 mg, Coverex-AS Komb, Coverex-AS KombForte, Covercard 5/5 mg, 5/10 mg, 10/5 mg* and *10/10 mg, Adexor MR, Tenaxum, Apadex retard* and *Bioparox*) distributed by EGIS PLC under licence from SERVIER totalled HUF 10.3 billion. These products represented 34% of total domestic sales of EGIS PLC. SERVIER remains by far the most important licence partner of EGIS.

Over the 2009/2010 business year, sales revenue of the antibiotic product *Bioparox* aerosol developed by SERVIER and produced for Eastern European markets by EGIS, amounted to USD 13.8 million. EGIS PLC sold additional SERVIER products in these markets at a value of USD 2.9 million.

Also in the reported business year, good cooperation between EGIS and ANPHARM, a company within the SERVIER Group, guaranteed the hitch-free distribution of the Polish product portfolio taken over two years ago.

The sale of EGIS finished products in France was realized in co-operation with SERVIER's local generic company BIOGARAN. Annual sales revenue generated by EGIS in this market totalled USD 14.6 million.

The supply of bulk chemicals produced by EGIS for SERVIER temporarily decreased to USD 19.1 million in the reported business year.

Fruitful harmonized co-operation between EGIS and SERVIER was realized in the area of discovery research.

II. SHARES AND SHAREHOLDERS OF EGIS PLC

At the end of the 2009/2010 business year, the share capital of EGIS PLC was invariably composed of 7,785,715 registered ordinary shares, with a nominal value of HUF 1,000 each. The shares exist in dematerialized form and are listed on Budapest Stock Exchange in the ’A’ listed category.

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

International financial institutions and private investors represent an other large group of shareholders, holding 34.24% of all shares. This decreased 2.71 percentage points compared to the past year. Accordingly, ratio of Hungarian investors increased in similar proportion, possessing 14.85% of all shares at the end of the business year.

In addition to the above-mentioned strategic partner, SERVIER, out of the individual holdings, Franklin Templeton Investment Fund possesses stakes surpassing 5% and other major investors hold 1 to 3% of all EGIS shares.

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

Table 2

Shareholders of EGIS PLC

Shareholder	Number of shares Sept 30, 2009	%	Number of shares Sept 30, 2010	%
ATP (Servier)	3 963 922	50.91	3 963 922	50.91
Foreign institutions and private investors	2 876 410	36.95	2 665 403	34.24
Hungarian institutions and private investors	945 383	12.14	1 156 390	14.85
Total	**7 785 715**	**100.00**	**7 785 715**	**100.00**

The turnover of shares on the stock exchange, regarding the number of transactions, the number of shares sold decreased, however, the total value traded grew about 6% compared to 2008/2009.

EGIS share price started on the first day of the business year at the value of HUF 19,540. As regards the whole 12-month period, the yearly minimum price was recorded on February 5, 2010 at HUF 17,450. After this, the share price followed the general market trends of Budapest Stock Exchange with increasing and declining phases of considerable rate, but from the summer months the EGIS share price grew to a higher extent than the market average price. The yearly maximum value was represented by a transaction realized on August 4 at HUF 22,620.

The EGIS share price closed at HUF 22,300 by the end of the business year.

The yearly average price rose to HUF 19,939 which reflects an increase of 33%.

Between October 2009 and September 2010, also the index of Budapest Stock Exchange (BUX) showed an upward trend, starting with 20,322 points and closing the period with 23,240 points. The maximum value, 25,690 points, was recorded on April 12.

In the 2009/2010 business year, the trading value of EGIS shares was HUF 64.1 billion. The increase was generated by the heavy rise in share price. The number of traded EGIS shares was 3,204,000, reflecting a 84% circulation of the free float during the fiscal year. The yearly average market capitalization of EGIS shares rose to HUF 155.7 billion, exceeding the 2008/2009 value by 34%.

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

Table 3

Turnover of EGIS Shares on Budapest Stock Exchange

		Oct 1, 2007 – Sept 30, 2008 12 months	**Oct 1, 2008 – Sept 30, 2009 12 months**	**Oct 1, 2009 – Sept 30, 2010 12 months**
Number of transactions		41 512	71 085	58 249
Volume traded	thousand units	2 941	4 286	3 204
Value traded	HUFm	52 466	60 556	64 070
Annual average price	HUF	17 461	14 985	19 939

Similarly to the previous years, also in 2009/2010, EGIS PLC provided investors and analysts with up-to-date and correct information.

III. MARKET ACTIVITY

In 2009/10, the Company achieved net sales revenue of HUF 111,017 million which exceeds the 2008/09 turnover by HUF 3,884 million or 4%. 97.0% of net sales, HUF 107,686 million came from the sale of products produced and distributed by EGIS PLC (drugs and active ingredients) while other sales revenue (licences, intellectual properties, services) added up to HUF 3,331 million.

Sales Profile

The Company's strategy keeps focusing on the sale of finished forms of pharmaceuticals which came to 89% of the Company's sales revenue in the 2009/2010 business year.

Active ingredient sales declined in the reported financial year due to the lower demand.

Table 4

Sales Profile of EGIS PLC
(Sales in HUF million)

	Oct 1, 2007 – Sept 30, 2008 12 months Restated	**%**	**Oct 1, 2008 – Sept 30, 2009 12 months** Restated	**%**	**Oct 1, 2009 – Sept 30, 2010 12 months**	**%**
Human pharmaceuticals	80 787	83.4	93 040	86.8	98 467	88.7
Other human drugs	1 484	1.5	1 649	1.5	1 949	1.8
Active ingredients	12 522	12.9	9 038	8.4	7 269	6.5
Other products	164	0.2	113	0.1	304	0.3
Other sales	1 872	1.9	3 293	3.1	3 027	2.7
Total	**96 829**	**100.0**	**107 133**	**100.0**	**111 017**	**100.0**

In 2009/2010, EGIS PLC sold products of 121 product lines made from 90 different active ingredients. The product portfolio, including different strengths and packaging forms, consisted of 460 products. At the end of the business year, the Company owned 287 registrations in Hungary and 2,113 abroad.

In line with the profile of the Company, major part of sales revenue was generated also in 2009/10 by generic products and active ingredients, accounting together for 62% of product sales revenue (with a 5% rise in turnover). In 2009/10, turnover of licensed products moved up 2% while their share reached 35% of sales revenue. 36% of sales revenue of licensed products derived from SERVIER's original products.

In the 2009/2010 business year, the turnover of original EGIS products represented 3% of the Company's product sales revenue.

Development and sales activity of the Company covers a wide area of therapies, however, concentrates on products acting on cardiovascular, central nervous and respiratory systems. 2009/2010 aggregate sales revenue of these three groups accounted for 76% of human pharmaceuticals sales. The Company keeps broadening its profile, as a part thereof, sales of oncology products grew 57% in year-on-year comparison.

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

Table 5

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

Category	**Oct 1, 2007 – Sept 30, 2008 12 months Restated**	**%**	**Oct 1, 2008 – Sept 30, 2009 12 months Restated**	**%**	**Oct 1, 2009 – Sept 30, 2010 12 months**	**%**
Cardiovascular system	33 285	41.2	38 233	41.1	37 555	38.1
Central nervous system	18 293	22.6	20 342	21.9	21 936	22.3
Respiratory system	12 236	15.1	14 556	15.6	14 831	15.1
Blood forming organs	4 406	5.5	5 050	5.4	7 452	7.6
Alimentary tract and metabolism	3 920	4.9	4 890	5.3	5 229	5.3
Musculo-skelatal system	3 374	4.2	3 657	3.9	4 125	4.2
Genito-urinary system and sex hormones	2 419	3.0	2 601	2.8	2 902	2.9
Antineoplastic and immunomodulating agents	340	0.4	1 131	1.2	1 771	1.8
Dermatologicals	1 430	1.8	1 378	1.5	1 491	1.5
Gen.antiinfectives for systematic use	1 066	1.3	1 200	1.3	1 175	1.2
Sensory organs	17	0.0	0	0.0	0	0.0
Other drugs	0	0.0	2	0.0	0	0.0
Total	**80 786**	**100.0**	**93 040**	**100.0**	**98 467**	**100.0**

Over the 2009/10 fiscal year, 29 product lines of EGIS products achieved sales figures over HUF 1,000 million (1% of sales revenue or some USD 5 million). Their aggregate turnover represented 75% of the Company's total sales revenue. In the reported year, turnover of 3 product lines exceeded HUF 6 billion, sales revenue of 1 product line came to over HUF 5 billion, 3 product lines had a turnover between HUF 4 and 5 billion while sales revenue of 3 additional product lines was more than HUF 3 billion.

Table 6

Leading Product Lines of EGIS PLC

(Sales in HUF million)

	Product line	Category	Oct 1, 2009 – Sept 30, 2010 12 months
1.	Suprastin (chloropyramine)	antihistamines	8 510
2.	Coverex/Covercard (perindopril)	ACE inhibitors	6 838
3.	Egilok (metoprolol)	beta blockers	6 372
4.	Sorbifer Durules (ferrous sulphate)	iron preparations	5 109
5.	Milurit (allopurinol)	antigout preparations	4 259
6.	Lucetam (piracetam)	nootropics	4 196
7.	Nitromint (nitroglycerine)	anti-anginals	4 137
8.	Betadine (iodine)	topical anti-infectives	3 742
9.	Velaxin (venlafaxin)	antidepressants	3 470
10.	Bioparox (fusafungine)	antibiotics	3 006
11.	Ketilept (quetiapin)	antipsychotics	2 701
12.	Thiofestermet	intermediate	2 668
13.	Frontin (alprazolam)	anxiolytics	2 512
14.	Cardilopin (amlodipine)	antihypertensives	2 357
15	Grandaxin (tofisopam)	anxiolytics	2 135
16.	Kaldyum (kalium)	potassium preparations	2 066
17.	Talliton (carvedilol)	beta blockers	2 002
18.	Tenaxum (rilmenidine)	antihypertensives	1 747
19.	Tisercin (levomepromazine)	neuroleptics	1 738
20.	Adexor (trimetazidine)	anti-anginals	1 707
21.	Methyldopa / Dopegyt	antihypertensives	1 573
22.	Egitromb (clopidogrel)	antithrombotics	1 533
23.	Noacid (pantoprazol)	proton pump inhibitors	1 381
24.	Cordaflex (nifedipine)	antihypertensives	1 353
25.	Halidor (bencyclan)	peripherial vasodilators	1 257
26.	Hartil (ramipril)	ACE inhibitors	1 175
27.	Auronal (felodipine)	antihypertensives	1 080
28.	Rileptid (risperidon)	antipsychotics	1 039
29.	Pipolphen (promethazine)	antihistamines	1 010

In 2009/2010, *Suprastin* (chloropyramine) products had the highest sales revenue. It is followed by the group of pharmaceuticals with active ingredient perindopril (*Coverex, Covercard*) licensed from SERVIER and by the product line *Egilok* (metoprolol).

The most dynamic turnover growth was achieved by product lines *Suprastin* (chloropyramine), *Egitromb* (clopidogrel) and *Sorbifer Durules* (ferrous sulphate).

Main Markets

In 2009/2010, the Company's products were sold in 63 countries. 92% of the annual sales revenue was generated in the first 13 countries. 86% of turnover was realized in the strategic markets (Hungary, Russia and other CIS states, Central and Eastern European countries).

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

Table 7

Breakdown of Sales by Regions
(Sales in HUF million)

	Oct 1, 2007 – Sept 30, 2008 12 months Restated	%	Oct 1, 2008 – Sept 30, 2009 12 months Restated	%	Oct 1, 2009 – Sept 30, 2010 12 months	%
Hungary	28 984	29.9	29 278	27.3	30 611	27.6
Russia and other CIS markets	26 947	27.8	33 225	31.0	37 650	33.9
Central and Eastern Europe	21 964	22.7	24 914	23.3	27 613	24.9
Western Europe	14 301	14.8	14 316	13.4	9 051	8.2
North America and Japan	981	1.0	769	0.7	1 554	1.4
Other countries	1 780	1.8	1 337	1.2	1 511	1.4
Total product sales	94 957	98.1	103 840	96.9	107 990	97.3
Other sales	1 872	1.9	3 293	3.1	3 027	2.7
Net sales	**96 829**	**100.0**	**107 133**	**100.0**	**111 017**	**100.0**

Hungary

Also in 2009/2010, the conditions of operation in the domestic pharmaceutical market were driven by the expansion of drug market on the one hand, and by the measures aiming at the reduction of state drug expenses on the other, primarily by a continuous, strong price cutting pressure accelerated also by state regulation (see Annex 2).

Annex 2

Regulation of the Hungarian Drug Market

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

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

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

However, it is a positive regulation element that the Parliament, to bolster pharmaceutical innovation, confirmed in a law that in 2010 drug producers may claim back not more than 20% of the 12% extra charge and of the registration payments on medical representatives, imposed in 2009, provided that their R&D expenses will come up to this amount. In 2011, this recovery may come to 100% of their 2010 payments, the upper limit being again the amount of their R&D expenses.
For EGIS PLC, as the business year begins from October 1, recoveries are available one year later, i.e. in 2011 and 2012 respectively.

2009/2010 domestic sales revenue accounted for HUF 31,213 million which exceeds the comparative value by 5%. Following the downward tendency of two years and the stagnating trend of the previous year, the Company considerably increased its sales in 2009/2010, primarily through the introduction of new products.

After introducing 9 new products in the previous business year, in 2009/2010, 7 new products were introduced on the domestic market which form also the basis of growth over the coming years. (The new products are listed in detail in Annex 4.)

Turnover of the new products introduced in the recent two years, kept on growing in 2009/2010, however, their price in general decreased owing to the sharp generic competition.

Taking individual products into account, the highest turnover was generated by products *Covercard* and *Coverex-AS Komb*, and by *Noacid* and *Frontin* product groups.

Over the 2009/2010 business year, EGIS PLC’s market share represented 5.3% in the whole Hungarian pharmaceutical market, the same as a year ago. Thus, EGIS took the fifth place among the leading suppliers. With respect to the number of boxes sold, the Company was the third supplier with a market share of 9.7%.

Russia and other CIS countries

As the 2009/10 sales revenue indicates, this region represented the Company’s largest market. Related exports amounted to USD 183.9 million, exceeding the 2008/09 figure by USD 24.4 million or 15%. In HUF terms, sales grew 13%.

Russia kept on being the largest market in the region with sales of USD 130.2 million, reflecting a rise of 12%. Out of the turnover, USD 6.5 million revenue (the same as the year before) derived from drugs included in the reimbursement list of a social welfare program (DLO program).

In USD terms, sales increased in Ukraine by 31% while turnover in other CIS region rose 22%.

Table 8

Exports to the CIS
(Sales in USD thousand)

Country	Oct 1, 2007 – Sept 30, 2008 12 months Restated	Oct 1, 2008 – Sept 30, 2009 12 months Restated	Oct 1, 2009 – Sept 30, 2010 12 months	Index %
Russia	115 250	116 557	130 183	112
Ukraine	21 907	15 058	19 757	131
Kazakhstan	8 760	7 441	10 137	136
Belarus	6 954	8 251	8 886	108
Uzbekistan	2 725	3 415	3 878	114
Moldavia	2 391	2 787	3 592	129
Georgia	2 583	2 479	3 084	124
Azeribaijan	2 067	2 169	2 775	128
Armenia	1 058	1 292	1 576	122
Total	**163 697**	**159 449**	**183 869**	**115**

Central and Eastern Europe

In the 2009/10 business year, EGIS PLC realized USD 136.6 million sales in its second largest international market. This turnover represents an increase of USD 13.6 million or 11% y/y. The same 11% growth is measured in HUF terms.
The growth, as earlier, was facilitated by launch of new valuable products and continuous development of commercial network.

Table 9

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

Country	Oct 1, 2007 – Sept 30, 2008 12 months Restated	Oct 1, 2008 – Sept 30, 2009 12 months Restated	Oct 1, 2009 – Sept 30, 2010 12 months	Index %
Poland	51 999	47 904	53 278	111
Czech Republic	24 184	22 455	22 113	98
Slovakia	18 413	18 527	20 226	109
Romania	22 008	16 044	19 392	121
Bulgaria	7 791	6 563	8 303	127
Turkey	1 262	4 031	4 612	114
Latvia, Lithuania	3 424	3 452	3 534	102
Vietnam	3 794	3 980	5 123	129
Total	**132 874**	**122 955**	**136 581**	**111**

Western Europe

In 2009/2010, the Company's turnover accounted for USD 44.6 million in this region, 35% less than a year ago.
Out of this turnover, bulk chemical sales amounted to USD 25.4 million, which demonstrates a USD 11.1 million drop compared to 2008/09.
Value of drug sales totalled USD 19.2 million, 41% less in y/y comparison. The decrease in both fields can be considered as temporary.

Table 10

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

Country	Oct 1, 2007 – Sept 30, 2008 12 months Restated	Oct 1, 2008 – Sept 30, 2009 12 months Restated	Oct 1, 2009 – Sept 30, 2010 12 months	Index %
France	59 446	42 457	33 713	79
Ireland	8 947	16 444	3 752	23
Great Britain	2 665	1 486	3 464	233
Germany	613	655	1 593	243
Norway	3 214	1 585	728	46
Netherland	9 573	6 001	547	9
Other countries	664	375	783	209
Total	**85 121**	**69 003**	**44 580**	**65**

North America and Japan

During the business year, EGIS PLC exported bulk chemicals to this region at a value of USD 7.7 million, USD 4.0 million more than in the previous year.

Other Countries

Other countries involve mainly developing countries. In the 2009/10 business year, sales in these markets totalled USD 7.5 million, out of which finished product sales amounted to USD 4.2 million while export of bulk chemicals came to USD 3.3 million. Turnover in total is higher by USD 0.9 million (or 14%) than a year ago.

Marketing Network

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

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

At the end of the business year, 1,397 employees worked at EGIS's marketing divisions in Hungary and abroad, 60 persons more than in 2008/2009.
Regarding all markets, EGIS PLC spent 24.7% of its total sales revenue on marketing, sales and distribution in 2009/10.

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

Table 11
Marketing Network

Region	**2009 Sept 30** **Person**	**2010 Sept 30** **Person**
Hungary	211	208
Russia and other CIS regions	592	623
Central and Eastern Europe	534	566
Total	**1 337**	**1 397**

Annex 3

EGIS PLC enters the biosimilar market, the agreement with Celltrion

EGIS PLC entered into a collaboration agreement with Celltrion Inc. (Celltrion) and Celltrion Healthcare Co. Ltd. (South Korea, together with Celltrion as “Celltrion Group”) on February 5, 2010 for the distribution of biopharmaceutical products developed and manufactured by Celltrion based on FDA/EMA standard.
The cooperation will provide physicians and patients with multiple biosimilar drugs for the state-of-the-art biological treatment.

Celltrion Group is one of the world’s leading biopharmaceutical companies specializing in monoclonal antibody capabilities. Celltrion Group has strategic cooperation with various global pharmaceutical companies, based on its proprietary technology development platform, its US FDA approved state-of-the-art production facilities and distinguished scientists. Celltrion is in the possession of advanced biologic capacities, capabilities and know-hows. It was founded in 2002 as a contract manufacturer of protein-based therapeutics, and is currently developing an attractive portfolio of 8 biosimilar products.

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

With this agreement, EGIS will have the opportunity to enter the biopharmaceutical markets of oncology, autoimmune and inflammatory diseases along with very first biosimilar players.
The size of the market EGIS is aiming at in total is actually more than EUR 600 million with double digit growth. The launches are planned over the period between years 2012 and 2018. Commercial launch of the first biosimilar product is expected in 2012 or early 2013, and is expected to generate about EUR 30 milion revenue as of the following year.

IV. DEVELOPMENTS AND INVESTMENTS

1. Research and Development

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

In 2009/2010, HUF 10,860 million, 9.8% of sales revenue, were spent on research and development.

In the reported business year, 7 new products were launched in Hungary, 9 new products in foreign markets. Among them, three are own developed drugs, the others derive from purchasing of dossiers.

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

In the reported business year, 32 new market authorizations were approved in Hungary and 226 abroad. Registry of 15 drugs and 37 drugs were deleted in Hungary and abroad respectively. Thus, at the end of the business year, the Company had registrations for 2113 pharmaceutical products abroad and for 287 drugs in Hungary, for 2400 in total.

From October 1, 2009 to September 30, 2010, EGIS PLC filed 14 patent applications. 1 of them is related to discovery research, 7 to new processes to produce recognised active ingredients and 6 patent applications refer to developing new pharmaceutical compositions.

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

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

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

Considerable expansion of innovation capacities of the Company will be enabled by putting into operation the new pharmaceutical pilot plant in 2011 and by realization of the new API pilot plant project to be started in the near future.

Annex 4

New products launched in 2009/2010

Coverex® AS Komb Forte (perindopril/indapamide) film-coated tablet

This product is distributed by the Company on the basis of a licence agreement concluded with Servier. Coverex AS Komb Forte – similarly to Coverex AS Komb preparation – is a fixed-dose combination of perindopril and indapamide but contains higher strengths of both components. Perindopril belongs to a group of ACE inhibitors and indapamide to the class of diuretics. Both active ingredients decrease blood pressure, and there is a synergistic effect of the two drugs in blood pressure control.

Emperin® (betahistine) 8 mg, 16 mg, 24 mg tablet

The preparation is for treatment of the so-called Menière-syndrome having principal symptoms such as spinning dizziness, tinnitus and hearing loss. Alleviation of symptoms and withholding further deterioration may require treatment for several weeks or even several months. It is a licensed product.

Granegis® (granisetron) 1 mg, 2 mg film-coated tablet

This anti-vomiting and anti-emetic drug belongs to the group of drugs inhibiting the so-called 5-HT_3-receptor. It can be administered to adults and children at the age of 12 or more in order to prevent and to treat side effects (nausea, vomiting) caused by chemotherapy or irradiation of tumours. It is a licensed product.

Grimodin® (gabapentin) 100 mg, 300 mg, 400 mg hard capsule

The product belongs to the group of drugs used for the treatment of epilepsy and of pain caused by peripheral neuropathy. It is suitable for the treatment of different types of epilepsy in mono-therapy and in combination with other medicines. The drug is also used for alleviation of long-standing pain caused by the lesion of peripheral nerves. It is a licensed product.

Topepsil® (topiramate) 25 mg, 50 mg, 100 mg, 200 mg film-coated tablet

The preparation is for the treatment of different types of epileptic seizures (both partial and generalized) in adults and adolescents in mono-therapy or in combination with other antiepileptic drugs. Furthermore it is suitable for the prevention of migraine attacks. It is a licensed product.

Yarocen® (mirtazapine) 15 mg, 30 mg and 45 mg orally disintegrating tablet (ODT)

This product belongs to the group of antidepressants called noradrenergic and specific serotonergic antidepressants (NaSSA) and used to treat depression. Tablet quickly disintegrates after its placing on the tongue, therefore its active ingredient is already liberated in the oral cavity. Then it can be swallowed with a small amount of water or even without water. In order to facilitate accurate posology, Yarocen tablets are available in 3 strengths. It is a licensed product.

Jovital® C Duo-Active® (500 mg, 750 mg) retard capsule

Capsule contains water soluble vitamin C indispensable for several essential physiological processes. The two-phase preparation developed by EGIS itself contains coated and uncoated vitamin C granules. In case of capsule’s dissolving, uncoated vitamin C is utilized firstly, then coated vitamin granules also dissolve slowly. Hereby vitamin C is being released from the capsule continually during at least 12 hours, combining in this way features of immediate release vitamin C and retard vitamin C preparations. Preparation does not contain glucose, saccharose or lactose, therefore it can also be taken by patients with diabetes and lactose intolerance.

Donepezil (donepezil-hydrochloride) 5 mg, 10 mg film-coated tablet

EGIS itself has developed the product. Its active compound is donepezil belonging to the group of the so-called cholinesterase inhibitors. It is used for the treatment of symptoms (mental deterioration) of patients suffering from mild to moderate Alzheimer disease. Tablet has to be taken once daily before bedtime.

Escitalopram 5 mg, 10 mg, 15 mg and 20 mg film-coated tablet

This licensed product belongs to the group of widespreadly used antidepressants (SSRIs – selective serotonin reuptake inhibitors). It is used for the treatment of depression and such anxiety disorders as panic disorder, social phobia, generalized anxiety disorder (GAD) and obsessive-compulsive disorder (OCD).

Levocetirizine 5 mg film-coated tablet, 5 mg/ml drops

The active compound of the two products (levocetirizine) is one of a group of drugs inhibiting H1-receptors.
Both preparations are used for the treatment of allergic disorders (e.g. hay fever, allergic rhinitis, urticaria) in patients of different age: film-coated tablet is suitable mainly for adults, and drops are used mainly by children.

Olanzapine 5 mg, 10 mg film-coated tablet

It is one of the most widely prescribed atypical antipsychotic in the world. Olanzapine is used to treat schizophrenia and manic episodes associated with bipolar disorder (manic depression). It is a licensed product.

Oxaliplatine 5 mg/ml powder for solution infusion

The product has been licensed. Oxaliplatine belongs to anti-tumour drugs and contains platinum. Oxaliplatine may be administered for the treatment of colon cancer (for the treatment of grade III colon cancer, after total removal of the primary tumour, for the treatment of metastatic colon and rectum cancer).

2. Capital Expenditure

During the business year, the Company's capital expenditure amounted to HUF 12,880 million, 2% less than a year ago.

As a result of the comprehensive modernization programme realized between 2006 and 2009, all drug producing capacities of the Company have been renewed. In the 2008/2009 business year, modernization of API production and development of the facilities for quality assurance and research represented the most considerable items.

In 2009/2010, as an addition to the supplementary investments in production, also expansion of capacities for research and quality assurance played a more important role.

Establishment of a state-of-the-art pharmaceutical pilot plant has been continued which will considerably accelerate and expand the introduction of new generic products.
Establishment of a new API pilot plant has been prepared. Also in the reported year, significant amounts have been spent on IT developments.

Starting with the 2006/2007 business year, the new large-scale production investments have entitled EGIS PLC to corporation tax allowance of HUF 4.4 billion in total.

Table 12

Capital Expenditure by Main Groups
(HUF million)

A c t i v i t y	**Oct 1, 2007 – Sept 30, 2008 12 months**	**Oct 1, 2008 – Sept 30, 2009 12 months**	**Oct 1, 2009 – Sept 30, 2010 12 months**
Bulk chemical production	2 518	4 218	2 999
Drug manufacturing equipment	3 883	1 761	2 327
Production-related infrastructure	575	1 388	1 117
Research and quality assurance	1 615	2 813	3 701
Environmental protection	397	535	116
Marketing and sales	1 366	600	780
Other developments	670	1 891	1 840
Total capital expenditures	**11 024**	**13 206**	**12 880**

In addition to the investments, the Company capitalized intangible assets at the value of HUF 223 million.

V. HUMAN RESOURCES

Headcount of EGIS PLC was 2,600 as at September 30, 2010, 57 persons more than a year ago. Among these employees, 3 persons worked in the foreign commercial offices of EGIS PLC.

The number of employees in production has decreased by 7 persons, in servicing processes by 9 persons. However, in order to strengthen the innovation capacity, the number of employees working in research and development increased by 66 persons.

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

Table 13

Breakdown of Staff by Function
(person)

Field of Activity	Sept 30, 2008	Sept 30, 2009	Sept 30, 2010
Production	1 301	1 247	1 240
Research and development	424	430	496
Sales and marketing	311	322	318
Administration and finance	277	275	286
Internal services	161	151	147
Other areas	105	118	113
Total	**2 579**	**2 543**	**2 600**

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

In addition to the staff employed in Hungary, 431 people worked at EGIS's foreign trading companies and 758 foreign experts were employed in the foreign commercial offices. In total, the staff of the two groups expanded by 63 persons.

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

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

Table 14

Breakdown of Staff by Education

E d u c a t i o n	In % of the headcount at Sept 30		
	Sept 30, 2008	**Sept 30, 2009**	**Sept 30, 2010**
Blue collar workers	47	45	44
Skilled workers	41	40	39
Other workers	6	5	5
White collar workers	53	55	56
College, university graduate	39	43	43
Secondary and primary school	14	12	13

Between October 2009 and September 2010 the Company spent HUF 18,258 million on wages and HUF 7,487 million on other personnel expenses.

In 2009/2010, average annual full-time employee income in Hungary was HUF 5,511 thousand.

Also in 2009/2010, EGIS PLC further raised the budget allocation for incentive and training of employees.

VI. INCOME AND PROFITABILITY

In the 2009/2010 business year, EGIS PLC achieved operating profit of HUF 15,073 million, 18% more than a year ago.

This increase resulted from the growth of sales revenue realized in the strategic markets, from the decreasing ratio of direct production costs as well as from the moderated rise in operating expenses.

Profit on financial transactions amounted to HUF 2,368 million, considerably more than the last year's figure (which – for special reason – was HUF 570 million only). Accordingly, pre-tax profit grew to HUF 17,441 million, representing an increase of 30% in y/y comparison.

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

Table 15

Income Statement of EGIS PLC
(HUF million)

I t e m	**Oct 1, 2008 – Sept 30, 2009 12 months Restated**	**Oct 1, 2009 – Sept 30, 2010 12 months**	**Index %**
Net sales	107 133	111 017	104
Cost of sales	46 575	47 551	102
Gross profit	60 558	63 466	105
Indirect costs	44 995	46 641	104
Marketing and sales	25 626	27 371	107
Research and development	9 957	10 860	109
Other indirect costs	9 412	8 409	89
Other income	1 204	890	74
Other expenditures	3 944	2 642	67
Operating profit	12 823	15 073	118
Profit on financial transactions	570	2 368	415
Profit before tax	13 393	17 441	130

In 2009/2010, the Company's cash resources were lower by HUF 386 million than the cash expenditures. Within this, (following the change in investment conditions) held-to-maturity investments increased HUF 4,532 million while held-for-trading investments decreased HUF 5 million and money stock was lower by HUF 4,923 million.

Table 16

Cash Flow
(HUF million)

I t e m	**Oct 1, 2009 – Sept 30, 2010 12 months**
CASH FLOW FROM OPERATING ACTIVITIES	
Profit before taxation	17 441
Depreciation and amortisation	7 705
Decrease in securities	-4 532
Increase in inventories	-772
Increase in net trade receivables and other current assets	-10 978
Increase in trade payables and other short-term liabilities	256
Net tax paid	-538
Change in other items	-183
Net cash flow from operating activities	**8 399**
CASH FLOW FROM INVESTING ACTIVITIES	
Purchase of intangibles and property, plant and equipment	-13 103
Change in other items	715
Net cash used in investing activities	**-12 388**
CASH FLOW FROM FINANCING ACTIVITIES	
Change in short-term loans	0
Dividends paid	-934
Net cash used in financing activities	**-934**
NET CHANGE IN CASH AND CASH EQUIVALENTS	**-4 923**
Net cash and cash equivalents at the beginning of the period	20 215
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	**15 292**

As at September 30, 2010, EGIS's equity totalled HUF 144,336 million. This is 13% higher than a year ago.

Equity per share value rose to HUF 18,539.

Table 17

Balance Sheet as at September 30, 2010
(HUF million)

I t e m	Sept 30, 2009 Restated	Sept 30, 2010
ASSETS		
Intangible assets	4 220	4 018
Property, plant and equipment	52 505	58 050
Equity investments	7 686	7 382
Loans given	135	1 947
Deferred tax asset	115	200
Inventories	35 016	35 788
Net trade receivables and other current assets	25 355	34 688
Held-to-maturity investments	2 700	7 232
Held-for-trading investments	194	199
Cash and cash equivalents	20 215	15 292
TOTAL ASSETS	**148 141**	**164 796**
EQUITY AND LIABILITIES		
Equity	128 255	144 336
Share capital	7 786	7 786
Share premium	2 239	2 239
Fair valuation reserve	0	26
Retained earnings	118 230	134 285
Non-current liabilities	1 044	1 206
Current liabilities	18 842	19 254
TOTAL EQUITY AND LIABILITIES	**148 141**	**164 796**

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

The main financial indices figure in Table 18.

Table 18

Main Financial Indices

I t e m		**Oct 1, 2008 – Sept 30, 2009 12 months Restated**	**Oct 1, 2009 – Sept 30, 2010 12 months**
Operating profit / Net sales	%	12.0	13.6
Pre-tax profit / Net sales	%	12.5	15.7
Return on assets	%	8.7	10.3
Return on equity	%	10.0	11.8
Results per share			
Net profit	HUF	1 654	2 182
Cash earnings	HUF	2 681	3 230
Net book value	HUF	16 473	18 539
Liquid assets / Short-term liabilities	%	123	118
Liquidity ratio	%	443	484
Inventory turnover	days	119	118
Debtors collection period	days	64	86
Debt ratio	%	0	0
Ratio of external resources	%	13.4	12.4

VII. SIGNIFICANT EVENTS AFTER THE CLOSING DATE

Closing date of the Business Report, the Balance Sheet and the Profit and Loss Statement of EGIS PLC, presented herein, was September 30, 2010 while the accounting processes were closed on October 20, 2010.

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

2010/2011 Business Plan of EGIS PLC

In July 2010, the Board of Directors of EGIS PLC accepted the business plan for the October 1, 2010 – September 30, 2011 financial year. Further growth is targeted in the strategic markets of the Company, i.e. in Hungary, in Eastern Europe, in Russia and in the other CIS states. Also in the western markets, a considerable increase is predicted.

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

Construction of the new pharmaceutical pilot plant will be completed, establishment of a new API pilot plant will be started as well as investments for modernization and for capacity enlargement will be continued both in API and pharmaceutical production.

Regulation of the Hungarian pharmaceutical market

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

Drug manufacturers remain obliged to perform a payment amounting to 12% of subsidy on their products, and additionally, producers will be liable to compensate the final annual deficit of reimbursement fund. Registration fee of HUF 416 thousand/month per medical representative is to be paid.

According to the current regulation, in 2011, the Company can recover 20% of its payments effected between October and December 2009 and in 2012, 100% of its payments performed between January and September 2010. A change is expected in the wording of this rule.
According to the management’s consideration, recoveries will be available for the Company also under the expected new regulation.

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

EGIS Pharmaceuticals PLC

ANNUAL CONSOLIDATED REPORT 2009/2010 IN ACCORDANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)

1. AUDITOR'S REPORT

Budapest, January 26, 2011

EGIS PLC
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Cg. 01-09-267553

This is a translation of the Hungarian Report

Independent Auditors' Report

To the Shareholders of EGIS Gyógyszergyár Nyrt.

1.) We have audited the accompanying 2010 consolidated annual financial statements of EGIS Gyógyszergyár Nyrt. ("the Company"), which comprises the consolidated statement of financial position as at 30 September 2010 - showing a balance sheet total of HUF 174,542 millions and a profit for the year of HUF 16,783 millions -, the related consolidated income statement, consolidated statement of comprehensive income for the year then ended, consolidated statement of changes in equity, consolidated statement of cash flows for the year then ended and the summary of significant accounting policies and other explanatory notes.

2.) We issued an unqualified opinion on the Company's consolidated annual financial statements prepared in accordance with the International Financial Reporting Standards as adopted by EU as at 30 September 2009 on 15 December 2009.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

7.) We have audited the elements of and disclosures in the consolidated annual financial statements, along with underlying records and supporting documentation, of EGIS Gyógyszergyár Nyrt. in accordance with Hungarian National Auditing Standards and have gained sufficient and appropriate evidence that the consolidated annual financial statements have been prepared in accordance with the International Financial Reporting Standards as adopted by EU. In our opinion the consolidated annual financial statements give a true and fair view of the equity and financial position of EGIS Gyógyszergyár Nyrt. as at 30 September 2010 and of the results of its operations for the year then ended. The consolidated business report corresponds to the disclosures in the consolidated financial statements.

Budapest, 7 December 2010

Ernst & Young Kft.
Registration No. 001165

Bartha Zsuzsanna
Registered Auditor
Chamber membership No.: 005268

EGIS Pharmaceuticals PLC

ANNUAL CONSOLIDATED REPORT 2009/2010
IN ACCORDANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)

2. FINANCIAL ACCOUNTS

Budapest, January 26, 2011

EGIS PLC
Address: H-1106 Budapest, Keresztúri út 30–38.
Postal Address: H-1475 Budapest 10. P.O. Box 100
Phone number: (36-1) 265 5555, Telefax: (36-1) 265 5529

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

Consolidated financial statements
for the year ended 30 September 2010
prepared in accordance with International Financial Reporting Standards
together with the Independent Auditor’s report

EGIS GYÓGYSZERGYÁR NYRT.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 SEPTEMBER 2010
IN ACCORDANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS
(All amounts in HUF million)

ASSETS	Notes	30 Sept. 2010	30 Sept. 2009 restated*	1 Oct. 2008 restated*
Current assets				
Cash and cash equivalents	4	17,973	23,072	4,738
Net trade receivables and other current assets	5	34,348	22,848	23,564
Income tax receivable		654	679	405
Inventories	6	38,768	38,957	34,684
Other current financial assets	7	7,771	2,930	13,729
		99,514	88,486	77,120
Assets of disposal group held-for-sale	8	0	470	0
		99,514	88,956	77,120
Non-current assets				
Intangible assets	9	4,089	4,286	3,865
Property, plant and equipment	10	63,508	57,189	51,513
Investment properties	11	293	256	349
Investments in associates	12	5,989	6,115	6,114
Other non-current financial assets	7	576	519	1,230
Deferred tax asset	21	573	583	629
		75,028	68,948	63,700
TOTAL ASSETS		174,542	157,904	140,820
LIABILITIES AND SHAREHOLDERS' EQUITY				
Current liabilities				
Trade and other payables	13	19,756	19,649	16,010
Other current financial liabilities	7	221	111	329
Provisions	14	1,238	1,051	752
		21,215	20,811	17,091
Liabilities directly associated with assets of disposal group held-for-sale	8	0	255	0
		21,215	21,066	17,091
Non-current liabilities				
Other non-current financial liabilities	7	2,989	3,029	2,825
Provisions	14	1,216	1,052	781
		4,205	4,081	3,606
Shareholders' equity				
Share capital	15	7,786	7,786	7,786
Share premium	16	2,239	2,239	2,239
Fair valuation reserve		26	0	0
Translation difference		1,021	531	681
Retained earnings	17	138,050	122,201	109,417
		149,122	132, 757	120,123
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		174,542	157,904	140,820

Budapest, 7 December 2010

Representative of the Company

*Certain numbers shown here do not correspond to the 2009 financial statements and reflect adjustments made as detailed in Note 2.

EGIS GYÓGYSZERGYÁR NYRT.

CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 30 SEPTEMBER 2010
IN ACCORDANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS
(All amounts in HUF million)

	Notes	Year ended 30 September 2010	Year ended 30 September 2009 restated*
Sales		118,915	116,142
Cost of sales	18	(52,206)	(51,792)
Gross profit		66,709	64,350
Operating items			
Administrative and distribution expenses	18	(49,029)	(47,575)
Other operating expenses	18	(3,171)	(4,132)
Other operating income		1,003	1,397
Operating profit		15,512	14,040
Non-operating items			
Finance income	19	2,769	2,006
Finance costs	20	(423)	(1,874)
Dividends received		2	35
Share of results of associated companies		(105)	318
Profit before tax		17,755	14,525
Income tax expense	21	(972)	(774)
Profit for the year		16,783	13,751
Average number of shares outstanding		7,785,715	7,785,715
Basic and diluted earnings per share (HUF)	22	2,156	1,766

Budapest, 7 December 2010

Representative of the Company

*Certain numbers shown here do not correspond to the 2009 financial statements and reflect adjustments made as detailed in Note 2.

EGIS GYÓGYSZERGYÁR NYRT.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 SEPTEMBER 2010
IN ACCORDANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS
(All amounts in HUF million)

	Notes	Year ended 30 September 2010	Year ended 30 September 2009 restated*
Profit for the year		16,783	13,751
Other comprehensive income			
Exchange differences on translation of foreign operations		490	(150)
Net gain on available-for-sale financial assets	7	27	0
Income tax effect	21	(1)	0
		26	0
Other comprehensive income, net of tax		516	(150)
Total comprehensive income, net of tax		17,299	13,601

Budapest, 7 December 2010

Representative of the Company

*Certain numbers shown here do not correspond to the 2009 financial statements and reflect adjustments made as detailed in Note 2.

EGIS GYÓGYSZERGYÁR NYRT.

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 SEPTEMBER 2010
IN ACCORDANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS
(All amounts in HUF million)

	Notes	Year ended 30 September 2010	Year ended 30 September 2009 restated*
CASH FLOWS FROM OPERATING ACTIVITIES:			
Profit before tax		17,755	14,525
Adjustments for:			
Depreciation and amortization	18	8,297	7,811
Impairment	18	32	94
Write-down of investments		0	690
Net interest income		(1,429)	(1,581)
Dividends received		(2)	(35)
Profit on disposal of fixed assets		(128)	(130)
Profit on disposal of investment		(74)	0
Unrealised foreign exchange loss		497	238
Fair valuation of financial instruments		(341)	9
Increase in provisions	14	351	570
Discounting long-term employee loans		(10)	8
Share of results of associated companies		110	(1)
Operating cash flows before working capital changes		25,058	22,198
Decrease / (increase) in inventories		189	(4,278)
(Increase) / decrease in net trade receivables and other current assets		(11,474)	152
Increase in trade and other payables		138	3,770
Net cash used in working capital changes		(11,147)	(356)
Net tax paid	21	(963)	(729)
Net cash flows from operating activities		12,948	21,113

*Certain numbers shown here do not correspond to the 2009 financial statements and reflect adjustments made as detailed in Note 2.

EGIS GYÓGYSZERGYÁR NYRT.

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 SEPTEMBER 2010
IN ACCORDANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS
(All amounts in HUF million)

	Notes	Year ended 30 September 2010	Year ended 30 September 2009 restated*
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of intangibles, property, plant and equipment		(14,508)	(14,070)
Purchase of securities		(8,980)	(3,930)
Proceeds from sale of intangibles, property plant and equipment		190	193
Proceeds from sale of investments, net of cash		128	0
Proceeds from sale of securities		4,448	14,780
Interest received	19	1,509	1,718
Dividends received		2	35
Changes in the scope of consolidation		16	0
Loans given		(29)	(26)
Repayment of loans given		33	11
Net cash used in investing activities		(17,191)	(1,289)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from borrowings		102	0
Repayment of borrowings		(110)	(220)
Interest paid	20	(80)	(137)
Dividends paid		(934)	(967)
Net cash used in financing activities		(1,022)	(1,324)
Net (decrease) / increase in cash and cash equivalents		(5,265)	18,500
Cash and cash equivalents at the beginning of period	4	23,238	4,738
Cash and cash equivalents at the end of period	4	17,973	23,238

Budapest, 7 December 2010

Representative of the Company

*Certain numbers shown here do not correspond to the 2009 financial statements and reflect adjustments made as detailed in Note 2.

EGIS GYÓGYSZERGYÁR NYRT.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 SEPTEMBER 2010
IN ACCORDANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS
(All amounts in HUF million)

	Share capital	Share premium	Translation difference	Fair value reserve	Retained earnings restated*	Total
Note	15	16			17	
As at 30 September 2008 (as reported)	7,786	2,239	681	0	108,523	119,229
Effect of changes in accounting policy	0	0	0	0	894	894
As at 30 September 2008 (restated)	7,786	2,239	681	0	109,417	120,123
Net profit for the year (restated)	0	0	0	0	13,751	13,751
Other comprehensive income	0	0	(150)	0	0	(150)
Total comprehensive income	0	0	(150)	0	13,751	13,601
Dividends	0	0	0	0	(967)	(967)
As at 30 September 2009 (restated)	7,786	2,239	531	0	122,201	132,757
As at 30 September 2009 (as reported)	7,786	2,239	531	0	121,556	132,112
Effect of changes in accounting policy	0	0	0	0	645	645
As at 30 September 2009 (restated)	7,786	2,239	531	0	122,201	132,757
Net profit for the year	0	0	0	0	16,783	16,783
Other comprehensive income	0	0	490	26	0	516
Total comprehensive income	0	0	490	26	16,783	17,299
Dividends	0	0	0	0	(934)	(934)
As at 30 September 2010	7,786	2,239	1,021	26	138,050	149,122

Budapest, 7 December 2010

Representative of the Company

*Certain numbers shown here do not correspond to the 2009 financial statements and reflect adjustments made as detailed in Note 2.

(All amounts in HUF million, unless otherwise stated)

1. BACKGROUND AND BASIS OF PRESENTATION

a. Basis of presentation

The accompanying consolidated financial statements of EGIS Gyógyszergyár Nyrt. ("EGIS Group" or "the Group") for the years ended 30 September 2010 and 2009 have been prepared in accordance with International Financial Reporting Standards ("IFRS") as endorsed by EU and include the accounts of EGIS Gyógyszergyár Nyrt. ("the Company") consolidated with its subsidiaries and jointly controlled enterprises listed below:

Subsidiary/jointly controlled enterprise	Country	% held	
		30 Sept. 2010	30 Sept. 2009
Medimpex Kereskedelmi Zrt.	Hungary	100 %	100 %
EGIS Polska Sp. z o.o.	Poland	100 %	100 %
EGIS Slovakia spol. s r.o.	Slovakia	100 %	100 %
EGIS Praha spol. s r.o.	Czech Republic	100 %	100 %
EGIS Polska Dystrybucja Sp. z o.o.	Poland	100 %	100 %
EGIS Rompharma S.R.L.	Romania	100 %	100 %
EGIS Bulgaria EOOD	Bulgaria	100 %	100 %
EGIS Ilaclari Limited Sirketi	Turkey	100 %	100 %
EGIS UK Ltd.	Great Britain	100 %	100 %
OOO EGIS RUS	Russia	100 %	100 %
Medimpex Irodaház Ingatlankezelő Kft.	Hungary	50 %	50 %
Medimpex UK Ltd.	Great Britain	0 %	50 %

Shares in Medimpex UK Ltd. were sold on 5 October 2009 (more details in Note 8).

Ownership rights equal to voting rights in all cases.

(All amounts in HUF million, unless otherwise stated)

The selected financial data of jointly controlled enterprises, which represents the portion consolidated in the accompanying consolidated financial statements for the years ended 30 September 2010 and 2009 are the following:

	Medimpex Irodaház Ingatlankezelő Kft.		Medimpex UK Ltd.	
	30 Sept. 2010	30 Sept. 2009	30 Sept. 2010	30 Sept. 2009
Current assets	65	84	0	408
Non-current assets	396	255	0	66
Current liabilities	39	13	0	324
Non-current liabilities	0	0	0	0
Sales and income	176	182	0	1,333
Expenses	72	90	0	1,339

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

Associated companies	Country	% held	
		30 Sept. 2010	30 Sept. 2009
Medimpex Jamaica Ltd.	Jamaica	40.0 %	40.0 %
Medimpex West Indies Ltd.	Jamaica	40.0 %	40.0 %
Gyógyszeripari Ellenőrző és Fejlesztő Laboratórium Kft.	Hungary	34.0 %	34.0 %
Hungaropharma Gyógyszerkereskedelmi Zrt.	Hungary	30.7 %	30.7 %
Recyclomed Kht.	Hungary	36.0 %	36.0 %

(All amounts in HUF million, unless otherwise stated)

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

		Assets	Liabilities	Sales and income (*)	Net profit (*)
Medimpex Jamaica Ltd.	30 Sept. 2010	796	748	1,523	73
	30 Sept. 2009	804	780	1,540	5
Medimpex West Indies Ltd.	30 Sept. 2010	1,327	170	1,235	194
	30 Sept. 2009	1,439	359	1,416	328
Gyógyszeripari Ellenőrző és	30 Sept. 2010	522	26	375	94
Fejlesztő Laboratórium Kft.	30 Sept. 2009	439	35	256	3
Hungaropharma	30 Sept. 2010	74,150	54,832	186,711	1,204
Gyógyszerkereskedelmi Zrt.	30 Sept. 2009	69,468	49,063	186,217	1,685
Recyclomed Kht.	30 Sept. 2010	64	9	146	0
	30 Sept. 2009	60	5	137	0

*Sales and income and net profit are disclosed for the nine months ended 30 September 2010 and 2009.

b. Background of the Group

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

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

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

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

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

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

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

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

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

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

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

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

(All amounts in HUF million, unless otherwise stated)

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

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

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

The legal address of the Company is the following:

1106 Budapest, Keresztúri út 30-38., Hungary

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

	30 September 2010	30 September 2009
ATP (Servier)	50.91%	50.91%
Others	49.09%	49.09%
Total	100%	100%

2. CHANGES IN ACCOUNTING POLICY

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

a. The Group has adopted the following new and amended IFRS and IFRIC interpretations as of 1 October 2009:

- IFRS 2 (Revised) – Share-based Payment
- IFRS 3 (Revised) – Business Combination
- IAS 27 (Revised) – Consolidated and Separate Financial Statements
- IFRS 7 Financial Instruments
- IFRS 8 Operating Segments
- IAS 1 (Revised) – Presentation of Financial Statement
- IAS 23 (Revised) – Borrowing Costs
- IAS 32 Amendment – Financial Instruments
- IAS 39 Financial Instruments: Recognition and Measurement
- IFRIC 9 Remeasurement of Embedded Derivatives and IAS 39 Financial Instruments: Recognition and Measurement

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

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

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

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

Revised IFRS 3 is applied prospectively and the Group did not enter into transactions during the year ended 30 September 2010, which were affected by these amendments.

IAS 27 (Revised) Consolidated and Separate Financial Statements (effective from 1 July 2009)
The standard requires accounting for changes in ownership interests by the Group in a subsidiary, while maintaining control, to be recognized as an equity transaction. When the Group loses control of a subsidiary, any interest retained in the former subsidiary will be measured at fair value with the gain or loss recognized in profit or loss. This amendment had no impact on the Group's consolidated financial statements.

IFRS 7 Financial Instruments: Disclosures (effective from 1 January 2009)
The amended standard requires additional disclosures about fair value measurement and liquidity risk. Fair value measurements related to items recorded at fair value are to be disclosed by source of inputs using a three level fair value hierarchy:
Level 1 – quoted prices
Level 2 – directly or indirectly observable inputs
Level 3 – inputs that are not based on observable market data.
The fair value measurements are disclosed in Note 7, the liquidity risk disclosures are presented in Note 29.

IFRS 8 Operating Segments (effective from 1 January 2009).
IFRS 8 replaces IAS 14 Segment Reporting and requires additional disclosures. The Group concluded that the operating segment determined in accordance with IFRS 8 are the same as the business segments previously identified under IAS 14. IFRS 8 disclosures are shown in Note 23.

IAS 1 (Revised) Presentation of Financial Statement (effective from 1 January 2009)
The standard introduces the term total comprehensive income, which represents changes in equity during a period other than those changes resulting from transactions with owners in their capacity as owners. Total comprehensive income may be presented in either a single statement of comprehensive income (effectively combining both the income statement and all non-owner changes in equity in a single statement), or in an income statement and a separate statement of comprehensive income. The Group has elected to present two statements.

IAS 23 (Revised) Borrowing Costs (effective from 1 January 2009)
The amendment removes the option to expense borrowing costs and requires that an entity capitalize borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset. The Group's policy was in line with the revised IAS 23 and therefore changes thereof were not required.

IAS 32 (amendment) Financial Instruments: Presentation and IAS 1 Presentation of Financial Statements – Puttable Financial Instruments and Obligations Arising on Liquidation (effective from 1 January 2009)
The standard requires puttable instruments, and instruments that impose on the entity an obligation to deliver to another party a pro rata share of the net assets of the entity only on liquidation, to be classified as equity if certain conditions are met. The adoption of these amendments did not have any impact on the financial position or the performance of the Group.

IAS 39 Financial Instruments: Recognition and Measurement – Eligible Hedged Items (effective from 1 July 2009)
The amendment clarifies that an entity is permitted to designate a portion of the fair value changes or cash flow variability of a financial instrument as a hedged item. This also covers the designation of inflation as a hedged risk or portion in particular situations. The Group has concluded that the amendment will have no impact on the financial position or the performance of the Group, as the Group has not entered into any such hedges.

IFRIC 9 Remeasurement of Embedded Derivatives and IAS 39 Financial Instruments: Recognition and Measurement (effective from 30 June 2009)
This amendment to IFRIC 9 requires an entity to assess whether an embedded derivative must be separated from a host contract when the entity reclassifies a hybrid financial asset out of the fair value through profit or loss category. When the fair value of an embedded derivative that would not be separated cannot be measured reliably, the reclassification of the hybrid financial asset out of the fair value through profit and loss category is permitted. This new interpretation has no impact on the Group's consolidated financial statements.

In May 2008 and April 2009 the IASB issued omnibus of amendments to its standards, primarily with a view to removing inconsistencies and clarifying wording. There are separate transitional provisions for each standard.
The adoption of the following amendments resulted in changes to accounting policies but did not have any impact on the financial position or performance of the Group.

IFRS 5 Non-current Assets Held for Sale and Discontinued Operations
It clarifies that the disclosures required in respect of non-current assets and disposal groups classified as held for sale or discontinued operations are only those set out in IFRS 5. The disclosure requirements of other IFRSs only apply if specifically required for such non-current assets or discontinued operations. This clarification has no impact on the Group's consolidated financial statements.

IFRS 8 Operating Segment Information
It clarifies that segment assets and liabilities need only be reported when those assets and liabilities are included in measures that are used by the chief operating decision maker. As the Group's chief operating decision maker does review segment assets and liabilities, the Group has continued to disclose this information in Note 23.

IAS 1 Presentation of Financial Statements
Assets and liabilities classified as held for trading in accordance with IAS 39 Financial Instruments: Recognition and Measurement are not automatically classified as current in the statement of financial position. The Group analysed whether the expected period of realisation of financial assets and liabilities differed from the classification of the instrument. This did not result in any reclassification of financial instruments between current and non-current in the statement of financial position.

IAS 7 Statement of Cash Flows
It explicitly states that only expenditure that results in recognising an asset can be classified as a cash flow from investing activities. This amendment has no impact on the Group's consolidated financial statements.

IAS 16 Property, Plant and Equipment
The modification replaces the term “net selling price” with “fair value less costs to sell”. The Group amended its accounting policy accordingly, which did not result in any change in the financial position.

IAS 18 Revenue
The Board has added guidance (which accompanies the standard) to determine whether an entity is acting as a principal or as an agent. The features to consider are whether the entity:

- Has primary responsibility for providing the goods or service
- Has inventory risk
- Has discretion in establishing prices
- Bears the credit risk

The Group has assessed its revenue arrangements against these criteria and concluded that it is acting as principal in all arrangements. The revenue recognition accounting policy has been updated accordingly.

IAS 20 Accounting for Government Grants and Disclosures of Government Assistance
Loans granted with no or low interest will not be exempt from the requirement to impute interest. Interest is to be imputed on loans granted with below-market interest rates. This amendment did not impact the Group as the government assistance received are not loans but direct grants.

IAS 23 Borrowing Costs
The definition of borrowing costs is revised to consolidate the two types of items that are considered components of ‘borrowing costs’ into one – the interest expense calculated using the effective interest rate method calculated in accordance with IAS 39. The Group has amended its accounting policy accordingly which did not result in any change in its financial position.

IAS 36 Impairment of Assets
When discounted cash flows are used to estimate ‘fair value less cost to sell’ additional disclosure is required about the discount rate, consistent with disclosures required when the discounted cash flows are used to estimate ‘value in use’. This amendment had no immediate impact on the consolidated financial statements of the Group because the recoverable amount of its cash generating units is currently estimated using ‘value in use’.
The amendment clarified that the largest unit permitted for allocating goodwill, acquired in a business combination, is the operating segment as defined in IFRS 8 before aggregation for reporting purposes. The amendment has no impact on the Group as the annual impairment test is performed before aggregation.

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

(All amounts in HUF million, unless otherwise stated)

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

Calculation of cost of sales

As from October 1, 2009 a new method for the calculation of the cost of sales has been applied which shows the production costs in more details and more precisely. Accordingly, costs of quality assurance, logistic costs of raw materials and costs of production management, which had been accounted aggregately among administration costs, are now included and analysed in details among direct costs.

The following adjustments were made in the opening balances of the financial statement ended 30 September 2009:

	As disclosed	Restatement	Restated
Work-in-progress and semi-finished products	12,994	784	13,778
Finished products	11,348	110	11,458
Retained earnings	108,523	894	109,417

The following adjustments were made in the financial statement ended 30 September 2009:

	As disclosed	Restatement	Restated
Work-in-progress and semi-finished products	16,797	761	17,558
Finished products	8,684	(116)	8,568
Cost of sales	(47,322)	(4,470)	(51,792)
Quality control	(2,130)	2,130	0
Plant administrative costs	(1,182)	581	(601)
Environmental protection expenses	(552)	552	0
Other administrative expenses	(2,922)	958	(1,964)
Retained earnings	121,556	645	122,201
Earnings per share	1,798	(32)	1,766

Plant administrative costs and other administrative costs are disclosed as central administrative costs in Note 18.

Export Sales

The Company has modified the accounting of export sales revenue. Shipping costs incurring outside Hungary had earlier been deducted from the gross export sales revenue, and the reduced value had been reported as net sales revenue. As from October 1, 2009, the sales revenue will appear without shipping cost reduction as sales while shipping costs will figure among general selling costs.

The following adjustments were made in the financial statement ended 30 September 2009:

	As disclosed	Restatement	Restated
Sales	115,311	831	116,142
General selling costs	(25,216)	(831)	(26,047)

(All amounts in HUF million, unless otherwise stated)

Classification of financial instruments

As of this year held-to-maturity and held-for-trading investments are presented as Other current financial assets, available-for-sale financial assets and the long term part of the loans given are presented as Other non-current financial assets in the Statement of Financial Position.

The following adjustments were made in the financial statement ended 30 September 2009:

	As disclosed	Classification	Reclassified
Held-to-maturity investments	2,700	(2,700)	0
Held-for-trading investments	194	(194)	0
Other current financial assets	0	2,894	2,894
Available-for-sale financial assets	383	(383)	0
Loans given (long term part)	136	(136)	0
Other non-current financial assets	0	519	519

As of this year, derivative transactions are presented as other current financial assets instead of other current assets.

The following adjustments were made in the financial statement ended 30 September 2009:

	As disclosed	Restatement	Restated
Net trade receivables and other current assets	22,884	(36)	22,848
Other current financial assets	2,894	36	2,930

Netting of derivative transactions

As of this year, gains and losses on derivative transactions are netted of.

The following adjustments were made in the financial statement ended 30 September 2009:

	As disclosed	Restatement	Restated
Finance income	2,567	(561)	2,006
Finance expenses	(2,435)	561	(1,874)

3. ACCOUNTING POLICIES

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

a. Presentation and functional currency

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

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

b. Basis of consolidation

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

Jointly controlled entities have been consolidated using proportionate consolidation.

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

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

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

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

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

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

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

c. Cash and cash equivalents

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

d. Trade receivables

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

e. Inventories

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

Raw materials

- purchase cost on moving average price

Work-in-progress and finished goods

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

f. Intangible assets

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

	Annual rate in %
Software, patents, licences	20

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

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

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

g. Property, plant and equipment

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

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

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

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

h. Impairment

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

i. Financial instruments

Financial assets

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

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

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

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

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

Investments with fixed or determinable payments and fixed maturity that the Group has the positive intent and ability to hold to maturity are classified as held-to-maturity investments. Held-to-maturity investments are included in non-current assets unless they mature within 12 months of the end of the reporting period. Held-to-maturity investments are carried at amortized cost using the effective interest rate method, less impairment. Amortization and losses arising from impairment is included in the income statement in the finance cost.

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

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

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

Gains or losses on available-for-sale investments are recognised as other comprehensive income in the available-for-sale reserve until the investment is sold, collected or otherwise disposed of, or until the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in equity is included in the statement of income.

Financial liabilities

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

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

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

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

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

j. Investment properties

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

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

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

k. Foreign currency transactions

Transactions arising in foreign currencies are initially recorded by the Group entities at their respective functional currency rates prevailing at the date of the transaction. The functional currency of each of the Group's operating entities is the local currency of the jurisdiction in which the entity operates. Monetary assets and liabilities denominated in foreign currencies are translated into functional currencies at the rates of exchange prevailing at the end of the reporting period. Any gain or loss arising from a change in exchange rates subsequent to the date of the transaction is included in the consolidated income statement as an exchange gain or loss.

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

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

l. Borrowing costs

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

m. Provisions

General

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

Environmental liabilities

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

Employee benefits

EGIS Nyrt. operates a defined long-term employee benefit program, according to which, at retirement, the Company pays 10 or 12 months salary as a long-service benefit to its employees having a period of service at least 30 or 40 years, respectively. This program was introduced in February 2002, however, the Company made a provision for this item in accordance with IAS 19 first time in 2004. The impact of this provision related to prior years is shown in Note 24.

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

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

n. Reserves

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

o. Dividends

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

p. Earnings per share (EPS)

The calculation of basic earnings per shares is based on the profit attributable to ordinary shareholders using the weighted average number of shares outstanding during the year after deduction of treasury shares. There were not any items in the years ended 30 September 2010 and 2009 that would dilute the earnings per share.

q. Revenue recognition

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

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

r. Research and development

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

s. Operating profit

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

t. Government grants

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

u. Income taxes

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

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

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

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

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

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

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

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

w. Contingencies

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

x. Subsequent events

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

y. Emission rights

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

z. Estimates

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

- Employee benefits, Note 3m, 24.
- Deferred tax assets, Note 3u, 21
- Impairment of non-current assets, Note 3h
- Outcome of litigations, Note 14
- Quantification and timing of environmental provisions, Note 3m, 14.

(All amounts in HUF million, unless otherwise stated)

4. CASH AND CASH EQUIVALENTS

Cash and cash equivalents as at 30 September 2010 and 2009 are the following:

	30 September 2010	30 September 2009
Cash in bank	17,621	22,789
Cheques	347	278
Cash on hand	5	5
Cash and cash equivalents in the Statement of financial position	17,973	23,072
Cash of enterprise classified as held for sale	0	166
Total cash and cash equivalents of EGIS Group	17,973	23,238

5. NET TRADE RECEIVABLES AND OTHER CURRENT ASSETS

Net trade receivables and other current assets as at 30 September 2010 and 2009 are the following:

	30 September 2010	30 September 2009 Restated
Trade receivables	26,950	18,804
Allowance for doubtful debtors	(930)	(971)
Trade receivables, net	26,020	17,833
Taxes receivable	1,817	1,519
Advance payments to suppliers	3,226	1,026
Other receivables and prepayments	3,285	2,470
Total	34,348	22,848

The ageing analysis of trade receivables is as follows:

	Total	Neither past due nor impaired	Past due but not impaired <90 days	91-180 days	181-360 days	> 360 days
30 Sept. 2010	26,020	21,217	4,283	385	80	55
30 Sept. 2009	17,833	14,094	2,813	502	260	164

(All amounts in HUF million, unless otherwise stated)

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

	30 September 2010	30 September 2009
Opening amount of provision for impairment	(971)	(605)
Charge for the year	(297)	(521)
Unused amounts reversed	274	69
Utilized	155	174
Foreign exchange difference	(91)	(88)
Closing amount of provision for impairment	(930)	(971)

6. INVENTORIES

Inventories as at 30 September 2010 and 2009 are the following:

	30 September 2010	30 September 2009
		Restated
Work-in-progress and semi-finished products	16,705	17,558
Finished goods	9,179	8,568
Raw materials	7,806	6,983
Goods for resale	5,078	5,848
Total	38,768	38,957

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

	30 September 2010	30 September 2009
Opening amount of provision for impairment	(628)	(622)
Charge for the year	(611)	(98)
Unused amounts reversed	117	0
Utilized	174	92
Foreign exchange difference	2	0
Closing amount of provision for impairment	(946)	(628)

(All amounts in HUF million, unless otherwise stated)

7. OTHER FINANCIAL ASSETS AND LIABILITIES

a. Other financial assets (including derivatives)

Other financial assets as at 30 September 2010 and 2009 are the following:

	30 September 2010	30 September 2009 Restated
Held-to-maturity investment – discounted treasury bills	7,232	2,180
Held-to-maturity investment – government bonds	0	520
Held-for-trading investment – government bonds	199	194
Available-for-sale investment – unquoted equity shares	434	383
Loans given	142	136
Derivatives – foreign exchange collar options	340	36
Total	8,347	3,449
Current	7,771	2,930
Non-current	576	519

Held-to-maturity investments consist of discounted treasury bills issued and guaranteed by the Hungarian government and therefore credit risk is considered to be low. Held-to-maturity investments initially were recognised at cost and amounted to HUF 7,160 million as at 30 September 2010 and HUF 2,531 million as at 30 September 2009. The investments are subsequently carried at amortized cost. The effective interest rates vary from 5.35%-5.62%. The difference between the initial cost and the amortised cost as at 30 September 2010 and 2009 was HUF 72 million and HUF 169 million, respectively.

Held-for-trading investments consist of long-term bonds issued and guaranteed by the Hungarian government. Fair valuation of these securities is reflected in the income statement.

Available-for-sale financial assets consist of unquoted non-controlling (below 20% of voting rights) interests of the Company.

(All amounts in HUF million, unless otherwise stated)

Non-controlling interests as at 30 September 2010 and 2009 are the following:

	30 September 2010		30 September 2009	
Company	Ownership %	Net book value	Ownership %	Net book value
OOO Serdix	5.4	413	18.3	357
Gyógynövény Kutató Intézet Zrt.	14.4	1	14.4	6
Medimpex Italia S.R.L.	-	-	7.0	1
Medimpex Japan Co. Ltd.	5.6	5	5.6	4
Magyar Gyógyszer Zrt.	2.6	15	2.6	15
Total		434		383

Gyógynövény Kutató Intézet Zrt. is a company without any actual activity and having revenue only from interest from banks, while Medimpex Italia S.R.L. was wound off in 2010.

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

OOO Serdix is a state-of-the-art production site in Russia, majorly owned by Servier Group. In 2010, after the owners decreasing the share capital with the accumulated loss, Servier increased its investment in Serdix, and as a result, share of EGIS has dropped to 5.4%. The company started packaging of pharmaceuticals in the past year and it will take further years to fully utilise its capacity. The major asset of Serdix is the production facility itself, and thus the fair value calculation was based on the historical value of land and PPE.

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

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

The Group enters into USD option contracts up to 70 % of budgeted annual sales and for maximum six months ahead. These instruments do not meet all of the criteria of IAS 39 for classification as a hedge. Therefore these instruments are presented at their fair values in the financial instruments and movements in fair values are posted to the income statement.

(All amounts in HUF million, unless otherwise stated)

The following contracts were valid as at 30 September 2010:

Opening date	Maturity	Currency	Amount	Type	Lower strike	Upper strike
2010.04.23	2010.10.27	USD	2,000,000	Collar	200.30	208.20
2010.04.29	2010.10.27	USD	1,000,000	Collar	202.30	209.50
2010.05.04	2010.10.27	USD	1,000,000	Collar	207.20	215.00
2010.05.11	2010.10.27	USD	1,000,000	Collar	215.90	222.50
2010.05.18	2010.10.27	USD	1,000,000	Collar	221.00	233.35
2010.06.07	2010.10.27	USD	1,000,000	Collar	241.50	247.00
2010.05.11	2010.11.26	USD	2,000,000	Collar	215.90	223.85
2010.05.18	2010.11.26	USD	1,000,000	Collar	221.00	233.35
2010.06.07	2010.11.26	USD	1,000,000	Collar	241.50	247.00
2010.07.19	2010.11.26	USD	1,000,000	Collar	222.15	228.50
2010.07.29	2010.11.26	USD	1,000,000	Collar	216.65	224.00
2010.06.07	2010.12.29	USD	1,000,000	Collar	241.50	247.00
2010.07.19	2010.12.29	USD	1,000,000	Collar	222.15	229.93
2010.07.29	2010.12.29	USD	1,000,000	Collar	216.65	224.75
2010.08.24	2010.12.29	USD	1,000,000	Collar	225.20	231.00
2010.07.19	2011.01.27	USD	1,000,000	Collar	222.15	231.34
2010.07.29	2011.01.27	USD	1,000,000	Collar	216.65	225.50
2010.08.24	2011.01.27	USD	1,000,000	Collar	225.20	232.50
2010.08.24	2011.02.24	USD	1,000,000	Collar	225.20	234.00

Unrealised profit/(loss) on open contracts as at 30 September 2010 and 2009 was HUF 340 million and HUF 36 million, respectively and was recorded in the consolidated income for the year then ended.

b. Other financial liabilities

	30 September 2010	30 September 2009
Loans and borrowings	3,108	3,140
Bank overdraft	102	0
Total	3,210	3,140
Current	221	111
Non-current	2,989	3,029

Loans and borrowings represent an investment credit received by Medimpex Kereskedelmi Zrt. to finance the construction of an office building in Budapest. The amount of the total credit facility as at 30 September 2010 and 2009 was EUR 12 million and the duration was 20 years. The interest rate was EURIBOR + 1.2% for both financial years. Borrowing cost was capitalised in 2008 as part of the cost of the office building in an amount of HUF 108 million. The interest expense related to the loan amounted to HUF 80 million and HUF 137 million in the years ended 30 September 2010 and 2009, respectively.

(All amounts in HUF million, unless otherwise stated)

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

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

30 September 2009	Total	Less than 1 year	2-5 years	Over 5 years
Principal liability	3,140	111	476	2,553
Interest liability	829	80	282	467
Total liability	3,969	191	758	3,020

30 September 2010	Total	Less than 1 year	2-5 years	Over 5 years
Principal liability	3,210	221	531	2,458
Interest liability	768	83	269	416
Total liability	3,978	304	800	2,874

The Group has not entered into any financial lease contracts.

c. *Fair values*

Financial assets	30 September 2010 Carrying amount	30 September 2010 Fair value	30 September 2009 Carrying amount	30 September 2009 Fair value
Cash and cash equivalents	17,973	17,973	23,072	23,072
Net trade receivables and other current assets	34,348	34,348	22,848	22,848
Held-to-maturity investments	7,232	7,222	2,700	2,691
Held-for-trading investments	199	199	194	194
Available-for-sale financial assets	434	434	383	383
Loans given	142	142	136	136
Foreign exchange option contracts	340	340	36	36
Total	60,668	60,658	49,369	49,360

Financial liabilities	30 September 2010 Carrying amount	30 September 2010 Fair value	30 September 2009 Carrying amount	30 September 2009 Fair value
Trade and other payables	(19,756)	(19,756)	(19,649)	(19,649)
Loans and borrowings	(3,108)	(3,108)	(3,140)	(3,140)
Bank overdraft	(102)	(102)	0	0
Total	(22,966)	(22,966)	(22,789)	(22,789)

(All amounts in HUF million, unless otherwise stated)

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

- Cash and cash equivalents, net trade receivables and other current assets, held-to-maturity investments, trade and other payables and bank overdrafts approximate their carrying amounts largely due to the short-term maturities of these instruments.
- Fair value calculation for held-for-trading investments was received from independent financial institutions.
- Fair value of unquoted available-for-sale financial assets is estimated using appropriate valuation techniques.
- Non-interest bearing long-term housing loans were discounted to reflect the time-value of money.
- Foreign exchange option contracts were valued by independent financial institutions using appropriate option-pricing models.

Fair value hierarchy as at 30 September 2010 is as follows:

Assets and liabilities measured at fair value	30 Sept 2010	Level 1	Level 2	Level 3
Held-for-trading investments	199	-	199	-
Available-for-sale financial assets	434	-	-	434
Foreign exchange option contracts	340	-	340	-

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

The movements in the fair value of the available-for-sale financial assets between 30 September 2009 and 30 September 2010 are as follows:

Opening amount of available-for-sale financial assets as at 30 September 2009	383
Gains for the period recognized in profit or loss as financial income	29
Losses for the period recognized in profit or loss as other expense	(5)
Fair value gains recognized in other comprehensive income	27
Closing amount of available-for-sale financial assets as at 30 September 2010	434

(All amounts in HUF million, unless otherwise stated)

8. DISPOSAL GROUP HELD-FOR-SALE

On 30 September 2009 EGIS Nyrt. signed an agreement to sell its 50 per cent stake in Medimpex UK Ltd. to Richter Gedeon Nyrt. The company was sold on 5 October 2009. As at 30 September 2009 the assets and liabilities of Medimpex UK Ltd. were disclosed separately as assets of disposal group held for sale and liabilities directly associated with assets of disposal group held for sale. Those assets and liabilities consist of the following major items as at 30 September 2010:

	30 September 2010	30 September 2009
Cash and cash equivalents	0	166
Net trade receivables and other current assets	0	230
Inventories	0	7
Property, plant and equipment	0	39
Investment properties	0	26
Deferred tax asset		2
Assets of disposal group held-for-sale	0	470

	30 September 2010	30 September 2009
Trade and other payables	0	255
Liabilities directly associated with assets of disposal group held-for-sale	0	255

(All amounts in HUF million, unless otherwise stated)

9. INTANGIBLE ASSETS

The movements in intangible assets for the years ended 30 September 2010 and 2009 were the following:

NET CARRYING AMOUNT	Software	Patents, licences	Intellectual property rights	Total
At 30 September 2008	813	89	2,963	3,865
Additions	978	293	0	1,271
Disposals	(2)	0	0	(2)
Impairment (Note 18)	0	0	0	0
Amortisation charge for the year	(368)	(120)	(847)	(1,335)
Exchange adjustment	(1)	0	0	(1)
Transfers	(13)	0	501	488
At 30 September 2009	1,407	262	2,617	4,286
Additions	964	224	0	1,188
Disposals	0	0	0	0
Impairment (Note 18)	(1)	0	0	(1)
Amortisation charge for the year	(489)	(196)	(706)	(1,391)
Exchange adjustment	5	(4)	0	1
Transfers	(4)	4	6	6
At 30 September 2010	1,882	290	1,917	4,089

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

At 30 September 2010	Software	Patents, licences	Intellectual property rights	Total
Cost	4,894	807	4,463	10,164
Accumulated amortisation	(3,012)	(517)	(2,546)	(6,075)
Net carrying amount	1,882	290	1,917	4,089

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

The gross carrying amounts of certain software, patent and license items of HUF 2,073 million and HUF 1,833 million are fully amortized as at 30 September 2010 and 2009, respectively, but these items are still in active use.

(All amounts in HUF million, unless otherwise stated)

10. PROPERTY, PLANT AND EQUIPMENT

The movements in property, plant and equipments in the years ended 30 September 2010 and 2009 were the following:

NET CARRYING AMOUNT	Land and buildings	Plant, machinery and equipment	Vehicles	Construction In progress	Total
At 30 September 2008	28,151	18,244	2,690	2,428	51,513
Additions	2,327	5,912	976	3,572	12,787
Disposals	0	(2)	(96)	0	(98)
Impairment (Note 18)	(6)	(38)	(27)	(23)	(94)
Depreciation charge for the year	(1,129)	(4,368)	(971)	0	(6,468)
Exchange adjustment	(3)	(4)	(17)	(2)	(26)
Reclassified to assets in disposal group held for sale	(35)	0	(4)	0	(39)
Transfers	(710)	324	0	0	(386)
At 30 September 2009	28,595	20,068	2,551	5,975	57,189
Additions	3,067	8,331	1,064	811	13,273
Disposals	0	(3)	(61)	0	(64)
Impairment (Note 18)	1	(11)	(19)	(2)	(31)
Depreciation charge for the year	(1,180)	(4,687)	(1,030)	0	(6,897)
Exchange adjustment	2	8	33	1	44
Transfers	9	(13)	(2)	0	(6)
At 30 September 2010	30,494	23,693	2,536	6,785	63,508

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

At 30 September 2010	Land and buildings	Plant, machinery and equipment	Vehicles	Construction in progress	Total
Cost	38,787	62,050	5,883	6,785	113,505
Accumulated depreciation	(8,293)	(38,357)	(3,347)	0	(49,997)
Net carrying amount	30,494	23,693	2,536	6,785	63,508

The gross carrying amounts of certain property, plant and equipment items of HUF 15,947 million and HUF 13,360 million are fully depreciated as at 30 September 2010 and 2009 respectively, but these items are still in active use.

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

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

(All amounts in HUF million, unless otherwise stated)

11. INVESTMENT PROPERTIES

Investment properties represent an office building in Budapest at Vörösmarty Square owned by Medimpex Irodaház Ingatlankezelő Kft. The company is a 50 % joint venture of EGIS Nyrt. and therefore recognised using the proportionate consolidation.
The investment property is carried at cost less accumulated depreciation. Depreciation is provided using the straight-line method over 50 years.

Reconciliation of the carrying amount of investment property in the years ended 30 September 2010 and 2009 is the following:

NET CARRYING AMOUNT	
At 1 October 2008	349
Additions	53
Depreciation charge for the year	(8)
Reclassified to assets in disposal group held for sale	(26)
Transfers	(112)
At 30 September 2009	256
Additions	46
Depreciation charge for the year	(9)
At 30 September 2010	293

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

At 30 September 2010	
Cost	451
Accumulated depreciation	(158)
Net carrying amount	293

A fair valuation of the investment property in Budapest was carried out by the company's professionals using discounted cash flow method. The timeframe of the calculation was ten years, the discount rate as at 30 September 2010 and 2009 was 7.30 % and 7.08 %, respectively.
As a result of the calculations the proportional share of the fair value of the building amounted to HUF 1,006 million as at 30 September 2010 and HUF 850 million as at 30 September 2009.

(All amounts in HUF million, unless otherwise stated)

Rental income and operating expenses of the investment property for the years ended 30 September 2010 and 2009 are the following:

	30 September 2010	30 September 2009
Rental income	169	174
Operating expenses	71	77

12. INVESTMENTS IN ASSOCIATES

Equity interests and the percentage of share capital held in associates as at 30 September 2010 and 2009 are the following:

	30 September 2010		30 September 2009	
Company	Ownership %	Net book value	Ownership %	Net book value
Recyclomed Kht.	36.0	20	36.0	20
Medimpex Jamaica Ltd.	40.0	19	40.0	7
Medimpex West Indies Ltd.	40.0	463	40.0	307
Gyógyszeripari Ellenőrző és Fejlesztő Laboratórium Kft.	34.0	169	34.0	138
Hungaropharma Zrt.	30.7	5,318	30.7	5,627
Other investments		0		16
Total		5,989		6,115

In the year ended 30 September 2010 and 2009 the associated companies paid the following dividends to EGIS Nyrt.:

	Year ended 30 September 2010	Year ended 30 September 2009
Gyógyszeripari Ellenőrző és Fejlesztő Laboratórium Kft.	0	3
Hungaropharma Zrt.	0	307
Medimpex West Indies Ltd.	5	6
Total	5	316

(All amounts in HUF million, unless otherwise stated)

13. TRADE AND OTHER PAYABLES

Trade and other payables as at 30 September 2010 and 2009 are the following:

	30 September 2010	30 September 2009
Trade payables	11,741	12,124
Salaries payable	734	867
Taxes and duties payable	1,612	2,058
Other short term liabilities	5,669	4,600
Total	19,756	19,649

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

	Total	On demand	Less than 3 months	Over 3 months
30 September 2010	11,741	923	10,815	3
30 September 2009	12,124	586	11,274	264

14. PROVISIONS

As at 30 September 2010 and 2009 provisions are the following:

	Environ-mental	Litigations	Employee benefits	Payable to NHIF	Other	Total
Balance as at 30 September 2008	118	323	842	0	250	1,533
Provision made during the period	70	20	472	137	218	917
Provision used during the period	(81)	(11)	(145)	0	(110)	(347)
Increase / (decrease) in provision	(11)	9	327	137	108	570
Balance as at 30 September 2009	107	332	1,169	137	358	2,103
Provision made during the period	247	138	386	0	362	1,133
Provision used during the period	(74)	(13)	(233)	(137)	(325)	(782)
Increase / (decrease) in provision	173	125	153	(137)	37	351
Balance as at 30 September 2010	280	457	1,322	0	395	2,454

Provisions as at 30 September 2010 and 2009 classified as current liability (to be used or reversed within one year) and as non-current liability are as follows:

(All amounts in HUF million, unless otherwise stated)

	Environ-mental	Litigations	Employee benefits	Payable to NHIF	Other	Total
Current provisions	67	300	190	137	357	1,051
Non-current provisions	40	32	979	0	1	1,052
Balance as at 30 September 2009	107	332	1,169	137	358	2,103
Current provisions	190	430	233	0	385	1,238
Non-current provisions	90	27	1,089	0	10	1,216
Balance as at 30 September 2010	280	457	1,322	0	395	2,454

Provision for environmental liabilities relates to the contamination of land at plants in Budapest and possible sewage fine payable on the emission of waste-water exceeding the accepted limits.
A legal proceeding was commenced against EGIS Nyrt. in 2007 on the ground of EGIS breaching a Supply Agreement. Damages claimed by the plaintiff are fully provided for.

Calculations for provisions for long-term employee benefits are shown in Note 24.

Earlier Group has made a provision for amounts payable to NHIF on reimbursed products, which had already been sold to wholesalers or pharmacies but not to the ultimate customers. Due to favourable changes in the legislation (as of 2010 R&D expenses can be deducted from amounts payable to NHIF), no provision was accounted for as at 30 September 2010.

Other provisions contain the fees payable to the agents after the customers paid the related invoices in the amount of HUF 182 million and HUF 187 million as at 30 September 2010 and 2009, respectively.

15. SHARE CAPITAL

Share capital as at 30 September 2010 and 2009 consists of 7,785,715 authorized, issued and fully paid dematerialized shares of registered value of 1 thousand HUF per share carrying equal ranking as at 30 September 2010 and 2009.

16. SHARE PREMIUM

Share premium disclosed as at 30 September 2010 and 2009 represents the difference between the consideration of USD 45,000 thousand received for additional 2,335,715 shares issued on 22 December 1993 from EBRD and the registered value of 1 thousand HUF per share calculated using the exchange rate at the date of the receipt of the funds.

(All amounts in HUF million, unless otherwise stated)

17. RETAINED EARNINGS

The distributable part of retained earnings of the Company in accordance with statutory financial statements as at 30 September 2010 and 2009 were HUF 130,048 million and HUF 112,257 million (out of the total retained earnings of HUF 138,050 million and HUF 122,201 million), respectively. The management proposed a total dividend of HUF 934 million to be distributed from the profit of the year ended 30 September 2010. Both paid and proposed dividend per share as at 30 September 2010 and 2009 were HUF 120.

18. COSTS AND EXPENSES

Costs and expenses for the years ended 30 September 2010 and 2009 are as follows:

	Year ended 30 September 2010	Year ended 30 September 2009 Restated
Cost of sales	52,206	51,792
Administrative and distribution expenses	49,029	47,575
Other operating expenses	3,171	4,132
Total	104,406	103,499

Cost of sales for the years ended 30 September 2010 and 2009 includes direct material and labour costs as well as certain directly attributable production overheads.

Administrative and distribution expenses for the years ended 30 September 2010 and 2009 are the following:

	Year ended 30 September 2010	Year ended 30 September 2009 Restated
General selling costs	28,143	26,047
Research and developments expenses	10,860	10,060
Central administrative costs	9,823	10,489
Impairment (Note 9 and Note 10)	32	94
Allowance for doubtful debtors (Note 5)	23	452
Net provision expenses	148	433
Total	49,029	47,575

(All amounts in HUF million, unless otherwise stated)

Other operating expenses for the years ended 30 September 2010 and 2009 are as follows:

	Year ended 30 September 2010	Year ended 30 September 2009
Contribution to Hungarian National Health Insurance Fund (incl. provision thereof)	477	1,841
Contribution to Romanian National Health Insurance Fund (incl. in provision)	203	0
Local municipal tax	1,646	1,499
Others	845	792
Total	3,171	4,132

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

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

Major titles to reimbursement:

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

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

12% payment obligation figuring in the statement of September 30, 2010 was calculated according to the following:

- actual payment obligation for the period October 2009 - June 2010
- preliminary obligation calculated for July and August 2010 by the Company on the basis of NHI data supply
- the Company's estimation for September 2010

(All amounts in HUF million, unless otherwise stated)

- 20% retention which is the 20% of the 12% payment accounted for the October-December 2009 period and of the registration fee of medical representatives for the same period.
- 100% retention which is the 100% of the 12% payment accounted for the January-September 2010 period and of the registration fee of medical representatives for the same period.

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

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

	Year ended 30 September 2010	Year ended 30 September 2009
Net sales	117,368	110,080
less: income from royalties	(340)	(807)
less: material cost (adjusted)	(27,924)	(29,436)
less: cost of sales	(6,406)	(4,388)
less: mediated services	(420)	(516)
Tax base	82,278	74,933
Tax at applicable rate of 2 %	1,646	1,499

(All amounts in HUF million, unless otherwise stated)

The following costs and expenses are included in cost of sales, administrative and distribution and other operating expenses for the years ended 30 September 2010 and 2009:

	Year ended 30 September 2010	Year ended 30 September 2009 Restated
Material type costs	39,042	38,883
Payroll and related costs	30,137	29,325
Material type services	12,072	11,576
Depreciation and amortization	8,297	7,811
Hired labour	3,608	4,155
Marketing	3,321	2,472
Other taxes	2,730	3,704
Patent and registration fees	1,752	1,774
Subcontracted R&D services	898	525
Licence fees	786	776
Commissions	590	355
Environment protection expenses	531	675
Net provision expenses	147	433
Impairment (Note 9 and Note 10)	32	94
Allowance for doubtful debtors (Note 5)	23	452
Other	440	489
Total	104,406	103,499

(All amounts in HUF million, unless otherwise stated)

19. FINANCE INCOME

Interest and other financial income for the years ended 30 September 2010 and 2009 are the following:

	Year ended 30 September 2010	Year ended 30 September 2009
		Restated
Foreign exchange gain, net	1,117	148
Interest income on bank accounts	1,310	960
Interest income on other financial assets	199	758
Gain on sale of investments	92	0
Discounting long-term employee loans	10	0
Gain on sale of other financial assets	6	109
Fair value gain on financial assets and liabilities	6	15
Other financial income	29	16
Total	2,769	2,006

20. FINANCE COSTS

Interest and other financial expenses for the years ended 30 September 2010 and 2009 are the following:

	Year ended 30 September 2010	Year ended 30 September 2009
		Restated
Loss on derivative transactions	251	1,019
Interest expense	80	137
Loss on sale of investments	1	10
Discounting long-term employee loans	0	8
Other financial expense	91	700
Total	423	1,874

(All amounts in HUF million, unless otherwise stated)

21. INCOME TAX EXPENSE AND DEFERRED TAX

Income tax expense for the years ended 30 September 2010 and 2009 are as follows:

	Year ended 30 September 2010	Year ended 30 September 2009
Current tax expense	963	728
Deferred tax expense	9	46
Total	972	774

Deferred tax assets as of 30 September 2010 and 2009 are the following:

	Consolidated statement of financial position		Consolidated income statement		Consolidated comprehensive income	
	Year ended 30 September 2010	Year ended 30 September 2009	Year ended 30 September 2010	Year ended 30 September 2009	Year ended 30 September 2010	Year ended 30 September 2009
Depreciation and amortization	(46)	(24)	22	152	0	0
Fair valuation of assets	(1)	(3)	(3)	0	1	0
Provision and accruals	412	333	(79)	(88)	0	0
Unrealized profit on inventories	144	255	111	(126)	0	0
Allowance for doubtful receivables	32	30	(2)	(14)	0	0
Other	32	(8)	(40)	122	0	0
Total	573	583	9	46	1	0

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

	As of 1 Oct 2008	As of 1 Oct 2009	As of 1 Oct 2010
Corporate tax: tax base up to HUF 500 million	16%	16%	10%
Corporate tax: tax base over HUF 500 million	16%	16%	19%
Solidarity tax	4%	4%	-

(All amounts in HUF million, unless otherwise stated)

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

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

	Year ended 30 September 2010	Year ended 30 September 2009
		Restated
Profit before tax per accompanying consolidated income statement	17,755	14,525
Tax at the applicable tax rate	3,551	2,905
Research and development expenses not taxable	(1,057)	(869)
Provision expense not tax deductible	494	132
Local tax expenses not taxable	(263)	(240)
Development reserve not taxable	(80)	(80)
Other differences not expected to reverse	(136)	(83)
Tax allowance	(1,513)	(1,073)
Differences between Hungarian tax rate and foreign tax rates	(24)	(3)
Effect of changes of tax rates in Hungary	0	85
Total income tax expense	972	774

The Company earned a tax allowance due to the development of its production facilities. The tax allowance amounts to HUF 5.3 billion in total, out of which the following amounts were utilized in the past years:

2009/2010	2008/2009	2007/2008	2006/2007	Total
1,287	914	421	357	2,979

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

The Group has paid HUF 1,646 million and HUF 1,499 million local business taxes in the years ended 30 September 2010 and 2009, respectively. The amount is presented in Other operating expenses (Note 18).

22. BASIC AND DILUTED EARNINGS PER SHARE (EPS)

Basic earnings per share is calculated by dividing the net profit for the period attributable to ordinary shareholders (net profit for the period less dividends on preference shares classified as equity) by the weighted average number of ordinary shares outstanding the period. There were not any items in the years ended 30 September 2010 and 2009 that would dilute the earnings per share.

	Net profit for the year (HUF million)	Weighted average number of shares	Earnings per share (HUF)
Basic and diluted Earnings per share 2009 (restated)	13,751	7,785,715	1,766
Basic and diluted Earnings per share 2010	16,783	7,785,715	2,156

(All amounts in HUF million, unless otherwise stated)

23. SEGMENT INFORMATION

Breakdown by business segments for the years ended 30 September 2010 and 2009 is as follows:

	Pharmaceutical manufacturing and sales		Pharmaceutical wholesale and retail		Eliminations		Consolidated	
	Year ended 30 September 2010	Year ended 30 September 2009	Year ended 30 September 2010	Year ended 30 September 2009	Year ended 30 September 2010	Year ended 30 September 2009	Year ended 30 September 2010	Year ended 30 September 2009
SALES		Restated		Restated		Restated		Restated
External sales	90,063	89,364	28,852	26,778	0	0	118,915	116,142
Inter-segment sales	20,954	17,769	7,266	6,608	(28,220)	(24,377)	0	0
Total sales	111,017	107,133	36,118	33,386	(28,220)	(24,377)	118,915	116,142
RESULT								
Operating profit	15,073	12,823	1,273	1,148	(834)	69	15,512	14,040
Financial result	-	-	-	-	-	-	2,348	167
Share of results of associated companies	0	0	(105)	318	0	0	(105)	318
Income tax expense	-	-	-	-	-	-	(972)	(774)
Net profit	-	-	-	-	-	-	16,783	13,751
OTHER INFORMATION								
Investments in associates	5,981	6,107	8	8	0	0	5,989	6,115
Other segment assets	158,815	142,034	23,436	20,415	(13,698)	(10,660)	168,553	151,789
Total assets	164,796	148,141	23,444	20,423	(13,698)	(10,660)	174,542	157,904
Liabilities	20,460	19,886	15,466	13,523	(10,493)	(8,262)	25,433	25,147
Purchase of intangibles, property plant and equipment	13,103	13,499	1,405	571	0	0	14,508	14,070
Impairment	584	1,538	15	18	(567)	(772)	32	784
Depreciation and amortization	7,705	7,231	592	580	0	0	8,297	7,811

(All amounts in HUF million, unless otherwise stated)

Breakdown by geographical segments for the years ended 30 September 2010 and 2009 is as follows:

	Sales		Total assets		Purchase of intangibles, property plant and equipment	
	Year ended 30 September 2010	Year ended 30 September 2009	Year ended 30 September 2010	Year ended 30 September 2009	Year ended 30 September 2010	Year ended 30 September 2009
		Restated		Restated		
Hungary	32,687	31,403	158,570	142,870	13,556	13,307
European Union	42,021	46,822	12,895	13,864	500	499
Other European countries	41,073	35,780	3,077	1,170	452	264
North-America and Japan	1,594	808	0	0	0	0
Others	1,540	1,329	0	0	0	0
Total	118,915	116,142	174,542	157,904	14,508	14,070

24. EMPLOYEE BENEFITS

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

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

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

Movements in the provision for employee benefits in the year ended 30 September 2010 and 2009 are the following:

	Year ended 30 September 2010	Year ended 30 September 2009
		Restated *
Opening balance as at 1 October	1,169	842
Current service cost	91	81
Interest cost	127	103
Recognised actuarial losses	57	233
Past service cost – non vested benefits	55	55
Benefits paid	(177)	(145)
Closing balance as at 30 September	1,322	1,169

(All amounts in HUF million, unless otherwise stated)

Reconciliation of the present value of the obligation to the liability recognised in the statement of financial position as at 30 September 2010 and 2009 is as follows:

	Year ended 30 September 2010	Year ended 30 September 2009
		Restated *
Provision recognised in the statement of financial position	1,322	1,169
Past service cost not recognised in the statement of financial position	595	650
Present value of the obligation	1,917	1,819

Amounts charged to administration and distribution expenses for the years ended 30 September 2010 and 2009 are the following:

	Year ended 30 September 2010	Year ended 30 September 2009
		Restated *
Current service cost	91	81
Interest cost	127	103
Recognised actuarial losses	57	233
Past service cost – non vested benefits	55	55
Total expense	330	472

Assumptions applied in the calculation of provision for employee benefits for the years ended 30 September 2010 and 2009 are the following:

	30 September 2010	30 September 2009
Future service years	11.8	12.8
Discount rate	7.0%	7.0%
Fluctuation rate	5.3%	5.3%
Expected average wage increase	4.5%	4.5%

* Additional service awards disclosed separately in the prior year's financial statement are now included in the above tables.

The cumulative amount of recognised actuarial losses as at 30 September 2010 and 2009 was HUF 264 million and HUF 207 million, respectively.

(All amounts in HUF million, unless otherwise stated)

25. RELATED PARTY TRANSACTIONS

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

Income from related parties for the years ended 30 September 2010 and 2009 are the following:

	Year ended 30 September 2010	Year ended 30 September 2009 Restated
Hungaropharma Zrt.	10,972	10,803
Servier Group	10,436	16,845
Anpharm Sp. Akc.	2,030	3,793
Medimpex West Indies Ltd.	379	321
Recyclomed Kht.	20	19
Total	23,837	31,781

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

Related party costs for the years ended 30 September 2010 and 2009 are the following:

	Year ended 30 September 2010	Year ended 30 September 2009
Servier and its subsidiaries	202	295
Gyógyszeripari Ellenőrző és Fejlesztő Labor. Kft.	63	72
Recyclomed Kht.	30	47
Anpharm Sp. Akc.	10	13
Hungaropharma Zrt.	3	0
Medimpex West Indies Ltd.	3	2
EGIS UK Ltd.	0	44
Total	311	473

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

(All amounts in HUF million, unless otherwise stated)

Purchases of inventories from related parties for the years ended as at 30 September 2010 and 2009 are the following:

	Year ended 30 September 2010	Year ended 30 September 2009
Servier and its subsidiaries	6,063	8,047
Anpharm Sp. Akc.	2,137	5,855
Hungaropharma Zrt.	4	6
Total	8,204	13,908

Related party receivables and payables as at 30 September 2010 and 2009 are the following:

	Receivables		Payables	
	30 Sept 2010	30 Sept 2009	30 Sept 2010	30 Sept 2009
Hungaropharma Zrt.	2,884	1,694	0	0
Servier and its subsidiaries	1,757	933	1,325	1,458
Anpharm Sp. Akc.	282	194	490	347
Medimpex West Indies Ltd.	101	187	0	2
Recyclomed Kht.	2	2	2	1
Gyógyszeripari Ell. és Fejl. Lab. Kft.	0	0	9	13
Total	5,026	3,010	1,826	1,821

Emoluments of and shares held by the members of the Board of Directors, Supervisory Board and Audit Committee as at 30 September 2010 and 2009 are the following:

	30 September 2010		30 September 2009	
	Emoluments	Number of shares	Emoluments	Number of shares
Board of Directors	23.6	2,010	22.8	2,010
Supervisory Board	27.4	400	30.4	260
Audit Committee	11.7	-	11.4	-
Total	62.7	2,410	64.6	2,270

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

(All amounts in HUF million, unless otherwise stated)

26. SERVICES PROVIDED BY ERNST & YOUNG COMPANIES

Services provided to the Group by Ernst & Young companies for the years ended as at 30 September 2010 and 2009 are the following:

	Year ended 30 September 2010	Year ended 30 September 2009
Audit fees (Statutory, IFRS separate and IFRS consolidated Financial Statements)	23.2	24
Risk management advisory services	7.6	0
Transfer price review	0	1
Corporate tax allowance review	0	6
IFRS training	0	6
Total	30.8	37

27. COMMITMENTS AND CONTINGENT LIABILITIES

Guarantees

Guarantees granted and received by the Group as at 30 September 2010 and 2009 are the following:

	Year ended 30 September 2010	Year ended 30 September 2009
Guarantees granted	41	564
Guarantees received	8,310	3,666

Guarantees are mainly granted to the Customs Authority in 2009 and to Medimpex West-Indies Ltd. in 2010, while guarantees received represent payment guarantees and good-performance guarantees.

Capital commitments

Capital commitments of the Group as at 30 September 2010 and 2009 are HUF 3,427 million and HUF 3,315 million, respectively.

Other financial commitment

EGIS and Celltrion Inc. (Celltrion) and Celltrion Healthcare Co. Ltd. (Korea, together with Celltrion as “Celltrion Group”), have entered into a collaboration agreement on February 5th 2010 for the distribution of biopharmaceutical products developed and manufactured by Celltrion. With this agreement, EGIS will have the opportunity to enter the biopharmaceutical markets of oncology, autoimmune and inflammatory diseases along with very first biosimilar players. The size of the market EGIS is aiming at in total is actually more than EUR 600 million with double digit growth. The launches are planned over the period between year 2012 and 2018. Commercial launch of the first biosimilar product is expected in 2012 or early 2013, and is expected to generate about EUR 30 million revenue as of the following year.

Mortgages

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

28. EVENTS AFTER THE REPORTING PERIOD

Modification of Act XCVIII of 2006 on safety and efficient supply of pharmaceuticals and medical devices as well as on the general rules of pharmaceuticals distribution ("Drug Thrift law") is pending at the end of the reporting period. The Company recognises other receivables in an amount of HUF 2.2 billion in accordance with the above legislation effective at the end of the reporting period. Its calculation is disclosed in Note 18.

29. FINANCIAL RISK MANAGEMENT

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

Market risk

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

(All amounts in HUF million, unless otherwise stated)

Currency risk

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

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

	Decrease in US dollar rate	Operating Profit decreased by
2009	1%	210 - 230
2010	1%	200 - 220

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

	30 September 2010	30 September 2009
BGN	141.78	138.23
CHF	208.2	179.16
CZK	11.24	10.73
DKK	37.21	36.32
EUR	277.33	270.36
GBP	323.15	297.29
JPY (100 unit)	244.3	206.49
NOK	34.68	31.81
PLN	69.54	64.04
RON	64.98	64.46
RUB	6.65	6.16
SEK	30.3	26.45
TRY	140.24	124.49
USD	203.43	184.79

(All amounts in HUF million, unless otherwise stated)

Credit risk

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

Short-term investments consist of bonds, treasury bills issued and guaranteed by the Hungarian government. The Group's trade receivables include balances from a number of customers that are across different geographic areas. Analyses of most significant trade debtors are as follows:

	30 September 2010			30 September 2009		
	Value	Percentage of total	Number of debtors	Value	Percentage of total	Number of debtors
Over HUF 1,000 million	7,623	29%	3	4,508	25%	3
Between HUF 200 and 1,000 million	10,500	40%	27	5,998	34%	16
Over HUF 200 million	18,123	69%	30	10,506	59%	19

The Group has a very strict credit verification procedure and furthermore, receivable balances are monitored on a monthly basis with the result that the Group's exposure to bad debts is not significant. Besides, receivables exposed to significant credit risk are secured mostly with bank guaranties and letter of credits in an amount of HUF 9,018 million and HUF 3,243 million as at 30 September 2010 and 2009, respectively.

For ageing analysis of trade receivables and trade payables please refer to Notes 5 and 13, respectively.

Liquidity risk

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

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

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

(All amounts in HUF million, unless otherwise stated)

Capital management

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

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

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

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

	30 September 2010	30 September 2009
		Restated
Financial liability and borrowings	3,210	3,140
Trade and other payables	19,756	19,649
Less Cash and cash equivalents	(17,793)	(23,072)
Net debts	5,173	(283)
Equity	149,122	132,757
Equity and net debt	154,295	132,474
Gearing ratio	**3.35%**	**(0.21%)**

30. APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

The accompanying consolidated financial statements were approved by the Board of Directors of EGIS Nyrt. on 7 December 2010. The Annual General Meeting has the ultimate power to change this approval.

Budapest, 7 December 2010

Representative of the Company

EGIS Pharmaceuticals PLC

ANNUAL CONSOLIDATED REPORT 2009/2010
IN ACCORDANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)

3. BUSINESS REPORT

Budapest, January 26, 2011

EGIS PLC
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CONSOLIDATED BUSINESS REPORT

on the performance of EGIS PLC in 2009/2010 according to International Financial Reporting Standards (IFRS)

1. Subsidiaries of EGIS PLC

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

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

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

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

EGIS Slovakia spol. s r.o., Slovakia

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

EGIS Polska Sp. z o.o., Poland

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

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

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

EGIS Rompharma S.R.L., Romania

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

EGIS Bulgaria EOOD, Bulgaria

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

EGIS Ilaclari Limited Sirketi, Turkey

Established in 2005, the company serves for marketing and distribution of EGIS products. Its actual business activity was commenced in 2007/2008.

OOO EGIS RUS

The company was established in 2007. It does not perform business activity.

EGIS UK Ltd

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

The above trading subsidiaries have completed their 2009/2010 tasks and their business activity was in compliance with the targets.

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

Medimpex Trading Pte. Co. Ltd., Hungary

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

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

Medimpex Real Estate Managing LLC, Hungary

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

2009/2010 activity of the subsidiaries belonging to this group is also considered by EGIS PLC as successful.
50% stake in the Medimpex UK, Great Britain, was sold by EGIS PLC with the effect from October 5, 2009, so this company no longer belongs to the Group.

Key Figures of the Consolidated Companies as at September 30, 2010 (HUF million)

	EGIS PLC	EGIS Polska	EGIS Polska Dystrybuc.	EGIS Praha	EGIS Slovakia	EGIS Rom-pharma	EGIS Bulgaria	EGIS Ilaclari Limited	EGIS UK Ltd.	OOO EGIS RUS	Medimpex Pte. Ltd.	Medimpex Real Estate
Domestic sales	31 213	0	0	0	0	0	0	0	0	0	1 759	339
Export sales	79 804	4 178	15 515	1 427	5 379	3 992	1 543	1 760	20	0	397	0
Sales	**111 017**	**4 178**	**15 515**	**1 427**	**5 379**	**3 992**	**1 543**	**1 760**	**20**	**0**	**2 156**	**339**
Cost of sales	47 551	0	13 413	1	4 092	3 629	1 470	941	0	0	1 194	43
Gross profit	**63 466**	**4 178**	**2 102**	**1 426**	**1 287**	**363**	**73**	**819**	**20**	**0**	**962**	**296**
General selling costs	27 371	3 141	828	1 179	1 018	102	54	1 209	0	0	522	0
Research and development expenses	10 860	0	0	0	0	0	0	0	20	0	0	0
Administrative costs	8 410	905	4	252	172	0	0	312	0	0	132	86
Other operating expenses	2 642	23	122	18	83	207	5	13	0	0	50	15
Other operating income	890	28	16	24	6	0	0	1	0	0	0	2
Operating profit	**15 073**	**137**	**1 164**	**1**	**20**	**54**	**14**	**-714**	**0**	**0**	**258**	**197**
Profit from financing activities	2 368	18	-47	2	1	-62	0	74	0	0	-124	11
Profit before taxation	**17 441**	**155**	**1 117**	**3**	**21**	**-8**	**14**	**-640**	**0**	**0**	**134**	**208**
Taxation	452	40	236	14	30	-6	1	-9	0	0	27	16
Net profit	**16 989**	**115**	**881**	**-11**	**-9**	**-2**	**13**	**-631**	**0**	**0**	**107**	**192**
Share capital	**7 786**	**1 226**	**1 332**	**797**	**705**	**1**	**1**	**2 536**	**0**	**17**	**598**	**606**
EGIS ownership %		100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	50%
Equity	**144 336**	**1 333**	**3 256**	**319**	**838**	**-7**	**22**	**189**	**0**	**17**	**1 313**	**844**

Figures represent the total results of the companies.

2. Consolidated Sales Revenue and Profit of EGIS PLC

Similarly to the business report of EGIS PLC, in compliance with the Company's financial year, this consolidated business report covers the period from October 1, 2009 to September 30, 2010. Figures are compared to the results of the period between October 1, 2008 and September 30, 2009.

Due to the small size of satellite firms compared to the parent company and owing to the type of activities, EGIS PLC's performance continued to have a dominant role in the consolidated results also in 2009/2010.

Net Sales

Consolidated sales of EGIS Group as at September 30, 2010 amounted to HUF 118,915mn. This is higher by 2% y/y. Within this, domestic sales totalled HUF 32,687mn with a increase of 4%,.Sales outside Hungary grew to HUF 86,228mn, 2% higher compared to the year-earlier base figure.

93% of 2009/2010 consolidated sales revenue (92% in 2008/09) was directly generated by EGIS PLC, while the rest came from dealings of consolidated companies with partners outside the Group.

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

Expenditures

Cost of sales was HUF 52,206 million increased by 1%. In total, prime cost composed 43,9% of sales revenue. Cost ratio moved down 0,7 percentage points compared to the 2008/2009 figure.
There was an aggregate increase of 3% in administration and selling costs, their ratio to sales revenue showed 41%.
General selling costs grew 8%, also research and development expenses expanded 8% while there was a 13% decrease in administration costs.

Other Operating Income and Other Operating Expenses

Consolidated other operating income totalled HUF 1,003 million, going down 28% y/y. Other operating expenses moved down 23% and came to HUF 3,171 million. Thus aggregate balance of such items (HUF -2,168 million) is more favourable by HUF 567 million than the comparative figure.

Operating Profit

Operating profit of EGIS PLC and the consolidated companies as at September 30, 2010 accounted for HUF 15,512mn reflecting a 10% rise y/y. The ratio of operating profit to net sales revenue was 13% which is better than the 2008/2009 figure by 0.9 percentage points.
Increase in profit is mainly attributable to the development of international sales and to the improving cost ratio.

Pretax Profit

Aggregate consolidated profit on financial transactions shows a gain of HUF 2348 million in 2009/2010.
Share of results from associated companies of significant holding amounted to HUF -105 million.

In total, the consolidated pretax profit of the EGIS Group as at September 30, 2010 accounted for HUF 17,755 million, 22% higher than the year-earlier base figure.

(EGIS PLC on its own reached a pretax profit of HUF 17,441 million, which is bigger by 30% than the 2008/2009 figure.)

Profit after Tax

The companies of EGIS Group pay corporate tax according to the general regulations in force in the individual countries. Owing to its considerable investments, EGIS PLC has been qualified for corporate tax allowance.
In total, the corporate tax and deferred tax of the Group came to HUF 972 million in 2009/2010.

Thus, in 2009/10, consolidated profit after tax of EGIS Group totalled HUF 16,783 million, with a rise of 22% y/y.

3. Consolidated Balance Sheet of EGIS PLC

Assets

Total consolidated assets of EGIS PLC and its subsidiaries as at September 30, 2010 amounted to HUF 174,542 million. This exceeds the 2008/09 value by 11%. Within the value of the total assets, EGIS PLC represents 94.4% while the remaining 5.6% come from the assets of the consolidated subsidiaries.

Among the main items of assets, intangible assets were down 5%. Value of tangible assets rose 11%. At the same time, value of equity investments went down 2%.
Value of inventories is the same as in 2008/2009, value of receivables increased 50% while aggregate value of liquid assets and short-term financial investments moved lower 1% in comparison with the previous business year.

Equity and Liabilities

Equity of EGIS PLC and its consolidated subsidiaries as at September 30, 2010 totalled HUF 149,122 million. This figure exceeds the previous year's value by HUF 16,365 million or 12%. The consolidated value is higher by HUF 4,786 million (3%) than the equity appearing in EGIS's stand-alone balance sheet.

Non-current loans occurred at MEDIMPEX Trading Pte. Co. Ltd. for financing the construction of an office building.
Provisions figuring among non-current liabilities amounted to HUF 1,216 million at the end of the business year, 16% more than a year ago.

Current liabilities total HUF 21,215 million with a rise of 2% over the financial year.

Financial position of the EGIS Group continues to be fairly strong. Equity as at September 30, 2010 covered 85% of the total amount of equity and liabilities of the consolidated Group.

Changes in the main financial indices are indicated in the following table:

Main Financial Indices of the EGIS Group in the Period between October 1, 2009 and September 30, 2010

I n d e x		**Oct 1, 2008 – Sept 30, 2009***	**Oct 1, 2009 – Sept 30, 2010**
Operating profit / Net sales	%	12.1	13.0
Pretax profit / Net sales	%	12.5	14.9
Cash / Current liabilities	%	123.4	121.3
Liquidity ratio	%	422.3	469.1
Debt ratio	%	2.2	2.0
Ratio of liabilities	%	15.9	14.6

* restated