

Pelion Healthcare Group

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I N T E G R A T E D
A N N U A L R E P O R T

2 0 1 4

We have co-developed Polish economy for 25 years

Pelion's history is intertwined with important dates in Poland's transformation

The anniversaries falling this year, namely the 25th anniversary of the first free elections in Poland, the 15th anniversary of Poland's joining the NATO, and the 10th anniversary of Poland's EU accession, have double significance for Pelion Healthcare Group, because those events coincided with landmarks in the Company's development: in 1989 a decision was made to launch pharmaceutical wholesale operations, in 1999 the Company commenced its hospital supply operations and in 2004 it entered the retail segment.



Beginnings of wholesale operations



PGF URTICA

Entry into the hospital supply segment

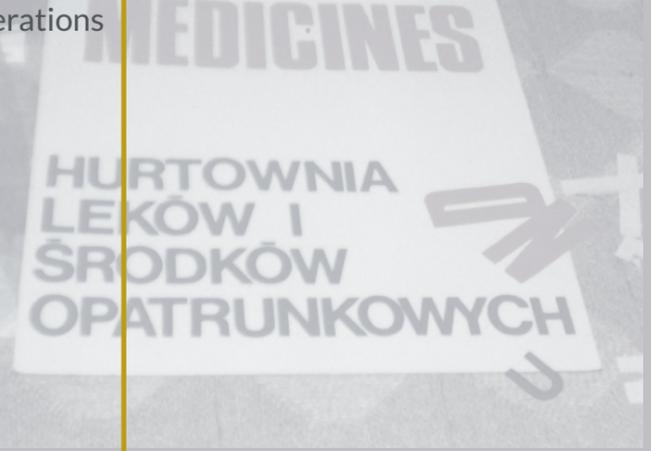
APTEKI dbam o zdrowie

Beginnings of retail operations



pharmalink

Entering the segment of services for manufacturers



IPO at the Warsaw Stock Exchange



The first inclusion in the Respect Index.

1989 1990 1991 1992 1993 1994 1995 1996 1997 1998 1999 2000 2001 2002 2003 2004 2005 2006 2007 2008 2009 2010 2011 2012 2013 2014

Beginnings of Poland's transformation

Poland's accession to NATO

Poland's accession to the European Union



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About the Report

This Annual Report of the Pelion Healthcare Group is the third consecutive report discussing the Group's operations, financial performance, and corporate social responsibility in a comprehensive manner. CSR data was integrated with other sections of the Report to present a full picture of how the companies controlled by Pelion S.A. manage their social impacts and build value of their business.

The reporting period is from January 1st to December 31st 2014, in line with the adopted annual reporting cycle. All data and information disclosed in this Report refer to the holding company Pelion S.A. and to the companies operating in four business lines, that is: wholesale (PGF Group), hospital supplies (PGF Urtica Sp. z o.o.), retail in Poland and Lithuania (CEPD Group), services for manufacturers (Pharmalink Sp. z o.o.), and other companies.

The complete 2014 Report, which is available online at www.pelion.eu, was drawn up based on Global Reporting Initiative guidelines [3]

at C+ level, and verified by an independent certified auditor.

In defining the content of this Report, the key objective was to demonstrate how the Group companies build value over time, both to their own benefit and for their stakeholders, insofar as this contributes to creating value for the entire Pelion Healthcare Group. In discussing the strategy followed by the Pelion Healthcare Group companies, we went beyond the reporting period in order to outline, as far as possible, their key focus areas for the future. In an effort to cover all major factors potentially affecting the value creation process in a long term, we sought to present all information in the most succinct and precise manner possible, so as to facilitate comparison of the Company's performance over time and in relation to other entities.

We are taking this opportunity to thank all stakeholders that have contributed to the preparation of the Pelion Healthcare Group's 2014 Integrated Annual Report, including

the supervisory bodies, top management and employees of the Group companies, who collected and analysed data on the Group's activities on an ongoing basis, as well as our trading and social partners, whose feedback and opinions help us gain more insight into our business and improve management of our shared values.

Their involvement in the reporting process and the effective stakeholder dialogue help us better understand how our different business lines, their impact on the stakeholders, the nature of mutual relations, and the risks inherent in the decision-making process, are interrelated with the process of value creation over time at the Pelion Healthcare Group.

Any feedback and suggestions from our stakeholders, which may help us improve our reporting in the future will be highly appreciated. You are welcome to send us any comments and opinions regarding the content of this 2014 Integrated Annual Report using the survey form available at:

<http://raport2014.pelion.eu/en/poll>

Reporting Team

Letter from the President



Jacek Sz wajcowski, the President of Pelion Management Board

Dear Sirs

On behalf of the Management Boards of the Pelion Healthcare Group companies, I present to you the report discussing our performance in 2014.

Pelion's history is nearly as long as the history of the democratic and independent Poland. In 2014, when Poles celebrated 25 years of democracy, our company celebrated its 24th anniversary. During that time, Poland became an important member of the European Union and we have built one of the largest healthcare groups and a strong player operating in two EU Member States – Poland and Lithuania. We are proud to see Pelion's history intertwined with the history of independent Poland and to know that we have contributed to building our country's modern economy and civic society.

Our overriding goal remains to create an all-inclusive offering for our customers, which is not only innovative, but also safe and reliable. We want to continue as a leader of the Polish and Lithuanian healthcare markets and further develop our business lines. Healthcare is a major global challenge; in this context, Pelion's role will be to drive change and set directions for the healthcare business.

2014 was an important year for Poland – the time to look back and reflect on the past. At the same time, it was also a very difficult period for the Polish pharmaceutical distribution sector, bringing a number of unfavourable amendments to Polish pharmaceutical law with a direct impact on the security of pharmaceutical trade and consequently on the performance of the entire healthcare system. Above all, it was yet another difficult year for Polish patients, owing to the decision to introduce fixed prices of reimbursable drugs and obstacles to free communication between pharmacies and patients. This prevented the growth of pharmacy business in line with the patients' expectations, making the trade in reimbursable drugs unprofitable for companies intent on maintaining high service levels (especially in terms of product availability), which seriously undermined the position of Polish pharmacies. Pelion was no exception to the rule and our 2014 financial performance was not satisfactory.

In response to those challenging market conditions, we took decisive action, in particular in the retail segment, to further reinforce our customer-oriented approach. We also built a tightly

controlled and fully secure drug distribution system to guarantee availability of drugs at pharmacies. It is of particular importance for patients in Poland, where the improper assessment of possible consequences of changes to pharmaceutical distribution regulations has led to market aberrations such as illegal drug exports. The measures we have taken will guarantee a fully secure drug distribution system and boost our performance and competitiveness; they will also offer a safe solution for drug manufacturers, with a guarantee that their products will actually reach Polish patients.

Our business is growing dynamically, as demonstrated by our recent entry into the health & beauty segment. In Q4 2014, we closed the acquisition of the Natura beauty supply stores and opened the new year with plans for continuing growth. Pelion's customer-oriented approach and focus on trading partners and investors, as well as consistent management and drive for innovation, gained recognition both in Poland and in Lithuania. As a result, we reported higher sales and stronger market standing for the 24th consecutive year. We are a reliable and trustworthy partner and we know how to bring our business in line with the changing market landscape. At Pelion, we believe that undertaking specific measures to improve the standards of healthcare and the quality of life is an objective stemming from the principles of social responsibility. To that end, we implement and support projects of the 'Dbam o Zdrowie Foundation', helping people who are denied access to medical treatment due to financial difficulties. We also take care to cultivate the

traditions and values of Polish pharmacy and promote active lifestyle and disease prevention. We are most proud that 2015 will see the 5th edition of the marathon 'DOZ Maraton Łódzki z PZU'.

Our efforts and focus on sustainable development, with the involvement of everybody across the company, did not go unnoticed: we were again included in the Respect Index – the index of socially-responsible companies listed on the Warsaw Stock Exchange. It is a proof that we continue to operate in keeping with the highest CSR standards. We also find it very important that the corporate values are reflected in our work standards and good relations with employees. Pelion is meant to be an open and diversified company, where every person is given a chance to develop both professionally and personally, in the spirit of trust and cooperation. We believe that our success will depend on the delivery of our business strategy, driven by the highest standards of work of all members of our team and the ability and courage to face challenges. At Pelion, we have no doubt that operational effectiveness and flexibility, combined with innovative solutions, will continue to drive our market leadership. We have a good healthcare plan – and we know how to make it work.

We want to thank all our Shareholders, Customers, Partners and Employees for your cooperation and contribution. Together, we are building a truly modern and successful company.

Jacek Sz wajcowski
*President of Pelion
Management Board*

Company authorities

MANAGEMENT BOARD

Jacek Sz wajcowski

President of the Management Board

Founder of Pelion S.A.,
President of the Management Board
since the Company's inception

Zbigniew Molenda

Vice-President of the Management Board – Distribution

Founder of Pelion S.A.,
Vice-President of the Management Board
since the Company's inception

Ignacy Przystalski

Vice-President of the Management Board – Sales

Member of the Pelion S.A. Management Board
since March 1st 2005

Jacek Dauenhauer

**Vice-President of the Management Board
– Financial Strategy**

Member of the Pelion S.A. Management Board since January 1st 2007

Mariola Belina-Prażmowska

**Vice-President of the Management Board
– Development and Investor Relations**

Member of the Pelion S.A. Management Board since January 1st 2014

SUPERVISORY BOARD

Jerzy Leszczyński

Chairman

Hubert Janiszewski

Deputy Chairman

Chairman of the Nomination and Remuneration Committee

Jacek Tucharz

Member

Member of the Nomination and Remuneration Committee
Chairman of the Audit Team at the Audit Committee

Jan Kalinka

Member

Member of the Nomination and Remuneration Committee

Anna Biendara

Member

Member of the Audit Team at the Audit Committee



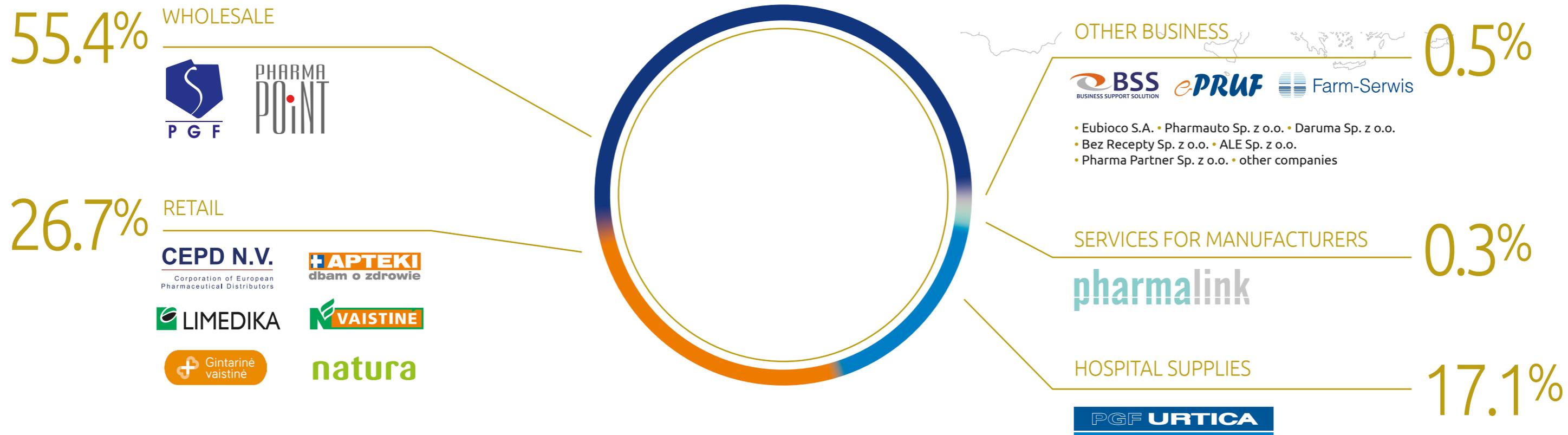
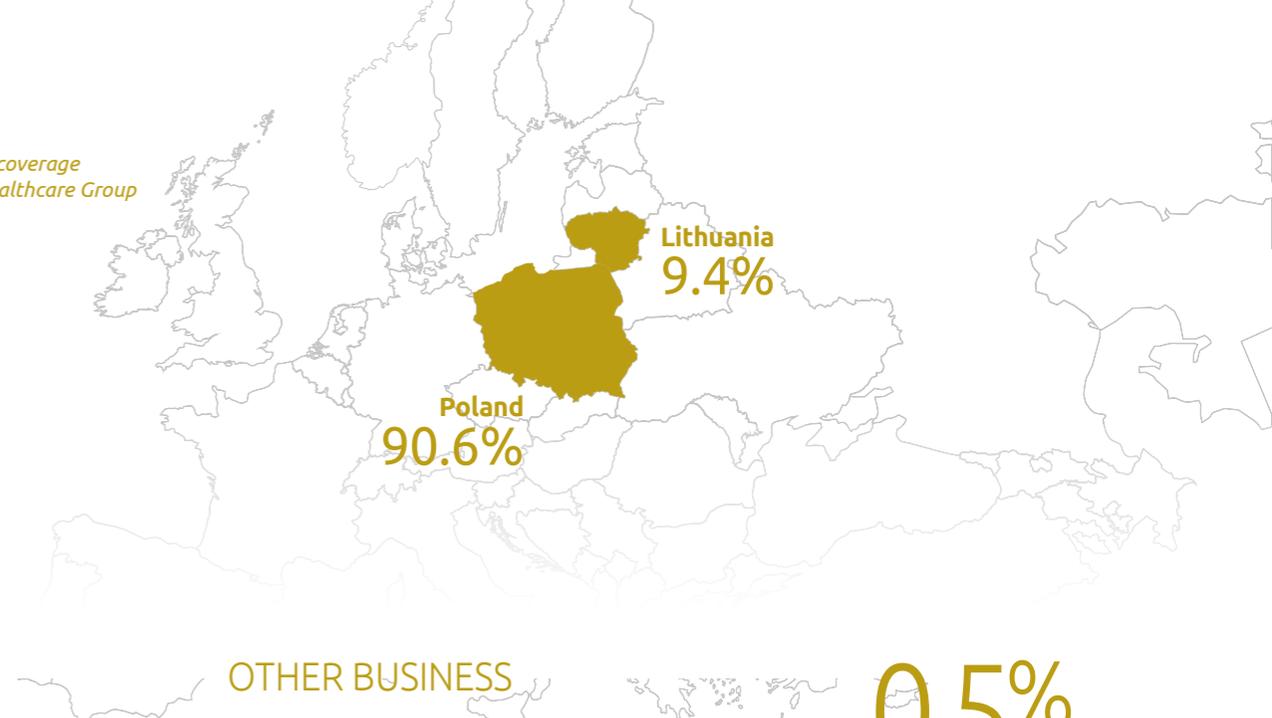
*The Management Board of Pelion S.A.: standing, left to right: Zbigniew Molenda, Jacek Sz wajcowski
sitting, left to right: Ignacy Przystalski, Mariola Belina-Prażmowska, Jacek Dauenhauer*

Organisational structure

The core business of Pelion Healthcare Group, accounting for over 99% of its revenue, is focused on the following four business lines: wholesale, hospital supplies, retail, and services for manufacturers.

The Pelion portfolio also includes a number of specialist companies which support the growth and strategic goals across the four business lines.

Geographic coverage of Pelion Healthcare Group



Structure of consolidated revenue in 2014

Pelion in 2014 – strategy, milestones, growth drivers

STRATEGY

The Pelion Group's strategy is to build a strong position in the pharmaceutical segment of the European healthcare market and to create sustainable value on the capital market.

FOUR BUSINESS LINES

The Pelion Healthcare Group has consistently worked on enhancing the platform for all participants of the healthcare market. This target can be achieved through dynamic growth of our four core business lines: wholesale, hospital supplies, retail and services for manufacturers. Their solid position in the pharmaceutical distribution chain is the source of value for Pelion. The Pelion Healthcare Group's organisational structure demonstrates its presence across all pharmaceutical distribution channels, and ensures transparency of the Group's operations and a clear division of the competencies and responsibilities in individual business lines.

CHALLENGES AHEAD

Over the past three years, successful operation on Poland's pharmaceutical distribution market has become very challenging. The ban on pharmacy advertising, introduced in 2012, was one of the most signifi-

cant changes, pushed indeed to the verge of absurdity as it is interpreted to include even door signs informing about card acceptance options. It prohibited any form of communication between a pharmacy and its customers. The wholesale business faced another challenge in the form of fixed mark-up on reimbursable drugs, which were gradually scaled down by 1 percentage point over the period 2012–2014, to 5% from the beginning of 2014. In the retail market, however, the margin is based on the drug's wholesale price within a set limit established for individual limit groups; as a result, all drugs classified in a given group offer the same margin in terms of value, irrespective of their price. In addition, all participants of the pharmaceutical distribution chain are faced with a problem of frequent changes in the reimbursable drug list, which take place every two months, as well as adverse effects of the 'reverse distribution chain' phenomenon. This new market reality calls for an appropriate reaction and strategy adjustments. Against this backdrop, Pelion is setting new trends and the directions of change. For years, innovation has been the cornerstone of our business, and we are now taking action to boost our efficiency, raise the bar on quality targets, reorganise our logistics and set new standards. Our approach to business

brought about new achievements, such as the launch of a new, tightly controlled drug distribution channel in 2014, as well as expansion of our retail business into the beauty segment through the acquisition of the Natura chain, offering an entry into a new, non-regulated market.

OUTLOOK FOR PHARMACEUTICAL BUSINESS IN POLAND

Despite the challenging legal environment, strong drivers for growth continue to push the Polish pharmaceutical market forward. As the ageing of Poland's population accelerates and the incidence of lifestyle and chronic diseases grows higher, the share of health expenditure in total household spending is also growing. In addition, there is an overall trend towards the narrowing of differences in the standard of living and health expenditure between Poland and Western European countries, where the healthcare spending is several times higher. On top of that, Poles are becoming increasingly aware of health-related matters and disease prevention. All things considered, analysts of the pharmaceutical sector (including IMS, PMR, and PharmaExpert) decided to stand by their forecasts assuming an annual average market growth rate at several per cent in the coming years.



Pelion's headquarters in Łódź

PELION'S BUSINESS OBJECTIVES FOR THE COMING YEARS

In the coming years, the Pelion's focus will be on building sustainable value on the capital market through implementation of the operating plans adopted for its core business lines, which were based on the following four key pillars:

QUALITY – understood as taking constant care to ensure the highest service quality, in line with applicable legal regulations, as well as looking for and implementing new solutions;

CUSTOMERS – focus on all customers across the pharmaceutical distribution chain, especially on patients, who are offered the broadest product mix and most attractive prices;

EMPLOYEES – though the HR policy oriented towards building skills and creating added value for customers, as well as providing incentives to deliver the strategy;

RESPONSIBILITY – towards all groups of stakeholders, in particular towards patients, including the sharing of knowledge and experience and promoting joint effort to build an efficient healthcare system.

2014 MILESTONES

January

- 12,400 Series P1 ordinary bearer shares of Pelion S.A. with a par value of PLN 2 per share are introduced to stock exchange trading.

February

- An increase in Pelion S.A.'s share capital from PLN 22,806,992 to PLN 22,831,792 is registered by the District Court for Łódź Śródmieście.

March

- The Pelion S.A. Management Board resolves to recommend that the General Meeting distribute dividend of PLN 3 per share from the 2013 profit.
- As of the trading session of March 24th 2014, Pelion is removed from mWIG40 and moved to the WIG50 index.
- Third edition of the 'Together We Can Accomplish More' grant contest of the 'Dbam o Zdrowie' Foundation, with the record-high amount of assistance granted (PLN 3.3bn).

April

- Fifteen good practices followed by Pelion are recognised by the Responsible Business Forum in the 'Responsible Business in Poland 2013. Best Practices' report.
- Fourth edition of the 'Łódź Maraton Dbam o Zdrowie' marathon.
- General Meeting is held at Pelion S.A.'s registered office in Łódź on April 30th 2014.

May

- Dividend distribution to Pelion S.A.'s shareholders at PLN 3 per share on May 28th 2014 (with the dividend record date set at May 12th).

June

- President of Pelion S.A. Management Board is distinguished by the President of the Republic of Poland with the Knight's Cross of the Order of Polonia Restituta in recognition for his outstanding contribution to the development of entrepreneurship.
- The corporate website www.pelion.eu wins the best website award in the 'Companies Listed in the sWIG80 Index' category in the 7th edition of the Golden Website Award competition.
- A reduction of Pelion S.A.'s share capital from PLN 22,831,792 to PLN 22,371,150 is registered by the District Court for Łódź Śródmieście.
- Launch of the 'doz direct' distribution platform.

August

- Execution of a conditional agreement to acquire a 100% interest in Polbita Sp. z o.o., owner of the chain of Natura beauty supply stores, by Pelion's subsidiary CEPD N.V.

September

- Pelion ranks 94th in Deloitte's CE Top 500 ranking of largest Central European companies and in the prestigious Index of Success which measures the overall business climate and the condition of largest and fastest-growing enterprises.

October

- Launch of a new modern logistics centre in Lithuania.
- Take-over of 100% of shares of Polbita Sp. z o.o. by CEPD N.V. on October 31st 2014, after obtaining merger clearance from the Polish Office of Competition and Consumer Protection (UOKiK) as a condition precedent to the acquisition.
- For another consecutive year, Pelion S.A. is ranked among top companies reporting their ESG data.
- For the sixth consecutive year, Pelion becomes patron of the 'Global Dignity Day' event in Poland.
- Pelion becomes an expert partner of the 'Healthcare Sector Leaders' project organised by the Lesław Paga 2065 Foundation and the Warsaw Stock Exchange.

November

- 17th edition of the 'Urtica for Children' event.

December

- Pelion S.A. secures a place in the 8th edition of the RESPECT Index, again confirming its compliance with the highest standards of responsible and sustainable business conduct.



WHOLESALE

Wholesale

Polska Grupa Farmaceutyczna S.A.

PGF S.A. is a modern, professionally managed enterprise engaged in the distribution of drugs to pharmacies and providing services to pharmacists and pharmaceutical producers.



The company's mission is to meet the expectations of the evolving pharmaceutical market and set new standards of cooperation with pharmacies and pharmaceutical manufacturers. The company is among three largest pharmaceutical distributors in Poland, currently holding about 20% of the market of wholesale to pharmacies.

Using an optimised network of centrally-managed modern warehouses and its own vehicle fleet, PGF supplies products to more than 9 thousand pharmacies. Its country-wide network of 13 local wholesalers enables efficient drug delivery to any given place in Poland within just several hours. The parent company PGF S.A. centralises all core business functions, from the procurement policy, through supplies to local companies, to marketing and sales. With more than 25,000 items in the portfolio, the Company currently offers the broadest product mix on the market.

In addition to sales of all drug groups, accounting for more than 90% of the company's revenue, PGF S.A. also distributes medical and rehabilitation equipment, herbs, dietary supplements and cosmetics. Every day, the company handles 20,000 orders and sells more than 1 million drug packages. A modern logistics structure and automated distribution system (which includes five fully automatic local warehouses) not only improve efficiency, but also reduce the risk of error and significantly accelerate the delivery of drugs to pharmacies. First, supplies of pharmaceutical products arrive from the manufacturers to the central warehouse in Łódź. Next, the products are apportioned between regional warehouses and dispatched. In the regional branches, orders from pharmacies and other retail points of sale are received into the sales system via telephone (telemarketing) or electronically (a vast majority of orders are now forwarded to wholesalers via the Internet). Ultimately, ordered

products are dispatched in accordance with the route schedules. The entire process is conducted with the use of bar codes, that is labels, which can be found on the packaging of each product. With its increasing reliance on innovative logistics solutions, PGF is able to cut operating costs and protect the environment, also by reducing the amount of paper used.

PGF has a quality management system in place, which is in line with the Good Distribution Practice and covers all distribution processes. The system guarantees that products delivered to customers meet the applicable quality standards and come from a legal source. All legal developments and current requirements applying to wholesale trade in pharmaceutical products, including new guidelines of the European Commission on Good Distribution Practice of November 5th 2013, are monitored on an on-going basis.



Automatic sorting line in PGF's central warehouse

PGF is continually launching innovative solutions and offers a package of modern marketing tools to its customers. The Company delivers comprehensive services to pharmacists, manufacturers and patients, and develops the e-commerce business concept, including, for example, a website for pharmaceutical professionals – pharbook.pl, which not only provides latest industry updates, but also serves as an electronic sales platform in the segment of fastest-moving pharmaceuticals and promotional products. In addition, with the new ‘settlements’ function pharmacists can analyse invoice payments in more detail against the trade credit terms, and make online payments directly from the pharmacy bank accounts through the website.

2014

In 2014, PGF formulated its strategy for 2014–2017. Its cornerstone and starting point is building reliable and far-ranging cooperation with partners in the pharmaceutical distribution business. Under the adopted strategy, PGF is:

no. 1 partner for family pharmacies and small pharmacy chains: the Company develops tools to support their growth and does not build (and has no intention of building) its own pharmacy chain,

no. 1 partner for pharmaceutical manufacturers: the Company actively supports sales of their products

and does not develop (and has no intention of developing) proprietary brands of pharmaceuticals.

Despite the growing presence of medium-sized and large pharmacy networks noticeable in recent years, Poland still remains dominated by individual pharmacies and small chains (including up to 5 pharmacies). However, since the beginning of 2012, when the new drug reimbursement law (referred to as the Reimbursement Act) came into force, their market position has deteriorated due to a number of unfavourable effects of the new legislation. Therefore, in an effort to address the needs of family pharmacies and small pharmacy chains, PGF offers a number of tools which would otherwise not be available to a vast majority of smaller market players. The partnership with PGF means access to the broadest product range currently offered on the market and to the full offering of state-of-the-art services, as well as an option to implement a modern enterprise management model.

The partnership concept is best exemplified by the far-reaching ‘Healthy Choice’ programme, which was launched in 2014 with a goal to enhance the economic condition of pharmacies through a package of innovative solutions aimed at reducing distribution costs and maximising profit margins. Among other services, the project offers category management, designed to adjust the

pharmacy product mix to the current market reality, prevailing trends, and the purchasing habits of its customers, as well as the warehouse optimisation service which improves the efficiency of working capital management. With those tools in place, every pharmacy can be effectively managed as a modern enterprise. The programme also includes the ‘Healthy Choice’ Academy, serving as a source of knowledge for pharmacy owners and pharmacists on how to manage a pharmacy business and develop sales and customer service skills.

In addition to partnering with pharmacies under the ‘Healthy Choice’ programme, PGF has also teamed with manufacturers, ensuring continued development of its value-added services, including product range management, promotional support, business analysis, and sales optimisation.

PGF’s business is driven by passion and the cooperation with its trading partners is built on reliability, respect and the spirit of partnership. As part of the CSR efforts, the company’s staff are involved in various charity and environmental protection projects to the benefit of the local community; for example, PGF’s running team participated in the ‘Łódź Business Run’ charity event and business run, and the employees worked as volunteers of the ‘Dbam o Zdrowie’ Foundation at the Łódź marathon.



An employee at PGF completes the order at a semi-automatic order picking machine

The company is committed to achieving and offering a transparent organisational culture, good working conditions and welfare facilities, strong incentive systems, and attractive employee plans. It also offers traineeship and internship schemes for students, with a number of trainees and interns becoming PGF's new hires. As a token of recognition of those efforts, PGF S.A. received the 'Reliable Employer 2014' title, thereby joining the elite group of employers offering the most reliable HR policy, which drives their competitive advantage.



This award confirms the company's exemplary approach to its staff and the commitment to respecting the principles of equal treatment of all employees. Bearing in mind that its human resources are the key to ensuring the highest quality of services in the demanding pharmaceutical market, the company supports the development of its people by organising skill-building programmes tailored to its current training needs.

Challenges and plans

In the short-term horizon, PGF plans to continue the initiatives launched in 2014, including implementation of the transparent drug distribution partnership strategy, based on the 'Healthy Choice' programme and other projects, as well as scaling up the activities designed to support manufacturers in their drug sales efforts (including guaranteed distribution of

products to pharmacies). The company is also committed to maintaining top quality of its services, offering the broadest product mix and competitive prices, as well as achieving above-average revenue growth rates. 2015 will see the launch of [recepta.pl](#) – a modern Internet platform offering the complete database of pharmaceutical products available on the market. Through the new website, patients will be able to order drugs and pick them up at a pharmacy of their choice from a list of cooperating points of sale. As a result, they will spend less time searching for pharmaceutical products, especially those not readily available on the market. As such, [recepta.pl](#) will offer support to patients facing problems caused by the deteriorated numeric distribution of drugs (that is, unavailability of a product at a first visit) caused by the overall reduction of stock levels due to shrinking retail margins.



An automated order picking machine handling pharmacy orders at a PGF warehouse

Pharmapoint Sp. z o.o.

Pharmapoint was established in 2011 within the wholesale business line, as a company specialising in distribution of drugs to other wholesalers.



The company keeps extending its pharmaceutical customer base, currently providing end-to-end services to more than 100 customers. It operates modern logistics facilities, ensuring proper storage of pharmaceutical products in various temperature ranges under 24/7 monitoring. In addition to distribution and logistics services, including distribution on an exclusive basis, the company offers a whole range of sales and marketing services, which makes it a strategic partner for many manufacturers of pharmaceuticals. The company's central warehouse and most of its business units are currently located in Łódź, with the pre-wholesale department based in Katowice and the local wholesale unit and importer's warehouse in Poznań.

Pharmapoint's core values include responsibility, openness and innovation. By engaging in various activities, the company builds trust in relations with its suppliers and customers, and

supports their business objectives, acting in a manner that brings benefits to all parties involved. Pharmapoint is a socially responsible company committed to initiatives fostering environmental protection and enhancing the safety and security of its employees, trading partners, customers and other stakeholders. It also supports health promotion and charity projects, with a special focus on the activities of the 'Dbam o Zdrowie' Foundation.

2014

By meeting the customers' needs halfway and enhancing the service portfolio, Pharmapoint successfully continued its growth in 2014. In particular, the regional warehouse project launched in 2013 attracted considerable interest among drug manufacturers.

Pursuant to Art. 4 of the Pharmaceutical Law, the company imported

life-saving drugs temporarily not available in Poland, and offered clinical trial support services with regard to product procurement and distribution process. At the same time, Pharmapoint developed its distribution services offered to drug manufacturers on an exclusive basis, especially by supplementing its standard logistics and distribution offer with end-to-end marketing solutions. In 2014, the company also opened an importer's warehouse offering customs-warehousing options.

Challenges and plans

In 2015, Pharmapoint will work to maintain the current momentum and look for new business opportunities to further enhance its offering. One of the major challenges will be to find new ways for promoting pharmaceutical products and secure contracts with new manufacturers.



Pharmapoint employees at a high bay warehouse



HOSPITAL SUPPLIES

Hospital supplies

PGF URTICA Sp. z o.o.

PGF Urtica is a wholesale business with a national coverage and an established leadership position in the market of supplies to hospitals. Over 20 years of experience, a broad range of attractively priced products, and the large scale of operations are factors that helped the company consolidate its market position.

PGF URTICA

The strong logistics and a range of financial services for hospitals are PGF Urtica's other strong points. The company supplies products to more than 750 hospitals and over 1,000 other customers across the country, and its leading position in the market of wholesale to hospitals stems from consistent strategy implementation and the focus on core business areas.

The company is well organised, with operations based on five branch offices located in Wrocław, Łódź, Katowice, Poznań, and Lublin, and the central warehouse in Łódź (dispatching more than 5.5 thousand different products to hospitals every day).

By combining proven experience with innovations, the company is able to offer a wide range of integrated services dedicated to manufacturers of pharmaceuticals, including: professional management of tender processes,

market analyses, sales support, logistics services and a broad selection of marketing activities. Having built long-standing successful relations with manufacturers and healthcare institutions, PGF Urtica earned the reputation of a trustworthy business partner.

The company builds solid business relations and supports its partners also through training and publishing projects. With the involvement of scientific institutions and associations, as well as hospital pharmacy experts, PGF Urtica publishes the 'Farmakoeconomika szpitalna' ('Hospital Pharmacoeconomics') quarterly magazine, which disseminates expert knowledge among 500 hospitals and pharmacies across Poland.

The company also attaches great weight to staff training, focusing primarily on the organisation of soft-skill

workshops offered to cooperating business units. PGF Urtica's employees are regularly trained on how to meet current market challenges, and new managers are offered support to get prepared to their new roles.

PGF Urtica is driven by the highest ethical standards and operates in accordance with the adopted Code of Ethics. In their everyday work, the company's employees and managerial staff are guided by the four fundamental values: experience, trust, commitment, and teamwork. The Urtica Team, bringing together employees passionate about running and nordic walking, may serve as a good example of the shared values.

The 'Urtica for Children' project supporting children's oncology and haematology wards in hospitals, which has become a permanent fixture in the calendar of corporate events



Urtica Team

over the years, is the prime example of the company's dedication to social and charity initiatives. The company organises art workshops for little patients, and their works are later sold at a charity auction in Wrocław. All proceeds from the auction are distributed among a dozen or so hospital wards taking part in the event, offering considerable aid to local communities. The charity auction is organised with the involvement of the 'Dbam o Zdrowie' Foundation, which is actively assisted by PGF Urtica in promoting the Foundation's new campaigns and projects.

2014

Despite the volatile business environment, in 2014 PGF Urtica did not give in to market pressures and was able to defend a strong position in the industry, recording a similar success ratio in winning tenders as in 2013. The company consistently rolled out the strategy for optimising its core business processes, thereby improving its tendering and sales procedures and enhancing service quality. In doing so, it leveraged intercompany synergies and developed solutions to supply-related problems (namely, warehouse and transport issues). The company also focused on improving customer service standards, including by re-

ducing the number of customer complaints due to errors in the order acceptance process. The new IT system launched in 2014, designed to optimise customer complaint procedures, eliminated communication by email. All complaints are now analysed, explained and settled through the new system. As a result, the number of complaints was reduced by approximately 40% relative to 2013. In 2014, PGF Urtica also improved its service level ratio, i.e. the ratio of answered calls to total incoming calls, which had a direct effect of increasing customer service quality. In addition, having regard to customers' needs, the company launched the Emergency Response System. The sales personnel are now on call on a 24/7 basis, and drivers are ready to deliver STAT orders.

In the area of management of financing programmes for inpatient healthcare institutions, the company focused primarily on maintaining and reinforcing good relations with the institutions participating in the programmes, so as to improve its financial and debt collection efficiency. Through the monitoring of incoming credit notes and close communication with manufacturers' representatives, the company improved its receivables collection ratio under tender settlements.

In 2014, PGF Urtica continued training schemes to make sure that its employees have in-depth knowledge of the current legal developments, business requirements, and financial assessment of enterprises. The sales team also continued a series of training sessions to improve customer service quality.

In 2014, PGF Urtica organised the 17th charity auction, selling children's works of art for a record-breaking amount of PLN 260,000. All proceeds from the auction were transferred to 17 children's oncology and haematology wards in hospitals taking part in the 'Sunny Gallery' project.

Plans for 2015

The company's goals for 2015 are to increase its market share while maintaining current sales margins, safe level of receivables, and top service quality (including best-in-class logistics services and the support offered to hospitals in the form of dedicated programmes). PGF Urtica is also determined to complete and roll out new software designed to support the conduct and management of tender procedures, as well as a new employee assessment application which will improve the evaluation process with a reporting system and on-going access to historical data.



A specialist hospital in Brzeziny is one of the customers to which Urtica supplies pharmaceuticals



RETAIL

Retail

Corporation of European Pharmaceutical Distributors N.V.

CEPD N.V. is a holding company registered in the Netherlands, established for a specific purpose of developing a retail distribution network for pharmaceutical products across Europe, and is currently one of Europe's top five players on the retail pharmaceutical distribution market.

CEPD N.V.

Corporation of European
Pharmaceutical Distributors

The company operates on local pharmaceutical markets through local subsidiaries: DOZ S.A. in Poland and UAB NFG in Lithuania, as well as DOZ UK operating a pharmacy in London. CEPD N.V.'s distribution model is based on multiple channels, with pharmaceuticals sold through a country-wide network of pharmacies (company-run, franchise and partner pharmacies), and also online via web portals.

In 2013, DOZ S.A., a CEPD N.V. Group company, was certified to the Global Standard for Workplace Gender Equality as the first of four organisations from around the world to have been awarded the certificate.



In 2014, as part of its strategy to diversify operations and consolidate relations with customers from the health and beauty sector, CEPD N.V. acquired Polbita Sp. z o.o., owner of the Natura beauty supply store chain, thereby making an entry into the new cosmetics market. The purpose of the transaction was to strengthen the CEPD N.V. Group's position in the Polish market and to drive further revenue growth.

Poland

DOZ S.A. manages Poland's largest and one of Europe's largest pharmacy networks under the Dbam o Zdrowie brand, comprising nearly 600 company-run pharmacies, 320 franchise pharmacies, and approximately 80 partner pharmacies. In total, the network consisted of nearly 1,000 pharmacies as at the end of 2014. As a result, pharmacies under the Dbam o Zdrowie logo can be found throughout Poland, in large cities and shopping centres, smaller towns, and villages. In line with the motto 'Patient

in the Centre of Attention', the Dbam o Zdrowie pharmacies build their sustainable competitive advantage in the market based on the tailored offering, attractive prices, top-quality customer service and professional pharmaceutical care, the broadest product mix, as well as the most convenient locations and patient-friendly formats.

DOZ.PL was established to manage the www.doz.pl website, which is Poland's largest and most advanced health-related website, combining expert knowledge on disease prevention and pharmaceutical and medical care with the most extensive portfolio on the market of more than 20 thousand products offered at affordable prices. The website reports more than 6.5 million unique visitors each month.

DOZ S.A. engages in projects that popularise knowledge in the areas of medicine, pharmacy and disease prevention, also by issuing the 'Dbam o Zdrowie' bimonthly.



Dbam o Zdrowie pharmacy

The Jan Muszyński Pharmacy Museum in Łódź, opened seven years ago, is a prime example of the commitment to cultivating the Polish pharmacy traditions. An extensive collection of books and growing number of exhibits, as well as original 19th century furniture, attract those who want to gain insight into the history of pharmacy as a profession. The company also supports museums in Lublin and in Bydgoszcz, as well as a number of historic pharmacies. To date, it has published 15 monographs as part of the 'Poland's Famous Pharmacies' series.

2014

CEPD N.V.'s 2014 financial performance in Poland was far from satisfactory, chiefly due to lower-than-expected sales volumes and margins. To reverse the negative trend, the company launched two large long-term projects in 2014. First, CEPD N.V. acquired 100% of shares in Polbita Sp. z o.o., a company managing the chain of Natura beauty supply stores. The decision to acquire the chain was based on an analysis of the Polish cosmetics market and the fact that the market has continued to grow rapidly at an average annual rate of approximately 5% in the last seven years. On top of that, the difficult situation on the Polish pharmaceutical market was an incentive to diversify operations to improve efficiency and meet the changing customer needs.

The Natura chain, which comprises 258 locations, including 240 proprietary stores and 18 agent-operated stores, is one of the largest retail networks on the Polish cosmetics market, employing

nearly 1,500 people. In a survey conducted by PMR, in which consumers were asked to spontaneously name their cosmetics store of choice, the Natura chain ranked third.

The Central Warehouse is located in Błonie near Warsaw and dispatches more than 4,500 packages every day; the company also has 14 regional operational centres used as transit warehouses. In total, the Natura chain offers more than 11,000 products. As of 2013, customers of the Natura stores can collect points while shopping under the PAYBACK bonus programme and redeem them for prizes. The Natura portfolio includes both proprietary brands (My Secret, Sensique and KOBO Professional make-up cosmetics, as well as Sensique and Seyo body care products) and popular brands of cosmetics. Since the inception of the Natura beauty supply chain in 1997, the company's focus has always been on its customers. Highest customer service standards and personnel training programmes are consistently promoted and implemented across all levels of the organisation. With this approach, the chain is continuously growing and ensures premium customer service quality. The company's consumer-oriented approach has been recognised four times to date with a prestigious Customer Service Quality Emblem (Godło Jakości Obsługi Klienta) award.

In 2013, the Natura chain was distinguished, for the first time ever, by the independent body Rada Marek (the Brands Council) with the 'Superbrands - Created In Poland' title, awarded to Polish brands which enjoy the highest repute among consumers in their respec-

tive categories. Every year, 2,400 brands take part in the certification process. In 2014, Natura received this prestigious accolade again.



The Natura beauty supply chain also engages in community outreach and charity projects. In 2014, the chain became a partner in the charity campaign 'Buy Someone's Happiness for the Change', organised jointly by Mennica Polska S.A. and the TVN's Foundation 'Nie jesteś sam' (You are not alone). For the past three years, the Natura chain has actively supported the 'Dziecięcy Uśmiech do Świata' (Children's smile to the world) Foundation, putting up collection boxes in the Natura stores to raise money and provide assistance to children under the Foundation's care.

The other material event in Poland was the launch of the 'doz direct' distribution system, supported by the newly built warehouse in Łódź and representing a unique supply system for pharmacies. 'doz direct' is an innovative platform for centralised management of the product portfolio, stocks, prices and sales, providing tight and fully secure system of pharmaceuticals distribution from the manufacturer to the patient. Set to achieve its mission to provide patients



Natura store

with a better and faster access to the most widely bought medicinal products, and recognising the need to adjust the management of its distribution system to the evolving market conditions, the company has developed a new distribution platform to support the sales of key product groups.

The 'doz direct' platform guarantees access to the widest available range of pharmaceuticals, ensures safety of drug therapy, and provides means to confirm that no drug leaves a pharmacy without a prescription. In addition, a centralised stock replenishment system ensures product availability and continuity, and the tightly-controlled distribution network and continuous stock monitoring guarantee effective management of shortages. 'doz direct' also provides a foundation for building effective partnerships with manufacturers of pharmaceuticals – with their interests in mind, the system includes an analytical centre which provides all-inclusive up-to-date reports on their products.

To respond to the growing problem of unavailability of prescription drugs at pharmacies, in 2014 DOZ S.A. launched the '100% Prescription Filled Guarantee' programme, under which every Dbam o Zdrowie pharmacy undertakes to deliver a prescription drug to the patient as soon as possible, and not later than within 24 hours.

In 2014, DOZ S.A. also continued the development of its franchise network. The company adopted a long-term growth strategy for building a market-leading network of franchise pharmacies

(in terms of the number of pharmacies and their sales volumes). Franchising provides a ready-made pharmacy management model and an opportunity to leverage the experience and know-how of a large network. The franchising agreement covers training, marketing tools, incentive schemes, and assistance provided by a micromarketing manager. In November, the company organised the 2nd Franchising Forum, bringing together 700 pharmacists, including current and prospective franchisees. For years, DOZ S.A. has provided special care to patients aged 60 or more, understanding their needs and the problems they must tackle every day. With the elderly and the disabled patients in mind, most pharmacies have access ramps to provide mobility aids and ensure easier access to a pharmacy without the need to ask for help. In 2014, the company opened the first 'Apteka 60+' (Pharmacy 60+) in Łódź, with the interior designed specifically to meet the needs of seniors. The pharmacy was equipped with special amenities such as: anti-slip floors; rails at the counters to lean on while queuing; magnifying glasses at each cash desk to make it easier for seniors to read the prescription, receipt, or product information; as well as armchairs next to counters to sit down and rest while waiting to have the prescription filled. All prices and product labels on display are written in large and legible print. Inside the pharmacy, there are special pharmaceutical care points, i.e. dedicated zones where seniors can consult a pharmacist on an individual basis.

As regards online sales, the doz.pl website partnered with Samsung to imple-

ment another innovative technology: the Dbam o Zdrowie application on the Smart TV platform. It proved to be another milestone for doz.pl, giving access to patients who are Samsung Smart TV owners to the largest online database of pharmaceuticals, with an option to order products online and collect them at a pharmacy of their choice. In addition, the doz.pl website was revamped in 2014, receiving a new, more user-friendly graphic design.

Challenges and plans

The strategic objective for DOZ S.A. in 2015 is to increase revenue and improve profit margins. The company will also focus on optimising the cost of supplies to pharmacies on the back of the 2014 investment projects. Considering that franchising is the second key area of development for the Dbam o Zdrowie pharmacy chain, DOZ S.A. also plans to further develop this segment, in keeping with the principles of business security. The company will also continue to develop the e-commerce sales channels. As a general rule, all plans and initiatives will revolve around the mission statement: 'Patient in the Centre of Attention'.

The plans for the Natura beauty supply store chain include the development of a long-term growth strategy, enhancement of the product and services portfolio, development of proprietary brands, strengthening of the cooperation with suppliers, as well as exploitation of synergies with the CEPD Group's other business areas.



Dbam o Zdrowie pharmacy

Lithuania

In Lithuania, retail sales are handled by a local company UAB NFG, controlling approximately 330 own and franchise pharmacies under the Gintarine Vaistine and Norfos Vaistine brands, and nearly 140 BVG partner pharmacies. The company has a market share of approximately 22% in terms of the number of operated pharmacies, and over 34% together with partner pharmacies, which makes it the leader of the Lithuanian market.

In addition to the retail network, UAB NFG is the owner of Limedika, a leader in wholesale distribution of pharmaceuticals with a market share of nearly 24%.

The offering on the Lithuanian market includes unique sales and marketing programmes aimed at improving the availability of pharmaceuticals for selected target groups, such as young mothers and their kids (the Mazylio programme) or people suffering from cardiovascular diseases (the Cardio programme). The Gintarine Vaistine pharmacies also participate in Lithuania's largest loyalty scheme (Milimau-sia). The sale of drugs in traditional pharmacies is combined with online sales via the vaistine.lt virtual pharmacy, through which patients can order products (including prescription drugs) online and collect them at a Gintarine Vaistine or Norfos Vaistine pharmacy of their choice. Under such a model, the company can offer one of the lowest drug prices on the market. Alternatively, all products available at the online pharmacy can be delivered directly to the patient's home.

2014

For UAB NFG, 2014 was yet another year of stable growth in terms of the number of pharmacies, market share, sales volumes and margins. The key 2014 milestone was the opening of a modern logistics centre, which replaced the former warehouse located in the centre of Kaunas, whose capacity had become insufficient. The new facility was equipped with a modern distribution line, which significantly shortens delivery times, guarantees secure, safe and high-quality drug deliveries to pharmacies and hospitals, and broadens the range of services for manufacturers. In addition, it has a very convenient location, in direct vicinity of the Vilnius-Klaipėda motorway. The new centre comprises a warehouse with an area of 8,400 m² and office space of nearly 1,200 m². With the overall capex of approximately EUR 5m, it was one of the largest investment projects completed in Lithuania in the last five years.

In 2014, UAB NFG implemented the marketing strategy 'Closer to the Patient', based on two pillars: full customer satisfaction and tailored product offering (based on purchasing habits). A new logo was designed for the Gintarine Vaistine chain in the form of two hearts, symbolising care provided to patients and the open hearts of the pharmacy personnel listening to the beat of patients' hearts. The effectiveness and premium quality of the company's proprietary products was recognised with the award of two medals to the proprietary brand Ziede in the 2014 Lithuanian Product of the Year competition: gold medal

for the age repair cream (for mature skin) and silver medal for the anti-wrinkle serum.

Challenges and plans

Expected amendments to Lithuanian laws will determine the course of action taken by UAB NFG in 2015. As of 2016, a new law will impose an obligation to employ at least one person with a Master of Pharmacy degree during the opening hours of any pharmacy. This means that all pharmacies operating in Lithuania will need to employ a sufficient number of pharmacists with an M. Pharm. degree to replace pharmacy technicians, which will drive up personnel costs. In addition, the company must face growing regulatory pressures towards the reduction of drug prices (and, by extension, retail margins), as well as strong competitive pressures from two largest pharmacy chains operating in Lithuania. UAB NFG is determined to meet those challenges and enhance its position in the retail segment based on premium quality, unique services, and dedicated programmes tailored to the needs of customers.

With the launch of the new logistics centre, the company intends to improve the efficiency of its processes, set foot on new markets, and extend the scope of cooperation with manufacturers, which should drive the growth in revenues from manufacturers and improve availability of products in pharmacies for patients.



Gintarine Vaistine pharmacy



SERVICES FOR MANUFACTURERS

Services for manufacturers

Pharmalink Sp. z o.o.

Pharmalink is the leader in the transport of drugs, medical products and wound dressings directly from pharmaceutical manufacturers to customers – including in-patient and out-patient healthcare institutions, wholesalers, pharmacies, and out-patient clinics.

Pharmalink's mission is to be a reliable and trustworthy partner providing integrated logistics services to the pharmaceutical industry. The company stands out on the market with its consistent quality level, continually improved through the validation of processes and vehicles, on-going control and monitoring of conditions during transport, and timely deliveries. In order to develop competencies and skills of its employees and ensure high standard of customer care, Pharmalink runs training programmes designed for different departments, as well as individual development plans.

Pharmalink is able to reach customers in any location in Poland within 24 hours, and also offers express deliveries in life-saving cases and fast-track deliveries (within 12 hours). Optimisation of transport routes, as well as maximum utilisation of the vehicles' load capacities, help reduce the adverse environmental impact of its operations. The company's entire logistics system complies with the requirements of the Pharmaceutical Law of September 6th 2001 and the

Regulation of the Minister of Health on Good Distribution Practice of July 26th 2002. The company was the first logistics operator in Poland to use dry ice and cold chain transport (in the temperature range from 2°C to 8°C), based on the use of special-purpose vehicles fitted with isothermal containers and temperature-control equipment. Pharmalink was also the first operator in Poland to use the GPS system in all its vehicles to ensure real-time vehicle tracking and on-line control of temperature conditions during transport.

2014

In 2014, the company focused on the efforts to optimise transport costs, standardise terms of business with carriers, and extend the scale of partnership with key clients, including through direct and dedicated distribution services. To develop another segment of services and build an all-inclusive offering, the company secured a licence for the wholesale of veterinary medicinal products and opened a wholesale warehouse in Łódź. On the

back of the 2014 initiatives, the company reported higher sales of services, both in terms of revenue and the number of executed orders and delivered packages. A flexible approach to the needs of trading partners, as well as employment of innovative solutions, enabled the company to defend its leading position on the market.

Challenges and plans

Pharmalink's long-term strategy assumes the company's further expansion on foreign markets, and focus on long-term contracts with payment guarantees. In the coming year, the company will continue to take measures aimed at optimising the cost of transport, e.g. development of a network of handling and temporary storage facilities, and diversification of service providers. By continually raising the bar on quality standards, Pharmalink's services offered to customers will come with added value. In the area of sales, the company will seek to secure new contracts, with a special focus on direct and dedicated distribution services.

pharmalink



Pharmalink's vehicle fleet

Other business



BSS S.A. offers comprehensive business process outsourcing services, including: outsourcing of accounting and reporting services, consolidation of financial statements, outsourcing of HR and payroll services, management accounting, tax services, financing process support, and business

advisory services. The company provides services to more than 200 companies, with a growing share of third-party customers from outside the Pelion Healthcare Group. BSS S.A. is a member of the Association of Business Service Leaders (ABSL).



Farm-Serwis Sp. z o.o. specialises in debt management, and supports its partners – both Pelion Healthcare Group companies and third parties – in the management of trade credit risks at all stages of their relationships with customers: from review of customers'

financial standing and credit histories, through determining the amount of trade credit limits and on-going monitoring of payments, to assistance in debt discharge and enforced debt collection procedures.



The key business objective for **ePruf S.A.** is to build the first private drug reimbursement system in Poland. The company's operating model is based

on providing services to various entities, which consist in creating and managing private drug reimbursement plans.



PHARMENA S.A. is a biotechnology company which develops and commercialises state-of-the-art products based on 1-MNA – its patented active ingredient. It is an associated compa-

ny with a total of 45.9% of shares held by Pelion S.A. and its subsidiaries as at December 31st 2014. Since 2008, Pharmena S.A. has been listed on the New Connect market.



The core business of **Eubioco S.A.** is the provision of contract manufacturing services. Eubioco's portfolio includes the production of dietary supplements, medical products, prescription and OTC drugs, pharmaceutical ingredients and dermocosmet-

ics, as well as disinfection products, based on proprietary or customers' formulas. The company has sufficient technical capabilities to produce pharmaceutical products in almost all formulas in a single location.

DARUMA Sp. z o.o.

The company's core business is the lease of property, plant and equipment and property management across the Pelion Healthcare Group.

PHARMAUTO Sp. z o.o.

The company manages the Pelion Healthcare Group's vehicle fleet.

Pharma Partner Sp. z o.o.

The company's focus is on the design and development of innovative solutions in response to patients' needs.

BEZ RECEPTY Sp. z o.o.

The company's principal business is publishing.

Other companies

'Dbam o Zdrowie' Foundation

Corporate social responsibility should be an integral part of the strategies pursued by growth-oriented companies. The 'Dbam o Zdrowie' ('I Care for my Health') Foundation established by the Pelion Healthcare Group is a prime example of social responsibility and care for those in need.



The idea behind the 'Dbam o Zdrowie' Foundation, dating back to 2008, is to provide help to individuals in personal or financial difficulties by financing their purchases of medicinal products and medical materials. The Foundation is also engaged in a wide range of activities related to health protection and lifesaving, including the support and implementation of health, educational and charity initiatives.

Since inception, the Foundation has been involved in a number of projects supporting individuals struggling with diseases, including the 'Heart for Christmas' and 'Painted with Hope' initiatives, and a partner in the 'Urtica for Children' event. In 2014, it provided assistance and support to 115 organisations, and had 47 individuals, including 23 children, under its care. With the youngest patients in mind, the Foundation organises the annual event 'You Can be the Santa Claus' and the summer project 'Happy Children's Day'.

Employees of all Pelion Group companies engage in the Foundation's projects; the permanent volunteer group brings together about 100 persons, but more employees participate in individual events. The employees are also involved in the pay-roll project launched in 2013, transferring specific amounts deducted from their salaries to the Foundation.

Since 2013, the Foundation has been a member of the 'Donors' Forum' ('Forum Darczyńców') – an association of organisations, institutions and businesses which donate to various public benefit community initiatives. Since 2009, the 'Dbam o Zdrowie' Foundation has provided assistance to Single Mother Shelters across Poland. In 2014, it supported 16 shelters on a regular basis, including by purchasing pharmaceuticals and medical products, and providing other items that mothers and their children needed most. The project was supported by judge Anna Maria Wesołowska and by I Łódzka Orkiestra Gitarowa (the First Guitar Orchestra of Łódź).

Over the past three years, the largest and most influential project implemented by the Foundation has been the 'Together We Can Accomplish More' initiative, designed to expand cooperation between non-governmental organisations and charity institutions. The project involves joint efforts aimed at removing barriers in access to medication, and its flagship initiative is the Grant Contest, through which the Foundation provides financial support to nationwide and local projects addressed to people at risk of social exclusion who cannot afford to purchase medication and medical materials.

3.3^{PLN}_m

Raised as part of the 'Together We Can Accomplish More' project run in 2014 together with 95 NGOs



Grants awarded as part of the 'Together We Can Accomplish More' project

Marathon 'DOZ Maraton Łódzki z PZU'

The Łódź marathon, first under the name of 'Łódź Maraton Dbam o Zdrowie' and now 'DOZ Maraton Łódzki z PZU' became part of the Pelion Healthcare Group's catalogue of CSR events in 2011. It promotes a healthy lifestyle and physical activity, combining a running event with a charity initiative.



The fourth edition of the Łódź marathon took place on April 11th–13th 2014, attracting a record-breaking turnout. 4,652 people crossed the finish line of the marathon and the accompanying 10 kilometre run, i.e. over 60% more than in 2013.

Performance-wise, the level of the marathon run was high, and the times of both winners (Yared Shegumo and Karolina Jarzyńska) ranked among best results in the history of marathon running in Poland.

The fourth edition of the marathon was a three-day event combined with a number of accompanying events and numerous attractions for runners and their supporters, including: the Kids' Run, the Breakfast Run with Polish sports stars, a family picnic with medical check-ups, as well as the Expo Run&Fun fair for exhibitors and partners of the event.

All runners who wanted to get prepared for the event were offered an opportunity to train with the 'Dbam o Zdrowie' Team, free of charge and at three different skill levels, under the watchful eye of experienced trainers. The programme continued from October 2013 to April 2014, with a regular turnout of about 100 participants and the overall number of 300 people taking advantage of the trainings. At the same time, the Marathon Cup was organised, which included five running events meant to prepare runners for the main marathon.

The event included a series of runs organised monthly in Arturówek and in the Łagiewnicki Forest in Łódź, from November 2013 to March 2014, at distances from 5 to 25 kilometres. On top of the sports-related goals, the Łódź marathon was meant to promote charity in a modern style. As part of the 'Running to Help' initiative, during registration for the event runners could make a donation to a chosen

charity organisation, or organise their own charity drives through fundraising websites for an individual person or a public benefit organisation of their choice, or support charity drives organised by other runners. The overall goal of the 'Running to Help' campaign was to increase awareness of the problem of barriers in access to medication, and the 'Dbam o Zdrowie' Foundation became a partner of the initiative. The funds were used by partner organisations to purchase pharmaceuticals, medical products and rehabilitation equipment.

In recognition of the high organisational standards at the Łódź marathon, the event was awarded the title of a Silver Label Road Race by the International Association of Athletics Federations (IAAF), as the first running event in Poland and one of over 30 events worldwide.



Fourth edition of the 'Łódź Maraton Dbam o Zdrowie' marathon

Human Resources

Pelion is a company driven by a sense of responsibility towards all its stakeholders, with a special focus on employees. The overarching objective of the Company's 2013–2015 HR Policy is to recruit and retain a team of employees who, in pursuit of the Company's mission and targets, will build its market value and sustainable competitive advantage, and at the same time achieve job satisfaction and fulfil their personal plans and ambitions.

In 2014, in keeping with its earlier commitments, Pelion continued implementation of the Code of Ethics and the partnership with tertiary education institutions in Łódź, promoted health protection and awareness among employees based on an organised programme of activities, promoted and organised the Global Dignity Day, and rolled out a pilot healthcare programme.

Recruitment and employer branding

At Pelion, the professional and personal advancement of our employees is given top priority. In 2014, the Company held several dozen training projects and attached great weight to internal recruitment processes to make sure that its current employees are given a chance to develop professionally. For the tenth time, Pelion took part in the Career Programme organised in cooperation with the Polish Business Roundtable, offering nine internship jobs for students. Also, the Company participated once again in the 'Youth in Łódź' Programme and offered internships and scholarships to best performing students of Łódź universities.

The Pelion Healthcare Group Code of Ethics

In 2014, the Company continued implementation of the corporate Code of Ethics, which sets the standards of ethical conduct to be followed both internally and in relations with third parties, and reflects the values underlying the Company's mission: good leadership, responsibility and stakeholders' trust. Group companies held a training programme for managerial staff and an awareness campaign, based primarily on e-learning. Other major events included appointment of the Ethics Officer and launch of a helpline for employees through which they can anonymously report all problems and concerns of ethical nature (etyka@pelion.eu).

Pelion Wellness Programme

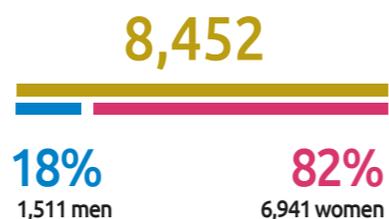
In 2014, the Company continued the Wellness Programme designed to improve the health, psychological and physical condition of its employees by focusing on three key areas: physical activity, healthy diet and lifestyle, and work-life balance. In another effort to promote disease prevention, the

company developed the proprietary programme 'Puls', offering comprehensive health care to its employees. The first meeting with paramedics, which included the measuring of pulse rate, was organised in December 2014, attracting a large turnout among employees.

Pelion at GoldenLine.pl

In late 2014, the Company signed up to the business-oriented social networking service www.GoldenLine.pl, creating an official Pelion Healthcare Group profile to build and promote a consistent and positive image of the Company as a reliable employer.

Pelion Healthcare Group's workforce structure in FTEs

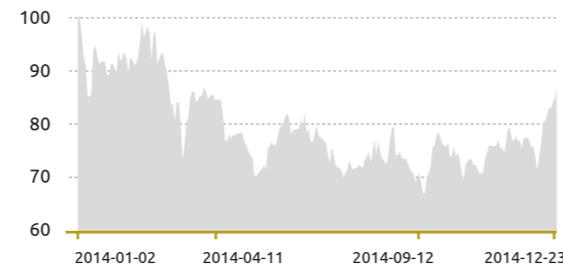


Pelion Healthcare Group's employees

Pelion on the WSE

Listing market	WSE
Market / Segment	Main/50 PLUS
Industry sector	Wholesale
Abbreviated name	PEL
Bloomberg	PEL.PW
Reuters	PELIO.WA
Participant in indexes at the end of 2014	WIG, WIG50, Respect Index
Number of shares at the end of 2014	11,185,575

Pelion S.A. share price on the WSE in 2014



In 2014, Pelion's stock traded within the range from PLN 66.2 to PLN 99. The maximum price was reached on January 3rd, and on September 18th the price dropped to the lowest level. From November 2013 to July 2014, the Company's stock price moved downwards, which was followed by a horizontal trend persisting over the subsequent four months. December 2014 saw a strong rebound, with the price going up 12.5% month on month, to reach PLN 85.5 at year end. The annual average trading volume was just under 6,000 shares in 2014, reaching the year's high in September (10,270) and the year's low in May (2,360). The Company's market capitalisation at year end stood at PLN 956m. Pelion has a stable shareholding structure, comprising, inter alia, the Company's founders, most of Poland's open-end pension funds (OFEs), as well as Polish and foreign investment fund management companies. 2014 saw no major changes in the structure of shareholders holding more than

5% of total voting rights at the Company's General Meeting of Shareholders. The structure of voting rights at the General Meeting is different from the shareholding structure, as some Company shares are shares with voting preference, each conferring the right to five votes.

On April 30th 2014, the Annual General Meeting of Pelion S.A. resolved to allocate part of the 2013 net profit towards payment of dividend to the Company's shareholders at PLN 3 per share. As at the resolution date, 11,415,896 shares conferred the right to dividend, excluding 230,321 shares repurchased by the Company for cancellation. The total amount of dividend paid was PLN 33,556,725.

Dialogue with the capital market

The Company is committed to maintaining an open dialogue with the capital market, in keeping with the principles of transparency. In 2014, Pelion

won the best website award in the 7th edition of the Golden Website Award competition, which demonstrates determination to foster good relations with retail investors and other stakeholders. The goal of the competition is to recognise best websites of listed companies based on the criteria such as usefulness of the website and innovative means of communication, as well as feedback provided by retail, institutional, and foreign investors. Set to present the Company to a larger group of retail investors, Pelion's representatives took part in the Shareholding Trade Fair at the 18th Wall Street Conference held in Karpacz. In December 2014, Pelion was also included for the third time in the RESPECT Index, which highlights WSE-listed companies managed in a sustainable and responsible manner. The Index represents a valid point of reference for stock market investors, who want to be sure that they invest in highly-liquid companies run to the best-in-class standards of management.

Financial data

CONSOLIDATED STATEMENT OF PROFIT OR LOSS (in PLN thousand)

	12 months ended Dec 31 2013 (restated)	12 months ended Dec 31 2014
CONTINUING OPERATIONS		
Revenue	7,326,649	7,698,753
Cost of sales	(6,468,087)	(6,849,906)
Gross profit	858,562	848,847
Distribution costs	(602,471)	(634,632)
Administrative expenses	(108,552)	(115,576)
Other income	7,801	44,815
Other expenses	(15,205)	(27,873)
Share in net profit/(loss) of associates and joint ventures accounted for with equity method	(1,349)	(2,239)
Operating profit	138,786	113,342
Gain/(loss) on investments	4	9
Finance income	11,505	13,075
Finance cost	(37,108)	(41,748)
Profit before tax	113,187	84,678
Income tax	(9,517)	(25,791)
Net profit from continuing operations	103,670	58,887
Total net profit	103,670	58,887
Attributable to:		
Owners of the parent	100,165	55,936
Non-controlling interests	3,505	2,951
Weighted average number of ordinary shares	11,279,747	11,171,517
Diluted weighted average number of ordinary shares	11,600,472	11,444,017
Earnings per ordinary share (PLN)		
- basic	8.88	5.01
- diluted	8.63	4.89

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (in PLN thousand)

ASSETS	31.12.2013 (restated)	31.12.2014
I. NON-CURRENT ASSETS	993,461	1,176,293
1. Goodwill	574,860	588,864
2. Intangible asstes	45,493	111,936
3. Property, plant and equipment	243,352	316,252
4. Investment property	9,100	9,096
5. Investments accounted for with equity method	5,780	3,603
6. Other non-current financial assets	19,820	28,400
7. Non-current receivables	25,656	35,366
8. Deferred tax assets	67,262	80,237
9. Other non-current assets	2,138	2,539
II. CURRENT ASSETS	1,746,297	2,167,092
1. Inventories	855,862	1,065,108
2. Other current financial assets	64,119	82,189
3. Current receivables	657,591	741,073
Trade and other receivables	654,497	738,977
Current tax assets	3,094	2,096
4. Cash and cash equivalents	162,405	267,081
5. Other current assets	6,320	11,641
TOTAL ASSETS	2,739,758	3,343,385

EQUITY AND LIABILITIES	31.12.2013 (restated)	31.12.2014
I. TOTAL EQUITY	598,598	623,056
1. Equity attributable to owners of the parent	590,299	614,962
1.1 Share capital	23,145	22,709
1.2 Statutory reserve funds	425,696	419,326
1.3 Treasury shares	(16,085)	(3,056)
1.4 Other capital reserves	132,720	145,421
1.5 Exchange differences on translating of subordinates	17,455	25,093
1.6. Reserves from actuarial gains and losses on post-employment benefits	651	807
1.7 Retained earnings	6,717	4,662
- profit (loss) brought forward	(93,448)	(51,274)
- net profit	100,165	55,936
2. Non-controlling interests	8,299	8,094
II. NON-CURRENT LIABILITIES	389,303	631,426
1. Non-current liabilities and provisions	380,370	624,901
1.1 Other financial liabilities	371,571	614,876
1.2 Deferred tax liabilities	6,806	7,631
1.3 Long-term provisions	1,993	2,394
2. Deferred income	8,933	6,525
III. CURRENT LIABILITIES	1,751,857	2,088,903
1. Current liabilities and provisions	1,717,627	2,050,556
1.1 Other financial liabilities	37,534	40,802
1.2 Short-term provisions	4,802	10,444
1.3 Trade and other payables	1,660,384	1,988,539
1.4 Current tax liabilities	14,907	10,771
2. Accruals and deferred income	34,230	38,347
TOTAL EQUITY AND LIABILITIES	2,739,758	3,343,385

CONSOLIDATED STATEMENT OF CASH FLOWS (in PLN thousand)

	12 months ended Dec 31 2013 (restated)	12 months ended Dec 31 2014
A. Cash flows from operating activities		
I. Profit / (loss) before tax	113,187	84,678
II. Total adjustments	47,245	48,377
1. Share in net (profit) / loss of subordinates accounted for with equity method	1,349	2,239
2. Depreciation and amortisation	36,528	38,162
3. Foreign exchange (gains) / losses	757	1,714
4. Interest and profit distributions (dividends)	14,509	17,479
5. (Gain) / loss on investing activities	6,366	(30,153)
6. Change in inventories	(67,435)	(103,713)
7. Change in receivables	(46,247)	(70,645)
8. Change in current liabilities (net of borrowings)	112,170	229,405
9. Income tax paid	(11,570)	(36,636)
10. Other adjustments, net	818	525
III. Net cash from operating activities (I +/- II)	160,432	133,055
B. Cash flows from investing activities		
I. Cash provided by investing activities	181,517	258,598
1. Disposal of intangible assets and property, plant and equipment	5,246	44,256
2. Disposal of subsidiaries (net of cash disposed of)	-	117
3. Acquisition of subsidiaries (net of cash acquired)	-	29
4. Repayment of loans advanced	168,281	206,830
5. Interest	7,097	7,266
6. Other cash used in investing activities, net	893	100
II. Cash used in investing activities	(267,142)	(335,095)
1. Acquisition of intangible assets and property, plant and equipment	(54,897)	(94,655)

2. Acquisition of subsidiaries (net of cash acquired)	(11,558)	-
3. Cost of acquisition	-	(131)
4. Acquisition of shares in an associate	(5,433)	-
5. Acquisition of other financial assets	-	(1,795)
6. Loans advanced	(192,405)	(233,133)
7. Other cash used in investing activities, net	(2,849)	(5,381)
III. Net cash from investing activities (I - II)	(85,625)	(76,497)
C. Cash flows from financing activities		
I. Cash provided by financing activities	113,776	270,301
1. Net proceeds from issue of shares, other equity instruments and additional contributions to equity	2,369	-
2. Increase of borrowings, issue of debt securities	111,407	270,301
II. Spending	(140,862)	(222,183)
1. Repurchase of shares	(26,338)	(5,813)
2. Purchase of non-controlling interests	-	(622)
3. Dividends and other distributions to owners	(22,620)	(33,557)
4. Dividends and other profit distributions paid by subsidiaries to non-controlling interests	(3,063)	(3,349)
5. Repayment of borrowings, redemption of debt securities	(64,057)	(154,165)
6. Other financial liabilities	(1,552)	(1,830)
7. Interest	(23,232)	(22,837)
8. Other cash used in financing activities, net	-	(10)
III. Net cash from financing activities (I - II)	(27,086)	48,118
D. Total net cash flow (A.III +/- B.III +/- C.III)	47,721	104,676
E. Increase/decrease in cash, including:	47,721	104,676
- change in cash resulting from exchange differences	426	951
F. Cash at beginning of period	114,684	162,405
G. Cash at end of period (F +/- D)	162,405	267,081

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