

Pelion ▲

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Pelion ▲

INTEGRATED
ANNUAL REPORT

2 0 1 5

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ABOUT THE REPORT

This integrated report is Pelion's fourth annual report giving an all-round view of the Group in its financial and non-financial aspects related to corporate social responsibility of companies comprising the Group.

Summarising our operations in 2015, we share our achievements and set out our plans and goals for the future. We have taken care to ensure that this report is a valuable, reliable and transparent source of information on our Group.

By integrating financial and non-financial disclosures, we provide a picture of how Pelion manages its social impacts and creates value through various fields of its activity.

In line with our annual reporting cycle, this report covers the period from January 1st to December 31st 2015. All data and information disclosed in this report relate to holding company Pelion S.A.

and to the Group companies operating in three business lines: wholesale, hospital supplies and logistics services, and retail in Poland and Lithuania; as well as companies engaged in other activities.

The full Annual Report for 2015, available online at www.pelion.eu, has been prepared based on the Global Reporting Initiative G4 guidelines and the guidelines issued by the International Integrated Reporting Council (IIRC). In line with the highest standards of reporting, the data included in this report has been externally audited.

Transparency, honesty and openness are the fundamental values based on which Pelion builds its relations with all stakeholders. Therefore, we invited our employees as well as a number of representatives of our various stakeholder groups to join in the content defining process.

Thanks to workshop meetings and a dialogue session, we defined the indicators measuring the value created by our Company from the financial point of view, but also in terms of human and social capital. We hope that our 2015 report will help users better understand how our different business lines, their impact on 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 Pelion.

We heartily thank all those who were involved in the process of developing the contents of this report.

First of all, we thank all the employees whose involvement in the reporting process was crucial to its progress.

The full version of the 2015 integrated report is available at www.pelion.eu.

We encourage you to share your feedback with us, so we can improve our reporting in the future. We would be obliged if you could fill in the report evaluation questionnaire, available at <http://raport2015.pelion.eu/ankieta>

Reporting Team



LETTER FROM THE PRESIDENT

Ladies and Gentlemen,

I present to you the consolidated report of the Pelion Healthcare Group detailing our performance in 2015.

Marking our 25th anniversary, 2015 was an important year for us. The history of Pelion S.A. began in 1990 in Łódź – a city which epitomises entrepreneurship and resourcefulness. Together with a group of enthusiasts, we have built a company from scratch which now stands as an example of success in Poland. Consistently, year after year, we have worked to create value in healthcare. The strategic direction we have taken has defined the growth vision for Pelion, which – thanks to a strong focus on patients and high operational efficiency – remains the largest and most efficient healthcare company in Poland and Central Europe. Our 25th anniversary is a symbolic start of a new era in Pelion's growth.

All of our activities are now centred around our redefined mission. *We are here to ensure a long and quality life for our customers and patients.*

Pelion's paramount objective remains to strengthen our core business, which consists in comprehensive, modern and safe drug distribution. At the same time, we work to improve our existing service range and develop new services based on innovations. Sustainable development also features prominently in our strategy, driving us to develop and implement solutions needed in a world of limited resources.

The past year was a period of particularly hard work. In 2015, the Pelion Healthcare Group delivered consolidated revenue of PLN 8.5bn – an improvement of nearly 10% compared with 2014 despite unfavourable regulatory conditions.

Current regulations severely limit growth and jeopardise the future of growth-oriented projects.

2015 also brought initiatives designed to secure full access to healthcare. We are especially aware of the significance of the free drug programme for the elderly, whom we have always believed to be a special category of patients, and we regret that our efforts to systemically reduce drug prices for seniors were hampered some years ago.

Irrespective of economic and regulatory conditions, we strive to develop our business based on robust foundations. Most importantly, we aim to create lasting value of our individual business lines. We have carried out an extensive transformation of DOZ pharmacies – today, the DOZ brand includes 900 pharmacies with a modern and professional service offering for patients. DOZ pharmacies are available to everyone, conveniently situated and, most importantly, offer the best prices. We have also introduced a range of modern, high-quality proprietary DOZ products, which are very popular among patients. We are proud to say that DOZ pharmacies have become Poland's pharmacies of choice.

We also worked hard to integrate the Natura beauty store chain into our operations, which required deployment of a uniform management system and strengthening of our sales force. Our goal is for the Natura beauty stores to be perceived as modern stores offering excellent customer service and a broad range of top-quality Polish products, in addition to being a stable and stimulating work environment for our employees.

We also take special care to ensure that Polska Grupa Farmaceutyczna's pharmaceutical distribution activities are perceived as reliable and safe. We believe that the pharmacies we cater to have access to a full range of services, which helps them grow and provide professional pharmaceutical care.

Our business line of sales to hospitals confirmed its position as the Polish market's leader. Thanks to a dedicated team and the ability to adapt its offering to fit the needs of both hospitals and manufacturers, Urtica is creating lasting value.

We are also happy to see our Lithuanian companies grow. Their successful performance proves that we have strong potential for growth in an environment free from regulation that impacts patients and hampers growth. It also shows the range of services which could be available to patients in Poland.

We strive to build a modern world through innovation and partnership, developing new strategic initiatives and strengthening our research and development efforts. The development of Pharmena is one of such initiatives. Our research on 1-MNA and its potential application in dermatology and treatment of cardiovascular diseases is nearing completion. We are also working to expand our product offering.

Pelion provides stable employment to more than nine thousand people, which is a tremendous challenge for us. We owe our success and growth to them and their dedication.

As far as financial performance is concerned, we – as the Management Board – are aware that the consolidated net result we have delivered is not satisfactory despite our many efforts. However, we believe that these efforts will contribute to a significant performance improvement in the coming years.

In 2016–2020, we will focus all our efforts on the implementation of the Pelion strategy, whose core objective is to give us a leading position in all key business areas: distribution, pharmaceutical care and patient services at DOZ pharmacies, beauty store services and sales to hospitals. We are convinced that the foundations we have laid will ensure our successful performance throughout this time frame. We will consistently improve our operations to achieve organisational excellence and create competitive advantages, just like we have done for these past 25 years.

Respectfully,
Jacek Sz wajkowski
CEO, President of the Management Board



COMPANY AUTHORITIES

THE MANAGEMENT BOARD

(left to right)

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

Jacek Dauenhauer

Vice-President of the Management Board

– Financial Strategy

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

Ignacy Przystalski

Vice-President of the Management Board

– Sales

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

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

Jacek Sz wajcowski

President of the Management Board

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

SUPERVISORY BOARD

(as of December, 31st 2015)

Jerzy Leszczyński

Chairman

Hubert Janiszewski

Deputy Chairman

Jacek Tucharz

Member

Jan Kalinka

Member

Anna Biendara

Member

25 YEARS IN BUSINESS



No.1
THE LARGEST
PLAYER IN POLAND'S
HEALTHCARE SECTOR



25 YEARS
OF RELIABLE DRUGS
DISTRIBUTION TO PATIENTS



17 YEARS
OF PRESENCE
ON WSE



PLN 8.5bn
IN REVENUE
PER YEAR



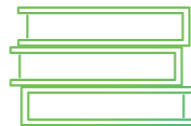
MORE THAN
9,300
STAFF



MORE THAN
500m
IN TAXES PAID
(CIT AND LOCAL TAXES)



4 TIMES
IN RESPECT INDEX



**3 INTEGRATED
REPORTS**

Pelion STRUCTURE

52.2%
WHOLESALE



PGF

PHARMA
POINT

30.3%
RETAIL



16.9%
HOSPITAL SUPPLIES
AND LOGISTICS SERVICES

urtica

pharmalink

0.6%
OTHER
BUSINESS

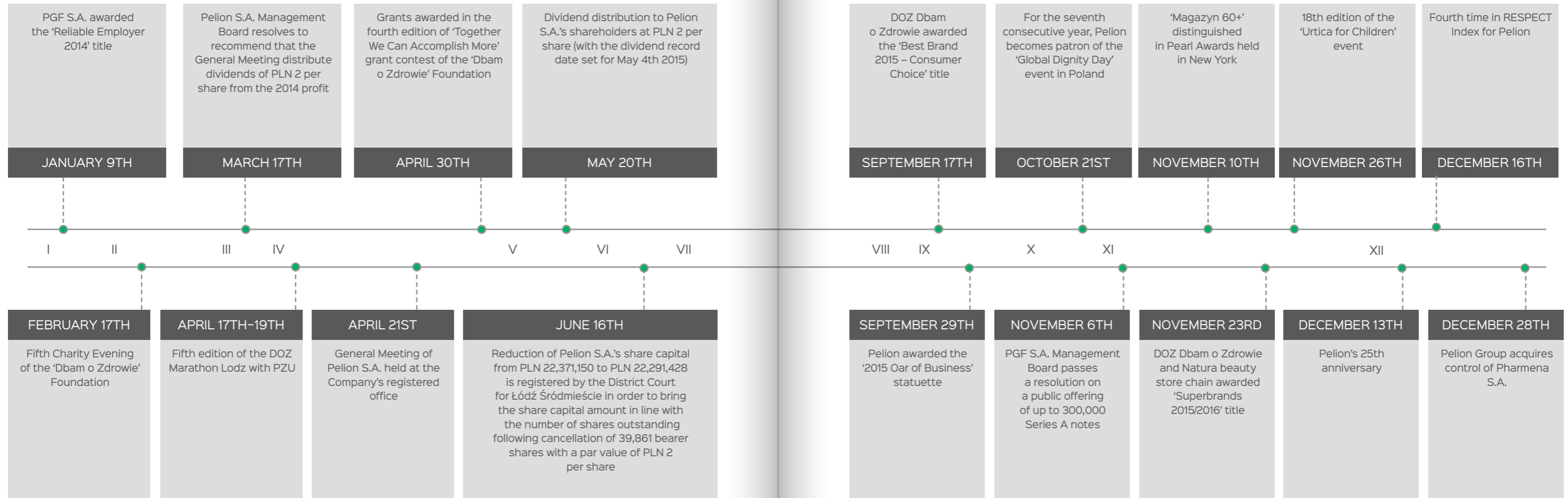


Pharmauto Sp. z o.o. • Daruma Sp. z o.o. • Bez Recepty Sp. z o.o. and other companies

POLAND **90.8%**

LITHUANIA **9.2%**

2015 MILESTONES



VALUE CREATION MODEL

Pelion's business model is designed to build value for Patients

We guarantee timeliness, completeness and accuracy of supplies as well as security of pharmaceutical trade.

pharmalink

We provide professional, specialised transport and warehousing services.

PRUDUCERS

LIMEDIKA

DOZ DIRECT
zbarni o zdrowie

PGF

PHARMA POINT

urtica



VAISTINE

Gintarinė vaistinė
BALTIJOS VAISTINIŲ GRUPE
Dirbame kolektyvu

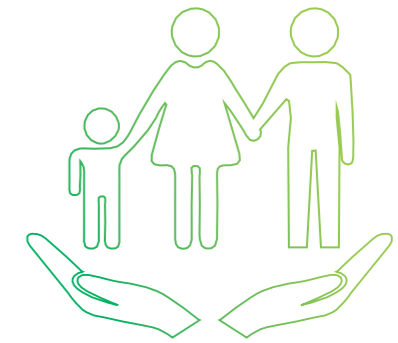
DOZ APTEKA
zbarni o zdrowie

OTHER COMMUNITY PHARMACIES

HOSPITAL PHARMACIES

natura

Every day, our pharmacies strive to ensure full availability of drugs, affordable prices and the highest service quality.



PATIENTS

CLIENTS

WHOLESALE



SALES OF
PLN 4.8bn



MORE THAN
2.2 THOUSAND
STAFF



A SHARE
OF ABOUT **20%**
IN THE MARKET
OF WHOLESALE
TO PHARMACIES



20 THOUSAND
ORDERS
DELIVERED
EVERY DAY



10 ABOUT
THOUSAND
PHARMACIES
SUPPLIED



29 MORE THAN
THOUSAND
STOCK KEEPING
UNITS



1 MILLION
PRODUCT PACKAGES
SOLD DAILY



PRODUCTS SOURCED
FROM OVER
850
MANUFACTURERS



70 MORE THAN
THOUSAND
SQUARE METRES
OF WAREHOUSE SPACE



70 MORE
THAN
LOCAL WAREHOUSES
SUPPLIED



Polska Grupa Farmaceutyczna S.A.

PGF is one of the three largest distributors supplying pharmacies in Poland. It manages the operations of 13 regional companies, offering modern tools and a vast range of services, both to pharmacists and pharmaceutical manufacturers. To its customers, it is a reliable partner, supplier and service provider.

2015 saw the 25th year of PGF's presence on the market. Experience gained through long-term cooperation with all players on the pharmaceutical market helps PGF to better understand market mechanisms, and, consequently, to develop innovative solutions supporting its partners' businesses. Polska Grupa Farmaceutyczna is an integrator of its customers' business models – understanding and identifying their needs, always with due regard to patients' welfare, which is central to PGF's mission:

To satisfy patients' health needs we strive to keep ahead of market expectations, create innovative business solutions and set standards for business partnerships with pharmacists and pharmaceutical manufacturers – we do our utmost to ensure that patients always get the medication they need.

PGF aims to provide pharmacists with comprehensive support to facilitate their business in a challenging competitive environment. It offers the widest range of medicines and medical products available on the Polish market, including more than 29 thousand items. By subscribing to PGF's Healthy Choice scheme, small market operators obtain solid business support, enabling them to better manage their pharmacies. Category management helps them adapt the mix of products on sale to changing market trends; the stock optimisation service enhances procurement efficiency, and thanks to e-commerce orders can be placed online and collected from a pharmacy of choice. For pharmacies organised into networks, PGF has built a solid and reliable offering, featuring fast and comprehensive service, implementation of an automatic package reselling system and centralised telemarketing.

PGF works with more than 850 manufacturers of drugs and other products distributed to pharmacies. The manufacturers are offered a comprehensive range of services which extend their market reach and improve sales performance. Vast knowledge of the market, gained through analyses of hundreds of millions of past transactions, allows the company to undertake a number of initiatives in sales support, market research or logistics. PGF is a supplier to more than 10 thousand pharmacies throughout the country. Every day, its regional branches fill over 20 thousand orders for nearly a million drugs and medical products. Their storage facilities and the manner of storing and transporting drugs guarantee their high quality and safe handling.

The Quality Assurance System in place at PGF covers all distribution processes and warrants that products delivered to customers meet the requisite quality standards and come from a legal source. Legislative changes and current regulatory requirements applying to wholesale of medicinal products, including the new Regulation of the Minister of Health on Good Distribution Practice of March 13th 2015 or the new provisions of the Pharmaceutical Law, are monitored and implemented on an ongoing basis.

PGF keeps improving its internal processes and investing in human capital. Besides management skills improvement and leadership programmes, in 2015 the company additionally launched the Talent Manufacture scheme dedicated to account managers as well as partial financing of English language and post-graduate courses.

2015

The pharmbook.pl platform built by PGF offers ready solutions facilitating correct order placement. In 2015, in response to changes in the Pharmaceutical Law, the range of its functionalities was extended to support placement or confirmation of orders electronically.

Pharmbook.pl automatically archives all documents in electronic form, facilitates search for documents, offers access to documents 24 hours a day and guarantees a fast and smooth flow of information between a pharmacy, a wholesaler, and also the Main Pharmaceutical Inspectorate and Provincial Pharmaceutical Inspectorates. Furthermore, a unique complaint lodging and goods returning model has been available through pharmbook.pl starting from 2015.

Also in 2015, PGF implemented a modern telemarketing system, which vastly improved the efficiency of its telemarketing activities, enhanced the call centre's customer reach ratio and boosted the number of answered calls. To further improve the company's distribution process, work began to deploy a temperature monitoring system, which ensures comprehensive monitoring of the temperature of transported items in the temperature-controlled supply chain.

In 2015, a decision was made to issue notes on the Catalyst bonds market. PGF issued 100,000 five-year notes, each with a value of PLN 1,000. All of the PGF notes were acquired by financial institutions. Placing the notes with financial investors demonstrates that the growth policy pursued by the company is right and shows that PGF is a credible market player. The notes were first listed on February 18th 2016.

CHALLENGES AND GOALS

2015 was the fourth year in a row when pharmaceutical distributors had to operate in harsher market conditions, in the wake of introduction of the Reimbursement Act on January 1st 2012. Due to the fixed 5% margin on distribution of reimbursable drugs, this part of the product mix has been sold at negative margins, while overall margins of pharmaceutical wholesalers in Poland have eroded to levels that are among the lowest in Europe.

Therefore, it has been PGF's strategic objective to build sustainable growth through active sales and cooperation with pharmacies across Poland, offering partnership-based support to family-run pharmacies and local pharmacy chains, as well as ensuring the best quality service to pharmacies organised into networks.

The amendment to the Pharmaceutical Law, which took effect on July 12th 2015, coupled with the new Good Distribution Practice, impose additional duties on wholesalers and increase their operating costs.

To respond to these challenges, PGF has initiated and continues to pursue projects whose aim is to put in place new improvements for pharmacies and to adapt the business to the new legal

framework. The company has also been analysing processes and developing procedures to meet the new requirements of Good Distribution Practice.

PGF's long-term objectives:

- to increase market share in the private pharmacy segment,
- to develop services offered as part of the Healthy Choice scheme and to increase the number of entities covered by the scheme,
- to become the preferred partner to network pharmacies through continuous service improvement,
- to continuously improve customer service, e.g. through continued enhancement of telemarketing.



Pharmapoint Sp. z o.o.

Pharmapoint Sp. z o.o. is a leader in sales to other pharmaceutical wholesalers, supplying more than 70 such local operators.

By improving its distribution and logistics services, the company continually expands its offering for other market segments. In 2015, more suppliers chose to use Pharmapoint's distribution services on an exclusive basis. A wide range of sales and marketing services makes the company a strategic distribution partner for an increasing number of pharmaceutical manufacturers.

Pharmapoint Sp. z o.o. seeks to offer its trading partners, both customers and manufacturers, the best and most advanced solutions. New forms of business partnership, a growing range of marketing services, and tailored distribution services on an exclusive basis – these are just a few solutions proposed by the company. Openness to new forms of cooperation coupled with continuous analysis of pharmaceutical market trends allow Pharmapoint Sp. z o.o. to meet its partners' expectations.

HOSPITAL SUPPLIES AND LOGISTICS SERVICES



SALES OF
PLN 1.5bn



MORE THAN
300
STAFF



LEADER OF THE POLISH
MARKET OF SUPPLIES
TO HOSPITALS



APPROXIMATELY
12 THOUSAND
DELIVERIES A MONTH



THE WIDEST AVAILABLE RANGE
OF PHARMACEUTICAL PRODUCTS
APPROXIMATELY
9 THOUSAND SKU



DELIVERY OF STANDARD
ORDERS WITHIN
24 HOURS, STAT ORDERS -
WITHIN 6 HOURS



MORE THAN 750
HOSPITALS SUPPLIED



PGF Urtica Sp. z o.o.

urtica

PGF Urtica is a wholesale business with national coverage and an established position of market leader. It supplies products to more than 750 hospitals and over 1,000 other customers across the country, mainly non-public healthcare centres as well as sanitary and epidemiological stations.

The company has 25 years of experience, unquestioned expertise and a sound record of legal compliance. PGF Urtica is driven by the highest ethical standards, operating in accordance with its Code of Ethics.

Its operations are run at the central warehouse in Łódź and five branch offices located in Wrocław, Łódź, Katowice, Poznań, and Lublin. Every day, more than 5,500 product items are shipped to hospitals from the central warehouse in Łódź.

The company owes its leading position in wholesale to hospitals to consistent strategy implementation and focus on core business areas. The long experience, broad range of attractively priced products (approximately 9 thousand SKUs), and large scale of operations are factors that have helped the company consolidate its market position. PGF Urtica's other strengths include efficient logistics and a range of financial services offered to hospitals.

Having regard to its customers' needs, PGF Urtica developed an Emergency Response System, under which sales personnel are now on call on a 24/7 basis, and drivers are ready to deliver STAT orders.

The company builds solid business relations and supports its trading partners through training and publishing projects. With the support of scientific institutions and hospital pharmacy experts, PGF Urtica publishes Farmakoekonomika szpitalna, a quarterly magazine distributed to 500 hospitals and pharmacies across Poland.

In 2015, revenue went up by approximately 7.5% year on year. The company was focused on optimising its key business processes and improving tendering and sales procedures, in order to improve the service quality.



The financial products department, whose role is to manage financing programmes for in-patient healthcare institutions, continued its key initiatives from previous years. It focused primarily on fostering good relations with those institutions to improve its financial and debt collection efficiency. As a result, more than 60 hospitals used the company's financial services in 2015.

For many years, PGF Urtica has been fostering good relations with manufacturers, which has made it a trusted partner in the industry and allowed it to develop a wide range of integrated services dedicated to manufacturers, including professional management of tender processes, market research, sales support, logistics and marketing services.

In December 2015, the company received an ISO 9001:2008 certificate, confirming implementation and effective maintenance of a quality management system. The result is an increased competitive advantage in tendering procedures. At the same time, PGF Urtica was working to improve customer service, one of the objectives being to reduce the number of customer complaints due to errors in the order acceptance process.

In 2015, as a part of the 'Urtica for Children' project, PGF Urtica organised the 18th charity auction of art works, raising a record-high amount of PLN 385,000. The whole proceeds were transferred to 17 children's oncology and haematology wards of hospitals participating in the 'Sunny Gallery' project. In 2015, some of funds were used to organise rehabilitation camps for children of those wards. The project is an opportunity to bring together various business circles and show business people that they can actively help children treated at oncology and haematology wards, which is a considerable aid to local communities. The DOZ Dbam o Zdrowie Foundation is the partner in this event.

CHALLENGES AND GOALS

The market of supplies to hospitals is always changing. In recent years, the DTH model, i.e. direct distribution from the manufacturer to hospital pharmacies, has been gaining importance. On the one hand, this increases competitive pressures, but on the other - gives new opportunities to experienced players who are able to evolve from the role of a traditional distributor.

In order to strengthen its relations with manufacturers, on January 1st 2016 PFG Urtica acquired 100% of shares in Pharmalink, a company providing transport services to pharmaceutical manufacturers. As a result, the two companies created a new business line - hospital supplies and logistics services.

In 2015, PFG Urtica researched the evolving market and devised a strategy to analyse the commercial market, with the aim of expanding the list of products offered to existing customers and starting sales to new partners. 2016 will see the opening of a new central warehouse in Łódź and deployment of new software designed to support the conduct and management of tender procedures. The company's long-term goal is to increase its market shares while maintaining profitability of sales and a safe level of receivables.



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.

The company's logistics system is fully compliant 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 special-purpose vehicles fitted with isothermal containers and temperature-control equipment.

Pharmalink is able to reach customers in any location in Poland within 24 hours, and also offers express life-saving and fast-track deliveries (within 12 hours). The adverse environmental impact of its operations is reduced by optimisation of transport routes and maximum utilisation of the vehicles' capacities.

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.

In 2015, the company continued its efforts to optimise the cost of transport, opened new handling and temporary storage facilities in Gdańsk, Wrocław, Poznań and Białystok, acquired new direct distribution contracts, and introduced solutions to improve service quality, reporting a growth of over 10% in revenue from sales to external customers.

RETAIL



SALES OF
PLN 2.6bn



MORE THAN
**5.9 THOUSAND
STAFF**



8 MILLION
USERS A MONTH VISITING
THE DOZ.PL WEBSITE



**AROUND
4 MILLION**

PATIENTS SERVED IN POLAND
AND LITHUANIA EVERY MONTH



OVER 1,200

COMPANY-OWNED
AND FRANCHISED PHARMACIES
IN POLAND AND LITHUANIA



DOZ S.A.

DOZ S.A. manages the largest number of modern pharmacies in Poland, operating under the joint brand of DOZ Apteka Dbam o Zdrowie (DOZ 'I Care for My Health' Pharmacies); at the end of 2015, the chain consisted of almost 900 pharmacies. Of that number, around 600 were company-owned while the other were franchised outlets.

Through constant care to ensure full availability of medicines, low prices and superior service quality, DOZ Apteka Dbam o Zdrowie pharmacies set new standards and reinforce their position as a business leader and preferred pharmacy for millions of Poles. In line with the slogan 'PATIENT IN THE CENTRE OF ATTENTION', they make every effort to ensure that all patients receive the best pharmaceutical care and professional advice.

The day-to-day business of DOZ Apteka Dbam o Zdrowie pharmacies relies on three pillars: low price, full availability and professional pharmaceutical care. According to patients, these three factors are key in selecting a pharmacy. Every month, DOZ Apteka Dbam o Zdrowie pharmacies are visited by 3 million patients.

They can purchase pharmaceuticals not only at brick-and-mortar pharmacies, but also order them via the Internet drug ordering system on the doz.pl website, a mobile application, smart tv, and by telephone. The doz.pl website attracts 5 million visitors per month.

With more than 2.5 thousand licensed pharmacists and pharmacy technicians ensuring safe pharmaceutical treatment of patients, DOZ S.A. is the largest employer on the pharmacy market.



2016 marks 15 years of the Dbam o Zdrowie brand's presence on the Polish market. Currently, it stands for the largest number of pharmacies, the doz.pl website, beauty stores, proprietary branded products and a foundation helping individuals who are in need due to financial difficulties or personal circumstances to purchase medicines. It also organises a marathon in Łódź. In 2015, the pharmacies underwent a brand revamp in order to streamline and strengthen the brand's image. A change of the signboards was accompanied by remake of all marketing and corporate materials as well as pharmacy interiors to make them even more patient-friendly. The brand cares about patients' health also through healthy lifestyle promotion, in partnership with the Dbam o Zdrowie and Magazyn 60+ magazines. The 'Created in Poland Superbrands 2015/2016' title awarded to the brand strongly attests to patients' trust.

In 2015, DOZ S.A. expanded its activities to include a concept combining the pharmacy and beauty store businesses. Under the 'DOZ Drogeria' brand, new outlets offer a wide range of personal care and make-up products, complemented by a rich selection of dermocosmetics. In 2015, the first ten beauty stores were launched next to pharmacies.

In response to patients' growing expectations, in 2015 DOZ S.A. developed and began to market its proprietary brands. At the end of 2015, DOZ S.A. had three such brands: DOZ Product, DOZ Zielnik and DOZ Daily, comprising almost 50 products, from food supplements, to medical supplies to top-quality cosmetics developed jointly with experts – doctors and pharmacists. Each product has been tested for quality by independent certified laboratories.

CHALLENGES AND GOALS

The regulations currently governing the pharmaceutical market obstruct its growth and prevent the introduction of modern solutions for patients. The ban on pharmacy advertising and lack of a clear definition of advertising in the Pharmaceutical Law restrict the patients' access to pharmaceuticals and relevant information. On the other hand, non-pharmacy retailers, such as shopping malls, discount stores and service stations, are not bound by the ban on informing patients on the available dietary supplements and medical products. Additionally, since 2012, when the regulator introduced a new procedure for computing pharmacy margins on reimbursable drugs, the profitability of sales in this product category has significantly deteriorated. And yet it is the role of pharmacies and pharmacists to build an offering which would guarantee that patients receive drugs they need within a safe distribution system and at competitive prices, to addition to professional pharmacotherapeutic advice. To balance these two aspects of a pharmacy's operation – the difficult regulatory environment and care for patients – is the main challenge faced by DOZ Apteka Dbam o Zdrowie pharmacies. Accordingly, DOZ S.A.'s objective for 2016 is to continue work on building the best possible offering for patients, based on low prices, availability of pharmaceuticals sought by patients and professional service.



natura

Natura Sp. z o.o.

Natura is the largest Polish chain of company-owned beauty stores. As at the end of 2015, it comprised 245 own stores and 31 stores operated on an agency basis. In August 2015, an online store was additionally launched (www.drogerienatura.pl).

The stores are located at shopping centres in large cities, and in high-street locations in smaller ones. Since the launch of the chain's operation in 1997, the company's focus has always been on its customers. Currently, the company employs around 1.6 thousand staff all over the country. In 2015, the company was implementing a new store concept. The change consisted in creating in-store space in which customers would be led by intuition and feel comfortable, and be encouraged to return soon. The company's strategy was also changed to focus on promoting Polish producers and the company's own, domestically manufactured brands (My Secret, Sensique and KOBO Professional make-up cosmetics, Sensique and Seyo body care lines, and Intimelle intimate hygiene line, as well as other brands, such as Milly and Natura Accessories). Thanks to this approach, Natura has indirectly or directly created almost 5 thousand jobs across the country. The aspects of the Natura proprietary brands most appreciated by customers include high quality at affordable prices, as well as the well defined profile of specialist beauty stores and professional advice from personnel. The highest customer service standards and personnel training programmes are consistently promoted and implemented across all levels of the organisation. With this approach, the chain keeps expanding and ensuring 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 2015, the Natura beauty store chain was distinguished for the third time by the independent body the Brands Council (Rada Marek) with the 'Superbrands – Created In Poland' title, which is awarded to Polish brands enjoying the highest customer recognition in their respective categories. Every year, 2,400 brands take part in the certification process.

The Natura beauty store chain regularly engages in community outreach and charity projects. In 2015, it supported the 'Lucky Ducats' charity campaign organised by Mennica Polska S.A. and the TVN's Foundation 'Nie jesteś sam' (You are not alone).

CHALLENGES AND GOALS

The Natura beauty stores operate in an extremely competitive market – apart from typical beauty stores, also super- and hypermarkets and, since 2015, the largest discount stores operating in Poland, hold strong positions on the market. Therefore, the creation of a unique, distinctive offering, based on highest-quality products, attractive prices and professional advice is the foundation of the Natura chain's growth. It has been rewarded by very good brand recognition and awareness: according to the Interactive Research Center, Natura is the second most recognisable beauty store chain in Poland.

In 2016, the company plans further growth through several initiatives, including roll-out of a new store format and special offering of products, as well as addition of company-owned stores to the chain. Based on its unique experience in operating a retail chain, the company is able to develop the agent-based model, which is an attractive solution for people with their own retail premises or access to attractive retail space.



UAB NFG

The Group operates in Lithuania through UAB NFG, which owns two pharmacy chains, Gintarinė Vaistinė and Norfos Vaistinė (329 pharmacies in total), and Limedika, a wholesale distribution business.

The sale of pharmaceuticals through brick-and-mortar pharmacies is combined with online sale through www.vaistine.lt. In addition, UAB NFG cooperates with 151 partner pharmacies of the Baltijos Vaistinių Grupe (BVG). As at the end of 2015, Limedika held a 25% share in the wholesale market and a 24% share in the retail market (in terms of value). With the partner BVG pharmacies included, the share amounted to 35%. As at the end of 2015, the company was the national leader in Lithuania in terms of its share in the market of reimbursable drugs.

The company's service standards and everyday dedication have been expressed in its mission 'Partner for a long and healthy life' and vision 'BEST. For Cleint. For Employee. For Partner. For Society'.

What distinguishes the company is its personalised approach to patients, thanks to which it gives them the pharmaceuticals they need and ingrains good habits in patients.

The offering on the Lithuanian market also includes unique sales and marketing programmes aimed at improving the availability of pharmaceuticals for selected target groups, such as young mothers and babies (the Mazylio programme). Approximately one million patients per month buy products at the company's own pharmacies in Lithuania.



The company procures drugs from almost all (around 340) manufacturers supplying drugs to the Lithuanian market, which guarantees the best possible terms of business. That cooperation model is built on partnership and constant search for solutions enhancing patient service, which is reflected in steadily growing market shares.

The company has also been successfully developing its own brands available at pharmacies, for which it was awarded a gold and a silver medal in the Lithuanian Product of the Year 2015 award.

CHALLENGES AND GOALS

The Lithuanian retail pharmaceutical market is highly concentrated, with the four largest chains controlling 80% of all pharmacies and holding a combined 85% share in the market value, which results in fierce competition and growing expectations of patients. An additional new challenge may come from a proposed amendment to the Pharmaceutical Law, under which not only pharmacies, but also shops, service stations and other retail outlets are to be allowed to sell OTC drugs. On such challenging market, the UAB NFG Group's key goal is to build long-lasting value and relationships with patients, customers, employees, partners and local communities. Building on its team of well-motivated professionals, continuous improvement of service quality and intra-group synergies, it intends to steadily increase its operating efficiency.

OTHER BUSINESS



BSS S.A. offers comprehensive business process services, including outsourcing of accounting and reporting services, consolidation of financial statements, outsourcing of HR and payroll services, management accounting, tax services, support of financing processes, and business advisory services. The company is a member of the Association of Business Service Leaders (ABSL).

Currently, BSS provides services to more than 240 Polish and foreign entities, with a growing share of third-party clients (over 30% at the end of 2015). The BSS staff comprises first-rate specialists including chartered auditors, ACCA-certified accountants and tax advisors with international experience in BPO centres and consulting firms.



The principal business of CONSENSUS Sp. z o.o. is to provide support to its partners – both Pelion companies and third parties – in credit risk management at all stages of a business relationship: from review of customers' financial standing and credit histories, through determining the amount of trade credit limits and monitoring the timeliness of payments, to assistance in debt discharge and debt collection procedures.

The company was established in 2001, originally under the name Farm-Serwis Sp. z o.o. In December 2015, in response to growing demand for financial advisory services from the non-pharma-

ceutical sector, the company began the process of rebranding. Currently, trading under the name Consensus, it shares its professional experience with a growing number of clients.

The Consensus team is composed of legal, debt collection and risk management experts, with a track record of more than 1,000 successful debt collection cases, and debt under management of approximately PLN 300m at the end of 2015.



epruf is a company connecting healthcare with the insurance market. It is an operator of settlements related to drug insurance and healthcare programmes. For over six years, it has partnered with insurance companies in the administration of drug insurance products. It ensures efficient and convenient settlements between insurance companies and pharmacies, and provides business support services to corporate clients in the field of benefit settlement and analyses.

epruf's portfolio includes drug insurance products offered by PZU Życie, PZU Zdrowie and LUX MED Ubezpieczenia. At the end of 2015, the company's services covered more than 500,000 insureds and 30% of pharmacies on the Polish market.



The principal business of Eubioco S.A. is the provision of contract-based manufacturing services, product research and development, and manufacturing activities at Laboratorium Galenowe Olsztyn Sp. z o.o. The company's customers include domestic and foreign entities building proprietary brands who need a reliable partner with manufacturing standards confirmed by a GMP certificate. Additional services offered by the company include development of process documentation required in the notification procedure for dietary supplements.

In 2015, under its contract-based manufacturer strategy, the company strengthened relationships with its existing partners by offering them a wider range of products, and also acquired new customers and new products for its manufacturing plant, doubling the output.



ALE Sp. z o.o. is a manufacturer of dietary supplements for both amateur and professional sportsmen, with product safety and top quality confirmed by GMP and HACCC certificates. At the end of 2015, the company had 30 SKUs within three product lines:

Energy, Health and Power. ALE products are widely available – in pharmacies, food supplement shops, fitness clubs, FMCG outlets, as well as online. Currently, about 95% of sales take place outside pharmacies.



Pharmena S.A. is a biotechnology company which develops and commercialises state-of-the-art products based on 1-MNA – its patented active ingredient. Since 2008, it has been listed in the alternative trading system on the NewConnect market. Currently, the company focuses on two projects using 1-MNA: launch of an innovative food supplement and clinical trials of an anti-atherogenic drug. In 2015, Pharmena received the UK Food Standards Agency's authorisation to market the dietary supplement and

successfully completed the 2nd stage of clinical trials of the experimental anti-atherogenic drug. So far, it has introduced nearly 30 dermocosmetics distributed through pharmacies and beauty stores. One of these products – Dermena – is a leading brand in its category in terms of the number of products sold on the Polish market (with a 26% market share). In December 2015, as a result of purchase of additional shares, Pelion took control of Pharmena S.A., which previously had the status of an associate.

Equity interest in the company controlling



The Brzeziny Specialist Hospital provides top quality medical services, mainly under contracts with the National Healthcare Fund (NFZ), and also on commercial terms. The hospital specialises in the treatment of colonic diseases; in 2015, it performed over 500 surgical procedures for colorectal cancer. It offers a number of innovative procedures such as colon cancer

surgery using a colonoscope, achalasia treatment with a gastro-scope, using a neurostimulant and liquid cartilage. It is one of few hospitals in the region offering a fast and comprehensive cancer therapy. In 2015, the hospital was accredited by the Ministry of Health's Centre for Monitoring Healthcare Quality.

Daruma Sp. z o.o.

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

Pharma Partner Sp. z o.o.

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

Pharmauto Sp. z o.o.

The company manages Pelion's vehicle fleet.

Bez Recepty Sp. z o.o.

The principal business of Bez Recepty Sp. z o.o. is publishing.

INNOVATIONS WITH PATIENTS IN MIND

In its daily operations, Pelion looks for solutions improving the quality of Patients' lives and more effectively meeting their needs.


It is engaged in educational activities, e.g. by issuing periodicals (such as Magazyn 60+), and puts in place solutions adapted to the needs of various Patient groups, including sensitive Patients, for instance by providing special facilities at DOZ Apteka Dbam o Zdrowie pharmacies.

At the same time, Pelion can see the need for making the Polish healthcare system more efficient and improving the availability of healthcare services to Patients in Poland.

The Company perceives innovation as an investment in Polish Patients and a key driver of the pharmaceutical sector.

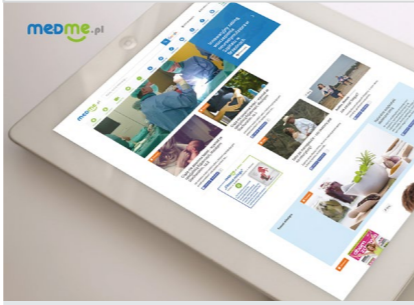
The innovative solutions rolled out by Pelion with Patients in mind include the e-orders and m-orders online platforms enabling easy and convenient ordering of drugs, launch of drug insurance and related support services, a medical knowledge website combining content with a social medium, and the COGNINET brain diagnostics and preventive brain care programme. Other solutions include a safe and tight system for distribution of pharmaceuticals to Patients, complete with a unique order picking line. Pelion is also engaged in research into the application of 1-MNA, an innovative particle, for treatment of atherosclerosis and in dermocosmetology.

e-ORDERS and m-ORDERS




Easy and convenient ordering of drugs

Health education and access to expert health knowledge




MEDME - COMBINATION OF A CONTENT-FOCUSED WEBSITE WITH A SOCIAL MEDIUM

INNOVATIVE ORDER PICKING LINE



Safe and reliable supply of drugs

DRUG INSURANCE SERVICES



Reduced spending on drugs




PATIENTS

A set of ready tools to evaluate cognitive functions and brain fitness.



COGNINET PROGRAMME

Anti-atherosclerotic drug, dietary supplement, used in dermocosmetics



RESEARCH INTO AND APPLICATION OF THE 1-MNA INNOVATIVE PARTICLE

SUSTAINABLE DEVELOPMENT

Pelion understands corporate social responsibility primarily as the conduct of business with a view to building value based on lasting partnerships with suppliers, customers for our services and products, employees, local communities and other stakeholders. In its operations, Pelion is guided by ethical values and standards of conduct, implements innovative solutions across all areas and works with its business partners based on trust, transparency, honesty and responsibility.

Our business philosophy is reflected in our mission: 'We are here to ensure a long and quality life for our customers and patients'. Pelion is an initiator and leader of change, acting ethically and promoting sustainable development. For its employees, Pelion creates a safe and sustainable working environment, where emphasis is placed on their involvement and personal development.

In the social sphere, the Company undertakes initiatives which have both a direct and indirect effect on human health and lives; promoting health education and active lifestyles, as well as assisting the sick and socially excluded, and thus contributing to improvement of their health.

Since the beginning, the Company's CSR initiatives have aimed to strengthen its bonds with local communities. The DOZ Dbam o Zdrowie Foundation, Urtica for Children project, Marathon DOZ Association and Pharmacy Museums partner with local authorities, universities and NGOs across Poland.

Drawing on its experience in the pharmaceutical industry, the Company is able to effectively leverage its competences for the benefit of society – by helping to solve vital problems such as

restricted access to drugs, its employees – by encouraging them to do volunteering work and help others, and its business goals – by improving the perception and creating social value of the brand.

Since 2008, the CSR mission has been implemented through the DOZ Dbam o Zdrowie Foundation, which coordinates and initiates activities of Group companies for the benefit of local communities. For 18 years, as the Pelion Group's initiative, PGF Urtica, supported by the DOZ Foundation, has organised the Urtica for Children event, with its Sunny Gallery project addressed to children's oncology wards.

All these are long-term efforts, continually developed and improved, which shows how much importance the Company attaches to its mission and responsibility.

For its overall CSR activity in 2015 and contribution to sustainable development, Pelion was awarded the Polityka White CSR Leaf.



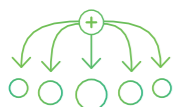


DOZ Dbam o Zdrowie Foundation

The DOZ Dbam o Zdrowie Foundation helps individuals who are in need due to personal circumstances or financial distress, by financing their medicinal products and medical materials. The Foundation is also engaged in a wide range of activities related to health protection and lifesaving, including support and implementation of health, educational and charity initiatives.

Over the past four years, the 'Together We Can Accomplish More' project has become the DOZ Foundation's most important and

far-ranging initiative. It is designed to integrate and expand links between non-governmental organisations and other entities operating in the healthcare and social welfare sector with a view to removing barriers in access to medication. Its flagship initiative is the Grant Contest, through which the Foundation provides financial support for nationwide and local projects addressed to people at risk of social exclusion, the sick, the homeless and the lonely, who cannot afford to purchase medication and medical materials.



114 ORGANISATIONS

BENEFICIARIES OF THE FOUNDATION'S ASSISTANCE



PLN 2m

OF AID DISTRIBUTED UNDER THE 'TOGETHER WE CAN ACCOMPLISH MORE' PROJECT



OVER PLN 10m

DISTRIBUTED DURING THE FOUR EDITIONS OF THE PROJECT



19,767 INDIVIDUALS

RECEIVED GRANT AID IN 2015

Since 2009, the DOZ Dbam o Zdrowie Foundation has also supported institutions for single mothers (with 15 such facilities across Poland covered by its assistance). In 2015, in addition to financial assistance, the Foundation continued to organise meetings with celebrities and cultural events for women residing at the institutions.

The invited guests included Judge Anna Maria Wesolowska, the Frist Guitar Orchestra of Łódź, opera singer Anna Cymmerman, guitarist Jan Krzos and female students of the Vocal and Acting Performance Faculty of the Academy of Music in Łódź.



15

SINGLE MOTHERS' HOMES



PLN 208,800

IN ASSISTANCE GRANTED



343

CHILDREN



380

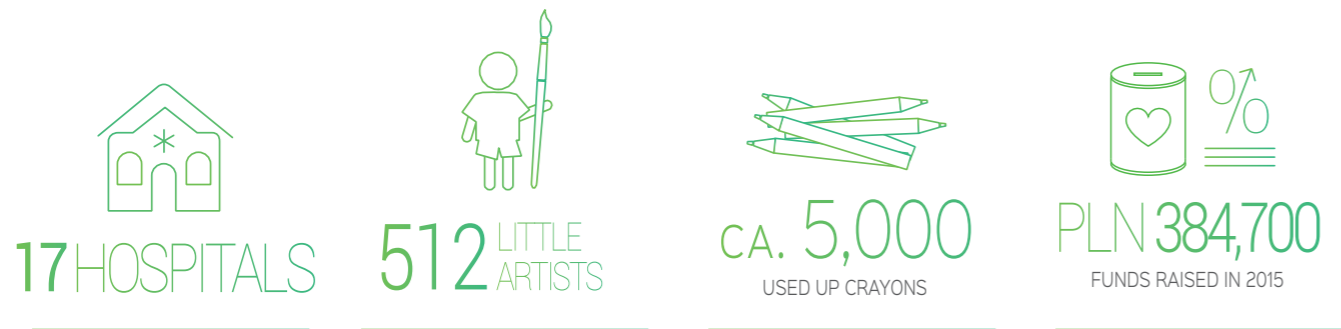
WOMEN



Urtica for Children

The 'Urtica for Children' project is the Company's response to the social issue of loneliness and suffering of children bedridden in hospitals, far from their peers, friends and families. The project is about much more than just financial support of hospitals. Its main value is the time devoted to children and involvement of numerous people and institutions in making the lives of little cancer patients as normal and joyful as possible. Regular art workshops and contact with people from outside the hospital help the children to better cope with their isolation from families and friends. Thanks to the 'Sunny Gallery' workshops, the little patients are involved in art work and can forget about hospital routines.

The initiative covers 17 children's oncology and haematology wards. Local artists and teachers are invited to participate by making the workshops interesting and adapted to the children's effort levels. The workshops end with an official gala ceremony during which works of all participants are presented and put up for auction, with proceeds distributed to all hospitals involved. The funds allow them to purchase specialist medical equipment, art materials and toys for little patients.



DOZ Marathon Lodz with PZU

DOZ Marathon Lodz with PZU is a well-appreciated and recognisable initiative in the CSR area. While promoting healthy lifestyles and physical activity, it also promotes a modern model of charity, encouraging participants to combine running with help for the needy.

DOZ Marathon Lodz with PZU is an annual three-day event with a number of accompanying events and numerous attractions for runners and their supporters. In addition to the marathon and accompanying ten-kilometre run, the event includes: the Kids' Run, the Breakfast Run with Polish sports stars, a family picnic with medical check-ups, as well as the fair for exhibitors and partners of the event.





The organisers also take care of appropriate physical preparation of the runners, who can train with the DOZ Dbam o Zdrowie team free of charge, at three different levels, under the watchful eye of experienced trainers. The preparation programme continued from October 2014 to April 2015, with a regular turnout of about 100 participants. Concurrently with the DOZ Dbam o Zdrowie team's practices, the DOZ Marathon Cup was organised, comprising five running events allowing the participants to better prepare for the April marathon.

On top of the sports-related goals, the Łódź marathon has been meant to promote charity in a modern style. As part of the 'Running to Help' initiative, runners could make a donation to a charity of their choice while registering for the event. Participants could also organise their own charity drives through fundraising websites for an individual person or public benefit organisation, or support charity drives organised by other runners.

The overall goal of the 'Running to Help' campaign was to increase the awareness of barriers in access to medication. The DOZ Dbam o Zdrowie Foundation became a partner of the initiative. The raised funds were used by partner organisations to purchase pharmaceuticals, medical products and rehabilitation equipment.

In 2015, the DOZ Marathon Lodz with PZU was the first running event in Poland to receive a five-star certificate of the European Athletics Federation, confirming that it is organised to the highest standards. Another proof of appreciation came when Łódź was chosen to host Poland Women's Marathon Championships.



Cultivating the traditions of Polish pharmacy

A long-established company itself, Pelion cultivates the traditions of Polish pharmacy – as the patron of two pharmacy museums located in Łódź and in Lublin, and of historical pharmacies. A very important initiative is the publishing of monographs of Poland's oldest pharmacies – to date, 14 such illustrated monographs have been published. Each of them is an extensive source of historical information on the pharmacy and its town, the lives of its successive owners and regional pharmacy traditions.

The museums are located in buildings of historical value, which once housed pharmacies. Both of them boast collections of unique furniture, utensils and books. They are educational and

scientific facilities, as well as venues for exhibitions devoted to pharmacy and its history. In 2015, the Professor Jan Muszyński Museum of Pharmacy in Łódź offered both permanent and temporary exhibitions. The sustained interest in the Museum was confirmed by the large number of visitors during the International Night of Museums, a project in which the Łódź Museum has participated since 2008.

As part of its efforts to cultivate the history of Polish pharmacy, the Company has also become a patron of historical pharmacies, including the oldest one in Zamość.



5,000

VISITORS DURING THE NIGHT OF MUSEUMS



240 HOURS

OF STUDENT INTERNSHIPS



6 TEMPORARY EXHIBITIONS



3,300

EXHIBITS



50 MUSEUM CLASSES

FOR 900 CHILDREN



14

MONOGRAPHS

RESPONSIBILITY IN LABOUR RELATIONS



A Reliable and Desired Employer

Employees are the Company's most important capital and business driver. It is their commitment, passion, skills and ethical conduct that make Pelion a successful business and a leader of change.

For years, the Company has been creating and improving solutions to ensure that its employees enjoy the best working conditions and development opportunities. The main objective of its HR policy is to recruit and retain a team of employees who, in pursuit of the Company's mission and targets, will build up its market value and sustainable competitive advantage.

In 2015, particular attention was devoted to creating safe and stable working conditions. For instance, the Company was developing its medical care and healthy lifestyle promotion programmes launched in previous years.

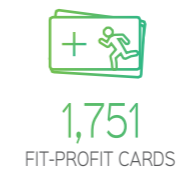
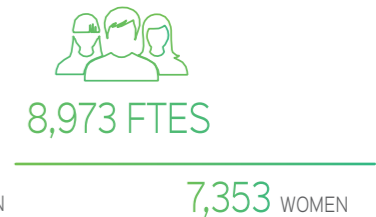
Pelion is committed to building and fostering a culture of equality and diversity, as declared in its Code of Ethics and overseen by the Ethics Officer. It offers equal working conditions to all employees, irrespective of their sex, age, religion, nationality, family situation or disability.

Pelion has consistently pursued the idea of partnership between business and higher education institutions, providing students and graduates with opportunities to gain professional experience. It takes part in three prestigious internship programmes, including Program Kariera (the Career Programme), run in association with the Polish Business Roundtable, Młodzi w Łodzi (the Young in Łódź), organised by the Łódź Municipality, and Liderzy w Sektorze Ochrony Zdrowia (Leaders in the Healthcare Sector), under the auspices of the Lesław Paga Foundation. In 2015, 27 students participated in internships and 26 pharmacists completed work placements at DOZ Apteka Dbam o Zdrowie pharmacies. As provided for in its HR policy, internal recruitment was preferred by the Company to fill any vacancies, offering employees opportunities for further professional development. 359 positions were filled with internally promoted personnel.

Safety and health promotion

Health promoting activities, undertaken as part of Pelion Wellness Program, give employees an opportunity to improve their health and fitness, and to change unhealthy habits through physical activity, healthy eating, caring for their health and work-life balance.

In 2015, more than 100 employees and nearly 90 children of employees took part in a marathon and accompanying runs organised by the Company. 2015 saw the launch of PULS, an internally-developed programme to provide basic healthcare and expert medical assistance. Employees are also covered by drug insurance.



INVESTOR RELATIONS

Pelion SA share price on the WSE



PLN 8,457.8M

REVENUE

PLN 197.8M

EBITDA

PLN 85.5M

NET PROFIT

PLN 70.5M

CAPEX

DATE	RECOMMENDING COMPANY	ANALYST	RECOMMENDATION	SHARE PRICE AS OF DATE OF RECOMMENDATION (PLN)	TARGET PRICE (PLN)
1 2015-02-16	DM BZ WBK	T. Sokolowski	hold	89.20	88.50
2 2015-02-17	DM BOŚ	S. Jaśkiewicz	hold	88.95	95.00
3 2015-08-06	DM BOŚ	S. Jaśkiewicz	hold	74.00	88.70
4 2015-10-21	DM BOŚ	S. Jaśkiewicz	hold	62.21	79.60
5 2015-11-06	DM PKO BP	A. Skłodowski	hold	66.75	70.00
6 2016-01-27	DM BZ WBK	T. Sokolowski	hold	53.75	57.00
7 2016-02-12	DM BOŚ	S. Jaśkiewicz	hold	49.87	70.00

Investor relations

The Company is committed to maintaining an open dialogue with the capital market, in keeping with the principles of transparency. Communication with investors and equity analysts, in the form of direct meetings, phone calls and emails, is reciprocal - Pelion's employees share information on the Company and receive feedback, which helps them further enhance the dialogue. In addition, in 2015 the Company surveyed the analysts to find out their expectations and assessment of the Company's communication standards.

One proof of the Company's determination to foster its relations with retail investors and other stakeholders are the high notes received by www.pelion.eu since its launch (2011) in consecutive editions of the Golden Website Award. In addition to informative content of the website and its usefulness, the jury commended the manner of communicating with investors and prompt response to queries addressed to the Company through channels available on the website.

In order to present the Company to a larger group of retail investors, on May 19th 2015 Pelion's representatives attended the 'Shareholders' fair, held as part of the 19th WallStreet conference.

Dividend

On April 21st 2015, the Annual General Meeting of Pelion S.A. resolved to allocate a part of the 2014 net profit towards payment of dividend to the Company's shareholders at PLN 2 per share. As at the resolution date, 11,185,575 shares conferred the right to dividend, excluding 39,861 shares bought back by the Company for cancellation. The total amount of dividend paid was PLN 22,291,428.

Pursuant to the Pelion Management Board's recommendation, on April 19th 2016 the Annual General Meeting passed a resolution to allocate all of the Company's profit for 2015 to statutory reserve funds.



FINANCIAL PERFORMANCE

Transparency

In 2015, Pelion complied with corporate governance principles for listed companies, as specified in appendix to Resolution No. 19/1307/2012 of the WSE Supervisory Board, dated November 21st 2012: 'Best Practice for WSE Listed Companies' ('Code of Best Practice'). The text of the Code is available on the WSE's website and the Company's website: www.pelion.eu in the 'Good Practices' section. Pursuant to Resolution No. 27/1414//2015 of the WSE Supervisory Board dated October 13th 2015, a new Code of Best Practice came into force as of January 1st 2016. The Company issued EBI Current Report No. 1/2016 on the scope of application of the new Code and posted information on its compliance status on the website.

Pelion has a stable shareholding structure, including the Company's founders, open-end pension funds (OFEs), as well as Polish and foreign investment fund management companies. 2015 saw no major changes in the structure of shareholders holding more than 5% of total voting rights at the Company's General Meeting. The structure of voting rights at the General Meeting is different from the shareholding structure, as some Company shares are preferred, each carrying five voting rights.

In December 2015, Pelion was included for the fourth time in the RESPECT Index, highlighting WSE listed companies that are managed in a sustainable and responsible manner. The index represents a valid point of reference for stock market investors who want to be sure they invest in companies run to the best-in-class standards of management.

In 2015, Pelion posted revenue of PLN 8,457.8m, up 9.9% year on year (without Natura Sp. z o.o.'s revenue, included as of November 1st 2014, the year-on-year revenue growth would have been 5.4%). The Group reported a revenue growth of 4.3% in wholesale and 24.7% in retail (excluding revenue of the Natura beauty stores, the revenue growth in retail would have been 7.8%).

The Group generated a gross profit was PLN 986,6m, up 16.2% on 2014. The gross profit margin was 11.7%, up 0.7pp on the year before. Distribution costs and administrative expenses totalled PLN 917.3m, up 22.3% on 2014, with the SG&A ratio standing at 10.8% after a 1.0pp year-on-year increase.

In 2015, Pelion posted net other income, which improved its operating performance by PLN 80.4m. Other income of PLN 104.6m was primarily attributable to the acquisition of control of Pharmena S.A., an associate (PLN 89.4m). EBITDA for 2015 was PLN 197.8m, up by PLN 46.2m on 2014, while EBITDA margin stood at 2.3%, up 0.3pp on the previous year.

Net finance income (including gain on investments) was PLN 23.5m. Finance income included mainly interest received (PLN 9.1m), while 82% of finance costs was represented by interest on liabilities.

CONSOLIDATED INCOME STATEMENT (IN PLN THOUSAND)

In 2015, Pelion posted PLN 124.2m in pre-tax profit, and PLN 85.5m in net profit attributable to owners of the Parent. The pre-tax and net profit margins were 1.5% and 1.0%, respectively.

There were no major changes in the structure of assets in 2015 relative to the previous year, as current assets continued to exceed non-current assets. As at December 31st 2015, current assets accounted for 62.6% of total assets, with inventories and current receivables as their largest items.

As at December 31st 2015, 19.9% of assets were financed with the Parent's equity. Liabilities and provisions for liabilities primarily included trade payables and other liabilities, which represented 54.6% of total equity and liabilities.

As at December 31st 2015, Pelion recorded a negative working capital cycle of (-1) days, unchanged from December 31st 2014.

As at December 31st 2015, financial liabilities were PLN 570.8m, or 16.7% of total equity and liabilities, and included PLN 473.9m of non-current financial liabilities (13.9% of total equity and liabilities).

As at December 31st 2015, cash and cash equivalents fell by PLN 80.7m relative to December 31st 2014, while net debt decreased by PLN 4.1m, to PLN 384.5m at the end of 2015.

Higher EBITDA, combined with the minor reduction in debt, contributed to a reduction in the net debt to EBITDA ratio, which stood at 1.9 as at the end of 2015 (compared with 2.6 as at the end of 2014). As at December 31st 2015, the net debt to equity ratio stood at 0.6, unchanged from December 31st 2014.

In 2015, the Group's capital expenditure amounted to PLN 70.5m, including PLN 61.7m on property, plant and equipment and PLN 8.9m on intangible assets. The largest investments in property, plant and equipment were connected with construction and modernisation of buildings and structures used by Pelion companies in their day-to-day operations, including extension of the logistics centre in Łódź.

Over the next 12 months, the Pelion Group intends to invest approximately PLN 78m in property, plant and equipment. These investments will primarily include extension and modernisation of logistics infrastructure, modernisation of buildings and structures, as well as purchase of IT hardware and software.

	01.01 - 31.12.2014 (restated)	01.01 - 31.12.2015
Revenue	7,692,618	8,457,823
Cost of sales	(6,843,771)	(7,471,239)
GROSS PROFIT	848,847	986,584
Distribution costs	(634,632)	(801,311)
Administrative expenses	(115,576)	(115,960)
Other income	44,815	(104,628)
Other expenses	(27,873)	(24,182)
Share in net profit/(loss) of associates and joint ventures accounted for with equity method	(2,239)	(2,005)
OPERATING PROFIT	113,342	147,754
Gain/(loss) on investments	9	10
Finance income	13,075	16,184
Finance cost	(41,748)	(39,728)
PROFIT BEFORE TAX	84,678	124,220
Income tax	(25,791)	(35,548)
Net profit from continuing operations	58,887	88,672
TOTAL NET PROFIT	58,887	88,672
Attributable to:		
Owners of the parent	55,936	85,542
Non-controlling interests	2,951	3,130
Weighted average number of ordinary shares	11,171,517	11,145,714
Diluted weighted average number of ordinary shares	11,444,017	11,418,214
CONTINUING AND DISCONTINUED OPERATIONS		
Earnings per ordinary share [PLN]		
- basic	5.01	7.67
- diluted	4.89	7.49

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (IN PLN THOUSAND)

ASSETS	31.12.2014	31.12.2015
I. NON-CURRENT ASSETS	1,176,293	1,277,023
1. Goodwill	588,864	692,194
2. Intangible assets	111,936	112,946
3. Property, plant and equipment	316,252	328,670
4. Investment property	9,096	9,290
5. Investments accounted for with equity method	3,603	1,687
6. Other non-current financial assets	28,400	26,654
7. Non-current receivables	35,366	35,407
8. Deferred tax assets	80,237	66,973
9. Other non-current assets	2,539	3,202
II. CURRENT ASSETS	2,167,092	2,139,319
1. Inventories	1,065,108	1,103,922
2. Other current financial assets	82,189	89,318
3. Current receivables	741,073	750,654
3.1. Trade and other receivables	738,977	735,414
3.2. Current tax assets	2,096	15,240
4. Cash and cash equivalents	267,081	186,345
5. Other current assets	11,641	9,080
TOTAL ASSETS	3,343,385	3,416,342

EQUITY AND LIABILITIES	31.12.2014	31.12.2015
I. TOTAL EQUITY	623,056	693,222
1. Equity attributable to owners of the parent	614,962	681,246
1.1. Share capital	22,709	22,630
1.2. Statutory reserve funds	419,326	616,096
1.3. Treasury shares	(3,056)	-
1.4. Other capital reserves	145,421	143,623
1.5. Exchange differences on translating subordinates	25,093	25,694
1.6. Reserves from actuarial gains and losses on post-employment benefits	807	547
1.7. Retained earnings	4,662	(127,344)
- profit/ (loss) brought forward	(51,274)	(212,886)
- net profit	55,936	85,542
1.8. Non-controlling interests	8,094	11,976
II. NON-CURRENT LIABILITIES	631,426	491,447
1. Non-current liabilities and provisions	624,901	484,433
1.1. Other financial liabilities	614,876	473,905
1.2. Deferred tax liabilities	7,631	7,477
1.3. Long-term provisions	2,394	3,051
1.4. Deferred income	6,525	7,014
III. CURRENT LIABILITIES	2,088,903	2,231,673
1. Current liabilities and provisions	2,050,556	2,191,515
1.1. Other financial liabilities	40,802	96,894
1.2. Liabilities for reverse factoring	168,700	208,648
1.3. Short-term provisions	10,444	14,112
1.4. Trade and other payables	1,819,839	1,865,861
1.5. Current tax liabilities	10,771	6,000
2. Accruals and deferred income	38,347	40,158
TOTAL EQUITIES AND LIABILITIES	3,343,385	3,416,342

CONSOLIDATED STATEMENT OF CASH FLOWS (IN PLN THOUSAND)

	31.12.2014	31.12.2015
A. Cash flows from operating activities		
I. Profit(loss) before tax	84,678	124,220
II. Total adjustments	48,377	(1,786)
1. Share in net (profit)/loss of subordinates accounted for with equity method	2,239	2,005
2. Depreciation and amortisation	38,162	50,000
3. Foreign exchange (gains)/losses	1,714	1,503
4. Interest and profit distributions (dividends)	17,479	26,153
5. Gain (loss) on investing activities	(30,153)	(95,112)
6. Change in inventories	(103,713)	(34,177)
7. Change in receivables	(70,645)	15,754
8. Change in current liabilities (net of borrowings)	229,405	72,507
9. Income tax paid	(36,636)	(40,425)
10. Other adjustments, net	525	6
III. Net cash from operating activities (I +/- II)	133,055	122,434
B. Cash flows from investing activities		
I. Cash provided by financing activities	258,598	287,189
1. Disposal of intangible assets and property, plant and equipment	44,256	11,637
2. Disposal of subsidiaries (net of cash disposed of)	117	20
3. Acquisition of subsidiaries, net of cash acquired	29	-
4. Repayment of loans advanced	206,830	264,723
5. Interest	7,266	10,788
6. Other cash provided by investing activities, net	100	21

	31.12.2014	31.12.2015
II. Cash used in financing activities	(335,095)	(343,060)
1. Acquisition of intangible assets and property, plant and equipment	(94,655)	(55,331)
2. Acquisition of subsidiaries (net of cash acquired)	-	(12,787)
3. Cost of acquisition	(131)	(53)
4. Acquisition of other financial assets	(1,795)	(3,708)
5. Loans advanced	(233,133)	(270,032)
6. Other cash used in investing activities, net	(5,381)	(1,149)
III. Net cash from investing activities (I - II)	(76,497)	(55,871)
C. Cash flows from financing activities		
I. Cash provided by financing activities	270,301	132,556
1. Increase in borrowings, issue of debt securities	270,301	132,556
II. Cash used in financing activities	(222,183)	(279,855)
1. Repurchase of shares	(5,813)	(2)
2. Purchase of non-controlling interests	(622)	-
3. Dividends and other distributions to owners	(33,557)	(22,291)
4. Dividends and other profit distributions paid by subsidiaries to non-controlling interests	(3,349)	(3,802)
3. Repayment of borrowings, redemption of debt securities	(154,165)	(216,951)
4. Other financial liabilities	(1,830)	(2,062)
5. Interest	(22,837)	(34,747)
6. Other cash used in financing activities, net	(10)	-
III. Net cash from financing activities (I - II)	48,118	(147,299)
D. Total net cash flow (A.III +/-B.III +/- C.III)	104,676	(80,736)
E. Increase/decrease in cash, including:	104,676	(80,736)
- change in cash resulting from exchange differences	951	1,032
F. Cash at beginning of period	162,405	267,081
G. Cash at end of period (F+/- D)	267,081	186,345

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