Gedeon Richter Plc.

Financial statements

31 December 2013

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- *Income statement*
- *Supplementary notes*
- *Business report*

Budapest, 24 April 2014

1	0	4	8	4	8	7	8	2	1	2	0	1	1	4	0	1

Statistical number

0	1

Gedeon Richter Plc.

Balance Sheet (Assets)

31 December 2013

Data in HUF Million

	Description	Previous year 31.12.2012	Current year 31.12.2013
a	b	c	e
A.	Fixed Assets	406 814	445 831
I.	Intangible Assets	84 362	101 654
1.	Capitalised value of reorganization		
2.	Capitalised value of research and development		423
3.	Rights	68 723	67 177
4.	Intellectual property	1 969	1 440
5.	Goodwill	13 670	32 614
6.	Advances given for intangibles		
7.	Adjusted value of intangible assets		
II.	Tangible Assets	126 003	127 256
1.	Land and buildings	81 047	82 526
2.	Technical equipment	22 727	23 116
3.	Other equipment	14 746	14 280
4.	Animals		
5.	Investments	7 403	7 010
6.	Advances given for tangible assets	80	324
7.	Adjusted value of tangible assets		
III.	Financial Investments	196 449	216 921
1.	Long-term shares in subsidiaries	118 649	120 874
2.	Other long-term shares	5 783	7 010
3.	Long-term loans given to subsidiaries	52 402	52 645
4.	Long-term loans given to other affiliates	784	593
5.	Other long-term loans	479	502
6.	Long-term bonds	18 352	33 810
7.	Adjusted value of financial investments		
8.	Valuation difference of non-current assets		1 487

Data in HUF Million

	Description	Previous year 31.12.2012	Current year 31.12.2013
a	b	c	e
B.	Current Assets	243 681	251 323
I.	Inventories	43 481	45 778
1.	Raw materials	8 509	9 360
2.	Work in progress, semi-finished products	22 045	23 069
3.	Live stock		
4.	Finished products	9 197	10 092
5.	Goods	3 730	3 251
6.	Advances given for inventories	0	6
II.	Receivables	108 393	117 086
1.	Trade receivables	42 049	52 010
2.	Receivables due from subsidiaries	42 088	52 947
3.	Receivables due from other affiliates	17 629	8 290
4.	Bills receivable		
5.	Other receivables	6 627	3 839
6.	Valuation difference of receivables		
7.	Positive fair value difference of derivative instruments		
III.	Securities	11 604	3 987
1.	Shares in subsidiaries		
2.	Other shares		
3.	Own shares	1 671	276
4.	Short-term bonds	9 911	3 711
5.	Fair value difference of securities	22	
IV.	Cash	80 203	84 472
1.	Cash	39	48
2.	Bank deposits	80 164	84 424
C.	Prepayments	4 458	3 937
1.	Accured income	2 203	1 422
2.	Prepaid expenses	2 255	2 515
3.	Deferred expenses		
	Total Assets	654 953	701 091

Budapest, 24 April 2014

Managing Director

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Statistical number

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Gedeon Richter Plc.
Balance Sheet (Equity and Liabilities)

31 December 2013

Data in HUF Million

	Description	Previous year 31.12.2012	Current year 31.12.2013
a	b	c	e
D.	Shareholder's Equity	522 041	559 578
I.	Issued capital	18 637	18 637
	- including own-shares repurchased at face value	*45*	*61*
II.	Issued unpaid capital (-)		
III.	Share premium	19 256	19 256
IV.	Retained earnings	450 818	483 427
V.	Tied-up reserve	1 671	699
VI.	Revaluation reserve	22	1 487
1.	Valuation reserve		
2.	Fair value reserve	22	1 487
VII.	Profit or Loss for the year	31 637	36 072
E.	Provisions	1 209	1 518
1.	Provision for expected liabilities	1 209	1 518
2.	Provision for expected expenses		
3.	Other provisions		
F.	Liabilities	123 933	129 944
I.	Subordinated liabilities	0	0
1.	Subordinated liabilities due to subsidiaries		
2.	Subordinated liabilities due to other affiliates		
3.	Other subordinated liabilities		
II.	Long-term liabilities	83 658	78 791
1.	Long-term loans		
2.	Convertible bonds		
3.	Debts on issue of bonds		
4.	Investment and development loans		
5.	Other long-term loans	72 823	54 434
6.	Long-term liabilities due to subsidiaries		
7.	Long-term liabilities due to other affiliates		
8.	Other long-term liabilities	10 835	24 357

Data in HUF Million

	Description	Previous year 31.12.2012	Current year 31.12.2013
a	b	c	e
III.	Current liabilities	40 275	51 153
1.	Short-term loans		
	- including: convertible bond		
2.	Other short-term loans		4 948
3.	Advances received from customers	347	262
4.	Trade payables	17 394	17 106
5.	Bills payable		
6.	Short-term liabilities due to subsidiaries	6 664	8 291
7.	Short-term liabilities due to other affiliates	10	
8.	Other short-term liabilities	15 356	20 258
9.	Valuation difference of current liabilities		
10.	Negative fair value difference of derivative instruments	504	288
G.	Accruals	7 770	10 051
1.	Accrued income		
2.	Accrued expenses	6 343	8 115
3.	Deferred income	1 427	1 936
	Total Liabilities and Equity	654 953	701 091

Budapest, 21 April 2014

Managing
Director

1	0	4	8	4	8	7	8	2	1	2	0	1	1	4	0	1

Statistical number

0	2

Gedeon Richter Plc.

Income Statement

"A" Type

31 December 2013

Data in HUF Million

	Descriptions	Previous year 12 months	Current year 12 months
a	b	c	e
01.	Domestic sales	29 539	30 222
02.	Export sales	225 959	250 765
I.	Total Sales (01+02)	255 498	280 987
03.	Direct cost of production	44 476	46 187
04.	Cost of goods sold	10 912	10 675
05.	Value of services sold	493	396
II.	Direct costs of sales (03+04+05)	55 881	57 258
III.	Gross profit (I-II)	199 617	223 729
06.	Sales and marketing expenses	80 378	101 534
07.	Administration and general expenses	23 341	24 934
08.	Other general expenses	40 237	48 076
IV.	Indirect costs of sales (06+07+08)	143 956	174 544
V.	Other income	13 087	11 885
	including revesal of impairment	*455*	*344*
VI.	Other expenditures	11 885	12 054
	including impairment	*2 116*	*1 835*
A.	OPERATING RESULTS (III-IV+V-VI)	56 863	49 016

Data in HUF Million

	Descriptions	Previous year 12 months	Current year 12 months
a	b	c	e
13.	Dividends and profit-sharing (received or due)	1 378	1 485
	including from affiliated undertakings	*1 072*	*513*
14.	Capital gains on the sale of investments	25	
	including from affiliated undertakings	*25*	
15.	Interest income and capital gains on financial investments		3 430
	including from affiliated undertakings		
16.	Other interest and similar income	5 275	3 849
	including from affiliated undertakings	*1 616*	*1 351*
17.	Other financial income	5 697	5 847
	including from valuation difference	*249*	*504*
VIII.	INCOME FROM FINANCIAL TRANSACTIONS (13+14+15+16+17)	12 375	14 611
18.	Losses on financial investments		
	including to affiliated undertakings		
19.	Interests payable and similar expenses	1 805	1 560
	including to affiliated undertakings		
20.	Losses on shares, securities and bank deposits	1 062	-1 983
21.	Other financial expenses	20 600	15 311
	including from valuation difference	*504*	
IX.	EXPENSES ON FINANCIAL TRANSACTIONS (18+19+20+21)	23 467	14 888
B.	PROFIT OR LOSS FROM FINANCIAL TRANSACTIONS (VIII-IX)	-11 092	-277
C.	PROFIT OR LOSS OF ORDINARY ACTIVITIES (+-A+-B)	45 771	48 739
X.	EXTRAORDINARY INCOME	130	7 022
XI.	EXTRAORDINARY EXPENSES	1 339	8 640
D.	EXTRAORDINARY RESULT (X-XI)	-1 209	-1 618
E.	INCOME BEFORE TAXES (±C±D)	44 562	47 121
XII.	TAXES PAYABLE	654	435
F.	PROFIT AFTER TAXES (±E-XII)	43 908	46 686
22.	Profit reserves used for dividends and profit-sharing		
23.	Dividends and profit-sharing paid (payable)	12 271	10 614
G.	PROFIT OR LOSS FOR THE YEAR (±F+22-23)	31 637	36 072

Budapest, 24 April 2014

Managing Director

GEDEON RICHTER PLC.

NOTES TO THE
FINANCIAL STATEMENTS
2013

Erik Bogsch
Managing Director

Budapest, 24 April 2014

CONTENTS

I. General Section

I/1 Company data

Company name:	**Chemical Works of Gedeon Richter Plc.**
Short name of the Company:	**Gedeon Richter Plc.**
Date of foundation of legal predecessor:	**2 October 1923**
Address of the Company:	**1103 Budapest, Gyömrői út 19-21.**
Site:	**2510 Dorog, Esztergomi út 27.**
Company website:	**www.richter.hu**
Date of the first Articles of Association:	**24 July 1923**
Date of the effective Articles of Association:	**24 April 2014**
Reference and place of last Company Court registration:	**Cg. 01-10-040944/431 Budapest**
Current registered capital:	**HUF 18,637,486,000**
Principal activity:	**Manufacture of pharmaceutical products**
TEÁOR No.:	**2120**
Duration of the Company:	**indefinite**
Business year:	**corresponding to the calendar year**
Name and address of the auditor company:	**PricewaterhouseCoopers Auditing Ltd.**
	1055 Budapest, Bajcsy-Zsilinszky út 78.
Natural person:	**Éva Barsi**
Registration number at the Chamber of Hungarian Auditors:	**002945**
Company announcements are published in:	**Company Gazette**
Name of the person authorised to sign on behalf of the Company:	**Erik Bogsch**
Address:	**Budapest**
The person responsible for the management and supervision of the tasks relating to book-keeping is:	**Judit Kozma**
Address:	**Budapest**
Registration number:	**160173**

I/2 Summary description of the accounting policy, general information

2.1 Preparation of the financial statements

The financial statements are prepared on the basis of "Act C of 2000 on Accounting".

Balance sheet date:	**31 December 2013**
Balance sheet preparation date:	**30 January 2014**

All figures of the financial statements are presented in HUF million unless stated otherwise.

2.2 Selected form of the balance sheet and the income statement

The balance sheet is prepared according to version „A". The income statement is prepared pursuant to the function of expense method, according to version „A".

2.3 Valuation procedures

Upon initial recognition of assets and liabilities denominated in foreign currencies, the Company applies the foreign exchange rate announced by Hungarian National Bank (hereinafter „MNB") on the day of performance.

At year-end all the assets and liabilities denominated in foreign currencies are to be disclosed in a HUF value calculated at MNB exchange rate effective on the balance sheet date.

Available for sale and held for trading financial instruments are stated at fair value by the Company.

2.3.1 Fixed assets

Since the Hungarian Accounting Act does not include specific guidance, for accounting of deferred purchase price of acquisitions the Company applies the analogy of regulations of IFRS3 Standard.

2.3.2 Current assets

Inventories

Purchased inventories are valued by article units at the last weighted average purchase price with the volume of the closing inventories taken into account. Impairment is recognised in accordance with the Accounting Act.

The Company measures self-manufactured inventories at production costs less the impairment accounted for in accordance with the Accounting Act.

Content of direct manufacturing costs:

- direct material costs,
- direct wage and contribution costs,
- costs of contract work,
- depreciation of production equipment,
- maintenance costs of production equipment,
- operation costs.

2.3.3 Measurement of equity and liabilities

Richter Gedeon Plc measures issued capital at a book value, which corresponds to the amount of capital registered at the Registry Court. Capital reserve, retained earnings, provision and liabilities are measured at book value in the balance sheet. The liability of the deferred purchase prices of the acquisitions are presented at probability weighted discounted value.

2.4 Accounting for impairment

Financial investments are impaired if the carrying value exceeds significantly the market value, and this tendency is prolonged.

If the purchase price of goods is higher than the actual market value at the reporting date, then such inventories shall be shown in the balance sheet at the actual market value, and if the production costs of self-manufactured inventories are higher than the selling price known and expected at the reporting date, then they shall be shown in the balance sheet at the selling price less costs expected to be incurred.

The purchase price of purchased inventories and the production costs of self-manufactured inventories - in addition to the described above - are shown in the balance sheet at a lower value if such inventories are not compliant with the relating requirements or not suitable for the original purpose, if damaged, redundant or their use or sale is doubtful.

In such case the value of inventories shall be decreased to the extent that they are shown in the balance sheet at a market value effective at the reporting date, reflecting the usability of the inventories.

Accounts receivable, and thus the customers are assessed on individual basis, in accordance with the Accounting Act.

Review of domestic receivables

Based on the aging list of trade receivable accounts the Accounting and Finance Department puts forward a proposal on receivables for impairment, with the customers rated. The proposal is reviewed by the CFO and the Chief Accountant, who then make a written recommendation regarding the rate of allowance with detailed analyses of the individual customers attached. The recommendation is approved by the Deputy Chief Executive Officer responsible for Finance.

Review of export receivables

Based on the aging list of the trade receivable accounts the Accounting, Finance and Foreign Trade Department put forward a proposal on receivables for impairment broken down by relations (CIS, EU, USA, Other markets), with the customers rated. The proposal is reviewed by the CFO, the Chief Accountant, and the Director of Foreign Trade who then make a recommendation regarding the rate of allowance by relations. The Deputy Chief Executive Officer responsible for Finance forwards the recommendation to the CEO for approval.

2.5 Depreciation method

Ordinary depreciation is recognised by the Company on a monthly basis, by daily depreciation calculation. The yearly amount of depreciation is based on the expected useful life of assets, physical wear and tear, obsolescence, other typical circumstances, and the residual value.

Based on the assessment of the Company, the realisable value of assets at the end of their useful life - except for cars - is insignificant, the residual value is 0. Residual value is 20% of the gross value in case of cars.

Based on the expected useful life - with the necessity of technological and environmental developments and technical obsolescence taken into account - the Company determined the applicable depreciation rates.

Depreciation is applied for tangible and intangible assets. Depreciation is recognised by the straight-line method. The amount of depreciation is planned in advance by the Company and is recognised as of the date of capitalization. The Company uses the following depreciation rates:

Description	**Rates**
Intangible assets	5-20 %
Land	0 %
Buildings	1-8 %
Machineries	14-33 %
Office furniture and equipments	33 %
Vehicles	20 %

Concessions, licences and similar rights, intellectual property and tangible assets below an individual historical cost of HUF 100,000 are immediately recognised as depreciation on capitalisation.

The IT system recording tangible assets enables a two dimensional parallel treatment of amortisation (in accordance with the tax laws and the Accounting Act).

2.6 Accounting policy

The Company did not amend its Accounting policy in 2013.

2.7 Tax audit

A comprehensive tax audit procedure covering business activities for the years 2006-2007-2008 ended by a second instance resolution on 13 July, 2011. Books and ledgers of the company may be audited in a period of up to six years following the current year. The Management of the Company is unaware of any circumstances that may materially impact its business on these grounds.

2.8 Notable events in 2013

In 2013 Richter Gedeon Plc. ('Richter') announced an acquisition in China. The agreement terms included an upfront payment together with milestone payments in the forthcoming years. Deferred purchase price – which is depending on future profit of certain products in China – is accounted for at discounted fair value similarly to the deferred purchase price of PregLem.

Richter through the new acqusition established its direct presence in China with 7 regional offices and more than 200 staff, executing the promotion and lifecycle marketing management of both Richter's existing retail prescription drugs and from third party licensed-in products.

On 8 and 28 February 2012 Richter and its partner, Forest Laboratories, Inc. announced the successful conclusion of the third Phase III trial of the antipsychotic cariprazine for the acute treatment of manic or mixed episodes associated with bipolar I disorder, and two positive Phases III trials of the same drug for the treatment of schizophrenia. The Company thus boasts of three positive Phase III trials in respect of both indications. On 28 November 2012 Richter announced that Forest Laboratories submitted a new drug application (NDA) to the United States Food and Drug Administration (FDA) for cariprazine for both indications. On 21 November 2013 the two companies announced that the FDA issued a so-called Complete Response Letter regarding registration, in which the Agency recognized the efficiecy of cariprazine but required further information and tests, consultations on which will begin shortly. There are on-going parallel clinical studies to expand the indications and to penetrate the European and Japanese markets.

As part of its expansion in Central and South America, the Company started to acquire companies in Brazil and Mexico in December 2013. The main activity of the acquired companies will be to undertake registration tasks related to Richter's gynaecological products and to develop the marketing and promotion networks.

2.9 Post-balance sheet date events

In February 2012, Esmya had been granted marketing authorisation for the EU member states for its indication of pre-operative treatment of uterine fibroids (myomas). According to the original authorisation, treatment had been limited to one course of three months. In January 2014 the European Commission granted marketing authorization for the extended use of Esmya 5 mg tablet up to two courses (2x3months) of treatment.

The management is not aware of other post-balance sheet date event that might be material to the Company's business.

2.10 Audit fees

The Company signed a contract with PricewaterhouseCoopers Auditing Ltd to perform the financial audit in respect of 2013. The annual fee due to this activity amounts to HUF 19 million + VAT.

I/3 Evaluation of the 2013 activities of Gedeon Richter Plc.

Expressed in HUF million, the reference figures used for evaluating the 2013 business of Gedeon Richter Plc. are taken from the 2012 audited annual report as approved by the General Meeting.

3.1 Total sales geographical segment

Sales income		2012.	2013.	Variance	
				Amount	%
Domestic	MHUF	29 539	30 222	683	2,3
	M€	102,2	101,8	-0,4	-0,4
Export	MHUF	225 959	250 765	24 806	11,0
	M€	781,5	844,9	63,4	8,1
CIS	MHUF	127 429	139 656	12 227	9,6
	M€	440,8	470,5	29,7	6,7
EU	MHUF	73 715	77 636	3 921	5,3
	M€	255,0	261,6	6,6	2,6
USA	MHUF	9 539	8 471	-1 068	-11,2
	M€	32,9	28,5	-4,4	-13,4
China	MHUF	1 770	10 352	8 582	484,9
	M€	6,1	34,9	28,8	472,1
Other countries	MHUF	13 506	14 650	1 144	8,5
	M€	46,7	49,4	2,7	5,8
Total sales income	**MHUF**	**255 498**	**280 987**	**25 489**	**10,0**
	M€	**883,7**	**946,7**	**63,0**	**7,1**
Average exchange rate	HUF/€	289,1	296,8	7,7	2,7

In the wake of the new Chinese sales scheme the Company took China out of the Other countries region and reported Chinese income from sales as a separate line item. In the table above Croatia appears as an EU member state. For the sake of comparability the reference year figures have also been converted.

In 2013, the total sales increased in forint as well as in euro, it was HUF 25,489 million higher and EUR 63.0 million less year-on-year. Export contributed 89% to total income from sales compared to 88% in 2012.

In 2013, 99% of total sales were contributed by pharmaceuticals.

HUF 66,900 million was realised with associated enterprises including HUF 55,874 million from sales to subsidiaries.

With this performance the Company's market share was 5.3% in 2013, approximately the same as the reference year's figure. Richter ranked second in the prescription drugs market with a share of 7.4%.

There were no significant changes in the Hungarian market regulations compared to 2012.

In the CIS region the Company achieved a 9.6% sales increase expressed in HUF and a 6.7% increase expressed in EUR. The increase in sales income was due to the performance achieved in the Russian market, which was further strengthened by rising turnover in the Other CIS states segment, primarily in Kazakhstan.

Sales in the European Union were 5.3% higher in HUF and 2.6% higher in EUR year-on-year. In the EU 15 region, the rise in the turnover of gynaecological products was boosted by Esmya sales.

Richter has been present for decades in the central and eastern markets of the European Union and has been selling its products through its own well-established distribution network. In this geographical segment, too, Richter faced strengthening competition and prices kept low as a result of government measures and an unfavourable social security environment. As a result the Company's turnover dropped in both HUF (-1.5%) and EUR (-4.1%) year-on-year.

Sales revenues in the USA region lagged behind the reference year figures in both HUF (-11.2%) and USD terms (-10.6%) due primarily to plummeting sales of oral contraceptive APIs. Turnover lagged behind the reference year's figure due to price reductions required by keen competition.

As a result of the change in the business model, from 1 January 2013 the turnover achieved in the Chinese market significantly increased both in HUF (5.8 times) and EUR (5.7 times) year-on-year.

In the Other countries region the turnover in HUF was 8.5% above the 2012 figure. In EUR the increase was 5.8%.

TOP 5 market of sales:

		2013	
		HUF million	EUR million
1.	Russia	94,886	319.7
2.	Hungary	30,222	101.8
3.	Ukraine	21,191	71.4
4.	Poland	15,547	52.4
5.	Germany	15,319	51.6
	Total	177,165	596.9
	Net income from sales	*280,987*	*946.7*

The top five countries contributed 63% of total income from sales. Similarly to 2012 the most important sales were comprised by exports to Russia. Hungary retained its 2nd place and Ukraine, Poland and Germany also kept their positions of last year.

The three main therapeutic areas contribute 85% to the 2013 sales income. The most important area is that of gynaecological products contributing 36% to turnover, The contribution of cardiovascular products is 26% and of CNS (Central Nervous System) products, 13%.

The following table contains the TOP Five product based on their contribution to total sales revenues:

2012.				2013.			
Rank		**Sales HUF million**	**Share %**	**Rank**		**Sales HUF million**	**Share %**
1	Oral contraceptives	76,053	29.8	1	Oral contraceptives	80,985	28.8
2	Cavinton/vinpocetine	19,249	7.5	2	Cavinton/vinpocetine	24,733	8.8
3	Ace-inhibitors /enalapril,lisinopril	16,196	6.3	3	Panangin/ asparaginates	18,483	6.6
4	Mydeton/tolperisone	16,195	6.3	4	Mydeton/tolperisone	16,381	5.8
5	Panangin/ asparaginates	15,258	6.0	5	Ace-inhibitors /enalapril,lisinopril	15,460	5.5
	Total	142,951	55.9		Total	156,042	55.5
	Net income from sales	***255,498***	***100.0***		***Net income from sales***	***280,987***	***100.0***

The shares of the top five products are approximately the same as in the reference year and contribute over half to total income from sales. Oral contraceptives took the lead in both the reported and the reference year. The runner-up was Richter's proprietary drug Cavinton. Mydeton managed to retain its 4th place and Panangin leapt from 5th to 3rd place, swapping position with ACE inhibitors.

3.2 Balance sheet

Assets

As of 31December 2013 the Company's assets amounted to HUF 701,091 million, HUF 46,138 million higher than the opening value. The increase of total assets is 7.0%. The main items on the asset side are as follows:

Fixed assets

The closing value of this item was HUF 445,831 million, HUF 39,017 million higher than the opening value. Most of the increase in fixed assets was contributed by the increase of the value of financial assets and intangibles, and, to a lesser extent, by that of the value of tangible assets.

As of 31 December 2013 the combined value of the Company's holdings amounted to HUF 129,371 million with a year-on-year growth of by HUF 4,939 million. The following are the main items contributing to the change: capital increase of ZAO Gedeon Richter-RUS (HUF +3,630 million); the HUF 3,019 million book value of the new Chinese GRmed Company Limited reported as acquisition; the reversed impairment and revaluation of the Russian wholesale and retail group Protek (HUF +3,470 million), due to the change in the fair value, and the book value of Gedeon Richter Romania S.A. (HUF +2,680 million). The increase was lessened by Gedeon Richter Polska Sp. z o.o.'s capital decrease (HUF -6,514 million).

The foreign currency revaluation of equity investments as of the balance sheet date resulted in a decrease of HUF 1,228 million.

Loans given amounted to HUF 53,740 million and included predominantly long-term loans extended to pharmaceutical production companies.

The bond bought by the Company to be held until maturity and convertible to Richter Treasury shares was reported under investments with a book value of HUF 14,297 million in 2012. The pre-maturity repurchase and refinancing resulted in launching a new convertible bond with a book value of HUF 15,439 million as of 31 December 2013. The new bonds have with maturity in 2019.

There was no significant change in the value of tangible assets year-on-year (+1.0 %). The net value of real estate and related valuable rights was HUF 1,479 million above the opening figure. The change resulted from investments to upgrade the infrastructure serving production. Impairment was HUF 14,795 million in the reported period. The total value of capitalised capital expenditure is HUF 16,600 million. The total capitalised value includes group assets of minor value at HUF 53 million and completed refurbishment projects at HUF 2,210 million.

The value of intangibles was HUF 101,654 million, HUF 17,292 million in excess of the opening value. The growth resulted for the settlement of the Chinese acquisision (HUF 18,944 million).

Current assets

The total value of current assets was HUF 251,323 million as of 31 December 2013, HUF 7,642 million above the opening value.

Inventories increased by HUF 2,297 million by the end of the year and included a HUF 378 million increase in the combined value of purchased materials, goods and advances. The combined value of work in progress, finished products and semi-finished goods was HUF 1,919 million higher than the opening value recorded on 1 January.

Receivables were HUF 8,693 million higher than the opening figure. The net value of trade receivables were HUF 7,670 million in excess of the reference year. The increase was primarily contributed by growing trade receivables in China, the EU and the CIS. This figure also contains HUF 2,291 million decrease in liabilities to other related parties. The closing balance of loans extended to affiliated undertakings and undertakings linked by participating interest was HUF 162 million less year-on-year predominantly because of the loan items extended to Pharmapolis Gyógyszeripari Tudományos Park Kft., Richter-Helm BioLogics and Gedeon Richter Romania S.R.L. due within a year. The paid up but not yet registered capital increase of ZAO Gedeon Richter - RUS and the purchase price of GR Mexico increase receivables (with a combined value of HUF 7,603 million).

As of 31 December 2013 the value of cash grew by HUF 4,269 million. The growth was predominantly contributed by the drawdown of the third EUR 50 million tranche of the European Investment Bank (EIB) credit line in January 2013. On the other hand, at the end of Q2 the Company made an early repayment of EUR 100 million of the club facility taken out in 2010, which reduced the portfolio of cash and securities. Payment of the dividend approved by the AGM was also a reduction factor.

The closing value of securities was HUF 7,617 million below the opening value, due mainly to the combined decreasing value of proprietary shares and quotas and securities held for trading.

Total Liabilities and Equity

Shareholders' equity

There was a substantial, HUF 37,537 million, increase in shareholders' equity, which resulted from a HUF 32,609 million increase in retained earnings, a HUF 4,435 million increase in profit for the year, a HUF 1,465 million growth in fair value reserve, and a HUF 972 million decrease in tied up reserve, while the value of registered capital and capital reserves remained unchanged.

all amounts in MHUF

	Issued capital	Share premium	Retained earnings	Tied-up reserve	Fair value reserve	Profit or Loss fo the year	Shareholders' equity
Balance 31.12.2012	**18 637**	**19 256**	**450 818**	**1 671**	**22**	**31 637**	**522 041**
31.12.2012 Profit for the year			31 637			-31 637	0
31.12.2013 repurchased treasury shares value released			1 671	-1 671			0
31.12.2013 treasury shares repurchase value locked and			-699	699			0
31.12.2013 fair valuation reserve released					-22		-22
31.12.2013 fair valuation reserve created					1 487		1 487
31.12.2013 Profit for the year						36 072	36 072
Balance 31.12.2013	**18 637**	**19 256**	**483 427**	**699**	**1 487**	**36 072**	**559 578**

Changes in issued capital

Shares of the company

	31.12.2012			31.12.2013		
	Number	Nominal value HUF'000	Ratio %	Number	Nominal value HUF'000	Ratio %
Ordinary shares	18 637 486	18 637 486	100,00	186 374 860	18 637 486	100,00
Total shares	**18 637 486**	**18 637 486**	**100,00**	**186 374 860**	**18 637 486**	**100,00**

At the Annual General Meeting held on 25 April 2013 the shareholders resolved to transform the Company's registered ordinary shares by splitting their number one-to-ten ratio. Accordingly, the the Company's 18,637,486 shares each with a nominal value of HUF 1,000 were replaced by 186,374,860 shares, each with a nominal value of HUF 100 on 16 July 2013.

Fair valuation reserve

HUF million

	31.12.2012	31.12.2013	Variance
Securities held for trading	22	0	-22
Financial investments	0	1487	1487

The fair valuation of securities was based on bank data, and that of the share in Protek Holding, on the basis of the share price on the stock exchange.

Ownership structure as known by the Company

	Ordinary shares *		Voting capital %		Subscribed capital %	
	31.12.2012*	31.12.2013	31.12.2012	31.12.2013	31.12.2012	31.12.2013
Domestic shareholders						
MNV ZRt.	47 039 210	47 051 548	25,31	25,27	25,24	25,25
Pension Reform and Debt Reduction Fund	0	0	0,00	0,00	0,00	0,00
Local government	1 070	1 164	0,00	0,00	0,00	0,00
Institutional investors	6 910 380	4 679 654	3,72	2,51	3,71	2,51
Private investors	7 650 110	6 285 811	4,12	3,38	4,10	3,37
Total	**61 600 770**	**58 018 177**	**33,15**	**31,16**	**33,05**	**31,13**
Foreign shareholders						
Private investors	1 146 640	635 085	0,62	0,34	0,62	0,34
Institutional investors	122 782 510	127 526 848	66,08	68,49	65,88	68,43
incl.: Skagen Kon-Tiki Verdipapirfond	*9 971 040*	*10 116 722*	*5,37*	*5,43*	*5,35*	*5,43*
Aberdeen Asset M. PLC.	*23 726 690*	*37 179 620*	*12,77*	*19,97*	*12,73*	*19,95*
Total	**123 929 150**	**128 161 933**	**66,70**	**68,83**	**66,50**	**68,77**
Non-specified shareholder	286 080	27 972	0,15	0,01	0,15	0,01
Treasury shares *	558 860	166 778	0,00	0,00	0,30	0,09
Subscribed capital	**186 374 860**	**186 374 860**	**100,00**	**100,00**	**100,00**	**100,00**

* At Group level it includes the 105,500 ordinary shares held by subsidiaries. Treasury shares carry no voting rights.
** Share related figures have been converted in accordance with the share split.

The book value of treasury shares held by Richter is HUF 276 million.

The table is based on data from the Shareholders' Register modified after establishment of eligibility as provided by KELER Zrt. and the fund managers.

Changes in treasury shares

	Number of shares	HUF million
Opening 01.01.2013	453 360	1 671
Share purchase	892 560	3 852
Transferred in the context of bonus program	-375 370	-1 526
Transferred as premium	-507 276	-1 913
Transferred in the context of PM program	-415 177	-1 857
Repurchased in the context of PM program	13 181	49
Closing 31.12.2013	61 278	276

Liabilities

As of 31 December 2013 total liabilities amounted to HUF 129,944 million and included HUF 78,791 million long-term liabilities. Long-term liabilities were HUF 4,867 million below the opening value.

The drop was primarily caused by the above mentioned early repayment of EUR 100 million of the club facility. After the early repayment the Company had EUR 50 million of the club loan and EUR 150 million EIB loan payable.

Accounts payable increased by HUF 1,329 million. This figure also contains changes in liabilities to other related parties.

Short-term liabilities included obligations related to the Chinese acquisition, of which HUF 5,636 million is due in the following year.

3.3 Cash Flow Statement

MHUF

			2012.	2013.
I.	Net cash flow from ordinary business (Operating cash flow, lines 1-13)		13 798	65 989
1.	Profit before taxation	±	44 562	47 121
1/a.	Dividends received	-	-1 378	-1 485
1b.	Other profit items that do not imply cash movements		9 377	3 511
2.	Depreciation charge	+	20 708	21 533
3.	Impairment charge and reversal	±	3 508	539
4.	Difference in recognition and reversal of provisions	±	1 180	309
5.	Gains and losses of selling non-current assets	±	-28	93
5/a	Change of non-current assets without cash flow generating effect	±	-36	2 528
6.	Change of trade payables	±	1 263	1 305
7.	Change of other short term liabilities	±	-42 370	622
8.	Change of accruals	±	1 318	2 281
9.	Change of trade receivables	±	34	-7 532
10.	Change in current assets (less receivables and lquid assets)	±	-10 309	8 051
10/a.	Change of other current assets without cash flow generating effect	±	-317	-733
11.	Change of prepayments	±	-849	552
12.	Taxes paid or payable (on profits)	-	-654	-435
13.	Dividend paid or payable	-	-12 211	-12 271
II.	Cash flow from investing activities (lines 14-16)		-43 455	-43 387
14.	Purchasing non-current assets	-	-23 518	-24 814
15.	Sales of non-current assets	+	251	287
16.	Change of financial investments	±	-21 566	-20 345
16/a.	Dividends received	+	1 378	1 485
III.	Cash flow from financing activities (lines 17-27)		14 160	-18 333
17.	Proceeds from issuing shares	+		
18.	Proceeds from issuing bonds	+		
19.	Taking credits or loans	+	14 788	14 687
20.	Repayment of long term loans	+	3 332	1 920
21.	Liquid assets received without the obligation of repayment	+		
22.	Withdrawal of shares	-		
23.	Repayment of bonds	-		
24.	Repayment of loans and credit	-		-29 129
25.	Long term loans extended	-	-2 921	-4 882
26.	Liquid assets given without the obligation of repayment	-	-1 039	-929
27.	Change of liabilities in connection with founders	±		
IV.	Net cash flow (lines I+II+III)	±	-15 497	4 269

3.4 Financial performance indicators

Profitability indicators

a.) Profit margin

$$\text{Profit rate} = \frac{\text{Profit for the year}}{\text{Total sales income *}}$$

2012		2013	
$\frac{31\,637}{256\,284}$	= 0,123	$\frac{36\,072}{290\,977}$	= 0,124

* Net sales revenue + other income + profit on financial transactions + extraordinary profit

b.) Turnover and profit ratio

$$\text{Turnover and profit ratio} = \frac{\text{Operating result}}{\text{Net sales revenue + Other income}}$$

2012		2013	
$\frac{56\,863}{255\,498 + 13\,087}$	= 0,212	$\frac{49\,016}{280\,987 + 11\,885}$	= 0,167

c.) Profit per capita

$$\text{Profit per capita} = \frac{\text{Profit for the year}}{\text{Average headcount}}$$

2012		2013	
$\frac{31\,637}{6\,604}$	= 4,79 MHUF/ per capita	$\frac{36\,072}{6\,833}$	= 5,28 MHUF/ per capita

d.) ROE = Return on Equity

$$\text{Return on equity} = \frac{\text{Net profit}}{\text{Shareholder's equity}} \times 100$$

2012

$$\frac{43\,908}{522\,041} \times 100 = 8{,}41\%$$

2013

$$\frac{46\,686}{559\,578} \times 100 = 8{,}34\%$$

e.) ROA = Return on Assets

$$\text{Return on assets} = \frac{\text{Net profit}}{\text{Total assets}} \times 100$$

2012

$$\frac{43\,908}{654\,953} \times 100 = 6{,}70\%$$

2013

$$\frac{46\,686}{701\,091} \times 100 = 6{,}66\%$$

d.) EBITDA

$$\text{EBITDA ratio} = \frac{\text{Operating profit + depreciation}}{\text{Net sales}} \times 100$$

2012

$$\frac{56\,863 + 20\,708}{255\,498} \times 100 = 30{,}36\%$$

2013

$$\frac{49\,016 + 21\,533}{280\,987} \times 100 = 25{,}11\%$$

Financing ratio of assets

$$\text{Stability ratio} = \frac{\text{Shareholder's equity}}{\text{Fixed assets} + \text{Inventories}}$$

2012

$$\frac{522\ 041}{406\ 814 + 43\ 481} = 1{,}159$$

2013

$$\frac{559\ 578}{445\ 831 + 45\ 778} = 1{,}138$$

Liquidity indicators

$$\text{Liquidity ratio} = \frac{\text{Current assets}}{\text{Current liabilities}}$$

2012

$$\frac{243\ 681}{40\ 275} = 6{,}05$$

2013

$$\frac{251\ 323}{51\ 153} = 4{,}91$$

$$\text{Quick ratio} = \frac{[\text{Cash and Bank} + \text{Receivables} + \text{Securities}]}{\text{Current liabilities}}$$

2012

$$\frac{80\ 203 + 108\ 393 + 11\ 604}{40\ 275} = 4{,}97$$

2013

$$\frac{84\ 472 + 117\ 086 + 3\ 987}{51\ 153} = 4{,}02$$

$$\text{Cash ratio} = \frac{\text{Cash and bank}}{\text{Current liabilities}}$$

2012

$$\frac{80\ 203}{40\ 275} = 1{,}99$$

2013

$$\frac{84\ 472}{51\ 153} = 1{,}65$$

Financial risk indicators

a.) Indebtedness

$$\text{Indebtedness ratio} = \frac{\text{Liabilities}}{\text{Total assets}} \times 100$$

2012	2013
$\frac{123\,933}{654\,953} \times 100 = 18{,}9\%$	$\frac{129\,944}{701\,091} \times 100 = 18{,}5\%$

b.) Gearing ratio

$$\text{Gearing ratio} = \frac{\text{Liabilities}}{\text{Shareholder's equity}} \times 100$$

2012	2013
$\frac{123\,933}{522\,041} \times 100 = 23{,}7\%$	$\frac{129\,944}{559\,578} \times 100 = 23{,}2\%$

c.) Equity ratio

$$\text{Equity ratio} = \frac{\text{Shareholder's equity}}{\text{Total liabilities and Equity}} \times 100$$

2012	2013
$\frac{522\,041}{654\,953} \times 100 = 79{,}7\%$	$\frac{559\,578}{701\,091} \times 100 = 79{,}8\%$

Stock exchange indicators

HUF

1. Earnings per share

$$= \frac{\text{Operating profit}}{\text{Registered capital}} \times 100$$

2012

$$\frac{56\ 863}{18\ 637} \times 100 = 305$$

2013

$$\frac{49\ 016}{18\ 637} \times 100 = 263$$

2. Gross profit per share

$$= \frac{\text{Profit before taxation}}{\text{Registered capital}} \times 100$$

2012

$$\frac{44\ 562}{18\ 637} \times 100 = 239$$

2013

$$\frac{47\ 121}{18\ 637} \times 100 = 253$$

3. Net profit per share

$$= \frac{\text{Profit after taxation}}{\text{Registered capital}} \times 100$$

2012

$$\frac{43\ 908}{18\ 637} \times 100 = 236$$

2013

$$\frac{46\ 686}{18\ 637} \times 100 = 251$$

4. Profit or loss for year per share

$$= \frac{\text{Profit for the year}}{\text{Registered capital}} \times 100$$

2012

$$\frac{31\ 637}{18\ 637} \times 100 = 170$$

2013

$$\frac{36\ 072}{18\ 637} \times 100 = 194$$

5. P / E

$$= \frac{\text{Market price HUF} \times \text{number of ordinary shares '000}}{\text{Profit after tax}}$$

2012

$$\frac{3\ 740 \times 186{,}375}{43\ 908} = 15{,}88$$

2013

$$\frac{4\ 617 \times 186{,}375}{46\ 686} = 18{,}43$$

* Restated in order to reflect the impact of the share split.
** According to data as at the balance sheet preparation date of 30 January 2014
The value of P/E index increased, the share price and the profit after tax increased.

II. Specific section

II/1 Fixed assets

Changes that can not be expressed in MHUF are shown at a 0 value in the table.

1.1 Intangible assets

MHUF

Intangible assets	Account groups				
	Rights	Intellectual property	Goodwill	Capitalised R&D	Total
Gross value					
Opening balance, 01.01.2013	89 992	2 591	14 016	381	106 980
Capitalization	8 253	-104	18 944	423	27 516
Scrapping	936	255			1 191
Reclassification	-2 337				-2 337
Closing balance, 31.12.2013	94 972	2 232	32 960	804	130 968
Accumulated amortization					
Opening balance, 01.01.2013.	21 269	622	346	381	22 618
Amortization accounted in respect of the current year	6 568	170			6 738
Scrapping	42				42
Closing balance, 31.12.2013	27 795	792	346	381	29 314
Net book value					
01.01.2013	68 723	1 969	13 670	0	84 362
31.12.2013	67 177	1 440	32 614	423	101 654

1.2 Tangible assets

MHUF

Tangible assets	Account groups				
	Land and buildings	Technical equipment	Other equipment	Recorded in groups	Total
Gross value					
Opening balance, 01.01.2013	102 588	116 963	54 663	511	274 725
Capitalization	4 084	6 141	4 112	53	14 390
Renovations	739	1 292	178	0	2 209
Sale	250	560	538	1	1 349
Scrapping	55	881	941	38	1 915
Loss event			25		25
Shortage			12	7	19
Transferred without payment			2		2
Reclassification, other	-167	168	-1	0	0
Closing balance, 31.12.2013	106 939	123 123	57 434	518	288 014
Accumulated depreciation					
Opening balance, 01.01.2013	21 541	94 236	39 917	511	156 205
Depreciation charged to date	3 001	7 109	4 632	53	14 795
Sale	92	474	429	1	996
Scrapping	22	877	935	38	1 872
Loss event			19	0	19
Shortage			12	7	19
Transferred without payment			2		2
Reclassification, other	-15	13	2		0
Closing balance, 31.12.2013	24 413	100 007	43 154	518	168 092
Net book value					
01.01.2013	81 047	22 727	14 746	0	118 520
31.12.2013	82 526	23 116	14 280	0	119 922

1.2.1 Tangible assets directly used for environment protection

MHUF

Tangible assets	Account groups			
	Land and buildings	Technical equipment	Other equipment	Total
Gross value				
Opening balance, 01.01.2013	1 867	822	555	3 244
Capitalization	212	24	20	256
Renovations	6	8	1	15
Scrapping	19	1	16	36
Closing balance, 31.12.2013	2 066	853	560	3 479
Depreciation change				
Opening balance, 01.01.2013	358	764	510	1 632
Depreciation charged to date	45	48	35	128
Scrapping	9	1	16	26
Closing balance, 31.12.2013	394	811	529	1 734
Net book value				
01.01.2013	1 509	58	45	1 612
31.12.2013	1 672	42	31	1 745

1.2.2 Construction in progress

MHUF

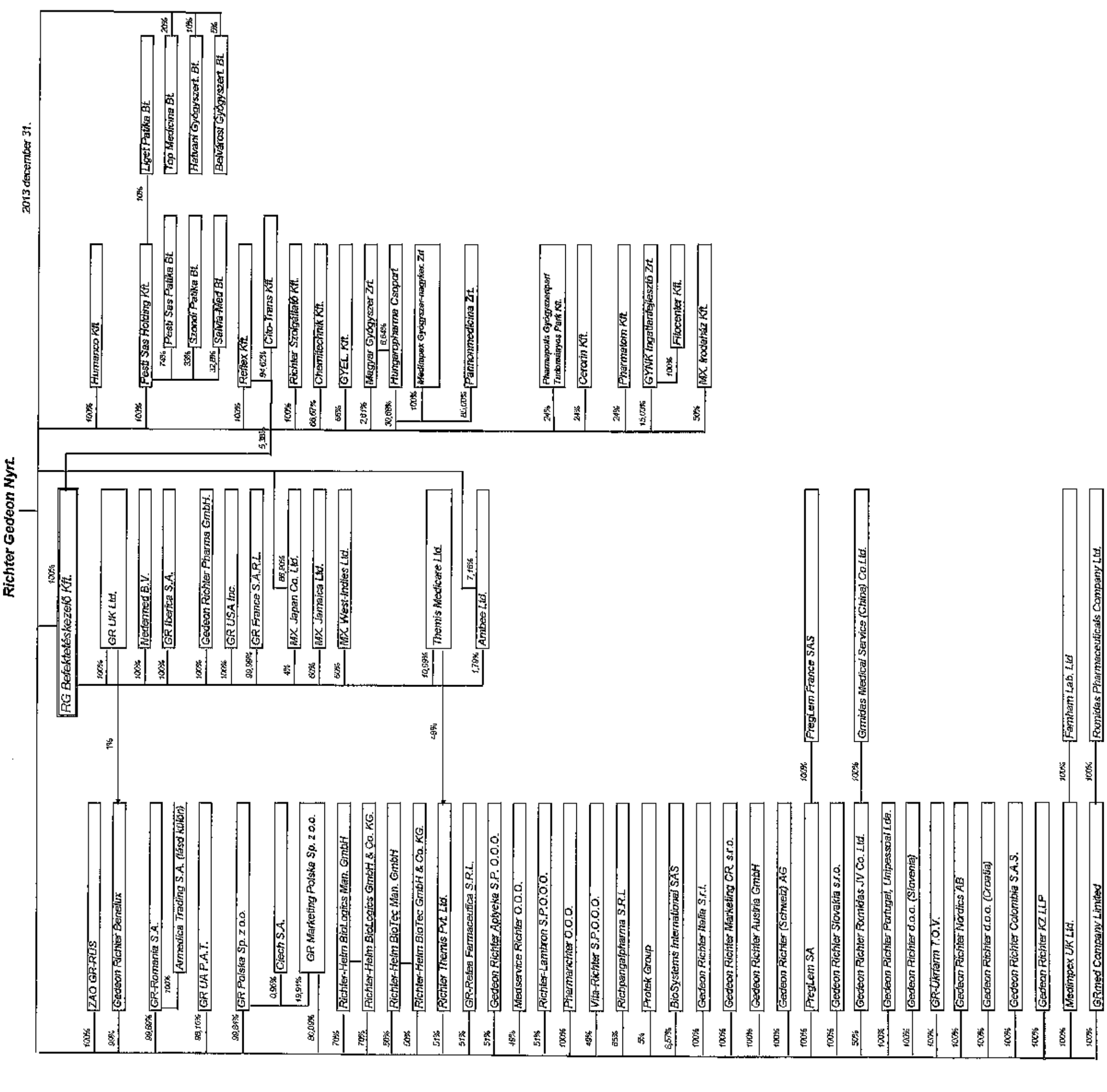
Description	Variance						
	Opening balance 01.01.2013	CAPEX	Capitalisation	Sales	Scrap	Assets received without consideration	Closing balance 31.12.2013
CAPEX	6 760	13 725	14 337	27	39	0	6 082
Renewal	547	2 490	2 210	0	0	0	827
Grouped	96	58	53	0	1	1	101
Total	**7 403**	**16 273**	**16 600**	**27**	**40**	**1**	**7 010**

The value of construction in progress as at 31 December was HUF 7,010 million.

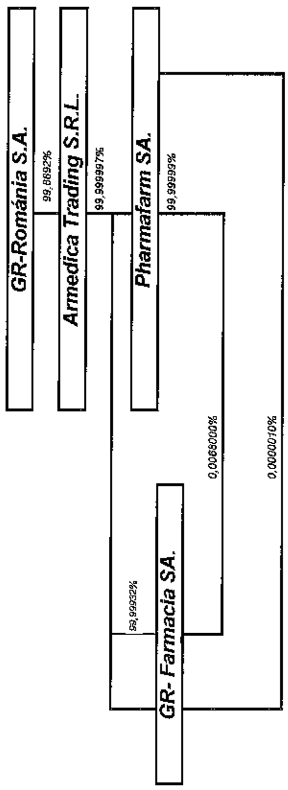
The amount of intangible assets capitalised during 2013 is HUF 4,504 million.

1.3. Financial Investments

1.3.1 Investments of GR Plc. based on rate of ownership as 12/31/2013



Investments of Armedica Trading Group based on rate of ownership as of 31/12/2013



1.3.2 Related parties in a breakdown by degree of participation 31.12.2013.

Description	Head office	RG direct and indirect participation	
		ownership (%)	votes (%)
Subsidiary companies			
Direct participation			
Humanco Szolgáltató Kft.	1103 Bp., Gyömrői út 19-21.	100,00	100,00
Pesti Sas Holding Vagyonkezelő Kft.	1103 Bp., Gyömrői út 19-21.	100,00	100,00
Reflex Kft.	1107 Bp., Száva u. 9.	100,00	100,00
Richter Befektetéskezelő Kft.	1103 Bp., Gyömrői út 19-21.	100,00	100,00
Richter Szolgáltató Kft.	1103 Bp., Gyömrői út 19-21.	100,00	100,00
Chemitechnik Pharma Mér. Szolg.	1103 Bp., Gyömrői út 19-21.	66,67	66,67
Gyógyszerip. Ell. és Fejl. Labor Kft.	1149 Bp., Mexikói út 9.	66,00	66,00
Pharmarichter O.O.O	115201 Moszkva, Kasirszkoje 22. Oroszország	100,00	100,00
PregLem SA	1228 Plan-les Ouates, 3 chemin de Pré-Fleuri Svájc	100,00	100,00
GR Marketing CR s.r.o.	Prága 4, Nusle, Na Strzi 1702/65 Csehország	100,00	100,00
GR Slovakia, s.r.o.	Bratislava 81108, Soltésovej 14 Szlovákia	100,00	100,00
GR Ausztria GmbH	1030 Wien, Hainburgerstraße 20, Top 17 Ausztria	100,00	100,00
GR Schweiz AG	6330 Cham, Gewerbestrasse 5 Svájc	100,00	100,00
GR Portugal Lda	1000-012 Lisboa, Rua Almirante Barroso 7-A Portugália	100,00	100,00
Gedeon Richter d.o.o. (Slovenia)	Verovškova ulica 55, 1000 Ljubljana Szlovénia	100,00	100,00
Gedeon Richter d.o.o. (Croatia)	Radnicka cesta 80, 10 000 Zagreb Horvátország	100,00	100,00
GR RUS ZAO	Jegorjevszk Suvoje, Lesnaja u. 40. Oroszország	100,00	100,00
GR Ukrfarm T.O.V.	Kijev, Turgenyevszkaja u. 17/b. Ukrajna	100,00	100,00
Medimpex UK Ltd	127 Shirland Road, London W9 2EP, Nagy-Britannia	100,00	100,00
GR Italia S.r.l	Milano, Viale Cassala 16 Olaszország	100,00	100,00
GR Benelux S.p.r.i.	Mommaertslaan 18B á 1831 Diegem, Brussels, Belgium	100,00	100,00
GR Nordics	c/o Advokatfirman Lindahl KB 10139 Stockholm Sweden	100,00	100,00
GR Marketing Polska Sp.z.o.o.**	Warszawa, ul. Królowej Marysienki 70, 02-954 Lengyelország	99,97	99,97
GR Polska Sp.z.o.o.	Grodzisk Mazowiecki 05-825 Poniatowskiego u. 5.	99,84	99,84
GR Románia S.A.	Tirgu Mures, Cuza Voda 99-105., Románia	99,89	99,89
GR UA P.A.T.	Chernovola 2/A, 08133 Vyshneve, Ukrajna	98,16	98,16
Medimpex Japan Co.Ltd.**	Noyori Bldg. 2-17., Tokyo 105, Japán	90,90	90,90
Richter Helm BioLogics Man GmbH.	Bovenau Gut Dengelsberg Németország	70,00	70,00
Richter Helm BioLogics GmbH&.Co.KG	Bovenau Gut Dengelsberg Németország	70,00	70,00
Richpangalpharma S.R.L..	N. Mmilescu-Spataru str, 36 Chisinau 2075 Moldova	65,00	65,00
Richter-Lambron S.P.O.O.O.	375002 Jereván Kazara Parpeci 22. Örményország	51,00	51,00
GR APTYEKA S.P.O.O.O.	22, K. Parpetsi Str., 0002, Jerevan, Örményország	51,00	51,00
GR Retea S.R.L	N. Mmilescu-Spataru str, 36 Chisinau 2075 Moldova	51,00	51,00
Richter Themis Pvt.Ltd.	69, GIDC Industrial Estate Vapi, Gujarat, India	51,00	51,00
Gedeon Richter Colombia S.A.S	CL 67 No. 7 35 OF 1204, Bogota D.C., Colombia	100,00	100,00
Gedeon Richter KZ LLP	R. of Kazakhstan, 040706 Almaty Reg. Pervomaiskii ,Industrial Zone	100,00	100,00
GRmed Company Ltd.	Des Voeux Road Central, Hong Kong	100,00	51,00

Description	Head office	RG direct and indirect participation	
		ownership (%)	votes (%)
Subsidiary companies			
Indirect participation			
Cito - Trans Fuv. és Szállítm. Kft.	1107 Bp., Száva u.9.	100,00	100,00
GR Ibérica S.A.	c/dr. Ferran 6-8.,Barcelona 08034, Spanyolország	100,00	100,00
Nedermed B.V	Amstelveen, Straat van Magelhaens 13, 1183 Hollandia	100,00	100,00
GR Pharma GmbH	Frankfurter Str. 13-15., Eschborn, 65760, Németország	100,00	100,00
GR UK Ltd.	127 Shirland Road, London W9 2EP, Nagy-Britannia	100,00	100,00
GR USA Inc.	1200 E.Ridgewood Avenue, New Jersey 07450.USA	100,00	100,00
Farnham Lab. Ltd.**	127 Shirland Road, London W9 2EP, Nagy-Britannia	100,00	100,00
Preglem France	1/3 Caumartin Paris 75009 Paris	100,00	100,00
GR France S.A.R.L.	1/3 Rue Caumartin, Paris 75009, Franciaország	99,99	99,99
Armedica Trading S.A	Tirgu Mures, Cuza Voda 99-105., Románia	99,89	99,89
Pharmafarm S.A	Str. Majakovski Nr.2. Jud. Cluj, Romania	99,89	99,89
GR Farmacia S.A	TG MURES, STR. CUZA VODA Nr.99-105, Románia	99,89	99,89
Medimpex Jamaica Ltd.	Kingston 5, Ripon Road 10, Jamaica	60,00	60,00
Medimpex West Indies Ltd.	Kingston 5, Ripon Road 10, Jamaica	60,00	60,00
Rxmidas Pharmaceutical Co. Ltd.	650 Dingxi Road, Changning dist., Shanghai, China	100,00	51,00
Joint venture companies			
Direct participation			
Medimpex Irodaház Ingatlankezelő Kft.	1051 Bp., Vörösmarty tér 4.	50,00	50,00
Richter Helm BioTec Management GmbH	Hamburg, Nordkanal str. Németország	50,00	50,00
Richter Helm BioTec GmbH&Co.KG.	Hamburg, Nordkanal str. Németország	50,00	50,00
GR Rxmidas JVCo.Ltd	Des Voeux Road Central, Hong Kong	50,00	50,00
GR Midas Pharmaceuticals Co.Ltd.	Waigaoqiao Free Trade Zone, 116 South Bldg, Shanghai	50,00	50,00
Indirect participation			
Pesti Sas Patika Bt.	1091 Bp., Üllői út 105.	74,00	74,00
Grmidas Medical Service Co. Ltd.	Shanghai Waigaoqiao Free Trade Zone in 116 South Building, 1 South A2 site	50,00	50,00
Associated companies			
Direct participation			
Hungaropharma Zrt.	1061 Bp., Király u. 12	30,68	30,68
Cerorin Kft.	4025 Debrecen, Bartók Béla út 226	24,00	24,00
Pharmapolis Gyógyszeripari Tud. Park Kft.	4025 Debrecen, Petőfi tér 10	24,00	24,00
Pharmatom Kft.	4025 Debrecen, Bem tér 18/c	24,00	24,00
Top Medicina Bt.	3200 Gyöngyös, Hanisz tér 1.	20,00	20,00
Medservice-Richter O.O.O.	480004, Almaty Mametovoj u. 54., Kazahsztán	49,00	49,00
VITA - Richter S.P.O.O.O.	Baku, 7-aya Chernogorodskaya 5. Azerbajdzsán	49,00	49,00
Other related companies			
Direct participation			
Gyógynövénykutató Ingatlanfejlesztő Zrt.	2011 Budakalász,József A. u 68	15,03	15,03
Hatvani István Gyógyszertár Bt.	4032 Debrecen, Lehel u. 22.	10,00	14,28
Belvárosi Gyógyszertár Bt.	1052 Bp., Szervita tér 5.	5,00	14,28
Magyar Gyógyszer Zrt.	8200 Veszprém Bajcsy Zsilinszky u. 8.	2,61	2,61
Ambee Pharmaceuticals Ltd. **	Dhaka G.P.O.B. 957. Bangladesh	8,95	8,95
BioSystem International SAS	4, rue Pierre Fontaine, 91000 Evry, Franciaország	8,57	8,57
Protek Group	Moszkva, Kasirszkoje 22. Oroszország	5,00	5,00

* In case of the subsidiaries and the joint venture companies the table contains also the indirect participation companies.
** Direct + indirect ownership

all amounts in MHUF

1.3.3. Changes in Direct Investments 31.12.2013

	01.01.2013.		Changes in 2013			31.12.2013.		Dividend received (MHUF)	
	book value (MHUF)	ownership ratio (%)	MHUF	description	revalution as of 31.12.1013.	book value (MHUF)	ownership ratio (%)	after 2012	after 2013
Subsidiaries:									
Humanco Szolgáltató Kft	3	100,00				3	100,00		
Pesti Sas Holding Vagyonkezelő Kft.	203	100,00				203	100,00	10	
Reflex Kft.	220	100,00				220	100,00		
Richter Befektetéskezelő Kft.	328	100,00				328	100,00		465
Richter Szolgáltató Kft.	3	100,00				3	100,00		
Chemitechnik Pharma Mérnöki Kft.	8	66,67				8	66,67	9	
Gyógyszeripari Ellenőrző és Fejl. Labor Kft.	78	66,00				78	66,00		
Medimpex Uk Rt. *	294	100,00	327	take-over	64	685	100,00		
Pharmarichter Kft.	2	100,00				2	100,00		
RG Italia	32	100,00			1	33	100,00		
RG Marketing CR Kft.	327	100,00			-22	305	100,00		
RG Szlovákia Kft.	205	100,00			4	209	100,00		
RG Ausztria Kft.	32	100,00			1	33	100,00		
RG Svájc Rt.	24	100,00				24	100,00		
RG Portugália Kft.	26	100,00			1	27	100,00		
RG Szlovénia Kft.	9	100,00				9	100,00		
RG Benelux *	2	100,00				2	100,00		
RG Nordics	2	100,00				2	100,00		
PregLem Holding Rt.	75 049	100,00			336	75 385	100,00		
RG-RUS Rt.	6 230	100,00	3 630	capital increase	-964	8 896	100,00		
RG-Ukrfarm Kft.	0	100,00				0	100,00		
RG-Románia Rt.	10 441	99,89	2 680	capital increase	113	13 234	99,89		
RG Polska Kft.	17 750	99,84	2	share purchase	14	10 616	99,84		
			-6 514	capital reduction	-636				
RG Marketing Polska Kft. *	1 317	99,98			2	1 319	99,98		
RG-UA Rt.	464	98,16			-21	443	98,16		
Richter Helm Biologics Managment Kft.	9	70,00				9	70,00		
Richter Helm Biologics Bt.	3 077	70,00			59	3 136	70,00		
Richpangalpharma Kft.	30	65,00			-3	27	65,00		
Richter Themis Rt. *	288	51,00			-39	249	51,00	29	
RG-Retea Kft.	11	51,00			-1	10	51,00		
RG-Aptyeka Kft.	0	51,00				0	51,00		
Richter Lambron Kft.	75	51,00			-2	73	51,00		
Grmed Company Limited			21 963	share purchase	-39	3 010	100,00		
			-18 944	goodwill	30				
Gedeon Richter KZ LLP			165	foundation	-4	161	100,00		
GR D.O.O. (Croatia)			9	foundation		9	100,00		
GR Colombia S.A.S.			15	foundation	-1	14	100,00		

all amounts in MHUF

	01.01.2013.		Chnges in 2013			31.12.2013.		Dividend received (MHUF)	
	book value (MHUF)	ownership ratio (%)	MHUF	description	revalution as of 31.12.1013.	book value (MHUF)	ownership ratio (%)	after 2012	after 2013
Direct+Indirect ownership									
Medimpex Japan Rt.	*0*	*90,90*				*0*	*90,90*		
Richter Nyt. közvetlen	0	86,90				0	86,90		
Joint ventures									
Medimpex Irodaház Ingatlankezelő Kft.	303	50,00				303	50,00		
Richter Helm BioTec Managment Kft	4	50,00				4	50,00		
Richter Helm BioTec Bt.	291	50,00			6	297	50,00		
RG Rxmidas Kft.	306	50,00			-7	299	50,00		
Associated companies									
Hungaropharma Zrt.	1 191	30,68				1 191	30,68		
Cerorin Kft.	0	24,00				0	24,00		
Pharmapolis Gyógyszeripari Tud. Park Kft.	1	24,00				1	24,00		
Pharmatom Kft.	1	24,00				1	24,00		
Top Medicina Bt.	1	20,00				1	20,00		
Medservice-Richter Kft	2	49,00				2	49,00		
VITA - Richter Kft.	10	49,00				10	49,00		
Direct associated parites in total	118 649		3 333		-1 107	120 874		48	465

* direct + indirect ownership

1.3.4 Impairment of equity investments

Participation	31.12.2012	Impairment	31.12.2013
ZAO GR-RUS	1 409		1 409
VITA-Richter S.P.O.O.O	14		14
Richter Szolgáltató Kft.	3		3
Medimpex Japán Co. Ltd.	17		17
GR-Aptyeka S.P.O.O.O	16		16
GR-Ukrfarm T.O.V	104		104
GR-Románia S.A.	17 560		17 560
Richter Helm Biologics GmbH & Co.KG	1 358		1 358
Protek Group	1 983 *	-1 983	0
BioSystem International SAS	416		416
Hungaropharma Rt.	1 330		1 330
Total	24 210	-1 983	22 227

*The effect of foreign exchange revaluation is considered in the value of impairment.

II/2 Inventories

2.1 Purchased materials, stock

MHUF

Description	31.12.2012	31.12.2013
Chemicals	4 941	5 004
Fine chemicals	20	37
Organs	1	
Herbs	46	28
Finishing materials	1 059	1 338
Recycled raw material waste	369	487
Invoiced raw materials not received	285	137
Auxiliary substances	789	1 181
Technical materials	535	616
Spare parts	267	318
Gifts	42	26
Brochures	54	39
Fuels	1	1
Other assets	98	140
Invoiced materials not received	2	8
Total materials	8 509	9 360
Purchased medicine	3 730	3 251
Purchased inventories total	**12 239**	**12 611**

2.2 Self-manufactured inventories

MHUF

Description	31.12.2012	31.12.2013
Work in progress	366	343
Materials self manufactured	30	27
Total WIP and materials self manufactured	*396*	*370*
Semi-finished raw materials	18 517	18 931
Semi-finished lose product	3 132	3 768
Total semi-finished products	*21 649*	*22 699*
Total WIP and semi-finished products	22 045	23 069
Domestic finished	1 533	1 573
Export finished	7 664	8 519
Total finished goods	9 197	10 092
Total self produced inventories	**31 242**	**33 161**

2.3 Hazardous waste

31.12.2012		Change of inventory				31.12.2013	
		Increase		Decrease			
Tons	MHUF	Tons	MHUF	Tons	MHUF	Tons	MHUF
45	0	21 534	2	21 579	2	0	0

The costs of waste neutralisation amounted to HUF 974 million in the current year.

2.4 Impairment of inventories

2.4.1 Impairment of materials purchased

MHUF

Changes in inventory		
Description	2012	2013
Scrapping	333	457
Devaluation	1	0
Loss event	29	19
Shortage, drainage loss	6	27
Total	**369**	**503**

2.4.2 Impairment of self-manufactured inventories

MHUF

Changes in inventory		
Description	2012	2013
Scrapping	746	875
Devaluation	335	384
Loss event	1	0
Shortage, drainage loss	24	35
Total	**1 106**	**1 294**

Reversal of impairment loss related to self manufactured stocks amounted to HUF 98 million in 2013.

II/3 Receivables

3.1 Receivables without impairment

3.1.1 Accounts receivable open

MHUF

Segment	12.31.2012		12.31.2013	Variance
Domestic trade receivables	1 345	*	1 185	-160
including overdue	*29*		*38*	*9*
Foreign trade receivables	42 343	**	51 602	9 259
including overdue	*1 979*		*8 024*	*6 045*
Total trade receivables	**43 688**		**52 787**	**9 099**

* of which HUF 664 million was collected by 30 January 2014
** of which HUF 10,221 million was collected by 30 January 2014

3.1.2 Receivables from other related parties open

MHUF

Segment	12.31.2012		12.31.2013	Variance
Domestic trade receivables	3 039	*	3 011	-28
including overdue	*1 950*		*1 831*	*-119*
Loans given for controlled domestic account	100		1 449	1 349
Foreign trade receivables	41 809	**	39 551	-2 258
including overdue	*8 267*		*11 792*	*3 525*
Loans given and unregistered capital increase, share purchase in controlled foreing account	14 992		17 454	2 462
Total receivables from related parties	**59 940**		**61 465**	**1 525**

* of which HUF 1,033 million was collected by 30 January 2014
** of which HUF 7,366 million was collected by 30 January 2014

3.1.3 Receivables due from associated parties

MHUF

	31.12.2012	31.12.2013	Variance
Domestic trade receivables	3 039	3 011	-28
Foreign trade receivables	24 180	31 437	7 257
Loans given for related companies	11 462	11 124	-338
Related companies' non registered capital increase	3 630	7 603	3 973
Total	**42 311**	**53 175**	**10 864**

3.2 Impairment of receivables

3.2.1 Impairment of accounts receivables

MHUF

Segment	31.12.2012	31.12.2013	Variance
Domestic trade receivables	19		-19
Foreign trade receivables	1 620	777	-843
Total trade receivables	**1 639**	**777**	**-862**

3.2.2 Impairment of receivables from other related parties

MHUF

Segment	31.12.2012	31.12.2013	Variance
Receivables from foreign participations	223	228	5
Trade receivables from participations	**223**	**228**	**5**

3.2.3 Changes in receivables and impairment of receivables

MHUF

	31.12.2012	Reversal	Recognition	31.12.2013
Domestic trade receivables	19	19		0
Foreign trade receivables	1 620	875	32	777
Related parties	223		5	228
Total	**1 862**	**894**	**37**	**1 005**

3.2.4 Changes in impairment of loan receivables

MHUF

	31.12.2012	Reversal	Recognition	31.12.2013
GR Ukrfarm T.O.V	495			495
GR Retea S.R.L.	746			746
Pharmapolis Kft.	300			300
Total	**1 541**			**1 541**

II/4 Tied-up reserve, provisions

4.1 Tied-up reserve

MHUF

	31.12.2012	31.12.2013
Repurchase value of treasury shares	1 671	276
Capitalized value of R&D		423
Total tied up reserve	**1 671**	**699**

4.2 Provision for expected liabilities

MHUF

Title	31.12.2012	31.12.2013
Liabilities in connection with retirement	880	1 256
Liabilities of jubilee service period	300	233
CO_2 quota	29	29
Total	**1 209**	**1 518**

II/5 Liabilities

5.1 Long-term liabilities

MHUF

	31.12.2012	31.12.2013
Credit	72 823	54 434
Other liabilities	10 835	24 357
Total non-current liabilities	**83 658**	**78 791**

It contains the EUR 150 million long term club facility taken out in 2010, and EUR 150 million extended by the European Investment Bank to finance R&D projects. During 2013 the Company prepaid EUR 100 million.
Other long term liabilities reflect the present value of the deferred purchase price payable as part of the consideration for the PregLem acquisition and from 2013 also for the GRMED acquisition.

5.2 Short-term liabilities

MHUF

	31.12.2012	31.12.2013
Short term loans		4 948
Advances received	347	262
Trade payables	17 394	17 106
Payables to related companies	6 664	8 291
Payables to other participations	10	
Dividends	12 398	10 614
Other	3 462	9 932
Total current liabilities	**40 275**	**51 153**

The amount of short term loans includes the current part of the club facility.

5.3 Off-balance items

MHUF

Liabilities connected to incentive scheme for the PregLem management	493
Guarantees provided by the Company	1 831

II/6 Prepayments and accruals

6.1 Prepayments

MHUF

	31.12.2012	31.12.2013
Interest on securities	488	119
Bank interest	176	139
Interest on loans	1 524	1 141
Other	15	23
Prepaid income	2 203	1 422
Journals, reference books, CD	330	433
Foreign offices	1 120	1 319
Season's passes for public transport	347	355
Insurance	84	133
Other	374	275
Prepaid costs and expenses	2 255	2 515
Prepayments	**4 458**	**3 937**

6.2 Accruals

MHUF

	31.12.2012	31.12.2013
Rewards and bonuses	2 321	2 610
Licence	233	235
Research contract	1 662	1 942
Fee for inventions	410	435
Insurace	69	82
Endowment insurance	443	585
Payment of medicine price subsidy to NHF	243	243
Payment of foreign medicine price subsidy	526	1 139
Other	436	844
Accrual of costs and expenses	6 343	8 115
Accrued income	1 427	1 936
Accruals	**7 770**	**10 051**

II/7 Costs, expenses, revenues

7.1 Expenses by nature

MHUF

Description	2012	2013	Index %	Type "A" in Annex 2 to Accounting Act
Material cost	38 950	39 991	102,7	(05)
Purchased services	72 765	100 324	137,9	(06)
Other services	1 633	2 002	122,6	(07)
COGS	10 912	10 675	97,8	(08)
Cost of services sold (mediated)	493	396	80,3	(09)
Material type costs	124 753	153 388	123,0	IV.(05+06+07+08+09)
Wages and salaries	31 934	34 143	106,9	(10)
Other employee benefits	15 144	15 608	103,1	(11)
Contribution on wages and salaries	11 632	11 667	100,3	(12)
Wages and related payments	58 710	61 418	104,6	V.(10+11+12)
Depreciation charge	20 708	21 533	104,0	VI.
Total costs and expenses	**204 171**	**236 339**	**115,8**	

7.2 Value of own performance capitalized

MHUF

Description	31.12.2012	31.12.2013	Index %	Type "A" in Annex 2 to Accounting Act
Change of self manufactured inventories	2 509	1 919	76,5	(03)
Capitalised value of self manufactured assets	1 825	2 618	143,5	(04)
Value of capitalised own performance	**4 334**	**4 537**	**104,7**	**II.(±03+04)**

7.3 R&D expenditures

In 2013 the Company spent 14% of the revenue on R&D activities.

MHUF

Cost category	2012	2013
R&D expenses	32 966	40 527

7.4 Other income and expenditures

MHUF

	2012	2013
*Total other income**	*13 087*	*11 885*
Other expenditure		
Provisioning	1 180	309
Write-off unrecoverable receivables	0	62
Impairment of receivables	641	38
Impairment of inventories	1 475	1 797
Book value of tangible assets sold	169	353
Local business tax	2 078	2 917
Buildings tax	306	311
Innovation fee	547	438
Flat tax on reimbursed drugs payable to NHF **	487	346
Registration fee of medical representatives **	431	185
Flat tax on reimbursed drugs payable, Germany	1 325	2 711
Other	3 246	2 587
Total other expenditure	*11 885*	*12 054*
Balance of other income and expenditure	**1 202**	**-169**

* In 2013, the line of Other income included HUF 756 million from associated companies.

** According to the amendments to the drug economic act of 2007 with effect from 1 July 2011 the 12% tax the yearly amount of the reimbursement based on manufacturer price increased to 20% while the medical representative fee was doubled to HUF 0.8 million per month per representative. Parliament passed an Act on 21 December 2011 which provides for a 20%-60%-90% extraordinary tax deduction for those companies whose R&D reaches or exceeds 15%-20%-25% of the reimbursement based on manufacturer price levels during the previous year. An additional criterion for this allowance is a minimum level of personnel related expenditure established at 3% for staff involved in R&D. Considering the above conditions in 2013 Richter qualifies for the maximum available allowance i.e. 90% of the tax liability incurred in respect of 2012.

7.5 Profit on financial transactions

MHUF

	2012	2013
Income from financial operations		
Dividends and share of profits received	1 378	1 485
Interest and related income received	5 275	3 849
including income from securities	*1 495*	*431*
Interest income on financial investments		1 466
Exchange gains on financial investments		1 964
Capital gains on selling participations	25	
Other income	5 697	5 847
gains on conversion at year end date		
gains on converting receivables, payables and foreign currency	*5 416*	*5 338*
gains on futures transactions, closed		
fair value of futures transactions	*249*	*504*
gains on securities sold	*32*	*5*
Total income from financial operations	***12 375***	***14 611***
Cost of financial operations		
Interes and related expense due	1 805	1 560
Impairment of participations and reversal *	1 062	-1 983
Other expenditure	20 600	15 311
loss on conversion at year end date	*3 655*	*6 679*
loss on coverting receivables, payables and foreign currency	*13 119*	*7 067*
loss on futures transactions, closed	*139*	*224*
release of fair value of futures trasnactions	*504*	*288*
loss on securities sold	*179*	*27*
Unwinding of discounted value related to liability in respect of PregLem	*3 004*	*1 026*
Total cost of financial operations	***23 467***	***14 888***
Result of financial operations	**-11 092**	**-277**

7.5.1 Evaluation of derivative contracts not closed at the balance sheet date

MHUF

	31.12.2012	31.12.2013
Unrealised loss on the OTC interest swap agreements, that has not been closed by the balance sheet preparation date	504	288

7.6 Extraordinary profit

MHUF

	2012	2013
Extraordinary income		
Assets received from capital reduction with disinvestment		6 866
Repurchase of shares in program approved by Ministry of Finance	47	49
Materials and goods received without consideration	83	83
Other		24
Total extraordinary income	***130***	***7 022***
Extraordinary expenditure		
Inventories transferred without consideration	141	156
Reducing of capital		7 150
Subsidies	864	752
Other	334	582
Total extraordinary expenditure	***1 339***	***8 640***
Extraordinary loss	**-1 209**	**-1 618**

7.7 Wage costs, headcount, remuneration

7.7.1 Wage costs

MHUF

Employment type	Employee groups					
	Blue collar		White collar		Total	
	2012	2013	2012	2013	2012	2013
Full time wage mass	8 321	8 783	21 829	23 478	30 150	32 261
Part time wage mass	5	2	230	221	235	223
Pensioner wage mass	19	13	260	196	279	209
Wages to non-employees					1 270	1 450
Wage cost per balance sheet	8 345	8 798	22 319	23 895	31 934	34 143
Annual wage mass per (full time) employee	3,5	3,6	5,3	5,5	4,6	4,8

7.7.2 Average statistical headcount

person

Employment type	Employee groups					
	Blue collar		White collar		Total	
	2012	2013	2012	2013	2012	2013
Full time employees	2 352	2 454	4 149	4 291	6 501	6 745
Part time employees	2	1	55	52	57	53
Pensioners	8	6	38	29	46	35
Total:	**2 362**	**2 461**	**4 242**	**4 372**	**6 604**	**6 833**

7.7.3 Remuneration of the members of the Board of Directors and the Supervisory Board

MHUF

	Remuneration	
	2012	2013
Board of Directors	76	76
Supervisory Board	28	24
Total:	**104**	**100**

II/8 Calculation of the income tax

MHUF

1.	**Corporate income tax**	2012	2013
	Profit before taxation	44 562	47 121
	- total of items reducing tax base	51 753	59 578
	- total of items added tax base	24 635	24 150
2.	Tax base	17 444	11 693
3.	Calculated tax	3 269	2 176
4.	Tax relief	2 615	1 741
5.	Tax liability	654	435
7.	**Profit after taxation**	**43 908**	**46 686**

1.	Amounts of provision against future liabilities and costs reversed		
2.a.	Depreciation charged under Tax Act	20 975	21 749
2.b.	Calculated book value of the sale and scrapping of intangible propery and tangible assets, ect.	896	1 343
3.	Reversed impairment of receivables, collected bad debt	418	244
4.	Dividends, share of profits received	1 378	1 485
5.	Relief due to apprentices	16	15
6.	50% of royalties received	171	168
7.	Direct cost of R&D	27 207	34 276
8.	Amount identified by tax audit, self-review and stated as income	686	57
9.	Amount of donation	6	241
	Total of items reducting tax base	**51 753**	**59 578**

1.	Amounts of provision against future liabilities and costs reversed and stated as expenditure	1 180	309
2.a.	Depreciation charged under Accounting Act	20 708	21 533
2.b.	Book value of intangible propery and tangible assets, sold, scrapped etc.	1 008	1 343
3.	Impairment of receivables	675	267
4.	Penalties and fines	18	3
5.	Amount identified by self-review and stated as expenditure	74	33
6.	Costs not recognised for the purposes of doing business	921	653
7.	Tax paid abroad	51	9
	Total of items added to tax base	**24 635**	**24 150**

8.1 Eligibility to investment tax incentive

In 2007 Richter notified the Ministry of Finance of its intent to take advantage of the tax relief in connection with the capital expenditure project to construct a new plant in Debrecen to develop and manufacture biotechnology products.

The project was concluded in 2011 and all the equipment that formed part of the project was commissioned. After the conclusion the Company took advantage of the investment tax relief for the first time in the 2012 fiscal year in the amount of HUF 2,521,463 thousand. The tax relief to be applied for the 2013 fiscal year amounts to HUF 1,741,388 thousand.

The terms and conditions of having recourse to the present investment tax relief are regulated by the provisions of Sections 22/B and 23 of Act LXXXI of 1996 on Corporate Tax and Dividend Tax, Government Decree No. 206 of 2006 (16 October) on the investment tax incentive, Government Decree No. 85 of 2004 (19 April) on the procedure related to State aids pursuant to Article 87 (1) of the Treaty establishing the European Community and on the regional support map /entered into effect by virtue of Government Decree No. 37 of 2011 (22 March/, and Decree No. 8 of 2007 (24 January) of the Minister of Economy and Transport on the provisions for granting state aid based on individual government decisions /entered into effect by virtue of Decree No. 39 of 2012 (4 July) of the Minister of National Development.

Richter's Debrecen capex project satisfies condition set out in Section 22/B (1) b) of the Act on Corporate Tax and Dividend Tax ("the Act"), whereby for projects started and operated within the administrative jurisdiction of a preferential local self-government that satisfies the criteria specified in the Government Decree adopted under authorization conferred by the Act, valued at 1 billion forints or more at current prices, specifically:

1. Pursuant to Section 3 (1) of Government Decree No. 206 of 2006 (16 October) the taxpayer shall commission and take use of all tangible and intangible assets forming part of the investment, and (the large enterprise) shall continue to operate and use the same in the region concerned for at least five years after commissioning. Pursuant to Section 8 (2) in case the taxpayer derecognizes the assets within the mandatory period of operation without supplementing them or discontinues operating the assets, the taxpayer shall reduce the eligible costs constituting the basis of the tax relief with the historical costs of such assets.
2. Pursuant to the optional condition set out in Section 22/B (9) of the Act, in the four fiscal years following the first year of the tax relief the average work force employed should exceed the average number of persons employed by the taxpayer during the fiscal year prior to the commencement of the project (or the mathematical average headcount of the three years preceding the commencement of the project) by at least 75 workers if the project is started and operated within the administrative jurisdiction of a preferential local government specified in the relevant Government Decree.

Pursuant to Section 5 (1) of Government Decree No. 206 of 2006 (16 October) the tax relief and the present value of State support to be considered in cumulative subsidy cannot exceed the value of notified but no more than the actually incurred eligible costs adjusted with a pre-determined support intensity.
When it comes to calculating the amount of tax relief in conjunction with the Debrecen project, the starting point can be the present value of notified costs as these costs were exceeded by the present value of the actually incurred costs even taking the adjustment condition set out in Section 8 (2) of Government Decree No. 206 of 2006 (16 October). In the case of major projects the support intensity under Section 30 (1) of Government Decree No. 85 of 2004 (19 April) established for the North Great Plains region is 100% of 50% for the portion between the HUF equivalent of EUR 50 to 100 million up to the HUF amount equivalent of a

maximum of EUR 50 million at present value. In consideration of the above, the present value of the project's eligible costs for 2007 adjusted with support intensity is HUF 6,966,858 thousand.

Under the support contract mentioned above the Company received a total of HUF 1,379,860 thousand non-refundable State support, at a present value of HUF 1,146,975 thousand.

According to the above formula the present value of the investment related tax relief is HUF 5,819,883 thousand of which the Company uses HUF 2,884,351 thousand at present value in the 2012 and 2013 business years. Thus the remaining tax relief open for subsequent years amounts to HUF 2,935,532 thousand at present value.

The Company can take advantage of tax relief in the tax year following the year when the project was completed and in the following nine years (at the latest during the fourteenth tax year following the tax year in which the notification or the application was submitted). Therefore Richter can take advantage of the tax relief in connection with the Debrecen capex project in 2021 at the latest.

GEDEON RICHER PLC.

CONFIDENTIAL

Business Report
2013

Erik Bogsch
Managing Director

Budapest, 24 April 2014

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1. General data

1.1 Brief history of the Company

Richter is a leading pharmaceutical company in the Central and East European region. Its activity encompasses every aspect of the pharmaceutical industry from research and development through the manufacturing of active substances (produced synthetically, by fermentation or extraction) and finished drugs to packaging, marketing and sales. Richter's wide product range encompasses virtually all therapeutic fields. At the same time, the therapeutic breakdown of sales shows a high degree of concentration: more than three-quarters of Richter's turnover are contributed by three major therapeutic areas.

The Company's predecessor was founded in 1901 by pharmacist Gedeon Richter, who bought a pharmacy, then turned his business into a share company two decades later, in 1923. After World War II the Company was nationalized and while it continued operating as a share company, the sole shareholder was the Hungarian State. In June 1950, while maintaining Gedeon Richter Ltd. in terms of corporate law, the State established Richter Gyógyszer és Vegyészeti Gyár Nemzeti Vállalat (Richter National Pharmaceutical and Chemical Company), which later became known as Kőbányai Gyógyszerárugyár (Kőbánya Pharmaceutical Factory). It existed alongside Gedeon Richter Ltd. without affecting its operation.

In 1990 Kőbánya Pharmaceutical Factory merged with Gedeon Richter Ltd. as part of the transformation from a state-owned company to a share company proper. The merger was registered by the Budapest Court of Registration on 18 March 1991. The total registered capital of the share company amounted to HUF 13,223,974,000 at the time of transformation.

Privatization

Due to the involvement of Hungarian and international investors the Company's capital was increased by HUF 4.4 billion to reach HUF 17.6 billion on 28 September 1994 and its shares were listed on the Budapest Stock Exchange. Privatization connected with capital increase resulted in the expansion of sources of financing.

Commenced in 1994, the privatization process continued in the fourth quarter of 1995, enlarging the Company's basis of domestic and international investors.

In 1997 another 2,600,000 shares owned by the State Privatization and Holding Company (ÁPV Rt.) were offered to institutional investors in the context of a private placement, and 200,000 shares were sold to domestic private investors in the context of a public offering.

The Extraordinary General Meeting approved a HUF 1,000 million capital increase to HUF 18,637,486,000 by the issuance of 1,000,000 new shares. As a result of these transactions the State's share in Richter was reduced to 25%.

On 14 September 2004 the State Privatization and Holding Company ÁPV Rt. launched 4,659,373 bonds convertible to Richter shares with maturity in 2009 in the context of private offering that involved institutional investors specialized in this type of investment. The bonds matured on 28 September 2009. The government decided in favour of consideration instead of share conversion. At the same time, the government supported the idea that MNV Zrt., ÁPV Rt.'s legal successor should handle financing by issuing new bonds convertible to Richter shares. As a result of the subscription that was concluded on 25 September 2009, bonds with 2014 maturity amounting to EUR 833.3 million were issued to institutional investors, convertible to 4,680,672 Richter ordinary shares. On 6 November 2013 MNV Zrt. announced its intention to repurchase the convertible bonds before their maturity in 2014 and would finance the repurchase by issuing new State-owned bonds convertible to Richter shares in the amount of EUR 903.8 million maturing in 2019. The transaction was successfully concluded on 6 December 2013. The new bonds with maturity of 2 April 2019 were launched on the Frankfurt Stock Exchanges Open Market (Freiverkehr). By retaining its shares in Richter the Hungarian State ensures the continuation of Richter's strategy, which relies on the Company's continued independence.

Major acquisitions to promote the expansion of the Company

Through the establishment of greenfield investments from the mid-1990s Richter has expanded its network of manufacturing bases in Russia (1996) and India (2004), and strengthened its position through new establishments and acquisitions in Romania (1998), Poland (2002). Richter acquired a biotechnology firm in Germany (2007) and a gynaecological development company in Switzerland (2010).

Richter's recent acquisitions, the purchase of 100% of the shares of the Swiss PregLem Group (October 2010) and the buyout of Grünenthal, a German generic pharma company's gynaecological portfolio (November 2010) enables the Company to carve out a share of the market of innovative gynaecological products while geographically expanding the market of Richter's traditional gynaecological products. The two transactions gave an impetus to develop a Western European marketing network and capture a greater share of the market of gynaecological products, relying on Richter's trading companies that have been active in the field for a long time as well as on the newly established marketing companies. The change is of strategic importance for the Company.

With its place of business in Geneva, PregLem is a company established in 2006 for the purpose of research, development and clinical trials of proprietary products for special gynaecological indications (uterine myoma, endometriosis, infertility) that have reached the clinical stage. Of its active product lines, the leading product is Esmya with ulipristal acetate as active ingredient. According to Richter's announcement on 27 February 2012, Esmya had been granted marketing authorisation valid for all EU member states for its first indication (pre-operative treatment of uterine myoma) and was launched in most markets in the course of the year.
In an extraordinary announcement dated 26 November 2013 Richter announced the positive opinion of the European Medicines Agency (EMA) regarding the use of Esmya to up to two courses of pre-operative treatment of uterine fibroids (expansion of the first indication). As a result, the European Commission granted marketing authorization for the extended use of the product in January 2014.

The gynaecological portfolio acquired from Grünenthal AG contains seven brands. Their main sales areas are the major Western European countries but sales are also aimed at Central and Eastern Europe and the Middle East. Introduction of the brands in the Russian market started in Q4 of 2012.

In Q1 of 2013 Richter took control of selling its traditional products and acquired a majority holding in its Chinese marketing partner. The company will be active in the promotion and marketing of prescription drugs. With this move Richter has strengthened its presence in the Chinese market.

In the second half of 2013 Richter started to expand in the Central and South American region by founding a company in Columbia as a first step, followed by signing agreements in Brazil and Mexico. Expansion will be continued by new company foundations and acquisitions in a number of countries in the region.
As a result of these transactions the Company has appeared directly in the world's fastest growing pharmaceutical markets (China and the Latin-American region), and has taken strategic steps to increase its geographical penetration. Richter's traditional and latest gynaecological portfolio is given a prominent role in every market.

Impact of the market environment; the Company's global strategy and activity
With its global business comprising five continents, Gedeon Richter is unique among the Central Eastern European pharma companies as its primary activities of the research and development, manufacturing and marketing of pharmaceutical products are supported by a number of subsidiaries, joint ventures and associated companies. Our manufacturing subsidiaries, which operate in our traditional markets, together with our specialized marketing network have created the foundation for a strong regional multinational Group. As a result of developments that started in the early 1990s today a number of marketing and service companies support the presence and activity of the Richter Group and strengthen its market positions in a number of countries around the world.
In response to the economic crisis in Russia, in the late 1990s the Company has re-tailored its long-term strategic goals and has been aiming at strengthening its regional-multinational activities, maintaining stable positions in its traditional markets on the one hand, and strengthening its presence in the EU and the United States with proprietary and generic products, and has sought to build long-term co-operations in supplying active pharmaceutical ingredients. The primary focus of the Company is on the expansion of the gynaecological business and an increase in generic sales, the latter in preparation for upcoming patent expirations. In the United States we concluded long-term supply contracts with manufacturers specialized in gynaecological products.

In the 2010s support of the so-called specialty pharma products, i.e. development, manufacture and sales of pharmaceutical products with high value added has become Richter's priority strategic goal. This goal is served by R&D projects conducted in connection with the central nervous system and in the field of biotechnology, and also by the on-going development and expansion through acquisitions of the gynaecological portfolio.

Implementation of the above strategy resulted in a significant increase of sales income also in the EU markets. Income from sales increased likewise in the countries that have been Richter's traditional markets and joined the EU after 2004. The latter trend is particularly significant as drug subsidies in the new accession countries are generally underfinanced, which led the Company to reduce the price of some of its products. Consolidation of the economy in Russia gave a boost to the pharmaceutical market in most CIS states, which triggered a dynamic growth in Richter's turnover in this region. As a result of the new sales scheme Richter has strengthened its presence in the Chinese market since 2013. Rising income from sales in the CIS, the United States, then the EU and China resulted in exports contributing approximately 90% to total turnover by 2013. Richter developed long-term cooperation with several large international companies in research and development, sales and production in various markets (Russia, the EU, the USA and Japan).

After years of perpetual uncertainties and repeated cuts since 2006, the Hungarian pharmaceutical market was characterised by relative stability in 2013. The surtaxes affecting the pharmaceutical industry were offset up to 90% by the tax benefits the Company was granted on account of its R&D activities. While the semi-annual blind bidding process introduces in 2011 designed to force the pharma companies to cut their prices resulted in a loss of HUF 750 million in 2013, the Company was able to compensate it by introducing new products and efficient marketing.

1.2 Main objectives for 2013

The Company's main objectives for 2013 were as follows: to expand sales despite a difficult market environment; to retain and improve market shares; and to strengthen the strategy of standing on multiple legs in the market; based on the strategic principles, to shift business to enhance the contribution of high value added products; to expand the gynaecological business; development of a new proprietary Central Nervous System product; and to enter the market of biosimilar products.

In 2013 significant advancement was achieved in the following areas:

- Income from sales significantly increased in the CIS, China and EU markets.

- According to Richter's announcement on 27 February 2012, Esmya, a proprietary product developed by PregLem, a pharma company solely owned by Richter had been granted marketing authorisation for the EU member states for its indication of pre-operative treatment of uterine fibroids (myomas). At the end of 2013 the EMA adopted a positive opinion regarding the use of Esmya to up to two courses of treatment. This was followed by marketing authorization granted for the extended use of the product in January 2014. In the course of the year the product was launched in almost all of the EU member states as well as in Canada, Russia and other CIS states, so that today Esmya is sold in over 30 countries worldwide. Another positive development is the fact that by the end of the year the product was granted subsidy from the local pharmaceutical budget in almost 20 countries.

- In 2012 Richter upgraded its existing and newly created marketing companies in Western Europe: the companies' scope of business was expanded and a network of pharmaceutical representatives specialized in gynaecological treatments was developed in all of the companies. In 2013 this portfolio was further expanded to include, inter alia, the strategic product Esmya.

- The Company achieved a substantial increase in turnover in China by the acquisition of a marketing company and revamping the sales scheme.

- On 2 November 2012 Richter signed a strategic agreement with the Government of Hungary. The general purpose of the agreement is to support the continued independence of Gedeon Richter Plc. so that strategic decisions determining the future development of the company and supporting the development of the Hungarian national economy continue to be taken in Hungary and with a view to the interests of the Hungarian economy. In the context of the partnership the Government promotes Richter's innovation and R&D efforts by the means available to it; Richter, on the other hand, will strive to expand its domestic pharmaceutical manufacturing, research and development activities. The parties also agreed to develop a transparent and sustainable R&D-based tax incentive system, which includes eligibility of tax credits beyond the year of reporting. Details of the system were adopted by Parliament in the form of an act, which entered into effect on 28 December 2012.

- At the end of 2011 the Company capitalized the assets created as a result of the capital expenditure started in Debrecen in 2007 and thus took a big step forward towards plant-level manufacturing of biosimilar products in Hungary. Trial runs started in 2012 and led to the manufacturing of samples required for clinical studies in 2013; this will be followed by routine production of drugs, as well as anticancer and chronic anti-inflammatory proteins and antibodies from 2015.

- On 8 and 28 February 2012 Richter and its partner, Forest Laboratories, Inc. announced the successful conclusion of the third Phase III trial of the antipsychotic cariprazine for the acute treatment of manic or mixed episodes associated with bipolar I disorder, and two positive Phases III trials of the same drug for the treatment of schizophrenia. The Company thus boasts of three positive Phase III trials in respect of both indications. On 28 November 2012 Richter announced that Forest Laboratories submitted a new drug application (NDA) to the United States Food and Drug Administration (FDA) for cariprazine for both indications. On 21 November 2013 the two companies announced that the FDA issued a so-called Complete Response Letter regarding registration, in which the Agency recognized the efficacy of cariprazine but required further information and tests, consultations on which will begin shortly.

In 2013 Richter took further steps to expand its international business through a capital increase in its manufacturing companies and continuing its investments. Driven by the goal to adapt to Russian economic policy favouring local production, Richter made supporting investments into the Russian subsidiary a special priority. Details are described in Chapter 5: Capital expenditure on tangibles and intangibles, and Chapter 6: Foreign investment.

1.3 Share structure of the Company

As of 1 January 2013 the number of ordinary shares comprising the Company's subscribed capital was 18,637,486. At the Annual General Meeting held on 25 April 2013 the shareholders resolved to transform the Company's registered ordinary shares by splitting the nominal value in a ten-to-one ratio. Accordingly, the Company's 18,637,486 shares each with a nominal value of HUF 1,000 were to be replaced by 186,374,860 shares, each with a nominal value of HUF 100 in the course of 2013. As a result, the closing number of ordinary shares comprising the Company's subscribed capital was 186.374.860 as of 31 December 2013.

As regards ownership structure, as of 31 December 2013, 68.77% of shares were held by foreign institutional and private investors, the Hungarian State held 25.25%, and Hungarian institutional and private investors held a total of 5.88%. Treasury shares together with 105,500 shares owned by subsidiaries amounted to 0.09%; the rate of other ownership was 0.01%.

The closing price of shares as of 28 December 2012 was HUF 3,621 compared to HUF 4,399 as of 30 December 2013. Average monthly share prices in 2013 moved between the minimum of HUF 3,380 per share in April and the maximum of HUF 4,463 per share in December. (For the sake of comparability the Company provides figures referring to the ordinary shares with HUF 100 basic nominal value.)

1.4 Treasury shares

	Ordinary shares	
	31.12.2012*	31.12.2013
Shares	453,360	61,278
Nominal value HUF`000	45,336	6,128
Book value HUF`000	1,670,893	275,924

* Share related figures have been converted in accordance with the share split.

Following the decision of the Board of Directors 882,646 ordinary shares were granted as a bonus to employees whose outstanding performance contributed to Richter's earnings for the year.

In keeping with the programme approved by the National Tax and Customs Administration of Hungary (NAV) related to employee share bonuses for the 2012-2014 period the Company granted 415,177 Treasury shares to 4,927 employees on 17 December 2013.

1.5 Corporate governance

In an effort to fully comply with international and Hungarian requirements, the legal environment and the highest standards of business ethics, Gedeon Richter Plc. lays particular emphasis on developing, maintaining and further enhancing its corporate governance system.

The system and practice of corporate governance is in keeping with the guidelines of the Budapest Stock Exchange and the provisions of the relevant capital market regulations. In addition, the Company reviews from time to time the principles applied to ensure, on an on-going basis, their compliance with continuously developing international practices.

The Corporate Governance Report is an integral part of the Annual Report; it features as a separate item on the agenda of the annual general meeting and has to be approved by the AGM, and it is published on the official website of the Budapest Stock Exchange and of Gedeon Richter Plc.

At the Annual General Meeting on 24 April 2014, the following directors were elected to serve on the Board of Directors for a period of three years until the 2017 Annual General Meeting:

William de Gelsey (re-elected),
Erik Bogsch (re-elected),
dr. László Kovács (re-elected),
dr. Gábor Perjés (re-elected),
Prof. Dr. Szilveszter E. Vizi (re-elected),
János Csák,
dr. Kriszta Zolnay.

1.6 Branch

The branch of Richter Gedeon Vegyészeti Gyár Rt. (Gedeon Richter Chemical Plant Ltd.) is located as follows:
27 Esztergomi út, H-2510 Dorog

1.7 Other information

Government Decree No. 2056 of 1994 licensed Richter to claim 100% tax benefit for a period of five years starting from 1994, and 60% tax benefit for an additional five years thereafter on the basis of the provisions of Section 14/A, subsection (2) of Act LXXXVI of 1991 on Corporate Tax as amended by Act IC of 1993. Accordingly, Richter was liable to pay 7.2% corporate tax from 1999.

In 2000 the Company embarked upon another medium-term capital expenditure programme and by 31 December 2003 commissioned for operation a production investment project at a value in excess of HUF 10 billion that resulted in an increase in average staff number by at least 500 compared to the average number of staff employed preceding commencement of the investment project. Having met these statutory requirements, the Company became eligible for 100% corporate tax benefit from 2004 to not later than 2011. In order to close the chapter on competition at the accession negotiations the Hungarian Government and the European Union reached an agreement in respect of changing certain instances of tax benefit granted by the Act on Corporate Tax and Dividend Tax. The agreement allows the Company to continue to benefit from the tax break, granted from 1 January 2004 under Section 21(11) of the Act, after Hungary's accession to the EU.

In 2007 the Company commenced construction of a new plant in Debrecen to develop and manufacture biotechnology products, and announced its involvement of tax benefit with the contents set out in the relevant Government Decree. The investment that meets the condition in Section 22/B (1) b) of the Act on Corporate Tax and Dividend Tax was concluded in 2011 and all the equipment that formed part of the project was commissioned. The Company decided to make use of the tax break related to the investment project for the first time in the 2012 and 2013 business years, in the amount equivalent to the value of corporate tax belonging to 80% of the taxable income.

The Company prepared consolidated audited financial statements for the first time for the 2002 fiscal year. Since 2003 the quarterly flash reports to the Stock Exchange have included consolidated non-audited balance sheet, income statement and cash flow statement data according to IFRS. Availing itself with the option provided by the Hungarian Accounting Act, since 2005 the Company has only prepared financial statements in accordance with IFRS, consolidating all of its subsidiaries, joint ventures and associated companies with the parent company.

2. 2013 operating review

2.1 The balance sheet as of 31 December 2013

ASSETS

The Company's assets amounted to HUF 701,091 million, HUF 46,138 million (7.0%) higher than the opening value. Fixed assets were up by HUF 39,017 million, current assets increased by HUF 7,642 million.

Fixed assets

- **Intangible assets** amounted to HUF 17,292 million in the reported period, 20.5% up from the reference figure. The HUF 18,944 million increase in goodwill is the result of the settlement of the Chinese acquisition.

- There was no significant change in the value of **tangible assets** year-on-year (+1.0%). The net value of real estate and related valuable rights was HUF 1,479 million above the opening figure. The change resulted from investments to upgrade the infrastructure serving production.
  Depreciation on tangibles and intangibles was HUF 21,533 million in 2013, HUF 825 million in excess of the 2012 figure.

- As of 31 December 2013 the book value of **financial investments** in other companies reported under investments was HUF 129,371 million, HUF 4,939 million higher year-on-year. The following are the main items contributing to the change: capital increase of ZAO Gedeon Richter-RUS (HUF +3,630 million); the HUF 3,019 million book value of the new Chinese GRmed Company Limited reported as acquisition; the reversed impairment (HUF +3,470 million) due to the change in the fair value and valuation difference of the Russian wholesale and retail group Protek, and the book value of Gedeon Richter Romania S.A. (HUF +2,680 million), increased in the wake of the capital increase from the parent company's loan. The increase was lessened by Gedeon Richter Polska Sp. z o.o.'s capital decrease (HUF -6,514 million).

  The reassessment of holdings as of the balance sheet date resulted in a decrease of HUF 1,228 million.

  The bond bought by the Company and to be held until maturity in 2014, when it will be converted to Richter Treasury shares was reported under investments with a book value of HUF 14,297 million in 2012. The pre-maturity repurchase and refinancing mentioned above resulted in launching a new convertible bond with a book value of HUF 15,439 million as of 31 December 2013.

  The value of loans amounted to HUF 53,740 million and included loans to PregLem S.A. and to our production companies, mainly to ZAO Gedeon Richter-RUS, Gedeon Richter Romania S.A., RG-Helm BioLogics CO & KG, as well as to the Indian subsidiary and Pharmapolis Kft.

Current assets

- **Inventories** amounted to HUF 45,778 million, 5.3% above the opening figure.

- **Receivables** amounted to HUF 117,086 million, exceeding the opening figure by HUF 8,693 million. Net trade receivables were HUF 7,670 million in excess of the reference year. The closing balance of loans extended to affiliated undertakings and undertakings linked by participating interest is HUF 162 million lower year-on-year predominantly because of the loan items extended to Gedeon Richter Romania S.A. due within a year. The paid up but not yet registered capital increase of ZAO Gedeon Richter-RUS and the purchase price of GR Mexico increase receivables (HUF 7,603 million).

- The value of **cash and securities** decreased by HUF 3,348 million. The high 2012 closing value was further increased by the drawdown of the third EUR 50 million tranche of the European Investment Bank (EIB) credit line in January 2013; on the other hand, at the end of Q2 the Company made an early repayment of EUR 100 million of the club facility taken out in November 2010.

  As of 31 December 2013 the portfolio of securities held for trading contained government securities and open-end investment funds.

SHAREHOLDERS' EQUITY AND LIABILITIES

- **Shareholders' equity** increased by 7.2% to reach HUF 559,578 million as a result of the 2013 earnings on the balance sheet and retained earnings.

- The Company's **total liabilities** amounted to HUF 129,944 million and include the long-term liabilities items of HUF 54,434 million out of the EUR 50 million long-term club facility taken out in 2010, as well as the above mentioned EUR 150 million drawdown to finance R&D projects, and HUF 11,915 million deferred purchase price for PregLem S.A. reported at fair value and the settlement of the liabilities related to the Chinese acquisition (HUF +12,442 million). Current liabilities were HUF 10,878 million up and included HUF 25,397 million liabilities to suppliers and affiliated undertakings as the main item (HUF +1,329 million). Of the short-term borrowed capital involved in the Chinese acquisition, repayment liabilities due in the reported year amounted to HUF 5,636 million. The dividend in connection of the result of 2013 and approved by the Annual General Meeting to the amount of HUF 10,614 million.

2.2 The 2013 income statement

The Company's profit after taxes for 2013 was HUF 46,686 million, 6,3%, or HUF 2,778 million, higher year-on-year. The growth was due to a large extent to increasing revenues and a significantly improving gross margin coupled with substantially shrinking losses from financial transactions, and was altogether sufficient to cover the substantial increase in sales and distribution costs as well as R&D costs.

2.2.1 Income from sales

In the wake of the new Chinese sales scheme the Company took China out of the Other countries region and reported Chinese income from sales as a separate line item. For the sake of comparability the reference year figures have also been converted.

	2012** HUF million	2013 HUF million	Variance	
			HUF million	%
Hungary	29,539	30,222	683	2.3
Export				
CIS	127,429	139,656	12,227	9.6
EU *	73,715	77,636	3,921	5.3
USA	9,539	8,471	-1,068	-11.2
China	1,770	10,352	8,582	484.9
Other countries	13,506	14,650	1,144	8.5
Export total	225,959	250,765	24,806	11.0
Total Sales	255,498	280,987	25,489	10.0

* Excluding Hungary
** From 1 January 2013 income from sales in China is reported as a separate item. Croatia has been an EU member state since 1 July 2013.

Income from the 2013 domestic sales was 2.3% up compared to the reference year. Export in HUF was 11.0% up; and in EUR, 8.1% up year-on-year.

Changes in the breakdown of export by regions in the reported year: the largest contributor continues to be the CIS, albeit with a marginally smaller share (49.7%) than in the reference year. The EU States dropped 1.2 percentage points and contributed 27.6%; the contribution of Hungary and the United States dropped by 0.8 and 0.7 percentage points respectively (10.8% and 3.0%). Chinese sales contributed 3.7% to total income from sales. The cumulative category of Other countries stayed around the reference level (5.2%).

Based on the year-end figures for 2013 the Company realized HUF 30,222 million income from sales **in the domestic market,** 2.3% (HUF 683 million) more than in 2012. With this performance the Company's market share was 5.3% in 2013, 0.1%point above the reference year's figure. Richter ranked second in the prescription drugs market with a share of 7.4%.

Turnover were boosted primarily by rising sales of Esmya, Tanydon, Aktil and Vidonorm, and tempered by a drop in revenue from the sales of Xeter. In 2013 oral contraceptives were the leading item in terms of sales contributing 13.1% to sales income.

In 2013 no significant changes took place in terms of price regulations in the domestic pharmaceutical market. Pharmaceutical representatives' registration fee was reintroduced as of 15 February 2009 and cost Richter HUF 431 million in 2012 and HUF 185 million in 2013.

Income from **exports** increased from HUF 225,959 million (EUR 781.5 million) in 2012 to HUF 250,765 million (EUR 844.9 million) in 2013.

Russia continues to be the leading market of the **CIS region and also of the Company,** with turnover denominated in EUR 4.7% above the reference year figure.

As regards the best performing products, oral contraceptives as well as of Panangin, Cavinton, Ekvator and Groprinosin each achieved a considerable rise in sales, dampened by dropping sales of Mycosyst and Arduan. The increase in sales in Ukraine was contributed by Groprinosin. Of other CIS states, Kazakhstan produced a keen increase in sales.

The total turnover achieved in the CIS market was HUF 139,656 million, 55.7% of total exports. Year-on-year increase was 9.6% (HUF 12,227 million). Expressed in Forex, the turnover was EUR 470.5 million (USD 625.2 million) with a 6.7% increase in EUR (10.4% in USD) y/y.

The turnover achieved in the **European Union** was HUF 77.636 million, 5.3% up year-on-year. The contribution of this region to total export was 31.0%. Expressed in Forex the turnover was EUR 261.6 million with a 2.6% increase.

Owing to the efficient promotion efforts of the Western European network of pharmaceutical representatives the Company's strategic product Esmya realised a significant sales increase, which greatly contributed to the overall 13.7% increase in the EU15 region.

On the other hand, the contribution of CEE Member States to total sales in the EU region decreased to 58.5% in 2013 with a 4.1% drop in sales income in euro. Sluggish turnover can be attributed mainly to the expiration of the distribution licence of the Polish Avonex product.

Sales in the **United States** dropped by 11.2% (HUF 1,086 million), or, expressed in USD, by 10.6% (to USD 4.5 million) due primarily to a massive decrease in the sales of oral contraceptives supplied primarily in the form of APIs. Keen competition continued to have a negative effect on turnover.

As a result of the change in the business model, from 1 January 2013 the Company reports the turnover achieved in the **Chinese market** as a separate region. Turnover in the Chinese region was HUF 10,352 million (EUR 34.9 million) and was HUF 8,582 million (or EUR 28.8 million) higher year-on-year.

In the category of **Other countries**, oral contraceptives were the leading products.

In the Other countries region the turnover was HUF 14,650 million (EUR 49.4 million). Compared to 2012, turnover was 8.5% higher (in Forex, 5.8% higher). The contribution of this region to total export was 5.8%.

Net income from sales **totalled** HUF 280,987 million, a HUF 25,489 million increase on the 2012 figure.

2.2.2 Direct and indirect costs of sales; operating profit

The aggregate year-on-year increase in direct and indirect costs of sales was 16.0%.

Direct costs of sales totalled HUF 57,258 million and were HUF 1,377 million over the 2012 figure due to the negative effect of exchange rates and the change in the portfolio of products. Gross profit from sales was HUF 223,729 million, HUF 24,112 million above the reference year figure with the gross margin up from 78.1% to 79.6%.

Indirect costs amounted to HUF 174,544 million in 2013, exceeding the 2012 figure by 21.2%.

- Rise in wages and other payroll expenses contributed HUF 2,135 million to the increase.

- Costs of promotion were HUF 15,991 million higher y/y and reflected the costs of the expanding Western European sales network, the costs related to taking over sales and marketing activities in the Chinese market, and expenditure on marketing in support of sales in the CIS markets.

- Total foreign sales costs increased by HUF 2,646 million y/y and can be attributed primarily to the Company's activity in China and costs related to the Western European network.

- In 2013 research commissions increased by HUF 6,191 million resulting predominantly from items arising at partners that have signed an R&D agreement with the Company. For instance, the parent company not only orders R&D services from the Romanian and Polish development facilities but from 2013 it has also reimbursed almost the entire R&D costs of the subsidiary PregLem.

- Depreciation exceeded the reference year's figure by HUF 1,047 million. The increase was caused mainly by the depreciation on the capitalization of the Debrecen investment.

The balance of **other income and expenditure** was HUF -169 million as opposed to HUF 1,202 million achieved in 2012. The drop was mainly caused by an increase in the so-called claw-back expenditures. They included the 20% tax payable on the full-year subsidy calculated on the producer prices of subsidized products under the Dug Economy Act, claw-back expenditures arising in Germany in conjunction with Esmya sales, and increasing items of compensation paid to private insurance companies in connection with rising sales of other gynaecological products (with a combined increase of HUF 1.2 billion over 2012), as well as local taxes. Added to the drop was the fact that in the reference year Richter received larger amounts of milestone income related to cariprazine and biosimilar products; moreover, in 2013 substantial impairment was reported on account of certain bad debts in Ukraine. The decrease was lessened by the expenditure on the change in the likelihood of payment of the deferred portion of the purchase price to PregLem's previous shareholders (HUF 907 million) related to a one-off bonus settlement.

The Company's *operating profit* was HUF 49,016 million, 13.8% down compared to 2012. After a 4.8 percentage point increase, the operating margin was 17.4%.

2.2.3 Other income statement items

Net financial income

Net financial income in 2013 was HUF 277 million loss, HUF 10,815 million less than in 2012.

Richter's achievements and their changes compared to the reference year were very strongly influenced by the weakening of the forint against the euro, and the strengthening of the forint against the rouble and the dollar. As of the 2013 balance sheet date, the exchange rate (NBH rate) was 296.91 forints to the euro (+1.9 percent) 6.55 forints to the rouble (-9.8 percent), and 215.67 forints to the dollar (-2.4 percent).

Revaluation as of the balance sheet date closed with a loss in both 2012 (HUF 3,655 million) and 2013 (HUF 6,679 million). The item includes revaluation of investments, loans receivable, advances, Forex accounts, loans payable and trade receivables and payables.

The Company made a loss on forward Forex transactions amounting to HUF 394 million in 2012 and HUF 8 million in 2013.

In 2012 net impairment of investments was HUF 1,062 million, the most important item being HUF 2,821 million impairment of Armedica Trading S.R.L. owned entirely by Gedeon Richter Romania S.A. Conversely, the reversal of HUF 2,362 million impairment due to the change in the fair value of the Russian wholesale and retail group Protek increased financial income. In 2013, reversal of impairment of Protek amounted to HUF 1,983 million.

Exchange rate losses realized from trade on receivables, payables and other items were HUF 2,237 million as opposed to a HUF 4,158 million loss in the preceding year. The aggregate gain contributed HUF 1.9 billion to a year-on-year increase in earnings.

In 2013 the time value and exchange rate effects of the liability related to PregLem reduced the net financial income to a lesser extent (by HUF 1,026 million as opposed to HUF 3,004 million in the reference year).
Net income from interest was HUF 3,755 million in 2013, HUF 285 million in excess of the reference year.

Dividends received contributed HUF 1,485 million to the 2013 financial income, HUF 107 million more than the HUF 1,378 million realized in 2012.

Exceptional items
The balance of exceptional items was HUF -1,618 million, HUF 0.4 billion below the 2012 figure.

Profit before taxes
The 2013 earnings before taxes amounted to HUF 47,121 million, HUF 2,559 million more than in 2012.

Taxes
As described in chapter 1.7 above, between 1 January 2004 and 31 December 2011 Richter was granted a 100% corporate tax benefit. Taking into consideration the investment related tax break, tax payable was HUF 435 million in 2013 compared to HUF 654 million in 2012.

Profit after taxes
The Company's profit after taxes for 2012 was HUF 43,908 million compared to HUF 46,686 million in 2013.

2.2.4 Contribution of key products to sales revenues

Finished products contributed approximately 95% to the 2013 sales revenues. The contribution of APIs was 3%.

The following table contains the Top Ten product groups based on their contribution to total sales revenues:

2012				2013			
Rank		Sales HUF million	Share %	Rank		Sales HUF million	Share %
1	Oral contraceptives	76,053	29.8	1	Oral contraceptives	80,985	28.8
2	Cavinton/vinpocetine	19,249	7.5	2	Cavinton/vinpocetine	24,733	8.8
3	ACE inhibitors /enalapril, lisinopril	16,196	6.3	3	Panangin/asparaginates	18,483	6.6
4	Mydeton/tolperisone	16,195	6.3	4	Mydeton/tolperisone	16,381	5.8
5	Panangin/asparaginates	15,258	6.0	5	ACE inhibitors /enalapril, lisinopril	15,460	5.5
6	Verospiron/ /spironolactone	11,387	4.5	6	Verospiron/ /spironolactone	12,185	4.3
7	Quamatel/famotidine	7,953	3.1	7	Lisonorm /lisinopril, amlodipine	8,686	3.1
8	Lisonorm /lisinopril, amlodipine	6,735	2.6	8	Quamatel/famotidine	7,547	2.7
9	Aflamin/aceclofenac	5,358	2.1	9	Aflamin/aceclofenac	7,297	2.6
10	Xeter/rosuvastatin	5,328	2.1	10	Groprinosin	6,576	2.4
	Total	179,712	70.3		Total	198,333	70.6
	Net income from sales	*255,498*	*100.0*		*Net income from sales*	*280,987*	*100.0*

The contribution of the ten leading product categories to total sales was 70.6%, almost identical with the reference year's figure.

Oral contraceptives are the leading products with a turnover of HUF 81.0 billion, 6.5% over the 2012 figure. The increase was the effect mainly of the rising turnover of drospirenone products and of the portfolio acquired from Grünenthal. The contribution of this product category to total turnover was 28.8%, 1.0 percentage point less year-on-year. Richter's proprietary drug Cavinton ranked second with a turnover HUF 5,484 million higher y/y due primarily to keen sales in China. Third in 2012, ACE inhibitors slipped two place (in the wake of CIS sales drop), while Panangin advanced to 3rd place after increasing sales in Russia and China in 2013, so this product category contributed 6.6% to total income sales. Mydeton stayed 4th with almost the same turnover, while Verospiron (due to an increase in Russia) and Aflamin (due to an increase in Poland and Russia) retained their 6th and 9th place respectively. Lisonorm advanced one place in the rank (due to rising sales in Russia and Kazakhstan), and Quamatel (due to sluggish sales in the CIS and the EU10 regions) slipped one place. Groprinosin made its way to the top list (mainly thanks to Ukrainian sales).

2.2.5 Contribution of key markets to sales revenues

In 2013 the Company's ten leading markets were as follows:

		2013	
		HUF million	EUR million
1.	Russia	94,886	319.7
2.	Hungary	30,222	101.8
3.	Ukraine	21,191	71.4
4.	Poland	15,547	52.4
5.	Germany	15,319	51.6
6.	China	10,352	34.9
7.	United States of America	8,471	28.5
8.	Kazakhstan	8,444	28.5
9.	Czech Republic	8,106	27.3
10.	Romania	5,912	19.9
	Total	218,450	736.0
	Net income from sales	*280,987*	*946.7*

The ten leading countries jointly contributed approximately 80% to Richter's total sales. Russia stayed at the head of the list with sales rising for the reasons mentioned above. Hungary stayed second, and Ukraine, Poland and Germany kept their last year's position. As a result of the new sales scheme China features on the top list, ranked 6th. The United States slipped to 7th place. The Kazakh Republic leaped two places and finished 8th, while the Czech Republic slipped two places to finish 9th. Romania lost a place compared to its ranking in 2012 and ended up 10th.

3. Functional activities of the Company

3.1 Research and development

Innovation and the research of proprietary drug molecules have been key elements in the parent company's strategy since its foundation in 1901. With over 1000 employees in the field of research and development, Gedeon Richter Plc. today is the most significant pharmaceutical R&D base in the Central and Eastern European region. R&D is focused on three strategic areas: original research and development of proprietary small molecules, biotechnology, and genetic research and development.

Small molecular R&D is focused on gynaecological products on the one hand, and molecules effective in treating CNS diseases. The Company has a portfolio of 15 on-going projects of which two are in clinical Phase I trials and the rest are in the preclinical phase.

On 8 and 28 February 2012 Richter and its partner, Forest Laboratories, Inc. announced the successful conclusion of the third Phase III trial of the antipsychotic cariprazine for the acute treatment of manic or mixed episodes associated with bipolar I disorder, and two positive Phases III trials of the same drug for the treatment of schizophrenia. The Company thus boasts of three positive Phase III trials in respect of both indications. On 28 November 2012 Richter announced that Forest Laboratories submitted a new drug application (NDA) to the United States Food and Drug Administration (FDA) for cariprazine for both indications. On 21 November 2013 the two companies announced that the FDA issued a so-called Complete Response Letter regarding registration, in which the Agency recognized the efficacy of cariprazine but required further information and tests, consultations on which will begin shortly. There are on-going parallel clinical studies to expand the indications and to penetrate the European and Japanese markets.

One of the world's leading manufacturers of steroid products, Richter has been traditionally strong in the gynaecological market. After the acquisition of the Swiss company PregLem S.A. in 2010 Richter joined gynaecological development activities primarily in the field of uterine myoma indications. According to Richter's announcement on 27 February 2012, Esmya, a proprietary product developed by PregLem S.A., a company solely owned by Richter had been granted marketing authorisation for the EU member states for its indication of pre-operative treatment of uterine fibroids (myomas). At the end of 2013 the EMA adopted a positive opinion regarding the use of Esmya to up to two courses of treatment. As a result, marketing authorization granted for the extended use of the product in January 2014. In the course of the year the product was launched in almost all of the EU member states as well as in Canada, Russia and other CIS states, so that today Esmya is sold in over 30 countries worldwide. In addition, Phase III clinical trials are in progress to expand the indication.

The resulting clinical portfolio at the end of 2013 was as follows:

Description	Clinical phase		Primary indication	Partner
Esmya	Marketing authorization granted (EU, CIS, Canada)		Uterine myoma	-
	Ph3	USA		Actavis, USA
PGL 5	Ph2	EU	Endometriosis	-
Cariprazine (RGH-188)	Registration pending	USA	Schizophrenia, bipolar disorder	Forest Laboratories
	Ph3		Major depressive disorder	
	Ph2		Bipolar depression	
	Registration pending	Russia	Schizophrenia, bipolar disorder	-
	Ph3	EU, Japan	Schizophrenia	Mitsubishi-Tanabe, Japan

In 2005 Richter launched its biotechnology R&D by creating a biotechnology research laboratory. In Germany Richter and Helm AG, Richter jointly acquired the predecessor Richter-Helm BioLogics GmbH & Co. KG, which develops and manufactures pharmaceuticals based on proteins derived by microbial biotechnology processes.

Started in 2007, the construction of the Debrecen plant creating capacities for mammalian cell biotechnology based pharmaceutical manufacturing was concluded, the related assets were capitalized. Trial runs commenced in 2012, and the most complex protein-based pharmaceuticals can be manufactured on a commercial scale.

As has been the case so far, the Company considers it essential to identify R&D partners for cooperation. We join forces with academic and university institutes in the early stages of our research activities, and we make an effort to establish cooperation with other companies in the pharmaceutical industry when it comes to the development of molecules in the clinical phases. In this respect partnerships with the Japanese Mitsubishi-Tanabe Pharmaceuticals and with Forest Laboratories of the United States continue to make a considerable contribution to effective research activity. In particular, Richter's experience in preclinical trials has been successfully complemented by Forest's experience in clinical trials in testing CNS molecules.

R&D expenditure was 14.4% of sales income in 2013 and amounted to HUF 40,527 million.

The key task for product development in 2013 was to renew older, high-selling products. Furthermore, important steps were taken to advance the main goal for 2012, i.e. the launch of Esmya, and shipments started to almost all of the EU member states as well as to Canada, Russia, and several other CIS states.

At the close of 2013 Richter had 48 generic development and 15 licence topics in progress. In the course of the year Richter had 28 licence renewal and maintenance projects; support of original, biotechnology and transfer projects (20 in total) stayed around the reference year level. As biotechnology and proprietary development projects are conducted predominantly at the parent company, development sites of the subsidiaries have been appreciated as regards generic R&D (Gedeon Richter Romania S.A., Gedeon Richter Polska Sp. z o.o.). These companies undertake 48% of generic R&D projects.

The Company launched nine proprietary product and two licensed products in 2013, all of which are new in all of the markets. Mention should be made of the fact that two of the generic products were launched earlier than planned due to patent changes, and authorisation for another two products was renewed before schedule. In addition, Richter bought a new licensed product that could be put on the market very quickly.

As a result of the Company's registration activities a total of 130 marketing authorizations were granted to Richter in 2013 in the EU, including Hungary (taking different dosage forms into consideration). Eighty-five per cent of the marketing authorizations involve proprietary products and approximately 15% are related to the takeover of licensed products. In this region 217 renewal applications were submitted. In 2013, 110 renewal procedures were concluded.

A total of 57 new authorizations and 92 renewal applications were submitted in the twelve CIS countries. In the course of the year the Company secured 58 new authorizations and 151 renewals, and returned 28 newly granted and three renewed licenses.

In the Other countries segment the Company submitted 17 new applications and 34 renewals in 2013. In the course of the year the Company secured 17 new authorizations in addition to 26 renewals were secured.

3.2 Quality assurance

The Company continued the major investment programme commenced in previous years with a view to safeguarding the products' superior quality. In the course of the creation of new facilities as well as refurbishments rigorous quality assurance criteria are observed from planning to commissioning, which ensures that the products manufactured in the new or upgraded facilities fully meet international quality standards in every respect.

In 2013 the main direction of the quality assurance effort was the continued upgrading of production processed in accordance with cGMP (current Good Manufacturing Practice) (API and finished products), and quality assurance support to a number of on-going investment projects (the Debrecen biotechnology project and production upgrading projects).

On-going IT development is targeted at the system introduced in 2012, which provides up-to-date information on product quality as well as production processes. Risk assessment at the level of suppliers has been a growing focus in quality management required by the supervisory authorities and also fuelled by reasons of cost effectiveness.

Supporting quality management of the subsidiaries continues to be a priority task.

Over the past year Richter and its subsidiaries were inspected on 13 occasions by consumer authorities and three times by the competent supervisory authorities.

3.3 Production

Production in the manufacturing plants was in line with the amounts required by the market: the output of plants manufacturing solid drugs as well as those producing injectables grew 11% year-on-year.

There volume of own-produced APIs for non-steroid products was down by 12% and for steroids, up by in 4% in 2013, the latter being the effect of processes stretching over several years.

Richter works in close cooperation with its subsidiaries in the fields of product transfer, outsourcing and development.

Inventories

As of the balance sheet date of 31 December 2013 the value of inventories was HUF 45,778 million, 5.3% above the opening balance. The increase in inventories is attributed to the need to keep higher levels of finished products in line with the amounts required by the market, and the need to pre-manufacture stocks in accordance with statutory requirements. In addition, non-production inventories related to the start-up of the Debrecen plant and its biotech products boosted the value of inventories.

3.4 Technology

In recent years the Company has developed a new sourcing management system and separated special procurement tasks from the professional activities of the management of the various organizational units. In the new structure all machines, equipment, technological materials and general devices as well as services are sourced centrally. The same applies to utilities such as natural gas, electricity and steam supply, as well as waste disposal. Concluding the construction, maintenance, operation and utility contracts for the Debrecen facility was a priority task also for 2013.

Similarly to the preceding year, optimization of centralized sourcing resulted in substantial savings on funds, capacities and time in 2013. In certain areas of sourcing the parent company and its subsidiaries cooperated successfully.

The Company continued with its regular and ad hoc maintenance activities in 2013, which were heavily focused on development of the maintenance system and routines of the Debrecen biotechnology facility.

3.4.1 Energy supply

Smooth energy supply ensured uninterrupted production throughout the year and met users' demand in terms of both quality and quantity. Started earlier, the investment program to enhance the security of energy supply, to optimize utilization and to ensure compliance with increasingly strict regulations was completed in 2013.
Compared to the reference year, the volume of energy utilized in 2013 decreased across the Company as a whole while energy prices increased moderately. The 7.7% drop emerged as the balance of 7.9% decrease in energy use and 0.3% increase in energy prices. Energy and water costs amounted to HUF 8.8 billion for the entire Company, and included HUF 97.0 million energy and water load taxes.

3.4.2 Environmental protection, occupational health and safety

The Budapest premises, as well as the Dorog and Debrecen sites have secured an Integrated Pollution Prevention Control (IPPC) permit. The authorisation of the Debrecen site was renewed in 2013.

The 2013 audits of the Environmental Management System (KIR-ISO 14001) and the Occupational Safety and Health Management System (MEBIR-MSZ 28001) by the supervisory agencies, as well as the certification of the Safety and Environmental Labs were successful and proved that internal audits, education and training, regulations, performance evaluation, risk management and occupational hazard measurements are appropriate and in keeping with the rules.
Environmental and security related expenditure were at the 2012 level in the reported period.

In 2013 the Company prepared and submitted its registration dossier for its proprietary intermediate product in accordance with the EU's new safety regulation REACH, the Registration, Evaluation, Authorisation and Restriction of Chemical Substances.

There were no technology related fatal, serious or mass accidents in the course of the year of reporting, no deficiencies of note were found by the relevant authorities, and no fine was imposed. Employees apply individual protective devices on an on-going basis.

In an effort to protect the health of its workers the Company continued its stress management programs in 2013.

Water pollution, protection of water quality and noise management

In the reported year the biggest advancement in environmental protection was the drilling of ground water monitoring and extraction wells in the context of the Intervention Plan for the reduction of ground water pollution in the Dorog facility.

The Company checks the quality of its waste waters in the context of the statutory monitoring system.

Due to legislative changes, new noise limits were introduced at the Dorog plant. In 2013 the competent Regional Environmental Protection Centre issued the new limits that are more favourable for the Company, and approved the related noise management plan.

Waste management

In 2013 hazardous wastes were incinerated, deposited or composted. Waste has been collected selectively since 2012.

The costs of waste disposal were around the reference year level at HUF 1.0 billion in 2013, 1.0% higher than in 2012.

3.5 IT support

The Company's business processes were captured in the SAP system. SAP tracks every step of the process from sourcing to sales and provides interfaces to other special systems supporting operation. Over the past years, major Group level IT development took place primarily in order to achieve the most important strategic goal of creating a central IT architecture that controls and supervises Richter Group's IT systems and is suitable for communicating Group level strategy and control and serving operation.

IT infrastructure development has been in keeping with Group-level needs; the emerging IT background is a uniform and transparent system for Group users. A dynamic VPN network created between Group companies overarching the Internet network provides access to distant systems via audio and video connection as necessary.

Similarly to the previous year, major Group level IT development took place in 2013, the most important achievements and events were as follows:

- A priority project was the introduction and expansion of SAP to include more of the subsidiaries. Mention should be made of Richter's Russian production subsidiary ZAO Gedeon Richter-RUS, where almost all of the SAP modules were introduced in 2012. Live run started in 2013 with additional development tasks involved. IT developments at the German, Italian and Spanish companies revolved around sales processes.

- From 2013 IT support to Quality Assurance has become an increasingly prominent task with several projects in progress.

- IT infrastructure development engaged a considerable amount of capacities in the course of the year; as a result, accessibility, efficiency and cost effectiveness of IT systems were greatly improved.

- The modules of the Debrecen biotechnology plant were also extended.

4. Human resource

One of Richter's strategic goals is to develop operability with an organization that is best suited to changing environment, tasks and ever greater challenges. Human resource, the people who are at the basis of Richter's continued success in business and science play a key part in this effort.

Careful recruitment policies are critical for enhancing and sustaining Richter's performance. Supporting the professional development and improving the quality of life of staff and retention of high performers are priority tasks.

Employees' performance is measured by means of a uniform performance assessment system applied across the entire Company, which takes into consideration individualized tasks and goals and evaluates the discharge of duties on an on-going basis.

As of 31 December 2013 the Company's total headcount was 6,948. In Hungary, headcount totalled 5,051 of whom 2,562 persons, including 1,920 university or college graduates, worked in white-collar positions.

5. Capital expenditure on tangibles and intangibles

In 2013 capital expenditure and intangible assets amounted to HUF 24,423 million and included HUF 21,104 million capitalization. Assets in the course of construction amounted to HUF 7,010 million as of 31 December.

The Company's main capex areas in 2013 were as follows

Biotechnology
Richter spent a total of HUF 2,565 million on investments related to the biotechnology business in 2013. In the Debrecen API plant a special project was launched in 2012 to validate the unique equipment from the aspect of quality assurance, as well as to develop the production control software and connect it to the equipment. Qualification of the system continued in 2013. The fully automated system is expected to be delivered in 2014.

Production
The 2013 investments related to production plants amounted to HUF 6,323 million.
In finished drug manufacturing, upgrading the equipment of the Injectables Plant was continued by installing a new sterile steam generator. Capacities of the Tablets Plant were expanded by the conversion of the hormones coating unit; in the Packaging Plant, the stacking machine was replaced, and a new packaging line was installed in the Injectables Packaging Plant.
In the field of API manufacturing, investments were basically aimed at maintaining production capacities. Mention should be made of the hall modernization project that started in Dorog in 2012 and focused on the Synthetic I plant in the course of 2013.

Reconstruction of one of the finishing lines of Synthetic III and the cleanroom of the Steroid Plant was concluded.

In the field of API manufacturing in Budapest, vinblastin production capacities of Chemical I Plant were upgraded.

Production support

Investment projects related to production support totalled HUF 4,528 million in 2013.

Major multi-year environmental protection projects included the reconstruction of the communal sewage system and the modernization of the HVAC systems of the API plants in Dorog.

Tasks related to the Environmental and Occupational Safety and Health Management Systems (KIR-MEBIR) involved expenditure commensurate with previous years at the Budapest and Dorog facilities.

As regards the Company's projects aimed at enhancing the security of supply at the main premises continued with upgrading central systems and trunk lines; in accordance with the project, reconstruction of the pipe bridge behind Bio II Plant was started in 2013.

At the Dorog site conversion of the recirculating cooling water system and the upgrading of the main pipes network, the adjacent areas and trunk cables involved significant expenditures.

In the field of logistics, thermal insulation of the facade profiles of Warehouse II was completed. This was the last step in creating the warehouse's new appearance.

In quality management instruments were purchased (in order to improve the conditions of quality control and reduce lead time of tests) with the deployment of substantial amounts.

R&D

In 2013 Richter deployed a total of HUF 1,541 million in investment to maintain the level and quality of research and development. A significant portion of the investment was related to device and instrument purchase. A new pharmacology lab facility was commissioned in Kővágószőlős, and will be operated jointly by Richter and Pécs University. A new capsule making machine was installed in the pharmaceutical product development pilot plant.

Licences and intangibles

The 2013 expenditure on licenses and other intangibles amounted to HUF 5,943 million and comprised expenditure on the acquisition of manufacturing and marketing rights (for example, based on the licence agreement signed with HRA Pharma, distribution and marketing rights in Latin-America of ulipristal acetate developed for the treatment of benign uterine fibroma), as well as on new registrations and renewals.

Other

In 2013 Richter spent HUF 873 million on IT development supporting operation, and HUF 754 million on improving the conditions for distribution.

6. Foreign investment

6.1. Pharmaceutical companies

Pharmaceutical companies

The Group's Romanian manufacturing subsidiary, **Gedeon Richter Romania S.A.** manufactures and distributes finished products for the Romanian market and is also actively involved in Group sourcing of manufacturing, product development and marketing services.

The Romanian pharmaceutical market is faced with prolonged liquidity problems and massive delays in payments by the National Health Insurance Funds. However, it is a positive development that transposition of the EU directive prescribing a 60-day deadline of payment has been in effect since September 2013, although its impact will only be noticeable in the longer run. Currently, health insurance funds repay two months' outstanding debts each month in an effort to expedite average term of payment; this, however, has little bearing on the manufacturer side (i.e. on the Company and Gedeon Richter Romania S.A.), at least for the time being.

Despite the difficulties of the Romanian pharma market, the government's regulations to reduce prices, mounting competition and continuously increasing allowances Gedeon Richter Romania S.A. managed to realise a slightly higher turnover compared to the reference year. Intra-Group sales were similar, so the company's total turnover increased year-on-year. Similarly to 2012, the company closed the year with a net operating profit despite the claw-back payment, which is a great burden on the Romanian subsidiary and greatly reduces the profitability of subsidised products.

The 2013 investment activities envisioned primarily strategic projects supporting Gedeon Richter Romania S.A.'s role within the Group. The company's specific needs in terms of capacity development and upgrading were not neglected either.

In the course of 2013 the parent company increased its Romanian production company's capital from a shareholder's loan.

Gedeon Richter Romania S.A. continues to hold an indirect majority share in the wholesale and retail network.

Gedeon Richter Polska Sp. z o. o. is Richter's Polish production subsidiary. After the buyout in the context of privatisation the company went through multiple transformation and integration followed by the Lichtenberg project with a series of restructuring and efficiency enhancement measures. As a result, today Gedeon Richter Polska Sp. z o. o. has a stable and transparent organisational structure and a solid headcount of 460.

The company's operation is predictable, its efficiency is continuously improving, and has grown to become a subsidiary offering outsourced production and development services as a strategically highly important site. In addition, it continues to sell its own products with the support of the Polish marketing subsidiary.

The Polish market can be considered stable, the company's domestic sales make a significant contribution to the Group's turnover; on the other hand, erosion of prices affects the market on an on-going basis. The 2013 turnover and earnings were outstanding in the company's history.

Richter decreased Richter Polska Sp. z o. o.'s capital by PLN 100 million in 2013.

A key feature in the 2013 activity of **ZAO Gedeon Richter-RUS**, Richter's Russian facility was the technical preparations for the so-called DLO-2 projects in the field of production, laboratories and logistics, and also included construction and fitting works related to the sub-projects and a substantial amounts spent on the purchase of machines and equipment. Technology transfer is on-going with a view to portfolio expansion.

The company's main function will continue to be production and distribution supported by the parent company's marketing activity. This will not change in the future even after he activation of the DLO-2 project, which will expand production and marketing. However, the newly started outsourcing activity will be an exception, with similar goals to those for the Romanian and Polish subsidiaries. The subsidiary continues to be a strong distribution and production unit of Gedeon Richter in Russia and contributes substantial value added to the Group.

The Mydocalm line continues to make an outstanding contribution to income from sales; conversely, no new product has been found so far to achieve the turnover of Suprax, whose licence expired in 2012. Besides medium-term investment aimed at production capacity building and the related technology transfer ensuring full exploitation of the expanded capacities priority is given to the need to launch, a soon as possible, products expected to generate increasing turnover. The company's turnover was below the reference year level, mainly for the above reasons. Sales were sluggish in all product categories including proprietary pharmaceuticals as well as the products of the parent company and subsidiaries sourced for distribution from Richter.

The company delivered the operating profit level expected.

In order to finance the substantial investment the parent company increased the Russian subsidiary's capital in 2013, similarly to the previous year.

In 2013 **Richter Themis Ltd.** was active predominantly as a manufacturer and distributor of intermediate products and Active Pharmaceutical Ingredients for Group members. The company managed to make up for the products dropped from the portfolio by adding new APIs, thus its production capacities were fully utilised throughout the year. In addition, it also supplied a significant amount of products to external buyers.

In addition to API production the company is also active in development. Production and development are economical, so the company enhances the cost effectiveness of the Group's API production.

In biotechnology services **Richter-Helm BioLogics GmbH & Co.**'s turnover in 2013 was above the reference year figure. In the future, the microbial biotechnology company will engage in sourced development and production at two sites. Today Group developments directly funded by the shareholders feature prominently among its activities but long-term relations outside the Group have retained their importance. The company made a loss as yet.

In 2013 the parent company reconfigured Esmya's distribution and put Richter in charge of sales. **PregLem S.A.** as a service subsidiary continued to support the European marketing of Esmya, the gynaecological product with ulipristal acetate as its active ingredient. In addition, R&D continues to be a key activity for the company with the development of Esmya's indications being top priority.

In 2013 Richter decided to launch investment projects involving **GRUA P.A.T.** production facilities so far out of operation. As a result, by 2015 the company is expected to become the secondary packaging facility for Richter's (mainly cardiovascular) products intended for the Ukrainian market.

Other consolidated companies providing ancillary services for the pharmaceutical segment: Simultaneously with the acquisition of Grünenthal A.G.'s contraceptives portfolio Richter embarked upon developing the network of gynaecological pharma representatives in Western Europe. In 2011 the scope of activities of the subsidiaries **Gedeon Richter Iberica S.A.** of Spain, **Gedeon Richter Italia S.r.l.** of Italy and Gedeon **Richter Pharma GmbH.** of Germany was expanded by marketing Besides other services these companies are engaged in so-called product pre-distribution activities.
To promote marketing Richter established a subsidiary each in Switzerland (**Gedeon Richter (Schweiz) AG**), Portugal (**Gedeon Richter Portugal, Unipessoal Lda.**) and Austria (**Gedeon Richter Austria GmbH**). In 2012 Richter expanded in Belgium, the Netherlands and Luxemburg (**Gedeon Richter Benelux SPRL**) as well as in the Nordic countries (**Gedeon Richter Nordics AB**), and involved its already existing British and French companies (**Gedeon Richter UK Ltd. and Gedeon Richter France S. a r. l.**) in the network. The portfolio of the network developed in the course of 2013 was expanded by other gynaecological products and the strategic product Esmya.

Created though Group-level restructuring of the marketing network, **Gedeon Richter Marketing Polska Sp.z o.o.** has extended marketing and PR services to its shareholders, Richter and GR Polska in the territory of Poland since 1 January 2009. The efficiency of its activities is clearly indicated by significantly rising Polish sales volumes.
After transforming its Polish agency into a subsidiary, the parent company decided to make a similar move in 2010 in the Czech Republic and Slovakia, and transformed its agents into **Gedeon Richter Marketing ČR s.r.o.** and **Gedeon Richter Slovakia s.r.o.** respectively.

Richter also established **Gedeon Richter Slovenija, trženje, d.o.o.**, its subsidiary in Slovenia at the end of 2011. The Czech, Slovak and Slovenian companies support the sales of Richter products through PR and by operating efficient networks of representatives. The promoted products include some of those resulting from Richter's recent acquisitions.
At the end of 2013 Richter established **Gedeon Richter d.o.o. (Croatia)**, its subsidiary in Croatia. The new company will start marketing and PR of Esmya in early 2014.

Another Chinese subsidiary started operation from the beginning of 2013, **Rxmidas Pharmaceuticals Co. Ltd.**, with Richter's holding through GRmed of Hong Kong. The company is active in supporting the marketing of Richter's subscription products available in the Chinese market. Over the next three years Richter envisions to increase its holding in the company to 100%. Richter has already had a Chinese and a Hong Kong based company specialised in OTC products and continues to rely on them in the future.

Active in promotional purchases, storage and distribution, Moscow based **Pharmarichter O.O.O.** proved to be a high-performing company in 2013 in both technical and financial terms.

On 6 September 2013 **Gedeon Richter Kazakhstan L.L.P.**, a company undertaking the sales and exclusive import of Richter's products in Kazakhstan was incorporated. The incorporation was aimed at establishing a subsidiary active in pre-distribution in order to ensure continuous and more efficient local supply. Richter Group holds 100% of the subsidiary's shares. The company applied for authorisation as a wholesaler but because of the time-consuming licensing procedure it will not be until 2014 before it starts sales of the goods supplied duty free in 2013, thus the company will appear in the market as an autonomous actor in the next business year.

The core business of **Richter-Helm BioTec GmbH & Co KG** has been project management and business development in the field of microbial biotechnology over the past years, focusing on Group projects as well as external projects. The 2013 performance of the company was in keeping with expectations.

The priority task of U.S. based **Gedeon Richter USA Inc.** continues to be the support of business development and strengthen strategic partnerships in the region.

Medimpex UK Ltd. is active in traditional trading in the United Kingdom.

In the second half of 2013 Richter started preparations for its expansion in the Central and South American region. As a first step the parent company established a company in Columbia named **Gedeon Richter Colombia S.A.S.**, with the main function to provide marketing and registration related services for the introduction of Richter's products in the region.
The Company signed agreements in Mexico and Brazil in 2013. Expansion will be continued by new company foundations and acquisitions in a number of countries in the region.

6.2. Wholesale and retail

Romania

Armedica Trading S.R.L. is the holding company of Richter Group's Romanian pharmaceutical wholesale and retail trade segments.
The Hungarian parent company developed a full-fledged vertical sales network in Romania with the companies owned by Armedica as endpoints. The two outlets continues to play an important role in implementing the strategic goals of the Romanian and Hungarian parents, predominantly in the distribution of the Group's finished products and promoting Richter Group in Romania.
Pharmafarm S.A. is the Group's wholesale company in Romania. As a result of its clear logistics structure the company significantly improved its turnover while at the same time it managed to contain costs and strengthened its well-balanced customer, inventories and sourcing policy. Cooperation between the parent and Gedeon Richter Romania S.A., Gedeon Richter Farmacia S.A. and Pharmafarm S.A. continued to improve in order to achieve a bigger share in the Romanian market.
In December 2013 Pharmanet, a chain of 14 basically drug store type outlets centred around Cluj and its area is operated by the holding company amalgamated with **Gedeon Richter Farmacia S.A**. As a result GRFA S.A. operated a nationwide network of 120 operating pharmacy outlets, and while its turnover dropped in 2013 its EBITDA (operating profit + depreciation) has been positive on a continuous basis.
In 2013 further impairment was reported on the licences of pharmacies owned by Gedeon Richter Farmacia S.A.

Ukraine and the CIS

After the dismantling of the wholesale segment in 2009 Richter's fully owned Ukrainian subsidiary **Gedeon Richter Ukrfarm O.O.O.** changed its focus exclusively to pharmaceutical retail. Besides implementing successful headcount and cost containment measures to improve efficiency, Richter changed its strategy regarding the retail sector in Ukraine. In 2011 the Company decided to discontinue a retail network of 20 outlets. The process has not been completed to date; after minimising staff sales of the company's assets are currently in progress.

In the Moldovan pharmaceutical market the presence of Hungarian pharma companies has become a dominant feature as Richter has secured outstanding market shares over the long term. In 2013 this performance was supported by **Richpangalfarma O.O.O.**, a key player in the pharmaceutical wholesale market since 1996. The company renewed and upgraded its regional warehouse in the city of Balti with the help of a loan from the parent company. Our wholesale and retail companies are able to meet customers' needs in Moldova. The company continues to be well-balanced and profitable.

Having established a wider group of loyal customers, with its network of 40 outlets **GR–Retea Farmaceutica S.R.L.** closed the year with a reliable and solid performance despite multiple challenges.

Although the state is trying to control market processes counterfeit products are rampant. The companies also suffered from the devaluation of the local currency in 2013.

Richter's wholesale and retail holdings in Armenia have scored major progress and achieved an impressive performance in 2013. The wholesale subsidiary **Richter-Lambron O.O.O.** made a successful appearance in the market of third-party products. As a result, it expanded its network of suppliers and customers and its sales achieved considerable growth. This greatly contributed to the company's reinforcement of top position among the top players in the market.

The subsidiary **Gedeon Richter Aptyeka Sp O.O.O.** expanded its network to include 18 pharmacies by the end of 2013 and continued to increase sales and earnings; as a result, the company has become a local brand, which fully justified the parent's investment and promotes awareness of Richter as well as the parent company's market share and progress. The companies have steadily improved their performance.

The performance of the two wholesale companies operating in *Jamaica* (**Medimpex Jamaica Ltd.** and **Medimpex West Indies Ltd.**) resulted in improving turnover. As a result of the wholesalers' activities Richter managed to step up the distribution of its products in the region in 2013. The devaluation of the local currencies against the dollar has accelerated in the countries of the region.

There was no change in the *domestic* wholesale share: the parent company continues to be a shareholder of the biggest pharmaceutical distributor in Hungary.
Making use of the opportunities provided by a logistic structure revamped in 2013, **Hungaropharma Zrt.** greatly improved its efficiency over the previous year and achieved a significant increase in earnings. Richter directly holds 30.68% of the company's shares.

6.3. Other consolidated companies

There has been no change in the profiles of the other consolidated companies of Richter Group (engineering, real estate management, quality control, forwarding, etc.); they provided continuous support fully in line with expectations and with good performance throughout 2013. Operation of these affiliated undertakings is focused predominantly to Hungary.
Richter's undertakings in this segment with foreign sites continue to be dormant.

7. Risk management

During the year Richter Gedeon Plc. completed a company-level risk assessment in-line with its risk management policy. As part of the risk assessment the Company has identified its relevant strategic, operational, compliance and financial risks following the risk management approach elaborated with a consultant. The identified risks have been evaluated by the management of the Company.

The following risks proved to be the most typical in each category based on the assessment.

Strategic risks

Risk	Description	Key risk management methods
Healthcare Budget	Potential impact on the company of changes and monetary restrictions in the healthcare budget and regulation (price cuts, subsidy cuts and surtax)	- Regular analysis of market environment, monitoring changes in the legal and pharmaceutical subsidy system - Communication with authorities - Cost management adaptation
Competition and Pricing	The impact on the company's market position and results of the increasing generic competition and the decreasing prices in the competitive market	- Identifying competitive advantages - Focusing on new proprietary and value added products - Launching new generic products - Regularly performed competitor, industry and effectiveness analysis
Macroeconomic Factors	Risk of changes in macroeconomic factors affecting the company's markets with special regard to solvency	- Monitoring changes in major macroeconomic factors, incorporating their effects into the planning - Cost management and adaptation of customer relations

Operational risks

Risk	Description	Key risk management methods
Original and biosimilar R&D	Risk relating to the success of original research and biosimilar development	- Focusing original research on CNS and gynaecology lines - Determining milestones of original research and biosimilar development - Assessment of programs and decision-making within the Research Council
Specialized marketing network in Western Europe	Risks related to the development of specialized Western European sales and marketing support of gynaecological products	- Company-level projects for the acquired gynaecological portfolio and the coordination of the launch of Esmya - Setting up a new organizational unit for the management of gynaecological promotion
Qualified Workforce	Risk relating to retention of employees in key positions and ensuring qualified workforce	- Periodic revision of HR strategy - Training plans, career and succession programs - Incentive and performance assessment system

Compliance risks

Risk	Description	Key risk management methods
Health Authority Regulations, Quality Requirements, Quality Assurance	Risk of non-compliance with relevant regulations relating health and quality	- Implementing Quality systems and Standard Operational Processes (SOP) - Monitoring compliance with health authority regulations
Intellectual Property, Patents and Litigations	Risk relating to patents and patent rights	- Continuous assessment and monitoring of intellectual property and patents - Enforcement of intellectual property rights - Conclusion of risk mitigation agreements
Contracts and Liabilities	Risk relating to managing contractual liabilities and enforcing contractual terms	- Centralised contracting processes - Special treatment of unique contracts

Financial risks

Risk	Description	Key risk management methods
Credit and Collections	Risk relating to cash and receivables collection procedures	- Customer rating - Establishing payment terms and credit limits - Regular review of receivables - Insurance of CIS customers' credits with MEHIB
Foreign Exchange Rate	Unfavourable changes in the exchange rate of the company's key foreign currencies	- Calculating annual open FX positions and monitoring key FX rates - Natural hedging through FX loans
Capital Structure, Cash Management and Financial Investment	Risk relating to the effective management of the Company's cash needs and cash funds	- Developing and monitoring cash-flow plans - Group level principles for allocating free cash and cash equivalents - Financial Investment Rules to manage investment risk

8. Post-balance sheet date events

As part of its expansion in Central and South America, the Company started to acquire companies in Brazil and Mexico in December 2013. The main activity of the acquired companies will be to undertake registration tasks related to Richter's gynaecological products and to develop the marketing and promotion networks.

In February 2012, Esmya had been granted marketing authorisation for the EU member states for its indication of pre-operative treatment of uterine fibroids (myomas). According to the original authorisation, treatment had been limited to one course of three months. In January 2014 the European Commission granted marketing authorization for the extended use of Esmya 5 mg tablet up to two courses (2x3 months) of treatment.

The management is not aware of other post-balance sheet date event that might be material to the Company's business.

9. Future outlook

Retaining and strengthening the Company's position in the Hungarian and the traditional markets (CIS, Central and Eastern Europe) despite increasingly difficult environment whose problems fall hard on the entire pharmaceutical industry (price erosion, tightening subsidies and price control) continue to feature among Richter's strategic goals.

The Company focuses on strengthening its presence in, and stepping up exports to, European Union and China, retaining and strengthening positions acquired in the United States, and developing new long-term research and development cooperation with existing and new partners.

The main tool to achieve these goals in the context of Hungary, the CIS and the CEE countries is to improve the efficiency of Richter's sales networks. In Western Europe the strategy is implemented by means of our own marketing network, and in the United States through long-term agreements concluded with strategic partners. Through a variety of acquisitions the Company strives to secure its direct presence in the world's fastest growing pharmaceutical markets (China and the Latin-American region) thereby ensuring a harmonious extensive and intensive growth.

The success of proprietary research and development aimed primarily at CNS products is crucial for the Company's future and for strengthening its market positions. The future added value from the gynaecological portfolio purchased in 2010 from Grünenthal, coupled with Esmya resulting from the Swiss acquisition will boost the Group's niche: gynaecology, which is best supported by the units operating in the traditional markets and the newly established Western European sales network.

The third pillar of the Company's future results is the development of biosimilar products and the high-value investment to create the conditions for their manufacture.

Besides the above, Richter is striving to exploit the opportunities provided by the portfolio of traditional products to a maximum extent.

The Company's on-going objective is to achieve faster growth in its special niche of oral contraceptives and steroid-based gynaecological products than total sales growth resulting in a greater contribution to annual turnover. As of 2012 the line was completed with Richter's proprietary product Esmya.

In order to ensure and increase sales and profitability, another priority task for the future is the improvement of research and development and the Company's organizational functioning in all areas of operation on an on-going basis.

INDEPENDENT AUDITOR'S REPORT

To the shareholders of Gedeon Richter Plc.

Report on the financial statements

We have audited the accompanying financial statements of Gedeon Richter Plc. ("the Company") which comprise the balance sheet as of 31 December 2013 (in which the balance sheet total is MHUF 701,091, the profit per balance sheet is MHUF 36,072), the related profit and loss account for the year then ended, and the notes to the financial statements including a summary of the significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the provisions of the Accounting Act and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the accompanying financial statements give a true and fair view of the financial position of Gedeon Richter Plc. as of 31 December 2013, and of the results of its operations for the year then ended in accordance with the provisions of the Accounting Act.

Other reporting requirements regarding the business report

We have examined the accompanying business report of Gedeon Richter Plc. ("the Company") for the financial year of 2013.

Management is responsible for the preparation and fair presentation of the business report in accordance with the provision of the Accounting Act. Our responsibility is to assess whether or not the accounting information disclosed in the business report is consistent with that contained in the financial statements. Our work in respect of the business report was limited to checking it within the aforementioned scope and did not include a review of any information other than that drawn from the audited accounting records of the Company. In our opinion the 2013 business report is consistent with the disclosures in the financial statements as of 31 December 2013.

Budapest, 24 April 2014

Barsi Éva
Partner
Statutory auditor
Licence number: 002945
PricewaterhouseCoopers Auditing Ltd.
1055 Budapest, Bajzsy-Zsilinszky út. 78.
License Number: 001464

Note:

Our report has been prepared in Hungarian and in English. In all matters of interpretation of information, views or opinions, the Hungarian version of our report takes precedence over the English version. The accompanying financial statements are not intended to present the financial position and results of operations and cash flows in accordance with accounting principles generally accepted in jurisdictions other than Hungary.

GEDEON RICHTER

Established in 1901

DECLARATION

The undersigned **Mr. Erik Bogsch** as a managing director of **Chemical Works of Gedeon Richter Plc.** (registered office: H-1103 Budapest, Gyömrői út 19-21., Reg.No.: Cg.:01-10-040944) /hereinafter Company/ representing solely the Company, in accordance with Annex I. Sec. 2.4. of 24/2008. (VIII.15.) Ministry of Finance Decree hereby

declare

that the 2013 annual financial statement, which have been prepared to the best of our knowledge and in accordance with the applicable set of accounting standards and approved by the General Meeting of the Company, gives true and fair view of the assets, liabilities, financial position and profit and loss of the Company, and that the business report includes a fair review of the development and performance of the business and position of the Company, together with the description of the principal risks and uncertainties.

Date: Budapest, 25th April, 2014

Erik Bogsch
Managing Director

Chemical Works of Gedeon Richter Plc.
Hungary, Budapest, X., Gyömrői út 19-21. • Postal address: H-1475 Budapest, 10. Pf. 27. • Phone: (361) 431-4000 • Fax: (361) 260-6650, 260-4891 • www.richter.hu
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