Gedeon Richter Plc.

Financial statements

31 December 2014

Budapest, 28 April 2015

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 2014

Data in HUF Million

	Description	Previous year 31.12.2013	Current year 31.12.2014
a	b	c	e
A.	Fixed Assets	445 831	442 436
I.	Intangible Assets	101 654	110 869
1.	Capitalised value of reorganization		
2.	Capitalised value of research and development	423	338
3.	Rights	67 177	72 791
4.	Intellectual property	1 440	1 233
5.	Goodwill	32 614	36 507
6.	Advances given for intangibles		
7.	Adjusted value of intangible assets		
II.	Tangible Assets	127 256	131 989
1.	Land and buildings	82 526	83 101
2.	Technical equipment	23 116	22 649
3.	Other equipment	14 280	14 068
4.	Animals		
5.	Investments	7 010	12 070
6.	Advances given for tangible assets	324	101
7.	Adjusted value of tangible assets		
III.	Financial Investments	216 921	199 578
1.	Long-term shares in subsidiaries	120 874	129 058
2.	Other long-term shares	7 010	4 621
3.	Long-term loans given to subsidiaries	52 645	46 596
4.	Long-term loans given to other affiliates	593	832
5.	Other long-term loans	502	563
6.	Long-term bonds	33 810	17 908
7.	Adjusted value of financial investments		
8.	Valuation difference of non-current assets	1 487	

Data in HUF Million

	Description	Previous year 31.12.2013	Current year 31.12.2014
a	b	c	e
B.	Current Assets	251 323	261 444
I.	Inventories	45 778	44 889
1.	Raw materials	9 360	9 708
2.	Work in progress, semi-finished products	23 069	22 999
3.	Live stock		
4.	Finished products	10 092	8 834
5.	Goods	3 251	3 343
6.	Advances given for inventories	6	5
II.	Receivables	117 086	116 908
1.	Trade receivables	52 010	39 049
2.	Receivables due from subsidiaries	52 947	64 576
3.	Receivables due from other affiliates	8 290	8 619
4.	Bills receivable		
5.	Other receivables	3 839	4 557
6.	Valuation difference of receivables		
7.	Positive fair value difference of derivative instruments		107
III.	Securities	3 987	20 858
1.	Shares in subsidiaries		
2.	Other shares		
3.	Own shares	276	13
4.	Short-term bonds	3 711	20 845
5.	Fair value difference of securities		
IV.	Cash	84 472	78 789
1.	Cash	48	40
2.	Bank deposits	84 424	78 749
C.	Prepayments	3 937	2 471
1.	Accured income	1 422	957
2.	Prepaid expenses	2 515	1 514
3.	Deferred expenses		
	Total Assets	701 091	706 351

Budapest, 28 April 2015

Managing Director

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 (Equity and Liabilities)

31 December 2014

Data in HUF Million

	Description	Previous year 31.12.2013	Current year 31.12.2014
a	b	c	e
D.	Shareholder's Equity	559 578	570 908
I.	Issued capital	18 637	18 637
	- including own-shares repurchased at face value	*6*	*0*
II.	Issued unpaid capital (-)		
III.	Share premium	19 256	19 256
IV.	Retained earnings	483 427	519 707
V.	Tied-up reserve	699	351
VI.	Revaluation reserve	1 487	0
1.	Valuation reserve		
2.	Fair value reserve	1 487	0
VII.	Profit or Loss for the year	36 072	12 957
E.	Provisions	1 518	3 339
1.	Provision for expected liabilities	1 518	3 339
2.	Provision for expected expenses		
3.	Other provisions		
F.	Liabilities	129 944	122 743
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	78 791	52 000
1.	Long-term loans		
2.	Convertible bonds		
3.	Debts on issue of bonds		
4.	Investment and development loans		
5.	Other long-term loans	54 434	43 297
6.	Long-term liabilities due to subsidiaries		
7.	Long-term liabilities due to other affiliates		
8.	Other long-term liabilities	24 357	8 703

Data in HUF Million

	Description	Previous year 31.12.2013	Current year 31.12.2014
a	b	c	e
III.	Current liabilities	51 153	70 743
1.	Short-term loans		
	- including: convertible bond		
2.	Other short-term loans	4 948	14 432
3.	Advances received from customers	262	290
4.	Trade payables	17 106	16 777
5.	Bills payable		
6.	Short-term liabilities due to subsidiaries	8 291	7 963
7.	Short-term liabilities due to other affiliates		
8.	Other short-term liabilities	20 258	31 168
9.	Valuation difference of current liabilities		
10.	Negative fair value difference of derivative instruments	288	113
G.	Accruals	10 051	9 361
1.	Accrued income		
2.	Accrued expenses	8 115	7 379
3.	Deferred income	1 936	1 982
	Total Liabilities and Equity	701 091	706 351

Budapest, 28 April 2015

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 2014

Data in HUF Million

	Descriptions	Previous year 12 months	Current year 12 months
a	b	c	e
01.	Domestic sales	30 222	31 855
02.	Export sales	250 765	251 793
I.	Total Sales (01+02)	280 987	283 648
03.	Direct cost of production	46 187	49 279
04.	Cost of goods sold	10 675	11 427
05.	Value of services sold	396	428
II.	Direct costs of sales (03+04+05)	57 258	61 134
III.	Gross profit (I-II)	223 729	222 514
06.	Sales and marketing expenses	101 534	97 333
07.	Administration and general expenses	24 934	24 717
08.	Other general expenses	48 076	49 526
IV.	Indirect costs of sales (06+07+08)	174 544	171 576
V.	Other income	11 885	7 846
	including revesal of impairment	*344*	*178*
VI.	Other expenditures	12 054	18 820
	including impairment	*1 835*	*4 076*
A.	OPERATING RESULTS (III-IV+V-VI)	49 016	39 964

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)	1 485	1 813
	including from affiliated undertakings	*513*	*1 505*
14.	Capital gains on the sale of investments		
	including from affiliated undertakings		
15.	Interest income and capital gains on financial investments	3 430	1 164
	including from affiliated undertakings		
16.	Other interest and similar income	3 849	3 331
	including from affiliated undertakings	*1 351*	*1 315*
17.	Other financial income	5 847	10 777
	including from valuation difference	*504*	*395*
VIII.	INCOME FROM FINANCIAL TRANSACTIONS (13+14+15+16+17)	14 611	17 085
18.	Losses on financial investments		
	including to affiliated undertakings		
19.	Interests payable and similar expenses	1 560	1 373
	including to affiliated undertakings		
20.	Losses on shares, securities and bank deposits	-1 983	8 350
21.	Other financial expenses	15 311	27 106
	including from valuation difference	*288*	*113*
IX.	EXPENSES ON FINANCIAL TRANSACTIONS (18+19+20+21)	14 888	36 829
B.	PROFIT OR LOSS FROM FINANCIAL TRANSACTIONS (VIII-IX)	-277	-19 744
C.	PROFIT OR LOSS OF ORDINARY ACTIVITIES (+-A+-B)	48 739	20 220
X.	EXTRAORDINARY INCOME	7 022	129
XI.	EXTRAORDINARY EXPENSES	8 640	1 210
D.	EXTRAORDINARY RESULT (X-XI)	-1 618	-1 081
E.	INCOME BEFORE TAXES (±C±D)	47 121	19 139
XII.	TAXES PAYABLE	435	31
F.	PROFIT AFTER TAXES (±E-XII)	46 686	19 108
22.	Profit reserves used for dividends and profit-sharing		
23.	Dividends and profit-sharing paid (payable)	10 614	6 151
G.	PROFIT OR LOSS FOR THE YEAR (±F+22-23)	36 072	12 957

Budapest, 28 April 2015

Managing
Director

GEDEON RICHTER PLC.

Notes to the Financial Statement 2014

Erik Bogsch
Managing Director

Budapest, 28 April 2015

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:	**28 April 2015**
Reference and place of last Company Court registration:	**Cg. 01-10-040944/451 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** **www.richter.hu** **www.bet.hu**
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:	**184862**

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 2014**
Balance sheet preparation date:	**30 January 2015**

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.

Conversion into forints of any assets or liabilities denominated in a currency not listed by the National Bank of Hungary is made at the cross rate calculated from Bloomberg's published rate of the given currency to the dollar and NBH's rate of the forint to the dollar.

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

The Company's transactions with affiliated undertakings are conducted in accordance with the usual market conditions.

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

Market rating of investments involving ownership shares can be derived from the stock market price or the company's shareholders' equity. Loss in value should be reported if the item-by-item valuation of investments finds that the book value is significantly higher than the portion of shareholders' equity held by the parent company or the market value and the difference appears permanent or if the valuation can be considered definitive based on the available information.

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

In 2014 the Company modified its accounting policy in respect of valuation procedures and the settlement of impaiment. (See Points 2.3 and 2.4.)

The quantifiable impact of the modifications would have been insignificant as regards the Report on 2013.

2.7 Tax audit

In 2014 a full-fledged tax audit of the business years 2011 and 2012 was conducted at the Company. The minutes were received on 16 December 2014, the decision was delivered before the closure of the annual report. After reviewing the decision the Company resolved to appeal against the fine and late payment penalty.

The Company created provisions from the 2014 earnings in the amount specified in the authority's decision to provide coverage for the future liability.

Books and ledgers of the company may be audited by the tax office in a period of up to six years following the current year. The Management of the Company is unaware of any circumstances which could result in material liabilities for the Company in this respect.

2.8 Audit fees

The Company signed a contract with PricewaterhouseCoopers Auditing Ltd to perform the financial audit in respect of 2014. The annual fee due to this activity amounts to HUF 19 million + VAT.

I/3 Evaluation of the 2014 activities of Gedeon Richter Plc.

Expressed in HUF million, the reference figures used for evaluating the 2014 business of Gedeon Richter Plc. are taken from the 2013 audited annual report as approved by the General Meeting.

3.1 Main objectives for 2014

The Company's main objectives for 2014 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; to develop a new proprietary CNS product;and to take further steps in the development of biosimilar products.

In 2014 significant advancement was achieved in the following areas:

- Sales revenues ascended significantly in the EU, in particular the EU15, the U.S. and the Chinese 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. 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 was granted for the extended use of the product in January 2014 and Esmya was launched in almost all of the European Union member states as well as Canada, Russia and several Other CIS countries in the course of the year. Concluded in December 2011, the license agreement granting distribution and development rights for the CIS countries and China was completed by another agreement in June 2014 to include Latin American countries that are crucial for Richter's strategy.

- In the course of the year Richter further developed its existing and newly created marketing companies in Western Europe: the companies' scope of business was expanded and strengthened a network of pharmaceutical representatives specialized in gynaecological treatments was developed in all of the companies.

- The Company achieved a substantial increase in turnover in China and in Latin America through complex transactions coupled with acquisitions. 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 Colombia as a first step, followed by acquisitions in Brazil and Mexico. In May 2014 an agreement was signed for the acquisition of a majority stake in Mediplus N.V. registered in Curaçao, Mediplus is a marketing company covering Ecuador, Peru, Chile and Bolivia through its subsidiaries and also sells products to Central American and Caribbean countries.

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.

- 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. In January 2015 Richter and Actavis announced that the FDA acknowledged receipt of the resubmitted New Drug Application (NDA). Also in January 2015 in a joint announcement with Actavis the Company reported positive results from a Phase III trial evaluating the efficacy of cariprazine in the prevention of relapse in patients with schizophrenia, as well as top-line results from trials indicating that the efficacy of cariprazine was significantly superior to that of the comparator drug in adult schizophrenia patients with persistent and predominant negative symptoms.

In 2014 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.

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.

In an attempt to offset the dire consequences of the Russia-Ukraine political crisis, the devaluation of the rouble and to slipping Ukrainian pharmaceutical market the Company introduces cost-cutting measures that will affect all areas of operation.

The Group focuses on strengthening its presence in, and stepping up exports to, European Union, primarily in the EU15, 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 Richter is striving to secure its direct presence in the world's fastest growing pharmaceutical markets (China and the Latin American region).

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

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.

On 3 September 2014 Palatin Technologies, Inc. and Richter announced that they have entered into a collaboration and license agreement to co-develop and commercialize bremelanotide for female sexual dysfunction (FSD) indications in the European Union, other European countries and additional selected countries. Under the terms of the agreement, Palatin received total upfront payments of EUR 7.5 million (USD 9.9 million). The two companies will each contribute to the European co-development activities for obtaining regulatory approval in Europe. All sales, marketing, and commercial activities and associated costs in the licensed territory will be the sole responsibility of Richter. If the pre-determined stages of development and market launch are successfully completed Palatin will be entitled to additional milestone income.

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 ongoing basis.

3.2. Post balance sheet date events

On 19 December 2014 Richter acquired the investment management business line of its subsidiary, Richter Gedeon Befektetéskezelő Kft. The shares had been transferred before the balance sheet date, however the Court of Registry has not registered the change of ownership until 31 December 2014.

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.

As of 15 January 2015 the Swiss National Bank scrapped the exchange rate floor against the euro that had been in place from 2011. As a result the Swiss franc started to rise. Richter's receivables and payables denominated in CHF are approximately balanced.

On 27 January 2015 Richter announced that it entered into a license and distribution agreement with Bayer HealthCare to comercialize the low-dose gestodene and ethinyl estradiol containing transdermal contraceptive patch of Bayer in the European Union, in other European countries and also in certain Latin American countries under the trademark of Lisvy.

On 19 February 2015 Richter and Evestra Inc. announced that they signed a collaboration agreement in which Richter is providing a USD 5 million convertible loan to Evestra. Under the terms of the agreement after three years Richter, at its discretion, will either be repaid the loan plus interests or will acquire a stake in Evestra to the extent of the loan. The funds will empower Evestra to accelerate the development of its innovative women's health product pipeline into the clinical stages.

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

3.3 Revenue by geographical segment

In the wake of strengthening its presence in the South and Central American markets the Company took Latin America out of the Other countries region and reported its income from sales as a separate line item. For the sake of comparability the reference year figures have also been converted.

	2013** MHUF	2014 MHUF	Variance MHUF	Variance %
Hungary	30,222	31,855	1,633	5.4
Export				
CIS	139,656	122,562	-17,094	-12.2
EU *	77,636	87,395	9,759	12.6
USA	8,471	12,238	3,767	44.5
China	10,400	13,176	2,776	26.7
Latin America	3,356	4,296	940	28.0
Other countries	11,246	12,126	880	7.8
Export total	250,765	251,793	1,028	0.4
Total	280,987	283,648	2,661	0.9

* Excluding Hungary
** As of 1 January 2014 income from sales in Latin America is reported as a separate line item.

Income from the 2014 domestic sales was 5.4 % up compared to the reference year. Export in HUF was 0.4% up; and in EUR, 3.5% down 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 smaller share (43.2%) than in the reference year. The EU States increased 3.2 percentage points and contributed 30.8%; the contribution of the United States and China rose by 1.3 and 1.0 percentage points respectively (4.3% and 4.7%). Latin American sales contributed 1.5% to total income from sales. The contribution of Other countries and domestic sales remained almost unchanged (4.3% and 11.2% respectively).

Based on the year-end figures for 2014 the Company realized HUF 31,855 million income from sales in the **domestic market**, 5.4% (HUF 1,633 million) more than in 2013. With this performance the Company's market share was 5.4% in 2014, 0.1 percentage points below the reference year's figure. Richter ranked second in the prescription drugs market with a share of 7.4%.

The main drivers of the increase were the mounting sales of Aktil, Panangin, Mirvedol, Tanydon HCT and Vidonorm, attenuated by lagging sales return from Rexetin, Suprax DT and Ossica. In 2014 oral contraceptives were the leading item in terms of sales contributing 10.4% to sales income.

In 2014 no significant changes took place in terms of proce regulations in the domestic pharmaceutical market. Pharmaceutical representatives' registration fee cost Richter HUF 185 million in 2013 and HUF 162 million in 2014.

Income from **exports** increased from HUF 250,765 million in 2013 to HUF 251,793 million in 2014. In euro, income from exports was 3.5% down and amounted to EUR 815.5 million.

Russia continues to be the leading market of the **CIS region** and also of the Company, with turnover denominated in EUR 18.0% below the reference year figure, also largely influenced by the massive devaluation of the rouble against the euro. As regards the best performing products, sales of oral contraceptives as well as of Panangin, Cavinton, Diroton and Verospiron plummeted, offset by rising sales of Nifuroksa, Esmya and Airtal. In Ukraine, lagging Groprinosin, Cavinton and Mydocalm sales resulted in falling sales income. As regards Other CIS states, sales in Uzbekistan soared but were dampened by plummeting Kazakh sales income.

The total turnover achieved in the CIS market was HUF 122,562 million, 48.7% of total export. Year-on-year decrease was 12.2% (HUF 17,094 million). Expressed in Forex, the turnover was EUR 397.0 million (USD 528.3 million) with a 15.6% decrease in EUR (15.5% in USD) y/y.

The turnover achieved in the **European Union** was HUF 87.395 million, 12.6% up year-on-year. The contribution of this region to total export was 34.7 %. Expressed in Forex, the turnover was EUR 283.1 million with a 8.2 % 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 26.4 % increase in the EU15 region.

On the other hand, the CEE Member States decreased their contribution to total sales in the EU region to approximately 51.5% in 2014 with a 4.7% drop in sales income in euro. The drop is mainly attributed to Polish and Czech oral contraceptives.

Sales in the **United States** increased by 44.5% (HUF 3,767 million), or, expressed in USD, by 39.1% (to USD 14.8 million) due primarily to a massive increase in the sales of oral contraceptives and Prosterid.

Turnover in the **Chinese region** was HUF 13,176 million (EUR 42.7 million) with a y/y increase of HUF 2,776 million (or EUR 7.6 million). Increasing sales income generated by Cavinton should be particularly noted.

In the wake of strengthening its presence in the South and Central American markets the Company reports **Latin America** as a separate region as of 1 January 2014. Income from sales in these countries achieved a 28.0% (expressed in dollar, a 23.3%) increase and amounted to HUF 4,296 million (USD 18.5 million). The sales increase is attributed mainly to oral contraceptives. The contribution of this region to total export was 1.7 %.

In the category of **Other countries**, oral contraceptives were the leading products. In the Other countries region the turnover was HUF 12,126 million (EUR 39.2 million). Compared to 2013, turnover was 7.8 % higher (in Forex, 3.4 % higher). The contribution of this region to total export was 4.8 %.

Contribution of key products to sales revenues

Finished products contributed approximately 94% to the 2014 sales revenues. The contribution of APIs was 4%. The following table contains the Top Ten product groups based on their contribution to total sales revenues:

2013				2014			
Rank		Sales MHUF	Share %	Rank		Sales MHUF	Share %
1	Oral contraceptives	80,985	28.8	1	Oral contraceptives	81,981	28.9
2	Cavinton/vinpocetine	24,733	8.8	2	Cavinton/vinpocetine	24,866	8.8
3	Panangin/asparaginates	18,483	6.6	3	Panangin/asparaginates	15,300	5.4
4	Mydeton/tolperisone	16,381	5.8	4	Mydeton/tolperisone	15,057	5.3
5	ACE inhibitors /enalapril, lisinopril	15,460	5.5	5	Verospiron/ /spironolactone	12,710	4.5
6	Verospiron/ /spironolactone	12,185	4.3	6	ACE inhibitors /enalapril, lisinopril	12,268	4.3
7	Lisonorm /lisinopril, amlodipine	8,686	3.1	7	Esmya /ulipristal acetate	11,728	4.1
8	Quamatel/famotidine	7,547	2.7	8	Lisonorm /lisinopril, amlodipine	9,234	3.3
9	Aflamin/aceclofenac	7,297	2.6	9	Aflamin/aceclofenac	7,983	2.8
10	Groprinosin	6,576	2.4	10	Quamatel/famotidine	7,454	2.6
	Total	198,333	70.6		Total	198,581	70.0
	Net income from sales	*280,987*	*100.0*		*Net income from sales*	*283,648*	*100.0*

The contribution of the ten leading product categories to total sales was 70.0%, almost identical with the reference year's figure.

Oral contraceptives are the leading products with a turnover of HUF 82.0 billion, 1.2% over the 2013 figure. The increase was the effect mainly of the rising turnover of emergency contraceptive products and of the portfolio acquired from Grünenthal. The contribution of this product category to total turnover was 28.9%, approximately the same as last year.

The second most important product is our proprietary Cavinton with a turnover of largely the same as in the reference year (decline in Russia and rising sales income in China). Panangin kept its third place despite a 17.2% y/y decline in sales (Russia). Similarly, Mydeton, ranking 4th, lost 8.1% of sales income year-on-year due to shrinking markets in Ukraine and Kazakhstan. Verospiron and ACE inhibitors swapped place and ranked 5th and 6th respectively. Esmya finished an outstanding 7th with a 147% year-on-year increase in sales income. Rising turnover is attributed to Esmya's successful introduction to a growing number of markets. Lisonorm slipped one place and Quamatel two places in the league table finishing 8th and 10th respectively. Contributing 2.8% to the 2014 proce return, Aflamin retained its 9th place. Groprinosin is no longer in the TOP 10, due mainly to slipping sales in Ukraine.

Contribution of key markets to sales revenues

In 2014 the Company's ten leading markets were as follows:

The Company's ten leading markets were as follows:		2014	
		MHUF	MEUR
1.	Russia	80,976	262.3
2.	Hungary	31,855	103.2
3.	Germany	17,850	57.8
4.	Ukraine	17,000	55.1
5.	Poland	14,096	45.7
6.	China	13,176	42.7
7.	United States of America	12,238	39.6
8.	Czech Republic	7,681	24.9
9.	Kazakhstan	6,430	20.8
10.	Slovak Republic	6,124	19.8
	Total	207,426	671.9
	Net income from sales	*283,648*	*918.7*

The ten leading countries jointly contributed approximately 73.1% to Richter's total sales.

Despite significantly declining sales Russia continues to be the leading market. Hungary is again second. Germany advanced to third place with Ukraine and Poland slipping back. China and the United States retained their 2013 position. The Czech Republic and Kazakhstan swapped places compared to the reference year and finished 8th and 9th respectively. Romania did not make it to the TOP 10 and yielded its place to the Slovak Republic among the leading markets.

The three main therapeutic areas contribute 75% to the 2014 sales income. The most important area is that of gynaecological products contributing 37% to turnover. The contribution of cardiovascular products is 24% and of CNS (Central Nervous System) products, 13%.

HUF 102,056 million was realised with associated enterprises including HUF 89,422 million from sales to subsidiaries.

3.4 Balance sheet

Assets

As of 31 December 2014 the Company's assets amounted to HUF 706,351 million, HUF 5,260 million higher than the opening value. The 0.8% increase of total assets boosted Richter's wealth. The main items on the asset side are as follows:

Fixed assets

The closing value of this item was HUF 442,436 million, HUF 3,395 million lower than the opening value. Decrease in the value of fixed assets resulted the decreasing of financial investments which was partially offset by the rising value of intangibles and tangibles.

As of 31 December 2014 the combined value of the Company's holdings amounted to HUF 133,679 million and rose by HUF 4,308 million year-on-year. The following are the main items contributing to the change: capital increase of ZAO Gedeon Richter-RUS (HUF +10,010 million), decrease in the book value of Gedeon Richter Romania S.R.L. (capital increase and impairment together HUF -4,102 million), and the reversed impairment due to the change in the fair value of Protek (HUF -1,712 million).

The reassessment of holdings as of the balance sheet date resulted in a decrease of HUF 527 million.

Loans given amounted to HUF 47,991 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 16,374 million as of 31 December 2014. Long-term debt securities matured within the year and thus decreased by HUF 16,836 million.

The value of intangibles was HUF 110,869 million, HUF 9,215 million in excess of the opening value. The growth is attributed mainly to a HUF 5,614 million change in valuable rights resulting from acquiring the intellectual property rights of ulipristal acetate for the Latin American region and from the license and cooperation agreement relating to bremelanotide. The HUF 3,893 million increase in goodwill results from the settlement of the Mexico and Curaçao acquisitions.

There was a slight increase in the value of tangible assets year-on-year (3.7 %). The increase is the result of a HUF 5,060 million growth in assets in the course of construction (investments and renovation) aimed at a new injectables packaging plant and the project envisioned to create state-of-the-art freeze-drying capacities. Impairment was HUF 14,973 million in the reported period. The total value of capitalised capital expenditure is HUF 15,253 million. The total capitalised value includes group assets of minor value at HUF 50 million and completed refurbishment projects at HUF 2,381 million.

The total value of the Company's investment including the acquisition of intangibles was HUF 34,839 million in 2014.

Current assets

The total value of current assets was HUF 261,444 million as of 31 December 2014, HUF 10,121 million above the opening value.

Inventories decreased by HUF 889 million by the end of the year. This item includes a HUF 440 million increase in the combined value of purchased materials and goods. The combined value of work in progress, finished products and semi-finished goods was HUF 1,329 million below the opening value recorded on January 1.

Receivables are HUF 178 million less than the opening figure. Trade receivables were HUF 4,380 million higher year-on-year. The increase was primarily contributed by growing trade receivables in the Other countries and the domestic regions and attenuated by decreasing trade receivables in the CIS region. This figure also contains HUF 17,341 million increase in liabilities to other related parties. The closing balance of loans extended to affiliated undertakings and undertakings linked by participating interest was HUF 2,220 million higher year-on-year predominantly because of the loan items extended to Gedeon Richter Romania S.R.L. due within a year but reduced by the loan repaid by Pharmafarm S.A.

As of 31 December 2014 the value of cash dropped by HUF 5,683 million. The decrease was predominantly contributed by the EUR 17 million repayment of the Club loan and the purchase of Treasury shares for the purpose of taking over the investment management business line of Richter Gedeon Befektetéskezelő Kft.

The value of securities was HUF 16,871 million above the opening value mainly because of the reclassification mentioned above.

Total Equity and Liabilities

Shareholders' equity

There was a substantial, HUF 11,330 million, increase in shareholders' equity, which resulted from a HUF 36,280 million increase in retained earnings, a HUF 23,115 million decrease in profit for the year, a HUF 1,487 million in fair value reserve, and a HUF 348 million in tied up reserve, while the value of registered capital and capital reserves remained unchanged.

MHUF

	Issued capital	Share premium	Retained earnings	Tied-up reserve	Fair value reserve	Profit or Loss fo the year	Shareholders' equity
Balance 31.12.2013	**18 637**	**19 256**	**483 427**	**699**	**1 487**	**36 072**	**559 578**
31.12.2013 Profit for the year			36 072			-36 072	
31.12.2014 Release and tie-up of repurchase value of treasury shares and experimental development			348	-348			
31.12.2014 fair valuation reserve released					-1 487		-1 487
Supplementary payment *			-140				-140
31.12.2014 Profit for the year						12 957	12 957
Balance 31.12.2014	**18 637**	**19 256**	**519 707**	**351**	**0**	**12 957**	**570 908**

*Pharmapolis Gyógyszeripari Tudományos Park Kft. to settle equity.

Changes in issued capital

Shares of the company

	31.12.2013			31.12.2014		
	Number	Nominal value HUF'000	Ratio %	Number	Nominal value HUF'000	Ratio %
Ordinary shares	186 374 860	18 637 486	100,00	186 374 860	18 637 486	100,00
Total shares	**186 374 860**	**18 637 486**	**100,00**	**186 374 860**	**18 637 486**	**100,00**

Fair valuation reserve

MHUF

	31.12.2013	31.12.2014	Variance
Financial investments	1487		-1487

The fair valuation of the share in Protek Holding was based on the basis of the share price on the stock exchange.

Ownership structure as known by the Company

	Ordinary shares *		Voting capital %		Subscribed capital %	
	31.12.2013*	31.12.2014	31.12.2013	31.12.2014	31.12.2013	31.12.2014
Domestic shareholders						
MNV ZRt.	47 051 548	47 051 668	25,27	25,43	25,25	25,25
Pension Reform and Debt Reduction Fund	0	0	0,00	0,00	0,00	0,00
Local government	1 164	1 164	0,00	0,00	0,00	0,00
Institutional investors	4 679 654	5 035 532	2,51	2,72	2,51	2,70
Private investors	6 285 811	8 127 369	3,38	4,39	3,37	4,36
Total	**58 018 177**	**60 215 733**	**31,16**	**32,54**	**31,13**	**32,31**
Foreign shareholders						
Private investors	635 085	1 203 083	0,34	0,65	0,34	0,65
Institutional investors	127 526 848	123 573 719	68,49	66,80	68,43	66,30
incl.: Skagen Kon-Tiki Verdipapirfond	*10 116 722*		*5,43*		*5,43*	
Aberdeen Asset M. PLC.	*37 179 620*	*19 119 054*	*19,97*	*10,33*	*19,95*	*10,26*
Total	**128 161 933**	**124 776 802**	**68,83**	**67,45**	**68,77**	**66,95**
Non-specified shareholder	27 972	16 638	0,01	0,01	0,01	0,01
Treasury shares *	166 778	1 365 687	0,00	0,00	0,09	0,73
Subscribed capital	**186 374 860**	**186 374 860**	**100,00**	**100,00**	**100,00**	**100,00**

*It includes the 1,361,988 ordinary shares held by subsidiaries. Treasury shares carry no voting rights.
** On 12 November 2014 Richter announced that the voting rights of Skagen Kon-Tiki Verdipapirfond in the Company dropped below 5%.

The book value of treasury shares held by Richter is HUF 13 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.

The State Holding Company (MNV Zrt.), as a business organisation is having a significant interest over Richter nevertheless the Parent Company has no other transactions with the State Holding Company, than the regular dividend payments.

MHUF

	31.12.2013	31.12.2014
Dividend paid to MNV Zrt.	3 105	2 682

The Group does not perform significant transactions with other entities controlled or significantly influenced by the Hungarian State. The cumulative effect of these transactions is also not significant therefore it is not presented separately in the financial statements

Changes in treasury shares

	Number of shares	MHUF
Opening 01.01.2014	61 278	276
Share purchase	2 482 083	9 514
Transferred in the context of bonus program	-400 776	-1 607
Transferred as premium	-422 760	-1 713
Transferred in the context of PM program	-478 725	-1 710
Repurchased in the context of PM program	19 087	76
Transferred for aquisition*	-1 256 488	-4 823
Closing 31.12.2014	3 699	13

* On 19 December 2014 Richter acquired the investment management business line of its subsidiary, Richter Gedeon Befektetéskezelő Kft. The Company paid for the holdings with Treasury shares. The shares had been transferred before the balance sheet date, however the Court of Registry has not registered the change of ownership until 31 December 2014.

It is the intention of the Company to grant Treasury shares to management and employees as part of its remuneration policy. The Company is operating three share based payment programs, described below in more details. From these programs, the individual bonuses and the bonus program vest immediately, while the shares granted under the Finance Ministry program have a vesting condition of employment at the end of the deposit period also described below.

Bonus program

Richter operates a bonus share programme since 1996 to further incentive managers and key employees of the Company. In 2014 400,776 shares were granted to 454 employees of the Company while in 2013 375,370 shares were granted to 465 employees.

Individual bonuses

422,760 ordinary shares were granted to qualified employees as bonuses during the year while 507,276 ordinary shares were granted in 2013.

Recognised Staff Stock Bonus Plan

Pursuant to a programme approved by the National Tax and Customs Administration related to employee share bonuses (Recognised Staff Stock Bonus Plan 2012-2014), the Company granted 478,725 treasury shares to 4,959 employees in 2014. The shares will be deposited on the employees' security accounts with UniCredit Bank Hungary Ltd. until 2 January 2017. In 2013 415,177 shares were granted to 4,927 employees deposited on their accounts until 2 January 2016.

The AGM held on 24 April 2014 approved that the Company may purchase its own shares for the treasury, the aggregated nominal value of which shall not exceed 10 percent of the registered capital of the Company. Based on this approval, the Company purchased 2,070,000 treasury shares at the Budapest Stock Exchange during the year, and a further 412,083 shares on the OTC market.

Liabilities

As of 31 December 2014 total liabilities amounted to HUF 122,743 million and included HUF 52,000 million long-term liabilities. Long-term liabilities were HUF 26,791 million below the opening value.

The reduction was due primarily to EUR 46 million borrowings and the deferred purchase price in relation to the PregLem and the Chinese acquisitions were reclassified as short term liabilities due within the year. At the end of 2014 the Company's only long-term borrowings was the EIB loan amounting to EUR 137.5 million.

Accounts payable decreased by HUF 657 million. This figure also contains changes in liabilities to other related parties and of the cash pool.

The HUF 19,590 million increase in short term liabilities is mainly the result of the above mentioned reclassifications and the portion of payment due in connection with the Mexican acquisition, reduced by the EUR 17 million Club loan repayment.

3.5 Cash Flow Statement

MHUF

			2013.	2014.
I.	Net cash flow from ordinary business (Operating cash flow, lines 1-13)		65 989	44 355
1.	Profit before taxation	±	47 121	19 139
1/a.	Dividends received	-	-1 485	-1 813
1b.	Other profit items that do not imply cash movements		3 511	7 238
2.	Depreciation charge	+	21 533	22 079
3.	Impairment charge and reversal	±	539	14 373
4.	Difference in recognition and reversal of provisions	±	309	1 821
5.	Gains and losses of selling non-current assets	±	93	-27
5/a	Change of non-current assets without cash flow generating effect	±	2 528	
6.	Change of trade payables	±	1 305	-657
7.	Change of other short term liabilities	±	622	-646
8.	Change of accruals	±	2 281	-713
9.	Change of trade receivables	±	-7 532	-6 722
10.	Change in current assets (less receivables and liquid assets)	±	8 051	1 175
10/a.	Change of other current assets without cash flow generating effect	±	-733	-1 713
11.	Change of prepayments	±	552	1 466
12.	Taxes paid or payable (on profits)	-	-435	-31
13.	Dividends paid or payable	-	-12 271	-10 614
II.	Cash flow from investing activities (lines 14-16)		-43 387	-47 562
14.	Purchasing of non-current assets	-	-24 814	-34 614
15.	Sales of non-current assets	+	287	386
16.	Change of financial investments	±	-20 345	-15 147
16/a.	Dividends received	+	1 485	1 813
III.	Cash flow from financing activities (lines 17-27)		-18 333	-2 476
17.	Proceeds from issuing shares	+		
18.	Proceeds from issuing bonds	+		
19.	Taking credits or loans	+	14 687	
20.	Repayment of long term loans	+	1 920	9 190
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	-4 949
25.	Long term loans extended and bank deposits	-	-4 882	-5 810
26.	Liquid assets given without the obligation of repayment	-	-929	-907
27.	Change of liabilities in connection with founders	±		
IV.	Net cash flow (lines I+II+III)	±	4 269	-5 683

3.6 Financial performance indicators

Profitability indicators

Indicators	Formula	2013	2014	Variance
EBITDA	Operating profit + Depreciation / Net sales income	49 016 + 21 533 / 280 987 = 25.11%	39 964 + 22 079 / 283 648 = 21.87%	-3.24
ROE	After-tax profit / Shareholders' equity	46 686 / 559 578 = 8.34%	19 108 / 570 908 = 3.35%	-4.99
ROA	After-tax profit / Total assets	46 686 / 701 091 = 6.66%	19 108 / 706 351 = 2.71%	-3.95

The Company's profitability indicators declined year-on-year but still reflect stable profitability.

EBITDA was 21.87% in the reported period, 3.24 percentage points below the 2013 figure. With a sales income approximately the same as in the reference year operating profit shrank substantially (-18.5%).

At the end of 2014 return on equity was 3.35%, with return on assets being 2.71%. Both ROE and ROA dropped year-on-year due to a 59.1% fall in after-tax profit.

The Company's assets

Indicators	Formula	2013	2014	Variance
Debt ratio	Total liabilities / Total equity and liabilities	129 944 / 701 091 = 18.53%	122 743 / 706 351 = 17.38%	-1.15
Equity to debt ratio	Shareholders' equity / Total equity and liabilities	559 578 / 701 091 = 79.82%	570 908 / 706 351 = 80.82%	1.00
Fixed assets coverage ratio	Shareholders' equity + Long-term liabilities / Fixed assets	559 578 + 78 791 / 445 831 = 143.19%	570 908 + 52 000 / 442 436 = 140.79%	-2.40
Working capital ratio	Current assets - Short-term liabilities / Total assets	251 323 - 51 153 / 701 091 = 28.55%	261 444 - 70 743 / 706 351 = 27.00%	-1.55

Debt ratio was 17.38% in 2014, 1.15 percentage points less than in the reference year because of a 5.5% drop in liabilities.

With the improvement of debt ratio equity to debt ratio slightly increased and achieved 80.82% in 2014.

While fixed assets coverage ratio and working capital ratio decreased year-on-year, their respective values at 140.79% and 27.00% continue to reflect an extremely stable assets position.

The Company's liquidity

Indicators	Formula	2013	2014	Variance
Liquidity ratio	Current assets / Short-term liabilities	251 323 / 51 153 = 4.91	261 444 / 70 743 = 3.70	-1.21
Cash ratio	Cash / Short-term liabilities	84 472 / 51 153 = 1.65	78 789 / 70 743 = 1.11	-0.54
Quick ratio	Cash + Accounts receivable + Short-term marketable securities / Short-term liabilities	84 472 +117 086 + 3 987 / 51 153 = 4.02	78 789 +116 908 + 20 858 / 70 743 = 3.06	-0.96

While all liquidity ratios decreased slightly by the end of 2014 they continue to indicate stability.

Short-term liabilities increased in proportion to the aggregate increase of cash, receivables and marketable securities.

The increase in the Company's short-term liabilities was caused mainly by the reclassification of the deferred payment liability due in the 2015 business year in respect of acquisitions which is sufficiently covered by the Company's cash.

Stock market indicators

Indicators	Formula	2013	2014	Variance
Earnings per share ratio (EPS)	Profit after taxes / Number of common shares (Mn)	46 686 / 186.375 = 250.49	19 108 / 186.375 = 102.52	-147.97
Price - earnings (P/E)	Average market value per share (HUF) x Average outstanding common shares (Mn) / Profit after taxes	4 617 x 186.375 / 46 686 = 18.43	3 554 x 186.375 / 19 108 = 34.66	16.23

*Average share price is the average price of shares in the period 1 to 30 January.

As a listed company, Richter considers it important to present the EPS and P/E indicators.

As of 31 December 2014 P/E was 34.66 compared to 18.43 in 2013.

Due to the decrease in the 2014 after-tax profit earnings per share was HUF 102.52, HUF 147.97 less per share year-on-year.

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, 01.01.2014	**94 972**	**2 232**	**32 960**	**804**	**130 968**
Capitalization	14 521		3 893		**18 414**
Sale	-14				**-14**
Scrapping	-2 078	-26			**-2 104**
Transferred without payment	-3				**-3**
Reclassification, other	10	-10			**0**
Closing balance, 31.12.2014	**107 408**	**2 196**	**36 853**	**804**	**147 261**
Accumulated amortization					
Opening balance, 01.01.2014.	**-27 795**	**-792**	**-346**	**-381**	**-29 314**
Amortization accounted in respect of the current year	-6 850	-171		-85	**-7 106**
Scrapping	26				**26**
Transferred without payment	3				**3**
Reclassification, other	-1				**-1**
Closing balance, 31.12.2014	**-34 617**	**-963**	**-346**	**-466**	**-36 392**
Net book value					
01.01.2014	67 177	1 440	32 614	423	**101 654**
31.12.2014	**72 791**	**1 233**	**36 507**	**338**	**110 869**

Intangible assets amounted to HUF 9,215 million in the reported period, 9.1% up from the reference figure. The HUF 3,893 million increase in goodwill results from the settlement of the Mexico and Curaçao acquisitions. The HUF 5,614 million increase in valuable rights stems from acquiring the intellectual property rights of ulipristal acetate for the Latin American region and from the license and cooperation agreement relating to bremelanotide.

1.1.1 Goodwill

MHUF

Goodwill	Investments						
	GR Ukrfarm T.O.V.	GR Polska Sp.z.o.o.	PregLem SA	GRmed Company Ltd.	GR Mexico S.A.P.I.	Mediplus (E.Z.) N.V.	Total
Gross value							
Opening balance, 01.01.2014	345	910	12 760	18 944			32 959
Newly acquired companies					2 588	1 305	3 893
Closing balance, 31.12.2014	345	910	12 760	18 944	2 588	1 305	36 852
Impairment							
Opening balance, 01.01.2014	-345						-345
Impairment charged for the year							0
Closing balance, 31.12.2014	-345	0	0	0	0	0	-345
Net book value							
01.01.2014	0	910	12 760	18 944	0	0	32 614
31.12.2014	0	910	12 760	18 944	2 588	1 305	36 507

The Company tests annually whether the presented goodwill has suffered any impairment.

PregLem S.A.

PregLem was acquired on 6 October 2010. This acquisition supports and provides a gynaecological portfolio and development of the Group's presence in Western Europe. On the acquisition the intangible asset of ESMYA containing investment value and goodwill has also been recognized.

At the date of the acquisition ESMYA, the most important product in this portfolio, a novel treatment for uterine fibroids, was close to the registration. In February 2012 the European Commission (EC) has granted marketing authorization to ESMYA as pre-operative treatment of uterine fibroids.

In January 2014 the European Commission granted marketing authorization for the extended use of ESMYA - for pre-operative treatment of uterine myomas with moderate to severe symptoms - up to two courses (2x3months) of treatment. The studies are expected to be completed by third quarter 2015.

Similarly to the previous year, Richter conducted an impairment test of PregLem for the 2014 balance sheet date and found that again there is no need to account for impairment. Considering that the future cash flows from continued use of the acquired assets are considerable, the return been determined for a cash generating unit including the ESMYA intangibles, PregLem goodwill and other tangible assets used to generate cash inflows (ESMYA CGU).

The return on the ESMYA CGU is determined by means of the income-based method with a fair value approach. The calculations are based on the approved budgets and management projections.

Key facts and assumptions around the management estimation on the future performance of ESMYA (CGU) are as follows:

European ESMYA sales: granted authorization for extended use in 2014, the product is expected to be authorized for long-term treatment from Q3 of 2015. The Group has data exclusivity till 2020, so generic competition and market share loss/price decrease expected from only 2020 as a consequence.

US ESMYA® sales: ESMYA® expected to be launched in 2018 by the US partner. As a conservative scenario, sales decrease has been considered from 2022 because of the expiration of exclusivity.

When management assessed the estimated future performance, cash flows have been projected over the estimated useful life of the asset. Future cash flows are basically affected by changes in turnover, which has three main phases: ramp-up, staying at level, and decline once data exclusivity ceases. Sales revenue is expected to peak in 2019. The Compound Annual Growth Rate (CAGR) for the period 2015-2019 is 45%. After termination of data exclusivity the sales revenue is expected to decline to 25% of the peak over a period of four years with a CAGR -29%. After reaching this level the sales revenue is expected to remain stable till the end of the forecast period.

The discount rate (post tax: 9.55%; equivalent to a pre-tax rate of 11.2 %) applied reflects current market assessments of the time value of money and the risks specific to the CGU for which future cash flow estimates have not been adjusted.

The current values of cash flows up to and after 2019 are approximately the same.

The recoverable amount of ESMYA CGU calculated based on fair value approach exceeded carrying value of the sum of ESMYA intangible asset, other tangible assets used to generate cash inflows and the related GW. A rise in post tax discount rate to 11.8 % would remove the remaining headroom.

GRMed Company Ltd.:

The Hong Kong company GRMed Company Ltd. was acquired and involved in 2013. The transaction supported the Group's stronger presence in China through acquiring an indirect holding in the Chinese trading company RxMidas.

The goodwill impairment after the transaction was first tested as of the balance sheet date of 31 December 2014 and it was found that here is no need to account for impairment.

Considering that the future cash flows from continued use of the assets are considerable, the return has been determined for a cash generating unit (CGU) by means of the income-based method with a fair value approach. The calculations were based on the long term turnover projection and costing plan adopted by the management. The current value of cash flows beyond this was determined by means of the residual value formula.

A steady increase in cash flows is envisioned for the projection period (2015-2026) due to the average annual 8.1% growth in turnover.

The current value of the 2015-2026 cash flows alone is substantially (1.5 times) higher the CGU's book value. By a conservative estimate of residual value (reckoning with 0% growth), return is 3.5 times the tested amount.

The discount rate (post tax: 6.26%; equivalent to a pre-tax rate of 7.4%) applied reflects current market assessments of the time value of money and the risks specific to the CGU for which future cash flow estimates have not been adjusted.

Mediplus N.V.:

Registered in Curacao, Mediplus N.V. holding trading companies in various Latin American countries was acquired and involved in the consolidation in 2014. The transaction was part of the series of recent acquisitions aimed at expanding the Group's activity in the LatAm region and serving as a springboard for future growth.

The goodwill impairment after the transaction was first tested as of the balance sheet date of 31 December 2014 and it was found that here is no need to account for impairment.

In this case too return has been determined for a cash generating unit (CGU) by means of the income-based method with a fair value approach. The calculations were based on the medium term turnover projection adopted by the management (2015-2020). The current value of cash flows beyond this was determined by means of the residual value formula.

Within the above period a significant upswing in the current value of cash flows is projected for 2015-2017 in conjunction with 16.8% annual average increase in sales revenues. After 2017 this increase will reverse and will steadily decline because the projection envisions only a minor (2.8%) growth in turnover for the remainder of the period. The declining trend has been taken into consideration when calculating the residual value.

The discount rate (post tax: 8.15%; equivalent to a pre-tax rate of 10.7%) applied reflects current market assessments of the time value of money and the risks specific to the CGU for which future cash flow estimates have not been adjusted.
There is no significant difference between the current value of the 2015-2020 cash flows and the residual value.

The calculated return is 20.0% in excess of the CGU's book value. A rise in post tax discount rate to 10.8 % would remove the remaining headroom.

Gedeon Richter Mexico, S.A.P.I. de C.V.
The goodwill impairment in connection of the acquisition of DNA Pharmaceuticals S.A. of Mexico was also conducted for the first time.

Similarly to other goodwill impairment tests, in this case too return has been determined for a cash generating unit (CGU) by means of the income-based method with a fair value approach. The calculations were based on the medium term turnover projection adopted by the management (2015-2020). The current value of cash flows beyond this was determined by means of the residual value formula.

At the beginning of the projection period cash flows are envisioned to decline substantially in connection with a 40% drop in turnover over a two-year period. After this (from 2017) turnover is expected to stay on level, which will result in a decrease in the drop of cash flows. Residual value was calculated with a -1.2% annual decline rate.

The discount rate (post tax: 8.15%; equivalent to a pre-tax rate of 9.95 %) applied reflects current market assessments of the time value of money and the risks specific to the CGU for which future cash flow estimates have not been adjusted.

The current value of the 2015-2020 cash flows and the residual value are approximately identical.
The calculated return is about 56% above the CGU's book value. A rise in post tax discount rate to 15.1% would remove the remaining headroom.

1.2 Tangible assets

MHUF

Tangible assets	Account groups					
	Land and buildings	Technical equipment	Other equipment	Recorded in groups	Consrruction in progress	Total
Gross value						
Opening balance, 01.01.2014	**106 939**	**123 123**	**57 434**	**518**	**7 010**	**295 024**
CAPEX					20 321	**20 321**
Capitalization	3 104	5 542	4 176	50	-12 872	**0**
Renovations	905	1 316	161		-2 382	**0**
Received without payment					3	**3**
Sale	-7	-806	-747		-3	**-1 563**
Scrapping	-42	-627	-749	-38	-4	**-1 460**
Loss event	-1	-1	-30			**-32**
Shortage		-1	-5	-12		**-18**
Transferred without payment			-87		-3	**-90**
Reclassification, other	-238	200	34			**-4**
Closing balance, 31.12.2014	**110 660**	**128 746**	**60 187**	**518**	**12 070**	**312 181**
Accumulated depreciation						
Opening balance, 01.01.2014	**-24 413**	**-100 007**	**-43 154**	**-518**	**0**	**-168 092**
Depreciation charged to date	-3 208	-7 217	-4 498	-50		**-14 973**
Sale	7	601	607			**1 215**
Scrapping	18	625	747	38		**1 428**
Loss event		1	23			**24**
Shortage		1	5	12		**18**
Transferred without payment			87			**87**
Reclassification, other	37	-101	64			**0**
Closing balance, 31.12.2014	**-27 559**	**-106 097**	**-46 119**	**-518**	**0**	**-180 293**
Net book value						
01.01.2014	82 526	23 116	14 280	0	7 010	**126 932**
31.12.2014	**83 101**	**22 649**	**14 068**	**0**	**12 070**	**131 888**

The value of tangible assets was HUF 4,956 million above the reference year figure (+3.9%). Assets in the course of construction (investments and renovation) are HUF 5,060 million above the opening figure. The growth results from the investment aimed at the new state-of-the-art freeze-drying unit and the injectables packaging plant.

Depreciation on tangibles and intangibles was HUF 22,079 million in 2014, HUF 546 million in excess of the 2013 figure.

1.2.1 Tangible assets directly used for environment protection

MHUF

Tangible assets	Land and buildings	Technical equipment	Other equipment	Total
	Account groups			
Gross value				
Opening balance, 01.01.2014	**2 066**	**853**	**560**	**3 479**
Capitalization	76	25	6	**107**
Renovations	8	12	1	**21**
Scrapping		-15		**-15**
Reclassification, other			10	**10**
Closing balance, 31.12.2014	**2 150**	**875**	**577**	**3 602**
Depreciation change				
Opening balance, 01.01.2014	**-394**	**-811**	**-529**	**-1 734**
Depreciation charged to date	-52	-24	-14	**-90**
Scrapping		15		**15**
Reclassification, other			-4	**-4**
Closing balance, 31.12.2014	**-446**	**-820**	**-547**	**-1 813**
Net book value				
01.01.2014	1 672	42	31	**1 745**
31.12.2014	**1 704**	**55**	**30**	**1 789**

1.2.2 Construction in progress

MHUF

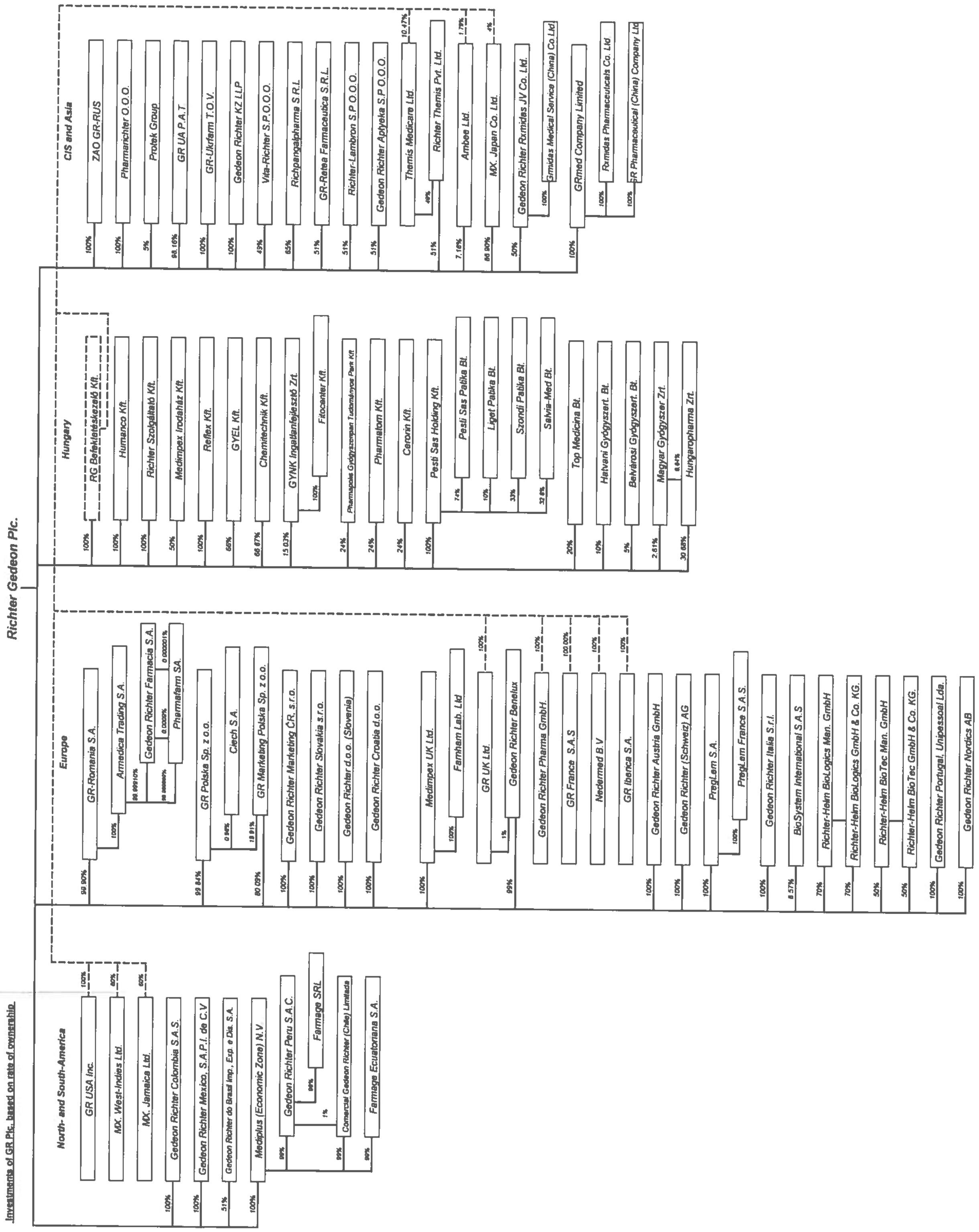
Description	**Opening balance 01.01.2014**	CAPEX	Capitalisation	Sales	Scrap	Assets received without consideration	**Closing balance 31.12.2014**
	Variance						
CAPEX	**6 082**	17 948	-12 822	-3	-1	-3	**11 201**
Renewal	**827**	2 320	-2 381		-3		**763**
Grouped	**101**	53	-50			2	**106**
Total	**7 010**	**20 321**	**-15 253**	**-3**	**-4**	**-1**	**12 070**

The value of construction in progress as at 31 December was HUF 12,070 million.

The amount of intangible assets capitalised during 2014 is HUF 2,416 million.

1.3. Financial Investments

1.3.1 Investments of GR Plc. based on rate of ownership as 31.12.2014



1.3.2 Related parties in a breakdown by degree of participation 31.12.2014.*

Description	Head office	RG direct and indirect participation ownership (%)	votes (%)
Subsidiary companies			
Direct participation			
Humanco Szolgáltató Kft.	1103 Bp., Gyömrői út 19-21. Hungary	100.00	100.00
Pesti Sas Holding Vagyonkezelő Kft.	1103 Bp., Gyömrői út 19-21Hungary.	100.00	100.00
Reflex Kft.	1107 Bp., Száva u. 9. Hungary	100.00	100.00
Richter Befektetéskezelő Kft.	1103 Bp., Gyömrői út 19-21. Hungary	100.00	100.00
Richter Szolgáltató Kft.	1103 Bp., Gyömrői út 19-21. Hungary	100.00	100.00
Chemitechnik Pharma Mér. Szolg.	1103 Bp., Gyömrői út 19-21. Hungary	66.67	66.67
Gyógyszerip. Ell. és Fejl. Labor Kft.	1149 Bp., Mexikói út Hungary 9.	66.00	66.00
Pharmarichter O.O.O	115201 Moszkva, Kasirszkoje 22. Russia	100.00	100.00
PregLem SA	1228 Plan-les Ouates, 3 chemin de Pré-Fleuri Schweiz	100.00	100.00
GR Marketing CR s.r.o.	Prága 4, Nusle, Na Strzi 1702/65 Czech R.	100.00	100.00
GR Slovakia, s.r.o.	Bratislava 81108, Soltésovej 14 Slocakia	100.00	100.00
GR Ausztria GmbH	1030 Wien, Hainburgerstraße 20, Top 17 Austria	100.00	100.00
GR Schweiz AG	6330 Cham, Gewerbestrasse 5 Schweiz	100.00	100.00
GR Portugal Lda	1000-012 Lisboa, Rua Almirante Barroso 7-A Portugal	100.00	100.00
Gedeon Richter d.o.o. (Slovenia)	Verovškova ulica 55, 1000 Ljubljana Slovenia	100.00	100.00
Gedeon Richter Croatia d.o.o.	Radnicka cesta 80, 10 000 Zagreb Croatia	100.00	100.00
GR RUS ZAO	Jegorjevszk Suvoje, Lesnaja u. 40. Russia	100.00	100.00
GR Ukrfarm T.O.V.	Kijev, Turgenyevszkaja u. 17/b. Ukraine	100.00	100.00
Medimpex UK Ltd	127 Shirland Road, London W9 2EP, Great-Britain	100.00	100.00
GR Italia S.r.l	Milano, Viale Cassala 16 Italy	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 Poland	99.97	99.,97
GR Polska Sp.z.o.o.	Grodzisk Mazowiecki 05-825 Poniatowskiego u. 5.Poland	99.84	99.84
GR Románia S.A.	Tirgu Mures, Cuza Voda 99-105., Romania	99.90	99.90
GR UA P.A.T.	Chernovola 2/A, 08133 Vyshneve, Ukraine	98.16	98.16
Medimpex Japan Co.Ltd.**	Noyori Bldg. 2-17., Tokyo 105, Japan	90.90	90.90
Richter Helm BioLogics Man GmbH.	Bovenau Gut Dengelsberg Germany	70.00	70.00
Richter Helm BioLogics GmbH&.Co.KG	Bovenau Gut Dengelsberg Germany	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. Armenia	51.00	51.00
GR APTYEKA S.P.O.O.O.	22, K. Parpetsi Str., 0002, Jerevan, Armenia	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	56.13	56.13
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	66.00
Gedeon Richter Mexico, S.A.P.I. de C.V.	Cerrada de Galeane No.4, Colonia La Loma, Tlalnepantla, Esta Mexico	100.00	70.00
Gedeon Richter do Brasil Imp.,Exp.e Dis.S.A.	Rua Redencáo, No.97'Chácara Tatuapé, Sáo Paulo, Zip Code Brasil	51.00	51.00
Mediplus (Economic Zone) N.V.	Economische Zone Hato unit F.II.1., Curacao	100.00	51.00

Description	Head office	RG direct and indirect participation	
		ownership (%)	votes (%)
Subsidiary companies			
Indirect participation			
GR Ibérica S.A.	c/dr. Ferran 6-8.,Barcelona 08034, Spain	100.00	100.00
Nedermed B.V	Amstelveen, Straat van Magelhaens 13, 1183 Netherlands	100.00	100.00
GR Pharma GmbH	Frankfurter Str. 13-15., Eschborn, 65760, Germany	100.00	100.00
GR UK Ltd.	127 Shirland Road, London W9 2EP, Great-Britain	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, Great-Britain	100.00	100.00
Preglem France	1/3 Caumartin Paris 75009 Paris France	100.00	100.00
GR France S.A.S.	1/3 Rue Caumartin, Paris 75009, France	100.00	100.00
Armedica Trading S.A	Tirgu Mures, Cuza Voda 99-105., Romania	90.00	90.00
Pharmafarm S.A	Str. Majakovski Nr.2. Jud. Cluj, Romania	90.00	90.00
GR Farmacia S.A	TG MURES, STR. CUZA VODA Nr.99-105, Romania	90.00	90.00
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	66.00
GR Pharmaceutical (China) Company Ltd.	650 Dingxi Road, Changning dist., Shanghai, China	100.00	66.00
Pesti Sas Patika Bt.	1091 Bp., Üllői út 105.Hungary	74.00	74.00
Gedeon Richter Peru S.A.C.	Av. Javier Prado Oeste 1586 Of. 201, San Isidro, Lima 27, Peru	100.00	51.00
Farmage SRL	Av. 6 de Agosto, No. 2455, Edificio: Hilda, Piso: 11, Oficina: 1102, Zona: Sopocachi, La Paz, Bolivia	100.00	51.00
Comercial Gedeon Richter (Chile) Limitada	Dr. Manuel Barros Borgoño # 187, Comuna de Providencia, Ciudad de Santiago, Región Metropolitana, Chile	100.00	51.00
Farmage Ecuatoriana S.A.	Provincia: Pichincha, Cantón: Quito, Parroquia: Santa Prisca, Av. Cristobal Colon, No. E8-85, Ecuador	100.00	51.00
Joint venture companies			
Joint venture companies			
Medimpex Irodaház Ingatlankezelő Kft.	1051 Bp., Vörösmarty tér 4. Hungary	50.00	50.00
Richter Helm BioTec Management GmbH	Hamburg, Nordkanal str. Germany	50.00	50.00
Richter Helm BioTec GmbH&Co.KG.	Hamburg, Nordkanal str. Germany	50.00	50.00
GR Rxmidas JVCo.Ltd	Des Voeux Road Central, Hong Kong	50.00	50.00
Indirect participation			
Grmidas Medical Service Co. Ltd.	Shanghai Waigaoqiao Free Trade Zone in 116 South Building, 1 South A2 site China	50.00	50.00
Associated companies			
Direct participation			
Hungaropharma Zrt.	1061 Bp., Király u. 12 Hungary	30.68	30.68
Cerorin Kft.	4025 Debrecen, Bartók Béla út 226 Hungary	24.00	24.00
Pharmapolis Gyógyszeripari Tud. Park Kft.	4025 Debrecen, Petőfi tér 10. Hungary	24.00	24.00
Pharmatom Kft.	4025 Debrecen, Bem tér 18/c Hungary	24.00	24.00
Top Medicina Bt.	3200 Gyöngyös, Hanisz tér 1. Hungary	20.00	20.00
VITA - Richter S.P.O.O.O.	Baku, 7-aya Chernogorodskaya 5. Azerbaian	49.00	49.00

Description	Head office	RG direct and indirect participation	
		ownership (%)	votes (%)
Other related companies			
Direct participation			
Gyógynövénykutató Ingatlanfejlesztő Zrt.	2011 Budakalász,József A. u 68 Hungary	15.03	15.03
Hatvani István Gyógyszertár Bt.	4032 Debrecen, Lehel u. 22. Hungary	10.00	14.28
Belvárosi Gyógyszertár Bt.	1052 Bp., Szervita tér 5. Hungary	5.00	14.28
Magyar Gyógyszer Zrt.	8200 Veszprém Bajcsy Zsilinszky u. 8. Hungary	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, France	8.57	8.57
Protek Group	Moszkva, Kasirszkoje 22. Russia	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

1.3.3. Changes in Direct Investments 31.12.2014

all amounts in MHUF

	01.01.2014		Changes in 2014			31.12.2014		Dividends received (MHUF)	
	Book value (MHUF)	Ownership ratio (%)	MHUF	Description	Revaluation as of 31.12.2014	Book value (MHUF)	Ownership ratio (%)	after 2013	after 2014
Subsidiaries:									
Humanco Szolgáltató Kft	3	100.00				3	100.00		1
Pesti Sas Holding Vagyonkezelő Kft.	203	100.00	-42	impairment		161	100.00		11
Reflex Kft.	220	100.00				220	100.00		60
Richter Befektetéskezelő Kft.	328	100.00				328	100.00	465	225
Richter Szolgáltató Kft.	3	100.00				3	100.00		1
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.	685	100.00			90	775	100.00		
Pharmarichter Kft.	2	100.00			-1	1	100.00		
RG Italia	33	100.00			2	35	100.00		
RG Marketing CR Kft.	305	100.00			14	319	100.00		
RG Szlovákia Kft.	209	100.00			13	222	100.00		
RG Ausztria Kft.	33	100.00			2	35	100.00		
RG Svájc Rt.	24	100.00			2	26	100.00		
RG Portugália Kft.	27	100.00			1	28	100.00		
RG Szlovénia Kft.	9	100.00			1	10	100.00		
RG Benelux *	2	100.00				2	100.00		
RG Nordics	2	100.00				2	100.00		
PregLem Holding Rt.	75 385	100.00			6 136	81 521	100.00		
RG-RUS Rt.	8 896	100.00	10 010	capital increase	-6 343	12 563	100.00		
RG-Ukrfarm Kft.	0	100.00				0	100.00		
RG-Románia Rt.	13 234	99.89	3 971 -8 073	capital increase impairment	620	9 752	99.89		
RG Polska Kft.	10 616	99.84			339	10 955	99.84		1 123
RG Marketing Polska Kft. *	1 319	99.97			42	1 361	99.97		
RG-UA Rt.	443	98.16			-166	277	98.16		
Richter Helm Biologics Management Kft.	9	70.00			1	10	70.00		
Richter Helm Biologics Bt.	3 136	70.00			190	3 326	70.00		
Richpangalpharma Kft.	27	65.00				27	65.00		
Richter Themis Rt. *	249	56.13			44	293	56.13		29
RG-Retea Kft.	10	51.00	-10	impairment		0	51.00		
RG-Aptyeka Kft.	0	51.00				0	51.00		
Richter Lambron Kft.	73	51.00			1	74	51.00		

	01.01.2014		Changes in 2014			31.12.2014		Dividends received (MHUF)	
	Book value (MHUF)	Ownership ratio (%)	MHUF	Description	Revaluation as of 31.12.2014	Book value (MHUF)	Ownership ratio (%)	after 2013	after 2014
Grmed Company Limited	3 010	100.00			518	3 528	100.00		
Gedeon Richter KZ LLP	161	100.00			2	163	100.00		
GR D.O.O. (Croatia)	9	100.00				9	100.00		
GR Colombia S.A.S.	14	100.00				14	100.00		
GR Mexico, S.A.P.I. de C.V.			3 145	share purchase	38	595	100.00		
			-2 588	goodwill					
Gedeon Richter do Brasil Imp., Exp. e Dis.S.A.			83	share purchase	-4	79	51.00		
Mediplus (Economic Zone) N.V.			1 363	share purchase	10	68	100.00		
			-1 305	goodwill					
Direct + indirect ownership									
Medimpex Japan Rt.	*0*	*90.90*				*0*	*90.90*		
Richter Nyrt. direct ownership	0	86.90				0	86.90		
Subsidiaries total	118 765		6 554		1 552	126 871		465	1 459
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.	297	50.00			18	315	50.00		
RG Rxmidas Kft.	299	50.00			60	359	50.00		
Joint ventures total	903		0		78	981		0	0
Associated companies									
Hungaropharma Zrt.	1 191	30.68				1 191	30.68		46
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	elimination		0	49.00		
VITA - Richter Kft.	10	49.00			2	12	49.00		
Associated companies total	1 206		-2		2	1 206		0	46
Total	**120 874**		**6 552**		**1 632**	**129 058**		**465**	**1 505**

* direct + indirect ownership

1.3.4 Impairment of equity investments

MHUF

Investments	31.12.2013	Impairment	31.12.2014
ZAO GR-RUS	1 409		1 409
VITA-Richter S.P.O.O.O	14		14
Richter Szolgáltató Kft.	3		3
Pesti Sas Holding Vagyonkezelő Kft.		42	42
Medimpex Japán Co. Ltd.	17		17
GR-Aptyeka S.P.O.O.O	16		16
GR-Retea Kft.		10	10
GR-Ukrfarm T.O.V	104		104
GR-Románia S.A.	17 560	8 073	25 633
Richter Helm Biologics GmbH & Co.KG	1 358		1 358
Protek Group		225	225
BioSystem International SAS	416		416
Hungaropharma Rt.	1 330		1 330
Total	22 227	8 350	30 577

1.4 Financial investments

MHUF

Description	31.12.2013	31.12.2014
Long term loans given to related companies	52 645	46 596
Long term loans given to other affiliates	593	832
Other long term loans	502	563
Long term bonds	33 810	17 908
Total	**87 550**	**65 899**

The value of loans given amounted to HUF 47,991 million and included predominantly loans extended to PregLem S.A., to our production companies, mainly to ZAO Gedeon Richter-RUS, Gedeon Richter Romania S.A., Richter-Helm BioTec GmbH & Co. KG, and the Indian subsidiary, as well as Pharmapolis Kft.

The bond bought by the Company and to be held until maturity in 2019, when it can be converted to Richter Treasury shares was reported under long term bonds with a book value of HUF 16,374 million in 2014.

II/2 Inventories

2.1 Purchased materials, stock

MHUF

Description	31.12.2013	31.12.2014
Chemicals	5 004	5 318
Fine chemicals	37	46
Herbs	28	39
Finishing materials	1 338	1 264
Recycled raw material waste	487	440
Invoiced raw materials not received	137	169
Auxiliary substances	1 181	1 282
Technical materials	616	633
Spare parts	318	307
Gifts	26	30
Brochures	39	29
Fuels	1	1
Other assets	140	138
Invoiced materials not received	8	12
Total materials	9 360	9 708
Purchased medicines	3 251	3 343
Purchased inventories total	**12 611**	**13 051**

2.2 Self-manufactured inventories

MHUF

Description	31.12.2013	31.12.2014
Work in progress	343	350
Materials self manufactured	27	29
Total WIP and materials self manufactured	*370*	*379*
Semi-finished raw materials	18 931	19 082
Semi-finished lose products	3 768	3 490
Total semi-finished products	*22 699*	*22 572*
Total WIP and semi-finished products	23 069	22 951
Domestic finished	1 573	1 584
Export finished	8 519	7 250
Total finished goods	10 092	8 834
Services in progress		26
Mediated services		22
Services in progress total		48
Total self produced inventories	**33 161**	**31 833**

2.3 Hazardous waste

31.12.2013		Change of inventories				31.12.2014	
		Increase		Decrease			
Tons	MHUF	Tons	MHUF	Tons	MHUF	Tons	MHUF
0	0	17 787	2	17 787	2	0	0

The costs of waste neutralisation amounted to HUF 905 million in the current year.

2.4 Impairment of inventories

2.4.1 Impairment of materials purchased

MHUF

Changes in inventories		
Description	2013	2014
Scrapping	457	309
Devaluation	0	178
Loss event	19	10
Shortage, drainage loss	27	5
Total	**503**	**502**

2.4.2 Impairment of self-manufactured inventories

MHUF

Changes in inventories		
Description	2013	2014
Scrapping	875	567
Devaluation	384	523
Loss event	0	4
Shortage, drainage loss	35	33
Total	**1 294**	**1 127**

Reversal of impairment loss related to self manufactured stocks amounted to HUF 67 million in 2014.

II/3 Receivables

3.1 Accounts receivable open

MHUF

Segment	31.12.2013	31.12.2014	Variance
Domestic trade receivables	1 185	* 1 048	-137
- incuding overdue:	*38*	*10*	*-28*
- impairment	0	-8	-8
Domestic trade receivables balance	**1 185**	**1 040**	*-145*
Foreign trade receivables	51 602	** 41 176	-10 426
- incuding overdue:	*8 024*	*7 094*	*-930*
- impairment	-777	-3 167	-2 390
Foreign trade receivables balance	**50 825**	**38 009**	*-12 816*
Total trade receivables	**52 010**	**39 049**	**-12 961**

* of which HUF 594 million was collected by 30 January 2015
** of which HUF 6,395 million was collected by 30 January 2015

3.2 Receivables from other related parties open

MHUF

Segment	31.12.2013	31.12.2014	Variance
Domestic trade receivables	3 011	* 5 884	2 873
- incuding overdue:	*1 831*		*-1 831*
- impairment			–
Domestic trade receivables balance	**3 011**	**5 884**	*2 873*
Loans given for controlled domestic account	1 449	1 159	-290
Foreign trade receivables	39 551	** 53 958	14 407
- incuding overdue:	*11 792*	*12 472*	*680*
- impairment	-228	-167	61
Total receivables from related parties	**39 323**	**53 791**	*14 468*
Loans given and unregistered capital increase, share purchase in controlled foreing account	17 454	12 361	-5 093
Total trade receivables	**61 237**	**73 195**	**11 958**

* of which HUF 522 million was collected by 30 January 2015
** of which HUF 10,918 million was collected by 30 January 2015

3.3 Receivables due from associated parties

MHUF

	31.12.2013	31.12.2014	Variance
Domestic trade receivables	3 011	5 884	2 873
Foreign trade receivables	31 437	45 417	13 980
Loans given for related companies	11 124	13 442	2 318
Related companies' non registered capital increase	7 603		-7 603
Total	**53 175**	**64 743**	**11 568**

3.4 Changes in impairment of receivables

MHUF

	31.12.2013	Reversal	Recognition	31.12.2014
Domestic trade receivables	0	0	8	8
Foreign trade receivables	777	-49	2 439	3 167
Related parties	228	-61		167
Total	**1 005**	**-110**	**2 447**	**3 342**

3.5 Changes in impairment of loan receivables

MHUF

	31.12.2013	Reversal	Recognition	31.12.2014
RG Ukrfarm Kft.	495			495
RG Retea Kft	746			746
Pharmapolis Debrecen Kft.	300			300
Total	**1 541**			**1 541**

II/4 Securities and cash

MHUF

Description	31.12.2013	31.12.2014
Open-ended investment funds	2 306	2 396
Government securities	1 405	18 449
Treasury shares	276	13
Securities total	**3 987**	**20 858**
Bank deposits	84 424	78 749
Cash on hand	48	40
Cash total	**84 472**	**78 789**
Securities and cash total	**88 459**	**99 647**

The value of cash and securities increased by HUF 11,188 million. The increase is attributed to the maturity of long-term securities within the year. This effect was attenuated by the EUR 16.7 million repayment of the Club facility and the amount spent on the acquisition of the investment management business line of Richter Gedeon Befektetéskezelő Kft.

As of 31 December 2014 the portfolio of securities held for trading contained government securities, open-end investment funds.

II/5 Tied-up reserve, provisions

5.1 Tied-up reserve

MHUF

	31.12.2013	31.12.2014
Repurchase value of treasury shares	276	13
Capitalized value of R&D	423	338
Total tied up reserve	**699**	**351**

5.2 Provision for expected liabilities

MHUF

	31.12.2013	31.12.2014
Liabilities in connection with retirement	1 256	1 285
Liabilities of jubilee service period	233	514
Expected liabilities		1 511
CO_2 quota	29	29
Total	**1 518**	**3 339**

*The line item Expected liabilities includes provisions created to cover customer bonuses (HUF 1,297 million) and the estimated liability based on the record of the 2014 audit by the National Tax and Customs Administration (HUF 214 million).

Retirement benefit program

According to the Union Agreement of Gedeon Richter Plc. the retiring employees are entitled to the following additional benefit in case the employment contract ends with mutual agreement or regular dismissal:

- 1 month absentee fee in case of min. 15 years consecutive employment
- 2 month absentee fee in case of min. 30 years consecutive employment
- 3 month absentee fee in case of min. 40 years consecutive employment
- 4 month absentee fee in case of min. 45 years consecutive employment

If the employee meets the conditions mentioned above, and has for at least 20 years of continuous employment at Richter is entitled to additional benefit - 45 days of absentee fee.

The Company created provisions in connection with retirement based on actuary calculation to cover expected liabilities, which is HUF 1,285 million on the 31.12.2014.
The calculation is applied for all employees employed at 31 December 2014.

II/6 Liabilities

6.1 Long-term liabilities

MHUF

	31.12.2013	31.12.2014
Credit	54 434	43 297
Other liabilities	24 357	8 703
Total long-term liabilities	**78 791**	**52 000**

6.2 Short-term liabilities

MHUF

	31.12.2013	31.12.2014
Short term loans	4 948	14 432
Advances received	262	290
Trade payables	17 106	16 777
Payables to related companies	8 291	7 963
Dividends	10 614	6 151
Other	9 932	25 130
Total current liabilities	**51 153**	**70 743**

Of the European Investment Bank R&D support loans EUR 137.5 million is reported in long term liabilities and EUR 12.5 million in short term liabilities. The EUR 33.3 million remainder outstanding of the EUR 150 million Club loan taken out by the Company in 2010 is a short term liability. In 2014 the Company repaid EUR 16.7 million of the Club loan.

The contingent and deferred purchase price payment obligations in conjunction with the acquisition agreements concluded in recent years are reported in the Other liabilities item. The liabilities that are reported as either long term or short term depending on their due date are presented below.

PregLem contingent and deferred purchase price payments

As announced at 6 October 2010, Gedeon Richter acquired a 100% ownership in PregLem. A purchase price up to CHF 445 million is payable, provided that certain milestone are achieved. The Company reports the contingent and deferred acquisition price payment liabilities to former owners at probability weighted discounted values which are reviewed in each period. The payment depends on achieving the next milestone (EU approval of ESMYA as long term on-off treatment of uterine fibroids) wich is expected in 2015 by PregLem is reported in the balance sheet as a current liability at probability weighted discounted value.

GRMed contingent and deferred purchase price payments

In 2013 Richter Gedeon Plc. announced that it signed a series of agreements with the owners of its marketing partner, Rxmidas Pharmaceuticals Co. Ltd. ('Rxmidas'), targeting a reshaped and stronger direct presence on the Chinese pharmaceutical market. Richter acquired majority interest in the company (GRMed Company Ltd., hereinafter "GRMed") and the agreement terms included an upfront payment together with milestone payments in the forthcoming years. Contingent and deferred purchased price is presented as long term and current liability, and it is accounted for at probability-weighted discounted present value similarly to the contingent and deferred purchase price of PregLem.

GRMexico contingent and deferred purchase price payments

In December 2013 as part of its expansion in Central and South America the Company has signed an agreement with the owner of DNA Pharmaceuticals, S.A. de C.V. („DNA"), to establish its direct presence on the pharmaceutical market in Mexico. Under the terms of the agreement Richter acquired 100% stake and 70% voting rights, and assumed an obligation for payment of the remaining and unpaid 30% portion in three years.

The targeted activities are sales, promotion and registration of Female Healthcare products. This partnership agreement between GR Mexico and Richter creates a perfect synergy for launching Esmya on the Mexican market. In case of this liability the contingent and deferred purchase price is also presented as long term and current liability, and it is disclosed at probability-weighted discounted present value.

As a consequence mentioned above the long therm liabilities contain HUF 8,639 million as deferred purchase price of the chinese and mexican companies. From the current liabilities HUF 20,917 million is in connection with the current payment of the deferred purchase price of PregLem S.A., and the South- and Central-American aquisitions.

Mediplus Group contingent and deferred purchase price payments

In May 2014 Gedeon Richter Plc. signed an agreement with Andelam B.V. a Netherland based private limited liability company ("Andelam") to buy 100% stake and 51% voting rights in Mediplus N.V. a marketing company based in Curaçao ("Mediplus"). According to the agreement Richter is going to fulfill the liability originated from the contingent and deferred purchase price construction in connection with the unpaid 49% in the next three years. Further payments are connected to certain performance related targets to be reached by previous owner. The maximum amount of exposure relating to the acquisition of the Mediplus Group is USD 5,880 thousand. The management of the Company appreciates that the targets in connection with the milestone payment will not be realized, therefore the unpaid 49% will be transferred to Richter without any charges.

Mediplus is a well established marketing company, which covers through its subsidiaries a number of countries in the Latin American region, namely: Ecuador, Peru, Chile and Bolivia. It also sells pharmaceutical products to Central American and Caribbean countries. The main profile is to market those female healthcare products of Richter, which are already on the market in the above mentioned countries and also to register other gynaecological products, including Esmya.

6.3 Off balance items

MHUF

	31.12.2014
Guarantees provided by the Company	2 338

In keeping with its accounting policy, the Company reports contingent and deferred purchase prices of acquisitions at probability-weighted discounted present value. Subject to the occurrence of future events payments may be higher than the liabilities on the books.

II/7 Prepayments and accruals

7.1 Prepayments

MHUF

	31.12.2013	31.12.2014
Interest on securities	119	93
Bank interest	139	149
Interest on loans	1 141	399
Other	23	316
Prepaid income	1 422	957
Journals, reference books, CD	433	355
Foreign offices	1 319	720
Season's passes for public transport	355	3
Insurance	133	136
Other	275	300
Prepaid costs and expenses	2 515	1 514
Prepayments	**3 937**	**2 471**

7.2 Accruals

MHUF

	31.12.2013	31.12.2014
Rewards and bonuses	2 610	2 472
Licence	235	242
Research contract	1 942	787
Fee for inventions	435	398
Insurace	82	68
Endowment insurance	585	772
Payment of medicine price subsidy to NHF	243	243
Payment of foreign medicine price subsidies	1 139	1 719
Other	844	678
Accrual of costs and expenses	8 115	7 379
Accrued income	1 936	1 982
Accruals	**10 051**	**9 361**

II/8 Costs, expenses, revenues

8.1 Costs and expenses

8.1.1 Function of expense method

MHUF

Description	2013	2014	Index %	Accounting Act Schedule 3, Version "A"
Direct cost of sales accounted	46 187	49 279	106.7	(03)
Original cost of goods sold	10 675	11 427	107.0	(04)
Value of services solf (mediated)	396	428	108.1	(05)
Direct cost of sales	57 258	61 134	106.8	II.(03+04+05)
Sales and marketing costs	101 534	97 333	95.9	(06)
Administration costs	24 934	24 717	99.1	(07)
Other general overhead	48 076	49 526	103.0	(08)
Indirect cost of sales	174 544	171 576	98.3	III.(06+07+08)

The aggregate year-on-year increase in direct and indirect costs of sales was HUF 908 million.

Direct costs of sales totalled HUF 61,134 million and were HUF 3,876 million over the 2013 figure due to the negative effect of exchange rates and the change in the portfolio of products.

Indirect costs amounted to HUF 171,576 million in 2014, lagging behind the 2013 figure by HUF 2,968 million.

- Commission paid to agents dropped by HUF 2,079 million, due to plummeting sales in the CIS.
- Promotion costs were HUF 1,838 million down, which reflects a more modest marketing effort supporting sales in the CIS region, reined in amidst deteriorating market conditions. By contrast, marketing costs rose in Western Europe, as did the costs related to the take over by sales and marketing in China.
- In 2014 research commissions increased by HUF 950 million resulting predominantly from items arising at partners that have signed an R&D agreement with the Company.

8.1.2 Nature of expense method

HUF Mn

Item	2013	2014	Index %	Accounting Act Schedule 2, Version "A"
Raw materials and consumables	39 991	38 176	99.5	(05)
Contracted services	100 324	99 321	99.0	(06)
Other service activites	2 002	2 052	102.5	(07)
Original cost of goods sold	10 675	11 427	107.0	(08)
Value of services sold (mediated)	396	428	108.1	(09)
Material costs	153 388	151 404	98.7	IV.(05+06+07+08+09)
Wages and salaries	34 143	34 596	101.3	(10)
Other employee benefits	15 608	13 817	88.5	(11)
Contributions on wages and salaries	11 667	11 401	97.7	(12)
Staff costs	61 418	59 814	97.4	V.(10+11+12)
Depreciation	21 533	22 079	102.5	VI.
Total cost and expenditure	**236 339**	**233 297**	**98.7**	

- The Company's costs and expenses were HUF 3,042 million less than in the reference year.
- HUF 1,815 million of the decrease was contributed by dropping material costs, and HUF 1,003 million by contracted services, the latter predominantly due to cuts in promotion.
- The original cost of goods sold was HUF 752 million above the 2013 figure due primarily to the changing structure of domestic sales.
- Staff costs dropped by HUF 1,604 million typically due to declining year-on-year payments at the Russian and Ukrainian agencies.
- The HUF 546 million increase in depreciation is mainly attributed to capex activities over the past period, and is specifically related to the Debrecen biotechnology facility as well as to production and production control.

8.2 Value of own performance capitalized

MHUF

Description	31.12.2013	31.12.2014	Index %	Type "A" in Annex 2 to Accounting Act
Change of self manufactured inventories	1 919	-1 328	-169.2	(03)
Capitalised value of self manufactured assets	2 618	1 915	73.1	(04)
Value of capitalised own performance	**4 537**	**587**	**12.9**	**II.(±03+04)**

8.3 R&D expenditures

In 2014 the Company spent 14.9% of the revenue on R&D activities.

MHUF

Cost category	2013	2014
R&D expenses	40 527	42 226

8.4 Other income and expenditures

MHUF

	2013	2014
Total other income	*11 885*	*7 846*
Other expenditure		
Provisioning	309	1 821
Write-off unrecoverable receivables	62	6
Impairment of receivables	38	2 447
Impairment of inventories	1 797	1 629
Book value of tangible assets sold	353	345
Local business tax	2 917	3 006
Buildings tax	311	325
Innovation fee	438	451
Flat tax on reimbursed drugs payable to NHF **	346	168
Registration fee of medical representatives **	185	162
Flat tax on reimbursed drugs payable, Germany	2 721	2 906
Flat tax on reimbursed drugs payable, other countries	263	944
Other expenditure from changes of deferred purchase price		675
Other	2 314	3 935
Total other expenditure	*12 054*	*18 820*
Balance of other income and expenditure	**-169**	**-10 974**

In 2014, the line of Other income included HUF 368 million from associated companies.

Other income and expenditure had a negative balance of HUF 10,974 million after HUF -169 million in 2013.

The drop is mostly due to lower milestone income compared to the reference year and declining compensatory income related to drospirenone. These impacts were reinforced by increasing customer-side depreciation.

Expenditure on claw-back has been substantially expanded as after the claw-back tax in Hungary, Romania and Germany, payment liabilities arose also in the French, Spanish, Belgian and Latvian markets in 2014.

Considering the above conditions in 2014 Richter qualifies for the maximum available allowance i.e. 90% of the tax liability incurred in respect of 2013.

In 2014, the change in the likelihood of payment of the deferred part of the purchase price of PregLem increased the Other expenditures item.

8.5 Profit on financial transactions

MHUF

	2013	2014
Income from financial operations		
Dividends and share of profits received	1 485	1 813
Interest and related income received	3 849	3 331
including income from securities	*431*	*353*
Interest income on financial investments	1 466	1 164
Exchange gains on financial investments	1 964	
Capital gains on selling participations		
Other income	5 847	10 777
gains on converting receivables, payables and foreign currency	*5 338*	*10 342*
fair value of futures transactions	*504*	*395*
gains on securities sold	*5*	*40*
Total income from financial operations	***14 611***	***17 085***
Cost of financial operations		
Interes and related expense due	1 560	1 373
Impairment of participations and reversal	-1 983	8 350
Other expenditure	15 311	27 106
loss on conversion at year end date	*6 679*	*14 572*
loss on coverting receivables, payables and foreign currency	*7 067*	*10 126*
loss on futures transactions, closed	*224*	*225*
release of fair value of futures trasnactions	*288*	*113*
loss on securities sold	*27*	*16*
loss on treasury shares sold		*106*
Unwinding of discounted value related to liability in respect of PregLem	*1 026*	*1 948*
Total cost of financial operations	***14 888***	***36 829***
Result of financial operations	**-277**	**-19 744**

Net financial income in 2014 was HUF 19,744 million loss, HUF 19,467 million more than the loss 277 HUF million in 2013.

In light of the changes during the reported year, Richter's financial income was greatly affected by the strengthening of the forint against the rouble and the weakening of the forint against the euro and the dollar. As of the 2014 balance sheet date, the exchange rate (NBH rate) was 4.45 forints to the rouble (-32.1%), 314.89 forints to the euro (+6.1%), and 259.13 forints to the dollar (+20.2%).

Revaluation as of the balance sheet date closed with a loss in both 2013 (HUF 6,679 million) and 2014 (HUF 14,571 million). The item includes revaluation of investments, loans receivable, advances, Forex accounts, loans payable, trade receivables and payables, as well as accrued and deferred items.

Exchange rate losses realized from trade on receivables, payables and other items were HUF 1,993 million as opposed to a HUF 2,236 million loss in the preceding year. The aggregate gain contributed HUF 0.2 billion to a year-on-year decrease in earnings.

The Company made a loss on forward transactions amounting to HUF 8 million in 2013 and gain HUF 57 million in 2014.

Net impairment of investments was HUF 1,983 million in 2013 resulting from the reversal of impairment of Protek. The 2014 figure includes the impairments of GR-Romania S.A., Protek, RG-Retea S.R.L. and Pesti Sas Holding Kft. (HUF 8,350 million).

In 2014 the time value and exchange rate effects of the liability related to PregLem, Chinese and Mexican acquisitions reduced the net financial income to a greater extent.

Interest and similar income was HUF 3,331 million in 2014, HUF 518 million less than the reference year figure.

Dividends received contributed HUF 1,813 million to the 2014 financial income, HUF 328 millions higher than the HUF 1,485 million realized in 2013.

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

MHUF

	31.12.2013	31.12.2014
Unrealised loss on the OTC interest swap agreements, that has not been closed by the balance sheet preparation date	288	113

8.6 Extraordinary profit

MHUF

	2013	2014
Extraordinary income		
Assets received from capital reduction with disinvestment	6 866	
Repurchase of shares in program approved by Ministry of Finance	49	76
Materials and goods received without consideration	83	53
Other	24	
Total extraordinary income	***7 022***	***129***
Extraordinary expenditure		
Inventories transferred without consideration	156	126
Reducing of capital	7 150	2
Subsidies	752	789
Other	582	293
Total extraordinary expenditure	***8 640***	***1 210***
Extraordinary loss	**-1 618**	**-1 081**

8.7 Wage costs, headcount, remuneration

8.7.1 Wage costs

MHUF

Employment type	Employee groups					
	Blue collar		White collar		Total	
	2013	2014	2013	2014	2013	2014
Full time wage mass	8 783	8 859	23 478	24 192	32 261	33 051
Part time wage mass	2	2	221	204	223	206
Pensioner wage mass	13	14	196	163	209	177
Wages to non-employees					1 450	1 162
Wage cost per balance sheet	8 798	8 875	23 895	24 559	34 143	34 596
Annual wage mass per (full time) employee	3.6	3.6	5.5	5.5	4.8	4.8

8.7.2 Social security and pension schemes

The Company has provided in relation to the employees in Hungary social contribution tax amounting to 27 percent and vocational training contribution amounting to 1.5 percent of gross salaries were paid during 2014 to the National Tax and Customs Administration by the Company. The Company has no further obligations beyond the statutory rates in force during the year. In relation to employees employed in abroad, the social insurance contributions have been paid in accordance with the laws of that country.

The Company contributes 6 percent of the monthly gross wages (maximum 50 percent of the current minimum wage) for those employees who decided to participate in the scheme. In addition, an one-off contribution is made in respect of employees who are reaching the age limit of 55;57;59;61;63;65 years in amount of HUF 50,000. The total cost of the contributions made by the Company was HUF 1,074 million in 2014 (in 2013: HUF 1,000 million).

The Company has contributed to a private health insurance fund for the benefit of its employees since 1 September 2003. Amounts paid were HUF 4,000/person/month in 2014 and in 2013. The total amount paid for 5,100 employees was HUF 246 million during 2014 (in 2013 it was HUF 235 million for 4,903 employees).

8.7.3 Average statistical headcount

person

Employment type	Employee groups					
	Blue collar		White collar		Total	
	2013	2014	2013	2014	2013	2014
Full time employees	2 454	2 456	4 291	4 419	6 745	6 875
Part time employees	1	1	52	48	53	49
Pensioners	6	6	29	23	35	29
Total:	**2 461**	**2 463**	**4 372**	**4 490**	**6 833**	**6 953**

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

MHUF

	Remuneration	
	2013	2014
Board of Directors	76	70
Supervisory Board	24	24
Total:	**100**	**94**

II/9 Calculation of the income tax

MHUF

1.	**Corporate income tax**	2013	2014
	Profit before taxation	**47 121**	**19 139**
	- total of items reducing tax base	59 578	62 284
	- total of items added tax base	24 150	33 342
2.	Income from abroad		
3.	**Tax base**	**11 693**	**-9 803**
4.	Calculated tax	2 176	
5.	Tax relief	1 741	
6.	Tax paid abroad *		31
7.	Tax liability	435	31
8.	**Profit after taxation**	**46 686**	**19 108**

1.	Amounts of provision against future liabilities and costs reversed		
2.a.	Depreciation charged under Tax Act	21 749	22 122
2.b.	Calculated book value of the sale and scrapping of intangible propery and tangible assets, etc.	1 343	2 347
3.	Dividends, share of profits received	1 485	1 813
4.	Relief due to apprentices	15	15
5.	Reversed impairment of receivables, collected bad debt	244	110
6.	Cancellation of penalties		2
7.	50% of royalties received	168	121
8.	Direct cost of R&D	34 276	35 257
9.	Amount identified by tax audit, self-review and stated as income	57	237
10.	Amount of donation	241	260
	Total of items reducting tax base	**59 578**	**62 284**
1.	Amounts of provision against future liabilities and costs reversed and stated as expenditure	309	1 821
2.a.	Depreciation charged under Accounting Act	21 533	22 079
2.b.	Book value of intangible propery and tangible assets, sold, scrapped etc.	1 343	2 477
3.	Costs not recognised for the purposes of doing business	653	4 478
4.	Penalties and fines	3	7
5.	Cancellation of receivables		0
6.	Impairment of receivables	267	2 447
7.	Amount identified by self-review and stated as expenditure	33	33
8.	Tax paid abroad *	9	
	Total of items added to tax base	**24 150**	**33 342**

* The amount of Tax paid abroad was presented in 2013 in the line of Total items added to tax base

9.1 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. The Company has so far taken advantage of the investment tax relief for the 2012 and 2013 fiscal years in the combined current amount of HUF 4,439,238 thousand. The Company is not liable to pay corporate tax for the 2014 business year, so it does not utilize the investment tax relief.

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 1,383,799 thousand non-refundable State support, at a present value for 2008 of HUF 1,149,384 thousand.

According to the above formula the present value of the investment related tax relief is the difference of the two figures above (the allowed costs and the present value of the support) HUF 5,817,474 thousand of which the Company uses HUF 2,942,983 thousand at present value in the 2012 and 2013 business years. Thus the remaining tax relief open for subsequent years amounts to HUF 2,874,491 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
2014

Erik Bogsch
Managing Director

Budapest, 28 April 2015

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1. General data

1.1 Brief history of the Company

Gedeon Richter Chemical Plant Ltd. (hereinafter Richter or Gedeon Richter Plc.) 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.

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. issued 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 exercised its option to to redeem the bonds for cash instead of converting them to shares. 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 conducted 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 the parent company has expanded its network of manufacturing bases in Russia (1996) and India (2004) and through acquisitions in Romania (1998) and Poland (2002). The Company 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 preoperative treatment of uterine fibroid (extension of the first indication). This was followed by the European Commission granting marketing authorization for the extended use of the product in January 2014.
In keeping with its strategy, in June 2014 Richter signed a license and distribution agreement to commercialize ulipristal acetate in Latin America.

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 Colombia as a first step, followed by acquisitions in Brazil and Mexico. In May 2014 an agreement was signed for the acquisition of a majority stake in Mediplus N.V. registered in Curaçao, Mediplus is a marketing company covering Ecuador, Peru, Chile and Bolivia through its subsidiaries and also sells products to Central American and Caribbean countries.

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, 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 expiries. 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 sale 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 ongoing development and expansion through acquisitions of the gynaecological portfolio.

Implementation of the above strategy resulted in a significant increase of sales also in the EU markets. 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. The 2014 Ukraine crisis and the massive devaluation of the rouble curbed the dynamic growth of the pharmaceutical market that had characterised the CIS region in recent years and resulted in plummeting sales revenues mainly in Russia and Ukraine. As a result of the new sales scheme Richter strengthened its position in the Western European and Chinese markets and due to acquisitions, also in the Central and South American region. The combined impact was the rising contribution of exports to total sales, approaching 90% in 2014.
Richter developed long-term cooperation with several large international companies in research and development, sales and production in various markets (the EU, the U.S., Japan and Russia).

After years of perpetual uncertainties and repeated cuts since 2006, the Hungarian pharmaceutical market was characterised by relative stability in 2014. 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 introduced in 2011 designed to force the pharma companies to cut their prices resulted in a loss of HUF 102 million in 2014, the Company was able to compensate it by introducing new products and efficient marketing.

1.2 Main objectives for 2014

The Company's main objectives for 2014 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; to develop a new proprietary CNS product; and to take further steps in the development of biosimilar products.

In 2014 significant advancement was achieved in the following areas:

- Sales revenues ascended significantly in the EU, in particular the EU15, the U.S. and the Chinese 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. 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 was granted for the extended use of the product in January 2014 and Esmya was launched in almost all of the European Union member states as well as Canada, Russia and several Other CIS countries in the course of the year. Concluded in December 2011, the license agreement granting distribution and development rights for the CIS countries and China was completed by another agreement in June 2014 to include Latin American countries that are crucial for Richter's strategy.

- In the course of the year Richter further developed its existing and newly created marketing companies in Western Europe: the companies' scope of business was expanded and strengthened a network of pharmaceutical representatives specialized in gynaecological treatments was developed in all of the companies.

- The Company achieved a substantial increase in turnover in China and in Latin America through complex transactions coupled with acquisitions.

- 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. As regards the surtax affecting the pharmaceutical industry, the parties agreed to develop a transparent and sustainable R&D-based 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 commissioned 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 from 2013. If the studies are successful, they will be followed by routine production of drugs, as well as anticancer and chronic anti-inflammatory proteins and antibodies prepared by biological methods and treating human diseases.

- On 3 September 2014 Palatin Technologies, Inc. and Richter announced that they have entered into a collaboration and license agreement to co-develop and commercialize bremelanotide for female sexual dysfunction (FSD) indications in the European Union, other European countries and additional selected countries. Under the terms of the agreement, Palatin will receive total upfront payments of EUR 7.5 million (USD 9.9 million). The two companies will each contribute to the European co-development activities for obtaining regulatory approval in Europe. All sales, marketing, and commercial activities and associated costs in the licensed territory will be the sole responsibility of Richter. If the pre-determined stages of development and market launch are successfully completed Palatin will be entitled to further milestone income.

- In 2014 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 6: Foreign investment.

1.3 Share structure of the Company

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 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 in the course of 2013.
As of 1 January 2014 the number of ordinary shares comprising the Company's subscribed capital was 186,374,860. The number of shares did not change in the course of 2014.

As regards ownership structure, as of 31 December 2014, 66.95 % 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 7.06 %. Treasury shares together with 1,365,687 shares owned by subsidiaries amounted to 0.73 %; the rate of other ownership was 0.01 %.

The closing price of shares as of 30 December 2013 was HUF 4,399 compared to HUF 3,535 as of 30 December 2014. Average monthly share prices in 2014 moved between the minimum of HUF 3,660 per share (in December) and the maximum of HUF 4,620 per share (in January).

1.4 Treasury shares

	Ordinary shares	
	31.12. 2013	31.12.2014
Shares	61,278	3,699
Nominal value HUF`000	6,128	370
Book value HUF`000	275,934	12,743

Following the decision of the Board of Directors 821,536 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 478,725 Treasury shares to 4,959 employees on 22 December 2014.

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 ongoing 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 28 April 2015, there were no personnel changes among the members of the Board of Directors.

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

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 installed in 2011 and all the assets that formed part of the project were commissioned. Richter decided to make use of the tax relief related to the investment project in the 2012 and the 2013 business years, in the amount equivalent to 80% of the corporate tax base. The unexpected economic troubles of 2014 (Ukraine crisis, devaluation of the rouble) had a negative impact on the Company's finances, therefore in 2014 it did not utilise the investment tax relief. The remaining tax relief will probably be used from 2015.

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. In keeping with IFRS 11, as of the end of 2014 the Company consolidates its joint ventures by using the equity method; consequently, unlike the previous practice, the consolidated report does not include their individual proportionalised balance sheet and P/L statement data.

2. 2014 operating review

2.1 The balance sheet as of 31 December 2014

ASSETS

The Company's assets amounted to HUF 706,351 million, HUF 5,260 million (0.8%) higher than the opening value. Fixed assets were up by HUF 3,395 million, and current assets decreased by HUF 10,121 million.

Fixed assets

- **Intangible assets** amounted to HUF 9,215 million in the reported period, 9.1% up from the reference figure. The HUF 3,893 million increase in goodwill results from the settlement of the Mexico and Curaçao acquisitions. The HUF 5,614 million increase in valuable rights stems from acquiring the intellectual property rights of ulipristal acetate for the Latin American region and from the license and cooperation agreement relating to bremelanotide.

- The value of **tangible assets** was HUF 4,733 million above the reference year figure (+3.7%). Assets in the course of construction (investments and renovation) are HUF 5,060 million above the opening figure. The growth results from the investment aimed at the new state-of-the-art freeze-drying unit and the injectables packaging plant.
  Depreciation on tangibles and intangibles was HUF 22,079 million in 2014, HUF 546 million in excess of the 2013 figure.

- As of 31 December 2014 the combined value of the Company's **financial investments** amounted to HUF 133,679 million and rose by HUF 4,308 million year-on-year. The following are the main items contributing to the change: capital increase of ZAO Gedeon Richter-RUS (HUF +10,010 million), drop in the book value of Gedeon Richter Romania S.A. (the combined value of capital increase and impairment is HUF -4,102 million), and the reversed impairment due to the change in the fair value of Protek (HUF -1,712 million).
  The year-end foreign currency valuation of holdings as of the balance sheet date resulted in a decrease of HUF 527 million.

  The bond bought by the Company and to be held until maturity in 2019, when it will be converted to Richter Treasury shares was reported under investments with a book value of HUF 16,374 million in 2014.

  The value of loans amounted to HUF 47,991 million and included predominantly loans extended to PregLem S.A., to our production companies, mainly to ZAO Gedeon Richter-RUS, Gedeon Richter Romania S.A., Richter-Helm BioTec GmbH & Co. KG, and the Indian subsidiary, as well as Pharmapolis Kft.

Current assets

- **Inventories** amounted to HUF 44,889 million, 1.9% below the opening figure.

- **Receivables** amounted to HUF 116,908 million, HUF 178 million less than the opening figure. Trade receivables were HUF 4,380 million higher year-on-year. The closing balance of loans extended to affiliated undertakings and undertakings linked by participating interest was HUF 2,220 million higher year-on-year predominantly because of the loan items extended to Gedeon Richter Romania S.A. due within a year but reduced by the loan repaid by Pharmafarm S.A.

- The value of **cash and securities** increased by HUF 11,188 million. The increase is attributed to the maturity of long-term securities within the year. This effect was attenuated by the EUR 17 million repayment of the Club facility and the amount spent on the acquisition (share purchase) of the investment management business line of Richter Gedeon Befektetéskezelő Kft.

  As of 31 December 2014 the portfolio of securities held for trading contained government securities, open-end investment funds.

SHAREHOLDERS' EQUITY AND LIABILITIES

- **Shareholders' equity** increased by 2.0 % to reach HUF 570,908 million, as a result of retained earnings and reduced by the 2014 earnings on the balance sheet.

- The Company's total **liabilities** amounted to HUF 122,743 million and include the long-term liabilities items of HUF 43,297 million, or EUR 137.5 million, drawdown to finance R&D, the effect of the settlement of liabilities in conjunction with the Chinese acquisition (HUF +8,020 million), and the price paid for the acquisition in South and Central America (Gedeon Richter Mexico SAPI de CV) reported at fair value. Current liabilities were HUF 19,590 million up and included HUF 24,740 million liabilities to suppliers and affiliated undertakings and of cash pool as the main items (HUF -657 million). Of the short-term borrowed capital, repayment liabilities due in the reported year in conjunction with PregLem S.A. as well as the acquisitions in China and Mexico amounted to HUF 21,508 million. The dividend in connection of the result of 2014 and approved by the Annual General Meeting was HUF 6,151 million.

2.2 The 2014 income statement

The Group's profit after taxes for 2014 was 19,108 million, 59.1%,or HUF 27,578 million, lower year-on-year. The decline is attributed to a large extent to a marginal increase in sales revenues, rising costs of marketing and distribution, the negative balance of other income and expenditure and financial loss.

2.2.1 Income from sales

In the wake of strengthening its presence in the South and Central American markets the Company took Latin America out of the Other countries region and reported its income from sales as a separate line item. For the sake of comparability the reference year figures have also been converted.

	2013** HUF million	2014 HUF million	Variance	
			HUF million	%
Hungary	30,222	31,855	1,633	5.4
Export				
CIS	139,656	122,562	-17,094	-12.2
EU *	77,636	87,395	9,759	12.6
USA	8,471	12,238	3,767	44.5
China	10,400	13,176	2,776	26.7
Latin America	3,356	4,296	940	28.0
Other countries	11,246	12,126	880	7.8
Export total	250,765	251,793	1,028	0.4
Total	280,987	283,648	2,661	0.9

* Excluding Hungary
** As of 1 January 2014 sales from Latin America is reported as a separate line item.

Income from the 2014 domestic sales was 5.4 % up compared to the reference year. Export in HUF was 0.4% up; and in EUR, 3.5% down 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 smaller share (43.2%) than in the reference year. The

EU States increased 3.2 percentage points and contributed 30.8%; the contribution of the United States and China rose by 1.3 and 1.0 percentage points respectively (4.3% and 4.7%). Latin American sales contributed 1.5% to total income from sales. The contribution of Other countries and domestic sales remained almost unchanged (4.3% and 11.2% respectively).

Based on the year-end figures for 2014 the Company realized HUF 31,855 million income from sales **in the domestic market**, 5.4% (HUF 1,633 million) more than in 2013. With this performance the Company's market share was 5.4% in 2014, 0.1 percentage points above the reference year's figure. Richter ranked second in the prescription drugs market with a share of 7.4%.

The main drivers of the increase were the mounting sales of Aktil, Panangin, Mirvedol, Tanydon HCT and Vidonorm, attenuated by lagging sales return from Rexetin, Suprax DT and Ossica. In 2014 oral contraceptives were the leading item in terms of sales contributing 10.4% to sales income.

In 2014 no significant changes took place in terms of proce regulations in the domestic pharmaceutical market. Pharmaceutical representatives' registration fee was reintroduced as of 15 February 2009 and cost Richter HUF 185 million in 2013 and HUF 162 million in 2014.

Income from **exports** increased from HUF 250,765 million in 2013 to HUF 251,793 million in 2014. In euro, income from exports was 3.5% down and amounted to EUR 815.5 million.

Russia continues to be the leading market of the **CIS region and also of the Company,** with turnover denominated in EUR 18.0% below the reference year figure, also largely influenced by the massive devaluation of the rouble against the euro.

As regards the best performing products, sales of oral contraceptives as well as of Panangin, Cavinton, Diroton and Verospiron plummeted, offset by rising sales of Nifuroksa, Esmya and Airtal. In Ukraine, lagging Groprinosin, Cavinton and Mydocalm sales resulted in falling sales income. As regards Other CIS states, sales in Uzbekistan soared but were dampened by plummeting Kazakh sales income.

The total turnover achieved in the CIS market was HUF 122,562 million, 48.7% of total export. Year-on-year decrease was 12.2% (HUF 17,094 million). Expressed in Forex, the turnover was EUR 397.0 million (USD 528.3 million) with a 15.6% decrease in EUR (15.5% in USD) y/y.

The turnover achieved in the **European Union** was HUF 87.395 million, 12.6% up year-on-year. The contribution of this region to total export was 34.7 %. Expressed in Forex, the turnover was EUR 283.1 million with a 8.2 % 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 26.4 % increase in the EU15 region.
On the other hand, the CEE Member States decreased their contribution to total sales in the EU region to approximately 51.5% in 2014 with a 4.7% drop in sales income in euro. The drop is mainly attributed to Polish and Czech oral contraceptives.
Sales in the **United States** increased by 44.5% (HUF 3,767 million), or, expressed in USD, by 39.1% (to USD 14.8 million) due primarily to a massive increase in the sales of oral contraceptives and Prosterid.

Turnover in the **Chinese** region was HUF 13,176 million (EUR 42.7 million) with a y/y increase of HUF 2,776 million (or EUR 7.6 million). Increasing sales income generated by Cavinton should be particularly noted.

In the wake of strengthening its presence in the South and Central American markets the Company reports **Latin America** as a separate region as of 1 January 2014. Income from sales in these countries achieved a 28.0% (expressed in dollar, a 23.3%) increase and amounted to HUF 4,296 million (USD 18.5 million). The sales increase is attributed mainly to oral contraceptives. The contribution of this region to total export was 1.7 %.

In the category of **Other countries**, oral contraceptives were the leading products. In the Other countries region the turnover was HUF 12,126 million (EUR 39.2 million). Compared to 2013, turnover was 7.8 % higher (in Forex, 3.4 % higher). The contribution of this region to total export was 4.8 %.

Net income from sales **totalled** HUF 283,648 million, a HUF 2,661 million increase over the 2013 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 were HUF 908 million higher.

Direct costs of sales totalled HUF 61,134 million and were HUF 3,876 million over the 2013 figure due to the negative effect of exchange rates and the change in the portfolio of products. Gross profit from sales was HUF 222,514 million, HUF 1,215 million short of the reference year figure with the gross margin down from 79.6% to 78.4%.

Indirect costs amounted to HUF 171,571 million in 2014, lagging behind the 2013 figure by 1.7%.

- Payroll costs (wages and contributions) decreased by a total of HUF 465 million.

- Commission paid to agents dropped by HUF 2,079 million, due to plummeting sales in the CIS.
- Promotion costs were HUF 1,835 million down, which reflects a more modest marketing effort supporting sales in the CIS region, reined in amidst deteriorating market conditions. By contrast, marketing costs rose in Western Europe, as did the costs related to the income generated by sales and marketing in China.
- Total foreign sales costs dropped by HUF 534 million y/y, which can be attributed to the CIS region and also to the Company's activity in China. These impacts were dampened by a slight increase in Western European distribution costs.

- In 2014 research commissions increased by HUF 950 million resulting predominantly from items arising at partners that have signed an R&D agreement with the Company.

- Depreciation exceeded the reference year's figure by HUF 211 million. The growth was due to the capitalisation of valuable rights related to the contraceptive portfolio acquired from Grünenthal and to Esmya's launch on new markets.

Other income and expenditure had a negative balance of HUF 10,974 million after HUF -169 million in 2013.

The drop is mostly due to lower milestone income compared to the reference year and declining income related to drospirenone. These impacts were reinforced by increasing customer-side depreciation.

Expenditure on claw-back has been substantially expanded as after the claw-back tax in Hungary, Romania and Germany, payment liabilities arose also in the French, Spanish, Belgian and Latvian markets in 2014.

In 2014, the change in the likelihood of payment of the deferred portion of the purchase price of PregLem and the deferred payment liability to our Chinese partner increased the Other expenditures item.

The Company's *operating profit* was HUF 39,964 million, 18.5% down compared to 2013. After a 3.3 percentage point decrease, the operating margin was 14.1 %.

2.2.3 Other income statement items

Net financial income

Net financial income in 2014 was HUF 19,744 million loss, HUF 19,467 million more than in 2013.

In light of the changes during the reported year, Richter's financial income was greatly affected by the strengthening of the forint against the rouble and the weakening of the forint against the euro and the dollar. As of the 2014 balance sheet date, the exchange rate (NBH rate) was 4.45 forints to the rouble (-32.1%), 314.89 forints to the euro (-6.1%), and 259.13 forints to the dollar (+20.2%).

Revaluation as of the balance sheet date closed with a loss in both 2013 (HUF 6,679 million) and 2014 (HUF 14,571 million). The item includes revaluation of investments, loans receivable, advances, cash, loans payable, trade receivables and payables, as well as accrued and deferred items.

The Company made a loss on forward transactions amounting to HUF 8 million in 2013 and gain HUF 57 million in 2014.

Net impairment of investments was HUF 1,983 million in 2013 resulting from the reversal of impairment of Protek. The 2014 figure includes the impairments of GR-Romania S.A., Protek, RG-Retea S.R.L. and Pesti Sas Holding Kft. (HUF 8,350 million).

Exchange rate losses realized from trade on receivables, payables and other items were HUF 1,993 million as opposed to a HUF 2,236 million loss in the preceding year. The aggregate gain contributed HUF 0.2 billion to a year-on-year decrease in earnings.

In 2014 the time value and exchange rate effects of the liability related to PregLem, Chinese and Mexican acquisitions reduced the net financial income to a greater extent (by HUF 1,948 million as opposed to HUF 1,026 million in the reference year).

Interest and similar income was HUF 3,331 million in 2014, HUF 518 million less than the reference year figure.

Dividends received contributed HUF 1,813 million to the 2014 financial income, HUF 328 millions higher than the HUF 1,485 million realized in 2013.

Extraordinary items

The balance of extraordinary items was HUF -1,081 million, HUF 537 billion above the 2013 figure.

Profit before taxes

The 2014 earnings before taxes amounted to HUF 19,139 million, HUF 27,982 million less than in 2013.

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 the development related tax break into consideration, tax payable was HUF 435 million in 2013, while in the reported period, Richter does not utilize the tax break (tax payable is HUF 31 million in 2014).

Profit after taxes

The Company's profit after taxes for 2014 was HUF 19,108 million compared to HUF 46,686 million in 2013.

2.2.4 Contribution of key products to sales revenues

Finished products contributed approximately 94% to the 2014 sales revenues. The contribution of APIs was 4%.

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

2013				2014			
Rank Rank		Sales HUF million	Share %	Rank Rank		Sales HUF million	Share %
1	Oral contraceptives	80,985	28.8	1	Oral contraceptives	81,981	28.9
2	Cavinton/vinpocetine	24,733	8.8	2	Cavinton/vinpocetine	24,866	8.8
3	Panangin/asparaginates	18,483	6.6	3	Panangin/asparaginates	15,300	5.4
4	Mydeton/tolperisone	16,381	5.8	4	Mydeton/tolperisone	15,075	5.3
5	ACE inhibitors /enalapril, lisinopril	15,460	5.5	5	Verospiron/ /spironolactone	12,710	4.5
6	Verospiron/ /spironolactone	12,185	4.3	6	ACE inhibitors /enalapril, lisinopril	12,268	4.3
7	Lisonorm /lisinopril, amlodipine	8,686	3.1	7	Esmya /ulipristal acetate	11,728	4.1
8	Quamatel/famotidine	7,547	2.7	8	Lisonorm /lisinopril, amlodipine	9,234	3.3
9	Aflamin/aceclofenac	7,297	2.6	9	Aflamin/aceclofenac	7,983	2.8
10	Groprinosin	6,576	2.4	10	Quamatel/famotidine	7,454	2.6
	Total	198,333	70.6		Total	198,581	70.0
	Net income from sales	*280,987*	*100.0*		*Net income from sales*	*283,648*	*100.0*

The contribution of the ten leading product categories to total sales was 70.0%, almost identical with the reference year's figure.

Oral contraceptives are the leading products with a turnover of HUF 82.0 billion, 1.2% over the 2013 figure. The increase was the effect mainly of the rising turnover of emergency contraceptive products and of the portfolio acquired from Grünenthal. The contribution of this product category to total turnover was 28.9%, approximately the same as last year.

The second most important product is our proprietary Cavinton with a turnover of largely the same as in the reference year (decline in Russia and rising sales income in China). Panangin kept its third place despite a 17.2% y/y decline in sales (Russia). Similarly, Mydeton, ranking 4th, lost 8.1% of sales income year-on-year due to shrinking markets in Ukraine and Kazakhstan. Verospiron and ACE inhibitors swapped place and ranked 5th and 6th respectively. Esmya finished an outstanding 7th with a 147% year-on-year increase in sales income. Rising turnover is attributed to Esmya's successful introduction to a growing number of markets. Lisonorm slipped one place and Quamatel two places in the league table finishing 8th and 10th respectively. Contributing 2.8% to the 2014 proce return, Aflamin retained its 9th place. Groprinosin is no longer in the TOP 10, due mainly to slipping sales in Ukraine.

2.2.5 Contribution of key markets to sales revenues

In 2014 the Company's ten leading markets were as follows:

The Company's ten leading markets were as follows:		2014	
		HUF million	EUR million
1.	Russia	80,976	262.3
2.	Hungary	31,855	103.2
3.	Germany	17,850	57.8
4.	Ukraine	17,000	55.1
5.	Poland	14,096	45.7
6.	China	13,176	42.7
7.	United States of America	12,238	39.6
8.	Czech Republic	7,681	24.9
9.	Kazakhstan	6,430	20.8
10.	Slovak Republic	6,124	19.8
	Total	207,426	671.9
	Net income from sales	*283,648*	*918.7*

The ten leading countries jointly contributed approximately 73.1% to Richter's total sales.

Despite significantly declining sales Russia continues to be the leading market. Hungary is again second. Germany advanced to third place with Ukraine and Poland slipping back. China and the United States retained their 2013 position. The Czech Republic and Kazakhstan swapped places compared to the reference year and finished 8th and 9th respectively. Romania did not make it to the top 10 and yielded its place to the Slovak Republic among the leading markets.

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. The only Hungarian-based pharma company which has more than 1000 researchers featured in the top EU R&D list, Gedeon Richter Plc. today ranks 166th in Europe and is the most significant pharmaceutical R&D base in the Central and Eastern European region. R&D is focused on three strategic areas: research and development of new small molecules, biotechnology, and generic 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 11 ongoing projects of which one has reached registration, one is in clinical Phase I trials and the rest are in the preclinical phase.

On 19 November 2012 Actavis plc. (previously Forest Laboratories, Inc.) submitted a new drug application (NDA) to the United States Food and Drug Administration (FDA) for cariprazine for the indications of schizophrenia and bipolar disorder. 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 data. In January 2015 Richter and Actavis announced that the FDA acknowledged receipt of the resubmitted New Drug Application (NDA). Simultaneously with the registration procedure there have been ongoing 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. As a result of the acquisition of the Swiss company PregLem S.A. in 2010 Richter has also been active in gynaecological development 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. 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 of the product extended for this indication was granted 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.

In 2004 Richter launched its recombinant 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 in 2007, 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, followed by production for clinical trials in 2014; thus, the most complex protein-based pharmaceuticals can be manufactured on a commercial scale. Currently three biotechnology projects have reached the clinical trials stage.

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 of R&D, partnerships with the Japanese Mitsubishi-Tanabe Pharmaceuticals and with Forest Laboratories (today Actavis) of the United States continue to make a considerable contribution to effective research activity aimed at new molecules. Development and distribution of biotechnology products is supported in Europe

by Stada, and in Japan by Mochida in the context of cooperation agreements. In an effort to strengthen our gynaecological portfolio we have signed development collaboration agreements with several companies, for example Palatin Technologies, Evestra. The scope of collaboration will be expanded in the coming years.
R&D expenditure was 14.9% of sales income in 2014 and amounted to HUF 42,226 million.

The key tasks for product development in 2014 were related to the launch of cariprazine. At the end of 2013 the FDA issued a so-called Complete Response Letter regarding registration, in which the Agency required further tests; consequently, the product will be launched in the second half of 2015 subject to FDA's granting registration. Delays in Richter's other pending applications are caused by a retroactive change in the regulations of the Russian authorities.

The Company launched two proprietary product and five licensed products in 2014, all of which are new in all of the markets. The low number of 2014 launches is explained by the delays described above.

At the close of 2014 Richter had over 43 generic development and 13 licence topics in progress. In the course of the year Richter had 36 licence renewal and maintenance projects; furthermore, support of original, biotechnology and transfer projects stayed at the reference year's level (19 projects in total). 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 20% of generic R&D projects.

As a result of registration activities a total of 35 marketing authorizations were granted to Richter in 2014 in the EU, including Hungary (taking different dosage forms into consideration). The authorizations were almost exclusively related to own-produced products. In this region 113 renewal applications were closed.

A total of 51 new authorizations and 220 renewal applications were submitted in the twelve CIS countries. In the course of the year the Group secured 50 new authorizations and 171 renewals, and returned 38 newly granted or renewed licenses.

In the Other countries segment the Company submitted 27 new applications and 158 renewals in 2014. In the course of the year the Company obtained 15 new authorizations and 35 renewals.

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 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 2014 the main direction of the quality assurance effort was the continued upgrading of production processes in accordance with the current Good Manufacturing Practice cGMP (API and finished products), and quality assurance support to a number of ongoing investment projects (the Debrecen biotechnology project).

Ensuring compliance with the Good Laboratory Practice (GLP) and IT GXP, as well as supporting quality management of the subsidiaries continues to be a priority task.

Over the past year Richter and its subsidiaries were inspected on 14 occasions by consumer authorities and seven 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 semi-finished products dropped 6% and that of solid drugs grew 8% year-on-year.

The production value, at settlement price, of own-produced APIs for non-steroid products was down by ~3.3% and for steroids, up by in 6.2% in 2014.

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

Inventories

As of the balance sheet date of 31 December 2014 the value of inventories was HUF 44,889 million, 1.9% below the opening balance. The drop resulted from the increase of stocks deposited with subsidiaries (consignment stocks and inventories placed with the Russian manufacturing subsidiary).

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. Similarly to the preceding year, optimization of centralized sourcing resulted in substantial savings on funds, capacities and time in 2014. In certain areas of sourcing the parent company and its subsidiaries cooperated successfully.

Introduced first in Dorog, the maintenance risk assessment system that is crucial from the point of view of GMP was also extended to the equipment of the Budapest manufacturing facility in 2014.

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. In 2014, implementation of specific tasks under the long-term energetics concept drawn up for Budapest and Dorog was started: developments envisioning independent heat supply, upgrading of thermal centres, installation of a central refrigeration plant.

Compared to the reference year, the volume of energy utilized in 2014 increased across the Company as a whole while energy prices decreased. The 1.8% drop emerged as the balance of 2.0% increase in energy use and 3.7% decrease in energy prices. Energy and water costs amounted to HUF 8.6 billion for the entire Company and included HUF 93.7 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 2014 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 and regulations.

Environmental and security related expenditure were at the 2013 level in the reported period.

In 2014 the Company prepared 12 registration dossiers for it proprietary intermediate product in accordance with the EU's new safety regulation REACH, the Registration, Evaluation, Authorisation and Restriction of Chemical Substances. The Company acts as lead registrant in 11 of the cases.

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 ongoing basis.

In 2014 the Company conducted workplace related psychosocial risk assessment at all of its sites and organisational units as a result of which the units were given feedback about their respective risk profiles.

Water pollution, protection of water quality and noise management

The review of the waste water system in Budapest and Dorog was concluded according to plans. The competent authority ordered the Company to prepare a technical intervention and monitoring plan to eliminate the contamination of soil and groundwater detected on the premises of the Vecsés warehouse.

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

Waste management

In 2014 hazardous wastes were incinerated, deposited or composted. Waste has been collected selectively since 2012.

After a 7.0% drop the costs of waste management amounted to HUF 0.9 billion in 2014.

3.5 IT support

The Company's business processes were supported by 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 unified 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 2014, the most important achievements and events were as follows:

- IT support to Quality Assurance was a priority task in 2014 with several projects in progress.
- This year further development and upgrading to later versions of existing systems took place in several areas (warehousing, sourcing, finance).
- The SAP PP module was introduced and upgraded in the Debrecen biotechnology facility.
- 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.

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 ongoing basis.

As of 31 December 2014 headcount was 6,795 including 4,982 persons employed in Hungary. Of the Hungarian headcount 2,564 work in white-collar positions including 1,955 university or college graduates.

5. Capital expenditure on tangibles and intangibles

In 2014 capital expenditure on tangible and intangible assets amounted to HUF 34,839 million and included HUF 17,669 million capitalization. Assets in the course of construction amounted to HUF 12,070 million as of 31 December.

The Company's main capex areas in 2014 were as follows

Biotechnology

Richter spent a total of HUF 1,193 million on investments related to the biotechnology business in 2014. Development and installation of the software controlling and monitoring the manufacturing process in the Debrecen Biotechnology Plant erected to produce the APIs of strategic products based on biotechnology procedures was completed. The first clinical samples were produced by late 2014.

Production

The 2014 investments related to production plants amounted to HUF 11,087 million.

In finished drug manufacturing, upgrading the equipment of the Injectables Plant was continued by installing a new ampoule filling line. Project RGK VI was launched; it envisions a greenfield development of a new, state-of-the-art freeze-drying unit, an injectables packaging plant, as well as high rack warehouses ancillary to these new facilities, and land for development purposes.

In the field of API manufacturing, capex projects were basically aimed at maintaining production capacities and in some cases at upgrading the infrastructure serving production. A very important, multi-year project was launched in Dorog in Steroid Plant II to expand intermediate product and chromatography capacities. The projects aimed at a closed system of measurement of liquid and solid materials and the separation of plant cooling systems were continued.

As regards active agents manufacturing in Budapest, installation of new micronisation and filter-dryer equipment in Chemical Plant III and Stage II of the works necessitated by more stringent GMP requirements at the finishing line of Chemical Plant I should be highlighted.

Production support

Investment projects related to production support amounted to HUF 4,467 million in 2014.

Major multi-year environmental protection projects included the renovation of the sewage system in Dorog and the replacement of the cooling centre supplying the Fermentation Plant in Budapest.

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, 2014 saw the completion of the reconstruction of the pipelines behind BIO II and the revamping of the energy supply to BKK building.

At the Dorog site conversion of the recirculating cooling water system and the upgrading of the transformer stations and distributors involved significant expenditures.

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 2014 Richter deployed a total of HUF 2,001 million investment to maintain the level and quality of research and development. A significant portion of the investment was related to device and instrument purchase. In Budapest some of the pharmacological tests applied currently will have to be relocated in a new building that is in conformity with tightening international regulations. Construction has started and is slated to finish in 2015. Implementation of a temporary plant for the development of a hormone releasing vaginal ring was completed; the facility is also suitable for manufacturing clinical samples of the drug delivery device. A new granulator was installed in the pharmaceutical product development pilot plant.

Licences and intangibles

The 2014 expenditure on licenses and other intangibles amounted to HUF 13,141 million and comprised expenditure on the acquisition of manufacturing and marketing rights (Esmya LATAM, Bremelanotide, Teriparatide), as well as on new registrations and renewals.

Other

In 2014 Richter spent HUF 905 million on IT development supporting operation, and HUF 788 million on improving the conditions of the non-Hungarian distribution network.

6. Foreign investment

6.1. Pharmaceutical companies

Manufacturing 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.

In the Romanian pharmaceutical market the distribution companies are still faced with prolonged liquidity problems and massive delays in payments by the National Health Insurance Funds which have not eased despite the EU directive. The problems of the

Romanian pharmaceutical market have persisted for several years: ongoing decline of prices, price freeze at a RON/EUR exchange rate lower than the market rate, list of subsidized drugs locked up for six years, claw-back tax, in addition to the preparation of another bout of liberalization of the pharmacy market.
Due to the government's regulations to reduce prices, mounting competition and the continuous increase of the allowances Gedeon Richter Romania S.A.'s turnover slipped considerably compared to 2013. Intra-Group sales showed a similar trend, primarily in the retail segment. Unlike in previous years, the company closed 2014 with a negative operating_profit due to the claw-back tax, which is a massive burden on the Romanian subsidiary and greatly reduces the profitability of subsidised products.
Capex projects deployed by the Romanian subsidiary relied primarily on the company's strategic projects supporting Gedeon Richter Romania S.A.'s role within the Group. Mention should be made of the new production site and the start-up of new manufacturing and packaging lines implemented in 2014 in the framework of the Estradiol MDTS investment and technology transfer project in preparation of the manufacturing of Estradiol transdermal spray. Among the projects aimed at upgrading development capacities the R&D project with a total value of RON 15,350.2 thousand and partially financed from EU structural funds has been completed.
In the course of 2014 the parent company increased its Romanian production company's capital from a financial loan of RON 50.2 million and a shareholder's loan amounting to EUR 1.5 million. These amounts served for financing the capital increase needed by the wholesale and retail subsidiaries.
Gedeon Richter Romania S.A. continuously controls the 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 still be considered relatively stable, the company's domestic sales make a significant contribution to the Group's turnover; on the other hand, price erosion affects the market on an ongoing basis. As expected, the company again generated a total turnover exceeding PLN 200 million in 2014 after the payment of dividend of PLN 15 million from the previous year's earnings.

A key feature in the 2014 activity of **ZAO Gedeon Richter-RUS**, Richter's Russian facility was the successful implementation of the last stage of the DLO-2 investment project and the significant boost in turnover. On the negative side, the escalating Ukraine-Russia conflict cast a shadow on all areas of operation from the beginning of 2014 primarily caused by the massive weakening of the rouble. It is all the more regrettable as it considerably impaired the performance of an otherwise unequivocally successful year for the company.

The company's main function will continue to be production and distribution supported by the parent company's marketing activity. In the coming years technology transfers will help the company to launch a growing number of own-produced products with the intent to expand and update its portfolio. Furthermore, manufacturing products for other markets ordered by the parent company may have an increasingly important role and will focus mainly on the CIS markets. These steps are designed to achieve appropriate levels of capacity in production and service created in the context of the DLO-2 project.

All of the company's 2014 performance indicators are positive. In order to a successful conclusion of the capex project the parent company significantly increased the Russian subsidiary's capital (by RUB 650 million) in 2014, similarly to previous years.

In 2014 **Richter Themis Ltd.** was active as a manufacturer and distributor of intermediate products and APIs mostly for Group members. The company succeeded in making 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 considerable 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 2014 was above the reference year figure. The microbial biotechnology company is engaged partly in sourced development and partly in production; intra-Group development has become a significant aspect of its activity but its external relations are also expanding. In October 2014 the company was granted an FDA approval, which can have a positive impact on promoting collaboration in the U.S. market. While the company's profitability has improved considerably over the past years it is still negative.

In 2014 **PregLem S.A.** 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 the company is expected to become the secondary packaging facility for Richter's (mainly cardiovascular) products intended for the Ukrainian market. Although the high level of volatility and risk in the country affect the intensity of capital investment, we are striving to secure a valid building permission by very early 2015 and to effectively conclude the project's planning and licensing phase.

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 2014 was expanded by other gynaecological products and in some countries by the strategic product Esmya.

Created through Group-level restructuring of the marketing network, **Gedeon Richter Marketing Polska Sp.z o.o.** has extended marketing services to its shareholders Richter and GR Polska in the territory of Poland since 1 January 2009. Thanks to restructuring measures to improve efficiency our penetration and position in the Polish market continues to be stable despite an unfavourable macroeconomic environment.

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. This was followed by the establishment, at the end of 2013, of a Croatian subsidiary **Gedeon Richter Croatia d.o.o.** The Czech, Slovak, Slovenian and Croatian companies support the sales of Richter products through PR and by operating efficient networks of representatives. The companies operate on a basis of invoicing costs plus margin, which ensures cost coverage and stable liquidity on a continuous basis.

Rxmidas Pharmaceuticals Co. Ltd. delivered the expected result in 2014 too, despite the fact that out of the six promoted products two practically generated no sales income during the year. While portfolio expansion is highly desirable, in China securing the necessary regulatory authorisations is taking a very long time. Nevertheless, several projects have been started with a view to strengthen our position in the market over the long term. As of 1 January 2015 marketing has been undertaken by a new company whose name includes Gedeon Richter.

Active in promotional purchases, storage and distribution, Moscow based **Pharmarichter O.O.O.** proved to be a high-performing company in 2014 in both technical and financial terms.

In the second half of 2013 **Gedeon Richter KZ L.L.P**, exclusive importer of Richter's products in Kazakhstan was entered in the trade register. However, because of the time consuming registration process sales of the product stock delivered duty free in 2013 only started in February 2014. The subsidiary, 100% owned by Richter Group, achieved an operating profit despite the heavy financial losses it suffered in the wake of the substantial weakening of the national currency.

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 business development. The 2014 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.

Started in the second half of 2013, the South and Central American expansion was continued in 2014. As a first step the parent company established a company in Colombia 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 Colombian subsidiary has not started its sales activity yet; securing the necessary registration and authorizations is in progress.

In Mexico Richter has a 100% holding in **Gedeon Richter Mexico SAPI de CV**. Mexican sales were balanced throughout 2014, the company achieved the expected turnover.
In Brazil distribution commenced in October 2014 through **Gedeon Richter do Brasil Importadora Exportadora e Distribuidora SA**. Sales were steadily rising from month to month.

In May 2014 Richter signed an agreement to acquire **Mediplus N.V.**, which resulted in holdings in Curaçao, Bolivia, Chile, Peru and Ecuador and strengthens Richter's penetration in Latin America.

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.

The Group's wholesale company in Romania is **Pharmafarm S.A.** The company's organisational structure experienced new changes in 2014: the distribution structure was changed, greater emphasis was laid on monitoring credit risks, and cost containment was introduced. In addition, customer management, inventories and sourcing were strengthened and resulted in greater balance. Cooperation between Gedeon Richter Farmacia S.A. and Pharmafarm S.A. continued to improve in order to achieve a bigger share in the Romanian market.

Gedeon Richter Farmacia S.A. is the Romanian group's retail company. There were also changes in the operation of GRFA S.A.: the number of outlets changed several times mid-year in the wake of measures taken to improve efficiency (closures, relocation, reopening). In December the retail chain consisted of 108 functioning pharmacies. In 2014 the company's sales dropped. In 2014 further impairment was reported on the licences of pharmacies owned by Gedeon Richter Farmacia S.A. and the company made preparations to sell the inoperative or loss generating licenses.

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 its presence in 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. Sales of Richter's products are efficiently supported by **Richpangalfarma S.R.L.** a key player in the pharmaceutical wholesale market since 1996. Our wholesale and retail companies are able to meet customers' needs in Moldova. On 22 December 2014, sale of a 17.5% holding was entered in the trade register. The holding was sold to a individual person in an executive position who had already held a quota of the same size. The change does not affect Richter's 65% majority holding.

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 the rate of fake products is very high.

Richter's wholesale and retail holdings in Armenia have scored major progress and achieved an impressive performance in 2014. 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 costumers and its figures achieved considerable growth. This greatly contributed to the company's further reinforcement of its position among the top players in the market.
The subsidiary **Gedeon Richter Aptyeka Sp O.O.O.** expanded its network to include 23 pharmacies by the end of 2014 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 efficient performance of the two wholesale companies operating in Jamaica (**Medimpex Jamaica Ltd.** and **Medimpex West Indies Ltd.**) resulted in improving joint turnover. As a result of the wholesalers' activities Richter managed to step up the distribution of its products in the region in 2014. 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.
As a result of steps taken in the previous year to enhance efficiency **Hungaropharma Zrt.** continued to improve its earnings. Richter directly holds 30.68% of the company's shares.

6.3. Other consolidated companies

There have been no changes 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 2014. Operation of these affiliated undertakings is focused predominantly to Hungary.
Richter's undertakings in this segment with foreign sites continue to be dormant.
At the end of 2014, following the management's decision, the investment management company Richter Gedeon Befektetéskezelő Kft. began to transfer its management business line to Richter. The process will be completed in early 2015.

7. Risk management

During the year Gedeon Richter 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 and the impacts of the Russia-Ukraine crisis	- Monitoring changes in major macroeconomic factors, incorporating their effects into the planning - Cost management and adaptation of customer relations - Flexible utilisation of local production capacities

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 - Determination of optimal headcount - Staff replacement to improve quality; retention of staff performing high-quality work

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 (SOPs) - 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 - Borrowings to improve financing capabilities - Financial Investment Rules to manage investment risk

8. Post-balance sheet date events

On 19 December 2014 Richter acquired the investment management business line of its subsidiary, Richter Gedeon Befektetéskezelő Kft. The shares had been transferred before the balance sheet date, however the Court of Registry has not registered the change of ownership until 31 December 2014.

In January 2015 Richter and Actavis announced that the FDA acknowledged receipt of the resubmitted New Drug Application (NDA). Also in January 2015 in a joint announcement with Actavis the Company first reported positive results from a Phase III trial evaluating the efficacy of cariprazine in the prevention of relapse in patients with schizophrenia; then in another announcement they informed about top-line results from Phase IIIb trials indicating that cariprazine had significantly superior efficacy than the comparator drug and thus has the potential to become a novel promising therapeutic option for in adult schizophrenia patients with persistent and predominant negative symptoms.

On 27 January 2015 Richter announced that it entered into a license and distribution agreement with Bayer HealthCare to commercialize the low-dose gestodene and ethinyl estradiol containing transdermal contraceptive patch of Bayer in the European Union, in other European countries and also in certain Latin American countries under the trademark of Lisvy.

As of 15 January 2015 the Swiss National Bank scrapped the exchange rate floor against the euro that had been in place from 2011. As a result the Swiss franc started to rise. Richter's receivables and payables denominated in CHF are approximately balanced.

On 19 February 2015 Richter and Evestra Inc. announced that they signed a collaboration agreement in which Richter is providing a USD 5 million convertible loan to Evestra. Under the terms of the agreement after three years Richter, at its discretion, will either be repaid the loan plus interests or will acquire a stake in Evestra to the extent of the loan. The funds will empower Evestra to accelerate the development of its innovative women's health product pipeline into the clinical stages.

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.

In an attempt to offset the dire consequences of the Russia-Ukraine political crisis, the devaluation of the rouble and to slipping Ukrainian pharmaceutical market the Company introduces cost-cutting measures that will affect all areas of operation.
The Group focuses on strengthening its presence in, and stepping up exports to, European Union, primarily in the EU15, 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 Richter is striving to secure its direct presence in the world's fastest growing pharmaceutical markets (China and the Latin American region).

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

The Company’s ongoing 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.

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.

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 ongoing basis.

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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 2014 (in which the balance sheet total is MHUF 706,351, the profit per balance sheet is MHUF 12,957), 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.

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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 2014, 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 2014.

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 2014 business report is consistent with the disclosures in the financial statements as of 31 December 2014.

Budapest, 28 April 2015

Barsi Éva
Partner
Statutory auditor
Licence number: 002945
PricewaterhouseCoopers Auditing Ltd.
1055 Budapest, Bajcsy-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 **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 2014 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 prepared by the Board 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, 29th April, 2015

Erik Bogsch
Managing Director