GEDEON RICHTER PLC.
Consolidated Financial Statements and
Independent Auditors' Report
For the year ended 31 December 2014

Erik Bogsch
Managing Director

23 March, 2015.

Gedeon Richter Plc.

CONSOLIDATED FINANCIAL STATEMENTS

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Consolidated Income Statement

for the year ended 31 December

	Notes	2014 HUFm	2013 HUFm Restated*
Total revenues	5	**353,709**	**351,886**
Cost of sales		(139,650)	(132,145)
Gross profit		**214,059**	**219,741**
Sales and marketing expenses		(101,724)	(106,999)
Administration and general expenses		(19,651)	(19,345)
Research and development expenses		(43,666)	(40,800)
Other income and other expenses (net)	5	(11,271)	(6,151)
Profit from operations	5	**37,747**	**46,446**
Finance income	7	23,204	16,081
Finance costs	7	(35,984)	(18,766)
Net financial loss	7	**(12,780)**	**(2,685)**
Share of profit/(loss) of associates and joint ventures	14	828	(125)
Profit before income tax		**25,795**	**43,636**
Income tax	8	(761)	(1,205)
Profit for the year		**25,034**	**42,431**
Profit attributable to			
Owners of the parent		24,950	42,766
Non-controlling interest		84	(335)
Earnings per share (HUF)	9		
Basic		134	230
Diluted		134	229

* Restated due to IFRS 11 Joint arrangements (see Note 37).

The notes on pages 10 to 85 form an integral part of the Consolidated Financial Statements

23 March, 2015.

Managing Director

Consolidated Statement of Comprehensive Income

for the year ended 31 December

	Notes	2014 HUFm	2013 HUFm Restated*
Profit for the year		**25,034**	**42,431**
Items that will not be reclassified to profit or loss			
Actuarial (loss)/gains on retirement defined benefit plans	28	(33)	20
		(33)	**20**
Items that may be subsequently reclassified to profit or loss			
Exchange differences arising on translation of foreign operations		3,675	(2,784)
Exchange differences arising on translation of associates and joint ventures	14	(214)	(56)
Revaluation for available for sale investments	24	(3,039)	2,452
		422	**(388)**
Other comprehensive income for the year		**389**	**(368)**
Total comprehensive income for the year		**25,423**	**42,063**
Attributable to:			
Owners of the parent		25,103	42,524
Non-controlling interest		320	(461)

* Restated due to IFRS 11 Joint arrangements (see Note 37).

The notes on pages 10 to 85 form an integral part of the Consolidated Financial Statements

23 March, 2015.

Managing Director

Consolidated Balance Sheet

at 31 December	Notes	2014 HUFm	31 December 2013 HUFm Restated*	1 January 2013 HUFm Restated*
ASSETS				
Non-current assets				
Property, plant and equipment	12	169,558	163,453	158,326
Goodwill	18	61,086	50,962	31,602
Other intangible assets	12	152,580	145,635	149,308
Investments in associates and joint ventures	14	5,408	4,023	3,264
Other financial assets	15	24,184	43,238	25,426
Deferred tax assets	16	8,606	3,921	3,342
Loans receivable	17	3,921	3,714	5,345
		425,343	**414,946**	**376,613**
Current assets				
Inventories	19	66,452	68,687	64,149
Trade receivables	20	95,255	102,283	102,611
Other current assets	21	13,591	17,297	16,521
Investments in securities	22	20,873	3,816	9,966
Current tax asset	16	603	538	1,115
Cash and cash equivalents	23	97,940	106,577	101,211
		294,714	**299,198**	**295,573**
Total assets		**720,057**	**714,144**	**672,186**

* Restated due to IFRS 11 Joint arrangements (see Note 37).

The notes on pages 10 to 85 form an integral part of the Consolidated Financial Statements

23 March, 2015.

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Managing Director

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Consolidated Balance Sheet
at 31 December - continued

	Notes	2014 HUFm	31 December 2013 HUFm Restated*	1 January 2013 HUFm Restated*
EQUITY AND LIABILITIES				
Capital and reserves				
Equity attributable to owners of the parent				
Share capital	24	18,638	18,638	18,638
Treasury shares	25	(4,881)	(321)	(1,716)
Share premium		15,214	15,214	15,214
Capital reserves		3,475	3,475	3,475
Foreign currency translation reserves	24	9,700	6,475	9,189
Revaluation reserve for available for sale investments	24	1,876	4,915	2,463
Retained earnings		514,536	499,948	469,498
		558,558	**548,344**	**516,761**
Non-controlling interest	13.1	3,172	2,852	3,313
		561,730	**551,196**	**520,074**
Non-current liabilities				
Borrowings	29	44,155	54,781	73,163
Deferred tax liability	16	8,876	7,688	9,634
Other non-current liabilities and accruals	30	10,056	26,344	12,556
Provisions	28	2,770	1,843	1,608
		65,857	**90,656**	**96,961**
Current liabilities				
Borrowings	29	14,525	5,037	148
Trade payables	26	36,335	41,926	40,026
Current tax liabilities	16	281	207	123
Other payables and accruals	27	40,222	23,784	13,983
Provisions	28	1,107	1,338	871
		92,470	**72,292**	**55,151**
Total equity and liabilities		**720,057**	**714,144**	**672,186**

* Restated due to IFRS 11 Joint arrangements and classification of Provision and Accruals to non-current and current by term (see Note 37).

The notes on pages 10 to 85 form an integral part of the Consolidated Financial Statements

23 March, 2015.

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Managing Director

Consolidated Statement of Changes in Equity
for the year ended 31 December 2013

	Notes	Share capital	Share premium	Capital reserves	Treasury shares	Revaluation reserve for available for sale investments	Foreign currency translation reserves	Retained earnings	Attributable to owners of the parent	Non-controlling interest	Total
		HUFm	HUFm	HUFm	HUFm	HUFm	HUFm	HUFm	HUFm	HUFm	HUFm
Balance at 1 January 2013		**18,638**	**15,214**	**3,475**	**(1,716)**	**2,463**	**9,189**	**469,498**	**516,761**	**3,313**	**520,074**
Net profit		-	-	-	-	-	-	42,766	**42,766**	(335)	**42,431**
Exchange differences arising on translation of foreign operations*		-	-	-	-	-	(2,658)	-	**(2,658)**	(126)	**(2,784)**
Exchange differences arising on translation of associates and joint ventures*	14	-	-	-	-	-	(56)	-	**(56)**	-	**(56)**
Actuarial gains on defined benefit plans	25	-	-	-	-	-	-	20	**20**	-	**20**
Revaluation reserve for available for sale investments		-	-	-	-	2,452	-	-	**2,452**	-	**2,452**
Comprehensive income for year end 31 December 2013		-	-	-	-	**2,452**	**(2,714)**	**42,786**	**42,524**	**(461)**	**42,063**
Net treasury shares transferred to employees	25	-	-	-	1,395	-	-	-	**1,395**	-	**1,395**
Ordinary share dividend for 2012	31	-	-	-	-	-	-	(12,271)	**(12,271)**	-	**(12,271)**
Recognition of share-based payments	24	-	-	-	-	-	-	(65)	**(65)**	-	**(65)**
Balance at 31 December 2013		**18,638**	**15,214**	**3,475**	**(321)**	**4,915**	**6,475**	**499,948**	**548,344**	**2,852**	**551,196**

* Restated due to IFRS 11 Joint arrangements (see Note 37).

The notes on pages 10 to 85 form an integral part of the Consolidated Financial Statements

Consolidated Statement of Changes in Equity
for the year ended 31 December 2014

	Notes	Share capital	Share premium	Capital reserves	Treasury shares	Revaluation reserve for available for sale investments	Foreign currency translation reserves	Retained earnings	Attributable to owners of the parent	Non-controlling interest	Total
		HUFm	HUFm	HUFm	HUFm	HUFm	HUFm	HUFm	HUFm	HUFm	HUFm
Balance at 1 January 2014		**18,638**	**15,214**	**3,475**	**(321)**	**4,915**	**6,475**	**499,948**	**548,344**	**2,852**	**551,196**
Net profit		-	-	-	-	-	-	24,950	**24,950**	84	**25,034**
Exchange differences arising on translation of foreign operations		-	-	-	-	-	3,439	-	**3,439**	236	**3,675**
Exchange differences arising on translation of associates and joint ventures	14	-	-	-	-	-	(214)	-	**(214)**	-	**(214)**
Actuarial gains on defined benefit plans	28	-	-	-	-	-	-	(33)	**(33)**	-	**(33)**
Revaluation reserve for available for sale investments		-	-	-	-	(3,039)	-	-	**(3,039)**	-	**(3,039)**
Comprehensive income for year end 31 December 2014		-	-	-	-	**(3,039)**	**3,225**	**24,917**	**25,103**	**320**	**25,423**
Net treasury shares purchased and transferred	25	-	-	-	(4,560)	-	-	-	**(4,560)**	-	**(4,560)**
Ordinary share dividend for 2013	31	-	-	-	-	-	-	(10,614)	**(10,614)**	-	**(10,614)**
Recognition of share-based payments	24	-	-	-	-	-	-	285	**285**	-	**285**
Balance at 31 December 2014		**18,638**	**15,214**	**3,475**	**(4,881)**	**1,876**	**9,700**	**514,536**	**558,558**	**3,172**	**561,730**

The notes on pages 10 to 85 form an integral part of the Consolidated Financial Statements

Consolidated Cash Flow Statement
for the year ended 31 December

	Notes	2014 HUFm	2013 HUFm Restated*
Operating activities			
Net income attributable to owners of parent company		24,950	42,766
Depreciation and amortisation	5	29,363	28,301
Non cash items accounted through Total Comprehensive Income	14, 30	(271)	(353)
Year end foreign exchange translation difference of borrowing	7	3,296	1,001
Net interest and dividend income	7	(2,174)	(3,484)
Income tax recognised through Consolidated Income Statement		761	1,205
Changes in provision for defined benefit plans	28	927	137
Loss on disposal of property, plant and equipment and intangible assets***		2,222	1,134
Impairment loss recognised on intangible assets		851	1,652
Impairment losses on investments		-	82
Expense recognised in respect of equity-settled share based payments	24	5,239	5,247
Movements in working capital			
Decrease in trade and other receivables		5,742	98
Decrease/(increase) in inventories		2,592	(4,538)
(Decrease)/increase in payables and other liabilities		(5,260)	6,236
Interest expense		(1,373)	(1,560)
Income tax paid	16	(4,664)	(3,982)
Net cash flow to operating activities		**62,201**	**73,942**
Cash flow from investing activities			
Payments for property, plant and equipment**		(28,406)	(25,302)
Payments for intangible assets**		(14,828)	(8,304)
Proceeds from disposal of property, plant and equipment		444	429
Payments to acquire financial assets		(163)	(16,888)
Proceeds on sale of financial assets		937	9,011
Proceeds from loans		93	1,630
Interest income	7	3,222	4,071
Dividend income		325	973
Net cash outflow on acquisition of subsidiaries	27,36,30	(7,214)	(647)
Net cash flow to investing activities		**(45,590)**	**(35,027)**
Cash flow from financing activities			
Purchase of treasury shares	25	(9,799)	(3,852)
Dividend paid	31	(10,603)	(12,263)
Repayment of borrowings		(5,593)	(29,392)
Proceeds from borrowings		891	14,688
Net cash flow to/from financing activities		**(25,104)**	**(30,819)**
Net (decrease)/increase in cash and cash equivalents		**(8,493)**	**8,096**
Cash and cash equivalents at beginning of year		**106,577**	**101,211**
Effect of foreign exchange rate changes on the balances held in foreign currencies		(144)	(2,730)
Cash and cash equivalents at end of year		**97,940**	**106,577**

* Restated due to IFRS 11 Joint arrangements (see Note 37).
** The Payments for property plant and equipment and the Payments for intangible assets can not be directly reconciled to the Note 12 Transfers and capital expenditure row, because the later one contains non-material, non-cash addition of the assets, including transfers.
*** Loss on disposal of property, plant and equipment and intangible assets contains scrapping of licenses.

The notes on pages 10 to 85 form an integral part of the Consolidated Financial Statements

Notes to the Consolidated Financial Statements

1. General background

I) Legal status and nature of operations
Gedeon Richter Plc. ("the Company"), the immediate parent of the Group, a manufacturer of pharmaceutical products based in Budapest, was established first as a Public Limited Company in 1923. The predecessor of the Parent Company was founded in 1901 by Mr Gedeon Richter, when he acquired a pharmacy. The Company is a public limited company, which is listed on Budapest Stock Exchange. The Company's headquarter in Hungary and its registered office is at Gyömrői út 19-21, 1103 Budapest.

II) Basis of preparation
The Consolidated Financial Statements of Richter Group have been prepared in accordance with International Financial Reporting Standards as endorsed by the European Union (EU) (hereinafter "IFRS"). The Consolidated Financial Statements comply with the Hungarian Accounting Law on consolidated financial statements, which refers to the IFRS as endorsed by the EU.

The Consolidated Financial Statements have been prepared on the historical cost basis of accounting, except for the revaluation of certain financial instruments which are valued at fair value. The amounts in the Consolidated Financial Statements are stated in millions of Hungarian Forints (HUF m) unless stated otherwise. The members of the Group maintain accounting, financial and other records in accordance with relevant local laws and accounting requirements. In order to present financial statements which comply with IFRS, appropriate adjustments have been made by the members of the Group to the local statutory accounts.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the Consolidated Financial Statements, are disclosed in Note 3.

These financial statements present the consolidated financial position of the Group, the result of its activity and cash flows, as well as the changes in shareholder's equity. The Group's consolidated companies are shown in Notes 13, 14.

III) Adoption of new and revised Standards

A) Standards, amendments and interpretations effective and adopted by the Group in 2014

- IFRS 10, IFRS 11, IFRS 12, IAS 27 (amended) and IAS28 (amended) – The IASB published IFRS 10 – Consolidated Financial Statements, IFRS 11 – Joint Arrangements, IFRS 12 – Disclosures of Interests in Other Entities and amendments to IAS 27 – Separate Financial Statements and IAS 28 – Investments in Associates and Joint Ventures in May 2011.

  IFRS 10 replaces the consolidation guidance in IAS 27 Consolidated and Separate Financial Statements and SIC-12 Consolidation – Special Purpose Entities by introducing a single consolidation model for all entities based on control, irrespective of the nature of the investee (i.e., whether an entity is controlled through voting rights of investors or through other contractual arrangements as is common in special purpose entities). Under IFRS 10, control is based on whether an investor has
  - power over the investee;
  - exposure, or rights, to variable returns from its involvement with the investee; and
  - the ability to use its power over the investee to affect the amount of the returns.

  IFRS 11 introduces new accounting requirements for joint arrangements, replacing IAS 31 – Interests in Joint Ventures. The option to apply the proportional consolidation method when accounting for jointly controlled entities is removed. Additionally, IFRS 11 eliminates jointly controlled assets to now only differentiate between joint operations and joint ventures. A joint operation is a joint arrangement whereby the parties that have joint control have rights to the assets and obligations for the liabilities. A joint venture is a joint arrangement, whereby the parties that have joint control have rights to the net assets.

  IFRS 12 will require enhanced disclosures about both consolidated entities and unconsolidated entities in which an entity has involvement. The objective of IFRS 12 is to require information so that financial statement users may evaluate the basis of control, any restrictions on consolidated assets and liabilities, risk exposures arising from involvements with unconsolidated structured entities and non-controlling interest holders' involvement in the activities of consolidated entities.

The requirements relating to separate financial statements are unchanged and are included in the amended IAS 27 – Separate Financial Statements. The other portions of IAS 27 are replaced by IFRS 10.

IAS 28 – Investments in Associates and Joint Ventures is amended for conforming changes based on the issuance of IFRS 10, IFRS 11 and IFRS 12.

The IASB issued amendments to IFRS 10, IFRS 11 and IFRS 12 in June 2012. The amendments clarify the transition guidance in IFRS 10 Consolidated Financial Statements and provide additional transition relief in IFRS 10, IFRS 11 Joint Arrangements and IFRS 12 Disclosure of Interests in Other Entities, limiting the requirement to provide adjusted comparative information to only the preceding comparative period. Furthermore, for disclosures related to unconsolidated structured entities, the amendments remove the requirement to present comparative information for periods before IFRS 12 is first applied.

An entity has applied this package of five new and revised standards in this financial statement. The Group had jointly controlled entities that were consolidated with proportionate consolidation. All of these entities qualify to be joint ventures requiring equity method consolidation. The effect of the restatement required by IFRS 11 is presented in Note 37.

B) Standards, amendments and interpretations effective in 2014 but not relevant for the Group

- IAS 36 (amended) – The IASB published Recoverable Amount Disclosures for Non-Financial Assets, amendments to IAS 36 – Impairment of Assets in May 2013. The amendments address the disclosure of information about the recoverable amount of impaired assets if that amount is based on fair value less costs of disposal. When developing IFRS 13 Fair Value Measurement, the IASB decided to amend IAS 36 to require disclosures about the recoverable amount of impaired assets. The amendments clarify the IASB's original intention: that the scope of those disclosures is limited to the recoverable amount of impaired assets that is based on fair value less costs of disposal. The application of the amendment is required retrospectively for annual periods beginning on or after January 1, 2014. The adoption of the amendment did not affect the financial statements of the Group.

- IAS 32 (amended). The IASB published amendments to IAS 32 – Financial Instruments: Presentation in December 2011. The amendments to IAS 32 clarify the IASB's requirements for offsetting financial instruments. The amendments address inconsistencies in current practice when applying the offsetting criteria in IAS 32. The pronouncement clarifies:

  - the meaning of "currently has a legally enforceable right of set off the recognized amounts"; and
  - that some gross settlement systems may be considered equivalent to net settlement.

  The adoption of the amended standard did not affect the financial statements of the Group.

- IAS 39 (amended) – The IASB published "Novation of Derivatives and Continuation of Hedge Accounting", amendments to IAS 39 – Financial Instruments: Recognition and Measurement in June 2013. The amendments allow hedge accounting to continue in a situation where a derivative, which has been designated as a hedging instrument, is novated to effect clearing with a central counterparty as a result of laws or regulation, if specific conditions are met (in this context, a novation indicates that parties to a contract agree to replace their original counterparty with a new one). This relief has been introduced in response to legislative changes across many jurisdictions that would lead to the widespread novation of over-the-counter derivatives. These legislative changes were prompted by a G20 commitment to improve transparency and regulatory oversight of over-the-counter derivatives in an internationally consistent and non-discriminatory way. The adoption of the amendment did not affect the financial statements of the Group.

C) Standards, amendments and interpretations that are not yet effective and have not been early adopted by the Group

- IFRS 9 "Financial Instruments: Classification and Measurement" (issued in July 2014 and effective for annual periods beginning on or after 1 January 2018). Key features of the new standard are:

  Financial assets are required to be classified into three measurement categories: those to be measured subsequently at amortised cost, those to be measured subsequently at fair value through other comprehensive income (FVOCI) and those to be measured subsequently at fair value through profit or loss (FVPL).

  Classification for debt instruments is driven by the entity's business model for managing the financial assets and whether the contractual cash flows represent solely payments of principal and interest (SPPI). If a debt instrument is held to collect, it may be carried at amortised cost if it also meets the SPPI requirement. Debt instruments that meet the SPPI requirement that are held in a portfolio where an entity both holds to collect assets' cash flows and sells assets may be classified as FVOCI. Financial assets that do not contain cash flows that are SPPI must be measured at FVPL (for example, derivatives). Embedded derivatives are no longer separated from financial assets but will be included in assessing the SPPI condition.

  Investments in equity instruments are always measured at fair value. However, management can make an irrevocable election to present changes in fair value in other comprehensive income, provided the instrument is not held for trading. If the equity instrument is held for trading, changes in fair value are presented in profit or loss.

  Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward unchanged to IFRS 9. The key change is that an entity will be required to present the effects of changes in own credit risk of financial liabilities designated at fair value through profit or loss in other comprehensive income.

  IFRS 9 introduces a new model for the recognition of impairment losses – the expected credit losses (ECL) model. There is a 'three stage' approach which is based on the change in credit quality of financial assets since initial recognition. In practice, the new rules mean that entities will have to record an immediate loss equal to the 12-month ECL on initial recognition of financial assets that are not credit impaired (or lifetime ECL for trade receivables). Where there has been a significant increase in credit risk, impairment is measured using lifetime ECL rather than 12-month ECL. The model includes operational simplifications for lease and trade receivables.

  Hedge accounting requirements were amended to align accounting more closely with risk management. The standard provides entities with an accounting policy choice between applying the hedge accounting requirements of IFRS 9 and continuing to apply IAS 39 to all hedges because the standard currently does not address accounting for macro hedging.
  The Group is currently assessing the impact of the new standard on its financial statements. The European Union has not yet endorsed the new standard.

- IFRIC 21 – The IASB issued IFRIC Interpretation 21: Levies, an Interpretation on the accounting for levies imposed by governments in May 2013. IFRIC 21 is an interpretation of IAS 37 Provisions, Contingent Liabilities and Contingent Assets. IAS 37 sets out criteria for the recognition of a liability, one of which is the requirement for the entity to have a present obligation as a result of a past event (known as an obligating event). The new interpretation clarifies that the obligating event that gives rise to a liability to pay a levy is the activity described in the relevant legislation that triggers the payment of the levy. The application of IFRIC 21 is required for annual periods beginning on or after January 1, 2014. We do not expect that the adoption of the new interpretation would result in significant changes in the financial statements of the Group as our interpretation of IAS 37 has been in line with the newly issued IFRIC. The European Union has endorsed the interpretation with the effective date for periods beginning on or after June 17, 2014.

- IFRS 15, Revenue from Contracts with Customers (issued on 28 May 2014 and effective for the periods beginning on or after 1 January 2017). The new standard introduces the core principle that revenue must be recognised when the goods or services are transferred to the customer, at the transaction price. Any bundled goods or services that are distinct must be separately recognised, and any discounts or rebates on the contract price must generally be allocated to the separate elements. When the consideration varies for any reason, minimum amounts must be recognised if they are not at significant risk of reversal. Costs incurred to secure contracts with customers have to be capitalised and amortised over the period when the benefits of the contract are consumed. The Group is currently assessing the impact of the new standard on its financial statements. The European Union has not yet endorsed the new standard.

- Disclosure Initiative Amendments to IAS 1 (issued in December 2014 and effective for annual periods on or after 1 January 2016). The Standard was amended to clarify the concept of materiality and explains that an entity need not provide a specific disclosure required by an IFRS if the information resulting from that disclosure is not material, even if the IFRS contains a list of specific requirements or describes them as minimum requirements. The Standard also provides new guidance on subtotals in financial statements, in particular, such subtotals (a) should be comprised of line items made up of amounts recognised and measured in accordance with IFRS; (b) be presented and labelled in a manner that makes the line items that constitute the subtotal clear and understandable; (c) be consistent from period to period; and (d) not be displayed with more prominence than the subtotals and totals required by IFRS standards. The Group is currently assessing the impact of the amendment on its financial statements. The European Union has not yet endorsed the new standard.

- Other new/amended standards/ interpretations are not expected to have a significant effect for the Group.

2. Summary of significant accounting policies

The principal accounting policies adopted in the preparation of these financial statements are set out below:

I) Basis of Consolidation

The Consolidated Financial Statements incorporate the financial statements of the Parent Company and entities directly or indirectly controlled by the Parent Company (its subsidiaries), the joint arrangements (joint ventures) and those companies where the Parent Company has significant influence (associated companies). The Group controls an entity when the Group is exposed to, or has rights to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

The Group uses the acquisition method of accounting to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets.

Inter-company transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

The Group treats transactions with non-controlling interests as transactions with equity owners of the Group. For purchases from non-controlling interests, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

When the Group ceases to have control or significant influence, any retained interest in the entity is remeasured to its fair value, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss. If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income are reclassified to profit or loss where appropriate.

II) Investments in joint ventures and associated companies

A joint venture is a contractual arrangement whereby the Group and the parties undertake an economic activity that is subject to joint control.

From 1 January, 2014 IFRS 11 Joint Arrangements is the relevant standard for accounting treatment of joint ventures and joint operations. Joint operations arise where the investors have rights to the assets and obligations for the liabilities of an arrangement. A joint operator accounts for its share of the assets, liabilities, revenue and expenses.
Joint ventures arise where the investors have rights to the net assets of the arrangement; joint ventures are accounted for under the equity method.

Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control. The Group assesses whether the contractual arrangement gives all the parties control of the arrangement collectively. All the parties, or a group of the parties, control the arrangement collectively when they must act together to direct the activities that significantly affect the returns of the arrangement. Joint control exists only when decisions about the relevant activities require the unanimous consent of the parties that control the arrangement collectively.

The Group has performed the assessment required by IFRS 11 to properly classify its joint arrangements. Since all of the joint arrangements are structured through separate vehicle and neither the legal form nor the terms of the arrangement or other facts and circumstances provides rights to the assets and obligations of the company (but to the net assets), therefore the companies are classified as joint ventures.

In previous years the Group has reported participation in jointly controlled entities using proportionate consolidation. In accordance with IFRS 11, as of 1 January 2014 these companies are considered as joint ventures and are involved using the equity method. The corresponding figures for previous periods have been restated accordingly and described more detailed in Note 37.

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates and joint ventures are accounted for using the equity method of accounting and are initially recognised at cost. The Group's investment in associates and joint ventures includes goodwill identified on acquisition, net of any accumulated impairment loss.

The Group's share of its associates' or joint ventures' post-acquisition profits or losses is recognised in the income statement, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an associate or joint ventures equals or exceeds its interest in the associate or joint ventures, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate or the joint ventures.

Unrealised gains on transactions between the Group and its associates or joint ventures are eliminated to the extent of the Group's interest in the associates or joint ventures. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

Dividends received from associates or joint ventures reduce the carrying value of the investment in the associates and joint ventures.

Accounting policies of associates and joint ventures have been changed where necessary to ensure consistency with the policies adopted by the Group. Dilution gains and losses arising in investments in associates and joint ventures are recognised in the income statement.

III) Transactions and balances in foreign currencies

The individual financial statements of each Group entity are presented in the currency of the primary economic environment in which the entity operates (its functional currency). For the purpose of the Consolidated Financial Statements, the results and financial position of each Group entity are expressed in Hungarian Forints million (HUF m), which is the functional currency of the Parent Company and the presentation currency for the Consolidated Financial Statements.

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement. Foreign exchange gains and losses are presented in the income statement within finance income or finance expense.

On consolidation, the assets and liabilities of the Group's foreign operations are translated at the exchange rate of the Hungarian National Bank rates prevailing on the balance sheet date except for equity, which is translated at historic value. Income and expense items are translated at the average exchange rates weighted with monthly turnover. Exchange differences arising, if any, are recognised in other comprehensive income.
Such translation differences are recognised as income or as expenses in the period in which the Group disposes of an operation.
Conversion into Hungarian Forints of Group's foreign operations that have a functional 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 USD and NBH's rate of the HUF to the USD. The method of translation is the same as mentioned above.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

IV) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Revenue is shown net of value-added tax, returns, rebates and discounts and after eliminating sales within the Group. Revenue on sales transactions is recognised upon fulfilment the terms of sales contracts.

A) Sales of goods

The Group manufactures and sells wide range of pharmaceuticals in the wholesale and retail market.

The Richter Group operates a chain of pharmacies - mainly located in Romania – and several distribution companies to convey products to consumers. Most of their turnover is generated by products other than those manufactured by the Group.

Revenue from the sale of goods is recognised when all the following conditions are satisfied:

- the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the entity; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

B) Sales of services

Revenue, on rendering services, such as pharmaceutical and biotech products trading, marketing services, transportation, is recognised at entities operating in Other segment of the Group. For sales of services, revenue is recognised in the accounting period in which the services are rendered, by reference to stage of completion of the specific transaction and assessed on the basis of the actual service provided as a proportion of the total services to be provided.

C) Profit sharing

Sales revenue includes also Profit sharing income, paid by the partners according to agreed terms. These partners are providing information on regular basis to the Group on their turnover and assess the Group's share of the profit of these transactions. Revenue from profit sharing agreements are accounted in the accounting period when the underlying sales is performed.

D) Royalties

Royalty revenue is recognised on an accrual basis in accordance with the substance of the relevant agreement. Royalties determined on a time basis are recognised on a straight-line basis over the period of the agreement. Royalty arrangements that are based on production, sales and other measures are recognised by reference to the underlying arrangement. In case the Company is achieving a one off royalty revenue by selling a license to the customer, the revenue is recognised in the period when the risk and rewards are transferred to the other party. In case the Company is obtaining regular revenue based on the sales or other activity of the other party, revenue is recognised in the period when the underlying activity is performed by the customer.

E) Interest income

Interest revenue is recognised when it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably. Interest revenue is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

F) Dividend income

Dividend is recognised when the right to receive payment is established.

V) Property, plant and equipment
Property, plant and equipment are tangible items that are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes and are expected to be used during more than one period.

Property, plant and equipment are stated at historical cost less accumulated depreciation, and accumulated impairment loss.

Depreciation is charged so as to write the cost of assets (less residual value) off from Balance Sheet on a straight-line basis over their estimated useful lives. The Group uses the following depreciation rates:

Name	Depreciation
Land	0
Buildings	1-4.5%
Plant and equipment	
Plant and machinery	5-33.33%
Vehicles	10-20%
Office equipments	8-33.33%

The depreciation amount for a period of a plant, property and equipment shall be determined based on its expected usage, useful life, and physical wear and tear and estimated residual value. Depreciation is calculated monthly and recognised as cost of sales, sales and marketing expenses or administration and general expenses, depending on the purpose of usage of underlying assets, in the Consolidated Income Statement or recognised as inventories in the Consolidated Balance Sheet.

Assets in the course of construction are not depreciated. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. Repair and maintenance costs are not capitalised.

Gains and losses on disposal of property, plant and equipment are determined by reference to their carrying amount and are taken into account in determining operating profit.

Initial cost of construction in progress shall contain all cost elements that are directly attributable to its production or installation during the reporting period.

The residual value of plant, property and equipment with the exception of cars is zero, because of the nature of the activity of the Group. Residual value of cars is 20% of their initial cost.

The depreciation period and the depreciation method for property, plant and equipment shall be reviewed at least at each financial year-end. If the expected useful life of the asset is different from previous estimates, then depreciation calculated for current and future periods shall be adjusted accordingly.

VI) Goodwill
Goodwill arising on consolidation represents the excess of the fair value of consideration transferred over the Group's interest in the fair value of the identifiable assets and liabilities of a subsidiary at the date of acquisition.
On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets. The Group applied this later method during the acquisition of the Brazilian entity presented in Note 36.
Goodwill is recognised separately in the Consolidated Balance Sheet and is not amortised but is reviewed for impairment annually in line with IAS 36. In each reporting period the Group reviews its goodwill for possible impairment. For impairment testing goodwill is allocated to Group's individual or group of cash generating units. The recoverable amount of the cash generating unit is the higher of fair value less cost of disposal or its value in use, which is determined by Discounted Cash Flow method.

If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. The impairment loss is recognised in the 'Other income and other expenses (net)' line in the Consolidated Income Statement. The impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

When in the case of a bargain purchase, the consideration transferred is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the Consolidated Income Statement within Other income and other expenses (net).

Goodwill arising on acquisitions are recorded in the functional currency of the acquired entity and translated at year end closing rate.

VII) Intangible assets

Purchase of trademarks, licences, patents and software from third parties are capitalised and amortised if it is likely that the expected future benefits that are attributable to such an asset will flow to the entity, and costs of these assets can be reliably measured.
The Group is using the straight line method to amortize the cost of intangible assets over their estimated useful lives as follows:

Name	Amortization
Rights	
Property rights (connected with properties)	5%
Other rights (licences)	5-50%
Intellectual property	4-50%
Research and development	5-50%
ESMYA	4%

Individually significant intangible assets are presented in Note 12. The purchase licences are amortized based on the contractual period, resulting in amortization rates within the range presented in the table above.

Amortization is recognised as Cost of sales, Sales and marketing expenses, Administration and general expenses and Research and development expenses in the Consolidated Income Statement depending on the function of the intangible assets.

The amortization period and the amortization method for an intangible asset shall be reviewed at least at each financial year-end. If the expected useful life of the asset is different from previous estimates, then amortization calculated for current and future periods shall be adjusted accordingly. Because of the nature of the business and intangible assets, the residual value has been determined to be nil.

Intangible assets acquired in a business combination and recognised separately from goodwill are initially recognised at their fair value at the acquisition date.
Subsequent to initial recognition, intangible assets acquired in a business combination are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

In the Annual Report the term of ESMYA® is used for indication of the brand name of the product containing ulipristal acetate on Gynaecology therapeutic area in uterine myoma indication, while the terminology of ESMYA refers to the intangible asset recognized by Richter at the acquisition of PregLem and presented in the Consolidated Balance Sheet.

VIII) Impairment of tangible and intangible assets excluding goodwill

At each balance sheet date, the members of the Group review the carrying amount of tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If such indications exist, the recoverable amount of the asset is estimated in order to determine the amount of such an impairment loss. If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss as "Other income and other expenses (net)".

The Group shall assess at each balance sheet date whether there is any indication that an impairment loss recognized in prior periods for an asset may no longer exist or may have decreased. If any such indication exists, the entity shall estimate the recoverable amount of that asset, and the carrying value of the asset shall be increased to this value. The increased carrying amount of an asset attributable to a reversal of an impairment loss shall not exceed the carrying amount that would have been determined (net of amortization or depreciation) if no impairment loss had been recognized for the asset in prior years. A reversal of an impairment loss for an asset shall be recognized immediately in profit or loss and presented as Other income and other expenses (net).

IX) Research and development
Cost incurred on development projects are recognised as intangible assets when they meet the recognition criteria of IAS 38 "Intangible Assets":

- the technical feasibility of completing the intangible asset so that it will be available for use or sale
- the Group's intention to complete the intangible asset and use or sell it
- the Group's ability to use or sell the intangible asset
- to prove that the intangible asset will generate probable future economic benefits. Among other things, the entity can demonstrate
  - the existence of a market for the output of the intangible asset or for the intangible asset itself or,
  - if it is to be used internally, the usefulness of the intangible asset
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset. The way and timing of the use of such resources can be presented.
- the development costs of the intangible asset can be reliably measured

Amortization shall begin when the asset is available for use. The useful life of these assets is assessed individually and amortized based on facts and circumstances. The Group is using the straight line method to amortized R&D over the estimated useful life.

R&D costs that do not meet these recognition criteria are expensed when incurred.

X) Financial assets
Financial assets are classified into the following categories: financial assets 'at fair value through profit or loss' (FVTPL), 'held-to-maturity' investments, 'available-for-sale' (AFS) financial assets and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

A) Financial assets are classified as at FVTPL where the financial asset is either held for trading or it is designated as at FVTPL or derivatives. Financial assets at FVTPL are stated at fair value, with any resulting gain or loss recognised in profit or loss. The net gain or loss recognised in profit or loss incorporating any dividend or interest earned on the financial asset.

B) Bills of exchange and debentures with fixed or determinable payments and fixed maturity dates that the Group has the positive intent and ability to hold to maturity are classified as held-to-maturity investments. Held-to-maturity investments are recorded at amortised cost using the effective interest method less any impairment, with revenue recognised on an effective yield basis.

C) Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless the investment matures or management intends to dispose of it within 12 months of the end of the reporting period.
Gains and losses arising from changes in fair value of available-for-sale financial assets are recognised in other comprehensive income. When securities classified as available for sale are sold or impaired, the accumulated fair value adjustments recognised in equity are included in the Consolidated Income Statement as 'Financial income' or 'Financial expense'. Dividends on available-for-sale equity instruments and interest on available-for-sale securities calculated using the effective interest method is recognised in the income statement as financial income.

In case of purchase or sale of financial assets the transactions are accounted at the settlement date.

D) Financial assets constituting loans receivables are carried at amortized cost and are presented separately in XIV) Loans receivable, XVIII) Cash and cash equivalents while Trade receivables are described in XV) Trade receivables.

For assets carried at amortised cost the Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

For assets classified as available for sale the Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. For debt securities, the Group uses the criteria described above. In the case of equity investments classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost is also evidence that the assets are impaired. This impairment accounted in Consolidated Income Statement as Financial costs. Impairment losses recognised in the Consolidated Income Statement on equity instruments are not reversed through the Consolidated Income Statement. If, in a subsequent period, the fair value of a debt instrument classified as available for sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through the Consolidated Income Statement.

XI) Financial liabilities
Financial liabilities are classified as either financial liabilities 'at FVTPL' or 'other financial liabilities'.

Financial liabilities are classified as at FVTPL where the financial liability is either held for trading or it is designated as at FVTPL or derivatives. Financial liabilities at FVTPL are stated at fair value, with any gain or loss recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any interest paid on the financial liability.

Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs. Other financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire.
Financial liabilities constituting trade payables are described separately in XVI) Trade payables.

XII) Contingent-deferred purchase price
The contingent -deferred purchase price obligation of the Group as a result of an acquisition is measured initially and subsequently at fair value. The change in the fair value is analysed to different components and charged to the Consolidated Income Statement accordingly. The effect of the foreign exchange difference and the unwinding of interest is recognized in Finance costs (or Finance Income), while the change in the probability and the change in the estimated cash-flow to be paid is recognized in Other income and other expenses (net).

XIII) Other financial assets
Investments comprise long term bonds and unconsolidated investments in other companies. These investments contains 'held-to-maturity' investments, 'available-for-sale' financial assets and 'loans and receivable investments' (non-derivative financial assets with fixed or determinable payments that are not quoted in an active market) as described in Note 15.

XIV) Loans receivable
Loans receivables include given loans measured at amortised cost. It also contains interest free loans given to employees with maximum of 8 years maturity carried at discounted value as of the balance sheet date.

XV) Trade receivables
Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

XVI) Trade payables
Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

XVII) Derivative financial instruments
Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value.
Changes in the fair value of derivative financial instruments that do not qualify for hedge accounting are recognised as they arise in the income statement. The derivative transactions of the Group do not qualify to be hedging transactions therefore no hedge accounting is applied.

XVIII) Cash and cash equivalents
In the Consolidated Statement of Cash Flows Cash and cash equivalents comprise: cash in hand, bank deposits, and investments in money market instruments with a maturity date within three months accounted from the date of acquisition, net of bank overdrafts. In the Consolidated Balance Sheet, bank overdrafts are shown within borrowings in current liabilities.

XIX) Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

XX) Inventories

Inventories are stated at the lower of cost and net realisable value. Goods purchased shall be measured by using the FIFO (first in first out) method. Goods produced shall be measured at actual (post calculated) production cost.
Net costs of own produced inventories include the direct cost of raw materials, the actual cost of direct production labour, the related maintenance and depreciation of production machinery and related direct overhead costs.

XXI) Provisions

Provisions are recognised when the Group has a current legal or constructive obligation arising as a result of past events, and when it is likely that an outflow of resources will be required to settle such an obligation, and if a reliable estimate for such amounts can be made.

Provision for Environmental Expenditures

The Group is exposed to environmental liabilities relating to its past operations and purchases of property, mainly in respect of soil and groundwater remediation costs. Provisions for these costs are made when the Group has constructive or legal obligation to perform these remedial works and when expenditure on such remedial work is probable and its costs can be estimated within a reasonable range. Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The Group does not have legal or constructive obligation in relation to environmental expenditures as of 31 December 2014 and as of 31 December 2013.

Provision for Retirement Benefits

The Group operates long term defined employee benefit program, which is described in XXVI) Employee Benefits

XXII) Income taxes

The tax expense for the period comprises current and deferred tax. Tax is recognised in the income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Parent Company and its subsidiaries operate and generate taxable income.

Deferred income tax is provided, using the liability method, in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill; deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

In case the Group is eligible for investment tax credit, the initial recognition exception is applied therefore no deferred tax is recognised in connection with this investment (see Note 3.2)

XXIII) Segment information

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors that makes strategic decisions.

XXIV) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

XXV) Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Assets held under finance leases are initially recognised as assets of the Group at their fair value at commencement of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the Balance Sheet as a finance lease obligation.

Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly to profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Group's policy on borrowing costs. Contingent rentals are recognised as expenses in the periods in which they are incurred.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term (Note 33). Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

XXVI) Employee benefits

Pension obligations

The Group operates long term defined employee benefit program, which is presented as Provision in the Consolidated Balance Sheet. In line with IAS 19, for defined retirement benefit plans, the cost of providing benefits is determined using the Projected Unit Credit Method, with actuarial valuations being carried out at the end of each reporting period.
The estimated amount of the benefit is accounted in equal amounts each period until maturity date (straight line method), and valued at present value by using actuarial discount rate.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions regarding defined benefit plans are charged to the Other Comprehensive Income while the remeasurements of other long term employee benefit program are charged to the Consolidated Income Statement in the period in which they arise.

Defined contribution plans

For defined contribution plans, the Group pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due.

Termination benefit

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits at the earlier of the following dates: (a) when the Group can no longer withdraw the offer of those benefits; and (b) when the Group recognises costs for a restructuring that is within the scope of IAS 37 and involves the payment of termination benefits.

XXVII) Share based payment

The Group is granting treasury shares to certain employees in its employee share bonus programs. Details of these bonus programs are set out in Note 25. These bonus programs are accounted for as equity-settled share-based payments.

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis (adjusted with the change in estimate) over the vesting period, based on the Group's estimate of equity instruments that will eventually vest. At the end of each reporting period, the entity revises its estimates of the number of shares granted that are expected to vest based on the non-market vesting conditions. It recognises the impact of the revision to original estimates, if any, in the income statement, with a corresponding adjustment to equity.

XXVIII) Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions. Government grants relating to costs are deferred and recognised in the income statement over the period necessary to match them with the costs that they are intended to compensate. Government grants relating to property, plant and equipment are included in Other non-current liabilities and accruals in the Consolidated Balance Sheet and credited to the income statement as Other income and other expenses (net) on a straight-line basis over the expected lives of the related assets.

XXIX) Share Capital

Ordinary shares are classified as equity. Where any Group company purchases the company's equity share capital (treasury shares), the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to the company's equity holders until the shares are cancelled or reissued.

Where such ordinary shares are subsequently reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the company's equity holders.

XXX) Earnings per share

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the year excluding ordinary shares purchased by the Company and held as treasury shares.

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares.

XXXI) Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability and debited against equity (retained earnings) in the Group's financial statements in the period in which the dividends are approved by the Company's shareholders.

XXXII) Comparative financial information

In accordance with IFRS 11 Joint Arrangements effective from 1 January 2014 companies which are under joint control are considered as joint ventures and are accounted for using the equity method.

As a point of change in the presentation of the financial statements, from 2014 the Provision for defined benefit plans is reported as other long-term liabilities, and government grants relating to property, plant and equipment is reported as long term accruals in the IFRS balance sheet. The corresponding figures for previous periods have been restated accordingly.

3. Critical accounting judgements and key sources of estimation uncertainty

In the application of the Group's accounting policies, which are described in Note 2 management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of revision and future periods if the revision affects both current and future periods.

Significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the Consolidated Financial Statements are the following:

3.1 Key sources of estimation uncertainty

Impairment of goodwill

The Group tests annually whether goodwill has suffered any impairment in accordance with the accounting policy stated in point VI). The impairment assessment performed by the Group contains significant estimates that depend on future events. The assumptions used and the sensitivity of the estimation is presented in details in Note 18.

Depreciation and amortization

Property, plant and equipment and intangible assets are recorded at cost and are depreciated or amortised on a straight-line basis over their estimated useful lives. The estimation of the useful lives of assets is a matter of judgment based on the experience with similar assets. The future economic benefits embodied in the assets are consumed principally through use.
However, other factors, such as technical or commercial obsolescence and wear and tear, often result in the diminution of the economic benefits embodied in the assets. Management assesses the remaining useful lives in accordance with the current technical, market and legal conditions of the assets and estimated period during which the assets are expected to earn benefits for the Group. The following primary factors are considered: (a) expected usage of the assets; (b) expected physical wear and tear, which depends on operational factors and maintenance programme; and (c) technical or commercial obsolescence arising from changes in market conditions.

The appropriateness of the estimated useful lives is reviewed annually. If the estimated useful lives would decrease by 10% in compare to management's estimates, depreciation for the year ended 31 December 2014 would be greater by HUF 2,936 million (2013: increase by HUF 2,830 million).

The Group recorded depreciation and amortisation expense in the amount of HUF 29,363 million and HUF 28,301 million for the years ended 31 December 2014 and 2013, respectively.

Tax loss carried forward in Switzerland

The Swiss subsidiary of the Group, PregLem has CHF 110 million (HUF 28,896 million) tax loss carried forward as of 31 December 2014 and CHF 121 million (HUF 29,289 million) as of 31 December 2013. PregLem also has tax holiday on cantonal level that will expire in 2016. The Company has prepared a detailed schedule on the utilization of the tax loss carried forward and provided for deferred tax on cantonal level only on the deductible temporary differences that is expected to be recovered after the expiry of the above mentioned tax holiday. The net deferred tax liability related to PregLem as of 31 December 2014 HUF 7,661 million while as of 31 December 2013 HUF 6,765 million (see Note 16).

Uncertain tax position in Romania

From 1 October 2009 the Government approved a debated claw back regime (aimed at financing the overspending of the national pharmaceutical budget) to be paid to the CNAS (Casa Nationala de Asigurari Sanatate) by the domestic manufacturers and wholesalers in the range of 5-12 % from sales of reimbursed drugs. The related uncertain tax position is disclosed in more details in Note 38.
From 1 October 2011, a new version of Romania's pharmaceutical claw back mechanism came into force levying direct liabilities for the domestic and foreign manufacturers, which does not constitute to be an uncertain tax position, the related expenses have been disclosed in Note 5.

In the acquisitions presented below, in accordance with its Accounting Policy, the Group reports the contingent- deferred purchase price liabilities to former owners at fair value (determined by probability weighted discounted technique) which are reviewed in each period. Subject to the occurrence of future events payments may be higher than the liabilities on the books.

PregLem contingent-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 payment outstanding as of 31 December 2014 and 2013 depends upon EU approval of ESMYA® as long term on-off treatment of uterine fibroids to be met in the future by PregLem. The effect of change in the probability of the payment in respect of the outstanding price in comparison with previous year is presented as Other expense in Note 5. The effect of unwinding of discounted value is described in Note 7 (as financial expense), while the related liability is presented in Note 27. The maximum amount of exposure of the Group relating to the contingent-deferred purchase price amounts to be CHF 60 million (HUF 15,711 million) as of 31 December 2014 is disclosed, while as of 31 December 2013 it was CHF 60 million (HUF 14,528 million). The fair value of liability presented in connection to this exposure is disclosed in Note 11.

GRMed contingent-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 the company (GRMed Company Ltd., hereinafter "GRMed") and the agreement terms included an upfront payment together with milestone payments in the forthcoming years.

Contingent-deferred purchased price is accounted for at discounted fair value similarly to the contingent-deferred purchase price of PregLem. The total amount of long term and short term liabilities presented is approximately RMB 368 million (HUF 15,364 million) as of 31 December 2014. Since the contingent-deferred purchase price is determined as a certain proportion of future profit of predetermined products therefore maximum exposure can not be quantified. If the expected performance of the named product would be higher by 10% the contingent-deferred purchase price will increase by HUF 4,173 million and if it would be lower by 10% the contingent deferred price will decrease by HUF 4,163 million.

GR Mexico contingent-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 remained and unpaid 30% portion in three years. The Group did not recognised non-controlling interest on the acquisition as explained in Note 36.

Subsequent to the signature of the agreement the company is renamed into Gedeon Richter Mexico, S.A.P.I. de C.V (hereinafter "GR Mexico"). 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.

Contingent-deferred purchased price has been presented as "Other current and non-current liability" and the maximum amount of this liability is USD 4.5 million (HUF 1,166 million) as of 31 December 2014.

Mediplus Group contingent-deferred purchase price payments

In May 2014 Gedeon Richter Plc. has 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 fulfil the liability originated from the contingent-deferred purchase price 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 (HUF 1,524 million).

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®.

Uncertainty in connection to the contingent-deferred purchase prices above is presented in Note 11.

3.2 Critical judgements in applying entities accounting policies

Tax benefit

The Parent Company has been eligible to tax credit as a result of the investment performed by the Company. The criteria that are needed to be fulfilled in order to qualify for this tax credit are described in Note 8. The Group assesses that the amount of investment is the only substantial criteria in relation to the tax credit because the operation of the assets purchased requires clearly more human resource than prescribed by the relevant regulation. The Group assessed this relief to be an investment tax credit. Based on the accounting policy of the Group, investment tax credit is treated as increase of the related asset's tax base. Since the asset was not acquired in a business combination and neither accounting profit nor taxable profit is affected on the related asset's initial recognition, the deductible temporary difference that arises will be exempt due to the initial recognition exception in paragraph 24 of IAS 12 and therefore no deferred tax asset is recognised.

4. Segment Information

Management has determined the operating segments based on the reports reviewed by the Board of Directors (Chief Operating Decision Makers) that are used to make strategic decisions. The three main segments for management purposes:

- Pharmaceuticals: includes the companies that are involved in the Group's core business, i.e. research, development and production of pharmaceutical products
- Wholesale and retail: distribution companies and pharmacies that are part of the sales network in various regional markets and, as such, convey our products to consumers
- Other: presents all the other consolidated companies that provide marketing and sales support services mainly to the members of the Group.

In the Pharmaceuticals segment of the Group dominant part of the revenue from sale of goods originates from sale of finished form pharmaceuticals and active pharmaceutical ingredients. From therapeutic point of view the female healthcare, cardiovascular and central nervous system related drugs are the most significant products.

I) Business segments

	Pharmaceuticals HUFm		**Wholesale and retail HUFm**		**Other HUFm**		**Eliminations HUFm**		**Total HUFm**	
	2014	**2013** Restated*	**2014**	**2013** Restated*	**2014**	**2013** Restated*	**2014**	**2013** Restated*	**2014**	**2013** Restated*
3rd party revenues	297,350	297,449	55,407	53,527	952	910	-	-	353,709	351,886
Inter segment revenues	7,799	7,761	3	4	3,592	3,803	(11,394)	(11,568)	-	-
Total revenues	**305,149**	**305,210**	**55,410**	**53,531**	**4,544**	**4,713**	**(11,394)**	**(11,568)**	**353,709**	**351,886**
Profit from operations	39,503	47,667	(1,718)	(912)	111	102	(149)	(411)	37,747	46,446
Total assets	805,648	770,462	38,597	43,919	3,863	4,899	(128,051)	(105,136)	720,057	714,144
Impairment of Intangible assets and Investments**	(701)	(1,526)	(150)	(126)	-	(82)	-	-	(851)	(1,734)
Liabilities	143,321	141,503	37,880	43,608	5,582	667	(28,456)	(22,830)	158,327	162,948
Capital expenditure	42,406	33,007	450	360	378	239	-	-	43,234	33,606
Depreciation	28,562	27,392	594	710	207	199	-	-	29,363	28,301
Share of profit of associates and joint ventures	(359)	(917)	1,240	785	(13)	7	(40)	-	828	(125)
Investments in associates and joint ventures	477	280	3,643	2,586	1,288	1,157	-	-	5,408	4,023

* Restated due to IFRS 11 Joint arrangements (see Note 37); according to this the figures of associates and joint ventures have been transferred to relevant segment.
** See Note 12.

II) Entity wide disclosures

The external customers of the Group are domiciled in the following regions:

1. Hungary
2. CIS (Commonwealth of Independent States)
3. EU
4. USA
5. China
6. Latin America
7. Other countries.

2014	Hungary	CIS	EU	USA	China	Latin America	Other countries	Total
	HUFm	HUFm	HUFm	HUFm	HUFm	HUFm	HUFm	HUFm
Total revenues	32,811	135,328	134,747	16,144	13,612	8,287	12,780	353,709
Total assets	553,549	44,868	79,829	2,711	2,052	4,890	32,158	720,057
Capital expenditure	35,210	3,889	3,848	-	-	76	211	43,234

2013	Hungary	CIS	EU	USA	China	Latin America	Other countries	Total
	HUFm	HUFm	HUFm	HUFm	HUFm	HUFm	HUFm	HUFm
	Restated*	Restated*	Restated*	Restated*	Restated**	Restated**	Restated**	Restated*
Total revenues	31,249	151,071	127,569	14,143	10,400	5,790	11,664	351,886
Total assets	553,852	43,389	65,942	2,173	1,532	-	47,256	714,144
Capital expenditure	24,616	6,109	2,085	-	-	-	796	33,606

* Restated due to IFRS 11 Joint arrangements (see Note 37).
** Restated due to China region (including Hong-Kong) and presentation of Latin America as a separate segment.

Revenues from external customers are derived from the sales of goods, revenue from services and royalty incomes as described below.

Analyses of revenue by category	**2014**	**2013**
	HUFm	HUFm Restated*
Sales of goods	345,398	345,673
Revenue from services	7,825	5,873
Royalty income	486	340
Total revenues	**353,709**	**351,886**

* Restated due to IFRS 11 Joint arrangements (see Note 37).

Revenues of approximately HUF 28,352 million (2013: HUF 27,110 million) are derived from a single external customer. These revenues are attributable to the Pharmaceuticals segment and located in the CIS region.
There is no customer exceeding 10% of net sales, therefore the Group assesses the risk of customer concentration as not significant.

5. Profit from operations – expenses by nature

	2014 HUFm	2013 HUFm Restated*
Total revenues	353,709	351,886
From this: royalty and other similar income	*486*	*340*
Changes in inventories of finished goods and work in progress, cost of goods sold	(72,449)	(56,794)
Material type expenses	(106,025)	(121,802)
Personnel expenses	(96,854)	(92,392)
Depreciation and amortisation (Note 12)	(29,363)	(28,301)
Other income and other expenses (net)	(11,271)	(6,151)
Profit from operations	**37,747**	**46,446**

* Restated due to IFRS 11 Joint arrangements (see Note 37).

Most significant items presented within Other income and other expenses (net):

Claw-back expenses are partial repayment of the received Sales revenue of the reimbursed products (further "claw-back").

In accordance with the claw-back regime announced in Romania the authority established the amount of extraordinary tax to be paid based on the comparison of the subsidies allocated for reimbursed drugs and manufacturers' sales thereof. Romanian authorities have levied a claw-back tax of 17.5 MRON (HUF 1,220 million) on the manufacturing companies of Richter Group on the basis of the turnover recorded by such authorities in respect of full year 2014 and RON 11.4 million (HUF 767 million) in 2013.

Other income and expenses include expenditures in respect of the claw-back regimes effective in Germany, France, Spain, Belgium and Latvia amounting to HUF 3,389 million. In 2013 claw-back expenses has only been recorded in Germany in the amount of HUF 2,711 million.

The 20 % tax obligation payable in respect of turnover related to reimbursed sales in Hungary amounted to HUF 168 million in 2014 and HUF 346 million in 2013.

In 2014 the Parent Company resolved to approve the discontinuation of clinical trial program of certain products, therefore scrapping has been recorded in amount of HUF 2,077 million in connection with related licenses of the Pharmaceutical segment, presented in the Other income and expenses (net).

6. Employee information

	2014	2013 Restated*
Average number of people employed during the year	11,759	11,442

* Restated due to IFRS 11 Joint arrangements (see Note 37).

The newly acquired companies resulted in an increase of 317 in the average number of employees during 2014 of which 67 people are due to the Central and South American acquisition (Please see Note 36).

7. Net financial income

The Group is translating its foreign currency monetary assets and liabilities to the year end fx rate on individual item level, which is presented in the Consolidated Income Statement separately as Finance income or Finance costs. Since the management of the company is analysing these translation differences on net basis, balances are presented on net basis as follows:

	2014 HUFm	**2013** HUFm Restated*
Unrealised financial items	**(14,749)**	**(5,892)**
Unrealised exchange losses on trade receivables and trade payables	(10,865)	(2,305)
Gain on foreign currency loans receivable	2,529	15
Year end foreign exchange translation difference of borrowing	(3,296)	(1,001)
Unrealised exchange losses on other currency related items	(1,546)	(1,709)
Unwinding of discounted value related to contingent-deferred purchase price liabilities	(1,853)	(1,026)
Result of unrealised forward exchange contracts	282	216
Impairment loss on investments	-	(82)
Realised financial items	**1,969**	**3,207**
Realised loss on forward exchange contracts	(225)	(224)
Exchange loss realised on trade receivables and trade payables	(2,029)	(2,345)
Exchange gains on conversion	2,199	318
Dividend income	325	973
Interest income	3,222	4,071
Interest expense	(1,373)	(1,560)
Other financial items	(150)	1,974
Total	**(12,780)**	**(2,685)**

* Restated due to IFRS 11 Joint arrangements (see Note 37).

Unrealised financial expense was heavily affected by the 259.13 USD/HUF and 314.89 EUR/HUF exchange rates in effect on 31 December 2014 (on 31 December 2013 215.67 USD/HUF and 296.91 EUR/HUF respectively) which impacted the revaluation of currency related Balance Sheet items. These translation differences together resulted in a decrease of HUF 13.2 billion in the net financial income for 2014.

Derivative transactions are only made by the Parent Company. At the end of the financial period Richter had an open interest rate swap transaction (negative fair value in the amount of HUF 113 million) and an open forward exchange contract (fair value of this derivative is positive in the amount of HUF 107 million).

Exchange rate movements are closely monitored by the Company and the conclusion of further forward contracts will be subject to Management's review and approval.

The Company does not apply hedge accounting according to IAS 39. The forward transactions are carried at fair value, which is determined based on forward rates provided by the commercial banks.

In the Consolidated Financial Statements of financial year 2010, the Group recognised the contingent-deferred purchase price of PregLem depending on achievement of certain milestones at fair value which is determined by a discounted probability weighted method.

A similar contingent-deferred price payment scheme was applied at the 2013 acquisition of GRMed Co. Ltd. and the 2014 acquisition of GR Mexico (see point 3.1). Similarly to PregLem's case, the contingent-deferred purchases are carried at fair value and thus increase the Group's Other long-term and Other short-term liabilities items. Unwinding of discounted value related to contingent-deferred purchase price liabilities is disclosed more detailed in Note 11.

The interest expense of the borrowings that are presented in Note 29 is HUF 1,373 million (in 2013 HUF 1,560 million).

In previous year the most significant figure within the 'Other financial items' above is the HUF 1,964 million gain on the repurchase of the 'Exchangeable Bonds' by the Hungarian State Holding Company described in Note 15.

8. Income tax expense

The Group discloses the Hungarian local business tax and innovation contribution as income taxes as we have established that these taxes have the characteristics of income taxes in accordance with IAS 12 rather than operating expenses.

	2014 HUFm	**2013** HUFm Restated*
Domestic corporate income tax	(16)	(468)
Foreign corporate income tax	(1,159)	(770)
Local business tax	(3,051)	(2,965)
Innovation contribution	(458)	(440)
Current tax	**(4,684)**	**(4,643)**
Deferred tax (Note 16)	3,923	3,438
Income tax	**(761)**	**(1,205)**

* Restated due to IFRS 11 Joint arrangements (see Note 37).

The average effective tax rate calculated on the basis of the current tax 18.2% and 3.0% taking into account the effect of deferred tax as well, in 2013 these rates were 10.6% and 2.8%.

Current corporate tax rates at the Parent Company and at the three most significant subsidiaries are as follows:

Parent Company*	19%
Romania	16%
Russia	20%
Poland	19%

* For the first HUF 500 million 10% tax rate is applicable, for the tax base exceeding HUF 500 million 19% tax rate is applicable.

There was no change in the tax rates above in compare to prior year.

The tax authorities may at any time inspect the books and records within the time frame described in the related statutory regulation and may impose additional tax assessments with penalties and penalty interest. Management is not aware of any circumstances which may give rise to a potential material liability in this respect.

Relating to uncertain tax position please see Note 38.

Tax rate reconciliation

	2014 HUFm	2013 HUFm Restated*
Profit before income tax	**25,795**	**43,636**
Tax calculated at domestic tax rates applicable to profits in the respective countries**	7,941	11,451
Tax effects of:		
Benefit of utilising investment tax credit at Parent	-	(1,741)
Associates results reported net of tax	(157)	(145)
Income not subject to tax	(479)	(565)
Expense not deductible for tax purposes	1,287	602
Expense eligible to double deduction***	(6,702)	(6,512)
The effect of changes in tax loss for which no deferred income tax has been recognised****	1,439	(1,885)
Impact of unrecognized tax on foreign subsidiaries*****	(2,568)	-
Tax charge	**761**	**1,205**

* Restated due to IFRS 11 Joint arrangements (see Note 37).
** The tax has been calculated with domestic tax rates including the effect of every income tax (including e.g. local business tax).
*** These expenditures can be deducted twice from the current years result to get the taxable profit (qualifying R&D expenses).
**** Unused tax loss of the current year on which no deferred tax asset has been recognised adjusted by the effect of the tax loss utilised in current period on which no deferred tax asset was recognised.
***** Deferred tax liability is not recognized in accordance with IAS 12.39 on the related temporary difference.

Tax credit

In 2007 the Parent Company 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 taken advantage of the investment tax relief for the first time in the 2012 fiscal year.

The criteria for eligibility for the tax relief are:

- the value of investment is to be at least HUF 3 billion,
- installed assets shall be kept for 5 years in the beneficiary region and
- during this period, the number of staff employed shall exceed that of the tax year preceding the investment project by at least 75 people.

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 up to 2021 at the latest. The Company used the tax credit described above in the 2012 and 2013 business years. The Company does not have liability to pay corporate tax for the 2014 business year, so it does not utilize the investment tax relief. The remaining tax relief open for subsequent years amounts to HUF 2,874 million at present value.

Accounting treatment of the tax credit

The Group assesses that the amount of investment is the only substantial criteria in relation to the tax credit because clearly more human resource is required to operate the assets purchased. The increase of the average number of employees exceeds the criteria defined in the tax credit by 577 employees. Therefore the Group assessed this tax credit to be an investment tax credit and applied the initial recognition exception stated in IAS 12.24 and did not recognise any deferred tax in connection with these assets.

9. Consolidated earnings per share

Basic earnings per share is calculated by reference to the net profit attributable to shareholders and the weighted average number of ordinary shares outstanding during the year. These exclude the average number of ordinary shares purchased by the Company and held as Treasury shares.

EPS (basic)

	2014	2013
Net consolidated profit attributable to owners of the parent (HUFm)	24,950	42,766
Weighted average number of ordinary shares outstanding (thousands)	186,170	185,991
Basic earnings per share (HUF)	**134**	**230**

For diluted earnings per share, the weighted average number of ordinary shares outstanding is adjusted to assume conversion of all dilutive potential ordinary shares. Dilutive potential ordinary shares are the ordinary shares of Richter Gedeon Plc. which will be transferred to Management and to Employees as part of its remuneration policy.

EPS (diluted)

	2014	2013
Net consolidated profit attributable to owners of the parent (HUFm)	24,950	42,766
Weighted average number of total shares issued (thousands)	186,375	186,375
Diluted earnings per share (HUF)	**134**	**229**

The value of EPS neither basic nor diluted was affected by the change of the Accounting Policy in connection with IFRS 11.

10. Financial instruments

Financial instruments in the Balance Sheet include loans receivable, investments, trade receivables, other current assets, cash and cash equivalents, short-term and long-term borrowings, trade and other payables.

	Notes	Carrying value		Fair value	
		31 December 2014 HUFm	31 December 2013 HUFm Restated*	31 December 2014 HUFm	31 December 2013 HUFm Restated*
Financial assets**					
Available for sale investments carried at fair value					
Investments****	15	6,222	9,337	6,222	9,337
Investments in securities***	22	2,424	3,816	2,424	3,816
Held to maturity investments carried at amortised cost					
Investments	15	1,588	18,462	1,588	18,462
Investments in securities	22	18,449	-	18,449	-
Loans and receivables carried at amortised cost					
Loans and receivable investments	15	16,374	15,439	16,374	15,439
Loans receivable	17, 21	5,470	5,660	5,470	5,660
Trade receivables	20	95,255	102,283	95,255	102,283
Other current assets	21	3,095	4,697	3,095	4,697
Cash and cash equivalents	23	97,940	106,577	97,940	106,577
Financial assets carried at fair value through profit or loss					
Foreign exchange forward contracts*****	21	107	-	107	-
Current		**218,819**	**219,319**	**218,819**	**219,319**
Non-current		**28,105**	**46,952**	**28,105**	**46,952**
Financial liabilities					
Liabilities carried at amortised cost					
Borrowings	29	14,525	5,037	14,525	5,037
Trade payables	26	36,335	41,926	36,335	41,926
Other payables and accrual	27	11,870	10,306	11,870	10,306
Financial liabilities carried at fair value through profit or loss					
Foreign exchange forward contracts*****	11,27	113	288	113	288
Other payables and accruals******	11,27	21,508	5,636	21,508	5,636
Current		**84,351**	**63,193**	**84,351**	**63,193**
Liabilities carried at amortised cost					
Borrowing	29	44,155	54,781	44,155	54,781
Other non-current liabilities and accruals	30	37	437	37	437
Financial liabilities carried at fair value through profit or loss					
Other non-current liabilities and accruals*******	11,30	8,702	24,452	8,702	24,452
Non-current		**52,894**	**79,670**	**52,894**	**79,670**

* Restated due to IFRS 11 Joint arrangements and classification of Provision and Accruals to non-current and current by term (see Note 37).
** All financial assets are free from liens and charges.
*** The fair valuation of securities was based on bank data supply.
Level 1: in 2014: none (in 2013 HUF 1,407 million)
Level 2: in 2014 HUF 2,424 million (in 2013 HUF 2,409 million)
**** Level 1: in 2014 HUF 6,222million (in 2013 HUF 9,337 million)
***** Level 2: the entire balance in 2014 HUF 6 million (in 2013 HUF 288 million)
****** Level 3 (constituting contingent-deferred consideration): in 2014 HUF 21,508 million (in 2013: 5,636 million)
******* Level 3 (constituting contingent-deferred consideration): in 2014 HUF 8,702 million (in 2013 HUF 24,452 million)

Above mentioned different levels have been defined as follows:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.
Level 2: Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices)
Level 3: Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs)

Financial risk management

During the year Richter Gedeon Plc. has identified its relevant financial risks that are continuously monitored and evaluated by the management of the Company. The Group focuses on capital structure, foreign currency related-, credit and collection related- and liquidity risk.

I.) Capital management

The capital structure of the Group consists of net debt (borrowings as detailed in Notes 29 offset by cash and bank balances in Note 23) and equity of the Group (comprising issued capital, reserves, retained earnings and non-controlling interests).

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits to other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. The Group is also monitoring the individual entities to meet their statutory capital requirements. The Parent Company has been pursuing constant dividend policy, provided dividend from the profit to the owners every year. In accordance with the dividend policy followed by the Company, the Board of Directors recommends the payment of 25 percent of Gedeon Richter Plc.'s net consolidated profit calculated according to IFRS. Dividends are approved by the shareholders of Gedeon Richter Plc.'s at the Annual General Meeting.

The capital risk of the Group was still limited in 2014 and 2013, since the Net debt calculated as below shows surplus in the balance sheet.

The gearing at end of the reporting period was as follows:

	31 December 2014 HUFm	**31 December 2013** HUFm Restated*
Borrowings (Note 29)	58,680	59,818
Less: cash and cash equivalents (Note 23)	(97,940)	(106,577)
Net debt	**(39,260)**	**(46,759)**
Total equity	561,730	551,196
Total capital	**522,470**	**504,437**
EBITDA**	**67,435**	75,720
Net debt to EBITDA ratio	**(0.58)**	**(0.62)**
Net debt to equity ratio	**(0.07)**	**(0.08)**

* Restated due to IFRS 11 Joint arrangements (see Note 37).
** EBITDA has been determined in line with the credit agreement as operating profit increased by dividend income and depreciation and amortization expense.

	2014 HUFm	2013 HUFm Restated*
Profit from operations	37,747	46,446
Depreciation	29,363	28,301
Dividend income	325	973
EBITDA	**67,435**	**75,720**

* Restated due to IFRS 11 Joint arrangements (see Note 37).

The Group is in compliance with the ratios stated as covenants both in the club credit facility agreement and the EIB credit line agreement.

II.) Foreign currency risk

The Group performs significant transactions in currencies other than the functional and the presentation currency, therefore faces the risk of currency rate fluctuation. The Group continuously calculates open FX positions and monitors key foreign exchange rates. In order to mitigate the foreign exchange risk the Group is aiming to achieve natural hedging through loans taken in foreign currency. There is no formal threshold stated in the policies of the Group on the exposure level that would automatically require conclusion of derivative instruments to mitigate the foreign currency risk.

Foreign exchange sensitivity of actual costs

The Group does business in a number of regions, and countries with different currencies. The most typical foreign currencies are the EUR, USD, PLN, RON, RUB and the CHF. The calculation of exposure to foreign currencies is based on these six currencies.

The foreign currency risk management calculation is based on the balances exposed to exchanges of foreign currencies of the Parent Company and the seven principal subsidiaries (GR Polska, GR Romania, GR RUS, PregLem, Richter-Helm BioLogics, Pharmafarm, GR Farmacia), which perform pharmaceutical activity. The items of the other consolidated companies have insignificant foreign currency exposure as they are performing mainly wholesale and retail activity. The effect of the risk arising from currency fluctuation is measured by different change in the exchange rates.

The table below presents the effect of the change in the average foreign currency rate on the operating profit and on the profit for the year.

2014				**Exchange rates**				**Effect on operating profit**	**Effect on profit for the year**
*	EUR/HUF	USD/HUF	EUR/USD	PLN/HUF	RON/HUF	RUB/HUF	CHF/HUF	HUFm	HUFm
103.24%	318.7								
		262.0	1.22	76.3	71.7	6.8	280.1	11,350	10,004
		232.0	1.33	73.9	69.4	6.2	254.1	948	882
		202.0	1.58	71.5	67.2	4.3	228.1	(21,214)	(17,155)
100.00%	308.7								
		262.0	1.18	76.3	71.7	6.8	280.1	5,817	4,223
		232.0	1.33	73.9	69.4	6.2	254.1	0	0
		202.0	1.53	71.5	67.2	4.3	228.1	(22,162)	(18,037)
96.76%	298.7								
		262.0	1.14	76.3	71.7	6.8	280.1	9,454	8,240
		232.0	1.33	73.9	69.4	6.2	254.1	(948)	(882)
		202.0	1.48	71.5	67.2	4.3	228.1	(23,110)	(18,919)

* Change of EUR/HUF average exchange rates.

2013				Exchange rates				Effect on operating profit	Effect on profit for the year
	EUR/HUF	USD/HUF	EUR/USD	PLN/HUF	RON/HUF	RUB/HUF	CHF/HUF	HUFm	HUFm
105.05%	311.8								
		233.4	1.34	74.4	70.6	7.7	256.2	8,640	8,160
		223.4	1.33	70.8	67.2	7.0	241.2	(98)	(61)
		213.4	1.46	67.2	63.8	6.3	226.2	(8,837)	(8,282)
100.00%	296.8								
		233.4	1.27	74.4	70.6	7.7	256.2	8,494	7,986
		223.4	1.33	70.8	67.2	7.0	241.2	0	0
		213.4	1.39	67.2	63.8	6.3	226.2	(8,982)	(8,456)
94.95%	281.8								
		233.4	1.21	74.4	70.6	7.7	256.2	8,349	7,812
		223.4	1.33	70.8	67.2	7.0	241.2	(389)	(409)
		213.4	1.32	67.2	63.8	6.3	226.2	(9,128)	(8,631)

Based on the yearly average currency rate sensitivity analysis of 2014 the combination of weak Hungarian Forint (with rate of 318.7 EUR/HUF) and strong USD (with rate of 262.0 USD/HUF) – by 76.3 PLN/HUF, 71.7 RON/HUF, 6.8 RUB/HUF and 280.1 CHF/HUF- would have caused the largest growth in the amount of HUF 11,350 million on the Group's consolidated operating profit and HUF 10,004 million on the Group's consolidated profit for the year. The greatest decrease HUF 23,110 million on operating and HUF 18,919 million on profit for the year would have been caused by the combination of exchange rates of 298.7 EUR/HUF, 202.0 USD/HUF, 71.5 PLN/HUF, 67.2 RON/HUF, 4.3 RUB/HUF and 228.1 CHF/HUF.

Currency sensitivity of balance sheet items

Currency sensitivity analysis of balance sheet items is applied to third party receivables, payables and bank accounts in foreign currency, considering that items of related parties are eliminated during consolidation. The calculation is based on the items of the Parent Company and the seven principal subsidiaries (GR Polska, GR Romania, GR RUS, PregLem, Richter-Helm BioLogics, Pharmafarm, GR Farmacia). The effect of the risk arising from currency fluctuation is measured by different scenarios regarding the exchange rates.
The calculation is based on balance sheet date exchange rates.

The table below presents the effect of the change in the year end currency rate on the net financial position.

2014				Exchange rates				Effect on net financial position
*	EUR/HUF	USD/HUF	EUR/USD	PLN/HUF	RON/HUF	RUB/HUF	CHF/HUF	HUFm
103.24%	325.1							
		270.7	1.20	77.6	73.8	4.9	278.1	4,201
		259.1	1.25	73.9	70.2	4.5	261.9	(812)
		247.5	1.31	70.1	66.7	4.0	245.6	(5,834)
100.00%	314.89							
		270.7	1.16	77.6	73.8	4.9	278.1	5,013
		259.1	1.22	73.9	70.2	4.5	261.9	0
		247.5	1.27	70.1	66.7	4.0	245.6	(5,022)
96.76%	304.7							
		270.7	1.13	77.6	73.8	4.9	278.1	5,824
		259.1	1.18	73.9	70.2	4.5	261.9	810
		247.5	1.23	70.1	66.7	4.0	245.6	(4,211)

* Change of EUR/HUF balance sheet date exchange rates.

2013				Exchange rates				Effect on net financial position
	EUR/HUF	USD/HUF	EUR/USD	PLN/HUF	RON/HUF	RUB/HUF	CHF/HUF	HUFm
105.05%	311.9							
		225.3	1.38	75.2	69.6	7.2	257.2	6,204
		215.7	1.45	71.6	66.3	6.6	242.1	(1,966)
		206.0	1.51	68.0	62.9	5.9	227.1	(10,149)
100.00%	296.91							
		225.3	1.32	75.2	69.6	7.2	257.2	8,170
		215.7	1.38	71.6	66.3	6.6	242.1	0
		206.0	1.44	68.0	62.9	5.9	227.1	(8,183)
94.95%	281.9							
		225.3	1.25	75.2	69.6	7.2	257.2	10,139
		215.7	1.31	71.6	66.3	6.6	242.1	1,969
		206.0	1.37	68.0	62.9	5.9	227.1	(6,214)

The worst case scenario is when EUR strengthens and USD, PLN, RON, RUB, CHF weaken against HUF. In this case the consolidated financial result would decrease by HUF 5,834 million.
The best case scenario is when EUR weakens and USD, PLN, RON, RUB, CHF would strengthen against HUF. In this case the consolidated financial result would increase by HUF 5,824 million.

III.) Credit risk

Credit risk arises from cash and cash equivalents, derivative financial instruments and deposits with banks and financial institutions, as well as credit exposures to customers. The Group regularly assesses its customers and establishes payment terms and credit limits associated to them. Richter also reviews the payment of the receivables regularly and monitors the overdue balances. The Group also regularly requires securities (e.g. credit insurance, bank guarantees…) from its customers.

The Group does business with key customers in many countries. These customers are major import distributors in their countries and management of the Group maintains close contact with them on an ongoing basis. Provisions for doubtful receivables are estimated by the Group's management based on prior experience and current economic environment.

Regions	Trade receivables secured by 31 December 2013	Type of security		
		Credit insurance	Bank guarantee	L/C
	HUFm	HUFm	HUFm	HUFm
CIS	36,132	35,824	308	-
EU	571	-	571	-
USA	-	-	-	-
Other	301	125	-	176
Total	**37,004**	**35,949**	**879**	**176**

Regions	Trade receivables secured by 31 December 2014	Type of security		
		Credit insurance	Bank guarantee	L/C
	HUFm	HUFm	HUFm	HUFm
CIS	17,955	16,853	1,102	-
EU	412	-	412	-
USA	-	-	-	-
China	-	-	-	-
Latin America	-	-	-	-
Other	663	409	104	150
Total	**19,030**	**17,262**	**1,618**	**150**

Credit risk on liquid funds and derivative financial instruments is limited because the counterparties are banks with high credit ratings assigned by international rating agencies.

The credit rating of the five most significant banks as of 31 December 2014 based on Standard and Poor's international credit rating institute are the followings (if such credit rating is not available we present the rating of its "ultimate parent):

	2014	2013
K&H Bank Zrt.	BB	BB
UniCredit Bank Zrt. (ultimate parent – UniCrdeit S.p.A.)	BBB-	BBB
MKB Bank Zrt. (ultimate parent – Hungary)	BB	B
OTP Bank Nyrt.	BB	BB
ING Bank N.V. Hungarian branch office	A-	A

The Group holds more than 68% of its cash and cash equivalents as of 31 December 2014 (more than 56% as of 31 December 2013) in the above mentioned financial institutes. The other bank relations of the Group is widely dispersed, therefore the credit exposure with one financial institution is limited.
The Group has no significant concentration of credit risk, with its exposure spread over a large number of counterparties and customers.

IV.) Liquidity risk

Cash flow forecasting is performed in the operating entities of the Group. These forecasts are updated on a monthly basis based on actual data. Group finance monitors rolling forecasts of the Group's liquidity requirements to ensure it has sufficient cash to meet operational needs at all times so that the Group does not breach covenants. Such forecasting takes into consideration the Group's debt financing plans, covenant compliance. Group treasury invests surplus cash in interest bearing current accounts, time deposits, money market deposits and marketable securities.

	Notes	Less than 3 months	Between 3 months and 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
		HUFm	HUFm	HUFm	HUFm	HUFm
At 31 December 2014						
Other financial assets		-	626	2,298	18,333	5,877
Loans receivable		78	1,526	2,846	915	278
Investments in securities		2,401	19,519	-	-	5
Cash and cash equivalents	23	97,940	-	-	-	-
Borrowings		340	15,393	8,332	25,261	13,461
Trade payables	26	35,734	297	304	-	-
Other non-current liabilities and accruals	30	-	-	4,585	4,154	-
Other liabilities and accruals		14,538	15,405	-	31	-
Net balance		**49,807**	**(9,424)**	**(8,077)**	**(10,198)**	**(7,301)**

	Notes	Less than 3 months	Between 3 months and 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
		HUFm Restated*	HUFm Restated*	HUFm	HUFm Restated*	HUFm Restated*
At 31 December 2013						
Other financial assets		-	1,136	18,084	3,390	25,165
Loans receivable		108	1,958	363	3,148	227
Investments in securities		2,621	720	522	-	36
Cash and cash equivalents	23	106,577	-	-	-	-
Borrowings		360	6,029	15,871	23,652	18,919
Trade payables	26	40,155	1,251	520	-	-
Other non-current liabilities and accruals	30	-	-	12,414	12,475	-
Other liabilities and accruals		18,561	5,649	-	30	-
Net balance		**50,230**	**(9,115)**	**(9,836)**	**(29,619)**	**6,509**

* Restated due to IFRS 11 Joint arrangements (see Note 37).

Other financial assets line contains the expected cash-flows of the investments presented in the Consolidated Balance Sheet as Other financial assets (within the non-current assets). We have classified the investments without maturity to the "over 5 years" category since the management of the Group is not planning to sell these assets within 5 years (see in Note 15).

Loans receivable line contains the expected cash-flows of the loans presented in Note 10 as Loans receivable.

Investments in securities line contains the expected cash-flows of the Investments in securities presented as current assets in the Consolidated Balance Sheet.

The cash flows above contain the expected interest payments and the repayments of the principal amount as well.

The Cash and cash equivalents has been classified to the "less than 3 months" category.

The Other non-current liabilities and accruals and Other liabilities and accruals also contains the contingent-deferred purchase prices presented in Note 27. These payments have been categorized based on the expected date of the payments.

The banks of the Group issued the guarantees detailed below, enhancing the liquidity in a way that the Group did not have to provide for these cash amounts:

	2014 HUF m	2013 HUF m
Bank guarantee relating to Government Grant	1,661	1,661
Bank guarantee for National Tax and Customs Administration of Hungary	107	103
Tender security bank guarantee (EUR 8 thousand)	-	2
Bank guarantee given by Gedeon Richter Polska Sp. z o.o.	13	12
Bank guarantee given by Richter Themis Ltd.	15	13
Bank guarantee given by Gedeon Richter Pharma GmbH	16	15
Bank guarantee given by PregLem S.A.	31	29

11. Fair Value of Financial Instruments

Fair value measurements are analysed by level in the fair value hierarchy as follows:

Level 1 measurements are at quoted prices (unadjusted) in active markets for identical assets or liabilities.
Level 2 measurements are valuations techniques with all material inputs observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).
Level 3 measurements are valuations not based on observable market data (that is, unobservable inputs).

Management applies judgement in categorising financial instruments using the fair value hierarchy. If a fair value measurement uses unobservable inputs that require significant adjustment, that measurement is a Level 3 measurement. The significance of a valuation input is assessed against the fair value measurement in its entirety.

a) Recurring fair value measurements

Recurring fair value measurements are those that the accounting standards require or permit in the statement of financial position at the end of each reporting period.

The level in the fair value hierarchy into which the recurring fair value measurements are categorised are as follows:

HUFm	2014				2013			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3 Restated*	Total Restated*
Assets								
Other financial assets**	6,222	-	-	**6,222**	9,337	-	-	**9,337**
Investments in securities	-	2,424	-	**2,424**	1,407	2,409	-	**3,816**
Foreign exchange forward contracts	-	107	-	**107**	-	-	-	-
Total assets recurring fair value measurements	**6,222**	**2,531**	-	**8,753**	**10,744**	**2,409**	-	**13,153**
Financial liabilities								
Other non-current liabilities and accruals***	-	-	8,702	**8,702**	-	-	24,452	**24,452**
Other payables and accruals***	-	-	21,508	**21,508**	-	-	5,636	**5,636**
Foreign exchange forward contracts	-	113	-	**113**	-	288	-	**288**
Total liabilities recurring fair value measurements	-	**113**	**30,210**	**30,323**	-	**288**	**30,088**	**30,376**

* Restated due to IFRS 11 Joint arrangements (see Note 37).
** Other financial assets contain available for sale equity instruments
*** Presented more detailed in Note 27.

There were no changes in valuation technique for level 2 recurring fair value measurements during the year ended 31 December 2014 and 2013.

The valuation technique, inputs used in the fair value measurement for level 3 measurements and related sensitivity to reasonably possible changes in those inputs are as follows at 31 December 2013 and 2014:

	Fair value at 31 December 2013 HUF m	**Valuation technique**	**Unobservable inputs**	**Range of inputs (weighted average)**	**Sensitivity of fair value measurement**
Contingent-deferred liabilities at fair value					
PregLem	11,915	Discounted cash flows (DCF)	• Probability of milestone payments	9.75% - 90.25%	The lower the probability the lower the fair value
			• Foreign exchange rate	242.14 HUF/CHF	The higher the FX rate the higher the fair value
			• Discount rate	7.96%	The higher the WACC the lower the fair value
			• Amount paid	CHF 60 million	
GRMed	18,173	Discounted cash flows (DCF)	• Estimated future profits		
			• Foreign exchange rate	35.62 HUF/RMB	The higher the FX rate the higher the fair value
			• Industry WACC	7.42%	The higher the WACC the lower the fair value
Total recurring fair value measurements at level 3	**30,088**				

	Fair value at 31 December 2014 HUFm	Valuation technique	Unobservable inputs	Range of inputs (weighted average)	Sensitivity of fair value measurement
Contingent- deferred liabilities at fair value					
PregLem	14,705	Discounted cash flows (DCF)	• Probability of milestone payments	5.0% - 95.0%	The lower the probability the lower the fair value
			• Foreign exchange rate	261.85 HUF/CHF	The higher the FX rate the higher the fair value
			• Risk free rate	2.00%	The higher the risk free rate the lower the fair value
			• Amount paid	CHF 60 million	
GRMed	14,438	Discounted cash flows (DCF)	• Estimated future profits		
			• Foreign exchange rate	41.75 HUF/RMB	The higher the FX rate the higher the fair value
			• Industry WACC	6.00%	The higher the WACC the lower the fair value
GR Mexico	1,067	Discounted cash flows (DCF)	• Foreign exchange rate	259.13 HUF/USD	The higher the FX rate the higher the fair value
			• Industry WACC	8.14%	The higher the WACC the lower the fair value
			• Amount paid	USD 4.5 million	
Total recurring fair value measurements at level 3	**30,210**				

The above tables discloses sensitivity to valuation inputs for financial assets and financial liabilities, if changing one or more of the unobservable inputs to reflect reasonably possible alternative assumptions would change fair value significantly. For this purpose, significance was judged with respect to profit or loss, and total assets or total liabilities, or, when changes in fair value are recognised in other comprehensive income, total equity.

As of 31 December 2013 the Group has taken into account the effect of uncertainty relating to the PregLem contingent-deferred purchase price partly in the discount rate used and partly in the probability. As of 31 December 2014 the entire uncertainty is reflected in the probability used in the valuation and this risk adjusted amount is discounted with the risk free rate.

There were no changes in valuation technique for level 3 recurring fair value measurements during the year ended 31 December 2013 and 2014.

	PregLem HUFm	**GRMed** HUFm	**GR Mexico** HUFm
Fair value at 1 January 2013	10,835	-	-
Effect of unwinding of interest	1,026	-	-
Effect of fx	54	-	-
Initial recognition	-	18,173	-
Fair value at 31 December 2013	**11,915**	**18,173**	**-**
Fair value at 1 January 2014	11,915	18,173	-
Initial recognition	-	-	821
Effect of paid consideration	-	(5,636)	-
Effect of unwinding of interest	1,003	783	67
Effect of change of probabilities	680	-	-
Effect of fx	1,107	2,120	179
Effect of change in estimated cash-flow	-	(1,002)	-
Fair value at 31 December 2014	**14,705**	**14,438**	**1,067**

(b) Non-recurring fair value measurements

The Group did not have non-recurring fair value measurement of any assets or liabilities.

(c) Valuation processes for recurring and non-recurring level 3 fair value measurements

Level 3 valuations are reviewed annually by the Group's financial director who reports to the Board of Directors. The financial director considers the appropriateness of the valuation model inputs, as well as the valuation result using various valuation methods and techniques. In selecting the most appropriate valuation model the director performs back testing and considers which model's results have historically aligned most closely to actual market transactions.

(d) Assets and liabilities not measured at fair value but for which fair value is disclosed

Fair values analysed by level in the fair value hierarchy and carrying value of assets and liabilities not measured at fair value is presented at Note 10. The fair value of the financial assets and liabilities carried at amortized cost does not significantly differ from its carrying amount.

12. Property, plant and equipment and Other intangible assets

	Land and buildings HUFm	Plant and equipment HUFm Restated*	Construction in progress HUFm Restated*	Total HUFm Restated*
Gross value				
at 31 December 2012	**129,341**	**202,622**	**10,765**	**342,728**
Impact of restatement*	-	(41)	(172)	**(213)**
at 31 December 2012 (as restated)	**129,341**	**202,581**	**10,593**	**342,515**
Translation differences	(832)	(560)	(278)	**(1,670)**
Effect of newly acquired companies**	3	-	-	**3**
Capitalization	8,957	14,826	(23,783)	**-**
Transfers and capital expenditure	31	225	25,302	**25,558**
Disposals	(641)	(3,890)	(85)	**(4,616)**
at 31 December 2013 (as restated)	**136,859**	**213,182**	**11,749**	**361,790**
Accumulated depreciation				
at 31 December 2012	**30,726**	**153,494**	-	**184,220**
Impact of restatement*	-	(31)	-	**(31)**
at 31 December 2012 (as restated)	**30,726**	**153,463**	-	**184,189**
Translation differences	(90)	(581)	-	**(671)**
Effect of newly acquired companies**	2	-	-	**2**
Current year depreciation	3,732	14,587	-	**18,319**
Net foreign currency exchange differences	(22)	(57)	-	**(79)**
Disposals	(215)	(3,208)	-	**(3,423)**
at 31 December 2013 (as restated)	**34,133**	**164,204**	-	**198,337**
Net book value				
at 31 December 2012 (as restated)	**98,615**	**49,118**	**10,593**	**158,326**
at 31 December 2013 (as restated)	**102,726**	**48,978**	**11,749**	**163,453**

* Restated due to IFRS 11 Joint arrangements (see Note 37).
** The effect of newly acquired companies line also contains the translation difference of the year of acquisition.

	Land and buildings HUFm	**Plant and equipment** HUFm	**Construction in progress** HUFm	**Total** HUFm
Gross value				
at 31 December 2013 (as restated)	**136,859**	**213,182**	**11,749**	**361,790**
Translation differences	(2,408)	195	(1,293)	**(3,506)**
Effect of newly acquired companies (Note 36)	-	184	-	**184**
Capitalization	7,856	16,577	(24,433)	**-**
Transfers and capital expenditure	1	241	28,418	**28,660**
Disposals	(421)	(4,319)	(19)	**(4,759)**
at 31 December 2014	**141,887**	**226,060**	**14,422**	**382,369**
Accumulated depreciation				
at 31 December 2013 (as restated)	**34,133**	**164,204**	**-**	**198,337**
Translation differences	(59)	285	-	**226**
Effect of newly acquired companies (Note 36)	-	66	-	**66**
Current year depreciation	4,132	14,110	-	**18,242**
Net foreign currency exchange differences	(38)	(89)	-	**(127)**
Disposals	(149)	(3,784)	-	**(3,933)**
at 31 December 2014	**38,019**	**174,792**	**-**	**212,811**
Net book value				
at 31 December 2013 (as restated)	**102,726**	**48,978**	**11,749**	**163,453**
at 31 December 2014	**103,868**	**51,268**	**14,422**	**169,558**

All items of property, plant and equipment are free from liens and charges. The amount of Land and buildings does not contain the value of Investment property.

	Rights	Intellectual property	Research and development	ESMYA	Total
	HUFm	HUFm	HUFm	HUFm	HUFm
Gross value					
at 31 December 2012	**97,725**	**9,396**	**-**	**70,703**	**177,824**
Translation differences	54	(6)	-	317	365
Capitalization	8,301	4	423	-	8,728
Transfer*	5,848	(5,848)	-	-	-
Disposals	(998)	(274)	-	-	(1,272)
at 31 December 2013	**110,930**	**3,272**	**423**	**71,020**	**185,645**
Accumulated amortization					
at 31 December 2012	**25,152**	**1,543**	**-**	**1,821**	**28,516**
Translation differences	26	(31)	-	8	3
Current year amortization	7,006	535	-	2,441	9,982
Net foreign currency exchange differences	(3)	(1)	-	(2)	(6)
Impairment and reversal of impairment	126	1,526	-	-	1,652
Transfer*	1,856	(1,856)	-	-	-
Disposals	(118)	(19)	-	-	(137)
at 31 December 2013	**34,045**	**1,697**	**-**	**4,268**	**40,010**
Net book value					
at 31 December 2012	**72,573**	**7,853**	**-**	**68,882**	**149,308**
at 31 December 2013	**76,885**	**1,575**	**423**	**66,752**	**145,635**

* The transfer from intellectual property to rights represents inappropriate classification in prior years. The adjustment does not have any effect on the Consolidated Balance Sheet and the Consolidated Income Statement.

	Rights HUFm	Intellectual property HUFm	Research and development HUFm	ESMYA* HUFm	Total HUFm
Gross value					
at 31 December 2013	**110,930**	**3,272**	**423**	**71,020**	**185,645**
Translation differences	1,289	56	-	5,781	7,126
Effect of newly acquired companies (Note 36)	-	4	-	-	4
Capitalization	14,709	119	-	-	14,828
Disposals**	(2,108)	(27)	-	-	(2,135)
at 31 December 2014	**124,820**	**3,424**	**423**	**76,801**	**205,468**
Accumulated amortization					
at 31 December 2013	**34,045**	**1,697**	**-**	**4,268**	**40,010**
Translation differences	381	50	-	347	778
Effect of newly acquired companies (Note 36)	-	2	-	-	2
Current year amortization	8,201	271	85	2,564	11,121
Net foreign currency exchange differences	93	2	-	73	168
Impairment and reversal of impairment	851	-	-	-	851
Disposals	(29)	(13)	-	-	(42)
at 31 December 2014	**43,542**	**2,009**	**85**	**7,252**	**52,888**
Net book value					
at 31 December 2013	**76,885**	**1,575**	**423**	**66,752**	**145,635**
at 31 December 2014	**81,278**	**1,415**	**338**	**69,549**	**152,580**

* The ESMYA presented as separate subcategory within the intangible assets represents the intangible asset recognized at the acquisition of PregLem.
** In 2014 the Parent Company recorded scrapping in amount of HUF 2,077 million in connection with certain licenses.

All intangible assets are free from liens and charges. The intangible assets of the Group, except for R&D, are not own produced.

The most significant intangible assets are described below, with related impairment test where applicable:

ESMYA (covering the entire ESMYA column above EU/US region):

The most significant other intangible, which has been recorded as R&D asset is representing ESMYA recognised in the acquisition transaction of PregLem in 2010, was accounted as Intangible with 25 years useful life. The amortization of this asset started in the second quarter of 2012 as a result of the market launch of the product.

In the course of Preglem S.A.'s acquisition the rights attached to the distribution in the EU and the US of ESMYA®, the company's most important product had been entered among the Group's assets as an independent intangible asset.
Besides the goodwill generated by the acquisition the impairment test of ESMYA EU/US intangibles was prepared as of the balance sheet date of 31 December 2014 (and as of 31 December 2013 as well). Based on the test no impairment is to be reported neither in 2014 nor in 2013.

The recoverable amount of ESMYA EU and US intangibles was determined by the fair value less cost of disposal applying the so-called Multi-Period Excess Earnings Method, where the cash flow derived from the intangible asset is estimated, then the portion of the cash flow that can be attributed to supporting assets is deducted before discounting. The basis of calculation was the same financial plans and management estimates as those used in the impairment test of Preglem S.A.' goodwill which is presented more detailed in Note 18.

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

Any reasonable change in the key assumptions is still not expected to result in an impairment of this intangible asset.

Rights – ESMYA LatAm intangible asset:

In 2014 Richter purchased the right to utilisation of ulipristal acetate (ESMYA®'s active ingredient) for the Latin American region from HRA Pharma, the net book value of this right is HUF 9,382 million as of 31 December 2014.
Richter also prepared the impairment test of this intangible asset (which is not yet available for use) following the transaction as of the balance sheet date of 31 December 2014. Based on the test no impairment is to be reported.

The recoverable amount of ESMYA LatAm intangibles was also determined by the fair value less cost of disposal applying the Multi-Period Excess Earnings Method. The cash flow generated by the use of the intangible asset derive from the countries covered by the Mediplus Group and the GR Mexico acquisitions and other Latin American countries reached as a result of additional acquisitions, foundations and partnership collaboration.

The calculations were based on the medium and long term projection adopted by the management (2015-2021). The present value of cash flows beyond this was determined by means of the terminal value formula.
Within the above period a significant upswing in the present value of cash flows is projected for 2015-2018 in conjunction with rising sales revenue. This trend will turn from 2019 as turnover is expected to drop with the appearance of generic products. From 2021 the turnover will remain virtually the same. When determining the terminal value an annual decrease of -3.8% of the cash flow was taken into consideration.

The present value of cash flows calculated for the projection period (2015-2021) is approximately 80% higher than the residual value.

The discount rate (post tax: 8.15%) 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 value of ESMYA as an intangible asset calculated above would drop below the book value if the post-tax discount rate increased to12.8%.

Rights – Grünenthal:

The product rights acquired from Grünenthal in 2010 containing manufacturing rights (amounted to EUR 600 thousand) and market authorisation (amounted to EUR 235.9 million) together with the value of the established products brand are presented as Rights. The estimated useful life for both rights is 15 years. The amortization period started in 2010. Net book value of the rights in relation to Grünenthal is HUF 52,177 million as of 31 December 2013 and HUF 47,942 million as of 31 December 2014.

Rights – Reacquired right

The reacquired right arising from the business combination is China in 2013 (Note 36) is presented as Rights in the movement schedule above (therefore presented as Other intangible assets in the Balance Sheet) and amortised over the estimated useful life of 39 months starting from 31 December 2013. Net book value of the reacquired right was HUF 2,335 million as of 31 December 2013 and HUF 1,894 million as of 31 December 2014.

Rights – Other:

Impairment test was performed on the value of pharmacy licences in Romania (presented in the Wholesale and retail segment) and as a consequence to that we had to account for HUF 464 million as impairment loss and 314 million as reversal of impairment in 2014 and HUF 319 million impairment loss and 193 million as reversal of impairment in 2013. The goodwill related to the pharmacy licences was also tested for impairment, which is described in Note 18 under the Armedica Trading Group subheading. For pharmacy licences where the recoverable amount was lower than the carrying value, impairment was recognized first on goodwill balance related to the licence, and the remainder of the impairment loss was recognized on the pharmacy licences. Net book value of pharmacy licenses was HUF 2,778 million as of 31 December 2014 and HUF 2,936 million as of 31 December 2013.

On the basis of the evaluation of the results of clinical studies (PHASE II) of PGL2 research project, carried out for endometriosis indication, in 2013 the Board resolved to approve the discontinuation of this program and write-off the related Intangible assets (including licence fees) in the amount of HUF 1,526 million.
In September 2014 another PregLem R&D project, PGL5 (presented in the Pharmaceuticals segment), a Phase II project also related to endometriosis that had already been discontinued earlier was written off. Thus the book value of the license fees capitalised earlier in the course of the reported year was written off as impairment in the amount of HUF 711 million as Other income and other expenses (net).

The average remaining useful life of the intellectual properties does not exceed 8 years.

13. Consolidated companies

Details of the Group's subsidiaries at 31 December are as follows:

Name	Place of incorporation (or registration) and operation	Proportion of ownership %		Proportion of voting rights held %		Principal activity
		2014	2013	2014	2013	
ZAO Gedeon Richter - RUS	Russia	100.00	100.00	100.00	100.00	Pharmaceutical manufacturing
Gedeon Richter Romania S.A.	Romania	99.90	99.89	99.90	99.89	Pharmaceutical manufacturing
Gedeon Richter Polska Sp. z o.o.	Poland	99.84	99.84	99.84	99.84	Pharmaceutical manufacturing
Richter Themis Ltd.	India	51.00	51.00	51.00	51.00	Pharmaceutical manufacturing
Gedeon Richter Pharma GmbH	Germany	100.00	100.00	100.00	100.00	Pharmaceutical trading
Gedeon Richter USA Inc.	USA	100.00	100.00	100.00	100.00	Pharmaceutical trading
RG Befektetéskezelő Kft.	Hungary	100.00	100.00	100.00	100.00	Financial-accounting and controlling activities
Gedeon Richter UA P.A.T.	Ukraine	98.16	98.16	98.16	98.16	Pharmaceutical manufacturing
Gedeon Richter UK Ltd.	UK	100.00	100.00	100.00	100.00	Pharmaceutical trading
Gedeon Richter Iberica S.A.U	Spain	100.00	100.00	100.00	100.00	Pharmaceutical trading
Nedermed B.V.	The Netherlands	100.00	100.00	100.00	100.00	Pharmaceutical trading
Medimpex Japan Co. Ltd.	Japan	90.90	90.90	90.90	90.90	Pharmaceutical trading
Medimpex Jamaica Ltd.	Jamaica	60.00	60.00	60.00	60.00	Pharmaceutical trading
Medimpex West Indies Ltd.	Jamaica	60.00	60.00	60.00	60.00	Pharmaceutical trading
Humanco Kft.	Hungary	100.00	100.00	100.00	100.00	Social, welfare services
Pesti Sas Holding Kft.	Hungary	100.00	100.00	100.00	100.00	Portfolio management
Richter Szolgáltató Kft.	Hungary	100.00	100.00	100.00	100.00	Catering services
Reflex Kft.	Hungary	100.00	100.00	100.00	100.00	Transportation, carriage
Cito-Trans Kft.*	Hungary	-	100.00	-	100.00	Car rental
Chemitechnik Pharma Kft.	Hungary	66.67	66.67	66.67	66.67	Engineering services
GYEL Kft.	Hungary	66.00	66.00	66.00	66.00	Quality control services
Armedica Trading S.R.L.	Romania	99.90	99.89	99.90	99.89	Asset management
Gedeon Richter Farmacia S.A.	Romania	99.90	99.89	99.90	99.89	Pharmaceutical retail
Gedeon Richter France S.A.R.L.	France	100.00	99.99	100.00	99.99	Pharmaceutical retail
Gedeon Richter-Retea Farmaceutica S.R.L.	Moldavia	51.00	51.00	51.00	51.00	Pharmaceutical retail
Richter-Helm BioLogics GmbH & Co. KG	Germany	70.00	70.00	70.00	70.00	Biotechnological manufacturing and research
Richter-Helm BioLogics Management GmbH	Germany	70.00	70.00	70.00	70.00	Asset management
Medimpex UK Ltd.	UK	100.00	100.00	100.00	100.00	Pharmaceutical trading
Farnham Laboratories Ltd.	UK	100.00	100.00	100.00	100.00	Pharmaceutical trading
Gedeon Richter Aptyeka sp.O.O.O.	Armenia	51.00	51.00	51.00	51.00	Pharmaceutical retail
Pharmafarm S.A.	Romania	99.90	99.89	99.90	99.89	Pharmaceutical wholesale
Gedeon Richter Ukrfarm O.O.O.	Ukraine	100.00	100.00	100.00	100.00	Pharmaceutical retail

Name	Place of incorporation (or registration) and operation	Proportion of ownership %		Proportion of voting rights held %		Principal activity
		2014	2013	2014	2013	
Gedeon Richter Marketing Polska Sp. z o.o.	Poland	99.97	99.97	99.97	99.97	Marketing services
Gedeon Richter Italia S.R.L.	Italy	100.00	100.00	100.00	100.00	Pharmaceutical retail
PregLem S.A.	Switzerland	100.00	100.00	100.00	100.00	Manufacturing and research
Gedeon Richter Marketing ČR s.r.o.	Czech Republic	100.00	100.00	100.00	100.00	Marketing services
Gedeon Richter Slovakia s.r.o.	Slovak Republic	100.00	100.00	100.00	100.00	Marketing services
Richter-Lambron O.O.O.	Armenia	51.00	51.00	51.00	51.00	Pharmaceutical trading
Gedeon Richter Austria GmbH	Austria	100.00	100.00	100.00	100.00	Marketing services
Gedeon Richter (Schweiz) AG	Switzerland	100.00	100.00	100.00	100.00	Marketing services
Pharmarichter O.O.O.	Russia	100.00	100.00	100.00	100.00	Pharmaceutical sales promotion
Richpangalpharma O.O.O.	Moldavia	65.00	65.00	65.00	65.00	Pharmaceutical trading
Gedeon Richter Portugal, Unipessoal Lda.	Portugal	100.00	100.00	100.00	100.00	Marketing services
PregLem France SAS	France	100.00	100.00	100.00	100.00	Marketing services
Pesti Sas Patika Bt.	Hungary	74.00	74.00	74.00	74.00	Pharmaceutical retail
Gedeon Richter Slovenija, trženje, d.o.o.	Slovenia	100.00	100.00	100.00	100.00	Marketing services
Gedeon Richter Benelux SPRL	Belgium	100.00	100.00	100.00	100.00	Marketing services
Gedeon Richter Nordics AB	Sweden	100.00	100.00	100.00	100.00	Marketing services
T.O.O. Gedeon Richter KZ	Kazakhstan	100.00	100.00	100.00	100.00	Marketing services
Grmed Company Ltd.	Hong-Kong	100.00	100.00	66.00	51.00	Assets management
Rxmidas Pharmaceuticals Company Ltd.	China	100.00	100.00	66.00	51.00	Marketing services
Gedeon Richter Colombia S.A.S.	Columbia	100.00	100.00	100.00	100.00	Pharmaceutical trading
Gedeon Richter d.o.o.	Croatia	100.00	100.00	100.00	100.00	Marketing services

* CITO-Trans Kft. ceased its operation in April 2014.

Subsidiaries newly included in the consolidation

Name	Date of establish-ment/ acquisition	Place of incorporation (or registration) and operation	Proportion of ownership %		Proportion of voting rights held %		Principal activity
			2014	2013	2014	2013	
Gedeon Richter Mexico, S.A.P.I. de C.V*	01.2014	Mexico	100.00	-	70.00	-	Pharmaceutical trading
Gedeon Richter do Brasil Importadora, Exportadora e Distribuidora S.A.*	06.2014	Brazil	51.00	-	51.00	-	Pharmaceutical trading
Comercial Gedeon Richter (Chile) Ltda.**	06.2014	Chile	100.00	-	51.00	-	Pharmaceutical trading
Mediplus (Economic Zone) N.V.**	06.2014	Curaçao	100.00	-	51.00	-	Pharmaceutical trading
Gedeon Richter Peru S.A.C.**	06.2014	Peru	100.00	-	51.00	-	Pharmaceutical trading
Farmage Ecuatoriana**	06.2014	Ecuador	100.00	-	51.00	-	Pharmaceutical trading
Farmage SRL**	06.2014	Bolivia	100.00	-	51.00	-	Pharmaceutical trading
Gedeon Richter Pharmaceuticals (China) Co. Ltd.***	08.2014	China	100.00	-	66.00	-	Marketing services

* Newly acquired by the Group, see Note 36.
** Companies of the newly acquired Mediplus Group, see Note 36.
*** Newly established by the Group.

13.1 Summarised financial information on subsidiaries with material non-controlling interests

The total non-controlling interest as of 31 December 2014 is HUF 3,172 million, of which HUF 1,177 million is for Richter-Helm BioLogics GmbH & Co. KG, HUF 924 million is attributed to Medimpex West Indies Ltd. and HUF 710 million is for Gedeon Richter Polska Sp. z o.o. Neither the individual nor the entire balance of the non-controlling interest of other subsidiaries is considered to be material.

Name	Non-current assets	Current assets	Non-current liabilities	Current liabilities	Revenues	Profit/ (loss)	Dividends paid
	HUFm	HUFm	HUFm	HUFm	HUFm	HUFm	HUFm
2013							
Gedeon Richter Polska Sp. z o.o.	6,225	9,298	109	1,818	15,583	1,186	-
Medimpex West Indies Ltd.	51	2,227	0	527	2,524	55	18
Richter-Helm BioLogics GmbH & Co. KG	5,285	2,225	2,509	1,249	5,921	(731)	-

Name	Non-current assets	Current assets	Non-current liabilities	Current liabilities	Revenues	Profit/ (loss)	Dividends paid
	HUFm	HUFm	HUFm	HUFm	HUFm	HUFm	HUFm
2014							
Gedeon Richter Polska Sp. z o.o.	6,595	8,843	171	1,323	14,959	834	1,125
Medimpex West Indies Ltd.	67	2,674	0	402	2,273	216	5
Richter-Helm BioLogics GmbH & Co. KG	5,294	3,202	3,779	791	6,920	(53)	-

Amounts of assets, liabilities, revenues, profit/loss and dividends are presented at 100%.

The non-controlling interest is recognised to the extent the risks and rewards of ownership of those shares remain with them. For each acquisition the terms of the contracts are analysed in detail. In case of complex scenarios (e.g when contingent-deferred purchase prices are also involved), factors considered includes, the pricing of the forward contract, any ability to avoid future payment, whether share price movements during the contract period result in benefits and losses being borne by the Group or by the non-controlling shareholder. We concluded that the acquisitions of Mediplus Group and the acquisition of Gedeon Richter Mexico, S.A.P.I. de C.V. (Note 36) provide the Group with access to the economic benefits and risks of the shares during the contract period, therefore no non-controlling interests were recognised on these acquisitions.

14. Investments in associates and joint ventures

	2014 HUFm	2013 HUFm Restated*
At 1 January	**4,023**	**3,264**
Additional payment	140	-
Share of profit/(loss) of associates and joint ventures	828	(125)
Net investments**	692	951
Dividend	(61)	(11)
Exchange difference	(214)	(56)
At 31 December	**5,408**	**4,023**
out of investment in associates	*3,761*	*2,587*
out of investment in joint ventures	*1,647*	*1,436*

* Restated due to IFRS 11 Joint arrangements (see Note 37).
** Share of loss and exchange difference recognized against loans provided to joint ventures (as net investment in joint ventures) in accordance with IAS 28.38

Reconciliation of the summarised financial information presented to the carrying amount of the associates, highlighting the most significant associate of the Group (Hungaropharma Zrt.). Since Hungaropharma Zrt. is a group preparing IFRS consolidated financial statements, therefore in the net asset figure below, the 'consolidated net asset attributable to the owner of the parent' was taken into account.

	2014 HUFm	2013 HUFm
Opening net assets at 1 January of Hungaropharma Zrt.	**7,727**	**4,811**
Profit for the year*	3,931	2,916
Dividends	(150)	-
Closing net assets of Hungaropharma Zrt.	11,508	7,727
Interest in associate (at 30.85%)	3,550	2,384
Unrealised profit elimination	(40)	
Interest in other associates	251	203
Carrying value at 31 December	**3,761**	**2,587**

* The profit for the year was adjusted to reflect the difference between the audited and non-audited balance of the associate as of the previous year.

Similar reconciliation of the investment in joint ventures is not performed, since they are considered to be not significant.

At 31 December the following associates have been accounted for by the equity method:

Name	Place of incorporation	Principal activity	Non-current assets HUFm	Current assets HUFm	Non-current liabilities HUFm	Current liabilities HUFm	Revenues HUFm	Profit/ (loss) HUFm	Interest held %
2013									
Hungaropharma Zrt.	Hungary	Pharmaceutical wholesale	8,857	38,336	8,134	31,218	231,875	2,772	30.85
Salvia-Med Bt.	Hungary	Pharmaceutical retail	1	59	-	41	456	15	32.79
Szondi Bt.	Hungary	Pharmaceutical retail	39	134	-	56	449	35	33.00
Top Medicina Bt.	Hungary	Pharmaceutical retail	27	24	20	26	277	4	20.00
Medservice Richter T.O.O.	Kazakhstan	Pharmaceutical trading	-	46	-	7	-	-	49.00
Vita-Richter O.O.O.	Azerbaijan	Pharmaceutical trading	498	-	428	-	-	-	49.00
Pharmapolis Kft.	Hungary	Building project management	6,086	231	3,630	2,823	319	24	24.00
Cerorin Kft.	Hungary	Biotechnological research, development	0	0.5	0	0	0	(0.3)	24.00
Pharmatom Kft.	Hungary	Biotechnological research, development	329	1	110	214	0	(2)	24.00

Name	Place of incorporation	Principal activity	Non-current assets HUFm	Current assets HUFm	Non-current liabilities HUFm	Current liabilities HUFm	Revenues HUFm	Profit/ (loss) HUFm	Interest held %
2014									
Hungaropharma Zrt.	Hungary	Pharmaceutical wholesale	8,855	44,362	6,892	34,753	245,413	3,366	30.85
Salvia-Med Bt.	Hungary	Pharmaceutical retail	2	61	0	22	474	22	32.79
Szondi Bt.	Hungary	Pharmaceutical retail	37	147	-	25	480	42	33.00
Top Medicina Bt.	Hungary	Pharmaceutical retail	30	37	20	29	318	12	20.00
Medservice Richter T.O.O.*	Kazakhstan	Pharmaceutical trading	-	-	-	-	-	-	-
Vita-Richter O.O.O.	Azerbaijan	Pharmaceutical trading	598	-	514	-	-	-	49.00
Pharmapolis Kft.	Hungary	Building project management	5,724	285	3,459	2,657	325	(112)	24.00
Cerorin Kft.	Hungary	Biotechnological research, development	0	2.8	0	0.5	4	1.8	24.00
Pharmatom Kft.	Hungary	Biotechnological research, development	330	40	0	436	-	(73)	24.00

* Medservice Richter T.O.O. ceased its operation in June 2014.

The balances of Hungaropharma Zrt, the most significant associate of the Group are not audited (2014 and 2013).
Amounts of assets, liabilities, revenues and profit/loss are presented at 100%.
The associates did not have any item in Other Comprehensive Income (in 2014 and 2013).

At 31 December the following joint ventures have been accounted for using the equity method:

Name	Place of incorporation	Principal activity	Non-current assets	Current assets	Non-current liabilities	Current liabilities	Revenues	Profit/ (loss)	OCI	Interest held
			HUFm	HUFm	HUFm	HUFm	HUFm	HUFm	HUFm	%
2013										
Gedeon Richter Rxmidas Ltd.	Hong-Kong	Marketing services	-	744	1	195	840	(57)	-	50.00
Medimpex Irodaház Kft.*	Hungary	Renting real estate	2,554	19	174	88	239	12	-	50.00
Richter-Helm BioTec Management GmbH	Germany	Assets management	0	8	0	1	-	0.2	-	50.00
Richter-Helm BioTec GmbH & Co. KG	Germany	Trading of biotech products	11	614	8,943	281	778	(1,789)	(56)	50.00

Name	Place of incorporation	Principal activity	Non-current assets	Current assets	Non-current liabilities	Current liabilities	Revenues	Profit/ (loss)	OCI	Interest held
			HUFm	HUFm	HUFm	HUFm	HUFm	HUFm	HUFm	%
2014										
Gedeon Richter Rxmidas Ltd.	Hong-Kong	Marketing services	0	1,209	-	256	1,276	280	56	50.00
Medimpex Irodaház Kft.*	Hungary	Renting real estate	2,505	28	-	192	228	30	-	50.00
Richter-Helm BioTec Management GmbH	Germany	Assets management	0	8	0	1	-	(0.3)	0	50.00
Richter-Helm BioTec GmbH & Co. KG	Germany	Trading of biotech products	10	1,066	10,114	154	2,492	(71)	(270)	50.00

* The balance of Medimpex Irodaház Kft. already contains adjustment of the fair value of the Investment property to be in line with the Accounting Policy of the Group.

Amounts of assets, liabilities, revenues and profit/loss are presented at 100%.

15. Other financial assets

	31 December 2014 HUFm	31 December 2013 HUFm
Held to maturity investments carried at amortised cost	1,588	18,462
Investments carried at amortised cost as loans and receivables	16,374	15,439
Available-for-sale investments carried at fair value	6,222	9,337
Total	**24,184**	**43,238**

"Exchangeable Bonds" issued earlier by the Hungarian State Holding Company (MNV Zrt.) had been repurchased by the issuer at 6 December, 2013, and simultaneously, new exchangeable bonds were issued with maturity date of 2019. The investment was purchased by Richter in the nominal value of EUR 52 million (HUF 16,374 million as of 31 December 2014 HUF 15,439 million as of 31 December 2013). Bonds are presented as Loans and receivables carried at amortised cost.

The most significant balance of held to maturity investments as of 31 December 2013 was bond issued by the Hungarian State in the amount of HUF 17,518 million. The most significant part of that with maturity of 2015 therefore it has reclassified to current assets as "Investments in securities" as of 31 December 2014 (Note 22).

Available-for-sale investment contains 5% ownership in Zao Firma CV Protek valued at fair value based on the closing stock exchange price (39.1 RUB/share). Since there was significant drop in the fair value of investment, a decrease of HUF 3,877 million has been recorded against revaluation reserve for available for sale investments (through Consolidated Statement of Comprehensive Income) in 2014.There are two reasons at the background: on one hand the fall of share price and on the other hand the unfavourable change of HUF/RUB exchange rate. As the result of the increase in share price (49.02 RUB/share) HUF 2,714 million gain was recorded in 2013 (Note 24).

16. Current income tax and deferred tax

Current tax assets and liabilities

	31 December 2014 HUFm	31 December 2013 HUFm Restated*
Current tax assets	603	538
Current tax liabilities	281	207

* Restated due to IFRS 11 Joint arrangements (see Note 37).

Deferred tax is calculated by the balance sheet method based on the temporary differences. Deferred tax assets and liabilities in the Consolidated Balance Sheet are as follows:

	31 December 2014 HUFm	31 December 2013 HUFm
Deferred tax assets	8,606	3,921
Deferred tax liabilities	(8,876)	(7,688)
Net position at 31 December	**(270)**	**(3,767)**

The movement in deferred income tax assets and liabilities during the year is as follows:

Deferred tax assets	**PPE and intangible assets** HUFm	**Provision** HUFm	**Impairment** HUFm	**Other temporary differences** HUFm	**Unrealised profit elimination** HUFm	**Total** **HUFm**
31 December 2012	**727**	**381**	**324**	**124**	**1,786**	**3,342**
(Debited)/credited to the income statement	(145)	109	(167)	87	987	**871**
(Debited)/credited to other comprehensive income	-	(3)	-	(281)	-	**(284)**
Exchange differences	(2)	-	-	(6)	-	**(8)**
31 December 2013	**580**	**487**	**157**	**(76)**	**2,773**	**3,921**
Acquisition of subsidiary	-	-	-	1	-	**1**
(Debited)/credited to the income statement*	(86)	377	459	1,836	1,818	**4,404**
(Debited)/credited to other comprehensive income	-	(14)	-	282	-	**268**
Exchange differences	(13)	8	1	6	-	**2**
Transfer	3	9	-	(2)	-	**10**
31 December 2014	**484**	**867**	**617**	**2,047**	**4,591**	**8,606**

* The balance of deferred tax assets was increased (by HUF 1,863 million) as a result of the negative taxable income for the 2014 corporate tax of the Parent Company. This tax loss will be used to reduce the taxable income in the next years.

Deferred tax liabilities	**PPE and intangible assets** HUFm	**Fair valuation** HUFm	**ESMYA*** HUFm	**Other temporary differences** HUFm	**Total** **HUFm**
31 December 2012	**136**	**-**	**9,325**	**173**	**9,634**
Acquisition of subsidiary	-	-	-	584	**584**
Debited/(credited) to the income statement	(4)	-	(2,604)	41	**(2,567)**
Debited/(credited) to other comprehensive income	-	23	-	-	**23**
Exchange differences	(16)	-	44	(14)	**14**
Transfer	(6)	44	-	(38)	**-**
31 December 2013	**110**	**67**	**6,765**	**746**	**7,688**
Debited/(credited) to the income statement	47	-	336	98	**481**
Debited/(credited) to other comprehensive income	-	31	-	37	**68**
Exchange differences	17	2	560	50	**629**
Transfer	10	-	-	-	**10**
31 December 2014	**184**	**100**	**7,661**	**931**	**8,876**

* The most significant deferred tax liability balance presented is in relation to the acquisition of PregLem, where the deferred tax liability that arose as a result of recognition of ESMYA was partially offset by the unused tax loss of the company.

From the deferred tax balance presented above it is expected that HUF 7,852 million (in 2013 HUF 6,803 million) of the liabilities and HUF 1,381 million (in 2013 HUF 868 million) of the assets will reverse after 12 months.

At 31 December 2014 Richter Group has HUF 28,163 million unused tax loss (that would result in HUF 4,508 million deferred tax asset) for which no deferred tax asset has been recognised since the recovery is not probable, while in 2013 the Group had HUF 18,976 million unused tax loss (that would have resulted in HUF 3,040 million deferred tax asset).
In 2014 most of the unused tax loss is connected to the Romanian subsidiaries for which no deferred tax asset has been recognised.
Temporary differences arising in connection with interest in associates and joint ventures are insignificant.

17. Loans receivable

	31 December 2014 HUFm	31 December 2013 HUFm Restated*
Loans given to related parties	2,548	2,596
Loans given to employees	537	521
Other loans given	836	597
Total	**3,921**	**3,714**

* Restated due to IFRS 11 Joint arrangements (see Note 37).

18. Goodwill

	Note	Goodwill HUFm
Cost		
At 1 January 2013		**31,602**
Increase deriving from acquisition of subsidiaries	36	19,527
Exchange differences		116
Impairment charged for the year		(283)
At 31 December 2013		**50,962**
At 1 January 2014		**50,962**
Increase deriving from acquisition of subsidiaries	36	3,977
Exchange differences		6,213
Impairment charged for the year		(66)
At 31 December 2014		**61,086**

Closing goodwill on Cash Generating Units (Companies)

	31 December 2014 HUFm	31 December 2013 HUFm
Pharmaceuticals segment		
GR Polska Sp. z o.o.	1,105	1,071
Richter-Helm Biologics Co & KG	100	95
PregLem S.A.	31,271	28,917
GRMed Company Ltd.	22,853	19,497
GR Brasil	81	-
GR Mexico	2,764	-
Mediplus Group	1,518	-
Wholesale and retail segment		
Armedica Trading Group	1,333	1,321
Other segment		
Pesti Sas Holding Kft.	61	61
Total	**61,086**	**50,962**

Impairment test was performed on the value of the goodwill.

Gedeon Richter Polska Sp. z o.o.
Gedeon Richter Polska Sp. z o.o. achieved significant profit in 2014, and according to its midterm financial plans further growth is expected of the company. As a result of this no impairment was required at the end of financial year of 2014 similar to 2013. Any reasonable change in the key assumptions is still not expected to result in an impairment of Goodwill.

Armedica Trading Group
The Group has allocated the goodwill to individual pharmacies and performs the impairment review on group of cash generating units (CGU) level similarly to prior years. Two groups of CGUs have been set up and the pharmacies were categorized into these groups based on their current EBITDA performance.
Each year the performance of the pharmacies is assessed whether they are grouped into the correct category of pharmacies. In 2013 and in 2014 a classification criteria has been defined as -3.5% EBITDA/sales level. The Group determined this level by analyses. The pharmacies that exceeded the above mentioned EBITDA/sales ratio achieved in total an EBIDTA amount to close to break even and the Group expects that the performance of this pharmacies will improve.

We have assessed the recoverable amount with fair value less cost to sell method considering the economic environment, which changed significantly in compare to the prior year. The compensation of reimbursed products accelerated further in 2014 increasing the liquidity and cash generating ability of pharmacies. In the fair value less cost to sell model we have made estimation on future performance based on historical data and realistic market assumptions on mid and long term timeframe. The Group performed the present value calculation using estimation of 5 years cash flows and applying a perpetuity cash flow afterwards for the residual periods.

In case of the underperforming group where the recoverable amount of the group is less than its carrying amount. The Group has recorded impairment on the entire goodwill balance (HUF 66 million), and impairment was required on the related licenses as disclosed in Note 12.

We also performed sensitivity test including the following parameters: Volume of sales, Weighted Average Cost of Capital (WACC) and mark-up. By changing ceteris paribus these factors 10% declining for the volume of sales and 5% increase of WACC and 5% declining for mark-up the following additional impairment would not be required neither for goodwill nor for the related licenses.

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 ESMYA 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 less cost to sell approach. The calculations are based on the approved budgets and management projections, the underlying cash flows of which are expected to reflect market participant assumptions as well.

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 third quarter 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 46% (in 2013 for the period 2014-2019 was 44%). 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% (in 2013 -30%). 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%; in 2013 8.00%) 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 present values of cash flows up to and after 2019 are approximately the same.

The recoverable amount of ESMYA CGU 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 10.8 % (in 2013: 11.1%) would remove the remaining headroom.

GRMed Company Ltd.:
GRMed Company Ltd. was acquired 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 there 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 less cost to sell approach. The calculations were based on the long term turnover projection and costing plan adopted by the management, the underlying cash flows of which are expected to reflect market participant assumptions as well.
The present value of cash flows beyond this was determined by means of the terminal value formula.
Similarly to the above, the basis of contingent-deferred price calculations is the plans and projections approved by both parties.

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 present 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%) 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.

Any reasonable change in the key assumptions is still not expected to result in an impairment of Goodwill.

Mediplus Group:
Registered in Curacao, Mediplus Group 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 there is no need to account for impairment.

The recoverable amount of this group of cash generating units (CGUs) is determined by an income based fair value less cost to sell calculation. The calculations were based on the medium term turnover projection based on the data of Mediplus Group (Mediplus (Economic Zone) N.V., Comercial Gedeon Richter (Chile) Ltda., Gedeon Richter Peru S.A.C., Farmage Ecuatoriana, Farmage SRL) adopted by the management (2015-2020), the underlying cash flows of which are expected to reflect market participant assumptions on the respective markets as well. These cash flow projections do not include the sales of ESMYA® in the region, because these are included in the impairment test of Rights – ESMYA LatAm presented in Note 12.

Within the above period a significant upswing in the present 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%) 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 present value of the 2015-2020 cash flows and the terminal value.

The calculated return is 34% in excess of the CGU's book value. A rise in post tax discount rate to 12.7 % would remove the remaining headroom.

GR Mexico:
The goodwill impairment in the wake 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 less cost to sell approach. The calculations were based on the medium term turnover projection adopted by the management (2015-2020), the underlying cash flows of which are expected to reflect market participant assumptions on the respective markets as well. The present value of cash flows beyond this was determined by means of the terminal 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%) 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 present value of the 2015-2020 cash flows and the terminal value are approximately identical.

The calculated return is about 47% above the CGU's book value. A rise in post tax discount rate to 13.9% would remove the remaining headroom.

19. Inventories

	31 December 2014 HUFm	31 December 2013 HUFm
Raw materials, packaging and consumables	27,381	26,306
Production in progress	1,299	1,819
Semi-finished and finished goods	37,772	40,562
Total	**66,452**	**68,687**

Inventories include impairment and scrapping in value of HUF 1,967 million and reversal of impairment in value of HUF 176 million in 2014 (HUF 1,934 million impairment and scrapping and HUF 291 million reversal was made in 2013).
The main reasons for impairment and scrapping are the obsolescence of the inventory and the unfavourable changes of the market conditions of the particular product. The reversal of impairment is due to the change of market conditions.
As of 31 December 2014 the total carrying amount of inventories that are valued at the net realisable value amounts to be HUF 1,398 million (in 2013 it was HUF 1,056 million).
All items of Inventories are free from liens and charges.

20. Trade receivables

	31 December 2014 HUFm	31 December 2013 HUFm Restated*
Trade receivables	93,987	98,723
Amounts due from related companies (Note 39)	1,268	3,560
Total	**95,255**	**102,283**

* Restated due to IFRS 11 Joint arrangements (see Note 37).

Ageing of Trade receivables

	31 December 2014 HUFm	31 December 2013 HUFm Restated*
Trade receivables not yet due	80,384	83,307
Trade receivables overdue, not impaired	12,892	17,575
1-90 days	*11,493*	*16,463*
91-180 days	*1,042*	*913*
181-360 days	*261*	*137*
>360 days	*96*	*62*
Trade receivables overdue, impaired	9,389	5,456
1-90 days	*2,951*	*914*
91-180 days	*778*	*259*
181-360 days	*1,963*	*157*
>360 days	*3,697*	*4,126*
Impairment on trade receivables	(7,410)	(4,055)
1-90 days	*(2,799)*	*(220)*
91-180 days	*(504)*	*(48)*
181-360 days	*(710)*	*(25)*
>360 days	*(3,397)*	*(3,762)*
Total	**95,255**	**102,283**

* Restated due to IFRS 11 Joint arrangements (see Note 37).

Movements on the Group provision for impairment of trade receivables are as follows:

	31 December 2014 HUFm	31 December 2013 HUFm
At 1 January	**4,055**	**5,139**
Provision for receivables impairment	4,499	331
Reversal of impairment for trade receivables	(1,460)	(781)
Usage of impairment	-	(630)
Exchange difference	316	(4)
At 31 December	**7,410**	**4,055**

The reversal of impairment is explained with the decrease of overdue receivables.

The Group has no individually significant impaired trade receivable in 2013. In 2014 it was required to account for impairment on one significant customer covering its entire balance.

21. Other current assets

	31 December 2014 HUFm	31 December 2013 HUFm Restated*
Loans receivable	1,549	1,946
Other receivables	3,095	4,697
Fair value of open forward exchange contracts	107	-
Subtotal of financial assets	**4,751**	**6,643**
Tax and duties recoverable	4,306	4,202
Advances	1,811	3,034
Prepayments	2,723	3,418
Total	**13,591**	**17,297**

* Restated due to IFRS 11 Joint arrangements (see Note 37).

22. Investments in securities

	31 December 2014 HUFm	31 December 2013 HUFm
Government bonds (HTM)	18,449	-
Treasury bills and other government securities (AFS)	-	1,407
Open-ended investment funds (AFS)	2,401	2,385
Other securities (AFS)	23	24
Total	**20,873**	**3,816**

Treasury bills and government securities are issued or granted by the Hungarian State.
The value of Investment in securities increased by HUF 17,057 million due to reclassification of Government bonds from non-current assets to current assets, since they have maturity in 2015.

23. Cash and cash equivalents

	31 December 2014 HUFm	31 December 2013 HUFm Restated*
Bank deposits	97,807	106,442
Cash on hand	133	135
Total	**97,940**	**106,577**

* Restated due to IFRS 11 Joint arrangements (see Note 37).

24. Share capital and reserves

	31 December 2014		31 December 2013	
Share capital	Number	HUFm	Number	HUFm
Ordinary shares of HUF 100 each	186,374,860	18,638	186,374,860	18,638

Detailed ownership structure of the Parent

Ownership	**Ordinary shares number**		**Voting rights %**		**Share capital %**	
	31 December 2014	31 December 2013	31 December 2014	31 December 2013	31 December 2014	31 December 2013
Domestic ownership	**60,215,733**	**58,018,177**	**32.54**	**31.16**	**32.31**	**31.13**
MNV Zrt.	47,051,668	47,051,548	25.43	25.27	25.25	25.25
Municipality	1,164	1,164	0.00	0.00	0.00	0.00
Institutional investors	5,035,532	4,679,654	2.72	2.51	2.70	2.51
Retail investors	8,127,369	6,285,811	4.39	3.38	4.36	3.37
International ownership	**124,776,802**	**128,161,933**	**67.45**	**68.83**	**66.95**	**68.77**
Retail investors	1,203,083	635,085	0.65	0.34	0.65	0.34
Institutional investors	123,573,719	127,526,848	66.80	68.49	66.30	68.43
out of which Aberdeen Asset M. Plc.	19,119,054	37,179,620	10.33	19.97	10.26	19.95
out of which Skagen Kon-Tiki Verdipapirfond	-	10,116,722	-	5.43	-	5.43
Undisclosed ownership	**16,638**	**27,972**	**0.01**	**0.01**	**0.01**	**0.01**
Treasury shares*	**1,365,687**	**166,778**	**0.00**	**0.00**	**0.73**	**0.09**
Share capital	**186,374,860**	**186,374,860**	**100.00**	**100.00**	**100.00**	**100.00**

* The treasury shares have no voting rights.

Data in the above table were compiled based on the share registry amended with information provided by KELER Zrt. as clearing company, global custodians and nominees.

The Group does not have any (ultimate) controlling parent. The Hungarian State is having significant influence through the ownership of MNV Zrt.

Foreign currency translation reserves

Exchange differences relating to the translation of the net assets of the Group's foreign operations from their functional currencies to the Group's presentation currency are recognised directly in other comprehensive income and accumulated in the foreign currency translation reserve. Exchange differences previously accumulated in the foreign currency translation reserve are reclassified to profit or loss on the disposal or partial disposal of the foreign operation.

Revaluation reserve for available for sale investments

When measuring financial assets available for sale (Note 15, 22) at their fair values the difference shall be recognized as Revaluation reserve for available for sale investments. It shall be recycled to income statement at the time of disposal or impairment.

	Revaluation reserve for available for sale investments HUFm
At 1 January 2013	**2,463**
Recycled through Other comprehensive income	(8)
Revaluation gross	2,764
Deferred tax effect	(304)
At 31 December 2013	**4,915**
Recycled through Other comprehensive income	(1)
Revaluation gross	(3,253)
Deferred tax effect	215
At 31 December 2014	**1,876**

Equity-settled share based payment presented within retained earnings

Equity-settled employee benefits reserve is presented within Retained earnings, therefore current year's effect is shown in the Consolidated Statement of Changes in Equity.
The reserve contains equity-settled share-based payments to employees measured at the fair value of the equity instruments at the grant date. Please see more detailed in Note 25 Treasury shares.

	2014 HUFm	**2013** HUFm
Expense recognized in current year	5,239	5,182
Treasury share given (Note 25)	4,954	5,247
Total changes in reserve presented in the Consolidated Statement of Changes in Equity	**285**	**(65)**

25. Treasury shares

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.

Ordinary shares	**2014** Numbers	**2013** Numbers
at 1 January	**166,778**	**558,860**
Out of these, number of shares owned by subsidiaries	*105,500*	*105,500*
Share purchase	2,482,083	892,560
Transferred as part of bonus program	(400,776)	(375,370)
Individual bonuses	(422,760)	(507,276)
Granted pursuant to the National Tax and Customs Administration -approved plan	(478,725)	(415,177)
Granted pursuant to the National Tax and Customs Administration -repurchased	19,087	13,181
at 31 December	**1,365,687**	**166,778**
*Out of these, number of shares owned by subsidiaries**	*1,361,988*	*105,500*

	2014 HUFm	**2013** HUFm
Book value		
at 1 January	**321**	**1,716**
Share purchase	9,514	3,852
Transferred as part of bonus program	(1,607)	(1,526)
Individual bonuses	(1,713)	(1,913)
Granted pursuant to the National Tax and Customs Administration -approved plan	(1,710)	(1,857)
Granted pursuant to the National Tax and Customs Administration -repurchased	76	49
at 31 December	**4,881**	**321**

26. Trade payables

	31 December 2014 HUFm	31 December 2013 HUFm Restated*
Trade payables	36,334	41,926
Amount due to related companies	1	-
Total	**36,335**	**41,926**

* Restated due to IFRS 11 Joint arrangements (see Note 37).

27. Other payables and accruals

	31 December 2014 HUFm	31 December 2013 HUFm Restated*
Short term accruals	8,740	8,247
Other liabilities	24,638	7,695
Fair value of open forward exchange contracts	113	288
Subtotal of financial liabilities	**33,491**	**16,230**
Wages and payroll taxes payable	5,534	5,689
Dividend payable	147	136
Deposits from customers	542	1,190
Accrual for taxes and social contributions of share options and other bonuses	508	539
Total	**40,222**	**23,784**

* Restated due to IFRS 11 Joint arrangements and classification of Provisions to non-current and current by term (see Note 37).

The Group has performed acquisitions with contingent-deferred purchase prices since 2010. These purchase prices are measured at fair value (probability weighted discounted amount) and the uncertainties related to them are presented in Note 3.1.
The liabilities presented in the financial statements related to these purchase prices (presented as other items in this note and in Note 30) are as follows:

	31 December 2014 HUFm	31 December 2013 HUFm
Non-current liabilities		
PregLem	-	11,915
GRMED	8,019	12,537
GR Mexico	683	-
	8,702	**24,452**
Current liabilities		
PregLem	14,705	-
GRMED	6,419	5,636
GR Mexico	384	-
	21,508	**5,636**
Total	**30,210**	**30,088**

Change in the fair value of the above purchase prices are presented in Note 11.

28. Provisions

	31 December 2014 HUFm	31 December 2013 HUFm
Other short term provisions	1,107	1,338
Long term provisions –		
For retirement and other long term benefits*	2,770	1,843
from this defined retirement benefit plans at the Parent	*1,285*	*1,256*
from this defined retirement benefit plans at GR Polska	*290*	*213*
from this defined retirement benefit plans at PregLem	*55*	*51*
Total	**3,877**	**3,181**

* The balance not described in more details below contains jubilee and similar long term benefits.

Current provisions include provisions created to the estimated liability based on the record of the 2014 audit by the National Tax and Customs Administration (HUF 214 million). Since the value of the provision was determined based on the resolution (see Note 41) therefore the uncertainty of the amount is limited.

From the defined benefit plans of the Group, it is considered that only the pension plan operated by the Parent Company is significant, therefore further disclosures are provided only related to that. Since the plan is operated in Hungary therefore the benefits and the disclosures below are determined in Hungarian Forint.

Defined retirement benefit plans at the Parent

Actuarial valuation related to retirement benefit plans

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

As a result of change in the collective agreement, the employees become eligible for a new benefit that has been accounted for as past service cost described below. 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 valuation method

In line with IAS 19, defined benefit obligation was calculated by using Projected Unit Credit Method. The estimated amount of the benefit shall be accounted in equal amounts for each period until the maturity date (straight line method), and valued at present value by using actuarial discount rate.

Any reasonable change in the key assumptions are not expected to result in a significant change in the value of provision therefore a detailed sensitivity analysis is not required for the variables of the valuation model.

The calculation is applied for all employees employed at the balance sheet date.

	2014 HUFm	2013 HUFm
Opening value of retirement benefit	1,256	880
Interest costs (charged to the P&L)	41	69
Current service costs (charged to the P&L)	105	59
Settlement	(75)	(44)
Recognized past service cost (charged to the P&L)	0	343
Actuarial gains (charged to the OCI)	(42)	(51)
Retirement benefit	**1,285**	**1,256**

The principal actuarial assumptions were as follows:

The estimation was performed with a 2.5% annual increase in the wages.

Discount rate

The discount calculation is made according to IAS requirements "on the basis of available high quality corporate bonds or, in the absence thereof, of government securities in the given market."
When estimating the level of interest we apply the yields of long term government securities established by EUROSTAT on a country by country basis for the reported year and published at the date closest to the assessment.
In the present case the yield published in December 2014 was used to determine the discount rate for the calculation of liabilities. The table below shows the 2014 yields published for Hungary:

Monthly yields of long term Hungarian government bonds in 2014

%

January	February	March	April	May	June	July	August	September	October	November	December
-	6.03	5.83	5.56	5.01	4.5	4.33	4.73	4.59	4.21	3.7	3.62

Source: European Central Bank/EUROSTAT

max	6.03%	February		
min	3.62%	December	Dec/Feb	60.0%
average	4.74%			

In this calculation the year end interest rate (3.62%) was applied.

Distribution of probability of resigning in terms of the age of employees and the duration of their employment

Relying on factual data the probability of resigning was estimated on the basis of annual average probability of resigning in groups set up by duration of employment as shown in the following table. At the same time to reckon with future uncertainty a risk factor increasing in time is taken into account.

Term of employment at Richter	Annual average probability of resigning	Uncertainty factor related to the probability of resigning
Relevant data applied during the actuarial calculation:		
between 1-5 years	7.5%	5.0%
between 6-15 years	3.5%	10.0%
between16-30 years	1.5%	15.0%
over 30 years	1.0%	25.0%

29. Borrowings

The credits are not secured by registered mortgages on real estates and inventories.

	31 December 2014 HUFm	31 December 2013 HUFm Restated*
Long-term borrowings	44,155	54,781
Short-term borrowings	14,525	5,037
Total	**58,680**	**59,818**

* Restated due to IFRS 11 Joint arrangements (see Note 37).

The long-term borrowing contains club credit facility of EUR 150 million taken in November 2010 by Gedeon Richter Plc. for 5 year period. The purpose of this facility is to finance general objectives of the Parent Company. The club comprises ING Bank Zrt, Raiffeisen Bank Zrt. and K&H Bank Zrt. The outstanding balance of the loan as of 31 December 2013 was EUR 50 million (HUF 14,846 million) as a result of a repayment of EUR 100 million ahead of schedule in June 2013. Outstanding liabilities of the Group are EUR 33.3 million (HUF 10,497 million) in respect of the club credit facility after the repayment of EUR 16.7 million, settled in 2014.

In June 2011 Gedeon Richter Plc. and the European Investment Bank (EIB) signed a EUR 150 million credit line contract with a 9 year term comprising an initial 3 year period of grace followed by a 6 year repayment period. This agreement has as its aim the financing during the period of 2011-2014 of Richter's original research activities targeting compounds, which are active in diseases of the Central Nervous System, combined with the development of bio similar products. The total amount of the credit facility is to be utilised in several tranches within 18 months from the signing of the agreement. Total credit line has been drawn down until 31 December 2013. The outstanding balance of this borrowing as of 31 December 2013 was EUR 150 million (HUF 44,537 million), while as of 31 December 2014 EUR 150 million (HUF 47,234 million).

30. Other non-current liabilities and accruals

	31 December 2014 HUFm	31 December 2013 HUFm Restated*
Long term accruals	1,317	1,455
Other non-current liabilities	8,739	24,889
Total	**10,056**	**26,344**

* Restated due to IFRS 11 Joint arrangements and classification of Provisions to non-current and current by term (see Note 37).

The most significant portion of the other non-current liabilities are related to the contingent-deferred purchase prices described in more details in Note 3.1 and Note 27.
The long term accruals consist of government grants relating to property, plant and equipment.

31. Dividend on ordinary shares

	2014 HUFm	2013 HUFm
Dividend on ordinary shares	10,614	12,271

A dividend of HUF 57 per share (HUF 10,614 million) was declared in respect of the 2013 results, approved at the Company's Annual General Meeting on 24 April 2014 and paid during the year.

32. Agreed capital commitments and expenses related to investments

Data are presented for the Parent Company and the most significant Russian subsidiary.

	2014 HUFm	2013 HUFm
Contractual capital commitments of Parent	5,124	2,977
Contractual capital commitments of ZAO Gedeon Richter -RUS	121	2,242
Capital expenditure that has been authorised by the directors but has not yet been contracted for at Parent	23,868	21,130
Capital expenditure that has been authorised by the directors but has not yet been contracted for at ZAO Gedeon Richter-RUS	1,332	2,170

The capital expenditure programme of the Parent Company approved by the Board of Directors totalling HUF 28,992 million comprises all costs associated with capital expenditure planned for 2015. The above commitments were not recorded either in the Income Statement or in the Balance sheet.

33. Operating lease – Group as lessee

Operating lease commitments of the Group (based on the contracts effective as of the year end) are mainly related to car and building rental. The non-cancellable operating lease commitments are as a follows:

	2014 HUFm	2013 HUFm Restated*
Within 1 year	4,858	5,465
Between 1 and 5 years	9,128	10,781
Over 5 years	2,601	2,596
Total	**16,587**	**18,842**

* Restated due to IFRS 11 Joint arrangements (see Note 37).

The agreements do not include purchase option.

In 2014 HUF 7,983 million and in 2013 HUF 7,076 million has been recorded as operating lease cost.

34. Guarantees provided by the Group

The Group has not provided directly any guarantees to third parties. Guarantees provided by banks are presented in Note 10.

35. Social security and pension schemes

The Group has provided in relation to the employees in Hungary social contribution tax amounting to 27% and vocational training contribution amounting to 1.5% of gross salaries were paid during 2013 to the National Tax and Customs Administration by the Group. The Group 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 Parent Company contributes 6% of the monthly gross wages (maximum 50%of the current minimum wage) for those employees who decided to participate in the scheme. In addition, 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 within five years of the statutory retirement age. The total cost of the contributions made by the Parent Company was HUF 1,074 million in 2014 (in 2013: HUF 1,000 million).

The Parent 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 245.6 million during 2014 (in 2013 it was HUF 235 million for 4,903 employees).

Pension contribution paid by Hungary based subsidiaries in respect of their employees amounted to HUF 30 million in 2014 and HUF 31 million in 2013.

Foreign subsidiaries pay contributions to various pension funds in respect of their employees which amounted to HUF 316 million and HUF 258 million in 2014 and 2013, respectively.

The pension contribution paid by the Company and described above are Defined Contribution Plan.

None of the subsidiaries of the Group operate any similar pension schemes, but all Hungary based subsidiaries pay a contribution to pension fund and Patika Health Insurance Fund.

36. Business Combination

Business Combination in 2014

As part of its expansion in Central and South America, the Company started to acquire companies in Brazil and Mexico in December 2013. The main activity of the acquired companies will be to undertake registration tasks related to Richter's gynaecological products and to develop the marketing and promotion networks. The acquisitions (and their accounting) have been finalised in 2014.

The goodwill recognised on the acquisition of GR Mexico and Mediplus arose from the utilisation of the distribution and marketing capabilities of the companies, which will effectively promote launching and sales of the selected Richter products in the respective markets. The goodwill recognised on acquisition of GR Brasil is considered to be insignificant.

Gedeon Richter Mexico, S.A.P.I. de C.V.

The acquisition date was 1 January 2014.

	Carrying value HUFm	**Fair value** HUFm
Paid consideration satisfied by cash	**2,324**	-
Contingent-deferred liability (long term)	526	-
Contingent-deferred liability (short term)	295	-
Total consideration	**3,145**	-
Property, plant and equipments	101	101
Investments	88	88
Inventories	267	267
Trade receivables	509	509
Other current assets	345	345
Cash and cash equivalents	20	20
Trade and other payables	(773)	(773)
Fair value of net asset acquired	**557**	**557**
Goodwill	-	**2,588**

From the goodwill balance above HUF 2,588 million is expected to be deductible for tax purposes by the Parent Company.

Acquisition-related costs (audit fees and legal advice) of approximately HUF 16 million have been charged to Administrative and general expenses in the Consolidated Income Statement for the year ended 31 December 2014.

The Company contributed to the Profit for the year of the Group HUF 180 million and to the Net sales of the Group HUF 1,945 million in 2014.

In the amount presented in Consolidated Cash Flow HUF 2,324 million was taken into consideration, which was already paid in 2013.

Gedeon Richter do Brasil Importadora, Exportadora e Distribuidora S.A.

The acquisition date was 30 June 2014.

	Carrying value HUFm	**Fair value** HUFm
Total consideration paid by cash	**83**	
Non-controlling interest	**(2)**	
Property, plant and equipments	10	10
Other intangible assets	0	0
Other current assets	1	1
Cash and cash equivalents	18	18
Trade and other payables	0	0
Borrowings	(31)	(31)
Provisions	(2)	(2)
Fair value of net asset acquired	**(4)**	**(4)**
Goodwill		**85**

The goodwill balance above is not expected to be deductible for tax purposes by the Parent Company.

Acquisition-related costs (audit fees and legal advice) of approximately HUF 26 million have been charged to Administrative and general expenses in the Consolidated Income Statement for the year ended 31 December 2014.

The Company did not contributed significantly to the Profit for the year of the Group in 2014.

If the Company would have been acquired as of 1 January 2014 the Profit for the year would not be significantly affected.

Mediplus Group

The acquisition date was 30 June 2014.

	Carrying value HUFm	Fair value HUFm
Total consideration paid by cash	**1,363**	
Property, plant and equipments	7	7
Other intangible assets	2	2
Deferred tax asset	1	1
Loans receivable	15	15
Inventories	89	89
Trade receivables	443	443
Other current assets	60	60
Cash and cash equivalents	76	76
Borrowings	(65)	(65)
Trade payables	(228)	(228)
Other payables	(341)	(341)
Fair value of net asset acquired	**59**	**59**
Goodwill		**1,304**

From the goodwill balance above HUF 1,304 million is expected to be deductible for tax purposes by the Parent Company.

Acquisition-related costs (audit fees and legal advice) of approximately HUF 18 million have been charged to Administrative and general expenses in the Consolidated Income Statement for the year ended 31 December 2014.

Mediplus Group contributed to the Profit for the year of the Group HUF 191 million loss and to the Net sales of the Group by HUF 794 million in 2014.

If the Mediplus Group would have been acquired as of 1 January 2014 the Profit for the year would have been higher by HUF 31 million and the Net sales would have been higher by HUF 617 million.

No non-controlling interest has been recognised on the acquisition of Mediplus and GR Mexico in accordance with explanation in Note 13.1.

Business Combination in 2013

In 2013 Richter Gedeon Plc. announced that it had 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 the Company and the agreement terms included an upfront payment together with milestone payments in the forthcoming years. The purchase price is depending on future profit of certain products in China.

The acquisition date was 31 December 2013.

	Carrying value HUFm	**Fair value** HUFm
Paid consideration satisfied by cash	**(3,790)**	-
Contingent-deferred liability (long term)	(12,537)	-
Contingent-deferred liability (short term)	(5,636)	-
Total consideration	**(21,963)**	-
Property, plant and equipments	1	1
Trade receivables	405	405
Other current assets	141	141
Cash and cash equivalents	806	806
Trade and other payables	(668)	(668)
Other intangible asset (Reacquired right)	-	2,335
Deferred tax liability	-	(584)
Fair value of net asset acquired		**2,436**
Goodwill	-	**19,527**

From the goodwill balance above HUF 18,944 million is expected to be deductible for tax purposes by the Parent Company.

The goodwill represents future synergies expected to be exploited as a result of cooperation between Richter and GRMed which is the 5th largest service provider in China.

Acquisition-related costs (audit fees and legal advice) of HUF 27 million have been charged to Administrative and general expenses in the Consolidated Income Statement for the year ended 31 December 2013.

The acquired company has provided service exclusively to the Parent Company in 2013 on a cost plus mark-up basis. If the company would have been acquired as of 1 January 2013 the Profit for the year would have been higher by HUF 107 million.

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

In the amount presented in Consolidated Cash Flow has taken into consideration HUF 2,337 million, which was already paid in 2012.

37. Adjustments in connection with Consolidated Financial Statements as of 31 December 2012 and 2013

The Group has initially applied IFRS 11 in the current financial period. As a result of that the investment in Medimpex Irodaház Kft (joint venture with Egis Plc) and the investments in Richter-Helm BioTec Management GmbH and Richter-Helm BioTec GmbH & Co. KG (joint venture with HELM A.G) are consolidated with equity method. In accordance with the transitional provision of the standard, the prior periods have been restated.

The Group has reassessed the presentation of the provision for employee benefits and the government grant relating to property plant and equipments that were incorrectly presented as current liability in the prior financial statements. Based on this assessment the Group restated the related current and non-current liabilities in these financial statements.

The effect of these adjustments is in the following table:

Consolidated Balance Sheet

	1 January 2013	Change	1 January 2013	31 December 2013	Change	31 December 2013
	HUFm	HUFm	HUFm	HUFm	HUFm	HUFm
	As previously presented		Restated	As previously presented		Restated
Property, plant and equipment	158,508	(182)	158,326	163,465	(12)	163,453
Investment property	1,090	(1,090)	-	1,271	(1,271)	-
Investments in associates and joint ventures	2,115	1,149	3,264	2,867	1,156	4,023
Loans receivables	5,051	294	5,345	5,774	(2,060)	3,714
Trade receivables	102,476	135	102,611	102,159	124	102,283
Other current assets	16,582	(61)	16,521	17,299	(2)	17,297
Current tax asset	1,117	(2)	1,115	541	(3)	538
Cash and cash equivalents	101,505	(294)	101,211	106,832	(255)	106,577
Borrowings (non-current)	73,163	-	73,163	57,059	(2,278)	54,781
Provisions (non-current)	-	1,608	1,608	-	1,843	1,843
Other non-current liabilities and accruals	11,568	988	12,556	24,891	1,453	26,344
Borrowings (current)	148	-	148	5,052	(15)	5,037
Trade payables	40,033	(7)	40,026	41,942	(16)	41,926
Other payables and accruals	15,015	(1,032)	13,983	25,251	(1,467)	23,784
Provisions (current)	2,479	(1,608)	871	3,181	(1,843)	1,338

Consolidated Income Statement

	2013 HUFm As previously presented	Change HUFm	2013 HUFm Restated
Total revenues	351,424	462	351,886
Cost of sales	(131,332)	813	(132,145)
Gross profit	220,092	(351)	219,741
Administration and general expenses	(19,393)	48	(19,345)
Research and development expenses	(41,953)	1,153	(40,800)
Other income and expenses (net)	(6,178)	27	(6,151)
Profit from operations	45,569	877	46,446
Share of profit of associates and joint ventures	763	(888)	(125)
Finance income	16,082	(1)	16,081
Finance costs	(18,774)	8	(18,766)
Net financial (loss)/income	(2,692)	7	(2,685)
Profit before income tax	43,640	(4)	43,636
Income tax	(1,209)	4	(1,205)

Consolidated Statement of Comprehensive Income

	2013 HUFm As previously presented	Change HUFm	2013 HUFm Restated
Items that may be subsequently reclassified to profit or loss			
Exchange differences arising on translation of foreign operations	(2,840)	56	(2,784)
Exchange differences arising on translation of associates and joint ventures	-	(56)	(56)

Consolidated Statement of Changes in Equity

	Share capital	Share premium	Capital reserves	Treasury shares	Revaluation reserve for available for sale investments	Foreign currency translation reserves	Retained earnings	Attributable to owners of the parent	Non-controlling interest	Total
	HUFm	HUFm	HUFm	HUFm	HUFm	HUFm	HUFm	HUFm	HUFm	HUFm
Exchange differences arising on translation of foreign operations in 2013 as previously presented	-	-	-	-	-	(2,714)	-	**(2,714)**	(126)	**(2,840)**
Change	-	-	-	-	-	56	-	**56**	-	**56**
Exchange differences arising on translation of foreign operations 2013 as restated	-	-	-	-	-	(2,658)	-	**(2,658)**	(126)	**(2,784)**
Exchange differences arising on translation of associates and joint ventures in 2013 as previously presented	-	-	-	-	-	-	-	-	-	-
Change	-	-	-	-	-	(56)	-	**(56)**	-	**(56)**
Exchange differences arising on translation of associates and joint ventures in 2013 as restated	-	-	-	-	-	(56)	-	**(56)**	-	**(56)**

Consolidated Cash Flow Statement

	2013 HUFm As previously presented	Change HUFm	2013 HUFm Restated
Operating activities			
Depreciation and amortisation	28,303	(2)	28,301
Non cash items accounted through Total Comprehensive Income	(527)	174	(353)
Net interest and dividend income	(3,481)	(3)	(3,484)
Income tax recognised through Consolidated Income Statement	1,209	(4)	1,205
Loss on disposal of property, plant and equipment and intangible assets	1,343	(209)	1,134
Movements in working capital			
Decrease in trade and other receivables	146	(48)	98
(Decrease)/increase in payables and other long and short term liabilities	6,215	21	6,236
Income tax paid	(3,987)	5	(3,982)
Net cash flow from operating activities	**74,008**	**(66)**	**73,942**
Investing activities			
Payments for property, plant and equipment	(25,343)	41	(25,302)
Repayments of loans receivable	1,569	61	1,630
Interest and similar income	4,068	3	4,071
Net cash flow from investing activities	**(35,132)**	**105**	**(35,027)**
Net (decrease)/increase in cash and cash equivalents	**8,057**	**39**	**8,096**
Cash and cash equivalents at beginning of year	**101,505**	**(294)**	**101,211**
Cash and cash equivalents at end of year	**106,832**	**(255)**	**106,577**

38. Contingent liabilities

Uncertain tax position in Romania

From 1 October 2009 the Government approved a debated claw back regime in the range of 5-12 % (aimed at financing the overspending of the national pharmaceutical budget) to be paid to the CNAS by the domestic manufacturers and wholesalers from sales of reimbursed drugs. The Group has similar taxes in other countries which are treated as other expense in the Consolidated Financial Statements. On 1 October 2011, a new version of Romania's pharmaceutical claw back mechanism came into force levying direct liabilities for the domestic and foreign manufacturers. No provision has been recorded related to the contingent liabilities for the periods preceding 1 October 2011. The uncertain tax position has not been quantified in the Financial Statements because there is an ongoing debate on the taxable person and the calculation of the tax, therefore reliable estimate can not be made on the exposure.

39. Related party transactions

Balances and transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and are not disclosed in this note. Details of transactions between the Group and other related parties are disclosed below.

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.

	2014 HUFm	2013 HUFm
Dividend paid to MNV Zrt.	2,682	3,105

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.

39.1 Related parties

The Group has not provided any long or short-term loans to its key management personnel. Loans given to associated companies, joint ventures are both long and short term loans.

	31 December 2014 HUFm	31 December 2013 HUFm Restated*
Loans to associated companies	3,629	3,750
Loans to joint ventures	78	291
Related receivables (joint ventures)	106	248
Related receivables (associates)	1,162	3,312
Related payables (associates)	1	-
Revenue from joint ventures	1,852	1,684
Revenue from associates	13,420	12,353

* Restated due to IFRS 11 Joint arrangements (see Note 37).

The loans are nominated in Hungarian Forint, out of which HUF 1,159 million expires within a year HUF 2,450 million between 1 and 2 years, HUF 98 million between 2 and 5 years.
Revenues from related parties almost exclusively represents sale of pharmaceutical products. The Group has no open trading commitments with related parties as of 31 December 2014.

Richter has financing obligations to Richter-Helm BioTec GmbH & Co. KG (joint ventures), which requires further capital contributions to finance the clinical and registration stage of Teriparatide.

All related-party transactions were made on an arm's length basis.

39.2 Remuneration of the Board of Directors and the Supervisory Board

	Short-term benefits - Allowance	
	2014	2013
	HUFm	HUFm
Board of Directors	70	76
Supervisory Board	24	24
Total	**94**	**100**

39.3 Key management compensation

	31 December 2014	31 December 2013
	HUFm	HUFm
Salaries and other short term employee benefits	706	717
Share based payments	1,114	1,411
Total short term compensation	**1,820**	**2,128**
Pension contribution paid by the employer	491	575
Total	**2,311**	**2,703**

The table above contains the compensation received by the chief executive officer, directors and other senior member of management, constituting 43 people.
There were redundancy payments to key management members neither in 2013 nor in 2014.

40. Notable events in 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 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.

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 (HUF 2,346 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.

41. Events after the date of the balance sheet

In 2014 a full-fledged tax audit of the business years 2011 and 2012 was conducted at the Company. The audit record and the resolution was received on 2 February 2015, the provision related to that is disclosed in Note 28. The tax authorities may at any time inspect the books and records audited in a period of up to six years following the current year and may impose additional tax assessments with penalties and penalty interest. Management is not aware of any circumstances which may give rise to a potential additional material liability in this respect.

On 28 November 2012 Richter announced that its partner Forest Laboratories (later acquired by Actavis Plc.) submitted a new drug application (NDA) to the United States Food and Drug Administration (FDA) for cariprazine. On 21 November 2013 the two companies announced that the FDA issued a so-called Complete Response Letter 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 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.

As of 15 January 2015 the Swiss National Bank deleted the exchange rate floor against the euro that had been in place from 2011. As a result the Swiss franc started to rise. Regarding the acquisition of its Swiss subsidiary, PregLem S.A., the Group is affected by the Swiss franc rate movements due to the CHF denominated contingent-deferred purchase price liability. The maximum amount of exposure of the Group relating to the contingent-deferred purchase price amounts to be CHF 60 million, therefore 1 CHF/HUF increase in the currency rate, increase the potential liability by HUF 60 million.

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

On 19 February 2015 Gedeon Richter Plc. and Evestra Inc.announced that they have signed a collaboration agreement in which Richter is providing a US$ 5 million convertible loan to Evestra. Under the terms of the agreement, after three years Richter has an option to decide whether the loan is to be reimbursed, including earned interest, or converted into an equity stake in Evestra. The funds will empower Evestra to accelerate the development of its innovative women's health product pipeline into clinical stages.

Except for the above mentioned events, there were no events after balance sheet date that would influence the presentation of the Group financial statements.

42. Approval of financial statements

Current consolidated financial statements have been approved by the Board of Directors and authorised for release at 23 March 2015.

These Consolidated Financial Statements of the Company were approved for issue by the Company's Board of Directors (the Board), however, the Annual General Meeting (AGM) of the owners, authorized to accept these financials, has the right to require amendments before acceptance. The probability if any potential change required by the AGM is extremely remote.

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GEDEON RICHER PLC.

CONFIDENTIAL

Consolidated
BUSINESS REPORT
2014

Erik Bogsch
Managing Director

Budapest, 23 March 2015

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1. General data

1.1 Brief History of Richter Group

The parent company

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

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

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

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.

Major consolidated companies and related changes in the Group

a. Pharmaceutical production segment

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

Latin-America

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 S.A.** 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.

b. 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 commercial units continue 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 O.O.O.** 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 customers 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.

c. Other consolidated companies segment

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.

Impact of the market environment; the Group's global strategy and activity

With its global business comprising five continents, Richter Group 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. The Group's 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 parent 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 Group 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 the Group 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 the parent company'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 underfunded, which led the Group 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 the Group 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, archiving 90% in 2014.
The Group developed a long-term collaboration 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 for it by introducing new products and efficient marketing.

1.2 Main objectives for 2014

The Group'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; further development of cooperation between Group companies; 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:

- The pharmaceutical production segment significantly increased its income from sales in the EU markets (particularly in the EU15), as well as in Other CIS countries and China.

- 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 (myoma). 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, and a network of pharmaceutical representatives specialized in gynaecological treatments was developed in all of the companies.

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

- At the end of 2011 Richter 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 with 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.

1.3 Share structure of Gedeon Richter Plc.

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 held by the Group

Parent company	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

As of 31 December 2014 the subsidiaries held a total of 1,361,988 Richter shares.
Following the decision of the Board of Directors 823,536 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, in order to appropriately control the Group's operation in compliance with continuously developing international practices.

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

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

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

1.6 Branch (parent company)

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 parent 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 parent 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 parent 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 parent 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 Richter has prepared consolidated financial statements only 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. The Group's 2014 operating review

2.1 The balance sheet as of 31 December 2014

In accordance with IFRS 11 Joint Arrangements effective from 1 January 2014 companies in which the Group has 50% holding are considered as joint control companies and are consolidated by means of the equity method.
As a point of change in the presentation of the financial statements, from 2014 the Provision for employee benefits is reported in long-term liabilities, and state support related to asset purchases is reported in the long-term accruals item in the IFRS balance sheet. The 2013 reference figures have been restated.

ASSETS

The Group's assets amounted to HUF 720,057 million, HUF 5,913 million (0.8%) higher than the opening value. Non-current assets were up by HUF 10,397 million, and current assets were down by HUF 4,484 million.

Non-current assets
Non-current assets amounted to HUF 425,343 million in the reported period, HUF 10,397 million (2.5%) up from the reference figure. The HUF 10,124 million (19.9%) increase in goodwill results from recording of the Mexico, Brazil and Curaçao acquisitions and from revaluation as of the balance sheet date. The HUF 6,945 million (4.8%) increase in Other intangible assets stems from the acquisition of the intellectual property rights of ulipristal acetate for the Latin American region and from the license and cooperation agreement relating to bremelanotide. Long-term debt securities reclassified as current assets and the change in the fair value of the shares of the Russian wholesale and retail group Protek resulted in a drop in financial investments (HUF -19,054 million).

Current assets

Current assets were 1.5% or HUF 4,484 million below the reference figure of HUF 299,198 million. The main contributor of the decline is the drop in cash and cash equivalents (HUF -8,637 million) due primarily to a EUR 17 million repayment of the Club loan facility and the purchase of own shares. In addition current assets were also reduced by the lower level of trade receivables (HUF -7,028 million). The HUF 17,057 million increase in securities was caused by the reclassification of long-term debt securities as maturing within one year.

SHAREHOLDERS' EQUITY AND LIABILITIES

- In 2014 *shareholders' equity* was HUF 561,730 million, 1.9%, higher compared to the restated 31 December 2013 figure.

- The Group's *total liabilities* amount to HUF 158,327 million.
  Non-current liabilities were HUF 65,857 million, HUF 24,799 million below the 31 December 2013 figure. Liabilities are reduced by a EUR 46 million loan portfolio the parent company reclassified as current liabilities. The combined value of Other long-term liabilities and Accrued and deferred liabilities is HUF 16,288 million less year-on-year due mainly to reclassification of the deferred acquisition price of PregLem as a liability due and payable within one year.
  Current liabilities amounted to HUF 92,470 million as of 31 December 2014, 27.9% exceeding the 31 December 2013 figure, primarily as a result of the reclassifications described above. This impact was attenuated by a drop in accounts payable.

2.2 The 2014 income statement

In accordance with IFRS 11 Joint Arrangements effective from 1 January 2014 companies in which the Group has 50% holding are considered as joint control companies and are consolidated by means of the equity method. The 2013 reference figures have been restated accordingly.

The Group's post-tax profit for 2014 is HUF 25,034 million, HUF 17,397 million (41.0%) lower year-on-year. The 2014 Ukraine crisis and the massive devaluation of the rouble severely reduced the turnover in Russia and Ukraine, which even the rising sales in the EU 15 member states, China, Other CIS countries and the United States could not offset. The increase in the Other expenses due the absence of milestone fee income and to an increase in claw back payments, as well as the significant financial loss recorded on the revaluation of rouble denominated assets and of deferred purchase price liabilities caused substantial loss and had a negative impact on earnings.

Richter Group's activity can be classified into three operating segments. The Pharmaceutical Production segment includes the companies that are involved in the Group's core business, i.e. research, development and production of pharmaceutical products; it also includes the distribution and marketing companies that are directly involved in the sales and promotion of products. The wholesale and retail segment includes the performance of distribution companies and pharmacies that are part of the sales network in the various regional markets and, as such, convey our products to consumers. The third operating segment (Other Consolidated Companies) presents all the other consolidated companies that provide services in support of the production members of the Group, and are also engaged in non-pharmaceutical activities.

	Pharmaceutical Production segment		Wholesale and Retail Trade segment		Other Consolidated Companies segment		Filters		**Group total**	
	2013 HUF million	2014 HUF million	2013 HUF million	2014 HUF million	2013 HUF million	2014 HUF million	2013 HUF million	2014 HUF million	**2013 HUF million**	**2014 HUF million**
Total sales	305,210	305,149	53,531	55,410	4,713	4,544	(11,568)	(11,394)	**351,886**	**353,709**
Gross profit	212,514	206,958	5,955	6,351	1,344	884	(72)	(134)	**219,741**	**214,059**
Operating profit	47,667	39,503	(912)	(1,718)	102	111	(411)	(149)	**46,446**	**37,747**
Share of profit of associates	(917)	(359)	785	1,240	7	(13)	-	(40)	**(125)**	**828**
Closing headcounts	9,861	9,801	1,460	1,481	322	320	-	-	**11,643**	**11,602**

2.2.1 Income from sales

Income from the pharmaceutical production 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.

Region	2013** HUF million	2014 HUF million	Variance HUF million	%
Hungary	30,338	31,971	1,633	5.4
Export				
CIS	142,347	125,759	-16,588	-11.7
EU *	92,963	99,169	6,206	6.7
USA	14,143	16,072	1,929	13.6
China	10,400	13,612	3,212	30.9
Latin America	3,356	5,786	2,430	72.4
Other Countries	11,663	12,780	1,117	9.6
Export total	274,872	273,178	-1,694	-0.6
Total	*305,210*	*305,149*	*-61*	*0.0*

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

Net sales **totalled** HUF 305,149 million, approximately the same as the 2013 figures.

Income from the 2014 pharmaceutical production segment's sales was 5.4% higher compared to the reference year. Export in HUF was 0.6% down; and in EUR, 4.5% up year-on-year.

There were substantial changes in the breakdown of export by regions compared to the reference year: after a decrease of 6%points the CIS markets continue to retain the biggest share (41%). The EU states' share increased by three percentage points and contributed 33%. The contribution of Hungary, the United States and the Other Countries region was 11%, 5% and 4% respectively. Chinas' turnover contributed 4% in 2014 and grew one percentage point year-on-year. Presented as a separate region from 2014, Latin America's turnover contributed 2% to the 2014 sales income.

Based on the 2014 year-end figures, the pharmaceutical production segment realized HUF 31,971 million sales **in the Hungarian market**, 5.4% (or HUF 1,633 million) above the 2013 figure.

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 price 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.

With this performance the Company's market share was 5.4% in 2014, 0.1% above the reference year's figure. Richter ranked second in the prescription drugs market with a share of 7.4%.

The pharmaceutical production segment's income from **export** increased from HUF 274,872 million (EUR 926.2 million) in 2013 to HUF 273,178 million (EUR 884.9 million) in 2014.

Russia continues to be the leading market of the **CIS region and also of the Company,** with turnover denominated in EUR 18.6% below the reference year figure, also largely influenced by the massive devaluation of the rouble against the euro. As regards driver products, sales of Panangin, oral contraceptives, Cavinton, Diroton, Normodipine, Verospiron and Decaris plummeted, offset by rising sales of Pregabalin-Richter, Stopdiar, Airtal, Singlon and Esmya.

Sales in Ukraine dropped by EUR 16.4 million compared to 2013 resulting in a 23.0% sink in sales income. In Ukraine, lagging Groprinosin, Cavinton and Mydocalm sales resulted in falling turnover. Richter has introduced a more stringent receivables management policy and has reduced shipments to Ukraine since the beginning of 2014 because of volatile political and economic environment. As regards Other CIS states, sales in Uzbekistan and Belarus soared but were dampened by plummeting Kazakh sales income.

The total turnover achieved in the CIS market was HUF 125,759 million, 46% of total export. Year-on-year decrease was 11.7% (HUF 16,588 million). Expressed in Forex, the turnover was EUR 407.3 million with a 15.1% increase year-on-year.

Sales in the **European Union** totalled HUF 99,169 million, 6.7% above the 2013 figure. The region's contribution to exports grew to 36%. Expressed in Forex, the increase amounted to EUR 321.2 million with a 2.5% increase y/y.

The turnover realized in the pharmaceutical markets of the EU15 region was HUF 45,866 million (EUR 148.6 million), 22.0% (17.3 % in EUR) above the reference year figure. 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 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 54% in 2014 with a 7.5% drop in sales income in euro. The drop is mainly attributed to Polish and Czech oral contraceptives.

The turnover realised in the **United States of America** was up by 13.6% (HUF 1,929 million), or expressed in dollar, by 9.5% (USD 6.0 million). Rising sales of the Plan B contraceptive branded One Step and of Prosterid exceeded the drop in income resulting from the profit sharing agreement.

Turnover in the **Chinese market** was HUF 13,612 million (EUR 44.1 million) with a y/y increase of HUF 3,212 million (or EUR 9.0 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 its income generated in the **Latin American market** as a separate region as of 1 January 2014. Income from sales in these countries achieved a 72.4% (expressed in dollar, a 66.6%) increase and amounted to HUF 5,786 million (USD 24.9 million). The sales increase is attributed mainly to oral contraceptives. The contribution of this region to total export was 2%.

In the category of **Other Countries**, oral contraceptives were the leading products. In the Other Countries region the turnover was HUF 12,780 million (EUR 41.4 million).

Compared to 2013, turnover was 9.6% higher (in Forex, 5.3% higher). The contribution of this region to total export was 5%.

The contribution of priority products to the pharmaceutical production segment's sales

Finished products contributed approximately 94% to the 2014 sales revenues. The contribution of APIs was 3%.

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

2013				2014			
Rank		Sales HUF million	Share %	Rank		Sales HUF million	Share %
1	Oral contraceptives	85,954	28.2	1	Oral contraceptives	86,182	28.2
2	Cavinton/vinpocetine	24,358	8.0	2	Cavinton/vinpocetine	24,180	7.9
3	Mydeton/tolperisone	18,914	6.2	3	Mydeton/tolperisone	18,239	6.0
4	Panangin/asparaginates	18,480	6.1	4	Verospiron/ /spironolactone	14,102	4.6
5	ACE inhibitors /enalapril, lisinopril	14,606	4.8	5	Panangin/asparaginates	13,631	4.5
6	Verospiron/ /spironolactone	13,238	4.3	6	ACE inhibitors /enalapril, lisinopril	11,656	3.8
7	Lisonorm /lisinopril, amlodipine	8,510	2.8	7	Esmya /ulipristal acetate	10,377	3.4
8	Groprinosin	7,648	2.5	8	Lisonorm /lisinopril, amlodipine	8,777	2.9
9	Aflamin/aceclofenac	7,454	2.5	9	Aflamin/aceclofenac	7,928	2.6
10	Quamatel/famotidine	7,369	2.4	10	Quamatel/famotidine	7,481	2.5
	Total	206,531	67.8		Total	202,553	66.4
	Net income from sales	*305,210*	*100.0*		*Net income from sales*	*305,149*	*100.0*

The contribution of the ten leading product categories to total sales was 66.4%, 1.4 percentage points lower than the reference year's figure.

Oral contraceptives are the leading products with a turnover of HUF 86.2 billion, 0.3% higher than in 2013. The increase was the effect mainly of the rising turnover of emergency contraceptive products and of the portfolio acquired from Grünenthal. The change is due primarily to an increase in the Mexican, British, Spanish and Italian markets, which was dampened by shrinking markets in Russia, Poland and the Czech Republic. The contribution of this product category to total turnover was 28.2%, the same as last year. The second most important product is our proprietary Cavinton with a turnover of largely the same as in the previous year (decline in Russia and rising sales income in China). Despite declining sales (mainly in Ukraine) Mydeton retained its third place. Due to a keen American, Spanish and Polish turnover Verospiron advanced two position up in the league table and is currently fourth. Conversely, Panangin, ACE inhibitors and Lisonorm each slipped back a place primarily because of falling Russian sales. Esmya finished an outstanding 7th with a 115.0% year-on-year increase in sales income. Rising turnover is attributed to Esmya's successful introduction to a growing number of markets.

Aflamin and Quamatel retained their respective 9th and 10th place in the league table. Groprinosin is no longer among the top 10 products, due mainly to slipping sales in Ukraine.

The contribution of leading markets to the sales of the pharmaceutical production segment

In 2014 the Pharmaceutical Production segment's ten leading markets were as follows:

		2014	
		HUF million	EUR million
1.	Russia	84,525	273.8
2.	Hungary	31,971	103.5
3.	Germany	20,542	66.5
4.	Poland	19,805	64.1
5.	Ukraine	16,999	55.0
6.	United States of America	16,072	52.1
7.	China	13,612	44.1
8.	Romania	8,885	28.8
9.	Czech Republic	7,646	24.8
10.	Slovak Republic	6,123	19.8
	Total	226,180	732.5
	Net income from sales	*305,149*	*988.4*

The ten leading countries jointly contributed 74.1% to Richter Group's total pharmaceutical sales. Despite significantly declining sales Russia continues to be the leading market. Hungary kept its second place. Germany advanced two places (3rd) while Poland and Ukraine fell back. The U.S., China, Romania and the Czech Republic retained their previous year's position. Kazakhstan did not make it to the top 10 and yielded its place to the Slovak Republic among the leading markets.

Turnover of the wholesale and retail segment

	2013**	2014	Variance	
	HUF million	HUF million	HUF million	%
Hungary	215	132	-83	-38.6
Export				
CIS	11,662	12,883	1,221	10.5
EU *	38,491	39,105	614	1.6
USA	-	-	-	-
China	-	-	-	-
Latin America	3,163	3,290	127	4.0
Other Countries	-	-	-	-
Export total	53,316	55,278	1,962	3.7
Total	*53,531*	*55,410*	*1,879*	*3.5*

* Excluding Hungary

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

Based on the year-end figures for 2014 the Wholesale and Retail segment realized HUF 55,410 million (EUR 179.5 million) income from sales, approximately the same as the 2013 figures.

The most significant portion of income generated by this segment was contributed by the Romanian pharmaceutical wholesale company (Pharmapharm S.A.) and Gedeon Richter Farmacia network of pharmacies. Sales in Romania increased by 1.6% in HUF terms. The driver of the growth was the wholesale company's rising sales to third parties. While delays in payments to pharmacies eased, the Romanian pharmaceutical market is still characterized by massive delays in paying outstanding dues to pharma companies.
The rise in the Romanian region was further boosted by the performance of the wholesale and retail networks in the CIS (Moldova and Armenia).

The Jamaican companies in which the Group holds stakes were transferred from the Other Countries region to the newly created Latin American region.
Among the leading products of Wholesale and Retail, income from the sales of Cavinton, oral contraceptives, Aflamin, Fasconal and Groprinosin increased.

Turnover of the other consolidated companies segment

	2013** HUF million	2014 HUF million	Variance	
			HUF million	%
Hungary	4,549	4,339	-210	-4.6
Export				
CIS	134	110	-24	-17.9
EU *	29	23	-6	-20.7
USA	-	72	72	-
China	-	-	-	-
Latin America	-	-	-	-
Other Countries	1	-	-1	-100.0
Export total	164	205	41	25.0
Total	*4,713*	*4,544*	*-169*	*-3.6*

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

The turnover of the Other Consolidated Companies segment was 3.6% down in HUF, 7.0% down in EUR and 7.5% down in USD compared to the 2013 reference year figures. The decline is explained by the Hungarian service companies' falling turnover realized with third parties.

2.2.2 Costs of sales; operating profit

Costs of sales amounted to HUF 139,650 million, HUF 7,505 million more than the figures achieved in 2013. Costs of sales included HUF 2,564 million depreciation reported in conjunction with the European sales of Esmya as an intangible asset.

As a result of Pharmaceutical Production's improving margin **gross profit from sales was** HUF 214,059 million, 2.6% lower year-on-year. The **gross margin** was down from 62.4% in the reference year to 60.5% in 2014. Dropping turnover in Russia and Ukraine, devaluation of the rouble, and the above-the-average increase in wholesale and retail turnovers deteriorated the margin, and this was only partially offset by increasing sales income in the EU15, Other CIS countries, China and the United States and by the weakening of the forint against the euro.

Within the operating costs item **costs of sales and marketing** amounted to HUF 101,724 million in the reported year, 4.9% lower year-on-year. Sales and marketing costs were 28.8% of sales revenues in the period of reporting. The drop in the cost of sales resulted from fact that rising marketing costs in Western Europe and China were entirely offset by marketing costs containment in Russia, Ukraine and Poland, which in the latter two countries was accompanied by downsizing the sales network staff, and was also due to the extreme devaluation of the rouble and the hryvnia. Depreciation of marketing and brand related rights of the contraceptives acquired from Grünenthal added HUF 4,418 million to the level of costs and constituted 1.2% of total sales.

Administrative and other operating costs amounted to HUF 19,651 million in 2014, practically the same as in 2013. The item reflects the effect of the cost containment measures introduced in Q4 of 2013.

The rate of **R&D expenditure** to sales incomes was 12.3% in the reported year and amounted to HUF 43,666 million, 7.0% above the reference year figure. The costs are partly imputable to the clinical studies in progress, conducted jointly with Forest Laboratories. The research expenditure of the subsidiaries PregLem, GR Polska and GR Romania also contributed to the Group's R&D costs.

The balance of **other income and expenses** increased from HUF 6,151 million expense in the reference year to HUF 11,271 million expense in 2014. In 2013 Richter had received a one-off milestone income from Forest Laboratories in conjunction with the FDA's Complete Response Letter regarding registration of cariprazine, whereas no similar milestone payment was received in the current year.

The 20% tax payable in Hungary on the full-year subsidy calculated on the producer prices of subsidized products under the Drug Economy Act amounted to HUF 168 million in 2014.

Under the so-called claw-back taxation system in Romania the amount of dues is set by the Romanian authorities based on the return from sales of subsidized products and comparing it to the support envisioned in the budget. In 2014 Richter Group's production companies accounted for RON 17.5 million taxes.

The 2014 Other income and expenses line item included HUF 3,389 million claw-back payments in Germany, France, Spain, Belgium and Latvia.

The 2014 Other expenses item was further increased by HUF 680 million due to the change in the probability of payment of the deferred portion of PregLem's acquisition price. Other expenses also include the impairment of licenses and of accounts receivable balances reported at closing.

The 2014 *operating profit* was HUF 37,747 million, 18.7% below the reference year figure. The substantial drop is attributed to the following factors: declining margin; rising expense side in the Other income and expenditure item in the absence of milestone income and mounting claw-back payment liabilities; and rising R&D costs. Thus the rate of consolidated operating profit to sales dropped from 13.2% in 2013 to 10.7% in the reported period.

2.2.3 Other income statement items

Net financial income

In 2014 net financial income was a loss of HUF 12,780 million as a result of HUF 10,095 million increase compared to the HUF 2,685 million loss reported in 2013.

At year-end Forex assets and liabilities were revaluated and reported under Unrealized financial items. The massive devaluation of the rouble at the end of 2014 resulted in severe one-off losses on Russian trade receivables and on the revaluation of rouble cash; moreover, Richter reported substantial foreign exchange losses on deferred purchase prices related to acquisitions denominated in Forex. The balance of revaluation was HUF

13,178 million loss in the reported year, HUF 8,178 million higher than the HUF 5,000 million loss in 2013. The Company reported HUF 1,853 million financial loss in connection with the change in the time value of the deferred acquisition prices payment liabilities as opposed to HUF 1,026 million in 2013.

The 2014 profit from realized financial items consists of net interest income (HUF 1,849 million), income from dividends received (HUF 325 million), and exchange rate gains (HUF 2,199 million), net of the exchange rate loss on receivables and liabilities (HUF 2,029 million).

	2013 HUF million	2014 HUF million	Variance HUF million
Unrealised financial items	**5,892**	**(14,749)**	**-8,857**
Restatement of currency related trade receivables and trade payables	(2,305)	(10,865)	-8,560
Restatement of currency loans given	15	2,529	2,514
Restatement of loans received	(1,001)	(3,296)	-2,295
Restatement of other currency related items	(1,709)	(1,546)	163
Unwinding of discounted value related to contingent-deferred purchase price liabilities	(1,026)	(1,853)	-827
Unrealised forward contracts as of 1 January	504	288	-216
Unrealised forward currency related contracts as of the balance date	(288)	(6)	282
Impairment of holdings	(82)	-	82
Realised financial items	**3,207**	**1,969**	**-1,238**
Result of forward exchange contracts	(224)	(225)	-1
Exchange losses/gains realised on trade receivables and trade payables	(2,345)	(2,029)	316
Exchange rate gains/(losses)	318	2,199	1,881
Dividends	973	325	-648
Interest received	4,071	3,222	-849
Interest paid	(1,560)	(1,373)	187
Other	1,974	(150)	-2,124
Net financial income	**(2,685)**	**(12,780)**	**-10,095**

Closing rates applied in restatements:

	31.12.2013	**31.03.2014**	**30.06.2014**	**30.09.2014**	**31.12.2014**
EUR/HUF	296.91	307.06	310.19	310.36	314.89
USD/HUF	215.67	223.38	227.13	245.13	259.13
CHF/HUF	242.14	251.72	255.26	257.14	261.85

Profit before taxes

The 2014 pre-tax profit amounts to HUF 25,795 million, HUF 17,841 million less than in 2013.

As of 1 January 2012 Gedeon Richter Plc.'s 100% corporate tax break ceased. Henceforth the parent company pays taxes in accordance with the general Hungarian provisions on taxation, however, it is entitled to deduct the direct costs of R&D from its tax base. Furthermore, the parent company was entitled to development related tax allowance in conjunction with the Debrecen biosimilar plant investment in 2013, while in 2014 it did not utilise this tax allowance. Other Group companies are taxed in accordance with the general taxation regulations of their domicile.

Profit after taxes

Profit after taxes was HUF 25,034 million in the reported period, HUF 17,397 million below the 2013 Group profit.

After a HUF 17,816 million drop, the after-tax profit of the parent company's shareholders was HUF 24,950 million by 31 December 2014, and was 7.1% of the sales revenues as opposed to 12.2% in the reference period.

3. Functional activities of the Group

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 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.

The parent company's 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 the Group 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 Group considers it essential to identify R&D partners for cooperation. The Group joins forces with academic and university institutes in the early stages of our research activities, and makes 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 its gynaecological portfolio the Group has signed development collaboration agreements with several companies, for example Palatin Technologies, Evestra. The Group intends to expand the scope of collaboration in the coming years.

Richter Group's development activities are undertaken by three members: the parent company, Gedeon Richter Polska and Gedeon Richter Romania. Allocation of tasks to the development sites is determined by the development and business development concept, taking into consideration availability of capacities, patent conditions and the need for specialized skills.
The Group's Indian member Richter-Themis is active in API development.

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 parent 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 closing of 2014 Richter had 43 generic development and 13 license 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 Group continued the major investment programme commenced in previous years with a view to enhance 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.

Similarly to previous years, Group companies had regular inspections by the competent authorities in 2014; in addition, the partners conducted 14, and the authorities another seven inspections at the parent company.

3.3 Production

Production in the manufacturing plants was in line with the amounts required by the market: measured in terms of packaging units, the output of plants manufacturing solid drugs, which weigh more heavily in the portfolio of products, was 4.9% less, and of semi-finished product plants, approximately 6% less than the reference year level for the Group as a whole.

The output of finished products of the Polish and Romanian manufacturing subsidiaries also decreased in terms of packaging units, in the case of the latter, mainly as a result of falling Russian sales. The Russian subsidiary's increasing volume of production is the result of technology transfers.

The Indian subsidiary manufacturing APIs and intermediate products managed to increase the volume of some of its products and improved the exploitation of capacities.

Cooperation between the parent company and the subsidiaries that are active in the pharmaceutical production business has been intensive and involves an increasing number of products; in addition to manufacturing own-produced products, it takes the shape of product transfer, sourced production and development; as a result, the Group's Polish, Russian and Romanian members are becoming reliable sourcing companies.

3.4 Technology

In recent years Richter has developed a new sourcing management system and separated special procurement tasks from the professional activities of the various managements. 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.

Environmental protection, occupational health and safety

Operating in accordance with environmental standards is a priority for Richter Group particularly in countries where the Group has production facilities.

The 2014 audits of the parent company's Environmental Management System (KIR-ISO 14001) and the Occupational Safety and Health Management System (MEBIR-MSZ 28001) by the supervisory agencies, as well as the certification of the Safety and Environmental Labs were successful and proved that internal audits, education and training, regulations, performance evaluation, risk management and occupational hazard measurements are appropriate and in keeping with the rules.

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

The parent company's Budapest premises, as well as the Dorog and Debrecen sites have secured an Integrated Pollution Prevention Control (IPPC) permit.

Operation of the production subsidiaries is in full conformity with the environmental, health and safety regulations, as proved by regular inspections by the competent authorities.

3.5 IT support

The Group'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 Group'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 policy is critical for enhancing and sustaining the performance of each member of Richter Group. Supporting the professional development and improving the quality of life of staff and retention of high performers are priority tasks.

As of 31 December 2014 the Group's combined headcount was 11,602, 7,822 of whom work in white-collar positions including 6,710 university or college graduates. The headcount of the parent company was 6,795 at the same time.

5. Capital expenditure

The Group's capital expenditure amounted to HUF 43,234 million (EUR 140.0 million) in 2014 as opposed to HUF 33,606 million (EUR 113.2 million) in 2013. Capital expenditure was dominated by the projects deployed by the parent company.

Development and installation of the software controlling and monitoring the manufacturing process in the Debrecen Biotechnology Plant built to produce the APIs of strategic products based on biotechnology procedures was completed. The first clinical samples were produced by late 2014.

Among the traditional pharmaceutical manufacturing capex projects at the Group's Budapest production facility, upgrading the machines and 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 in both Budapest and Dorog. At the same time a very important, multi-year project was launched in Dorog in Steroid Plant II to expand intermediate product and chromatography capacities.

Environmental and safety projects included the upgrading of the wastewater system in Dorog, and replacement of the cooling centre supplying the Fermentation Plant. The main energetic projects included the upgrading of central systems to improve safe energy supply.

Major capex projects of the subsidiaries included expenditures on production companies.

The Russian subsidiary completed the major capacity enhancement capex project started earlier in the context of the DLO2 project (expansion of the production area and the lab building, and modernisation of the existing production area).

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. Developments aimed at the firm's modernization were not put on a back burner either: several projects have been partially or entirely completed (development of a space suitable for the manufacturing and packaging of new hormonal liquid products, construction of a new R&D facility, and a new stage in the upgrading of the ventilation system in the production area).

6. 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

7. Post-balance sheet date events

In 2014 a full-fledged tax audit of the business years 2011 and 2012 was conducted at the parent company. The minutes were received on 16 December 2014, the resolution was delivered before the closure of the annual report. After reviewing the resolution 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.

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 deleted 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.

8. Future outlook

Retaining and strengthening the Group'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 the declining Ukrainian pharmaceutical market the Group 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 the Group's sales networks. In Western Europe the strategy is implemented by means of its 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 Group's future and for strengthening its market positions. The second pillar of the specialty strategy is 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 Group's niche: gynaecology, which is best supported by the units operating in the traditional markets and the newly established Western European sales network.

The Group'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 Group 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 Group'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 consolidated financial statements

We have audited the accompanying consolidated financial statements of Gedeon Richter Plc. and its subsidiaries (together "the Group") which comprise the consolidated balance sheet as of 31 December 2014 (in which the balance sheet total is MHUF 720,057), the consolidated income statement, the consolidated statement of comprehensive income (in which the total comprehensive income for the year is MHUF 25,423) and the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and the notes to the consolidated financial statements including a summary of the significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the EU and for such internal control as management determines is necessary to enable the preparation of consolidated 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 consolidated 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 consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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 consolidated financial statements give a true and fair view of the financial position of the Gedeon Richter Plc. and its subsidiaries as of 31 December 2014, and of the results of its operations for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU.

Other reporting requirements regarding the consolidated business report

We have examined the accompanying consolidated business report of Gedeon Richter Plc. and its subsidiaries (together "the Group") for the financial year of 2014.

Management is responsible for the preparation and fair presentation of the consolidated business report which is consistent with the consolidated financial statements prepared in accordance with International Financial Reporting Standards as adopted by the EU. Our responsibility is to assess whether or not the accounting information disclosed in the consolidated business report is consistent with that contained in the consolidated financial statements. Our work in respect of the consolidated 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 Group. In our opinion the 2014 consolidated business report is consistent with the disclosures in the consolidated financial statements as of 31 December 2014.

Budapest, 23 March 2015

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

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. 3.4. of 24/2008. (VIII.15.) Ministry of Finance Decree hereby

declare

(1) that the 2014 annual consolidated 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 Annual General Meeting of the Company, gives true and fair view of the assets, liabilities, financial position and profit and loss of the Company and the undertakings included in the consolidation taken as a whole, and

(2) that the consolidated business report prepared by the Board includes a fair review of the development and performance of the business and position of the Company and the undertakings included in the consolidation taken as a whole, together with the description of the principal risks and uncertainties; further

(3) that the Company, as issuer falling under the effect of Article 4 of EC Regulation No. 1606/2002 on the application of international accounting standards, prepare its annual consolidated financial statement in conformity with the accounting standards published in form of regulation in the Official Journal of the European Communities.

Date: Budapest, 29th April, 2015

Erik Bogsch
Managing Director