GEDEON RICHTER

Established in 1901

PROPOSAL OF THE 2013 ANNUAL GENERAL MEETING

Chemical Works of Gedeon Richter Plc.
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Court of Registration of the Metropolitan Court Reg.No. 01-10-040944 • EU Community Vat Identification No: HU10484878

The Chemical Works of Gedeon Richter Plc.
(Richter Gedeon Vegyészeti Gyár Nyilvánosan Működő Rt.)
(1103 Budapest, Gyömrői út 19-21.)

Agenda of the Annual General Meeting ("AGM") on Thursday, April 25, 2013 at 3:00 p.m.

The venue of the AGM shall be at 34. Stefánia út, H-1143 Budapest (MH. Művelődési Ház).

1. Draft report on the 2012 business activities of the Richter Group and presentation of the Consolidated Report prepared in accordance with the IFRS
2. Report of the Auditor on the draft Consolidated Report
3. Report of the Supervisory Board including the report of the Audit Board on the draft Consolidated Report
4. Approval of the draft 2012 Consolidated Report
5. Report of the Board of Directors on the 2012 business activities of the Company and presentation of the draft annual report prepared in accordance with the Accounting Act.
6. Report of the Auditor
7. Report of the Supervisory Board including the report of the Audit Board
8. Resolution on the determination and allocation of the 2012 after-tax profit declaration of dividends for the 2012 business year on the common shares
9. Approval of the 2012 draft Annual Report of the Company prepared in accordance with the Accounting Act, including the 2012 Balance Sheet
10. Corporate Governance Report
11. Decision on the split of the nominal value of the common shares from HUF 1000 to HUF 100 and related amendments to the Company's Statutes
12. Other amendments to the Company's Statutes
13. Authorization to the Board of Directors for the purchase of own shares of the Company
14. Election of members of the Board of Directors
15. Resolution on the remuneration of the members of the Board of Directors
16. Resolution on the remuneration of the members of the Supervisory Board
17. Election of the Company's statutory auditor
18. Resolution on the remuneration of the Company's statutory auditor
19. Miscellaneous

1. **Draft report on the 2012 business activities of the Richter Group and presentation of the Consolidated Report prepared in accordance with the IFRS**

GEDEON RICHTER PLC.
Consolidated Financial Statements and
Independent Auditors' Report
For the year ended 31 December 2012

Erik Bogsch
Managing Director

22 March, 2013.

Gedeon Richter Plc.

CONSOLIDATED FINANCIAL STATEMENTS

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Consolidated Income Statement

for the year ended 31 December 2012

	Notes	2012 HUF m	2011 HUF m Restated*
Total revenues	5	**326,702**	**307,868**
Cost of sales		(124,999)	(114,529)
Gross profit		**201,703**	**193,339**
Sales and marketing expenses		(92,794)	(79,120)
Administration and general expenses		(20,179)	(24,407)
Research and development expenses		(38,847)	(28,713)
Other income and other expenses (net)		(1,162)	(172)
Profit from operations	5	**48,721**	**60,927**
Finance income		24,050	28,853
Finance costs		(23,192)	(35,875)
Net financial income/(loss)	7	**858**	**(7,022)**
Share of profit/(loss) of associates	15	342	(4,234)
Profit before income tax		**49,921**	**49,671**
Income tax	8	(841)	(218)
Profit for the year		**49,080**	**49,453**
Profit attributable to			
Owners of the parent		49,265	49,281
Non-controlling interest		(185)	172
Earnings per share (HUF)	9		
Basic		2,660	2,649
Diluted		2,643	2,644

* Restatement in connection with intangible assets (ESMYA), (Note 41).

The notes on pages 10 to 70 form an integral part of the consolidated financial statements

22 March, 2013.

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Managing Director

Consolidated Statement of Comprehensive Income

for the year ended 31 December 2012

	Notes	2012 HUF m	2011 HUF m Restated*
Profit for the year		**49,080**	**49,453**
Exchange differences arising on translation of foreign operations		(12,874)	21,263
Revaluation reserve for available for sale investments	25	2,495	(3,388)
Other comprehensive income for the year		**(10,379)**	**17,875**
Total comprehensive income for the year		**38,701**	**67,328**
Attributable to:			
Owners of the parent		39,251	66,905
Non-controlling interest		(550)	423

* Restatement in connection with intangible assets (ESMYA), (Note 41).

The notes on pages 10 to 70 form an integral part of the consolidated financial statements

22 March, 2013.

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Managing Director

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Consolidated Balance Sheet
at 31 December 2012

	Notes	2012 HUF m	31 December 2011 HUF m Restated*	1 January 2011 HUF m Restated*
ASSETS				
Non-current assets				
Property, plant and equipment	11	158,508	155,630	144,674
Investment property	12	1,090	1,379	1,006
Goodwill	19	31,602	33,743	29,983
Other intangible assets	11	149,308	158,748	149,606
Investments in associates	15	2,115	1,754	6,093
Other financial assets	16	25,426	14,338	18,278
Deferred tax assets	17	3,342	3,605	1,624
Loans receivable	18	5,051	4,072	2,693
		376,442	**373,269**	**353,957**
Current assets				
Inventories	20	64,149	63,437	51,657
Trade receivables	21	102,476	103,487	85,602
Other current assets	22	16,582	10,873	10,485
Investments in securities	23	9,966	11,752	20,285
Current tax asset	17	1,117	501	164
Cash and cash equivalents	24	101,505	118,651	75,600
		295,795	**308,701**	**243,793**
Total assets		**672,237**	**681,970**	**597,750**

* Restatement in connection with intangible assets (ESMYA), (Note 41).

The notes on pages 10 to 70 form an integral part of the consolidated financial statements

22 March, 2013.

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Managing Director

Consolidated Balance Sheet
at 31 December 2012 - continued

	Notes	2012	31 December 2011	1 January 2011
		HUF m	HUF m Restated*	HUF m Restated*
EQUITY AND LIABILITIES				
Capital and reserves				
Equity attributable to owners of the parent				
Share capital	25	18,638	18,638	18,638
Treasury shares	26	(1,716)	(4,513)	(539)
Share premium		15,214	15,214	15,214
Capital reserves		3,475	3,475	3,475
Foreign currency translation reserves	25	9,189	21,698	686
Revaluation reserve for available for sale investments	25	2,463	(32)	3,356
Retained earnings		469,498	431,513	398,154
		516,761	**485,993**	**438,984**
Non-controlling interest		3,313	3,863	3,131
		520,074	**489,856**	**442,115**
Non-current liabilities				
Borrowings	30	73,163	62,226	41,694
Deferred tax liability	17	9,634	14,154	14,153
Other non-current liability	31	11,568	9,708	37,730
		94,365	**86,088**	**93,577**
Current liabilities				
Borrowings	30	148	164	21
Trade payables	27	40,033	41,016	32,370
Current tax liabilities	17	123	34	192
Other payables and accruals	28	15,015	62,289	27,298
Provisions	29	2,479	2,523	2,177
		57,798	**106,026**	**62,058**
Total equity and liabilities		**672,237**	**681,970**	**597,750**

* Restatement in connection with intangible assets (ESMYA), (Note 41).

The notes on pages 10 to 70 form an integral part of the consolidated financial statements

22 March, 2013.

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Managing Director

all amounts in HUF m

Consolidated Statement of Changes in Equity
for the year ended 31 December 2011

	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
		HUF m	HUF m	HUF m	HUF m	HUF m	HUF m	HUF m	HUF m	HUF m	HUF m
Balance at 1 January 2011		18,638	15,214	3,475	(539)	3,356	686	398,154	438,984	3,131	442,115
Net profit		-	-	-	-	-	-	49,380	49,380	172	49,552
Exchange differences arising on translation of foreign operations		-	-	-	-	-	21,025	-	21,025	251	21,276
Revaluation reserve for available for sale investments		-	-	-	-	(3,388)	-	-	(3,388)	-	(3,388)
Comprehensive income at 31 December 2011		-	-	-	-	(3,388)	21,025	49,380	67,017	423	67,440
Impact of restatement*	41	-	-	-	-	-	(13)	(99)	(112)	-	(112)
Comprehensive income at 31 December 2011 (as restated)		-	-	-	-	(3,388)	21,012	49,281	66,905	423	67,328
Net treasury shares transferred to employees	26	-	-	-	(3,974)	-	-	-	(3,974)	-	(3,974)
Ordinary share dividend for 2010	32	-	-	-	-	-	-	(16,009)	(16,009)	-	(16,009)
Recognition of share-based payments	25	-	-	-	-	-	-	87	87	-	87
Non-controlling interest on new acquisition	37.1	-	-	-	-	-	-	-	-	309	309
Balance at 31 December 2011 (as restated)		18,638	15,214	3,475	(4,513)	(32)	21,698	431,513	485,993	3,863	489,856

* Restatement in connection with intangible assets (ESMYA), (Note 41). This adjustment has no impact on years prior to 2011 in relation to Consolidated Statement of Changes in Equity

The notes on pages 10 to 70 form an integral part of the consolidated financial statements

all amounts in HUF m

Consolidated Statement of Changes in Equity
for the year ended 31 December 2012

	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
		HUF m	HUF m	HUF m	HUF m	HUF m	HUF m	HUF m	HUF m	HUF m	HUF m
Balance at 1 January 2012 (as restated)		18,638	15,214	3,475	(4,513)	(32)	21,698	431,513	485,993	3,863	489,856
Net profit		-	-	-	-	-	-	49,265	49,265	(185)	49,080
Exchange differences arising on translation of foreign operations		-	-	-	-	-	(12,509)	-	(12,509)	(365)	(12,874)
Revaluation reserve for available for sale investments		-	-	-	-	2,495	-	-	2,495	-	2,495
Comprehensive income at 31 December 2012		-	-	-	-	2,495	(12,509)	49,265	39,251	(550)	38,701
Net treasury shares transferred to employees	26	-	-	-	2,797	-	-	-	2,797	-	2,797
Ordinary share dividend for 2011	32	-	-	-	-	-	-	(12,211)	(12,211)	-	(12,211)
Recognition of share-based payments	25	-	-	-	-	-	-	931	931	-	931
Balance at 31 December 2012		18,638	15,214	3,475	(1,716)	2,463	9,189	469,498	516,761	3,313	520,074

The notes on pages 10 to 70 form an integral part of the consolidated financial statements

Consolidated Cash Flow Statement
for the year ended 31 December 2012

	Note	2012 HUF m	2011 HUF m Restated*
Operating activities			
Net income attributable to owners of parent company		49,265	49,281
Depreciation and amortisation	5	26,883	24,459
Non cash items accounted through Total Comprehensive Income	15, 31	3,781	20,389
Year end foreign exchange translation difference of borrowing	7	(4,191)	5,504
Net interest and dividend income	7	(3,155)	(2,208)
Income tax recognised through Consolidated Income Statement		841	218
Changes in provision for defined benefit plans	29	97	13
Loss on disposal of property, plant and equipment and intangible assets		1,251	899
Impairment loss recognised on intangible assets		375	198
Impairment losses on investments		-	4,558
Movements in working capital			
Increase in trade and other receivables		(4,698)	(17,561)
Increase in inventories		(712)	(10,271)
(Decrease)/increase in payables and other liabilities		(6,118)	12,326
Interest paid		(1,805)	(1,266)
Income tax paid	17	(4,812)	(3,566)
Net cash flow from operating activities		**57,002**	**82,973**
Cash flow from investing activities			
Payments for property, plant and equipment**		(23,803)	(26,617)
Payments for intangible assets**		(5,874)	(5,668)
Proceeds from disposal of property, plant and equipment		531	494
Payments to acquire financial assets		(7,167)	(3,535)
Proceeds on sale of financial assets		25	8,321
Payments of loans		(979)	(1,376)
Interest and similar income	7	4,652	3,415
Dividend income		308	59
Net cash outflow on acquisition of subsidiaries	28	(42,328)	(14,555)
Net cash flow from investing activities		**(74,635)**	**(39,462)**
Cash flow from financing activities			
Proceeds from disposal of/ (purchase of) / treasury shares	26	2,797	(3,974)
Dividends paid		(12,206)	(15,994)
Other payments of financing activities		-	(371)
Proceeds from borrowings		15,129	15,088
Net cash flow to/from financing activities		**5,720**	**(5,251)**
Net (decrease)/increase in cash and cash equivalents		**(11,913)**	**38,260**
Cash and cash equivalents at beginning of year		**118,651**	**75,600**
Effect of foreign exchange rate changes on the balances held in foreign currencies		(5,233)	4,791
Cash and cash equivalents at end of year		**101,505**	**118,651**

* Restatement in connection with intangible assets (ESMYA), (Note 41).
** The Payments for property plant and equipment and the Payments for intangible assets can not be directly reconciled to the Note 11 Transfers and capital expenditure row, because the later one contains also non-cash addition of the assets, including transfers.

The notes on pages 10 to 70 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 is headquartered 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 (IFRS) as endorsed by the European Union (EU). All standards and interpretations issued by the International Accounting Standards Board (IASB) effective at the time of preparing the consolidated financial statements and applicable to Richter Group have been endorsed by the EU. Therefore the consolidated financial statements currently also comply with IFRS as issued by the IASB and also 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 and the investment property, which are valued at fair value. The amounts in the Consolidated Financial Statements are stated in millions of Hungarian Forints (HUFm). 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 in 2012 but not relevant for the Group

- IFRS 7 (amended). The IASB published an amendment to IFRS 7 – Amendments to IFRS 7 Financial Instruments: Disclosures in October 2010. The amendment requires quantitative and qualitative disclosures regarding transfers of financial assets that do not result in entire derecognition or that result in continuing involvement. This is intended to allow users of financial statements to improve their understanding of such transactions (for example, securitizations), including understanding the possible effects of any risks that may remain with the entity that transferred the assets. The amendments also require additional disclosures if a disproportionate amount of such transactions are undertaken around the end of a reporting period. The Group adopted the amended standard as of 1 January, 2012. The amended standard did not have any impact on the disclosures in the Group's financial statements.

- IAS 12 (amended). In December 2010, the IASB issued the pronouncement "Deferred Tax: Recovery of Underlying Assets – Amendments to IAS 12". The new pronouncement "Deferred Tax: Recovery of Underlying Assets – Amendments to IAS 12" sets presumptions for the recovery (e.g. use or sale) of certain assets. This is relevant in cases where the type of recovery has different tax consequences. The pronouncement sets the rebuttable presumption that the carrying amount of investment property that is measured using the fair value model in IAS 40 will be recovered through sale. Moreover, the carrying amount of a non-depreciable asset measured using the revaluation model in IAS 16 is always deemed to be recovered through sale. The amendment superseded SIC 21. As the Group has investment properties only in Hungary, where the income tax treatment of these assets does not depend on whether the asset value has been recovered through use or sale and the group does not have non-depreciable asset measured using the revaluation model in IAS 16, the amendment of the standard did not have any impact on the Group's financial statements.

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

- IAS 1 (amended). The IASB published amendments to IAS 1 Presentation of Financial Statements in June 2011. The amendments to IAS 1 retain the 'one or two statement' approach at the option of the entity and only revise the way other comprehensive income is presented: requiring separate subtotals for those elements which may be reclassified to the profit or loss section of the income statement (recycled) and those elements that will not. The application of the amendment is required for annual periods beginning on or after July 1, 2012. We do not expect that the adoption of the amended standard would result in significant changes in the financial statements of the Group. The European Union has endorsed the amendments of the standard.

- IAS 19 (amended). The IASB published amendments to IAS 19 – Employee Benefits in June 2011. The amendments focus on the following key areas:

  - Recognition (only defined benefit plans) – elimination of the "corridor approach"
  - Presentation (only defined benefit plans) – gains and losses that arises from remeasurements should be presented (only) in other comprehensive income (elimination of the remaining options)
  - Disclosures – enhancing of disclosure requirements, e.g.
    - the characteristics of a company's defined benefit plans,
    - amounts recognized in the financial statements,
    - risks arising from defined benefit plans and
    - participation in multi-employer plans
  - Improved / clarified guidance relating to several areas of the standard, e.g.
    - classification of benefits,
    - recognition of termination benefits and
    - interest rate relating to the expected return on the plan assets.

  The application of the amendment is required for annual periods beginning on or after 1 January, 2013. The group is currently recognizing the gains and losses that arises from remeasurements in the consolidated income statement. Since this amount is not significant, we do not expect that the adoption of the amended standard would result in significant changes in the financial statements of the Group. The European Union has endorsed the amendments of the standard.

- 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 application of the amendment is required for annual periods beginning on or after 1 January, 2014. A reporting entity must apply the amended standard retrospectively. We do not expect that the adoption of the amended standard would result in significant changes in the financial statements of the Group. The European Union has endorsed the amendment of the standard.

- IFRS 7 (amended). The IASB published amendments to IFRS 7 – Amendments to IFRS 7 Financial Instruments: Disclosures in December 2011. The IASB and the Financial Accounting Standards Board (FASB) issued common disclosure requirements that are intended to help assessing better the effect or potential effect of offsetting arrangements on a company's financial position. The common disclosure requirements also improve transparency in the reporting of how companies mitigate credit risk, including disclosure of collateral pledged or received. The application of the amendment is required for annual periods beginning on or after 1 January, 2013. A reporting entity must apply the amended standard retrospectively. We do not expect that the adoption of the amended standard would result in significant changes in the financial statements disclosures of the Group. The European Union has not yet endorsed the amended standard.

- IFRS 9 Financial Instruments - The standard forms the first part of a three-phase project to replace IAS 39 (Financial Instruments: Recognition and Measurement) with a new standard, to be known as IFRS 9 – Financial Instruments. IFRS 9 prescribes the classification and measurement of financial assets and liabilities. The remaining phases of this project, dealing with the impairment of financial instruments and hedge accounting, as well as a further project regarding derecognition,are in progress.

Financial assets – At initial recognition, IFRS 9 requires financial assets to be measured at fair value. After initial recognition, financial assets continue to be measured in accordance with their classification under IFRS 9. Where a financial asset is classified and measured at amortized cost, it is required to be tested for impairment in accordance with the impairment requirements in IAS 39. IFRS 9 defines the below rules for classification.

- IFRS 9 requires that financial assets are classified as subsequently measured at either amortized cost or fair value. There are two conditions needed to be satisfied to classify financial assets at amortized cost: (1) The objective of an entity's business model for managing financial assets has to be to hold assets in order to collect contractual cash flows; and (2) The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. Where either of these conditions is not satisfied, financial assets are classified at fair value.
- Fair Value Option: IFRS 9 permits an entity to designate an instrument, that would otherwise have been classified in the amortized cost category, to be at fair value through profit or loss if that designation eliminates or significantly reduces a measurement or recognition inconsistency ('accounting mismatch').
- Equity instruments: The default category for equity instruments is at fair value through profit or loss. However, the standard states that an entity can make an irrevocable election at initial recognition to present all fair value changes for equity investments not held for trading in other comprehensive income. These fair value gains or losses are not reported as part of a reporting entity's profit or loss, even when a gain or loss is realized. Only dividends received from these investments are reported in profit or loss.
- Embedded derivatives: The requirements in IAS 39 for embedded derivatives have been changed by no longer requiring that embedded derivatives be separated from financial asset host contracts.
- Reclassification: IFRS 9 requires reclassification between fair value and amortized cost when, and only when there is a change in the entity's business model. The 'tainting rules' in IAS 39 have been eliminated.

Financial liabilities – IFRS 9 "Financial Instruments" sets the requirements on the accounting for financial liabilities and replaces the respective rules in IAS 39 "Financial Instruments: Recognition and Measurement". The new pronouncement

- Carries forward the IAS 39 rules for the recognition and derecognition unchanged.
- Carries forward most of the requirements in IAS 39 for classification and measurement.
- Eliminates the exception from fair value measurement for derivative liabilities that are linked to and must be settled by delivery of an unquoted equity instrument.
- Changes the requirements related to the fair value option for financial liabilities to address own credit risk.

The IASB issued amendments to IFRS 9 in December 2011 and deferred the mandatory effective date of IFRS 9 from 1 January, 2013 to 1 January, 2015. The deferral will make it possible for all phases of the IFRS 9 project to have the same mandatory effective date. The amendments also provide relief from the requirement to restate comparative financial statements for the effect of applying IFRS 9. This relief was originally only available to companies that chose to apply IFRS 9 prior to 2012. Instead, additional transition disclosures will be required to help investors understand the effect that the initial application of IFRS 9 has on the classification and measurement of financial instruments. The adoption of the new standard will likely result in changes in the financial statements of the Group, the exact extent of which we are currently analyzing. The European Union has not yet endorsed either the standard or its amendment.

- 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 shall apply this package of five new and revised standards for annual periods beginning on or after 1 January, 2014. The Group has joint arrangements, based on their significance, we do not expect that the adoption would result in significant changes in the financial statements of the Group, the exact extent of which we are currently analyzing. The European Union has endorsed the new standards.

- IFRS 13 The IASB published IFRS 13 – Fair Value Measurement in May 2011in order to replace the guidance on fair value measurement in existing IFRS accounting literature with a single standard. The IFRS is the result of joint efforts by the IASB and FASB to develop a converged fair value framework. IFRS 13 defines fair value, provides guidance on how to determine fair value and requires disclosures about fair value measurements. However, IFRS 13 does not change the requirements regarding which items should be measured or disclosed at fair value. IFRS 13 seeks to increase consistency and comparability in fair value measurements and related disclosures through a 'fair value hierarchy'. The hierarchy categorizes the inputs used in valuation techniques into three levels. The hierarchy gives the highest priority to (unadjusted) quoted prices in active markets for identical assets or liabilities and the lowest priority to unobservable inputs. If the inputs used to measure fair value are categorized into different levels of the fair value hierarchy, the fair value measurement is categorized in its entirety in the level of the lowest level input that is significant to the entire measurement (based on the application of judgment). The new standard should be applied for annual periods beginning on or after 1 January, 2013. Earlier application is permitted. We do not expect that the adoption of the new standard would result in significant changes in the financial statements of the Group, the exact extent of which we are currently analyzing. The European Union has endorsed the new standard from 1 January 2014.

C) Standards, amendments and interpretations that are not yet effective and not relevant for the Group's operations

- IFRS 1 In 2012, the IASB published amendments to IFRS 1. As the group has already adopted IFRS, the amendments will not have any impact on the Group's financial statements.

- IFRS 10, IFRS 12, IAS 27 (amended) – The IASB published "Investment Entities" (Amendments to IFRS 10, IFRS 12 and IAS 27) in October 2012. The amendments apply to a particular class of business that qualify as investment entities. As the Group does not have investment entities, the amended standards will not have any impact on the Group's financial statements. The European Union has not yet endorsed the amended standards.

- IFRIC 20 In October 2011, the IASB published IFRIC 20 – Stripping Costs in the Production Phase of a Surface Mine. As the Group does not have mining activity, the interpretation will not have any impact on the Group's financial statements.

D) Improvements to International Financial Reporting Standards (issued in May 2012 and effective for annual periods beginning 1 January 2013).

The improvements consist of changes to five standards.

- IFRS 1 was amended to (i) clarify that an entity that resumes preparing its IFRS financial statements may either repeatedly apply IFRS 1 or apply all IFRSs retrospectively as if it had never stopped applying them, and (ii) to add an exemption from applying IAS 23, Borrowing costs, retrospectively by first-time adopters.

- IAS 1 was amended to clarify that explanatory notes are not required to support the third balance sheet presented at the beginning of the preceding period when it is provided because it was materially impacted by a retrospective restatement, changes in accounting policies or reclassifications for presentation purposes, while explanatory notes will be required when an entity voluntarily decides to provide additional comparative statements.

- IAS 16 was amended to clarify that servicing equipment that is used for more than one period is classified as property, plant and equipment rather than inventory.

- IAS 32 was amended to clarify that certain tax consequences of distributions to owners should be accounted for in the income statement as was always required by IAS 12.

- IAS 34 was amended to bring its requirements in line with IFRS 8. IAS 34 will require disclosure of a measure of total assets and liabilities for an operating segment only if such information is regularly provided to chief operating decision maker and there has been a material change in those measures since the last annual financial statements.

The European Union has not yet endorsed these improvements.

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 jointly controlled entities (joint ventures) and those companies where the Parent Company has significant influence (associated companies). Control of an entity is achieved where the Parent Company has the power to govern financial and operating policies so as to obtain benefits from its activities.

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.

Joint venture arrangements involving the establishment of a separate entity with controlling powers for each shareholder are referred to as jointly controlled entities. The Group reports its participation in jointly controlled entities using proportionate consolidation – the Group's share of the assets, liabilities, income and expenses of jointly controlled entities are combined with the equivalent items in the consolidated financial statements on a line-by-line basis.

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 are accounted for using the equity method of accounting and are initially recognised at cost. The Group's investment in associates includes goodwill identified on acquisition, net of any accumulated impairment loss.

The Group's share of its associates' 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 equals or exceeds its interest in the associate, 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.

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

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

III) Transactions and balances
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 share capital, 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.

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.

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.

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 perod 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 equipments	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 cost of combination over the Group's interest in the fair value of the identifiable assets and liabilities of a subsidiary, or jointly controlled entity at the date of acquisition. 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 Parent Company 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 to sell 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 is 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 over their estimated useful lives as follows:

Name	Amortization
Property rights (connected with properties)	5%
Other rights (licences)	20-50%
Intellectual property, software	20-50%

Individually significant intangible assets are presented in Note 11.

Amortization is recognised as cost of sales in the Consolidated Income Statement.

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 Gyneacology therapeutic area in uterine myoma indication, while the terminology of ESMYA refers to the intangible asset acquired by Richter and presented in the consolidated Balance Sheet.

VIII) Investment property

Investment properties, which are held to earn rentals are measured initially at cost. Subsequent to initial recognition, investment properties are measured at fair value determined by independent appraiser. Gains and losses arising from changes in the fair value of investment properties are included in profit or loss in the period in which they arise and presented as Other income and other expenses (net).

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from the disposal. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the property is derecognised.

IX) 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).

X) Research and development

Cost incurred on development projects are recognised as intangible assets when they meet the recognition criteria of IAS 38 "Intangible Assets".

To-date, no R&D costs have met these recognition criteria. Accordingly, all of the Company's R&D costs to-date have been expensed when incurred.

XI) 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. 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 incorporates 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 presented separately in XIV) Loans receivable, while Trade receivables are described in XVI) 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.

XII) 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. 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 XVII) Trade payables.

XIII) Other financial assets

Investments comprise long term bonds and unconsolidated investments in other companies. These investments are 'held-to-maturity' investments and 'available-for-sale' financial assets as described in Note 16.
Unconsolidated investments are those investments where the Parent Company does not hold controlling powers, joint control or does not have an ability to exercise significant influence.

XIV) Loans receivable

Loans receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans receivables include given loans measured at amortised cost. It also contains interest free loans given to employees with maximum of 8 years maturity presented at discounted value as of the balance sheet date.

XV) 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 overhead costs.

XVI) 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.

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

XVIII) 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.

XIX) 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. The Group does not have any bank overdraft as of the year end of 2012 and 2011.

XX) 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.

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 2012 and as of 31 December 2011.

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 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 34). 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 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 when it is demonstrably committed to a termination, that is the entity has a detailed formal plan to terminate the employment of current employees without possibility of withdrawal.

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 26. 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 non-current liabilities as deferred government grants and are 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.

The Group benefits from other government assistance, that are not treated as government grants in line with IAS 20. On 2 November 2012 Richter signed a strategic agreement with the Government of Hungary. The general purpose of the agreement is to support the continued independence of Gedeon Richter Plc. so that strategic decisions determining the future development of the company and supporting the development of the Hungarian national economy continue to be taken in Hungary and with a view to the interests of the Hungarian economy. In the context of the partnership the Government promotes Richter's innovation and R&D efforts by the means available to it; Richter, on the other hand, will strive to expand its domestic pharmaceutical manufacturing, research and development activities. The parties also agreed to develop a transparent and sustainable R&D-based tax incentive system, which includes eligibility to tax credits beyond the year of reporting. Those companies whose R&D reaches or exceeds 15 %-20 %-25 % of the reimbursement based on manufacturer price levels during the previous year are entitled to a 20 %-60 %-90 % extraordinary tax deduction. An additional criterion for this allowance is a minimum level of personnel related expenditure established at 3 % for staff involved in R&D Details of the system were adopted by Parliament in the form of an act, which entered into effect on 28 December 2012.

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) 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.

XXXI) Comparative financial information
Different levels of corporate taxation applied at the valuation of intangible asset ESMYA and at the calculation of relevant deferred tax effectuated at the first inclusion of PregLem in the consolidated accounts of the Group have been reassessed and unificated. As a result related figures for the years 2010 and 2011 were restated. Please see more detailed in Note 41.

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 19.

Allowance for bad and doubtful accounts receivable
The Group calculates an allowance for bad and doubtful accounts receivable to cover the incurred losses resulting from the inability of its customers to make required payments according to original contractual terms. Allowance for bad and doubtful accounts receivable recognized in the Consolidated Balance Sheet amounted to HUF 1,192 million and HUF 2,499 million at 31 December 2012 and 2011, respectively. The estimates used in evaluating the adequacy of the allowance for bad and doubtful accounts receivable are based on the aging of the accounts receivable balances, customer credit-worthiness and changes in customer payment pattern.

Depreciation
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 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 2012 would be greater by HUF 2,688 million (2011: increase by HUF 2,446 million).

The Group recorded depreciation and amortisation expense in the amount of HUF 26,883 million and HUF 24,459 million for the years ended 31 December 2012 and 2011, respectively.

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 constitutes to be an uncertain tax position, the related expenses has been disclosed in Note 5.

PregLem deferred purchase price payments
As announced at 6 October 2010, Gedeon Richter Plc. acquired a 100% ownership in PregLem. A purchase price up to CHF 445 million is payable, provided that certain milestone are achieved. The amount of deferred purchase price due to previous owners of PregLem is presented in our accounts at probability weighted discounted value reflecting the likelihood of future payment and it is remeasured in every period. 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 as of 31 December 2012 as other non-current liabilities (Note 31). The maximum amount of exposure of the Group relating to the deferred purchase price amounts to be CHF 60 million as of 31 December 31 2012 is disclosed.

3.2 Critical judgements in applying entities accounting policies

Investment tax credit
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 is 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.

I) Business segments

	Pharmaceuticals HUF m		Wholesale and retail HUF m		Other HUF m		Eliminations HUF m		Total HUF m	
	2012	2011 Restated*	2012	2011 Restated*	2012	2011 Restated*	2012	2011 Restated*	2012	2011
3rd party revenues	279,460	266,591	46,162	40,374	1,080	903	-	-	326,702	307,868
Inter segment revenues	7,019	5,101	4	4	2,808	2,810	(9,831)	(7,915)	-	-
Total revenues	**286,479**	**271,692**	**46,166**	**40,378**	**3,888**	**3,713**	**(9,831)**	**(7,915)**	**326,702**	**307,868**
Profit from operations	50,426	63,160	(1,334)	(2,300)	(116)	275	(255)	(208)	48,721	60,927
Total assets**	731,128	732,828	44,034	49,854	5,188	9,497	(108,113)	(110,209)	672,237	681,970
Liabilities**	132,531	171,217	44,066	49,639	778	2,595	(25,212)	(31,337)	152,163	192,114
Capital expenditure	28,734	31,388	555	537	388	366	-	(6)	29,677	32,285
Depreciation	26,006	23,526	679	735	198	198	-	-	26,883	24,459
Share of profit of associates	-	-	342	(4,234)	-	-	-	-	342	(4,234)
Investments in associates	-	-	2,115	1,754	-	-	-	-	2,115	1,754

* Base period figures restated to reflect the segment reclassification of certain member companies of the Group.
**Restatement in the Pharmaceuticals segment in connection with intangible assets (ESMYA), (Note 41).

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. Other countries.

2012	Hungary	CIS	EU	USA	Other countries	Total
	HUF m	HUF m	HUF m	HUF m	HUF m	HUF m
Total revenues	30,932	143,975	116,721	16,123	18,951	326,702
Total assets	516,709	36,430	71,258	2,480	45,360	672,237
Capital expenditure	24,427	2,727	1,529	-	994	29,677

2011	Hungary*	CIS	EU	USA	Other countries	Total
	HUF m	HUF m	HUF m	HUF m	HUF m	HUF m
Total revenues	35,683	124,410	108,916	20,513	18,346	307,868
Total assets*	508,447	41,626	78,826	2,713	50,358	681,970
Capital expenditure	25,130	1,863	1,731	13	3,548	32,285

* Restatement in connection with intangible assets (ESMYA), (Note 41).

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	**2012**	**2011**
	HUF m	HUF m
Sales of goods	320,778	302,679
Revenue from services	5,639	4,959
Royalty income	285	230
Total revenues	326,702	**307,868**

Revenues of approximately HUF 35,705 million (2011: HUF 31,913 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 other 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

	2012 HUF m	2011 HUF m
Total revenues	326,702	307,868
From this: royalty and other similar income	*285*	*230*
Changes in inventories of finished goods and work in progress, cost of goods sold	(26,142)	(23,909)
Material type expenses	(135,721)	(116,703)
Personnel expenses	(88,073)	(81,698)
Depreciation and amortisation	(26,883)	(24,459)
Other income and other expenses (net)	(1,162)	(172)
Profit from operations	**48,721**	**60,927**

The three most significant items presented within Other income and other expenses (net):

One-off milestone payments received during 2012 positively impacted the other income, while in the base period the break-up fee of HUF 8.1 billion paid by Genefar was recognised. Changes in the likelihood of payments in respect of deferred liabilities to previous owners of PregLem impacted negatively both 2011 and 2012. We accounted for an expense of HUF 5,041 million in 2011 while only HUF 654 million were expensed on this ground in the reporting year.

In accordance with the claw back regime announced in Romania the authority establishes the amount of extraordinary tax to be paid based on the comparison of the subsidies allocated for reimbursed drugs and manufacturers' sales thereof. Such taxes were accounted for in the amount of RON 12.8 million during the reported year at those companies which belong to the Pharmaceutical segment of the Group.

The 20 % tax obligation payable in respect of turnover related to reimbursed sales in Hungary amounted to HUF 487 million in 2012. In accordance with the most recent changes to the regulations we were able to offset the tax payable in 2012 on this ground by 90 % of tax liability of same kind incurred during 2011.

6. Employee information

	2012	2011
Average number of people employed during the year	10,982	10,752

The newly established companies resulted in an increase of 10 in the average number of employees during 2012.

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, we are describing these balance also on net basis as follows:

	2012 HUF m	2011 HUF m
Unrealised financial items	**5,745**	**(13,025)**
Unrealised exchange gains on trade receivables and trade payables	3,912	2,248
(Loss)/Gain on foreign currency loans receivable	(81)	132
Year end foreign exchange translation difference of borrowing	4,191	(5,504)
Unrealised exchange gains/(losses) on other currency related items	982	(537)
Unwinding of discounted value related to liability in respect of PregLem	(3,004)	(4,493)
Reversal of assessment of forward exchange contracts as of 1 Jan.	249	(64)
Result of unrealised forward exchange and swap contracts	(504)	(249)
Impairment loss on investments	-	(4,558)
Realised financial items	**(4,887)**	**6,003**
Realised (loss)/gains on forward exchange contracts	(138)	189
Exchange (loss)/gains realised on trade receivables and trade payables	(3,905)	2,089
Exchange (losses)/gains on conversion	(3,379)	1,744
Dividend income	308	59
Interest income	4,652	3,415
Interest paid	(1,805)	(1,266)
Other financial items	(620)	(227)
Total	**858**	**(7,022)**

Unrealised financial income/(expense) was heavily affected by the 220.93 US$/HUF and 291.29 EUR/HUF exchange rates in effect on 31 December 2012 (on 31 December 2011 240.68 US$/HUF and 311.13 EUR/HUF respectively) which impacted the revaluation of currency related Balance Sheet items. These translation differences together resulted an increase of HUF 9.0 billion in the net financial income for 2012.

Derivative transactions are only made by the Parent Company. At the end of the financial period Richter had only a single open transaction, an interest rate swap transaction, that was measured at fair value. The fair value of this transaction is HUF 504 million loss.

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 has no forward transactions accountable for hedge according to IAS 39. The forward transactions are presented at fair value, based on forward rates provided by the commercial banks.

In the Consolidated Financial Statements of financial year 2010, the Group recognised the deferred contingent purchase price of PregLem depending on achievement of certain milestones, on a discounted probability weighted amount.
Contingent consideration arising from the acquisition of PregLem have been recalculated as of 31 December 2012 at their present value resulting in a loss of HUF 3,004 million as a result of the unwinding of the discounted value, in 2011 it was HUF 4,493 million financial loss.

In November 2010 Gedeon Richter Plc. signed an agreement for 5 year period, EUR 150 million club credit facility, which has been called and presented as borrowings in the financial statements. 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. EUR 100 million credit instalment has been drawn down until 31 December 2012. These bank loans are presented as Borrowings which are described in Note 30. The year end foreign exchange translation difference of these credits was HUF 4,191 million gain in 2012 and HUF 5,504 million loss in 2011.

Since there was significant rise of HUF 2,196 million in the fair value of ZAO Firma CV Protek an increase has been recorded against revaluation reserve for available for sale investments (through Consolidated Statement of Comprehensive income) in 2012. In 2011 HUF 4,194 million impairment has been recorded as a result of a significant fall as Impairment loss on investments in Net financial income.

8. Income tax expense

The Group discloses the Hungarian local business tax and innovation fee as income taxes as we have established that these taxes have the characteristics of income taxes rather than operating expenses.

	2012 HUF m	2011 HUF m Restated*
Domestic	(670)	218
Foreign	(911)	(803)
Local business tax	(2,159)	(2,914)
Innovation fee	(547)	-
Current tax	**(4,287)**	**(3,499)**
Deferred tax (17)	3,446	3,281
Income tax	**(841)**	**(218)**

* Restatement in connection with intangible assets (ESMYA), (Note 41).

The average effective tax rate calculated on the basis of the current tax 8.6% and 1.7% calculated with deferred tax, in 2011 these rates were 7.0% and 0.2%.

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%

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

	2012 HUF m	2011 HUF m Restated*
Profit before income tax	**49,921**	**49,671**
Tax calculated at domestic tax rates applicable to profits in the respective countries	7,303	8,554
Tax effects of:		
Benefit of utilising investment tax credit at Parent	(2,615)	(12,505)
Associates results reported net of tax	(65)	705
Income not subject to tax	(1,257)	(106)
Expense not deductible for tax purposes	580	815
Expense eligible to double deduction**	(5,169)	(3,425)
Tax loss for which no deferred income tax has been recognised***	2,131	4,238
Local business tax and innovation fee presented as income tax	3,298	2,914
Self-revision of tax of the Parent	(592)	(240)
Derecognising deferred tax liability as change of tax status of assets	(2,773)	(476)
Re- measurement of deferred tax due to change in tax law - Hungary	-	(256)
Tax charge	**841**	**218**

* Restatement in connection with intangible assets (ESMYA), (Note 41).
** These expenditures can be deducted twice from the current years result to get the taxable profit (qualifying R&D expenses).
*** The tax loss for which no deferred tax asset has been recognised is mainly related to the unused tax loss of PregLem at cantonal level, which is presented in more details in Note 17.

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 intends to take advantage of the investment tax relief for the first time in the 2012 fiscal year

There are some criteria for eligibility for the tax relief:
- 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 in 2021 at the latest.

	HUF m	2007	2008	2009	2010	2011	2012
Present value factor		8.54%	9.58%	9.37%	6.97%	6.61%	8.48%
Utilized tax relief at current price in 2012	2,615						
Present value of unused tax relief	6,014						

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 348 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)

	2012	2011 Restated*
Net consolidated profit attributable to owners of the parent (HUF m)	49,265	49,281
Weighted average number of ordinary shares outstanding (thousands)	18,522	18,601
Basic earnings per share (HUF)	**2,660**	**2,649**

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)

	2012	2011 Restated*
Net consolidated profit attributable to owners of the parent (HUF m)	49,265	49,281
Weighted average number of total shares issued (thousands)	18,637	18,637
Diluted earnings per share (HUF)	**2,643**	**2,644**

* Restatement in connection with intangible assets (ESMYA), (Note 41).

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 31 December 2012 HUF m	Carrying value 31 December 2011 HUF m	Fair value 31 December 2012 HUF m	Fair value 31 December 2011 HUF m
Financial assets*					
Available for sale investments carried at fair value					
Investments***	16	6,714	4,232	6,714	4,232
Investments in securities**	23	9,966	11,752	9,966	11,752
Held to maturity investments carried at amortised cost					
Investments	16	18,712	10,106	18,985	8,899
Loans and receivables carried at amortised cost					
Loans receivable	18, 22	5,440	4,811	5,440	4,811
Trade receivables	21	102,476	103,487	102,476	103,487
Other current assets	22	4,181	1,567	4,181	1,567
Cash and cash equivalents	24	101,505	118,651	101,505	118,651
Financial assets carried at fair value through profit or loss					
Current		**218,517**	**236,196**	**218,517**	**236,196**
Non-current		**30,477**	**18,410**	**30,750**	**17,203**
Financial liabilities					
Liabilities carried at amortised cost					
Borrowings	30	148	164	148	164
Trade payables	27	40,033	41,016	40,033	41,016
Other payables and accruals	28	9,186	57,488	9,186	57,488
Financial liabilities carried at fair value through profit or loss					
Foreign exchange forward contracts****	28	504	249	504	249
Current		**49,871**	**98,917**	**49,871**	**98,917**
Borrowing	30	73,163	62,226	73,163	62,226
Other non-current liability****	31	11,568	9,708	11,568	9,708
Non-current		**84,731**	**71,934**	**84,731**	**71,934**

* All financial assets are free from liens and charges.
** The fair valuation of securities was based on bank data supply.
Level 1: in 2012 HUF 7,719 million (in 2011 HUF 9,572 million)
Level 2: in 2012 HUF 2,247 million (in 2011 HUF 2,180 million)
*** Level 1: in 2012 HUF 6,714 million (in 2011 HUF 4,232 million)
**** Level 3: in 2012 HUF 12,072 million (in 2011 HUF 9,957 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 is continously 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 30 and 24 offset by cash and bank balances) 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.

The capital risk of the Group was still limited in 2012, since the Net cash shows surplus in the balance sheet. In November 2010 Gedeon Richter Plc. signed an agreement for 5 year period, EUR 150 million club credit facility, which has been called and presented as borrowings in the financial statements. Within the range of that, Richter adopted the monitoring some capital risk ratios.

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. EUR 100 million credit instalment has been drawn down by the balance sheet date, until December 2012.

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

	31 December 2012 HUF m	**31 December 2011** HUF m Restated*
Borrowings (Note 30)	73,311	62,390
Less: cash and cash equivalents (Note 24)	(101,505)	(118,651)
Net debt	**(28,194)**	**(56,261)**
Total equity*	520,074	489,856
Total capital	**491,880**	**433,595**
EBITDA**	75,912	85,445
Net debt to EBITDA ratio	**(0.37)**	**(0.66)**
Net debt to equity ratio	**(0.05)**	**(0.11)**

* Restatement in connection with intangible assets (ESMYA), (Note 41).
** EBITDA has been determined in line with the credit agreement as operating profit increased by dividend income and depreciation and amortization expense.

	2012 HUF m	2011 HUF m
Profit from operations	48,721	60,927
Depreciation	26,883	24,459
Dividend income	308	59
EBITDA	**75,912**	**85,445**

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, 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 four principal subsidiaries (GR Polska, GR Romania, GR RUS, PregLem), which perform pharmaceutical activity. The items of the other consolidated companies have minimal 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.

2012			**Exchange rates**					**Effect on operating profit**	**Effect on profit for the year**
	EUR/HUF	US$/HUF	EUR/US$	PLN/HUF	RON/HUF	RUB/HUF	CHF/HUF	HUF m	HUF m
103.5%	299.1								
		235.0	1.27	71.5	67.2	7.5	248.4	4,768	4,509
		225.0	1.33	69.1	65.0	7.2	240.0	685	528
		215.0	1.39	66.7	62.7	7.0	231.7	(3,397)	(3,453)
100.0%	289.1								
		235.0	1.23	71.5	67.2	7.5	248.4	4,083	3,981
		225.0	1.28	69.1	65.0	7.2	240.0	0	0
		215.0	1.34	66.7	62.7	7.0	231.7	(4,083)	(3,981)
96.5%	279.1								
		235.0	1.19	71.5	67.2	7.5	248.4	3,397	3,453
		225.0	1.24	69.1	65.0	7.2	240.0	(685)	(528)
		215.0	1.30	66.7	62.7	7.0	231.7	(4,768)	(4,509)

2011	Exchange rates							Effect on operating profit	Effect on profit for the year
	EUR/HUF	US$/HUF	EUR/US$	PLN/HUF	RON/HUF	RUB/HUF	CHF/HUF	HUF m	HUF m
103.6%	290.0								
		210.0	1.38	70.0	68.0	7.0	235.0	4,234	4,162
		201.0	1.44	67.8	65.9	6.8	226.9	1,014	1,076
		190.0	1.53	65.5	63.5	6.6	220.0	(3,185)	(3,055)
100.0%	280.0								
		210.0	1.33	70.0	68.0	7.0	235.0	3,220	3,087
		201.0	1.39	67.8	65.9	6.8	226.9	0	0
		190.0	1.47	65.5	63.5	6.6	220.0	(4,198)	(4,131)
96.4%	270.0								
		210.0	1.29	70.0	68.0	7.0	235.0	2,207	2,011
		201.0	1.34	67.8	65.9	6.8	226.9	(1,014)	(1,076)
		190.0	1.42	65.5	63.5	6.6	220.0	(5,212)	(5,207)

Based on the yearly average currency rate sensitivity analysis of 2012 the combination of weak Hungarian Forint (with rate of 299.1 EUR/HUF) and strong US$ (with rate of 1.27 EUR/US$) – by 71.5 PLN/HUF, 67.2 RON/HUF, 7.5 RUB/HUF and 248.4 CHF/HUF- would have caused the largest growth (in the amount of HUF 4,509 million) on the Group's consolidated operating profit. The greatest decrease (HUF 4,509 million) would have been caused by the combination of exchange rates of 279.1 EUR/HUF, 215 US$/HUF, 66.7 PLN/HUF, 62.7 RON/HUF, 7.0 RUB/HUF and 231.7 CHF/HUF.

Currency sensitivity of balance sheet items

Currency sensitivity analysis of balance sheet items is applied to third parties 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 four principal subsidiaries (GR Polska, GR Romania, GR RUS, PregLem). The effect of the risk arising from currency fluctuation is measured by different change in 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.

2012	Exchange rates							Effect on net financial position
	EUR/HUF	US$/HUF	EUR/US$	PLN/HUF	RON/HUF	RUB/HUF	CHF/HUF	HUF m
103.5%	301.4							
		228.5	1.32	74.0	68.0	7.6	249.4	3,386
		220.9	1.36	71.5	65.7	7.3	241.1	(398)
		213.3	1.41	69.0	63.4	7.0	232.8	(4,181)
100.0%	291.3							
		228.5	1.27	74.0	68.0	7.6	249.4	3.784
		220.9	1.32	71.5	65.7	7.3	241.1	0
		213.3	1.37	69.0	63.4	7.0	232.8	(3,784)
96.5%	281.2							
		228.5	1.23	74.0	68.0	7.6	249.4	4,181
		220.9	1.27	71.5	65.7	7.3	241.1	398
		213.3	1.32	69.0	63.4	7.0	232.8	(3,386)

2011				Exchange rates				Effect on net financial position
	EUR/HUF	US$/HUF	EUR/US$	PLN/HUF	RON/HUF	RUB/HUF	CHF/HUF	HUF m
103.6%	322.2							
		249.3	1.29	73.0	74.6	7.7	265.0	1,695
		240.7	1.34	70.5	72.1	7.5	255.9	(50)
		232.1	1.39	68.0	69.5	7.2	246.8	(1,963)
100.0%	311.1							
		249.3	1.25	73.0	74.6	7.7	265.0	1,745
		240.7	1.29	70.5	72.1	7.5	255.9	0
		232.1	1.34	68.0	69.5	7.2	246.8	(1,913)
96.4%	300.0							
		249.3	1.20	73.0	74.6	7.7	265.0	1,794
		240.7	1.25	70.5	72.1	7.5	255.9	50
		232.1	1.29	68.0	69.5	7.2	246.8	(1,864)

The worst case scenario is when EUR strengthens and US$, PLN, RON, RUB, CHF weaken against HUF. In this case the consolidated financial result would decrease by HUF 4,181 million.
The best case scenario is when EUR weakens and US$, PLN, RON, RUB, CHF would strengthen against HUF. In this case the consolidated financial result would increase by HUF 4,181 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. Dec. 2012	Type of security		
		Credit insurance	Bank guarantee	L/C
	HUF m	HUF m	HUF m	HUF m
CIS	35,591	35,503	-	88
EU	976	-	976	-
USA	-	-	-	-
Other	473	154	88	231
Total	**37,040**	**35,657**	**1,064**	**319**

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 bank's as of 31 December 2012 based on Standard and Poor's international credit rating institute are the followings:

	2012	2011
BNP Paribas SA	A+	AA-
MKB Bank Zrt.	BB+	B
ING Bank N.V	A+	A+
Raiffeisen Bank Zrt.	A	A-
K&H Bank	BBB	BBB

The Group holds more than 59% of its cash and cash equivalents in 2012 (more than 79% in 2011) in the above mentioned financial institutes.
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. All amounts presented in cash-flow statement are in line with actual numbers of general ledgers. 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 HUF m	Between 3 months and 1 year HUF m	Between 1 and 2 years HUF m	Between 2 and 5 years HUF m	Over 5 years HUF m
At 31 December 2012						
Other financial asset		18	892	16,910	3,751	6,469
Loans receivable		188	208	1,990	3,542	289
Investments in securities		4,216	5,433	37	537	8
Cash and cash equivalents	24	101,505	-	-	-	-
Borrowings		551	1,208	16,786	45,105	17,305
Trade payables	27	37,555	2,104	180	194	-
Other non-current liabilities	31	-	-	16	11,552	-
Other liabilities		14,872	101	-	33	9
Net balance		**52,949**	**3,120**	**1,955**	**(49,054)**	**(10,548)**

At 31 December 2011	Notes	Less than 3 months HUF m	Between 3 months and 1 year HUF m	Between 1 and 2 years HUF m	Between 2 and 5 years HUF m	Over 5 years HUF m
Other financial asset		-	465	486	11,050	4,269
Loans receivable		135	640	419	4,275	266
Investments in securities		2,336	7,769	2,420	-	-
Cash and cash equivalents	24	118,651	-	-	-	-
Borrowings		531	1,511	1,896	55,274	11,213
Trade payables	27	39,200	1,601	215	-	-
Other non-current liabilities	31	-	-	60	9,648	-
Other liabilities		60,717	-	-	-	-
Net balance		**20,674**	**5,762**	**1,154**	**(49,597)**	**(6,678)**

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.

The cash flows of the Investments in securities contain the expected interest and 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 Other liabilities contain the purchase price of PregLem, which are related to the achievements of specific milestones. These payments have been categorized based on the expected date of the payments.

11. Property, plant and equipment, and other intangible assets

	Land and buildings HUF m	Plant and equipment HUF m	Construction in progress HUF m	Total HUF m
Gross value				
at 31 December 2010	**108,019**	**171,012**	**20,197**	**299,228**
Translation differences	2,248	1,878	112	**4,238**
Effect of newly acquired companies	1,243	225	6	**1,474**
Capitalization	17,611	19,533	(37,144)	-
Transfers and capital expenditure	-	239	26,624	**26,863**
Transfer to Investment property	-	-	(345)	**(345)**
Disposals	(1,357)	(3,511)	(21)	**(4,889)**
at 31 December 2011	**127,764**	**189,376**	**9,429**	**326,569**
Accumulated depreciation				
at 31 December 2010	**24,386**	**130,168**	-	**154,554**
Translation differences	379	1,149	-	**1,528**
Effect of newly acquired companies	147	155	-	**302**
Current year depreciation	3,065	14,329	-	**17,394**
Net foreign currency exchange differences	82	235	-	**317**
Disposals	(282)	(2,874)	-	**(3,156)**
at 31 December 2011	**27,777**	**143,162**	-	**170,939**
Net book value				
at 31 December 2010	**83,633**	**40,844**	**20,197**	**144,674**
at 31 December 2011	**99,987**	**46,214**	**9,429**	**155,630**

	Land and buildings HUF m	Plant and equipment HUF m	Construction in progress HUF m	Total HUF m
Gross value				
at 31 December 2011	**127,764**	**189,376**	**9,429**	**326,569**
Translation differences	(1,629)	(1,603)	(105)	**(3,337)**
Capitalization	4,471	18,102	(22,573)	**-**
Transfers and capital expenditure	267	324	24,043	**24,634**
Transfer to Investment property	-	-	(10)	**(10)**
Disposals	(1,532)	(3,577)	(19)	**(5,128)**
at 31 December 2012	**129,341**	**202,622**	**10,765**	**342,728**
Accumulated depreciation				
at 31 December 2011	**27,777**	**143,162**	**-**	**170,939**
Translation differences	(293)	(973)	-	**(1,266)**
Current year depreciation	3,626	14,243	-	**17,869**
Net foreign currency exchange differences	10	31	-	**41**
Disposals	(394)	(2,969)	-	**(3,363)**
at 31 December 2012	**30,726**	**153,494**	**-**	**184,220**
Net book value				
at 31 December 2011	**99,987**	**46,214**	**9,429**	**155,630**
at 31 December 2012	**98,615**	**49,128**	**10,765**	**158,508**

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 HUF m	Intellectual property HUF m	ESMYA HUF m Restated*	Total HUF m Restated*
Gross value				
at 31 December 2010*	**88,280**	**7,850**	**65,693**	**161,823**
Translation differences	472	667	9,365	10,504
Effect of newly acquired companies**	1	1	-	2
Capitalization	4,339	1,329	-	5,668
Transfers and capital expenditure	1,116	18	-	1,134
Disposals	(520)	(549)	-	(1,069)
at 31 December 2011*	**93,688**	**9,316**	**75,058**	**178,062**
Accumulated amortization				
at 31 December 2010	**11,225**	**992**	**-**	**12,217**
Translation differences	14	57	-	71
Effect of newly acquired companies	1	1	-	2
Current year amortization	6,829	236	-	7,065
Net foreign currency exchange differences	26	10	-	36
Impairment	198	-	-	198
Disposals	(105)	(170)	-	(275)
at 31 December 2011	**18,188**	**1,126**	**-**	**19,314**
Net book value				
at 31 December 2010*	**77,055**	**6,858**	**65,693**	**149,606**
at 31 December 2011*	**75,500**	**8,190**	**75,058**	**158,748**

* Restatement in connection with intangible assets (ESMYA), (Note 41).
**The effect of newly acquired companies line also contains the translation difference of the year of acquisition.

	Rights	Intellectual property	ESMYA	Total
	HUF m	HUF m	HUF m	HUF m
Gross value				
at 31 December 2011	**93,688**	**9,316**	**75,058**	**178,062**
Translation differences	(485)	(408)	(4,355)	(5,248)
Capitalization	5,191	683	-	5,874
Disposals	(669)	(195)	-	(864)
at 31 December 2012	**97,725**	**9,396**	**70,703**	**177,824**
Accumulated amortization				
at 31 December 2011	**18,188**	**1,126**	-	**19,314**
Translation differences	(117)	(34)	-	(151)
Current year amortization	6,754	469	1,791	9,014
Net foreign currency exchange differences	8	5	30	43
Impairment	375	-	-	375
Disposals	(56)	(23)	-	(79)
at 31 December 2012	**25,152**	**1,543**	**1,821**	**28,516**
Net book value				
at 31 December 2011	**75,500**	**8,190**	**75,058**	**158,748**
at 31 December 2012	**72,573**	**7,853**	**68,882**	**149,308**

All other intangible assets are free from liens and charges.

Impairment test – as it is described in Note 19 Goodwill - was performed on the value of Intangible assets and as a consequence to that we had to account for HUF 375 million as impairment loss related to some of the Romanian retail companies in 2012 and HUF 198 million in 2011.

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 (see Note 37) 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.

The products right 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 values of the right in relation to Grünenthal is HUF 60,645 million in 2011 and HUF 56,554 million in 2012.

12. Investment property

A real estate property, located in Budapest is accounted for as investment property owned by Medimpex Irodaház Kft. This company is a joint venture with EGIS Plc. in 50-50%.
Subsequent to initial recognition, investment properties are measured at fair value.

Book value of investment property:

	Investment property HUF m
Fair value	
at 1 January 2011	**1,006**
Capitalization	345
Fair value adjustment	28
at 31 December 2011	**1,379**
Capitalization	10
Fair value adjustment	(299)
at 31 December 2012	**1,090**

The Discounted Cash Flow method is used for calculation of investment property's fair value.
A fair valuation of the investment property was carried out by the Company's professionals using discounted cash flow method. The timeframe of the calculation was ten years, the discount rate as at 31 December 2012 and 2011 was 7.85 % and 8.50 %, respectively. The model also has taken into account a residual value after the 10 years' period based on market information.

Incomes from renting and operating expenses of real estate are the followings:

	2012 HUF m	2011 HUF m
Income from renting real estate	143	173
Operating expenses	53	57
Net balance	**90**	**116**

For the year ended 31 December 2012. all amounts in HUF m

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
		2012	2011	2012	2011	
ZAO Gedeon Richter - RUS	Russia	100.00	100.00	100.00	100.00	Pharmaceutical manufacturing
Gedeon Richter Romania S.A.	Romania	99.88	99.87	99.88	99.87	Pharmaceutical manufacturing
Gedeon Richter Polska Sp. z o.o.	Poland	99.88	99.88	99.88	99.88	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 V.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.	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	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	99.88	99.87	99.88	99.87	Asset management
Gedeon Richter Farmacia S.A.	Romania	99.88	99.87	99.88	99.87	Pharmaceutical retail
Pharmanet S.R.L.	Romania	99.88	99.87	99.88	99.87	Pharmaceutical retail
Gedeon Richter France S.A.R.L.*	France	99.99	99.99	99.99	99.99	Pharmaceutical retail
Gedeon Richter-Retea Farmaceutică 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	99.88	99.87	99.88	99.87	Pharmaceutical wholesale
Gedeon Richter Ukrfarm O.O.O.	Ukraine	100.00	100.00	100.00	100.00	Pharmaceutical retail

For the year ended 31 December 2012. all amounts in HUF m

Name	Place of incorporation (or registration) and operation	Proportion of ownership %		Proportion of voting rights held %		Principal activity
		2012	2011	2012	2011	
Gedeon Richter Marketing Polska Sp. z o.o.	Poland	99.98	99.98	99.98	99.98	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	50.00	50.00	Pharmaceutical retail
Gedeon Richter Slovenija, trženje, d.o.o.	Slovenia	100.00	100.00	100.00	100.00	Marketing services

* Gedeon Richter France S.A.R.L. merged into Medimpex France S.A.R.L. in January 2012 and continues to operate as Gedeon Richter France S.A.R.L.

Subsidiaries newly included in the consolidation

Name	Date of establishment/ acquisition	Place of incorporation (or registration) and operation	Proportion of ownership %		Proportion of voting rights held %		Principal activity
			2012	2011	2012	2011	
Gedeon Richter Benelux SPRL*	02.2012	Belgium	100.00	-	100.00	-	Marketing services
Gedeon Richter Nordics AB*	04.2012	Sweden	100.00	-	100.00	-	Marketing services

* Newly established by the Group.

14. Joint ventures

The Group had the following interests in joint ventures:

Name	Place of incorporation (or registration) and operation	Proportion of ownership %		Proportion of voting rights held %		Principal activity
		2012	2011	2012	2011	
Medimpex Irodaház Kft.	Hungary	50.00	50.00	50.00	50.00	Renting real estate
Richter-Helm BioTec Management GmbH	Germany	50.00	50.00	50.00	50.00	Assets management
Richter-Helm BioTec GmbH & Co. KG	Germany	50.00	50.00	50.00	50.00	Trading of biotech products
Gedeon Richter Rxmidas Ltd.	Hong-Kong	50.00	50.00	50.00	50.00	Marketing services
Grmidas Medical Service (China) Co.Ltd.	China	50.00	50.00	50.00	50.00	Marketing services

The following amounts are included in the Group's financial statements as a result of the proportional consolidation of the above joint ventures.

	31 December 2012 HUF m	31 December 2011 HUF m
Current assets	357	225
Non-current assets	1,273	1,393
Short-term liabilities	212	132
Long-term liabilities	3,614	2,477
Revenues	254	291
Cost of sales	164	144
R&D cost	1,116	1,121

Joint ventures companies have no significant financial and other cost.

15. Investments in associated companies

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

	2012 HUF m	2011 HUF m
At 1 January	**1,754**	**6,093**
Step up to subsidiary	-	(403)
Sale of investment	(12)	(1)
Merge	-	(4)
Increase of share capital	-	283
Additional payment	30	17
Share of profit/(loss)*	342	(4,234)
Exchange difference	1	3
At 31 December	**2,115**	**1,754**

* Hungaropharma Zrt. is the most significant associated company of the Group, caused HUF 4,294 million loss from associates in 2011, this amount presented in Consolidated Cash Flow Statement within Non cash items accounted through Comprehensive and Consolidated Income Statement.

Name	Place of incorporation	Principal activity	Assets HUF m	Liabilities HUF m	Revenues HUF m	Profit/ (loss) HUF m	Interest held %
2011							
Hungaropharma Zrt.	Hungary	Pharmaceutical wholesale	56,116	52,254	254,828	(8,220)	30.68
Salvia-Med Bt.	Hungary	Pharmaceutical retail	56	27	499	15	32.79
Szondi Bt.	Hungary	Pharmaceutical retail	157	24	464	23	33.00
Gyulai Fodormenta Bt.	Hungary	Pharmaceutical retail	85	24	449	23	20.00
Top Medicina Bt.	Hungary	Pharmaceutical retail	56	47	314	(1)	20.00
Medservice Richter O.O.O.	Kazakhstan	Pharmaceutical trading	53	9	-	-	49.00
Vita-Richter O.O.O.	Azerbaijan	Pharmaceutical trading	554	476	-	-	49.00
Pharmapolis Kft.	Hungary	Building project management	5,549	5,576	-	(29)	24.00
Cerorin Kft.	Hungary	Biotechnological research, development	1	0	-	(0.6)	24.00
Pharmatom Kft.	Hungary	Biotechnological research, development	276	261	-	13	24.00

Name	Place of incorporation	Principal activity	Assets HUF m	Liabilities HUF m	Revenues HUF m	Profit/ (loss) HUF m	Interest held %
2012							
Hungaropharma Zrt.	Hungary	Pharmaceutical wholesale	51,796	46,646	232,790	928	30.68
Salvia-Med Bt.	Hungary	Pharmaceutical retail	52	33	468	13	32.79
Szondi Bt.	Hungary	Pharmaceutical retail	162	28	439	25	33.00
Top Medicina Bt.	Hungary	Pharmaceutical retail	54	52	295	(7)	20.00
Medservice Richter O.O.O.	Kazakhstan	Pharmaceutical trading	48	8	-	-	49.00
Vita-Richter O.O.O.	Azerbaijan	Pharmaceutical trading	509	438	-	-	49.00
Pharmapolis Kft.	Hungary	Building project management	6,904	7,021	155	(120)	24.00
Cerorin Kft.	Hungary	Biotechnological research, development	1	0	-	(0.6)	24.00
Pharmatom Kft.	Hungary	Biotechnological research, development	366	385	-	(61)	24.00

The balances of Hungaropharma Zrt, the most significant associate of the Group is not yet audited.
Amounts of assets, liabilities, revenues and profit/loss are presented at 100%.

16. Other financial assets

	31 December 2012 HUF m	31 December 2011 HUF m
Held to maturity investments carried at amortised cost	18,712	10,106
Available-for-sale investments carried at fair value	6,714	4,232
Total	**25,426**	**14,338**

The held to maturity investment contains "Exchangeable Bonds" issued by the Hungarian State Holding Company (MNV Zrt.) that has maturity date of 2014. At maturity these bonds might be transferred to Richter shares already in the ownership of MNV Zrt. The Group owns "Exchangeable Bonds" in the nominal value of EUR 52 million as of 31 December 2012. (EUR 34 million as of 31 December 2011).

Available-for-sale investments presented among Other financial assets have not been sold in current year and therefore no amount has been recycled to the Consolidated Income Statement.
Available-for-sale investment contains 5% ownership in Zao Firma CV Protek valued at fair value based on the closing stock exchange price (7.26 RUB/share). Since there was significant rise in the fair value of investment an increase of HUF 2,196 million has been recorded against revaluation reserve for available for sale investments (through Consolidated Statement of Comprehensive Income) in 2012.

17. Current income tax and deferred tax

Current tax assets and liabilities

	31 December 2012 HUF m	31 December 2011 HUF m
Current tax assets	1,117	501
Current tax liabilities	123	34

Deferred tax is calculated by the liability method based on the temporary differences. Deferred tax assets and liabilities and the deferred tax (charge)/credit in the Consolidated Balance Sheet are included to the following items:

	31 December 2012 HUF m	31 December 2011 HUF m Restated*
Deferred tax assets	3,342	3,605
Deferred tax liabilities	(9,634)	(14,154)
Net position at 31 December	**(6,292)**	**(10,549)**

* Restatement in connection with intangible assets (ESMYA), (Note 41).

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

Deferred tax assets	**Local GAAPs – IFRS differences**	**Fixed and intangible assets**	**Provision**	**Impairment**	**Other temporary differences**	**Consolidation adjustments**	**Total**
	HUF m	HUF m	HUF m	HUF m	HUF m	HUF m	**HUF m**
31 December 2010	**452**	**503**	**131**	**293**	**(232)**	**477**	**1,624**
Charged/(credited) to the income statement	(448)	240	200	45	320	1,217	**1,574**
Charged/(credited) to other comprehensive income	-	-	-	-	374	-	**374**
Exchange differences	-	13	5	-	29	-	**47**
Transfer	-	-	-	-	(14)	-	**(14)**
31 December 2011	**4**	**756**	**336**	**338**	**477**	**1,694**	**3,605**
Charged/(credited) to the income statement	18	(58)	29	(25)	(266)	92	**(210)**
Charged/(credited) to other comprehensive income	-	-	-	-	(42)	-	**(42)**
Exchange differences	(2)	(9)	3	-	(3)	-	**(11)**
Transfer	-	38	13	11	(62)	-	**-**
31 December 2012	**20**	**727**	**381**	**324**	**104**	**1,786**	**3,342**

Deferred tax liabilities	Local GAAPs – IFRS differences HUF m	Fixed and intangible assets HUF m	Other temporary differences* HUF m Restated**	Total HUF m Restated**
31 December 2010**	**533**	**268**	**13,352**	**14,153**
Charged/(credited) to the income statement**	(477)	(120)	(1,885)	**(2,482)**
Charged/(credited) to other comprehensive income	(51)	-	32	**(19)**
Exchange differences	8	(14)	2,522	**2,516**
Transfer	-	-	(14)	**(14)**
31 December 2011	**13**	**134**	**14,007**	**14,154**
Charged/(credited) to the income statement	-	12	(3,668)	**(3,656)**
Charged/(credited) to other comprehensive income	-	-	12	**12**
Exchange differences		(15)	(861)	**(876)**
Transfer	-	5	(5)	**-**
31 December 2012	**13**	**136**	**9,485**	**9,634**

* 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 off set by the unused tax loss of the company available at federal level. As a result of this transaction net deferred tax liability has been presented in the value of HUF 9,325 million in 2012 and HUF 13,707 million in 2011 after the restatement.

** Restatement in connection with intangible assets (ESMYA), (Note 41).

In the deferred tax balance presented above, HUF 591 million is expected to reverse after 12 months.

At 31 December 2012 Richter Group has HUF 38,904 million unused tax loss (that would result in HUF 6,386 million deferred tax asset) for which no deferred tax asset has been recognised since the recovery is not probable, while in 2011 the Group had HUF 28,071 million unused tax loss (that would have resulted in HUF 4,588 million deferred tax asset after the restatement).

In 2012 most of the unused tax loss for which no deferred tax asset has been recognised is in relation to PregLem's unused tax loss at cantonal level. The unused tax loss for which no deferred tax asset has been recognised is expected to expire or be utilised during the period of tax holiday of PregLem.

Temporary differences arising in connection with interest in associates and joint ventures are insignificant.

As a result of the decision of Richter's and PregLem's Boards Preglem's activities will be restructured from 2013 onwards and ESMYA® will be manufactured and sold by the Parent Company. While after this restructuring most of ESMYA® revenues will be taxed by the effective tax rates of the Parent Company therefore Deferred tax liabilities related to ESMYA intangible assets were re-estimated and recalculated. This change in management estimations resulted in HUF 2,820 million decrease in Deferred tax liabilities with a corresponding charge to income tax in the Consolidated Income Statement in 2012.

18. Loans receivable

	31 December 2012 HUF m	31 December 2011 HUF m
Loans given to related parties	4,584	3,627
Loans given to employees	462	440
Other loans given	5	5
Total	**5,051**	**4,072**

19. Goodwill

	Goodwill HUF m Restated*
Cost	
At 1 January 2011	33,170
Decrease from sale of subsidiaries	(23)
Exchange differences	4,054
At 31 December 2011	**37,201**
At 1 January 2012	**37,201**
Exchange differences	(1,940)
At 31 December 2012	**35,261**
Impairment	
At 1 January 2011	**(3,187)**
Impairment charged for the year	(271)
At 31 December 2011	**(3,458)**
At 1 January 2012	**(3,458)**
Impairment charged for the year	(201)
At 31 December 2012	**(3,659)**
Net book value	
At 1 January 2011	**29,983**
At 31 December 2011	**33,743**
At 31 December 2012	**31,602**

* Restatement in connection with intangible assets (ESMYA), (Note 41).

Closing goodwill on Cash Generating Units (Companies)

	31 December 2012 HUF m	31 December 2011 HUF m Restated*
Pharmaceuticals segment		
GR Polska Sp. z o.o.	1,069	1,055
Richter-Helm Biologics Co & KG	93	99
PregLem S.A.*	28,789	30,562
Wholesale and retail segment		
Armedica Trading Group	1,590	1,966
Other segment		
Pesti Sas Holding Kft.	61	61
Total	**31,602**	**33,743**

* Restatement in connection with intangible assets (ESMYA), (Note 41).

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 2012, 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 2012 similar to 2011. Any reasonable change in the key assumptions are still not expected to result in an impairment of Goodwill.

Armedica Trading Group
The Group has allocated the goodwill to 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 EBITDA performance.
Each year the performance of the pharmacies is assessed whether they are grouped into the correct category of pharmacies. A classification criteria has been defined as -0.75% EBITDA/sales level. The Group determined this level by analysing, that there have been more developing pharmacies reaching this limit in 2012 and forecasting their further growth strengthening the future return of the group. At the same time above the indicated level the Group has observed a well-performing pharmacy subgroup where in certain cases slight fluctuation has appeared in the individual EBITDA levels which is only temporary phenomenon.

We have assessed the recoverable amount with "value in use" method considering the economic environment, which did not change significantly in compare to the prior year. In the "value in use" 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 goodwill balance.

Since as a result of prior year impairment tests, the entire goodwill balance have been impaired for the group which contains the pharmacies that achieve the lowest EBITDA, we have focused our impairment review on the developing and well-performing group.

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 10% increase of WACC and 5% declining for mark-up the following additional impairment would be required.

	HUF m
WACC	0
Net-sales	357
Mark-up	357

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. After the approval during 2012 ESMYA® was launched gradually in 17 EU member countries, ESMYA® reported total sales of EUR 3.6 million at the end of 2012. Turnover recorded in Germany contributed the most to the achieved sales levels.

In order to expand the indication to meet the needs of a wider range of affected women Richter initiated Phase III clinical studies at the beginning of the third quarter to establish the long term (on-off) usage of ESMYA® targeting a substantial recession of fibroid tumours consequently making surgical interventions unnecessary. The studies are expected to be completed by second quarter 2014.

The ESMYA intangible asset and the connected goodwill of Preglem have been tested together. Considering that the future cash flows from continuing use of the assets are considerable, the recoverable amount has been determined for a cash generating unit connected with the ESMYA intangibles and Preglem goodwill (ESMYA GW CGU).

On the basis of the impairment test performed the management assessed that no impairment should be charged on the goodwill of Preglem as of 31 December 2012.

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

Cash flow projections have been prepared separately for EU and US ESMYA® sales.

Key facts and assumptions for the EU ESMYA® sales: for the product launched in 2012 in Europe for preoperative treatment, an authorization is expected to be obtained in 2014 for extended use. For long term treatment the product shall be available from 2016. The group has data exclusivity till 2020, so generic competition and market share loss/price decrease expected from only 2020 as a consequence.

Key facts and assumptions for the US ESMYA® sales: ESMYA® expected to be launched in 2016 by the US partner. As a conservative scenario, sales decrease has been considered from 2020 because of the expiration of exclusivity.

The income approach has been used to determine the recoverable amount of the CGU, in a fair value aspect. These calculations use cash-flow projections based on financial budgets approved by management for the period 2013-2016. Cash-flows beyond 2016 are based on management estimations taking into account the original long term ESMYA® revenue model.

When management assesses the estimated future performance, cash flows have been projected over the estimated useful life of the asset. The growth in future cash flows is strictly determined by an expected uptake and the period of data exclusivity. Free cash flow is expected to peak in 2019. The Compound Annual Growth Rate (CAGR) for the period 2013-2019 is 40%. After termination of data exclusivity the free cash flow is expected to decline to the 23% of the peak, over 4 year with a CAGR -26%. After reaching this level the free cash flow is expected to remain stable till the end of the forecast period.

The discount rate (post tax: 8.63%; equivalent to a pre-tax rate of 11.35 %) 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 above mentioned cash-flows does not differ significantly from the present value of the cash-flows calculated for 7 years until 2019 and applying a perpetuity cash flow estimation afterwards.

The recoverable amount of ESMYA GW CGU calculated based on fair value approach exceeded carrying value of the sum of ESMYA intangible asset and the related GW. A rise in post tax discount rate to 9.13 % would remove the remaining headroom.

20. Inventories

	31 December 2012 HUF m	31 December 2011 HUF m
Raw materials, packaging and consumables	23,745	23,821
Production in progress	1,396	1,048
Semi-finished and finished goods	39,008	38,568
Total	**64,149**	**63,437**

Inventories include impairment in value of HUF 1,902 million and reversal of impairment in value of HUF 236 million in 2012 (HUF 1,733 million impairment and HUF 804 million reversal was made in 2011).
The reversal of impairment is due to the change of market conditions.
As of 31 December 2012 the total carrying amount of inventories that are valued at the net realisable value amounts to be HUF 270 million
All items of Inventories are free from liens and charges.

21. Trade receivables

	31 December 2012 HUF m	31 December 2011 HUF m
Trade receivables	81,442	84,973
Amounts due from related companies	21,034	18,514
Total	**102,476**	**103,487**

Trade receivables include HUF 1,192 million impairment and HUF 1,659 million reversal of impairment in 2012 (in 2011 the net impairment was HUF 1,283 million).
The reversal of impairment is explained with the decrease of overdue receivables.

Ageing of Trade receivables

	31 December 2012 HUF m	31 December 2011 HUF m
Trade receivables not expired	87,325	89,138
Trade receivables overdue, not impaired	13,342	11,443
1-90 days	*11,761*	*10,341*
91-180 days	*1,068*	*809*
181-360 days	*461*	*237*
>360 days	*52*	*56*
Trade receivables overdue, impaired	6,948	9,194
1-90 days	*1,218*	*2,005*
91-180 days	*461*	*516*
181-360 days	*563*	*1,629*
>360 days	*4,706*	*5,044*
Impairment on trade receivables	(5,139)	(6,288)
1-90 days	*(122)*	*(200)*
91-180 days	*(80)*	*(26)*
181-360 days	*(250)*	*(1,056)*
>360 days	*(4,687)*	*(5,006)*
Total	**102,476**	**103,487**

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

	31 December 2012 HUF m	31 December 2011 HUF m
At 1 January	**6,288**	**4,629**
Provision for receivables impairment	1,192	2,499
Reversal of impairment for trade receivables	(1,659)	(1,216)
Exchange difference	(682)	376
At 31 December	**5,139**	**6,288**

The Group has no individually significant impaired trade receivable.

22. Other current assets

	31 December 2012 HUF m	31 December 2011 HUF m
Loans receivable	389	739
Other receivables	4,181	1,567
Fair value of open forward exchange contracts	-	-
Subtotal of financial assets	**4,570**	**2,306**
Tax and duties recoverable	5,689	3,447
Advances	2,738	2,185
Prepayments	3,585	2,935
Total	**16,582**	**10,873**

23. Investments in securities

	31 December 2012 HUF m	31 December 2011 HUF m
Treasury bills and government securities	7,719	9,572
Open-ended investment funds	2,224	2,156
Other securities	23	24
Total	**9,966**	**11,752**

All current investments are classified as available for sale. The fair value adjustment was HUF 15 million loss in 2012, and HUF 213 million loss in 2011 recognised in other comprehensive income.
Treasury bills and government securities are issued or granted by the Hungarian State.

24. Cash and cash equivalents

	31 December 2012 HUF m	31 December 2011 HUF m
Bank deposits	101,385	118,171
Cash on hand	120	105
Short term government securities	-	375
Total	**101,505**	**118,651**

At the balance sheet date there were no short term securities classified as Cash and cash equivalents. In 2011 the fair value adjustment of short term securities presented as Cash and cash equivalents was HUF 1 million loss.
Those short term securities are treated as cash and cash equivalents which have a maturity period less than 3 months at purchase.

25. Share capital and reserves

Share capital	31 December 2012 Number	31 December 2012 HUF m	31 December 2011 Number	31 December 2011 HUF m
Ordinary shares of HUF 1,000 each	18,637,486	18,638	18,637,486	18,638

Detailed ownership structure of the Parent

Ownership	Ordinary shares number 31 December 2012	Ordinary shares number 31 December 2011	Voting rights % 31 December 2012	Voting rights % 31 December 2011	Share capital % 31 December 2012	Share capital % 31 December 2011
Domestic ownership	**6,160,077**	**6,898,705**	**33.15**	**37.28**	**33.05**	**37.01**
MNV Zrt.	4,703,921	4,700,370	25.31	25.40	25.24	25.22
Hungarian Pension Reform and Public Debt Reduction Fund	-	957,021	-	5.17	-	5.13
Municipality	107	100	0.00	0.00	0.00	0.00
Institutional investors	691,038	596,859	3.72	3.23	3.71	3.20
Retail investors	765,011	644,355	4.12	3.48	4.10	3.46
International ownership	**12,392,915**	**11,599,041**	**66.70**	**62.69**	**66.50**	**62.24**
Retail investors	114,664	71,925	0.62	0.39	0.62	0.39
Institutional investors	12,278,251	11,527,116	66.08	62.30	65.88	61.85
out of which Bank of New York Mellon *	-	929,512	-	5.02	-	4.99
out of which Aberdeen Asset M. Plc.	2,372,669	2,503,184	12.77	13.53	12.73	13.43
out of which Skagen Kon-Tiki Verdipapirfond	997,104	968,258	5.37	5.23	5.35	5.20
Undisclosed ownership	**28,608**	**4,791**	**0.15**	**0.03**	**0.15**	**0.03**
Treasury shares**	**55,886**	**134,949**	**0.00**	**0.00**	**0.30**	**0.72**
Share capital	**18,637,486**	**18,637,486**	**100.00**	**100.00**	**100.00**	**100.00**

* The owners are global custodians or nominees acting as global custodians.
** Treasury shares include the combined ownership of the Parent company and subsidiaries. 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 at their fair values the difference shall be recognized in 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 HUF m
At 1 January 2011	**3,356**
Recycled through income statement	(71)
Revaluation gross	(3,710)
Deferred tax effect	393
At 31 December 2011	**(32)**
Recycled through income statement	221
Revaluation gross	2,328
Deferred tax effect	(54)
At 31 December 2012	**2,463**

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 26 Treasury shares.

	2012 HUF m	2011 HUF m
Expense recognized in current year	5,763	5,186
Treasury share given	4,832	5,099
Total changes in reserve presented in the Consolidated Statement of Changes in Equity	**931**	**87**

26. 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 2012 38,948 shares were granted to 464 employees of the Company while in 2011 39,358 shares were granted to 449 employees.

Individual bonuses
50,780 ordinary shares were granted to qualified employees as bonuses during the year while 51,508 ordinary shares were granted in 2011.

Recognised Staff Stock Bonus Plan
Pursuant to a programme approved by the Ministry of Finance related to employee share bonuses (Recognised Staff Stock Bonus Plan 2012-2014), the Company granted 45,681 treasury shares to 4,750 employees. The shares will be deposited on the employees' security accounts with UniCredit Bank Hungary Ltd. until 2 January 2015. In 2011 48,973 shares were granted to 4,760 employees deposited on their accounts until 2 January 2014.

The AGM held on 26 April 2012 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 10,000 treasury shares at the Budapest Stock Exchange during the year, and a further 45,102 shares on the OTC market.

	Ordinary shares
Number of shares	
at 31 December 2011	**134,949**
Out of these, number of shares owned by subsidiaries	*10,550*
Share purchase	55,102
Issued as part of bonus program	(38,948)
Individual bonuses	(50,780)
Granted pursuant to the Finance Ministry-approved plan	(45,681)
Granted pursuant to the Finance Ministry – repurchased	1,244
at 31 December 2012	**55,886**
Out of these, number of shares owned by subsidiaries	*10,550*

Book value	**HUF m**
at 31 December 2011	**4,513**
Share purchase	2,035
Issued as part of bonus program	(1,405)
Individual bonuses	(1,832)
Granted pursuant to the Finance Ministry-approved plan	(1,642)
Granted pursuant to the Finance Ministry – repurchased	47
at 31 December 2012	**1,716**

27. Trade payables

	31 December 2012 HUF m	31 December 2011 HUF m
Trade payables	39,986	40,893
Amount due to related companies	47	123
Total	**40,033**	**41,016**

28. Other payables and accruals

	31 December 2012 HUF m	31 December 2011 HUF m
Accruals	6,940	6,522
Other liabilities	2,246	50,966
Fair value of open forward exchange contracts	504	249
Subtotal of financial liabilities	**9,690**	**57,737**
Wages and payroll taxes payable	3,964	3,343
Dividend payable	128	123
Deposits from customers	753	819
Accrual for costs of share options and other bonuses	480	267
Total	**15,015**	**62,289**

As announced at 6 October 2010, Gedeon Richter Plc. acquired a 100% ownership in PregLem. A purchase price up to CHF 445 million is payable, provided that certain milestone are achieved. PregLem shareholders received CHF 150 million in cash upfront and further milestone payments of up to CHF 295 million will be paid assuming achievement of all milestone targets, in 2011 CHF 65 million, while in 2012 CHF 170 million was settled as milestone payments.
A part of this deferred purchase price - two instalments of PregLem's purchase price which amounted to HUF 42,328 million - was presented as Other payables and accruals in the Consolidated Balance Sheet in 2011. No similar item is presented in the Balance Sheet in 2012 because last instalment is expected to be paid in 2015.

29. Provisions

	31 December 2012 HUF m	31 December 2011 HUF m
Other provisions	871	1,020
Provision for retirement liabilities	1,608	1,503
from this retirement defined benefit plans at the Parent (Note 29.1)	*880*	*804*
from this retirement defined benefit plans at GR Polska (Note 29.2)	*172*	*167*
Total	**2,479**	**2,523**

29.1 Retirement defined 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 average wage in case of min. 15 years consecutive employment
- 2 month average wage in case of min. 30 years consecutive employment
- 3 month average wage in case of min. 40 years consecutive employment
- 4 month average wage in case of min. 45 years consecutive employment

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.

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

RESULTS

	2012 HUF m	2011 HUF m
Opening value of retirement benefit	804	1,045
Interest costs and current service costs	98	92
Actuarial gains and benefits payments	(22)	(333)
Retirement benefit	**880**	**804**
Amortisation of non-recognised past service costs	-	85
Interest cost	47	51
Current service costs	51	41
Pension costs	**98**	**177**
Opening value of provision	804	960
Benefits paid (release of provision) and actuarial gains	(22)	(333)
Current year provision	98	177
Closing value of provision	**880**	**804**
Non-recognised past service cost	-	-

The principal actuarial assumptions were as follows:

The estimation was perfomed based on the assumption that the employees will have a yearly increase in their wages 1% exceeding the inflation until their retirement similar to 2011.

Discount rate

The estimation is based on auction gain of Hungarian government securities (source Bloomberg).

For the years where auction gain data is provided this data was the base of the calculation. For the remaining (interim) period the discount rate has been determined with linear interpolation using 4% for 30 years and 3.0% for 40 years maturity for periods exceeding 15 years.

Assumptions regarding the benefit plans

According the statistics the following probabilities were used:

Probability of resigning from the Company before retirement

Term of employment 2012	**Ages 2012** **<30**	**30-45**	**45<**
between 0 – 1 year	59.0%	51.0%	31.0%
between 1 - 5 years	58.0%	45.0%	22.0%
between 6 - 14 years	33.0%	29.0%	16.0%
between 15 - 29 years	8.0%	20.0%	13.0%
between 30 - 44 years	0.0%	2.0%	14.0%
over 45 years	0.0%	0.0%	6.0%

Probability of resigning from the Company before retirement

Term of employment 2011	Ages 2011		
	<30	30-45	45<
between 0 – 1 year	60.0%	50.0%	40.0%
between 1 - 5 years	60.0%	45.0%	25.0%
between 6 - 14 years	40.0%	30.0%	16.0%
between 15 - 29 years	0.0%	16.0%	14.0%
between 30 - 44 years	0.0%	3.0%	17.0%
over 45 years	0.0%	0.0%	1.0%

The probability of resigning has been split to ages of employees.

The statistics of resignation presented above are based on actual figures of the period 2008-2012 for 2012 and 2008-2011 for 2011.

29.2 Retirement defined benefit plans at GR Polska

Amongst the subsidiaries of the Richter Group, only Gedeon Richter Polska Sp. z o.o. accounts pension related benefits as provision set forth in the articles of the Union Agreement. Expenses allocated to pension related provision amounted to HUF 172 million on 31 December 2012 when compared to HUF 167 million reported on 31 December 2011.

According to Collective Labour Agreement of Gedeon Richter Polska Sp. z o.o. there is retirement benefit obligation which is described in details below:

Years of tenure	Amount to be paid as the percentage of the basis*	
	2012	2011
after 10 years	50%	50%
after 15 years	100%	100%
after 20 years	150%	150%
after 25 years	200%	200%
after 30 years	250%	250%
after 35 years	300%	300%
after 40 years	350%	350%

* The basis of additional retirement benefits is equal to average salary in the Company (average of 3 months).

Amounts recognized in the balance sheet

	2012 HUF m	2011 HUF m
Present value of the obligations	172	167
Liabilities recognised in the balance sheet	172	167
Current service costs	9	9
Interest costs	9	8
Net actuarial losses recognised in year	(3)	7
Expenses recognised in the income statement	15	24

Technical assumptions and principles of calculation

Parameters having a significant impact on the value of defined benefit obligations are the following:

- rate of staff turnover
- interest rate
- salary increase rate

For the year ended 31 December 2012. all amounts in HUF m

Staff turnover

The rate of mobility is based on historical data provided by Gedeon Richter Polska Sp. z o.o. According to this data the rate of turnover of staff at GR Polska is low and we assume that it will remain at this level in the future.
Under the adopted assumptions the expected rate of mobility will amount to 4.0% (in 2011 4.4%), which means that – according to the model - the employment of approximately 18 people (in 2011 20 people) will be terminated (natural mobility).
Theoretical number and structure of these employees:

Age	Men 2012	Women 2012	Men 2011	Women 2011
18 - 30	1	3	2	3
31 - 40	3	6	4	6
41 - 50	1	2	1	2
51 - 60	1	2	1	1
61 - ...	0	0	0	0

The mobility rate in the following years is assumed to be approximately on the same level (there might be changes due to the evolution of age structure of the employees).

Other actuarial assumptions

The source of death probabilities is the Central Statistical Office (the data can be found in the internet at www.stat.gov.pl).

Financial assumptions

The following financial assumptions have been adopted in the calculations for both 2011 and 2012:

- assumed rate of inflation amounts to 2.5% annually (according to monetary policy objectives assuming stabilisation of inflation rate at 2.5% with a possible fluctuation of +/- 1 percentage point).
- nominal rate of discount has been assumed to be equal to 5.5% annually (meaning real discount rate being equal to around 3.0%).
- salary increase rate has been assumed to be equal to 3.5% annually (1.0% above inflation). According to IAS 19 outlines, evaluation of future salaries takes into account the rate of inflation, years of service and employee's future promotions.
- the calculations have been performed in the Polish currency (PLN) and translated into Hungarian Forint (HUF) using the exchange rate prevailing on the balance sheet date.

Methodology of calculation

The calculation of defined benefit obligations has been performed for present employees of Gedeon Richter Polska Sp. z o.o. and does not concern those who will be employed in the future. It is based on the projected unit credit method.
According to this method each period of employment gives right to an additional unit of future employee benefits and each of these units is calculated separately. It is assumed that the salary of each employee will grow as assumed in the previous chapters.
The calculation of disability benefit obligations consists of determining the actuarial present value of benefits basing on data as on the day of calculation.

30. Borrowings

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

	31 December 2012 HUF m	31 December 2011 HUF m
Long-term borrowings	73,163	62,226
Short-term borrowings	148	164
Total	**73,311**	**62,390**

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.

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. EUR 100 million credit instalment has been drawn down until 31 December 2012.

31. Other non-current liabilities

	31 December 2012 HUF m	31 December 2011 HUF m
Other non-current liability	11,568	9,708

As it is prescribed in Note 28, in connection with PregLem acquisition, milestone payments are payable assuming achievement of milestone targets stipulated in purchase agreement. Payments pending upon certain milestones criteria (EU approval of ESMYA® as long term on-off treatment of uterine fibroids) to be met in the future by PregLem are accounted for as a long term liability. The amount presented as Other non-current liabilities is the probability weighted present value of the outstanding milestone payments.

32. Dividend on ordinary shares

	2012 HUF m	2011 HUF m
Dividend paid on ordinary shares	12,211	16,009

A dividend of HUF 660 per share (HUF 12,211 million) was declared in respect of the 2011 results, approved at the Company's Annual General Meeting on 26 April 2012 and paid during the year.

33. Agreed capital commitments and expenses related to investments

	2012 HUF m	2011 HUF m
Capital expenditure that has been contracted for but not included in the financial statements	1,376	2,889
Capital expenditure that has been authorised by the directors but has not yet been contracted for	23,413	18,093

The capital expenditure programme of the Parent Company approved by the Board of Directors totalling HUF 24,789 million comprises all costs associated with capital expenditure planned for 2013. The above commitments were not recorded either in the Income Statement or in the Balance sheet.

34. Operating lease – Group as lessee

In 2012 HUF 6,442 million has been recorded as operating lease cost.

35. Guarantees given in respect of Group companies and third parties

Maximum amount of exposure as the result of guarantees:

	2012 HUF m	2011 HUF m
Bank guarantee given by Parent relating to Pharmapolis Gyógyszeripari Tudományos Park Kft.	-	3,000
Bank guarantee given by Medimpex Jamaica Ltd. (US$ 0.3 million)	66	72
Cash surety given by Gedeon Richter Romania S.A. for Pharmafarm S.A. (EUR 1.3 million)	379	405
Bank guarantee given by Gedeon Richter Polska Sp. z o.o.	12	11
Bank guarantee given by Richter Themis Ltd.	15	16
Bank guarantee given by Gedeon Richter Pharma GmbH	17	-
Bank guarantee given by PregLem S.A.	29	43

36. Social security and pension schemes

At the Parent Company social contribution tax amounting to 27 percent and vocational training contribution amounting to 1.5 percent of gross salaries were paid during 2012 to the National Tax and Customs Administration of Hungary. The Parent Company has no further obligations beyond the statutory rates in force during the year.

The Parent Company contributes 6 percent of the monthly gross wages for those employees who decided to participate in the scheme. In addition, a one-off contribution is made in respect of employees who are within five years of the statutory retirement age. The total cost of the contributions made by the Parent Company was HUF 904 million in 2012 (in 2011: HUF 850 million). The pension fund had a total of 6,360 members (in 2011: 6,345 members) in 2012, 4,340 of whom were members entitled to receive the Company contributions (in 2011: 4,313 members).

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 2012 and in 2011. 4,785 employees are members of Patika Health Insurance Fund and the total amount paid on their behalf to the fund was HUF 230 million during 2012 (in 2011 it was HUF 250 million for 4,766 employees).

Pension contribution paid by Hungary based subsidiaries in respect of their employees amounted to HUF 31 million in 2012 and HUF 28 million in 2011.

Foreign subsidiaries pay contributions to various pension funds in respect of their employees which amounted to HUF 130 million and HUF 134 million in 2012 and 2011, respectively.

The social securities 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 base subsidiaries pay a contribution to pension fund and Patika Health Insurance Fund.

37. Business Combination

The Group has no new acquisition in 2012.

37.1 Business Combination in 2011

In 2011 the Group via purchases of additional equity has increased the rate of its ownership in Richpangalpharma O.O.O. (Moldavia) and became fully consolidated company, while in the prior years it was consolidated at equity method. The Group recognised in the Consolidated Income Statement loss of HUF 385 million as a result of remeasuring to fair value its previously held 49% equity interest in Richpangalpharma O.O.O.

Step acquisition

	Carrying value HUF m	**Fair value** HUF m
Paid consideration satisfied by cash	**(39)**	
Property, plant and equipments	1,041	1,041
Other intangible asset	0	0
Other financial assets	0	0
Loans receivable	3	3
Inventories	1,509	1,509
Receivables	712	712
Cash and cash equivalents	43	43
Long term liabilities	(750)	(750)
Trade and other payables	(1,675)	(1,675)
Non controlling interest	(309)	(309)
Negative Goodwill		**(535)**

37.2 Business Combination in 2010 that are affected by the restatement

On 6 October 2010, the Group acquired 100% of the share capital of PregLem Holding S.A., a Swiss based, specialty biopharmaceutical company focused on the development and commercialisation of women's reproductive medicine.
The Acquisition of PregLem:

- Increases Richter's exposure to specialty pharma
- Develops Richter Group's presence in main European markets
- Complements Richter's existing Women's Health Franchise.

	Carrying value HUF m	**Fair value** HUF m Restated*
Paid consideration satisfied by cash	**(31,496)**	-
Contingent liability (non-current)	(32,987)	-
Contingent liability (current)	(13,648)	-
Total consideration	**(78,131)**	-
Property, plant and equipments	48	48
Intangible assets	2,891	2,891
Receivables	207	207
Cash and cash equivalents	3,070	3,070
Trade and other payables	(2,430)	(2,430)
Other intangible asset (ESMYA)	-	61,585
Deferred tax liability	-	(13,138)
Goodwill		**25,898**

* Restatement in connection with intangible assets (ESMYA), (Note 41).

PregLem was acquired 6 October 2010. This acquisition supports and provides a gynaecological portfolio and development of the Group's presence in Western Europe. The management expects to realise significant synergies on income and expenditures as a result of launching the products of PregLem.

All costs incurred in connection with PregLem acquisition were accounted in income statement as Administration and general expense.

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.
The new measures will apply to suppliers of medicines that are partly or fully reimbursed and the overspending of the national pharmaceutical budget has to be paid by the manufacturers based on their market shares. Negotiations between the pharmaceutical companies and the Government on an amendment and revision to the new claw back system are currently ongoing.

39. Disposal of subsidiary

The Group disposed of one of its joint-ventures Westpharma S.R.L. in year 2011 which did not materially impact the consolidated figures. No similar transaction occurred in 2012.

40. 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.

	2012	**2011**
	HUF m	HUF m
Dividend paid to MNV Zrt.	3,102	4,030

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.

40.1 Related parties

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

	31 December 2012	**31 December 2011**
	HUF m	HUF m
Loans to associated companies	3,800	2,869
Related receivables (joint ventures)	135	90
Related receivables (associates)	3,391	2,877
Related payables (associates)	47	106
Revenue from joint ventures	782	705
Revenue from associates	12,079	12,950

The loans are nominated in Hungarian Forint, and have maturity date of 2014 and 2016 in the amounts of HUF 1,500 million and HUF 2,300 million respectively.
All related-party transactions were made on an arm's length basis.

40.2 Remuneration of the Board of Directors and the Supervisory Board

	Short-term benefits - Allowance	
	2012	**2011**
	HUF m	HUF m
Board of Directors	76	73
Supervisory Board	28	36
Total	**104**	**109**

40.3 Key management compensation

	31 December 2012 HUF m	31 December 2011 HUF m
Salaries and other short term employee benefits	700	717
Share based payments	1,305	1,326
Total short term compensation	**2,005**	**2,043**
Pension contribution paid by the employer	541	552
Total	**2,546**	**2,595**

The table above contains the compensation received by the chief executive officer, directors and other senior member of management, constituting 42 people.
There were no redundancy payments to key management members neither in 2011 nor 2012.

41. Adjustments in connection with Consolidated Financial Statements as of 31 December 2010 and 2011

The Group has used an incorrect income tax rate for the accounting of the acquisition as of 6 October 2010 in Switzerland and for the accounting of the corresponding Deferred tax liability as of the year end 2010 and 2011. As a result related figures for the years 2010 and 2011 were restated. The restatement has been made retrospectively. The restatement effects the Goodwill, Other intangible assets and Deferred tax liability as of 1 January, 2011, therefore the opening balances of the comparative period for other disclosures have not been presented. The effect of this adjustment is in the following table:

Consolidated Balance Sheet

	1 January 2011 HUF m As previously presented	Change HUF m	1 January 2011 HUF m Restated	31 December 2011 HUF m As previously presented	Change HUF m	31 December 2011 HUF m Restated
Goodwill	29,933	50	29,983	33,686	57	33,743
Other intangible assets	155,183	-5,577	149,606	165,120	-6,372	158,748
Foreign currency translation reserves	686	-	686	21,711	-13	21,698
Retained earnings	398,154	-	398,154	431,612	-99	431,513
Deferred tax liability	19,680	-5,527	14,153	20,357	-6,203	14,154

Consolidated Income Statement

	2011 HUF m As previously presented	Change HUF m	2011 HUF m Restated
Income tax	(119)	-99	(218)
Profit for the year	49,552	-99	49,453
Profit attributable to owners of the parent	49,380	-99	49,281

Consolidated Statement of Comprehensive Income

	2011 HUF m As previously presented	Change HUF m	2011 HUF m Restated
Profit for the year	49,552	-99	49,453
Exchange differences arising on translation of foreign operations	21,276	-13	21,263
Total comprehensive income for the year attributable to owners of the parent	67,017	-112	66,905

Since the restatement had an impact the Profit attributable to owners of the Parent it effected the EPS of 2011:

Consolidated Earnings per Share	2011 HUF As previously presented	Change HUF	2011 HUF Restated
EPS (basic)	2,655	-6	2,649
EPS (diluted)	2,649	-5	2,644

The restatement did not have any impact directly on the Cash and cash equivalents balance and the Cash flow Statement. Restatement resulted in a decrease of HUF 99 million in Net income attributable to owners of parent company against Income tax recognised through profit or loss therefore it did not effect the Net cash flow from operating activities.

42. Events after the date of the balance sheet

In January 2013 the U.S. Food and Drug Administration announced the acceptance of the NDA of cariprazine for the treatment of acute manic episodes associated with bipolar I disorder and schizophrenia indications.

In January 2013 the Company drew down the third tranche (EUR 50 million) of the EUR 150 million EIB credit facility.

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

43. Approval of financial statements

Current consolidated financial statements have been approved by the Board of Directors and authorised for release at 22 March 2013.

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 RICHTER PLC.

CONFIDENTIAL

CONSOLIDATED BUSINESS REPORT 2012

Erik Bogsch
Managing Director

Budapest, 22 March 2013

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1. General data

1.1 Brief History of Richter Group

The parent company

Gedeon Richter Plc. is a leading pharmaceutical company in the Central and East European region. Its activity encompasses every aspect of pharmaceutical production 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: nearly 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 company limited by shares 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. The merger was registered by the Budapest Court of Registration on 18 March 1991. The total registered capital of the share company amounted to HUF 13,223,974,000 at the time of transformation.

Privatization

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

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

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

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

On 14 September 2004 the State Privatization and Holding Company ÁPV Rt. launched 4,659,373 bonds convertible to Richter shares with maturity in 2009 in the context of private offering that involved institutional investors specialized in this type of investment. The bonds matured on 29 September 2009. The government decided in favour of consideration instead of share conversion. At the same time, the government supported the idea that MNV Zrt., ÁPV Rt.'s legal successor should handle financing by issuing new bonds convertible to Richter shares. As a result of the subscription that was concluded on 25 September 2009, bonds with 2014 maturity amounting to EUR 833.3 million were issued to institutional investors, convertible to 4,680,672 Richter ordinary shares. By retaining its shares in Richter the Hungarian State ensures the continuation of Richter's strategy, which relies on the Company's continued independence.

Major acquisitions to promote the expansion of the Company

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

The merger the Company started in 2007 with Polpharma, the largest Polish generic drugs manufacturer failed through the fault of Genefar BV, Polpharma's shareholder. In its decree dated 3 August 2011 the competent court of arbitration obliged Genefar BV to pay Gedeon Richter Plc. compensation amounting to USD 40 million plus interest up to the date of payment. Genefar BV paid the full amount in October 2011.

Richter's latest 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 Group 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. The change is of strategic importance for the Group.

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 of European markets in the course of the year.

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 in the Russian market was also started in Q4 of 2012.

Major consolidated companies and related changes in the Group

a. Pharmaceutical segment

Pharmaceutical companies

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

The Romanian pharmaceutical market is faced with prolonged liquidity problems and significant delays in payments by the National Health Insurance Funds.
Due to the global economic meltdown and the endemic problems of the Romanian pharmaceutical market the company's sales in the Romanian market slightly decreased for the first time in 2012; nevertheless, total turnover increased. Intra-group sales were a significant factor in the increase.
Similarly to 2011, the company closed the year with a net operating profit despite the claw-back payment, which is a great burden on the Romanian subsidiary.
The 2012 investment activities envisioned primarily strategic projects supporting Gedeon Richter Romania S.A.'s role within the Group. The company's specific needs in terms of capacity development and upgrading were not neglected either.
In the course of 2012 the parent company increased its Romanian production company's capital from a shareholder's loan.
Gedeon Richter Romania S.A. continues to hold an indirect majority share in the wholesale and retail network.

Gedeon Richter Polska Sp. z o. o. is Richter's Polish production subsidiary. The measures deployed in 2010 to rationalize costs and headcount in an effort to improve efficiency of production resulted in a marked improvement in the company's efficiency and profitability. While income from sales was relatively unchanged compared to the reference year, there was a shift in terms of its structure: the contribution of Group sourcing continued to increase along with ongoing Group level development support; at the same time the contribution of finished products and products purchased for distribution decreased. Because of the integration of export markets the company conducts its exports through Richter Group. In addition, the Polish manufacturing subsidiary undertakes the Group's tasks related to registration and pharmacovigilance in Poland.

In 2012 Richter's Russian subsidiary, **ZAO Gedeon Richter-RUS** put special emphasis on medium-term investment to expand production capacities and technology transfers to fully exploit them. Discontinuation of the Suprax line is a major change in the subsidiary's portfolio and to make up for the products in the short and medium term is a priority task. Nevertheless income from sales continued to increase year-on-year and approached EUR 100 million. Sales of finished products distributed by the subsidiary and the parent company was an important item contributing to income from sales, albeit its amount was

below projections. The subsidiary has grown to be a strong distribution and production unit of Gedeon Richter in Russia and contributes substantial value added to the Group.
In order to finance the substantial investment the parent company increased the Russian subsidiary's capital in 2012.

In 2012 **Richter Themis Ltd.** was active predominantly as a manufacturer and distributor of intermediate products and APIs for Group members. Besides continuously expanding its portfolio the company supplies significant amounts of products to external partners and thus improved exploitation of its capacities.
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.

Despite declining orders in biotechnology services **Richter-Helm BioLogics GmbH & Co. KG**'s turnover in 2012 was around the reference figure. The microbial biotechnology company continues to engage in sourced development at three sites. Today Group developments directly funded by the shareholders feature prominently among its activities but long-term relations outside the Group have retained their importance.

With the launch of Esmya in the European market **PregLem S.A.**'s R&D activities were complemented by sales and marketing in the 2012 business year.
The company's most prominent R&D research line is the expansion of the indications of the leading gynaecological product Esmya with ulipristal acetate as active ingredient.
Marketing of Esmya in Europe is supported by the parent company on an ongoing basis through direct financing.

Other consolidated companies providing ancillary services for the pharmaceutical segment:

With a view to strengthen its gynaecology business strategy in Western Europe through product portfolio acquisition, in 2010 Richter bought Grünenthal A.G.'s gynaecological portfolio for Europe and the rest of the world, with the exception of Latin America.
To promote its sales effort in Western Europe, since 2011 Richter has expanded the scope of business of its subsidiaries with marketing and other ancillary activities and started to build a network of pharmaceutical representatives specialized in gynaecological products. The subsidiaries **Gedeon Richter Iberica S.A.** of Spain, **Gedeon Richter Italia S.r.l.** of

Italy and **Gedeon Richter Pharma GmbH.** of Germany were involved in the expansion. To achieve the above goals in 2011 Richter established subsidiaries in Switzerland (**Gedeon Richter (Schweiz) AG**), Portugal (**Gedeon Richter Portugal, Unipessoal Lda**.) and Austria (**Gedeon Richter Austria GmbH**) and expanded the Group in 2012 with new subsidiaries in Belgium, the Netherlands and Luxemburg (**Gedeon Richter Benelux SPRL**) and the Nordic countries (**Gedeon Richter Nordics AB**), where it started developing its networks of representatives.
Together with the British and French subsidiaries (**Gedeon Richter UK Ltd. and Gedeon Richter France S.A.R.L.**) - the expanded group of subsidiaries constitutes the basis of Esmya's launch and long-term promotion.

Created by Group-level restructuring of the marketing network, **Gedeon Richter Marketing Polska Sp.z o.o.** has extended marketing and PR services in Poland to its shareholders, Richter and GR Polska since 1 January 2009.
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 established **Gedeon Richter Slovenija, trženje, d.o.o.**, its subsidiary in Slovenia at the end of 2011. The Czech, the Slovak and the Slovenian subsidiaries have operated networks of representatives PR support to Richter products. The products promoted by the Czech, Slovak and Slovenian subsidiaries also include some of those resulting from Richter's recent acquisitions.

Richter established **Gedeon Richter Rxmidas JV Co. Ltd.** under joint management with 50% participation in China at the end of 2010. In the second half of 2011 the company established a 100% owned subsidiary **GRmidas Medical Service (China) Co. Ltd.**, which has provided marketing support to Richter's gynaecological portfolio of oral and Plan B contraceptives for over a year with costs exceeding income from sales for the time being,

Active in promotional purchases, storage and distribution, Moscow based **Pharmarichter O.O.O.** proved to be a high-performing company in 2012 in both professional and financial terms.

The core business of **Richter-Helm BioTec GmbH & Co KG** has been project management and business development in the field of microbial biotechnology over the past years, focusing on Group projects as well as external projects. The 2012 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.

b. Wholesale and Retail segment

Romania

Armedica Trading S. R. L. is the holding company of Richter Group's Romanian pharmaceutical wholesale and retail segment.

The Hungarian parent company developed a full-fledged vertical sales network in Romania with the companies owned by Armedica as endpoints. The two sales units continues to play an important role in implementing the strategic goals of the Romanian and Hungarian parents, predominantly in the distribution of the Group's finished products and promoting Richter Group in Romania.

Pharmafarm S.A. is the Group's wholesale company in Romania. As a result of its clear logistics structure the company significantly improved its turnover while at the same time it managed to contain costs and strengthened its well-balanced customer, inventories and sourcing policy. Cooperation between the parent and Gedeon Richter Romania S.A., Gedeon Richter Farmacia S.A. and Pharmafarm S.A. continued to improve in order to achieve a bigger share in the Romanian market.

The interpretation of the claw-back system for the period from October 2009 until September 2011 is still laden with uncertainties.

At the end of 2012 **Gedeon Richter Farmacia S.A.** managed by the holding company had a network of 106 pharmacies with nationwide penetration and steadily increasing performance. Pharmanet, a chain of 14 basically drug store type outlets centred around Cluj and its area is operated by GRFA's subsidiary (Pharmanet S.R.L.).

The new managing director, who joined the company in 2011, introduced a new trading policy in 2012 coupled with more advantageous sourcing policy and a focus on higher-yield products. As a result, the company's gross margin has been boosted.
In 2012 additional impairment was reported on the licenses of outlets held by Gedeon Richter Farmacia S.A.

Ukraine and the CIS
After the dismantling of the wholesale segment in 2009 Richter's fully owned Ukrainian subsidiary **Gedeon Richter Ukrfarm O.O.O.** focuses exclusively on pharmaceutical retail. Besides implementing successful headcount and cost containment measures to improve efficiency, Richter changed its strategy regarding the retail sector in Ukraine. In 2011 the Company decided to discontinue a retail network of 20 outlets.

In the Moldovan pharma market Gedeon Richter Plc. managed to retain its primacy owing to its balanced performance. Provision of multifaceted services to meet a variety of needs efficiently and at a high standard of quality is ensured by wholesale and retail companies whose excellent cooperation resulted in outstanding market share in the region for several years in succession. It is of particular importance that **Richpangalfarma O.O.O.**, Richter's wholesale company registered in 1996 is a key player in the pharmaceutical wholesale market in the Republic of Moldova. Its balanced operation generates continuously improving performance and profits.
On completion of the investment project the retailer **GR–Retea Farmaceutica S.R.L.** founded in 2007 operated a nationwide network of 39 outlets in 2012. The outlets operating in the capital (10 outlets) and the biggest cities in the country (for instance Balti with 14 outlets) are continuously strengthening their positions; their improving sales revenues strengthen the performance of the entire network.

Richter's wholesale and retail holdings in Armenia have scored major progress and achieved an impressive performance in 2012. The wholesale subsidiary **Richter-Lambron O.O.O.** made a successful appearance in the market of third-party products. As a result, it expanded its network of suppliers and costumers and its figures achieved considerable growth. This greatly contributed to the company's reinforcement of its top position in the market.

The subsidiary **Gedeon Richter Aptyeka Sp O.O.O.** expanded its network to include 14 pharmacies by the end of 2012 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 performance of the two wholesale companies operating in *Jamaica* (**Medimpex Jamaica Ltd.** and **Medimpex West Indies Ltd.**) resulted in greatly improving turnover and strong profits. As a result of the wholesalers' activities Richter managed to step up the distribution of its products in the region in 2012.

There was no change in the *domestic* wholesale share: the parent company continues to be a shareholder of the biggest pharmaceutical distributor in Hungary.
The 2012 performance of **Hungaropharma Zrt.** improved compared to the reference year in an extremely difficult pharma trade environment. Richter has a 30.68% direct holding in the company.
The Hungarian retail network of the parent shrank by one outlet as a result of sale of holdings in 2012.

c. Other Companies segment

There has been no change in the profiles of the other consolidated companies of Richter Group; they provided continuous support fully in line with expectations and with good performance throughout 2012. Operation of these affiliated undertakings is focused predominantly to Hungary.
Richter's undertakings in this segment with foreign sites continue to be dormant.

Impact of the market environment; the Group's global 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 the late 1990s response to the economic crisis in Russia the parent company revised its long-term strategic goals: strengthening regional multinational activities handled as a priority, maintaining stable positions in its traditional markets, strengthening its presence in the EU and the United States with proprietary and generic products, building long-term co-operations in supplying active 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 accordance with strategic goals in the years after the turn of the millennium Richter achieved a significant upswing in turnover realized in EU markets, particularly in the turnover in the new Member States joining after 2004. The latter trend is particularly significant as drug subsidies in the new accession countries are generally underfinanced, which led the Group to reduce the price of some of its products. Consolidation of the economy in Russia gave a boost to the pharmaceutical market in most CIS states, which triggered a dynamic growth in Richter Group's turnover in this region. Rising income from sales in the CIS, the USA, then in the EU, led to exports contributing approximately 90 percent to total turnover.

Contrary to export markets, ongoing uncertainties prevailed in the Hungarian market. Despite the agreement between the Government and the pharmaceutical industry price increases were delayed and the pharma companies were forced to share the burden of financing the overspending in the social security system. Due to mergers and acquisitions of competitors, the parent company lost its leading position in the Hungarian market, although its sales increased significantly up to 2005: while revenues from sales still soared in the period 2006-2009, a distribution agreement ceased, and this, coupled with generally unfavourable macroeconomic trends and the negative impact of the Government's measures affecting the pharmaceutical market resulted in declining sales revenues. The trend turned around in 2010, albeit not because of the improvement of the economic environment but mainly as a result of increasing sales of the products launched over the past three years. While growth continued in 2011, sales plummeted in 2012.

1.2 Main objectives for 2012

The Group's main objectives for 2012 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; and to enter the market of biosimilar products. In 2012 significant advancement was achieved in the following areas:

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

- According to Richter's announcement on 27 February 2012, Esmya, a proprietary product developed by PregLem, a pharma company solely owned by Richter had been granted marketing authorisation for the EU member states for its indication of pre-operative treatment of uterine fibroids (myomas). The product was launched in 17 member states in the course of the year.

- In 2011 Richter upgraded its existing and newly created marketing companies in Western Europe: the companies' scope of business was expanded and a network of pharmaceutical representatives specialized in gynaecological treatments was developed in all of the companies. In 2012 Richter established new subsidiaries in the Benelux and Nordic countries and started building its network of representatives.

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

- At the end of 2011 the parent company capitalized the assets created as a result of the capital expenditure started in Debrecen in 2007 and thus took a big step forward towards plant-level manufacturing of biosimilar products in Hungary. Trial runs started in 2012 and are expected to lead to the manufacturing of samples required for clinical studies by 2014 followed by routine production of drugs, as well as anticancer and chronic anti-inflammatory proteins and antibodies from 2015.

- On 2 and 28 February 2012 Richter and its partner, Forest Laboratories, Inc. announced the successful conclusion of the third Phase III trial of the antipsychotic cariprazine for the acute treatment of manic or mixed episodes associated with bipolar I disorder, and two positive Phases III trials of the same drug for the treatment of schizophrenia. The Company thus boasts of three positive Phase III trials in respect of both indications. On 28 November 2012 Richter announced that Forest Laboratories submitted a new drug application (NDA) to the United States Food and Drug Administration (FDA) for cariprazine for both indications.

1.3 Share structure of Gedeon Richter Plc.

As of 1 January 2012 the number of ordinary shares comprising the Company's subscribed capital was 18,637,486. The number of shares did not change in the course of 2012.

As regards ownership structure, as of 31 December 2012, 66.50% of shares were held by foreign institutional and private investors, the Hungarian State held 25.24%, and Hungarian institutional and private investors held a total of 7.81%. Treasury shares together with 10,550 shares owned by subsidiaries amounted to 0.30 %; the rate of other ownership was 0.15 %.

The closing price of shares as of 31 December 2011 was HUF 34,200 compared to HUF 36,210 as of 31 December 2012. Average monthly share prices in 2012 moved between the minimum of HUF 36,009 per share (in December) and the maximum of HUF 39,786 per share (in October).

1.4 Treasury shares held by the Group

Parent company	Ordinary shares	
	31.12. 2011	31.12. 2012
Shares	124,399	45,336
Nominal value HUF`000	124,399	45,336
Book value HUF`000	4,468,276	1,670,893

As of 31 December 2012 the subsidiaries held a total of 10,550 Richter shares.
Following the decision of the Board of Directors 89,728 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 the Company granted 45,681 Treasury shares to 4,750 employees on 19 December 2012.

1.5 Corporate governance

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

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

The Corporate Governance Report is an integral part of the Annual Report; it features as a separate item on the agenda of the annual general meeting of the parent company 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 Richter's Annual General Meeting on 26 April 2012, the following directors were re-elected to serve on the Board of Directors for a period of three years until the 2015 Annual General Meeting:

Dr. Attila Chikán
Mr. Gábor Tóth (employee representative)
Mr. Jenő Fodor (employee representative).

The AGM elected the following persons to serve on the Supervisory Board for a period of three years until the 2015 Annual General Meeting:

Dr. Jonathán Róbert Bedros and
Mrs. Tamásné Méhész.

The AGM approved the appointment to the Audit Committee of Dr. Attila Chikán, Dr. Jonathán Róbert Bedros and Mrs. Tamásné Méhész for the three-year period until the 2015 AGM.

1.6 Site (parent company)

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

1.7 Other information

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

In 2000 the Company embarked upon another medium-term capital expenditure programme and by 31 December 2003 commissioned for operation a production investment project at a value in excess of HUF 10 billion that resulted in an increase in average staff number by at least 500 compared to the average number of staff employed preceding commencement of the investment project. Having met these statutory requirements, the Company became eligible for 100% corporate tax benefit from 2004 to not later than 2011. In order to close the chapter on competition at the accession negotiations the Hungarian Government and the European Union reached an agreement in respect of changing certain instances of tax benefit granted by the Act on Corporate Tax and Dividend Tax. The agreement allows the 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 parent company commenced construction of a new plant in Debrecen to develop and manufacture biotechnology products, and announced making use of the tax benefit with the contents set out in the relevant Government Decree. The investment that meets the condition in Section 22/B (1) b) of the Act on Corporate Tax and Dividend Tax was concluded in 2011 and all the equipment that formed part of the project was commissioned. Richter decided to make use of the tax break related to the investment project for the first time in the 2012 business year, in the rate of 80% of the corporate tax.

The parent 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 only prepared financial statements in accordance with IFRS, consolidating all of its subsidiaries, joint ventures and associated companies with the parent company.

2. The Group's 2012 operating review

2.1 The balance sheet as of 31 December 2012

At the close of 2012 the first consolidation of PregLem was revised and corporate tax rates were harmonized in the valuation of Esmya as an intangible and in the calculation of deferred tax on Esmya as an intangible asset. As a result, some of the items of the audited 2010 and 2011 financial statements were restated. The value of the intangible asset Esmya upon the first consolidation in 2010 was reduced by HUF 5,577 million, consequently, the goodwill on the remainder of the buyout price increased by an equivalent amount. The deferred tax reported on the intangible asset was reduced by HUF 5,527 million. The goodwill offsetting the deferred tax liability was likewise reduced by HUF 5,527 million. As a result of these two opposing effects there was only a slight change, a HUF 50 million increase, in goodwill. While there was no change in the 2010 income statement there was a slight change in the 2011 income statement and the report on shareholders' equity (after-tax profit was reduced by HUF 99 million because of the change in the balance of deferred tax, and revaluation reserve was reduced by an additional HUF 13 million). The combined effect of all these changes is captured in the modified balance sheet for 2011. In what follows the figures as of 31 December 2012 are compared to the modified items of the 31 December 2011 statements.

ASSETS

The Group's assets amounted to HUF 672,237 million, HUF 9,733 million (-1.4 %) less than the opening value. Fixed assets were up by HUF 3,173 million, current assets decreased by HUF 12,906 million.

Fixed assets

Invested assets amounted to HUF 376,442 million in the reported period, HUF 3,173 million (or 0.9 %) up from the reference figure. The increase is attributed primarily to the increase in long-term securities and the change in the fair value of the Russian wholesale and retail group Protek. The value of intangibles was substantially less in the wake of the change in the value of the intangible asset Esmya upon the first consolidation. Moreover, the value of Esmya reported in this line item was restated in accordance with IAS 21, and amortisation started as the product was launched, pursuant to the provisions of IFRS 3. This caused a negative effect of HUF 6,176 million (3.9%) compared to the restated value as of 31 December 2011.

Current assets

The value of current assets dropped by 4.2%, from HUF 308,701 million in the reference year to HUF 295,795 million in the reported year. The main balance sheet item contributing to the change is cash and cash equivalents: the instalments due in connection with the acquisition of PregLem as well as the dividends from the 2011 earnings approved by the AGM were paid; on the other hand, cash and cash equivalents were increased by the drawdown of the second EUR 50 million tranche of a EUR 150 million five-year loan from the EIB to finance Richter's research focusing on compounds affecting the central nervous system and the development of biosimilar products.

SHAREHOLDERS' EQUITY AND LIABILITIES

- In 2012 *shareholders' equity* was HUF 520,074 million, or 6.2%, higher compared to the restated 31 December 2011 figure.

- The Group's *total liabilities* amount to HUF 152,163 million.
  Non-current liabilities were HUF 94,365 million, HUF 8,277 million above the restated 31 December 2011 figure. Liabilities are increased by the third tranche of the above mentioned EIB loan extended to finance R&D projects and drawn by the parent company in January 2012 and the revaluation of loans as of the balance sheet date. Deferred taxes payable were HUF 4,520 million less than the restated closing value.
  Current liabilities amounted to HUF 57,798 million as of 31 December 2012, 45.5% below the 31 December 2011 figure, primarily in conjunction with recognition of the next instalment due of PregLem's purchase price.

2.2 The 2012 income statement

The Group's profit after taxes for 2012 was HUF 49,080 million, 0.8%, or HUF 373 million, lower than the restated last year's result. The income from export and financial result items boosted after-tax profit, while increasing operating costs reduced it.

Richter Group's activity can be classified into three operating segments. The Pharmaceutical segment includes the companies that are involved in the Group's core business, i.e. research, development, and production of pharmaceutical products. Following the decision of the parent company's management, as of 1 January 2012 Group trading and marketing companies that are directly involved in product sales and promotion were transferred from the Other Companies segment to the Pharmaceutical segment. Wholesale and Retail contains the performance of the Group's distribution and retail companies (pharmacies) that are involved in getting the products to the end-user as parts of the pharmaceutical supply chain of the various regional markets. As of 1 January 2012 the Group's Jamaican subsidiaries active in distribution have also been transferred from the Other Companies segment to Wholesale and Retail. The third operating segment (Other Companies) presents all the other consolidated companies that provide services in support of the production members of the Group. For the sake of comparability the 2011 reference figures have been drawn up according to the new classification.

	Pharmaceuticals		Wholesale and Retail		Other		Eliminations		**Group total**	
	2011 * HUF million	2012 HUF million	2011 * HUF million	2012 HUF million	2011 * HUF million	2012 HUF million	2011 * HUF million	2012 HUF million	**2011 * HUF million**	**2012 HUF million**
Total sales	271,692	286,479	40,378	46,166	3,713	3,888	(7,915)	(9,831)	**307,868**	**326,702**
Gross profit	186,655	195,096	5,605	5,480	1,447	1,431	(368)	(304)	**193,339**	**201,703**
Operating profit	63,160	50,426	2,300	(1,334)	275	116	(208)	(255)	**60,927**	**48,721**
Share of profit of associates	-	-	(4,234)	342	-	-	-	-	**(4,234)**	**342**
Closing headcounts	8,997	9,294	1,421	1,451	355	358	-	-	**10,773**	**11,103**

* Reference figures have been converted in order to reflect changes in the reclassification of Group companies into segments.

2.2.1 Income from sales

Income from the Pharmaceutical segment

	2011 HUF million	2012 HUF million	Variance HUF million	 %
Hungary	34,424	29,660	-4,764	-13.8
Export				
CIS	119,226	136,568	17,342	14.5
EU *	81,304	87,766	6,462	7.9
USA	20,513	16,123	-4,390	-21.4
Other countries	16,225	16,362	137	0.8
Export total	237,268	256,819	19,551	8.2
Total	271,692	286,479	14,787	5.4

* Excluding Hungary

Net income from sales totalled HUF 286,479 million, a HUF 14,787 million increase on the 2011 figure.

Income from the 2012 Pharmaceutical segment's sales in Hungary was 13.8 % lower compared to the reference year. Export in HUF was 8.2% up; and in EUR, 4.8% up year-on-year.

Changes in the breakdown of export by regions in the reported year: The largest contributor (48%) continues to be the CIS, which was four percentage points up from the reference year. The EU Member States gained one percentage point and contributed 31%; the contribution of Other countries was 6%. Hungary and the United States dropped by 3 percentage point and 2 percentage point respectively (to 10% and 5%).

Based on the 2012 year-end figures, the Pharmaceutical segment realized HUF 29,660 million sales **in the Hungarian market**, 13.8% (or HUF 4,764 million) below the 2011 figure.

Lower turnover can be attributed mainly to Avonex, Rosuvastatin, Calumid and Quamatel. In 2012 oral contraceptives were the leading item in terms of sales.

The 12% tax payable until 1 July 2011, then 20% tax payable thereafter on the full-year amount of subsidy calculated on the producer prices of reimbursed products under the Dug Economy Act cost the parent HUF 1,037 million in 2011 and HUF 487 million in 2012.

Richter made use of the tax benefit granted in proportion to R&D expenditure. Pharmaceutical representatives' registration fee (HUF 0.4 million per month per representative, later increased to HUF 0.8 million per month per representative) cost Richter HUF 639 million in 2011 and HUF 431 million in 2012 after deducting the allowance.

Richter's share in the Hungarian market was 5.3%, 0.6% less than in the reference year. The parent company ranked third in the prescription drugs market with a share of 7.1%.

Income from **exports** in the Pharmaceutical segment was up from HUF 237,268 million (EUR 847.4 million) in 2011 to HUF 256,819 million (EUR 888.3 million) in 2012.

Russia continues to be the leading market of the **CIS region**, with a turnover denominated in EUR 6.5% exceeding the reference year figure. Russia continues to be the Group's most important export market. The Group achieved the above increase owing to its efficient promotional and marketing activities despite mounting competition in the generic market. The best performing products were Mydocalm, oral contraceptives and Mertenil.
In Ukraine stabilization of the economic environment, efficient marketing promotions and preliminary shipment for registration reasons jointly resulted in a significant increase in the Group's sales income. Turnover also increased in terms of the combined achievement of the other CIS countries.
The total turnover achieved in the CIS market was HUF 136,568 million, 53.2% of total export. Year-on-year increase was 14.5 % (HUF 17,342 million). Expressed in Forex, the turnover was EUR 472.4 million with an 11.0 % increase.

Sales in the **European Union** totalled HUF 87,766 million, 7.9% above the 2011 figure. The region's contribution to exports grew to 34.2%. Expressed in Forex, the increase amounted to EUR 303.5 million with a 4.5% increase.

The turnover realized in the pharmaceutical markets of the EU 15 region was roughly the same as in the reference year.
Despite keen competition and various restrictions imposed by national governments sales in the CEE member states of the region were 4.7% higher year-on-year, denominated in euro. In the CEE countries turnover increased due to the launch of new products in Poland, the Czech Republic, Bulgaria and the Baltic States.

Sales in the **United States** dropped by 21.4 % (HUF 4,390 million), or, expressed in USD, by 29.7% (USD 30.3 million) due primarily to dropping payments pursuant to profit sharing agreements. Keen competition continued to have a negative effect on turnover.

In the category of **Other countries**, oral contraceptives were the leading products; at the same time this is the category where the drop in sales was greatest.
The turnover generated in the Other countries category amounted to HUF 16,362 million (EUR 56.6 million) with a year-on-year increase of 0.8% (HUF 137 million), and in Forex sales, with a year-on-year decrease of 2.2% (EUR 1.3 million). The contribution of this region to total export was 6.4 %.

The contribution of priority products to the Pharmaceutical segment's sales

Finished products contributed over 90 % to the 2012 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:

2011				2012			
Rank		Sales HUF million	Share %	Rank		Sales HUF million	Share %
1	Oral contraceptives	80,775	29.7	1	Oral contraceptives	82,383	28.8
2	Cavinton/vinpocetine	19,531	7.2	2	Cavinton/vinpocetine	19,699	6.9
3	Panangin/asparaginates	16,459	6.1	3	Mydeton/tolperisone	18,458	6.4
4	ACE inhibitors /enalapril, lisinopril	15,861	5.8	4	ACE inhibitors /enalapril, lisinopril	16,098	5.6
5	Mydeton/tolperisone	14,824	5.5	5	Panangin/asparaginates	15,476	5.4
6	Verospiron/ /spironolactone	9,987	3.7	6	Verospiron/ /spironolactone	12,040	4.2
7	Quamatel/famotidine	8,215	3.0	7	Quamatel/famotidine	7,978	2.8
8	Lisonorm /lisinopril, amlodipine	5,880	2.2	8	Lisonorm /lisinopril, amlodipine	7,187	2.5
9	Xeter/rosuvastatin	5,281	1.9	9	Aflamin/aceclofenac	5,636	2.0
10	Suprax/cefixime	5,134	1.9	10	Xeter/rosuvastatin	5,585	1.9
	Total	181,947	67.0		Total	190,540	66.5
	Net income from sales	*271,692*	*100.0*		*Net income from sales*	*286,479*	*100.0*

The contribution of the ten leading product categories to total sales was 66.5%, 0.5 percentage points lower than the reference year's figure.

Oral contraceptives are the leading products with a turnover of HUF 82.4 billion, 2.0% higher than in 2011. The change is due primarily to an increase in the Russian, German, French and Ukrainian markets. The contribution of this product category to total turnover was 28.8%, 0.9 percentage points less than last year. The runner-up proprietary drug Cavinton realized almost HUF 168 million higher turnover than in the reference year thanks to sales in Ukraine and Romania. Ranked 5th in the 2011 list, Mydeton overtook the reference year's 3rd and 4th best selling products thanks to soaring sales in Russia. The performance of ACE inhibitors exceeded the reference year figure; on the other hand, Panangin fell short of the reference year sales by HUF 983 million as a result of declining sales in Russia. There was no change in the order of the next two products, mainly because of strong sales in the Russian and Ukrainian markets. Ranked 8th, Lisonorm increased its sales by HUF 1.3 billion; a new advent on the list of Top Ten is Aflamin gaining ground in the CIS and Poland; conversely, Rosuvastatin slipped to 10th place.

The contribution of leading markets to the sales of the Pharmaceutical segment

In 2011 the Pharmaceutical Production segment's ten leading markets were as follows:

		2012	
		HUF million	EUR million
1.	Russia	97,388	336.9
2.	Hungary	29,660	102.6
3.	Poland	22,622	78.2
4.	Ukraine	19,400	67.1
5.	Germany	16,150	55.9
6.	United States of America	16,123	55.8
7.	Romania	9,049	31.3
8.	Czech Republic	8,402	29.1
9.	Slovak Republic	6,096	21.1
10.	Kazakhstan	5,154	17.8
	Total	230,044	795.8
	Net income from sales	*286,479*	*990.9*

The ten leading countries jointly contributed 80.3 % to Richter Group's total pharmaceutical sales. Russia stayed at the head of the list with sales massively rising for the reasons mentioned above. Despite a declining turnover Hungary managed to keep its position. Poland stepped one place up with a HUF 3.1 billion increase in sales. Increasing oral contraceptive and Panangin sales landed Ukraine 4th place, and Germany managed to keep its position. Due to decreasing income under the profit sharing agreement the U.S. slipped to 6th place. There was no change in the last four places.

Turnover of the Wholesale and Retail segment

	2011 HUF million	2012 HUF million	Variance HUF million	Variance %
Hungary	553	407	-146	-26.4
Export				
CIS	6,359	10,097	3,738	58.8
EU *	30,760	32,448	1,688	5.5
USA	-	-	-	-
Other countries	2,706	3,214	508	18.8
Export total	39,825	45,759	5,934	14.9
Total	*40,378*	*46,166*	*5,788*	*14.3*

* Excluding Hungary

Based on the year-end figures for 2012 the Wholesale and Retail segment realized HUF 46,166 million (EUR 159.7 million) income from sales, 14.3% (10.7%) above the 2011 figures.

The most significant portion of income generated by this segment was contributed by the Romanian pharmaceutical wholesale companies and Gedeon Richter Farmacia network of pharmacies. Sales in Romania was 5.5% higher expressed in in HUF and 2.2% higher expressed in EUR y/y. Due to the Central Insurance House's continued delays in payments to pharmacies 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).

Among the leading products of Wholesale and Retail, income from the sales of Cavinton, Lisopress, Moduxin, Verospiron and Panangin increased.

Turnover of the Other Consolidated Companies segment

	2011 HUF million	2012 HUF million	Variance HUF million	%
Hungary	3,541	3,721	180	5.1
Export				
CIS	148	131	-17	-11.5
EU *	23	36	13	56.5
USA	0	0	0	0
Other countries	1	0	-1	-100.0
Export total	172	167	-5	-3.0
Total	*3,713*	*3,888*	*175*	*4.7*

* Excluding Hungary

The turnover of the Other Consolidated Companies segment was 4.7% up in HUF, 1.5% up in EUR and 6.5% down in USD compared to the 2011 reference year figures.

2.2.2 Costs of sales and cost of operation; operating profit

Costs of sales amounted to HUF 124,999 million (EUR 432.4 million), HUF 10,470 million (EUR 23.4 million) more than the figures achieved in 2011. Sales of Esmya for the indication of pre-operative treatment of uterine fibroids commenced in some of the European countries, consequently a HUF 1,791 million amortisation was reported in conjunction with the product as an intangible asset from the second quarter of 2012.

As a result of Pharmaceutical Production's improving margin **gross profit from sales** was HUF 201,703 million, 4.3% higher year-on-year. The **gross margin** was down from 62.8% in the reference year to 61,7% in 2012. The gross margin was negatively affected by the increasing turnover of Wholesale and Retail, as well as declining sales in the U.S.A. and Hungary, and was boosted by the above-the-average sales increase in the CIS and the worsening HUF/EUR rate compared to the reference period.

Within the operating costs item **sales and marketing costs** amounted to HUF 92,794 million in the reported year, 17.3% higher year-on-year. Sales and marketing costs were 28.4 % of sales revenues in the period of reporting. Sales and marketing costs were strongly affected by the ongoing expansion of the Western European gynaecological network, as well as marketing and promotion related to the launch of Esmya. Amortisation of marketing and brand related rights of the contraceptives acquired from Grünenthal added HUF 4,355 million to the level of costs and constituted 1.3% of total sales. Domestic pharmaceutical representatives' registration fee payable pursuant to the Drug Economy Act totalled HUF 431 million in 2012. Richter was able to reduce its 2012 tax payable by 90% of the 2011 extraordinary tax liability, in accordance with the latest amendment of the regulations relevant to this tax type.

In 2012 **administrative and other operating costs** amounted to HUF 20,179 million, 17.3% less than in the reference year. The 2011 administrative and operating costs included the one-off commitment related to the medium-term incentive system due to PregLem's management *pro rata temporis* resulting in a high reference year value, followed by cost reduction in 2012.

The rate of **R&D expenditure** to sales incomes was 11.9 % in 2012 and amounted to HUF 38,847 million, 35.3 % above the reference year figure. The Group's biggest R&D expenditure item was the costs of joint clinical trials with Forest Laboratories still in progress, as well as PregLem's research expenditures and those on biotechnology research in Hungary and Germany.

The balance of **other income and expenditure** changed from HUF 172 million expenditure in 2012 to HUF 1,162 million in 2012. The one-off milestone incomes reported in 2012 improved the balance; conversely, in the reference year the compensation paid by Genefar resulted in a much more substantial (HUF 8.1 billion) improvement in the balance. On the expenditure side, in 2012 HUF 654 million was reported, as opposed to

HUF 5,041 million in 2011, in respect of the change in the likelihood of payment of the deferred portion of the purchase price to PregLem's previous shareholders.

The 20% tax payable thereafter on the full-year subsidy calculated on the producer prices of subsidized products under the Dug Economy Act amounted to HUF 487 million in 2012. Richter was able to reduce its 2012 tax payable by 90% of the 2011 extraordinary tax liability, in accordance with the latest amendment of the regulations relevant to this tax type.

Under the new claw-back system 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 2012 Richter Group's production companies accounted for RON 12.8 million taxes.

The 2012 *profit from operations* was HUF 48,721 million. The positive effect of favourable exchange rates in H1 of 2012 and the one-off milestone incomes were offset by the rising marketing and R&D costs. In addition, the Group also realized an outstandingly high one-off income. Thus the consolidated operating profit dropped from 19.8% in 2011 to 14.9% in 2012. Following the 2010 acquisitions amortisation on the acquired contraceptives portfolio and Esmya was reported as a new item amounting to HUF 6,146 million in the reported period.

2.2.3 Other profit and loss statement items

Net financial income

In 2012 net financial income was a profit of HUF 858 million as opposed to HUF 7,022 million loss in 2011.

At year-end Forex assets and liabilities were reassessed and reported under Unrealized financial items. The balance of restatement was HUF 9,004 million profit in the reported year, HUF 12,665 million higher than the HUF 3,661 million loss in 2011. The HUF 3,004 million loss resulting from the change in time value of the liability in relation to PregLem was partially offset by the gains resulting from the restatement of exchange rates related to this liability, which is reported in the Restatement of other currency related items.

On 14 June 2011 the European Investment Bank and Gedeon Richter Plc. signed a credit line agreement amounting to EUR 150 million to finance original CNS research and the development of biosimilar products. The second EUR 50 million tranche of the credit line was drawn on 30 January 2012.

The loss from realised FX differences for 2012 resulted mainly from the considerable strengthening of the forint compared to the 2011 year-end rate. Exchange rate losses realized from trade receivables and payables were HUF 3,905 million and exchange rate loss amounted to HUF 3,379 million.

In Q2 of 2012 the instalment of the acquisition price due upon the granting of European marketing authorization to the first indication of Esmya was paid to PregLem's previous shareholders; this was followed by another instalment payment in Q3 in conjunction with the Phase III trials of Esmya's indication for long-term periodic treatment.

	2011 HUF million	2012 HUF million	Variance HUF million
Unrealised financial items	**(13,025)**	**5,745**	**18,770**
Restatement of currency related trade receivables and trade payables	2,248	3,912	1,664
Restatement of currency loans given	132	(81)	-213
Restatement of loans received	(5,504)	4,191	9,695
Restatement of other currency related items	(537)	982	1,519
Time value change of PregLem liability	(4,493)	(3,004)	1,489
Unrealised forward contracts as of 1 January	(64)	249	313
Unrealised forward contracts as of the balance date	(249)	(504)	-255
Impairment of holdings	(4,558)	-	4,558
Realised financial items	**6,003**	**(4,887)**	**-10,890**
Result of forward exchange contracts	189	(138)	-327
Exchange losses/gains realised on trade receivables and trade payables	2,089	(3,905)	-5,994
Exchange rate gains/(losses)	1,744	(3,379)	-5,123
Dividends	59	308	249
Interest received	3,415	4,652	1,237
Interest paid	(1,266)	(1,805)	-539
Other	(227)	(620)	-393
Net financial income	**(7,022)**	**858**	**7,880**

Closing rates applied in restatements:

	31.12.2011	31.12.2012	30.06.2012	30.09.2012	31.12.2012
EUR/HUF	311.13	295.60	288.22	283.71	291.29
USD/HUF	240.68	221.60	229.13	219.17	220.93
CHF/HUF	255.91	245.33	239.88	234.51	241.06

Profit before taxes

The 2012 profit before taxes amounted to HUF 49,921 million, HUF 250 million higher than in 2011.

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 write off 90% of the direct costs of R&D from its taxable income. Furthermore, the parent company is entitled to development related tax allowance in conjunction with the Debrecen biosimilar plant investment in both 2012 and 2013. Other Group companies are taxed in accordance with the taxation laws of their domicile. In both 2011 and 2012 the balance of the Group's corporate and deferred taxes was significantly improved by the recalculation and adjustment of the value of the deferred tax payable mainly related to PregLem's activity.

Profit after taxes

Profit after taxes was HUF 49.080 million in the reported period, HUF 373 million lower than the 2011 Group profit.

After a HUF 16 million decrease in 2011 *after-tax profit of the parent company's shareholders* was HUF 49,265 million by 31 December 2012, and was 15.1% of the sales revenues as opposed to 16.0% 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. With over 1000 employees in the field of research and development, Gedeon Richter Plc. today is the most significant pharmaceutical R&D base in the Central and Eastern European region. R&D is focused on three strategic areas: original research and development of proprietary small molecules, biotechnology, and genetic research and development.

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 15 ongoing projects of which one is in clinical Phase I trials and the rest are in the preclinical phase.

On 8 and 28 February 2012 Richter and its partner, Forest Laboratories, Inc. announced the successful conclusion of the third Phase III trial of the antipsychotic cariprazine for the acute treatment of manic or mixed episodes associated with bipolar I disorder, and two positive Phases III trials of the same drug for the treatment of schizophrenia. The Company thus boasts of three positive Phase III trials in respect of both indications. On 28 November 2012 Richter announced that Forest Laboratories submitted a new drug application (NDA) to the United States Food and Drug Administration (FDA) for cariprazine for both indications. In January 2013 Richter was notified of the acceptance of the NDA, which led to Forest's milestone payment obligation. There are ongoing parallel clinical studies to expand the indications and to penetrate the European and Japanese markets.

One of the world's leading manufacturers of steroid products, Richter has been traditionally strong in the gynaecological market. After the acquisition of the Swiss company PregLem S.A. in 2010 Richter Group joined gynaecological development activities primarily in the field of uterine myoma indications. According to Richter's announcement on 27 February 2012, Esmya, a proprietary product developed by PregLem S.A., a company solely owned by Richter had been granted marketing authorisation for the EU member states for its indication of pre-operative treatment of uterine fibroids (myomas). In addition, Phase III clinical trials are in progress to expand the indication, and Phase II studies are in progress relating to two new molecules developed for the treatment of endometriosis.

The resulting clinical portfolio at the end of 2012 was as follows:

Description	Clinical phase		Primary indication	Partner
Esmya*	Marketing authorization granted (EU)		Uterine myoma	
	Ph3	USA		Watson Laboratories
PGL 2	Ph2	EU	Endometriosis	
PGL 5	Ph2	EU		
Cariprazine (RGH-188)	Registration pending	USA	Schizophrenia, bipolar disorder	Forest Laboratories
	Ph3		Major depressive disorder	
	Ph2		Bipolar depression	
	Ph3	Japan	Schizophrenia	Mitsubishi-Tanabe

* According to Richter's announcement on 27 February 2012, the drug was granted marketing authorisation valid for all EU member states.

In 2007 (at the 50th anniversary of Richter's launching its first fermentation research effort) biotechnology R&D was put on the agenda. Founded in Germany together with Helm AG, Richter-Helm BioLogics GmbH & Co KG develops and manufactures pharmaceuticals based on proteins derived by microbial biotechnology processes.

By the end of 2009 a biotechnology research facility and a pilot plant were developed in Budapest to conduct research in microbial drug therapy, biosimilar monoclonal antibodies development. Started in 2007, the construction of the Debrecen plant creating capacities for mammalian cell biotechnology based pharmaceutical manufacturing was concluded, the related assets were capitalized. Trial runs commenced in 2012, and the most complex protein-based pharmaceuticals can be manufactured on a commercial scale.

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

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 availability of capacities, patent conditions and the need for specialized skills. All three sites have modern facilities including state-of-the-art technological and analytical instruments. In 2012 the Budapest development site expanded its instrument stock in order to support biotechnology and other special product development activities representing high intellectual added value. After niche areas, combination products and simple oral drugs a new line of development is opened by the more complex DDS (Drug Delivery Systems), specifically orally expanding drugs, intragastric floating systems as well as nanodrugs.
The Group's Indian member Richter-Themis is active in API development.

The key tasks for product development in 2012 were to support the launch of Esmya, to supply the Western European network with oral contraceptives, and to switch Grünenthal's portfolio to own-produced drugs. Moreover, special attention was paid to the support of introducing new products in the domestic and Russian markets.

At the close of 2012 Richter had over 50 generic development and 18 license topics in progress. In the course of the year Richter had 24 license renewal and maintenance projects; moreover, support of original, biotechnology and transfer projects (20 in total) have engaged an increasing portion of resources. 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 44% of generic R&D projects.

The Company launched one proprietary product and six license products in 2012, all of which are new in all of the markets. In addition, many products not yet sold by Richter were introduced in several countries: they numbered 160, an unprecedented figure.

As a result of intensive registration activities a total of 330 marketing authorizations were granted to Richter in 2012 in the EU, including Hungary (taking different dosage forms into consideration). Eighty-seven percent of the marketing authorizations involve proprietary products and 13% are related to the takeover of licensed products. In this region 206 renewal applications were submitted. In 2012, 88 renewal procedures were concluded.

A total of 50 new authorizations and 145 renewal applications were submitted in the twelve CIS countries. In the course of the year the Group secured 111 new authorizations and 134 renewals.

In the Other countries segment the Company submitted 23 new applications and 30 renewals in 2012. In the course of the year the Company secured 18 new authorizations in addition to 27 renewal procedures concluded.

3.2 Quality assurance

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

In 2012 the main direction of the quality assurance effort was the continued upgrading of production processed in accordance with cGMP (API, injectables and tablet production and packaging), and ongoing quality assurance support to the parent company's biotechnology construction projects in Debrecen.

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 2011. Mention should be made of the inspection by the U.S. Food & Drug Administration (FDA), concluded favourably.

3.3 Production

Production in the manufacturing plants was in line with the amounts required by the market: at Group level, the output of plants in terms of numbers of boxes was 6% higher over the reference year figure; the output of plants manufacturing solid drugs that constitute the main category of the portfolio of products grew only minimally; the output of injectables, products of a lesser weight in the portfolio, was almost 15% higher year-on-year due primarily to the reference year's lower performance because of plant upgrading. There volume of own-produced APIs for steroid and non-steroid products was up by 8% in 2012.

Manufacturing subsidiaries slightly increased their output. Technology transfers to the Russian production subsidiaries were steps taken in preparation for tightening requirements in Russia.

The Indian subsidiary manufacturing APIs and intermediate products managed to increase the volume of some of its products and improved the exploitation of capacities. Mass production and validation continued in 2012 and are expected to lead to an even better exploitation of production 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 management of the various organizational units. In the new structure all machines, equipment, technological materials and general devices as well as services are sourced centrally. The same applies to utilities such as natural gas, electricity and steam supply, as well as waste disposal. Concluding the construction, maintenance, operation and utility contracts for the Debrecen facility was a priority task for 2012. Similarly to the preceding year, optimization of centralized sourcing resulted in substantial savings on funds, capacities and time in 2012.

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 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. The Dorog Environmental and Occupational Safety and Health Lab was granted accreditation.

Environmental and security related expenditure were at the 2011 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 captured in the SAP system. SAP tracks every step of the process from sourcing to sales and provides interfaces to other special systems supporting operation. Over the past years, major Group level IT development took place primarily in order to achieve the most important strategic goal of creating a central IT architecture that controls and supervises Richter Group's IT systems and is suitable for communicating Group level strategy and control and serving operation.

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

Similarly to the previous year, major Group level IT development took place in 2012, the most important achievements and events were as follows:

- A priority project was the expansion of SAP to include more of the subsidiaries. Mention should be made of the production subsidiary ZAO Gedeon Richter-RUS, where almost all SAP modules operating at the parent company were introduced simultaneously, and the newly established and transformed Western European trading companies, where SAP was installed to ensure seamless data transfer. The processes and their operation were largely modelled on those of the parent company, taking into consideration the provisions of relevant local legislation. For the most part, SAP's Finance and Accounting and Controlling systems were developed, and in the case of several of the training companies, the Sales Module as well.

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

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

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 2012 the Group's combined headcount was 11,103, 7,364 of whom work in white-collar positions including 6,217 university or college graduates. The headcount of the parent company was 6,677 at the same time.

5. Capital expenditure

Capital expenditure and intangible assets amounted to HUF 29,677 million (EUR 102.7 million) in 2012 as opposed to HUF 32,285 million (EUR 115.3 million) in 2011. Capital expenditure was dominated by the projects deployed by the parent company.

In 2012 capital expenditure related to creating the capacities for biotechnology research, development and production in Hungary amounted to HUF 4,518 million (EUR 15.6 million).

In the Debrecen API plant a special project was launched in 2012 to validate the unique equipment from the aspect of quality assurance, as well as to develop the production control software. Also in Debrecen a modern low-volume sterile plant was finished and commissioned for product development purposes based on the API manufactured in the facility.

At the Group's Budapest production facility the most important capex projects aimed at traditional pharmaceutical manufacturing included the purchase of two hormonal products packaging lines in the Packaging Plant in order to eliminate capacity shortage resulting from the acquisition of the Grünenthal portfolio, as well as the acquisition of machines and equipment as part of the upgrading of the Injectables Plant. In the field of API manufacturing, investments were typically aimed at maintaining production capacities in both Budapest and Dorog. Environmental and safety projects included the upgrading of the wastewater system in Dorog, the revamping of the HVAC system of the API production facilities, the preventive investments related to the Environmental and Occupational Safety and Health Management Systems (KIR-MEBIR), and the upgrading of central systems improving safe energy supply.

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

Capex projects at the Russian subsidiary were aimed mainly at logistics, production, quality management and technology (warehouse of finished goods, expansion of production capacities, infrastructure development related to production capacity expansion, lab development).

The focus at the Polish subsidiary was on production, in particular on tablets production.

The Romanian subsidiary's investment activities envisioned primarily strategic projects supporting Gedeon Richter Romania's role within the Group. The company's specific needs in terms of capacity development and upgrading were not neglected either: in this context a new packaging line and a coating machine were purchased.

6. Risk management

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

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

Strategic risks

Risk	Description	Key risk management methods
Healthcare budget	Potential impact on the company of changes and monetary restrictions in the healthcare budget and regulation	- Regular analysis of market environment, monitoring changes in the legal and medical 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 the impacts of the financial crisis	- Monitoring changes in major macroeconomic factors, incorporating their effects into the planning - Cost management and adaptation of customer relations

Operational risks

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

Compliance risks

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

Financial risks

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

7. <u>Post-balance sheet date events</u>

In January 2013 Richter drew the third EUR 50 million tranche of the EUR 150 million loan extended by the European Investment Bank.

In January 2013 the U.S. Food and Drug Administration announced the acceptance of the NDA of cariprazine for the treatment of acute manic episodes associated with bipolar I disorder and schizophrenia indications.

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

8. Future outlook

Retaining the Company's position in the Hungarian market despite an increasingly difficult environment whose problems fall hard on the entire pharmaceutical industry, stepping up exports to European Union and CIS markets, retaining and strengthening positions acquired in the United States continue to feature among Richter's strategic goals. The main tool to achieve these goals in the context of Hungary, the CIS and the CEE countries is to strengthen the parent's sales networks. In Western Europe and the United States the strategy is implemented through long-term agreements concluded with strategic partners.

The success of original research and development, the value added of the product portfolio bought in 2010 and the Swiss acquisition, together with the support of the newly established Western European marketing network are crucial for the Group's future and for strengthening its market positions, as are the development of biosimilar products and the major investment enabling their manufacturing.

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

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 on an ongoing basis.

2. Report of the Auditor on the draft Consolidated Report

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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 2012 (in which the balance sheet total is MHUF 672,237), the consolidated income statement, consolidated statement of comprehensive income (in which the total comprehensive income for the year is MHUF 38,701) and consolidated statement of changes in equity and 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.

Opinion

In our opinion, the accompanying consolidated financial statements give a true and fair view of the financial position of Gedeon Richter Plc. and its subsidiaries as of 31 December 2012, and of the results of its operation 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 2012.

Management is responsible for the preparation 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 2012 consolidated business report is consistent with the disclosures in the consolidated financial statements as of 31 December 2012.

Budapest, 22 March 2013

Barsi Éva
Partner
Statutory auditor
Licence number: 002945
PricewaterhouseCoopers Auditing Ltd.
Licence Number: 001464
1077 Budapest, Wesselényi u. 16.

3. Report of the Supervisory Board including the report of the Audit Board on the draft Consolidated Report

The Supervisory Board of
Richter Gedeon Vegyészeti Gyár Nyrt.
(Chemical Works of Gedeon Richter Plc.)

Report

to the 2013 Annual General Meeting of Gedeon Richter Plc.

on the 2012

Consolidated Annual Financial Statements of Richter Group

The Supervisory Board reviewed the 2012 Consolidated Annual Financial Statements of Richter Group, which had been produced by Gedeon Richter Plc. as parent company. As the Board of Directors regularly presented the quarterly financial reports during the year, the Supervisory Board could gain insight into the interim consolidated financial statements.

The Consolidated Annual Financial Statements consisting of a Consolidated Balance Sheet, a Consolidated Profit and Loss Statement and a Consolidated Notes contains statements of equity, finances and income generation for the entire Group, including balance sheet figures for Gedeon Richter Plc. and figures for the subsidiaries, companies under joint management and associate companies which constitute the Group, with the elimination of inter-company transactions.

On consolidation, the data for Gedeon Richter Plc. and subsidiaries were amalgamated in full.The data for joint ventures were consolidated on the basis of their capital share, and the data for associate companies were amalgamated using the equity method.

In compliance with the International Accounting Standards, the consolidation process eliminated any inter-company transactions between Gedeon Richter Plc. and its companies involved in consolidation, as well as the transactions between such companies. As a result, the Consolidated Annual Financial Statements presents the Group as a single business entity. Inter-company investments, accounts receivable, accounts payable, income and expenditure items and interim earnings have all been eliminated.

Judging by the audited Consolidated Annual Financial Statements, consolidation was performed by Gedeon Richter Plc. in compliance with the effective regulations.

Proposal for the approval of the 2012 Consolidated Annual Financial Statement of Gedeon Richter Plc.

Having reviewed the Consolidated Audited Financial Statements of Richter Group for 2012 prepared by the Company and submitted to the Annual General Meeting, the analysis and statement of authentication made by the Auditor PWC, and the insight gained during the discussion of the Report, the SB proposes that the distinguished members of the Annual General Meeting approve the following:

- The Annual Financial Statements for 2012 submitted to the AGM (with total assets and total liabilities in the Balance Sheet being equally HUF 672,237 million), duly audited in compliance with the International Accounting Standards;

- The after-tax profit specified in the audited Profit and Loss Statement for 2012 (before dividend payment) being HUF 49,080 million.

Budapest, 19 March 2013

Dr. Attila Chikán
Chairman of the Supervisory Board

4. Approval of the draft 2012 Consolidated Report

Proposal to Item No.:4
on the Agenda of the AGM

Resolution of the Board of Directors No.: 16/2013

The Board of Directors proposes the AGM to approve the 2012 draft consolidated report of the Company.

The Board of Directors has approved the resolution unanimously, without a vote against and abstention.

5. Report of the Board of Directors on the 2012 business activities of the Company and presentation of the draft annual report prepared in accordance with the Accounting Act

Gedeon Richter Plc.

Financial statements

31 December 2012

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

Budapest, 22 March 2013

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

Statistical number

0	1

Gedeon Richter Plc.

Balance Sheet (Assets)

December 31, 2012

Data in HUF Million

	Description	Previous year 31.12.2011	Current year 31.12.2012
a	b	c	e
A.	Fixed Assets	389 191	406 814
I.	Intangible Assets	80 721	84 362
1.	Capitalised value of reorganization		
2.	Capitalised value of research and development		
3.	Rights	70 566	68 723
4.	Intellectual property	1 713	1 969
5.	Goodwill	8 442	13 670
6.	Advances given for intangibles		
7.	Adjusted value of intangible assets		
II.	Tangible Assets	122 614	126 003
1.	Land and buildings	80 237	81 047
2.	Technical equipment	19 097	22 727
3.	Other equipment	14 953	14 746
4.	Animals		
5.	Investments	7 712	7 403
6.	Advances given for tangible assets	615	80
7.	Adjusted value of tangible assets		
III.	Financial Investments	185 856	196 449
1.	Long-term shares in subsidiaries	131 987	118 649
2.	Other long-term shares	3 587	5 783
3.	Long-term loans given to subsidiaries	39 034	52 402
4.	Long-term loans given to other affiliates	758	784
5.	Other long-term loans	447	479
6.	Long-term bonds	10 043	18 352
7.	Adjusted value of financial investments		
8.	Valuation difference of non-current assets		

Data in HUF Million

	Description	Previous year 31.12.2011	Current year 31.12.2012
a	b	c	e
B.	Current Assets	256 409	243 681
I.	Inventories	39 481	43 481
1.	Raw materials	7 197	8 509
2.	Work in progress, semi-finished products	20 935	22 045
3.	Live stock		
4.	Finished products	7 798	9 197
5.	Goods	3 549	3 730
6.	Advances given for inventories	2	0
II.	Receivables	104 571	108 393
1.	Trade receivables	39 858	42 049
2.	Receivables due from subsidiaries	46 033	42 088
3.	Receivables due from other affiliates	15 776	17 629
4.	Bills receivable		
5.	Other receivables	2 904	6 627
6.	Valuation difference of receivables		
7.	Positive fair value difference of derivative instruments		
III.	Securities	16 657	11 604
1.	Shares in subsidiaries		
2.	Other shares		
3.	Own shares	4 468	1 671
4.	Short-term bonds	12 189	9 911
5.	Fair value difference of securities		22
IV.	Cash	95 700	80 203
1.	Cash	37	39
2.	Bank deposits	95 663	80 164
C.	Prepayments	3 609	4 458
1.	Accured income	1 584	2 203
2.	Prepaid expenses	2 025	2 255
3.	Deferred expenses		
	Total Assets	649 209	654 953

Budapest, 22 March 2013

Managing Director

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

Statistical number

0	1

Gedeon Richter Plc.

Balance Sheet (Equity and Liabilities)

December 31, 2012

Data in HUF Million

	Description	Previous year 31.12.2011	Current year 31.12.2012
a	b	c	e
D.	Shareholder's Equity	490 412	534 312
I.	Issued capital	18 637	18 637
	- including own-shares repurchased at face value	*124*	*45*
II.	Issued unpaid capital (-)		
III.	Share premium	19 256	19 256
IV.	Retained earnings	381 122	450 818
V.	Tied-up reserve	4 468	1 671
VI.	Revaluation reserve	0	22
1.	Valuation reserve		
2.	Fair value reserve		22
VII.	Profit or Loss for the year	66 929	43 908
E.	Provisions	29	1 209
1.	Provision for expected liabilities	29	1 209
2.	Provision for expected expenses		
3.	Other provisions		
F.	Liabilities	152 316	111 662
I.	Subordinated liabilities	0	0
1.	Subordinated liabilities due to subsidiaries		
2.	Subordinated liabilities due to other affiliates		
3.	Other subordinated liabilities		
II.	Long-term liabilities	70 994	83 658
1.	Long-term loans		
2.	Convertible bonds		
3.	Debts on issue of bonds		
4.	Investment and development loans		
5.	Other long-term loans	62 226	72 823
6.	Long-term liabilities due to subsidiaries		
7.	Long-term liabilities due to other affiliates		
8.	Other long-term liabilities	8 768	10 835

Data in HUF Million

	Description	Previous year 31.12.2011	Current year 31.12.2012
a	b	c	e
III.	Current liabilities	81 322	28 004
1.	Short-term loans		
	- including: convertible bond		
2.	Other short-term loans		
3.	Advances received from customers	237	347
4.	Trade payables	17 711	17 394
5.	Bills payable		
6.	Short-term liabilities due to subsidiaries	5 076	6 664
7.	Short-term liabilities due to other affiliates	18	10
8.	Other short-term liabilities	58 031	3 085
9.	Valuation difference of current liabilities		
10.	Negative fair value difference of derivative instruments	249	504
G.	Accruals	6 452	7 770
1.	Accrued income		
2.	Accrued expenses	5 097	6 343
3.	Deferred income	1 355	1 427
	Total Liabilities and Equity	649 209	654 953

Budapest, 22 March 2013

Managing
Director

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

Statistical number

0	2

Gedeon Richter Plc.

Income Statement

"A" Type

December 31, 2012

Data in HUF Million

	Descriptions	Previous year 12 months	Current year 12 months
a	b	c	e
01.	Domestic sales	33 965	29 539
02.	Export sales	215 885	225 959
I.	Total Sales (01+02)	249 850	255 498
03.	Direct cost of production	43 875	44 476
04.	Cost of goods sold	13 831	10 912
05.	Value of services sold	206	493
II.	Direct costs of sales (03+04+05)	57 912	55 881
III.	Gross profit (I-II)	191 938	199 617
06.	Sales and marketing expenses	70 303	80 378
07.	Administration and general expenses	22 954	23 341
08.	Other general expenses	31 947	40 237
IV.	Indirect costs of sales (06+07+08)	125 204	143 956
V.	Other income	23 340	13 087
	including revesal of impairment	*1 266*	*455*
VI.	Other expenditures	16 000	11 885
	including impairment	*2 704*	*2 116*
A.	OPERATING RESULTS (I+II+III-IV-V-VI-VII)	74 074	56 863

Data in HUF Million

	Descriptions	Previous year 12 months	Current year 12 months
a	b	c	e
13.	Dividends and profit-sharing (received or due)	434	1 378
	including from affiliated undertakings	*395*	*1 072*
14.	Capital gains on the sale of investments	0	25
	including from affiliated undertakings	*0*	*25*
15.	Interest income and capital gains on financial investments		
	including from affiliated undertakings		
16.	Other interest and similar income	4 413	5 275
	including from affiliated undertakings	*1 730*	*1 616*
17.	Other financial income	28 193	5 697
	including from valuation difference	*11*	*249*
VIII.	INCOME FROM FINANCIAL TRANSACTIONS (13+14+15+16+17)	33 040	12 375
18.	Losses on financial investments		
	including to affiliated undertakings		
19.	Interests payable and similar expenses	1 220	1 805
	including to affiliated undertakings		
20.	Losses on shares, securities and bank deposits	15 567	1 062
21.	Other financial expenses	10 146	20 600
	including from valuation difference	*322*	*504*
IX.	EXPENSES ON FINANCIAL TRANSACTIONS (18+19+20+21)	26 933	23 467
B.	PROFIT OR LOSS FROM FINANCIAL TRANSACTIONS (VIII-IX)	6 107	-11 092
C.	PROFIT OR LOSS OF ORDINARY ACTIVITIES (+-A+-B)	80 181	45 771
X.	EXTRAORDINARY INCOME	580	130
XI.	EXTRAORDINARY EXPENSES	1 861	1 339
D.	EXTRAORDINARY RESULT (X-XI)	-1 281	-1 209
E.	INCOME BEFORE TAXES (±C±D)	78 900	44 562
XII.	TAXES PAYABLE	-240	654
F.	PROFIT AFTER TAXES (±E-XII)	79 140	43 908
22.	Profit reserves used for dividends and profit-sharing		
23.	Dividends and profit-sharing paid (payable)	12 211	
G.	PROFIT OR LOSS FOR THE YEAR (±F+22-23)	66 929	43 908

Budapest, 22 March 2013

Managing Director

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GEDEON RICHTER PLC.

NOTES TO THE FINANCIAL STATEMENTS 2012

Erik Bogsch
Managing Director

Budapest, 22 March 2013

CONTENTS

I. General Section

I/1 Company data

Company name:	**Chemical Works of Gedeon Richter Plc.**
Short name of the Company:	**Gedeon Richter Plc.**
Date of foundation of legal predecessor:	**2 October 1923**
Address of the Company:	**1103 Budapest, Gyömrői út 19-21.**
Site:	**2510 Dorog, Esztergomi út 27.**
Company website:	**www.richter.hu**
Date of the first Articles of Association:	**24 July 1923**
Date of the effective Articles of Association:	**26 April 2011**
Reference and place of last Company Court registration:	**Cg. 01-10-040944/398 Budapest**
Current registered capital:	**HUF 18,637,486,000**
Principal activity:	**Manufacture of pharmaceutical products**
TEÁOR No.:	**2442**
Duration of the Company:	**indefinite**
Business year:	**corresponding to the calendar year**
Name and address of the auditor company:	**PricewaterhouseCoopers Auditing Ltd.**
	1077 Budapest, Wesselényi u. 16.
Natural person:	**Éva Barsi**
Registration number at the Chamber of Hungarian Auditors:	**002945**
Company announcements are published in:	**Company Gazette**
Name of the person authorised to sign on behalf of the Company:	**Erik Bogsch**
Address:	**Budapest**
The person responsible for the management and supervision of the tasks relating to book-keeping is:	**Lászlóné Bejczy**
Address:	**Budapest**
Registration number:	**160173**

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

2.1 Preparation of the financial statements

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

Balance sheet date:	**31 December 2012**
Balance sheet preparation date:	**30 January 2012**

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

2.2 Selected form of the balance sheet and the income statement

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

2.3 Valuation procedures

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

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

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

2.3.1 Current assets

Inventories

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

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

Content of direct manufacturing costs:

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

2.3.2 Measurement of equity and liabilities

Richter Gedeon Nyrt measures issued capital at a book value, which corresponds to the amount of capital registered at the Registry Court. Capital reserve, retained earnings, provision and short-term liabilities are measured at book value in the balance sheet.

2.4 Accounting for impairment

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

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

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

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

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

Review of domestic receivables

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

Review of export receivables

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

2.5 Depreciation method

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

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

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

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

Description	Rates
Land	0 %
Buildings	1-8 %
Machineries	14.5-33 %
Office furniture and equipments	33 %
Vehicles	20 %

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

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

2.6 Accounting policy

The Company has amended its Accounting policy in 2012.

a.) Provisions have been accrued in respect of benefits related to pensions and to employees having been with Richter over a longer period of time as per defined in the collective bargaining and in accordance with relevant IFRS regulations based on actuarial assumptions.

b.) A significant error related to the year under review – a result of which reports are required to have three columns – is an error which was revealed either by an external or by an internal audit and as a result of which cumulative changes irrespective of the sign thereof impacting profits and the equity attributable to the owners of the parent exceed the 2 percent of total assets of the year under review.

2.7 Tax audit

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

2.8 Post-balance sheet date events

In January 2013 Richter drew the third EUR 50 million tranche of the EUR 150 million loan extended by the European Investment Bank.

In January 2013 the U.S. Food and Drug Administration announced the acceptance of the NDA of cariprazine for the treatment of acute manic episodes associated with bipolar I disorder and schizophrenia indications.

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

2.9 Audit fees

The Company signed a contract with PricewaterhouseCoopers Auditing Ltd to perform the financial audit in respect of 2012. The annual fee due to this activity amounts to HUF 19 million + VAT.

I/3 Evaluation of the 2012 activities of Gedeon Richter Plc.

Expressed in HUF million, the reference figures used for evaluating the 2012 business of Gedeon Richter Plc. are taken from the 2011 audited annual report as approved by the General Meeting.

3.1 Total sales geographical segment

Sales income		2011	2012	Variance	
				Amount	%
Domestic	MHUF	33 965	29 539	-4 426	-13,0
	M€	121,3	102,2	-19,1	-15,7
Export	MHUF	215 885	225 959	10 074	4,7
	M€	771,1	781,5	10,4	1,3
CIS	MHUF	118 890	127 429	8 539	7,2
	M€	424,6	440,8	16,2	3,8
EU	MHUF	69 947	73 296	3 349	4,8
	M€	249,8	253,5	3,7	1,5
USA	MHUF	11 879	9 539	-2 340	-19,7
	M€	42,5	32,9	-9,6	-22,6
Other countries	MHUF	15 169	15 695	526	3,5
	M€	54,2	54,3	0,1	0,2
Total sales income	**MHUF**	**249 850**	**255 498**	**5 648**	**2,3**
	M€	**892,4**	**883,7**	**-8,7**	**-1,0**
Average exchange rate	HUF/€	280,0	289,1	9,1	3,3

In 2012, the total sales increased in forint as well as in euro, it was HUF 5,648 million higher and EUR 8.7 million less year-on-year. Export contributed 88% to total income from sales compared to 86% in 2011.

In 2012, 99% of total sales were contributed by pharmaceuticals.

HUF 62,177 million was realised with associated enterprises including HUF 51,429 million from sales to subsidiaries.

With this performance the Company's market share was 5.3% in 2012, 0.6% below the reference year's figure. Richter ranked third in the prescription drugs market with a share of 7.1%.

Due to introduction of the blind bidding on 1 October the Company lowered the price of several products; these drugs are still within the limits of delisting and will continue to be subsidized.

In the CIS region the Company achieved a 7.2% sales increase expressed in forint and a 3.8% decrease expressed in EUR. The increase in sales income was due to the performance achieved in the Ukrainian market, which was further strengthened by rising turnover in the Other CIS states segment.

Sales in the European Union were 4.8 % higher in HUF and 1.5 % higher in EUR year-on-year. In the EU 15 region, increasing competition in the generic market and the resulting decreasing prices, as well as significant supplies in 2011 of gynaecological products to the Group's trading companies explain Richter's shrinking sales income.

Richter has been present for decades in the central and eastern markets of the European Union and has been selling its products through its own well-established distribution network. In this geographical segment, too, Richter faced strenghtening competition and prices kept low as a result of government measures and an unfavourable social security environment. Despite these unfavourable trends the Company achieved growth mainly because of the successful launch of its new products.

Sales revenue in the USA region lagged behind the reference year figures in both HUF (-19.7%) and USD terms (-28.1%) due primarily to plummeting sales of oral contraceptive APIs. Turnover lagged behind the reference year's figure due to price reductions required by strong competition.

In the Other countries region the turnover was 3.5% above the 2011 figure. The region's sales denominated in euro are essentially unchanged.

3.2 Balance sheet

Balance sheet items do not contain dividend payable on the 2012 profit; therefore this must be taken into account in the comparison with the 2011 figures.

Pursuant to the Articles of Association, the General Meeting decides upon payments and amounts based on the recommendation of the Board.

In case the General Meeting adopts a decision upon the payment of dividend against the 2012 profit, the following items of the balance sheet and the income statement disclosed in the financial statements shall be modified:

Balance sheet:

D. Equity will decrease by the	dividend amount
D.VII Profit or loss for the year	dividend amount
F. Liabilities will increase by the	dividend amount
F. III Short-term liabilities will increase by the	dividend amount

Income statement:

F.23 Dividend approved and paid will	increase by the dividend amount
G. Profit or loss for the year	dividend amount

The above modifications will cause changes in some of the profitability and financial indicators disclosed in Chapter I/3.4 of the Supplementary Notes.

Total assets

As of 31 December 2012 the Company's total assets amounted to HUF 654,953 million, HUF 5,744 million higher than the opening value. The 0.9 % increase of total assets boosted Richter's wealth. The main items on the asset side are as follows:

Fixed assets

The closing value of this item was HUF 406,814 million, HUF 17,623 million higher than the opening value. Most of the increase in fixed assets was due to the increase of the value of financial investments and, to a lesser extent, by intangible and tangible assets.

As of 31 December 2012 the combined value of the Company's holdings amounted to HUF 124,432 million and shrank by HUF 11,142 million year-on-year. The decrease was mainly due to the following factors: revision of the value of the investment in PregLem and harmonization of the corporate tax rates applied in the calculation of goodwill as a result of which the Swiss company's book value dropped by HUF 5,228 million; the book value of Gedeon Richter Romania S.A. increased due to a capital increase from loan extended by the parent company (HUF +2.644 million); conversely, impairment amounting to

HUF 2,821 million was reported in conjunction with Armedica Trading S.R.L. in which Richter has a 100% share. The reversed impairment (HUF +2,362 million) due to the change in the fair value of the Russian wholesale and retail group Protek boosted the value of investments.

The reassessment of holdings as of the balance sheet date resulted in a decrease of HUF 7,529 million.

Long-term loans given amounted to HUF 53,665 million and included predominantly long-term loans extended to pharmaceutical production companies.

The bond bought by the Company and to be held until maturity in 2014, when it will be converted to Richter Treasury shares was reported under investments with a book value of HUF 14,297 million in 2012.

The value of tangible assets was HUF 3,389 million above the reference year figure: The net value of technical equipment was HUF 3,630 million higher than the opening figure due to capitalizations in the Debrecen injectables development plant and the Budapest injectables plant. Depreciation was HUF 14,161 million in the reported period. The total value of capitalised capital expenditure is HUF 18,633 million. The total capitalised value includes group assets of minor value at HUF 50 million and completed refurbishment projects at HUF 1,787 million.

Intangible assets are HUF 3,641 million higher than the opening figure. At the close of 2012 the value of the investment in PregLem was revised and the corporate tax rates applied in the calculation of goodwill were harmonized. As a result PregLem's book value decreased, ipso facto the goodwill on the remainder of the acquisition value increased by HUF 5,228 million. The growth is mainly attributed to the change in PregLem's goodwill and the intangible asset generated by Richter increasing its share in the traditional sale of Chinese products. The increase was restrained by the depreciation reported on the 2010 capitalization of the marketing and brand related rights of the acquired Grünenthal portfolio, as well as depreciation on Esmya capitalized in 2012 and on the fees paid to the competent authorities for new marketing authorizations.

Current assets

The total value of current assets was HUF 243,681 million as of 31 December 2012, HUF 12,728 million below the opening value.

Inventories increased by HUF 4,000 million by the end of the year and included a HUF 1,491 million increase in the combined value of purchased materials, goods and advances. The combined value of work in progress, finished products and semi-finished goods was HUF 2,509 million higher than the opening value recorded on January 1.

Trade receivables are HUF 3,822 million higher than the opening figure. The closing balance of loans extended to affiliated undertakings and undertakings linked by participating interest was HUF 356 million higher year-on-year predominantly because of the loan items extended to Gedeon Richter Romania S.R.L. due within a year. Net trade receivables were HUF 3,887 million less than in the reference year due primarily to the decrease in trade receivables in the EU. This figure also contains HUF 6,078 million decrease in liabilities to other related parties. The capital increase in ZAO Gedeon Richter-RUS paid in 2012 but not yet registered also increases liabilities (HUF +3,630 million).

As of 31 December 2012 the value of cash decreased by HUF 15,497 million. The 2011 high closing value was further increased by the drawdown of the second EUR 50 million tranche of the European Investment Bank (EIB) credit line in January 2012, and was then significantly decreased by the payment of the outstanding portion of the purchase price to PregLem's previous shareholders.

The closing value of securities was HUF 5,053 million below the opening value, due mainly to the combined decreasing value of proprietary shares and quotas and securities held for trading.

Total Liabilities and Equity

Shareholders' equity

There was a substantial, HUF 43,900 million, increase in shareholders' equity, which resulted from a HUF 69,696 million increase in retained earnings, a HUF 22 million increase in fair value reserve, a HUF 23,021 million decrease in profit for the year, and a HUF 2,797 million decrease in tied-up reserve, while the value of issued capital and share premium remained unchanged.

	Issued capital	Share premium	Retained earnings	Tied-up reserve	Fair value reserve	Profit or Loss fot the year	Shareholders' equity
Balance 31.12.2011	**18 637**	**19 256**	**381 122**	**4 468**	**0**	**66 929**	**490 412**
31.12.2011 Profit for the year			66 929			-66 929	
31.12.2011 repurchased treasury shares value released			4 468	-4 468			
31.12.2012 treasury shares repurchase value locked			-1 671	1 671			
31.12.2011 fair valuation reserve released					0		
31.12.2012 fair valuation reserve created					22		
Supplementary payment *			-30				
31.12.2012 Profit for the year						43 908	
Balance 31.12.2012	**18 637**	**19 256**	**450 818**	**1 671**	**22**	**43 908**	**534 312**

* To Pharmapolis Gyógyszeripari Tudományos Park Kft. and Ceronin Kft. in order to settle shareholder's equity.

Changes in issued capital

Shares of the company

	31.12.2011			31.12.2012		
	Number	Nominal value HUF'000	Ratio %	Number	Nominal value HUF'000	Ratio %
Ordinary shares	18 637 486	18 637 486	100,00	18 637 486	18 637 486	100,00
Total shares	**18 637 486**	**18 637 486**	**100,00**	**18 637 486**	**18 637 486**	**100,00**

Fair valuation reserve

HUF million

	31.12.2011	31.12.2012	Változás
Securities held for trading	0	22	22

The fair valuation of securities was based on bank data.

Ownership structure as known by the Company

	Ordinary shares		Voting capital %		Subscribed capital %	
	31.12.2011	31.12.2012	31.12.2011	31.12.2012	31.12.2011	31.12.2012
Domestic shareholders						
MNV ZRt.	4 700 370	4 703 921	25,40	25,31	25,22	25,24
Pension Reform and Debt Reduction Fund	957 021	0	5,17	0,00	5,13	0,00
Local government	100	107	0,00	0,00	0,00	0,00
Institutional investors	596 859	691 038	3,23	3,72	3,20	3,71
Private investors	644 355	765 011	3,48	4,12	3,46	4,10
Total	**6 898 705**	**6 160 077**	**37,28**	**33,15**	**37,01**	**33,05**
Foreign shareholders						
Private investors	71 925	114 664	0,39	0,62	0,39	0,62
Institutional investors	11 527 116	12 278 251	62,30	66,08	61,85	65,88
including: Skagen Kon-Tiki Verdipapirfond	*968 258*	*997 104*	*5,23*	*5,37*	*5,20*	*5,35*
Aberdeen Asset M. PLC.	*2 503 184*	*2 372 669*	*13,53*	*12,77*	*13,43*	*12,73*
Total	**11 599 041**	**12 392 915**	**62,69**	**66,70**	**62,24**	**66,50**
Non-specified shareholder	4 791	28 608	0,03	0,15	0,03	0,15
Treasury shares *	134 949	55 886	0,00	0,00	0,72	0,30
Subscribed capital	**18 637 486**	**18 637 486**	**100,00**	**100,00**	**100,00**	**100,00**

* At Group level it includes the 10,550 treasury shares held by subsidiaries. Treasury shares carry no voting rights.

The book value of treasury shares held by Richter is HUF 1,671 million.

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

Changes in treasury shares

	Number of shares	HUF million
Opening 01.01.2012	124 399	4 468
Share purchase	55 102	2 035
Transferred in the context of bonus program	-38 948	-1 405
Transferred as premium	-50 780	-1 832
Transferred in the context of PM program	-45 681	-1 642
Repurchased in the context of PM program	1 244	47
Closing 31.12.2012	45 336	1 671

Liabilities

As of 31 December 2012 total liabilities amounted to HUF 111,662 million and included HUF 83,658 million long-term liabilities.

Long-term liabilities include the HUF 150 million club facility taken out in 2010, the EUR 100 million drawdown to finance R&D, and HUF 10,835 million deferred purchase price for PregLem reported at fair value.

Trade payable increased by HUF 1,263 million. This figure also contains changes in liabilities to other related parties.

The main item contributing to the decrease of Other short-term liabilities is the next instalment due of PregLem's purchase price (HUF 42,329 million).

3.3 Cash Flow Statement

MHUF

			2011	2012
I.	Net cash flow from ordinary business (Operating cash flow, lines 1-13)		58 392	13 798
1.	Profit before taxation	±	78 900	44 562
1/a.	Dividends received	-	-434	-1 378
1b.	Other profit items that do not imply cash movements		-14 127	9 377
2.	Depreciation charge	+	20 210	20 708
3.	Impairment charge and reversal	±	17 957	3 508
4.	Difference in recognition and reversal of provisions	±	-68	1 180
5.	Gains and losses of selling non-current assets	±	-51	-28
5/a	Change of non-current assets without cash flow generating effect	±	-905	-36
6.	Change of trade payables	±	6 570	1 263
7.	Change of other short term liabilities	±	558	-42 370
8.	Change of accruals	±	2 109	1 318
9.	Change of trade receivables	±	-32 814	34
10.	Change in current assets (less receivables and lquid assets)	±	-3 694	-10 309
10/a.	Change of other current assets without cash flow generating effect	±	748	-317
11.	Change of prepayments	±	-798	-849
12.	Taxes paid or payable (on profits)	-	240	-654
13.	Dividend paid or payable	-	-16 009	-12 211
II.	Cash flow from investing activities (lines 14-16)		-38 753	-43 455
14.	Purchasing non-current assets	-	-24 571	-23 518
15.	Sales of non-current assets	+	355	251
16.	Change of financial investments	±	-14 971	-21 566
16/a.	Dividends received	+	434	1 378
III.	Cash flow from financing activities (lines 17-27)		21 196	14 160
17.	Proceeds from issuing shares	+		
18.	Proceeds from issuing bonds	+		
19.	Taking credits or loans	+	20 563	14 788
20.	Repayment of long term loans	+	5 237	3 332
21.	Liquid assets received without the obligation of repayment	+		
22.	Withdrawal of shares	-		
23.	Repayment of bonds	-		
24.	Repayment of loans and credit	-		
25.	Long term loans extended	-	-3 532	-2 921
26.	Liquid assets given without the obligation of repayment	-	-1 072	-1 039
27.	Change of liabilities in connection with founders	±		
IV.	Net cash flow (lines I+II+III)	±	40 835	-15 497

3.4 Financial performance indicators

Profitability indicators

a.) Profit margin

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

2011.

$$\frac{66\ 929}{278\ 016} = 0{,}241$$

2012.

$$\frac{43\ 908}{256\ 284} = 0{,}171$$

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

b.) Turnover and profit ratio

$$\text{Turdnover and profit ratio} = \frac{\text{Operating result}}{\text{Total income}}$$

2011.

$$\frac{74\ 074}{249\ 850 + 23\ 340} = 0{,}271$$

2012.

$$\frac{56\ 863}{255\ 498 + 13\ 087} = 0{,}212$$

c.) Profit per capita

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

2011.

$$\frac{66\ 929}{6\ 487} = 10{,}32 \text{ MHUF/ per capita}$$

2012.

$$\frac{43\ 908}{6\ 604} = 6{,}65 \text{ MHUF/ per capita}$$

d.) ROE = Return on Equity

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

2011.

$$\frac{79\ 140}{490\ 412} \times 100 = 16{,}14$$

2012.

$$\frac{43\ 908}{534\ 312} \times 100 = 8{,}22$$

e.) ROA = Return on Assets

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

2011.

$$\frac{79\ 140}{649\ 209} \times 100 = 12{,}19$$

2012.

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

d.) EBITDA

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

2011.

$$\frac{74\ 074 + 20\ 210}{249\ 850} \times 100 = 37{,}74$$

2012.

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

Financing ratio of assets

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

2011.

$$\frac{490\,412}{389\,191 + 39\,481} = 1{,}144$$

2012.

$$\frac{534\,312}{406\,814 + 43\,481} = 1{,}187$$

Liquidity indicators

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

2011.

$$\frac{256\,409}{81\,322} = 3{,}15$$

2012.

$$\frac{243\,681}{28\,004} = 8{,}70$$

$$\text{Liquidity I} = \frac{\text{Cash and bank x 100}}{\text{Current liabilities}}$$

2011.

$$\frac{95\,700 \quad \text{x } 100}{81\,322} = 117{,}68$$

2012.

$$\frac{80\,203 \quad \text{x } 100}{28\,004} = 286{,}40$$

$$\text{Liquidity II} = \frac{[\text{Cash and Bank} + \text{Receivables} + \text{Securities}] \text{ x } 100}{\text{Current liabilities}}$$

2011.

$$\frac{95\,700 + 104\,571 + 16\,657}{81\,322} \text{ x } 100 = 266{,}75$$

2012.

$$\frac{80\,203 + 108\,393 + 11\,604}{28\,004} \text{ x } 100 = 714{,}90$$

Financial risk indicators

a.) Indebtedness

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

2011.		**2012.**	
$\frac{152\,316}{649\,209}$	= 0,235	$\frac{111\,662}{654\,953}$	= 0,170

b.) Gearing ratio

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

2011.		**2012.**	
$\frac{152\,316}{490\,412}$	= 0,311	$\frac{111\,662}{534\,312}$	= 0,209

c.) Equity ratio

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

2011.		**2012.**	
$\frac{490\,412}{649\,209}$	= 0,755	$\frac{534\,312}{654\,953}$	= 0,816

Stock exchange indicators

HUF

1. Earnings per share $= \dfrac{\text{Operating profit}}{\text{Registered capital}} \times 1\,000$

2011.		2012.	
$\dfrac{74\,074}{18\,637} \times 1\,000 =$	3 975	$\dfrac{56\,863}{18\,637} \times 1\,000 =$	3 051

2. Gross profit per share $= \dfrac{\text{Profit before taxation}}{\text{Registered capital}} \times 1\,000$

2011.		2012.	
$\dfrac{78\,900}{18\,637} \times 1\,000 =$	4 234	$\dfrac{44\,562}{18\,637} \times 1\,000 =$	2 391

3. Net profit per share $= \dfrac{\text{Profit after taxation}}{\text{Registered capital}} \times 1\,000$

2011.		2012.	
$\dfrac{79\,140}{18\,637} \times 1\,000 =$	4 246	$\dfrac{43\,908}{18\,637} \times 1\,000 =$	2 356

4. Profit or loss for year per share $= \dfrac{\text{Profit for the year}}{\text{Registered capital}} \times 1\,000$

2011.		2012.	
$\dfrac{66\,929}{18\,637} \times 1\,000 =$	3 591	$\dfrac{43\,908}{18\,637} \times 1\,000 =$	2 356

5. P / E $= \dfrac{\text{Market price * HUF} \times \text{number of ordinary shares '000}}{\text{Profit after tax}}$

2011.		2012.	
$\dfrac{36\,775 \times 18\,637{,}486}{79\,140} =$	8,66	$\dfrac{37\,399^{*} \times 18\,637{,}486}{43\,908} =$	15,87

* according to data as at the balance sheet preparation date of 30 January 2013

The value of P/E index is increased, the share price was higher, while the the profit after tax decreased.

II. Specific section

II/1 Fixed assets

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

1.1 Intangible assets

MHUF

Intangible assets	Account groups				
	Rights	Intellectual property	Goodwill	Capitalised R&D	Total
Gross value					
Opening balance, 01.01.2012	85 468	2 213	8 787	382	96 850
Capitalization	5 157	569	5 228		10 954
Sale	84				84
Scrapping	549	191			740
Closing balance, 31.12.2012	89 992	2 591	14 015	382	106 980
Accumulated amortization					
Opening balance, 01.01.2012	14 902	500	345	382	16 129
Amortization accounted in respect of the current year	6 406	141			6 547
Sale	30				30
Scrapping	9	19			28
Closing balance, 31.12.2012	21 269	622	345	382	22 618
Net book value					
01.01.2012	70 566	1 713	8 442	0	80 721
31.12.2012	68 723	1 969	13 670	0	84 362

1.2 Tangible assets

MHUF

Tangible assets	Account groups				
	Land and buildings	Technical equipment	Other equipment	Recorded in groups	Total
Gross value					
Opening balance, 01.01.2012	99 117	107 459	51 721	542	258 839
Capitalization	2 838	9 605	4 353	50	16 846
Renovations	731	936	120		1 787
Sale	26	277	677	1	981
Scrapping	58	768	769	78	1 673
Loss event		8	44	0	52
Shortage		3	22	2	27
Transferred without payment			14		14
Reclassification, other	-14	19	-5		0
Closing balance, 31.12.2012	102 588	116 963	54 663	511	274 725
Accumulated depreciation					
Opening balance, 01.01.2012	18 880	88 362	36 768	542	144 552
Depreciation charged to date	2 688	6 896	4 527	50	14 161
Sale	1	266	544	1	812
Scrapping	13	765	766	78	1 622
Loss event		7	26	0	33
Shortage		3	22	2	27
Transferred without payment			14		14
Reclassification, other	-13	19	-6		0
Closing balance, 31.12.2012	21 541	94 236	39 917	511	156 205
Net book value					
01.01.2012	80 237	19 097	14 953	0	114 287
31.12.2012	81 047	22 727	14 746	0	118 520

1.2.1 Tangible assets directly used for environment protection

MHUF

Tangible assets	Account groups			
	Land and buildings	Technical equipment	Other equipment	Total
Gross value				
Opening balance, 01.01.2012	1 734	820	556	3 110
Capitalization	130	2		132
Renovations	3	1		4
Scrapping		1	0	1
Reclassification, other			1	1
Closing balance, 31.12.2012	1 867	822	555	3 244
Depreciation change				
Opening balance, 01.01.2012	317	690	467	1 474
Depreciation charged to date	41	75	44	160
Scrapping		1	0	1
Reclassification, other			1	1
Closing balance, 31.12.2012	358	764	510	1 632
Net book value				
01.01.2012	1 417	130	89	1 636
31.12.2012	1 509	58	45	1 612

1.2.2 Construction in progress

MHUF

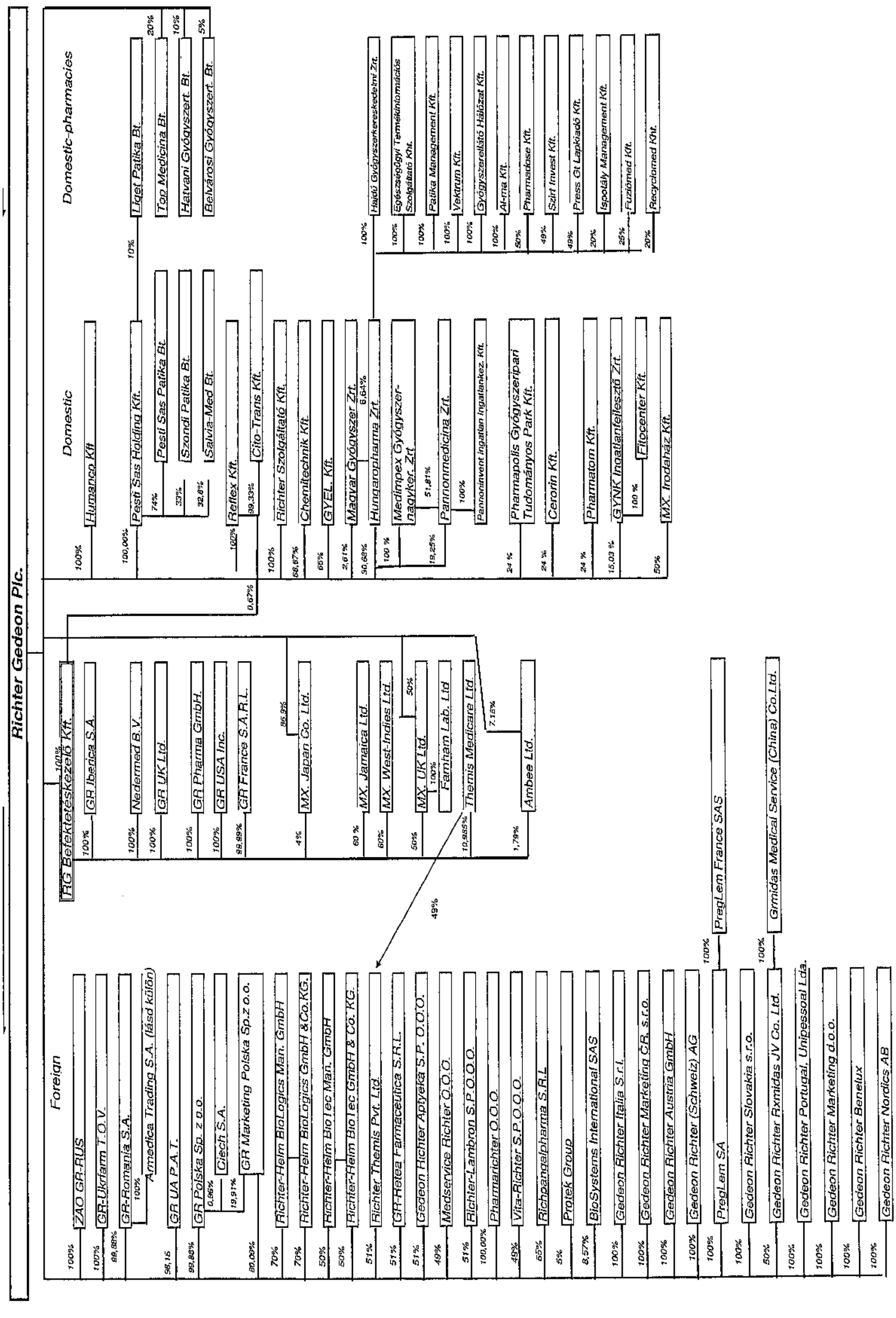
Description	Variance						
	Opening balance 01.01.2012	CAPEX	Capitalisation	Sales	Scrap	Assets received without consideration	Closing balance 31.12.2012
CAPEX	7 177	16 382	16 796		3		6 760
Renewal	444	1 890	1 787				547
Grouped	91	53	50		0	2	96
Total	**7 712**	**18 325**	**18 633**		**3**	**2**	**7 403**

The value of construction in progress as at 31 December was HUF 7,403 million.

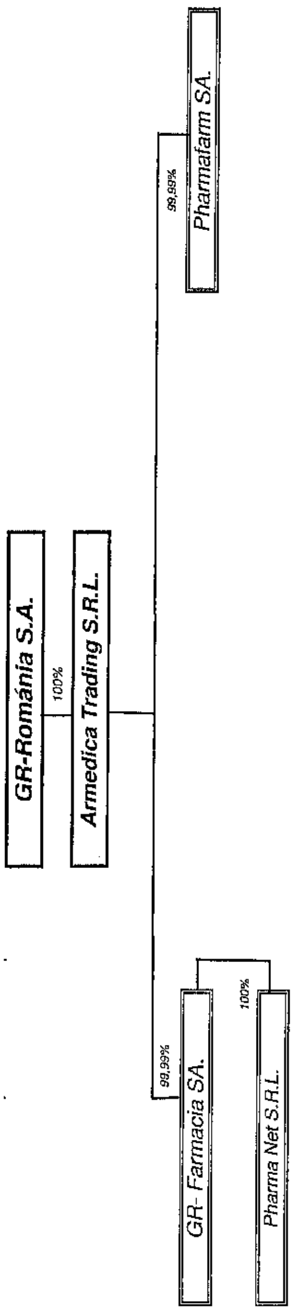
The amount of intangible assets acquired during 2012 is HUF 2,693 million.

1.3 Financial Investments

1.3.1 Investments of GR Plc. based on rate of ownership as 12/31/2012



Investments of Armedica Trading Group based on rate of ownership as of 12/31/2012



1.3.2 Related parties in a breakdown by degree of participation 31.12.2012

Description	Head office	RG's direct and indirect participation	
		ownership (%)	votes (%)
Subsidiary companies			
Direct participation			
Humanco Szolgáltató Kft.	1103 Bp., Gyömrői út 19-21.	100,00	100,00
Pesti Sas Holding Vagyonkezelő Kft.	1103 Bp., Gyömrői út 19-21.	100,00	100,00
Reflex Kft.	1107 Bp., Száva u. 9.	100,00	100,00
Richter Befektetéskezelő Kft.	1103 Bp., Gyömrői út 19-21.	100,00	100,00
Richter Szolgáltató Kft.	1103 Bp., Gyömrői út 19-21.	100,00	100,00
Chemitechnik Pharma Mérnöki Szolg. Kft.	1103 Bp., Gyömrői út 19-21.	66,67	66,67
Gyógyszerip. Ellenőrző és Fejl. Labor Kft.	1149 Bp., Mexikói út 9.	66,00	66,00
Pharmarichter O.O.O	115201 Moszkva, Kasirszkoje 22. Oroszország	100,00	100,00
PregLem SA	1228 Plan-lesOutles, Chemin des Aulx 12. Svájc	100,00	100,00
GR Marketing CR s.r.o.	Prága 4, Nusle, Na Strzi 1702/65 Csehország	100,00	100,00
GR Szlovákia s.r.o.	Bratislava 81108, Soltésovej 14 Szlovákia	100,00	100,00
GR Ausztria GmbH	1010 Wien, Dr.-Karl-Lueger-Ring 12. Ausztria	100,00	100,00
GR Svájc AG	6301 Zug, Baarerstrasse 8. Svájc	100,00	100,00
GR Portugália Lda	Lisbon Iua Almilante Barosso 7-A Portugália	100,00	100,00
GR Slovenia d.o.o.	Ljubljana, Cesta v Mestni log 088 A Szlovénia	100,00	100,00
GR RUS ZAO	Jegorjevszk Suvoje, Lesnaja u. 40. Oroszország	100,00	100,00
GR Ukrfarm T.O.V.	Kijev, Turgenyevszkaja u. 17/b. Ukrajna	100,00	100,00
Medimpex UK Ltd *	127 Shirland Road, London W9 2EP, Nagy-Britannia	100,00	100,00
GR Italia S.r.l	Milano, Via Val D'Intelni 4 Olaszország	100,00	100,00
GR Benelux S.p.r.i.	Mommaertslaan 18B á 1831 Diegem, Brussels, Belgium	100,00	100,00
GR Nordiics	c/o Advokatfirman Lindahl KB 10139 Stockholm Sweden	100,00	100,00
GR Marketing Polska Sp.z o.o.*	Warsawa, ul. Marconich 9/5 02-954 Lengyelország	99,98	99,98
GR Polska Sp.z o.o..	Grodzisk Mazowiecki 05-825 Poniatowskiego u. 5.	99,88	99,88
GR Románia S.A.	Tirgu Mures, Cuza Voda 99-105., Románia	99,88	99,88
GR UA P.A.T..	Komintern u 16., 252032 Kijev, Ukrajna	98,16	98,16
Medimpex Japan Co.Ltd. *	Noyori Bldg. 2-17., Tokyo 105, Japán	90,90	90,90
Richter HelmBioLogics Man GmbH	Bovenau Gut Dengelsberg Németország	70,00	70,00
Richter HelmBioLogics GmbH&Co.KG	Bovenau Gut Dengelsberg Németország	70,00	70,00
Richpangalpharma S.R.L..	Parisz u.51.,2051 Kisinyev, Moldávia	65,00	65,00
Richter-Lambron S.P.O.O.O.	375002 Jereván Kazara Parpeci 22. Örményország	51,00	51,00
GR APTYEKA S.P.O.O.O.	22, K. Parpetsi Str., 0002, Jerevan, Örményország	51,00	51,00
GR Retea S.R.L.	Kisinyov, Calea Iesior u. 1. E. Moldávia	51,00	51,00
Richter - Themis Pvt.Ltd.	69,GIDC Industrial Estate Vapi, Gujarat, India	51,00	51,00
Indirect participation			
Cito - Trans Fuv. és Szállítm. Kft.	1107 Bp., Száva u.9.	100,00	100,00
GR Ibérica S.A.	c/dr. Ferran 6-8,Barcelona 08034, Spanyolország	100,00	100,00
Nedermed B.V	Sraat van Magelhaens 13, Amstelveen 1183 Norvégia	100,00	100,00
GR Pharma GmbH	Frankfurter Str. 13-15., Eschborn, 65760, Németország	100,00	100,00
GR UK Ltd.	127 Shirland Road, London W9 2EP, Nagy-Britannia	100,00	100,00
GR USA Inc.	1200 E.Ridgewood Avenue, New Jersey 07450.USA	100,00	100,00
Farnham Lab. Ltd.*	127 Shirland Road, London W9 2EP, Nagy-Britannia	100,00	100,00
Preglem France	1/3 Rue Caumartin, Paris 75009, Franciaország	100,00	100,00
GR France S.A.R.L.	1/3 Rue Caumartin, Paris 75009, Franciaország	99,99	99,99
Armedica Trading S.A	Tirgu Mures, Cuza Voda 99-105., Románia	99,88	99,88
Pharmafarm S.A	Str. Mijakovski Nr.2. Jud. Cluj, Romania	99,88	99,88
GR Farmacia S.A	TG MURES, STR. CUZA VODA Nr.99-105, Románia	99,88	99,88
Pharmanet S.R.L.	Str. Mijakovski Nr.2. Jud. Cluj, Romania	99,88	99,88
Medimpex Jamaica Ltd.	Kingston 5, Ripon Road 10, Jamaica	60,00	60,00
Medimpex West Indies Ltd.	Kingston 5, Ripon Road 10, Jamaica	60,00	60,00

Description	Head office	RG's direct and indirect participation ownership (%)	votes (%)
Joint venture companies			
Direct participation			
Medimpex Irodaház Ingatlankezelő Kft.	1051 Bp., Vörösmarty tér 4.	50,00	50,00
Richter Helm BioTec Management GmbH	Hamburg, Nordkanal str.	50,00	50,00
Richter Helm BioTec GmbH & Co. KG.	Hamburg, Nordkanal str.	50,00	50,00
GR Rxmidas JV Co. Ltd.	Hong Kong, Des Voeux Road Central	50,00	50,00
Indirect participation			
Pesti Sas Patika Bt.	1091 Bp., Üllői út 105.	74,00	50,00
Grmidas Medical Service Co. Ltd.		50,00	50,00
Associated companies			
Direct participation			
Hungaropharma Zrt.	1061 Bp., Király u. 12	30,68	30,68
Cerorin Kft.	4025 Debrecen, Bartók Béla út 226	24,00	24,00
Pharmapolis Gyógyszeripari Tud. Park Kft.	4025 Debrecen, Petőfi tér 10	24,00	24,00
Pharmatom Kft.	4025 Debrecen, Bem tér 18/c	24,00	24,00
Top Medicina Bt.	3200 Gyöngyös, Hanisz tér 1.	20,00	20,00
Medservice-Richter O.O.O	480004, Almaty Mametovoj u. 54., Kazah Közt.	49,00	49,00
VITA - Richter S.P.O.O.O	Baku, 7-aya Chernogorodskaya 5. Azerbajdzsán	49,00	49,00
Indirect participation			
Szondi Patika Bt.	1067 Bp., Teréz krt. 41.	33,00	33,00
Salvia-Med Bt.	2510 Dorog, Rákóczi út 9.	32,80	33,30
Hajdú Gyógyszerkereskedelmi Zrt.	1061 Budapest, Király u.14.	30,68	30,68
Egészségügyi Termékinf. Szolgáltató Kht.	1061 Budapest, Király u.12.	30,68	30,68
Medimpex Gyógyszernagyker Zrt.	1151 Bp., Károlyi S. u. 121.	30,68	30,68
Vektrum Kft.	1061 Bp., Király út 12.	30,68	30,68
Patika Management Kft.	1075 Bp, Rumbach Sebestyén u. 15.b II.em	30,68	30,68
Gyógyszerellátó Hálózat Kft.	1061 Bp, Király u. 14.	30,68	30,68
Al-ma Kft.	1075 Bp, Rumbach Sebestyén u. 15.b II.em	30,68	30,68
Pannonmedicina Zrt.	7600 Pécs, Ürögi fasor 2/a.	21,80	21,80
Pannoninvent Ingatlan Ingatlankez. Kft.	7634 Pécs, Ürögi fasor 2/a.	21,80	21,80
Other related companies			
Direct participation			
Gyógynövénykutató Ingatlanfejlesztő Zrt.	2011 Budakalász,József A. u 68	15,03	15,03
Hatvani István Gyógyszertár Bt.	4032 Debrecen, Lehel u. 22.	10,00	14,28
Belvárosi Gyógyszertár Bt.	1052 Bp., Szervita tér 5.	5,00	14,28
Magyar Gyógyszer Zrt.	8220 Balatonalmádi Rákóczi út 37	2,61	2,61
Ambee Pharmaceuticals Ltd. *	Dhaka G.P.O.B. 957.,Bangladesh	8,95	8,95
BioSystem International SAS	4, rue Pierre Fontaine, 91000 Evry, Franciaország	8,57	8,57
Protek Group	Moszkva, Kasirszkoje 22. Orosz Föderáció	5,00	5,00
Indirect participation			
Liget Patika Bt.	1102 Bp., Liget tér 3.	10,00	10,00
Pharmadose Kft.	1061 Budapest, Király u. 12.	15,34	15,34
Press Gt Lapkiadó Kft.	1134 Budapest, Üteg u. 49.	15,03	15,03
Fitocenter Kft.	2011 Budakalász,József A. u 68	15,03	15,03
Szírt Invest Kft.	1162 Bp., Budapesti út 238.	15,03	15,03
Fuziómed Kft.	1134 Budapest, Kassák L. u. 69-71.	7,67	7,67
Recyclomed Kht.	1134 Bp., Lehel u. 11.	6,14	6,14
Ispotaly Management Kft.	1061 Budapest, Király u. 14.	6,14	6,14
Themis Medicare Ltd.	11-12. Udyognagar Ind. Est., Bombay 400-062,	10,99	10,99
Ciech S.A.	Warsawa 01-728 Powazkowska u. 46/50	0,96	0,96

* Direct + indirect ownership

all amounts in MHUF

1.3.3. Changes in Direct Investments 31.12.2012

	01.01.2012		Changes in 2012			31.12.2012		Dividend received (MHUF)	
	book value (MHUF)	ownership ratio (%)	MHUF	description	revaluation as of 31.12.2012	book value (MHUF)	ownership ratio (%)	after 2011	after 2012
Subsidiaries:									
Humanco Szolgáltató Kft	3	100,00				3	100,00		
Pesti Sas Holding Vagyonkezelő Kft.	203	100,00				203	100,00	6	
Reflex Kft.	220	100,00				220	100,00	78	
Richter Befektetéskezelő Kft.	328	100,00				328	100,00		210
Richter Szolgáltató Kft.	3	100,00				3	100,00		
Chemitechnik Pharma Mérnöki Kft.	8	66,67				8	66,67		
Gyógyszeripari Ellenőrző és Fejl. Labor Kft.	78	66,00				78	66,00	38	
Medinpex Uk Ltd	294	100,00				294	100,00	18	
Pharmarichter O.O.O.	2	100,00			0	2	100,00		
GR Italia S.r.l	34	100,00			-2	32	100,00		
GR Marketing CR s.r.o.	339	100,00			-12	327	100,00		
GR Szlovákia s.r.o.	219	100,00			-14	205	100,00		
GR Ausztria Gmbh.	34	100,00			-2	32	100,00		
GR Svájc AG.	26	100,00			-2	24	100,00		
GR Portugália Lda.	2	100,00	25	Capital increase	-1	26	100,00		
GR Szlovénia	9	100,00			0	9	100,00		
GR Benelux			2	Estabilishment	0	2	100,00		
GR Nordics			2	Estabilishment	0	2	100,00		
PregLem Holding SA.	86 044	100,00	-5 228	Correction goodwill	-5 767	75 049	100,00		
GR-RUS	6 410	100,00			-180	6 230	100,00		
GR-Ukrfarm T.O.V	0	100,00				0	100,00		
GR Románia SA.	11 763	99,87	2 644	Capital increase	-1 145	10 441	99,88		
			-2 821	Impairment loss					
GR Polska Sp z.o.o..	17 501	99,88	3	Share purchase	246	17 750	99,88	688	
GR Marketing Polska Sp.z o.o. *	1 299	99,98			18	1 317	99,98		
GR-UA P.A.T.	507	98,16			-43	464	98,16		
Richter Helm Biologics Managment GmbH	10	70,00			-1	9	70,00		
Richter Helm Biologics GmbH	4 037	70,00	-603	Impairment loss	-357	3 077	70,00		
Richpangalpharma SR.L.	34	65,00			-4	30	65,00		
Richter Themis Pvt.Ltd.. *	324	51,00			-36	288	51,00	33	
GR-Retea S.R.L	12	51,00			-1	11	51,00		
GR-Aptyeka S.P.O.O.O..	0	51,00				0	51,00		
Richter- LambronS.P.O.O.O..	85	51,00			-10	75	51,00		
Direct+indirect ownership									
Medimpex Japan Co.Ltd.	*0*	*90,90*				*0*	*90,90*		
Richter Rt. Direct	0	86,90				0	86,90		

	2012.01.01		Changes in 2012			31.12.2012		Dividend received (MHUF)	
	book value (MHUF)	ownership ratio (%)	MHUF	description	revalution as of 31.12.2011	book value (MHUF)	ownership ratio (%)	after 2011	after 2012
Joint ventures:									
Medimpex Irodaház Ingatlankezelő Kft.	303	50,00				303	50,00		
Richter Helm BioTec Managment GmbH.	4	50,00			0	4	50,00		
Richter Helm BioTec GmbH.	311	50,00			-20	291	50,00		
GR Rxmidas JV o.Ltd.	333	50,00			-27	306	50,00		
Associated companies:									
Hungaropharma Zrt.	1 191	30,68				1 191	30,85		
Cerorin Kft.	0	24,00				0	24,00		
Pharmapolis Gyógyszeripari Tud. Park Kft.	1	24,00				1	24,00		
Pharmatom Kft.	1	24,00				1	24,00		
Gyulai Fodormenta Bt.	0	20,00		Sale				1	
Top Medicina Bt.	1	20,00				1	20,00		
Medservice-Richter O.O.O.	2	49,00			0	2	49,00		
VITA - Richter S.P.O.O.O.	11	49,00			-1	10	49,00		
Direct associated parties in total	131 987		-5 976		-7 362	118 649		862	210

1.3.4 Impairment of participations

MHUF

Participation	31.12.2011	Impairment	31.12.2012
ZAO GR-RUS	1 409		1 409
VITA-Richter S.P.O.O.O	14		14
Richter Szolgáltató Kft.	3		3
Medimpex Japán Co. Ltd.	17		17
GR-Aptyeka S.P.O.O.O	16		16
GR-Ukrfarm T.O.V	104		104
GR-Románia S.A.	14 739	2 821	17 560
Richter Helm Biologics GmbH & Co.KG	755	603	1 358
Protek Group	4 194	-2 362	1 832
BioSystem International SAS	416		416
Hungaropharma Rt.	1 330		1 330
Total	22 997	1 062	24 059

II/2 Inventories

2.1 Purchased materials, stock

MHUF

Description	31.12.2011	31.12.2012
Chemicals	3 795	4 941
Fine chemicals	52	20
Organs	0	1
Herbs	26	46
Finishing materials	1 215	1 059
Recycled raw material waste	262	369
Invoiced raw materials not received	627	285
Auxiliary substances	340	789
Technical materials	401	535
Spare parts	237	267
Gifts	76	42
Brochures	75	54
Fuels	2	1
Other assets	87	98
Invoiced materials not received	2	2
Total materials	7 197	8 509
Purchased medicine	3 549	3 730
Purchased inventories total	**10 746**	**12 239**

2.2 Self-manufactured inventories

MHUF

Description	31.12.2012	31.12.2012
Work in progress	193	366
Materials self manufactured	25	30
Total WIP and materials self manufactured	*218*	*396*
Semi finished raw materials	17 335	18 517
Semi finished lose product	3 382	3 132
Total semi finished products	*20 717*	*21 649*
Total WIP and semi finished products	20 935	22 045
Domestic finished	1 424	1 533
Export finished	6 374	7 664
Total finished goods	7 798	9 197
Total self produced inventories	**28 733**	**31 242**

2.3 Hazardous waste

31.12.2011		Change of inventory				31.12.2012	
		Increase		Decrease			
Tons	MHUF	Tons	MHUF	Tons	MHUF	Tons	MHUF
55	0	25 328	3	25 338	3	45	0

The costs of waste neutralisation amounted to HUF 964 million in the current year.

2.4 Impairment of inventories

2.4.1 Impairment of materials purchased

MHUF

Changes in inventory		
Description	2011	2012
Scrapping	265	333
Devaluation	31	1
Loss event	11	29
Shortage, drainage loss	3	6
Total	**310**	**369**

2.4.2 Impairment of self-manufactured inventories

MHUF

Changes in inventory		
Description	2011	2012
Scrapping	714	746
Devaluation	20	335
Loss event	1	1
Shortage, drainage loss	27	24
Total	**762**	**1 106**

Reversal of impairment loss related to self manufactured stocks amounted to HUF 28 million in 2012.

II/3 Receivables

3.1 Receivables without impairment

3.1.1 Accounts receivable open

MHUF

Segment	12.31.2011		12.31.2012	Variance
Domestic trade receivables	1 644	*	1 345	-299
including overdue	*62*		*29*	*-33*
Foreign trade receivables	39 941	**	42 343	2 402
including overdue	*6 858*		*1 979*	*-4 879*
Total trade receivables	**41 585**		**43 688**	**2 103**

* of which HUF 946 million was collected by 30 January 2013
** of which HUF 10,139 million was collected by 30 January 2013

3.1.2 Receivables from other related parties open

MHUF

Segment	12.31.2011		12.31.2012	Variance
Domestic trade receivables	2 640	*	3 039	399
including overdue	*1631*		*1950*	*319*
Unincorporated controlled domestic account	25		100	75
Foreign trade receivables	48 275	**	41 809	-6 466
including overdue	*5 551*		*8 267*	*2 716*
Unregistered capital increase in controlled foreing account, share purchase	11 081		14 992	3 911
Total receivables from related parties	**62 021**		**59 940**	**-2 081**

* of which HUF 1,175 million was collected by 30 January 2013
** of which HUF 6,226 million was collected by 30 January 2013

3.1.3 Receivables due from associated parties

MHUF

	31.12.2011	31.12.2012	Variance
Domestic trade receivables	2 640	3 039	399
Foreign trade receivables	32 668	24 180	-8 488
Loans given for related companies	10 937	11 462	525
Related companies' capital increase		3 630	3 630
Total	**46 245**	**42 311**	**-3 934**

3.2 Impairment of receivables

3.2.1 Impairment of accounts receivables

MHUF

Segment	31.12.2011	31.12.2012	Variance
Domestic trade receivables	1	19	18
Foreign trade receivables	1 726	1 620	-106
Total trade receivables	**1 727**	**1 639**	**-88**

3.2.2 Impairment of receivables from other related parties

MHUF

Segment	31.12.2011	31.12.2012	Variance
Receivables from foreign participations	212	223	11
Trade receivables from participations	**212**	**223**	**11**

3.2.3 Changes in receivables and impairment of receivables

MHUF

	31.12.2011	Reversal	Recognition	31.12.2012
Domestic trade receivables	1		18	19
Foreign trade receivables	1 726	418	312	1 620
Related parties	212		11	223
Total	**1 939**	**418**	**341**	**1 862**

3.2.4 Impairment of loan receivables

MHUF

	31.12.2011	Reversal	Recognition	31.12.2012
GR Ukrfarm T.O.V	495			495
GR Retea S.R.L.	746			746
Pharmapolis Kft.			300	300
Total	**1 241**		**300**	**1 541**

3.3 Impairment of accounts receivable in a breakdown by relations

Domestic

	Open	Collected 30.01.2013	Adjusted open	Impairment	
				MHUF	%
0	2 405	1 108	1 297	-	-
1-30	779	8	771	-	-
31-90	1 182	1 007	175	-	-
91-180	-1	-2	1	-	-
181-360	19	0	19	19	100
361-	0	0	0	-	-
Σ	**4 384**	**2 121**	**2 263**	**19**	1

Export

CIS	Open	Collected 30.01.2013	Adjusted open	Impairment	
				MHUF	%
0	45 793	4 306	41 487	-	-
1-30	4 260	2 515	1 745	-	-
31-90	2 733	1 940	793	15	2
91-180	359	45	314	-	-
181-360	219	3	216	121	56
361-	1 226	11	1 215	1 216	100
Σ	**54 590**	**8 820**	**45 770**	**1 352**	3

Export

EU	Open	Collected 30.01.2013	Adjusted open	Impairment	
				MHUF	%
0	16 668	4 041	12 627	-	-
1-30	1 708	1 374	334	-	-
31-90	966	227	739	30	4
91-180	1 055	134	921	-	-
181-360	791	246	545	53	10
361-	349	0	349	349	100
Σ	**21 537**	**6 022**	**15 515**	**432**	3

Export

USA	Open	Collected 30.01.2013	Adjusted open	Impairment	
				MHUF	%
0	3 988	203	3 785	-	-
1-30	55	1	54	-	-
31-90	0	0	0	-	-
91-180	54	0	54	27	50
181-360	0	0	0	-	-
361-	0	0	0	-	-
Σ	**4 097**	**204**	**3 893**	**27**	1

Export

Other	Open	Collected 30.01.2013	Adjusted open	Impairment	
				MHUF	%
0	3 526	1 083	2 443	-	-
1-30	178	63	115	-	-
31-90	100	87	13	-	-
91-180	92	86	6	-	-
181-360	0	0	0	-	-
361-	32	0	32	32	100
Σ	**3 928**	**1 319**	**2 609**	**32**	1

ΣΣ	**88 536**	**18 486**	**70 050**	**1 862**	3

II/4 Tied-up reserve, provisions

4.1 Tied-up reserve

MHUF

	31.12.2011	31.12.2012
Repurchase value of treasury shares	4 468	1 671
Total tied up reserve	**4 468**	**1 671**

4.2 Provision for expected liabilities

MHUF

Title	31.12.2011	31.12.2012
Liabilities in connection with retirement		880
Liabilities of jubilee service period		300
CO_2 quota	29	29
Total	**29**	**1 209**

The Company has adjusted its accounting policy with provisions having been accrued based on actuarial assumptions in respect of benefits as per defined in the collective bargaining.

II/5 Liabilities

5.1 Long-term liabilities

MHUF

	31.12.2011	31.12.2012
Credit	62 226	72 823
Other liabilities	8 768	10 835
Total non-current liabilities	**70 994**	**83 658**

It contains the EUR 150 million long term club facility extended by the European Investment Bank taken out in 2010, and the drawdown of EUR 100 million tranche of loans to finance R&D projects. Other long term liabilities reflects the present value of the deferred purchase price payable as part of the consideration for the PregLem acquisition.

5.2 Short-term liabilities

MHUF

	31.12.2011	31.12.2012
Advances received	237	347
Trade payables	17 711	17 394
Payables to related companies	5 076	6 664
Payables to other participations	18	10
Dividends	12 333	127
Other	45 947	3 462
Total current liabilities	**81 322**	**28 004**

The instalment of purchase price related to PregLem acquisiation payed in 2012 is the dominant part of decrease of the other current liabilities.

5.3 Off-balance items

MHUF

Liabilities connected to incentive scheme for the PregLem management	682
Guarantees provided by the Company	66

II/6 Prepayments and accruals

6.1 Prepayments

MHUF

	31.12.2011	31.12.2012
Interest on securities	372	488
Bank interest	201	176
Interest on loans	992	1 524
Other	19	15
Prepaid income	1 584	2 203
Journals, reference books, CD	334	330
Foreign offices	1 009	1 120
Season's passes for public transport	310	347
Insurance	112	84
Other	260	374
Prepaid costs and expenses	2 025	2 255
Prepayments	**3 609**	**4 458**

6.2 Accruals

MHUF

	31.12.2011	31.12.2012
Rewards and bonuses	1 437	2 321
Licence	183	233
Research contract	1 434	1 662
Fee for inventions	334	410
Insurace	100	69
Endowment insurance	399	443
Food vouchers	249	
Payment of medicine price subsidy to NHF	446	243
Peyment of foreign medicine price subsidy	69	526
Other	446	436
Accrual of costs and expenses	5 097	6 343
Accrued income	1 355	1 427
Accruals	**6 452**	**7 770**

II/7 Costs, expenses, revenues

7.1 Expenses by nature

MHUF

Description	2011	2012	Index %	Type "A" in Annex 2 to Accounting Act
Material cost	33 791	38 950	115,3	(05)
Purchased services	61 199	72 765	118,9	(06)
Other services	1 738	1 633	94,0	(07)
COGS	13 831	10 912	78,9	(08)
Cost of services sold (mediated)	206	493	239,3	(09)
Material type costs	110 765	124 753	112,6	IV.(05+06+07+08+09)
Wages and salaries	29 277	31 934	109,1	(10)
Other employee benefits	13 791	15 144	109,8	(11)
Contribution on wages and salaries	9 911	11 632	117,4	(12)
Wages and related payments	52 979	58 710	110,8	V.(10+11+12)
Depreciation charge	20 210	20 708	102,5	VI.
Total costs and expenses	**183 954**	**204 171**	**111,0**	

7.2 Value of own performance capitalized

MHUF

Description	31.12.2011	31.12.2012	Index %	Type "A" in Annex 2 to Accounting Act
Change of self manufactured inventories	-186	2 509	-1 348,9	(03)
Capitalised value of self manufactured assets	1 024	1 825	178,2	(04)
Value of capitalised own performance	**838**	**4 334**	**n.a.**	**II.(±03+04)**

7.3 R&D expenditures

In 2012 the Company spent 13% of the revenue on R&D activities.

MHUF

Cost category	2011	2012
R&D expenses	26 238	32 966

7.4 Other income and expenditures

MHUF

	2011	2012
*Total other income**	*23 340*	*13 087*
Other expenditure		
Provisioning	29	1 180
Write-off unrecoverable receivables	224	0
Impairment of receivables	1 632	641
Impairment of inventories	1 072	1 475
Book value of tangible assets sold	217	169
Local business tax	2 866	2 078
Buildings tax	291	306
Innovation fee		547
Flat tax on reimbursed drugs payable to NHF **	1 037	487
Registration fee of medical representatives **	639	431
Other	7 993	4 571
Total other expenditure	*16 000*	*11 885*
Balance of other income and expenditure	7 340	1 202

* In 2012, the line of Other income included HUF 727 million from associated companies.

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

7.5 Profit on financial transactions

MHUF

	2011	2012
Income from financial operations		
Dividends and share of profits received	434	1 378
Interest and related income received	4 413	5 275
including income from securities	*1 624*	*1 495*
Capital gains on selling participations	0	25
Other income	28 193	5 697
gains on conversion at year end date	*18 617*	
gains on coverting receivables, payables and foreign currency	*9 339*	*5 416*
gains on futures transactions, closed	*196*	
fair value of futures transactions	*11*	*249*
gains on securities sold	*30*	*32*
Total income from financial operations	***33 040***	***12 375***
Cost of financial operations		
Interes and related expense due	1 220	1 805
Impairment of participations and reversal *	15 567	1 062
Other expenditure	10 146	20 600
loss on conversion at year end date		*3 655*
loss on coverting receivables, payables and foreign currency	*5 296*	*13 119*
loss on futures transactions, closed	*7*	*139*
release of fair value of futures trasnactions	*322*	*504*
loss on securities sold	*28*	*179*
Unwinding of discounted value related to liability in respect of PregLem	*4 493*	*3 004*
Total cost of financial operations	***26 933***	***23 467***
Result of financial operations	**6 107**	**-11 092**

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

MHUF

	31.12.2011	31.12.2012
OTC interest swap contract not closed by the balance sheet date, evaluated on balance sheet date.	249	504

7.6 Extraordinary profit

MHUF

	2011	2012
Extraordinary income		
Repurchase of shares in program approved by Ministry of Finance	28	47
Materials and goods received without consideration	358	83
Contractual value of contribution-in-kind	194	
Total extraordinary income	***580***	***130***
Extraordinary expenditure		
Inventories transferred without consideration	415	141
Book value of asset contribution-in-kind	252	
Subsidies	953	864
Other	241	334
Total extraordinary expenditure	***1 861***	***1 339***
Extraordinary loss	**-1 281**	**-1 209**

7.7 Wage costs, headcount, remuneration

7.7.1 Wage costs

MHUF

Employment type	Employee groups					
	Blue collar		White collar		Total	
	2011	2012	2011	2012	2011	2012
Full time wage mass	7 684	8 321	19 999	21 829	27 683	30 150
Part time wage mass	5	5	191	230	196	235
Pensioner wage mass	30	19	310	260	340	279
Wages to non-employees					1 058	1 270
Wage cost per balance sheet	7 719	8 345	20 500	22 319	29 277	31 934
Annual wage mass per (full time) employee	3,3	3,5	4,9	5,3	4,4	4,6

7.7.2 Average statistical headcount

person

Employment type	Employee groups					
	Blue collar		White collar		Total	
	2011	2012	2011	2012	2011	2012
Full time employees	2 339	2 352	4 034	4 149	6 373	6 501
Part time employees	2	2	48	55	50	57
Pensioners	13	8	51	38	64	46
Total:	**2 354**	**2 362**	**4 133**	**4 242**	**6 487**	**6 604**

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

MHUF

	Remuneration	
	2011	2012
Board of Directors	73	76
Supervisory Board	36	28
Total:	**109**	**104**

II/8 Calculation of the income tax

MHUF

1.	Corporate income tax	2 011	2 012
	Profit before taxation	78 900	44 562
	- total of items reducing tax base	40 300	51 753
	- total of items added tax base	25 425	24 635
2.	Tax base	64 025	17 444
3.	Calculated tax	12 165	3 269
4.	Tax relief	12 165	2 615
5.	Tax liability	-240	654
7.	**Profit after taxation**	**79 140**	**43 908**

1.	Amounts of provision against future liabilities and costs reversed	97	
2.a.	Depreciation charged under Tax Act	20 030	20 975
2.b.	Calculated book value of the sale and scrapping of intangible propery and tangible assets, ect.	924	896
3.	Reversed impairment of receivables, collected bad debt	648	418
4.	Dividends, share of profits received	434	1 378
5.	Relief due to apprentices	14	16
6.	50% of interest received from associated companies	-	171
7.	Subsidies, assets and services received without consideration or the duty to repay		27 207
8.	50% of royalties received	122	686
9.	Direct cost of R&D	18 026	6
11.	Amount of donation	5	
	Total of items reducing tax base	**40 300**	**51 753**
1.	Amounts of provision against future liabilities and costs reversed and stated as expenditure	29	1 180
2.a.	Depreciation charged under Accounting Act	20 044	20 708
2.b.	Book value of intangible propery and tangible assets, sold, scrapped etc.	982	1 008
3.	Impairment of receivables	1 632	675
4.	Penalties and fines	13	18
5.	Amount identified by self-review and stated as expenditure	201	74
6.	Costs not recognised for the purposes of doing business	2 419	921
7.	Tax paid abroad	105	51
	Total of items added to tax base	**25 425**	**24 635**

8.1 Eligibility to investment tax incentive

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

The project was concluded in 2011 and all the equipment that formed part of the project was commissioned. The Company intends to take advantage of the investment tax relief for the first time in the 2012 fiscal year in the amount of HUF 2,615,333,416.

The terms and conditions of having recourse to the present investment tax relief are regulated by the provisions of Sections 22/B and 23 of Act LXXXI of 1996 on Corporate Tax and Dividend Tax, Government Decree No. 206 of 2006 (16 October) on the investment tax incentive, and Government Decree No. 85 of 2004 (19 April) on the procedure related to State aids pursuant to Article 87 (1) of the Treaty establishing the European Community and on the regional support map.

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

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

Under the support contract signed with the Ministry of National Development in connection with the project Richter undertook to increase the number of its employees by 110 including 85 new jobs to be created in Debrecen.

Pursuant to Section 5 (1) of Government Decree No. 206 of 2006 (16 October) the tax relief and the present value of State support to be considered in cumulative subsidy cannot exceed the value of notified but no more than the actually incurred eligible costs adjusted with a pre-determined support intensity.
In calculating the amount of tax relief in connection with the capital expenditure project in Debrecen it is possible to proceed from the present value of the notified costs, because the present value of the actually incurred capital expenditure is higher. In the case of major projects the support intensity under Section 30 (1) of Government Decree No. 85 of 2004 (19 April) established for the North Great Plains region is 100% of 50% for the portion between the HUF equivalent of EUR 50 to 100 up to the HUF amount equivalent of a maximum of EUR 50 million at present value. In consideration of the above, the present value of the project's eligible costs adjusted with support intensity is HUF 6,966,858 thousand.

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

According to the above formula the present value of the investment related tax relief is HUF 5,819,883 thousand of which the Company uses HUF 1,763,957 thousand in the 2012 business year. Thus the remaining tax relief open for subsequent years amounts to HUF 4,055,926 thousand at present value.

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

	HUF	**2007**	**2008**	**2009**	**2010**	**2011**
Present value factor		8,54%	9,58%	9,37%	6,97%	6,61%
Utilized tax relief at current price in 2012	2 615 333 416					
Present value of utilized tax relief in	1 763 956 776					

GEDEON RICHTER PLC.

CONFIDENTIAL

Business Report
2012

Erik Bogsch
Managing Director

Budapest, 22 March 2013

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1. General data

1.1 Brief history of the Company

Richter is a leading pharmaceutical company in the Central and East European region. Its activity encompasses every aspect of pharmaceutical production 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 company limited by shares 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. The merger was registered by the Budapest Court of Registration on 18 March 1991. The total registered capital of the share company amounted to HUF 13,223,974,000 at the time of transformation.

Privatization

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

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

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

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

On 14 September 2004 the State Privatization and Holding Company ÁPV Rt. launched 4,659,373 bonds convertible to Richter shares with maturity in 2009 in the context of private offering that involved institutional investors specialized in this type of investment. The bonds matured on 29 September 2009. The government decided in favour of consideration instead of share conversion. At the same time, the government supported the idea that MNV Zrt., ÁPV Rt.'s legal successor should handle financing by issuing new bonds convertible to Richter shares. As a result of the subscription that was concluded on 25 September 2009, bonds with 2014 maturity amounting to EUR 833.3 million were issued to institutional investors, convertible to 4,680,672 Richter ordinary shares. By retaining its shares in Richter the Hungarian State ensures the continuation of Richter's strategy, which relies on the Company's continued independence.

Major acquisitions to promote the expansion of the Company

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

The merger the Company started in 2007 with Polpharma, the largest Polish generic drugs manufacturer failed through the fault of Genefar BV, Polpharma's shareholder. In its decree dated 3 August 2011 the competent court of arbitration obliged Genefar BV to pay Gedeon Richter Plc. compensation amounting to USD 40 million plus interest up to the date of payment. Genefar BV paid the full amount in October 2011.

Richter's latest 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. 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 of European markets in the course of the year.

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 in the Russian market was also started in Q4 of 2012.

Impact of the market environment; the Company's global activity

With its global business comprising five continents, Gedeon Richter is unique among the Central Eastern European pharma companies as its primary activities of the research and development, manufacturing and marketing of pharmaceutical products are supported by a number of subsidiaries, joint ventures and associated companies. Richter'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 the late 1990s, in response to the economic crisis in Russia, the Company revised its long-term strategic goals: strengthening regional multinational activities handled as a priority, maintaining stable positions in its traditional markets, strengthening its presence in the EU and the United States with proprietary and generic products, and building long-term co-operations in supplying active ingredients. The primary focus of the Company is on the expansion of the gynaecological business and an increase in generic sales, the latter in preparation for upcoming patent expiries. In the United States Richter concluded long-term supply contracts with manufacturers specialized in gynaecological products.

In accordance with strategic goals in the years after the turn of the millennium the Company achieved a significant upswing in turnover realized in EU markets, particularly in the turnover in the new Member States joining after 2004. The latter trend is particularly significant as drug subsidies in the new accession countries are generally underfinanced, which led the Company to reduce the price of some of its products. Consolidation of the economy in Russia gave a boost to the pharmaceutical market in most CIS states, which triggered a dynamic growth in Richter's turnover in this region. Rising income from sales in the CIS, the USA, then in the EU led to exports contributing approximately 90 percent to total turnover.

Contrary to export markets, ongoing uncertainties prevailed in the domestic market. Despite the agreement between the Government and the pharmaceutical industry price increases were delayed, and the pharma companies were forced to share the burden of financing the overspending in the social security system. Due to mergers and acquisitions of competitors the Company lost its leading position in the Hungarian market although its sales increased significantly up to 2005: while revenues from sales still soared in the period 2006-2009, a distribution agreement ceased, and this, coupled with generally unfavourable macroeconomic trends and the negative impact of the Government's measures affecting the pharmaceutical market resulted in declining sales revenues. The trend turned around in 2010, albeit not because of the improvement of the economic environment but mainly as a result of increasing sales of the products launched over the past three years. While growth continued in 2011, sales plummeted in 2012.

1.2 Main objectives for 2012

The Company's main objectives for 2012 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; and to enter the market of biosimilar products. In 2012 significant advancement was achieved in the following areas:

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

- According to Richter's announcement on 27 February 2012, Esmya, a proprietary product developed by PregLem, a pharma company solely owned by Richter had been granted marketing authorisation for the EU member states for its indication of pre-operative treatment of uterine fibroids (myomas). The product was launched in 17 member states in the course of the year.
- In 2011 Richter upgraded its existing and newly created marketing companies in Western Europe: the companies' scope of business was expanded and a network of pharmaceutical representatives specialized in gynaecological treatments was developed in all of the companies. In 2012 Richter established new subsidiaries in the Benelux and Nordic countries and started building its network of representatives.

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

- At the end of 2011 the Company capitalized the assets created as a result of the capital expenditure started in Debrecen in 2007 and thus took a big step forward towards plant-level manufacturing of biosimilar products in Hungary. Trial runs started in 2012 and are expected to lead to the manufacturing of samples required for clinical studies by 2014 followed by routine production of drugs, as well as anticancer and chronic anti-inflammatory proteins and antibodies from 2015.

- On 2 and 28 February 2012 Richter and its partner, Forest Laboratories, Inc. announced the successful conclusion of the third Phase III trial of the antipsychotic cariprazine for the acute treatment of manic or mixed episodes associated with bipolar I disorder, and two positive Phases III trials of the same drug for the treatment of schizophrenia. The Company thus boasts of three positive Phase III trials in respect of both indications. On 28 November 2012 Richter announced that Forest Laboratories submitted a new drug application (NDA) to the United States Food and Drug Administration (FDA) for cariprazine for both indications.

In 2012 Richter took further steps to expand its international business through a capital increase in its manufacturing companies and continuing its investments. Details are described in Chapter 5: Capital expenditure on tangibles and intangibles, and Chapter 6: Foreign investment.

1.3 Share structure of the Company

As of 1 January 2012 the number of ordinary shares comprising the Company's subscribed capital was 18,637,486. The number of shares did not change in the course of 2012.

As regards ownership structure, as of 31 December 2012, 66.50% of shares were held by foreign institutional and private investors, the Hungarian State held 25.24%, and Hungarian institutional and private investors held a total of 7.81%. Treasury shares together with 10,550 shares owned by subsidiaries amounted to 0.30 %; the rate of other ownership was 0.15 %.

The closing price of shares as of 31 December 2011 was HUF 34,200 compared to HUF 36,210 as of 31 December 2012. Average monthly share prices in 2012 moved between the minimum of HUF 36,009 per share (in December) and the maximum of HUF 39,786 per share (in October).

1.4 Treasury shares

	Ordinary shares	
	31.12.2011	31.12.2012
Shares	124,399	45,336
Nominal value HUF`000	124,399	45,336
Book value HUF`000	4,468,276	1,670,893

Following the decision of the Board of Directors 89,728 ordinary shares were granted as 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 the Company granted 45,681 Treasury shares to 4,750 employees on 19 December 2012.

1.5 Corporate governance

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

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

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

At the Annual General Meeting on 26 April 2012, the following directors were re-elected to serve on the Supervisory Board for a period of three years until the 2015 Annual General Meeting:

Dr Attila Chikán

Mr. Gábor Tóth (employee representative)

Mr. Jenő Fodor (employee representative).

The AGM elected the following persons to serve on the Supervisory Board for a period of three years until the 2015 Annual General Meeting:

Dr. Jonathán Róbert Bedros and

Mrs. Tamásné Méhész.

The AGM approved the appointment to the Audit Committee of Dr. Attila Chikán, Dr. Jonathán Róbert Bedros and Mrs. Tamásné Méhész for the three-year period until the 2015 AGM.

1.6 Site

The site of Richter Gedeon Vegyészeti Gyár Rt. (Gedeon Richter Chemical Plant Ltd.) is as follows:

27 Esztergomi út, H-2510 Dorog

1.7 Other information

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

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

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

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

2. 2012 operating review

2.1 The balance sheet as of 31 December 2012

TOTAL ASSETS

The Company's total assets amounted to HUF 654,953 million, HUF 5,744 million (0.9%) higher than the opening value. Fixed assets were up by HUF 17,623 million, current assets dropped by HUF 12,728 million.

Fixed assets

Intangible assets amounted to HUF 84,362 million in the reported period, HUF 3,641 million up from the reference figure.

At the close of 2012 the value of the investment in PregLem was revised and the corporate tax rates applied in the calculation of goodwill were harmonized. As a result PregLem's book value decreased, ipso facto the goodwill on the remainder of the acquisition value increased by HUF 5,228 million. The growth is mainly attributed to the change in PregLem's goodwill and the intangible asset generated by Richter increasing its share in the traditional sale of Chinese products. The increase was partly offset by the amortisation on the capitalization of the marketing and brand related rights of the Grünenthal portfolio acquired in 2010, on the Esmya capitalized in 2012, and on the also capitalized fees paid to the competent authorities for new marketing authorizations.

- There was no significant change in the value of **tangible assets** year-on-year (+2.8%). The net value of technological installations, equipment and vehicles was HUF 3,630 million higher than the opening figure due to capitalizations in the Debrecen injectables development plant and the Budapest injectables plant.

  Depreciation on tangibles and intangibles was HUF 20,708 million in 2012, HUF 498 million in excess of the 2011 figure.

- The book value of **financial investments** in other companies reported under investments decreased by HUF 11,142 million y/y. As a result of the above mentioned restatement PregLem's book value dropped by HUF 5,228 million, the book value of Gedeon Richter Romania S.A. rose as a result of reclassification of a loan extended by the parent company to capital increase (HUF +2,644 million); conversely, impairment amounting to HUF 2,821 million was reported in conjunction with Armedica Trading S.R.L. in which Richter has a 100% holding. The reassessment of holdings as of the balance sheet date resulted in an decrease of HUF 7,529 million, but due to the change in the fair value of the Russian wholesale and retail group Protek the value of investments was increased by reversed impairment (HUF +2,362 million).

  The bond bought by the Company and to be held until maturity in 2014, when it will be converted to Richter Treasury shares was reported under investments with a book value of HUF 14,297 million in 2012.

  Long-term loans amounted to HUF 53,665 million and includes mainly long-term capital contributions extended to PregLem S.A. and Richter's production companies, in particular to Gedeon Richter Romania S.A., ZAO Gedeon Richter-RUS and the Indian subsidiary. The increase compared to the reference year figure was primarily caused by the reporting of the capital increase in PregLem S.A.

Current assets

- **Inventories** amounted to HUF 43,481 million, 10.1% above the opening figure.

- **Receivables** amounted to HUF 108,393 million, HUF 3,822 million above the opening figure. Net trade receivables were HUF 3,887 million less than in the reference year. The closing balance of loans extended to affiliated undertakings and undertakings linked by participating interest was HUF 356 million higher year-on-year predominantly because of the loan items extended to Gedeon Richter Romania S.R.L. due within a year. The capital increase in ZAO Gedeon Richter-RUS paid in 2012 but not yet registered also increases receivables (HUF +3,630 million).

- The value of **cash and securities** decreased by HUF 20,550 million. The 2011 high closing value was further increased by the drawdown of the second EUR 50 million tranche of the European Investment Bank (EIB) credit line in January 2012, and was then significantly decreased by the payment of the outstanding portion of the purchase price to PregLem' previous shareholders.

As of 31 December 2012 the portfolio of securities held for trading contained government securities, open-end investment funds and other bonds.

TOTAL LIABILITIES AND EQUITY

- **Shareholders' equity** increased by 9.0% to reach HUF 534,312 million as a result of the 2012 earnings on the balance sheet and retained earnings.

- The Company's **liabilities** amounted to HUF 111,662 million and include the long-term liabilities items of HUF 150 million club facility taken out in 2010, the above mentioned EUR 100 million drawdown to finance R&D, and HUF 10,835 million deferred purchase price for PregLem reported at fair value. Current liabilities were HUF 53,318 million down as a result of meeting the next instalment of PregLem S.A.'s purchase price (HUF 42,329 million). The biggest item reported among the remainder of current liabilities were trade payables together with related parties amounting to HUF 24,068 million (HUF +1,263 million).

2.2 The 2012 income statement

The Group's profit after taxes for 2012 was HUF 43,908 million, 44.5%, or HUF 35,232 million, lower year-on-year. Massive increases in marketing and distribution costs as well as R&D costs compounded by losses on Forex items reported in financial income played a key role in the decrease.

2.2.1 Total sales

	2011 HUF million	2012 HUF million	Variance HUF million	Variance %
Hungary	33,965	29,539	-4,426	-13.0
Export				
CIS	118,890	127,429	8,539	7.2
EU *	69,947	73,296	3,349	4.8
USA	11,879	9,539	-2,340	-19.7
Other countries	15,169	15,695	526	3.5
Export total	215,885	225,959	10,074	4.7
Total Sales	249,850	255,498	5,648	2.3

* Excluding Hungary

Income from the 2012 domestic sales was 13.0% down compared to the reference year. Export in HUF was 4.7% up; and in EUR, 1.3% up year-on-year.

Changes in the breakdown of export by regions in the reported year: The largest contributor (49,9%) continues to be the CIS, which was 2,3 percentage points up from the reference year. The EU States gained 0,7 percent and contributed 28,7%; the contribution of the United States and Hungary dropped by 2,0% and 1,0% respectively (11,6% and 3,7%). The cumulative category of Other countries stayed at the reference level (6,1%).

Based on the year-end figures for 2012 the Company realized HUF 29,539 million income from sales **in the domestic market**, 13.0% (HUF 4,426 million) less than in 2011. With

this performance the Company's market share was 5.2% in 2012, 0.6% below the reference year's figure. Richter ranked third in the prescription drugs market with a share of 7.1%.
The drop was caused primarily by the discontinuation of Avonex and lagging sales of Xeter, Calumid, Quamatel and Portiron. In 2012 oral contraceptives were the leading item in terms of sales with a 13.1% year-on-year increase in turnover.
The tax payable on the full-year amount of subsidy calculated on the producer prices of reimbursed products under the Dug Economy Act was 12% until 1 July 2011 and then 20% thereafter. Richter made use of the tax benefit granted in proportion to R&D expenditure, thus this liability item was HUF 1,037 million in 2011 and HUF 487 million in 2012. Pharmaceutical representatives' registration fee (HUF 0.4 million per representative, later increased to HUF 0.8 million) was reintroduced as of 15 February 2009 and cost Richter HUF 639 million in 2011 and HUF 431 million in 2012 after deducting the allowance.

Income from **exports** in the pharmaceutical production segment was up from HUF 215,885 million (EUR 771.1 million) in 2011 to HUF 225,959 million (EUR 781.5 million) in 2012.

Russia continues to be the leading market of the **CIS region and also of the Company,** with turnover denominated in EUR 3.2% below the reference year figure. The best performing products were oral contraceptives, Rosuvastatin, Tolperison and Mycosyst, each achieving a considerable rise in sales. Conversely, overall turnover were seriously affected by the discontinuation of Suprax and very sluggish sales of Panangin and Gordox.
In the wake of efficient marketing promotions in Ukraine the Company's turnover was boosted significantly despite the relatively high reference level even compared to combined sales in the other CIS states.
The total turnover achieved in the CIS market was HUF 127,429 million, 56.4% of total export. Year-on-year increase was 7.2% (HUF 8,539 million). Expressed in Forex, the turnover was EUR 440.8 million (USD 566.4 million) with a 3.8% increase in EUR.

The turnover achieved in the **European Union** was HUF 73.296 million, 4.8% up year-on-year. The contribution of this region to total exports remained at 32.4%. Expressed in Forex, the increase amounted to EUR 253.5 million with a 1.5% increase.

In the EU 15 region, increasing competition in the generic market and the resulting decreasing prices, as well as significant supplies in 2011 of gynaecological products to trading companies caused a 12.1% drop in Richter's EUR-denominated sales income.
On the other hand, the CEE Member States increased their contribution to total sales in the EU region to approximately 62% in 2012 with a 12.0% increase in sales income in euro. In this geographical segment, too, Richter was faced with mounting competition and prices kept low as a result of government measures and an unfavourable social security environment. Several Member States introduced austerity measures to reduce rising health care costs. In the CEE countries turnover increased mainly due to the launch of new products in Poland, the Czech Republic, Romania and the Baltic States.

Sales in the **United States** dropped by 19.7% (HUF 2,340 million), or, expressed in USD, by 28.1% (to USD 16.6 million) due primarily to a massive decrease in the sales of oral contraceptives supplied primarily in the form of APIs. Turnover lagged behind the reference year's figure due to price reductions required by keen competition.

In the category of **Other countries**, oral contraceptives were the leading products.
Income from sales in the Other countries category was HUF 15,695 million (EUR 54.3 million) with no change y/y. The contribution of this region to total export was 7.0%.

Net income from sales **totalled** HUF 255,498 million, a HUF 5,648 million increase on the 2011 figure.

2.2.2 Direct and indirect costs of sales; operating results

The aggregate year-on-year increase in direct and indirect costs of sales was 9.1%.
Direct costs of sales totalled HUF 55,881 million and were HUF 2,031 million less than the 2011 figure due to the effect of exchange rates and the positive change in the portfolio of products. Gross profit from sales was HUF 199,617 million, HUF, 7,679 million above the reference year's figure, with the gross margin up from 76.8% in the reference year to 78.1% in 2012.

Indirect costs of sales amounted to HUF 143,956 million in 2012, exceeding the 2011 figure by 15.0%.

- Rise in wages and other payroll expenses contributed HUF 4,704 million to the increase.

- Costs of advertising and promotion were HUF 4,120 million higher y/y and reflected the costs of developing the Western European sales network and expenditure on marketing in support of rising sales in the CIS markets.

- In 2012 research commissions increased by HUF 2,137 million resulting predominantly from items arising at partners that have signed an R&D agreement with the Company.

- Depreciation exceeded the reference year's figure by HUF 832 million. The increase was caused mainly by the depreciation on the capitalization of the Debrecen investment.

The balance of **other income and expenditure** was HUF 1,202 million as opposed to HUF 7,340 million achieved in 2011. The primary source of the decrease was that the reference year figure included Genefar BV's payment of the USD 40 million compensation plus interest awarded to Richter by the ruling of ICC's International Court of Arbitration dated 3 August 2011. On the expenditure side, the item includes HUF 5,041 reflecting the change in the likelihood of payment in respect of the outstanding price paid for PregLem. In 2012 Richter received milestone income related to cariprazine, whereas there was no such income in 2011. The 12%, then 20% tax payable on subsidized products was a significant line item on the expenditure side (amounting to HUF 1,037 million in the reference year and HUF 487 million in the reported year), as well as local taxes.

The Company's *operating result* was HUF 56,863 million, 23.2 % down compared to 2011. After a 7.3 percentage point increase, the operating margin was 22.3 %.

2.2.3 Other income statement items

Profit or loss from financial transactions

Loss from financial transactions in 2012 was HUF 11,092 million as opposed to HUF 6,107 million profit in 2011.

Richter's achievements and their changes compared to the reference year were very strongly influenced by the strengthening of the forint against the euro and the dollar. As of the 2012 balance sheet date, the exchange rate was 291.29 forints to the euro and 220.93 forints to the dollar, considerably below the 2011 closing EUR/HUF rate of 311.13 and USD/HUF rate of 240.68.

The balance of revaluations as of the 2012 balance sheet date was HUF 3,655 million decrease as opposed to HUF 18,618 million appreciation in 2011. The item includes revaluation of investments, loans receivable, advances, Forex accounts, loans payable and trade receivables and payables.

The Company made a loss on forward transactions amounting to HUF 122 million in 2011 and HUF 394 million in 2012.

In 2011 net impairment of investments was HUF 15,567 million, however, in 2012 HUF 1.062 million. The most important item was the HUF 2,821 million impairment reported in conjunction with Armedica Trading S.R.L. in which Richter has a 100% holding, however reversal of HUF 2,362 million impairment due to the change in the fair value of the Russian wholesale and retail group Protek increased financial income.

Exchange rate losses realized from trade on receivables, payables and other items were HUF 4,158 million as opposed to a HUF 2,259 million gain in the preceding year. The aggregate gain contributed HUF 6.4 billion to a year-on-year decrease in earnings.

In 2012 the time value and exchange rate effects of the liability related to PregLem reduced the net financial income to a lesser extent (by HUF 3,004 million as opposed to HUF 4,493 million in the reference year).

Net income from interest was HUF 3,470 million in 2012, HUF 277 million in excess of the reference year.

Dividends received contributed HUF 1,378 million to the 2012 financial income, HUF 944 millions higher than the HUF 434 million realized in 2011.

Extraordinary result

The balance of exceptional result was HUF -1,209 million, approximately the same as in 2011.

Income before taxes

The 2012 income before taxes amounted to HUF 44,562 million, HUF 34,338 million less than the 2011 earnings.

Taxes payable

As described in chapter 1.7 above, between 1 January 2004 and 31 December 2011 Richter was granted a 100% corporate tax benefit. In 2011 the HUF -240 million reported in taxes contained the reclaimable surtax items paid earlier. The 2012 tax payable amounted to HUF 654 million.

Profit after taxes

The Company's profit after taxes for 2012 was HUF 43,908 million compared to HUF 79,140 million in 2011.

2.2.4 Contribution of key products to sales revenues

Finished products contributed over 92% to the 2012 sales revenues. The contribution of APIs was 5%.

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

2011				2012			
Rank		Sales HUF million	Share %	Rank		Sales HUF million	Share %
1	Oral contraceptives	76,019	30.4	1	Oral contraceptives	76,053	29.8
2	Cavinton/vinpocetine	19,007	7.6	2	Cavinton/vinpocetine	19,249	7.5
3	Panangin/asparaginates	16,486	6.6	3	ACE inhibitors /enalapril, lisinopril	16,196	6.3
4	ACE inhibitors /enalapril, lisinopril	15,108	6.0	4	Mydeton/tolperisone	16,195	6.3
5	Mydeton/tolperisone	14,225	5.7	5	Panangin/asparaginates	15,258	6.0
6	Verospiron/ /spironolactone	9,924	4.0	6	Verospiron/ /spironolactone	11,387	4.5
7	Quamatel/famotidine	8,157	3.3	7	Quamatel/famotidine	7,953	3.1
8	Lisonorm /lisinopril, amlodipine	6,095	2.5	8	Lisonorm /lisinopril, amlodipine	6,735	2.6
9	Suprax/cefixime	5,307	2.1	9	Aflamin/aceclofenac	5,358	2.1
10	Xeter/rosuvastatin	5,014	2.0	10	Xeter/rosuvastatin	5,328	2.1
	Total	175,342	70.2		Total	179,712	70.3
	Net income from sales	*249,850*	*100.0*		*Net income from sales*	*255,498*	*100.0*

The contribution of the ten leading product categories to total sales was 70.3%, almost identical with the reference year's figure.

Oral contraceptives are the leading products with a turnover of HUF 76.1 billion, approximately the same as in 2011. Income from drospirenone products offset lagging income from the portfolio acquired from Grünenthal. The latter was outstandingly high in the reference year because of supplies of stocks for 2011. The contribution of this product category to total turnover was 29.8%, 0.6 percentage points less year-on-year. Richter's proprietary drug Cavinton ranked second with a turnover HUF 242 million higher y/y due primarily to keen sales in Ukraine and Romania. Fourth in 2011, ACE inhibitors advanced to 3rd place (in the wake of Polish and CIS sales increase), while Panangin slipped to 5th place after dropping sales in Russia in 2012, so this product category contributed 6.0% to total income sales. Mydeton advanced from 5th to 4th place due primarily to API sales to the Russian subsidiary and finished product sales in Ukraine. Verospiron (6th) and Lisonorm (8th) retained their respective places mainly because of substantially rising sales in the Russian market. Ranked 7th, Quamatel retained its earlier position, albeit with a smaller share and lesser contribution to sales income. A new advent on the list of Top Ten is Aflamin (CIS and Poland), and rosuvastatin managed to keep its 10th place as a result of rising sales in Hungary.

2.2.5 Contribution of key markets to sales revenues

In 2012 the Company's ten leading markets were as follows:

		2012	
		HUF million	EUR million
1.	Russia	88,262	305.3
2.	Hungary	29,539	102.2
3.	Ukraine	19,400	67.1
4.	Poland	17,141	59.3
5.	Germany	12,949	44.8
6.	United States of America	9,539	33.0
7.	Czech Republic	8,432	29.2
8.	Slovak Republic	6,097	21.1
9.	Romania	5,422	18.7
10.	Kazakhstan	5,152	17.8
	Total	201,933	698.5
	Net income from sales	*255,498*	*883.7*

The ten leading countries jointly contributed approximately 80% to Richter's total sales. Russia stayed at the head of the list with sales slightly rising for the reasons mentioned above. Hungary was again 2nd followed by Ukraine and Poland, each of the latter two countries taking one step upward, while Germany lost two places and was only 5th as a result of dropping oral contraceptives sales. The United Stated retained its 6th place. There was no change in the order of the next two countries on the list (Czech Republic and Slovakia); by contrast, Romania overtook Kazakhstan compared to 2011.

3. Functional activities of the Company

3.1 Research and development

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

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

On 8 and 28 February 2012 Richter and its partner, Forest Laboratories, Inc. announced the successful conclusion of the third Phase III trial of the antipsychotic cariprazine for the acute treatment of manic or mixed episodes associated with bipolar I disorder, and two positive Phases III trials of the same drug for the treatment of schizophrenia. The Company thus boasts of three positive Phase III trials in respect of both indications. On 28 November 2012 Richter announced that Forest Laboratories submitted a new drug application (NDA) to the United States Food and Drug Administration (FDA) for cariprazine for both indications. In January 2013 Richter was notified of the acceptance of the NDA, which led to Forest's milestone payment obligation. There are ongoing parallel clinical studies to expand the indications and to penetrate the European and Japanese markets.

One of the world's leading manufacturers of steroid products, Richter has been traditionally strong in the gynaecological market. After the acquisition of the Swiss company PregLem S.A. in 2010 Richter joined gynaecological development activities primarily in the field of uterine myoma indications. According to Richter's announcement on 27 February 2012, Esmya, a proprietary product developed by PregLem S.A., a company solely owned by Richter had been granted marketing authorisation for the EU member states for its indication of pre-operative treatment of uterine fibroids (myomas). In addition, Phase III clinical trials are in progress to expand the indication, and Phase II studies are in progress relating to two new molecules developed for the treatment of endometriosis.

The resulting clinical portfolio at the end of 2012 was as follows:

<table>
<tr><th>Description</th><th colspan="2">Clinical phase</th><th>Primary indication</th><th>Partner</th></tr>
<tr><td rowspan="2">Esmya*</td><td colspan="2">Marketing authorization granted (EU)</td><td rowspan="2">Uterine myoma</td><td></td></tr>
<tr><td>Ph3</td><td>USA</td><td>Watson Laboratories USA</td></tr>
<tr><td>PGL 2</td><td>Ph2</td><td>EU</td><td rowspan="2">Endometriosis</td><td rowspan="2"></td></tr>
<tr><td>PGL 5</td><td>Ph2</td><td>EU</td></tr>
<tr><td rowspan="4">Cariprazine (RGH-188)</td><td>Registration pending</td><td rowspan="3">USA</td><td>Schizophrenia, bipolar disorder</td><td rowspan="3">Forest Laboratories</td></tr>
<tr><td>Ph3</td><td>Major depressive disorder</td></tr>
<tr><td>Ph2</td><td>Bipolar depression</td></tr>
<tr><td>Ph3</td><td>Japan</td><td>Schizophrenia,</td><td>Mitsubishi-Tanabe</td></tr>
</table>

* According to Richter's announcement on 27 February 2012, the drug was granted marketing authorisation valid for all EU member states.

In 2007 (at the 50th anniversary of Richter's launching its first fermentation research effort) biotechnology R&D was put on the agenda. Founded in Germany together with Helm AG, Richter-Helm BioLogics GmbH & Co. KG develops and manufactures pharmaceuticals based on proteins derived by microbial biotechnology processes.

By the end of 2009 a biotechnology research facility and a pilot plant were developed in Budapest to conduct research in microbial drug therapy, biosimilar monoclonal antibodies development. Started in 2007, the construction of the Debrecen plant creating capacities for mammalian cell biotechnology based pharmaceutical manufacturing was concluded, the related assets were capitalized. Trial runs commenced in 2012, and the most complex protein-based pharmaceuticals can be manufactured on a commercial scale.

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

R&D expenditure was 12.9% of sales income in 2012 and amounted to HUF 32,966 million.

To achieve the strategic goals outlined above, the Company's product development units continued upgrading their instrumentation in 2012 in support of the development of biotechnology and special products with high intellectual value added. After niche areas, combination products and simple oral drugs a new line of development is opened by the more complex DDS (Drug Delivery Systems), specifically orally expanding drugs, intragastric floating systems as well as nanodrugs.

The key tasks for product development in 2012 were to support the launch of Esmya, to supply the Western European network with oral contraceptives, and to switch Grünenthal's portfolio to own-produced drugs. Moreover, special attention was paid to the support of introducing new products in the domestic and Russian markets.

At the close of 2012 Richter had over 50 generic development and 18 license topics in progress. In the course of the year Richter had 24 license renewal and maintenance projects; moreover, support of original, biotechnology and transfer projects (20 in total) have engaged an increasing portion of resources. 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 44% of generic R&D projects.

The Company launched one proprietary product and six license products in 2012, all of which are new in all of the markets. In addition, many products not yet sold by Richter were introduced in several countries: they numbered 160, an unprecedented figure.

As a result of intensive registration activities a total of 330 marketing authorizations were granted to Richter in 2012 in the EU, including Hungary (taking different dosage forms into consideration). Eighty-seven percent of the marketing authorizations involve proprietary products and 13% are related to the takeover of licensed products. In this region 206 renewal applications were submitted. In 2012, 88 renewal procedures were concluded.

A total of 50 new authorizations and 145 renewal applications were submitted in the twelve CIS countries. In the course of the year the Company secured 111 new authorizations and 134 renewals.

In the Other countries segment the Company submitted 23 new applications and 30 renewals in 2012. In the course of the year the Company secured 18 new authorizations in addition to 27 renewal procedures concluded.

3.2 Quality assurance

The Company continued the major investment programme commenced in previous years with a view to safeguarding the products' superior quality. In the course of the creation of new facilities as well as refurbishments rigorous quality assurance criteria are observed from planning to commissioning, which ensures that the products manufactured in the new or upgraded facilities fully meet international quality standards in every respect.
In 2012 the main direction of the quality assurance effort was the continued upgrading of production processed in accordance with cGMP (API, injectables and tablet production and packaging), and ongoing quality assurance support to the biotechnology construction projects in Debrecen.
As regards the 2012 IT developments, mention should be made of the newly installed system providing up-to-date information on product quality and production processes. Risk assessment at the level of suppliers has been a growing focus in quality management required by the supervisory authorities and also fuelled by reasons of cost effectiveness.
Supporting quality management of the subsidiaries continues to be a priority task.
Over the past year Richter and its subsidiaries were inspected on 20 occasions by consumer authorities and once by the competent supervisory authorities.

3.3 Production

Production in the manufacturing plants was in line with the amounts required by the market: the output of plants manufacturing solid drugs that constitute the main category of the portfolio of products grew only minimally; the output of injectables, products of a lesser weight in the portfolio, was almost 15% higher year-on-year due primarily to the reference year's lower performance because of plant upgrading.

There volume of own-produced APIs for steroid and non-steroid products was up by 8% in 2012.

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

Inventories

As of the balance sheet date of 31 December 2012 the value of inventories was HUF 43,481 million, 10.1% above the opening balance. The increase in inventories is attributed to the need to bring low opening levels of finished products in line with the amounts required by the market. In addition, highly expensive biotech materials and excipients applied in the biotechnology plant considerably boosted the value of inventories.

3.4 Technology

In recent years the Company has developed a new sourcing management system and separated special procurement tasks from the professional activities of the management of the various organizational units. In the new structure all machines, equipment, technological materials and general devices as well as services are sourced centrally. The same applies to utilities such as natural gas, electricity and steam supply, as well as waste disposal. Concluding the construction, maintenance, operation and utility contracts for the Debrecen facility was a priority task for 2012.

Similarly to the preceding year, optimization of centralized sourcing resulted in substantial savings on funds, capacities and time in 2012. In certain areas of sourcing the parent company and its subsidiaries cooperated successfully.

The Company continued with its regular and ad hoc maintenance activities in 2012, which was heavily focused on development of the maintenance system and routines of the Debrecen biotechnology facility.

3.4.1 Energy supply

Smooth energy supply ensured uninterrupted production throughout the year and met users' demand in terms of both quality and quantity. Started earlier, the investment program to enhance the security of energy supply, to optimize utilization and to ensure compliance with increasingly strict regulations was continued in 2012.

Compared to the reference year, the volume of energy utilized in 2012 increased across the Company as a whole and energy prices also rose considerably. The 21.8 % increase emerged as the result of 7.3% increase in energy use and 14.5% increase in energy prices. Energy and water costs amounted to HUF 9.5 billion for the entire Company and included HUF 102.0 million energy and water load taxes.

3.4.2 Environmental protection, occupational health and safety

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

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

Environmental and security related expenditure were at the 2011 level in the reported period.

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

In accordance with the relevant statutory provisions Richter conducted a psychosocial risk assessment in 2011 and launched a smoking cessation program in an effort to protect the health of its staff followed by stress management programs in 2012.

Water pollution, protection of water quality and noise management

In the reported year the biggest advancement in environmental protection was the implementation of tasks envisioned for the year in the Intervention Plan for the reduction of ground water pollution in the Dorog facility. The first stage of the constructions has been concluded.

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

Due to legislative changes, new noise limits were introduced at the Dorog plant; consequently, in 2011 the Company developed a new noise management program and submitted it to the competent Regional Environmental Protection Centre. In 2012 Richter embarked upon implementation of the related action plan.

Waste management

In 2012 hazardous wastes were incinerated, deposited or composted, and selective waste collection was introduced.

The costs of waste disposal were HUF 1.0 billion in 2012, 5.2% more than in 2011.

3.5 IT support

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

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

Similarly to the previous year, major Group level IT development took place in 2012, the most important achievements and events were as follows:

- A priority project was the expansion of SAP to include more of the subsidiaries. Mention should be made of the production subsidiary ZAO Gedeon Richter-RUS, where almost all SAP modules operating at the parent company were introduced simultaneously, and the newly established and transformed Western European trading companies, where SAP was installed to ensure seamless data transfer. The processes and their operation were largely modelled on those of the parent company, taking into consideration the provisions of relevant local legislation. For the most part, SAP's Finance and Accounting and Controlling systems were developed, and in the case of several of the training companies, the Sales Module as well.

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

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

4. Human resource

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

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

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

As of 31 December 2012 the Company's total headcount was 6,677. In Hungary, headcount totalled 4,948 of whom 2,500 persons, including 1,848 university or college graduates, worked in white-collar positions.

5. Capital expenditure on tangibles and intangibles

In 2012 capital expenditure and intangible assets amounted to HUF 24,051 million and included HUF 21,326 million capitalization (without reclassification of PregLem goodwill). Assets in the course of construction not yet capitalized amounted to HUF 7,403 million on 31 December, HUF 309 million short of the reference year figure.

The Company's main capex areas in 2012 were as follows

Biotechnology

Richter spent a total of HUF 4,518 million on investments related to the biotechnology business in 2012. In the Debrecen API plant a special project was launched in 2012 to validate the unique equipment from the aspect of quality assurance, as well as to develop the production control software and connect it to the equipment. The project is expected to end in the second half of 2013. Also in Debrecen a modern low-volume plant was finished and commissioned for product development purposes.

Production

The 2012 investments related to production plants amounted to HUF 7,140 million.

In finished drug manufacturing, upgrading the equipment of the Injectables Plant was continued (installation of ampoule impermeability inspection machines, upgrading the pharmaceutical water purification system). The following equipment were purchased and installed: new capsules sorting machine and a tablet press in the Tablets Plant, two packaging lines for hormonal products in the Packaging Plant, and a packaging machine in the Galenic Formulations Plant.

In the field of API manufacturing, investments were basically aimed at maintaining production capacities. Mention should be made of the modernization of the manufacturing hall, a project that started in Dorog in 2012 and focused on the Synthetic I and Steroid II plants in the course of the year.

Production support

Investment projects related to production support totalled HUF 3,907 million in 2012.

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

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

As regards the Company's projects related to energy supply, modernization of the steam and condensation pipes and replacement of a malfunctioning refrigeration compressor were the more important investments.

In Dorog works continued to upgrade the transformer stations and to revamp the main cable network and trunk cables.

In the field of logistics, Richter deployed a multi-year project to install air conditioning in the warehouses; the budget spent in 2012 was HUF 415 million.

In quality management instruments were purchased (in order to improve the conditions of quality control and reduce lead time of tests) with the investment of HUF 295 million.

R&D

In 2012 Richter deployed a total of HUF 1,758 million investments to maintain the level and quality of research and development. A significant portion of the investment was related to device and instrument purchase. Upgrading of the Budapest steroid pilot plant continued and a new tablet press was purchased for the steroid pilot plant.

Licenses and intangibles

The 2012 expenditure on licenses and other intangibles amounted to HUF 4,005 million and comprised expenditure on the acquisition of manufacturing and marketing rights, new registrations and renewals, as well as the purchase price of marketing intangibles supporting the distribution of Richter's products in China.

Other

In 2012 Richter spent HUF 852 million on IT development supporting operation, and HUF 564 million on improving the conditions for distribution.

6. Foreign investment

6.1 Pharmaceutical companies

Pharmaceutical companies

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

The Romanian pharmaceutical market is faced with prolonged liquidity problems and significant delays in payments by the National Health Insurance Funds.

Due to the global economic meltdown and the endemic problems of the Romanian pharmaceutical market the company's sales in the Romanian market slightly decreased for the first time in 2012; nevertheless, total turnover increased. Intra-group sales were a significant factor in the increase.

Similarly to 2011, the company closed the year with a net operating profit despite the claw-back payment, which is a great burden on the Romanian subsidiary.

The 2012 investment activities envisioned primarily strategic projects supporting Gedeon Richter Romania S.A.'s role within the Group. The company's specific needs in terms of capacity development and upgrading were not neglected either.

In the course of 2012 the parent company increased its Romanian production company's capital from a shareholder's loan.

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

Gedeon Richter Polska Sp. z o. o. is Richter's Polish production subsidiary. The measures deployed in 2010 to rationalize costs and headcount in an effort to improve efficiency of production resulted in a marked improvement in the company's efficiency and profitability. While income from sales was relatively unchanged compared to the reference year, there was a shift in terms of its structure: the contribution of Group sourcing continued to increase along with ongoing Group level development support; at the same time the contribution of finished products and products purchased for distribution decreased. Because of the integration of export markets the company conducts its exports through Richter Group. In addition, the Polish manufacturing subsidiary undertakes the Group's tasks related to registration and pharmacovigilance in Poland.

In 2012 Richter's Russian subsidiary, **ZAO Gedeon Richter-RUS** put special emphasis on medium-term investment to expand production capacities and technology transfers to fully exploit them. Discontinuation of the Suprax line is a major change in the subsidiary's portfolio and to make up for the products in the short and medium term is a priority task. Nevertheless income from sales continued to increase year-on-year and approached EUR 100 million. Sales of finished products distributed by the subsidiary and the parent company was an important item contributing to income from sales, albeit its amount was below projections. The subsidiary has grown to be a strong distribution and production unit of Gedeon Richter in Russia and contributes substantial value added to the Group.
In order to finance the substantial investment the parent company increased the Russian subsidiary's capital in 2012.

In 2012 **Richter Themis Medicare (India) Ltd.** was active predominantly as a manufacturer and distributor of intermediate products and APIs for Group members. Besides continuously expanding its portfolio the company supplies significant amounts of products to external partners and thus improved exploitation of its capacities.
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.

Despite declining orders in biotechnology services **Richter-Helm BioLogics** GmbH & Co.'s turnover in 2012 was around the reference figure. The microbial biotechnology company continues to engage in sourced development at three sites. Today Group developments directly funded by the shareholders feature prominently among its activities but long-term relations outside the Group have retained their importance.

With the launch of Esmya in the European market **PregLem S.A.**'s R&D activities were complemented by sales and marketing in the 2012 business year.
The company's most prominent R&D research line is the expansion of the indications of the leading gynaecological product Esmya with ulipristal acetate as active ingredient.
Marketing of Esmya in Europe is supported by the parent company on an ongoing basis through direct financing.

Other consolidated companies providing ancillary services for the pharmaceutical segment:

With a view to strengthen its gynaecology business strategy in Western Europe through product portfolio acquisition, in 2010 Richter bought Grünenthal A.G.'s gynaecological portfolio for Europe and the rest of the world, with the exception of Latin America.

To promote its sales effort in Western Europe since 2011 Richter has expanded the scope of business of its subsidiaries with marketing and other ancillary activities and started to build a network of pharmaceutical representatives specialized in gynaecological products. The subsidiaries **Gedeon Richter Iberica S.A.** of Spain, **Gedeon Richter Italia S.r.l.** of Italy and **Gedeon Richter Pharma GmbH.** of Germany were involved in the expansion. To achieve the above goals in 2011 Richter established subsidiaries in Switzerland (**Gedeon Richter (Schweiz) AG**), Portugal (**Gedeon Richter Portugal, Unipessoal Lda.**) and Austria (**Gedeon Richter Austria GmbH**) and expanded the Group in 2012 with new subsidiaries in Belgium, the Netherlands and Luxemburg (**Gedeon Richter Benelux SPRL**) and the Nordic countries (**Gedeon Richter Nordics AB**), where it started developing its networks of representatives.

Together with the British and French subsidiaries (**Gedeon Richter UK Ltd. and Gedeon Richter France S.A.R.L.**) - the expanded group of subsidiaries constitutes the basis of Esmya's launch and long-term promotion.

Created by Group-level restructuring of the marketing network, **Gedeon Richter Marketing Polska Sp.z o.o.** has extended marketing and PR services in Poland to its shareholders, Richter and GR Polska since 1 January 2009.

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 established **Gedeon Richter Slovenija, trženje, d.o.o.**, its subsidiary in Slovenia at the end of 2011. The Czech, the Slovak and the Slovenian subsidiaries have operated networks of representatives and thus provide efficient marketing and PR support to Richter's products. The products promoted by the Czech, Slovak and Slovenian subsidiaries also include some of those resulting from recent acquisitions.

Richter established **Gedeon Richter Rxmidas JV Co. Ltd.** under joint management with 50% participation in China at the end of 2010. In the second half of 2011 the company established a 100% owned subsidiary **GRmidas Medical Service (China) Co. Ltd.**, which has provided marketing support to Richter's gynaecological portfolio of oral and Plan B contraceptives for over a year with costs exceeding income from sales for the time being,

Active in promotional purchases, storage and distribution, Moscow based **Pharmarichter O.O.O.** proved to be a high-performing company in 2012 in both professional and financial terms.

The core business of **Richter-Helm BioTec GmbH & Co KG** has been project management and business development in the field of microbial biotechnology over the past years, focusing on Group projects as well as external projects. The 2012 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.

6.2 Wholesale and retail

Romania
Armedica Trading S. R. L. is the holding company of Richter Group's Romanian pharmaceutical wholesale and retail trade segments.
The Hungarian parent company developed a full-fledged vertical sales network in Romania with the companies owned by Armedica as endpoints. The two sales units continues to play an important role in implementing the strategic goals of the Romanian and Hungarian parents, predominantly in the distribution of the Group's finished products and promoting Richter Group in Romania.
The wholesale segment is represented by **Pharmafarm S. A.** As a result of its clear logistics structure the company significantly improved its turnover while at the same time it managed to contain costs and strengthened its well-balanced customer, inventories and sourcing policy. Cooperation between the parent and Gedeon Richter Romania S.A., Gedeon Richter Farmacia S.A. and Pharmafarm S.A. continued to improve in order to achieve a bigger share in the Romanian market.

The interpretation of the claw-back system for the period from October 2009 until September 2011 is still laden with uncertainties.

At the end of 2012 **Gedeon Richter Farmacia S.A.** Gedeon Richter Farmacia S.A. managed by the holding company had a network of 106 pharmacies with nationwide penetration and steadily increasing performance. Pharmanet, a chain of 14 basically drug store type outlets centred around Cluj and its area is operated by GRFA's subsidiary (Pharmanet S.R.L.).

The new managing director, who joined the company in 2011, introduced a new trading policy in 2012 coupled with more advantageous sourcing policy and a focus on higher-yield products. As a result, the company's gross margin has been boosted.

In 2012 additional impairment was reported on the licenses of outlets held by Gedeon Richter Farmacia S.A.

Ukraine and the CIS

After the dismantling of the wholesale segment in 2009 Richter's fully owned Ukrainian subsidiary **Gedeon Richter Ukrfarm O.O.O.** focuses exclusively on pharmaceutical retail. Besides implementing successful headcount and cost containment measures to improve efficiency, Richter changed its strategy regarding the retail sector in Ukraine. In 2011 the Company decided to discontinue a retail network of 20 outlets.

In the Moldovan pharma market Gedeon Richter Plc. managed to retain its primacy owing to its balanced performance. Provision of multifaceted services to meet a variety of needs efficiently and at a high standard of quality is ensured by wholesale and retail companies whose excellent cooperation resulted in outstanding market share in the region for several years in succession. It is of particular importance that **Richpangalfarma O.O.O.**, Richter's wholesale company registered in 1996 is a key player in the pharmaceutical wholesale market in the Republic of Moldova. Its balanced operation generates continuously improving performance and profits.

On completion of the investment project the retailer **GR–Retea Farmaceutica S.R.L.** founded in 2007 operated a nationwide network of 39 outlets in 2012. The outlets operating in the capital (10 outlets) and the biggest cities in the country (for instance Balti with 14 outlets) are continuously strengthening their positions; their improving sales revenues strengthen the performance of the entire network.

Richter's wholesale and retail holdings in Armenia have scored major progress and achieved an impressive performance in 2012. The wholesale subsidiary **Richter-Lambron O.O.O.** made a successful appearance in the market of third-party products. As a result, it expanded its network of suppliers and costumers and its figures achieved considerable growth. This greatly contributed to the company's reinforcement of its top position in the market.

The subsidiary **Gedeon Richter Aptyeka Sp O.O.O.** expanded its network to include 14 pharmacies by the end of 2012 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 performance of the two wholesale companies operating in *Jamaica* (**Medimpex Jamaica Ltd.** and **Medimpex West Indies Ltd.**) resulted in greatly improving turnover and strong profits. As a result of the wholesalers' activities Richter managed to step up the distribution of its products in the region in 2012.

There was no change in the *domestic* wholesale share: the parent company continues to be a shareholder of the biggest pharmaceutical distributor in Hungary.

The 2012 performance of **Hungaropharma Zrt.** improved compared to the reference year in an extremely difficult pharma trade environment. Richter has a 30.68% direct holding in the company.

The Hungarian retail network of the parent shrank by one outlet as a result of sale of holdings in 2012.

6.3 Other consolidated companies

There has been no change in the profiles of the other consolidated companies of Richter Group; they provided continuous support fully in line with expectations and with good performance throughout 2012. Operation of these affiliated undertakings is focused predominantly to Hungary.

Richter's undertakings in this segment with foreign sites continue to be dormant.

7. Risk management

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

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

Strategic risks

Risk	Description	Key risk management methods
Healthcare budget	Potential impact on the company of changes and monetary restrictions in the healthcare budget and regulation	- Regular analysis of market environment, monitoring changes in the legal and medical 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 the impacts of the financial crisis	- Monitoring changes in major macroeconomic factors, incorporating their effects into the planning - Cost management and adaptation of customer relations

Operational risks

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

Compliance risks

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

Financial risks

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

8. <u>Post-balance sheet date events</u>

In January 2013 Richter drew the third EUR 50 million tranche of the EUR 150 million loan extended by the European Investment Bank.

In January 2013 the U.S. Food and Drug Administration announced the acceptance of the NDA of cariprazine for the treatment of acute manic episodes associated with bipolar I disorder and schizophrenia indications.

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

9. Future outlook

Retaining the Company's position in the Hungarian market despite an increasingly difficult environment whose problems fall hard on the entire pharmaceutical industry, stepping up exports to European Union and CIS markets, retaining and strengthening positions acquired in the United States continue to feature among Richter's strategic goals. The main tool to achieve these goals in the context of Hungary, the CIS and the CEE countries is to strengthen Richter's sales networks. In Western Europe and the United States the strategy is implemented through long-term agreements concluded with strategic partners.

The success of original research and development, the value added of the product portfolio bought in 2010 and the Swiss acquisition, together with the support of the newly established Western European marketing network are crucial for the Company's future and for strengthening its market positions, as are the development of biosimilar products and the major investment enabling their manufacturing.

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

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

6. Report of the Auditor

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INDEPENDENT AUDITOR'S REPORT

To the shareholders of Gedeon Richter Plc.

Report on the financial statements

We have audited the accompanying financial statements of Gedeon Richter Plc. ("the Company") which comprise the balance sheet as of 31 December 2012 (in which the balance sheet total is MHUF 654 953, the profit per balance sheet is MHUF 43 908, the related profit and loss account for the year then ended, and the notes to the financial statements including a summary of the significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the accompanying financial statements give a true and fair view of the financial position of Gedeon Richter Plc. as of 31 December 2012, and of the results of its operations for the year then ended in accordance with the provisions of the Accounting Act.

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Other Matters

We draw attention to the fact that the attached financial statements have been prepared for the consideration of the shareholders at the forthcoming General Meeting and, as such, do not reflect the effects, if any, of resolutions that might be adopted at that meeting. Our opinion is not qualified in respect of this matter.

Other reporting requirements regarding the business report

We have examined the accompanying business report of Gedeon Richter Plc. ("the Company") for the financial year of 2012.

Management is responsible for the preparation and fair presentation of the business report in accordance with the provision of the Accounting Act. Our responsibility is to assess whether or not the accounting information disclosed in the business report is consistent with that contained in the financial statements. Our work in respect of the business report was limited to checking it within the aforementioned scope and did not include a review of any information other than that drawn from the audited accounting records of the Company. In our opinion the 2012 business report is consistent with the disclosures in the financial statements as of 31 December 2012.

Budapest, 22 March 2013

Barsi Éva
Partner
Statutory auditor
Licence number: 002945
PricewaterhouseCoopers Auditing Ltd.
Licence Number: 001464
1077 Budapest, Wesselényi u. 16.

Translation note:

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

7. Report of the Supervisory Board including the report of the Audit Board

Gedeon Richter Plc.
Supervisory Board

REPORT

Gedeon Richter Plc. to the 2013 Annual General Meeting of Gedeon Richter Plc.

Budapest, 19 March 2013

Table of Contents

1. Report on the Supervisory Board's work for the year

1. 1. Brief presentation of the work performed by Supervisory Board in the year 2012

As in previous years, in 2012 the Supervisory Board (hereinafter: SB) worked in compliance with the Companies Act on the basis of its work plan for the year. There have been changes in the membership of the Board: three independent members and two employee delegates were elected at the 2012 AGM.
The SB proceeded in accordance with its Rules of Procedure. In addition to discharging its duties in keeping with the relevant statutory provisions the SB worked in the areas identified in its regularly updated annual work plan determined for the period between AGMs. It discussed all the subjects on its agenda.
In the intervals between the Annual General Meetings the SB held monthly meetings (with the exception of the summer). All the meetings convened had a quorum, and none of the meetings previously scheduled and announced were cancelled; the only departure was that some of the items on the agenda were reshuffled. The SB's Rules of Procedure allow adaptation to the changing economic environment and flexible management of the changes in the Company and its business, a possibility the SB benefited from.
Pursuant to the relevant legal regulations, the Company's Statutes and the Corporate Governance Recommendations of the Budapest Stock Exchange, the key responsibility of the SB as a body of ownership control is to supervise Gedeon Richter Plc's (hereinafter the Company's) finance and examines the risk factors affecting it. By doing so, the SB wishes to help the owners form a judgement of the Executive Management's performance. It has to be ascertained that during its operation, the SB never encountered any actions that were in conflict with legal regulations, the Company's Statutes or any AGM Regulation, or with the Company's and the shareholders' interests. It is to be noted that the Executive Management helped the supervisory activity of the SB in every possible way by providing the requested information in time and fulfilling its statutory obligation under the Companies Act to disclose information regularly. The Executive Management provided all the conditions required for the SB's undisturbed operation.

In addition to overseeing the Company's finance, the Supervisory board also discussed the Company's and Richter Group's Business Plan for next year and the issues affecting their future in the long run.It also attached high priority to looking at the main actions that would have to be taken to implement such long term goals.

1. 1. 1. Key issues discussed by the Supervisory Board in 2012

In compliance with the legal regulations, the SB discussed all the quarterly Stock Exchange Analysis Reports. It also deliberated on all the significant documents and business policy reports that had been submitted to the AGM. The Supervisory Board also discussed the Company's and Richter Group's Business Plan for 2013 (including the Consolidated Business Plan), as well as the the Interim Balance Sheet of 31.08.2012, the Financial Statements and the Consolidated Annual Report, the Report on Corporate Governance, and the annual report by the Audit Committee. While discussing the quarterly Stock Exchange Flash Reports, CEO Mr. Erik Bogsch and Deputy CEO Dr. Gábor Gulácsi gave an account of the relevant past events and outlined the challenges that the Company would have to face amidst the current economic environment. The SB found that the reports and accounts were informative and of high standards, and acknowledged them.

The Chairman of the SB personally attended the Board of Directors meetings.

After drawing up its work plan for the period between the AGMs, among the many issues that affect the Company's efficiency and future in the long run, in 2012 the SB discussed the following issues: Review of the SB's rules of procedure in view of changes in the legal environment; Presentation on changes in the Company's proprietary research portfolio and state of play of research; Presentation on the development and current status of the Western European marketing network; Report of the Audit Department; Discussion of the current status of the accounting policy; Information on the Company's wages and income; Familiarization with, and opinion on, the Company's and Richter Group's 2013 Business Plan; Discussion on the annual report by the Audit Committee; Discussion and opinion on the Company's Report of Corporate Governance.

In terms of their content, they supported trustworthy assessment of the situation and drawing reliable conclusions. The proposals were discussed in detail by the SB, feedback was provided, responses to the questions were acknowledged and the proposals were approved and the related resolutions were passed. Some of the topics discussed will be presented in more detail in Section 1.2.1.

1. 1. 2. Presentation of the Audit Committee's operation

Pursuant to the Companies Act, the Annual General Meeting elected the Audit Committee (hereinafter: AC) consisting of three members from among the independent members of the Supervisory Board.
The AC determined its Rules of Procedure in accordance with the provisions of the Companues Act and the Company Statues.
Under the Companies Act and the Company's Statutes, the competence of the Audit Committee includes the following:

- to give an opinion on the annual report prepared pursuant to the Accounting Act,
- to monitor the audits of the annual report prepared pursuant to the Accounting Act,
- to make a recommendation concerning the person and remuneration of the auditor,
- to prepare the contract to be concluded with the auditor,
- to monitor and implement professional requirements and conflict of interest in respect of the auditor,
- to perform duties related to cooperation with the auditor,
- to evaluate the functioning of the financial reporting system,
- to assist the Supervisory Board so as to exercise proper control of the financial reporting system.
- to monitor the efficiency of the Company's internal audit and risk management systems.

In the period since the last AGM the AC discussed and resolved on the following topics:

1. Discussion and approval of the Interim Balance Sheet and Auditor's Report dated 31 August 2012.
2. Discussion and approval of the contract concluded for 2013 with the auditor PricewaterhouseCoopers Kft.
3. Discussion and approval of the Report on Corporate Governance.
4. Discussion and approval of the 2012 financial statements, operating report, and the indepentent auditor's report.
5. Discussion and approval of Richter Group's 2012 financial statements, operating report, and the Independent Auditor's Report.

6. Discussion and approval of the report to the SB on the AC's activities in 2012.

All AC meetings were attended by all AC members and the meetings had a quorum at all times. None of the meetings previously scheduled and announced were ever cancelled.

Some of the issued discussed and debated by the AC are also discussed and approved by the Supervisory Board under its Rules of Procedure. Such issues include the Annual Financial Reports (Corporate and Consolidated), the related Auditor's Reports and the Interim Balance Sheet and the related Auditor's Report. Considering that the same persons are responsible for presenting such reports, it was deemed expedient and practical to discuss them in a joint meeting with the SB.

1. 2. Brief evaluation of the Company's performance in 2012 and feedback on the Board of Directors' Report to the Annual General Meeting

Similarly to previous years, the Company closed 2012 with good results despite deteriorating market conditions and the volatile economic environment.
In 2012 the Company's income from sales increased in HUF and decreased in EUR. Net sales were HUF 5,648 million higher and EUR -8.7 million less year-on-year. Income from exports was 88% of total sales, up year-on-year. Sales of pharmaceutical products contributed the overwhelming majority (99%) of sales.
The Company achieved a 5.3% share in the domestic market, 0.6% less than in 2011. It was the third largest player in the prescription drugs market. In this market, prices of some of the subsidized products were reduced in order to maintain competitiveness and to avoid elimination from the list of subsidized products.
In the CIS region the Company achieved a 7.2% sales increase expressed in HUF. The increase was due to a strong upswing in turnover in Ukraine also boosted by keen sales in other CIS states.
Revenue from sales in the European Union increased by 4.8% in HUF terms and by 1.5% expressed in EUR. Dropping sales in the EU 15 market resulted from the high 2011 reference figure and from mounting competition in the generic segment. In the Eastern European markets, the Company managed to grow despite continued strong competition and prices kept low as a result of government measures and an

unfavourable social security environment. The growth resulted mainly from new products launched.
Sales revenue in the USA region dropped by 19.7% in HUF terms compared to the reference year, less than projected. Richter mainly sells API in this market, where the Company had to cope with keen competition and steadily declining prices. After the peak in 2009 income from profit sharing relating to drospirenone dropped significantly in 2010, 2011 and 2012 and will not be offset by Cariprazine until some time in the future.

As a result of the above, the Company closed a year deemed successful. Special mention should be made of the progress achieved in Western Europe by a carefully conceived development of the marketing network.
The above statements are supported with detailed information by the Report of the Board of Directors and the Auditor's Report. Based on a review and discussion of the reports and the experience gained over the year, the SB deems the figures stated in the mentioned documents as justified and reliable. Therefore, we report to the distinguished participants of the Annual General Meeting the following:

1. 2. 1. Description of the Company's activity in 2012 highlighting some of the key issues addressed by the Supervisory Board in the course of the year

Familiarization with current issues of risk management, achievements and tasks

Similarly to the practice of previous years, the SB requested information from the CEO or the Deputy CEO on a quarterly basis, as well as in all matters that involved certain risks for the Company in respect of the risk factors identified by the Company in the particular matter and steps devised to mitigate the risk.
In 2008 the Company prepared a risk map and developed its risk assessment system and risk management policy, which have proved to be efficient; no significant change is necessary. The SB has familiarized with the risk management system developed as a result of the past few years' efforts, and has been acquainted with the risk factors triggered by the global and the Hungarian environment, as well as with the Company's responses. It has been made aware of an optimized plan drafted after careful analysis of all these factors and circumstances, whose implementation calls for maximum contribution by all staff.

Information on the Company's wages and income

The Director of Human Resources presented where Richter's workers stand in terms of their wages in the labour market and also in the pharmaceutical industry. She highlighted the fact that job seeking professionals approach had changed compared to earlier experience: the wage level is not the only decisive factor they also lay emphasis on the security of the employer as a company. Despite this new trend unfortunately it is still difficult to hire adequately trained and experienced professionals in special areas. She also reported on the wage compensation deployed by Richter and outlined the criteria of differentiation. She presented the various components of emoluments in detail underscoring the fact that the wage is only element of a complex system of benefits; the other components are described in the Collective Agreement. She emphasized that the share bonus scheme and the end-of-year share programme recognized by the Hungarian tax authorities for preferential taxation constitute a considerable retaining force as far as staff are concerned.
She said that while Richter had some hired staff at present, this was not a preferred option in the light of the recently modified Labour Code; in fact, it may even involve higher costs compared to staff working on the basis of an employment contract. Therefore next year HR was planning to employ some of the hired workforce on a permanent basis.
One criticism regarding the current practice was that medium-level managers only had a limited opportunity to directly motivate staff and reward outstanding performance.
Steps have been taken recently in this regard, and managers have been assigned the task of spotting and grooming second liners. Richter also started a professional career programme aimed at raising, trying and motivating young talent who could be potential managers for the future.

The Company's proprietary research portfolio

In 1998 the Company raised research to an autonomous strategic level.
Richter's proprietary research is focused on gynaecology, CNS disorders and biotechnology.
The stable portfolio of proprietary research is underpinned by the following pillars:

Based on Phase III clinical trial results Cariprazine is expected to be registered in the United States and Russia in 2013, and in the EU in 2014.
Phase II trials of Cariprazine in the indication of depression and of the anti-inflammatory and analgesic compound RGH-478 are is progress.
At Phase I level the Company is seeking a partner for the development of a successor compound of RGH-188 (attention deficit hyperactivity disorder). RGH-618 (panic disorder, depression and autosm) features in the joint development project with Forest.
Commenced in 1999, the antipsychotics project was also presented.

The SB was informed of research goals after Cariprazine.
The Company is able to meet the set criteria if the added value is high and the product is preferably original rather than generic as in the current economic situation health care agencies drastically cut the prices of new products.
Time is of essence for the Company. A new product is only really successful financially if it is the first to be launched in the market. Taking into consideration the time frame for the development and launch of Cariprazine, results in respect of the new research areas delineated are not expected until around 2020. The research programme is reviewed every three years and only the promising and marketable indications are kept in the system.

Western European expansion, development of a marketing network

The region is characterised by increasing generic competition and the resulting decreasing prices. This has also affected Richter Group's sales. Prior to 2011 the Company did not have its own network of representatives, nor local marketing and sales managers. The two acquisitions implemented in Q4 of 2010 served to increase presence. The work of companies has significantly changed since early 2011 as the marketing and pharma representative structures assumed direct marketing functions, and consequently sales by partners have been minimal. The most important task for 2012 was to launch the new product as soon as possible. To this end, multiple resources were used, which enable the Company to introduce one or two new products per country each year. We will proceed to the next stage in the first half of 2013, and position the already launched products to maximize their inherent opportunities. The 2011 and 2012 turnover indicates that our endeavours have been successful: the Grünenthal gynaecological portfolio has been stabilized (EUR 45 million), and the more than 23 Western European brands launched since the end of 2011 to date have achieved steady increase.

1. 2. 2. Summary and the Supervisory Board's recommendation to the Annual General Meeting

The documents supporting the 2012 Board of Directors Report to the Annual General Meeting and the Auditor's Report was reviewed and discussed by the SB. Based on those and the information gained during the year, the SB was in a position to judge the figures and statements set out in the reports. We hereby present the following summary report, as jointly agreed by the Committee, and a unanimous opinion of the SB to the distinguished members of the General Meeting.

Compared to the reference year's sales figures the Company's 2012 performance was as follows:
Sales expressed in HUF were HUF 5,648 million higher year-on-year; sales expressed in EUR lagged EUR 8.7 million behind last year's figure. Revenue from export were up and contributed 88% to total turnover. The 7.2% increase of sales in the the CIS market is attributed to the Ukrainian market. The sales income achieved in the European Union increased in both HUF and EUR terms. Conversely, sales revenues in the USA region were down in HUF terms and also in USD. In other markets the Company recorded a growth of 3.5 % in HUF terms. The Company's share in the domestic market is 5.3%.

The Company's after-tax profit amounted to HUF 43,908 million, down by HUF 35,232 million year-on-year.

The Company fulfilled its obligations at all times to the state, the banks, authorities and its partners in the market and elsewhere. It had a well-balanced financial status throughout the year.

The SB agrees with the contents of the Company's Annual Financial Report for 2012 and the statements made in the Auditor's Report. Hence, it proposes the Company's 2012 Balance Sheet, Profit and Loss Statement, Notes and Annual Report – with their truthfulness and compliance confirmed by the independent auditor – to the distinguished members of the General Meeting for approval.

2. Proposals for the approval of the 2012 Annual Report

2. 1. Proposal for the approval of the Gedeon Richter Plc's Balance Sheet and after-tax profit for 2012

Based on the Company's audited Annual Financial Statement for 2012 submitted to the Annual General Meeting, the analysis and Auditor's Statement issued by the auditor PwC Ltd., and the SB's own analysis, the SB proposes that the distinguished members of the Annual General Meeting approve the following:

- The Annual Financial Report for 2012 submitted to the AGM (with total assets and total liabilities in the Balance Sheet being equally HUF 654,953 million), duly audited in compliance with the Act on Accounting;
- The after-tax profit specified in the audited Profit and Loss Statement for 2012 (before dividend payment) being HUF 43,908 million.

2. 2. Proposal for the approval of the Proposal to appropriation of Gedeon Richter Plc.'s 2012 after-tax profit to pay dividend, and to transfer the balance sheet profit to retained earnings

The proposals made by the Board of Directors are approved and supported by the SB.

Hence, the SB makes the following proposals to the distinguished members of the Annual General Meeting:

- To approve the payment of 66% dividend, i.e. HUF 660 on each ordinary share;
- Having paid the above dividends, to transfer the remaining part of the after tax profit (defined as balance sheet profit in accordance with the relevant statutory provisions) to retained earnings.

Budapest, 19 March 2013

Dr. Attila Chikán
Chairman of the
Supervisory Board

8. **Resolution on the determination and allocation of the 2012 after-tax profit declaration of dividends for the 2012 business year on the common shares**

Proposal to Item No.:8
on the Agenda of the AGM

Resolution of the Board of Directors No.: 20/2013

The Board of Directors proposes the AGM to state HUF 660 as a dividend relating to the common shares (which is equal to 66% of the face value of the common shares) and approve the payment.
The Board of Directors proposes the AGM to approve that the amount remained after the payment of the stated dividend relating to the common shares shall be deposited into the accumulated profit reserves of the Company.

The Board of Directors has approved the resolution unanimously, without a vote against and abstention.

9. Approval of the 2012 draft Annual Report of the Company prepared in accordance with the Accounting Act, including the 2012 Balance Sheet

Proposal to Item No.:9
on the Agenda of the AGM

Resolution of the Board of Directors No.: 21/2013

The Board of Directors proposes the AGM to approve the draft annual report 2012 regarding on the business operation and activity of the Company in accordance with the Hungarian Accounting Act (balance sheet, income statement, notes to the financial statement).

The Board of Directors has approved the resolution unanimously, without a vote against and abstention.

10. Corporate Governance Report

RICHTER GEDEON

Report on Corporate Governance

In an effort to comply with international and domestic legal and regulatory requirements and the highest ethical standards in all of its operations Gedeon Richter Plc. is committed to developing and maintaining a corporate governance system. This commitment is highlighted by the practice of transparent and efficient differentiation of the competences and responsibilities of the General Meeting, the Board of Directors (which has operated two subcommittees since 2004, the Corporate Governance and Nomination Subcommittee and the Remuneration Subcommittee), the Supervisory Board, and the Executive Management.

The corporate governance system and practice developed and applied by Richter is in keeping with the Corporate Governance Recommendations of the Budapest Stock Exchange as well as with the effective stock market regulations. The Company reviews its corporate governance principles from time to time to keep abreast with continuously evolving international practice.

The Company's governing bodies:

General Meeting

The supreme body of the Company is the General Meeting, which consists of all shareholders. The Company's Annual General Meeting is convened no later than 150th day of each business year. The Annual General Meeting shall address, among other issues on the agenda, the following matters:

- Report of the Board of Directors on the Company's report on the previous business year prepared pursuant to the Accounting Act, and on the consolidated annual report according to the IFRS;
- Report of the Supervisory Board on the Company's report on the previous business year prepared pursuant to the Accounting Act including the proposal for the distribution of profit after taxes, and on the consolidated annual report according to the IFRS;
- Report of the Auditor on the Company's report on the previous business year prepared pursuant to the Accounting Act, and on the consolidated annual report according to the IFRS;
- Approval of the annual report pursuant to the Accounting Act, and on the consolidated annual report according to the IFRS including resolution on the distribution of profit after taxes;

- Report of the Board of Directors on the practices of corporate governance and any departure from the Corporate Governance Recommendations of the Budapest Stock Exchange;
- Resolution on the remuneration of elected officers.

The Company shall publish the key data of the annual report prepared pursuant to the Accounting Act and of the report of the Board of Directors and the Supervisory Board, the total number of shares and voting rights at the date of convening the General Meting, together with a summary of the proposals relating to the items on the agenda and the draft resolution on the Company's website at least twenty-one days prior to the annual General Meeting. The Company shall publish the names of the members of the Board of Directors and the Supervisory Board and all monetary and non-monetary benefits granted to these members in this role, detailed by members and legal title for the benefit simultaneously with convening the General Meeting.

The General Meeting is chaired by the Chairman of the Board of Directors or the person preliminarily invited by the Board of Directors to take the chair. The General Meeting must approve of the person taking the chair before discussion of the items on the agenda begins; no resolutions may be passed on the merit of the agenda items until the chairman of the General Meeting is approved.

The matters listed in the Statutes of the Company under 12.1. (m)-(s) points are flowing into the exclusive competence of the General Meeting in addition to those provided for in the Companies Act.

Shareholders' rights and treatment of shareholders

All shareholders are entitled to participate in the General Meeting, and to request information and to make observations and motions as set forth in the Companies Act. Shareholders having the right to vote are entitled to vote.

The Board of Directors shall provide the necessary information to all shareholders in connection with the items placed on the agenda of the general meeting upon written request at least eight days before the scheduled date of the General Meeting. The Board of Directors may refuse to provide such information if it is of the opinion that it would infringe upon the company's business secrets. The information shall be provided nonetheless, if the management board is so instructed by resolution of the General Meeting. The shareholder's right to information shall not include the right to inspect the Company's books or other business documents.

Shareholders may practice their rights after entitlement verification by way of the identification procedure prescribed in the Act on Securities and in rules of procedures of the central depository. No certificate of ownership is required for the practice of shareholders' rights.

At the General Meeting shareholders practice their rights on the basis of the ballot paper. The ballot paper includes the shareholder's or proxy's name and the number of votes. Ballot papers can be issued only to shareholders or proxies that are entered in the Register of

Shareholders as shareholders or proxies, or in the case of jointly owned shares, as joint representatives.

Shareholders may exercise their rights at the General Meeting through proxies. Proxies are entitled to receive the ballot papers against authorization drawn up in a public document or a private document representing conclusive evidence, which must be submitted to the Company at the place and time indicated in the announcement of the General Meeting.

The names of shareholders and proxies wishing to participate in the General Meeting shall be entered into the Register of Shareholders not later than the second working day before the commencement of the General Meeting.

Only those shareholders may exercise their rights at the General Meeting who own shares on the reference day for identification of ownership and whose names are listed in the Register of Shareholders at 6 PM (Budapest time) on the second business day before the first day of the General Meeting.

Each shares of HUF 1,000 nominal value entitle to one vote. The maximum level of voting rights which may be exercised by a single shareholder independently or as a proxy or jointly with one or more person(s) shall be twenty-five percent (25%) of the total voting rights represented by the shareholders or their proxies attending the General Meeting. Shareholders in any arrears in their capital contribution shall not be able to exercise their voting rights.

Shareholders shall be entitled to receive a share from the company's taxed profit that is available from the current year and has been ordered for distribution by the General Meeting in proportion to their shares (dividend). Dividend on Treasury shares shall be added to the Company's non-distributed taxed profit. Dividends shall be paid to the shareholders listed in the Register of Shareholders as a result of the shareholder identification procedure for the purpose of dividend payment. The reference date of identification is established and announced by the Board of Directors, regarding the payment of dividends.

In the event of termination of the Company without succession, assets remaining after the satisfaction of creditors shall be distributed among shareholders on the basis of their cash contributions and contributions in kind actually paid up and provided, in proportion to the nominal value of their shares (right to liquidation surplus).

The Board of Directors

The Board of Directors of Gedeon Richter Plc. is the decision making body of the Company in matters other than those that are within the exclusive competence of the General Meeting.

Increasing the value for shareholders, profitability, enhancing efficiency and transparency of operation and providing the conditions for environmental protection and safe operation as well as good shareholder relations based on consistent information are priority considerations and goals for the Board of Directors.

The structure, competence and operation of the Board of Directors

Pursuant to the Company's Statutes the Board of Directors is made up of at least three and not more than eleven members. Members of the Board of Directors are elected by the General Meeting for a definite term of not more than five years. Currently the Board of Directors consists of eleven members, eight of whom are independent. The Company applies the criteria of independence of the Companies Act. The Company's Managing Director is a member of the Board of Directors. Separation of the office or chairman of the Board of Directors and the Managing Director is a key aspect of corporate governance; the chairman of the Board of Directors is always elected from among the external (independent) members. The Board of Directors elects its chairman and deputy chairman from among its members.

Chairman of the Board of Directors: William de Gelsey
Members of the Board of Directors: Erik Bogsch
Dr. Gábor Gulácsi
Gergely Horváth
Dr. Jenő Koltay
Dr. László Kovács
Csaba Lantos
Christopher William Long
Dr. Tamás Mészáros
Dr. Gábor Perjés
Prof. Dr. Szilveszter E. Vizi

A detailed introduction of the members of the Board of Directors and their independent status is available on the Company's website at www.richter.hu.

The operation of the Board of Directors shall be in accordance with the Company's Statutes, the resolutions of the General Meeting, the relevant effective legal regulations and the Board's Rules of Procedure. The Board's competence includes review and approval of the Company's future outlook, strategic principles and programmes, and its transactions beyond the boundaries of regular business. It monitors and regularly evaluates the Company's performance and the management's operation. It selects and contracts the Managing Director; it evaluates the Managing Director's performance and determines the Managing Director's remuneration. It ensures compliance with the statutory provisions and the Code of Corporate Ethics.

The Board of Directors acts and passes resolutions as a body. The Board of Directors shall draw up minutes of its meetings and its resolutions shall be documented. Besides the recurrent items on its agenda the Board shall discuss and evaluate the performance or each of the key business segments. In 2012 the Board of Directors held 10 meetings with an average attendance rate of 92.72%.

The Board of Directors shall have the quorum required for decisions on the merit of matters if at least two-thirds but at least three of its current members are present. The current number of members shall mean the number of members in office at the given time. If the Board does not have a quorum when it is first called, the Chairman shall call a repeated meeting for a date within three days from the original date. The reconvened meeting shall have a quorum if the majority of, but not less than three, members of the Board are present. The Board of Directors shall pass its resolutions by simple majority. In the event of a tie vote the vote cast by the Chairman shall be decisive.

Pursuant to the resolution of the Annual General Meeting of 26 April 2012 the remuneration of the Chairman of the Board of Directors was stated in HUF 625,000.00 per month and that of the members of the Board of Directors in HUF 520,000.00 per month.

Subcommittees of the Board of Directors

In order to improve efficiency of decision-making processes the Board of Directors set up two subcommittees in 2004. The subcommittees consist of at least three independent Board members. The chairmen and members of the subcommittees are elected by the Board for a term equal to the member's term on the Board. The duties of the subcommittees are determined by the Board of Directors.

The following subcommittees are in operation:

Corporate Governance and Nomination Subcommittee

The Corporate Governance and Nomination Subcommittee consist of four independent members not employed by the Company.

Chairman: Dr. Tamás Mészáros
Members: Christopher William Long
Dr. Jenő Koltay
Dr. Gábor Perjés

Within its sphere of competence the Corporate Governance and Nomination Subcommittee shall

- make proposals to the Board of Directors regarding the reasonable number and structure of the Board of Directors and the Supervisory Board in accordance with needs as they arise from time to time, and make proposals regarding the requirements of independence, qualification and professional experience vis-à-vis candidates to the Boards;
- prepare decisions of the Board of Directors regarding candidates to the Board of Directors and the Supervisory Board by making recommendations of potentially suitable candidates meeting all requirements and by evaluating the persons proposed by the shareholders' representatives;
- monitor the implementation of the approved principles of corporate governance and prepare annual reports to the Board of Directors, and make proposals regarding changes and supplement thereof;
- make recommendations regarding the methodology of annual self-assessment of members of the Board and subcommittees, review the annual self-assessments and makes proposals as to the members of the subcommittees.

The Corporate Governance and Nomination Subcommittee acts and makes decisions as a body. The Subcommittee shall draw up minutes of its meetings and its decisions shall be documented.
In the 2012 business year the Corporate Governance and Nomination Subcommittee held one meeting with an average attendance rate of 100%.

Remuneration Subcommittee

The Remuneration Subcommittee consists of three members. The members of the Subcommittee are independent, not employed by the Company.

Chairman: Prof. Dr. Szilveszter E. Vizi
Members: Csaba Lantos
William de Gelsey

Within its sphere of competence the Remuneration Subcommittee shall

- evaluate experiences related to the remuneration system of members of the Board of Directors and the Supervisory Board, and make proposals as to its amendment taking into considerations the relevant effective legal regulations;
- provide an opinion on the Company share option schemes submitted to the Board of Directors;
- make proposals to the Board regarding the evaluation of the performance of the Managing Director and his remuneration.

The Remuneration Subcommittee acts and makes decisions as a body. The Subcommittee shall draw up minutes of its meetings and its decisions shall be documented.
In the 2012 business year the Corporate Governance and Nomination Subcommittee held one meeting with an average attendance rate of 100%.

Division of responsibilities and duties between the Executive Management and the Board of Directors

The Executive Management is responsible for management and control of the Company's operative activities. The chairman of the Executive Management is the Managing Director of the Company. The Board of Directors shall charge one of its members with the duty of controlling the operative activities of the Company in the capacity of Managing Director for a period determined by the Board of Directors. The Board of Directors exercises employer's rights with the Managing Director.

The Executive Management is a forum for the preparation of decisions, where all members have the right and obligation to provide an opinion. Based on the opinions of the members of the Executive Management the final decision shall be made by the Managing Director or the Board of Directors, depending on their competence.

As set forth by the Statutes the Board of Directors shall determine the competences of the Managing Director and shall approve the Company's Rules of Organization and Procedure. The Board of Directors may assign any of its powers related to day-to-day management to the Managing Director with terms and conditions to its discretion, and may from time to time revoke or change all or any of the powers so assigned; however, the assignation shall not affect the liability of the Board of Directors.

Under the Rules of Organization and Operation the Managing Director may assign some of his duties relating to the Company's internal administration to the Company's officers and employees by means of job descriptions, or by general or ad hoc orders. The Managing Director is competent to make decisions on any issues that are not within the sphere of competence of the General Meeting or the Board of Directors. The Managing Director exercises employer's rights with the Company's employees. The Managing Director may delegate employer's rights in respect of employees in accordance with the Rules of Organization and Procedure.
The Managing Director makes decisions regarding the evaluation and remuneration of the work of the Executive Management in the context of the annual plan and the bonus system. The Board of Directors makes decisions regarding the evaluation and remuneration of the work of the Managing Director in the context of the annual plan and the bonus system and on the basis of the proposal of the Remuneration Subcommittee.

Members of the Executive Management:

Erik Bogsch	- Managing Director
Dr. Gábor Gulácsi	- Deputy Managing Director of Finance
Sándor Kováts	- Director of Commercial Services
Lajos Kovács	- Technical Director
András Radó	- Deputy Managing Director of Production and Logistics
Dr. Zsolt Szombathelyi	- Director of Research
Dr. György Thaler	- Director of Development

A detailed introduction of the members of the Executive Management is available on the Company's website at www.richter.hu.

Conflict of interest and independence

In order to avoid conflict of interest of members of the Board of Directors and of the Executive Management in their relations to third parties the employment contract of members of the Executive Management prohibits employment or other legal relationship of a similar nature with an undertaking of a similar profile. Members of the Board of Directors and of the Supervisory Board shall make a declaration of no conflict of interest between their elected position and their other commitments upon their election and every year thereafter. The Company applies the criteria of independence provided for by the Companies Act in respect of members of the Board of Directors and of the Supervisory Board.

Supervisory Board

Pursuant to the Company's Statutes the Supervisory Board is made up of at least five and not more than nine members. Members of the Supervisory Board are elected by the General Meeting for a definite term of not more than three years.

Currently the Supervisory Board consists of five members. Pursuant to the Companies Act one-third of the members must be employees' representatives, consequently the number of employees' representatives on the Supervisory Board is currently two. And the remaining three members are independent (external) persons.

Chairman of the Supervisory Board:	Dr. Attila Chikán
Members:	Dr. Jonathán Róbert Bedros
	Jenő Fodor
	Mrs. Tamásné Méhész
	Gábor Tóth

A detailed introduction of the members of the Supervisory Board and their independent status is available on the Company's website at www.richter.hu.

The Supervisory Board supervises the operation of the Company. The Supervisory Board holds monthly meetings in accordance with the relevant legal regulations and its agenda, and addresses and passes resolutions on the topics determined in its work plan, and proceeds whenever the Company's operative activity so requires. The Supervisory Board shall draw up minutes of its meetings and its decisions shall be documented.

Within its competence the Supervisory Board shall submit proposals to the Board of Directors, discusses the Company's strategy, financial results, capital expenditure policies, and internal control, risk management and audit systems. At its meetings the Supervisory Board shall receive regular and sufficiently detailed information about the Company's management. The Chairman of the Supervisory Board is entitled to participate in the meetings of the Board of Directors with the right to consultation. In the 2012 business year the Supervisory Board held 10 meetings with an average attendance rate of 98.75 %.

The Supervisory Board shall have a quorum if at least two-thirds of its members are present. A repeated Supervisory Board meeting originally adjourned due to the absence of a quorum shall shave a quorum if at least three (3) of the members are present, and at least one of them is an employees' representative. The Supervisory Board shall pass its resolutions by simple majority of those present.

Pursuant to the resolution of the Annual General Meeting of 26 April 2012 the remuneration of the Chairman of the Supervisory Board was stated in HUF 460,000.00 per month and that of the members of the Supervisory Board in HUF 375,000.00 per month.

Audit Board

The Company has an Audit Board consisting of three members. The members of the Audit Board are elected by the General Meeting from among the independent members of the

Supervisory Board. At least one member of the Audit Board shall have a professional certificate in accounting and/or auditing.

Members of the Audit Board: Dr. Attila Chikán
Dr. Jonathán Róbert Bedross
Mrs. Tamásné Méhész

The Audit Board is responsible for the supervision of the Company's internal accounting rules. Accordingly, the competence of the Audit Board includes the following:

- to give an opinion on the annual report prepared pursuant to the Accounting Act;
- monitoring the statutory audit of the annual report prepared pursuant to the Accounting Act;
- making a recommendation concerning the person and remuneration of the auditor;
- preparation of the contract to be concluded with the auditor;
- monitoring compliance with the qualification requirements, regulations on conflict of interest and independency on the part of the auditor, discharging the duties relating to cooperation with the auditor, monitoring other services provided by the auditor to the company besides the auditing of the annual report prepared pursuant to the Accounting Act, and - where necessary - tabling recommendations to the Supervisory Board for taking measures;
- analysis of the financial reporting system and making recommendations when any action is deemed necessary;
- assisting the work of the Supervisory Board so as to exercise proper control of the financial reporting system as well as
- monitoring the effectiveness of the company's internal control and risk management.

The Audit Board acts and makes decisions as a body. The Board shall draw up minutes of its meetings and its decisions shall be documented.
In the 2012 business year the Audit Board held two meetings with an average attendance rate of 100%.

Internal controls and risk management system of the Company

Richter considers risk management as a tool of effective corporate governance. Our goal is to identify, understand and assess risks in a timely fashion and to take steps to manage them. Evaluation of internal controls is part of risk assessment; hence the risk assessment function supports the Company in maintaining more efficient internal control mechanisms.

Richter's position is that it is impossible to devise a uniform system for all aspects of risk management; consequently, we rely on the meetings of the Company's various bodies in risk related decision-making and trust the skills, experience and judgment of our decision-makers in the implementation of internal requirements and rules.

Accountability and controls related to risk management:

- The Board of Directors shall be responsible for the overall control and supervision of Richter's risk management. In this context, the Board of Directors holds the Executive

Management accountable for the identification of major areas of exposure, develops the key risk management requirements together with the Executive Management, and requires regular information about the efficiency of related risk management and internal control procedures.

- The Executive Management shall report to the Board of Directors regarding the implementation of risk management procedures and is ultimately responsible for risk management. The duties and responsibilities of the Executive Management shall also cover the development and maintenance of internal controls that ensure the management of exposures arising from the Company's operation and help achieve the Company's goals.
- Management of strategic risks is the direct competence the Executive Management.
- The various functional areas are responsible for operating and compliance risk management in their particular areas. The risk management efforts of the heads of functional areas are supported by the meetings of the Company's bodies. The heads of the functional areas report to the Executive Management about risks in their particular areas in the context of the Company's internal reporting function.
- Financial risks are managed by the financial control function in a centralized fashion.
- The Audit Department conducts independent and objective assessment of the suitability of the internal controls system for efficient risk management. The assessment is performed on the basis of approved annual plans. When drawing up the annual plan the Audit Department shall take into consideration the Company's exposures (based on importance and rotation) as well as the proposals of the Executive Management. The Audit Department reports on the functioning of the internal control mechanisms at least annually.
- Risk management, internal controls and corporate governance functions shall be evaluated annually in the context of the Annual Report.

Auditor

In 2012 Gedeon Richter Plc.'s Auditor was **PricewaterhouseCoopers Könyvvizsgáló Kft.**

In accordance with its contract, PricewaterhouseCoopers Könyvvizsgáló Kft. audits the Company's individual Annual Report prepared pursuant to Act C of 2000 on Accounting, and the consolidated financial statements prepared in accordance with the International Financial Reporting Standards (IFRS, earlier IAS).

Audit of the financial statements mentioned above was conducted in accordance with the Hungarian Auditing Standards, the International Standards of Auditing (ISA) and pursuant to the Accounting Act and other statutory provisions relevant to auditing.

The Auditor ensure continuity of auditing through regular on-site work and participation at the meetings of the Board of Directors and the Supervisory Board, and through other forms of consultation. In addition, the Auditor reviews the Company's quarterly reports to BSE.

Pursuant to the resolution of the Annual General Meeting of 26 April 2012 the remuneration of the Auditor for the 2012 business year is HUF 19,000,000.00 + VAT, which includes consideration for the auditing of the non-consolidated 2012 annual report according to the

Hungarian Accounting Act, examining the consonance between the non-consolidated annual report and business report for 2012, the auditor's report relating to the 2012 consolidated report and business report prepared in accordance with IFRS principles and auditing the Company's interim financial statements of 31 August 2012 according to the Hungarian Accounting Act, and for the review of quarterly reports prepared for the Budapest Stock Exchange.

With the approval of the General Meeting the business organization appointed as Auditor has audited the Company's financial statements prepared pursuant to the Hungarian Accounting Act and also audited the Company's financial statements prepared pursuant to the International Financial Reporting Standards.

Shareholder relations

Forms of contacting shareholders include annual reports and financial statements, the quarterly reports disclosed through the Budapest Stock Exchange, and other announcements. In addition, shareholders receive information about the Company's business, achievements and strategies at the Annual General Meeting. The Company organizes trips for investors to major cities in the United States, the United Kingdom and other greater cities in Western Europe to inform shareholders and Global Depository Receipt (GDR) holders. During the year investors are free to contact the Company with their questions and may put questions and make proposals at the General Meeting.

The Company's Investor Relations Department is responsible for coordinating the above activities, in particular in respect of corporate investors and stock exchange analysts. The Share Registration Department focuses primarily on small shareholder relations. In order to promote efficiency of information the Company designates special pages to issues of interest to shareholders and financial stakeholders on its website www.richter.hu.

The Company's disclosure practices

In accordance with the relevant statutory provisions and the Regulations for Listing, Continued Trading and Disclosure of the Budapest Stock Exchange, the Company publishes its announcements, disclosures as well as its regular and extraordinary information on the website of the Budapest Stock Exchange (www.bet.hu), of the Hungarian Financial Supervisory Authority (www.kozzetetelek.hu), and on the Company's own website (www.richter.hu), as well as in the Hungarian Companies Journal. Invitation to the General Meeting is also published in the Financial Times in addition to the above mentioned media. Accordingly, the Company discloses quarterly reports, and following conclusion of the business year, an annual report, and provides extraordinary information in cases where it becomes aware of actual or expected changes in its business that may directly or indirectly affect the value or yield of its shares, or that are material for market players for making investment related decisions. In addition, the Company's Investor Relations Department keeps in touch with investors on a regular basis.

The Company' policy regarding insider trading

Act CXX of 2001 on the Capital Market Act determines who shall be considered as insider persons. The Company has developed regulations pertaining to insider trading as provided by law.

The Company considers persons as insiders according to Sec. 201. (2) of the Capital Market Act.

Code of Corporate Ethics

The Company has a Code of Corporate Ethics. The Code of Corporate Ethics provides for the conduct expected of the Company's employees in subordinate positions and for the higher standards of conduct expected of executive staff. It also sets guidelines of communications within the Company and between the Company and its business partners.

Corporate social responsibility

The Company is committed to its immediate environment and the broader community, therefore, it feels obliged to support collective goals according to its own capabilities or in cooperation with other organizations. Gedeon Richter Plc. believes it should dedicate its efforts to the areas strongly connected to its business activity. Consequently, the sponsoring policy of the Company concentrates on two areas: health care and education, more precisely chemical engineering, medical and pharmaceutical studies. Of major importance is the "Talentum" Foundation, established in 2008, which supports scientific/medical education and talented pupils. Cooperation agreements with universities offering natural sciences training assist with the institutes' research and educational activities. As far as the support of Hungarian health care is concerned, apart from the "Gedeon Richter for Hungarian Healthcare" Foundation, we also participate in health projects aimed at disease awareness and prevention. Most importantly, Richter's Health City programme, launched in 2009, is a complex CSR project combining health care and educational aspects which has been recognized with CSR Hungary Award in 2011 and the Junior special prize of the Hungarian Donors Forum Community Investment Award in 2012.
The Company is dedicated to contribute with its CSR activities to a healthier generation in the future, too.

Environmental awareness

Compliance with health, safety and environmental regulations is a priority for the Richter, therefore the Company strictly observes the statutory provisions relevant to these areas in all of its operation. Gedeon Richter Plc. is convinced that efficient and successful production is based on the principles of preserving employees' health, creating a safe work environment, and protecting the natural environment.

Sustainable development and operation that takes into consideration the state of the environment and the expectations of society and is pursued in possession of, and in compliance with, the relevant official permits and licenses – in brief, this is Richter's environmental strategy. The Company complies with the Hungarian and international environmental laws and regulations and has secured an Integrated Pollution Prevention Control (IPPC) license since 2004. With a view to continuously improve its environmental performance the Company operates an Environmental Management System according to ISO 14001; its system has been awarded an internationally valid environmental certificate since 2001.

Gedeon Richter Plc. wants to make its environmental efforts and achievements available for everybody interested. From 2001 to 2004 Gedeon Richter Plc. informed the society in the form of environmental reports, since 2005 the Company has giving information in chapter regarding on environmental protection of the Sustainability Report published by the Company regularly for the benefit of the authorities and the public at large.

Budapest, 22 March, 2013

William de Gelsey	Dr. Tamás Mészáros
Chairman of the Board of Directors	Member of the Board of Directors

CORPORATE GOVERNANCE DECLARATION

on Compliance with the Corporate Governance Recommendations of the Budapest Stock Exchange Ltd.

The Board of Directors of **Chemical Works of Gedeon Richter Plc.** (1103 Budapest, Gyömrői út 19-21., Register of Companies No.: 01-10-040944) (the "Company") makes the following declaration and provides the following information on behalf of the Company:

Level of compliance with the Recommendations

R 1.1.1
The Managing Body ensured that shareholders received access to information in time to enable them to exercise their rights.

Yes

R 1.1.2
The company applies the "one share – one vote" principle.

No. Each shares of HUF 1,000 nominal value entitle to one vote. Under the Company's Statutes the maximum level of voting rights which may be exercised by a single shareholder independently or as a proxy or jointly with one or more person(s) shall be twenty-five percent (25%) of the total voting rights represented by the shareholders or their proxies attending the General Meeting.

R 1.2.8
The company ensures that shareholders must meet the same requirements in order to attend at the general meeting.

Yes

R 1.2.9
Items on the general meeting agenda only include matters that are correctly detailed and summarized clearly and unambiguously.

Yes

The draft resolutions included the proposals of the Supervisory Board and a detailed explanation of the effects of the decision.

Yes

R 1.2.10
Shareholders' comments on and supplements to the items on the agenda were published at least two days prior to the general meeting.

No, there were no comments or supplements.

<u>R 1.3.8</u>
Comments on the items of the agenda were made available to shareholders simultaneously with registration at the latest.

No, there were no such comments.

Written comments made on the items on the agenda were published two working days prior to the general meeting.

No, there were no such comments.

<u>R 1.3.10</u>
The election and dismissal of executives took place individually and by separate resolutions.

Yes

<u>R 2.1.1</u>
The responsibilities of the Managing Body include those laid out in 2.1.1.

Yes

<u>R 2.3.1</u>
The Managing Body held meetings regularly, at times designated in advance.

Yes

The Supervisory Board held meetings regularly, at times designated in advance.

Yes

The rules of procedure of the Managing Body provide for unscheduled meetings and decision-making through electronic communications channels.

Yes, they provide for extraordinary meetings called at short notice, and it is also possible to pass resolutions without a meeting; however, decision-making is not possible through electronic communications channels.

The rules of procedure of the Supervisory Board provide for unscheduled meetings and decision-making through electronic communications channels.

Yes, they provide for extraordinary meetings called at short notice, and it is also possible to pass resolutions without a meeting; however, decision-making is not possible through electronic communications channels.

R 2.5.1
The Board of Directors/Supervisory Board of the company has a sufficient number of independent members to ensure the impartiality of the board.

Yes

R 2.5.4
At regular intervals (in connection with the CG Report) the Board of Directors/ Supervisory Board requested a confirmation of their independent status from those members considered independent.

Yes

R 2.5.6
The company disclosed on its website the guidelines on the independence of the Board of Directors/Supervisory Board, as well as the criteria applied for assessing independence.

No, the Company applies the criteria of independence provided for by the Companies Act. Earlier the Company applied BSE's former recommendations for assessing independence of members of the Board of Directors and the Supervisory Board. The Company's position is that the relevant statutory provisions provide an adequate basis for assessment of independence.

R 2.6.1
Members of the Managing Body informed the Managing Body (Supervisory Board/Audit Committee) if they (or any other person in a close relationship to them) had a significant personal stake in a transaction of the company (or the company's subsidiary).

No, there was no such case.

R 2.6.2
Transactions between board and executive management members (and persons in close relationship to them) and the company (or its subsidiary) were conducted according to general rules of practice of the company, but with stricter transparency rules in place.

No, there was no such transaction.

Transactions which according to 2.6.2 fell outside the normal course of the company's business, and their terms and conditions were approved by the Supervisory Board (Audit Committee).

No, there was no such transaction.

R 2.6.3
Board members informed the Supervisory Board/Audit Committee if they received an offer of Board membership or an offer of an executive management position in a company which is not part of the company group.

No, there was no such case.

R 2.6.4

The Managing Body established its guidelines on information flow within the company and the handling of insider information, and monitored compliance with those guidelines.

Yes

The Managing Body established its guidelines regarding insiders' trading in securities and monitored compliance with those guidelines.

Yes

R 2.7.1

The Managing Body formulated remuneration guidelines regarding the evaluation and remuneration of the work of the Managing Body, the Supervisory Board and the executive management.

No. According to the Company's practice members of the Board of Directors and the Supervisory Board undertake their work against fixed remuneration whose amount is approved by the Company's Annual General Meeting under a separate item on the agenda. The Managing Director makes decisions regarding the evaluation and remuneration of the work of the Executive Management in the context of the annual plan and the bonus system and on the basis of the proposal of the Remuneration Subcommittee.

The Supervisory Board formed an opinion on the remuneration guidelines.

No, there are no remuneration guidelines (see above).

The guidelines regarding the remuneration for the Managing Body and the Supervisory Board and the changes in those guidelines were approved by the general meeting, as a separate item on the agenda.

No (see above). According to the Company's practice members of the Board of Directors and the Supervisory Board undertake their work against fixed remuneration whose amount is approved by the Company's Annual General Meeting from year to year under a separate item on the agenda.

R 2.7.2.

The Managing Body prepared an evaluation of the work it carried out in the given business year.

Yes

R 2.7.2.1

The Supervisory Board prepared an evaluation of the work it carried out in the given business year.

Yes

R 2.7.3

It is the responsibility of the Managing Body to monitor the performance of and determine the remuneration for the executive management.

No. The Managing Director makes decisions regarding the evaluation and remuneration of the work of the Executive Management in the context of the annual plan and the bonus system.

The frameworks of benefits due to members of the executive management that do not represent normal practice, and the changes in those benefits were approved by the general meeting as a separate agenda item.

No, there was no deviation from the normal practice in respect of benefits.

R 2.7.4

The structure of share-incentive schemes were approved by the general meeting.

No, there were no such schemes.

Prior to the decision by the general meeting on share-incentive schemes, shareholders received detailed information (at least according to those contained in 2.7.4).

No, there were no such schemes (see 2.7.4).

R 2.7.7

The Remuneration Statement was prepared by the company and submitted to the general meeting.

No. Members of the Board of Directors and the Supervisory Board undertake their work against fixed remuneration whose amount is approved by the Company's Annual General Meeting from year to year under a separate item on the agenda. The Notes to financial statements in the Annual Report submitted to the General Meeting includes the aggregate remuneration of the members of the Board of Directors, the Supervisory Board and the management. Furthermore, according to Sec. 312/A. of Companies Act, the Company has published per member and described by virtue of the remuneration, all in cash and other (non cash) allowances given to the Members of the Board of Directors and of the Supervisory Board with reference to their such position in the previous business year.

The Remuneration Statement includes information about the remuneration of individual members of the Managing Body, the Supervisory Board, and the executive management.

No, there is no separate Remuneration Statement (see above).

R 2.8.1

The Managing Body or the committee operated by it is responsible for monitoring and controlling the company's entire risk management.

Yes

The Managing Body requests information on the efficiency of risk management procedures at regular intervals.

Yes

The Managing Body took the necessary steps to identify the major risk areas.

Yes

R 2.8.3
The Managing Body formulated the principles regarding the system of internal controls.

Yes

The system of internal controls established by the executive management guarantees the management of risks affecting the activities of the company, and the achievement of the company's performance and profit targets.

Yes

R 2.8.4
When developing the system of internal controls, the Managing Body took into consideration the viewpoints included in 2.8.4.

Yes

R 2.8.5
It is the duty and responsibility of the executive management to develop and maintain the system of internal controls.

Yes

R 2.8.6
The company created an independent Internal Audit function, which reports to the Audit Committee/Supervisory Board.

No. The Company has an internal audit unit supervised by the Managing Director, which reports regularly to the Board of Directors, and also undertakes special tasks assigned by the Audit Board and the Supervisory Board.

The Internal Audit reported at least once to the Audit Committee/Supervisory Board on the operation of risk management, internal control mechanisms and corporate governance functions.

No. See above under 2.8.6.

R 2.8.7
The internal audit activity is carried out by the Internal Audit function based on authorisation from the Audit Committee/Supervisory Board.

No. See above under 2.8.6.

As an organisation, the Internal Audit function is independent from the executive management.

No. See above under 2.8.6.

R 2.8.8
The Internal Audit schedule was approved by the Managing Body (Supervisory Board) based on the recommendation of the Audit Committee.

No. See above under 2.8.6.

R 2.8.9
The Managing Body prepared its report for shareholders on the operation of internal controls.

No. See above under 2.8.6.

The Managing Body developed its procedures regarding the receipt, processing of reports on the operation of internal controls, and the preparation of its own report.

No. See above under 2.8.6.

R 2.8.11
The Managing Body identified the most important deficiencies or flaws in the system of internal controls, and reviewed and re-evaluated the relevant activities.

Yes. See above under 2.8.6.

R 2.9.2
The Managing Body, the Supervisory Board and the Audit Committee were notified in all cases when an assignment given to the auditor may have resulted in significant additional expense, caused a conflict of interest, or affected normal business practices significantly in any other way.

Yes

R 2.9.3
The Managing Body informed the Supervisory Board of any assignment given to the external auditor or an external advisor in connection with any event that had a significant bearing on the operations of the company.

No. There was no such assignment.

The Managing Body pre-determined in a resolution what circumstances constitute "significant bearing".

No. The Board of Directors must be notified in each case where the external auditor or external advisor is given another assignment. See above under 2.9.2.

R 3.1.6

On its website, the company disclosed duties delegated to the Audit Committee, as well as the committees' targets, rules of procedure, composition (indicating the name, brief biography and the date of appointment of members).

Yes. Composition (list of members and short biographies) of the Audit Board is disclosed on the Company's website. Duties, targets and composition of the Audit Board are set forth in the Company's Statutes and its Annex and in the Annual review.

R 3.1.6.1

On its website, the company disclosed duties delegated to the Nomination Committee, as well as the committees targets, rules of procedure, composition (indicating the name, brief biography and the date of appointment of members).

Yes. Composition (list of members and short biographies) of the Corporate Governance and Nomination Subcommittee is disclosed on the Company's website. Duties and targets of the Subcommittee are set forth in the Annual review of the Company.

R 3.1.6.2

On its website, the company disclosed duties delegated to the Remuneration Committee, as well as the committees targets, rules of procedure, composition (indicating the name, brief biography and the date of appointment of members).

Yes. Composition (list of members and short biographies) of the Remuneration Subcommittee is disclosed on the Company's website. Duties and targets of the Subcommittee are set forth in the Annual review of the Company.

R 3.2.1

The Audit Committee/Supervisory Board monitored the efficiency of risk management, the operation of internal controls, and the activity of the Internal Audit.

Yes

R 3.2.3

The Audit Committee/Supervisory Board received accurate and detailed information on the work schedule of the Internal Auditor and the independent auditor, and received the auditor's report on problems discovered during the audit.

Yes

R 3.2.4

The Audit Committee/Supervisory Board requested the new candidate for the position of auditor to submit the disclosure statement according to 3.2.4.

Yes

R 3.3.1
There is a Nomination Committee operating at the company.

Yes. The Nomination Subcommittee currently operates in the context of the Corporate Governance and Nomination Subcommittee.

R 3.3.2
The Nomination Committee provided for the preparation of personnel changes.

Yes

The Nomination Committee reviewed the procedures regarding the election and appointment of members of the executive management.

No. Appointment of members of the Executive Management is the competence of the Managing Director.

The Nomination Committee evaluated the activity of board and executive management members.

Yes. The Corporate Governance and Nomination Subcommittee evaluated the activity of the members of the Board of Directors. Evaluation of the performance of members of the Executive Management is the competence of the Managing Director.

The Nomination Committee examined all the proposals regarding the nomination of board members which were submitted by shareholders or the Managing Body.

Yes

R 3.4.1
There is a Remuneration Committee operating at the company.

Yes

R 3.4.2
The Remuneration Committee made a proposal for the system of remuneration for the boards and the executive management (individual levels and the structure of remuneration), and carries out its monitoring.

Yes, in respect of remuneration of members of the Boards. As regards remuneration of the Executive Management, see 2.7.3 and 3.4.3 of the Statement.

R 3.4.3
The remuneration of the executive management was approved by the Managing Body based on the recommendation of the Remuneration Committee.

No. See above under 2.7.3.

The remuneration of the Managing Body was approved by the general meeting based on the recommendation of the Remuneration Committee.

Yes

The Remuneration Committee also monitored the share option, cost reimbursement and other benefits in the remuneration system.

Yes. There was no share option. Cost reimbursement and other benefits were monitored by the Remuneration Subcommittee.

R 3.4.4
The Remuneration Committee made proposals regarding remuneration guidelines.

Yes

R 3.4.4.1
The Remuneration Committee made proposals the remuneration of individual persons.

No. See above under 2.7.3.

R 3.4.4.2
The Remuneration Committee reviewed the terms and conditions of contracts concluded with the members of the executive management.

No. See above under 2.7.3.

R 3.4.4.3
The Remuneration Committee ascertained whether the company fulfilled its disclosure obligations regarding remuneration issues.

Yes

R 3.4.7
The majority of the members of the Remuneration Committee are independent.

Yes

R 3.5.1
The Managing Body disclosed its reasons for combining the Remuneration and Nomination Committees.

No. Combination of the two committees was not raised.

R 3.5.2
The Managing Body carried out the duties of the Nomination Committee and disclosed its reasons for doing so.

No. The duties were undertaken by the Corporate Governance and Nomination Subcommittee.

<u>R 3.5.2.1</u>
The Managing Body carried out the duties of the Remuneration Committee and disclosed its reasons for doing so.

No. The duties were undertaken by the Remuneration Subcommittee.

<u>R 4.1.1</u>
In its disclosure guidelines, the Managing Body established those principles and procedures which ensure that all relevant information about the operations of the company and circumstances influencing its share price are disclosed and made available accurately, in a timely fashion and in full.

Yes. In terms of disclosure the Company follows the guidelines and procedures provided for in the relevant legal regulations and the rules of disclosure of the Budapest Stock Exchange.

<u>R 4.1.2</u>
The company ensured in its disclosure activities that all shareholders and market participants were treated equally.

Yes

<u>R 4.1.3</u>
The company's disclosure guidelines include the procedures governing electronic, on-line disclosure.

Yes, see 4.1.1.

The company develops its website taking into consideration disclosure guidelines and the provision of information to investors.

Yes

<u>R 4.1.4</u>
The Managing Body assessed the efficiency of disclosure processes.

Yes

<u>R 4.1.5</u>
The company published its corporate events calendar on its website.

No

<u>R 4.1.6</u>
In the annual report and on the website of the company, the public was informed about the company's corporate strategy, its main business activities, business ethics and its policies regarding other stakeholders.

Yes

<u>R 4.1.8</u>
In the annual report the Managing Body disclosed the character and size of any other assignments given by the company or its subsidiaries to the auditing firm responsible for auditing the financial statements.

No

<u>R 4.1.9</u>
In the annual report and on the website the company discloses information on the professional career of the members of the Managing Body, the Supervisory Board and the executive management.

Yes

<u>R 4.1.10</u>
The company provided information on the internal organisation and operation of the Managing Body and the Supervisory Board.

Yes, in the Annual Report.

<u>R 4.1.10.1</u>
The company provided information on the criteria considered when evaluating the work of the Managing Body, the executive management and the individual members thereof.

No. The regarding information contained in the Corporate Governance Report of the Company.

<u>R 4.1.11</u>
In the annual report and in the Remuneration Statement on the company's website, the company informed the public about the applied remuneration guidelines, including the remuneration and fees provided for members of the Managing Body, the Supervisory Board and the executive management.

No. The Notes to financial statements in the Annual Report submitted to the General Meeting includes the aggregate remuneration of the members of the Board of Directors and the Supervisory Board. The Company's Report on Corporate Governance describes the guidelines and practices regarding the remuneration of members of the Board of Directors, the Supervisory Board and the Executive Management. (See also R 2.7.7 point.)

<u>R 4.1.12</u>
The Managing Body disclosed its risk management guidelines, including the system of internal controls, the applied risk management principles and basic rules, as well as information about major risks.

Yes, they are disclosed as a part of the Annual Report and the annual review.

<u>**R 4.1.13**</u>
In order to provide market participants with information, the company publishes its report on corporate governance at the same time that it publishes its annual report.

Yes

<u>**R 4.1.14**</u>
The company discloses its guidelines governing insider trading in the company's securities on its website.

No. The Company has the developed a set of rules regarding insider trading in accordance with the relevant statutory provisions.

The company published in the annual report and on its website ownership in the company's securities held by the members of the Managing Body, the Supervisory Board and the executive management, as well as any interests held in share-incentive schemes.

Yes, in the Annual Report.

<u>**R 4.1.15**</u>
In the annual report and on its website, the company disclosed any relationship between members of the Managing Body and the executive management with a third party, which might have an influence on the operations of the company.

No, there was no such relationship.

<u>**Level of compliance with the Suggestions**</u>

S 1.1.3 The company has an investor relations department.

Yes

S 1.2.1 The company published on its website the summary document regarding the conducting of the general meeting and the exercise of shareholders' rights to vote (including voting via proxy).

Yes

S 1.2.2 The company's articles of association are available on the company's website.

Yes

S 1.2.3 The company disclosed on its website information according to 1.2.3 (on the record date of corporate events).

Yes

S 1.2.4 Information and documents according to 1.2.4 regarding general meetings (invitations, proposals, draft resolutions, resolutions, minutes) were published on the company's website.

Yes. The Company published the invitation to the General Meeting as well as proposals, draft resolutions and the resolutions adopted by the General Meeting through its website, and on the website of BSE.
The Company complied with its duties in respect of depositing the minutes of the General Meeting in accordance with the relevant provisions of the Companies Act.

S 1.2.5 The general meeting of the company was held in a way that ensured the greatest possible shareholder participation.

Yes

S 1.2.6 Additions to the agenda were published within 5 days of receipt, in the same manner as the publication of the original invitation for the general meeting.

No, there were no additions.

S 1.2.7 The voting procedure applied by the company ensured unambiguous, clear and fast decision-making by shareholders.

Yes

S 1.2.11 At the shareholders' request, the company also provided information on the general meeting electronically.

Yes

S 1.3.1 The person of the chairman of the general meeting was approved by the company's general meeting prior to the discussion of the items on the agenda.

Yes

S 1.3.2 The Managing Body and the Supervisory Board were represented at the general meeting.

Yes

S 1.3.3 The company's articles of association render possible that at the initiation of the chairman of the Managing Body or the shareholders of the company, a third party be invited to the company's general meeting and be granted the right of participation in the discussion of the relevant items on the agenda.

No, the Statutes does not expressly contain this possibility; however, the Company's practice has allowed for it over the years.

S 1.3.4 The company did not prevent shareholders attending the general meeting from exercising their rights to request information, make comments and proposals, and did not set any pre-requisites to do so.

Yes

S 1.3.5 The company published on its website within three days its answers to those questions which it was unable to answer satisfactorily at the general meeting. Where the company declined to give an answer it published its reasons for doing so.

No, there were no such questions.

S 1.3.6 The chairman of the general meeting and the company ensured that in answering the questions raised at the general meeting, national laws and regulations of the Stock Exchange pertaining to disclosure were complied with.

Yes

S 1.3.7 The company published a press release and held a press conference on the decisions passed at the general meeting.

Yes

S 1.3.11 The company's general meeting decided on the different amendments of the articles of association in separate resolutions.

Yes

S 1.3.12 The minutes of the general meeting containing the resolutions, the presentation of draft resolutions, as well as the most important questions and answers regarding the draft resolutions were published by the company within 30 days of the general meeting.

Yes, the Company has published the resolutions and draft resolutions. Regarding the minutes of the AGM the Company fulfilled its obligation to deposit the minutes in accordance with the regulations of the Companies Act /See S 1.2.4/.

S 1.4.1 The dividend was paid within 10 days to those shareholders who had provided all the necessary information and documentation.

Yes

S 1.4.2 The company disclosed its policy regarding anti-takeover devices.

Yes, it is included in the Statutes.

S 2.1.2 The rules of procedure define the composition of the Managing Body and all procedures and protocols for the preparation and holding of meetings, the drafting of resolutions and other related matters.

Yes

S 2.2.1 The rules of procedure and the work schedule of the Supervisory Board gives a detailed description of its operation and duties, as well as procedures and processes which the Supervisory Board followed.

Yes

S 2.3.2 Board members had access to the proposals of a given meeting at least five days prior to the board meeting.

Yes

S 2.3.3 The rules of procedure regulate the regular or occasional participation at board meetings of persons who are not members of the boards.

Yes

S 2.4.1 The election of the members of the Managing Body took place in a transparent way, information on candidates was made public at least five days prior to the general meeting.

Yes

S 2.4.2 The composition of boards and the number of members complies with the principles specified in 2.4.2.

Yes

S 2.4.3 Newly elected, non-executive board members were able to familiarize themselves with the structure and operations of the company, as well as their duties as board members through a tailored induction programme.

Yes

S 2.5.2 The separation of the responsibilities of the Chairman of the Managing Body from those of the Chief Executive Officer has been outlined in the basic documents of the company.

Yes

S 2.5.3 The company has published a statement about the means it uses to ensure that the Managing Body gives an objective assessment of the executive management's work where the functions of Chairman and CEO are combined.

No, because the functions of Chairman and Managing Director are separated.

S 2.5.5 The company's Supervisory Board has no member who held a position in the Managing Body or the executive management of the company in the three years prior to his nomination.

Yes, this is the case, there are no such members.

S 2.7.5 The development of the remuneration system of the Managing Body, the Supervisory Board and the executive management serves the strategic interests of the company and thereby those of the shareholders.

Yes

S 2.7.6 In the case of members of the Supervisory Board, the company applies a fixed amount of remuneration and does not apply a remuneration component related to the share price.

Yes

S 2.8.2 The Managing Body developed its risk management policy and regulations with the cooperation of those executives who are responsible for the design, maintenance and control of risk management procedures and their integration into the company's daily operations.

Yes

S 2.8.10 When evaluating the system of internal controls, the Managing Body took into consideration the aspects mentioned in 2.8.10.

Yes

S 2.8.12 The company's auditor assessed and evaluated the company's risk management systems and the risk management activity of the executive management, and submitted its report on the matter to the Audit Committee/Supervisory Board.

Yes, the Company's auditor has examined the Company's risk management systems and the risk management activities of the Executive Management, which was appraised in the auditor's report.

S 2.9.1 The rules of procedure of the Managing Body cover the procedure to be followed when employing an external advisor.

No. In this respect the Board of Directors follows its practice.

S 2.9.1.1 The rules of procedure of the Supervisory Board cover the procedure to be followed when employing an external advisor.

No. The Supervisory Board do not employ external advisor, however it's Rules of Procedure contains this possibility.

S 2.9.1.2 The rules of procedure of the Audit Committee cover the procedure to be followed when employing an external advisor.

No. The Audit Board do not employ external advisor, however it's Rules of Procedure contains this possibility.

S 2.9.1.3 The rules of procedure of the Nomination Committee cover the procedure to be followed when employing an external advisor.

No. The Corporate Governance and Nomination Subcommittee do not employ external advisor.

S 2.9.1.4 The rules of procedure of the Remuneration Committee cover the procedure to be followed when employing an external advisor.

No. The Remuneration Subcommittee do not employ external advisor.

S 2.9.4 The Managing Body may invite the company's auditor to participate in those meetings where it debates general meeting agenda items.

Yes

S 2.9.5 The company's Internal Audit function co-operated with the auditor in order to help it successfully carry out the audit.

Yes

S 3.1.2 The chairman of the Audit Committee regularly inform the Managing Body about the meetings of the committee, and the committee prepared at least one report for the Managing Body and the Supervisory Board in the given business year.

Yes

S 3.1.2.1 The chairman of the Nomination Committee regularly inform the Managing Body about the meetings of the committee, and the committee prepared at least one report for the Managing Body and the Supervisory Board in the given business year.

Yes

S 3.1.2.2 The chairman of the Remuneration Committee regularly inform the Managing Body about the meetings of the committee, and the committee prepared at least one report for the Managing Body and the Supervisory Board in the given business year.

Yes

S 3.1.4 The company's committees are made up of members who have the capabilities, professional expertise and experience required to perform their duties.

Yes

S 3.1.5 The rules of procedure of committees operating at the company include those aspects detailed in 3.1.5.

Yes

S 3.2.2 The members of the Audit Committee/Supervisory Board were fully informed about the accounting, financial and operational peculiarities of the company.

Yes

S 3.3.3 The Nomination Committee prepared at least one evaluation for the chairman of the Managing Body on the operation of the Managing Body and the work and suitability of the members of the Managing Body.

Yes

S 3.3.4 The majority of the members of the Nomination Committee are independent.

Yes. The Company applies the criteria of independence set forth in the Companies Act.

S 3.3.5 The rules of procedure of the Nomination Committee includes those details contained in 3.3.5.

Yes

S 3.4.5 The Remuneration Committee prepared the Remuneration Statement.

No. The Notes to financial statements in the Annual Report submitted to the General Meeting includes the aggregate remuneration of the members of the Board of Directors and the Supervisory Board (see R 2.7.7 and 4.1.11 points).

S 3.4.6 The Remuneration Committee exclusively consists of non-executive members of the Managing Body.

Yes

S 4.1.4 The disclosure guidelines of the company at least extend to those details contained in 4.1.4.

Yes, see 4.1.1.

The Managing Body informed shareholders in the annual report on the findings of the investigation into the efficiency of disclosure procedures.

Yes

S 4.1.7 The company's financial reports followed IFRS guidelines.

Yes

S 4.1.16 The company also prepares and releases its disclosures in English.

Yes. The quarterly, half-year and annual reports as well as the more important announcements are also disclosed and released in English.

Dated in Budapest, 22 March, 2013

William de Gelsey
Chairman of the Board of Directors

Dr. Tamás Mészáros
Member of the Board of Directors

11. Decision on the split of the nominal value of the common shares from HUF 1000 to HUF 100 and related amendments to the Company's Statutes

Proposal to Item No.:11
on the Agenda of the AGM

Resolution of the Board of Directors No.: 24/2013

The Board of Directors proposes the AGM to approve the transformation of the Company's 18,637,486 that is eighteen-million six-hundred-and-thirty-seven-thousand four-hundred-eighty-six dematerialized registered common shares, each with a nominal value of HUF 1,000 to 186,374,860 that is one-hundred-eighty-six-million three-hundred-and-seventy-four-thousand eight-hundred-and sixty dematerialized registered common shares, each with a nominal value of HUF 100, by splitting the nominal value in a ten-to-one ratio.

The Board of Directors has approved the resolution unanimously, without a vote against and abstention.

81.29 Other cleaning activities
82.30 Organization of conventions and trade shows
82.92 Packaging activities
82.99 Other business support service activities n.e.c.
85.51 Sports and recreation education
91.01 Library and archives activities
96.01 Washing and (dry-)cleaning of textile and fur products

(6) The Registered Capital (Subscribed Capital) of the Company:

6.1 The registered capital (subscribed capital) of the Company is: **HUF 18,637,486,000,** i.e. eighteen-billion-six-hundred-thirty-seven-million-four-hundred-and-eighty-six-thousand Hungarian Forints, of which HUF 6,147,486,000 comprises cash contributions and HUF 12,490,000,000 comprises in-kind contributions.

The in-kind contributions consist of the assets of Kőbányai Gyógyszerárugyár (HUF 11,390,000,000) as determined in its transformation plan, and the in-kind contribution of Richter Gedeon Vegyészeti Gyár Rt., having been determined to have a value of HUF 100,000,000.

6.2 The in-kind contribution of Richter Gedeon Vegyészeti Gyár Rt. consists of certain intangible assets of Richter Gedeon Vegyészeti Gyár Rt. with a value of HUF 100,000,000. The founders shall accept the value of the in-kind contribution of the Company at the above specified value. Richter Gedeon Vegyészeti Gyár Rt. permits the Company to use the trade name "Richter Gedeon Vegyészeti Gyár Rt." free of charge.

6.3 (Deleted pursuant to the resolution passed by the General Meeting held on September 28, 1993)

(7) Shares and Shareholder Rights

7.1 The Company's registered capital:

~~**18,637,486** that is eighteen-million six-hundred-and-thirty-seven-thousand four-hundred-eighty-six dematerialized **registered common shares**, each with a nominal value of HUF 1,000..~~
186,374,860, that is one hundred eighty-six million three hundred seventy-four thousand eight hundred sixty **dematerialized registered common shares**, each with a nominal value of HUF 100 that is one hundred Hungarian forints.

7.2 The distribution of shares at foundation of the Company:

7.2.1 The Company was established as a closely-held company. By signing the Company's Statutes and Deed of Foundation, the founders of the Company subscribed for the total registered share capital (HUF 12,417,500,000) of the Company and received all the then issued shares. The shares were alloted in accordance with Act XIII of 1989 and the transformation plan in the following proportions:

The Hungarian State - State Property Agency	11,390,000,000 Ft
The Hungarian State - Richter Gedeon Vegyészeti Gyár Rt.	100,000,000 Ft
Magyar Hitel Bank Rt.	917,500,000 Ft
Pharma Haupt GmbH	10,000,000 Ft

7.2.2 Pursuant to General Resolution No. 1/1991, the Company converted HUF 806,474,000 of capital assets into registered capital, and accordingly issued 63,950 bearer shares each having a nominal value of HUF 1,000 and 742,524 registered preference shares each having a nominal value of HUF 1,000.

7.2.3 Pursuant to Resolution No. 26/1994. 09. 28. of the General Meeting, the Company increased its registered capital by HUF 4,413,512,000 and issued 4,413,512 new registered common

7.2.17 At the request of the shareholders and pursuant to Resolution No 12 /2006. 04. 26., the Annual General Meeting of the Company converted 892 registered preference shares into 892 registered common shares.

7.2.18 Pursuant to Resolutions No. 11/2007.04.25, 12/2007.04.25 and 13/2007.04.25, the Annual General Meeting converted 3,459 registered preference shares into 3,459 registered common shares.

7.2.19 Pursuant to Resolution No. [ ]/2013.04.25., the Annual General Meeting transformed 18,637,486 that is eighteen-million six-hundred-and-thirty-seven-thousand four-hundred-eighty-six dematerialized registered common shares, each with a nominal value of HUF 1,000 that is one thousand Hungarian forints into 186,374,860, that is one hundred eighty-six million three hundred seventy-four thousand eight hundred sixty dematerialized registered common shares, each with a nominal value of HUF 100 that is one hundred Hungarian forints; by splitting the nominal value in a ten-to-one ratio.

7.3 The Company's common shares are dematerialized shares. The dematerialized share is a data complex created, recorded, transmitted and registered in an electronic format, identifiably containing all material information pertaining to the securities as defined in separate legislation, which does not have a serial number. In the case of dematerialized shares, the owner's name as well as all other data identifying the owner are contained in the register (the security account) kept by the distributor of the securities on behalf of such owner. (Subsection 180(1) of the Companies Act).

7.4 The shares of a public company (including interim shares) may only be issued in a dematerialized form (Subsection 286(1) of the Companies Act). Within one category and class of shares, several series may be issued. The shares embodying identical content and extent of shareholder rights are deemed one series of shares. Shares belonging to one series of shares may not differ as to their face value or method of production.

7.5 The securities account of an owner of shares shall be kept by the investment firm or credit institution. The securities account shall be opened pursuant to a securities account agreement. On the basis of a securities account agreement, the securities account keeper undertakes to record and administrate the securities in the ownership of the other contracting party (account holder) on the securities account opened with the securities account keeper, to execute the account holder's proper instructions and to inform the account holder about the crediting and debiting of the account as well as the balance of the account. The account holder may terminate the securities account agreement at any time without notice; however, such termination shall only be valid if the account holder indicates simultaneously another securities account keeper, except if the account has been depleted. The depletion of the securities account shall not automatically constitute termination of the securities account agreement.

The securities account may be controlled by the account holder, or by a person duly authorized by the account holder. A power of attorney shall only have effect vis-à-vis the securities account keeper if provided to it in writing, in the form and if containing the information stipulated in the securities account keeper's business regulations. Control of jointly owned securities recorded on a security account shall be exercised by the owners jointly, or by a common representative elected by the owners and notified to the securities account keeper. Control of a securities account the holder of which is subject to bankruptcy or liquidation, or is under voluntary dissolution can be exercised only by the bankruptcy trustee, the receiver or the liquidator, as the case may be. Following the announcement of the bankruptcy, liquidation or voluntary dissolution proceedings, the securities account keeper shall only accept instructions from such persons. The account holder shall provide notice of the name of the bankruptcy trustee, the receiver or the liquidator to the securities account keeper within three days from the date of appointment. The signature specimen of authorized signatories shall be supplied to the securities account keeper in the manner set forth in the securities account keeper's business regulations.

The securities account keeper shall transfer all securities to a blocked subsidiary securities account, which are under attachment due to an encumbrance arising from third party's rights by virtue of law, 12.3 If the general meeting of the Company decides on the delisting of the shares listed on a regulated market, the shareholder whose shares are directly affected by the delisting - except if the shareholder contributed to the approval of the delisting by the general meeting - is entitled to demand within a period of 60 days from the publication of such decision (term of preclusion) that the Company buy its shares for the consideration set forth in Section 63/A of the Capital Markets Act. The offer for sale shall not be withdrawn. [Subsection 63(7) of the Capital Markets Act] The share transfer agreement between the Company and the shareholder making the offer for sale shall be deemed concluded on the last day of the period open for the exercise of the right to sell. [Subsection 63/A(6) of the Capital Markets Act]. The Company shall, within a period of 2 years, alienate or withdraw the shares acquired as a result of the exercise by the shareholder(s) of the right to sell in the course of delisting of shares listed in regulated markets (Section 223 of the Companies Act).

(13) Voting

A. General

13.1[2] Certification of ownership is not required for the exercise of shareholders' rights; the entitlement is verified by way of the identification procedure prescribed in the act on securities and in rules of procedures of the central depository. (Section 297.§ (2) of the Company Act) Pursuant to the identification of ownership initiated by the Company, or in the case of a representative, on the basis of the power of attorney, the Board of Directors shall issue a voting card or another certificate containing an entitlement to vote (the "voting card"). At the General Meeting, shareholder rights can be exercised via the voting card. The voting card shall contain the name of and the number of votes entitled to the shareholder or the shareholder's representative.

The Company shall only issue a voting card to a shareholder or shareholder's representative who is registered in the Share Register as the owner of the shares or as the shareholder's representative, or in case of jointly owned shares, as joint representative.

The name of a shareholder, or of a shareholder's representative, who wishes to participate in the General Meeting shall be recorded in the Share Register by the second working day preceding the commencement day of the General Meeting. [Subsection 304(2) of the Companies Act].

In the case of identification of ownership initiated by the Company, if it is in connection with the closing of the Share Register, the keeper of the Share Register delete all the data in the Share Register at the time of identification of ownership and at the same time shall record in the Share Register the data resulting from the identification of ownership (Subsection 297(3) of the Companies Act).

Shareholders' rights at the General Meeting may be exercised by the person who is the owner of the shares on the reference date for the identification of ownership and whose name is contained in the Share Register at 6 PM (Budapest time) on the second business day before the first day of the General Meeting. [Section 304(3) of the Companies Act]

The closing of the Share Register shall not impede the transfer of shares following the closing of the Share Register by a person registered in the Share Register. The transfer of shares prior to the commencement day of the General Meeting does not exclude the right of a person registered in the Share Register to participate in the General Meeting and to exercise the rights to which he is entitled as a shareholder. [Subsection 304(3) of the Companies Act]

13.2 ~~Subject to the provisions of Section 13.8 hereafter, every share of nominal value HUF 1,000 entitles its holder to one vote.~~
Subject to the provisions of Section 13.8 hereafter, every share of nominal value HUF 100 entitles its holder to one vote.

2 The section has been modified as approved by the AGM held on April 26, 2012.

12. Other amendments to the Company's Statutes

Accounting Act, including also the appropriation of the after-tax profits, only if in possession of the written report of the Supervisory Board.

(c) any other duties prescribed by the Companies Act.

16.4 If, in the course of carrying out its duties, the Supervisory Board becomes aware of any measures in contradiction with the laws or these Statutes or the resolutions of the General Meeting, or if in its opinion the business activities of the Company are contradictory to the interests of the Company or its shareholders, the Supervisory Board shall convene a General Meeting without delay and propose its agenda.

16.5 On the Supervisory Board, employees' representatives shall have the same rights and same obligations as all other members. If the opinion of the employees' representatives unanimously differs from the majority standpoint of the Supervisory Board, the minority standpoint of the employees shall be stated at the General Meeting.

16.6 The procedural rules (standing orders) governing the Supervisory Board shall be established by the Supervisory Board and approved by the General Meeting.

16.7 The Supervisory Board shall have a quorum if each of its members has been duly invited thereto and two-thirds of the members are present. If there is a lack of quorum, the meeting shall be postponed. The reconvened meeting shall have a quorum if at least three members of the Supervisory Board - in the ratio defined in section 16.8 hereafter - are present. The Supervisory Board shall pass resolutions by simple majority of those present.

16.8 As long as the number of the Company's full time employees exceeds a yearly average of two-hundred, the employees shall participate in the control of the Company's activities through the Supervisory Board. In such case, one-third of the members of the Supervisory Board shall be comprised of employees' representatives. In the event of an uneven number, such one-third shall be calculated in such a manner which is more favorable to the employees.

16.9 Should the number of full-time employees of the Company fall below two-hundred, the membership of the employee representatives on the Supervisory Board shall expire on the date of the extraordinary General Meeting convened to elect new members to the Supervisory Board. The new members to the Supervisory Board chosen as replacements shall be elected by such General Meeting.

16.10 Following a statement of opinion from the trade unions represented ~~operating~~ at the Company, the employees' delegates ~~representatives~~ on the Supervisory Board shall be nominated by the works council from among the employees. Persons nominated by the works council shall be elected as members of the Supervisory Board by the General Meeting at its first meeting following such nomination, unless statutory grounds for disqualification exist in respect of the nominees. In this case, a new nomination shall be requested.

16.11 The employees' representative who is a member of the Supervisory Board shall inform the employees of the Company through the works council, with the exception of business secrets, of the Supervisory Board's activities.

16.12 Membership of an employees' representative on the Supervisory Board shall also terminate if his labor relationship is terminated. Employees' representatives may only be dismissed by the General Meeting upon the proposal of the works council, unless, within 60 days, the works council fails to meet its obligation to make such proposal concerning such removal and a new representative despite statutory grounds for disqualification.

A 2013. ÁPRILIS 25-I ÉVES KÖZGYŰLÉS ÁLTAL JÓVÁHAGYOTT EGYSÉGES SZERKEZETBE FOGLALT ALAPSZABÁLY (B) MELLÉKLETE

ANNEX (B) OF THE CONSOLIDATED STATUTES APPROVED BY THE ANNUAL GENERAL MEETING HELD ON APRIL 25, 2013

A MUNKÁLTATÓI JOGKÖR GYAKORLÁSA A TÁRSASÁG MUNKAVÁLLALÓI FELETT / EXERCISING THE EMPLOYER'S RIGHTS OVER THE EMPLOYEES OF THE COMPANY

Formázott: magyar

A Társaság munkavállalói felett a munkáltatói jogokat a Társasággal munkaviszonyban álló alábbi személyek az alábbiak szerint gyakorolják:

The employer's rights over the employees of the Company shall be exercised by the following employees of the Company as follows:

I. Alapvető munkáltatói jogok[1]:

Basic employer's rights[1]:

1. A vezérigazgató, akadályoztatása esetén a gazdasági vezérigazgató-helyettes gyakorolja az alapvető munkáltatói jogokat minden
- vezérigazgató helyettes,
- igazgató, igazgató-helyettes,
- főosztályvezető, üzemcsoport vezető, főmérnök, valamint a
- vezérigazgató közvetlen irányítása alá tartozó vezető beosztású munkavállaló felett~~val~~[2] ~~szemben~~.

1. The Managing Director~~,~~- in case of his absence the finance deputy managing director - shall exercise the basic employer's rights over all
- deputy managing directors,
- directors, deputy directors,
- head of the department, head of factories, senior engineer,
- and the executive employees[2] instructed directly by him.

2. Az emberi erőforrás igazgató, akadályoztatása esetén a vezérigazgató gyakorolja az alapvető munkáltatói jogokat
- az I/1. pontban nem említett többi vezető beosztású munkavállaló~~val~~, valamint~~illetve~~
- minden - a munkáltató felé a munkavállaló által igazolt - felsőfokú végzettséggel (diplomával) rendelkező munkavállaló felett~~.val szemben az alapvető munkáltatói~~

2. The Human Resource Director~~Manager,~~ - in case of his absence the Managing Director- shall exercise the basic employer's rights with respect to other executive employees not mentioned in point I/1 ~~or~~ and employees with a higher degree~~/~~ (university degree) that have been proven to the employer by the

[1] Alapvető munkáltatói jogok / Basic employer's rights:

- a munkaviszony létesítése / establishment of the employment;
- a munkaviszony megszüntetése / termination of the employment;
- a munkaszerződés módosítása / modification of the employment agreement;

[2] ~~lsd. SZMSZ Szervezeti-felépítés ágrajzát - see the organizational chart of the Company's Organizational and Operational Rules and Regulations.~~

~~jogokat az emberi erőforrás igazgató, akadályoztatása esetén a vezérigazgató gyakorolja.~~

employee.

3. ~~Minden egyéb munkavállalóval szemben az alapvető munkáltatói jogokat~~ Aaz Emberi Erőforrás Igazgatóság (EEI) partner szervezet vezetője - a dorogi fióktelepen az Emberi Erőforrás Igazgatóság dorogi szervezet vezetője - akadályoztatásuk esetén pedig az emberi erőforrás igazgató ~~a vezérigazgató~~ gyakorolja az alapvető munkáltatói jogokat minden - fentiekben nem említett egyéb munkavállaló felett.

3. The Head of the Human Resources Directorate (HRD) partner organization, - in case of his absence the Human Resource ~~Managing~~ Director- shall exercise the basic employer's rights with respect to any other employees not mentioned above. At the branch office located at Dorog tThe Head of the Human Resources Directorate organization in Dorog -in case of his absence the ~~Managing Director~~Human Resource Director - shall exercise the basic employer's rights with respect to any other employees not mentioned above~~-at the Branch Office located at Dorog~~.

II. Egyéb munkáltatói jogok[2]:

1. Az egyéb munkáltatói jogok közül a kártérítési eljárás lefolytatását, a kártérítés összegének kiszabását ~~valamennyi munkavállalóval szemben~~ a javadalmazási és munkaügyi osztályvezető - dorogi fióktelepen az Emberi Erőforrás Igazgatóság dorogi szervezet vezetője - , akadályoztatásuk esetén az emberi erőforrás igazgató gyakorolja
- valamennyi munkavállaló felett.

Other employer's rights[23]:

1. The Head of the Department of Allowance and Employment - in case of his absence the Human Resource Director - shall proceed on claiming damages and establishing the amount of the damage included by the other employer's rights in case of all employees. The Head of the Human Resources organization located at Dorog - in case of his absence the Human Resource Director - shall

[2] Egyéb munkáltatói jogok mindazok, amik a fentiek alapján nem minősülnek alapvető munkáltatói jognak, de különösen az alábbiak / Other employer's rights are the rights that do not qualify as basic employer's right as per the above definition, but particularly:

- utasítási jog / right to provide instructions;
- a munkakövetelmények meghatározása / establishment of the obligations with respect to the work;
- a munka értékelése, minősítése (pl.: TÉR) / assessment and qualification of the work;
- jutalmazás/ providing gratitude;
- felelősségre vonás / liability issues;
- kártérítés kiszabása / establishment of the damage;
- szabadságok~~ok~~ kiadása~~, kiküldetések engedélyezése,~~ elrendelése, munkaszerződéstől eltérő foglalkoztatás elrendelése / approval of the holidays and posting;
- a dolgozók szakmai képzéséhez, továbbképzéséhez az előfeltételek biztosítása / ensuring the pre-conditions of participating in professional education, professional training of the employees.

proceed on claiming damages and establishing the amount of the damage in case of the employees employed at the branch office in Dorog.

Az egyéb munkáltatói jogok közül a kártérítési eljárás lefolytatását, a kártérítés összegének kiszabását az emberi erőforrás igazgató gyakorolja:
- a javadalmazási és munkaügyi osztályvezető, és
- a dorogi fióktelepen az EEI dorogi szervezet vezetője felett.

The Human Resource Director shall proceed on claiming damages and establishing the amount of the damage included by the other employer's rights over:
- the Head of the Department of Allowance and Employment, and
- the Head of the (HRD) organization in Dorog at the branch office in Dorog.

2. A vezérigazgató, akadályoztatása esetén a gazdasági vezérigazgató-helyettes gyakorolja - a kártérítési eljárás lefolytatásának és a kártérítés összegének a kiszabása kivételével - az egyéb munkáltatói jogokat minden:
- vezérigazgató-helyettes,
- igazgató, ~~főosztályvezető, üzemcsoport vezető,~~ valamint a
- vezérigazgató közvetlen irányítása alá tartozó vezető beosztású munkavállaló felett~~val szemben~~.

2. The Managing Director~~,~~ -in case of his absence the finance deputy managing director- shall exercise the other employer's rights other than claiming damages and establishing the amount of the damage over all:
- deputy managing directors,
- directors, ~~head of the department, head of factories~~ and
- the executive employees supervised directly by ~~him~~the Managing Director.

3. ~~A vezérigazgató-helyettesek / igazgatók / főosztályvezetők / főmérnökök / üzemcsoport vezetők alárendeltségébe tartozó minden vezető beosztású és egyéb munkavállalóval kapcsolatban az egyéb munkáltatói jogokat a közvetlen szervezeti felettes gyakorolja~~Egyebekben a szervezeti egység[3] vezetője, akadályoztatása esetén vezető beosztású helyettese, helyettes hiányában a felettes szervezeti egység vezetője, annak akadályoztatása esetén vezető beosztású helyettese gyakorolja – a kártérítési eljárás lefolytatásának és a

3. ~~The other employer's rights in connection with the executive employees and other employees supervised by the deputy managing directors / directors / head of the department /senior engineers / head of the factories shall be exercised by the direct principal[4] in the organization of the Company.~~ In connection with other matters, the head of the organizational entity – in case of his absence his executive deputy, in his absence the head of the superior

[3] lsd. SZMSZ. Általános rész önállónak minősülő szervezeti alapegységeit (igazgatóság, főosztály, főosztályi szintű szervezeti egység, osztály, iroda, szervezet, könyvtár, osztályszintű szervezeti egység) / see the General Part of the Company's Organizational and Operational Rules and Regulations, the organizational basic entities that are independent (directorate, main department, organizational unit on the level of the main department, department, office, organization, library, organizational unit on the level of a department).

kártérítés összegének a kiszabása kivételével – az egyéb munkáltatói jogokat minden - a szervezeti egység vezetőjének közvetlen alárendeltségébe tartozó - munkavállaló felett[4].

4. Az egyéb munkáltatói jogkör gyakorlója jogkörét a Társaság Szervezeti és Működési Szabályzatában meghatározott módon átruházhatja.

organizational unit, in his absence his executive deputy – shall exercise the other employer's rights (apart from claiming damages and establishing the amount of the damage) over all employees who are direct subordinates of the head of the organizational entity[34].

4. The person who exercises other employer's rights may transfer his rights in a way stipulated in the Company's Organizational and Operational Rules and Regulations.

[4] Isd ~~SZMSZ. Általános rész önállónak minősülő szervezeti alapegységeit (igazgatóság, főosztály, főosztályi szintű szervezeti egység, osztály, iroda, szervezet, könyvtár, osztályszintű szervezeti egység) szervezeti felépítés ágrajzát / see the organizational chart of the General Part of the Company's Organizational and Operational Rules and Regulations, the organizational basic entities that are independent (directorate, main department, organizational unit on the level of the main department, department, office, organization, library, organizational unit on the level of a department).~~

STATUTES

of

CHEMICAL WORKS OF GEDEON RICHTER PLC.

(This consolidated version contains the amendments of the Statutes approved by the Annual General Meeting of April 25, 2013.)

CHEMICAL WORKS OF GEDEON RICHTER PLC.

STATUTES

This document prepared on the basis of Act IV of 2006 on Business Associations (the "Companies Act") is the consolidated version of the statutes ("Statutes") of the mid-sized Chemical Works of Gedeon Richter PLC ("Company"), a leading pharmaceutical company of the Central-Eastern European region with growing presence in Western Europe, that controls a multinational pharmaceutical company group ("Richter Group") with more than one hundred years' experience in the research and development, manufacturing and sale of pharmaceutical products carried out with the support of a number of subsidiaries as well as jointly controlled and affiliated companies.

(1) The name of the Company: Richter Gedeon Vegyészeti Gyár Nyilvánosan Működő Rt.

Abbreviated name of the Company: Richter Gedeon Nyrt.

The trade name of the Company in foreign languages:

in English:	Chemical Works of Gedeon Richter Plc.
abbreviated name:	Gedeon Richter Plc.
in German:	Chemische Fabrik Gedeon Richter Offene AG.
abbreviated name:	Gedeon Richter AG.
in French:	Fabrique de Produits Chemiques Gedeon Richter S.A.
abbreviated name:	Gedeon Richter S.A.
in Russian:	Otkritoye A.O. Chimichesky Zavod Gedeon Richter
abbreviated name:	Gedeon Richter O.A.O.
in Spanish:	Fábrica de Productos Quimicos Gedeon Richter S.A.
abbreviated name:	Gedeon Richter S.A.

(2) Seat of the Company: 1103 Budapest, Gyömrői út 19-21.

Seat of the Branch of the Company: 2510 Dorog, Esztergomi út 27.

(3) The Company is the General Legal Successor of Kőbányai Gyógyszerárugyár.

(4) The Company is Established for an Indefinite Period of Time.

The Company shall commence its activities on the day of its foundation.

(5) Scope of the Activities of the Company (TEÁOR'08):

The main activity of the Company:

21.20 Manufacture of pharmaceutical preparations

Other scope of activities of the Company:

17.22	Manufacture of household and sanitary goods and toilet requisites
20.13	Manufacture of other inorganic basic chemicals
20.14	Manufacture of other organic basic chemicals
20.20	Manufacture of pesticides and other agrochemical products

20.42	Manufacture of perfumes and toilet preparations
20.59	Manufacture of other chemical products n.e.c.
21.10	Manufacture of basic pharmaceutical products
26.60	Manufacture of irradiation, electromedicinal and electrotherapeutic equipment
32.50	Manufacture of medicinal and dental instruments and supplies
35.11	Production of electricity
35.12	Transmission of electricity
35.13	Distribution of electricity
35.14	Trade of electricity
35.21	Manufacture of gas
35.22	Distribution of gas
35.23	Trade of gas
35.30	Steam and air condition supply
36.00	Water collection, treatment and supply
37.00	Sewerage
38.11	Collection of non-hazardous waste
38.12	Collection of hazardous waste
38.21	Treatment and disposal of non-hazardous waste
38.22	Treatment and disposal of hazardous waste
38.32.	Recovery of sorted materials
39.00	Remediation activities and other waste management services
41.10	Development of building projects
46.19	Agents involves in the sale of variety of goods
46.44	Wholesale of china and glassware and cleaning materials
46.45	Wholesale of perfume and cosmetics
46.46	Wholesale of pharmaceutical goods
46.47	Wholesale of furniture, carpets, and lighting equipment
46 49	Wholesale of other household goods
46.52	Wholesale of electronic and telecommunications equipment and parts
46.69	Wholesale of other machinery and equipment
46.73	Wholesale of wood, construction materials and sanitary equipments
46.75	Wholesale of chemical products
46.76	Wholesale of other intermediate products
46.90	Not specialized wholesale trade
47.41	Retail sale of computers, peripheral units and software in specialized stores
47.42	Retail sale of telecommunication products in specialized stores
47.53	Retail sale of carpets, rugs, wall and floor coverings in specialized stores
47.59	Retail sale of furniture, lighting equipments and other household articles in specialized stores
47.73	Dispensing chemists in specialized stores
47.78	Other retail sale of new goods in specialized stores
49.20	Freight rail transport
49.41	Freight transport by road
52.10	Storage and warehousing
52.21	Service activities incidental to land transportation
52.24	Cargo handling
55.20	Holiday and other short-stay accommodation
55.90	Other accommodation
56.21	Event catering activities
56.29	Other food service activities
64.20	Activities of holding companies
64.30	Trusts, funds and similar financial activities
64.99	Other financial service activities, except insurance and pension funding n.e.c.
68.10	Buying and selling of own real estate
68.20	Renting and operation of own or leased real estate
68.32	Management of real estate on fee or contractual basis
70.10	Activities of head offices
70.21	Public relations and communications activity
70.22	Business and other management consultancy activities
71.12	Engineering activities and related technical consultancy
71.20	Technical testing and analysis
72.11	Research and experimental development on biotechnology
72.19	Other research and experimental development on natural sciences and engineering
72.20	Research and experimental development on social sciences and humanities
74.90	Other professional scientific and technical activities n.e.c.
77.12	Renting and leasing of trucks
77.32	Renting and leasing of construction and civil engineering machinery
77.33	Renting and leasing of office machinery and equipment (including computers)
77.39	Renting and leasing of other machinery, equipment and tangible goods n.e.c.
77.40	Leasing of intellectual property and similar products, except copyrighted works
81.10	Combined facilities support activities

81.29	Other cleaning activities
82.30	Organization of conventions and trade shows
82.92	Packaging activities
82.99	Other business support service activities n.e.c.
85.51	Sports and recreation education
91.01	Library and archives activities
96.01	Washing and (dry-)cleaning of textile and fur products

(6) The Registered Capital (Subscribed Capital) of the Company:

6.1 The registered capital (subscribed capital) of the Company is: **HUF 18,637,486,000,** i.e. eighteen-billion-six-hundred-thirty-seven-million-four-hundred-and-eighty-six-thousand Hungarian Forints, of which HUF 6,147,486,000 comprises cash contributions and HUF 12,490,000,000 comprises in-kind contributions.

The in-kind contributions consist of the assets of Kőbányai Gyógyszerárugyár (HUF 11,390,000,000) as determined in its transformation plan, and the in-kind contribution of Richter Gedeon Vegyészeti Gyár Rt., having been determined to have a value of HUF 100,000,000.

6.2 The in-kind contribution of Richter Gedeon Vegyészeti Gyár Rt. consists of certain intangible assets of Richter Gedeon Vegyészeti Gyár Rt. with a value of HUF 100,000,000. The founders shall accept the value of the in-kind contribution of the Company at the above specified value. Richter Gedeon Vegyészeti Gyár Rt. permits the Company to use the trade name "Richter Gedeon Vegyészeti Gyár Rt." free of charge.

6.3 (Deleted pursuant to the resolution passed by the General Meeting held on September 28, 1993)

(7) Shares and Shareholder Rights

7.1 The Company's registered capital:

~~**18,637,486** that is eighteen million six hundred-and-thirty-seven-thousand four hundred-eighty-six dematerialized **registered common shares**, each with a nominal value of HUF 1,000.~~
186,374,860, that is one hundred eighty-six million three hundred seventy-four thousand eight hundred sixty **dematerialized registered common shares**, each with a nominal value of HUF 100 that is one hundred Hungarian forints.

7.2 The distribution of shares at foundation of the Company:

7.2.1 The Company was established as a closely-held company. By signing the Company's Statutes and Deed of Foundation, the founders of the Company subscribed for the total registered share capital (HUF 12,417,500,000) of the Company and received all the then issued shares. The shares were alloted in accordance with Act XIII of 1989 and the transformation plan in the following proportions:

The Hungarian State - State Property Agency	11,390,000,000 Ft
The Hungarian State - Richter Gedeon Vegyészeti Gyár Rt.	100,000,000 Ft
Magyar Hitel Bank Rt.	917,500,000 Ft
Pharma Haupt GmbH	10,000,000 Ft

7.2.2 Pursuant to General Resolution No. 1/1991, the Company converted HUF 806,474,000 of capital assets into registered capital, and accordingly issued 63,950 bearer shares each having a nominal value of HUF 1,000 and 742,524 registered preference shares each having a nominal value of HUF 1,000.

7.2.3 Pursuant to Resolution No. 26/1994. 09. 28. of the General Meeting, the Company increased its registered capital by HUF 4,413,512,000 and issued 4,413,512 new registered common shares; thereafter, in accordance with Resolution No. 27/1994. 09. 28. of the General Meeting, 63,950 bearer shares, each having a nominal value of HUF 1,000, were converted into registered common shares, each having a nominal value of HUF 1,000, on a one-by-one basis.

7.2.4 Upon request of the shareholders and pursuant to Resolution No. 19/1995.04.27., the General Meeting of the Company transformed one registered preference share into one registered common share.

7.2.5 Upon request of the shareholders and pursuant to Resolutions No. 13/1996. 05. 03. and No. 14/1996. 05. 03., the General Meeting of the Company approved the conversion of 517,139 registered preference shares into 517,139 registered common shares.

7.2.6 At the request of the shareholders and pursuant to Resolution No. 11/1997. 04. 29. and no. 12/1997. 04. 29., the Annual General Meeting of the Company converted 171,413 registered preference shares into 171,413 registered common shares.

7.2.7 The Company's Extraordinary General Meeting held on May 28, 1997 approved to increase the registered share capital by HUF 1,000,000,000 up to HUF 18,637,486,000 in accordance with Resolution No. 7/1997. 05. 28.

7.2.8 At the request of the shareholders and pursuant to Resolution No. 11/1998. 04. 28. and No. 12/1998. 04. 28., the Annual General Meeting of the Company converted 16,327 registered preference shares into 16,327 registered common shares.

7.2.9 At the request of the shareholders and pursuant to Resolution No.11/1999. 04. 28. and No. 12/1999. 04. 28., the Annual General Meeting of the Company converted 3,498 registered preference shares into 3,498 registered common shares.

7.2.10 At the request of the shareholders and pursuant to Resolutions No. 9/2000. 04. 26. and 10/2000. 04. 26., the Annual General Meeting of the Company converted 16,987 registered preference shares into 16,987 registered common shares.

7.2.11 At the request of the shareholders and pursuant to Resolutions No. 9/2001. 04. 26. and 10/2001. 04. 26., the Annual General Meeting of the Company converted 4,066 registered preference shares into 4,066 registered common shares.

7.2.12 At the request of the shareholders and pursuant to Resolutions No. 9/2002. 04. 25. and 10/2002. 04. 25., the Annual General Meeting of the Company converted 1688 registered preference shares into 1688 registered common shares.

7.2.13 At the request of the shareholders and pursuant to Resolutions No. 11/2003. 04. 28. and 12/2003. 04. 28., the Annual General Meeting of the Company converted 1806 registered preference shares into 1806 registered common shares.

7.2.14 Pursuant to Resolution No. 16/2003. 04. 28., the Annual General Meeting of the Company has approved the conversion of the registered common shares of the Company into dematerialized shares.

7.2.15 At the request of the shareholders and pursuant to Resolution No 12 /2004. 04. 28., the Annual General Meeting of the Company converted 2,570 registered preference shares into 2,570 registered common shares.

7.2.16 At the request of the shareholders and pursuant to Resolution No 14 /2005. 04. 27., the Annual General Meeting of the Company converted 2,678 registered preference shares into 2,678 registered common shares.

7.2.17 At the request of the shareholders and pursuant to Resolution No 12 /2006. 04. 26., the Annual General Meeting of the Company converted 892 registered preference shares into 892 registered common shares.

7.2.18 Pursuant to Resolutions No. 11/2007.04.25, 12/2007.04.25 and 13/2007.04.25, the Annual General Meeting converted 3,459 registered preference shares into 3,459 registered common shares.

7.2.19 Pursuant to Resolution No. [ ]/2013.04.25., the Annual General Meeting transformed 18,637,486 that is eighteen-million six-hundred-and-thirty-seven-thousand four-hundred-eighty-six dematerialized registered common shares, each with a nominal value of HUF 1,000 that is one thousand Hungarian forints into 186,374,860, that is one hundred eighty-six million three hundred seventy-four thousand eight hundred sixty dematerialized registered common shares, each with a nominal value of HUF 100 that is one hundred Hungarian forints; by splitting the nominal value in a ten-to-one ratio.

7.3 The Company's common shares are dematerialized shares. The dematerialized share is a data complex created, recorded, transmitted and registered in an electronic format, identifiably containing all material information pertaining to the securities as defined in separate legislation, which does not have a serial number. In the case of dematerialized shares, the owner's name as well as all other data identifying the owner are contained in the register (the security account) kept by the distributor of the securities on behalf of such owner. (Subsection 180(1) of the Companies Act).

7.4 The shares of a public company (including interim shares) may only be issued in a dematerialized form (Subsection 286(1) of the Companies Act). Within one category and class of shares, several series may be issued. The shares embodying identical content and extent of shareholder rights are deemed one series of shares. Shares belonging to one series of shares may not differ as to their face value or method of production.

7.5 The securities account of an owner of shares shall be kept by the investment firm or credit institution. The securities account shall be opened pursuant to a securities account agreement. On the basis of a securities account agreement, the securities account keeper undertakes to record and administrate the securities in the ownership of the other contracting party (account holder) on the securities account opened with the securities account keeper, to execute the account holder's proper instructions and to inform the account holder about the crediting and debiting of the account as well as the balance of the account. The account holder may terminate the securities account agreement at any time without notice; however, such termination shall only be valid if the account holder indicates simultaneously another securities account keeper, except if the account has been depleted. The depletion of the securities account shall not automatically constitute termination of the securities account agreement.

The securities account may be controlled by the account holder, or by a person duly authorized by the account holder. A power of attorney shall only have effect vis-à-vis the securities account keeper if provided to it in writing, in the form and if containing the information stipulated in the securities account keeper's business regulations. Control of jointly owned securities recorded on a security account shall be exercised by the owners jointly, or by a common representative elected by the owners and notified to the securities account keeper. Control of a securities account the holder of which is subject to bankruptcy or liquidation, or is under voluntary dissolution can be exercised only by the bankruptcy trustee, the receiver or the liquidator, as the case may be. Following the announcement of the bankruptcy, liquidation or voluntary dissolution proceedings, the securities account keeper shall only accept instructions from such persons. The account holder shall provide notice of the name of the bankruptcy trustee, the receiver or the liquidator to the securities account keeper within three days from the date of appointment. The signature specimen of authorized signatories shall be supplied to the securities account keeper in the manner set forth in the securities account keeper's business regulations.

The securities account keeper shall transfer all securities to a blocked subsidiary securities account, which are under attachment due to an encumbrance arising from third party's rights by virtue of law, court order, administrative measure or contract, or if so instructed by the account holder. The blocked subsidiary account shall indicate the legal title giving rise to the attachment, such as bail, lien, court deposit, action of replevin (claim of exemption), judicial execution, as well as the person named as the beneficiary. The attachment of securities held in a subsidiary account may be cancelled, or another attachment may be implemented only if the fact underlying the attachment is eliminated and it is declared and so notified by the appropriate person. In this case the securities account keeper shall immediately transfer back the securities in question into the securities account. If the account holder is permitted to alienate any securities subject to an attachment, the securities account keeper shall transfer such securities, with an indication of the attachment, to the blocked subsidiary account of the new owner of the securities opened under this new owner's securities account.

7.6 (This section was deleted in accordance with the resolution of the AGM held on April 25, 2007).

7.7 The rules relating to the conversion of the share category are set forth in section 7.13.

If a resolution is passed at a General Meeting on the conversion of any categories of shares of the Company, the Board of Directors, at cost of the Company, shall provide, in compliance with the legal rules and the regulations of the central depository for the invalidation of the document issued previously relating to the dematerialized shares but which is not deemed to be security, the issuance of a new document and the registration of the converted shares on the securities accounts.

7.8 Should the Company's registered capital be increased, the price of the shares to be issued and the due date by which payments for such shares shall be made, shall be determined in the resolution on the increase of the Company's registered capital.

7.9 If a shareholder fails to provide his contribution undertaken by the date set forth, the Board of Directors shall order such shareholder to provide the contribution within a period of thirty days. Such order shall also note that failure to perform will result in the termination of the shareholder status with respect to the shares concerned. In the event the period of thirty days passes without performance, the shareholder status with respect to the given shares shall terminate on the day following the expiration of such period. The Board of Directors shall inform the shareholder thereof in writing.

7.10 (Deleted pursuant to the resolution passed by the General Meeting held on April 25, 2007).

7.11 Rights of the shareholder:

7.11.1 The shareholder is entitled to receive a share of the Company's profits that are distributable and where a dividend is declared by the General Meeting. Such dividend shall be in proportion to the number of nominal shares held by the shareholder (right to a dividend) however, dividends with respect to treasury shares shall be added to the non-distributable after-tax profit of the Company. (On the basis of Section 227 of the Companies Act) Shareholders that have been registered in the share-register as a result of the identification of ownership prepared on the reference date established and announced by the Board of Directors regarding the payment of dividends are entitled to dividends. The date with relevance with respect to the entitlement to dividends established by the Board of Directors may be different than the date of the general meeting adopting the decision for the payment of dividends. (On the basis of Subsection 220(1) of the Company Act).

7.11.2 In case of termination of the Company without a legal successor, the shareholder shall be entitled – based on the payments and in-kind contributions made by the shareholder for the shares - to a portion of any remaining assets of the Company following satisfaction of the Company's creditors. Such portion of the remaining assets shall be distributed to the shareholder in proportion to the ratio between the nominal value of its shareholding in the Company's registered capital and the total registered capital of the Company (proportional right to liquidation assets).

7.11.3 Every shareholder has the right to participate in the General Meeting, to request information, to voice its opinion and to submit motions within the limits set forth by the Companies Act. Shareholders entitled to vote may vote.

7.11.4 The Board of Directors shall provide every shareholder who makes a request, at least eight days before the General Meeting, with information necessary to enable the shareholder to evaluate items on the General Meeting agenda. The Board of Directors may withhold information where its dissemination in its opinion would compromise business secrets of the Company. Information must be provided in this case as well if the Board of Directors is instructed to do so by a resolution of the general meeting (Subsection 298(2) of the Companies Act). The shareholder is not allowed to inspect the Company's business accounts or other business documents as part of his right to information (on the basis of subsection 298(3) of the Companies Act). The shareholder is obligated to maintain the business secrets of the Company secret, and he is liable for damages caused to the Company by the breach of this obligation pursuant to the rules of section 339 of the Civil Code. (Subsection 215(3) of the Companies Act).

7.11.5 (Deleted and inserted in Section 11.4 pursuant to the resolution passed by the General Meeting held on April 27, 2005)

7.11.6 (Deleted and inserted in Section 11.5.3 pursuant to the resolution passed by the General Meeting held on April 27, 2005)

7.12 Court review of resolutions

Any shareholder of the Company may request a court review of resolutions passed by the organs of the Company with reference to the point that such resolution conflicts with the Companies Act, other legal regulations, or these Statutes.

Any member of the Board of Directors or the Supervisory Board may also initiate a court review of a resolution passed by the General Meeting.

The action for court review of a resolution violating the law shall be initiated against the Company within thirty days after obtaining knowledge of such resolution. Following expiration of a ninety day non-appealable deadline from the date of the passing of the resolution, the resolution may not be contested even if it has not been communicated to the person entitled to initiate a claim or he has not obtained any knowledge thereof.

Any person who voted in favor of a resolution is not entitled to this right to bring an action against such a resolution, provided that the person's affirmative vote was not procured by mistake, fraud, or unlawful threat.

7.13 Amendments to the rights attached to shares within a series, the form of operation of the Company, the reduction of the registered capital, as well as transformation of categories and classes of shares:

7.13.1 (Deleted pursuant to the resolution passed by the General Meeting held on April 28, 2004.)

7.13.2 (Deleted pursuant to the resolution passed by the General Meeting held on April 25, 2007).

7.13.3 A resolution of the General Meeting aiming at the change of the form of operation of the Company may be passed in accordance with the rules governing amendments of the statutes and in view of the legislative provisions applicable in respect of securities.

7.13.4 If the Company has issued securities of a differing type or class, with the exception of a mandatory reduction of the registered capital pursuant to the Companies Act, the resolution of the General Meeting on the registered capital reduction may be passed validly only if a majority of the shareholders of the types and classes of shares directly affected by the registered capital reduction present at the General Meeting consent thereto separately. In the course thereof, the provisions on any restriction or exclusion of voting rights attached to such shares may not be applied, save where voting rights relating to shares held by the Company are excluded.

7.13.5 In the case mentioned in section 7.13.4 above, the shareholders directly affected shall vote on the reduction of the registered capital, simultaneously with or prior to the General Meeting resolution at issue.

7.13.6 (Deleted pursuant to the resolution passed by the General Meeting held on April 25, 2007).

7.14 Obligations of Certain Shareholders:

7.14.1 A shareholder of the Company may not establish, manage, administer or permit the continuance of any depositary arrangement in Hungary or any other country in respect of shares or any other securities convertible into shares of the Company unless provisions having substantially the same purpose and effect as the provisions in Sections 9 and 13 hereof are imposed on investors and any other participants in such depositary arrangement by the agreement(s), conditions and any other instrument(s) constituting or otherwise regulating such depositary arrangement.

7.14.2 For the purposes of the present Statutes, a "depositary arrangement" shall mean any arrangement for the holding of shares or convertible securities of a corporate entity by a depositary or any other person (however defined) registered as a shareholder in the Share Register of such entity pursuant to which the persons participating in such arrangement as investors are granted interests in a global certificate, or are issued with securities or certificates, such global certificate or securities or certificates evidencing interests or rights in respect of the shares or convertible securities held by such depositary or other person holding the shares or convertible securities. The Statutes may provide that the depositary or other person holding the shares shall not be subject to the provisions of Articles 9 and 13, or shall be subject only to certain of them, provided, however, that such depositary or other person shall always comply with Section 7.14.1 hereof.

(8) Share Register - Certificate of Shareholding

8.1[1] The Board of Directors of the Company shall keep a register of shareholders, including holders of interim shares. The Board of Directors of the Company may outsource the administration of its Share Register to a clearing house, a central depository, an investment enterprise, a financial institution, an attorney at law or an auditor (other than the elected auditor) subject to publication of the commission and identity of the consignee in the Cégközlöny (Companies Gazette) and on the Company's homepage. The following shall be recorded in the Share Register: the name (company) and address (registered seat) of the shareholders and the shareholders' representatives (hereinafter referred to jointly as "shareholders"), or in the case of jointly owned shares, the name (company) and address (seat office) of the joint representative, furthermore, the number of shares or interim shares (ownership ratio) of shareholders as per each series of shares, as well as any other data set forth by law and in section 9.3 of the Statutes.

8.2 Shareholders may inspect the Share Register, and may request a copy of the section thereof concerning themselves from the Board of Directors or the party commissioned by it, which request the keeper of the Share Register shall satisfy within five days. The first copy of such certificate of shareholding (the extract in the case of digital data carriers) shall be provided free of charge. Any further copies shall be provided at the expense of the shareholder requesting them. The Share Register may be inspected by third parties within the limits of the legal regulations concerning the inherent rights and the protection of data..

[1] The section has been modified as approved by the AGM held on April 26, 2012.

8.3 The securities account keeper, unless otherwise instructed by the shareholder (which instructions may be incorporated into the contract concluded with the securities account keeper, or into the general terms of contracts or the business regulations of the securities account keeper) shall disclose within two working days of the credit of the shares to the securities account to the keeper of the Share Register the shareholder's name (business name), address (seat), the quantity of shares and interim shares (rate of ownership) held by the shareholder according to the series, as well as any other information prescribed by law.

8.4 The determination of entitlement to exercise the rights of shareholding - according to the act on securities – takes place by way of identification of ownership. A certificate of ownership is not required for the exercise of shareholding rights (Subsection 297(2) of the Companies Act).

(9) Transfer of Shares

A. General

9.1 Whenever title to dematerialized securities is conveyed, it must be effectuated through the crediting and debiting of securities accounts. Unless evidenced to the contrary, the holder of a security shall be the person on whose account it is registered.

9.2 The transfer of shares or interim shares shall be considered valid and effective towards the Company only if the name of the new shareholder is entered into the Share Register.

B. Entry in the Share Register

9.3 In case of persons falling under the obligation of notification pursuant to the provisions of the Capital Market Act, the transfer of registered shares shall be entered by the Company in the Share Register upon evidencing that the report to the Commission relating to the acquisition of shares and the required public disclosure regarding same pursuant to the provisions of the Capital Market Act has been made, and furthermore upon the presentation to the Board of Directors by the transferee of shares, by the shareholder's representative or, in case of jointly owned shares, the joint representative of the information satisfactory to the Board of Directors concerning (a) the circumstances of the acquisition of shares, (b) the identity (in the case of a natural person) or the status and ownership (in the case of a legal entity or other body, incorporated or otherwise) of the transferee of shares Within the framework of the obligation of notification, at least the following documents must be presented to the Board of Directors:

- (i) in case of shareholders which are legal entities, a recent certificate of incorporation or any other official document of equivalent purpose providing detailed information concerning the current legal status and ownership structure of the shareholder, and

- (ii) a statement by the shareholder indicating (a) whether the shareholder is the beneficial owner of the shares to be entered in the Share Register, (b) whether there is any agreement relating to the exercise of voting rights with respect to the shares, and (c) providing - in case of shareholders which are legal entities - information satisfactory to the Company concerning the name, registered seat and ownership structure of any shareholder, partner, member of, or holder of any interest in, the shareholder holding or controlling 20% (twenty percent) or more of its registered capital or voting rights at its general meetings. The certificate of incorporation or any other official document of equivalent purpose relating to the member of the shareholder holding at least 20% of the voting rights in the shareholder must also be presented to the Board of Directors and furthermore, the notification obligation shall also apply with respect to members holding at least a 20% interest or voting rights in the shareholder;

- (iii) a statement of the shareholder pursuant to which such shareholder shall undertake to notify, without any delay, the Board of Directors of the Company of any agreement relating to the exercise of voting rights with respect to the shares;

- (iv) a statement declaring that the shareholder will notify, without any delay, the Board of Directors of the Company of any change in its ownership, where such change is resulting in a member or shareholder of such shareholder acquiring or otherwise controlling - directly or indirectly - at least 20% (twenty percent) or more of the registered capital of the shareholder or voting rights at its general meetings.

In each case, a request for registration into the Share Register by a shareholder shall contain an authorization by said shareholder for the cancellation of the registration in case that such request shall - either at the time of the request or subsequently - contain any materially false, fraudulent or misleading statements.

9.4 (Deleted on the basis of the resolution of the AGM of April 28, 2003 due to the dematerialization of the common shares.)

9.5 (Deleted on the basis of the resolution of the AGM of April 28, 2003 due to the dematerialization of the common shares.)

9.6 The Company shall send its notices to the shareholders or shareholders' representatives - in case of jointly owned shares, the joint representative - registered in the Share Register and to the address indicated in the Share Register, and shall not assume any liability if the actual ownership structure is different from the structure entered in the Share Register.

9.7 (a) The Company shall be entitled to refuse registration in the Share Register, and/or the Board of Directors shall be entitled to delete the registered shareholder or the shareholders' representative from the Shareholders' Register even without the consent of the shareholder thereto, if: (i) a shareholder or shareholder's representative fails to provide the documents, certificates and statements set forth in Section 9.3 hereof where such shareholder or shareholder's representative is required by the present Statutes to provide such documents, certificates and statements, or (ii) if a shareholder has failed to fulfill its notification and publication obligation relating to the acquisition of influence or has acquired influence in excess of the threshold in the Capital Market Act, other than as a result of a successful offer in accordance with the provisions of the Capital Market Act, or (iii) if the request for registration contains illegible or not understandable information. Any registration in the Share Register made on the basis of materially false, fraudulent or misleading statements shall be deemed null and void and may be cancelled by the Board of Directors.

(b) A shareholder (i) whose acquisition or holding of shares is prohibited by applicable law including when the shareholder has failed to fulfill its notification and publication obligation relating to the acquisition of influence; or (ii) whose shareholding has not been registered in or has been deleted from the Company's Share Register, may not exercise its shareholders' rights with respect to the Company (including but not limited to the right to vote and to receive dividends). In case the Board of Directors deletes the shareholder from the Share Register for lack of the required certificates or for non-appropriate certificates, then the resolutions of the General Meeting passed with the participation of such shareholder shall only remain in force if the majority required to pass such resolution was met without the votes of the deleted shareholder.

(c) A shareholder shall be liable for all losses and damages caused to the Company or any other shareholder arising from the provision of materially false, fraudulent or misleading information in documents, certificates or statements in connection with an application for entry into the Share Register, or any material failure to meet its obligations under this Article 9.

C. Publication of the acquisition of influence and Notification to the Company - Thresholds

(Deleted on the basis of the resolution of the AGM held on April 28, 2009.)

(10) Signing on Behalf of the Company

The following persons shall be authorized to sign their names under the stamped, printed, or hand-written name of the Company, and thereby undertake rights and obligations on behalf the Company:

(a) the Managing Director acting **solely**, on behalf of the Company,

(b) any two members of the Board of Directors acting **jointly,**

(c) any member of the Board of Directors of the Company **jointly** with an employee of the Company vested by the Board of Directors with the authority to sign on behalf of the Company,

(d) any two employees of the Company vested by the Board of Directors with the authority to sign **jointly** on behalf of the Company.

(11) The General Meeting

11.1 The General Meeting is the highest decision-making body of the Company, and shall be comprised of all of the shareholders.

11.2 An annual General Meeting shall be held no later than the 150th day of every business year. The agenda of such annual General Meeting shall contain the following items without limitation:

11.2.1 discussion of the report prepared pursuant to the Accounting Act presented by the Board of Directors for the previous business year;

11.2.2 the Board of Director's report on the practice of corporate governance and on the departures made by the Company in applying the Corporate Governance Recommendations of the Budapest Stock Exchange;

11.2.3 discussion of the comments of the Supervisory Board on the report prepared pursuant to the Accounting Act, including also the recommendation regarding the appropriation of after-tax profits;

11.2.4 discussion of the comments of the Auditor on the report prepared pursuant to the Accounting Act, including also the recommendation regarding the appropriation of after-tax profits;

11.2.5 approval of the report prepared pursuant to the Accounting Act, including also the decision regarding the appropriation of after-tax profits;

11.2.6 determination of the remuneration of the elected directors;

11.3 The Annual General Meeting shall be convened by the Board of Directors unless otherwise provided by the Companies Act. The person or organ convoking the General Meeting shall determine its time, venue, and agenda.

11.4 The Board of Directors shall have the right to call an extraordinary General Meeting at its discretion. The Board of Directors shall also call an extraordinary General Meeting if persons authorized by the Companies Act or these Statutes request from the Board of Directors that a General Meeting be held. If shareholders holding at least five percent of the votes request for the convening of a General Meeting, stipulating its reason and purpose, such a General Meeting shall be convened. In the cases determined by the Companies Act, the Supervisory Board, and the Court of Registration are entitled to convene an extraordinary General Meeting.

The Auditor shall initiate the convocation of the General Meeting in cases described by Section 44 (2) of the Companies Act. If a General Meeting is not convened, or if the decision called for by the legislation is not made, the Auditor notifies the Court of Registration supervising the Company.

A General Meeting may only be convened while an action is pending at the Court of Registration with respect to the registration of a capital increase, and subscribers to the increased registered capital are unable to exercise their voting rights with respect to the shares subscribed in the capital increase as a result of the pending registration with the Court of Registration, if extraordinary circumstances justify the convening of such General Meeting. Such extraordinary General Meeting may only discuss and resolve items justified by such extraordinary circumstances.

11.5 The convening of the General Meeting shall be published on the Company's homepage at least 30 days prior to the commencement date thereof pursuant to the provisions applicable to the Company's announcements. The Company may notify shareholders regarding the convocation of the General Meeting in an electronic format, if shareholders have so requested. If an extraordinary Meeting is convened due to a shareholder stance rendered in connection with a public offer or following a successful public purchase offer and initiated by the acquirer of influence, the Meeting must be convened at least fifteen days prior to its commencement day.

11.5.1 The members of the Board of Directors and of the Supervisory Board and the auditor shall receive separate invitations to the General Meetings.

11.5.2 The announcement convening the General Meeting shall indicate the name and seat of the Company, the venue, date, time, agenda and method of holding of the General Meeting, the conditions placed on the exercise of voting rights as specified in these Statutes as well as the time and venue of the reconvened General Meeting. No more than twenty-one days, but at least ten days shall pass between the General Meeting of an insufficient quorum and the reconvened General Meeting. The announcement convening the General Meeting shall contain the information on the latest date until which the shareholder needs to have itself registered in the Share Register in order to participate on the General Meeting (Section 304(2) of the Companies Act, Section 13.1 of these Statues); information on the consequences of the registration in the Share Register (Section 304(3) of the Companies Act); the conditions laid down in these Statutes (Section 11.5.3) for exercising the right to request information (Section 214 of the Companies Act) and the right to supplement the agenda of the General Meeting (Section 300 of the Companies Act); as well as the date, place and way of accessing the proposals on the agenda and of the proposed resolutions (including the website of the Company).

11.5.3 Shareholders with at least one percent of the votes may request to the Board of Directors, by stipulating the reason, to include an item on the General Meeting's agenda at the latest within eight days following publication. [Section 217 subsection and 300(1) of the Companies Act]. Shareholders with at least one per cent of the voting rights may also submit proposals for resolutions in connection with the agenda. The Board of Directors shall render an opinion on the request and publish its decision within eight days. The Board of Directors may reject the shareholders' request only if the fulfillment thereof infringed upon the law. If the Board of Directors rejects the shareholder's request, the Board of Directors shall publish a notification to that effect along with the reasons for the rejection.

11.5.4 Except for a resolution convening a new General Meeting, the shareholders may only pass valid resolutions at the General Meeting relating to matters listed in the agenda of the General Meeting as published in the invitation convening the General Meeting.

11.5.5 Items not listed in the agenda may only be discussed and valid resolutions concerning these items shall only be passed if all of the shareholders are present at the General Meeting and they give their unanimous consent to the addition of such items to the agenda.

11.5.6 The announcement of the General Meeting shall indicate that the shareholders entitled to participate and vote at such General Meeting shall have the right to be represented to participate and vote at the General Meeting by a duly authorized proxy. Such duly authorized representatives are not required to be shareholders of the Company.

11.6 The Company shall publish the key data of the draft annual report prepared pursuant to the Accounting Act and of the report of the Board of Directors and the Supervisory Board, the total number of shares and voting rights at the date of convening the General Meeting, together with a summary of the proposals relating to the items on the agenda and draft resolutions on the Company's homepage at least twenty one days prior to the General Meeting. The Company shall publish the names of the members of the Board of Directors and the Supervisory Board and all monetary and non-monetary benefits granted to these members in this role, detailed by members and the legal title for the benefit simultaneously with convening the General Meeting (Subsections 304(1) and 312/A of the Companies Act).

11.7 With the exception of cases (that might be issues listed under 12.1. d/ii and y/i) where the presence of a larger number of shareholders is required due to the voting proportions set out in article 12.1 in order to constitute a quorum, a quorum exists if shareholders, personally or through their representatives, representing over half of the votes embodied by the voting shares are present at the General Meeting and have duly evidenced their shareholder or representative status. The General Meeting may be suspended once. If the General Meeting is suspended, it shall be continued within thirty days.

11.8 If the General Meeting has no quorum, the General Meeting shall be reconvened in accordance with Section 11.5.2. With the exception of cases (that might be any issues listed under 12.1) where under the given circumstances the presence of a larger number of shareholders is required due to the voting proportions set out in article 12.1 in order to constitute a quorum, the reconvened General Meeting shall have a quorum for the purpose of considering items on the agenda of the original General Meeting if the shareholders representing more then 20% of the votes relating to the voting shares issued by the Company are presented personally or via proxy at the reconvened General Meeting and their shareholding or representation right has been duly evidenced.

11.9 The General Meeting shall be chaired by the Chairman of the Board of Directors or by a person called upon in advance by the Board of Directors. The General Meeting shall approve the identity of the president of the General Meeting prior to the substantive discussion of the items of the agenda and until this has happened, the General Meeting cannot make a substantive decision in respect of the items on the agenda.

(12) Matters Within the Exclusive Competence of the General Meeting:

12.1 The following matters shall belong to the exclusive competence of the General Meeting:

(a) establishment and - unless the Companies Act or these Statutes provide otherwise - modification of the Statutes (three quarter majority of the votes present at the General Meeting, but at least 20% + 1 vote of all the voting shares, except for those decisions requiring a greater majority pursuant to the Statues);

(b) decision on the change of the form of operation of the Company (90% majority of the votes present at the General Meeting, but at least 45% + 1 vote of all the voting shares);

(c) decision on transformation or termination without a legal successor of the Company (90% majority of the votes present at the General Meeting, but at least 45% + 1 vote of all the voting shares);

(d) (i) the election and removal of the members of the Board of Directors, the Supervisory Board, the Audit Board and of the Auditor, and the establishment of their remuneration (for election and the establishment of the remuneration, simple majority of the votes present at the General Meeting, but at least 20% + 1 vote of all the voting shares; (ii) for the removal of a member of the Board of Directors, a simple majority of those present but at least 35%+1 vote of all the voting shares [based on subsection 295(2), section 234, and subsections 235(1) and (2)], and (iii) for the removal of members of the Supervisory Board and of the Audit Board and of the Auditor, three quarter majority of the votes present at the General Meeting, but at least 35% + 1 vote of all the voting shares);

(e) approval of the report prepared pursuant to the Accounting Act and the consolidated report, including the decision on the appropriation of after-tax profits (simple majority of the votes present at the General Meeting, but at least 20% + 1 vote of all the voting shares);

(f) decision - unless otherwise stipulated by the Statues or by the Companies Act - to pay interim dividends (simple majority of the votes present at the General Meeting, but at least 20% + 1 vote of all the voting shares);

(g) non-mandatory decision concerning the policies and frame of the long-term remuneration and promotional system of the members of the Board of Directors, the members of the Supervisory Board as well as of executive employees [Subsection 302 c) of the Companies Act]; decision concerning the approval of the report on corporate governance (Subsection 312(2) of the Companies Act); (simple majority of those present at the General Meeting, but at least 20% + 1 vote of all the voting shares);

(h) (Deleted on the basis of the resolution of the AGM of April 25, 2007).

(i) variation of the rights attached to the individual series of shares, and the transformation of categories or classes of shares (three quarter majority of the votes present at the General Meeting, but at least 20% + 1 vote of all the voting shares);

(j) decision - unless otherwise stipulated by the Statues or by the Companies Act - on the issue of convertible bonds or bonds with subscription rights (simple majority of the votes present at the General Meeting, but at least 20% + 1 vote of all the voting shares);

(k) decision on the acquisition of own shares, unless intended to prevent directly threatening serious damages to the Company or otherwise provided for by the Companies Act, furthermore, the authorization of the Board of Directors for the acquisition of own shares (simple majority of the votes present at the General Meeting, but at least 20% + 1 vote of all the voting shares);

(l) decisions on the (i) listing or (ii) delisting of Company shares on the Stock Exchange (three quarter majority of the votes present at the General Meeting, but at least 20% + 1 vote of all the voting shares in case of listing, or 35% + 1 vote of all the voting shares in case of delisting);

(m) with the exception of commercial transactions, any resolution concerning financial matters of the Company that involves the distribution of funds, the obtaining of loans, the granting of guarantees, or the creation of any other financial liability the aggregate financial effect of which over one year exceeds fifteen percent (15%) of the Company's total assets (saját vagyon) as determined by the last audited balance sheet (simple majority of the votes present at the General Meeting, but at least 20% + 1 vote of all the voting shares);

(n) decisions on investments and leases which have a financial effect over one fiscal year equaling or exceeding twenty-five percent (25%) of the Company's total assets as determined by the last audited balance sheet (simple majority of the votes present at the General Meeting, but at least 20% + 1 vote of all the voting shares);

(o) decisions on the acquisition of other companies, their share capital, and/or the formation of any other company, if any such transaction has a financial effect over one fiscal year equaling or exceeding thirty percent (30%) of the Company's total assets as determined by the last audited balance sheet (simple majority of the votes present at the General Meeting, but at least 20% + 1 vote of all the voting shares);

(p) decisions which may result, in one or more steps, in a fundamental reduction of the research and development or manufacturing activities of the Company in Hungary (90% majority of the votes present at the General Meeting, but at least 45% + 1 vote of all the voting shares);

(q) decisions concerning the renaming, or any amendment to the registered and/or trading name, of the Company (90% majority of the votes present at the General Meeting, but at least 45% + 1 vote of all the voting shares). The shareholders exclude the amendment of the Company name by a simple majority of the votes (Subsection 18(2) of the Companies Act);

(r) decisions concerning the changing of the registered seat of the Company (90% majority of the votes present at the General Meeting, but at least 45% + 1 vote of all the voting shares). The shareholders exclude the amendment of the seat, sites and branches by a simple majority of the votes (Subsection 18(2) of the Companies Act);

(s) decisions concerning the canceling of the registration of the following classified activities within the Company's scope of activity: in accordance with the classification under the new TEAOR '08 (21.10) Manufacture of basic pharmaceutical products; (21.20) Manufacture of pharmaceutical preparations; (20.13) Manufacture of other inorganic basic chemicals (20.14) Manufacture of other organic basic chemicals, or the cessation of any of such activities (90% majority of the votes present at the General Meeting, but at least 45% + 1 vote of all the voting shares). The shareholders exclude the amendment of the scope of activities by a simple majority of the votes (Subsection 18(2) of the Companies Act);

(t) decision on all matters belonging to the exclusive competence of the General Meeting pursuant to the Companies Act or these Statutes (simple majority of the votes present at the General Meeting, but at least 20% + 1 vote of all the voting shares, unless otherwise stipulated by the Statues or by the Companies Act);

(u) decision - unless otherwise stipulated in the Companies Act - on the increase of the registered capital of the Company (three quarter majority of the votes present at the General Meeting, but at least 20% + 1 vote of all the voting shares);

(v) decision - unless otherwise stipulated in the Companies Act - on the decrease of the registered capital of the Company (three quarter majority of the votes present at the General Meeting, but at least 35% + 1 vote of all the voting shares);

(w) decision on the exclusion of the exercise of preferential subscription rights (three quarter majority of the votes present at the General Meeting, but at least 35% + 1 vote of all the voting shares);

(x) (The section has been deleted by the AGM held on April 28, 2009.)

(y) if in any year four or more members of the Board of Directors or three or more members of the Supervisory Board are removed, the removal of the fourth and the subsequent member(s) of the Board of Directors or the third or subsequent member(s) of the Supervisory Board (i) a simple majority of those present in the case of the removal of a member of the Board of Directors, but at least 45%+1 vote of all the voting shares [Subsection 295(2) of the Companies Act]; (ii) 90% majority of the votes present at the General Meeting in the case of the removal of a member of the Supervisory Board, but at least 45% + 1 vote of all the voting shares).

12.2 Decisions on matters belonging to the exclusive competence of the General Meeting shall be decided by the majority of votes set forth in Section 12.1.

12.3 If the general meeting of the Company decides on the delisting of the shares listed on a regulated market, the shareholder whose shares are directly affected by the delisting - except if the shareholder contributed to the approval of the delisting by the general meeting - is entitled to demand within a period of 60 days from the publication of such decision (term of preclusion) that the Company buy its shares for the consideration set forth in Section 63/A of the Capital Markets Act. The offer for sale shall not be withdrawn. [Subsection 63(7) of the Capital Markets Act] The share transfer agreement between the Company and the shareholder making the offer for sale shall be deemed concluded on the last day of the period open for the exercise of the right to sell. [Subsection 63/A(6) of the Capital Markets Act]. The Company shall, within a period of 2 years, alienate or withdraw the shares acquired as a result of the exercise by the shareholder(s) of the right to sell in the course of delisting of shares listed in regulated markets (Section 223 of the Companies Act).

(13) Voting

A. General

13.1[2] Certification of ownership is not required for the exercise of shareholders' rights; the entitlement is verified by way of the identification procedure prescribed in the act on securities and in rules of procedures of the central depository. (Section 297.§ (2) of the Company Act) Pursuant to the identification of ownership initiated by the Company, or in the case of a representative, on the basis of the power of attorney, the Board of Directors shall issue a voting card or another certificate containing an entitlement to vote (the "voting card"). At the General Meeting, shareholder rights can be exercised via the voting card. The voting card shall contain the name of and the number of votes entitled to the shareholder or the shareholder's representative.

The Company shall only issue a voting card to a shareholder or shareholder's representative who is registered in the Share Register as the owner of the shares or as the shareholder's representative, or in case of jointly owned shares, as joint representative.

The name of a shareholder, or of a shareholder's representative, who wishes to participate in the General Meeting shall be recorded in the Share Register by the second working day preceding the commencement day of the General Meeting. [Subsection 304(2) of the Companies Act].

In the case of identification of ownership initiated by the Company, if it is in connection with the closing of the Share Register, the keeper of the Share Register delete all the data in the Share Register at the time of identification of ownership and at the same time shall record in the Share Register the data resulting from the identification of ownership (Subsection 297(3) of the Companies Act).

Shareholders' rights at the General Meeting may be exercised by the person who is the owner of the shares on the reference date for the identification of ownership and whose name is contained in the Share Register at 6 PM (Budapest time) on the second business day before the first day of the General Meeting. [Section 304(3) of the Companies Act]

The closing of the Share Register shall not impede the transfer of shares following the closing of the Share Register by a person registered in the Share Register. The transfer of shares prior to the commencement day of the General Meeting does not exclude the right of a person registered in the Share Register to participate in the General Meeting and to exercise the rights to which he is entitled as a shareholder. [Subsection 304(3) of the Companies Act]

13.2 ~~Subject to the provisions of Section 13.8 hereafter, every share of nominal value HUF 1,000 entitles its holder to one vote.~~
<u>Subject to the provisions of Section 13.8 hereafter, every share of nominal value HUF 100 entitles its holder to one vote.</u>

2 The section has been modified as approved by the AGM held on April 26, 2012.

13.3 A shareholder shall not be entitled to exercise voting rights prior to having effected full payment of its contribution in cash.

13.4 Shareholders may also exercise their rights at a General Meeting through an authorized representative. One representative may represent several shareholders; however, one shareholder may have only one representative. If the shareholder holds shares that are held on more than one securities account, it may authorize different representatives for each securities account. However, with respect to the shares held by the same shareholder, the votes cannot be different, otherwise all votes of that shareholder are invalid.

The representative shall cast votes in accordance with the instructions issued by the appointing shareholder, otherwise its vote is invalid. Representatives may obtain voting cards if they present authorization contained in an official deed or a private deed of full probative value to the Company at the time and place indicated in the announcement regarding the General Meeting.

The power of attorney issued by a shareholder shall be valid for one General Meeting or for a definite period of time, but no longer than 12 months, and applies to any continuations of a suspended General Meeting and also any reconvened General Meetings postponed due to a lack of quorum. Members of the Board of Directors, of the Supervisory Board, the company-secretary, or an executive employee of the Company may not be authorized to represent a shareholder at a General Meeting, unless they receive from the appointing shareholder unequivocal voting instructions in writing for each draft resolution. The Company Auditor may not be authorized to represent a shareholder.

The above provisions do not affect the regulations relating to the "shareholder's nominees" contained in the Capital Market Act.

13.5 If the voting is effected by using voting cards, the Board of Directors shall issue to the shareholders (or to the authorized representatives) entitled to vote such number of voting cards that is equal to the number of items on the agenda of the General Meeting, on which voting is required.

Voting cards shall bear:

- the name of the Company and the class of shares,
- the name of the shareholder,
- the time of the General Meeting,
- the number of votes, and
- clearly indicated spaces for the marking of "yes," "no," and "abstain."

For the calculation of the votes for the adoption of a valid resolution, only the voting cards that are submitted must be taken into account, and only where "yes," "no," and "abstain" (and only one of these) are clearly marked. A voting card marked as "abstain" shall be considered a valid, submitted vote. For the passing of a valid resolution, only voting cards marked "yes" shall be taken into account.

At the General Meeting, the voting shall be effected by handing over the voting cards to the vote counters.

The Board of Directors may decide to implement another method for the vote counting (i.e., using a computer to count votes). In such case, the proper recording of the above mentioned information shall have to be secured.

13.6 A three member commission shall be elected at the beginning of the General Meeting for the purpose of counting the votes. The Chairman of the General Meeting shall nominate members for election to the commission. The Chairman of the General Meeting may not be elected as a member of the commission.

13.7 The result of each vote shall be presented by the commission in a written report duly countersigned by the members of the commission. The report of the commission must be attached to the minutes of the General Meeting.

B. Limitation on Voting Rights

13.8 At general meetings, a shareholder may not exercise voting rights, for its own account or as the repressentative of another shareholder, alone or in concert with affiliated persons, in excess of 25% (twenty five percent) of the voting rights attached to the shares held by shareholders present or represented at the general meeting.

C.

13.9 (Deleted on the basis of the resolution of the AGM of April 28, 2009.)

(14) The Board of Directors

14.1 The Board of Directors shall be the Company's managing body. It shall represent the Company with respect to third parties, in court and before other authorities. The Board of Directors shall develop and control the Company's operations and shall exercise employer's rights over the General Director. The Board of Directors shall be comprised of 3 (three) but no more than 11 (eleven) members. The members of the first Board of Directors of the Company shall be appointed by the founders in the Deed of Foundation for a term of 1 (one) year starting from the date of appointment. Subsequently, the General Meeting shall elect from time to time the members of the Board of Directors for a defined period of time that shall not exceed the term of 5 years.

The names and data of the members of the Board of Directors are contained within Attachment No.1 of these Statutes.

14.2 The Chairman and the Deputy Chairman of the Board of Directors shall be elected from among the members of the Board of Directors by the members of the Board of Directors. The first Chairman of the Board of Directors shall be appointed for a term equal to the term for which the first Board of Directors has been appointed. Subsequently, the Chairman of the Board of Directors shall be elected for a term, the duration of which shall be decided by the Board of Directors. The Board of Directors may withdraw the mandate of the Chairman at any time. If for any reason, the Chairman or the Deputy Chairman cease to be members of the Board of Directors, their mandate as Chairman or Deputy Chairman shall be terminated. The Board of Directors shall control the Company's business activities in compliance with the provisions of these Statutes, the resolutions of the General Meeting, and all applicable laws. The remuneration of the members of the Board of Directors shall be determined by the General Meeting.

14.3 The convocation and rules of procedure of the meeting of the Board of Directors:

14.3.1 The Board of Directors shall convene ordinary meetings at least four times a year. The venue, date, time and agenda of such meetings shall be determined by the Chairman of the Board of Directors at his discretion. Members of the Board of Directors shall be notified thereof not less than 8 days before the meeting. The invitation to the meeting of the Board of Directors shall be in writing.

14.3.2 The Chairman of the Board of Directors or, if absent, the Deputy Chairman shall convene the meeting of the Board of Directors if requested by the General Director or by any two members of the Board of Directors jointly. The meeting of the Board of Directors shall be chaired by the Chairman of the Board of Directors or, if prevented from attending, the Deputy Chairman.

14.3.3 If the Chairman and the Deputy Chairman of the Board of Directors are not present at the meeting of the Board of Directors, the members present shall elect a Chairman from among the members of the Board of Directors present.

14.3.4 Two-thirds of the total number of the members of the Board of Directors, but no less than three members, must be present at the meeting of the Board of Directors to constitute the quorum required to pass valid resolutions. The total number of the members of the Board of Directors shall mean the number of the members of the Board of Directors in office at such time.

14.3.5 In lack of a quorum at a Board of Directors' meeting, the Chairman shall convene another meeting to be held within three days from the date of the original meeting. At such second meeting a quorum exists if the majority of the directors in office, but at least three members, are present.

14.3.6 Should the number of the members of the Board of Directors fall below three, an extraordinary General Meeting shall be convened in order to elect new directors.

14.4 The Board of Directors shall have the competence:

(a) to convene an ordinary and extraordinary General Meeting, except in cases defined by the Companies Act;

(b) to prepare, approve and submit to the General Meeting proposals relating to the matters specified in Section 12. of these Statutes;

(c) to prepare reports on the management, financial situation and business strategies of the Company, and to submit such reports to the General Meeting once a year, and to the Supervisory Board every three months;

(d) to decide on the Company's annual and medium term business plans, to be carried out by the management of the Company;

(e) (i) to decide on any financial matters (excluding commercial transactions), involving expenses, borrowing, the granting of guarantees, or the placing of a financial liability on the Company with a value in excess of two percent (2%) but less than fifteen per cent (15%) of the value of the Company's total assets as determined in the Company's last audited balance sheet;

(ii) to decide on investments and lease-purchases not provided for in the Company's annual business plan, the financial effect of which over one year is in excess of two percent (2%) but less than twenty-five percent (25%) of the value of the Company's total assets, as determined by the Company's last audited balance sheet;

(f) to decide on the acquisition of other companies or a part of their registered/share capital, and/or the foundation of new companies not provided for in the Company's annual business plan, where such transactions have a financial effect over one year in excess of two percent (2%) but less than thirty (30%) of the Company's total assets as determined in the Company's last audited balance sheet, and to make decisions regarding the acquisition of a share interest in another company exceeding 25%;

(g) to determine the scope of authority of the General Director entrusted with the management of the Company;

(h) to approve the Company's internal Organizational and Operational Rules and Regulations;

(i) to determine the employees' right to sign on behalf of the Company;

(j) to decide on the sale of own shares owned by the Company;

(k) to ensure that the books of the company are kept according to the rules;

(l) in the cases set forth in the Companies Act or in the Statues, to accept an interim balance sheet with the prior approval of the Supervisory Board, furthermore to decide on the issuance of bonds, on the increase of the registered capital and on the payment of interim dividends.

The limitations in the value of the transactions as set forth in 14.4 (e) and (f) hereof shall apply to the aggregate value of transactions of the same type carried out within one year.

14.5 Any limitation of the right of representation of the Board of Directors according to the above shall be null and void with respect to third persons.

14.6 The Board of Directors shall pass its resolutions by a simple majority voice vote. In the case of a tied vote, the Chairman shall have the decisive vote. At the request of any member of the Board of Directors, the Chairman shall order a secret vote.

14.7 Members of the Board of Directors shall be liable to the Company in accordance with the provisions of the Civil Code for any damages caused to the Company by any breach of their obligations.

(15) The Managing Director

15.1. The Board of Directors shall authorize one of its members to control the day-to-day operations of the Company , in any case, for a term of office to be decided by the Board of Directors.

15.2 The Managing Director shall be personally liable for managing the Company's affairs in accordance with applicable laws and regulations, these Statutes, and the resolutions of the General Meeting and Board of Directors.

15.3 The Managing Director may, according to the Company's internal Organizational and Operational Rules and Regulations and within the sphere of the internal administration of the Company, delegate his duties and powers to managers and employees of the Company. Such delegation shall be executed by a formal, written instrument specifying the duties and powers delegated. The Managing Director's delegation of duties and powers may be general or made on a case-by-case basis. However, any limitation of the Managing Director's sphere of authority arising out of his membership on the Board of Directors shall be null and void with respect to third persons.

15.4 The Managing Director shall be entitled to decide on any matters that do not belong to the competence of the General Meeting or the Board of Directors.

15.5 The employer's rights over the employees of the Company shall be exercised by employees of the Company in accordance with the rules set forth in Annex (B) of the Statutes.

15.6 The Managing Director, acting in the interests of the Company, shall enter into agreements, represent the Company with respect to third persons, before courts and other authorities.

15.7 The Managing Director shall:

- prepare the agenda of the General Meeting and the meeting of the Board of Directors, and shall present proposals and motions for decisions at such meetings,
- implement the resolutions and decisions passed at the General Meeting and control the performance of the undertakings falling within the Company's scope of activities.

15.8 Except for the rights assigned to the General Meeting, the employer's rights over the Managing Director shall be exercised by the Board of Directors. The Managing Director may not vote on decisions regarding these matters and on resolutions affecting his person as a member of the Board of Directors.

15.9 The Board of Directors may delegate any of its powers related to the day-to-day management of the Company to the Managing Director under the terms and conditions set forth at the Board of Directors' discretion. The Board of Directors may withdraw or alter any or all of these powers from time to time. Such delegation shall not affect the responsibility of the Board of Directors.

(16) The Supervisory Board and the Audit Board

16.1 The Supervisory Board shall be comprised of at least 5 members and shall not exceed nine members.

16.2 The members of the first Supervisory Board shall be appointed by the Founders in the Deed of Foundation for a term of 1 (one) year starting from the date of appointment. Subsequently, the General Meeting shall from time to time appoint the members of the Supervisory Board for a defined period of time that shall not exceed the term of three years. The General Meeting shall not appoint employees of the Company to the Supervisory Board except for the employees' representatives appointed in accordance with Section 38(1) of the Companies Act. The members of the Supervisory Board shall elect a chairman from among themselves.

The majority of the members of the Supervisory Board must be independent. A member of the Supervisory Board shall be independent if the member is in no other legal relationship with the Company than as member of the Supervisory Board.

a) is an employee or previous employee of the Company for five years following the termination of such legal relationship;
b) carries out activities as an expert or in another mandate legal relationship for the Company or its executive officers and their benefit for consideration;
c) is a shareholder in the Company who directly or indirectly possesses at least thirty percent of the votes or is a close relative [Subsection 685 b) of the Companies Act] or common law spouse of such a person;
d) is a close relative of one of the Company's – not independent – executive officers or executive employees;
e) is entitled to financial benefits as a member of the Supervisory Board upon the successful operation of the Company, or if he is remunerated by the Company, or by a business affiliated with the Company, in addition to the fee received as a member of the Supervisory Committee;
f) is in a legal relationship in a company with a non-independent member of the Company, based on which the non-independent party has a controlling right;
g) is the Company's independent auditor, or is the auditor's employee or partner for three years following the termination of such legal relationship;
h) is a executive officer or executive employee in a company, in which the independent members of board of directors or supervisory board are executive officers in the Company at the same time.

The names and data of the Supervisory Board members are contained in Attachment No.1 to these Statutes.

16.3 The duties of the Supervisory Board shall be:

(a) to control the management of the Company;

(b) to examine all substantial business strategy reports on the agenda of the General Meeting, as well as any proposals relating to issues falling within the exclusive competence of the General Meeting. The General Meeting may pass resolutions on the report prepared according to the

Accounting Act, including also the appropriation of the after-tax profits, only if in possession of the written report of the Supervisory Board.

(c) any other duties prescribed by the Companies Act.

16.4 If, in the course of carrying out its duties, the Supervisory Board becomes aware of any measures in contradiction with the laws or these Statutes or the resolutions of the General Meeting, or if in its opinion the business activities of the Company are contradictory to the interests of the Company or its shareholders, the Supervisory Board shall convene a General Meeting without delay and propose its agenda.

16.5 On the Supervisory Board, employees' representatives shall have the same rights and same obligations as all other members. If the opinion of the employees' representatives unanimously differs from the majority standpoint of the Supervisory Board, the minority standpoint of the employees shall be stated at the General Meeting.

16.6 The procedural rules (standing orders) governing the Supervisory Board shall be established by the Supervisory Board and approved by the General Meeting.

16.7 The Supervisory Board shall have a quorum if each of its members has been duly invited thereto and two-thirds of the members are present. If there is a lack of quorum, the meeting shall be postponed. The reconvened meeting shall have a quorum if at least three members of the Supervisory Board - in the ratio defined in section 16.8 hereafter - are present. The Supervisory Board shall pass resolutions by simple majority of those present.

16.8 As long as the number of the Company's full time employees exceeds a yearly average of two-hundred, the employees shall participate in the control of the Company's activities through the Supervisory Board. In such case, one-third of the members of the Supervisory Board shall be comprised of employees' representatives. In the event of an uneven number, such one-third shall be calculated in such a manner which is more favorable to the employees.

16.9 Should the number of full-time employees of the Company fall below two-hundred, the membership of the employee representatives on the Supervisory Board shall expire on the date of the extraordinary General Meeting convened to elect new members to the Supervisory Board. The new members to the Supervisory Board chosen as replacements shall be elected by such General Meeting.

16.10 Following a statement of opinion from the trade unions represented ~~operating~~ at the Company, the employees' delegates ~~representatives~~ on the Supervisory Board shall be nominated by the works council from among the employees. Persons nominated by the works council shall be elected as members of the Supervisory Board by the General Meeting at its first meeting following such nomination, unless statutory grounds for disqualification exist in respect of the nominees. In this case, a new nomination shall be requested.

16.11 The employees' representative who is a member of the Supervisory Board shall inform the employees of the Company through the works council, with the exception of business secrets, of the Supervisory Board's activities.

16.12 Membership of an employees' representative on the Supervisory Board shall also terminate if his labor relationship is terminated. Employees' representatives may only be dismissed by the General Meeting upon the proposal of the works council, unless, within 60 days, the works council fails to meet its obligation to make such proposal concerning such removal and a new representative despite statutory grounds for disqualification.

16.13[3] A three-member Audit Board operates at the Company, the members of which are chosen from among the independent members of the Supervisory Board by the General Meeting. At least one member of the Audit Board shall have a professional certificate in accounting or auditing. Annex 1 of the present Statutes contains the names and data of the members of the Audit Board.

16.14[4] The following matters belong in the scope of activities of the Audit Board:

a) opinion on the report prepared according to the Accounting Act;
b) monitoring the statutory audit of the annual report prepared pursuant to the Accounting Act;
c) recommendation regarding the person and remuneration of the auditor;
d) preparation of the agreement to be concluded with the auditor,
e) observing the enforcement of the professional, conflict of interest and independency requirements applicable to auditors, undertaking the duties in connection with the co-operation with the auditor, monitoring other services provided by the auditor to the company besides the auditing of the annual report prepared pursuant to the Accounting Act, and in case of need, recommendations to the Supervisory Board regarding the arrangements to be carried out;
f) evaluation of the operation of the financial accounting system and recommendations regarding the necessary arrangements;
g) assistance with the work of the Supervisory Board in the interest of the appropriate supervision of the financial accounting system as well as
h) monitoring the effectiveness of the company's internal control and risk management systems.

(17) The Auditor

17.1 The Founders shall appoint an Auditor in the Deed of Foundation for a period of 1 (one) year. Subsequently, the General Meeting shall appoint the Auditor from time to time for a defined period of time that shall not exceed the term of three years to the effect that the term of the mandate shall be no less than the time period between the General Meeting that has elected the Auditor and the General Meeting approving the report on the business year prepared according to the Accounting Act, the time period for the examination of which the Auditor was elected. If the Auditor is a legal person, the legal person must designate its member, executive officer or employee who shall be personally responsible for the completion of the audit. In the event of such person's prolonged absence, the assistant auditor may be designated to substitute the Auditor who is personally responsible. The name and data of the Auditor is contained in Annex 1 to these Statutes.

17.2 A person who is registered in the public registry of auditors pursuant to the applicable legislation may be elected as the Company's Auditor. The Auditor shall not be a shareholder or founder of the Company, nor member of the Board of Directors or Supervisory Board, nor a close relative or common-law spouse of any such member, nor become an employee of the Company during his mandate or for three years following the termination of his mandate as Auditor. In other respects, the rules applicable to the Auditor regarding professional qualifications and ethical requirements as well as conflict of interest are contained in separate legislation.

17.3 It is the duty of the Auditor to complete the audit as set forth in the Accounting Act, and primarily to determine, whether the report of the Company prepared on the basis of the Accounting Act complies with legislation and whether it presents a reliable and realistic picture of the Company's financial situation, assets and the results of its operation. The Auditor may not provide services to the Company that could jeopardize the objective and independent completion of above-mentioned public interest tasks. Separate legislation defines the scope of activities that may be pursued by the Company's Auditor, as well as the conditions and limits of services provided. The Auditor may examine the Company's books to ensure the completion of the Auditor's tasks, and it may also request information from executive officers and the Company's employees. The Auditor may examine the Company's bank accounts, customer accounts, accounting books and agreements.

[3] The section has been modified as approved by the AGM held on April 26, 2012.
[4] The section has been modified as approved by the AGM held on April 26, 2012.

17.4 The Supervisory Board may initiate the Auditor's hearing at a meeting of the Supervisory Board. The Auditor may also request that the Supervisory Board include an issue on its agenda that has been recommended by the Auditor and may request to participate with a right of consultation in a meeting of the Supervisory Board. The Auditor may not establish a professional relationship with the management of the Company that may jeopardize the impartial completion of the Auditor's tasks. The Auditor shall be invited to the meeting of the Company's highest decision-making body where the report of the Company prepared according to the Accounting Act is discussed. The Auditor shall participate in the meeting.

(18) Business Year

18.1 The business year shall be the calendar year. The first business year shall commence on the date of the foundation of the Company and shall end on 31 December of the same year.

18.2 Subsequent to the closing of the business year, a report pursuant to the Accounting Act shall be prepared.

(19) The Books of the Company and Financial Statements

19.1 The Company shall keep its books in the Hungarian language. The books and other records of the Company shall be kept at the seat of the Company, and shall be available at any time for inspection for the members of the Board of Directors, the Supervisory Board, and the Auditor.

19.2 The members of the Board of Directors shall bear joint and several liability for the preparation of the report prepared pursuant to the Accounting Act submitted to the General Meeting in accordance with all applicable laws.

19.3 The Company's after-tax profit shall be allocated according to the following principles:

- the General Meeting shall determine the proportion of the Company's after-tax profit to be allocated for profit reserves and for dividend distribution. The General Meeting shall also determine the amount to be withdrawn from the profit reserves for the purpose of dividend distribution, and the actual amount to be distributed as dividends;

- a shareholder shall be entitled to that part of the Company's after-tax profit determined by the General Meeting as a dividend in proportion to his shareholding in the Company, however, dividends with respect to treasury shares shall be added to the non-distributable after-tax profit of the Company;

- the payment of dividends shall commence at least ten (10) business days after the date of the first publication of the announcement containing also the amount of the dividends and based on the resolutions passed by the General Meeting or the Board of Directors on the amount of the dividends and the commencement date of the payment of dividends.

19.4 At the end of each financial year, an annual report prepared in accordance with the Accounting Act shall be prepared regarding the Company's asset. The approval of such report shall fall within the exclusive competence of the General Meeting of the Company. An interim balance sheet relating to the acquisition of the Company's shares by the Company, the payment of interim dividends and the increase of the registered capital from the Company's assets in excess of its registered capital, may also be approved by the Board of Directors with the prior consent of the Supervisory Board.

19.5 During the period between the approval of two consecutive financial reports prepared in accordance with the Accounting Act, the General Meeting of the Company may resolve to pay interim dividends, provided that the conditions for such payment set forth in the Companies Act are fulfilled. Instead of the General Meeting, the Board of Directors shall also be entitled to approve the payment of interim dividends with the prior approval of the Supervisory Board. The rules relating to the payment of dividends shall appropriately apply - with the differences set forth in the Companies Act and in the Statues - for the payment of interim dividends.

(20) Increase in the Registered Capital of the Company, issuing bonds

20.1 Registered capital may be increased:

a) by the issuance of new shares,
b) to the debit of assets in excess of share capital,
c) by the issuance of employees' shares,
d) by the issuance of convertible bonds, as conditional increase of the share capital.

The Company may increase its registered capital by issuing new shares if the nominal or issue value of all shares issued have been paid and any in-kind contributions have been rendered at the disposal of the Company.

If the Company has issued shares belonging to different types or classes, the General Meeting's resolution on the increase of registered capital shall only be valid if the directly affected shareholders of the differing types and classes of shares have also granted their consent for the increase of the registered capital separately for each series, prior to or simultaneously with the resolution on the increase of the registered capital, with a simple majority of the votes present at the General Meeting. In the course thereof, the provisions on any restriction or exclusion of voting rights attached to such shares may not be applied, save where voting rights relating to shares held by the Company are excluded.

20.2 If the registered capital is increased by contributions in cash, the shareholders of the Company, and within this category primarily those shareholders who own shares belonging in the same series of shares as the shares issued, then the owners of convertible bonds and in the same line the owners of bonds with subscription rights - in this order - shall be entitled to a preferential subscription, pursuant to the conditions of the Statues. If the registered capital is increased through a private issuance, the subscription preference right shall be deemed to be a preferential right to receive the shares.

Within 2 (two) days following a resolution on the increase of registered capital by contribution in cash, the Company's Board of Directors shall initiate the publication of an announcement on the Company's homepage to notify the shareholders regarding the possibility to exercise the preferential subscription rights in connection with the registration/receipt of shares, the nominal value and the issue value of the shares to be subscribed, and the starting and closing day of the period of the exercise of such rights. The starting date may not be earlier than the day following the publication of such announcement. The Company, in case of a request of a shareholder communicated via e-mail, shall also provide information relating to the conditions of the exercise of the preferential subscription rights via e-mail. In case certain shareholders intend to subscribe for more shares than the number of shares they could actually subscribe for pursuant to their preferential subscription rights, they shall be entitled to subscribe for such further shares in the proportion of the nominal value of their previously owned shares, provided that in case of a fraction - independently of the value of such fraction - the number of the shares any given shareholder may subscribe for, shall be rounded down.

The General Meeting - on the basis of the Board of Directors' written proposal - may exclude the exercise of the preferential subscription rights. In such a case, the Board of Directors shall present, in this proposition, the reasons for the exclusion of the exercise of the preferential subscription rights and the planned issue value of the shares. In its reasoning, the Board of Directors shall present the advantages to the Company arising from the exclusion of the exercise of the preferential subscription rights. The rules relating to the consideration of the proposal are the same as the general rules relating to the consideration of proposals presented to the General Meeting. The General Meeting shall vote regarding the exclusion proposal simultaneously with the vote regarding the proposal relating to the increase of the registered capital. The Board of Directors shall submit to the Court of Registration the resolution of the General Meeting, and shall simultaneously arrange for the publication of an announcement regarding the contents of the resolution in the Company Gazette.

If the increase of the registered capital is carried out through a private issuance of new shares for in-kind contribution, the persons entitled to receive such shares shall be indicated in the resolution deciding on the increase of the registered capital. The category and the class, the number, the series, the nominal and issue value of the shares to be received by such persons shall also be indicated in such resolution.

If the increase of the share capital is carried out through a private issuance of new shares for cash contribution, the persons entitled - to the extent the persons entitled to exercise preferential rights to receive shares have not exercised such rights, or the General Meeting has excluded the exercise of such rights - to receive such shares shall be indicated in the resolution. The category and the class, the number, the series, the nominal and issue value of the shares to be received by such persons shall also be indicated in such resolution. (On the basis of Subsections 255(2) and (3) of the Companies Act). Upon the public issuance of shares, the resolution of the General Meeting regarding the increase in registered capital shall not specify the group and person of future shareholders taking part in the increase in registered capital. Persons wishing to acquire the new shares shall undertake to pay the consideration due for the shares and become entitled to receive the shares pursuant to the registration proceedings as set forth in the legislation applicable to securities.

The Company may increase its registered capital by its assets in excess of registered capital, or a part thereof, if, according to the balance sheet of the annual report prepared for the previous financial year according to the Accounting Act or to the interim balance sheet of the year, there are sufficient funds available for the capital increase, and if the Company's resulting registered capital does not exceed its equity capital adjusted in accordance with the Accounting Act.

20.3 The Board of Directors is, for a period of five (5) years from April 28, 2010 entitled to increase the Company's registered capital by a maximum of twenty-five percent (25%) per year. The largest amount by which the Board of Directors may increase the Company's registered capital within five years shall be HUF 38,239,604,000 that is, thirty-eight billion two hundred and thirty-nine million and six hundred and four thousand Hungarian Forints, thus the amount of the approved registered capital shall be HUF 56,877,090,000 that is, fifty-six billion eight hundred and seventy-seven million and ninety thousand Hungarian Forints.

If the Company has issued shares belonging to different types or classes, the General Meeting's resolution on the temporary transfer of the competence relating to the increase of the registered capital shall be valid only if the shareholders of the differing types and classes directly affected by the increase in the registered capital have also granted their consent for the temporary transfer of such competence separately, prior to or simultaneously with the resolution on the increase of the registered capital, with a simple majority of the votes present at the General Meeting. In the course thereof, the provisions on any restriction or exclusion of voting rights attached to such shares may not be applied, save where voting rights relating to shares held by the Company are excluded.

If an increase of the Company's registered capital is declared and successfully implemented by the Board of Directors, the Board of Directors shall be obliged to amend these Statutes.

(21) Foundation Expenses

The Founders agree that any costs and stamp duties in connection with the foundation of the Company shall be borne by the Company.

(22) Termination of the Company

22.1 The Company shall be terminated if:

(a) the General Meeting resolves its termination without legal successor;
(b) the General Meeting resolves its termination with legal succession (transformation);
(c) the Court of Registration terminates it based on the causes set forth in the Act on Company Registration and Winding-up Proceedings);
(d) the legislation so provides;

22.2 If the Company is terminated without legal successor, the assets of the Company remaining after the claims against the Company have been satisfied, shall be distributed among the shareholders on the basis of the their payments and contributions in kind actually provided, in proportion to the face value of their shares.

(23) Applicable Law, and the Procedure for Settling Legal Disputes

23.1 Matters not provided in these Statutes are governed by the provisions of the Companies Act, the Capital Market Act and Act XXIV of 1988 on Foreign Investments in Hungary (as amended).

23.2 The Permanent Court of Arbitration attached to the Hungarian Chamber of Commerce and Industry shall have exclusive jurisdiction and competence to decide any a) all legal disputes based on a company law relationship between the Company and its shareholders, including excluded shareholders or shareholders who have otherwise parted ways with the Company; b) legal disputes in connection with the Statutes or the operation of the Company between shareholders in their legal relationships; and c) the review of resolutions adopted by the General Meeting. The Court of Arbitration shall apply its rules of procedure and appoint a panel comprised of three arbitrators. The members of the panel or its chairman may be foreign individuals. (Subsections 10(1) and (2) of the Companies Act)

23.3 The venue of the Court of Arbitration shall be Budapest.

23.4 The language of the proceedings of the Court of Arbitration shall be Hungarian.

23.5 Throughout the proceedings before the Court of Arbitration, the parties are mutually obliged, at the request of any one of the adverse parties to give the Court of Arbitration and the adverse party copies of the legal documents in both English and Hungarian.

23.6 In case of legal dispute, applicable law shall be Hungarian law.

(24) Announcements, Advertisements

24.1 Announcements and advertisements of the Company shall be published on its homepage. Furthermore, if required by law, announcements shall be published in the Cégközlöny (the official gazette of the Hungarian Courts of Registration). In addition thereto, as long as the shares of the Company are traded on the Budapest Stock Exchange (BSE), those announcements required by the BSE shall be published in a manner as set forth by the BSE.

(25) Miscellaneous

25.1 Addresses and notice: The address for receiving notice for every shareholder or shareholder's representative shall be the address listed in the Share Register. The Company bears no responsibility if a shareholder or a shareholder's representative does not communicate a change of address to the Company in a timely manner. In the context of these Statutes, any announcements or notices shall be made in writing and in Hungarian, and in English for those foreign shareholders or shareholder's representatives listed in the Share Register. In the absence of differing provisions in the present Statutes, notice shall be conclusively presumed by the parties to have been made if such notice is delivered personally, sent by courier, registered mail, facsimile, or telegram, and simultaneously, a notice is sent via registered mail with a copy of the registration receipt enclosed. In every case, the sender shall bear the cost of delivery.

25.2 Headings: The headings contained in this Statute are solely for the purpose of convenience. They are not to be considered as part of these Statutes, and do not control, expand, nor limit the scope or meaning of any term contained in these Statutes.

25.3 In cases where these Statutes mention a certain ratio (percentage) of shareholders, the portion of the shares represented by the shareholder(s) shall be understood.

Date: Budapest, April 25, 2013.

I hereby countersign on the basis of Section 18(1) of Act IV of 2006 on Business Associations, the Statutes of Chemical Works of Gedeon Richter Plc. which were prepared by me on the basis of the resolutions no. [•] passed by the Annual General Meeting held on April 25, 2013.

A 2013. ÁPRILIS 25-I ÉVES KÖZGYŰLÉS ÁLTAL JÓVÁHAGYOTT EGYSÉGES SZERKEZETBE FOGLALT ALAPSZABÁLY (B) MELLÉKLETE

ANNEX (B) OF THE CONSOLIDATED STATUTES APPROVED BY THE ANNUAL GENERAL MEETING HELD ON APRIL 25, 2013

A MUNKÁLTATÓI JOGKÖR GYAKORLÁSA A TÁRSASÁG MUNKAVÁLLALÓI FELETT / EXERCISING THE EMPLOYER'S RIGHTS OVER THE EMPLOYEES OF THE COMPANY

Formázott: magyar

A Társaság munkavállalói felett a munkáltatói jogokat a Társasággal munkaviszonyban álló alábbi személyek az alábbiak szerint gyakorolják:	The employer's rights over the employees of the Company shall be exercised by the following employees of the Company as follows:
I. Alapvető munkáltatói jogok[1]:	**Basic employer's rights[1]:**
1. A vezérigazgató, akadályoztatása esetén a gazdasági vezérigazgató-helyettes gyakorolja az alapvető munkáltatói jogokat minden - vezérigazgató helyettes, - igazgató, igazgató-helyettes, - főosztályvezető, üzemcsoport vezető, főmérnök, valamint a - vezérigazgató közvetlen irányítása alá tartozó vezető beosztású munkavállaló felett~~val~~[2] ~~szemben~~.	1. The Managing Director~~,~~- in case of his absence the finance deputy managing director - shall exercise the basic employer's rights over all - deputy managing directors, - directors, deputy directors, - head of the department, head of factories, senior engineer, - and the executive employees[2] instructed directly by him.
2. Az emberi erőforrás igazgató, akadályoztatása esetén a vezérigazgató gyakorolja az alapvető munkáltatói jogokat - az I/1. pontban nem említett többi vezető beosztású munkavállaló~~val~~, valamint~~illetve~~ - minden - a munkáltató felé a munkavállaló által igazolt - felsőfokú végzettséggel (diplomával) rendelkező munkavállaló felett~~.val szemben az alapvető munkáltatói~~	2. The Human Resource Director~~Manager,~~ - in case of his absence the Managing Director- shall exercise the basic employer's rights with respect to other executive employees not mentioned in point I/1 ~~or~~ —and employees with a higher degree~~/~~ (university degree) that have been proven to the employer by the

[1] Alapvető munkáltatói jogok / Basic employer's rights:

- a munkaviszony létesítése / establishment of the employment;
- a munkaviszony megszüntetése / termination of the employment;
- a munkaszerződés módosítása / modification of the employment agreement;

[2] ~~lsd. SZMSZ Szervezeti felépítés ágrajzát / see the organizational chart of the Company's Organizational and Operational Rules and Regulations.~~

~~jogokat az emberi erőforrás igazgató, akadályoztatása esetén a vezérigazgató gyakorolja.~~

employee.

3. ~~Minden egyéb munkavállalóval szemben az alapvető munkáltatói jogokat~~ ~~A~~az Emberi Erőforrás Igazgatóság (EEI) partner szervezet vezetője - a dorogi fióktelepen az Emberi Erőforrás Igazgatóság dorogi szervezet vezetője - akadályoztatásuk esetén pedig az emberi erőforrás igazgató ~~a vezérigazgató~~ gyakorolja az alapvető munkáltatói jogokat minden - fentiekben nem említett egyéb munkavállaló felett.

3. The Head of the Human Resources Directorate (HRD) partner organization~~,~~ - in case of his absence the Human Resource ~~Managing~~ Director- shall exercise the basic employer's rights with respect to any other employees not mentioned above. At the branch office located at Dorog ~~t~~The Head of the Human Resources Directorate organization in Dorog -in case of his absence the ~~Managing Director~~Human Resource Director - shall exercise the basic employer's rights with respect to any other employees not mentioned above ~~at the Branch Office located at Dorog~~.

II. Egyéb munkáltatói jogok[2]:

1. Az egyéb munkáltatói jogok közül a kártérítési eljárás lefolytatását, a kártérítés összegének kiszabását ~~valamennyi munkavállalóval szemben~~ a javadalmazási és munkaügyi osztályvezető - dorogi fióktelepen az Emberi Erőforrás Igazgatóság dorogi szervezet vezetője - , akadályoztatásuk esetén az emberi erőforrás igazgató gyakorolja
- valamennyi munkavállaló felett.

Other employer's rights[23]:

1. The Head of the Department of Allowance and Employment - in case of his absence the Human Resource Director - shall proceed on claiming damages and establishing the amount of the damage included by the other employer's rights in case of all employees. The Head of the Human Resources organization located at Dorog - in case of his absence the Human Resource Director - shall

[2] Egyéb munkáltatói jogok mindazok, amik a fentiek alapján nem minősülnek alapvető munkáltatói jognak, de különösen az alábbiak / Other employer's rights are the rights that do not qualify as basic employer's right as per the above definition, but particularly:

- utasítási jog / right to provide instructions;
- a munkakövetelmények meghatározása / establishment of the obligations with respect to the work;
- a munka értékelése, minősítése (pl.: TÉR) / assessment and qualification of the work;
- jutalmazás/ providing gratitude;
- felelősségre vonás / liability issues;
- kártérítés kiszabása / establishment of the damage;
- szabadság~~ok~~ kiadása, ~~kiküldetések engedélyezése, elrendelése~~, munkaszerződéstől eltérő foglalkoztatás elrendelése / approval of the holidays and posting;
- a dolgozók szakmai képzéséhez, továbbképzéséhez az előfeltételek biztosítása / ensuring the pre-conditions of participating in professional education, professional training of the employees.

proceed on claiming damages and establishing the amount of the damage in case of the employees employed at the branch office in Dorog.

Az egyéb munkáltatói jogok közül a kártérítési eljárás lefolytatását, a kártérítés összegének kiszabását az emberi erőforrás igazgató gyakorolja:
- a javadalmazási és munkaügyi osztályvezető, és
- a dorogi fióktelepen az EEI dorogi szervezet vezetője felett.

The Human Resource Director shall proceed on claiming damages and establishing the amount of the damage included by the other employer's rights over:
- the Head of the Department of Allowance and Employment, and
- the Head of the (HRD) organization in Dorog at the branch office in Dorog.

2. A vezérigazgató, akadályoztatása esetén a gazdasági vezérigazgató-helyettes gyakorolja - a kártérítési eljárás lefolytatásának és a kártérítés összegének a kiszabása kivételével - az egyéb munkáltatói jogokat minden:
- vezérigazgató-helyettes,
- igazgató, ~~főosztályvezető, üzemcsoport vezető,~~ valamint a
- vezérigazgató közvetlen irányítása alá tartozó vezető beosztású munkavállaló felett~~val szemben~~.

2. The Managing Director~~,~~ -in case of his absence the finance deputy managing director- shall exercise the other employer's rights other than claiming damages and establishing the amount of the damage over all:
- deputy managing directors,
- directors, ~~head of the department, head of factories~~ and
- the executive employees supervised directly by ~~him~~the Managing Director.

3. ~~A vezérigazgató-helyettesek / igazgatók / főosztályvezetők / főmérnökök / üzemcsoport-vezetők alárendeltségébe tartozó minden vezető beosztású és egyéb munkavállalóval kapcsolatban az egyéb munkáltatói jogokat a közvetlen szervezeti felettes gyakorolja~~Egyebekben a szervezeti egység[3] vezetője, akadályoztatása esetén vezető beosztású helyettese, helyettes hiányában a felettes szervezeti egység vezetője, annak akadályoztatása esetén vezető beosztású helyettese gyakorolja – a kártérítési eljárás lefolytatásának és a

3. ~~The other employer's rights in connection with the executive employees and other employees supervised by the deputy managing directors / directors / head of the department /senior engineers / head of the factories shall be exercised by the direct principal[4] in the organization of the Company.~~ In connection with other matters, the head of the organizational entity – in case of his absence his executive deputy, in his absence the head of the superior

[3] lsd. SZMSZ. Általános rész önállónak minősülő szervezeti alapegységeit (igazgatóság, főosztály, főosztályi szintű szervezeti egység, osztály, iroda, szervezet, könyvtár, osztályszintű szervezeti egység) / see the General Part of the Company's Organizational and Operational Rules and Regulations, the organizational basic entities that are independent (directorate, main department, organizational unit on the level of the main department, department, office, organization, library, organizational unit on the level of a department).

kártérítés összegének a kiszabása kivételével – az egyéb munkáltatói jogokat minden - a szervezeti egység vezetőjének közvetlen alárendeltségébe tartozó - munkavállaló felett[4].

4. Az egyéb munkáltatói jogkör gyakorlója jogkörét a Társaság Szervezeti és Működési Szabályzatában meghatározott módon átruházhatja.

organizational unit, in his absence his executive deputy – shall exercise the other employer's rights (apart from claiming damages and establishing the amount of the damage) over all employees who are direct subordinates of the head of the organizational entity[34].

4. The person who exercises other employer's rights may transfer his rights in a way stipulated in the Company's Organizational and Operational Rules and Regulations.

[4] ~~Isd .SZMSZ. Általános rész önállónak minősülő szervezeti alapegységeit (igazgatóság, főosztály, főosztályi szintű szervezeti egység, osztály, iroda, szervezet, könyvtár, osztályszintű szervezeti egység) szervezeti felépítés ágrajzát / see the organizational chart of the General Part of the Company's Organizational and Operational Rules and Regulations, the organizational basic entities that are independent (directorate, main department, organizational unit on the level of the main department, department, office, organization, library, organizational unit on the level of a department).~~

13. Authorization to the Board of Directors for the purchase of own shares of the Company

Proposal to Item No.:13
on the Agenda of the AGM

Resolution of the Board of Directors No.: 26/2013

The Board of Directors proposes to the AGM to make a resolution regarding the Company purchase its own common shares (i.e. shares issued by Gedeon Richter Plc.) by the date of the year 2014 AGM, either in circulation on or outside stock exchange, the aggregated nominal value of which shall not exceed 10% of the then prevailing registered capital of the Company and at a purchase price which shall not be higher than the trading price at the stock exchange plus 10%.

The purchase of its own shares shall serve the following purposes:

- the facilitation of the realization of Richter's strategic objectives, thus particularly the use of its own shares as means of payment in acquisition transactions
- the assurance of shares required for the incentive systems for the Richter's share-based employees and executive employees.

The Board of Directors has approved the resolution unanimously, without a vote against and abstention.

14. Election of members of the Board of Directors

Proposal to Item No.:14
on the Agenda of the AGM

Resolution of the Board of Directors No.: 28/2013

The Board of Directors proposes the AGM to approve **the re-election of Christopher William Long** as Member of the Board of Directors for a period of 3 years expiring on the AGM in 2016.

The Board of Directors has approved the resolution unanimously, without a vote against and abstained by Christopher William Long.

Resolution of the Board of Directors No.: 29/2013

The Board of Directors proposes the AGM to approve **the re-election of dr. Gábor Gulácsi** as Member of the Board of Directors for a period of 3 years expiring on the AGM in 2016.

The Board of Directors has approved the resolution unanimously, without a vote against and abstained by dr. Gábor Gulácsi.

Resolution of the Board of Directors No.: 30/2012

The Board of Directors proposes the AGM to approve **the re-election of Csaba Lantos** as Member of the Board of Directors for a period of 3 years expiring on the AGM in 2016.

The Board of Directors has approved the resolution unanimously, without a vote against and abstained by Csaba Lantos.

Resolution of the Board of Directors No.: 40/2013

The Board of Directors proposes the AGM to approve **the election of dr. Csaba Polacsek** as Member of the Board of Directors for a period of 3 years expiring on the AGM in 2016.

The Board of Directors has approved the resolution unanimously, without a vote against and abstention.

15. Resolution on the remuneration of the members of the Board of Directors

Proposal to Item No.:15
on the Agenda of the AGM

Resolution of the Board of Directors No.: 32/2013

The Board of Directors proposes the AGM to approve the unchanged honoraria for the members of the Board of Directors for 2013 effective as of January 1, 2013 according to the following:

President of the Board of Directors:	HUF 625,000/month
Members of the Board of Directors:	HUF 520,000/month/member

The Board of Directors has approved the resolution unanimously, without a vote against and abstention.

Resolution of the Board of Directors No.: 33/2013

Pioneer Befektetési Alapkezelő Zrt. (Pioneer Investment Fund Manager Co. Ltd.) as a shareholder – relating to the outstanding results of the Company in 2012 – initiate that the president and the members of the Board of Directors shall receive reward equalling to their one month honoraria according to the following:

President of the Board of Directors:	HUF 625,000
Members of the Board of Directors:	HUF 520,000/member

The Board of Directors proposes the AGM to approve the shareholder's motion.

The Board of Directors has approved the resolution unanimously, without a vote against and abstention.

16. Resolution on the remuneration of the members of the Supervisory Board

Proposal to Item No.:16
on the Agenda of the AGM

Resolution of the Board of Directors No.: 34/2013

The Board of Directors proposes the AGM to approve the unchanged honoraria for the members of the Supervisory Board for 2013 effective as of January 1, 2013 according to the following:

President of the Supervisory Board:	HUF 460,000/month
Members of the Supervisory Board:	HUF 375,000/month

The Board of Directors has approved the resolution unanimously, without a vote against and abstention.

17. Election of the Company's statutory auditor

Proposal to Item No.:17
on the Agenda of the AGM

Resolution of the Board of Directors No.: 35/2013

The Board of Directors - based upon the motion of the Audit Board - proposes the AGM to approve the election of **PricewaterhouseCoopers Auditing Ltd.** (H-1077 Budapest, Wesselényi u. 16., Chamber of Hungarian Auditors registration no.: 001464, individual auditor in charge: **Éva Barsi**, Chamber of Hungarian Auditors registration no.: 002945) as the Company's statutory **auditor** for a period of one year expiring on April 30, 2014 but not later than the approval of the Company's 2013 consolidated report.

The Board of Directors has approved the resolution unanimously, without a vote against and abstention.

18. **Resolution on the remuneration of the Company's statutory auditor**

Proposal to Item No.:18
on the Agenda of the AGM

Resolution of the Board of Directors No.: 36/2013

The Board of Directors - based upon the motion of the Audit Board - proposes the AGM to approve the honoraria amounting to **HUF 19 million + VAT** for **PricewaterhouseCoopers Auditing Ltd.** for its performance as auditor of the Company in 2013. The honoraria includes the fee for the auditing of the non-consolidated 2013 annual report in accordance with the Hungarian Accounting Act, the fee for examining the consonance between the non-consolidated annual report and business report for 2013, the fee for the auditor's report relating to the 2013 consolidated report and business report prepared in accordance with IFRS accounting principles, the fee for auditing the Company's interim financial statement which shall be completed on the accounting date of August 31, 2013 in accordance with the Hungarian Accounting Act, and the reviewing of the quarterly reports prepared for the Budapest Stock Exchange.

The Board of Directors has approved the resolution unanimously, without a vote against and abstention.