GEDEON RICHTER PLC.

CONSOLIDATED FINANCIAL STATEMENTS AND INDEPENDENT AUDITORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2020

Gabor Orban
Chief Executive Officer

Budapest, 10 March 2021

Gedeon Richter Plc.

CONSOLIDATED FINANCIAL STATEMENTS

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Consolidated Income Statement

for the year ended 31 December

	Notes	2020 HUFm	2019 HUFm Restated*
Revenues	5	**566,776**	**507,794**
Cost of sales		(248,006)	(230,015)
Gross profit		**318,770**	**277,779**
Sales and marketing expenses		(105,555)	(116,304)
Administration and general expenses		(28,211)	(28,977)
Research and development expenses		(53,977)	(48,860)
Other income and other expenses (net)	5	(17,267)	(44,793)
Reversal of impairment on financial and contract assets		1,329	1,051
Profit from operations	5	**115,089**	**39,896**
Finance income	7	28,780	20,500
Finance costs	7	(29,605)	(10,206)
Net financial (loss)/income	7	**(825)**	**10,294**
Share of profit of associates and joint ventures	15	900	658
Profit before income tax		**115,164**	**50,848**
Income tax	8	(9,112)	(2,418)
Profit for the year		**106,052**	**48,430**
Profit attributable to			
Owners of the parent		104,683	47,135
Non-controlling interest		1,369	1,295
Earnings per share (HUF)	9		
Basic and diluted		563	253

* Restated due to change in Accounting Policy, see Note 40 for details.

The notes on pages 10-88 form an integral part of the Consolidated Financial Statements.

10 March 2021

Chief Executive Officer

Consolidated Statement of Comprehensive Income

for the year ended 31 December

	Notes	2020 HUFm	2019 HUFm
Profit for the year		**106,052**	**48,430**
Items that will not be reclassified to profit or loss (net of tax)			
Actuarial loss on retirement defined benefit plans	29	(1,707)	(640)
Changes in the fair value of equity instruments at fair value through other comprehensive income	25	(1,077)	3,810
		(2,784)	**3,170**
Items that may be subsequently reclassified to profit or loss (net of tax)			
Exchange differences arising on translation of subsidiaries		(591)	8,460
Exchange differences arising on translation of associates and joint ventures	15	(103)	(179)
		(694)	**8,281**
Other comprehensive income for the year		**(3,478)**	**11,451**
Total comprehensive income for the year		**102,574**	**59,881**
Attributable to:			
Owners of the parent		100,725	58,336
Non-controlling interest		1,849	1,545

The notes on pages 10-88 form an integral part of the Consolidated Financial Statements.

10 March 2021

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Chief Executive Officer

Consolidated Balance Sheet

	Notes	31 December 2020 HUFm	31 December 2019 HUFm
ASSETS			
Non-current assets			
Property, plant and equipment	13	254,121	244,754
Investment property		110	111
Goodwill	19	31,398	29,503
Other intangible assets	13	141,303	127,635
Investments in associates and joint ventures	15	12,269	16,192
Non-current financial assets at fair value through profit or loss	16	10,797	5,427
Non-current financial assets at fair value through OCI	16	38,216	13,603
Deferred tax assets	17	7,139	6,988
Loans receivable	18	2,237	2,021
Long-term receivables	16	1,481	2,837
		499,071	**449,071**
Current assets			
Inventories	20	110,059	98,995
Trade receivables	21	152,652	154,426
Contract assets	22	3,080	3,466
Other current assets	22	27,533	21,376
Current financial assets at fair value	23	7,142	1,545
Current tax asset	17	1,196	1,199
Cash and cash equivalents	24	142,068	128,573
Assets classified as held for sale	39	5,788	-
		449,518	**409,580**
Total assets		**948,589**	**858,651**

The notes on pages 10-88 form an integral part of the Consolidated Financial Statements.

10 March 2021

Chief Executive Officer

Consolidated Balance Sheet

	Notes	31 December 2020 HUFm	31 December 2019 HUFm
EQUITY AND LIABILITIES			
Capital and reserves			
Equity attributable to owners of the parent			
Share capital	25	18,638	18,638
Treasury shares	26	(3,791)	(3,870)
Share premium		15,214	15,214
Capital reserves		3,475	3,475
Foreign currency translation reserves	25	21,039	22,213
Revaluation reserves for securities at FVOCI	25	974	8,620
Retained earnings		751,408	653,691
		806,957	**717,981**
Non-controlling interest	14	6,982	6,892
		813,939	**724,873**
Non-current liabilities			
Deferred tax liability	17	1,753	1,925
Other non-current liabilities and accruals	31	18,306	18,004
Provisions	29	6,653	4,287
		26,712	**24,216**
Current liabilities			
Trade payables	27	65,838	61,770
Contract liabilities	28	772	745
Current tax liabilities	17	1,993	382
Other payables and accruals	28	32,734	42,721
Provisions	29	4,866	3,944
Liabilities directly associated with assets classified as held for sale	39	1,735	-
		107,938	**109,562**
Total equity and liabilities		**948,589**	**858,651**

The notes on pages 10-88 form an integral part of the Consolidated Financial Statements.

10 March 2021

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Chief Executive Officer

Consolidated Statement of Changes in Equity

for the year ended 31 December 2019

	Notes	Share capital HUFm	Share premium HUFm	Capital reserves HUFm	Treasury shares HUFm	Revaluation reserve for securities at FVOCI HUFm	Foreign currency translation reserves HUFm	Retained earnings HUFm	Equity attributable to owners of the parent HUFm	Non-controlling interest HUFm	Total HUFm
Balance at 31 December 2018		**18,638**	**15,214**	**3,475**	**(2,186)**	**4,810**	**14,182**	**626,052**	**680,185**	**5,560**	**685,745**
Profit for the year		-	-	-	-	-	-	47,135	47,135	1,295	48,430
Exchange differences arising on translation of subsidiaries		-	-	-	-	-	8,210	-	8,210	250	8,460
Exchange differences arising on translation of associates and joint ventures	15	-	-	-	-	-	(179)	-	(179)	-	(179)
Actuarial loss on retirement defined benefit plans	29	-	-	-	-	-	-	(640)	(640)	-	(640)
Revaluation reserve for securities at FVOCI	25	-	-	-	-	3,810	-	-	3,810	-	3,810
Comprehensive income for year ended 31 December 2019		**-**	**-**	**-**	**-**	**3,810**	**8,031**	**46,495**	**58,336**	**1,545**	**59,881**
Purchase of treasury shares	26	-	-	-	(3,539)	-	-	-	(3,539)	-	(3,539)
Transfer of treasury shares	26	-	-	-	1,855	-	-	(1,855)	-	-	-
Recognition of share-based payments	25	-	-	-	-	-	-	1,636	1,636	-	1,636
Ordinary share dividend for 2018	32	-	-	-	-	-	-	(18,637)	(18,637)	-	(18,637)
Dividend paid to non-controlling interest		-	-	-	-	-	-	-	-	(213)	(213)
Transactions with owners in their capacity as owners for year ended 31 December 2019		**-**	**-**	**-**	**(1,684)**	**-**	**-**	**(18,856)**	**(20,540)**	**(213)**	**(20,753)**
Balance at 31 December 2019		**18,638**	**15,214**	**3,475**	**(3,870)**	**8,620**	**22,213**	**653,691**	**717,981**	**6,892**	**724,873**

The notes on pages 10-88 form an integral part of the Consolidated Financial Statements.

Consolidated Statement of Changes in Equity

for the year ended 31 December 2020

	Notes	Share capital	Share premium	Capital reserves	Treasury shares	Revaluation reserve for securities at FVOCI	Foreign currency translation reserves	Retained earnings	Equity attributable to owners of the parent	Non-controlling interest	Total
		HUFm	HUFm	HUFm	HUFm	HUFm	HUFm	HUFm	HUFm	HUFm	HUFm
Balance at 31 December 2019		**18,638**	**15,214**	**3,475**	**(3,870)**	**8,620**	**22,213**	**653,691**	**717,981**	**6,892**	**724,873**
Profit for the year		-	-	-	-	-	-	104,683	104,683	1,369	106,052
Exchange differences arising on translation of subsidiaries		-	-	-	-	-	(1,071)	-	(1,071)	480	(591)
Exchange differences arising on translation of associates and joint ventures	15	-	-	-	-	-	(103)	-	(103)	-	(103)
Actuarial (loss) on retirement defined benefit plans	29	-	-	-	-	-	-	(1,707)	(1,707)	-	(1,707)
Revaluation reserve for securities at FVOCI	25	-	-	-	-	(1,077)	-	-	(1,077)	-	(1,077)
Transfer of gain on disposal of equity investments at fair value through other comprehensive income to retained earnings		-	-	-	-	(6,569)	-	6,569	-	-	-
Comprehensive income for year ended 31 December 2020		-	-	-	-	**(7,646)**	**(1,174)**	**109,545**	**100,725**	**1,849**	**102,574**
Purchase of treasury shares	26	-	-	-	(1,650)	-	-	-	(1,650)	-	(1,650)
Transfer of treasury shares	26	-	-	-	1,729	-	-	(1,729)	-	-	-
Recognition of share-based payments	25	-	-	-	-	-	-	1,642	1,642	-	1,642
Ordinary share dividend for 2019	32	-	-	-	-	-	-	(11,741)	(11,741)	-	(11,741)
Dividend paid to non-controlling interest		-	-	-	-	-	-	-	-	(1,759)	(1,759)
Transactions with owners in their capacity as owners for year ended 31 December 2020		-	-	-	**79**	**-**	-	**(11,828)**	**(11,749)**	**(1,759)**	**(13,508)**
Balance at 31 December 2020		**18,638**	**15,214**	**3,475**	**(3,791)**	**974**	**21,039**	**751,408**	**806,957**	**6,982**	**813,939**

The notes on pages 10-88 form an integral part of the Consolidated Financial Statements.

Consolidated Cash Flow Statement

for the year ended 31 December

	Notes	2020 HUFm	2019 HUFm
Operating activities			
Profit before income tax		115,164	50,848
Depreciation and amortisation	5	39,846	39,320
Non-cash items accounted through Income Statement	15	(2,031)	(503)
Net interest and dividend income	7	(1,504)	(320)
Changes in provision for defined benefit plans	29	703	733
Reclass of results on changes of property, plant and equipment and intangible assets		767	1,725
Impairment recognised on intangible assets and goodwill	13,19	8,256	38,055
Expense recognised in respect of equity-settled share based payments	25	1,642	1,636
Movements in working capital			
Increase in trade and other receivables		(3,341)	(33,063)
Increase in inventories		(13,900)	(6,308)
(Decrease)/increase in payables and other liabilities		(4,545)	13,452
Interest paid		(22)	(1)
Income tax paid	17	(7,515)	(7,360)
Net cash flow from operating activities		**133,520**	**98,214**
Cash flow from investing activities			
Payments for property, plant and equipment*		(36,903)	(39,507)
Payments for intangible assets*		(29,735)	(18,578)
Proceeds from disposal of property, plant and equipment		432	1,449
Government grant received related to investments		2,197	2,428
Payments to acquire financial assets		(47,454)	(11,633)
Proceeds on sale or redemption on maturity of financial assets		10,807	4,731
Disbursement of loans net		848	492
Interest received	7	915	914
Dividend received	7	2	1
Net cash flow to investing activities		**(98,891)**	**(59,703)**
Cash flow from financing activities			
Purchase of treasury shares	26	(1,650)	(3,539)
Dividend paid	32	(13,500)	(18,850)
Principal elements of lease payments	13	(3,143)	(3,791)
Repayment of borrowings	30	-	(2)
Net cash flow to financing activities		**(18,293)**	**(26,182)**
Net increase in cash and cash equivalents		**16,336**	**12,329**
Cash and cash equivalents at beginning of year		**128,573**	**113,021**
Effect of foreign exchange rate changes on the balances held in foreign currencies		(2,647)	3,223
Cash and cash equivalents at end of year	**24**	**142,262**	**128,573**

* The Payments for property plant and equipment and the Payments for intangible assets cannot be directly reconciled to the Note 13 Transfers and capital expenditure row, because the latter one contains non-material, non-cash addition of the assets, including transfers.

The notes on pages 10-88 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"/"Parent Company"), the immediate parent of the Group (consisting of the Parent Company and its subsidiaries), a manufacturer of pharmaceutical products based in Budapest, was established first as a Public Limited Company in 1923. The predecessor of the Parent Company was founded in 1901 by Mr Gedeon Richter, when he acquired a pharmacy. The Company is a public limited company, which is listed on Budapest Stock Exchange. The Company's headquarter is in Hungary and its registered office is at Gyömrői út 19-21, 1103 Budapest.

II) Basis of preparation

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

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

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. Please see details of the application of the new accounting policies in Note 40.

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 judgement or complexity, or areas where assumptions and estimates are significant to the Consolidated Financial Statements, are disclosed in Note 3.

III) COVID-19 pandemic – crisis management

A vertically integrated business model coupled with a corporate culture based on trust and cooperation enabled the Group to continue its business undisturbed despite the extraordinary situation.

The Group continues to be well capitalised with a positive cash flow, and its stringent customer credit policy continues to contribute to maintaining its resilience to stress in periods of global economic challenge. There has been no deterioration whatsoever in solvency or willingness to pay in the period of reporting or in the period that has elapsed since the drafting of the report. Receivables from customers and allowances for such receivables are presented in Note 21 to the Financial Statements.

Amidst the uncertainty brought by the pandemic, regulatory authorities put greater emphasis on expectations regarding corporate liquidity and liquidity risk management. Disclosures on the Group's liquidity are reported in Point IV) of Note 10.

The COVID-19 pandemic caused significant changes and volatility to exchange rates in the course of 2020. Obviously, the Group strives to ease exchange rate risks by natural hedging. Many of the currencies important for the Group saw exchange rates change significantly, by over 10% (EUR and CHF strengthened, and RUB weakened) compared to the forint. Disclosures regarding HUF-related exchange rate risks are reported in Point II) of Note 10.

The Group did not make use of the single lessee accounting model introduced by the new IFRS 16 lease accounting standard. Disclosures in respect of right-of-use assets are reported in Note 13, and lease liabilities are disclosed in Notes 28 and 31.
In sales, demand dropped as a result of limitations in physical doctor-patient contacts, and supply dropped because of more stringent regulations imposed on promotion involving personal visits. Notwithstanding the above restrictions related to the COVID-19 pandemic, the Group's business was balanced throughout the year, and customers' needs were satisfied fully and in a timely fashion. The rising trend of revenues has been unbroken, and record profit was ensured by steadily rising income from Vraylar® sales in the USA. Detailed information on revenue by segments is reported in Note 4.

The Group successfully managed disruptions in the supply chain; however, inventories are kept at higher levels in preparation for possible future difficulties. Inventories are reported in detail in Note 20.

The Company introduced additional protective measures in harmony with the nationwide extraordinary restrictions imposed by the Hungarian government.
Preserving the health of staff continues to be the Company's top priority goal. Measures have been introduced regarding social distancing in common areas. The Company supported home office for employees who are able to meet their job-related duties by remote work. Face masks were provided for staff members who have to come to work, and the Company installed sanitizing equipment in all common areas. In an effort to help commuting staff avoid the use of public transport Richter supported the use of own vehicles by paying a contribution based on daily accounting. The above measures generated unforeseen expenditure amounting to HUF 355 million in 2020, and an additional HUF 486 million were paid in extraordinary wage bonus to employees working in hazardous jobs.
The arising additional expenditure was partially offset by the state support from European Union resources (HUF 461 million) the Company received as wage subsidy to highly qualified research, development and innovation staff pursuant to Government Decree 103 of 2020 (10 April) on the Economy Protection Action Plan supporting employment in the RD&I sector during the state of danger.
In consideration of the extraordinary situation caused by the COVID-19 pandemic and specifically of the challenges facing health care institutions Gedeon Richter Plc. paid HUF 2 million in support of each hospital and health care clinic Richter has cooperated with over the past 10 years in the context of the Heath City Programme. The total of HUF 140 million was made available to the 70 recipient Hungarian health care institutions in the form of free immediate support.

Some countries in which the Group operates, have imposed severe restrictions on the mobility of their populations, which have had a significant impact on economic activity of these countries. These restrictions were determined by the local governments and, accordingly, the effects of the restrictions, including the timing / lifting of the restrictions, the grants and compensations provided by the local governments may vary country by country. Beside the restrictions, various health protecting measures have been introduced in many countries.

IV) Adoption of new and revised Standards

A) The following standards and amended standards became effective for the Group from 1 January 2020, but did not have any material impact on the Group:

- Amendments to References to the Conceptual Framework in IFRS Standards (issued on 29 March 2018, adopted by EU on 29 November 2019, effective for annual periods beginning on or after 1 January 2020),

- Amendments to IAS 1 "Presentation of Financial Statements" and IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors" - Definition of Material (issued on 31 October 2018, adopted by EU on 29 November 2019, effective for annual periods beginning on or after 1 January 2020),

- Amendments to IFRS 9 "Financial Instruments", IAS 39 "Financial Instruments: Recognition and Measurement", IFRS 7 "Financial Instruments: Disclosures" – Interest rate Benchmark Reform (issued on 26 September 2019, adopted by EU on 15 January 2020, effective for annual periods beginning on or after 1 January 2020),

- Amendments to IFRS 16 "Leases" – COVID-19-Related Rent Concessions (issued on 28 May 2020, adopted by EU on 9 October 2020, effective for annual periods beginning on or after 1 June 2020),

- Amendments to IFRS 3 "Business Combinations" (issued on 22 October 2018, adopted by EU on 21 April 2020, effective for annual periods beginning on or after 1 January 2020).

B) New and revised standards issued by IASB and adopted by the EU but not yet effective:

- Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 Interest Rate Benchmark Reform – Phase 2 (issued on 27 August 2020, adopted by EU on 13 January 2021, effective for annual periods beginning on or after 1 January 2021)

- Amendments to IFRS 4 "Insurance Contracts" deferral of IFRS 9 (issued on 25 June 2020, adopted by EU on 15 December 2020, effective for annual periods beginning on or after 1 January 2021)

C) The following other new pronouncements are not expected to have any material impact on the Group when adopted:

At present, IFRS as adopted by the EU do not significantly differ from regulations adopted by the International Accounting Standards Board (IASB) except for the following new standards, amendments to the existing standards and new interpretation, which were not endorsed for use in EU as at [date of publication of financial statements] (the effective dates stated below is for IFRS in full):

- IFRS 17 "Insurance Contracts" including amendments to IFRS 17 (issued on 18 May 2017; and 25 June 2020, effective for annual periods beginning on or after 1 January 2023),

- Amendments to IFRS 3 "Business Combinations"; IAS 16 "Property, Plant and Equipment"; IAS 37 "Provisions, Contingent Liabilities and Contingent Assets" - Annual Improvements (All issued 14 May 2020, effective for annual periods beginning on or after 1 January 2022),

- Amendments to IAS 1 "Presentation of Financial Statements" - Classification of Liabilities as Current or Non-Current (issued on 23 January 2020 and 15 July 2020 respectively, effective for annual periods beginning on or after 1 January 2023),

- Amendments to IAS 1 "Presentation of Financial Statements" and IFRS Practice Statement 2 - Disclosure of Accounting policies (issued on 12 February 2021, effective for annual periods beginning on or after 1 January 2023),

- Amendments to IAS 8 "Accounting policies, Changes in Accounting Estimates and Errors" – Definition of Accounting Estimates (issued on 12 February 2021, effective for annual periods beginning on or after 1 January 2023),

- Amendments to IFRS 10 "Consolidated Financial Statements" and IAS 28 "Investments in Associates and Joint Ventures" - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture and further amendments (effective date deferred indefinitely until the research project on the equity method has been concluded),

- Proposed amendments to IFRS 16 Leases: COVID-19-Related Rent Concessions beyond 30 June 2021 (issued on 17 February 2021, expected effective date 1 April 2021).

Any other new/modified standards or interpretations are not expected to have a significant impact on the Consolidated Financial Statements of the Group.

2. Summary of significant accounting policies

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

I) Basis of Consolidation

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

The Group uses the acquisition method of accounting to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred except the cost to issue debt or equity instrument. 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. When the proportion of the equity held by non-controlling interests changes, the carrying amounts of the controlling and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between (1) the amount by which the non-controlling interests are adjusted, and (2) the fair value of the consideration paid or received is recognised directly in equity and attributed to the owners of the parent. 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 operations arise where the investors have rights to the assets and obligations for the liabilities of an arrangement. A joint operator accounts for its share of the assets, liabilities, revenue and expenses.
Joint ventures arise where the investors have rights to the net assets of the arrangement; joint ventures are accounted for under the equity method.

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

Since all of the joint arrangements are structured through separate vehicle and neither the legal form nor the terms of the arrangement or other facts and circumstances provides rights to the assets and obligations of the company (but to the net assets), therefore the companies are classified as joint ventures.

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights.

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

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

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

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

Accounting policies of associates and joint ventures have been changed where necessary to ensure consistency with the policies adopted by the Group. Gains and losses arising on sale or partial sale of investments in associates and joint ventures are recognised in the Consolidated Income Statement.

III) Transactions and balances in foreign currencies

The individual financial statements of each Group entity are presented in the currency of the primary economic environment in which the entity operates (its functional currency). For the purpose of the Consolidated Financial Statements, the results and financial position of each Group entity are expressed in Hungarian Forints (HUF), 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 Consolidated Income Statement. Foreign exchange gains and losses are presented in the Consolidated Income Statement within finance income or finance expense.

On consolidation, the assets and liabilities of the Group's foreign operations are translated at the exchange rate of the Hungarian National Bank rates prevailing on the balance sheet date except for equity, which is translated at historic value. Income and expense items are translated at the average exchange rates weighted with monthly turnover. Exchange differences arising, if any, are recognised in other comprehensive income.

Such translation differences are recognised as income or as expenses in the period in which the Group disposes of an operation. Conversion into Hungarian Forints of Group's foreign operations that have a functional currency not listed by the National Bank of Hungary is made at the cross rate calculated from Bloomberg's published rate of the given currency to the USD and NBH's rate of the HUF to the USD. The method of translation is the same as mentioned above.

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

IV) Revenue recognition and interest and dividend income

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 as well as considering the estimated discounts to be provided after the sales already performed and after eliminating sales within the Group. Revenue on sales transactions is recognised upon fulfilment the terms of sales contracts.

A) Sales revenue

Revenue is defined as income arising in the course of an entity's ordinary activities. The Group's revenue primarily comes from:

- sale of pharmaceutical products produced by the Group
- wholesale and retail activity within the pharmaceutical industry
- royalty and license income from products already on the market
- performance-related milestone received for products with marketing authorisation (e.g. cumulative sales related milestone),
- contract manufacturing service
- other services including provision of marketing service, performing transportation activity etc.

B) Sale of pharmaceutical products (including wholesale and retail activity)

The Group manufactures and sells a range of pharmaceutical products. Revenue is accounted for in the amount of consideration to which an entity expects to be entitled in exchange for goods or services transferred. The Group includes in the transaction price some or all of an amount of variable consideration estimated only to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur when the uncertainty associated with the variable consideration is subsequently resolved.

The Group accounts for consideration payable to a customer as a reduction of the transaction price and, therefore, of revenue unless the payment to the customer is in exchange for a distinct good or service that the customer transfers to the entity. Sales are recognised when control of the products has transferred, generally being when the products are delivered to the wholesaler or other third party customer. Generally sale of pharmaceutical products are satisfied at point in time. To determine the point in time at which a customer obtains control the Group consider indicators that include, but are not limited, to the following:

- the Group has a present right to the payment for the good.
- the customer has legal title to the good.
- the Group has transferred physical possession of the good to the customer.
- the customer has the significant risks and rewards of ownership of the good.
- the customer has accepted the good.

In case the Group produces customer specific products, which does not create a good/service with an alternative use to the Group and the Group has an enforceable right to the payment for performance completed to date, the Group accounts for the revenue over time (similarly to contract manufacturing services).

C) Licenses and royalties

A license arrangement establishes a customer's rights related to a Group's intellectual property and the obligations of the Group to provide those rights. The Group assesses each arrangement where licenses are sold with other goods or services to conclude whether the license is distinct and therefore a separate performance obligation. For licenses that are not distinct, the Group combines the license with other goods and services in the contract and recognize revenue when (or as) it satisfies the combined, single performance obligation. Licenses that provide access to a Group's IP are performance obligations satisfied over time, and therefore revenue is recognized over time once the license period begins, as the customer is simultaneously receiving and consuming the benefit over the period it has access to the IP.

Licenses that provide a right to use a Group's IP are performance obligations satisfied at the point in time when the customer can first use the IP, because the customer is able to direct the use of and obtain substantially all of the benefits from the license at the time that control of the license is transferred to the licensee.

The revenue standard includes an exception for the recognition of revenue relating to licenses of IP with sales- or usage-based royalties. Consideration from a license of IP that is based on future sales or usages by the customer is included in the transaction price when the subsequent sales or usages occur.

Income arising from the sale/transfer or partial sale of intangible assets - capitalized or not - not directly attributable to current R&D expenses, is recognized as Other income and other expenses (net). Additionally, Other income and expenses (net) include milestone and down-payments realised on the sale/transfer of non-capitalized intangible assets.

D) Interest income

Interest income from financial assets at FVTPL is included in the net fair value gains/(losses) on these assets, presented as Finance income or Finance expense. Interest income on financial assets at amortised cost and financial assets at FVOCI calculated using the effective interest method is recognised in the statement of profit or loss as part of Finance income.

E) Dividend income

Dividends are received from financial assets measured at fair value through profit or loss (FVTPL), at fair value through other comprehensive income (FVOCI). Dividends from these financial assets are recognised as Finance income in profit or loss when the right to receive payment is established. This applies even if they are paid out of pre-acquisition profits, unless the dividend clearly represents a recovery of part of the cost of an investment.

F) Contract manufacturing and other services

Rendering services, such contract manufacturing, marketing services and transportation are performance obligations, which are satisfied over time. At the end of each reporting period, the Group remeasures the progress towards complete satisfaction of such services and recognizes revenue accordingly.

V) Property, plant and equipment, Investment property and Right-of-use assets

A) 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	1-10%
Plant and equipment	
Plant and machinery	*5-33.33%*
Vehicles	*10-20%*
Office equipments	*8-33.33%*

The depreciation amount for a period of a property, plant and equipment shall be determined based on its expected usage, useful life, 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 property, plant 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.

B) Investment property

Investment properties, which are held to earn rentals are measured initially at historical 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.

C) Right-of-use assets

The Group as a lessee applies the depreciation requirements in IAS 16 Property, Plant and Equipment in depreciating the right-of-use asset, subject to the requirements as follows:
If the lease transfers ownership of the underlying asset to the lessee by the end of the lease term or if the cost of the right-of-use asset reflects that the lessee will exercise a purchase option, the lessee shall depreciate the right-of-use asset from the commencement date to the end of the useful life of the underlying asset. Otherwise, the lessee shall depreciate the right-of-use asset from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term.

VI) Goodwill

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

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

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

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

VII) Intangible assets

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

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

Individually significant intangible assets are presented in Note 13. The purchased licenses are amortized based on the contractual period, resulting in amortization rates within the range presented in the table above.

Amortization is recognised as Cost of sales, Sales and marketing expenses, Administration and general expenses and Research and development expenses in the Consolidated Income Statement depending on the function of the intangible assets. The Group changed its accounting policy with respect of classification of amortization of certain types of intangible assets. Please see further details in Note 40.

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 usually determined to be nil.

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

In the Annual Report the term of ESMYA® is used for indication of the brand name of the product containing ulipristal acetate on Gynaecology therapeutic area in uterine myoma indication, while the terminology of ESMYA refers to the intangible asset recognized by Richter (relating to the EU/North America region as described in Note 13) at the acquisition of PregLem and presented in the Consolidated Balance Sheet.

VIII) Impairment of tangible and intangible assets excluding goodwill

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

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

IX) Research and development

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

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

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

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

X) Financial assets

Financial instruments are all contracts which mean a financial asset at an entity and financial liability or equity instrument at another entity at the same time.

Financial assets are classified into the following categories: financial assets 'at fair value through profit or loss' (FVTPL), 'at fair value through other comprehensive income' (FVOCI), 'at amortised cost'.
Classification of financial assets depends on:

- whether the asset is an equity instrument or a debt instrument
- if the financial asset is a debt instrument the followings should take into consideration to assess:
  - the business model for managing the financial asset
  - contractual cash flow characteristics of the financial asset

A) Debt instruments measured at amortised cost

A financial asset is measured at amortized cost if both of the following conditions are met:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows, and
- 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.

B) Debt instruments measured at fair value through OCI

A financial asset is measured at fair value through other comprehensive income if both of the following conditions are met cumulatively:

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets ("hold & sell" business model), and
- 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.

C) Debt instruments measured at fair value through profit or loss

FVTPL is the residual category: a financial asset that is not measured at amortized cost or at fair value in other comprehensive income is measured at fair value through profit or loss.

D) Debt instruments designated at fair value through profit or loss using fair value option

The Group has chosen the fair value option for certain financial instruments, i.e. it recognizes the financial asset or financial liability at fair value through profit or loss if it eliminates or materially reduces recognition or measurement inconsistencies (accounting mismatch) which would have existed, if the Group had not selected the fair value option. The use of the fair value option also provides more relevant information about financial instruments in the financial statements. The fair value option is not applied to all financial assets or liabilities, but only to certain financial instruments designated by the Group at initial recognition. The Group irrevocably decides to exercise the fair value option at initial measurement to these designated items.

E) Equity instruments measured at fair value through OCI

Investments in equity instruments are always measured at fair value. Equity instruments that are held for trading are classified at FVTPL. For all other equity instrument, the Group has the ability to make an irrevocable election on initial recognition, on an instrument-by-instrument basis, to present changes in fair value in OCI rather than profit or loss. If this election is made, all fair value changes, excluding dividends that are a return on investment, will be included in OCI. The Group has elected to measure all of its equity instrument in the scope of IFRS 9 at fair value through OCI.

F) Equity instruments measured at fair value through profit or loss

Investments in equity instruments are always measured at fair value. Equity instruments that are held for trading are required to be classified to FVTPL.

Impairment

Credit loss allowance for Expected Credit Loss (ECL): The Group assesses, on a forward-looking basis, the ECL for debt instruments measured at AC and FVOCI and for the exposures arising from loan commitments and financial guarantee contracts, for contract assets. The Group measures ECL and recognises Net impairment losses on financial and contract assets at each reporting date. The measurement of ECL reflects: (i) an unbiased and probability weighted amount that is determined by evaluating a range of possible outcomes, (ii) time value of money and (iii) all reasonable and supportable information that is available without undue cost and effort at the end of each reporting period about past events, current conditions and forecasts of future conditions.

Debt instruments measured at AC and contract assets are presented in the consolidated statement of financial position net of the allowance for ECL. For debt instruments at FVOCI, changes in amortised cost (net of allowance for ECL) are recognised in profit or loss.

The Group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables and contract assets. To measure the expected credit losses, trade receivables and contract assets have been grouped based on shared credit risk characteristics and the days past due. The contract assets relate to unbilled work in progress and have substantially the same risk characteristics as the trade receivables for the same types of contracts. The group has therefore concluded that the expected loss rates for trade receivables are a reasonable approximation of the loss rates for the contract assets. The expected loss rates are based on the historical payment profiles of sales and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information. Historical loss rates are determined by the Group based on the payment experience of the previous 3 years. Defining forward-looking information, the Group takes into account the change in the Probability of Default (PD) of the receivables with the largest receivable amount (based on market information) and thus corrects historical loss rates. The impact of forward-looking information on impairment is not significant.

The Group applies a three stage model for impairment, based on changes in credit quality since initial recognition. A financial instrument that is not credit-impaired on initial recognition is classified in Stage 1. Financial assets in Stage 1 have their ECL measured at an amount equal to the portion of lifetime ECL that results from default events possible within the next 12 months or until contractual maturity, if shorter ("12 Months ECL"). If the Group identifies a significant increase in credit risk ("SICR") since initial recognition, the asset is transferred to Stage 2 and its ECL allowance is measured based on Lifetime ECL. If the Group determines that a financial asset is credit-impaired, the asset is transferred to Stage 3 and its ECL allowance is measured as a Lifetime ECL. For financial assets that are purchased or originated credit-impaired ("POCI Assets"), the ECL is always measured as a Lifetime ECL.

XI) Financial liabilities

Financial liabilities are classified as either financial liabilities 'at FVTPL' or 'other financial liabilities'.
Financial liabilities are classified as FVTPL where the financial liability is either held for trading or it is designated at FVTPL or derivatives (expected or a derivative that is a financial guarantee contract). 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.

XII) Contingent-deferred purchase price

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

XIII) Non-current financial assets at fair value

Non-current financial assets measured at fair value through profit or loss comprise long-term corporate bonds and other financial instrument. Non-current financial assets measured at fair value through OCI comprise long-term government securities and unconsolidated investments in other companies. These financial assets are described in Note 16.

XIV) Loans receivable

Loans receivables include given loans measured at amortised cost. It also contains interest free loans given to employees with maximum of 8 years maturity. They are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method. If the loan is off-market conditions (for example: interest free loan to employees, interest free capital contribution, supplementary payment), then the difference between the fair value and the transaction value should be recognized in profit or loss or as a capital increase in the investment depending on the economic substance of the transaction.

XV) Trade receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less allowances as described in accounting policy section X) above. Realized exchange gains or losses arising on the settlement of foreign currency receivables are recognized directly in the net financial income/(loss) using the exchange rate applicable on the date of the financial settlement. At the end of the period, outstanding amounts of receivables are revalued at the foreign exchange rate, and unrealized gains or losses are recognized in the net financial income/(loss). In case of receivables, cost value is the transaction value according to the related invoice less the value of the expected discounts and adjusted by discounting in the case of outstanding long-term receivables. Receivables adjusted with estimated discounts should be classified in accordance with its substance, therefore in case of credit balance it is presented as liability in the Consolidated Balance Sheet.

XVI.) Contract asset

The Group's right to consideration in exchange for goods or services that the entity has transferred to a customer when that right is conditioned on something other than the passage of time (for example, the entity's future performance), less allowances as described in accounting policy section X) above.

XVII) Trade payables

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

XVIII) Contract liabilities

If a customer pays consideration or an entity has a right to an amount of consideration that is unconditional before the entity transfers a good or service to the customer, the entity shall present the contract as a contract liability when the payment is made or the payment is due. A contract liability is an obligation of the Group to transfer goods and services to a customer for which the entity has received consideration from the customer.

XIX) Derivative financial instruments

Derivatives are initially recognised at fair value and are subsequently re-measured at the end of each reporting period at fair value. In 2020 the fair valuation gain or loss was immediately recognized in the Consolidated Income Statement, since the Group did not apply hedge accounting. Derivative financial instruments are classified under " Non-current financial assets at fair value through profit or loss " and "Non-current liabilities", depending on whether the instruments have a positive or negative year-end fair value, if the instrument has a residual maturity of more than 12 months and is not expected to be realized within 12 months. Other derivative contracts are presented under " Current financial assets at fair value through profit or loss " and "Other payables and accruals".

XX) Cash and cash equivalents

In the Consolidated Cash Flow Statement 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. In the Consolidated Balance Sheet bank overdrafts are shown within "Borrowings" in current liabilities.

XXI) 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 Consolidated 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.
Regarding the capitalization of borrowing cost please see in XXVI) Borrowing costs.

XXII) Inventories

Inventories are stated at the lower of cost or net realisable value. Net realizable value is the estimated sales price in the ordinary course of business, less the estimated costs of completion and the estimated cost of disposal. Goods purchased shall be measured by using the FIFO (first in first out) method. Costs of purchased inventory are determined after deducting rebates and discounts. Goods produced shall be measured at actual (post calculated) production cost. Net costs of own produced inventories include the direct cost of raw materials, the actual cost of direct production labour, the related maintenance and depreciation of production machinery and related direct overhead costs.

XXIII) 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. The Group measures the provisions at discounted value of the obligation using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the interest arising from the passage of time is accounted as interest expense. If it is no longer probable that economic resources will be required to fulfil the obligation, the provision should be reversed. The provision may be used only for the input for which it was originally recognized.

Provisions should be made for:

- sanctions and remediation costs related to **environmental damage**, which will lead to outflow of resources representing economic benefits regardless of the Group's future actions. 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 did not have legal or constructive obligation in relation to environmental expenditures as of 31 December 2020 and as of 31 December 2019.
- the expected liabilities in respect of **non-closed litigation cases**, if it is probable that the Group will have a payment obligation as a result of the decision
- as a guarantee and **guarantee commitment** if the amount of the expected payment can be estimated from previous practice
- long-term defined (retirement) **benefit plans**
- **reorganization costs** if the general conditions for provisioning are met.

The Group operates a post-employment benefit program, which is described in XXVIII) Pension program and other long-term employee benefits.

XXIV) Income taxes

The tax expense for the period comprises current and deferred tax. Tax is recognised in the Consolidated 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 Group considers the following taxes to qualify to be income tax under IAS 12:

- Corporate Income Tax,
- Local Business Tax,
- Innovation Contribution.

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

Deferred tax is provided, using the balance sheet 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 8).

XXV) Segment information

The operating segment is a business unit that carries out business activity and for which separate financial information is available, and whose operating results are regularly reviewed by the entity's chief decision makers in order to make decisions about the resources to be allocated to the segment and to evaluate its performance (Note 4).
Operating segments are reported in a manner consistent with the internal reporting provided to the Board of Directors as chief operating decision-makers. The Board of Directors is responsible for allocating resources and assessing performance of the operating segments and makes strategic decisions.

XXVI) 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.

XXVII) Leases

The Group has applied IFRS 16 using the modified retrospective approach from 1 January 2019.

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is or contains a lease, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable
- variable lease payment that are based on an index or a rate, initially measured using the index or rate as at the commencement date
- amounts expected to be payable by the Group under residual value guarantees
- the exercise price of a purchase option if the Group is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the Group exercising that option.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Group, the lessee’s incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

To determine the incremental borrowing rate, the Group:

- the Group applies comparative pricing method for calculating interest rate. The reference interest rate is determined based on public data related to the specific market taking into consideration the amount, currency, maturity date of the transaction, the borrower’s business sector and the purpose of the financing.

Lease payments are allocated between cost of sales, operating expenses and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Exemptions

Contracts may contain both lease and non-lease components. The Group applies the practical expedient and does not separate non-lease components from lease components and accounts for any lease components and associated non-lease components as a single lease component.

Payments associated with short-term leases for all assets and all leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets (that the underlying assets, when new, are individually low value that is under HUF 1.5 million) comprise IT and office equipment.

Where the Group acts as a lessor, the lease is classified to be either finance lease (where substantially all of the risks and rewards incidental to ownership are transferred to the lessee) or operating lease. Currently the Group does not act as finance lessor.
For operating lease the Group continues to recognize the underlying asset and do not recognize a net investment in the lease on the balance sheet or initial profit (if any) on the income statement. The underlying asset continues to be accounted for in accordance with applicable accounting standards (e.g., IAS 16). Lessors subsequently recognize lease payments over the lease term on either a straight-line basis or another systematic and rational basis if that basis better represents the pattern in which benefit is expected to be derived from the use of the underlying asset.

XXVIII) Pension program and other long-term employee benefits

Beside the Parent Company some subsidiary pay benefits to retiring employees according to their Collective Agreements as defined benefit. As an additional benefit, these companies financially reward the employees who had been employed for significant period. This amount is paid in the subsequent year the employee reaches the end of the specific jubilee period and it is accounting for as other long-term employee benefit through profit or loss.

Defined benefit pension plan

The Group operates a post-employment defined benefit program, which is presented as Provision in the Consolidated Balance Sheet. In line with IAS 19 for post-employment 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. Service costs and interest expense are recognised in the profit or loss. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions regarding defined benefit plans are charged to the Retained Earnings (presented on Other Comprehensive Income as item that is not reclassified later in profit and loss).

Defined contribution plans

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

Termination benefit

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

XXIX) Share-based payments

Equity settled share-based payments

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 and from year 2018 cash-settled share-based payments.

Equity-settled share-based payments to employees 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.

Cash-settled share-based payments

The Group operates an Employee's Share Ownership Programme (ESOP) that qualifies to be a cash-settled share based payment. The fair value of the liability for cash-settled transactions is re-measured at each reporting date and at the date of settlement. Any changes in fair value are recognised in the Consolidated Income Statement for the period.

XXX) 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 Consolidated Income Statement over the period necessary to match them with the costs that they are intended to compensate. Government grants relating to property, plant and equipment are included in Other non-current liabilities and accruals in the Consolidated Balance Sheet and credited to the Consolidated Income Statement as Other income and other expenses (net) on a straight-line basis over the expected useful live of the related assets.

XXXI) 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, and is included in equity attributable to the Company's equity holders.

XXXII) Earnings per share
Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the year excluding ordinary shares purchased by the Company and held as treasury shares. Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares.

XXXIII) 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 shareholders of the Company.

XXXIV) Assets classified as held for sale and liabilities directly associated with assets classified as held for sale
Non-current assets (or disposal groups) are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use and a sale is considered highly probable. They are measured at the lower of their carrying amount and fair value less costs to sell, except for assets such as deferred tax assets, assets arising from employee benefits, financial assets and investment property that are carried at fair value.
An impairment loss is recognised for any initial or subsequent write-down of the asset (or disposal group) to fair value less costs to sell. A gain is recognised for any subsequent increases in fair value less costs to sell of an asset (or disposal group), but not in excess of any cumulative impairment loss previously recognised. A gain or loss not previously recognised by the date of the sale of the non-current asset (or disposal group) is recognised at the date of derecognition.
Non-current assets (including those that are part of a disposal group) are not depreciated or amortised while they are classified as held for sale. Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale continue to be recognised.
Non-current assets classified as held for sale and the assets of a disposal group classified as held for sale are presented separately from the other assets in the Consolidated Balance Sheet. The liabilities of a disposal group classified as held for sale are presented separately from other liabilities in the Consolidated Balance Sheet.

3. Key sources of estimation uncertainty and critical accounting judgements
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 the 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 the 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

The effects of the European Commission decision on 11 January 2021 to ESMYA® sales
In December 2017, the European Medicines Agency (EMA) Pharmacovigilance Risk Assessment Committee (PRAC) started a review of drug induced liver injury potentially related to ESMYA® (ulipristal-acetate) that applies to all EU Member States. On 9 February 2018, the EMA initiated the implementation of temporary measures as part of the review process.

The PRAC's final recommendations were published on 18 May 2018 which were adopted by Committee for Medicinal Products for Human Use (CHMP) (01 June 2018) and based on CHMP's opinion the European Commission decided to implement them on 26 July 2018.
Richter takes the safety of patients seriously. Based on the data collected during clinical trials, the Management believes that ESMYA® is a safe medicinal product, and Richter is committed to provide this unique treatment option to women suffering myoma tumor.

In August 2018, Richter's license partner for North-America ESMYA® sales, Allergan received a Complete Response Letter (CRL) from the U.S. Food and Drug Administration (FDA) in response to the New Drug Application (NDA) for ulipristal acetate (UPA) for the treatment of abnormal uterine bleeding in women with uterine fibroids.

The letter from the FDA indicates it is not able to approve the ulipristal acetate NDA in its current form and is requesting additional information. The agency cited safety concerns regarding ESMYA® post-marketing reports outside the United States and Canada.

In January 2019 the Canadian regulatory authority imposed restrictions on Fibristal (ulipristal acetate) commercialised by Allergan Plc in Canada due to a potentially increased risk of liver damage. Management has incorporated the effects of the restrictions on the expected future cash flows.

In August 2019 the deadline to take further response and actions regarding the CRL expired and no further actions were taken, therefore the FDA withdrew the request for drug application. Neither the Group nor the licensing partner Allergan intend to submit a new application.

On 13 March 2020 the Group announced, subsequent to its meeting held on 09-12 March 2020 the Pharmacovigilance Risk Assessment Committee (PRAC) of European Medicines Agency (EMA) has started a review procedure following a recent case of liver injury which led to liver transplantation in a patient taking ESMYA®. PRAC recommends suspension of ulipristal acetate for uterine fibroids during ongoing review of liver injury risk. The PRAC has recommended, as a precautionary measure, that women should stop taking 5-mg ulipristal acetate (ESMYA® and generic medicines) for uterine fibroids while a safety review started this month is ongoing. No new patients should start treatment with these medicines.

The Group prepared its Consolidated Financial Statements for 2019, considering the negative effects of European Commission's decision on ESMYA®, the PRAC recommendation issued in 2020 and the withdrawn application by FDA. Based on that, Management has reduced its long-term sale forecasts for ESMYA® in markets in EU and North America. In addition to the revised forecasts, the Group has accounted for impairment on PregLem goodwill and on intangible assets. The overall value is totalled to HUF 31,222 million.

On 15.01.2021 the Group announced that the European Commission (EC) implemented a decision concerning the marketing authorisations of ulipristal acetate 5 mg (ESMYA®) as a result of cases of serious liver injury. This decision follows the opinion from the CHMP on 13 November 2020 and is applicable for all Member States in the European Economic Area.

ESMYA® can now only be used to treat uterine fibroids in premenopausal women for whom surgical procedures (including uterine fibroid embolisation) are not appropriate or have not worked. ESMYA® must not be used for controlling symptoms of uterine fibroids while awaiting surgical treatment.

Information on the risk of liver failure (requiring liver transplantation in some cases) will be added to the summary of product characteristics and the package leaflets for ulipristal acetate 5 mg medicines as well as in educational material for doctors and cards for patients.

Based on Group's estimation, taking into account the currently available market and other information, the effect of the aforementioned EC resolution to the future sales of ESMYA® does not give rise to reversal of impairments previously accounted for assets related to ESMYA®.

The Group has an exposure on the following items in the balance sheet:

Factors of the net exposure	**31 December 2020 HUFm**	**31 December 2019 HUFm**
Goodwill	0	0
ESMYA EU, NA and other ESMYA intangible assets	0	759
Total net exposure	**0**	**759**

Taken into account the EC's resolution issued in 2021, the Group discloses the ESMYA® related inventory on 31 December 2020 as a further exposure, these stocks are wholly in the books of the Parent Company; subsidiaries no longer have ESMYA® inventory as of 31 December 2020:

ESMYA® related inventory	**31 December 2020 HUFm**	**31 December 2019 HUFm**
EU	109	163
Other countries	51	230
Total exposure	**160**	**393**

The recoverability of these inventories may be partly affected by the PRAC's recommendation issued in 2020 and EC's resolution issued in January 2021. The Group does not expect the effect of potential returns to be material, therefore did not take into account during the preparation of the Consolidated Financial Statements.

Impairment testing 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.

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

The appropriateness of the estimated useful lives is reviewed annually. If the estimated useful lives were lower by 10% in comparison to management's estimates, depreciation for the year ended 31 December 2020 would be greater by HUF 3,961 million. This change would have been HUF 3,958 million in 2019.

The Group recorded depreciation and amortisation expense in the amount of HUF 35,658 million and HUF 35,628 million for the years ended 31 December 2020 and 2019, respectively.

Unlike property, plant and equipment and intangible assets, there is another type of decision uncertainty when reviewing the depreciation of the right-of-use assets, whereas the estimated useful lives of these assets are essentially determined by the duration of the lease and not by the useful life of the asset. The depreciation of the right-of-use assets during the current year was not significant (HUF 4,188 million) comparing to the depreciation of the fixed assets (HUF 35,658 million). For these reasons, the uncertainty arising from the depreciation of the right-of-use asset is not quantified.

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 37.

From 1 October 2011, a new version of Romania's pharmaceutical claw-back mechanism came into force levying direct liabilities for the domestic and foreign manufacturers, which does not constitute to be an uncertain tax position; the related expenses have been disclosed in Note 5.

In September 2017, the National Authority of Fiscal Administration („RTA") imposed RON 9.09 million as claw-back contribution for the period Q1-Q3 2011 and RON 10.4 million as interest and penalties to the Romanian wholesale company. The company submitted a Tax challenge with RTA and sent a suspension claim to the court immediately. In December 2017 the special court in

Bucharest (Romania) has approved the claim of Pharmafarm S.A. for suspension of payment for the claw-back. At the end of 2018 the first instance court has decide in favour Pharmafarm S.A., annulling the claw-back decision of RTA, but as part of the verdict, the court ordered the re-execution of the tax audit. As a result of the second investigation, RTA imposed again the RON 9.09 million claw-back tax payment obligation, which Pharmafarm S.A. did not accept and filed a lawsuit. The Bucharest Special Court approved again Pharmafarm S.A.'s application for suspension of claw-back payment until the case was finally closed.
Taking into consideration the opinion of experts, the management of the Parent Company estimates more likely than not that the imposed tax obligation will not have to be paid on the basis of a subsequent final court decision, therefore no provision has been made.

In May 2018, a comprehensive tax audit covering the period from 01.01.2011 to 31.12.2015 was also completed at Gedeon Richter Romania S.A. As a result of the investigation, a tax deficit has been established for a claw-back tax, corporate income tax and VAT. The total value of the established tax shortfall and related interest and fines amount to RON 13.2 million. Although the Company will challenge the decision of the tax authority in court, taking into account the opinions of experts, the management of the Company sees a more than 50% chance that the findings will have to be paid by Gedeon Richter Romania in the future, therefore a provision of RON 13.2 million had been recognised in 2018.
Due to the remaining uncertainty in the tax litigation and publication of tax amnesty procedure in Romania with the possibility of cancelation of all interest and penalty fines, the company will pay all its principal debts resulting from the 2018 tax inspections and subsequent measures, in order to mitigate the future risks. Therefore, supplementary tax provision of 4.1 million RON is built up in 2020. From a pure legal perspective, the chances of Gedeon Richter Romania S.A for winning the case at the court should remain unchanged after the payment of the principal tax obligations according to the fiscal amnesty procedure.

3.2 Critical judgements in applying entities accounting policies

Deferred tax at Parent Company
The Company has significant deductible temporary differences, part of which is related to the tax loss carried forward. Deferred tax asset should be recognized for unused tax losses to the extent that it is probable that sufficient future taxable profit will be available against which unused negative tax bases can be utilised. Despite of the profitable operation of the Company, the tax base is expected to be negative in the next 5 years, considering the tax base adjusting items. On consolidated level there are further taxable temporary differences associated to the Parent Company (related to the BEMFOLA intangible asset as disclosed in Note 17) that provides partial recoverability to these deductible temporary differences in accordance with the guidance of IFRIC issued on May 2014 on “Income taxes- recognition and measurement on deferred tax assets when an entity is loss-making”.
The deferred tax expense is presented in Note 17.

4. Segment Information

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

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

In the Pharmaceuticals segment of the Group a 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 women healthcare, cardiovascular and central nervous system related drugs are the most significant products.

I) Business segments

	Pharmaceuticals		Wholesale and retail		Other		Eliminations		Total	
	HUFm		HUFm		HUFm		HUFm		HUFm	
	2020	**2019**	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**
3rd party revenues	446,066	397,712	119,775	109,244	935	838	-	-	566,776	507,794
Inter segment revenues	11,198	9,630	4	2	5,984	5,804	(17,186)	(15,436)	-	-
Revenues	**457,264**	**407,342**	**119,779**	**109,246**	**6,919**	**6,642**	**(17,186)**	**(15,436)**	**566,776**	**507,794**
Profit from operations	114,482	38,835	975	734	238	340	(606)	(13)	115,089	39,896
Total assets	1,021,643	927,894	66,657	63,279	3,893	4,027	(143,604)	(136,549)	948,589	858,651
Current contract asset	3,080	3,466	-	-	-	-	-	-	3,080	3,466
Total liabilities	97,292	102,468	55,641	51,794	978	979	(19,261)	(21,463)	134,650	133,778
Contract liabilities	772	745	-	-	-	-	-	-	772	745
Capital expenditure**	65,733	57,350	693	537	214	198	(2)	-	66,638	58,085
Depreciation and amortization*	38,307	37,801	1,344	1,237	195	217	-	65	39,846	39,320
from this: IFRS16 related	3,457	3,145	731	547	-	-	-	-	4,188	3,692
Share of profit of associates and joint ventures	(719)	(388)	1,398	1,230	22	43	199	(227)	900	658
Investments in associates and joint ventures	2,314	6,957	8,747	8,112	1,312	1,289	(104)	(166)	12,269	16,192

* See Note 13 and in the Consolidated Cash flow Statement.
** See in the Consolidated Cash flow Statement.

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, other than Hungary
4. USA
5. China
6. Latin America
7. Other countries

2020	Hungary	CIS	EU	USA	China	Latin America	Other countries	Total
	HUFm	HUFm	HUFm	HUFm	HUFm	HUFm	HUFm	HUFm
Timing of revenue recognition								
At a point in time	40,914	139,496	223,367	14,600	10,764	10,999	25,093	465,233
Over time	977	119	4,166	93,909	-	-	2,372	101,543
Revenues	**41,891**	**139,615**	**227,533**	**108,509**	**10,764**	**10,999**	**27,465**	**566,776**
Total assets	718,602	61,000	140,404	3,688	1,512	9,145	14,238	948,589
Capital expenditure	57,282	2,155	6,653	-	-	329	219	66,638

2019	Hungary	CIS	EU	USA	China	Latin America	Other countries	Total
	HUFm	HUFm	HUFm	HUFm	HUFm	HUFm	HUFm	HUFm
Timing of revenue recognition								
At a point in time	39,763	137,285	199,627	13,405	18,975	10,663	18,868	438,586
Over time	739	114	9,220	57,696	-	2	1,437	69,208
Revenues	**40,502**	**137,399**	**208,847**	**71,101**	**18,975**	**10,665**	**20,305**	**507,794**
Total assets	625,054	77,377	127,565	2,843	2,345	8,611	14,856	858,651
Capital expenditure	49,807	2,239	4,715	-	-	98	1,226	58,085

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

Analyses of revenue by category	2020	2019
	HUFm	HUFm
Sale of pharmaceutical products	465,233	438,586
Revenue from services	12,005	13,556
Royalty income	89,538	55,652
Total revenues	**566,776**	**507,794**

Revenues of approximately HUF 86,895 million (2019: HUF 54,637 million) are derived from a single external customer (Allergan) that exceeded 10% of total revenues. The revenue is royalty and milestone payments, related to Vraylar® and are attributable to the Pharmaceuticals segment and located in the USA region. There was no other customer exceeding 10% of revenues in 2020 and in 2019.

The Group has recognised the following contract assets and contract liabilities related to the contracts with customers:

	31 December 2020 HUFm	31 December 2019 HUFm
Current contract asset	**3,080**	**3,466**
Contract liabilities	**772**	**745**

5. Profit from operations – expenses by nature

	2020 HUFm	2019 HUFm
Revenues	566,776	507,794
From this: royalty and other similar income	*89,538*	*55,652*
Changes in inventories of finished goods and work in progress, cost of goods sold	(152,639)	(129,668)
Material type expenses	(105,345)	(122,768)
Personnel expenses	(137,919)	(132,400)
Depreciation and amortisation (Note 13)	(39,846)	(39,320)
from this: IFRS16 related	(4,188)	(3,692)
Other income and other expenses (net)	(17,267)	(44,793)
from this: IFRS16 related	27	22
Reversal of impairment on financial and contract assets	1,329	1,051
Profit from operations	**115,089**	**39,896**

The table below contains the detailing of fees for audit and non-audit services:

Deloitte Auditing and Consulting Ltd.

	2020 HUFm
Richter – annual audit – separate financial statement	20
Richter – annual audit – consolidated financial statement	7
Total	**27**

Deloitte Network

	2020 HUFm
Audit based on statutory provisions	81
Other services providing assurance	12
Tax consulting services	36
Other non-audit services	28
Total	**157**

The balance of impairment on financial and contract assets

The net reversal of impairment recognised on financial and contract assets in accordance with in IFRS 9 was HUF 1,329 million in 2020 and HUF 1,051 million in 2019.

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

The balance of other income and expense changed from HUF 44,793 million (expense) in the base period to HUF 17,267 million (expense) in 2020.

In the period of reporting the Group realised one-off milestone income of HUF 900 million mainly in conjunction with cariprazine and tocilizumab. By contrast, one-off milestone income in the reference period amounted to HUF 5,717 million in respect of the authorisation of cariprazine for a new indication and of its licensing.

In 2020 the balance of Other income and expenses was negatively affected by the impairment reported on Intangibles (HUF 5,056 million) including HUF 1,561 million related to Evestra developments, HUF 1,339 million to Bemfola's American license, HUF 672 million to the Canadian license rights of ESMYA, and HUF 812 million to the product Balanca® related to Germany.

The impairment tests of ESMYA for the 2019 financial statements had to be conducted in consideration of decisions by the regulatory authorities and market effects. As a result, the Group reported HUF 29,114 million impairment of the intangible asset ESMYA. (See details in Note 3.1). Furthermore Executive Board decided to discontinue the Trastuzumab development project resulting in HUF 2,096 million in impairment.

Claw-back expenses are partial repayments of the received Sales revenue of the reimbursed products to the State where the product was distributed (further "claw-back"). In accordance with the announced claw-back regime local authorities established the amount of extraordinary tax to be paid based on the comparison of the subsidies allocated for reimbursed drugs and manufacturers' sales thereof. Other income and expenses include expenditures in respect of the claw-back regimes effective in Romania, Germany, France, Spain, Portugal, Belgium, Italy, Bulgaria, Austria, Poland, Latvia, Lithuania, Croatia, Slovenia, Greece, Ireland and UK amounting to HUF 4,782 million in 2020 (in 2019 HUF 3,300 million). The 20% tax obligation payable in respect of turnover related to reimbursed sales in Hungary amounted to HUF 800 million in 2020 and HUF 631 million in 2019.

In 2020 an impairment loss amounting to HUF 21 million was recorded in respect of the Goodwill related to Armedica Trading Group. In 2019, HUF 7,104 million was charged in respect of PregLem S A., GR Med and GR Mexico related Goodwill. For details please see in Note 19.

Depreciation charge of right-of-use assets:

	2020 HUFm	**2019** HUFm
Land	(21)	(20)
Building	(2,537)	(2,181)
Machinery	2	(1)
Office equipment	(16)	(15)
Vehicles	(1,616)	(1,475)
Total	**(4,188)**	**(3,692)**

The Consolidated Income Statement includes HUF 1,388 million in 2020 (in 2019 HUF 2,954 million) expenses from short-term, low-value and variable lease payments.

6. Employee information

	2020	**2019**
Average number of people employed during the year	12,885	12,906

7. Net financial result

The Group is translating its foreign currency monetary assets and liabilities to the year-end exchange 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 Group is analysing these translation differences on net basis, balances are presented on net basis as follows:

	2020 HUFm	2019 HUFm
Unrealised financial items	**(2,571)**	**(740)**
Exchange (loss)/gain on trade receivables and trade receivables	(1,238)	360
Gain on foreign currency loans receivable	699	1,166
Foreign exchange and fair valuation difference of other financial assets and liabilities	1,798	(1,582)
Interest expenses related to IFRS 16 standard	(609)	(594)
Year-end foreign exchange difference related to IFRS 16 standard	(21)	(90)
Impairment loss on investments (Note 15)	(3,200)	-
Realised financial items	**1,746**	**11,034**
Exchange (loss)/gain realised on trade receivables and trade payables	(323)	8,971
Foreign exchange difference on conversion of cash	1,186	1,283
Dividend income	2	1
Interest income	915	914
Interest expense	(22)	(1)
Other financial items	12	(134)
Total	**(825)**	**10,294**

Unrealised financial loss was heavily affected by the 3.96 RUB/HUF, 297.36 USD/HUF and 365.13 EUR/HUF exchange rates as of 31 December 2020 (4.74 RUB/HUF on 31 December 2019, 294.74 USD/HUF and 330.52 EUR/HUF respectively) which impacted the revaluation of currency related Balance Sheet items. These translation and fair valuation differences together resulted in a gain of HUF 1,259 million in the net financial loss for 2020. This gain was offset by impairment HUF 3,200 million on the investment in Evestra Inc.. For the sensitivity analysis relating to foreign currency exposure see Note 10.

HUF 1,798 million foreign exchange and fair valuation difference of other financial assets and liabilities includes HUF 43 million loss on derivatives.

The Group did not apply hedge accounting under IFRS 9 derivative transactions.

Exchange rate movements are closely monitored by the Group, entering into forward contracts is subject to Management’s review and approval.

8. Income tax expense

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

	2020 HUFm	2019 HUFm
Corporate income tax	(4,454)	(2,469)
Local business tax	(4,017)	(4,079)
Innovation contribution	(608)	(614)
Current tax	**(9,079)**	**(7,162)**
Deferred tax (Note 17)	(33)	4,744
Income tax	**(9,112)**	**(2,418)**

In 2020 the average effective tax rate calculated on the basis of the current tax is 7.9% and also 7.9% taking into account the effect of deferred tax as well, in 2019 these rates were 14.1% and 4.8% respectively.

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

Parent Company	9%
Romania	16%
Russia	15.5%
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 37.

Tax rate reconciliation

	2020 HUFm	2019 HUFm
Profit before income tax	**115,164**	**50,848**
Tax calculated at domestic tax rates applicable to profits in the respective countries*	15,149	8,907
Tax effects of:		
Associates results reported net of tax	(81)	(59)
Income not subject to tax	(4,143)	(2,262)
Expense not deductible for tax purposes	528	504
Expense eligible to double deduction**	(3,233)	(3,203)
The effect of changes in tax loss for which no deferred income tax has been recognised***	725	(44)
Other income taxes	899	-
Correction of tax return	4	-
Effect of change in tax rate	-	(1,622)
Impact of deferred tax exceptions on subsidiaries and goodwill****	(363)	197
Investment tax credit	(373)	-
Tax charge	**9,112**	**2,418**

* The tax has been calculated with domestic tax rates including the effect of every income tax (including e.g. local business tax).
** These expenditures can be deducted twice from the current years result to get the taxable profit (qualifying R&D expenses).
*** Unused tax loss of the current year on which no deferred tax asset has been recognised adjusted by the effect of the tax loss utilised in current period on which no deferred tax asset was recognised.
**** Deferred tax liability is not recognized in accordance with IAS 12.15 on the related temporary difference.

Investment tax credit

In 2007, the 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 finished in 2011 and all the equipment that formed part of the project was commissioned. The Company took advantage of the investment tax benefit for the first time in financial year 2012, proceeding and calculating it in accordance with the applicable laws and regulations. The amount of investment tax credit used as advantage in 2020 is HUF 353 million.

The remaining tax relief in connection with the Debrecen project is available for subsequent years with an amount of HUF 1,731 million at current value. Therefore Richter is able to take advantage of the tax relief up to 2021, at the latest.

Accounting treatment of the tax credit

The Company 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 tax credit.

9. Consolidated earnings per share

Basic earnings per share is calculated by reference to the net profit attributable to shareholders of the Parent Company 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.
For diluted earnings per share, the weighted average number of ordinary shares outstanding is adjusted to assume conversion of all dilutive potential ordinary shares. As of 31 December 2019 and 31 December 2020 there are no potential dilutive instruments issued by the Group.

EPS (basic and diluted)

	2020	2019
Net consolidated profit attributable to owners of the parent (HUFm)	104,683	47,135
Weighted average number of ordinary shares outstanding (thousands)	185,971	186,011
Earnings per share (HUF)	**563**	**253**

10. Financial instruments

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

	Notes	Carrying value		Fair value	
		31 December 2020	31 December 2019	31 December 2020	31 December 2019
		HUFm	HUFm	HUFm	HUFm
Financial assets[1]					
Financial assets measured at amortised cost					
Loans receivable	22	908	673	908	673
Trade receivables	21	152,652	154,426	152,652	154,426
Other current assets	22	7,798	7,315	7,798	7,315
Cash and cash equivalents	24	142,068	128,573	142,068	128,573
Financial assets measured at fair value through OCI					
Government securities[3]	23	5,478	-	5,478	-
Financial assets measured at fair value through profit or loss					
Other securities - convertible promissory note[2]	23	1,664	1,545	1,664	1,545
Current		**310,568**	**292,532**	**310,568**	**292,532**
Financial assets measured at amortised cost					
Loans receivable	18	2,237	2,021	2,237	2,021
Financial assets measured at fair value through OCI					
Government securities[3]	16	36,612	-	36,612	-
Investments	16	1,604	13,603	1,604	13,603
Financial assets measured at fair value through profit or loss					
Corporate bonds[3]	16	4,479	-	4,479	-
Other financial instrument (Mycovia)	16	6,318	5,427	6,318	5,427
Non-current		**51,250**	**21,051**	**51,250**	**21,051**
Financial liabilities					
Liabilities carried at amortised cost					
Trade payables	27	65,838	61,770	65,838	61,770
Other payables and accrual	28	22,662	33,706	22,662	33,706
from this: Lease liabilities		*3,802*	*3,729*	*3,802*	*3,729*
Current		**88,500**	**95,476**	**88,500**	**95,476**
Liabilities carried at amortised cost					
Other non-current liabilities	31	11,573	11,318	11,573	11,318
from this: Lease liabilities		*10,754*	*10,296*	*10,754*	*10,296*
Non-current		**11,573**	**11,318**	**11,573**	**11,318**

[1] All financial assets are free from liens and charges.
[2] Convertible promissory note to associates.
[3] The fair valuation of securities was based on bank data supply.
Level 1: on 31.12.2020 none
Level 2: on 31.12.2020 HUF 46,569 million
The fair value of interest swap rates was discounted to present value by the Group using the available interest rate curve on the market. In case of those corporate bonds, which are recognised under the fair value option, the present value was determined using the discounted cash flow method. Based on the mentioned valuation techniques the financial instruments were assigned to Level 2 category.

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

Interest rate risk
As stated below under Capital management the amount of total borrowings of the Group is not relevant since that the interest rate risk arising from borrowings is negligible.

Security price risk
Convertible promissory note denominated in foreign currency, government securities and corporate bonds are presented as current and non-current financial assets. The value of this financial instrument is influenced by the FX and price change. In 2019 the most significant investment of the Group was represented by the interest held in Protek Group which was sold in 2020. Therefore interest held in Themis Medicare Ltd. is presented only (Note 16.2).

I.) Capital management

The capital structure of the Group consists of net debt (borrowings as detailed in Note 30 offset by cash and bank balances in Note 24) and equity of the Group (comprising share capital, retained earnings, other reserves 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 Company is pursuing constant dividend policy, providing dividend from the profit to the owners every year. The Board of Directors recommends for the Annual General Meeting the payment of dividend calculated from the Group's IFRS consolidated profit attributable to the owners of the parents, and also taking into account the Company's net cash flow and the financing needs of the ongoing acquisition projects.
The amount of 2020 dividend per ordinary share is HUF 225 as proposed by the Board of Directors.

The capital risk of the Group was still limited in both 2020 and 2019, since the net debt calculated as below shows surplus in the balance sheet.

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

	31 December 2020 HUFm	**31 December 2019** HUFm
Borrowings (Note 30)	-	-
Less: cash and cash equivalents (Note 24)	(142,068)	(128,573)
Net debt	**(142,068)**	**(128,573)**
Total equity	813,939	724,873
Total capital	**671,871**	**596,300**
EBITDA*	150,747	75,524
Net debt to EBITDA ratio	**(0.94)**	**(1.70)**
Net debt to equity ratio	**(0.17)**	**(0.18)**

* The Group defines EBITDA as operating profit increased by depreciation and amortization expense. From 1 January 2019 the Group applies the IFRS 16 Leases standard. As a result of the new standard certain rental expenses are capitalised and the expense is charged as depreciation and interest expense. Such depreciation related to the right-of-use assets is not added back when determining the EBITDA.

	2020 HUFm	2019 HUFm
Profit from operations	115,089	39,896
Depreciation (except for right-of-use asset)	35,658	35,628
EBITDA*	**150,747**	**75,524**

* The Group defines EBITDA as operating profit increased by depreciation and amortization expense. From 1 January 2019 the Group applies the IFRS 16 Leases standard. As a result of the new standard certain rental expenses are capitalised and the expense is charged as depreciation and interest expense. Such depreciation related to the right-of-use assets is not added back when determining the EBITDA.

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 profit

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

The foreign currency risk management calculation is based on the balances exposed to exchanges of foreign currencies of the Parent Company and the eight principal subsidiaries (Gedeon Richter Polska Sp. z o.o., Gedeon Richter Romania S.A., AO Gedeon Richter – RUS, PregLem S.A., Richter-Helm BioLogics GmbH & Co. KG, Pharmafarm S.A., Gedeon Richter Farmacia S.A., TOO Gedeon Richter KZ). The items of the other consolidated companies have insignificant foreign currency exposure as they are performing mainly wholesale and retail activity, purchasing and selling in their functional currency. The effect of the risk arising from currency fluctuation is measured by different change in the exchange rates. Certain foreign currencies recently showed higher volatility therefore according to the decision of the Management these currencies have been diverted in a reasonable level when determining the exchange rate combination (RUB, KZT +/- 10%; USD, CHF +/- 5%).

The table below presents the effect of the change in the average foreign currency rate on the operating profit and on the profit before income tax:

		Exchange rates								Effect on operating profit	Effect on profit before income tax	
2020	*	EUR/HUF	USD/HUF	EUR/USD	PLN/HUF	RON/HUF	RUB/HUF	CHF/HUF	KZT/HUF	CNY/HUF	HUFm	HUFm	
	105,00%	**368.53**											
													largest
			322.62	**1.14**	**83.12**	**76.23**	**4.68**	**344.56**	**0.83**	**47.03**	**13,491**	**12,965**	**growth**
			307.26	1.20	79.16	72.60	4.25	328.15	0.75	44.79	1,952	2,265	
			291.90	1.26	75.20	68.97	3.83	311.74	0.68	42.55	(9,587)	(8,434)	
	100,00%	350.98											
			322.62	1.09	83.12	76.23	4.68	344.56	0.83	47.03	11,539	10,700	
			307.26	1.14	79.16	72.60	4.25	328.15	0.75	44.79	0	0	
			291.90	1.20	75.20	68.97	3.83	311.74	0.68	42.55	(11,539)	(10,700)	
	95,00%	**333.43**											
			322.62	1.03	83.12	76.23	4.68	344.56	0.83	47.03	9,587	8,434	
			307.26	1.09	79.16	72.60	4.25	328.15	0.75	44.79	(1,952)	(2,265)	
													greatest
			291.90	**1.14**	**75.20**	**68.97**	**3.83**	**311.74**	**0.68**	**42.55**	**(13,491)**	**(12,965)**	**decrease**

* Change of EUR/HUF average exchange rates.

2019		Exchange rates								Effect on operating profit	Effect on profit before income tax	
*	EUR/HUF	USD/HUF	EUR/USD	PLN/HUF	RON/HUF	RUB/HUF	CHF/HUF	KZT/HUF	CNY/HUF	HUFm	HUFm	
103,07%	**335.35**											
		305.15	**1.10**	**77.95**	**70.84**	**4.94**	**305.96**	**0.84**	**43.36**	**12,239**	**13,380**	**largest growth**
		290.62	1.15	75.63	68.73	4.49	291.39	0.76	42.07	1,039	1,192	
		276.09	1.21	73.31	66.62	4.04	276.82	0.68	40.78	(10,161)	(10,997)	
100,00%	325.36											
		305.15	1.07	77.95	70.84	4.94	305.96	0.84	43.36	11,200	12,188	
		290.62	1.12	75.63	68.73	4.49	291.39	0.76	42.07	0	0	
		276.09	1.18	73.31	66.62	4.04	276.82	0.68	40.78	(11,200)	(12,188)	
96,93%	**315.37**											
		305.15	1.03	77.95	70.84	4.94	305.96	0.84	43.36	10,161	10,997	
		290.62	1.09	75.63	68.73	4.49	291.39	0.76	42.07	(1,039)	(1,192)	
		276.09	**1.14**	**73.31**	**66.62**	**4.04**	**276.82**	**0.68**	**40.78**	**(12,239)**	**(13,380)**	**greatest decrease**

* Change of EUR/HUF average exchange rates.

Based on the yearly average currency rate sensitivity analysis of 2020 the combination of weak Hungarian Forint –368.53 EUR/HUF against other currencies – would have caused the largest growth in the amount of HUF 13,491 million on the Group's consolidated operating profit and HUF 12,965 million on the Group's consolidated profit for the year.
The greatest decrease HUF 13,491 million on operating and HUF 12,965 million on profit for the year would have been caused by the combination of exchange rates of 333,43 EUR/HUF against other currencies.

Based on the yearly average currency rate sensitivity analysis of 2019 the combination of weak Hungarian Forint – 335.35 EUR/HUF against other currencies – would have caused the largest growth in the amount of HUF 12,239 million on the Group's consolidated operating profit and HUF 13,380 million on the Group's consolidated profit for the year. The greatest decrease HUF 12,239 million on operating and HUF 13,380 million on profit for the year would have been caused by the combination of exchange rates of 315.37 EUR/HUF against other currencies.

Currency sensitivity of balance sheet items

Foreign currency risk can only arise on financial instruments that are denominated in a currency other than the functional currency in which they are measured. Translation exposures arise from financial and non-financial items held by an entity with a functional currency different from the Group's presentation currency.
Currency sensitivity analysis of balance sheet items is applied to third party trade receivables and trade payables, bank accounts, loans receivable, borrowings and deferred purchase price liabilities considering that items of related parties are eliminated during consolidation. The calculation is based on the items of the Parent Company and the eight principal subsidiaries (Gedeon Richter Polska Sp. z o.o., Gedeon Richter Romania S.A., AO Gedeon Richter – RUS, PregLem S.A., Richter-Helm BioLogics GmbH & Co. KG, Pharmafarm S.A., Gedeon Richter Farmacia S.A., TOO Gedeon Richter KZ). The effect of the risk arising from currency fluctuation is measured by different scenarios regarding the exchange rates.
The calculation is based on the exchange rates combinations presented below. Recently, Management has experienced higher sensitivity in case of certain currencies, therefore these currencies have been diverted more when determining the exchange rate combinations (RUB, KZT +/- 10%; USD, CHF +/- 5%).

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

2020		Exchange rates								Effect on net financial position	
*	EUR/HUF	USD/HUF	EUR/USD	PLN/HUF	RON/HUF	RUB/HUF	CHF/HUF	KZT/HUF	CNY/HUF	HUFm	
105,00%	**383.39**										
		312.23	**1.23**	**83.25**	**78.74**	**4.36**	**354.28**	**0.78**	**47.72**	**11,540**	**best case scenario**
		297.36	1.29	79.29	74.99	3.96	337.41	0.71	45.45	2,277	
		282.49	1.36	75.33	71.24	3.56	320.54	0.64	43.18	(6,987)	
100,00%	365.13										
		312.23	1.17	83.25	78.74	4.36	354.28	0.78	47.72	9,264	
		297.36	1.23	79.29	74.99	3.96	337.41	0.71	45.45	-	
		282.49	1.29	75.33	71.24	3.56	320.54	0.64	43.18	(9,264)	
95,00%	**346.87**										
		312.23	1.11	83.25	78.74	4.36	354.28	0.78	47.72	6,987	
		297.36	1.17	79.29	74.99	3.96	337.41	0.71	45.45	(2,277)	
		282.49	**1.23**	**75.33**	**71.24**	**3.56**	**320.54**	**0.64**	**43.18**	**(11,540)**	**worst case scenario**

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

2019		Exchange rates								Effect on net financial position	
*	EUR/HUF	USD/HUF	EUR/USD	PLN/HUF	RON/HUF	RUB/HUF	CHF/HUF	KZT/HUF	CNY/HUF	HUFm	
103,07%	**340.67**										
		309.48	**1.10**	**79.97**	**71.20**	**5.21**	**319.61**	**0.85**	**43.64**	**7,353**	**best case scenario**
		294.74	1.16	77.59	69.08	4.74	304.39	0.77	42.34	402	
		280.00	1.22	75.21	66.96	4.27	289.17	0.69	41.04	(6,548)	
100,00%	330.52										
		309.48	1.07	79.97	71.20	5.21	319.61	0.85	43.64	6,950	
		294.74	1.12	77.59	69.08	4.74	304.39	0.77	42.34	0	
		280.00	1.18	75.21	66.96	4.27	289.17	0.69	41.04	(6,950)	
96,93%	**320.37**										
		309.48	1.04	79.97	71.20	5.21	319.61	0.85	43.64	6,548	
		294.74	1.09	77.59	69.08	4.74	304.39	0.77	42.34	(402)	
		280.00	**1.14**	**75.21**	**66.96**	**4.27**	**289.17**	**0.69**	**41.04**	**(7,353)**	**worst case scenario**

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

The worst case scenario is when EUR, USD, PLN, RON, RUB, CHF, KZT and CNY weaken against HUF. In this case the consolidated financial result would decrease by HUF 11,540 million. The best case scenario is when EUR, USD, PLN, RON, RUB, CHF, KZT and CNY would strengthen against HUF. In this case the consolidated financial result would increase by HUF 11,540 million.

In 2019 the worst case scenario was when EUR, USD, PLN, RON, RUB, CHF, KZT and CNY weaken against HUF. In this case the consolidated financial result would decrease by HUF 7,353 million. The best case scenario was when EUR, USD, PLN, RON, RUB, CHF, KZT and CNY would strengthen against HUF. In this case the consolidated financial result would increase by HUF 7,353 million.

Since loans receivables and borrowings given to subsidiaries are eliminated during the consolidation process these items are not taken into consideration in the sensitivity analyses, however the revaluation effect of these balance sheet items influence the Net Financial Income/(loss) of the Group.

The Group's exposure to foreign currency risk at the end of the reporting period:

2020	**Currencies** (all amounts in millions)							
	EUR	USD	CHF	RUB	RON	PLN	KZT	CNY
Loans receivable	0.2	2.1	-	-	-	0.7	-	-
Trade receivables	53.2	117.5	0.8	8,018.9	465.7	87.6	1,984.6	100.7
Investments in securities	31.1	30.2	-	-	-	-	-	-
Bank deposits	82.2	188.3	5.3	385.1	76.0	22.6	415.0	25.7
Trade payables	(31.3)	(4.5)	(0.7)	(77.5)	(474.0)	(8.1)	(34.7)	-
Other liabilities	(1.1)	(4.0)	-	(8.3)	-	(0.2)	-	-
Lease liabilities	(9.5)	(0.8)	(0.4)	(157.7)	(1.2)	(20.2)	(25.6)	-
Total	**124.8**	**328.8**	**5.0**	**8,160.5**	**66.5**	**82.4**	**2,339.9**	**126.4**

2019	**Currencies** (all amounts in millions)							
	EUR	USD	CHF	RUB	RON	PLN	KZT	CNY
Loans receivable	0.5	2.1	-	-	-	-	-	-
Trade receivables	63.2	93.9	0.9	8,090.9	494.9	88.8	1,910.6	130.4
Investments in securities	-	26.3	-	-	-	-	-	-
Bank deposits	70.3	34.2	2.6	758.8	39.6	16.4	646.3	76.9
Trade payables	(31.3)	(3.5)	(0.4)	(47.3)	(415.8)	(9.6)	(33.3)	-
Other liabilities	(0.1)	(16.7)	-	(225.7)	-	-	-	-
Lease liabilities	(63.0)	(0.7)	(0.6)	(32.2)	(0.9)	(22.1)	-	-
Total	**39.6**	**135.6**	**2.5**	**8,544.5**	**117.8**	**73.5**	**2,523.6**	**207.3**

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 on a regular basis and monitors the overdue balances. The Group also regularly requires securities (e.g. credit insurance, bank guarantees) from its customers. If the customers reached the contractual credit limit and even not able to present any securities required, further shipments can be suspended by the Group.

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. In 2020 there is only one customer (Allergan) where the turnover exceeds 10% of total revenues. The revenue is royalty and milestone payments, related to Vraylar®.

Provisions for doubtful debts receivables are estimated by the Group's management based on the expected credit loss model. The following securities are applied to minimize the credit risk.

Regions	Trade receivables secured as at	Type of security		
	31 December 2020 HUFm	Credit insurance* HUFm	Bank guarantee HUFm	L/C HUFm
CIS	39,963	39,646	317	-
EU	463	-	463	-
USA	-	-	-	-
China	-	-	-	-
Latin America	-	-	-	-
Other	1,635	1,497	-	138
Total	**42,061**	**41,143**	**780**	**138**

Regions	Trade receivables secured as at	Type of security		
	31 December 2019 HUFm	Credit insurance* HUFm	Bank guarantee HUFm	L/C HUFm
CIS	45,796	43,638	2,158	-
EU	420	-	420	-
USA	-	-	-	-
China	-	-	-	-
Latin America	171	171	-	-
Other	698	351	149	198
Total	**47,085**	**44,160**	**2,727**	**198**

*The balance of trade receivables included in the (export credit) insurance program is presented as secured portfolio as at the balance sheet date, regardless of whether its risk relating to non-payment is additionally secured by other instruments or not.

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

As a result of the composition of the Group, the Parent Company has the most significant Cash and cash equivalents (more than 75% of the Group's total Cash and cash equivalents). Therefore details of the Parent Company are disclosed.

The credit rating of the most significant banks as of 31 December 2020 based on Standard and Poor's international credit rating institute are the followings (if such credit rating is not available we present the rating of its "ultimate parent"):

	31 December 2020	31 December 2019
Banca Commerciala Romana SA*	BBB+	BBB+
Bank of China Ltd. Magyarországi Fióktelepe	A	A
BNP Paribas Magyarországi Fióktelepe	A+	A+
CIB Bank Zrt.*	BB+	BBB-
ING Bank N.V. Magyarországi Fióktelepe	A+	A+
K&H Bank Zrt.*	BBB+	BBB+
KDB Bank Európa Zrt. (ultimate parent - Korea Development Bank)	AA	AA
JSC OTP Bank*	BB+	BB+
OTP Bank Nyrt.	BBB	BBB-
UniCredit Bank Zrt. (ultimate parent - UniCredit SpA)	BBB	BBB

* For these financial institutes we present the rating of Fitch Ratings, since rating of Standard and Poor's is not available.

In 2020 the Group invested into government and corporate bonds in the amount of HUF 46 billion that is presented as non-current financial assets in the Balance Sheet. These financial assets are hold at above listed high quality financial institutions. The other bank relations of the Group are widely dispersed, therefore the credit exposure with one financial institution is limited. The Group has no significant concentration of credit risk, with its exposure spread over a large number of counterparties and customers.
The Group has a customer (Allergan) where the turnover exceeds 10% of net sales. The customer has settled all open item up to the balance sheet date.

IV.) Liquidity risk

Cash flow forecasting is performed in the operating entities of the Group. These forecasts are updated on a monthly basis based on actual data. Group finance monitors rolling forecasts of the Group's liquidity requirements to ensure it has sufficient cash to meet operational needs at all times so that the Group does not breach covenants. Such forecasting takes into consideration the Group's debt financing plans, covenant compliance. Group treasury invests surplus cash in interest bearing current accounts, time deposits, money market deposits and marketable securities.
Besides these, on operational level various cash pool systems throughout the Group help to optimise liquidity surplus and need on a daily basis.
The liquidity risk of the Group was limited in 2020 and 2019, since the Cash and cash equivalents presented in the balance sheet exceeds the Current liabilities and the balance of the Current assets is higher than the total liabilities.

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

	2020 HUFm	**2019** HUFm
Bank guarantee for National Tax and Customs Administration of Hungary – collaterals for customs and excise duty related liabilities	194	196
Bank guarantee for Romanian suppliers	3,011	3,408
Other, individually not significant bank guarantees	145	185

11. Fair Value of Financial Instruments

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

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

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

a) Recurring fair value measurements

Recurring fair value measurements are those that the accounting standards require or permit in the Consolidated Balance Sheet at the end of each reporting period.

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

HUFm	Notes	31 December 2020				31 December 2019			
		Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Financial assets									
Current financial assets measured at fair value through profit or loss	23	-	-	1,664	**1,664**	-	-	1,545	**1,545**
Current financial assets measured at fair value through OCI	23	-	5,478	-	**5,478**	-	-	-	**-**
Non-current financial assets measured at fair value through OCI	16	1,604	36,612	-	**38,216**	13,603	-	-	**13,603**
Non-current financial assets measured at fair value through profit or loss	16	-	4,479	6,318	**10,797**	-	-	5,427	**5,427**
Total assets recurring fair value measurements		**1,604**	**46,569**	**7,982**	**56,155**	**13,603**	**-**	**6,972**	**22,120**

There was no financial liability and contract liability measured at fair value neither in 2019 nor in 2020.

The Group decides to exercise the governments securities at fair value through OCI at initial recognition. The Group recognizes corporate bonds at fair value through profit or loss due to eliminate or materially reduce recognition or measurement inconsistencies (accounting mismatch) which would have existed, if the Group had not selected the fair value option. The Group has derivative financial instruments on balance sheet date, which can be found in Note 12.

Please see the details of the Other investments' fair value (above presented as Non-current financial assets measured at fair value through OCI) in Note 16.

There were no changes in valuation method neither for level 1, nor for level 2 and level 3 recurring fair value measurements during the year ended 31 December 2020 and 2019.

The valuation technique, inputs used in the fair value measurement for most significant level 3 measurements and related sensitivity to reasonably possible changes in those inputs are as follows at 31 December 2020 and 2019 (Note 3.1):

	Fair value at 31 December 2020 HUFm	**Valuation technique**	**Unobservable inputs**	**Range of inputs (weighted average)**		**Sensitivity of fair value measurement**
Assets at fair value						
Convertible promissory note Prima Temp	1,664	Option valuation model	· Price of the stock	37.5	USD/share	The change of the stock price multiples the fair value
			· Strike price of the option	0.81	USD/share	The higher the strike price the lower the fair value
			· Time in years	0.5	year	The longer the time in years the higher the fair value
			· The annualised risk free rate	0.12	%	The higher the annualised risk free rate the higher the fair value
			· Standard deviation of the stock's returns (volatility)	11.92	%	The higher the standard deviation the higher the fair value
Other financial instrument Mycovia	6,318	Discounted cash flows (DCF)	· Estimated future profit			The higher estimated future profits, the higher the fair value.
			· Foreign currency rate	297.36	HUF/USD	The higher the FX rate the higher the fair value
			· Discount rate	9.19	%	The higher the discount rate the lower the fair value
Total recurring fair value measurements at Level 3	**7,982**					

	Fair value at 31 December 2019 HUFm	Valuation technique	Unobservable inputs	Range of inputs (weighted average)		Sensitivity of fair value measurement
Assets at fair value						
Convertible promissory note Prima Temp	1,545	Option valuation model	· Price of the stock	37.5	USD/share	The change of the stock price multiples the fair value
			· Strike price of the option	0.96	USD/share	The higher the strike price the lower the fair value
			· Time in years	0.25	year	The longer the time in years the higher the fair value
			· The annualised risk free rate	1.54	%	The higher the annualised risk free rate the higher the fair value
			· Standard deviation of the stock's returns (volatility)	11.92	%	The higher the standard deviation the higher the fair value
Other financial instrument Mycovia	5,427	Discounted cash flows (DCF)	· Estimated future profit			The higher estimated future profits, the higher the fair value.
			· Foreign currency rate	294.74	HUF/USD	The higher the FX rate the higher the fair value
			· Discount rate	12.08	%	The higher the discount rate the lower the fair value
Total recurring fair value measurements at Level 3	**6,972**					

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

(b) Non-recurring fair value measurements

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

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

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

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

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

12. Financial derivative instruments

Government bonds and corporate bonds purchased by the Group are fixed interest rate debt securities. In order to manage the market risk arising from fixed interest rates, the Group has entered into interest rate swaps in the case of corporate bonds, during which it exchanges fixed interest rates for variables. The maturity and currency data of these transactions are summarized in the table below.

Name	Nominal value	Maturity date	Carrying value HUFm
Interest rate swap (HUF)	3,000,000,000	2029	(41)
Interest rate swap (EUR)	5,000,000	2027	(2)
Total			**(43)**

The Group's derivative instruments are interest rate swaps. The Group does not apply the hedge accounting.

	31 December 2020 HUFm	31 December 2019 HUFm
Liabilities		
Long-term financial derivative instruments		
Interest rate swaps	(27)	-
Short-term financial derivative instruments		
Interest rate swaps	(16)	-
Total financial derivative liabilities	**(43)**	**-**

The Group recognizes the corporate bonds and related interest rate swaps at fair value through profit or loss due to eliminate or materially reduce recognition or measurement inconsistencies (accounting mismatch) which would have existed, if the Group had not selected the fair value option. The relevant part of the accounting policy can be found in Note 2 paragraph X/D.

13. Property, plant and equipment, Right-of-use assets and other intangible assets

13.1 Property, plant and equipment

	31 December 2020 HUFm	31 December 2019 HUFm
Property, plant and equipment without Right-of-use assets	239,986	230,979
Right-of-use assets	14,135	13,775
Total	**254,121**	**244,754**

13.1.1 Property, plant and equipment without Right-of-use assets

	Land and buildings HUFm	Plant and equipment HUFm	Construction in progress HUFm	Total HUFm
Gross value				
at 31 December 2018	**170,836**	**294,801**	**22,383**	**488,020**
Translation differences	2,401	2,373	274	**5,048**
Capitalization	9,881	26,354	(36,235)	**-**
Transfers and capital expenditure	1,365	674	39,526	**41,565**
Disposals	(2,858)	(7,594)	(467)	**(10,919)**
at 31 December 2019	**181,625**	**316,608**	**25,481**	**523,714**
Accumulated depreciation				
at 31 December 2018	**52,048**	**221,092**	**-**	**273,140**
Translation differences	510	1,431	-	**1,941**
Current year depreciation	5,151	18,714	-	**23,865**
Net foreign currency exchange differences	24	123	-	**147**
Disposals	(321)	(6,037)	-	**(6,358)**
at 31 December 2019	**57,412**	**235,323**	**-**	**292,735**
Net book value				
at 31 December 2018	**118,788**	**73,709**	**22,383**	**214,880**
at 31 December 2019	**124,213**	**81,285**	**25,481**	**230,979**

	Land and buildings	Plant and equipment	Construction in progress	Total
	HUFm	HUFm	HUFm	HUFm
Gross value				
at 31 December 2019	**181,625**	**316,608**	**25,481**	**523,714**
Translation differences	(811)	575	(168)	**(404)**
Capitalization	9,953	24,755	(34,708)	**-**
Transfers and capital expenditure	1,682	1,760	36,903	**40,345**
Disposals	(2,321)	(7,944)	(200)	**(10,465)**
Assets classified as held for sale	(2,056)	(505)	(8)	**(2,569)**
at 31 December 2020	**188,072**	**335,249**	**27,300**	**550,621**
Accumulated depreciation				
at 31 December 2019	**57,412**	**235,323**	**-**	**292,735**
Translation differences	182	752	-	**934**
Current year depreciation	5,437	19,244	-	**24,681**
Net foreign currency exchange differences	(3)	(26)	-	**(29)**
Disposals	(265)	(5,916)	-	**(6,181)**
Assets classified as held for sale	(1,086)	(419)	-	**(1,505)**
at 31 December 2020	**61,677**	**248,958**	**-**	**310,635**
Net book value				
at 31 December 2019	**124,213**	**81,285**	**25,481**	**230,979**
at 31 December 2020	**126,395**	**86,291**	**27,300**	**239,986**

All items of Property, plant and equipment are free from liens and charges. The amount of Land and buildings does not contain any Investment property. Since the value of Investment property is not material it is not disclosed separately.

From 2019 leased assets are presented among Property, plant and equipment in the Consolidated Balance Sheet, see Note 13.1.2.

13.1.2 Right-of-use assets

The Consolidated Balance Sheet shows the following amounts relating to leases:

	31 December 2020	31 December 2019
	HUFm	HUFm
Land	1,427	1,397
Building	9,546	9,790
Machinery	7	6
Office equipment	58	54
Vehicles	3,097	2,528
Total	**14,135**	**13,775**

The gross value of the right-of-use assets increased by HUF 4,548 million. The depreciation in the current year is HUF 4,188 million (in 2019 HUF 3,692 million, see Note 5). Therefore, the net increase was HUF 360 million in the value of right-of- use assets in 2020, which comprises of new transactions, revaluations and modifications.

13.2 Other intangible assets

	Rights	Intellectual property	Research and development	ESMYA*	BEMFOLA**	Total
	HUFm	HUFm	HUFm	HUFm	HUFm	HUFm
Gross value						
at 31 December 2018	**159,863**	**5,162**	**423**	**83,530**	**53,613**	**302,591**
Translation differences	500	71	-	4,842	-	**5,413**
Acquisition	18,588	466	-	-	-	**19,054**
Disposals	(1,388)	(25)	-	-	-	**(1,413)**
at 31 December 2019	**177,563**	**5,674**	**423**	**88,372**	**53,613**	**325,645**
Accumulated depreciation						
at 31 December 2018	**87,835**	**3,238**	**423**	**54,086**	**5,361**	**150,943**
Translation differences	409	58	-	3,313	-	**3,780**
Current year amortization	7,855	406	-	1,357	2,145	**11,763**
Net foreign currency exchange differences	19	6	-	56	-	**81**
Impairment and reversal of impairment (net)	2,928	-	-	28,801	-	**31,729**
Disposals	(263)	(23)	-	-	-	**(286)**
at 31 December 2019	**98,783**	**3,685**	**423**	**87,613**	**7,506**	**198,010**
Net book value						
at 31 December 2018	**72,028**	**1,924**	**-**	**29,444**	**48,252**	**151,648**
at 31 December 2019	**78,780**	**1,989**	**-**	**759**	**46,107**	**127,635**

* The ESMYA presented as separate subcategory within the intangible assets represents the intangible asset recognized at the acquisition of PregLem S.A.
** The BEMFOLA presented as separate subcategory within the intangible assets represents the intangible asset recognized at the acquisition of Finox.

	Rights	Intellectual property	Research and development	ESMYA*	BEMFOLA**	Total
	HUFm	HUFm	HUFm	HUFm	HUFm	HUFm
Gross value						
at 31 December 2019	**177,563**	**5,674**	**423**	**88,372**	**53,613**	**325,645**
Translation differences	1,433	(23)	-	-	-	**1,410**
Acquisition	29,792	458	-	-	-	**30,250**
Disposals	(879)	(210)	-	-	-	**(1,089)**
Assets classified as held for sale	(9)	(12)	-	-	-	**(21)**
at 31 December 2020	**207,900**	**5,887**	**423**	**88,372**	**53,613**	**356,195**
Accumulated depreciation						
at 31 December 2019	**98,783**	**3,685**	**423**	**87,613**	**7,506**	**198,010**
Translation differences	949	119	-	-	-	**1,068**
Current year amortization	8,379	366	-	87	2,145	**10,977**
Net foreign currency exchange differences	6	5	-	-	-	**11**
Impairment and reversal of impairment (net)	4,384	-	-	672	-	**5,056**
Disposals	(37)	(180)	-	-	-	**(217)**
Assets classified as held for sale	(2)	(11)	-	-	-	**(13)**
at 31 December 2020	**112,462**	**3,984**	**423**	**88,372**	**9,651**	**214,892**
Net book value						
at 31 December 2019	**78,780**	**1,989**	**-**	**759**	**46,107**	**127,635**
at 31 December 2020	**95,438**	**1,903**	**-**	**-**	**43,962**	**141,303**

* The ESMYA presented as separate subcategory within the intangible assets represents the intangible asset recognized at the acquisition of PregLem S.A.
** The BEMFOLA presented as separate subcategory within the intangible assets represents the intangible asset recognized at the acquisition of Finox.

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

ESMYA (covering the entire ESMYA column above EU/NA region)
In the course of PregLem S'A.'s acquisition the rights attached to the distribution in the EU and the North America of ESMYA® was recognised as an independent intangible asset in 2010. The amortization of the asset related to the EU market started in the second quarter of 2012 as a result of the market launch of the product with an estimated useful life of 25 years. ESMYA asset belongs to a group of CGU with goodwill at acquisition. The goodwill related to the CGU as of 31 December 2019 was fully impaired.

BEMFOLA
The intangible asset was recognised at the acquisition transaction of Finox in the value of HUF 50,916 million with 25 years useful life. The amortisation of this asset started in 2016.
Started in 2017 and completed by the end of 2018, Richter's integration of the company's operations into Richter's system took over the full distribution of Bemfola®, the Western European marketing of the product and the secondary packaging of the product. As a result, the business model of the product has changed and the profit center has been moved from Finox to the parent company. Finox has transferred the commercial rights of Bemfola® under an agreement, so that from the date of the contract all profits/losses will be realized at the Parent Company. Accordingly, the BEMFOLA intangible asset recognized at the acquisition, at the consolidated level, also owned by the Parent Company, which means that the value previously recorded in EUR - Finox Group currency - was converted into the currency of the Parent (HUF) at the date of the transfer. Net book value of BEMFOLA intangible is HUF 42,625 million as of 31 December 2020.
Another intangible asset was recognised during the acquisition in the amount of HUF 1,597 million, as Customer Relationship. The value of this intangible was considerably smaller compared to BEMFOLA. Net book value after amortisation, started in 2016, is HUF 1,337 million as of 31 December 2020.

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

Net book value	**31 December 2020** HUFm	**31 December 2019** HUFm
Grünenthal	20,865	25,989
Bemfola®/Afolia	4,649	6,242
Mithra/Estelle	14,138	11,365
Mifepristone	4,218	3,502
Relugolix	16,442	-
Mycovia	6,178	6,025
Pharmacy licenses	2,882	2,630
Other, individually not significant rights	26,066	23,027
Total	**95,438**	**78,780**

Rights – ESMYA EU intangible asset
Taken into account the circumstances and events presented in Note 3.1 the Group determined that 100% impairment should be accounted for the ESYMA EU intangible asset 2019 shall not be reversed, since 2020 there were no significant changes in circumstances which would have resulted in any reversal of previously recognised impairment . The carrying value of the asset is HUF 0.

ESMYA North American intangible asset
In 2019 the registration application of ESMYA® in the USA was withdrawn and neither the Company nor its license partner Allergan would like to submit a new application. Based on the above the Company determined that 100% impairment should be accounted for the USA related part of the NA ESMYA intangible asset.
During 2020 there were no significant changes in circumstances which would have resulted in any reversal of previously recognised impairment.

Result of ESMYA EU and NA intangible asset impairment tests as of 31 December 2019
As a result of the impairment test it was found that the recoverable amount of the ESMYA NA intangible asset's part which is allocated to USA is HUF 0, which meant a need to account for an impairment amounting to HUF 5,928 million. The remaining Canada related recoverable amount is 20% higher than its book value, therefore no impairment deemed to be necessary to be accounted for. The remaining book value of the ESMYA NA intangible asset was HUF 759 million.

The discount rates (NA post tax: 8.5%) applied reflect current market assessments of the time value of money and the risks specific to the intangible assets for which future cash flow estimates have not been adjusted.

The recoverable amount of both intangibles was determined by the fair value less cost of disposal applying the Multi-Period Excess Earnings Method.

Rights – ESMYA LatAm intangible asset
During 2020 there were no significant changes in circumstances which would have resulted in any reversal of previously recognised impairment.

Rights – ESMYA other countries' intangible assets
Taken into account the impairment accounted for PregLem goodwill, ESMYA North-America intangible asset and ESMYA LatAm intangible assets (Brazil, Mexico) the Company concluded that 100% impairment is necessary to be recognised regarding the remaining ESMYA related intangible assets, which were determined as individually not significant assets in previous financial statements. During 2020 there were no significant changes in circumstances which would have resulted in any reversal of previously recognised impairment.

Rights – Grünenthal
The product rights acquired from Grünenthal in 2010 containing manufacturing rights (amounted to EUR 600 thousand) and market authorisation (amounted to EUR 235.9 million) together with the value of the established products brand are presented as Rights. The estimated useful life for both rights is 15 years. The amortization period started in 2010. Net book value of the rights in relation to Grünenthal is HUF 20,865 million as of 31 December 2020 and HUF 25,989 million as of 31 December 2019.

Rights – Relugolix
On 31 March 2020 the Company announced that it have entered into an exclusive license agreement with Myovant Sciences GmbH which is a healthcare company focused on developing innovative treatments for women's health and prostate cancer for Gedeon Richter to commercialize Relugolix combination tablet (relugolix 40 mg, estradiol 1.0 mg, and norethindrone acetate 0.5 mg) for uterine fibroids and endometriosis in Europe, the Commonwealth of Independent States including Russia, Latin America, Australia, and New Zealand. Under the agreement, Myovant will receive an upfront payment of USD 40 million and is eligible to receive up to USD 40 million in regulatory milestones and USD 107.5 million in sales related milestones, and tiered royalties on net sales following regulatory approval. Myovant retains all rights to Relugolix combination tablet in the U.S., as well as rights to Relugolix in other therapeutic areas outside of women's health. Net book value of the rights is HUF 16,442 million as of 31 December 2020. As of 31 December 2020, we performed impairment test for intangible assets based on qualitative indicators and concluded that there was no need to recognize any impairment loss.

Rights – Mithra/Estelle

As part of Richter's Specialty Pharma strategy on 2 September 2018 Richter announced that it entered into an exclusive license and supply agreement with Mithra Pharmaceuticals to commercialize Estelle®, a combined oral contraceptive, containing estetrol and drospirenone. Richter is going to commercialize the product under a different brand name. The geographic scope of the agreement covers Europe and Russia. Under the terms of the agreement Richter made upon signature of the contract an upfront payment totalling EUR 35 million. Mithra is entitled to receive additional milestone payments amounting to EUR 20 million depending on the progress of development and regulatory process of the product. Further sales related royalties will become payable to Mithra subsequent to the launch of the product and Mithra will receive guaranteed annual recurring revenues based on minimum annual quantities (MAQ), in addition to tiered royalties on net sales. Net book value of the rights is HUF 14,138 million as of 31 December 2020. As of 31 December 2020, we performed impairment test for intangible assets based on qualitative indicators and concluded that there was no need to recognize any impairment loss.

Rights – Mycovia

On 16 October 2019 Richter and Mycovia Pharmaceuticals, Inc. announced that they have entered into an exclusive license and development and technology transfer agreement to commercialize and manufacture VT-1161, currently in Phase III clinical trials for the treatment of Recurrent Vulvovaginal Candidiasis.

The geographic scope of the license agreement covers Europe, Russia, the other CIS countries, Latin America and Australia. Under the terms of the agreement Richter shall make milestone payments related to the clinical development process. These payments shall extend over the next two years and will total USD 20 million. Additional development and sales milestone payments shall be due depending on the progress of the regulatory process and commercial success of the product. The value of Mycovia intangible asset is HUF 6,178 million as of 31 December 2020. As of 31 December 2020, we performed impairment test for intangible assets based on qualitative indicators and concluded that there was no need to recognize any impairment loss.

Rights – Bemfola®/Afolia

On 30 June 2016 Richter acquired Finox Holding, a privately held Swiss biotech company focused on development and commercialisation of innovative and cost effective products addressing female fertility. Finox's product, Bemfola® is a recombinant-human Follicle Stimulating Hormone (r-hFSH) which was the first biosimilar r-hFSH launched in Europe. Richter obtained global rights for Bemfola® except for the US. As a result of the acquisition Richter expanded its Women's Healthcare portfolio with the female fertility therapeutic area and was able to increase its biosimilar market potential. On 10 July, 2018 Richter announced that it established a sale and purchase agreement with Fertility Biotech AG, in connection with the transfer of intellectual property rights, relevant studies, related data and documents of r-hFSH containing product, Bemfola®/Afolia, for the use in the United States. During 2020, the Company recognized 100% impairment loss of HUF 1,389 million on intellectual property rights in relation to the US territory. Richter does not intend to launch the product in the US as significant additional clinical development costs in accordance with FDA regulations would occur, which would significantly decrease the profitability of the product taken into account the potential market size and market share. As of 31 December 2020, we performed impairment test for the remaining intangible assets of HUF 4,649 million based on qualitative indicators and concluded that there was no need to recognize any impairment loss.

Rights – Pharmalicences

Impairment test was performed on the value of pharmacy licenses in Romania (presented in the Wholesale and retail segment) which resulted in impairment of HUF 40 million and reversal of impairment of HUF 19 million in 2020. In 2019, impairment losses of HUF 84 million and reversal of HUF 527 million were recognized for the same reason.

In 2020, there were no acquisition transactions in the Romanian pharmaceutical market whose prices would have become public. We have reviewed the residual value in the evaluation as of 31 December 2020. Since there was not enough information to use the market approach methodology, as in 2019, we applied the income approach used previously.

The average remaining useful life of the intellectual properties does not exceed 7 years, in 2019 it was 8 years.

14. 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
			2020	2019	2020	2019	
1	AO Gedeon Richter - RUS	Russia	100.00	100.00	100.00	100.00	Pharmaceutical manufacturing, wholesale
2	Gedeon Richter Romania S. A.	Romania	99.92	99.92	99.92	99.92	Pharmaceutical manufacturing
3	Gedeon Richter Polska Sp. z o.o.	Poland	99.84	99.84	99.84	99.84	Pharmaceutical manufacturing, Marketing services
4	Richter Themis Medicare (India) Pvt. Ltd.	India	51.00	51.00	51.00	51.00	Pharmaceutical manufacturing
5	Gedeon Richter Pharma GmbH	Germany	100.00	100.00	100.00	100.00	Pharmaceutical trading, Marketing services
6	Gedeon Richter USA Inc.	USA	100.00	100.00	100.00	100.00	Pharmaceutical trading
7	RG Befektetéskezelő Kft.	Hungary	100.00	100.00	100.00	100.00	Financial-accounting and controlling activities
8	Gedeon Richter UA PAT	Ukraine	100.00	98.16	100.00	98.16	Pharmaceutical trading
9	Gedeon Richter UK Ltd.	United Kingdom	100.00	100.00	100.00	100.00	Pharmaceutical trading, Marketing services
10	Gedeon Richter Iberica S.A.U	Spain	100.00	100.00	100.00	100.00	Pharmaceutical trading, Marketing services
11	Nedermed B.V.[1]	The Netherlands	-	100.00	-	100.00	Pharmaceutical trading
12	Medimpex Jamaica Ltd.	Jamaica	60.00	60.00	60.00	60.00	Pharmaceutical trading
13	Medimpex West Indies Ltd.	Jamaica	60.00	60.00	60.00	60.00	Pharmaceutical trading
14	Humanco Kft.	Hungary	100.00	100.00	100.00	100.00	Social, welfare services
15	Pesti Sas Holding Kft.	Hungary	100.00	100.00	100.00	100.00	Portfolio management
16	Richter Szolgáltató Kft.	Hungary	100.00	100.00	100.00	100.00	Catering services
17	Reflex Kft.	Hungary	100.00	100.00	100.00	100.00	Transportation, carriage
18	Chemitechnik Pharma Kft.	Hungary	66.67	66.67	66.67	66.67	Engineering services
19	GYEL Kft.	Hungary	66.00	66.00	66.00	66.00	Quality control services
20	Armedica Trading S.R.L.	Romania	99.92	99.92	99.92	99.92	Portfolio management
21	Gedeon Richter Farmacia S.A.	Romania	99.92	99.92	99.92	99.92	Pharmaceutical retail
22	Gedeon Richter France S.A.S.	France	100.00	100.00	100.00	100.00	Pharmaceutical trading, Marketing services
23	I.M. Gedeon Richter-Retea Farmaceutica S.R.L.	Moldavia	51.00	51.00	51.00	51.00	Pharmaceutical retail
24	Richter-Helm BioLogics GmbH & Co. KG	Germany	70.00	70.00	70.00	70.00	Biotechnological manufacturing and research
25	Richter-Helm BioLogics Management GmbH	Germany	70.00	70.00	70.00	70.00	Asset management
26	Medimpex UK Ltd.	United Kingdom	100.00	100.00	100.00	100.00	Pharmaceutical trading
27	Farnham Laboratories Ltd. [2]	United Kingdom	100.00	100.00	100.00	100.00	Pharmaceutical trading
28	Gedeon Richter Aptyeka SP OOO	Armenia	51.00	51.00	51.00	51.00	Pharmaceutical retail
29	Pharmafarm S.A.	Romania	99.92	99.92	99.92	99.92	Pharmaceutical wholesale
30	Gedeon Richter Ukrfarm TOV	Ukraine	100.00	100.00	100.00	100.00	Pharmaceutical retail

	Name	Place of incorporation (or registration) and operation	Proportion of ownership %		Proportion of voting rights held %		Principal activity
			2020	2019	2020	2019	
31	Gedeon Richter Italia S.R.L.	Italy	100.00	100.00	100.00	100.00	Pharmaceutical trading, Marketing services
32	PregLem S.A.	Switzerland	100.00	100.00	100.00	100.00	Research and development, marketing services
33	Gedeon Richter Marketing ČR s.r.o.	Czech Republic	100.00	100.00	100.00	100.00	Marketing services
34	Gedeon Richter Slovakia s.r.o.	Slovak Republic	100.00	100.00	100.00	100.00	Marketing services
35	Richter-Lambron SP OOO	Armenia	51.00	51.00	51.00	51.00	Pharmaceutical trading
36	Gedeon Richter Austria GmbH	Austria	100.00	100.00	100.00	100.00	Marketing services
37	Gedeon Richter (Schweiz) AG	Switzerland	100.00	100.00	100.00	100.00	Marketing services
38	Pharmarichter OOO	Russia	100.00	100.00	100.00	100.00	Pharmaceutical sales promotion
39	I.M. Rihpangalpharma S.R.L.	Moldavia	65.00	65.00	65.00	65.00	Pharmaceutical wholesale
40	Gedeon Richter Portugal S.A.	Portugal	100.00	100.00	100.00	100.00	Marketing services
41	PregLem France SAS	France	100.00	100.00	100.00	100.00	Management services
42	Gedeon Richter trženje, d.o.o.	Slovenia	100.00	100.00	100.00	100.00	Marketing services
43	Gedeon Richter Benelux SPRL	Belgium	100.00	100.00	100.00	100.00	Marketing services
44	Gedeon Richter Nordics AB	Sweden	100.00	100.00	100.00	100.00	Marketing services
45	TOO Gedeon Richter KZ	Kazakhstan	100.00	100.00	100.00	100.00	Pharmaceutical trading, Marketing services
46	GRMed Company Ltd.	Hong-Kong	100.00	100.00	100.00	100.00	Marketing services, distribution
47	Gedeon Richter Pharmaceuticals (China) Co. Ltd.	China	100.00	100.00	100.00	100.00	Marketing services
48	Gedeon Richter Colombia S.A.S.	Columbia	100.00	100.00	100.00	100.00	Pharmaceutical trading, marketing services
49	Gedeon Richter Croatia d.o.o.	Croatia	100.00	100.00	100.00	100.00	Marketing services
50	Gedeon Richter Mexico, S.A.P.I. de C.V	Mexico	100.00	100.00	100.00	100.00	Pharmaceutical trading, marketing services
51	Gedeon Richter do Brasil Importadora, Exportadora e Distribuidora S.A.	Brazil	100.00	100.00	100.00	100.00	Pharmaceutical trading, marketing services
52	Gedeon Richter Chile SpA	Chile	100.00	100.00	100.00	100.00	Pharmaceutical trading
53	Mediplus (Economic Zone) N.V.	Curaçao	100.00	100.00	100.00	100.00	Pharmaceutical trading, Marketing services
54	Gedeon Richter Peru S.A.C.	Peru	100.00	100.00	100.00	100.00	Pharmaceutical trading
55	GEDEONRICHTER Ecuador S.A.	Ecuador	100.00	100.00	100.00	100.00	Pharmaceutical trading
56	Gedeon Richter Bolivia SRL	Bolivia	100.00	100.00	100.00	100.00	Pharmaceutical trading
57	Gedeon Richter Australia PTY Ltd.	Australia	100.00	100.00	100.00	100.00	Trading of biotech products, marketing services

	Name	Place of incorporation (or registration) and operation	Proportion of ownership %		Proportion of voting rights held %		Principal activity
			2020	2019	2020	2019	
58	Finox AG	Switzerland	100.00	100.00	100.00	100.00	Biotechnological services
59	Finox Biotech AG	Lichtenstein	100.00	100.00	100.00	100.00	Biotechnological services
60	Finox Biotech Germany GmbH	Germany	100.00	100.00	100.00	100.00	Marketing services
61	Finox Biotech UK and Ireland Ltd.	United Kingdom	100.00	100.00	100.00	100.00	Marketing services
62	GR Ireland Ltd.	Ireland	100.00	100.00	100.00	100.00	Marketing services
63	Gedeon Richter Bulgaria	Bulgaria	100.00	100.00	100.00	100.00	Marketing services
64	Gedeon Richter Pharma O.O.O	Russia	100.00	100.00	100.00	100.00	Marketing services
65	Pharmapolis Gyógyszeripari Tud. Park Kft.	Hungary	100.00	100.00	100.00	100.00	Building project management

(1) The company had been liquidated in January 2020.
(2) The company's principal activity has been suspended.

Subsidiaries newly included in the consolidation

	Name	Date of establish-ment/ acquisition	Place of incorporation (or registration) and operation	Proportion of ownership %		Proportion of voting rights held %		Principal activity
				2020	2019	2020	2019	
68	Forhercare Kft.	03 2020	Hungary	100.00	-	100.00	-	Pharmaceutical retail

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

The total non-controlling interest as of 31 December 2020 is HUF 6,982 million (in 2019 HUF 6,892 million), of which HUF 4,767 million (in 2019 HUF 4,312 million) is for Richter-Helm BioLogics GmbH & Co. KG, HUF 1,388 million (in 2019 HUF 1,431 million) is attributed to Medimpex West Indies Ltd.. The impact of other owners of the remaining subsidiaries with non-controlling interests are insignificant on the Group.

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

2020	**Medimpex West Indies Ltd. (13)** HUFm	**Richter-Helm BioLogics GmbH & Co. KG (24)** HUFm
Accumulated non-controlling interest	1,388	4,767
Non-current assets	80	9,044
Current assets	4,417	10,877
Non-current liabilities	-	1,421
Current liabilities	820	3,249
Revenues	3,844	18,081
Profit/(loss)	460	4,738
Dividends paid	535	4,809
Total cash-flow	(79)	(54)

2019	**Medimpex West Indies Ltd. (13)** HUFm	**Richter-Helm BioLogics GmbH & Co. KG (24)** HUFm
Accumulated non-controlling interest	1,431	4,312
Non-current assets	56	6,672
Current assets	4,252	11,554
Non-current liabilities	-	1,129
Current liabilities	573	3,327
Revenues	3,234	14,312
Profit/(loss)	443	3,031
Dividends paid	512	-
Total cash-flow	(50)	916

In case of subsidiaries with material non-controlling interests Other comprehensive income is not material (see the Consolidated Statement of Changes in Equity), therefore not disclosed individually.

The non-controlling interest is recognised to the extent the risks and rewards of ownership of those shares remain with them. For each acquisition the terms of the contracts are analysed in detail. In case of complex scenarios (e.g when contingent-deferred purchase prices are also involved), factors considered includes, the pricing of the forward contract, any ability to avoid future payment, whether share price movements during the contract period result in benefits and losses being borne by the Group or by the non-controlling shareholder.

15. Investments in associates and joint ventures

	2020 HUFm	2019 HUFm
At 1 January	**16,192**	**11,755**
Acquisition/capital increase	-	4,840
Share of profit of associates and joint ventures	900	658
Net investments*	(758)	28
Dividend	(762)	(910)
Impairment	(3,200)	-
Exchange difference	(103)	(179)
At 31 December	**12,269**	**16,192**
out of investment in associates	10,957	14,902
out of investment in joint ventures	1,312	1,290

* Share of loss and exchange difference recognized against loans provided to joint ventures (as net investment in joint ventures) in accordance with IAS 28.38.

In 2019 the Company increased its shares in its associate company, Evestra Inc. On the one hand a convertible loan was converted into shares and on the other hand the Company purchased further shares. In 2020, Richter has terminated its license agreements for two products under development with Evestra Inc. Due to unfavourable market conditions and license agreements terminated the expected future cash flows have significantly worsened. Based on the assumptions the recoverable amount of the shareholding is significantly lower than the book value therefore HUF 3,200 million impairment loss was recognized in 2020. The net book value of the investments in Evestra after impairment loss is HUF 1,624 million as at 31 December 2020.

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

	2020 HUFm	2019 HUFm
Opening net assets at 1 January of Hungaropharma Zrt.	**26,002**	**24,755**
Profit for the year*	2,821	2,065
Dividends	(739)	(818)
Closing net assets at 31 December of Hungaropharma Zrt.	**28,084**	**26,002**
Interest in associate (at 30.85%)	8,673	8,026
Unrealised profit elimination	(104)	(166)
Interest in other associates	2,388	7,043
Carrying value at 31 December	**10,957**	**14,902**

* The profit for the year was adjusted to reflect the difference between the audited and non-audited balance of the associate as of the previous year. The adjustment was not material.

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

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

Name	Place of incorporation	Principal activity	Non-current assets	Current assets	Non-current liabilities	Current liabilities	Revenues	Profit / (loss)	Interest held
			HUFm	HUFm	HUFm	HUFm	HUFm	HUFm	%
2020									
Hungaropharma Zrt.	Hungary	Pharmaceutical wholesale	14,856	77,892	7,034	57,976	401,817	4,453	30.85
Salvia-Med Bt.	Hungary	Pharmaceutical retail	1	70	-	35	674	24	32.79
Szondi Bt.	Hungary	Pharmaceutical retail	35	131	-	22	497	11	33.00
Top Medicina Bt.	Hungary	Pharmaceutical retail	27	48	-	32	446	10	20.00
Pharmatom Kft.	Hungary	Biotechnological research, development	438	6	-	448	-	(3)	24.00
Pesti Sas Patika Bt.	Hungary	Pharmaceutical retail	2	18	-	19	137	-	49.00
Evestra Inc.	USA	Biopharmaceutical research, development	1,507	5,655	13	2,564	-	482	35.42
Prima Temp Inc.	USA	Pharmaceutical research, development	325	124	59	1,746	49	(1,431)	22.99

Name	Place of incorporation	Principal activity	Non-current assets	Current assets	Non-current liabilities	Current liabilities	Revenues	Profit / (loss)	Interest held
			HUFm	HUFm	HUFm	HUFm	HUFm	HUFm	%
2019									
Hungaropharma Zrt.	Hungary	Pharmaceutical wholesale	13,030	66,588	7,278	47,679	371,434	3,974	30.85
Salvia-Med Bt.	Hungary	Pharmaceutical retail	1	136	-	93	651	33	32.79
Szondi Bt.	Hungary	Pharmaceutical retail	36	160	-	25	612	40	33.00
Top Medicina Bt.	Hungary	Pharmaceutical retail	26	38	-	26	382	3	20.00
Pharmatom Kft.	Hungary	Biotechnological research, development	438	9	-	447	-	(3)	24.00
Pesti Sas Patika Bt.	Hungary	Pharmaceutical retail	2	13	-	14	122	(3)	49.00
Evestra Inc.	USA	Biopharmaceutical research, development	1,247	4,441	3	457	-	(1,359)	35.45
Prima Temp Inc.	USA	Pharmaceutical research, development	395	1,345	59	1,649	721	(610)	27.73

The financial statements for 2020 of Hungaropharma Zrt, the most significant associate of the Group have not been audited yet. Corresponding data for year 2019 has not been amended in 2020 Consolidated Financial Statements as there were no material differences between the audited and unaudited figures of 2019.
Amounts of assets, liabilities, revenues and profit/loss are presented at 100%.
The associates did not have any item in Other Comprehensive Income (in 2020 and 2019).

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

Name	Place of incorporation	Principal activity	Non-current assets	Current assets	Non-current liabilities	Current liabilities	Revenues	Profit / (loss)	OCI	Interest held
			HUFm	HUFm	HUFm	HUFm	HUFm	HUFm	HUFm	%
2020										
Medimpex Irodaház Kft. *	Hungary	Renting real estate	2,236	86	119	43	268	41	-	50.00
Richter-Helm BioTec Management GmbH	Germany	Asset management	-	7	-	1	-	(1)	-	50.00
Richter-Helm BioTec GmbH & Co. KG	Germany	Trading of biotech products, Marketing services	-	4,248	12,823	50	2,326	1,623	302	50.00

Name	Place of incorporation	Principal activity	Non-current assets	Current assets	Non-current liabilities	Current liabilities	Revenues	Profit / (loss)	OCI	Interest held
			HUFm	HUFm	HUFm	HUFm	HUFm	HUFm	HUFm	%
2019										
Medimpex Irodaház Kft. *	Hungary	Renting real estate	2,018	154	-	57	346	89	-	50.00
Richter-Helm BioTec Management GmbH	Germany	Asset management	-	7	-	1	-	-	-	50.00
Richter-Helm BioTec GmbH & Co. KG	Germany	Trading of biotech products, Marketing services	-	2,478	11,905	174	3,684	1,588	111	50.00

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

Amounts of assets, liabilities, revenues and profit/loss are presented at 100%.
Neither the individual nor the cumulated figures of the joint ventures are material therefore no further disclosures are considered to be relevant.

16. Non-current financial assets at fair value and long-term receivables

As at 31 December 2019 Non-current financial assets measured at fair value through OCI and Non-current financial assets measured at fair value through profit or loss were presented in a single line item (Other financial assets) in the Consolidated Balance Sheet. In 2020, the Group acquired government securities and corporate bonds in a significant amount that are measured at fair value through OCI and profit or loss. Therefore, the Group decided to present financial assets measured on different basis on the face of the Consolidated Balance Sheet separately.

16.1. Non-current financial assets at fair value through profit or loss

	31 December 2020 HUFm	31 December 2019 HUFm
Corporate bonds	4,479	-
Other financial instrument (Mycovia)	6,318	5,427
Total	**10,797**	**5,427**

The Group initially recognizes the corporate bonds and related interest rate swaps at fair value through profit or loss due to eliminate or materially reduce recognition or measurement inconsistencies (accounting mismatch) which would have existed, if the Group had not selected the fair value option based on IFRS 9. The relevant part of the accounting policy can be found in Note 2, paragraph X/D.

On 16 October 2019 Gedeon Richter Plc. and Mycovia Pharmaceuticals Inc. signed a royalty purchase agreement according to which Richter acquires a certain portion of the net turnover of US sales of the future product (for more details pls. see Note 13) for the purchase price of USD 25 million. The amount of purchased royalty right is presented as a financial asset and valued at fair value through profit or loss as of 31 December 2020. The fair value of Mycovia financial assets was HUF 6,318 million at 31 December 2020 and HUF 5,427 million at 31 December 2019.

16.2. Non-current financial assets at fair value through OCI

	31 December 2020 HUFm	31 December 2019 HUFm
Government securities	36,612	-
Investments	1,604	13,603
Total	**38,216**	**13,603**

The Group accounts for the government securities at fair value through OCI model because the business model is hold to collect and sell. The relevant part of the accounting policy can be found in Note 2, paragraph X/D.

5% ownership in Protek Holding measured at fair value was sold in 2020. In the beginning of 2020 ZAO Firma CV PROTEK, has submitted a voluntary bid to buy back the shares issued by PAO PROTEK at a purchase price of RUB 100 (one hundred) per share. In April 2020, the Board of Directors of Richter has accepted the purchase offer.

In 2020 the most significant investment measured at fair value is, a 9.63% ownership in Themis Medicare Ltd., valued at fair value based on the closing stock exchange price. Since there was an increase in the share price, therefore HUF 163 million revaluation gain was recorded against revaluation reserve for securities at FVOCI in 2020. A closing fair value is HUF 1,303 million.

16.3. Long-term receivables

The Group was granted government grant relating to property, plant and equipment and research and development activities. As at the end of 2020 HUF 1,481 million was approved but not financially settled, due over one year as long-term receivables. Current portion of related asset is disclosed in Note 22.1.

	31 December 2020 HUFm	31 December 2019 HUFm
Government grants	1,481	2,837
Total	**1,481**	**2,837**

17. Current income tax and deferred tax

Current tax assets and liabilities

	31 December 2020 HUFm	31 December 2019 HUFm
Current tax assets	1,196	1,199
Current tax liabilities	(1,993)	(382)

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

	31 December 2020 HUFm	31 December 2019 HUFm
Deferred tax assets	7,139	6,988
Deferred tax liabilities	(1,753)	(1,925)

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

Deferred tax assets	PPE and intangible assets	Provision	Impairment	Other temporary differences	Unrealised profit elimination	Total
	HUFm	HUFm	HUFm	HUFm	HUFm	HUFm
31 December 2018	**(404)**	**548**	**1,995**	**280**	**5,476**	**7,895**
(Debited)/credited to the income statement	191	(251)	(1,995)	(559)	458	**(2,156)**
(Debited)/credited to other comprehensive income*	-	(11)	-	510	-	**499**
Exchange differences	(5)	10	-	42	-	**47**
Transfer	(4)	(53)	-	760	-	**703**
31 December 2019	**(222)**	**243**	**-**	**1,033**	**5,934**	**6,988**
(Debited)/credited to the income statement	7	11	9	(234)	397	**190**
(Debited)/credited to other comprehensive income*	-	7	-	-	-	**7**
Exchange differences	(6)	9	0	50	-	**53**
Transfer	(69)	1	-	(83)	52	**(99)**
31 December 2020	**(290)**	**271**	**9**	**766**	**6,383**	**7,139**

Deferred tax liabilities	PPE and intangible assets	Provision	Impairment	ESMYA	BEMFOLA	Other temporary differences	Total
	HUFm	HUFm	HUFm	HUFm	HUFm	HUFm	HUFm
31 December 2018	**30**	**(1)**	**-**	**2,177**	**5,294**	**(324)**	**7,176**
(Debited)/credited to the income statement	(2,319)	(417)	(199)	(2,226)	(1,541)	(198)	**(6,900)**
(Debited)/credited to other comprehensive income*	-	(4)	-	-	-	886	**882**
Exchange differences	-	-	-	49	-	6	**55**
Transfer	2	50	-	-	-	660	**712**
31 December 2019	**(2,287)**	**(372)**	**(199)**	**-**	**3,753**	**1,030**	**1,925**
(Debited)/credited to the income statement	258	(47)	(11)	-	(175)	198	**223**
(Debited)/credited to other comprehensive income*	-	(163)	-	-	-	(143)	**(306)**
Exchange differences	23	-	-	-	-	(15)	**8**
Transfer	(66)	1	-	-	-	(32)	**(97)**
31 December 2020	**(2,072)**	**(581)**	**(210)**	**-**	**3,578**	**1,038**	**1,753**

* Deferred tax assets and liabilities debited/credited to other comprehensive income was HUF 313 million in 2020 and HUF 383 million in 2019 (gain), out of which accounted through revaluation reserve HUF 143 million in 2020 and HUF 377 million in 2019 (gain, see Note 25) and HUF 163 million in 2020 and HUF 11 million in 2019 (gain) presented through retained earnings.

From the deferred tax balance presented above it is expected that HUF 985 million (in 2019 HUF 1,992 million) of the liabilities and HUF 310 million (in 2019 HUF 154 million) of the assets will reverse after 12 months.

The Parent Company has significant deductible temporary differences, part of which is related to the tax loss carried forward. Deferred tax asset should be recognized for unused tax losses to the extent that it is probable that sufficient future taxable profit will be available against which unused negative tax bases can be utilised. Despite of the profitable operation of the Company, the tax base is expected to be negative in the next 5 years, considering the tax base adjusting items. On consolidated level there are further taxable temporary differences associated to the Parent Company (related to the BEMFOLA intangible asset) that provides partial recoverability to these deductible temporary differences.

The balance of deferred tax liability decreased due to the following events: from 1 January 2019 the consolidated intangible asset BEMFOLA is recognised as an asset of the Parent Company, because of the restructuring of Finox's activities, and hence its value is determined in HUF (See Note 13). The related deferred tax liability is determined with the tax rate of the parent (9%), while in the previous year it was determined with the tax rate of Finox (10.97%). This amount is partially offset by the deferred tax asset of the Parent Company that was previously not recognized, in the lack of sufficient taxable profit.
As a result of impairment of ESMYA intangible asset, the related deferred tax liability was also derecognized in 2020.

In addition to the Parent Company, there were significant tax loss carried forward at Romanian subsidiaries (in the amount of HUF 7,491 million) on which no deferred tax assets have been recognized as of 31 December 2020. This would have resulted in a deferred tax asset in the amount of HUF 1,199 million. In 2019 the Romanian subsidiaries had HUF 7,474 million unused tax loss (that would have resulted in HUF 1,196 million deferred tax asset).

The expiration of the unrecognised deferred tax asset effect of the tax loss carried forward of the Group is as follows: within 3 years HUF 4,168 million, between 3 and 5 years HUF 1,463 million over 5 years HUF 263 million.

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

18. Loans receivable

	31 December 2020	31 December 2019
	HUFm	HUFm
Loans given to related parties and other investments	1,114	815
Loans given to employees	1,066	1,032
Other loans given	57	174
Total	**2,237**	**2,021**

19. Goodwill

	Goodwill
	HUFm
Cost	
At 1 January 2019	**35,386**
Decrease deriving from sale of subsidiary	(17)
Exchange differences	1,387
Impairment charged for the year	(7,253)
At 31 December 2019	**29,503**
At 1 January 2020	29,503
Exchange differences	1,916
Impairment charged for the year	(21)
At 31 December 2020	**31,398**

The above mentioned impairment was charged in wholesale and retail segment related to Armedica Trading Group.

Closing goodwill on Cash Generating Units (Companies)

	31 December 2020 HUFm	31 December 2019 HUFm
Pharmaceuticals segment		
Gedeon Richter Polska Sp. z o.o.	1,186	1,160
Richter-Helm BioLogics GmbH & Co. KG	116	105
GRMed Company Ltd.	27,388	25,514
Gedeon Richter do Brasil Importadora, Exportadora e Distribuidora S.A.	47	61
Gedeon Richter Mexico, S.A.P.I. de C.V	1,561	1,625
Wholesale and retail segment		
Armedica Trading Group	1,039	977
Other segment		
Pesti Sas Holding Kft.	61	61
Total	**31,398**	**29,503**

Impairment tests of the goodwill are based on the following assumptions:

Gedeon Richter Polska Sp. z o.o.
Gedeon Richter Polska Sp. z o.o. is profitable on consolidated level in 2020. According to its midterm financial plans growth is expected for the following years. As a result of this no impairment was required at the end of financial year of 2020 similar to 2019. Any reasonable change in the key assumptions is still not expected to result in an impairment of Goodwill.

Armedica Trading Group
In 2020, there were no acquisition transactions in the Romanian pharmaceutical market whose prices would have become public. We have reviewed the residual value in the evaluation as of 31 December 2020. Since there was not enough information to use the market approach methodology, as in 2019, we applied the income approach used previously.

In 2020 the Group has allocated the goodwill of pharmacies to cash generating units (CGU) and performed a review of goodwill and license impairment. Two CGU groups were defined, and all pharmacies were classified into these two groups based on the pharmacy's EBITDA/net sales ratio for the current year.

Each year, it was assessed whether the pharmacies were classified in the appropriate category. The rating criterion is 3.5% EBITDA/net sales. The Group has determined this criterion by analysis. Together, these pharmacies performing above the EBITDA/sales ratio achieved a break-even point and performance is expected to improve for these pharmacies.

As in previous years, the recoverable amount was measured using the "fair value less cost of disposal" method. Romania continues to be one of the fastest growing pharmaceutical markets among EU Member States. Market performance was determined by a relatively stable regulatory framework in 2020, the COVID-19 epidemic caused fluctuating turnover within a year in each month, but the decline in the first and second quarters was strongly offset by year-end high-traffic periods, so there was no significant impact on the results of pharmacies. In the "fair value less costs to sell" model, we performed future performance evaluations based on historical data as well as realistic market assumptions for the medium and long-term. The Group performed the present value calculation with a 10-year cash flow estimate in accordance with the remaining useful life of the pharmacy licenses.

For the underperforming group, where the expected return is lower than the carrying amount, an impairment loss of HUF 62 million was recognized for goodwill and related pharmacy licenses (see Note 13). In the case of well-performing pharmacies, it was not necessary to account for impairment, a reversal of HUF 19 million was booked.

A sensitivity test was also performed for high-performing pharmacies considering the following parameters: net sales revenue, weighted average cost of capital (WACC) and margin. Ceteris paribus modifying these factors: a 5% decrease in the selling price would require the recognition of an impairment loss for the total amount of goodwill and pharmacy licenses. A 5% decrease in margin and a 5 percentage point increase in cost of capital (WACC) would not require additional impairment to be recognized for the goodwill or license.

GRMed Company Ltd.

GRMed Company Ltd. was acquired in 2013, which transaction supported the Group's stronger presence in China. The realised goodwill has been tested for impairment for the previous years. Considering that the future cash flows from continued use of the assets were considerable, the return has been determined for a cash generating unit (CGU) by means of the income-based method with a fair value less cost of disposal approach.
The Company announced on 22 January 2016 that it acquired from its partner, Rxmidas Pharmaceuticals Holdings Ltd. its outstanding 50% stake in Gedeon Richter Rxmidas Joint Venture Co. Ltd. following the setting up of a joint venture with an initial 50% share of equity announced in December 2010. Subsequent to the acquisition, the Company now holds 100% of Gedeon Richter Rxmidas Joint Venture Co. Ltd., consequently is in full charge of its Rx and OTC business in China.
The Group has restructured its operation in China and merged the activity of Gedeon Richter Rxmidas Joint Venture Co. Ltd. to GRMed Company Ltd. As a result of reorganisation (in 2017) of the business and the reporting structure, both of the goodwill presented before the transaction are allocated to the merged GRMed Company Ltd.

The goodwill impairment was tested as of the balance sheet date of 31 December 2020 and it was found that there was no need to account for impairment.
Since the goodwill has been allocated to the traditional products, the Group disregarded the cash flows and assets connected to products launched or planned to be launched after the acquisition when determining the recoverable amount and the carrying value.

The calculations were based on the long-term turnover projection and cost plan adopted by the management, the underlying cash flows of which are expected to reflect market participant assumptions as well. The present value of cash flows beyond this was determined by means of the terminal value formula.

A steady increase in cash flows is envisioned for the projection period (2021-2030) due to the average annual 4.6% growth in turnover.

The recoverable amount determined is based on the assumptions above also requires contribution of certain fixed assets (e.g. machineries) of the Group, the carrying amount of these assets was also considered when the Group compared the carrying amount of the CGU to the recoverable amount.

The present value of the 2021-2030 cash flows and (by applying a conservative estimate of) residual value reckoning with 0% growth is 70% above the tested amount. The book value of goodwill amounts to HUF 27,388 million.

The discount rate (post tax: 6.4%; 2019: 12.2%) applied reflects current market assessments of the time value of money and the risks specific to the CGU for which future cash flow estimates have not been adjusted.
An increase in post-tax discount rate to 10.2% or a 10.3% decrease in forecasted sales volumes would remove the difference between the carrying value of goodwill and the recoverable amount of the CGU.

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

DNA Pharmaceuticals S.A. of Mexico was acquired and involved in consolidation from 2014. The realised goodwill was tested by the Group for impairment as of 31 December 2020 similarly to prior years.

The return has been determined for a cash generating unit (CGU) by means of the income-based method with a fair value less cost of disposal approach. The calculations were based on the long-term turnover projection adopted by the management (2021-2030), the underlying cash flows of which are expected to reflect market participant assumptions on the respective markets as well. The present value of cash flows beyond this was determined by means of the terminal value formula without any further growth (conservative estimate).
Since the goodwill has been allocated to the traditional products, the Group disregarded the cash flows and assets connected to products launched or planned to be launched after the acquisition when determining the recoverable amount and the carrying value.

The sales revenue forecast of the traditional products tested within the CGU has not been changed significantly in comparison to the previous period. The largest change regarding the Mexican operations is the inclusion of several new license-in products that are expected to contribute to a better “economies of scale”. Since the goodwill has been allocated to the traditional products, therefore the contribution of these assets to the recoverable amount and the book value of the related assets in the carrying amount of the CGU was ignored. As a consequence the CGU need to bear decreased level of operating expenses.

The recoverable amount determined based on the assumptions above also requires contribution of certain fixed assets (e.g. machineries) of the Group, the carrying amount of these assets was also considered when the Group compared the carrying amount of the CGU to the recoverable amount.

The calculated return is 22% higher than the CGU book value. The present value of the 2021-2030 cash flows represents the 50% of total recoverable amount. The book value of goodwill amounts to HUF 1,561 million.

The discount rate (post tax: 7.1%; in 2019 8.6%) 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.
An increase in post-tax discount rate to 8.6% or a 3.7% decrease in forecasted sales volumes would remove the difference between the carrying value of goodwill and the recoverable amount of the CGU.

20. Inventories

	31 December 2020 HUFm	31 December 2019 HUFm
Raw materials, packaging and consumables	56,317	51,416
Production in progress	1,884	3,039
Semi-finished and finished goods	51,858	44,540
Total	**110,059**	**98,995**

Inventories include impairment and scrapping in value of HUF 3,858 million and reversal of impairment in value of HUF 1,061 million in 2020 (HUF 8,273 million impairment and scrapping and HUF 1,423 million reversal was made in 2019).
The main reasons for impairment and scrapping are the obsolescence of the inventory and the unfavourable changes of the market conditions of the particular product. The reversal of impairment is due to the change of market conditions.
An additional reason for change in inventories was the increase in imported active ingredients, excipients, purchased finished drugs and our own products as part of our risk reduction strategy in the event of a COVID-19 outbreak.
As of 31 December 2020 the total carrying amount of inventories that are valued at net realisable value amounts to HUF 11,657 million (in 2019 it was HUF 12,435 million).
All items of Inventories are free from liens and charges.

21. Trade receivables

	31 December 2020 HUFm	31 December 2019 HUFm
Trade receivables (3rd parties)	147,897	148,307
Amounts due from related companies and other investments (Note 38)	4,755	6,119
Total	**152,652**	**154,426**

Movements on the Group allowances of trade receivables are as follows:

	2020 HUFm	2019 HUFm
At 1 January	**6,145**	**7,187**
Loss allowances for receivables	406	804
Reversal of impairment for trade receivables	(1,930)	(1,800)
Exchange difference	167	(46)
At 31 December	**4,788**	**6,145**

The reversal of impairment is explained with the financial settlement of overdue receivables.

There was no individually significant impairment loss accounted for customers neither in 2020 nor in 2019.

Impairment of trade receivables

31 December 2020	Current	1-30 days past due	31-90 days past due	91-180 days past due	181-360 days past due	>360 days past due	Total
Expected loss rate	0,18%	0,64%	0,65%	0,61%	4,30%	95,22%	**3,04%**
Gross carrying amount – trade receivables	138,686	7,654	5,103	654	697	4,646	**157,440**
Loss allowance	248	49	33	4	30	4,424	**4,788**

31 December 2019	Current	1-30 days past due	31-90 days past due	91-180 days past due	181-360 days past due	>360 days past due	Total
Expected loss rate	0,24%	0,44%	1,59%	2,55%	10,86%	95,40%	**3,83%**
Gross carrying amount – trade receivables	139,594	8,479	4,791	1,257	580	5,870	**160,571**
Loss allowance	337	37	76	32	63	5,600	**6,145**

22. Other current assets and contract assets

22.1 Other current asset

	31 December 2020 HUFm	31 December 2019 HUFm
Loans receivable	908	673
Other receivables	7,798	7,315
Subtotal of financial assets (Note 10)	**8,706**	**7,988**
Tax and duties recoverable	7,863	6,078
Advances	6,682	3,979
Prepayments	4,282	3,331
Total	**27,533**	**21,376**

The Group presents approved but not financially settled government grants amount of HUF 3,915 million due within 1 year, relate to acquisition of property, plant and equipment and research and development activities.

22.2 Contract assets

The Group has recognised the following assets related to the contracts with customers based on IFRS 15:

	31 December 2020 HUFm	31 December 2019 HUFm
Current contract assets	3,080	3,466
Total contract assets	**3,080**	**3,466**

23. Current financial assets at fair value

	31 December 2020 HUFm	31 December 2019 HUFm
Government securities*	5,478	-
Other securities- convertible promissory note	1,664	1,545
Total (Note 10)	**7,142**	**1,545**

* Government securities are issued or granted by the Hungarian State.

The Group accounts for the government securities at fair value through OCI model because the business model is hold to collect and sell. The relevant part of the accounting policy can be found in Note 2, paragraph X/D.

Other securities – convertible promissory note to associates that is measured at FVTPL.

24. Cash and cash equivalents

	31 December 2020 HUFm	31 December 2019 HUFm
Bank deposits	141,977	122,401
Cash on hand	91	6,172
Total (Note 10)	**142,068**	**128,573**

The total amount of Cash and cash equivalents at the balance sheet date was mainly (more than 75%) held by the Parent Company out of which major part is short-term bank deposit and minor part is on demand deposit. It is denominated in EUR, USD, HUF and other currencies as disclosed in more details in Note 10.

Reconciliation to Consolidated Cash Flow Statement

The above figures reconcile to the amount of cash shown in the statement of cash flows at the end of the financial year as follows:

	31 December 2020 HUFm	31 December 2019 HUFm
Balances as above	142,068	128,573
Cash and cash equivalents of disposal groups classified as held for sale (Note 39)	194	-
Balances per statement of cash flows	**142,262**	**128,573**

25. Share capital and reserves

	31 December 2020		31 December 2019	
Share capital	Number	HUFm	Number	HUFm
Ordinary shares of HUF 100 each	186,374,860	18,638	186,374,860	18,638

Detailed ownership structure of the Parent 31 December 2020

Ordinary shares	**Ownership** number	**Voting rights*** %	**Share capital** %
Domestic ownership	**61,903,445**	**33.33**	**33.22**
State ownership total	9,777,784	5.27	5.25
out of which MNV Zrt.	9,777,658	5.27	5.25
out of which Municipality	126	0.00	0.00
Institutional investors	45,829,116	24.67	24.59
out of which Maecenas Universitatis Corvini Foundation	18,637,486	10.03	10.00
out of which Tihanyi Foundation	18,637,486	10.03	10.00
Retail investors	6,296,545	3.39	3.38
International ownership	**123,776,762**	**66.64**	**66.41**
Institutional investors	123,554,744	66.52	66.29
Retail investors	222,018	0.12	0.12
Treasury shares	**631,118**	**0.00**	**0.34**
Undisclosed ownership	**63,535**	**0.03**	**0.03**
Share capital	**186,374,860**	**100.00**	**100.00**

* Article 13.8 of the Statutes restricts the voting rights of shareholders, alone or together with other related persons to no more than 25%.
** The treasury shares, except for the ones owned by Employee Share Ownership Trust's (ESOT), have no voting rights.

Detailed ownership structure of the Parent 31 December 2019

Ordinary shares	**Ownership** number	**Voting rights*** %	**Share capital** %
Domestic ownership	**64,010,047**	**34.47**	**34.34**
State ownership total	47,052,641	25.34	25.24
out of which MNV Zrt.	28,415,029	15.30	15.24
out of which Maecenas Universitatis Corvini Foundation	18,637,486	10.04	10.00
out of which Municipality	126	0.00	0.00
Institutional investors	8,411,253	4.53	4.51
Retail investors	8,546,153	4.60	4.59
International ownership	**121,677,349**	**65.52**	**65.29**
Institutional investors	121,381,988	65.36	65.13
Retail investors	295,361	0.16	0.16
Treasury shares	**674,465**	**0.00**	**0.36**
Undisclosed ownership	**12,999**	**0.01**	**0.01**
Share capital	**186,374,860**	**100.00**	**100.00**

* Article 13.8 of the Statutes restricts the voting rights of shareholders, alone or together with other related persons to no more than 25%.
** The treasury shares, except for the ones owned by Employee Share Ownership Trust's (ESOT), 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 party. On 19 August 2020 Richter informed its shareholders that the transaction of transferring the 18,637,486 Richter common shares – owned by the Hungarian State and held in trust by Maecenas Universitatis Corvini Foundation (MUC Foundation) – to the property of Maecenas Universitatis Corvini Foundation is closed. Because of the transaction, in Gedeon Richter Plc. the influence (voting rights and ownership ratio) of the Hungarian State represented by Hungarian National Asset Management Incorporated (HNMA Inc.) has decreased from 15.25% to 5.25%. Simultaneously the influence (voting rights and ownership ratio) of MUC Foundation increased to 10% in Gedeon Richter Plc.

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.
Changes of foreign currency translation reserves are presented in the Consolidated Statement of Changes in Equity.

Revaluation reserve for securities at FVOCI (based on IFRS 9)

When measuring financial assets measured at fair value through OCI (Note 16 and 23), the difference shall be recognized as Revaluation reserve for securities at FVOCI. It shall not be recycled to the Consolidated Income Statement subsequently.

	Revaluation reserves for securities at FVOCI HUFm
At 31 December 2018	**4,810**
Revaluation gross	4,187
Deferred tax effect	(377)
At 31 December 2019	**8,620**
Revaluation gross	136
Current year change in the fair value of derecognised equity instrument	(1,070)
Transfer of gain on disposal of equity investments at fair value through other comprehensive income to retained earnings	(6,569)
Deferred tax effect	(143)
At 31 December 2020	**974**

Equity-settled share based payment presented within retained earnings

Equity-settled employee benefits reserve is presented within Retained earnings, therefore the 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 details in Note 26 Treasury shares.

	2020 HUFm	**2019** HUFm
Expense recognized in current year	1,642	1,636
Treasury share given (Note 26)	1,729	1,855
Total changes in reserve presented in the Consolidated Statement of Changes in Equity	**(87)**	**(219)**

Parallel to the Equity-settled share based payment program Richter operates cash-settled share based payment program for its senior executives and senior employees through Employee's Share- Ownership Programme (ESOP). The cost of the program was HUF 1,794 million, while in 2019 it was HUF 1,004 million.

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 four share based payment programs, described below in more details. The individual bonuses and the bonus program vest immediately, while the shares granted under the Staff Stock Bonus Plan have a vesting condition of employment at the end of the deposit period also described below. In 2019 and 2020, the Company launched the Employee's Share-Ownership Programme, according to which a worker receives a benefit after the conditions specified in the program have been met.

Bonus program
Richter operates a bonus share program since 1996 to further incentivise managers and key employees of the Company. In 2017, the program was redesigned: the bonus for managers was paid in cash. As a result in 2020, 9,715 shares were granted to 238 key employees of the Company while in 2019 15,327 shares were granted to 281 employees.

Individual bonuses
In 2019 and 2020 no treasury shares were granted to qualified employees as bonuses during the year due to the introduction of the Employee's Share-Ownership Program.

Employee's Share- Ownership Program (ESOP)
In order to strengthen the performance and loyalty of senior executives and senior employees, the Company started Employee's Share- Ownership Programme (ESOP) in 2018.
The Company established the ESOP Organization and approved the ESOP Organization's Remuneration Policy for two years in 2019 and in 2020 as well. The total amount related to the Remuneration Policy was HUF 1.6 billion in 2020, and HUF 1.5 billion in 2019.
Regarding each participant, the Company transferred a certain number of shares to the ESOP Organization, determined by the market value of the transferred shares and the determined amount of the remuneration. The shares can not be disposed until the end of the evaluation period.
The benefit is only vested if the remuneration condition is met. Remuneration condition: the level of the unweighted average consolidated revenues realized in the measurement period shall exceed the consolidated revenues of the comparative period.

Staff Stock Bonus Plan
Pursuant to the program related to employee share bonuses (Staff Stock Bonus Plan 2020), the Company granted 277,947 treasury shares to 4,783 employees in 2020. The shares will be deposited on the employees' security accounts with UniCredit Bank Hungary Ltd. until 2 January 2023. In 2019 320,534 shares were granted to 4,484 employees deposited on their accounts until 2 January 2022.

The AGM held on 28 April 2020 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 230,073 treasury shares during the year.

Treasury shares	**2020** Numbers	**2019** Numbers
at 1 January	**674,465**	**389,028**
Out of these, number of shares owned by subsidiaries	*5,500*	*5,550*
Share purchase	230,073	607,752
Transferred as part of bonus program	(9,715)	(15,327)
Individual bonuses	-	-
Granted pursuant to employee share bonuses	(277,947)	(320,534)
Granted repurchased pursuant to employee share bonuses	14,242	13,546
at 31 December	**631,118**	**674,465**
Out of these, number of shares owned by subsidiaries	*5,500*	*5,500*

Book value	**2020** HUFm	**2019** HUFm
at 1 January	**3,870**	**2,186**
Share purchase	1,650	3,539
Transferred as part of bonus program	(58)	(88)
Individual bonuses	-	-
Granted pursuant to employee share bonuses	(1,766)	(1,839)
Granted repurchased pursuant to employee share bonuses	95	72
at 31 December	**3,791**	**3,870**

27. Trade payables

	31 December 2020 HUFm	**31 December 2019** HUFm
Trade payables (3rd parties)	65,337	61,426
Amount due to related companies and other investments (Note 38)	501	344
Total	**65,838**	**61,770**

28. Other payables and accruals and Contract liabilities

28.1 Other payables and accruals

	31 December 2020 HUFm	31 December 2019 HUFm
Short-term accruals	11,634	12,993
Other liabilities	7,070	16,829
Dividend payable	156	155
Current lease liabilities	3,802	3,729
Subtotal of financial liabilities (Note 10)	**22,662**	**33,706**
Wages and payroll taxes payable	7,934	6,911
Other taxes	1,666	1,282
Deposits from customers	472	822
Total	**32,734**	**42,721**

28.2 Contract liabilities

	31 December 2020 HUFm	31 December 2019 HUFm
Contract liabilities	772	745
Total	**772**	**745**

29. Provisions

	31 December 2020 HUFm	31 December 2019 HUFm
Other short-term provisions	4,866	3,944
Long-term provisions – for retirement and other long-term benefits*	6,653	4,287
from this defined retirement benefit plans at the Parent	*4,350*	*2,466*
from this defined retirement benefit plans at GR Polska	*858*	*877*
from this defined retirement benefit plans at PregLem	*255*	*230*
from this defined retirement benefit plans at GR Ecuador	*29*	*21*
from this defined retirement benefit plans at GR Bulgaria	*9*	-
Total	**11,519**	**8,231**

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

At 31 December 2020 Other short-term provisions include provisions created for penalties.

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

Defined retirement benefit plans at the Parent

Actuarial valuation related to retirement benefit plans

According to the Collective Agreement of Gedeon Richter Plc., if the Employee is eligible for an old-age pension or disability care and his/her employment is being terminated for that reason by either parties unilaterally or by mutual consent, or the Employee retire in the end of a fix-term employment contract, the Employer may provide

a) 1 month's absentee pay after an uninterrupted employment relationship of at least 15 years at the Employer
b) 2 months' absentee pay after an uninterrupted employment relationship of at least 30 years at the Employer
c) 3 months' absentee pay after an uninterrupted employment relationship of at least 35 years at the Employer
d) 4 months' absentee pay after an uninterrupted employment relationship of at least 40 years at the Employer

in addition to his/her other emoluments, if the following exclusion does not arise.

As a prior obligatory condition of payment, the Employee shall not engage in any misconduct which may lead to the immediate termination of his/her employment, until the closing of the employment.

For renumerations defined in subsections b)-d) above, the Employee is entitled to an additional absentee pay equal to 45 calendar days, except if the Employee is exempted from work for a longer period.

Provided that the exemption period is longer than 45 days, the entitlement period for the absentee pay (for the "uninterrupted employment relationship at the Employer") determined at subpoints a)-d) shall be reduced by the amount exceeding the 45 days of the exemption period.

The valuation method

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

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

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

	2020 HUFm	**2019** HUFm
Opening value of retirement benefit	2,466	1,857
Interest costs (charged to the P&L)	-	3
Current service costs (charged to the P&L)	202	122
Settlement	(158)	(224)
Actuarial loss (charged to the OCI)	1,840	708
Retirement benefit liability	**4,350**	**2,466**

The principal actuarial assumptions were as follows:

The increase in the amount of the underlying benefit reflected long-term risk-free rates.

Discount rate

The discount calculation is made "on the basis of available high-quality corporate bonds or, in the absence thereof, of government securities in the given market."

The applied discount curve was determined on the basis of the reference yields of Hungarian government securities (available on following website www.akk.hu) , using a Nelson-Siegel curve fitting, based on the market yields at the end of 2020. For the purpose of determining the value of the liabilities in 2019 upon maturity an interest rate of 0-2% is used in the first 10 years, 2-3% between years 10-20, 3% over 20 years.

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

Relying on factual data the probability of resigning was estimated on the basis of annual average probability of resigning in groups set up by duration of employment in 2019. In 2020, this method was changed and we used the actual fluctuation rate as per each age-group of employees. The reason for this change was that we experienced stronger correlation between these set of information. Our assumptions are disclosed in the tables below.

Annual average rate of fluctuation used in the calculation for 2020:

Age	Annual average rate of fluctuation
0-25	8.3%
26-30	8.2%
31-35	6.8%
36-40	5.5%
41-45	4.1%
46-50	2.8%
51-55	2.3%
56-60	2.1%
61-	1.9%

Annual average rate of fluctuation used in the calculation for 2019:

Term of employment at Richter	Annual average probability of resigning
Relevant data applied during the actuarial calculation:	
up to 3 years	20.0%
between 3-6 years	10.0%
between 6-10 years	8.0%
between 10-15 years	7.0%
between 16-25 years	5.0%
between 26-35 years	3.0%
over 35 years	2.0%

30. Net debt reconciliation

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

Net debt	31 December 2020 HUFm	31 December 2019 HUFm
Cash and cash equivalents	142,068	128,573
Cash and cash equivalents of disposal groups classified as held for sale (Note 39)	194	-
Long-term lease liability	(10,754)	(10,296)
Short-term lease liability	(3,802)	(3,729)
Net debt	**127,706**	**114,548**

	Other assets	Liabilities from financing activities		Total
	Cash/bank overdraft HUFm	Short-term lease liability HUFm	Long-term lease liability HUFm	**HUFm**
Net debt as at 1 January 2019	**113,021**	**(2,552)**	**(8,977)**	**101,492**
Changes from financing cash flow	12,353	3,060	-	**15,413**
New lease liability	-	-	(5,514)	**(5,514)**
Effect of foreign exchange changes	3,199	(9)	(33)	**3,157**
Reclassification from long-term to short-term	-	(4,228)	4,228	-
Net debt as at 31 December 2019	**128,573**	**(3,729)**	**(10,296)**	**114,548**
Changes from financing cash flow	16,336	3,752	-	**20,088**
New lease liability	-	-	(4,248)	**(4,248)**
Effect of foreign exchange changes	(2,647)	(19)	(16)	**(2,682)**
Reclassification from long-term to short-term	-	(3,806)	3,806	-
Net debt as at 31 December 2020	**142,262**	**(3,802)**	**(10,754)**	**127,706**

31. Other non-current liabilities and accruals

	31 December 2020 HUFm	31 December 2019 HUFm
Government grants	6,733	6,685
Other non-current liability	819	1,023
Long-term lease liability	10,754	10,296
Total	**18,306**	**18,004**

Government grants relate to property, plant and equipment and research and development activities.

32. Dividend on ordinary shares

	2020 HUFm	2019 HUFm
Dividend on ordinary shares	11,741	18,637

A dividend of HUF 63 per share (HUF 11,741 million) was declared in respect of the 2019 results, approved at the Company's Annual General Meeting on 28 April 2020 and paid during the year.

33. Agreed capital commitments and expenses related to investments

Data are presented for the Parent Company and the Russian subsidiary since they have the most significant capital expenditure in the Group.

	31 December 2020 HUFm	31 December 2019 HUFm
Contractual capital commitments of Parent	7,312	6,914
Contractual capital commitments of AO Gedeon Richter - RUS	1,212	538
Capital expenditure that has been authorised by the directors but has not yet been contracted for at Parent	34,450	35,387
Capital expenditure that has been authorised by the directors but has not yet been contracted for at AO Gedeon Richter-RUS	1,986	2,511

The above commitments were not recorded either in the Consolidated Income Statement or in the Consolidated Balance Sheet.

34. Operating lease – Group as lessee

In 2019 and in 2020 the Group leases various offices, warehouses, land, parking places, energy systems, retail stores, equipment and vehicles. Rental contracts are typically made for fixed periods of 11 months to 95 years but may have extension options as described below. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

The Group is exposed to potential future increases in variable lease payments based on an index or rate, which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is reassessed and adjusted against the right-of-use asset.
Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Variable lease payments
Some real estate leases contain variable leasing elements that are related to sales on the business premises. The leasing fee for individual stores includes a fixed part that is payable periodically in each case. If 5% of the net sales revenue of the periodic sales of the business exceeds the fixed part, then the difference is paid in the form of a variable lease payment. The variable payment terms that are not based on an index or a rate are not part of the lease liability. Such variable lease payments are recognised in profit or loss in the period in which the condition that triggers those payments occurs.

Extension and termination options
Extension and termination options are included in a number of property and equipment leases across the Group. These are used to maximise operational flexibility in terms of managing the assets used in the Group's operations. The majority of extension and termination options held are exercisable only by the Group and not by the respective lessor.

The Consolidated Income Statement includes HUF 1,388 million expenses from short-term, low-value and variable lease payments (in 2019 it was HUF 2,954 million).

35. Guarantees provided by the Group

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

36. Social security and pension schemes

The Group has provided in relation to the employees in Hungary social contribution tax amounting to 19.5% until 30 June 2020 and 15.5% from 1 July 2020 and vocational training contribution amounting to 1.5% of gross salaries which are paid during 2020 to the National Tax and Customs Administration by the Group. The Group has no further obligations beyond the statutory rates in force during the year. In relation to employees employed in abroad, the social insurance contributions have been paid in accordance with the laws of each country.

The Parent Company contributes 6% of the monthly gross wages (maximum 50% of the current minimum wage) for those employees who decided to participate in the voluntary pension fund. In addition, one-off contribution is made in respect of employees who are reaching the age limit of 55, 57, 59, 61, 63, 65 years in the amount of HUF 50,000. The total cost of the contributions made by the Parent Company was HUF 1,823 million in 2020 (in 2019: HUF 1,705 million).

Pension contribution paid by Hungary based subsidiaries in respect of their employees amounted to HUF 44 million in 2020 and HUF 40 million in 2019.

Foreign subsidiaries pay contributions to various pension funds in respect of their employees which amounted to HUF 1,589 million and HUF 1,718 million in 2020 and 2019, respectively.

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

None of the subsidiaries of the Group operate any similar pension schemes.

37. Contingent liabilities

Uncertain tax positions 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.

In September 2017, the National Authority of Fiscal Administration („RTA") imposed RON 9.9 million as claw-back contribution for the period Q1-Q3 2011 and RON 10.4 million as interest and penalties to the Romanian wholesale company. The company submitted a Tax challenge with RTA and sent a suspension claim to the court immediately. In

December 2017 the special court in Bucharest (Romania) has approved the claim of Pharmafarm S.A. for suspension of payment for the claw-back. At the end of 2018 the first instance court has decide in favour Pharmafarm S.A., annulling the claw-back decision of RTA, but as part of the verdict, the court ordered the re-execution of the tax audit. As a result of the second investigation, RTA imposed again the RON 9.09 million claw-back tax payment obligation, which Pharmafarm S.A. did not accept and filed a lawsuit. The Bucharest Special Court approved again Pharmafarm S.A.'s application for suspension of claw-back payment until the case was finally closed.
Taking into consideration the opinion of experts, the management of the Parent Company estimates more likely than not that the imposed tax obligation will not have to be paid on the basis of a subsequent final court decision, therefore no provision has been made.

In May 2018, a comprehensive tax audit covering the period from 01.01.2011 to 31.12.2015 was also completed at Gedeon Richter Romania S.A. As a result of the investigation, a tax deficit has been established for a claw-back tax, corporate income tax and VAT. The total value of the established tax shortfall and related interest and fines amount to RON 13.2 million. Although the Company will challenge the decision of the tax authority in court, taking into account the opinions of experts, the management of the Company sees a more than 50% chance that the findings will have to be paid by Gedeon Richter Romania in the future, therefore a provision of RON 13.2 million had been recognised in 2018. Due to the remaining uncetainty in the tax litigation and publication of tax amnesty procedure in Romania with the possibility of cancelation of all interest and penalty fines, the company will pay all its principal debts resulting from the 2018 tax inspections and subsequent measures, in order to mitigate the future risks. Therefore supplimentary tax provision of RON 4.1 million is built up in 2020. From a pure legal perspective, the chances of Gedeon Richter Romania S.A for winning the case at the court should remain unchanged after the payment of the principal tax obligations according to the fiscal amnesty procedure.

38. 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.

Until 2019 the State Holding Company (MNV Zrt.), as a business organisation had a significant interest over Richter nevertheless the Parent Company had no other transactions with the State Holding Company, than the regular dividend payments. On 19 August 2020 Richter informed its shareholders that the transaction of transferring the 18,637,486 Richter common shares – owned by the Hungarian State and held in trust by Maecenas Universitatis Corvini Foundation (MUC Foundation) – to the property of Maecenas Universitatis Corvini Foundation is closed. Because of the transaction, in Gedeon Richter Plc. the influence (voting rights and ownership ratio) of the Hungarian State represented by Hungarian National Asset Management Incorporated (HNMA Inc.) has decreased from 15.25% to 5.25%. Simultaneously the influence (voting rights and ownership ratio) of MUC Foundation increased to 10% in Gedeon Richter Plc.

	2020 HUFm	**2019** HUFm
Dividend paid to MNV Zrt.	1,792	2,847

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.

38.1 Related parties

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

	31 December 2020 HUFm	**31 December 2019** HUFm
Loans to associated companies	155	158
Convertible promissory note to associates	1,664	1,545
Trade receivables (joint ventures)	23	195
Trade receivables (associates)	4,713	2,548
Trade payables (joint ventures)	-	53
Trade payables (associates)	9	222
Revenue from joint ventures	376	1,434
Revenue from associates	16,747	17,323

The loans are in Hungarian Forint, all of them are short-term as at 31 December 2020.
Revenues from related parties almost exclusively represents sale of pharmaceutical products. The Group has no open trading commitments with related parties as of 31 December 2020.

According to the Memorandum of Understanding signed on 24 September 2010 with Helm AG, Richter has financing obligations related to costs of projects managed by Richter-Helm BioTec GmbH & Co. KG (joint ventures). In accordance with the request of the management, this funding is provided in the form of capital contribution and the company records these liabilities separately by owners. In 2020 the revenues of the company exceeded the development costs incurred, therefore no further capital contribution payment was required in the financial period.
All related-party transactions were made on an arm's length basis.

38.2 Remuneration of the Board of Directors and the Supervisory Board

	Short-term benefits - Allowance	
	2020	**2019**
	HUFm	HUFm
Board of Directors	72	74
Supervisory Board	27	27
Total	**99**	**101**

38.3 Key management compensation

	2020	**2019**
	HUFm	HUFm
Salaries and other short-term employee benefits	2,300	1,678
Share based payments	920	536
Total short-term compensation	**3,220**	**2,214**
Pension contribution paid by the employer	385	309
Total	**3,605**	**2,523**

From 2018 share based payments were modified due to the introduction of the Employee's Share-Ownership Program, please see further details in Note 26.

The table above contains the compensation received by the chief executive officer, directors and other senior members of management, constituting 56 people.
There were no redundancy payments to key management members neither in 2019 nor in 2020.

39. Assets classified as held for sale and liabilities directly associated with assets classified as held for sale

The Parent Company has two subsidiaries in Moldova (I.M. Gedeon Richter-Retea Farmaceutica S.R.L and I.M. Rihpangalpharma S.R.L), The management of the Company decided to sell its investments. The assets and liabilities of these subsidiaries are classified as non-current assets classified as held for sale and liabilities directly associated with non-current assets classified as held for sale, respectively. The transaction is expected to close in 2021.

	31 December 2020 HUFm
Property, plant and equipment	1,226
Other intangible assets	8
Inventories	2,836
Trade receivables	1,279
Other current assets	245
Cash and cash equivalents	194
Assets classified as held for sale	**5,788**
Other non-current liabilities and accruals	150
Trade payables	1,525
Other payables and accruals	60
Liabilities directly associated with assets classified as held for sale	**1,735**

40. Changes in accounting policy

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 usually determined to be nil. Previously, the amortisation expense of product rights, and other rights related to products are presented in two separate line items in the Income statement:

- Cost of sales
- Sales and marketing expenses.

Beginning from the preparation of the 2020 financial statements, the amortisation of all intangible assets and (other) rights related to products is presented as part of Cost of sales. This reclassification is in line with the way how management evaluates and manages the business. As a consequence, the new accounting policy provides more relevant information and thus increases the quality of the internal and external financial reporting.

The new accounting policy is applied retrospectively and thus the comparative figures are restated. The Cost of sales increased by HUF 5,515 million and the Sales and marketing expenses decreased by the same amount. The change affects only the Income statement. There was no other change in the comparatives.

	2019 HUFm As previously presented	**Change** HUFm	**2019** HUFm Restated
Cost of sales	(224,500)	(5,515)	(230,015)
Gross profit	**283,294**	**(5,515)**	**277,779**
Sales and marketing expenses	(121,819)	5,515	(116,304)
Profit from operations	**39,896**	**-**	**39,896**

41. Notable events in 2020

In late 2019 news first emerged from China about the COVID-19 (Coronavirus). The situation at year end, was that a limited number of cases of an unknown virus had been reported to the World Health Organisation. In the first few months of 2020 the virus had spread globally and its negative impact had gained momentum. While this is still an evolving situation at the time of issuing Consolidated Financial Statements, to date there has been no discernible impact on the Group's sales or supply chain, however the future effects cannot be predicted. Management will continue to monitor the potential impact and will take all steps possible to mitigate any effects.

In January 2020, Nedermed B.V. was wound up without a successor.

In February 2020, Richter announced that the European Medicines Agency (EMA) has accepted Richter's regulatory submission for a combined oral contraceptive, containing estetrol (E4) and drospirenone. Richter purchased the novel oral contraceptive had developed by Mithra in September 2018.

On 2 March 2020, Richter and WhanIn Pharm. Co., Ltd. announced the signing of an exclusive license and supply agreement to commercialize cariprazine, a novel antipsychotic in South Korea. Richter receives a one-off milestone payment upon signature and will be entitled to further sales-related milestone payments after the product is launched if certain targets are met.

On 13 March 2020, the Company announced, subsequent to its meeting held on 09-12 March 2020 the Pharmacovigilance Risk Assessment Committee (PRAC) of European Medicines Agency (EMA) has started a review procedure following a recent case of liver injury which led to liver transplantation in a patient taking ESMYA®. PRAC recommends suspension of ulipristal acetate for uterine fibroids during ongoing review of liver injury risk. The PRAC has recommended, as a precautionary measure, that women should stop taking 5-mg ulipristal acetate (ESMYA® and generic medicines) for uterine fibroids while a safety review started this month is ongoing. No new patients should start treatment with these medicines.
The PRAC review of serious liver injury with ulipristal acetate 5 mg had found that it was not possible to identify either patients most at risk of liver injury or measures that could reduce the risk. In September 2020, the PRAC had therefore advised that these medicines should not be marketed in the EU.
In November 2020, the Committee for Medicinal Products for Human Use (CHMP) endorsed the PRAC's assessment of the risk of liver injury. However, it considered that the benefits of ulipristal acetate 5 mg in controlling fibroids may outweigh this risk in women who have no other treatment options. As a result, the CHMP recommended that the medicine remains available to treat premenopausal women who could not have surgery (or for whom surgery had not worked). The CHMP recommendation was forwarded to the European Commission for its decision. The use of ESMYA® had been suspended as a precaution while awaiting the outcome of this review.

On 31 March 2020, Richter and Myovant Sciences GmbH announced that they had signed an exclusive license agreement for Richter to commercialize relugolix combination tablet (relugolix 40 mg, estradiol 1.0 mg, and norethindrone acetate 0.5 mg) for uterine fibroids and endometriosis in Europe, the Commonwealth of Independent States including Russia, Latin America, Australia, and New Zealand. Under the terms of the agreement, Myovant shall receive upfront payment upon signature of the agreement and is eligible to receive subsequent regulatory and sales-related milestones.

In accordance with the applicable laws of the Russian Federation, ZAO Firma CV PROTEK, has submitted a voluntary bid to buy back the shares issued by PAO PROTEK at a purchase price of RUB 100 (one hundred) per share. In April 2020, the Board of Directors of Richter has accepted the purchase offer.

On 29 April 2020, Richter announced that it had entered into an asset purchase agreement with Mycenax Biotech Inc. in respect of biosimilar tocilizumab for the treatment of rheumatoid arthritis. According to the agreement Richter receives worldwide rights to develop, manufacture and commercialize the product. Biosimilar tocilizumab assets comprise the cell lines, intellectual property rights, technology know-how and data generated by Mycenax.

On 30 April 2020, Richter-Helm Biologics, the joint venture of Richter and Helm AG, announced that it had entered into an agreement with US based INOVIO to expand its manufacturing partnership in order to support large-scale manufacturing of INOVIO's investigational DNA vaccine for COVID-19.

On 18 June 2020, the Company announced its shareholders that the transaction of transferring the 18,637,486 Richter common shares - owned by the Hungarian State and held by the Hungarian National Asset Management Inc. (HNMA Inc.) - to the property of Tihanyi Foundation was closed. As a result of the transaction, the ownership ratio of the Hungarian State in Richter decreased to 15.25%, simultaneously, the influance of Tihanyi Foundation increased to 10%.

In August 2020, Richter and its partner Palette Life Sciences AB announced that they had received National Marketing Authorization in the United Kingdom for LIDBREE. The product is a novel, proprietary thermo gelling intrauterine formulation that can provide significant pain relief during common gynaecological procedures.

On 19 August 2020, the Company announced its shareholders that the transaction of transferring the 18,637,486 Richter common shares - owned by the Hungarian State and held in trust by Maecenas Universitatis Corvini Foundation (MUC Foundation) - to the property of MUC Foundation was closed. As a result of the transaction, the ownership ratio of the Hungarian State in Richter decreased to 5.25%, simultaneously, the influance of MUC Foundation increased to 10%.

In October 2020, Richter announced the signing of a license agreement with Mochida Pharmaceutical Co. Ltd. in respect of Richter's biosimilar tocilizumab for the treatment of rheumatoid arthritis. According to the agreement, Mochida receives rights to develop, manufacture and commercialize the product in Japan. Under the terms of the agreement, Mochida shall disburse milestone payments in a number of instalments pending on development and regulatory stages completed.

On 3 December 2020, the Company announced that it has signed an asset purchase agreement with Janssen Pharmaceutica NV, a wholly owned subsidiary of Johnson & Johnson, in respect of Janssen's Outside US Evra transdermal contraceptive patch assets. Janssen will provide post-closing transitional support to facilitate the transfer of the Outside US marketing authorizations. The asset purchase agreement is complemented by a transitional business license agreement and series of other related agreements to run the business without interruption during the period required to transfer marketing authorizations to Richter. The purchased asset transaction was closed on 7 January 2021.

At the end of December 2020, Richter and Estetra S.A, the wholly owned subsidiary of Mithra announced that they have extended their partnership and signed a license and supply agreement for the commercialization of a novel 15 mg estetrol (E4) / 3 mg drospirenone containing combined oral contraceptive, in order to include key markets in Latin America. Under the terms of the agreement Richter will distribute Mithra's product in key markets in Latin America (Mexico, Chile, Colombia, Peru and Ecuador) with an option for other markets except for Brazil and Argentina. Richter and Mithra are currently already partnered for the commercialization of this novel oral contraceptive in Europe and in Russia.

In 2020, Richter took further steps to expand its international business through a capital increase some of in its manufacturing companies and continuing its investments. Driven by the goal of adapting to the Russian economic policy of favouring local production, Richter made supporting investments into the Russian subsidiary a special priority.

42. Events after the date of the balance sheet

On 7 January 2021, Richter announced that the asset purchase transaction related to Evra was closed. Please see further details in Note 41.

On 15 January 2021, the Richter announced that the European Commission had adopted the CHMP opinion on restricting the use of ESMYA®. ESMYA® can now only be used to treat uterine fibroids in premenopausal women for whom surgical procedures (including uterine fibroid embolisation) are not appropriate or have not worked. ESMYA® must not be used for controlling symptoms of uterine fibroids while awaiting surgical treatment. Information on the risk of liver failure (requiring liver transplantation in some cases) will be added to the summary of product characteristics and the package leaflets for ulipristal acetate 5 mg medicines as well as in educational material for doctors and cards for patients.

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

43. Approval of financial statements

Current Consolidated Financial Statements have been approved by the Board of Directors and authorised for release at 10 March 2021.

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 of any potential change required by the AGM is extremely remote.

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GEDEON RICHTER PLC.

CONSOLIDATED BUSINESS REPORT

FOR THE YEAR ENDED 31 DECEMBER 2020

Gabor Orban
Chief Executive Officer

Budapest, 10 March 2021

Table of contents

1. General data

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

The Company's predecessor was founded in 1901 by pharmacist Gedeon Richter, who bought a pharmacy, then turned his business into a share company two decades later, in October 1923.

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 the capital increase resulted in the expansion of sources of financing. The current share structure of the Company is disclosed in chapter 1.3 of the consolidated business report.
On 11 February 2019 it was announced that of Richter's shares held by the State a packet of 10% of the total shares would be transferred to Maecenas Universitatis Corvini Foundation, an entity exclusively owned by the State and set up to operate Corvinus University of Budapest starting from 1 July 2019. In May of 2020 it was announced that another block of Richter's shares held by the State, 10% of the total shares, would be transferred to Tihany Foundation. The above share transfers were concluded in August and June of 2020 respectively.

Major acquisitions to promote the expansion of the Company

Through the establishment of greenfield investments from the mid-1990s the parent company has expanded its network of manufacturing bases in Russia (1996) and India (2004) and through acquisitions in Romania (1998), Poland (2002). Acquisitions were aimed at a biotechnology company in Germany (2007), and Swiss women's healthcare product development firms (2010 and 2016).

Richter's recent acquisitions, the purchase of 100% of the shares of the Swiss PregLem Group (October 2010) and the buyout of Grünenthal, a German generic pharma company's women's healthcare portfolio (November 2010) enables the Company to carve out a share of the market of innovative women's healthcare products while geographically expanding the market of Richter's traditional women's healthcare products. The change has strategic importance for the Company.

At the end of June 2016 Richter announced the acquisition of Finox Holding, a Swiss based biotech company engaged in the development and commercialisation of innovative and cost effective products addressing female fertility. Finox Holding's product Bemfola® is a recombinant human follicle stimulating hormone (r-hFSH), the first biosimilar r-hFSH product for which marketing authorisation was granted in Europe. Richter has obtained global rights for Bemfola® (with the exception of the United States). Consequent to this acquisition Richter added female fertility to its growing specialised Women's Healthcare business, and also managed to enhance its opportunities in the biosimilar market.

In Q1 of 2013 Richter took control of selling its traditional products and acquired a majority holding in its Chinese marketing partner. This company will be active in the promotion and marketing of prescription drugs. The buyout was completed in February 2017 when the last portion of its holding was paid.
In the second half of 2013 Richter started to expand in the Central and South American region by founding a company in Colombia as a first step, followed by acquisitions in Brazil and Mexico. The acquisition process was concluded in October 2015 and resulted in Richter's holding 100% of the shares of Mediplus Group.

As a result of these transactions the Company has appeared directly in the world's fastest growing pharmaceutical markets (China and the Latin American region), and has taken strategic steps to increase its geographical penetration. Richter's women's healthcare portfolio is given a prominent role in every market.

The companies included in the consolidation and the changes related to them are disclosed in Note 14-15 of the Group's IFRS Consolidated Financial Statements.

Richter's business model

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 subsidiaries, which operate in our traditional markets, together with our establishment and continuous expansion of a specialized marketing network have created the foundation for a strong 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.

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

The Group developed a long-term collaboration with several large international companies in research and development, sales and production in various markets (the EU, the U.S., Japan and Russia).

Richter Group companies are classified into the following six categories:

- **Richter's HQ in Hungary, parent company of the Group** (including the Budapest, Dorog and Debrecen sites) undertaking research and development, production, sourcing, logistics and coordination of Group level sales.
- **Pharmaceutical subsidiaries and joint venture companies:** Richter Group has manufacturing facilities in Poland, Romania, Russia, India and Germany. Drugs manufactured in these facilities are marketed globally.
- **Trading subsidiaries and offices** undertake and support trading and marketing duties in local markets on behalf of the parent company and other Group's companies.
- **Wholesale and retail companies** active in wholesale and retail receiving marketing support from the parent company or the trading subsidiaries.
- **Service companies:** established to support R&D, manufacturing, logistics, admin and other business processes.
- **Other units:** dormant companies and establishments not directly related to Richter Group's core business.

1.2. Main objectives for 2020

The Group's main objectives for 2020 were as follows: to expand sales despite a difficult market environment; to retain and improve market shares; and to strengthen the strategy of standing on multiple legs in the market; further development of cooperation between Group companies; based on the strategic principles, to shift business to enhance the contribution of high value added products; to expand the women's healthcare's business; to develop a new original CNS (Central Nervous System) product; and to take further steps in the development of biosimilar products. The biggest impact on Richter's operating environment in 2020 was the outbreak of the COVID-19 pandemic. The related detailed disclosure can be found in the III) COVID Annex to the Annual Report by IFRS.

In 2020 major changes took place in the following areas:

- In late 2019 news first emerged from China about the COVID-19 (Coronavirus). The situation at year end, was that a limited number of cases of an unknown virus had been reported to the World Health

Organisation. In the first few months of 2020 the virus had spread globally and its negative impact had gained momentum. While this is still an evolving situation at the time of issuing these separate financial statements, to date there has been no discernible impact on the Company's sales or supply chain, however the future effects cannot be predicted. Management will continue to monitor the potential impact and will take all steps possible to mitigate any effects.

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- In accordance with the applicable laws of the Russian Federation, ZAO Firma CV PROTEK, has submitted a voluntary bid to buy back the shares issued by PAO PROTEK at a purchase price of RUB 100 (one hundred) per share. In April 2020, the Board of Directors of Richter has accepted the purchase offer.

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- On 19 August 2020, the Company announced its shareholders that the transaction of transferring the 18,637,486 Richter common shares - owned by the Hungarian State and held in trust by Maecenas Universitatis Corvini Foundation (MUC Foundation) - to the property of MUC Foundation was closed. As a result of the transaction, the ownership ratio of the Hungarian State in Richter decreased to 5.25%, simultaneously, the influance of MUC Foundation increased to 10%.

- In October 2020, Richter announced the signing of a license agreement with Mochida Pharmaceutical Co. Ltd. in respect of Richter's biosimilar tocilizumab for the treatment of rheumatoid arthritis. According to the agreement, Mochida receives rights to develop, manufacture and commercialize the product in Japan. Under the terms of the agreement, Mochida shall disburse milestone payments in a number of instalments pending on development and regulatory stages completed.

- On 3 December 2020, the Company announced that it has signed an asset purchase agreement with Janssen Pharmaceutica NV, a wholly owned subsidiary of Johnson & Johnson, in respect of Janssen's Outside US Evra transdermal contraceptive patch assets. Janssen will provide post-closing transitional support to facilitate the transfer of the Outside US marketing authorizations. The asset purchase agreement is complemented by a transitional business license agreement and series of other related agreements to run the business without interruption during the period required to transfer marketing authorizations to Richter. The purchased asset transaction was closed on 7 Január 2021.

- At the end of December 2020, Richter and Estetra S.A, the wholly owned subsidiary of Mithra announced that they have extended their partnership and signed a license and supply agreement for the commercialization of a novel 15 mg estetrol (E4) / 3 mg drospirenone containing combined oral contraceptive, in order to include key markets in Latin America. Under the terms of the agreement Richter will distribute Mithra's product in key markets in Latin America (Mexico, Chile, Colombia, Peru and Ecuador) with an option for other markets except for Brazil and Argentina. Richter and Mithra are currently already partnered for the commercialization of this novel oral contraceptive in Europe and in Russia.

1.3. Share structure of Richter Group

The Group's shareholder structure is disclosed in Note 25 of the Group's IFRS Consolidated Financial Statements.
There are no shares in issue that involve special control rights.
Gedeon Richter Plc. has no shares whose market trading is not permitted.
There is no restriction regarding the transfer of shares in issue representing the share capital.
The Company is not aware of any agreement between shareholders that would result in restricting shares issued or the transfer of voting rights.
Each share with a face value of HUF 100 entitles the holder to one vote; however, the Statutes restrict the exercise of shareholders' rights by stipulating that at the AGM no shareholder shall exercise voting rights, in their own right or as a proxy of another shareholder, alone or together with other related person(s) in excess of 25% of the voting rights represented by the shareholders attending in person or by proxy.

As of 1 January 2020 the number of ordinary shares comprising the Company's subscribed capital was 186,374,860. The number of shares did not change in the course of 2020.
The closing price of shares as of 30 December 2019 was HUF 6,415 compared to HUF 7,440 as of 30 December 2020. Average monthly share prices in 2020 varied between the minimum of HUF 6,108 per share (in March) and the maximum of HUF 7,395 per share (in December).

1.4. Treasury shares held by the Group

Detailed information in relation to treasury shares held by the Group are disclosed in Note 26 of the Group's IFRS Consolidated Financial Statements.

1.5. Corporate governance

Statement on corporate governance

Corporate Governance principles and practice implemented by the Company are in accordance both with the guidelines set by the Budapest Stock Exchange, the directives of the capital market, the provisions of the Civil Code and the Statutes (www.richter.hu). In addition, the Company reviews from time to time the principles applied on an ongoing basis, in order to appropriately control the Group's operation in compliance with continuously developing international practices. In matters where the Company does not apply the guidelines of the Budapest Stock Exchange or the directives of the capital market, or does not apply them in their entirety, the Annual Report on Corporate Governance is applicable. The Report on Corporate Governance is part of the Annual Report; it is deliberated and approved by the AGM as a separate agenda item, and it is published on the website of the Budapest Stock Exchange as well as on the Company websites.
In 2019 the Company did not depart from the regulatory methods described above.
Gedeon Richter's key principles of Corporate Governance are to create and maintain satisfactory dialogue with shareholders so as to enhance shareholder value, to differentiate the roles and responsibilities of the Board of Directors, the Executive Board and the Supervisory Board, and to operate the Group's business in compliance with legal and regulatory requirements and to maintain the highest ethical standards.

Corporate bodies

The **Annual General Meeting** is the supreme decision making body of the Company, and comprises all shareholders. The Annual General Meeting decides, inter alia, on the adoption of the annual financial statements and the appropriation of profit, the election or removal of members of the Board of Directors, Supervisory Board and Audit Committee, the appointment of the statutory auditor, amendments to the Statutes, changes that have a significant impact on the Company's share capital and other issues within its competence under the Statutes.

Rules of amendment to the Statutes:

- As a general rule, unless otherwise provided for by the Statutes, modification of the Statutes require a three-quarter majority of the votes present at the General Meeting, but at least 20% + 1 vote;
- The following decisions require a greater majority pursuant to the Statues (90% majority of the votes present at the General Meeting, but at least 45% + 1 vote of all the voting shares):
  - Changing the form of the Company,
  - Transformation and termination of the Company without succession,
  - Cutback or discontinuation of the Company's R&D or manufacturing activities in Hungary,
  - Any change in the name, the registered company name and/or trade name of the Company,
  - Changing the seat of the Company,
  - Discontinuation or deletion from the Companies Register of the Company's core business.
- Articles 12.1 d) and y) of the Statutes specifically provide for the election, removal and remuneration of the members of the Board of Directors, the Supervisory Board, the Audit Committee and of the Auditor,
- In matters falling within the exclusive competence of the General Meeting as defined by Article 12.1 of the Statutes (except for the matters listed above) the following rules are applicable:
  - three-quarters majority of the votes present at the General Meeting, but at least 35% +1 vote;
  - three-quarters majority of the votes present at the General Meeting, but at least 20% +1 vote;
  - a simple majority of the votes present at the General Meeting, but at least 20% +1 vote;

The **Board of Directors** is the supreme decision-making body of the Company except with respect to those matters reserved for AGM. A majority of directors on the Board are non-executive directors. All the non-executive directors are independent of management and free from any business or other relationship which

could materially interfere with the exercise of their independent judgement. The offices of CEO and Chairman are held separately. Directors of the Board are not entitled to issue or redeem shares. The Board works according to an agreed agenda in reviewing the key activities of the Company's business. The Secretary of the Board is responsible for liaising with the Board of Directors. The Company Secretary is responsible to the Board and is available to individual Directors in respect of Board procedures. Board members are elected by the AGM for a maximum term of five years. In 2004 the Board decided to set up two subcommittees which prepare and submit proposals contributing to the Board's decision making process. Each subcommittee consists of at least three non-executive independent Board directors.

The **Corporate Governance and Nomination Subcommittee** is responsible for considering and making recommendations to the Board concerning the appropriate size, functions and needs of the Board. This responsibility includes establishing the criteria for Board membership; conducting appropriate inquiries into the background and qualifications of possible candidates; considering matters of corporate governance and reviewing periodically our Corporate Governance Principles. The Board of Directors discusses the recommendations of the Corporate Governance and Nomination Subcommittee and drafts a proposal for the election of officers for the consideration of the General Meeting.

The **Remuneration Subcommittee** is responsible for establishing annual and long-term performance goals and objectives for elected officers. This responsibility includes preparing proposals for the compensation of the Chief Executive Officer.

The **Executive Board** is responsible for the executive management of the Company's business. The Executive Board is chaired by the CEO. In order to maintain a sharp focus on strategic management the board comprises only the Executive Directors.

Overseeing the management of the Company is performed by the **Supervisory Board**. It meets on a regular basis in accordance with statutory provisions and at other times when necessary to consider details of the Company's operating activities. It submits proposals to the Board of Directors and discusses the Company's strategy, financial results, investment policy and systems of internal audit and control. The Supervisory Board is provided with regular and detailed information about the management of the Company, and the chairman is entitled to attend the meetings of the Board of Directors with the right to consultation. The members of the Supervisory Board are elected or re-elected by the AGM for a maximum term of three years.

The Company has an **Audit Committee** comprising three members elected by the General Meeting from among the independent members of the Supervisory Board. The Audit Committee is responsible for the oversight of the Company's internal accounting standards.

The company has no agreement with its officers or employees that provide for indemnification in the event the officer resigns or the employee terminates their employment, or the officer, or employee terminates their legal relationship illegally or the legal relationship ceases as a result of a public bid.

Risk management and internal control

Richter undertakes risk management in the context of running its business efficiently. We aim at the timely recognition, the precise understanding and the assessment of the risks, and to implement effective countermeasures. Our risk management activity includes the evaluation of internal controls so that our risk assessment supports the Company in maintaining efficient internal control.

Richter's view is that not all risk management aspects can be formalised, and in our risk-related decisions and in the implementation of internal requirements and rules we rely on the Company's relevant bodies and trust the skills, experience and judgement of our decision-makers.
Accountability and control related to risk management:

- The Board of Directors is responsible for the oversight and control of the Company's risk management and calls on the Executive Board to report in order to identify the main risk areas; in collaboration with the management it develops the basic risk management requirements, and regularly acquires information on the effectiveness of related risk management procedures and internal control processes.
- The Executive Board reports to the Board of Directors in respect of the implementation of risk management procedures and is ultimately accountable for risk management. Moreover, it is the duty of

the Executive Board to develop and maintain an internal control system to manage risks associated with the Company's business and to promote Company's goals.

- Strategic risk management is the duty of the directors responsible for the respective strategic pillars determined in the Company's strategy.
- The various functional areas are responsible for managing the operational risks arising in their particular field and the compliance risks within their sphere of competence. In meeting this duty the heads of the areas of operation are supported by the meetings of the corporate bodies. In the context of the company's internal reporting procedure heads of the operational areas report to the Executive Board on risks arising in their particular area.
- The Company’s special operational body is in charge of managing employees’ COVID-19 related health risk, as well as the negative effects of the pandemic on the Company’s operation and on the supplier chain.
- Financial risks are managed in a centralised way by the Company's financial management.
- The key components of control are management control, integrated process control, independent internal audits, and external auditors.
- Internal audits are conducted by the Audit Department based on a preliminarily approved annual schedule and aim to ascertain by an independent and objective assessment whether the internal control system is suitable for efficient risk management. When drawing up the annual audit plan the Company's risks are taken into consideration (on the basis of importance and by rota), as are the Executive Board's recommendations.
- Risk management, internal controls and corporate governance are evaluated annually in the context of the Annual Report.
- The Supervisory Board and the Audit Committee reviews the defined risks and risk management mechanisms once a year.

Policy of diversity

In its operation Richter lays great store by personal values and individual characteristics. According to the Company's creed the exploitation of varying characteristics is the corner stone of innovation and success, and believes that the Company’s success is partly based on the diversity of its people. It considers the recognition and appreciation of the individual’s personal traits important. It is every manager's job to serve as an example in managing diversity, tolerance and inclusion, and to promote the practical manifestation of the Company's commitment to diversity as best as possible. Diversity in a tenet at all levels of Richter’s operation; when drafting internal regulations the Company strives to shape the corporate environment to meet this principle.

To implement the Company's views in practice, on 28 May 2018 the Board of Directors adopted the Diversity Policy regarding the Company's leading bodies, i.e. the Executive Board, the Board of Directors and the Supervisory Board, which was announced on 21 June 2018. Accepted for five-year periods, the Diversity Policy's implementation is closely tracked by the Board, determines the diversity aspects and objectives applicable for the Company’s business management, executive and supervisory bodies.

In the spirit of diversity, when composing the Company's leading bodies priority will be given to knowledge related to Richter's main business, expertise in the economic, social and environmental contexts of the Company's operation, as well as professional and personal reputation. Richter's position is that these diversity considerations are best promoted if the leading bodies have members with qualification and experience in the pharmaceutical industry as well as finance and economics; Richter, therefore, makes an effort to have members with appropriately diverse professional backgrounds serving on its leading bodies. The goals formulated in the Policy in conjunction with the leading bodies envision that

- both sexes should be represented among the members to the extent that the aggregate rate of women should be at least 30%,
- the age distribution of members should be balanced, and
- members should also include gifted under-50 persons with appropriate competences.

The Company pays attention to the considerations and goals determined in the Policy when nominating members to the Board of Directors, the Supervisory Board and the Audit Board, and when selecting members and planning potential successors to serve on the Executive Board. As a public limited company, Richter has no power other than nominating members on the company's boards; their election is the exclusive competence of the AGM.

In 2020, pursuant to Section 5 (1) and Section 9 of Government Decree 102 of 2020 (10 April) on the special rules to be applied by personal and property joint ventures during the emergency period, the Board of Directors, acting within the powers of the General Meeting, took decisions regarding the composition of

the Board of Directors. There was no significant change in the breakdown by age of the Board as a result of the decisions.
Women's 30% participation in the Supervisory Board stayed unchanged throughout 2020.
The Company considers it important to regularly inform the shareholders about its Diversity Policy in the Annual Report and the Report on Corporate Governance including changes in, and achievements through, the Policy.

Global Compliance Program

The Global Compliance Program was introduced by Richter in November 2016 with the main goal of following, compliance and enforcing compliance with European and national regulations, industrial standards, and international business standards and ethics. As a first step the Global Compliance Program was introduced in Hungary and in the European Economic Area states, then its extension started in 2018 and continued in 2019 to Latin American countries, and to the subsidiaries and representative offices in the CIS states. As part of the extension of the Program, relevant chapters of the Compliance Handbook were translated to the local languages and were adapted to the local environments so that they become enshrined in local rules and regulations. Once compliance education and training materials had been localised, local staff could undergo the necessary training.

Richter's Code of Ethics provides for all employees to respect the human rights laid down in relevant international agreements and local legislation and regulations. Richter strongly condemns trafficking in human beings, any form of exploitation of children and forced labour, and seeks to prevent all such activities within the scope and supply chain. Furthermore, Richter strictly prohibits cruel or degrading treatment of its employees.

In its chapters Business Conduct and Transparency Policy of the Compliance Handbook provides for the fight against corruption and sets out the principles regarding bribery. Chapter One (Anti-bribery and corruption) contains detailed rules Richter's employees (including its officers) must comply with. These rules are aimed at avoiding active and passive involvement in corruption. After this general chapter two chapters address the two main risk areas in the pharmaceutical industry: contacts with health professionals, and pharmaceutical promotion. In its contacts with health professionals Richter strives to observe the strictest rules of integrity, and to meet the most rigorous statutory provisions and regulations in every respect.
The last chapter of the Handbook presents the transparency principles and practices prescribed by the self-regulating pharmaceutical organization Medicines for Europe. Transparent relationship and connections between Richter and patient organisations, health professionals and service providers promote informed decisions. As a member of Medicines for Europe, Richter commits to publish payments and benefits provided to, and agreements concluded with, patient organisations, health professionals and service providers. The Transparency Report for 2019 was published by the end of June 2020.

Compliance with Richter's Anti-corruption Handbook is crucial not only with respect to our employees but also to every member of the Company's entire supply chain. All of our third-party contracts contain an anti-corruption clause which reflects the provisions of the Anti-corruption Handbook and whose acceptance is an integral condition of contracting.

Richter expects all of its employees, consultants, representatives, suppliers and other business partners to observe the standards set out in the Compliance Handbook. In keeping with the Program a Compliance Hotline has been operated by the Legal and Global Operations Management as a Group level system for handling reports related to the Compliance Handbook. Staff report abuse or ethical violation they experience by e-mail or phone, if necessary, anonymously. Over the past few years the use of the Compliance Hotline has become widely accepted; employees ask questions regarding the Compliance Manual and the Global Compliance Program with increasing frequency.

In recent years the Compliance Hotline received several reports of conflicts of interest, therefore the Company drafted its Conflict of Interest Regulations, which entered into effect in H1 of 2020. The purpose of the Regulations is to draw employees' attention to potential conflicts of interest, to prevent conflicts of interest or manage them once they arise.

In 2020 Richter's education strategy was focused on identifying compliance and data protection training necessary for every employee across the board, and training needed in certain jobs. By the end of 2020 staff

training was completed in regard of the Code of Ethics, the Compliance Hotline, the Confidentiality Regulations which entered into force this year, and the Conflict of Interest Policy.

Regular semi-annual Compliance & Data Privacy Dotted Line Reporting was introduced in 2020. The goal is to forge closer connections between the Company and the subsidiaries, and to improve the transparency of subsidiaries' compliance and data protection activities.

Richter intends to further strengthen the compliance function, which will help the parent company exercise a higher level of control in Richter Group's geographical area of operation through an international compliance network.

1.6. Branches of the Parent Company

Branches of Gedeon Richter Plc:
2510 Dorog, Esztergomi út 27.
4031 Debrecen, Richter Gedeon utca 20.
4031 Debrecen, Kígyóhagyma utca 8.
6720 Szeged, Eötvös utca 6.
7673 Kővágószőlős, 513/2 hrsz.

1.7. Other information

Preparation of stand-alone and consolidated financial statements in accordance with IFRS

The parent company – as its securities are traded on a regulated market in the EEA Member States – prepares both stand-alone and consolidated financial statements in accordance with IFRS.

The Company's non-financial performance indicators are the number of new products launched, the number of renewal application (3.1), the volume of production (3.2) and the data on employee diversity and the number of graduates (4.).

2. The Group's 2020 operating review

2.1 The balance sheet as of 31 December 2020

The Company discloses the composition of the main balance sheet positions and the reason for change in them in Note 13-31 of the IFRS Consolidated Financial Statements. Within this, the classification, measurement and risks of financial instruments are disclosed in details in the following Notes of the IFRS Consolidated Financial Statements: 2. Significant accounting policies, X) Financial assets, XI) Financial liabilities, XIII) Other financial assets, XIX) Derivative financial instruments, and 10. Financial instruments, 11. Fair value of financial instruments and 12. Financial derivative instruments.

2.2 The 2020 income statement

The Group discloses segment information in Note 4 of the IFRS Consolidated Financial Statements. The composition of the income statement line items and the related information are disclosed in Note 4-9 of the Group's IFRS Consolidated Financial Statements.

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. Gedeon Richter Plc is the only Hungarian-based pharma company today with R&D staff exceeding 1,000 and is the most significant pharmaceutical R&D base in the Central and Eastern European region. R&D is focused on three strategic areas: research and development of new small molecules, biotechnology and generic research and development.
R&D expenses was 9.5% of sales income in 2020 and amounted HUF 53,977 million.

Original research of Central Nervous System

In 2020 preclinical research activities were reconsidered and transformed. This was done by cutting down on the number of projects and speeding up their progress, thereby concentrating resources. Taking into account the modality-based (principle of biological operation-based) classification of biological targets, the Company discontinued several preclinical research projects. The plans of the remaining projects were reviewed after reallocation of freed-up resources, and milestones were brought forward. As a result of all this, two projects entered in the clinical phase besides 7 projects at the preclinical stage.

Several factors hindered the progress of our preclinical projects throughout the year. As a direct impact of the pandemic, patient enrolments slowed down, and mandatory additional tests caused a slight increase in costs. Another negative effect was that some of the projects in the clinical portfolio had to be discontinued predominantly for professional reasons or new strategies had to be devised.

Expansion of the market related to Cariprazine continued in the course of the year. As a result, several new market authorisations were secured, and a new partner agreement was concluded. Ongoing clinical trials also continued in 2020 but here again, the COVID-19 pandemic caused patient enrolments to slow down. Consequently, it is impossible to estimate the conclusion of clinical trials just yet.

Women's Healthcare

One of the world's most experienced manufacturers of steroid products, Richter has been traditionally strong in the women's healthcare market.
Among the 2020 tasks, further development of oral contraceptive API synthesis leading to cost reduction should be highlighted.

In an effort to strengthen our women's healthcare portfolio Richter has signed development collaboration agreements with several companies (for example Evestra). Richter Group intends to expand the scope of collaboration in the coming years.

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

Generic research

The Company's contribution to combat the 2020 upsurge of the COVID-19 pandemic was the uniquely quick development of the antiviral drug remdesivir. Clinical trials have started with the involvement of large numbers of patients.

At the closing of 2020, Richter had over 25 generic development and 15 licence topics in progress.
Exploring opportunities to increase profit and project management of the complex activities selected should be highlighted among the topics of the year. Vaginal ring developments, a joint project with Evestra, were dropped from the Company's development portfolio. As biotechnology and original 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.).

The Company launched two proprietary products and six licensed products in 2020, all of which are new in the markets where they were launched. It is also to be mentioned that several products already commercialised have been launched in important new markets.

A The main elements of the Company's pharmacovigilance strategy and goals include ensuring compliance and promoting efficiency, hence cost effectiveness. Another key component is operating a Group level system. To this end, process and systems developments started in previous years to optimise pharmacovigilance were continued in 2020.
The global pharmacovigilance system works for all of Richter Group's commercialised products as well as those with marketing authorisation issued and registration pending. In addition, the system lays the basis of pharmacovigilance for future products that currently being developed. The driving engine of the pharmacovigilance system is the Company.

In the course of the year Richter secured 115 new regulatory approvals; 271 marketing authorisations were renewed, and 484 MA requests are pending with the regulatory authorities. In 2020, 226 applications for withdrawal were submitted and on a global level, 194 withdrawal proceduress were concluded.

Biotechnology

To bring development and manufacture of biosimilar products to new heights the Company set up an independent organisational unit named Biotechnology Business, which has been in operation since 1 July 2016. The unit is actively involved in the expansion of the biosimilar business by developing a global network of partners in product development and commercialisation.

On 20 August 2019 Richter announced that it launched its biosimilar teriparatide in Europe. The product has been launched through Richter's subsidiaries under the brand name Terrosa® after the expiry of the patent protection of the European reference product (Eli Lilly's Forsteo). The biosimilar teriparatide has been developed by the Company's subsidiary Richter-Helm BioTec GmbH & Co. KG. Based on the effective license, Stada also launched the product in Europe with the brand name Movymia. In September 2019 Richter announced that its license partner Mochida Pharmaceutical Co. received marketing authorization for biosimilar teriparatide in Japan and launched the product in November. Despite COVID, 2020 sales increased.

Additional candidates of the biosimilar portfolio are tocilizumab (rheumatology) and denosumab (osteoporosis). These products belong to the fastest-evolving therapeutic groups.
In April 2020 Richter purchased tocilizumab developed by Mycenax (reference product: Roche's branded product Actemra). After the chemistry, manufacturing and controls (CMC) stage to be concluded in 2021, clinical trials will be conducted jointly with the Japanese company Mochida.
In the course of 2021 denosumab (reference product: Amgen's branded products Prolia and Xgave) for the European and U.S. markets will enter clinical phase.

With regard to the large number of market players, in early 2020 the Company decided to discontinue research related to pegfilgrastim (reference product: Amgen's branded product Neulasta).

After commissioning the second production line in 2020, the Debrecen site offers multifaceted simultaneous manufacturing capacities. This allows to meet the needs related not only to the Company's portfolio of biosimilar products but also those of external partners.

Development and distribution of biotechnology products is supported in Europe by Stada, in Japan by Mochida in the context of cooperation agreements.

3.2 Production

Production in the manufacturing plants: measured in terms of packaging units, the increase in the output of plants was almost 3% over the reference year level for the Group as a whole.

As regards finished products manufactured by subsidiaries, the Russian subsidiary achieved a slight increase in terms of packaging units; conversely, the production of the Romanian and the Polish subsidies somewhat declined.
The mandatory introduction of serialisation of European products had a negative effect on finished products packaging capacities and efficiency in 2019. Russian serialisation was also started but due to adequate preparation and previous experience, it caused no production problems.
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.

3.3 Environmental protection

To minimise the environmental load of its manufacturing activities is a priority task for Richter, therefore the most state-of-the-art technologies are applied in order to continuously decrease negative environmental impacts.

The different manufacturing activities involve largely varied environmental risks and actual impacts:
- API manufacturing is essentially a chemical activity. Only a small proportion of the materials used are actually incorporated in the high-purity end product, therefore these non-recyclable materials used in chemical technologies present the greatest environmental load and risk.
- Due to its nature, biotechnology-based manufacturing does not require the use of large quantities of environmentally harmful substances, therefore it involves little environmental load and low environmental risk.
- Packaging is part of pharmaceutical manufacturing, where most of the materials used are built in the product. Here again, the environmental load and risk are minor.

Richter's guidelines of environmental protection are laid down in the Environmental Policy and are implemented through the Environmental Management System (KIR) awarded an ISO 14001 certificate. In 2020 KIR was successfully audited for ISO 14001 certificate.

The KIR analyses and manages risks affecting the environment, particularly the natural environment, in according with the provisions of the ISO standard (emission limits, data supply, and the requisite licenses). Functioning and risk management under the KIR is verified through annual inspection audits by an independent certifying body.

Richter compiles its environmental performance indicators in accordance with the Global Reporting Initiative (GRI) Guidelines and publishes them along with the measures implemented and planned and their evaluation in a biannual Sustainability Report available on the Internet.

In 2020 the Romanian subsidiary also introduced an environmental management system based on the basis of the ISO 14001 standard. Priority tasks included emission and discharge control as well as the upgrade of the water treatment station at the Russian subsidiary, and enhancement of the management of the waste disposal system in Poland. In India the most acute issue was to supply water of appropriate quality and in adequate quantities and to improve the quality of living waters; consequently, our Indian subsidiary’s developments were aimed at reducing wastewater discharge

3.4 Occupational health and Safety

A typical source of hazard at Richter’s workplaces is the presence of hazardous chemicals. Appropriate procedures and equipment are available to reduce the risk to an acceptable level. Richter implements chemical safety requirements as early as the research and production planning stages. This includes technological protective seals and human resource management (training, selection, work organisation, and health maintenance programs).

The parent company has been constantly working on optimising its health and safety processes and as a result, in 2020, passed the audit of the Occupational Safety and Health Management System (MEBIR: OSHAS 18001) by the supervisory agencies, proving that internal audits, education and training, regulations, performance evaluation, risk management and occupational hazard measurements are appropriate and in keeping with the relevant rules and regulations. In the course of 2019 Richter began the process of mandatory conversion to the MEBIR standard required under Hungarian Standard MSZ ISO 45001:2018. The Company has kept its MEBIR processes running amidst the COVID pandemic.

Operating in accordance with environmental standards is a priority for Richter Group particularly in countries where the Group has production facilities. These companies belong to different countries and encounter different problems and differing regulatory environments. On the basis of their activities and production volumes the environmental load and hazard they represent is lesser than those of the parent company.
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.
There were no technology related serious or mass accidents in 2020, no deficiencies of note were found by the relevant authorities, and no fine was imposed. Employees apply individual protective devices on an ongoing basis.

4. Human resource management

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 Group'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 in the interest of achieving the business goals, and involve IT skills and language proficiency development in addition to the in-service training required by the regulatory authority.
The Group is aiming at providing equal employment opportunities, and strives to treat all applicants and employees equally irrespective of their racial or ethnic background, colour, religious conviction, origin, sex, sexual orientation or identity and its manifestation, age, nationality, family status, pregnancy, family planning or related health status, genetic traits, military service, health status or other traits described in the relevant statutory provisions.
Professional and management career opportunities are open for Richter Group's female employees.

As of 31 December 2020 the Group's closing headcount was 12,842, 8,409 of whom work in white-collar positions including 7,291 university or college graduates. The closing headcount of the parent company was 6,475 at the same time. Graduate educated personnel represented 87% of white collar staff.

5. Capital expenditure

The Group's major capital expenditures are disclosed in Note 13 and 33 of the Group's IFRS Consolidated Financial Statements.

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, pharmaceutical industry related operating and compliance, as well as 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	Priority risk management procedures	Changes in risk
Cariprazine's considerable significance in contributing to the company's sales return and profits	Cariprazine's contribution overwhelmingly depends on the net sales income achieved by our U.S. license partner and the long-term existence of the American drug pricing environment conducive to the introduction of innovative medicinal products	Joint indication extension and PASS studies with our U.S. partner, license agreements with new partners to extend the geographic areas	Increasing risk
Higher risk involved by original CNS (central nervous system) research projects entering into advanced stages	Several CNS research projects are entering the clinical trials stage with high costs and high dropout risk	Regular review of projects along rigorous criteria ("go–no go" decisions), involvement of developing and license partner from the proof of concept stage	Unchanged risk
Licensing and development of women’s health specialty products together with partners	Multiple specialty product development projects are conducted simultaneously, with higher costs and risk compared to generic development	Conclusion of complex agreements on development and licensing of women’s health products, close collaboration with partners in development projects, strengthening project management	Increasing risk
Biosimilar product development and commercialisation as well as licensing with own resources and with partners	Product development requires high-tech installations and knowhow; registration requires clinical trials meeting stringent regulatory requirements	Creation of high-tech biotech capacities, promotion of the medical and regulatory areas, close monitoring of clinical trials and CROs (Contract Research Organizations), strengthening project management	Unchanged risk
Maintenance of turnover of branded generic products	The markets of our branded generic products are characterised by government-induced price pressure, keen competition, eroding prices, and short product cycles	Development of well-chosen new generic products and being among the first to launch them in our key markets, strengthening project management	Unchanged risk
Protection of our classic product portfolio amidst shrinking market opportunities	Narrowing of indication or withdrawal in the event of reports of adverse effects and inadequate compliance with tightening regulatory requirements over time	Special attention in PV (pharmacovigilance) system, active regulatory dialogue, sustaining development projects, Life Cycle management	Unchanged risk

Pharmaceutical industry related price reimbursement, operational and compliance risks

Risk	Description	Priority risk management procedures	Changes in risk
Employees' health risks related to the COVID-19 pandemic and their negative impacts on operation and the supply chain	Employees becoming infected and sick, emergence of secondary sources. Additional costs of safety measures in production, impossibility of pharma reps' work, delays in R&D, slowing down of regulatory processes, disruptions in the supply chain	Stockpiling, preventive and localising safety measures, mandating home office work in jobs manageable in distance mode, setting up Corporate COVID Response Group in order to take wide-ranging protective measures urgently	NEW RISK!
Negative changes in drug price subsidy in the CEE region, Russia and China; claw-back taxes in European countries	Cutting the price and range of subsidised drugs may reduce the margin in the CEE region, in Russia and China; claw-back taxes reduce operating profit	Exposure may be reduced by introducing new products and focusing promotion on less threatened products	Unchanged risk
Difficulties of hiring qualified workforce at the Group's CEE subsidiaries	In the 2016-2019 period hiring qualified pharmaceutical workforce was increasingly difficult in the Hungarian, Romanian and Polish labour market; in 2020 staffing problems eased (due partly to the COVID crisis)	Application of pay raise and long-term loyalty enhancing schemes; Special wage increase in production facilities; launching own vocational training Relocation of production to Russia University training partnerships	Decreasing risk
Increasing costs and decreasing output due to EU serialisation requirements entering into effect and introduction of serialisation in Russia	Printing of packaging unit level ID marks and transferring them through the IT systems requires substantial investment. In the period of preparation for and introduction of serialisation, this output caused shortages in the market; by 2020, these difficulties have been resolved.	Employment of additional workforce, introduction of weekend shifts, purchasing new packaging lines	Decreasing risk
Commercialisation practices in keeping with industry ethical standards, superior data protection	Employee conduct violating ethical and advertising rules of drug promotion; Violation of GDPR provisions due to unauthorised use of personal data or inadequate data protection	Compliance approved by the Board; GDPR regulations and preparation; IT security developments	Unchanged risk

Risk	Description	Priority risk management procedures	Changes in risk
Meeting in some cases extremely high quality and chemical safety standards of pharmaceutical product development and manufacturing; monitoring adverse effects and product liability risk throughout the entire life cycle	Violation of GMP, GLP, GCP (Good Clinical Practice) , GDP (Good Distribution Practice), IT GXP (Good IT Practice) , PV provisions may result in loss of licenses; Product quality non-compliance, delays, costs causing competitive disadvantage and loss of reputation due to shortcomings of suppliers; New adverse effect, contamination, manufacturing error, wilful damage, forgery Compliance risk related to authorisation/restriction introduced by EU chemical safety regulation (REACH)	Equipment ensuring GMP compliance Manufacturing as per registration, quality assurance, Implementation of quality assurance systems, SOP regulated operation, Development of own APIs in the case of key products; Supplier qualification system, efforts to register alternative suppliers; Product liability insurance, general liability insurance, indemnification Ongoing monitoring of the utilisation of substances restricted under REACH	Unchanged risk*
Ensuring high-standard availability of pharmaceutical and supplier system installations and IT systems, maintenance of appropriate level of IT security	API manufacturing is dangerous with fire and explosion hazard; shortage of products due to loss of parts of plants; Drop in production due to single machine defects, inspection risk due to obsolescence; Outages of the supplier system Loss of IT servers, scarcity of data transfer capacities, unauthorised access, data theft	Production security measures based on the recommendations of "Risk survey," asset and business interruption insurance; Capacity maintaining investments, maintenance of appropriate standards, trouble shooting; Upgrading the technical level and automated surveillance of systems thereby improving operational security Regulations, development and training improving IT security	Unchanged risk*
Maintenance of high-quality occupational health protection system; Application of procedures reducing environmental load below the limits	API exposure, work related accidents, loss of workforce, indemnification; Strict environmental load limits must be observed (noise, dust, wastewater), costly waste disposal	Application and certification of OHSAS; Comprehensive life and accident insurance; Company environmental protection organisation, operating Environmental Management System (KIR), monitoring, certification, investments	Unchanged risk*

* Risk management succeeded in offsetting exposure and risk probability.

Financial risks

The Group’s price, credit, interest rate, liquidity and cash flow risks are disclosed in Note 10 of the Group’s IFRS Consolidated Financial Statements.

Risk	Description	Priority risk management procedures	Changes in risk
Exchange rate risk of cash flows and financial instruments	The Group has substantial surplus income and financial instruments in RUB, USD and other Forex whose HUF and EUR value is affected by exchange rate volatility that may result in losses	Partial natural hedge with costs incurred in the same Forex, reduction of open positions by exchange Financial hedging only by authorisation of the Board of Directors	Unchanged risk
Customer credit risk	Customer credit risk is higher in some of the Group's markets (CIS, Other countries) and with some of the Group members' buyers (Romanian wholesale company)	Extended insurance with MEHIB on CIS and Other countries trade receivables of Richter Group Market COFACE insurance on Pharmafam's Romanian customers	Unchanged risk*
Risks associated with management and investment of funds (liquidity, partner and interest rate risks)	Secure investment of the parent company's temporarily liquid assets must be solved; Secure management of subsidiaries' occasionally substantial liquid assets must be solved	At parent company: BoD approved financial investment regulations, its strict observation and supervision; Centralised control of subsidiaries' liquid assets	Unchanged risk*
Taxation risks	Parent company: certifying eligibility for R&D and royalty related tax allowance; Group: justification of transfer pricing among affiliated undertakings	Procedure to report royalty related tax allowance agreed upon by the tax authority, possibility for the parent company to carry forward unused tax credit from unused tax losses (TLCF) Group: process established based on transfer pricing Masterfile, local transfer pricing documentations	Unchanged risk

* Risk management succeeded in offsetting exposure and risk probability.

7. Events after the reporting period

Significant events occurred after the reporting period are disclosed in Note 42 of the Group's IFRS Consolidated Financial Statements.

8. Future outlook

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

The Group focuses on strengthening its presence in, and increasing exports to, European Union, primarily in the EU15 (including UK), and China, retaining and strengthening positions acquired in the United States, and developing new long-term research and development cooperation with existing and new partners.
The main tool to achieve these goals in the context of Hungary, the CIS and the European countries is to improve the efficiency of Richter's sales networks. In Western Europe the strategy is implemented by means of our own marketing network, and in the United States through long-term agreements concluded with strategic partners. Through a variety of acquisitions Richter is directly present in the world's fastest growing pharmaceutical markets (China and the Latin American region).

The success of proprietary research and development aimed at CNS products is crucial for Richter Group's future and for strengthening its market positions. The second pillar of the specialty strategy is the expansion of the women's healthcare portfolio commercialised by the companies operating in the traditional markets, with the support of the newly established Western European marketing network. The Group's ongoing objective is to achieve faster growth and to present higher rate of annual sales in its special niche of oral contraceptives and steroid-based women's healthcare products.
The third pillar of the Group's "specialty" strategy is the development of biosimilar products and the high-value investment to create conditions for their manufacture.
Besides the above, Richter is striving to exploit the opportunities provided by marketing the portfolio of traditional products to a maximum extent.

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

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Company Registration Number: 01-09-071057

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Richter Gedeon Nyrt.

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Richter Gedeon Nyrt. and its subsidiaries (the „Group") for the year 2020 which comprise the consolidated statement of financial position as at December 31, 2020 – which shows a total assets of mHUF 948 589–, and the related consolidated statement of recognized income, consolidated statement of comprehensive income – which shows total comprehensive income for the year of mHUF 102 574 –, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended and notes to the consolidated financial statements including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at December 31, 2020 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union (the „EU IFRS"), and the consolidated financial statements were prepared in all material respects in accordance with the provisions of the effective Hungarian Act C of 2000 on Accounting (the „Accounting Act") relevant to the entities preparing consolidated financial statements in accordance with EU IFRS.

Basis for Opinion

We conducted our audit in accordance with the Hungarian National Standards on Auditing and the effective Hungarian laws and other regulations on audits. Our responsibilities under these standards are further described in the "*The Auditor's Responsibilities for the Audit of the Consolidated Financial Statements*" section of our report.

We are independent of the Group in compliance with the relevant effective Hungarian regulations and the "Rules of conduct (ethical rules) of the auditor profession and the disciplinary process" of the Chamber of Hungarian Auditors and, in respect of matters not regulated therein, the Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (the IESBA Code) and we have fulfilled our other ethical responsibilities in accordance with the same ethical requirements.

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the matter
Valuation of intangible assets	
(See note 13.2 to the consolidated financial statements for the details) As described in the consolidated notes to the consolidated financial statements, the Entity reported intangible assets in the amount of mHUF 95 438 as at 31 December 2020. As required by the applicable accounting standards, Management conducts regular impairment test to assess whether there is a need to record impairment with respect to the intangible assets based on the existing indicators. The identification of the triggering events and impairment tests are considered a key audit matter, as it requires application of professional judgement and use of subjective assumptions by management.	The relevant audit procedures performed by us included the following: - evaluating design and implementation of key controls related to identification of triggering events and impairment testing -benchmarking the key market related assumptions in the models against external sources and budgets approved by the Management, - involving our valuation experts where it was considered necessary to assist us in re-performing the calculation of the impairment test and independently assessing the appropriateness of the assumptions used, the methodologies and policies applied, - assessing the comparison of the carrying amount to the recoverable and impairment accounted for, - assessing the adequacy of the disclosures in the financial statements.

Other Matters

The financial statements of Company for the year ended December 31, 2019, were audited by another auditor who expressed an unmodified opinion on those statements on March 23, 2020.

Other Information

Other information comprises the information included in the "Management report" and the consolidated business report of the Group for 2020, which we obtained prior to the date of this auditor's report, and the Annual report, which is expected to be made available to us after that date, but does not include the consolidated financial statements and our auditor's report thereon. Management is responsible for the other information and for the preparation of the consolidated business report in accordance with the relevant provisions of the Accounting Act and other regulations. Our opinion on the consolidated financial statements provided in the section of our independent auditor's report entitled *"Opinion"* does not apply to the other information.

Our responsibility in connection with our audit of the consolidated financial statements is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

Furthermore, in accordance with the Accounting Act, our responsibilities regarding the consolidated business report also include reviewing the consolidated business report to assess whether the consolidated business report was prepared in accordance with the relevant provisions of the Accounting Act and other regulations, if any, including the assessment whether the consolidated business report complies with the

requirements of Section 95/B (2) e) and f) of the Accounting Act, and to express an opinion on the above and on whether the consolidated business report is consistent with the consolidated financial statements. Furthermore, in accordance with the Accounting Act we shall make a statement whether the information referred to in Section 95/B. (2) a)-d), g) and h) has been provided in the consolidated business report.

In our opinion, the consolidated business report of the Group for 2020 corresponds to the consolidated financial statements of the Group for 2020 and the relevant provisions of the Accounting Act in all material respects. The information referred to in Section 95/B. (2) a)-d), g) and h) of the Accounting Act has been provided.

As the Group is not subject to additional requirements under any other regulation in connection with the consolidated business report, we have not formulated an opinion on this matter.

In addition to the above, based on the information obtained about the Group and its environment, we must report on whether we became aware of any material misstatements in the other information and, if so, on the nature of such material misstatements. We have nothing to report in this regard.

When we read the Annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the International Financial Reporting Standards as adopted by the European Union, 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.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

The auditor's responsibilities for the audit of the consolidated financial statements

Our objectives during the audit are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue, on the basis of the above, an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Hungarian National Standards on Auditing and the effective Hungarian laws and other regulations on audits will always detect a material misstatement when it exists. Misstatements can arise from fraud or error, and they are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with the Hungarian National Standards on Auditing and the effective Hungarian laws and other regulations on audits, we exercise professional judgment and maintain professional scepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk

of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify the opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in the Group's internal control that we identify during the audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

In compliance with Article 10 (2) of Regulation (EU) No. 537/2014 of the European Parliament and the Council, we provide the following information in our independent auditor's report, which is required in addition to the requirements of International Standards on Auditing:

Appointment of the Auditor and the Period of Engagement
We were appointed as the auditors of the Richter Gedeon Nyrt. by the General Meeting of Shareholders on April 28, 2020 and our uninterrupted engagement has lasted since our appointment.

Consistence with the Additional Report to the Audit Committee
We confirm that our audit opinion on the consolidated financial statements expressed herein is consistent with the additional report to the Audit Committee of the Richter Gedeon Nyrt., which we issued on March 9, 2021 in accordance with Article 11 of Regulation (EU) No. 537/2014 of the European Parliament and the Council.

Provision of Non-audit Services
We declare that no prohibited non-audit services referred to in Article 5 (1) of Regulation (EU) No. 537/2014 of the European Parliament and the Council were provided by us to the Group. In addition, there are no other non-audit services which were provided by us to the Richter Gedeon Nyrt. and its controlled undertakings and which have not been disclosed in the consolidated financial statements.

The engagement partner on the audit resulting in this independent auditor's report is the signatory of the report.

Budapest, March 10, 2021

Horváth Tamás
on behalf of Deloitte Auditing and Consulting Ltd.
and as a statutory registered auditor

Deloitte Auditing and Consulting Ltd.
1068 Budapest, Dózsa György út 84/C.
Registration number: 000083

Registration number of statutory registered auditor: 003449

GEDEON RICHTER

Established in 1901

DECLARATION

The undersigned **Gábor Orbán** as the Chief Executive Officer of **Chemical Works of Gedeon Richter Plc.** (registered office: H-1103 Budapest, Gyömrői út 19-21., Reg.No.: Cg.01-10-040944) /hereinafter Company/ representing solely the Company, in accordance with Annex I. Sec. 3.4.-3.5. of 24/2008. (VIII.15.) Ministry of Finance Decree on detailed rules of disclosure obligation related to publicly offered securities hereby

declares

(1) that the 2020 annual consolidated financial statements, which have been prepared to the best of our knowledge and in accordance with the applicable set of accounting standards and approved by the Company's Board of Directors Board of Directors - *based on Subsection (1) of Section 5 and Section 9 of the Government decree no. 502/2020 (XI.16.) on the re-introduction of deviating regulations related to the operation of partnerships and capital-concentrating organisations during the state of emergency* - acting in the competence of the General Meeting, gives true and fair view of the assets, liabilities, financial position and profit and loss of the Company and the undertakings included in the consolidation taken as a whole, and

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

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

Date: Budapest, 15th April, 2021

Gábor Orbán
Chief Executive Officer